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**Focus Group Discussion
Investcorp
November 9, 2021**

Operator: Investcorp Credit Management BDC, Inc. scheduled earnings release of first quarter ended September 30, 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 *0. A question-and-answer session will follow the presentation. I would like to now turn the call over to your speakers. Please begin.

Mike Mauer: Thank you, Operator. This is Mike Mauer, and I'd like to thank all of you for joining us on our first quarter call today. I'm joined by Chris Jansen, my Co-Chief Investment Officer; and Rocco DelGuercio, our CFO. Before we begin, Rocco will give you 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'd like to turn the call back over to our Chairman and CEO, Michael Mauer.

Mike Mauer:

Thanks, Rocco. September is the first quarter of our fiscal year. As we look out from here, we are optimistic that June 2021 will mark the low point of our NAV. We saw an increase in the marks of many of our positions, an increase in the average yield of the portfolio, and an average IRR of over 10% on our realizations. We recognize that there has been more volatility in our portfolio than we or you would like. The team is working hard to continue to find good, direct lending opportunities to reduce sector concentrations and diversify the name count further.

We added two new portfolio companies this quarter and made additional investments into three other portfolio companies. After quarter end, we invested in two additional portfolio companies and made one incremental loan to an existing investment. We have found that in a highly competitive environment, some of our best opportunities come from companies we already know and/or lend to. These deals also tend to have better structures typical of one to two years ago, when we made our initial investments.

Refinancing activity continues to be a major theme. In the near-term, we expect to see refinancing of three of our investments, and we expect to take part in the new financings for two of those portfolio companies. It's always a challenge to maintain price and structure in a highly competitive market environment and when we are able to express a preference, it is to give a bit on the yield in exchange for covenants and better protection for our capital.

Last quarter, we had significant markdowns specifically on 1888 and PGI. I'll discuss those two investments toward the end of today's call. Thematically, one of our goals is to stabilize our net asset value. This quarter, our marks were net positive and we had a single material negative mark in Fusion Connect take-back loan. I'll discuss that situation later as well. Other investments which have exhibited volatility in the past were stable or positive this quarter, including 4L, Bioplan, Techniplas, and ZeroChaos. We continue to gradually increase the number of industries we invest in to maintain or increase the number of portfolio companies with the goal of improving the stability of the portfolio.

Chris will now walk through our investment activity during the September quarter and after quarter end. Rocco will then discuss our financial results. I'll finish with

some commentary on our investments on non-accrual, our leverage, the dividend and our outlook for the balance of the year. As always, we'll end with Q&A.

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

Chris Jansen: Thanks, Mike. We've invested in two new portfolio companies this quarter and three existing portfolio companies. We had two full realizations as well. Since our last conference call was so recent, much of what I'm about to cover was discussed on our call in September as well.

We invested in the first lien loan to AgroFresh, a food sciences company whose products prolong the useful life of fruits. Our yield, at cost, is approximately 7.3%. We invested in a club loan to Easy Way, a portfolio company of Insight 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%.

Turning to our existing portfolio companies, we invested in an incremental term loan and delayed draw facility for Empire Office. Our yield, at cost, on this incremental investment is approximately 8.9%. We also invested in an incremental 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%. We also made an additional investment in Techniplas' equity as part of strategic acquisition of Nanogate, which is expected to be highly accretive and complementary to the existing business.

Turning to our realizations, our loan to infrastructure and energy alternatives or IEA was repaid. Our realized IRR was 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 8.3%.

After quarter end, we made two new portfolio company investments, made one incremental investment in an existing loan, and had one full realization. We invested in the first lien loan of LaserAway, a portfolio company of Ares Management. LaserAway is a leading chain of laser hair removal and skincare boutiques. Our yield, at cost, is approximately 7.1%.

We also invested in the first lien loan of Momentum Manufacturing Group to back the LBO of the company by One Equity Partners. Momentum provides metal machining, welding, bending, and finishing services for diverse end markets. Our yield, at cost, is approximately 6.9%.

We also made a small incremental investment in GexPro's first lien term loan to support an acquisition. Our loan to ZeroChaos, or Workforce LogiQ, was repaid in full as the company was acquired by PRO Unlimited. Our fully realized IRR with approximately 11.2%.

Using the GICS standard, as of September 30th, our largest industry concentration was Professional Services at 10.8%, followed by Energy Equipment & Services at 8.3%, Commercial Service & Supplies at 7.3%, Containers & Packaging at 5.8%, and Trading Companies & Distributors at 5.6%. Our portfolio companies are in 26 GICS industries as of quarter end, including our equity and warrant positions. As of September 30th, we had 36 portfolio companies unchanged from June 30th.

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 30, 2021, our net investment income was \$2.5 million or \$0.18 per share. The fair value of our portfolio was \$245.3 million compared to \$245.9 million on June 30th. Our portfolio's net increase from operation this quarter was approximately \$3.3 million. Our investments in new debt during the quarter had an average yield of 8.5%, while realization and repayments during the quarter had an average yield of 8.7%, and the fully realized investments had an average IRR of 10.4%.

The weighted average yield on our debt portfolio was 8.12%, an increase of 8 basis points from June 30th. As of September 30th, our portfolio consisted of 36 portfolio companies. 92.8% of our investments were first lien, 2.8% of our investments were second lien, and the remaining 4.4% is invested in equity warrants and public positions. 96.1% of our debt portfolio was invested in floating rate instruments and 3.9% in fixed rate investments. The average LIBOR floor on our debt investment was 1.05%. Our average portfolio company investment was approximately \$6.8 million, and our largest portfolio company investment was Empire Office at \$12.9 million. We had a gross leverage of 1.63x and the net leverage of 1.47x as of

September 30th, compared to 1.72x gross and 1.58x, respectively, for the previous quarter.

As of September 30th, we had five investments on non-accrual which include all three investments in Pgi, 1888 term loan B, as well as deluxe and one investment on partial accrual, Fusion take-back loan. With respect to our liquidity, as of September 30th, we had \$16.3 million in cash, of which \$7.7 million was restricted cash as well as \$20-million capacity under our revolving credit facility with UBS, and \$115 million under our Capital One facility, which will be utilized over the next two weeks to retire the UBS term loan and revolver. 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.

Mike Mauer:

Thanks, Rocco. As we discussed last quarter, we extended our financing capacity and lowered our cost of borrowing. We secured a new credit facility with Capital One, which will replace borrowings with UBS this quarter. Between the Capital One facility and the 2026 notes, we feel very comfortable about our leverage capacity.

Our guidance on leverage remains a target of 1.25x to 1.5x. We've been working to reduce our leverage over several quarters, bringing it down from an artificially high level of 1.96 in March to 1.63 as of September quarter-end. There will always be fluctuations due to the timing of investments and repayments, but we expect to continue to see our leverage trend downward.

As we committed to do, we waived a portion of our management fee associated with base management fees over one-time leverage. Last quarter, I discussed the decline in our book value. This was driven by several of our investments on non-accrual which included 1888, PGI, and the take-back loan for Fusion, which is on partial accrual. 1888 balance sheet restructuring discussions continue. We still expect that the term loan B will be equitized, leaving us significant upside opportunity as company performance recovers with no expected downside from our current mark. Restructuring is expected to be completed this quarter.

PGi remains on non-accrual. Siris, the former sponsor, sold their interest in the company to RSI for a nominal amount. Lenders remain in forbearance as

operational turnaround work is underway. To aid in that effort, a portion of the first lien term loan was converted into a super-priority revolving facility. Our view of the fair value of our total investment in PGI did not change this quarter, but that value is now allocated across an additional tranche. The revolving facility can be repaid and re-borrowed like a standard revolver.

Fusion's second out take-back loan was marked down last quarter and, again, this quarter. The first out loan remains marked at par, and we are not concerned about value through that tranche. For confidentiality reasons, I can't go into much detail about Fusion at this time, but we are closely monitoring the credit and are in regular touch with management and our fellow lenders.

At this stage, we think that 1888, PGI, and Fusion have limited ability to cause further negative volatility in our NAV. We see upside potential in our equity investments, as well as in our loans marked below par. In the current quarter, there will also be from the repayment of ZeroChaos a NAV recovery, which was marked at 85 at September 30th.

We covered our September quarterly dividend with NII. Looking at our portfolio on a run rate basis, we expect to cover the dividend in December as well and to have fully covered the calendar year. Our disciplined investment approach and appropriate capital resources leave us well positioned to cover the dividend with NII going forward. Our Board of Directors declared a distribution for the quarter ended December 31, 2021 of \$0.15 per share payable on January 4, 2022 to shareholders of record as of December 10th. We believe the dividend level should be stable and sustainable, and that it represents an attractive yield given the market price of ICMB stock.

So far, this calendar year, we have successfully invested in nine new portfolio companies despite a very competitive environment for originations, and we have done so without compromising our principles. Our pipeline is focused on club deals, where we find better structure protections, pricing, and covenants. We also expect to find opportunities for incremental investments in existing portfolio companies. We will continue to manage the portfolio with a goal of consistent income generation and preservation of shareholder account.

That concludes our prepared remarks. Operator, please open the line for Q&A.

Operator: Ladies and gentlemen, at this time, we will conduct the question-and-answer session. If you would like to ask a question, please press *1 on your touchtone phone now, and you will be placed in the queue in the order received or press pound 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, if you would like to ask a question, please press *1 on your phone now.

Our first question comes from Robert Dodd from Raymond James. Please go ahead, Robert.

Robert Dodd: Hi, guys, and congratulations on the quarter. I've got a couple of questions. First, going down the P&L, on that dividend income, was that a one-time dividend recap or something like that? It's pretty sizable, especially in context of the size of your overall equity book which isn't that big. Basically, is it sustainable and can you give us any color on the source of it this quarter?

Mike Mauer: Yes. As far as one-time income other fees, it was probably a little less than \$100,000.00 in the current quarter, and then that was in the other fees. Then non-recurring, there was probably a little over \$200,000.00. When we looked at the forecast for the dividend, we're very comfortable that we should continue to cover it this quarter and next quarter.

Robert Dodd: Sorry. I meant the dividend income to you rather than the dividend to shareholders, the \$296,000.00 in dividend income this quarter.

Mike Mauer: Okay. I'm going to look at Rocco and while he's looking that up, we'll...

Rocco DelGuercio: Oh, it's Techniplas. He's talking about Techniplas dividends, yes.

Chris Jansen: Oh, the one-time. It's the one-time.

Rocco DelGuercio: Yes, that is the one-time fee. Yes. That's Techniplas. I'm sorry, Robert. I didn't understand. That's the Techniplas fee that's paid a dividend. The equity portion of it paid a dividend. I apologize. I didn't get that.

Robert Dodd: Got it. No worries.

Mike Mauer: Yes. When we filter that out, we do still easily cover at the current dividend level without a material change in the portfolio.

Robert Dodd: Understood. On the fee waiver, obviously, waiving management fees over 75 basis points over one turn of leverage. Do you think it's reasonable for investors to expect that to be continued long-term, or is that something that is being evaluated on a quarter-to-quarter basis? Or should we factor that in as a long-term base plan?

Mike Mauer: Let me answer that two ways. One is there is no plan to change that, so from the way you factor it in. It is something that is revisited on a quarter-to-quarter basis with the board, but there is no plan to revisit what we're doing at this point.

Robert Dodd: Got it. I appreciate that. Then on the interest expense, you've done a lot of work with the newer goal for that. If we look at that, take the new structures and say next quarter or however, I want to say, how much do you think the new structures in total will save in quarterly interest expense versus, say, the 1.86% this quarter or the 1.9% last quarter?

Rocco DelGuercio: All right, so let me put it here this way maybe, Robert. Maybe I can say it differently. Our current credit facility is at 3.55% plus LIBOR, and our new one is at 2.15% plus LIBOR, I'm sorry, 2.35% plus LIBOR, so that and the UBS credit facility will roll off on December 6th and that credit facility is 1.15% versus if you look at what we have now with UBS, it's 1.02% plus 1.20%.

Robert Dodd: Got it.

Mike Mauer: Yes, Robert. There's one more thing I'd add, just as we're all looking at each other here, is that under the current structure, because UBS is a term loan, we've been carrying minimum \$10 million to \$20 million of cash and paying the full interest under the term loan to have that. Under the new Capital One, we've got more flexibility so that if we have excess cash, we will pay it down and we will not be paying on borrowed funds there.

Robert Dodd: Got it. Appreciate that. Okay. I appreciate the color, Mike, and I'm sure we are on 1888, PGi, Fusion, etcetera, and 1888 restructuring to be completed this quarter. I

realize you can't say anything about Fusion but on PGI, is there anything - and I realize you're not in control - but any color you could give us on a reasonable timeline to expect there?

Mike Mauer: Yes. I'm not sure. I think that we're all patient. I think it was a big plus to bring RSI on. Is it going to be six months to a year? I'd say, no. I think that it could be two years plus or minus and if you asked me my bias would be plus, unless - and this is the big plus wild card - someone looks at it strategically and comes in, but we've got I think a good management team in and the way it's structured with RSI, we've got real upside as they realize more value over time.

Robert Dodd: Got it. I appreciate it. Thank you.

Chris Jansen: Yes, Robert. This is Chris, Robert. Other lenders have used RSI before and past performance is not a guarantee of future results or whatever that term is, but they had surprisingly good results. In all seriousness again, but they had a surprisingly good over performance on the couple deals that RSI managed for them and with the complexity of this business, it really fit what RSI strengths are. Like Mike said, we're optimistic long-term.

Mike Mauer: And we have not built in that optimism upside into our valuation.

Robert Dodd: Yes. Appreciate it. Thank you.

Operator: Our next question comes from Paul Johnson from KBW. Please go ahead, Paul.

Paul Johnson: Hey. Good morning guys. Thanks for taking my questions. I had, sort of, a high-level question for you guys. I don't know if there's necessarily a right or wrong answer here, but curious to hear from you. How do you balance out? I guess first, I should say with the goal of obviously achieving greater diversification in the portfolio, how do you guys balance the idea of taking positions in new investments, new companies alongside obviously the opportunity to invest in existing businesses in your portfolio? I'd just be curious if you had any preference for one or the other or in just how you balance that out.

Chris Jansen: Yes. Thanks, Paul. This is Chris. It's really a case-by-case basis. I hate to be non-committal, but you have something like a credit like Golden Hippo which

significantly repaid the first lien debt we're in. When they come back to reload the facility for the ESOP to buy more shares back from the three original founders, that is as close to a no-brainer as I've ever encountered. We are mindful of how we've managed the portfolio in the past and we do make every effort to keep our average hold levels down below the double-digits. Sometimes, we are mindful of it, but there is a comfort with deals or [management](#) teams we're invested with that have, a., run the company on a leverage state better longer and, b., paid that down. It'll tend to be a little bit higher.

If I've tried to answer your question now, and I apologize, it's a little higher hurdle for a new deal when we're looking at an older deal where we have a manageable position at the ready. To us, manageable is \$7 million or less where we may top up for two or three more.

Paul Johnson: Sure, okay. Yes, I appreciate that.

Chris Jansen: I meandered a lot, but I hopefully gave you some flavor for how we look at it.

Paul Johnson: Yes. I understand it's complicated, and a deal-by-deal basis is probably the best way to say it. My other question was for the advisor. I'm just curious. Does the advisor or in any sort of partnership along with ICM in any way, do you guys manage any other assets outside of the BDC, or are you in the process of raising any additional capital outside of the BDC?

Mike Mauer: There are two parts to that which are, number one, we had been pre-COVID talking about raising a private fund. We are back in those discussions. That should progress during 2022. I'm not sure if the first close will be in the first half or second half. That's the target to first close on a new private fund during 2022, but I think coincidental with that, not separate from it but coincidental with it and it will probably overlap some, I think now it's a week-and-a-half ago Investcorp had an announcement that they were supplying the capital for an acquisition of an insurance company shell that owns 44 licenses throughout the United States, so think about the analogy would be a theme during ramp up.

There's a new insurance company. Investcorp has gone through the process of identifying hiring CEO, CIO. We've got the shell. They're capitalizing it. That will start to write premiums during 2022, and it will hopefully create additional assets

for us to manage along with the opportunity to raise a private fund. There is a platform that is building around it.

Paul Johnson: Great. Thanks for that very good color and I appreciate that. Last, just one quick question, but on your leverage target ratio, is that on a gross basis or a net basis?

Rocco DelGuercio: I did it both ways. The 1.63 was gross. The 1.47 was net, Paul.

Mike Mauer: The target of 1.25 to 1.50 is a gross number, and we would expect based upon - a great example is we said that we know that there are a few that are supposed to repay. In anticipation of repaying, we are trying to make sure that we deploy. Now, if a repayment gets delayed and we have deployed, it would be a little bit higher until the repayment comes in, but being in that 1.25, 1.50 is the target.

Rocco DelGuercio: Yes, and Paul, just to follow what Mike said earlier, if you think about the way our credit facility is, we just sit on cash where in the new credit facility, the net and gross would be the same because I would pay down the credit until I need to borrow on it, so if you look at it that way, too.

Mike Mauer: By December 1, we will be fully into the new facility and out of the UBS facility.

Paul Johnson: Okay, got it, so gross basis on the target range, that's what I was looking for. Appreciate it, guys. Thanks for taking my questions.

Rocco DelGuercio: Thank you.

Operator: Once again, if you would like to ask a question, please press *1 on your phone now. Gentlemen, at this time, there appears to be no further questions.

Mike Mauer: Thank you very much.

Rocco DelGuercio: Thank you.

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

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