



Portman Ridge Finance Corporation Announces Second Quarter 2020 Financial Results; Declares Quarterly Distribution of \$0.06 per share

August 6, 2020

NEW YORK, Aug. 06, 2020 (GLOBE NEWSWIRE) -- Portman Ridge Finance Corporation (Nasdaq: PTMN) (the "Company") announces its second quarter 2020 financial results and declaration of a \$0.06 per share stockholder distribution for the third quarter of 2020.

Financial Highlights

- Net investment income for the second quarter ended June 30, 2020 was approximately \$2.6 million, or \$0.06 per share, compared with net investment income of approximately \$2.8 million, or \$0.06 per share in the first quarter of 2020, and net investment income of approximately \$0.9 million, or \$0.02 per share in the second quarter of 2019.
- At June 30, 2020, the fair value of the Company's investments totaled approximately \$281 million, as compared to \$272 million at March 31, 2020.
- Net asset value per share as of June 30, 2020 was \$2.71, an increase of approximately 1% compared with March 31, 2020.
- Quarterly distribution paid in the second quarter was \$0.06 per share.

Ted Goldthorpe, Chief Executive Officer of Portman Ridge Finance Corporation, noted, "Overall we are very pleased with the performance of our debt securities portfolio throughout this period of unprecedented economic disruption. During the quarter we were able to selectively pursue opportunities to purchase quality investments at meaningfully higher all-in returns as compared to any other quarter in recent history and our existing portfolio did not experience any additional non-accruals. Our net investment income remained relatively consistent both quarter over quarter and compared to our distribution level. We have also undertaken a number of cost savings initiatives that should provide us further momentum in future quarters. Finally, we remain very excited about our previously announced merger agreement with Garrison Capital, Inc., and continue to work towards an expected closing during the fourth quarter of 2020."

Operating Results

For the three months ended June 30, 2020, the Company reported total investment income of approximately \$7.3 million as compared to approximately \$7.8 million in the first quarter of 2020, and \$6.9 million in the second quarter of 2019. Investment income from debt securities in the second quarter of 2020 was approximately \$5.2 million, compared with approximately \$4.9 million in the first quarter of 2020, and approximately \$3.8 million in the second quarter of 2019. Investment income on CLO fund securities for the quarter was approximately \$0.9 million compared with approximately \$1.2 million in the first quarter, and \$1.7 million in the second quarter of 2019. Investment income from Joint Ventures in the second quarter of 2020 was approximately \$1.0 million, compared to \$1.6 million in the first quarter of 2020 and approximately \$1.3 million in the second quarter of 2019.

For the three months ended June 30, 2020, total expenses net of fee waivers were approximately \$4.7 million, compared to approximately \$5.0 million for the three months ended March 31, 2020, and compared to approximately \$6.0 million in the three months ended June 30, 2019, which included approximately \$1.4 million non-cash impairment charge associated with the Company's write down of the lease right-of-use asset. The Company's investment adviser waived \$0.5 million in incentive fees during the three months ended June 30, 2020, compared with a waiver of \$0.1 million in incentive fees in the first quarter of 2020 and no fee waiver of incentive fees in the second quarter of 2019. These waivers were made pursuant to an agreement entered into by the Company's investment adviser in connection with the Company's 2019 externalization that required the investment adviser to waive incentive fees payable to it by the Company through June 30, 2020 under certain circumstances. Subsequent to June 30, 2020 and through April 1, 2021, the Company's investment adviser will use up to \$10 million of the incentive fees it receives from the Company to purchase shares of the Company's common stock from the Company at purchase price equal to the Company's then-current net asset value per share. Interest expense, including amortization on debt issuance costs, was approximately \$2.4 million for the second and first quarter of 2020, compared to \$2.0 million for the second quarter of 2019.

Net investment income for the second quarter of 2020 was approximately \$2.6 million, or \$0.06 per share, compared with net investment income of approximately \$2.8 million, or \$0.06 per share in the first quarter of 2020 and compared with net investment income of approximately \$0.9 million, or \$0.02 per share during the second quarter of 2019. Net realized and unrealized appreciation on investments for the three months ended June 30, 2020 was approximately \$0.7 million, as compared to net realized and unrealized (depreciation) of approximately \$(32.0) million for first quarter of 2020, and net realized and unrealized (depreciation) approximately \$(1.7) million for the three months ended June 30, 2019.

Portfolio and Investment Activity

The fair value of our portfolio was approximately \$281 million as of June 30, 2020. The composition of our investment portfolio at June 30, 2020 and December 31, 2019 at cost and fair value was as follows:

Security Type	June 30, 2020 (Unaudited)			December 31, 2019		
	Cost/Amortized		% ¹	Cost/Amortized		% ¹
	Cost	Fair Value		Cost	Fair Value	
Short-term investments ²	\$ 2,067,817	\$ 2,067,817	1	\$ 4,207,107	\$ 4,207,107	2
Senior Secured Loan	132,085,591	127,628,674	45	91,245,574	88,788,639	32
Junior Secured Loan	90,130,391	78,366,056	28	100,655,341	95,188,373	34
Senior Unsecured Bond	620,145	242,726	0	620,145	403,615	—
Senior Secured Bond	252,025	250,340	0	—	—	—
Subordinated Note	2,165,304	2,383,900	1	2,165,304	2,422,281	1
CLO Fund Securities	46,138,878	16,891,608	6	46,618,717	31,968,202	12
Equity Securities	21,760,483	9,537,926	3	22,160,993	9,864,419	4
Asset Manager Affiliates ³	17,791,230	—	—	17,791,230	—	—
Joint Ventures	53,232,923	43,925,633	16	48,594,539	45,087,967	16
Derivatives	30,609	(571,419)	(0)	30,609	(33,437)	—
Total	<u>\$ 366,275,396</u>	<u>\$ 280,723,261</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

On August 5, 2020, the Board of Directors of the Company declared a cash distribution of \$0.06 per share of common stock, consistent with the current dividend policy. The distribution is payable on August 28, 2020 to shareholders of record at the close of business as of August 17, 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 June 30, 2020, we had unrestricted cash and short-term investments of approximately \$2.5 million, approximately \$11.4 million of available borrowing capacity under our existing credit facility, total assets of approximately \$306 million and stockholders' equity of approximately \$121 million. Our net asset value per common share was \$2.71. As of June 30, 2020, we had approximately \$175.0 million (par value) of borrowings outstanding (\$172.4 million net of capitalized costs) with a weighted average interest rate of approximately 5.0%. Our liabilities are staggered in maturity and comprised of a mix of secured (56%) and unsecured (44%) debt in order to maximize flexibility and minimize leverage cost. Our asset coverage ratio stood at 167% as of June 30, 2020, well within the 150% asset coverage statutory limit. Our aggregate unfunded commitments stood at \$29.2 million at June 30, 2020; however only \$2.4 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.

Proposed Merger with Garrison Capital, Inc.

On June 24, 2020, the Company entered into a merger agreement with Garrison Capital Inc., a publicly traded BDC (“GARS”), the Company's investment adviser and a wholly-owned merger subsidiary of the Company.

Under the terms of the proposed transaction, GARS stockholders will receive a combination of (i) \$19.1 million in cash from the Company; (ii) shares of the Company's common stock valued at 100% of its net asset value per share at the time of closing of the transaction in an aggregate number equal to GARS' net asset value at closing minus the \$19.1 million of cash merger consideration payable by the Company; and (iii) an additional cash payment from Sierra Crest Investment Management LLC of \$5.0 million in the aggregate.

The exchange ratio for the stock component of the merger will be determined by the net asset value of GARS and the Company as of the closing, calculated as of 5:00 p.m. New York City time on the day prior to the closing of the transaction. In addition to approval by GARS' and the Company's respective stockholders, the closing of the merger is subject to customary conditions. The Company currently expects the transaction to be completed in the fourth calendar quarter of 2020.

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 June 30, 2020, the Company repurchased 253,896 shares under the stock repurchase program at an aggregate cost of approximately \$284 thousand. We expect to continue to buyback stock as we do not believe our stock price reflects the fair value of our portfolio. Subject to customary restrictions, the Company and management intend to support the stock through open market purchases. Additionally, we anticipate putting in place a 10b5 plan during the quarter to execute purchases programmatically. The Company also repurchased \$109 thousand of par value in bonds in the open market for a cost of \$95 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 Monday August 10th, 2020 at 4:00 pm Eastern Time to discuss our second 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 7:00 pm Eastern Time on August 10, 2020 until 7:00 pm Eastern Time on August 17, 2020. The dial in number for the replay is (855) 859-2056 and the conference ID is 8149219.

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 <https://ml.globenewswire.com/Resource/Download/39c70ff2-a155-44fc-872b-f68105f0d5ad?size=0>

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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Source: Portman Ridge Finance Corporation. News Provided by Acquire Media

PORTMAN RIDGE FINANCE CORPORATION CONSOLIDATED BALANCE SHEETS

	June 30, 2020	December 31, 2019
	(Unaudited)	
ASSETS		
Investments at fair value:		
Short-term investments (cost: 2020 - \$2,067,817; 2019 - \$4,207,107)	\$ 2,067,817	\$ 4,207,107
Debt securities (amortized cost: 2020 - \$225,253,456; 2019 - \$194,686,364)	208,871,696	186,802,908
CLO Fund Securities managed by affiliates (amortized cost: 2020 - \$44,659,024; 2019 - \$45,099,076)	15,802,533	29,984,047

CLO Fund Securities managed by non-affiliates (amortized cost: 2020 - \$1,479,854; 2019 - \$1,519,641)	1,089,075	1,984,155
Equity securities (cost: 2020 - \$21,760,483; 2019 - \$22,160,993)	9,537,926	9,864,419
Asset Manager Affiliates (cost: 2020 - \$17,791,230; 2019 - \$17,791,230)	—	—
Joint Ventures (cost: 2020 - \$53,232,923; 2019 - \$48,594,539)	43,925,633	45,087,967
Derivatives (cost: 2020 - \$30,609; 2019 - \$30,609)	(571,419)	(33,437)
Total Investments at Fair Value (cost: 2020 - \$366,275,396; 2019 - \$334,089,559)	280,723,261	277,897,166
Cash	414,159	136,864
Restricted cash	11,398,350	4,967,491
Interest receivable	1,909,124	1,367,447
Receivable for unsettled trades	9,503,000	24,420,045
Due from affiliates	170,313	473,100
Other assets	1,641,460	1,112,150
Total Assets	<u>\$ 305,759,667</u>	<u>\$ 310,374,263</u>
LIABILITIES		
6.125% Notes Due 2022 (net of offering costs of: 2020-\$1,354,444; 2019 - \$1,651,946)	\$ 75,371,531	\$ 75,755,253
Great Lakes Portman Ridge Funding LLC Revolving Credit Facility (net of offering costs of: 2020-\$1,280,775; 2019 - \$1,462,364)	97,040,123	78,108,535
Payable for unsettled trades	7,366,263	—
Accounts payable and accrued expenses	1,986,506	1,386,981
Accrued interest payable	931,999	136,486
Due to affiliates	1,341,541	1,711,793
Management and incentive fees payable	1,008,049	1,076,645
Total Liabilities	185,046,012	158,175,693
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 100,000,000 common shares authorized; 45,065,524 issued, and 44,495,221 outstanding at June 30, 2020, and 45,024,535 issued, and 44,829,676 outstanding at December 31, 2019	444,952	448,297
Capital in excess of par value	451,014,609	451,353,379
Total distributable (loss) earnings	(330,745,906)	(299,603,106)
Total Stockholders' Equity	120,713,655	152,198,570
Total Liabilities and Stockholders' Equity	<u>\$ 305,759,667</u>	<u>\$ 310,374,263</u>
NET ASSET VALUE PER COMMON SHARE	<u>\$ 2.71</u>	<u>\$ 3.40</u>

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	<u>For the Three Months</u> <u>Ended June 30,</u>		<u>For the Six Months</u> <u>Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Investment Income:				
Interest from investments in debt securities	\$ 4,813,517	\$ 3,831,861	\$ 9,393,299	\$ 6,768,657
Payment-in-kind investment income	381,528	11,520	690,897	13,542
Interest from short-term investments	—	16,444	15,279	52,113
Investment income on CLO Fund Securities managed by affiliates	832,867	1,607,308	1,906,361	1,739,754
Investment income on CLO Fund Securities managed by non-affiliates	87,718	105,574	204,961	1,786,848
Dividends from Asset Manager Affiliates	—	—	—	—
Investment income - Joint Ventures	1,000,883	1,291,667	2,578,019	2,241,667
Capital structuring service fees	197,381	49,795	279,285	110,998
Total investment income	<u>7,313,894</u>	<u>6,914,169</u>	<u>15,068,101</u>	<u>12,713,579</u>
Expenses:				
Management fees	1,008,384	1,026,100	2,020,074	1,026,100
Performance-based incentive fees	454,874	—	556,880	—
Interest and amortization of debt issuance costs	2,394,870	1,982,431	4,744,941	3,783,357
Compensation	—	—	—	3,688,578
Professional fees	527,317	514,523	1,370,946	2,182,645
Insurance	177,154	359,449	300,904	448,099
Administrative services expense	430,265	409,600	891,265	409,600
Other general and administrative expenses	175,998	311,296	374,273	1,059,615
Lease termination costs	—	1,431,030	—	1,431,030
Total expenses	<u>5,168,862</u>	<u>6,034,429</u>	<u>10,259,283</u>	<u>14,029,024</u>

Management and performance-based incentive fees waived	(454,874)	—	(556,880)	—
Net Expenses	<u>4,713,988</u>	<u>6,034,429</u>	<u>9,702,403</u>	<u>14,029,024</u>
Net Investment Income (Loss)	2,599,906	879,740	5,365,698	(1,315,445)
Realized And Unrealized (Losses) Gains On Investments:				
Net realized (losses) gains from investment transactions	(881,615)	(2,270,962)	(1,929,762)	(15,620,391)
Net change in unrealized (depreciation) appreciation on:				
Debt securities	2,279,932	2,305,906	(8,498,305)	4,205,770
Equity securities	351,925	151,619	74,018	(4,899,412)
CLO Fund Securities managed by affiliates	(2,579,187)	(532,566)	(13,741,461)	(615,135)
CLO Fund Securities managed by non-affiliates	(283,864)	(66,680)	(855,293)	2,476,572
Asset Manager Affiliates investments	—	—	—	-
Joint Venture Investments	2,308,479	(1,315,379)	(5,800,718)	4,002,150
Derivatives	<u>(512,346)</u>	<u>—</u>	<u>(537,983)</u>	<u>—</u>
Total net change in unrealized appreciation (depreciation)	<u>1,564,939</u>	<u>542,900</u>	<u>(29,359,742)</u>	<u>5,169,945</u>
Net realized and unrealized (depreciation) on investments	<u>683,324</u>	<u>(1,728,062)</u>	<u>(31,289,504)</u>	<u>(10,450,446)</u>
Realized gains on extinguishments of Debt	<u>464</u>	<u>—</u>	<u>154,571</u>	<u>—</u>
Net (Decrease) Increase In Stockholders' Equity Resulting From Operations	<u>\$ 3,283,694</u>	<u>\$ (848,322)</u>	<u>\$ (25,769,235)</u>	<u>\$ (11,765,891)</u>
Net (Decrease) Increase In Stockholders' Equity Resulting from Operations per Common Share:				
Basic:	\$ 0.07	\$ (0.02)	\$ (0.58)	\$ (0.32)
Diluted:	\$ 0.07	\$ (0.02)	\$ (0.58)	\$ (0.32)
Net Investment (Loss) Income Per Common Share:				
Basic:	\$ 0.06	\$ 0.02	\$ 0.12	\$ (0.04)
Diluted:	\$ 0.06	\$ 0.02	\$ 0.12	\$ (0.04)
Weighted Average Shares of Common Stock Outstanding—Basic	44,610,714	37,349,371	44,716,953	37,342,272
Weighted Average Shares of Common Stock Outstanding—Diluted	44,610,714	37,349,371	44,716,953	37,342,272



Source: Portman Ridge Finance Corporation