

# Medley Capital Corporation (NYSE: MCC)

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*Investor Presentation*

*Quarter Ended September 30, 2016*

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## Important Notice

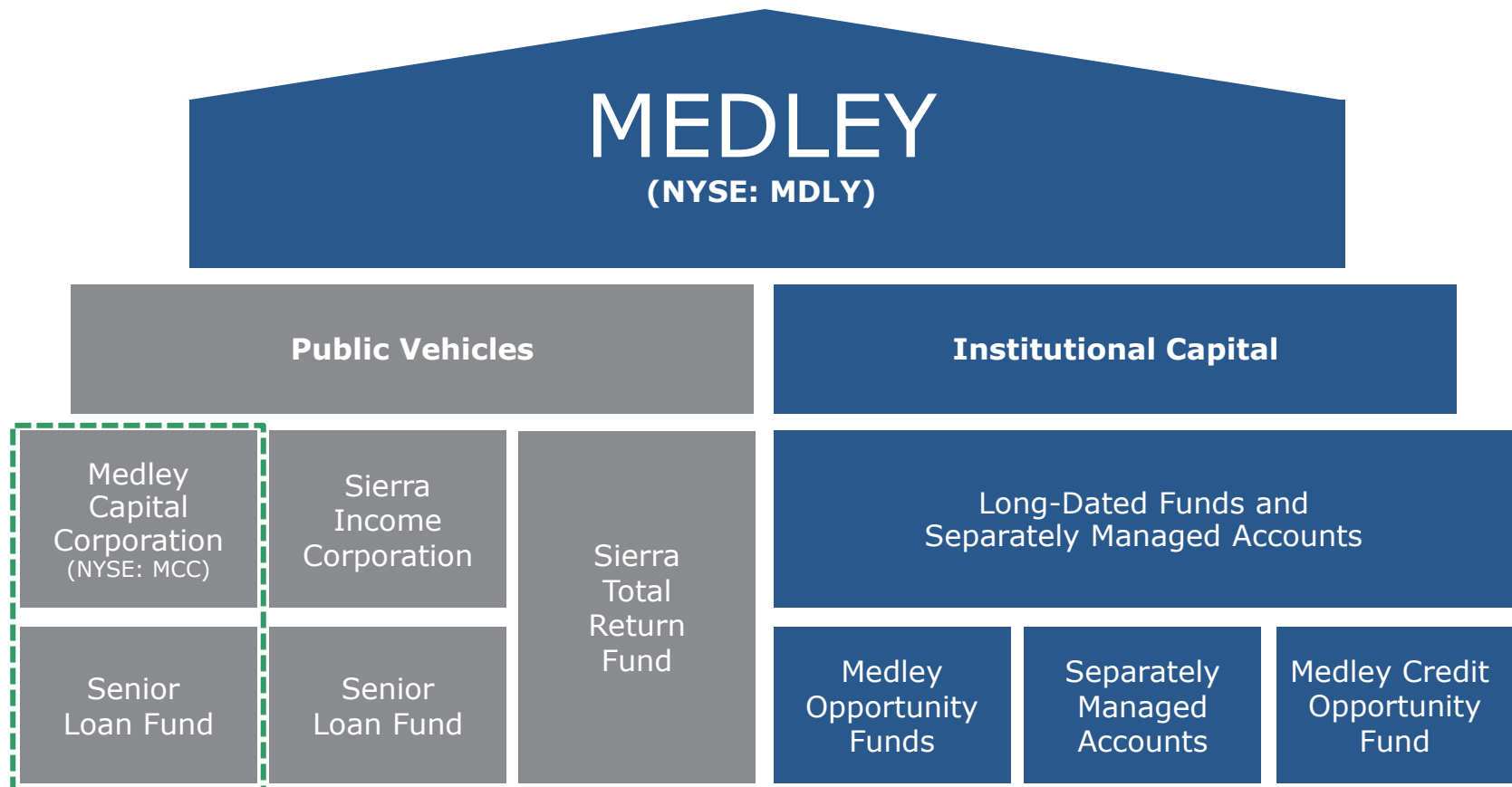
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## Diversified AUM Across Multiple Funds

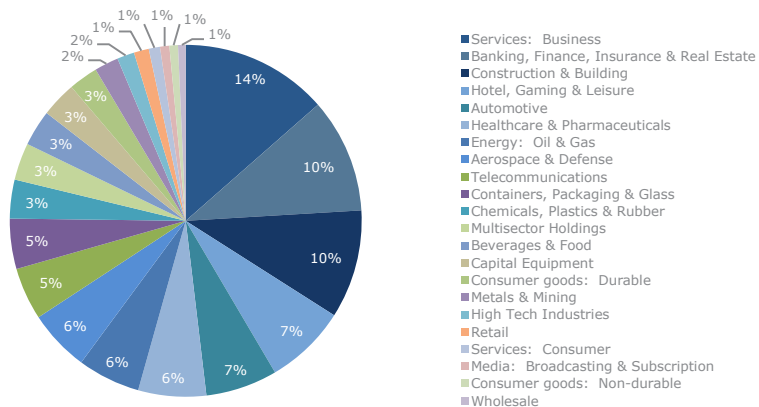
- Broad distribution through public and private vehicles
- Permanent capital, long-dated funds and managed accounts not subject to traditional outflows



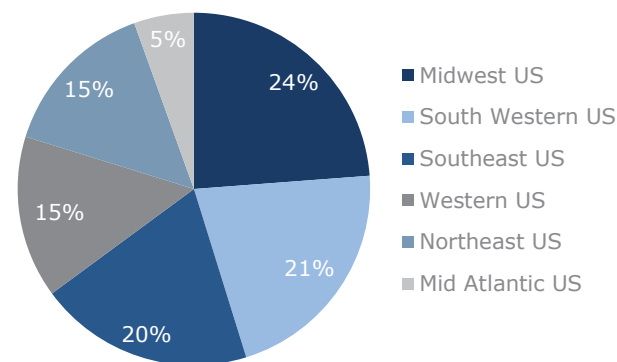
# Highly Diversified Senior Secured Floating Rate Portfolio

- MCC has a diversified portfolio of 58 companies with a 11.8% weighted average yield<sup>1</sup>

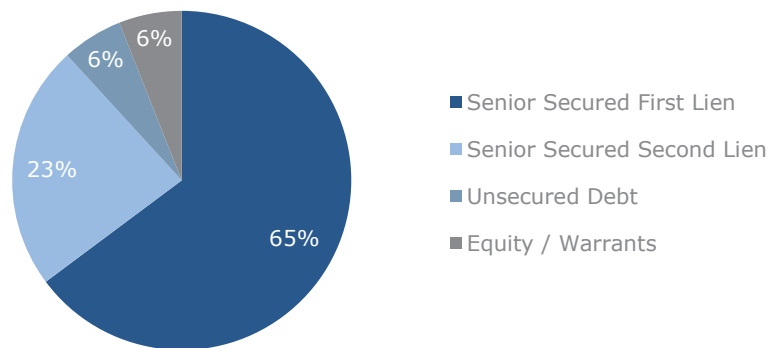
### Industry



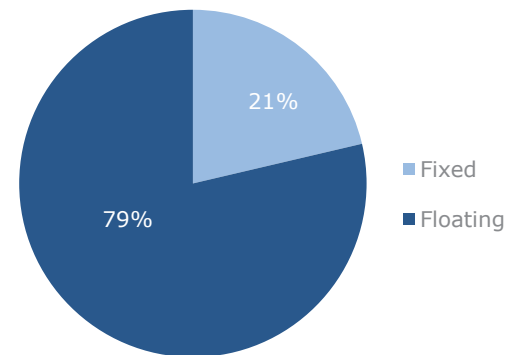
### Geography <sup>2</sup>



### Investment Type



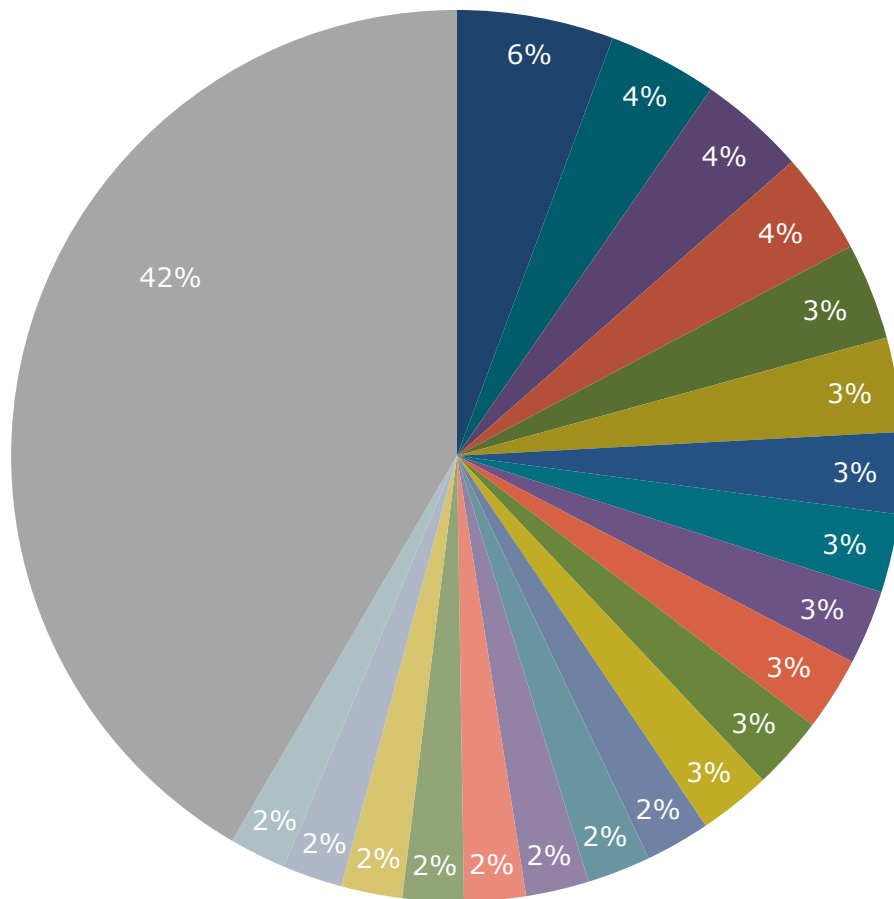
### Floating vs Fixed Rate



Note: Portfolio data as of 9/30/2016 based on fair market value. Numbers may not foot due to rounding.

- Represents annualized portfolio yield to maturity, excluding fees, while utilizing industry standard forward LIBOR curve assumptions.
- MCC does not have exposure to international investments.

# Portfolio by Issuer



## Top 20 Investments: 58%

- Harrison Gypsum LLC
- DHISCO Electronic Distribution, Inc.
- Nation Safe Drivers Holdings, Inc.
- Omnivere LLC
- Merchant Cash and Capital LLC
- MCC Senior Loan Strategy JV I LLC
- Accupac, Inc.
- NCM Group Holdings LLC
- Nielsen & Bainbridge LLC
- Seotowncenter, Inc.
- DLR Restaurants LLC
- AAR Intermediate Holdings LLC
- The Plastics Group Acquisition Corp
- Northstar Aerospace, Inc.
- Capstone Nutrition
- Jordan Reses Supply Company LLC
- Oxford Mining Company LLC
- JD Norman Industries, Inc.
- United Road Towing Inc
- Transtelco, Inc.
- Other

Note: Portfolio includes 58 total issuers; the 42% of Portfolio Issuer Concentration represents 38 MCC borrowers. Data as of 9/30/2016.

## Well Positioned for a Rising Rate Environment

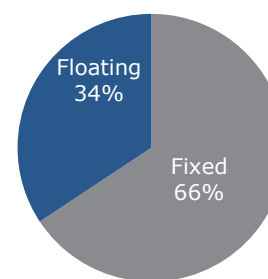
- MCC is well positioned for a rising interest rate environment
- 79% of the portfolio is floating rate
- 64% of liabilities are fixed rate
- Favorable asset & liability mix
  - The weighted average maturity of assets is 3.2 years
  - The weighted average maturity of liabilities is 5.7 years

Basis Point Change	Interest Income Change	Interest Expense Change	NII Change	% NII Change
100	\$3,900	\$1,900	\$2,000	3.7%
200	9,700	3,800	5,900	10.8%
300	17,200	5,600	11,600	21.2%
400	24,600	7,500	17,100	31.2%
500	30,100	9,400	20,700	37.8%

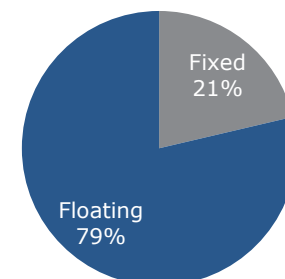
Note: Metrics in thousands of USD. Data as of 9/30/2016.

### Assets

12/31/2011

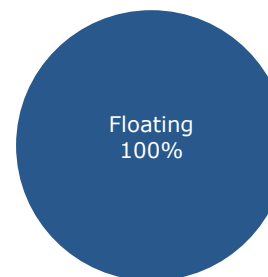


9/30/2016

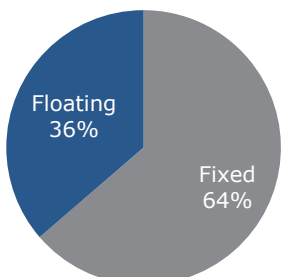


### Liabilities

12/31/2011

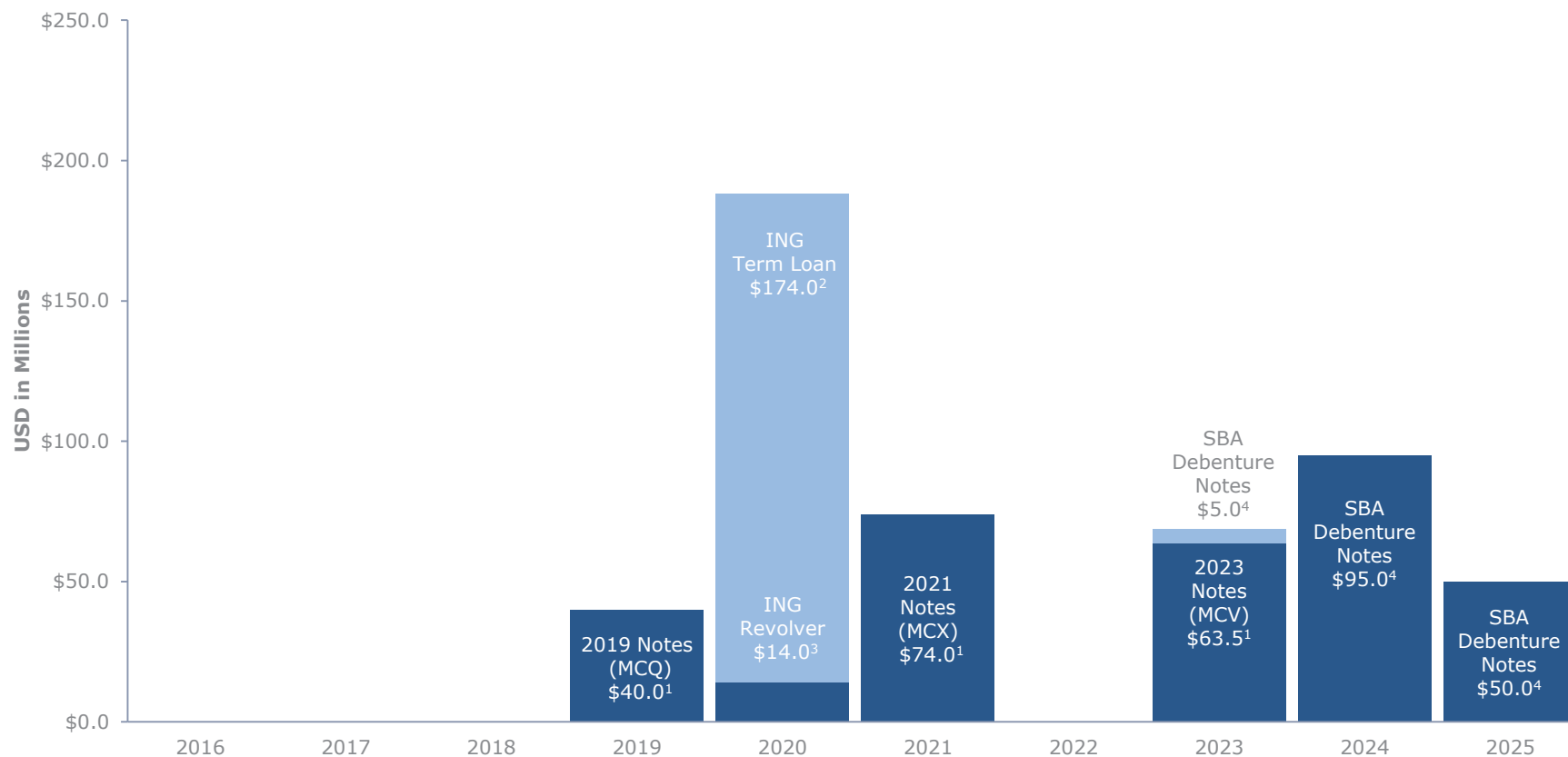


9/30/2016



# Debt Maturity Profile

- MCC's liabilities are well diversified with a staggered debt maturity profile



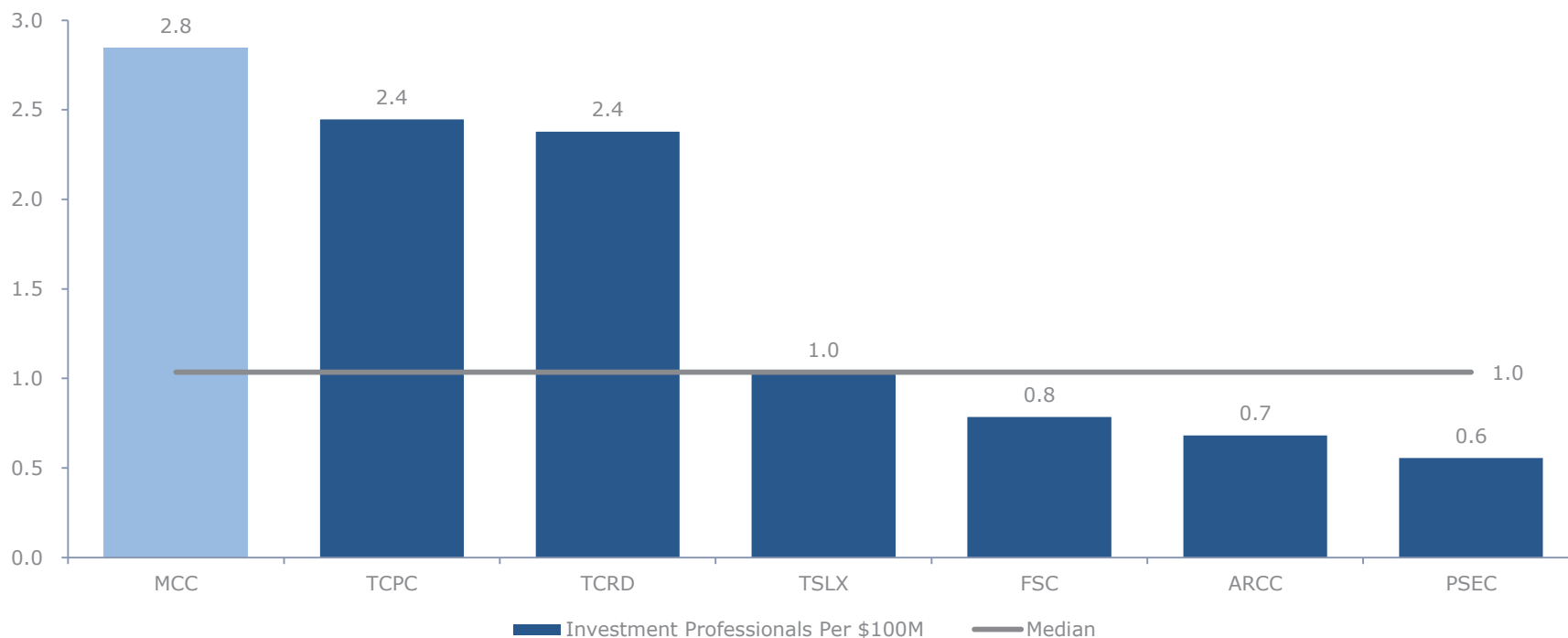
Note: As of 9/30/2016.

- \$4.6 million aggregate difference in total Unsecured Notes from the balance sheet is a result of recently adopted debt issuance cost accounting standards.
- \$2.2 million aggregate difference in total ING Term Loan from the balance sheet is a result of recently adopted debt issuance cost accounting standards.
- \$3.6 million aggregate difference in total Revolving Credit Facility from the balance sheet is a result of recently adopted debt issuance cost accounting standards.
- \$3.5 million aggregate difference in total SBA Debenture Notes from the balance sheet is a result of recently adopted debt issuance cost accounting standards.

## Comparable Headcount to AUM

- Medley has made a significant investment to build out the team to support origination and asset management

### Number of Investment Professionals Per \$100M in AUM <sup>1</sup>



1. Based on professionals stated on each company's website. Does not include Associates and Analysts. Employee data as of 12/8/2016. BDC portfolio data as of the most recent publicly available information.

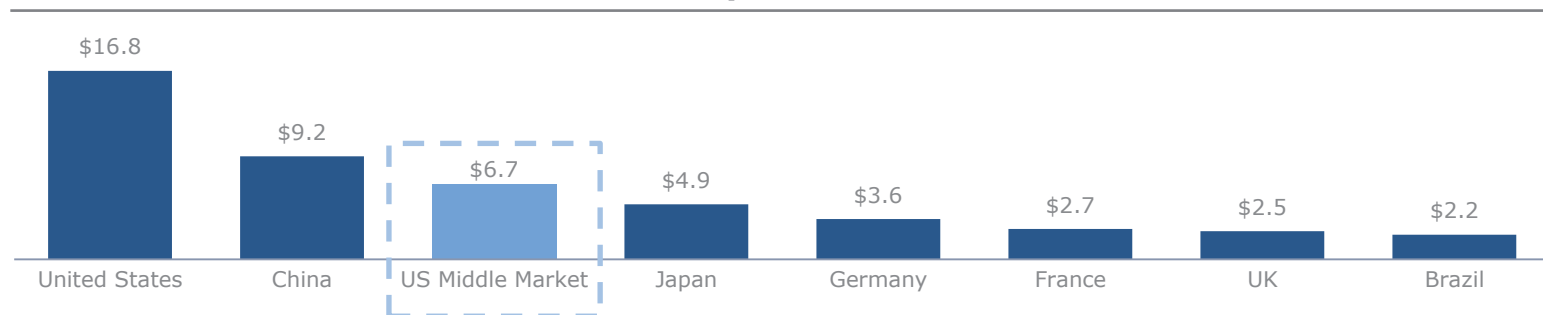


# Attractive Industry Dynamics

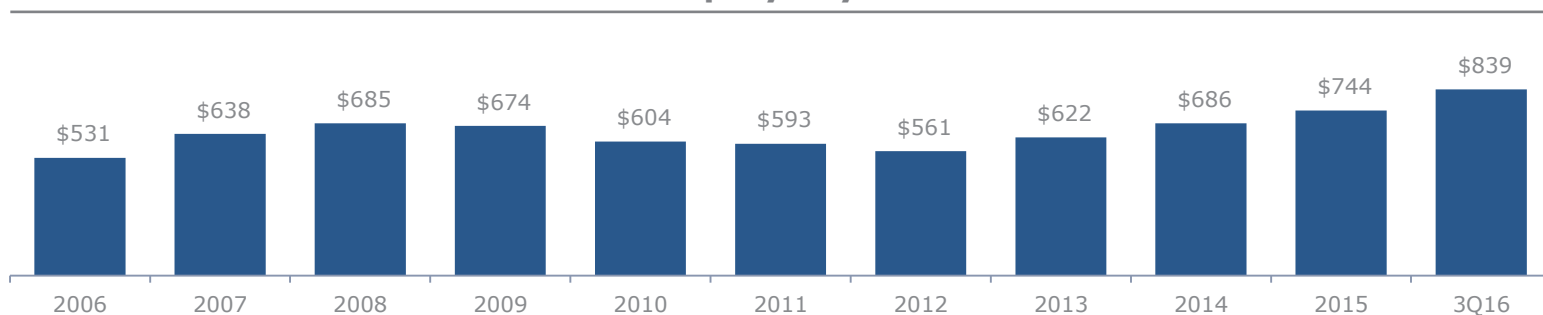
## Middle Market Opportunity – Large Target Market

- Standalone US middle market would rank as the 3rd largest global economy
- Private equity dry powder continues to be elevated at all-time highs

**Top GDPs <sup>1</sup>**



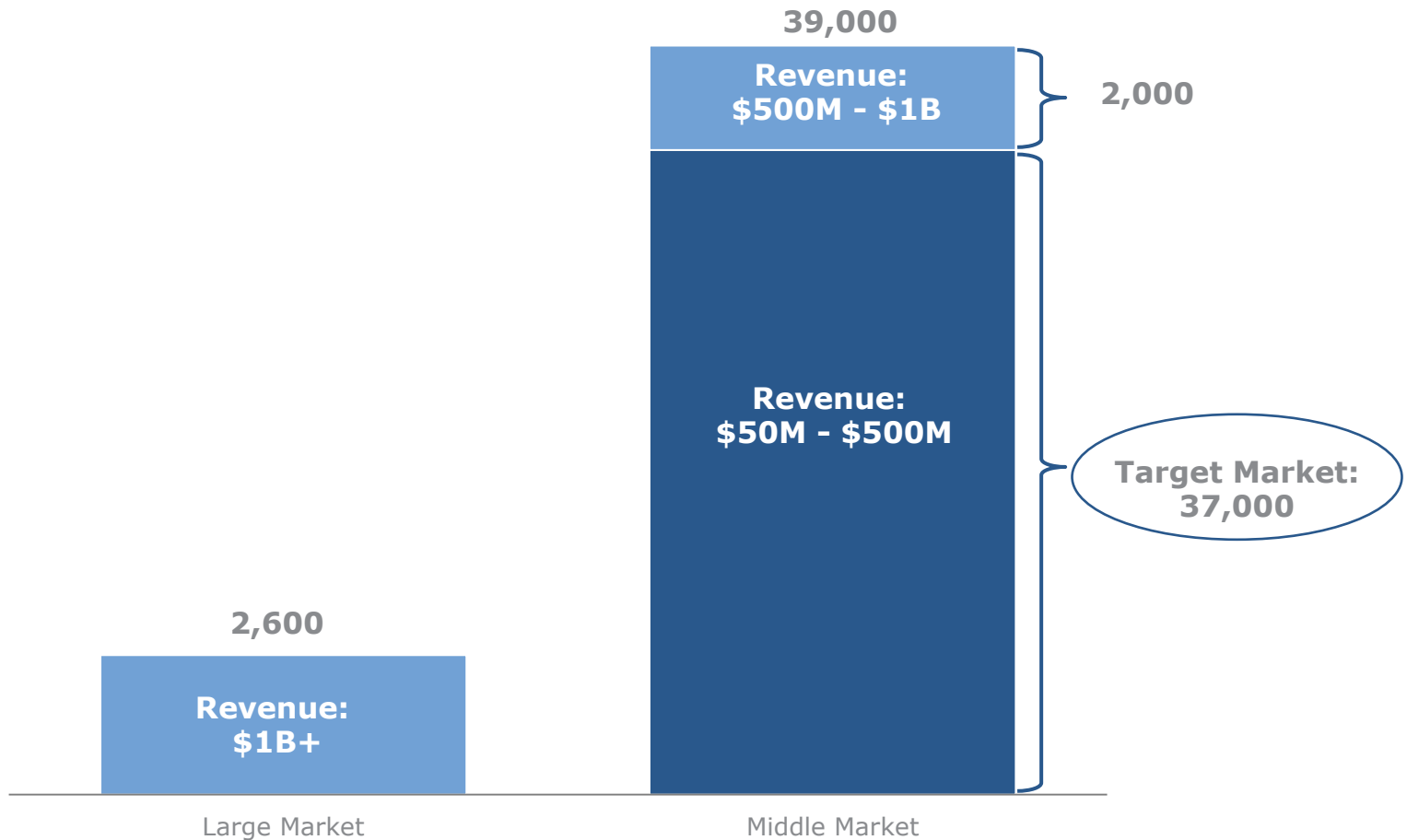
**Private Equity Dry Powder <sup>2</sup>**



1. International Monetary Fund, World Economic Outlook Database, June 2014. Metrics in trillions of USD.  
 2. Preqin Private Debt Q3 2016 Quarterly Update. Metrics in billions of USD.

# The Opportunity – Large Number of Borrowers

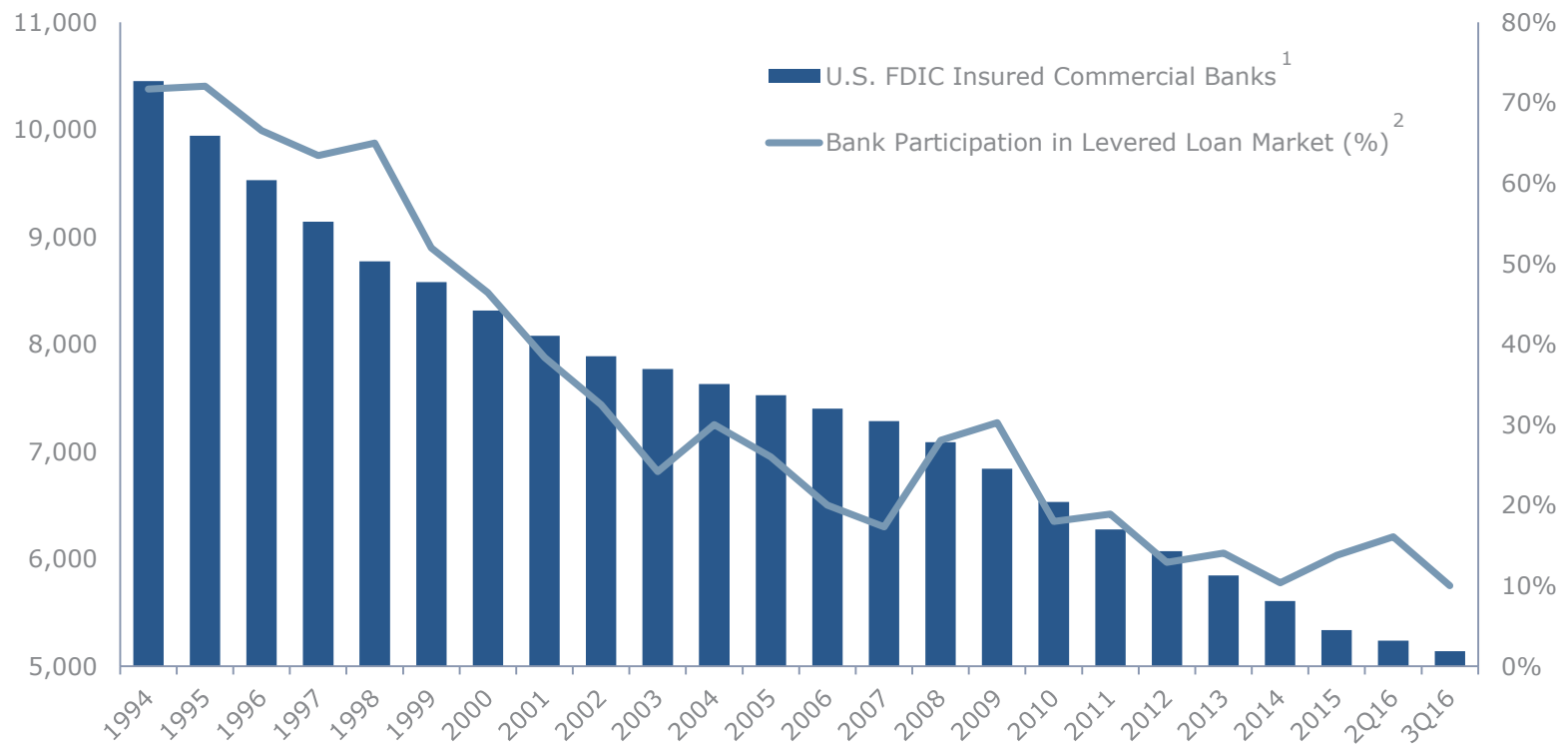
**Number of Businesses by Market <sup>1</sup>**



1. U.S. Census Bureau, 2007 Economic Census.

# Powerful Secular Trends in the Banking Landscape

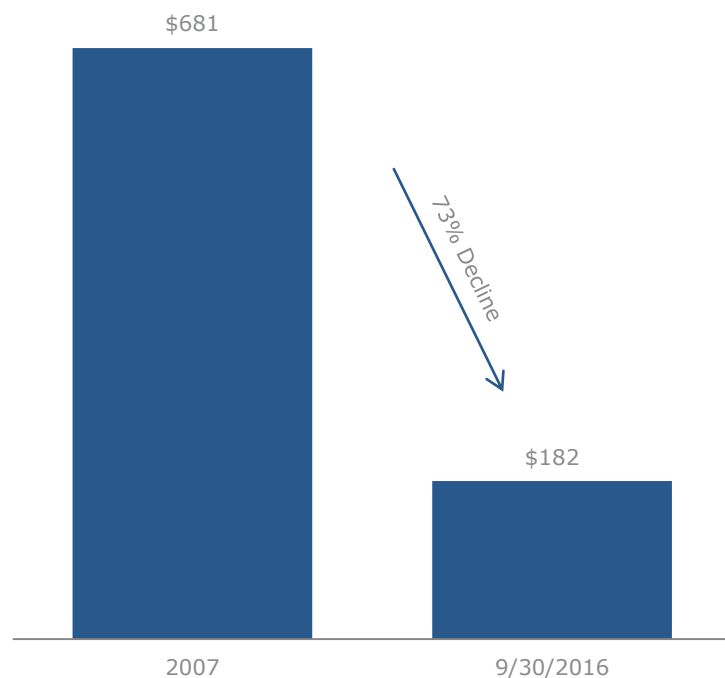
- Banks continue to shift toward large borrowers
- Regulatory environment is a headwind for banks in the middle-market



1. Federal Deposit Insurance Corporation, represents number of commercial banking institutions insured by the FDIC as of 9/30/2016.  
 2. S&P LCD's Leveraged Lending Review - 3Q16.

# Regulatory Pressure Continues for Banks

## Level 3 Assets for Financial Firms <sup>1</sup>



## Total Assets of Publicly Traded BDCs <sup>2</sup>



1. Financial firms include: BAC, C, CS, DB, GS, JPM, MS, WFC, Bear Stearns, Countrywide Financial, Merrill Lynch & Washington Mutual. Metrics in billions of USD. Financial information as of 9/30/2016.

2. BDCs include: ACAS, ACSF, AINV, ARCC, BKCC, CMFN, CPTA, FDUS, FSC, FSIC, FSFR, GAIN, GARS, GBDC, GLAD, GSVC, HCAP, HRZN, HTCG, KCAP, KIPO, MAIN, MCC, MCGC, MRCC, MVC, NGPC, NMFC, OFS, PFLT, PNNT, PSEC, SAR, SCM, SLRC, SUNS, TCAP, TCPC, TCRD, TICC, TINY, TPVG, TSLX and WHF. Metrics in billions of USD. Total assets as of 9/30/2016, with the exception of FSFR, GBDC, SAR, MCGC, and MVC which are as of 6/30/2016, 6/30/2016, 8/31/2016, 6/30/2015, and 7/31/2015, respectively.

# MCC Financial Results

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## Performance Overview

- Net asset value of \$9.49 per share for the quarter ending 9/30/2016
- Net investment income of \$0.23 per share for the quarter ending 9/30/2016
- Quarterly dividend of \$0.22 per share for the quarter ending 9/30/2016
- 11.8% portfolio yield as of 9/30/2016<sup>1</sup>
- Total debt/credit facility commitments of \$845.0 million
- Since initiation of the share buyback program, MCC has repurchased 4,259,073 shares totaling \$34.1M
- Funded \$32.1M in the MCC SLS JV through the quarter ending 9/30/2016

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1. Represents annualized portfolio yield to maturity, excluding fees, while utilizing industry standard forward LIBOR curve assumptions.

# Financial & Portfolio Highlights

## Financial Highlights

	9/30/16	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15
Net investment income per share	\$ 0.23	\$ 0.20	\$ 0.26	\$ 0.28	\$ 0.31	\$ 0.30	\$ 0.30
Net realized gains (losses)	(0.29)	(0.53)	-	0.10	(0.74)	(0.16)	(0.16)
Net unrealized gains (losses)	(0.01)	0.59	(0.25)	(1.07)	0.13	0.01	0.07
Provision for taxes on unrealized per share	0.01	-	-	(0.01)	-	-	(0.01)
Net income per share <sup>1</sup>	(0.06)	0.26	0.01	(0.70)	(0.29)	0.14	0.20
Net asset value per share	9.49	9.76	9.80	10.01	11.00	11.53	11.68

## Portfolio Highlights

- \$914.2 million total fair value of investments as of September 30, 2016
- \$10.1 million gross originations during quarter ended September 30, 2016
- \$126.1 million repayments and exits during quarter ended September 30, 2016
- \$116.0 million net repayments during quarter ended September 30, 2016

## Asset Mix by Investment Type

Asset Class	9/30/16	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15
Senior Secured 1st Lien	64.8%	60.7%	61.4%	59.7%	60.2%	62.2%	62.3%
Senior Secured 2nd Lien	23.4%	28.4%	28.6%	30.9%	30.6%	30.3%	30.4%
Unsecured Debt	5.8%	5.3%	5.1%	3.9%	3.7%	3.2%	3.2%
Equity/Warrants	6.0%	5.6%	4.9%	5.5%	5.5%	4.3%	4.1%

## Asset Mix by Rating

Rating	9/30/16	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15
1	12.3%	14.4%	10.9%	8.6%	12.0%	10.7%	9.0%
2	60.6%	63.8%	70.7%	80.7%	78.0%	84.7%	85.8%
3	18.7%	17.2%	17.5%	9.8%	10.0%	3.6%	3.4%
4	7.2%	3.7%	-	-	-	-	0.5%
5	1.2%	0.9%	0.9%	0.9%	-	1.0%	1.3%

1. May not foot due to rounding.



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## Key Initiatives to Drive Shareholder Value at MCC

- 1 \$50M stock buyback program
- 2 Management company has purchased 1.7M shares of MCC stock YTD
- 3 Reduced fees and implemented netting with a three year look-back
- 4 Maintained investment grade ratings
- 5 Increased allocation to floating rate loans (currently 79%)
- 6 Increased long-term fixed rate liabilities (currently 64%)

## MCC Presents an Attractive Investment Opportunity

- Attractive dividend yield with lower leverage levels vs. other yield oriented asset classes

	<u>Price / NAV</u>	<u>Dividend Yield</u> <sup>1</sup>	<u>Leverage</u> <sup>2</sup>
MCC	0.81x	11.5%	0.69x
BDCs <sup>3</sup>	0.97x	9.7%	0.71x
REITs <sup>4</sup>	2.66x	3.2%	1.13x
MLPs <sup>5</sup>	2.48x	8.4%	1.55x
Banks <sup>6</sup>	1.20x	2.4%	7.30x

Note: Market data as of 12/8/2016.

1. Dividend yields based upon the most recently declared dividend, annualized to reflect the closing share price as of 12/8/2016. Annualized dividend per share does not include special dividends.
2. MCC and BDC leverage calculated as total debt less SBIC debt divided by total book value. Bank leverage includes deposits.
3. BDCs include: AINV, ARCC, FSC, FSIC, GBDC, NMFC, PSEC, PNNT, TCPC, TCRD and TSLX. All BDC data as of 9/30/2016.
4. REITs include: SPG, PSA, HCP, VTR, EQR, BXP, PLD, VNO, AVB and HCN. All REITs as of 9/30/2016.
5. MLPs include: OKS, PAA, BPL, DPM, NMM and EEP. All MLPs as of 9/30/2016.
6. Banks include: BAC, C, WFC, JPM, USB, STI, MTB, COF, CMA, HBAN, PNC, ZION, KEY, RF and FITB. All Banks as of 9/30/2016.

## Select Financial & Portfolio Information

As of and for the Three Months Ended  
(dollars in millions, except per share data)

	9/30/16	6/30/16	3/31/16	12/31/15	9/30/15
Net investment income per share - basic & diluted	\$ 0.23	\$ 0.20	\$ 0.26	\$ 0.28	\$ 0.31
Net realized and unrealized gains per share - basic & diluted <sup>1</sup>	(0.29)	0.06	(0.25)	(0.98)	(0.60)
GAAP EPS - basic & diluted <sup>2</sup>	(0.06)	0.26	0.01	(0.70)	(0.29)
Dividend declared per share	0.22	0.22	0.30	0.30	0.30
Stockholders' equity	\$ 516.9	\$ 534.4	\$ 536.8	\$ 562.7	\$ 619.9
Net asset value per share	9.49	9.76	9.80	10.01	11.00
Market Capitalization <sup>3</sup>	\$ 415.6	\$ 366.9	\$ 361.4	\$ 422.6	\$ 419.1
Common stock data:					
High Price <sup>4</sup>	\$ 7.77	\$ 6.95	\$ 7.74	\$ 8.16	\$ 9.19
Low Price <sup>4</sup>	7.05	6.26	5.37	7.01	7.41
Closing Price	7.63	6.70	6.60	7.52	7.44
Investments at fair value	\$ 914.2	\$ 1,042.5	\$ 1,036.1	\$ 1,115.1	\$ 1,216.1
% Floating Rate <sup>5</sup>	78.7%	78.2%	78.5%	79.3%	78.8%
% Fixed Rate <sup>5</sup>	21.3%	21.8%	21.5%	20.7%	21.2%
Number of Portfolio Companies	58	63	65	68	72
Gross originations for the quarter	\$ 10.1	\$ 11.7	\$ 29.1	\$ 43.6	\$ 77.7
Realizations/amortizations for the quarter	126.1	12.1	97.9	94.6	34.5
Net originations/(realizations) for the quarter	(116.0)	(0.4)	(68.8)	(51.0)	43.2

Note: Basic and diluted per share data reflects weighted average common shares outstanding of 54,747,189 as of 9/30/16, 54,763,411 as of 6/30/16, 55,761,062 as of 3/31/16, 56,300,067 as of 12/31/15 and 57,032,056 as of 9/30/15.

1. Inclusive of change in provision for taxes of (\$485,817) for the quarter ended 9/30/16, \$40,378 for the quarter ended 6/30/16, \$133,490 for the quarter ended 3/31/16, \$224,616 for the quarter ended 12/31/15 and (\$716,832) for the quarter ended 9/30/15.
2. May not foot due to rounding.
3. Reflects common shares outstanding of 54,474,211 and a closing price of \$7.77, 54,763,411 and a closing price of \$6.70 as of 6/30/2016, 54,763,411 and a closing price of \$6.60 as of 3/31/2016, 56,193,803 and a closing price of \$7.52 as of 12/31/15, 56,337,152 and a closing price of \$7.44 as of 9/30/15.
4. Reflects the high and low closing share price during the periods ended 9/30/16, 6/30/16, 3/31/16, 12/31/15 and 9/30/15.
5. Based on income bearing investments.

# Balance Sheet

As of  
(dollars in thousands, except per share data)

	9/30/16	6/30/16	3/31/16	12/31/15	9/30/15
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>ASSETS</b>					
Investments at fair value					
Non-control/non-affiliate investments	\$ 767,302	\$ 920,130	\$ 932,054	\$ 1,012,559	\$ 1,131,894
Control investments	136,882	112,361	94,036	92,565	74,198
Affiliate investments	10,000	10,000	10,000	10,000	10,000
Total investments at fair value	\$ 914,184	\$ 1,042,491	\$ 1,036,090	\$ 1,115,124	\$ 1,216,092
Cash and cash equivalents	104,485	11,853	12,707	24,113	15,714
Interest receivable	8,982	8,287	9,966	8,719	9,543
Receivable for paydown of investments	689	778	394	1,143	579
Other assets	2,540	3,640	2,879	2,740	2,154
<b>TOTAL ASSETS<sup>1</sup></b>	<b>\$ 1,030,880</b>	<b>\$ 1,067,049</b>	<b>\$ 1,062,036</b>	<b>\$ 1,151,839</b>	<b>\$ 1,244,082</b>
<b>LIABILITIES</b>					
Revolving credit facility payable <sup>1</sup>	\$ 10,410	\$ 24,608	\$ 21,782	\$ 85,348	\$ 188,540
Term loan payable <sup>1</sup>	171,803	172,017	171,864	171,707	171,563
Notes payable <sup>1</sup>	172,883	172,635	172,374	169,185	101,175
SBA debentures payable <sup>1</sup>	146,475	146,304	146,134	145,965	145,794
Management and incentive fees payable, net	4,559	7,591	5,902	9,263	9,963
Interest and fees payable	1,714	3,110	1,832	2,592	1,314
Accounts payable, accrued expenses and other liabilities	6,117	6,419	5,376	5,064	5,813
<b>TOTAL LIABILITIES<sup>1</sup></b>	<b>\$ 513,961</b>	<b>\$ 532,684</b>	<b>\$ 525,264</b>	<b>\$ 589,124</b>	<b>\$ 624,162</b>
<b>NET ASSETS</b>					
Common stock, par value \$.001 per share, 100,000,000 common shares authorized, 54,474,211 common shares issued and outstanding as of September 30, 2016	\$ 54	\$ 55	\$ 55	\$ 56	\$ 56
Capital in excess of par value	705,326	707,496	707,496	717,141	718,241
Accumulated undistributed net investment income	10,812	11,472	16,947	19,117	20,352
Accumulated undistributed net realized gain (loss) from investments	(99,000)	(84,325)	(55,148)	(55,248)	(60,626)
Net unrealized appreciation (depreciation) on investments	(100,273)	(100,333)	(132,578)	(118,351)	(58,103)
Total net assets	516,919	534,365	536,772	562,715	619,920
<b>TOTAL LIABILITIES AND NET ASSETS<sup>1</sup></b>	<b>\$ 1,030,880</b>	<b>\$ 1,067,049</b>	<b>\$ 1,062,036</b>	<b>\$ 1,151,839</b>	<b>\$ 1,244,082</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 9.49</b>	<b>\$ 9.76</b>	<b>\$ 9.80</b>	<b>\$ 10.01</b>	<b>\$ 11.00</b>

1. On January 1, 2016, we adopted Accounting Standards Update ("ASU") 2015-03 which requires that debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from the carrying amount of the debt liability rather than as an asset. Adoption of ASU 2015-03 requires the changes to be applied retrospectively.

# Corporate Information

## Board of Directors

BROOK TAUBE  
Chairman & Chief Executive Officer

SETH TAUBE  
Director

JEFF TONKEL  
Director

ARTHUR AINSBERG  
Independent Director

JOHN E. MACK  
Independent Director

KARIN HIRTLER-GARVEY  
Independent Director

ROBERT LYONS  
Independent Director

## Corporate Officers

BROOK TAUBE  
Chairman & Chief Executive Officer

RICHARD T. ALLORTO, JR.  
Chief Financial Officer & Secretary

JOHN FREDERICKS  
Chief Compliance Officer

## Research Coverage

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JANNEY CAPITAL MARKETS  
Mitchel Penn, CFA – (410)-583-5976

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JMP SECURITIES  
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Ryan Lynch – (314)-342-2918

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Mickey Schleien – (305)-572-4131

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Management  
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Washington, DC

## Independent Registered Public Accounting Firm

ERNST & YOUNG, LLP  
New York, NY

## Securities Listing

NYSE: MCC (Common Stock)  
MCQ (Senior Notes Due 2019)  
MCX (Senior Notes Due 2021)  
MCV (Senior Notes Due 2023)

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