



# PennantPark

Floating Rate Capital Ltd.

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.

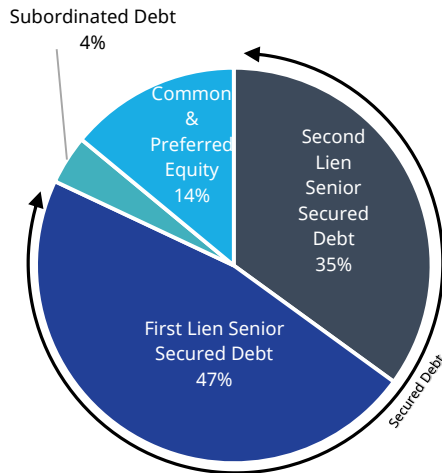
# Established Credit Platform

## PennantPark Investment Advisers, LLC

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

### PennantPark Investment Corporation

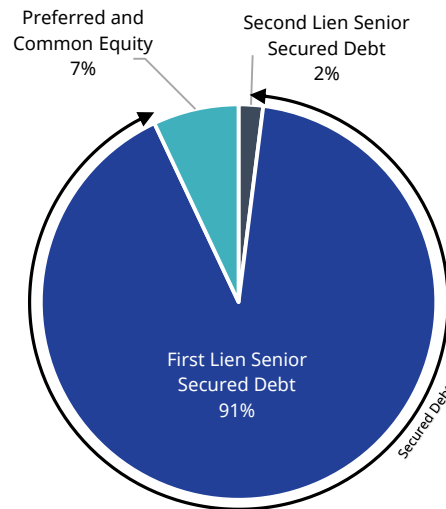
- NASDAQ: "PNNT"
- IPO Date: April 2007
- 82% Secured Debt



**\$1,132 million**  
90% Floating Rate

### PennantPark Floating Rate Capital Ltd.

- NASDAQ & TASE: "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

## PFLT

- \$510 million Market Capitalization
- \$13.82 Net Asset Value per Share
- 100% 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 5 non-accruals out of 335 companies since inception
- Blended recovery of 101% on non-accruals

#### PFLT

#### Conservative Portfolio Construction

- 88 companies in 22 different industries
- Weighted average debt/EBITDA through PFLT security is 4.3x
- Weighted average cash interest coverage is 2.8x
- 91% of portfolio is first lien senior secured
- 100% of portfolio is floating rate

# Why is PFLT 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 \$536 million
- Monthly divided of 9.5 cents per share
- Leader in the BDC space as measured by expense and efficiency ratios
- Senior Secured Loan Fund Joint Venture, PSSS, with Kemper Corporation has up to \$630 million of investment capacity
- Board approved reduction in asset coverage starting in April 2019 to \$150%

## Attractive and Diversified Financing

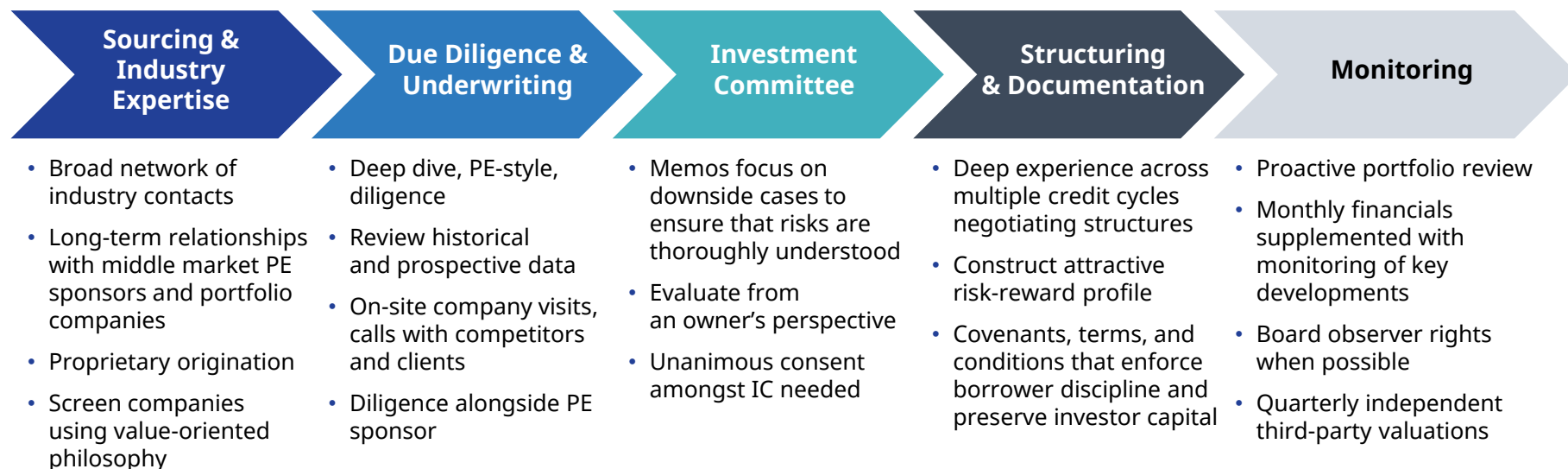
- Upsized to \$520 million of credit facility at L+225
- Completed a \$138.6 million, long-term, 3.83% bond offering in Israel
- Credit facility uses cost accounting on underlying portfolio
- Credit facility is marked to market for asset coverage test

# 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

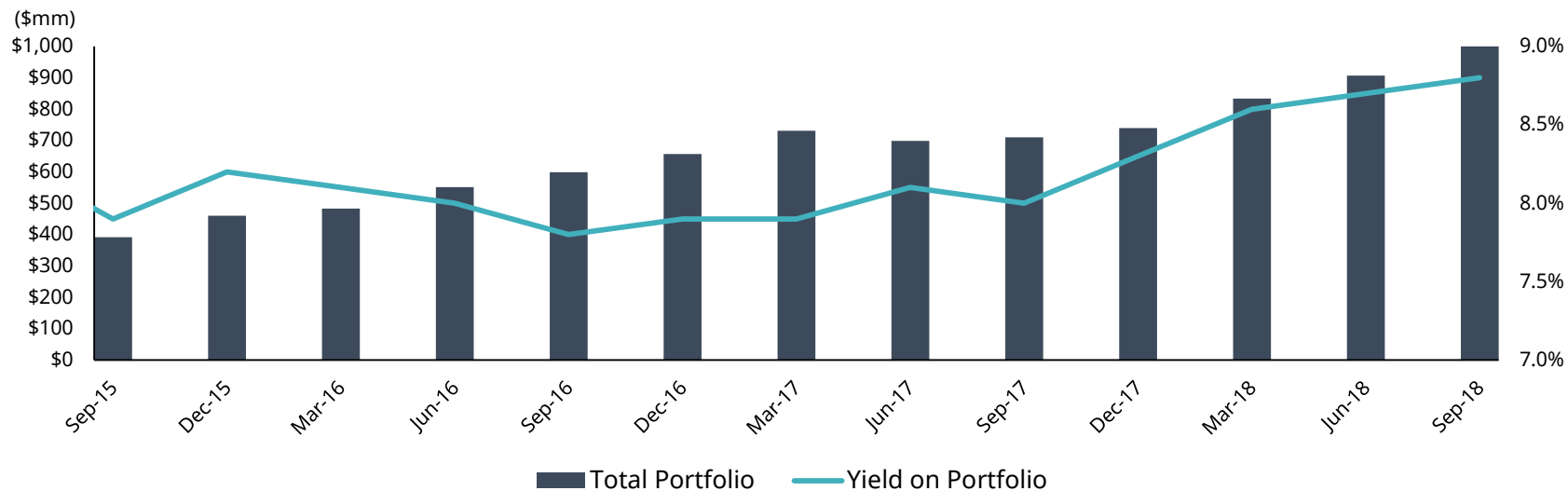


1. The execution of the investment process described herein indicates the Manager's current approach to investing, and this investment approach may be modified in the future by the Manager in its sole discretion at any time and without further notice to investors in response to changing market conditions,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

# PFLT Has a Compelling Track Record

- ▶ **Portfolio growth has been measured and consistent with market opportunity**
- ▶ **Low loss experience: 5 bps net realized and unrealized gain since inception**
  - Only 5 non-accruals out of 335 companies since inception, despite recession and credit crisis
  - Strong track record of capital recovery – Blended recovery of 101% on non-accruals<sup>1</sup>
- ▶ **100% floating rate portfolio benefitting from increasing LIBOR**

## Portfolio Size and Debt Yield

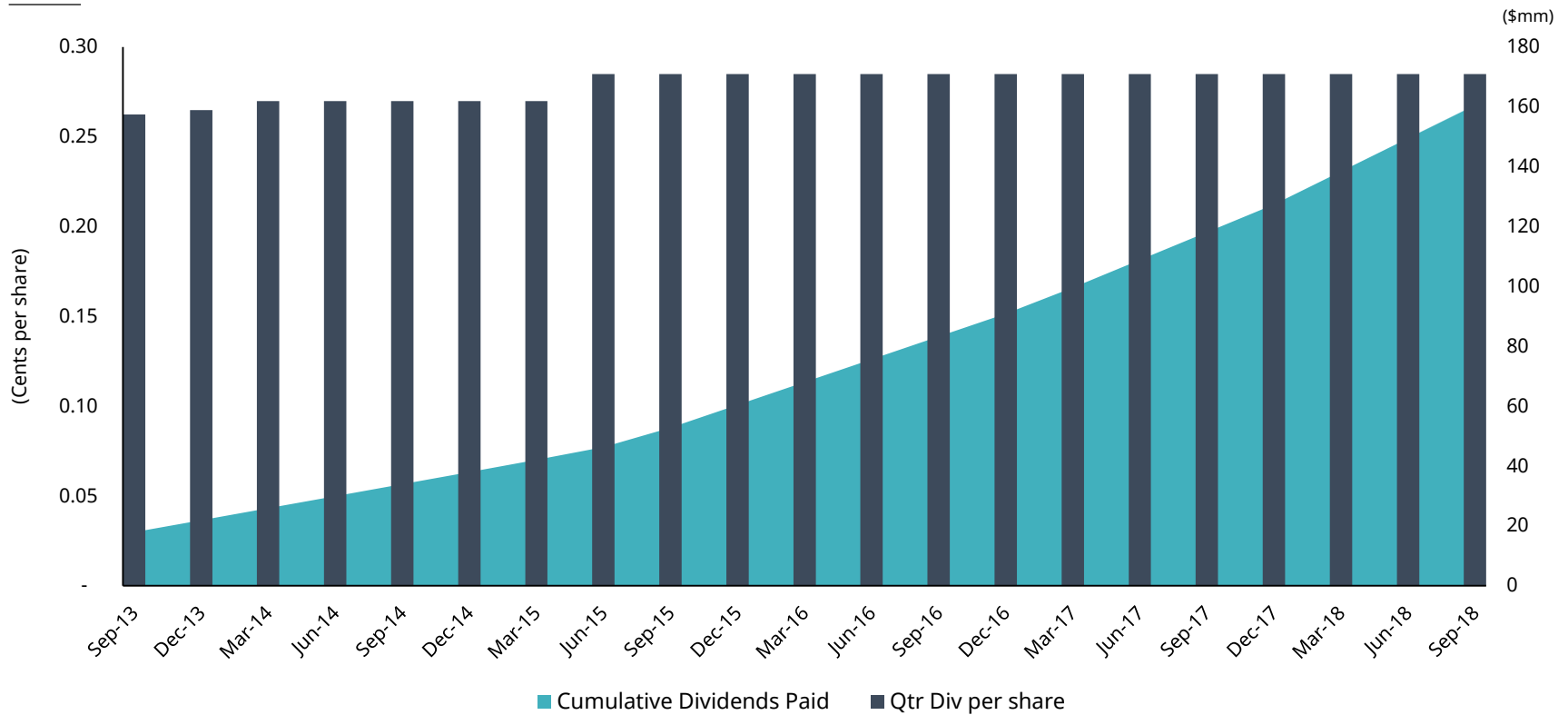


1. Realized and unrealized.

# PFLT Has a Compelling Track Record

- ▶ Consistent, steady dividend stream since inception
- ▶ Run rate net investment income covers the dividend

Quarterly Dividends & Cumulative Dividends Paid





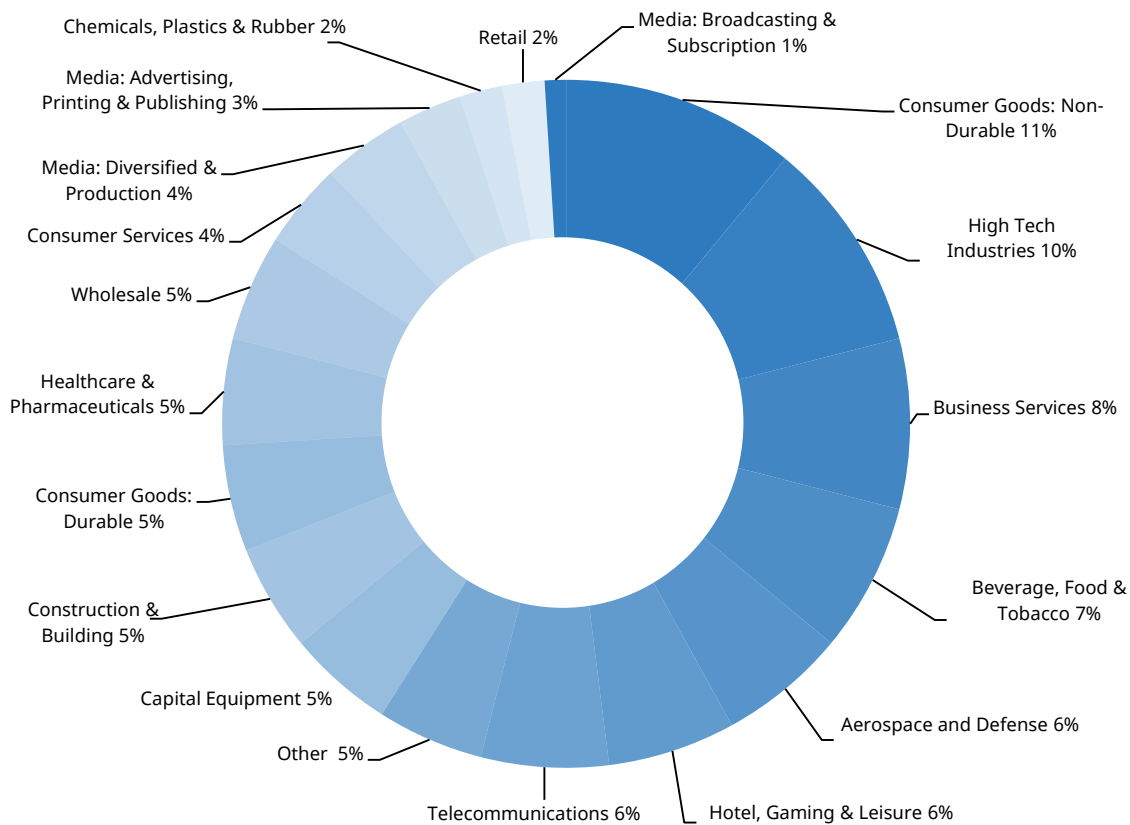
## Senior Secured Loan Fund

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- ▶ **Invests in primarily middle market, directly originated first lien loans**
- ▶ **\$630 million of total capacity**
- ▶ **Total commitments of \$210 million in first lien notes and equity from PFLT and Kemper Corporation**
- ▶ **Up to \$420 million of third party debt financing**
- ▶ **Expands ability to serve sponsor and borrower clients with larger bite sizes**
- ▶ **Leads to higher ROE and NII per share for PFLT**

# Overall Portfolio as of September 30, 2018

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

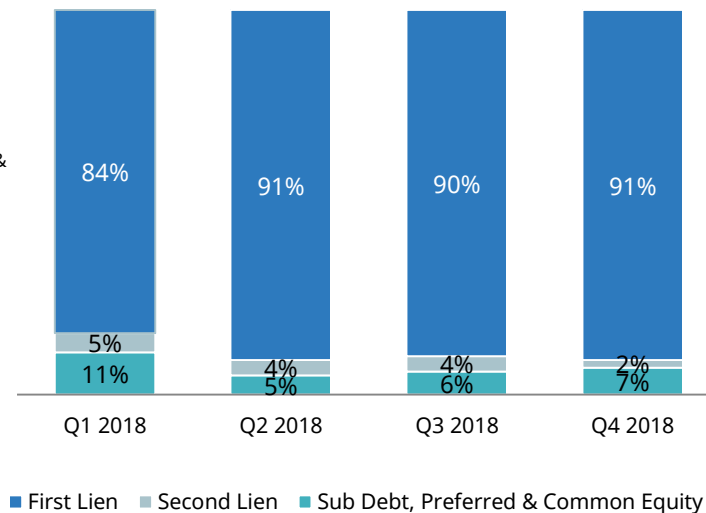


Total Portfolio: \$1,001 million

## Portfolio Overview

- ▶ 88 Different Companies
- ▶ Average Investment Size: \$11.4 million
- ▶ Yield at Cost on Debt Portfolio: 8.8%
- ▶ 100% Floating Rate Investments
- ▶ Annualized Dividend Yield of 8.7%
- ▶ Benefitting from increases in LIBOR

## Portfolio Mix

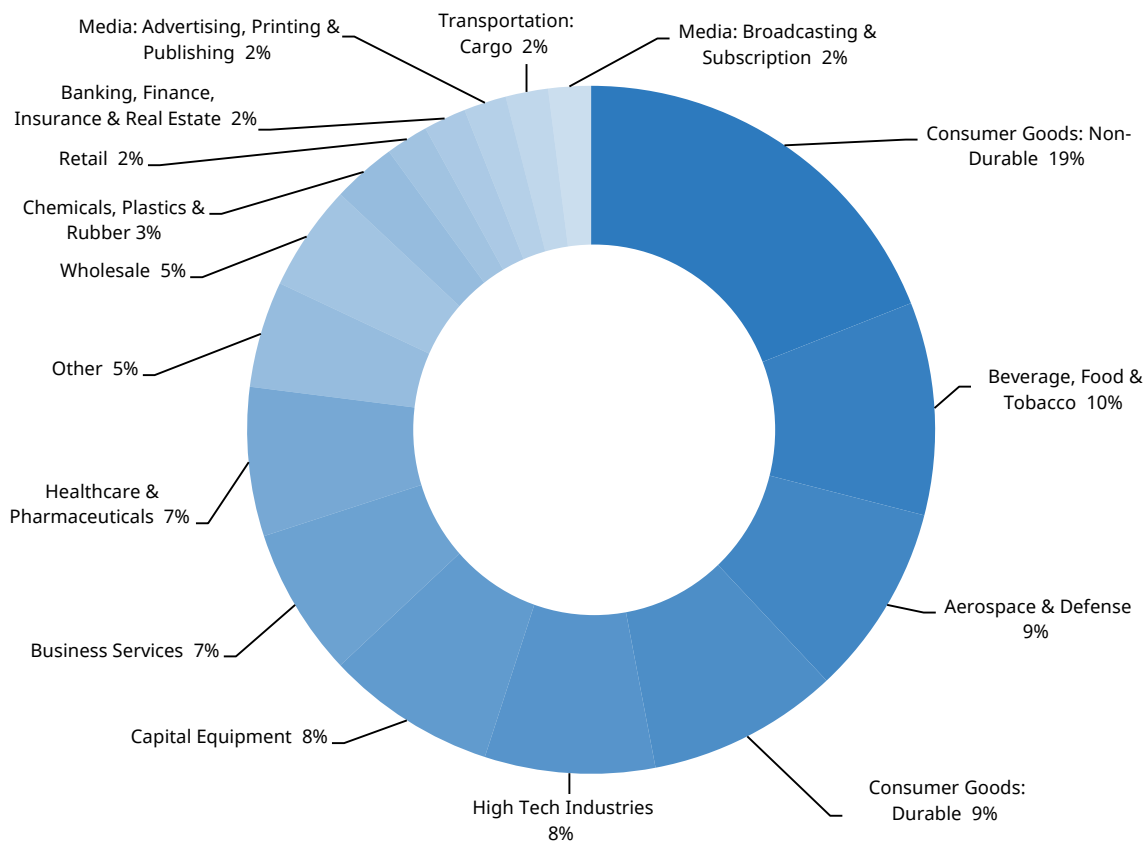


Note: Excluding PSSL.

1. Total of 22 industries. "Other" includes Banking, Finance, Insurance and Real Estate / Environmental Industries / Transportation: Cargo / Transportation: Consumer

# PSSL Portfolio as of September 30, 2018

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



Total Portfolio: \$425 million

## Portfolio Overview

- ▶ 42 Different Companies
- ▶ Average Investment Size: \$10.1 million
- ▶ Yield at Cost on Debt Portfolio: 7.8%
- ▶ 100% Floating Rate Investments
- ▶ 100% First Lien Investments

1. Total of 18 industries. "Other" includes Construction and Building / Transportation: Consumer / Media: Diversified and Production

## Selected Financial Highlights

| (\$mm, except per share data)           | December<br>Q1 2018 | March<br>Q2 2018 | June<br>Q3 2018 | September<br>Q4 2018 |
|---|---------------------|------------------|-----------------|----------------------|
| Investment Portfolio                    | \$739               | \$834            | \$907           | \$1,001              |
| PFLT Investment in PSSL                 | \$62                | \$77             | \$120           | \$146                |
| PSSL Investment Portfolio               | \$147               | \$221            | \$347           | \$425                |
| Debt (Cost)                             | \$329               | \$329            | \$394           | \$472                |
| Net Assets                              | \$537               | \$542            | \$536           | \$536                |
| Ending Debt to Equity                   | 0.61x               | 0.60x            | 0.73x           | 0.87x                |
| PFLT Originations                       | \$177               | \$139            | \$165           | \$202                |
| PSSL Originations                       | \$47                | \$80             | \$143           | \$101                |
| <b>Per Share Data:</b>                  |                     |                  |                 |                      |
| Net Asset Value                         | \$13.86             | \$13.98          | \$13.82         | \$13.82              |
| Core Net Investment Income <sup>1</sup> | \$0.25              | \$0.24           | \$0.28          | \$0.29               |
| Dividends declared                      | \$0.285             | \$0.285          | \$0.285         | \$0.285              |





















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

## 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>Revolver<br/>First Lien Secured Debt</p> <p>J.F. Lehman &amp; Company</p> |  <p>First Lien Secured Debt</p> <p>Gauge Capital</p>                          |  <p>Revolver<br/>First Lien Secured Debt<br/>Equity</p> <p>Sagewind Capital</p> |  <p>Revolver<br/>First Lien Secured Debt<br/>Delayed-Draw Term Loan</p> <p>Quad-C Management</p> |  <p>First Lien Secured Debt</p> <p>Sterling Partners</p>  |
|  <p>Revolver<br/>First Lien Secured Debt</p> <p>Altamont Capital Partners</p>  |  <p>First Lien Secured Debt</p> <p>Snow Phipps Group</p>                      |  <p>Revolver<br/>First Lien Secured Debt</p> <p>Zelnick Media Capital</p>       |  <p>First Lien Secured Debt<br/>Delayed-Draw Term Loan</p> <p>CI Capital Partners</p>            |  <p>Revolver<br/>First Lien Term Loan<br/>Equity</p> <p>Norwest Equity Partners</p>                 |
|  <p>Revolver<br/>First Lien Secured Debt</p> <p>Atlantic Street Capital</p>   |  <p>Revolver<br/>First Lien Secured Debt</p> <p>Sentinel Capital Partners</p> |  <p>Revolver<br/>First Lien Secured Debt</p> <p>Windjammer Capital</p>          |  <p>First Lien Secured Debt</p> <p>Summit Partners LP</p>  |  <p>First Lien Secured Debt<br/>Delayed-Draw Term Loan</p> <p>Morgan Stanley<br/>Private Equity</p> |
|  <p>Revolver<br/>First Lien Secured Debt</p> <p>Platte River Equity</p>     |  <p>Revolver<br/>First Term Loan</p> <p>MidOcean Partners</p>               |  <p>First Lien Secured Debt</p> <p>Tower Arch Capital</p>                     |  <p>Revolver<br/>First Lien Term Loan</p> <p>Arlington Capital Partners</p>                    |  <p>First Lien Secured Debt</p> <p>Snow Phipps Group</p>  |