



Investor Update  
Q4 2015

PROPERTY OF CAPITALA GROUP

# Disclaimer and Safe Harbor for Forward-Looking Statements

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The information contained herein has been derived from financial statements and other documents provided by the portfolio companies and/or the third party manager of such portfolio companies unless otherwise stated.

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The Company has determined its estimated net asset value in good faith based on information believed by the Company to be reliable as of December 31, 2015, but there can be no assurance that such estimated net asset value accurately reflects the fair value of the Company.

Statements included herein may constitute “forward-looking statements,” which relate to future events or our future performance or financial condition. Words such as “believe”, “intend”, “expect”, “project”, “anticipate” and “future” or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in the Company’s filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.



# Capitala Finance Corp. Overview

## Externally Managed BDC

- IPO in September 2013
- Approximately \$633 million in gross assets as of December 31, 2015
- Attractive SBIC funding provides low-cost, fixed rate funding with long-term maturities

## Dual Debt / Equity Investment Focus

- Primary focus on interest bearing investments that create NII and provide consistent cash distribution yields
- Equity investments in companies create opportunity to generate realized gains and grow NAV

## Complete Middle Market Focus

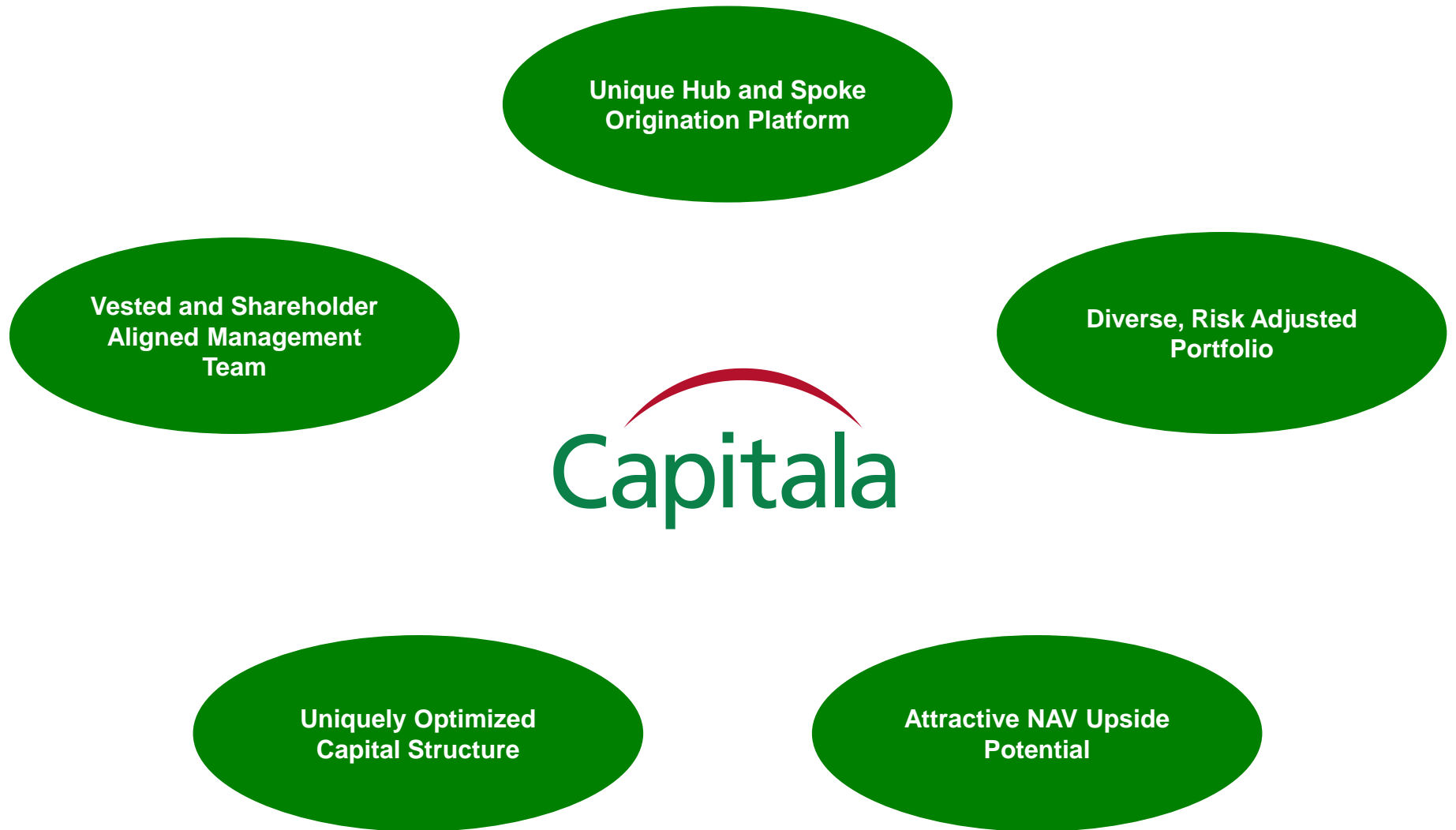
- Ability to make senior secured and senior subordinated loans across the middle market
- Lower middle market companies
  - EBITDA between \$5 million and \$30 million
  - Provide opportunities to capitalize at lower overall leverage levels and obtain potential equity ownership through co-investment and warrants
- Traditional middle market companies
  - EBITDA greater than \$30 million, generally
  - Offers more liquid credit opportunities with many well-capitalized, established companies

## Capitala Senior Loan Fund (“SLF”) Program

- Capitala SLF Program created to invest in a diverse portfolio of liquid, non-investment grade bank loans while utilizing leverage to enhance the overall portfolio return
- Established Capitala Senior Liquid Loan Fund I, LLC (“CSLLF”) in partnership with Kemper Corporation, a long-term platform investor

# The Capitala Finance Difference

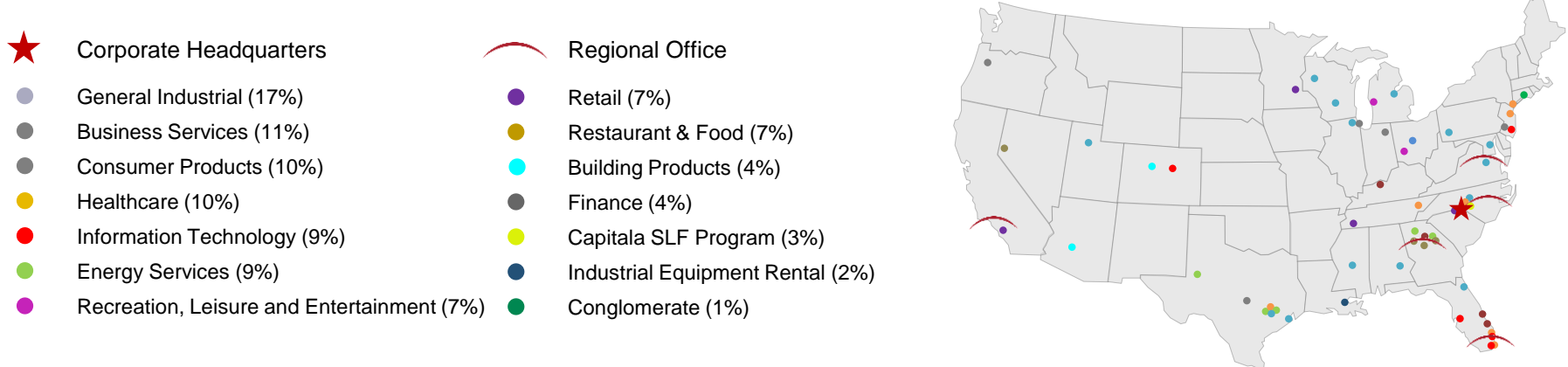
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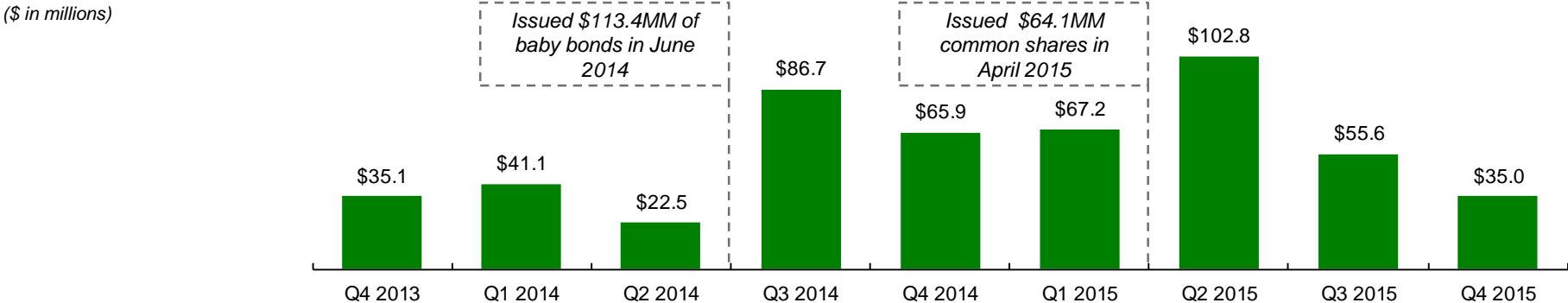
# Unique Hub and Spoke Origination Platform

- Unique regionally focused business development offices provide access to superior risk-adjusted investment opportunities
- Demonstrated growth and consistently robust quarterly deployments, with over \$500 million deployed since IPO

## Expanding Business Development Footprint Yields Diverse Deal Flow



## Deployment Summary by Quarter (1)



	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
# of Deployments <sup>(2)</sup>	7	5	7	14	12	8	17	10	6
\$ of Deployments (New Issuer)	\$21.0	\$26.9	\$14.3	\$73.0	\$61.4	\$60.0	\$93.4	\$40.0	\$24.2
\$ of Deployments (Add-on)	\$14.1	\$14.2	\$8.2	\$13.8	\$4.5	\$7.2	\$9.3	\$15.6	\$10.8
Average Yield Deployed Capital <sup>(3)</sup>	13.3%	14.6%	11.4%	11.4%	10.7%	13.3%	11.6%	12.6%	12.1%

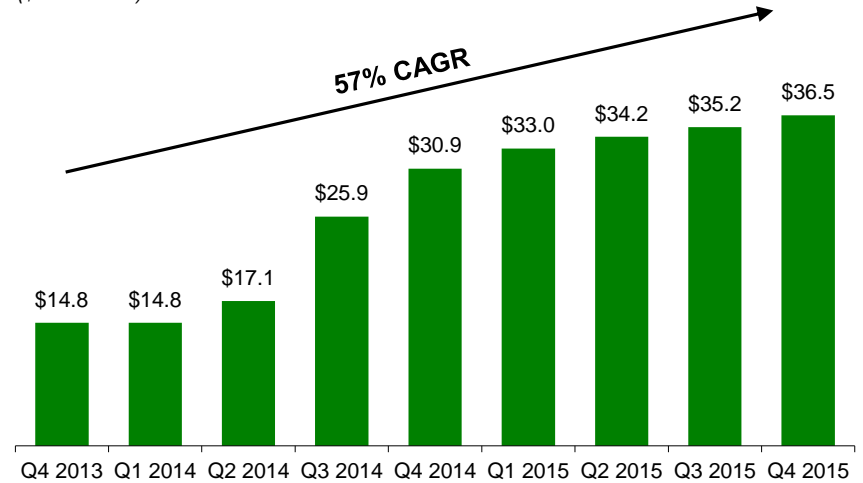
(1) Dollar amounts of deployments shown net of OID.  
 (2) Represents number of unique deployments by security type (not by portfolio company).  
 (3) Represents weighted average yield of debt investments only, based on fair value.

# Diverse, Risk Adjusted Portfolio

- Despite a competitive marketplace, Capitala Finance has maintained strict underwriting standards which result in conservative underlying leverage statistics
- Capitala Finance's portfolio provides attractive risk adjusted yields compared to peers, with 12.3% portfolio wide weighted average yield on debt investments <sup>(1)</sup>
  - Weighted average EBITDA of \$36.5 million represents a 57% CAGR in portfolio EBITDA since Q4 2013
- Capitala Finance has demonstrated the ability to invest in meaningfully larger companies while maintaining consistent portfolio-level yield and leverage statistics

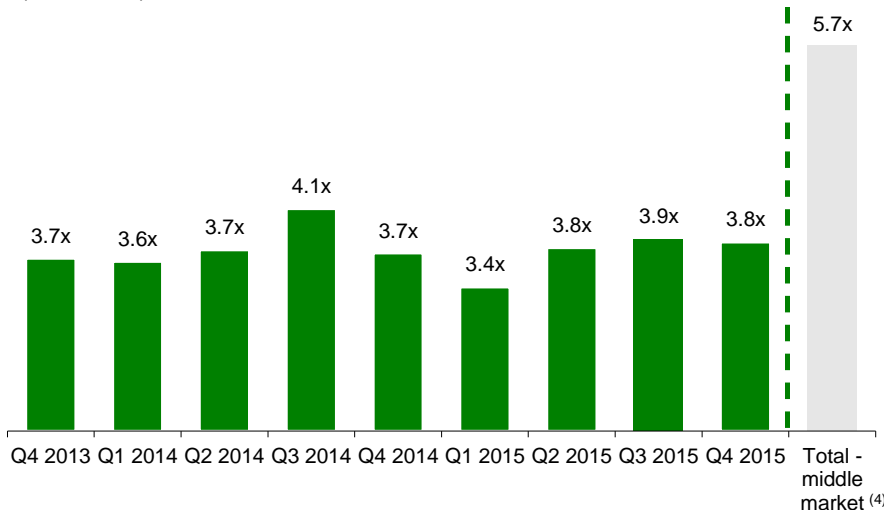
**Portfolio Weighted Average EBITDA Over Time<sup>(2)</sup>**

(\$ in millions)

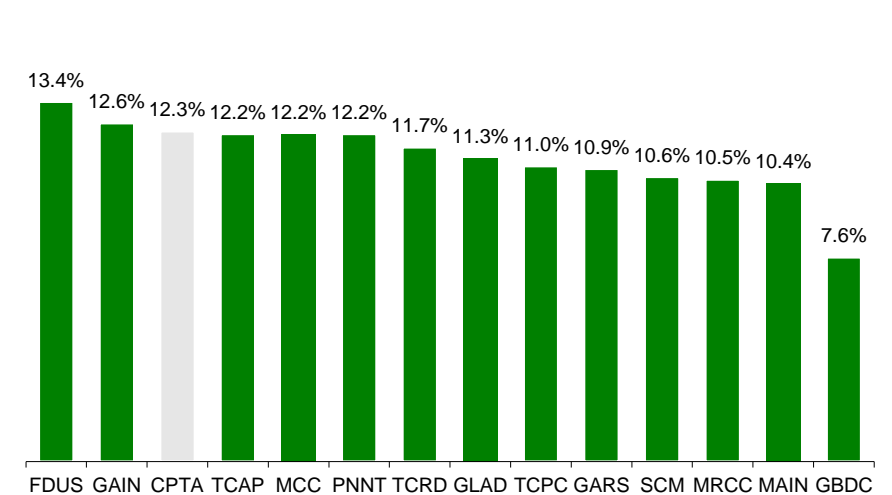


**Portfolio Net Leverage Over Time<sup>(3)</sup>**

(\$ in millions)



**Comparison of Portfolio Debt Yields Against Peers <sup>(1)(5)</sup>**



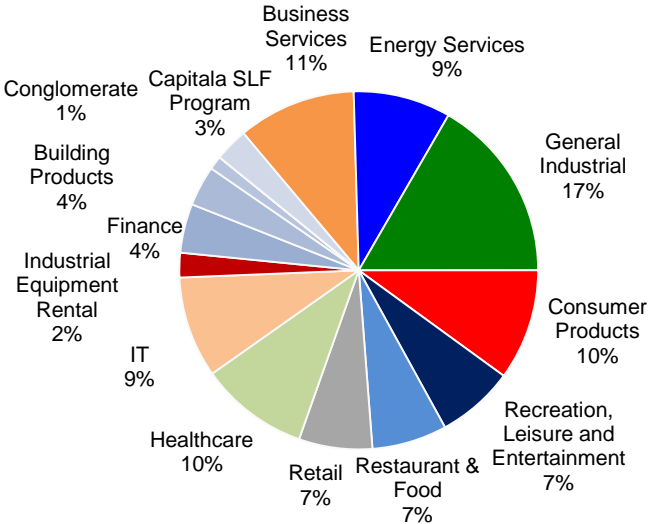
Note: Portfolio statistics as of December 31, 2015. Peer yields as of latest available reporting period.

- Weighted average yield excludes non-accrual investments; weighted average yield inclusive of the impact of non-accrual investments was 11.5%.
- Includes both debt and equity investments, weighted by fair value.
- Net leverage is defined as total debt less total cash and excludes equity investments, weighted by fair value. Excludes all capital subordinated to Capitala Finance's debt tranche, including but not limited to Capitala Finance's equity investments in portfolio companies.
- "Middle market" leverage estimate provided by leading trade publication and includes companies with EBITDA of \$50 million or less and represents total investment leverage, not net of cash.
- Peer group based on selected combination of market capitalization, investment mix and utilization of SBA funding.

# Diverse, Risk Adjusted Portfolio

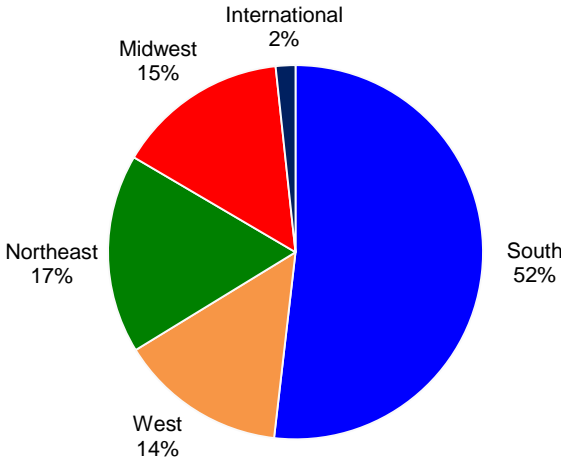
- Diversified ~\$592 million portfolio (excluding cash) across 57 companies, with 37% senior debt, 43% senior subordinated debt, 17% equity and 3% Capitala SLF Program

PORTFOLIO BY INDUSTRY



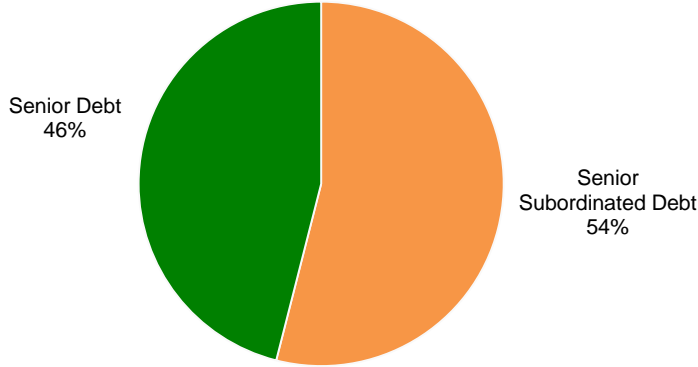
~\$592 million

PORTFOLIO BY GEOGRAPHY



~\$592 million

DEBT PORTFOLIO BY ASSET TYPE



~\$475 million

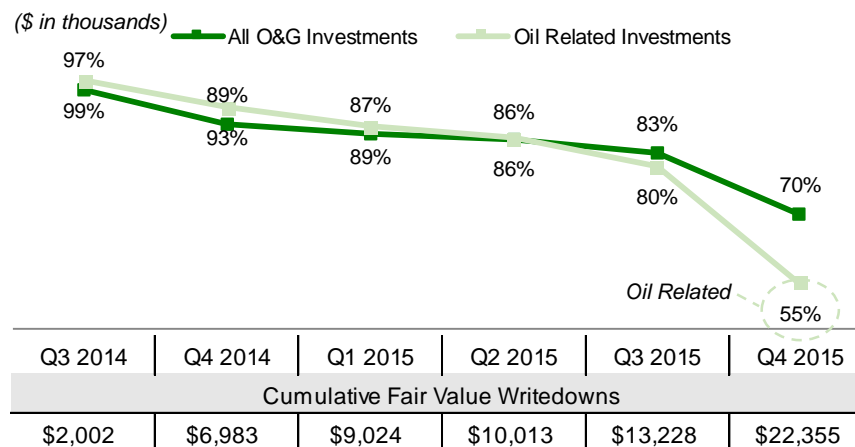
Note: Portfolio statistics as of December 31, 2015.  
 Note: Capitala SLF Program investment included in the South region.

# Diverse, Risk Adjusted Portfolio: Diversified Oil & Gas Exposure

- Five portfolio companies with direct exposure to the Oil & Gas (“O&G”) segment
- Fair value of Oil and Gas investments were approximately 70.0% of cost at December 31, 2015, compared to 83.2% at September 30, 2015
  - Oil related investments were 55.0% of cost
- Capitala Finance maintains consistent, direct access with all portfolio executives to receive real-time updates on current performance and future guidance
- Capitala Finance continues to prudently and transparently assess the value of its oil and gas investments and mark them to fair value as market conditions change

(\$ in thousands)

## O&G Cumulative Fair Value as a % of Cost Basis



	Portfolio Company	Description	Capitala Finance Investment at 12/31/2015		
			Cost Basis	Fair Value	\$ / % Change
Oil Related	SIERRA HAMILTON	Provides drilling-related engineering and consulting services to oil & gas exploration and production companies.	\$15,000	\$10,075	(\$4,925) / (32.8%)
	SAFETY	Provides consulting services, safety services and safety equipment sales and leasing to the oil and gas industry. Operates primarily in the Eagle Ford and Permian basins.	\$28,125	\$15,036	(\$13,089) / (46.5%)
	ABUTECH	Manufactures emission control products serving the oil & gas, landfill and wastewater treatment industries.	\$6,644	\$2,247	(\$4,397) / (66.2%)
	<b>Total Investment Value (Oil Related)</b>		<b>\$49,769</b>	<b>\$27,358</b>	<b>(\$22,411) / (45.0%)</b>
		<b>% of total</b>	<b>8.7%</b>	<b>4.6%</b>	
Gas Related	USWS	Provides well stimulation services to the upstream oil and gas industry, engaging in high-pressure hydraulic fracturing in unconventional oil and natural gas basins.	\$14,133	\$14,189	\$56 / 0.4%
	SPARUS	Provider of field, professional and technology services to utilities and other large industrial customers.	\$10,500	\$10,500	(\$0) / (0%)
	<b>Total Investment Value (Gas Related)</b>		<b>\$24,633</b>	<b>\$24,689</b>	<b>\$56 / 0.2%</b>
		<b>% of total</b>	<b>4.2%</b>	<b>4.3%</b>	
<b>Total Investment Value</b>		<b>\$74,402</b>	<b>\$52,047</b>	<b>(\$22,355) / (30.0%)</b>	
		<b>% of total</b>	<b>13.0%</b>	<b>8.8%</b>	

Note: Portfolio statistics as of December 31, 2015.

Note: A recognized loss of \$3.4 million on the debt and equity of Sparus Holdings was recorded in the fourth quarter of 2015 as part of a reorganization plan.



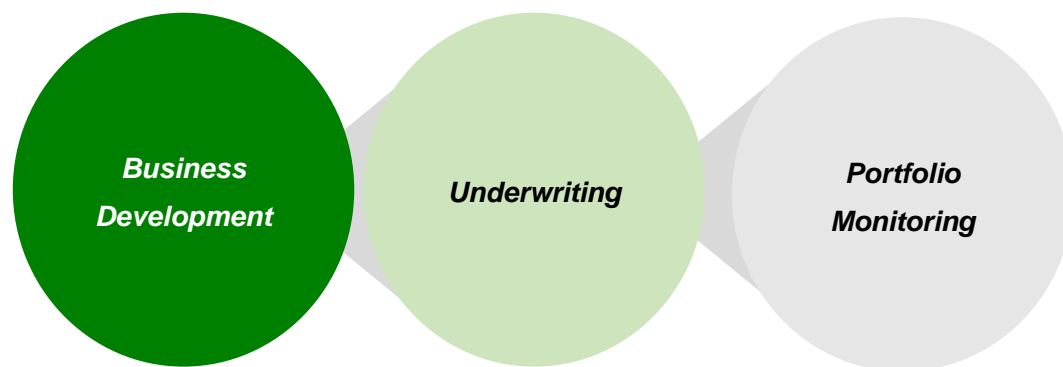
# Diverse, Risk Adjusted Portfolio: Non-Accrual Overview

- Five companies on non-accrual
- Dedicated team of investment professionals monitors ongoing performance of the portfolio, ensuring frequent and direct communication with all portfolio companies and equity sponsors, working to maximize value

## Summary of Assets on Non-Accrual

Company Logo	Company Name	Type of Debt	Investment Date	Cost	Fair Value	Quarterly Impact to NII
	ON-SITE FUEL SERVICE "We Come To You"	Subordinated	December 2011	\$8.4MM	\$4.4MM	\$0.02 per share
	American Exteriors "Right Window. Clear Value."	Subordinated	July 2008	\$3.7MM	\$3.2MM	\$0.01 per share
	WISE	Subordinated	September 2011	\$5.0MM	\$3.1MM	\$0.01 per share
	tc SAFETY	Subordinated	August 2013	\$24.5MM	\$15.0MM	\$0.05 per share
	ABUTECH	Senior	December 2012	\$5.4MM	\$2.2MM	\$0.01 per share

## Portfolio Monitoring Overview



- ✓ Dedicated team of professionals oversees existing portfolio
- ✓ Provides for proactive detection of potential performance declines
- ✓ Proactively works with management teams and equity sponsors to maximize value

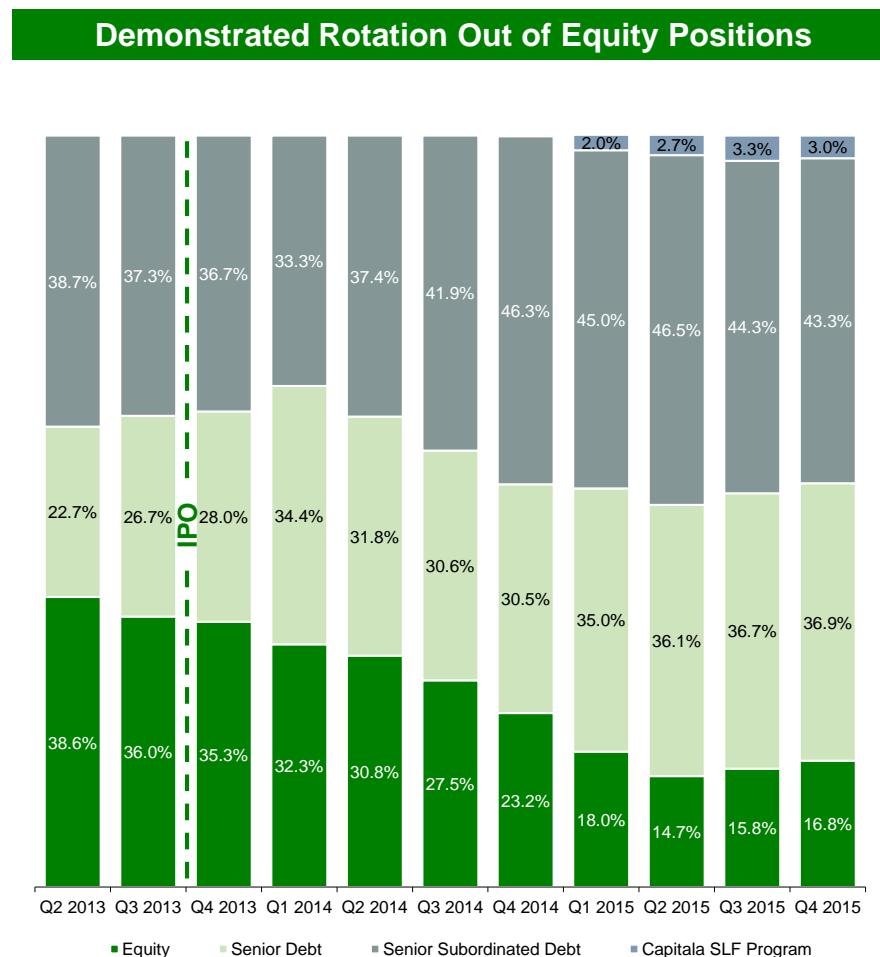
Note: Portfolio statistics as of December 31, 2015.

# Attractive NAV Upside Potential: Equity Portfolio Overview

- 32 active equity investments comprising \$54.3 million of invested capital with an estimated fair value of \$99.7 million, representing 16.8% of total investments at fair value
- Capitala Finance has delivered on its stated strategy of rotating out of legacy equity positions, and continues to seek attractive equity investment opportunities

(\$ in thousands)

Current Equity Investments			
Company	\$ Cost Basis	\$ Fair Value	% of Investments at Fair Value
MTI Holdings, LLC	\$2,000	\$13,917	2.3%
City Gear, LLC	1,269	10,451	1.8%
Medical Depot	1,333	8,345	1.4%
KTS *	3,124	6,411	1.1%
Navis Holdings, Inc	1,001	6,354	1.1%
Crowley *	6,271	6,271	1.1%
B&W Quality Growers *	20	5,408	0.9%
MJC Holdings, LLC	1,000	4,696	0.8%
Western Windows Systems, LLC *	3,000	4,299	0.7%
GA Communications, Inc.	2,415	3,926	0.7%
LJS Partners, LLC	1,525	3,342	0.6%
Brunswick Bowling Products, Inc *	3,118	3,141	0.5%
Burgaflex Holdings, LLC *	1,504	3,080	0.5%
Nth Degree *	3,015	3,015	0.5%
AAE Acquisition, LLC	17	2,181	0.4%
STX Healthcare Management Services, Inc.	1,418	2,054	0.3%
Corporate Visions, Inc.*	1,575	1,917	0.3%
MMI Holdings, LLC	1,216	1,669	0.3%
Micro Precision, LLC	1,629	1,629	0.3%
V12 Holdings, Inc.	-	1,560	0.3%
Source Capital Penray, LLC	750	1,481	0.2%
Print Direction, Inc.	2,990	1,308	0.2%
Boot Barn	381	1,171	0.2%
Taylor Precision Products, Inc.*	758	758	0.1%
Caregiver	523	721	0.1%
Burke America Parts Group, LLC *	5	533	0.1%
CableOrganizer Acquisition, LLC	1,125	13	0.0%
American Exteriors	-	-	0.0%
J&J Produce, Inc.	818	-	0.0%
On-Site Fuel Services, Inc.	5,676	-	0.0%
Source Capital Abutec, LLC	1,240	-	0.0%
TCE Holdings, Inc.	3,600	-	0.0%
<b>Total</b>	<b>\$54,315</b>	<b>\$99,651</b>	<b>16.8%</b>






Note: Current equity position details as of December 31, 2015.

Note: Current equity positions exclude \$17.9 million fair value of equity in the Capitala SLF Program.

Note: \* represents equity investments made since IPO.

# Attractive NAV Upside Potential: Demonstrated Track-Record of Equity Realizations

- Capitala Finance continues to generate meaningful internal rates of return (IRR) and realized gains through the monetization of equity investments

			 <small>Be Different. Where it Counts. Your Message.</small>
Investment Overview	<ul style="list-style-type: none"> <li>▪ On March 3, 2015 Capitala Finance sold 179,748 common shares in a secondary offering, recognizing \$4.0 million of net proceeds, representing a \$3.3 million gain<sup>(1)</sup></li> <li>▪ Sold 325,000 additional shares in the open market in the second quarter of 2015 for a realized gain of \$7.7 million</li> <li>▪ Capitala Finance still retains ~95,000 shares</li> </ul>	<ul style="list-style-type: none"> <li>▪ Total investment of \$8.3 million for Class A Preferred and Common Stock</li> <li>▪ Consideration of \$17.6 million in cash received upon exit in March 2015</li> <li>▪ \$9.3 million realized gain<sup>(3)</sup></li> <li>▪ Total shareholder distributions received prior to realization of \$6.5 million</li> </ul>	<ul style="list-style-type: none"> <li>▪ On May 29, 2015, Capitala Finance sold its common equity investment in CVI for cash proceeds of \$9.7 million</li> <li>▪ \$7.1 million realized gain, excluding benefit of \$0.6 million in sale proceeds held in escrow</li> <li>▪ In addition, Capitala Finance was repaid at par, \$11.5 million, in respect of its senior subordinated note</li> </ul>
Total Gross IRR	<ul style="list-style-type: none"> <li>▪ Entered investment in December 2011</li> <li>▪ <b><u>Total Gross IRR of 74%</u></b><sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Entered Investment in April 2011</li> <li>▪ <b><u>Total Gross IRR of 41%</u></b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Entered Investment in July 2010</li> <li>▪ <b><u>Total Gross IRR of 34%</u></b></li> </ul>
Total MOIC	<ul style="list-style-type: none"> <li>▪ <b><u>Total cash-on-cash return of 6.3x</u></b><sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b><u>Total cash-on-cash return of 3.1x</u></b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b><u>Total cash-on-cash return of 3.8x</u></b></li> </ul>
<b>Capitala Finance Has Demonstrated an Ability to Successfully Rotate Out of Legacy Equity Positions and Provide Meaningful Realized Gains to Shareholders</b>			

(1) Please reference Form 8-K filed on March 3, 2015 for additional detail related to partial Boot Barn realization. Boot Barn returns include impact of \$0.4 million dividend received on April 17, 2014.

(2) Boot Barn returns assume a current market valuation on remaining shares owned as of March 3, 2016.

(3) Please reference recent press release on March 17, 2015 for additional details related to KBP monetization.

# Attractive NAV Upside Potential: Demonstrated Return Profile

- Since IPO, Capitala has a realized loss ratio of 2.5% and has provided net realized gains of \$1.4MM
- Realized equity gains associated with rotation out of equity have provided attractive cushion to support normal course credit shocks

(\$ thousands)

Summary of Realized Gains and Losses				
	2013 <sup>(1)</sup>	2014	2015	Totals Since IPO
<i>Gross Debt Gains</i>	\$42	\$1,925	-	\$1,967
<i>Gross Equity Gains</i>	\$41	\$5,956	\$30,602	\$36,599
<b>Total Gross Gains</b>	<b>\$83</b>	<b>\$7,881</b>	<b>\$30,602</b>	<b>\$38,566</b>
<i>Gross Debt (Losses)</i>	(\$3,240)	(\$5,183)	(\$20,483)	(\$28,906)
<i>Gross Equity (Losses)</i>	(\$1,675)	(\$1,866)	(\$4,683)	(\$8,224)
<b>Total Gross (Losses)</b>	<b>(\$4,915)</b>	<b>(\$7,049)</b>	<b>(\$25,166)</b>	<b>(\$37,130)</b>
<i>Net Debt Gains / (Losses)</i>	(\$3,198)	(\$3,258)	(\$20,483)	(\$26,939)
<i>Net Equity Gains / (Losses)</i>	(\$1,634)	\$4,090	\$25,919	\$28,375
<b>Total Net Gains / (Losses)</b>	<b>(\$4,832)</b>	<b>\$832</b>	<b>\$5,436</b>	<b>\$1,436</b>

(1) Includes activity for the fiscal year 2013 only after IPO on September 30, 2013.  
Note: As of December 31, 2015.

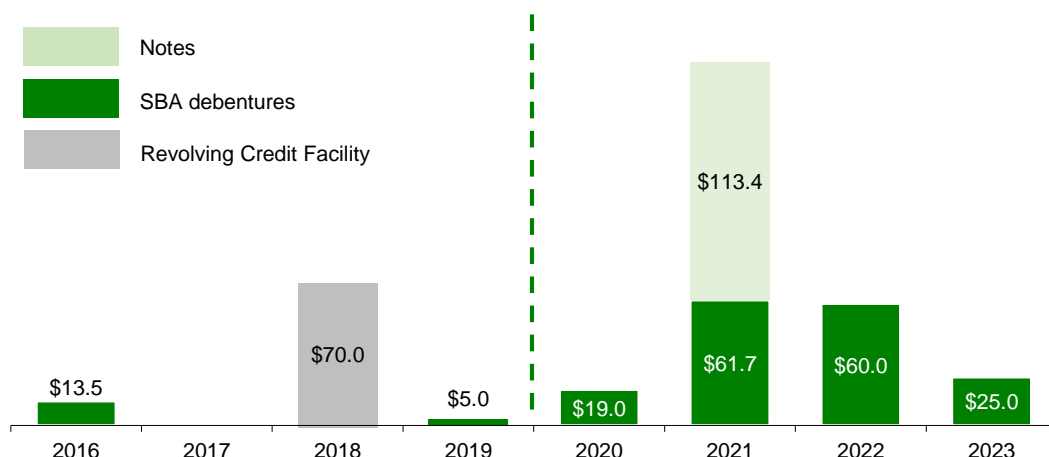
# Uniquely Optimized Capital Structure

- Stable liquidity and capital structure provided by SBA debentures and corporate notes with long-term maturities and fixed rates
  - Capitala Group principals have received four SBIC licenses, with a 10+ year track record
- Addition of revolving credit facility provides attractively priced, shorter-term capital with an accordion feature that can grow with the borrowing base

## Current Funding Overview

Facility	Interest Rate	Maturity	Amount Drawn (12/31/15)
SBA Debentures	3.51% fixed	2015 – 2023	\$184.2 million
Notes Payable	7.125% fixed	Callable June 2017 Matures June 2021	\$113.4 million
\$120 million Credit Facility	L+300 floating	October 2018	\$70.0 million

## Notes Maturity Profile (\$ in millions)



- 76% of existing notes and debentures mature in 2020 or later
  - \$184.2 million of 10-year term SBA guaranteed debentures
  - \$113.4 million of 7.125% notes due in 2021
- Obligors for SBA debentures are 2 SBIC licensee subsidiaries; issuer is not an SBIC obligor

Note: As of December 31, 2015.

# Uniquely Optimized Capital Structure

- Capitala Finance's unique, primarily fixed-rate liabilities combined with a growing mix of floating rate investments provide an attractive capital structure with limited downside risk to raising interest rates
- As of December 31, 2015, Capitala Finance had limited financing exposure to interest rate changes
  - 81% of Capitala Finance's liabilities are fixed rate and not subject to interest rate movements
  - 28% of Capitala Finance's total investments are floating rate and will benefit from increasing interest rates

## Interest Rate Sensitivity

(\$ thousands, except per share data)

Basis Point Change	Change in Interest Income	Change in Interest Expense	Increase / (Decrease) in Net Investment Income	Increase / (Decrease) in Net Investment Income per Share
+300 bps	\$4,179	(\$2,401)	\$1,778	\$0.11
+200 bps	\$2,482	(\$1,701)	\$781	\$0.05
+100 bps	\$853	(\$1,001)	(\$148)	(\$0.01)
-100 bps	(\$12)	\$305	\$293	\$0.02

Note: Assumes no change in portfolio investments or revolving credit facility borrowings as of December 31, 2015.

Note: Per share amount calculated based upon actual shares outstanding at December 31, 2015.

# Vested and Shareholder Aligned Management Team

## Fee waivers / investment positioning during economic downturn

- The Company's external manager voluntarily waived all or such portion of the quarterly incentive fees earned by the external manager that would otherwise cause the Company's quarterly net investment income to be less than the distribution payments declared, effective for the fourth quarter of 2015 and extended into 2016
- External manager waived management fees on uninvested IPO proceeds at Capitala Finance level for the first year post-IPO (expired September 30, 2014)
- During the 2008 economic downturn, legacy fund manager waived fees while adding professionals in order to maximize value for its investor base and to position its legacy funds to invest during the early stages of recovery

## Stock repurchase program

- For 2015 fiscal year, the Company repurchased 774,858 shares under the program, representing 4.6% of total shares outstanding; equating to ~\$12MM of repurchases under the \$12MM initial authorization

## Special distribution

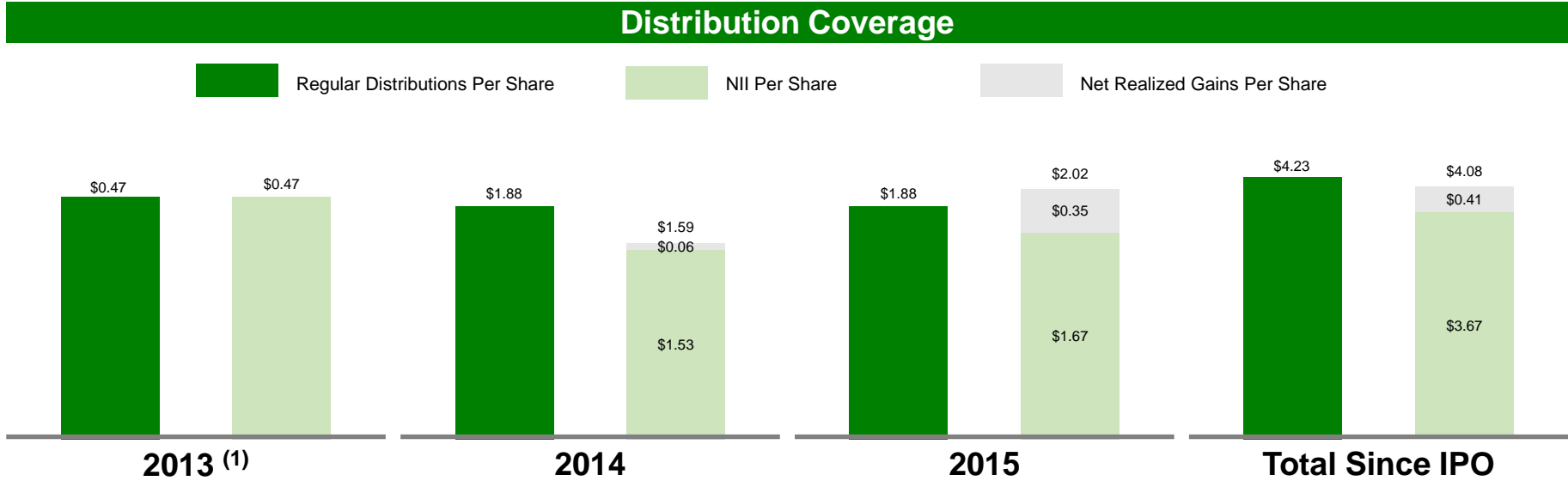
- On March 3, 2015, the Company's board of directors declared a special distribution of \$0.50 per common share, paid monthly through December 2015

## Management ownership and payment of fees for IPO

- Management team owns over 8% of the common stock and has made meaningful purchases in the open market since the IPO
- Management team rolled over \$10.0 million of invested capital into Company shares at IPO
- Management team bore a portion of the IPO expenses using some of its estimated \$18.5 million of carried interest and rolled over the remaining balance into Company shares

# Distribution Coverage

- Historic track-record since IPO of consistent NII, distribution coverage and realized gains
- Ability to leverage both NII and realized gains to provide distribution stability with a focus on continued coverage of regular distributions through NII



## Distinguishing Factors

- ✓ **NII covered regular distributions in Q3 and Q4 2015**
- ✓ Since IPO, Capitala Finance has paid \$4.23 per share in regular distributions and recorded \$4.08 per share of NII and realized gains
- ✓ No return of shareholder capital for the tax years ended August 31, 2014 and 2015
- ✓ Capitala Finance paid \$0.50 per share of special distributions in 2015

(1) Includes activity for the fiscal year 2013 only after IPO on September 30, 2013.



# Summary of Financial Performance

## Statements of Operations

(\$ in thousands, except per share data)

	Three Months Ended:						
	12/31/15 (unaudited)	9/30/15 (unaudited)	6/30/15 (unaudited)	3/31/15 (unaudited)	12/31/14 (unaudited)	9/30/14 (unaudited)	6/30/14 (unaudited)
<b>Investment Income</b>							
Interest, PIK, and fees	\$15,561	\$17,505	\$14,874	\$13,674	\$13,045	\$11,044	\$9,257
Dividends	729	798	208	366	413	120	3,263
Other income	257	1	2	1	3	3	6
<b>Total investment income</b>	<b>16,547</b>	<b>18,304</b>	<b>15,084</b>	<b>14,041</b>	<b>13,461</b>	<b>11,167</b>	<b>12,526</b>
<b>Expenses</b>							
Interest and financing expense	4,896	4,809	4,681	4,637	4,505	4,268	2,401
Management fees, net of waivers	2,812	2,781	2,587	2,410	2,459	2,498	2,200
Incentive fees, net of waivers	529	1,946	1,329	1,180	-	-	1,408
Other expenses	903	981	1,170	997	1,430	857	883
<b>Total expenses</b>	<b>9,140</b>	<b>10,517</b>	<b>9,767</b>	<b>9,224</b>	<b>8,394</b>	<b>7,623</b>	<b>6,892</b>
<b>Net Investment Income</b>	<b>7,407</b>	<b>7,787</b>	<b>5,317</b>	<b>4,817</b>	<b>5,067</b>	<b>3,544</b>	<b>5,634</b>
Net Realized gain (loss) from investments	(3,704)	(16,037)	15,837	9,340	2,205	(3,055)	462
Unrealized appreciation (depreciation)	(12,620)	16,208	(16,212)	(4,290)	(18,453)	(178)	116
Net gain (loss) on investments	(16,324)	171	(375)	5,050	(16,248)	(3,233)	578
<b>Net increase (decrease) in assets resulting from operations</b>	<b>(\$8,917)</b>	<b>\$7,958</b>	<b>\$4,942</b>	<b>\$9,867</b>	<b>(\$11,181)</b>	<b>\$311</b>	<b>\$6,212</b>
<b>Net investment income per share</b>	<b>\$0.47</b>	<b>\$0.48</b>	<b>\$0.33</b>	<b>\$0.37</b>	<b>\$0.39</b>	<b>\$0.27</b>	<b>\$0.43</b>
<b>Net realized gains / (losses), per share</b>	<b>(\$0.24)</b>	<b>(\$1.00)</b>	<b>\$0.99</b>	<b>\$0.72</b>	<b>\$0.17</b>	<b>(\$0.24)</b>	<b>\$0.04</b>
<b>Net increase (decrease) in assets resulting from operations per share</b>	<b>(\$0.57)</b>	<b>\$0.49</b>	<b>(\$1.02)</b>	<b>\$0.76</b>	<b>(\$0.86)</b>	<b>\$0.02</b>	<b>\$0.48</b>
<b>Distributions declared during quarter</b>	<b>\$0.47</b>	<b>\$0.47</b>	<b>\$0.47</b>	<b>\$0.97</b>	<b>\$0.47</b>	<b>\$0.47</b>	<b>\$0.47</b>
<b>Distributions paid during the quarter</b>	<b>\$0.62</b>	<b>\$0.62</b>	<b>\$0.62</b>	<b>\$0.52</b>	<b>\$0.47</b>	<b>\$0.47</b>	<b>\$0.47</b>

# Summary of Financial Performance

## Statements of Assets & Liabilities

(\$ in thousands)

	12/31/15 (unaudited)	9/30/2015 <sup>(1)</sup> (unaudited)	6/30/2015 <sup>(1)</sup> (unaudited)	3/31/2015 <sup>(1)</sup> (unaudited)	12/31/14 <sup>(1)</sup> (audited)	9/30/14 <sup>(1)</sup> (unaudited)	6/30/14 <sup>(1)</sup> (unaudited)
Investments at fair value	\$592,456	\$588,217	\$565,314	\$518,927	\$480,337	\$445,126	\$405,559
Cash and cash equivalents	34,105	37,535	39,533	32,007	55,107	107,576	166,503
Other assets	6,257	7,337	4,645	6,249	4,420	4,128	3,704
Total assets	<u>\$632,818</u>	<u>\$633,089</u>	<u>\$609,492</u>	<u>\$557,183</u>	<u>\$539,864</u>	<u>\$556,830</u>	<u>\$575,766</u>
SBA debentures	\$180,663	\$180,505	\$188,340	\$188,173	\$188,008	\$187,843	\$187,681
Notes	109,855	109,722	109,578	109,462	109,337	109,213	109,254
Revolving credit facility	68,351	49,184	(1,662)	13,158	(1,709)	-	-
Distribution payable	-	2,384	4,879	5,840	-	-	-
Other liabilities	5,147	4,482	16,492	2,378	3,391	1,658	14,927
Total liabilities	<u>364,016</u>	<u>346,277</u>	<u>317,627</u>	<u>319,011</u>	<u>299,027</u>	<u>298,714</u>	<u>311,862</u>
Net assets	268,802	286,812	291,865	238,172	240,837	258,116	263,904
Total liabilities and net assets	<u>\$632,818</u>	<u>\$633,089</u>	<u>\$609,492</u>	<u>\$557,183</u>	<u>\$539,864</u>	<u>\$556,830</u>	<u>\$575,766</u>
Number of portfolio investments	57	58	60	54	52	50	45
Leverage ratio-actual	1.37x	1.22x	1.05x	1.35x	1.27x	1.18x	1.16x
Leverage ratio - regulatory	0.68x	0.57x	0.39x	0.54x	0.47x	0.44x	0.43x
Average risk rating	1.83	1.92	1.97	1.88	1.83	1.80	1.73
Non-accrual loans at fair value	\$28,010	\$10,944	\$10,530	\$ -	\$ -	\$7,822	\$5,560
PIK non-accrual loans at fair value	\$0	\$9,730	\$5,740	\$10,500	\$10,573	\$ -	\$ -

(1) Prior periods have been adjusted for retrospective presentation of deferred debt issuance costs as a direct reduction to the related debt outstanding.

# Conclusion

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Experienced team with comprehensive credit management expertise and no historical attrition among senior management



Established and scalable direct origination capabilities



Proven investment process with a historical investment portfolio punctuated by conservative leverage and superior debt yields



Demonstrated principled commitment to investors, combined with a track-record of providing attractive shareholder returns

# Corporate Information

## Senior Management

**Joe Alala, III**  
Chairman & CEO,  
Capitala Finance Corp.

**Jack McGlinn**  
COO & Treasurer,  
Capitala Finance Corp.

**Chris Norton**  
Chief Risk Officer,  
Investment Advisor

**Steve Arnall**  
Chief Financial Officer,  
Capitala Finance Corp.

**Mike Marr**  
Director – Portfolio,  
Investment Advisor

**Richard Wheelahan III**  
CCO & General Counsel  
Capitala Finance Corp.

## Research Coverage

**Barclays**  
Mark DeVries

**BB&T**  
Vernon Plack, CFA

**Deutsche Bank**  
Stephen Laws

**FBR & Co.**  
Christopher Nolan

**Janney**  
Mitchel Penn, CFA

**Jefferies**  
John Hecht

**JMP Securities**  
Christopher York

**Keefe, Bruyette & Woods**  
Ryan Lynch, CPA

**Ladenburg Thalmann**  
Mickey Schleien

**Oppenheimer**  
Chris Kotowski

**Stephens**  
Matt Schmid

**UBS**  
Matt Howlett

**Wunderlich Securities**  
Merrill Ross

## Fiscal Year End

December 31

## Independent Auditor

Ernst & Young LLP

## Corporate Counsel

Sutherland Asbill & Brennan LLP

## Securities Listings

Nasdaq:CPTA (common stock)  
NYSE:CLA (notes)

## Transfer Agent

American Stock Transfer and Trust

## Corporate Headquarters & Website

4201 Congress St, Suite 360  
Charlotte, NC 28209

704-376-5502

[www.capitalagroup.com](http://www.capitalagroup.com)

# Capitala Finance Corp. – Public Issuer Overview

<b>Exchange-Traded Issuances:</b>	Common Stock – Nasdaq:CPTA Bonds – NYSE:CLA		
<b>External Manager:</b>	Capitala Investment Advisors, LLC		
<b>Current Price / Share:</b>	\$11.80 <sup>(1)</sup> (0.69x price / book <sup>(2)</sup> )		
<b>Shares / Market Cap<sup>(1)</sup>:</b>	15.8 million / \$186.2 million		
<b>Portfolio Fair Value<sup>(2)</sup>:</b>	\$592.5 million (excluding cash); \$632.8 million gross asset value		
<b>Investment Strategy:</b>	To directly originate debt and selective equity investments in middle market companies		
<b>Weighted Average Portfolio Debt Investment Yield<sup>(2)(3)(4)</sup>:</b>	12.7% Senior Debt	11.9% Senior Subordinated	12.3% Total
<b>Annualized Distribution<sup>(5)</sup>:</b>	14.6% implied annual distribution yield <sup>(6)</sup>		
<b>Management Ownership<sup>(1)</sup>:</b>	Approximately \$15.5 million (over 8%)		
<b>Management Fee<sup>(7)</sup>:</b>	Base fee of 1.75% of gross assets		
<b>Incentive Fee<sup>(7)</sup>:</b>	(1) 20% of pre-incentive fee net investment income above an 8% hurdle and (2) 20% of cumulative capital gains		

(1) Based on the closing price as of March 7, 2016. Total shares outstanding as of December 31, 2015.

(2) As of December 31, 2015.

(3) Represents weighted average investment yield on debt investments only, based on fair value.

(4) Weighted average yield excludes non-accrual investments; weighted average yield inclusive of the impact of non-accrual investments was 11.5% for total portfolio.

(5) Please reference press release issued on May 4, 2015 regarding inclusion of declared distributions and implied distribution yield.

(6) Calculated as annualized quarterly distributions of \$0.62 divided by net asset value per share of \$17.04.

(7) Please reference most recent Form 10-Q filed on November 9, 2015 for additional detail related to incentive fee.

# Experienced, Cohesive Team

Name	Title	Education
Joe B. Alala, III	Chairman & CEO	JD/MBA – Wake Forest University / AB – Princeton University
M. Hunt Broyhill	Partner & Member of Board of Directors	BA – Wake Forest University
Jack McGlinn	COO & Director	MBA – UNC Chapel Hill / BA Accounting – Notre Dame
Chris Norton	CRO & Director – Underwriting	MBA & BS Commerce – University of Virginia
Steve Arnall	CFO	BA Accounting – James Madison University / CPA
Stephen Riddell, CFA	Senior Portfolio Manager – Liquid Credit	MBA – Vanderbilt / BA Economics – Furman University / CFA Charterholder
Richard Wheelahan	CCO, Director & General Counsel	JD – UNC Chapel Hill / BA Political Science – Appalachian State University
Lynne Girts	CAO	BS Accounting – University of Southern Mississippi
Michael Marr	Director – Portfolio	ML Taxation – Emory / JD – Campbell / BSBA – University of North Carolina
Randall Fontes	Director – Atlanta	MBA – Duke University / BA Economics – Tulane University
Mario Shaffer	Director – D.C.	BA – College of William and Mary
Adam Richeson	Director	MBA – Wake Forest University / BA – The Ohio State University
Davis Hutchens	Director	MBA – UNCC / BA Sociology & Computer Science – Duke
Eric Althofer	Vice President	MBA – University of Michigan / BA Economics – Washington University
Michael Graham	Vice President	MBA – University of Pennsylvania / BA Economics – Vanderbilt
Casey Swercheck	Vice President	BS Finance – University of Pittsburgh
Christian MacCarron	Vice President	BA Economics – UCLA
Kevin Koonts	Controller	BSBA & Master of Accounting – University of North Carolina / CPA
Danny Speake	Associate	BA Economics – Sewanee
Alexander Paczek	Analyst	BA – Macalester College
Richard Dunham	Business Development	JD/MBA – Wake Forest University / BS – Dartmouth

Represents “core” team who have been together since 2003

# Capitala Finance Corp.

Common stock: Nasdaq:CPTA

Notes: NYSE:CLA

Q4 2015