



PennantPark Investment Corporation Announces Financial Results for the Quarter Ended March 31, 2014

May 7, 2014 at 12:00 AM EDT

NEW YORK, NY--(Marketwired - May 7, 2014) - PennantPark Investment Corporation (NASDAQ: PNNT) announced today financial results for the second fiscal quarter ended March 31, 2014.

HIGHLIGHTS

Quarter ended March 31, 2014

(\$ in millions, except per share amounts)

Assets and Liabilities:

Investment portfolio	\$ 1,257.0
Net assets	\$ 741.2
Net asset value per share	\$ 11.13

Credit Facility (cost \$313.8)	\$ 313.7
2025 Notes (cost \$71.3)	\$ 70.6
SBA debentures	\$ 150.0

Yield on debt investments at quarter-end 12.7 %

Operating Results:

Net investment income	\$ 20.0
Net investment income per share	\$ 0.30
Distributions declared per share	\$ 0.28

Portfolio Activity:

Purchases of investments	\$ 142.0
Sales and repayments of investments	\$ 116.8

Number of new portfolio companies invested	4
Number of existing portfolio companies invested	6
Number of portfolio companies at quarter-end	68

CONFERENCE CALL AT 10:00 A.M. ET ON MAY 8, 2014

PennantPark Investment Corporation ("we," "our," "us" or "Company") will host a conference call at 10:00 a.m. (Eastern Time) on Thursday, May 8, 2014 to discuss its financial results. All interested parties are welcome to participate. You can access the conference call by dialing (888) 339-3513 approximately 5-10 minutes prior to the call. International callers should dial (719) 325-2228. All callers should reference PennantPark Investment Corporation. An archived replay of the call will be available through May 22, 2014 by calling (888) 203-1112. International callers please dial (719) 457-0820. For all phone replays, please reference conference ID #9935995.

PORTFOLIO AND INVESTMENT ACTIVITY

As of March 31, 2014, our portfolio totaled \$1,257.0 million and consisted of \$322.2 million of senior secured loans, \$407.0 million of second lien secured debt, \$378.1 million of subordinated debt and \$149.7 million of preferred and common equity investments. Our debt portfolio consisted of 44% fixed-rate and 56% variable-rate investments (including 48% with a London Interbank Offered Rate, or LIBOR, or prime floor). Our overall portfolio consisted of 68 companies with an average investment size of \$18.5 million, had a weighted average yield on debt investments of 12.7% and was invested 26% in senior secured loans, 32% in second lien secured debt, 30% in subordinated debt and 12% in preferred and common equity investments.

As of September 30, 2013, our portfolio totaled \$1,078.2 million and consisted of \$299.5 million of senior secured loans, \$357.5 million of second lien secured debt, \$302.5 million of subordinated debt and \$118.7 million of preferred and common equity investments. Our debt portfolio consisted of 52% fixed-rate and 48% variable-rate investments (including 44% with a LIBOR or prime floor). Our overall portfolio consisted of 61 companies with an average investment size of \$17.7 million, had a weighted average yield on debt investments of 13.0% and was invested 28% in senior secured loans, 33% in second lien secured debt, 28% in subordinated debt and 11% in preferred and common equity investments.

For the three months ended March 31, 2014, we invested \$142.0 million in four new and six existing portfolio companies with a weighted average yield on debt investments of 12.0%. Sales and repayments of investments for the three months ended March 31, 2014 totaled \$116.8 million. For the six months ended March 31, 2014, we invested \$370.0 million in 13 new and 13 existing portfolio companies with a weighted average yield on debt investments of 12.2%. Sales and repayments of investments for the six months ended March 31, 2014 totaled \$260.8 million.

For the three months ended March 31, 2013, we invested \$75.4 million in one new and seven existing portfolio companies with a weighted average yield on debt investments of 13.5%. Sales and repayments of investments for the three months ended March 31, 2013 totaled \$42.5 million. During the three months ended March 31, 2013, we had one investment restructured after going on non-accrual status. For the six months ended March 31, 2013, we invested \$243.8 million in six new and 14 existing portfolio companies with a weighted average yield on debt investments of 12.9%. Sales and repayments of investments for the six months ended March 31, 2013 totaled \$153.4 million.

RESULTS OF OPERATIONS

Set forth below are the results of operations for the three and six months ended March 31, 2014 and 2013.

Investment Income

Investment income for the three and six months ended March 31, 2014 was \$37.9 million and \$72.3 million, respectively, and was attributable to \$10.6 million and \$20.2 million from senior secured loans, \$14.3 million and \$26.6 million from second lien secured debt investments, \$12.7 million and \$24.1 million from subordinated debt investments, and \$0.3 million and \$1.4 million from equity investments, respectively. This compares to investment income for the three and six months ended March 31, 2013, which was \$31.0 million and \$64.0 million, respectively, and was attributable to \$9.2 million and \$18.0 million from senior secured loans, \$8.6 million and \$15.0 million from second lien secured debt investments, \$13.2 million and \$29.7 million from subordinated debt investments, and zero and \$1.3 million from equity investments, respectively. The increase in investment income compared with the same period in the prior year was primarily due to the growth of our portfolio.

Expenses

Expenses for the three and six months ended March 31, 2014 totaled \$17.8 million and \$34.3 million, respectively. Base management fee for the same periods totaled \$6.0 million and \$11.8 million, incentive fees totaled \$5.0 million and \$9.5 million, debt related interest and expenses totaled \$5.1 million and \$9.7 million and general and administrative expenses totaled \$1.7 million and \$3.3 million, respectively. This compares to expenses for the three and six months ended March 31, 2013, which totaled \$17.0 million and \$31.8 million, respectively. Base management fee for the same periods totaled \$5.3 million and \$10.5 million, incentive fees totaled \$3.6 million and \$8.1 million, debt related interest and expenses (excluding the \$2.4 million debt issuance expenses associated with our 2025 Notes) totaled \$4.0 million and \$7.1 million and general and administrative expenses and excise tax totaled \$1.7 million and \$3.7 million, respectively. The increase in expenses was primarily due to the higher financing costs.

Net Investment Income

Net investment income totaled \$20.0 million and \$38.0 million, or \$0.30 and \$0.57 per share, for the three and six months ended March 31, 2014, respectively. Net investment income totaled \$14.1 million and \$32.2 million, or \$0.21 and \$0.49 per share, for the three and six months ended March 31, 2013, respectively. The increase in net investment income over the prior year was due to the growth of our portfolio and the absence of debt issuance costs during the most recent periods, which savings were partially offset by higher financing costs.

Net Realized Gains or Losses

Sales and repayments of investments for the three and six months ended March 31, 2014 totaled \$116.8 million and \$260.8 million, respectively, and realized gains totaled \$3.0 million and \$5.7 million, respectively. Sales and repayments of investments for the three and six months ended March 31, 2013 totaled \$42.5 million and \$153.4 million, respectively, and realized losses totaled \$1.8 million and \$1.0 million, respectively. The increase in realized gains was driven by changes in market conditions of our investments.

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

For the three and six months ended March 31, 2014, we reported net unrealized appreciation on investments of \$23.8 million and \$38.5 million, respectively. For the three and six months ended March 31, 2013, we reported a net unrealized appreciation on investments of \$15.2 million and \$25.2 million, respectively. As of March 31, 2014 and September 30, 2013, our net unrealized appreciation (depreciation) on investments totaled \$25.2 million and \$(13.3) million, respectively. The increase over the prior year was the result of changes in the market values of our investments offset by reversals of unrealized appreciation upon exiting our investments.

For the three and six months ended March 31, 2014, we reported net unrealized appreciation on our multi-currency, senior secured revolving credit facility, or the Credit Facility, and our 6.25% senior notes due in 2025, or the 2025 Notes, of \$6.1 million and \$2.0 million, respectively. For the three and six months ended March 31, 2013, we reported a net unrealized appreciation on our Credit Facility and 2025 Notes of \$0.4 million and \$1.0 million, respectively. Net change in unrealized appreciation on the Credit Facility and 2025 Notes over the prior year was due to changes in the capital markets.

Net Increase in Net Assets Resulting from Operations

Net increase in net assets resulting from operations totaled \$40.7 million and \$80.1 million, or \$0.61 and \$1.20 per share, for the three and six months ended March 31, 2014, respectively. This compares to a net increase in net assets resulting from operations of \$27.0 million and \$55.5 million, or \$0.41 and \$0.84 per share, for the three and six months ended March 31, 2013, respectively. The increase compared to the prior periods was due to the continued growth of our portfolio and appreciation of our investments.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are derived primarily from proceeds of securities offerings, debt 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 and proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

As of March 31, 2014 and September 30, 2013, there was \$313.8 million (including a temporary draw of \$10.0 million) and \$145.5 million (including a

temporary draw of \$28.0 million), respectively, in outstanding borrowings under the Credit Facility, with a weighted average interest rate at the time of 3.07% and 3.33%, exclusive of the fee on undrawn commitments of 0.50%.

As of March 31, 2014 and September 30, 2013, we had \$71.3 million of 2025 Notes outstanding with a fixed interest rate of 6.25%, per year.

As of March 31, 2014 and September 30, 2013, our consolidated subsidiaries, PennantPark SBIC LP and its general partner, PennantPark SBIC GP, LLC, and PennantPark SBIC II LP and its general partner, PennantPark SBIC GP II, LLC, had \$225.0 million and \$150.0 million was drawn for each period. The Small Business Administration, or SBA, debentures' upfront fees of 3.43% consist of a commitment fee of 1.00% and an issuance discount of 2.43%. Both fees will be amortized over the lives of the loans.

The annualized weighted average cost of debt for the six months ended March 31, 2014 and 2013, inclusive of the fee on the undrawn commitment on the Credit Facility and amortized upfront fees on SBA debentures, was 4.03% and 4.01%, respectively.

Our operating activities used cash of \$133.2 million for the six months ended March 31, 2014, primarily for net purchases of investments. Our financing activities provided cash of \$131.1 million for the same period, primarily from net borrowings under our Credit Facility.

Our operating activities used cash of \$63.1 million for the six months ended March 31, 2013, primarily for net purchases of investments. Our financing activities provided cash of \$72.9 million for the same period, primarily from the proceeds of the issuance of the 2025 Notes.

DISTRIBUTIONS

During the three and six months ended March 31, 2014, we declared to stockholders distributions of \$0.28 and \$0.56 per share, respectively, for total distributions of \$18.6 million and \$37.3 million, respectively. For the same periods in the prior year, we declared distributions of \$0.28 and \$0.56 per share, respectively, for total distributions of \$18.6 million and \$37.2 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

	March 31, 2014 (unaudited)	September 30, 2013
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost-\$1,021,017,312 and \$928,078,589, respectively)	\$ 1,091,405,997	\$ 968,471,042
Non-controlled, affiliated investments (cost-\$107,758,689 and \$99,021,141, respectively)	81,022,008	76,735,800
Controlled, affiliated investments (cost-\$103,035,435 and \$64,418,155, respectively)	84,546,168	32,968,711
Total of investments (cost-\$1,231,811,436 and \$1,091,517,885, respectively)	1,256,974,173	1,078,175,553
Cash and cash equivalents (cost-\$56,300,349 and \$58,440,829, respectively)	56,302,305	58,440,829
Interest receivable	11,498,342	10,894,893
Deferred financing costs and other assets	6,649,539	5,815,817
Total assets	1,331,424,359	1,153,327,092
Liabilities		
Distributions payable	18,639,330	18,619,812
Payable for investments purchased	-	52,544,704
Unfunded investments	22,875,000	7,241,667
Credit Facility payable (cost-\$313,809,200 and \$145,500,000, respectively)	313,686,977	145,500,000
SBA debentures payable (cost-\$150,000,000)	150,000,000	150,000,000
2025 Notes payable (cost-\$71,250,000)	70,566,000	68,400,000
Management fee payable	6,027,293	5,419,557
Performance-based incentive fee payable	5,007,264	4,274,881
Interest payable on debt	1,687,100	1,810,466
Accrued other expenses	1,772,583	2,009,806
Total liabilities	590,261,547	455,820,893
Commitments and contingencies		
Net assets		
Common stock, 66,569,036 and 66,499,327 shares issued and outstanding, respectively.		

Par value \$0.001 per share and 100,000,000 shares authorized.	66,569	66,499
Paid-in capital in excess of par value	756,809,951	756,017,096
Distributions in excess of net investment income	(3,963,461)	(4,675,217)
Accumulated net realized loss on investments	(37,721,163)	(43,409,847)
Net unrealized appreciation (depreciation) on investments	25,164,693	(13,342,332)
Net unrealized depreciation on debt	806,223	2,850,000
Total net assets	\$ 741,162,812	\$ 697,506,199
Total liabilities and net assets	\$ 1,331,424,359	\$ 1,153,327,092
Net asset value per share	\$ 11.13	\$ 10.49

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
Investment income from:				
Non-controlled, non-affiliated investments:				
Interest	\$ 31,858,467	\$ 28,058,570	\$ 60,823,402	\$ 53,827,187
Other income and dividends	2,336,170	876,680	4,851,027	5,242,954
Non-controlled, affiliated investments:				
Interest	1,453,003	938,261	2,717,613	2,330,764
Other income	-	-	-	227,800
Controlled, affiliated investments:				
Interest	2,231,179	1,183,750	3,624,633	2,386,457
Other income	-	-	300,833	-
Total investment income	37,878,819	31,057,261	72,317,508	64,015,162
Expenses:				
Base management fee	6,027,293	5,328,100	11,774,353	10,456,711
Performance-based incentive fee	5,007,264	3,559,244	9,496,043	8,104,498
Interest and expenses on debt	5,099,113	3,984,909	9,672,746	7,079,774
Administrative services expenses	928,954	1,155,537	1,840,550	2,327,859
Other general and administrative expenses	778,592	719,423	1,541,096	1,479,955
Expenses before taxes and debt issuance costs	17,841,216	14,747,213	34,324,788	29,448,797
Tax expense (benefit)	8,548	(190,197)	8,548	(114,896)
Debt issuance costs	-	2,437,500	-	2,437,500
Total expenses	17,849,764	16,994,516	34,333,336	31,771,401
Net investment income	20,029,055	14,062,745	37,984,172	32,243,761
Realized and unrealized gain (loss) on investments and debt:				
Net realized gain (loss) on investments	3,029,573	(1,830,764)	5,688,684	(959,632)
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	15,782,680	26,227,226	29,998,188	32,289,547
Controlled and non-controlled, affiliated investments	7,987,620	(11,059,378)	8,508,837	(7,085,161)
Debt appreciation	(6,147,777)	(427,500)	(2,043,777)	(975,000)
Net change in unrealized appreciation on investments and debt	17,622,523	14,740,348	36,463,248	24,229,386
Net realized and unrealized gain from investments and debt	20,652,096	12,909,584	42,151,932	23,269,754
Net increase in net assets resulting from operations	\$ 40,681,151	\$ 26,972,329	\$ 80,136,104	\$ 55,513,515
Net increase in net assets resulting from operations per common share	\$ 0.61	\$ 0.41	\$ 1.20	\$ 0.84
Net investment income per common share	\$ 0.30	\$ 0.21	\$ 0.57	\$ 0.49

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. All forward-looking statements speak only as of the date of this press release.

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. 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 do not undertake to update our forward-looking statements unless required by law.

CONTACT:

Aviv Efrat
PennantPark Investment Corporation
Reception: (212) 905-1000
www.pennantpark.com