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Zacks Small-Cap Research

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Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Alcentra Capital (ABDC-NASDAQ)

ABDC: New Management Team Continues to Reposition the Portfolio

We believe the stock should trade at $7.20 per share, at a dividend yield in line with its peers.

OUTLOOK

Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon, its single largest shareholder. The company's target market is the lower middle-market, which management believes traditional lenders underserve. ABDC shares, which provide 11.9% dividend, also trade at a 45% discount to the company's $11.01 NAV (net asset value) / share.

Current Price (08/07/18)	$6.16
Valuation	**$7.20**

SUMMARY DATA

52-Week High	**$11.19**
52-Week Low	**$5.96**
One-Year Return (%)	**-29.5**
Beta	**0.58**
Average Daily Volume (sh)	**69,031**
Shares Outstanding (mil)	**13.5**
Market Capitalization ($mil)	**$84**
Short Interest Ratio (days)	**4.4**
Institutional Ownership (%)	**36**
Insider Ownership (%)	**1**
Annual Cash Dividend	**$0.72**
Dividend Yield (%)	**11.7**
5-Yr. Historical Growth Rates	
Sales (%)	**27.3**
Earnings Per Share (%)	**-2.0**
Dividend (%)	**-5.9**
P/E using TTM EPS	**5.4**
P/E using 2018 Estimate	**6.6**
P/E using 2019 Estimate	**7.6**
Zacks Rank	**N/A**

Risk Level	**Average**
Type of Stock	**Small Value**
Industry	**Fin-SBIC&Commercl**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	9.9 A	10.6 A	9.1 A	10.9 A	40.6 A
2017	9.2 A	8.3 A	7.6 A	8.2 A	33.4 A
2018	8.2 A	7.3 A	6.8 E	6.8 E	29.0 E
2019					26.7 E

Adjusted NIL Per Share
(before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	$0.41 A	$0.44 A	$0.35 A	$0.45 A	$1.66 A
2017	$0.34 A	$0.36 A	$0.34 A	$0.28 A	$1.32 A
2018	$0.27 A	$0.25 A	$0.21 E	$0.22 E	$0.93 E
2019					$0.80 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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KEY POINTS

- Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon.
- The company's $270 million portfolio is composed of 35 investments, comprised of 27 companies, five broadly syndicated loans (BSL), and three rated CLO debt instruments. It is invested 90% in debt and 10% in equity.
- The company targets the lower middle-market, which has been under-served by traditional lenders.
- To mitigate its risk, the company conducts substantial due diligence, seeks rigorous financial covenants and diversifies its investments across a broad range of sectors and portfolio companies. Its largest sector is business servicesat 18% of the total investment portfolio.
- The weighted average yield on the company's debt portfolio is 10.9% and the weighted average portfolio company leverage is 3.58 times EBITDA.
- At $6.08, the shares trade at a **45% discount to the company's $11.01 NAV** (net asset value) per share. NAV has declined from the $14.63 per share at the time of its May 2014 IPO. The company is actively working to revamp the portfolio and decrease the discount of the stock price to the NAV. At its current price, Alcentra's current dividend yield is 11.9%, above the average of 10.0%.
- Three debt investments in the portfolio are now on non-accrual: Southern Technical Institute, Black Diamond Rentals, and Show Media. The investment in Media Storm, which had been on non-accrual, was sold.
- Alcentra is suffering from increased competition in the lending market that is pushing down rates. It also has a number of investments that have gone sour. These investments have been written down to where there most could provide upside in the future. This quarter it cut its dividend from an initial $0.34 per quarter, to a more sustainable $0.18, and the stock price has reset to reflect that. The price may however have declined further than it should give the portfolio and its prospects.
- The company has a valuation below its peers, and a best-in-class management fee structure for investors. Our price target is $7.20, which would be a 10% yield in line with its peers.

WHAT'S NEW

Q2 2018 Earnings

For the second quarter of 2018, the company reported total investment income of $7.3 million versus $8.3 million last year, a decline of 14%. Net investment income was $3.5 million, or $0.25 per share versus $4.8 million and $0.36 per share last year.

Of the 27 portfolio companies, there were five write□downs this quarter totally $7.4 million: Black Diamond – $1.6 million, My Alarm Capital – $3.1million, SAFE – $0.2 million, Tunnel Hill – $1.7 million and XGS – $0.8 million.

The portfolio value declined to $246 million from $270 million in Q1 2018. There was a realized plus unrealized net decrease in the portfolio of $5.7 million.

Net asset value (NAV) was $149.6 million, or $11.01 per share as of June 30, 2018 versus $11.22 per share, on March 31, 2018. During Q2 the company received proceeds from repayments and amortizations on investments of $30.9 million and invested $19.6 million, including an investment in one new portfolio company.

Investments during the quarter were the following:

- **Manna Pro Products, Inc.** - $1.3 million in L+ 6.00% 1st lien secured debt
- **Healthcare Associates of Texas** (HCAT) - $1.0 million of the delayed draw commitment
- **NTI** - $1.2 million of the delayed draw commitment
- **Pharmalogic Holdings** – refinance $16.1 million subordinated fixed debt (12%) to floating 2nd lien debt (L + 8.0%)

Repayments, loan dispositions, and amortizations on investments during the quarter totaled $30.9 million, comprised of:

- Sale of **Red Ventures** and **Media Storm**
- Repayment of debt **from Lugano Diamonds, Superior Controls** and **Cirrus Medical Staffing**
- Assignment of 25% of **Healthcare Associates of Texas.**

On May 4, 2018, the Alcentra agreed to a permanent 25 basis point reduction, effective as of May1, 2018, across all of the base management fee breakpoints under the company's investment advisory agreement. It also agreed to an additional temporary 25 basis point reduction, from May 1, 2018 to April 30, 2019, across all of these base management fee breakpoints.

SUBSEQUENT EVENTS

In Q3 2018 the following events have already occurred:

On July 5, 2018, Alcentra **paid a dividend of $0.18** per share to shareholders of record as of June 29, 2018.

On July 10, 2018, a $6.0 million 2nd lien investment was made into Value Based Care Solutions at L + 8.125%.

On August 6, 2018, the Company's Board of Directors **declared a dividend of $0.18** per share for the third quarter of 2018, which is payable on October 4, 2018 to stockholders of record as of September 28, 2018.

As of August 6, 2018, $0.3 million of common stock had been **repurchased** through the $5.0 million share repurchase program.

INVESTMENT PORTFOLIO

Alcentra has three investments on non-accrual:

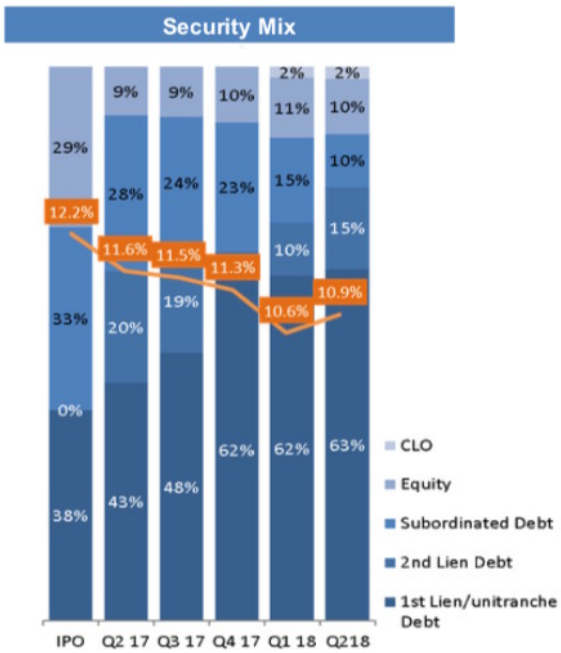
Show Media, – a media, and advertising company based in Las Vegas that has been on and of the Watch List intermittently. It was **written down to zero** from an original $7.9 million. Show Media has an interactive

digital network delivering custom brand oriented content and reaches 100 million taxicab passengers per year in the United States and China. We believe there is little hope of this investment coming back to par.

Southern Technical Institute has three campuses in Florida where it teaches healthcare through four programs to train certified nursing assistants: home health aide, phlebotomy technician, patient care assistant and hemodialysis technician. The value was **written down zero** last quarter from an original $15.8 million. The company is awaiting resolutions of issues outside of its control.

Black Diamond Rentals

. Black Diamond is Alcentra s only exposure to the energy sector. The market value of the investment in Black Diamond is $9.7 million and is now 3.6% of the portfolio. This represents a paper loss of $6.7 million dollars. Alcentra stated that Black Diamond is now in the process of exploring opportunities and as a result Alcentra expects its maturity date to be 10/7/2018. The company is based in Houston and owned by Basin Holdings based in NYC. It rents and services drill pipe, landing strings, heavy-weight drill pipe, drill collars, tubing, blow-out preventers and handling tools. Additionally, it offers drill pipe management, guidance, inspection and handling services as well as engineering to analyze well diagram, mud reports, runs hydraulics, slip crushing, landing string design, drill string design, torque and drag.



On June 30, 2018, $246 million was invested in 35 investments. The portfolio then was 63% senior secured first lien debt, 15% senior secured second lien debt, 10% mezzanine debt, and 10% equity investments and 2% CLO.

27.6% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $7.1 million. The value of the largest portfolio company, Healthcare Associates of Texas, was $23 million. The largest industry sector is business services at 18% of the portfolio.

Table 1: Investments as of June 30, 2018

Company	Cost	Fair Value	$ Change	% Change
Acuity Technologies	10,000,000	10,000,000	-	0%
Asurion	3,091,190	3,048,750	(42,440)	-1%
Battery Solutions	6,564,298	6,785,296	220,998	3%
BayMark Health Services	6,933,251	7,000,000	66,749	1%
Black Diamond Rentals	**16,336,425**	**9,664,058**	**(6,672,367)**	**-41%**
BlueMountain CLO	2,041,574	2,031,028	(10,546)	-1%
CGGR Operations	22,998,716	23,200,000	201,284	1%
Champion ONE	7,334,601	7,197,913	(136,688)	-2%
Cirrus Medical Staffing	10,251,882	10,294,886	43,004	0%
Conisus	**12,677,834**	**6,554,225**	**(6,123,609)**	**-48%**
Envocore Holding	20,045,252	21,058,646	1,013,394	5%
FST Technical Services	15,583,666	15,254,506	(329,160)	-2%
Goldentree Loan Mgt CLO	1,946,284	1,938,010	(8,274)	0%
Healthcare Associates of Texas	20,265,558	20,265,558	-	0%
IGT	1,481,712	326,789	(1,154,923)	-78%
Lugano	6,828,173	7,299,047	470,874	7%
Lumileds	2,024,557	1,977,550	(47,007)	-2%
Manna Pro Products	1,321,443	1,321,443	-	0%
Mayfield Agency Borrower	1,752,290	1,769,110	16,820	1%
Medsurant Holdings, LLC	8,691,869	8,729,396	37,527	0%
Metal Powder Products	500,000	719,046	219,046	44%
My Alarm Center LLC	5,485,401	1,023,999	(4,461,402)	-81%
NTI	**16,782,047**	**18,804,957**	**2,022,910**	**12%**
OZLM Funding IV CLO	1,359,964	1,349,343	(10,621)	-1%
Palmetto Moon	5,214,514	5,128,944	(85,570)	-2%
PharmaLogic	11,260,255	11,340,000	79,745	1%
Pharmalogics Recruiting	9,798,783	9,875,000	76,217	1%
Security Alarm Financing	9,949,455	9,870,000	(79,455)	-1%
Show Media	**7,900,821**	**-**	**(7,900,821)**	**-100%**
Southern Technical Institute	**5,696,000**	**-**	**(5,696,000)**	**-100%**
Superior Controls	12,182,518	12,614,000	431,482	4%
Tunnel Hill	2,529,303	1,097,000	(1,432,303)	-57%
Weight Watchers Intl	1,983,455	1,976,290	(7,165)	0%
West Corporation	1,997,549	1,987,290	(10,259)	-1%
Xpress Global Systems	7,697,637	4,647,872	(3,049,765)	-40%
Total	278,508,267	246,159,860	(32,348,407)	-12%

DIVIDENDS

In order to maintain preferential tax treatment, BDCs such as Alcentra must distribute a minimum of 90% of their income to shareholders. Since August of 2014, the company had paid a regularly scheduled quarterly

dividend of $0.34 but has cut that to $0.18. It expects the dividend to remain at that level for the foreseeable future. The $0.18 quarterly dividend equates to a $0.72 annual dividend and a current yield of 11.9%.

COMPETITION

The company competes primarily with traditional and alternative lenders that are also targeting the middle to lower middle markets. The other lenders it frequently sees looking at the same deals as it are OFS Capital Management, Fidus Investment Corp (FDUS), Triangle Capital Corp (TCAP) and Saratoga.

VALUATION

Chart 5. Wells Fargo BDC Index versus Alcentra Past 12 Months



Source: Yahoo! Finance

Alcentra's performance has declined faster than the BDC index due to its bad performance due to a number of troubled companies with write-downs and write offs. It has now has cut its regular quarterly dividend twice. As noted on the following table, on an NAV basis, BDC shares trade at a 2.5% premium to share price. There is a wide valuation gap among the BDCs as shown below. Alcentra stock currently trades at a higher than average dividend yield of 11.9% versus the average at 10.0%, and the highest discount to NAV at 44.9%.

BDCs					Annualized			
Company	Ticker	Price	52-Week High	Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$6.07	$11.29	$5.75	$0.72	11.9%	$11.01	44.9%
Apollo Investment Corp	AINV	5.88	6.37	5.18	$0.60	10.2%	6.56	10.4%
Ares Capital Corp	ARCC	17.36	17.47	15.03	$1.52	8.8%	17.05	-1.8%
BlackRock Capital Investm	BKCC	6.09	7.57	5.48	$0.72	11.8%	7.56	19.4%
Fidus Investment Corp.	FDUS	14.80	16.94	12.63	$1.56	10.5%	16.20	8.6%
Garrsion Capital Inc.	GARS	8.40	8.95	7.77	$1.12	13.3%	11.44	26.6%
Gladstone Capital Corp.	GLAD	9.68	9.92	7.80	$0.84	8.7%	8.86	-9.3%
KCAP Financial	KCAP	3.25	4.00	2.91	$0.40	12.3%	4.72	31.1%
Main Street Capital Corp.	MAIN	40.40	41.79	34.37	$2.28	5.6%	23.96	-68.6%
Newtek Business Services	NEWT	21.74	21.94	16.01	$1.60	7.4%	15.05	-44.5%
TriplePoint Venture Growth	TPVG	13.03	14.19	11.12	$1.44	11.1%	13.45	3.1%
Average					$1.21	10.0%	$12.49	-2.5%

RISKS

We believe the company faces risks that confront the overall BDC sector. These include:

- **Interest rate risk:** We believe the company faces the risk of a rising interest rate environment, although management believes that as it continues to rebalance some of the equity in its portfolio to debt and continues to expand the debt portfolio, it could benefit from a potential increase in interest rates in terms of net investment income.

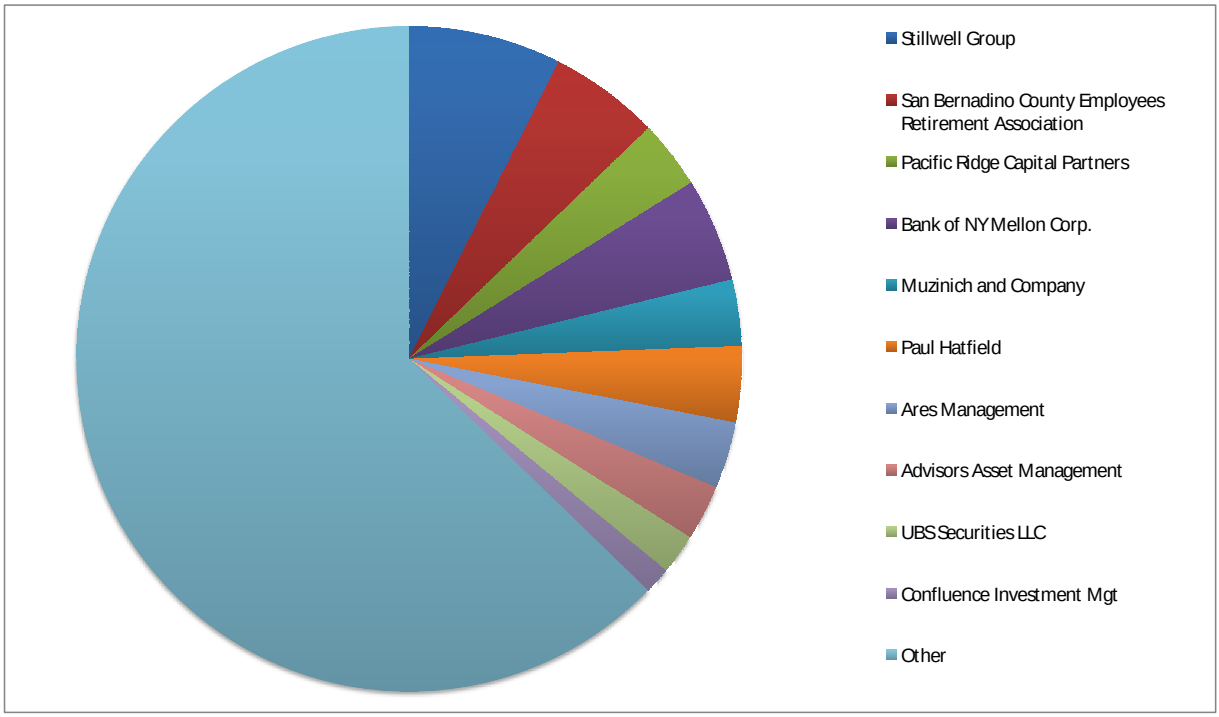
- **Credit risk:** Alcentra could make investments into companies that are not as creditworthy as management believes or some of the investments in its existing portfolio could experience deteriorating fundamental business results. Currently it has Black Diamond Rentals on its watch list.

- **Default risk:** Potential deterioration in the underlying fundamentals of a portfolio company or companies could lead to a default on loans that Alcentra expects repaid.

- **Dividend sustainability:** If the company experiences some deterioration in its underlying performance, it might be forced to reduce its dividend.

- **Competitive risk:** The company competes with alternative lenders such as other BDCs and, in some cases, with traditional lenders. Competition within its target lower middle market has increased and the company anticipates future deals will have lower yields.

OWNERSHIP



INCOME STATEMENT

Dollars in Millions	2017				2018							
	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18E	31-Dec-17E	2016	2017	2018E	2019E
Non-controlled, non-affiliated investments:												
Interest Income from portfolio investments	$7,004,677	$6,187,702	$5,374,814	$5,350,763	$5,742,386	$5,865,711	$5,700,000	$5,500,000	$25,178,890	$23,917,956	$22,808,097	$21,000,000
Paid in kind int inc. from portfolio investments	348,192	302,190	226,519	279,585	199,650	45,481	45,481	250,000	3,182,683	1,156,486	540,612	900,000
Other income from portfolio investments	609,965	587,782	377,071	653,286	1,507,304	611,812	300,000	300,000	2,475,976	2,228,104	2,719,116	2,000,000
Dividend income from portfolio investments	27,520	29,049	30,661	83,853	30,756	30,756	30,756	30,000	82,777	171,083	122,268	120,000
Non-controlled, affiliated investments:												
Interest income from portfolio investments	251,778	594,972	405,892	66,282	77,453	129,080	130,000	130,000	2,742,054	1,318,924	466,533	300,000
Paid in kind int inc. from portfolio investments	387,036	63,345	609,854	1,149,183	123,126	90,004	90,004	90,004	2,365,373	2,209,418	393,138	400,000
Other income from portfolio investments	-	-	-	-	-	-	-	-	2,352,766	-	-	-
From controlled, affiliated investments:												
Interest income from portfolio investments	405,835	573,069	411,262	275,243	500,890	481,106	470,000	470,000	1,566,173	1,665,409	1,921,996	2,000,000
Paid in kind int inc. from portfolio investments	166,445	-	174,448	343,236	-	-	-	-	655,907	684,129	-	-
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT INCOME	**$9,201,448**	**$8,338,109**	**$7,610,521**	**$8,201,431**	**$8,181,565**	**$7,253,950**	**$6,766,241**	**$6,770,004**	**$40,602,599**	**$33,351,509**	**$28,971,760**	**$26,720,000**
Yr-to-yr growth	-7%	-22%	-17%	-25%	-12%	-14%	-10%	-17%	19.7%	-17.9%	-13.1%	-7.8%
Costs and expenses:												
Management fees	1,249,569	1,229,648	1,230,961	1,265,171	1,234,863	1,036,122	1,014,936	1,015,501	5,209,684	4,975,349	4,301,422	4,516,493
% of Sales	14%	14%	16%	14%	15%	14%	15%	15%	13%	15%	15%	14%
Income-based incentive fee	653,911	-	-	-	-	-	-	-	3,255,167	638,244	-	-
	7%	0%	0%	0%	0%	0%	0%	0%				
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	266,339	226,849	368,909	386,618	354,070	379,082	379,082	379,082	1,227,977	1,248,715	1,491,316	1,400,000
Valuation services	101,396	68,345	41,346	103,345	63,971	(10,038)	40,000	100,000	236,904	314,432	193,933	275,000
Interest and credit facility expense	1,526,907	1,513,067	1,549,462	1,845,488	1,694,887	1,745,485	1,900,000	1,900,000	5,657,154	6,434,924	7,240,372	7,600,000
Amortization of deferred financing costs	285,563	288,048	232,807	106,292	103,981	103,570	103,570	103,570	1,154,343	912,710	414,691	414,280
Director's fees	68,136	74,344	112,281	86,919	96,202	116,826	100,000	100,000	296,809	341,680	413,028	400,000
Insurance expense	64,481	60,102	57,232	57,233	55,988	56,519	56,519	56,519	264,209	239,048	225,545	220,000
Organization expense	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs	98,410	105,418	111,726	158,214	126,694	119,267	119,267	119,267	193,357	473,768	484,495	477,068
Consulting fees	-	-	-	-	305,038	176,702	100,000	-			581,740	-
Other expenses	294,120	98,437	223,318	163,045	369,711	156,108	156,108	150,000	697,809	778,920	831,927	650,000
TOTAL EXPENSES	4,608,832	3,664,258	3,928,042	4,172,325	4,405,405	3,879,643	3,969,482	3,923,939	18,193,413	16,357,790	16,178,469	15,952,841
Waiver of income-based incentive fee	-	169,524	1,160,896	-	-	109,281	100,000	100,000	-	1,330,420	-	-
NET EXPENSES	**$4,608,832**	**$3,494,734**	**$2,767,146**	**$4,172,325**	**$4,405,405**	**$3,770,362**	**$3,869,482**	**$3,823,939**	**$18,193,413**	**$15,027,370**	**$16,178,469**	**$15,952,841**
NET INVESTMENT INCOME	**$4,592,616**	**$4,843,375**	**$4,843,375**	**$4,029,106**	**$3,776,160**	**$3,483,588**	**$2,896,759**	**$2,946,065**	**$22,409,186**	**$18,324,139**	**$12,793,291**	**$10,767,159**
% Change	-18.1%	-17.9%	1.2%	-34.2%	-17%	-28%	-48%	-27%	16.1%	-18.2%	-30.2%	-15.8%
Adjusted NII/share	**$0.34**	**$0.36**	**$0.34**	**$0.28**	**$0.27**	**$0.25**	**$0.21**	**$0.22**	**$1.66**	**$1.32**	**$0.93**	**$0.80**
% Change	-18%	-19%	-4%	-38%	-21%	-30%	-45%	-23%		**-21%**	**-29%**	**-14%**
Dividend per share	$0.37	$0.34	$0.34	$0.25	$0.18	$0.18	$0.18	$0.18	$1.36	$1.30	$0.72	$0.72
EPS	$0.08	-$0.38	-$0.11	-$0.96	$0.25	-$0.16	$0.21	$0.41	$0.65	-$1.37	$0.93	$0.80
NAV/share	$13.43	$12.73	$12.27	$11.06	$11.22	$11.01	$12.27	$12.31	$13.72	$11.06	$11.27	$11.35
Avg shares outstanding	13,438,800	13,612,059	14,245,220	14,245,220	14,198,651	13,753,054	13,529,777	13,500,000	13,496,128	13,928,869	13,745,371	13,500,000
Net Realized gain												
Non-controlled, non-affiliated investments	(1,049,239)	30,002	(10,477,819)	62,165	(14,815)	(10,108,277)	-		(4,018,220)	(11,434,891)		
Non-controlled, affiliated investments	-	-	72,164	(72,164)	-	(10,167,517)	-		11,019,205	-		
Controlled, affiliated investments	-	-	-	-	-	-	-		(11,282,968)	-		
Net realized gain from portfolio	(1,049,239)	30,002	(10,405,655)	(9,999)	(14,815)	(20,275,794)	-		(4,281,983)	(11,434,891)		
Net change in unrealized												
Non-controlled, non-affiliated investments	(1,116,201)	(8,084,209)	6,824,145	(2,217,007)	(333,426)	4,213,571	-		(10,390,732)	(4,593,272)		
Non-controlled, affiliated investments	(818,281)	(2,168,452)	(8,156,756)	(12,977,585)	(107,374)	9,319,907	-		(10,458,180)	(24,121,074)		
Controlled, affiliated investments	146,999	328,527	473	(360,522)	220,904	-	-		10,875,915	115,477		
Net change in unrealized	(1,787,483)	(9,924,134)	(1,332,138)	(15,555,114)	(219,896)	13,533,478	-		(9,972,997)	(28,598,869)		
Benefit for taxes on unrealized	(724,816)	(102,309)	5,282,934	(1,847,929)	(2,489)	1,019,717	-		635,580	2,607,880		
Net realized gain	(3,561,538)	(9,996,441)	(6,454,859)	(17,413,043)	(237,200)	(5,722,599)	-	-	(13,619,400)	(37,425,881)		
Net increase in Net assets	1,031,078	(5,153,066)	(1,611,484)	(13,368,270)	3,538,960	(2,239,011)	2,896,759	2,946,065	8,789,786	(19,101,742)		

BALANCE SHEET

	June 30, 2018	March 31, 2018	Qtr-Qtr Growth %	June 30, 2017	Yr-Yr Growth %
ASSETS					
Portfolio investments, at fair value					
Non-controlled, non-affiliated at fair value	212,917,961	235,987,908	-10%	235,723,168	-10%
Non-controlled, affiliated at fair value	17,987,393	18,721,815	-4%	20,377,820	-12%
Controlled, affiliated at fair value	15,254,506	15,477,140	-1%	15,269,000	0%
Cash	12,704,301	13,421,745	-5%	3,802,620	234%
Dividends and interest receivable	2,715,171	1,634,770	66%	1,070,251	154%
Receivable for investments sold	669,733	644,733	4%	470,983	42%
Deferred financing costs	419,191	410,260	2%	848,054	-51%
Deferred tax asset	5,955,112	4,932,473	21%	1,498,264	297%
Income tax asset	644,319	669,331	-4%	795,364	-19%
Prepaid expenses and other assets	208,562	45,517	358%	209,428	0%
TOTAL ASSETS	269,476,249	291,945,692	-8%	280,064,952	-4%
LIABILITIES					
Credit facility payable	58,553,273	55,403,273	6%	35,133,273	67%
Notes payable	53,963,795	53,874,529	0%	53,563,720	1%
Payable for investments purchased	-	16,621,902	-100%	-	NM
Other accrued expenses and liabiliities	523,720	917,732	-43%	375,037	40%
Directors' fees payable	36,125	72,250	-50%	73,000	-51%
Professional fees payable	643,322	551,938	17%	246,602	161%
Interest and credit facility expense payable	1,158,173	1,527,558	-24%	1,132,888	2%
Management fee payable	926,841	1,234,863	-25%	1,060,125	-13%
Income-based incentive fees payable	1,294,985	1,294,985	0%	1,310,651	-1%
Distributions payable	2,449,591	2,560,130	-4%	4,843,375	-49%
Unearned structuring fee revenue	331,680	660,983	-50%	1,050,677	-68%
Consulting fees payable	-	43,149	-100%	-	NM
Total Liabilities	119,881,505	134,763,292	-11%	98,789,348	21%
NET ASSETS					
Common stock	13,583	14,010	-3%	14,245	-5%
Additional paid-in capital	202,161,682	205,060,309	-1%	206,977,643	-2%
Accumulated net realized loss	(31,726,764)	(11,450,970)	177%	(2,198,897)	1343%
Undistributed net investment income	6,699,149	5,665,152	18%	4,914,081	36%
Net unrealized appreciation on investments, net	(27,552,906)	(42,106,101)	-35%	(28,431,468)	-3%
Total Net Assets	149,594,744	157,182,400	-5%	181,275,604	-17%
Total Liabilities and Net Assets	269,476,249	291,945,692	-8%	280,064,952	-4%
Net Asset Value Per Share	**$11.01**	**$11.22**	-2%	**$12.73**	-14%

CASH FLOW

Cash Flows from Operating Activities	Year 2016	March 31, 2017	June 30, 2017	Sept 30, 2017	Dec 31, 2017	Year 2017	March 31, 2018	June 30, 2018
Net increase in net assets resulting from operations	$8,789,786	$1,031,078	(5,153,066)	(1,611,484)	(13,368,270)	(19,101,742)	$3,538,960	(2,239,011)
Adjustments:								
Net realized (gain) loss from portfolio investments	4,281,983	1,049,239	(30,002)	10,405,655	9,999	11,434,891	14,815	20,275,794
Net change in unrealized (appreciation) depreciation of port inves	9,972,997	1,787,483	9,924,134	1,332,138	15,555,115	28,598,870	219,896	(13,533,478)
Deferred tax asset	117,597	(246,876)	13,423	(5,284,559)	1,847,861	(3,670,151)	2,489	(1,022,639)
Deferred tax liability	-	-	-	-	-	-	-	-
Paid in-kind interest income from portfolio investments	(6,203,963)	(901,673)	(365,536)	(1,496,157)	(1,286,667)	(4,050,033)	(322,776)	(135,485)
Accretion of discount on debt securities	(1,225,834)	(980,595)	(438,851)	(219,975)	(266,330)	(1,905,751)	(176,258)	(165,987)
Purchases of portfolio investments	(145,561,983)	(31,193,265)	(24,918,835)	(40,769,787)	(38,626,682)	(135,508,569)	(29,996,191)	(14,052,612)
Net proceeds from sales/return of capital of portfolio invest.	158,805,461	23,183,083	27,787,780	19,779,150	19,398,984	90,148,997	47,628,196	31,638,771
Amortization of deferred financing costs	1,154,343	285,563	288,048	232,807	106,292	912,710	103,981	103,570
Amortization of deferred note offering costs	193,357	98,410	105,418	111,726	158,214	473,768	126,694	119,267
(Increase) decrease in operating assets:								
Dividends and interest receivable	(633,435)	1,474,828	695,561	(1,713,624)	841,575	1,298,340	307,530	(1,080,401)
Receivable for investments sold	(2,139,463)	1,433,730	234,750	(250,000)	51,250	1,469,730	25,000	(25,000)
Due from Limited Partners	-	-	-	-	-	-	-	-
Deferred note offering cost	-	-	-	-	-	-	-	-
Income tax asset		(795,587)	223	(877)	47,833	(748,408)	79,077	25,012
Prepaid expenses and other assets	12,960	50,128	(158,786)	65,435	64,988	21,765	33,488	(163,045)
Increase (decrease) in operating liabilities:								
Payable for investments purchased	-	71,221	(71,221)	-	-	-	16,621,902	(16,621,902)
Other accrued expenses and liabilities	10,364	40,499	52,373	102,459	(29,907)	165,424	470,143	(394,012)
Due to affiliate	-	-	-	-	-	-	-	-
Directors' fees payable	57,975	(14,000)	(8,000)	12,417	(16,500)	(26,083)	3,333	(36,125)
Professional fees payable	(149,466)	85,846	(171,111)	142,678	159,175	216,588	3,483	91,384
Interest and credit facility expense payable	194,905	556,184	(431,423)	487,146	(371,243)	240,664	278,767	(369,385)
Management fee payable	(622)	1,249,568	(1,491,034)	70,066	134,981	(36,419)	(30,309)	(308,022)
Capital gains based incentive fee	-	-	-	-	-	-	-	-
Income-based incentive fees payable	989,864	(222,526)	(538,484)	(15,666)	-	(776,676)	-	-
Unearned structuring fee revenue	485,742	(64,825)	(59,817)	(50,024)	(275,000)	(449,666)	(64,670)	(329,303)
Income tax	(660,113)	(182,699)	-	-	-	(182,699)	43,149	(43,149)
Net cash used in operating activities	28,492,455	(2,205,186)	5,265,544	(18,670,476)	(15,864,332)	(31,474,450)	38,910,699	1,734,242
Cash Flows from Financing Activities:								
Issuance of common stock			10,853,602	-	-	10,853,602	-	-
Financing costs paid	(258,269)	(12,000)	(121,858)	(5,286)	-	(139,144)	-	(112,501)
Offering costs paid	(697,432)	(2,357)	(142,689)	(7,999)	(77,826)	(230,871)	-	(30,001)
Proceeds from credit facility payable	116,375,000	30,100,000	16,750,000	27,250,000	43,720,000	117,820,000	12,700,000	8,650,000
Repayments of credit facility payable	(140,746,465)	(22,300,000)	(28,550,000)	(2,600,000)	(13,800,000)	(67,250,000)	(47,000,000)	(5,500,000)
Proceeds from notes payable	15,000,000	-	-	-	-	-	-	-
Distributions paid to shareholders	(18,365,033)	(4,586,816)	(4,971,712)	(4,843,374)	(4,843,375)	(19,245,277)	(3,561,305)	(2,560,130)
Repurchase of common stock	(775,622)	(165,514)	-	-	(176,996)	(342,510)	(1,510,605)	(2,899,054)
Capital contributions received from partners	-	-	-	-	-	-	-	-
Cash distributions paid to partners	-	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	(29,467,821)	3,033,313	(6,182,657)	19,793,341	24,821,803	41,465,800	(39,371,910)	(2,451,686)
Increase (decrease) in cash and cash equivalents	(975,366)	828,127	(917,113)	1,122,865	8,957,471	9,991,350	(461,211)	(717,444)
Cash at beginning of period	4,866,972	3,891,606	-	3,802,620	4,925,485	3,891,606	13,882,956	-
Cash and Cash Equivalents at End of Period	3,891,606	4,719,733	(917,113)	4,925,485	13,882,956	13,882,956	13,421,745	(717,444)
Supplemental and non-cash financing activities:								
Cash paid during the period for interest	5,462,249	970,723	1,944,490	1,062,316	2,216,731	6,194,260	1,416,120	2,114,870
Accrued offering costs	2,485	2,485	-	-	-	2,485	2,485	-
Accrued distributions payable	4,586,816	4,971,712	(128,337)	-	(1,282,070)	3,561,305	2,560,130	(110,539)

HISTORICAL STOCK PRICE


ALCENTRA CAPITL (W)
Price ($)
14.5
14.0
13.5
13.0
12.5
12.0
11.5
11.0
10.5
10.0
9.5
9.0
8.5
8.0
7.5
7.0
6.5
6.0
9/22/15
12/15/15
3/8/16
5/31/16
8/23/16
11/15/16
2/7/17
5/2/17
7/25/17
10/17/17
1/9/18
4/3/18
6/26/18
<< 8/25/06
8/7/18 >>

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