



INVESTOR UPDATE

Q1 2020



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, 2020, 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 \$3.0 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 7 offices ⁽³⁾
- Vested and aligned management, currently owning 8.3% 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 plus available liquidity and committed capital as of March 31, 2020.

(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, 2020.

Capitala Group

Products for Individuals

Capitala Finance Corp.
(NASDAQ: CPTA)
(NYSE: CPTAG & CPTAL)

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⁽¹⁾

(1) CapitalSouth 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

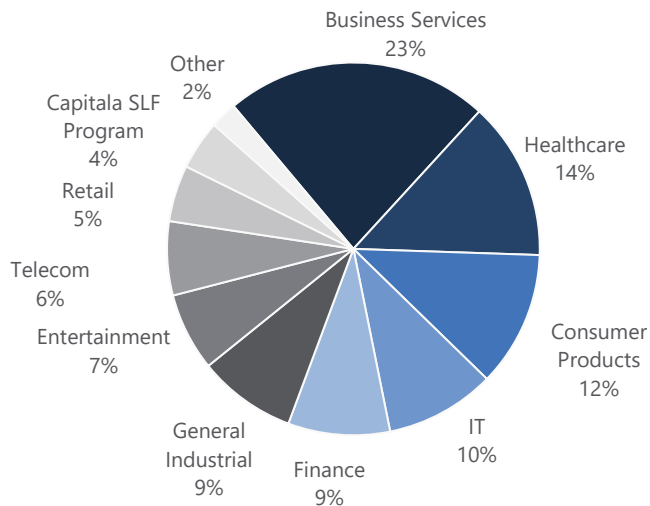
INVESTMENT FOCUS

- 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

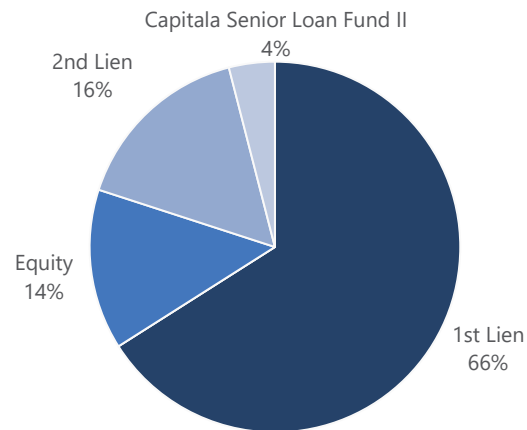
- United States and Canada

PORTFOLIO BY INDUSTRY⁽¹⁾



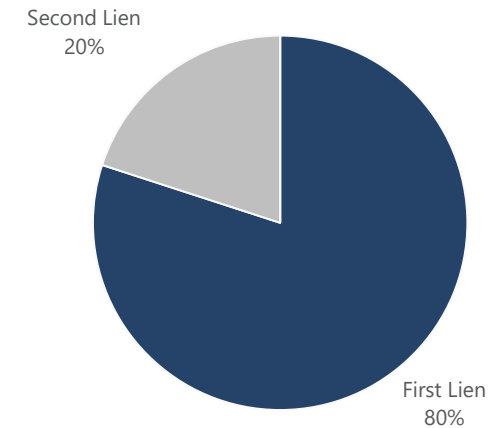
~\$321 million

TOTAL PORTFOLIO BY ASSET TYPE



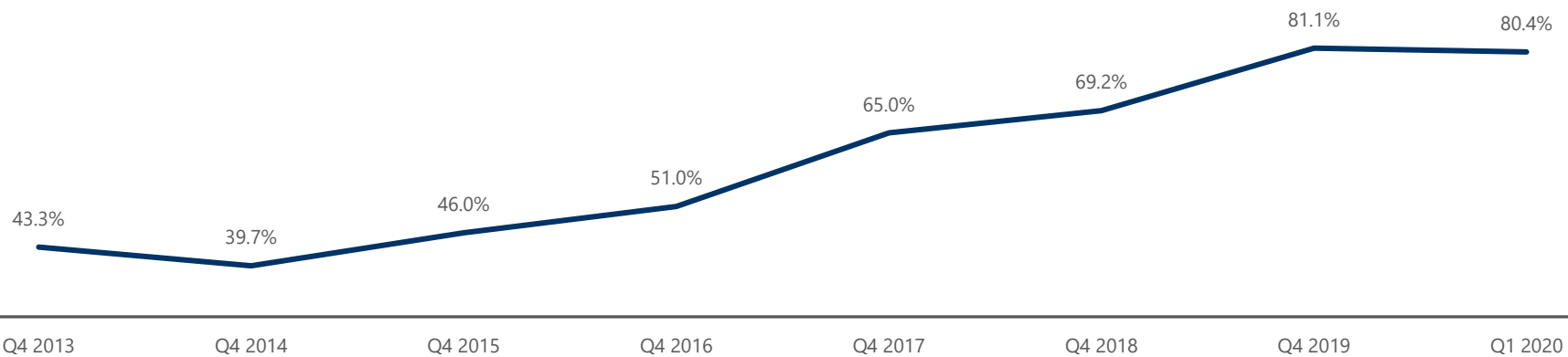
~\$321 million

DEBT PORTFOLIO BY ASSET TYPE



~\$262 million

FIRST LIEN DEBT AS A PERCENTAGE OF TOTAL DEBT PORTFOLIO



Note: Portfolio statistics represent fair value as of March 31, 2020.
 (1) Other includes Energy Services (1%) and Restaurant & Food (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 |
| Capitala Senior Loan Fund II, LLC | Dec 2018 | N/A | N/A | N/A | N/A | \$13.6MM |
| 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 | \$67.4MM | 80.2% |
| Subordinated | N/A | 0.0% |
| Equity | \$3.0MM | 3.6% |
| Capitala Senior Loan Fund II, LLC | \$13.6MM | 16.2% |

* 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 8.3% of the common stock and has made meaningful purchases in the open market since the IPO
 - Management currently owns 1,350,655 shares with a market value of \$5.3 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

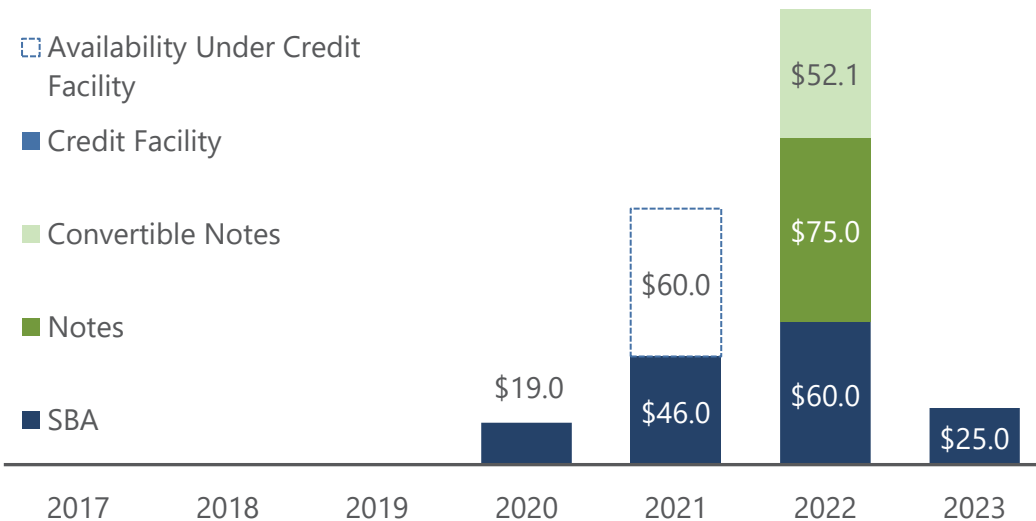
Note: As of March 31, 2020.

(1) Based on the closing price as of May 1, 2020.

CURRENT FUNDING OVERVIEW

| Facility | Interest Rate | Maturity | Amount Drawn (3/31/20) |
|----------------------------------|----------------|-------------|------------------------|
| ▪ \$60.0 million Credit Facility | L+350 floating | April 2022 | \$0.0 million |
| ▪ SBA Debentures | 3.16% fixed | 2020 – 2023 | \$150.0 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)



93% of existing notes and debentures mature after 2020

- \$150.0 million of SBA guaranteed debentures
- \$127.1 convertible and fixed rate notes due in 2022
- Credit Facility amended and extended until 2022



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

| | % Fixed Rate | % Variable Rate |
|----------------------|--------------|-----------------|
| Investment Portfolio | 42% | 58% |
| Funded Debt | 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 | \$3,634 | \$0 | \$3,364 | \$0.22 |
| +200 bps | \$2,265 | \$0 | \$2,265 | \$0.14 |
| +100 bps | \$897 | \$0 | \$897 | \$0.06 |
| -100 bps | (\$351) | \$0 | (\$351) | (\$0.02) |
| -200 bps | (\$351) | \$0 | (\$351) | (\$0.02) |
| -300 bps | (\$351) | \$0 | (\$351) | (\$0.02) |

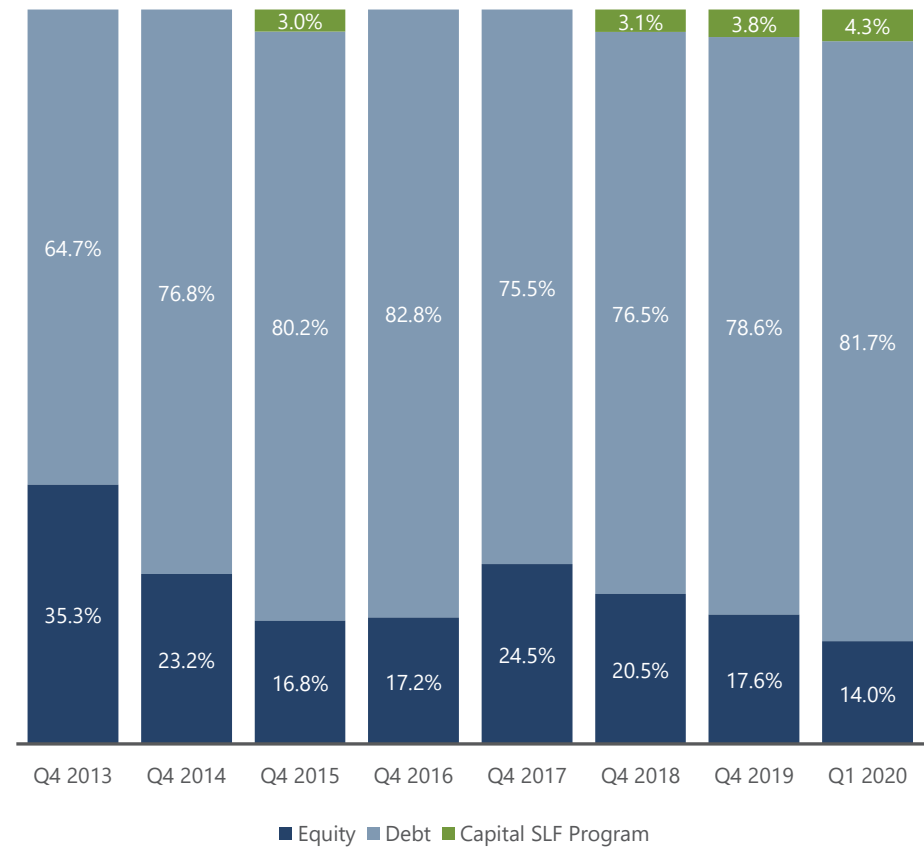
Note: Assumes no change in portfolio investments or revolving credit facility borrowings as of March 31, 2020.
 Note: Per share amount calculated based upon actual shares outstanding at March 31, 2020.

Current Equity Investments⁽¹⁾

(\$ in thousands)

| Company | \$ Cost Basis | \$ Fair Value | % of Investments at Fair Value |
|---------------------------------------|-----------------|-----------------|--------------------------------|
| Eastport Holdings, LLC | \$3,263 | \$15,522 | 4.8% |
| Vology, Inc. | 5,215 | 3,918 | 1.2% |
| GA Communications, Inc. | 3,479 | 3,696 | 1.2% |
| CISSecure Computing, Inc. | 1,000 | 2,487 | 0.8% |
| City Gear, LLC | - | 2,477 | 0.8% |
| Serra Hamilton Holdings Corporation | 6,958 | 2,080 | 0.6% |
| RAM Payment, LLC | 945 | 2,004 | 0.6% |
| Burke America Parts Group, LLC | 5 | 1,956 | 0.6% |
| MMI Holdings, LLC | 1,597 | 1,932 | 0.6% |
| Currency Capital, LLC | 2,000 | 1,525 | 0.5% |
| LJSPartners, LLC | 1,661 | 1,514 | 0.5% |
| Nth Degree, Inc. | 6,088 | 1,271 | 0.4% |
| Navis Holdings, Inc. | 1,000 | 1,099 | 0.3% |
| Taylor Precision Products, Inc. | 758 | 758 | 0.2% |
| MicroHoldco, LLC | 838 | 670 | 0.2% |
| Xirgo Technologies, LLC | 600 | 658 | 0.2% |
| Rapid Fire Protection, Inc. | 500 | 438 | 0.1% |
| USWell Services, Inc. | 7,471 | 361 | 0.1% |
| 3 Bridge Solutions, LLC | 1,100 | 279 | 0.1% |
| U.S. BioTek Laboratories, LLC | 541 | 174 | 0.1% |
| Freedom Electronics, LLC | 182 | 129 | 0.0% |
| Alternative Biomedical Solutions, LLC | 800 | - | 0.0% |
| Burgaflex Holdings, LLC | 1,865 | - | 0.0% |
| Chief Fire Intermediate, Inc. | 913 | - | 0.0% |
| Corporate Visions, Inc. | 1,575 | - | 0.0% |
| Jurassic Quest Holdings, LLC | 480 | - | 0.0% |
| Total | \$50,836 | \$44,948 | 14.0% |

Demonstrated Rotation Out of Equity Positions



Equity Cost Basis

| | | | | | | | |
|-------|-------|------|------|-------|-------|-------|-------|
| 15.2% | 12.7% | 9.0% | 8.3% | 11.1% | 11.6% | 14.3% | 14.3% |
|-------|-------|------|------|-------|-------|-------|-------|

(1) Current equity position details as of March 31, 2020.

Statements of Operations

(\$ in thousands, except per share data)

| | Three Months Ended: | | | | | | | |
|--|------------------------|-------------------------|------------------------|------------------------|------------------------|-------------------------|------------------------|------------------------|
| | 3/31/20 (unaudited) | 12/31/19 (unaudited) | 9/30/19 (unaudited) | 6/30/19 (unaudited) | 3/31/19 (unaudited) | 12/31/18 (unaudited) | 9/30/18 (unaudited) | 6/30/18 (unaudited) |
| Investment Income | | | | | | | | |
| Interest, PIK, and fees | \$7,005 | \$9,177 | \$8,906 | \$11,128 | \$11,327 | \$11,063 | \$11,430 | \$11,752 |
| Dividends | 25 | 409 | 1,159 | 425 | 1,306 | 176 | 54 | 113 |
| Other income | 44 | 48 | 61 | 37 | 51 | 69 | 46 | 17 |
| Total investment income | 7,074 | 9,634 | 10,126 | 11,590 | 12,684 | 11,308 | 11,530 | 11,882 |
| Expenses | | | | | | | | |
| Interest and financing expense | 3,826 | 4,371 | 4,110 | 4,228 | 4,413 | 4,269 | 4,320 | 4,331 |
| Management fees | 1,757 | 1,904 | 1,925 | 2,020 | 2,118 | 2,178 | 2,254 | 2,314 |
| Incentive fees, net of waivers | - | - | - | 175 | 1,034 | - | - | - |
| Other expenses | 1,504 | 1,457 | 1,107 | 1,145 | 984 | 1,360 | 1,105 | 1,006 |
| Total expenses | 7,087 | 7,732 | 7,142 | 7,568 | 8,549 | 7,807 | 7,679 | 7,651 |
| Net Investment Income (Loss) | (13) | 1,902 | 2,984 | 4,022 | 4,135 | 3,501 | 3,851 | 4,231 |
| Net realized gain (loss) on investments | 968 | 1,156 | 12 | (15,077) | (5,847) | (14,626) | 6,298 | (22,622) |
| Net unrealized appreciation (depreciation) on investments | (43,395) | (3,127) | (1,279) | (17,395) | 1,495 | 1,193 | (21,955) | 21,994 |
| Tax benefit (provision) | - | - | - | (694) | 66 | 731 | (110) | 1,345 |
| Net gain (loss) on investments, net of taxes | (42,427) | (1,971) | (1,267) | (33,166) | (4,286) | (12,702) | (15,767) | 717 |
| Net increase (decrease) in assets resulting from operations | (\$42,440) | (\$69) | \$1,717 | (\$29,144) | (\$151) | (\$9,201) | (\$11,916) | \$4,948 |
| Net investment income per share | (\$0.00) | \$0.12 | \$0.18 | \$0.25 | \$0.26 | \$0.22 | \$0.24 | \$0.26 |
| Net realized gain (loss) per share | \$0.06 | \$0.07 | \$0.00 | (\$0.94) | (\$0.36) | (\$0.91) | \$0.39 | (\$1.42) |
| Net increase (decrease) in assets resulting from operations per share | (\$2.62) | (\$0.00) | \$0.11 | (\$1.81) | (\$0.01) | (\$0.57) | (\$0.74) | \$0.31 |
| Distributions declared during quarter | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 |

Statements of Assets & Liabilities

(\$ in thousands)

| | 3/31/20 (unaudited) | 12/31/19 (audited) | 9/30/19 (unaudited) | 6/30/19 (unaudited) | 3/31/19 (unaudited) | 12/31/18 (audited) | 9/30/18 (unaudited) | 6/30/18 (unaudited) |
|---|------------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|
| Investments at fair value | \$321,227 | \$362,532 | \$371,351 | \$391,059 | \$455,390 | \$448,927 | \$439,421 | \$483,261 |
| Cash and cash equivalents | 56,431 | 62,321 | 62,776 | 43,474 | 28,470 | 39,295 | 50,456 | 40,826 |
| Other assets | 2,423 | 2,484 | 1,803 | 2,774 | 4,618 | 4,943 | 4,323 | 3,770 |
| Total assets | \$380,081 | \$427,337 | \$435,930 | \$437,307 | \$488,478 | \$493,165 | \$494,200 | \$527,857 |
| SBA debentures | \$149,117 | \$148,994 | \$148,871 | \$148,736 | \$148,596 | \$164,012 | \$163,858 | \$168,705 |
| 2022 Notes | 73,693 | 73,553 | 73,415 | 73,279 | 73,145 | 73,013 | 72,883 | 72,755 |
| 2022 Convertible Notes | 51,261 | 51,172 | 51,085 | 50,998 | 50,913 | 50,829 | 50,746 | 50,665 |
| Credit Facility | (1,165) | (1,165) | (727) | 4,172 | 24,051 | 9,017 | (1,021) | 3,922 |
| Other liabilities | 5,220 | 6,670 | 11,405 | 6,259 | 5,039 | 5,650 | 4,138 | 12,493 |
| Total liabilities | 278,126 | 279,224 | 284,049 | 283,444 | 301,744 | 302,521 | 290,604 | 308,540 |
| Net assets | 101,955 | 148,113 | 151,881 | 153,863 | 186,734 | 190,644 | 203,596 | 219,317 |
| Total liabilities and net assets | \$380,081 | \$427,337 | \$435,930 | \$437,307 | \$488,478 | \$493,165 | \$494,200 | \$527,857 |
| Number of portfolio investments | 41 | 43 | 40 | 41 | 43 | 44 | 42 | 43 |
| Leverage ratio-actual | 2.72x | 1.87x | 1.82x | 1.83x | 1.62x | 1.59x | 1.44x | 1.38x |
| Leverage ratio - regulatory | 1.25x | 0.86x | 0.84x | 0.86x | 0.81x | 0.72x | 0.62x | 0.60x |
| Average risk rating | 2.21 | 1.92 | 1.85 | 1.84 | 1.82 | 1.82 | 1.83 | 1.95 |
| Non-accrual loans at fair value | \$42,926 | - | \$15,797 | \$8,723 | \$6,520 | \$9,362 | \$12,686 | \$25,779 |

| | |
|--|---|
| <h2>Senior Management</h2> | <h2>Fiscal Year End</h2> |
| <p>Joseph B. Alala, III <i>Chairman & Chief Executive Officer</i></p> <p>Steve Arnall <i>Chief Financial Officer & Chief Operating Officer</i></p> <p>Peter Sherman <i>Chief Risk Officer- Investment Advisor</i></p> <p>Kevin Koonts <i>Chief Accounting Officer & Chief Compliance Officer</i></p> | <p>December 31</p> <h2>Independent Auditor</h2> <p>Ernst & Young LLP</p> <h2>Corporate Counsel</h2> <p>Eversheds Sutherland LLP</p> |
| <h2>Board of Directors</h2> | <h2>Securities Listings</h2> |
| <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> <h2>Transfer Agent</h2> <p>American Stock Transfer and Trust</p> |
| <h2>Research Coverage</h2> | <h2>Corporate Headquarters & Website</h2> |
| <p>Janney Mitchel Penn, CFA</p> <p>Keefe, Bruyette & Woods Ryan Lynch, CPA</p> <p>JMP Securities Christopher York</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</p> <p>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 – \$3.94 Nasdaq: CPTAL – \$19.48 Nasdaq: CPTAG – \$19.34 |
| Shares / Market Cap⁽¹⁾: | 16.3 million / \$63.9 million |
| Portfolio Fair Value⁽²⁾: | \$321.2 million (excluding cash); \$380.1 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⁾ : | 9.9% |
| Management Ownership⁽¹⁾: | Approximately \$5.3 million (8.3%) |
| 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 May 1, 2020. Total shares outstanding as of March 31, 2020.

(2) As of March 31, 2020.

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

(4) Please reference most recent Form 10-Q to be filed on or about May 4, 2020 for additional detail related to incentive fee.

Capitala Finance Corp.

Common stock: Nasdaq:CPTA

Notes: Nasdaq:CPTAL

Convertible Notes: Nasdaq:CPTAG

Q1 2020