



August 8, 2013

## **TCP Capital Corp. Announces Second Quarter 2013 Financial Results; Net Investment Income of \$0.38 Per Share; and Earnings of \$0.40 Per Share**

SANTA MONICA, Calif.--(BUSINESS WIRE)-- TCP Capital Corp. ("we," "us," "our," "TCPC" or the "Company"), a business development company ("BDC") (NASDAQ: TCPC), today announced its financial results for the second quarter ended June 30, 2013 and filed its Form 10-Q with the U.S. Securities and Exchange Commission.

### **FINANCIAL HIGHLIGHTS**

- | Net investment income for the quarter ended June 30, 2013 was \$8.9 million, or \$0.38 per share on a diluted basis, after preferred dividends and net of \$0.09 per share in incentive compensation on net investment income.
- | Net increase in net assets resulting from operations for the quarter ended June 30, 2013 was \$9.4 million, or \$0.40 per share.
- | Total acquisitions during the quarter ended June 30, 2013 were \$130.6 million and total acquisitions net of total dispositions were \$60.6 million.
- | On August 8, 2013, our board of directors declared a third quarter dividend of \$0.36 per share payable on September 30, 2013 to shareholders of record as of September 9, 2013.
- | On May 24, we closed a follow-on offering of 5,175,000 shares of our common stock at \$15.63 per share.
- | On May 17, we closed a new \$50 million revolving credit facility with Deutsche Bank, which has an accordion feature that allows for expansion of the facility up to \$100 million.

"We are pleased with our second quarter results," said TCP Capital Corp.'s Chairman and CEO, Howard Levkowitz. "Our strong earnings this quarter were almost entirely from recurring income. This quarter we also significantly expanded our financing flexibility and we deployed \$131 million this quarter into 13 investments, the highest level since our IPO. We continue to see a robust pipeline of deal flow across a variety of industries. As we continue to grow our portfolio, we will take a highly selective approach to choosing investments with a focus on delivering strong risk adjusted returns to our shareholders."

### **PORTFOLIO AND INVESTMENT ACTIVITY**

As of June 30, 2013, our investment portfolio consisted of debt and equity positions in 57 portfolio companies with a total fair value of approximately \$571.8 million. Debt positions represented approximately 93% of the portfolio fair value, 97% of which were senior secured debt. Equity positions represented approximately 7% of our investment portfolio.

As of June 30, 2013, the weighted average annual effective yield of our debt portfolio was approximately 10.9%.<sup>(1)</sup> As of June 30, 2013, approximately 74% of our debt portfolio at fair value had floating interest rates, approximately 93% of which had interest rate floors, and approximately 26% of our debt portfolio had fixed interest rates. As of June 30, 2013, we had no debt investments on non-accrual status.

During the three months ended June 30, 2013, we invested approximately \$130.6 million in eleven new and two existing portfolio companies. The investments were comprised of \$117.0 million in senior secured floating rate loans and, \$13.6 million in senior secured notes. Additionally, we received proceeds from sales and repayments of investment principal of approximately \$70.0 million. We expect to continue to invest in senior secured loans, bonds and subordinated debt, as well as select equity investments, to obtain a high level of current income and create the potential for appreciation, with an emphasis on principal protection.

As of June 30, 2013, total assets were \$623.4 million, net assets applicable to common shareholders was \$398.2 million and net asset value per share was \$14.94, as compared to \$530.0 million, \$320.2 million, and \$14.91 per share, respectively on March 31, 2013.

### **CONSOLIDATED RESULTS OF OPERATIONS**

Total investment income for the three months ended June 30, 2013 was approximately \$14.5 million, or \$0.61 per share, including \$0.01 per share from non-recurring fee income, \$0.02 per share from original issue discount accretion and \$0.01 per share from income paid in kind. This reflects our policy of recording interest income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Origination, structuring, closing, commitment, and similar upfront fees received in connection with the outlay of capital are generally amortized or accreted into interest income over the life of the respective debt investment. Total investment income was net of \$0.6 million of depreciation expense from aircraft we own and lease (through portfolio trusts), or \$0.03 per share.

Total operating expenses for the three months ended June 30, 2013 were approximately \$3.0 million, or \$0.13 per share. Dividends accrued on the preferred leverage facility were approximately \$0.4 million, or \$0.02 per share. We also incurred incentive compensation from net investment income of \$2.2 million, or \$0.09 per share, incentive compensation from realized gains of \$0.3 million, or \$0.01 per share, and a reduction in the reserve for incentive compensation of \$0.1 million, or \$0.01 per share. Excluding incentive compensation, annualized second quarter expenses, including all costs of leverage (both interest expense and preferred dividends), were 3.7% of average net assets.

Net investment income for the three months ended June 30, 2013 was approximately \$11.5 million, or \$0.48 per share, before related incentive compensation and preferred dividends. Net investment income after related incentive compensation and preferred dividends was \$8.9 million, or \$0.38 per share.

Net realized losses for the three months ended June 30, 2013 were \$4.1 million, or \$0.17 per share. Net realized losses primarily reflected a charge on the recapitalization of AGY. The initial AGY investment was part of our legacy distressed debt strategy and has generated substantial cash interest income. During the three months ended June 30, 2013, we recognized \$4.8 million, or \$0.20 per share, in net unrealized appreciation from mark to market adjustments throughout our portfolio and reversals of prior period unrealized depreciation.

Net increase in net assets applicable to common shareholders resulting from operations for the three months ended June 30, 2013 was \$9.7 million, or \$0.40 per share, as compared to \$12.8 million, or \$0.60 per share for the quarter ended March 31, 2013.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2013, available liquidity was approximately \$100.6 million, comprised of approximately \$108 million in available capacity under the credit facilities, less \$7.4 million in net outstanding investment commitments (net of approximately \$40.0 million in cash and cash equivalents).

Total leverage outstanding at June 30, 2013 was \$167.0 million, comprised of \$33.0 million on our revolving credit facilities and \$134.0 million on our preferred equity facility. The weighted average interest rate on amounts outstanding on the total leverage facility as of June 30, 2013 was 1.39%.

| <u>Leverage Program (\$300 million):</u> | <u>Rate</u>   | <u>Maturity</u> |
|------------------------------------------|---------------|-----------------|
| \$116mm Partnership Credit Facility      | LIBOR + 0.44% | July 2014       |
| \$50mm TCPC Funding Credit Facility*     | LIBOR + 2.75% | May 2016        |
| \$134mm Preferred Equity Facility        | LIBOR + 0.85% | July 2016       |

\*\$25 million at June 30, 2013, automatically increasing to \$50 million in August 2013

## **RECENT DEVELOPMENTS**

On August 8, 2013, the Company's board of directors declared a third quarter cash dividend of \$0.36 per share payable on September 30, 2013 to stockholders of record as of the close of business on September 9, 2013.

The Company submitted an application for a SBIC license and received a "Green Light" letter from the U.S. Small Business Administration allowing the Company to proceed with the application process. The Company subsequently received acceptance of its follow-up application.

Philip Tseng, a managing partner of Tennenbaum Capital Partners, LLC, who has been with the Advisor since 2004, will join our Investment Committee as a replacement for Michael E. Tennenbaum.

## **CONFERENCE CALL AND WEBCAST**

TCP Capital Corp. will host a conference call on Thursday, August 8, 2013 at 1:00 p.m. Eastern Time (10:00 a.m. Pacific

Time) to discuss its second quarter results. All interested parties are invited to participate in the conference call by dialing (866) 393-0571; international callers should dial (206) 453-2872. Participants should enter the Conference ID 13821590 when prompted. For a slide presentation that we intend to refer to on the earnings conference call, please visit the Investor Relations section of our website ([www.tcpcapital.com](http://www.tcpcapital.com)) and click on the Second Quarter 2013 Investor Presentation under Events and Presentations. The conference call will be webcast simultaneously in the investor relations section of our website at <http://investors.tcpcapital.com/>. An archived replay of the call will be available approximately two hours after the live call, through August 15, 2013. For the replay, please visit <http://investors.tcpcapital.com/events.cfm> or dial (855) 859-2056. For international replay, please dial (404) 537-3406. For all replays, please reference program ID number 13821590.

- (1) Weighted average annual effective yield includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes market discount, any prepayment and make-whole fee income, and any debt investments on non-accrual status.

TCP Capital Corp.  
Consolidated Statements of Assets and Liabilities

|                                                                                                                                                                                       | June 30, 2013<br>(unaudited) | December 31, 2012 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------|
| <b>Assets</b>                                                                                                                                                                         |                              |                   |
| Investments, at fair value:                                                                                                                                                           |                              |                   |
| Unaffiliated issuers (cost of \$561,129,297 and \$508,302,758, respectively)                                                                                                          | \$501,648,852                | \$ 440,772,190    |
| Controlled companies (cost of \$43,776,456 and \$44,964,189 respectively)                                                                                                             | 20,863,780                   | 22,489,208        |
| Other affiliates (cost of \$51,724,840 and \$55,803,421, respectively)                                                                                                                | 49,249,412                   | 54,421,689        |
| Total investments (cost of \$656,630,593 and \$609,070,368, respectively)                                                                                                             | 571,762,044                  | 517,683,087       |
| Cash and cash equivalents                                                                                                                                                             | 40,065,668                   | 18,035,189        |
| Accrued interest income:                                                                                                                                                              |                              |                   |
| Unaffiliated issuers                                                                                                                                                                  | 5,483,176                    | 4,039,149         |
| Controlled companies                                                                                                                                                                  | 47,773                       | 53,524            |
| Other affiliates                                                                                                                                                                      | 807,362                      | 482,634           |
| Receivable for investments sold                                                                                                                                                       | 2,695,000                    | 7,727,415         |
| Deferred debt issuance costs                                                                                                                                                          | 1,234,215                    | 696,018           |
| Unrealized appreciation on swaps                                                                                                                                                      | 271,816                      | 179,364           |
| Prepaid expenses and other assets                                                                                                                                                     | 1,041,845                    | 345,722           |
| Total assets                                                                                                                                                                          | 623,408,899                  | 549,242,102       |
| <b>Liabilities</b>                                                                                                                                                                    |                              |                   |
| Debt                                                                                                                                                                                  | 33,000,000                   | 74,000,000        |
| Incentive allocation payable                                                                                                                                                          | 2,476,035                    | -                 |
| Payable for investments purchased                                                                                                                                                     | 50,179,344                   | 21,814,819        |
| Interest payable                                                                                                                                                                      | 225,981                      | 119,233           |
| Payable to the Investment Manager                                                                                                                                                     | 625,006                      | 109,200           |
| Management and advisory fees payable                                                                                                                                                  | 1,940,295                    | -                 |
| Accrued expenses and other liabilities                                                                                                                                                | 1,938,607                    | 2,685,015         |
| Total liabilities                                                                                                                                                                     | 90,385,268                   | 98,728,267        |
| <b>Preferred equity facility</b>                                                                                                                                                      |                              |                   |
| Series A preferred limited partner interests in Special Value Continuation Partners, LP; \$20,000/interest liquidation preference; 6,700 interests authorized, issued and outstanding | 134,000,000                  | 134,000,000       |
| Accumulated dividends on Series A preferred equity facility                                                                                                                           | 491,163                      | 526,285           |
| Total preferred limited partner interests                                                                                                                                             | 134,491,163                  | 134,526,285       |
| <b>Non-controlling interest</b>                                                                                                                                                       |                              |                   |
| General Partner interest in Special Value Continuation Partners, LP                                                                                                                   | 344,310                      | -                 |
| <b>Net assets applicable to common shareholders</b>                                                                                                                                   | \$398,188,158                | \$ 315,987,550    |

**Composition of net assets applicable to common shareholders**

Common stock, \$0.001 par value; 200,000,000 shares authorized, 26,654,701 and 21,477,628 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively

|                                              |                      |                       |
|----------------------------------------------|----------------------|-----------------------|
|                                              | 26,655               | 21,478                |
| Paid-in capital in excess of par             | 522,439,540          | 444,234,060           |
| Accumulated net investment income            | 23,502,379           | 22,526,179            |
| Accumulated net realized losses              | (62,601,363)         | (59,023,861)          |
| Accumulated net unrealized depreciation      | (85,179,053)         | (91,770,306)          |
| Net assets applicable to common shareholders | <u>\$398,188,158</u> | <u>\$ 315,987,550</u> |

|                             |                 |                 |
|-----------------------------|-----------------|-----------------|
| <b>Net assets per share</b> | <b>\$ 14.94</b> | <b>\$ 14.71</b> |
|-----------------------------|-----------------|-----------------|

See accompanying notes.

TCP Capital Corp.  
Consolidated Statements of Operations (Unaudited)

|                                                                                    | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|------------------------------------------------------------------------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                                                                                    | 2013                        | 2012 <sup>(1)</sup> | 2013                      | 2012 <sup>(1)</sup> |
| <b>Investment income</b>                                                           |                             |                     |                           |                     |
| Interest income:                                                                   |                             |                     |                           |                     |
| Unaffiliated issuers                                                               | \$ 12,247,602               | \$ 8,824,978        | \$27,487,968              | \$16,977,526        |
| Controlled companies                                                               | 312,268                     | -                   | 642,585                   | -                   |
| Other affiliates                                                                   | 1,202,653                   | 1,562,916           | 2,096,165                 | 3,245,630           |
| Dividend income:                                                                   |                             |                     |                           |                     |
| Other affiliates                                                                   | -                           | -                   | -                         | 1,811,189           |
| Other income:                                                                      |                             |                     |                           |                     |
| Unaffiliated issuers                                                               | 419,415                     | 520,580             | 576,948                   | 520,580             |
| Controlled companies                                                               | 168,604                     | -                   | 311,515                   | -                   |
| Other affiliates                                                                   | 118,653                     | 177,984             | 219,756                   | 345,858             |
| Total investment income                                                            | <u>14,469,195</u>           | <u>11,086,458</u>   | <u>31,334,937</u>         | <u>22,900,783</u>   |
| <b>Operating expenses</b>                                                          |                             |                     |                           |                     |
| Management and advisory fees                                                       | 1,940,295                   | 1,552,867           | 3,905,033                 | 3,249,664           |
| Professional fees relating to the Conversion                                       | -                           | -                   | -                         | 411,523             |
| Administrative expenses                                                            | 167,808                     | -                   | 335,616                   | -                   |
| Amortization of deferred debt issuance costs                                       | 142,914                     | 109,771             | 251,478                   | 219,542             |
| Legal fees, professional fees and due diligence expenses                           | 162,152                     | 270,991             | 301,204                   | 361,776             |
| Interest expense                                                                   | 186,702                     | 9,929               | 323,109                   | 56,448              |
| Commitment fees                                                                    | 38,506                      | 70,153              | 61,094                    | 132,361             |
| Director fees                                                                      | 72,000                      | 46,500              | 143,809                   | 100,000             |
| Insurance expense                                                                  | 42,522                      | 27,072              | 78,795                    | 55,963              |
| Custody fees                                                                       | 30,232                      | 23,469              | 59,651                    | 46,503              |
| Other operating expenses                                                           | 224,535                     | 54,668              | 417,506                   | 107,863             |
| Total operating expenses                                                           | <u>3,007,666</u>            | <u>2,165,420</u>    | <u>5,877,295</u>          | <u>4,741,643</u>    |
| <b>Net investment income before taxes</b>                                          | <u>11,461,529</u>           | <u>8,921,038</u>    | <u>25,457,642</u>         | <u>18,159,140</u>   |
| Excise tax expense                                                                 | -                           | -                   | -                         | 502,978             |
| <b>Net investment income</b>                                                       | <u>11,461,529</u>           | <u>8,921,038</u>    | <u>25,457,642</u>         | <u>17,656,162</u>   |
| <b>Net realized and unrealized gain (loss) on investments and foreign currency</b> |                             |                     |                           |                     |
| Net realized gain (loss):                                                          |                             |                     |                           |                     |
| Investments in unaffiliated issuers                                                | (4,095,160)                 | 2,928,909           | (3,577,502)               | (3,104,104)         |

|                                                                                               |                     |                     |                     |                     |
|-----------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Investments in non-controlled affiliates                                                      | -                   | -                   | -                   | 718,845             |
| Net realized gain (loss)                                                                      | (4,095,160)         | 2,928,909           | (3,577,502)         | (2,385,259)         |
| Net change in net unrealized appreciation/depreciation                                        | 4,753,522           | (5,426,269)         | 6,591,253           | (4,999,802)         |
| Net realized and unrealized gain (loss)                                                       | 658,362             | (2,497,360)         | 3,013,751           | (7,385,061)         |
| Dividends paid on Series A preferred equity facility                                          | (392,669)           | (373,691)           | (786,082)           | (745,183)           |
| Net change in accumulated dividends on Series A preferred equity facility                     | 19,111              | (23,786)            | 35,122              | (67,093)            |
| Distributions of incentive allocation to the General Partner from net investment income       | (2,217,594)         | -                   | (4,941,336)         | -                   |
| Distributions of incentive allocation to the General Partner from net realized gains          | (258,441)           | -                   | (258,441)           | -                   |
| Net change in reserve for incentive allocation                                                | 126,768             | -                   | (344,310)           | -                   |
| <b>Net increase in net assets applicable to common shareholders resulting from operations</b> | <u>\$ 9,397,066</u> | <u>\$ 6,026,201</u> | <u>\$22,176,346</u> | <u>\$ 9,458,825</u> |
| <b>Basic and diluted earnings per common share</b>                                            | <u>\$ 0.40</u>      | <u>\$ 0.28</u>      | <u>\$ 0.98</u>      | <u>N/A</u>          |
| <b>Basic and diluted weighted average common shares outstanding</b>                           | <u>23,639,742</u>   | <u>21,475,635</u>   | <u>22,564,670</u>   | <u>N/A</u>          |

See accompanying notes.

(1) Prior to the Conversion on April 2, 2012, the Company's portfolio had different objectives.

## ABOUT TCP CAPITAL CORP.

TCP Capital Corp. (NASDAQ: TCPC) is a specialty finance company focused on performing credit lending to middle-market companies with established market positions. TCPC focuses on companies with differentiated products and strong regional or national operations and where it has deep industry knowledge and expertise. TCPC's investment objective is to seek to achieve high total returns through current income and capital appreciation, with an emphasis on principal protection. TCPC is a publicly-traded business development company, or BDC, regulated under the Investment Company Act of 1940 and is externally managed by its advisor, Tennenbaum Capital Partners, LLC, a leading alternative investment manager. For more information, visit [www.tpcapital.com](http://www.tpcapital.com).

## FORWARD-LOOKING STATEMENTS

Prospective investors considering an investment in TCP Capital Corp. should consider the investment objectives, risks and expenses of the company carefully before investing. This information and other information about the company are available in the company's filings with the Securities and Exchange Commission ("SEC"). Copies are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and the company's website at [www.tpcapital.com](http://www.tpcapital.com). Prospective investors should read these materials carefully before investing.

This press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on estimates, projections, beliefs and assumptions of management of the company at the time of such statements and are not guarantees of future performance. Forward-looking statements involve risks and uncertainties in predicting future results and conditions. Actual results could differ materially from those projected in these forward-looking statements due to a variety of factors, including, without limitation, changes in general economic conditions or changes in the conditions of the industries in which the company makes investments, risks associated with the availability and terms of financing, changes in interest rates, availability of transactions, and regulatory changes. Certain factors that could cause actual results to differ materially from those contained in the forward-looking statements are included in the "Risks" section of the company's prospectus supplement dated May 21, 2013 and the company's subsequent periodic filings with the SEC. Copies are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and the company's website at [www.tpcapital.com](http://www.tpcapital.com). Forward-looking statements are made as of the date of this press release, and are subject to change without notice. The company has no duty and does not undertake any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise.

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Source: TCP Capital Corp.

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