

# INVESTOR UPDATE

Q4 2018



  
**Capitala**

Property of Capitala Group

# DISCLAIMER AND SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

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These materials and the presentations of which they are a part, and the summaries contained herein, do not purport to be complete and no obligation to update or otherwise revise such information is being assumed. Nothing shall be relied upon as a promise or representation as to the future performance of the Company. Such information is qualified in its entirety by reference to the more detailed discussions contained elsewhere in the Company’s public filings with the Securities and Exchange Commission.

There is no guarantee that any of the estimates, targets or projections illustrated in these materials and any presentation of which they form a part will be achieved. Any references herein to any of the Company’s past or present investments or its past or present performance, have been provided for illustrative purposes only. It should not be assumed that these investments were or will be profitable or that any future investments by the Company will be profitable or will equal the performance of these investments.

The information contained herein has been derived from financial statements and other documents provided by the portfolio companies and/or the third party manager of such portfolio companies unless otherwise stated.

Past performance is not indicative of future results. In addition, there can be no assurance that unrealized investments will be realized at the expected multiples shown as actual realized returns will depend on, among other factors, future operating results of each of the Company’s current portfolio companies, the value of the assets and economic conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which the Company’s expected returns are based. In many instances, the Company will not determine the timing or manner of sale of the Company’s portfolio companies.

The Company has determined its estimated net asset value in good faith based on information believed by the Company to be reliable as of December 31, 2018, but there can be no assurance that such estimated net asset value accurately reflects the fair value of the Company.

Statements included herein may constitute “forward-looking statements,” which relate to future events or our future performance or financial condition. Words such as “believe”, “intend”, “expect”, “project”, “anticipate” and “future” or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in the Company’s filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

## Capitala Group

### Products for Individuals

Capitala Finance Corp.  
(NASDAQ: CPTA)  
(NYSE: bond tickers)

Capitala Senior Loan Fund II, LLC

### Products for Institutions

Commingled Funds and Institutionally Owned Permanent  
Capital Vehicles

Capitala  
Specialty  
Lending Corp.

Capitala Private  
Credit Fund V,  
L.P.

Capitala Growth  
Fund I<sup>(1)</sup>

(1) CapitalSouth SBIC Fund IV, L.P.

## Affiliation with Capitala Group

- Recently announced \$1.0 billion Capitala Specialty Lending Corp.
- Manages \$2.7 billion of capital among permanent capital vehicles, closed-end funds, and discretionary managed accounts
- 20 year track record of providing capital for the lower middle market

## Investment Strategy

- Focus on seasoned, smaller and lower middle-market companies in underserved capital markets / industries with a history of generating revenue and positive cash flow
- \$10 - \$200 million in annual revenue and \$4.5 - \$30 million in TTM EBITDA

## Direct Origination Capabilities

- Seven origination offices allow for comprehensive geographical coverage
- Direct origination from proprietary corporate relationships, private equity sponsors and sell-side intermediaries

## Vested & Aligned Management Team

- Management team owns 8.6% of the common stock and has made meaningful purchases in the open market since the IPO
- Management team rolled over \$10.0 million of invested capital into Company shares at IPO

## Attractive Capital Structure

- Capitala Finance's unique, primarily fixed-rate liabilities combined with a growing mix of floating rate investments provide an attractive capital structure in a rising rate environment
- Revolving credit facility provides attractively priced, short-term capital with an accordion feature that can grow with the borrowing base

## NAV Upside

- Primarily current cash income with additional return from origination and structuring fees
- Potential upside through equity participation

- Investment Committee has been with Capitala for over 15 years
- In-house operating executives provide unique perspective on credit risks
- Capitala maintains strict underwriting standards, which have resulted in conservative underlying leverage statistics

### Investment Criteria

- ✓ Established companies with a track record of consistent cash flow
- ✓ Appropriate capital structures with reasonable leverage and minimal / no subordination
- ✓ Defensible market positions with high barriers to entry
- ✓ Well diversified across customer and supplier bases
- ✓ Experienced and committed sponsors and management teams with industry expertise

**Result: Weighted average debt yield of 11.9%<sup>(1)(2)</sup>**

### Characteristics to Avoid

- ✗ Over levered and/or under-equitized transactions
- ✗ Deeply subordinated positions behind heavily amortizing senior debt with minimal intercreditor protections
- ✗ Commodity-reliant businesses with minimal pricing control and significant volatility
- ✗ Overly concentrated businesses with reliance on any set of customers, suppliers or sources of funding
- ✗ Heavily capital intensive business without a verifiable plan of organic deleveraging

**Result: Historical CPTA leverage at entry of 3.4x<sup>(3)</sup>**

(1) Weighted average yield shown as of December 31, 2018.

(2) Represents weighted average investment yield on debt investments only, based on fair value.

(3) CPTA Leverage is calculated as total debt minus cash, and excludes all debt which is subordinate to Capitala Finance's investment.

## CAPITALA HAS A DIFFERENTIATED INVESTMENT PHILOSOPHY WHICH HAS DRIVEN ATTRACTIVE HISTORICAL RETURNS

### Proven Sourcing Strategy

- National business development presence via six field offices; focus on target-rich, yet underserved & disintermediated markets
- Focus on both sponsored (54%) and unsponsored (46%) transactions, including independent sponsors and broadly syndicated deals
  - Sponsor relationship strategy focuses on niche, specialized managers, creating more attractive & proprietary deal flow – over 1,500 opportunities reviewed annually
- Results in more directly-originated deals & non-competitive situations, yielding better structure & pricing

### Disciplined Portfolio Construction & Active Management Approach

- Capitala will continue to focus on first lien opportunities given current market environment; flexible approach to find best risk-adjusted yields with equity upside
  - All 2018 CPTA investments are first lien (84.2% of invested capital in 2018)<sup>(1)</sup>
- Disciplined underwriting and conservative capital structures employed over multiple cycles (3.4x historical total leverage at entry)<sup>(2)</sup>
- Active portfolio management approach with deep experience in complex situations

### Large & Cohesive Team with Strong Alignment

- Core senior team has been together since 2003
  - Responsible for 99% of capital invested since inception
- 26 investment professionals across seven offices
- Capitala team has invested over \$25MM in hard dollars into Capitala managed funds

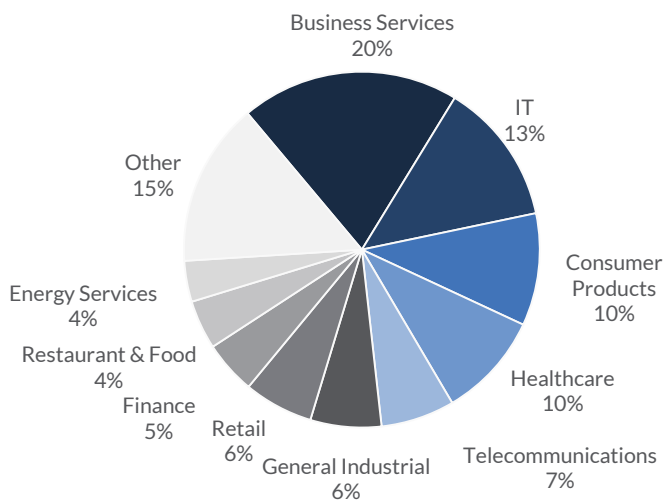
(1) Invested capital includes dollars invested into Capitala Senior Loan Fund II, LLC.

(2) CPTA Leverage is calculated as total debt minus cash, and excludes all debt which is subordinate to Capitala Finance's investment.



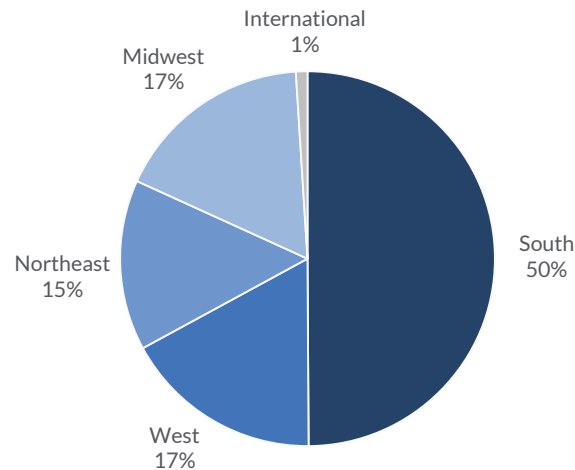
## DIVERSIFIED ~\$449 MILLION PORTFOLIO (EXCLUDING CASH) ACROSS 44 COMPANIES, WITH 53% FIRST LIEN DEBT, 7% SECOND LIEN DEBT, 16% SUBORDINATED DEBT, 21% EQUITY AND 3% CAPITALA SENIOR LOAN FUND II, LLC

### PORTFOLIO BY INDUSTRY<sup>(1)</sup>



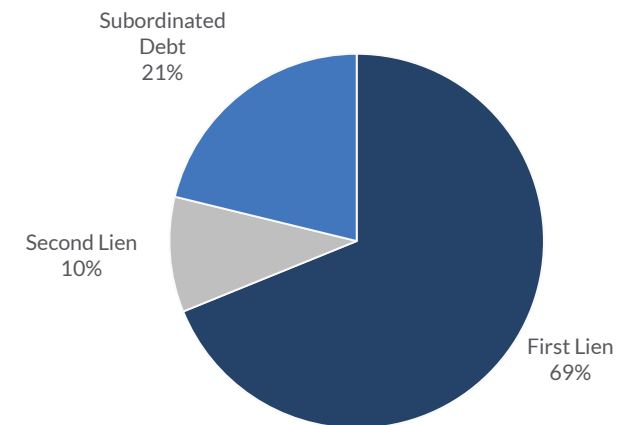
~\$449 million

### PORTFOLIO BY GEOGRAPHY



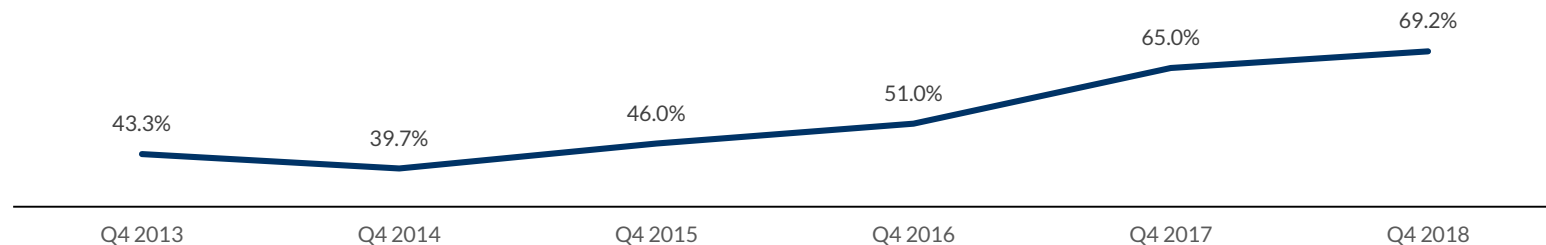
~\$449 million

### DEBT PORTFOLIO BY ASSET TYPE



~\$343 million

### FIRST LIEN DEBT AS A PERCENTAGE OF TOTAL DEBT PORTFOLIO



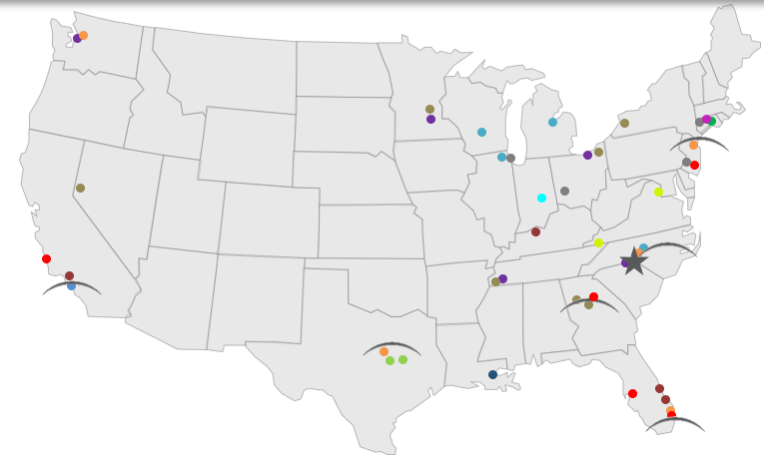
Note: Portfolio statistics as of December 31, 2018.

(1) Other includes Industrial Equipment Rental (4%), Building Products (3%), Capitala Senior Loan Fund II, LLC (3%), Entertainment (3%) and Conglomerate (2%).

- Unique regionally focused business development offices provide access to superior risk adjusted investment opportunities
- Demonstrated growth and consistently robust quarterly deployments, with over \$810 million deployed since IPO

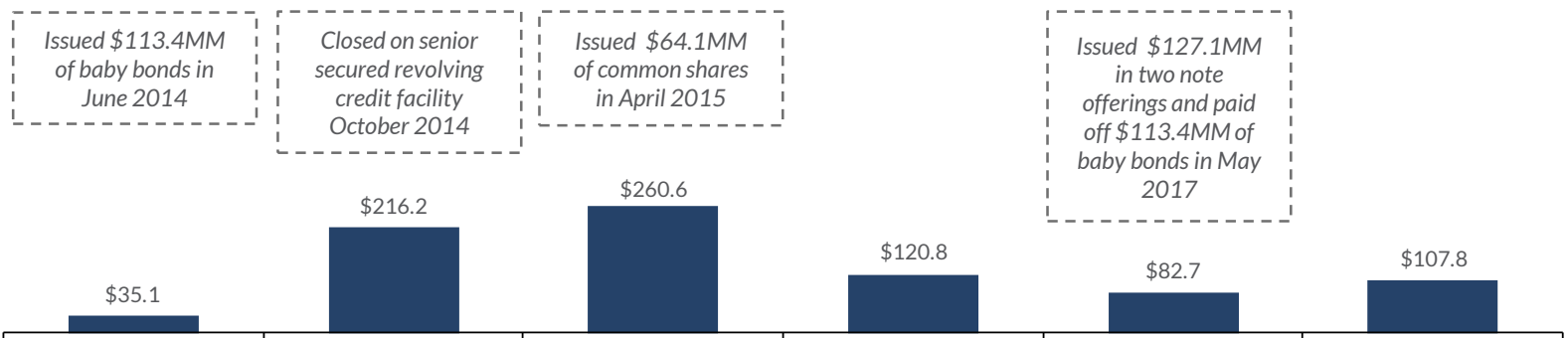
## Expanding Business Development Footprint Yields Diverse Deal Flow

- ★ Corporate Headquarters
- Business Services (20%)
- Consumer Products (10%)
- Telecommunications (7%)
- Retail (6%)
- Restaurant & Food (5%)
- Industrial Equipment Rental (4%)
- Entertainment (3%)
- ⤿ Regional Office
- Information Technology (13%)
- Healthcare (10%)
- General Industrial (6%)
- Finance (5%)
- Energy Services (4%)
- Building Products (3%)
- Conglomerate (2%)



## Deployments Summary<sup>(1)</sup>

(\$ in millions)



	Q4 2013	2014	2015	2016	2017	2018
# of Deployments <sup>(2)</sup>	7	38	38	23	31	30
\$ of Deployments (New Issuer)	\$21.0	\$175.5	\$217.7	\$112.6	\$60.8	\$84.0
\$ of Deployments (Add-on)	\$14.1	\$40.7	\$43.0	\$8.2	\$21.9	\$23.8
Average Yield Deployed Capital <sup>(3)</sup>	13.3%	11.8%	12.3%	13.2%	11.0%	10.4%

(1) Dollar amounts of deployments shown net of OID.  
 (2) Represents number of unique deployments by security type (not by portfolio company).  
 (3) Represents weighted average yield of yielding investments only, based on fair value.



Recent Deal Summary						
Company	Closing Date	Description	Debt Security	Debt Amount <sup>(1)</sup>	Yield	Equity Co-Invest Amount <sup>(1)</sup>
Capitala Senior Loan Fund II, LLC	Dec 2018	N/A	N/A	\$0.0MM	N/A	\$13.6MM
Freedom Electronics, LLC	Dec 2018	IT	First Lien	\$6.3MM	9.1% <sup>(2)</sup>	\$0.2MM
Chicken Soup for the Soul Holdings, LLC	Dec 2018	Entertainment	First Lien	\$13.0MM	L+8.5%	\$0.0MM
U.S. BioTek Laboratories LLC	Dec 2018	Healthcare	First Lien	\$7.0MM	9.3% <sup>(3)</sup>	\$0.5MM
Sequoia Healthcare Management, LLC	Aug 2018	Healthcare	First Lien	\$14.0MM <sup>(4)</sup>	L+8.5%	\$0.0MM
Sunset Digital Holdings, LLC	Aug 2018	Telecommunications	First Lien	\$13.0MM	L+7.3%	\$0.0MM
Installs, LLC	Jun 2018	Business Services	First Lien	\$5.8MM	L+7.0%	\$0.0MM
MC Sign Lessor Corp.	Mar 2018	Business Services	First Lien	\$3.9MM	L+7.0%	\$0.0MM
US Bath Group, LLC	Jan 2018	Building Products	First Lien	\$15.0MM	L+9.0%	\$0.5MM
Summary						
Lien Type				Amount	Percent of Total	
First Lien				\$78.7MM	84.2%	
Subordinated				\$0.0MM	0.0%	
Equity				\$1.2MM	1.3%	
Capitala Senior Loan Fund II, LLC				\$13.6MM	14.6%	

\* Denotes investment repaid at par

(1) Amounts as of closing.

(2) Represents the blended yield for total investments in Freedom Electronics, LLC.

(3) Represents a last-out position in a unitranche term loan.

(4) Includes \$5.6MM add-on investment alongside refinanced term loan.

## Management ownership and payment of fees for IPO

- Management team owns 8.6% of the common stock and has made meaningful purchases in the open market since the IPO
- Management team rolled over \$10.0 million of invested capital into Company shares at IPO

## Fee waivers / investment positioning during economic downturn

- The Company's external manager has voluntarily waived \$3.7 million of incentive fees since Q4 2015
- External manager waived management fees on uninvested IPO proceeds at Capitala Finance level for the first year post-IPO (expired September 30, 2014)

## Distributions

- Paid monthly
- No return of capital since IPO
- \$1.0MM of spillover income at December 31, 2018
- Paid \$0.50 special distribution in 2015

## Stock repurchase program

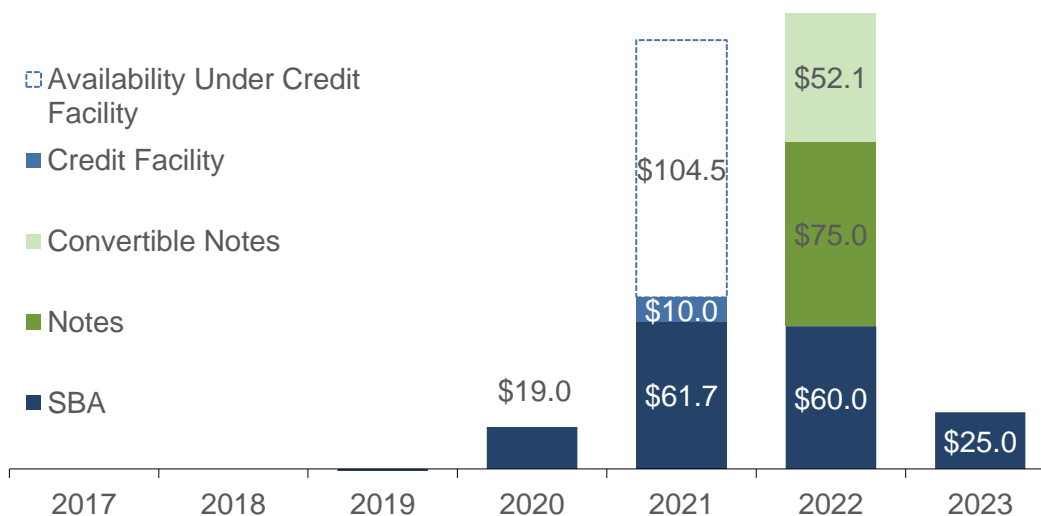
- Repurchased 4.6% of shares outstanding in 2015

- Stable liquidity and capital structure provided by SBA debentures and corporate notes with long-term maturities and fixed rates
  - Capitala Group principals have received four SBIC licenses, with a 10+ year track record
- Revolving credit facility provides attractively priced, shorter-term capital with an accordion feature that can grow with the borrowing base

## Current Funding Overview

Facility	Interest Rate	Maturity	Amount Drawn (12/31/18)
\$114.5 million Credit Facility	L+300 floating	June 2021	\$10.0 million
SBA Debentures <sup>(1)</sup>	3.25% fixed	2019 - 2023	\$165.7 million
Convertible Notes Payable	5.75% fixed	May 2022	\$52.1 million
Notes Payable	6.00% fixed	May 2022	\$75.0 million

## Notes Maturity Profile (\$ in millions)



- 92% of existing notes and debentures mature after 2020
  - \$165.7 million of 10-year term SBA guaranteed debentures
  - \$127.1 convertible and fixed rate notes due in 2022
  - Credit Facility amended and extended until 2021
- Obligors for SBA debentures are 2 SBIC licensee subsidiaries; issuer is not an SBIC obligor

Note: As of December 31, 2018.

(1) On March 1, 2019, the Company repaid early \$15.7 million of SBA Debentures for CapitalSouth Partners Fund II, LP, and relinquished the SBIC license to the SBA.

- Capitala Finance’s unique, primarily fixed-rate liabilities combined with a growing mix of floating rate investments provide an attractive capital structure with limited downside risk to raising interest rates
- As December 31, 2018, Capitala Finance had limited financing exposure to interest rate changes
  - 97% of funded liabilities are fixed rate and not subject to interest rate movements
  - 59% of total debt investments are floating rate and will benefit from increasing interest rates

<b>Interest Rate Sensitivity</b>				
<i>(\$ thousands, except per share data)</i>				
<b>Basis Point Change</b>	<b>Change in Interest Income</b>	<b>Change in Interest Expense</b>	<b>Increase / (Decrease) in Net Investment Income</b>	<b>Increase / (Decrease) in Net Investment Income per Share</b>
+300 bps	\$6,043	(\$300)	\$5,743	\$0.36
+200 bps	\$4,044	(\$200)	\$3,844	\$0.24
+100 bps	\$2,022	(\$100)	\$1,922	\$0.12
-100 bps	(\$1,915)	\$100	(\$1,815)	(\$0.11)
-200 bps	(\$2,857)	\$200	(\$2,657)	(\$0.17)
-300 bps	(\$2,909)	\$250	(\$2,659)	(\$0.17)

Note: Assumes no change in portfolio investments or revolving credit facility borrowings as of December 31, 2018.  
 Note: Per share amount calculated based upon actual shares outstanding at December 31, 2018.

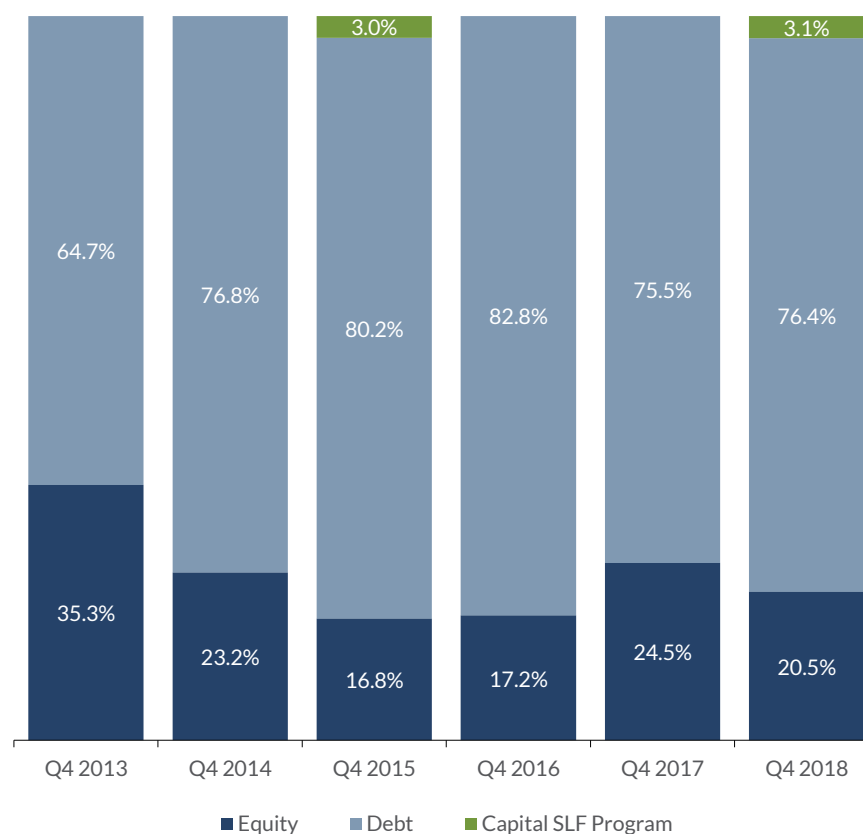
- 29 active equity investments comprising \$48.6 million of invested capital with an estimated fair value of \$92.1 million, representing 20.5% of total investments at fair value
- Capitala Finance continues to deliver on its stated strategy of rotating out of legacy equity positions, and to seek attractive equity investment opportunities

(\$ in thousands)

### Current Equity Investments<sup>(1)</sup>

Company	\$ Cost Basis	\$ Fair Value	% of Investments at Fair Value
Eastport Holdings, LLC	\$3,263	\$17,610	3.9%
Nth Degree, Inc.	3,244	16,490	3.7%
US Well Services, Inc.	7,471	9,861	2.2%
Sierra Hamilton Holdings Corporation	6,958	6,854	1.5%
B&W Quality Growers <sup>(2)</sup>	-	5,880	1.3%
Navis Holdings, Inc	1,001	5,348	1.2%
GA Communications, Inc.	3,180	4,807	1.1%
City Gear, LLC	-	3,184	0.7%
LJS Partners, LLC	1,188	3,018	0.7%
Micro Precision, LLC	1,629	2,817	0.6%
Portrait Studio, LLC	2,450	2,174	0.5%
US Bath Group, LLC	500	2,083	0.5%
Currency Capital, LLC	2,000	2,000	0.4%
MMI Holdings, LLC	1,474	1,797	0.4%
Burke America Parts Group, LLC	5	1,722	0.4%
CIS Secure Computing, Inc.	1,000	1,681	0.4%
3 Bridge Solutions, LLC	1,059	1,279	0.3%
Xirgo Technologies, LLC	600	837	0.2%
Corporate Visions, Inc.	1,575	817	0.2%
Taylor Precision Products, Inc.	758	758	0.2%
U.S. BioTek Laboratories, LLC	502	503	0.1%
BigMouth, LLC	411	352	0.1%
Freedom Electronics, LLC	182	182	0.0%
AAE Acquisition, LLC	17	-	0.0%
Alternative Biomedical Solutions, LLC	800	-	0.0%
Burgaflex Holdings, LLC	1,804	-	0.0%
CableOrganizer Acquisition, LLC	3,748	-	0.0%
Cedar Ultimate Parent, LLC	958	-	0.0%
J&J Produce, Inc.	818	-	0.0%
<b>Total</b>	<b>\$48,594</b>	<b>\$92,054</b>	<b>20.5%</b>

### Demonstrated Rotation Out of Equity Positions



### Equity Cost Basis

20.1%	20.3%	14.2%	9.5%	8.9%	11.9%	11.6%
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(1) Current equity position details as of December 31, 2018.  
 (2) The Company sold its investment on February 27, 2019 for \$5.9 million.

# NAV UPSIDE POTENTIAL

## DEMONSTRATED TRACK RECORD OF EQUITY REALIZATIONS

- Capitala Finance continues to generate meaningful internal rates of return (IRR) and realized gains through the monetization of equity investments

Investment Overview	<ul style="list-style-type: none"> <li>On December 22, 2017, Capitala Finance exited its investment in Brunswick Bowling Products, Inc. and received \$6.2 million for its equity</li> <li>Repaid at par \$7.2 million for senior notes in January 2018</li> <li>Received \$6.2 million for equity investment, netting a realized gain of approximately \$2.5 million</li> </ul>	<ul style="list-style-type: none"> <li>On August 13, 2018, Capitala Finance exited its investment in Western Windows Systems and received \$23.3 million for its equity and senior term loan</li> <li>Repaid at par \$10.5 million for the senior term loan</li> <li>Received \$12.8 million for the equity investment, netting a realized gain of approximately \$9.8 million</li> </ul>	<ul style="list-style-type: none"> <li>On January 3, 2017, Capitala Finance exited its investment in Medical Depot, Inc. and received \$21.0 million for its equity and senior subordinated debt investments</li> <li>Repaid at par \$14.7 million for subordinated notes</li> <li>Received \$6.3 million for equity investment, netting a realized gain of approximately \$5.0 million</li> </ul>	<ul style="list-style-type: none"> <li>On August 5, 2016, Capitala Finance sold its common equity investment in MTI for cash proceeds of \$10.6 million</li> <li>\$8.6 million realized gain on initial \$2.0 million investment</li> <li>In addition, Capitala Finance was repaid at par, \$8.0 million, in respect of its senior subordinated note</li> </ul>
Total Gross IRR	<ul style="list-style-type: none"> <li>Entered investment in May 2015</li> <li><b>Total Gross IRR of 33%</b></li> </ul>	<ul style="list-style-type: none"> <li>Entered Investment in July 2015</li> <li><b>Total Gross IRR of 26%</b></li> </ul>	<ul style="list-style-type: none"> <li>Entered Investment in October 2011</li> <li><b>Total Gross IRR of 31%</b></li> </ul>	<ul style="list-style-type: none"> <li>Entered Investment in August 2013</li> <li><b>Total Gross IRR of 77%</b></li> </ul>
Total MOIC	<ul style="list-style-type: none"> <li><b>Total cash-on-cash return of 2.1x</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Total cash-on-cash return of 1.5x</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Total cash-on-cash return of 4.7x</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Total cash-on-cash return of 5.3x</b></li> </ul>

**Capitala Finance Has Demonstrated an Ability to Successfully Rotate Out of Legacy Equity Positions and Provide Meaningful Realized Gains to Shareholders**

<p><b>Senior Management</b></p>	<p><b>Fiscal Year End</b></p>
<p><b>Joseph B. Alala, III</b> <i>Chairman &amp; CEO</i></p> <p><b>Peter Sherman</b> <i>Chief Risk Officer, Investment Advisor</i></p> <p><b>Steve Arnall</b> <i>CFO &amp; COO</i></p> <p><b>Richard Wheelahan</b> <i>CCO &amp; General Counsel</i></p> <p><b>Kevin Koonts</b> <i>Chief Accounting Officer</i></p>	<p>December 31</p> <p><b>Independent Auditor</b></p> <p>Ernst &amp; Young LLP</p> <p><b>Corporate Counsel</b></p> <p>Eversheds Sutherland LLP</p>
<p><b>Board of Directors</b></p>	<p><b>Securities Listings</b></p>
<p><b>Joseph B. Alala, III</b></p> <p><b>M. Hunt Broyhill</b></p> <p><b>R. Charles Moyer*</b></p> <p><b>H. Paul Chapman*</b></p> <p><b>Larry W. Carroll*</b></p>	<p>Nasdaq: CPTA (common stock)</p> <p>Nasdaq: CPTAL (notes)</p> <p>Nasdaq: CPTAG (convertible notes)</p> <p><b>Transfer Agent</b></p> <p>American Stock Transfer and Trust</p>
<p><b>Research Coverage</b></p>	<p><b>Corporate Headquarters &amp; Website</b></p>
<p><b>Janney</b> Mitchel Penn, CFA</p> <p><b>Jefferies</b> John Hecht</p> <p><b>Keefe, Bruyette &amp; Woods</b> Ryan Lynch, CPA</p> <p><b>JMP Securities</b> Christopher York</p> <p><b>Ladenburg Thalmann</b> Chris Nolan</p>	<p>4201 Congress St, Suite 360 Charlotte, NC 28209</p> <p>704-376-5502</p> <p>www.CapitalaGroup.com</p>

\* Represents independent directors.



<b>Exchange-Traded Issuances:</b>	Common Stock – Nasdaq: CPTA Notes – Nasdaq: CPTAL Convertible Notes – Nasdaq: CPTAG
<b>External Manager:</b>	Capitala Investment Advisors, LLC
<b>Current Price / Share<sup>(1)</sup>:</b>	Nasdaq: CPTA – \$8.30 Nasdaq: CPTAL – \$25.44 Nasdaq: CPTAG – \$25.00
<b>Shares / Market Cap<sup>(1)</sup>:</b>	16.0 million / \$133.3 million
<b>Portfolio Fair Value<sup>(2)</sup>:</b>	\$448.9 million (excluding cash); \$493.2 million gross asset value
<b>Investment Strategy:</b>	To directly originate debt and selective equity investments in middle market companies
<b>Weighted Average Portfolio Debt Investment Yield<sup>(2)(3)</sup>:</b>	11.9%
<b>Annualized Distribution:</b>	12.0% implied annual distribution yield <sup>(4)</sup>
<b>Management Ownership<sup>(1)</sup>:</b>	Approximately \$11.5 million (8.6%)
<b>Management Fee:</b>	Base fee of 1.75% of gross assets
<b>Incentive Fee<sup>(5)</sup>:</b>	(1) 20% of pre-incentive fee net investment income above an 8% hurdle and (2) 20% of cumulative capital gains

(1) Based on the closing price as of March 1, 2019. Total shares outstanding as of December 31, 2018.

(2) As of December 31, 2018.

(3) Represents weighted average investment yield on debt investments only, based on fair value.

(4) Calculated as annualized monthly distributions of \$0.0833 / share divided by March 1, 2019 closing price of \$8.30 / share.

(5) Please reference most recent Form 10-Q filed on May 4, 2019 for additional detail related to incentive fee.

Professional	Role / Title	Location	Tenure	Years of Experience	Prior Experience   Education
<b>Senior Management</b>					
Joseph B Alala III	Chairman & CEO	N. Carolina	20	22	YPO member since 2000   Wake Forest JD/MBA, Princeton AB
M. Hunt Broyhill	Partner, Board of Directors	N. Carolina	19	27	Broyhill Asset Mgmt.   Wake Forest BA
Jack McGlinn	Managing Director	N. Carolina	16	27	Triangle Biomedical, Price Waterhouse   UNC Chapel Hill MBA, Notre Dame BA
Steve Arnall	CFO & COO	N. Carolina	5	31	Bank of America, Park Sterling Bank, The Scottish Bank   James Madison BA
Peter Sherman	Chief Risk Officer	N. Carolina	2	30	Sherman Capital, Brevet Capital, EY, BofA   Wharton MBA, University of New Orleans BBA
<b>Transaction Investment Professionals</b>					
Chris Norton	Head of Underwriting	N. Carolina	15	22	First Union   UVA MBA/BS
Richard Wheelahan	CCO, Director & General Counsel	N. Carolina	8	13	Mayer Brown LLP   UNC Chapel Hill JD, Appalachian State BA
Randall Fontes	Managing Director	Georgia	5	21	Atalaya Capital, SPP, KPMG   Duke University MBA, Tulane University BA
Adam Richeson	Managing Director	N. Carolina	8	15	Various operational & mgmt. roles   Wake Forest MBA, Ohio State University BA
Michael Marr	Director	N. Carolina	11	32	Helms, Mullis & Wicker   Emory ML Taxation, Campbell JD, UNC Chapel Hill BSBA
Davis Hutchens	Director	N. Carolina	9	15	MSP LLC   UNCC MBA, Duke University BA
Kelly Stotler	Director	New York	1	17	Czech Asset Management, H.I.G. Whitehorse, GE Capital   UF BA, UF BBA
Casey Swercheck	Director	Florida	5	14	Hamilton Lane, Wilshire   University of Pittsburgh BS
Eric Althofer	Director	N. Carolina	4	12	Jefferies, Deloitte Consulting   Univ. of Michigan MBA, Washington Univ. BA
Glenn Flinn	Director	Texas	1	25	Monroe Capital, CapitalSource, Healthcare Finance Group,   Univ. of Texas MBA
Jack Vander Leeuw	Vice President	N. Carolina	2	11	Neustar, Gladstone, BB&T   Georgetown University BSBA
Danny Speake	Vice President	N. Carolina	4	6	SunTrust Robinson Humphrey   Sewanee BA
Joe Gaskins	Associate	N. Carolina	2	5	DHG Corporate Finance, 7 Mile Advisors   UVA BS
Kevin Roberts	Associate	N. Carolina	2	6	WEDGE Capital Management, EY   Boston College BS
Peter McArthur	Associate	N. Carolina	2	5	Regions Securities   UNC Chapel Hill BSBA
Alex Pruitt	Analyst	N. Carolina	2	2	Wofford College BA
Jack Linker	Analyst	N. Carolina	2	3	Tobin & Company   High Point BSBA
Trey Burdick	Analyst	N. Carolina	<1	3	Lead Capital Partners   Sewanee BA
<b>Administrative / Back Office</b>					
Lynne Girts	Chief Administrative Officer	N. Carolina	16	22	Beck, Lindsey and Frame   University of Southern Mississippi BS
Kevin Koonts	Chief Accounting Officer	N. Carolina	5	11	Dixon Hughes Goodman   UNC Masters of Accounting
Katina Cole Jakubowski	Administrator	N. Carolina	5	18	Frontier Capital, Carolina Panthers   Campbell University BA

- National footprint has grown since Capitala's inception: Charlotte, NC (1998), Raleigh, NC (2002), Fort Lauderdale, FL (2013), Atlanta, GA (2013), New York, NY (2018), Dallas, TX (2019)
- Capitala has added four professionals in the past 18 months
- Current team is considered one of the largest in the industry dedicated to lower middle market investing relative to total AUM
- Core investment team responsible for 99% of capital invested since inception

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*Financial & Corporate Data*

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## Statements of Operations

(\$ in thousands, except per share data)

	Three Months Ended:							
	12/31/18 (unaudited)	9/30/18 (unaudited)	6/30/18 (unaudited)	3/31/18 (unaudited)	12/31/17 (unaudited)	9/30/17 (unaudited)	6/30/17 (unaudited)	3/31/17 (unaudited)
Investment Income								
Interest, PIK, and fees	\$11,063	\$11,430	\$11,752	\$12,503	\$11,463	\$11,641	\$12,203	\$14,325
Dividends	176	54	113	54	111	580	54	477
Other income	69	46	17	15	25	91	105	13
Total investment income	11,308	11,530	11,882	12,572	11,599	12,312	12,362	14,815
Expenses								
Interest and financing expense	4,269	4,320	4,331	4,364	4,100	4,585	5,488	4,653
Loss on extinguishment of debt	-	-	-	-	-	-	2,732	-
Management fees, net of waivers	2,178	2,254	2,314	2,303	2,344	2,417	2,505	2,514
Incentive fees, net of waivers	-	-	-	244	-	-	-	350
Other expenses	1,360	1,105	1,006	1,223	937	900	934	1,107
Total expenses	7,807	7,679	7,651	8,134	7,381	7,902	11,659	8,624
Net Investment Income	3,501	3,851	4,231	4,438	4,218	4,410	703	6,191
Realized gain (loss) on investments	(14,626)	6,298	(22,622)	(3,855)	(23,439)	(10,283)	4,687	4,846
Unrealized appreciation (depreciation)	1,193	(21,955)	21,994	(392)	17,261	2,780	(10,915)	(6,156)
Tax benefit (provision)	731	(110)	1,345	(50)	1,371	(2,660)	-	-
Net gain (loss) on investments, net of taxes	(12,702)	(15,767)	717	(4,297)	(4,807)	(10,163)	(6,228)	(1,310)
Net increase (decrease) in assets resulting from operations	(\$9,201)	(\$11,916)	\$4,948	\$141	(\$589)	(\$5,753)	(\$5,525)	\$4,881
Net investment income per share	\$0.22	\$0.24	\$0.26	\$0.28	\$0.26	\$0.28	\$0.04	\$0.39
Net realized gains/(losses) per share	(\$0.91)	\$0.39	(\$1.42)	(\$0.24)	(\$1.47)	(\$0.65)	\$0.29	\$0.31
Net increase (decrease) in assets resulting from operations per share	(\$0.57)	(\$0.74)	\$0.31	\$0.01	(\$0.04)	(\$0.36)	(\$0.35)	\$0.31
Distributions declared during quarter	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.39	\$0.39	\$0.39

## Statements of Assets & Liabilities

(\$ in thousands)

	12/31/18 (audited)	9/30/18 (unaudited)	6/30/18 (unaudited)	3/31/18 (unaudited)	12/31/17 (audited)	9/30/17 (unaudited)	6/30/17 (unaudited)	3/31/17 (unaudited)
Investments at fair value	\$448,927	\$439,421	\$483,261	\$503,722	\$499,939	\$471,106	\$486,975	\$532,478
Cash and cash equivalents	39,295	50,456	40,826	25,720	31,221	52,307	76,867	40,564
Other assets	4,943	4,323	3,770	3,422	3,435	4,811	3,974	7,635
<b>Total assets</b>	<b>\$493,165</b>	<b>\$494,200</b>	<b>\$527,857</b>	<b>\$532,864</b>	<b>\$534,595</b>	<b>\$528,224</b>	<b>\$567,816</b>	<b>\$580,677</b>
SBA debentures	\$164,012	\$163,858	\$168,705	\$168,554	\$168,400	\$168,246	\$168,092	\$167,940
2021 Notes	-	-	-	-	-	-	-	110,558
2022 Notes	73,013	72,883	72,755	72,629	72,504	72,382	72,261	-
2022 Convertible Notes	50,829	50,746	50,665	50,584	50,505	50,430	50,363	-
Credit Facility	9,017	(1,021)	3,922	10,814	7,707	(1,096)	28,563	43,479
Other liabilities	5,650	4,138	12,493	12,079	13,592	11,955	10,537	9,221
<b>Total liabilities</b>	<b>302,521</b>	<b>290,604</b>	<b>308,540</b>	<b>314,660</b>	<b>312,708</b>	<b>301,917</b>	<b>329,816</b>	<b>331,198</b>
<b>Net assets</b>	<b>190,644</b>	<b>203,596</b>	<b>219,317</b>	<b>218,204</b>	<b>221,887</b>	<b>226,307</b>	<b>238,000</b>	<b>249,479</b>
<b>Total liabilities and net assets</b>	<b>\$493,165</b>	<b>\$494,200</b>	<b>\$527,857</b>	<b>\$532,864</b>	<b>\$534,595</b>	<b>\$528,224</b>	<b>\$567,816</b>	<b>\$580,677</b>
Number of portfolio investments	44	42	43	46	47	46	46	51
Leverage ratio-actual	1.59x	1.44x	1.38x	1.42x	1.38x	1.32x	1.38x	1.32x
Leverage ratio - regulatory	0.72x	0.62x	0.60x	0.64x	0.61x	0.56x	0.66x	0.63x
Average risk rating	1.82	1.83	1.95	1.91	1.91	1.94	2.01	1.99
Non-accrual loans at fair value	\$9,362	\$12,686	\$25,779	\$20,179	\$24,981	\$26,770	\$50,665	\$18,741

# Capitala Finance Corp.

Common stock: Nasdaq:CPTA

Notes: Nasdaq:CPTAL

Convertible Notes: Nasdaq:CPTAG

Q4 2018