

FIDUS INVESTMENT Corp  
Form 10-Q  
May 07, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2015**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 814-00861**

**Fidus Investment Corporation**

**(Exact Name of Registrant as Specified in its Charter)**

**Maryland**  
**(State or Other Jurisdiction of**

**27-5017321**  
**(I.R.S. Employer**

**Incorporation or Organization)**

**Identification No.)**

**1603 Orrington Avenue, Suite 1005**

**Evanston, Illinois**  
**(Address of Principal Executive Offices)**

**60201**  
**(Zip Code)**

**(847) 859-3940**

**(Registrant's telephone number, including area code)**

**n/a**

**(Former name, former address and former fiscal year, if changed since last report)**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 6, 2015, the Registrant had outstanding 16,169,485 shares of common stock, \$0.001 par value.



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**QUARTERLY REPORT ON FORM 10-Q**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****FIDUS INVESTMENT CORPORATION****Consolidated Statements of Assets and Liabilities****(In thousands, except shares and per share data)**

	<b>March 31, 2015 (unaudited)</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Investments, at fair value		
Control Investments (cost: \$10,518 and \$10,460, respectively)	\$ 3,758	\$ 4,244
Affiliate investments (cost: \$82,340 and \$81,979, respectively)	86,168	86,200
Non-control/non-affiliate investments (cost: \$314,549 and \$298,899, respectively)	322,678	305,911
Total investments, at fair value (cost: \$407,407 and \$391,338, respectively)	412,604	396,355
Cash and cash equivalents	16,367	29,318
Interest receivable	5,435	4,460
Deferred financing costs (net of accumulated amortization of \$3,018 and \$2,784, respectively)	4,754	4,567
Prepaid expenses and other assets	818	887
<b>Total assets</b>	<b>\$ 439,978</b>	<b>\$ 435,587</b>
<b>LIABILITIES</b>		
SBA debentures	\$ 178,500	\$ 173,500
Borrowings under credit facility	10,800	10,000
Accrued interest and fees payable	600	2,853
Due to affiliates	5,234	5,395
Taxes payable		328
Accounts payable and other liabilities	176	248
<b>Total liabilities</b>	<b>195,310</b>	<b>192,324</b>
Commitments and contingencies (Note 7)		
<b>NET ASSETS</b>		
Common stock, \$0.001 par value (100,000,000 shares authorized, 16,113,152 and 16,051,037 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively)	16	16
Additional paid-in capital	244,103	243,008

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Undistributed net investment income	12,563	12,433
Accumulated net realized (loss) gain on investments, net of taxes and distributions	(15,999)	(15,999)
Accumulated net unrealized appreciation (depreciation) on investments	3,985	3,805
<b>Total net assets</b>	<b>244,668</b>	<b>243,263</b>
<b>Total liabilities and net assets</b>	<b>\$ 439,978</b>	<b>\$ 435,587</b>
<b>Net asset value per common share</b>	<b>\$ 15.18</b>	<b>\$ 15.16</b>

*See Notes to Consolidated Financial Statements (unaudited).*

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Statements of Operations (unaudited)****(In thousands, except shares and per share data)**

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Investment income:		
Interest income		
Control investments	\$ 128	\$
Affiliate investments	2,345	2,477
Non-control/non-affiliate investments	9,450	7,074
Total interest income	11,923	9,551
Dividend income		
Affiliate investments	30	30
Non-control/non-affiliate investments	107	347
Total dividend income	137	377
Fee income		
Affiliate investments		388
Non-control/non-affiliate investments	764	222
Total fee income	764	610
Interest on idle funds and other income	14	21
Total investment income	12,838	10,559
Expenses:		
Interest and financing expenses	2,130	1,753
Base management fee	1,791	1,365
Incentive fee	1,599	842
Administrative service expenses	368	363
Professional fees	439	397
Other general and administrative expenses	293	377
Total expenses	6,620	5,097
Net investment income before income taxes	6,218	5,462
Income tax provision	(11)	18
<b>Net investment income</b>	<b>6,229</b>	<b>5,444</b>

Net realized and unrealized gains (losses) on investments:

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Realized gains on affiliate investments			166
Realized gains on non-control/non-affiliate investments			1,693
Net change in unrealized appreciation (depreciation) on investments	180		(3,908)
Income tax (provision) on realized gains on investments			(17)
<b>Net (loss) gain on investments</b>	180		(2,066)
<b>Net increase in net assets resulting from operations</b>	\$ 6,409	\$	3,378
<b>Per common share data:</b>			
Net investment income per share-basic and diluted	\$ 0.39	\$	0.40
Net increase in net assets resulting from operations per share-basic and diluted	\$ 0.40	\$	0.25
Dividends declared per share	\$ 0.38	\$	0.38
Weighted average number of shares outstanding - basic and diluted	16,060,057		13,755,232

*See Notes to Consolidated Financial Statements (unaudited).*



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(In thousands, except shares)

	Common Stock		Additional Paid in Capital	Undistributed Net Investment Income	Accumulated Net Realized (Loss) Gain on Investments, Appreciation of taxes and Depreciation		Total Net Assets
	Number of Shares	Par Value			Net Unrealized	Accumulated	
<b>Balances at December 31, 2013</b>	13,755,232	\$ 14	\$ 206,123	\$ 3,221	\$ 11,212	\$ (9,445)	\$ 211,125
Public offerings of common stock, net of expenses							
Shares issued under dividend reinvestment plan	10,410		199				199
Net increase in net assets resulting from operations				5,444	1,842	(3,908)	3,378
Dividends declared				(5,227)			(5,227)
<b>Balances at March 31, 2014</b>	13,765,642	\$ 14	\$ 206,322	\$ 3,438	\$ 13,054	\$ (13,353)	\$ 209,475
<b>Balances at December 31, 2014</b>	16,051,037	\$ 16	\$ 243,008	\$ 12,433	\$ (15,999)	\$ 3,805	\$ 243,263
Public offerings of common stock, net of expenses	49,193		882				882
Shares issued under dividend reinvestment plan	12,922		213				213
Net increase in net assets resulting from operations				6,229		180	6,409
Dividends declared				(6,099)			(6,099)
<b>Balances at March 31, 2015</b>	16,113,152	\$ 16	\$ 244,103	\$ 12,563	\$ (15,999)	\$ 3,985	\$ 244,668

*See Notes to Consolidated Financial Statements (unaudited).*



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	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities:</b>		
Net increase in net assets resulting from operations	\$ 6,409	\$ 3,378
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) operating activities:		
Net change in unrealized (appreciation) depreciation on investments	(180)	3,908
Realized (gain) on investments		(1,859)
Interest and dividend income paid-in-kind	(1,074)	(1,501)
Accretion of original issue discount	(151)	(201)
Accretion of loan origination fees	(212)	(116)
Purchase of investments	(39,561)	(17,294)
Proceeds from sales and repayments of investments	24,679	13,558
Proceeds from loan origination fees	250	97
Amortization of deferred financing costs	234	131
Changes in operating assets and liabilities:		
Interest receivable	(975)	(1,197)
Prepaid expenses and other assets	69	(601)
Accrued interest and fees payable	(1,753)	(1,639)
Due to affiliates	(161)	(910)
Taxes payable	(328)	(684)
Accounts payable and other liabilities	(72)	167
<b>Net cash (used in) operating activities</b>	<b>(12,826)</b>	<b>(4,763)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from stock offerings, net of expenses	882	
Proceeds received from SBA debentures	5,000	
Net proceeds received from borrowings under credit facility	800	
Payment of deferred financing costs	(921)	
Dividends paid to stockholders	(6,099)	(5,028)
Taxes paid on deemed distribution		(2,887)
<b>Net cash (used in) financing activities</b>	<b>(338)</b>	<b>(7,915)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(13,164)</b>	<b>(12,678)</b>
Cash and cash equivalents:		
Beginning of period	29,318	53,418
End of period	\$ 16,154	\$ 40,740

**Supplemental disclosure of cash flow information:**

Cash payments for interest	\$	3,649	\$	3,261
Cash payments for taxes, net of tax refunds received	\$	317	\$	3,606

**Non-cash financing activities:**

Shares issued under dividend reinvestment plan	\$	213	\$	199
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*See Notes to Consolidated Financial Statements (unaudited).*

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (unaudited)****March 31, 2015****(In thousands, except shares)**

<b>Portfolio Company<sup>(1)</sup> <sup>(2)</sup></b>	<b>Industry</b>	<b>Investment Type<sup>(3)</sup></b>	<b>Rate <sup>(4)</sup> Cash/PIK</b>	<b>Maturity</b>	<b>Principal Amount</b>	<b>Cost</b>	<b>Percent of Fair Net Value Assets</b>
<b>Control Investments <sup>(5)</sup></b>							
<i>Paramount Building Solutions, LLC</i>	Retail Cleaning	Subordinated Note	7.0%/3.0%	12/31/2017	\$ 1,126	\$ 1,126	\$ 1,061
		Subordinated Note	7.0%/7.0%	12/31/2017	2,892	2,892	2,628
		Warrant (1,086,035 units) <sup>(7)</sup>					
		Preferred Equity (5,000,000 units)					