

PORTMAN RIDGE

Portman Ridge Finance Corporation Reports Third Quarter 2021 Earnings Results; Declares Quarterly Distribution of \$0.62 Per Share

November 4, 2021

NEW YORK, Nov. 04, 2021 (GLOBE NEWSWIRE) -- Portman Ridge Finance Corporation (Nasdaq: PTMN) (the "Company" or "Portman Ridge") announced today its financial results for the third quarter ended September 30, 2021 and declared a quarterly stockholder distribution of \$0.62 per share for the fourth quarter of 2021, payable on November 30, 2021 to stockholders of record at the close of business on November 15, 2021. This is an increase of \$0.02 per share from \$0.60 per share last quarter.

Third Quarter 2021 Highlights

- Completed a 1-for-10 reverse stock split of the Company's common stock effective August 26, 2021.
- Net investment income for the quarter was \$1.50 per share, or \$13.7 million.
- Net asset value ("NAV") per share increased to \$29.71 from \$29.28⁽²⁾ quarter-to-quarter, reflecting broad-based improvements in the debt portfolio and joint ventures.
- As of September 30, 2021, the fair value of the Company's investments excluding derivatives totaled \$562 million, of which the Company's debt securities portfolio totaled \$455 million and was comprised of investments in 145 portfolio companies.
- During the quarter, the Company acquired approximately \$62.0 million par value of investment portfolio assets. Also, during the quarter, the Company received approximately \$37.1 million in sale and repayment proceeds, which includes a \$0.5 million increase relative to the carrying value of those assets sold.
- Net leverage⁽¹⁾ was 1.1x as of September 30, 2021, compared to 0.9x as of June 30, 2021, driven primarily by the timing of investments in the pipeline. During the quarter, the Company redeemed in full the aggregate amount outstanding of \$28.75 million of the HCAP 6.125% Notes due 2022.
- Under its share buyback program, the Company repurchased approximately \$1.4 million of its shares during the quarter.
- The quarterly distribution for the third quarter was \$0.60 per share and was paid on August 31, 2021.
- Subsequent to quarter-end, on October 22, 2021, the Company entered into a purchase and sale agreement to purchase \$18.1 million of portfolio assets from two wholly-owned subsidiaries of JMP Group LLC in exchange for \$1.4 million in cash and 556,852 shares of its common stock issued at NAV. The closing of the transaction occurred in the fourth quarter of 2021.

Management Commentary

Ted Goldthorpe, Chief Executive Officer of Portman Ridge commented, "Our third quarter results reflect continued strong earnings, distribution coverage, and robust origination. Net assets per share increased to \$29.71 and represents the sixth straight quarter-to-quarter increase. We also continued to maintain expenses at a stable level relative to our asset base, which has grown significantly over the past year, and we expect further leveraging of operating expenses over time. Our solid performance has allowed us to increase our quarterly distribution this by \$0.02 to \$0.62 per share. Overall, our objective is to deliver consistently strong performance each quarter for shareholders, and we believe we are well positioned to continue executing on this goal."

Selected Financial Highlights (unaudited)

	Three Months Ended September 30, 2021	Three Months Ended June 30, 2021
(in \$ millions, except per share data)		
Investment Income:		
Interest from investments in debt securities	\$ 18.7	\$ 18.0
Investment income on CLO Fund Securities	0.7	0.8
Investment income - Joint Ventures	2.4	2.5

Capital structuring service fees	1.0	0.2
Total investment income	<u>22.9</u>	<u>21.5</u>
Net expenses	<u>9.2</u>	<u>9.8</u>
Net Investment Income	<u>\$ 13.7</u>	<u>\$ 11.7</u>
Net realized and unrealized gains (losses)	(4.6)	(0.9)
Realized losses on debt extinguishment	—	—
Net increase in net assets resulting from operations	<u>\$ 9.1</u>	<u>\$ 10.8</u>
Net increase in net assets resulting from operations per share (basic and diluted) ⁽²⁾	\$ 1.00	\$ 1.40
Net investment income per share (basic and diluted) ⁽²⁾	\$ 1.50	\$ 1.51
Weighted average shares outstanding (in millions) ⁽²⁾	9.1	7.7
Distribution per share	\$ 0.60	\$ 0.60

Total investment income for the three months ended September 30, 2021 and June 30, 2021 was \$22.9 million and \$21.5 million, respectively. Investment income increased quarter-to-quarter primarily due to higher interest income on debt securities and higher capital structuring fees.

Total expenses for the three months ended September 30, 2021 and June 30, 2021 were \$9.2 million and \$9.8 million, respectively. The decrease quarter-to-quarter was driven primarily by lower incentive fees, lower professional fees, and lower general and administrative expenses. Interest expense and amortization of debt issuance costs decreased slightly quarter-to-quarter, from \$3.5 million to \$3.4 million due to the impact of a lower weighted average cost of debt.

Net investment income for the three months ended September 30, 2021 and June 30, 2021 was \$13.7 million or \$1.50 per share, and \$11.7 million or \$1.51⁽²⁾ per share, respectively.

Net realized and unrealized depreciation on investments for the three months ended September 30, 2021 was \$(4.6) million, as compared to net realized and unrealized appreciation of \$(0.9) million for the three months ended June 30, 2021.

Portfolio

The fair value of our portfolio was \$560 million (\$562 million excluding derivatives) as of September 30, 2021. The composition of our investment portfolio at September 30, 2021 and December 31, 2020 at cost and fair value was as follows:

Security Type	September 30, 2021 (Unaudited)			December 31, 2020		
	Cost/Amortized		% ¹	Cost/Amortized		% ¹
	Cost	Fair Value		Cost	Fair Value	
Senior Secured Loan	367,212,162	380,960,592	68	304,539,184	328,845,612	68
Junior Secured Loan	82,973,411	74,076,080	13	87,977,057	75,807,477	16
Senior Unsecured Bond	416,171	43,204	0	416,170	207,766	0
CLO Fund Securities	33,964,238	17,173,634	3	45,727,813	19,582,555	4
Equity Securities	29,041,687	22,298,759	4	24,593,639	13,944,876	3
Asset Manager Affiliates ²	17,791,230	—	—	17,791,230	—	—
Joint Ventures	70,558,377	67,629,114	12	54,932,458	49,349,163	10
Derivatives	30,609	(1,982,091)	—	30,609	(1,108,618)	—
Total	<u>\$ 601,987,885</u>	<u>\$ 560,199,292</u>	100%	<u>\$ 536,008,160</u>	<u>\$ 486,628,831</u>	100%

¹ Represents percentage of total portfolio at fair value.

² Represents the equity investment in the Asset Manager Affiliates.

As of September 30, 2021, six of the Company's debt investments were on non-accrual status. As of June 30, 2021, eight of the Company's investments were on non-accrual status. Investments on non-accrual status were 0.9% and 2.5% of the Company's investment portfolio at fair value and amortized cost as of September 30, 2021, respectively, compared to 1.5% and 3.3% as of June 30, 2021.

Liquidity and Capital Resources

As of September 30, 2021, we had \$340.9 million (par value) of borrowings outstanding (\$335.4 million net of capitalized costs) with a combined weighted average interest rate of 3.2%. This balance was comprised of \$69.1 million of outstanding borrowings under the Senior Secured Revolving Credit Facility, \$163.9 million of 2018-2 Secured Notes due 2029, and \$108.0 million of 4.875% Notes due 2026.

As of September 30, 2021, the Company had unrestricted cash of \$28.5 million, restricted cash of \$21.1 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 September 30, 2021 were \$627 million and \$271 million, respectively. Aggregate unfunded commitments stood at \$48.7 million as of September 30, 2021.

Conference Call and Webcast

We will hold a conference call on Friday November 5, 2021 at 11:00 a.m. Eastern Time to discuss our third 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 and reference the conference ID 7445538. A replay of the conference call will be available from November 5, 2021 until November 12, 2021. The dial in number for the replay is (855) 859-2056 and the conference ID is 7445538.

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 Third 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; and (15) expected synergies and savings associated with the transaction in which HCAP merged with and into the 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.

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

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PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	<u>(Unaudited)</u>	
ASSETS		
Investments at fair value:		
Debt securities (amortized cost: 2021 - \$450,601,744; 2020 - \$392,932,411)	\$ 455,079,876	\$ 404,860,855
CLO Fund Securities managed by non-affiliates (amortized cost: 2021 - \$33,964,238; 2020 - \$45,727,813)	17,173,634	19,582,555
Equity securities (cost: 2021 - \$29,041,687; 2020 - \$24,593,639)	22,298,759	13,944,876
Asset Manager Affiliates (cost: 2021 - \$17,791,230; 2020 - \$17,791,230)	—	—
Joint Ventures (cost: 2021 - \$70,558,377; 2020 - \$54,932,458)	67,629,114	49,349,163
Total Investments at Fair Value, excluding derivatives (cost: 2021 - \$601,957,277; 2020 - \$535,977,551)	562,181,383	487,737,449
Cash and cash equivalents	28,539,989	6,990,008
Restricted cash	21,050,857	75,913,411
Interest receivable	4,228,748	2,972,546
Receivable for unsettled trades	7,070,394	25,107,598
Due from affiliates	464,342	357,168
Other assets	3,568,698	1,100,241
Total Assets	<u>\$ 627,104,411</u>	<u>\$ 600,178,421</u>
LIABILITIES		
6.125% Notes Due 2022 (net of offering costs of: 2020 - \$1,058,351)	\$ -	\$ 75,667,624
2018-2 Secured Notes (net of discount of: 2021 - \$1,446,983; 2020 - \$2,444,512)	162,415,715	\$ 249,418,186
4.875% Notes Due 2026 (net of discount of: 2021 - \$2,266,656; 2020 - \$0, net of offering costs of: 2021 - \$948,071; 2020 - \$0)	104,785,273	—
Great Lakes Portman Ridge Funding LLC Revolving Credit Facility (net of offering costs of: 2021 - \$823,375; 2020 - \$1,097,815)	68,247,523	48,223,083
Derivative liabilities (cost: 2021 - \$30,609; 2020 - \$30,609)	1,982,091	1,108,618
Payable for unsettled trades	4,903,384	—
Accounts payable, accrued expenses and other liabilities	3,961,666	1,788,908
Accrued interest payable	3,345,558	1,089,531
Due to affiliates	760,112	1,374,739
Management and incentive fees payable	5,654,814	5,243,869
Total Liabilities	356,056,136	383,914,558
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 20,000,000 common shares authorized; 9,291,578 issued, and 9,123,275 outstanding at September 30, 2021, and 7,609,349 issued, and 7,516,423 outstanding at December 31, 2020	91,233	75,164
Capital in excess of par value	680,451,474	639,136,026
Total distributable (loss) earnings	(409,494,432)	(422,947,327)
Total Stockholders' Equity	271,048,275	216,263,863
Total Liabilities and Stockholders' Equity	<u>\$ 627,104,411</u>	<u>\$ 600,178,421</u>
NET ASSET VALUE PER COMMON SHARE ⁽¹⁾	\$ 29.71	\$ 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
(unaudited)

	<u>For the Three Months Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>

Investment income:

Interest from investments in debt securities	\$ 17,391,146	\$ 4,517,268	\$ 48,736,532	\$ 13,910,567
Payment-in-kind investment income	1,296,496	434,446	3,172,910	1,125,343
Interest from cash and time deposits	-	-	-	15,279
Investment income on CLO Fund Securities managed by affiliates	-	587,239	-	2,493,600
Investment income on CLO Fund Securities managed by non-affiliates	748,449	42,341	2,211,092	247,302
Investment income - Joint Ventures	2,442,703	2,182,466	7,012,167	4,760,485
Capital structuring service fees	1,032,346	23,602	1,628,155	302,887
Total investment income	22,911,140	7,787,362	62,760,856	22,855,463
Expenses:				
Management fees	2,064,733	1,043,645	5,771,636	3,063,719
Performance-based incentive fees	1,939,170	571,846	6,332,646	1,128,726
Interest and amortization of debt issuance costs	3,408,445	2,239,911	10,315,528	6,984,852
Professional fees	490,284	439,503	2,680,458	1,810,450
Insurance	198,011	177,154	574,973	478,058
Administrative services expense	760,112	470,435	2,091,769	1,361,700
Other general and administrative expenses	332,534	147,818	1,352,737	522,091
Total expenses	9,193,289	5,090,312	29,119,747	15,349,596
Management and performance-based incentive fees waived	—	—	—	(556,880)
Net Expenses	9,193,289	5,090,312	29,119,747	14,792,716
Net Investment Income	13,717,851	2,697,050	33,641,109	8,062,747
Realized And Unrealized Gains (Losses) On Investments:				
Net realized (losses) gains from investment transactions	(3,931,280)	(1,890,090)	(11,372,803)	(3,819,851)
Net change in unrealized appreciation (depreciation) on:				
Debt securities	(4,447,878)	4,553,027	(7,448,405)	(3,945,277)
Equity securities	1,215,013	337,258	3,905,834	411,276
CLO Fund Securities managed by affiliates	—	1,573,272	—	(12,168,189)
CLO Fund Securities managed by non-affiliates	706,935	363,430	9,354,655	(491,863)
Joint Venture Investments	2,063,261	1,146,355	2,654,032	(4,654,363)
Derivatives	(179,416)	(461,629)	(873,473)	(999,612)
Total net change in unrealized appreciation (depreciation)	(642,085)	7,511,713	7,592,643	(21,848,028)
Net realized and unrealized appreciation (depreciation) on investments	(4,573,365)	5,621,623	(3,780,160)	(25,667,879)
Realized (losses) gains on extinguishments of Debt	—	—	(1,834,963)	154,571
Net Increase (Decrease) In Stockholders' Equity Resulting From Operations	<u>\$ 9,144,486</u>	<u>\$ 8,318,673</u>	<u>\$ 28,025,986</u>	<u>\$ (17,450,561)</u>
Net Increase (Decrease) In Stockholders' Equity Resulting from Operations per Common Share ⁽¹⁾ :				
Basic:	\$ 1.00	\$ 1.87	\$ 3.41	\$ (3.91)
Diluted:	\$ 1.00	\$ 1.87	\$ 3.41	\$ (3.91)
Net Investment Income Per Common Share ⁽¹⁾ :				
Basic:	\$ 1.50	\$ 0.61	\$ 4.10	\$ 1.81
Diluted:	\$ 1.50	\$ 0.61	\$ 4.10	\$ 1.81
Weighted Average Shares of Common Stock Outstanding —Basic ⁽¹⁾	9,131,456	4,441,778	8,213,661	4,461,650
Weighted Average Shares of Common Stock Outstanding —Diluted ⁽¹⁾	9,131,456	4,441,778	8,213,661	4,461,650

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



Source: Portman Ridge Finance Corporation