Portman Ridge Finance Corporation Announces First Quarter 2021 Financial Results; Declares Quarterly Distribution of $0.06 Per Share

May 6, 2021

NEW YORK, May 06, 2021 (GLOBE NEWSWIRE) -- Portman Ridge Finance Corporation (Nasdaq: PTMN) (the “Company” or “Portman Ridge”) announced today its financial results for the first quarter ended March 31, 2021 and declared a quarterly stockholder distribution of $0.06 per share, payable on June 1, 2021 to stockholders of record at the close of business on May 19, 2021.

First Quarter 2021 Highlights

- Net investment income for the quarter was $0.11 per share, or $8.2 million.
- Net asset value (“NAV”) per share increased 1.4% to $2.92 per share from $2.88 per share quarter-to-quarter, reflecting the continuation of general economic improvement and the overall yield tightening environment.
- The fair value of the Company’s investments including derivatives totaled $473 million, of which the Company’s debt securities portfolio totaled $387 million and was comprised of investments in 103 portfolio companies. Investments on non-accrual status were 0.7% and 2.3% of the Company’s investment portfolio at fair value and amortized cost, respectively, compared to 0.8% and 2.4% as of December 31, 2020.
- During the first quarter, the Company acquired approximately $50 million par value of investment portfolio assets. Also, during the quarter, the Company received approximately $68 million in sale and repayment proceeds, which includes a $0.8 million increase relative to the carrying value of those assets sold. Of this activity, $30.3 million was the result of proactive sales (inclusive of a $0.2 million increase relative to carrying value).
- Net leverage(1) was 1.1x as of March 31, 2021, down from 1.4x as of December 31, 2020, driven primarily by the repayment of $88.0 million of 2018-2 Secured Notes due 2029 during the quarter.
- On March 8, 2021, the Company received a corporate investment grade rating of BBB- with a stable outlook from Egan-Jones.
- The quarterly distribution for the first quarter was $0.06 per share and was paid on March 2, 2021.
- 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. The new program expires on March 31, 2022.
- Subsequent to quarter-end, on April 30, 2021, the Company issued $80 million in aggregate principal amount of 4.875% senior unsecured notes due 2026 (the “Notes”) in a private placement offering. Also on April 30, 2021, the Company notified the trustee for the 6.125% unsecured notes due 2022 of its election to redeem in full the aggregate amount outstanding of $76.7 million. The Company expects the redemption to be completed on May 30, 2021.
- Subsequent to quarter-end, on May 6, 2021, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with certain affiliates of the Company’s investment adviser for the sale of 1,381,305 shares of the Company’s common stock at the net asset value per share of the Company’s common stock. These sales are being made in accordance with the terms of the agreement that the Company entered into in connection with its externalization in 2019, which require the Company’s investment adviser and/or its affiliates to use up to $10 million of the incentive fee actually paid by the Company to the investment adviser prior to the second anniversary of the closing of the externalization transaction to buy newly issued shares of the Company’s common stock at the net asset value per share of the common stock.

Management Commentary

Ted Goldthorpe, Chief Executive Officer of Portman Ridge, stated, “We continued to execute on our strategic goal of repositioning our portfolio over the long term and deleveraging in the near term. At quarter-end, net leverage was 1.1x, down from 1.4x last quarter and we are pleased to have achieved the lower end of our target leverage range ahead of plan. On April 30, we closed a private placement debt offering of $80 million in 4.875%

senior unsecured notes which addressed a near-term maturity for the Company and also significantly reduces our cost of debt. Looking ahead, we expect interest savings and other cost efficiencies to more completely emerge as we manage a significantly broader asset base over which to spread our fixed costs."

"Through the substantial rotation of the portfolio that we executed over the past two quarters, our overall portfolio performance continues to perform well. We are focused on senior secured loans, primarily first lien, and these loans now comprise 83% of our debt securities portfolio and our goal is to continue to increase these loans as an overall percentage of our portfolio," added Goldthorpe.

"Finally, we remain very excited about our previously announced merger with Harvest Capital Credit Corporation and are working towards an expected closing during the second quarter of 2021," concluded Goldthorpe.

Selected Financial Highlights (unaudited)

(in $ millions, except per share data)	Three Months Ended March 31, 2021	Three Months Ended December 31, 2020	Three Months Ended March 31, 2020
Investment Income:			
Interest from investments in debt securities	$ 15.2	$ 16.4	$ 4.9
Investment income on CLO Fund Securities	0.6	0.9	1.2
Investment income - Joint Ventures	2.0	2.2	1.6
Capital structuring service fees	0.4	0.6	0.1
Total investment income	18.3	19.9	7.8
Net expenses	10.1	11.0	5.0
Net Investment Income	$ 8.2	$ 8.9	$ 2.7
Net realized and unrealized gains	1.6	40.1	(31.9)
Realized losses on debt extinguishment	(1.8)	—	0.2
Net increase in net assets resulting from operations	$ 8.0	$ 49.0	$ (29.0)
Net increase in net assets resulting from operations per share (basic and diluted)	$ 0.11	$ 0.74	$ (0.65)
Net investment income per share (basic and diluted)	$ 0.11	$ 0.14	$ 0.06
Weighted average shares outstanding (in millions)	75.2	66.0	44.8
Distribution per share	$ 0.06	$ 0.06	$ 0.06

Total investment income for the three months ended March 31, 2021 and December 31, 2020 was $18.3 million and $19.9 million, respectively. Investment income was higher in the fourth quarter of 2020 due to the timing between closing of the merger of Garrison Capital Inc. ("Garrison") and the eventual sale of $92.4 million in assets acquired in the Garrison merger which occurred closer to year-end, and during which these investments generated investment income. Investment income on CLO fund securities in the quarter was $0.6 million compared with $0.8 million in the fourth quarter of 2020 reflecting the exit of one position early in the quarter. Investment income from Joint Ventures in the quarter was $2.0 million, which was slightly less than the $2.2 million earned in the fourth quarter of 2020 due to timing of asset deployment in the underlying joint ventures.

Total expenses for the three months ended March 31, 2021 and December 31, 2020 was $10.1 million and $11.0 million, respectively. The decrease quarter-to-quarter was driven primarily by lower performance-based incentive fees, offset in part by higher management fees and professional fees. Management fees increased due to the full quarter impact of the Garrison merger and professional fees increased due to higher legal expenses related to merger activities and higher audit and tax fees in the first quarter. Interest expense and amortization of debt issuance costs increased slightly quarter-to-quarter, from $3.3 million to $3.4 million in the first quarter due primarily to the full quarter impact of the Garrison merger, offset by lower debt balances as the Company repaid $88.0 million of 2018-2 Secured Notes due 2029 during the quarter. The Company expects substantial interest expense savings in future periods driven by a lower weighted average interest rate on its senior debt.

Net investment income for the three months ended March 31, 2021 was $0.11 per share, or $8.2 million. Net investment income for the three months ended December 31, 2020 was $0.14 per share, or $8.9 million.

Net realized and unrealized appreciation on investments for the three months ended March 31, 2021 was $1.6 million, as compared to net realized and unrealized appreciation of $40.1 million for the three months ended December 31, 2020, which included the impact of a $40.4 million purchase discount recorded in connection with the Garrison merger which closed in the fourth quarter of 2020.

Earnings per share for the three months ended March 31, 2021 and December 31, 2020 were $0.11 per share and $0.74 per share, respectively.

Portfolio and Investment Activity

The fair value of our portfolio was $473 million as of March 31, 2021. The composition of our investment portfolio at March 31, 2021 and December 31, 2020 at cost and fair value was as follows:

	March 31, 2021 (Unaudited)			December 31, 2020		
Security Type	**Cost/Amortized Cost**	**Fair Value**	**%[1]**	**Cost/Amortized Cost**	**Fair Value**	**%[1]**
Senior Secured Loan	302,205,721	322,362,553	68	304,539,184	328,845,612	68
Junior Secured Loan	74,733,439	64,639,644	14	87,977,057	75,807,477	16

Senior Unsecured Bond	416,170	41,792	0	416,170	207,766	0
CLO Fund Securities	35,264,540	16,021,434	3	45,727,813	19,582,555	4
Equity Securities	23,950,747	14,651,029	3	24,593,639	13,944,876	3
Asset Manager Affiliates[2]	17,791,230	—	—	17,791,230	—	—
Joint Ventures	61,105,966	56,730,956	12	54,932,458	49,349,163	10
Derivatives	30,609	(1,582,963)	—	30,609	(1,108,618)	—
Total	$ 515,498,423	$ 472,864,445	100 %	$ 536,008,160	$ 486,628,831	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 March 31, 2021, we had $309.7 million (par value) of borrowings outstanding ($307.1 million net of capitalized costs) with a combined weighted average interest rate of 3.4%. This balance was comprised of $69.1 million of outstanding borrowings under the Senior Secured Revolving Credit Facility, $76.7 million of 6.125% Unsecured Notes due 2022, and $163.9 million of 2018-2 Secured Notes due 2029. On April 30, 2021, we issued $80 million in aggregate principal of 4.875% Senior Unsecured Notes due 2026 in a private placement offering. Also on this date, we notified the trustee of the 6.125% Unsecured Notes due 2022 our intention to redeem in full the outstanding notes which we expect will be completed on May 30, 2021.

As of March 31, 2021, the Company had unrestricted cash of $30.8 million, restricted cash of $28.5 million, $45.9 million of available borrowing capacity under the Senior Secured Revolving Credit Facility, and $25.0 million of borrowing capacity under the 2018-2 Revolving Credit Facility. Total assets and stockholders' equity at March 31, 2021 were $552 million and $220 million, respectively. Aggregate unfunded commitments stood at $25.0 million as of March 31, 2021.

The Company's asset coverage ratio stood at 170% as of March 31, 2021, above the 150% asset coverage statutory limit.

Stockholder Distribution

On May 6, 2021, the Board of Directors approved a quarterly cash distribution of $0.06 per share of common stock to shareholders of record as of May 19, 2021. The distribution will be paid on June 1, 2021.

Stock Repurchase Program

On March 11, 2021, the Board approved a $10 million stock repurchase program for an approximately one-year period, effective March 11, 2021 and terminating on March 31, 2022. There were no repurchases during the first quarter of 2021 as the Company continues to face certain restrictions and blackout periods in connection with its ongoing M&A activity.

Conference Call and Webcast

We will hold a conference call on Friday May 7, 2021 at 8:00 am Eastern Time to discuss our first quarter 2021 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 May 7, 2021 until May 14, 2021. The dial in number for the replay is (855) 859-2056 and the conference ID is 8793222.

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 First Quarter 2021 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 Harvest Capital Credit Corporation ("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 leverage is calculated as the ratio between (A) debt, excluding unamortized debt issuance costs, less available cash and cash equivalents, and restricted cash and (B) NAV.

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PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2021	December 31, 2020
	(Unaudited)	
ASSETS		
Investments at fair value:		
Debt securities (amortized cost: 2021 - $377,355,331; 2020 - $392,932,411)	$ 387,043,989	$ 404,860,855
CLO Fund Securities managed by non-affiliates (amortized cost: 2021 - $35,264,540; 2020 - $45,727,813)	16,021,434	19,582,555
Equity securities (cost: 2021 - $23,950,747; 2020 - $24,593,639)	14,651,029	13,944,876
Asset Manager Affiliates (cost: 2021 - $17,791,230; 2020 - $17,791,230)	—	—
Joint Ventures (cost: 2021 - $61,105,966; 2020 - $54,932,458)	56,730,956	49,349,163
Total Investments at Fair Value, excluding derivatives (cost: 2021 - $515,467,814; 2020 - $535,977,551)	474,447,408	487,737,449
Cash and cash equivalents	30,843,590	6,990,008
Restricted cash	28,452,560	75,913,411
Interest receivable	2,888,364	2,972,546
Receivable for unsettled trades	14,142,812	25,107,598
Due from affiliates	853,420	357,168
Other assets	1,201,991	1,100,241

Total Assets	$ 552,830,145	$ 600,178,421
LIABILITIES		
6.125% Notes Due 2022 (net of offering costs of: 2021-$0; 2020 - $1,058,351)	$ 76,725,975	$ 75,667,624
2018-2 Secured Notes (net of discount of: 2021-$1,535,573; 2020 - $2,444,512)	162,327,125	$ 249,418,186
Great Lakes Portman Ridge Funding LLC Revolving Credit Facility (net of offering costs of: 2021-$1,006,335; 2020 - $1,097,815)	68,064,563	48,223,083
Derivative liabilities, net (cost: 2021 - $30,609; 2020 - $30,609)	1,582,963	1,108,618
Payable for unsettled trades	13,881,059	—
Accounts payable and accrued expenses	2,409,861	1,788,908
Accrued interest payable	1,146,732	1,089,531
Due to affiliates	2,372,115	1,374,739
Management and incentive fees payable	4,464,644	5,243,869
Total Liabilities	332,975,037	383,914,558
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value $0.01 per share, 100,000,000 common shares authorized; 76,124,403 issued, and 75,195,141 outstanding at March 31, 2021, and 76,093,492 issued, and 75,164,230 outstanding at December 31, 2020	751,951	751,642
Capital in excess of par value	638,523,223	638,459,548
Total distributable (loss) earnings	(419,420,066)	(422,947,327)
Total Stockholders' Equity	219,855,108	216,263,863
Total Liabilities and Stockholders' Equity	$ 552,830,145	$ 600,178,421
NET ASSET VALUE PER COMMON SHARE	$ 2.92	$ 2.88

	For the Three Months Ended March 31,	
	2021	**2020**
Investment Income:		
Interest from investments in debt securities	$ 14,086,475	$ 4,579,782
Payment-in-kind investment income	1,131,598	309,369
Interest from short-term investments	—	15,279
Investment income on CLO Fund Securities managed by affiliates	—	1,073,494
Investment income on CLO Fund Securities managed by non-affiliates	617,256	117,243
Investment income - Joint Ventures	2,039,266	1,577,136
Capital structuring service fees	429,968	81,904
Total investment income	18,304,563	7,754,207
Expenses:		
Management fees	1,792,564	1,011,690
Performance-based incentive fees	2,093,619	102,006
Interest and amortization of debt issuance costs	3,380,497	2,350,071
Professional fees	1,494,428	843,630
Insurance	177,154	123,750
Administrative services expense	613,372	461,000
Other general and administrative expenses	540,412	198,276
Total expenses	10,092,046	5,090,423
Management and performance-based incentive fees waived	—	(102,006)
Net Expenses	10,092,046	4,988,417
Net Investment Income	**8,212,517**	**2,765,790**
Realized And Unrealized Gains (Losses) On Investments:		
Net realized (losses) gains from investment transactions	(5,085,788)	(1,048,147)
Net change in unrealized appreciation (depreciation) on:		
Debt securities	(2,239,786)	(10,778,237)
Equity securities	1,349,044	(277,907)
CLO Fund Securities managed by affiliates	—	(11,162,275)
CLO Fund Securities managed by non-affiliates	6,902,151	(571,429)
Joint Venture Investments	1,208,285	(8,109,197)
Derivatives	(474,345)	(25,637)

Total net change in unrealized appreciation (depreciation)	6,745,349	(30,924,682)
Net realized and unrealized appreciation (depreciation) on investments	1,659,561	(31,972,829)
Realized (losses) gains on extinguishments of Debt	(1,834,963)	154,106
Net Increase (Decrease) In Stockholders' Equity Resulting From Operations	$ 8,037,115	$ (29,052,933)
Net Increase (Decrease) In Stockholders' Equity Resulting from Operations per Common Share:		
Basic:	$ 0.11	$ (0.65)
Diluted:	$ 0.11	$ (0.65)
Net Investment Income Per Common Share:		
Basic:	$ 0.11	$ 0.06
Diluted:	$ 0.11	$ 0.06
Weighted Average Shares of Common Stock Outstanding—Basic	75,174,533	44,823,193
Weighted Average Shares of Common Stock Outstanding—Diluted	75,174,533	44,823,193

PORTMAN RIDGE

Source: Portman Ridge Finance Corporation