[Operator Introduction]
It is now my pleasure to turn the floor over to Michael Mauer, CEO of Investcorp Credit Management BDC.

Mauer
Thank you operator, and thanks to all of you for joining us this afternoon. 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
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'd like to turn the call back to our chairman and CEO, Michael Mauer.

Mauer
Thanks, Rocco.

The quarter which ended on December 31st marked our first full quarter as part of Investcorp. Our transition into the firm has been as smooth as we could have hoped, and we continue to be encouraged by how positively the market, our counterparties, and our peers have reacted to our team joining a broader platform. We saw an almost immediate increase in inquiries, a deepening pipeline, and the renewal of relationships with many fellow lenders who we hadn't done much with previously.

Our ongoing work to reposition and diversify our portfolio remains our central focus. We think we're approaching a better balance across industries, and we have made tangible progress in increasing the number of new portfolio companies. We have de-risked the portfolio through smaller average position sizes in our new positions, and through selective sales in the secondary. Our conservative approach has not wavered. We endeavor to be selective about the structures we are willing to lend into, to be disciplined about the returns we require for investing your capital, and to be thorough in our due diligence process.

Chris will discuss our investment activity during and after the quarter, and then Rocco will walk through our financial results. I'll conclude with some commentary about a few of our investments, as well as some housekeeping items. As always, we'll end with Q&A.

With that, I'll turn it over to Chris.

Chris
Thanks Mike. We invested in six portfolio companies this quarter, including four new portfolio companies. All of our investments were 1st lien. We also had three full realizations during the quarter. After quarter-end, we made three investments, adding two new portfolio companies.

We invested a small amount in the Term Loan E to 1888 to support the working capital needs of the business as it grows. This new term loan is senior to all of the other debt at 1888. Our yield, at cost, is approximately 6.9%.

As I mentioned last quarter, we made a 1st lien investment in Horus Infrastructure, which does business as Oilfield Water Logistics. This loan backs the acquisition of the company by InstarAGF. OWL gathers and disposes of water generated by E&P activity in the Permian basin. Our yield, at cost, is approximately 10.2%.

We invested in a 1st lien loan to Barri Financial, a portfolio company of Pinto America Growth Fund, which backed a recapitalization of the company. Barri is a Houston-based consumer services company providing a broad range of financial products primarily to the underbanked Hispanic community. Our yield at cost is roughly 10.8%.

Our third new portfolio company investment is in the 1st lien credit facilities to Golden Hippo. Golden Hippo is a direct-to-consumer developer and marketer of products within the health and wellness, beauty, and pet care markets. The loan supports a transfer of partial ownership to an ESOP. Our yield, at cost, is approximately 8.5%.

We participated in a new loan to One Sky, a leading provider of private aviation services. This loan supported the growth of the Company through the purchase of additional aircraft. Our yield, at cost, was approximately 10.6%.

Finally, we were also participants in the exit loan for Fusion Connect. Mike will speak more about Fusion and its restructuring in a few minutes. I'd just like to say that we believe this is a very well-structured loan, and we're also happy to have been able to support the Company's exit from bankruptcy. Our yield, at cost, is roughly 12.6%.

We had three full realizations this quarter, and no realizations after quarter end. First, our 1st and 2nd lien loans to Carlton Group were repaid. The capital structure was refinanced by a traditional bank. Our fully realized IRR on the 1st lien was 10% and the 2nd lien was 16.4%.

Our 2nd lien loan to Lionbridge was also repaid, very late in the quarter. Our fully realized IRR was 13.2%

Since quarter-end, we have made two investments. The first was an additional investment in the 1st lien loan of RPX. We had received a partial repayment, and we wanted to rebalance our position. Our yield on this new purchase, at cost, is approximately 9.0%.

We also invested in two new portfolio companies. First, Pixelle Specialty Solutions is the largest specialty paper manufacturer in North America. The Company is owned by Lindsay Goldberg. We invested in an incremental 1st lien loan which was used to purchase two additional mills. Our yield, at cost, is approximately 9.1%.

Second, we invested in Alta Equipment Group. Alta is the largest integrated equipment dealership platform in the US, offering new, used, and rental equipment as well as parts and service. It is being acquired by a SPAC. Our 1st lien loan yields approximately 12.2% at cost.

Using the GICS standard, as of December 31st, our largest industry concentration was Professional Services at 11.7%,
followed by Energy Equipment & Services at 11.6%,
Construction & Engineering at 10.3%
Media at 10.0%,
and Diversified Telecommunications Services at 5.2%.

Our portfolio companies are in 22 GICS industries as of quarter end. As of December 31st, our portfolio company count was 35, versus 33 at June 30th and September 30th. This count stands at 37 today including our investing activity since quarter end.

I'd now like to turn the call over to Rocco to discuss our financial results.

Rocco
Thanks, Chris.

For the quarter ended December 31th, 2019

- Our net investment income was 3.8 million dollars or 27 cents per share
- The fair value of our portfolio was 305.0 million, compared to 302.2 million at September 30th.
- Our portfolio's net increase from operations this quarter was approximately $3.0 million.
- Our new investments during the quarter had an average yield of 10.33%.
- Investments exited during the quarter had an average yield of 10.51%, and a realized average IRR of 12.99%.
- The weighted average yield of our debt portfolio was 10.41%, a decrease of 3 basis points from September 30th.

- As of December 31st, our portfolio consisted of 35 portfolio companies. 82.6% of our investments were 1st lien. 13.8% of the portfolio is in 2nd lien investments and 3.6% is in unitranche investments.
- 96.9% of our debt portfolio was invested in floating rate loans, and 3.1% in fixed-rate investments.
- Our average portfolio company investment was approximately $8.7 million dollars; and our largest portfolio company investment was 1888 Industrial Services, at $16.3 million dollars.

- We were 1.23x levered as of December 31st, compared to 1.25x levered as of September 30th and 1.16x on June 30th.

- Finally, with respect to our liquidity, as of December 31st we had 17.2 million in cash, 8.3 million in restricted cash and 30 million of capacity under our revolving credit facility with UBS. In addition, we have a $5.4mil receivable for portfolio company positions sold, and a payable of 20.1 million for portfolio company positions purchased.

Additional information regarding the composition of our portfolio is included in our Form 10-Q which was filed yesterday.

With that, I'd like to turn the call back over to Mike.

Mauer
Thank you, Rocco.

I'd like to update you all on a few of the investments in our portfolio.

As you may have seen in our 10-Q, our investment in Fusion Connect's term loan was on non-accrual as of December 31st. The company had been in bankruptcy since June 3rd. I'm pleased to say that it emerged this January, and we no longer hold any investments on non-accrual.
As 1st lien lenders, we received new loans, as well as equity in the company. In the current quarter, as a result of Fusion's restructuring, our unrealized loss on the original term loan position will become a realized loss, and the fair value of that loan will become the new cost of our combined debt and equity positions.
We have a great deal of confidence in Fusion going forward. In conjunction with the exit of the company from bankruptcy and the refinancing of the DIP loan, we invested a net incremental 4.3 million. Ultimately our return on Fusion will depend on the value of the shares we received, but while we wait for that realization, we have two loan positions with attractive yields on our books.

I discussed 4L briefly on our last call. Since then, 4L sold its Imaging business, and planned a restructuring around its Clover Wireless business, which remanufactures and remarkets mobile phones. The proceeds of the Imaging sale were worth approximately 30 cents on the dollar on our loan. The Company filed a prepackaged bankruptcy in December, and they emerged on February 3. Alongside our fellow 1st lien lenders, we received a new term loan as well as shares in the reorganized company. We are glad that this process moved efficiently and we are cautiously optimistic about Clover Wireless's prospects going forward.

AAR, or 1888, is our largest position. Our investments include a working capital revolver, term loans put in place during an out-of-court restructuring, and additional term loans provided to fund an acquisition. Last quarter, we provided the Term Loan D to finance a strategic acquisition. This quarter, we provided a Term Loan E, which is structurally senior to all other debt of the Company, to fund working capital and support 1888's growth. We remain optimistic that the company has made the right strategic and personnel decisions to succeed.

We have continued to orient the portfolio toward first lien loans. In the current market environment, we believe that it isn't prudent to stretch our attachment point too deep into the capital structure. As we target returns materially higher than the average broadly syndicated loan, we continue to focus on club relationships to originate loans with acceptable credit profiles, structures, and returns.

Our portfolio repositioning continues to be a successful undertaking. We have increased our portfolio company count to 37 today, and we expect to add additional borrowers this quarter. We have the capital to grow and diversify the portfolio further and we are working hard to do so.

We have guided that our new leverage target will be in the one-and-a-quarter to one-and-a-half times context. We are essentially at the low end of that range, at 1.23x as of December 31st. As we have previously stated, the Advisor will waive base management fees in excess in excess of 1% over the next quarter on leverage above 1.0x.

We covered our December quarterly dividend with NII, and although we fully earned our incentive fee, due to the "Lookback" test the company waived $336thousand dollars. We waived the portion of our management fee associated with base management fees over 1.0x leverage.

Our Board of Directors declared a distribution for the quarter ended March 31st, 2020 of $.25 per share, payable on April 2nd, 2020 to shareholders of record as of March 13th, 2020. We have maintained our dividend of $.25 since March of 2017, and are confident that this level is supported by our ability to generate NII without reducing the quality of our investments or changing our focus from secured lending opportunities.

You'll recall that Investcorp made two separate commitments to purchase shares of ICMB. First, Investcorp has begun to make open market purchases under a 10(b)5 program, and have bought 90,459 shares through December 31st. Secondly, they have committed to purchase shares at NAV. Investcorp has purchased 113,500 shares at NAV through December 31st .

[END OF RECORDED PORTION]
IF NEEDED, ADD ADDITIONAL COMMENTARY IN THE LIVE CALL

That's all I have prepared. Operator, please open the line for Q&A.
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Mauer
Thank you for joining us. We look forward to speaking with you at our next quarterly call in May, 2020.

Potential questions for Q&A

Questions about Fusion

Questions about Deluxe Canada

Questions about 4L

Questions about Exela

Questions about AAR

Questions about PGi