

**STELLUS**  
CAPITAL  
INVESTMENT CORPORATION

**Investor  
Presentation**

Year ended December 31, 2021



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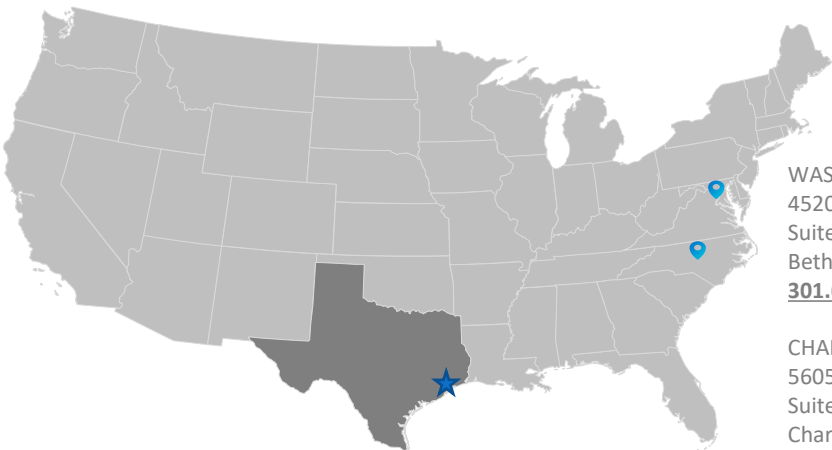
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- ***All daily trading information/multiples in this presentation as of April 4, 2022 unless otherwise noted***
- ***All other financial information as of December 31, 2021***

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## 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 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 \$772.9 million as of December 31, 2021
  - ❖ Grown at a 3-year CAGR of 15%
- Achieving loan growth while practicing conservative lending
- Diversified portfolio by size of investment, industry and geography

### Favorable Performance Over Time

- ROE since IPO of 9.93%
- In the top 10 of all publicly traded BDCs based on ROE since IPO
- Stable portfolio performance over 9 years

### Stable and Growing Dividend

- Increased the quarterly dividend from \$0.27 to \$0.28
- Presently paying monthly dividend of \$0.1133\*
- Annualized indicated dividend yield of 9.9%\*
- LTD dividends of \$12.05 paid to an IPO investor through December 31, 2021\*\*
- We have covered dividends from earnings since inception

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

- Net asset value per share was \$14.61 at December 31, 2021, an increase from \$14.03 at December 31, 2020
- Trading at approximately 0.95x to December 31, 2021 per share NAV

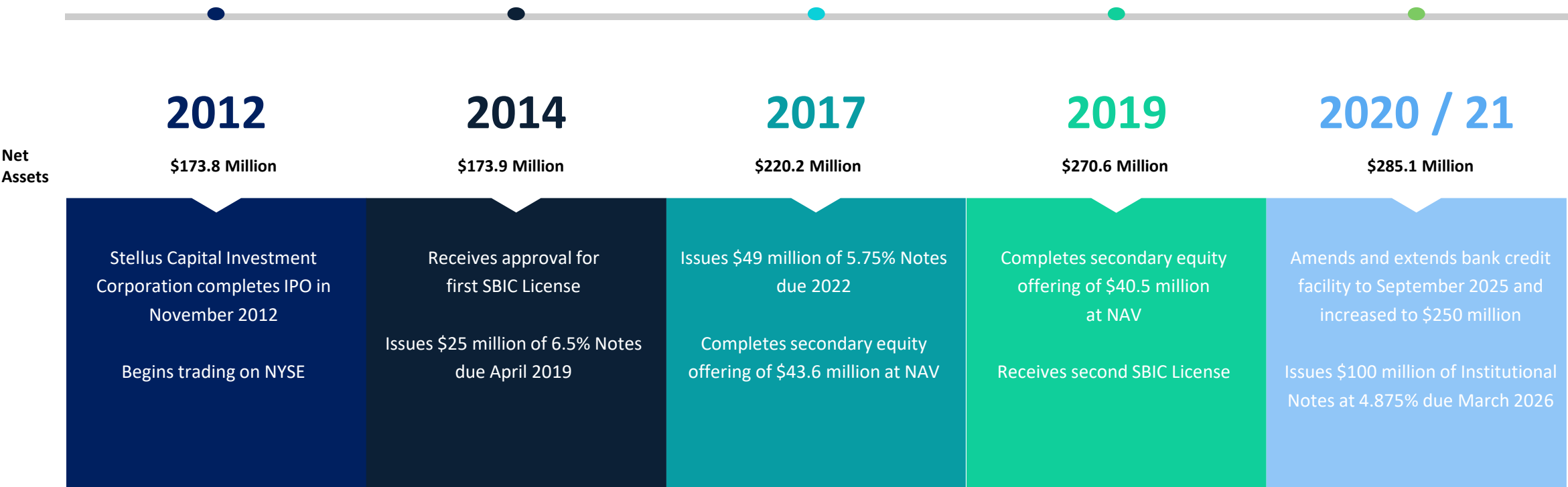


## COMPANY OVERVIEW:

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



# 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. 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.

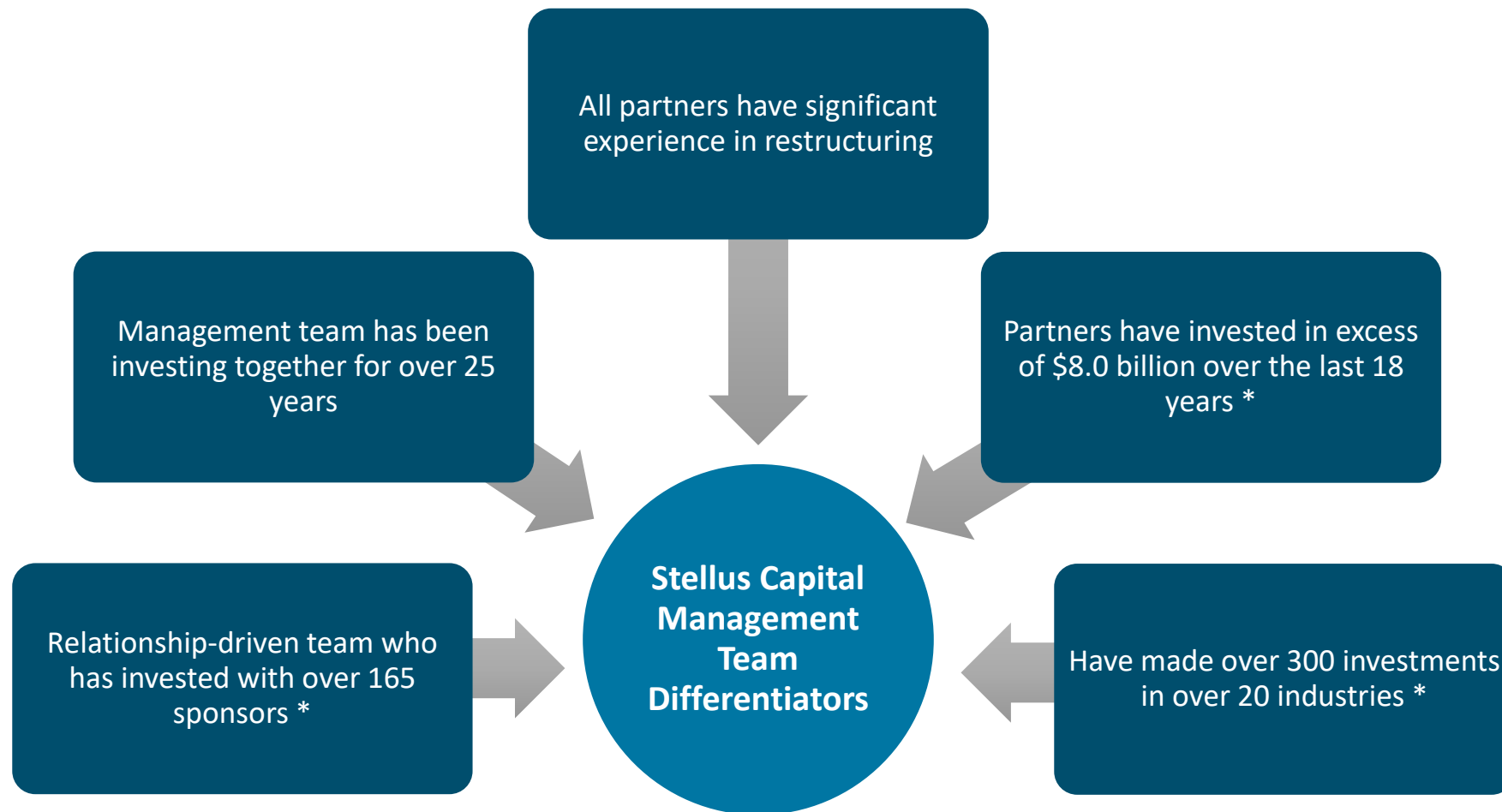
# Established Team and Institutional Platform

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																							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

**73**

Current Active  
Investments

**300+**

Cumulative Completed  
Investments

**\$8.0+**

Billion  
Invested Capital

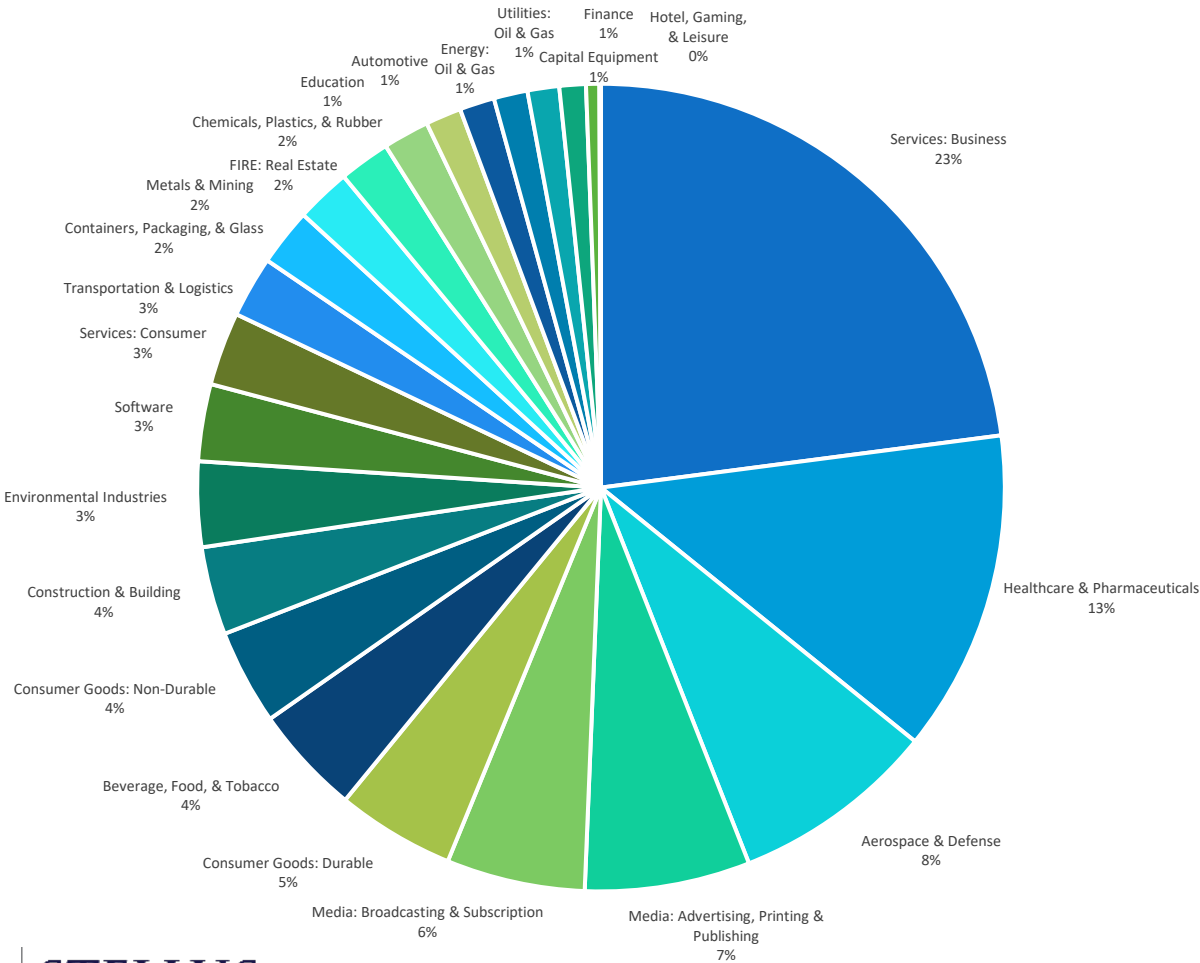
[Select List of Investments Available Here](#)

# Portfolio Statistics as of December 31, 2021

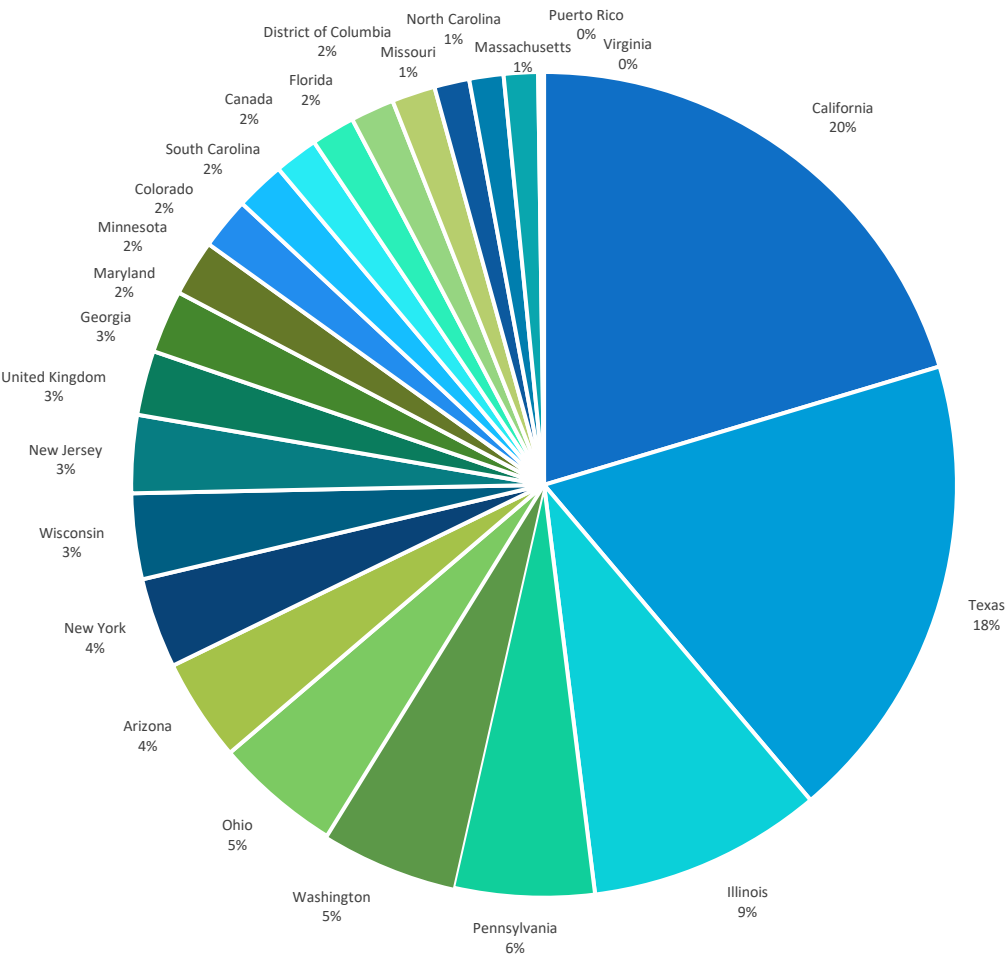
Diverse Portfolio / Low Exposure to Retail and Energy

No Geographic Concentration Over 20%

Industry Concentration



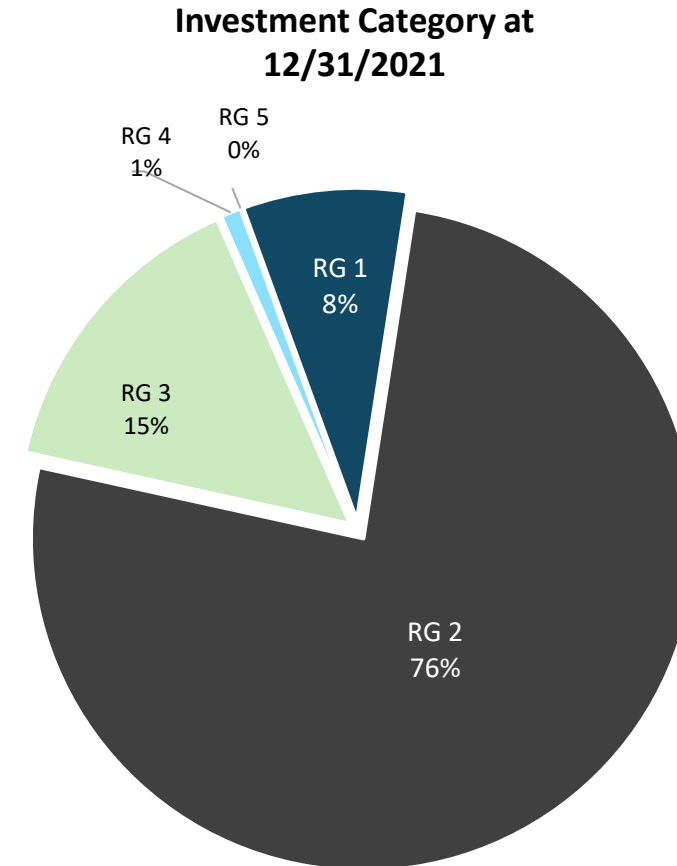
Geographic Concentration



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

## Investment Category Definitions:

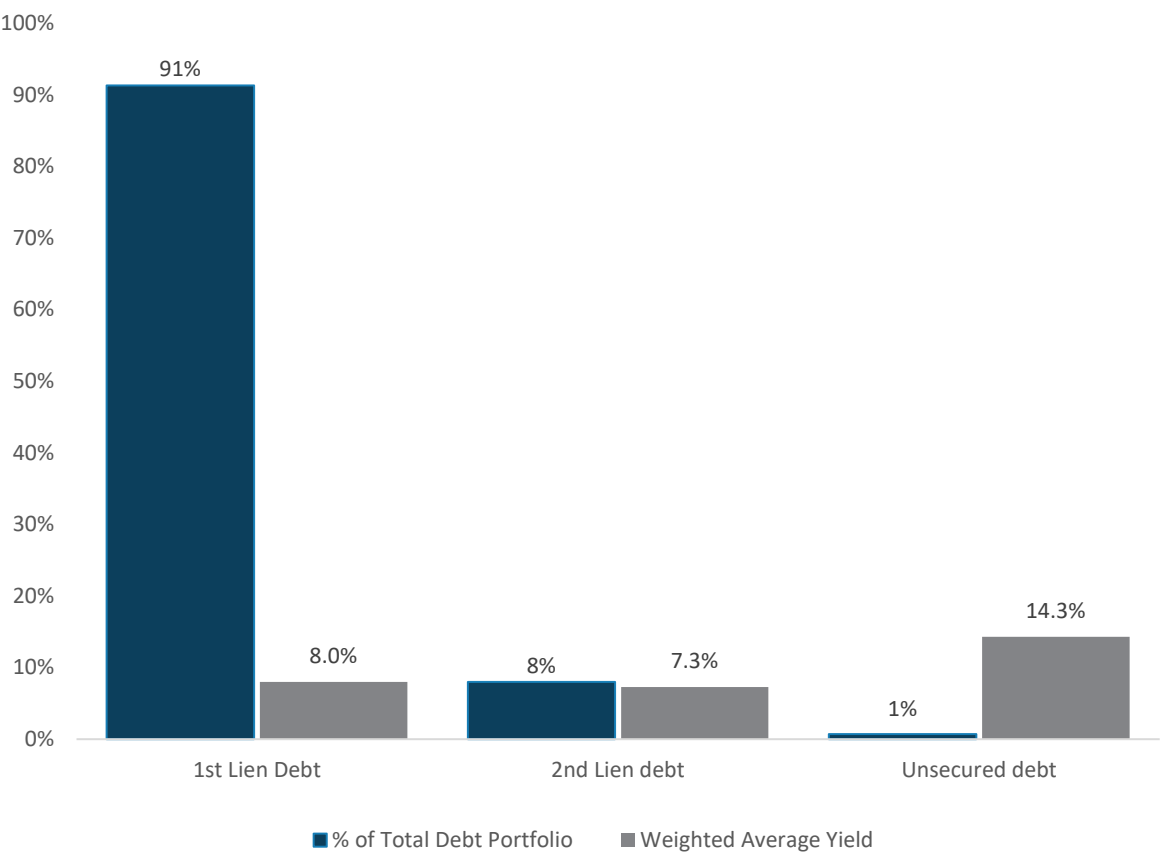
- 1 Exceeding expectations
- 2 Performing in accordance with plan
- 3 Requires closer monitoring  
(no loss of return or principal)
- 4 In workout  
(some loss of return; no loss of principal)
- 5 In workout  
(some loss of principal)



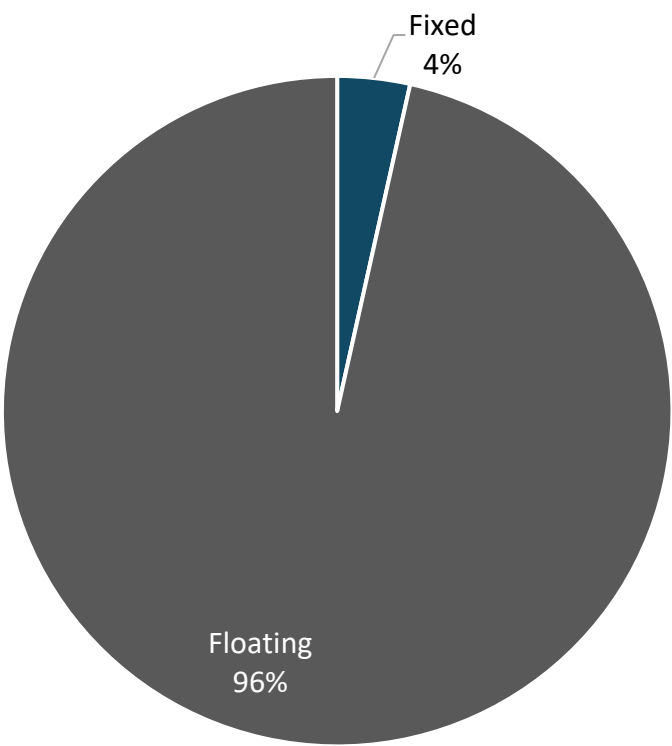
Weighted Average Risk Grade: 2.09

# Debt Portfolio is 91% 1st Lien

Debt Investment Portfolio  
as of December 31, 2021



Fixed vs. Floating Rate Debt Investments \*



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



# 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>	\$250 million	\$177.3 million	LIBOR + 2.5%	September 18, 2025
SBIC I Debentures	\$150 million	\$150 million	3.41%	Varied <sup>(4)</sup>
SBIC II Debentures	\$100 million	\$100 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 and December 2021.

<sup>(2)</sup> Outstanding balances are all as of December 31, 2021

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

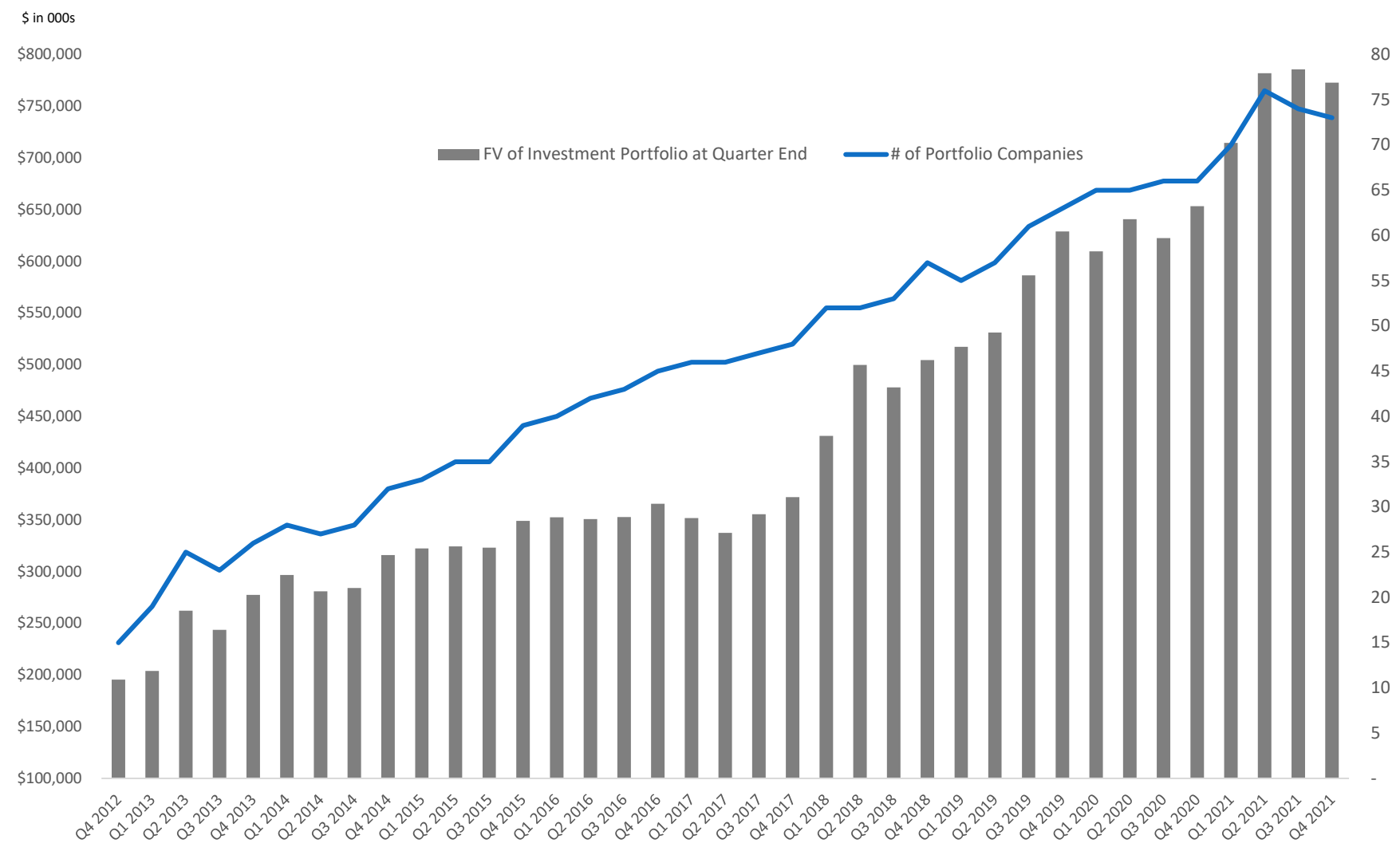
<sup>(4)</sup> SBA debentures issued to SBIC I mature March 1, 2025 - March 1, 2029.

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

# Financial Performance and Distributions

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# Investment Portfolio Growth Since IPO



# Annual 2021 Overview

\$1.22

Core NII per share\*

\$387.3 million

New investment activity during the year

\$23.7 million

Realized gains during the year (\$1.22 per share)

8.11%

Weighted average yield on new investments

\$772.9 Million

Investments at fair value at December 31, 2021

\$14.61

NAV at December 31, 2021

## Twenty-Seven New Initial Investment Fundings & Thirty-Six Follow On Investments

New loan fundings were 90% 1<sup>st</sup> lien, 4% Unsecured, and 6% Equity with a weighted average yield of 8.11%

## Distributions

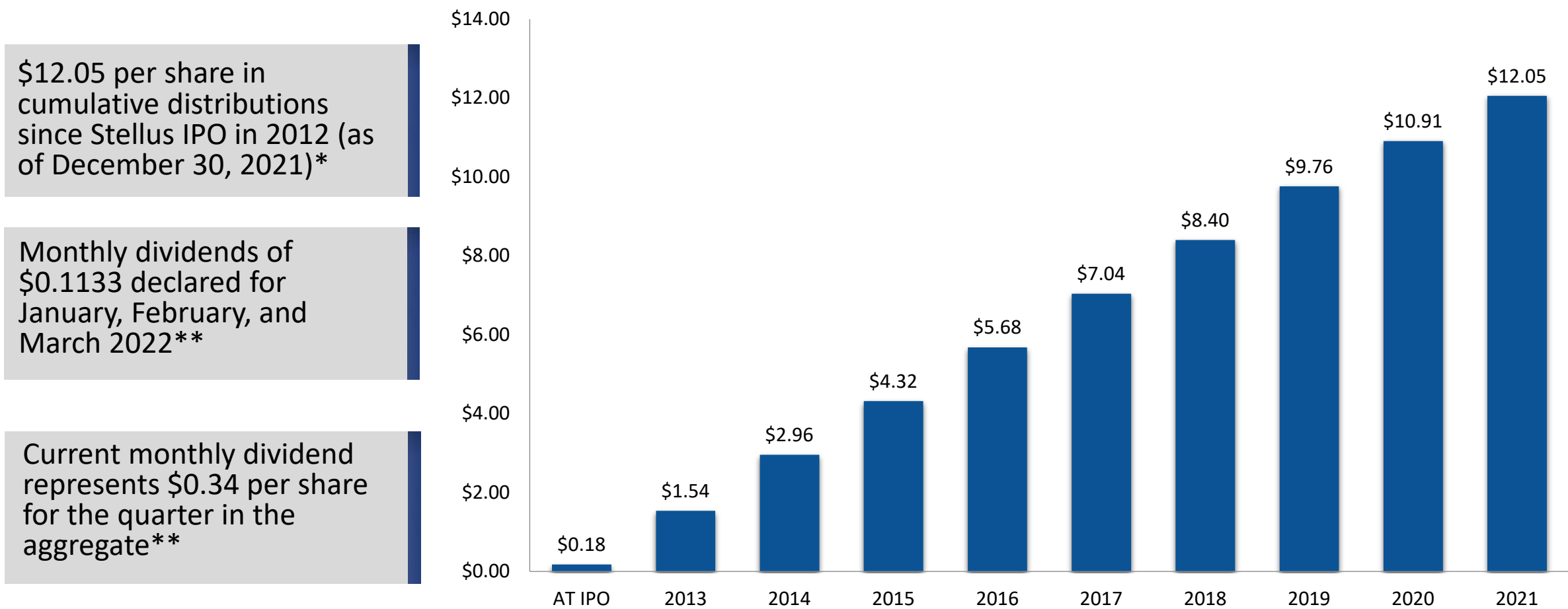
\$1.08 per share in the aggregate paid to stockholders in distributions throughout the year

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

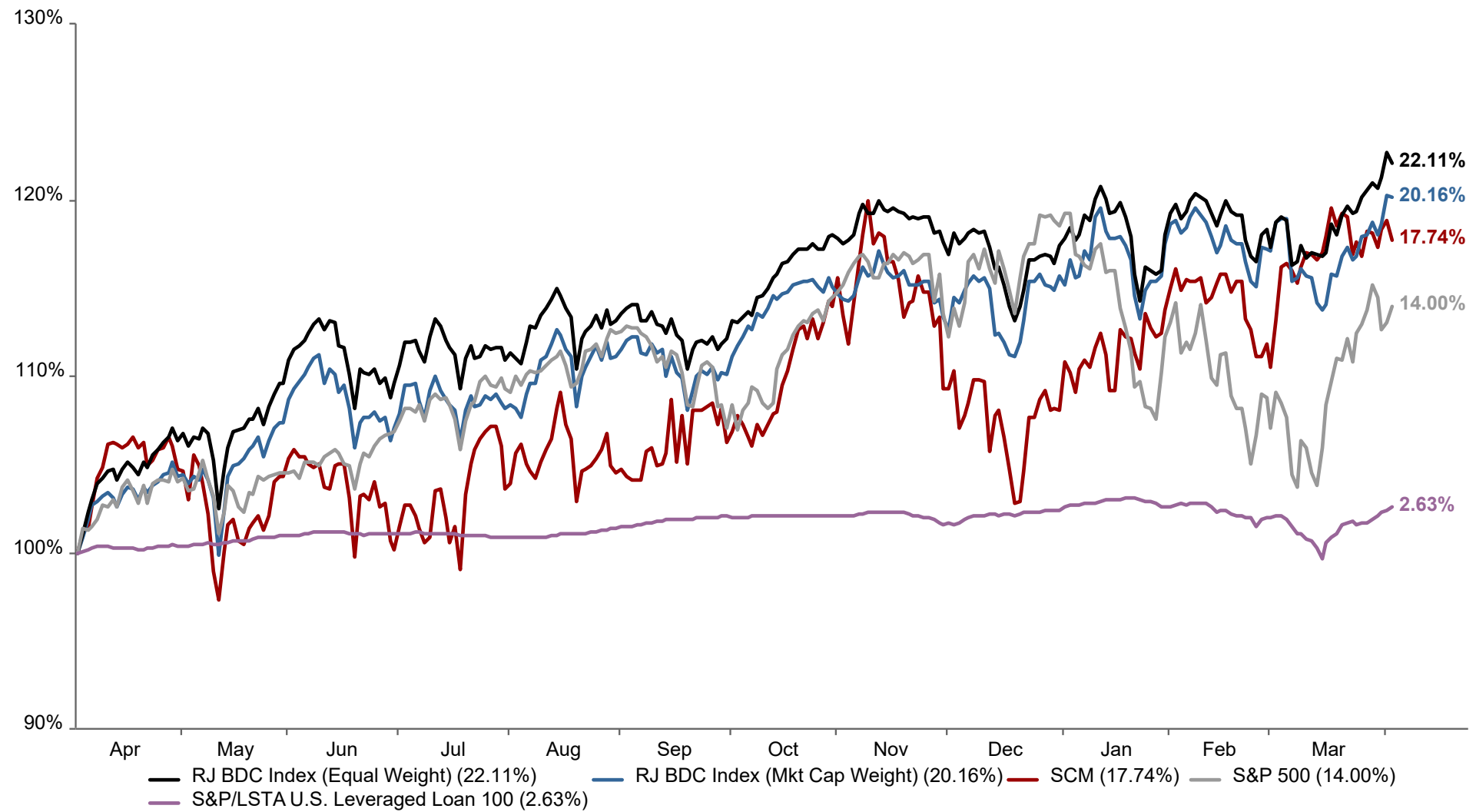
Declared a regular monthly dividend for each of October, November, and December, for an aggregate of \$0.28 per share, which is an increase of \$0.01 for the quarter as compared to the prior quarter

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

# Cumulative Distributions Declared per share Since IPO



# Comparative Total Return LTM





## Favorable Performance Not Reflected in Comparative Price to Book

(based on a ROE since IPO)

- Stellus has delivered an average return on equity\* (ROE) since IPO of 9.93%
  - In the top 10 of all publicly traded BDCs
- BDCs performing at this level trade at an implied price to NAV of approximately 1.20x
- Stellus trades at a discount price to NAV per share of 0.95x

# 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	\$13.82
Shares Outstanding	19,532,519
Market Capitalization	\$269.9M
Total Assets	\$821.3 Million
Total Stockholders' Equity	\$285.1 Million
NAV per share	\$14.61
Ratio of Price to NAV per share	0.95x

## Dividends

Dividend Frequency	Monthly
Last Monthly Dividend**	\$0.1133
Annualized Indicated Yield	9.9%

## Debt

Regulatory Leverage	0.97x
Total Leverage (incl. SBIC debentures)	1.85x

## 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)

	2021		2020	
	Amount	Per Share	Amount	Per Share
<b>Net investment income</b>	\$19.78	\$1.01	\$21.99	\$1.13
<b>Core net investment income <sup>(1)</sup></b>	23.75	1.22	22.40	1.15
<b>Net realized gain (loss) on investments</b>	23.71	1.22	(10.13)	(0.52)
<b>Loss on debt extinguishment</b>	(0.54)	(0.03)	-	-
<b>Provision for taxes on realized gain on investments in taxable subsidiaries</b>	(2.96)	(0.15)	-	-
<b>Total realized income <sup>(2)</sup></b>	\$40.53	\$2.08	\$11.86	\$0.61
<b>Distributions <sup>(3)</sup></b>	(22.22)	(1.14)	(22.40)	(1.15)
<b>Net unrealized appreciation (depreciation) on investments</b>	(6.93)	(0.36)	8.56	0.44
<b>Benefit (provision) for taxes on unrealized depreciation (appreciation) on investments</b>	0.51	0.03	(0.22)	(0.01)
<b>Net increase in net assets resulting from operations</b>	\$33.57	\$1.72	\$20.20	\$1.04
<b>Weighted average shares outstanding</b>		19,489,750		19,471,500

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 March 1, 2022, 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 2021, 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 December 31, 2021	As of December 31, 2020
Investments at fair value	\$772.9	\$653.4
Total assets	\$821.3	\$674.9
Net assets	\$285.1	\$273.4
Shares outstanding	19,517,595	19,486,003
Net asset value per share	\$14.61	\$14.03

	Year Ended December 31, 2021	Year Ended December 31, 2020
New investments	\$387.3	\$152.0
Repayments of investments	(287.6)	(128.8)
Net activity	\$99.7	\$23.2

	As of December 31, 2021	As of December 31, 2020
Number of portfolio company investments	73	66
Number of portfolio company debt investments	55	51
Weighted average yield of debt and other income producing investments <sup>(1)</sup>		
Cash	7.4%	7.8%
Payment-in-kind ("PIK")	0.2%	0.0%
Fee amortization	0.4%	0.5%
Total	8.0%	8.3%
Weighted average yield on total investments <sup>(2)</sup>		
Cash	6.9%	7.4%
Payment-in-kind ("PIK")	0.2%	0.0%
Fee amortization	0.4%	0.5%
Total	7.5%	7.9%

- (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\*

- Q1 2022 Dividend: On January 13, 2022, the board declared a dividend of \$0.0933 per share in each of January, February and March 2022, or an aggregate of \$0.28 per share.

Declared	Ex-Dividend Date	Record Date	Payment Date	Regular Amount per Share
1/13/22	1/27/22	1/28/22	2/15/22	\$0.0933
1/13/22	2/24/22	2/25/22	3/15/22	\$0.0933
1/13/22	3/30/22	3/31/22	4/15/22	\$0.0933

- Previously Declared Q1 2022 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.

Declared	Ex-Dividend Date	Record Date	Payment Date	Regular Amount per Share
10/29/21	1/27/22	1/28/22	2/15/22	\$0.02
10/29/21	2/24/22	2/25/22	3/15/22	\$0.02
10/29/21	3/30/22	3/31/22	4/15/22	\$0.02