

A large, faint, stylized compass rose is centered in the background of the slide. It features a central point with four main directions and several concentric circles with radial lines, resembling a nautical chart or a starburst pattern.

# STELLUS CAPITAL INVESTMENT CORPORATION

Investor Presentation

Quarter ended September 30, 2022

HOUSTON, TX

WASHINGTON D.C.

CHARLOTTE, NC

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- *All daily trading information/multiples in this presentation as of October 31, 2022 unless otherwise noted*
- *All other financial information as of September 30, 2022*

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## Stellus Capital Investment Corp. (NYSE: "SCM")



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**

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



# 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 \$872 million as of September 30, 2022
  - ❖ Grown at a 3-year CAGR of 14%
- Achieving loan growth while practicing conservative lending
- Diversified portfolio by size of investment, industry and geography

### Stable and Growing Dividend

- Quarterly aggregate dividend of \$0.34\*
- Presently paying monthly dividend of \$0.1133\*
- Annualized indicated dividend yield of 10.2%\*
- LTD dividends of \$13.01 paid to an IPO investor through October 14, 2022
- We have covered dividends from earnings since inception

### Favorable Performance Over Time

- 5-year ROE of 9.6%\*\*
- ROE since IPO of 9.4%\*\*
- Stable portfolio performance over 10 years

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

- Net asset value per share was \$14.18 at September 30, 2022
- Trading at approximately 0.94x the September 30, 2022 per share NAV

\* Includes aggregate regular and additional dividends for third quarter ended September 30, 2022

\*\* Source: Company Filings

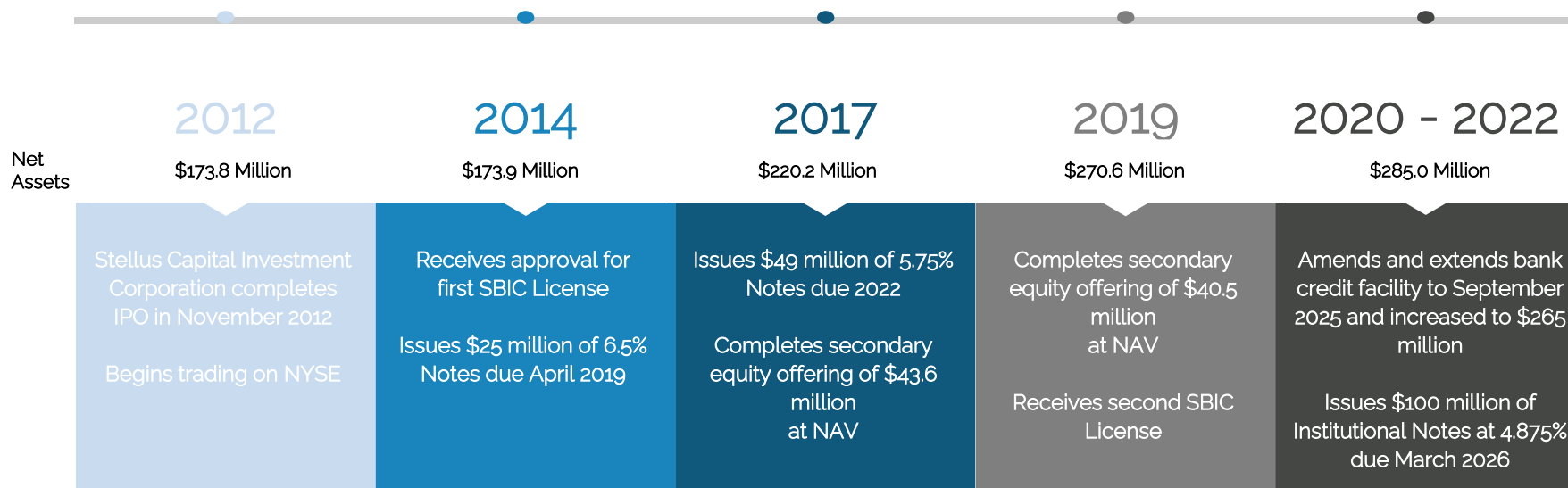
All daily trading information/multiples in this presentation as of October 31, 2022 unless otherwise noted



**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



# 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.

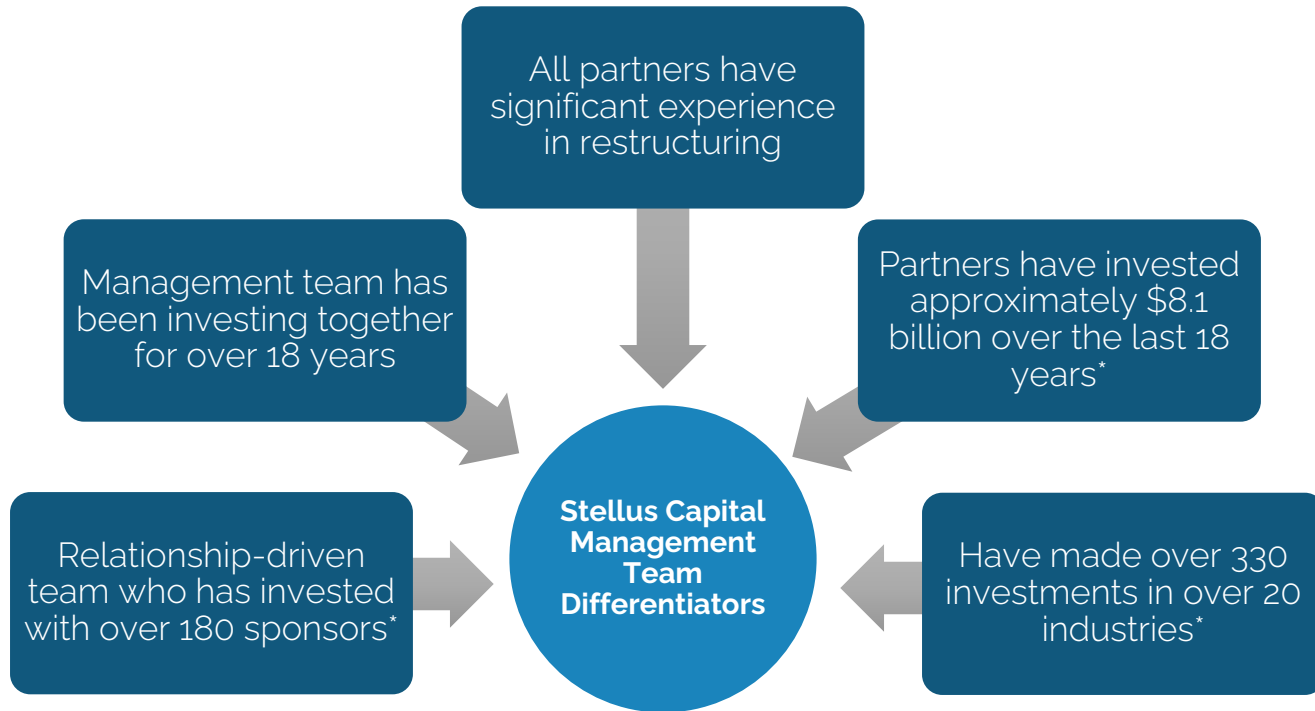
# Established Team and Institutional Platform

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 (55)   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 (50)   Co-Head of Private Credit																									27	The D. E. Shaw group, Duke Capital Partners, Milestone Merchant Partners, Arthur Andersen
Todd Overbergen (57)   Investment Committee Member																									32	The D. E. Shaw group, Duke Capital Partners, Arthur Andersen
Todd Huskinson (58)   Chief Financial Officer, Chief Compliance Officer & Secretary																									35	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

**89**  
Current Active  
Investments

**330+**  
Cumulative  
Completed  
Investments

**\$8.1+**  
Billion  
Invested Capital

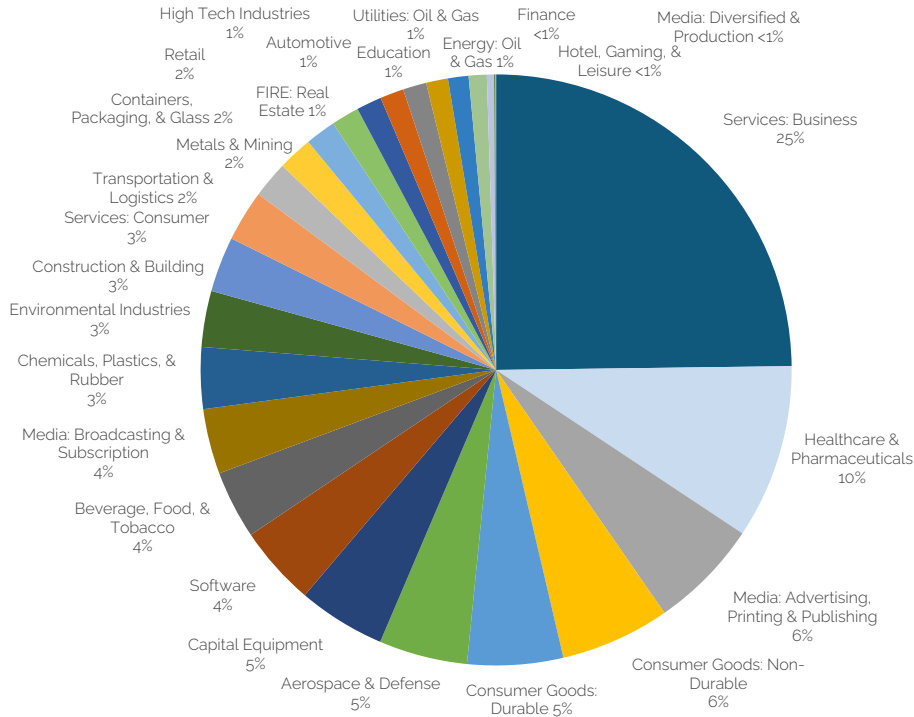
[Select List of Investments Available Here](#)

# Portfolio Statistics as of September 30, 2022

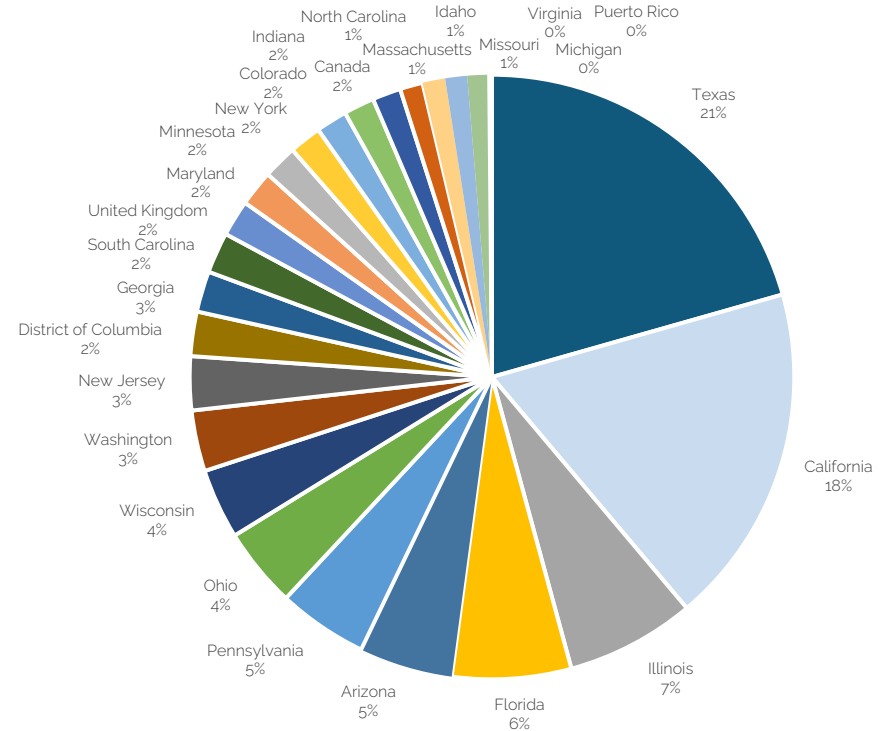
## Diverse Portfolio / Low Exposure to Retail and Energy

## No Geographic Concentration Over 25%

Industry Concentration



Geographic Concentration



Note: Percentages are based on market value

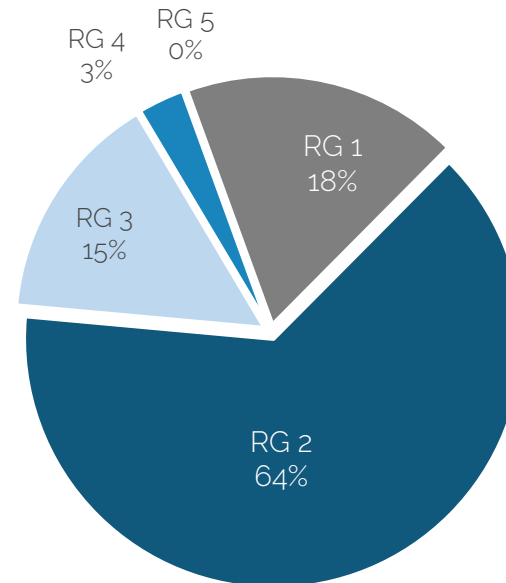
# Stable Asset Quality: Portfolio is Performing in Accordance with Plan

## 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)

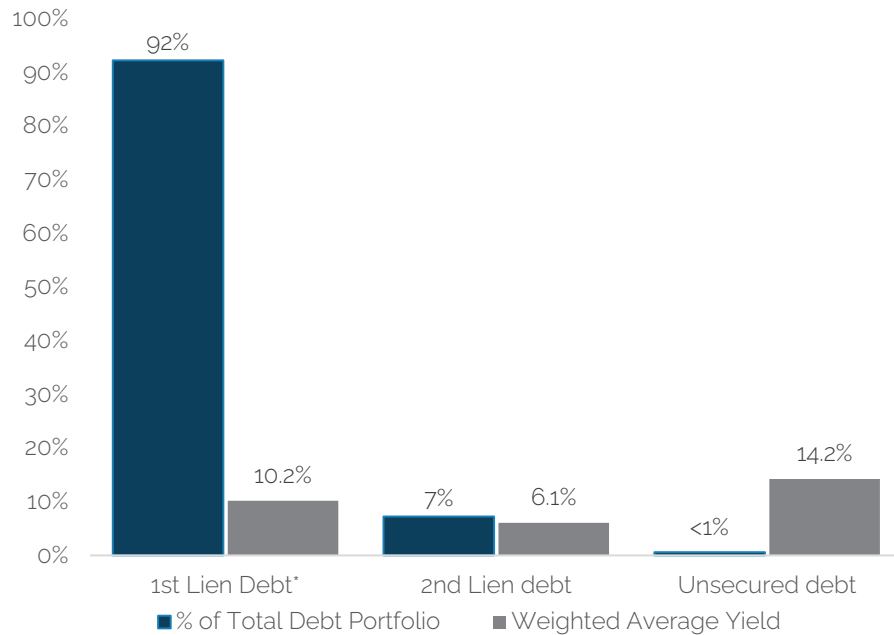
Investment Category at  
9/30/2022



Weighted Average Risk Grade: 2.02

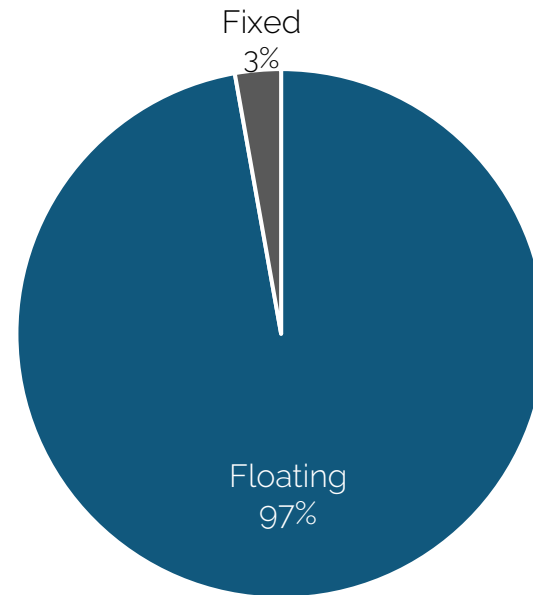
# Debt Portfolio is 92% 1st Lien

## Debt Investment Portfolio as of September 30, 2022



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

## Fixed vs. Floating Rate Debt Investments \*



Compared to 95% Floating / 5% Fixed at 9/30/2021

\* Subject to LIBOR or SOFR 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	\$199 million	SOFR + 2.6%	September 18, 2025
SBIC I Debentures	\$150 million	\$150 million	3.41%	Varied <sup>(4)</sup>
SBIC II Debentures	\$156 million	\$156 million	2.08%	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 September 30, 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.

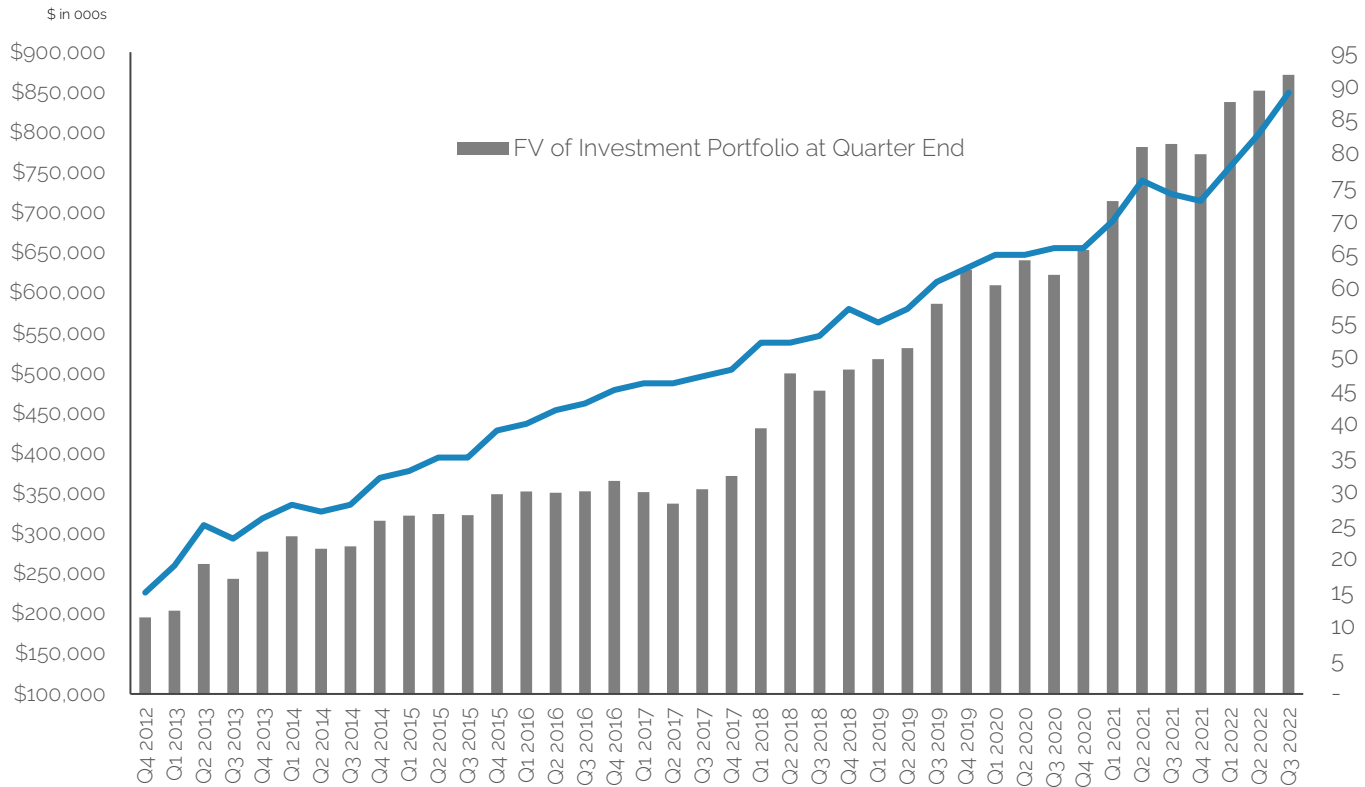
<sup>(5)</sup> SBA debentures issued to SBIC II mature March 1, 2030 - March 1, 2033.

# Financial Performance and Distributions

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# Investment Portfolio Growth Since IPO



# Third Quarter 2022 Overview

**\$0.35**  
Core NII per share\*

**\$56.9 million**  
New investment activity during the quarter

**\$1.6 million**  
Realized gain during the quarter (\$0.08 per share)

**\$872 Million**  
Investments at fair value at September 30, 2022

**10.23%**  
Weighted average yield on new investments

**\$14.18**  
NAV at September 30, 2022

## Seven New Initial Investment Fundings & Nineteen Follow On Investments

New loan fundings were 100% 1<sup>st</sup> lien with a weighted average yield of 10.23%

## 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 October, November, and December 2022).

Declared an additional aggregate dividend of \$0.06 per share (\$0.02 per share in each of October, November, and December 2022).

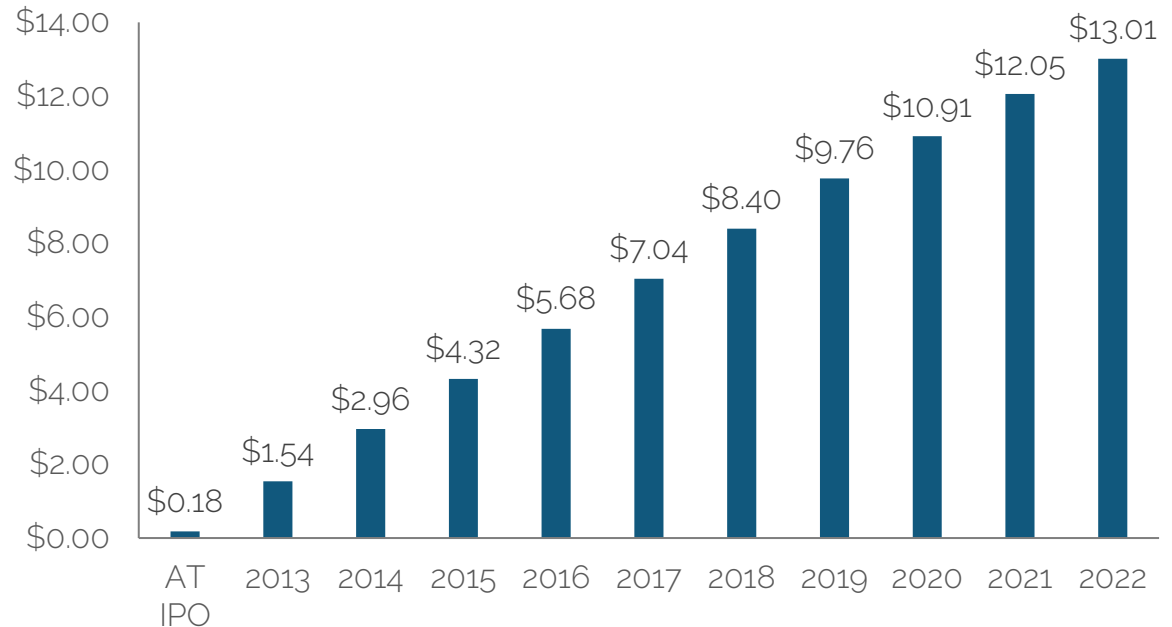
# Cumulative Distributions Declared per share Since IPO

\$13.01 per share in cumulative distributions declared since SCM IPO in 2012 (as of September 30, 2022)

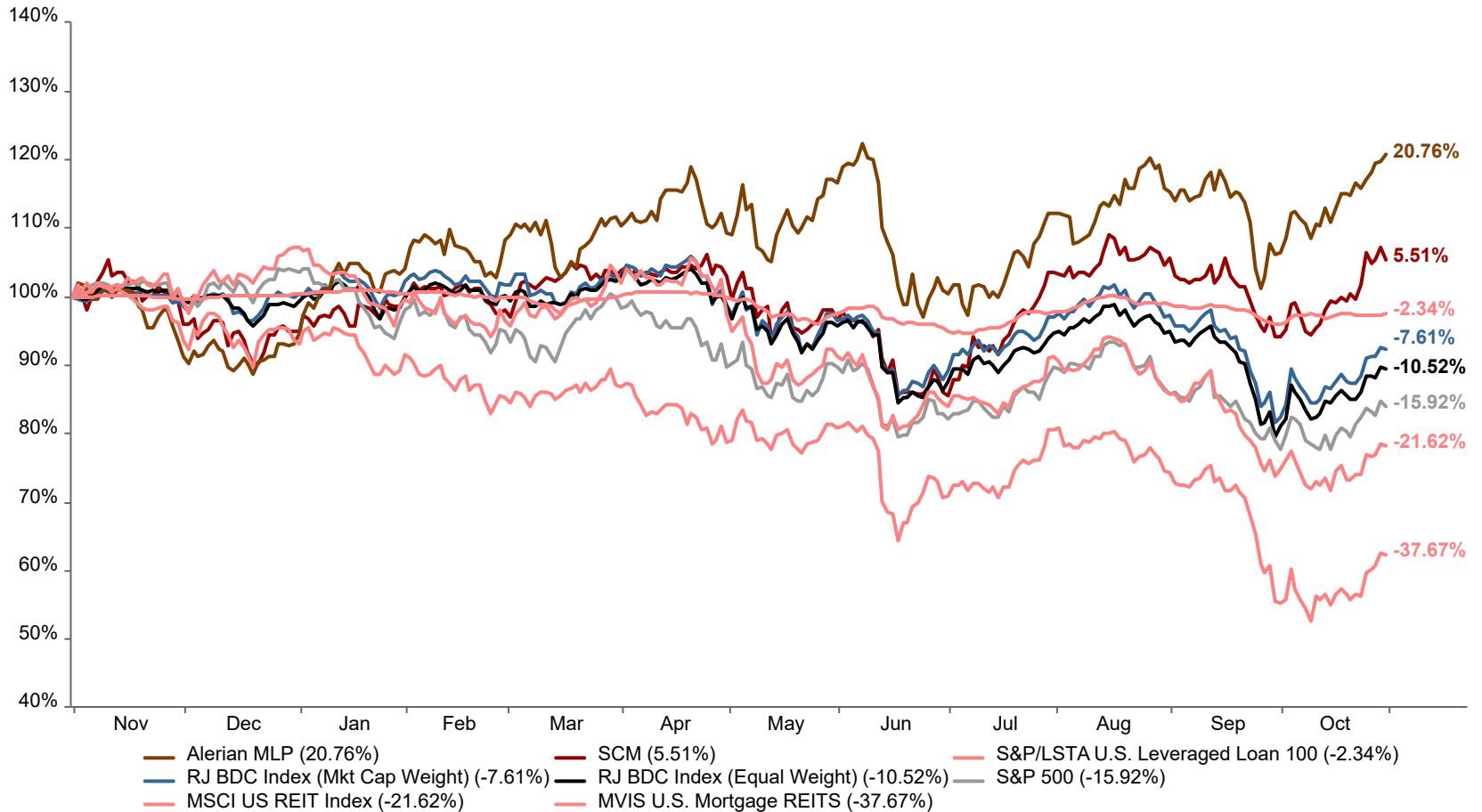
\$13.01 per share in cumulative distributions since SCM IPO in 2012 (as of September 30, 2022)

Monthly dividends of \$0.1133 declared in Q4 for October, November, and December 2022\*

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



# Comparative Total Return LTM



010/31/2021 to 10/31/2022

FactSet's total return calculation begins with the closing stock price one day after each respective BDC's IPO

Total return assumes dividends are reinvested on the ex-dividend dates

RJ BDC Index consists of: AINV, ARCC, BCSF, BBDC, BKCC, BXSL, CCAP, CGBD, CION, CSWC, FCRD, FDUS, FSK, GAIN, GBDC, GECC, GLAD, GSBD, HRZN, HTGC, ICMB, LRFC, MAIN, MRCC, NEWT, NMFC, OCSL, OFS, ORCC, OXSQ, PFLT, PFX, PNNT, PTMN, PSEC, RWAY, SAR, SCM, SLRC, TCPC, TPVG, TRIN, TSLX and WHF

# 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

Raymond James  
Robert Dodd, 901-579-4560

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

Oppenheimer Equity Research  
Mitchel Penn, 212-667-6699

Ladenburg Thalmann  
Christopher Nolan, 212-667-7136

Hovde Group  
Erik Zwick, 617-510-1239

Janney Montgomery Scott  
John Rowan, 242-940-6981

## Share Information

Share Price	\$13.27
Shares Outstanding	19,545,935
Market Capitalization	\$259.4M
Total Assets	\$889.1 Million
Total Stockholders' Equity	\$277.1 Million
NAV per share	\$14.18
Ratio of Price to NAV per share	0.94x

## Investment Committee

Robert T. Ladd  
Chairman, President & Chief Executive  
Officer

Dean D'Angelo  
Co-Head of Private Credit <sup>\*</sup>

Joshua T. Davis  
Co-Head of Private Credit <sup>\*</sup>

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

Todd A. Overbergen  
Investment Committee Member<sup>\*</sup>

## 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

## Dividends

Dividend Frequency	Monthly
Last Monthly Dividend**	\$0.1133
Annualized Indicated Yield**	10.2%

## Debt

Regulatory Leverage	1.08x
Total Leverage (incl. SBIC debentures)	2.18x

<sup>\*</sup>Stellus Capital Management, LLC

<sup>\*\*</sup>Includes regular and additional dividends for third quarter ended September 30, 2022

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# STELLUS CAPITAL INVESTMENT CORPORATION

## Investor Presentation

Quarter ended September 30, 2022

HOUSTON, TX

WASHINGTON D.C.

CHARLOTTE, NC

# Financial Highlights

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

	Q3 2022		YTD 2022	
	Amount	Per Share	Amount	Per Share
Net investment income	\$7.19	\$0.37	\$18.88	\$0.97
Core net investment income <sup>(1)</sup>	6.90	0.35	18.27	0.94
Net realized gains on investments	1.55	0.08	4.66	0.24
Net realized loss on foreign currency	-	-	(0.01)	-
Total realized income <sup>(2)</sup>	\$8.74	0.45	23.53	1.20
Distributions	(6.64)	(0.34)	(18.75)	(0.96)
Net unrealized depreciation on investments	(4.80)	(0.25)	(12.81)	(0.66)
Net unrealized depreciation on foreign currency translation	(0.02)	-	(0.05)	-
Provision for taxes on unrealized appreciation on investments in taxable subsidiaries	0.03	-	(0.15)	(0.01)
Net increase in net assets resulting from operations	\$3.96	\$0.20	\$10.51	\$0.54
Weighted average shares outstanding		19,545,935		19,535,708

(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-US 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 September 30, 2022	As of December 31, 2021		As of September 30, 2022	As of December 31, 2021
Investments at fair value	\$871.1	\$772.9	Number of portfolio company investments	89	73
Total assets	\$889.10	\$821.3	Number of portfolio company debt investments	74	58
Net assets	\$277.2	\$285.1	Weighted average yield of debt and other income producing investments <sup>(1)</sup>		
Shares outstanding	19,545,935	19,517,595	Cash	9.2%	7.4%
Net asset value per share	\$14.18	\$14.61	Payment-in-kind ('PIK')	0.1%	0.2%
			Fee amortization	0.5%	0.4%
			Total	9.8%	8.0%
			Weighted average yield on total investments <sup>(2)</sup>		
			Cash	8.7%	6.9%
			Payment-in-kind ('PIK')	0.1%	0.2%
			Fee amortization	0.4%	0.4%
			Total	9.2%	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\*

On October 4, 2022, the board declared a regular dividend of \$0.0933 per share and an additional dividend of \$0.02 per share in each of October, November, and December 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
10/04/22	10/28/22	10/31/22	11/15/22	\$0.0933	\$0.02	\$0.1133
10/04/22	11/29/22	11/31/22	12/15/22	\$0.0933	\$0.02	\$0.1133
10/04/22	12/15/22	12/16/22	12/29/22	\$0.0933	\$0.02	\$0.1133