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**Focus Group Discussion  
Investcorp  
September 14, 2021**

**Operator:** Welcome to the Investcorp Credit Management BDC, Incorporated. Scheduled a new release of fourth quarter end of June 30<sup>th</sup>, 2021. Your speakers for today's call are Mike Mauer, Chris Jansen and Rocco DelGuercio. Operator assistance is available anytime during this conference by pressing star-zero. A question and answer session will follow the presentation. I'll now turn the call over to your speakers, you may begin.

**Michael Mauer:** Thank you, operator, and thank you to all of you for joining us on our fiscal year end call 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 in forward-looking statements. Rocco?

**Rocco DelGuercio:** Thank you, Michael. 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 replays 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 our latest SEC filings, please visit our Investor Relations page on our website. At this time, I'd like to return the call back to our chairman and CEO, Michael Mauer.

**Michael Mauer:** Thanks, Rocco. The June quarter March, our fiscal year end. We had a very active quarter with both highlights and challenges. We had a lot of activity from our investment standpoint both in terms of new investments and realizations. Chris will go into detail on a name by name basis. Three of our four new portfolio company investments were in club loans including one which we co-led with a partner. The

fourth was a middle market syndicated loan. We continue belief that the best value lies in the core middle market. We also see the relevance of thoughtful structuring and covenant. The pace of re-financing activity in the broader market seems to have slowed somewhat. Of course, it's also possible that the summer doldrums hit early this year but we had two re-financings announced mid-summer and none since. Our pipeline is less focused on re-fis' now and more on new LBOs. While there is still pricing pressure on new deals, the market frenzy feeling we saw four or five months ago seems to have abated somewhat. We extended our financing capacity and lowered our costs during the quarter and also during the current quarter. As we discussed last quarter, we repaid our 2023 notes and issued new notes due 2026. This had some one-time effects on our earnings this quarter which Rocco will discuss. More recently, we secured a new credit facility with Capital One which will eventually replace our borrowings under the UBS facility. Rocco will go into more detail later in the call. One thematic point I would like to make is that we have made great strides towards stabilizing the net asset value. We have reduced volatility by exiting investments as we did with Exela Technology this quarter. We have received payments on Deluxe over the past year. Which have reduced our current fair value to 4% of our original cost. We have also substantially eliminated downside risk through our NAV through our marks specifically on 1888 and PGI. I know that both of these positions have been of concern to you as well as to us for several years now. Coincidentally, both have reached a point of restructuring at the same time. Negative marks on these two positions over the past quarters have offset and overshadowed our team's great work across the rest of the portfolio. Now, with limited downside left, we think the entire portfolio's poised to revamp. Some examples include 4L, Techniplas and Arcade Bioplan. All of which have recovered from the share value low points and has begun to appreciate as the underlying borrower's performance has improved. Chris will now take you through our investment activity during the June quarter and after quarter end. Rocco will discuss our financial results and I'll finish with commentary on our financing activity, our leverage and Investcorp's share purchases, the dividend and our outlook over the next few months. As always, we'll end with Q&A. With that, I'll turn it over to Chris.

Chris Jansen: Thanks, Mike. We invested in five new portfolio companies this quarter and one existing portfolio company. We had six-fold debt realizations across five portfolio companies as well. Our first new investment was in a club loan for NWN corporation. We invested in NWN once before in 2015. The company which has

grown substantially under the ownership of New State Capital is a leading provider of managed cloud services, solutions, and systems. Our yield at cost is approximately 7.7%. Our second new investment was in the first lien term loan for Innovations in Nutrition and Wellness, or INW. INW which was purchased by Cornell Partners, formulates, and produces a variety of products for the vitamin, mineral and supplement markets. Our yield at cost is approximately 7.4%. Our third new investment was in the first lien loan for Lockwood shown in our financial statements as Veterans Services LLC. Our loan to Veteran Services is a one-year bridge facility to support the redevelopment of a former hospital in the Chicago metropolitan area. Our yield at cost is approximately 17.7%. Our fourth new investment was in the first lien loan for WIS International, a portfolio company of Centre Lane Partners. WIS provides inventory verification services and merchandising services to customers across various retail industries. Our yield at cost is approximately 9.5%. Finally, our fifth investment was in the first lien loan for Lenox Corporation, another portfolio company of Centre Lane Partners. We co-led this club deal with our partners at Capital Dynamics. Our loan supported the combination of Lenox, Hampton Forge and Oneida to form the leading tabletop business focused on the better market. Our yield at cost is approximately 9.2%. We also made an additional investment in Barri Financial Group term loan which is an existing portfolio company investment. Our yield at cost on this incremental investment is approximately 9.5%.

Turning now to our realizations during the quarter, Alta Equipment refinanced its term loan in early April with the proceeds of a bond offering. Our fully realized IRR was 17.8%. Flow Control amended its credit facilities in April. As part of this amendment, we opted not to roll our term loan suite position into the facility, and we were repaid at par. Our fully realized IRR was 9.2%. GEE raised equity in the public markets to repay its debt facilities in full. Our fully realized IRR was 22.8%. AC Products, or ACPI, refinanced its loan to connection with the acquisition of the company by Platinum Equity. Our fully realized IRR on this investment was 7.9%.

We also sold our positions in Exela term loan and bonds. Michael will discuss this further in his commentary. Our realized IRR on the term loan was -2.6% and the IRR on our position in the bond was a positive 4.9%.

Since quarter end, we made several additional investments and had one full realization. We invested in a club loan to Easy Way, a portfolio company of Inside

Equity. Easy Way is a designer and manufacturer of cushions, covers, umbrellas and other accessories to the outdoor furniture market. Our yield at cost is approximately 8.5%.

We invested in the first lien loan to AgroFresh, a food sciences company whose product prolongs the useful life of fruits. Our yield at cost is approximately 7.3%. We also invested in incremental term loan and delayed drafts facility for Empire Office, one of our existing portfolio companies. Our yield at cost on this incremental investment is approximately 8.9%. We also made an additional investment in Techniplas' equity as part of the strategic acquisition of Nanogate which is expected to be highly accretive and complementary to the existing business.

Finally, we also invested in an incremental term loan to Golden Hippo which has repaid a significant amount of debt to facilitate the purchase of additional equity by the ESOP. Our yield at cost is approximately 8.6%. After quarter end, we received the repayment in full of Infrastructure and Energy Alternatives or IEA. The company placed the bond to repay its loan in full. Our realized IRR was approximately 11.8%. We were also repaid on our investment in Hyperion as the company refinanced its first and second lien loans in the broadly syndicated market. Our fully realized IRR was approximately 7.6%. Using the GICS standard as of June 30<sup>th</sup>, our largest industry concentration was professional services at 10.6%, followed by energy equipment and services at 8.3%, containers and packaging at 7.6%, construction and engineering at 6.5% and commercial services and supplies at 6%. Our portfolio companies are in 25 GICS industries as of quarter end including our equity and warrant position. As of June 30<sup>th</sup>, our portfolio count was 36 versus 35 at March 31<sup>st</sup>. I'd now like to turn the call over to Rocco to discuss our financial results.

Rocco DelGuercio: Thanks, Chris. For the quarter ended June 30<sup>th</sup>, 2021, our net investment income was \$1.5 million or 11 cents per share. Normalizing for the redemption of the 2023 note and the write-off of capitalized offering expenses for those notes, our NII would have been 2.3 million or 17 cents per share. The share value of our portfolio was 245 million compared to 251 million on March 31. Our portfolio's net decrease from operations this quarter was approximately 11.9 million. Our new debt investments during the quarter had an average yield of 10.3% while realization repayments during the quarter had an average yield of 12.8% and fully realized

investments had an average IRR of 13.9%. The weighted average yield of our debt portfolio was 8.04%, a decrease of 73 basis points from March 31. The majority of this decrease is attributable to the repayment of our loan to GEE Group. As of June 30<sup>th</sup>, our portfolio consisted of 36 portfolio companies. 93.7% of our investments were first lien, 2.5% of our investments were second lien and the remaining 3.8% is invested in equity, warrant and other positions. 96.1% of our debt portfolio was invested in floating rate instruments and 3.9% in fixed-rate investments. Our average LIBOR floor on our debt investments was 1.04%. Our average portfolio investment was approximately \$6.8 million and our largest portfolio company was Barri [Financial Group] at \$13 million. We were 1.7x levered as of June 30<sup>th</sup> compared to 1.96x levered as of March 31 and our net leverage as of June 30<sup>th</sup> was 1.5x.

We had four investments on non-accrual and one investment on partial-accrual as of June 30<sup>th</sup>. With respect to our liquidity, as of June 30<sup>th</sup>, we had \$12.6 million in cash of which \$6.8 million was restricted cash as well as \$20 million capacity under our revolving credit facility UBS.

Finally, on August 23<sup>rd</sup>, we've closed on a new credit facility with Capital One. The new facility has an interest rate of LIBOR plus 2.35% compared to UBS' LIBOR plus 3.15% - an 80 basis point savings. It has a three-year investment period. The new facility will replace the existing UBS credit facility which is set to mature in early December. More details regarding this facility may be available in our recently filed 10K and our 8K filed on August 25<sup>th</sup>. I would also like to note that the December quarter will have one time cost related to the two credit facilities until the UBS credit facility rolls off in early December. Additional information regarding the composition of our portfolio included in our form 10K which was filed yesterday. With that, I'd like to turn the call back over to Mike.

Michael Mauer: Thank you, Rocco. Over the past several months, we've established a new set of leverage facilities to provide us with extended flexibility and lower costs. In April, we closed on \$65 million of new four and seven eighths notes due 2026. As Rocco noted, there was a one-time cost associated with writing off the remaining capitalized offering cost of the 2023 notes which reduced our NII by approximately 6 cents. More recently, we secured a new credit facility with Capital One. Our new facility with Capital One will replace our borrowing with UBS. Our guidance on leverage remains a target of 1.25-1.5x. We've been working to reduce our leverage

of the past two quarters, bringing it down from 1.96x in March, which was inflated due to the note refinancing I just described, to 1.72x times in June. Today, it stands at approximately 1.68x. We're going to continue to work toward reducing our leverage over the coming quarters and I note that the persistently high leverage is not the typical result of our normal investment activities but rather direct consequence of the decrease in our NAV. On that front, I'd like to discuss the decline in our book value. This quarter, we took significant markdowns in two portfolio company investments in particular. These were 1888 and PGI. Both have been credit concerns for some time and both were already on non-accrual. While for confidentiality reasons, I cannot discuss many of the details of these companies, I would like to share more color on each with you all. 1888 has several term loans. We have begun discussions for balance sheet restructuring and recognition that the subordinated term loan B will not resume paying interest and that 1888 would benefit from the equitization of a significant portion of its debt. By restructuring into an equity interest, we will retain the ability to realized upside value if the company performance recovers. PGI has been on non-accrual for several months after it defaulted on interest payments to both the first and second lien loans. Lenders in both tranches have been working together constructively to preserve liquidity and find a path toward recovering value. I can't go into detail about the restructuring at this point, but we believe our mark appropriately limits further downside risks in our position. We believe that reducing further downside risk through our NAV was an important aim for us this quarter. In addition to our marks on 1888 and PGI, we also sold our holdings in Exela Technologies after significant increase in the market price of the debt. We exited at a near zero IRR after holding that position through remarkable price volatility. This exit reduces uncertainty in the portfolio especially to the Exela ultimately restructure which we view as a real possibility. Apart from 1888 and PGI, we have two marks below 50 as of June 30<sup>th</sup>. DSG or Deluxe is in wind down position which I've discussed in prior quarters. We have marked the position as a sum of the probable future cash receipts. As recoveries are realized, the principal balance is reduced, and the mark is adjusted based upon our most recent view of remaining sources of value. It's a small position but I would like to note that we have recovered in excess of 74% on our investment at this time and we expect to recover additional amounts in the future. As of today, the fair value of DSG represents approximately 4% of our original cost.

Fusion's second out takeback paper is marked at 47 this quarter. This is indicative of the underlying challenges facing the business, as well as the unsustainable capital structure which was put on the business during its bankruptcy two years ago. I would note that we continue to mark the first out loan at par due to its low loan-to-value and we have a great deal of confidence in the company's management and their vision for the future. In addition to working hard to limit further downside on our NAV, we have a number of positions with asymmetric upside potential. We own equity positions in 4L, ASI, and Techniplas, as well as 1888 and Fusion. Techniplas has begun to see recovery and as Chris noted, made an acquisition which should be immediately accretive. 4L is stable and is, we believe, positioned for future recovery. ASI continues to perform well. Beyond our current portfolio, we also recently received expanded exemptive relief to coinvest with Investcorp's private equity funds which will allow us to invest in equity of Investcorp's LBOs alongside them. I would like to note we will never invest in the debt of an Investcorp portfolio company in order to avoid conflicts. However, we are excited about investing alongside our private equity partners and the prospect of creating additional avenues for NAV growth. We did not cover our June quarterly dividend with NII. As Rocco noted, however, one-time costs associated with writing off capitalized offering costs from our 2023 notes serve to bring our NII per share from \$0.17 to \$0.11 per share. Except for these one-time costs, we more than covered the dividend. We are committed to a disciplined investment approach and we are confident that we have the appropriate capital resources to generate NII to cover the dividend going forward. As we committed to do, we waived the portion of our management fee associated with base management fees over 1x leverage.

Our Board of Directors declared a distribution for the quarter ended September 30, 2021, of \$0.15 per share payable on October 14 to shareholders of record as of September 24. The Board did not declare supplemental distribution this quarter. We believe the dividend level to be stable and sustainable, and the supplemental distribution approach remains the best way to capture fluctuations in the portfolio's income generation.

Investcorp made two separate commitments to purchase shares in ICMB. While Investcorp did not make any open market purchases under its 10b-5 program or any purchases of shares at NAV during the June quarter, Investcorp has made purchases to fulfill all of its commitments during the current quarter.

In summary, since March 31<sup>st</sup>, we have successfully invested in seven new portfolio companies despite a challenging environment for origination. We remain focused on club deals where we find better structural protections, pricing and covenants that are typically in current vintage broadly syndicated transactions. We are also looking at existing portfolio companies for opportunities to make incremental investment. We will manage the portfolio through the cycle and keep our focus on consistent income generation and preservation of shareholder capital.

That's the end of our prepared statements. 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 any question, please press \*1 on your phone now and you'll be placed into the queue in the order received, or press # at any time to remove yourself from the queue. 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. We are now ready to begin.

Our first question comes from Christopher Nolan. Please state your question.

Christopher Nolan: Hey, guys. What's the advance rate on the new Capital One facility, Rocco?

Rocco DelGuercio: The advance rate?

Christopher Nolan: Yes.

Rocco DelGuercio: Well, it's a - I'm sorry.

Chris Jansen: It varies, Chris. It varies on the advance rate in total.

Christopher Nolan: Hello?

Michael Mauer: Hello? Yes, okay.

Chris Jansen: Okay, sorry. It should average about where we were with UBS, which is about 60%. It depends upon the portfolio. There are different advance rates for, obviously, different classes of loans and also, there's a size factor as well.



Christopher Nolan: Understood. 1888, are there private equity sponsors associated with that company?

Michael Mauer: There was a sponsor - it's Mike. Thanks for the question there. Before I answer that, I do want to clarify one thing. I think earlier, Rocco was going through his statements, talked about net leverage, and it sounded like 1.5x, it's 1.58x, just to be clear for everyone. I want to clarify that. On 1888, in the initial transaction back in 2014, there was a sponsor. When it was restructured several years ago, that sponsor was removed. They were not - it was a fundless sponsor, did not have additional capital to put in, so the lenders stepped into the equity and some of the strategic sellers continue to participate. At this point, the strategic sellers are helping from an operating standpoint, but not from a capital standpoint. That's the Wells family out in the DJ Basin.

Christopher Nolan: Great. I guess a final question on 1888. It's a Term B Loan which is non-accrual. Would just that one turn into equity or did all the exposure turn into equity?

Michael Mauer: I would expect that there are some debts still on it. We are finalizing if it's the Term Loan B or some other amount, but that has not been finalized at this point.

Christopher Nolan: Great, thank you.

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

Robert Dodd: Hi, guys. I've got a few. First one is kind of a housekeeping one. In the case, Fusion Connect is marked as like partial non-accrual. Can you explain what that means? I think it is counted fully in your non-accrual numbers that you give us, but it's listed as partial. So, what's the distinction there?

Rocco DelGuercio: Yes. So, Robert, that pays a - it's a 3% cash, I believe 8% PIK. The PIK portion is on non-accrual. It is only paying the cash. We're only recognizing the cash portion of it.

Robert Dodd: Got it. I appreciate that. I mean one of the questions on - I mean, Mike, you gave color, I mean you expect to be able to cover the dividend. I mean this quarter, without the onetime cost, yes, it would have been about \$0.17, but you also had very high fee income this quarter, the highest I can find in my model for at least

three plus years. I mean you're confident that either fee income is going to stay elevated, or without the benefit of extra fee income if the refinancing market has slowed that you can cover the dividend with just - with normal fee income.

Michael Mauer: With normal, Robert, thanks for the question. There are two things. One is with normal fee income, we expect to cover the \$0.15, and we have done our models out through year-end. I think beyond year-end, we get a little bit into the guessing of the reinvestment rates and the levels of portfolio, et cetera.

Robert Dodd: Got it, understood. Beyond year-end, it gets more tricky. Then the last one, on Premiere Global or American Teleconferencing, I mean you emphasized you wanted to eliminate or reduce at least, downside NAV risk going forward. When I look at your mark on that, there's 500 BDCs in there and your mark is substantially lower than anything anybody else has. Is there either something different about your loan? It does look you've got some PIK on it and I don't think other people do. So, I'm not sure if you're necessarily in exactly the same tranche as others? Or is there something you know about that business as it relates to the mark being lower than - I think the lowest other has a 42, and you've got a 15 which implies being very conservative. So, any more color on how that's marked? What's factored into that? Or is that just you wanted to take an ultra-conservative position on the valuation of that?

Michael Mauer: Robert, I appreciate the way you've tried to word the question because it's sensitive given the non-public information. So, all I'd say is that my expectation is that we do not have any asymmetric information to any other first lien lenders, okay? And we have thought that your focused on the first lien - the second lien is effectively \$1.00 or \$0.00 or whatever - and that we have felt that it's a very difficult loan and that we wanted to - if there is a range, which we believe there is a range for valuations - that we went to the conservative end of the range to minimize - I can never say eliminate, unless you're at zero, then you eliminate - but minimize the downside risk. We have sensed the market shareholder analyst frustration with some of the bits and pieces of marks on the portfolio. So, that's a bit of background on the overall portfolio in PGi specific.

Robert Dodd: Got it. Then, on the net leverage and obviously, things can move around as UBS gets replaced with Capital One, et cetera, you can allocate cash balances differently potentially. The 1.58x, I presume that was quarter end, what's the net

leverage today after taking account? Obviously, Investcorp have bought some stock at NAV which obviously gave you a little bit of an NAV, they bought at NAV per share, but obviously, that would have a beneficial impact on leverage, all other things being equal. So where do we stand today on that basis?

Rocco DelGuercio: The net, it would be closer to 1.54.

Robert Dodd: Got it. Okay, that's it for me. Thank you.

Michael Mauer: Sure.

Operator: Our next question comes from Paul Johnson. Please state your question.

Paul Johnson: Hey, good afternoon, guys. Thanks for taking my question. Just going off of Rob's last question. I'm just curious, going forward, I know you've had a little bit of net growth quarter to-date. I mean, how do you guys, I guess, balance any sort of new growth that you have? I mean are you planning on drawing more on the new facility, or do you have just more visibility into incoming repayments? How do you balance all that which is the level of cash on the balance sheet? Obviously, leverage is just running, I think a little bit higher than your previous target as around 1.5x or so I think on the high end.

Michael Mauer: I would say just to clarify, the growth in what were you referring to?

Paul Johnson: Quarter to-date, third quarter, just the investments that you've made quarter to-date.

Michael Mauer: The gross investments. So, there is - on that, we've got some visibility on some repayments that are coming in and some visibility on some redeployments. We've got some visibility on - and de minimis, I wouldn't say it's a lot - some markups because of some notifications of repayments vis-à-vis where we have them marked. We don't see any downside to our overall NAV today, we see modest upside. Then, I'll just take this opportunity to reiterate what I talked about earlier, and I don't think it's the next 90 day, I think it's six months to 36 months, the strategy of deploying into equity to grow the NAV, which will allow us to grow the asset base. And with Investcorp, we've now spent a year and a half plus getting the enhanced order for exemptive relief to coinvest. We will look - today, I think we have 4% plus

or minus in equities, think about that, a good portion of that is restructured equities. We'll manage those over time, but versus that 4% to 10% is the near-term to medium-term target, and that being that six to 36 months and that may change, and they will be a diversified portfolio coinvesting in Investcorp's sponsored deals right alongside. So, another way of growth.

Paul Johnson: Got you. Thanks for that. That was actually going to be my next question was on the private equity strategy which I think makes sense, now that you are affiliated with the Investcorp platform. So, I appreciate it. Those were all my questions and that's all I have today.

Michael Mauer: No, I appreciate it. Listen, I don't know how familiar all of you are with the Investcorp platform, but the private equity sponsor next year will be the 40<sup>th</sup> anniversary of them being a PE investor, and one of the original private equity investors in the '80s always been focused on middle market and continues to be focused on middle market. So, not only do we think that it will be accretive to shareholders to be able to exercise around a co-investment strategy, but it is now also starting to help us originate debt investments away from Investcorp deals because there are a lot of the market calls on Investcorp to lend to their PE deals, that's helping our partnerships on non-Investcorp deals.

Any other questions?

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

Michael Mauer: Thank you very much. We appreciate it, everyone. We will talk to you next quarter.

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

- End of Recording -