




# Pennant Park

Investment Corporation

09/30/2020



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## Forward-looking Statements and Risk Factors

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This presentation may include forward-looking statements. These forward-looking statements include comments with respect to our objectives and strategies and results of our operations.

However, by their nature, these forward-looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause future company results to differ materially from these statements.

Forward-looking statements may be influenced in particular by factors such as fluctuations in interest rates and stock indices, the effects of competition in the areas in which we operate, and changes in economic, political and regulatory conditions. We caution that the foregoing list is not exhaustive.

When relying on forward-looking statements to make decisions, investors should carefully consider the aforementioned factors as well as other uncertainties and events. The performance data quoted represents past performance and does not guarantee future results. The performance stated may have been due to extraordinary market conditions, which may not be duplicated in the future. Current performance may be lower or higher than the performance data quoted.

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

We refer you to the list of risk factors set forth in our most recent Annual Report on Form 10-K, a copy of which may be obtained on our website at [www.pennantpark.com](http://www.pennantpark.com) or the SEC's website at [www.sec.gov](http://www.sec.gov). Specifically, an investment in our common stock involves significant risks, including the risk that the secondary market price of our common stock may decline from the offering price and may be less than our net asset value per share, as well as the risk that the price of our common stock in the secondary market may be highly volatile. Please see a discussion of these risks and other related risks in our most recent Annual Report on Form 10-K under Item 1A - "Risks Relating to an Investment in Our Common Stock".

This is not a prospectus and should under no circumstances be understood to be an offer to sell, or a solicitation of an offer to buy, any security of PennantPark Investment Corporation or PennantPark Floating Rate Capital Ltd. These materials and the presentations of which they are a part, and the summaries contained herein, do not purport to be complete and no obligation to update or otherwise revise such information is being assumed. This presentation contains only such information as is set forth in our reports on Form 10-K or 10-Q and we direct you to these reports for further information on our business including investment objectives, risks and expenses.

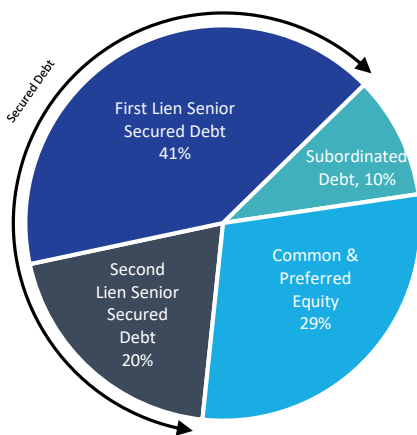
# Established Credit Platform

## PennantPark Investment Advisers, LLC

**\$3.5 billion total Assets Under Management**

### PennantPark Investment Corporation

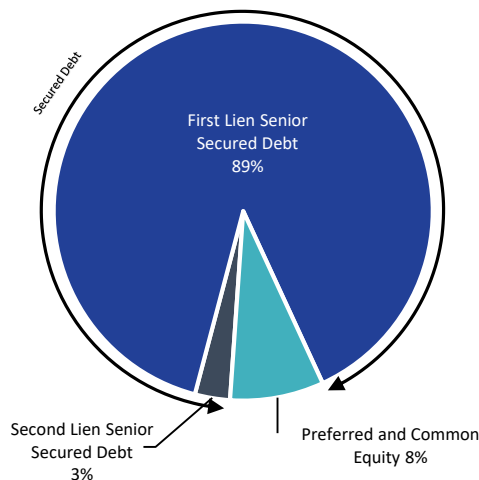
- NASDAQ: "PNNT"
- IPO Date: April 2007
- 61% Secured Debt



\$1,082 million

### PennantPark Floating Rate Capital Ltd.

- NASDAQ: "PFLT"
- IPO Date: April 2011
- 92% Secured Debt



\$1,087 million

### Established Investment Platform

- PennantPark Investment Advisers founded 13 years ago before the Global Financial Crisis
- Leading independent middle market credit platform
- Cohesive, experienced team
- Culture of building long term trust

## PennantPark Investment Advisers, LLC

Founded in 2007

Funded \$11.5B in 547 companies

### Disciplined Investor

- Value oriented with goal of capital preservation
- Focused approach to ensure good risk / reward
- Patient and prudently leveraged to capture returns during dislocations
- Investing in less than 5% of deals reviewed

### Relationship & Solution Driven

- Team approach
- Build long-term relationships – trusted partner
- Independent firm and unaffiliated platform
- Incumbency advantage

### Middle Market Focus

- Companies with EBITDA of \$15 - \$50 million
- Solutions that traditional lenders find increasingly difficult

### Consistent Performance & Track Record

- Low volatility of underlying portfolio EBITDA through the Great Recession and Covid
- Deep restructuring expertise to preserve capital

### PNNT

- Only 15 non-accruals out of 257 companies since inception
- Annualized realized loss ratio approximately 24 basis points compared to 12% yield since inception 13 years ago

### Conservative Portfolio Construction

- 80 companies in 29 different industries
- Weighted average debt / EBITDA through PNNT security is 4.5x
- Weighted average cash interest coverage is 3.1x
- 61% of portfolio is secured

# Fourth Quarter 2020 Highlights

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## Net Asset Value

Adjusted NAV (excluding MTM of liabilities) increased 2% to \$7.59 from \$7.46 prior quarter

## PSLF

Joint venture with leading private markets investor, Pantheon, increases bite size and ROE

## Net Investment Income

Core Net investment income of \$0.14 per share (before non-recurring expenses)

## Balance Sheet

Regulatory net debt to equity ratio, after subtracting cash, 0.9x

## Credit Performance

Two out of 80 investment on non-accrual status, representing 4.9% at cost and 3.4% at fair market value of the overall portfolio

## Outlook

Several substantial high growth equity positions bolstering NAV

# Why is PNNT Well Positioned?

## Experienced Team

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

## Expansive Relationship Network

- Independent
- Established institutionalized relationships
- Focus on building long-term trust
- Brand recognition with 190+ sponsors financed

## Strong Capital Base

- Permanent equity capital of \$526 million
- Senior Loan Fund Joint Venture, PSLF, with Pantheon has up to \$445 million of investment capacity

## Attractive and Diversified Financing

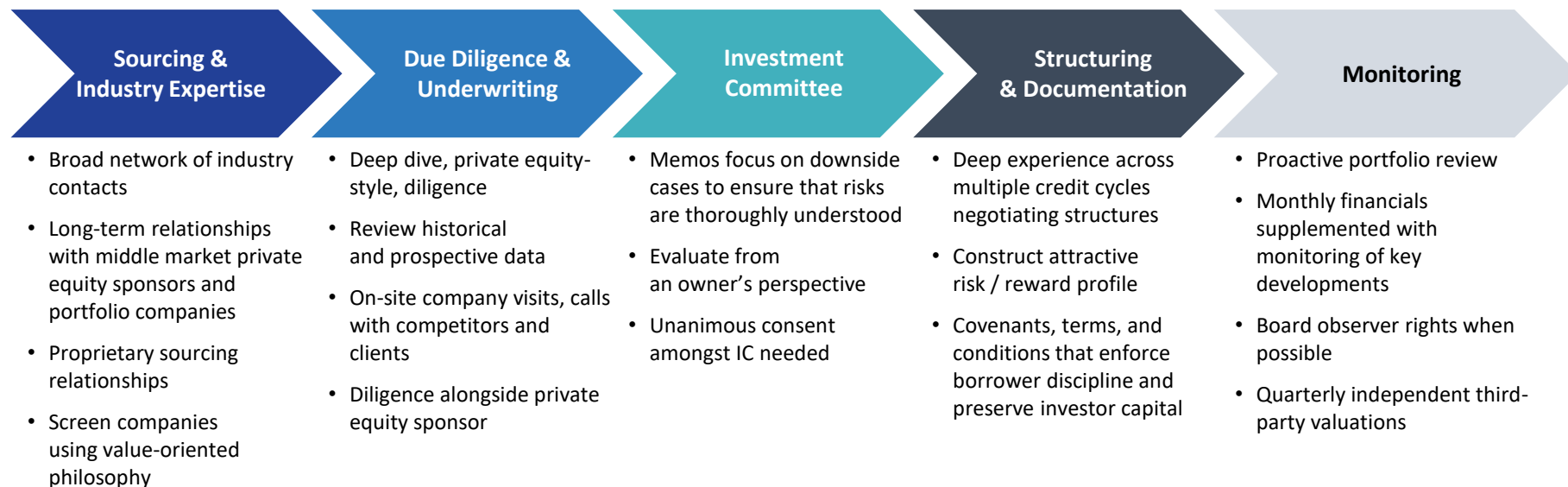
- \$475 million of Truist credit facility at L + 225
- \$119 million in attractive, fixed rate, long-term SBA financing
- \$86 million long term notes due 2024 at 5.5%
- PSLF, joint venture with Pantheon, bolsters liquidity, ROE and scales platform

# Underwriting Philosophy & Process

## Investment Philosophy

- ▶ Capital preservation is paramount
- ▶ Companies with positive cash flow (in order to de-risk)
- ▶ Companies owned by reputable financial sponsors with track records supporting portfolio companies
- ▶ Run by experienced management teams with capability to pursue growth
- ▶ Companies in non-cyclical industries with strong competitive positions and viable reason to exist
- ▶ Companies with multiple potential exit strategies in middle market companies
- ▶ Focus on companies in non-cyclical industries that have a viable reason to exist

## Underwriting Process



*Note: The execution of the investment process described herein indicates the Manager's current approach to investing, and this investment approach may be modified in the future by the Manager 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 Has a Compelling Track Record

▶ **\$697 million of dividends paid to shareholders since inception**

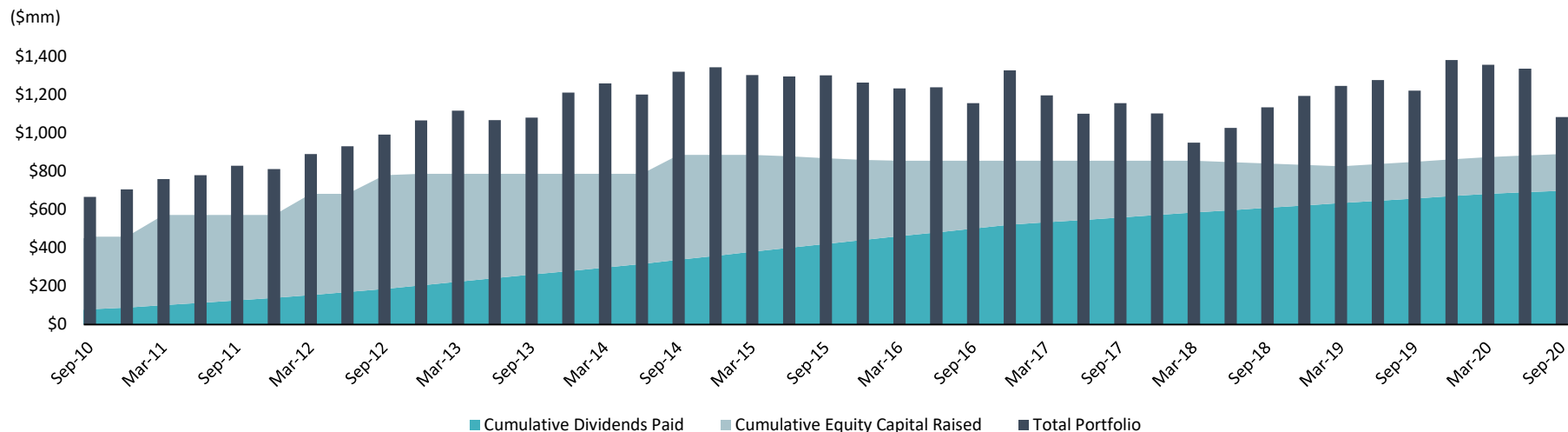
– To date, dividends paid to shareholders are approximately 85% of equity capital raised<sup>1</sup>

▶ **Low loss experience: approximately 24 bps annual realized loss rate against a 12% average yield on purchases since inception**

– Low volatility of underlying portfolio EBITDA through the Global Financial Crisis and Covid

– Only 15 non-accruals out of 257 companies since inception, despite recession and credit crisis

**Portfolio Size, Equity Raised & Cumulative Dividends Paid**



1. Net of repurchases.



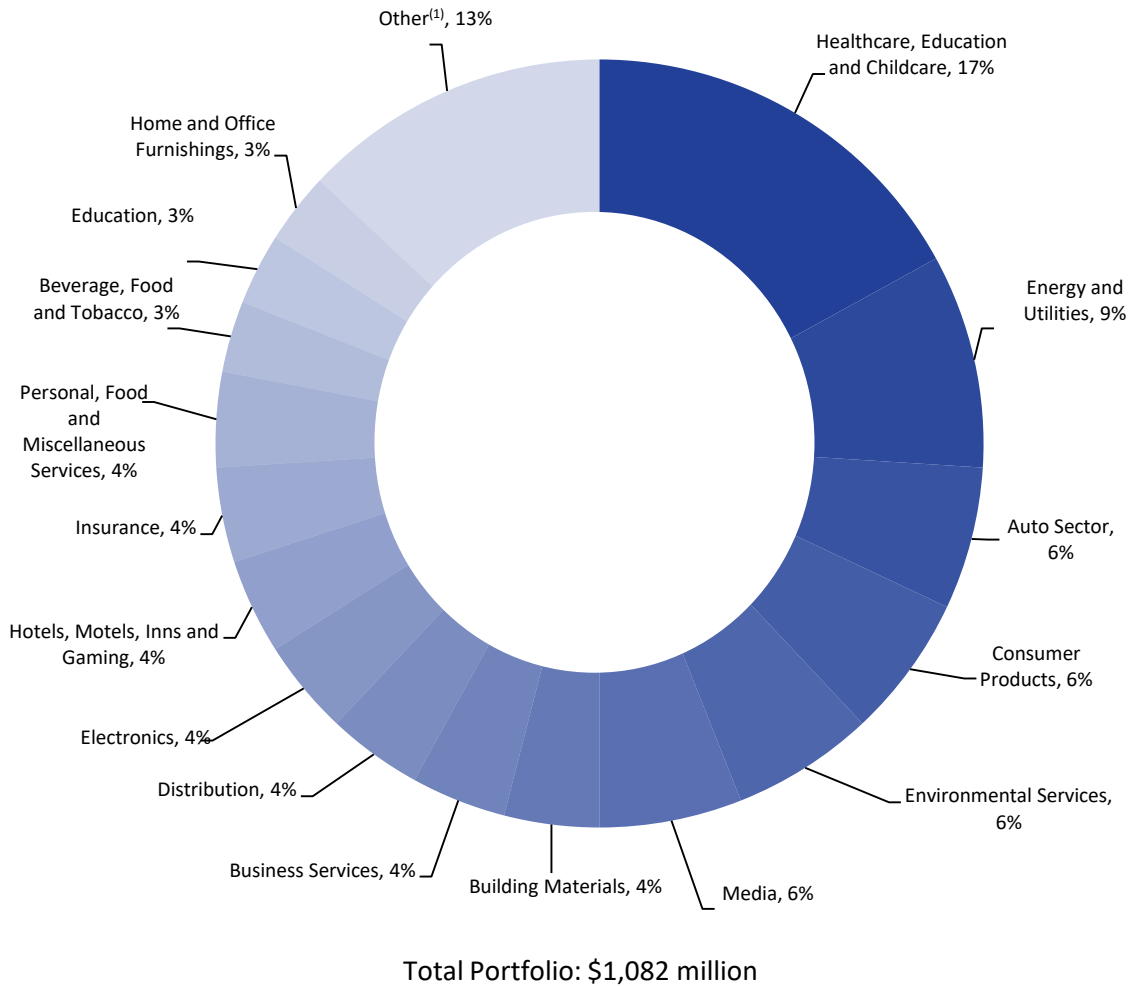
## **PennantPark Senior Loan Fund, LLC (“PSLF”)**

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- ▶ **Invests in primarily middle market, directly originated first lien loans**
- ▶ **\$445 million of total capacity**
- ▶ **Upsized to \$170 million in notes and equity from PNNT and Pantheon Ventures**
- ▶ **Upsized to \$275 million of third party debt financing**
- ▶ **Expands ability to serve sponsor and borrower clients with larger bite sizes**
- ▶ **Generating a higher Return on Equity and Net Investment Income per share for PNNT**

# Overall Portfolio as of 9/30/20

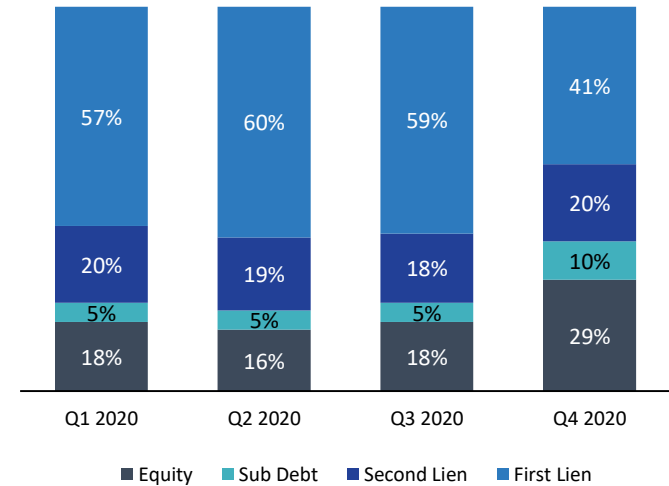
## Highly Diversified Industry Mix



## Portfolio Overview

- ▶ 80 different companies
- ▶ Average investment size: \$13.5 million
- ▶ Yield at Cost on Debt Portfolio: 8.9%
- ▶ 61% Secured Debt
- ▶ Several substantial high growth equity positions

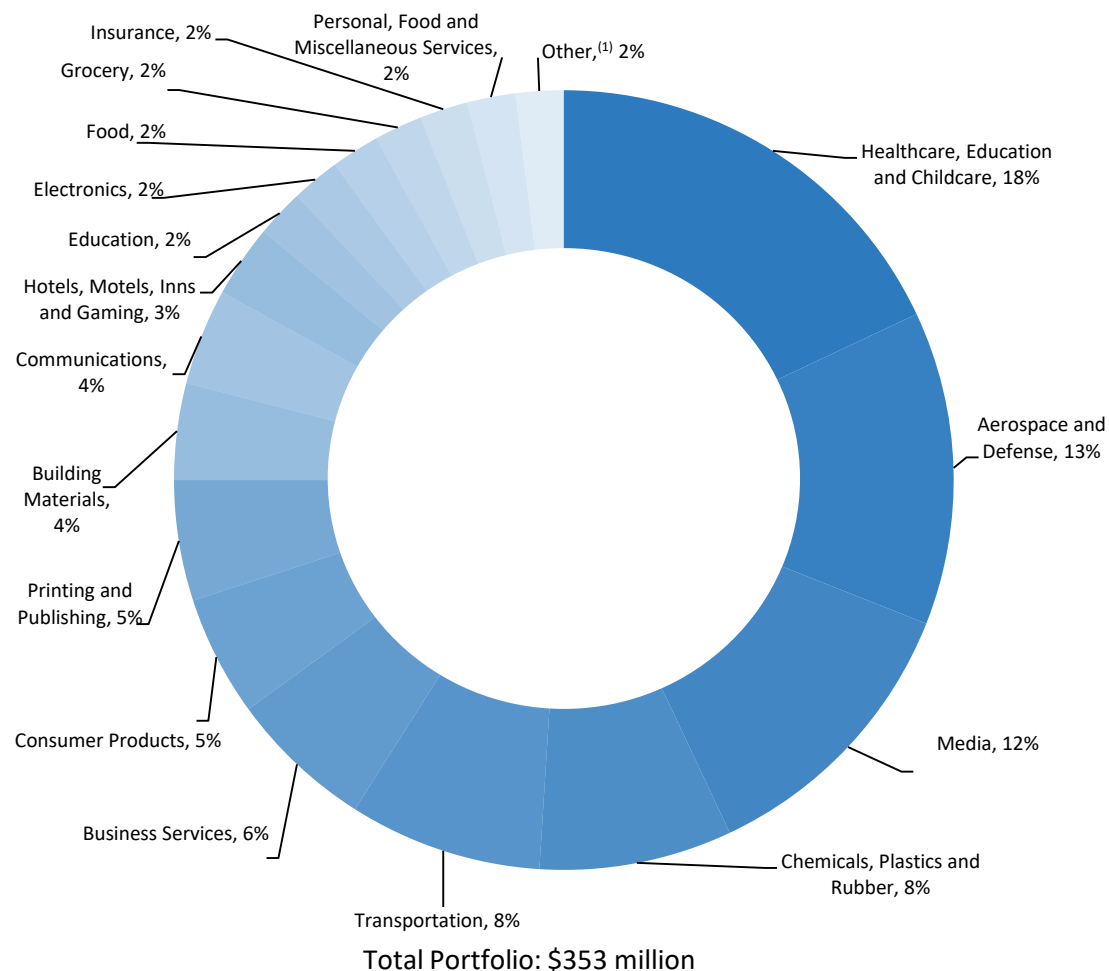
## Portfolio Mix



1. Excluding investment in PSLF. Total of 29 industries. "Other" includes: Aerospace and Defense/Buildings and Real Estate/Chemicals, Plastics and Rubber/Communications/Financial Services/Food/Leisure, Amusement, Motion Pictures, Entertainment/Manufacturing / Basic Industries/Oil and Gas/Other Media/Printing and Publishing/Telecommunications/Transportation.

# PSLF Portfolio as of 9/30/20

## Highly Diversified Industry Mix



## Portfolio Overview

- ▶ 37 different companies
- ▶ Average investment size: \$9.6 million
- ▶ Yield at Cost on Debt Portfolio: 7.3%
- ▶ 100% First Lien Investments

1. Total of 19 industries. "Other" includes Financial Services / Leisure, Amusement, Motion Pictures, Entertainment / Télécommunications.

## Diversified Funding Sources

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09/30/2020	Commitment Amount (\$mm)	Interest Rate	Maturity Date
Truist Revolving Credit Facility	\$475	2.5 %	9/4/24
SBIC II	119	3.2 <sup>1</sup>	3/1/26 - 3/1/28 <sup>1</sup>
2024 Notes	86	5.5	10/15/24
<b>Total</b>	<b>\$680</b>	<b>4.0%</b>	

1. Across all SBIC II debentures.

## Selected Financial Highlights

(\$mm, except per share data)	December Q1 2020	March Q2 2020	June Q3 2020	September Q4 2020
Investment Portfolio (at fair value)	\$1,379	\$1,354	\$1,333	\$1,082
Debt (Regulatory)	\$620	\$769	\$745	\$472
Debt (GAAP)	\$743	\$847	\$848	\$568
GAAP Net Assets	\$589	\$517	\$524	\$526
Adjusted Net Assets <sup>2</sup>	\$586	\$467	\$500	\$509
Debt to Equity (Regulatory)	1.06x	1.65x	1.49x	0.93x
Net Debt to Equity (Regulatory) <sup>3</sup>	1.00x	1.59x	1.39x	0.88x
Net Debt to Equity (GAAP) <sup>3</sup>	1.21x	1.59x	1.52x	1.03x
Originations	\$174	\$107	\$12	\$27
<b>Per Share Data:</b>				
GAAP Net Asset Value	\$8.79	\$7.71	\$7.82	\$7.84
Adjusted Net Asset Value <sup>2</sup>	\$8.74	\$6.97	\$7.46	\$7.59
Core Net Investment Income	\$0.15	\$0.15	\$0.16	\$0.14 <sup>1</sup>
Dividends to Shareholders	\$0.18	\$0.18	\$0.12	\$0.12

1. Core Net Investment Income per share is a non-GAAP financial measure.
2. A non-GAAP financial measure which excludes mark-to-market of liabilities.
3. A non-GAAP financial measure which excludes cash.

## 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**
- ▶ **Privately negotiated middle market loans provide attractive risk/return**
- ▶ **Returns driven by interest payments from primarily secured debt**

# PNNT Selected Investments

 <p>Revolver First Lien Secured Debt Equity</p> <p>InTandem Capital</p>	 <p>Second Lien Secured Debt Equity</p> <p>Francisco Partners</p>	 <p>Revolver First Lien Secured Loan Equity</p> <p>Staple Street Capital</p>	 <p>Revolver First Lien Term Loan</p> <p>Yellow Wood Partners</p>
 <p>Revolver First Lien Secured Debt</p> <p>MidOcean Partners</p>	 <p>Second Lien Secured Debt Equity</p> <p>Court Square Capital Partners</p>	 <p>Revolver First Lien Secured Debt Equity</p> <p>Mountaingate Capital</p>	 <p>Revolver First Lien Secured Debt</p> <p>Wind Point Partners</p>
 <p>Second Lien Secured Debt Delayed-Draw Term Loan</p> <p>Morgan Stanley Capital Partners</p>	 <p>First Lien Secured Debt</p> <p>Arlington Capital Partners</p>	 <p>Revolver First Lien Term Loan</p> <p>OpenGate Capital</p>	 <p>Revolver First Lien Term Loan Equity</p> <p>CIP Capital</p>
 <p>Revolver First Lien Secured Debt</p> <p>The Halifax Group</p>	 <p>First Lien Secured Debt Equity</p> <p>J.W. Childs</p>	 <p>Revolver First Lien Secured Debt Equity</p> <p>H.I.G. Capital</p>	 <p>Second Lien Secured Debt Equity</p> <p>Clearlake Capital</p>