



# Pennant Park

## Investment Corporation

September 30, 2018

NEW YORK • CHICAGO • HOUSTON • LOS ANGELES • LONDON

# 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.

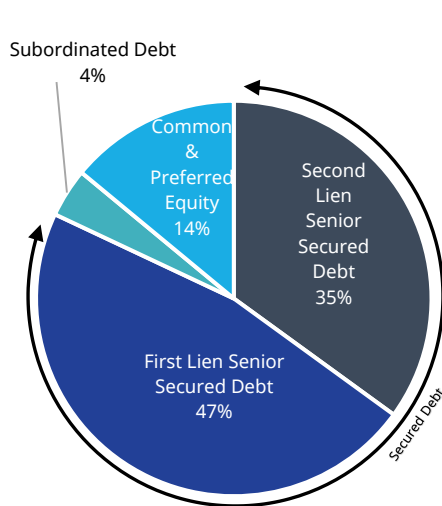
# Established Credit Platform

## PennantPark Investment Advisers, LLC

**\$2.7 billion total Assets Under Management**

### PennantPark Investment Corporation

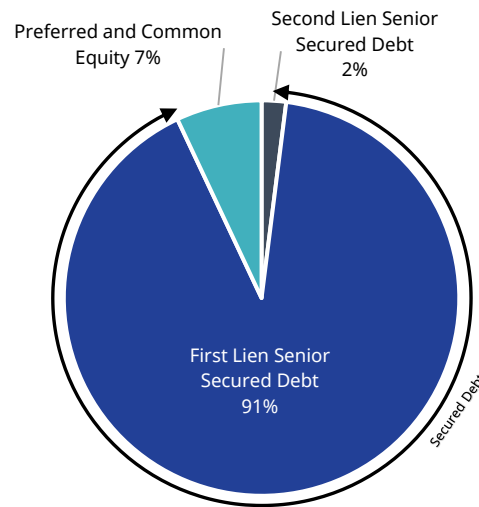
- NASDAQ: "PNNT"
- IPO Date: April 2007
- 82% Secured Debt



\$ 1,132 million  
90% Floating Rate

### PennantPark Floating Rate Capital Ltd.

- NASDAQ: "PFLT"
- IPO Date: April 2011
- 93% Secured Debt



\$ 1,001 million  
100% Floating Rate

## Established Investment Platform

- PennantPark Investment Advisers founded over 11 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

- \$515 million Market Capitalization
- \$9.11 Net Asset Value per Share
- 90% of Portfolio is Floating Rate
- Benefitting from increasing LIBOR

## PennantPark Investment Advisers, LLC

### 11 Year Anniversary

Founded in 2007  
Funded \$8b in 496 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 - \$100 million
- Solutions that traditional lenders find increasingly difficult

#### Consistent Performance & Track Record

- Low volatility of underlying portfolio EBITDA through the Great Recession
- Only 12 non-accruals out of 208 companies since inception
- Blended recovery of about 80% on non-accruals

#### PNNT

#### Conservative Portfolio Construction

- 53 companies in 27 different industries
- Weighted average debt/EBITDA through PNNT security is 4.9x
- Weighted average cash interest coverage is 2.8x
- 82% of portfolio is senior secured
- 90% of portfolio is floating rate

# 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, Houston, and London

## Expansive Relationship Network

- Independent
- Established institutionalized relationships
- Focus on building long-term trust
- Brand recognition with about 180 sponsors financed

## Strong Capital Base

- Permanent equity capital of \$629 million
- Quarterly dividend of 18 cents per share
- Board approved reduction in asset coverage starting November 2019 (or earlier, pending shareholder approval) to 150%

## Attractive and Diversified Financing

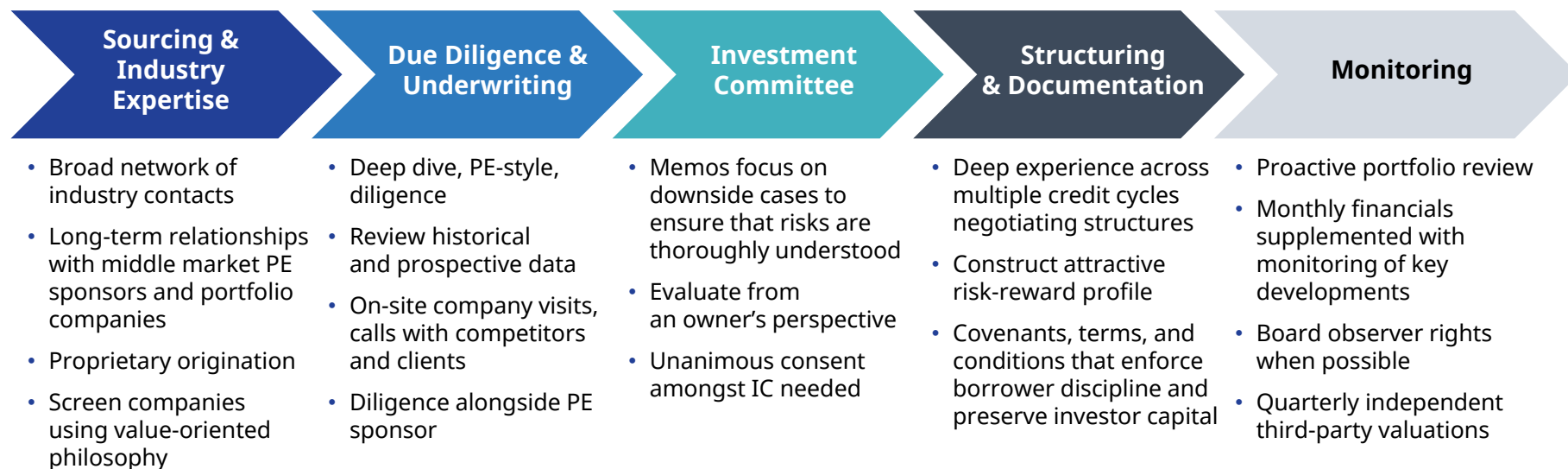
- \$445 million of credit facility at L+225
- \$180 million in attractive, fixed rate, long-term SBA financing
- SBICs and mark to market of debt reduce risk

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

## Investment Philosophy

- ▶ **Capital preservation is paramount when investing in middle-market companies**
- ▶ **Focus on companies in non-cyclical industries that have a viable reason to exist**
- ▶ **Documentation is critical**

## Underwriting Process

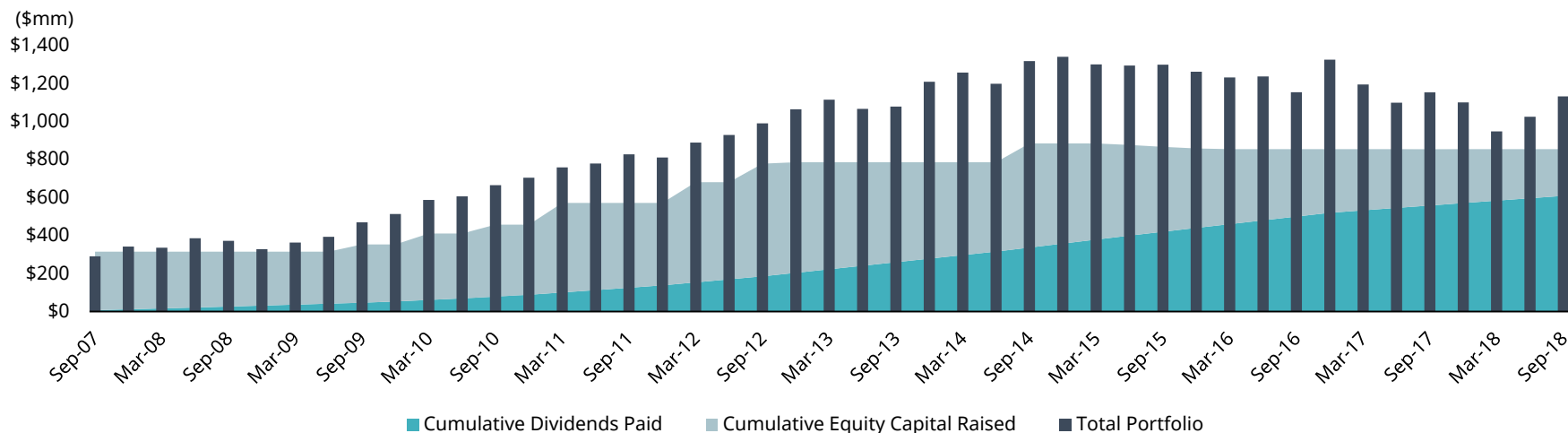


1. The execution of the investment process described herein indicates the Manager's current approach to investing, and this investment approach may be modified in the future by the Manager in its sole discretion at any time and without further notice to investors in response to changing market conditions, 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**
- ▶ **\$609 million of dividends paid to shareholders since inception**
  - To date, dividends paid to shareholders are about 73% of equity capital raised<sup>1</sup>
- ▶ **Low loss experience: about 30 bps annual loss rate<sup>2</sup> against a 12.4% average yield on purchases since inception**
  - Low volatility of underlying portfolio EBITDA through the Great Recession
  - Only 12 non-accruals out of 208 companies since inception, despite recession and credit crisis
  - Strong track record of capital recovery – Blended recovery of about 80% on non-accruals<sup>2</sup>

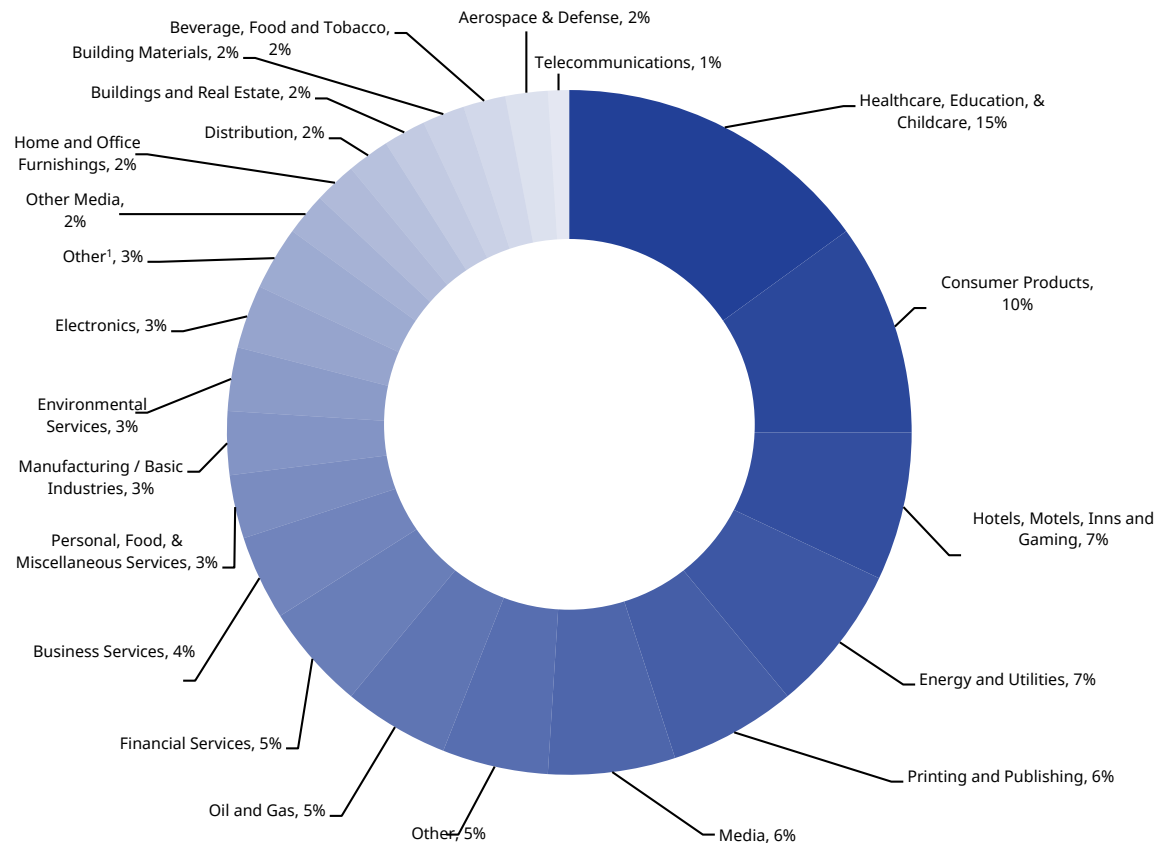
## Portfolio Size, Equity Raised & Cumulative Dividends Paid



1. Net of repurchases.  
2. Realized and unrealized.

# Overall Portfolio as of September 30, 2018

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

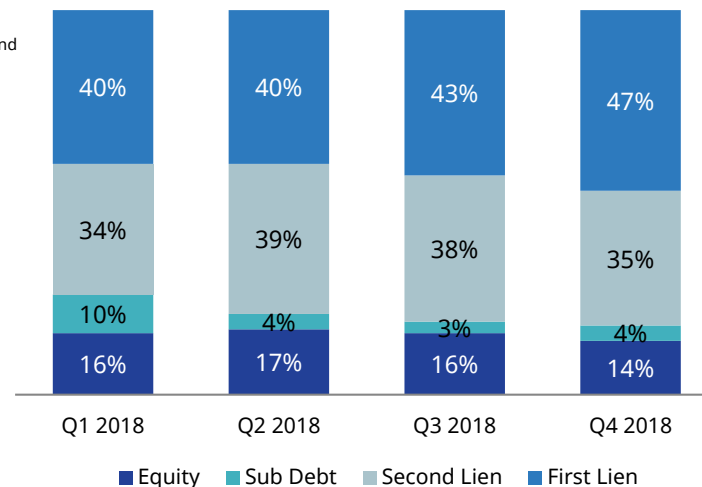


Total Portfolio: \$1,132 million

## Portfolio Overview

- ▶ 53 Different Companies
- ▶ Average Investment Size: \$21.4 million
- ▶ Yield at Cost on Debt Portfolio: 11.2%
- ▶ 82% Secured Debt
- ▶ Annualized Dividend Yield of 9.7%
- ▶ Sustainable dividend stream with upside as LIBOR increases and as equity co-invests mature

## Portfolio Mix

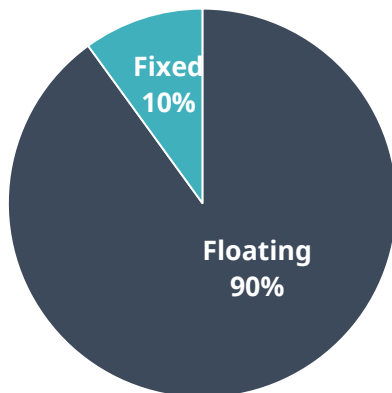


1. Total of 27 industries. "Other" includes Banking, Finance, Insurance and Real Estate / Broadcasting and Entertainment / Cargo Transport / Chemicals, Plastics and Rubber / Diversified Natural Resources, Precious Metals and Minerals / Education.

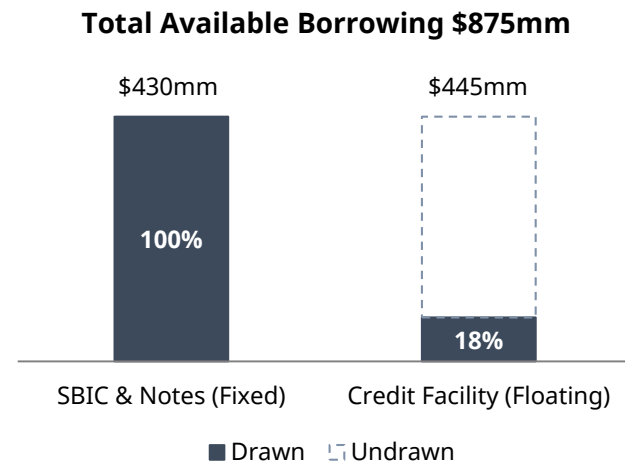


# Attractive Asset/Liability Profile

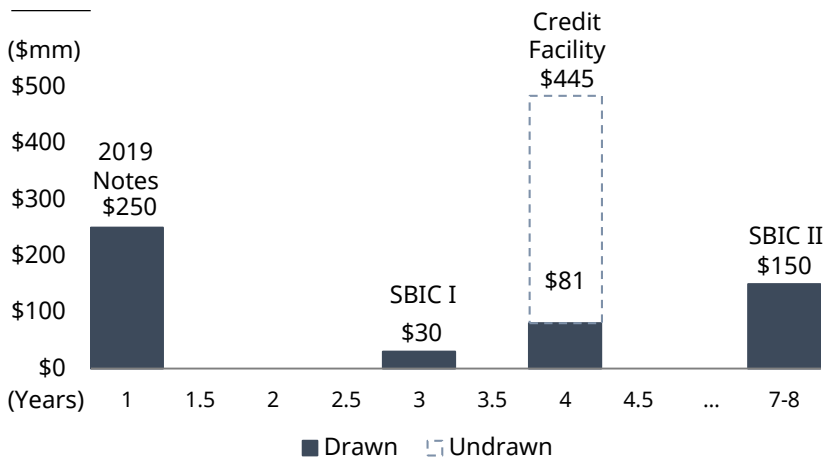
## Fixed vs. Floating Assets



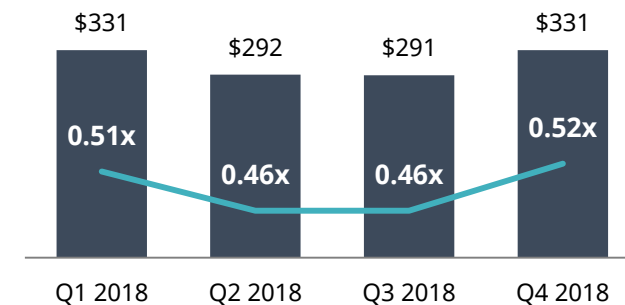
## Fixed vs. Floating Debt Exposure



## Liability Maturity



## Regulatory Leverage



# Benefits of SBIC Subsidiaries

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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 \$180 million long-term financing in two SBICs
- Potential third SBIC for additional \$75 million of SBA financing

- ▶ **Attractive pricing: all-in ten-year fixed-rate of 3.2% on SBA financed vehicles**

- ▶ **Diversifies funding sources**

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

# Debt Summary

## Quarter Ended September 30, 2018

	Commitment Amount (\$mm)	Debt Drawn (\$mm)	Interest Rate	Maturity Date
Revolving Credit Facility	\$445	\$81	L + 225 bps	5/25/2022
SBIC I	30	30	3.2% <sup>1</sup>	9/1/21 <sup>1</sup>
SBIC II	150	150	3.2% <sup>1</sup>	9/1/21 - 3/1/28 <sup>1</sup>
Senior Notes due 2019	250	250	4.5%	10/1/2019
<b>Total</b>	<b>\$875</b>	<b>\$511</b>	<b>4.52%<sup>2</sup></b>	

### ► Senior Notes to be redeemed in early 2019

1. Across all SBIC I and SBIC II debentures.

2. Represents annualized weighted average cost of debt for the year ended, inclusive of the fee on the undrawn commitment on the Credit Facility and amortized upfront fees on SBA debentures but excluding debt issuance costs.

## Selected Financial Highlights - PNNT

(\$mm, except per share data)	December Q1 2018	March Q2 2018	June Q3 2018	September Q4 2018
Investment Portfolio (at fair value)	\$1,101	\$948	\$1,025	\$1,132
Debt (Regulatory: Excluding SBIC)	\$331	\$292	\$291	\$329
Debt (GAAP)	\$510	\$487	\$466	\$504
Net Assets	\$646	\$640	\$636	\$629
Ending Debt to Equity (Regulatory)	0.51x	0.46x	0.46x	0.52x
Ending Debt to Equity (GAAP)	0.79x	0.76x	0.73x	0.80x
Net Investment Income	\$14	\$13	\$12	\$14
Originations	\$138	\$97	\$188	\$181













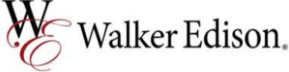


Per Share Data:				
Net Asset Value	\$9.10	\$9.00	\$9.09	\$9.11
Net Investment Income	\$0.20	\$0.19	\$0.17	\$0.20
Dividends to Shareholders	\$0.18	\$0.18	\$0.18	\$0.18
Fee Waiver	\$0.02	-	-	-

## Strategy Targeted to Deliver Returns

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- ▶ **Proprietary sourcing network**
- ▶ **Free cash flow and de-leveraging**
- ▶ **Dividends with capital preservation**
- ▶ **Less risky middle market companies**
- ▶ **Captured by interest payments on primarily secured debt**

# 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 Debt Equity</p> <p>Sagewind Capital Partners</p>
 <p>Second Lien Secured Debt Equity</p> <p>Snow Phipps</p>	 <p>Revolver First Lien Term Loan Equity</p> <p>Staple Street Capital</p>	 <p>Revolver First Lien Secured Debt Delayed-Draw Term Loan</p> <p>Lightyear Capital</p>	 <p>Second Lien Term Loan</p> <p>TPG Growth</p>
 <p>Second Lien Secured Debt Equity</p> <p>Court Square Capital Partners</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>Revolver First Lien Secured Debt Equity</p> <p>CI Capital Partners</p>	 <p>First Lien Term Loan 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>