

**STELLUS**  
CAPITAL  
INVESTMENT CORPORATION

**Investor  
Presentation**

Quarter ended March 31, 2022



# Disclaimer

THIS PRESENTATION IS FOR INFORMATIONAL PURPOSES ONLY. THE INFORMATION CONTAINED HEREIN IS NOT INTENDED TO PROVIDE, AND SHOULD NOT BE RELIED UPON FOR, ACCOUNTING, LEGAL OR TAX ADVICE OR INVESTMENT RECOMMENDATIONS. THIS PRESENTATION IS NEITHER AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY STELLUS CAPITAL INVESTMENT CORPORATION (“SCM”) SECURITIES. AN OFFERING IS ONLY MADE BY AN APPLICABLE PROSPECTUS. THIS PRESENTATION MUST BE READ IN CONJUNCTION WITH A PROSPECTUS IN ORDER TO FULLY UNDERSTAND ALL OF THE IMPLICATIONS AND RISKS OF THE OFFERING OF SECURITIES TO WHICH THE PROSPECTUS RELATES INCLUDING THOSE LISTED IN THE “RISK FACTORS” SECTION OF OUR FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION (“SEC”), INCLUDING THE IMPACT OF THE COVID-19 PANDEMIC ON SCM, ITS PORTFOLIO COMPANIES, AND THE GLOBAL AND UNITED STATES ECONOMY. A COPY OF SUCH A PROSPECTUS MUST BE MADE AVAILABLE TO YOU IN CONNECTION WITH ANY OFFERING. BEFORE MAKING AN INVESTMENT DECISION WITH RESPECT TO SCM, INVESTORS ARE ADVISED TO CAREFULLY REVIEW AN APPLICABLE PROSPECTUS TO REVIEW THE RISK FACTORS DESCRIBED THEREIN, AND TO CONSULT WITH THEIR TAX, FINANCIAL, INVESTMENT AND LEGAL ADVISORS. THESE MATERIALS DO NOT PURPORT TO BE COMPLETE, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE MORE DETAILED DISCLOSURES CONTAINED IN AN APPLICABLE PROSPECTUS AND SCM’S RELATED DOCUMENTATION INCLUDING SEC FILINGS.

STATEMENTS INCLUDED HEREIN MAY CONTAIN “FORWARD-LOOKING STATEMENTS” WHICH RELATE TO FUTURE PERFORMANCE OR FINANCIAL CONDITION. STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDED IN THIS PRESENTATION MAY CONSTITUTE FORWARD-LOOKING STATEMENTS AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE OR RESULTS AND INVOLVE A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, INCLUDING RISKS AND UNCERTAINTIES ASSOCIATED WITH THE COVID-19 PANDEMIC ON SCM, ITS PORTFOLIO COMPANIES, AND THE GLOBAL AND UNITED STATES ECONOMY, WHICH CHANGE OVER TIME. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN ANY FORWARD-LOOKING STATEMENTS AS A RESULT OF A NUMBER OF FACTORS, INCLUDING THOSE DESCRIBED FROM TIME TO TIME IN FILINGS BY SCM WITH THE SECURITIES AND EXCHANGE COMMISSION. SCM UNDERTAKES NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENT MADE HEREIN. ALL OF THE INFORMATION IN THIS PRESENTATION, INCLUDING ANY FORWARD-LOOKING STATEMENTS, IS PRESENTED AS OF THE TIME PERIOD ON THE COVER OF THIS PRESENTATION (EXCEPT AS OTHERWISE SPECIFIED), IS SUBJECT TO CHANGE WITHOUT NOTICE, AND MAY HAVE CHANGED (POSSIBLY MATERIALLY) SINCE THE DATE ON THE COVER OF THIS PRESENTATION. SCM UNDERTAKES NO OBLIGATION TO UPDATE THE INFORMATION CONTAINED IN THIS PRESENTATION TO ACCOUNT FOR CHANGES SUBSEQUENT TO ANY DATE AS OF WHICH SUCH INFORMATION IS GIVEN, EXCEPT AS REQUIRED BY APPLICABLE SECURITIES LAWS AND REGULATIONS.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, AND NOTHING SHALL BE RELIED UPON AS A PROMISE OR REPRESENTATION AS TO THE FUTURE PERFORMANCE OF SCM.

- *All daily trading information/multiples in this presentation as of June 3, 2022 unless otherwise noted*
- *All other financial information as of March 31, 2022*

# Contents

Page 4	Stellus Capital Management’s Competitive Advantage
Page 5	Company Overview
Page 11	Portfolio Overview
Page 16	Performance and Dividends
Page 20	Valuation
Page 23	Corporate Information and Financial Supplements

## Stellus Capital Investment Corp. (NYSE: “SCM”)



HOUSTON, TX  
4400 Post Oak Parkway, Suite 2200  
Houston, TX 77027  
**713.292.5400**



WASHINGTON D.C. AREA  
4520 East West Highway,  
Suite 605  
Bethesda, MD 20814  
**301.634.3000**

CHARLOTTE, NC  
5605 Carnegie Boulevard,  
Suite 410  
Charlotte, NC 28209  
**704.409.3335**



# There are 48 Publicly-Traded BDCs ~ What is our Competitive Advantage?

## Strong Historical Portfolio Performance and Consistent Returns to Shareholders

### Strong History of Underwriting Credit

- Fair Value of investment portfolio of \$838 million as of March 31, 2022
  - ❖ Grown at a 3-year CAGR of 17%
- Achieving loan growth while practicing conservative lending
- Diversified portfolio by size of investment, industry and geography

### Favorable Performance Over Time

- ROE since IPO of 9.86%\*\*\*
- In the top 10 of all publicly traded BDCs based on ROE\*\*\* since IPO
- Stable portfolio performance over 9 years

### Stable and Growing Dividend

- Quarterly aggregate dividend of \$0.34\*
- Presently paying monthly dividend of \$0.1133\*
- Annualized indicated dividend yield of 10.7%\*
- LTD dividends of \$12.33 paid to an IPO investor through April 15, 2022\*\*
- We have covered dividends from earnings since inception

### Performance and Stability / Trading at a Discount to NAV

- Net asset value per share was \$14.59 at March 31, 2022
- Trading at approximately 0.87x the March 31, 2022 per share NAV



## COMPANY OVERVIEW:

Navigating Lower Middle  
Market Capital Solutions

# Stable Growth with Access to Low-Cost Capital

Management team focused on maintaining asset quality, proper capital allocation, and operational excellence

Net  
Assets

2012

\$173.8 Million

Stellus Capital Investment Corporation completes IPO in November 2012

Begins trading on NYSE

2014

\$173.9 Million

Receives approval for first SBIC License

Issues \$25 million of 6.5% Notes due April 2019

2017

\$220.2 Million

Issues \$49 million of 5.75% Notes due 2022

Completes secondary equity offering of \$43.6 million at NAV

2019

\$270.6 Million

Completes secondary equity offering of \$40.5 million at NAV

Receives second SBIC License

2020 - 2022

\$285.0 Million

Amends and extends bank credit facility to September 2025 and increased to \$265 million

Issues \$100 million of Institutional Notes at 4.875% due March 2026

# SCM Provides Flexible Financing for Middle Market Companies

## Investment Type & Size

- Investment size between \$10 and \$30 million per transaction.
- Senior secured first lien, unitranche, split lien and second lien debt financings, often with corresponding equity investments.
- Underwriting capabilities up to \$100 million.

## Investment Focus

- Private companies generating between \$5 and \$50 million of EBITDA.
- Diverse industry sectors
- Capital is often used for acquisitions, growth capital, leveraged buyouts, and recapitalizations.
- Substantially all investments are in portfolio companies backed by high quality PE sponsors.

## Origination Focus

- Focus on originated loans, as opposed to broadly syndicated financings. SCM is typically the sole lender in the tranches in which it invests. However, we are open to partnering with a small number of lenders in “club” deals.
- Companies headquartered (or with a majority of their operations) in the United States and Canada.

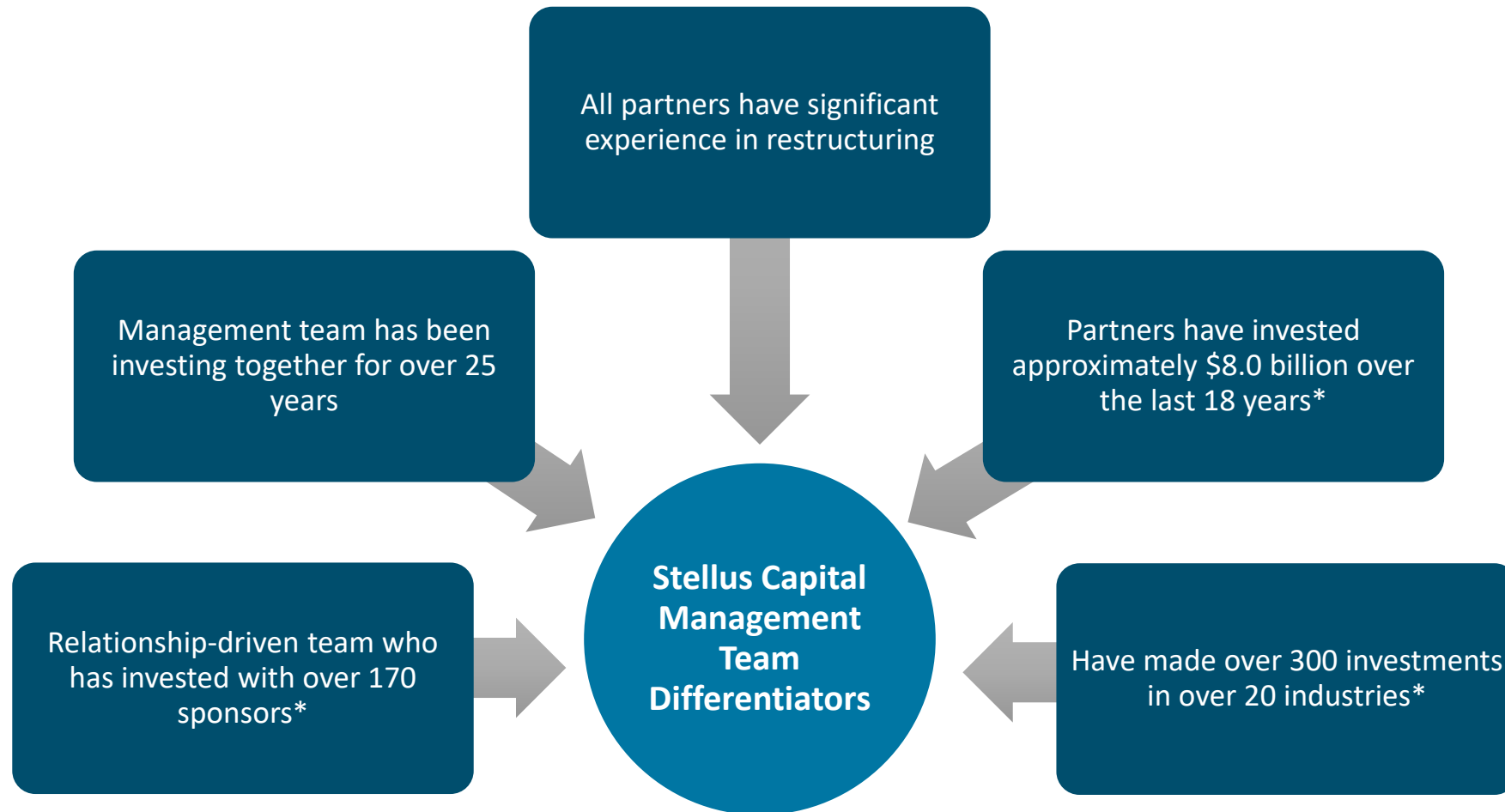
# Established Team and Institutional Platform

Stellus Capital Management’s\* investment committee members have backgrounds in private credit, private equity, corporate finance, restructuring, management consulting, and accounting.

TOTAL YEARS EXPERIENCE >	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	10	15	20	25	30	35	40	PAST EXPERIENCE	
	Robert Ladd (66)   Chairman, President & CEO																							42	The D. E. Shaw group, Duke Capital Partners, Duke Energy North America, Arthur Andersen, First City Bancorporation	
	Dean D’Angelo (54)   Co-Head of Private Credit & Director																				30			The D. E. Shaw group, Allied Capital, Duke Capital Partners, Banc of America Securities, Coopers & Lybrand		
	Joshua Davis (49)   Co-Head of Private Credit																				27				The D. E. Shaw group, Duke Capital Partners, Milestone Merchant Partners, Arthur Andersen	
	Todd Overbergen (56)   Investment Committee Member																				32			The D. E. Shaw group, Duke Capital Partners, Arthur Andersen		
	Todd Huskinson (58)   Chief Financial Officer, Chief Compliance Officer & Secretary																						34		The D. E. Shaw group, Bearing Point, Arthur Andersen	



# Diverse Sponsor Relationships and Investment Experience



# Diverse Financial Sponsor Relationships\*





Stellus Capital Management has one of the most experienced lower middle market investment teams in the marketplace with over 300 combined years of principal investing experience

**78**

Current Active  
Investments

**300+**

Cumulative Completed  
Investments

**\$8.0+**

Billion  
Invested Capital

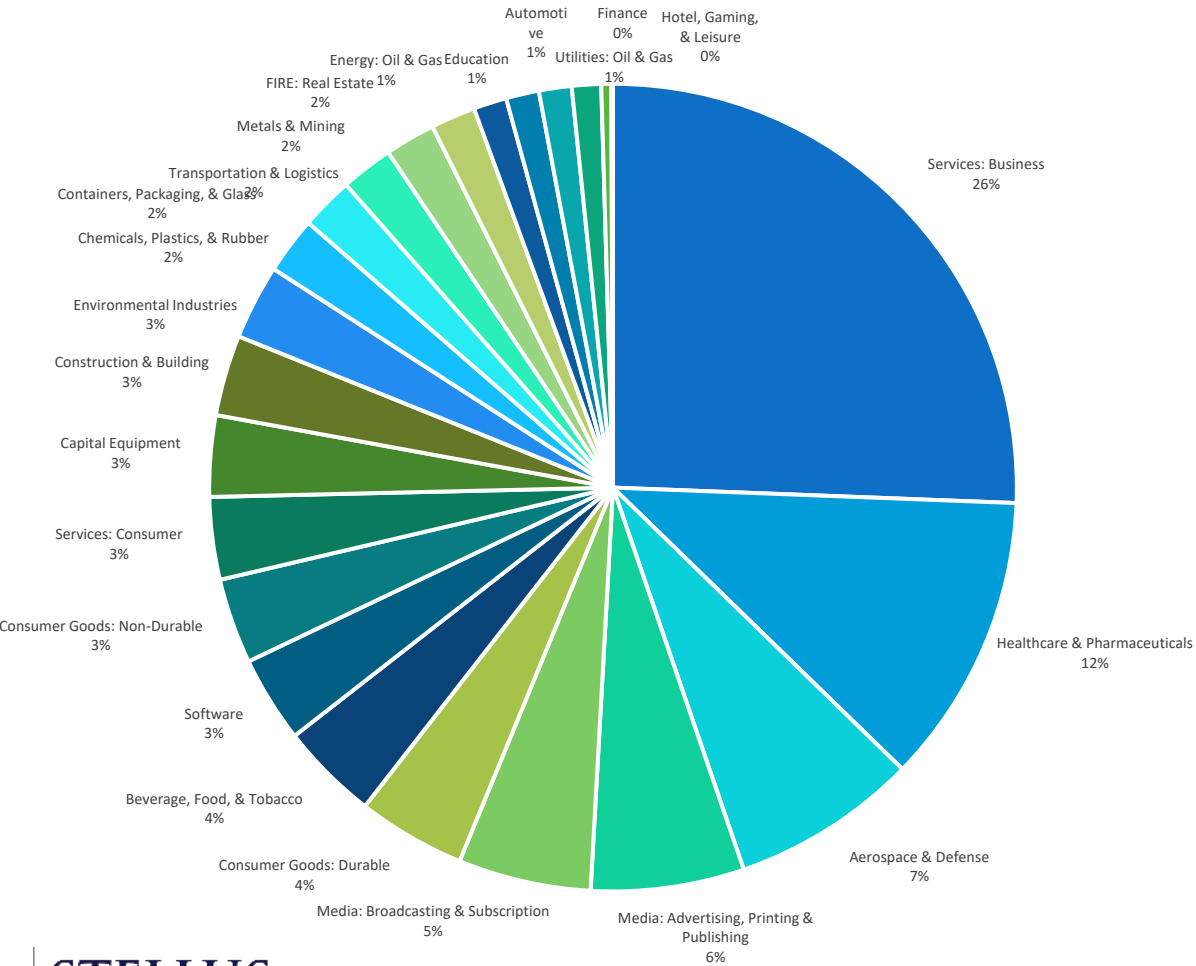
[Select List of Investments Available Here](#)

# Portfolio Statistics as of March 31, 2022

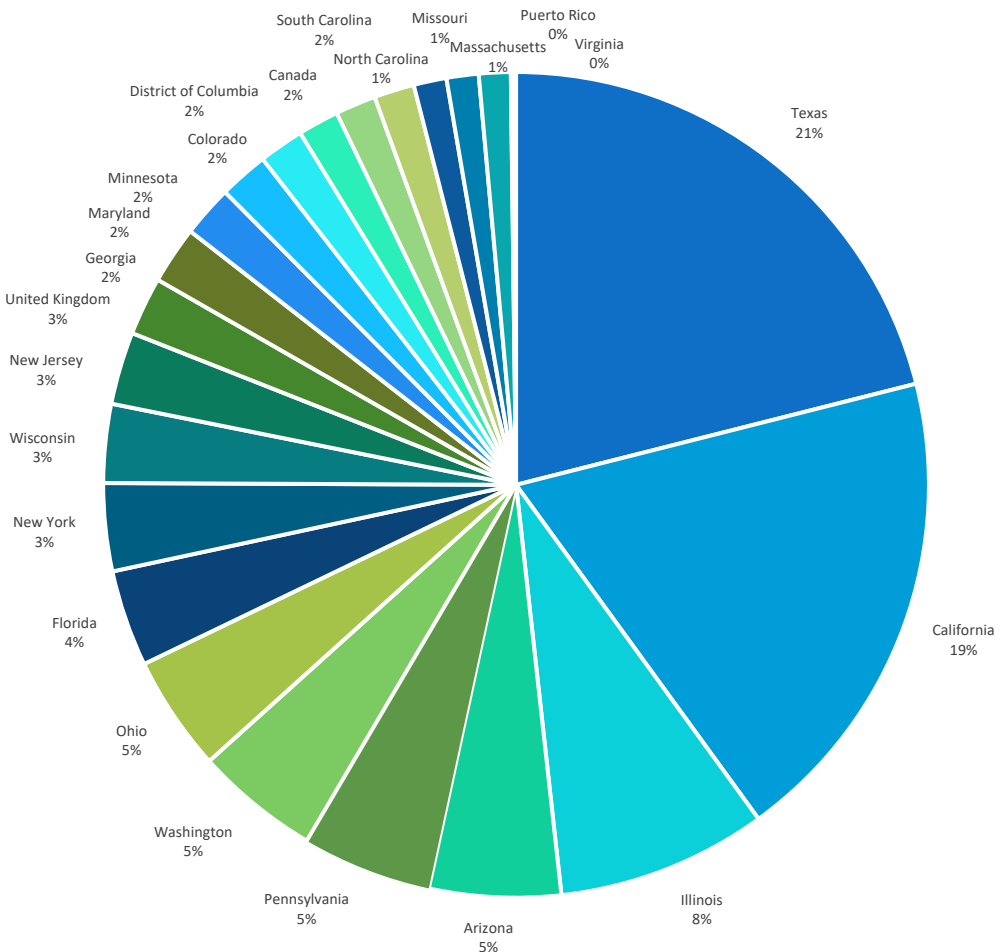
Diverse Portfolio / Low Exposure to Retail and Energy

No Geographic Concentration Over 25%

Industry Concentration



Geographic Concentration

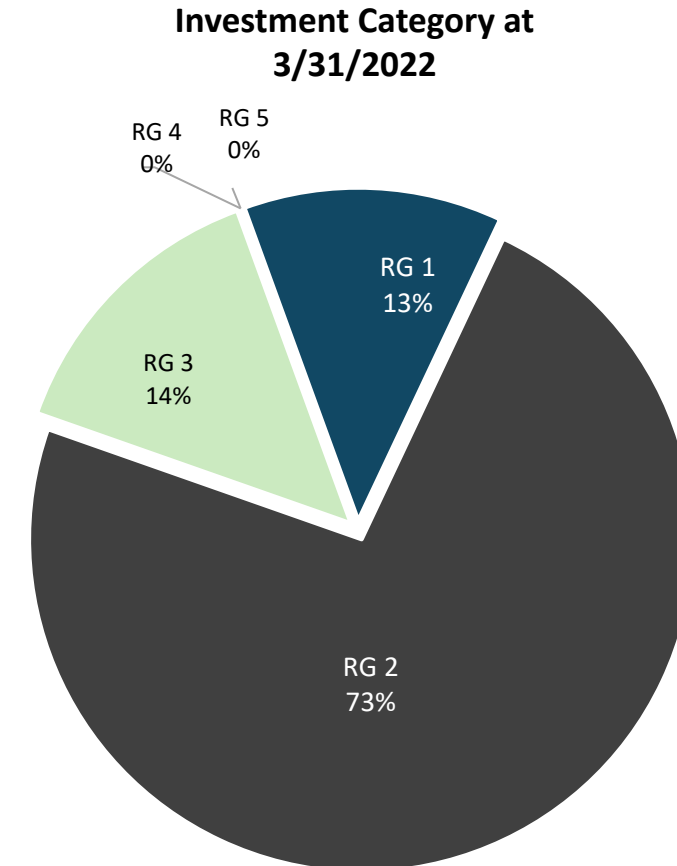


# Stable Asset Quality: Portfolio is Performing in Accordance with Plan

## Investment Category Definitions

### ("Risk Grade" or "RG"):

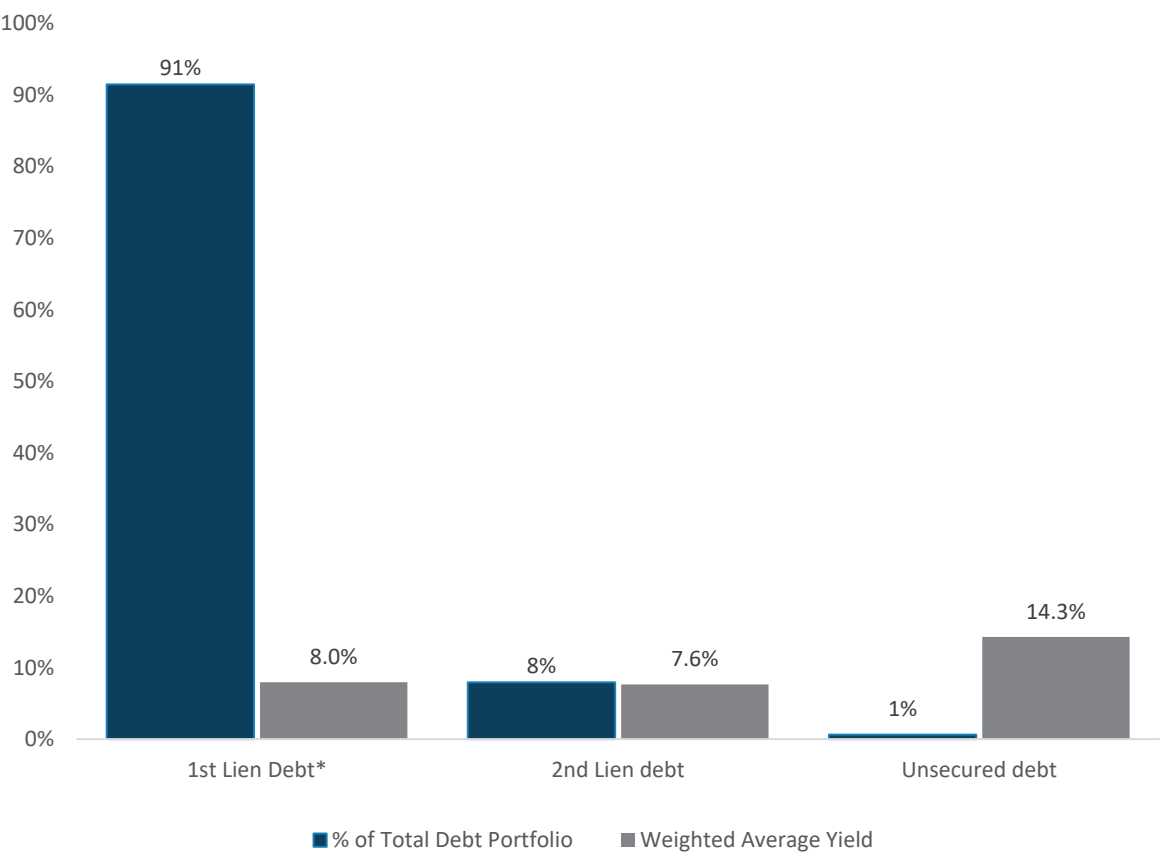
- 1 Exceeding expectations
- 2 Performing in accordance with plan
- 3 Requires closer monitoring  
(no loss of return or principal)
- 4 In workout  
(some loss of return; no loss of principal)
- 5 In workout  
(some loss of principal)



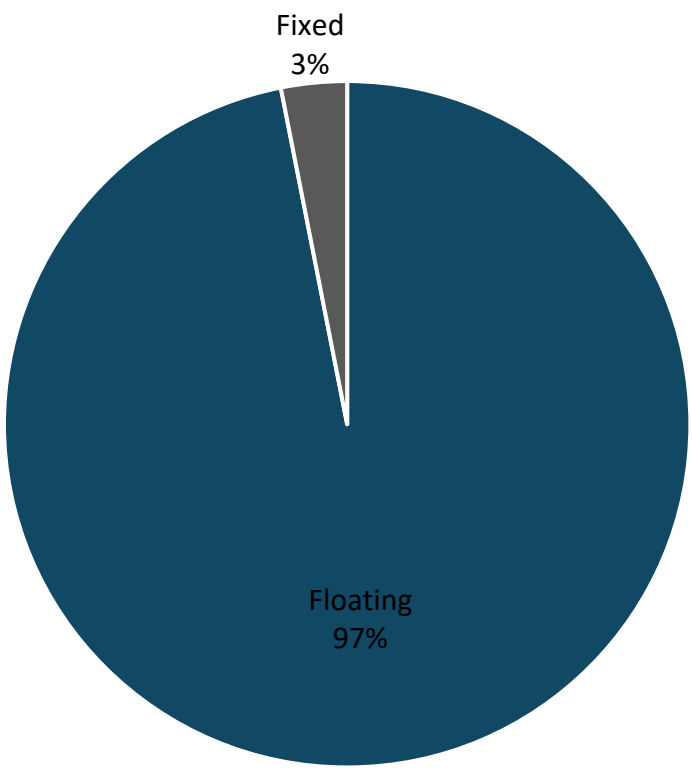
Weighted Average Risk Grade: 2.03

# Debt Portfolio is 91% 1st Lien

Debt Investment Portfolio  
as of March 31, 2022



Fixed vs. Floating Rate Debt Investments \*



*Compared to 96% Floating / 4% Fixed at 12/31/2021*

\*Includes unitranche investments. Unitranche structures may combine characteristics of first lien senior secured as well as second lien and/or subordinated loans  
Note: Percentages are based on market value

\* Subject to LIBOR floors



# Numerous Sources of Long-Term / Cost-Efficient Capital

FUNDING SOURCES	FACILITY/ISSUANCE SIZE	OUTSTANDING <sup>(2)</sup>	INTEREST RATE <sup>(3)</sup>	MATURITY
Syndicated Credit Facility led by Amegy <sup>(1)</sup>	\$265 million	\$205 million	LIBOR + 2.5%	September 18, 2025
SBIC I Debentures	\$150 million	\$150 million	3.41%	Varied <sup>(4)</sup>
SBIC II Debentures	\$120 million	\$120 million	1.80%	Varied <sup>(5)</sup>
Unsecured Notes	\$100 million	\$100 million	4.875%	March 30, 2026

<sup>(1)</sup> Amegy Bank credit facility closed on October 11, 2017 and was amended and extended in September 2020, December 2021, February 2022 and May 2022.

<sup>(2)</sup> Outstanding balances are all as of March 31, 2022

<sup>(3)</sup> Does not include amortization of loan fees.

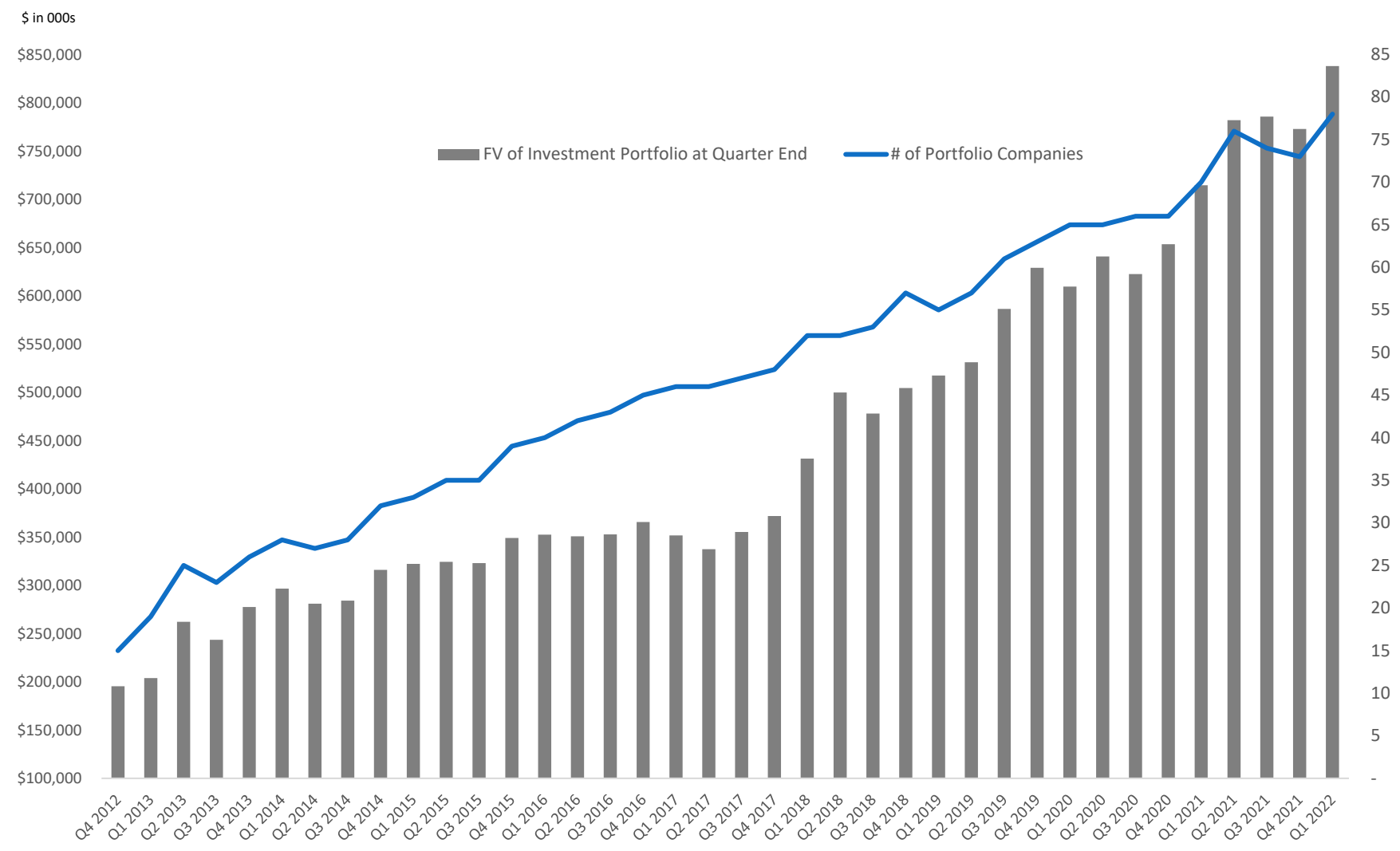
<sup>(4)</sup> SBA debentures issued to SBIC I mature March 1, 2025 - March 1, 2029.

<sup>(5)</sup> SBA debentures issued to SBIC II mature March 1, 2030 - September 1, 2032.

# Financial Performance and Distributions

---

# Investment Portfolio Growth Since IPO



# First Quarter 2022 Overview

\$0.29

Core NII per share\*

\$74.5 million

New investment activity during the quarter

\$3.4 million

Realized gains during the quarter (\$0.18 per share)

7.6%

Weighted average yield on new investments

\$838 Million

Investments at fair value at March 31, 2022

\$14.59

NAV at March 31, 2022

## Six New Initial Investment Fundings & Six Follow On Investments

New loan fundings were 90% 1<sup>st</sup> lien, 7% 2<sup>nd</sup> lien, and 3% Equity with a weighted average yield of 7.60%

## Regular Dividend and Declared Additional Dividend Subsequent to Quarter End

Declared a regular aggregate dividend of \$0.28 per share \$0.0933 per share in each of April, May and June 2022.

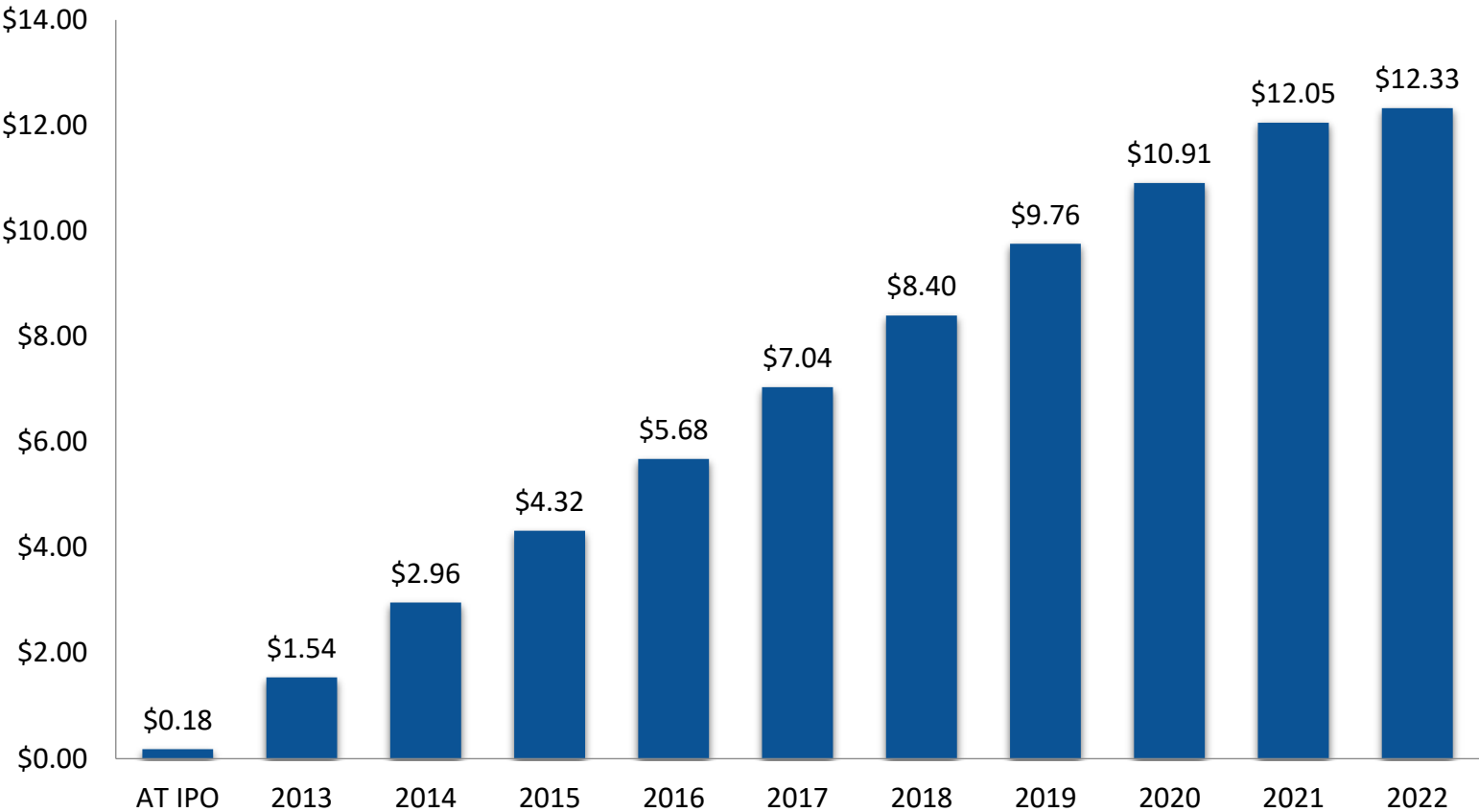
Declared an additional aggregate dividend of \$0.06 per share \$0.02 per share in each of April, May and June 2022.

# Cumulative Distributions Declared per share Since IPO

\$12.33 per share in cumulative distributions since SCM IPO in 2012 (as of March 31, 2022)

Monthly dividends of \$0.1133 declared for April, May and June 2022\*

Current monthly dividend represents \$0.34 per share for the quarter in the aggregate\*



\* Includes aggregate regular and additional dividends for second quarter ended June 30, 2022

# Comparative Total Return LTM





## Favorable Performance Not Reflected in Comparative Price to Book

(based on ROE since IPO)

- scm has delivered an average return on equity\* (ROE) since IPO of 9.86%
  - In the top 10 of all publicly traded BDCs
- BDCs performing at this level trade at an implied price to NAV of approximately 1.00x
- scm trades at a discount price to NAV per share of 0.87x

# Corporate Information

## Executive Officers

**Robert T. Ladd**  
Chairman, President &  
Chief Executive Officer

**W. Todd Huskinson**  
Chief Financial Officer,  
Chief Compliance Officer,  
Treasurer and Secretary

## Directors

**J. Tim Arnoult**<sup>1</sup>

**Bruce R. Bilger**<sup>1</sup>

**Dean D'Angelo**

**Robert T. Ladd**, Chairman

**William C. Repko**<sup>1</sup>

<sup>1</sup> Independent Directors

## Research Coverage

**Hovde Group**  
Bryce Rowe, 804-318-0969

**Keefe, Bruyette & Woods**  
Ryan Lynch, 314-342-2194

**Ladenburg Thalmann Financial Services**  
Christopher Nolan, 212-667-7136

**Oppenheimer Equity Research**  
Mitchel Penn, 212-667-6699

**Raymond James**  
Robert Dodd, 901-579-4560

## Share Information

Share Price	\$12.68
Shares Outstanding	19,545,935
Market Capitalization	\$247.8M
Total Assets	\$866.7 Million
Total Stockholders' Equity	\$285.0 Million
NAV per share	\$14.59
Ratio of Price to NAV per share	0.87x

## Dividends

Dividend Frequency	Monthly
Last Monthly Dividend**	\$0.1133
Annualized Indicated Yield**	10.7%

## Debt

Regulatory Leverage	1.07x
Total Leverage (incl. SBIC debentures)	2.02x

## Investment Committee

**Robert T. Ladd**  
Chairman, President & Chief Executive Officer

**Dean D'Angelo**  
Co-Head of Private Credit \*

**Joshua T. Davis**  
Co-Head of Private Credit \*

**W. Todd Huskinson**  
Chief Financial Officer, Chief Compliance Officer,  
Treasurer and Secretary

**Todd A. Overbergen**  
Investment Committee Member\*

## Service Providers

**Stock Transfer Agent- Broadridge Corporate Issuer Solutions, Inc.**

**Bond Trustee- US Bank National Association**

**Auditors- Grant Thornton, LLP**

**Counsel- Eversheds Sutherland, LLP**

## Securities Listing

Common Stock NYSE : SCM

## Corporate Headquarters

4400 Post Oak Parkway, Suite 2200

Houston, TX, 77027

Phone: 713-292-5400

# Appendix and Financial Supplements

# Financial Highlights

(\$ in millions, except data relating to per share amounts and shares outstanding)

	Q1 2022		Q1 2021	
	Amount	Per Share	Amount	Per Share
Net investment income	\$5.51	\$0.28	\$5.06	\$0.26
Core net investment income <sup>(1)</sup>	5.75	0.29	5.38	0.28
Net realized gain (loss) on investments	3.46	0.18	0.46	0.02
Net realized loss on foreign currency	(0.01)	(0.00)	-	-
Loss on debt extinguishment	-	-	(0.54)	(0.03)
Total realized income <sup>(2)</sup>	\$8.96	0.46	4.98	0.25
Distributions <sup>(3)</sup>	(5.46)	(0.28)	(4.87)	(0.25)
Net unrealized appreciation (depreciation) on investments	(3.72)	(0.19)	0.12	0.01
Benefit (provision) for taxes on unrealized depreciation (appreciation) on investments	(0.02)	(0.00)	(0.17)	(0.01)
Net increase in net assets resulting from operations	\$5.22	\$0.27	\$4.94	\$0.25
Weighted average shares outstanding		19,517,761		19,486,003

(1) Core net investment income, as presented, excludes the impact of capital gains incentive fees and income taxes, the majority of which are excise taxes. The company believes presenting core net investment income and the related per share amount is a useful supplemental disclosure for analyzing its financial performance. However, core net investment income is a non-U.S GAAP measure and should not be considered as a replacement for net investment income and other earnings measures presented in accordance with U.S GAAP. A reconciliation of net investment income in accordance with U.S GAAP to core net investment income is presented in the table below the financial statements.

(2) Total realized income is the sum of net investment income, net realized gains (losses) on investments, net realized gains (losses) on foreign currency, and loss on debt extinguishment; all U.S GAAP measures.

# Portfolio Characteristics

(\$ in millions, except data relating to per share amounts and number of portfolio companies)

	As of March 31, 2022	As of December 31, 2021		As of March 31, 2022	As of December 31, 2021
Investments at fair value	\$838.0	\$772.9	Number of portfolio company investments	78	73
Total assets	\$866.7	\$821.3	Number of portfolio company debt investments	64	55
Net assets	\$285.0	\$285.1			
Shares outstanding	19,532,519	19,517,595	Weighted average yield of debt and other income producing investments <sup>(1)</sup>		
Net asset value per share	\$14.59	\$14.61	Cash	7.4%	7.4%
			Payment-in-kind ("PIK")	0.2%	0.2%
			Fee amortization	0.4%	0.4%
			Total	8.0%	8.0%
			Weighted average yield on total investments <sup>(2)</sup>		
			Cash	6.9%	6.9%
			Payment-in-kind ("PIK")	0.2%	0.2%
			Fee amortization	0.4%	0.4%
			Total	7.5%	7.5%

- (1) The dollar-weighted average annualized effective yield is computed using the effective interest rate for our debt and other income producing investments, including cash, PIK interest, and the accretion of deferred fees. The individual investment yields are then weighted by the respective cost of the investments (as of the date presented) in calculating the weighted average effective yield of the portfolio. The dollar-weighted average annualized yield on the Company's investments for a given period will generally be higher than what investors of our common stock would realize in a return over the same period because the dollar-weighted average annualized yield does not reflect the Company's expense or any sales load that may be paid by investors.
- (2) The dollar weighted average yield on total investments takes the same yields as calculated in the footnote above, but weights them to determine the weighted average effective yield as a percentage of the Company's total investments, including non-income producing loans and equity.

## Recent Dividends Declared\*

- Q2 2022 Dividend: On April 19, 2022, the board declared a regular dividend of \$0.0933 per share and an additional dividend of \$0.02 per share in each of April, May and 2022, for an aggregate of \$0.34 per share.

Declared	Ex-Dividend Date	Record Date	Payment Date	Regular Amount per Share	Additional Amount per Share	Total Amount per Share
4/19/22	4/28/22	4/29/22	5/13/22	\$0.0933	\$0.02	\$0.1133
4/19/22	5/26/22	5/27/22	6/15/22	\$0.0933	\$0.02	\$0.1133
4/19/22	6/29/22	6/30/22	7/15/22	\$0.0933	\$0.02	\$0.1133