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**Conference Call
Investcorp
February 8, 2022**

Operator: Welcome to the Investcorp Credit Management scheduled earnings release of second quarter ended December 31st, 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'll now like to turn the call over to your speakers. Please begin.

Mike Mauer: Thank you, Operator. Thank you all for joining us on our second 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 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: Thank you, Rocco. Our December quarter was the busiest one in our history. We invested in seven new portfolio companies and made additional investments in seven other portfolio companies. We supported LBO acquisitions and existing portfolio companies among other use of the proceeds. This diverse set of investments continues to support the portfolio rotation we began earlier this year.

As we promised last quarter, we've added to our total count of portfolio companies, decrease concentrations in a number of industries we lend into, and maintained a moderate, average position size. All with the goal of increasing the stability of our results. We completed the restructuring of Fusion Connect in January, as well as the conversion of 1888's Term Loan B into equity. With these restructurings complete, we continue to address significant legacy credit issues in the portfolio. I'll speak more about the details later in the call.

It continues to be challenging to maintain price and structure in a highly competitive market environment, but we were successful in deploying our capital at an average yield in excess of 8% during the quarter. Only one of our new investments was covenant lite in a market environment, which is increasingly sponsor friendly.

Since the story of the quarter is our new investment activity, I'd like to turn the call over to Chris. After his discussion, Rocco will go through our financial results. I'll finish with commentary on our investments on non-accrual, the restructurings of 1888 and Fusion Connect, our leverage, the dividend, and our outlook for 2022 as well. As always, we'll end with Q&A. With that, I'll turn it over to Chris.

Chris Jansen: Thanks, Mike. We invested in seven new portfolio companies this quarter as well as seven existing portfolio companies. We had six full realizations as well. Please bear with me as there's a lot to cover this quarter.

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 skin care boutiques. Our yield at cost is approximately 7.1%. We invested in the first lien loan of Patriot MMG or Momentum Manufacturing Group to back the LBO of the company by One Equity Partners. Momentum provides metal machining, welding, bending, and finishing services. Our yield at cost is approximately 6.9%. We also invested in a club financing for ArborWorks. We participated in the revolver, term loan, and made a small co-investment in the equity. ArborWorks provides utility clearing, vegetation management, and disaster relief services. The transaction supported the LBO of the company by New State Capital. Our yield at cost is approximately 8.5%. We invested in the revolver and first lien loan of South Coast Terminals backing its LBO by Platform Partners. South Coast is a contract manufacturer specialty chemicals and lubricants. Our yield at cost is approximately

7.5%. We also invested in the revolver, delayed draw term loan and first lien term loan of Xenon Arc, which provides tech enabled distribution solutions for specialty chemicals and materials. Peak Rock is the sponsor. Our yield at cost is approximately 7.0%. We participated in upsizing of Crafty Apes term loan, joining a club deal and supporting the company as it made an acquisition. Crafty Apes is a visual effects company serving the TV and film production industries. Gemspring is the sponsor. Our yield at cost is approximately 7.9%. Finally, we made our first equity co-investment alongside Investcorp's North American private equity group. RESA Power, listed in our scheduled investment as Investcorp Transformer Aggregator LP, provides field services, power systems, and specialty distribution of related products to utility, power generation, corporate and government customers.

In terms of investment in our existing portfolio companies, we made a small incremental loan to Gexpro to support an acquisition. Our yield at cost is approximately 9.0%. Our loan to Gexpro were refinanced after quarter end, which I'll talk about in a moment. We also made a small incremental loan to Fusion Connect to support its liquidity during the restructuring process. Our yield at cost is approximately 12.0%. As for Gexpro, we refinance this loan after quarter end. Mike will provide additional detail about Fusion's restructuring later in the call.

We made an incremental loan to Easy Way, which was a new portfolio company for us last quarter. Easy Way is a designer and manufacturer of cushions, covers, umbrellas, and other accessories for the outdoor furniture market. Our yield at cost is approximately 8.9%. Galaxy Universal purchased a number of footwear brands from Sequential Brands and Sequential's bankruptcy auction. Galaxy managed these brands already and we're pleased to participate in this transformational acquisition. Galaxy's existing firm loans are refinanced and the new first lien loan yields approximate 7.4% of cost.

We made an additional investment in the first lien loan to AgroFresh, a food sciences company whose products prolong the useful life of fruits. We had a subscale position and are now comfortable with our whole size. Our yield at cost is approximately 7.2%.

We provided an incremental loan for Klein Hersh alongside our four partners. Klein Hersh's financial performance has been outstanding and leverage today is below

closing leverage. This helps us get comfortable with the fact that the use of proceeds was a dividend of the sponsor, New State Capital. Our yield at cost is approximately 8.3%. Finally, we provided small incremental loan to ASI to help the company make an acquisition. Our yield at cost is approximately 9.5%.

Turning now to our realizations, as I mentioned last quarter, our loan to Zero Chaos was repaid in full as the company was acquired by PRO Unlimited. Our fully realized IRR was approximately 11.2%. I mentioned a minute ago that we participated in Galaxy Universal's new financing as the company acquired assets in Sequential Brand's bankruptcy auction. This new first lien loan refinanced our old loan for a fully realized IRR of approximately 12.8%. We also opportunistically exited our position in Pixelle Specialty Solutions in favor of new opportunities that we originated this quarter. A fully realized IRR was approximately 8.9%. We also received repayment in full for One Sky as it exited the syndicated home market in favor of utilizing an EETC financing. Our fully realized IRR was approximately 10.8%. We also sold our position in United Road Services which was one of our positions of the risk rating of 3. Our fully realized IRR was approximately 4.1%. Finally, we fully realized our position in Veteran Services, or Lockwood. This was always intended to be a short-term hold and we are very pleased with the outcome and with our IRR, which was approximately 24.4%.

After quarter end, we have both investments and realization in two portfolio companies. First, our loan to Gexpro with fully refinanced with a realized IRR of approximately 10.4%. We took part in a new financing for the company, which included a new first lien term loan, delayed draw term loan, and the revolver commitment. Our yield of cost on Gexpro's funded revolver is approximately 7.5% and term loan is approximately 7.4%. We also had realizations and new investments in Fusion Connect. Mike will talk more about the restructuring later in the call. The exit term loan was full refinanced at its call premium with a realized IRR of 13.4%. We were joint bookrunners on the new first lien term loan which has a yield of cost of approximately 9.6%. We also participated in the company's new Series A preferred equity which has a PIK coupon of 12.5%, and a yield at cost of approximately 13.1%.

Using the GIC standard as of December 31st, our largest industry concentration was commercial services and supply at 12.5% followed by internet and direct marketing retail at 8.3%, energy equipment and services at 7.6%, professional services at

7.2%, and software at 6.4%. Our portfolio of companies are in 23 GICS industries as of quarter end including our equity and warrant positions. As of December 31st, we had 38 portfolio companies, an increase of two from September 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 December 31st, 2021, our net investment income was \$2.1 million or \$0.15 per share. The fair value of our portfolio was \$269.4 million compared to \$245.3 million on September 30th. Our portfolio's net increase from operations this quarter was approximately \$3.4 million. Our investments in new debt during the quarter had an average yield of 7.8% while realizations and repayments during the quarter had an average yield of 11.8%, and fully realized investments had an average IRR of 12.8%. The weighted average yield of our debt portfolio was 8.16%, an increase of four basis points from September 30th.

As of December 31, our portfolio consisted of 38 portfolio companies; 95.3% of our investments were in first lien and the remaining 4.7% is 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. The average of LIBOR floor of our debt investment was 1.1%. Our average portfolio of company investment was approximately \$7.1 million, and our largest portfolio investment was Empire Office at \$12.8 million. We had a gross leverage of 1.74x and net leverage of 1.39x as of December 31st compared to 1.63x and 1.47x, respectively, for the previous quarter.

As of December 31, we had four investments on non-accrual which included all three investments in PGi, as well as Deluxe and one investment on partial accrual, Fusion take-back loan. With respect to our liquidity, as of December 31, we had \$36.1 million in cash and, of which, \$19.8 million was restricted cash with no unused capacity under our revolving credit facility with Capital One. Additional information regarding the composition of our portfolio is included in our Form-10Q which was filed yesterday. With that, I'd like to turn the call back over to Mike.

Mike Mauer: Thank you, Rocco. 1888 has been a difficult investment for us. After a significant period of negotiations, the term loan B has been fully equitized. This reduces debt of the company by approximately 60% while leaving the lenders and equity holders aligned through cost holdings. We also played a major role in the Balance Sheet restructuring of Fusion Connect. Fusion exited bankruptcy two years ago but with

an unsustainable debt structure driven by the structural demand by certain other lenders. Through this restructuring, we helped the company reduce secured debt by approximately 80%. We were the joint-lead-arranger on the new first lien loan which refinanced Fusion's exit loan. We also were a backstop party to the company's new money series A preferred equity, providing additional income for our shareholders. The takeback loan, which was the bulk of the company's debt was equitized into Series B equity and will convert to common shares upon the receipt of regulatory approvals, which we anticipate will occur later this year. We also received warrants with multiple strike prices, some of which are immediately in the money.

As they say in last quarter, we think that 1888, PGI and Fusion have limited ability to introduce negative volatility to our NAV at this point. Instead, we think the growing number of equity investments in the portfolio, while small in terms of fair value at this point, has the potential to appreciate over the coming years.

Our gross leverage for this quarter was 1.74x above our guidance of 1.25x to 1.5x. That said, our net leverage of 1.39x which is within the number we manage too. This quarter, especially active investment cycle, included unexpected fluctuations in the timing of investments and repayments, including the need to hold cash for closing on deals after quarter end. We expect to see our gross and net leverage generally converged with both around the high-end of the target range. As we have previously committed, we waived the portion of our management fee associated with base management fees over one turn of leverage.

We covered our December quarterly dividend with NII looking at our portfolio on a run-rate basis. We expect to continue to cover the dividend in March and going forward. Our disciplined investment approach and appropriate capital resources leaves us well-positioned to continue to generate sufficient NII. Our board of directors declared the distribution for the quarter ended March 31, 2022, of \$0.15 per share, payable on March 31st to shareholders of record as of March 11th. We believe the dividend level is stable and sustainable, and that it represents an attractive yield given the market price of ICMB's stock.

For the six months ended December 31, we invested in nine new portfolio companies and eight existing portfolio companies. The fourth quarter was our busiest to date, and I am proud of what the team accomplished during what is

traditionally a market low. We deployed capital without compromising our principles, focusing on club deals with strong structural protections, pricing, and covenants. We will continue to manage portfolio with the goal of consistent income generation and preservation of shareholder's capital. As we enter 2022, we have visibility into probable repayments as well as several promising deals in the pipeline, which will enable us to continue our portfolio rotation. We expect to continue our focus on optimizing the portfolio for yield, diversity, and stability.

This 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 state the question, please press *1 on your phone now, and you will be placed into the queue in the order received, or press # 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 now.

Our first question comes from Robert Dodd from Raymond James. Please state your question.

Robert Dodd: Hi, guys. I have several questions. First, on the restructured assets, Fusion Connect, the takeback term loan was marked down in the December quarter of this year than the restructuring after that. On that, was the markdown because of some new weakness in the business or was it just a function of that's where the negotiations came out in terms of the restructuring framework?

Chris Jansen: Yes. Hey, Robert. This is Chris.

Robert Dodd: Hey, Chris.

Chris Jansen: How are you? Much more of the latter. The business is stabilizing. The new management team has been in there for a while, so there's no market change in the business.

Robert Dodd: Yes. Just looking at the new pricing on that, I think you said 9.6% on the new loan on that, that seems pretty attractive for a business that has had some trouble over the years. Can you give us any insight on that? Why is that, for something that's

gone through two restructurings in a couple of years, that pricing seems pretty good on a new loan.

Chris Jansen: Yes. Basically, the group lenders that are financing that have also financed the preferred and there were attractive warrants with regards to the pricing too. So, it may be a little lighter on the rate but the economics of the deal in total - think of it as a spread - we think we're compelling.

Robert Dodd: Got it. I appreciate that. This one, if I can, on leverage. Mike I appreciate your comments there. The leverage is pretty high there. I mean, the net 1.39x, there's a payable obviously, so not all that cash is available to pay down to the net against the leverage. You did say that above the high end is the range in terms of adjusted. At what timeframe should we expect to get down to that, the high end of the range? If I can, then kind of tied to that as well, with a range of 1.25x to 1.50x as the target, what kind of market environment would be required for you to decide, say, the low end is more appropriate than the high end or what kind of functions should we think about where you would be in the high or low?

Mike Mauer: Robert, I'm glad you asked that because there's been some activity post quarter ends. So, if I looked at it close of business today for identified repayments that we've been told were getting repaid - I don't know if that's two weeks or six weeks - and some monetization that we've done. If I pro forma that and I look at the net cash for payables, we are either slightly above - I think we are slightly below 1.5x. I think it's like 1.49x, okay? So, we're at that level today. How long will it take us to get there? We're kind of there today, the 1.5x net of everything.

Robert Dodd: I'm all good. Yes. Okay.

Mike Mauer: So, the key thing is we want to operate in this 1.40x to 1.50x and we're going to blip up, and when we see things coming in order to fund in advance of the repayments, that's kind of what we were doing at December quarter end because we had some visibility. Getting down at 1.25x, as kind of a I'll call it a target rate, would mean we'd be operating in a 1.10x to 1.30x range because of repayments that come in in advance of being at that 1.25x. I don't see that in the near term. I see this as trying to stay in this 1.25 to 1.50 range.

Robert Dodd: Got it. One housekeeping one if I can. The interest expense looked a little higher than I was expecting. Obviously, there were two revolvers functional during the quarter, and one of them - the UBS one - is gone now. Would there be one-time expenses related to the UBS facility which, obviously, is done and dealt with?

Rocco DelGuercio: Hi, Robert. It's Rocco.

Robert Dodd: Hi, Rocco.

Rocco DelGuercio: Because we had these two facilities, because we had the UBS facility through mid-November, we incurred \$485,000.00 of interest, of which \$150,000.00 was breakage fee.

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

Rocco DelGuercio: No worries.

Operator: Our next question comes from Christopher Nolan from Landenburg. Please state your question.

Christopher Nolan: Hi. Rocco, you said \$150,000.00 in breakage fees. Is that the non-recurring for the quarter?

Rocco DelGuercio: Correct.

Christopher Nolan: Okay. Then, are you guys assuming any sort of action by the federal reserve to increase interest rates? If so, how many rate hikes are you expecting?

Mike Mauer: We are expecting rate hikes. We, internally - not you and us - but we, on our side, debated the first hike can be like 25 or 50. As you know we've got, I'll call it [round figures], 35% fixed rate in our liabilities. Our LIBOR floors are average at about 110 but they're not all there. We've got some at 75. Our assumption is it's at least six to nine months before we get the benefit of rising LIBOR. We've got six on part of the debt. We'll have a little bit of increase, but on the asset side, we're seeing, I'd say, stability to a little bit of lift on the LIBOR plus 525 to 600 where everything was and we're seeing a little bit of lift to that, not a lot, right now.

Christopher Nolan: Great. Follow up question. American Telecom Conferencing, or PGI. There are a lot of moving pieces in the quarter. Did you guys mention that in your prepared remarks? If you did, I missed it.

Chris Jansen: Hey, Chris. It's Chris. The mark basically stays fairly static. The company is making progress on operating the business and maximizing value for the lenders and the stakeholders. Don't anticipate much upward movement at this point. They're just operating the business and trying to maximize profits or restore back to profits, I'd say.

Christopher Nolan: Chris, would you characterize this as a likely restructuring candidate in the coming quarters?

Chris Jansen: More of a sale in the next 12 to 24 months.

Christopher Nolan: Great. Okay. Thank you.

Chris Jansen: Sure. Thank you, Chris.

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

Paul Johnson: Hey. Good afternoon, guys. Thanks for taking my questions. Going back to one of Dodd's questions just on the leverage, it sounds like you guys have a decent amount of insight end of a quarter in terms of where repayments are coming in, and that sort of thing. Just taking into account where you guys stand today on a gross basis, and then that combined with your unfunded commitments - I believe they're around \$14 million, correct me if I'm wrong there. How do you guys - coming off from a really active quarter that you have - balance out I guess your investment activity for the quarter in terms of your ideal position holding sizes? Does the level of unfunded commitment that you have today, in any way, constrict what you would like to hold on the balance sheet or I guess any insight into how you're kind of balancing that out in today's market?

Chris Jansen: Yes, Paul. It's Chris again. We're cognizant of the unfunded commitments. We've managed that very carefully to the point where we never have to have that as a primary consideration in what we're doing within the portfolio. We - always is probably an overstatement - but we always have a small handful of more liquid

names in the portfolio that we can cycle out of at or around the level where we have it marked. It's never a guarantee but that's what we did this current quarter. So, bottom line, it doesn't really - the unfunded commitment does not really inhibit how we handle the portfolio.

Paul Johnson: Got it. How much insight do you have on those unfunded commitment per se of how much do you think or readily available to be drawn by your portfolio companies versus that are subject to milestones and maybe unlikely to be drawn upon?

Chris Jansen: I'd say more than half, but we mentally always assume they all can be drawn.

Paul Johnson: Sure. Okay. Then, my last question is just a quick one. Do you guys have any insight in terms of when you might be earning an incentive fee again?

Rocco DelGuercio: So, if I'm out loud assuming what we're going through now, we're looking at probably September of '23 ish, I would guess.

Mike Mauer: For purpose of the modeling, when we talk about this, because we do it slight on all. We assume conservatively that we are run rate at the portfolio of about 1.5x to 1.5x leverage. We then assume that the rate, the unlevered rate is around where it is today, and we do not assume any big pickups in our realized or unrealized gains. Those are all things that would accelerate turning on the - at September quarter, we would earn it, not turn it on after.

Paul Johnson: Okay. Got it. Yes. I understand. All right, that's all for me. Thanks for taking my question.

Mike Mauer: Thank you very much.

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

Mike Mauer: Thank you very much everyone. We look forward to talking to you next quarter.

Operator: This concludes today's conference call. Thank you for attending. Have a great day.

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