



Stellus Private Credit BDC  
Investor Presentation  
Quarter ended March 31, 2024



HOUSTON, TX

WASHINGTON D.C.

CHARLOTTE, NC

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# There are 50+ Private 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 \$875.9 million as of March 31, 2024
  - ❖ Grown at a 1-year CAGR of 37%
- Diversified portfolio by size of investment, industry and geography

### Favorable Performance Over Time

- ROE since commencement of operations of 11.5%\*
- Stable portfolio performance over 2 years

### Stable Dividend

- Quarterly aggregate dividend of \$0.50 per share
  - Monthly dividend of \$0.1666 per share
- Annualized indicated dividend yield of approximately 13%
- LTD dividends declared of \$3.69 per share to an initial investor through May 15, 2024

### Performance and Stability

- Net asset value per share of \$15.26 compared to commencement of operations net asset value per share of \$14.77

\* Source: Company Filings  
All daily trading information/ multiples in this presentation as of May 13, 2024 unless otherwise noted

# 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. PBDC 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.

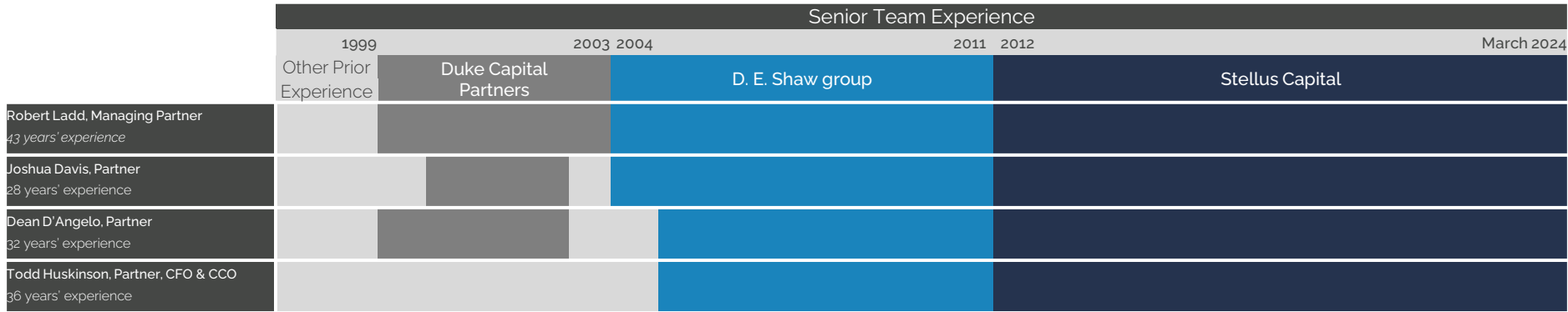
# Established Private Credit Team and Institutional Platform

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

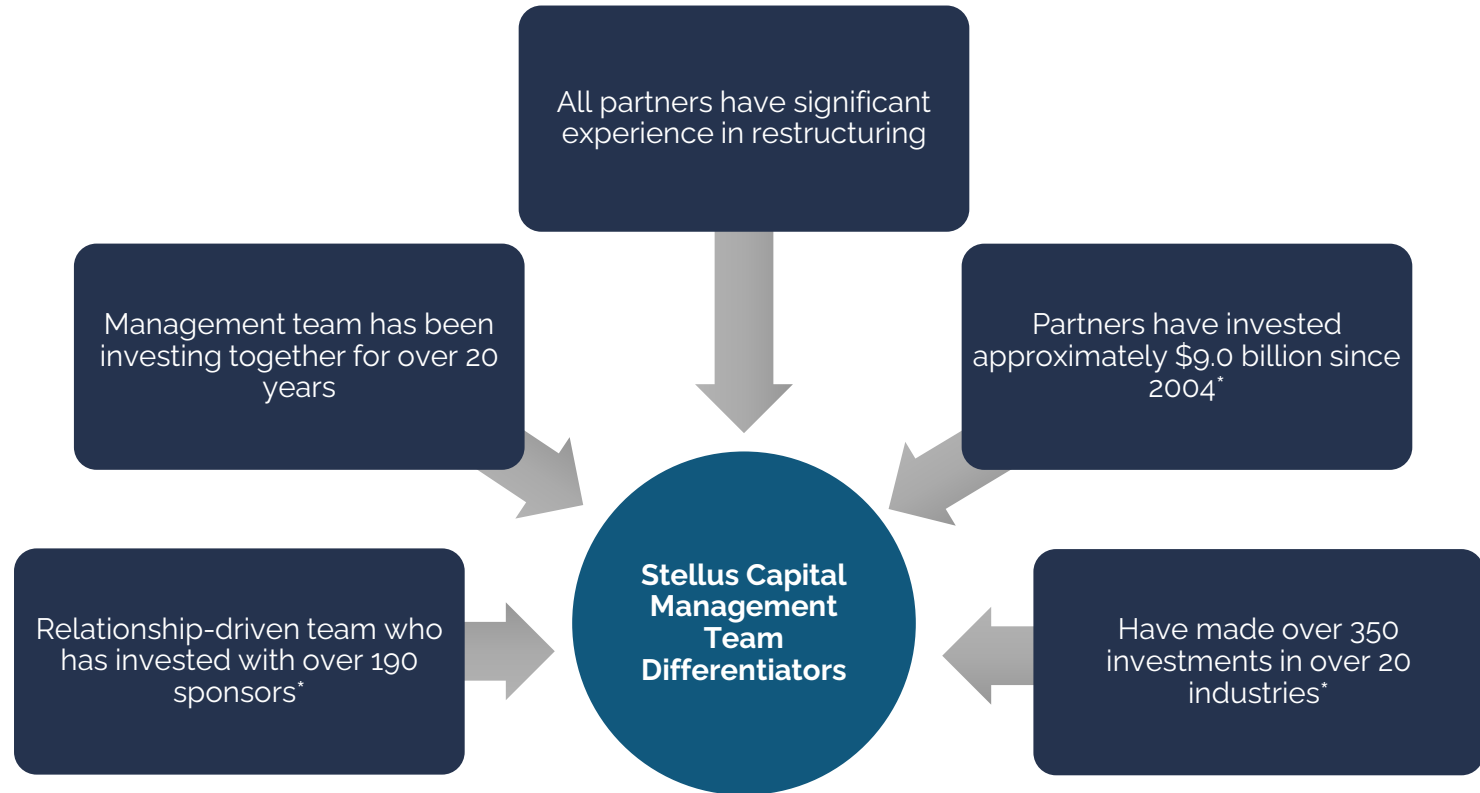
**Experienced Team**  
 Extensive underwriting and restructuring capabilities

**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 sponsors<sup>1</sup>



<sup>1</sup> 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

**94**

Current Active  
Investments

**~350**

Cumulative  
Completed  
Investments

**~\$9.0**

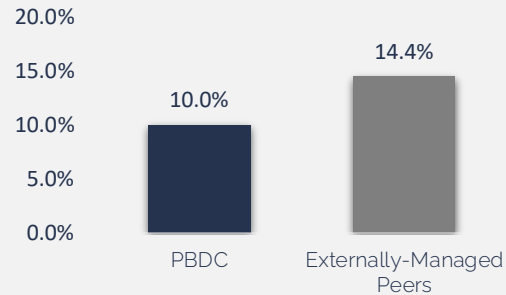
Billion  
Invested Capital

[Select List of Investments Available Here](#)

# PBDC Focuses on Shareholders

- PBDC aligns interest with shareholders

## Net Investment Income Fee Rate<sup>1</sup>



## Total Return Hurdle Rate<sup>1</sup>

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

**<25%**  
of externally-managed private BDCs have a total return hurdle

## Expense Support and Conditional Reimbursement<sup>2</sup>

PBDC has an expense support and conditional reimbursement agreement that limits covered operating expenses

**<10%**  
of externally-managed private BDCs have an expense cap

<sup>1</sup>Source: Public filings; externally-managed peer group of Audax Credit BDC Inc., BC Partners Lending Corporation, BlackRock Direct Lending Corp., Brightwood Capital Corporation I, Carlyle Secured Lending III, Gotub Capital Direct Lending Corp., Gotub Capital Direct Lending Unlevered Corp., Guggenheim Credit Income Fund, New Mountain Guardian IV BDC, L.L.C., Nuveen Churchill Direct Lending Corp., Pimco Capital Solutions BDC Corp, SLR HC BDC LLC, Star Mountain Lower Middle-Market Capital Corp, Steele Creek Capital Corp, TriplePoint Private Venture Credit Inc..

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

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

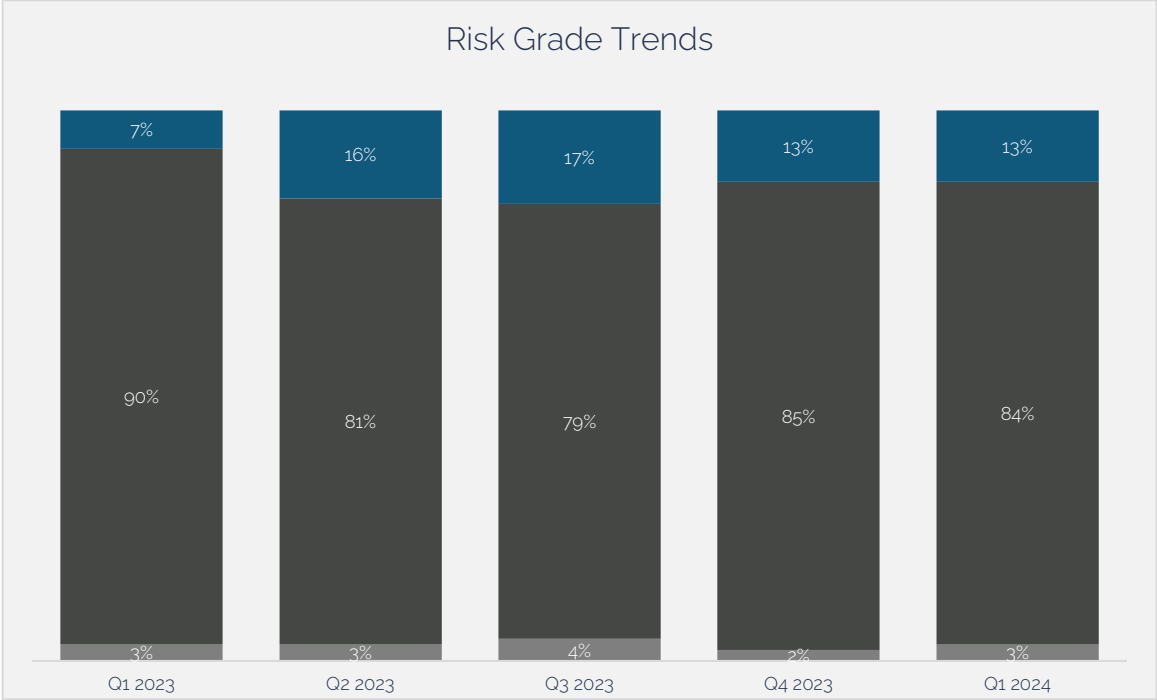
1 Exceeding expectations

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)

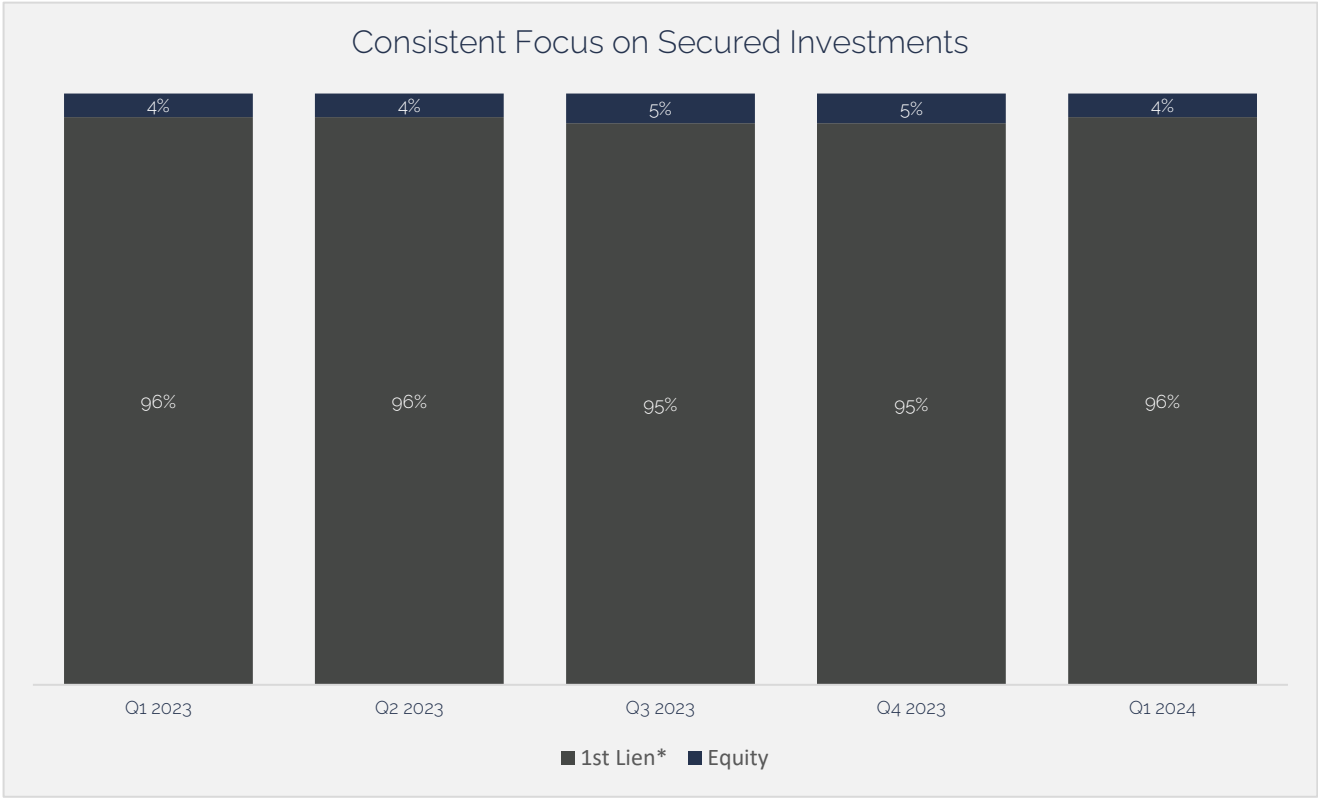


# Loan Investment Portfolio

1<sup>st</sup> Lien Debt\* Yield of 12.4%

Unsecured Debt Yield of 8.0%

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

\*\*Based on historical returns of Stellus Capital Investment Corporation which has the same strategy. Historical performance is not indicative of current or future performance.

Note: Percentages are based on market value

# Portfolio Construction as of March 31, 2024

**12.4%**

Weighted Average Yield

**\$5.31**

Average Loan Investment Size  
(in millions)<sup>1</sup>

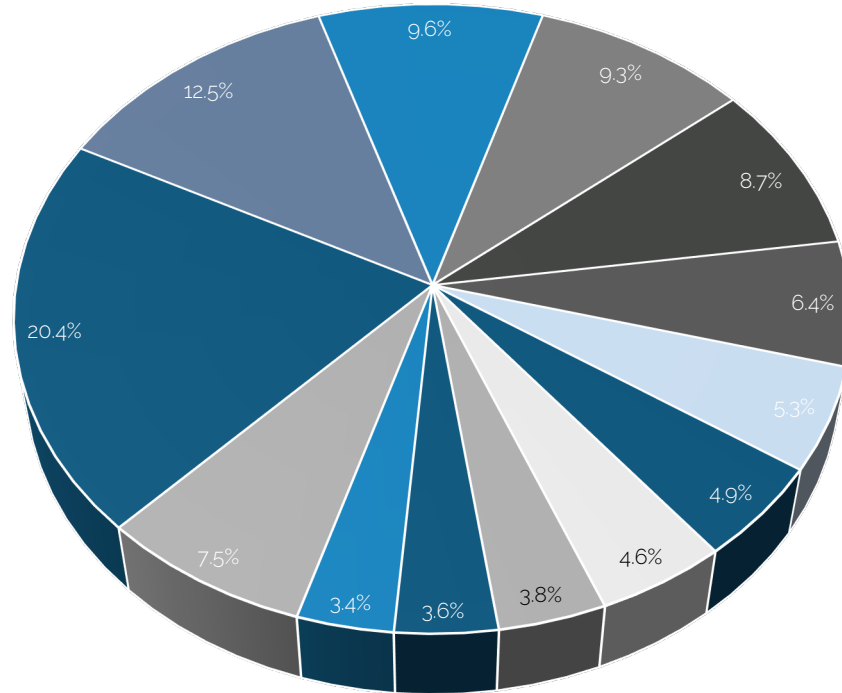
**5.3%**

Largest Investment as a  
Percentage of Total Portfolio  
(in millions)<sup>2</sup>

**\$17.55**

Weighted Average Borrower  
EBITDA (in millions)<sup>3</sup>

## Broad Industry Diversification



- Services: Business 20.4%
- High Tech Industries 12.5%
- Healthcare & Pharmaceuticals 9.6%
- Capital Equipment 9.3%
- Consumer Goods: Non-Durable 8.7%
- Media: Advertising, Printing & Publishing 6.4%
- Media: Diversified & Production 5.3%
- Environmental Industries 4.9%
- Consumer Goods: Durable 4.6%
- Chemicals, Plastics, & Rubber 3.8%
- Energy: Oil & Gas 3.6%
- Services: Consumer 3.4%
- Other (<3%) 7.5%

**100%**

First Lien / Senior Secured  
Debt<sup>4</sup>

**100%**

Sponsor Backed  
Transactions<sup>1</sup>

**95%**

Floating Rate<sup>4</sup>

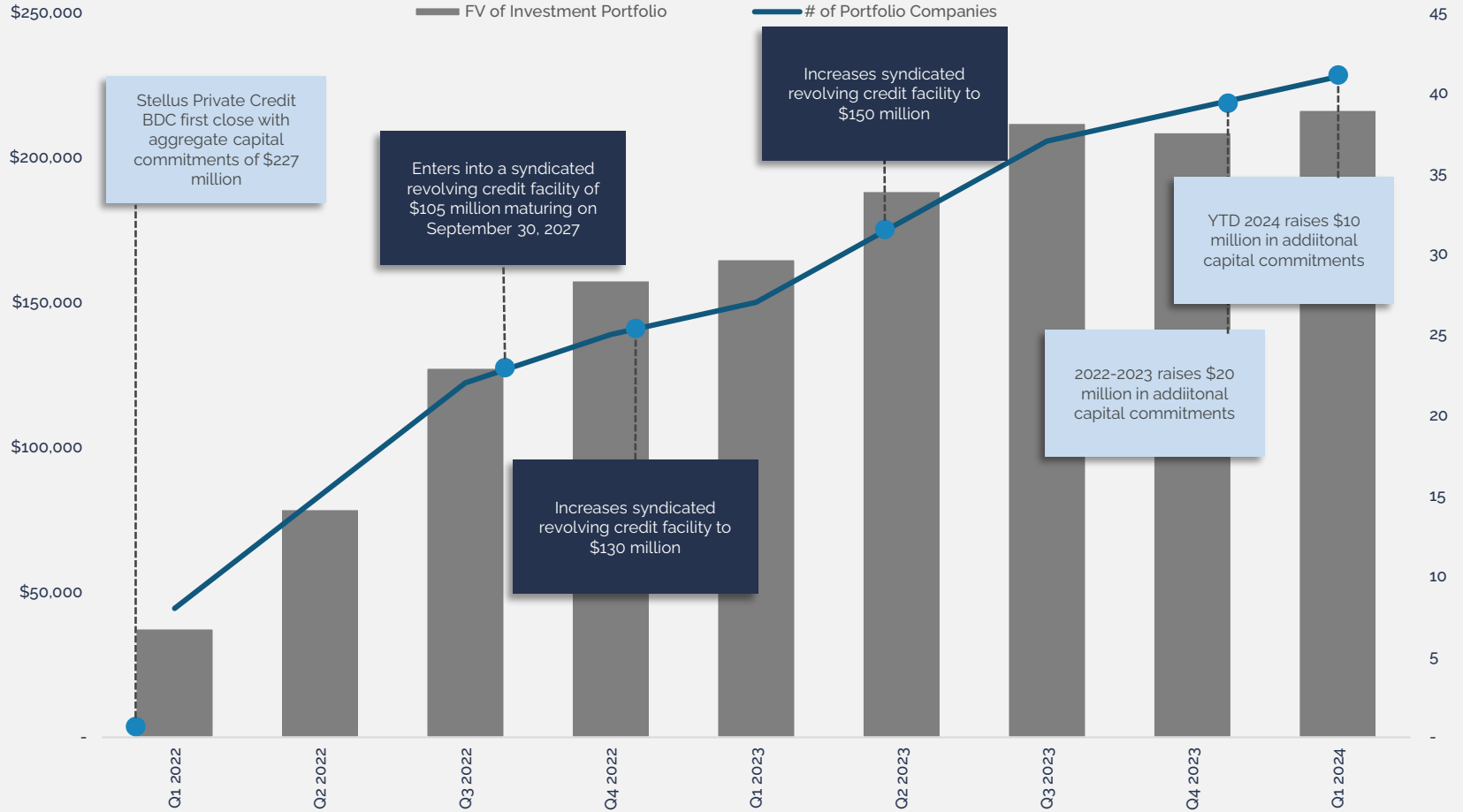
**98%**

Cash Interest<sup>1</sup>

1. Calculation based on principal as of March 31, 2024, not including equity  
 2. Calculation based on value as of March 31, 2024, including equity  
 3. Calculation represents the weighted average EBITDA for the trailing twelve-month period ended December 31, 2023, based on principal balance  
 4. Calculation based on value as of March 31, 2024, not including equity

# Investment Portfolio Growth Since Commencement of Operations

## Historical Capital Deployment, Deal Activity, and SCIC Milestones



\$0.50

Core NII per share<sup>1</sup>

\$13.6 million

New investment activity during the quarter<sup>2</sup>

\$216.3 million

Investments at fair value as of March 31, 2024

12.73%

Weighted average yield on new debt investments

\$15.26

NAV as of March 31, 2024

## Three New Initial Investment Fundings & Three Follow On Investments

New loan fundings were 100% 1<sup>st</sup> lien

<sup>1</sup> Core NII excludes any capital gains incentive fee accrual and income taxes, the majority of which are excise taxes; \$0.49 GAAP NII per share

<sup>2</sup> Based on funded principal

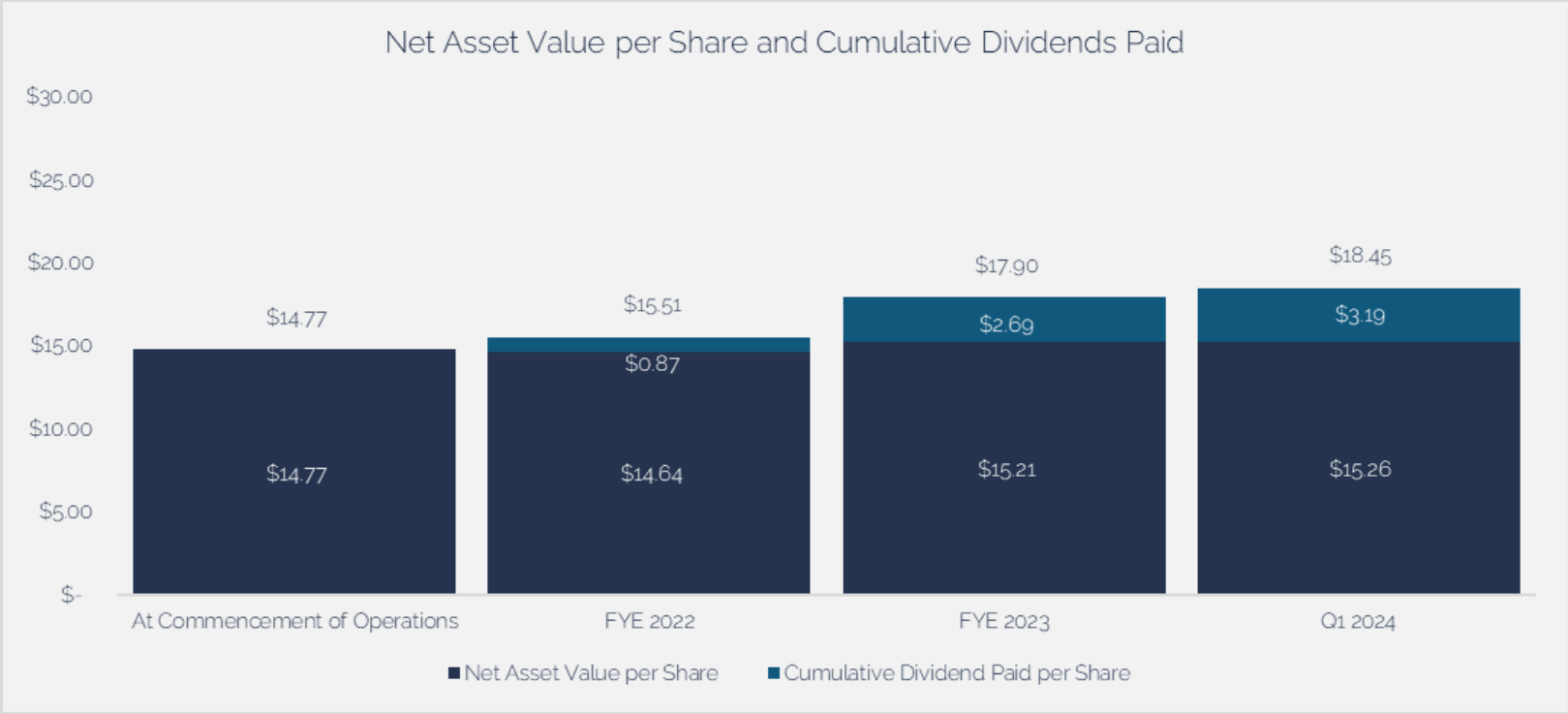
# Cumulative Distributions Declared per share Since Commencement of Operations

\$3.69 per share in cumulative distributions since commencement of operations in 2022\*

Monthly dividends of \$0.1666 per share declared in Q2 for April, May, and June 2024\*

Annualized indicated dividend yield of ~13% while maintaining a stable NAV per share

Current monthly dividend is \$0.50 per share for the quarter\*



\* Includes dividends declared for second quarter ended June 30, 2024

## 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

## Trustees

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 Trustees

## Service Providers

Stock Transfer Agent- Broadridge Corporate  
Issuer Solutions, Inc.

Investor Reporting- SS&C Technologies, Inc.

Auditors- Deloitte & Touche LLP

Counsel- Eversheds Sutherland, LLP

\*Stellus Capital Management, LLC

\*\*Includes dividends for second quarter ended June 30, 2024

## Corporate Headquarters

4400 Post Oak Parkway, Suite 2200

Houston, TX, 77027

Phone: 713-292-5400

## Current Financial Information

NAV per share	\$15.26
Shares Outstanding	7,358,038
Total Assets	\$219.0 Million
Total Stockholders' Equity	\$112.2 Million

## Dividends

Dividend Frequency	Monthly
Last Monthly Dividend per share**	\$0.1666
Annualized Indicated Yield**	~13%

## Debt

Regulatory Leverage	0.94x
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# Income Statement Summary

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>INVESTMENT INCOME</b>					
Interest income	\$ 4,731,952	\$ 5,158,773	\$ 6,042,784	\$ 6,827,160	\$ 6,309,381
Other income	176,069	62,484	96,972	266,251	109,596
<b>Total Investment Income</b>	<b>\$ 4,908,021</b>	<b>\$ 5,221,257</b>	<b>\$ 6,139,756</b>	<b>\$ 7,093,411</b>	<b>\$ 6,418,977</b>
<b>OPERATING EXPENSES</b>					
Interest expense and other fees	\$ 1,703,503	\$ 1,822,407	\$ 2,312,758	\$ 2,386,860	\$ 2,110,119
Management fees	601,839	666,721	763,066	807,975	800,654
Income incentive fees	439,666	468,011	529,714	659,762	598,401
Capital gains incentive fee (reversal)	—	124,892	99,640	37,152	37,891
Income tax expense	7,835	8,855	3,953	24,282	21,589
Other general and administrative expenses	485,454	409,148	374,367	404,397	495,704
<b>Total Operating Expenses</b>	<b>\$ 3,238,297</b>	<b>\$ 3,500,034</b>	<b>\$ 4,083,498</b>	<b>\$ 4,320,428</b>	<b>\$ 4,064,358</b>
<b>Expenses reimbursed/fees waived</b>	<b>\$ (968,275)</b>	<b>\$ (961,954)</b>	<b>\$ (1,022,379)</b>	<b>\$ (1,148,436)</b>	<b>\$ (1,197,896)</b>
<b>Net Investment Income</b>	<b>\$ 2,637,999</b>	<b>\$ 2,683,177</b>	<b>\$ 3,078,637</b>	<b>\$ 3,921,419</b>	<b>\$ 3,552,515</b>
Net realized gain	3,475	7,846	8,599	845,498	8,442
Net change in unrealized (depreciation) appreciation	(65,806)	1,819,376	1,044,426	(219,754)	324,580
(Provision) benefit for taxes	—	—	(56,622)	(254,231)	45,885
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$ 2,575,668</b>	<b>\$ 4,510,399</b>	<b>\$ 4,075,040</b>	<b>\$ 4,292,932</b>	<b>\$ 3,931,422</b>
<b>Net Investment Income Per Share – basic and diluted</b>	<b>\$ 0.48</b>	<b>\$ 0.44</b>	<b>\$ 0.47</b>	<b>\$ 0.56</b>	<b>\$ 0.49</b>
<b>Net Increase in Net Assets Resulting from Operations Per Share – basic and diluted</b>	<b>\$ 0.47</b>	<b>\$ 0.75</b>	<b>\$ 0.62</b>	<b>\$ 0.62</b>	<b>\$ 0.54</b>

# Per Share Change in Net Asset Value (NAV)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
<b>Per Share Data:<sup>(1)</sup></b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Net asset value at beginning of period	\$ 14.64	\$ 14.68	\$ 14.98	\$ 15.10	\$ 15.21
Net investment income	0.48	0.44	0.47	0.56	0.49
Change in unrealized (depreciation) appreciation	(0.01)	0.30	0.16	(0.03)	0.04
Net realized gain	—	—	—	0.12	—
Benefit for taxes	—	—	(0.01)	(0.04)	0.01
<b>Total from operations</b>	<b>\$ 0.47</b>	<b>\$ 0.74</b>	<b>\$ 0.62</b>	<b>\$ 0.61</b>	<b>\$ 0.54</b>
Stockholder distributions	(0.42)	(0.45)	(0.48)	(0.51)	(0.50)
Other <sup>(2)</sup>	(0.01)	0.01	(0.02)	0.01	0.01
<b>Net asset value at end of period</b>	<b>\$ 14.68</b>	<b>\$ 14.98</b>	<b>\$ 15.10</b>	<b>\$ 15.21</b>	<b>\$ 15.26</b>

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

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
ASSETS	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)
Investments at fair value	\$ 164,829,686	\$ 188,323,515	\$ 211,762,646	\$ 208,574,078	\$ 216,314,810
Cash and cash equivalents	7,690,197	750,437	1,089,671	593,685	297,635
Interest receivable	1,260,895	1,309,349	1,502,820	1,495,581	1,856,236
Other assets	653,717	414,091	338,279	559,993	560,857
<b>Total Assets</b>	<b>\$ 174,434,495</b>	<b>\$ 190,797,392</b>	<b>\$ 214,693,416</b>	<b>\$ 211,223,337</b>	<b>\$ 219,029,538</b>
LIABILITIES					
Credit Facilities payable	\$ 74,807,833	\$ 93,979,360	\$ 104,722,903	\$ 97,031,517	\$ 104,425,625
Short-term loan payable	4,500,000	—	—	—	—
Other accrued expenses and liabilities	9,474,992	4,220,834	5,220,862	6,169,798	2,356,592
<b>Total Liabilities</b>	<b>\$ 88,782,825</b>	<b>\$ 98,200,194</b>	<b>\$ 109,943,765</b>	<b>\$ 103,201,315</b>	<b>\$ 106,782,217</b>
<b>Net Assets</b>	<b>\$ 85,651,670</b>	<b>\$ 92,597,198</b>	<b>\$ 104,749,651</b>	<b>\$ 108,022,022</b>	<b>\$ 112,247,321</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 174,434,495</b>	<b>\$ 190,797,392</b>	<b>\$ 214,693,416</b>	<b>\$ 211,223,337</b>	<b>\$ 219,029,538</b>
<b>Net Asset Value Per Share</b>	<b>\$ 14.68</b>	<b>\$ 14.98</b>	<b>\$ 15.10</b>	<b>\$ 15.21</b>	<b>\$ 15.26</b>

# Liquidity and Capitalization

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
<b>Assets Available</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(unaudited)</b>
SCM cash and cash equivalents	\$ 7,690,197	\$ 750,437	\$ 1,089,671	\$ 593,685	\$ 297,635
Unfunded capital commitments	151,687,500	151,687,500	141,687,500	141,687,500	141,687,500
Available under Credit Facilities <sup>(1)</sup>	104,000,000	104,800,000	94,200,000	52,000,000	44,700,000
Unfunded commitments	(32,348,000)	(32,698,976)	(44,832,177)	(49,348,063)	(40,846,847)
<b>Total Liquidity</b>	<b>\$ 231,029,697</b>	<b>\$ 224,538,961</b>	<b>\$ 192,144,994</b>	<b>\$ 144,933,122</b>	<b>\$ 145,838,288</b>
<b>Debt at Par Value</b>					
Credit Facilities payable	\$ 76,000,000	\$ 95,200,000	\$ 105,800,000	\$ 98,000,000	\$ 105,300,000
Short-term loan payable	5,000,000	—	—	—	—
<b>Total Debt</b>	<b>\$ 81,000,000</b>	<b>\$ 95,200,000</b>	<b>\$ 105,800,000</b>	<b>\$ 98,000,000</b>	<b>\$ 105,300,000</b>
Net Asset Value	\$ 85,651,670	\$ 92,597,198	\$ 104,749,651	\$ 108,022,022	\$ 112,247,321
<b>Total Capitalization</b>	<b>\$ 166,651,670</b>	<b>\$ 187,797,198</b>	<b>\$ 210,549,651</b>	<b>\$ 206,022,022</b>	<b>\$ 217,547,321</b>
Debt to NAV <sup>(2)</sup>	0.95X	1.03x	1.01x	0.91X	0.94X
Regulatory Debt to NAV <sup>(3)</sup>	0.89X	1.03x	1.01x	0.91X	0.94X
Net Debt to NAV <sup>(4)</sup>	0.86X	1.02x	1.00x	0.90X	0.94X
Interest Coverage Ratio <sup>(5)</sup>	3.36x	2.84x	2.62x	2.67x	2.65x

1 Subject to a borrowing base limitation.

2 Short-term loan payables are not included as "senior debt" for purposes of the BDC asset coverage requirements pursuant to its short-term nature.

3 Regulatory Debt to NAV Ratio is calculated based upon the par value of debt of the Credit Facilities payable.

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

5 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.