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**Conference Call
Investcorp
November 10, 2020**

Operator: Welcome to the Scheduled Earnings First Quarter Ended September 30th, 2020. Your speakers for today's call are Mike Mauer, Chris Jansen, and Rocco DelGuercio. Operator assistance is available anytime during this conference by pressing *0. A question-and-answer session will follow the presentation. I will now turn the call over to your speakers. Please begin.

Michael Mauer: Thank you, operator, and thanks to all of you for joining us today. I'm joined by Chris Jansen, my Co-Chief Investment Officer, and Rocco DelGuercio, our CFO. Before we begin, Rocco will give our customary disclaimer regarding information and forward-looking statements. Rocco?

Rocco DelGuercio: Thanks, Mike. I would like to remind everyone that today's call is being recorded and that this call is the property of Investcorp Credit Management BDC. Any unauthorized broadcast of this call in any form is strictly prohibited. Audio replay of the call will be available by visiting our Investor Relations page on our website at icmbdc.com. I would also like to call your attention to the Safe Harbor disclosure in our press release regarding forward-looking information and remind everyone that today's call may include forward-looking statements and projections. Actual results may differ materially from these projections. We will not update forward-looking statements unless required by law. To obtain copies of our latest SEC filings, please visit our Investor Relations page on our website. At this time, I would like to turn the call back to our Chairman and CEO, Michael Mauer.

Michael Mauer: Thanks, Rocco. To borrow from the Chinese proverb, we continue to live in interesting times. COVID-19 continues to be a public health catastrophe for people around the world. Efforts to contain the pandemic have significant economic consequences, which affect both large and small businesses. Against this backdrop, our challenge is originating and maintaining a portfolio of stable loan investments, which will perform through the cycle with structural protections for the

preservation of capital. We are fortunate that our team has remained safe and healthy over the past months, working together seamlessly despite the challenges we face.

We have avoided distress in the portfolio through sector selection, namely by staying away from the industries which have been hardest hit by the pandemic, such as hospitality, restaurants, and traditional retailers. Our borrowers are in 24 sectors doing business across the country. Our work to reposition the portfolio has brought this diversification, and we've also decreased the average size of our loans from \$11.2 million two years ago to \$6.6 million today.

Last quarter, we made investments in Clover Technologies and Techniplas, in both cases to protect our existing interest. This quarter, we took similar actions with our loan to Deluxe Toronto. Our new investment was at once opportunistic, carrying significantly better economics than a typical loan as well as protective, helping the company to bridge to a sale of its assets. Chris will go into more detail about our Deluxe investments as he walks through all of our investment activity during and after the quarter, and then Rocco will discuss our financial results. I'll conclude our prepared remarks with commentary on our leveraged Investcorp share repurchases, our dividend, and our outlook for the next few months. As always, we'll end with Q&A. With that, I'll turn it over to Chris.

Christopher Jansen: Thanks, Mike. We invested in three portfolio companies this quarter, including two new portfolio companies. We made first-lien investments in all three as well as the preferred equity investment in one of our new portfolio companies. We also had full realizations on four investments during the quarter. After quarter end, we funded a delayed draw term loan and had full realizations on two investments and a significant partial realization on the third. First, our additional investments in existing portfolio of companies. We increased our position in the first-lien loan to Golden Hippo. This has been a stellar performer for us since we made our first investment last year. We also funded under Golden Hippo's revolver during the quarter. The yield on both of these positions is approximately 8.6%. Second, we participated in a club deal for Advanced Solutions International, or ASI. ASI provides CRM software and related functionality to non-profit organizations, help them manage membership, formations, and dues. We made a first-lien investment, which yields approximately 9.4% as well as a preferred equity investment. We are a lender under Deluxe Entertainment Services, super priority term loan. This loan

was made as the US parent company of our existing portfolio company, Deluxe Toronto Limited. The super priority term loan bridged Deluxe's liquidity as it progressed through an M&A process to sell the business. This loan is short-dated and carried upfront and backend fees, so the yield has been particularly meaningful. After quarter end, we funded a second draw on the super priority term loan. I'm pleased to share with you that last week, the Deluxe's sale was completed and the super priority term loan was repaid in full. The short holding period and the aforementioned fees produced a very high positive IRR. We also received a repayment of approximately 70% of our principal on our Deluxe Toronto loan. We expect additional recoveries on this loan over the coming quarters. Turning to our realizations during the September quarter, we received the full prepayment on the first-lien loan to Endemol early in the third quarter. Our IRR on the Endemol investment, which we have had for approximately six years, is 12.9%. We also sold our remaining investment in US Lumber, which produced an IRR of 8.3%. Finally, we were repaid on the term loan D&E for 1888, which are the smallest of the 1888 loans. These two loans repaid in accordance with their terms with IRRs of 6.9% on each. After quarter end, we also received repayment in full for our loan to RPX. Our fully realized IRR was 9%.

Finally, after quarter end, we committed to a new portfolio company, Veregy. Veregy is an energy services company providing environmentally efficient upgrades, assistance for the municipal, university, school, and hospital markets. Our yield at cost is 7.8%. Using the GICS standard as of September 30th, our largest industry concentration was: professional services at 12%; followed by construction and engineering at 11.6%; energy, equipment, and services at 10.1%; trading companies and distributors at 9.5%; and containers and packaging at 6.4%. Our portfolio companies are in 24 GICS industries as of quarter end including our equities and warrant positions. As of September 30th, our portfolio company count was 38 versus 38 at June 30th. Our portfolio company count is 37 today due to the repayments of RPX and Deluxe's super priority loan and the pending closing of the Veregy. I'd now like to turn the call over to Rocco to discuss our financial results.

Rocco DelGuercio: Thanks, Chris. For the quarter ended September 30th, 2020, our net investment income was \$2.7 million or \$0.20 per share. The fair value of our portfolio was \$261.3 million compared to \$270.6 million at June 30th. Our portfolio's net increase from operations this quarter was approximately \$2.8 million. Our new debt investments during the quarter had an average yield of 14.6% and investments

exited during the quarter had an average yield of 10.9%. Fully realized investments had an average IRR of 12.3%. The weighted average yield of our debt portfolio was 9.25%, a decrease of 33 basis points from June 30th. As of September 30th, our portfolios consisted of 38 portfolio companies. 87.8% of our investments were in first lien, 5.4% of our portfolio was in second lien, and 4.2% was in unitranche loans. The remaining 2.6% was invested in equity, warrants and other positions. 99.5% of our debt portfolio was invested in floating rate instruments and 0.5% in fixed rate investments. Our average portfolio investment was approximately \$6.6 million. Our largest portfolio company investment was PGI at \$14.8 million. Our largest single investment is Empire Office at \$12 million. We were 1.53 times levered as of September 30th compared to 1.69 times levered as of June 30th. We had one portfolio company on nonaccrual as of September 30th, and finally, with respect to our liquidity, as of September 30th, we had \$8.4 million in cash, \$6.5 million in restricted cash, and \$6 million capacity under our revolving credit facility at UBS. Additional information regarding the composition of our portfolio is included in our Form 10-Q, which was filed yesterday. With that said, I'd like to turn the call back over to Mike.

Michael Mauer: Thank you, Rocco. Our guidance on leverage is a target of 1.25 time to 1.5 times. Last quarter, we were above that target at 1.69 times, and this quarter, our leverage had come down substantially to 1.53 times. Our guidance has not changed, and we anticipate that our investment activity will bring us into our target range. We covered our September quarterly dividend with NII, and we expect to cover our current quarter as well. As we committed to do, we waived the portion of our management fee associated with base management fees over 1 times leverage. Our Board of Directors declared a distribution for the quarter ended December 31, 2020, of \$0.15 per share, payable on January 4, 2021, to shareholders of record as of December 10th. The Board also declared a supplemental distribution of \$0.03 per share payable on those same dates. We believe that this dividend level is stable, and the supplemental distribution is a prudent method to capture the additional earning power of the portfolio.

Investcorp has made two separate commitments to purchase shares in ICMB. First, Investcorp has made open market purchases under a 10(b)5 program and did not purchase any additional shares this quarter. To date, 281,775 shares have been purchased since the inception of the program. Secondly, Investcorp has committed to purchase shares at NAV. Investcorp did not make any additional purchases

between June 30th and September 30th and has purchased 227,000 shares to date. We look forward to a return toward a more normal environment for lending, for our team, and for our country. Still, we are well positioned to stay the course. We have positioned the portfolio to have a strong focus on first liens to resilient borrowers and we will maintain our disciplined approach to underwriting. Our pipeline opportunities are consistent with the themes in our portfolio. As always, our foremost concern is the preservation of shareholder capital. Thank you. Operator, please open the line for Q&A.

Operator: Ladies and Gentlemen, at this time, we will conduct a question and answer session. If you would like to say a question, please press *1 on your phone now and will be placed into the queue in the order received. Please listen for your name to be announced and be prepared to ask your question when prompted. Once again, to ask a question, please press *1 on your phone now. Our first question comes from Christopher Nolan. Please state your question.

Christopher Nolan: Hey, guys, clarification - why did interest income go up in the quarter when both your investment assets went down and your portfolio yields went down? [Pause] Hello?

Rocco DelGuercio: Hi, Chris. It's Rocco. You're talking about interest earned or interest paid?

Christopher Nolan: Interest income on the income statement.

Rocco DelGuercio: Yes, so interest income. We had some acceleration of income on that. Notably, Endemol paid off about \$400,000 of acceleration that paid, so that's what's in that number. The acceleration is also disclosed in the notes of the financial statement.

Christopher Nolan: Great. Okay. Thanks, Rocco.

Rocco DelGuercio: No worries.

Christopher Nolan: Then, I guess on 1888 Industrial Term B, that is the nonaccrual, but 1888 has multiple credits with you guys. Are the other credits still performing? [Pause]

Rocco DelGuercio: Yes. So, 1888, the Term B is the only one that is on nonaccrual book. The other tranches are all performing.

Michael Mauer: Hey, sorry I dropped there. Rocco, I'm sorry, I couldn't even hear it. I have a technology problem.

Rocco DelGuercio: Yes, can you -

Michael Mauer: Go ahead.

Rocco DelGuercio: Yes, Chris just -

Christopher Jansen: Yes, 1888 - go ahead, it's Chris Jansen, Chris. Question on 1888, the Term Loan B as in boy is the last out. The others are on accrual. The D and the E, which were paid out had come due at the end of the quarter anyway, and those were first out positions as well, and those were very small in comparison.

Christopher Nolan: Okay, and then I guess my final question is, the yield on new investments at 14.6% seems quite high. Just trying to get an understanding why that might be.

Michael Mauer: Yes. Let me give you a little bit of context. We had a short duration on a super priority for Deluxe that facilitated the sale that Chris talked about earlier. That had, because of the short duration, I'd say it kind of skews the numbers a little bit. That was around a 50% yield over its short life. If you excluded that loan, we had two other new investments: one to an existing portfolio company of Golden Hippo, which is about 8.6% and two tranches to ASI, which is a new investment. One tranche, which is a super senior, at 9.4% and a convertible preferred that actually has extremely attractive terms that comes up a little over 30%. If you average the yield of the Golden Hippo and the ASI and ignore Deluxe, the average rate is about 10.8%, so hopefully that gives some context.

Christopher Nolan: Great. Chris, the three new investments were Golden Hippo, ASI, and Deluxe?

Christopher Jansen: Yes.

Christopher Nolan: Great. Okay, that's it for me. I'll get back in the queue, thank you.

Christopher Jansen: Thank you, Chris.

- Operator:** Our next question comes from Paul Johnson. Please state your question.
- Paul Johnson:** Hey, good afternoon, guys. Thanks for taking my questions. The first question just had to do - I was hoping to maybe get - I don't know if you have a breakdown or if you just have maybe some higher level commentary on NAV appreciation or I should say NAV recovery this year. I'm just curious, what has kind of held book value back this year so far just in the backdrop of rising loan prices? And if it is like credit specific issues, maybe you could talk about a few of those.
- Michael Mauer:** Well, I'll start and then I'll let Chris jump in with additional comments. The main one that has held us back is 1888, oilfield services, oil tanked in the first quarter. It has made a slow recovery, but a slow recovery in oil prices has been an extremely muted reaction to rigs standing back up and oilfield services being deployed again. So, if you look at the markdowns, you're seeing repeated markdowns around 1888, so that I would point to as the biggest thing holding back recovery. There have been a couple of other credits that have been hit hard but are doing very well from a liquidity, and I think that they will recover as COVID disappears hopefully, over the next six to 12 months. Examples of those are things like Arcade Bioplan probably being one of them. United Road being another one that has recovered in the last quarter but had dipped down in the first quarter. One of the big beneficiaries of it really was PGI as we saw from March going forward, but Chris, I'll let you add to that.
- Christopher Jansen:** Yes. I mean specifically this quarter, Paul, it's Premier Global, which has had a big blip up in their conference calling in the first quarter, and they seem to have maintained that at pretty decent rates. United Road, for example, also transports automobiles from the dock to the dealerships, et cetera. They have benefited because they are one of the bigger players here. Fortunately for them, but unfortunately, a lot of their competition are called the mom-and-pops, small operators, which unfortunately have not been able to weather the storm. As the SAR has bounced back from US manufacturing of automobiles, they've been a beneficiary of that. We haven't seen that come through their income statement so far, but the company has done a great job at managing its liquidity to dovetail, on Mike's point, as has Arcade Bioplan, which is also starting to rebound, but has a lot of liquidity and a plan to see themselves through.

Paul Johnson: Okay, that's pretty good commentary. Thanks for that. Then next, I just want to get a sense, maybe what is the plan over the next year or so in terms of managing leverage? Are you guys sort of looking to build up more repayments I guess, kind of put a limit or a control on the level of capital deployment to continue kind of preserving a little bit of liquidity or paying down debt, or are you just basically looking to balance the two? Any commentary over kind of just your investment outlook as far as managing liquidity would be helpful.

Michael Mauer: Yes. We brought leverage down from close to 1.7 to just over 1.5 over the last quarter. Our target range has always been 1.25-1.5; we will continue to look at it in that range. I think over the near term, it's probably at the higher end of that range, around 1.5, but that 1.25-1.5, we think is the prudent area right now. The thing that we continue to grapple with, and Chris highlighted, is a lot of the good news, you get repayments in and typically, the notice when we get a repayment in is seven to 14 days in the amount of time to do a new investment. If we were 14 days, that would be lightning speed. There's one we've been working on now for six to eight weeks, and it's still at least four to six weeks away from completion, assuming that we get there, and most are at least six to eight weeks. So, it's managing that pipeline of things coming in versus things that we expect to go out. There are a few that we have today that we would expect to repay, but that's not certain. They don't give us 60 days notice, and so managing around those flows is the critical thing, and so that target of 1.25 to 1.5 times is where we are and where we will continue to be.

Paul Johnson: Okay. I appreciate that. Then my last question, just I guess from your perspective as a sort of a deal participant in the market participating in a lot of various sort of club deals, how would you really describe the economics of the deal market today as far as what you guys are seeing? I mean are you seeing terms and the economics, meaning pricing as such, kind of back to pre-COVID levels? Is it more competitive? Any color there would be helpful as well.

Michael Mauer: Sure. For the larger deals - and I think that as everyone on the phone is aware, we start in a \$10 million kind of EBITDA, and we go up to \$100 million to - at the high end, we've been over \$200 million EBITDA. When you start getting into the \$50 million to \$100 million EBITDA, I'd say it is as competitive or more competitive as pre-COVID. I think it's a dearth of good deal opportunities, and so those are very, very tight. Our recent deals have been in the \$10 million to \$30 million EBITDA

range, maybe even a tad below that, but in that \$10 million plus. What we've seen there is that their clubs, they are three to six lenders that the spreads are consistent or maybe a little bit wide of pre-COVID. The equity checks are bigger than pre-COVID. We're tending to get instead of \$30 million to \$40 million, I'd say, \$40 million to \$50 million, and in one or two cases, above \$50 million is what we're looking at as far as the equity piece of the capital structure. I think that's driven by, one, making sure that we've got comfort for the smaller EBITDAs that people are consistent, but also from an equity standpoint, I think that sponsors have a lot of capital to deploy and they're willing to put in a bigger check now to invest their capital in portfolio companies that they've got conviction around, and they'd rather have less debt today at 8% to 12%, and their view is that once COVID clears, 12 to 24 months, they'll probably come back and refi us. That's kind of where we are. I think it's a little bit of A Tale of Two Cities. The bigger guys are fairly aggressive, and the smaller guys are more reasonable.

Paul Johnson: Okay, great. That's really good commentary. That's all for me.

Operator: Our next question comes from Robert Dodd. Please state your question.

Robert Dodd: Hi, guys. Just to start with some questions on portfolio comments. Obviously, 1888, like you said, it's been a bit of a drag. It paid off very small D and E loans in the quarter. So, should we read anything into that about the sustainability of the capital structure for that business going forward? Then kind of tied to that, do you think that the ultimate value of the business - tough question - has there been permanent value destruction there, which implies something about ultimate recoveries because of COVID, or do you believe it's a cycle issue about if and when oil gets back into the, maybe not triple digits, but is the full value of that loan recoverable at all?

Michael Mauer: What I'd say without going into confidential information, and Robert thanks, it is the one that gets a lot of attention here. Everything gets attention, but that one gets a lot of attention. It's an extremely complicated answer and let me just give you at least three reasons why. There's no doubt that we're in a cycle. There's no doubt the cycle will recover. I have no idea when. Part of the question is it's not going to recover in the next 30 days, but if it were to go back to \$60.00 a barrel in 30 days, then the ultimate recovery of value is definitely there. Now, I know it's not going back in 30 days, so the question then is when will it come back? I don't

know. We're managing - and they've got adequate liquidity. They got PPP funds. They qualified. We did all of that. The second piece is that there was a bit of a silver lining to this because two things: the new CEO really proved his worth in the way that he quickly managed expenses on the downside, so that was great to see. The other positive was that the management team has been very focused on a non-oilfield services business and they have one of the, I'd say, newest and best construction fabrication plants outside of Denver and Northern Colorado, so they are in discussion with at least half a dozen non-oil and gas counterparties about significant work to be done. If they are able to complete that, the goal here is to diversify, not move away from oil and gas, but to diversify so that in every downside, you've got 30% to 60% of your revenue coming from non-oil and gas. That pivot or diversification is underway. To the extent that is successful over the next 6 to 12 months, I think there's a lot of upside in value, but it is complicated and it is dependent upon several factors, and timing not being the least of it. Not sure if I answered your question at all.

Robert Dodd: You did. I really appreciate that answer. One tiny little one before I move on to the last question. Veregy, when you said the words, energy services, it made me a little nervous for a while, but it sounds - I mean muni, school, hospital - can you clarify at the present, what kind of energy services it's providing? I mean, hopefully, it's no something -

Michael Mauer: Absolutely. Chris, do you want to walk through that?

Christopher Jansen: Yes. Robert, it's more along the lines of more efficiently running their cost structures. There's nothing to do with energy out of the ground. It's systems and heating and cooling and pumping and things like that, so think of it as more the internal works and again, trying to find more energy-efficient solutions for their buildings and their facilities.

Robert Dodd: Got it. I appreciate that clarification. Then okay one last one, kind of follow to - it looks like leverage as it stands right now, would go down this quarter as you've got repayments coming in, pipelines, who knows. Would it be the goal in the near term to approach the lower end of - because obviously, you're currently at the high end, you called it -the leverage range? I mean do you have a goal about where you would like to be at this point in the cycle within that leverage range? Obviously, that's not going to happen in 30 days, either but just conceptually.

Michael Mauer: Right. Conceptually, all things being equal, what we're finding right now in the new investments, Veregy being one example of great backlog, things like that. ASI that we did a great non-correlated business, diversified customer base. It's a recurring revenue, integral part of businesses across the country that if we can continue to reinvest in those as we get repayments, we will. I would expect that we could drop down into the low end of that range, but we're trying to make sure we keep a pipeline, and if we keep reinvesting and find the right investments, we could very easily be in a 1.4 to 1.5. If repayments don't come in, we could blip over to 1.5, but we're not targeting to blip over it. We're targeting probably to be more in the 1.4-1.5, and then drop down in lower end and make sure that we've got pipeline to redeploy to be in this 1.4 to 1.5, so when we drop down, we're not dropping down from 1.25 to 1. Does that make sense?

Paul Johnson: Got it. Yes, that makes sense. I appreciate it, thank you.

Michael Mauer: Good.

Operator: Once again, if you would like to ask a question, please press * 1 on your phone now. At this time, we have no further questions.

Michael Mauer: Thank you, everyone. We appreciate your time, and I will apologize now for audio quality. Technology has been difficult during COVID, and hopefully, we continue to get that better, but thank you very much.

Operator: This concludes today's conference call. Thank you for attending.

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