

Investor Presentation

Quarter ended March 31, 2023

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- All daily trading information/multiples in this presentation as of May 12, 2023, unless otherwise noted
- All other financial information as of March 31, 2023



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





# 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 \$877 million as of March 31, 2023
  - Grown at a 3-year CAGR of 13%
- Achieving loan growth while practicing conservative lending
- Diversified portfolio by size of investment, industry and geography

#### Stable and Growing Dividend

- Quarterly aggregate dividend of \$0.40
- Monthly dividend of \$0.1333
- Annualized indicated dividend yield of 10.9%
- LTD dividends of \$13.75 paid to an IPO investor through March 31, 2023
- We have covered dividends from earnings since inception

#### Favorable Performance Over Time

- 5-year ROE of 9.1%\*
- ROE since IPO of 9.3%\*
- Stable portfolio performance over 10 years

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

- Net asset value per share was \$13.87 at March 31, 2023
- Trading at approximately 1.06x the March 31, 2023 per share NAV

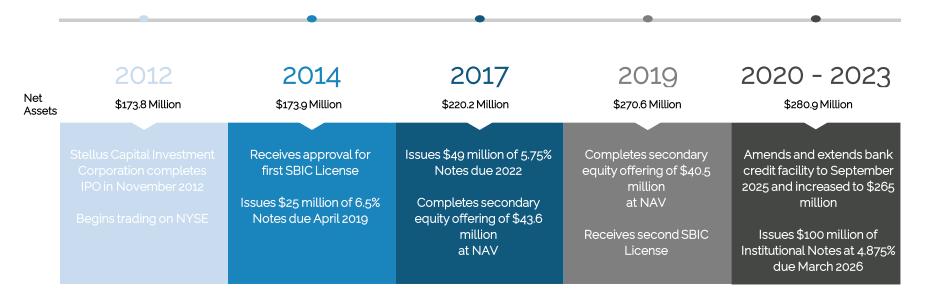






# Stable Growth with Access to Low-Cost Capital

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 FBITDA
- 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

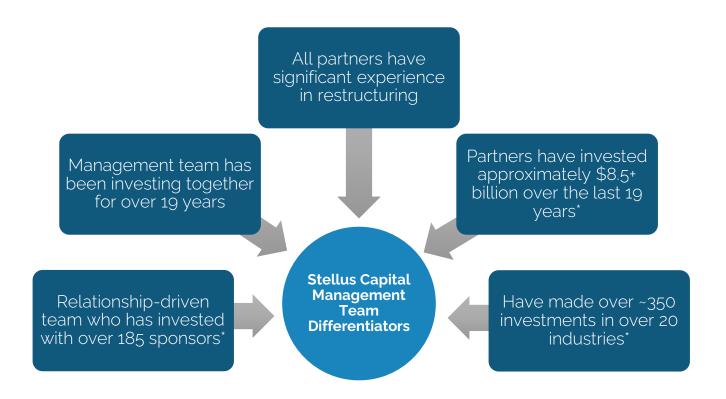
Stellus Capital Management's\* investment committee members have backgrounds in private credit, private equity, corporate finance, restructuring, management consulting, and accounting.

TOTALYEARS	5 40 45 00 05 00 05 40	PAST
EXPERIENCE >	5 10 15 20 25 30 35 40	EXPERIENCE

Robert Ladd (67)   Chairman, President & CEO		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	31	The D. E. Shaw group, Allied Capital, Duke Capital Partners, Banc of America Securities, Coopers & Lybrand
Joshua Davis (50)   Co-Head of Private Credit	28	The D. E. Shaw group, Duke Capital Partners, Milestone Merchant Partners, Arthur Andersen
Todd Overbergen (57)   Investment Committee Member	33	The D. E. Shaw group, Duke Capital Partners, Arthur Andersen
Todd Huskinson (59)   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\*











































































































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

88
Current Active
Investments

~350
Cumulative
Completed
Investments

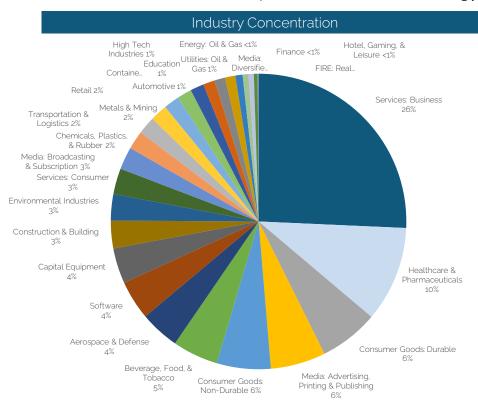
\$8.5+
Billion
Invested Capital

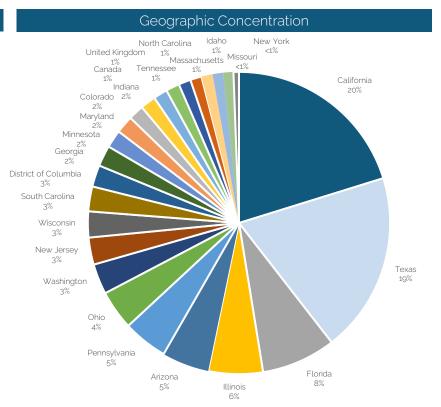
Select List of Investments Available Here

# Portfolio Statistics as of March 31, 2023

### Diverse Portfolio / Low Exposure to Retail and Energy

## No Geographic Concentration Over 25%





Note: Percentages are based on market value

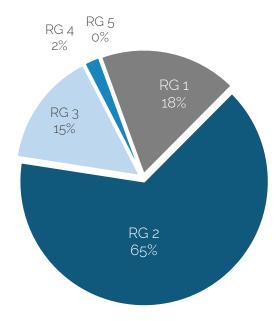


# Stable Asset Quality: Portfolio is Performing in Accordance with Plan

# 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)

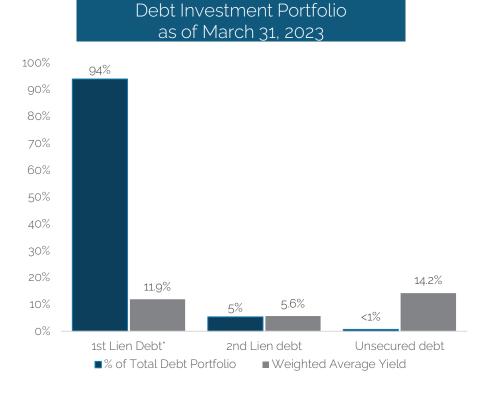
# Investment Category at 03/31/2023



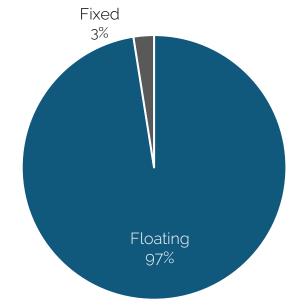
Weighted Average Risk Grade: 2.02



# Debt Portfolio is 94% 1st Lien



## Fixed vs. Floating Rate Debt Investments \*



Compared to 97% Floating / 3% Fixed at 12/31/2022

\* Subject to LIBOR or SOFR floors

'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



# 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	\$198 million	SOFR + 2,6%	September 18, 2025
SBIC I Debentures	\$150 million	\$150 million	3.41%	Varied <sup>(4)</sup>
SBIC II Debentures	\$175 million	\$164 million	2.82%	Varied <sup>(5)</sup>
Unsecured Notes	\$100 million	\$100 million	4.94%	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, 2023

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

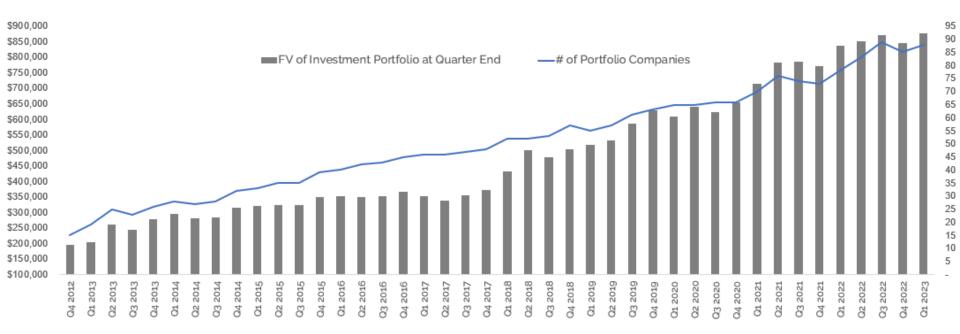
<sup>(4)</sup> SBA debentures issued to SBIC I mature March 1, 2025 - March 1, 2029.

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



# Financial Performance and Distributions

# Investment Portfolio Growth Since IPO





# First Quarter 2023 Overview

\$0.45

Core NII per share\*

\$41.2 million

New investment activity during the quarter

\$877 Million

Investments at fair value at March 31, 2023

12.16%

Weighted average yield on new investments

\$13.87

NAV at March 31, 2023

## Four New Initial Investment Fundings & Two Follow On Investments

New loan fundings were 100%  $1^{st}$  lien, 2%  $2^{nd}$  lien, with a weighted average yield of 12.16%



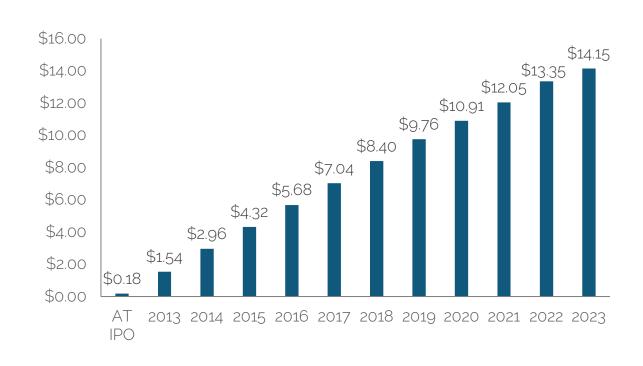
# Cumulative Distributions Declared per share Since IPO

\$14.15 per share in cumulative distributions declared since SCM IPO in 2012\*

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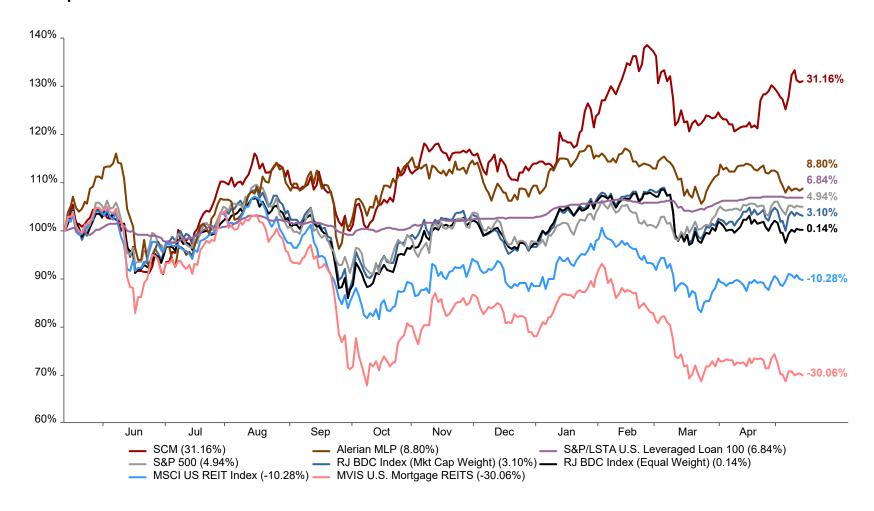
Monthly dividends of \$0.1333 declared in Q2 for April, May, and June 2023\*

Current monthly dividend represents \$0.40 per share for the quarter\*





# Comparative Total Return LTM



05/12/2022 to 05/12/2023

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: ARCC, BCSF, BBDC, BKCC, BXSL, CCAP, CGBD, CION, CSWC, FCRD, FDUS, FSK, GAIN, GBDC, GECC, GLAD, GSBD, HRZN, HTGC, ICMB, LRFC, MAIN, MFIC, MRCC, 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  $^{\scriptscriptstyle 1}$ 

Bruce R. Bilger 1

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 \$14.70 Shares Outstanding 20,835,746 Market Capitalization \$306.3M Total Assets \$900.9 Million Total Stockholders' Equity \$280.9 Million NAV per share \$13.87 Ratio of Price to NAV per 1.06x share

#### **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

Dividends		
Dividend Frequency	Monthly	
Last Monthly Dividend**	\$0.1333	
Annualized Indicated Yield**	10.9%	
Debt		
Regulatory Leverage	1.06x	
Total Leverage (incl. SBIC debentures)	2.18x	



"Stellus Capital Management, LLC
"Includes dividends for first quarter ended March 31, 2023
All daily trading information/multiples in this presentation as of May 12, 2023 unless otherwise noted



**Investor Presentation** 

Quarter ended March 31, 2023

# Financial Highlights

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

	Three Months Ended Three Months Ended			
	March 31, 2023		March 31, 2022	
	Amount	Per Share	Amount	Per Share
Net investment income	\$9.07	\$0.46	\$5.51	\$0.28
Core net investment income <sup>(1)</sup>	8.87	0.45	5.75	0.29
Net realized gain on investments	0.03	-	3.46	0.18
Net realized loss on foreign currency translation	(0.04)	-	(0.01)	-
Total realized income <sup>(2)</sup>	\$9.06	\$0.46	\$8.96	\$0.46
Distributions	(7.95)	(0.40)	(5.46)	(0.28
Net unrealized depreciation on investments	(4.25)	(0.22)	(3.72)	(0.19
Provision for taxes on unrealized appreciation on investments in taxable subsidiaries	(0.08)	-	(0.02)	<u>-</u>
Net increase in net assets resulting from operations	\$4.74	0.24	\$5.22	0.27
Weighted average shares outstanding		19,779,988		19,517,761



## Portfolio Characteristics

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

	As of	As of	
	March 31, 2023	December 31, 2022	
Investments at fair value	\$877.5	\$844.7	
Total assets	\$900.9	\$898.2	
Net assets	\$280.9	\$275.8	
Shares outstanding	20,248,383	19,666,769	
Net asset value per share	\$13.87	\$14.02	

	Three Months Ended	Three Months Ended
	March 31, 2023	March 31, 2022
New investments	\$41.2	\$74.5
Repayments of investments	(5.9)	(10.0)
Net activity	\$35.3	\$64.5

	As of March 31, 2023	As of December 31, 2022
Number of portfolio company investments	88	85
Number of debt investments	76	73
Weight average yield of debt and other income producing investments <sup>(1)</sup>		
Cash	10.6%	10.3%
Payment-in-kind ("PIK")	0.4%	0.4%
Fee amortization	0.4%	0.4%
Total	11.4%	11.1%
Weighted average yield on total investments(2)		
Cash	10.0%	9.7%
Payment-in-kind ("PIK")	0.4%	0.3%
Fee amortization	0.4%	0.4%
Total	10.8%	10.4%

<sup>(1)</sup> 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.



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 April 19, 2023, the board declared a regular dividend of \$0.1333 per share for each of April, May and June 2023, for an aggregate of \$0.40 per share.

	<b>Ex-Dividend</b>	Record	Payment	Amount per
Declared	Date	Date	Date	Share
4/19/2023	4/28/2023	5/1/2023	5/15/2023 \$	0.1333
4/19/2023	5/30/2023	5/31/2023	6/15/2023 \$	0.1333
4/19/2023	6/29/2023	6/30/2023	7/14/2023 \$	0.1333

