

# 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, 2020 FINANCIAL RESULTS

**NEW YORK, May 13, 2020** — Harvest Capital Credit Corporation (the “Company,” “we,” or “our”) (NASDAQ: HCAP) announced financial results for its first quarter ended March 31, 2020.

### FINANCIAL HIGHLIGHTS

	Q1-2020		Q1-2019	
	Amount	Per share	Amount	Per share
<b>Net investment income</b>	\$988,670	\$0.17	\$762,270	\$0.12
<b>Core net investment income (1)</b>	988,670	0.17	762,270	0.12
Net realized gains (losses) on investments	(86,427)	(0.01)	35,410	0.01
Net change in unrealized depreciation on investments	(4,579,537)	(0.77)	(736,685)	(0.12)
<b>Net income (loss)</b>	<b>(\$3,677,294)</b>	<b>(\$0.62)</b>	<b>\$60,995</b>	<b>\$0.01</b>
Weighted average shares outstanding (basic and diluted)	5,949,548		6,302,724	

(1) Core net investment income and core net investment income per share are non-GAAP financial measures. For the quarters ended March 31, 2020 and 2019, 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, 2020</b>	<b>December 31, 2019</b>
Portfolio investments at fair value	\$ 111,069,696	\$ 116,809,390
Total assets	\$ 135,643,093	\$ 140,059,736
Net assets	\$ 61,761,890	\$ 66,781,482
Shares outstanding	5,958,479	5,945,854
Net asset value per share	\$ 10.37	\$ 11.23

	<b>Q1-2020</b>	<b>Q1-2019</b>
Portfolio activity during the period:		
New debt investments	\$ 1,255,000	\$ 21,349,788
New equity investments	200,000	158,252
Exits of debt investments	(2,196,600)	(10,424,648)
Exits of equity investments	(102,421)	(206,435)
Principal repayments	(846,241)	(3,348,148)
Net activity	\$ (1,690,262)	\$ 7,528,809

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Number of portfolio company investments	24	25
Number of debt investments	19	20

Weighted average yield of debt and other income producing investments (1):		
Cash	11.7%	12.0%
PIK	1.1%	1.1%
Fee amortization	0.6%	0.9%
Total	13.4%	14.0%

Weighted average yield on total investments (2):		
Cash	8.7%	9.7%
PIK	0.8%	0.9%
Fee amortization	0.4%	0.7%
Total	9.9%	11.3%

- (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, CP Holding Co., Inc. (Choice Pet), and ProAir Holdings Corporation were excluded from the calculation as of March 31, 2020 because they were on non-accrual status as of that date. Infinite Care, LLC and CP Holding Co., Inc. (Choice Pet) were excluded from the calculation as of December 31, 2019 because they were on non-accrual status as of 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.

## FIRST QUARTER OF 2020 OPERATING RESULTS

Net investment income was \$1.0 million, or \$0.17 per share, for the quarter ended March 31, 2020, compared to net investment income of \$0.8 million, or \$0.12 per share, for the quarter ended March 31, 2019, an increase of \$0.2 million in the first quarter of 2020 compared to 2019. The increase in net investment income during the 2020 first quarter as compared to the 2019 first quarter primarily resulted from an increase of \$0.2 million in investment income between periods.

For the quarter ended March 31, 2020, the Company recorded a net operating loss of \$3.7 million, compared to \$60,995 of net operating income in the quarter ended March 31, 2019. Per share loss was \$0.62 in the three months ended March 31, 2020 compared to net earnings of \$0.01 per share in the three months ended March 31, 2019. The \$3.7 million decrease between periods was primarily attributable to a \$3.8 million increase in unrealized depreciation, an increase in realized loss of \$0.1 million, offset by a \$0.2 million increase in net investment income. The increase in unrealized depreciation during the three months ended March 31, 2020 is primarily the result of the immediate adverse economic effects of the COVID-19 pandemic and the continuing uncertainty surrounding its long-term impact.

As of March 31, 2020, our total portfolio investments at fair value and total assets were \$111.1 million and \$135.6 million, respectively, compared to \$116.8 million and \$140.1 million at December 31, 2019. Net asset value per share was \$10.37 at March 31, 2020, compared to \$11.23 at December 31, 2019.

During the first quarter of 2020, the Company made investments in three companies totaling \$1.5 million. All three were additional investments in existing portfolio companies. The Company had one investment mature during the three months ended March 31, 2020. The significant investment activity for the quarter ended March 31, 2020 was as follows:

### **New and Incremental Investments**

On January 21, 2020, the Company increased its debt investment in Slappy Communications, LLC with a \$1.1 million increase in its senior secured term loan.

On January 22, 2020, the Company increased its senior secured debt investment in Infinite Care, LLC, with a \$0.2 million increase in its senior secured revolving credit facility.

On January 31, 2020, the Company increased its equity investment in KC Engineering & Construction Services, LLC with a \$0.2 million pro-rata increase through one add-on funding to purchase Class A Units.

### **Investment Sales and Payoffs**

On March 31, 2020, the Company's senior secured debt investment in Regional Engine Leasing, LLC matured. Payment was subsequently received in April 2020. The Company generated an internal rate of return (IRR\*) of 12.15% 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.

"Given the severe negative impact on the US economy from the COVID-19 pandemic since late February, we quickly shifted our strategy from growing our investment portfolio to preserving our capital and actively managing our current investments to limit the negative impact from the downturn," said Joseph Jolson, Chairman and CEO. "We continue to negotiate with our lenders to extend our revolving line of credit until the end of July 2020 or a later date, otherwise it will term out over an 18-month period unless further extended or replaced with a new agreement. Because we will likely be in this mode for the next few quarters, our Board of Directors decided to preserve our cash and capital and defer the payment of our March and April cash dividends and suspend future dividends, until we have better visibility to the depth and duration of this economic debacle," 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, 2020, the weighted average risk rating of the debt investments in the Company's portfolio decreased to 2.75 from 2.43 in the previous quarter. Also, as of March 31, 2020, three of the Company's nineteen debt investments were rated 1, eight investments were rated 2, four investments were rated 3, three investments were rated 4, and one investment was rated 5. As of March 31, 2020, three investments with a combined fair value of \$17.7 million were on non-accrual status.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of March 31, 2020, the Company had \$20.8 million of cash and restricted cash and \$7.6 million of undrawn borrowing capacity on its \$55.0 million senior secured revolving credit facility. The credit facility is secured by all of the Company's assets. The revolving period under the credit facility ended on April 30, 2020 and, as a result, the Company is no longer able to borrow additional amounts under the credit facility. The Company is currently in negotiations with the lenders to extend the revolving period from April 30, 2020 to July 31, 2020 or some other date, but there is no assurance that the lenders will agree to do so or of any timing thereof. Please see the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2020, as filed with the Securities and Exchange Commission on May 13, 2020, for more information.

## **COVID-19 DEVELOPMENTS**

The COVID-19 pandemic, and the related effects on the U.S. and global economies, has had, and may continue to have, adverse consequences for the business operations of some of the Company's portfolio companies and has adversely affected, and threatens to continue to adversely affect, the Company's operations and the operations of HCAP Advisors. Given the dynamic nature of this situation, the Company cannot reasonably estimate the full impact of COVID-19 on its financial condition, results of operations or cash flows in the future. However, the Company does expect that it could have a material adverse impact on its future net investment income, the fair value of its portfolio investments, and the Company's results of operations and financial condition as well as its portfolio companies. Please see the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2020, as filed with the Securities and Exchange Commission on May 13, 2020, for more information.

## **OTHER SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO MARCH 31, 2020**

On April 13, 2020, in light of the economic and financial disruptions caused by the COVID-19 pandemic, the Company's board of directors announced its decision to defer the record date and payment of its previously announced distributions of \$0.08 per share payable on each of April 30, 2020 and May 28, 2020 until such later time as the board of directors determines is prudent in light of the Company's capital needs and contractual obligations, and in the best interests of the Company and its stockholders. The board of directors has also determined to suspend the declaration of any future dividends until further notice.

## **CONFERENCE CALL**

The Company will host a conference call on Wednesday, May 13, 2020 at 11:00 a.m. Eastern Time to discuss its first 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 4695473 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. 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 events, results and conditions to differ materially from those discussed or projected in these forward-looking statements, including, without limitation, changes in our relationships and contractual arrangements with lenders 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 Quarterly Report on Form 10-Q for the three months ended March 31, 2020. 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, 2020	December 31, 2019
<b>ASSETS:</b>		
Non-affiliated/non-control investments, at fair value (cost of \$58,893,829 at 3/31/2020 and \$61,379,670 at 12/31/19)	\$ 55,245,610	\$ 60,973,556
Affiliated investments, at fair value (cost of \$49,287,516 at 3/31/20 and \$48,111,833 at 12/31/19)	46,879,036	47,431,234
Control investments, at fair value (cost of \$14,108,202 at 3/31/20 and \$13,958,202 at 12/31/19)	8,945,050	8,404,600
Cash	285,647	11,199,083
Restricted cash	20,464,943	10,648,199
Interest receivable	831,825	663,191
Accounts receivable – other	2,260,248	184,804
Deferred financing costs	367,373	425,379
Other assets	363,361	129,690
<b>Total assets</b>	<u>\$ 135,643,093</u>	<u>\$ 140,059,736</u>
<b>LIABILITIES:</b>		
Revolving line of credit	\$ 44,000,000	\$ 43,700,000
2022 Notes (net of deferred offering costs of \$571,424 at 3/31/20 and \$623,276 at 12/31/19)	28,178,576	28,126,724
Accrued interest payable	163,851	152,544
Accounts payable - base management fees	581,166	593,266
Accounts payable - administrative services	350,000	350,000
Accounts payable - accrued expenses	607,612	355,720
<b>Total liabilities</b>	<u>73,881,205</u>	<u>73,278,254</u>
Commitments and contingencies (Note 8)		
<b>NET ASSETS:</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 6,600,444 issued and 5,958,479 outstanding at 3/31/20 and 6,587,819 issued and 5,945,854 outstanding at 12/31/19	6,601	6,588
Capital in excess of common stock	90,962,284	90,876,759
Treasury shares, at cost, 641,965 shares at 3/31/20 and 12/31/19	(6,723,505)	(6,723,505)
Accumulated over distributed earnings	(22,483,490)	(17,378,360)
<b>Total net assets</b>	<u>61,761,890</u>	<u>66,781,482</u>
<b>Total liabilities and net assets</b>	<u>\$ 135,643,095</u>	<u>\$ 140,059,736</u>
Common stock outstanding	5,958,479	5,945,854
Net asset value per common share	\$ 10.37	\$ 11.23

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

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Investment Income:</b>		
Interest:		
Cash - non-affiliated/non-control investments	\$ 1,564,087	\$ 1,481,111
Cash - affiliated investments	1,301,790	960,946
PIK - non-affiliated/non-control investments	109,634	12,119
PIK - affiliated investments	155,328	194,515
Amortization of fees, discounts and premiums		
Non-affiliated/non-control investments	89,995	226,862
Affiliated investments	59,747	22,732
Total interest income	3,280,581	2,898,285
Other income	6,180	139,959
<b>Total investment income</b>	<b>3,286,761</b>	<b>3,038,244</b>
<b>Expenses:</b>		
Interest expense – revolving line of credit	321,119	10,486
Interest expense - unused line of credit	55,396	101,749
Interest expense - deferred financing costs	58,005	55,011
Interest expense - 2022 Notes	440,235	440,235
Interest expense - deferred offering costs	51,853	48,360
Total interest expense	<b>926,608</b>	<b>655,841</b>
Professional fees	209,045	520,334
General and administrative	231,272	254,953
Base management fees	581,166	494,846
Incentive management fees	—	—
Administrative services expense	350,000	350,000
<b>Total expenses</b>	<b>2,298,091</b>	<b>2,275,974</b>
<b>Net Investment Income</b>	<b>988,670</b>	<b>762,270</b>
Net realized gains (losses):		
Non-Affiliated / Non-Control investments	(86,427)	46,300
Control investments	—	(10,890)
<b>Net realized gains (losses)</b>	<b>(86,427)</b>	<b>35,410</b>
Net change in unrealized appreciation (depreciation) on investments:		
Non-Affiliated / Non-Control investments	(3,242,104)	(738,955)
Affiliated investments	(1,727,883)	(61,230)
Control investments	390,450	63,500
<b>Net change in appreciation depreciation on investments</b>	<b>(4,579,537)</b>	<b>(736,685)</b>
<b>Total net unrealized and realized losses on investments</b>	<b>(4,665,964)</b>	<b>(701,275)</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (3,677,294)</b>	<b>\$ 60,995</b>
Net investment income per share	\$0.17	\$0.12
Net increase (decrease) in net assets resulting from operations per share	(\$0.62)	\$0.01
Weighted average shares outstanding (basic and diluted)	5,949,548	6,302,724



**Investor & Media Relations Contacts**

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