

Zacks Small-Cap Research

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Alcentra Capital (ABDC-NASDAQ)

ABDC: New Management Continues Alcentra's March To Higher Returns

We believe the stock should trade at \$8.00 per share based on increasing NAV, successful progress made in the portfolio pivot and efforts to decrease the discount to NAV.

OUTLOOK

Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon, its single largest shareholder. The company's target market is the lower middle-market, which management believes traditional lenders underserve. ABDC shares, which provide 9.4% dividend, trade at a 31% discount to the company's \$11.13 NAV (net asset value) / share.

Current Price (03/13/19) \$7.69
Valuation **\$8.00**

SUMMARY DATA

52-Week High \$7.76
52-Week Low \$5.63
One-Year Return (%) 8.6
Beta 0.6
Average Daily Volume (sh) 41,165

Shares Outstanding (mil) 12.9
Market Capitalization (\$mil) \$99
Short Interest Ratio (days) 1.0
Institutional Ownership (%) 28
Insider Ownership (%) 1

Annual Cash Dividend \$0.72
Dividend Yield (%) 9.4

5-Yr. Historical Growth Rates
Sales (%) 20.3
Earnings Per Share (%) -7.5
Dividend (%) -9.9

P/E using TTM EPS 7.6
P/E using 2019 Estimate 9.2
P/E using 2020 Estimate 8.8

Zacks Rank N/A

Risk Level Below Average
Type of Stock Small Value
Industry Fin-SBIC&Commercl

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	9.2 A	8.3 A	7.6 A	8.2 A	33.4 A
2018	8.2 A	7.3 A	6.6 A	7.0 A	29.0 A
2019	6.5 E	6.4 E	6.4 E	6.3 E	25.6 E
2020					26.1 E

Adjusted NII Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	\$0.34 A	\$0.36 A	\$0.34 A	\$0.28 A	\$1.32 A
2018	\$0.27 A	\$0.25 A	\$0.22 A	\$0.27 A	\$1.01 A
2019	\$0.24 E	\$0.21 E	\$0.20 E	\$0.20 E	\$0.84 E
2020					\$0.87 E

Zacks Projected EPS Growth Rate - Next 5 Years % N/A

KEY POINTS

- Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon.
- As of December 31, the company's \$235 million portfolio was composed of 30 investments, comprised of 28 companies, one broadly syndicated loan (BSL), and one rated CLO debt instrument. It was invested 91% in debt and 9% in equity.
- The company originally targeted the lower middle-market, but new management is rotating the portfolio to larger middle-market private equity backed transactions. It considers the middle market \$15 million - \$75 million in EBITDA. Management believes this is a more prudent place to invest this late in the credit cycle. It is also beginning to invest overseas where it can take advantage of the company's strengths and network and its President is now located in London.
- To mitigate its risk, the company conducts substantial due diligence, seeks rigorous financial covenants and diversifies its investments across a broad range of sectors and portfolio companies. Its largest sector is business services at 20% of the total investment portfolio followed by healthcare services at 19%.
- Only one company is now on non-accrual: Southern Technical Institute. There are seven others on the watch list: Alarm Capital, Battery Solutions, Conisus, Envocore, IGT, Palmetto Moon, and XGS. The weighted average yield on the company's debt portfolio was again 11.0% this quarter.
- Alcentra is suffering from increased competition in the lending market that is pushing down rates. It also had a number of investments that went sour. These investments have been written down to where there most could provide upside in the future or completely eliminated.
- At \$7.69, the shares trade at a **31% discount to the company's \$11.13 NAV** (net asset value) per share. NAV has declined from the \$14.63 per share at the time of its May 2014 IPO, but has been on the rise for the past two quarters since new management took over. The company is actively working to revamp the portfolio and decrease the discount of the stock price to the NAV. At its current price, Alcentra's current dividend yield is 9.4%, below the average of 10.2%.
- While past dividend cuts have stung investors, new management has rapidly culled the losing investments from the portfolio, which should lessen the chance for future declines in NAV. With assets redeployed there is the potential for higher earnings, which could lead to an increased dividend in the future and thus further price appreciation. Stock buybacks are also still in effect increasing NAV. These efforts should lead to stock price appreciation going forward.

WHAT'S NEW

Alcentra Capital's reported Q4 and full year 2018 earnings. The new management team continues to execute on its strategy of rotating toward a larger middle market, senior secured debt portfolio. Its goal is to both improve earnings and to decrease the discount of the stock price to NAV. In pursuit of that goal it is also buying back stock which also increases NAV. Since January 1, 2018, Alcentra has repurchased 1,280,111 shares of its outstanding common stock under its share repurchase programs, or approximately 9.0% of the shares outstanding as of January 1, 2018. As of January 14, 2019, it has approximately \$6.2 million of repurchase authority remaining under the current repurchase program.

Q4 2019 Earnings

NAV again increased in Q4 over Q3 and the stock price to NAV discount decreased to 31% from 43% last quarter. This was aided by the buying back of 411,939 shares, at an average price of \$6.62, for \$2.7 million during the quarter, all of which were in December. Given the large discount of the stock price to NAV, buying back stock is now low risk way to provide return to shareholders.

For the fourth quarter of 2018, the company reported total investment income of \$7.0 million versus \$8.2 million last year, a decline of 15%. Net investment income was \$3.0 million, or \$0.27 per share versus \$4.0 million and \$0.28 per share last year.

Of the 28 portfolio companies, there were eight write-downs this quarter totally \$5.6 million: Battery Solutions (\$1.3 million); Champion One (\$0.1 million); Envocore (\$1.3 million); IGT (\$0.1 million); Metal Power Products (\$0.1 million); Palmetto Moon (\$0.3 million); XGS, based on closing of sale of the company, (\$2.3 million), and Goldentree Loan Management (CLO) (\$0.2 million.) Four positions were written up totaling \$3.3 million: Black Diamond (\$1.7 million); FST (\$1.4 million); Tunnel Hill (\$0.1 million) and Virence (\$0.1 million.) The portfolio value decreased to \$235 million from \$249 million in Q3 2018.

Net asset value (NAV) was **\$11.13 per share** as of December 31, 2018 versus \$11.08 per share, on September 30, 2018. During Q4 the company exited or received proceeds from repayments, loan dispositions and amortizations on investments of \$75 million and invested or committed to invest \$60 million.

These include the following investments, which have closed:

- \$4.4 million senior secured loan (LIBOR+8.00%) to **Sandvine Corporation**, a networking equipment company that provides policy control solutions and intelligence to fixed, mobile and converged communications service provider networks;
- \$19.9 million senior secured loan (LIBOR+6.25%) to **Impact Group, LLC**, a leading sales and marketing agency with expertise in the retail brokerage and consumer packaged goods industry;
- \$6.3 million senior secured loan (EURIBOR+7.00%) to **Clanwilliam Group**, an international healthcare technology and services company based in Dublin, Ireland;
- the conversion of the Company's senior secured loan in **Xpress Global Systems, LLC** into an equity investment in connection with the sale of Xpress to a new private equity sponsor; and
- the conversion of the Company's various debt positions in Black Diamond Equipment Rentals into one senior secured loan in connection with the recapitalization by its existing financial sponsor.

Subsequent Events

On January 3, 2019, Alcentra **paid a dividend** to shareholders of record as of December 29, 2018 of \$0.18 per share.

On January 15, 2019, Alcentra funded \$5.0 million of the second lien loan for **Cambium Learning Group, Inc.** at L + 8.5%.

On January 31, 2019, **Epic Healthcare Staffing Intermediate Holdco, LLC** repaid **\$3.6 million** of its revolver with the Company.

On February 4, 2019, Alcentra funded **\$2.4 million** to **Aegis Toxicology Sciences Corporation**, a first lien loan at L + 5.5%.

On February 8, 2019, **Tunnel Hill repaid its escrow shares for \$0.8 million.**

On February 8, 2019, **FST Technical Services, LLC repaid its debt and equity for \$13.6 million** (consisting of the principal amount of \$13.4 million plus accrued interest) and \$3.1 million, respectively.

On February 11, 2019, **VVC Holding Corp. repaid its debt** plus accrued interest in the amount of \$6.0 million, plus a prepayment penalty of \$0.1 million.

On March 4, 2019, ABDC was allocated a \$3.0 million position in the first lien loan at L + 4.5%, and a \$2.0 million position in the second lien loan at L + 8.5%, for **Institutional Shareholder Services Inc.** The second lien loan was funded on March 8, 2019.

On March 11, 2019, it approved its **2019 first quarter dividend of \$0.18** per share, payable on April 4, 2019 to stockholders of record as of March 29, 2019.

From January 1, 2019 through March 11, 2019, Alcentra **repurchased** an additional 229,729 shares under its share repurchase program.

As of March 12, 2019, Suhail A. Shaikh became the CEO and Peter Glaser is now Alcentra's sole President.

INVESTMENT PORTFOLIO

Alcentra has one investment on non-accrual:

[Southern Technical Institute](#) has three campuses in Florida where it teaches healthcare through four programs to train certified nursing assistants: home health aide, phlebotomy technician, patient care assistant, and hemodialysis technician. The value was **written down zero** from an original \$15.8 million. The company is awaiting resolutions of issues outside of its control.

There are another seven companies on the watch list:

[Alarm Capital Alliance](#) was founded in 2000 is headquartered in Newton Square, Pennsylvania. It is a security and alarm monitoring company. ACA services households and small commercial businesses across the United States through its security services and home automation technologies.

[Battery Solutions](#) was written down during Q4 by \$1.3 million based upon recent financial performance due to weather related shipment problems. The company, established in 1992 and headquartered in Wixom, MI, is North America's largest provider of battery recycling solutions. With three locations, two in Michigan and one in Mesa, AZ, BSL offers customized battery recycling solutions which include program design, collection systems, logistics, disassembly, chemistry identification, battery sorting, material recovery, regulatory compliance, and documentation to corporations, governments, municipalities, and households.

[Conisus](#) was founded in 1999 in Atlanta. It is a leading outsourced medical service provider specializing in promotional drug marketing and continuing medical education ("CME") services to the oncology and hematology biopharmaceutical industry.

[Envocore Energy Solutions](#) equity was written down by \$1.3 million during Q4 due to an earnings miss. It was founded in 1991 and is located in Gambrills, MD. It is the leading provider of custom energy (lighting & water) efficiency services to Energy Service Companies (ESCOs) and utility clients. The company acts as a sub-contractor to these clients and performs design, engineering, and installation.

[IGT](#) had a slight write down of equity of \$100,000. It is a global provider of maintenance, repair and operations (MRO) services and parts for the industrial gas turbine market. IGT primarily serves the power generation, industrial, and aerospace end-markets and was formed from the acquisition of two companies: PAS IRE and TRS Services, one in Ireland and one in Houston.

[Palmetto Moon, LLC](#) was valued down by \$300,000 based upon its recent financial performance. It is a specialty retailer of outdoor active lifestyle apparel and accessories, college lifestyle apparel, and state & local-themed apparel headquartered in Mt. Pleasant, South Carolina. Its stores are located in traditional malls, power centers, and outlet malls primarily in South Carolina (one unit in Georgia).

[Xpress Global Systems](#)

XGS is 40-year-old transportation company that serves the needs of the floor covering industry as a trucking company and logistics supplier. It is located in Chattanooga, Tennessee. XGS was written down in Q4 by \$2.3 million based on the closing of sale of the company.

Investment Mix

On December 31, 2018, \$235 million was invested in 30 investments. The portfolio then was 72% senior secured first lien debt, 18% senior secured second lien debt, 1% mezzanine debt, and 9% equity investments and 1% CLO.

13.1% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was \$6.9 million. The value of the largest portfolio company, CGGR Operations (Carlton Group), was \$23 million and it is 10% of the portfolio. It provides turnkey solutions addressing employee incentives/rewards program administration (Power2Motivate) and reward fulfillment and logistics (Global Reward Solutions) and is based in Toronto. The largest industry sector is business services at 20% of the portfolio.

Portfolio Characteristics

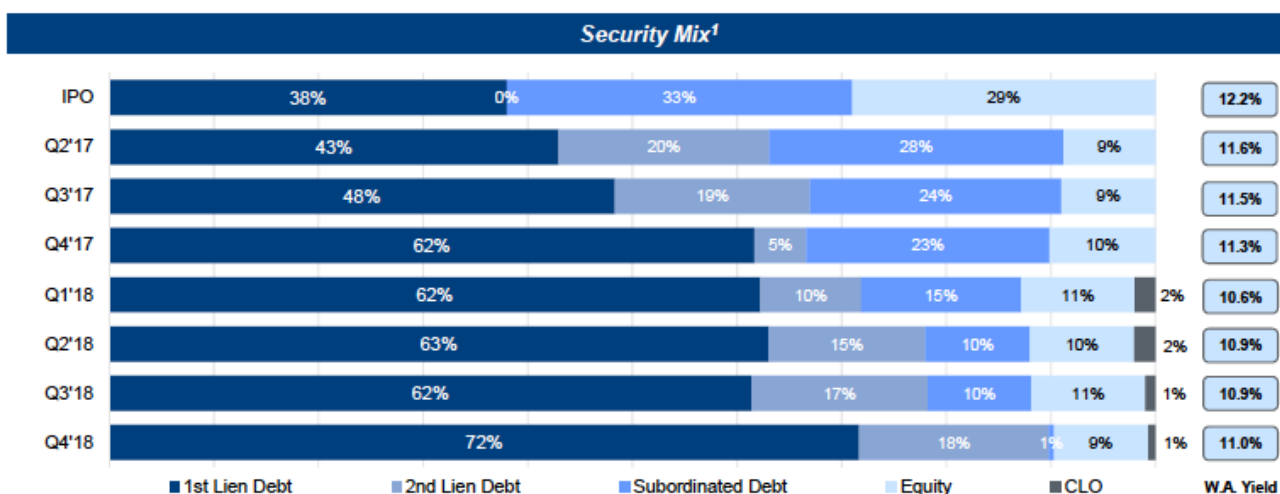


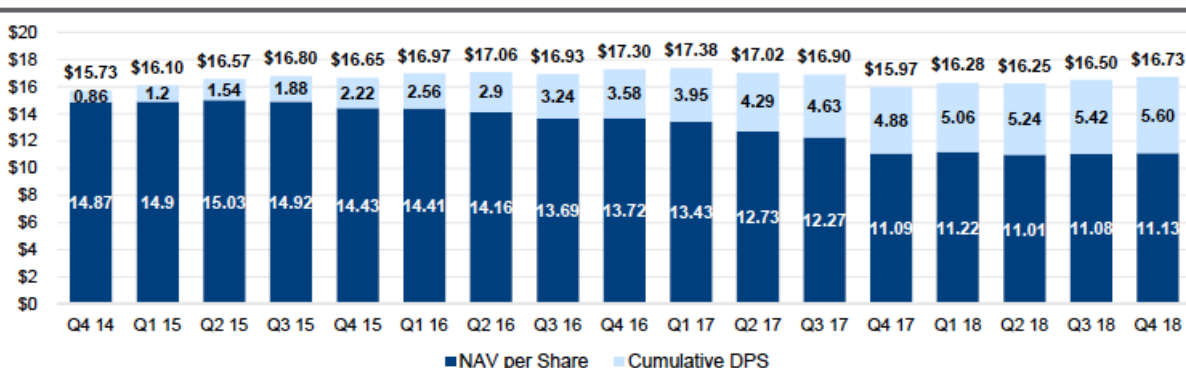
Table 1: Investments as of December 31, 2018

Company	Cost	Fair Value	\$ Change	% Change
Battery Solutions	6,757,790	5,699,791	(1,057,999)	-16%
BayMark Health Services	6,938,172	7,000,000	61,828	1%
Black Diamond Rentals	11,385,109	11,382,254	(2,855)	0%
Cambian	3,800,000	3,800,000	-	0%
CGGR Operations	22,721,398	22,900,000	178,602	1%
Champion ONE	6,967,683	6,792,640	(175,043)	-3%
Clanwilliam Group Ltd	6,344,310	6,347,088	2,778	0%
Conisus	12,677,834	6,554,225	(6,123,609)	-48%
Envocore Holding	19,613,704	19,288,000	(325,704)	-2%
Epic Healthcare Staffing	13,392,406	13,430,114	37,708	0%
FST Technical Services	15,212,562	16,406,021	1,193,459	8%
Goldentree Loan Mgt CLO	1,948,058	1,739,600	(208,458)	-11%
Healthcare Associates of Texas	20,578,816	20,578,816	-	0%
Impact Group	19,965,214	19,965,214	-	0%
IGT	1,481,711	271,789	(1,209,922)	-82%
Lugano	6,896,118	7,365,358	469,240	7%
Manna Pro Products	1,316,153	1,322,485	6,332	0%
Medsurant Holdings, LLC	8,701,223	8,729,396	28,173	0%
Metal Powder Products	500,000	666,047	166,047	33%
Alarm Capital	5,485,401	1,023,999	(4,461,402)	-81%
Palmetto Moon	5,155,081	4,754,350	(400,731)	-8%
PharmaLogic Holdings	11,267,485	11,340,000	72,515	1%
Pinstripe Holdings	9,800,000	9,800,000	-	0%
Sandvine Corp	4,410,000	4,410,000	-	0%
Superior Controls	10,189,394	10,614,192	424,798	4%
Tunnel Hill	2,529,303	820,437	(1,708,866)	-68%
VVC Holding	5,943,433	6,120,000	176,567	3%
Wedding Wire	4,950,000	4,950,000	-	0%
Xpress Global Systems	1,254,000	726,000	(528,000)	-42%
Total	253,878,346	234,797,816	(19,080,530)	-8%

DIVIDENDS

In order to maintain preferential tax treatment, BDCs such as Alcentra must distribute a minimum of 90% of their income to shareholders. Since August of 2014, the company had paid a regularly scheduled quarterly dividend of \$0.34 but has cut that to \$0.18. It expects the dividend to remain at that level for the foreseeable future. The \$0.18 quarterly dividend equates to a \$0.72 annual dividend and a current yield of 9.4%

Net Asset Value Per Share and Dividends Paid

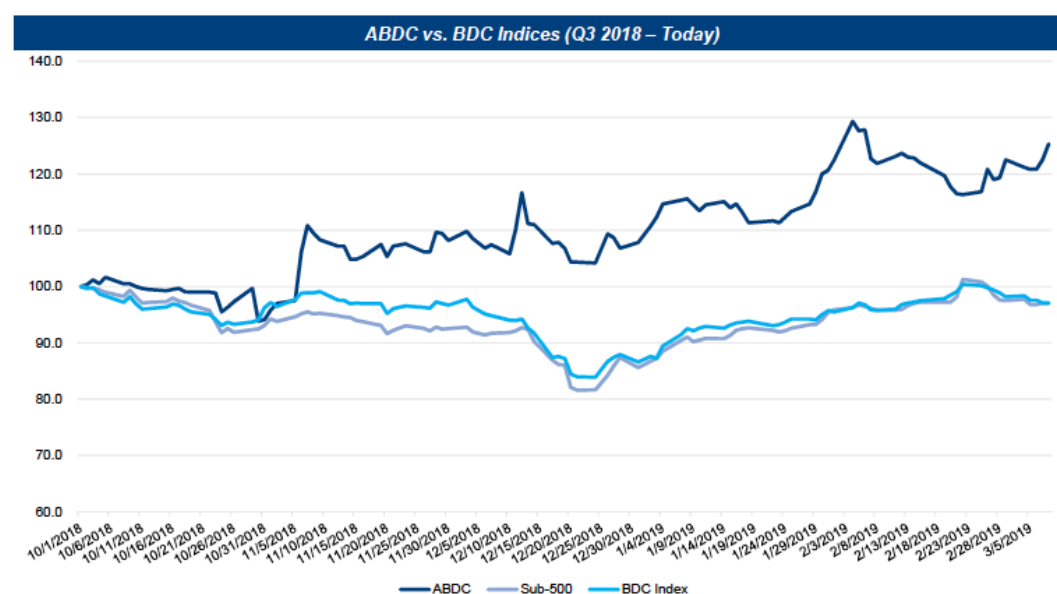


COMPETITION

The company competes primarily with traditional and alternative lenders that are also targeting the middle to lower middle markets. The other lenders it frequently sees looking at the same deals as it are OFS Capital Management, Fidus Investment Corp (FDUS), Triangle Capital Corp (TCAP) and Saratoga.

VALUATION

ABDC Performance vs. BDC Indices



Source: S&P Capital IQ

Note: BDC Index reflects the performance of the constituents of the Wells Fargo BDC Index. Sub-500 reflects performance of such BDCs with under \$500 million in total assets

Alcentra had been underperforming the BDC index but since new management has arrived, it is outperforming. As noted on the following table, on an NAV basis, BDC industry shares trade at an average 2.7% premium to share price. There is a wide valuation gap among the BDCs as shown below. Alcentra stock currently trades at a lower than average dividend yield of 9.4% versus the average at 10.2%, but the highest discount to NAV at 31%. Management is working to close that discount.

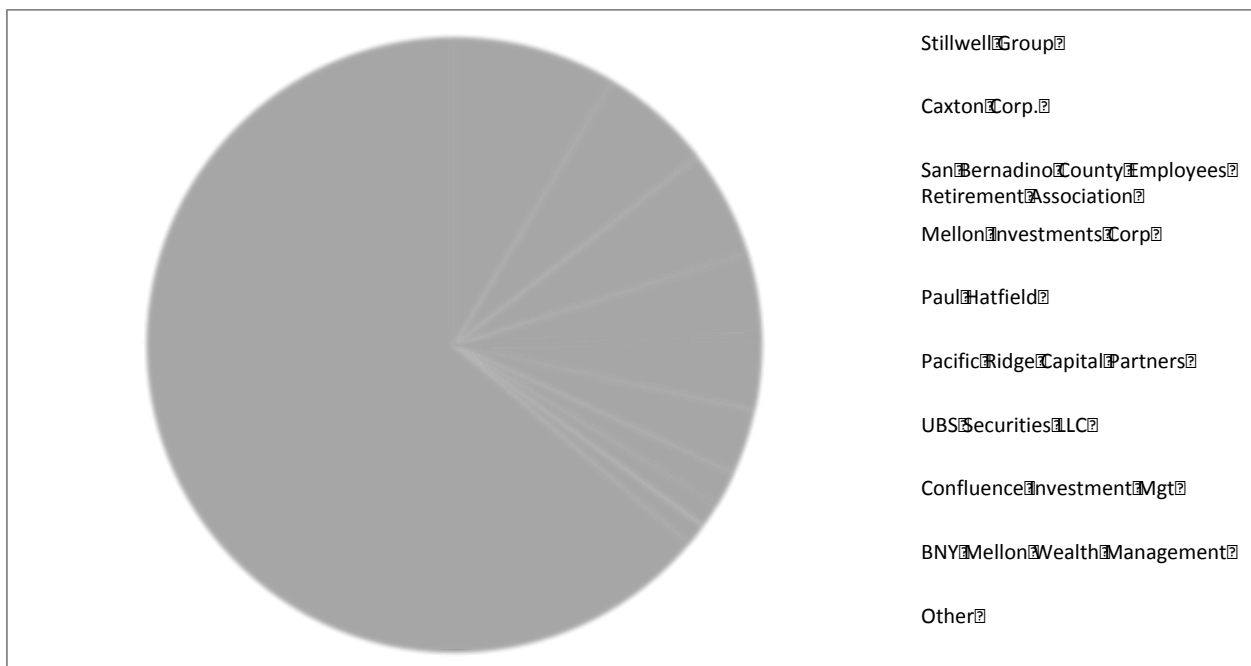
BDCs Company	Ticker	Price	52-Week		Div.	Annualized		
			High	Low		Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	\$7.69	\$7.86	\$5.58	\$0.72	9.4%	\$11.13	30.9%
Apollo Investment Corp	AINV	15.64	18.00	12.05	\$1.80	11.5%	19.03	17.8%
Ares Capital Corp	ARCC	17.42	17.63	14.50	\$1.54	8.8%	17.12	-1.8%
BlackRock Capital Investm	BKCC	6.20	6.64	5.06	\$0.72	11.6%	7.07	12.3%
Fidus Investment Corp.	FDUS	15.39	15.84	11.48	\$1.56	10.1%	16.47	6.6%
Garrison Capital Inc.	GARS	7.56	8.95	6.03	\$1.07	14.2%	10.52	28.1%
Gladstone Capital Corp.	GLAD	9.12	9.87	6.41	\$0.84	9.2%	7.98	-14.3%
KCAP Financial	KCAP	3.62	3.71	2.87	\$0.40	11.0%	4.23	14.4%
Main Street Capital Corp.	MAIN	37.90	40.77	31.95	\$2.31	6.1%	24.09	-57.3%
Newtek Business Services	NEWT	20.48	24.24	15.59	\$1.74	8.5%	15.28	-34.0%
TriplePoint Venture Growth	TPVG	13.40	13.95	10.25	\$1.44	10.7%	13.50	0.7%
Average					\$1.34	10.2%	\$13.53	-2.7%

RISKS

We believe the company faces risks that confront the overall BDC sector. These include:

- **Interest rate risk:** We believe the company faces the risk of a rising interest rate environment, although management believes that as it continues to rebalance some of the equity in its portfolio to debt and continues to expand the debt portfolio, it could benefit from a potential increase in interest rates in terms of net investment income.
- **Credit risk:** Alcentra could make investments into companies that are not as creditworthy as management believes or some of the investments in its existing portfolio could experience deteriorating fundamental business results.
- **Default risk:** Potential deterioration in the underlying fundamentals of a portfolio company or companies could lead to a default on loans that Alcentra expects repaid.
- **Dividend sustainability:** If the company experiences some deterioration in its underlying performance, it might be forced to reduce its dividend.
- **Competitive risk:** The company competes with alternative lenders such as other BDCs and, in some cases, with traditional lenders. Competition within its target lower middle market has increased and the company anticipates future deals will have lower yields.

OWNERSHIP



INCOME STATEMENT

Dollars in Millions	2017				2018				2019				2016	2017	2018	2019E	2020E
	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E	30-Jun-19E	30-Sep-19E	31-Dec-19E					
Non-controlled, non-affiliated investments:																	
Interest income from portfolio investments	\$7,004,677	\$6,187,702	\$5,374,814	\$5,350,763	\$5,742,386	\$5,865,711	\$5,676,759	\$5,450,756	\$5,400,000	\$5,300,000	\$5,200,000	\$5,100,000	\$25,178,890	\$23,917,956	\$22,735,612	\$21,000,000	\$22,000,000
Paid in kind int inc. from portfolio investments	348,192	302,190	226,519	279,585	199,650	45,481	107,164	151,844	151,844	160,000	170,000	180,000	3,182,683	1,156,486	504,139	661,844	300,000
Other income from portfolio investments	609,965	587,782	377,071	653,286	1,507,304	611,812	94,668	738,206	300,000	300,000	300,000	300,000	2,475,976	2,228,104	2,951,990	1,200,000	1,000,000
Dividend income from portfolio investments	27,520	29,049	30,661	83,853	30,756	30,756	30,756	30,756	30,756	30,756	30,756	30,756	82,777	171,083	123,024	123,024	120,000
Non-controlled, affiliated investments:																	
Interest income from portfolio investments	251,778	594,972	405,892	66,282	77,453	129,080	58,881	40,790	60,000	70,000	70,000	80,000	2,742,054	1,318,924	306,204	280,000	300,000
Paid in kind int inc. from portfolio investments	387,036	63,345	609,854	1,149,183	123,126	90,004	96,816	96,676	100,000	100,000	100,000	100,000	2,365,373	2,209,418	406,622	400,000	400,000
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-	-	2,352,766	-	-	-	-
From controlled, affiliated investments:																	
Y1-to-Y growth	405,835	573,069	411,262	275,243	500,890	481,106	488,036	470,357	470,357	470,357	488,036	488,036	1,566,173	1,665,409	1,940,389	1,916,786	2,000,000
Paid in kind int inc. from portfolio investments	166,445	-	174,448	343,236	-	-	-	-	-	-	-	-	655,907	684,129	-	-	-
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT INCOME	\$9,201,448	\$8,338,109	\$7,610,521	\$8,201,431	\$8,181,565	\$7,253,950	\$6,553,080	\$6,979,385	\$6,512,957	\$6,431,113	\$6,358,792	\$6,278,792	\$40,602,699	\$33,351,509	\$28,967,980	\$25,581,654	\$26,120,000
% Change	-7%	-22%	-17%	-25%	-11%	-13%	-14%	-15%	-20%	-11%	-3%	-10%	19.7%	-17.9%	-13.1%	-11.7%	2.1%
Costs and expenses:																	
Management fees	1,249,569	1,229,648	1,230,961	1,265,171	1,234,863	1,036,122	943,360	918,791	911,814	900,356	890,231	879,031	5,209,684	4,975,349	4,133,136	3,581,432	4,339,793
% of Sales	14%	14%	16%	14%	15%	14%	14%	13%	14%	14%	14%	14%	13%	15%	14%	14%	14%
Income-based incentive fee	653,911	-	-	-	-	-	(43,805)	(360,384)	-	200,000	200,000	200,000	3,255,167	638,244	(404,189)	600,000	(424,398)
% Change	7%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-	-	-	-	-
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	266,339	226,849	368,909	386,618	354,070	379,082	362,625	536,378	360,000	360,000	360,000	360,000	1,227,977	1,248,715	1,632,155	1,440,000	1,500,000
Valuation services	101,396	68,345	41,346	103,345	63,971	(10,038)	78,346	73,345	75,000	75,000	75,000	75,000	2,967,154	314,432	205,624	300,000	275,000
Interest and credit facility expense	1,526,907	1,513,067	1,549,462	1,845,488	1,694,887	1,745,485	1,705,992	1,503,203	1,503,203	1,550,000	1,600,000	1,600,000	5,659,567	6,434,924	6,253,203	6,600,000	6,600,000
Amortization of deferred financing costs	285,563	288,048	232,807	106,292	103,981	103,570	117,587	221,019	221,019	221,019	221,019	221,019	1,154,343	912,710	546,157	884,076	884,076
Director's fees	68,136	74,344	112,281	86,919	96,202	116,826	87,076	128,057	100,000	100,000	100,000	100,000	296,809	341,680	428,161	400,000	348,304
Insurance expense	64,481	60,102	57,232	57,233	55,988	56,519	57,076	57,075	57,000	57,000	57,000	57,000	284,209	239,048	226,658	228,000	240,000
Organization expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs	98,410	105,418	111,726	158,214	126,694	119,267	97,478	95,293	95,293	95,000	94,000	94,000	193,357	473,768	438,732	378,293	381,172
Consulting fees	-	-	-	-	305,038	176,702	54,152	120,031	80,000	80,000	80,000	80,000	697,809	778,920	655,923	320,000	100,000
Other expenses	294,120	98,437	223,318	163,045	369,711	156,108	284,764	148,723	150,000	150,000	150,000	150,000	959,306	959,306	600,000	900,000	
TOTAL EXPENSES	4,608,832	3,664,258	3,928,042	4,172,325	4,405,405	3,879,643	3,744,651	3,441,531	3,553,329	3,788,375	3,827,250	3,816,050	18,193,413	16,357,790	15,471,230	14,985,004	15,143,946
Waiver of income-based incentive fee	-	169,524	1,160,896	-	-	109,281	157,227	153,132	153,132	-	-	-	-	1,330,420	419,640	153,132	-
NET INVESTMENT INCOME	\$4,592,616	\$4,843,375	\$4,843,375	\$4,029,106	\$3,776,160	\$3,483,568	\$2,965,656	\$3,690,966	\$3,112,760	\$2,642,738	\$2,531,542	\$2,462,742	\$22,409,186	\$18,324,139	\$13,916,390	\$10,749,782	\$10,976,054
% Change	-18.1%	-17.9%	1.2%	-34.2%	-17%	-28%	-47%	-8%	-18%	-24%	-15%	-33%	16.1%	-18.2%	-24.1%	-22.8%	2.1%
Adjusted Nil/share	\$0.34	\$0.36	\$0.34	\$0.28	\$0.27	\$0.25	\$0.22	\$0.27	\$0.24	\$0.21	\$0.20	\$0.20	\$1.66	\$1.32	\$1.01	\$0.84	\$0.87
% Change	-18%	-19%	-4%	-36%	-21%	-30%	-43%	-3%	-9%	-18%	-9%	-29%	1.36	-21%	-23%	-3%	-14%
Dividend per share	\$0.37	\$0.34	\$0.34	\$0.25	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$1.36	\$1.30	\$0.72	\$0.72	\$0.72
EPS	\$0.08	\$0.38	\$0.11	\$0.98	\$0.25	\$0.16	\$0.23	\$0.08	\$0.16	\$0.18	\$0.18	\$0.18	\$0.65	\$1.37	\$0.40	\$0.40	\$0.40
NAV/share	\$13.43	\$12.73	\$12.27	\$11.06	\$11.22	\$11.01	\$11.08	\$11.13	\$11.22	\$11.01	\$11.08	\$11.10	\$13.72	\$11.06	\$11.13	\$11.40	\$11.28
Avg shares outstanding	13,438,800	13,612,059	14,245,220	14,245,220	14,198,651	13,753,054	13,530,129	13,440,660	12,875,566	12,800,000	12,700,000	12,600,000	13,496,128	13,928,869	13,721,109	12,743,892	12,600,000
Net Realized gain																	
Non-controlled, non-affiliated investments	(1,049,239)	30,002	(10,477,819)	62,165	(14,815)	(10,108,277)	(38,921)	(700,353)	(14,815)	(10,108,277)	(38,921)	(700,353)	(4,018,220)	(11,434,891)	(10,862,366)	(24,543,812)	(24,543,812)
Non-controlled, affiliated investments	-	-	72,164	(72,164)	-	(10,167,517)	(12)	(14,376,283)	-	(10,167,517)	(12)	(14,376,283)	11,019,205	-	-	-	-
Controlled, affiliated investments	-	-	-	-	-	-	-	-	-	-	-	-	(11,282,968)	-	-	-	-
Foreign currency translation	-	-	-	-	-	-	-	46,940	-	-	-	-	46,940	-	-	-	-
Net realized gain from portfolio	(1,049,239)	30,002	(10,405,655)	(9,999)	(14,815)	(20,275,794)	(38,933)	(15,029,696)	(14,815)	(20,275,794)	(38,933)	(15,029,696)	(4,281,963)	(11,434,891)	(35,359,238)	(24,543,812)	(24,543,812)
Net change in unrealized																	
Non-controlled, non-affiliated investments	(1,116,201)	(8,084,209)	6,824,145	(2,217,007)	(333,426)	4,213,571	2,355,583	246,074	(1,116,201)	(8,084,209)	6,824,145	(2,217,007)	(10,390,732)	(4,593,272)	6,481,802	18,356,134	1,743,523
Non-controlled, affiliated investments	(818,281)	(2,168,452)	(8,156,756)	(12,977,585)	(107,374)	9,319,907	(1,610,661)	10,754,262	(818,281)	(2,168,452)	(8,156,756)	(12,977,585)	10,458,180	(24,121,074)	18,356,134	1,743,523	1,743,523
Controlled, affiliated investments	146,999	326,527	473	(360,522)	220,904	-	-	1,522,619	146,999	326,527	473	(360,522)	10,875,915	115,477	-	-	-
Foreign currency translation	-	-	-	-	-	-	-	(64,298)	-	-	-	-	-	-	-	-	-
Net change in unrealized	(1,787,483)	(9,924,134)	(1,332,138)	(15,555,114)	(219,896)	13,533,478	744,922	12,456,667	(1,787,483)	(9,924,134)	(1,332,138)	(15,555,114)	(9,972,997)	(28,598,869)	26,517,171	447,809	447,809
Benefit for taxes on unrealized	(724,816)	(102,309)	5,282,934	(1,847,929)	(2,489)	1,019,717	(589,643)	20,224	(724,816)	(102,309)	5,282,934	(1,847,929)	635,580	2,607,880	26,517,171	447,809	447,809
Net realized gain	(3,561,538)	(9,996,441)	(6,454,859)	(17,413,043)	(237,200)	(5,722,599)	116,346	(2,550,805)	(3,561,538)	(9,996,441)	(6,454,859)	(17,413,043)	(13,619,400)	(37,425,881)	(8,394,258)	(8,394,258)	(8,394,258)
Net increase in Net assets	1,031,078	(5,153,066)	(1,611,484)	(13,368,270)	3,538,960	(2,239,011)	3,082,002	1,140,181	1,031,078	(5,153,066)	(1,611,484)	(13,368,270)	8,789,786	(19,101,742)	5,222,132	5,222,132	5,222,132

BALANCE SHEET

	Dec. 31, 2018	Sept 30, 2018	Qtr-Qtr Growth %	Dec. 31, 2017	Yr-Yr Growth %
ASSETS					
Portfolio investments, at fair value					
Non-controlled, non-affiliated at fair value	205,411,779	217,130,492	-5%	252,325,403	-19%
Non-controlled, affiliated at fair value	12,980,016	16,499,213	-21%	19,972,905	-35%
Controlled, affiliated at fair value	16,406,021	15,007,246	9%	15,256,237	8%
Cash	11,049,499	7,791,745	42%	13,882,956	-20%
Dividends and interest receivable	454,883	1,400,706	-68%	1,942,300	-77%
Receivable for investments sold	644,733	644,733	0%	669,733	-4%
Deferred financing costs	1,366,393	1,521,603	-10%	514,241	166%
Deferred tax asset	5,385,694	5,365,469	0%	4,934,962	9%
Income tax asset	-	614,781	-100%	748,408	-100%
Prepaid expenses and other assets	79,410	143,986	-45%	79,005	1%
TOTAL ASSETS	253,778,428	266,119,974	-5%	310,326,150	-18%
LIABILITIES					
Credit facility payable	28,536,441	54,457,145	-48%	89,703,273	-68%
Notes payable	54,144,567	54,049,274	0%	53,747,835	1%
Payable for investments purchased	18,550,000	-	NA	-	NA
Other accrued expenses and liabilities	535,096	371,444	44%	447,589	20%
Directors' fees payable	36,125	78,500	-54%	68,917	-48%
Professional fees payable	554,173	318,505	74%	548,455	1%
Interest and credit facility expense payable	1,069,139	1,342,528	-20%	1,248,791	-14%
Management fee payable	765,659	1,712,974	-55%	1,265,172	-39%
Income-based incentive fees payable	890,796	1,251,180	-29%	1,294,985	-31%
Distributions payable	2,433,102	2,449,591	-1%	3,561,305	-32%
Unearned structuring fee revenue	81,643	275,020	-70%	725,653	-89%
Income tax liability	379,155	-	NA	-	NA
Total Liabilities	107,975,896	116,306,161	-7%	152,611,975	-29%
NET ASSETS					
Common stock	13,105	13,517	-3%	14,223	-8%
Additional paid-in capital	198,594,662	201,748,407	-2%	206,570,701	-4%
Distributable earnings (accumulated loss)	(52,805,235)	(31,765,697)	66%	(11,436,155)	362%
Undistributed net investment income	-	7,215,213	-100%	4,449,122	-100%
Net unrealized appreciation on investments	-	(27,397,627)	-100%	(41,883,716)	-100%
Total Net Assets	145,802,532	149,813,813	-3%	157,714,175	-8%
Total Liabilities and Net Assets	253,778,428	266,119,974	-5%	310,326,150	-18%
Net Asset Value Per Share	\$11.13	\$11.08	0%	\$11.09	0%

CASH FLOW

Cash Flows from Operating Activities	Year 2016	March 31, 2017	June 30, 2017	Sept 30, 2017	Dec 31, 2017	Year 2017	March 31, 2018	June 30, 2018	Sept 30, 2018	Dec 31, 2018	Year 2018
Net increase in net assets resulting from operations	\$8,789,786	\$1,031,078	(5,153,066)	(1,611,484)	(13,368,270)	(19,101,742)	\$3,538,960	(2,239,011)	3,082,002	1,140,181	5,522,132
Adjustments:											
Net realized (gain) loss from portfolio investments	4,281,983	1,049,239	(30,002)	10,405,655	9,999	11,434,891	14,815	20,275,794	38,933	15,076,636	35,406,178
Net change in unrealized (appreciation) depreciation of port invest	9,972,997	1,787,483	9,924,134	1,332,138	15,555,115	28,598,870	219,896	(13,533,478)	(744,922)	(12,522,955)	(26,581,459)
Deferred tax asset	117,597	(246,876)	13,423	(5,284,559)	1,847,861	(3,670,151)	2,489	(1,022,639)	589,643	(20,225)	(450,732)
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-
Paid in-kind interest income from portfolio investments	(6,203,963)	(901,673)	(365,536)	(1,496,157)	(1,286,667)	(4,050,033)	(322,776)	(135,485)	(203,980)	(248,520)	(910,761)
Accretion of discount on debt securities	(1,225,834)	(980,595)	(438,851)	(219,975)	(266,330)	(1,905,751)	(176,258)	(165,987)	(139,445)	(442,036)	(923,726)
Purchases of portfolio investments	(145,561,983)	(31,193,265)	(24,918,835)	(40,769,787)	(38,626,682)	(135,508,569)	(29,996,191)	(14,052,612)	(6,000,691)	(54,797,852)	(104,847,346)
Net proceeds from sales/return of capital of portfolio invest.	158,805,461	23,183,083	27,787,780	19,779,150	19,398,984	90,148,997	47,628,196	31,638,771	4,573,014	66,773,862	150,613,843
Amortization of deferred financing costs	1,154,343	285,563	288,048	232,807	106,292	912,710	103,981	103,570	117,587	221,019	546,157
Amortization of deferred note offering costs	193,357	98,410	105,418	111,726	158,214	473,768	126,694	119,267	97,478	95,293	438,732
(Increase) decrease in operating assets:											
Dividends and interest receivable	(633,435)	1,474,828	695,561	(1,713,624)	841,575	1,298,340	307,530	(1,080,401)	1,314,465	945,823	1,487,417
Receivable for investments sold	(2,139,463)	1,433,730	234,750	(250,000)	51,250	1,468,730	25,000	(25,000)	25,000	-	25,000
Income tax asset	-	(795,587)	223	(877)	47,833	(748,408)	79,077	25,012	29,538	614,781	748,408
Prepaid expenses and other assets	12,960	50,128	(158,786)	65,435	64,988	21,765	33,488	(163,045)	64,576	64,576	(405)
Increase (decrease) in operating liabilities:											
Payable for investments purchased	-	71,221	(71,221)	-	-	-	16,621,902	(16,621,902)	-	18,550,000	18,550,000
Other accrued expenses and liabilities	10,364	40,499	52,373	102,459	(29,907)	166,424	470,143	(394,012)	(152,276)	163,652	87,507
Due to affiliate	-	-	-	-	-	-	-	-	-	-	-
Directors' fees payable	57,975	(14,000)	(8,000)	12,417	(16,500)	(26,083)	3,333	(36,125)	42,375	(42,375)	(32,792)
Professional fees payable	(149,466)	85,846	(171,111)	142,678	159,175	216,588	3,483	91,384	(324,817)	235,668	5,718
Interest and credit facility expense payable	194,905	556,184	(431,423)	487,146	(371,243)	240,664	278,767	(369,385)	184,355	(273,389)	(179,652)
Management fee payable	(622)	1,249,568	(1,491,034)	70,066	134,981	(36,419)	(30,309)	(308,022)	786,133	(947,315)	(499,513)
Income-based incentive fees payable	989,864	(222,526)	(538,484)	(15,666)	-	(776,676)	-	-	(43,805)	(360,384)	(404,189)
Unearned structuring fee revenue	485,742	(64,825)	(59,817)	(50,024)	(275,000)	(449,666)	(64,670)	(329,303)	(56,660)	(193,377)	(644,010)
Income tax	(660,113)	(182,699)	-	-	-	(182,699)	43,149	(43,149)	-	379,155	379,155
Net cash used in operating activities	28,492,455	(2,205,186)	5,265,544	(18,670,476)	(15,864,332)	(31,474,450)	38,910,699	1,734,242	3,278,503	34,412,218	78,335,662
Cash Flows from Financing Activities:											
Issuance of common stock	-	-	10,853,602	-	-	10,853,602	-	-	-	(1,398,309)	(1,398,309)
Financing costs paid	(258,269)	(12,000)	(121,858)	(5,286)	-	(139,144)	-	(112,501)	(1,219,999)	1,332,500	-
Offering costs paid	(697,432)	(2,357)	(142,689)	(7,999)	(77,826)	(230,871)	-	(30,001)	(11,999)	-	(42,000)
Proceeds from credit facility payable	116,375,000	30,100,000	16,750,000	27,250,000	43,720,000	117,820,000	12,700,000	8,650,000	4,903,872	37,601,288	63,855,160
Repayments of credit facility payable	(140,746,465)	(22,300,000)	(28,550,000)	(2,600,000)	(13,800,000)	(67,250,000)	(47,000,000)	(5,500,000)	(9,000,000)	(63,457,704)	(124,957,704)
Proceeds from notes payable	15,000,000	-	-	-	-	-	-	-	-	-	-
Distributions paid to shareholders	(18,365,033)	(4,586,816)	(4,971,712)	(4,843,374)	(4,843,375)	(19,245,277)	(3,561,305)	(2,560,130)	(2,449,592)	(2,449,591)	(11,020,618)
Repurchase of common stock	(775,622)	(165,514)	-	-	(176,996)	(342,510)	(1,510,605)	(2,899,054)	(413,341)	(2,718,360)	(7,541,360)
Capital contributions received from partners	-	-	-	-	-	-	-	-	-	-	-
Cash distributions paid to partners	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	(29,467,821)	3,033,313	(6,182,657)	19,793,341	24,821,803	41,466,800	(39,371,910)	(2,451,686)	(8,191,059)	(31,090,176)	(81,104,831)
Effect of exchange rate changes on foreign cash	-	-	-	-	-	-	-	-	-	-	(64,288)
Increase (decrease) in cash and cash equivalents	(975,366)	828,127	(917,113)	1,122,865	8,957,471	9,991,350	(461,211)	(717,444)	(4,912,556)	3,257,754	(2,833,457)
Cash at beginning of period	4,866,972	3,891,606	-	3,802,620	4,925,485	3,891,606	13,882,956	13,421,745	12,704,301	7,791,745	13,882,956
Cash and Cash Equivalents at End of Period	3,891,606	4,719,733	(917,113)	4,925,485	13,882,956	13,882,956	13,421,745	12,704,301	7,791,745	11,049,499	11,049,499
Supplemental and non-cash financing activities:											
Cash paid during the period for interest	5,462,249	970,723	1,944,490	1,062,316	2,216,731	6,194,260	1,416,120	2,114,870	1,521,637	1,776,592	6,829,219
Accrued offering costs	2,485	2,485	-	-	-	2,485	2,485	-	-	-	2,485
Accrued distributions payable	4,586,816	4,971,712	(128,337)	-	(1,282,070)	3,561,305	2,560,130	(110,539)	-	(16,489)	2,433,102

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Consolidated Statements of Changes in Net Assets	Year End 2018	Year End 2017	Year End 2016	Year End 2015
Increase (decrease) in net assets resulting from operations				
Net investment income	13,916,390	18,324,139	22,409,186	19,298,169
Net realized gain (loss) on investments	(35,359,238)	(11,434,891)	(4,281,983)	2,722,992
Net change in unrealized appreciation (depreciation) on investments	26,517,171	(28,598,870)	(9,972,997)	(11,641,204)
Benefits/(Provision) for taxes on unrealized gain on investments	447,809	2,607,880	635,580	2,231,817
Net increase (decrease) in net assets resulting from operations	5,522,132	(19,101,742)	8,789,786	12,611,774
Capital transactions				
Offering costs	186,069	-	(165,635)	(186,069)
Issuance of common stock	-	10,853,602	-	-
Repurchase of common stock	(7,541,360)	(342,510)	(775,622)	-
Net increase (decrease) in net assets resulting from capital transactions	(7,541,360)	10,511,092	(941,257)	(186,069)
Distributions to shareholders from:				
Net investment income	NA	(17,816,654)	(18,351,553)	(18,382,802)
Realized gains	NA	(403,112)	(4,596)	-
Total distributions to shareholders	(9,892,415)	(18,219,766)	(18,356,149)	(18,382,802)
Total increase (decrease) in net assets	(11,911,643)	(26,810,416)	(10,507,620)	(5,957,097)
Net assets at beginning of period	157,714,175	184,524,591	195,032,211	200,989,308
Net assets at end of period	145,802,532	157,714,175	184,524,591	195,032,211

HISTORICAL STOCK PRICE



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