



Third Quarter 2020
Earnings Presentation

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Financial and Portfolio Highlights

Financial Highlights

	Q3-20	Q2-20	Q3-19
(all per share amounts, excluding net asset value per share, are basic and diluted)			
Core EPS* ⁽¹⁾	\$ 0.39	\$ 0.39	\$ 0.48
Net Investment Income Per Share	\$ 0.39	\$ 0.39	\$ 0.50
Net Realized Gains (Losses) Per Share	\$ (0.06)	\$ 0.02	\$ (0.15)
Net Unrealized Gains Per Share	\$ 0.71	\$ 0.24	\$ 0.06
GAAP Net Income Per Share	\$ 1.04	\$ 0.65	\$ 0.41
Net Asset Value Per Share	\$ 16.48	\$ 15.83	\$ 17.26

Portfolio Highlights

	Q3-20	Q2-20	Q3-19
(dollar amounts in millions)			
Gross Commitments ⁽²⁾	\$ 706	\$ 867	\$ 2,409
Exits of Commitments ⁽³⁾	\$ 352	\$ 1,484	\$ 1,424
Total Fair Value of Investments	\$ 14,358	\$ 13,842	\$ 13,892
Weighted Average Yield of Debt & Other Income Producing Securities at Amortized Cost ⁽⁴⁾	9.1%	8.9%	9.8%
Weighted Average Yield on Total Investments at Amortized Cost ⁽⁵⁾	7.8%	7.7%	8.8%

Note: Endnotes begin on page 24.

* See page 23 hereof for reconciliations of basic and diluted Core EPS to GAAP net income (loss) per share, 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				
	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19
Core EPS – Basic and Diluted* ⁽¹⁾	\$ 0.39	\$ 0.39	\$ 0.41	\$ 0.45	\$ 0.48
Net Investment Income Per Share – Basic and Diluted	\$ 0.39	\$ 0.39	\$ 0.54	\$ 0.44	\$ 0.50
Net Realized and Unrealized Gains (Losses) Per Share – Basic and Diluted	\$ 0.65	\$ 0.26	\$ (1.96)	\$ 0.04	\$ (0.09)
GAAP Net Income (Loss) Per Share – Basic and Diluted	\$ 1.04	\$ 0.65	\$ (1.42)	\$ 0.48	\$ 0.41
Dividend Declared and Payable Per Share	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Additional Dividend Declared and Payable Per Share	\$ —	\$ —	\$ —	\$ 0.02	\$ 0.02
Stockholders' Equity	\$ 6,963	\$ 6,691	\$ 6,583	\$ 7,467	\$ 7,373
Net Asset Value Per Share	\$ 16.48	\$ 15.83	\$ 15.58	\$ 17.32	\$ 17.26
Debt/Equity Ratio	1.10x	1.12x	1.26x	0.95x	0.91x
Debt/Equity Ratio, Net of Available Cash ⁽⁶⁾	1.07x	1.08x	1.19x	0.93x	0.89x
Unsecured Debt to Total Debt	75.5%	61.7%	55.8%	54.8%	66.8%
Weighted Average Stated Interest on Debt ⁽⁷⁾	3.5%	3.3%	3.4%	3.9%	4.0%
Net Interest and Dividend Margin ⁽⁸⁾	6.7%	7.0%	7.3%	7.6%	7.7%
Ratio of Earnings to Fixed Charges ⁽⁹⁾	3.2	3.2	3.2	3.5	3.8
Market Capitalization					
Principal Debt	\$ 7,646	\$ 7,488	\$ 8,274	\$ 7,060	\$ 6,691
Equity	5,896	6,107	4,556	8,040	7,963
Total Market Capitalization	<u>\$ 13,542</u>	<u>\$ 13,595</u>	<u>\$ 12,830</u>	<u>\$ 15,100</u>	<u>\$ 14,654</u>
Common Stock Data:					
High Price during the period	\$ 15.02	\$ 16.20	\$ 19.23	\$ 19.02	\$ 19.19
Low Price during the period	\$ 13.27	\$ 9.13	\$ 8.08	\$ 18.10	\$ 17.99
Closing Price	\$ 13.95	\$ 14.45	\$ 10.78	\$ 18.65	\$ 18.64

* See page 23 hereof for reconciliations of basic and diluted Core EPS to GAAP net income (loss) per share, the most directly comparable GAAP financial measure.

Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	As of				
	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19
Investments at Fair Value	\$ 14,358	\$ 13,842	\$ 14,370	\$ 14,426	\$ 13,892
Number of Portfolio Companies ⁽¹⁰⁾	347	352	355	354	352
Asset Class (at fair value):					
First Lien Senior Secured Loans ⁽¹¹⁾	45%	44%	48%	44%	45%
Second Lien Senior Secured Loans	28%	30%	28%	30%	32%
Senior Direct Lending Program ⁽¹²⁾	7%	6%	6%	6%	6%
Senior Subordinated Loans	7%	7%	6%	6%	4%
Preferred Equity	5%	5%	5%	5%	5%
Other Equity	8%	8%	7%	9%	8%
Interest Rate Type (at fair value)					
% Floating Rate ⁽¹³⁾	83%	84%	85%	84%	86%
% Fixed Rate	5%	5%	5%	5%	5%
% Equity and Other Non-Interest Earning	12%	11%	10%	11%	9%
Yields:					
Weighted Avg. Yield on Debt and Other Income Producing Securities at Amortized Cost ⁽⁴⁾	9.1%	8.9%	8.9%	9.6%	9.8%
Weighted Avg. Yield on Debt and Other Income Producing Securities at Fair Value ⁽⁴⁾	9.4%	9.3%	9.4%	9.7%	9.9%
Weighted Average Yield on Total Investments at Amortized Cost ⁽⁵⁾	7.8%	7.7%	7.9%	8.6%	8.8%
Weighted Average Yield on Total Investments at Fair Value ⁽⁵⁾	8.2%	8.3%	8.5%	8.7%	9.0%

Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	For the Three Months Ended					
	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19	
Commitments:						
Gross Commitments ⁽²⁾	\$ 706	\$ 867	\$ 1,272	\$ 1,608	\$ 2,409	
Exits of Commitments ⁽³⁾	(352)	(1,484)	(918)	(1,224)	(1,424)	
Net Commitments ⁽¹⁴⁾	\$ 354	\$ (617)	\$ 354	\$ 384	\$ 985	
Gross Commitments Information:						
Number of Transactions	24	22	37	43	50	
Weighted Average Commitment Term in Months	58	55	70	75	70	
Average Commitment in Period	\$ 29	\$ 39	\$ 34	\$ 37	\$ 48	
Fundings:						
Gross Fundings	\$ 632	\$ 953	\$ 1,760	\$ 1,540	\$ 2,098	
Net Fundings ⁽¹⁴⁾	\$ 151	\$ (702)	\$ 752	\$ 379	\$ 788	
Portfolio Turnover	0.03	0.07	0.07	0.08	0.10	

Quarterly Operating Results

(amounts in millions, except per share data)

Investment income	
Expenses, net of waiver of income based fees ⁽¹⁵⁾	
Net investment income before income taxes	
Income tax expense, including excise tax	
Net investment income	
Net realized and unrealized gains (losses)	
Net Income (Loss)	
Per Share:	
Core EPS - Basic and Diluted* ⁽¹⁾	
Net Income (Loss) - Basic and Diluted	
Dividends Declared and Payable**	

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

For the Three Months Ended

	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19
Investment income	\$ 352	\$ 350	\$ 369	\$ 386	\$ 387
Expenses, net of waiver of income based fees ⁽¹⁵⁾	182	180	132	193	170
Net investment income before income taxes	170	170	237	193	217
Income tax expense, including excise tax	4	5	3	3	5
Net investment income	166	165	234	190	212
Net realized and unrealized gains (losses)	275	112	(846)	14	(37)
Net Income (Loss)	\$ 441	\$ 277	\$ (612)	\$ 204	\$ 175
Per Share:					
Core EPS - Basic and Diluted* ⁽¹⁾	\$ 0.39	\$ 0.39	\$ 0.41	\$ 0.45	\$ 0.48
Net Income (Loss) - Basic and Diluted	\$ 1.04	\$ 0.65	\$ (1.42)	\$ 0.48	\$ 0.41
Dividends Declared and Payable**	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.42	\$ 0.42
Weighted average shares of common stock outstanding - Basic and Diluted	423	423	430	429	427
Common shares outstanding at end of period	423	423	423	431	427

(amounts in millions, except per share data)

Investment income	
Expenses, net of waiver of income based fees ⁽¹⁵⁾	
Net investment income before income taxes	
Income tax expense, including excise tax	
Net investment income	
Net realized and unrealized losses	
Net Income	
Per Share:	
Core EPS - Basic and Diluted* ⁽¹⁾	
Net Income - Basic and Diluted	
Dividends Declared and Payable**	

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

For the Nine Months Ended

	9/30/20	9/30/19
Investment income	\$ 1,071	\$ 1,142
Expenses, net of waiver of income based fees ⁽¹⁵⁾	494	508
Net investment income before income taxes	577	634
Income tax expense, including excise tax	12	13
Net investment income	565	621
Net realized and unrealized losses	(459)	(32)
Net Income	\$ 106	\$ 589
Per Share:		
Core EPS - Basic and Diluted* ⁽¹⁾	\$ 1.19	\$ 1.44
Net Income - Basic and Diluted	\$ 0.25	\$ 1.38
Dividends Declared and Payable**	\$ 1.20	\$ 1.26
Weighted average shares of common stock outstanding - Basic and Diluted	425	426
Common shares outstanding at end of period	423	427

* See page 23 hereof for reconciliations of basic and diluted Core EPS to GAAP net income (loss) per share, the most directly comparable GAAP financial measure.

** For each of the quarters ended December 31, 2019 and September 30, 2019, dividends declared and payable included additional dividends of \$0.02/share in each quarter. For the nine months ended September 30, 2019, dividends declared and payable included additional dividends of \$0.06/share.

Quarterly Operating Results Detail

(amounts in millions)

	For the Three Months Ended				
	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19
Net Investment Income Before Income Taxes:					
Investment Income:					
Interest income from investments	\$ 280	\$ 287	\$ 298	\$ 296	\$ 299
Capital structuring service fees	12	16	28	38	41
Dividend income	37	36	36	44	39
Other income	23	11	7	8	8
Total investment income	<u>352</u>	<u>350</u>	<u>369</u>	<u>386</u>	<u>387</u>
Expenses:					
Interest and credit facility fees	77	76	82	79	76
Base management fees	53	53	55	54	52
Income based fees*	42	41	44	48	49
Capital gains incentive fees**	—	—	(58)	3	(8)
Administrative fees	3	3	4	3	4
Other general and administrative	7	7	5	6	7
Total operating expenses	<u>182</u>	<u>180</u>	<u>132</u>	<u>193</u>	<u>180</u>
Waiver of income based fees ⁽¹⁵⁾	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10)</u>
Total expenses, net of waiver of income based fees ⁽¹⁵⁾	<u>182</u>	<u>180</u>	<u>132</u>	<u>193</u>	<u>170</u>
Net investment income before income taxes	<u>170</u>	<u>170</u>	<u>237</u>	<u>193</u>	<u>217</u>
Income tax expense, including excise tax	4	5	3	3	5
Net investment income	<u>\$ 166</u>	<u>\$ 165</u>	<u>\$ 234</u>	<u>\$ 190</u>	<u>\$ 212</u>

* Pursuant to the terms under the Investment Advisory and Management Agreement, payment of \$83 million of the income based fees earned by our investment adviser during the nine months ended September 30, 2020 has been deferred.

** Accrued in accordance with GAAP. As of September 30, 2020, Ares Capital had no incentive fees payable related to capital gains under GAAP. The actual amount of any capital gains incentive fee due under the Investment Advisory and Management Agreement is only determined annually at the end of each calendar year and may be different from the amount accrued under GAAP. No capital gains incentive fee were actually payable under Ares Capital's investment advisory and management agreement with its investment adviser, Ares Capital Management (the "Investment Advisory and Management Agreement") for any periods presented.

Quarterly Gain/Loss Detail

(amounts in millions)

	For the Three Months Ended				
	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19
Net Realized and Unrealized Gains (Losses):					
Realized gains (losses) on investments:					
Gains	\$ 9	\$ 33	\$ 47	\$ 21	\$ 25
Losses	(32)	(23)	(12)	(99)	(99)
Net realized gains (losses) on investments	(23)	10	35	(78)	(74)
Unrealized gains (losses) on investments:					
Unrealized appreciation	375	311	37	129	82
Unrealized depreciation	(104)	(237)	(912)	(129)	(139)
Net unrealized gains (losses) on investments	271	74	(875)	—	(57)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses on investments	35	33	(14)	100	81
Total net unrealized gains (losses) on investments	306	107	(889)	100	24
Net realized and unrealized gains (losses) on foreign currency and other transactions	(8)	(5)	8	(8)	13
Net realized and unrealized gains (losses)	\$ 275	\$ 112	\$ (846)	\$ 14	\$ (37)

Quarterly Balance Sheets

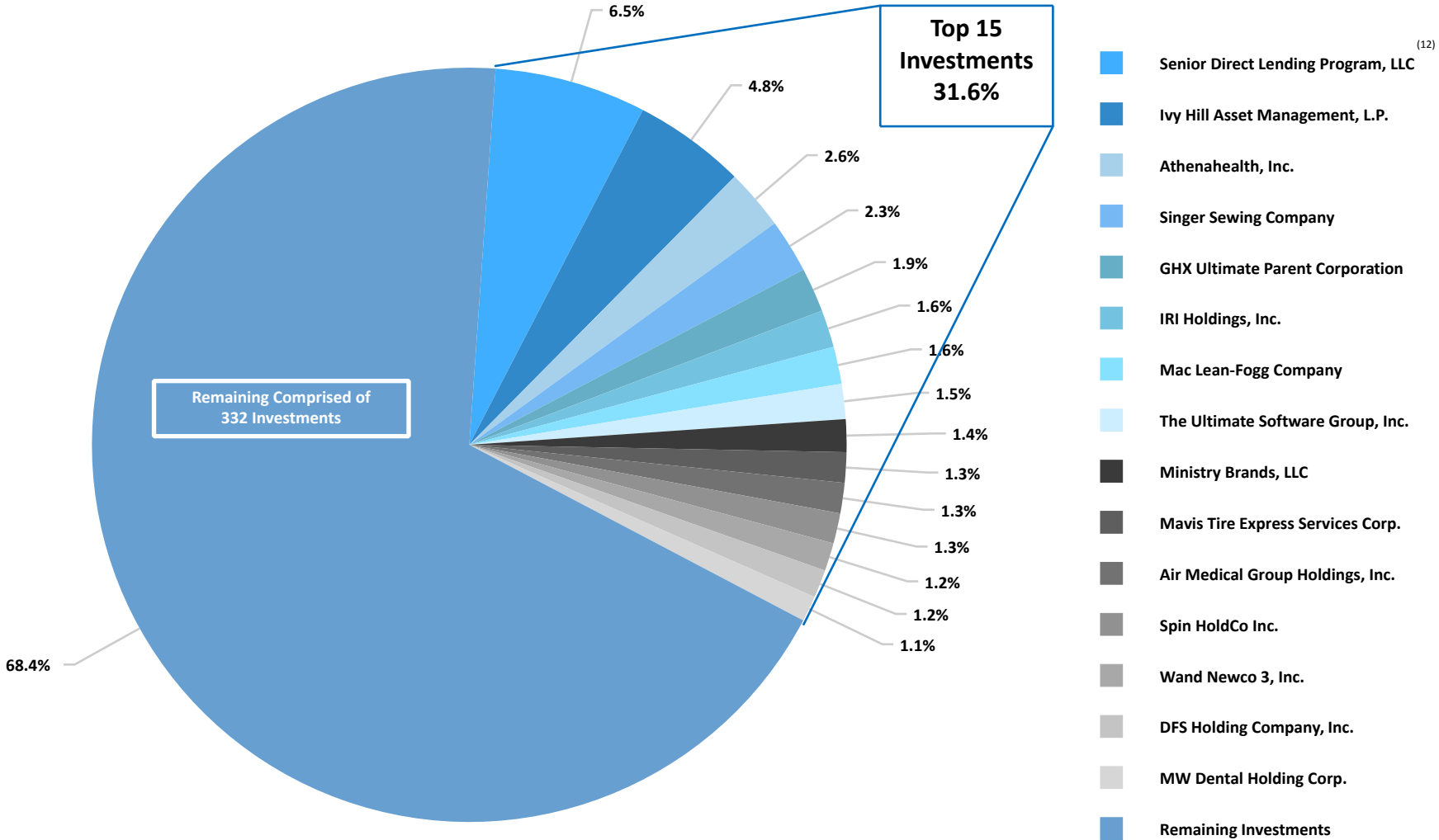
(amounts in millions, except per share data)

	As of				
	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19
ASSETS					
Investments at fair value	\$ 14,358	\$ 13,842	\$ 14,370	\$ 14,426	\$ 13,892
Cash and cash equivalents	233	278	460	167	179
Restricted cash	43	23	655	9	74
Interest receivable	124	116	111	117	121
Other assets	95	101	93	78	89
Operating lease right-of-use asset	85	90	94	94	99
Receivable from participants	—	61	—	—	—
Receivable for open trades	12	6	23	14	4
Total assets	\$ 14,950	\$ 14,517	\$ 15,806	\$ 14,905	\$ 14,458
LIABILITIES					
Debt	\$ 7,550	\$ 7,398	\$ 8,179	\$ 6,971	\$ 6,598
Payable to participants	43	23	655	9	74
Base management fees payable	53	53	55	54	52
Income based fees payable*	83	41	44	48	39
Capital gains incentive fees payable**	—	—	—	58	55
Interest and facility fees payable	48	63	38	54	44
Accounts payable and other liabilities	101	114	122	90	95
Payable for open trades	1	21	11	33	—
Operating lease liabilities	108	113	119	121	128
Total liabilities	7,987	7,826	9,223	7,438	7,085
STOCKHOLDERS' EQUITY					
Common stock	—	—	—	—	—
Capital in excess of par value	7,660	7,660	7,660	7,760	7,194
Accumulated undistributed (overdistributed) earnings	(697)	(969)	(1,077)	(293)	179
Total stockholders' equity	6,963	6,691	6,583	7,467	7,373
Total liabilities and stockholders' equity	\$ 14,950	\$ 14,517	\$ 15,806	\$ 14,905	\$ 14,458
NET ASSETS PER SHARE	\$ 16.48	\$ 15.83	\$ 15.58	\$ 17.32	\$ 17.26

* Pursuant to the terms under the Ares Capital's Investment Advisory and Management Agreement, payment of the income based fees payable of \$83 million at September 30, 2020 has been deferred.

** Accrued in accordance with GAAP. No capital gains incentive fees were actually payable under the Ares Capital's Investment Advisory and Management Agreement for any periods presented.

Investment Portfolio by Issuer as of September 30, 2020*



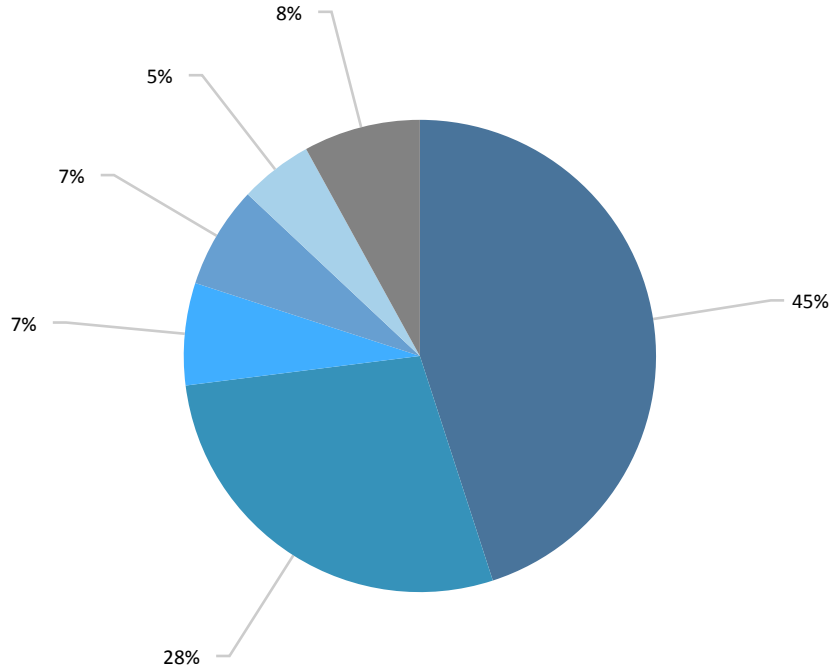
Diversified \$14.4 billion portfolio with 347 investments

* At fair value.



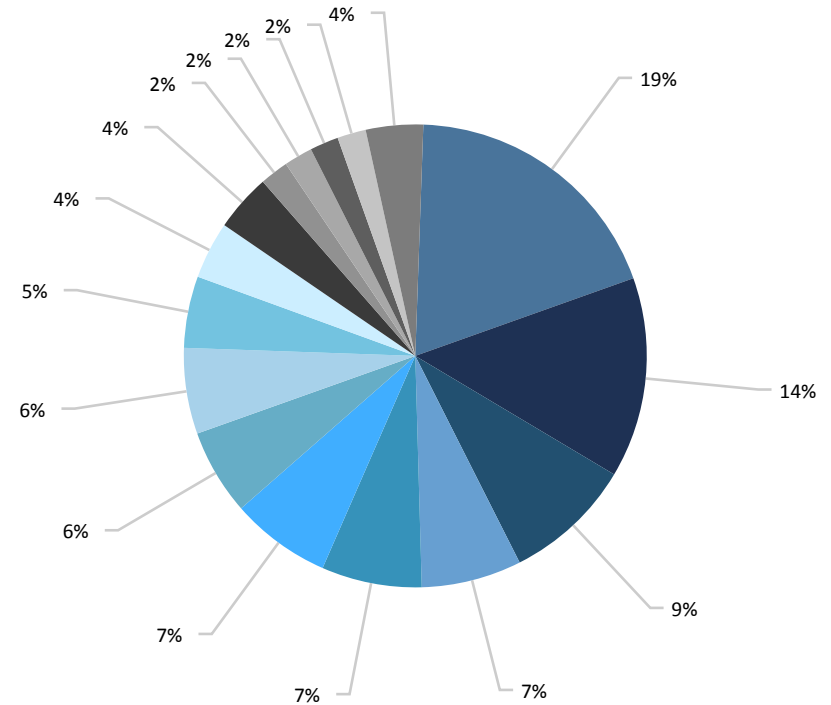
Investment Portfolio as of September 30, 2020*

Asset Class



- First Lien Senior Secured Loans⁽¹¹⁾
- Second Lien Senior Secured Loans
- Senior Direct Lending Program⁽¹²⁾
- Senior Subordinated Loans
- Preferred Equity
- Other Equity

Industry

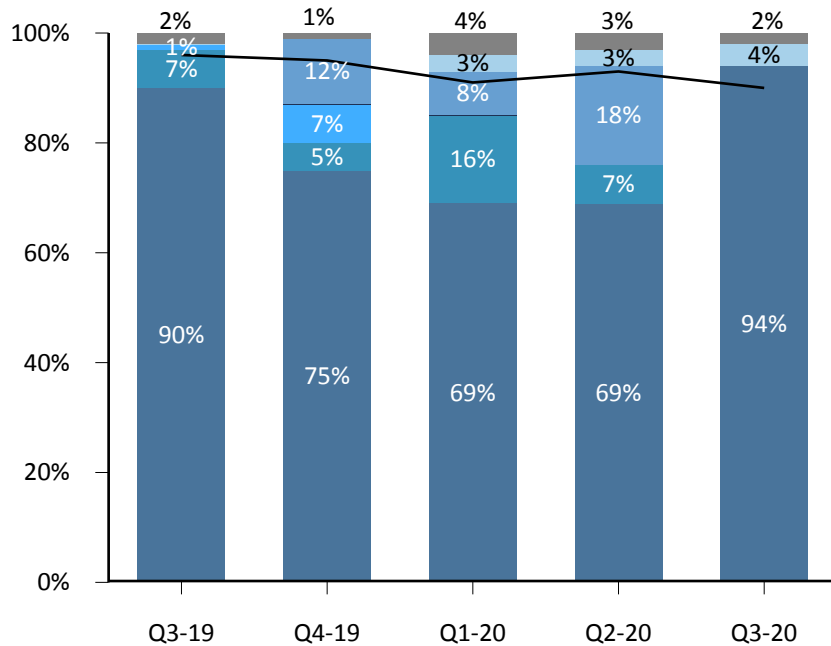


- Health Care Services
- Software & Services
- Commercial & Professional Services
- Diversified Financials
- Power Generation
- Senior Direct Lending Program⁽¹²⁾
- Consumer Services
- Consumer Durables & Apparel
- Automobiles & Components
- Capital Goods
- Insurance Services
- Food & Beverage
- Energy
- Retailing & Distribution
- Materials
- Other

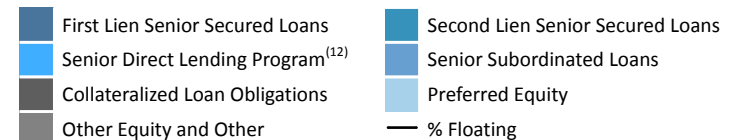
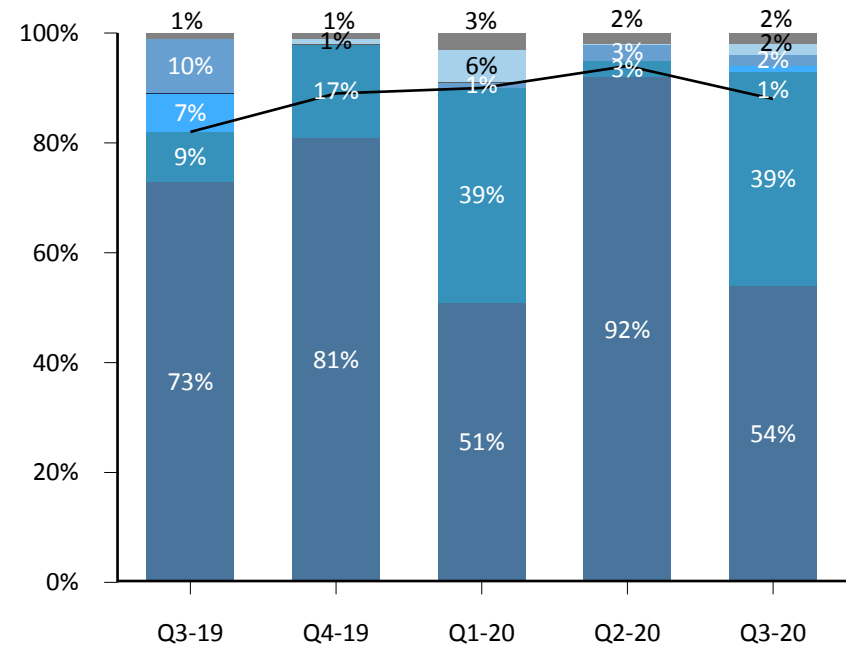
* At fair value.

Portfolio Activity

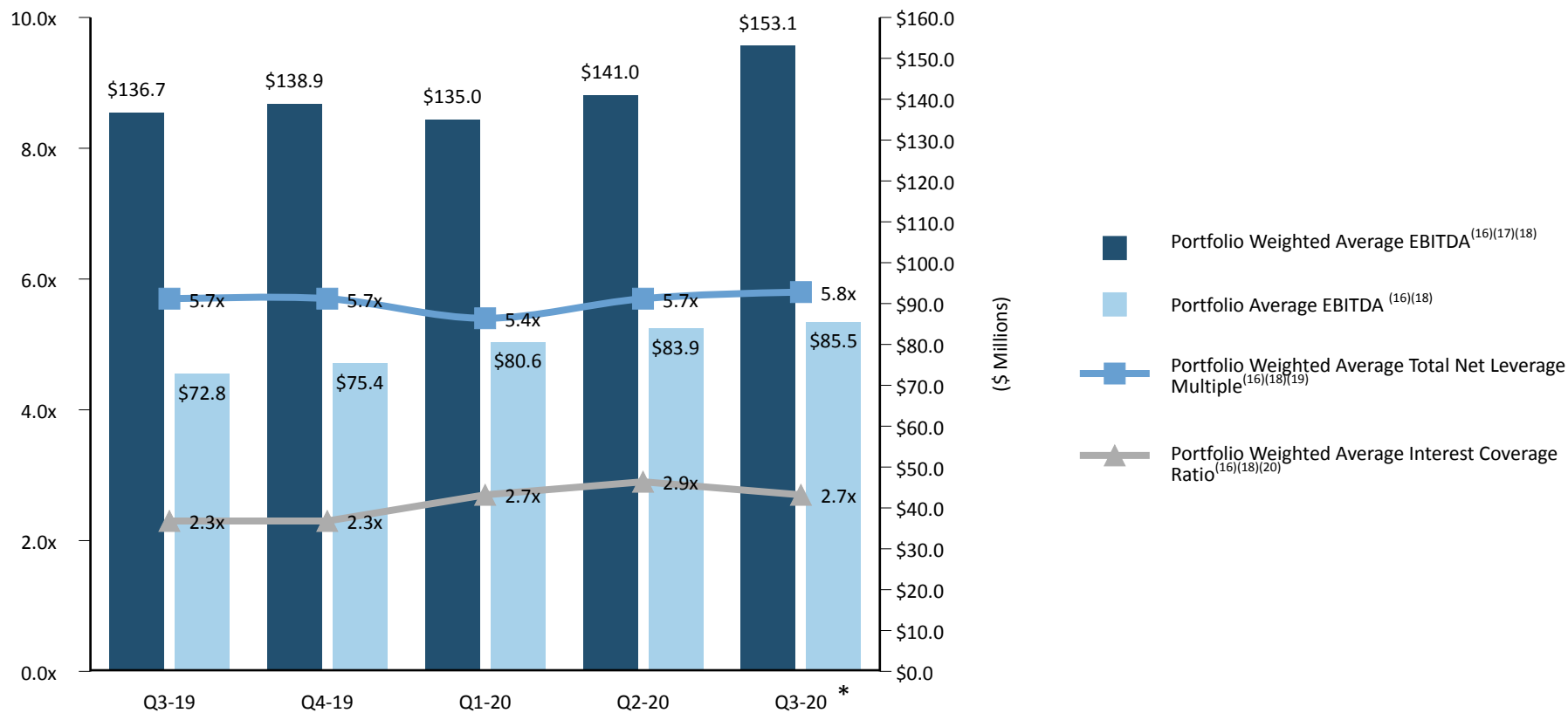
Gross Commitments by Asset Class



Exits of Commitments by Asset Class



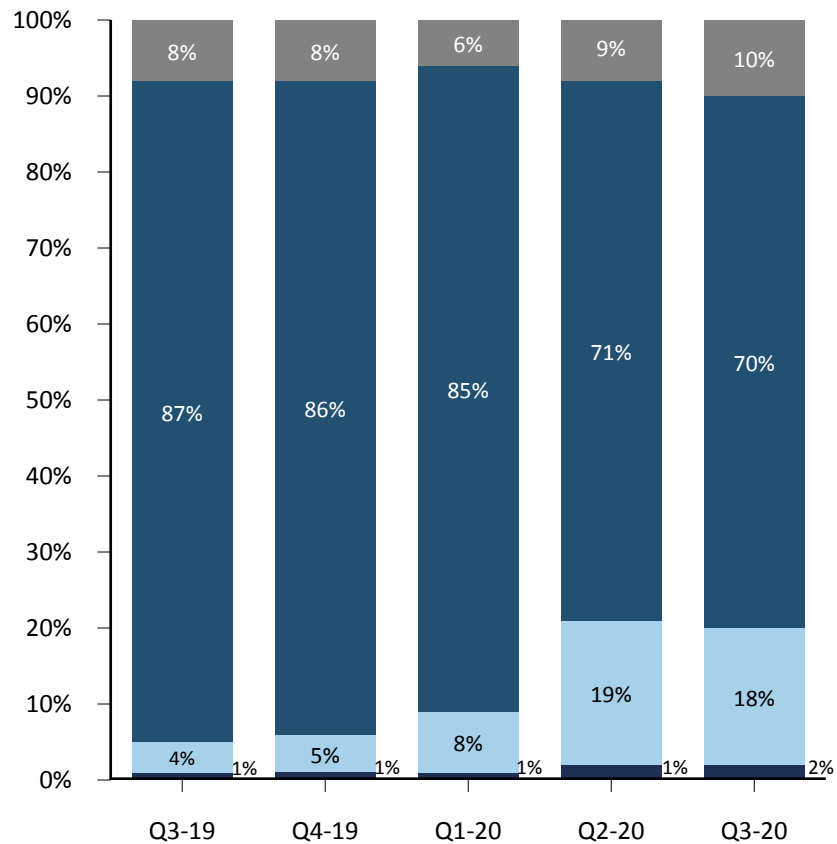
Portfolio Company EBITDA and Credit Statistics



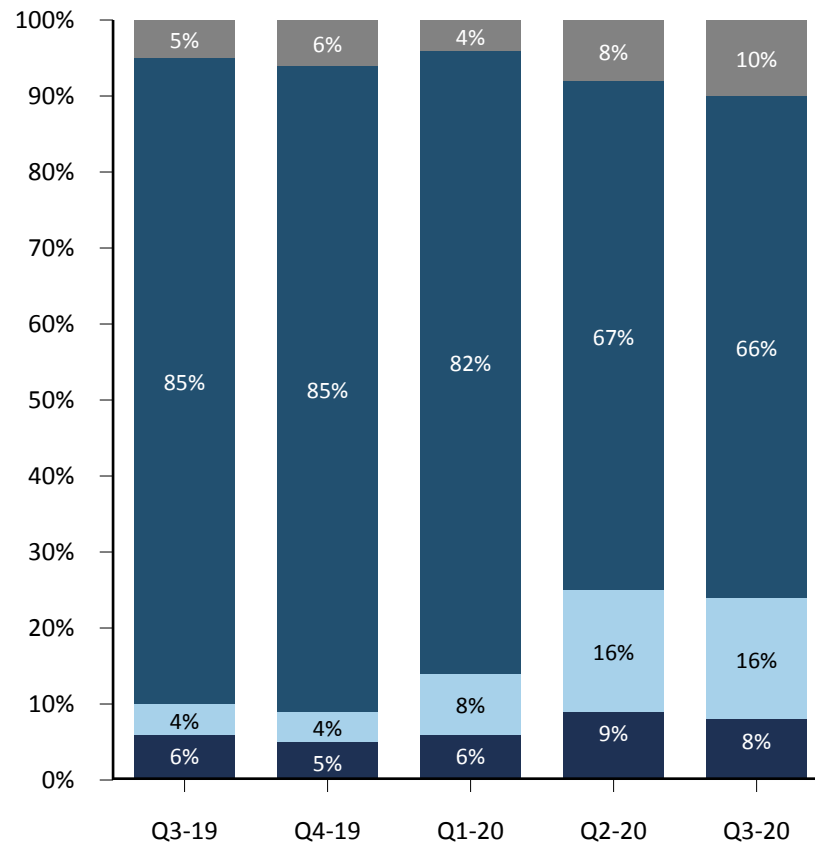
* For the portfolio companies included in the portfolio weighted average EBITDA data above (subject to additional exclusions described in the following sentence), the weighted average EBITDA growth rate as of Q3-20 was approximately 2% on a comparable basis for the most recently reported LTM period versus prior year LTM period. In addition to those portfolio companies excluded as noted, this calculation excludes 15 companies where prior year comparable data was not available.⁽²¹⁾

Portfolio By Grade⁽²²⁾

% By Fair Value



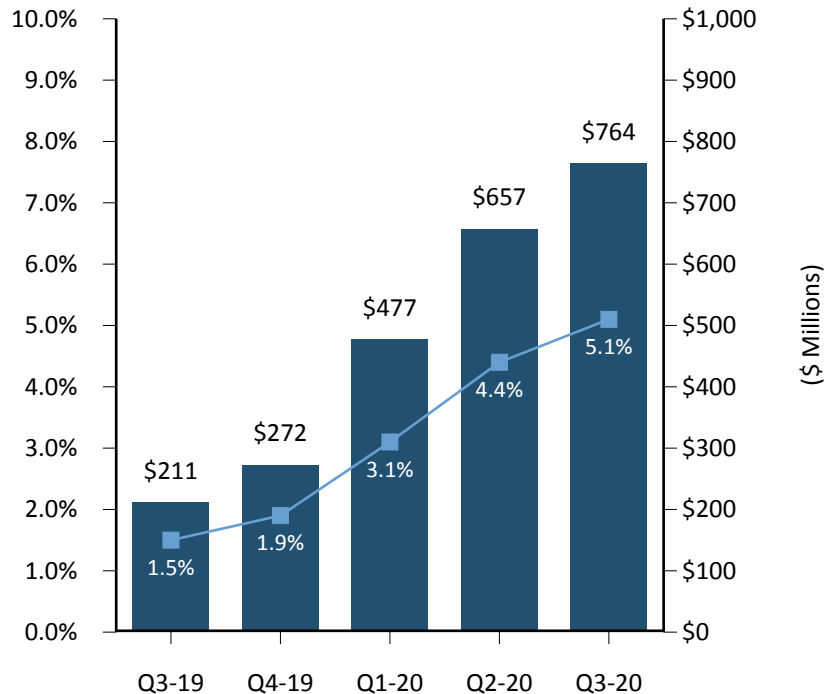
% By Number of Companies



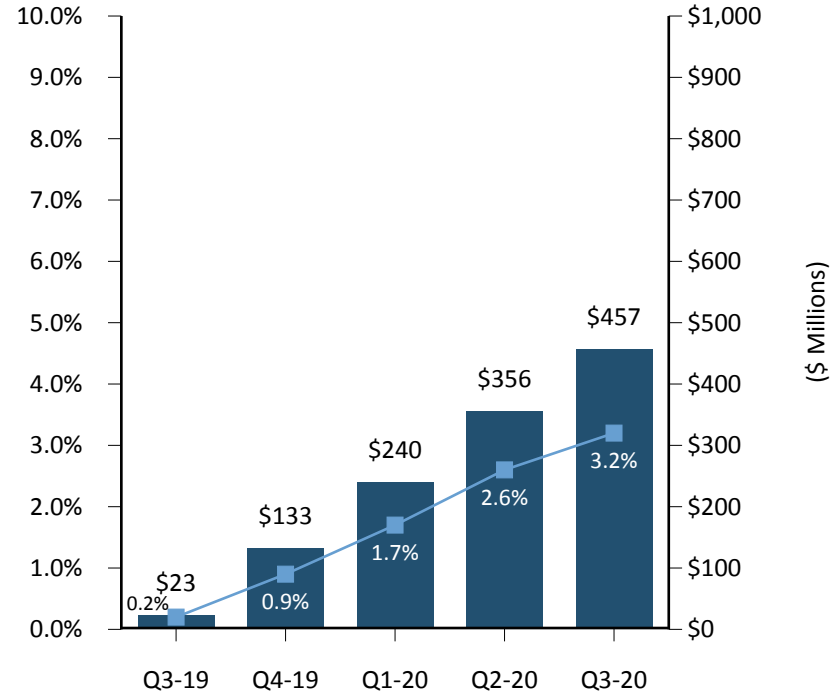
Grade 1
 Grade 2
 Grade 3
 Grade 4

Loans on Non-Accrual Status

Amortized Cost



Fair Value



Investments on Non-Accrual Status

Percentage of Total Investment Portfolio

Investment Activity from October 1, 2020 through October 21, 2020

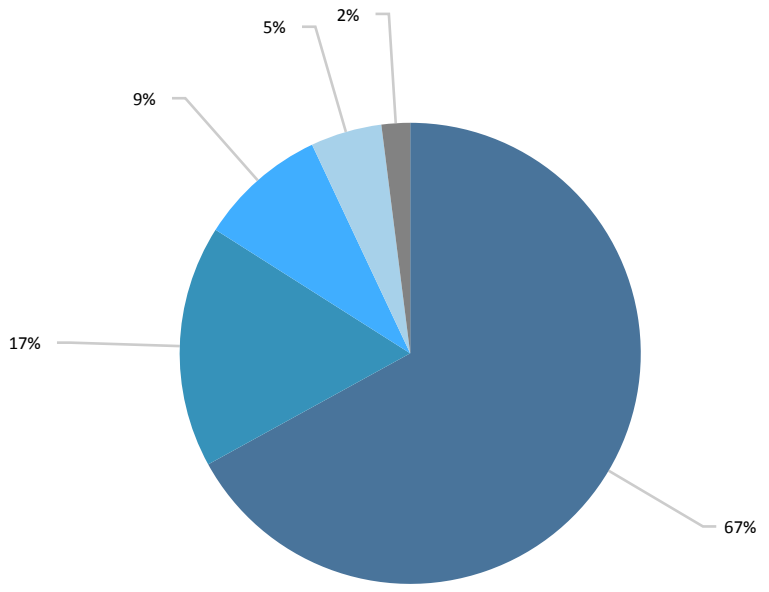
- Ares Capital made approximately \$419 million of new investment commitments
 - 51% were in first lien senior secured loans, 47% were in second lien senior secured loans, 1% were in preferred equity securities and 1% were in other equity securities
 - 98% were floating rate, 1% were fixed rate and 1% were non-income producing
 - Weighted average yield of debt and other income producing securities funded at amortized cost of 8.7%

- Ares Capital exited approximately \$326 million of investment commitments
 - 61% were first lien senior secured loans, 22% were second lien senior secured loans, 9% were senior subordinated loans and 8% were other equity securities
 - 54% were floating rate, 38% were on non-accrual and 8% were non-income producing
 - Weighted average yield of debt and other income producing securities exited or repaid at amortized cost was 7.7%
 - Weighted average yield on total investments exited or repaid during the period at amortized cost was 4.3%
 - Total net realized losses of approximately \$83 million

Backlog and Pipeline

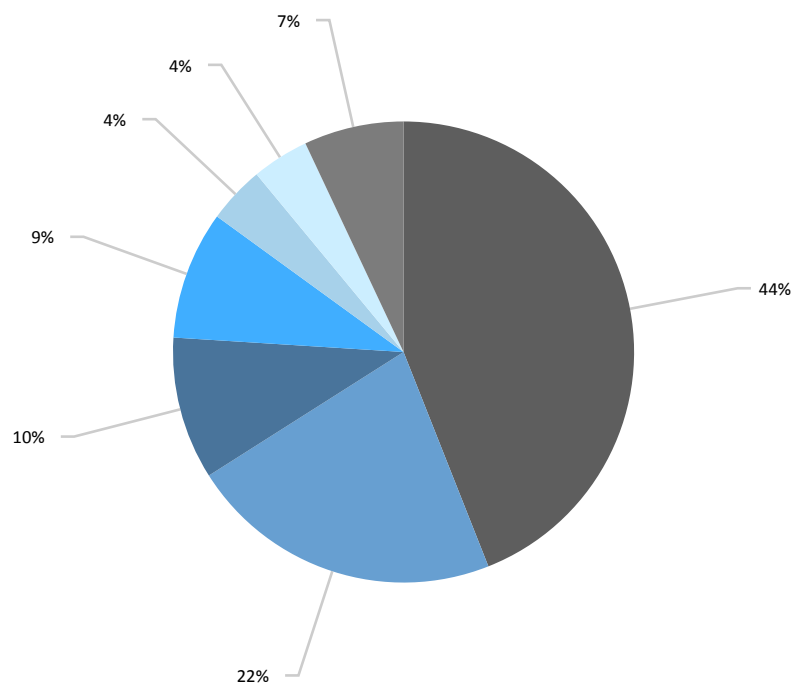
- As of October 21, 2020, Ares Capital had a backlog and pipeline of approximately \$1.5 billion and \$75 million, respectively⁽²³⁾
- The following is a breakdown of the backlog and pipeline by asset class and by industry

Asset Class



- First Lien Senior Secured Loans⁽¹¹⁾
- Second Lien Senior Secured Loans
- Senior Direct Lending Program⁽¹²⁾
- Preferred Equity
- Other Equity

Industry



- Commercial & Professional Services
- Software & Services
- Power Generation
- Senior Direct Lending Program⁽¹²⁾
- Insurance Services
- Retailing & Distribution
- Other



Debt Summary

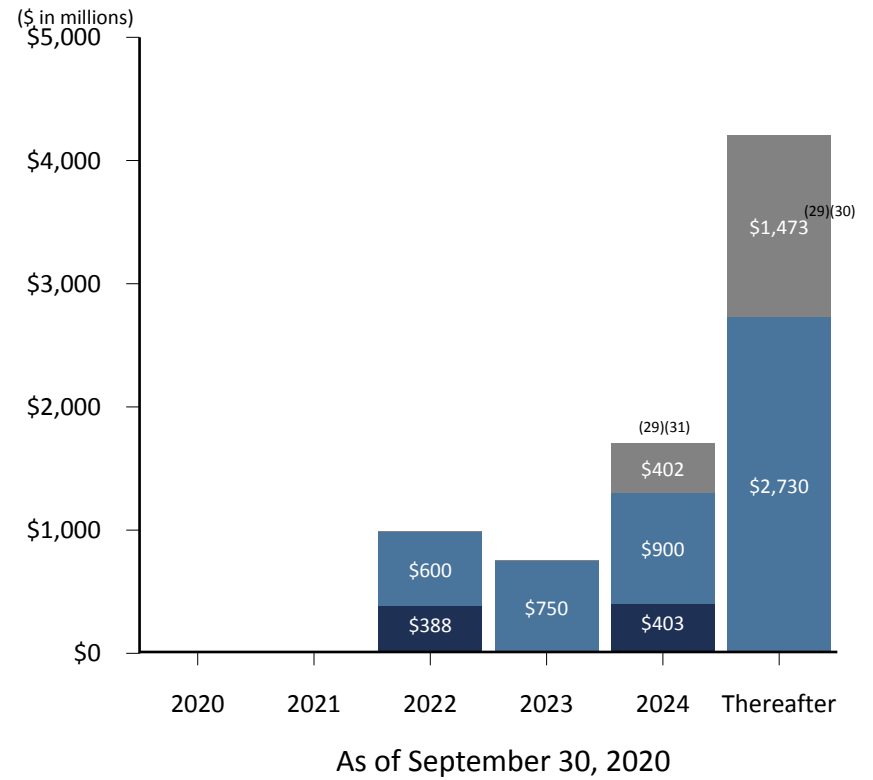
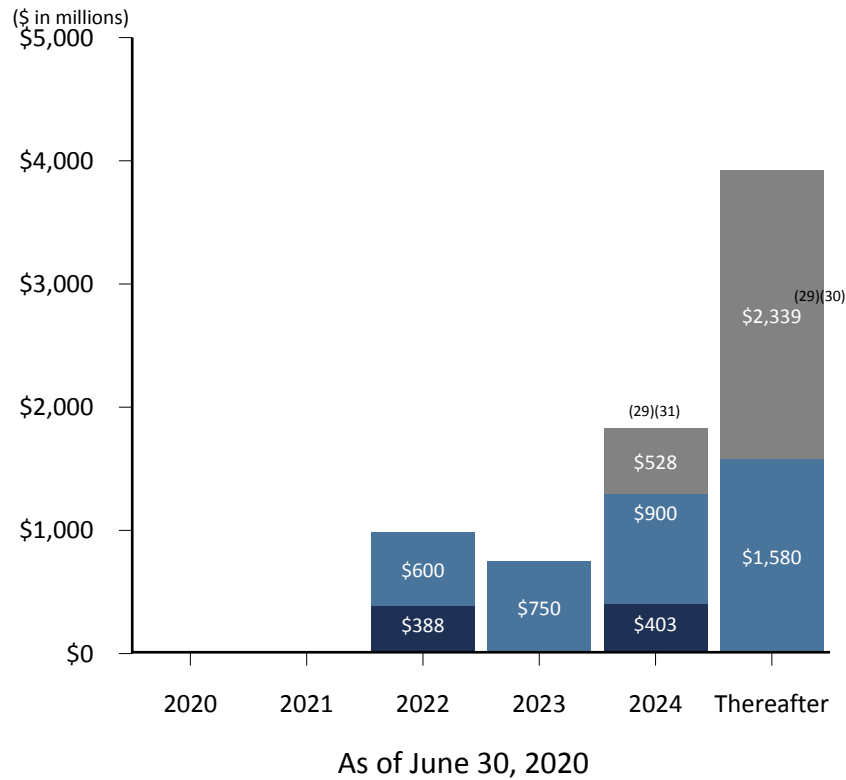
(dollar amounts in millions)	As of 6/30/20			As of 9/30/20			Weighted Average Stated Interest Rate ⁽²⁸⁾	Interest Rate	Maturity Date
	Aggregate Principal Amount Committed/Outstanding ⁽²⁵⁾	Principal Amount Outstanding	Carrying Value of Outstanding Debt	Aggregate Principal Amount Committed/Outstanding ⁽²⁵⁾	Principal Amount Outstanding	Carrying Value of Outstanding Debt			
Secured Revolving Facilities⁽²⁴⁾:									
Revolving Credit Facility	\$ 3,617	\$ 1,651	\$ 1,651	\$ 3,617	\$ 849	\$ 849	2.038%	LIBOR + 1.875% ⁽²⁹⁾	March 2025 ⁽²⁹⁾
Revolving Funding Facility	1,525	763	763	1,525	663	663	2.154%	LIBOR + 2.00% ⁽³⁰⁾	January 2025 ⁽³⁰⁾
SMBC Funding Facility	725	453	453	725	363	363	1.902%	LIBOR + 1.75% ⁽³¹⁾	September 2024 ⁽³¹⁾
BNP Funding Facility	300	—	—	300	—	—	—	LIBOR + 2.75% ⁽³²⁾	June 2025 ⁽³²⁾
Subtotal	6,167	2,867	2,867	6,167	1,875	1,875	2.427%		
Unsecured Notes Payable:									
2022 Notes	600	600	597 ⁽²⁶⁾	600	600	598 ⁽²⁶⁾	3.625%		January 2022
2022 Convertible Notes	388	388	380 ⁽²⁶⁾	388	388	381 ⁽²⁶⁾	3.750%		February 2022
2023 Notes	750	750	746 ⁽²⁶⁾	750	750	747 ⁽²⁶⁾	3.500%		February 2023
2024 Convertible Notes	403	403	391 ⁽²⁶⁾	403	403	391 ⁽²⁶⁾	4.625%		March 2024
2024 Notes	900	900	896 ⁽²⁶⁾	900	900	896 ⁽²⁶⁾	4.200%		June 2024
March 2025 Notes	600	600	595 ⁽²⁶⁾	600	600	595 ⁽²⁶⁾	4.250%		March 2025
July 2025 Notes	750	750	741 ⁽²⁶⁾	750	750	741 ⁽²⁶⁾	3.250%		July 2025
2026 Notes	—	—	—	1,150	1,150	1,141 ⁽²⁶⁾	3.875%		January 2026
2047 Notes	230	230	185 ⁽²⁷⁾	230	230	185 ⁽²⁷⁾	6.875%		April 2047
Subtotal	4,621	4,621	4,531	5,771	5,771	5,675	3.972%		
Total Debt	\$ 10,788	\$ 7,488	\$ 7,398	\$ 11,938	\$ 7,646	\$ 7,550	3.593%		

Floating and Fixed rate debt as of September 30, 2020			
Debt (dollar amounts in millions)	Principal Amount Outstanding	Weighted Average Stated Interest Rate ⁽²⁸⁾	Weighted Average Remaining Maturity* (in years)
Floating	\$ 1,481	2.06%	4.23
Fixed ⁽²⁹⁾	6,165	3.97%	4.54
Total	\$ 7,646	3.59%	4.49

*Represents the weighted average remaining maturity of outstanding debt as of September 30, 2020.

Debt Summary

Debt Maturities*



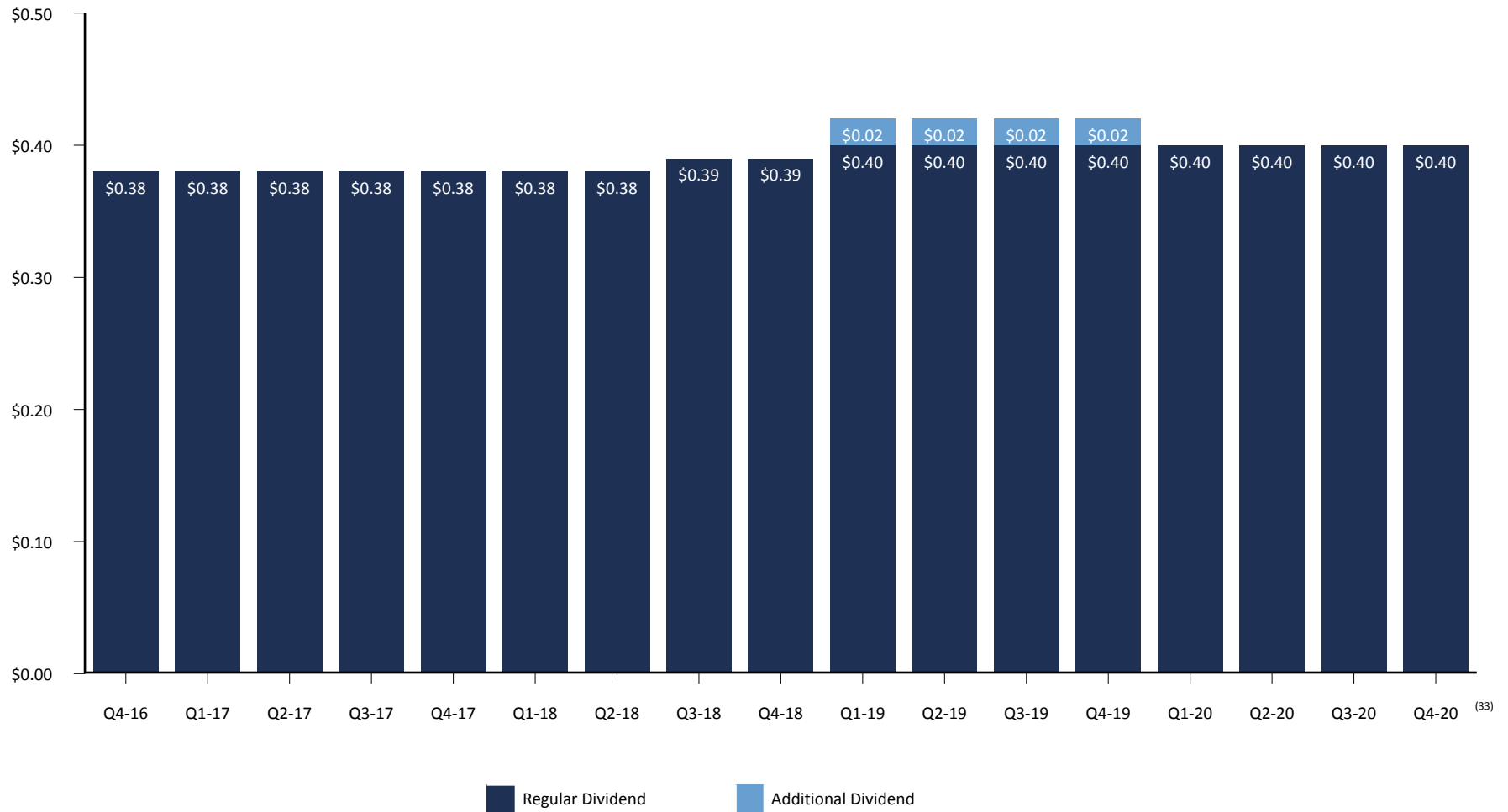
■ Convertible Unsecured Notes

■ Other Unsecured Notes

■ Secured Revolving Facilities

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

Quarterly Dividends



➤ ARCC carried forward excess taxable income of approximately \$410 million or \$0.96 per share from 2019 for distribution to stockholders in 2020.

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

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Co-Chairman of Ares Capital Corporation
Co-Founder and Partner of Ares
Co-Chairman of Ares Private Equity Group

ERIC SIEGEL
Retired Partner of Apollo Advisors, L.P.

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

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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

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Reconciliations of Core EPS

The following are reconciliations of basic and diluted net income (loss) per share computed in accordance with GAAP to basic and diluted core earnings per share:

	For the Three Months Ended				
	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19
Basic and Diluted Core EPS ⁽¹⁾	\$ 0.39	\$ 0.39	\$ 0.41	\$ 0.45	\$ 0.48
Net realized and unrealized gains (losses)	0.65	0.26	(1.96)	0.04	(0.09)
Capital gains incentive fees attributable to net realized and unrealized gains and losses	—	—	0.13	(0.01)	0.02
Income tax expense related to net realized gains and losses	—	—	—	—	—
Basic and Diluted GAAP net income (loss) per share	<u>\$ 1.04</u>	<u>\$ 0.65</u>	<u>\$ (1.42)</u>	<u>\$ 0.48</u>	<u>\$ 0.41</u>

	For the Nine Months Ended	
	9/30/20	9/30/19
Basic and Diluted Core EPS ⁽¹⁾	\$ 1.19	\$ 1.44
Net realized and unrealized losses	(1.08)	(0.08)
Capital gains incentive fees attributable to net realized and unrealized gains and losses	0.14	0.02
Income tax expense related to net realized gains and losses	—	—
Basic and Diluted GAAP net income per share	<u>\$ 0.25</u>	<u>\$ 1.38</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 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 net income (loss) per share 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.
- 2) Includes investment commitments to Ivy Hill Asset Management, L.P. ("IHAM"), a wholly-owned portfolio company of Ares Capital, or vehicles managed by IHAM. Q2-20 includes investment commitments to IHAM or vehicles managed by IHAM of \$175 million.
- 3) Includes sales to IHAM or vehicles managed by IHAM. Q3-20, Q2-20, Q1-20, Q4-19 and Q3-19 include sales of loans to IHAM or vehicles managed by IHAM of \$19 million, \$747 million, \$32 million, \$265 million and \$109 million, respectively.
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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 1.875%, or an all-in rate of 3.939%.
- 8) 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.
- 9) Excludes realized and unrealized gains (losses) and incentive fees attributable to net realized and unrealized gains (losses).
- 10) Includes portfolio companies for which there are outstanding commitments, but for which no amounts were funded at the end of the period.
- 11) 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 September 30, 2020, the total amortized cost and fair value of loans that Ares Capital classified as "unitranche" loans were \$2,165 million and \$2,053 million, respectively.
- 12) 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 September 30, 2020, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$3.9 billion in aggregate principal amount and had loans to 22 different borrowers. As of September 30, 2020, the SDLP's largest loan to a single borrower was \$346 million in aggregate principal amount and the five largest loans to borrowers totaled \$1.5 billion in aggregate principal amount. As of September 30, 2020, the total principal amount of loans in the SDLP portfolio that the SDLP classified as "unitranche" loans was \$3.7 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 quarterly report on Form 10-Q for the quarter ended September 30, 2020 for information regarding the SDLP.

Endnotes (cont'd)

- 13) As of September 30, 2020, excluding Ares Capital's investment in the subordinated certificates of the SDLP, 84% of the floating rate investments at fair value contained interest rate floor features.
- 14) Represents gross commitments or fundings less commitments or investments exited, respectively.
- 15) In connection with the acquisition of American Capital, Ltd., 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.
- 16) 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) portfolio companies with negative or de minimis EBITDA, (iv) investment funds/vehicles, (v) discrete projects in the project finance/power generation sector, (vi) certain oil and gas companies, (vii) venture capital backed companies and (viii) commercial real estate finance companies. The portfolio weighted average EBITDA for the underlying borrowers in the SDLP was \$51.1 million, \$53.4 million, \$55.3 million, \$58.1 million and \$56.5 million as of 9/30/19, 12/31/19, 3/31/20, 6/30/20 and 9/30/20, respectively. The portfolio average EBITDA for the underlying borrowers in the SDLP was \$44.0 million, \$45.4 million, \$46.4 million, \$47.1 million and \$45.1 million as of 9/30/19, 12/31/19, 3/31/20, 6/30/20 and 9/30/20, respectively.
- 17) 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.
- 18) 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.
- 19) 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 6.0x, 6.1x, 5.8x, 5.9x and 6.6x as of 9/30/19, 12/31/19, 3/31/20, 6/30/20 and 9/30/20, respectively. Weighted average total net leverage multiples are weighted based on the fair value of the portfolio company investments. 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.
- 20) Portfolio weighted average interest coverage ratio represents the portfolio company's EBITDA as a multiple of cash interest expense. The weighted average interest coverage ratio for the underlying borrowers in the SDLP was 2.1x, 2.1x, 2.2x, 2.4x and 2.5x as of 9/30/19, 12/31/19, 3/31/20, 6/30/20 and 9/30/20, respectively. Weighted average interest coverage ratios are weighted based on the fair value of the portfolio company investments. 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.
- 21) 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)

- 22) 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 3 involve a level of risk to our initial cost basis that is similar to the risk to our initial cost basis at the time of origination or acquisition. This portfolio company is generally performing as expected and the risk factors to our ability to ultimately recoup the cost of our investment are neutral to favorable. Investments with a grade of 2 indicate that the risk to our ability to recoup the initial cost basis of such investment has increased materially since origination or acquisition, including as a result of factors such as declining performance and non-compliance with debt covenants; however, payments are generally not more than 120 days past due. 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.
- 23) 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.
- 24) 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.
- 25) Subject to borrowing base and other restrictions. Represents total aggregate amount committed or outstanding, as applicable, under such instrument.
- 26) Represents the aggregate principal amount of the notes outstanding adjusted for the unaccreted discount or premium initially recorded at the time of issuance.
- 27) Represents the aggregate principal amount of the notes outstanding less the unaccreted purchased discount initially recorded at the time of acquisition.
- 28) Effective stated rate as of September 30, 2020.
- 29) 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 September 30, 2020, the interest rate in effect was LIBOR plus 1.875%. The Revolving Credit Facility consists of a \$740 million term loan tranche and a \$2,877 million revolving tranche. For \$699 million of the term loan tranche, the stated maturity date is March 30, 2025. For the remaining \$41 million of the term loan tranche, the stated maturity date is March 30, 2024. For \$2,753 million of the revolving tranche, the end of the revolving period and the stated maturity date are March 30, 2024 and March 30, 2025, respectively. For the remaining \$124 million of 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 the respective revolving periods and prior to the respective stated maturity dates, Ares Capital is required to repay the relevant 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 respective 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 7 for additional information on the interest rate swap agreement.

Endnotes (cont'd)

- 30) 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 September 30, 2020, the interest rate in effect was LIBOR plus 2.00%. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are January 31, 2023 and January 31, 2025, respectively. Subsequent to the end of this reinvestment period and prior to the stated maturity date of January 31, 2025, 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.
- 31) The interest rate charged on the SMBC Funding Facility is based on an applicable spread of either 1.75% or 2.00% per annum over LIBOR or 0.75% or 1.00% per annum 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 September 30, 2020, 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.
- 32) The interest rate charged on the BNP Funding Facility is based on LIBOR (subject to a floor of 0.45%), or over a "base rate" (as defined in the agreements governing the BNP Funding Facility) plus a margin that generally ranges between 2.65% and 3.15% (depending on the types of assets such advances relate to), with a weighted average margin floor for all classes of advances of (i) 2.75% during the reinvestment period and (ii) 3.25% following the reinvestment period. The end of the reinvestment period and the stated maturity date for the BNP Funding Facility are June 11, 2023 and June 11, 2025, respectively. Subsequent to the end of this reinvestment period and prior to the stated maturity date of June 11, 2025, any principal proceeds from sales and repayments of loan assets held by our consolidated subsidiary, ARCC FB Funding LLC will be used to repay the aggregate principal amount outstanding.
- 33) Declared. The fourth quarter 2020 dividend of \$0.40 per share to be paid on December 30, 2020 to stockholders of record on December 15, 2020.