



# INVESTOR UPDATE

Q3 2018



Capitala

Property of Capitala Group

# DISCLAIMER AND SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

These materials and any presentation of which they form a part are neither an offer to sell, nor a solicitation of an offer to purchase, an interest in Capitala Finance Corp. (“Capitala Finance” or the “Company”).

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 September 30, 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.

## 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

- Six 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 12.0%<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 September 30, 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 (56%) and unsponsored (44%) 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
  - 11 out of the last 12 CPTA investments are first lien (84% of invested capital over the 12 deals)
- Disciplined underwriting and conservative capital structures employed over multiple cycles (3.4x historical total leverage at entry)<sup>(1)</sup>
- Active portfolio management approach with deep experience in complex situations

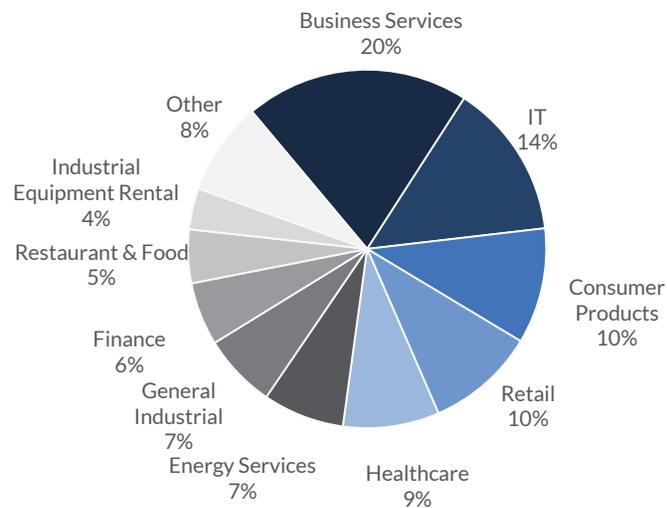
### Large & Cohesive Team with Strong Alignment

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

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

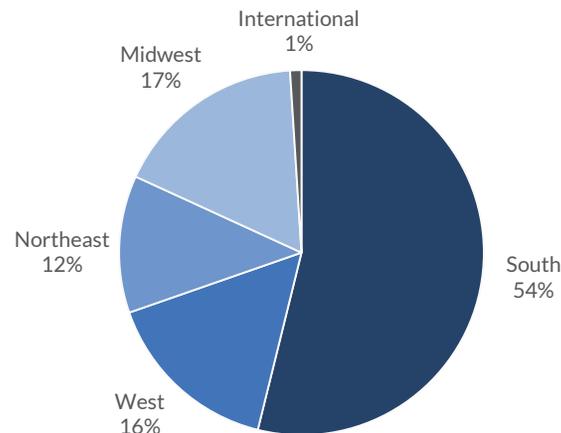
## DIVERSIFIED ~\$439 MILLION PORTFOLIO (EXCLUDING CASH) ACROSS 42 COMPANIES, WITH 51% FIRST LIEN DEBT, 7% SECOND LIEN DEBT, 19% SUBORDINATED DEBT AND 23% EQUITY

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



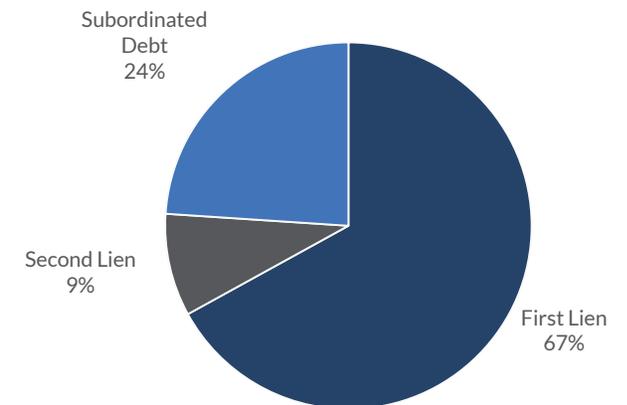
~\$439 million

PORTFOLIO BY GEOGRAPHY



~\$439 million

DEBT PORTFOLIO BY ASSET TYPE



~\$337 million

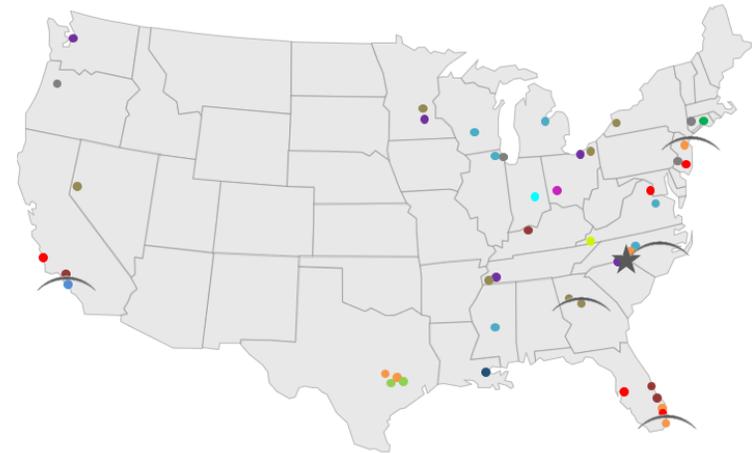
Note: Portfolio statistics as of September 30, 2018.

(1) Other includes Industrial Equipment Rental (4%), Telecommunications (3%), Conglomerate (2%) and Recreation, Leisure and Entertainment (0%).

- Unique regionally focused business development offices provide access to superior risk adjusted investment opportunities
- Demonstrated growth and consistently robust quarterly deployments, with over \$768 million deployed since IPO

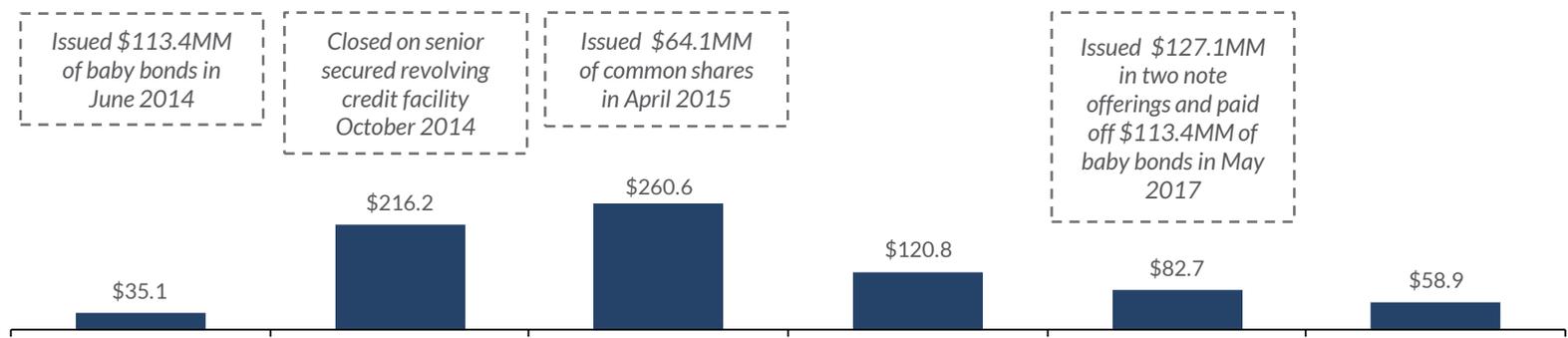
## Expanding Business Development Footprint Yields Diverse Deal Flow

- ★ Corporate Headquarters
- Business Services (20%)
- Consumer Products (10%)
- Healthcare (9%)
- General Industrial (7%)
- Restaurant & Food (5%)
- Building Products (3%)
- Conglomerate (2%)
- ⤿ Regional Office
- Information Technology (14%)
- Retail (10%)
- Energy Services (7%)
- Finance (6%)
- Industrial Equipment Rental (4%)
- Telecommunications (3%)
- Recreation, Leisure and Entertainment (0%)



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

(\$ in millions)



	Q4 2013	2014	2015	2016	2017	YTD Q3 2018
# of Deployments <sup>(2)</sup>	7	38	38	23	31	19
\$ of Deployments (New Issuer)	\$21.0	\$175.5	\$217.7	\$112.6	\$60.8	\$38.2
\$ of Deployments (Add-on)	\$14.1	\$40.7	\$43.0	\$8.2	\$21.9	\$20.7
Average Yield Deployed Capital <sup>(3)</sup>	13.3%	11.8%	12.3%	13.2%	11.0%	10.1%

(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>
Sequoia Healthcare Management, LLC	Aug 2018	Healthcare	First Lien	\$14.0MM	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
Spectra Services, LLC *	Dec 2017	Business Services	First Lien	\$7.4MM	10.0% / 4.0% PIK	\$1.3MM
Alternative Biomedical Solutions, LLC	Dec 2017	Healthcare	First Lien <sup>(2)</sup>	\$13.0MM	11.7%	\$0.8MM
3Bridge Solutions, LLC	Dec 2017	Business Services	First Lien	\$11.3MM	L+9.0%	\$1.0MM
CIS Secure Computing, Inc.	Sep 2017	IT	First Lien	\$7.0MM	L+8.5% / 1.0% PIK	\$1.0MM
Currency Capital, LLC	Jan 2017	IT	First Lien	\$16.0MM	L+11.0%	\$2.0MM
Xirgo Technologies, LLC	Dec 2016	IT	Subordinated	\$15.8MM	11.5%	\$0.4MM
BigMouth, LLC	Nov 2016	Consumer	First Lien <sup>(2)</sup>	\$10.3MM	12.5%	\$0.4MM
Summary						
Lien Type				Amount	Percent of Total	
First Lien				\$116.8MM	83.5%	
Subordinated				\$15.8MM	11.3%	
Equity				\$7.3MM	5.2%	

\* Denotes investment repaid at par

(1) Amounts as of closing.

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

Summary

- Dedicated portfolio management team provides continuing focus on loan performance
- Senior professionals with significant industry experience
  - In-house operators instrumental in identifying and fixing potential problems
  - Help maximize recovery in event of loan default
- “Cradle to the grave” approach
  - Lead origination professional responsibility from investment to realization

Portfolio Monitoring Case Studies

**PORTRAIT  
INNOVATIONS®**

- Initiated voluntary chapter 11 proceeding to right-size retail footprint and capital structure
- Developed plan of reorganization and provided DIP financing to support proceedings
- Gained control of the business; shed over 70 unprofitable leases improving financial performance

**USWS**  
U.S. WELL SERVICES

- Worked with other stakeholders to effect an out-of-court restructuring
- Lending group bought out revolver and equitized a portion of the term loan and took ~86% of the common equity
- Post-restructuring EBITDA climbed from \$23.6MM in FY 2016 to \$77.5MM in FY 2017

## 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 in the tax year ended December 31, 2017
- \$9.0MM of spillover income at December 31, 2017 (\$0.70 per share)
- Paid \$0.50 special distribution in 2015

## Stock repurchase program

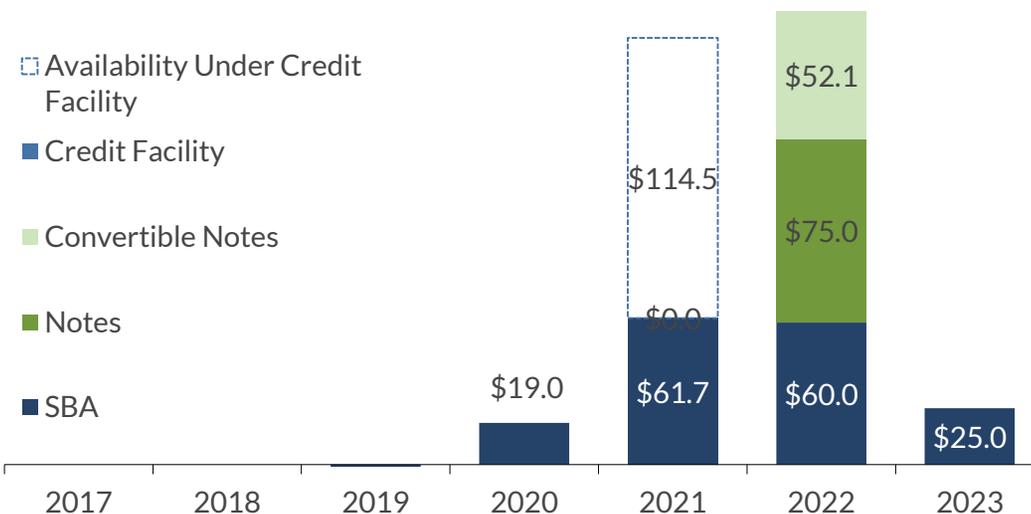
- Repurchased 4.6% of shares outstanding in 2015

- 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 (9/30/18)
\$114.5 million Credit Facility	L+300 floating	June 2021	\$0.0 million
SBA Debentures	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

- 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 September 30, 2018, Capitala Finance had limited financing exposure to interest rate changes
  - 100.0% of funded liabilities are fixed rate and not subject to interest rate movements
  - 54.7% 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	\$5,260	\$0	\$5,260	\$0.33
+200 bps	\$3,514	\$0	\$3,514	\$0.22
+100 bps	\$1,757	\$0	\$1,757	\$0.11
-100 bps	(\$1,661)	\$0	(\$1,661)	(\$0.10)
-200 bps	(\$2,309)	\$0	(\$2,309)	(\$0.14)
-300 bps	(\$2,309)	\$0	(\$2,309)	(\$0.14)

Note: Assumes no change in portfolio investments or revolving credit facility borrowings as of September 30, 2018.  
 Note: Per share amount calculated based upon actual shares outstanding at September 30, 2018.

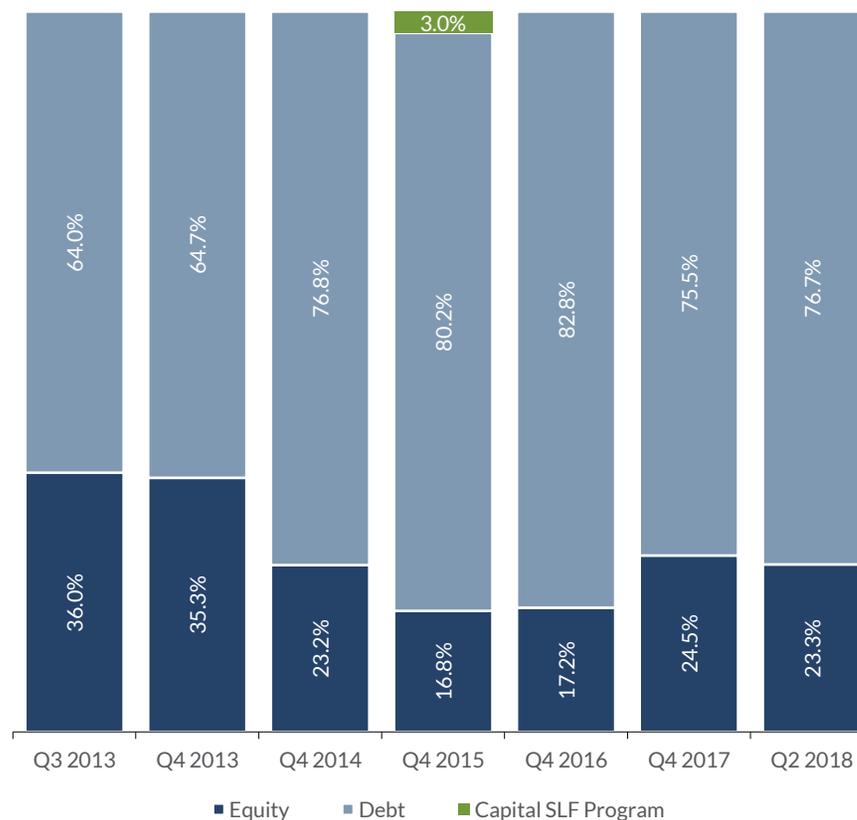
- 29 active equity investments comprising \$53.9 million of invested capital with an estimated fair value of \$102.2 million, representing 23.3% of total investments at fair value
- Capitala Finance continues to deliver on its stated strategy of rotating out of legacy equity positions, and to seek attractive 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	\$18,183	4.1%
Nth Degree, Inc. *	3,164	16,410	3.7%
USWell Services, LLC *	6,701	11,927	2.7%
Sierra Hamilton Holdings Corporation *	6,958	8,347	1.9%
City Gear, LLC	1,269	7,079	1.6%
B&W Quality Growers*	-	5,880	1.3%
Navis Holdings, Inc	1,001	5,705	1.3%
GA Communications, Inc.	3,108	4,930	1.1%
LJS Partners, LLC	1,188	4,355	1.0%
Micro Precision, LLC	1,629	2,777	0.6%
Portrait Studio, LLC *	2,450	2,484	0.6%
USBath Group, LLC *	500	2,026	0.5%
Currency Capital, LLC *	2,000	2,000	0.5%
MMI Holdings, LLC	1,450	1,779	0.4%
Burke America Parts Group, LLC *	5	1,656	0.4%
CIS Secure Computing, Inc. *	1,000	1,601	0.4%
3 Bridge Solutions, LLC *	1,039	1,083	0.2%
CableOrganizer Acquisition, LLC	3,748	903	0.2%
Xirgo Technologies, LLC *	600	857	0.2%
Corporate Visions, Inc.	1,575	819	0.2%
Taylor Precision Products, Inc. *	758	758	0.2%
BigMouth, LLC *	403	540	0.1%
Source Capital Penray, LLC	-	101	0.0%
Alternative Biomedical Solutions, LLC *	800	31	0.0%
AAE Acquisition, LLC	17	-	0.0%
Burgaflex Holdings, LLC *	1,804	-	0.0%
Cedar Ultimate Parent, LLC *	958	-	0.0%
J&J Produce, Inc.	818	-	0.0%
On-Site Fuel Services, Inc.	5,676	-	0.0%
<b>Total</b>	<b>\$53,882</b>	<b>\$102,231</b>	<b>23.3%</b>

### Demonstrated Rotation Out of Equity Positions



### Equity Cost Basis

20.1%	20.3%	14.2%	9.5%	8.9%	11.9%	13.1%
-------	-------	-------	------	------	-------	-------

Note: \* represents equity investments made since IPO.

(1) Current equity position details as of September 30, 2018.

# 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>Joe Alala, III</b> Chairman &amp; CEO, Capitala Finance Corp.</p> <p><b>Jack McGlinn</b> COO &amp; Treasurer, Capitala Finance Corp.</p> <p><b>Steve Arnall</b> Chief Financial Officer, Capitala Finance Corp.</p> <p><b>Peter Sherman</b> Chief Risk Officer, Investment Advisor</p>	<p><b>Fiscal Year End</b></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>Research Coverage</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>Ladenburg Thalmann</b> Chris Nolan</p> <p><b>Oppenheimer</b> Chris Kotowski</p> <p><b>JMP Securities</b> Christopher York</p>	<p><b>Securities Listings</b></p> <p>Nasdaq: CPTA (common stock) Nasdaq: CPTAL (notes) Nasdaq: CPTAG (convertible notes)</p> <p><b>Transfer Agent</b></p> <p>American Stock Transfer and Trust</p> <p><b>Corporate Headquarters &amp; Website</b></p> <p>4201 Congress St, Suite 360 Charlotte, NC 28209</p> <p>704-376-5502 www.CapitalaGroup.com</p>

<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 – \$8.28 Nasdaq: CPTAL – \$24.95 Nasdaq: CPTAG – \$24.75
<b>Shares / Market Cap<sup>(1)</sup>:</b>	16.0 million / \$132.6 million
<b>Portfolio Fair Value<sup>(2)</sup>:</b>	\$439.4 million (excluding cash); \$494.2 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>	12.0%
<b>Annualized Distribution:</b>	12.1% 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 November 2, 2018. Total shares outstanding as of September 30, 2018.

(2) As of September 30, 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 November 2, 2018 closing price of \$8.28 / share.

(5) Please reference most recent Form 10-Q filed on November 5, 2018 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	COO & Managing Director	N. Carolina	16	27	Triangle Biomedical, Price Waterhouse   UNC Chapel Hill MBA, Notre Dame BA
Steve Arnall	CFO	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, Portfolio Mgmt	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
Christian MacCarron	Vice President	California	4	11	Platinum Equity, Windjammer Capital, Merrill Lynch   UCLA BA
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	Vice President	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), Los Angeles, CA (2014), New York, NY (2018)
- Capitala has added five 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

---

*Financial & Corporate Data*

---

## Statements of Operations

(\$ in thousands, except per share data)

	Three Months Ended:							
	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)	12/31/16 (unaudited)
<b>Investment Income</b>								
Interest, PIK, and fees	\$11,430	\$11,752	\$12,503	\$11,463	\$11,641	\$12,203	\$14,325	\$16,137
Dividends	54	113	54	111	580	54	477	365
Other income	46	17	15	25	91	105	13	12
<b>Total investment income</b>	<b>11,530</b>	<b>11,882</b>	<b>12,572</b>	<b>11,599</b>	<b>12,312</b>	<b>12,362</b>	<b>14,815</b>	<b>16,514</b>
<b>Expenses</b>								
Interest and financing expense	4,320	4,331	4,364	4,100	4,585	5,488	4,653	4,722
Loss on extinguishment of debt	-	-	-	-	-	2,732	-	-
Management fees, net of waivers	2,254	2,314	2,303	2,344	2,417	2,505	2,514	2,539
Incentive fees, net of waivers	-	-	244	-	-	-	350	1,687
Other expenses	1,105	1,006	1,223	937	900	934	1,107	819
<b>Total expenses</b>	<b>7,679</b>	<b>7,651</b>	<b>8,134</b>	<b>7,381</b>	<b>7,902</b>	<b>11,659</b>	<b>8,624</b>	<b>9,767</b>
<b>Net Investment Income</b>	<b>3,851</b>	<b>4,231</b>	<b>4,438</b>	<b>4,218</b>	<b>4,410</b>	<b>703</b>	<b>6,191</b>	<b>6,747</b>
Realized gain (loss) from investments	6,298	(22,622)	(3,855)	(23,439)	(10,283)	4,687	4,846	2,132
Unrealized appreciation (depreciation)	(21,955)	21,994	(392)	17,261	2,780	(10,915)	(6,156)	(782)
Tax benefit (provision)	(110)	1,345	(50)	1,371	(2,660)	-	-	-
<b>Net gain (loss) on investments, net of taxes</b>	<b>(15,767)</b>	<b>717</b>	<b>(4,297)</b>	<b>(4,807)</b>	<b>(10,163)</b>	<b>(6,228)</b>	<b>(1,310)</b>	<b>1,350</b>
<b>Net increase (decrease) in assets resulting from operations</b>	<b>(\$11,916)</b>	<b>\$4,948</b>	<b>\$141</b>	<b>(\$589)</b>	<b>(\$5,753)</b>	<b>(\$5,525)</b>	<b>\$4,881</b>	<b>\$8,097</b>
<b>Net investment income per share</b>	<b>\$0.24</b>	<b>\$0.26</b>	<b>\$0.28</b>	<b>\$0.26</b>	<b>\$0.28</b>	<b>\$0.04</b>	<b>\$0.39</b>	<b>\$0.43</b>
<b>Net realized gains/(losses) per share</b>	<b>\$0.39</b>	<b>(\$1.42)</b>	<b>(\$0.24)</b>	<b>(\$1.47)</b>	<b>(\$0.65)</b>	<b>\$0.29</b>	<b>\$0.31</b>	<b>\$0.13</b>
<b>Net increase (decrease) in assets resulting from operations per share</b>	<b>(\$0.74)</b>	<b>\$0.31</b>	<b>\$0.01</b>	<b>(\$0.04)</b>	<b>(\$0.36)</b>	<b>(\$0.35)</b>	<b>\$0.31</b>	<b>\$0.51</b>
<b>Distributions declared during quarter</b>	<b>\$0.25</b>	<b>\$0.25</b>	<b>\$0.25</b>	<b>\$0.25</b>	<b>\$0.39</b>	<b>\$0.39</b>	<b>\$0.39</b>	<b>\$0.39</b>

## Statements of Assets & Liabilities

(\$ in thousands)

	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)	12/31/16 (audited)
Investments at fair value	\$439,421	\$483,261	\$503,722	\$499,939	\$471,106	\$486,975	\$532,478	\$541,639
Cash and cash equivalents	50,456	40,826	25,720	31,221	52,307	76,867	40,564	36,281
Other assets	4,323	3,770	3,422	3,435	4,811	3,974	7,635	6,495
<b>Total assets</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>	<b>\$584,415</b>
SBA debentures	\$163,858	\$168,705	\$168,554	\$168,400	\$168,246	\$168,092	\$167,940	\$167,789
2021 Notes	-	-	-	-	-	-	110,558	110,413
2022 Notes	72,883	72,755	72,629	72,504	72,382	72,261	-	-
2022 Convertible Notes	50,746	50,665	50,584	50,505	50,430	50,363	-	-
Credit Facility	(1,021)	3,922	10,814	7,707	(1,096)	28,563	43,479	43,241
Other liabilities	4,138	12,493	12,079	13,592	11,955	10,537	9,221	12,390
<b>Total liabilities</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>333,833</b>
<b>Net assets</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>250,582</b>
<b>Total liabilities and net assets</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>	<b>\$584,415</b>
Number of portfolio investments	42	43	46	47	46	46	51	53
Leverage ratio-actual	1.44x	1.38x	1.42x	1.38x	1.32x	1.38x	1.32x	1.31x
Leverage ratio - regulatory	0.62x	0.60x	0.64x	0.61x	0.56x	0.66x	0.63x	0.63x
Average risk rating	1.83	1.95	1.91	1.91	1.94	2.01	1.99	1.96
Non-accrual loans at fair value	\$12,686	\$25,779	\$20,179	\$24,981	\$26,770	\$50,665	\$18,741	\$17,374

# Capitala Finance Corp.

Common stock: Nasdaq:CPTA

Notes: Nasdaq:CPTAL

Convertible Notes: Nasdaq:CPTAG

Q3 2018