



**Fourth Quarter 2018**  
Earnings Presentation

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# Financial and Portfolio Highlights

## Financial Highlights

	Q4-18	Q3-18	Q4-17	FY-18	FY-17
(all per share amounts, excluding net asset value per share, are basic and diluted)					
Core EPS* <sup>(1)</sup>	\$ 0.45	\$ 0.45	\$ 0.38	\$ 1.68	\$ 1.39
Net Investment Income Per Share	\$ 0.48	\$ 0.44	\$ 0.33	\$ 1.63	\$ 1.20
Net Realized Gains (Losses) Per Share	\$ 0.07	\$ 0.87	\$ (0.29)	\$ 0.98	\$ 0.05
Net Unrealized Gains (Losses) Per Share	\$ (0.19)	\$ (0.82)	\$ 0.50	\$ (0.60)	\$ 0.32
GAAP Net Income Per Share	\$ 0.36	\$ 0.49	\$ 0.54	\$ 2.01	\$ 1.57
Net Asset Value Per Share	\$ 17.12	\$ 17.16	\$ 16.65	\$ 17.12	\$ 16.65

## Portfolio Highlights

	Q4-18	Q3-18	Q4-17	FY-18	FY-17
(dollar amounts in millions)					
Gross Commitments	\$ 2,709	\$ 1,924	\$ 1,506	\$ 8,045	\$ 5,889
Exits of Commitments <sup>(2)</sup>	\$ 1,021	\$ 1,914	\$ 1,321	\$ 6,476	\$ 5,593
Total Fair Value of Investments	\$ 12,417	\$ 11,220	\$ 11,841	\$ 12,417	\$ 11,841
Weighted Average Yield of Debt & Other Income Producing Securities at Amortized Cost <sup>(3)</sup>	10.2%	10.3%	9.7%	10.2%	9.7%
Weighted Average Yield on Total Investments at Amortized Cost <sup>(4)</sup>	9.0%	9.0%	8.7%	9.0%	8.7%

Note: Endnotes begin on page 26.

\* See page 24 hereof for reconciliations of basic and diluted Core EPS to GAAP EPS, the most directly comparable GAAP financial measure.

# Selected Historical Financial Information

(dollar amounts in millions, except per share data and stock prices)

	As of and for the Three Months Ended				
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
Core EPS – Basic and Diluted* <sup>(1)</sup>	\$ 0.45	\$ 0.45	\$ 0.39	\$ 0.39	\$ 0.38
Net Investment Income Per Share – Basic and Diluted	\$ 0.48	\$ 0.44	\$ 0.38	\$ 0.34	\$ 0.33
Net Realized and Unrealized Gains (Losses) Per Share – Basic and Diluted	\$ (0.12)	\$ 0.05	\$ 0.22	\$ 0.23	\$ 0.21
GAAP EPS – Basic and Diluted	\$ 0.36	\$ 0.49	\$ 0.60	\$ 0.57	\$ 0.54
Dividend Declared and Payable Per Share	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.38	\$ 0.38
Stockholders' Equity	\$ 7,300	\$ 7,313	\$ 7,270	\$ 7,178	\$ 7,098
Net Asset Value Per Share	\$ 17.12	\$ 17.16	\$ 17.05	\$ 16.84	\$ 16.65
Principal Debt/Book Equity Ratio	.73x	.63x	.64x	.73x	.70x
Principal Debt/Book Equity Ratio, Net of Available Cash <sup>(5)</sup>	.69x	.54x	.57x	.69x	.66x
Unsecured Principal Debt to Total Principal Debt	65.5%	91.1%	91.1%	80.9%	78.7%
Weighted Average Stated Interest on Debt <sup>(6)</sup>	4.1%	4.2%	4.2%	4.1%	4.1%
Net Interest and Dividend Margin <sup>(7)</sup>	7.5%	7.5%	7.2%	6.9%	7.2%
Ratio of Earnings to Fixed Charges <sup>(8)</sup>	4.2	4.3	4.0	3.8	3.8
Market Capitalization					
Principal Debt	\$ 5,297	\$ 4,632	\$ 4,632	\$ 5,212	\$ 4,943
Equity	6,642	7,328	7,013	6,765	6,701
Total Market Capitalization	<u>\$ 11,939</u>	<u>\$ 11,960</u>	<u>\$ 11,645</u>	<u>\$ 11,977</u>	<u>\$ 11,644</u>
Common Stock Data:					
High Price during the period	\$ 17.58	\$ 17.51	\$ 17.09	\$ 16.28	\$ 16.61
Low Price during the period	\$ 14.71	\$ 16.45	\$ 15.90	\$ 15.25	\$ 15.69
Closing Price	\$ 15.58	\$ 17.19	\$ 16.45	\$ 15.87	\$ 15.72

\* See page 24 hereof for reconciliations of basic and diluted Core EPS to GAAP EPS, the most directly comparable GAAP financial measure.

# Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	As of				
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
Investments at Fair Value	\$ 12,417	\$ 11,220	\$ 11,527	\$ 12,199	\$ 11,841
Number of Portfolio Companies <sup>(9)</sup>	344	342	346	360	314
Asset Class (at fair value):					
First Lien Senior Secured Loans	47%	44%	40%	42%	44%
Second Lien Senior Secured Loans	29%	30%	30%	30%	32%
Senior Direct Lending Program <sup>(10)</sup>	5%	6%	5%	4%	4%
Senior Subordinated Loans	6%	7%	9%	10%	8%
Collateralized Loan Obligations	0%	0%	1%	1%	1%
Preferred Equity	4%	4%	6%	5%	4%
Other Equity	9%	9%	9%	8%	7%
Interest Rate Type (at fair value)					
% Floating Rate <sup>(11)</sup>	85%	83%	78%	79%	81%
% Fixed Rate	4%	6%	8%	8%	8%
% Equity and Other Non-Interest Earning	11%	11%	14%	13%	11%
Yields:					
Weighted Avg. Yield on Debt and Other Income Producing Securities at Amortized Cost <sup>(3)</sup>	10.2%	10.3%	10.4%	10.1%	9.7%
Weighted Avg. Yield on Debt and Other Income Producing Securities at Fair Value <sup>(3)</sup>	10.3%	10.3%	10.5%	10.1%	9.8%
Weighted Average Yield on Total Investments at Amortized Cost <sup>(4)</sup>	9.0%	9.0%	9.1%	8.9%	8.7%
Weighted Average Yield on Total Investments at Fair Value <sup>(4)</sup>	9.3%	9.2%	9.0%	8.8%	8.7%

# Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	For the Three Months Ended					
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	
<b>Commitments:</b>						
Gross Commitments	\$ 2,709	\$ 1,924	\$ 1,620	\$ 1,792	\$ 1,506	
Exits of Commitments <sup>(2)</sup>	(1,021)	(1,914)	(2,200)	(1,342)	(1,321)	
Net Commitments <sup>(12)</sup>	\$ 1,688	\$ 10	\$ (580)	\$ 450	\$ 185	
<b>Gross Commitments Information:</b>						
Number of Transactions	51	41	46	34	40	
Weighted Average Commitment Term in Months	76	82	75	73	74	
Average Commitment in Period	\$ 53	\$ 47	\$ 35	\$ 53	\$ 38	
<b>Fundings:</b>						
Gross Fundings	\$ 2,275	\$ 1,907	\$ 1,376	\$ 1,618	\$ 1,477	
Net Fundings <sup>(12)</sup>	\$ 1,253	\$ (3)	\$ (754)	\$ 240	\$ 138	
Portfolio Turnover	0.09	0.17	0.12	0.11	0.11	

# Quarterly Operating Results

(amounts in millions, except per share data)

Investment income  
 Expenses, net of waiver of income based fees <sup>(13)</sup>  
 Net investment income before income taxes  
 Income tax expense, including excise tax  
 Net investment income  
 Net realized and unrealized gains (losses)  
 Net Income  
 Per Share:  
 Core EPS - Basic and Diluted\*<sup>(1)</sup>  
 Net Income - Basic and Diluted  
 Dividends Declared and Payable

## For the Three Months Ended

	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
Investment income	\$ 345	\$ 342	\$ 333	\$ 317	\$ 307
Expenses, net of waiver of income based fees <sup>(13)</sup>	140	151	165	168	162
Net investment income before income taxes	205	191	168	149	145
Income tax expense, including excise tax	2	6	6	5	5
Net investment income	203	185	162	144	140
Net realized and unrealized gains (losses)	(50)	24	92	98	92
Net Income	\$ 153	\$ 209	\$ 254	\$ 242	\$ 232
Per Share:					
Core EPS - Basic and Diluted* <sup>(1)</sup>	\$ 0.45	\$ 0.45	\$ 0.39	\$ 0.39	\$ 0.38
Net Income - Basic and Diluted	\$ 0.36	\$ 0.49	\$ 0.60	\$ 0.57	\$ 0.54
Dividends Declared and Payable	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.38	\$ 0.38
Weighted average shares of common stock outstanding - Basic and Diluted	426	426	426	426	426
Common shares outstanding at end of period	426	426	426	426	426

(amounts in millions, except per share data)

Investment income  
 Expenses, net of waiver of income based fees <sup>(13)</sup>  
 Net investment income before taxes  
 Income tax expense, including excise tax  
 Net investment income  
 Net realized and unrealized gains  
 Net Income

## For the Years Ended

	12/31/18	12/31/17
Investment income	\$ 1,337	\$ 1,160
Expenses, net of waiver of income based fees <sup>(13)</sup>	624	630
Net investment income before taxes	713	530
Income tax expense, including excise tax	19	19
Net investment income	694	511
Net realized and unrealized gains	164	156
Net Income	\$ 858	\$ 667
Per Share:		
Core EPS - Basic and Diluted* <sup>(1)</sup>	\$ 1.68	\$ 1.39
Net Income - Basic and Diluted	\$ 2.01	\$ 1.57
Dividends Declared and Payable	\$ 1.54	\$ 1.52
Weighted average shares of common stock outstanding - Basic and Diluted	426	425
Common shares outstanding at end of period	426	426

Per Share:

Weighted average shares of common stock outstanding - Basic and Diluted  
 Common shares outstanding at end of period

\* See page 24 hereof for reconciliations of basic and diluted Core EPS to GAAP EPS, the most directly comparable GAAP financial measure.

# Quarterly Operating Results Detail

(amounts in millions)

	For the Three Months Ended				
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
<b>Net Investment Income Before Income Taxes:</b>					
Investment Income:					
Interest income from investments	\$ 263	\$ 262	\$ 262	\$ 254	\$ 251
Capital structuring service fees	47	42	25	29	32
Dividend income	26	25	24	22	18
Other income <sup>(14)</sup>	9	13	22	12	6
Total investment income	<u>345</u>	<u>342</u>	<u>333</u>	<u>317</u>	<u>307</u>
Expenses:					
Interest and credit facility fees	60	59	61	60	59
Base management fees	45	44	45	46	44
Income based fees	46	45	40	38	37
Capital gains incentive fees*	(10)	5	18	20	18
Administrative fees	3	3	4	3	3
Professional fees and other costs related to the American Capital Acquisition <sup>(15)</sup>	—	1	(1)	3	3
Other general and administrative	6	4	8	8	8
Total operating expenses	<u>150</u>	<u>161</u>	<u>175</u>	<u>178</u>	<u>172</u>
Waiver of income based fees <sup>(13)</sup>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>
Total expenses, net of waiver of income based fees <sup>(13)</sup>	<u>140</u>	<u>151</u>	<u>165</u>	<u>168</u>	<u>162</u>
Net investment income before income taxes	<u>205</u>	<u>191</u>	<u>168</u>	<u>149</u>	<u>145</u>
Income tax expense, including excise tax	2	6	6	5	5
<b>Net investment income</b>	<u>\$ 203</u>	<u>\$ 185</u>	<u>\$ 162</u>	<u>\$ 144</u>	<u>\$ 140</u>

\* Accrued in accordance with GAAP. As of December 31, 2018, Ares Capital had accrued \$112 million of incentive fees payable related to capital gains under GAAP, of which only \$50 million was actually payable under Ares Capital's investment advisory and management agreement with its investment adviser, Ares Capital Management, for the 2018 fiscal year. Such amount will be paid in the first quarter of 2019.



# Quarterly Gain/Loss Detail

(amounts in millions)

	For the Three Months Ended				
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
<b>Net Realized and Unrealized Gains (Losses):</b>					
Realized gains (losses) on investments:					
Gains	\$ 37	\$ 387	\$ 31	\$ 11	\$ 44
Losses	(16)	(24)	(9)	(11)	(167)
Net realized gains (losses) on investments	21	363	22	—	(123)
Unrealized gains (losses) on investments:					
Unrealized appreciation	54	88	161	181	180
Unrealized depreciation	(135)	(89)	(107)	(97)	(104)
Net unrealized gains (losses) on investments	(81)	(1)	54	84	76
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses on investments	(5)	(340)	6	12	140
Total net unrealized gains (losses) on investments	(86)	(341)	60	96	216
Net realized and unrealized gains (losses) on foreign currency and other transactions	15	2	10	2	(1)
<b>Net realized and unrealized gains (losses)</b>	<b>\$ (50)</b>	<b>\$ 24</b>	<b>\$ 92</b>	<b>\$ 98</b>	<b>\$ 92</b>

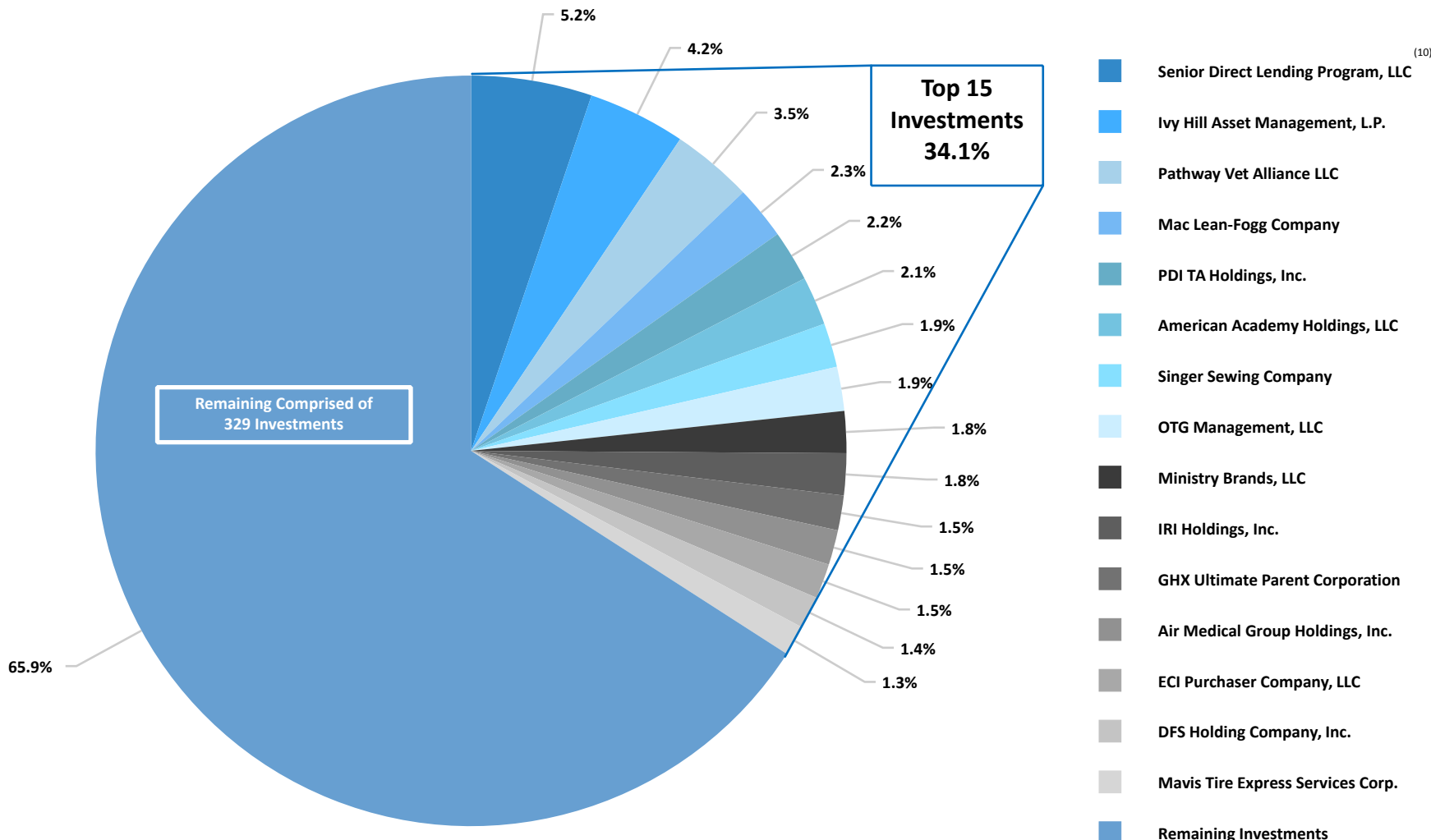
# Quarterly Balance Sheets

(amounts in millions, except per share data)

	As of				
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
<b>ASSETS</b>					
Investments at fair value	\$ 12,417	\$ 11,220	\$ 11,527	\$ 12,199	\$ 11,841
Cash and cash equivalents	296	799	509	302	316
Interest receivable	91	93	89	89	93
Receivable for open trades	12	61	56	4	1
Other assets	79	82	116	99	96
<b>Total assets</b>	<b>\$ 12,895</b>	<b>\$ 12,255</b>	<b>\$ 12,297</b>	<b>\$ 12,693</b>	<b>\$ 12,347</b>
<b>LIABILITIES</b>					
Debt	\$ 5,214	\$ 4,546	\$ 4,542	\$ 5,118	\$ 4,854
Base management fees payable	45	44	45	46	44
Income based fees payable	36	35	30	28	27
Capital gains incentive fees payable*	112	122	117	99	79
Accounts payable and other liabilities	99	114	140	155	181
Interest and facility fees payable	64	42	69	44	64
Payable for open trades	25	39	84	25	—
<b>Total liabilities</b>	<b>5,595</b>	<b>4,942</b>	<b>5,027</b>	<b>5,515</b>	<b>5,249</b>
<b>STOCKHOLDERS' EQUITY</b>					
Common stock	—	—	—	—	—
Capital in excess of par value	7,173	7,192	7,192	7,192	7,192
Accumulated undistributed (overdistributed) earnings	127	121	78	(14)	(94)
<b>Total stockholders' equity</b>	<b>7,300</b>	<b>7,313</b>	<b>7,270</b>	<b>7,178</b>	<b>7,098</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 12,895</b>	<b>\$ 12,255</b>	<b>\$ 12,297</b>	<b>\$ 12,693</b>	<b>\$ 12,347</b>
<b>NET ASSETS PER SHARE</b>	<b>\$ 17.12</b>	<b>\$ 17.16</b>	<b>\$ 17.05</b>	<b>\$ 16.84</b>	<b>\$ 16.65</b>

\* Accrued in accordance with GAAP. For the year ended December 31, 2018, the capital gains incentive fee actually payable under Ares Capital's investment advisory and management agreement was \$50 million, which will be paid in the first quarter of 2019.

# Investment Portfolio by Issuer Concentration as of December 31, 2018\*



**Diversified \$12.4 billion portfolio with 344 investments**

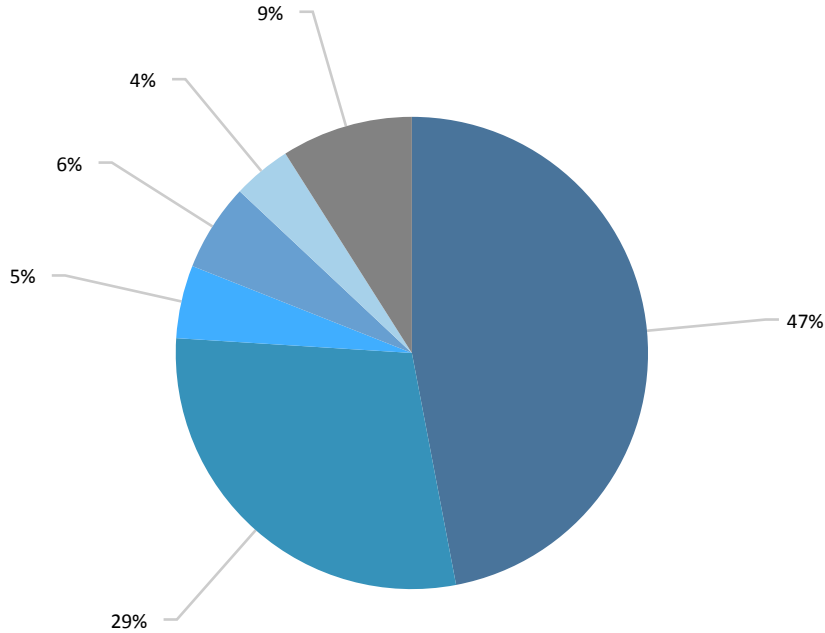
Note: As of December 31, 2018, approximately 6% of Ares Capital's total investments were acquired in the American Capital Acquisition.

\* At fair value.



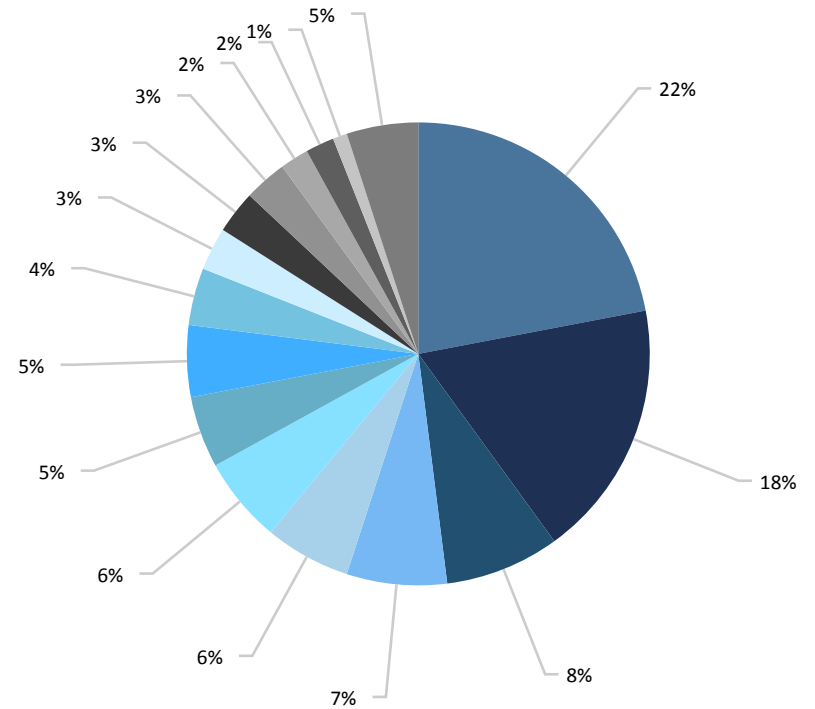
# Investment Portfolio as of December 31, 2018\*

## Asset Class



- First Lien Senior Secured Loans
- Second Lien Senior Secured Loans
- Senior Direct Lending Program<sup>(10)</sup>
- Senior Subordinated Loans
- Preferred Equity
- Other Equity

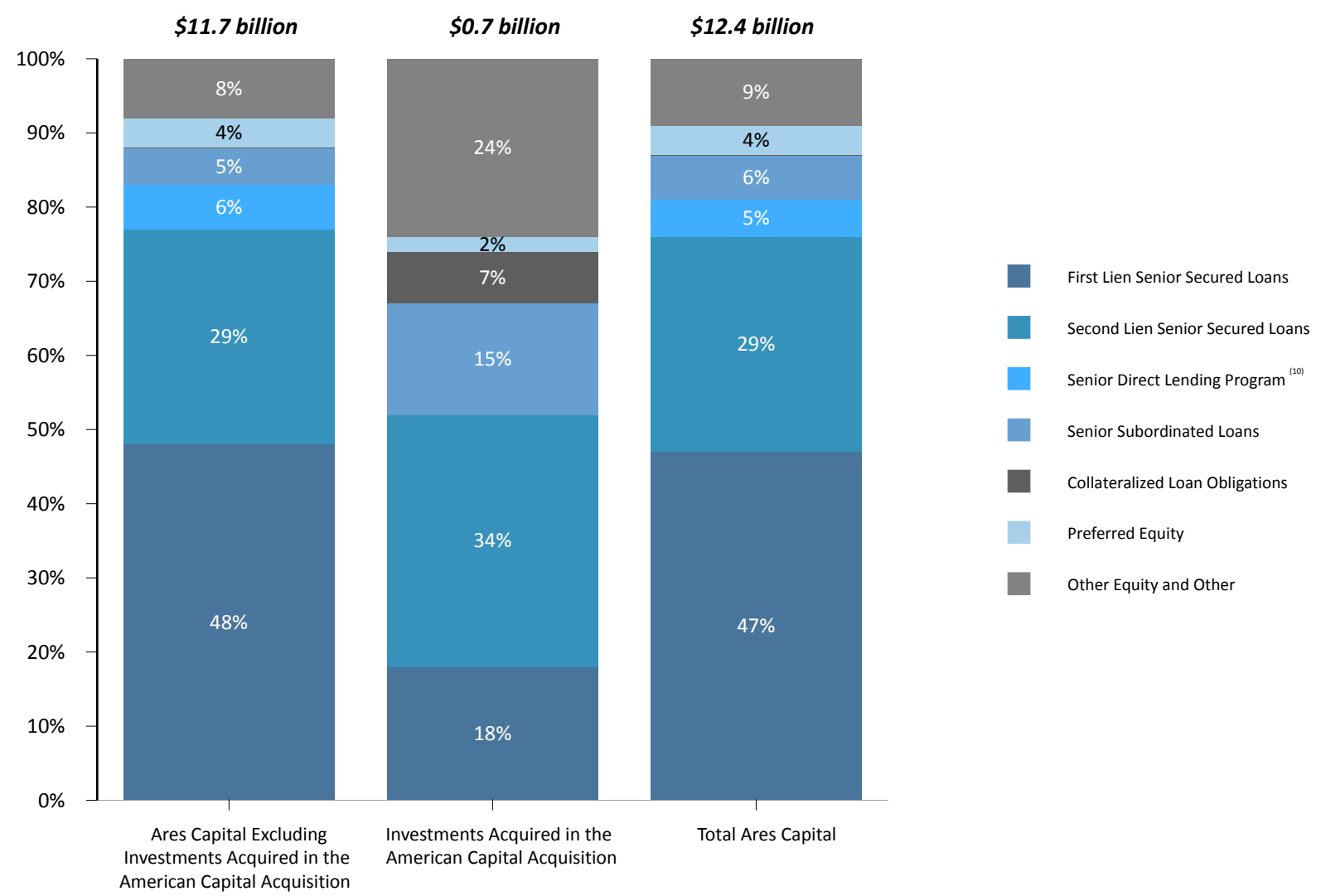
## Industry



- Healthcare Services
- Business Services
- Consumer Products
- Financial Services
- Manufacturing
- Other Services
- Senior Direct Lending Program<sup>(10)</sup>
- Power Generation
- Restaurants and Food Services
- Oil and Gas
- Food and Beverage
- Automotive Services
- Wholesale Distribution
- Education
- Containers and Packaging
- Remaining

\* At fair value.

# Investment Portfolio by Asset Class as of December 31, 2018\*



**Weighted Average Yields at Fair Value:**

	Ares Capital Excluding Investments Acquired in the American Capital Acquisition	Investments Acquired in the American Capital Acquisition	Total Ares Capital
Debt and Other Income Producing Securities <sup>(3)</sup>	<b>10.2%</b>	<b>12.6%</b>	<b>10.3%</b>
Total Investments <sup>(4)</sup>	<b>9.3%</b>	<b>9.0%</b>	<b>9.3%</b>

\* At fair value



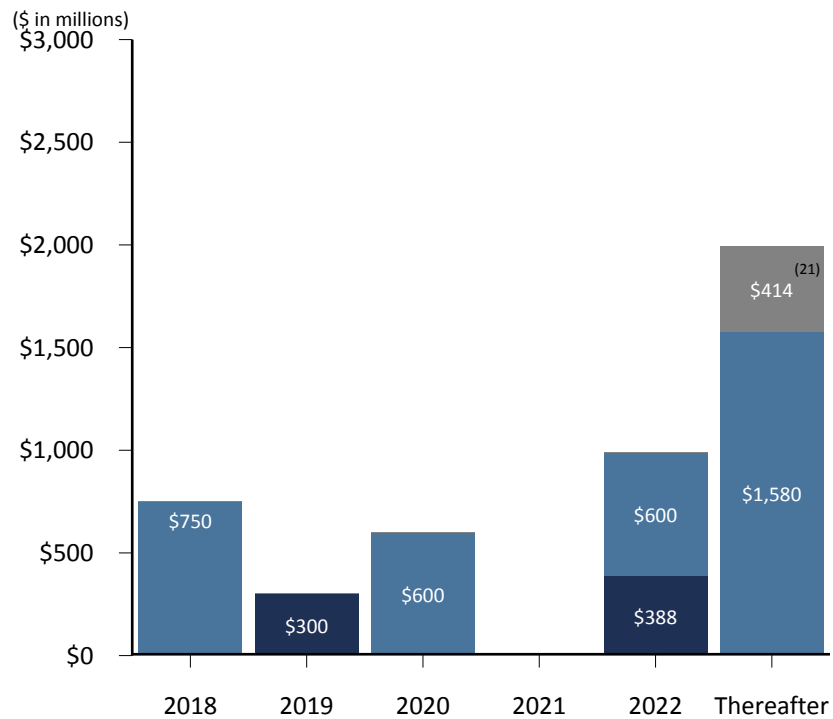
# Debt Summary

(dollar amounts in millions)	As of 9/30/18			As of 12/31/18				Interest Rate	Maturity Date
	Aggregate Principal Amount Committed/Outstanding <sup>(17)</sup>	Principal Amount Outstanding	Carrying Value of Outstanding Debt	Aggregate Principal Amount Committed/Outstanding <sup>(17)</sup>	Principal Amount Outstanding	Carrying Value of Outstanding Debt	Weighted Average Stated Interest Rate <sup>(20)</sup>		
<b>Secured Revolving Facilities<sup>(16)</sup>:</b>									
Revolving Credit Facility	\$ 2,133	\$ 414	\$ 414	\$ 2,133	\$ 1,064	\$ 1,064	4.250%	LIBOR + 1.75% <sup>(21)</sup>	March 2023 <sup>(21)</sup>
Revolving Funding Facility	1,000	—	—	1,000	520	520	4.503%	LIBOR + 2.00% <sup>(22)</sup>	January 2024 <sup>(22)</sup>
SMBC Funding Facility	400	—	—	400	245	245	4.205%	LIBOR + 1.75% <sup>(23)</sup>	September 2024 <sup>(23)</sup>
Subtotal	3,533	414	414	3,533	1,829	1,829	4.222%		
<b>Unsecured Notes Payable:</b>									
2018 Notes	750	750	750 <sup>(18)</sup>	—	—	—	—%		
2019 Convertible Notes	300	300	299 <sup>(18)</sup>	300	300	300 <sup>(18)</sup>	4.375%		January 2019
2020 Notes	600	600	598 <sup>(18)</sup>	600	600	598 <sup>(18)</sup>	3.875%		January 2020
2022 Notes	600	600	594 <sup>(18)</sup>	600	600	595 <sup>(18)</sup>	3.625%		January 2022
2022 Convertible Notes	388	388	371 <sup>(18)</sup>	388	388	372 <sup>(18)</sup>	3.750%		February 2022
2023 Notes	750	750	744 <sup>(18)</sup>	750	750	744 <sup>(18)</sup>	3.500%		February 2023
2025 Notes	600	600	593 <sup>(18)</sup>	600	600	593 <sup>(18)</sup>	4.250%		March 2025
2047 Notes	230	230	183 <sup>(19)</sup>	230	230	183 <sup>(19)</sup>	6.875%		April 2047
Subtotal	4,218	4,218	4,132	3,468	3,468	3,385	4.043%		
Total Debt	\$ 7,751	\$ 4,632	\$ 4,546	\$ 7,001	\$ 5,297	\$ 5,214	4.105%		

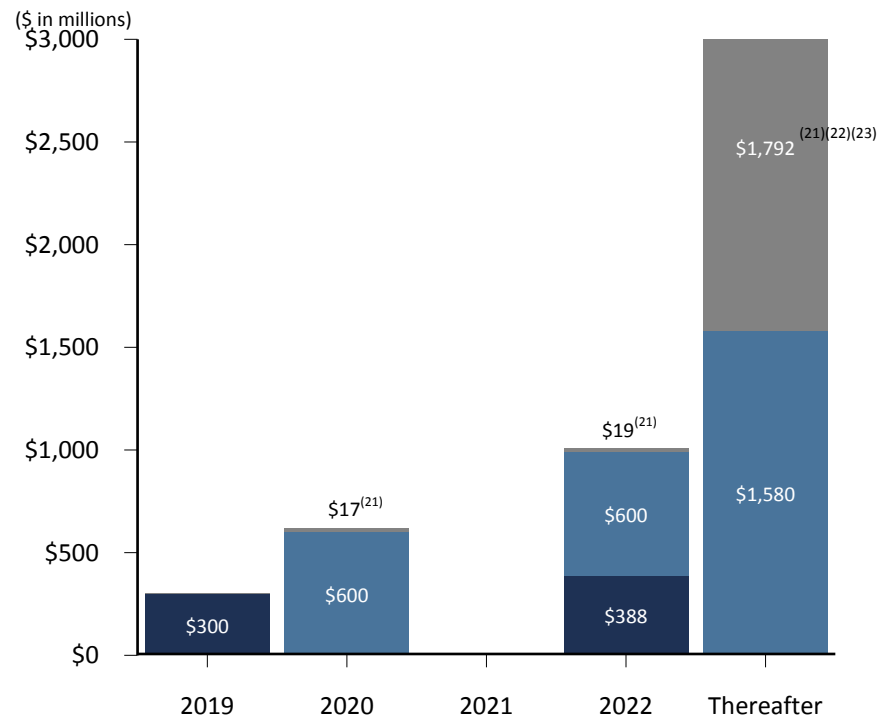
Floating and Fixed Rate Debt as of December 31, 2018:			
Debt (dollar amounts in millions)	Principal Amount Outstanding	Weighted Average Stated Interest Rate <sup>(20)</sup>	Weighted Average Maturity (in years)
Floating	\$ 19	4.40%	4.78
Fixed <sup>(21)</sup>	3,863	4.02%	4.82
Total	\$ 3,882	4.10%	4.81

# Debt Summary

## Debt Maturities\*



As of September 30, 2018



As of December 31, 2018

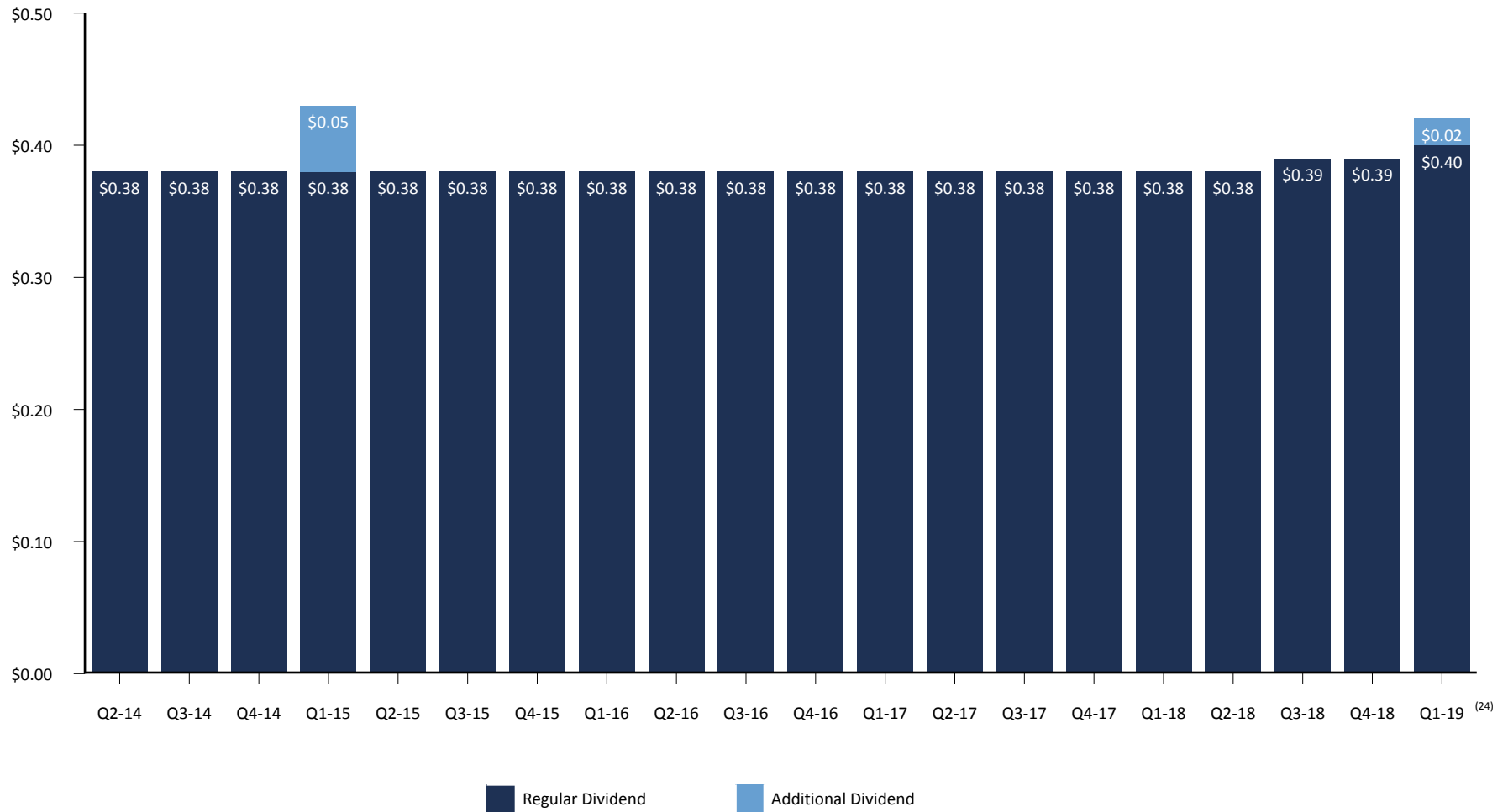
■ Convertible Unsecured Notes

■ Other Unsecured Notes

■ Secured Revolving Facilities

\* Represents the total aggregate principal amount outstanding due on the stated maturity date.

# Quarterly Dividends

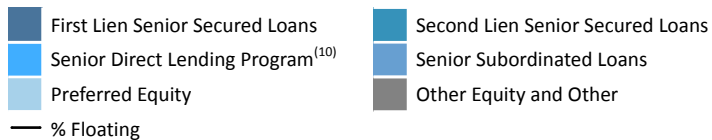
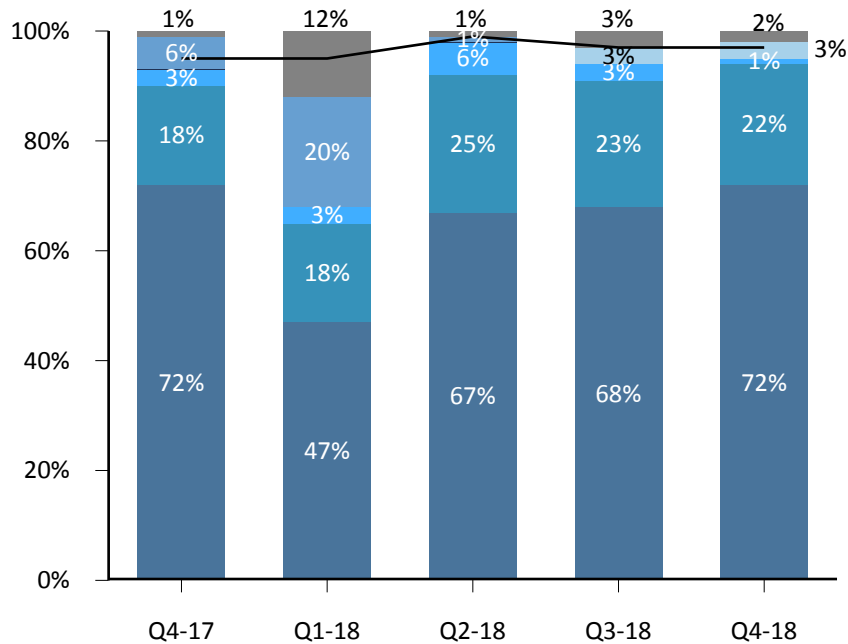


- ARCC estimates that it will carry forward excess taxable income of approximately \$323 million<sup>(25)</sup> or \$0.76 per share from 2018 for distribution to stockholders in 2019.

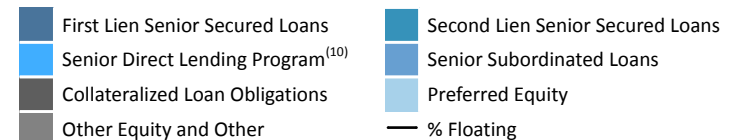
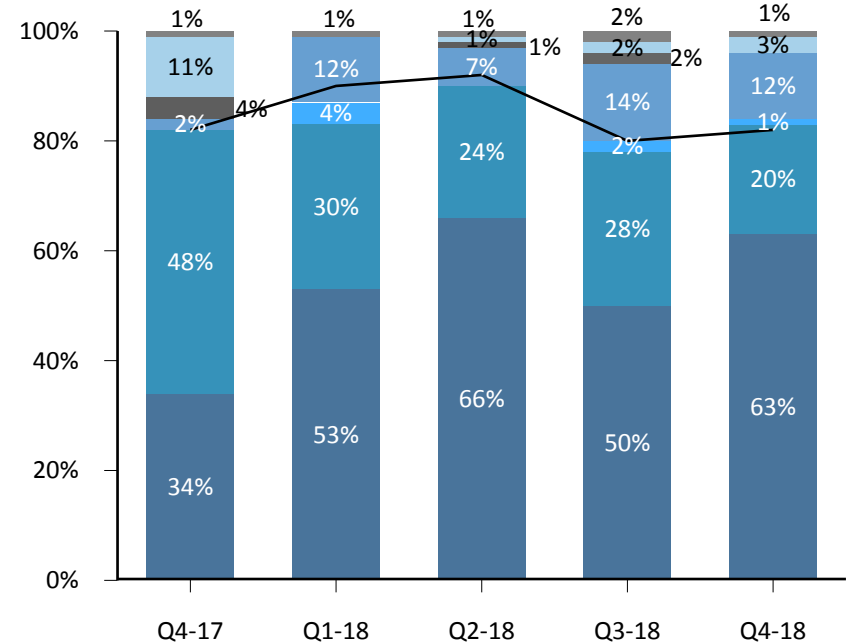


# Portfolio Activity

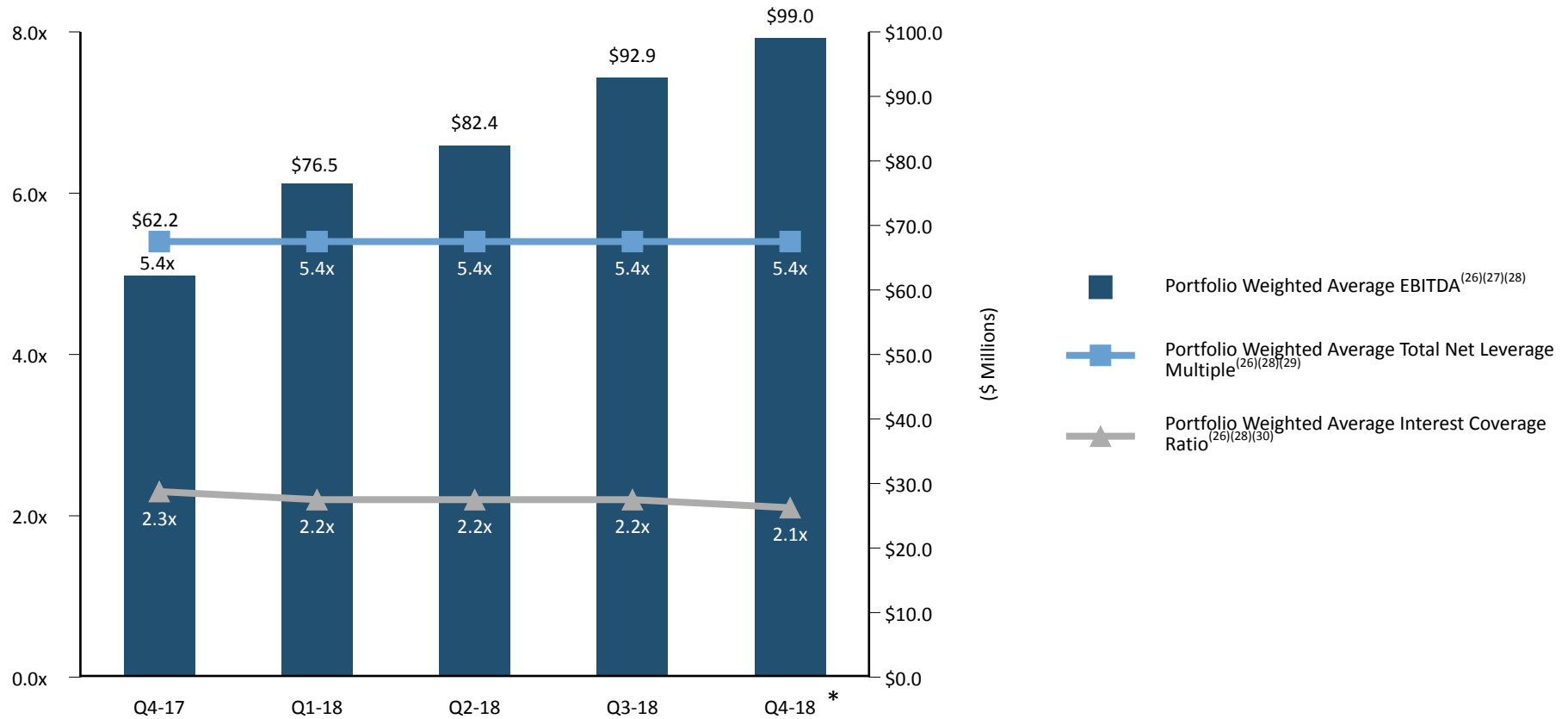
## Gross Commitments by Asset Class



## Exits of Commitments by Asset Class



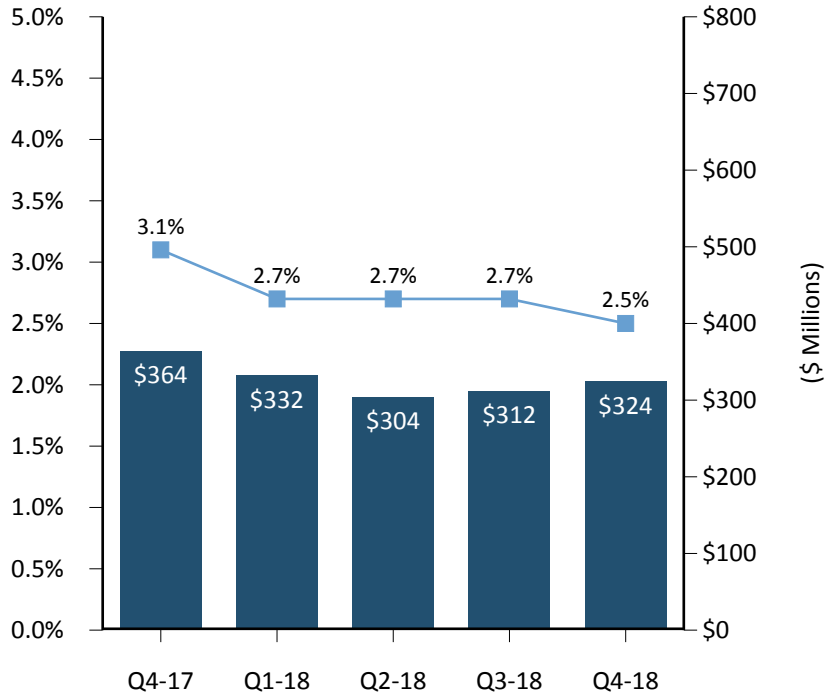
# Portfolio Company EBITDA and Credit Statistics



\* For the portfolio companies included in the portfolio weighted average EBITDA data above (subject to additional exclusions described in the following sentence), the weighted average EBITDA growth rate as of Q4-18 was approximately 5% on a comparable basis for the most recently reported LTM period versus prior year LTM period. In addition to those portfolio companies excluded as noted, this calculation excludes four companies where prior year comparable data was not available.<sup>(31)</sup>

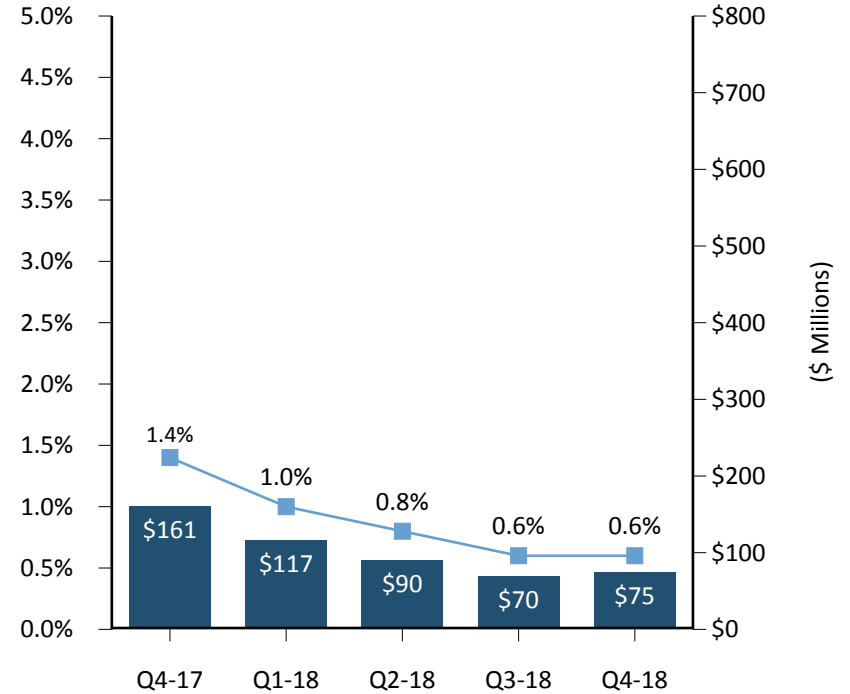
# Investments on Non-Accrual Status

## Amortized Cost



Investments on Non-Accrual Status

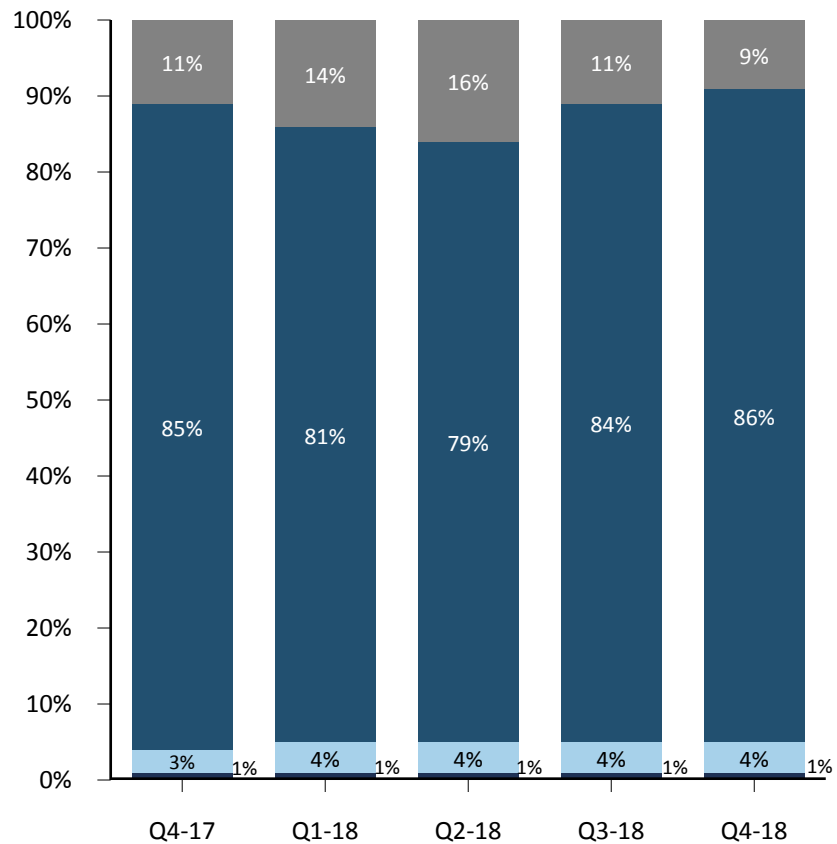
## Fair Value



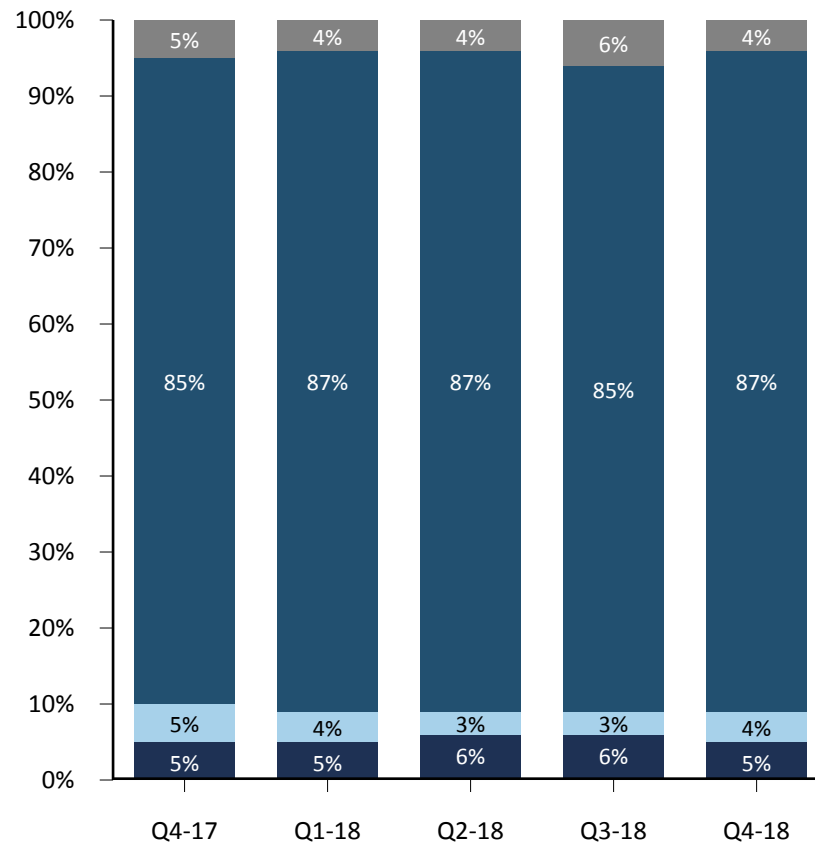
Percentage of Total Investment Portfolio

# Portfolio By Grade<sup>(32)</sup>

% By Fair Value



% By Number of Companies



Grade 1
  Grade 2
  Grade 3
  Grade 4

# Investment Activity Since Quarter End

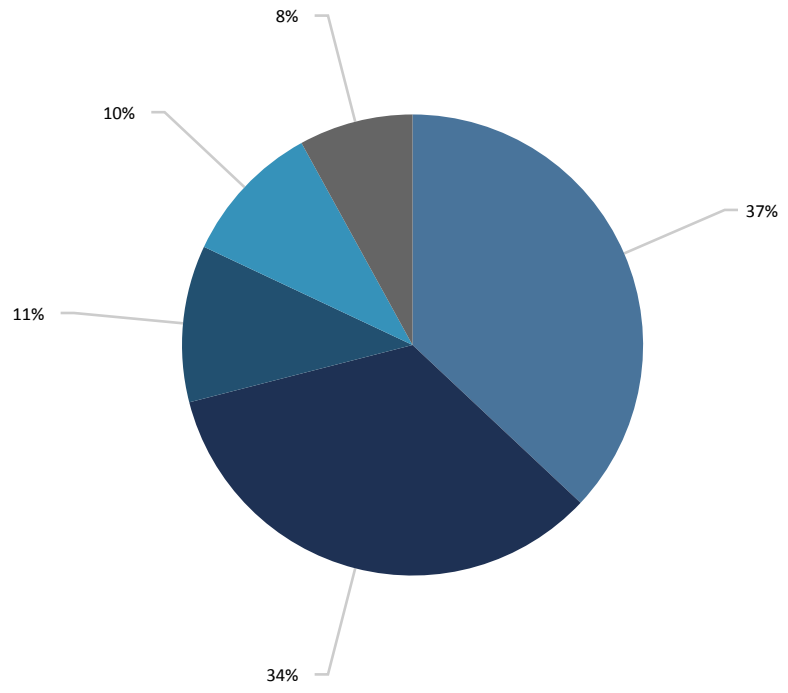
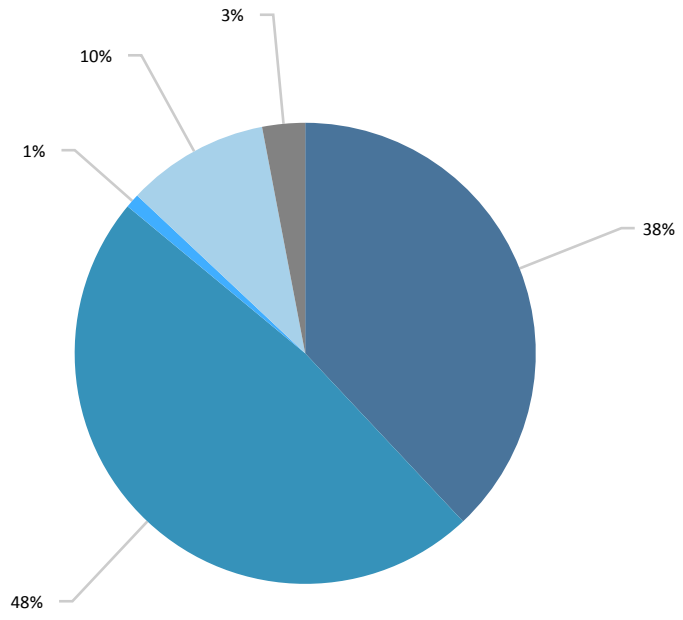
- From January 1, 2019 through February 7, 2019, Ares Capital made \$623 million of new investment commitments
  - 45% were in first lien senior secured loans, 40% were in second lien senior secured loans, 13% were in the subordinated certificates of the SDLP and 2% were in preferred equity securities
  - 98% were floating rate and 2% fixed rate
  - Weighted average yield of debt and other income producing securities funded at amortized cost of 10.0%
  
- From January 1, 2019 through February 7, 2019, Ares Capital exited \$469 million of investment commitments
  - 74% were first lien senior secured loans and 26% were second lien senior secured loans
  - 100% were floating rate
  - Weighted average yield of debt and other income producing securities exited or repaid at amortized cost was 9.0%
  - Weighted average yield on total investments exited or repaid during the period at amortized cost was 9.0%
  - Total net realized gains of approximately \$2 million

# Backlog and Pipeline

- As of February 7, 2019, Ares Capital had a backlog and pipeline of approximately \$1,435 million and \$150 million, respectively<sup>(33)</sup>
- The following is a breakdown of the backlog and pipeline by asset class and by industry

**Asset Class**

**Industry**



First Lien Senior Secured Loans  
 Second Lien Senior Secured Loans  
 Senior Direct Lending Program<sup>(10)</sup>  
 Preferred Equity  
 Other Equity

Healthcare Services  
 Business Services  
 Automotive Services  
 Power Generation  
 Other

# Corporate Data

## Board of Directors

MICHAEL AROUGHETI  
Co-Chairman and Executive Vice President of  
Ares Capital Corporation  
Co-Founder, Chief Executive Officer and Partner  
of Ares

STEVE BARTLETT  
Strategic Independent Consultant

ANN TORRE BATES  
Former Executive Vice President, Chief Financial  
Officer and Treasurer of NHP, Inc.

KIPP DEVEER  
Chief Executive Officer of Ares Capital  
Corporation  
Head and Partner of the Ares Credit Group

STEVEN MCKEEVER  
Founder and Chief Executive Officer of Hidden  
Beach Recordings

DANIEL KELLY, JR.  
Former Partner of Davis Polk & Wardwell LLP

ROBERT ROSEN  
Strategic Adviser to Private Equity Group

BENNETT ROSENTHAL  
Co-Chairman of Ares Capital Corporation  
Co-Founder and Partner of Ares  
Co-Head and Partner of the Ares Private Equity  
Group

ERIC SIEGEL  
Retired Partner of Apollo Advisors, L.P.  
Chairman of Executive Committee of El Paso  
Electric Company

## Investment Committee

MARK AFFOLTER  
Partner of the Ares Credit Group

MICHAEL AROUGHETI  
Co-Chairman and Executive Vice President of Ares  
Capital Corporation  
Co-Founder, Chief Executive Officer and Partner of  
Ares

KIPP DEVEER  
Chief Executive Officer of Ares Capital Corporation  
Head and Partner of the Ares Credit Group

MITCHELL GOLDSTEIN  
Co-President of Ares Capital Corporation  
Co-Head and Partner of the Ares Credit Group

JIM MILLER  
Partner of the Ares Credit Group

KORT SCHNABEL  
Partner of the Ares Credit Group

DAVID SCHWARTZ  
Partner of the Ares Credit Group

MICHAEL SMITH  
Co-President of Ares Capital Corporation  
Co-Head and Partner of the Ares Credit Group

## Corporate Officers

MICHAEL AROUGHETI  
Executive Vice President

JOSHUA BLOOMSTEIN  
Vice President, General Counsel and  
Secretary

KIPP DEVEER  
Chief Executive Officer

MITCHELL GOLDSTEIN  
Co-President

MIRIAM KRIEGER  
Chief Compliance Officer

SCOTT LEM  
Chief Accounting Officer,  
Vice President and Treasurer

PENNI ROLL  
Chief Financial Officer

MICHAEL SMITH  
Co-President

MICHAEL WEINER  
Vice President

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Robert Dodd – (901) 579-4560

RBC CAPITAL MARKETS CORP.  
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Henry Coffey - (212) 833-1382

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Finian O'Shea– (704) 410-1990

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Los Angeles, CA

EVERSHEDS SUTHERLAND (US) LLP  
Washington, D.C.

## Independent Registered Public Accounting Firm

KPMG LLP  
Los Angeles, CA

## Corporate Headquarters

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Tel: (212) 710-2100  
Fax: (212) 750-1777

## Securities Listing

NASDAQ: ARCC

## Transfer Agent

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Tel: (866) 365-2497  
[www.computershare.com/investor](http://www.computershare.com/investor)

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Please visit our website at:  
[www.arescapitalcorp.com](http://www.arescapitalcorp.com)

# Reconciliations of Core EPS

The following are reconciliations of basic and diluted earnings per share computed in accordance with GAAP to basic and diluted core earnings per share:

	For the Three Months Ended				
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
Basic and Diluted Core EPS <sup>(1)</sup>	\$ 0.45	\$ 0.45	\$ 0.39	\$ 0.39	\$ 0.38
Professional fees and other costs related to the American Capital Acquisition <sup>(15)</sup>	—	—	—	(0.01)	(0.01)
Ares Reimbursement <sup>(14)</sup>	—	—	0.03	—	—
Net realized and unrealized gains (losses)	(0.12)	0.05	0.22	0.23	0.21
Capital gains incentive fees attributable to net realized and unrealized gains and losses	0.03	(0.01)	(0.04)	(0.04)	(0.04)
Income tax expense related to net realized gains and losses	—	—	—	—	—
Basic and Diluted GAAP EPS	<u>\$ 0.36</u>	<u>\$ 0.49</u>	<u>\$ 0.60</u>	<u>\$ 0.57</u>	<u>\$ 0.54</u>

	For the Years Ended	
	12/31/18	12/31/17
Basic and Diluted Core EPS <sup>(1)</sup>	\$ 1.68	\$ 1.39
Professional fees and other costs related to the American Capital Acquisition <sup>(15)</sup>	—	(0.09)
Ares Reimbursement <sup>(14)</sup>	0.03	—
Net realized and unrealized gains	0.38	0.37
Capital gains incentive fees attributable to net realized and unrealized gains and losses	(0.08)	(0.10)
Income tax expense related to net realized gains and losses	—	—
Basic and Diluted GAAP EPS	<u>\$ 2.01</u>	<u>\$ 1.57</u>



# Investments Acquired in the American Capital Acquisition

(Dollar amounts in millions)	Investments at Fair Value as of January 3, 2017			Investments at Fair Value as of December 31, 2018			Net Change in Fair Value
	Fair Value	% of Total	Yield at Fair Value	Fair Value	% of Total	Yield at Fair Value	
<b>By Asset Class</b>							
First Lien Senior Secured Loans	\$ 550	22%	7.4%	\$ 126	18%	8.6%	\$ (424)
Second Lien Senior Secured Loans	855	34%	10.0%	229	33%	11.5%	(626)
Senior Subordinated Loans	244	10%	11.3%	106	16%	13.9%	(138)
Collateralized Loan Obligations	265	10%	12.6%	45	7%	22.2%	(220)
Preferred Equity	109	4%	—%	12	2%	—%	(97)
Other Equity Securities	520	20%	—%	165	24%	—%	(355)
<b>Total</b>	<b>\$ 2,543</b>	<b>100%</b>	<b>7.4%</b>	<b>\$ 683</b>	<b>100%</b>	<b>9.0%</b>	<b>\$ (1,860)</b>

(Dollar amounts in millions)	Reconciliation of Net Change in Fair Value from January 3, 2017 Through December 31, 2018
Total Investments at Fair Value as of January 3, 2017	\$ 2,543
Proceeds from Exits and Repayments	(2,514)
Net Realized Gains	426
Net Unrealized Appreciation	14
Other*	214
<b>Total Investments at Fair Value as of December 31, 2018</b>	<b>\$ 683</b>

\* Including fundings of revolvers and other commitments of \$162 million, paid-in-kind interest and accretion of purchase discounts.

# Endnotes

- 1) Basic and diluted Core EPS is a non-GAAP financial measure. Core EPS is the net per share increase (decrease) in stockholders' equity resulting from operations less professional fees and other costs related to the acquisition of American Capital, Ltd. (the "American Capital Acquisition"), expense reimbursement from Ares Capital Management LLC (the "Ares Reimbursement"), net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses, and any income taxes related to such net realized gains and losses. Basic and diluted GAAP EPS is the most directly comparable GAAP financial measure. Ares Capital believes that Core EPS provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Reconciliations of basic and diluted Core EPS to the most directly comparable GAAP financial measure are set forth on page 24 hereof. See Note 13 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2018 for more information about the Ares Reimbursement.
- 2) Includes sales to Ivy Hill Asset Management, L.P. ("IHAM"), a wholly owned portfolio company of Ares Capital, or vehicles managed by IHAM.
- 3) The weighted average yield on debt and other income producing securities is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at amortized cost or at fair value, as applicable.
- 4) The weighted average yield on the total investment portfolio is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total investments at amortized cost or at fair value, as applicable.
- 5) Computed as total principal debt outstanding less available cash divided by stockholders' equity. Available cash excludes restricted cash as well as cash held for dividends payable and for uses specifically designated for paying interest and expenses on certain debt.
- 6) Computed as (a) the annual stated interest expense on our debt obligations divided by (b) total debt obligations at principal amount outstanding. Stated interest expense on debt excludes facility and other fees and the amortization of original issue discount or premium, market discounts and debt issuance costs. In December 2017, Ares Capital entered into an interest rate swap agreement to effectively fix the interest rate in connection with \$395 million of the term loan tranche of its Revolving Credit Facility. The stated interest rate for the Revolving Credit Facility used to calculate weighted average stated interest on debt reflects the fixed interest rate of 2.064% plus the applicable spread of 1.75%, or 3.814% on the \$395 million of the term loan tranche.
- 7) Net interest and dividend margin represents the difference between interest and dividend income and interest and credit facility fees expense for the last twelve month period divided by average total investments at amortized cost during the same period.
- 8) Excludes realized and unrealized gains (losses) and incentive fees attributable to net realized and unrealized gains (losses).
- 9) Includes portfolio companies for which there are outstanding commitments, but for which no amounts were funded at the end of the period.
- 10) Represents Ares Capital's portion of co-investments with Varagon Capital Partners and its clients in first lien senior secured loans to U.S. middle-market companies. As of December 31, 2018, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$3.1 billion in aggregate principal amount and had loans to 21 different borrowers. As of December 31, 2018, the SDLP's largest loan to a single borrower was \$249 million in aggregate principal amount and the five largest loans to borrowers totaled \$1.1 billion in aggregate principal amount. The portfolio companies in the SDLP are in industries similar to companies in Ares Capital's portfolio. See Note 4 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2018 for information regarding the SDLP.
- 11) As of December 31, 2018, 85% of the total investments at fair value and 100% of the floating rate investments at fair value contained interest rate floor features. Additionally, as of December 31, 2018, all the loans made through the SDLP contained interest rate floor features.
- 12) Represents gross commitments or fundings less commitments or investments exited, respectively. Q4-18, Q3-18, Q2-18, Q1-18 and Q4-17 include sales to IHAM or vehicles managed by IHAM of \$29 million, \$0 million, \$453 million, \$0 million and \$46 million, respectively.

# Endnotes (cont'd)

- 13) In connection with the American Capital Acquisition, Ares Capital Management LLC agreed to waive, for each of the first ten calendar quarters beginning with the second quarter of 2017 and ending with the third quarter of 2019, the lesser of (x) \$10 million of income based fees and (y) the amount of income based fees for such quarter, in each case, to the extent payable by Ares Capital in such quarter pursuant to and as calculated under Ares Capital's investment advisory and management agreement.
- 14) During the second quarter of 2018, Ares Capital's investment adviser reimbursed Ares Capital approximately \$11.8 million for certain rent and utilities incurred by the Company. See Note 13 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2018 for more information about the Ares Reimbursement.
- 15) See Note 16 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2018 for information regarding the American Capital Acquisition that closed on January 3, 2017.
- 16) Requires periodic payments of interest and may require repayments of a portion of the outstanding principal once their respective reinvestment periods end but prior to the applicable stated maturity.
- 17) Subject to borrowing base, leverage and other restrictions. Represents total aggregate amount committed or outstanding, as applicable, under such instrument.
- 18) Represents the aggregate principal amount of the notes outstanding adjusted for the unaccreted discount or premium initially recorded at the time of issuance.
- 19) Represents the aggregate principal amount of the notes outstanding less the unaccreted purchased discount initially recorded at the time of acquisition.
- 20) Effective stated rate as of December 31, 2018.
- 21) The interest rate charged on the Revolving Credit Facility is based on an applicable spread of either 1.75% or 1.875% over LIBOR or 0.75% or 0.875% over an "alternate base rate" (as defined in the agreements governing the Revolving Credit Facility), in each case, determined monthly based on the total amount of borrowing base relative to the total commitments of the Revolving Credit Facility and other debt, if any, secured by the same collateral as the Revolving Credit Facility. As of December 31, 2018, the interest rate in effect was LIBOR plus 1.75%. As of each of December 31, 2018 and September 30, 2018, the Revolving Credit Facility consisted of a \$414 million term loan tranche with a stated maturity date of March 30, 2023 and a \$1,719 million revolving tranche. For \$1,624 million of the revolving tranche, the end of the revolving period and the stated maturity date are March 30, 2022 and March 30, 2023, respectively. Subsequent to the end of this reinvestment period and prior to the stated maturity date of March 30, 2023, Ares Capital is required to repay outstanding principal amounts under such revolving tranche on a monthly basis in an amount equal to 1/12th of the outstanding principal amount at the end of the revolving period. For \$50 million of the revolving tranche, the end of the revolving period and the stated maturity date are January 4, 2021 and January 4, 2022, respectively. For the remaining \$45 million of the revolving tranche, the end of the revolving period and the stated maturity date are May 4, 2019 and May 4, 2020, respectively. In December 2017, Ares Capital entered into an interest rate swap agreement to effectively fix the interest rate in connection with \$395 million of the term loan tranche of the Revolving Credit Facility. The stated interest rate for the Revolving Credit Facility reflects the fixed interest rate of 2.064% plus the applicable spread of 1.75%, or 3.814% on \$395 million of the term loan tranche.
- 22) The interest rate charged on the Revolving Funding Facility is based on LIBOR plus 2.00% per annum or a "base rate" (as defined in the agreements governing the Revolving Funding Facility) plus 1.00% per annum. As of December 31, 2018, the interest rate in effect was LIBOR plus 2.00%. As of December 31, 2018, the end of the reinvestment period and the stated maturity date for the Revolving Funding Facility were January 3, 2022 and January 3, 2024, respectively. Subsequent to the end of this reinvestment period and prior to the stated maturity date of January 3, 2024, any principal proceeds from sales and repayments of loan assets held by Ares Capital CP Funding LLC will be used to repay the aggregate principal amount outstanding.
- 23) The interest rate charged on the SMBC Funding Facility is based on an applicable spread of either 1.75% or 2.00% over LIBOR or 0.75% or 1.00% over a "base rate" (as defined in the agreements governing the SMBC Funding Facility), in each case, determined monthly based on the amount of the average borrowings outstanding under the SMBC Funding Facility. As of December 31, 2018, the interest rate in effect was LIBOR plus 1.75%. As of December 31, 2018, the end of the reinvestment period and the stated maturity date for the SMBC Funding Facility were September 14, 2019 and September 14, 2024, respectively. Subsequent to the end of this reinvestment period and prior to the stated maturity date of September 14, 2024, any principal proceeds from sales and repayments of loan assets held by our consolidated subsidiary, Ares Capital JB Funding LLC, will be used to repay the aggregate principal amount outstanding.

# Endnotes (cont'd)

- 24) Declared. In addition to the first quarter 2019 regular dividend of \$0.40 per share to be paid on March 29, 2019 to stockholders of record on March 15, 2019, the Company declared additional dividends totaling \$0.08 per share for 2019, to be distributed in four consecutive quarterly payments of \$0.02 per share. The first additional dividend of \$0.02 per share is to be paid on March 29, 2019 to the stockholders of record as of March 15, 2019.
- 25) The amount of excess 2018 U.S. federal taxable income available for carry over into 2019 is only an estimate based on estimated 2018 U.S. federal taxable income. The calculation of estimated 2018 U.S. federal taxable income includes a number of estimated inputs, including information received from third parties and, as a result, actual 2018 U.S. federal taxable income will not be finally determined until Ares Capital's 2018 tax return is filed in 2019. Consequently, both 2018 U.S. federal taxable income and the amount of excess U.S. federal taxable income available for carry over into 2019 are subject to change. See Note 11 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2018 for more information.
- 26) This portfolio weighted average EBITDA data includes information solely in respect of corporate investments in Ares Capital's portfolio and the weighted average total net leverage multiple and interest coverage ratio data includes information solely in respect of corporate portfolio companies in which Ares Capital has a debt investment (in each case, subject to the exclusions described in the following sentence). Excluded from the data above is information in respect of the following: (i) the SDLP (and the underlying borrowers in the SDLP), (ii) portfolio companies that do not report EBITDA, including IHAM, (iii) investment funds/vehicles, (iv) discrete projects in the project finance/power generation sector, (v) certain oil and gas companies, (vi) venture capital backed companies and (vii) commercial real estate finance companies. The weighted average EBITDA for the underlying borrowers in the SDLP was \$41.5 million, \$41.6 million, \$42.8 million, \$44.5 million and \$44.4 million as of 12/31/17, 3/31/18, 6/30/18, 9/30/18 and 12/31/18, respectively.
- 27) Weighted average EBITDA amounts are weighted based on the fair value of the portfolio company investments. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
- 28) EBITDA is a non-GAAP financial measure. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
- 29) Portfolio weighted average total net leverage multiples represent Ares Capital's last dollar of invested debt capital (net of cash) as a multiple of EBITDA. Portfolio weighted average total net leverage multiples for borrowers in the SDLP represent the SDLP's last dollar of invested debt capital (net of cash) as a multiple of EBITDA. The weighted average total net leverage multiple for the underlying borrowers in the SDLP was 5.4x, 5.3x, 5.8x, 5.9x and 5.8x as of 12/31/17, 3/31/18, 6/30/18, 9/30/18 and 12/31/18, respectively. Portfolio company credit statistics for Ares Capital and the SDLP are derived from the most recently available portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
- 30) Portfolio weighted average interest coverage ratio represents the portfolio company's EBITDA as a multiple of interest and facility fees expense. The weighted average interest coverage ratio for the underlying borrowers in the SDLP was 2.3x, 2.1x, 2.1x, 2.1x and 2.0x as of 12/31/17, 3/31/18, 6/30/18, 9/30/18 and 12/31/18, respectively. Portfolio company credit statistics for Ares Capital and the SDLP are derived from the most recently available portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
- 31) The EBITDA growth rate for each included portfolio company is calculated as the percentage change for the most recently reported fiscal year to date comparable periods and is weighted based on the fair value of the portfolio company investments to calculate the portfolio weighted average EBITDA growth rate. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts used in the calculation are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.

# Endnotes (cont'd)

- 32) Based on our investment adviser's internal investment rating system scale from 1 to 4. Investments with a grade of 4 involve the least amount of risk to our initial cost basis and the trends and risk factors for these investments since origination or acquisition are generally favorable, which may include the performance of the portfolio company or a potential exit. Investments with a grade of 1 indicate that the risk to our ability to recoup the initial cost basis of such investment has substantially increased since origination or acquisition and our investment adviser does not anticipate that we will recoup our initial cost basis and we may realize a substantial loss on our initial cost basis upon exit. All investments or acquired investments in new portfolio companies are initially assessed a grade of 3.
- 33) Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment has been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment has been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, Ares Capital may sell all or a portion of these investments and certain of these investments may result in the repayment of existing investments. Ares Capital cannot assure you that we will make any of these investments or that we will sell all or any portion of these investments.