



Stellus Capital Investment Corporation

Investor Presentation

Quarter ended March 31, 2024



HOUSTON, TX

WASHINGTON D.C.

CHARLOTTE, NC

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- *All daily trading information/multiples in this presentation as of May 13, 2024, unless otherwise noted*
- *All other financial information as of March 31, 2024*

There are 49 Publicly-Traded BDCs ~ What is our Competitive Advantage?

Strong Historical Portfolio Performance and Consistent Returns to Shareholders

Strong History of Underwriting Credit

- Fair Value of investment portfolio of \$875.9 million as of March 31, 2024
 - ❖ Grown at a 3-year CAGR of 10%
- Diversified portfolio by size of investment, industry and geography

Favorable Performance Over Time

- ROE since IPO of 9.5%*
- Stable portfolio performance over 11 years

Stable and Growing Dividend

- Quarterly aggregate dividend of \$0.40 per share
 - Monthly dividend of \$0.1333 per share
- Annualized indicated dividend yield of approximately 11%
- LTD dividends declared of \$15.75 per share to an IPO investor through May 13, 2024

Performance and Stability / Trading at a Discount to NAV

- Net asset value per share was \$13.41 at March 31, 2024
- Trading at approximately 1.06x the March 31, 2024 per share NAV

* Source: Company Filings
All daily trading information/ multiples in this presentation as of May 13, 2024 unless otherwise noted

SCM Provides Flexible Financing for Middle Market Companies

Investment Type & Size

- Investment size between \$10 and \$60 million per transaction.
- Senior secured first lien and unitranche debt financings, often with corresponding equity investments.
- Cash interest, up-front fee and prepayment penalties, SOFR floors
- Nominal equity co-invest in certain transactions

Investment Focus

- Private companies generating between \$5 and \$50 million of EBITDA.
- Diverse industry sectors
- Capital is often used for acquisitions, growth capital, leveraged buyouts, and recapitalizations.
- Substantially all investments are in portfolio companies backed by high quality PE sponsors.

Origination Focus

- Focus on originated loans, as opposed to broadly syndicated financings. SCM is typically the sole lender in the tranches in which it invests. However, we are open to partnering with a small number of lenders in "club" deals.
- Companies headquartered (or with a majority of their operations) in the United States and Canada.

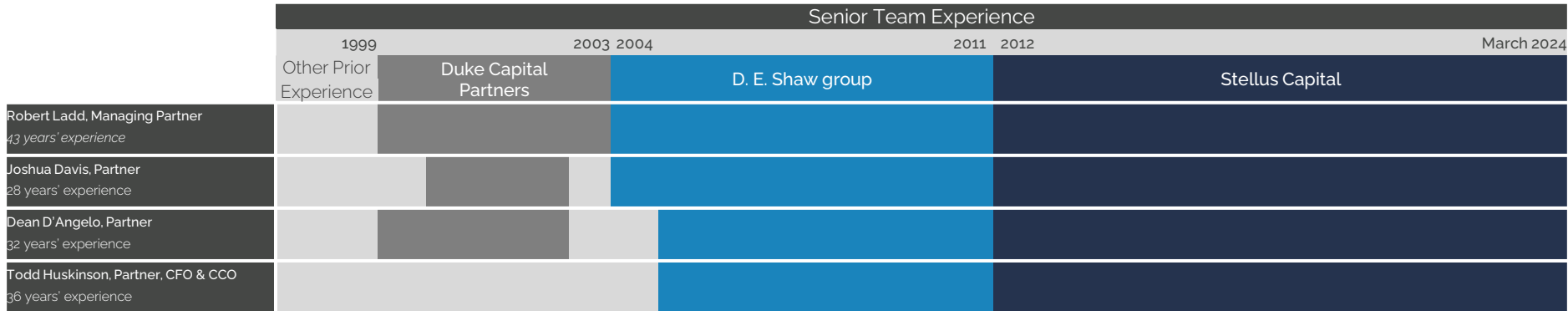
Established Private Credit Team and Institutional Platform

- Stellus' private credit team's long tenure enables cohesive evaluation and efficient execution of investment opportunities

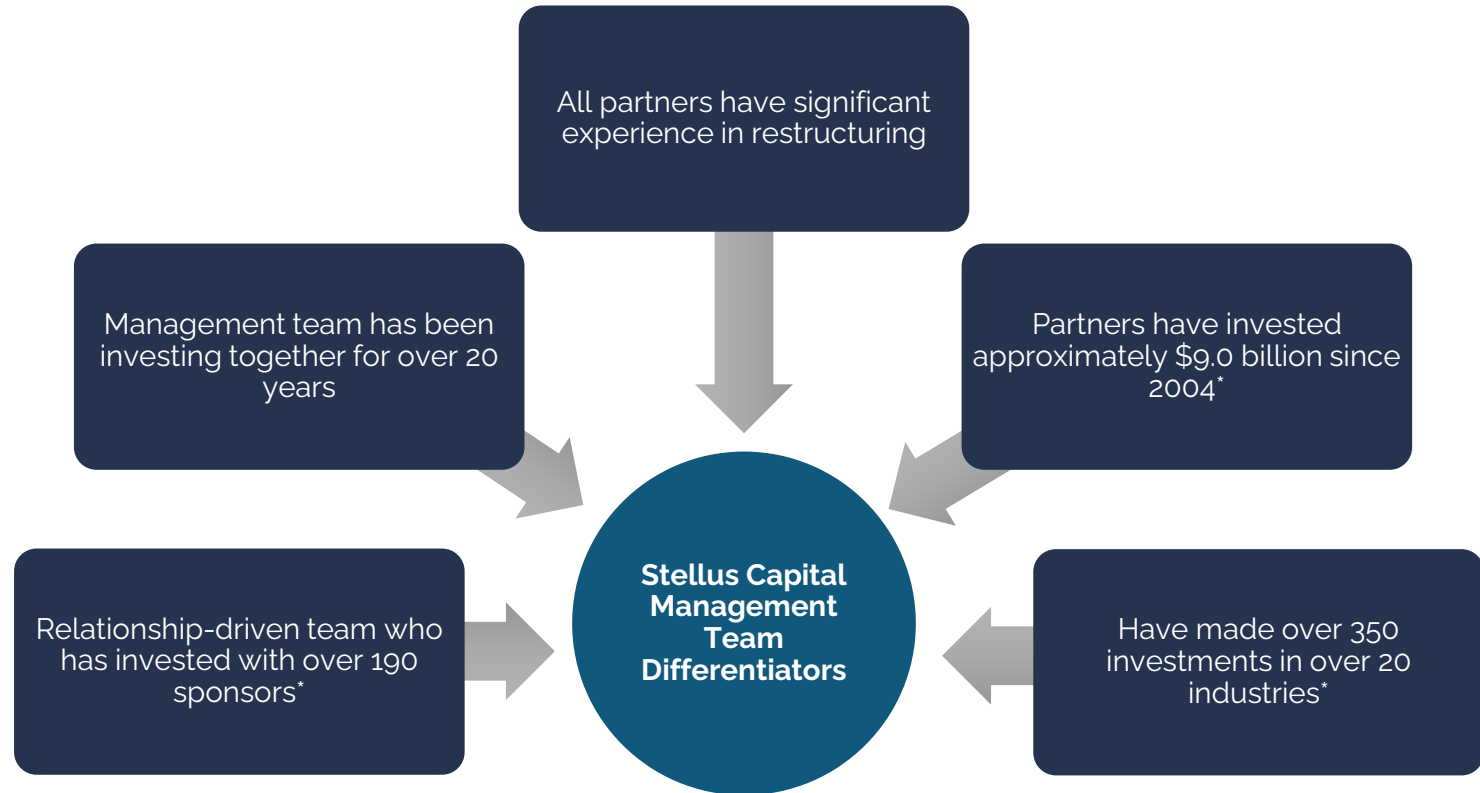
Experienced Team
 Extensive underwriting and restructuring capabilities

Longevity
 Senior members of the investment team have invested together for more than 20 years

Continuity
 Five of the eight Managing Directors hired as junior professionals



Diverse Sponsor Relationships and Investment Experience



* Includes transactions closed by the management team prior to forming Stellus Capital Management

Sourcing and Origination

- The Stellus deal team is responsible for origination and sourcing utilizing a highly focused regional approach resulting in a diverse financial sponsor network.
- Since 2004, the Stellus Capital team has partnered with over 190 unique sponsors¹



¹ Includes investments consistent with Stellus Capital's credit strategy since 2004 including predecessor firm



Stellus Capital Management has one of the most experienced lower middle market investment teams in the marketplace with over 300 combined years of principal investing experience

94
Current Active
Investments

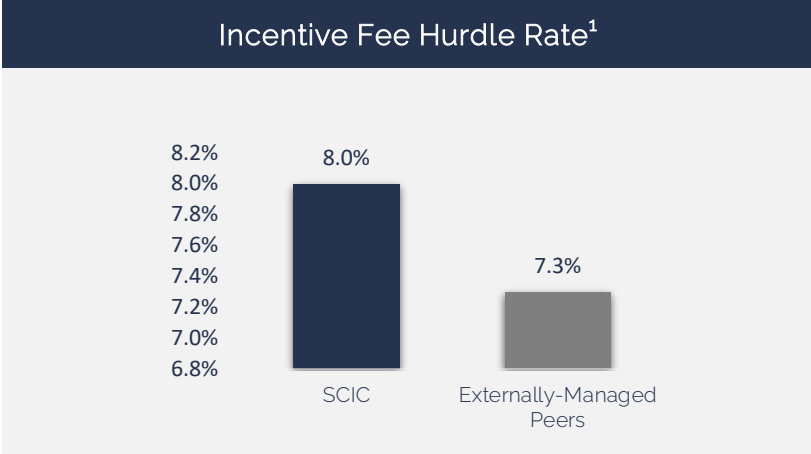
~350
Cumulative
Completed
Investments

~\$9.0
Billion
Invested Capital

[Select List of Investments Available Here](#)

SCM Focuses on Shareholders

- SCIC aligns interest with shareholders

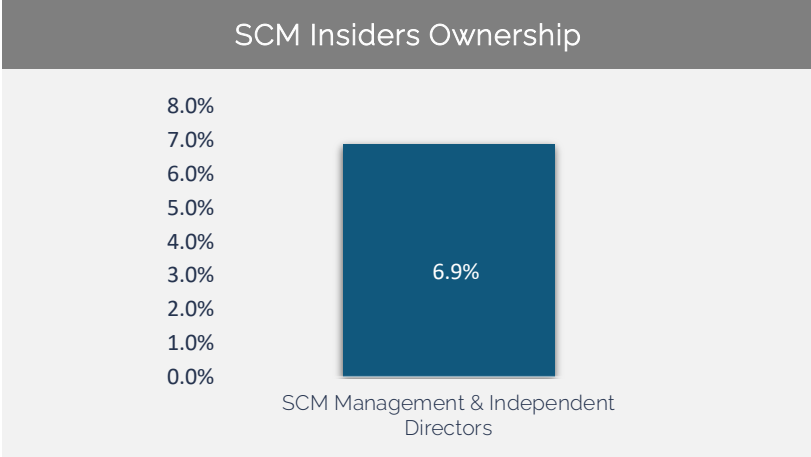


Total Return Hurdle Rate¹

SCIC has a total return hurdle (aka a "lookback") that can limit the income-based incentive fee in the event of losses

<50% of externally-managed publicly-traded BDCs have a total return hurdle

- Significant equity ownership by SCIC Insiders valued at \$24.1 million



¹Source: Public filings; externally-managed peer group of BKCC, FDUS, GAIN, GLAD, HRZN, MRCC, OFS, PTMN, WHF.

Stable Asset Quality: Portfolio is Performing in Accordance with Plan

Investment Category Definitions at fair value ("Risk Grade" or "RG"):

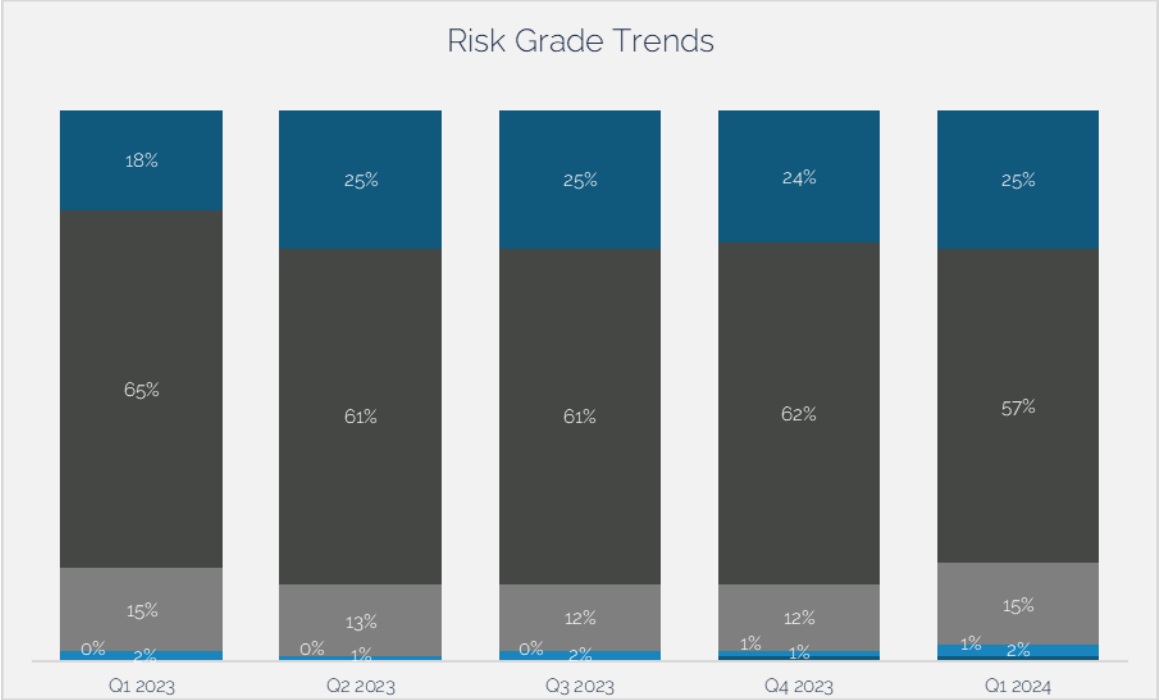
1 Exceeding expectations

2 Performing in accordance with plan

3 Requires closer monitoring (no loss of return or principal)

4 In workout (some loss of return; no loss of principal)

5 In workout (some loss of principal)



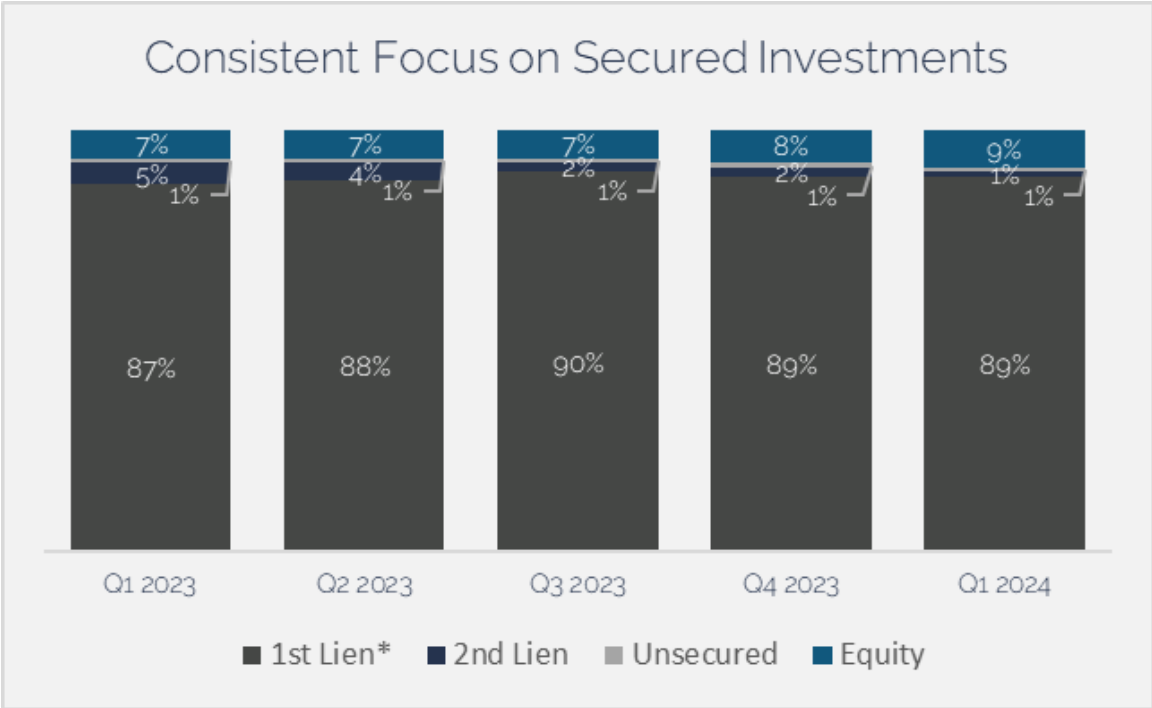
Loan Investment Portfolio

1st Lien Debt* Yield of 11.9%

2nd Lien Debt Yield of 14.5%

Unsecured Debt Yield of 14.1%

Historical Return on Equity of >2.5x**



*Includes unitranche investments. Unitranche structures may combine characteristics of first lien senior secured as well as second lien loans

**Historical performance is not indicative of current or future performance.

Note: Percentages are based on market value

Portfolio Construction as of March 31, 2024

11.9%

Weighted Average Yield

\$10.22

Average Loan Investment Size
(in millions)¹

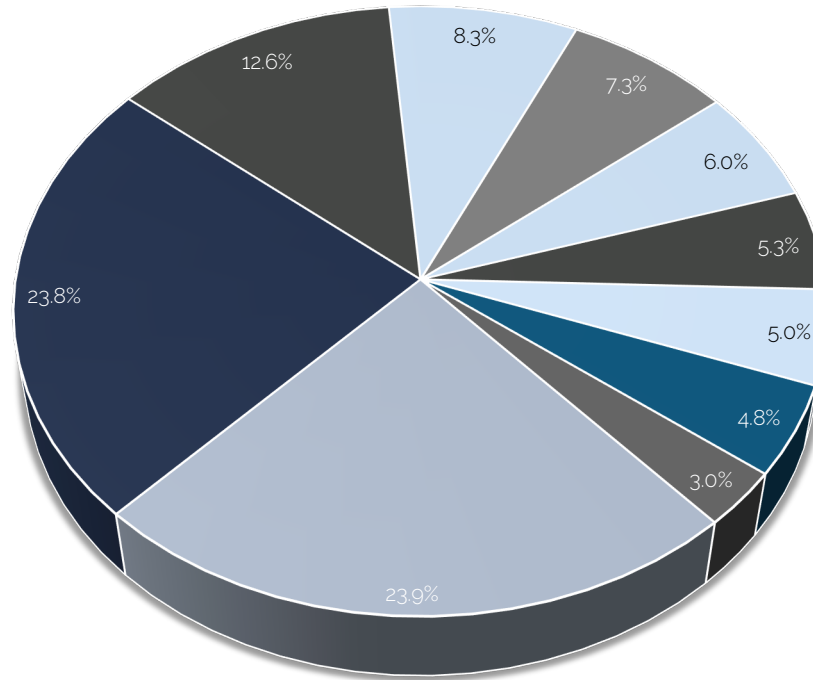
2.2%

Largest Investment as a
Percentage of Total Portfolio
(in millions)²

\$18.79

Weighted Average Borrower
EBITDA (in millions)³

Broad Industry Diversification



- Services: Business 23.8%
- Healthcare & Pharmaceuticals 12.6%
- High Tech Industries 8.3%
- Media: Advertising, Printing & Publishing 7.3%
- Consumer Goods: Non-Durable 6.0%
- Beverage, Food, & Tobacco 5.3%
- Consumer Goods: Durable 5.0%
- Capital Equipment 4.8%
- Services: Consumer 3.0%
- Other (<3%) 23.9%

98%

First Lien / Senior Secured
Debt⁴

99%

Sponsor Backed
Transactions¹

98%

Floating Rate⁴

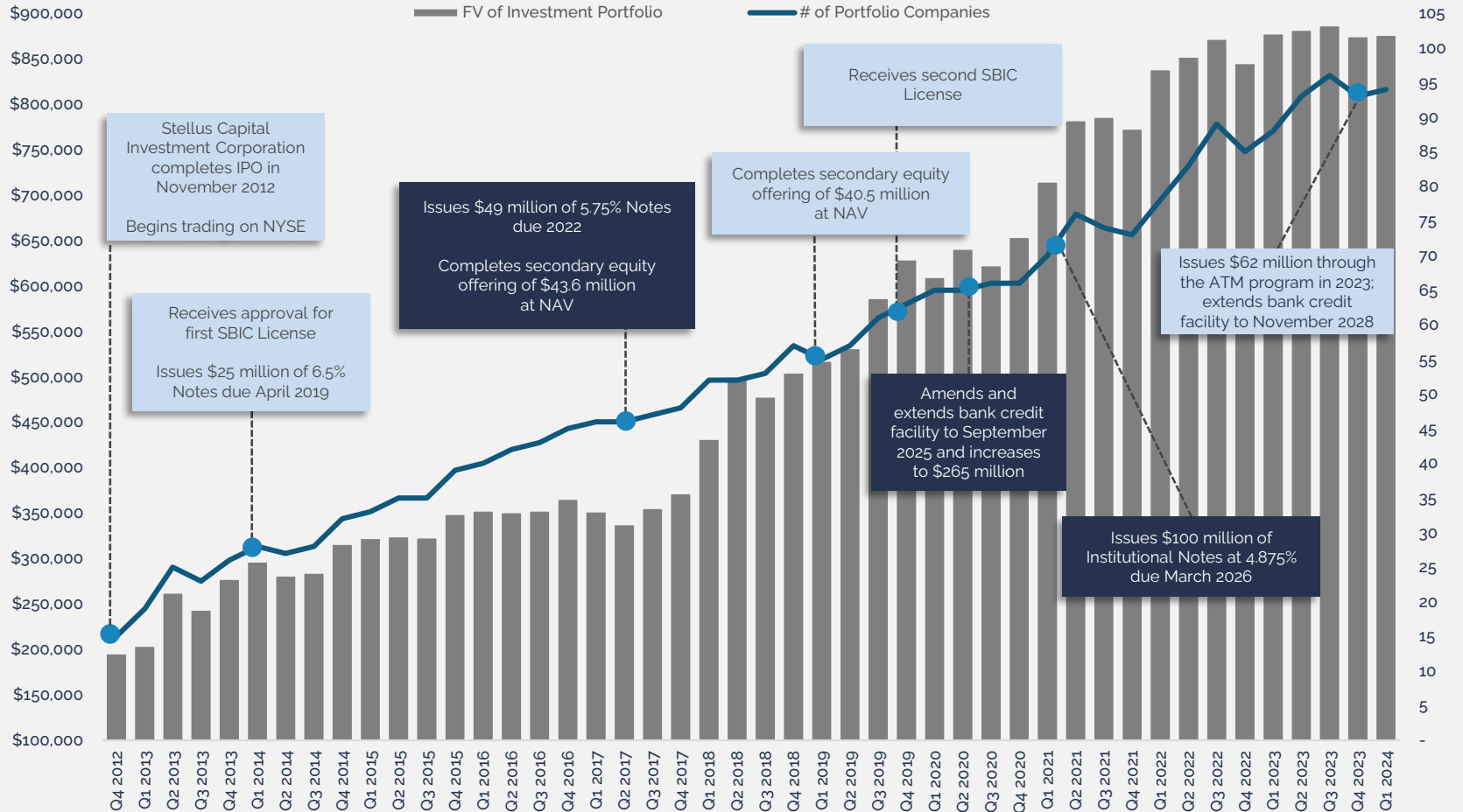
93%

Cash Interest¹

1. Calculation based on principal as of March 31, 2024, not including equity
 2. Calculation based on value as of March 31, 2024, including equity
 3. Calculation represents the weighted average EBITDA for the trailing twelve-month period ended December 31, 2023, based on principal balance
 4. Calculation based on value as of March 31, 2024, not including equity

Investment Portfolio Growth Since IPO

Historical Capital Deployment, Deal Activity, and SCIC Milestones



\$0.44

Core NII per share¹

\$24.6 million

New investment activity during the quarter²

\$875.9 million

Investments at fair value as of March 31, 2024

12.64%

Weighted average yield on new debt investments

\$13.41

NAV as of March 31, 2024

Three New Initial Investment Fundings & Eight Follow On Investments

New loan fundings were 100% 1st lien

¹ Core NII excludes any capital gains incentive fee accrual and income taxes, the majority of which are excise taxes; \$0.42 GAAP NII per share

² Based on funded principal

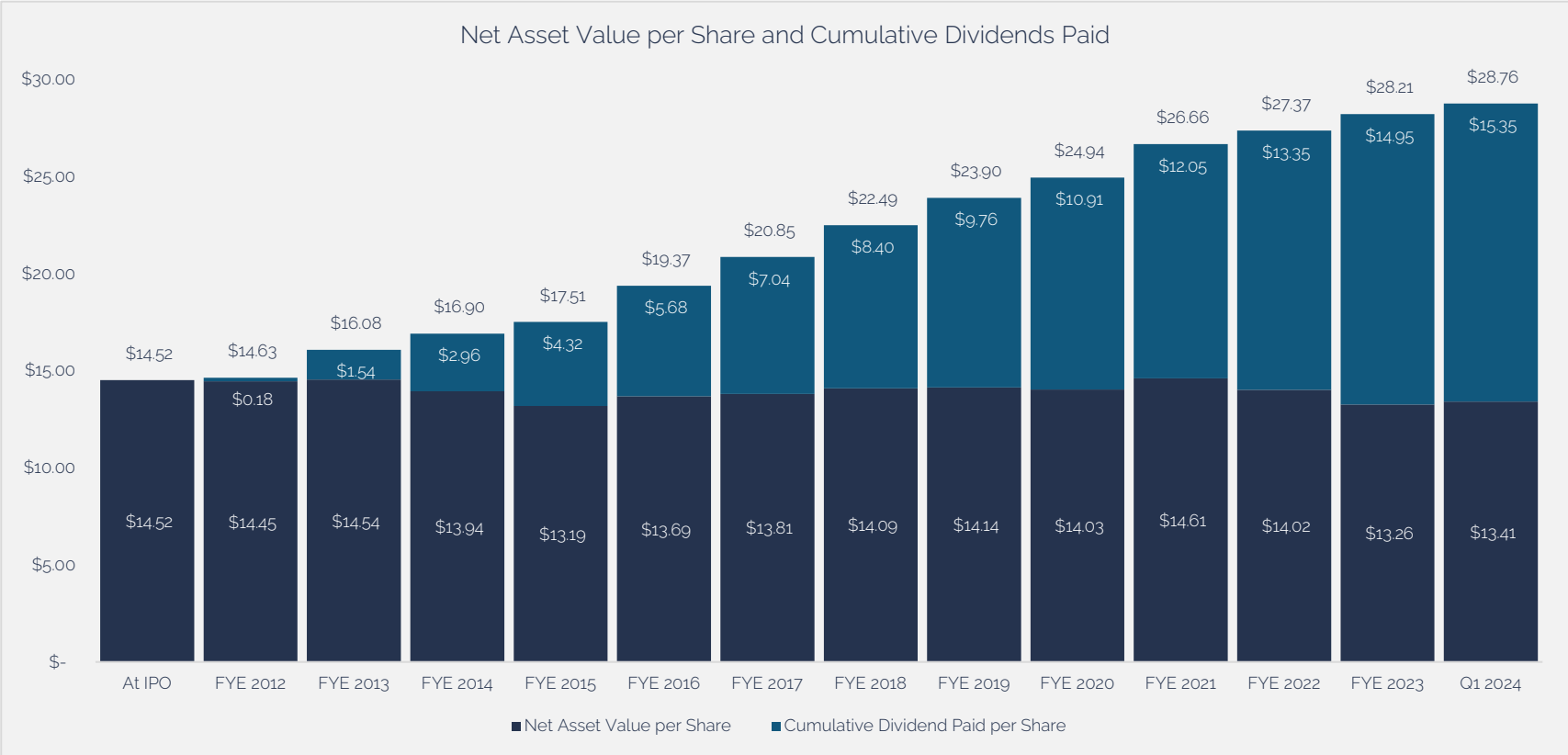
Cumulative Distributions Declared per share Since IPO

\$15.75 per share in cumulative distributions since SCM IPO in 2012*

Monthly dividends of \$0.1333 per share declared in Q2 for April, May, and June 2024*

Annualized indicated dividend yield of ~11% while maintaining a stable NAV per share

Current monthly dividend is \$0.40 per share for the quarter*



* Includes dividends for second quarter ended June 30, 2024

Numerous Sources of Long-Term / Cost-Efficient Capital

- Favorable floating rate asset and liability mix as 98% of our portfolio companies are floating rate loans and 70% of our funded debt liabilities are at fixed interest rates.
- Access to low cost, fixed rate, longer-term leverage from the U.S. Small Business Administration

Funding Sources	Facility/Issuance Size	Outstanding ⁽²⁾	Interest Rate ⁽³⁾	Maturity
Syndicated Credit Facility led by Amegy ⁽¹⁾	\$260 million	\$184.7 million	SOFR + 2.6%	November 21, 2028
SBIC I Debentures	\$150 million	\$150 million	3.41%	Varied ⁽⁴⁾
SBIC II Debentures	\$175 million	\$175 million	3.07%	Varied ⁽⁵⁾
Unsecured Notes	\$100 million	\$100 million	4.94%	March 30, 2026

⁽¹⁾ Amegy Bank credit facility closed on October 11, 2017 and was amended and extended in September 2020, December 2021, February 2022 and May 2022.

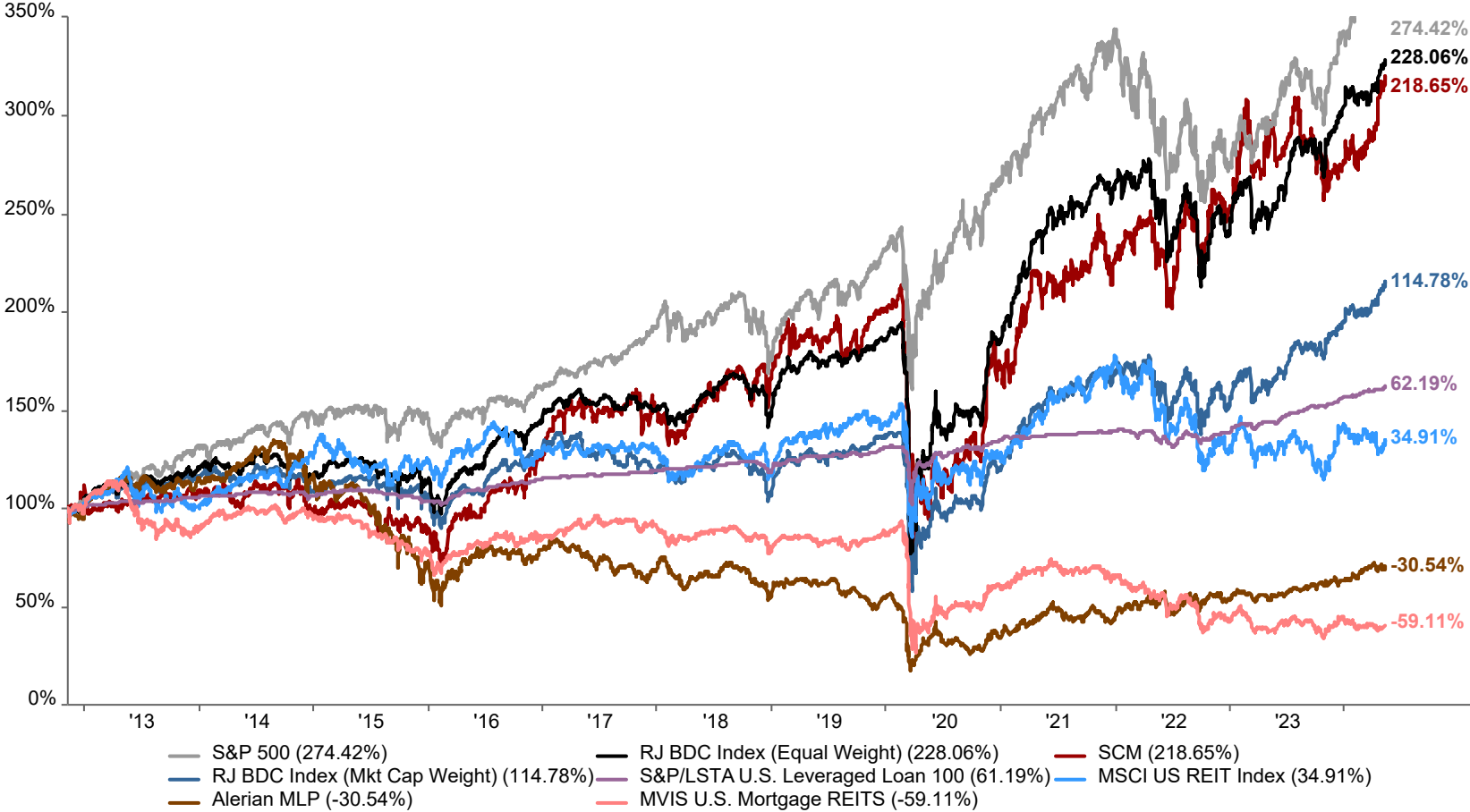
⁽²⁾ Outstanding balances are all as of March 31, 2024

⁽³⁾ Does not include amortization of loan fees.

⁽⁴⁾ SBA debentures issued to SBIC I mature March 1, 2025 - March 1, 2029.

⁽⁵⁾ SBA debentures issued to SBIC II mature March 1, 2030 - March 1, 2034

Comparative Total Return Since Stellus IPO



11/07/2012 to 05/13/2024

FactSet's total return calculation begins with the closing stock price one day after each respective BDC's IPO

Total return assumes dividends are reinvested on the ex-dividend dates

RJ BDC Index consists of: ARCC, BBDC, BCSF, BXSL, CCAP, CGBD, CION, CSWC, FDUS, FSK, GAIN, GBDC, GECC, GLAD, GSBD, HRZN, HTGC, ICMB, LRF, MAIN, MFIC, MRCC, MSDI, NCDL, NMFC, OBDC, OBDE, OCSL, OFS, OXSQ, PFLT, PFX, PNNT, PSBD, PSEC, PTMN, RWAY, SAR, SCM, SLRC, TCPC, TPVG, TRIN, TSLX and WHF

Executive Officers

Robert T. Ladd
Chairman, President &
Chief Executive Officer

W. Todd Huskinson
Chief Financial Officer,
Chief Compliance Officer,
Treasurer and Secretary

Investment Committee

Robert T. Ladd
Chairman, President & Chief Executive Officer

Dean D'Angelo
Co-Head of Private Credit *

Joshua T. Davis
Co-Head of Private Credit *

W. Todd Huskinson
Chief Financial Officer, Chief Compliance Officer, Treasurer
and Secretary

Directors

J. Tim Arnoult ¹

Bruce R. Bilger ¹

Dean D'Angelo

Robert T. Ladd, Chairman

William C. Repko ¹

¹ Independent Directors

Service Providers

Stock Transfer Agent- Broadridge Corporate
Issuer Solutions, Inc.

Bond Trustee- US Bank National Association

Auditors- Deloitte & Touche LLP

Counsel- Eversheds Sutherland, LLP

*Stellus Capital Management, LLC

**Includes dividends for second quarter ended June 30, 2024

Securities Listing

Common Stock NYSE : SCM

Corporate Headquarters

4400 Post Oak Parkway, Suite 2200

Houston, TX, 77027

Phone: 713-292-5400

Current Trading

Share Price	\$14.24
Shares Outstanding	24,125,642
Market Capitalization	\$343.5 Million
Total Assets	\$935.2 Million
Total Stockholders' Equity	\$323.4 Million
NAV per share	\$13.41
Ratio of Price to NAV per share	1.06x

Dividends

Dividend Frequency	Monthly
Last Monthly Dividend per share**	\$0.1333
Annualized Indicated Yield**	~11%

Debt

Regulatory Leverage	0.88x
Total Leverage (incl. SBIC debentures)	1.88x

Research Coverage

Raymond James
Robert Dodd, 901-579-4560

Keefe, Bruyette & Woods
Paul Johnson, 617-848-2777

Oppenheimer Equity Research
Mitchel Penn, 212-667-6699

Ladenburg Thalmann
Christopher Nolan, 212-667-7136

Hovde Group
Erik Zwick, 617-510-1239

Janney Montgomery Scott
John Rowan, 242-940-6981

B. Riley Securities
Bryce Rowe, 703-312-1820

Income Statement Summary

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INVESTMENT INCOME					
Interest income	\$ 23,408,604	\$ 25,662,895	\$ 26,223,986	\$ 26,721,303	\$ 25,038,487
Other income	666,743	922,122	941,040	1,300,875	958,262
Total Investment Income	\$ 24,075,347	\$ 26,585,017	\$ 27,165,026	\$ 28,022,178	\$ 25,996,749
OPERATING EXPENSES					
Interest expense and other fees	\$ 7,886,424	\$ 8,101,975	\$ 8,049,063	\$ 7,973,855	\$ 7,767,573
Management fees	3,735,102	3,865,588	3,933,121	3,918,536	3,852,233
Income incentive fees	2,124,835	2,603,004	2,705,200	2,756,849	2,509,110
Capital gains incentive fee (reversal)	(569,528)	—	—	—	—
Income tax expense	374,763	371,786	335,508	251,395	370,719
Other general and administrative expenses	1,456,131	1,229,420	1,321,335	1,520,071	1,465,549
Total Operating Expenses	\$ 15,007,727	\$ 16,171,773	\$ 16,344,227	\$ 16,420,706	\$ 15,965,184
Income incentive fee waiver	\$ —	\$ —	\$ —	\$ (307,442)	\$ (204,351)
Net Investment Income	\$ 9,067,620	\$ 10,413,244	\$ 10,820,799	\$ 11,908,914	\$ 10,235,916
Net realized (loss) gain	(4,945)	(321,292)	578,237	(30,575,948)	(20,409,837)
Net change in unrealized (depreciation) appreciation	(4,247,768)	(6,315,556)	(13,796,114)	27,145,086	23,514,988
(Provision) benefit for taxes	(78,760)	(65,353)	(312)	3,005,315	(192,607)
Net Increase in Net Assets Resulting from Operations	\$ 4,736,147	\$ 3,711,043	\$ (2,397,390)	\$ 11,483,367	\$ 13,148,460
Net Investment Income Per Share – basic and diluted	\$ 0.46	\$ 0.49	\$ 0.47	\$ 0.49	\$ 0.42
Resulting from Operations Per Share – basic and diluted	\$ 0.24	\$ 0.17	\$ (0.11)	\$ 0.48	\$ 0.54

Per Share Change in Net Asset Value (NAV)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Per Share Data:⁽¹⁾	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net asset value at beginning of period	\$ 14.02	\$ 13.87	\$ 13.67	\$ 13.19	\$ 13.26
Net investment income	0.46	0.49	0.47	0.49	0.42
Change in unrealized (depreciation) appreciation	(0.21)	(0.30)	(0.61)	1.13	0.98
Net realized loss	—	(0.02)	0.03	(1.26)	(0.85)
Provision for taxes	(0.01)	—	—	0.12	(0.01)
Total from operations	\$ 0.24	\$ 0.17	\$ (0.11)	\$ 0.48	\$ 0.54
Sales load	(0.01)	(0.02)	(0.02)	—	—
Offering costs	—	(0.01)	—	—	—
Stockholder distributions	(0.40)	(0.40)	(0.41)	(0.41)	(0.40)
Accretive effect of stock offerings	0.01	0.06	0.03	—	—
Other ⁽²⁾	0.01	—	0.03	—	0.01
Net asset value at end of period	\$ 13.87	\$ 13.67	\$ 13.19	\$ 13.26	\$ 13.41

1 Based on weighted average shares of common stock outstanding for the period.

2. Includes the impact of different share amounts as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on shares outstanding as of the period end.

Balance Sheet Summary

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
ASSETS	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)
Investments at fair value	\$ 877,493,781	\$ 881,666,450	\$ 886,338,148	\$ 874,460,683	\$ 875,884,146
Cash and cash equivalents	17,852,100	14,924,382	19,210,721	26,125,741	48,761,721
Interest receivable	4,171,829	4,638,649	5,600,021	4,882,338	6,484,400
Other assets	1,334,466	543,076	804,976	2,617,566	4,091,081
Total Assets	\$ 900,852,176	\$ 901,772,557	\$ 911,953,866	\$ 908,086,328	\$ 935,221,348
LIABILITIES					
Notes payable	\$ 98,659,842	\$ 98,771,216	\$ 98,883,814	\$ 98,996,412	\$ 99,107,786
Credit Facility payable	196,906,509	170,229,321	161,192,612	156,564,776	181,343,929
SBA-guaranteed debentures	308,212,703	308,519,553	319,955,852	320,273,358	320,587,412
Other accrued expenses and liabilities	16,221,077	15,927,439	13,795,808	12,311,994	10,741,817
Total Liabilities	\$ 620,000,131	\$ 593,447,529	\$ 593,828,086	\$ 588,146,540	\$ 611,780,944
Net Assets	\$ 280,852,045	\$ 308,325,028	\$ 318,125,780	\$ 319,939,788	\$ 323,440,404
Total Liabilities and Net Assets	\$ 900,852,176	\$ 901,772,557	\$ 911,953,866	\$ 908,086,328	\$ 935,221,348
Net Asset Value Per Share	\$ 13.87	\$ 13.67	\$ 13.19	\$ 13.26	\$ 13.41

Liquidity and Capitalization

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Assets Available	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)
SCM cash and cash equivalents	\$ 1,449,824	\$ 2,708,699	\$ 660,065	\$ 2,215,740	\$ 716,426
SBIC cash and cash equivalents ⁽¹⁾	16,402,276	12,215,683	18,550,656	23,910,001	48,045,295
Available under Credit Facility ⁽²⁾	66,722,169	93,544,778	102,693,501	99,914,295	75,349,881
Unfunded commitments	(25,826,912)	(21,187,851)	(29,136,909)	(37,021,242)	(34,404,328)
Total Liquidity	\$ 58,747,357	\$ 87,281,309	\$ 92,767,313	\$ 89,018,794	\$ 89,707,274
Debt at Par Value					
Notes payable	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Credit Facility payable	198,277,831	171,455,223	162,306,499	160,085,705	184,650,119
SBA-guaranteed debentures	313,600,000	313,600,000	325,000,000	325,000,000	325,000,000
Total Debt	\$ 611,877,831	\$ 585,055,223	\$ 587,306,499	\$ 585,085,705	\$ 609,650,119
Net Asset Value	\$ 280,852,045	\$ 308,325,028	\$ 318,125,780	\$ 319,939,788	\$ 323,440,404
Total Capitalization	\$ 892,729,876	\$ 893,380,251	\$ 905,432,279	\$ 905,025,493	\$ 933,090,523
Debt to NAV ⁽³⁾	2.18x	1.9x	1.90x	1.83x	1.88x
Regulatory Debt to NAV ⁽⁴⁾	1.06x	.88x	0.88x	0.82x	0.88x
Net Debt to NAV ⁽⁵⁾	2.17x	1.89x	1.84x	1.82x	1.88x
Interest Coverage Ratio ⁽⁶⁾	2.09x	2.18x	2.26x	2.37x	2.43x

1 Cash available to be reinvested in SBA qualified portfolio companies or used to repay SBIC Debentures.

2 Subject to a borrowing base limitation.

3 SBIC Debentures are not included as "senior debt" for purposes of the BDC asset coverage requirements pursuant to exemptive relief received by SCM. Debt to NAV Ratio is calculated based upon the par value of debt.

4 Regulatory Debt to NAV Ratio is calculated based upon the par value of debt of both the Credit Facility and Notes payable.

5 Net debt in this ratio includes par value of total debt less cash and cash equivalents.

6 Net investment income, excluding deferred income incentive fees, non-payable net investment income or capital gains incentive fees, and OID / cash interest expense on a trailing twelve-month basis.