PennantPark Investment Corporation Announces Financial Results for the Quarter Ended December 31, 2012

February 6, 2014

NEW YORK, NY--(Marketwire - Feb 6, 2013) - PennantPark Investment Corporation (NASDAQ: PNNT) announced today financial results for its first fiscal quarter ended December 31, 2012.

HIGHLIGHTS
Quarter Ended December 31, 2012
($ in millions, except per share amounts)

Assets and Liabilities:		
Investment portfolio	$ 1,064.4	
Net assets	$ 688.5	
Net asset value per share	$ 10.38	
Credit Facility (cost $211.5)	$ 211.5	
SBA debentures	$ 150.0	
Yield on debt investments at quarter-end	13.3	%
Operating Results:		
Net investment income	$ 18.2	
Net investment income per share	$ 0.28	
Distributions declared per share	$ 0.28	
Portfolio Activity:		
Purchases of investments	$ 168.4	
Sales and repayments of investments	$ 110.8	
Number of new portfolio companies invested	5	
Number of existing portfolio companies invested	7	
Number of portfolio companies at quarter-end	56	

CONFERENCE CALL AT 10:00 A.M. ET ON FEBRUARY 7, 2013

PennantPark Investment Corporation ("we," "our," "us" or "Company") will host a conference call at 10:00 a.m. (Eastern Time) on Thursday, February 7, 2013 to discuss its financial results. All interested parties are welcome to participate. You can access the conference call by dialing (888) 287-5529 approximately 5-10 minutes prior to the call. International callers should dial (719) 325-2131. All callers should reference PennantPark Investment Corporation. An archived replay of the call will be available through February 21, 2013 by calling (888) 203-1112. International callers please dial (719) 457-0820. For all phone replays, please reference conference ID #2035347.

PORTFOLIO AND INVESTMENT ACTIVITY

As of December 31, 2012, our portfolio totaled $1,064.4 million and consisted of $312.7 million of senior secured loans, $212.8 million of second lien secured debt, $411.0 million of subordinated debt and $127.9 million of preferred and common equity investments. Our debt portfolio consisted of 66% fixed-rate and 34% variable-rate investments (including 29% with a London Interbank Offered Rate, or LIBOR, or prime floor). Our overall portfolio consisted of 56 companies with an average investment size of $19.0 million, a weighted average yield on debt investments of 13.3%, and was invested 29% in senior secured loans, 20% in second lien secured debt, 39% in subordinated debt and 12% in preferred and common equity investments.

As of September 30, 2012, our portfolio totaled $990.5 million and consisted of $291.7 million of senior secured loans, $191.3 million of second lien secured debt, $400.7 million of subordinated debt and $106.8 million of preferred and common equity investments. Our debt portfolio consisted of 69% fixed-rate and 31% variable-rate investments (including 26% with a LIBOR or prime floor). As of September 30, 2012, we had one non-accrual debt investment, representing 3.2% and 1.1% of our overall portfolio on a cost and fair value basis, respectively. Our overall portfolio consisted of 54 companies with an average investment size of $18.3 million, had a weighted average yield on debt investments of 13.2%, and was invested 30% in senior secured loans, 19% in second lien secured debt, 40% in subordinated debt and 11% in preferred and common equity investments.

For the three months ended December 31, 2012, we invested $168.4 million in five new and seven existing portfolio companies with a weighted average yield on debt investments of 12.7%. Sales and repayments of investments for the three months ended December 31, 2012 totaled $110.8 million.

For the three months ended December 31, 2011, we invested $43.0 million in one new portfolio company and seven existing portfolio companies with a weighted average yield on debt investments of 16.4%. Sales and repayments of investments for the three months ended December 31, 2011 totaled

$69.3 million.

RESULTS OF OPERATIONS

Set forth below are the results of operations for the three months ended December 31, 2012 and 2011.

Investment Income

Investment income for the three months ended December 31, 2012 was $33.0 million and was primarily attributable to $8.8 million from senior secured loans, $6.4 million from second lien secured debt investments, $16.5 million from subordinated debt investments and $1.3 million from common equity investments. This compares to investment income for the three months ended December 31, 2011, which was $26.8 million, and was primarily attributable to $11.0 million from senior secured loans, $4.1 million from second lien secured debt investments and $11.7 million from subordinated debt investments. The increase in investment income compared with the same period in the prior year is due to the growth of our portfolio.

Expenses

Expenses for the three months ended December 31, 2012 totaled $14.8 million. Base management fees for the same period totaled $5.1 million, performance-based incentive fees totaled $4.5 million, our senior secured revolving credit facility, or the Credit Facility, and Small Business Administration, or SBA, debentures related interest and expenses totaled $3.1 million, general and administrative expenses and excise tax totaled $2.1 million. This compares to expenses for the three months ended December 31, 2011, which totaled $11.8 million. Base management fees for the same period totaled $4.0 million, performance-based incentive fees totaled $3.7 million, Credit Facility and SBA debentures related interest and expenses totaled $2.4 million, general and administrative expenses totaled $1.7 million. The increase in expenses is due to the growth of the portfolio as well as the higher cost of debt capital.

Net Investment Income

Net investment income totaled $18.2 million, or $0.28 per share, for the three months ended December 31, 2012, and $15.0 million, or $0.33 per share, for the three months ended December 31, 2011. The increase in net investment income over the prior period was due to the growth of our portfolio. The decrease in per share net investment income over the prior period was the result of issuance of shares.

Net Realized Gains or Losses

Sales and repayments of investments for the three months ended December 31, 2012 totaled $110.8 million and realized gains totaled $0.9 million. Sales and repayments of investments totaled $69.3 million and net realized gains totaled $8.0 million for the three months ended December 31, 2011.

Unrealized Appreciation or Depreciation on Investments and Credit Facility

For both the three months ended December 31, 2012 and 2011, we reported unrealized appreciation on investments of $10.0 million. As of December 31, 2012 and September 30, 2012, net unrealized depreciation on investments totaled $8.1 million and $18.1 million, respectively. The change in unrealized depreciation on investments from September 30, 2012 to December 31, 2012 was the result of the realization of unrealized gains upon exiting our investments and changes in market values.

For the three months ended December 31, 2012 and 2011 our Credit Facility value increased by $0.5 million and $1.1 million, respectively. The change from the prior period was primarily the result of the renewal of the Credit Facility. As of December 31, 2012 and September 30, 2012, net unrealized depreciation on our Credit Facility totaled zero and $0.5 million, respectively. Net change in unrealized appreciation on the Credit Facility over the prior year was due to changes in the leveraged finance markets.

Net Increase in Net Assets Resulting from Operations

Net increase in net assets resulting from operations totaled $28.5 million, or $0.44 per share, for the three months ended December 31, 2012. This compares to a net increase in net assets resulting from operations which totaled $15.8 million, or $0.34 per share, for the three months ended December 31, 2011. This increase in net assets resulting from operations compared to the prior period was due to the continued growth in net investment income as a result of growing our portfolio and appreciation of our investments.

LIQUIDITY AND CAPITAL RESOURCES

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

As of December 31, 2012 and September 30, 2012, we had $211.5 million and $145.0 million (including a temporary draw of $35.5 million), respectively, in outstanding borrowings under the Credit Facility, with a weighted average interest rate of 3.00% and 3.49%, respectively, exclusive of the fee on undrawn commitments of 0.50%.

As of December 31, 2012 and September 30, 2012, $150.0 million in SBA debt commitments were fully drawn with a weighted average interest rate of 3.70%, exclusive of the 3.43% in upfront fees (4.04% after upfront fees). The SBA debentures upfront fees of 3.43% consist of a commitment fee of 1.00% and an issuance discount of 2.43%. Both fees are being amortized over the lives of the loans.

Our operating activities used cash of $35.8 million for the three months ended December 31, 2012, primarily for net purchases of investments. Our financing activities provided cash of $59.5 million for the same period, primarily from net borrowings under our Credit Facility and proceeds from our capital stock offering.

Our operating activities provided cash of $31.7 million for the three months ended December 31, 2011, primarily from net proceeds from the disposition of investments. Our financing activities used cash of $61.2 million for the same period, primarily from net repayments under our Credit Facility.

DISTRIBUTIONS

During the three months ended December 31, 2012 and 2011, we declared dividends of $0.28 and $0.28 per share, respectively, for total dividends of $18.6 million and $12.8 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.

RECENT DEVELOPMENTS

On January 22, 2013, we issued $67.5 million in aggregate principal amount of 6.25% senior notes due 2025 for net proceeds of $65.2 million (the "2025 Notes") after underwriting discounts and offering costs. Interest on the 2025 Notes is paid quarterly on February 1, May 1, August 1 and November 1, at a rate of 6.25% per year, commencing on May 1, 2013. The 2025 Notes mature on February 1, 2025. We may redeem the Notes in whole or in part at any time or from time to time on or after February 1, 2016. The 2025 Notes are general, unsecured obligations and will rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The proceeds from the sale of the 2025 Notes are being used to repay indebtedness owed under the Credit Facility, to invest in new or existing portfolio companies, or for other general corporate or strategic purposes.

Effective January 24, 2013, our wholly-owned subsidiary, PennantPark SBIC II LP, received a license from the SBA to operate as a small business investment company ("SBIC") under the Small Business Investment Act of 1958, as amended. As an SBIC, PennantPark SBIC II LP will be subject to a variety of regulations and oversight by the SBA concerning, among other things, the size and nature of the companies in which it may invest as well as the structure of those investments.

AVAILABLE INFORMATION

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

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	December 31, 2012 (unaudited)	September 30, 2012
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost--$902,897,172 and $871,867,953, respectively)	$ 931,419,104	$ 871,892,745
Non-controlled, affiliated investments, at fair value (cost--$105,925,644 and $72,576,858, respectively)	93,671,686	80,955,257
Controlled, affiliated investments, at fair value (cost--$63,680,393 and $64,167,051, respectively)	39,316,805	37,631,708
Total of investments, at fair value (cost - $1,072,503,209 and $1,008,611,862, respectively)	1,064,407,595	990,479,710
Cash equivalents	31,291,517	7,559,453
Interest receivable	10,815,263	14,928,862
Prepaid expenses and other assets	5,635,205	5,999,506
Total assets	1,112,149,580	1,018,967,531
Liabilities		
Distributions payable	18,579,935	15,824,061
Payable for investments purchased	1,357,840	--
Unfunded investments	26,801,667	26,935,270
Credit Facility payable (cost--$211,500,000 and $145,000,000, respectively)	211,500,000	144,452,500
SBA debentures payable (cost--$150,000,000)	150,000,000	150,000,000
Interest payable on Credit Facility and SBA debentures	2,451,109	854,725
Management fee payable	5,128,611	4,791,913
Performance-based incentive fee payable	4,545,254	4,206,989
Accrued other expenses	3,282,743	2,185,026
Total liabilities	423,647,159	349,250,484
Net assets		
Common stock, 66,356,911 and 65,514,503 shares issued and outstanding, respectively. Par value $0.001 per share and 100,000,000 shares authorized.	66,356	65,514
Paid-in capital in excess of par value	753,528,106	744,704,825
Undistributed net investment income	2,405,478	2,804,397
Accumulated net realized loss on investments	(59,401,905)	(60,273,037)
Net unrealized depreciation on investments	(8,095,614)	(18,132,152)
Net unrealized depreciation on Credit Facility	--	547,500

Total net assets	$ 688,502,421	$ 669,717,047
Total liabilities and net assets	$ 1,112,149,580	$ 1,018,967,531
Net asset value per share	$ 10.38	$ 10.22

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

	Three months ended December 31,	
	2012	**2011**
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	$ 25,768,617	$ 24,020,424
Other income and dividends	4,366,274	1,870,514
From non-controlled, affiliated investments:		
Interest	1,392,503	572,931
Other income	227,800	--
From controlled, affiliated investments:		
Interest	1,202,707	374,889
Total investment income	32,957,901	26,838,758
Expenses:		
Base management fee	5,128,611	4,043,281
Performance-based incentive fee	4,545,254	3,749,128
Interest and expenses on Credit Facility and SBA debentures	3,094,865	2,375,123
Administrative services expenses	1,172,322	797,353
Other general and administrative expenses	760,532	842,345
Expenses before excise taxes	14,701,584	11,807,230
Excise tax	75,301	35,000
Total expenses	14,776,885	11,842,230
Net investment income	18,181,016	14,996,528
Realized and unrealized gain (loss) on investments and Credit Facility:		
Net realized gain (loss) on non-controlled, non-affiliated investments	871,132	(8,029,555)
Net change in unrealized appreciation (depreciation) on:		
Non-controlled, non-affiliated investments	6,062,321	8,064,782
Non-controlled and controlled, affiliated investments	3,974,217	1,961,644
Credit Facility (appreciation)	(547,500)	(1,147,875)
Net change in unrealized appreciation	9,489,038	8,878,551
Net realized and unrealized gain from investments and Credit Facility	10,360,170	848,996
Net increase in net assets resulting from operations	$ 28,541,186	$ 15,845,524
Net increase in net assets resulting from operations per common share basic and diluted	$ 0.44	$ 0.34
Net investment income per common share	$ 0.28	$ 0.33

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. 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 Securities and Exchange Commission. 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. Undue reliance should not be placed 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.

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