PennantPark

PennantPark Floating Rate Capital Ltd. Announces Financial Results for the Quarter Ended June 30, 2014

August 6, 2014

NEW YORK, NY--(Marketwired - Aug 6, 2014) - PennantPark Floating Rate Capital Ltd. (NASDAQ: PFLT) announced today financial results for the third fiscal quarter ended June 30, 2014.

HIGHLIGHTS
Quarter ended June 30, 2014
($ in millions, except per share amounts)

Assets and Liabilities:		
Investment portfolio	$ 365.9	
Net assets	$ 216.3	
Net asset value per share	$ 14.52	
Credit Facility (cost $154.9)	$ 154.9	
Yield on debt investments at quarter-end	8.2	%
Operating Results:		
Net investment income	$ 4.4	
Net investment income per share	$ 0.29	
Distributions declared per share	$ 0.27	
Portfolio Activity:		
Purchases of investments	$ 30.6	
Sales and repayments of investments	$ 55.6	
Number of new portfolio companies invested	4	
Number of existing portfolio companies invested	7	
Number of portfolio companies at quarter-end	80	

CONFERENCE CALL AT 10:00 A.M. ET ON AUGUST 7, 2014

PennantPark Floating Rate Capital Ltd. ("we," "our," "us" or "Company") will host a conference call at 10:00 a.m. (Eastern Time) on Thursday, August 7, 2014 to discuss its financial results. All interested parties are welcome to participate. You can access the conference call by dialing (888) 329-8877 approximately 5-10 minutes prior to the call. International callers should dial (719) 457-1035. All callers should reference PennantPark Floating Rate Capital Ltd. An archived replay of the call will be available through August 21, 2014 by calling (888) 203-1112. International callers please dial (719) 457-0820. For all phone replays, please reference conference ID #9871657.

PORTFOLIO AND INVESTMENT ACTIVITY

As of June 30, 2014, our portfolio totaled $365.9 million and consisted of $322.2 million of senior secured loans, $30.8 million of second lien secured debt, $10.3 million of subordinated debt and $2.6 million of preferred and common equity investments. Our debt portfolio consisted of 95% variable-rate investments (including 93% with a London Interbank Offered Rate, or LIBOR, or prime floor) and 5% fixed-rate investments. Overall, the portfolio had unrealized appreciation of $3.7 million. Our overall portfolio consisted of 80 companies with an average investment size of $4.6 million, a weighted average yield on debt investments of 8.2%, and was invested 88% in senior secured loans, 8% in second lien secured debt and 4% in subordinated debt, preferred and common equity investments.

As of September 30, 2013, our portfolio totaled $317.8 million and consisted of $281.0 million of senior secured loans, $27.5 million of second lien secured debt and $9.3 million of subordinated debt, preferred and common equity investments. Our debt portfolio consisted of 92% variable-rate investments (including 89% with a LIBOR or prime floor) and 8% fixed-rate investments. Overall, the portfolio had net unrealized depreciation of $1.5 million. Our overall portfolio consisted of 83 companies with an average investment size of $3.8 million, had a weighted average yield on debt investments of 8.1%, and was invested 88% in senior secured loans, 9% in second lien secured debt and 3% in subordinated debt, preferred and common equity investments.

For the three months ended June 30, 2014, we invested $30.6 million in four new and seven existing portfolio companies with a weighted average yield on debt investments of 7.1%. Sales and repayments of investments for the three months ended June 30, 2014 totaled $55.6 million. For the nine months ended June 30, 2014, we invested $185.0 million in 29 new and 25 existing portfolio companies with a weighted average yield on debt investments of 7.8%. Sales and repayments of investments for the nine months ended June 30, 2014 totaled $146.8 million.

For the three months ended June 30, 2013, we invested $114.3 million in 26 new and five existing portfolio companies with a weighted average yield on debt investments of 7.5%. Sales and repayments of investments for the three months ended June 30, 2013 totaled $46.4 million. For the nine months ended June 30, 2013, we invested $198.3 million in 54 new and 11 existing portfolio companies with a weighted average yield on debt investments of 8.0%. Sales and repayments of investments for the nine months ended June 30, 2013 totaled $120.7 million.

RESULTS OF OPERATIONS

Set forth below are the results of operations for the three and nine months ended June 30, 2014 and 2013.

Investment Income

Investment income for the three and nine months ended June 30, 2014 was $7.7 million and $22.1 million, respectively, and was attributable to $6.2 million and $17.9 million from senior secured loan investments, and $1.5 million and $4.2 million from second lien secured debt and subordinated debt investments. This compares to investment income for the three and nine months ended June 30, 2013, which was $4.7 million and $12.8 million, respectively, and was attributable to $3.9 million and $10.8 million from senior secured loan investments, and $0.8 million and $2.0 million from second lien secured debt and subordinated debt investments. The increase in investment income over the prior year was primarily due to the growth of our portfolio.

Expenses

Expenses for the three and nine months ended June 30, 2014 totaled $3.3 million and $10.8 million, respectively. Base management fee for the same periods totaled $1.0 million and $2.8 million, incentive fees totaled $0.8 million (including $0.1 million on net unrealized gains accrued but not payable) and $2.9 million (including $0.6 million on net unrealized gains accrued but not payable), our senior secured revolving credit facility, or the Credit Facility, expenses totaled $0.9 million and $3.3 million (including $0.7 million of Credit Facility amendment expenses), general and administrative expenses totaled $0.5 million and $1.4 million and excise taxes were $0.1 million and $0.4 million, respectively.

This compares to expenses for the three and nine months ended June 30, 2013, which totaled $1.5 million and $5.8 million, respectively. Base management fee for the same periods totaled $0.5 million and $1.5 million, incentive fees totaled less than $0.1 million and $1.0 million, Credit Facility expenses totaled $0.4 million and $1.8 million (including $0.5 million of Credit Facility amendment expenses), general and administrative expenses totaled $0.5 million and $1.4 million and excise taxes were $0.1 million, respectively. The increase in expenses was due to the growth of our portfolio and expanding our borrowing capacity under our Credit Facility.

Net Investment Income

Net investment income totaled $4.4 million and $11.3 million, or $0.29 and $0.76 per share, for the three and nine months ended June 30, 2014, respectively. Net investment income totaled $3.2 million and $7.0 million, or $0.31 and $0.86 per share, for the three and nine months ended June 30, 2013, respectively. The increase in net investment income was due to a larger portfolio, which was partially offset by amendment costs. For the three months ended June 30, 2014, net investment income per share increased due to changes in yield environment over the prior year, whereas, for the nine months ended June 30, 2014, net investment income per share decreased over the prior year as a result of both changes in yield environment and share issuances of common stock during 2013.

Net Realized Gains or Losses

Sales and repayments of investments for the three and nine months ended June 30, 2014 totaled $55.6 million and $146.8 million and net realized gains totaled $0.7 million and $1.8 million, respectively. Sales and repayments of investments totaled $46.4 million and $120.7 million and realized gains totaled $1.7 million and $3.2 million for the three and nine months ended June 30, 2013, respectively. The decrease in realized gains was driven by fewer exits of our portfolio companies.

Unrealized Appreciation or Depreciation on Investments and Credit Facility

For the three and nine months ended June 30, 2014, we reported net unrealized (depreciation) appreciation on investments of $(0.1) million and $5.1 million, respectively. For the three and nine months ended June 30, 2013, we reported net unrealized (depreciation) on investments of $(3.3) million and $(3.2) million, respectively. As of June 30, 2014 and September 30, 2013, net unrealized appreciation (depreciation) on investments totaled $3.7 million and $(1.5) million, respectively. The change compared to September 30, 2013 was the result of changes in market values.

For each of the three and nine months ended June 30, 2014, our Credit Facility had an unrealized appreciation of zero. For the three and nine months ended June 30, 2013, our Credit Facility had an unrealized appreciation of zero and $0.4 million, respectively. As of June 30, 2014 and September 30, 2013, net unrealized appreciation on our Credit Facility totaled zero. The change compared to last 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 $4.9 million and $18.2 million, or $0.33 and $1.22 per share, respectively, for the three and nine months ended June 30, 2014. This compares to a net increase in net assets resulting from operations which totaled $1.6 million and $6.5 million, or $0.15 and $0.81 per share, respectively, for the three and nine months ended June 30, 2013. We continue to find attractive investment opportunities to grow net assets from operations.

LIQUIDITY AND CAPITAL RESOURCES

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

As of June 30, 2014 and September 30, 2013, we had $154.9 million and $99.6 million of outstanding borrowings under the Credit Facility, respectively, and carried an annual interest rate of 2.16% and 2.18%, respectively, excluding the 0.375% undrawn commitment fee.

The annualized weighted average cost of debt for the nine months ended June 30, 2014 and 2013, inclusive of the fee on the undrawn commitment on the Credit Facility but excluding amendment costs, was 2.36% and 2.68%, respectively.

Our operating activities used cash of $37.9 million for the nine months ended June 30, 2014, and our financing activities provided cash of $43.3 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from net draws under the Credit Facility.

Our operating activities used cash of $47.1 million for the nine months ended June 30, 2013, and our financing activities provided cash of $50.2 million for the same period. Our operating activities used cash primarily for our investment activity that was offset by our financing activities, which provided cash primarily from a public offering and net repayments under the Credit Facility.

DISTRIBUTIONS

During the three and nine months ended June 30, 2014, we declared to stockholders distributions of $0.270 and $0.808 per share, respectively, for total distributions of $4.0 million and $12.0 million, respectively. For the same periods in the prior year, we declared distributions of $0.263 and $0.765 per share, respectively, for total distributions of $2.7 million and $6.1 million, respectively. We monitor available net investment income to determine if a tax return of capital 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 tax return of capital to our common stockholders. Tax characteristics of 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 its website at www.pennantpark.com.

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2014 (unaudited)	**September 30, 2013**
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost--$362,225,391 and $319,283,468, respectively)	$ 365,891,603	$ 317,803,894
Cash equivalents	9,940,930	4,578,249
Interest receivable	1,914,432	2,140,802
Receivable for investments sold	3,284,879	3,659,185
Prepaid expenses and other assets	575,972	619,737
Total assets	381,607,816	328,801,867
Liabilities		
Distributions payable	1,340,825	1,303,580
Payable for investments purchased	2,194,497	14,021,588
Unfunded investments	2,705,882	934,555
Credit Facility payable (cost--$154,900,000 and $99,600,000, respectively)	154,900,000	99,600,000
Interest payable on Credit Facility	282,449	189,934
Management fee payable	953,096	731,635
Performance-based incentive fee payable	2,352,551	1,164,090
Accrued other expenses	606,450	790,091
Total liabilities	165,335,750	118,735,473
Commitments and contingencies	--	--
Net assets		
Common stock, 14,898,056 shares issued and outstanding. Par value $0.001 per share and 100,000,000 shares authorized.	14,898	14,898
Paid-in capital in excess of par value	207,481,368	207,481,368
(Distributions in excess of) Undistributed net investment income	(240,033)	474,766
Accumulated net realized gain on investments	5,349,621	3,574,936
Net unrealized appreciation (depreciation) on investments	3,666,212	(1,479,574)
Total net assets	$ 216,272,066	$ 210,066,394
Total liabilities and net assets	$ 381,607,816	$ 328,801,867
Net asset value per share	$ 14.52	$ 14.10

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Investment income from:				
Non-controlled, non-affiliated investments:				
Interest	$ 7,524,629	$ 4,192,816	$ 21,808,074	$ 11,807,059
Other income	143,904	477,487	327,828	965,794
Total investment income	7,668,533	4,670,303	22,135,902	12,772,853
Expenses:				
Base management fee	953,096	548,779	2,787,848	1,464,403
Performance-based incentive fee	825,796	37,709	2,926,261	1,017,929
Interest and expenses on the Credit Facility	888,718	375,640	2,588,843	1,342,103
Administrative services expenses	276,000	144,052	678,000	452,876
Other general and administrative expenses	241,985	317,192	766,639	956,400
Expenses before excise tax and amendment costs	3,185,595	1,423,372	9,747,591	5,233,711
Excise tax	120,000	29,355	360,000	96,768
Credit Facility amendment costs	--	--	712,930	500,000
Total expenses	3,305,595	1,452,727	10,820,521	5,830,479
Net investment income	4,362,938	3,217,576	11,315,381	6,942,374
Realized and unrealized gain (loss) on investments and Credit Facility:				
Net realized gain on non-controlled, non-affiliated investments	697,831	1,659,391	1,774,685	3,206,861
Net change in unrealized (depreciation) appreciation on:				
Non-controlled, non-affiliated investments	(118,995)	(3,309,840)	5,145,786	(3,233,442)
Credit Facility appreciation	--	--	--	(377,500)
Net change in unrealized (depreciation) appreciation on investments and Credit Facility	(118,995)	(3,309,840)	5,145,786	(3,610,942)
Net realized and unrealized gain (loss) from investments and Credit Facility	578,836	(1,650,449)	6,920,471	(404,081)
Net increase in net assets resulting from operations	$ 4,941,774	$ 1,567,127	$ 18,235,852	$ 6,538,293
Net increase in net assets resulting from operations per common share	$ 0.33	$ 0.15	$ 1.22	$ 0.81
Net investment income per common share	$ 0.29	$ 0.31	$ 0.76	$ 0.86

ABOUT PENNANTPARK FLOATING RATE CAPITAL LTD.

PennantPark Floating Rate Capital Ltd. is a business development company which primarily invests in U.S. middle-market private companies in the form of floating rate senior secured loans. From time to time, the Company may also invest in mezzanine debt and equity investments. PennantPark Floating Rate Capital Ltd. 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.

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