



Stellus Capital Investment Corporation

Investor Presentation

Year ended December 31, 2023



HOUSTON, TX

WASHINGTON D.C.

CHARLOTTE, NC

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- *All daily trading information/multiples in this presentation as of April 1, 2024, unless otherwise noted*
- *All other financial information as of December 31, 2023*

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 \$874.5 million as of December 31, 2023
 - ❖ Grown at a 3-year CAGR of 10%
- Diversified portfolio by size of investment, industry and geography

Favorable Performance Over Time

- ROE since IPO of 9.3%*
- Stable portfolio performance over 11 years

Stable and Growing Dividend

- Quarterly aggregate dividend of \$0.40 per share
- Monthly dividend of \$0.1333 per share
- Annualized indicated dividend yield of ~12%
- LTD dividends declared of \$15.35 per share to an IPO investor through April 1, 2024

Performance and Stability / Trading at a Discount to NAV

- Net asset value per share was \$13.26 at December 31, 2023
- Trading at approximately 0.98x the December 31, 2023 per share NAV

* Source: Company Filings
All daily trading information/ multiples in this presentation as of April 1, 2024 unless otherwise noted

SCM Provides Flexible Financing for Middle Market Companies

Investment Type & Size

- Investment size between \$10 and \$60 million per transaction.
- Senior secured first lien and unitranche debt financings, often with corresponding equity investments.
- Cash interest, up-front fee and prepayment penalties, SOFR floors
- Nominal equity co-invest in certain transactions

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.

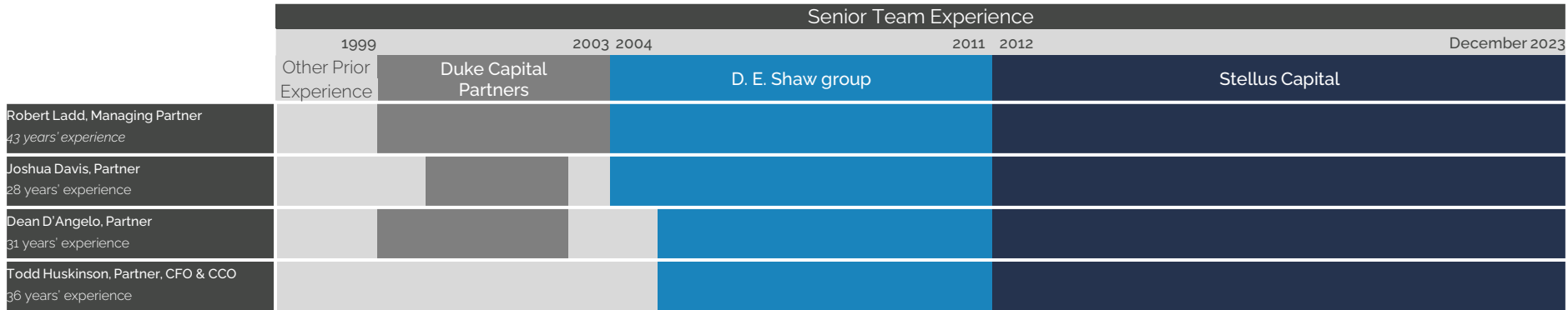
Established Private Credit Team and Institutional Platform

- Stellus' private credit team's long tenure enables cohesive evaluation and efficient execution of investment opportunities

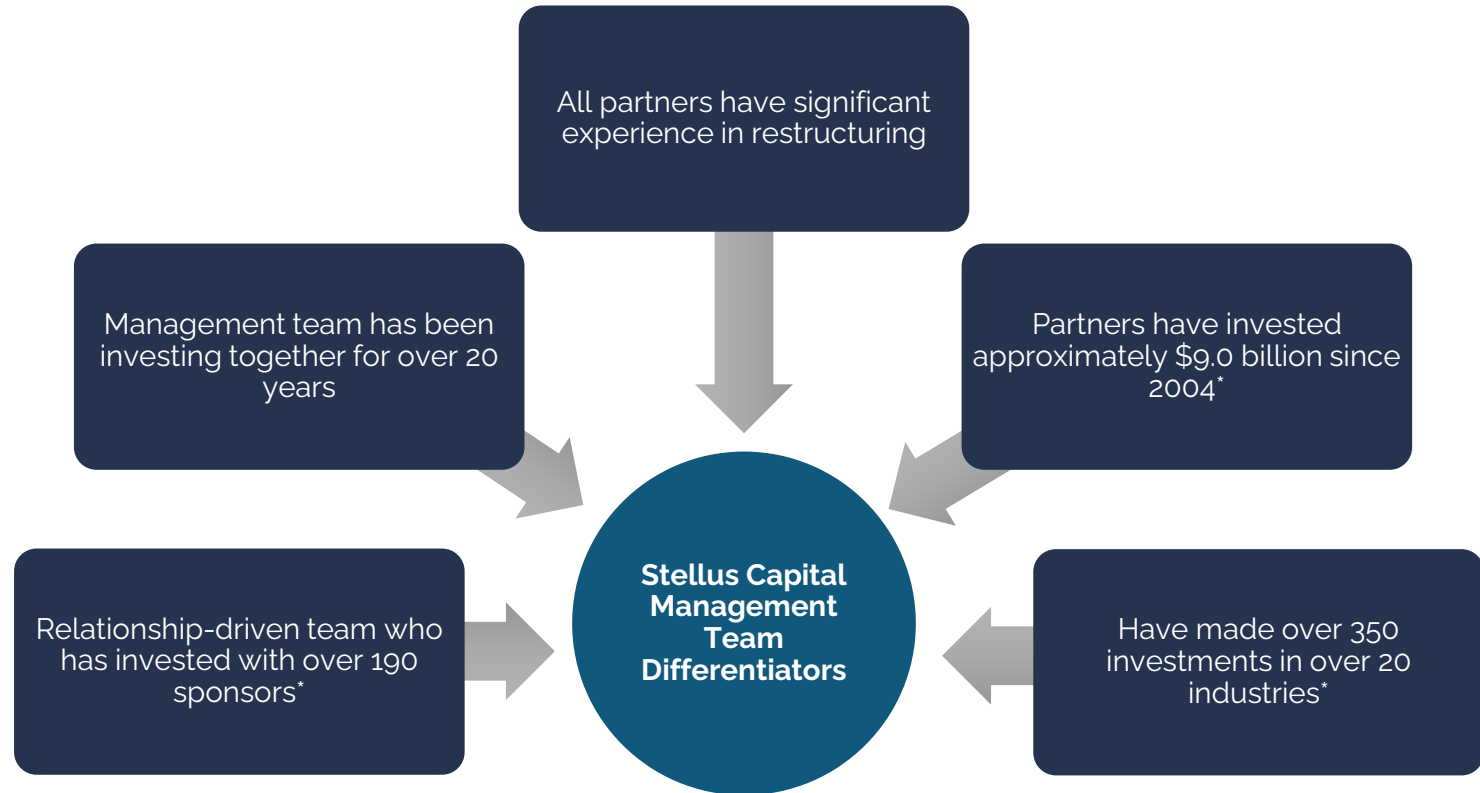
Experienced Team
 Extensive underwriting and restructuring capabilities

Longevity
 Senior members of the investment team have invested together for more than 20 years

Continuity
 Five of the eight Managing Directors hired as junior professionals



Diverse Sponsor Relationships and Investment Experience



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

Sourcing and Origination

- The Stellus deal team is responsible for origination and sourcing utilizing a highly focused regional approach resulting in a diverse financial sponsor network.
- Since 2004, the Stellus Capital team has partnered with over 190 unique sponsors¹



¹ Includes investments consistent with Stellus Capital's credit strategy since 2004 including predecessor firm



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

96

Current Active
Investments

~350

Cumulative
Completed
Investments

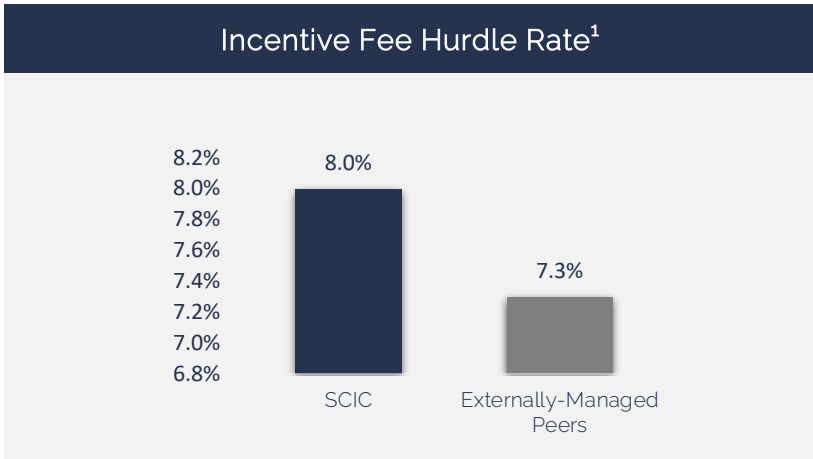
~\$9.0

Billion
Invested Capital

[Select List of Investments Available Here](#)

SCM Focuses on Shareholders

- SCIC aligns interest with shareholders

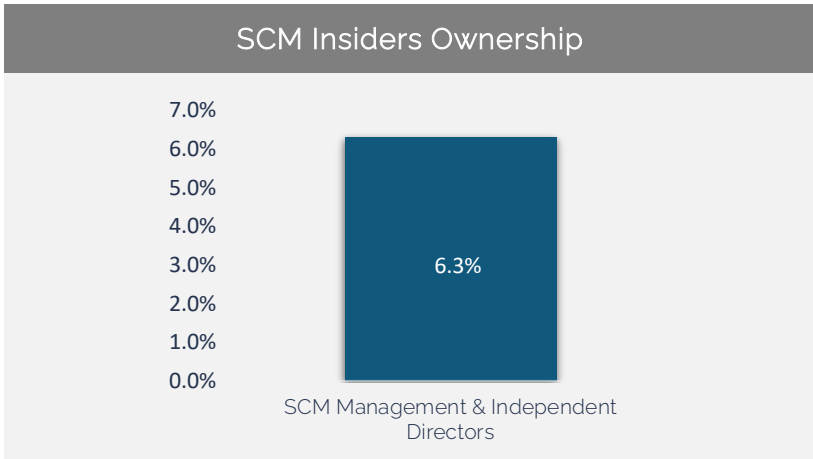


Total Return Hurdle Rate¹

SCIC has a total return hurdle (aka a "lookback") that can limit the income-based incentive fee in the event of losses

<50% of externally-managed publicly-traded BDCs have a total return hurdle

- Significant equity ownership by SCIC Insiders valued at \$19.7 million



¹Source: Public filings; externally-managed peer group of BKCC, FDUS, GAIN, GLAD, HRZN, MRCC, OFS, PTMN, WHF.

Stable Asset Quality: Portfolio is Performing in Accordance with Plan

Investment Category Definitions at fair value ("Risk Grade" or "RG"):

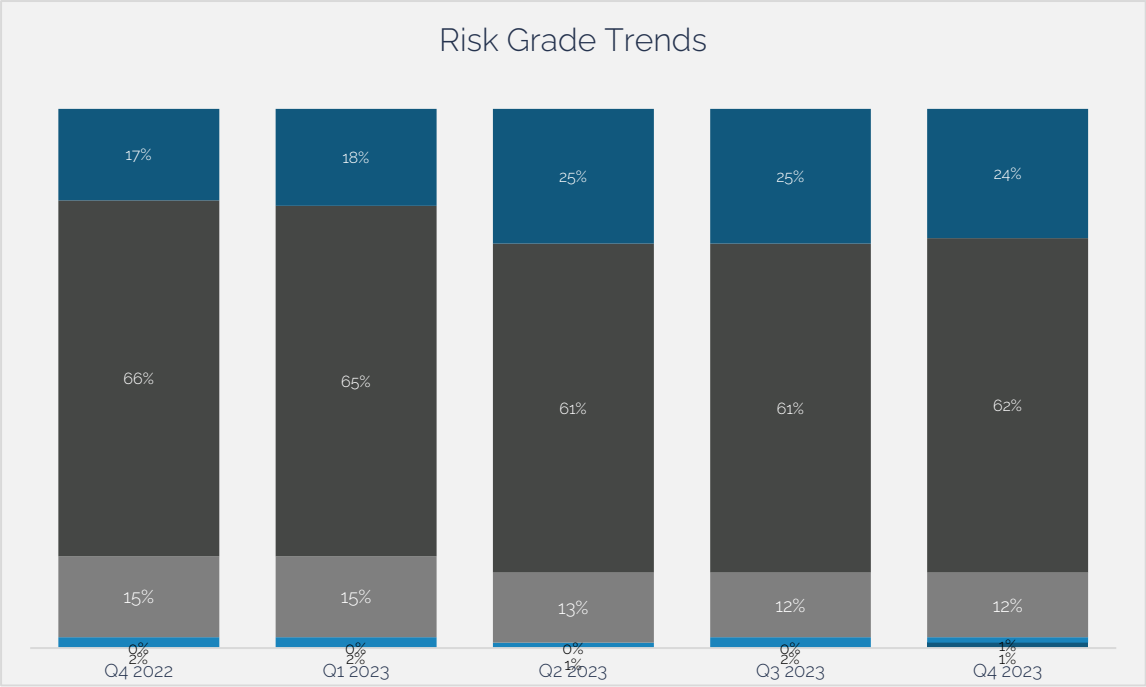
1 Exceeding expectations

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)



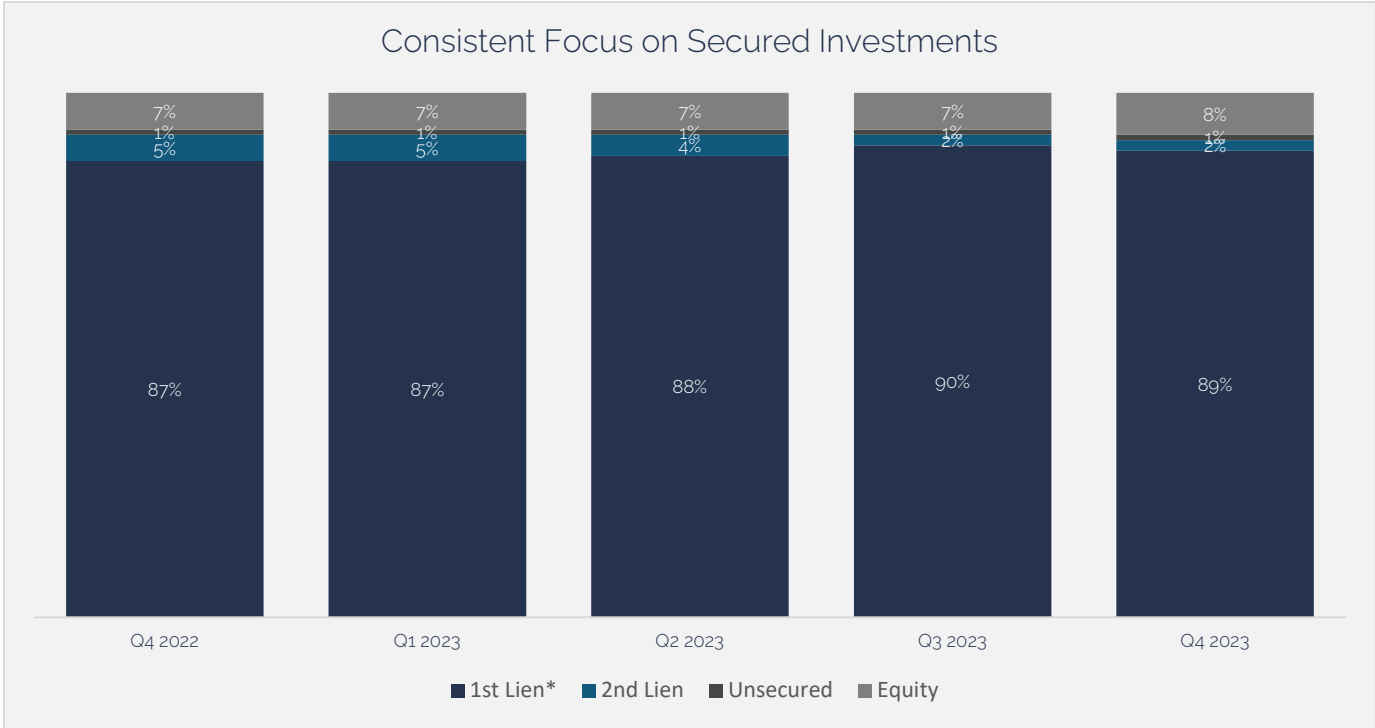
Loan Investment Portfolio

1st Lien Debt* Yield of 12.2%

2nd Lien Debt Yield of 7.5%

Unsecured Debt Yield of 14.2%

Historical Return on Equity of >2.5x**



*Includes unitranche investments. Unitranche structures may combine characteristics of first lien senior secured as well as second lien loans

**Historical performance is not indicative of current or future performance.

Note: Percentages are based on market value

Portfolio Construction as of December 31, 2023

11.9%

Weighted Average Yield

\$10.50

Average Loan Investment Size
(in millions)¹

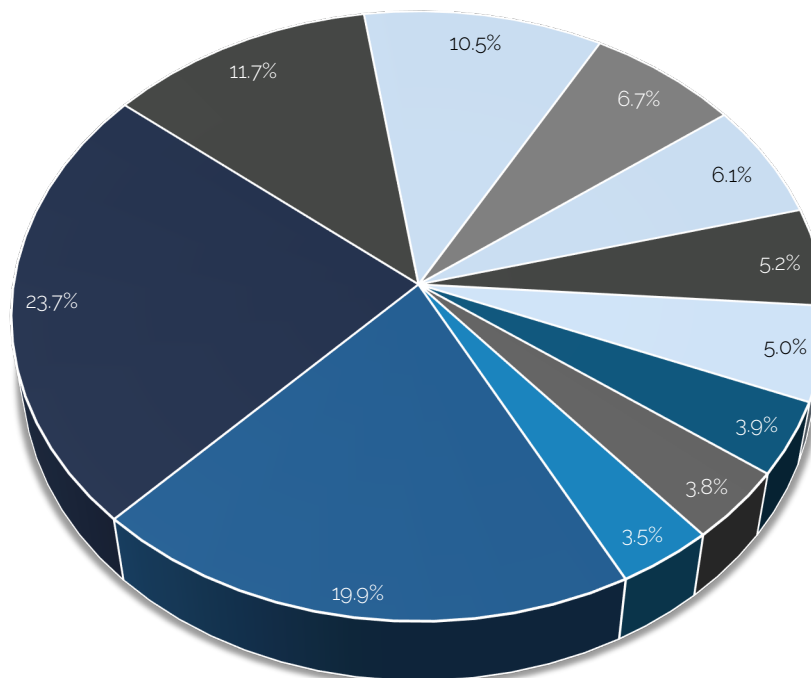
1.8%

Largest Investment as a
Percentage of Total Portfolio
(in millions)²

\$19.07

Weighted Average Borrower
EBITDA (in millions)³

Broad Industry Diversification



- Services: Business 23.7%
- High Tech Industries 10.5%
- Consumer Goods: Non-Durable 6.1%
- Consumer Goods: Durable 5.0%
- Services: Consumer 3.8%
- Other (<3%) 19.9%
- Healthcare & Pharmaceuticals 11.7%
- Media: Advertising, Printing & Publishing 6.7%
- Beverage, Food, & Tobacco 5.2%
- Capital Equipment 3.9%
- Construction & Building 3.5%

97%

First Lien / Senior Secured
Debt⁴

99%

Sponsor Backed
Transactions¹

98%

Floating Rate⁴

96%

Cash Interest¹

1. Calculation based on principal as of December 31, 2023, not including equity

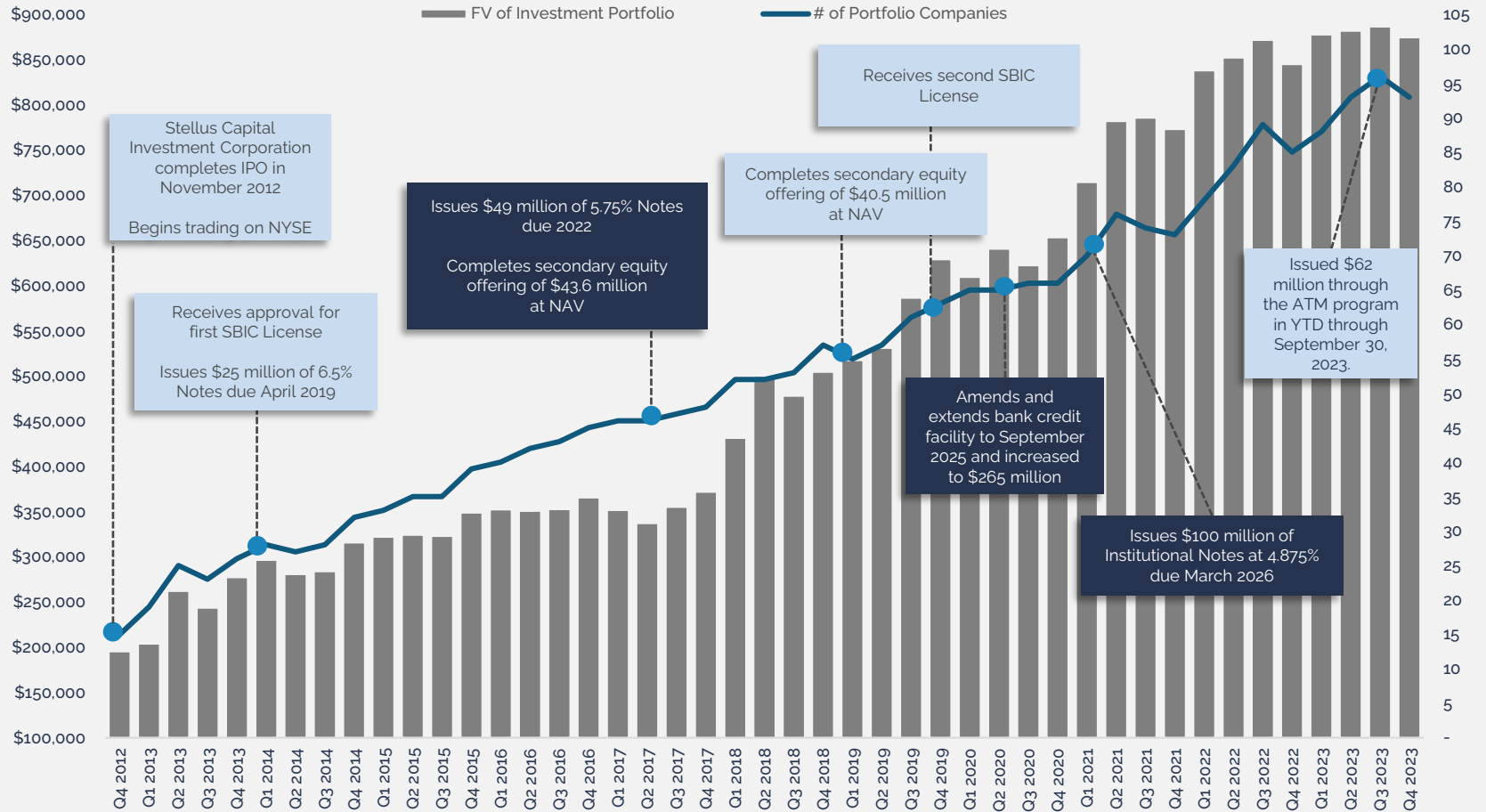
2. Calculation based on value as of December 31, 2023, including equity

3. Calculation represents the weighted average EBITDA for the trailing twelve-month period ended September 30, 2023, based on principal balance

4. Calculation based on value as of December 31, 2023, not including equity

Investment Portfolio Growth Since IPO

Historical Capital Deployment, Deal Activity, and SCIC Milestones



\$0.49

Core NII per share*

\$44.2 million

New investment activity during the quarter

\$874.5 million

Investments at fair value as of December 31, 2023

12.28%

Weighted average yield on new debt investments

\$13.26

NAV as of December 31, 2023

Three New Initial Investment Fundings & Eleven Follow On Investments

New loan fundings were 100% 1st lien

* Core NII excludes any capital gains incentive fee accrual and income taxes, the majority of which are excise taxes; \$0.48 GAAP NII per share

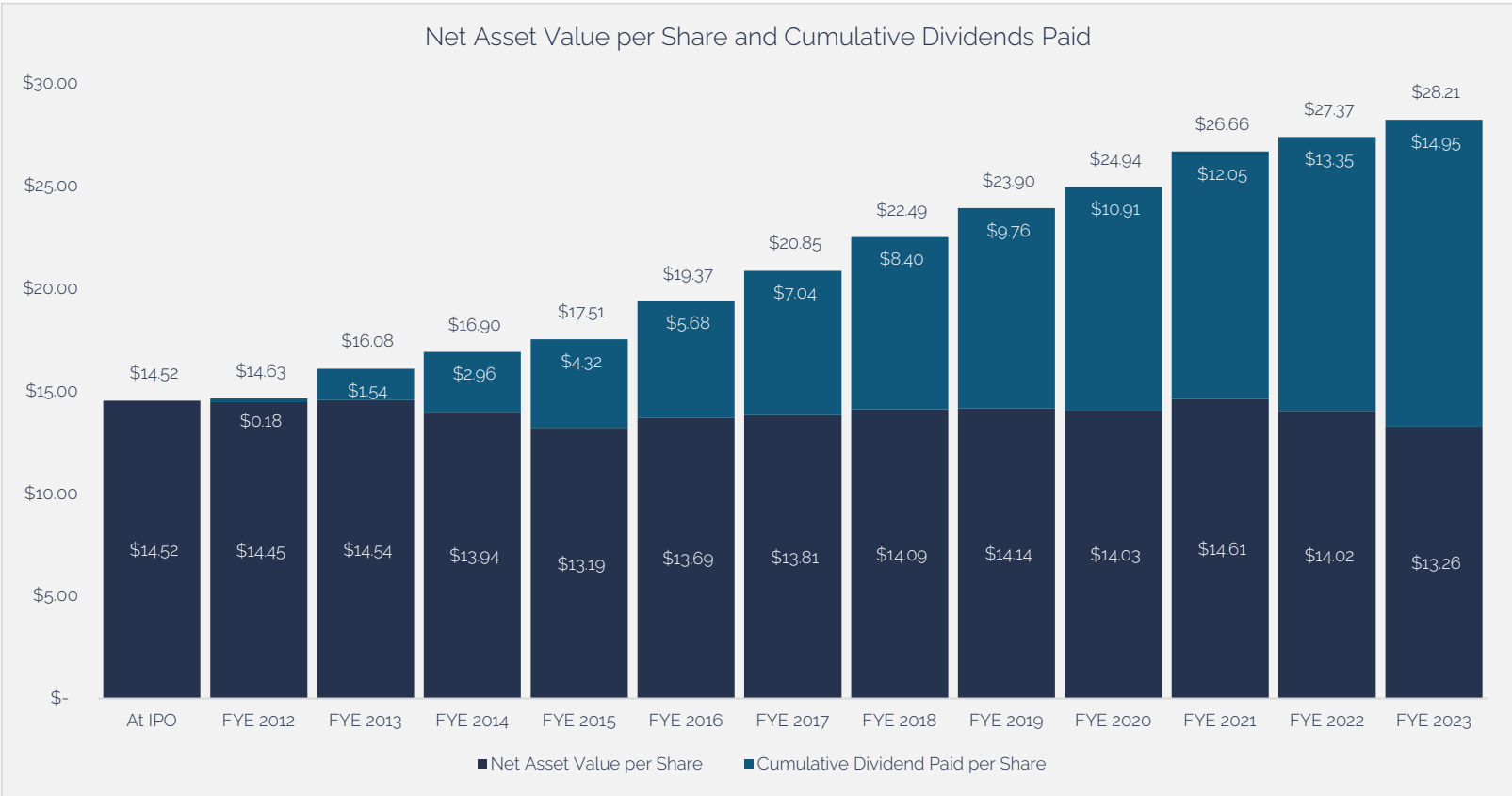
Cumulative Distributions Declared per share Since IPO

\$15.35 per share in cumulative distributions since SCM IPO in 2012*

Monthly dividends of \$0.1333 per share declared in Q4 for October, November, and December 2023*

Annualized indicated dividend yield of ~12% while maintaining a stable NAV per share

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



* Includes dividends for first quarter ended March 31, 2024

Numerous Sources of Long-Term / Cost-Efficient Capital

- Favorable floating rate asset and liability mix as 98% of our portfolio companies are floating rate loans and 73% of our funded debt liabilities are at fixed interest rates.
- Access to low cost, fixed rate, longer-term leverage from the U.S. Small Business Administration

Funding Sources	Facility/Issuance Size	Outstanding ⁽²⁾	Interest Rate ⁽³⁾	Maturity
Syndicated Credit Facility led by Amegy ⁽¹⁾	\$260 million	\$160.1 million	SOFR + 2.6%	November 21, 2028
SBIC I Debentures	\$150 million	\$150 million	3.41%	Varied ⁽⁴⁾
SBIC II Debentures	\$175 million	\$175 million	3.07%	Varied ⁽⁵⁾
Unsecured Notes	\$100 million	\$100 million	4.94%	March 30, 2026

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

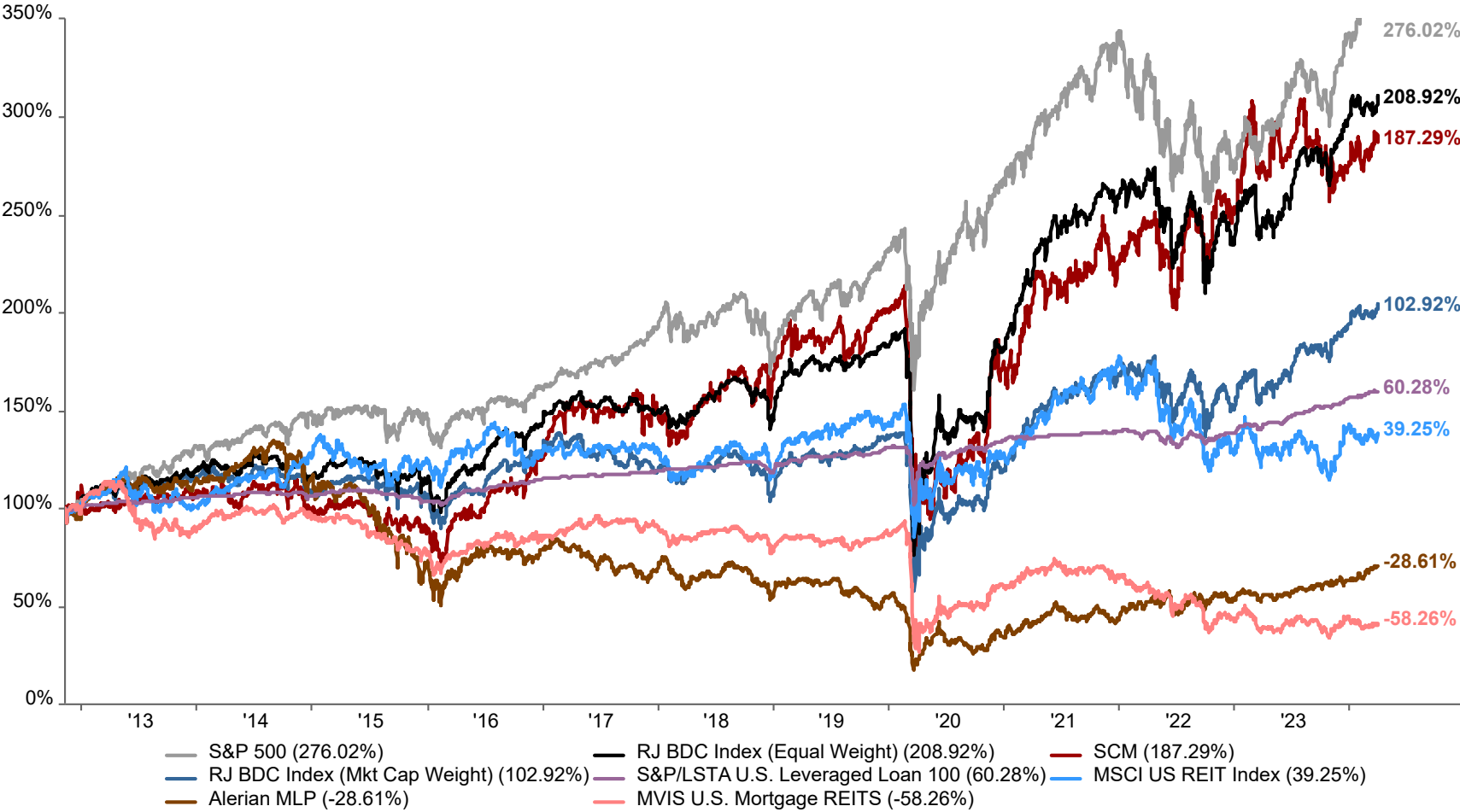
⁽²⁾ Outstanding balances are all as of December 31, 2023

⁽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 - March 1, 2034

Comparative Total Return Since Stellus IPO



11/07/2012 to 04/01/2024

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, BBDC, BCSF, BXML, CCAP, CGBD, CION, CSWC, FDUS, FSK, GAIN, GBDC, GECC, GLAD, GSBD, HRZN, HTGC, ICMB, LRFC, MAIN, MFIC, MRCC, MSDI, NCDL, NMFC, OBDC, OBDE, OCSL, OFS, OXSQ, PFLT, PFX, PNNT, PSBD, PSEC, PTMN, RWAY, SAR, SCM, SLRC, TCPC, TPVG, TRIN, TSLX and WHF

Executive Officers

Robert T. Ladd
Chairman, President &
Chief Executive Officer

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

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

Directors

J. Tim Arnoult ¹

Bruce R. Bilger ¹

Dean D'Angelo

Robert T. Ladd, Chairman

William C. Repko ¹

¹ Independent Directors

Service Providers

Stock Transfer Agent- Broadridge Corporate
Issuer Solutions, Inc.

Bond Trustee- US Bank National Association

Auditors- Grant Thornton, LLP

Counsel- Eversheds Sutherland, LLP

*Stellus Capital Management, LLC

**Includes dividends for first quarter ended March 31, 2024

Securities Listing

Common Stock NYSE : SCM

Corporate Headquarters

4400 Post Oak Parkway, Suite 2200

Houston, TX, 77027

Phone: 713-292-5400

Current Trading

Share Price	\$12.97
Shares Outstanding	24,125,642
Market Capitalization	\$312.9 Million
Total Assets	\$908.1 Million
Total Stockholders' Equity	\$319.9 Million
NAV per share	\$13.26
Ratio of Price to NAV per share	0.98x

Dividends

Dividend Frequency	Monthly
Last Monthly Dividend per share**	\$0.1333
Annualized Indicated Yield**	~12%

Debt

Regulatory Leverage	0.81x
Total Leverage (incl. SBIC debentures)	1.83x

Research Coverage

Raymond James
Robert Dodd, 901-579-4560

Keefe, Bruyette & Woods
Paul Johnson, 617-848-2777

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

B. Riley Securities
Bryce Rowe, 703-312-1820

Income Statement Summary

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)
INVESTMENT INCOME					
Interest income	\$ 22,572,562	\$ 23,408,604	\$ 25,662,895	\$ 26,223,986	\$ 26,721,303
Other income	794,298	666,743	922,122	941,040	1,300,875
Total Investment Income	\$ 23,366,860	\$ 24,075,347	\$ 26,585,017	\$ 27,165,026	\$ 28,022,178
OPERATING EXPENSES					
Interest expense and other fees	\$ 7,605,030	\$ 7,886,424	\$ 8,101,975	\$ 8,049,063	\$ 7,973,855
Management fees	3,822,739	3,735,102	3,865,588	3,933,121	3,918,536
Income incentive fees	2,146,510	2,124,835	2,603,004	2,705,200	2,756,849
Capital gains incentive fee (reversal)	(1,146,074)	(569,528)	—	—	—
Income tax expense	94,900	374,763	371,786	335,508	251,395
Other general and administrative expenses	1,135,145	1,456,131	1,229,420	1,321,335	1,520,071
Total Operating Expenses	\$ 13,658,250	\$ 15,007,727	\$ 16,171,773	\$ 16,344,227	\$ 16,420,706
Income incentive fee waiver	\$ —	\$ —	\$ —	\$ —	\$ (307,442)
Net Investment Income	\$ 9,708,610	\$ 9,067,620	\$ 10,413,244	\$ 10,820,799	\$ 11,908,914
Net realized (loss) gain	(996,287)	(4,945)	(321,292)	578,237	(30,575,948)
Net change in unrealized (depreciation) appreciation	(4,672,143)	(4,247,768)	(6,315,556)	(13,796,114)	27,145,086
(Provision) benefit for taxes	(61,936)	(78,760)	(65,353)	(312)	3,005,315
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 3,978,244	\$ 4,736,147	\$ 3,711,043	\$ (2,397,390)	\$ 11,483,367
Net Investment Income Per Share – basic and diluted	\$ 0.50	\$ 0.46	\$ 0.49	\$ 0.47	\$ 0.49
Net Increase (Decrease) in Net Assets Resulting from Operations Per Share – basic and diluted	\$ 0.20	\$ 0.24	\$ 0.17	\$ (0.11)	\$ 0.48

Per Share Change in Net Asset Value (NAV)

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Per Share Data: ⁽¹⁾	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Net asset value at beginning of period	\$ 14.18	\$ 14.02	\$ 13.87	\$ 13.67	\$ 13.19
Net investment income	0.50	0.46	0.49	0.47	0.49
Change in unrealized (depreciation) appreciation	(0.24)	(0.21)	(0.30)	(0.61)	1.13
Net realized (loss) gain	(0.06)	—	(0.02)	0.03	(1.26)
(Provision) benefit for taxes	—	(0.01)	—	—	0.12
Total from operations	\$ 0.20	\$ 0.24	\$ 0.17	\$ (0.11)	\$ 0.48
Sales load	—	(0.01)	(0.02)	(0.02)	—
Offering costs	(0.02)	—	(0.01)	—	—
Stockholder distributions	(0.34)	(0.40)	(0.40)	(0.41)	(0.41)
Accretive effect of stock offerings	—	0.01	0.06	0.03	—
Other ⁽²⁾	—	0.01	—	0.03	—
Net asset value at end of period	\$ 14.02	\$ 13.87	\$ 13.67	\$ 13.19	\$ 13.26

1 Based on weighted average shares of common stock outstanding for the period.

2. Includes the impact of different share amounts as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on shares outstanding as of the period end.

Balance Sheet Summary

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
ASSETS	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Investments at fair value	\$ 844,733,638	\$ 877,493,781	\$ 881,666,450	\$ 886,338,148	\$ 874,460,683
Cash and cash equivalents	48,043,329	17,852,100	14,924,382	19,210,721	26,125,741
Interest receivable	3,984,409	4,171,829	4,638,649	5,600,021	4,882,338
Other receivables	1,421,406	1,334,466	543,076	804,976	2,617,566
Total Assets	\$ 898,182,782	\$ 900,852,176	\$ 901,772,557	\$ 911,953,866	\$ 908,086,328
LIABILITIES					
Notes payable	\$ 98,549,692	\$ 98,659,842	\$ 98,771,216	\$ 98,883,814	\$ 98,996,412
Credit Facility payable	197,685,281	196,906,509	170,229,321	161,192,612	156,564,776
SBA-guaranteed debentures	307,895,195	308,212,703	308,519,553	319,955,852	320,273,358
Other accrued expenses and liabilities	18,276,001	16,221,077	15,927,439	13,795,808	12,311,994
Total Liabilities	\$ 622,406,169	\$ 620,000,131	\$ 593,447,529	\$ 593,828,086	\$ 588,146,540
Net Assets	\$ 275,776,613	\$ 280,852,045	\$ 308,325,028	\$ 318,125,780	\$ 319,939,788
Total Liabilities and Net Assets	\$ 898,182,782	\$ 900,852,176	\$ 901,772,557	\$ 911,953,866	\$ 908,086,328
Net Asset Value Per Share	\$ 14.02	\$ 13.87	\$ 13.67	\$ 13.19	\$ 13.26

Liquidity and Capitalization

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Assets Available	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)
SCM cash and cash equivalents	\$ 2,022,587	\$ 1,449,824	\$ 2,708,699	\$ 660,065	\$ 2,215,740
SBIC cash and cash equivalents ⁽¹⁾	46,020,742	16,402,276	12,215,683	18,550,656	23,910,001
Available under Credit Facility ⁽²⁾	65,799,575	66,722,169	93,544,778	102,693,501	99,914,296
Unfunded commitments	(27,824,917)	(25,826,912)	(21,187,851)	(29,136,909)	(37,021,242)
Total Liquidity	\$ 86,017,987	\$ 58,747,357	\$ 87,281,309	\$ 92,767,313	\$ 89,018,795
Debt at Par Value					
Notes payable	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Credit Facility payable	199,200,425	198,277,831	171,455,223	162,306,499	160,085,705
SBA-guaranteed debentures	313,600,000	313,600,000	313,600,000	325,000,000	325,000,000
Total Debt	\$ 612,800,425	\$ 611,877,831	\$ 585,055,223	\$ 587,306,499	\$ 585,085,705
Net Asset Value	\$ 275,776,613	\$ 280,852,045	\$ 308,325,028	\$ 318,125,780	\$ 319,939,788
Total Capitalization	\$ 888,577,038	\$ 892,729,876	\$ 893,380,251	\$ 905,432,279	\$ 905,025,493
Debt to NAV ⁽³⁾	2.22x	2.18x	1.90x	1.85x	1.83x
Regulatory Debt to NAV ⁽⁴⁾	1.08x	1.06x	0.88x	0.82x	0.81x
Net Debt to NAV ⁽⁵⁾	2.21x	2.17x	1.89x	1.84x	1.82x
Interest Coverage Ratio ⁽⁶⁾	2.09x	2.09x	2.17x	2.26x	2.37x

1 Cash available to be reinvested in SBA qualified portfolio companies or used to repay SBIC Debentures.

2 Subject to a borrowing base limitation.

3 SBIC Debentures are not included as "senior debt" for purposes of the BDC asset coverage requirements pursuant to exemptive relief received by SCM. Debt to NAV Ratio is calculated based upon the par value of debt.

4 Regulatory Debt to NAV Ratio is calculated based upon the par value of debt of both the Credit Facility and Notes payable.

5 Net debt in this ratio includes par value of total debt less cash and cash equivalents.

6 Net investment income, excluding deferred income incentive fees, non-payable net investment income or capital gains incentive fees, and OID / cash interest expense on a trailing twelve-month basis.