



Varagon Capital Corporation

Earnings Presentation
Q3 2024



Highlights/Summary Results

Third Quarter 2024 Highlights

Net Asset Value



Net asset value (“NAV”) remained flat this quarter at \$9.74 per share

Net Investment Income



Net investment income (“NII”) for the quarter was \$0.30 per share; 12.1% annualized yield

Dividends



Third quarter dividends of \$0.30 per share in total; 12.4% Dividend Yield

Declared fourth quarter dividends of \$0.31 per share

Originations



Net deployment of \$29.2MM on gross deployment of \$98.0MM

Portfolio Yield



12.9% weighted-average portfolio yield ¹

Credit Performance

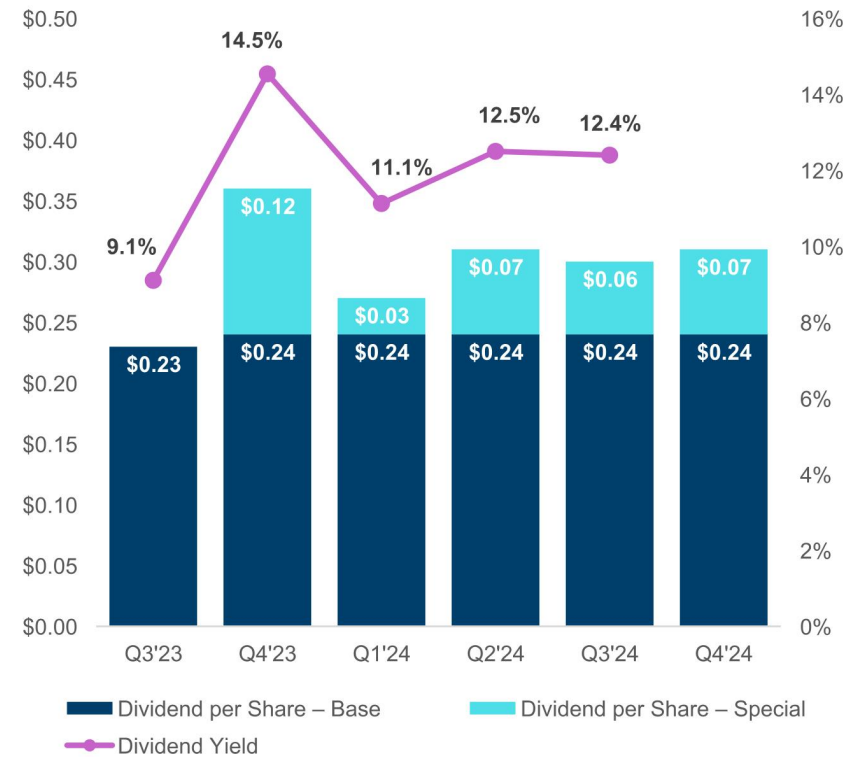
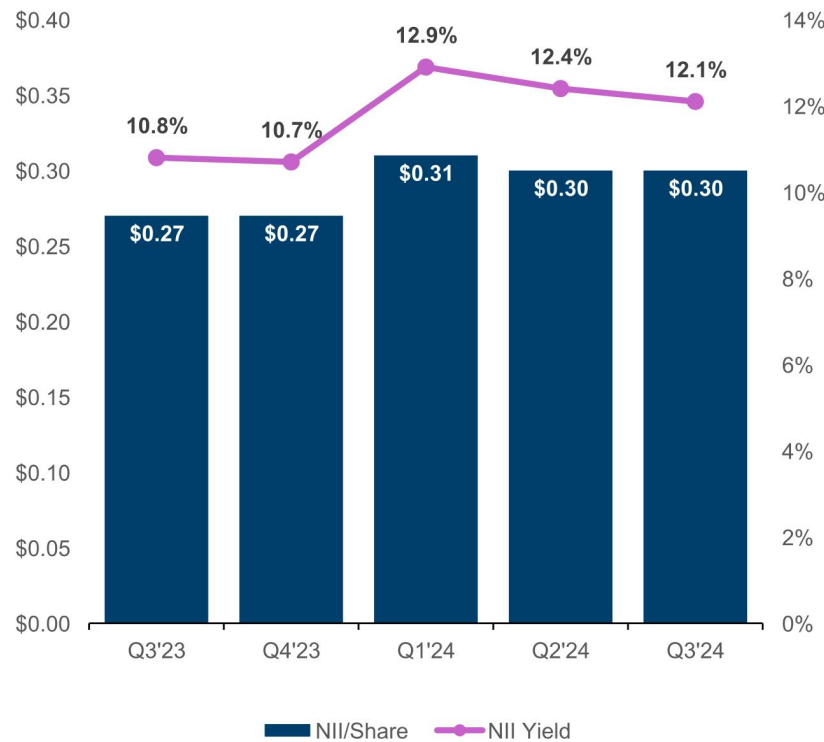


No investments on non-accrual as of September 30, 2024

1. The weighted average yield of our debt and income producing securities is not the same as a return on investment for our shareholders, but rather relates to our investment portfolio and is calculated before the payment of all our and our subsidiaries’ fees and expenses. The weighted average yield was computed using the effective interest rates as of each respective date, including accretion of original issue discount, but excluding investments on non-accrual status, if any. There can be no assurance that the weighted average yield will remain at its current level.

Quarterly Financial Performance Summary

- Q3 2024 NII per share of \$0.30 equates to 12.1% annualized NII yield¹
- Q3 2024 12.4% dividend yield² on total dividends. Declared dividends totalling \$0.31 per share for Q4



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Total dividends per share may not foot due to rounding.

1. NII yield is based on annualized NII per share and average net asset value per share at the beginning and end of each period.

2. Dividend yield is based on annualized base dividend per share plus annualized special dividend per share (if applicable) and average net asset value per share at the beginning and end of each period.

Key Financials Highlights

(\$'s in thousands, except per share data)

Per Share Data					
	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Net investment income per share	\$0.27	\$0.27	\$0.31	\$0.30	\$0.30
Net change in unrealized appreciation (depreciation) per share	0.06	0.09	0.02	(0.04)	0.03
Net realized gain (loss) per share	(0.01)	–	0.01	–	(0.02)
Earnings per share	\$0.32	\$0.36	\$0.34	\$0.26	\$0.31
Quarterly base dividend per share	\$0.23	\$0.24	\$0.24	\$0.24	\$0.24
Special dividend per share	–	0.12	0.03	0.07	\$0.06
Total dividends per share	\$0.23	\$0.36	\$0.27	\$0.30	\$0.30
Net Asset Value per share	\$9.94	\$9.71	\$9.78	\$9.74	\$9.74

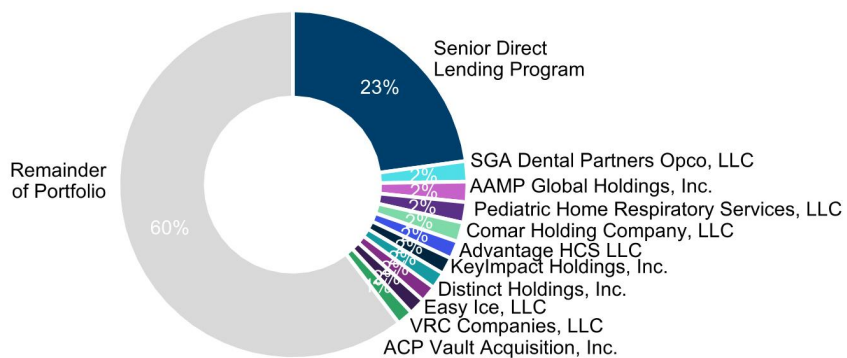
Financial Highlights					
	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Total Investments, at Fair Value	\$645,612	\$686,037	\$739,433	\$734,463	765,721
Number of Portfolio Companies	78	85	87	89	95
Weighted Average Current Yield for Total Portfolio (Amortized Cost)	12.5%	12.4%	13.3%	12.4%	12.2%
Weighted Average Current Yield for Total Portfolio (Fair Value)	13.4%	13.0%	14.0%	13.1%	12.9%
Total Borrowings Outstanding	\$265,400	\$291,670	\$345,090	\$343,810	\$372,850
Total Net Assets	\$412,728	\$403,150	\$406,016	\$404,234	\$404,536
Debt to Equity	0.64x	0.70x	0.83x	0.83x	0.90x

Portfolio Highlights

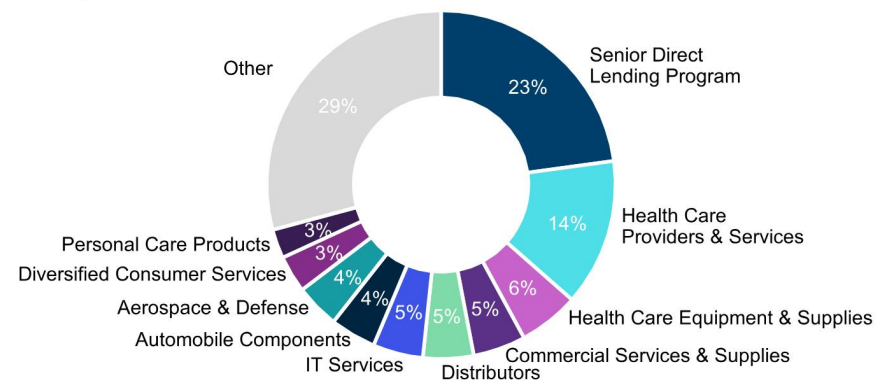
Portfolio Statistics



Borrower Diversification



Industry Diversification



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1. The weighted average yield of our debt and income producing securities is not the same as a return on investment for our shareholders, but rather relates to our investment portfolio and is calculated before the payment of all of our subsidiaries' fees and expenses. The weighted average yield was computed using the effective interest rates as of each respective date, including accretion of original issue discount, but excluding investments on non-accrual status, if any. There can be no assurance that the weighted average yield will remain at its current level.

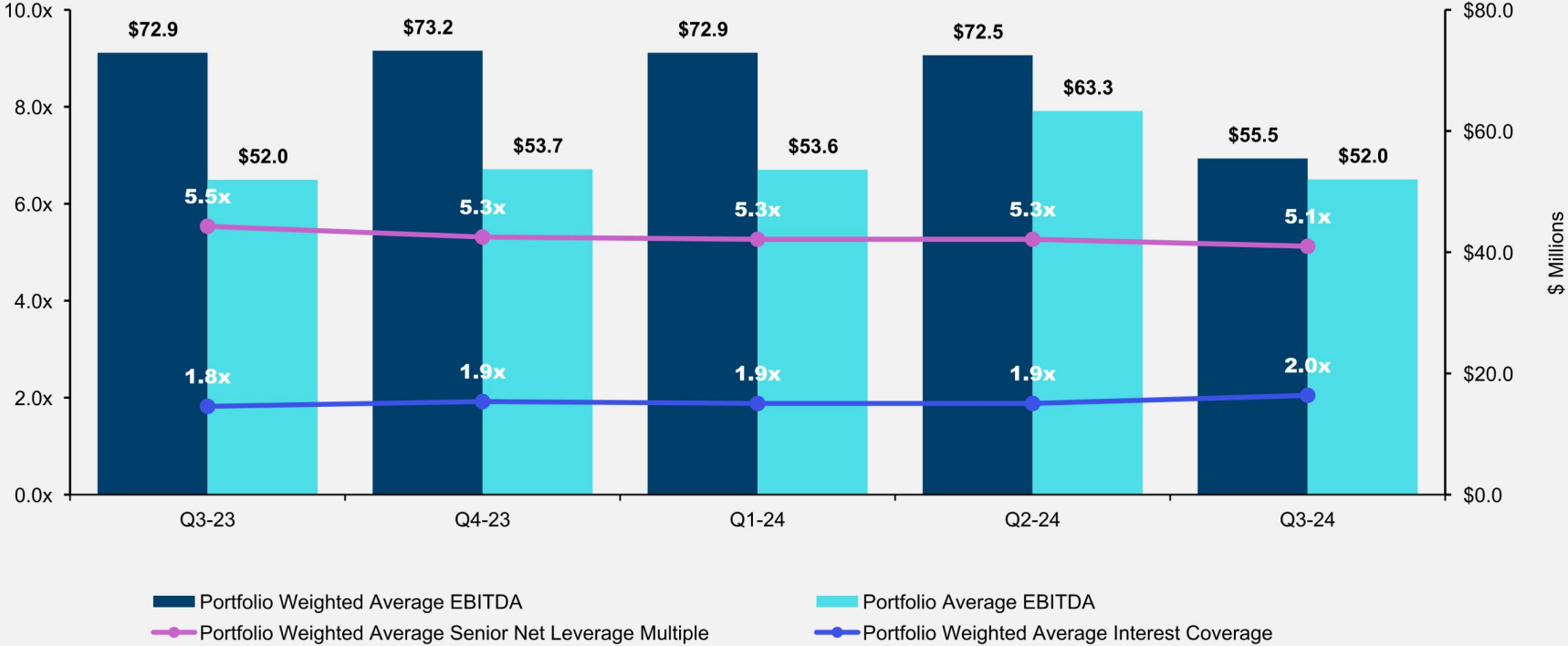
2. Interest coverage ratio defined as LTM EBITDA for the period divided by the pro forma annual cash interest expense based on the reference rate at September 30, 2024

Portfolio Highlights

Quarterly Portfolio Statistics



Portfolio Company Metrics



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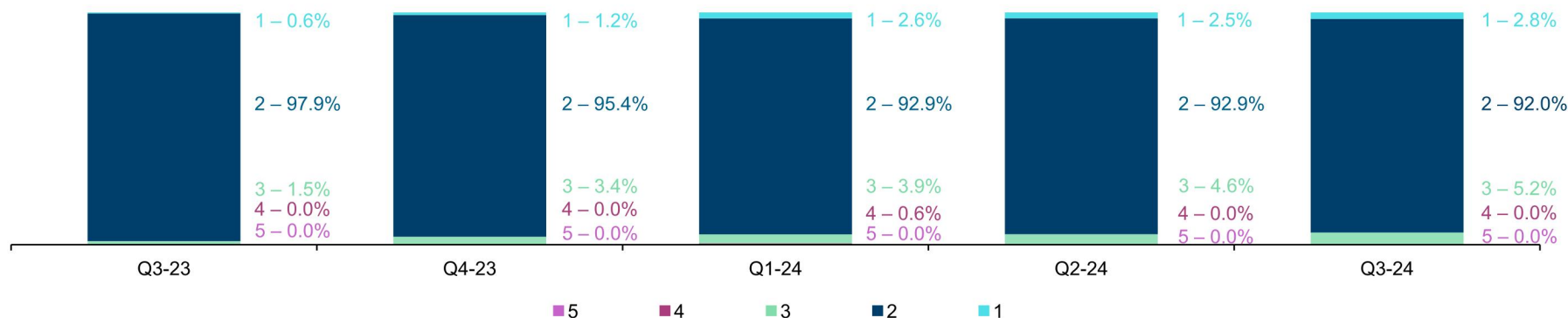
Weighted averages are based on funded par value of debt investments for each respective quarter, excluding borrowers with credit statistics that are negative or otherwise not meaningful. LTM EBITDA is a non-GAAP figure which is generally defined by companies as net income before net interest expense, income tax expense, depreciation, amortization, and typically other one-time or non-cash adjustments permitted in the credit agreement over the last twelve months

Credit Quality of Investments

Internal Performance Ratings

Approximately 95% of the investments in our portfolio at fair value having an Internal Performance Rating of 1 or 2 as of September 30, 2024

% By Fair Value



Internal Performance Ratings

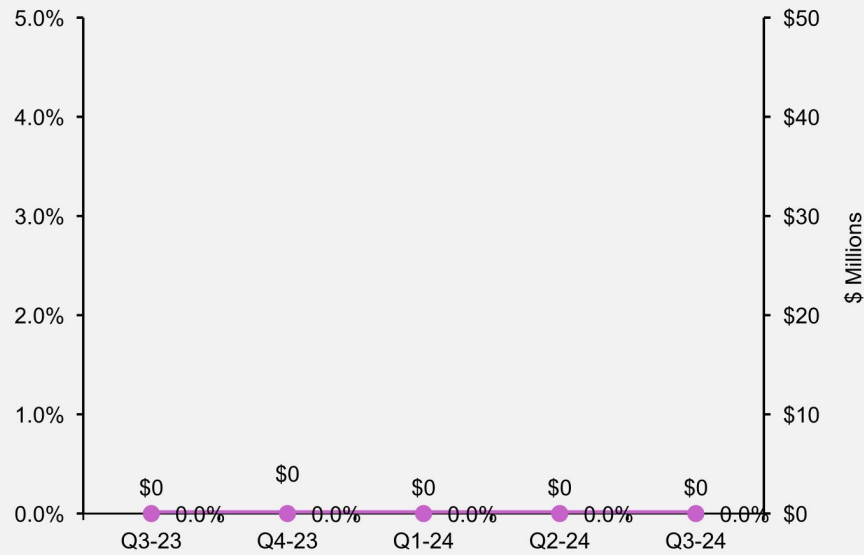
- 1 Involves the least amount of risk to our initial cost basis. The borrower is performing above expectations, and the trends and risk factors for this investment since origination or acquisition are generally favorable.
- 2 Involves an acceptable level of risk that is similar to the risk at the time of origination or acquisition. The borrower is generally performing as expected and the risk factors are generally neutral to favorable. All investments or acquired investments in new portfolio companies are initially assessed a rating of 2.
- 3 Involves a borrower performing below expectations and indicates that the loan's risk has increased somewhat since origination or acquisition.
- 4 Involves a borrower performing materially below expectations and indicates that the loan's risk has increased materially since origination or acquisition. In addition to the borrower being generally out of compliance with debt covenants, loan payments may be past due (but generally not more than 120 days past due).
- 5 Involves a borrower performing substantially below expectations and indicates that the loan's risk has increased substantially since origination or acquisition. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Loans rated 5 are not anticipated to be repaid in full and we will reduce the fair market value of the loan to the amount we anticipate will be recovered.

Credit Quality of Investments

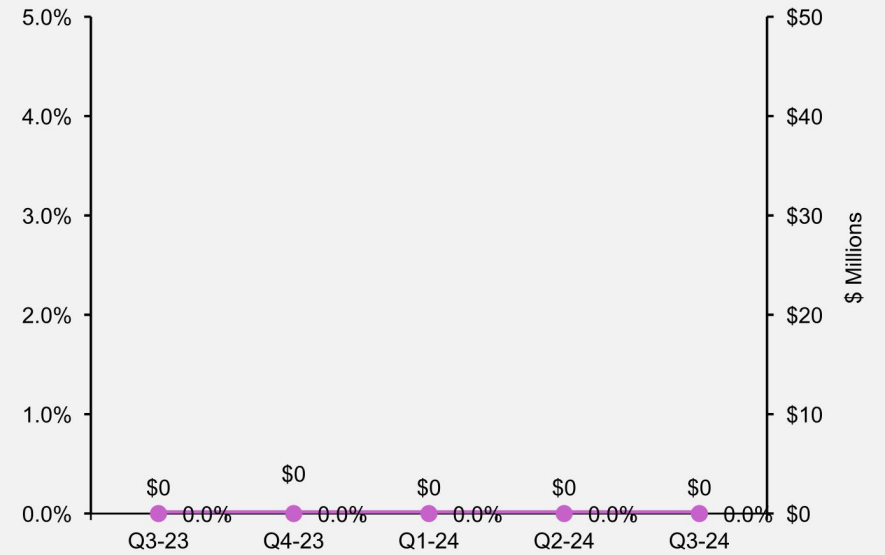
Non-accrual Investments

There were no VCC investments on non-accrual as of September 30, 2024

Amortized Cost



Fair Value

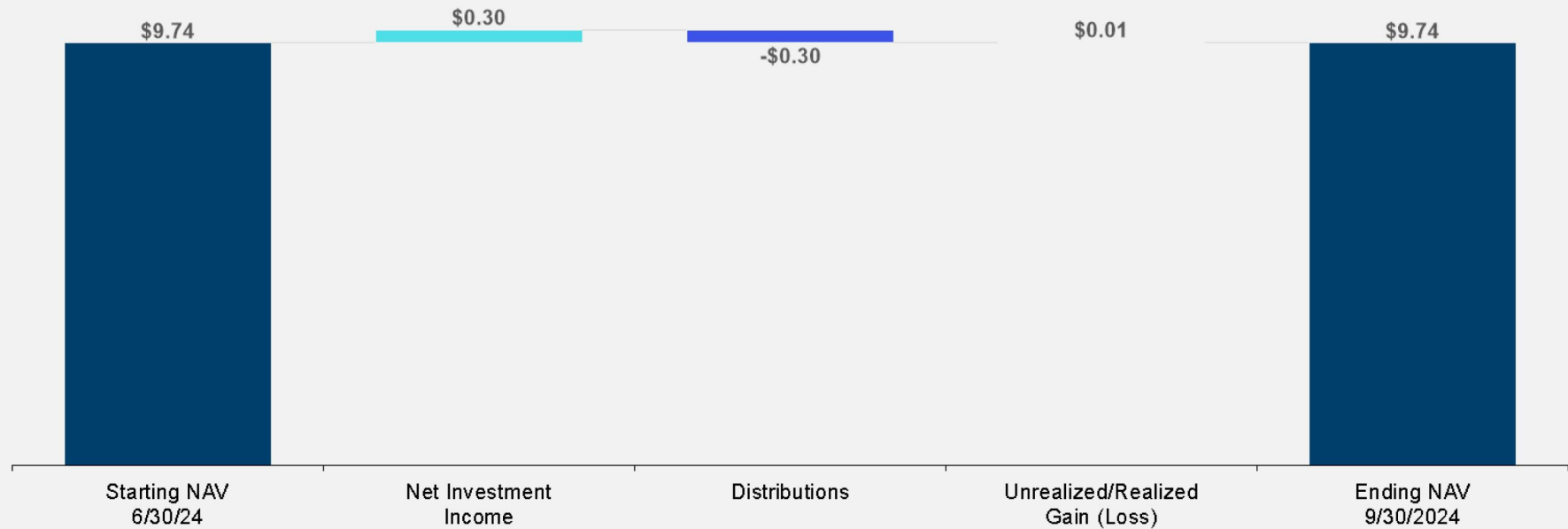


■ Investments on Non-Accrual Status ● Percentage of Total Investment Portfolio

Net Asset Value per Share (“NAV”) Bridge

Q3 2024 NAV remained flat at \$9.74 per share

Portfolio Company Metrics (Per Share)



BDC Debt Summary & Maturity Profile

As of September 30, 2024

(\$'s in thousands)

Facility	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Fair Value	Weighted Average Stated Interest Rate During Quarter	Interest Rate	Maturity Date
JPM Facility	\$300,000.00	\$260,850.00	\$260,850.00	\$260,850.00	7.8%	SOFR + 2.475%	6/2/2027
SMBC Facility	\$195,000.00	\$62,000.00	\$62,000.00	\$62,000.00	7.5%	SOFR + 2.225%	8/9/2029
2026 Notes ¹	\$25,000.00	\$25,000.00	\$25,040.00	\$25,000.00	8.1%	8.1% Fixed	12/21/2026
2028 Notes ¹	\$25,000.00	\$25,000.00	\$25,054.00	\$25,000.00	8.2%	8.2% Fixed	12/21/2028
Total	\$545,000.00	\$372,850.00	\$372,944.00	\$364,650.00	7.9%		

1. On February 2, 2024, in connection with each of the 2026 Notes and the 2028 Notes, the Company entered into an interest rate swap agreement for a total notional amount of \$25,000,000 and \$25,000,000 that matures on December 21, 2026 and December 21, 2028, respectively. Under the interest rate swap agreement for the 2026 Notes and the 2028 Notes, the Company receives a fixed interest rate of 8.10% and 8.20% and pays a floating interest rate of SOFR + 4.226% and SOFR + 4.595%, respectively. The carrying value of the 2026 and 2028 Notes are net unamortized debt issuance costs and includes adjustments, as a result of an effective hedging relationship.

Quarterly Balance Sheet

(\$'s in thousands, except per share data)

	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Assets					
Total investments, at fair value	\$645,612	\$686,037	\$739,433	\$734,463	\$765,721
Cash	28,402	19,976	18,557	22,825	21,163
Interest receivable	11,030	11,263	13,333	11,861	11,942
Other assets	3,394	3,086	2,756	2,425	3,896
Total assets	\$688,438	\$720,362	\$774,079	\$771,574	\$802,722
Liabilities					
Total borrowings outstanding	\$265,400	\$291,308	\$343,865	\$342,495	\$372,944
Interest and credit facility fees payable	5,278	5,002	6,526	6,055	7,174
Base management fees payable	1,266	1,286	1,355	1,401	1,442
Income incentive fees payable	1,810	2,207	2,004	1,539	1,837
Shareholder distributions payable	–	14,950	11,225	12,592	12,601
Other liabilities	1,954	2,458	3,088	3,258	2,188
Total liabilities	\$275,710	\$317,211	\$368,063	\$367,340	\$398,186
Total net assets	\$412,728	\$403,150	\$406,016	\$404,234	\$404,536
Total common shares outstanding	41,501,706	41,505,531	41,511,677	41,515,624	41,520,143
Net Assets Per Share	\$9.94	\$9.71	\$9.78	\$9.74	\$9.74

Quarterly Operational Results

(\$'s in thousands)

	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Investment Income					
Total interest income	\$21,073	\$21,448	\$24,303	\$23,851	\$24,175
Total fee income	155	395	174	86	226
Total investment income	21,228	21,843	24,477	23,937	24,401
Expenses					
Base management fees	\$1,266	\$1,287	\$1,355	\$1,401	\$1,442
Income incentive fees	1,810	2,208	2,004	1,539	1,837
Interest expenses & credit facility fees	5,767	5,942	6,818	7,346	7,892
Other expenses	1,163	1,380	1,317	1,141	941
Total Expenses	10,006	10,817	11,494	11,427	12,112
Realized and Unrealized Gain (Loss)					
Net change in unrealized appreciation (depreciation)	2,530	3,631	984	(1,738)	1,385
Net realized gain (loss)	(391)	102	62	–	(816)
Net realized and unrealized gains (losses)	2,139	3,733	1,046	(1,738)	569
Net increase (decrease) in net assets resulting from operations	\$13,361	\$14,759	\$14,029	\$10,772	\$12,858

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This presentation includes forward-looking statements about the Company that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "would," "should," "targets," "projects," and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict, that could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Such factors include, but are not limited to: changes in the financial, capital, and lending markets; general economic, political and industry trends and other external factors, and the dependence of our future success on the general economy and its impact on the industries in which we invest; and other risks, uncertainties and other factors we identify in the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K, which are accessible on the SEC's website at www.sec.gov. Investors should not place undue reliance on these forward-looking statements, which apply only as of the date on which the Company makes them. The Company does not undertake any obligation to update or revise any forward-looking statements or any other information contained herein, except as required by applicable law.

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