



Fourth Quarter 2020

Earnings Presentation

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Financial and Portfolio Highlights

Financial Highlights

<i>(all per share amounts, excluding net asset value per share, are basic and diluted)</i>	Q4-20	Q3-20	Q4-19	FY-20	FY-19
Core EPS* ⁽¹⁾	\$ 0.54	\$ 0.39	\$ 0.45	\$ 1.74	\$ 1.89
Net Investment Income Per Share	\$ 0.54	\$ 0.39	\$ 0.44	\$ 1.87	\$ 1.90
Net Realized Losses Per Share	\$ (0.43)	\$ (0.06)	\$ (0.18)	\$ (0.39)	\$ (0.15)
Net Unrealized Gains (Losses) Per Share	\$ 0.78	\$ 0.71	\$ 0.22	\$ (0.34)	\$ 0.11
GAAP Net Income Per Share	\$ 0.89	\$ 1.04	\$ 0.48	\$ 1.14	\$ 1.86
Net Asset Value Per Share	\$ 16.97	\$ 16.48	\$ 17.32	\$ 16.97	\$ 17.32

Portfolio Highlights

<i>(dollar amounts in millions)</i>	Q4-20	Q3-20	Q4-19	FY-20	FY-19
Gross Commitments ⁽²⁾	\$3,858	\$ 706	\$ 1,608	\$ 6,703	\$ 7,261
Exits of Commitments ⁽³⁾	\$3,032	\$ 352	\$ 1,224	\$ 5,786	\$ 5,350
Total Fair Value of Investments	\$15,515	\$14,358	\$14,426	\$15,515	\$14,426
Weighted Average Yield of Debt & Other Income Producing Securities at Amortized Cost ⁽⁴⁾	9.1 %	9.1 %	9.6 %	9.1 %	9.6 %
Weighted Average Yield on Total Investments at Amortized Cost ⁽⁵⁾	8.0 %	7.8 %	8.6 %	8.0 %	8.6 %

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				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Core EPS – Basic and Diluted ⁽¹⁾	\$ 0.54	\$ 0.39	\$ 0.39	\$ 0.41	\$ 0.45
Net Investment Income Per Share – Basic and Diluted	\$ 0.54	\$ 0.39	\$ 0.39	\$ 0.54	\$ 0.44
Net Realized and Unrealized Gains (Losses) Per Share – Basic and Diluted	\$ 0.35	\$ 0.65	\$ 0.26	\$ (1.96)	\$ 0.04
GAAP Net Income (Loss) Per Share – Basic and Diluted	\$ 0.89	\$ 1.04	\$ 0.65	\$ (1.42)	\$ 0.48
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
Stockholders' Equity	\$ 7,176	\$ 6,963	\$ 6,691	\$ 6,583	\$ 7,467
Net Asset Value Per Share	\$ 16.97	\$ 16.48	\$ 15.83	\$ 15.58	\$ 17.32
Debt/Equity Ratio	1.20x	1.10x	1.12x	1.26x	0.95x
Debt/Equity Ratio, Net of Available Cash ⁽⁶⁾	1.17x	1.07x	1.08x	1.19x	0.93x
Unsecured Debt to Total Debt	67.2 %	75.5 %	61.7 %	55.8 %	54.8 %
Weighted Average Stated Interest on Debt ⁽⁷⁾	3.4 %	3.5 %	3.3 %	3.4 %	3.9 %
Net Interest and Dividend Margin ⁽⁸⁾	6.5 %	6.7 %	7.0 %	7.3 %	7.6 %
Ratio of Earnings to Fixed Charges ⁽⁹⁾	3.9	3.2	3.2	3.2	3.5
Market Capitalization					
Principal Debt	\$ 8,582	\$ 7,646	\$ 7,488	\$ 8,274	\$ 7,060
Equity	7,142	5,896	6,107	4,556	8,040
Total Market Capitalization	\$ 15,724	\$ 13,542	\$ 13,595	\$ 12,830	\$ 15,100
Common Stock Data:					
High Price during the period	\$ 17.28	\$ 15.02	\$ 16.20	\$ 19.23	\$ 19.02
Low Price during the period	\$ 13.82	\$ 13.27	\$ 9.13	\$ 8.08	\$ 18.10
Closing Price	\$ 16.89	\$ 13.95	\$ 14.45	\$ 10.78	\$ 18.65

*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)

<i>(dollar amounts in millions)</i>	As of				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Investments at Fair Value	\$ 15,515	\$ 14,358	\$ 13,842	\$ 14,370	\$ 14,426
Number of Portfolio Companies ⁽¹⁰⁾	350	347	352	355	354
Asset Class (at fair value):					
First Lien Senior Secured Loans ⁽¹¹⁾	46 %	45 %	44 %	48 %	44 %
Second Lien Senior Secured Loans	26 %	28 %	30 %	28 %	30 %
Senior Direct Lending Program ⁽¹²⁾	7 %	7 %	6 %	6 %	6 %
Senior Subordinated Loans	6 %	7 %	7 %	6 %	6 %
Preferred Equity	6 %	5 %	5 %	5 %	5 %
Other Equity	9 %	8 %	8 %	7 %	9 %
Interest Rate Type (at fair value)					
% Floating Rate ⁽¹³⁾	84 %	83 %	84 %	85 %	84 %
% Fixed Rate	5 %	5 %	5 %	5 %	5 %
% Equity and Other Non-Interest Earning	11 %	12 %	11 %	10 %	11 %
Yields:					
Weighted Avg. Yield on Debt and Other Income Producing Securities at Amortized Cost ⁽⁴⁾	9.1 %	9.1 %	8.9 %	8.9 %	9.6 %
Weighted Avg. Yield on Debt and Other Income Producing Securities at Fair Value ⁽⁴⁾	9.2 %	9.4 %	9.3 %	9.4 %	9.7 %
Weighted Average Yield on Total Investments at Amortized Cost ⁽⁵⁾	8.0 %	7.8 %	7.7 %	7.9 %	8.6 %
Weighted Average Yield on Total Investments at Fair Value ⁽⁵⁾	8.2 %	8.2 %	8.3 %	8.5 %	8.7 %

Selected Historical Financial Information (cont'd)

<i>(dollar amounts in millions)</i>	For the Three Months Ended					
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19	
Commitments:						
Gross Commitments ⁽²⁾	\$ 3,858	\$ 706	\$ 867	\$ 1,272	\$ 1,608	
Exits of Commitments ⁽³⁾	(3,032)	(352)	(1,484)	(918)	(1,224)	
Net Commitments ⁽¹⁴⁾	\$ 826	\$ 354	\$ (617)	\$ 354	\$ 384	
Gross Commitments Information:						
Number of Transactions	59	24	22	37	43	
Weighted Average Commitment Term in Months	78	58	55	70	75	
Average Commitment in Period	\$ 65	\$ 29	\$ 39	\$ 34	\$ 37	
Fundings:						
Gross Fundings	\$ 3,396	\$ 632	\$ 953	\$ 1,760	\$ 1,540	
Net Fundings ⁽¹⁴⁾	\$ 683	\$ 151	\$ (702)	\$ 752	\$ 379	
Portfolio Turnover	0.18	0.03	0.07	0.07	0.08	

Quarterly Operating Results

<i>(amounts in millions, except per share data)</i>	For the Three Months Ended				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Investment income	\$ 440	\$ 352	\$ 350	\$ 369	\$ 386
Expenses	204	182	180	132	193
Net investment income before income taxes	236	170	170	237	193
Income tax expense, including excise tax	7	4	5	3	3
Net investment income	229	166	165	234	190
Net realized and unrealized gains (losses)	149	275	112	(846)	14
Net Income (Loss)	\$ 378	\$ 441	\$ 277	\$ (612)	\$ 204
Per Share:					
Core EPS - Basic and Diluted ⁽¹⁾	\$ 0.54	\$ 0.39	\$ 0.39	\$ 0.41	\$ 0.45
Net Income (Loss) - Basic and Diluted	\$ 0.89	\$ 1.04	\$ 0.65	\$ (1.42)	\$ 0.48
Dividends Declared and Payable**	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.42
Weighted average shares of common stock outstanding - Basic and Diluted	423	423	423	430	429
Common shares outstanding at end of period	423	423	423	423	431

<i>(amounts in millions, except per share data)</i>	For the Years Ended	
	12/31/20	12/31/19
Investment income	\$ 1,511	\$ 1,528
Expenses, net of waiver of income based fees ⁽¹⁵⁾	698	701
Net investment income before income taxes	813	827
Income tax expense, including excise tax	19	16
Net investment income	794	811
Net realized and unrealized losses	(310)	(18)
Net Income	\$ 484	\$ 793
Per Share:		
Core EPS - Basic and Diluted ⁽¹⁾	\$ 1.74	\$ 1.89
Net Income - Basic and Diluted	\$ 1.14	\$ 1.86
Dividends Declared and Payable**	\$ 1.60	\$ 1.68
Weighted average shares of common stock outstanding - Basic and Diluted	424	427
Common shares outstanding at end of period	423	431

* 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 the quarter ended December 31, 2019, dividends declared and payable included additional dividends of \$0.02/share. 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				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Net Investment Income Before Income Taxes:					
Investment Income:					
Interest income from investments	\$ 294	\$ 280	\$ 287	\$ 298	\$ 296
Capital structuring service fees	93	12	16	28	38
Dividend income	40	37	36	36	44
Other income	13	23	11	7	8
Total investment income	440	352	350	369	386
Expenses:					
Interest and credit facility fees	82	77	76	82	79
Base management fees	56	53	53	55	54
Income based fees	57	42	41	44	48
Capital gains incentive fees*	—	—	—	(58)	3
Administrative fees	3	3	3	4	3
Other general and administrative	6	7	7	5	6
Total operating expenses	204	182	180	132	193
Net investment income before income taxes	236	170	170	237	193
Income tax expense, including excise tax	7	4	5	3	3
Net investment income	\$ 229	\$ 166	\$ 165	\$ 234	\$ 190

* Accrued in accordance with GAAP. As of December 31, 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 Ares Capital's investment advisory and management agreement (the "Investment Advisory and Management Agreement") with its investment adviser, Ares Capital Management, 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 the Investment Advisory and Management Agreement for any periods presented.

Quarterly Gain/Loss Detail

(amounts in millions)	For the Three Months Ended				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Net Realized and Unrealized Gains (Losses):					
Realized gains (losses) on investments:					
Gains	\$ 38	\$ 9	\$ 33	\$ 47	21
Losses	(208)	(32)	(23)	(12)	(99)
Net realized gains (losses) on investments	(170)	(23)	10	35	(78)
Unrealized gains (losses) on investments:					
Unrealized appreciation	275	375	311	37	129
Unrealized depreciation	(138)	(104)	(237)	(912)	(129)
Net unrealized gains (losses) on investments	137	271	74	(875)	—
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses on investments	195	35	33	(14)	100
Total net unrealized gains (losses) on investments	332	306	107	(889)	100
Net realized and unrealized gains (losses) on foreign currency and other transactions	(13)	(8)	(5)	8	(8)
Net realized and unrealized gains (losses)	\$ 149	\$ 275	\$ 112	\$ (846)	14

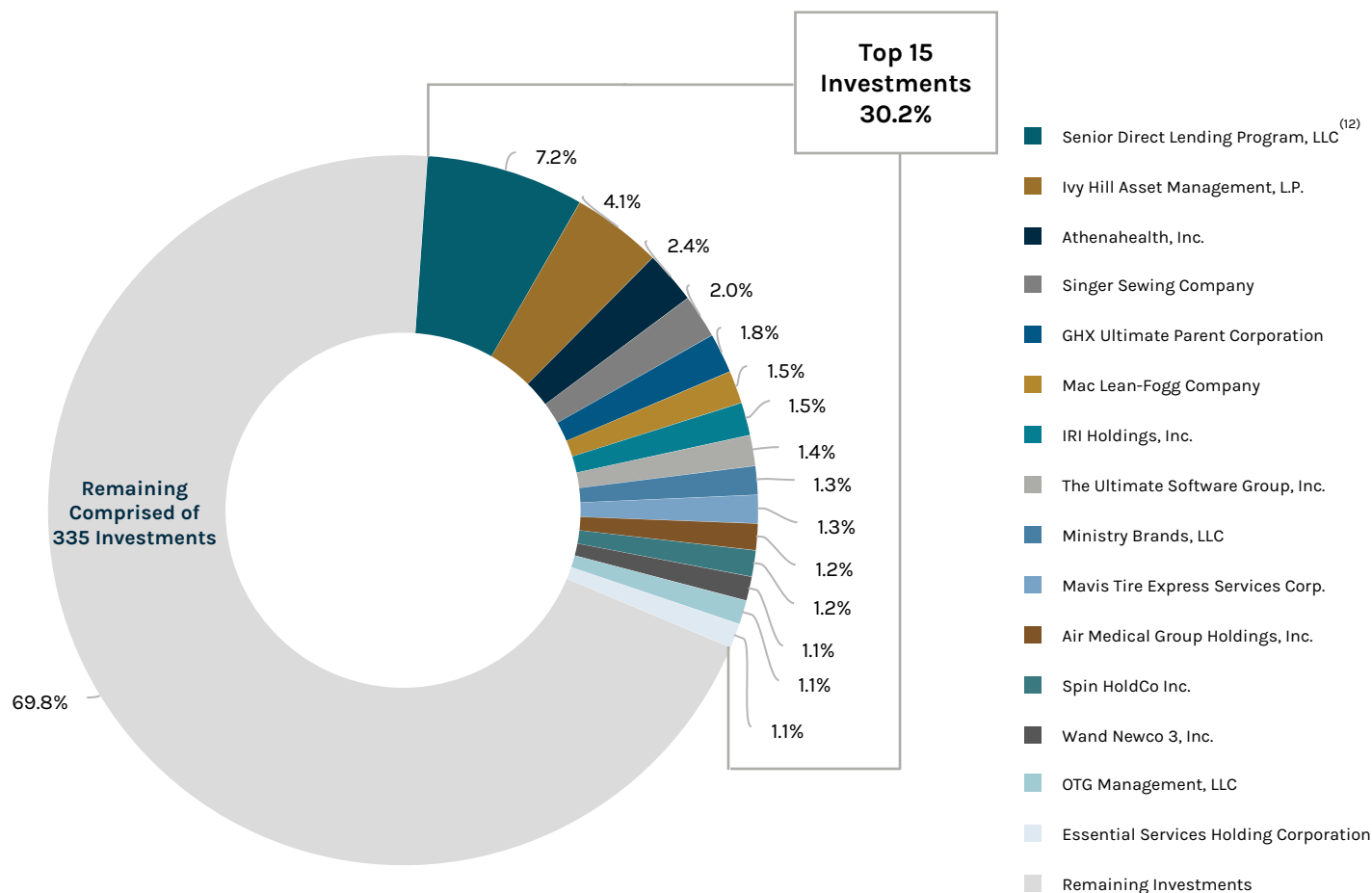
Quarterly Balance Sheets

<i>(amounts in millions, except per share data)</i>	As of				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
ASSETS					
Investments at fair value	\$ 15,515	\$ 14,358	\$ 13,842	\$ 14,370	\$ 14,426
Cash and cash equivalents	254	233	278	460	167
Restricted cash	72	43	23	655	9
Interest receivable	112	124	116	111	117
Other assets	94	95	101	93	78
Operating lease right-of-use asset	38	85	90	94	94
Receivable from participants	38	—	61	—	—
Receivable for open trades	73	12	6	23	14
Total assets	\$ 16,196	\$ 14,950	\$ 14,517	\$ 15,806	\$ 14,905
LIABILITIES					
Debt	\$ 8,491	\$ 7,550	\$ 7,398	\$ 8,179	\$ 6,971
Payable to participants	72	43	23	655	9
Base management fees payable	56	53	53	55	54
Income based fees payable*	140	83	41	44	48
Capital gains incentive fees payable**	—	—	—	—	58
Interest and facility fees payable	83	48	63	38	54
Accounts payable and other liabilities	113	101	114	122	90
Payable for open trades	6	1	21	11	33
Operating lease liabilities	59	108	113	119	121
Total liabilities	9,020	7,987	7,826	9,223	7,438
STOCKHOLDERS' EQUITY					
Common stock	—	—	—	—	—
Capital in excess of par value	7,656	7,660	7,660	7,660	7,760
Accumulated undistributed (overdistributed) earnings	(480)	(697)	(969)	(1,077)	(293)
Total stockholders' equity	7,176	6,963	6,691	6,583	7,467
Total liabilities and stockholders' equity	\$ 16,196	\$ 14,950	\$ 14,517	\$ 15,806	\$ 14,905
NET ASSETS PER SHARE	\$ 16.97	\$ 16.48	\$ 15.83	\$ 15.58	\$ 17.32

* Pursuant to the terms under the Ares Capital's Investment Advisory and Management Agreement, payment of \$83 million of the income based fees earned by Ares Capital's investment adviser for the second and third quarters of 2020 had been previously deferred. As of December 31, 2020, such deferred income based fees were payable under the terms of the Investment Advisory Management Agreement.

** 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 December 31, 2020*

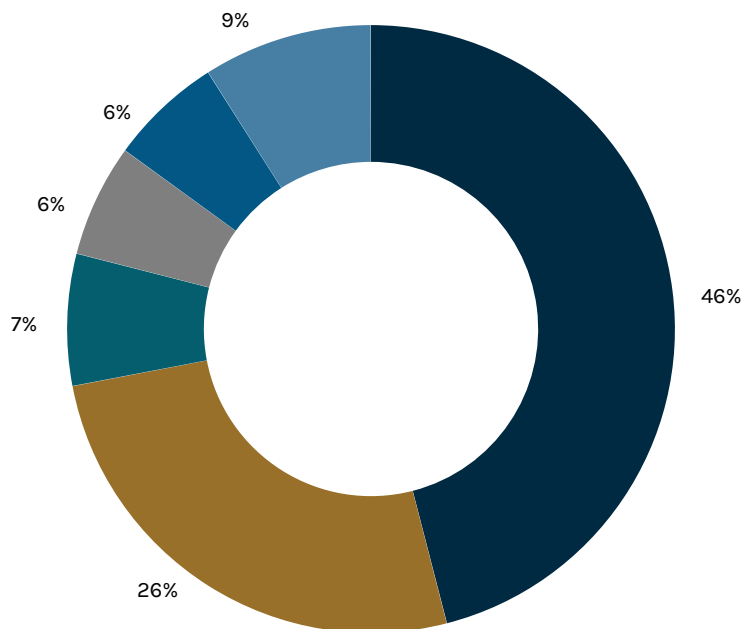


Diversified \$15.5 billion portfolio with 350 investments

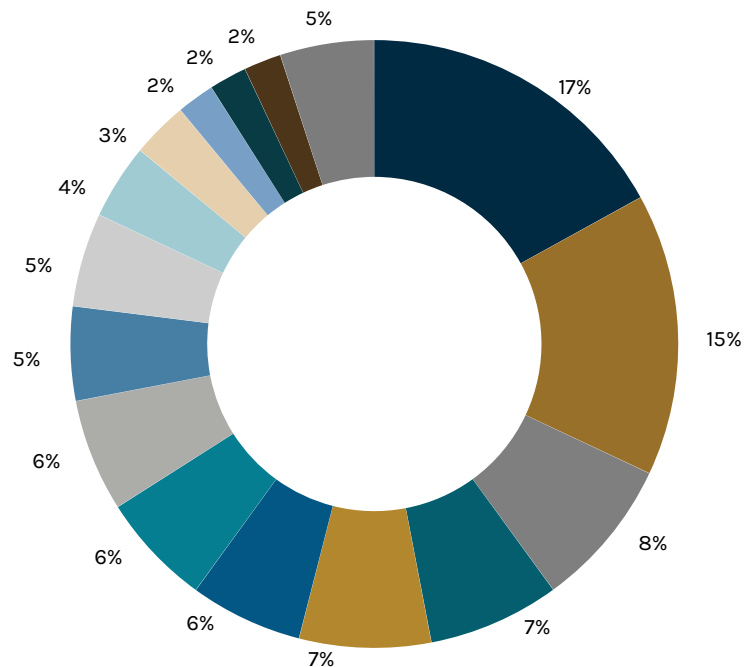
* At fair value

Investment Portfolio as of December 31, 2020*

Asset Class



Industry



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

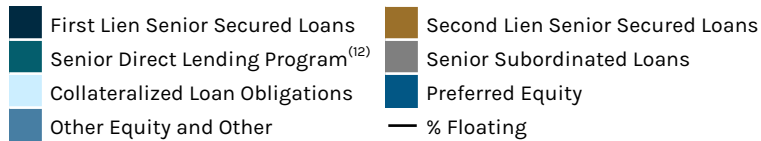
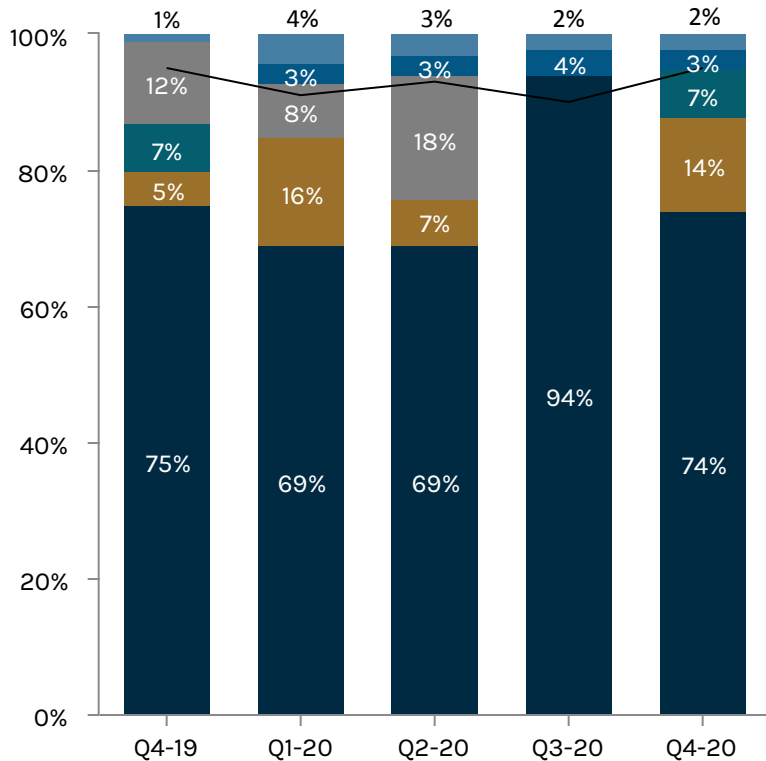
- Health Care Services
- Software & Services
- Commercial & Professional Services
- Senior Direct Lending Program⁽¹²⁾
- Consumer Services
- Consumer Durables & Apparel
- Diversified Financials
- Automobiles & Components

- Power Generation
- Capital Goods
- Insurance Services
- Energy
- Food & Beverage
- Retailing & Distribution
- Materials
- Other

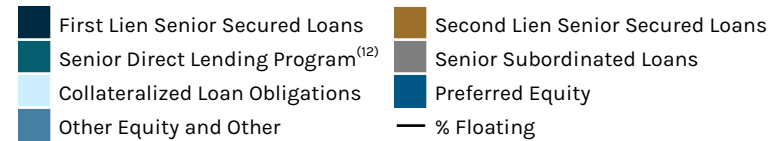
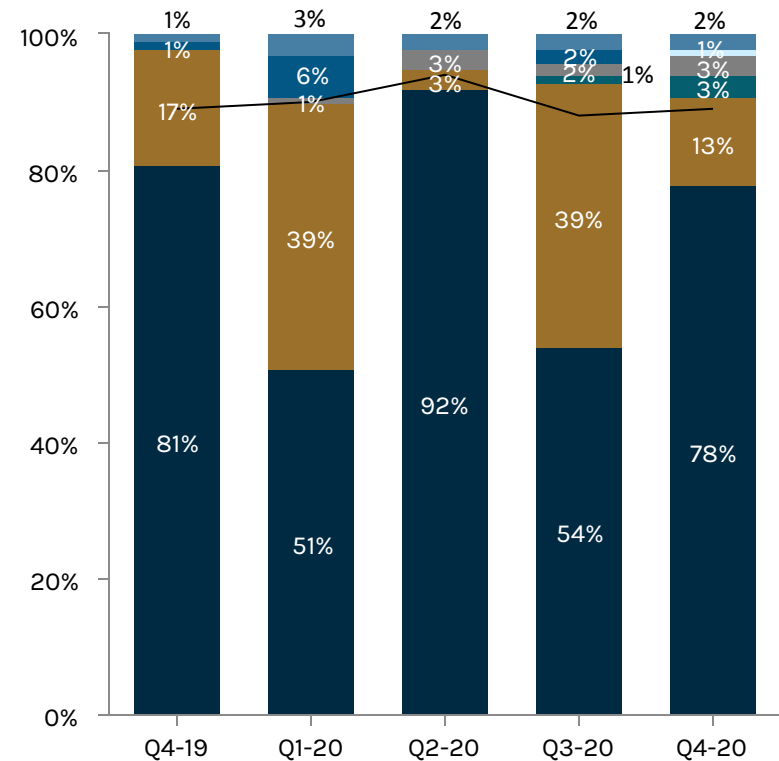
* At fair value

Portfolio Activity

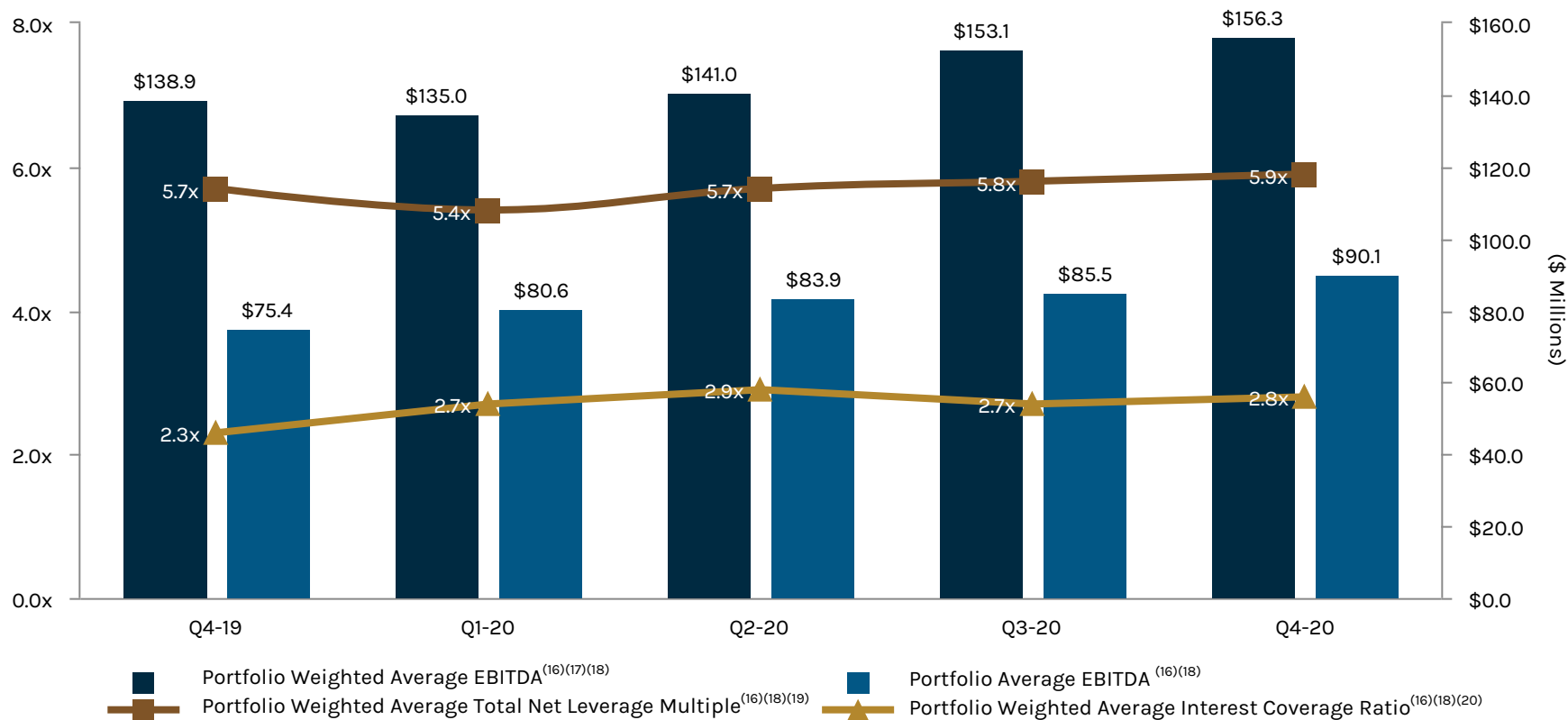
Gross Commitments by Asset Class



Exits of Commitments by Asset Class



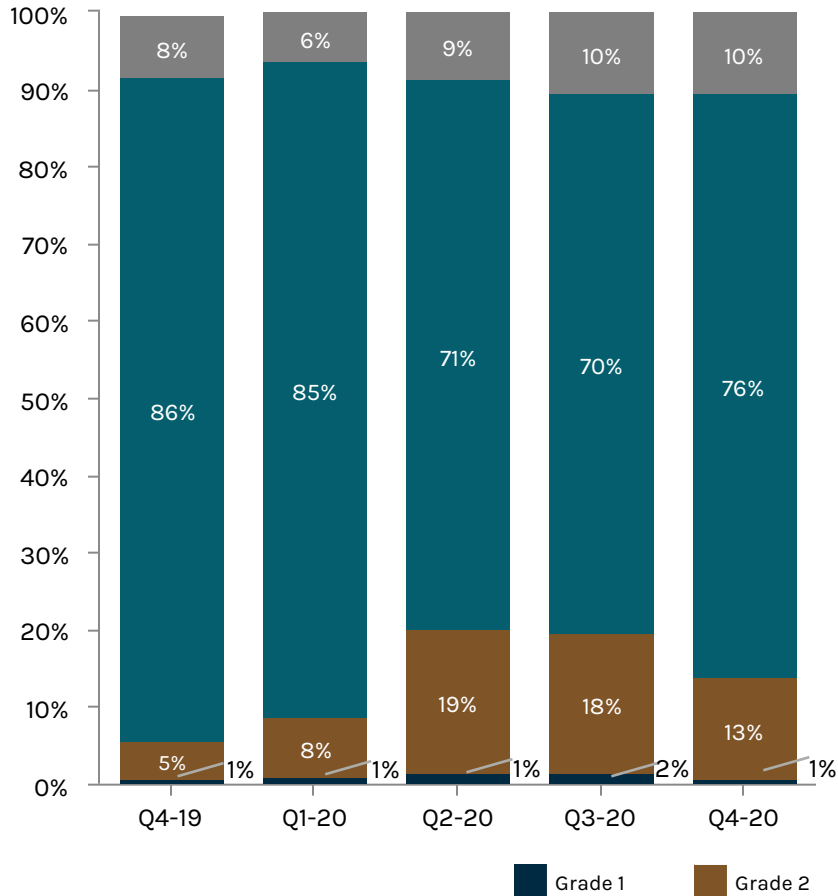
Portfolio Company EBITDA and Credit Statistics



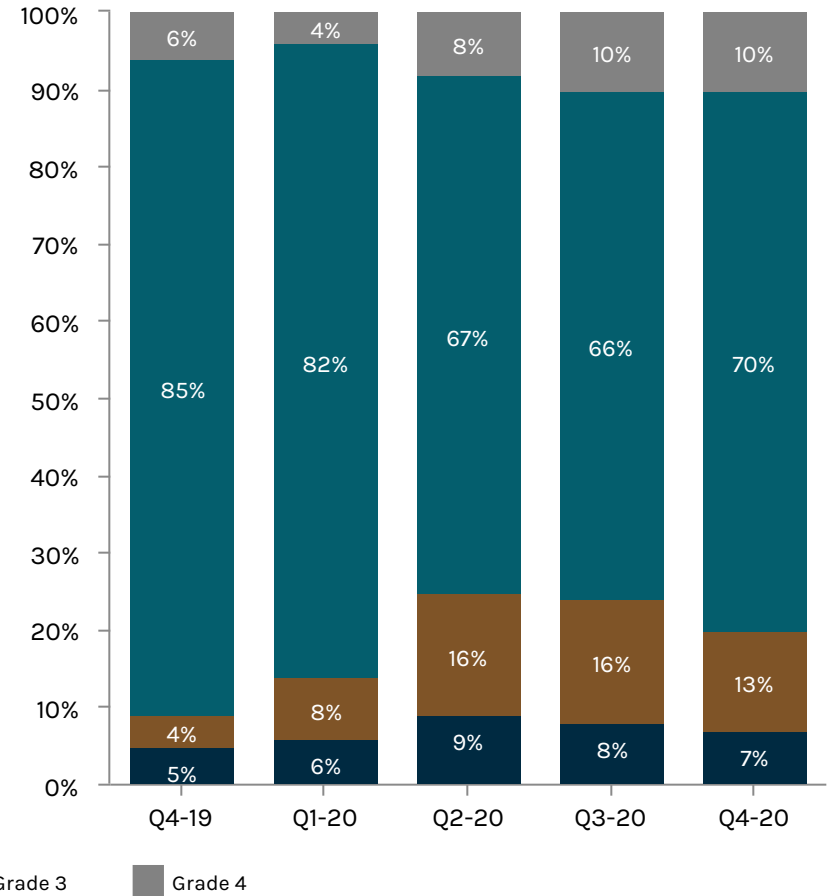
* For the portfolio companies included in the portfolio weighted average EBITDA data above (subject to additional exclusions described in the following sentence), the weighted average EBITDA growth rate as of Q4-20 was approximately 5% on a comparable basis for the most recently reported LTM period versus prior year LTM period. In addition to those portfolio companies excluded as noted, this calculation excludes 20 companies where prior year comparable data was not available.⁽²¹⁾

Portfolio By Grade⁽²²⁾

% by Fair Value

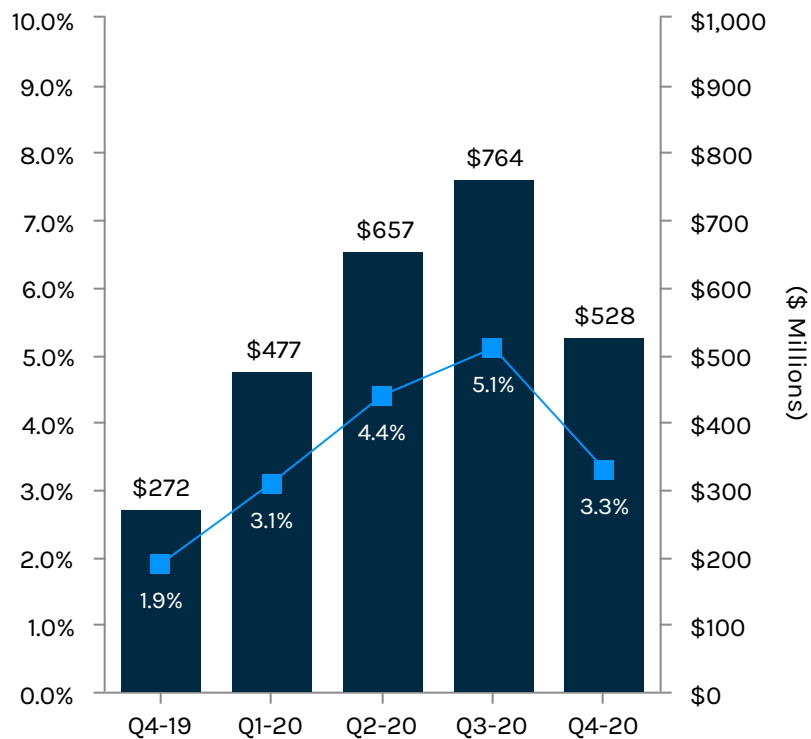


% by Number of Companies

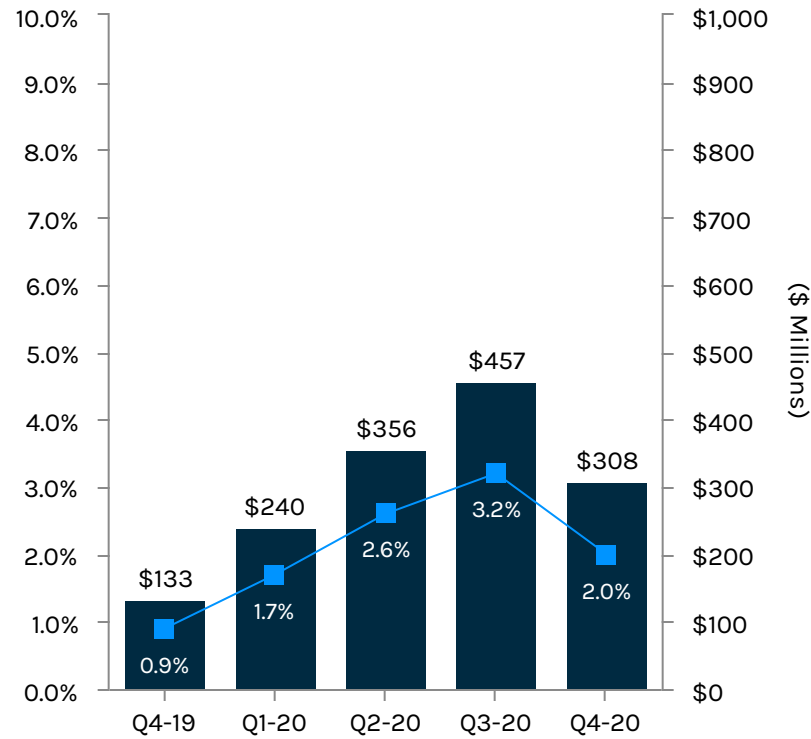


Loans on Non-Accrual Status

Amortized Cost



Fair Value



Investments on Non-Accrual Status
 Percentage of Total Investment Portfolio

Investment Activity from January 1, 2021 through February 4, 2021

Ares Capital made approximately \$524 million of new investment commitments

- 86% were in first lien senior secured loans, 9% were in senior subordinated loans and 5% were in second lien senior secured loans
- 83% were floating rate, 16% were fixed rate and 1% was on non-accrual status
- Weighted average yield of debt and other income producing securities funded at amortized cost of 8.0%

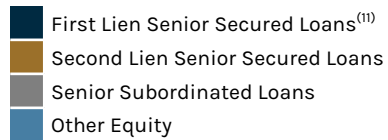
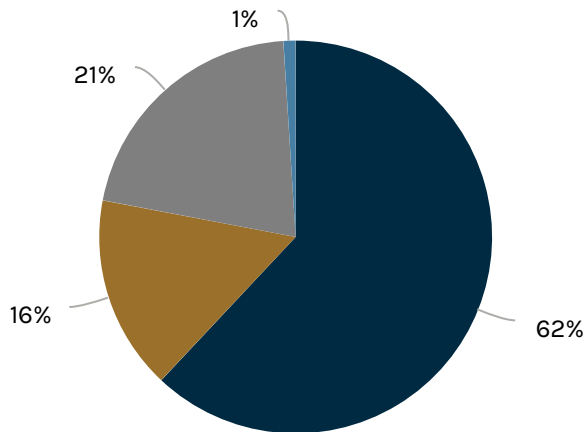
Ares Capital exited approximately \$1.1 billion of investment commitments

- 72% were first lien senior secured loans, 11% were second lien senior secured loans, 9% were senior subordinated loans, 7% were subordinated certificates of the SDLP and 1% were other equity securities
- 91% were floating rate, 6% were fixed rate, 2% were on non-accrual status and 1% were non-interest bearing
- Weighted average yield of debt and other income producing securities exited or repaid at amortized cost was 9.0%
- Weighted average yield on total investments exited or repaid during the period at amortized cost was 8.7%
- Total net realized gains of approximately \$13 million
- Includes \$260 million of loans sold by Ares Capital to Ivy Hill Asset Management, L.P. ("IHAM") or certain vehicles managed by IHAM. There were no realized gains or losses recognized from these transactions.

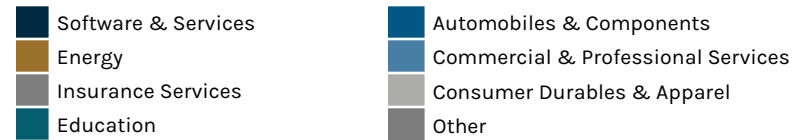
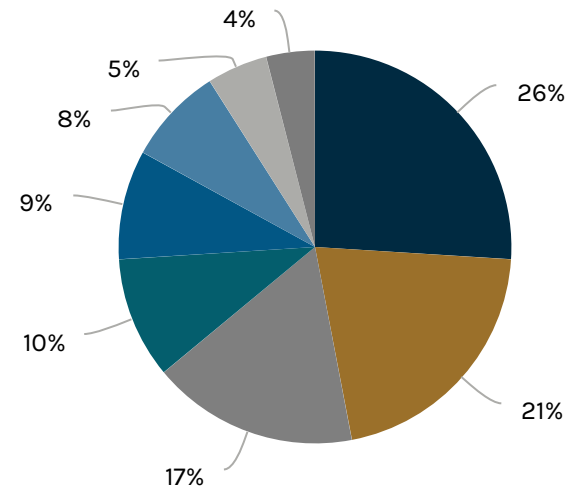
Backlog and Pipeline

- As of February 4, 2021, Ares Capital had a backlog and pipeline of approximately \$685 million and \$280 million, respectively⁽²³⁾
- The following is a breakdown of the backlog and pipeline by asset class and by industry

Asset Class



Industry



Debt Summary

(dollar amounts in millions)	As of 9/30/20			As of 12/31/20			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	\$ 849	\$ 849	\$ 3,617	\$ 1,180	\$ 1,180	2.155 %	LIBOR + 1.75% ⁽²⁹⁾	March 2025 ⁽²⁹⁾
Revolving Funding Facility	1,525	663	663	1,525	1,028	1,028	2.144 %	LIBOR + 2.00% ⁽³⁰⁾	January 2025 ⁽³⁰⁾
SMBC Funding Facility	725	363	363	725	453	453	1.909 %	LIBOR + 1.75% ⁽³¹⁾	September 2024 ⁽³¹⁾
BNP Funding Facility	300	—	—	300	150	150	3.328 %	LIBOR + 2.88% ⁽³²⁾	June 2025 ⁽³²⁾
Subtotal	6,167	1,875	1,875	6,167	2,811	2,811	2.407 %		
Unsecured Notes Payable*:									
2022 Notes	600	600	598 ⁽²⁶⁾	600	600	598 ⁽²⁶⁾	3.625 %		January 2022
2022 Convertible Notes	388	388	381 ⁽²⁶⁾	388	388	383 ⁽²⁶⁾	3.750 %		February 2022
2023 Notes	750	750	747 ⁽²⁶⁾	750	750	747 ⁽²⁶⁾	3.500 %		February 2023
2024 Convertible Notes	403	403	391 ⁽²⁶⁾	403	403	392 ⁽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	742 ⁽²⁶⁾	3.250 %		July 2025
January 2026 Notes	1,150	1,150	1,141 ⁽²⁶⁾	1,150	1,150	1,141 ⁽²⁶⁾	3.875 %		January 2026
2047 Notes	230	230	185 ⁽²⁷⁾	230	230	186 ⁽²⁷⁾	6.875 %		April 2047
Subtotal	5,771	5,771	5,675	5,771	5,771	5,680	3.972 %		
Total Debt	\$ 11,938	\$ 7,646	\$ 7,550	\$ 11,938	\$ 8,582	\$ 8,491	3.459 %		

Floating and Fixed rate debt as of December 31, 2020

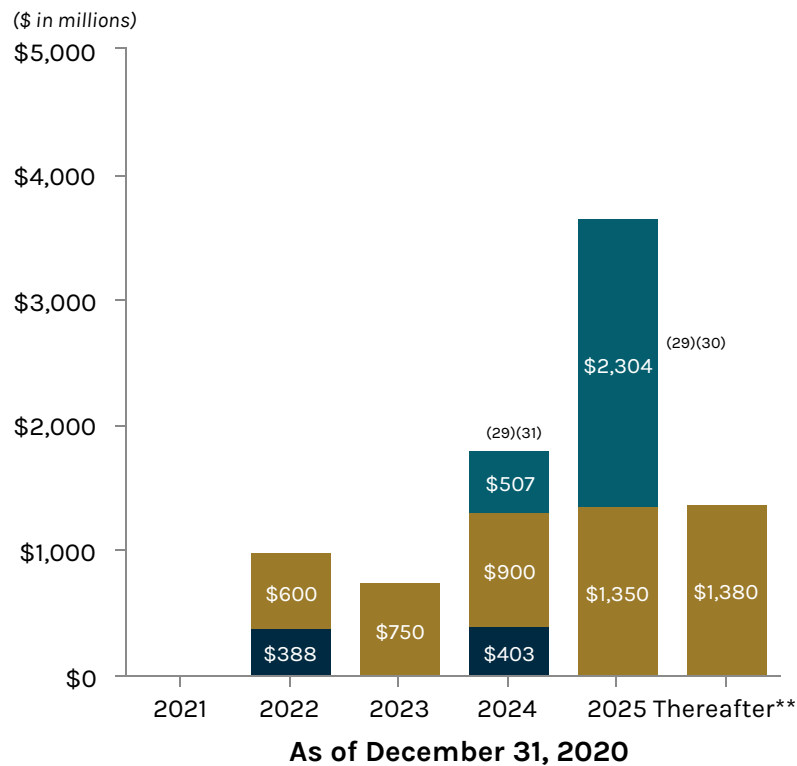
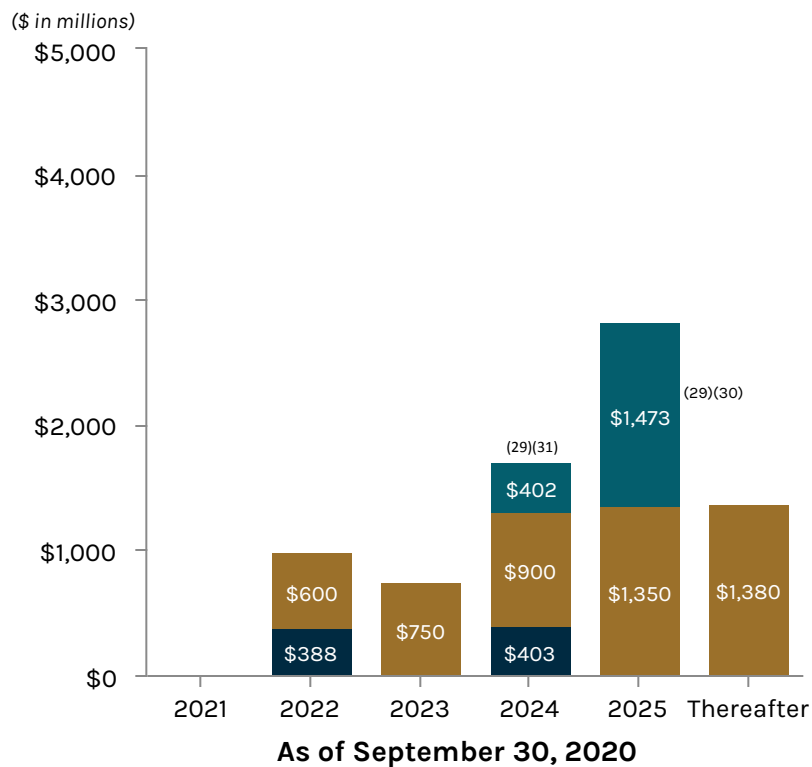
Debt (dollar amounts in millions)	Principal Amount Outstanding	Weighted Average Stated Interest Rate ⁽²⁸⁾	Weighted Average Remaining Maturity** (in years)
Floating	\$ 2,416	2.18 %	4.06
Fixed ⁽²⁹⁾	6,165	3.96 %	4.29
Total	\$ 8,581	3.46 %	4.23

* In January 2021, Ares Capital issued \$650 million aggregate principal amount of unsecured notes that mature in July 2026 and bear interest at a rate of 2.150% per year ("July 2026 Notes")

** Represents the weighted average remaining maturity of outstanding debt as of December 31, 2020

Debt Summary

Debt Maturities*



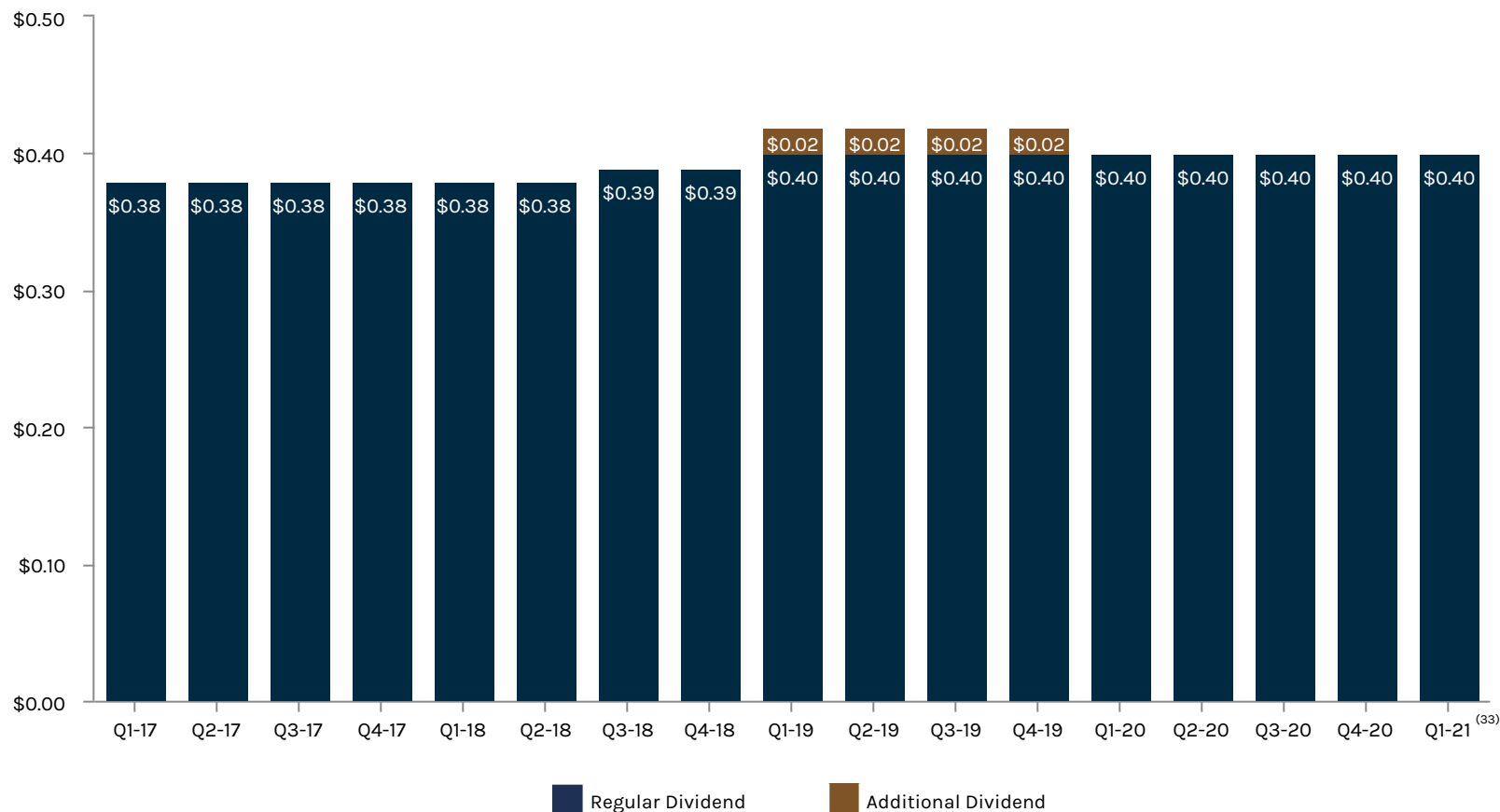
■ Convertible Unsecured Notes

■ Other Unsecured Notes

■ Secured Revolving Facilities

* Represents the total aggregate principal amount outstanding due on the stated maturity date
 ** Excludes the July 2026 Notes issued in January 2021 totaling \$650 million in aggregate principal amount

Quarterly Dividends



- ARCC estimates that it will carry forward excess taxable income of approximately \$454 million⁽³⁴⁾ or \$1.07 per share from 2020 for distribution to stockholders in 2021

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 Ares Private Equity
Group

BENNETT ROSENTHAL
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, Co-Head of U.S. Direct Lending

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

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

MICHAEL DIEBER
Partner, Co-Head of Portfolio Management

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
Partner and Co-Head of Ares Credit Group

Corporate Officers

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

JOSHUA BLOOMSTEIN
Vice President, General Counsel and
Secretary

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

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				
	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
Basic and Diluted Core EPS ⁽¹⁾	\$ 0.54	\$ 0.39	\$ 0.39	\$ 0.41	\$ 0.45
Net realized and unrealized gains (losses)	0.35	0.65	0.26	(1.96)	0.04
Capital gains incentive fees attributable to net realized and unrealized gains and losses	—	—	—	0.13	(0.01)
Income tax expense related to net realized gains and losses	—	—	—	—	—
Basic and Diluted GAAP net income (loss) per share	\$ 0.89	\$ 1.04	\$ 0.65	\$ (1.42)	\$ 0.48

	For the Years Ended	
	12/31/20	12/31/19
Basic and Diluted Core EPS ⁽¹⁾	\$ 1.74	\$ 1.89
Net realized and unrealized losses	(0.73)	(0.04)
Capital gains incentive fees attributable to net realized and unrealized gains and losses	0.13	0.01
Income tax expense related to net realized gains and losses	—	—
Basic and Diluted GAAP net income per share	\$ 1.14	\$ 1.86

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 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. Q4-20, Q3-20, Q2-20, Q1-20 and Q4-19 include sales of loans to IHAM or vehicles managed by IHAM of \$141 million, \$19 million, \$747 million, \$32 million and \$265 million, respectively. Q4-20 also includes investment commitments repaid by IHAM of \$78 million.
- 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 interest rate swap agreement matured on January 4, 2021. 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%.
- 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 subordinated debt, generally in a first lien position. As of December 31, 2020, the total amortized cost and fair value of loans that Ares Capital classified as "unitranche" loans were \$2,909 million and \$2,793 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 December 31, 2020, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$4.5 billion in aggregate principal amount and had loans to 23 different borrowers. As of December 31, 2020, the SDLP's largest loan to a single borrower was \$345 million in aggregate principal amount and the five largest loans to borrowers totaled \$1.6 billion in aggregate principal amount. As of December 31, 2020, 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, 2020 for information regarding the SDLP.

Endnotes (cont'd)

- 13) As of December 31, 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 \$53.4 million, \$55.3 million, \$58.1 million, \$56.5 million and \$62.2 million as of 12/31/19, 3/31/20, 6/30/20, 9/30/20 and 12/31/20, respectively. The portfolio average EBITDA for the underlying borrowers in the SDLP was \$45.4 million, \$46.4 million, \$47.1 million, \$45.1 million and \$51.0 million as of 12/31/19, 3/31/20, 6/30/20, 9/30/20 and 12/31/20, 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 6.1x, 5.8x, 5.9x, 6.6x and 6.2x as of 12/31/19, 3/31/20, 6/30/20, 9/30/20 and 12/31/20, respectively, which excludes certain portfolio companies with negative or de minimis EBITDA. 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, 2.2x, 2.4x, 2.5x and 2.3x as of 12/31/19, 3/31/20, 6/30/20, 9/30/20 and 12/31/20, respectively, which excludes certain portfolio companies with negative or de minimis EBITDA. 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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. As of December 31, 2020, the interest rate in effect was LIBOR plus 2.88%. 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 first quarter 2021 dividend of \$0.40 per share to be paid on March 31, 2021 to stockholders of record on March 15, 2021.
- 34) The amount of excess 2020 U.S. federal taxable income available for carry over into 2021 is only an estimate based on estimated 2020 U.S. federal taxable income. The calculation of estimated 2020 U.S. federal taxable income includes a number of estimated inputs, including information received from third parties and, as a result, actual 2020 U.S. federal taxable income will not be finally determined until Ares Capital's 2020 tax return is filed in 2021. Consequently, both 2020 U.S. federal taxable income and the amount of excess U.S. federal taxable income available for carry over into 2021 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, 2020 for more information.

