

# 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 JUNE 30, 2019 FINANCIAL RESULTS AND DECLARES REGULAR MONTHLY DISTRIBUTIONS FOR JULY, AUGUST AND SEPTEMBER

**NEW YORK, August 9, 2019** — Harvest Capital Credit Corporation (the “Company,” “we,” or “our”) (NASDAQ: HCAP) announced financial results for its second quarter ended June 30, 2019 and that its Board of Directors declared distributions of \$0.08 per share for the months of July, August and September. The July distribution is payable on August 29, 2019 to shareholders of record on August 22, 2019. The August distribution is payable on September 26, 2019 to shareholders of record on September 19, 2019. The September distribution is payable on October 24, 2019 to shareholders of record on October 17, 2019. The Company's distributions may include a return of capital to shareholders to the extent that the Company's net investment income and net capital gains are insufficient to support the distributions. Distributions that are treated for tax purposes as a return of capital will reduce each shareholder's basis in his, her or its shares. Returns of shareholder capital also have the effect of reducing the Company's assets.

### FINANCIAL HIGHLIGHTS

	Q2-19		Q2-18		YTD-19		YTD-18	
	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
<b>Net investment income</b>	\$840,910	\$0.14	\$1,605,307	\$0.25	\$1,603,180	\$0.26	\$2,820,595	\$0.44
<b>Core net investment income (1)</b>	840,910	0.14	1,605,307	0.25	1,603,180	0.26	2,820,595	0.44
Net realized gains (losses) on investments	26,901	—	156,347	0.02	62,311	0.01	(729,295)	(0.11)
Net change in unrealized appreciation (depreciation) on investments	(781,701)	(0.13)	(422,420)	(0.07)	(1,518,386)	(0.24)	1,317,929	0.21
Provision for taxes on unrealized gains on investments	—	—	(523,478)	(0.08)	—	—	(523,478)	(0.08)
<b>Net income</b>	\$86,110	\$0.01	\$815,756	\$0.13	\$147,105	\$0.02	\$2,885,751	\$0.45
Weighted average shares outstanding (basic and diluted)	6,161,052		6,390,521		6,231,496		6,413,869	

(1) Core net investment income and core net investment income per share are non-GAAP financial measures. For the quarters ending June 30, 2019 and 2018, respectively, 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

	June 30, 2019	December 31, 2018
Portfolio investments at fair value	\$ 110,664,245	\$ 94,913,862
Total assets	\$ 129,648,774	\$ 125,319,701
Net assets	\$ 72,868,760	\$ 78,395,964
Shares outstanding	6,126,724	6,372,581
Net asset value per share	\$ 11.89	\$ 12.30

	Q2-19	Q2-18	YTD-19	YTD-18
Portfolio activity during the period:				
New debt investments	\$ 14,912,500	\$ 4,662,500	\$ 36,262,288	\$ 12,662,500
New equity investments	2,981,307	284,767	3,139,559	434,767
Exits of debt investments	(4,045,931)	(26,740)	(14,470,579)	(6,779,865)
Exits of equity investments	—	—	(206,435)	(4,480)
Principal repayments	(1,746,688)	(2,434,393)	(5,094,836)	(3,206,355)
Net activity	\$ 12,101,188	\$ 2,486,134	\$ 19,629,997	\$ 3,106,567

	June 30, 2019	December 31, 2018
Number of portfolio company investments	26	24
Number of debt investments	20	17

Weighted average yield of debt and other income producing investments (1):		
Cash	12.1%	12.5%
PIK	0.8%	1.0%
Fee amortization	1.6%	1.3%
Total	14.5%	14.8%

Weighted average yield on total investments (2):		
Cash	10.0%	10.7%
PIK	0.7%	0.9%
Fee amortization	1.3%	1.1%
Total	12.0%	12.7%

- (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 June 30, 2019 and December 31, 2018, and CP Holding Co., Inc. was excluded from the calculation as of June 30, 2019 because they were on non-accrual status on such 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.

## SECOND QUARTER AND YEAR TO DATE 2019 OPERATING RESULTS

For the three months ended June 30, 2019, the Company recorded net income of \$86k, as compared to \$0.8 million in the quarter ended June 30, 2018. The decrease in net income principally resulted from the Company recording lower investment income as a result of a smaller portfolio. Per share earnings were \$0.01 and \$0.13 per share for the three months ended June 30, 2019 and 2018, respectively.

For the three months ended June 30, 2019, the Company's net investment income and core net investment income decreased by \$0.8 million compared to the quarter ended June 30, 2018. Net investment income and core net investment income was \$0.8 million, or \$0.14 per share, for the quarter ended June 30, 2019, compared to net investment income and core net investment income of \$1.6 million, or \$0.25 per share, for the quarter ended June 30, 2018. Net investment income decreased in the quarter ended June 30, 2019, as compared to the quarter ended June 30, 2018, primarily as a result of a decrease of \$1.1 million in investment income, which included the write-off of \$0.3 million of previously accrued interest from one portfolio company determined to no longer be collectible, offset by the Company realizing lower expenses of \$0.3 million during the three months ended June 30, 2019.

For the six months ended June 30, 2019, the Company recorded net income of \$147k, a decrease of \$2.7 million from \$2.9 million of net income in the six months ended June 30, 2018. The \$2.7 million decrease was primarily attributable to a \$1.8 million decrease in investment income, a \$2.8 million increase in the change in unrealized depreciation, offset by a \$0.8 million positive change in net realized gains, a decrease in expenses of \$0.5 million, and \$0.5 million reduction in deferred taxes on unrealized gains. Per share earnings were \$0.02 and \$0.45 per share for the six months ended June 30, 2019 and 2018, respectively.

For the six months ended June 30, 2019, the Company's net investment income decreased by \$1.2 million compared to the six months ended June 30, 2018. Net investment income was \$1.6 million, or \$0.26 per share, for the six months ended June 30, 2019, compared to net investment income of \$2.8 million, or \$0.44 per share, for the six months ended June 30, 2018. Net investment income decreased in the six months ended June 30, 2019, as compared to the six months ended June 30, 2018, primarily as a result of the Company recording \$1.8 million of lower investment income resulting from a smaller portfolio, offset by lower expenses of \$0.5 million for the six months ended June 30, 2019.

As of June 30, 2019, our total portfolio investments at fair value and total assets were \$110.7 million and \$129.6 million, respectively, compared to \$94.9 million and \$125.3 million at December 31, 2018. Net asset value per share was \$11.89 at June 30, 2019, compared to \$12.30 at December 31, 2018.

During the second quarter of 2019, the Company made investments in five companies totaling \$17.7 million. Two of the investments were in new portfolio companies and three were additional investments in existing portfolio companies. The Company also had investment sales, payoffs and commitment expirations totaling \$4.1 million during the three months ended June 30, 2019. The investment activity for the quarter ended June 30, 2019 was as follows:

### **New and Incremental Investments**

On April 9, 2019, the Company increased its equity investment in Infinite Care, LLC, with a \$0.3 million capital contribution. The Company owns 100% of Infinite Care, LLC.

In April and May 2019, the Company increased its equity investment in National Program Management & Project Controls, LLC, with a \$2.0 million pro-rata increase through two add-on fundings to purchase Class A Units.

On May 30, 2019, the Company made a \$6.3 million senior secured debt investment and a \$0.2 million equity investment in Slappey Communications, LLC. The debt investment consists of a \$5.8 million term loan and a \$0.5 million revolver (unfunded at close). The loans carry an interest rate of LIBOR plus 10.0% with a 2.5% LIBOR floor, plus 0.5% PIK.

On May 31, 2019, the Company made a \$7.7 million senior secured debt investment and a \$0.3 million equity investment in Kleen-Tech Acquisition, LLC. The debt investment consists of a \$7.3 million term loan and a \$0.4 million revolver (unfunded at close). The loans carry an interest rate of 13.0%, plus 2.0% PIK.

On June 11, 2019, the Company increased its senior secured debt investment in Coastal Screen and Rail, LLC, with a \$1.0 million increase in its term loan.

### **Investment Payoffs**

On April 4, 2019, the Company sold its senior secured debt investment in Dell International LLC. The original par value of the debt investment was \$3.0 million. The Company generated an internal rate of return (IRR\*) of 7.6% on its investment.

On May 22, 2019, the Company received a \$1.1 million partial repayment of its revolving line of credit facility with Northeast Metal Works, LLC, converted the remaining balance of the revolver to its term loan investment and canceled the revolving commitment of \$1.5 million.

\* 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.

"Our second quarter results were a little better than expected, excluding the \$0.04 per share of historical accrued interest for one portfolio company that was reversed in the period after circumstances changed indicating that it was no longer collectible," said Joseph Jolson, Chairman and CEO. "We made progress in growing our investment portfolio, which increased 9% and 17% from March 2019 and December 2018 levels, respectively. We still have substantial room to grow our portfolio through leverage, as our targeted debt-to-equity ratio of 1.3 to 1, if achieved with our existing equity capital base, could support total assets of roughly \$160 million. We also continue to repurchase our shares in open market transactions at current price levels, which is immediately accretive to net investment income and book value per share. As of Wednesday's close, we had approximately 140,000 shares remaining on our existing stock repurchase program," 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 June 30, 2019, the weighted average risk rating of the debt investments in the Company's portfolio increased slightly to 2.44 from 2.32 in the previous quarter. Also, as of June 30, 2019, three of the Company's twenty debt investments were rated 1, eleven investments were rated 2, three investments were rated 3, two investment were rated 4, and one investment was rated 5. As of June 30, 2019, two investments were on non-accrual status.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2019, the Company had \$17.3 million of cash and restricted cash and \$7.5 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.

Additionally, the Company holds four syndicated debt investments totaling \$15.1 million at fair value as of June 30, 2019. These investments could be sold and the proceeds re-invested in our core lower-middle market strategy, as attractive opportunities arise.

## **SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO JUNE 30, 2019**

Since the end of the second quarter of 2019, the Company has repurchased 59,426 shares of its common stock at an average price of \$10.38 per share. When those shares are combined with the shares repurchased in the second quarter of 2019, the Company has repurchased 110,398 shares of the 250,000 total share limit under the stock repurchase program authorized by the Company's board of directors in May 2019.

On July 1, 2019, Peerless Media, LLC terminated its \$0.5 million revolving line of credit with the Company. The revolving line of credit was unfunded at June 30, 2019.

On August 1, 2019, the Company originated a \$5.5 million last out senior secured term loan to Surge Hippodrome Holdings LLC ("Hippodrome") and purchased 10.1% of common equity for \$0.4 million. The Company also received warrants to purchase an additional 9.50% of common equity in Hippodrome. The last out senior secured term loan carries an interest rate of three month LIBOR + 11.50%.

On August 1, 2019, the Company declared monthly distributions of \$0.08 per share payable on August 29, 2019, September 26, 2019, and October 24, 2019.

## **CONFERENCE CALL**

The Company will host a conference call on Friday, August 9, 2019 at 11:00 a.m. Eastern Time to discuss its second 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 3565068 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 (Unaudited)

	June 30, 2019	December 31, 2018
<b>ASSETS:</b>		
Non-affiliated/non-control investments, at fair value (cost of \$54,221,536 at 6/30/19 and \$59,603,853 at 12/31/18)	\$ 55,414,945	\$ 61,919,954
Affiliated investments, at fair value (cost of \$48,210,903 at 6/30/19 and \$25,848,928 at 12/31/18)	47,447,273	24,645,597
Control investments, at fair value (cost of \$13,719,123 at 6/30/19 and \$13,430,013 at 12/31/18)	7,802,027	8,348,311
Cash	15,575,300	26,963,310
Restricted cash	1,732,874	1,812,238
Interest receivable	778,938	721,195
Accounts receivable – other	142,082	178,883
Deferred financing costs	522,086	623,442
Other assets	233,249	106,771
<b>Total assets</b>	<b>\$ 129,648,774</b>	<b>\$ 125,319,701</b>
<b>LIABILITIES:</b>		
Revolving line of credit	\$ 27,000,000	\$ 17,000,000
2022 Notes (net of deferred offering costs of \$724,309 at 6/30/19 and \$821,879 at 12/31/18)	28,025,691	27,928,121
Payable for securities purchased	200,000	—
Accrued interest payable	142,422	115,919
Accounts payable - base management fees	539,727	531,628
Accounts payable - incentive management fees	—	361,090
Accounts payable - administrative services	350,000	366,667
Accounts payable - accrued expenses	522,174	620,312
<b>Total liabilities</b>	<b>56,780,014</b>	<b>46,923,737</b>
Commitments and contingencies (Note 8)		
<b>NET ASSETS:</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 6,569,661 issued and 6,126,724 outstanding at 6/30/19 and 6,554,010 issued and 6,372,581 outstanding at 12/31/18	6,570	6,554
Capital in excess of common stock	92,426,143	92,270,273
Treasury shares, at cost, 442,937 and 181,429 shares at 6/30/19 and 12/31/18, respectively	(4,702,931)	(1,956,055)
Accumulated over distributed earnings	(14,861,022)	(11,924,808)
<b>Total net assets</b>	<b>72,868,760</b>	<b>78,395,964</b>
<b>Total liabilities and net assets</b>	<b>\$ 129,648,774</b>	<b>\$ 125,319,701</b>
Common stock outstanding	6,126,724	6,372,581
Net asset value per common share	\$ 11.89	\$ 12.30

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Investment Income:</b>				
Interest:				
Cash - non-affiliated/non-control investments	\$ 1,349,743	\$ 2,390,700	\$ 2,830,855	\$ 4,715,816
Cash - affiliated investments	1,100,708	811,059	2,061,654	1,517,630
Cash - control investments	—	47,546	—	130,934
PIK - non-affiliated/non-control investments	18,647	141,785	30,766	337,827
PIK - affiliated investments	187,598	182,426	382,112	350,303
Amortization of fees, discounts and premiums				
Non-affiliated/non-control investments	200,200	440,680	427,062	631,713
Affiliated investments	34,423	18,245	57,155	34,086
Total interest income	<u>2,891,319</u>	<u>4,032,441</u>	<u>5,789,604</u>	<u>7,718,309</u>
Other income	102,987	22,557	242,946	77,473
<b>Total investment income</b>	<b><u>2,994,306</u></b>	<b><u>4,054,998</u></b>	<b><u>6,032,550</u></b>	<b><u>7,795,782</u></b>
<b>Expenses:</b>				
Interest expense – revolving line of credit	92,295	150,335	102,781	289,174
Interest expense - unused line of credit	92,135	82,481	193,884	164,136
Interest expense - deferred financing costs	55,629	57,590	110,640	112,711
Interest expense - unsecured notes	440,235	440,235	880,470	880,470
Interest expense - deferred offering costs	49,210	45,856	97,570	90,842
Total interest expense	<u>729,504</u>	<u>776,497</u>	<u>1,385,345</u>	<u>1,537,333</u>
Professional fees	297,546	209,382	817,880	1,241,669
General and administrative	236,619	283,062	491,572	573,348
Base management fees	539,727	605,237	1,034,573	1,185,880
Incentive management fees	—	187,293	—	187,293
Administrative services expense	350,000	366,666	700,000	666,666
<b>Total expenses, before reimbursement</b>	<b><u>2,153,396</u></b>	<b><u>2,428,137</u></b>	<b><u>4,429,370</u></b>	<b><u>5,392,189</u></b>
Less: Professional fees reimbursed by HCAP Advisors, LLC	—	(11,279)	—	(449,835)
<b>Total expenses, after reimbursement</b>	<b><u>2,153,396</u></b>	<b><u>2,416,858</u></b>	<b><u>4,429,370</u></b>	<b><u>4,942,354</u></b>
<b>Net Investment Income, before taxes</b>	<b>840,910</b>	<b>1,638,140</b>	<b>1,603,180</b>	<b>2,853,428</b>
Current income tax expense	—	32,833	—	32,833
<b>Net Investment Income, after taxes</b>	<b><u>840,910</u></b>	<b><u>1,605,307</u></b>	<b><u>1,603,180</u></b>	<b><u>2,820,595</u></b>
Net realized gains (losses):				
Non-Affiliated / Non-Control investments	6,151	—	52,451	—
Affiliated investments	20,750	—	20,750	(885,642)
Control investments	—	156,347	(10,890)	156,347
<b>Net realized gains (losses)</b>	<b><u>26,901</u></b>	<b><u>156,347</u></b>	<b><u>62,311</u></b>	<b><u>(729,295)</u></b>
Net change in unrealized depreciation on investments:				
Non-Affiliated / Non-Control investments	49,377	68,338	(689,578)	122,681
Affiliated investments	67,816	(297,157)	6,586	1,484,312
Control investments	(898,894)	(193,601)	(835,394)	(289,064)
<b>Net change in unrealized appreciation (depreciation) on investments</b>	<b><u>(781,701)</u></b>	<b><u>(422,420)</u></b>	<b><u>(1,518,386)</u></b>	<b><u>1,317,929</u></b>

<b>Total net unrealized and realized gains (losses) on investments</b>	<b>(754,800)</b>	<b>(266,073)</b>	<b>(1,456,075)</b>	<b>588,634</b>
Provision for taxes on unrealized gains on investments	—	(523,478)	—	(523,478)
<b>Net increase in net assets resulting from operations</b>	<b>\$ 86,110</b>	<b>\$ 815,756</b>	<b>\$ 147,105</b>	<b>\$ 2,885,751</b>
Net investment income per share	\$0.14	\$0.25	\$0.26	\$0.44
Net increase in net assets resulting from operations per share	\$0.01	\$0.13	\$0.02	\$0.45
Weighted average shares outstanding (basic and diluted)	6,161,052	6,390,521	6,231,496	6,413,869

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