

INVESTOR UPDATE

Q1 2019




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.

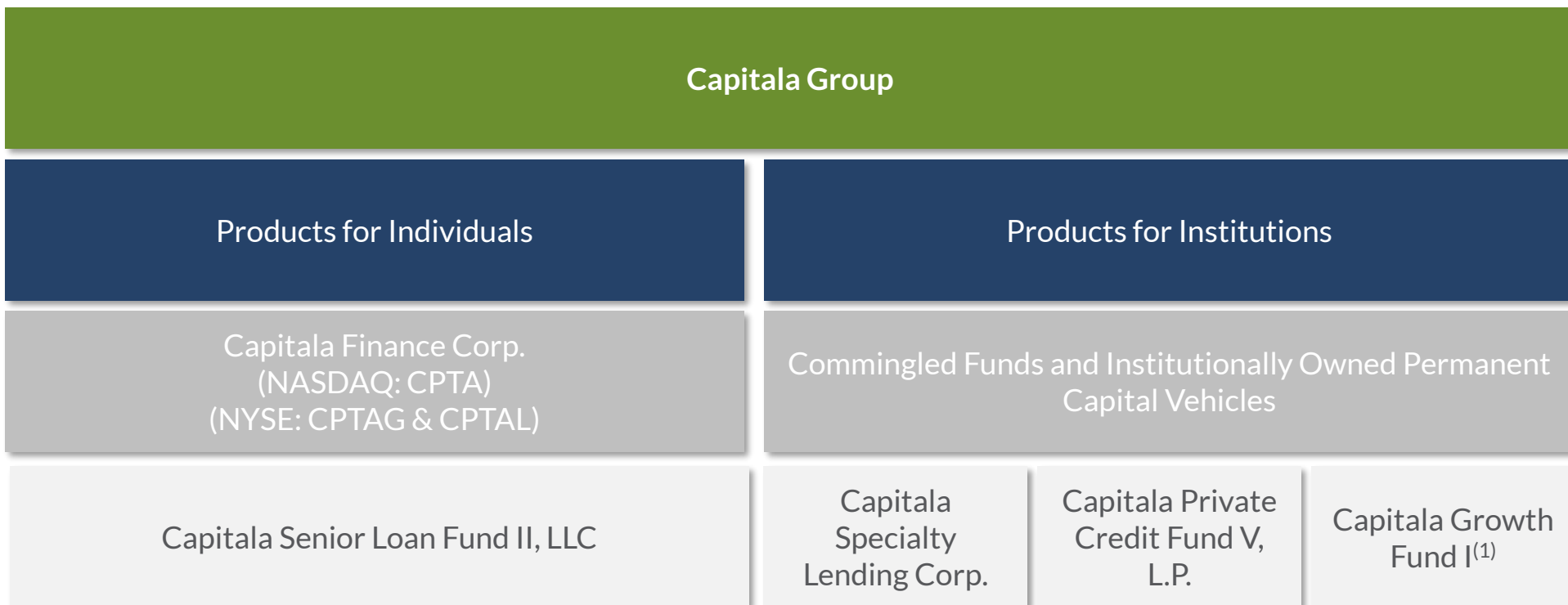
The Company has determined its estimated net asset value in good faith based on information believed by the Company to be reliable as of March 31, 2019, but there can be no assurance that such estimated net asset value accurately reflects the fair value of the Company.

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 GROUP?

- Part of Capitala Group, a \$2.7 billion SEC-registered asset management firm headquartered in Charlotte, NC, investing debt and equity capital in the lower middle market (“LMM”)
- Cash dividend yield of 11.5% based on current monthly payments of \$0.8333
- Focus on underserved lower middle market
- Direct origination capabilities across 6 offices
- Vested and aligned management, currently owning 8.6% of CPTA shares outstanding
- Unique capital structure, positioned to benefit from rising rates
- NAV upside through equity/warrant appreciation



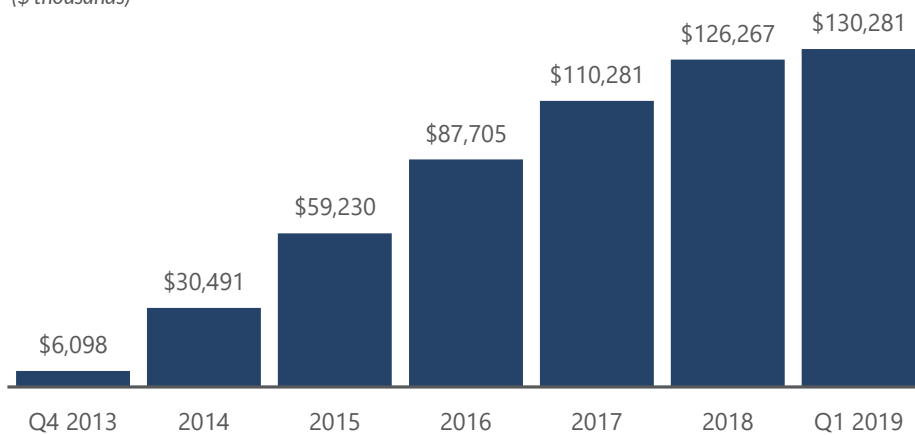


(1) CapitalSouth SBIC Fund IV, L.P.

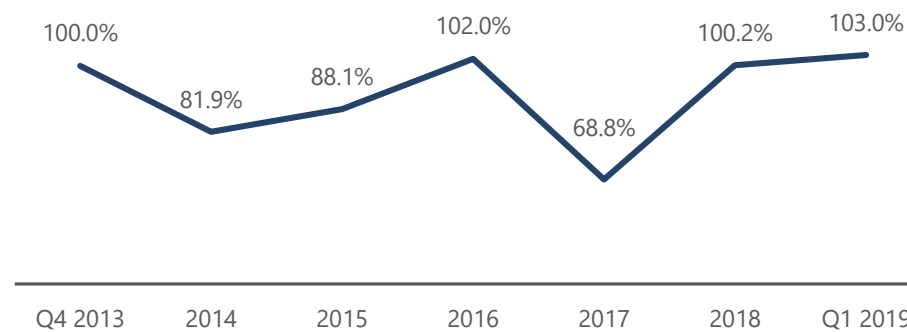
- Paid Monthly
- No Return of Capital Since IPO
- \$1.4MM of Spillover Income at March 31, 2019
- Paid \$0.50 Special Distribution in 2015
- \$130.3MM of regular distributions paid since 2013 vs. \$116.1MM of Net Investment Income

Cumulative Regular Distributions Paid

(\$ thousands)



CPTA Historical Regular Distribution Coverage ⁽¹⁾



(1) Distribution coverage calculated by dividing Net Investment Income by Regular Distributions Paid.

➤ 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

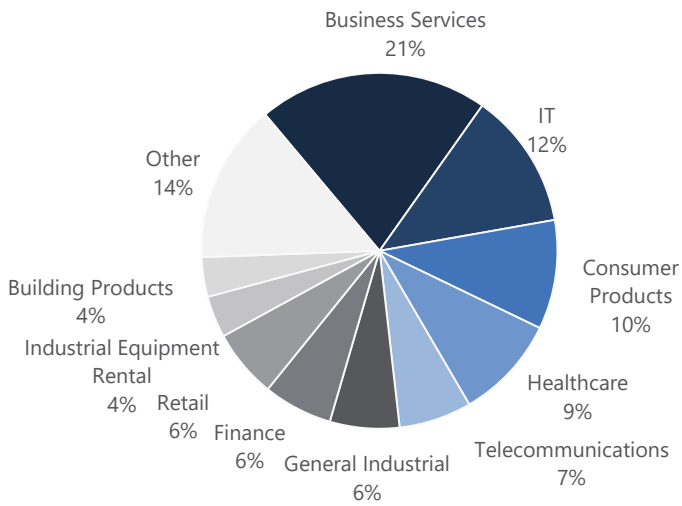
INVESTMENT FOCUS

- 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, financials sponsors, lending institutions and intermediaries

GEOGRAPHY

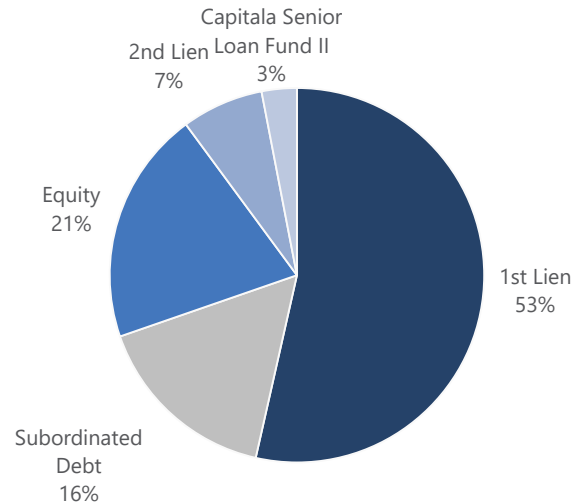
- United States and Canada

PORTFOLIO BY INDUSTRY⁽¹⁾



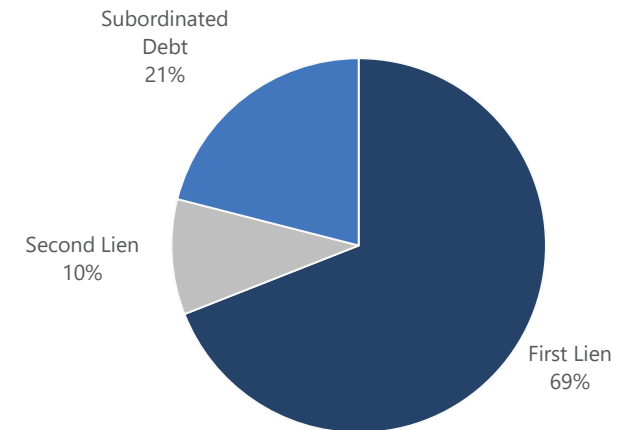
~\$455 million

TOTAL PORTFOLIO BY ASSET TYPE



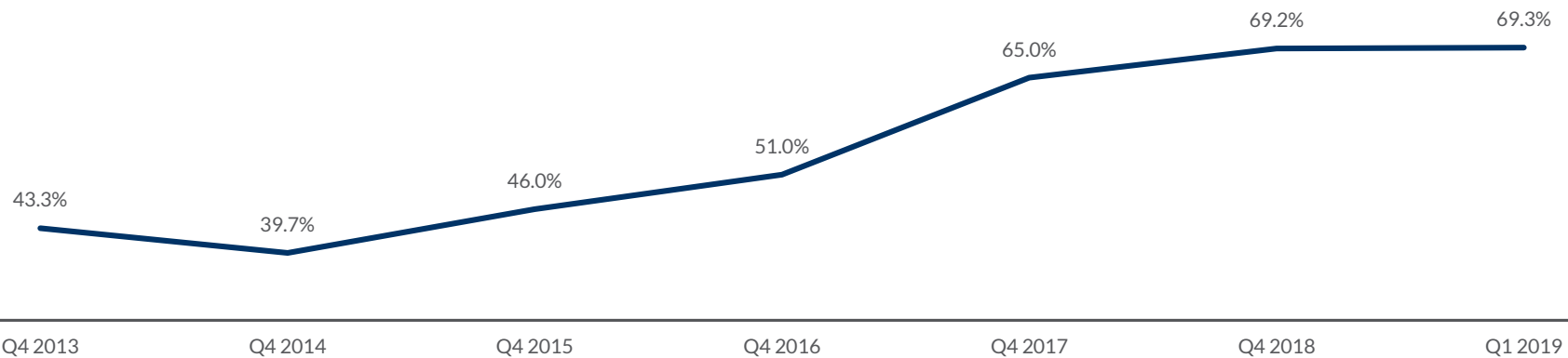
~\$455 million

DEBT PORTFOLIO BY ASSET TYPE



~\$348 million

FIRST LIEN DEBT AS A PERCENTAGE OF TOTAL DEBT PORTFOLIO



Note: Portfolio statistics as of March 31, 2019.

(1) Other includes Energy Services (3%), Capitala Senior Loan Fund II, LLC (3%), Restaurant and Food (3%), Entertainment (3%) and Conglomerate (2%).

Recent Deal Summary						
Company	Closing Date	Description	Debt Security	Debt Amount ⁽¹⁾	Yield	Equity Co-Invest Amount ⁽¹⁾
Seitel, Inc.	Mar 2019	Data Services	First Lien	\$5.0MM	L+8.3%	\$0.0MM
RAM Payment, LLC	Jan 2019	Finance	First Lien	\$9.2MM	11.2% ⁽²⁾	\$0.9MM
Capitala Senior Loan Fund II, LLC	Dec 2018	N/A	N/A	\$0.0MM	N/A	\$13.6MM
Freedom Electronics, LLC	Dec 2018	IT	First Lien	\$6.3MM	9.1% ⁽³⁾	\$0.2MM
Chicken Soup for the Soul Holdings, LLC	Dec 2018	Entertainment	First Lien	\$13.0MM	L+8.5%	\$0.0MM
U.S. BioTek Laboratories LLC	Dec 2018	Healthcare	First Lien	\$7.0MM	9.3% ⁽²⁾	\$0.5MM
Sequoia Healthcare Management, LLC	Aug 2018	Healthcare	First Lien	\$14.0MM ⁽⁴⁾	L+8.5%	\$0.0MM
Sunset Digital Holdings, LLC	Aug 2018	Telecommunications	First Lien	\$13.0MM	L+7.3%	\$0.0MM
Installs, LLC	Jun 2018	Business Services	First Lien	\$5.8MM	L+7.0%	\$0.0MM
MC Sign Lessor Corp.	Mar 2018	Business Services	First Lien	\$3.9MM	L+7.0%	\$0.0MM
US Bath Group, LLC	Jan 2018	Building Products	First Lien	\$15.0MM	L+9.0%	\$0.5MM
Summary						
Lien Type				Amount	Percent of Total	
First Lien				\$92.8MM	85.6%	
Subordinated				\$0.0MM	0.0%	
Equity				\$2.1MM	1.9%	
Capitala Senior Loan Fund II, LLC				\$13.6MM	12.5%	

* 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 in Freedom Electronics, LLC.

(4) Includes \$5.6MM add-on investment alongside refinanced term loan.

- Management team owns 8.6% of the common stock and has made meaningful purchases in the open market since the IPO
 - Management currently owns 1,385,272 shares with a market value of \$11.5 million
 - Management has purchased an additional 376,887 shares since IPO in 2013 with a net ownership increase of 22%

- The Company's external manager has voluntarily waived \$3.7 million of incentive fees since Q4 2015

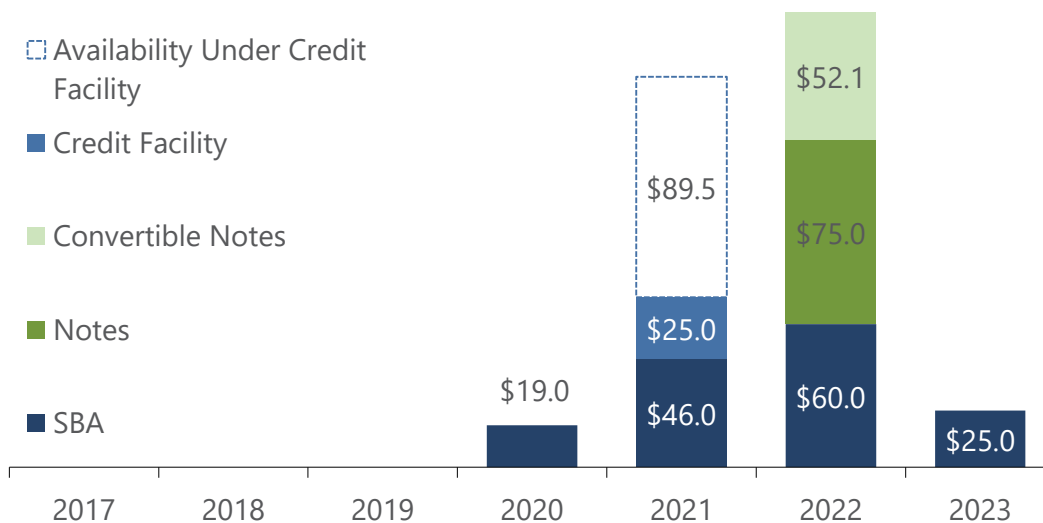
- Cash dividend yield of 12.5% based on current monthly payments of \$0.8333

- No return of capital since IPO
 - \$1.4MM of Spillover Income at March 31, 2019

CURRENT FUNDING OVERVIEW

Facility	Interest Rate	Maturity	Amount Drawn (3/31/19)
▪ \$114.5 million Credit Facility	L+300 floating	June 2021	\$25.0 million
▪ SBA Debentures	3.25% fixed	2019 – 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)



94% 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 2021



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

	% Fixed Rate	% Variable Rate
Investment Portfolio	38%	62%
Funded Debt	94%	6%

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	\$6,528	(\$750)	\$5,778	\$0.36
+200 bps	\$4,367	(\$500)	\$3,867	\$0.24
+100 bps	\$2,184	(\$250)	\$1,934	\$0.12
-100 bps	(\$1,608)	\$250	(\$1,358)	(\$0.08)
-200 bps	(\$2,896)	\$500	(\$2,396)	(\$0.15)
-300 bps	(\$2,913)	\$624	(\$2,289)	(\$0.14)

Note: Assumes no change in portfolio investments or revolving credit facility borrowings as of March 31, 2019.
 Note: Per share amount calculated based upon actual shares outstanding at March 31, 2019.

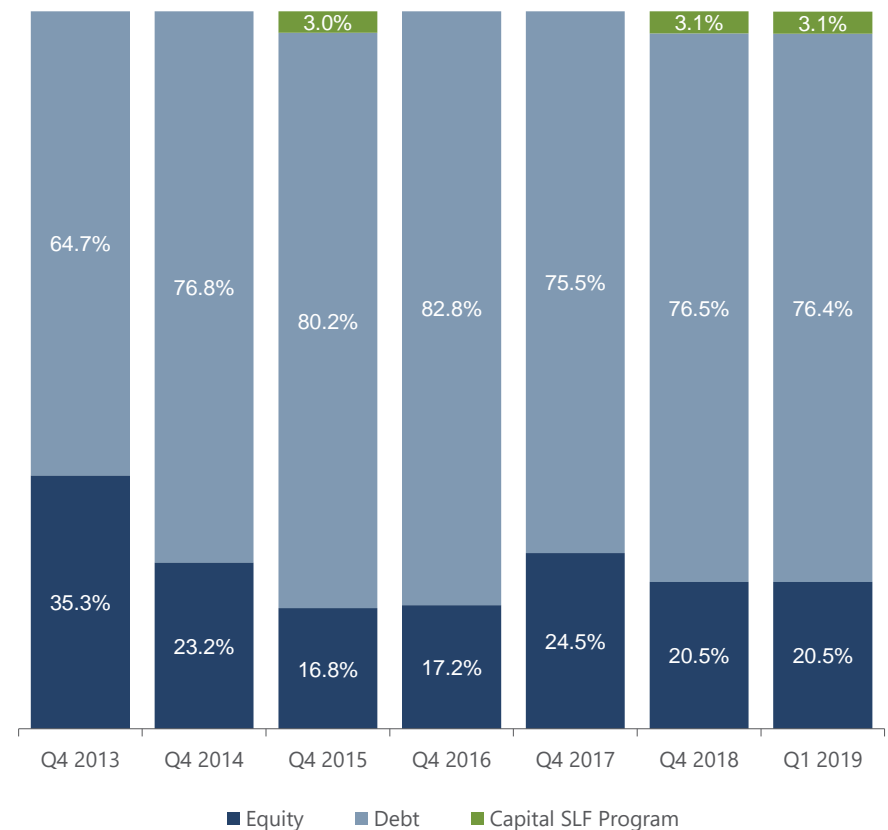
NAV UPSIDE POTENTIAL EQUITY PORTFOLIO OVERVIEW

(\$ in thousands)

Current Equity Investments⁽¹⁾

Company	\$ Cost Basis	\$ Fair Value	% of Investments at Fair Value
Nth Degree, Inc.	\$3,324	\$18,468	4.1%
Eastport Holdings, LLC	3,263	16,393	3.6%
US Well Services, Inc.	7,471	9,596	2.1%
Sierra Hamilton Holdings Corporation	6,958	6,629	1.5%
CableOrganizer Acquisition, LLC	9,121	5,373	1.2%
GA Communications, Inc.	3,252	4,840	1.1%
Navis Holdings, Inc	1,001	4,533	1.0%
US Bath Group, LLC	500	3,958	0.9%
City Gear, LLC	-	3,184	0.7%
Micro Precision, LLC	1,629	2,857	0.6%
LJS Partners, LLC	1,268	2,442	0.5%
Burke America Parts Group, LLC	5	2,287	0.5%
Currency Capital, LLC	2,000	2,000	0.4%
MMI Holdings, LLC	1,498	1,827	0.4%
CIS Secure Computing, Inc.	1,000	1,643	0.4%
Portrait Studio, LLC	2,450	1,589	0.3%
3 Bridge Solutions, LLC	1,080	1,230	0.3%
Xirgo Technologies, LLC	600	930	0.2%
RAM Payment, LLC	876	876	0.2%
Corporate Visions, Inc.	1,575	818	0.2%
Taylor Precision Products, Inc.	758	758	0.2%
U.S. BioTek Laboratories, LLC	515	509	0.1%
BigMouth, LLC	411	218	0.0%
Freedom Electronics, LLC	182	175	0.0%
AAE Acquisition, LLC	17	-	0.0%
Alternative Biomedical Solutions, LLC	800	-	0.0%
Burgaflex Holdings, LLC	1,804	-	0.0%
J&J Produce, Inc.	818	-	0.0%
Total	\$54,174	\$93,133	20.5%

Demonstrated Rotation Out of Equity Positions



Equity Cost Basis

15.2%	12.7%	9.0%	8.3%	11.1%	11.6%	12.8%
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(1) Current equity position details as of March 31, 2019.

Statements of Operations

(\$ in thousands, except per share data)

	Three Months Ended:							
	3/31/19 (unaudited)	12/31/18 (unaudited)	9/30/18 (unaudited)	6/30/18 (unaudited)	3/31/18 (unaudited)	12/31/17 (unaudited)	9/30/17 (unaudited)	6/30/17 (unaudited)
Investment Income								
Interest, PIK, and fees	\$11,327	\$11,063	\$11,430	\$11,752	\$12,503	\$11,463	\$11,641	\$12,203
Dividends	1,306	176	54	113	54	111	580	54
Other income	51	69	46	17	15	25	91	105
Total investment income	12,684	11,308	11,530	11,882	12,572	11,599	12,312	12,362
Expenses								
Interest and financing expense	4,413	4,269	4,320	4,331	4,364	4,100	4,585	5,488
Loss on extinguishment of debt	-	-	-	-	-	-	-	2,732
Management fees	2,118	2,178	2,254	2,314	2,303	2,344	2,417	2,505
Incentive fees, net of waivers	1,034	-	-	-	244	-	-	-
Other expenses	984	1,360	1,105	1,006	1,223	937	900	934
Total expenses	8,549	7,807	7,679	7,651	8,134	7,381	7,902	11,659
Net Investment Income	4,135	3,501	3,851	4,231	4,438	4,218	4,410	703
Net realized gain (loss) on investments	(5,847)	(14,626)	6,298	(22,622)	(3,855)	(23,439)	(10,283)	4,687
Net unrealized appreciation (depreciation)	1,495	1,193	(21,955)	21,994	(392)	17,261	2,780	(10,915)
Tax benefit (provision)	66	731	(110)	1,345	(50)	1,371	(2,660)	-
Net gain (loss) on investments, net of taxes	(4,286)	(12,702)	(15,767)	717	(4,297)	(4,807)	(10,163)	(6,228)
Net increase (decrease) in assets resulting from operations	(\$151)	(\$9,201)	(\$11,916)	\$4,948	\$141	(\$589)	(\$5,753)	(\$5,525)
Net investment income per share	\$0.26	\$0.22	\$0.24	\$0.26	\$0.28	\$0.26	\$0.28	\$0.04
Net realized gain (loss) per share	(\$0.36)	(\$0.91)	\$0.39	(\$1.42)	(\$0.24)	(\$1.47)	(\$0.65)	\$0.29
Net increase (decrease) in assets resulting from operations per share	(\$0.01)	(\$0.57)	(\$0.74)	\$0.31	\$0.01	(\$0.04)	(\$0.36)	(\$0.35)
Distributions declared during quarter	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.39	\$0.39

Statements of Assets & Liabilities

(\$ in thousands)

	3/31/19 (unaudited)	12/31/18 (audited)	9/30/18 (unaudited)	6/30/18 (unaudited)	3/31/18 (unaudited)	12/31/17 (audited)	9/30/17 (unaudited)	6/30/17 (unaudited)
Investments at fair value	\$455,390	\$448,927	\$439,421	\$483,261	\$503,722	\$499,939	\$471,106	\$486,975
Cash and cash equivalents	28,470	39,295	50,456	40,826	25,720	31,221	52,307	76,867
Other assets	4,618	4,943	4,323	3,770	3,422	3,435	4,811	3,974
Total assets	\$488,478	\$493,165	\$494,200	\$527,857	\$532,864	\$534,595	\$528,224	\$567,816
SBA debentures	\$148,596	\$164,012	\$163,858	\$168,705	\$168,554	\$168,400	\$168,246	\$168,092
2022 Notes	73,145	73,013	72,883	72,755	72,629	72,504	72,382	72,261
2022 Convertible Notes	50,913	50,829	50,746	50,665	50,584	50,505	50,430	50,363
Credit Facility	24,051	9,017	(1,021)	3,922	10,814	7,707	(1,096)	28,563
Other liabilities	5,039	5,650	4,138	12,493	12,079	13,592	11,955	10,537
Total liabilities	301,744	302,521	290,604	308,540	314,660	312,708	301,917	329,816
Net assets	186,734	190,644	203,596	219,317	218,204	221,887	226,307	238,000
Total liabilities and net assets	\$488,478	\$493,165	\$494,200	\$527,857	\$532,864	\$534,595	\$528,224	\$567,816
Number of portfolio investments	43	44	42	43	46	47	46	46
Leverage ratio-actual	1.62x	1.59x	1.44x	1.38x	1.42x	1.38x	1.32x	1.38x
Leverage ratio - regulatory	0.81x	0.72x	0.62x	0.60x	0.64x	0.61x	0.56x	0.66x
Average risk rating	1.82	1.82	1.83	1.95	1.91	1.91	1.94	2.01
Non-accrual loans at fair value	\$6,520	\$9,362	\$12,686	\$25,779	\$20,179	\$24,981	\$26,770	\$50,665

<p>Senior Management</p>	<p>Fiscal Year End</p>
<p>Joseph B. Alala, III <i>Chairman & CEO</i></p> <p>Peter Sherman <i>Chief Risk Officer, Investment Advisor</i></p> <p>Steve Arnall <i>CFO & COO</i></p> <p>Richard Wheelahan <i>CCO & General Counsel</i></p> <p>Kevin Koonts <i>Chief Accounting Officer</i></p>	<p>December 31</p> <p>Independent Auditor</p> <p>Ernst & Young LLP</p> <p>Corporate Counsel</p> <p>Eversheds Sutherland LLP</p>
<p>Board of Directors</p>	<p>Securities Listings</p>
<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)</p> <p>Nasdaq: CPTAL (notes)</p> <p>Nasdaq: CPTAG (convertible notes)</p> <p>Transfer Agent</p> <p>American Stock Transfer and Trust</p>
<p>Research Coverage</p>	<p>Corporate Headquarters & Website</p>
<p>Janney Mitchel Penn, CFA</p> <p>Jefferies John Hecht</p> <p>Keefe, Bruyette & Woods Ryan Lynch, CPA</p> <p>JMP Securities Christopher York</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 – \$8.70 Nasdaq: CPTAL – \$25.38 Nasdaq: CPTAG – \$25.20
Shares / Market Cap⁽¹⁾:	16.0 million / \$139.9 million
Portfolio Fair Value⁽²⁾:	\$455.4 million (excluding cash); \$488.5 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⁾:	12.1%
Annualized Distribution:	11.5% implied annual distribution yield ⁽⁴⁾
Management Ownership⁽¹⁾:	Approximately \$11.5 million (8.6%)
Management Fee:	Base fee of 1.75% of gross assets
Incentive Fee⁽⁵⁾:	(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 3, 2019. Total shares outstanding as of March 31, 2019.

(2) As of March 31, 2019.

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

(4) Calculated as annualized monthly distributions of \$0.0833 / share divided by May 3, 2019 closing price of \$8.70 / share.

(5) Please reference most recent Form 10-Q filed on May 6, 2019 for additional detail related to incentive fee.

Capitala Finance Corp.

Common stock: Nasdaq:CPTA

Notes: Nasdaq:CPTAL

Convertible Notes: Nasdaq:CPTAG

Q1 2019