PennantPark Investment Corporation Announces Financial Results for the Quarter Ended June 30, 2015

August 5, 2015

NEW YORK, NY--(Marketwired - Aug 5, 2015) - PennantPark Investment Corporation (NASDAQ: PNNT) announced today financial results for the third fiscal quarter ended June 30, 2015.

HIGHLIGHTS

Quarter ended June 30, 2015
($ in millions, except per share amounts)

Assets and Liabilities:		
Investment portfolio	$ 1,294.0	
Net assets	$ 745.5	
Net asset value per share	$ 10.04	
Credit Facility	$ 98.6	
2019 Notes	$ 250.2	
SBA debentures	$ 150.0	
2025 Notes	$ 71.9	
Yield on debt investments at quarter-end	12.4	%
Operating Results:		
Net investment income	$ 20.7	
Net investment income per share	$ 0.28	
Distributions declared per share	$ 0.28	
Portfolio Activity:		
Purchases of investments	$ 113.3	
Sales and repayments of investments	$ 107.0	
Number of new portfolio companies invested	3	
Number of existing portfolio companies invested	9	
Number of portfolio companies	64	

CONFERENCE CALL AT 10:00 A.M. ET ON AUGUST 6, 2015

PennantPark Investment Corporation ("we," "our," "us" or "Company") will host a conference call at 10:00 a.m. (Eastern Time) on Thursday, August 6, 2015 to discuss its financial results. All interested parties are welcome to participate. You can access the conference call by dialing (888) 452-4005 approximately 5-10 minutes prior to the call. International callers should dial (719) 325-2474. All callers should reference PennantPark Investment Corporation. An archived replay of the call will be available through August 20, 2015 by calling (888) 203-1112. International callers please dial (719) 457-0820. For all phone replays, please reference conference ID #6223691.

PORTFOLIO AND INVESTMENT ACTIVITY

As of June 30, 2015, our portfolio totaled $1,294.0 million and consisted of $381.4 million of senior secured loans, $611.7 million of second lien secured debt, $191.4 million of subordinated debt and $109.5 million of preferred and common equity. Our debt portfolio consisted of 71% variable-rate investments (including 65% with a London Interbank Offered Rate, or LIBOR, or prime floor) and 29% fixed-rate investments. Overall, the portfolio had net unrealized depreciation of $109.0 million. As of June 30, 2015, we had two non-accrual debt investments, representing 1.2% of our overall portfolio on a cost basis. Our overall portfolio consisted of 64 companies with an average investment size of $20.2 million, had a weighted average yield on debt investments of 12.4% and was invested 30% in senior secured loans, 47% in second lien secured debt, 15% in subordinated debt and 8% in preferred and common equity.

As of September 30, 2014, our portfolio totaled $1,318.1 million and consisted of $465.6 million of senior secured loans, $493.4 million of second lien secured debt, $247.1 million of subordinated debt and $112.0 million of preferred and common equity. Our debt portfolio consisted of 67% variable-rate investments (including 61% with a LIBOR or prime floor) and 33% fixed-rate investments. Overall, the portfolio had net unrealized depreciation of $0.9 million. As of September 30, 2014, we had one non-accrual debt investment, representing 0.3% of our overall portfolio on a cost basis. Our overall portfolio consisted of 67 companies with an average investment size of $19.7 million, had a weighted average yield on debt investments of 12.5% and was invested 35% in senior secured loans, 37% in second lien secured debt, 19% in subordinated debt and 9% in preferred and common equity.

For the three months ended June 30, 2015, we invested $113.3 million in three new and nine existing portfolio companies with a weighted average yield on debt investments of 10.8%. Sales and repayments of investments for the three months ended June 30, 2015 totaled $107.0 million. For the nine months ended June 30, 2015, we invested $344.8 million in eight new and 22 existing portfolio companies with a weighted average yield on debt investments of 12.1%. Sales and repayments of investments for the nine months ended June 30, 2015 totaled $289.5 million.

For the three months ended June 30, 2014, we invested $191.8 million in three new and nine existing portfolio companies with a weighted average yield on debt investments of 11.7%. Sales and repayments of investments for the three months ended June 30, 2014 totaled $273.6 million. For the nine months ended June 30, 2014, we invested $561.8 million in 16 new and 22 existing portfolio companies with a weighted average yield on debt investments of 12.1%. Sales and repayments of investments for the nine months ended June 30, 2014 totaled $534.4 million.

RESULTS OF OPERATIONS

Set forth below are the results of operations for the three and nine months ended June 30, 2015 and 2014.

Investment Income

Investment income for the three and nine months ended June 30, 2015 was $40.6 million and $122.5 million, respectively, and was attributable to $12.3 million and $42.6 million from senior secured loans, $19.5 million and $54.1 million from second lien secured debt, $7.2 million and $23.5 million from subordinated debt, and $1.6 million and $2.3 million from preferred and common equity, respectively. This compares to investment income for the three and nine months ended June 30, 2014, which was $35.5 million and $107.8 million, respectively, and was attributable to $9.8 million and $30.0 million from senior secured loans, $13.3 million and $39.9 million from second lien secured debt, $11.6 million and $35.7 million from subordinated debt, and $0.8 million and $2.2 million from preferred and common equity, respectively. The increase in investment income compared with the same periods in the prior year was primarily due to the growth of our portfolio.

Expenses

Expenses for the three and nine months ended June 30, 2015 totaled $20.0 million and $60.3 million, respectively. Base management fee for the same periods totaled $6.5 million and $20.1 million, incentive fee totaled $5.2 million and $15.6 million, debt related interest and expenses totaled $6.6 million and $19.7 million and general and administrative expenses totaled $1.7 million and $4.9 million, respectively. This compares to expenses for the three and nine months ended June 30, 2014, which totaled $22.3 million and $56.6 million, respectively. Base management fee for the same periods totaled $6.1 million and $17.9 million, incentive fee totaled $5.4 million and $14.9 million (including $1.6 million on net realized gains accrued but not payable), debt related interest and expenses totaled $8.9 million and $18.6 million (including $3.9 million of debt issuance costs under our multi-currency, senior secured revolving credit facility, as amended and restated, or the Credit Facility) and general and administrative expenses totaled $1.9 million and $5.2 million, respectively. The decrease in expenses for the three months ended June 30, 2015 as compared to the same period in the prior year is due to the absence of debt issuance costs in the current period, whereas, the increase in expenses for the nine months ended June 30, 2015 as compared with the same period in the prior year was primarily due to increased borrowing costs and the growth of our portfolio.

Net Investment Income

Net investment income totaled $20.7 million and $62.2 million, or $0.28 and $0.83 per share, for the three and nine months ended June 30, 2015, respectively. Net investment income totaled $13.2 million and $51.2 million, or $0.20 and $0.77 per share, for the three and nine months ended June 30, 2014, respectively. The increase in net investment income compared to the same periods in the prior year was primarily due to the growth of our portfolio and lower amendment costs offset by higher financing costs.

Net Realized Gains or Losses

Sales and repayments of investments for the three and nine months ended June 30, 2015 totaled $107.0 million and $289.5 million, respectively, and realized gains totaled $13.8 million and $31.9 million, respectively. Sales and repayments of investments for the three and nine months ended June 30, 2014 totaled $273.6 million and $534.4 million, respectively, and realized gains totaled $23.3 million and $29.0 million, respectively. The decrease in realized gains for the three months ended June 30, 2015 as compared to the same period in the prior year was driven by fewer exits of our portfolio companies, whereas the increase in realized gains for the nine months ended June 30, 2015 as compared with the same period in the prior year was primarily due to the improved merger and acquisition environment and a higher volume of sales and repayments.

Unrealized Appreciation or Depreciation on Investments, Credit Facility, 2019 Notes and 2025 Notes

For the three and nine months ended June 30, 2015, we reported net unrealized depreciation on investments of $30.2 million and $108.1 million, respectively. For the three and nine months ended June 30, 2014, we reported a net unrealized (depreciation) appreciation on investments of $(1.1) million and $37.4 million, respectively. As of June 30, 2015 and September 30, 2014, our net unrealized depreciation on investments totaled $109.0 million and $0.9 million, respectively. The decrease in value compared with the same periods in the prior year was the result of the overall variation in the leveraged finance markets and specifically, for energy related companies.

For the three and nine months ended June 30, 2015, we reported net unrealized depreciation of $0.6 million and $2.3 million, respectively, on the Credit Facility, our 4.50% notes due 2019, or 2019 Notes, and our 6.25% senior notes due 2025, or 2025 Notes. For the three and nine months ended June 30, 2014, we reported a net unrealized (appreciation) on our Credit Facility and 2025 Notes of $(3.4) million and $(5.4) million, respectively. The change compared with the same periods in the prior year was primarily due to changes in the capital markets.

Net Change in Net Assets Resulting from Operations

Net change in net assets resulting from operations totaled $4.9 million and $(11.6) million, or $0.07 and $(0.16) per share, for the three and nine months ended June 30, 2015, respectively. This compares to a net change in net assets resulting from operations of $31.9 million and $112.1 million, or $0.48 and $1.68 per share, for the three and nine months ended June 30, 2014, respectively. The decrease in the net change in net assets from operations compared with the same periods in the prior year reflects the change in portfolio investment values during the reporting periods.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are derived primarily from proceeds of securities offerings, debt capital and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our debt capital and proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

As of June 30, 2015 and September 30, 2014, there was $101.5 million and $55.2 million, respectively, in outstanding borrowings under the Credit Facility, with a weighted average interest rate at the time of 3.17% and 2.80%, respectively, exclusive of the fee on undrawn commitments of 0.375%. The annualized weighted average cost of debt for the nine months ended June 30, 2015 and 2014, inclusive of the fee on the undrawn commitment on the Credit Facility and upfront fees on SBA debentures, was 4.55% and 3.94%, respectively. As of June 30, 2015 and September 30, 2014, we had $443.5 million and $489.8 million of unused borrowing capacity, respectively, subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company.

As of June 30, 2015 and September 30, 2014, we had $250.0 million and $71.3 million in aggregate principal amount of 2019 Notes and 2025 Notes, respectively, with a fixed interest rate of 4.50% and 6.25% per year, respectively. As of June 30, 2015 and September 30, 2014, we had $225.0 million in SBA debt commitments through certain of our consolidated subsidiaries and $150.0 million was drawn for each period. As of June 30, 2014, we had $71.3 million in aggregate principal amount of 2025 Notes with a fixed interest rate of 6.25%.

At June 30, 2015 and September 30, 2014, we had cash and cash equivalents of $83.3 million and $66.5 million, respectively, available for investing and general corporate purposes. We believe our liquidity and capital resources are sufficient to take advantage of market opportunities.

Our operating activities provided cash of $41.4 million for the nine months ended June 30, 2015, primarily for net purchases of investments. Our financing activities used cash of $24.8 million for the same period, primarily to repay certain amounts under our Credit Facility.

Our operating activities used cash of $48.4 million for the nine months ended June 30, 2014, primarily for net purchases of investments. Our financing activities provided cash of $54.5 million for the same period, primarily from net borrowings under our Credit Facility.

STOCK REPURCHASE PROGRAM

On May 6, 2015, we announced a share repurchase plan which allows us to repurchase up to $35 million of our outstanding common stock in the open market at prices below our net asset value as reported in our then most recently published consolidated financial statements. The shares may be purchased from time to time at prevailing market prices, through open market transactions, including block transactions. Unless extended by our board of directors, the program, which may be implemented at the discretion of management, will expire on the earlier of May 6, 2016 and the repurchase of $35 million of common stock. During the three and nine months ended June 30, 2015, we repurchased 833,213 shares of common stock in open market transactions for an aggregate cost (including transaction costs) of $8.0 million. During the three and nine months ended June 30, 2014, we did not make any repurchases of our common stock.

DISTRIBUTIONS

During the three and nine months ended June 30, 2015, we declared to stockholders distributions of $0.28 and $0.84 per share, respectively, for total distributions of $20.8 million and $62.8 million, respectively. For the same periods in the prior year, we declared distributions of $0.28 and $0.84 per share, respectively, for total distributions of $18.6 million and $55.9 million, respectively. We monitor available net investment income to determine if a return of capital for taxation purposes may occur for the fiscal year. To the extent our taxable earnings fall below the total amount of our distributions for any given fiscal year, a portion of those distributions may be deemed to be a return of capital to our common stockholders. Tax characteristics of all distributions will be reported to stockholders on Form 1099-DIV after the end of the calendar year and in our periodic reports filed with the Securities and Exchange Commission, or the SEC.

AVAILABLE INFORMATION

The Company makes available on its website its report on Form 10-Q filed with the SEC and stockholders may find the report on our website at www.pennantpark.com.

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2015 (unaudited)	September 30, 2014
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost--$1,097,132,390 and $1,171,573,359, respectively)	$ 1,066,250,974	$ 1,212,515,400
Non-controlled, affiliated investments (cost--$227,700,622 and $108,572,406, respectively)	177,468,538	67,847,521
Controlled, affiliated investments (cost--$78,155,160 and $38,708,555, respectively)	50,326,631	37,691,845
Total of investments (cost--$1,402,988,172 and $1,318,854,320, respectively)	1,294,046,143	1,318,054,766
Cash and cash equivalents (cost--$83,378,632 and $66,600,195, respectively)	83,328,972	66,518,682
Interest receivable	13,851,364	13,703,525

Deferred financing costs and other assets	13,658,761	13,550,224
Total assets	1,404,885,240	1,411,827,197
Liabilities		
Distributions payable	20,792,715	21,026,015
Payable for investments purchased	47,623,030	4,432,500
Unfunded investments	--	15,607,059
Credit Facility payable (cost--$101,536,700 and $55,226,300, respectively)	98,565,960	53,497,620
2019 Notes payable (cost--$250,000,000)	250,160,000	251,350,250
SBA debentures payable (cost--$150,000,000)	150,000,000	150,000,000
2025 Notes payable (cost--$71,250,000)	71,934,000	71,820,000
Management fee payable	6,497,137	6,385,103
Performance-based incentive fee payable	5,163,582	4,622,754
Interest payable on debt	6,200,201	1,962,264
Accrued other expenses	2,405,438	3,113,683
Total liabilities	659,342,063	583,817,248
Commitments and contingencies		
Net assets		
Common stock, 74,259,698 and 75,092,911 shares issued and outstanding, respectively.		
Par value $0.001 per share and 100,000,000 shares authorized.	74,260	75,093
Paid-in capital in excess of par value	844,475,225	852,465,375
Distributions in excess of net investment income	(12,420,260)	(11,802,580)
Accumulated net realized gain (loss) on investments	20,281,626	(11,655,302)
Net unrealized depreciation on investments	(108,994,414)	(881,067)
Net unrealized depreciation (appreciation) on debt	2,126,740	(191,570)
Total net assets	$ 745,543,177	$ 828,009,949
Total liabilities and net assets	$ 1,404,885,240	$ 1,411,827,197
Net asset value per share	$ 10.04	$ 11.03

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		**Nine Months Ended June 30,**	
	2015	**2014**	**2015**	**2014**
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	$ 31,722,226	$ 29,949,064	$ 101,811,852	$ 90,772,466
Other income	3,138,382	1,463,884	9,535,685	6,314,911
From non-controlled, affiliated investments:				
Interest	4,263,709	1,456,621	7,000,896	4,174,234
Other income	159,437	--	159,437	--
From controlled, affiliated investments:				
Interest	1,357,778	2,447,354	3,998,887	6,071,987
Other income	--	158,333	--	459,166
Total investment income	40,641,532	35,475,256	122,506,757	107,792,764
Expenses:				
Base management fee	6,497,136	6,131,963	20,093,624	17,906,316
Performance-based incentive fee	5,163,582	5,370,391	15,556,767	14,866,434
Interest and expenses on debt	6,616,779	5,034,567	19,699,606	14,707,313
Administrative services expenses	855,313	930,809	2,562,033	2,771,359
Other general and administrative expenses	854,397	929,254	2,367,661	2,470,350
Expenses before taxes and debt issuance costs	19,987,207	18,396,984	60,279,691	52,721,772

Tax expense	--	32,000	--	40,548
Debt issuance costs	--	3,850,000	--	3,850,000
Total expenses	19,987,207	22,278,984	60,279,691	56,612,320
Net investment income	20,654,325	13,196,272	62,227,066	51,180,444
Realized and unrealized (loss) gain on investments and debt:				
Net realized gain on investments	13,820,350	23,267,131	31,936,928	28,955,815
Net change in unrealized (depreciation) appreciation on:				
Non-controlled, non-affiliated investments	(24,919,481)	(8,997,766)	(102,855,290)	21,000,422
Controlled and non-controlled, affiliated investments	(5,260,674)	7,860,989	(5,258,057)	16,369,826
Debt depreciation (appreciation)	641,430	(3,377,315)	2,318,310	(5,421,092)
Net change in unrealized (depreciation) appreciation on investments and debt	(29,538,725)	(4,514,092)	(105,795,037)	31,949,156
Net realized and unrealized (loss) gain from investments and debt	(15,718,375)	18,753,039	(73,858,109)	60,904,971
Net increase (decrease) in net assets resulting from operations	$ 4,935,950	$ 31,949,311	$ (11,631,043)	$ 112,085,415
Net increase (decrease) in net assets resulting from operations per common share	$ 0.07	$ 0.48	$ (0.16)	$ 1.68
Net investment income per common share	$ 0.28	$ 0.20	$ 0.83	$ 0.77

ABOUT PENNANTPARK INVESTMENT CORPORATION

PennantPark Investment Corporation is a business development company which principally invests in U.S. middle-market private companies in the form of senior secured loans, mezzanine debt and equity investments. PennantPark Investment Corporation is managed by PennantPark Investment Advisers, LLC.

FORWARD-LOOKING STATEMENTS

This press release may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You should understand that under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, and Section 21E(b)(2)(B) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to forward-looking statements made in periodic reports we file under the Exchange Act. All statements other than statements of historical facts included in this press release are forward-looking statements and are not guarantees of future performance or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in filings with the SEC. The Company undertakes no duty to update any forward-looking statement made herein. You should not place undue influence on such forward-looking statements as such statements speak only as of the date on which they are made.

We may use words such as "anticipates, " "believes," "expects," "intends," "seeks," "plans," "estimates" and similar expressions to identify forward-looking statements. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations.

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