



Portman Ridge Finance Corporation Announces Fourth Quarter and Full Year 2020 Financial Results

March 11, 2021

NEW YORK, March 11, 2021 (GLOBE NEWSWIRE) -- Portman Ridge Finance Corporation (Nasdaq: PTMN) (the "Company" or "Portman Ridge") announced today its financial results for the fourth quarter and full year ended December 31, 2020.

Recent Developments

- As previously announced, the Company successfully closed on the merger of Garrison Capital Inc. ("GARS" or "Garrison") on October 28, 2020.
- On December 23, 2020, the Company entered into an Agreement and Plan of Merger (the "HCAP Merger Agreement") with Harvest Capital Credit Corporation, a publicly traded business development company ("HCAP").
- On February 12, 2021, the Board of Directors of the Company approved a cash distribution of \$0.06 per share of common stock to shareholders of record as of February 22, 2021. The distribution was paid on March 2, 2021.
- On February 22, 2021, the Company repaid \$88.0 million of 2018-2 Secured Notes due 2029.
- On March 8, 2021, the Company received a corporate investment grade rating of BBB- with a stable outlook from Egan-Jones.
- On March 11, 2021, the Board approved a \$10 million stock repurchase program with substantially the same terms as the prior program, which expired on March 5, 2021.

Fourth Quarter and Full Year 2020 Highlights

- Net investment income for the fourth quarter of 2020 was \$8.9 million, or \$0.14 per weighted average share. Excluding the impact of purchase accounting in connection with the Garrison merger, net investment income for the fourth quarter of 2020 was \$5.2 million, or \$0.08 per share⁽¹⁾, compared to \$2.7 million, or \$0.06 per share in the third quarter of 2020 and \$2.1 million, or \$0.06 per share in the fourth quarter of 2019.
- Net investment income for the year ended December 31, 2020 was \$17.0 million, or \$0.34 per share, compared with net investment income of \$3.1 million, or \$0.08 per share in the year ended December 31, 2019. As noted above, excluding purchase accounting associated with the Garrison merger, net investment income for the full year was \$13.3 million⁽¹⁾, or \$0.27 per share⁽¹⁾.
- At December 31, 2020, the fair value of the Company's investments totaled \$487 million, of which the Company's debt securities portfolio totaled \$405 million and was comprised of investments in 109 portfolio companies. At September 30, 2020, the fair value of the Company's investments totaled \$279 million, of which the Company's debt securities portfolio totaled \$205 million and was comprised of investments in 65 portfolio companies.
- Net asset value per share at December 31, 2020 was \$2.88, compared to net asset value per share of \$2.85 at September 30, 2020. Excluding approximately \$1.6 million in transaction expenses associated with the Garrison merger, this represents a 2.5% increase relative to the prior quarter.⁽²⁾
- Quarterly distribution paid during the fourth quarter was \$0.06 per share, consistent with the first three quarters of the year. Accordingly, distributions for the full year 2020 totaled \$0.24 per share.
- As of December 31, 2020, there were eight investments on non-accrual status. Investments on non-accrual status were 0.8% and 2.4% of the Company's investment portfolio at fair value and amortized cost, respectively, compared to 1.3% and 3.2% as of September 30, 2020, and there was no change in the number of non-accrual debt securities during the quarter.
- During the fourth quarter (excluding the impacts of the Garrison merger), the Company acquired \$21.2 million par value of

debt securities. Also, during the quarter, the Company received \$135.1 million in sale and repayment proceeds, which includes a \$1.1 million increase relative to the carrying value of those assets sold. Of this activity, \$92.4 million was the result of proactive sales of legacy Garrison assets (inclusive of a \$0.6 million increase relative to carrying value).

Management Commentary

Ted Goldthorpe, Chief Executive Officer of Portman Ridge, stated, "We are very pleased with the progress we made at Portman Ridge this year in terms of managing the business while growing in size and scale. On October 28, we completed the merger with Garrison Capital and quickly began strategic repositioning of the acquired assets through opportunistic sales and debt repayment to reduce leverage of the portfolio. Shortly before year-end, we announced our plans to acquire Harvest Capital Credit Corporation, and we are working toward an expected closing of this transaction in the second quarter of 2021. Overall, our investment portfolio benefited from the economy's strong rebound and recovery that began mid-2020 and accelerated through the year. We are also pleased to have delivered consistent quarterly dividends each quarter this year. We look forward to making continued progress in 2021 as we continue to focus on all aspects of our business to deliver both sustainable earnings and earnings growth for Portman Ridge shareholders."

Fourth Quarter 2020 – Selected Financial Highlights

(in \$ millions, except per share data)	Three Months Ended	Three Months Ended
	December 31, 2020	September 30, 2020
Investment Income:		
Interest from investments in debt securities	\$ 16.4	\$ 4.9
Investment income on CLO Fund Securities	0.9	0.6
Investment income - Joint Ventures	2.2	2.2
Capital structuring service fees	0.6	-
Total investment income	19.9	7.8
Net Investment Income	\$ 8.9	\$ 2.7
Impact from GARS purchase accounting	3.7	-
Net investment income less GARS purchase accounting impact ⁽¹⁾	\$ 5.2	\$ 2.7
Net realized and unrealized gains	\$ 40.0	\$ 5.6
Net increase in net assets resulting from operations	\$ 49.0	\$ 8.3
Net increase in net assets resulting from operations per share (basic and diluted)	\$ 0.74	\$ 0.19
Net investment income per share (basic and diluted)	\$ 0.14	\$ 0.06
Impact from GARS purchase accounting	\$ 0.06	\$ -
Net investment income less GARS purchase accounting impact ⁽¹⁾	\$ 0.08	\$ 0.06
Weighted average shares outstanding (in millions)	66.0	44.4
Distribution per share	\$ 0.06	\$ 0.06

Total investment income for the three months ended December 31, 2020 and September 30, 2020, was \$19.9 million and \$7.8 million, respectively. The increase in investment income was primarily driven by the impact of the Garrison merger and the debt investments acquired by the Company as a result. Investment income from debt securities in the quarter was \$16.4 million, compared with \$4.9 million in the third quarter. The quarter-to-quarter increase in investment income from debt securities included \$2.5 million of income from purchase discount accretion, and \$1.9 million in income from paydowns on assets acquired in the Garrison merger that occurred during the fourth quarter. Investment income on CLO fund securities in the quarter was \$0.8 million compared with \$0.6 million in the third quarter of 2020. Investment income from Joint Ventures in the fourth quarter of 2020 was \$2.2 million, which was relatively unchanged from the third quarter.

Total expenses for the three months ended December 31, 2020 and September 30, 2020, were \$11.0 million and \$5.1 million, respectively. The components of the quarter-to-quarter increase were higher Management fees and Performance-based income incentive fees, which in aggregate increased by \$3.6 million due primarily to higher than typical prepayment activity during the quarter. Additionally, interest expense and amortization of debt issuance costs for the fourth quarter of 2020 were \$3.3 million, compared to \$2.2 million in the third quarter of 2020, driven primarily by the impact of the Garrison merger. Professional fees were also higher quarter-to-quarter at \$1.0 million in fourth quarter of 2020 compared to \$0.4 million in the third quarter of 2020, partially as a result of activities related to the Garrison merger.

Net investment income for the three months ended December 31, 2020 and September 30, 2020 was \$8.9 million, or \$0.14 per basic share, and \$2.7 million or \$0.06 per basic share, respectively. Excluding the impact of purchase accounting in connection with the Garrison merger, net investment income for the fourth quarter of 2020 was \$5.2 million, or \$0.08 per basic share.⁽¹⁾

Net realized and unrealized appreciation on investments for the three months ended December 31, 2020 was \$40.1 million, as compared to net realized and unrealized appreciation of \$5.6 million in the prior quarter. The substantial difference in net realized and unrealized appreciation was due to the impact of a \$40.4 million purchase discount recorded in connection with the Garrison merger. This day-one purchase accounting-related discount was a one-time gain and a noncash event.

Portfolio and Investment Activity

The fair value of our portfolio was \$487 million as of December 31, 2020. The composition of our investment portfolio at December 31, 2020 and 2019 at cost and fair value was as follows:

Security Type	December 31, 2020			December 31, 2019		
	Cost/Amortized		% ¹	Cost/Amortized		% ¹
	Cost	Fair Value		Cost	Fair Value	
Short-term investments	\$ —	\$ —	—	\$ 4,207,107	\$ 4,207,107	2
Senior Secured Loan	304,539,184	328,845,612	68	91,245,574	88,788,639	32
Junior Secured Loan	87,977,057	75,807,477	16	100,655,341	95,188,373	34
Senior Unsecured Bond	416,170	207,766	0	620,145	403,615	—
Subordinated Note	—	—	—	2,165,304	2,422,281	1
CLO Fund Securities	45,727,813	19,582,555	4	46,618,717	31,968,202	12
Equity Securities	24,593,639	13,944,876	3	22,160,993	9,864,419	4
Asset Manager Affiliates ²	17,791,230	—	—	17,791,230	—	—
Joint Ventures	54,932,458	49,349,163	10	48,594,539	45,087,967	16
Derivatives	30,609	(1,108,618)	—	30,609	(33,437)	—
Total	\$ 536,008,160	\$ 486,628,831	100 %	\$ 334,089,559	\$ 277,897,166	100 %

¹ Represents percentage of total portfolio at fair value.

² Represents the equity investment in the Asset Manager Affiliates.

Liquidity and Capital Resources

As of December 31, 2020, we had \$378 million (par value) of borrowings outstanding (\$373 million net of capitalized costs) with a combined weighted average interest rate of 3.0%. This balance was comprised of \$49.3 million of outstanding borrowings under the Senior Secured Revolving Credit Facility, \$76.7 million of 6.125% unsecured Notes due 2022, and \$252 million of 2018-2 Secured Notes due 2029. On February 22, 2021, the Company repaid \$88.0 million of the 2018-2 Secured Notes due 2029.

At December 31, 2020, the Company had unrestricted cash of \$7.0 million, restricted cash of \$75.9 million, \$65.7 million of available borrowing capacity under the Senior Secured Revolving Credit Facility, and \$25 million of borrowing capacity under the 2018-2 Revolving Credit Facility. Total assets and stockholders' equity at year-end 2020 were \$600 million and \$216 million, respectively. Aggregate unfunded commitments stood at \$32.9 million at December 31, 2020.

The Company's asset coverage ratio stood 156% as of December 31, 2020, above the 150% asset coverage statutory limit.

Stock Repurchase Program

On March 5, 2020, the Board approved a \$10 million stock repurchase program. During the year ended December 31, 2020, the Company repurchased 734,403 shares, under the Stock Repurchase Program in open market transactions at an aggregate cost of \$863 thousand. On March 5, 2021, the Stock Repurchase Program expired pursuant to its terms. On March 11, 2021, the Board approved a \$10 million stock repurchase program with substantially the same terms as the prior program.

Conference Call and Webcast

We will hold a conference call on Friday March 12, 2021 at 9:00 am Eastern Time to discuss our fourth quarter and full year 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. A replay of the conference call will be available from March 12, 2021 until March 19, 2021. The dial in number for the replay is (855) 859-2056 and the conference ID is 1237528.

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 and Presentations. The webcast can also be accessed by clicking the following link: [Portman Ridge Fourth Quarter and Full Year 2020 Conference Call](#). The online archive of the webcast will be available on the Company's website shortly after the call.

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'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. Portman Ridge's investment activities are managed by its investment adviser, Sierra Crest Investment Management LLC, an affiliate of BC Partners Advisors, LP.

Portman Ridge'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.

About BC Partners Advisors L.P. and BC Partners Credit

BC Partners is a leading international investment firm with over \$40 billion of assets under management in private equity, private credit and real estate strategies. Established in 1986, BC Partners has played an active role in developing the European buyout market for three decades. Today, BC Partners executives operate across markets as an integrated team through the firm's offices in North America and Europe. Since inception, BC Partners has completed 117 private equity investments in companies with a total enterprise value of €149 billion and is currently investing its eleventh private equity fund. For more information, please visit www.bcpartners.com.

BC Partners Credit was launched in February 2017 and has pursued a strategy focused on identifying attractive credit opportunities in any market environment and across sectors, leveraging the deal sourcing and infrastructure made available from BC Partners.

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.

Important assumptions include our ability to originate new investments, and achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this press release should not be regarded as a representation that such plans, estimates, expectations or objectives will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) uncertainty of the expected financial performance of the Company; (2) expected synergies and savings associated with the transaction in which Garrison Capital Inc. merged with and into the Company; (3) the ability of the Company and/or BC Partners to implement its business strategy; (4) evolving legal, regulatory and tax regimes; (5) changes in general economic and/or industry specific conditions; (6) the impact of increased competition; (7) business prospects and the prospects of the Company’s portfolio companies; (8) contractual arrangements with third parties; (9) any future financings by the Company; (10) the ability of Sierra Crest Investment Management LLC to attract and retain highly talented professionals; (11) the Company ability to fund any unfunded commitments; (12) any future distributions by the Company; (13) changes in regional or national economic conditions, including but not limited to the impact of the COVID-19 pandemic, and their impact on the industries in which we invest; (14) other changes in the conditions of the industries in which we invest and other factors enumerated in our filings with the SEC; (15) the successful completion of the Company’s acquisition of HCAP and receipt of stockholder approval from HCAP’s stockholders; and (16) expectations concerning the proposed HCAP transaction, including the financial results of the combined company. The forward-looking statements should be read in conjunction with the risks and uncertainties discussed in the Company’s filings with the SEC, including the Company’s most recent Form 10-K and other SEC filings. 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.

(1) Net investment income excluding the impact of purchase accounting in connection with the GARS merger is net investment income as determined in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), excluding the impact of purchase accounting in connection with the GARS merger. We believe presenting net investment income excluding the impact of the GARS merger-related purchase accounting and the related per share amount is useful and appropriate supplemental disclosure for analyzing our financial performance due to the unique circumstance giving rise to the purchase accounting adjustment. However, this measure is a non-U.S. GAAP measure and should not be considered as a replacement for net investment income and other earnings measures presented in accordance with U.S. GAAP. Instead, this measure should be reviewed only in connection with such U.S. GAAP measures in analyzing Portman Ridge’s financial performance. A reconciliation of net investment income in accordance with U.S. GAAP to net investment income excluding the impact of purchase accounting is detailed in the financial tables included with this press release.

(2) Net asset value excluding the transaction expense associated with the Garrison merger is net asset as determined in accordance with U.S. GAAP, excluding the impact of the transaction expense associated with the Garrison merger. We believe presenting information relating to this adjusted net asset value figure on a per share basis is useful and appropriate supplemental disclosure for analyzing our financial performance due to the non-ordinary nature of the expense. However, this measure is a non-U.S. GAAP measure and should not be considered as a replacement for net asset value presented in accordance with U.S. GAAP. Instead, this measure should be reviewed only in connection with such U.S. GAAP measures in analyzing Portman Ridge’s financial performance. In order to reconcile these two financial measures, you should add the \$1.6 million, or \$0.04 per share, of transaction expense relating to the Garrison merger to net asset value determined in accordance with U.S. GAAP.

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PORTMAN RIDGE FINANCE CORPORATION CONSOLIDATED BALANCE SHEETS

December 31, 2020	December 31, 2019
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ASSETS

Investments at fair value:

Debt securities (amortized cost: 2020 - \$392,932,411; 2019 - \$194,686,364)	\$ 404,860,855	\$ 186,802,908
CLO Fund Securities managed by affiliates (amortized cost: 2020 - \$0; 2019 - \$45,099,076)	—	29,984,047
CLO Fund Securities managed by non-affiliates (amortized cost: 2020 - \$45,727,813; 2019 - \$1,519,641)	19,582,555	1,984,155
Equity securities (cost: 2020 - \$24,593,639; 2019 - \$22,160,993)	13,944,876	9,864,419
Asset Manager Affiliates (cost: 2020 - \$17,791,230; 2019 - \$17,791,230)	—	—
Joint Ventures (cost: 2020 - \$54,932,458; 2019 - \$48,594,539)	49,349,163	45,087,967
Short-term investments (cost: 2020 - \$00; 2019 - \$4,207,107)	—	4,207,107
Total Investments at Fair Value, excluding derivatives (cost: 2020 - \$535,977,551; 2019 - \$334,058,950)	487,737,449	277,930,603
Cash and cash equivalents	6,990,008	136,864
Restricted cash	75,913,411	4,967,491
Interest receivable	2,972,546	1,367,447
Receivable for unsettled trades	25,107,598	24,420,045
Due from affiliates	357,168	473,100
Other assets	1,100,241	1,112,150
Total Assets	<u>\$ 600,178,421</u>	<u>\$ 310,407,700</u>

LIABILITIES

6.125% Notes Due 2022 (net of offering costs of: 2020-\$1,058,351; 2019 - \$1,651,946)	\$ 75,667,624	\$ 75,755,253
2018-2 Secured Notes (net of discount of: 2020-\$2,444,512; 2019 - \$0)	249,418,186	—
Great Lakes Portman Ridge Funding LLC Revolving Credit Facility (net of offering costs of: 2020-\$1,097,815; 2019 - \$1,462,364)	48,223,083	78,108,535
Derivative liabilities, net (cost: 2020 - \$30,609; 2019 - \$30,609)	1,108,618	33,437
Accounts payable and accrued expenses	1,788,908	1,386,981
Accrued interest payable	1,089,531	136,486
Due to affiliates	1,374,739	1,711,793
Management and incentive fees payable	5,243,869	1,076,645
Total Liabilities	<u>383,914,558</u>	<u>158,209,130</u>

COMMITMENTS AND CONTINGENCIES (NOTE 9)**STOCKHOLDERS' EQUITY**

Common stock, par value \$0.01 per share, 100,000,000 common shares authorized; 76,093,492 issued, and 75,164,230 outstanding at December 31, 2020, and 45,024,535 issued, and 44,829,676 outstanding at December 31, 2019	751,642	448,297
Capital in excess of par value	638,459,548	451,353,379
Total distributable (loss) earnings	<u>(422,947,327)</u>	<u>(299,603,106)</u>
Total Stockholders' Equity	<u>216,263,863</u>	<u>152,198,570</u>
Total Liabilities and Stockholders' Equity	<u>\$ 600,178,421</u>	<u>\$ 310,407,700</u>
NET ASSET VALUE PER COMMON SHARE	\$ 2.88	\$ 3.40

**PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Year Ended December 31,		
	2020	2019	2018
Investment Income:			
Interest from investments in debt securities	\$ 28,210,725	\$ 14,377,460	\$ 14,939,309
Payment-in-kind investment income	3,217,614	606,234	1,066,354
Interest from short-term investments	15,279	79,065	76,055
Investment income on CLO Fund Securities managed by affiliates	3,221,838	4,427,387	6,024,935
Investment income on CLO Fund Securities managed by non-affiliates	319,458	2,008,148	388,237
Dividends from Asset Manager Affiliates	—	—	1,246,510
Investment income - Joint Ventures	6,911,418	4,859,780	3,100,000
Capital structuring service fees	867,853	137,061	245,393
Total investment income	<u>42,764,185</u>	<u>26,495,135</u>	<u>27,086,793</u>
Expenses:			
Management fees	4,579,082	3,129,079	—
Performance-based incentive fees	4,857,563	—	—
Interest and amortization of debt issuance costs	10,283,996	8,261,445	7,403,436
Compensation	—	3,688,578	4,012,743
Professional fees	2,835,947	3,466,877	3,470,269
Insurance	670,688	704,592	321,268

Administrative services expense	1,941,398	1,243,587	—
Other general and administrative expenses	1,152,045	1,496,258	1,874,600
Lease termination costs	—	1,431,030	—
Total expenses	<u>26,320,719</u>	<u>23,421,446</u>	<u>17,082,316</u>
Management and performance-based incentive fees waived	(556,880)	—	—
Net Expenses	<u>25,763,839</u>	<u>23,421,446</u>	<u>17,082,316</u>
Net Investment Income	17,000,346	3,073,689	10,004,477
Realized And Unrealized Gains (Losses) On Investments:			
Net realized gains (losses) from investment transactions	7,604,698	(15,619,046)	(16,474,939)
Net change in unrealized appreciation (depreciation) on:			
Debt securities	19,811,899	6,519,282	(7,420,747)
Equity securities	1,647,812	(4,856,831)	(1,283,420)
CLO Fund Securities managed by affiliates	(11,079,828)	(6,875,007)	17,790,480
CLO Fund Securities managed by non-affiliates	(414,915)	3,380,119	(8,285,747)
Asset Manager Affiliates investments	—	—	(579,000)
Joint Venture Investments	(2,076,723)	3,017,847	(3,125,560)
Derivatives	(1,075,182)	(64,046)	—
Total net change in unrealized appreciation (depreciation)	<u>6,813,063</u>	<u>1,121,364</u>	<u>(2,903,994)</u>
Net realized and unrealized appreciation (depreciation) on investments	<u>14,417,761</u>	<u>(14,497,682)</u>	<u>(19,378,933)</u>
Realized gains on extinguishments of Debt	<u>154,571</u>	<u>(1,075,968)</u>	<u>(197,090)</u>
Net Increase (Decrease) In Stockholders' Equity Resulting From Operations	<u>\$ 31,572,678</u>	<u>\$ (12,499,961)</u>	<u>\$ (9,571,546)</u>
Net Increase (Decrease) In Stockholders' Equity Resulting from Operations per Common Share:			
Basic:	\$ 0.63	\$ (0.33)	\$ (0.26)
Diluted:	\$ 0.63	\$ (0.33)	\$ (0.26)
Net Investment Income Per Common Share:			
Basic:	\$ 0.34	\$ 0.08	\$ 0.27
Diluted:	\$ 0.34	\$ 0.08	\$ 0.27
Weighted Average Shares of Common Stock Outstanding—Basic	49,987,586	37,641,650	37,356,241
Weighted Average Shares of Common Stock Outstanding—Diluted	49,987,586	37,641,650	37,356,241



Source: Portman Ridge Finance Corporation