

# 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 FINANCIAL RESULTS FOR FISCAL YEAR AND QUARTER ENDED DECEMBER 31, 2019 AND DECLARES REGULAR MONTHLY DISTRIBUTIONS FOR FEBRUARY, MARCH AND APRIL 2020

### BOARD PROMOTES RICHARD P. BUCKANAVAGE TO PRESIDENT OF THE COMPANY

**NEW YORK, March 13, 2020** — Harvest Capital Credit Corporation (the “Company,” “we,” or “our”) (NASDAQ: HCAP) announced financial results for its fiscal year and fourth quarter ended December 31, 2019 and that its Board of Directors declared distributions of \$0.08 per share for each of the months of February, March, and April of 2020. The February distribution is payable on March 30, 2020 to shareholders of record on March 23, 2020. The March distribution is payable on April 30, 2020 to shareholders of record on April 23, 2020. The April distribution is payable on May 28, 2020 to shareholders of record on May 21, 2020.\*

\*-Distributions may include net investment income, capital gains and/or return of capital. The tax status of distributions will be determined at the end of the taxable year.

### FINANCIAL HIGHLIGHTS

	Q4-19		Q4-18		FY-19		FY-18	
	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
<b>Net investment income</b>	\$1,153,280	\$0.19	\$1,575,141	\$0.25	\$3,828,786	\$0.63	\$5,982,399	\$0.93
<b>Core net investment income (1)</b>	1,153,280	0.19	1,575,141	0.25	3,828,786	0.63	5,982,399	0.93
Net realized gains (losses) on investments	(2,333,549)	(0.39)	122,440	0.02	(2,363,853)	(0.39)	(486,680)	(0.07)
Net change in unrealized depreciation on investments	869,874	0.15	(164,944)	(0.03)	(2,671,388)	(0.44)	(428,921)	(0.07)
Benefit for taxes on unrealized losses on investments	—	—	15,584	— (2)	—	—	—	—
<b>Net income (loss)</b>	(\$310,395)	(\$0.05)	\$1,548,221	\$0.24	(\$1,206,455)	(\$0.20)	\$5,066,798	\$0.79
Weighted average shares outstanding (basic and diluted)	5,944,914		6,401,887		6,114,474		6,406,869	

(1) Core net investment income and core net investment income per share are non-GAAP financial measures. For each of the fiscal years and quarters ended December 31, 2019 and 2018, 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.

(2) Rounds to less than \$0.01 per share.

## PORTFOLIO ACTIVITY

	December 31, 2019	December 31, 2018
Portfolio investments at fair value	\$ 116,809,390	\$ 94,913,862
Total assets	\$ 140,059,736	\$ 125,319,701
Net assets	\$ 66,781,482	\$ 78,395,964
Shares outstanding	5,945,854	6,372,581
Net asset value per share	\$ 11.23	\$ 12.30

	Q4-19	Q4-18	FY-19	FY-18
Portfolio activity during the period:				
New debt investments	\$ 4,426,801	\$ 567,000	\$ 55,322,156	\$ 19,179,500
New equity investments	10,637	718,000	3,747,775	1,559,899
Exits of debt investments	—	(18,552,045)	(21,438,058)	(37,478,412)
Exits of equity investments	—	(12,500)	(206,435)	(1,591,091)
Principal repayments	(1,890,347)	(1,035,336)	(8,073,409)	(5,480,533)
Net activity	\$ 2,547,091	\$ (18,314,881)	\$ 29,352,029	\$ (23,810,637)

	December 31, 2019	December 31, 2018
Number of portfolio company investments	25	24
Number of debt investments	20	17

Weighted average yield of debt and other income producing investments (1):		
Cash	12.0%	12.5%
PIK	1.1%	1.0%
Fee amortization	0.9%	1.3%
Total	14.0%	14.8%

Weighted average yield on total investments (2):		
Cash	9.7%	10.7%
PIK	0.9%	0.9%
Fee amortization	0.7%	1.1%
Total	11.3%	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 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. Infinite Care, LLC was excluded from the calculation as of December 31, 2019 and December 31, 2018, and CP Holding Co., Inc. was excluded from the calculation as of December 31, 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.

## FOURTH QUARTER AND YEAR TO DATE 2019 OPERATING RESULTS

For the three months ended December 31, 2019, the Company recorded a net loss of \$0.3 million, as compared to net income of \$1.5 million in the quarter ended December 31, 2018. The decrease in net income principally resulted from the Company recording lower investment income as a result of a lower weighted average effective yield, lower prepayment and other non-recurring fees, the addition of CP Holding Co., Inc. to non-accrual status during 2019, and an increase in realized losses, offset by an increase in unrealized appreciation and lower operating expenses. Per share earnings (loss) were (\$0.05) and \$0.24 per share for the three months ended December 31, 2019 and 2018, respectively.

Net investment income and core net investment income was \$1.2 million, or \$0.19 per share, for the quarter ended December 31, 2019, compared to net investment income and core net investment income of \$1.6 million, or \$0.25 per share, for the quarter ended December 31, 2018, a decrease of \$0.4 million in the fourth quarter of 2019 compared to 2018. The decrease in net investment income during the 2019 fourth quarter as compared to the 2018 fourth quarter, primarily resulted from a decrease of \$0.7 million in investment income between periods, offset by the Company realizing lower expenses of \$0.3 million during the three months ended December 31, 2019 as compared to the three months ended December 31, 2018.

For the year ended December 31, 2019, the Company recorded a net loss of \$1.2 million, a decrease of \$6.3 million from \$5.1 million of net income in the year ended December 31, 2018. The \$6.3 million decrease was primarily attributable to a \$3.5 million decrease in investment income, a \$1.9 million increase in realized losses, and a \$2.3 million increase in the change in unrealized depreciation, partially offset by a decrease in expenses (net of reimbursements) of \$1.4 million. Per share earnings (loss) were (\$0.20) and \$0.79 per share for the years ended December 31, 2019 and 2018, respectively.

Net investment income was \$3.8 million, or \$0.63 per share, for the year ended December 31, 2019, compared to net investment income of \$6.0 million, or \$0.93 per share, for the year ended December 31, 2018, a decrease of \$2.2 million in the 2019 fiscal year as compared to 2018. The decrease in net investment income during the 2019 year as compared to 2018, was primarily the result of a decrease in investment income, offset by lower operating expenses during the year ended December 31, 2019.

As of December 31, 2019, our total portfolio investments at fair value and total assets were \$116.8 million and \$140.1 million, respectively, compared to \$94.9 million and \$125.3 million at December 31, 2018. Net asset value per share was \$11.23 at December 31, 2019, compared to \$12.30 at December 31, 2018.

During the fourth quarter of 2019, the Company made investments in six companies totaling \$4.4 million. All six were additional investments in existing portfolio companies. The Company had one investment sale during the three months ended December 31, 2019. The significant investment activity for the quarter ended December 31, 2019 was as follows:

### **New and Incremental Investments**

On October 31, 2019, the Company increased its debt investment in Northeast Metal Works LLC with a \$1.7 million increase in its senior secured term loan.

In November 2019, the Company increased its senior secured debt investment in Infinite Care, LLC, with a \$0.3 million increase in its senior secured revolving credit facility.

On December 30, 2019, the Company increased its debt commitment in National Program Management and Project Controls with a new \$0.1 million delayed draw term loan which has the same economics as the existing senior secured term loan and is fully unfunded.

On December 31, 2019, the Company increased its debt investment in Surge Busy Bee Holdings LLC with a \$1.4 million increase in its senior secured term loan B.

On December 31, 2019, the Company increased its debt investment in ProAir Holdings Corporation with a \$1.0 million increase in its junior secured term loan.

### **Investment Sales and Payoffs**

On November 4, 2019, Company, received cash proceeds and shares of Europcar Mobility Group in exchange for its warrant holdings in Fox Rent-a-Car. The Europcar Mobility Group equity was liquidated. The Company generated an internal rate of return (IRR\*) of 17.8% on its investment.

### **Restructuring**

On November 6, 2019, Deluxe Entertainment Services Group, Inc. emerged from bankruptcy and the Company received a \$0.5 million junior secured term loan and 0.63% of common equity ownership in a newly formed holding company, converted from its \$5.4 million of pre-bankruptcy term loans.

\* 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 continue to make progress towards achieving our 2020 goals of leveraging our existing capital to grow to a roughly \$150 million investment portfolio and returning \$10.2 million of non-accrual loans to interest earning status," said Joseph Jolson, Chairman and CEO. "We currently have \$14.1 million of mandates that we expect could close in the next few months. We continue to work hard on our problem assets, which have shown underlying improvements in the past few quarters. We look forward to updating everyone on our progress in early May," 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 December 31, 2019, the weighted average risk rating of the debt investments in the Company's portfolio improved slightly to 2.43 from 2.51 in the previous quarter. Also, as of December 31, 2019, three of the Company's twenty debt investments were rated 1, thirteen investments were rated 2, one investment was rated 3, two investments were rated 4, and one investment was rated 5. As of December 31, 2019, two investments with a combined fair value of \$10.2 million were on non-accrual status.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2019, the Company had \$21.8 million of cash and restricted cash and \$1.2 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, 2019**

On January 21, 2020, the Company originated an add-on senior secured term loan to Slappey Communications, LLC for \$1.1 million.

On January 31, 2020, the Company made a \$0.2 million equity contribution to KC Engineering & Construction Services, LLC.

On March 5, 2020, the Company declared monthly distributions of \$0.08 per share payable on March 30, 2020 (record date March 23, 2020), April 30, 2020 (record date April 23, 2020) and May 28, 2020 (record date May 21, 2020).

On March 5, 2020, HCAP Advisors agreed to a new cap with the Company on amounts payable by the Company under the administration agreement during the 2020 fiscal year. This cap sets the maximum amount payable by the Company under the administration agreement to \$1.4 million for the 2020 fiscal year.

On March 6, 2020, the Company's board of directors appointed and promoted Richard P. Buckanavage to serve as President of the Company, from his current position as Managing Director - Head of Business Development, effective immediately.

## **CONFERENCE CALL**

The Company will host a conference call on Friday, March 13, 2020 at 11:00 a.m. Eastern Time to discuss its fourth 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 7007379 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 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 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, 2019	December 31, 2018
<b>ASSETS:</b>		
Non-affiliated/non-control investments, at fair value (cost of \$61,379,670 at 12/31/19 and \$59,603,853 at 12/31/18)	\$ 60,973,556	\$ 61,919,954
Affiliated investments, at fair value (cost of \$48,111,833 at 12/30/19 and \$25,848,928 at 12/31/18)	47,431,234	24,645,597
Control investments, at fair value (cost of \$13,958,202 at 12/31/19 and \$13,430,013 at 12/31/18)	8,404,600	8,348,311
Cash	11,199,083	26,963,310
Restricted cash	10,648,199	1,812,238
Interest receivable	663,191	721,195
Accounts receivable – other	184,804	178,883
Deferred financing costs	425,379	623,442
Other assets	129,690	106,771
<b>Total assets</b>	<b>\$ 140,059,736</b>	<b>\$ 125,319,701</b>
<b>LIABILITIES:</b>		
Revolving line of credit	\$ 43,700,000	\$ 17,000,000
2022 Notes (net of deferred offering costs of \$623,276 at 12/31/19 and \$821,879 at 12/31/18)	28,126,724	27,928,121
Accrued interest payable	152,544	115,919
Accounts payable - base management fees	593,266	531,628
Accounts payable - incentive management fees	—	361,090
Accounts payable - administrative services	350,000	366,667
Accounts payable - accrued expenses	355,720	620,312
<b>Total liabilities</b>	<b>73,278,254</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, 6,587,819 issued and 5,945,854 outstanding at 12/31/19 and 6,554,010 issued and 6,372,581 outstanding at 12/31/18	6,588	6,554
Capital in excess of common stock	90,876,759	92,270,273
Treasury shares, at cost, 641,965 and 181,429 shares at 12/31/19 and 12/31/18, respectively	(6,723,505)	(1,956,055)
Accumulated over distributed earnings	(17,378,360)	(11,924,808)
Total net assets	66,781,482	78,395,964
<b>Total liabilities and net assets</b>	<b>\$ 140,059,736</b>	<b>\$ 125,319,701</b>
Common stock outstanding	5,945,854	6,372,581
Net asset value per common share	\$ 11.23	\$ 12.30

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

	Three Months Ended December 31,		Year Ended December 31,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Audited)	2018 (Audited)
<b>Investment Income:</b>				
Interest:				
Cash - non-affiliated/non-control investments	\$ 1,693,943	\$ 2,372,856	\$ 5,941,454	\$ 9,732,421
Cash - affiliated investments	1,224,324	745,898	4,718,181	3,052,524
Cash - control investments	—	—	—	130,934
PIK - non-affiliated/non-control investments	85,904	105,814	135,140	590,980
PIK - affiliated investments	157,246	196,094	726,693	739,773
Amortization of fees, discounts and premiums				
Non-affiliated/non-control investments	94,216	287,825	642,433	1,185,784
Affiliated investments	53,547	17,653	171,672	93,248
Total interest income	3,309,180	3,726,140	12,335,573	15,525,664
Other income	46,357	340,104	334,811	658,257
<b>Total investment income</b>	<b>3,355,537</b>	<b>4,066,244</b>	<b>12,670,384</b>	<b>16,183,921</b>
<b>Expenses:</b>				
Interest expense – revolving line of credit	312,626	84,034	640,119	530,474
Interest expense - unused line of credit	59,406	94,015	327,876	341,476
Interest expense - deferred financing costs	57,780	56,299	226,678	227,814
Interest expense - 2022 Notes	440,235	440,235	1,760,940	1,760,940
Interest expense - deferred offering costs	50,956	47,524	198,602	185,068
Total interest expense	<b>921,003</b>	<b>722,107</b>	<b>3,154,215</b>	<b>3,045,772</b>
Professional fees	82,835	359,186	1,099,075	1,965,589
General and administrative	255,154	257,013	982,003	1,071,024
Base management fees	593,265	531,629	2,206,305	2,312,957
Incentive management fees	—	361,090	—	910,755
Administrative services expense	350,000	366,668	1,400,000	1,400,000
<b>Total expenses, before reimbursement</b>	<b>2,202,257</b>	<b>2,597,693</b>	<b>8,841,598</b>	<b>10,706,097</b>
Less: Professional fees reimbursed by HCAP Advisors, LLC	—	—	—	(449,835)
<b>Total expenses, after reimbursement</b>	<b>2,202,257</b>	<b>2,597,693</b>	<b>8,841,598</b>	<b>10,256,262</b>
<b>Net Investment Income, before taxes</b>	<b>1,153,280</b>	<b>1,468,551</b>	<b>3,828,786</b>	<b>5,927,659</b>
Excise tax expense	—	—	—	8,825
Current income tax expense	—	(106,590)	—	(63,565)
<b>Net Investment Income, after taxes</b>	<b>1,153,280</b>	<b>1,575,141</b>	<b>3,828,786</b>	<b>5,982,399</b>
Net realized gains (losses):				
Non-Affiliated / Non-Control investments	(2,165,243)	260,501	(2,112,792)	225,072
Affiliated investments	—	(15,500)	20,750	(626,136)
Control investments	(168,306)	(122,560)	(271,811)	(85,616)
<b>Net realized gains (losses)</b>	<b>(2,333,549)</b>	<b>122,441</b>	<b>(2,363,853)</b>	<b>(486,680)</b>
Net change in unrealized appreciation (depreciation) on investments:				
Non-Affiliated / Non-Control investments	973,998	62,084	(2,474,585)	204,267
Affiliated investments	(390,254)	(76,240)	275,097	(821,837)
Control investments	286,130	(150,787)	(471,900)	188,649
<b>Net change in appreciation (unrealized) depreciation on investments</b>	<b>869,874</b>	<b>(164,943)</b>	<b>(2,671,388)</b>	<b>(428,921)</b>



<b>Total net unrealized and realized losses on investments</b>	<b>(1,463,675)</b>	<b>(42,502)</b>	<b>(5,035,241)</b>	<b>(915,601)</b>
Benefit for taxes on unrealized losses on investments	—	15,584	—	—
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (310,395)</b>	<b>\$ 1,548,223</b>	<b>\$ (1,206,455)</b>	<b>\$ 5,066,798</b>
Net investment income per share	\$0.19	\$0.25	\$0.63	\$0.93
Net increase (decrease) in net assets resulting from operations per share	(\$0.05)	\$0.24	(\$0.20)	\$0.79
Weighted average shares outstanding (basic and diluted)	5,944,914	6,401,887	6,114,474	6,406,869

**Investor & Media Relations Contacts**

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