



# **MOUNT LOGAN**

C A P I T A L

Presentation to Capitala Shareholders  
April 22, 2021

# Important Information



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## Disclaimer & Forward-Looking Statements

This presentation contains certain “forward-looking statements” and certain “forward-looking information” as defined under applicable securities laws (collectively referred to herein as “forward-looking statements”). Forward-looking statements can generally be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue”, “plans” or similar terminology. Forward-looking statements in this presentation include, but are not limited to, statements relating to the required approval of the stockholders of Capitala Finance Corp. (“Capitala”) of the transaction whereby, among other things, Mount Logan Management LLC (the “Manager”), a wholly-owned subsidiary of Mount Logan Capital Inc. (“MLC”, “Mount Logan” or the “Company”) will become the new investment adviser of Capitala (the “Transaction”), the satisfaction or waiver of certain other conditions to the completion of the Transaction, the closing of the Transaction and the timing thereof, the recurring asset management fees to be derived from Capitala, the use by the Company of Capitala as a platform to grow its asset management business, synergies to be achieved following the completion of the Transaction, the benefits of the Transaction to the stockholders of Capitala including as a result of integration of Capitala with the BC Partners Advisors L.P. (“BC Partners”) platform and the opportunities that may be presented to Capitala as a result of Mount Logan’s relationship with BC Partners, the expectation of more stable NAV and better trading multiples for Capitala as a result of the Manager’s investment strategy, the Manager’s overall business strategy, model and approach to investment activities including as they relate to scaling Capitala via strategic transactions, Capitala’s ability to secure a flexible credit facility on more favourable terms than currently exists, Capitala paying a regular and consistent dividend, and the positioning of Capitala within the Company’s overall business strategy.

Forward-looking statements are based on the beliefs of the Company’s management, as well as on assumptions and other factors, which management believes to be reasonable based on information available at the time such information was given. Such assumptions include, but are not limited to, assumptions regarding general economic conditions; industry conditions; currency fluctuations and hedging; competition from other industry participants; stock market volatility; interest rate risk; the creditworthiness of and/or defaults by borrowers; the illiquidity of loans; continued lack of regulation in the business of lending from sources other than commercial banks; continued operation of key systems; the ability of borrowers to service their debt; continuing constraints on bank lending to mid-market companies; future capital needs and potential dilution to shareholders; retention of key personnel; conflicts of interest and adequate management thereof; solvency of borrower clients; limited loan prepayment; and effective use of leverage; and the strength of proposed and existing relationships with financing and sourcing partners,

including BC Partners. Forward-looking statements are subject to various risks and uncertainties concerning the specific factors identified in the MLC’s periodic filings with Canadian securities regulators. MLC undertakes no obligation to update forward-looking statements except as required by applicable law. Such forward-looking statements represents management’s best judgment based on information currently available. No forward-looking statements can be guaranteed and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including that the Transaction may not be completed on the terms contemplated or at all, if the Transaction is completed, Capitala may not generate recurring asset management fees or strategically benefit the Company as expected, the risk that the Manager’s current plans for Capitala are dependent on the Manager’s current relationship with BC Partners and the nature of such relationship may change from time to time, Capitala may not be able to refinance its existing debt on more favourable terms, the expected synergies to be achieved may not materialize, there is no certainty that Capitala will be in a position to pay regular dividends and the matters discussed under “Risks Factors” in the most recently filed annual information form and management discussion and analysis for the Company.

This presentation is not, and under no circumstances is it to be construed as, a prospectus or an advertisement, and the communication of this presentation is not, and under no circumstances is it to be construed as, an offer to sell or a solicitation of an offer to purchase securities of the Company. This presentation is not intended for U.S. persons. The Company’s shares are not registered under the U.S. Securities Act of 1933 and the Company is not registered under the U.S. Investment Company Act of 1940. U.S. persons are not permitted to purchase the Company’s shares absent an applicable exemption from registration under each of these Acts.

The information presented herein is for illustrative purposes only. The performance metrics included herein are for historical reference only and there can be no assurance that the Company or the Manager and any investments or actions made by the Company or the Manager will perform as anticipated or that the Company or the Manager will have access to the number and type of investment opportunities shown herein.

# Executive Summary



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## **An affiliate of Mount Logan Capital, an alternative asset management company managed by executives of BC Partners Credit, to become the investment adviser of Capitala Finance Corp. (“Capitala”)**

- Mount Logan Capital Inc. (“Mount Logan”) is a publicly-listed Canada-based alternative asset management company focused on investing in and actively managing credit investment opportunities in North America
  - Mount Logan Management LLC (the “Manager”), a registered investment adviser and wholly owned subsidiary of Mount Logan, will become the investment adviser to Capitala under an advisory agreement substantially similar to the current agreement between Capitala and Capitala Investment Advisors, LLC
  - The Manager is an affiliate of BC Partners Advisors L.P. (“BC Partners”) for U.S. regulatory purposes
- After running a fulsome advisor search process, the Board of Directors of Capitala unanimously selected Mount Logan as its new investment adviser
  - The transaction has been well received by the market and Capitala’s shareholders, and shareholders representing more than 20% of Capitala’s outstanding shares already have indicated support for the new advisory agreement
- Mount Logan has a highly qualified management team led by Ted Goldthorpe - Chief Executive Officer / Chairman of Mount Logan and Head of BC Partners Credit – as well as Matthias Ederer and Henry Wang - Co-Presidents of Mount Logan and founding members of the BC Partners Credit team
- Capitala stockholders will benefit from the added scale and resources through the Manager’s relationship with BC Partners and the extensive investment and BDC experience of BC Partners’ investment professionals
  - Access to enhanced sourcing capabilities and ability to co-invest with all vehicles across the BC Partners platform
  - Focused liability management to extend duration and reduce cost of leverage
  - Immediate integration of Capitala within BC Partners’ state of the art operational and support teams
  - Proven track record of efficiently repositioning publicly listed vehicles to improve trading performance
- The transaction is expected to close in the summer of 2021 and is subject to approval of the new advisory agreement by the stockholders of Capitala and other customary closing conditions

Note: All figures in this presentation are in USD unless otherwise specified

# Compelling Transaction for Capitala Stockholders



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## **Fully Integrated Platform with BC Partners**

- Capitala will be able to access the full range of resources of a leading asset management firm
- Partnership with a large and growing credit business will enhance sourcing capabilities and provide the ability to access larger deals
- The lack of information walls within the BC Partners platform allows the Manager to access industry diligence and expertise from across the firm
- Access to BC Partners' broader resources, including relationships and institutional knowledge from over 30 years of private market investing

## **Focused Investment Strategy**

- It is our belief that a BDC focused exclusively on the Middle Market lending space will lead to better long term performance, a more stable NAV and a better trading multiple
- Target capital structures which are overlooked by our best-in-class peers, who have had to move up-market due to the size of their funds
- Able to capitalize on opportunities in non-sponsored and niche specialty verticals alongside core corporate lending

## **High Quality Underwriting and Deal Flow**

- Strong focus on balancing yield while mitigating the risk of principal impairment through financial and structural protection
- Experience with and ability to complete innovative and complex transactions
- Applies the same private equity style investment process employed for over 30 years at BC Partners
- Proactive sourcing model not reliant on one individual source or type of source
- Seek off-the-radar situations for bespoke solutions

## **Outstanding Management Team**

- Senior team members with strong track record managing assets throughout multiple credit cycles at best-in-class institutions including Goldman Sachs, Apollo and Carlyle
- Ted Goldthorpe served as President of Apollo Investment Corporation (one of the largest publicly traded U.S. BDCs) as well as CIO of the sub-advisor to CION Investment Corporation (one of the largest private BDCs); today, Ted Goldthorpe serves as CEO and President of Portman Ridge Finance Corp., BC Partners' publicly traded BDC, as well as BC Partners Lending Corporation, BC Partners' non-traded BDC



# Investment Objectives and Strategy

**Capitala will become Mount Logan's flagship permanent capital vehicle focused on US middle market credit investing**

## Investment Objectives

- Focus on direct origination of senior secured debt investments to the middle market; target portfolio company EBITDA between \$10-50 million
- Deliver strong and sustainable risk-adjusted returns to stockholders, with focus on capital preservation and downside protection
- Reduce non-income generating exposure over time and opportunistically to enhance NII generation

## Investment Strategy and Philosophy

- Access the entire BC Partners platform to directly originate loans and investments which allows for greater sourcing capabilities, ability to invest across the liquidity spectrum and participation in larger deals
- Seek to generate alpha through market dislocations, structural documentation, relationship advantages and regional expertise; target opportunities where other capital is retrenching due to limited duration and regulatory restrictions
- Focus on capital preservation; maximize margin of safety through financial and structural protection
- Leverage sector expertise and knowledge base across consumer & retail, business & financial services, healthcare, industrials, and TMT
- Apply the same private equity style investment process employed for over 30 years at BC Partners with a long-term focused investment philosophy

# Capitala Finance Corp. Strategic Repositioning



**Following the closing of the transaction, we envision concurrently repositioning the portfolio to drive a higher portfolio income as well as addressing the near-term debt maturities - with the clear objective of returning to paying a dividend in the near term**

## Targeted Portfolio Upgrade to Enhance Yield and Downside Protection

- Rotate the asset base into proprietarily sourced, primarily senior secured and income-generating positions, similarly to what was done of Portman Ridge Finance Corporation (PTMN) as well as Apollo Investment Corporation (AINV) and CION Investment Corporation
- Capitala will benefit from access to a fully integrated platform, gaining the ability to speak for larger deals and drive terms during negotiations once part of the \$4.2bn BC Partners Credit platform and broader \$40bn BC Partners platform

## Refinancing of Outstanding Liabilities and Reduction of Leverage

- Repay Capitala's SBA indebtedness via cash generated by near-term portfolio repayments
- Refinance the currently outstanding notes and reduce overall financing cost by relying on our strong relationships with institutional buyers of BDC bonds
- Secure a flexible credit facility with a large institutional credit provider at a favorable rate (comparable funds managed by BC Partners borrow at L+265-285 vs. the current L+350 of Capitala's existing credit facility)

## Reduction of Operational Cost Structure

- Reduce administrative costs by leveraging the existing scaled operational infrastructure in place
  - BC Partners currently manages three vehicles regulated under the 40 Act and expects material synergies across its AUM, from which Capitala would benefit

## Gain Scale and Close Trading Discount to NAV

- Focus on scaling the vehicle via strategic transactions - similarly to what management has done with the PTMN platform, where NAV grew from \$143.7mm to \$216.3mm<sup>(1)</sup> – in order to narrow the trading gap

## Return to Paying Regular Shareholder Dividends

- Focus on returning to paying a regular, consistent dividend in the near term
- Will design a dividend policy that is comfortably sustainable while repositioning the portfolio, with the long-term objective of regularly increasing payout as the portfolio yield increases

1. NAV as of 3/31/2019 and 12/31/2020, respectively.

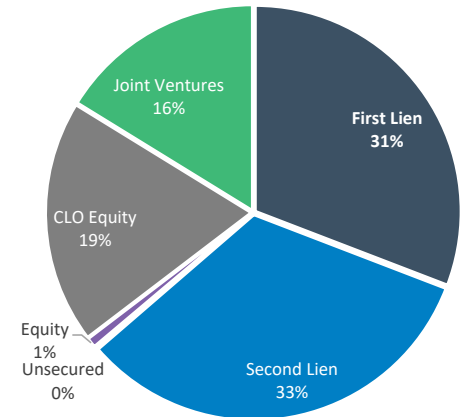
# Case Study: 40 Act Vehicle Strategic Repositioning



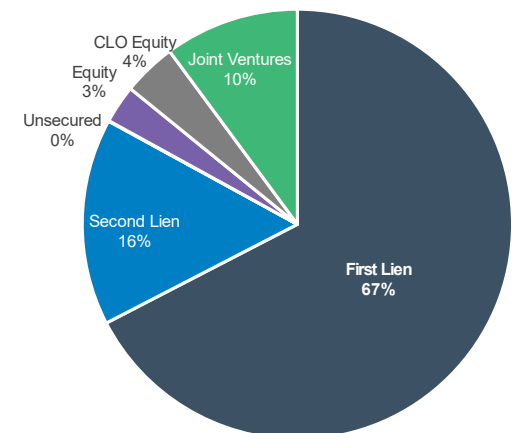
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The repositioning of Portman Ridge is illustrative of the ability of the Mount Logan team to quickly reposition a portfolio of assets

## PTMN Portfolio at Externalization<sup>(1)</sup>



## Current PTMN Portfolio<sup>(2)</sup>



### Initial Platform Acquisition and Repositioning

- Portman Ridge Finance Corporation ("Portman Ridge", "PTMN"), formerly known as KCAP Financial, Inc., is an externally managed business development company ("BDC")
- On April 1, 2019, a subsidiary of BC Partners became Portman Ridge's investment adviser
- Prior to the closing of the KCAP transaction, Portman purchased or agreed to purchase approximately \$50mm of loans plus committed \$25mm to a BCP joint venture
- Subsequent to the externalization, BC Partners focused on reducing CLO equity exposure and increasing exposure to first liens.
  - Approximately 75-80% of new originations since externalization have been in first lien debt securities with the residual 20-25% being in income-earning joint ventures
- As of 12/31/20, first lien securities were twice as large as a % of PTMN's investment portfolio and CLO equity is less than 4% (~80% decline)
- Additionally, BC Partners negotiated a full refinancing of PTMN's credit facility, leading to incremental capital flexibility for the vehicle and significant interest savings, both of which have generated value for shareholders

<sup>1</sup> FMV at 3/31/2019; Percentages exclude Short-Term investments.

<sup>2</sup> FMV at 12/31/2020; Percentages exclude Short-Term investments.

# Case Study: 40 Act Vehicle Strategic Transactions

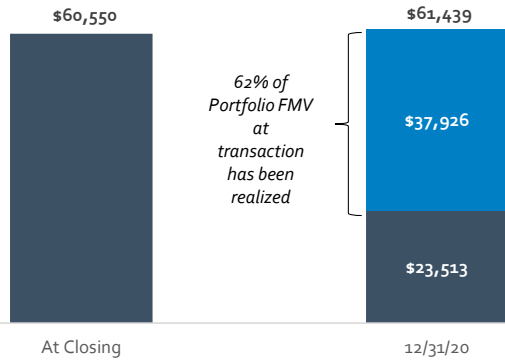
## Add-on Mergers / Acquisitions

- On July 31, 2019, Portman Ridge announced a merger of OHA Investment Corporation (“OHAI”) into Portman Ridge through cash and stock, issuing an additional 19.9% of PTMN shares at NAV – the acquisition closed in December 2019
- On June 26, 2020, Portman Ridge announced a merger of Garrison Capital Inc. (“GARS”) into Portman Ridge through cash and stock, issuing an additional 41% of PTMN shares at NAV – the acquisition closed in October 2020
- On December 23, 2020, Portman Ridge announced a merger of Harvest Capital Corporation (“HCAP”) into Portman Ridge through cash and stock. It is expected that PTMN will issue an additional 19.9% of PTMN shares at NAV – the acquisition is expected to close in Q2 2021.

## Repositioning

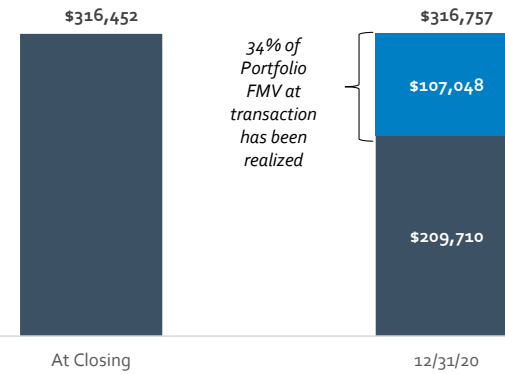
- In each previous acquisition, BC Partners moved quickly to rotate the legacy portfolios and maximize value for shareholders.

### OHAI



A full year after the merger with OHAI, PTMN has realized over 60% of its portfolio’s FMV, decreasing exposure to legacy assets while preserving value

### GARS



Despite the GARS transaction having closed less than one quarter ago, PTMN has already realized and rotated out of 34% of the portfolio’s FMV – materially de-risking the transaction

■ Still Held ■ Realized

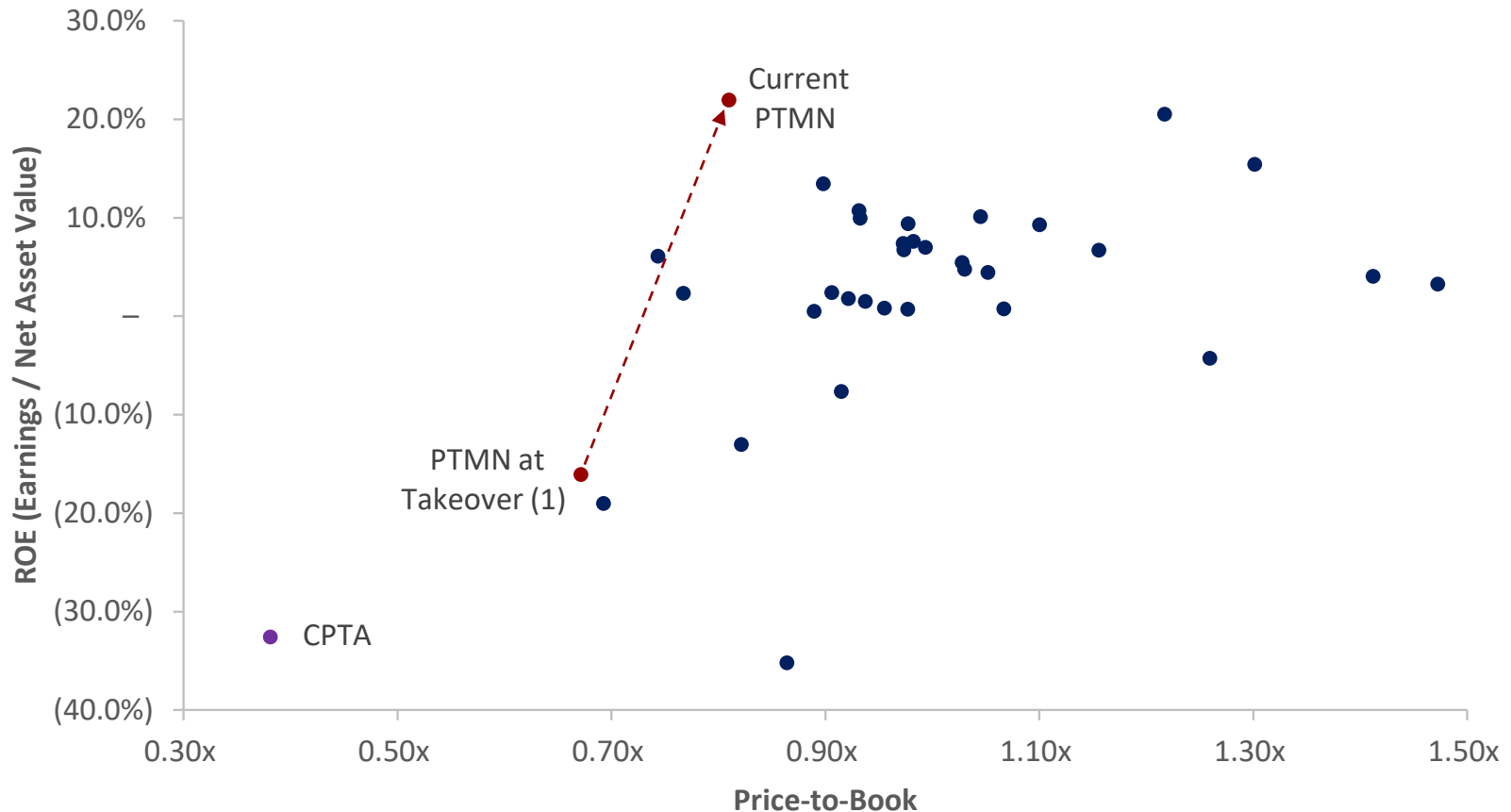
■ Still Held ■ Realized



# Case Study: 40 Act Vehicle Trading Re-rating

The strategic repositioning of PTMN has led to a material improvement in return on equity, which the market remunerated by re-rating the stock

## BDC Sector: Price-to-Book vs ROE



Note: BDC Peers consist of 32 externally managed BDCs over \$100mm in market capitalization. ROE calculated as LTM Net Income divided by latest available Net Asset Value; Price-to-Book calculated as market value of equity (as of 4/19/21) divided by latest available NAV. Data per Capital IQ

1. Price-to-Book for Portman Ridge at Takeover calculated as the average discount to NAV for the 3-month period prior to the announcement of the externalization transaction on December 17, 2018.

# Highly Experienced Management Team



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Mount Logan Capital Officers have Significant Experience in Credit and Asset Management



## **Ted Goldthorpe, CEO & Chairman of the Board**

- Currently the Partner in charge of the Global Credit Business at BC Partners (launched the credit platform in Feb 2017)
- Previously President of Apollo Investment Corporation and the Chief Investment Officer of Apollo Investment Management, where he was the Head of its U.S. Opportunistic Platform and also oversaw the Private Origination business
- Prior to Apollo, he worked at Goldman Sachs for 13 years, most recently running the Bank Loan Distressed Investing Desk
- Ted was previously the head of Principal Capital Investing for the Special Situations Group



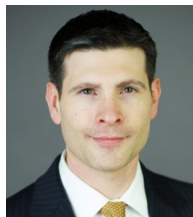
## **Matthias Ederer, Co-President**

- Currently a Managing Director at BC Partners, having joined as part of the creation of BC Partners Credit
- Previously was a Partner and Founding Member of Wingspan Investment Management
- Spent seven years in Goldman Sachs' Special Situations Group and Bank Loan Distressed Investing Group in New York and London



## **Henry Wang, Co-President**

- Currently a Managing Director at BC Partners, having joined as part of the creation of BC Partners Credit
- Previously was a Partner at Stonerise Capital Partners where he spent over five years
- Prior to Stonerise, he worked at Goldman Sachs in its Special Situations Group and Investment Banking Division
- Also worked for Vulcan Capital (Paul Allen's investment firm, Co-Founder of Microsoft) and Thomas Weisel Partners



## **Jason Roos, CFO & Corporate Secretary**

- Currently the Chief Financial Officer, Secretary and Treasurer of Mount Logan Capital, as well as Credit Product CFO for BC Partners' broader platform
- Previously with Wells Fargo & Company for nine years, serving as Controller for Wells Fargo's investment bank and institutional broker dealer; also worked for PricewaterhouseCoopers LLP



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The BC Partners Platform



# BC Partners Credit Platform Overview

BC Partners Credit has built a diversified platform with long duration capital across its key strategies

## BC PARTNERS CREDIT: A FULL CREDIT CYCLE INVESTMENT PLATFORM



**2017**  
FOUNDED PLATFORM

**18**  
INVESTMENT PROFESSIONALS

**17**  
AVG. YEARS OF EXPERIENCE OF  
SENIOR INVESTMENT TEAM

**c. \$4.2bn<sup>1</sup>**  
IN AUM ACROSS  
CREDIT PLATFORM

### Yield: \$3.3bn in AUM

- Direct lending focused on less competitive segments of the U.S. middle-market
- Balanced portfolio of sponsor-backed and non-sponsor companies
- Proprietary sourcing channels
- High current income generation

### Opportunistic: \$980m in AUM

- Mandate to invest where other capital is retrenching due to limited duration and regulatory restrictions
- Ability to invest across the capital structure
- Price opportunities with adequate compensation for risk and illiquidity
- Mix of current income and price appreciation

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(e.g., CLOs,  
CIF)

Portman  
Ridge  
Finance  
Corporation

BC Partners  
Lending  
Corporation

Other  
(e.g., Great  
Lakes SMAs)

BC Partners Special  
Opportunities  
Fund I

BC Partners Special  
Opportunities  
Fund II

Other  
(e.g., SMAs)

1. Reflects commitments to commingled funds, IMAs, signed term sheets. Figures are subject to completion of certain agreements.

2. Mount Logan Capital is a publicly traded company (NEO: MLC) whose management team founded and currently operates BC Partners Credit's platform. Additionally, Mount Logan Capital has a servicing agreement with BC Partners and is considered an affiliate of BC Partners for US regulatory purposes.



# Approach to Credit Investing

## BC Partners' platform has been formed to take advantage of attractive risk-adjusted return opportunities and dislocations in the U.S. and European credit markets

- Target opportunities across the credit spectrum where other capital is retrenching due to limited duration and regulatory restrictions
- Apply a consistent investment philosophy and underwriting process across different strategies through the credit cycle

### **Be flexible and opportunistic**

- Flexibility and patience of capital drives attractive risk-adjusted returns across the credit cycle
- Ability to invest across the liquidity spectrum
- Seek to generate alpha through market dislocations, structural documentation, relationship advantages and regional expertise

### **Focus on capital preservation**

- Maximize margin of safety through both financial and structural protection
- Preference for secured debt
- Appropriate pricing of opportunities based on assessment of relative risk and illiquidity

### **Utilize private equity style investment process**

- Long-term focused investment philosophy
- Apply the same private equity style investment process employed for over 30 years at BC Partners
- Utilize standardized investment diligence to reinforce discipline in investment analysis and support repeatable investment processes

### **Leverage deep niche & industry expertise**

- Private equity platform sector expertise and knowledge base across consumer & retail, business & financial services, healthcare, industrials, and TMT
- Established credit team background across broad product and sector range including liquid and illiquid credit, aircraft finance and renewables
- Experience with and ability to complete innovative and complex niche transactions

# Key Differentiators and Competitive Edge



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## **Appropriate size and structure for opportunity set**

- Focus on optimal strategy size for the opportunity set
- Individual investment size of \$10m to \$100m
- Long-duration capital appropriate for increasingly illiquid credit markets

## **Proven Expertise and Track Record Across Liquidity Spectrum in North American and European Middle Market Credit**

- Led by Ted Goldthorpe, who has over 15 years of experience in credit and most recently led Apollo's U.S. Opportunistic Credit business and both private and public BDCs
- Comprised of experienced executives with whom Ted successfully invested in liquid and illiquid credit through multiple credit cycles at Goldman Sachs

## **Proprietary Sourcing**

- Target sectors and regions where BC Partners has industry expertise and deep sourcing relationships
- Access to 200+ opportunities a year through BC Partners' private equity pipeline of which c. 195 don't complete
- Proactive origination platform for bespoke investment opportunities
- Reputation as a trusted capital solutions provider to borrowers across multiple industries

## **Stability and Infrastructure of the BC Partners Platform**

- Over 90 investment professionals across the platform
- \$40bn in assets under management
- 30+ year investment history



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