

STELLUS
CAPITAL
INVESTMENT CORPORATION



**Investor
Presentation**

Third quarter ended September 30, 2021

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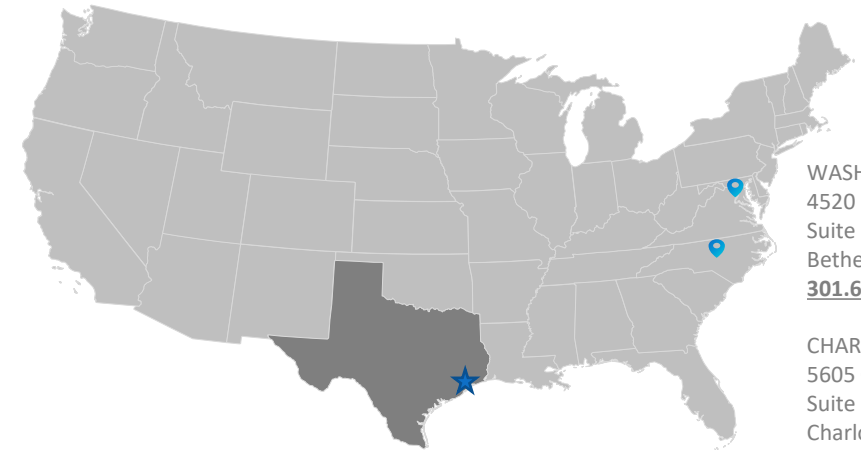
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- ***All daily trading information/multiples in this presentation as of November 10, 2021 unless otherwise noted***
- ***All other financial information as of September 30, 2021***

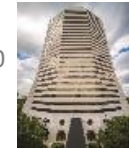
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Houston, TX 77027
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4520 East West Highway,
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Bethesda, MD 20814
301.634.3000

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5605 Carnegie Boulevard,
Suite 410
Charlotte, NC 28209
704.409.3335

There are 47 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 \$785.7 million as of September 30, 2021
 - ❖ Grown at a 3-year CAGR of 18%*
- Achieving loan growth while practicing conservative lending
- Diversified portfolio by size of investment, industry and geography

Favorable Performance Over Time

- In the top 10 of all publicly traded BDCs based on ROE over a 3-year period
- Stable portfolio performance

Stable and Growing Dividend

- Increased the quarterly dividend from \$0.27 to \$0.28
- Presently paying monthly dividend of \$0.0933
- Annualized indicated dividend yield of 7.8%**
- LTD dividends of \$11.99 paid to an IPO investor through September 30, 2021***
- We have covered dividends from earnings since inception

Performance and Stability / Trading at a Premium to NAV

- Net asset value per share was \$14.15 at September 30, 2021, an increase from \$14.07 at June 30, 2021 and up from \$14.03 at December 31, 2020
- Trading at approximately 1.01x to September 30, 2021 per share NAV**

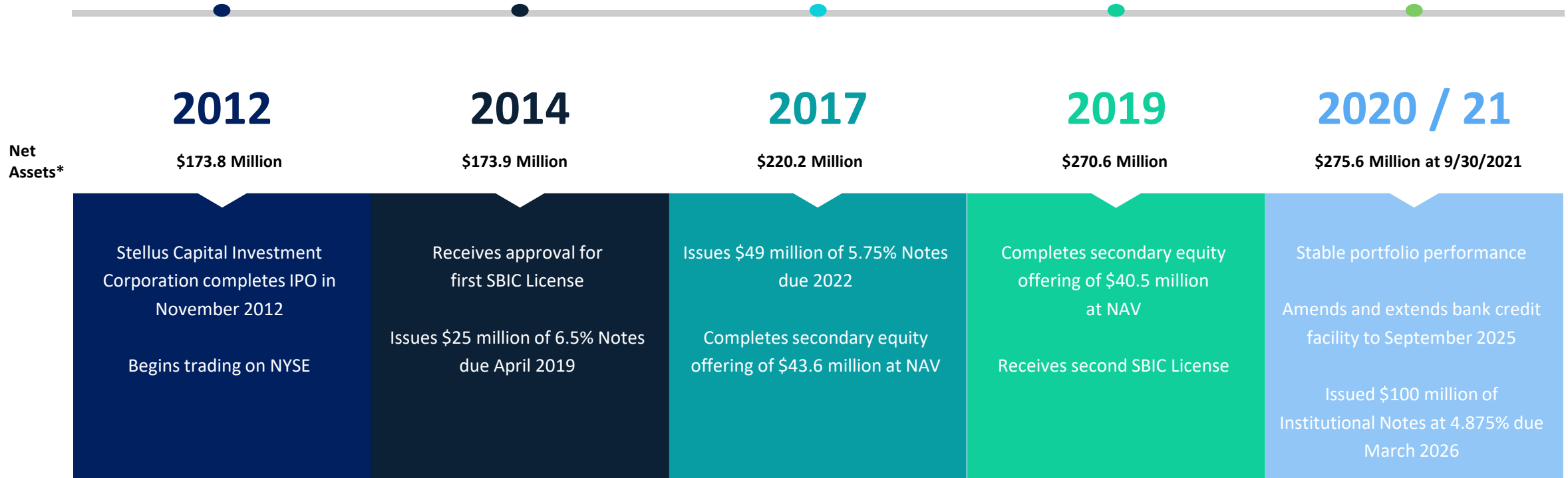


COMPANY OVERVIEW:

Navigating Lower Middle
Market Capital Solutions

Stable Growth with Ample Access to Low-Cost Capital

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



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 \$50 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. Stellus 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.

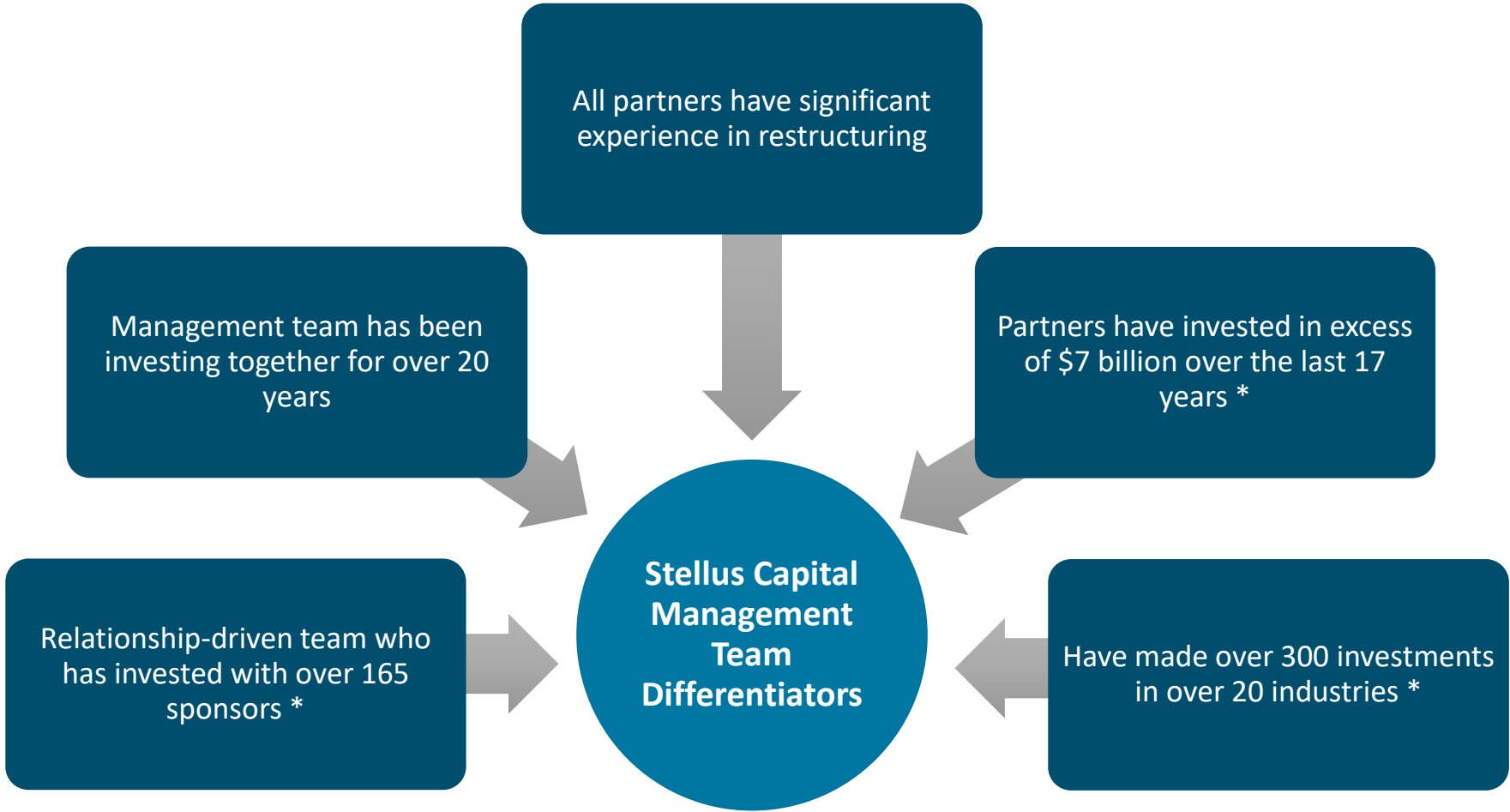
Established Team and Institutional Platform

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 (65) Chairman, President & CEO | | | | | | | | | | | | | | | | | | | | | | | | | 41 | 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 | | | | | | | | | | | | | | | | | | | | | | | | | 26 | The D. E. Shaw group, Duke Capital Partners, Milestone Merchant Partners, Arthur Andersen |
| Todd Overbergen (56) Investment Committee Member | | | | | | | | | | | | | | | | | | | | | | | | | 31 | The D. E. Shaw group, Duke Capital Partners, Arthur Andersen |
| Todd Huskinson (57) Chief Financial Officer, Chief Compliance Officer & Secretary | | | | | | | | | | | | | | | | | | | | | | | | | 34 | The D. E. Shaw group, Bearing Point, Arthur Andersen |

* SCM’s external investment adviser

Diverse Sponsor Relationships and Investment Experience



* Includes transactions closed by the management team prior to forming Stellus Capital Management

Diverse Financial Sponsor Relationships*



*Logos represent certain private equity firms that members of Stellus Capital have worked with in the past. Inclusion of a firm's logo in this list does not imply that such firm endorses Stellus Capital, its members or advisory services or SCM. Stellus Capital Management has no formal sourcing relationships with these firms and cannot guarantee that it will receive opportunities from these firms in the future.



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

75

Current Active
Investments

290+

Cumulative Completed
Investments

\$7.0+

Billion
Invested Capital

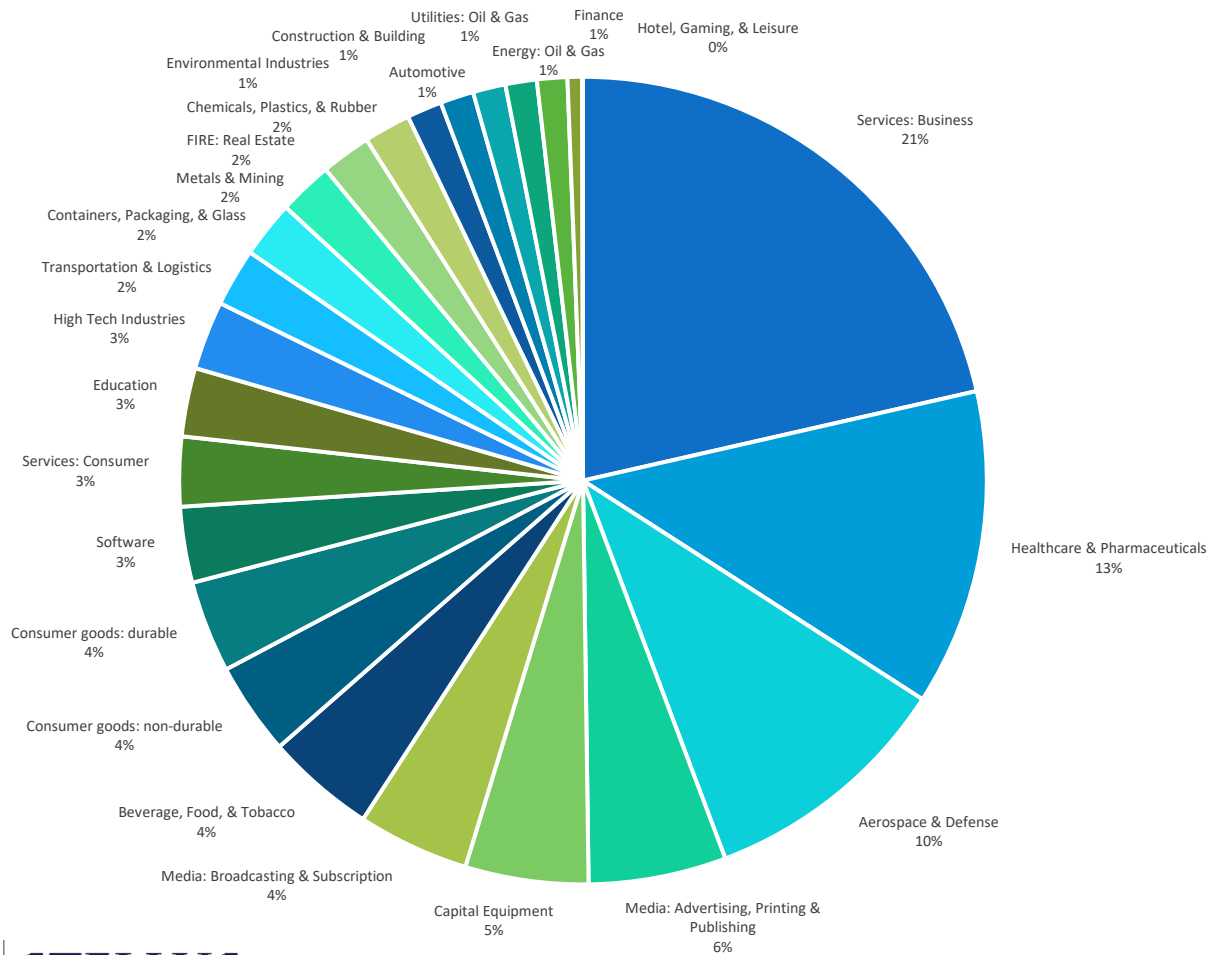
[Select List of Investments Available Here](#)

Portfolio Statistics as of September 30, 2021

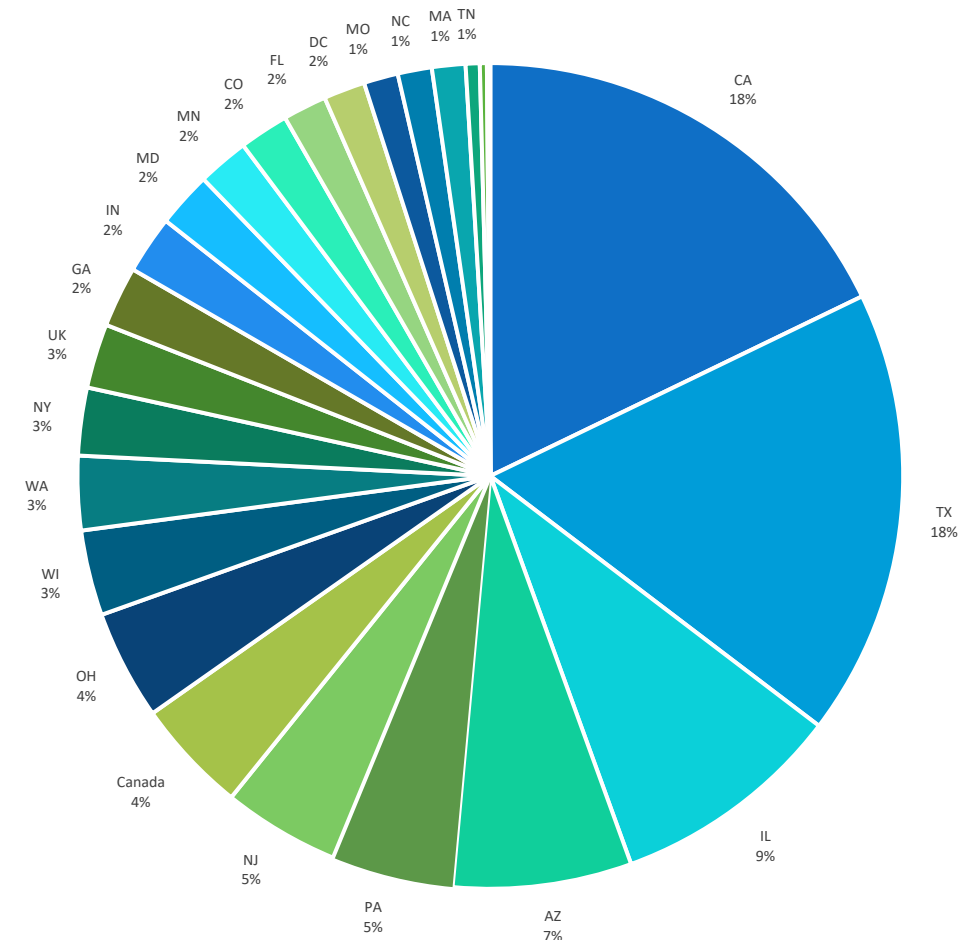
Diverse Portfolio / Low Exposure to Retail and Energy

No Geographic Concentration Over 20%

Industry Concentration



Geographic Concentration



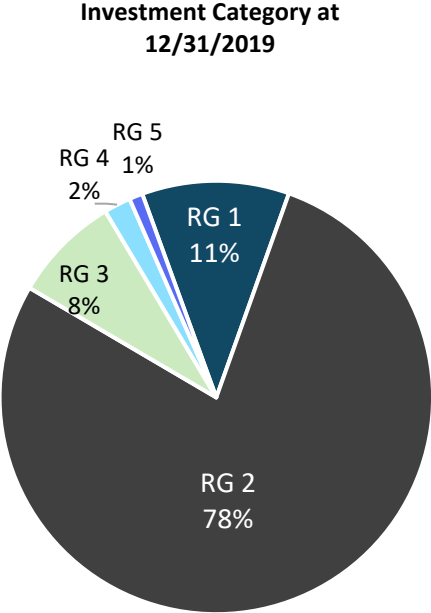
Managing Risk: Resilient Portfolio Prior to and Throughout COVID-19 Pandemic

Portfolio exceeding expectations or performing in accordance with plan
Lower risk profile since COVID / improvement quarter-over-quarter

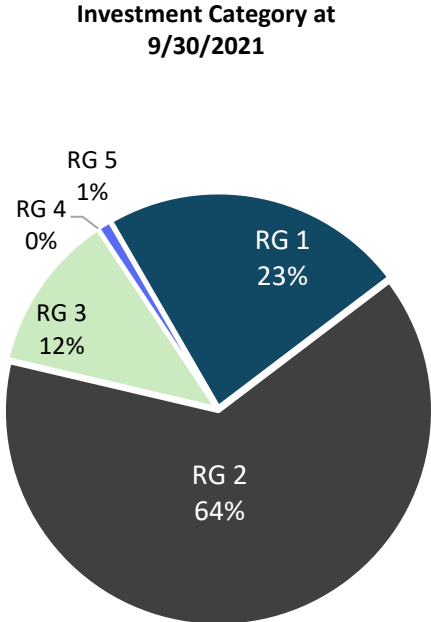
Investment Category

Definitions:

- 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)



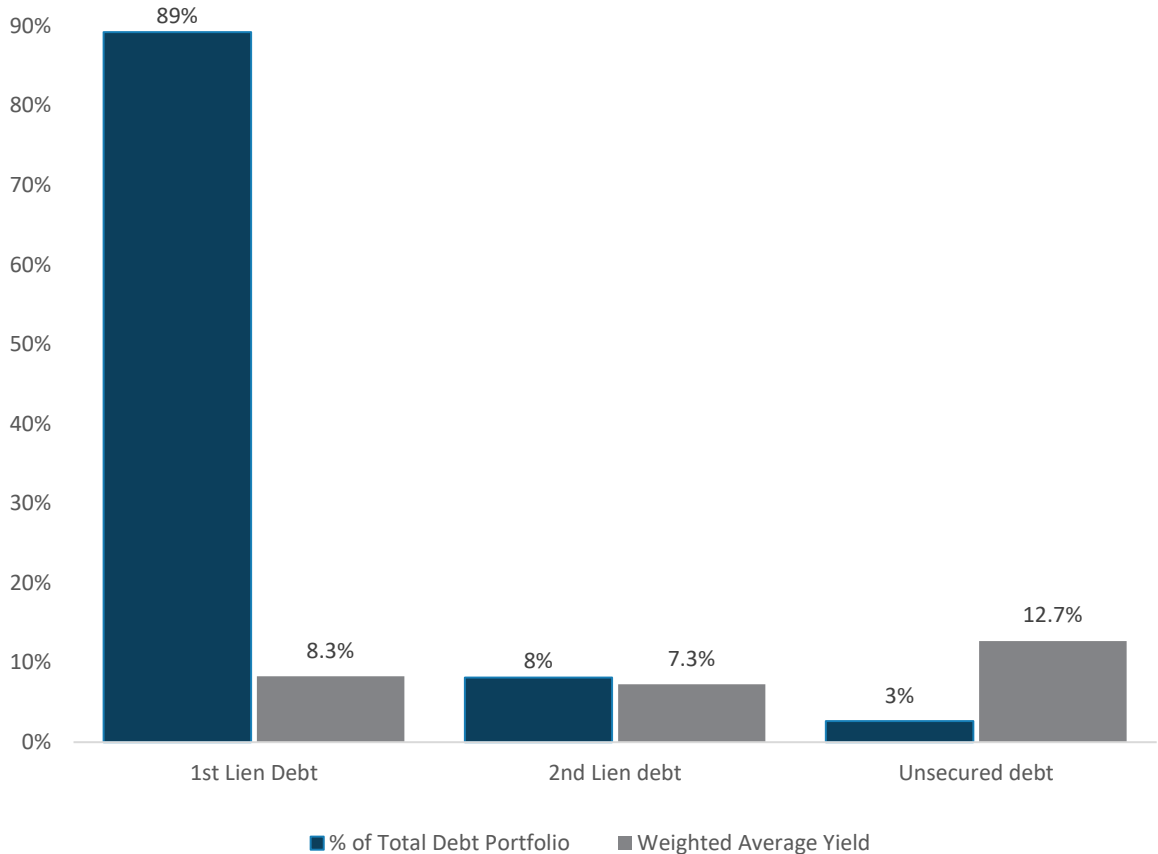
Weighted Average Risk Grade: 2.03



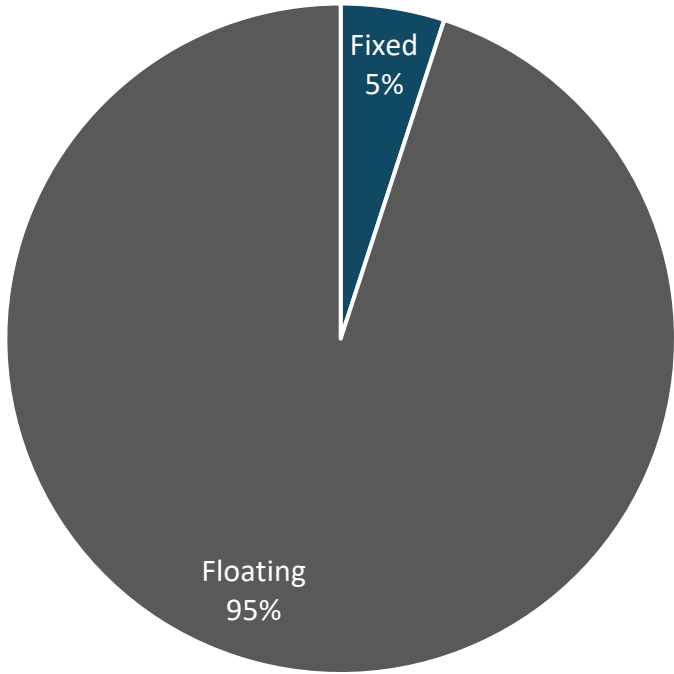
Weighted Average Risk Grade: 1.92

Debt Portfolio is 89% 1st Lien

Debt Investment Portfolio as of September 30, 2021



Fixed vs. Floating Rate Debt Investments *



Compared to 93% Floating / 7% Fixed at 12/31/2020

* Subject to LIBOR floors

Numerous Sources of Long-Term / Cost-Efficient Capital

| FUNDING SOURCES | FACILITY/ISSUANCE SIZE | OUTSTANDING ⁽²⁾ | INTEREST RATE ⁽³⁾ | MATURITY |
|--|------------------------|----------------------------|------------------------------|-----------------------|
| Syndicated Credit Facility led by Amegy ⁽¹⁾ | \$230 million | \$189.8 million | LIBOR + 2.5% | September 18, 2025 |
| SBIC I Debentures | \$150 million | \$150 million | 3.41% | Varied ⁽⁴⁾ |
| SBIC II Debentures | \$100 million | \$100 million | 1.53% | Varied ⁽⁵⁾ |
| Unsecured Notes | \$100 million | \$100 million | 4.875% | March 30, 2026 |

⁽¹⁾ Amegy Bank credit facility closed on October 11, 2017 and was amended and extended in September 2020.

⁽²⁾ Outstanding balances are all as of September 30, 2021

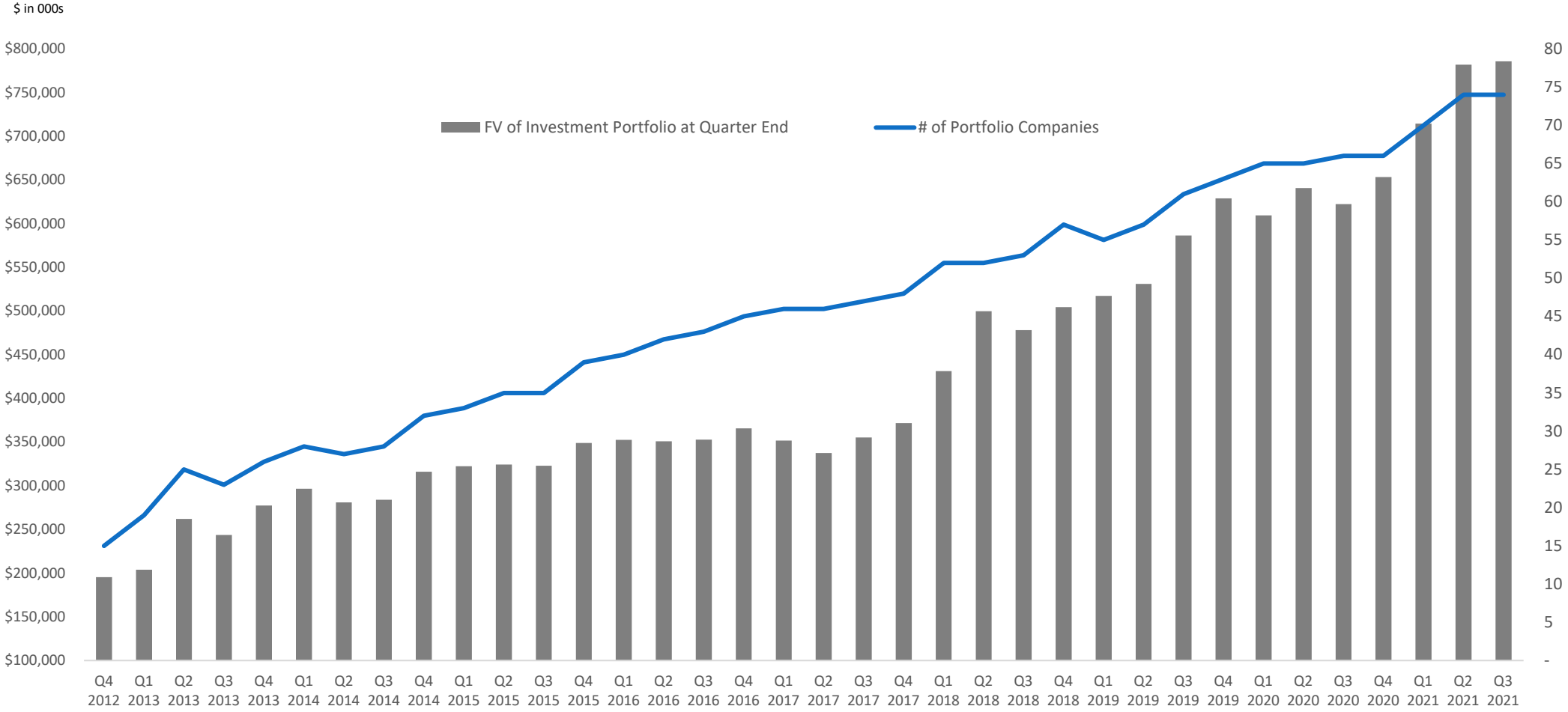
⁽³⁾ Does not include amortization of loan fees.

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

⁽⁵⁾ SBA debentures issued to SBIC II mature March 1, 2030 - September 1, 2031.

Financial Performance and Distributions

Investment Portfolio Growth Since IPO



Third Quarter 2021 Overview

\$0.31
Core NII per share*

\$60.5 million
New investment activity during the quarter

\$7.9 million
Realized gains during the quarter (\$0.40 per share)

8.0%
Weighted average yield on new investments

\$785.7 Million
Investments at fair value at September 30, 2021

\$14.15
NAV at September 30, 2021

Four New Initial Investment Fundings

New loan fundings were 100% 1st lien with a weighted average yield of 8.0%

Distributions

\$0.30 per share in the aggregate paid to stockholders in distributions throughout the quarter**

Increased Regular and Declared Additional Dividend Subsequent to Quarter End

Declared a regular monthly dividend for each of October, November, and December, for an aggregate of \$0.28 per share, which is an increase of \$0.01 for the quarter as compared to the prior quarter

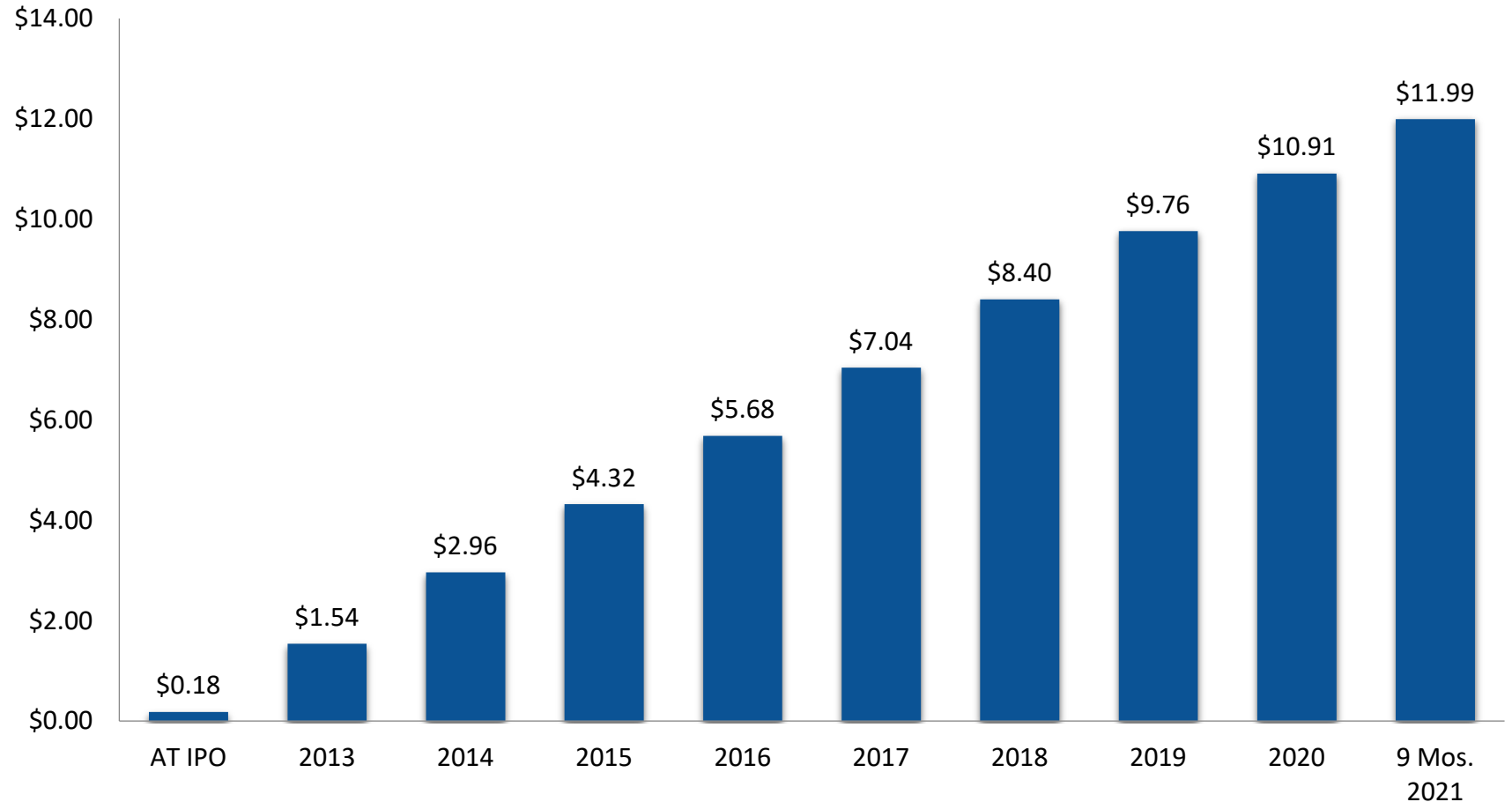
Declared additional aggregate dividend of \$0.06 per share payable \$0.02 per share in each of January, February and March 2022.

Cumulative Distributions Declared per share Since IPO

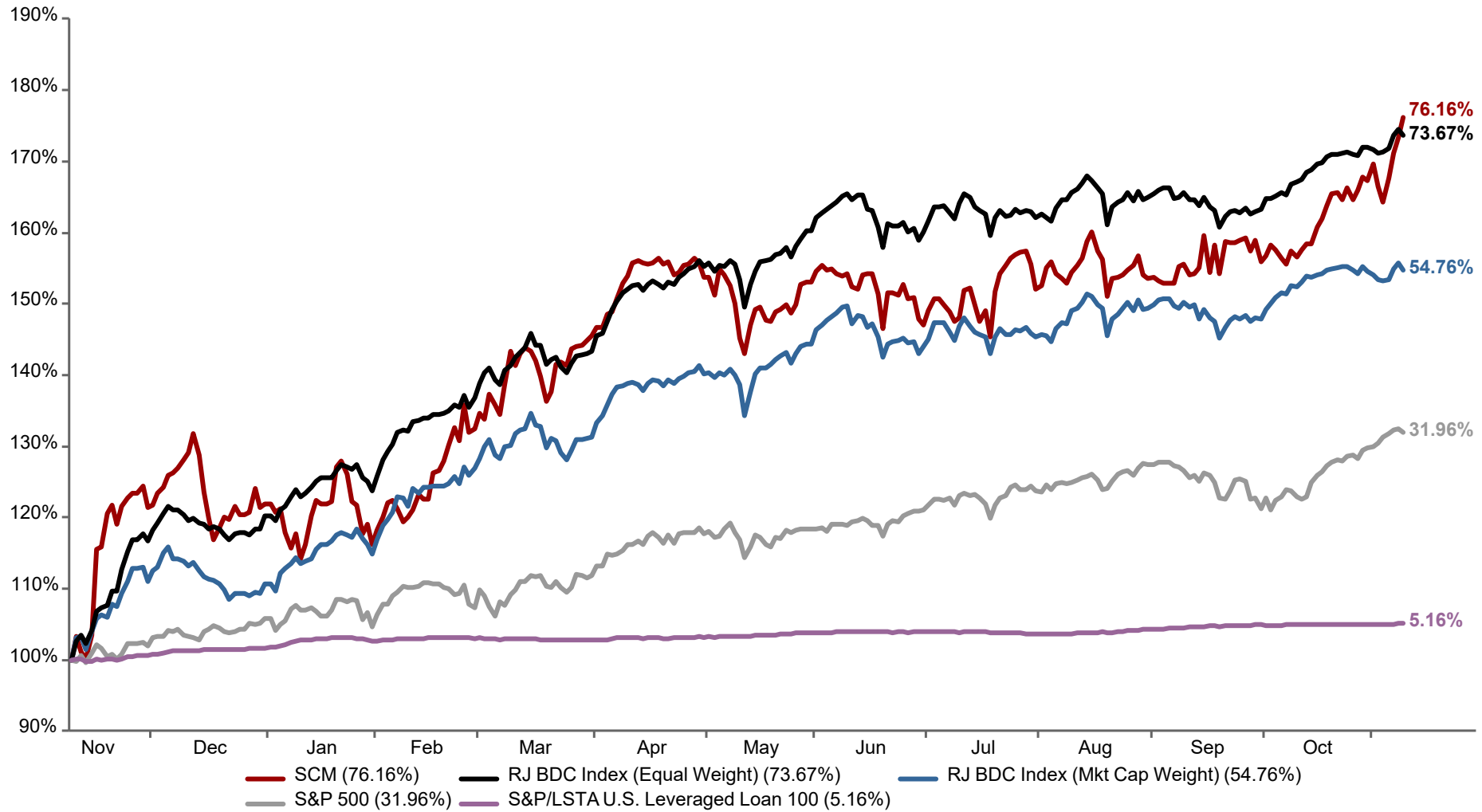
\$11.99 per share in cumulative distributions since Stellus IPO in 2012 (as of September 30, 2021)*

Monthly dividends of \$0.09333 declared for October, November, December 2021

Current monthly dividend represents \$0.28 per share for the quarter in the aggregate



Comparative Total Return LTM



Favorable Performance Not Reflected in Comparative Price to Book

(based on a 3-Year ROE)

- Stellus has delivered a 3-year average return on equity* (ROE) of 9.95%
 - In the top 10 of all publicly traded BDCs
- BDCs performing at this level trade at an implied price to NAV of approximately 1.11x
- Stellus trades at a premium price to NAV per share of 1.01x

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 Arnoult¹

Bruce R. Bilger¹

Dean D'Angelo

Robert T. Ladd, Chairman

William C. Repko¹

¹ 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** | \$14.35 |
| Shares Outstanding | 19,486,003 |
| Market Capitalization | \$279.6M |
| Total Assets | \$827 Million |
| Total Stockholders' Equity | \$276 Million |
| NAV per share | \$14.15 |
| Ratio of Price to NAV per share** | 1.01x |

Dividends

| | |
|------------------------------|-----------|
| Dividend Frequency | Monthly |
| Last Monthly Dividend | \$0.09333 |
| Annualized Indicated Yield** | 7.8% |

Debt

| | |
|---|-------|
| Regulatory Leverage | 1.05x |
| Total Leverage (incl. SBIC debentures) | 1.95x |

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

Investor Relations- The Equity Group Inc.

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)

| | Q3-21 | | YTD-21 | |
|---|----------|------------|----------|------------|
| | Amount | Per Share | Amount | Per Share |
| Net investment income | \$4.06 | \$0.21 | \$14.66 | \$0.75 |
| Core net investment income ⁽¹⁾ | 6.00 | 0.31 | 17.22 | 0.88 |
| Net realized gain on investments | 7.92 | 0.40 | 6.60 | 0.34 |
| Provision for taxes on realized gain on investments in taxable subsidiaries | \$(0.68) | \$(0.03) | \$(0.68) | \$(0.03) |
| Loss on debt extinguishment | - | - | (0.54) | (0.03) |
| Total realized income⁽²⁾ | 11.30 | 0.58 | 20.04 | 1.03 |
| Distributions | | | | |
| Q1 Distributions | - | - | (4.87) | (0.25) |
| Q2 Distributions | - | - | (4.87) | (0.25) |
| Q3 Distributions | (5.84) | (0.30) | (5.84) | (0.30) |
| Q4 Distributions | (5.46) | (0.28) | (5.46) | (0.28) |
| Total Distributions | (11.30) | (0.58) | (21.04) | (1.08) |
| Net unrealized appreciation (depreciation) on investments | 2.08 | 0.11 | 3.87 | 0.20 |
| Provision for taxes on unrealized gains on investments in taxable subsidiaries | (0.61) | (0.03) | (0.59) | (0.03) |
| Net increase in net assets resulting from operations | \$12.78 | \$0.66 | \$23.32 | \$1.20 |
| Weighted average shares outstanding | | 19,486,003 | | 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 company's October 28, 2021 press release available under [Press Releases - Stellus Capital Management, LLC](#)
2. Total realized income is the sum of net investment income and net realized gains on investments, both U.S GAAP measures.
3. In 2020, fourth quarter dividends were declared in the third quarter.

Portfolio Characteristics

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

| | As of September 30, 2021 | As of December 31, 2020 | As of September 30, 2021 | As of December 31, 2020 |
|--|--|--------------------------------------|--------------------------------|-------------------------------|
| Investments at fair value | \$785.7 | \$653.4 | | |
| Total assets | \$827.0 | \$674.9 | | |
| Net assets | \$275.6 | \$273.4 | | |
| Shares outstanding | 19,486,003 | 19,486,003 | | |
| Net asset value per share | \$14.15 | \$14.03 | | |
| | Quarter Ended September 30, 2021 | Nine Months September 30, 2021 | | |
| New investments | \$60.5 | \$243.3 | | |
| Repayments of investments | (67.4) | (123.6) | | |
| Net activity | \$(6.9) | \$119.7 | | |
| Number of portfolio company investments | | | 74 | 66 |
| Number of portfolio company debt investments | | | 58 | 51 |
| Weighted average yield of debt and other income producing investments ⁽³⁾ | | | | |
| Cash | | | 7.7% | 7.8% |
| Payment-in-kind ("PIK") | | | 0.2% | 0.0% |
| Fee amortization | | | 0.4% | 0.5% |
| Total | | | 8.3% | 8.3% |
| Weighted average yield on total investments ⁽⁴⁾ | | | | |
| Cash | | | 7.2% | 7.4% |
| Payment-in-kind ("PIK") | | | 0.2% | 0.0% |
| Fee amortization | | | 0.4% | 0.5% |
| Total | | | 7.8% | 7.9% |

- (1) The dollar-weighted average annualized effective yield is computed using the effective interest rate for our debt investments and other income producing investments, including cash and Paid-In-Capital interest, as well as 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*

- Q3 Additional Dividend: In addition to the regular dividend declared on July 19th, 2021, the board declared an additional dividend of \$0.01 for each of the months of July, August and September, or an aggregate of \$0.03 per share.
- Q4 2021 Dividend: On September 14, 2021, the Company' Board of Directors declared a monthly dividend of \$0.09333 per share for each of the months of October, November, and December 2021, or an aggregate of \$0.28 per share for the fourth quarter. This is an increase from an aggregate of \$0.27 per share declared for the third quarter.

| Declared | Ex-Dividend Date | Record Date | Payment Date | Regular Amount per Share |
|----------|------------------|-------------|--------------|--------------------------|
| 9/14/21 | 10/28/21 | 10/29/21 | 11/15/21 | \$0.0933 |
| 9/14/21 | 11/29/21 | 11/30/21 | 12/15/21 | \$0.0933 |
| 9/14/21 | 12/15/21 | 12/16/21 | 12/31/21 | \$0.0933 |

- Q1 2022 Additional Dividend: On October 29, 2021, the board declared an additional dividend of \$0.02 per share in each of January, February and March 2022, or an aggregate of \$0.06 per share.