



**Third Quarter 2019**  
Earnings Presentation

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# Financial and Portfolio Highlights

## Financial Highlights

	Q3-19	Q2-19	Q3-18
(all per share amounts, excluding net asset value per share, are basic and diluted)			
Core EPS* <sup>(1)</sup>	\$ 0.48	\$ 0.49	\$ 0.45
Net Investment Income Per Share	\$ 0.50	\$ 0.49	\$ 0.44
Net Realized Gains (Losses) Per Share	\$ (0.15)	\$ 0.05	\$ 0.87
Net Unrealized Gains (Losses) Per Share	\$ 0.06	\$ (0.07)	\$ (0.82)
GAAP Net Income Per Share	\$ 0.41	\$ 0.47	\$ 0.49
Net Asset Value Per Share	\$ 17.26	\$ 17.27	\$ 17.16

## Portfolio Highlights

	Q3-19	Q2-19	Q3-18
(dollar amounts in millions)			
Gross Commitments	\$ 2,409	\$ 1,307	\$ 1,924
Exits of Commitments <sup>(2)</sup>	\$ 1,424	\$ 1,348	\$ 1,914
Total Fair Value of Investments	\$ 13,892	\$ 12,992	\$ 11,220
Weighted Average Yield of Debt & Other Income Producing Securities at Amortized Cost <sup>(3)</sup>	9.8%	10.4%	10.3%
Weighted Average Yield on Total Investments at Amortized Cost <sup>(4)</sup>	8.8%	9.2%	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				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
Core EPS – Basic and Diluted <sup>(1)</sup>	\$ 0.48	\$ 0.49	\$ 0.48	\$ 0.45	\$ 0.45
Net Investment Income Per Share – Basic and Diluted	\$ 0.50	\$ 0.49	\$ 0.47	\$ 0.48	\$ 0.44
Net Realized and Unrealized Gains (Losses) Per Share – Basic and Diluted	\$ (0.09)	\$ (0.02)	\$ 0.03	\$ (0.12)	\$ 0.05
GAAP EPS – Basic and Diluted	\$ 0.41	\$ 0.47	\$ 0.50	\$ 0.36	\$ 0.49
Dividend Declared and Payable Per Share	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.39	\$ 0.39
Additional Dividend Declared and Payable Per Share	\$ 0.02	\$ 0.02	\$ 0.02	\$ —	\$ —
Stockholders' Equity	\$ 7,373	\$ 7,368	\$ 7,339	\$ 7,300	\$ 7,313
Net Asset Value Per Share	\$ 17.26	\$ 17.27	\$ 17.21	\$ 17.12	\$ 17.16
Debt/Equity Ratio **	.91x	.83x	.86x	.73x	.63x
Debt/Equity Ratio, Net of Available Cash <sup>(5)</sup>	.89x	.77x	.79x	.69x	.54x
Unsecured Debt to Total Debt	66.8%	68.9%	56.7%	65.5%	91.1%
Weighted Average Stated Interest on Debt <sup>(6)</sup>	4.0%	4.1%	4.1%	4.1%	4.2%
Net Interest and Dividend Margin <sup>(7)</sup>	7.7%	7.8%	7.6%	7.5%	7.5%
Ratio of Earnings to Fixed Charges <sup>(8)</sup>	3.8	4.1	4.1	4.2	4.3
Market Capitalization					
Principal Debt	\$ 6,691	\$ 6,124	\$ 6,293	\$ 5,297	\$ 4,632
Equity	7,963	7,655	7,307	6,642	7,328
Total Market Capitalization	<u>\$ 14,654</u>	<u>\$ 13,779</u>	<u>\$ 13,600</u>	<u>\$ 11,939</u>	<u>\$ 11,960</u>
Common Stock Data:					
High Price during the period	\$ 19.19	\$ 18.12	\$ 17.48	\$ 17.58	\$ 17.51
Low Price during the period	\$ 17.99	\$ 17.22	\$ 15.28	\$ 14.71	\$ 16.45
Closing Price	\$ 18.64	\$ 17.94	\$ 17.14	\$ 15.58	\$ 17.19

\* 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				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
Investments at Fair Value	\$ 13,892	\$ 12,992	\$ 13,064	\$ 12,417	\$ 11,220
Number of Portfolio Companies <sup>(9)</sup>	352	345	345	344	342
Asset Class (at fair value):					
First Lien Senior Secured Loans <sup>(10)</sup>	45%	41%	44%	47%	44%
Second Lien Senior Secured Loans	32%	33%	30%	29%	30%
Senior Direct Lending Program <sup>(11)</sup>	6%	7%	6%	5%	6%
Senior Subordinated Loans	4%	5%	6%	6%	7%
Preferred Equity	5%	5%	5%	4%	4%
Other Equity	8%	9%	9%	9%	9%
Interest Rate Type (at fair value)					
% Floating Rate <sup>(12)</sup>	86%	84%	85%	85%	83%
% Fixed Rate	5%	6%	6%	4%	6%
% Equity and Other Non-Interest Earning	9%	10%	9%	11%	11%
Yields:					
Weighted Avg. Yield on Debt and Other Income Producing Securities at Amortized Cost <sup>(3)</sup>	9.8%	10.4%	10.4%	10.2%	10.3%
Weighted Avg. Yield on Debt and Other Income Producing Securities at Fair Value <sup>(3)</sup>	9.9%	10.5%	10.5%	10.3%	10.3%
Weighted Average Yield on Total Investments at Amortized Cost <sup>(4)</sup>	8.8%	9.2%	9.3%	9.0%	9.0%
Weighted Average Yield on Total Investments at Fair Value <sup>(4)</sup>	9.0%	9.5%	9.5%	9.3%	9.2%

# Selected Historical Financial Information (cont'd)

(dollar amounts in millions)

	For the Three Months Ended					
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18	
<b>Commitments:</b>						
Gross Commitments	\$ 2,409	\$ 1,307	\$ 1,953	\$ 2,709	\$ 1,924	
Exits of Commitments <sup>(2)</sup>	(1,424)	(1,348)	(1,353)	(1,021)	(1,914)	
Net Commitments <sup>(13)</sup>	\$ 985	\$ (41)	\$ 600	\$ 1,688	\$ 10	
<b>Gross Commitments Information:</b>						
Number of Transactions	50	33	37	51	41	
Weighted Average Commitment Term in Months	70	93	90	76	82	
Average Commitment in Period	\$ 48	\$ 40	\$ 53	\$ 53	\$ 47	
<b>Fundings:</b>						
Gross Fundings	\$ 2,098	\$ 1,249	\$ 1,941	\$ 2,275	\$ 1,907	
Net Fundings <sup>(13)</sup>	\$ 788	\$ (90)	\$ 652	\$ 1,253	\$ (3)	
Portfolio Turnover	0.10	0.10	0.10	0.09	0.17	

# Quarterly Operating Results

(amounts in millions, except per share data)

	For the Three Months Ended				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
Investment income	\$ 387	\$ 382	\$ 373	\$ 345	\$ 342
Expenses, net of waiver of income based fees <sup>(14)</sup>	170	170	168	140	151
Net investment income before income taxes	217	212	205	205	191
Income tax expense, including excise tax	5	4	4	2	6
Net investment income	212	208	201	203	185
Net realized and unrealized gains (losses)	(37)	(8)	13	(50)	24
Net Income	<u>\$ 175</u>	<u>\$ 200</u>	<u>\$ 214</u>	<u>\$ 153</u>	<u>\$ 209</u>
Per Share:					
Core EPS - Basic and Diluted* <sup>(1)</sup>	\$ 0.48	\$ 0.49	\$ 0.48	\$ 0.45	\$ 0.45
Net Income - Basic and Diluted	\$ 0.41	\$ 0.47	\$ 0.50	\$ 0.36	\$ 0.49
Dividends Declared and Payable**	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.39	\$ 0.39
Weighted average shares of common stock outstanding - Basic and Diluted	427	426	426	426	426
Common shares outstanding at end of period	427	427	426	426	426

(amounts in millions, except per share data)

	For the Nine Months Ended	
	9/30/19	9/30/18
Investment income	\$ 1,142	\$ 992
Expenses, net of waiver of income based fees <sup>(14)</sup>	508	484
Net investment income before taxes	634	508
Income tax expense, including excise tax	13	17
Net investment income	621	491
Net realized and unrealized gains (losses)	(32)	214
Net Income	<u>\$ 589</u>	<u>\$ 705</u>
Per Share:		
Core EPS - Basic and Diluted* <sup>(1)</sup>	\$ 1.44	\$ 1.24
Net Income - Basic and Diluted	\$ 1.38	\$ 1.66
Dividends Declared and Payable***	\$ 1.26	\$ 1.15
Weighted average shares of common stock outstanding - Basic and Diluted	426	426
Common shares outstanding at end of period	427	426

\* 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 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 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				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
<b>Net Investment Income Before Income Taxes:</b>					
Investment Income:					
Interest income from investments	\$ 299	\$ 296	\$ 289	\$ 263	\$ 262
Capital structuring service fees	41	38	45	47	42
Dividend income	39	38	31	26	25
Other income <sup>(15)</sup>	8	10	8	9	13
Total investment income	<u>387</u>	<u>382</u>	<u>373</u>	<u>345</u>	<u>342</u>
Expenses:					
Interest and credit facility fees	76	69	67	60	59
Base management fees	52	50	49	45	44
Income based fees	49	49	48	46	45
Capital gains incentive fees*	(8)	(1)	2	(10)	5
Administrative fees	4	3	4	3	3
Other general and administrative	7	10	8	6	5
Total operating expenses	<u>180</u>	<u>180</u>	<u>178</u>	<u>150</u>	<u>161</u>
Waiver of income based fees <sup>(14)</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>(14)</sup>	<u>170</u>	<u>170</u>	<u>168</u>	<u>140</u>	<u>151</u>
Net investment income before income taxes	<u>217</u>	<u>212</u>	<u>205</u>	<u>205</u>	<u>191</u>
Income tax expense, including excise tax	5	4	4	2	6
<b>Net investment income</b>	<u>\$ 212</u>	<u>\$ 208</u>	<u>\$ 201</u>	<u>\$ 203</u>	<u>\$ 185</u>

\* As required by GAAP. As of September 30, 2019, Ares Capital had accrued \$55 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"). The actual amount due under the Investment Advisory and Management Agreement is only determined annually at the end of each calendar year and may be less than the amount accrued under GAAP.



# Quarterly Gain/Loss Detail

(amounts in millions)

	For the Three Months Ended				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
<b>Net Realized and Unrealized Gains (Losses):</b>					
Realized gains (losses) on investments:					
Gains	\$ 25	\$ 20	\$ 10	\$ 37	\$ 387
Losses	(99)	(2)	(3)	(16)	(24)
Net realized gains (losses) on investments	(74)	18	7	21	363
Unrealized gains (losses) on investments:					
Unrealized appreciation	82	77	73	54	88
Unrealized depreciation	(139)	(98)	(114)	(135)	(89)
Net unrealized losses on investments	(57)	(21)	(41)	(81)	(1)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses on investments	81	(3)	2	(5)	(340)
Total net unrealized gains (losses) on investments	24	(24)	(39)	(86)	(341)
Net realized and unrealized gains (losses) on foreign currency and other transactions	13	(2)	45	15	2
<b>Net realized and unrealized gains (losses)</b>	<b>\$ (37)</b>	<b>\$ (8)</b>	<b>\$ 13</b>	<b>\$ (50)</b>	<b>\$ 24</b>

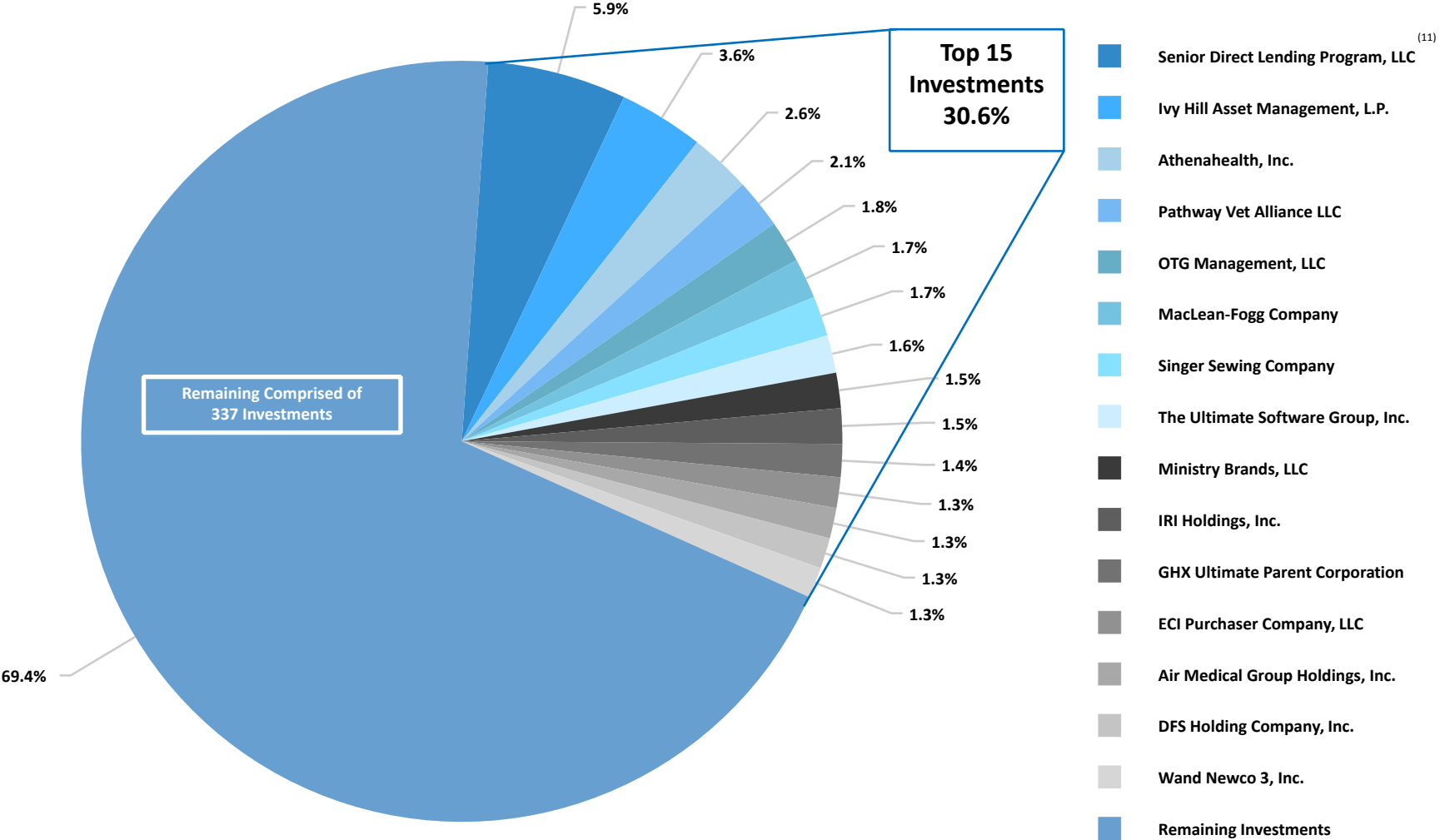
# Quarterly Balance Sheets

(amounts in millions, except per share data)

	As of				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
<b>ASSETS</b>					
Investments at fair value	\$ 13,892	\$ 12,992	\$ 13,064	\$ 12,417	\$ 11,220
Cash and cash equivalents	253	572	572	296	799
Interest receivable	121	105	114	91	93
Operating lease right-of-use asset	99	101	105	—	—
Other assets	89	76	79	79	82
Receivable for open trades	4	—	28	12	61
<b>Total assets</b>	<b>\$ 14,458</b>	<b>\$ 13,846</b>	<b>\$ 13,962</b>	<b>\$ 12,895</b>	<b>\$ 12,255</b>
<b>LIABILITIES</b>					
Debt	\$ 6,598	\$ 6,024	\$ 6,197	\$ 5,214	\$ 4,546
Base management fees payable	52	50	49	45	44
Income based fees payable	39	39	38	36	35
Capital gains incentive fees payable*	55	63	64	112	122
Interest and facility fees payable	44	62	25	64	42
Operating lease liabilities	128	131	137	33	33
Accounts payable and other liabilities	169	107	78	66	81
Payable for open trades	—	2	35	25	39
<b>Total liabilities</b>	<b>7,085</b>	<b>6,478</b>	<b>6,623</b>	<b>5,595</b>	<b>4,942</b>
<b>STOCKHOLDERS' EQUITY</b>					
Common stock	—	—	—	—	—
Capital in excess of par value	7,194	7,185	7,177	7,173	7,192
Accumulated undistributed earnings	179	183	162	127	121
<b>Total stockholders' equity</b>	<b>7,373</b>	<b>7,368</b>	<b>7,339</b>	<b>7,300</b>	<b>7,313</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 14,458</b>	<b>\$ 13,846</b>	<b>\$ 13,962</b>	<b>\$ 12,895</b>	<b>\$ 12,255</b>
<b>NET ASSETS PER SHARE</b>	<b>\$ 17.26</b>	<b>\$ 17.27</b>	<b>\$ 17.21</b>	<b>\$ 17.12</b>	<b>\$ 17.16</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 was paid in the first quarter of 2019. No capital gains incentive fees were actually payable under Ares Capital's investment advisory and management agreement for any other periods presented.

# Investment Portfolio by Issuer as of September 30, 2019\*



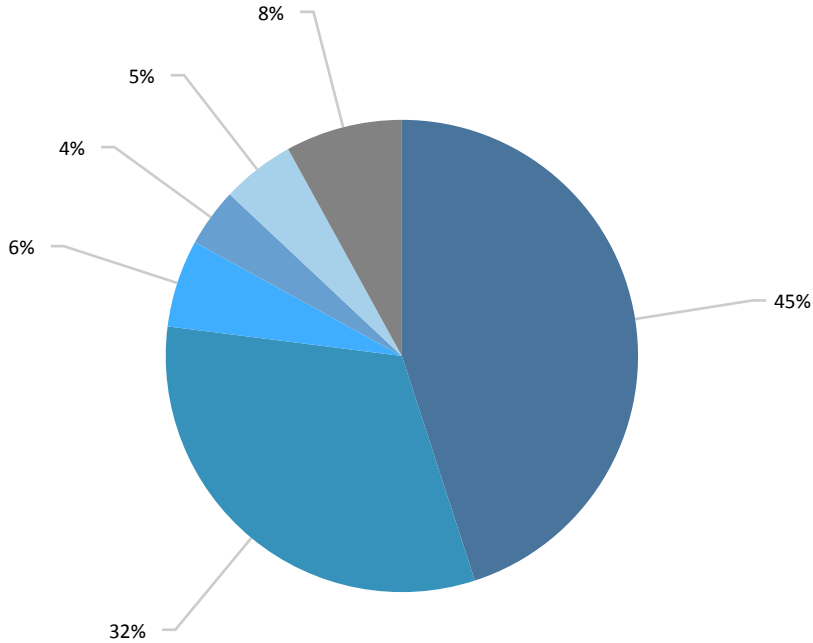
Diversified \$13.9 billion portfolio with 352 investments

\* At fair value.



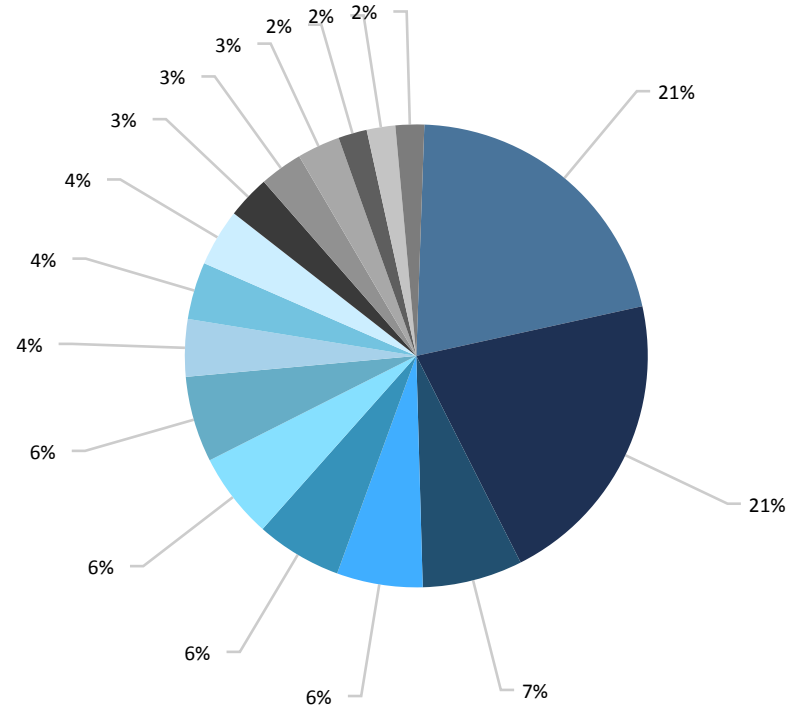
# Investment Portfolio as of September 30, 2019\*

## 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



- Business Services
- Healthcare Services
- Consumer Products
- Senior Direct Lending Program<sup>(11)</sup>
- Financial Services
- Other Services
- Power Generation
- Manufacturing
- Automotive Services
- Oil and Gas
- Restaurants and Food Services
- Food and Beverage
- Wholesale Distribution
- Containers and Packaging
- Education
- Remaining

\* At fair value.

# Debt Summary

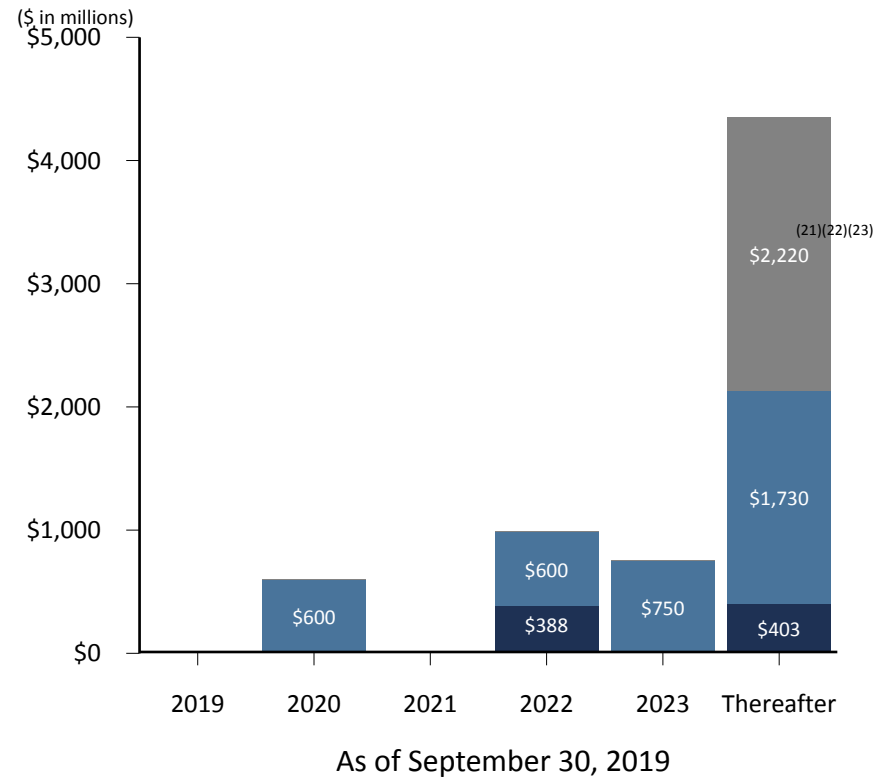
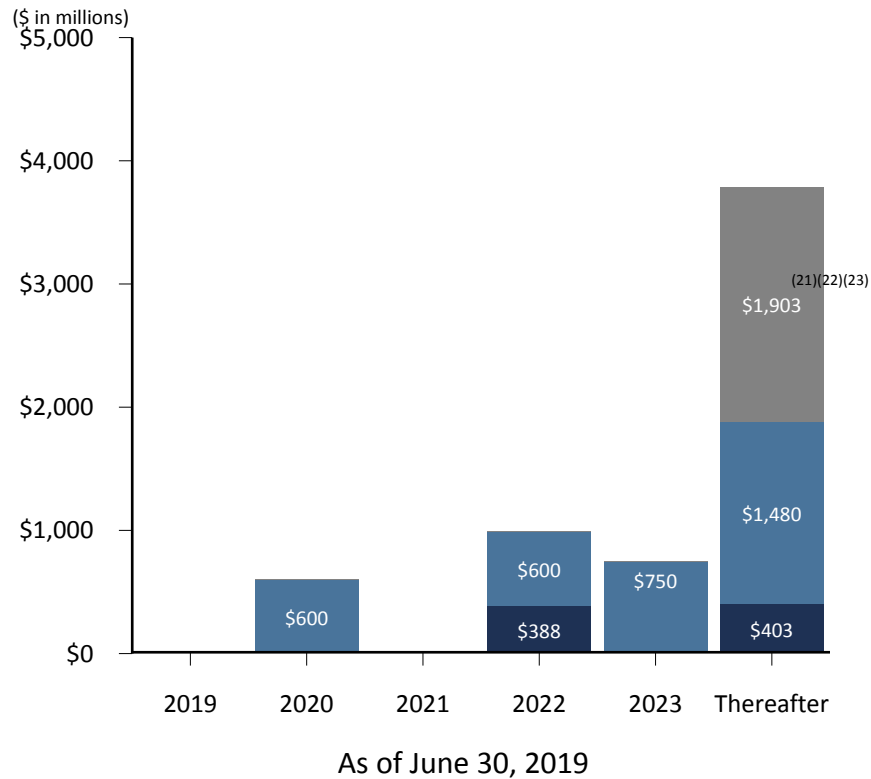
(dollar amounts in millions)	As of 6/30/19			As of 9/30/19			Weighted Average Stated Interest Rate <sup>(20)</sup>	Interest Rate	Maturity Date
	Aggregate Principal Amount Committed/Outstanding <sup>(17)</sup>	Principal Amount Outstanding	Carrying Value of Outstanding Debt	Aggregate Principal Amount Committed/Outstanding <sup>(17)</sup>	Principal Amount Outstanding	Carrying Value of Outstanding Debt			
<b>Secured Revolving Facilities<sup>(16)</sup>:</b>									
Revolving Credit Facility	\$ 3,365	\$ 1,119	\$ 1,119	\$ 3,365	\$ 1,316	\$ 1,316	3.729%	LIBOR + 1.75% <sup>(21)</sup>	March 2024 <sup>(21)</sup>
Revolving Funding Facility	1,275	608	608	1,275	638	638	4.016%	LIBOR + 2.00% <sup>(22)</sup>	January 2024 <sup>(22)</sup>
SMBC Funding Facility	400	176	176	500	266	266	3.778%	LIBOR + 1.75% <sup>(23)</sup>	September 2024 <sup>(23)</sup>
Subtotal	5,040	1,903	1,903	5,140	2,220	2,220	3.832%		
<b>Unsecured Notes Payable:</b>									
2020 Notes	600	600	599 <sup>(18)</sup>	600	600	600 <sup>(18)</sup>	3.875%		January 2020
2022 Notes	600	600	596 <sup>(18)</sup>	600	600	596 <sup>(18)</sup>	3.625%		January 2022
2022 Convertible Notes	388	388	375 <sup>(18)</sup>	388	388	376 <sup>(18)</sup>	3.750%		February 2022
2023 Notes	750	750	745 <sup>(18)</sup>	750	750	745 <sup>(18)</sup>	3.500%		February 2023
2024 Convertible Notes	403	403	387 <sup>(18)</sup>	403	403	388 <sup>(18)</sup>	4.625%		March 2024
2024 Notes	650	650	642 <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	183 <sup>(19)</sup>	230	230	184 <sup>(19)</sup>	6.875%		April 2047
Subtotal	4,221	4,221	4,121	4,471	4,471	4,378	4.105%		
Total Debt	\$ 9,261	\$ 6,124	\$ 6,024	\$ 9,611	\$ 6,691	\$ 6,598	4.015%		

Floating and Fixed Rate Debt as of September 30, 2019:			
Debt (dollar amounts in millions)	Principal Amount Outstanding	Weighted Average Stated Interest Rate <sup>(20)</sup>	Weighted Average Remaining Maturity* (in years)
Floating	\$ 1,825	3.90%	4.48
Fixed <sup>(20)</sup>	4,866	4.08%	4.59
Total	\$ 6,691	4.02%	4.57

\*Represents the weighted average remaining maturity of outstanding debt as of September 30, 2019.

# Debt Summary

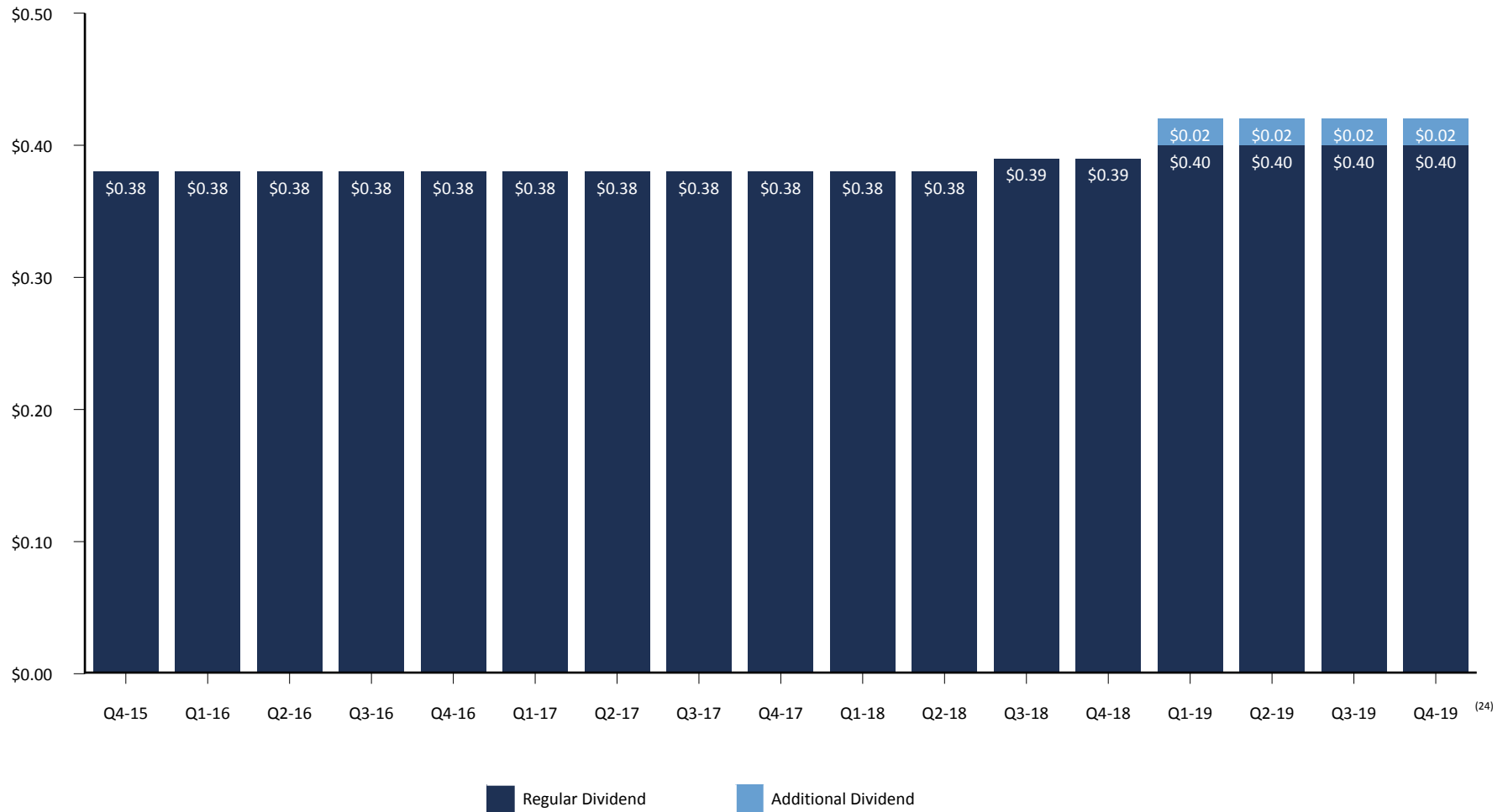
## Debt Maturities\*



Convertible Unsecured Notes
  Other Unsecured Notes
  Secured Revolving Facilities

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

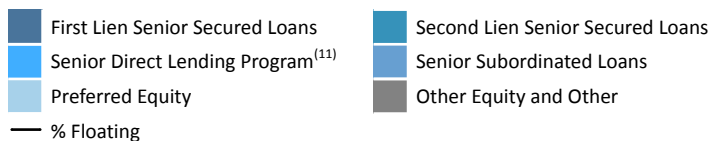
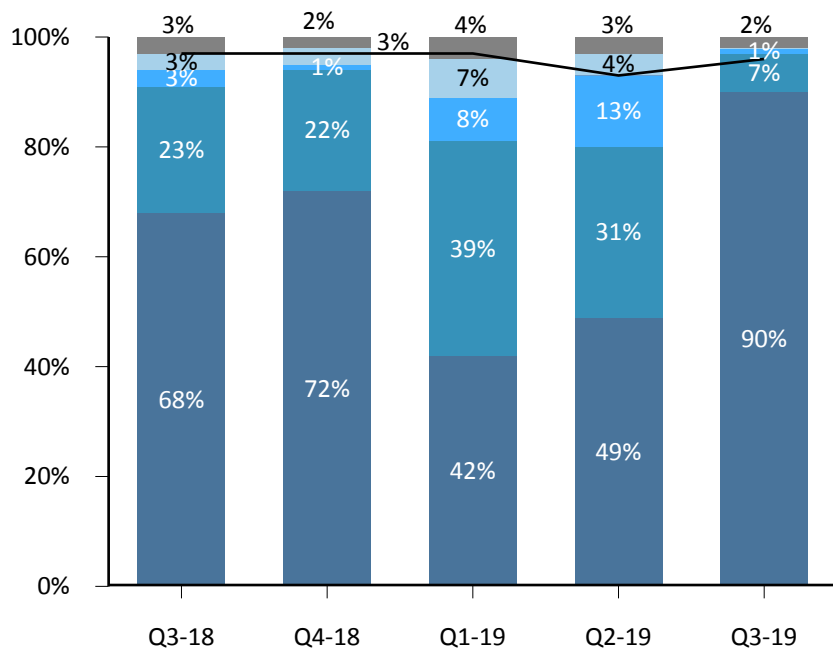
# Quarterly Dividends



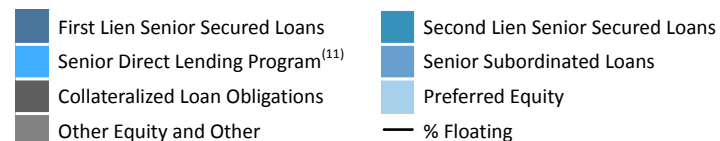
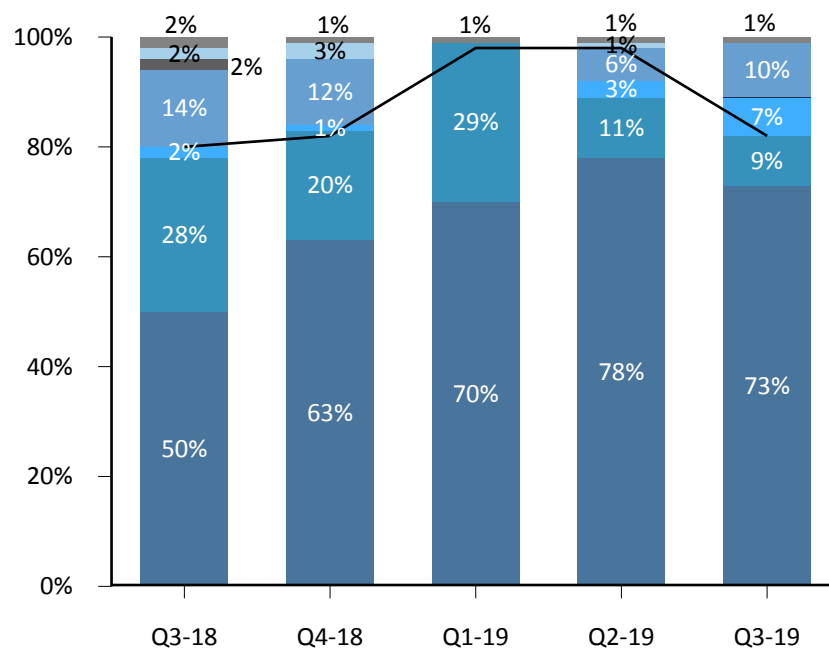
➤ ARCC carried forward excess taxable income of approximately \$343 million or \$0.80 per share from 2018 for distribution to stockholders in 2019

# Portfolio Activity

## Gross Commitments by Asset Class

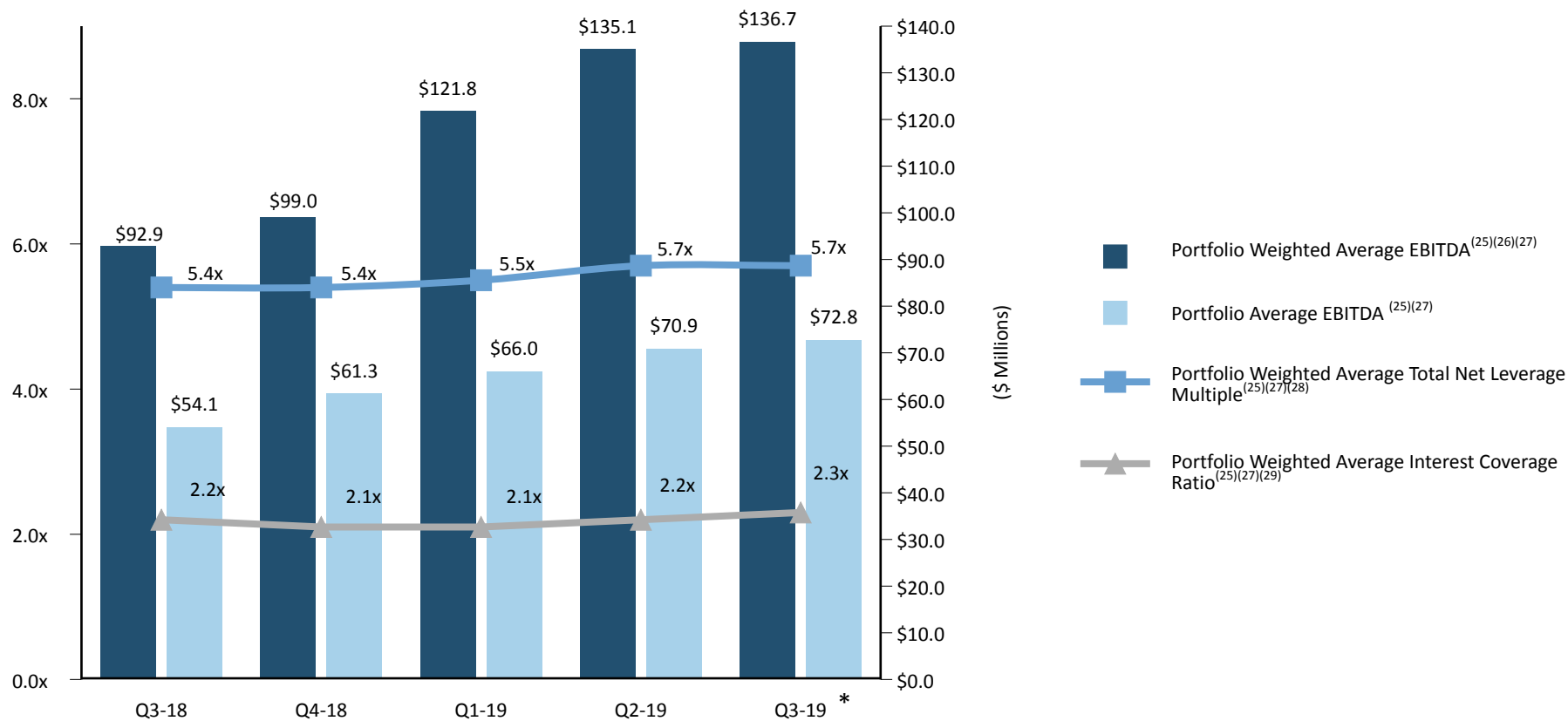


## Exits of Commitments by Asset Class





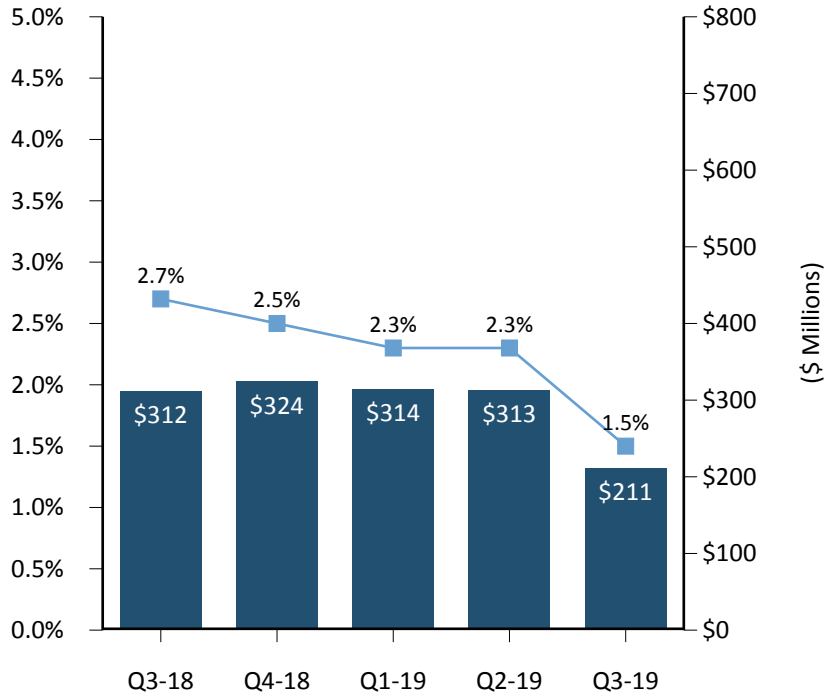
# Portfolio Company EBITDA and Credit Statistics



\* 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 Q3-19 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 eight companies where prior year comparable data was not available.<sup>(30)</sup>

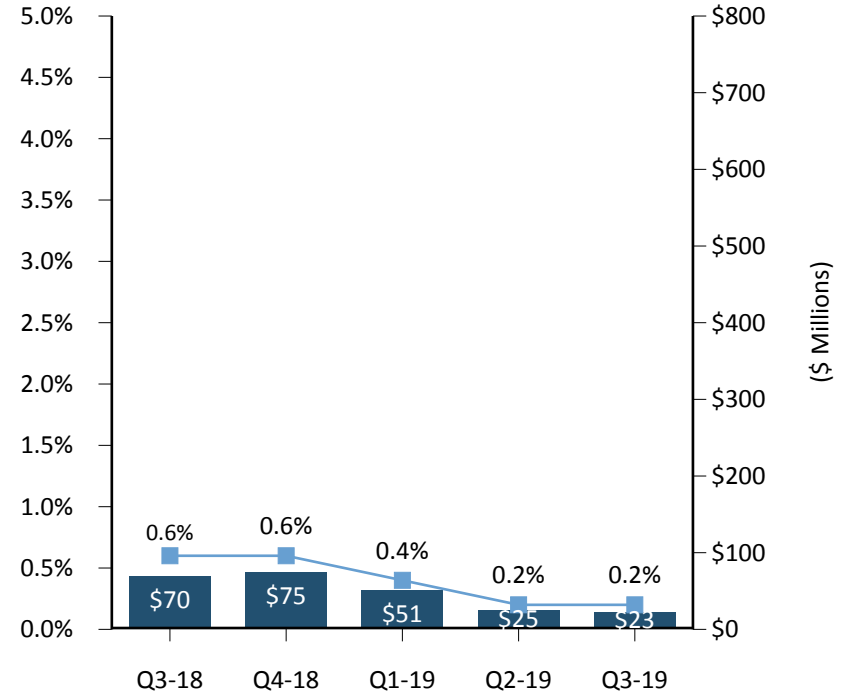
# Investments on Non-Accrual Status

## Amortized Cost



Investments on Non-Accrual Status

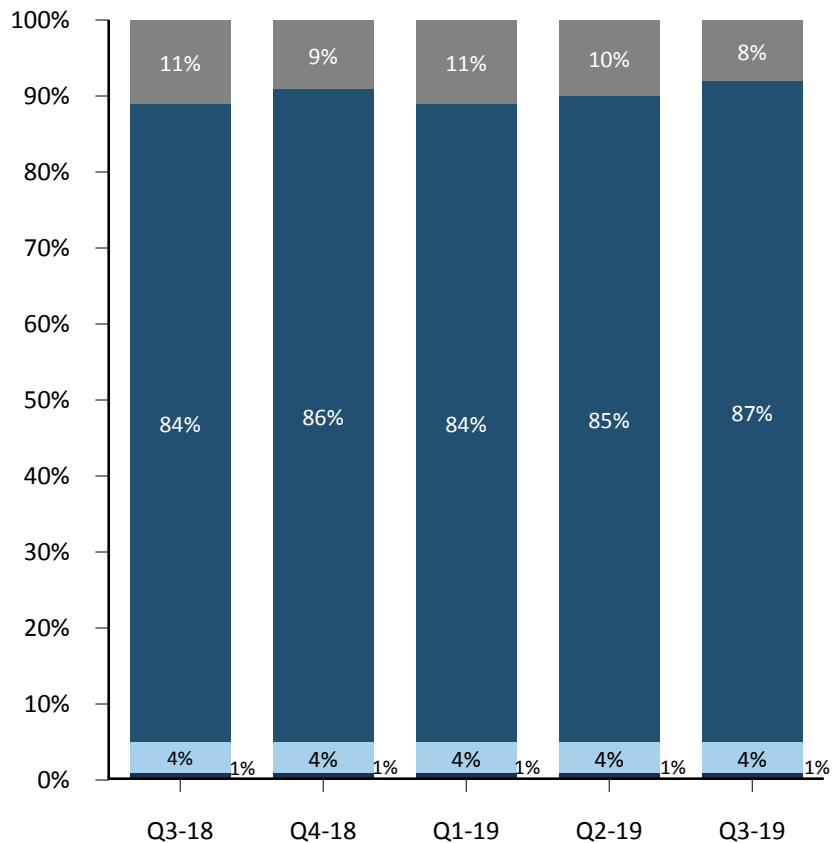
## Fair Value



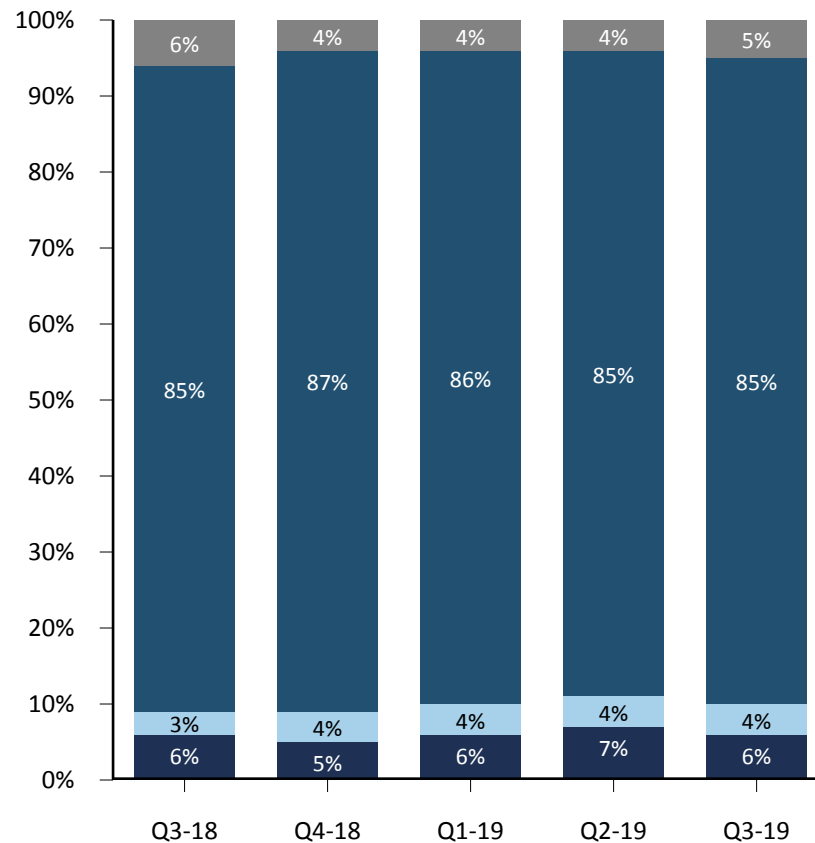
Percentage of Total Investment Portfolio

# Portfolio By Grade<sup>(31)</sup>

% By Fair Value



% By Number of Companies



Grade 1
  Grade 2
  Grade 3
  Grade 4

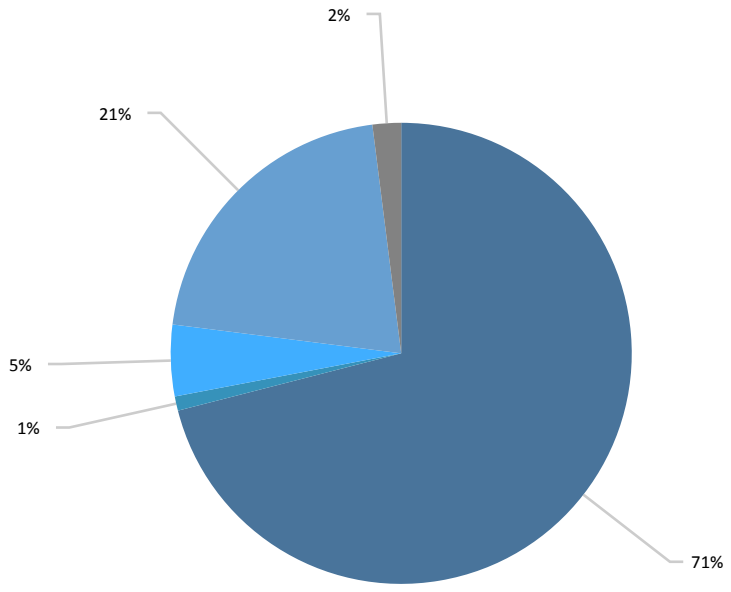
# Investment Activity Since Quarter End

- From October 1, 2019 through October 24, 2019, Ares Capital made approximately \$360 million of new investment commitments
  - 90% were in first lien senior secured loans and 10% were in second lien senior secured loans
  - 100% were floating rate
  - Weighted average yield of debt and other income producing securities funded at amortized cost of 7.9%
  
- From October 1, 2019 through October 24, 2019, Ares Capital exited approximately \$326 million of investment commitments
  - 88% were first lien senior secured loans, 10% were second lien senior secured loans, 1% were subordinated certificates of the SDLP and 1% were other equity securities
  - 99% were floating rate and 1% were non-interest bearing
  - Weighted average yield of debt and other income producing securities exited or repaid at amortized cost was 8.4%
  - Weighted average yield on total investments exited or repaid during the period at amortized cost was 8.4%
  - Total net realized gains of approximately \$6 million

# Backlog and Pipeline

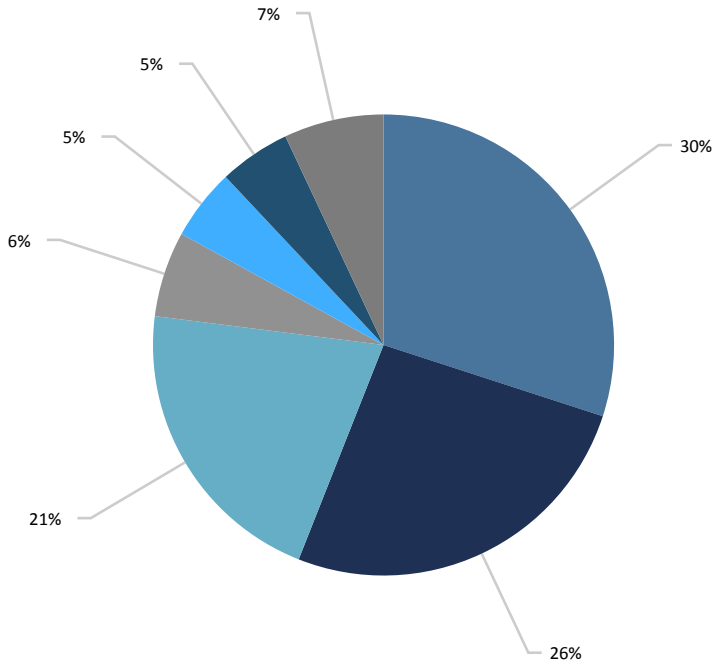
- As of October 24, 2019, Ares Capital had a backlog and pipeline of approximately \$665 million and \$265 million, respectively<sup>(32)</sup>
- The following is a breakdown of the backlog and pipeline by asset class and by industry

**Asset Class**



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

**Industry**



- Business Services
- Healthcare Services
- Power Generation
- Aerospace and Defense
- Senior Direct Lending Program<sup>(11)</sup>
- Consumer Products
- 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  
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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Robert Dodd – (901) 579-4560

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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

## Corporate Counsel

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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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## Securities Listing

NASDAQ: ARCC

## Transfer Agent

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[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				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
Basic and Diluted Core EPS <sup>(1)</sup>	\$ 0.48	\$ 0.49	\$ 0.48	\$ 0.45	\$ 0.45
Net realized and unrealized gains (losses)	(0.09)	(0.02)	0.03	(0.12)	0.05
Capital gains incentive fees attributable to net realized and unrealized gains and losses	0.02	—	(0.01)	0.03	(0.01)
Income tax expense related to net realized gains and losses	—	—	—	—	—
Basic and Diluted GAAP EPS	<u>\$ 0.41</u>	<u>\$ 0.47</u>	<u>\$ 0.50</u>	<u>\$ 0.36</u>	<u>\$ 0.49</u>

	For the Nine Months Ended	
	9/30/19	9/30/18
Basic and Diluted Core EPS <sup>(1)</sup>	\$ 1.44	\$ 1.23
Ares Reimbursement <sup>(15)</sup>	—	0.03
Net realized and unrealized gains (losses)	(0.08)	0.50
Capital gains incentive fees attributable to net realized and unrealized gains and losses	0.02	(0.10)
Income tax expense related to net realized gains and losses	—	—
Basic and Diluted GAAP EPS	<u>\$ 1.38</u>	<u>\$ 1.66</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 12 to Ares Capital's consolidated financial statements included in the quarterly report on Form 10-Q for the quarter ended September 30, 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 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 \$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 September 30, 2019, the total amortized cost and fair value of loans that Ares Capital classified as "unitranche" loans were \$1,682 million and \$1,616 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 September 30, 2019, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$3.5 billion in aggregate principal amount and had loans to 21 different borrowers. As of September 30, 2019, the SDLP's largest loan to a single borrower was \$349 million in aggregate principal amount and the five largest loans to borrowers totaled \$1.3 billion in aggregate principal amount. As of September 30, 2019, the total principal amount of loans in the SDLP portfolio that the SDLP classified as "unitranche" loans was \$3.3 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, 2019 for information regarding the SDLP.



# Endnotes (cont'd)

- 12) As of September 30, 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. Q3-19, Q2-19, Q1-19, Q4-18 and Q3-18 include sales of investment commitments to IHAM or vehicles managed by IHAM of \$109 million, \$464 million, \$302 million, \$29 million, and \$0 million, respectively.
- 14) In connection with the acquisition of American Capital, Ltd. (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.
- 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 12 to Ares Capital's consolidated financial statements included in the quarterly report on Form 10-Q for the quarter ended September 30, 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 September 30, 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 September 30, 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 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 \$395 million of the term loan tranche of the Revolving Credit Facility reflects the fixed base interest rate of 2.064% plus the applicable spread of 1.75%, or an all-in rate of 3.814%.
- 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.

# 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 September 30, 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. In addition to the fourth quarter 2019 regular dividend of \$0.40 per share to be paid on December 30, 2019 to stockholders of record on December 16, 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 fourth additional dividend of \$0.02 per share is to be paid on December 27, 2019 to the stockholders of record as of December 16, 2019.
- 25) 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 \$44.5 million, \$44.4 million, \$45.7 million, \$52.1 million and \$51.1 million as of 9/30/18, 12/31/18, 3/31/19, 6/30/19 and 9/30/19, respectively. The portfolio average EBITDA for the underlying borrowers in the SDLP was \$40.3 million, \$40.7 million, \$41.8 million, \$45.1 million and \$44.0 million as of 9/30/18, 12/31/18, 3/31/19, 6/30/19 and 9/30/19, respectively.
- 26) 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.
- 27) 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.
- 28) 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 5.9x, 5.8x, 5.7x, 5.9x and 6.0x as of 9/30/18, 12/31/18, 3/31/19, 6/30/19 and 9/30/19, 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.
- 29) 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 2.1x, 2.0x, 2.0x, 2.0x and 2.1x as of 9/30/18, 12/31/18, 3/31/19, 6/30/19 and 9/30/19, 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) 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)

- 31) 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.
- 32) 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.