



Fourth Quarter 2019  
Earnings Presentation

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# Financial and Portfolio Highlights

## Financial Highlights

	Q4-19	Q3-19	Q4-18	FY-19	FY-18
(all per share amounts, excluding net asset value per share, are basic and diluted)					
Core EPS* <sup>(1)</sup>	\$ 0.45	\$ 0.48	\$ 0.45	\$ 1.89	\$ 1.68
Net Investment Income Per Share	\$ 0.44	\$ 0.50	\$ 0.48	\$ 1.90	\$ 1.63
Net Realized Gains (Losses) Per Share	\$ (0.18)	\$ (0.15)	\$ 0.07	\$ (0.15)	\$ 0.98
Net Unrealized Gains (Losses) Per Share	\$ 0.22	\$ 0.06	\$ (0.19)	\$ 0.11	\$ (0.60)
GAAP Net Income Per Share	\$ 0.48	\$ 0.41	\$ 0.36	\$ 1.86	\$ 2.01
Net Asset Value Per Share	\$ 17.32	\$ 17.26	\$ 17.12	\$ 17.32	\$ 17.12

## Portfolio Highlights

	Q4-19	Q3-19	Q4-18	FY-19	FY-18
(dollar amounts in millions)					
Gross Commitments	\$ 1,608	\$ 2,409	\$ 2,709	\$ 7,261	\$ 8,045
Exits of Commitments <sup>(2)</sup>	\$ 1,224	\$ 1,424	\$ 1,021	\$ 5,350	\$ 6,476
Total Fair Value of Investments	\$ 14,426	\$ 13,892	\$ 12,417	\$ 14,426	\$ 12,417
Weighted Average Yield of Debt & Other Income Producing Securities at Amortized Cost <sup>(3)</sup>	9.6%	9.8%	10.2%	9.6%	10.2%
Weighted Average Yield on Total Investments at Amortized Cost <sup>(4)</sup>	8.6%	8.8%	9.0%	8.6%	9.0%

Note: Endnotes begin on page 24.

\* See page 23 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				
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18
Core EPS – Basic and Diluted <sup>(1)</sup>	\$ 0.45	\$ 0.48	\$ 0.49	\$ 0.48	\$ 0.45
Net Investment Income Per Share – Basic and Diluted	\$ 0.44	\$ 0.50	\$ 0.49	\$ 0.47	\$ 0.48
Net Realized and Unrealized Gains (Losses) Per Share – Basic and Diluted	\$ 0.04	\$ (0.09)	\$ (0.02)	\$ 0.03	\$ (0.12)
GAAP EPS – Basic and Diluted	\$ 0.48	\$ 0.41	\$ 0.47	\$ 0.50	\$ 0.36
Dividend Declared and Payable Per Share	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.39
Additional Dividend Declared and Payable Per Share	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ —
Stockholders' Equity	\$ 7,467	\$ 7,373	\$ 7,368	\$ 7,339	\$ 7,300
Net Asset Value Per Share	\$ 17.32	\$ 17.26	\$ 17.27	\$ 17.21	\$ 17.12
Debt/Equity Ratio **	0.95x	0.91x	0.83x	0.86x	0.73x
Debt/Equity Ratio, Net of Available Cash <sup>(5)</sup>	0.93x	0.89x	0.77x	0.79x	0.69x
Unsecured Debt to Total Debt	54.8%	66.8%	68.9%	56.7%	65.5%
Weighted Average Stated Interest on Debt <sup>(6)</sup>	3.9%	4.0%	4.1%	4.1%	4.1%
Net Interest and Dividend Margin <sup>(7)</sup>	7.6%	7.7%	7.8%	7.6%	7.5%
Ratio of Earnings to Fixed Charges <sup>(8)</sup>	3.5	3.8	4.1	4.1	4.2
Market Capitalization					
Principal Debt	\$ 7,060	\$ 6,691	\$ 6,124	\$ 6,293	\$ 5,297
Equity	8,040	7,963	7,655	7,307	6,642
Total Market Capitalization	<u>\$ 15,100</u>	<u>\$ 14,654</u>	<u>\$ 13,779</u>	<u>\$ 13,600</u>	<u>\$ 11,939</u>
Common Stock Data:					
High Price during the period	\$ 19.02	\$ 19.19	\$ 18.12	\$ 17.48	\$ 17.58
Low Price during the period	\$ 18.10	\$ 17.99	\$ 17.22	\$ 15.28	\$ 14.71
Closing Price	\$ 18.65	\$ 18.64	\$ 17.94	\$ 17.14	\$ 15.58

\* See page 23 hereof for reconciliations of basic and diluted Core EPS to GAAP EPS, the most directly comparable GAAP financial measure.

\*\* Effective June 21, 2019, Ares Capital's asset coverage requirement applicable to senior securities was reduced from 200% to 150%.

# Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	As of				
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18
Investments at Fair Value	\$ 14,426	\$ 13,892	\$ 12,992	\$ 13,064	\$ 12,417
Number of Portfolio Companies <sup>(9)</sup>	354	352	345	345	344
Asset Class (at fair value):					
First Lien Senior Secured Loans <sup>(10)</sup>	44%	45%	41%	44%	47%
Second Lien Senior Secured Loans	30%	32%	33%	30%	29%
Senior Direct Lending Program <sup>(11)</sup>	6%	6%	7%	6%	5%
Senior Subordinated Loans	6%	4%	5%	6%	6%
Preferred Equity	5%	5%	5%	5%	4%
Other Equity	9%	8%	9%	9%	9%
Interest Rate Type (at fair value)					
% Floating Rate <sup>(12)</sup>	84%	86%	84%	85%	85%
% Fixed Rate	5%	5%	6%	6%	4%
% Equity and Other Non-Interest Earning	11%	9%	10%	9%	11%
Yields:					
Weighted Avg. Yield on Debt and Other Income Producing Securities at Amortized Cost <sup>(3)</sup>	9.6%	9.8%	10.4%	10.4%	10.2%
Weighted Avg. Yield on Debt and Other Income Producing Securities at Fair Value <sup>(3)</sup>	9.7%	9.9%	10.5%	10.5%	10.3%
Weighted Average Yield on Total Investments at Amortized Cost <sup>(4)</sup>	8.6%	8.8%	9.2%	9.3%	9.0%
Weighted Average Yield on Total Investments at Fair Value <sup>(4)</sup>	8.7%	9.0%	9.5%	9.5%	9.3%

# Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	For the Three Months Ended					
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18	
<b>Commitments:</b>						
Gross Commitments	\$ 1,608	\$ 2,409	\$ 1,307	\$ 1,953	\$ 2,709	
Exits of Commitments <sup>(2)</sup>	(1,224)	(1,424)	(1,348)	(1,353)	(1,021)	
Net Commitments <sup>(13)</sup>	\$ 384	\$ 985	\$ (41)	\$ 600	\$ 1,688	
<b>Gross Commitments Information:</b>						
Number of Transactions	43	50	33	37	51	
Weighted Average Commitment Term in Months	75	70	93	90	76	
Average Commitment in Period	\$ 37	\$ 48	\$ 40	\$ 53	\$ 53	
<b>Fundings:</b>						
Gross Fundings	\$ 1,540	\$ 2,098	\$ 1,249	\$ 1,941	\$ 2,275	
Net Fundings <sup>(13)</sup>	\$ 379	\$ 788	\$ (90)	\$ 652	\$ 1,253	
Portfolio Turnover	0.08	0.10	0.10	0.10	0.09	

# Quarterly Operating Results

(amounts in millions, except per share data)

	For the Three Months Ended				
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18
Investment income	\$ 386	\$ 387	\$ 382	\$ 373	\$ 345
Expenses, net of waiver of income based fees <sup>(14)</sup>	193	170	170	168	140
Net investment income before income taxes	193	217	212	205	205
Income tax expense, including excise tax	3	5	4	4	2
Net investment income	190	212	208	201	203
Net realized and unrealized gains (losses)	14	(37)	(8)	13	(50)
Net Income	<u>\$ 204</u>	<u>\$ 175</u>	<u>\$ 200</u>	<u>\$ 214</u>	<u>\$ 153</u>
Per Share:					
Core EPS - Basic and Diluted* <sup>(1)</sup>	\$ 0.45	\$ 0.48	\$ 0.49	\$ 0.48	\$ 0.45
Net Income - Basic and Diluted	\$ 0.48	\$ 0.41	\$ 0.47	\$ 0.50	\$ 0.36
Dividends Declared and Payable**	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.39
Weighted average shares of common stock outstanding - Basic and Diluted	429	427	426	426	426
Common shares outstanding at end of period	<u>431</u>	<u>427</u>	<u>427</u>	<u>426</u>	<u>426</u>

(amounts in millions, except per share data)

	For the Years Ended	
	12/31/19	12/31/18
Investment income	\$ 1,528	\$ 1,337
Expenses, net of waiver of income based fees <sup>(14)</sup>	701	624
Net investment income before taxes	827	713
Income tax expense, including excise tax	16	19
Net investment income	811	694
Net realized and unrealized gains (losses)	(18)	164
Net Income	<u>\$ 793</u>	<u>\$ 858</u>
Per Share:		
Core EPS - Basic and Diluted* <sup>(1)</sup>	\$ 1.89	\$ 1.68
Net Income - Basic and Diluted	\$ 1.86	\$ 2.01
Dividends Declared and Payable**	\$ 1.68	\$ 1.54
Weighted average shares of common stock outstanding - Basic and Diluted	427	426
Common shares outstanding at end of period	<u>431</u>	<u>426</u>

\* See page 23 hereof for reconciliations of basic and diluted Core EPS to GAAP EPS, the most directly comparable GAAP financial measure.

\*\* For each of the quarters ended December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, dividends declared and payable included additional dividends of \$0.02/share in each quarter. For the year ended December 31, 2019, dividends declared and payable included additional dividends of \$0.08/share.

# Quarterly Operating Results Detail

(amounts in millions)

	For the Three Months Ended				
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18
<b>Net Investment Income Before Income Taxes:</b>					
Investment Income:					
Interest income from investments	\$ 296	\$ 299	\$ 296	\$ 289	\$ 263
Capital structuring service fees	38	41	38	45	47
Dividend income	44	39	38	31	26
Other income	8	8	10	8	9
Total investment income	<u>386</u>	<u>387</u>	<u>382</u>	<u>373</u>	<u>345</u>
Expenses:					
Interest and credit facility fees	79	76	69	67	60
Base management fees	54	52	50	49	45
Income based fees	48	49	49	48	46
Capital gains incentive fees*	3	(8)	(1)	2	(10)
Administrative fees	3	4	3	4	3
Other general and administrative	6	7	10	8	6
Total operating expenses	<u>193</u>	<u>180</u>	<u>180</u>	<u>178</u>	<u>150</u>
Waiver of income based fees <sup>(14)</sup>	<u>—</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>
Total expenses, net of waiver of income based fees <sup>(14)</sup>	<u>193</u>	<u>170</u>	<u>170</u>	<u>168</u>	<u>140</u>
Net investment income before income taxes	<u>193</u>	<u>217</u>	<u>212</u>	<u>205</u>	<u>205</u>
Income tax expense, including excise tax	<u>3</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>2</u>
<b>Net investment income</b>	<u>\$ 190</u>	<u>\$ 212</u>	<u>\$ 208</u>	<u>\$ 201</u>	<u>\$ 203</u>

\* Accrued in accordance with GAAP. As of December 31, 2019, Ares Capital had accrued \$58 million of incentive fees payable related to capital gains under GAAP; however, such amount is not actually payable under Ares Capital's investment advisory and management agreement with its investment adviser, Ares Capital Management (the "Investment Advisory and Management Agreement").



# Quarterly Gain/Loss Detail

(amounts in millions)

	For the Three Months Ended				
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18
<b>Net Realized and Unrealized Gains (Losses):</b>					
Realized gains (losses) on investments:					
Gains	\$ 21	\$ 25	\$ 20	\$ 10	\$ 37
Losses	(99)	(99)	(2)	(3)	(16)
Net realized gains (losses) on investments	(78)	(74)	18	7	21
Unrealized gains (losses) on investments:					
Unrealized appreciation	129	82	77	73	54
Unrealized depreciation	(129)	(139)	(98)	(114)	(135)
Net unrealized losses on investments	—	(57)	(21)	(41)	(81)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses on investments	100	81	(3)	2	(5)
Total net unrealized gains (losses) on investments	100	24	(24)	(39)	(86)
Net realized and unrealized gains (losses) on foreign currency and other transactions	(8)	13	(2)	45	15
<b>Net realized and unrealized gains (losses)</b>	<b>\$ 14</b>	<b>\$ (37)</b>	<b>\$ (8)</b>	<b>\$ 13</b>	<b>\$ (50)</b>

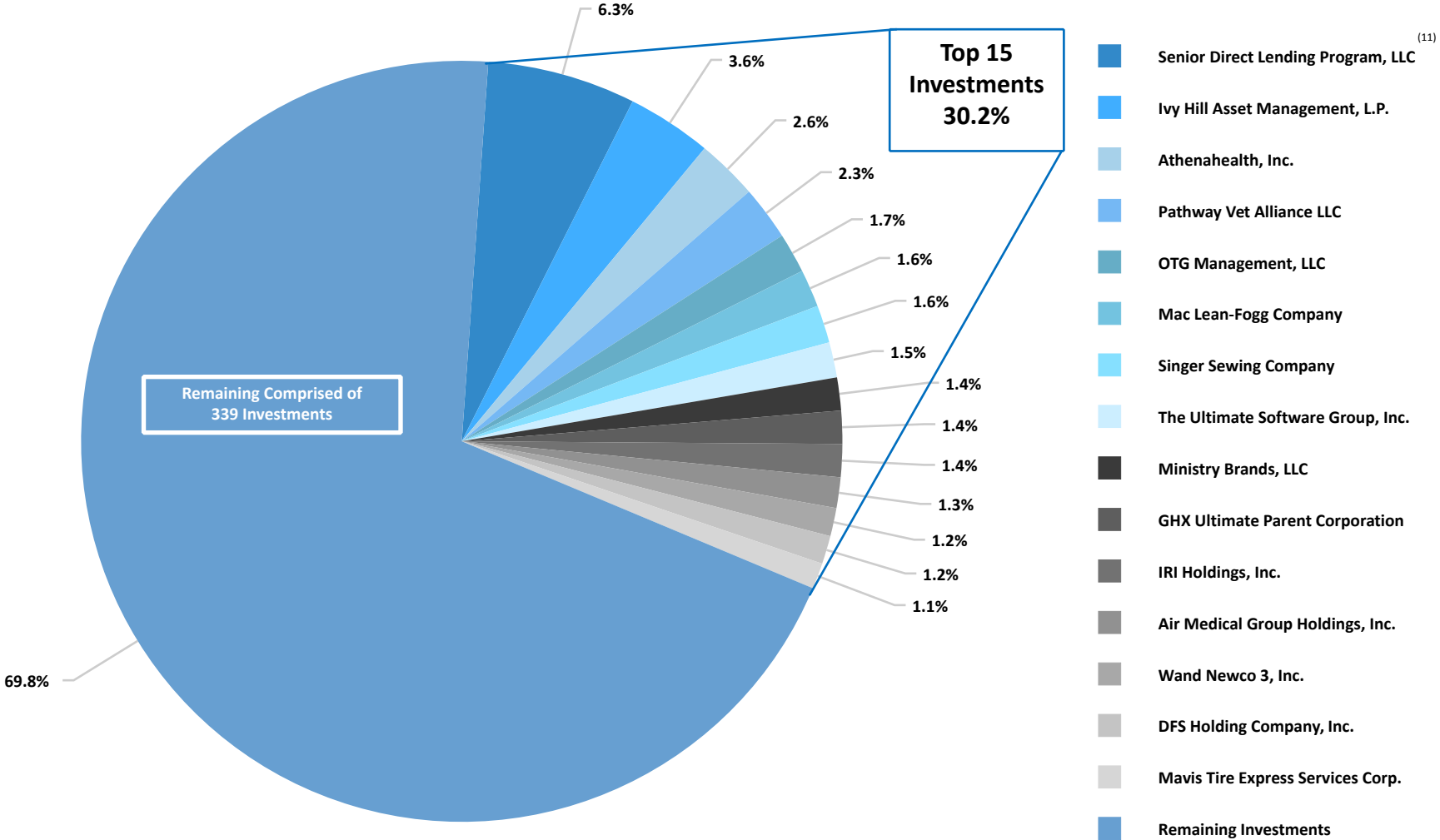
# Quarterly Balance Sheets

(amounts in millions, except per share data)

	As of				
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18
<b>ASSETS</b>					
Investments at fair value	\$ 14,426	\$ 13,892	\$ 12,992	\$ 13,064	\$ 12,417
Cash and cash equivalents	176	253	572	572	296
Interest receivable	117	121	105	114	91
Operating lease right-of-use asset	94	99	101	105	—
Other assets	78	89	76	79	79
Receivable for open trades	14	4	—	28	12
<b>Total assets</b>	<b>\$ 14,905</b>	<b>\$ 14,458</b>	<b>\$ 13,846</b>	<b>\$ 13,962</b>	<b>\$ 12,895</b>
<b>LIABILITIES</b>					
Debt	\$ 6,971	\$ 6,598	\$ 6,024	\$ 6,197	\$ 5,214
Interest and facility fees payable	54	44	62	25	64
Base management fees payable	54	52	50	49	45
Income based fees payable	48	39	39	38	36
Capital gains incentive fees payable*	58	55	63	64	112
Operating lease liabilities	121	128	131	137	33
Accounts payable and other liabilities	99	169	107	78	66
Payable for open trades	33	—	2	35	25
<b>Total liabilities</b>	<b>7,438</b>	<b>7,085</b>	<b>6,478</b>	<b>6,623</b>	<b>5,595</b>
<b>STOCKHOLDERS' EQUITY</b>					
Common stock	—	—	—	—	—
Capital in excess of par value	7,760	7,194	7,185	7,177	7,173
Accumulated (overdistributed) undistributed earnings	(293)	179	183	162	127
<b>Total stockholders' equity</b>	<b>7,467</b>	<b>7,373</b>	<b>7,368</b>	<b>7,339</b>	<b>7,300</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 14,905</b>	<b>\$ 14,458</b>	<b>\$ 13,846</b>	<b>\$ 13,962</b>	<b>\$ 12,895</b>
<b>NET ASSETS PER SHARE</b>	<b>\$ 17.32</b>	<b>\$ 17.26</b>	<b>\$ 17.27</b>	<b>\$ 17.21</b>	<b>\$ 17.12</b>

\* Accrued in accordance with GAAP. For the year ended December 31, 2019, no capital gains incentive fee is actually payable under the Investment Advisory and Management Agreement. For the year ended December 31, 2018, the capital gains incentive fee actually payable under the Investment Advisory and Management Agreement was \$50 million, which was paid in the first quarter of 2019.

# Investment Portfolio by Issuer as of December 31, 2019\*



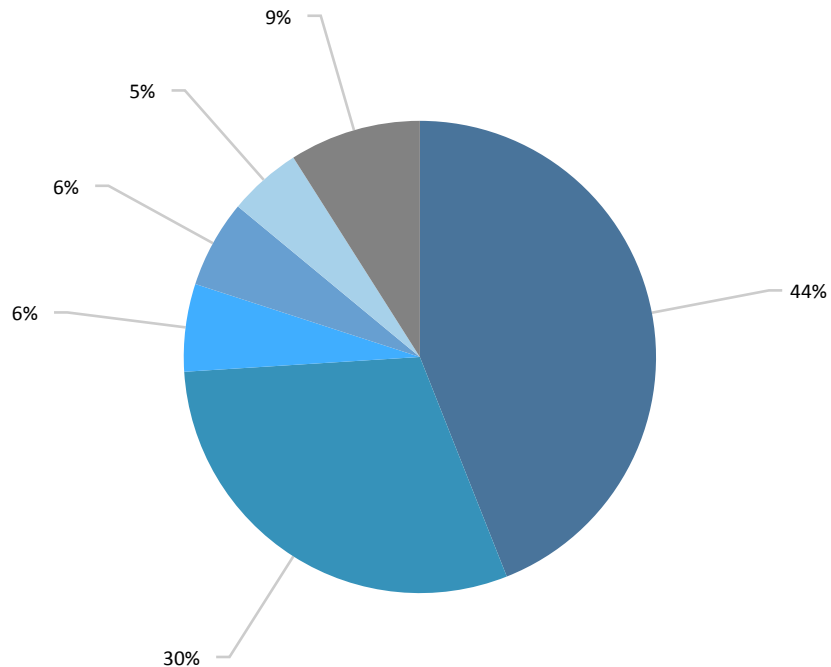
Diversified \$14.4 billion portfolio with 354 investments

\* At fair value.



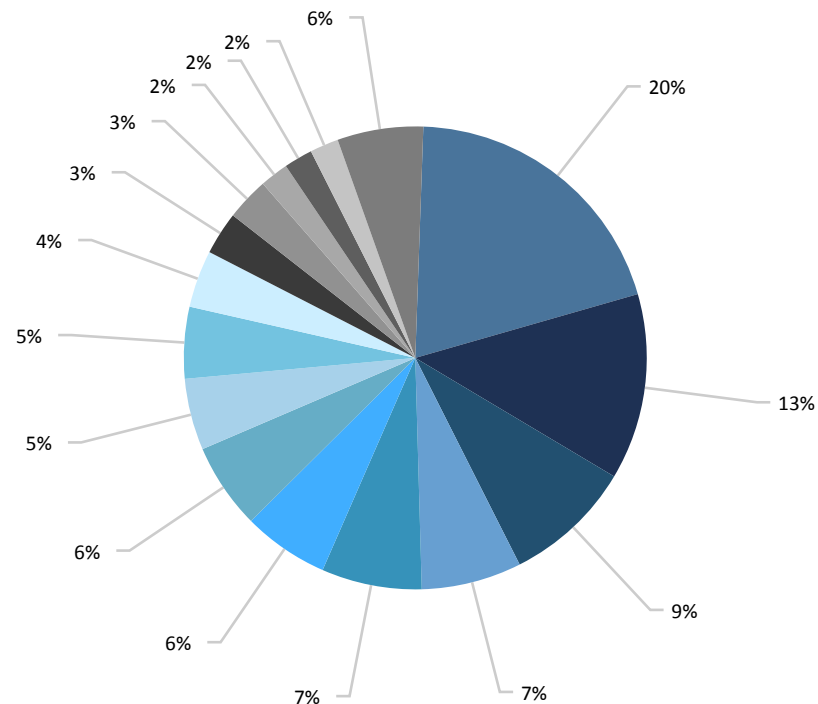
# Investment Portfolio as of December 31, 2019\*

## Asset Class



- First Lien Senior Secured Loans<sup>(10)</sup>
- Second Lien Senior Secured Loans
- Senior Direct Lending Program<sup>(11)</sup>
- Senior Subordinated Loans
- Preferred Equity
- Other Equity

## Industry



- Health Care Services
- Software & Services
- Commercial & Professional Services
- Utilities
- Consumer Services
- Senior Direct Lending Program<sup>(11)</sup>
- Consumer Durables & Apparel
- Diversified Financials
- Automobiles & Components
- Capital Goods
- Energy
- Insurance Services
- Food & Beverage
- Retailing
- Materials
- Other

\* At fair value.

# Debt Summary

(dollar amounts in millions)	As of 9/30/19			As of 12/31/19			Weighted Average Stated Interest Rate <sup>(20)</sup>	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			
<b>Secured Revolving Facilities<sup>(16)</sup>:</b>									
Revolving Credit Facility	\$ 3,365	\$ 1,316	\$ 1,316	\$ 3,365	\$ 2,250	\$ 2,250	3.509%	LIBOR + 1.75% <sup>(21)</sup>	March 2024 <sup>(21)</sup>
Revolving Funding Facility*	1,275	638	638	1,275	638	638	3.799%	LIBOR + 2.00% <sup>(22)</sup>	January 2024 <sup>(22)</sup>
SMBC Funding Facility**	500	266	266	650	301	301	3.490%	LIBOR + 1.75% <sup>(23)</sup>	September 2024 <sup>(23)</sup>
Subtotal	5,140	2,220	2,220	5,290	3,189	3,189	3.603%		
<b>Unsecured Notes Payable:***</b>									
2020 Notes	600	600	600 <sup>(18)</sup>	—	—	—			
2022 Notes	600	600	596 <sup>(18)</sup>	600	600	597 <sup>(18)</sup>	3.625%		January 2022
2022 Convertible Notes	388	388	376 <sup>(18)</sup>	388	388	377 <sup>(18)</sup>	3.750%		February 2022
2023 Notes	750	750	745 <sup>(18)</sup>	750	750	746 <sup>(18)</sup>	3.500%		February 2023
2024 Convertible Notes	403	403	388 <sup>(18)</sup>	403	403	389 <sup>(18)</sup>	4.625%		March 2024
2024 Notes	900	900	895 <sup>(18)</sup>	900	900	895 <sup>(18)</sup>	4.200%		June 2024
2025 Notes	600	600	594 <sup>(18)</sup>	600	600	594 <sup>(18)</sup>	4.250%		March 2025
2047 Notes	230	230	184 <sup>(19)</sup>	230	230	184 <sup>(19)</sup>	6.875%		April 2047
Subtotal	4,471	4,471	4,378	3,871	3,871	3,782	4.141%		
Total Debt	\$ 9,611	\$ 6,691	\$ 6,598	\$ 9,161	\$ 7,060	\$ 6,971	3.898%		

Floating and Fixed Rate Debt as of December 31, 2019:			
Debt (dollar amounts in millions)	Principal Amount Outstanding	Weighted Average Stated Interest Rate <sup>(20)</sup>	Weighted Average Remaining Maturity**** (in years)
Floating	\$ 2,794	3.66%	4.24
Fixed <sup>(20)</sup>	4,266	4.11%	4.91
Total	\$ 7,060	3.90%	4.67

\*In January 2020, Ares Capital's wholly owned subsidiary, Ares Capital CP Funding LLC, amended the Revolving Funding Facility to, among other things, (a) increase the total size under the Revolving Funding Facility from \$1.3 billion to \$1.5 billion, (b) extend the reinvestment period from January 2022 to January 2023 and (c) extend the stated maturity date from January 2024 to January 2025.

\*\*In January 2020, Ares Capital's wholly owned subsidiary, Ares Capital JB Funding LLC, amended the SMBC Funding Facility to, among other things, increase the size of the SMBC Funding Facility from \$650 million to \$725 million.

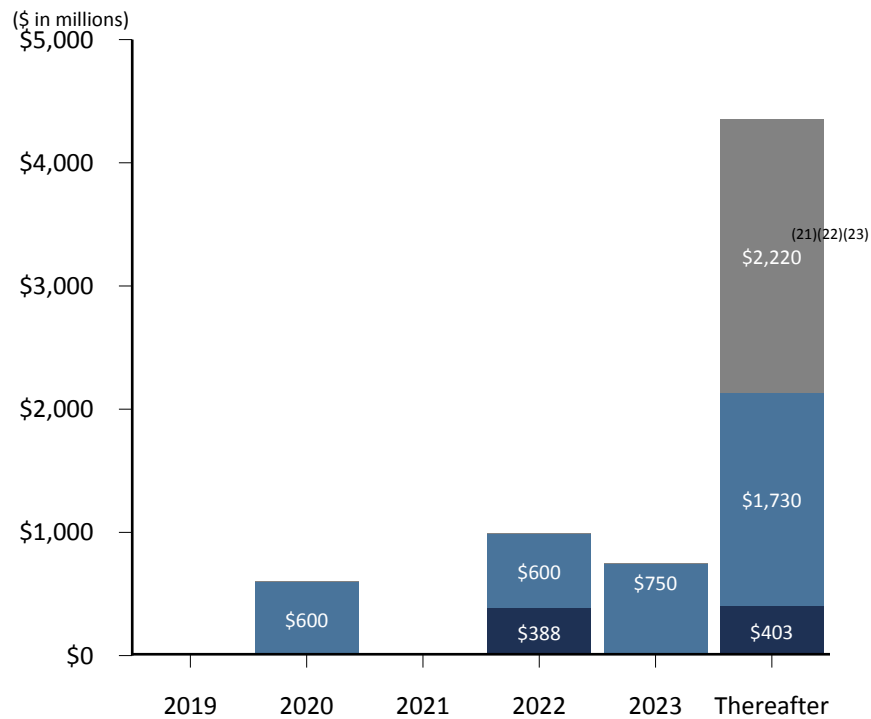
\*\*\*In January 2020, Ares Capital issued \$750 million aggregate principal amount of unsecured notes that mature on July 15, 2025 and bear interest at a rate of 3.250% per year (the "July 2025 Notes"). The July 2025 Notes require payment of interest semi-annually. The July 2025 Notes may be redeemed in whole or in part at any time at the Company's option at the redemption prices as determined pursuant to the indenture governing the July 2025 Notes.

\*\*\*\*Represents the weighted average remaining maturity of outstanding debt as of December 31, 2019. 13

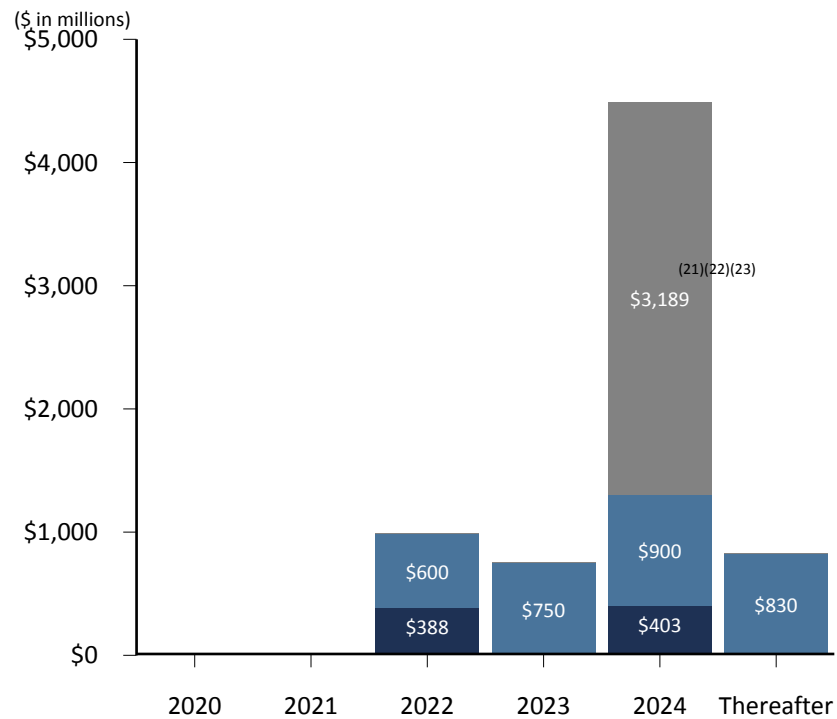


# Debt Summary

## Debt Maturities\*



As of September 30, 2019



As of December 31, 2019

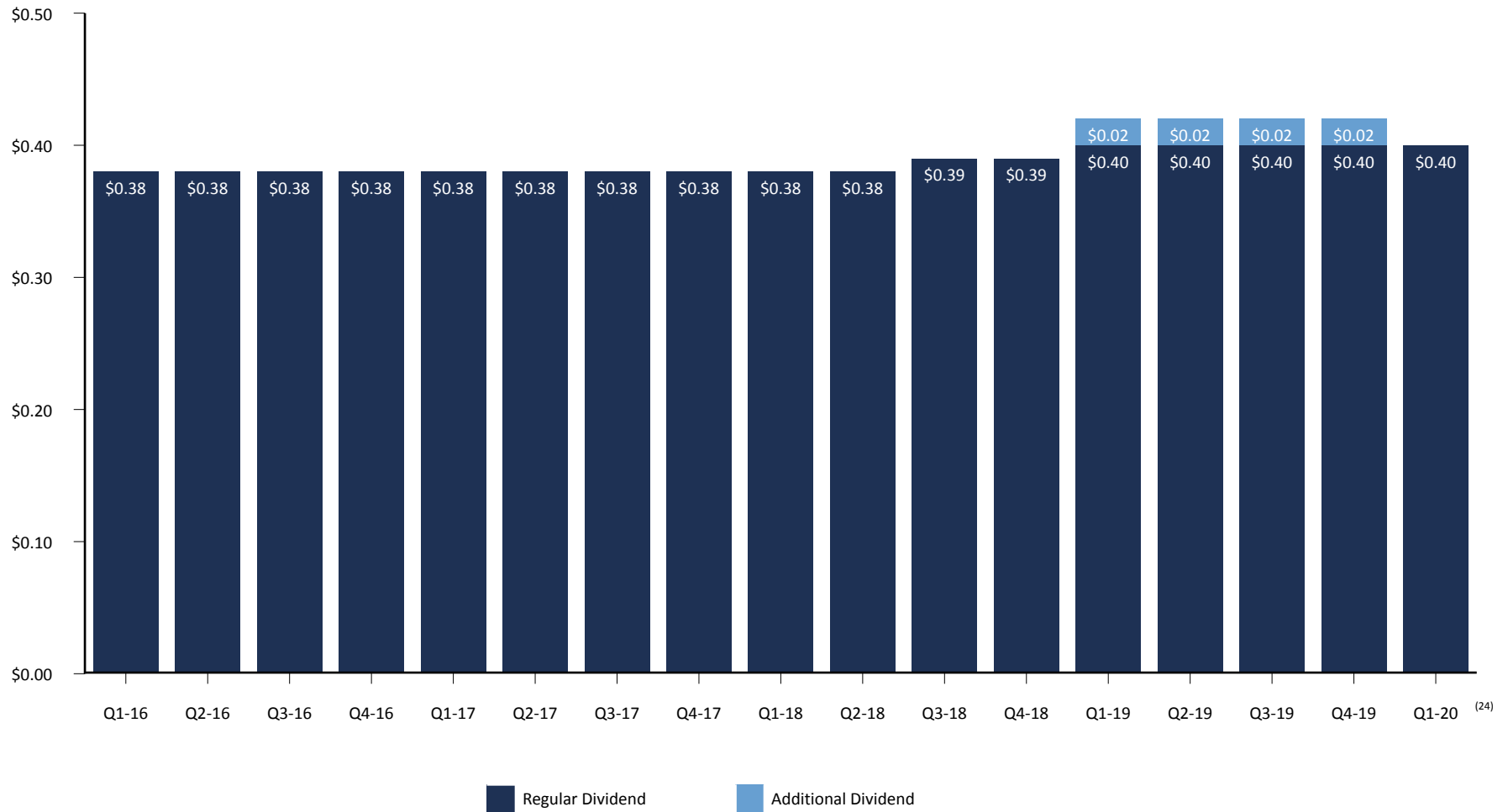
■ Convertible Unsecured Notes

■ Other Unsecured Notes

■ Secured Revolving Facilities

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

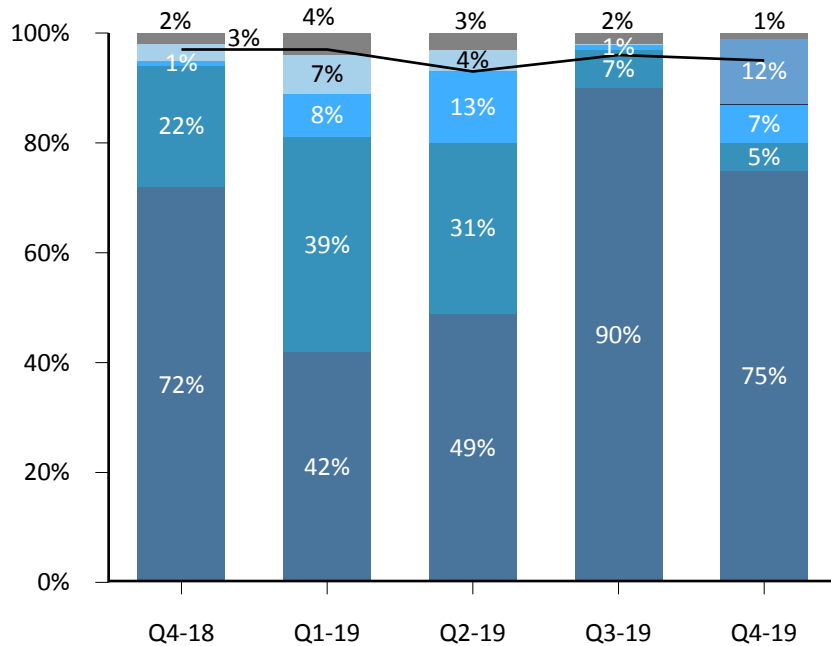
# Quarterly Dividends



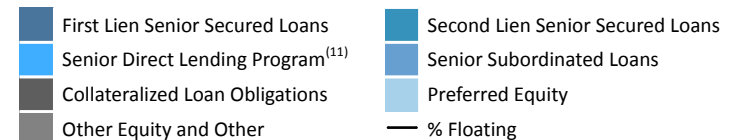
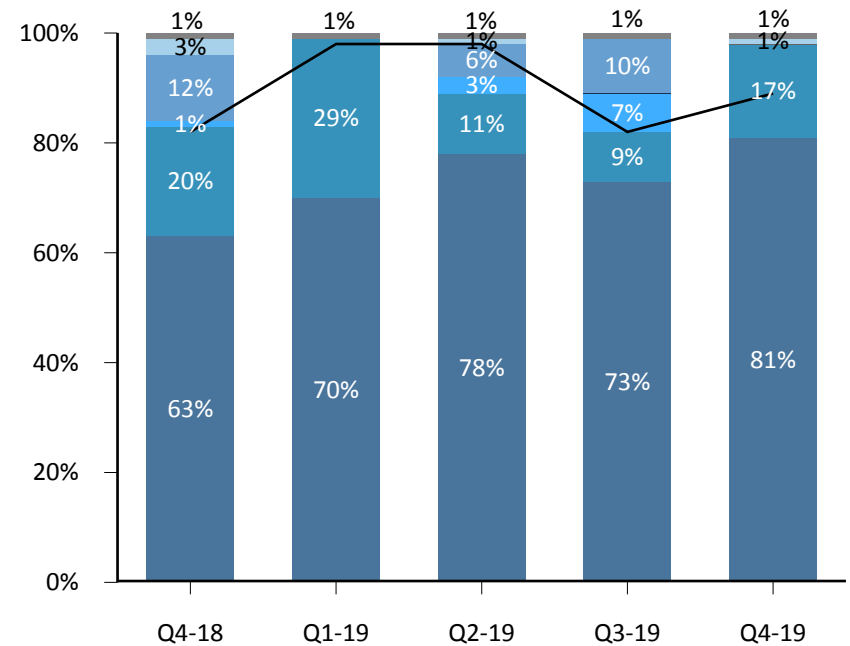
➤ ARCC estimates that it will carry forward excess taxable income of approximately \$408 million<sup>(25)</sup> or \$0.95 per share from 2019 for distribution to stockholders in 2020.

# Portfolio Activity

## Gross Commitments by Asset Class

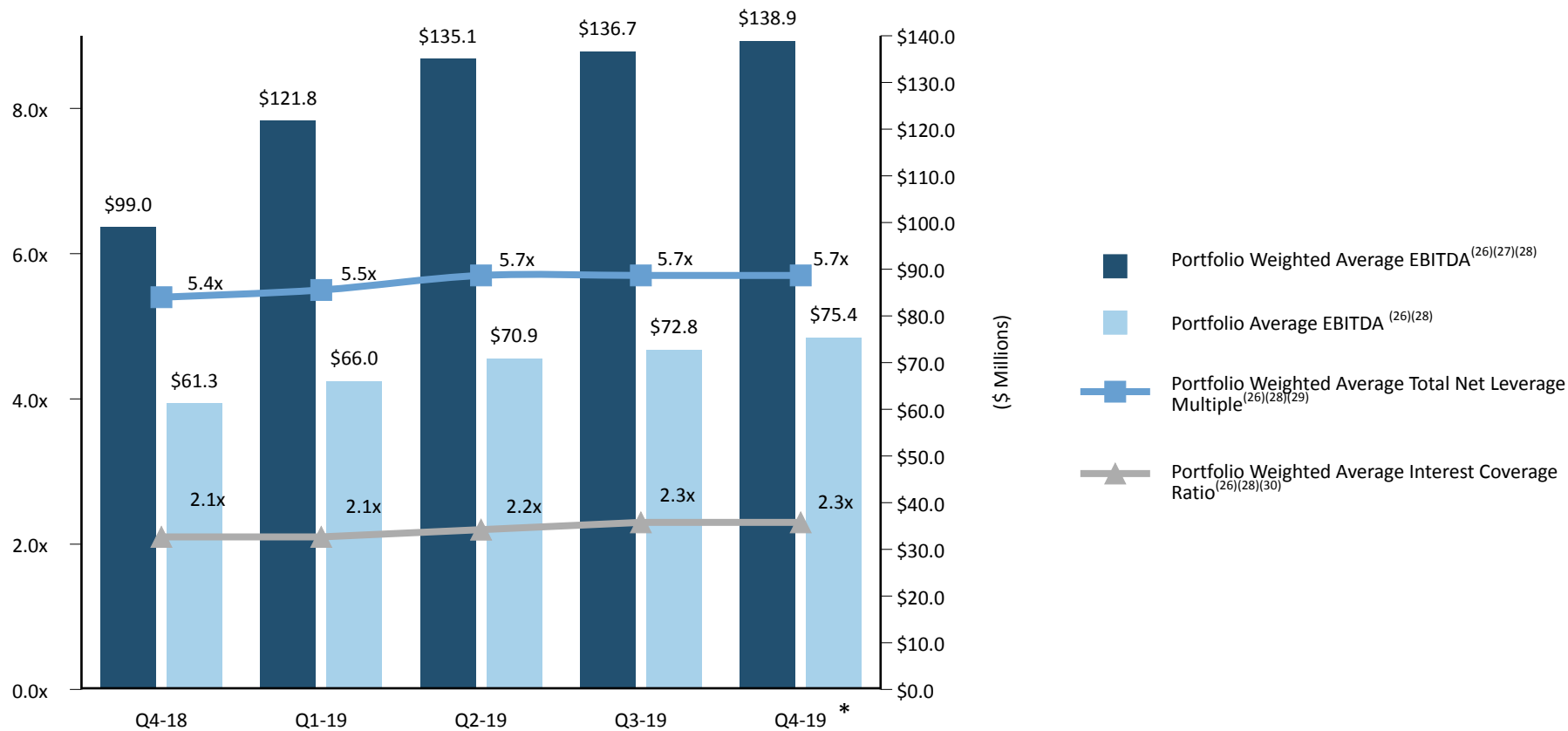


## Exits of Commitments by Asset Class





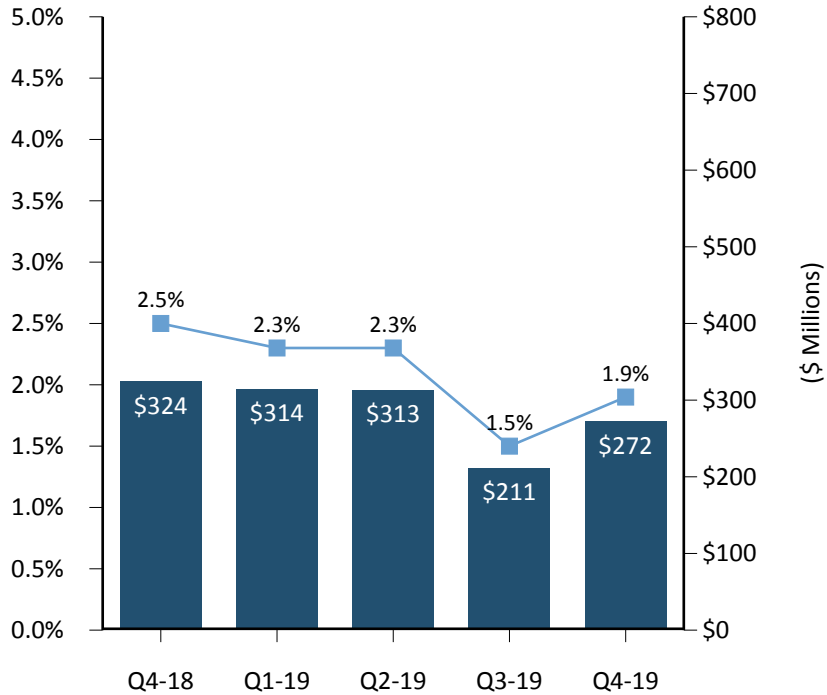
# Portfolio Company EBITDA and Credit Statistics



\* 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 Q4-19 was approximately 3% 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 10 companies where prior year comparable data was not available.<sup>(31)</sup>

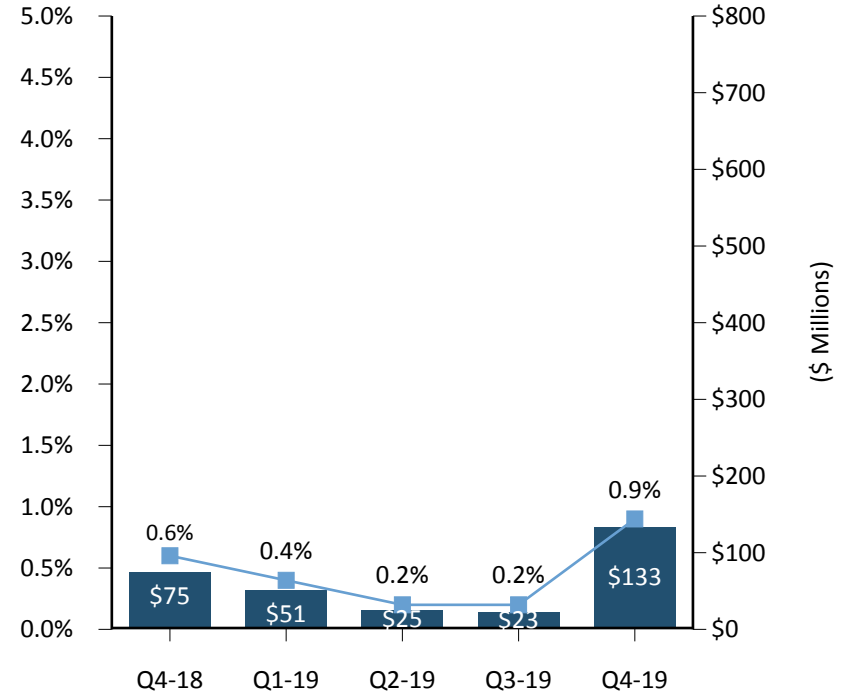
# Investments on Non-Accrual Status

## Amortized Cost



Investments on Non-Accrual Status

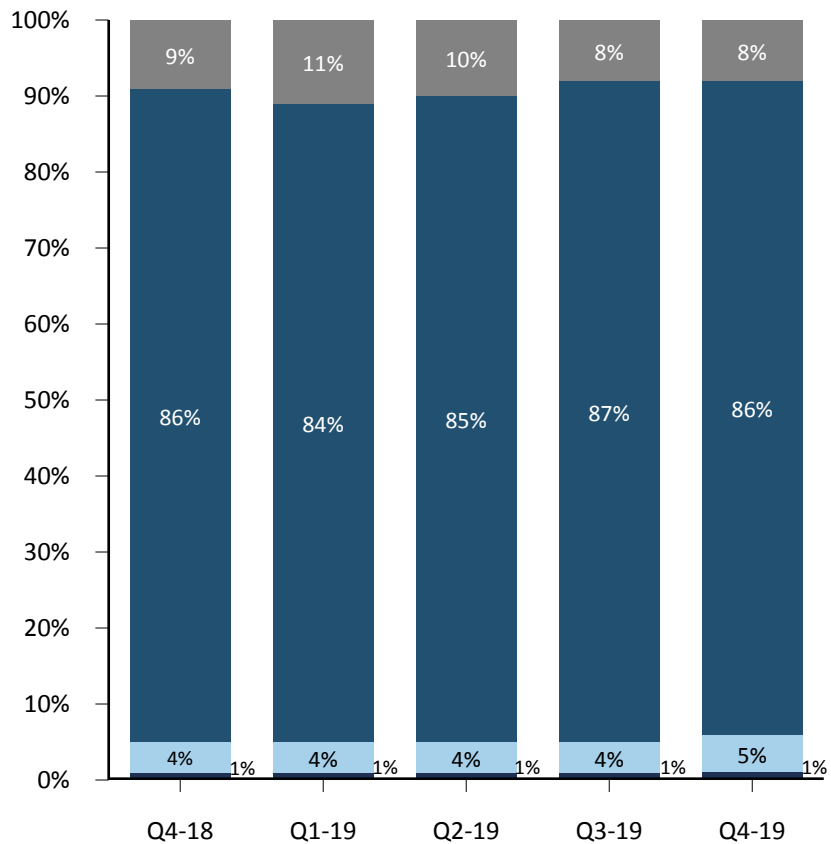
## Fair Value



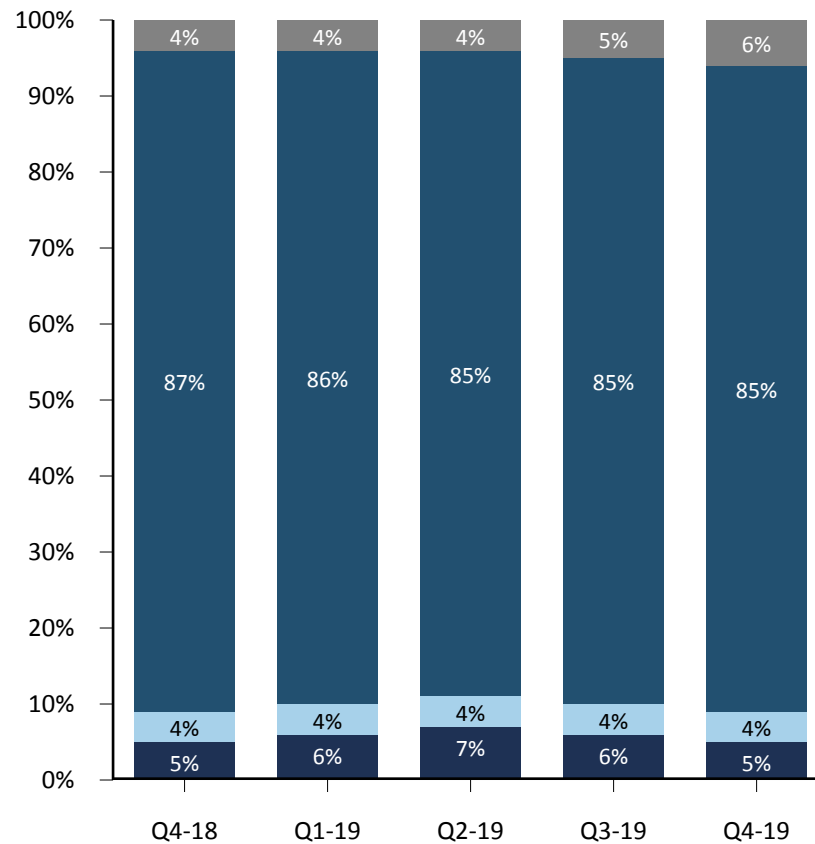
Percentage of Total Investment Portfolio

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

% By Fair Value



% By Number of Companies



Grade 1
  Grade 2
  Grade 3
  Grade 4

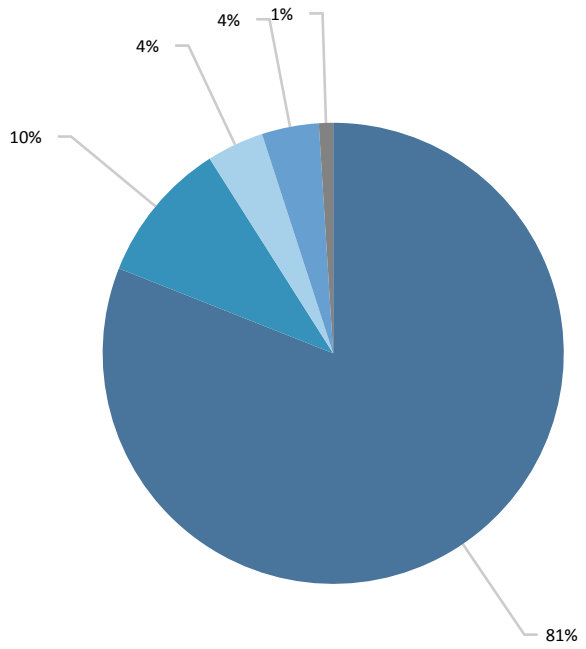
# Investment Activity from January 1, 2020 through February 6, 2020

- Ares Capital made approximately \$453 million of new investment commitments
  - 61% were in first lien senior secured loans, 18% were in second lien senior secured loans, 17% were in senior subordinated loans and 4% were in other equity securities
  - 96% were floating rate and 4% were non-interest bearing
  - Weighted average yield of debt and other income producing securities funded at amortized cost of 8.1%
  
- Ares Capital exited approximately \$282 million of investment commitments
  - 55% were first lien senior secured loans, 38% were second lien senior secured loans, 3% were senior subordinated loans, 3% were other equity securities and 1% were subordinated certificates of the SDLP
  - 96% were floating rate, 3% were non-interest bearing and 1% were fixed rate
  - Weighted average yield of debt and other income producing securities exited or repaid at amortized cost was 8.8%
  - Weighted average yield on total investments exited or repaid during the period at amortized cost was 8.6%
  - Total net realized gains of approximately \$21 million

# Backlog and Pipeline

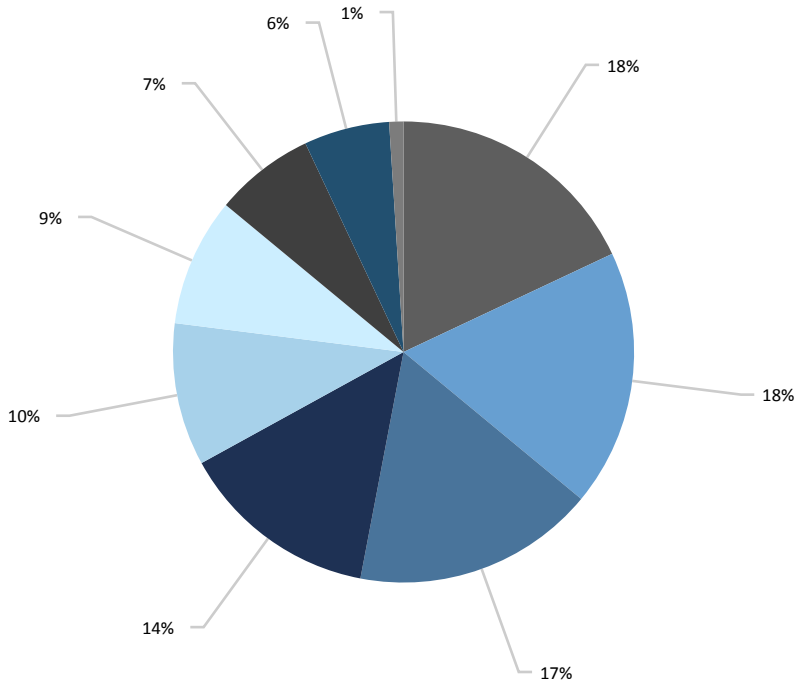
- As of February 6, 2020, Ares Capital had a backlog and pipeline of approximately \$735 million and \$390 million, respectively<sup>(33)</sup>
- The following is a breakdown of the backlog and pipeline by asset class and by industry

**Asset Class**



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

**Industry**



- Retailing
- Utilities
- Health Care Services
- Software & Services
- Diversified Financials
- Capital Goods
- Media & Entertainment
- Commercial & Professional Services
- Other



# Corporate Data

## Board of Directors

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

STEVE BARTLETT  
Strategic Independent Consultant

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

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

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

STEVEN MCKEEVER  
Founder and Chief Executive Officer of Hidden  
Beach Recordings

MICHAEL PARKS  
Chief Executive Officer and President of  
FlyawayHomes

ROBERT ROSEN  
Strategic Adviser to Private Equity Group

BENNETT ROSENTHAL  
Co-Chairman of Ares Capital Corporation  
Co-Founder and Partner of Ares  
Co-Head of 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  
Partner and Co-Head of Ares Credit Group

JIM MILLER  
Partner, Co-Head of U.S. Direct Lending

KORT SCHNABEL  
Partner, Co-Head of U.S. Direct Lending

DAVID SCHWARTZ  
Partner, Co-Head of U.S. Direct Lending

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

## Corporate Officers

MICHAEL AROUGHETI  
Co-Chairman and Executive Vice  
President

JOSHUA BLOOMSTEIN  
Vice President, General Counsel and  
Secretary

KIPP DEVEER  
Director and Chief Executive Officer

MITCHELL GOLDSTEIN  
Co-President

MIRIAM KRIEGER  
Vice President

SCOTT LEM  
Chief Accounting Officer,  
Vice President and Treasurer

LISA MORGAN  
Chief Compliance Officer

PENNI ROLL  
Chief Financial Officer

MICHAEL SMITH  
Co-President

MICHAEL WEINER  
Vice President

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RAYMOND JAMES  
Robert Dodd – (901) 579-4560

RBC CAPITAL MARKETS CORP.  
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HUMPHREY  
Mark Hughes – (615) 748-4422

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Henry Coffey - (212) 833-1382

WELLS FARGO SECURITIES LLC  
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

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Tel: (212) 710-2100  
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## Securities Listing

NASDAQ: ARCC

## Transfer Agent

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[www.computershare.com/investor](http://www.computershare.com/investor)

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Relations and Communications of Ares  
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Managing Director, Investor Relations  
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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				
	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18
Basic and Diluted Core EPS <sup>(1)</sup>	\$ 0.45	\$ 0.48	\$ 0.49	\$ 0.48	\$ 0.45
Net realized and unrealized gains (losses)	0.04	(0.09)	(0.02)	0.03	(0.12)
Capital gains incentive fees attributable to net realized and unrealized gains and losses	(0.01)	0.02	—	(0.01)	0.03
Income tax expense related to net realized gains and losses	—	—	—	—	—
Basic and Diluted GAAP EPS	<u>\$ 0.48</u>	<u>\$ 0.41</u>	<u>\$ 0.47</u>	<u>\$ 0.50</u>	<u>\$ 0.36</u>

	For the Years Ended	
	12/31/19	12/31/18
Basic and Diluted Core EPS <sup>(1)</sup>	\$ 1.89	\$ 1.68
Ares Reimbursement <sup>(15)</sup>	—	0.03
Net realized and unrealized gains (losses)	(0.04)	0.38
Capital gains incentive fees attributable to net realized and unrealized gains and losses	0.01	(0.08)
Income tax expense related to net realized gains and losses	—	—
Basic and Diluted GAAP EPS	<u>\$ 1.86</u>	<u>\$ 2.01</u>

# 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 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 23 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, 2019 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 a three-year 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 \$395 million of the term loan tranche of the Revolving Credit Facility used to calculate weighted average stated interest on debt reflects the fixed base interest rate of 2.064% plus the applicable spread of 1.75%, or an all-in rate of 3.814%.
- 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) First lien senior secured loans include certain loans that Ares Capital classifies as "unitranche" loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position. As of December 31, 2019, the total amortized cost and fair value of loans that Ares Capital classified as "unitranche" loans were \$1,959 million and \$1,885 million, respectively.
- 11) Represents Ares Capital's portion of co-investments with Varagon Capital Partners and its clients in first lien senior secured loans, including certain loans that the SDLP classifies as "unitranche" loans, to U.S. middle-market companies. As of December 31, 2019, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$3.9 billion in aggregate principal amount and had loans to 23 different borrowers. As of December 31, 2019, the SDLP's largest loan to a single borrower was \$348 million in aggregate principal amount and the five largest loans to borrowers totaled \$1.4 billion in aggregate principal amount. As of December 31, 2019, the total principal amount of loans in the SDLP portfolio that the SDLP classified as "unitranche" loans was \$3.6 billion. 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, 2019 for information regarding the SDLP.



# Endnotes (cont'd)

- 12) As of December 31, 2019, excluding Ares Capital's investment in the subordinated certificates of the SDLP, 79% of the floating rate investments at fair value contained interest rate floor features.
- 13) Represents gross commitments or fundings less commitments or investments exited, respectively. Q4-19, Q3-19, Q2-19, Q1-19 and Q4-18 include sales of investment commitments to IHAM or vehicles managed by IHAM of \$265 million, \$109 million, \$464 million, \$302 million, and \$29 million, respectively.
- 14) In connection with the acquisition of American Capital, Ltd. (the "American Capital Acquisition"), Ares Capital Management LLC waived \$10 million of income based fees for each of the ten calendar quarters beginning with the second calendar quarter of 2017 and ending with the third calendar quarter of 2019.
- 15) 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, 2019 for more information about the Ares Reimbursement.
- 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, 2019.
- 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, 2019, the interest rate in effect was LIBOR plus 1.75%. The Revolving Credit Facility consists of a \$674 million term loan tranche with a stated maturity date of March 30, 2024 and a \$2,691 million revolving tranche. For the revolving tranche, the end of the revolving period and the stated maturity date are March 30, 2023 and March 30, 2024, respectively. Subsequent to the end of this reinvestment period and prior to the stated maturity date of March 30, 2024, Ares Capital is required to repay outstanding principal amounts under both the term loan tranche and 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. In December 2017, Ares Capital entered into a three-year 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. See endnote 6 for additional information on the interest rate swap agreement.
- 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. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are 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. See Note 18 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2019 for a subsequent event relating to the Revolving Funding Facility.

# Endnotes (cont'd)

- 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, 2019, the interest rate in effect was LIBOR plus 1.75%. The end of the reinvestment period and the stated maturity date for the SMBC Funding Facility are September 10, 2022 and September 10, 2024, respectively. Subsequent to the end of this reinvestment period and prior to the stated maturity date of September 10, 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.
- 24) Declared. The first quarter 2020 dividend of \$0.40 per share to be paid on March 31, 2020 to stockholders of record on March 16, 2020.
- 25) The amount of excess 2019 U.S. federal taxable income available for carry over into 2020 is only an estimate based on estimated 2019 U.S. federal taxable income. The calculation of estimated 2019 U.S. federal taxable income includes a number of estimated inputs, including information received from third parties and, as a result, actual 2019 U.S. federal taxable income will not be finally determined until Ares Capital's 2019 tax return is filed in 2020. Consequently, both 2019 U.S. federal taxable income and the amount of excess U.S. federal taxable income available for carry over into 2020 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, 2019 for more information.
- 26) The portfolio weighted average EBITDA and average EBITDA for the underlying borrowers 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 portfolio weighted average EBITDA for the underlying borrowers in the SDLP was \$44.4 million, \$45.7 million, \$52.1 million, \$51.1 million and \$53.4 million as of 12/31/18, 3/31/19, 6/30/19, 9/30/19 and 12/31/19, respectively. The portfolio average EBITDA for the underlying borrowers in the SDLP was \$40.7 million, \$41.8 million, \$45.1 million, \$44.0 million and \$45.4 million as of 12/31/18, 3/31/19, 6/30/19, 9/30/19 and 12/31/19, 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 5.8x, 5.7x, 5.9x, 6.0x and 6.1x as of 12/31/18, 3/31/19, 6/30/19, 9/30/19 and 12/31/19, 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 2.0x, 2.0x, 2.0x, 2.1x and 2.1x as of 12/31/18, 3/31/19, 6/30/19, 9/30/19 and 12/31/19, 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.

# Endnotes (cont'd)

- 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.
- 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.