

# 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, 2020

NEW YORK, March 12, 2021 — Harvest Capital Credit Corporation (the “Company,” “we,” or “our”) (NASDAQ: HCAP) announced financial results for its fiscal year and fourth quarter ended December 31, 2020.

#### FINANCIAL HIGHLIGHTS

	Q4-20		Q4-19		FY-20		FY-19	
	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
<b>Net investment income (loss)</b>	(\$382,537)	(\$0.06)	\$1,153,280	\$0.19	\$1,664,179	\$0.28	\$3,828,786	\$0.63
<b>Core net investment income (loss) (1)</b>	(382,537)	(0.06)	1,153,280	0.19	1,664,179	0.28	3,828,786	0.63
Net realized losses on investments	(2,908,762)	(0.49)	(2,333,549)	(0.39)	(4,923,171)	(0.83)	(2,363,853)	(0.38)
Net change in unrealized appreciation (depreciation) on investments	7,012,964	1.18	869,874	0.15	2,160,547	0.36	(2,671,388)	(0.44)
Provision for taxes on unrealized gains on investments	(1,236,329)	(0.21)	—	—	(1,236,329)	(0.21)	—	—
<b>Net income (loss)</b>	\$2,485,336	\$0.42	(\$310,395)	(\$0.05)	(\$2,334,774)	(\$0.39)	(\$1,206,455)	(\$0.20)
Weighted average shares outstanding (basic and diluted)	5,958,799		5,944,914		5,956,339		6,114,474	

(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, 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.

# HARVEST

CAPITAL CREDIT

## PORTFOLIO ACTIVITY

	December 31, 2020	December 31, 2019
Portfolio investments at fair value	\$ 89,554,573	\$ 116,809,390
Total assets	\$ 129,944,513	\$ 140,059,736
Net assets	\$ 62,216,521	\$ 66,781,482
Shares outstanding	5,968,296	5,945,854
Net asset value per share	\$ 10.42	\$ 11.23

	Q4-20	Q4-19	FY-20	FY-19
Portfolio activity during the period:				
New debt investments	\$ —	\$ 4,426,801	\$ 2,219,812	\$ 55,322,156
New equity investments	193,367	10,637	425,099	3,747,775
Exits of debt investments	(8,285,151)	—	(25,338,310)	(21,438,058)
Exits of equity investments	—	—	(289,391)	(206,435)
Principal repayments	(602,315)	(1,890,347)	(4,263,595)	(8,073,409)
Net activity	\$ (8,694,099)	\$ 2,547,091	\$ (27,246,385)	\$ 29,352,029

	December 31, 2020	December 31, 2019
Number of portfolio company investments	21	25
Number of debt investments	14	20

Weighted average yield of debt and other income producing investments (1):		
Cash	9.0 %	12.0 %
PIK	2.6 %	1.1 %
Fee amortization	0.3 %	0.9 %
Total	11.9 %	14.0 %

Weighted average yield on total investments (2):		
Cash	6.9 %	9.7 %
PIK	2.0 %	0.9 %
Fee amortization	0.2 %	0.7 %
Total	9.1 %	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. GK Holdings, Inc. and ProAir Holdings Corporation were excluded from the calculation as of December 31, 2020 and Infinite Care, LLC and CP Holding Co., Inc. were 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 2020 OPERATING RESULTS**

For the three months ended December 31, 2020, the Company recorded net income of \$2.5 million, as compared to a net loss of \$0.3 million in the quarter ended December 31, 2019. The increase in net income principally resulted from the Company recording a higher net change in unrealized appreciation on investments offset by a lower investment income as a result of a lower weighted-average effective yield on the Company's investment portfolio, lower prepayment and other non-recurring fees, the addition of GK Holdings, Inc. and ProAir Holdings Corporation to non-accrual status during 2020 and an increase in realized losses. During the fourth quarter of 2020, Infinite Care, LLC was removed from non-accrual status. Per share earnings (loss) were \$0.42 and (\$0.05) per share for the three months ended December 31, 2020 and 2019, respectively.

Net investment loss and core net investment loss was \$0.4 million, or \$0.06 per share, for the quarter ended December 31, 2020, compared to net investment income and core net investment income of \$1.2 million, or \$0.19 per share, for the quarter ended December 31, 2019, a decrease of \$1.6 million in the fourth quarter of 2020 compared to 2019. The decrease in net investment income during the 2020 fourth quarter as compared to the 2019 fourth quarter primarily resulted from an increase in operating expenses between periods. The Company incurred approximately \$1.0 million in expenses relating to the previously announced proposed merger with Portman Ridge Finance Corporation. In addition, investment income decreased by approximately \$0.5 million between periods due to a lower weighted-average effective yield on the Company's income-earning portfolio and the reduced size of the income-earning portfolio between periods.

For the year ended December 31, 2020, the Company recorded a net loss of \$2.3 million, an increase in loss of \$1.1 million from a net loss of \$1.2 million during the year ended December 31, 2019. The \$1.1 million loss increase was primarily attributable to a \$1.1 million decrease in investment income, a \$1.1 million increase in operating expenses, and an increase of \$2.6 million in realized losses, partially offset by a \$3.6 million change between periods in net unrealized appreciation/depreciation on investments, net of provision for taxes. Per share losses were \$0.39 and \$0.20 per share for the years ended December 31, 2020 and 2019, respectively.

Net investment income was \$1.7 million, or \$0.28 per share, for the year ended December 31, 2020, compared to net investment income of \$3.8 million, or \$0.63 per share, for the year ended December 31, 2019, a decrease of \$2.1 million in the 2020 fiscal year as compared to 2019. The decrease in net investment income during the 2020 year as compared to 2019, was primarily the result of a decrease in investment income and an increase in operating expenses, primarily relating to the previously announced proposed merger with Portman Ridge Finance Corporation.

As of December 31, 2020, our total portfolio investments at fair value and total assets were \$89.6 million and \$129.9 million, respectively, compared to \$116.8 million and \$140.0 million at December 31, 2019. Net asset value per share was \$10.42 at December 31, 2020, compared to \$11.23 at December 31, 2019.

During the fourth quarter of 2020, the Company made two additional equity investments in existing portfolio companies. The Company had one payoff during the three months ended December 31, 2020. The significant investment activity for the quarter ended December 31, 2020 was as follows:

### **New and Incremental Investments**

On October 28, 2020, the Company increased its equity investment in Slappey Communications, LLC with a \$0.1 million add-on funding to purchase preferred equity units.

On December 24, 2020, the Company increased its equity investment in Surge Hippodrome Partners LP with a \$0.1 million add-on funding to purchase common equity units.

### **Investment Sales and Payoffs**

On October 30, 2020, the Company received a \$7.8 million repayment, at par plus a 2.0% prepayment premium, on its senior secured debt investment in Slappey Communications, LLC. The original par value of the debt investment was \$7.9 million. The Company generated an internal rate of return (IRR\*) of 17.81% 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 made good progress in migrating away from assets rated lower on our internal investment rating scale and increasing our liquidity in the fourth quarter of 2020. At year end, non-accrual loans had been reduced to \$5.6 million (at fair value), including \$1.6 million that was under contract for sale to close in the second quarter of 2021. Recently, one large credit in our portfolio paid off its loan as a result of a sale transaction, and we utilized a portion of the proceeds to pay down our bank line of credit and currently have \$18.8 million in cash." said Joseph Jolson, Chairman and CEO. "Despite absorbing \$0.17 per share in merger-related costs in the fourth quarter of 2020, our NAV rose 9.9% on an annualized basis to \$10.42 per share, as a result of improving fundamentals at our portfolio companies, the expected exit of selected credits at higher valuations than their September 2020 fair values, and tightening credit spreads overall in the lower middle market. Our merger with Portman Ridge Finance Corporation is expected to close in the second quarter of 2021 and our shareholders will have an opportunity to elect to receive cash or stock consideration prior to closing, subject to a maximum amount of approximately 15 million shares of Portman Ridge's common stock being issued," 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, 2020, the weighted average risk rating of the debt investments in the Company's portfolio improved slightly to 2.74 from 2.80 in the previous quarter. Also, as of December 31, 2020, three of the Company's fourteen debt investments were rated 1, four investments were rated 2, three investment were rated 3, four investments were rated 4, and no investments were rated 5. As of December 31, 2020, two investments with a combined fair value of \$5.6 million were on non-accrual status.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our liquidity and capital resources are derived from our senior secured revolving credit facility, proceeds received from offerings of our securities, if any, such as the 2022 Notes in August 2017, cash flows from operations, including investment sales and repayments, and cash income earned. Our primary use of funds from operations includes investments in portfolio companies and other operating expenses we incur, as well as the payment of distributions to the holders of our common stock. We used, and expect to continue to use, these capital resources as well as proceeds from any future public and private offerings of securities to finance our investment activities. To the extent the proposed merger with Portman Ridge Finance Corporation does not close, we may amend or refinance our leverage facilities and borrowings, in order to, among other things, modify covenants or the interest rates payable and extend the reinvestment period or maturity date.

As of December 31, 2020, the Company had \$7.9 million of unrestricted cash and \$31.5 million of restricted cash and had \$35.6 million outstanding under its senior secured revolving credit facility. On January 4, 2021, the Company repaid \$30.0 million on the senior secured revolving credit facility. As of March 12, 2021, the Company fully repaid the balance on its senior secured revolving credit facility. The revolving period under the credit facility was scheduled to end on January 31, 2021. However, on January 22, 2021, the Company amended the credit facility to, among other things, extend the revolving period to June 30, 2021, until which date the Company may receive additional advances at the discretion of the lenders. Please see the Company's Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on March 12, 2021, for more information.

## **SIGNIFICANT PORTFOLIO DEVELOPMENTS SUBSEQUENT TO DECEMBER 31, 2020**

On March 1, 2021, the Company received \$5.5 million from National Program Management & Project Controls, LLC ("NPMPC") representing full payoffs at par for both of the senior secured term loan and the senior secured delayed draw term loan and received a prepayment fee of \$0.1 million. In addition, the Company received proceeds of \$9.0 million for the sale of its class A membership interest in NPMPC. An additional \$0.1 million is held in escrow and will be released to the Company at a later date.

## **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 events, 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, including those relating to the timing or likelihood of the closing of the proposed merger with Portman Ridge Finance Corporation, to differ materially from those discussed or projected in these forward-looking statements, including, without limitation, the failure to secure the shareholder approval required for the consummation of the merger with Portman Ridge Finance Corporation, the failure to fulfill all of the other various conditions to the consummation of the merger, changes in our relationships and contractual arrangements with lenders and our portfolio companies 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 annual report on Form 10-K and our 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

	December 31, 2020	December 31, 2019
<b>ASSETS:</b>		
Non-affiliated/non-control investments, at fair value (cost of \$45,081,806 at 12/31/20 and \$61,379,670 at 12/31/19)	\$ 43,075,802	\$ 60,973,556
Affiliated investments, at fair value (cost of \$34,972,335 at 12/31/20 and \$48,111,833 at 12/31/19)	35,563,428	47,431,234
Control investments, at fair value (cost of \$13,980,200 at 12/31/20 and \$13,958,202 at 12/31/19)	10,915,343	8,404,600
Cash	7,905,299	11,199,083
Restricted cash	31,478,661	10,648,199
Interest receivable	545,330	663,191
Accounts receivable – other	106,415	184,804
Deferred financing costs	205,630	425,379
Other assets	148,605	129,690
<b>Total assets</b>	<b>\$ 129,944,513</b>	<b>\$ 140,059,736</b>
<b>LIABILITIES:</b>		
Revolving line of credit	\$ 35,591,406	\$ 43,700,000
2022 Notes (net of deferred offering costs of \$410,330 at 12/31/20 and \$623,276 at 12/31/19)	28,339,670	28,126,724
Accrued interest payable	114,367	152,544
Accounts payable - base management fees	474,217	593,266
Accounts payable - administrative services expenses	350,000	350,000
Accounts payable - accrued expenses	1,622,003	355,720
Deferred tax liability	1,236,329	—
<b>Total liabilities</b>	<b>67,727,992</b>	<b>73,278,254</b>
<b>Commitments and contingencies</b>		
<b>NET ASSETS:</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 6,610,261 issued and 5,968,296 outstanding at 12/31/20 and 6,587,819 issued and 5,945,854 outstanding at 12/31/19	6,610	6,588
Capital in excess of common stock	89,578,243	90,876,759
Treasury shares at cost 641,965 shares at each of 12/31/20 and 12/31/19	(6,723,505)	(6,723,505)
Accumulated over distributed earnings	(20,644,827)	(17,378,360)
Total net assets	62,216,521	66,781,482
<b>Total liabilities and net assets</b>	<b>\$ 129,944,513</b>	<b>\$ 140,059,736</b>
Common stock outstanding	5,968,296	5,945,854
Net asset value per common share	\$ 10.42	\$ 11.23

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020 (Unaudited)	2019 (Unaudited)	2020	2019
<b>Investment Income:</b>				
Interest:				
Cash - non-affiliated/non-control investments	\$ 981,641	\$ 1,693,943	\$ 4,580,619	\$ 5,941,454
Cash - affiliated investments	623,874	1,224,324	4,114,144	4,718,181
Cash - control investments	98,633	—	98,633	—
PIK - non-affiliated/non-control investments	177,453	85,904	553,774	135,140
PIK - affiliated investments	210,436	157,246	646,817	726,693
PIK - control investments	98,633	—	98,633	—
Amortization of fees, discounts and premiums, net:				
Non-affiliated/non-control investments	89,672	94,216	338,136	642,433
Affiliated investments	167,778	53,547	759,743	171,672
Total interest income	2,448,120	3,309,180	11,190,499	12,335,573
Other income	195,000	46,357	357,317	334,811
<b>Total investment income</b>	<b>2,643,120</b>	<b>3,355,537</b>	<b>11,547,816</b>	<b>12,670,384</b>
<b>Expenses:</b>				
Interest expense – revolving line of credit	146,455	312,626	1,158,910	640,119
Interest expense - unused line of credit	44,185	59,406	159,237	327,876
Interest expense - deferred financing costs	61,337	57,780	301,582	226,678
Interest expense - unsecured notes	440,235	440,235	1,760,940	1,760,940
Interest expense - deferred offering costs	54,637	50,956	212,948	198,602
Total interest expense	746,849	921,003	3,593,617	3,154,215
Professional fees	990,411	82,835	1,598,981	1,099,075
General and administrative	364,181	255,154	1,073,803	982,003
Base management fees	474,216	593,265	2,117,236	2,206,305
Investment banking fees	100,000	—	100,000	—
Administrative services expense	350,000	350,000	1,400,000	1,400,000
<b>Total expenses</b>	<b>3,025,657</b>	<b>2,202,257</b>	<b>9,883,637</b>	<b>8,841,598</b>
<b>Net Investment Income (Loss)</b>	<b>(382,537)</b>	<b>1,153,280</b>	<b>1,664,179</b>	<b>3,828,786</b>
Net realized gains (losses):				
Non-Affiliated / Non-Control investments	(2,843,176)	(2,165,243)	(5,019,378)	(2,112,792)
Affiliated investments	(39,587)	—	208,707	20,750
Control investments	(25,999)	(168,306)	(112,500)	(271,811)
<b>Net realized losses</b>	<b>(2,908,762)</b>	<b>(2,333,549)</b>	<b>(4,923,171)</b>	<b>(2,363,853)</b>
Net change in unrealized appreciation (depreciation) on investments:				
Non-Affiliated / Non-Control investments	3,023,037	973,998	(1,599,890)	(2,474,585)
Affiliated investments	1,845,082	(390,254)	1,271,692	275,097
Control investments	2,144,845	286,130	2,488,745	(471,900)
<b>Net change in unrealized appreciation (depreciation) on investments</b>	<b>7,012,964</b>	<b>869,874</b>	<b>2,160,547</b>	<b>(2,671,388)</b>
<b>Total net unrealized and realized gains (losses) on investments</b>	<b>4,104,202</b>	<b>(1,463,675)</b>	<b>(2,762,624)</b>	<b>(5,035,241)</b>
Provision for taxes on unrealized gains on investments	(1,236,329)	—	(1,236,329)	—
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 2,485,336</b>	<b>\$ (310,395)</b>	<b>\$ (2,334,774)</b>	<b>\$ (1,206,455)</b>

Net investment income (loss) per share	(\$0.06)	\$0.19	\$0.28	\$0.63
Net increase (decrease) in net assets resulting from operations per share	\$0.42	(\$0.05)	(\$0.39)	(\$0.20)
Weighted average shares outstanding (basic and diluted)	5,958,799	5,944,914	5,956,339	6,114,474

**Investor & Media Relations Contacts**

Harvest Capital Credit Corporation

Joseph Jolson  
Chairman & Chief Executive Officer  
(415) 835-8970  
jjolson@harvestcaps.com

William E. Alvarez, Jr  
Chief Financial Officer  
(212) 906-3589  
balvarez@harvestcaps.com