



**Pennant Park**  
Floating Rate Capital

December 31, 2017

[www.pennantpark.com](http://www.pennantpark.com)

# Forward-looking Statements and Risk Factors

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".

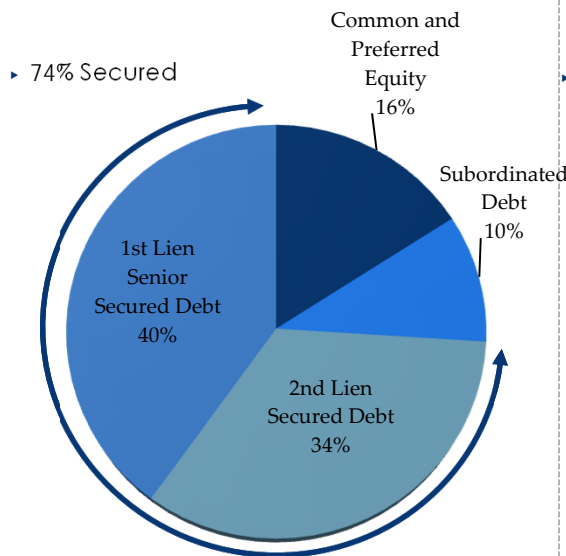
This is not a prospectus and should under no circumstances be understood to be an offer to sell, or a solicitation of an offer to buy, any security of PennantPark Investment Corporation or PennantPark Floating Rate Capital Ltd. These materials and the presentations of which they are a part, and the summaries 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  
\$2.3 billion total AUM

**PennantPark**  
Investment Corporation

NASDAQ: "PNNT"  
IPO Date: April 2007

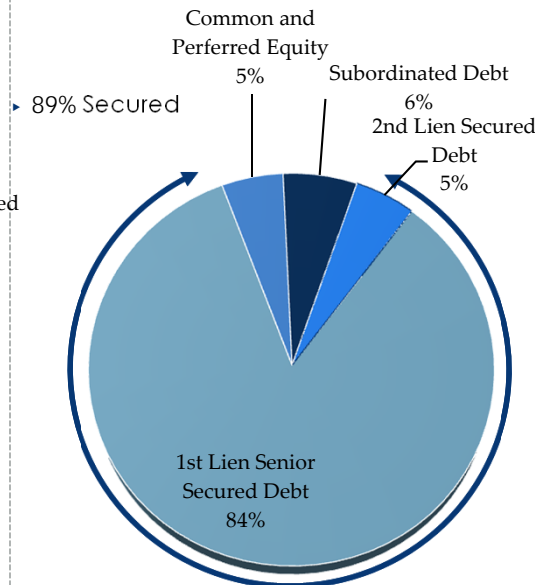


\$1,101 million

82% Floating Rate<sup>(1)</sup>

**PennantPark**  
Floating Rate Capital Ltd.

NASDAQ: "PFLT"  
IPO Date: April 2011



\$739 million

99% Floating Rate<sup>(1)</sup>

## 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

Ticker	PFLT
Exchange	NASDAQ & TASE
Market Capitalization	\$532 million
Net Asset Value per Share	\$13.86
Total Assets	\$882 million

As of 12/31/2017

Note: PFLT - 77% of the Subordinated debt and Equity investments are in PennantPark Senior Loan Fund I LLC ("PSSL"), which owns 100% 1<sup>st</sup> Lien Securities.

(1) Including floor

### 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 in current environment



 **PennantPark**  
Investment Advisers, LLC

### 11 Year Anniversary

Founded in 2007

Funded \$7 billion  
in 467 companies

### Conservative Portfolio Construction

- 84 companies in 24 different industries
- Weighted average debt/EBITDA through PFLT security is 4.1x
- Weighted average cash interest coverage is 3.1x
- 84% of portfolio is first lien senior secured and 90% is secured
- Approximately 77% of the Subordinated debt and Equity investments are in PSSL, which owns 100% 1st Lien Securities.
- 99% of portfolio is floating rate

### Consistent Performance & Track Record

- Low volatility of underlying portfolio EBITDA through the Great Recession
- Only 5 non-accruals out of 314 companies since inception
- Blended recovery of 107% on non-accruals

# 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 – no conflicts of interest
- Established institutionalized relationships
- Focus on building long term trust
- Brand recognition with 181 sponsors financed

## Strong Capital Base and Performance

- October 2017 follow-on offering of 6.3 million shares raising \$89 million in gross proceeds
- Permanent equity capital of \$537 million
- Monthly dividend of 9.5 cents per share
- Leader in the BDC space as measured by expense and efficiency ratios
- Senior Secured Loan Fund Joint Venture, PSSL, with Kemper Corporation with up to \$300 million of investment capacity

## Attractive and Diversified Financing

- Upsized \$405 million of credit facility at L+200
- 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

## PennantPark Investment's Decisions Result From a Consistent, Credible Process

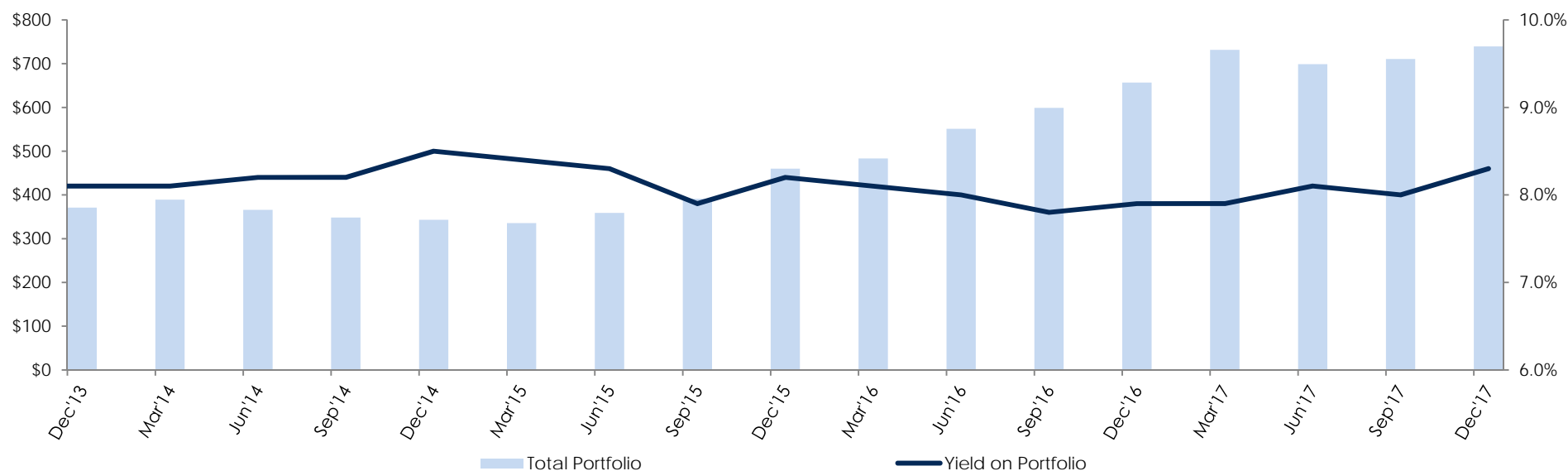


- ▶ Expansive sourcing network and flexible transaction structuring tailor investment approach and pace to the market environment and opportunity set
- ▶ Value-oriented with a focus on preservation of capital
- ▶ Focus on companies with
  - Positive and stable free cash flow
  - Experienced management teams
  - Established financial sponsors
  - Strong competitive positions
  - Potential for growth
  - Viable exit strategies
- ▶ Disciplined approach ensures that investments have an attractive return profile in relation to risk
- ▶ Market disruptions provide opportunities for value investing
  - Long term, patient capital
  - Seek to maintain dry powder

# PFLT has a Compelling Track Record

- ▶ Portfolio growth has been measured and consistent with market opportunity
- ▶ Prudent management has avoided growth simply to grow AUM
- ▶ Loss experience: about 10 bps annual net realized and unrealized gain since inception
  - Only 5 non-accruals out of 314 companies since inception
  - Strong track record of capital recovery – Blended recovery of 107% on non-accruals

Portfolio Size (\$ in millions) and Debt Yield

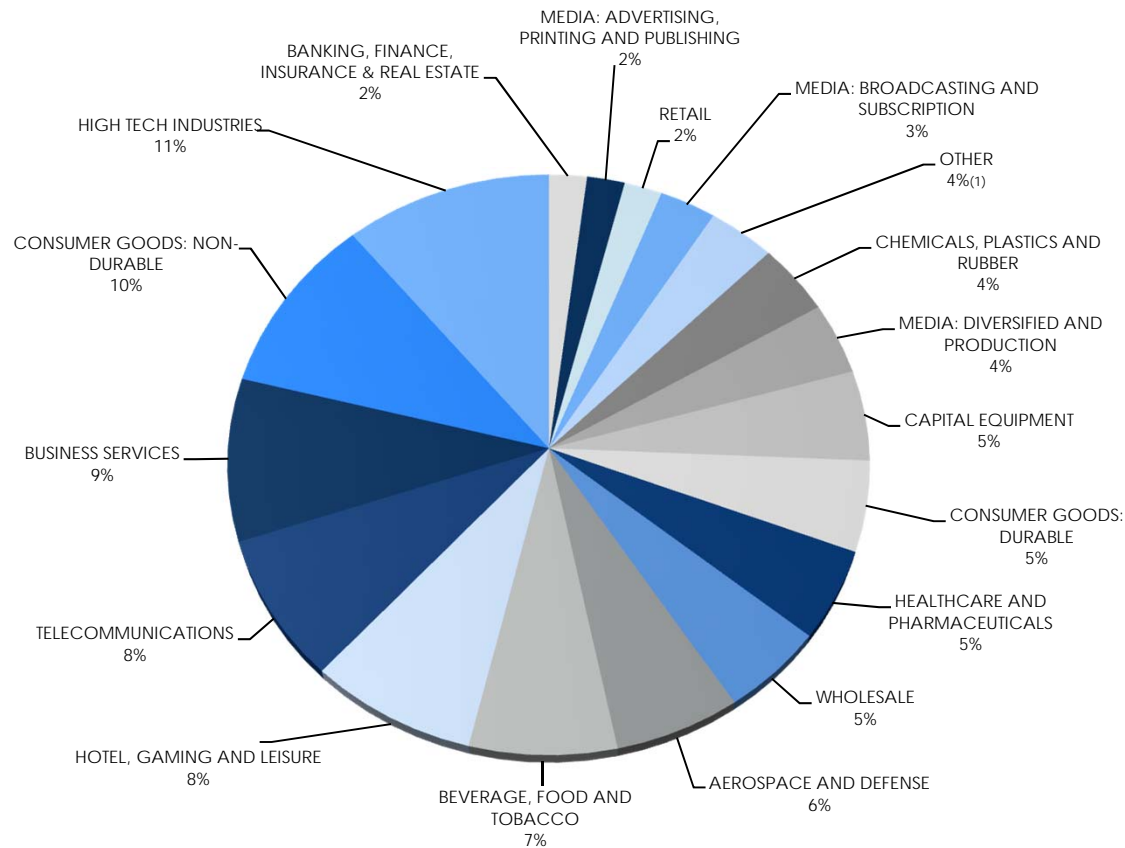


- ▶ Invests in primarily middle market, directly originated first lien loans
- ▶ Total commitments of \$105 million in Subordinated Notes and Equity from PFLT and Kemper Corporation
- ▶ Up to \$210 million of third party debt financing
- ▶ Expands ability to serve sponsor and borrower clients with larger bite sizes
- ▶ Leads to higher ROE and NII per share for PFLT



# Overall Portfolio as of 12/31/2017

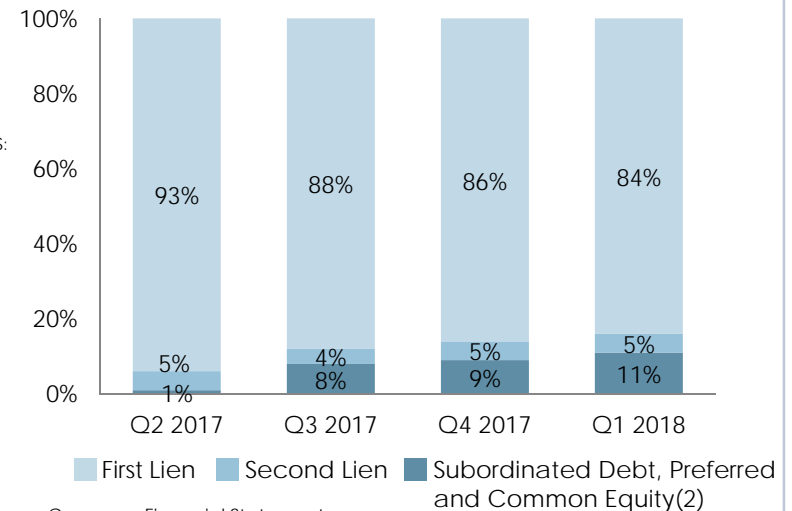
## Highly Diversified Industry Mix



## Portfolio Overview

- ▶ Total Portfolio: \$739 million
- ▶ 84 Different Companies
- ▶ Average Investment Size: \$8.8 million
- ▶ Yield at Cost on Debt Portfolio: 8.3%
- ▶ 99% Floating rate investments (including 4% with a floor above Libor)
- ▶ Annualized Dividend Yield of 8.3%

## Portfolio Mix



Source: Company Financial Statements.

- (1) Total of 24 industries. "Other" includes: Construction and Building / Consumer Services / Energy: Oil and Gas / Environmental Industries / Metals and Mining / Transportation: Cargo / Transportation: Consumer
- (2) Approximately 77% of the Subordinated debt and Equity investments are in PSSL, which owns 100% 1<sup>st</sup> Lien Securities.

Note: Industry mix excludes investment in PSSL

# Selected Financial Highlights

(\$ in millions, except per share data)	March Q2 2017	June Q3 2017	September Q4 2017	December Q1 2018
Investment Portfolio	\$731	\$699	\$710	\$739
PFLT Investment in PSSL	-	\$26	\$43	\$62
PSSL Investment Portfolio	-	\$71	\$100	\$147
Debt (Cost)	\$300	\$294	\$254	\$329
Net Assets	\$456	\$456	\$458	\$537
Ending Debt to Equity	0.66x	0.64x	0.56x	0.61x
Originations	\$146	\$137	\$101	\$177
PSSL Originations	-	\$71	\$40	\$47

Per Share Data:				
Net Asset Value per Share	\$14.05	\$14.05	\$14.10	\$13.86
Core Net Investment Income per Share <sup>(1)</sup>	\$0.27	\$0.27	\$0.32	\$0.25
Dividends declared per Share	\$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

Proprietary Sourcing Network

Less Risky Middle-Market Companies

Free Cash Flow and De-Leveraging

Captured by Interest Payments on  
Primarily Secured Floating Rate Debt

Stable Dividends with Capital  
Preservation

# Selected Investments

 <p>First Lien Term Loan Equity Twin Point Capital</p>	 <p>First Lien Term Loan J.F. Lehman &amp; Company</p>	 <p>First Lien Term Loan J.F. Lehman &amp; Company</p>	 <p>First Lien Term Loan Equity Sagewind Capital</p>	 <p>First Lien Term Loan Insignia Capital</p>
 <p>First Lien Term Loan First Lien Delayed-Draw Term Loan Revolver Quad-C Management</p>	 <p>First Lien Term Loan Kainos Capital</p>	 <p>First Lien Term Loan Sterling Partners</p>	 <p>Revolver First Lien Term Loan Ares Management</p>	 <p>First Lien Term Loan Altamont Capital Partners</p>
 <p>First Lien Term Loan Snow Phipps Group</p>	 <p>First Lien Term Loan Zelnick Media Capital</p>	 <p>First Lien Term Loan Sentinel Capital Partners</p>	 <p>First Lien Term Loan Avista Capita Partners/ Court Square</p>	 <p>First Lien Term Loan Atlantic Street Capital</p>
 <p>First Lien Debt Sentinel Capital Partners</p>	 <p>First Lien Term Loan Windjammer Capital</p>	 <p>First Lien Term Loan Summit Partners LP</p>	 <p>First Lien Term Loan Morgan Stanley Private Equity</p>	 <p>First Lien Term Loan Platte River Equity</p>
 <p>First Lien Term Loan Bridge Growth Partners</p>	 <p>First Lien Term Loan Tower Arch Capital</p>	 <p>First Lien Term Loan Gryphon Investors</p>	 <p>First Lien Term Loan Snow Phipps Group</p>	 <p>Revolver First Lien Debt Equity Co-Investment H.I.G. Capital</p>