




# Pennant Park

## Investment Corporation

September 30, 2019



NEW YORK • CHICAGO • HOUSTON • LOS ANGELES

## 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.

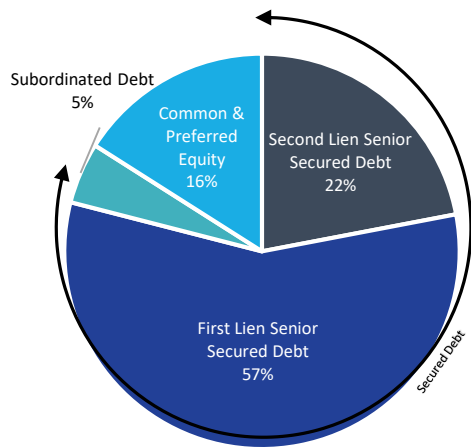
\$3.3 billion total Assets Under Management

**PennantPark**  
Investment Corporation

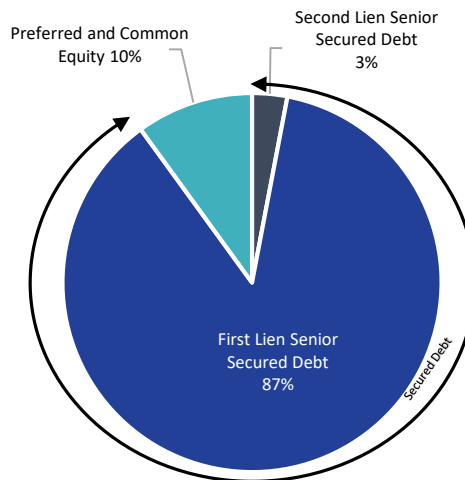
- NASDAQ: "PNNT"
- IPO Date: April 2007
- 79% Secured Debt

**PennantPark**  
Floating Rate Capital Ltd.

- NASDAQ: "PFLT"
- IPO Date: April 2011
- 90% Secured Debt



\$1.2 Billion



\$1.1 Billion

## Established Investment Platform

- PennantPark Investment Advisers founded 12 years ago before the financial crisis
- Deep expertise in middle market direct lending
- Longer investment horizon with attractive publicly traded model
- Cohesive, experienced team

## PNNT

- \$420 million Market Capitalization
- \$8.68 Net Asset Value per Share
- 79% of the Portfolio is Senior Secured debt.

## PennantPark Investment Advisers, LLC

**Founded in 2007**  
**Funded \$10B in 526 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

### Relationship & Solution Driven

- Team approach
- Build long term relationships – trusted partner
- Independent and conflict free

### Middle Market Focus

- Companies with EBITDA of \$10 - \$50 million
- Solutions that traditional lenders find increasingly difficult

### Consistent Performance & Track Record

- Low volatility of underlying portfolio EBITDA through the Great Recession

### PNNT

- Only 13 non-accruals out of 232 companies since inception
- Annualized loss ratio approximately 30 basis points compared to 12.1% yield since inception 12 years ago

### PNNT

#### Conservative Portfolio Construction

- 67 companies in 27 different industries
- Weighted average debt/EBITDA through PNNT security is 4.8x
- Weighted average cash interest coverage is 2.6x
- 79% of portfolio is senior secured

# Why is PNNT Well Positioned?

## Experienced Team

- Decades of experience in middle market sponsor-driven direct lending
- Investment committee has worked together for over 20 years
- 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 almost 185 sponsors financed

## Strong Capital Base

- Permanent equity capital of \$582 million
- Quarterly dividend of 18 cents per share
- Debt/Equity Ratio now targeted at 1.1 – 1.5x should improve ROE while maintaining a prudent debt profile.

## Attractive and Diversified Financing

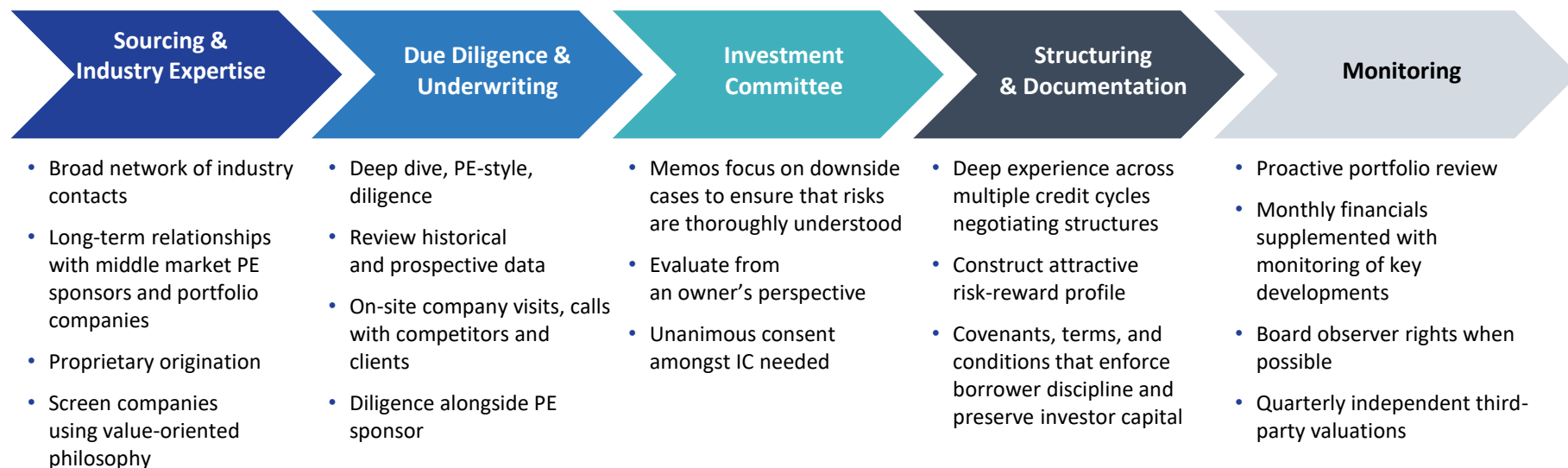
- \$475 million of SunTrust credit facility at L+225
- \$250 million of BNP credit facility at L+260
- \$150 million in attractive, fixed rate, long-term SBA financing
- \$86 million long term notes due 2024 at 5.5%
- Received “Green Light” letter for another SBIC license

# Underwriting Philosophy & Process<sup>1</sup>

## 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

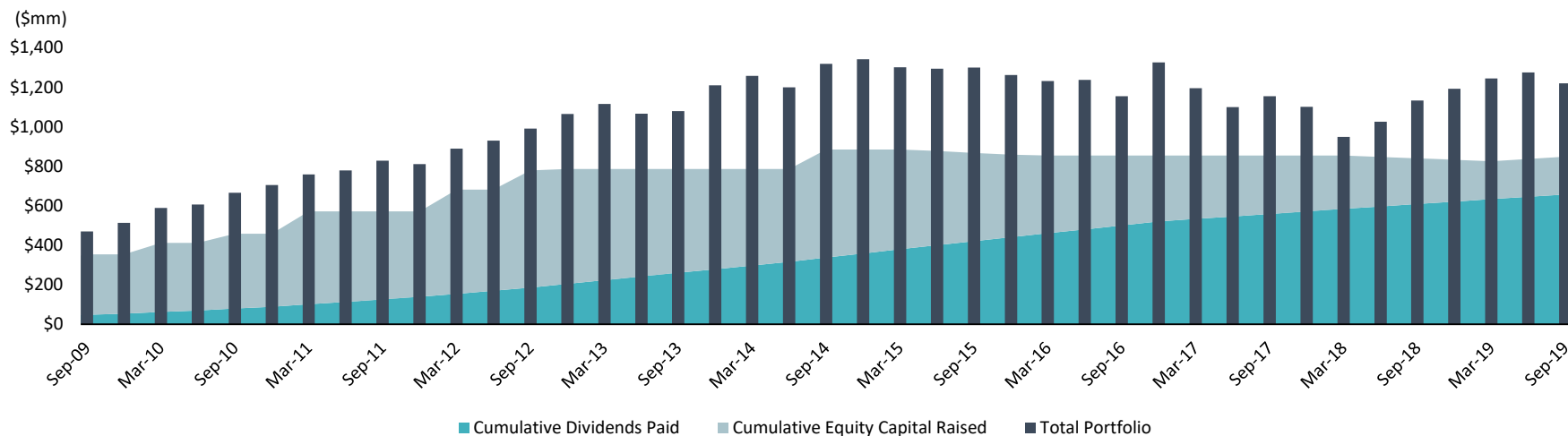


1. The execution of the investment process described herein indicates the Manager's current approach to investing, and this investment approach may be modified in the future by the Manager in its sole discretion at any time and without further notice to investors in response to changing market conditions,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

# PNNT Has a Compelling Track Record

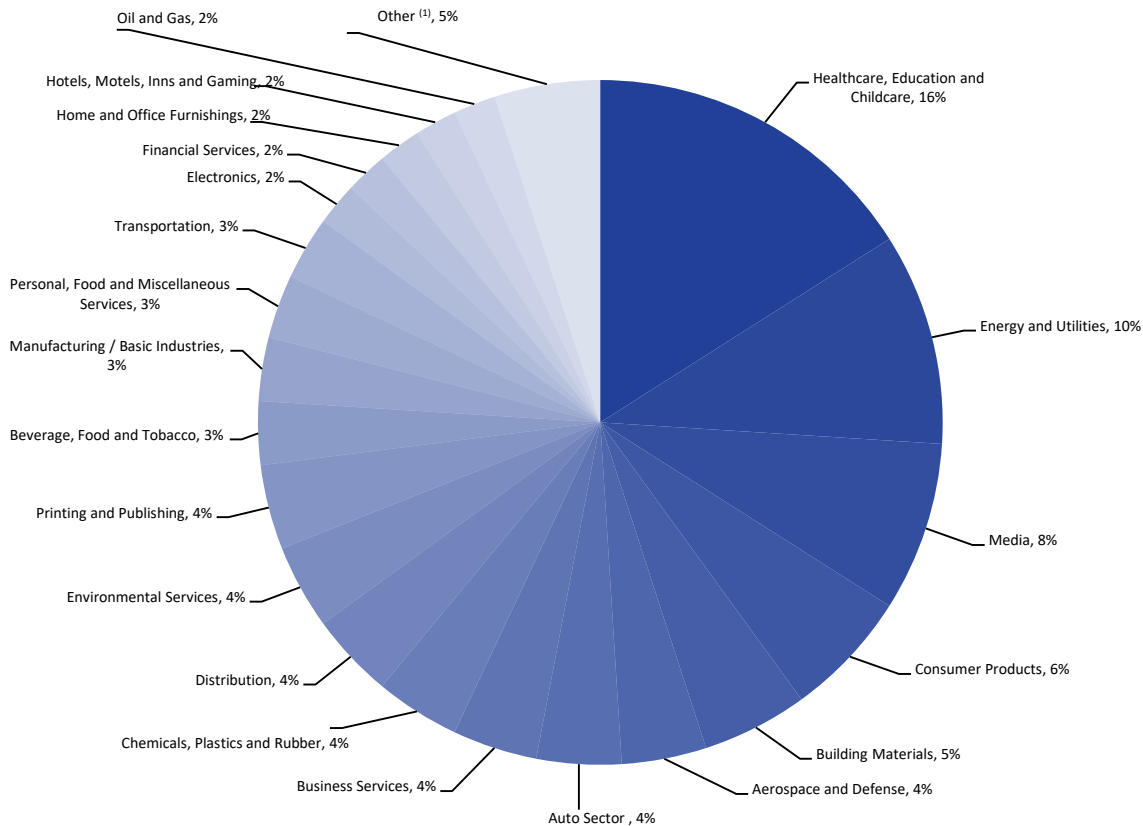
- ▶ **Portfolio growth has been measured and consistent with market opportunity**
- ▶ **\$657 million of dividends paid to shareholders since inception**
  - To date, dividends paid to shareholders are approximately 80% of equity capital raised<sup>1</sup>
- ▶ **Low loss experience: approximately 30 bps annual loss rate against a 12.1% average yield on purchases since inception**
  - Low volatility of underlying portfolio EBITDA through the Great Recession
  - Only 13 non-accruals out of 232 companies since inception, despite recession and credit crisis

## Portfolio Size, Equity Raised & Cumulative Dividends Paid



1. Net of repurchases.

## Highly Diversified Industry Mix<sup>1</sup>

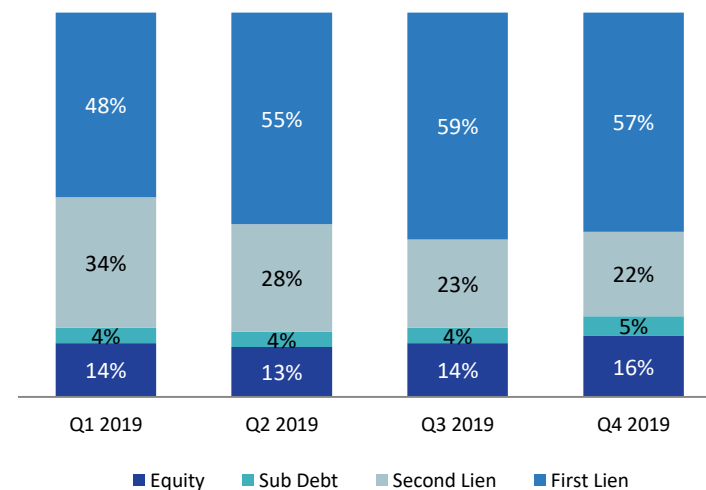


Total Portfolio: \$1,219 million

## Portfolio Overview

- ▶ 67 Different Companies
- ▶ Average Investment Size: \$18.2 million
- ▶ Yield at Cost on Debt Portfolio: 9.8%
- ▶ 79% Secured Debt
- ▶ Annualized Dividend Yield of 11.5%
- ▶ Sustainable dividend stream with upside as Debt to Equity gradually increases and as equity co-invests mature

## Portfolio Mix

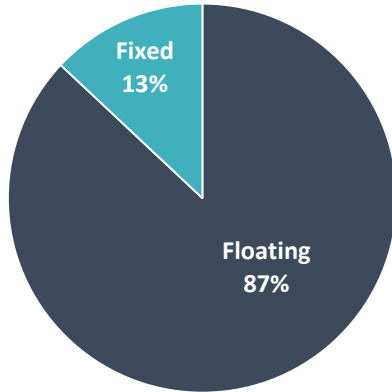


1. Total of 27 industries. "Other" includes: Buildings and Real Estate / Communications / Education / Insurance / Other Media / Telecommunications

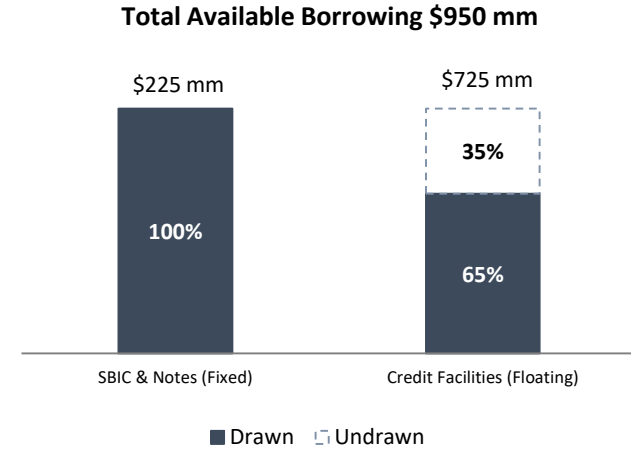


# Attractive Asset/Liability Profile

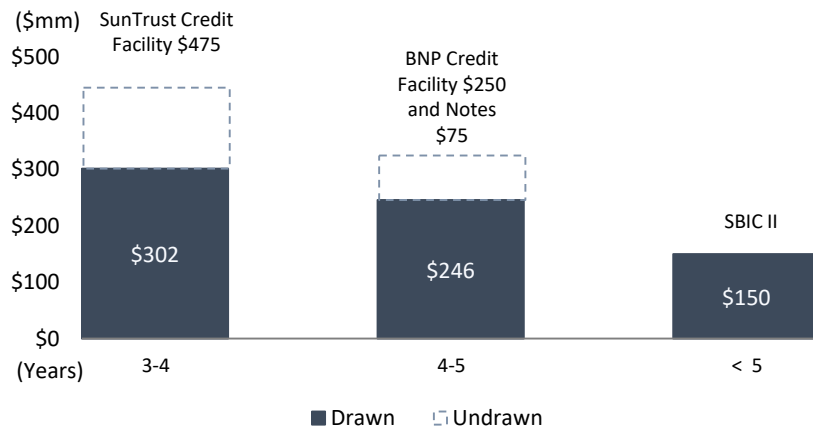
## Fixed vs. Floating Assets



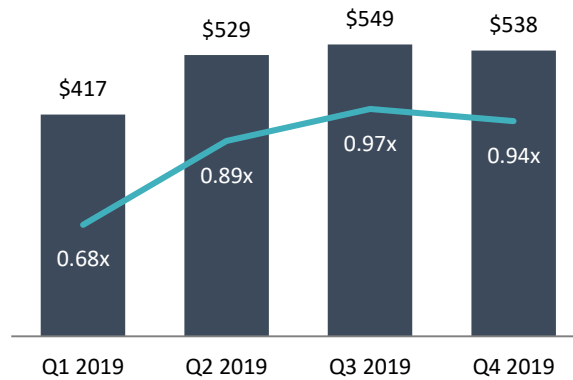
## Fixed vs. Floating Debt Exposure



## Liability Maturity



## Regulatory Leverage



# Benefits of SBIC Subsidiary

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- ▶ **Long-term funding**

- 10-year SBA non-recourse debentures
- Does not use mark-to-market accounting

- ▶ **Up to 2x leverage at SBIC subsidiary**

- Up to \$150 million long-term financing

- ▶ **Attractive pricing: all-in ten-year fixed-rate of 3.1% on SBA financed vehicles as of September 30, 2019**

- ▶ **Diversifies funding sources**

- ▶ **Exemptive relief excludes SBIC debt from BDC asset coverage test**

- ▶ **“Green Light” letter received to move forward on a new SBIC license**

# Debt Summary

As of September 30, 2019

	Commitment Amount (\$mm)	Debt Drawn (\$mm)	Interest Rate	Maturity Date
BNP Revolving Credit Facility	\$250	\$171	4.6%	2/22/2024
SunTrust Revolving Credit Facility	\$475	\$302	4.2%	9/4/2024
SBIC II	\$150	\$150	3.1% <sup>1</sup>	3/1/26 - 3/1/28 <sup>1</sup>
2024 Notes	\$75	\$75	5.5%	10/15/2024
<b>Total</b>	<b>\$950</b>	<b>\$698</b>	<b>4.2%</b>	

1. Across all SBIC II debentures.

## Selected Financial Highlights - PNNT

(\$mm, except per share data)	December Q1 2019	March Q2 2019	June Q3 2019	September Q4 2019
Investment Portfolio (at fair value)	\$1,191	\$1,245	\$1,275	\$1,219
Debt (Regulatory)	\$417	\$520	\$549	\$538
Debt (GAAP)	\$562	\$666	\$695	\$684
Net Assets	\$616	\$592	\$586	\$582
Ending Debt to Equity (Regulatory)	0.68x	0.89x	0.97x	0.94x
Ending Debt to Equity (GAAP)	0.93x	1.15x	1.23x	1.20x
Originations	\$194	\$184	\$116	\$39
<b>Per Share Data:</b>				
Net Asset Value	\$9.05	\$8.83	\$8.74	\$8.68
Core Net Investment Income <sup>1</sup>	\$0.18	\$0.19	\$0.17	\$0.17
Dividends to Shareholders	\$0.18	\$0.18	\$0.18	\$0.18












1. Core Net Investment Income per share is a non-GAAP financial measure.

## 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>Subordinated Debt Equity</p> <p>Snow Phipps</p>	 <p>Revolver First Lien Secured Debt Equity</p> <p>InTandem Capital</p>	 <p>Creating Trust Online®</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>First Lien Secured Debt Revolver</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>Revolver First Lien Secured Debt Delayed-Draw Term Loan</p> <p>ZS Fund LP</p>	 <p>First Lien Secured Debt</p> <p>Arlington Capital Partners</p>	 <p>Revolver First Lien Secured Debt Equity</p> <p>Center Rock Capital Partners</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>