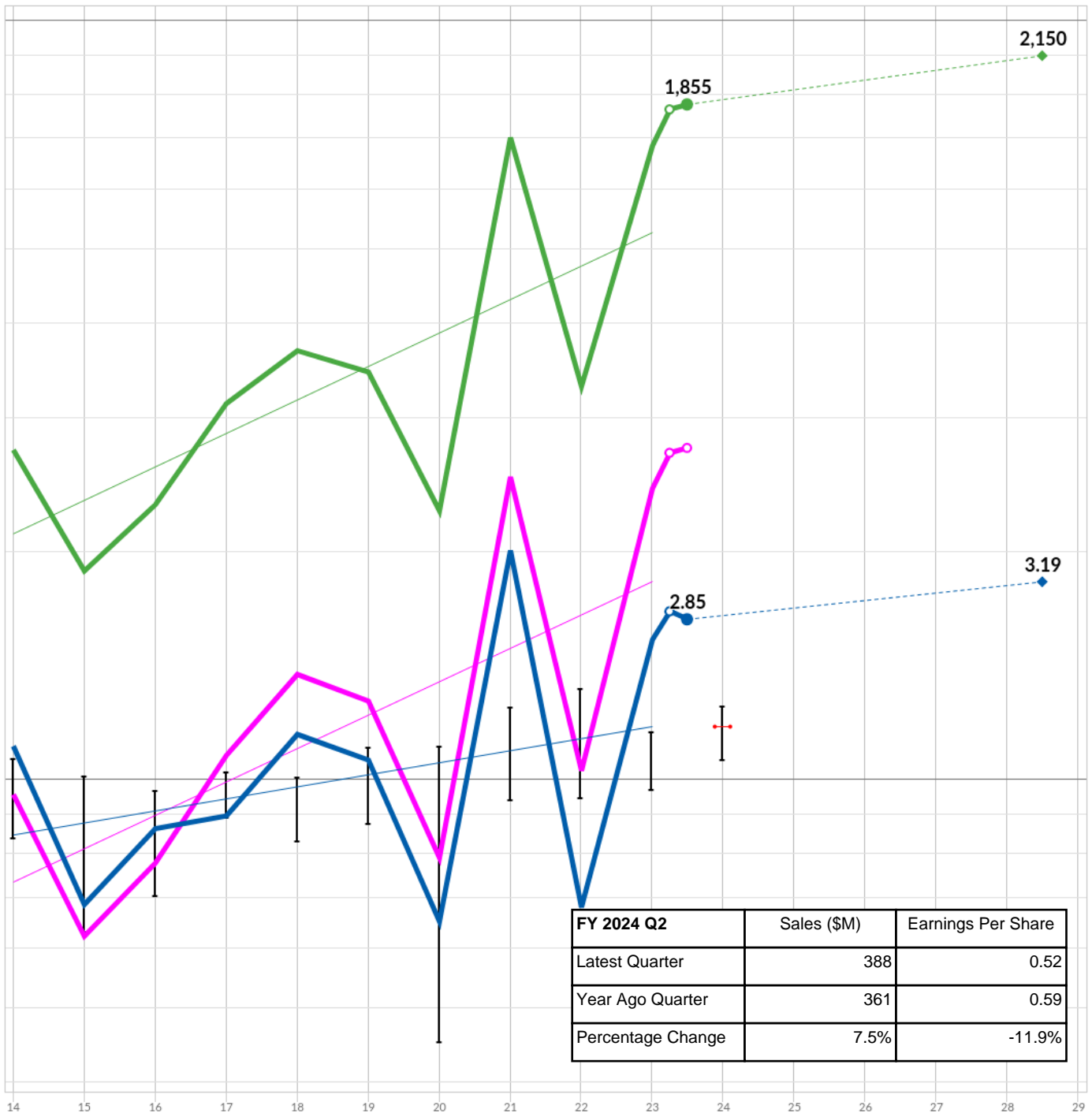


Stock Selection Guide

Company	Ares Capital		Date	08/12/24	
Prepared by	ONUFRAK		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Asset Management		
Capitalization ---	Outstanding Amounts	Reference			
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	616.0	0.4	7.1		
Debt (\$M)	13,007.0	% to Tot Cap	51.3	% Pot Dil	0.0

Symbol: ARCC

1 VISUAL ANALYSIS of Sales, Earnings, and Price



- | | | | |
|-----------------------------------|-------|--|------|
| (1) Historical Sales Growth | 10.7% | (3) Historical Earnings Per Share Growth | 3.7% |
| (2) Estimated Future Sales Growth | 3.0% | (4) Estimated Future Earnings Per Share Growth | 2.3% |

2 EVALUATING Management

Ares Capital

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Last 5 Year Avg.
% Pre-tax Profit on Sales	93.7%	88.0%	89.8%	91.6%	99.8%	98.2%	93.0%	95.1%	83.0%	94.3%	92.7%
% Earned on Equity	11.6%	7.1%	9.1%	9.5%	11.7%	10.9%	6.9%	19.2%	6.6%	14.4%	11.6%
% Debt To Capital	42.6%	44.4%	42.9%	40.6%	41.7%	48.7%	54.4%	55.7%	56.3%	51.6%	53.3%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CURRENT PRICE 20.58 (08/12/24)

52-WEEK HIGH 21.84

52-WEEK LOW 18.55

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2019	19.3	15.3	1.86	10.4	8.2	1.60	86.0	10.5
2020	19.3	7.9	1.14	17.0	6.9	1.60	140.4	20.3
2021	21.7	16.4	3.51	6.2	4.7	1.62	46.2	9.9
2022	23.0	16.5	1.19	19.3	13.9	1.75	147.1	10.6
2023	20.2	17.0	2.68	7.5	6.3	1.92	71.6	11.3
AVERAGE		14.6		8.0	6.5		98.2	
CURRENT/TTM			2.85	7.7	6.5	1.92	67.4	
AVERAGE PRICE EARNINGS RATIO: 7.3					CURRENT PRICE EARNINGS RATIO: 7.2			

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 8.0 X Estimate High Earnings/Share 3.19 = Forecasted High Price \$ 25.5

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 6.5 X Estimate Low Earnings/Share 2.85 = Forecasted Low Price \$ 18.5

(b) Avg. Low Price of Last 5 Years 14.6

(c) Recent Market Low Price 16.5

(d) Price Dividend Will Support $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{1.92}{20.25\%} = 9.5$
Selected Forecasted Low Price \$ 18.5

C ZONING using 25%-50%-25%

Forecasted High Price 25.5 Minus Forecasted Low Price 18.5 = 7.0 Range. 25% of Range 1.8
Buy Zone 18.5 to 20.3
Hold Zone 20.3 to 23.8
Sell Zone 23.8 to 25.5

Present Market Price of 20.58 is in the **HOLD** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Current Price}}{\text{Current Price} - \text{Low Price}} = \frac{25.5 - 20.58}{20.58 - 18.5} = \frac{4.94}{2.08} = 2.4$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Current Price}}{\text{Current Price}} = \frac{25.5 - 20.58}{20.58} = 1.2400 \times 100 = 124.00 - 100 = 24.0$ % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Indicated Annual Dividend}}{\text{Current Price}} = \frac{1.92}{20.58} = 0.0933 = 9.3\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{98.2\%}{8.00} = 12.3\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{98.2\%}{7.25} = 13.6\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 4.4 %
Average Yield 12.3 %
Annualized Rate of Return 16.7 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 2.4 %
Average Yield 13.6 %
Annualized Rate of Return 15.9 %