

# Medley Capital Corporation (NYSE: MCC)

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*Investor Presentation*

*Quarter Ended December 31, 2018*

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## Important Notice

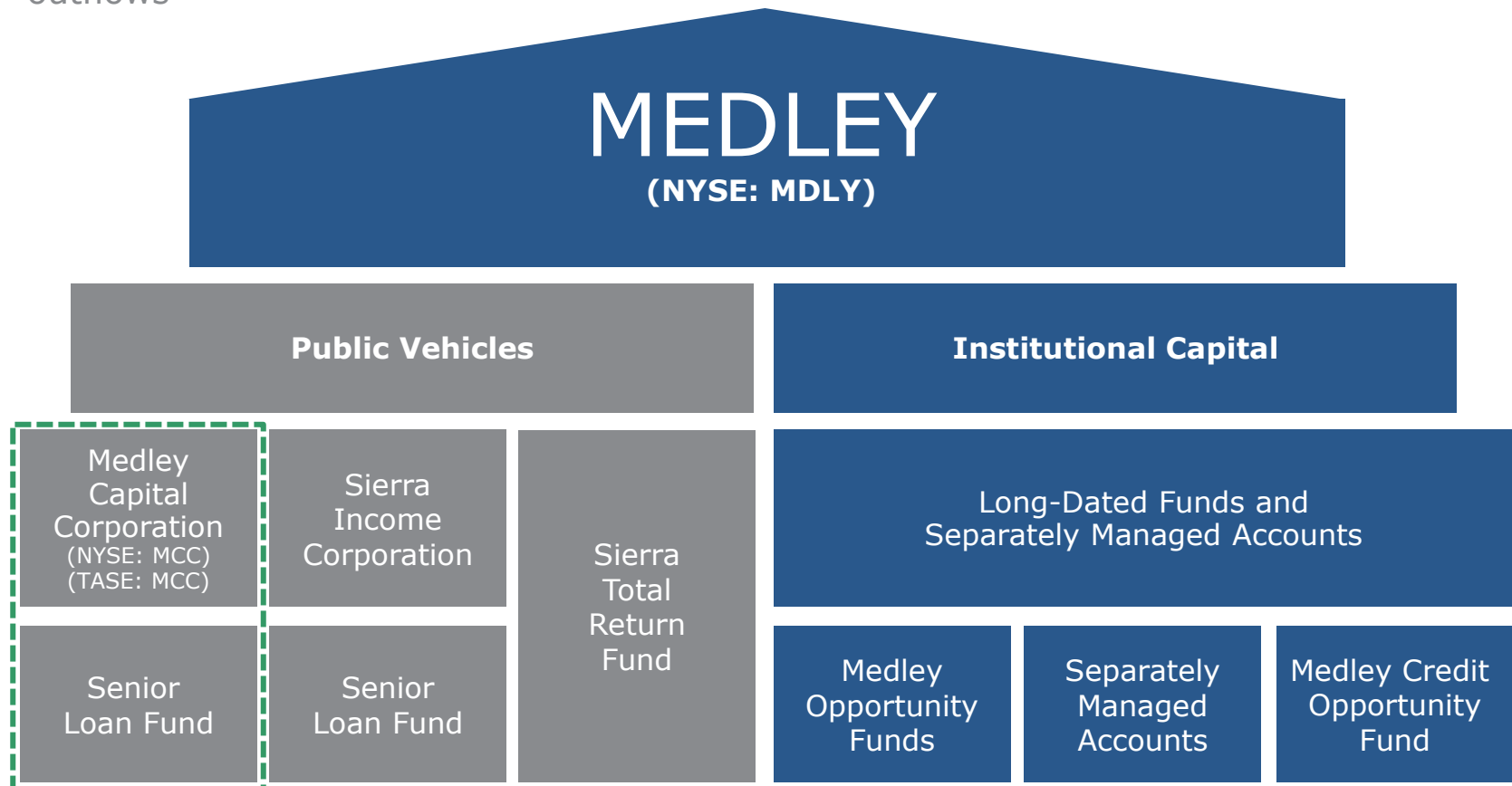
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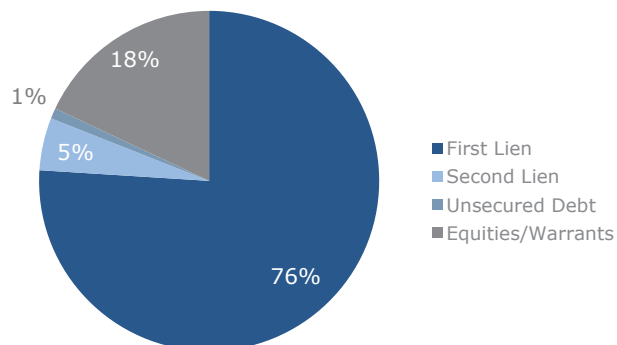
## Diversified AUM Across Multiple Funds

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

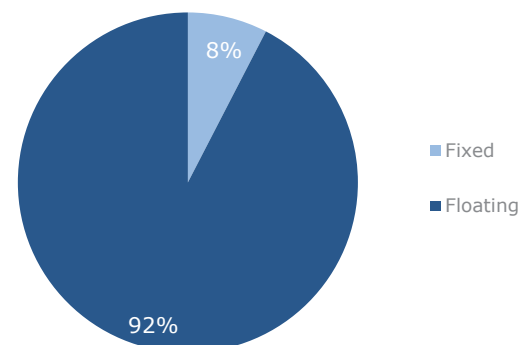


# Diversified Senior Secured Floating Rate Portfolio

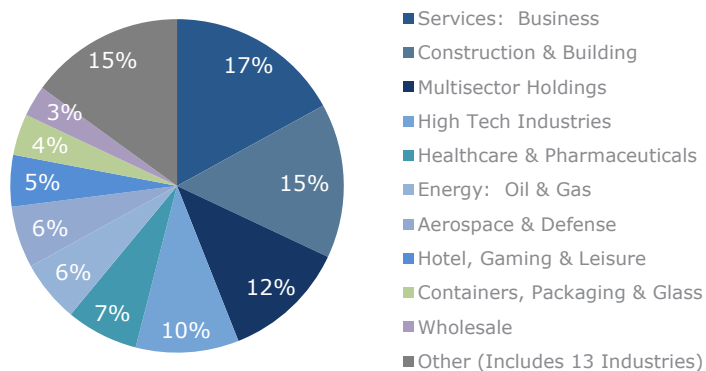
## Investment Type<sup>1</sup>



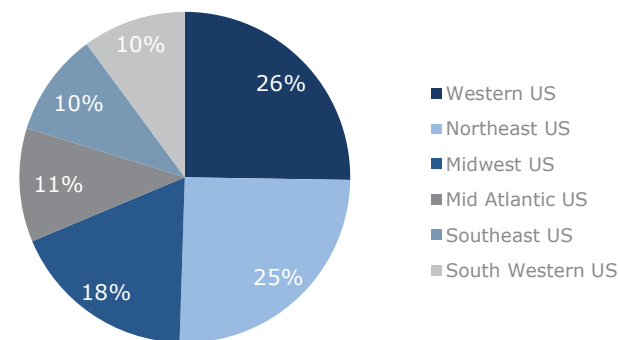
## Floating vs Fixed Rate<sup>2</sup>



## Industry



## Geography

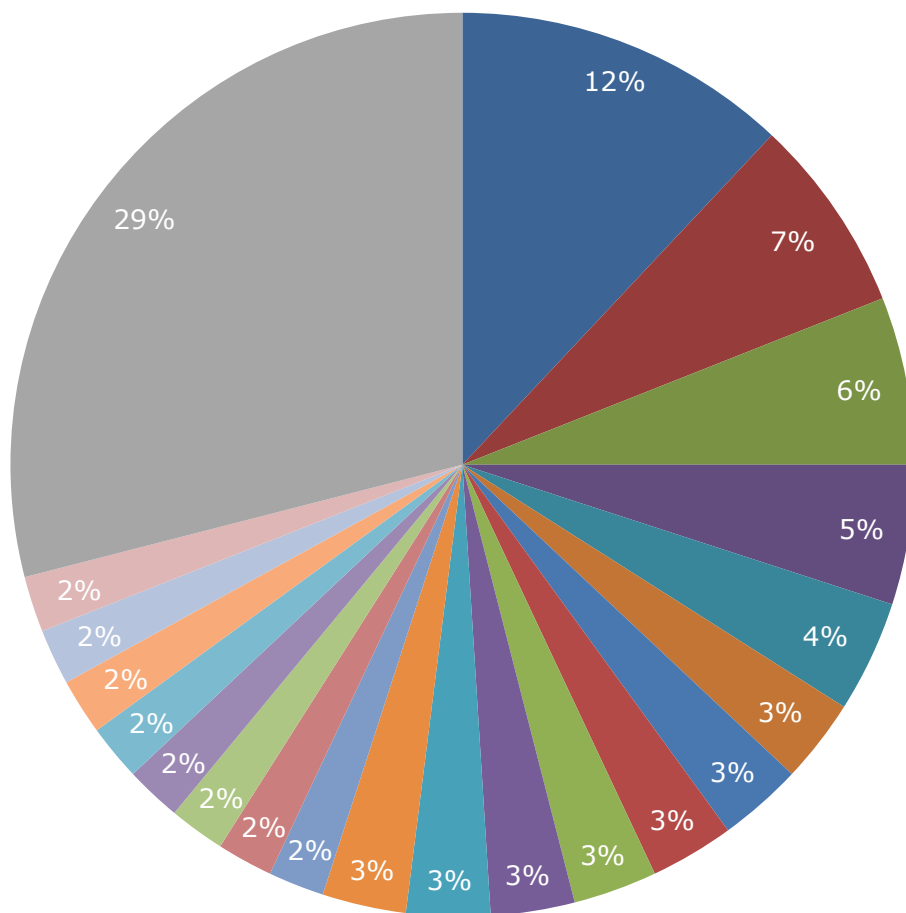


Note: Portfolio data as of 12/31/18 based on fair market value. Numbers may not foot due to rounding. Past performance is not indicative of future results.

1. MCC SLS JV equity is categorized as First Lien.

2. Based on income bearing investments; excludes preferred and common equity.

# Portfolio by Issuer



## Top 20 Investments: 71%

- MCC Senior Loan Strategy JV I LLC
- JFL-NGS Partners, LLC
- URT Acquisition Holdings Corporation
- 1888 Industrial Services, LLC
- NVTN LLC
- Capstone Nutrition
- Vail Holdco Corp
- Alpine SG, LLC
- Heligear Acquisition Co.
- L & S Plumbing Partnership, Ltd.
- RMS Holding Company, LLC
- 3SI Security Systems, Inc.
- DataOnline Corp.
- Walker Edison Furniture Company LLC
- AutosplICE, Inc.
- Impact Sales, LLC
- Crow Precision Components, LLC
- SFP Holding, Inc.
- InterFlex Acquisition Company, LLC
- Redwood Services Group, LLC
- Other

Note: Portfolio includes 62 total issuers; the 29% of Portfolio Issuer Concentration represents 42 MCC borrowers.

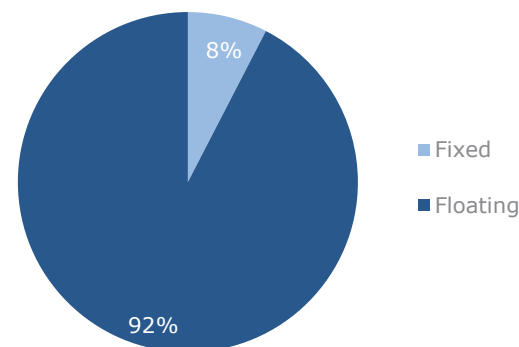
## Well Positioned for a Rising Rate Environment

- MCC is well positioned for a rising interest rate environment
- 92%<sup>1</sup> of the portfolio is floating rate
- 100% of liabilities are fixed rate
- Favorable asset & liability mix
  - The weighted average maturity of assets is 3.1 years
  - The weighted average maturity of liabilities is 4.7 years

Basis Point Change	Interest Income Change	Interest Expense Change	NII Change
100	\$3,800	\$-	\$3,800
200	7,600	-	7,600
300	11,400	-	11,400

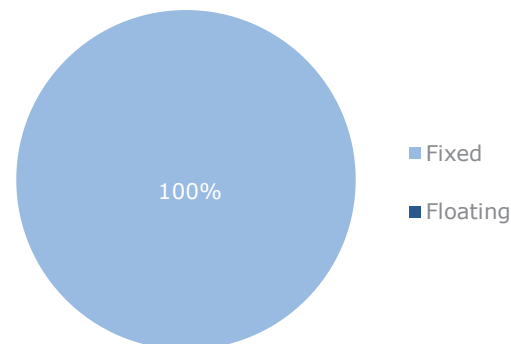
### Assets

12/31/2018



### Liabilities

12/31/2018

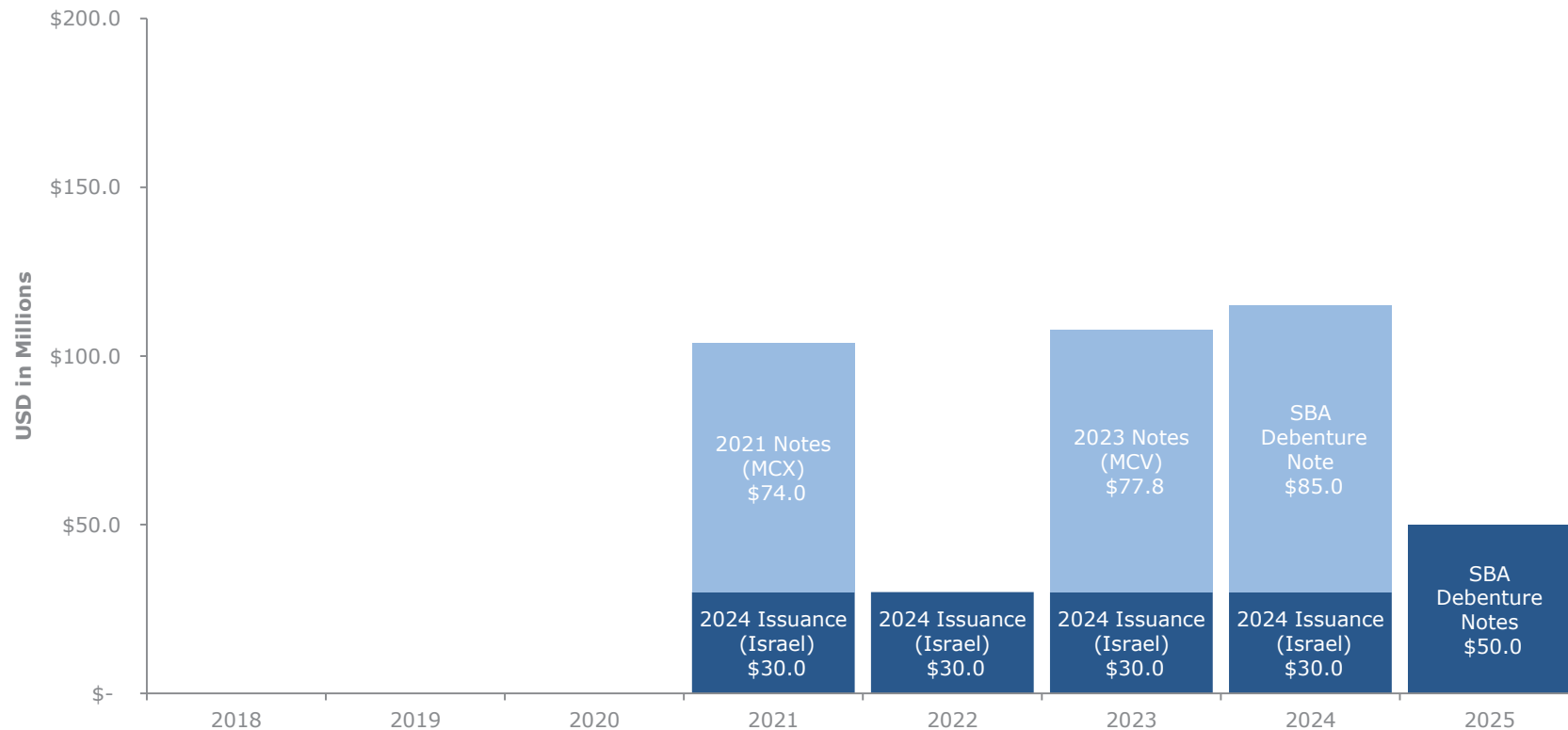


Note: Past performance is not indicative of future results.

1. Figure includes SLS JV portfolio positions and does not include equity investments.

## Debt Maturity Profile

- MCC's liabilities are 100.0% fixed rate



Note: As of 12/31/18.

# Attractive Industry Dynamics

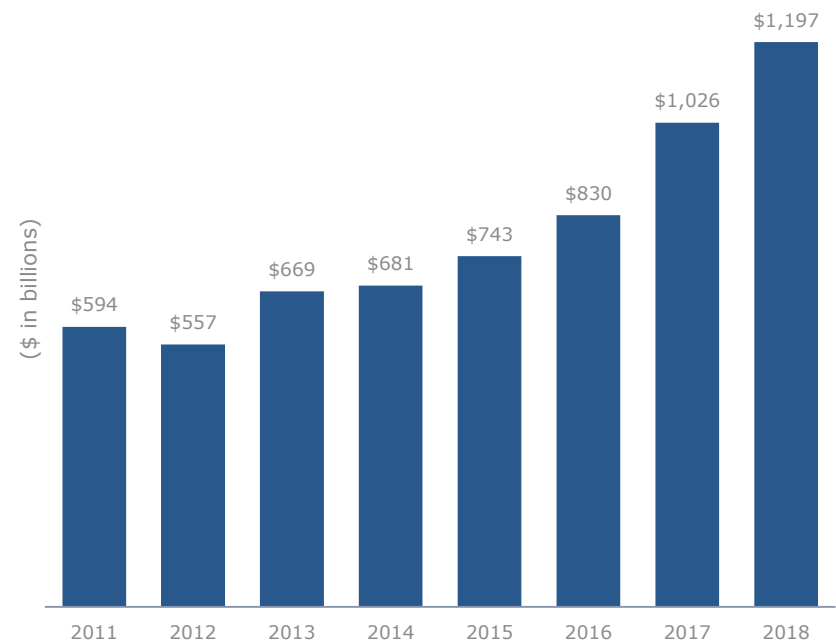
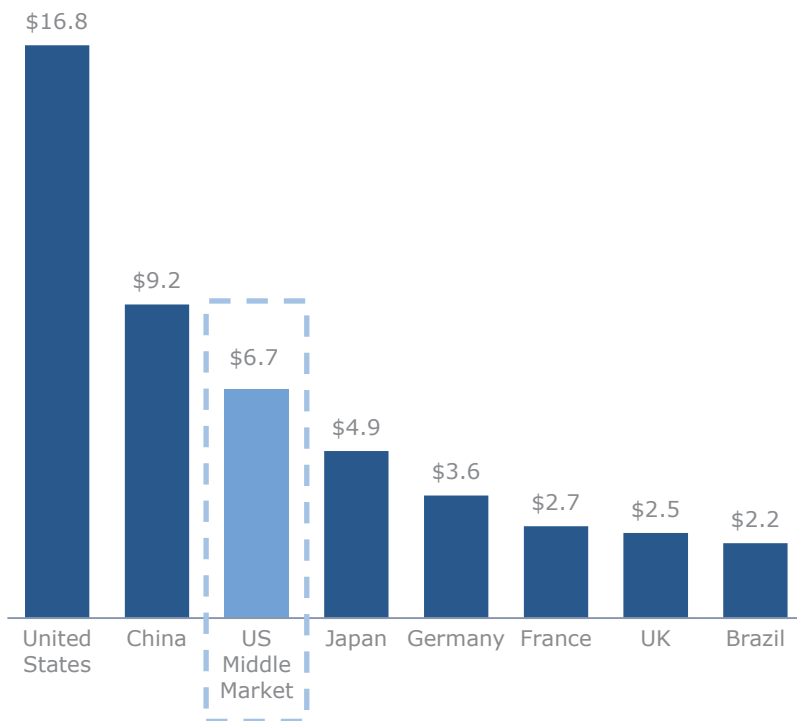


# The Opportunity – Large Target Market

- 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>**

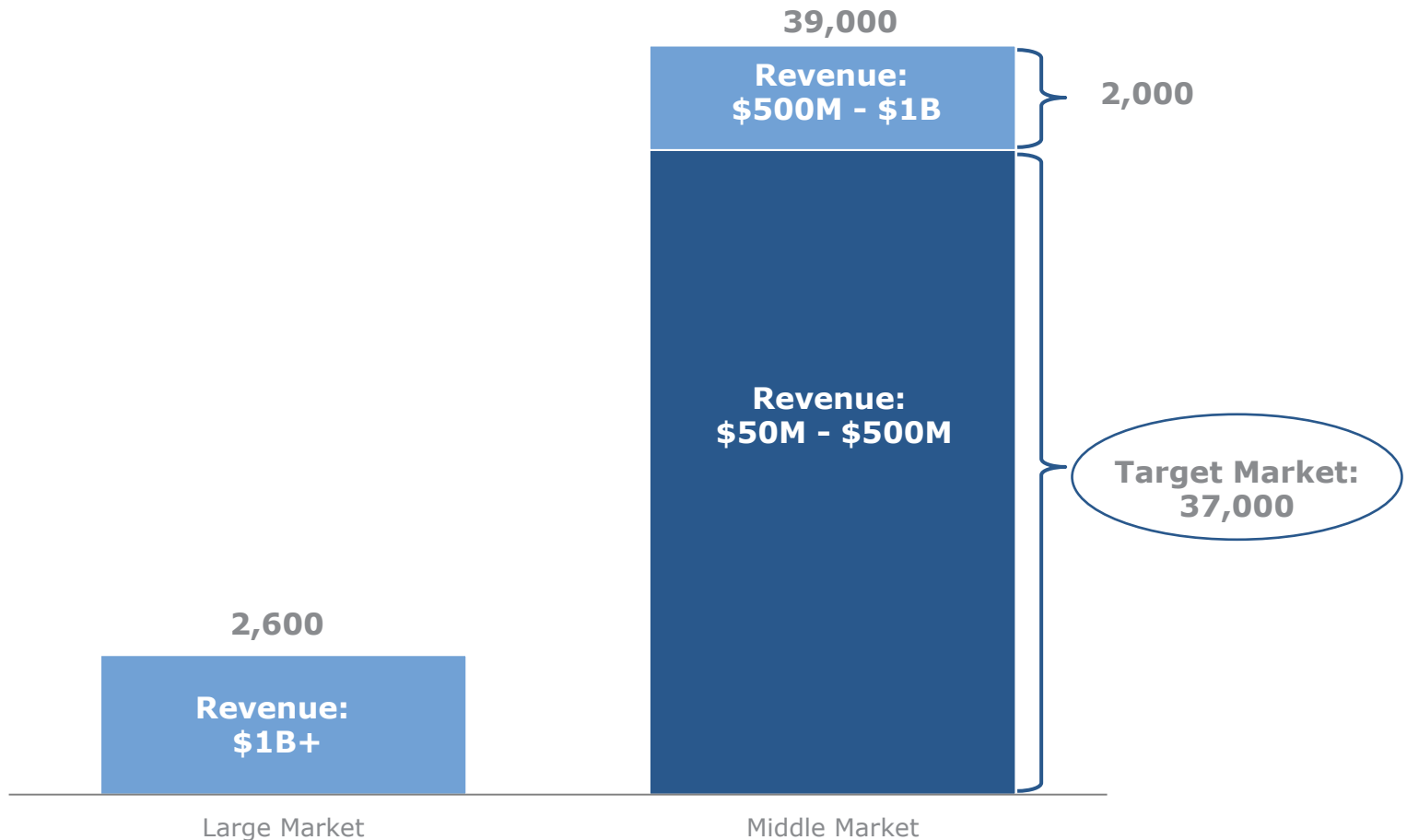
**Private Equity Dry Powder<sup>2</sup>**



1. International Monetary Fund, World Economic Outlook Database, June 2014. Metrics in trillions of USD.  
 2. Preqin Private Capital Fundraising Update 4Q18. Metrics in billions of USD.

# The Opportunity – Large Number of Borrowers

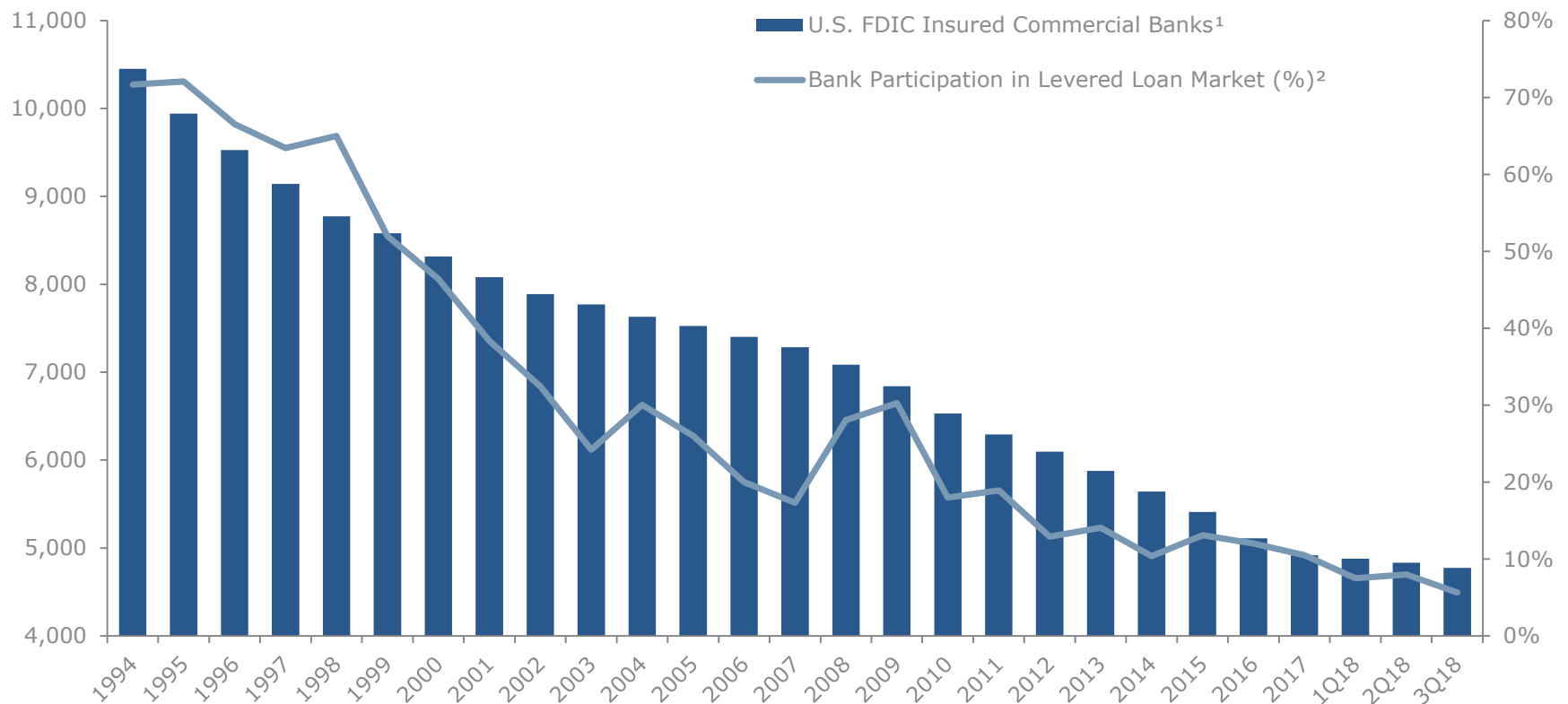
**Number of Businesses by Market<sup>1</sup>**



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

# The Opportunity – Bank Consolidation

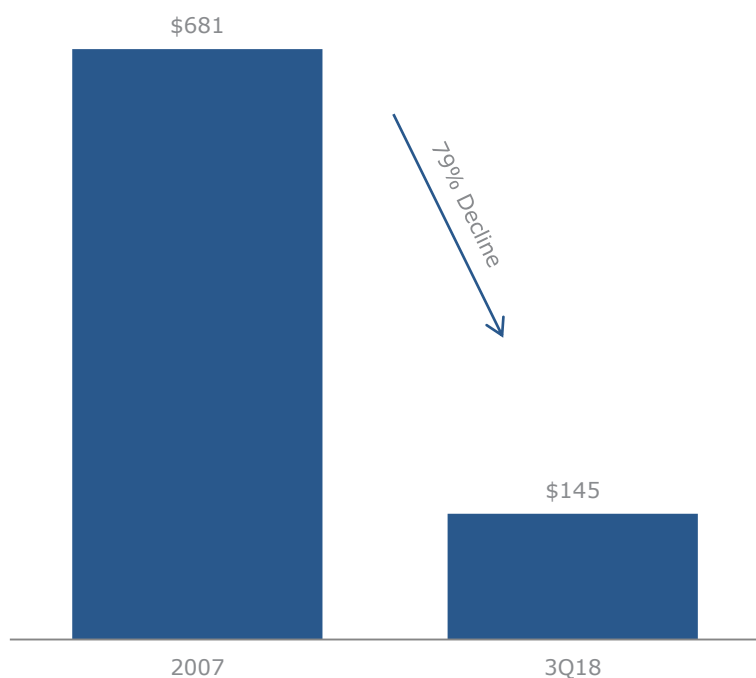
- Banks continue to shift toward large borrowers
- Regulatory environment is a headwind for banks in the middle-market



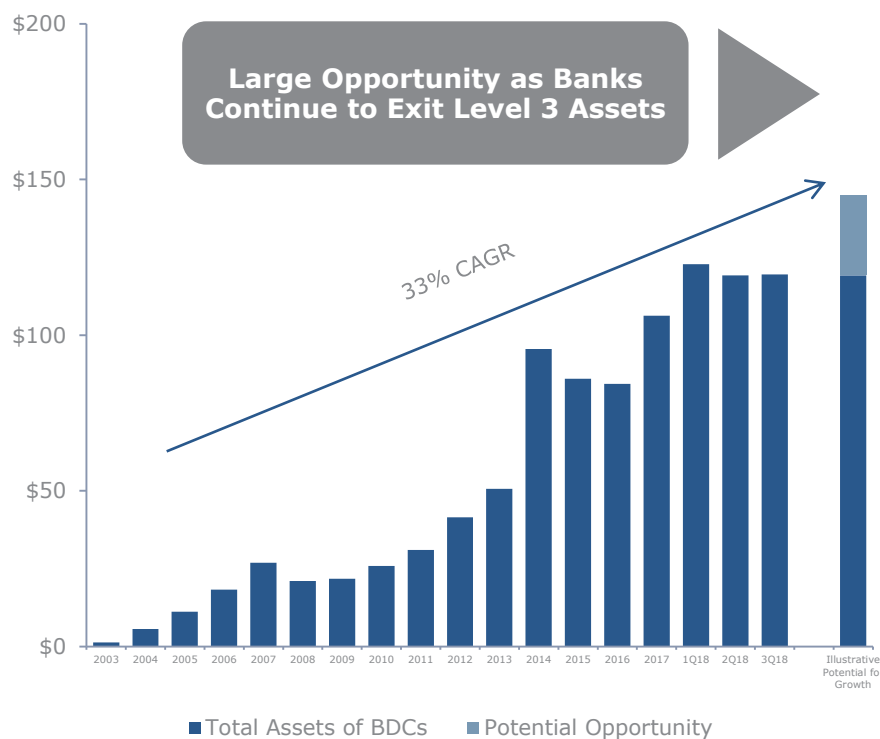
1. Federal Deposit Insurance Corporation, represents number of commercial banking institutions insured by the FDIC as of 9/30/2018.  
 2. S&P LCD's Leveraged Lending Review – 3Q18.

# 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 and WFC. Metrics in billions of USD. Financial information as of 9/30/2018.

2. BDCs include: ACAS, ACSF, AINV, ARCC, BKCC, CMFN, CPTA, FDUS, FSC, FSFR, FSIC, GAIN, GARS, GBDC, GLAD, GSVG, 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 9/30/2018 with the exception of ACAS, ACSF, MCGC, MVC, SAR, TCAP, and TINY.

# MCC Financial Results

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## Performance Overview

- Net investment income of \$0.03 per share for the quarter ending 12/31/2018
  - Adjusted net investment income of \$0.05 per share excluding expenses for announced merger<sup>1</sup>
- Net asset value of \$5.61 per share for the quarter ending 12/31/2018
- Quarterly dividend of \$0.05 per share for the quarter ending 12/31/2018
- 9.6% portfolio yield as of 12/31/2018<sup>2</sup>
- Funded \$78.6M in the MCC SLS JV since inception through the quarter ending 12/31/18

1. Adjusted net investment income is a non-GAAP financial measure. The reconciliation of net investment income to adjusted net investment income is calculated by adding \$0.9 million or \$0.02 per share of merger related expenses to net investment income. The Merger related expenses primarily consist of professional fees and proxy solicitation expenses. Per share amounts are based on 54,474,211 weighted average shares outstanding for the period.

2. Represents annualized portfolio yield to maturity of income bearing investments, excluding fees, while utilizing industry standard forward LIBOR curve assumptions.

# Financial & Portfolio Highlights

## Financial Highlights

	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
Net investment income per share	\$ 0.03	\$ 0.01	\$ 0.02	\$ 0.07	\$ 0.13
Net realized gains (losses) per share	\$ (1.04)	\$ (0.57)	\$ (0.64)	\$ (0.43)	\$ -
Loss on extinguishment of Debt	\$ -	\$ (0.02)	\$ -	\$ (0.02)	\$ -
Net unrealized gains (losses)	\$ 0.83	\$ 0.14	\$ 0.13	\$ (0.15)	\$ (0.72)
Provision for taxes on unrealized per share	\$ -	\$ -	\$ -	\$ -	\$ -
Net income per share <sup>1</sup>	\$ (0.18)	\$ (0.43)	\$ (0.49)	\$ (0.53)	\$ (0.59)
Net asset value per share	\$ 5.61	\$ 5.90	\$ 6.43	\$ 7.02	\$ 7.71

## Portfolio Highlights

- \$642.9 million total fair value of investments as of December 31, 2018
- \$4.7 million net repayments during quarter ended December 31, 2018

## Asset Mix by Investment Type

Asset Class	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Senior Secured 1st Lien	64.0%	63.2%	63.7%	65.8%	67.0%
Senior Secured 2nd Lien	5.7%	7.5%	7.5%	10.6%	12.7%
Unsecured Debt	0.5%	0.5%	0.2%	-	-
MCC Senior Loan Strategy JV I LLC	11.8%	11.9%	12.3%	9.5%	8.0%
Equity/Warrants	18.0%	16.9%	16.3%	14.1%	12.3%

## Asset Mix by Rating

Rating	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
1	14.0%	7.7%	5.1%	3.3%	0.8%
2	60.1%	68.4%	68.7%	78.6%	72.1%
3	19.0%	16.2%	14.2%	5.8%	17.1%
4	0.1%	0.1%	1.6%	5.7%	3.0%
5	6.8%	7.6%	10.4%	6.6%	7.0%

1. May not foot due to rounding.

# Select Financial & Portfolio Information

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

	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
Net investment income per share - basic & diluted	0.03	0.01	0.02	0.07	0.13
Net realized and unrealized gains per share - basic & diluted <sup>1 2</sup>	(0.22)	(0.45)	(0.51)	(0.60)	(0.72)
GAAP EPS - basic & diluted <sup>3</sup>	(0.18)	(0.43)	(0.49)	(0.53)	(0.59)
Dividend declared per share	0.05	0.10	0.10	0.10	0.16
Stockholders' equity	\$ 305.7	\$ 321.2	\$ 350.2	\$ 382.3	\$ 419.8
Net asset value per share	5.61	5.90	6.43	7.02	7.71
Market Capitalization <sup>4</sup>	\$ 144.9	\$ 208.1	\$ 189.0	\$ 216.8	\$ 284.4
Common stock data:					
High Price <sup>5</sup>	\$ 3.95	\$ 4.03	\$ 4.37	\$ 5.34	\$ 6.10
Low Price <sup>5</sup>	2.66	3.38	3.39	3.98	5.09
Closing Price	2.66	3.82	3.47	3.98	5.22
Investments at fair value	\$ 642.9	\$ 655.4	\$ 634.9	\$ 746.8	\$ 835.9
% Floating Rate <sup>6</sup>	79.6%	80.5%	79.1%	82.9%	83.7%
% Fixed Rate <sup>6</sup>	20.4%	19.5%	20.9%	17.1%	16.3%
Number of Portfolio Companies	62	67	62	64	68
Gross originations for the quarter	\$ 39.1	\$ 63.6	\$ 29.8	\$ 20.2	\$ 82.7
Realizations/amortizations for the quarter	43.8	22.4	117.7	79.5	47.9
Net originations/(realizations) for the quarter	(4.7)	41.2	(87.9)	(59.3)	34.8

Note: Basic and diluted per share data reflects weighted average common shares outstanding of 54,474,211 as of 12/31/18, 54,474,211 as of 09/30/18, 54,474,211 as of 06/30/18, 54,474,211 as of 03/31/2018, and 54,474,211 as of 12/31/17.

1. Inclusive of change in provision for taxes of \$0 for the quarter ended 12/31/18, \$0 for the quarter ended 09/30/18, \$193,849 for the quarter ended 06/30/18, \$190,494 for the quarter ended 03/31/18, and \$90,009 for the quarter ended 12/31/17.

2. Inclusive of loss on extinguishment of debt.

3. May not foot due to rounding.

4. Reflects common shares outstanding of 54,474,211 and a closing price of \$2.66 as of 12/31/18, 54,474,211 and a closing price of \$3.82 as of 09/30/18, 54,474,211 and a closing price of \$3.47 as of 06/30/18, 54,474,211 and a closing price of \$3.98 as of 03/31/18, and 54,474,211 and a closing price of \$5.22 as of 12/31/17.

5. Reflects the high and low closing share price during the periods ended 12/31/18, 09/30/2018, 06/30/2018, 03/31/2018, 12/31/2017.

6. Based on income bearing investments.



# Balance Sheet

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

	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>ASSETS</b>					
Investments at fair value					
Non-controlled/non-affiliated investments	\$ 372,306	\$ 393,149	\$ 358,757	\$ 480,365	\$ 565,542
Affiliated investments	110,753	100,641	98,014	93,793	95,792
Controlled investments	159,819	161,640	178,097	172,657	174,569
Total investments at fair value	\$ 642,878	\$ 655,430	\$ 634,868	\$ 746,815	\$ 835,903
Cash and cash equivalents	62,696	75,666	144,002	65,430	50,008
Interest receivable	4,930	6,377	4,701	9,427	9,475
Receivable for dispositions and investments sold	290	160	150	179	56
Other assets	3,676	3,963	5,048	4,243	4,582
<b>TOTAL ASSETS</b>	<b>\$ 714,470</b>	<b>\$ 741,596</b>	<b>\$ 788,769</b>	<b>\$ 826,094</b>	<b>\$ 900,024</b>
<b>LIABILITIES</b>					
Revolving credit facility payable	\$ -	\$ -	\$ 349	\$ 10,711	\$ 45,381
Term loan payable	-	-	-	-	101,047
Notes payable	264,597	276,909	276,330	275,771	173,002
SBA debentures payable	133,013	132,905	147,578	147,437	147,297
Management and incentive fees payable	3,185	3,348	3,533	3,396	4,068
Interest and fees payable	4,646	3,280	7,012	2,725	5,063
Accounts payable, accrued expenses and other liabilities	3,375	3,975	3,806	3,779	4,397
<b>TOTAL LIABILITIES</b>	<b>\$ 408,816</b>	<b>\$ 420,417</b>	<b>\$ 438,608</b>	<b>\$ 443,819</b>	<b>\$ 480,255</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 December 31, 2018	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54
Capital in excess of par value	698,587	698,587	705,046	705,046	705,046
Total distributable earnings/(loss)	(392,987)	(377,462)	(354,939)	(322,825)	(285,331)
Total net assets	305,654	321,179	350,161	382,275	419,769
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 714,470</b>	<b>\$ 741,596</b>	<b>\$ 788,769</b>	<b>\$ 826,094</b>	<b>\$ 900,024</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 5.61</b>	<b>\$ 5.90</b>	<b>\$ 6.43</b>	<b>\$ 7.02</b>	<b>\$ 7.71</b>

# 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

MARK LERDAL  
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**

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

JEFFERIES GROUP  
Kyle Joseph – (415) 229-1525

WELLS FARGO SECURITIES, LLC  
Finian O’Shea – (212) 214-5082

## **Corporate Headquarters**

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New York, NY 10017  
(212) 759-0777

## **Investor Relations**

SAM ANDERSON  
Head of Capital Markets & Risk  
Management  
(212) 759-0777

## **Corporate Counsel**

EVERSHEDS SUTHERLAND  
Washington, DC

## **Independent Registered Public Accounting Firm**

ERNST & YOUNG, LLP  
New York, NY

## **Securities Listing**

NYSE: MCC (Common Stock)  
MCX (Senior Notes Due 2021)  
MCV (Senior Notes Due 2023)  
TASE: MCC (Common Stock)  
MCC.B1 (Senior Notes Due 2024)

## **Transfer Agent**

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