



INVESTOR UPDATE

Q1 2021



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 March 31, 2021, 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.

WHY INVEST IN CAPITALA FINANCE CORP?

- Part of Capitala Group, a \$2.0 billion SEC-registered asset management firm headquartered in Charlotte, NC, investing debt and equity capital in the lower middle market (“LMM”) ⁽¹⁾
- Strategic partnership with Mitsui & Co. provides global reach and capabilities ⁽²⁾
- Focus on underserved lower middle market
- Direct origination capabilities across 5 offices ⁽³⁾
- Vested and aligned management, currently owning 8.2% of CPTA shares outstanding ⁽⁴⁾
- Unique capital structure, positioned to benefit from rising rates
- NAV upside through equity/warrant appreciation



(1) Reflects cumulative deployed capital since inception as of March 31, 2021.

(2) See press release dated October 28, 2019 for additional detail.

(3) Includes New York office, which is Mitsui USA headquarters.

(4) Total shares outstanding as of March 31, 2021.

Capitala Group

Products for Individuals

Capitala Finance Corp.

NASDAQ:
CPTA

NYSE: CPTAG

NYSE: CPTAL

Products for Institutions

Commingled Funds and Institutionally Owned Permanent
Capital Vehicles

Capitala
Specialty
Lending Corp.

Capitala Private
Credit Fund V,
L.P.

Capitala SBIC
Fund IV, L.P.

> Capitala Group provides flexible financing for lower middle market companies

OBJECTIVE

- Provide first lien and unitranche debt financing, with corresponding equity/warrant co-investments

INVESTMENT SIZE

- Up to \$75.0MM
- Capitala and affiliates targeted hold size of up to \$40.0MM, acting as required lender

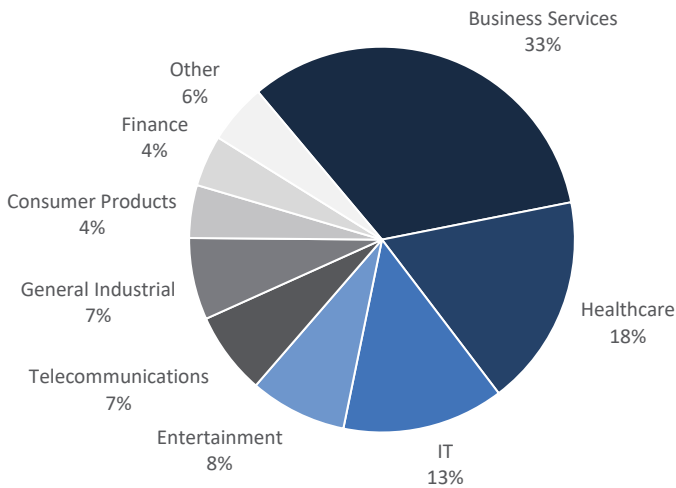
INVESTMENT FOCUS

- Lower middle market companies with EBITDA of \$4.5MM to \$30.0MM
- Diverse industry sectors including business services, general industrial, government, healthcare, software and specialty finance
- Typical transactions include providing financing for leveraged buyouts, acquisitions, recapitalizations, growth opportunities and bridge loans
- Directly originated transactions rather than broadly syndicated financings
- We have developed long-term relationships with lower middle market companies, management teams, financial sponsors, lending institutions and intermediaries

GEOGRAPHY

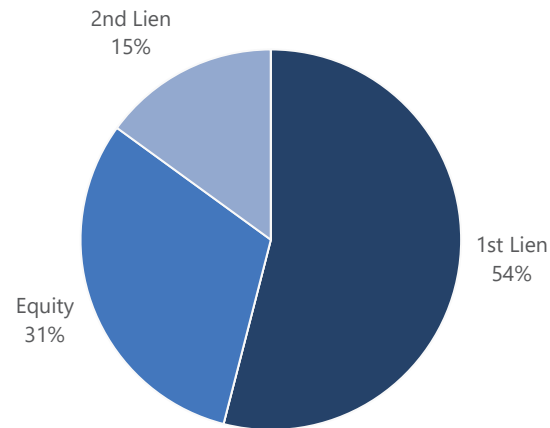
- United States and Canada

PORTFOLIO BY INDUSTRY⁽¹⁾



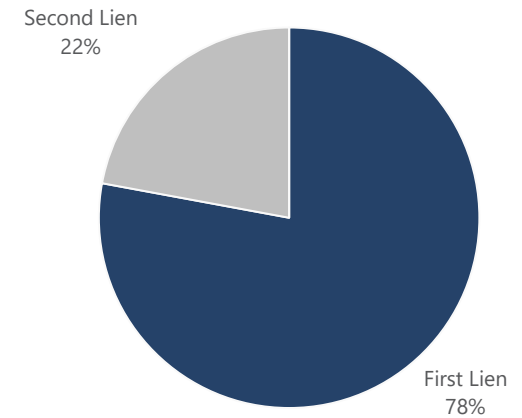
~\$258 million

TOTAL PORTFOLIO BY ASSET TYPE



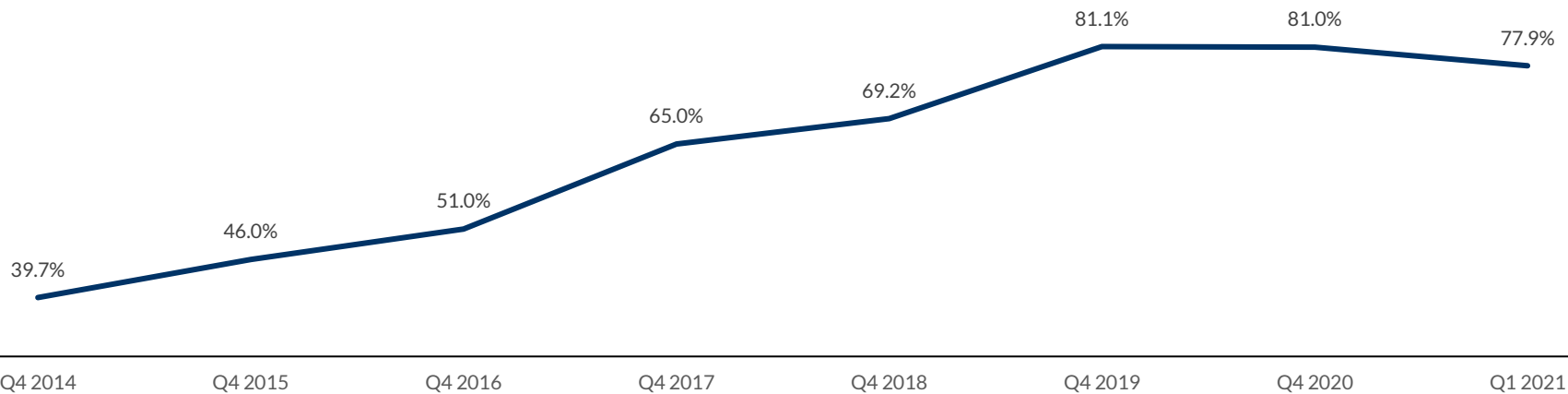
~\$258 million

DEBT PORTFOLIO BY ASSET TYPE



~\$177 million

FIRST LIEN DEBT AS A PERCENTAGE OF TOTAL DEBT PORTFOLIO



Note: Portfolio statistics represent fair value as of March 31, 2021.

(1) Other includes Restaurant & Food (>2%), Retail (>2%), and Energy Services (1%).

Recent Deal Summary						
Company	Closing Date	Description	Debt Security	Debt Amount ⁽¹⁾	Yield	Equity Co-Invest Amount ⁽¹⁾
J5 Infrastructure Partners, LLC	Dec 2019	Telecom	First Lien	\$7.0MM	L+6.5%	N/A
Rapid Fire Protection, Inc.	Nov 2019	Security Systems Services	First Lien	\$6.6MM	9.2% ⁽²⁾⁽³⁾	\$0.5MM
Chief Fire Intermediate, Inc.	Nov 2019	Security Systems Services	First Lien	\$8.1MM	L+7.0%	\$0.9MM
HUMC Opco, LLC	Aug 2019	Healthcare	First Lien	\$5.0MM	9.0%	N/A
Jurassic Quest Holdings, LLC	May 2019	Entertainment	First Lien	\$10.6MM	L+7.5%	\$0.4MM
Seitel, Inc.	Mar 2019	Data Services	First Lien	\$5.0MM	L+8.3%	N/A
RAM Payment, LLC	Jan 2019	Finance	First Lien	\$9.2MM	11.2% ⁽²⁾⁽³⁾	\$0.9MM
Freedom Electronics, LLC	Dec 2018	IT	First Lien	\$6.3MM	9.1% ⁽²⁾⁽³⁾	\$0.2MM
Chicken Soup for the Soul Holdings, LLC	Dec 2018	Entertainment	First Lien	\$13.0MM	L+8.5%	N/A
U.S. BioTek Laboratories LLC	Dec 2018	Healthcare	First Lien	\$7.0MM	9.3% ⁽²⁾⁽³⁾	\$0.5MM
Summary						
Lien Type				Amount	Percent of Total	
First Lien				\$77.8MM	95.8%	
Second Lien				N/A	0.0%	
Equity				\$3.4MM	4.2%	

* Denotes investment repaid at par.

(1) Amounts as of closing.

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

(3) Represents the blended yield for total investments at entry.

- Management team owns 8.2% of the common stock and has made meaningful purchases in the open market since the IPO
 - Management currently owns 221,628 shares with a market value of \$4.4 million ⁽¹⁾

- The Company's external manager has voluntarily waived \$4.0 million of incentive fees since Q4 2015
 - \$0.3 million in 2019

- Since IPO, Capitala Finance Corp. has distributed ~\$154 million through regular and special distributions

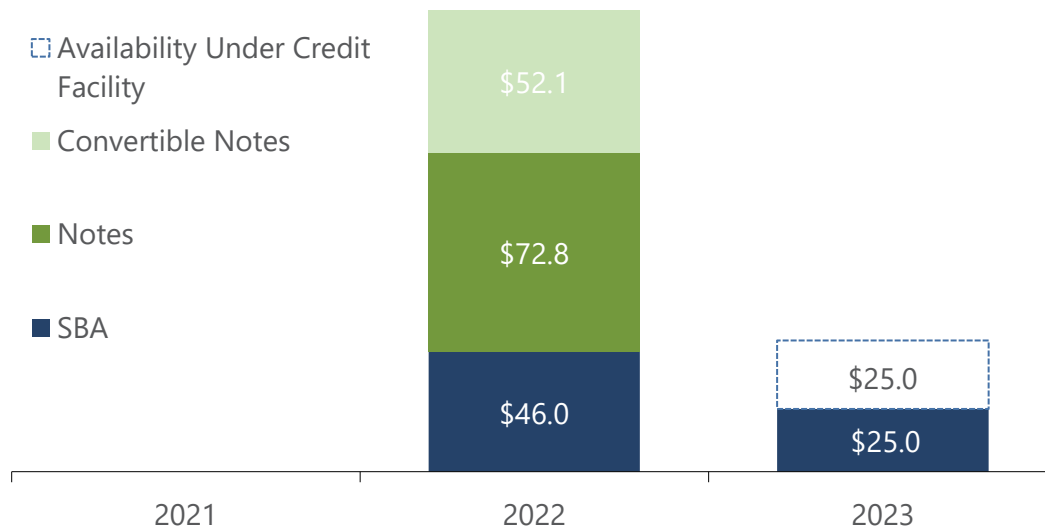
Note: As of March 31, 2021.

(1) Based on the closing price as of April 30, 2021.

CURRENT FUNDING OVERVIEW

Facility	Interest Rate	Maturity	Amount Drawn (3/31/21)
▪ SBA Debentures	2.62% fixed	2022 - 2023	\$71.0 million
▪ Convertible Notes Payable	5.75% fixed	May 2022	\$52.1 million
▪ Notes Payable	6.00% fixed	May 2022	\$72.8 million
▪ Credit Facility	LIBOR + 3.5%	October 2023	\$0.0 million

NOTES MATURITY PROFILE (\$ in millions)



100% of existing notes and debentures mature after 2021

- \$71.0 million of SBA guaranteed debentures
- \$124.9 million of convertible and fixed rate notes due in 2022



Obligor for SBA debentures is an SBIC licensee subsidiary; issuer is not an SBIC obligor

	% Fixed Rate	% Variable Rate
Investment Portfolio	46%	54%
CPTA Borrowings	100%	0%

INTEREST RATE SENSITIVITY

(\$ thousands, except per share data)

Basis Point Change	Change in Interest Income	Change in Interest Expense	Increase / (Decrease) in Net Investment Income	Increase / (Decrease) in Net Investment Income per Share
+300 bps	\$1,551	\$0	\$1,551	\$0.57
+200 bps	\$640	\$0	\$640	\$0.24
+100 bps	\$135	\$0	\$135	\$0.05
-100 bps	\$0	\$0	\$0	\$0.00
-200 bps	\$0	\$0	\$0	\$0.00
-300 bps	\$0	\$0	\$0	\$0.00

Note: Assumes no change in portfolio investments or revolving credit facility borrowings as of March 31, 2021.

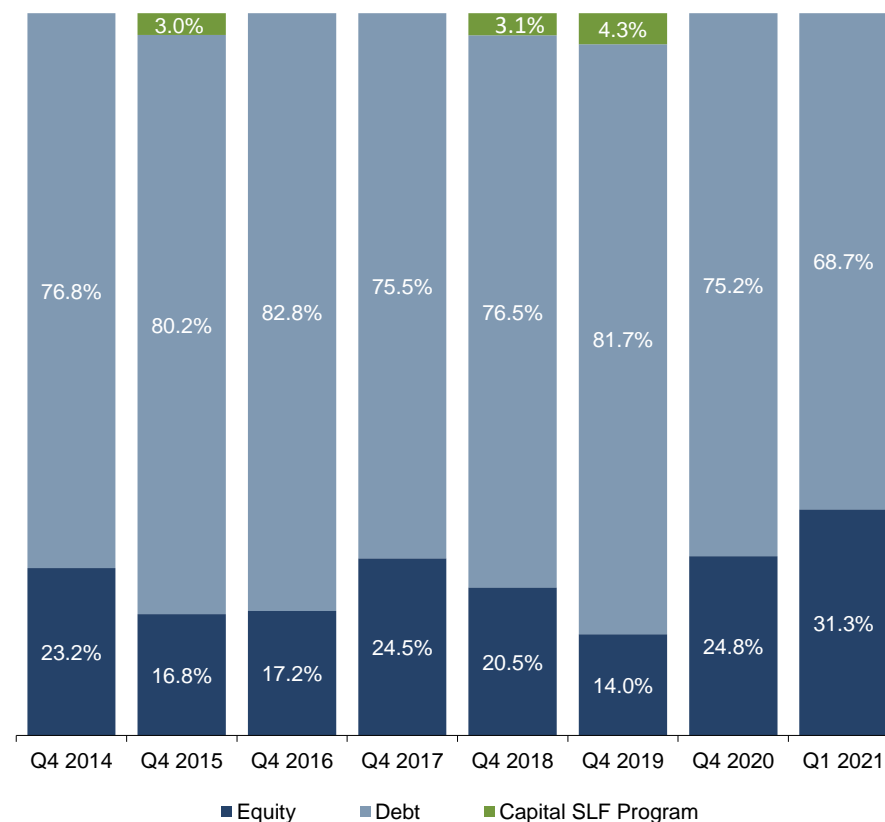
Note: Per share amount calculated based upon actual shares outstanding as of March 31, 2021.

Current Equity Investments⁽¹⁾

(\$ in thousands)

Company	\$ Cost Basis	\$ Fair Value	% of Investments at Fair Value
Eastport Holdings, LLC	\$3,263	\$21,906	8.5%
LJS Partners, LLC	1,661	5,679	2.2%
American Clinical Solutions	3,198	4,905	1.9%
Vology, Inc.	5,215	4,663	1.8%
GA Communications, Inc.	3,479	4,442	1.7%
CIS Secure Computing, Inc.	1,000	3,710	1.4%
Alternative Biomedical Solutions, LLC	6,018	3,565	1.4%
RAM Payment, LLC	1,014	3,223	1.2%
Rapid Fire Protection, Inc.	500	3,139	1.2%
Xirgo Technologies, LLC	600	2,799	1.1%
3 Bridge Solutions, LLC	1,100	2,703	1.0%
Corporate Visions, Inc.	1,575	2,529	1.0%
Burke America Parts Group, LLC	5	2,525	1.0%
City Gear, LLC	-	2,011	0.8%
BlueStem Brands, Inc.	286	1,963	0.8%
MMI Holdings, LLC	1,703	1,939	0.8%
Burgaflex Holdings, LLC	1,865	1,709	0.7%
Navis Holdings, Inc.	1,000	1,463	0.6%
Jurassic Quest Holdings, LLC	480	1,327	0.5%
USWell Services, Inc.	1,244	1,251	0.5%
Sierra Hamilton Holdings Corporation	6,958	955	0.4%
MicroHoldco, LLC	838	838	0.3%
Taylor Precision Products, Inc.	758	758	0.3%
U.S. BioTek Laboratories, LLC	619	740	0.3%
Freedom Electronics, LLC	182	217	0.1%
Chief Fire Intermediate, Inc.	913	-	0.0%
Nth Degree, Inc.	6,088	-	0.0%
Total	\$51,563	\$80,959	31.3%

Debt and Equity Asset Mix



Equity Cost Basis

12.7%	9.0%	8.3%	11.1%	11.6%	14.3%	19.3%	22.0%
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(1) Current equity position details as of March 31, 2021.

Statements of Operations

(\$ in thousands, except per share data)

	Three Months Ended:							
	3/31/21 (unaudited)	12/31/20 (unaudited)	9/30/20 (unaudited)	6/30/20 (unaudited)	3/31/20 (unaudited)	12/31/19 (unaudited)	9/30/19 (unaudited)	6/30/19 (unaudited)
Investment Income								
Interest, PIK, and fees	\$4,770	\$5,678	\$6,693	\$6,994	\$7,005	\$9,177	\$8,906	\$11,128
Dividends	155	-	-	-	25	409	1,159	425
Other income	1	1	1	5	44	48	61	37
Total investment income	4,926	5,679	6,694	6,999	7,074	9,634	10,126	11,590
Expenses								
Interest and financing expense	3,037	3,009	3,423	4,885	3,826	4,371	4,110	4,228
Management fees	1,398	1,440	1,565	1,666	1,757	1,904	1,925	2,020
Incentive fees, net of waivers	-	-	-	-	-	-	-	175
Other expenses	1,274	1,292	964	1,057	1,504	1,457	1,107	1,145
Total expenses	5,709	5,741	5,952	7,608	7,087	7,732	7,142	7,568
Net Investment Income (loss)	(783)	(62)	742	(609)	(13)	1,902	2,984	4,022
Net realized gain (loss) on investments	(14,023)	612	(12,344)	(13,285)	968	1,156	12	(15,077)
Net unrealized appreciation (depreciation) on investments	27,160	(12)	14,802	16,994	(43,395)	(3,127)	(1,279)	(17,395)
Tax benefit (provision)	-	-	-	-	-	-	-	(694)
Net gain (loss) on investments, net of taxes	13,137	600	2,458	3,709	(42,427)	(1,971)	(1,267)	(33,166)
Net realized gain on extinguishment of debt	-	-	155	-	-	-	-	-
Net increase (decrease) in assets resulting from operations	\$12,354	\$538	\$3,355	\$3,100	(\$42,440)	(\$69)	\$1,717	(\$29,144)
Net investment income per share	(\$0.29)	(\$0.02)	\$0.27	(\$0.22)	(\$0.00)	\$0.71	\$1.11	\$1.50
Net realized gain (loss) per share	(\$5.17)	\$0.23	(\$4.55)	(\$4.90)	\$0.36	\$0.43	\$0.00	(\$5.62)
Net increase (decrease) in assets resulting from operations per share	\$4.56	\$0.20	\$1.24	\$1.14	(\$15.70)	(\$0.03)	\$0.64	(\$10.86)
Distributions declared during quarter	\$0.00	\$0.00	\$0.00	\$0.00	\$1.50	\$1.50	\$1.50	\$1.50

Note: Share and per share information has been adjusted for the periods shown to reflect the one-for-six reverse stock split effected on August 21, 2020 on a retroactive basis.

Statements of Assets & Liabilities

(\$ in thousands)

	3/31/21 (unaudited)	12/31/20 (audited)	9/30/20 (unaudited)	6/30/20 (unaudited)	3/31/20 (unaudited)	12/31/19 (audited)	9/30/19 (unaudited)	6/30/19 (unaudited)
Investments at fair value	\$258,170	\$274,692	\$280,249	\$287,266	\$321,227	\$362,532	\$371,351	\$391,059
Cash and cash equivalents	59,727	49,942	43,687	95,226	56,431	62,321	62,776	43,474
Other assets	2,014	3,363	2,667	3,019	2,423	2,484	1,803	2,774
Total assets	\$319,911	\$327,997	\$326,603	\$385,511	\$380,081	\$427,337	\$435,930	\$437,307
SBA debentures, net of deferred financing costs	\$70,655	\$90,515	\$90,429	\$149,242	\$149,117	\$148,994	\$148,871	\$148,736
2022 Notes, net of deferred financing costs	72,131	71,987	71,845	73,836	73,693	73,553	73,415	73,279
2022 Convertible Notes, net of deferred financing costs	51,630	51,536	51,443	51,352	51,261	51,172	51,085	50,998
Credit Facility, net of deferred financing costs	(499)	(546)	-	-	(1,165)	(1,165)	(727)	4,172
Other liabilities	4,693	5,558	4,477	6,026	5,220	6,670	11,405	6,259
Total liabilities	198,610	219,050	218,194	280,456	278,126	279,224	284,049	283,444
Net assets	121,301	108,947	108,409	105,055	101,955	148,113	151,881	153,863
Total liabilities and net assets	\$319,911	\$327,997	\$326,603	\$385,511	\$380,081	\$427,337	\$435,930	\$437,307
Number of portfolio investments	35	36	36	37	41	43	40	41
Leverage ratio-actual	1.62x	1.98x	1.99x	2.64x	2.72x	1.87x	1.82x	1.83x
Leverage ratio - regulatory	1.03x	1.15x	1.15x	1.21x	1.25x	0.86x	0.84x	0.86x
Average risk rating	1.65	1.86	1.87	2.00	2.21	1.92	1.85	1.84
Non-accrual loans at fair value	\$16,610	\$20,767	\$18,019	\$23,886	\$42,926	-	\$15,797	\$8,723

<h3>Senior Management</h3>	<h3>Fiscal Year End</h3>
<p>Joseph B. Alala, III Chairman & Chief Executive Officer</p> <p>Steve Arnall Chief Financial Officer & Chief Operating Officer</p> <p>Peter Sherman Chief Risk Officer- Investment Advisor</p> <p>Kevin Koonts Chief Accounting Officer & Chief Compliance Officer</p>	<p>December 31</p> <h3>Independent Auditor</h3> <p>Ernst & Young LLP</p> <h3>Corporate Counsel</h3> <p>Eversheds Sutherland LLP</p>
<h3>Board of Directors</h3>	<h3>Securities Listings</h3>
<p>Joseph B. Alala, III</p> <p>M. Hunt Broyhill</p> <p>R. Charles Moyer*</p> <p>H. Paul Chapman*</p> <p>Larry W. Carroll*</p>	<p>Nasdaq: CPTA (common stock) Nasdaq: CPTAL (notes) Nasdaq: CPTAG (convertible notes)</p> <h3>Transfer Agent</h3> <p>American Stock Transfer and Trust</p>
<h3>Research Coverage</h3>	<h3>Corporate Headquarters & Website</h3>
<p>Janney Mitchel Penn, CFA</p> <p>Jefferies John Hecht</p> <p>Ladenburg Thalmann Chris Nolan</p>	<p>4201 Congress St, Suite 360 Charlotte, NC 28209</p> <p>704-376-5502 www.CapitalaGroup.com</p>

* Represents independent directors.

Exchange-Traded Issuances:	Common Stock – Nasdaq: CPTA Notes – Nasdaq: CPTAL Convertible Notes – Nasdaq: CPTAG
External Manager:	Capitala Investment Advisors, LLC
Current Price / Share⁽¹⁾:	Nasdaq: CPTA – \$19.87 Nasdaq: CPTAL – \$25.22 Nasdaq: CPTAG – \$25.30
Shares / Market Cap⁽¹⁾:	2.7 million / \$53.9 million
Portfolio Fair Value⁽²⁾:	\$258.2 million (excluding cash); \$319.9 million gross asset value
Investment Strategy:	To directly originate debt and selective equity investments in middle market companies
Weighted Average Portfolio Debt Investment Yield⁽²⁾⁽³⁾:	9.5%
Management Ownership⁽¹⁾:	Approximately \$4.4 million (8.2%)
Management Fee:	Base fee of 1.75% of gross assets
Incentive Fee⁽⁴⁾:	(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 April 30, 2021. Total shares outstanding as of April 30, 2021.

(2) As of March 31, 2021.

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

(4) Please reference most recent Form 10-Q filed on May 3, 2021 for additional detail related to incentive fee.

Capitala Finance Corp.

Common stock: Nasdaq:CPTA

Notes: Nasdaq:CPTAL

Convertible Notes: Nasdaq:CPTAG

Q1 2021