



# Triangle Capital Corporation

NASDAQ Global Market Symbol: TCAP  
[www.tcap.com](http://www.tcap.com)

## Investor Presentation

June 2008



## *“Safe Harbor”*

Statement under the Private Securities Litigation Reform Act of 1995: This presentation contains forward-looking statements concerning our goals, beliefs, strategies, future operating results and underlying assumptions. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including those described under the caption “Special Note Regarding Forward-Looking Statements” which are detailed in our filings with the SEC. We undertake no obligation to update the information contained in this presentation to reflect subsequently occurring events or circumstances. This presentation contains non-GAAP measures.

# COMPANY & INDUSTRY OVERVIEW

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# Company Overview

- ◆ Pure-play, lower middle market, internally managed BDC
- ◆ Typical investment size = \$5MM to \$15MM
- ◆ Invest primarily in subordinated debt and equity securities
- ◆ 2Q 2008 annualized dividend = \$1.24 per share
- ◆ Run Rate net investment income = \$1.50 per share <sup>(1)</sup>
- ◆ Current assets under management ≈ \$220MM

*Our goal is to be the premier provider of capital  
to lower middle market companies*

*(1) Anticipated NII per share based on 2008 YTD transaction closings which have been previously announced.*

# Key Investment Considerations

- ◆ Attractive business model
  - Recurring revenue stream
  - High operating leverage drives net investment income (NII)
- ◆ Seasoned investment team
  - Eight transaction professionals
  - Over 150 years of advising, investing and operating experience
- ◆ Attractive lower middle market focus
  - Less transaction competition
  - Higher transaction IRRs
- ◆ Weighted average yield on portfolio is 13.7% vs. industry average of 11.9%
  - Seasoned investment portfolio
- ◆ Strong capital structure
  - Low cost, long term SBA debt (10 years)  $\approx$  5.80% coupon
  - Lower cost of debt reduces WACC and increases NII

# BDC Industry Overview

- ◆ Business Development Companies (“BDCs”) are uniquely positioned financing vehicles
  - Created by congress to promote investments in privately held companies
  - In 1997 there were 3 BDCs
  - Currently there are 26 BDCs
- ◆ BDCs function as tax-advantaged, pass-through entities
  - Limited corporate taxation
  - Greater than 90% of earnings are passed to shareholders in the form of dividends
- ◆ BDCs are low risk way to participate in private equity
  - Similarities: business scope, equity upside, lean staffing models
  - Differences: perpetual funding, recurring revenue, lower cost of capital

# Why We Target the Lower Middle Market

- ◆ Over 65,000 lower middle market companies in the United States with revenues between \$10MM and \$100MM
  - More than 90% are privately held
  - Significant financing needs
- ◆ Highly fragmented market underserved by commercial & investment banks
  - Offers superior risk-adjusted returns
  - Attractive niche for a seasoned team with an operational discipline
- ◆ Less competitive pricing environment
  - Relationships matter
  - Certainty of closing is extremely important

*Our core investing team of 8 professionals includes two former private company presidents, one former public company CFO, two CFAs, & two CPAs*

# Investment Criteria

## Established Companies with Positive Cash Flow

- ◆ \$2.0MM to \$10MM of LTM EBITDA
- ◆ Do not invest in start-up companies or companies in distressed situations

## Seasoned Management Teams

- ◆ Relevant industry experience
- ◆ Management teams with meaningful equity stakes

## Strong Competitive Position in Industry

- ◆ Well positioned for growth opportunities
- ◆ Operate businesses in industries with barriers to entry
- ◆ Competitive advantages – protect market position and profitability

## Diversified Customer Supplier Base

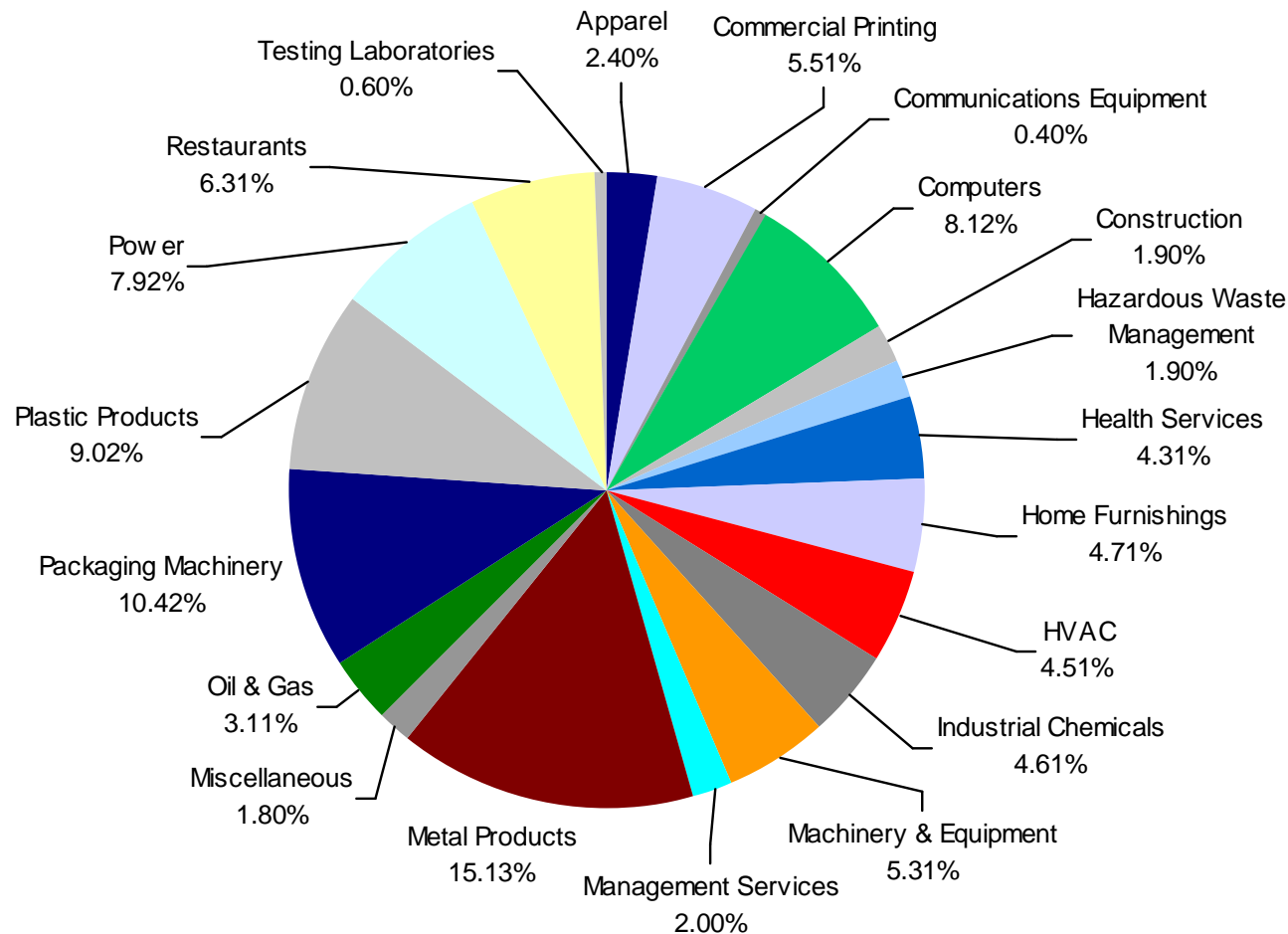
- ◆ Better positioned for economic downturns
- ◆ Increased ability to endure industry consolidation
- ◆ Can adapt to changing business conditions

## Significant Invested Capital

- ◆ Underlying enterprise value
- ◆ Sufficient value beyond the layer of the capital structure in which we invest to provide a reasonable assurance of recovery for our debt investments

# High Quality, Diversified Portfolio

- ◆ \$160MM in commitments across 20 industries and 32 companies



*Our portfolio contains no sub-prime mortgage exposure, no commercial real estate exposure, and no consumer credit exposure*

(1) As of May 1, 2008, at FMV and excluding cash on hand.

# Significant Events: IPO to Present

- ◆ Successfully invested 100% of IPO proceeds by December 31, 2007
  - 17 successful transaction closings since IPO (including 6 during 2008)
  - Commitments totaling ~ \$104MM
  - Average commitment size = \$6.1MM
- ◆ Dividend growth pacing well ahead of expectations
  - June 2007 dividend of \$0.15 / share
  - September 2007 dividend of \$0.26 / share
  - December 2007 dividend of \$0.27 / share
  - January 2008 dividend of \$0.30 / share
  - June 2008 dividend (announced May 7) of \$0.31 / share
- ◆ Expanding operational team to focus on future growth
  - 2 Managing directors
  - Principal accounting officer
  - 2 Analysts

# FINANCIAL OVERVIEW

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# Long Term Financial Goals

- ◆ Maintain excellent dividend reputation
  - Long term, steadily increasing dividend
  - Harvest capital gains when possible
- ◆ Maintain disciplined cost controls
  - Take advantage of fixed cost operational structure
  - Enable asset growth to outpace SG & A growth
- ◆ Maintain prudent credit profile
  - Opportunistic use of leverage to enhance shareholder returns
  - Use low cost SBA leverage to increase NII

# March 31, 2008 Results & Pro Forma Analysis

	At March 31, 2008		
	(\$ in thousands)		
	Actual	Run Rate <sup>(1)</sup>	Potential <sup>(3)</sup>
Total investment income	\$3,864	\$21,000	\$27,000
SBA interest expense	(\$602)	(\$4,800)	(\$7,600)
SG&A expense	(\$1,348)	(\$5,800)	(\$6,400)
Net investment income	\$1,914	\$10,400	\$13,000
Annualized Yield <sup>(2)</sup>	10.78%	13.07%	16.34%

(1) Run rate results are annualized 1Q 2008 investment results including recently announced transaction closings and adjusting SBA interest expense and SG&A expenses for a full year of operations.

(2) Annualized yield based on \$0.31 per share dividend announced May 7, 2008, and stock price of \$11.50 utilizing 6.8MM shares outstanding in 1Q08. Run Rate and Potential yield analysis assumes 100% NII dividend payout ratio and 6.9MM shares outstanding.

(3) Potential annualized yield assuming remaining capital is invested at a weighted average yield of 13.0%.

# Financial Overview: Capitalization at 1Q 2008

	At March 31, 2008	
	(\$ in thousands)	
	Actual	Pro forma <sup>(1)</sup>
Cash and cash equivalents	\$15,600	\$12,500
Long-term debt	\$47,000	\$71,500
Stockholders' equity		
Additional paid-in-capital	\$87,000	\$87,000
Retained earnings	7,300	7,300
Total stockholders' equity	\$94,300	\$94,300
Total capitalization	\$141,300	\$165,800

(1) Pro forma cash and debt positions as of May 1, 2008.

# Strong Liquidity Position

	At March 31, 2008	
	(\$ in thousands)	
	Actual	Pro Forma <sup>(1)</sup>
Cash	\$15,600	\$12,500
Available SBA Debt	83,500	59,000
Total Liquidity	<u>\$99,100</u>	<u>\$71,500</u>

(1) Pro Forma liquidity position as of May 1, 2008, based on transactions closed since March 31, 2008.

# Attractive Operating Statistics

## Key Portfolio Characteristics

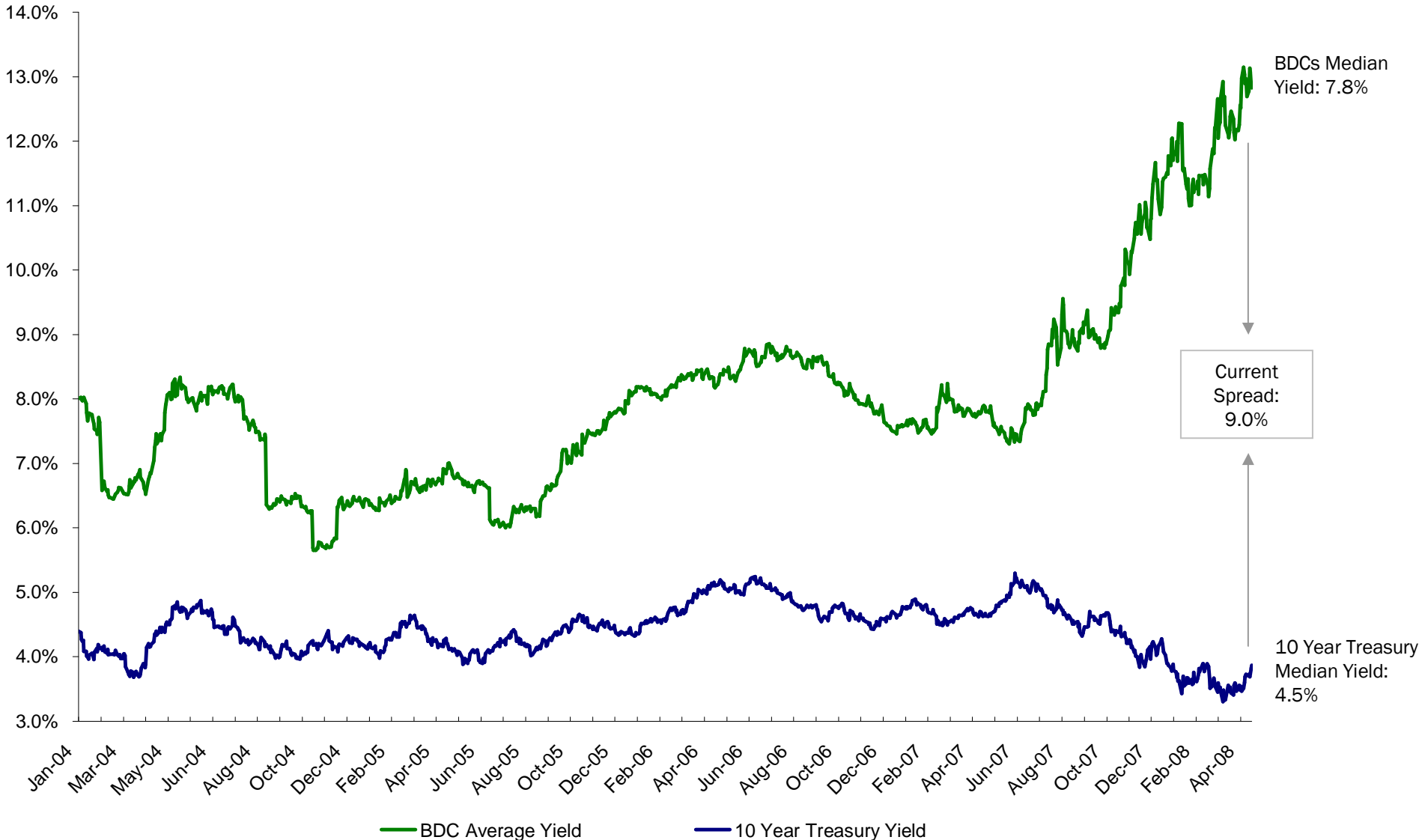
- Industry leading yield
- Investment breakdown: 12% senior debt, 75% sub-debt, 13% equity
- Excellent credit metrics
- Significant diversification across multiple sectors

## Key Portfolio Statistics

	<u>TCAP</u>	<u>Peer / Industry Average</u> <sup>(1)</sup>
Total debt yield	13.7%	11.9%
Median total leverage	3.5x	5.9x
Weighted average IRRs	24.2%	18.2%
Non-accrual / work-out assets	0.9%	7.7%

(1) Industry average yield based on Morgan Keegan research; Median leverage based on ACAS 1Q 2008 portfolio analysis; weighted average IRR and non-accrual statistics based on ACAS and ALD information as of 1Q 08.

# BDC Industry Yield Analysis



*The historical spread between the BDC and 10 Year Treasury yield is 3.4%*

# Significant Insider Holdings

- ◆ Independent directors purchased \$3.0MM of stock at IPO
  - Purchases made at market price (no special discounts)
- ◆ Since IPO management team has purchased \$0.8MM of stock
  - Purchases have been made during each quarter since IPO
- ◆ Since IPO independent directors have purchased \$1.2MM of stock
  - Purchases have been made during each quarter since IPO

*Collectively, management team members and independent directors have invested \$5.0MM in TCAP stock and own 13.3% of the Company*

# Future Growth Drivers

- ◆ Consistent, proactive marketing efforts
  - Maintain continuous contact with sponsors, bankers, advisors, etc.
  
- ◆ Maintain healthy transaction pipeline
  - Current period of market volatility is good for us
  - Improved ability to negotiate favorable transaction terms
  
- ◆ Focus on yield enhancing opportunities
  - Upfront fees, PIK interest, amendment fees
  - 2006 total fee/dividend income = \$479M; 2007 = \$926M (1Q08 = \$228M)
  
- ◆ Provide creative, value-added services to portfolio companies
  - Operational and strategic expertise
  - Investment banking advice