



# Pennant Park

## Investment Corporation

12/31/2023

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## Important Notice

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This presentation contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to risks and uncertainties. Actual outcomes and results could differ materially from those suggested by this presentation due to the impact of many factors beyond the control of PennantPark Investment Corporation (“PNNT”), including those listed in the “Risk Factors” section of our filings with the Securities and Exchange Commission (“SEC”). Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws and PNNT assumes no obligation to update or revise any such forward-looking statements.

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# Established Credit Platform



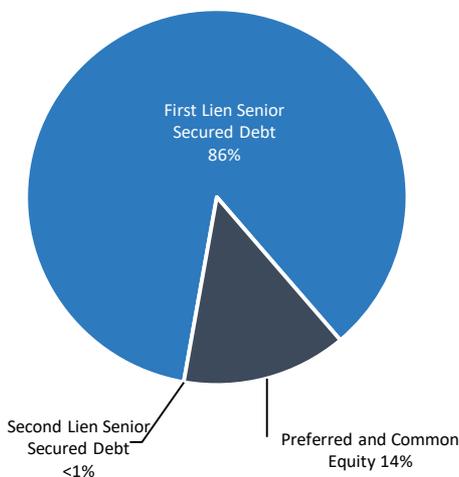
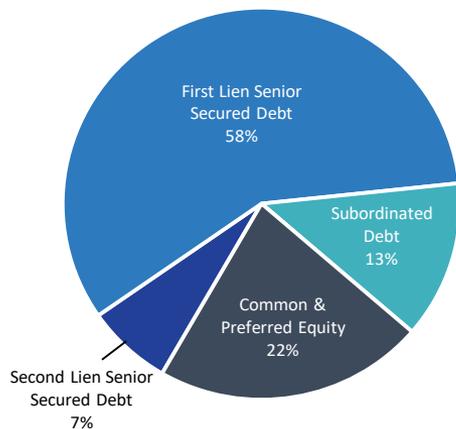
**\$7.0 billion total Investable Capital Under Management <sup>1</sup>**

## PennantPark Investment Corporation

- NYSE: “PNNT”
- IPO Date: April 2007
- 65% Secured Debt
- \$1.2 billion, total investments<sup>2</sup>

## PennantPark Floating Rate Capital Ltd.

- NYSE: “PFLT”
- IPO Date: April 2011
- 86% Secured Debt
- \$1.3 billion, total investments



## Established Investment Platform

- PennantPark Investment Advisers founded 17 years ago before the Global Financial Crisis (“GFC”)
- Independent middle market credit platform providing strategic capital to growing companies in the core middle market
- Cohesive, experienced team
- Culture of building long-term trust
- Funded \$19.5 billion in 665 companies

## PNNT

- Primary focus: opportunistic investing across the capital structure
- Goal of capital preservation and attractive returns

1. As of December 31, 2023

2. This amount is inclusive of \$49.8 million of U.S. government issued treasury bills held in the portfolio which is not reflected in the chart below

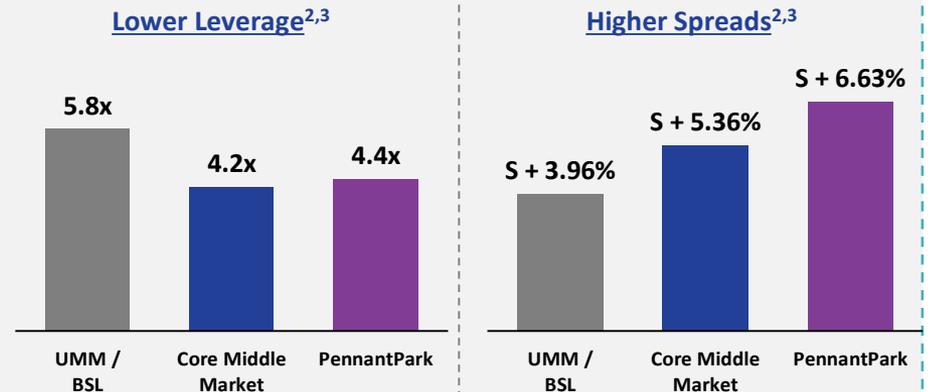
# Investment Strategy Overview

## Why PennantPark?

<b>Core Middle Market Focus</b>	Secured loans made to U.S. companies with earnings of \$10 to \$50 million
<b>Stable and Growing Borrowers</b>	Target profitable companies with leading market positions, strong management teams, and steady cash flows
<b>Stable and Experienced Leadership Team</b>	12 senior investment professionals average 26+ years of industry experience and 11+ years together at PennantPark
<b>Emphasis on Capital Preservation</b>	Conservative underwriting targeting loans with low leverage multiples, substantial sponsor equity, and protective covenants
<b>Upside Participation</b>	Selectively negotiate equity co-investments to benefit from role as a strategic lending partner
<b>Extensive Sourcing Network</b>	Long-term relationships with hundreds of middle market private equity sponsors; closed deals with over 220 sponsors

## Core Middle Market Potential Advantage:

- ✓ Less competition as other lenders have moved up market
- ✓ More time to conduct thorough diligence
- ✓ Consistent yield premium over upper middle market and broadly-syndicated loans<sup>1</sup>
- ✓ Lower average leverage multiples
- ✓ Stronger covenant packages with tighter cushions
- ✓ Monthly financial reporting
- ✓ Improved control of downside outcomes with greater recovery rates



Note: Past performance is not necessarily indicative of future results. Invested capital is at risk. Estimates regarding future investments are subject to change based upon market conditions and other factors.

1. Please refer to slide entitled "Core Middle Market Potential Advantage" for additional detail.

2. Source: Refinitiv. Data as of September 2023. Core Middle Market defined as issuers with revenues of \$500M and below, and total loan package of less than or equal to \$500M. Upper Middle Market ("UMM") and Broadly Syndicated Loans ("BSL") are defined as syndicated or direct/clubbed deals that have either revenues or total loan package of \$500M or greater. Please refer to slide entitled "The Core Middle Market Offers a Yield Premium with Lower Risk" for additional detail.

3. Represents the arithmetic average of leverage multiples and spreads for PennantPark's newly direct originated loans from Q1'2023 through Q3'2023.

# Providing Value-Added Capital to Middle Market Borrowers

- ▶ We target profitable, growing cash-flowing companies with \$10 - \$50 million of EBITDA
- ▶ In many cases, PennantPark participates in a company's first round of institutional investment
- ▶ Seek to act as a strategic partner to drive growth, and participate in upside through equity co-investments

## Target Positive Credit Characteristics:

- Leading market positions and significant competitive advantages
- Established sponsors with track record of supporting portfolio companies
- Proven management team with appropriate incentives
- Low debt multiples and conservative loan-to-value ratios

## Avoid Negative Credit Characteristics:

- Asset-intensive operations requiring capital expenditures
- Cyclical end markets or exposure to commodity price volatility
- Volatile or lumpy cash flows, or highly concentrated customer base
- Undifferentiated product or services with low profit margins

## ▶ Five Key Industries of Expertise:



### Healthcare

- High quality providers with reasonable prices
- Favorable reimbursement environment
- Solid infrastructure and IT systems
- Sustained organic growth and accretive M&A



### Government Services

- Diverse government contract portfolio
- Mission critical services
- Alignment with government funding
- Track record of winning new business and re-compete contracts



### Software & Technology

- Tailwinds from digital transformation
- Value-added functions with high switching costs
- Recurring cash flows models
- Accretive acquisition opportunities



### Consumer

- Strong brands with differentiated value proposition
- Benefit from migration to e-commerce
- Relationships with retail winners
- Avoidance of fad risk



### Business Services

- Integral to customers' business processes
- Demonstrable value added for customers
- Leading technologies with increasing adoption
- Capitalize on increasing outsourcing trends

Note: Past performance is not necessarily indicative of future results. Invested capital is at risk.

# First Quarter 2024 Highlights

## Highlights

- Monthly dividend of \$0.07 per share
- 96% of debt portfolio is senior secured
- Portfolio positioned to drive stable and growing Net Investment Income (NII)

## Strong Credit Performance

- 4.8x debt to EBITDA
- 2.2x interest coverage ratio
- One investment out of 139 companies is on non-accrual at quarter end, representing 1% and zero of our overall portfolio on a cost and fair value basis, respectively

## Growing PSLF <sup>1</sup>

- Grew assets to \$857.9 million
- Up to \$1.2 billion of capacity
- No investments on non-accrual
- PNNT's LTM return on invested capital in the JV is 19%.
- Enhances return on equity and NII at PNNT

Note: Past performance is not necessarily indicative of future results. Invested capital is at risk.

1. PSLF refers to PennantPark Senior Loan Fund, LLC, a joint venture between PNNT and Pantheon that invests in first lien middle market loans.

# Why is PNNT Well Positioned?

## Strong Capital Base

- Permanent equity capital of \$499 million
- Diversified funding sources
- Senior loan joint venture, with up to \$1.2 billion of investment capacity

## Attractive and Diversified Financing

- \$475 million revolving credit facility due July 2027 at SOFR + 2.35%
- \$150 million long term notes due May 2026 at 4.5%
- \$165 million long term notes due November 2026 at 4.0%

## Experienced Team

- Decades of experience in middle market credit through multiple cycles
- Stable, consistent investment team
- Headquarters in Miami with offices in New York, Chicago, Houston, Los Angeles, and Amsterdam

## Expansive Relationship Network

- Known as a provider of strategic capital to growing companies in the core middle market
- Focus on building long-term trust
- Brand recognition with 220+ private equity sponsors
- Independent capital provider with established institutionalized relationships

## Extensive Sourcing Network

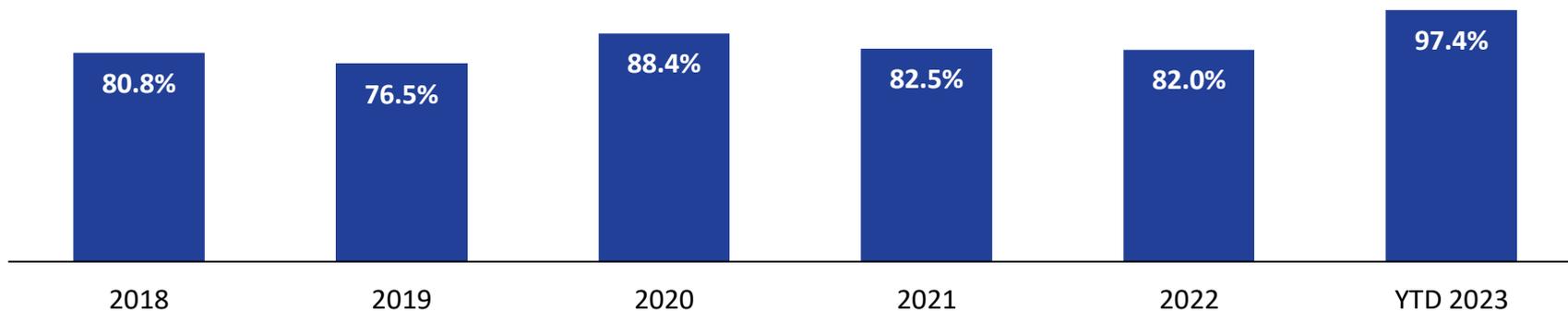
### ▶ Robust origination platform built on a senior, experienced investment team<sup>1</sup>

- Actively cover over 700 of 2,000+ middle market private equity sponsors in the U.S.
- Closed deals with 220+ private equity sponsors; majority repeat transactions
- Incumbency advantage; existing lender to 170+ portfolio companies across 90+ sponsors
- Additional opportunities from partner lenders and deep relationships with capital markets desks

### ▶ Since 2018, over 75% of PennantPark's deals have been with repeat sponsors

- Private equity sponsors typically give PennantPark early and last looks because of our reliability, experience, market leadership, and flexible capital solutions offerings

### Origination Volume with Repeat Sponsors<sup>2</sup>



Note: Past performance is not necessarily indicative of future results. Invested capital is at risk.

1. As of 9/30/2023.

2. Percentage of total origination volume. Origination volume refers to the dollar value of all financing commitments to middle market companies. Repeat sponsors are private equity firms that had previously completed a financing transaction with PennantPark.

# Core Middle Market Potential Advantage

- ▶ The U.S. middle market includes nearly 200,000 companies, generates \$10 trillion of annual revenue (1/3 of the U.S. economy), and is the world's fifth largest economy on a standalone basis<sup>1</sup>
- ▶ The core middle market presents attractive investment opportunities
  - Lower leverage and higher yields
  - Strong covenant packages
  - Greater recovery rates

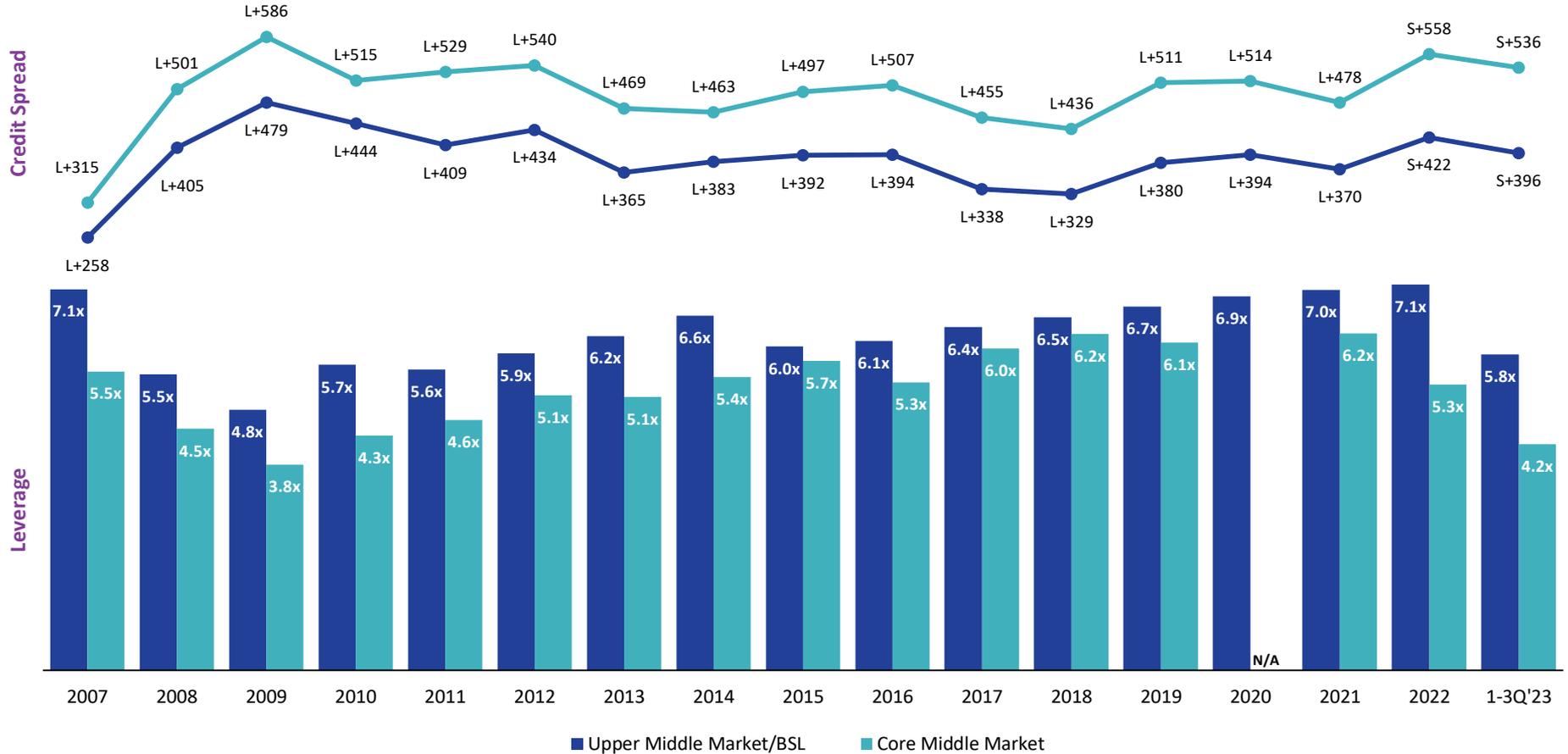
	Core Middle Market	Upper Middle Market
<b>EBITDA</b>	\$10 to \$50 million	\$50 million and greater
<b>New Issue Pricing</b>	First Lien: SOFR + 5.50% to 7.00% Second Lien: SOFR + 8.00% to 10.00%	First Lien: SOFR + 4.00% to 6.00% Second Lien: SOFR + 6.50% to 8.00%
<b>Leverage</b>	First Lien: 4.0x to 5.5x Second Lien: 5.5x to 6.5x	First Lien: 5.0x to 7.5x Second Lien: 6.0x to 9.0x
<b>Covenants</b>	Usually stronger; total net leverage, interest coverage, etc.	Covenant lite or one covenant set at wide levels
<b>Equity Contribution</b>	45% or more	35% or more
<b>Due Diligence Process</b>	In-depth and comprehensive; typically 6 – 8 weeks	More limited information; typically 2 weeks or less
<b>Reporting</b>	Usually monthly	Usually quarterly
<b>Lender Group Size</b>	1 to 4 lenders	5 or more lenders
<b>Equity Co-Investments</b>	Common	Less common

Note: Past performance is not necessarily indicative of future results. Invested capital is at risk. Statements herein concerning financial market trends or other financial market commentary are based on the current market conditions, which will fluctuate. In addition, such statements constitute the Manager's current opinion, which is subject to change in the future without notice. Refer to the Important Notices at the end of this presentation for additional information.

1. National Center For the Middle Market, 4Q 2022 Middle Market Indicator Report.

# The Core Middle Market Offers a Yield Premium with Lower Risk

Core Middle Market vs. Upper Middle Market/BSL<sup>1</sup>



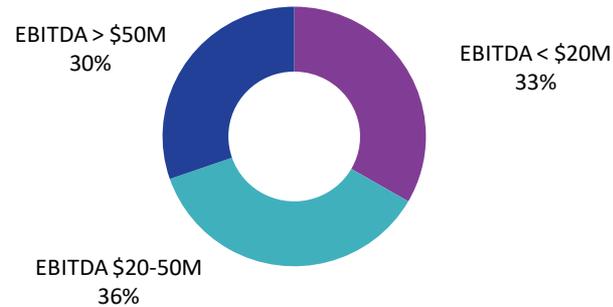
Note: Past performance is not necessarily indicative of future results. Invested capital is at risk. Source: Refinitiv as of September 2023.

1. Core Middle Market is defined as Issuers with revenues of \$500M and below, and total loan package of less or equal to \$500M. Upper Middle Market and BSL are defined as syndicated or direct/clubbed deals that have either revenues or total loan package of \$500M or greater. Broadly Syndicated Loans are denoted as "BSL". For 2020 Refinitiv does not have sufficient observations at this time to provide data for MM.

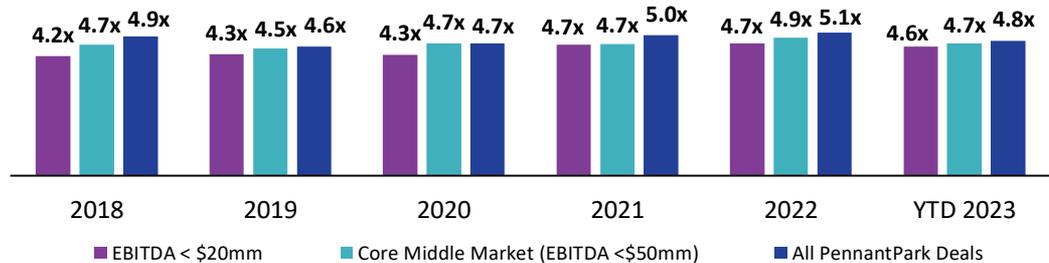
# Lower Leverage and Better Returns in the Core Middle Market

- ▶ PennantPark takes a more focused and value-added approach when evaluating core middle market opportunities
- ▶ Since 2015, 69% of invested capital was directed to companies with EBITDA below \$50 million
- ▶ 33% of total invested capital was directed to companies with EBITDA below \$20 million
- ▶ Leverage multiples for smaller borrowers have historically been lower compared to larger borrowers
- ▶ Despite lower leverage, PennantPark has historically achieved higher IRRs on deals with borrower EBITDA below \$20 million at entry when compared to all deals

**PennantPark Capital Invested as % of Total<sup>1</sup>**



**PennantPark Total Leverage**



**EBITDA Growth During Hold Period<sup>1</sup>**



Note: Past performance is not necessarily indicative of future results. Invested capital is at risk. As of 9/30/2023. Statistics presented above are calculated based on PennantPark's portfolio.

1. Capital invested and EBITDA growth during hold period since 2015.

# Underwriting Process

- ▶ Led by experienced senior team
- ▶ The same deal team originates, executes, and monitors each investment
- ▶ Every member of the investment team participates in consensus-driven Investment Committee



Note: The execution of the investment process described herein indicates PennantPark's current approach to investing, and this investment approach may be modified in the future by PennantPark in its sole discretion at any time and without further notice to investors in response to changing market conditions, or in any manner it believes is consistent with the overall investment objective of an individual fund/vehicle.

# PNNT Portfolio as of 12/31/23

## Highly Diversified by Industry

Industry <sup>1</sup>	Fair Value (\$ millions)	% of Portfolio
Business Services	\$151.7	15.2%
Distribution	151.2	15.2%
Healthcare, Education and Childcare	139.7	14.0%
Consumer Products	78.9	7.9%
Aerospace and Defense	73.9	7.4%
Media	46.0	4.6%
Financial Services	45.7	4.6%
Chemicals, Plastic and Rubber	43.5	4.4%
Telecommunications	40.9	4.1%
Auto Sector	38.1	3.8%
Environmental Services	33.1	3.3%
Electronics	29.3	2.9%
Machinery	26.3	2.6%
Personal, Food and Miscellaneous Services	17.7	1.8%
Building Materials	15.0	1.5%
Education	11.5	1.2%
Home and Office Furnishings	11.2	1.1%
Insurance	10.3	1.0%
Personal and Non-Durable Consumer Products	6.2	0.6%
Transportation	5.7	0.6%
Retail	5.1	0.5%
Other	14.8	1.7%
<b>Total Portfolio</b>	<b>\$995.8</b>	<b>100.0%</b>

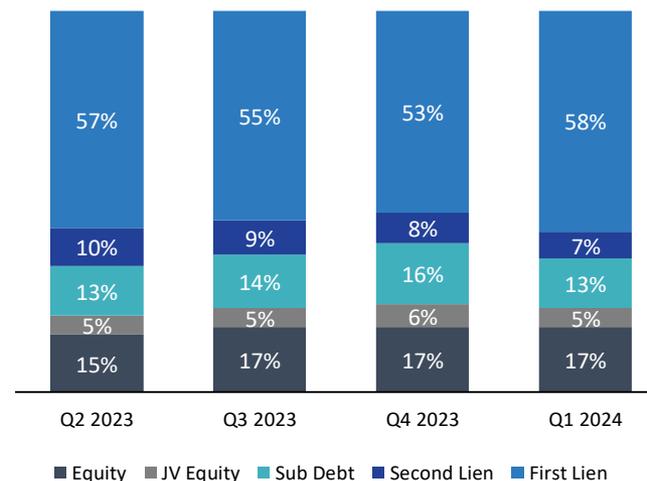
1. Excluding investments in PSLF and U.S. Government issued treasury bills. Total of 30 industries. "Other" includes: Communications / Food / Diversified Conglomerate Service/ Hotels, Motels, Inns and Gaming/ Leisure, Amusement, Motion Pictures, Entertainment / Other Media / Buildings and Real Estate / Printing and Publishing.

2. Excludes U.S. government issued treasury bills

## Portfolio Overview<sup>2</sup>

- ▶ 139 different companies
- ▶ \$8.4 million: average investment size

## Portfolio Composition by Investment Type<sup>2</sup>



## **PennantPark Senior Loan Fund, LLC (“PSLF”)**

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- ▶ **An unconsolidated joint venture between PNNT and Pantheon Ventures**
- ▶ **Invests in middle market, directly originated first lien loans**
- ▶ **\$1.2 billion of total investment capacity, as of December 31, 2023**
- ▶ **Total commitments of \$312 million in notes and equity from PNNT and Pantheon Ventures**
- ▶ **Diversified liabilities including a senior secured revolving credit facility and two long term CLO financings**
- ▶ **Expands ability to serve sponsor and borrower clients with larger investment hold size**
- ▶ **Seeks to enhance return on equity and NII at PNNT**
- ▶ **PSLF JV has been generating an LTM return of 19.0%**

# PSLF Portfolio as of 12/31/23

## Highly Diversified by Industry

Industry <sup>1</sup>	Fair Value (\$ millions)	% of Portfolio
Business Services	\$135.7	15.8%
Aerospace and Defense	110.8	12.9%
Healthcare, Education and Childcare	81.1	9.5%
Media	78.5	9.2%
Consumer Products	75.2	8.8%
Personal, Food and Miscellaneous Services	51.5	6.0%
Distribution	48.9	5.7%
Chemicals, Plastics and Rubber	34.6	4.0%
Electronics	28.1	3.3%
Insurance	25.6	3.0%
Transportation	25.3	2.9%
Education	20.8	2.4%
Personal and Non-Durable Consumer Products	20.3	2.4%
Banking, Financing, Insurance & Real Estate	17.9	2.1%
Environment Services	17.8	2.1%
Telecommunications	14.7	1.7%
Containers, Packaging and Glass	14.2	1.7%
Financial Services	10.8	1.3%
Communications	9.2	1.1%
Manufacturing / Basic Industries	8.5	1.0%
Retail	7.1	0.8%
Food	5.4	0.6%
Other	15.9	1.7%
<b>Total Portfolio</b>	<b>\$857.9</b>	<b>100.0%</b>

1. Excluding investments in PSLF. Total of 27 industries. "Other" includes: Hotels, Motels Inns and Gaming/ Software / Professional Services/ Leisure, Amusements, Motion Pictures, Entertainment / Auto Sector.

## Portfolio Overview

- ▶ **93 different companies**
- ▶ **\$9.2 million: average investment size**
- ▶ **100% first lien secured investments**

## PNNT Selected Financial Highlights

(\$mm, except per share data)	December Q1 2024	September Q4 2023	June Q3 2023	March Q2 2023
Investment portfolio, at fair value	\$1,211	\$1,102	\$1,076	\$1,133
Joint venture investment portfolio, at fair value	\$858	\$804	\$794	\$748
Debt (GAAP)	\$695	\$517	\$617	\$671
GAAP Net Assets	\$499	\$502	\$504	\$496
Adjusted Net Assets <sup>1</sup>	\$499	\$502	\$501	\$485
Debt to Equity <sup>2</sup>	1.41x	1.05x	1.26x	1.43x
Investment purchases <sup>4</sup>	\$231	\$161	\$70	\$58
Investment sales and repayments <sup>4</sup>	\$71	\$138	\$136	\$114
<b>Per Share Data:</b>				
GAAP Net Asset Value	\$7.65	\$7.70	\$7.72	\$7.60
Adjusted Net Asset Value	\$7.65	\$7.70	\$7.67	\$7.44
Net Investment Income (NII)	\$0.24	\$0.24	\$0.35	\$0.26
Core NII <sup>3</sup>	\$0.24	\$0.24	\$0.22	\$0.21
Dividends to shareholders	\$0.21	\$0.21	\$0.20	\$0.185

- This is a non-GAAP financial measure. The Company believes that this number provides useful information to investors and management because it reflects the Company's financial performance excluding the impact of unrealized gain on the Company's multi-currency, senior secured revolving credit facility with Truist Bank, as amended, the "Credit Facility." The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.*
- Debt to Equity is calculated by dividing the total par balance of outstanding debt liabilities by Adjusted Net Assets.*
- Core net investment income ("Core NII") is a non-GAAP financial measure. The Company believes that Core NII provides useful information to investors and management because it reflects the Company's financial performance excluding one-time or non-recurring investment income and expenses. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. For the quarter ended December 31, 2023, there were no one-time events, resulting in \$0.24 of Core NII.*
- Excludes U.S. government issued treasury bills.*

## Strategy Targeted to Deliver Returns

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- ▶ **Extensive and diverse sourcing network**
- ▶ **Focused on companies with strong free cash flow and de-leveraging capabilities**
- ▶ **Value oriented with a goal of capital preservation and attractive returns**
- ▶ **Privately negotiated middle market loans provide attractive risk / return**
- ▶ **Returns driven by interest payments from primarily secured debt**

# PNNT Selected Investments



Revolver  
First Lien Term Loan  
Equity

Cortec Group



Revolver  
First Lien Term Loan  
Equity

Mountaingate Capital



Revolver  
First Lien Term Loan  
Equity

Odyssey Investment Part.



Revolver  
First Lien Term Loan  
Equity

Littlejohn & Co



Revolver  
First Lien Term Loan  
Equity

Mountaingate Capital



Revolver  
First Lien Term Loan  
Equity

TruArc Partners, LP



First Lien Term Loan  
Equity

A&M Capital Opportunities



Revolver  
First Lien Term Loan  
Equity

Veritas



Revolver  
First Lien Term Loan

Arlington Capital Partners



Revolver  
First Lien Term Loan  
Equity

Platte River Equity



Revolver  
First Lien Term Loan

Chicago Pacific Founders



Revolver  
First Lien Term Loan  
Delayed Draw Term Loan

CCMP Growth Advisors



Revolver  
First Lien Term Loan  
Equity

LightBay Capital



Revolver  
First Lien Term Loan  
Equity

Sagewind Capital



First Lien Term Loan  
Equity

Lee Equity Partners



Revolver  
First Lien Term Loan  
Equity

Wind Point Partners