

# PORTMAN RIDGE

## Portman Ridge Finance Corporation Announces First Quarter 2019 Financial Results

May 10, 2019

NEW YORK, May 10, 2019 (GLOBE NEWSWIRE) -- Portman Ridge Finance Corporation (Nasdaq: PTMN) (the "Company") announces its first quarter 2019 financial results.

### Recent Developments

As previously announced, the Company entered into a stock purchase and transaction agreement (the "Externalization Agreement") with BC Partners Advisors, LP, an affiliate of BC Partners LLP, pursuant to which the Company's management function would be externalized (the "Externalization"). At a special meeting of the Company's stockholders held on February 19, 2019, the Company's stockholders approved the investment advisory agreement between the Company and Sierra Crest Investment Management LLC, an affiliate of BC Partners Advisors, LP, (the "Adviser"). The transactions contemplated by the Externalization Agreement closed on April 1, 2019, and the Company commenced operations as an externally managed BDC managed by the Adviser on that date.

### Financial Highlights

- Stockholders received a cash payment of \$0.66972 per share upon closing of the Externalization on April 1, 2019.
- Portman Ridge Finance Corporation declared a first quarter stockholder distribution of \$0.10 per share.
- Net investment loss for the first quarter ended March 31, 2019 was approximately \$(2.2) million, or \$(0.06) per basic share, compared with net investment income of approximately \$2.5 million, or \$0.07 per basic share in the quarter ended March 31, 2018.
- Expenses associated with the Externalization totaled approximately \$3.4 million or \$0.09 per share during the first quarter of 2019.
- At March 31, 2019, the fair value of the Company's investments totaled approximately \$282 million.
- Net asset value per share as of March 31, 2019 was \$3.85.

Ted Goldthorpe, Chief Executive Officer of Portman Ridge Finance Corporation, noted, "We are pleased to have successfully closed the Externalization on April 1st, which provided stockholders with a cash payment of approximately \$0.67 per share. We are actively repositioning the portfolio in the short-term and believe that the benefits associated with being externally managed and part of the broader BC Credit platform will enhance long-term value for stockholders."

### Operating Results

For the three months ended March 31, 2019, the Company reported total investment income of approximately \$5.8 million as compared to approximately \$6.8 million in the same period last year. Investment income from debt securities decreased 22% to approximately \$2.9 million from approximately \$3.8 million in the first quarter 2018. Changes in portfolio mix as well as an increase in non-accrual investments in the first quarter of 2019 were the primary contributors to this decline. Investment income on CLO fund securities in the first quarter of 2019 decreased slightly, to approximately \$1.8 million from \$1.9 million in the first quarter of 2018.

For the three months ended March 31, 2019, total expenses were approximately \$8.0 million, including approximately \$3.4 million in expenses associated with the Externalization. Interest expense and amortization on debt issuance costs for the period were approximately \$1.8 million, compared with \$1.9 million for the same period 2018.

Net investment loss for the first quarter of 2019 was approximately \$(2.2) million, or \$(0.06) per basic share, versus net investment income of approximately \$2.5 million, or \$0.07 per basic share, during the first quarter of 2018. Net realized and unrealized depreciation on investments for the three months ended March 31, 2019 was approximately \$8.7 million, as compared to net realized and unrealized appreciation of approximately \$318,000 for the same period in 2018.

### Portfolio and Investment Activity

The fair value of our portfolio was approximately \$282 million as of March 31, 2019. The composition of our investment portfolio at March 31, 2019 and December 31, 2018 at cost and fair value was as follows:

Security Type	March 31, 2019 (unaudited)			December 31, 2018		
	Cost/Amortized Cost	Fair Value	% <sup>1</sup>	Cost/Amortized Cost	Fair Value	% <sup>1</sup>

Short-term investments <sup>2</sup>	\$	44,120,648	\$	44,120,648	16	\$	44,756,478	\$	44,756,478	17
Senior Secured Loan		75,534,527		73,489,758	26		86,040,921		77,616,209	28
Junior Secured Loan		88,707,755		78,249,650	28		76,223,561		70,245,535	26
Senior Unsecured Bond		456,974		456,974	-		—		—	—
CLO Fund Securities		54,299,958		45,605,015	16		55,480,626		44,325,000	16
Equity Securities		29,326,114		16,835,340	6		21,944,430		14,504,687	5
Asset Manager Affiliates <sup>3</sup>		17,791,230		—	—		17,791,230		3,470,000	1
Joint Venture		24,914,858		23,707,969	8		24,914,858		18,390,440	7
Total	\$	335,152,064	\$	282,465,354	100 %	\$	327,152,104	\$	273,308,349	100 %

<sup>1</sup> Represents percentage of total portfolio at fair value.

<sup>2</sup> Includes money market accounts and U.S. treasury bills.

<sup>3</sup> Represents the equity investment in the Asset Manager Affiliates.

## Liquidity and Capital Resources

At March 31, 2019, we had unrestricted cash and money market balances of approximately \$47.4 million, total assets of approximately \$293 million and stockholders' equity of approximately \$144 million. Our net asset value per common share was \$3.85. As of March 31, 2019, we had approximately \$121.3 million (par value) of borrowings outstanding (\$117.9 million net of capitalized costs) with a weighted average interest rate of approximately 6.0%. Our asset coverage ratio stood at 216% as of March 31, 2019.

Subject to prevailing market conditions, we intend to grow our portfolio of assets by raising additional capital, including through the prudent use of leverage available to us. As a result, we may seek to enter into new agreements with other lenders or into other financing arrangements as market conditions permit. Such financing arrangements may include a new secured and/or unsecured credit facility or the issuance of unsecured debt or preferred stock.

## Conference Call and Webcast

We will hold a conference call on Friday, May 10, 2019 at 9:00 am Eastern Time to discuss our first quarter 2019 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](http://www.portmanridge.com) in the Investor Relations section under Events. The online archive of the webcast will be available after 7pm Eastern Time for approximately 90 days.

A replay of this conference call will be available from 12:00 p.m. on May 10, 2019 until 11:59 p.m. on May 18, 2019. The dial in number for the replay is (855) 859-2056 and the conference ID is 2309217.

## 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, earnings releases, press releases and other financial, operational and governance information are available on the Company's website at [www.portmanridge.com](http://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 within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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) failure to realize the anticipated benefits of the Externalization; (3) the ability of the Company and/or BC Partners to implement its business strategy; (4) the risk that stockholder litigation in connection with the Externalization may result in significant costs of defense, indemnification and liability; (5) evolving legal, regulatory and tax regimes; (6) changes in general economic and/or industry specific conditions; (7) the impact of increased competition; (8) business prospects and the prospects of the Company's portfolio companies; (9) contractual arrangements with third parties; (10) any future financings by the Company; (11) the ability of the Advisor to attract and retain highly talented professionals; and (12) the Company's ability to fund any unfunded commitments. Further information about factors that could affect our financial and other results is included in our filings with the Securities and Exchange Commission. 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 Securities and Exchange Commission.

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**PORTMAN RIDGE FINANCE CORPORATION  
CONSOLIDATED BALANCE SHEETS**

	<b>As of March 31, 2019 (unaudited)</b>	<b>As of December 31, 2018</b>
<b>ASSETS</b>		
Investments at fair value:		
Short-term investments (cost: 2019 - \$44,120,648; 2018 - \$44,756,478)	\$ 44,120,648	\$ 44,756,478
Debt securities (amortized cost: 2019 - \$164,699,256; 2018 - \$162,264,482)	152,196,382	147,861,744
CLO Fund Securities managed by affiliates (amortized cost: 2019 - \$4,416,048; 2018 - \$4,407,106)	4,400,213	4,473,840
CLO Fund Securities managed by non-affiliates (amortized cost: 2019 - \$49,883,910; 2018 - \$51,073,520)	41,204,802	39,851,160
Equity securities (cost: 2019 - \$29,326,114; 2018 - \$21,944,430)	16,835,340	14,504,687
Asset Manager Affiliates (cost: 2019 - \$17,791,230; 2018 - \$17,791,230)	—	3,470,000
Joint Venture (cost: 2019 - \$24,914,858; 2018 - \$24,914,858)	23,707,969	18,390,440
Total Investments at Fair Value (cost: 2019 - \$335,152,064; 2018 - \$327,152,104)	282,465,354	273,308,349
Cash	3,288,010	5,417,125
Restricted cash	1,466,002	3,907,341
Interest receivable	877,156	1,342,970
Due from affiliates	928,098	1,007,631
Operating lease right-of-use asset	3,181,469	—
Other assets	570,370	481,265
Total Assets	<u>\$ 292,776,459</u>	<u>\$ 285,464,681</u>
<b>LIABILITIES</b>		
6.125% Notes Due 2022 (net of offering costs of: 2019-\$2,071,220; 2018 - \$2,207,342)	\$ 75,335,980	\$ 75,199,858
Great Lakes KCAP Funding I, LLC Revolving Credit Facility (net of offering costs of: 2019-\$1,327,960; 2018 - \$1,155,754)	42,543,122	25,200,331
Operating lease liability	3,553,359	—
Payable for open trades	23,624,746	23,204,564
Accounts payable and accrued expenses	3,898,900	3,591,910
Accrued interest payable	134,324	131,182
Due to affiliates	—	115,825
Total Liabilities	149,090,431	127,443,670

**STOCKHOLDERS' EQUITY**

Common stock, par value \$0.01 per share, 100,000,000 common shares authorized; 37,526,568 issued, and 37,331,709 outstanding at March 31, 2019, and 37,521,705 issued, and 37,326,846 outstanding at December 31, 2018

	373,317	373,268
Capital in excess of par value	307,099,763	306,784,387
Total distributable (loss) earnings	<u>(163,787,052)</u>	<u>(149,136,644)</u>
Total Stockholders' Equity	<u>143,686,028</u>	<u>158,021,011</u>
Total Liabilities and Stockholders' Equity	<u>\$ 292,776,459</u>	<u>\$ 285,464,681</u>
NET ASSET VALUE PER COMMON SHARE	<u>\$ 3.85</u>	<u>\$ 4.23</u>

**PORTMAN RIDGE FINANCE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Investment Income:</b>		
Interest from investments in debt securities	\$ 2,936,796	\$ 3,398,197
Payment-in-kind investment income	2,022	362,937
Interest from cash and time deposits	35,669	49,205
Investment income on CLO Fund Securities managed by affiliates	132,446	1,833,667
Investment income on CLO Fund Securities managed by non-affiliates	1,681,274	99,361
Dividends from Asset Manager Affiliates	—	320,000
Investment income - Joint Venture	950,000	700,000
Capital structuring service fees	61,203	63,110
Total investment income	<u>5,799,410</u>	<u>6,826,477</u>
<b>Expenses:</b>		
Interest and amortization of debt issuance costs	1,800,926	1,863,848
Compensation	3,688,578	1,207,337
Professional fees	1,668,122	714,410
Insurance	88,651	78,022
Administrative and other	748,320	502,118
Total expenses	<u>7,994,597</u>	<u>4,365,735</u>
<b>Net Investment (Loss) Income</b>	(2,195,187)	2,460,742
<b>Realized And Unrealized (Losses) Gains On Investments:</b>		
Net realized (losses) gains from investment transactions	(13,349,430)	3,101
Net change in unrealized (depreciation) appreciation on:		
Debt securities	1,899,864	(442,884)
Equity securities	(5,051,031)	63,596
CLO Fund Securities managed by affiliates	(82,569)	(220,819)
CLO Fund Securities managed by non-affiliates	2,543,252	349,355
Asset Manager Affiliates investments	—	314,000
Joint Venture Investment	5,317,529	251,376
Total net change in unrealized appreciation	<u>4,627,045</u>	<u>314,624</u>
Net realized and unrealized (depreciation) appreciation on investments	<u>(8,722,385)</u>	<u>317,725</u>
Realized losses on extinguishments of Debt	—	(169,074)
<b>Net (Decrease) Increase In Stockholders' Equity Resulting From Operations</b>	<u>\$ (10,917,572)</u>	<u>\$ 2,609,393</u>
Net (Decrease) Increase In Stockholders' Equity Resulting from Operations per Common Share:		
Basic:	\$ (0.29)	\$ 0.07
Diluted:	\$ (0.29)	\$ 0.07

Net Investment (Loss) Income Per Common Share:

Basic:	\$	(0.06)	\$	0.07
Diluted:	\$	(0.06)	\$	0.07

Weighted Average Shares of Common Stock Outstanding—Basic	37,335,094	37,350,411
Weighted Average Shares of Common Stock Outstanding—Diluted	37,335,094	37,350,411



Source: Portman Ridge Finance Corporation