



# LOGAN RIDGE

FINANCE CORPORATION™

## Logan Ridge Finance Corporation Announces Fourth Quarter and Full Year 2021 Financial Results

March 14, 2022

**During 2021 Logan Ridge further de-levered and strengthen its portfolio, redeployed equity investments into interest earnings investments and lowered overall cost of debt; well positioned to generate higher returns on investments in 2022**

NEW YORK, March 14, 2022 (GLOBE NEWSWIRE) -- Logan Ridge Finance Corporation ("Logan Ridge", "LRFC" or the "Company") (Nasdaq: LRFC) announced today its financial results for the fourth quarter and full year ended December 31, 2021.

### Fourth Quarter and Full Year 2021 Highlights

- During the year ended December 31, 2021, we have successfully de-levered the Company from 1.98x as of December 31, 2020 to 1.17x as of December 31, 2021. As of September 30, 2021 our debt-to-equity ratio was 1.13x.
- As of December 31, 2021, 34% of the Company's investment portfolio at fair value was invested in assets originated by Mount Logan Management, part of the BC Partners Credit Platform, with an additional \$39.1 million of cash available for deployment in investments originated by the BC Partners Credit Platform.
- During the fourth quarter, we successfully monetized a further \$36.3 million of the legacy portfolio we inherited from the former investment advisor on July 1, 2021, which represents approximately 16% of the portfolio at fair value as of July 1, 2021. Since Mount Logan Management became the Company's investment advisor, we have successfully monetized \$99.5 million of the legacy portfolio we inherited from former investment advisor through December 31, 2021, which represents approximately 44% of the portfolio at fair value as of July 1, 2021.
- During the fourth quarter, we successfully exited a non-accrual investment for proceeds of \$0.6 million. This position was valued at zero as of September 30, 2021.
- As of December 31, 2021, the Company's investment portfolio consisted of investments in 40 portfolio companies with an aggregate fair value of approximately \$198.2 million. The debt investment portfolio, which represented 67.4% of the fair value of the total portfolio as of December 31, 2021, had a weighted average annualized yield of approximately 9.3%.
- During the fourth quarter, the Company made approximately \$46.2 million of investments and had approximately \$42.1 million in repayments and sales of investments, resulting in net deployment of approximately \$4.1 million. Since Mount Logan Management assumed the role as the Company's investment advisor on July 1, 2021, we have deployed \$79.5 million in interest earning investments December 31, 2021, and had sales and repayments of \$106.2 million.
- During the fourth quarter, the Company exited equity investments in three portfolio companies generating \$2.0 million in proceeds that can be redeployed into interest earning investments. Since Mount Logan Management assumed the role of the Company's investment advisor on July 1, 2021, we have successfully exited equity investments in six portfolio companies, generating \$13.4 million of proceeds through December 31, 2021, which can be redeployed into interest earning investments.
- As previously announced, following the receipt of an investment grade credit rating of "BBB-", Logan Ridge completed:
  - the issuance of \$50 million in aggregate principal amount of 5.25% Senior Unsecured Notes due 2026 in a private placement transaction on October 29, 2021.
  - the redemption of \$50 million 6.0% fixed-rate notes due 2022 on December 6, 2021. Following this redemption, \$22.8 million aggregate principal amount of the 6.0% fixed-rate notes due 2022 remains outstanding.

### Management Commentary

Ted Goldthorpe, Chief Executive Officer and President of LRFC, said, "We are pleased to announce our first fiscal year end results since Mount Logan Management became the Company's investment advisor on July 1, 2021. During this period, we made substantial progress and repositioning the investment portfolio, having successfully exited \$100 million of the legacy portfolio Mount Logan Management inherited through the end of 2021.

Originations and repayments were very active during this period, and we will continue to redeploy the Company's capital into new investment commitments originated by the BC Partners Credit platform in 2022. Additionally, during the year we substantially de-levered the fund from 1.98x to 1.17x and refinanced a portion of our long-term notes. We will continue work on the Company's capital structure in 2022, aiming to further lower our overall cost of debt. Despite the current market volatility, we believe that we are well positioned to strengthen our portfolio and generate higher returns on investments."

### Selected Financial Highlights

- Total investment income for the quarter ended December 31, 2021 was \$3.4 million, which represents an increase of less than \$0.1 million, or approximately 1.2%, compared to total investment income for the prior quarter ended September 30, 2021 of \$3.4 million.
- Total investment income for the year ended December 31, 2021 decreased by \$9.7 million, or 36.6%, compared to the prior year, mainly due to lower average outstanding debt investments resulting in a decrease in interest income to \$14.8 million during the year ended December 31, 2021, from \$23.7 million during the prior year.
- Total operating expenses for the quarter ended December 31, 2021 decreased to \$4.7 million, compared to \$4.9 million for the prior quarter ended September 30, 2021. Interest and financing expenses increased by \$0.2 million to \$2.5 million for the quarter ended December 31, 2021 primarily due to a \$0.3 million one-time expense associated with refinancing the 6.00% fixed rate notes. The increase in interest and financing expenses was offset by declines in administrative service fees and general and administrative expenses.
- Total operating expenses for the year ended December 31, 2021 decreased to \$20.3 million, compared to \$26.4 million a year ago. Interest and financing expenses declined by \$4.6 million to \$10.6 million for the year ended December 31, 2021 primarily due to lower average debt outstanding. Base management fee declined 25% to \$4.8 million for the year ended December 31, 2021 due to lower average assets under management.
- During the quarter ended December 31, 2021, the Company recognized \$8.3 million of net realized losses on its portfolio investments, as compared to net realized gains of \$7.4 million during the quarter ended September 30, 2021, primarily driven by the exit of a non-accrual investment during the fourth quarter of 2021 that was previously valued at zero as of September 30, 2021. Additionally, during the quarter ended December 31, 2021, the Company recognized \$0.2 million of extinguishment losses on the retirement of the 6.00% fixed rate notes.
- During the years ended December 31, 2021 and 2020, the Company recognized \$8.0 million and \$24.0 million of net realized losses on its portfolio investments, respectively. The change in realized losses was primarily due to changes in the market conditions of our investments and the values at which they were realized, caused by fluctuations in the market and in the economy.
- Total borrowings outstanding as of December 31, 2021 were \$124.9 million. This balance was comprised of \$50.0 million of 5.25% fixed-rate notes due 2026, \$22.8 million of 6.0% fixed-rate notes due 2022 and \$52.1 million of 5.75% fixed-rate convertible notes due 2022. In addition, as of December 31, 2021, we did not have any outstanding borrowings under the KeyBank Credit Facility. The KeyBank Credit Facility provides for borrowings of up to \$25.0 million on a revolving basis and may be increased up to \$100.0 million.
- As of December 31, 2021, we had debt investments in two portfolio companies that remain on non-accrual status with an aggregate amortized cost of \$12.7 million and an aggregate fair value of \$7.6 million, which represented 6.7% and 3.8% of the investment portfolio, respectively. As of September 30, 2021, the Company had debt investments in three portfolio companies on non-accrual status with an aggregate amortized cost of \$21.3 million and an aggregate fair value of \$9.2 million, which represented 11.0% and 4.7% of the Company's investment portfolio, respectively.

The composition of our investments as of December 31, 2021 and December 31, 2020 at amortized cost and the fair value of investments was as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
<b>As of December 31, 2021</b>				
First Lien Debt	\$ 103,667	54.4 %	\$ 98,251	49.6 %
Second Lien Debt	30,048	15.8 %	30,190	15.2 %
Subordinated Debt	5,050	2.6 %	5,050	2.6 %
Equity and Warrants	51,717	27.2 %	64,698	32.6 %
Total	\$ 190,482	100.0 %	\$ 198,189	100.0 %
<b>As of December 31, 2020</b>				
	Investments at Amortized Cost	Amortized Cost Percentage of	Investments at Fair Value	Fair Value Percentage of

		Total Portfolio		Total Portfolio	
First Lien Debt	\$ 185,107	66.7 %	\$ 167,418	60.9 %	
Second Lien Debt	39,026	14.1 %	39,209	14.3 %	
Equity and Warrants	53,519	19.3 %	68,065	24.8 %	
Total	\$ 277,652	100.0 %	\$ 274,692	100.0 %	

### Interest Rate Risk

Based on our December 31, 2021 consolidated statement of assets and liabilities, the following table shows the annual impact on net income (excluding the potential related incentive fee impact) of base rate changes in interest rates (considering interest rate floors for variable rate securities) assuming no changes in our investment and borrowing structure (dollars in thousands):

Basis Point Change	Increase (decrease) in interest income	(Increase) decrease in interest expense	Increase (decrease) in net income
Up 300 basis points	\$ 1,755	\$ —	\$ 1,755
Up 200 basis points	909	—	909
Up 100 basis points	269	—	269
Down 100 basis points	—	—	—
Down 200 basis points	—	—	—
Down 300 basis points	\$ —	\$ —	\$ —

### Conference Call and Webcast

We will hold a conference call on Wednesday, March 16, 2022 at 9:00 am Eastern Time to discuss fourth quarter and full year 2021 financial results. Stockholders, prospective stockholders, and analysts are welcome to listen to the call or attend the webcast.

To access the conference call, please dial (844) 616-4517 approximately 10 minutes prior to the start of the call. A replay of the conference call will be available from March 16, 2022 until March 23, 2022. The dial-in number for the replay is (855) 859-2056 and the conference ID is 5439717.

A live audio webcast of the conference call can be accessed via the Internet, on a listen-only basis on our Company's website [www.loganridge.com](http://www.loganridge.com) in the Investor Resources section under Events and Presentations. The webcast can also be accessed by clicking the following link: [Logan Ridge Fourth Quarter and Full Year 2021 Conference Call](#). The online archive of the webcast will be available on the Company's website shortly after the call.

### About Logan Ridge Finance Corporation

Logan Ridge Finance Corporation (Nasdaq: LRFC) is a business development company that invests primarily in first lien loans and, to a lesser extent, second lien loans and equity securities issued by lower middle market companies. The Company invests in performing, well-established middle market businesses that operate across a wide range of industries. It employs fundamental credit analysis, targeting investments in businesses with relatively low levels of cyclical risk and operating risk. For more information, visit [loganridgefinance.com](http://loganridgefinance.com).

### About Mount Logan Capital Inc.

Mount Logan Capital Inc. is an alternative asset management company that is focused on public and private debt securities in the North American market. The Company seeks to source and actively manage loans and other debt-like securities with credit-oriented characteristics. The Company actively sources, evaluates, underwrites, manages, monitors, and primarily invests in loans, debt securities, and other credit-oriented instruments that present attractive risk-adjusted returns and present low risk of principal impairment through the credit cycle.

### About BC Partners Advisors L.P. and BC Partners Credit

BC Partners is a leading international investment firm with over \$40 billion of assets under management in private equity, private credit and real estate strategies. Established in 1986, BC Partners has played an active role in developing the European buyout market for three decades. Today, BC Partners executives operate across markets as an integrated team through the firm's offices in North America and Europe. Since inception, BC Partners has completed 117 private equity investments in companies with a total enterprise value of €149 billion and is currently investing its eleventh private equity fund. For more information, please visit [www.bcpartners.com](http://www.bcpartners.com).

BC Partners Credit was launched in February 2017 and has pursued a strategy focused on identifying attractive credit opportunities in any market environment and across sectors, leveraging the deal sourcing and infrastructure made available from BC Partners.

### Cautionary Statement Regarding Forward-Looking Statements

This communication contains "forward-looking" statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue," "target" or other similar words or expressions. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include those risk factors detailed in the Company's reports filed with the Securities and Exchange Commission ("SEC"), including the Company's annual report on Form 10-K, periodic quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the SEC. Any forward-looking statements speak only as of the date of this communication. The Company does not undertake any obligation to update any forward-looking statements, whether as a result of new information or developments, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

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**Logan Ridge Finance Corporation**  
**Consolidated Statements of Assets and Liabilities**  
**(in thousands, except share and per share data)**

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Investments at fair value:		
Non-control/non-affiliate investments (amortized cost of \$131,829 and \$187,744, respectively)	\$ 129,991	\$ 172,848
Affiliate investments (amortized cost of \$49,803 and \$80,961, respectively)	61,359	93,425
Control investments (amortized cost of \$8,850 and \$8,947, respectively)	6,839	8,419
Total investments at fair value (amortized cost of \$190,482 and \$277,652, respectively)	198,189	274,692
Cash and cash equivalents	39,056	49,942
Interest and dividend receivable	929	2,286
Prepaid expenses	3,358	1,077
Receivable for unsettled trades	685	—
Total assets	\$ 242,217	\$ 327,997
<b>LIABILITIES</b>		
SBA-guaranteed debentures (net of deferred financing costs of zero and \$485, respectively)	\$ —	\$ 90,515
2022 Notes (net of deferred financing costs of \$46 and \$846, respectively)	22,787	71,987
2022 Convertible Notes (net of deferred financing costs of \$167 and \$552, respectively)	51,921	51,536
2026 Notes (net of deferred financing costs and original issue discount of \$1,552 and \$0, respectively)	48,448	—
KeyBank Credit Facility (net of deferred financing costs of \$353 and \$546, respectively)	(353)	(546)
Management and incentive fees payable	1,065	3,842
Interest and financing fees payable	911	1,688
Trade settlement payable	9,265	—
Accounts payable and accrued expenses	1,144	28
Total liabilities	\$ 135,188	\$ 219,050
Commitments and contingencies		
<b>NET ASSETS</b>		
Common stock, par value \$0.01, 100,000,000 common shares authorized, 2,711,068 and 2,711,068 common shares issued and outstanding, respectively	\$ 27	\$ 27
Additional paid in capital	188,846	229,481
Total distributable loss	(81,844)	(120,561)
Total net assets	\$ 107,029	\$ 108,947
Total liabilities and net assets	\$ 242,217	\$ 327,997
Net asset value per share	\$ 39.48	\$ 40.19

**Logan Ridge Finance Corp.**  
**Consolidated Statements of Operations**  
**(in thousands, except share and per share data)**

	<b>For the Years Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>INVESTMENT INCOME</b>			

Interest income:			
Non-control/non-affiliate investments	\$ 10,064	\$ 16,678	\$ 26,550
Affiliate investments	4,368	6,580	8,068
Control investments	389	410	1,488
Total interest and fee income	<u>14,821</u>	<u>23,668</u>	<u>36,106</u>
Payment-in-kind interest and dividend income:			
Non-control/non-affiliate investments	95	1,105	1,721
Affiliate investments	361	818	869
Control investments	—	—	372
Total payment-in-kind interest and dividend income	<u>456</u>	<u>1,923</u>	<u>2,962</u>
Dividend income:			
Non-control/non-affiliate investments	727	—	1,345
Affiliate investments	179	25	50
Control investments	—	—	1,904
Total dividend income	<u>906</u>	<u>25</u>	<u>3,299</u>
Other income:			
Non-control/non-affiliate investments	479	709	1,109
Affiliate investments	88	70	283
Control investments	—	—	78
Total other income	<u>567</u>	<u>779</u>	<u>1,470</u>
Interest income from cash and cash equivalents	<u>4</u>	<u>51</u>	<u>198</u>
Total investment income	<u>16,754</u>	<u>26,446</u>	<u>44,035</u>
EXPENSES			
Interest and financing expenses	10,569	15,144	17,121
Base management fee	4,846	6,428	7,967
Incentive fees	—	—	1,497
Directors expense	410	325	380
Administrative service fees	1,039	1,400	1,400
General and administrative expenses	<u>3,483</u>	<u>3,091</u>	<u>2,915</u>
Expenses before incentive fee waiver	20,347	26,388	31,280
Incentive fee waiver	—	—	(288)
Total expenses	<u>20,347</u>	<u>26,388</u>	<u>30,992</u>
NET INVESTMENT (LOSS) INCOME	<u>(3,593)</u>	<u>58</u>	<u>13,043</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Net realized loss on investments:			
Non-control/non-affiliate investments	(10,442)	(25,016)	16,529
Affiliate investments	2,475	1,451	2,288
Control investments	—	(484)	(38,573)
Net realized loss on investments	<u>(7,967)</u>	<u>(24,049)</u>	<u>(19,756)</u>
Net change in unrealized appreciation (depreciation) on investments:			
Non-control/non-affiliate investments	13,058	(5,509)	(16,116)
Affiliate investments	(908)	(5,543)	(2,632)
Control investments	<u>(1,483)</u>	<u>(559)</u>	<u>(1,558)</u>
Net change in unrealized appreciation (depreciation) on investments	<u>10,667</u>	<u>(11,611)</u>	<u>(20,306)</u>
Total net realized and unrealized gain (loss) on investments	2,700	(35,660)	(40,062)
Tax provision	—	—	(628)
Total net realized and unrealized gain (loss) on investments, net of taxes	<u>2,700</u>	<u>(35,660)</u>	<u>(40,690)</u>
Net realized (loss) gain on extinguishment of debt	<u>(1,025)</u>	<u>155</u>	<u>—</u>
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ (1,918)</u>	<u>\$ (35,447)</u>	<u>\$ (27,647)</u>
NET DECREASE IN NET ASSETS PER SHARE RESULTING FROM OPERATIONS – BASIC AND DILUTED	<u>\$ (0.71)</u>	<u>\$ (13.08)</u>	<u>\$ (10.29)</u>
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING – BASIC AND DILUTED	2,711,068	2,709,169	2,686,287
DISTRIBUTIONS PAID PER SHARE	\$ —	\$ 1.50	\$ 6.00

Source: Logan Ridge Finance Corporation