

INVESTOR UPDATE
Q4 2017



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 December 31, 2017, 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 CPTA?

Investment Strategy	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ Five origination offices allow for comprehensive geographical coverage▪ Direct origination from proprietary corporate relationships, private equity sponsors and sell-side intermediaries
Vested & Aligned Management Team	<ul style="list-style-type: none">▪ Management team owns 9.1% 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	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ Primarily current cash income with additional return from origination and structuring fees▪ Potential upside through equity participation

INVESTMENT STRATEGY

PROVEN UNDERWRITING CAPABILITY



- 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 12.8%⁽¹⁾⁽²⁾⁽³⁾

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 3.5x⁽⁴⁾

(1) Weighted average yield shown as of December 31, 2017.

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

(3) Weighted average yield excludes non-accrual investments; weighted average yield inclusive of the impact of non-accrual investments was 11.9% for total portfolio.

(4) 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 five field offices; focus on target-rich, yet underserved & disintermediated markets
- Focus on both sponsored (54%) and unsponsored (46%) transactions, including independent sponsors
 - Sponsor relationship strategy focuses on niche, specialized managers, creating more attractive & proprietary deal flow – over 1,000 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
 - 9 out of the last 10 CPTA investments are first lien (84% of invested capital over the 10 deals)
- Disciplined underwriting and conservative capital structures employed over multiple cycles (3.5x historical total leverage at entry)⁽¹⁾
- Active portfolio management approach with deep experience in complex situations

Large & Cohesive Team with Strong Alignment

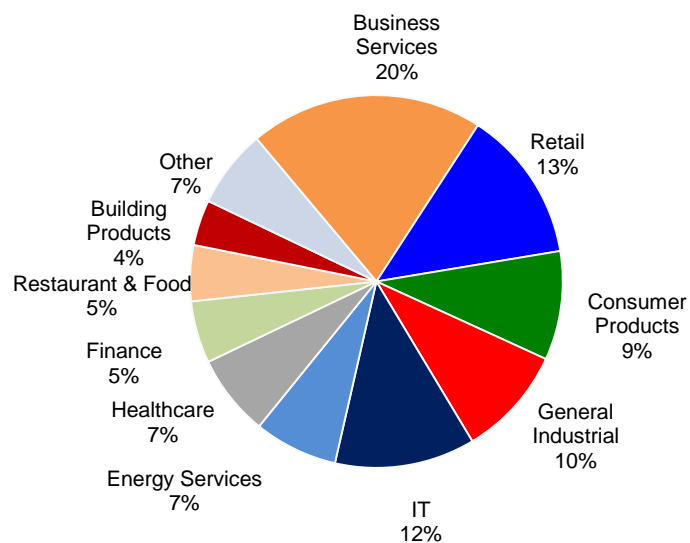
- Core senior team has been together since 2003
 - Responsible for 99% of capital invested since inception
- 24 investment professionals across five offices
- Capitala team has invested over \$25MM in hard dollars into Capitala managed funds

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

DIVERSE, RISK ADJUSTED PORTFOLIO

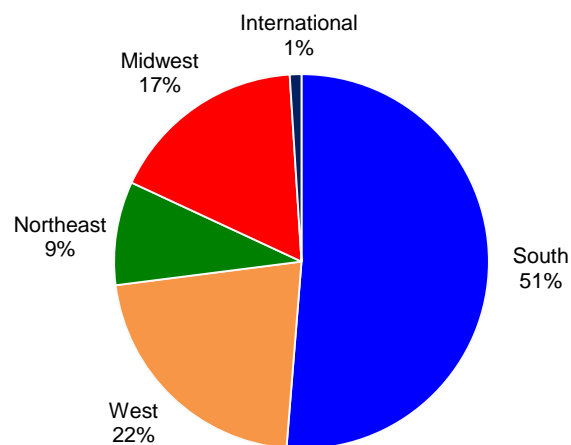
- Diversified ~\$500 million portfolio (excluding cash) across 47 companies, with 49% First Lien Debt, 6% Second Lien Debt, 20% Subordinated Debt and 25% Equity

PORTFOLIO BY INDUSTRY (1)



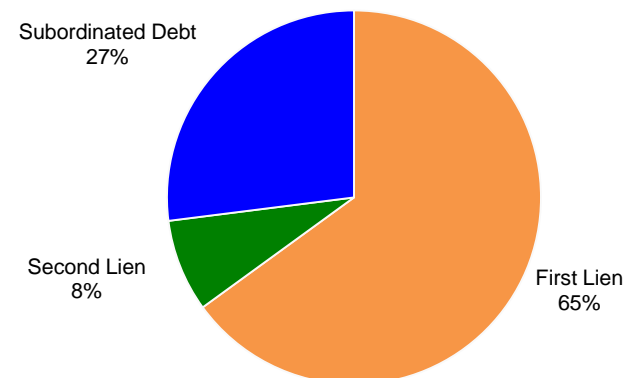
~\$500 million

PORTFOLIO BY GEOGRAPHY



~\$500 million

DEBT PORTFOLIO BY ASSET TYPE



~\$378 million

Note: Portfolio statistics as of December 31, 2017.

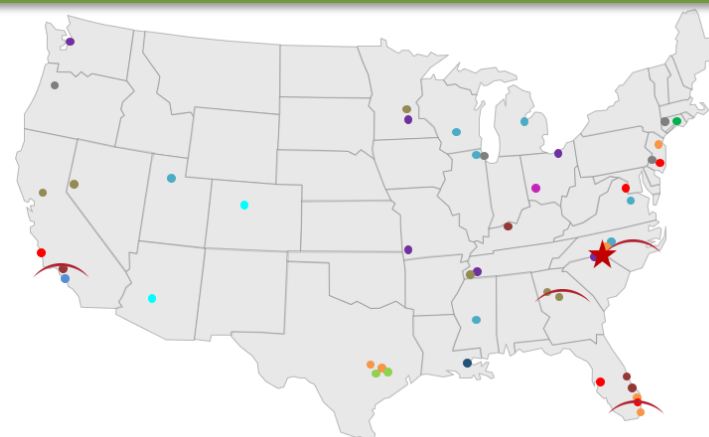
(1) Other includes Industrial Equipment Rental (3%) Recreation, Leisure and Entertainment (2%) and Conglomerate (2%).

UNIQUE HUB AND SPOKE ORIGINATION PLATFORM

- Unique regionally focused business development offices provide access to superior risk adjusted investment opportunities
- Demonstrated growth and consistently robust quarterly deployments, with over \$715 million deployed since IPO

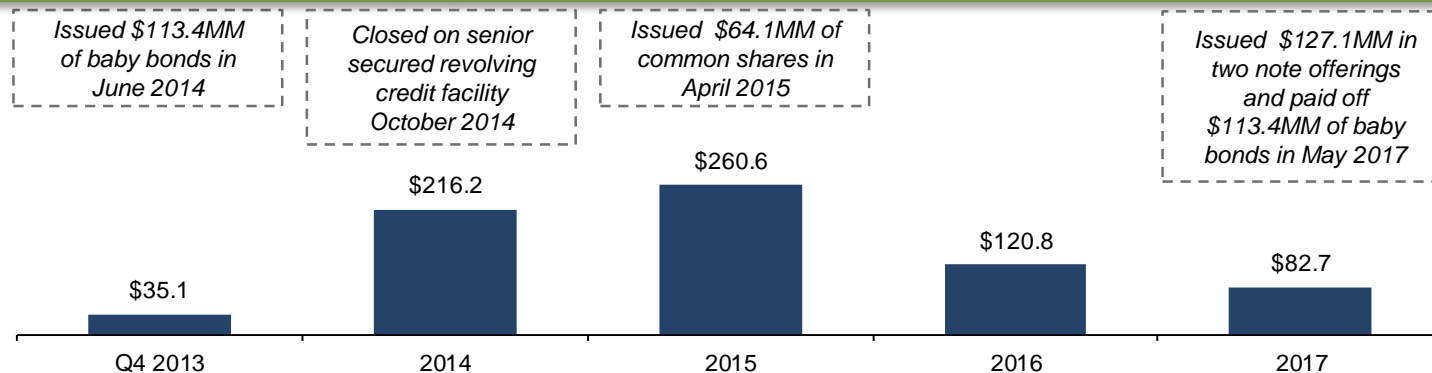
Expanding Business Development Footprint Yields Diverse Deal Flow

- ★ Corporate Headquarters
- Business Services (20%)
- Information Technology (12%)
- Consumer Products (9%)
- Healthcare (7%)
- Restaurant & Food (5%)
- Industrial Equipment Rental (3%)
- Conglomerate (2%)
- Regional Office
- Retail (13%)
- General Industrial (10%)
- Energy Services (7%)
- Finance (5%)
- Building Products (4%)
- Recreation, Leisure and Entertainment (2%)



Deployment Summary⁽¹⁾

(\$ in millions)



# of Deployments ⁽²⁾	7	38	38	23	31
\$ of Deployments (New Issuer)	\$21.0	\$175.5	\$217.7	\$112.6	\$60.8
\$ of Deployments (Add-on)	\$14.1	\$40.7	\$43.0	\$8.2	\$21.9
Average Yield Deployed Capital ⁽³⁾	13.3%	11.8%	12.3%	13.2%	11.1%

(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 INVESTMENTS



Recent Deal Summary						
Company	Closing Date	Description	Debt Security	Debt Amount ⁽¹⁾	Yield	Equity Co-Invest Amount ⁽¹⁾
US Bath Group, LLC	Jan 2018	Building Products	First Lien	\$15.0MM	L+9.00%	\$0.5MM
Spectra Services, LLC	Dec 2017	Business Services	First Lien	\$7.4MM	10.00% / 4.00% PIK	\$1.3MM
Alternative Biomedical Solutions, LLC	Dec 2017	Healthcare	First Lien ⁽²⁾	\$13.0MM	11.74%	\$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+8.5% / 1.0% PIK	\$2.0MM
Xirgo Technologies, LLC	Dec 2016	IT	Subordinated	\$15.8MM	11.5%	\$0.4MM
BigMouth, LLC	Nov 2016	Consumer	First Lien ⁽²⁾	\$10.3MM	12.5%	\$0.4MM
Vintage Stock, Inc.	Nov 2016	Retail	First Lien	\$22.5MM	L+12.5% / 3.0% PIK	\$0.0MM
Sur La Table, Inc.	Nov 2016	Retail	First Lien	\$15.0MM	12.0%	\$0.0MM
Summary						
Lien Type			Amount		Percent of Total	
First Lien			\$117.6MM		83.6%	
Subordinated			\$15.8MM		11.2%	
Equity			\$7.3MM		5.2%	

(1) Amounts as of closing.

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

INVESTMENT STRATEGY

DEDICATED PORTFOLIO MONITORING

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



- 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

VESTED AND SHAREHOLDER ALIGNED MANAGEMENT TEAM

Management ownership and payment of fees for IPO

- Management team owns 9.1% 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
- Paid \$0.50 special distribution in 2015
- No return of capital in the tax year ended August 31, 2017

Stock repurchase program

- Repurchased 4.6% of shares outstanding in 2015

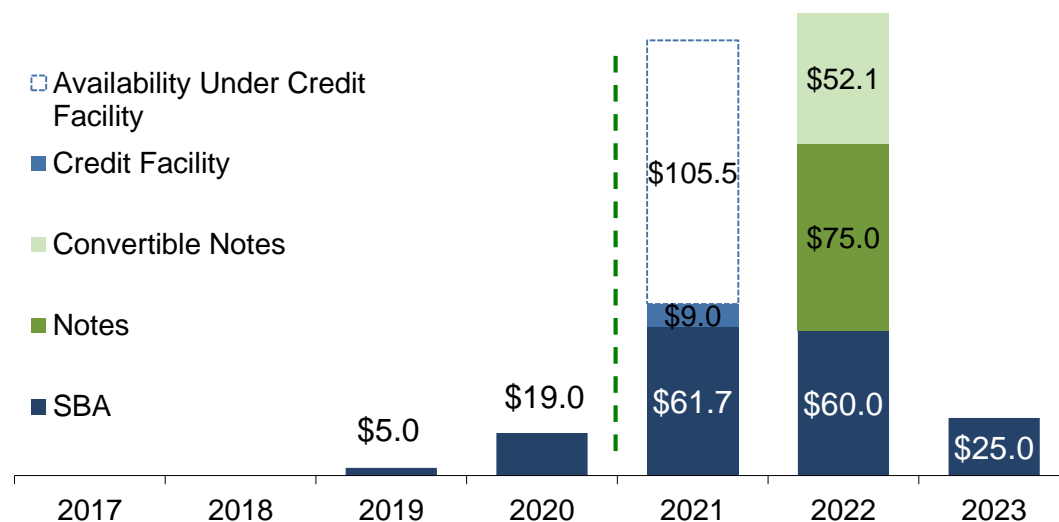
UNIQUE, DIVERSIFIED CAPITAL STRUCTURE

- 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 (12/31/17)
\$114.5 million Credit Facility	L+300 floating	June 2021	\$9.0 million
SBA Debentures	3.29% fixed	2019 – 2023	\$170.7 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
 - \$170.7 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, 2017.

UNIQUE, DIVERSIFIED CAPITAL STRUCTURE

- 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, 2017, Capitala Finance had limited financing exposure to interest rate changes
 - 97.1% of funded liabilities are fixed rate and not subject to interest rate movements
 - 48.3% of total debt investments are floating rate and will benefit from increasing interest rates

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	\$5,240	\$(270)	\$4,970	\$0.31
+200 bps	\$3,486	\$(180)	\$3,306	\$0.21
+100 bps	\$1,731	\$(90)	\$1,641	\$0.10
-100 bps	\$(1,282)	\$91	\$(1,191)	(\$0.07)
-200 bps	\$(1,361)	\$143	\$(1,218)	(\$0.08)
-300 bps	\$(1,361)	\$143	\$(1,218)	(\$0.08)

Note: Assumes no change in portfolio investments or revolving credit facility borrowings as of December 31, 2017.

Note: Per share amount calculated based upon actual shares outstanding at December 31, 2017.

NAV UPSIDE POTENTIAL

EQUITY PORTFOLIO OVERVIEW

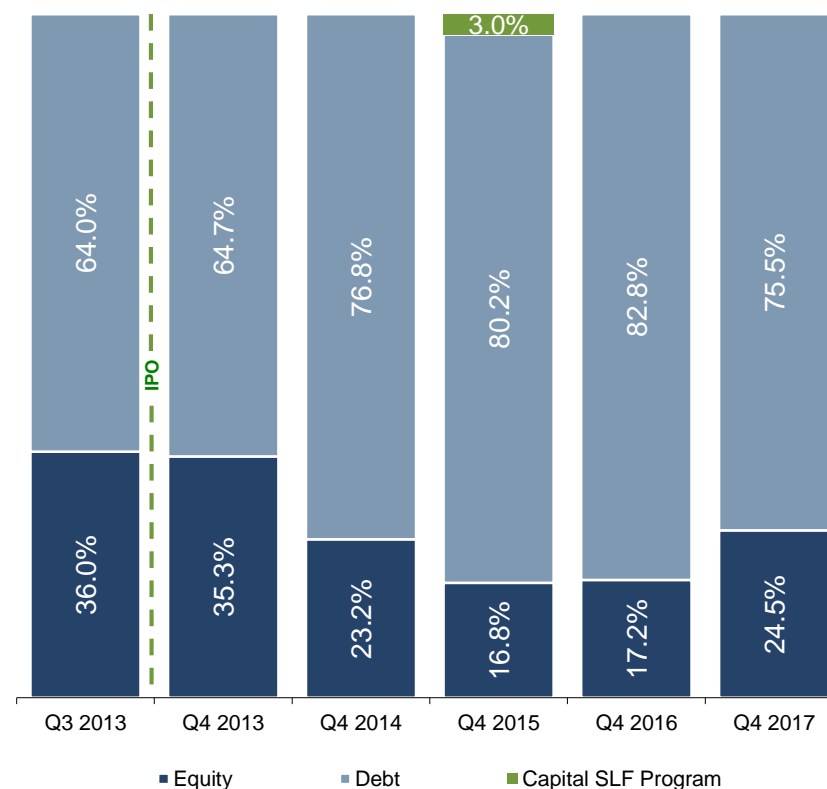
- 34 active equity investments comprising \$55.2 million of invested capital with an estimated fair value of \$122.3 million, representing 24.5% of total investments at fair value
- Capitala Finance continues to deliver on its stated strategy of rotating out of legacy equity positions, and to seek attractive equity investment opportunities

(\$ in thousands)

Current Equity Investments⁽¹⁾

Company	\$ Cost Basis	\$ Fair Value	% of Investments at Fair Value
Eastport Holdings, LLC *	\$4,733	\$26,449	5.3%
US Well Services, LLC *	6,701	15,959	3.2%
Nth Degree, Inc. *	2,939	11,140	2.2%
City Gear, LLC	1,269	9,517	1.9%
Sierra Hamilton Holdings Corporation *	6,958	8,528	1.7%
LJS Partners, LLC	896	7,650	1.5%
Western Windows Systems, LLC *	3,000	7,379	1.5%
Navis Holdings, Inc	1,001	6,005	1.2%
B&W Quality Growers *	-	5,581	1.1%
GA Communications, Inc.	2,904	5,157	1.0%
Burke America Parts Group, LLC *	5	2,767	0.6%
Portrait Studio, LLC *	2,450	2,450	0.5%
Currency Capital, LLC *	2,000	1,905	0.4%
MMI Holdings, LLC	1,381	1,713	0.3%
Micro Precision, LLC	1,629	1,629	0.3%
Taylor Precision Products, Inc. *	758	1,316	0.3%
Spectra Services Holdings, LLC *	1,286	1,286	0.3%
CIS Secure Computing, Inc. *	1,000	1,204	0.2%
3 Bridge Solutions, LLC *	981	981	0.2%
Alternative Biomedical Solutions, LLC *	800	800	0.2%
BigMouth, LLC *	382	722	0.1%
Xirgo Technologies, LLC *	600	637	0.1%
Burgaflex Holdings, LLC *	1,504	457	0.1%
Corporate Visions, Inc.	1,575	393	0.1%
CableOrganizer Acquisition, LLC	1,394	178	0.0%
Caregiver Services, Inc.	523	174	0.0%
Source Capital Penray, LLC	-	101	0.0%
MTI Holdings, LLC	-	100	0.0%
STX Healthcare Management Services, Inc.	-	93	0.0%
AAE Acquisition, LLC	17	-	0.0%
American Exteriors	-	-	0.0%
J&J Produce, Inc.	818	-	0.0%
Kelle's Transport Service, LLC *	-	-	0.0%
On-Site Fuel Services, Inc.	5,676	-	0.0%
Total	\$55,180	\$122,271	24.5%

Demonstrated Rotation Out of Equity Positions



Equity Cost Basis

20.1%	20.3%	14.2%	9.5%	8.9%	11.9%
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Note: * represents equity investments made since IPO.

(1) Current equity position details as of December 31, 2017.

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

				 Mobile Technologies Inc. <small>EMPOWERING THE USE OF MOBILE DEVICES</small>
Investment Overview	<ul style="list-style-type: none"> On December 22, 2017, Capitala Finance exited its investment in Brunswick Bowling Products, Inc. and received \$6.2 million for its equity Repaid at par \$7.2 million for senior notes in January 2018 Received \$6.2 million for equity investment, netting a realized gain of approximately \$2.5 million 	<ul style="list-style-type: none"> Total investment of \$2.0 million for Class A Preferred and Common Stock in July 2012 Consideration of \$6.5 million in cash received upon exit \$4.5 million realized gain 	<ul style="list-style-type: none"> 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 Repaid at par \$14.7 million for subordinated notes Received \$6.3 million for equity investment, netting a realized gain of approximately \$5.0 million 	<ul style="list-style-type: none"> On August 5, 2016, Capitala Finance sold its common equity investment in MTI for cash proceeds of \$10.6 million \$8.6 million realized gain on initial \$2.0 million investment In addition, Capitala Finance was repaid at par, \$8.0 million, in respect of its senior subordinated note
Total Gross IRR	<ul style="list-style-type: none"> Entered investment in May 2015 <u>Total Gross IRR of 33%</u> 	<ul style="list-style-type: none"> Entered Investment in July 2012 <u>Total Gross IRR of 29%</u> 	<ul style="list-style-type: none"> Entered Investment in October 2011 <u>Total Gross IRR of 31%</u> 	<ul style="list-style-type: none"> Entered Investment in August 2013 <u>Total Gross IRR of 77%</u>
Total MOIC	<ul style="list-style-type: none"> <u>Total cash-on-cash return of 2.1x</u> 	<ul style="list-style-type: none"> <u>Total cash-on-cash return of 3.3x</u> 	<ul style="list-style-type: none"> <u>Total cash-on-cash return of 4.7x</u> 	<ul style="list-style-type: none"> <u>Total cash-on-cash return of 5.3x</u>

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

Senior Management

Joe Alala, III
Chairman & CEO,
Capitala Finance Corp.

Jack McGlinn
COO & Treasurer,
Capitala Finance Corp.

Steve Arnall
Chief Financial Officer,
Capitala Finance Corp.

Peter Sherman
Chief Risk Officer,
Investment Advisor

Fiscal Year End

December 31

Independent Auditor

Ernst & Young LLP

Corporate Counsel

Eversheds Sutherland LLP

Research Coverage

Janney
Mitchel Penn, CFA

Jefferies
John Hecht

Keefe, Bruyette & Woods
Ryan Lynch, CPA

Ladenburg Thalmann
Chris Nolan

Oppenheimer
Chris Kotowski

JMP Securities
Christopher York

Securities Listings

Nasdaq: CPTA (common stock)

Nasdaq: CPTAL (notes)

Nasdaq: CPTAG (convertible notes)

Transfer Agent

American Stock Transfer and Trust

Corporate Headquarters & Website

4201 Congress St, Suite 360
Charlotte, NC 28209

704-376-5502

www.CapitalaGroup.com

CAPITALA FINANCE CORP.

PUBLIC ISSUER OVERVIEW



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 – \$7.16 Nasdaq: CPTAL – \$24.28 Nasdaq: CPTAG – \$24.21
Shares / Market Cap⁽¹⁾:	16.0 million / \$114.2 million
Portfolio Fair Value⁽²⁾:	\$499.9 million (excluding cash); \$534.6 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⁾⁽⁴⁾:	12.8%
Annualized Distribution:	14.0% implied annual distribution yield ⁽⁵⁾
Management Ownership⁽¹⁾:	Approximately \$10.3 million (9.1%)
Management Fee:	Base fee of 1.75% of gross assets
Incentive Fee⁽⁶⁾:	(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 February 23, 2018. Total shares outstanding as of December 31, 2017.

(2) As of December 31, 2017.

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

(4) Weighted average yield excludes non-accrual investments; weighted average yield inclusive of the impact of non-accrual investments was 11.9% for total portfolio.

(5) Calculated as annualized monthly distributions of \$0.0833 / share divided by February 23, 2018 closing price of \$7.16 / share.

(6) Please reference most recent Form 10-K filed on February 27, 2017 for additional detail related to incentive fee.

ORGANIZATIONAL STRUCTURE



- Office footprint has grown over time: Charlotte, NC (1998), Raleigh, NC (2002), Fort Lauderdale, FL (2013), Atlanta, GA (2013), Los Angeles, CA (2014)
- Capitala Group has added seven professionals in the past 18 months
- Current team is one of the largest in the industry in the lower middle market
- Core team responsible for 99% of capital invested since inception

Joe B. Alala, III	M. Hunt Broyhill	Jack McGlinn	Peter Sherman	Steve Arnall
<ul style="list-style-type: none"> Founder Chairman & CEO SBIA Board of Governors Wake Forest JD/MBA, Princeton AB 	<ul style="list-style-type: none"> Partner & Director Broyhill Asset Mgmt. Wake Forest BA 	<ul style="list-style-type: none"> COO & Director Triangle Biomedical Price Waterhouse UNC Chapel Hill MBA, Notre Dame BA 	<ul style="list-style-type: none"> CRO Sherman Capital, Brevet Capital, EY, BofA Wharton MBA, University of New Orleans BBA 	<ul style="list-style-type: none"> CFO Bank of America, Park Sterling Bank, The Scottish Bank James Madison BA CPA

Sourcing & Business Development		Underwriting		Portfolio	Finance & Operations
Randall Fontes <ul style="list-style-type: none"> Director - Business Dev. Atalaya Capital, SPP, KPMG Duke University MBA, Tulane University BA 	Adam Richeson <ul style="list-style-type: none"> Director - Business Dev. Various operational & mgmt. roles Wake Forest MBA, Ohio State University BA 	Chris Norton <ul style="list-style-type: none"> Director - Head of Underwriting First Union UVA MBA/BS 	Eric Althofer <ul style="list-style-type: none"> Director - Underwriting Jefferies, Deloitte Consulting Univ. of Michigan MBA, Washington Univ. BA 	Michael Marr <ul style="list-style-type: none"> Director - Portfolio Monitoring Helms, Mullis & Wicker Emory ML Taxation, Campbell JD, UNC Chapel Hill BSBA 	Richard Wheelahan <ul style="list-style-type: none"> CCO, Director & GC Mayer Brown LLP UNC Chapel Hill JD, Appalachian State BA
Christian MacCarron <ul style="list-style-type: none"> VP - Business Dev. Platinum Equity, Windjammer Capital, Merrill Lynch UCLA BA 	Casey Swercheck <ul style="list-style-type: none"> VP - Business Dev. Hamilton Lane, Wilshire University of Pittsburgh BS 	Jack Vander Leeuw <ul style="list-style-type: none"> VP - Underwriting Neustar, Gladstone, BB&T Georgetown University BSBA 	Danny Speake <ul style="list-style-type: none"> VP - Underwriting SunTrust Robinson Humphrey Sewanee BA 	Davis Hutchens <ul style="list-style-type: none"> Director - Portfolio Monitoring MSP LLC UNCC MBA, Duke University BA 	Lynne Girts <ul style="list-style-type: none"> CAO Beck, Lindsey and Frame University of Southern Mississippi BS
Joe Gaskins <ul style="list-style-type: none"> Associate - Business Dev. DHG Corporate Finance 7 Mile Advisors UVA BS 		Peter McArthur <ul style="list-style-type: none"> Associate - Underwriting Regions Securities UNC Chapel Hill BSBA 	Alex Pruitt <ul style="list-style-type: none"> Analyst - Underwriting Wofford College BA 	Kevin Roberts <ul style="list-style-type: none"> Associate - Portfolio Monitoring WEDGE Capital Management, EY Boston College BS 	Kevin Koonts <ul style="list-style-type: none"> VP - Controller Dixon Hughes Goodman UNC Masters of Accounting
				Jack Linker <ul style="list-style-type: none"> Analyst - Portfolio Monitoring Tobin & Company High Point BSBA 	Katina Jakubowski <ul style="list-style-type: none"> Marketing & PR Frontier Capital Carolina Panthers Campbell University BA

Financial & Corporate Data

SUMMARY FINANCIAL PERFORMANCE



Statements of Operations

(\$ in thousands, except per share data)

Three Months Ended:

	12/31/17 (unaudited)	9/30/17 (unaudited)	6/30/17 (unaudited)	3/31/17 (unaudited)	12/31/16 (unaudited)	9/30/16 (unaudited)	6/30/16 (unaudited)	3/31/16 (unaudited)
Investment Income								
Interest, PIK, and fees	\$11,463	\$11,641	\$12,203	\$14,325	\$16,137	\$16,733	\$16,370	\$16,168
Dividends	111	580	54	477	365	574	574	1,279
Other income	25	91	105	13	12	50	47	2
Total investment income	11,599	12,312	12,362	14,815	16,514	17,357	16,991	17,449
Expenses								
Interest and financing expense	4,100	4,585	5,488	4,653	4,722	4,938	5,029	5,023
Loss on extinguishment of debt	-	-	2,732	-	-	-	-	-
Management fees, net of waivers	2,344	2,417	2,505	2,514	2,539	2,619	2,702	2,728
Incentive fees, net of waivers	-	-	-	350	1,687	1,470	902	1,109
Other expenses	937	900	934	1,107	819	889	927	1,168
Total expenses	7,381	7,902	11,659	8,624	9,767	9,916	9,560	10,028
Net Investment Income	4,218	4,410	703	6,191	6,747	7,441	7,431	7,421
Realized gain (loss) from investments	(23,439)	(10,283)	4,687	4,846	2,132	(17,030)	(5,605)	(2,262)
Unrealized appreciation (depreciation)	17,261	2,780	(10,915)	(6,156)	(782)	7,576	5,431	(9,348)
Tax benefit (provision)	1,371	(2,660)	-	-	-	-	-	-
Net gain (loss) on investments, net of taxes	(4,807)	(10,163)	(6,228)	(1,310)	1,350	(9,454)	(174)	(11,610)
Net increase (decrease) in assets resulting from operations	(\$589)	(\$5,753)	(\$5,525)	\$4,881	\$8,097	(\$2,013)	\$7,257	(\$4,189)
Net investment income per share	\$0.26	\$0.28	\$0.04	\$0.39	\$0.43	\$0.47	\$0.47	\$0.47
Net realized gains/(losses) per share	(\$1.47)	(\$0.65)	\$0.29	\$0.31	\$0.13	(\$1.08)	(\$0.36)	(\$0.14)
Net increase (decrease) in assets resulting from operations per share	(\$0.04)	(\$0.36)	(\$0.35)	\$0.31	\$0.51	(\$0.13)	\$0.46	(\$0.27)
Distributions declared during quarter	\$0.25	\$0.39	\$0.39	\$0.39	\$0.39	\$0.47	\$0.47	\$0.47

SUMMARY FINANCIAL PERFORMANCE



Statements of Assets & Liabilities

(\$ in thousands)

	12/31/17 (audited)	9/30/17 (unaudited)	6/30/17 (unaudited)	3/31/17 (unaudited)	12/31/16 (audited)	9/30/16 (unaudited)	6/30/16 (unaudited)	3/31/16 (unaudited)
Investments at fair value	\$499,939	\$471,106	\$486,975	\$532,478	\$541,639	\$503,780	\$595,117	\$599,741
Cash and cash equivalents	31,221	52,307	76,867	40,564	36,281	60,584	20,108	14,346
Other assets	3,435	4,811	3,974	7,635	6,495	5,636	5,420	7,258
Total assets	<u>\$534,595</u>	<u>\$528,224</u>	<u>\$567,816</u>	<u>\$580,677</u>	<u>\$584,415</u>	<u>\$570,000</u>	<u>\$620,645</u>	<u>\$621,345</u>
SBA debentures	\$168,400	\$168,246	\$168,092	\$167,940	\$167,789	\$167,640	\$178,982	\$178,822
2021 Notes	-	-	-	110,558	110,413	110,270	110,129	109,991
2022 Notes	72,504	72,382	72,261	-	-	-	-	-
2022 Convertible Notes	50,505	50,430	50,363	-	-	-	-	-
Credit Facility	7,707	(1,096)	28,563	43,479	43,241	37,073	67,831	71,591
Other liabilities	13,592	11,955	10,537	9,221	12,390	6,640	6,161	3,522
Total liabilities	<u>312,708</u>	<u>301,917</u>	<u>329,816</u>	<u>331,198</u>	<u>333,833</u>	<u>321,623</u>	<u>363,103</u>	<u>363,926</u>
Net assets	221,887	226,307	238,000	249,479	250,582	248,377	257,542	257,419
Total liabilities and net assets	<u>\$534,595</u>	<u>\$528,224</u>	<u>\$567,816</u>	<u>\$580,677</u>	<u>\$584,415</u>	<u>\$570,000</u>	<u>\$620,645</u>	<u>\$621,345</u>
Number of portfolio investments	47	46	46	51	53	51	54	56
Leverage ratio-actual	1.38x	1.32x	1.38x	1.32x	1.31x	1.30x	1.42x	1.43x
Leverage ratio - regulatory	0.61x	0.56x	0.66x	0.63x	0.63x	0.61x	0.71x	0.72x
Average risk rating	1.91	1.94	2.01	1.99	1.96	1.89	1.81	1.84
Non-accrual loans at fair value	\$24,981	\$26,770	\$50,665	\$18,741	\$17,374	\$9,547	\$8,989	\$12,745

Capitala Finance Corp.

Common stock: Nasdaq:CPTA

Notes: Nasdaq:CPTAL

Convertible Notes: Nasdaq:CPTAG

Q4 2017