

# 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 DECEMBER 31, 2018 FINANCIAL RESULTS

NEW YORK, March 15, 2019 — Harvest Capital Credit Corporation (the “Company”) (NASDAQ: HCAP) announced financial results for the fourth quarter and year ended December 31, 2018.

### FINANCIAL HIGHLIGHTS

	Q4-18		Q4-17		FY-18		FY-17	
	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
<b>Net investment income</b>	\$1,575,141	\$0.25	\$1,924,508	\$0.30	\$5,982,399	\$0.93	\$8,236,854	\$1.28
<b>Core net investment income (1)</b>	\$1,575,141	\$0.25	\$1,924,508	\$0.30	\$5,982,399	\$0.93	\$8,973,657	\$1.40
Net realized gains (losses) on investments	\$122,440	\$0.02	-	-	(\$486,680)	(\$0.07)	(\$8,062,441)	(\$1.26)
Net change in unrealized appreciation (depreciation) on investments	\$(164,944)	\$(0.03)	\$(432,485)	\$(0.07)	(\$428,921)	(\$0.07)	\$1,458,173	\$0.23
Benefit for taxes on unrealized losses on investments (2)	\$15,584	-	-	-	-	-	-	-
<b>Net income</b>	\$1,548,221	\$0.24	\$1,492,023	\$0.23	\$5,066,798	\$0.79	\$1,632,586	\$0.25
Weighted average shares outstanding (basic and diluted)	6,401,887		6,474,769		6,406,869		6,412,215	

- (1) Core net investment income and core net investment income per share are non-GAAP financial measures. Reconciliations of core net investment income and core net investment income per share to the most directly comparable GAAP financial measure and other information regarding these non-GAAP financial measures are set forth in Schedule 1 hereto.
- (2) Rounds to less than \$0.01 per share.

## PORTFOLIO ACTIVITY

	December 31, 2018	December 31, 2017
Portfolio investments at fair value	\$ 94,913,862	\$ 115,600,678
Total assets	\$ 125,319,701	\$ 128,152,840
Net assets	\$ 78,395,964	\$ 81,781,429
Shares outstanding	6,372,581	6,457,588
Net asset value per share	\$ 12.30	\$ 12.66

	Q4-18	Q4-17	YTD-18	YTD-17
Portfolio activity during the period:				
New debt investments	\$ 567,000	\$ 12,215,000	\$ 19,179,500	\$ 52,942,222
New equity investments	718,000	521,146	1,559,899	4,114,786
Exits of debt investments	(18,552,045)	(9,190,481)	(37,478,412)	(58,610,753)
Exits of equity investments	(12,500)	—	1,591,091 *	(180,597)
Principal repayments	(1,035,336)	(773,819)	(5,480,533)	(17,128,341)
Net activity	\$ (18,314,881)	\$ 2,771,846	\$ (20,628,455)	\$ (18,862,683)

\*Includes exit of Revenue Linked Security

	December 31, 2018	December 31, 2017
Number of portfolio company investments	24	31
Number of debt investments	17	24

### Weighted average yield of debt and other income producing investments (1):

Cash	12.5%	11.3%
PIK	1.0%	1.4%
Fee amortization	1.3%	2.6%
Total	14.8%	15.3%

### Weighted average yield on total investments (2):

Cash	10.7%	10.2%
PIK	0.9%	1.2%
Fee amortization	1.1%	2.3%
Total	12.7%	13.7%

- (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. 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. Infinite Care, LLC was excluded from the calculation as of December 31, 2018 and December 31, 2017 because it was on non-accrual status on that date.
- (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.

## **FOURTH QUARTER AND YEAR TO DATE 2018 OPERATING RESULTS**

For the three months ended December 31, 2018, the Company recorded net income of \$1.5 million, which is relatively flat compared to the quarter ended December 31, 2017. Per share earnings were \$0.24 and \$0.23 per share for the three months ended December 31, 2018 and 2017, respectively.

For the three months ended December 31, 2018, the Company's net investment income and core net investment income decreased by \$0.3 million compared to the quarter ended December 31, 2017. Net investment income and core net investment income was \$1.6 million, or \$0.25 per share, for the quarter ended December 31, 2018, compared to net investment income and core net investment income of \$1.9 million or \$0.30 per share for the quarter ended December 31, 2017. Net investment income decreased in the quarter ended December 31, 2018, as compared to the quarter ended December 31, 2017, primarily as a result of the Company realizing higher expenses of \$0.4 million, offset by an increase of \$0.1 million tax benefit during the three months ended December 31, 2018.

For the year ended December 31, 2018, the Company recorded net income of \$5.1 million, an increase of \$3.5 million from \$1.6 million of net income in the year ended December 31, 2017. The \$3.5 million improvement was primarily attributable to a \$7.6 million positive change in net realized losses offset by a \$1.9 million decrease in change in unrealized appreciation. Per share earnings were \$0.79 and \$0.25 per share for the years ended December 31, 2018 and 2017, respectively.

For the year ended December 31, 2018, the Company's net investment income decreased by \$2.2 million compared to the year ended December 31, 2017. Net investment income was \$6.0 million, or \$0.93 per share, for the year ended December 31, 2018, compared to net investment income of \$8.2 million, or \$1.28 per share, for the year ended December 31, 2017. Net investment income decreased in the year ended December 31, 2018, as compared to the year ended December 31, 2017, primarily as a result of the Company recording \$2.5 million of lower investment income resulting from a smaller portfolio, offset by lower expenses of \$0.1 million and recording a \$0.1 million tax benefit for the year ended December 30, 2018.

As of December 31, 2018, our total portfolio investments at fair value and total assets were \$94.9 million and \$125.3 million, respectively, compared to \$115.6 million and \$128.2 million at December 31, 2017. Net asset value per share was \$12.30 at December 31, 2018, compared to \$12.66 at December 31, 2017.

During the fourth quarter of 2018, the Company made investments in 3 companies totaling \$1.3 million. All three were additional investments in existing portfolio companies. The Company also had investment sales, payoffs, and commitment expirations totaling \$18.6 million during the three months ended December 31, 2018. The investment activity for the quarter ended December 31, 2018 was as follows:

### **NEW AND INCREMENTAL INVESTMENTS**

During the fourth quarter of 2018, the Company advanced Infinite Care, LLC \$0.1 million on its revolving line of credit and made a \$0.6 million add-on equity investment.

In October 2018, the Company increased its commitment under its revolving line of credit facility to Coastal Screen and Rail, LLC by \$0.5 million and advanced \$0.3 million.

During November 2018, the Company made a \$0.1 million add-on equity investment in Flight Lease VII, LLC.

## INVESTMENT SALES AND PAYOFFS

On October 15, 2018, the Company received \$0.3 million for the redemption of the Douglas Machine Corp. warrants and recognized a \$0.3 million gain. The cost basis of the equity investment was \$12,500. The Company generated an internal rate of return\* ("IRR") of 60.4% on its investment.

On November 9, 2018, the Company received a full repayment, at par, of its senior secured debt investments in DirectMed Parts & Service, LLC. The original par values of the debt investment was \$5.6 million. In addition, the Company terminated the \$1.0 million revolving line of credit commitment. The Company received a \$0.1 prepayment fee and generated an IRR\* of 14.7% on its investment.

On December 3, 2018, the Company received a full repayment, at par, of its senior secured debt investments in Yucatan Foods, L.P. The original par value of the debt investments were \$10.8 million and the Company received a \$0.3 prepayment fee. The Company generated an IRR\* of 16.1% on its investment.

\* 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 reported fourth quarter net investment income of \$0.25 per share, despite continued disappointing new investment activity," said Joseph A. Jolson, Chairman and CEO. "We believe the situation is temporary and expect to earn our recently reduced cash dividend in the second half of 2019, assuming we close on currently mandated deals in our pipeline. Meanwhile, in accordance with the Board authorization that expires in June 2019, we continue to repurchase our shares at recent stock prices, which is immediately accretive to our book value per share and our core earnings per share, and is another means for us to deploy our capital at attractive returns on equity for shareholders," continued Mr. Jolson.

"Credit quality has improved to a weighted average risk rating of 2.24, even though the investment portfolio has shrunk from payoffs of well performing credits. The operating performance of our only non-accruing 5-rated loan appears to have stabilized and we are guardedly optimistic about its prospects for 2019. Net asset value decreased slightly at December 31, 2018 to \$12.30 per share," 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. 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 some 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 some loss of return and principal is expected.

As of December 31, 2018, the weighted average risk rating of the debt investments in the Company's portfolio decreased slightly to 2.24 from 2.35 in the previous quarter. Also, as of December 31, 2018, five of the Company's 17 debt investments were rated 1, seven investments were rated 2, three investments were rated 3, one investment was rated 4, and one investment was rated 5. As of December 31, 2018, one investment was on non-accrual status.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2018, the Company had \$28.8 million of cash and restricted cash and \$7.3 million of undrawn capacity on its \$55.0 million senior secured revolving credit facility. The credit facility is secured by all of the Company's assets and has an accordion feature that allows the size of the facility to increase up to \$85.0 million.

## **SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO DECEMBER 31, 2018**

On January 8, 2019, the Company received a full repayment at par value, plus accrued and unpaid interest, plus a 1.0% prepayment fee on its junior secured term loan in Wetmore Tool and Engineering Company. The Company generated an IRR of 15.2% on its investment.

On January 10, 2019, the Company received a full repayment at par value, plus accrued and unpaid interest, plus a 2.0% prepayment fee on its junior secured term loan in Douglas Machines Corp. The Company generated an IRR of 14.7% on its investment.

On January 18, 2019, the Company made a \$3.0 million senior secured debt investment in Dell International L.L.C. The term loan carries a current interest rate of LIBOR + 2.0% with a 0.75% LIBOR floor.

On January 22, 2019, the Company purchased \$3.0 million of senior secured term loans in HCA Inc. The term loans carry interest rates of LIBOR + 2.0%.

Between January 24, 2019 and March 4, 2019, the Company purchased \$5.0 million of senior secured term loans in Deluxe Entertainment Services Group, Inc. The term loans carry interest rates of LIBOR + 5.5% and LIBOR + 6.0%, respectively.

On January 28, 2019, the Company received a \$2.0 million partial repayment on its senior secured term loan in Safety Services Acquisition Corp.

On February 15, 2019, the Company co-invested alongside affiliate funds of JMP Group and made a \$5.3 million senior secured debt investment in Peerless Media, LLC. The term loan carries an interest rate of LIBOR + 8.5% with a 2.4% LIBOR floor.

On February 15, 2019, the Company declared monthly distributions of \$0.08 per share payable on each of March 7, 2019, March 28, 2019, and April 25, 2019.

On February 19, 2019, the Company purchased \$5.0 million senior secured term loans in General Nutrition Centers, Inc. The term loans carry an interest rate of LIBOR + 9.25% .

During the first quarter of 2019, through March 13, 2019, the Company repurchased 118,991 shares of its common stock at an average price of \$10.48 per share. Inclusive of the shares repurchased during the fourth quarter of 2018, the Company has 91,545 shares remaining to be repurchased under its current repurchase plan which expires on June 30, 2019.

## **CONFERENCE CALL**

The Company will host a conference call on Friday, March 15, 2019 at 11:00 a.m. Eastern Time to discuss its third quarter results. All interested parties are invited to participate in the conference call by dialing (888) 566-6060 (domestic) or (973) 200-3100 (international). Participants should enter the Conference ID 4879401 when prompted.

## **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 subordinated debt, senior 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 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 results and conditions to differ materially from those projected in these forward-looking statements. These factors are identified from time to time in our filings with the Securities and Exchange Commission. 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

	December 31, 2018	December 31, 2017
<b>ASSETS:</b>		
Non-affiliated/non-control investments, at fair value (cost of \$59,603,853 at 12/31/18 and \$80,790,705 at 12/31/17)	\$ 61,919,954	\$ 82,902,537
Affiliated investments, at fair value (cost of \$25,848,928 at 12/31/18 and \$26,365,364 at 12/31/17)	24,645,597	25,983,871
Control investments, at fair value (cost of \$13,430,013 at 12/31/18 and \$11,984,621 at 12/31/17)	8,348,311	6,714,270
Cash	26,963,310	4,233,597
Restricted cash	1,812,238	7,230,840
Interest receivable	721,195	287,408
Accounts receivable – other	178,883	37,688
Deferred offering costs	—	146,446
Deferred financing costs	623,442	508,284
Other assets	106,771	107,899
<b>Total assets</b>	<b>\$ 125,319,701</b>	<b>\$ 128,152,840</b>
<b>LIABILITIES:</b>		
Revolving line of credit	\$ 17,000,000	\$ 16,721,853
Unsecured notes (net of deferred offering costs of \$869,403 at 9/30/18 and \$1,004,448 at 12/31/17)	27,928,121	27,745,552
Accrued interest payable	115,919	139,148
Accounts payable - base management fees	531,628	582,912
Accounts payable - incentive management fees	361,090	—
Accounts payable - administrative services	366,667	397,463
Accounts payable - accrued expenses	620,312	782,726
Other liabilities	—	1,757
<b>Total liabilities</b>	<b>46,923,737</b>	<b>46,371,411</b>
Commitments and contingencies (Note 8)		
<b>NET ASSETS:</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 6,554,010 issued and 6,372,581 outstanding at 12/31/18 and 6,519,978 issued and 6,457,588 outstanding at 12/31/17	6,554	6,520
Capital in excess of common stock	92,270,273	93,043,208
Treasury shares at cost, 181,429 and 62,390 shares at 12/31/18 and 12/31/17, respectively	(1,956,055)	(724,039)
Accumulated over distributed earnings	(11,924,808)	(10,544,260)
Total net assets	78,395,964	81,781,429
<b>Total liabilities and net assets</b>	<b>\$ 125,319,701</b>	<b>\$ 128,152,840</b>
Common stock outstanding	6,372,581	6,457,588
Net asset value per common share	\$ 12.30	\$ 12.66

**Harvest Capital Credit Corporation**  
Consolidated Statements of Operations (Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<b>Investment Income:</b>				
Interest:				
Cash - non-affiliated/non-control investments	\$ 2,372,856	\$ 2,732,468	\$ 9,732,421	\$ 10,811,964
Cash - affiliated investments	745,898	221,530	3,052,524	2,583,523
Cash - control investments	—	594,116	130,934	813,486
PIK - non-affiliated/non-control investments	105,814	191,876	590,980	959,768
PIK - affiliated investments	196,094	(92,669)	739,773	568,482
PIK - control investments	—	264,837	—	264,837
Amortization of fees, discounts and premiums, net:				
Non-affiliated/non-control investments	287,825	218,473	1,185,784	2,247,071
Affiliated investments	17,653	(34,068)	93,248	147,859
Control investments	—	53,881	—	71,072
Total interest income	3,726,140	4,150,444	15,525,664	18,468,062
Other income	340,104	(13,969)	658,257	236,198
<b>Total investment income</b>	<b>4,066,244</b>	<b>4,136,475</b>	<b>16,183,921</b>	<b>18,704,260</b>
Expenses:				
Interest expense – revolving line of credit	84,034	114,669	530,474	717,465
Interest expense - unused line of credit	94,015	86,487	341,476	276,197
Interest expense - deferred financing costs	56,299	53,401	227,814	233,993
Interest expense - unsecured notes	440,235	440,235	1,760,940	2,022,195
Interest expense - deferred offering costs	47,524	44,845	185,068	198,966
Loss on extinguishment of debt	—	—	—	581,734
Total interest expense	722,107	739,637	3,045,772	4,030,550
Professional fees	359,186	328,462	1,965,589	1,109,774
General and administrative	257,013	235,988	1,071,024	1,148,817
Base management fees	531,629	582,912	2,312,957	2,597,120
Incentive management fees	361,090	—	910,755	58,005
Administrative services expense	366,668	300,000	1,400,000	1,394,925
<b>Total expenses, before reimbursement</b>	<b>2,597,693</b>	<b>2,186,999</b>	<b>10,706,097</b>	<b>10,339,191</b>
Less: Professional fees reimbursed by HCAP Advisors, LLC	—	—	<b>(449,835)</b>	—
<b>Total expenses, after reimbursement</b>	<b>2,597,693</b>	<b>2,186,999</b>	<b>10,256,262</b>	<b>10,339,191</b>
<b>Net Investment Income, before taxes</b>	<b>1,468,551</b>	<b>1,949,476</b>	<b>5,927,659</b>	<b>8,365,069</b>
Excise tax	—	(38,597)	8,825	64,650
Current income tax expense (benefit)	(106,590)	63,565	(63,565)	63,565
<b>Net Investment Income, after taxes</b>	<b>1,575,141</b>	<b>1,924,508</b>	<b>5,982,399</b>	<b>8,236,854</b>
Net realized gains (losses):				
Non-Affiliated / Non-Control investments	260,501	—	225,072	(5,962,020)
Affiliated investments	(15,500)	—	(626,136)	(2,100,421)
Control investments	(122,560)	—	(85,616)	—
Net realized gains (losses)	122,441	—	(486,680)	(8,062,441)



Net change in unrealized appreciation (depreciation) on investments:

Non-Affiliated / Non-Control investments	62,084	1,067,665	204,267	3,377,985
Affiliated investments	(76,240)	96,034	(821,837)	1,601,553
Control investments	(150,787)	(1,596,184)	188,649	(3,521,365)
<b>Net change in unrealized appreciation (depreciation) on investments</b>	<b>(164,943)</b>	<b>(432,485)</b>	<b>(428,921)</b>	<b>1,458,173</b>
<b>Total net unrealized and realized losses on investments</b>	<b>(42,502)</b>	<b>(432,485)</b>	<b>(915,601)</b>	<b>(6,604,268)</b>
Benefit for taxes on unrealized losses on investments	15,584	—	—	—
<b>Net increase in net assets resulting from operations</b>	<b>\$ 1,548,223</b>	<b>\$ 1,492,023</b>	<b>\$ 5,066,798</b>	<b>\$ 1,632,586</b>
Net investment income per share	\$0.25	\$0.30	\$0.93	\$1.28
Net increase in net assets resulting from operations per share	\$0.24	\$0.23	\$0.79	\$0.25
Weighted average shares outstanding (basic and diluted)	6,401,887	6,474,769	6,406,869	6,412,215

## SCHEDULE 1

### Reconciliations of Net Investment Income to Core Net Investment Income

	Three months ended December 31,				Year ended December 31,			
	2018		2017		2018		2017	
	Amount	Per share (1)	Amount	Per share (1)	Amount	Per share (1)	Amount	Per share (1)
Net investment income	\$1,575,141	\$0.25	\$1,924,508	\$0.30	\$5,982,399	\$0.93	\$8,236,854	\$1.28
Loss on extinguishment of debt	—	—	—	—	—	—	581,734	0.09
Interest expense on redeemed bonds during required 30-day notice period	—	—	—	—	—	—	155,069	0.02
Core net investment income	\$1,575,141	\$0.25	\$1,924,508	\$0.30	\$5,982,399	\$0.93	\$8,973,657	\$1.39

(1) All per share amounts are basic and diluted unless indicated otherwise.

The purpose of core net investment income is to present net investment income without the effect of certain non-recurring charges, without the effect of incentive fees related to items not included in net investment income, and without the effect of any excise taxes related to realized capital gains and losses. During the year ended December 31, 2017, this resulted in excluding the non-recurring charges related to the Company's redemption of its 2020 Notes. During this period, in conjunction with the redemption of its 2020 Notes, the Company expensed the unamortized deferred finance costs related to the 2020 Notes that were redeemed and recorded this as a loss on extinguishment of debt. Additionally, the Company was required to give the note holders a 30-day notice period before redeeming the 2020 Notes. As such, the Company had twice the amount of debt on its balance sheet for 30 days than it otherwise would have had and incurred additional interest expense as a result. The cost of these two items has been added to net investment income in the calculation of core net investment income.

#### Investor & Media Relations Contacts

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