

PORTMAN RIDGE

Portman Ridge Finance Corporation Announces First Quarter 2020 Financial Results

May 7, 2020

NEW YORK, May 06, 2020 (GLOBE NEWSWIRE) -- Portman Ridge Finance Corporation (Nasdaq: PTMN) (the "Company") announces its first quarter 2020 financial results.

Financial Highlights

- Net investment income for the first quarter ended March 31, 2020 was approximately \$2.8 million, or \$0.06 per share, compared with net investment income of approximately \$2.1 million, or \$0.06 per share in the fourth quarter of 2019, and net investment loss of approximately \$(2.2) million, or \$(0.06) per share in the first quarter of 2019.
- At March 31, 2020, the fair value of the Company's investments totaled approximately \$272 million, as compared to \$278 million at December 31, 2019.
- Net asset value per share as of March 31, 2020 was \$2.69
- Quarterly distribution paid during the first quarter of 2020 was \$0.06 per share in cash.

Ted Goldthorpe, Chief Executive Officer of Portman Ridge Finance Corporation, noted, "First and foremost, we are hopeful that our stakeholders and their families remain healthy and safe during this difficult time. While the unprecedented developments of the COVID-19 pandemic did not have any meaningful impact on our first quarter net investment income, there were significant unrealized loss valuation adjustments taken at March 31, 2020 as a result of the pandemic and the associated dislocation in the markets. This was particularly evident in our legacy CLO exposures. While we have seen improvements in valuation across the broader market since the end of the quarter, we remain vigilant in our investment approach and look to opportunistically deploy capital, including by repurchasing our own stock and bonds."

Operating Results

For the three months ended March 31, 2020, the Company reported total investment income of approximately \$7.8 million as compared to approximately \$6.7 million in the fourth quarter of 2019, and \$5.8 million in the same period last year. Investment income from debt securities in the quarter was approximately \$4.9 million, compared with approximately \$4.0 million in the fourth quarter of 2019, and approximately \$2.9 million in the first quarter of 2019. Investment income on CLO fund securities for the quarter was approximately \$1.2 million compared with approximately \$1.3 million in the fourth quarter of 2019, and \$1.8 million in the first quarter of 2019. Investment income from Joint Ventures in the first quarter of 2020 was approximately \$1.6 million, compared to \$1.3 million in the fourth quarter of 2019 and approximately \$1.0 million in the first quarter of 2019.

For the three months ended March 31, 2020, total expenses were approximately \$5.0 million, compared to approximately \$4.6 million for the three months ended December 31, 2019, and compared to approximately \$8.0 million in the three months ended March 31, 2019, which included approximately \$3.4 million of expenses associated with the Company's externalization transaction. Interest expense, including amortization of debt issuance costs, was approximately \$2.4 million for the first quarter of 2020, compared to \$2.2 million and \$1.8 million for the fourth quarter of 2019 and the first quarter of 2019, respectively.

Net investment income for the first quarter of 2020 was approximately \$2.8 million, or \$0.06 per share, compared with net investment income of approximately \$2.1 million, or \$0.06 per share in the fourth quarter of 2019 and compared with net investment loss of approximately \$(2.2) million, or \$(0.06) per share during the first quarter of 2019. Net realized and unrealized depreciation on investments for the three months ended March 31, 2020 was approximately \$(32.0) million, as compared to net realized and unrealized appreciation of approximately \$2.4 million for the three months ended December 31, 2019 and net realized and unrealized depreciation of approximately \$(8.7) million for the three months ended March 31, 2019.

Portfolio and Investment Activity

The fair value of our portfolio was approximately \$272 million as of March 31, 2020. The composition of our investment portfolio at March 31, 2020 and December 31, 2019 at cost and fair value was as follows:

Security Type	March 31, 2020 (Unaudited)			December 31, 2019		
	Cost/Amortized		% ¹	Cost/Amortized		% ¹
	Cost	Fair Value		Cost	Fair Value	
Short-term investments ²	\$ 2,565,771	\$ 2,565,771	1	\$ 4,207,107	\$ 4,207,107	2
Senior Secured Loan	120,151,251	114,310,622	42	91,245,574	88,788,639	32
Junior Secured Loan	96,451,395	83,925,666	31	100,655,341	95,188,373	34
Senior Unsecured Bond	620,145	313,393	0	620,145	403,615	—
Subordinated Note	2,165,304	2,176,721	1	2,165,304	2,422,281	1

CLO Fund Securities	46,054,882	19,670,663	7	46,618,717	31,968,202	12
Equity Securities	20,619,993	8,045,512	3	22,160,993	9,864,419	4
Asset Manager Affiliates ³	17,791,230	—	-	17,791,230	—	—
Joint Ventures	53,091,172	41,475,403	15	48,594,539	45,087,967	16
Derivatives	30,609	(59,073)	(0)	30,609	(33,437)	—
Total	<u>\$ 359,541,752</u>	<u>\$ 272,424,678</u>	<u>100%</u>	<u>\$ 334,089,559</u>	<u>\$ 277,897,166</u>	<u>100%</u>

¹ Represents percentage of total portfolio at fair value.

² Includes money market accounts.

³ Represents the equity investment in the Asset Manager Affiliates.

Stockholder distribution

As previously announced, on March 17, 2020, our Board declared a cash distribution of \$0.06 per share of common stock. The distribution is payable on May 27, 2020 to stockholders of record at the close of business as of May 7, 2020.

The Board evaluates a number of factors in determining the amount of the quarterly distribution, including the amount required to be distributed in order for the Company to maintain its status as a “regulated investment company” under the Internal Revenue Code.

Liquidity and Capital Resources

At March 31, 2020, we had unrestricted cash and short-term investments of approximately \$3.0 million, total assets of approximately \$283 million and stockholders' equity of approximately \$120 million. Our net asset value per common share was \$2.69. As of March 31, 2020, we had approximately \$133.9 million (par value) of borrowings outstanding (\$131.0 million net of capitalized costs) with a weighted average interest rate of approximately 5.6%. Our liabilities are staggered in maturity and comprised of a mix of secured (43%) and unsecured (57%) debt in order to maximize flexibility and minimize leverage cost. Our asset coverage ratio stood at 188% as of March 31, 2020, well within the 150% asset coverage statutory limit. Our aggregate unfunded commitments stood at \$28.0 million at March 31, 2020; however only \$0.7 million of this amount is subject to a unilateral draw right by the borrower and the remaining commitments are subject to certain restrictions such as borrowing base, use of proceeds or leverage that must be satisfied before a borrower can draw down on the commitment. At the current time, we believe we have adequate liquidity to satisfy all of these commitments.

COVID-19 Impact

The spread of the coronavirus and the COVID-19 pandemic, and the related effect on the U.S. and global economies, has had adverse consequences for the business operations of some of our portfolio companies and has adversely affected, and threatens to continue to adversely affect, our operations. In this regard, certain of our Catamaran CLO funds have breached covenants contained in their respective indentures, and as a result, available cash within each of the CLO funds will be diverted away from the subordinated notes owned by the Company and will be applied to more senior noteholders in the capital structure of the CLO funds. As these investments represent 7% of our investment portfolio, this will be somewhat offset by income from our investment in additional income producing assets.

As noted previously in our Open Letter to Shareholders dated April 1, 2020, we believe our sector exposures to be defensive and resilient in the current environment. Two of our largest sector exposures are Healthcare (20.5% of our debt and equity Securities portfolio at fair value) and High Tech / Electronics (13.5%), which are primarily software businesses that generally have a more resilient revenue model than certain other sectors, while we have very limited exposure to the sectors most impacted by COVID-19, such as Automotive, Energy, Metal & Mining, Hotels, Casinos & Leisure, Advertising, Restaurants, Cruise Lines and the commercial portion of Aerospace and Defense (5.1% in aggregate).

For the quarter ended March 31, 2020, all but one of our previously performing investments are current on their scheduled payments to us. We are in constant contact with our portfolio companies, sponsors and lender groups to provide support and advice as necessary, and continue to believe that our debt portfolio is well-positioned to withstand a protracted economic downturn.

The volatility in liquid credit markets that followed the spread of the COVID-19 pandemic generated attractive investment opportunities, which the Company was able to capitalize on thanks to the infrastructure of the BC Partners platform and its flexibility to quickly adapt to different investing environments. During late March, the Company purchased \$21.5 million of high quality, liquid first lien loans at a weighted average price of 80.9% of par value, that have attractive total return profile and significant downside protection. At March 31, 2020, those investments had a weighted average price of 88.9% of par value (including the exit price of one position).

Economic cycles and capital markets dislocations have always existed, and the platform of our investment adviser, Sierra Crest Investment Management LLC, was built, and its investment professionals hired, to invest across all economic and credit market cycles. Senior members of the investment team have significant experience managing assets through multiple credit cycles at best-in-class institutions, and see periods of disruption and volatility as an opportunity to deploy capital in favorable investment opportunities with attractive risk / reward profiles.

Stock Repurchase Program

On March 5, 2020, the Board approved a \$10 million stock repurchase program. Under this repurchase program, shares may be repurchased from time to time in open market transactions. The timing and actual number of shares repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. The stock repurchase program may be suspended or discontinued at any time. Subject to these restrictions, we will selectively pursue opportunities to repurchase shares which are accretive to net asset value per share. During the three months ended March 31, 2020, the Company repurchased 121,548 shares under the stock repurchase program at an aggregate cost of approximately \$123 thousand. We expect to continue to buyback stock as we do not believe our stock price reflects the fair value of our portfolio. Insiders and employees are also committed to continued open market purchases, as was evidenced during the last quarter. The Company also repurchased \$573 thousand of par value in bonds in the open market for a cost of \$419 thousand, saving us interest costs, increasing net asset value and reducing our total debt. We expect to continue to opportunistically buy back our bonds on the open market depending on prevailing market conditions.

Conference Call and Webcast

We will hold a conference call on Thursday May 7, 2020 at 9:00 am Eastern Time to discuss our first quarter 2020 financial results. Stockholders, prospective stockholders and analysts are welcome to listen to the call or attend the webcast.

To access the call please dial (866) 757-5630 approximately 10 minutes prior to the start of the conference call. No password is required. A live audio webcast of the conference call can be accessed via the Internet, on a listen-only basis on our Company's website www.portmanridge.com in the Investor Relations section under Events. The online archive of the webcast will be available after 7:00 p.m. Eastern Time for approximately 90 days.

A replay of this conference call will be available from 12:00 p.m. on May 7, 2020 until 11:59 p.m. on May 14, 2020. The dial in number for the replay is (855) 859-2056 and the conference ID is 4929277.

About Portman Ridge Finance Corporation

Portman Ridge Finance Corporation (NASDAQ: PTMN) is a publicly traded, externally managed investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940. Portman Ridge Finance Corporation's middle market investment business originates, structures, finances and manages a portfolio of term loans, mezzanine investments and selected equity securities in middle market companies. PTMN's investment activities are managed by its investment adviser, Sierra Crest Investment Management LLC, an affiliate of BC Partners Advisors, LP.

Portman Ridge Finance Corporation's filings with the Securities and Exchange Commission (the "SEC"), earnings releases, press releases and other financial, operational and governance information are available on the Company's website at www.portmanridge.com.

The Portman Ridge Finance Corporation logo is available at <http://www.globenewswire.com/attachment-download-view/1790889/612276/4/1/0/612276.jpg>

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements. The matters discussed in this press release, as well as in future oral and written statements by management of Portman Ridge Finance Corporation, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements.

Forward-looking statements relate to future events or our future financial performance and include, but are not limited to, projected financial performance, expected development of the business, plans and expectations about future investments and the future liquidity of the Company. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "outlook", "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements.

Forward-looking statements are subject to change at any time based upon economic, market or other conditions, including with respect to the impact of the COVID-19 pandemic and its effects on the Company and its portfolio companies' results of operations and financial condition. More information on these risks and other potential factors that could affect the Company's financial results, including important factors that could cause actual results to differ materially from plans, estimates or expectations included herein or on the webcast/conference call, is included in the Company's filings with the SEC, including in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's most recently filed quarterly report on Form 10-Q and annual report on Form 10-K, as well as in subsequent filings. In addition, there is no assurance that the Company will purchase additional shares of its common stock at any specific discount levels or in any specific amounts. There is no assurance that the market price of the Company's shares, either absolutely or relative to net asset value, will increase as a result of any share repurchases, or that any repurchase plan will enhance stockholder value over the long term. Further information about factors that could affect our financial and other results is included in our filings with the SEC. We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required to be reported under the rules and regulations of the SEC.

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PORTMAN RIDGE FINANCE CORPORATION CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Investments at fair value:		
	(Unaudited)	

Short-term investments (cost: 2020 - \$2,565,771; 2019 - \$4,207,107)	\$ 2,565,771	\$ 4,207,107
Debt securities (amortized cost: 2020 - \$219,388,095; 2019 - \$194,686,364)	200,726,402	186,802,908
CLO Fund Securities managed by affiliates (amortized cost: 2020 - \$44,560,217; 2019 - \$45,099,076)	18,282,913	29,984,047
CLO Fund Securities managed by non-affiliates (amortized cost: 2020 - \$1,494,665; 2019 - \$1,519,641)	1,387,750	1,984,155
Equity securities (cost: 2020 - \$20,619,993; 2019 - \$22,160,993)	8,045,512	9,864,419
Asset Manager Affiliates (cost: 2020 - \$17,791,230; 2019 - \$17,791,230)	—	-
Joint Ventures (cost: 2020 - \$53,091,172; 2019 - \$48,594,539)	41,475,403	45,087,967
Derivatives (cost: 2020 - \$30,609; 2019 - \$30,609)	(59,073)	(33,437)
Total Investments at Fair Value (cost: 2020 - \$359,541,752; 2019 - \$334,089,559)	272,424,678	277,897,166
Cash	403,497	136,864
Restricted cash	4,728,007	4,967,491
Interest receivable	920,627	1,367,447
Receivable for unsettled trades	3,344,492	24,420,045
Due from affiliates	288,037	473,100
Other assets	1,201,211	1,112,150
Total Assets	<u>\$ 283,310,549</u>	<u>\$ 310,374,263</u>
LIABILITIES		
6.125% Notes Due 2022 (net of offering costs of: 2020-\$1,508,472; 2019 - \$1,651,946)	\$ 75,326,027	\$ 75,755,253
Great Lakes Portman Ridge Funding LLC Revolving Credit Facility (net of offering costs of: 2020-\$1,372,255; 2019 - \$1,462,364)	55,698,643	78,108,535
Payable for unsettled trades	26,571,709	—
Accounts payable and accrued expenses	1,502,532	1,386,981
Accrued interest payable	799,978	136,486
Due to affiliates	2,030,692	1,711,793
Management and incentive fees payable	1,011,356	1,076,645
Total Liabilities	162,940,937	158,175,693
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 100,000,000 common shares authorized; 44,920,731 issued, and 44,725,872 outstanding at March 31, 2020, and 45,024,535 issued, and 44,829,676 outstanding at December 31, 2019	447,259	448,297
Capital in excess of par value	451,268,171	451,353,379
Total distributable (loss) earnings	(331,345,818)	(299,603,106)
Total Stockholders' Equity	120,369,612	152,198,570
Total Liabilities and Stockholders' Equity	<u>\$ 283,310,549</u>	<u>\$ 310,374,263</u>
NET ASSET VALUE PER COMMON SHARE	<u>\$ 2.69</u>	<u>\$ 3.40</u>

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
Investment Income:		
Interest from investments in debt securities	\$ 4,579,782	\$ 2,936,796
Payment-in-kind investment income	309,369	2,022
Interest from short-term investments	15,279	35,669
Investment income on CLO Fund Securities managed by affiliates	1,073,494	132,446
Investment income on CLO Fund Securities managed by non-affiliates	117,243	1,681,274
Dividends from Asset Manager Affiliates	—	—
Investment income - Joint Ventures	1,577,136	950,000
Capital structuring service fees	81,904	61,203
Total investment income	7,754,207	5,799,410
Expenses:		
Management fees	1,011,690	—
Performance-based incentive fees	102,006	—
Interest and amortization of debt issuance costs	2,350,071	1,800,926
Compensation	—	3,688,578
Professional fees	843,630	1,668,122
Insurance	123,750	88,651
Administrative services expense	461,000	—
Other general and administrative expenses	198,276	748,320

Total expenses	5,090,423	7,994,597
Management and performance-based incentive fees waived	(102,006)	—
Net Expenses	<u>4,988,417</u>	<u>7,994,597</u>
Net Investment Income (Loss)	2,765,790	(2,195,187)
Realized And Unrealized (Losses) Gains On Investments:		
Net realized (losses) gains from investment transactions	(1,048,147)	(13,349,430)
Net change in unrealized (depreciation) appreciation on:		
Debt securities	(10,778,237)	1,899,864
Equity securities	(277,907)	(5,051,031)
CLO Fund Securities managed by affiliates	(11,162,275)	(82,569)
CLO Fund Securities managed by non-affiliates	(571,429)	2,543,252
Asset Manager Affiliates investments	—	—
Joint Venture Investments	(8,109,197)	5,317,529
Derivatives	(25,637)	—
Total net change in unrealized appreciation (depreciation)	<u>(30,924,682)</u>	<u>4,627,045</u>
Net realized and unrealized (depreciation) on investments	<u>(31,972,829)</u>	<u>(8,722,385)</u>
Realized gains on extinguishments of Debt	154,106	—
Net (Decrease) Increase In Stockholders' Equity Resulting From Operations	\$ (29,052,933)	\$ (10,917,572)
Net (Decrease) Increase In Stockholders' Equity Resulting from Operations per Common Share:		
Basic:	\$ (0.65)	\$ (0.29)
Diluted:	\$ (0.65)	\$ (0.29)
Net Investment (Loss) Income Per Common Share:		
Basic:	\$ 0.06	\$ (0.06)
Diluted:	\$ 0.06	\$ (0.06)
Weighted Average Shares of Common Stock Outstanding—Basic	44,823,193	37,335,094
Weighted Average Shares of Common Stock Outstanding—Diluted	44,823,193	37,335,094



Source: Portman Ridge Finance Corporation