



Portman Ridge Finance Corporation Announces Full Year 2021 Financial Results

March 10, 2022

Increases Quarterly Distribution to \$0.63 Per Share

NEW YORK, March 10, 2022 (GLOBE NEWSWIRE) -- Portman Ridge Finance Corporation (Nasdaq: PTMN) (the "Company" or "Portman Ridge") announced today its financial results for the full year ended December 31, 2021.

The Company also declared a quarterly stockholder distribution of \$0.63 per share for the first quarter of 2022, payable on March 30, 2022 to stockholders of record at the close of business on March 21, 2022. This is an increase of \$0.01 per share from \$0.62 per share distributed in the fourth quarter of 2021 and \$0.60 per share distributed in preceding quarters.

Full Year 2021 Highlights¹

- Net asset value ("NAV") for full year 2021 increased to \$280.1 million (\$28.88 per share) from \$216.3 million (\$28.77 per share) year-over-year, reflecting broad-based improvements in the debt portfolio investments and joint ventures.
- Total investment income for full year 2021 increased to \$80.1 million, of which \$63.8 million was attributable to interest income from the debt securities portfolio. This compares to total investment income of \$42.8 million in 2020, of which \$31.4 million was attributable to interest income from the debt securities portfolio.
- Excluding the impact of purchase price accounting, core investment income² for the full year 2021 was \$63.4 million, an increase of \$24.3 million as compared to core investment income of \$39.1 million in 2020
- Net investment income ("NII") for full year 2021 increased to \$42.0 million (\$4.92 per share) as compared to \$17.0 million (\$3.40 per share) a year ago.
- Core NII³ for full year 2021 increased to \$25.4 million (\$2.97 per share) as compared to \$13.3 million (\$2.67 per share)¹ a year ago.
- Total investments at fair value (excluding derivatives) at December 31, 2021 was \$550.0 million; when excluding CLO funds and Joint Ventures, these investments are spread across 30 different industries and 113 different entities, with an average par balance per investment of approximately \$3.3 million. This compares to \$487.7 million as of December 31, 2020, comprised of investments in 121 entities.
- As of December 31, 2021, par value of outstanding borrowings was \$352.4 million with an asset coverage ratio of total assets to total borrowings of 178%. On a net basis, leverage as of December 31, 2021 was 1.01x.⁴
- During the year, the Company redeemed in full the aggregate \$77.4 million in principal outstanding of the 6.125% Notes due 2022 on May 30, 2021; the aggregate principal amount outstanding of \$28.75 million of HCAP's 6.125% Notes due 2022 were redeemed in full on July 23, 2021.
- In the fourth quarter of 2021, the Company's previously announced purchase of \$18.1 million of portfolio of CLO assets in exchange for \$1.4 million in cash and 556,852 shares of common stock issued at NAV closed in the fourth quarter of 2021.
- During the year, the Company repurchased 75,377 shares, under its \$10 million Stock Repurchase Program in open market transactions at an aggregate cost of approximately \$1.8 million.
- A 1-for-10 reverse stock split of the Company's common stock was completed effective August 26, 2021.

Management Commentary

Ted Goldthorpe, Chief Executive Officer of Portman Ridge, stated, "We are pleased with our year end results and believe we are well-positioned as we look ahead to the new year. The year-over-year increase in net assets per share is a reflection of the strength of our portfolio. Our solid performance has allowed us to increase our quarterly distribution for a second quarter in a row to \$0.63 per share. Overall, we have had a successful year and our goal is to continue to improve our portfolio performance, lower our cost of capital, and reduce expenses relative to our asset base. Furthermore, the expected speed and extent in the rise of interest rates should improve our gross investment income in the coming quarters, as the majority of our portfolio has a floating rate. We also expect future portfolio investments to predominately be floating rate investments."

Select Financial Highlights

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
(\$ in thousands)		
Total investment income	80,086	42,764
Net Expenses	38,082	25,764
Net Investment Income	42,004	17,000
Net realized and unrealized (loss) gain on investments	(12,701)	14,418
Tax (provision) benefit on realized and unrealized (gains) losses on investments	(1,442)	—
Realized (losses) gains on extinguishments of Debt	(1,835)	155
Net Increase (Decrease) In Net Assets Resulting From Operations	\$ 26,026	\$ 31,573
Net Increase (Decrease) In Stockholders' Equity Resulting from Operations per Common Share—Basic and Diluted ⁽¹⁾	\$ 3.05	\$ 6.32
Net Investment Income Per Common Share—Basic and Diluted ⁽¹⁾	\$ 4.92	\$ 3.40
Weighted Average Shares of Common Stock Outstanding—Basic and Diluted ⁽¹⁾	8,536,079	4,998,759
Distribution per share ⁽¹⁾	\$ 0.63	\$ 0.60

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021. As a result, common shares and net asset value per common share information has been adjusted retroactively to reflect the split for periods prior to August 26, 2021.

	For the Year Ended December 31, 2021
(\$ in thousands)	
Interest from investments in debt excluding accretion	\$ 42,787
Purchase discount accounting	16,644
PIK Investment Income	4,345
CLO Income	4,754
JV Income	9,178
Service Fees	2,378
Total Investment Income	80,086
Less: Purchase discount accounting	(16,644)
Core Investment Income	63,442

Investment income for the years ended December 31, 2021 increased to \$80.1 million, as compared to \$42.8 million in 2020.

Interest income from investments in debt securities for the year ended December 31, 2021 increased to \$63.8 million as compared to \$31.4 million in the prior year. The increase in interest income was primarily driven by additions to the Debt Securities Portfolio through merger transactions, as well as an increase in the contractual interest rates on loans.

At December 31, 2021 and December 31, 2020, the weighted average contractual interest rate on our interest earning debt securities was approximately 8.1% and 7.7%, respectively.

Investment Portfolio Activity

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

Security Type	December 31, 2021			December 31, 2020		
	Cost/Amortized		% ⁽¹⁾	Cost/Amortized		% ⁽¹⁾
	Cost	Fair Value		Cost	Fair Value	
Senior Secured Loan	\$361,556	\$364,701	66	\$304,539	\$328,846	68
Junior Secured Loan	82,996	70,549	13	87,977	75,807	16
Senior Unsecured Bond	416	43	0	416	208	0
CLO Fund Securities	51,561	31,632	6	45,728	19,583	4
Equity Securities	26,680	22,586	4	24,594	13,945	3
Asset Manager Affiliates ⁽²⁾	17,791	—	—	17,791	—	—
Joint Ventures	64,365	60,474	11	54,932	49,349	10
Derivatives	31	(2,412)	—	31	(1,109)	—
Total	\$605,396	\$547,573	100%	\$536,008	\$486,629	100%

¹ Represents percentage of total portfolio at fair value.

² Represents the equity investment in the Asset Manager Affiliates.

As of December 31, 2021, seven of the Company's debt investments were on non-accrual status. As of September 30, 2021, six of the Company's investments were on non-accrual status. Investments on non-accrual status were 0.5% and 2.8% of the Company's investment portfolio at fair value and amortized cost as of December 31, 2021, respectively, compared to 0.9% and 2.5% as of September 30, 2021.

Liquidity and Capital Resources

As of December 31, 2021, we had \$352.4 million (par value) of borrowings outstanding (\$347.2 million net of capitalized costs) with a weighted average interest rate of 3.2%. This balance was comprised of \$79.8 million of outstanding borrowings under the Senior Secured Revolving Credit Facility, \$162.5 million of 2018-2 Secured Notes due 2029, and \$104.9 million of 4.875% Notes due 2026.

As of December 31, 2021, the Company had unrestricted cash of \$28.9 million, restricted cash of \$39.4 million, \$34.4 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 December 31, 2021 were \$648.3 million and \$280.1 million, respectively. Aggregate unfunded commitments stood at \$47.9 million as of December 31, 2021.

As of December 31, 2021 and December 31, 2020 the fair value of investments and cash were as follows:

Security Type	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 28,919	\$ 6,990
Restricted Cash	39,421	75,913
Senior Secured Loan	364,701	328,846
Junior Secured Loan	70,549	75,807
Senior Unsecured Bond	43	208
CLO Fund Securities	31,632	19,583
Equity Securities	22,586	13,945
Joint Ventures	60,474	49,349
Derivatives	(2,412)	(1,109)
Total	\$ 615,914	\$ 569,532

Interest Rate Volatility

The Company's investment income is affected by fluctuations in various interest rates, including LIBOR and prime rates.

As of December 31, 2021, approximately 84% of the Company's Debt Securities Portfolio were either floating rate with a spread to an interest rate index such as LIBOR or the prime rate. 75% of these floating rate loans contain LIBOR floors ranging between 0.50% and 2.00%.

As of December 31, 2021, Portman Ridge had approximately \$352.4 million (par value) of borrowings outstanding, of which approximately 31% had a fixed rate and 69% had a floating rate. Portman Ridge expects future portfolio investments to predominately be floating rate investments.

In periods of rising or lowering interest rates, the cost of the portion of debt associated with the 4.875% Notes Due 2026 would remain the same⁵, given that this debt is at a fixed rate, while the interest rate on borrowings under the Revolving Credit Facility would fluctuate with changes in interest rates.

Generally, an increase in the base rate index for floating rate investment assets would increase gross investment income and a decrease in the base rate index for such assets would decrease gross investment income (in either case, such increase/decrease may be limited by interest rate floors/minimums for certain investment assets).

	Impact on net investment income from a change in interest rates at:		
	(\$ in thousands)		
	1%	2%	3%
Increase in interest rate	\$ (1,153)	\$ 217	\$ 1,671
Decrease in interest rate	\$ 256	\$ 256	\$ 256

Conference Call and Webcast

We will hold a conference call on Friday March 11, 2022 at 9:00 am Eastern Time to discuss our fourth quarter and full year 2021 financial results. To access the call, stockholders, prospective stockholders and analysts should dial (866) 757-5630 approximately 10 minutes prior to the start of the conference call and use the conference ID 1949597.

A replay of this conference call will be available from approximately 12:00 p.m. Eastern Time on March 11 through March 18. The dial in number for the replay is (855) 859-2056 and the conference ID is 1949597.

A live audio webcast of the conference call can be accessed via the Internet, on a listen-only basis on the 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 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 . merger transaction effectuated by the Company; (3) the ability of the Company and/or its adviser 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; and (14) other changes in the conditions of the industries in which we invest and other factors enumerated in our filings with the SEC. 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.

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PORTMAN RIDGE FINANCE CORPORATION CONSOLIDATED BALANCE SHEETS

**December 31,
2021**

**December 31,
2020**

(\$ in thousands, except share and per share amounts)

ASSETS

Investments at fair value:

Non-controlled/non-affiliated investments (amortized cost: 2021 - \$479,153; 2020 - \$445,901)	\$ 452,482	\$ 427,277
Non-controlled affiliated investments (amortized cost: 2021 - \$74,082; 2020 - \$40,726)	74,142	40,503
Controlled affiliated investments (cost: 2021 - \$52,130; 2020 - \$49,350)	23,361	19,957
Total Investments at Fair Value, excluding derivatives (cost: 2021 - \$605,365; 2020 - \$535,978)	549,985	487,737
Cash and cash equivalents	28,919	6,990
Restricted cash	39,421	75,913
Interest receivable	5,514	2,973
Receivable for unsettled trades	20,193	25,108
Due from affiliates	507	357
Other assets	3,762	1,100
Total Assets	<u>\$ 648,301</u>	<u>\$ 600,178</u>

LIABILITIES

2018-2 Secured Notes (net of discount of: 2021 - \$1,403; 2020 - \$2,445)	\$ 162,460	\$ 249,418
4.875% Notes Due 2026 (net of discount of: 2021 - \$2,157; net of deferred financing costs of: 2021 - \$951)	104,892	—
Great Lakes Portman Ridge Funding LLC Revolving Credit Facility (net of deferred financing costs of: 2021 - \$732; 2020 - \$1,098)	79,839	48,223
6.125% Notes Due 2022 (net of deferred financing costs of: 2020 - \$1,058)	—	75,668
Derivative liabilities (cost: 2021 - \$31; 2020 - \$31)	2,412	1,109
Payable for unsettled trades	5,397	—
Accounts payable, accrued expenses and other liabilities	4,819	1,789
Accrued interest payable	2,020	1,089
Due to affiliates	1,799	1,375
Management and incentive fees payable	4,541	5,244
Total Liabilities	368,179	383,915

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Common stock, par value \$0.01 per share, 20,000,000 common shares authorized; 9,867,998 issued, and 9,699,695 outstanding at December 31, 2021, and 7,609,349 issued, and 7,516,423 outstanding at December 31, 2020

	97	75
Capital in excess of par value	733,095	639,136
Total distributable (loss) earnings	(453,069)	(422,947)
Total Net Assets	280,122	216,264
Total Liabilities and Stockholders' Equity	<u>\$ 648,301</u>	<u>\$ 600,178</u>
NET ASSET VALUE PER COMMON SHARE ⁽¹⁾	\$ 28.88	\$ 28.77

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, the common shares and net asset value per common share have been adjusted retroactively to reflect the split for all periods presented.

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

(\$ in thousands, except share and per share amounts)	For the Year Ended December 31,		
	2021	2020	2019
Investment income:			
Income from non-controlled/non-affiliated investments	\$ 3,591	\$ 27,553	\$ 12,205
Income from non-controlled affiliated investments	8,947	10,065	10,324
Income from controlled affiliated investments	5,170	4,263	3,750
Interest from cash and time deposits	—	15	79
Fees and other income	2,378	868	137
Total investment income	80,086	42,764	26,495
Expenses:			
Management fees	7,916	4,579	3,129
Performance-based incentive fees	7,075	4,858	—
Interest and amortization of debt issuance costs	13,644	10,284	8,261
Compensation	—	—	3,689
Professional fees	3,660	2,836	3,467
Administrative services expense	3,219	1,941	1,244

Other general and administrative expenses	2,568	1,823	2,201
Lease termination costs	—	—	1,431
Total expenses	38,082	26,321	23,421
Management and performance-based incentive fees waived	—	(557)	—
Net Expenses	38,082	25,764	23,421
Net Investment Income	42,004	17,000	3,074
Realized And Unrealized Gains (Losses) On Investments:			
Net realized gains (losses) from investment transactions			
Non-controlled/non-affiliated investments	(4,397)	7,120	(10,972)
Non-Controlled affiliated investments	139	485	(12)
Controlled affiliated investments	—	—	(4,635)
Net realized gain (loss) on investments	(4,258)	7,605	(15,619)
Net change in unrealized appreciation (depreciation) on:			
Non-controlled/non-affiliated investments	(8,047)	21,366	9,756
Non-Controlled affiliated investments	282	(11,723)	(6,208)
Controlled affiliated investments	625	(1,755)	(2,363)
Derivatives	(1,303)	(1,075)	(64)
Net unrealized gain (loss) on investments	(8,443)	6,813	1,121
Tax (provision) benefit on realized and unrealized (gains) losses on investments	(1,442)	—	—
Net realized and unrealized appreciation (depreciation) on investments, net of taxes	(14,143)	14,418	(14,498)
Realized gains (losses) on extinguishments of Debt	(1,835)	155	(1,076)
Net Increase (Decrease) In Net Assets Resulting From Operations	\$ 26,026	\$ 31,573	\$ (12,500)
Net Increase (Decrease) In Stockholders' Equity Resulting from Operations per Common Share ⁽¹⁾ :			
Basic:	\$ 3.05	\$ 6.32	\$ (3.32)
Diluted:	\$ 3.05	\$ 6.32	\$ (3.32)
Net Investment Income Per Common Share ⁽¹⁾ :			
Basic:	\$ 4.92	\$ 3.40	\$ 0.82
Diluted:	\$ 4.92	\$ 3.40	\$ 0.82
Weighted Average Shares of Common Stock Outstanding—Basic and Diluted ⁽¹⁾	8,536,079	4,998,759	3,764,165

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, the common shares and net asset value per common share have been adjusted retroactively to reflect the split for all periods presented.

¹ The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021. As a result, the share and per share amounts have been adjusted retroactively to reflect the split for all periods prior to August 26, 2021.

² Core investment income represents reported total investment income as determined in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, less the impact of purchase price discount accounting in connection with the Garrison Capital Inc. ("GARS") and Harvest Capital Credit Corporation ("HCAP") mergers. Portman Ridge believes presenting core investment income and the related per share amount is useful and appropriate supplemental disclosure for analyzing its financial performance due to the unique circumstance giving rise to the purchase accounting adjustment. However, core investment income is a non-U.S. GAAP measure and should not be considered as a replacement for total investment income and other earnings measures presented in accordance with U.S. GAAP. Instead, core investment income should be reviewed only in connection with such U.S. GAAP measures in analyzing Portman Ridge's financial performance.

³ Core NII, or core net investment income, represents reported net investment income in accordance with U.S. GAAP, less the impact of purchase price discount accounting in connection with the GARS and HCAP mergers. Portman Ridge believes presenting Core NII and the related per share amount is useful and appropriate supplemental disclosure for analyzing its financial performance due to the unique circumstance giving rise to the purchase accounting adjustment. However, Core NII 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, Core NII should be reviewed only in connection with such U.S. GAAP measures in analyzing Portman Ridge's financial performance.

⁴ 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. Portman Ridge believes presenting a net leverage ratio is useful and appropriate supplemental disclosure because it reflects the Company's financial condition net of \$68.3 million of cash and cash equivalents. However, the net leverage ratio is a non-U.S. GAAP measure and should not be considered as a replacement for the regulatory asset coverage ratio and other similar information presented in accordance with U.S. GAAP. Instead, the net leverage ratio should be reviewed only in connection with such U.S. GAAP measures in analyzing Portman Ridge's financial condition.

⁵ See comment above about describing the terms and amount of the 4.875% Notes issuance.



Source: Portman Ridge Finance Corporation