

# H A R V E S T

C A P I T A L C R E D I T

## HARVEST CAPITAL CREDIT CORPORATION ANNOUNCES MARCH 31, 2021 FINANCIAL RESULTS

**NEW YORK, May 7, 2021** — Harvest Capital Credit Corporation (the “Company,” “we,” or “our”) (NASDAQ: HCAP) announced financial results for its first quarter ended March 31, 2021.

### FINANCIAL HIGHLIGHTS

	Q1-2021		Q1-2020	
	Amount	Per share	Amount	Per share
<b>Net investment income</b>	\$120,566	\$0.02	\$988,670	\$0.17
<b>Core net investment income (1)</b>	120,566	0.02	988,670	0.17
Net realized gains (losses) on investments	6,445,524	1.08	(86,427)	(0.01)
Net change in unrealized depreciation on investments	(3,046,949)	(0.51)	(4,579,537)	(0.77)
Benefit for taxes on unrealized losses on investments	933,742	0.16	—	—
<b>Net income (loss)</b>	\$4,452,883	\$0.75	(\$3,677,294)	(\$0.62)
Weighted average shares outstanding (basic and diluted)	5,968,296		5,949,548	

(1) Core net investment income and core net investment income per share are non-GAAP financial measures. For the quarters ended March 31, 2021 and 2020, there were no adjustments to GAAP net investment income and GAAP net investment income per share to arrive at core net investment income and core net investment income per share.

## PORTFOLIO ACTIVITY

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Portfolio investments at fair value	\$ 77,137,550	\$ 89,554,573
Total assets	\$ 106,992,348	\$ 129,944,513
Net assets	\$ 66,669,404	\$ 62,216,521
Shares outstanding	5,968,296	5,968,296
Net asset value per share	\$ 11.17	\$ 10.42

	<b>Q1-2021</b>	<b>Q1-2020</b>
Portfolio activity during the period:		
New debt investments	\$ —	\$ 1,225,000
New equity investments	—	200,000
Exits of debt investments	(5,490,788)	(2,196,600)
Exits of equity investments	(2,791,241)	(102,421)
Principal repayments	(1,594,893)	(846,241)
Net activity	\$ (9,876,922)	\$ (1,720,262)

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Number of portfolio company investments	20	21
Number of debt investments	13	14

Weighted average yield of debt and other income producing investments (1):		
Cash	9.1 %	9.0 %
PIK	2.3 %	2.6 %
Fee amortization	0.9 %	0.3 %
Total	12.3 %	11.9 %

Weighted average yield on total investments (2):		
Cash	7.4 %	6.9 %
PIK	1.8 %	2.0 %
Fee amortization	0.8 %	0.2 %
Total	10.0 %	9.1 %

- (1) The dollar-weighted average annualized effective yield is computed using the effective interest rates for our debt investments and other income producing investments, including cash and PIK interest as well as the accretion of deferred fees. The individual investment yields are then weighted by the respective fair values of the investments (as of the date presented) in calculating the weighted average effective yield of the portfolio as a percentage of our debt and other income producing investments. The dollar-weighted average annualized yield on the Company's investments for a given period will generally be higher than what investors in our common stock would realize in a return over the same period because the dollar-weighted average annualized yield does not reflect the Company's expenses or any sales load that may be paid by investors. GK Holdings, Inc. and ProAir Holdings Corporation were excluded from the calculation as of March 31, 2021 and December 31, 2020 because they were on non-accrual status as of those dates.
- (2) The dollar-weighted average yield on total investments takes the same yields but weights them to determine the weighted average effective yield as a percentage of the Company's total investments. The dollar-weighted average annualized yield on the Company's investments for a given period will generally be higher than what investors in our common stock would realize in a return over the same period because the dollar-weighted average annualized yield does not reflect the Company's expenses or any sales load that may be paid by investors.

## FIRST QUARTER 2021 OPERATING RESULTS

Net investment income was \$0.1 million, or \$0.02 per share, for the quarter ended March 31, 2021, compared to net investment income of \$1.0 million, or \$0.17 per share, for the quarter ended March 31, 2020, a decrease of \$0.9 million in the first quarter of 2021 compared to 2020. The decrease in net investment income during the 2021 first quarter as compared to the 2020 first quarter primarily resulted from a reduction in the size of the Company's income-earning portfolio in 2021, a lower weighted-average effective yield on the income-producing portfolio, and increased professional fees incurred, primarily in connection with the pending merger with Portman Ridge Finance Corporation ("PTMN"), partially offset by lower interest expense, due to lower weighted-average borrowings outstanding during the first quarter of 2021, and reduced management fees. The Company incurred \$0.3 million, or \$0.04 per share, in professional fees in connection with the pending merger with PTMN during the three months ended March 31, 2021 and the Company expects to incur an additional \$1.5 million, or \$0.24 per share, in professional fees relating to the pending merger with PTMN.

For the quarter ended March 31, 2021, the Company recorded net operating income of \$4.5 million, compared to a net operating loss of \$3.7 million during the quarter ended March 31, 2020. Per share earnings were \$0.75 during the three months ended March 31, 2021, compared to net loss of \$0.62 per share in the three months ended March 31, 2020. The \$8.2 million increase between periods was primarily attributable to a \$1.5 million change in unrealized appreciation between comparative periods, an increase in realized gains of \$6.5 million, and a \$0.9 million benefit for deferred taxes on unrealized losses on investments incurred during the three months ended March 31, 2021, offset by a \$0.9 million decrease in net investment income as discussed above.

As of March 31, 2021, our total portfolio investments at fair value and total assets were \$77.1 million and \$107.0 million, respectively, compared to \$89.6 million and \$129.9 million at December 31, 2020, respectively. Net asset value per share was \$11.17 at March 31, 2021, compared to \$10.42 at December 31, 2020.

The Company exited one portfolio company during the three months ended March 31, 2021. The significant investment activity for the quarter ended March 31, 2021 was as follows:

### Investment Sales and Payoffs

On March 1, 2021, the Company received \$5.5 million from National Program Management & Project Controls, LLC ("NPMPC") representing full payoffs at par for both of the senior secured term loan and the senior secured delayed draw term loan and the Company also received a prepayment fee of \$0.1 million. In addition, the Company received proceeds of \$9.0 million for the sale of its Class A membership interests in NPMPC. An additional \$0.1 million is held in escrow and is scheduled to be released to the Company at a later date once certain conditions are met. The Company generated an internal rate of return (IRR\*) of 13.9% on its debt investments and 81.2% on its equity investment in NPMPC.

\* IRR is the rate of return that makes the net present value of all cash flows into or from the investment equal to zero, and is calculated based on the amount of each cash flow received or invested by the Company and the day it was received or invested.

"We had a successful quarter. Despite the shrinking portfolio of interest earning assets and the elevated operating expenses related to the pending merger with Portman Ridge Finance Corporation, we generated

net investment income for shareholders. Furthermore, we continue to benefit from our focus on active portfolio management that, coupled with a recovering US economy, resulted in significant realized gains and led to a material increase in our net asset value to \$11.17 per share at period end, compared to a pre-pandemic net asset value of \$11.23 at December 2019." concluded Mr. Jolson.

## **CREDIT QUALITY**

The Company employs various risk management and monitoring tools to categorize and assess its investments. No less frequently than quarterly, the Company applies an investment risk rating system which uses a five-level numeric scale. In determining an investment rating, Company management takes into account various aspects of a company's performance during the measurement period and assigns an investment rating to each aspect, which are then averaged. Such averages may inform, but do not necessarily determine, the investment rating assigned to a company. The following is a description of the conditions associated with each investment rating:

- Investment Rating 1 is used for investments that are performing above expectations, and whose risks remain favorable compared to the expected risk at the time of the original investment.
- Investment Rating 2 is used for investments that are performing within expectations and whose risks remain neutral compared to the expected risk at the time of the original investment. All new loans are initially rated 2.
- Investment Rating 3 is used for investments that are performing below expectations and that require closer monitoring, but where no loss of return or principal is expected. Portfolio companies with a rating of 3 may be out of compliance with financial covenants.
- Investment Rating 4 is used for investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are often in workout. Investments with a rating of 4 are those for which there is an increased possibility of loss of return, but no loss of principal is expected.
- Investment Rating 5 is used for investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are almost always in workout. Investments with a rating of 5 are those for which loss of return and principal is expected.

As of March 31, 2021, the weighted average risk rating of the debt investments in the Company's portfolio decreased to 2.79 from 2.74 in the previous quarter. Also, as of March 31, 2021, three of the Company's thirteen debt investments were rated 1, three investments were rated 2, three investments were rated 3, four investments were rated 4, and no investments were rated 5. As of March 31, 2021, two investments with a combined fair value of \$6.2 million were on non-accrual status.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our liquidity and capital resources are derived from our senior secured revolving credit facility, proceeds received from offerings of our securities, if any, such as the 2022 Notes in August 2017, cash flows from operations, including investment sales and repayments, and cash income earned. Our primary uses of funds from operations include investments in portfolio companies and other operating expenses we incur, as well as the payment of distributions to the holders of our common stock. We used, and expect to continue to use, these capital resources as well as proceeds from any future public and private offerings of securities to finance our investment activities. To the extent the pending merger with PTMN does not close, we may amend or refinance our leverage facilities and borrowings, in order to, among other things, modify covenants or the interest rates payable and extend the reinvestment period or maturity date.

As of March 31, 2021, the Company had \$28.8 million of cash and restricted cash and \$7.3 million of undrawn borrowing capacity under its senior secured revolving credit facility. On April 1, 2021, the Company repaid \$10.0 million on the senior secured revolving credit facility. As of May 7, 2021, the Company had fully repaid the balance on its senior secured revolving credit facility. The revolving period under the credit facility is scheduled to end on June 30, 2021. The credit facility is secured by all of the Company's assets.

## **SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO MARCH 31, 2021**

On April 5, 2021, the Company sold its membership interests in Infinite Care, LLC and received a final payment to satisfy the amounts outstanding under its senior secured term loan and revolving line of credit provided to Infinite Care, LLC. The Company received \$7.6 million in gross proceeds at the closing of the transaction. An additional \$2.2 million of proceeds is scheduled to be released to the Company at various dates during the two-year period following the closing date of the transaction once certain conditions are met.

On April 30, 2021, the Company received \$2.5 million from Water-Land Manufacturing & Supply, LLC, representing a full payoff at par of the Company's junior secured term loan. The Company also received a \$25,000 prepayment fee upon the payoff.

On May 3, 2021, the Company received \$4.4 million from Safety Services Acquisition Corp., representing a full payoff at par of the Company's senior secured term loan. The Company retained its Series A preferred stock investment in Safety Services Acquisition Corp.

## **ABOUT HARVEST CAPITAL CREDIT CORPORATION**

Harvest Capital Credit Corporation (NASDAQ: HCAP) provides customized financing solutions to privately held small and mid-sized companies in the U.S., generally targeting companies with annual revenues of less than \$100 million and annual EBITDA of less than \$15 million. The Company's investment objective is to generate both current income and capital appreciation primarily by making direct investments in the form of senior debt, subordinated debt and, to a lesser extent, minority equity investments. Harvest Capital Credit Corporation is externally managed and has elected to be treated as a business development company under the Investment Company Act of 1940. For more information about Harvest Capital Credit Corporation, visit [www.harvestcapitalcredit.com](http://www.harvestcapitalcredit.com). However, the contents of such website are not and should not be deemed to be incorporated by reference herein.

**Forward-Looking Statements**

This press release contains forward-looking statements subject to the inherent uncertainties in predicting future events, results and conditions. Any statements that are not of historical fact (including statements containing the words "believes", "plans", "anticipates", "expects", "estimates", and similar expressions) should also be considered to be forward-looking statements. Certain factors could cause actual events, results and conditions, including those relating to the timing or likelihood of the closing of the pending merger with PTMN, to differ materially from those discussed or projected in these forward-looking statements, including, without limitation, the failure to secure the shareholder approval required for the consummation of the merger with PTMN, the failure to fulfill all of the other various conditions to the consummation of the merger, changes in our relationships and contractual arrangements with lenders and our portfolio companies and changes in economic, market or other conditions, including with respect to the impact of the COVID-19 pandemic and its effects on the Company and its portfolio companies' results of operations and financial condition. These factors are identified from time to time in our filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and our quarterly reports on Form 10-Q. We undertake no obligation to update such statements to reflect subsequent events, except as may be required by law.

**Harvest Capital Credit Corporation**  
Consolidated Statements of Assets and Liabilities

	March 31,	December 31,
	2021	2020
	(Unaudited)	
<b>ASSETS:</b>		
Non-affiliated/non-control investments, at fair value (cost of \$44,009,529 at 3/31/2021 and \$45,081,806 at 12/31/20)	\$ 43,076,198	\$ 43,075,802
Affiliated investments, at fair value (cost of \$26,576,003 at 3/31/21 and \$34,972,335 at 12/31/20)	24,090,925	35,563,428
Control investments, at fair value (cost of \$14,078,735 at 3/31/21 and \$13,980,200 at 12/31/20)	9,970,427	10,915,343
Cash	17,512,542	7,905,299
Restricted cash	11,250,378	31,478,661
Interest receivable	501,995	545,330
Accounts receivable – other	331,698	106,415
Deferred financing costs	144,943	205,630
Other assets	113,242	148,605
<b>Total assets</b>	<b>\$ 106,992,348</b>	<b>\$ 129,944,513</b>
<b>LIABILITIES:</b>		
Revolving line of credit	\$ 10,000,000	\$ 35,591,406
2022 Notes (net of deferred offering costs and unamortized discount of \$354,732 at 3/31/21 and \$410,330 at 12/31/20)	28,395,268	28,339,670
Accrued interest payable	98,976	114,367
Accounts payable - base management fees	416,194	474,217
Accounts payable - administrative services	350,000	350,000
Accounts payable - accrued expenses	759,919	1,622,003
Deferred tax liability	302,587	1,236,329
<b>Total liabilities</b>	<b>40,322,944</b>	<b>67,727,992</b>
<b>Commitments and contingencies (Note 8)</b>		
<b>NET ASSETS:</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 6,610,261 issued and 5,968,296 outstanding at 3/31/21 and 12/31/20	6,610	6,610
Capital in excess of common stock	89,578,243	89,578,243
Treasury shares, at cost, 641,965 shares at 3/31/21 and 12/31/20	(6,723,505)	(6,723,505)
Accumulated over distributed earnings	(16,191,944)	(20,644,827)
<b>Total net assets</b>	<b>66,669,404</b>	<b>62,216,521</b>
<b>Total liabilities and net assets</b>	<b>\$ 106,992,348</b>	<b>\$ 129,944,513</b>
Common stock outstanding	5,968,296	5,968,296
Net asset value per common share	\$ 11.17	\$ 10.42

**Harvest Capital Credit Corporation**  
Consolidated Statements of Operations

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Investment Income:</b>		
Interest:		
Cash - non-affiliated/non-control investments	\$ 881,146	\$ 1,564,087
Cash - affiliated investments	570,151	1,301,790
Cash - control investments	98,535	—
PIK - non-affiliated/non-control investments	130,654	109,634
PIK - affiliated investments	138,064	155,328
PIK - control investments	98,535	—
Amortization of fees, discounts and premiums		
Non-affiliated/non-control investments	55,712	89,995
Affiliated investments	97,633	59,747
Total interest income	2,070,430	3,280,581
Other income	126,210	6,180
<b>Total investment income</b>	<b>2,196,640</b>	<b>3,286,761</b>
<b>Expenses:</b>		
Interest expense – revolving line of credit	59,392	321,119
Interest expense - unused line of credit	50,851	55,396
Interest expense - deferred financing costs	61,935	58,005
Interest expense - 2022 Notes	440,235	440,235
Interest expense - deferred offering costs and discount	55,597	51,853
Total interest expense	668,010	926,608
Professional fees	451,533	209,045
General and administrative	190,337	231,272
Base management fees	416,194	581,166
Administrative services expense	350,000	350,000
<b>Total expenses</b>	<b>2,076,074</b>	<b>2,298,091</b>
<b>Net Investment Income</b>	<b>120,566</b>	<b>988,670</b>
Net realized gains (losses):		
Non-Affiliated / Non-Control investments	—	(86,427)
Control investments	6,445,524	—
<b>Net realized gains (losses)</b>	<b>6,445,524</b>	<b>(86,427)</b>
Net change in unrealized appreciation (depreciation) on investments:		
Non-Affiliated / Non-Control investments	1,072,674	(3,242,104)
Affiliated investments	(3,076,171)	(1,727,883)
Control investments	(1,043,452)	390,450
<b>Net change in appreciation depreciation on investments</b>	<b>(3,046,949)</b>	<b>(4,579,537)</b>
<b>Total net unrealized and realized losses on investments</b>	<b>3,398,575</b>	<b>(4,665,964)</b>
Benefit for taxes on unrealized losses on investments	933,742	—
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 4,452,883</b>	<b>\$ (3,677,294)</b>
Net investment income per share	\$0.02	\$0.17
Net increase (decrease) in net assets resulting from operations per share	\$0.75	(\$0.62)
Weighted average shares outstanding (basic and diluted)	5,968,296	5,949,548



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