

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 SEPTEMBER 30, 2020 FINANCIAL RESULTS

NEW YORK, November 6, 2020 — Harvest Capital Credit Corporation (the “Company,” “we,” or “our”) (NASDAQ: HCAP) announced financial results for its third quarter ended September 30, 2020.

FINANCIAL HIGHLIGHTS

	Q3-2020		Q3-2019		Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
Net investment income	\$854,861	\$0.14	\$1,072,328	\$0.18	\$2,046,716	\$0.34	\$2,675,506	\$0.43
Core net investment income (1)	854,861	0.14	1,072,328	0.18	2,046,716	0.34	2,675,506	0.43
Net realized gains (losses) on investments	226,344	0.04	(92,615)	(0.02)	(2,014,409)	(0.34)	(30,304)	—
Net change in unrealized appreciation (depreciation) on investments	(1,464,008)	(0.25)	(2,022,875)	(0.33)	(4,852,417)	(0.81)	(3,541,262)	(0.58)
Net loss	(\$382,803)	(\$0.06)	(\$1,043,162)	(\$0.17)	(\$4,820,110)	(\$0.81)	(\$896,060)	(\$0.15)
Weighted average shares outstanding (basic and diluted)	5,958,479		6,053,807		5,955,513		6,171,616	

(1) Core net investment income and core net investment income per share are non-GAAP financial measures. For each of the three months ended September 30, 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

			September 30, 2020	December 31, 2019
Portfolio investments at fair value			\$ 95,981,268	\$ 116,809,390
Total assets			\$ 135,325,035	\$ 140,059,736
Net assets			\$ 60,619,074	\$ 66,781,482
Shares outstanding			5,958,479	5,945,854
Net asset value per share			\$ 10.17	\$ 11.23
			Nine Months Ended	Nine Months Ended
	Q3-2020	Q3-2019	September 30, 2020	September 30, 2019
Portfolio activity during the period:				
New debt investments	\$ 964,812	\$ 14,633,066	\$ 2,219,812	\$ 50,895,354
New equity investments	\$ 31,732	\$ 597,579	\$ 231,732	\$ 3,737,138
Exits of debt investments	\$ (7,956,707)	\$ (6,967,480)	\$ (17,053,159)	\$ (21,438,059)
Exits of equity investments	\$ (186,970)	\$ —	\$ (289,391)	\$ (206,435)
Principal repayments	\$ (1,915,147)	\$ (1,088,225)	\$ (3,661,280)	\$ (6,183,061)
Net activity	\$ (9,062,280)	\$ 7,174,940	\$ (18,552,286)	\$ 26,804,937
			September 30, 2020	December 31, 2019
Number of portfolio companies			22	25
Number of debt investments			16	20
Weighted average yield of debt and other income producing investments (1):				
Cash			10.6 %	12.0 %
PIK			1.5 %	1.1 %
Fee amortization			0.5 %	0.9 %
Total			12.6 %	14.0 %
Weighted average yield on total investments (2):				
Cash			7.2 %	9.7 %
PIK			1.0 %	0.9 %
Fee amortization			0.4 %	0.7 %
Total			8.6 %	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, General Nutrition Centers, Inc., GK Holdings, Inc., and ProAir Holdings Corporation were excluded from the calculation as of September 30, 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.

THIRD QUARTER AND YEAR TO DATE 2020 OPERATING RESULTS

For the three months ended September 30, 2020, the Company recorded a net operating loss of \$0.4 million, as compared to a net operating loss of \$1.0 million in the quarter ended September 30, 2019. The \$0.6 million decrease in net operating loss between comparable periods principally resulted from the Company recording \$0.9 million less in aggregate realized and unrealized losses on investments between periods. This was offset by a reduction in investment income earned on the Company's investment portfolio, primarily attributable to a smaller income-earning portfolio, the addition of three portfolio companies to non-accrual status earlier in 2020, a lower weighted-average effective yield on the Company's income-earning portfolio and an increase in interest expense between periods. Operating loss was \$0.06 and \$0.17 per share for the three months ended September 30, 2020 and 2019, respectively.

Net investment income was \$0.9 million, or \$0.14 per share, for the quarter ended September 30, 2020, compared to net investment income of \$1.1 million, or \$0.18 per share, for the quarter ended September 30, 2019, a decrease of \$0.2 million in the third quarter of 2020 compared to 2019. The decrease in net investment income during the 2020 third quarter as compared to the 2019 third quarter primarily resulted from a decrease of \$0.3 million in investment income between periods and an increase of \$0.1 million in interest expense, offset by a decrease of \$0.2 million in other operating expenses during the three months ended September 30, 2020 as compared to the three months ended September 30, 2019.

For the nine months ended September 30, 2020, the Company recorded a net operating loss of \$4.8 million, compared to a net operating loss of \$0.9 million in the nine months ended September 30, 2019. Per share operating loss was \$0.81 in the nine months ended September 30, 2020 compared to an operating loss of \$0.15 per share in the nine months ended September 30, 2019. The \$3.9 million increase in operating loss between periods was primarily attributable to a \$0.6 million decrease in net investment income, a \$1.3 million increase in net unrealized depreciation on investments, and a \$2.0 million increase in net realized loss on investments. The increase in unrealized depreciation during the nine months ended September 30, 2020 as compared to the 2019 period is primarily the result of the immediate adverse economic effects of the COVID-19 pandemic and the continuing uncertainty surrounding its long-term impact.

Net investment income was \$2.0 million, or \$0.34 per share, for the nine months ended September 30, 2020, compared to net investment income of \$2.7 million, or \$0.43 per share, for the nine months ended September 30, 2019, a decrease of \$0.7 million in the first nine months of 2020 compared to the first nine months of 2019. The decrease in net investment income during the first nine months of 2020 as compared to the first nine months of 2019 primarily resulted from a decrease of \$0.4 million in investment income and an increase in expenses of \$0.2 million between periods..

As of September 30, 2020, our total portfolio investments at fair value and total assets were \$96.0 million and \$135.3 million, respectively, compared to \$116.8 million and \$140.1 million at December 31, 2019. Net asset value per share was \$10.17 at September 30, 2020, compared to \$11.23 at December 31, 2019.

During the third quarter of 2020, the Company made two additional investments in existing portfolio companies. The Company had one portfolio investment payoff and one debt investment mature during the three months ended September 30, 2020. The investment activity for the quarter ended September 30, 2020 was as follows:

New and Incremental Investments

On July 23, 2020, the Company increased its debt investment in General Nutrition Centers, Inc., with a \$1.0 million investment in the DIP New Money Term Loan.

On September 3, 2020, the Company increased its equity investment in KC Engineering & Construction Services, LLC with a \$31,732 pro rata increase through one add-on funding to purchase Class A Units.

Investment Sales and Payoffs

On September 28, 2020, the Company received a \$7.1 million repayment, at par, on its senior secured debt investment in Kleen-Tech Acquisition, LLC and sold its warrants and received proceeds of \$0.6 million. The Company recorded \$0.3 million in exit and prepayment fees related to this transaction. The Company retained its equity investment. The Company generated an internal rate of return (IRR*) of 27.5% on its investment.

On September 30, 2020, the Company's senior secured revolving commitment in Back Porch International, Inc. matured and was terminated. The position was unfunded.

* 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 third quarter results exceeded expectations, in part due to the payoff of Kleen-Tech, which accelerated our deferred fees into the quarter," said Joseph Jolson, Chairman and CEO. "As we have deleveraged our balance sheet, our net investment income will continue to be adversely affected until we can grow our investment portfolio. On a positive note, our net asset value per share was relatively stable in the quarter and our weighted average risk rating improved modestly despite the payoff of a larger 1-rated credit in the period. In addition, one of our non-accrual loans, GNC, emerged from bankruptcy in mid-October with a substantial cash payment to Harvest and a new performing loan. We remain hopeful that we will make more progress in resolving the remaining 4-rated credits in the next few quarters, assuming the economy continues to gradually improve," 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 September 30, 2020, the weighted average risk rating of the debt investments in the Company's portfolio improved to 2.80 from 3.00 in the previous quarter. Also, as of September 30, 2020, four of the Company's sixteen debt investments were rated 1, three investments were rated 2, four investments were rated 3, five investments were rated 4, and no investments were rated 5. As of September 30, 2020, four investments with a combined fair value of \$18.6 million were on non-accrual status.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2020, the Company had \$37.7 million of cash and restricted cash and was fully drawn on its \$45.0 million senior secured revolving credit facility. On October 1, 2020, the Company repaid \$27.6 million on the senior secured revolving credit facility. The credit facility is secured by all of the Company's assets. The revolving period under the credit facility was scheduled to end on October 31, 2020. However, on October 30, 2020, the Company amended the credit facility to, among other things, (i) extend the revolving period to January 31, 2021, until which date the Company may receive additional advances at the discretion of the lenders, and (ii) amend the definition of "debt service" under the credit facility to exclude certain amounts from the calculation of the Company's debt service coverage ratio for any period from August 1, 2020 through December 31, 2020. Please see the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on November 5, 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 quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on November 5, 2020, for more information.

CONFERENCE CALL

The Company will host a conference call on Friday, November 6, 2020 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 8454508 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 most recent annual report on Form 10-K and subsequently filed 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

	September 30, 2020	December 31, 2019
ASSETS:		
Non-affiliated/non-control investments, at fair value (cost of \$51,191,614 at 9/30/20 and \$61,379,670 at 12/31/19)	\$ 46,162,570	\$ 60,973,556
Affiliated investments, at fair value (cost of \$42,260,687 at 9/30/20 and \$48,111,833 at 12/31/19)	41,006,699	47,431,234
Control investments, at fair value (cost of \$14,021,701 at 9/30/20 and \$13,958,202 at 12/31/19)	8,811,999	8,404,600
Cash	8,406,656	11,199,083
Restricted cash	29,338,582	10,648,199
Interest receivable	652,593	663,191
Accounts receivable – other	478,499	184,804
Deferred financing costs	262,742	425,379
Other assets	204,695	129,690
Total assets	\$ 135,325,035	\$ 140,059,736
LIABILITIES:		
Revolving line of credit	\$ 45,000,000	\$ 43,700,000
2022 Notes (net of deferred offering costs and unamortized discount of \$464,967 at 9/30/20 and \$623,276 at 12/31/19)	28,285,033	28,126,724
Accrued interest payable	96,276	152,544
Accounts payable - base management fees	512,047	593,266
Accounts payable - administrative services	350,000	350,000
Accounts payable - accrued expenses	462,605	355,720
Total liabilities	74,705,961	73,278,254
Commitments and contingencies		
NET ASSETS:		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 6,600,444 issued and 5,958,479 outstanding at 9/30/20 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 9/30/20 and 12/31/19	(6,723,505)	(6,723,505)
Accumulated over distributed earnings	(23,626,306)	(17,378,360)
Total net assets	60,619,074	66,781,482
Total liabilities and net assets	\$ 135,325,035	\$ 140,059,736
Common stock outstanding	5,958,479	5,945,854
Net asset value per common share	\$ 10.17	\$ 11.23

Harvest Capital Credit Corporation
Consolidated Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Investment Income:				
Interest:				
Cash - non-affiliated/non-control investments	\$ 967,288	\$ 1,416,656	\$ 3,598,978	\$ 4,247,511
Cash - affiliated investments	1,083,399	1,432,203	3,490,270	3,493,857
PIK - non-affiliated/non-control investments	156,105	18,471	376,321	49,236
PIK - affiliated investments	136,526	187,334	436,381	569,447
Amortization of fees, discounts and premiums				
Non-affiliated/non-control investments	54,822	121,156	248,464	548,217
Affiliated investments	476,421	60,970	591,965	118,125
Total interest income	2,874,561	3,236,790	8,742,379	9,026,393
Other income	152,526	45,508	162,317	288,454
Total investment income	3,027,087	3,282,298	8,904,696	9,314,847
Expenses:				
Interest expense – revolving line of credit	351,436	224,712	1,012,455	327,493
Interest expense - unused line of credit	25,551	74,586	115,052	268,470
Interest expense - deferred financing costs	58,085	58,258	240,245	168,898
Interest expense - 2022 Notes	440,235	440,235	1,320,705	1,320,705
Interest expense - deferred offering costs and discount	53,693	50,076	158,311	147,646
Total interest expense	929,000	847,867	2,846,768	2,233,212
Professional fees	151,246	198,360	608,570	1,016,240
General and administrative	229,934	235,277	709,622	726,849
Base management fees	512,046	578,466	1,643,020	1,613,040
Administrative services expense	350,000	350,000	1,050,000	1,050,000
Total expenses	2,172,226	2,209,970	6,857,980	6,639,341
Net Investment Income	854,861	1,072,328	2,046,716	2,675,506
Net realized gains (losses):				
Non-Affiliated / Non-Control investments	—	—	(2,176,202)	52,451
Affiliated investments	248,294	—	248,294	20,750
Control investments	(21,950)	(92,615)	(86,501)	(103,505)
Net realized gains (losses)	226,344	(92,615)	(2,014,409)	(30,304)
Net change in unrealized appreciation (depreciation) on investments:				
Non-Affiliated / Non-Control investments	(858,707)	(2,759,004)	(4,622,927)	(3,448,583)
Affiliated investments	(1,191,301)	658,765	(573,390)	665,351
Control investments	586,000	77,364	343,900	(758,030)
Net change in depreciation on investments	(1,464,008)	(2,022,875)	(4,852,417)	(3,541,262)
Total net unrealized and realized losses on investments	(1,237,664)	(2,115,490)	(6,866,826)	(3,571,566)
Net increase (decrease) in net assets resulting from operations	\$ (382,803)	\$ (1,043,162)	\$ (4,820,110)	\$ (896,060)
Net investment income per share	\$0.14	\$0.18	\$0.34	\$0.43
Net increase (decrease) in net assets resulting from operations per share	(\$0.06)	(\$0.17)	(\$0.81)	(\$0.15)
Weighted average shares outstanding, basic and diluted	5,958,479	6,053,807	5,955,513	6,171,616

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