



# Medley Capital Corporation (NYSE: MCC)

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*Investor Presentation*

*Quarter Ended June 30, 2016*

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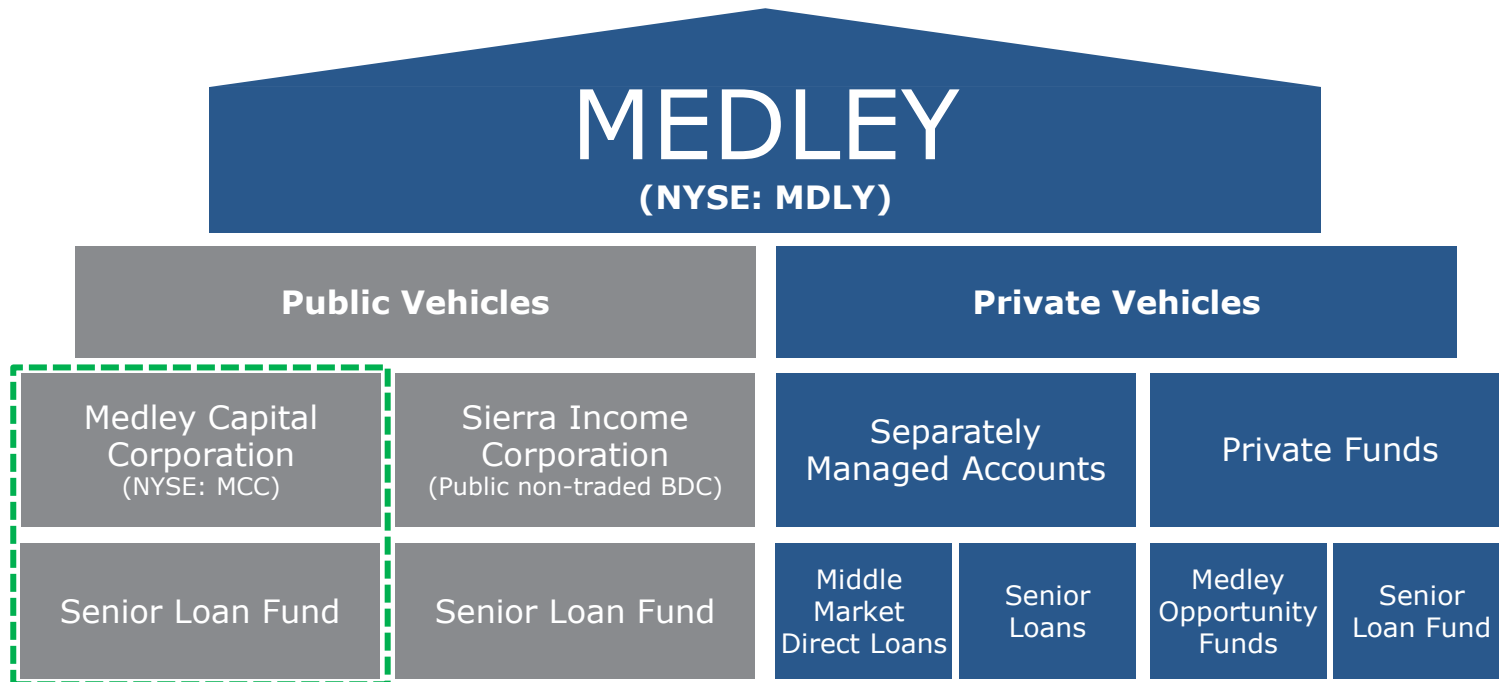
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# Medley's Platform



## CLIENTS INCLUDE:

- › Pension Funds
- › Insurance Companies
- › Endowments
- › Foundations
- › Public Equity Funds
- › Private Wealth
- › Broker Dealers
- › RIAs

## 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	0.74x	12.2%	0.69x
BDCs <sup>3</sup>	0.93x	10.4%	0.72x
REITs <sup>4</sup>	2.85x	3.0%	1.11x
MLPs <sup>5</sup>	1.99x	9.0%	1.53x
Banks <sup>6</sup>	1.21x	2.5%	7.13x

Note: Market data as of 8/8/2016. MCC, AINV, ARCC, GBDC, NMFC, PNNT, TCRD, and TSLX data as of 6/30/2016. All other BDC data as of 3/31/2016.

1. Dividend yields based upon the most recently declared dividend, annualized to reflect the closing share price as of 8/8/2016. 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.

4. REITs include: SPG, PSA, HCP, VTR, EQR, BXP, PLD, VNO, AVB and HCN. HCP as of 3/31/2016. All other REITs as of 6/30/2016.

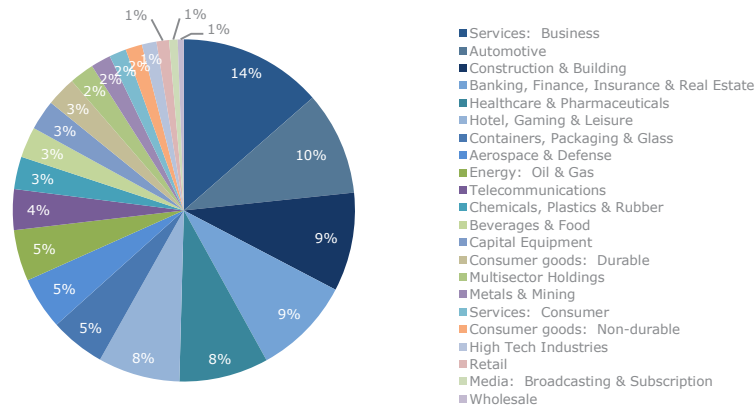
5. MLPs include: OKS, PAA, BPL, DPM, NMM and EEP. NMM as of 3/31/2016. All other MLPs as of 6/30/2016.

6. Banks include: BAC, C, WFC, JPM, USB, STI, MTB, COF, CMA, HBAN, PNC, ZION, KEY, RF and FITB. All Banks as of 6/30/2016.

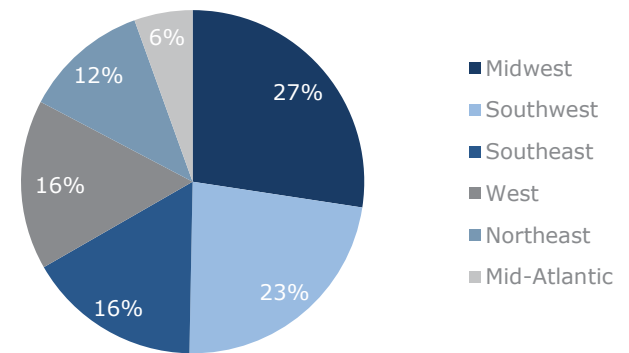
# Highly Diversified Senior Secured Floating Rate Portfolio

- MCC has a diversified portfolio of 63 companies with a 12.0% weighted average yield<sup>1</sup>

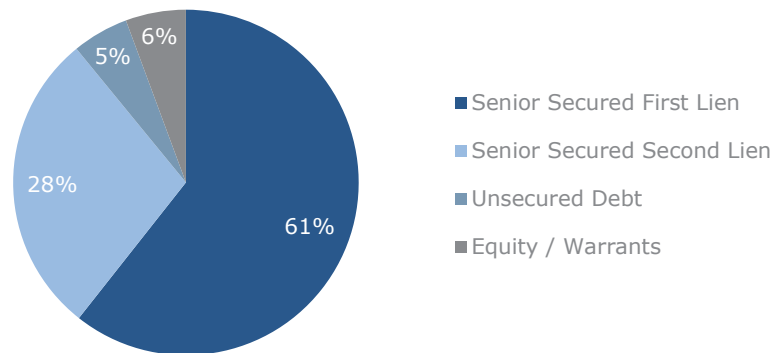
**Industry**



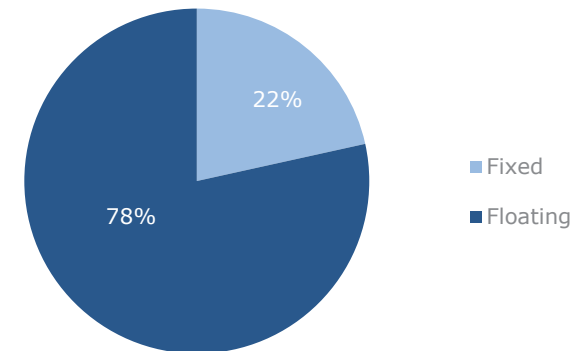
**Geography <sup>2</sup>**



**Investment Type**



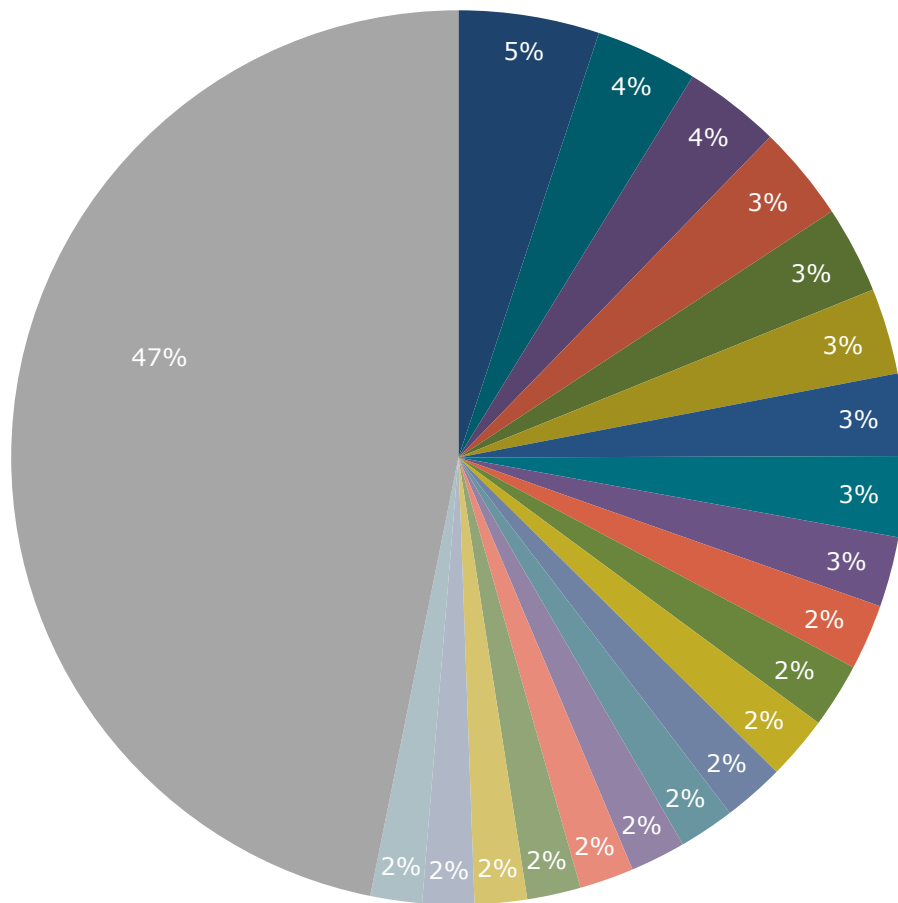
**Floating vs Fixed Rate**



Note: Portfolio data as of 6/30/2016 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: 53%

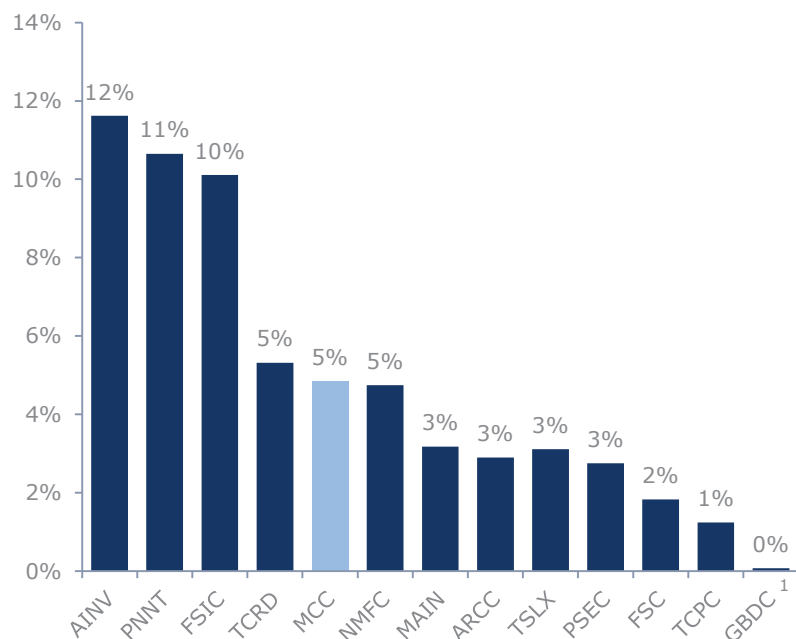
- Harrison Gypsum LLC
- DHISCO Electronic Distribution, Inc.
- Omnivere LLC
- Nation Safe Drivers Holdings, Inc.
- RCS Management Corporation
- Merchant Cash and Capital LLC
- Accupac, Inc.
- MCC Senior Loan Strategy JV I LLC
- Seotowncenter, Inc.
- NCM Group Holdings LLC
- Nielsen & Bainbridge LLC
-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

Note: Portfolio includes 63 total issuers; the 47% of Portfolio Issuer Concentration represents 43 MCC borrowers. Data as of 6/30/2016.

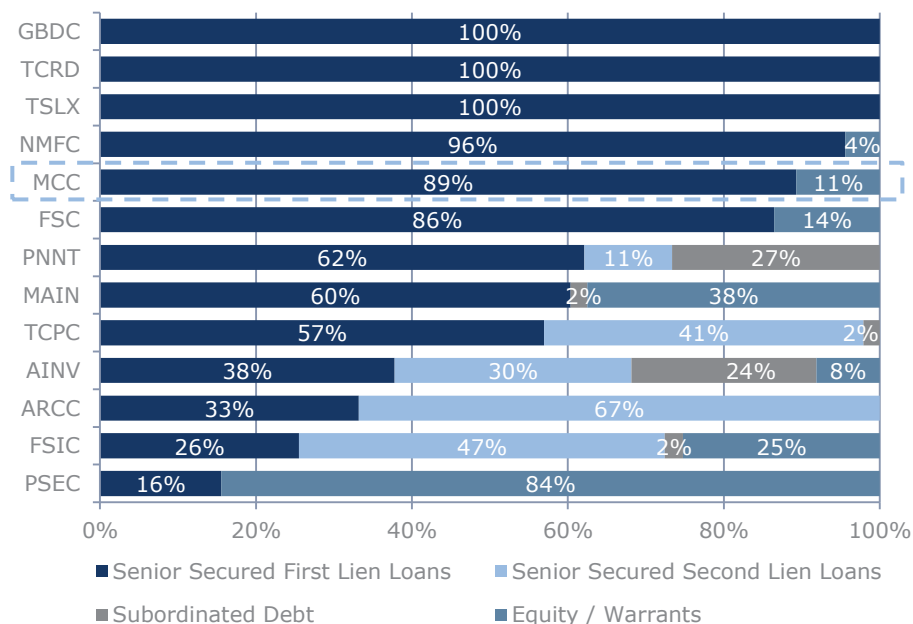
# Oil & Gas Exposure

- MCC's energy/oil & gas exposure is 5% of the portfolio representing four positions in total, and is in line with BDC peers
- The companies are service businesses with revenues diversified across upstream, midstream and downstream sectors

## Percentage of Portfolio in Energy



## Energy Portfolio Assets by Security

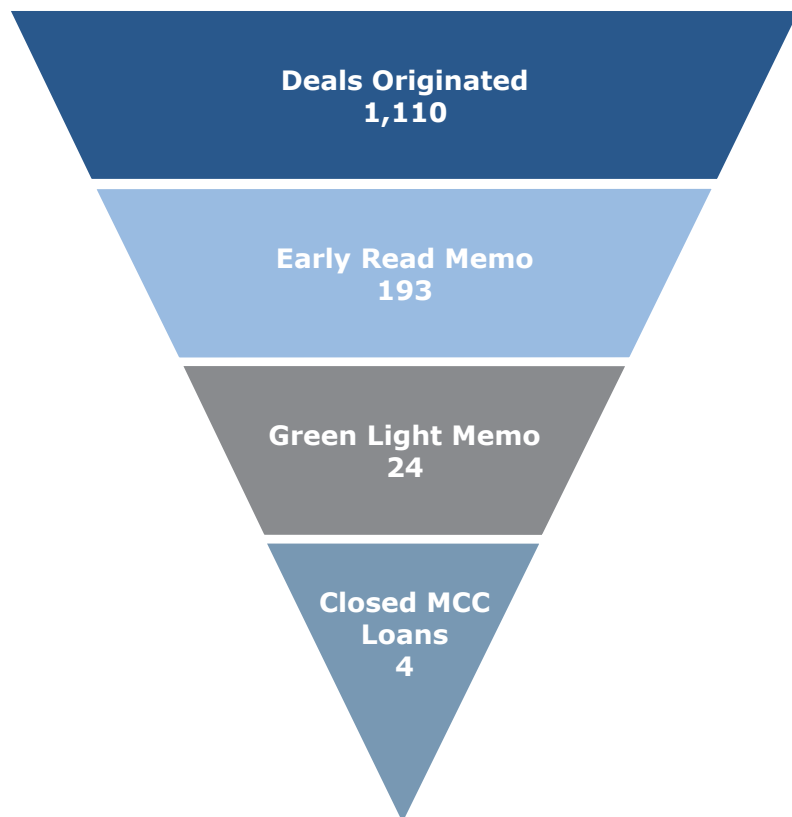


Note: MCC, AINV, ARCC, GBDC, NMFC, PNNT, TCRD, and TSLX data as of 6/30/2016. All other BDC data as of 3/31/2016.

1. GBDC has one position in the oil and gas vertical that represents 0.1% of its total portfolio. Percentage composition may not foot due to rounding.

# Selective Investment Process

## Pipeline – LTM 6/30/2016



## Portfolio Construction

### Senior Secured

- UCC (lien) filings / Cash control / Covenants

### Broadly diversified

- Sector / Collateral / Position size / Geography

### Thorough diligence

- Deep underwriting by internal team
- Third-party financial review and independent appraisals

## Active Credit Monitoring

### Frequent Borrower Contact

- Monthly calls
- Quarterly onsite visits

### Monthly Review

- Financial review
- Compliance certificates from borrowers

### External checks and balances

- Independent valuation and collateral analysis
- Third-party loan servicing
- Outside legal counsel

Note: Closed denotes the total number of directly originated borrowers.



## Well Positioned for a Rising Rate Environment

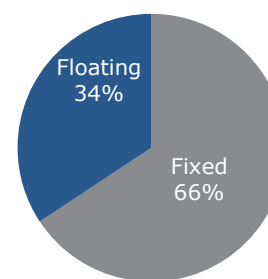
- MCC is well positioned for a rising interest rate environment
- 78% of the portfolio is floating rate
- 62% of liabilities are fixed rate
- Favorable asset & liability mix
  - The weighted average maturity of assets is 3.0 years
  - The weighted average maturity of liabilities is 5.9 years

Basis Point Change	Interest Income Change	Interest Expense Change	NII Change	% NII Change
100	\$3,300	\$2,000	\$1,300	2.4%
200	9,900	4,000	5,900	10.8%
300	16,900	6,000	10,800	19.7%
400	23,900	8,000	15,800	28.9%
500	30,900	10,100	20,800	38.0%

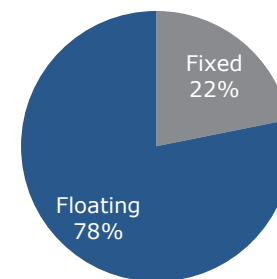
Note: Metrics in thousands of USD. Data as of 6/30/2016.

### Assets

12/31/2011

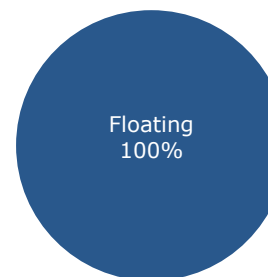


6/30/2016

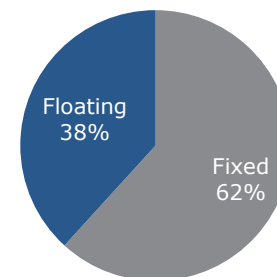


### Liabilities

12/31/2011

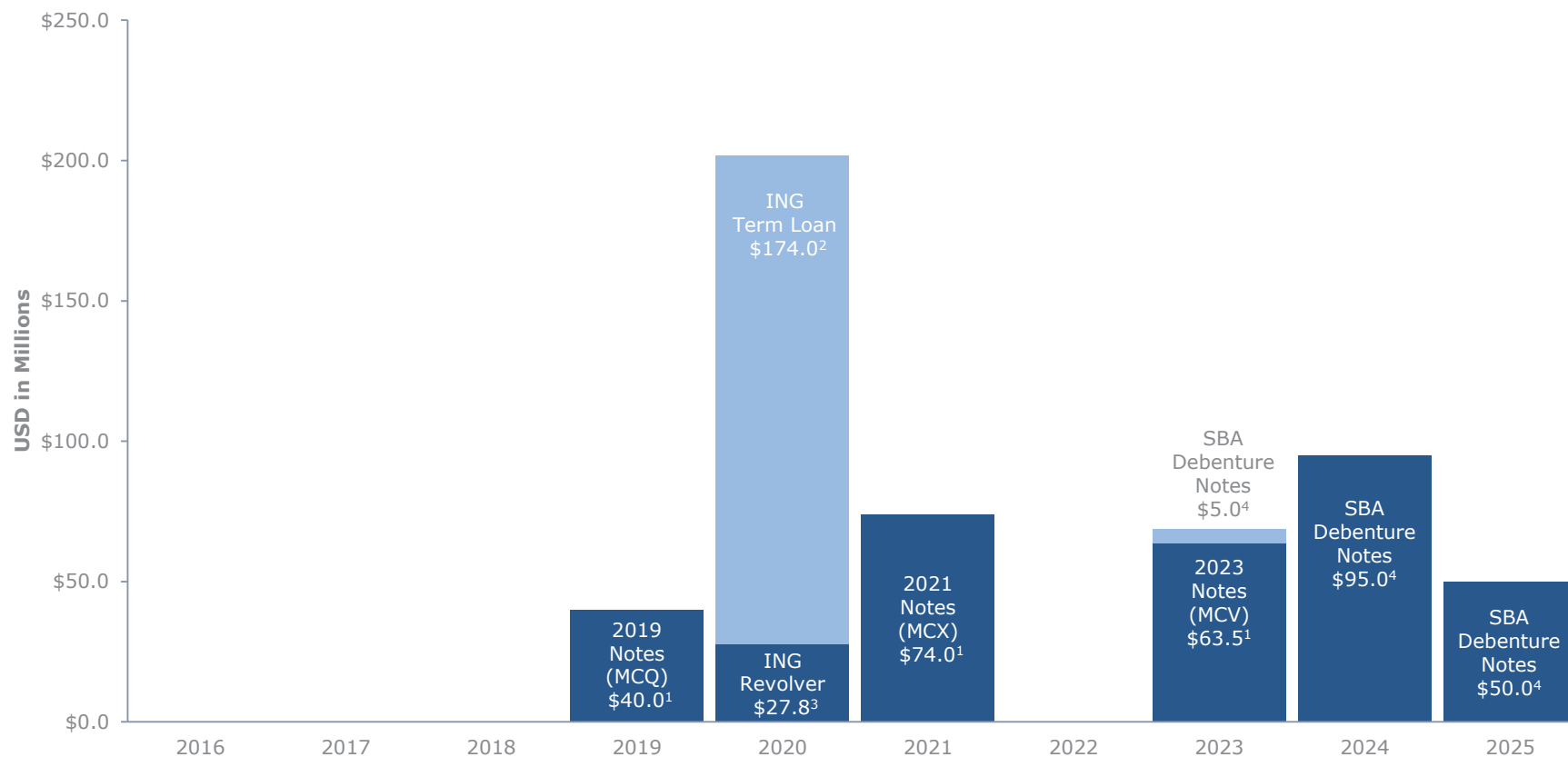


6/30/2016



# Debt Maturity Profile

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



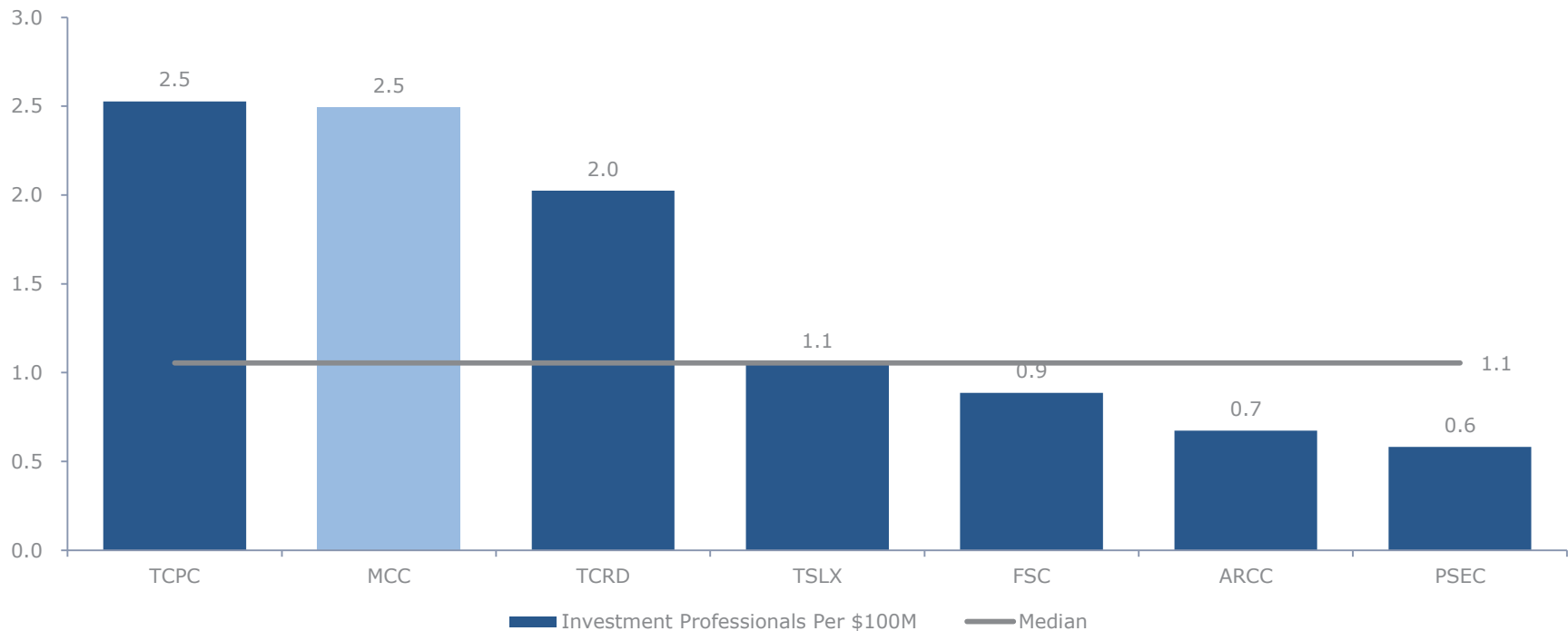
Note: As of 6/30/2016.

- \$4.9 million aggregate difference in total Unsecured Notes from the Balance Sheet is a result of recently adopted debt issuance cost accounting standards.
- \$2.0 million aggregate difference in total ING Term Loan from the Balance Sheet is a result of recently adopted debt issuance cost accounting standards.
- \$3.2 million aggregate difference in total Revolving Credit Facility from the Balance Sheet is a result of recently adopted debt issuance cost accounting standards.
- \$3.7 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>



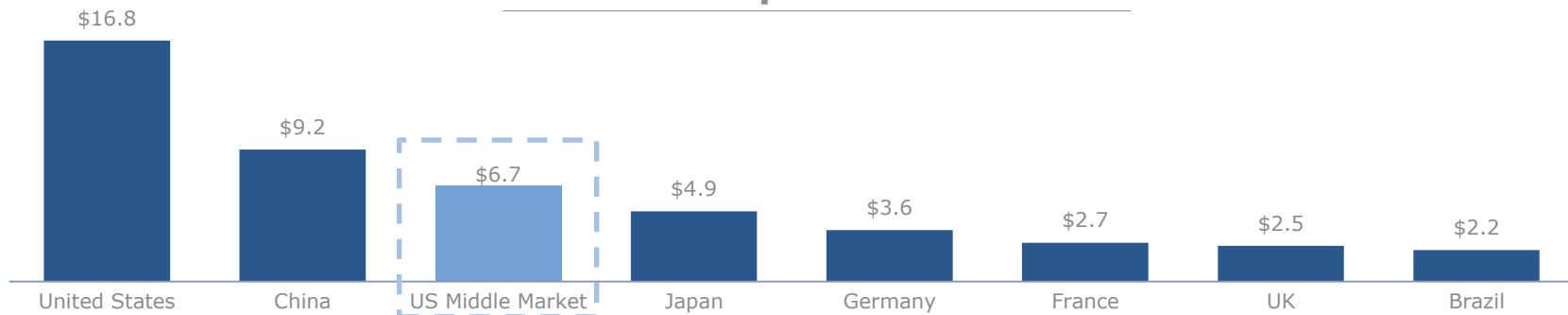
1. Based on professionals stated on each company's website. Does not include Associates and Analysts. Employee data as of 8/8/2016. BDC portfolio data as of the most recent publicly available information.

# Attractive Industry Dynamics

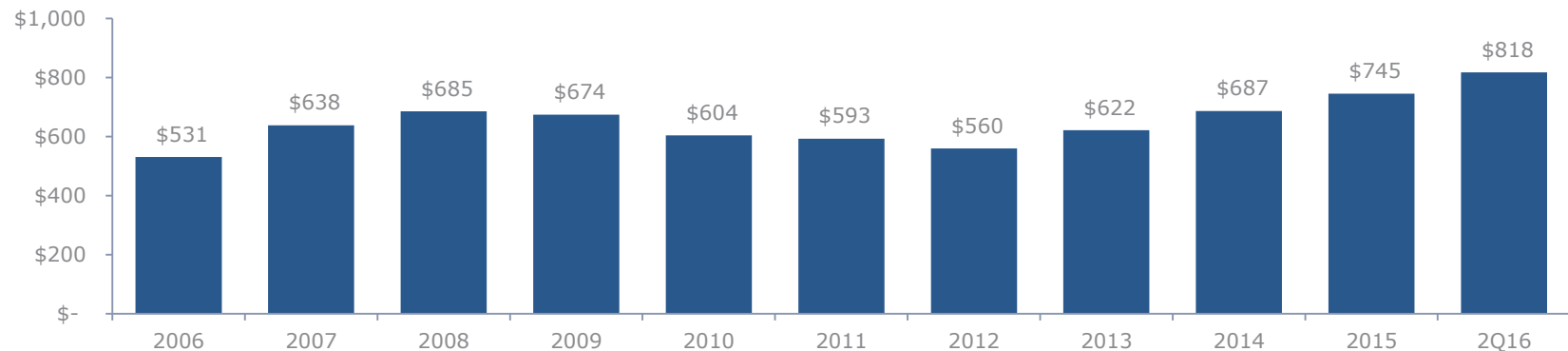
## Middle Market Opportunity – Large Target Market

- 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>**

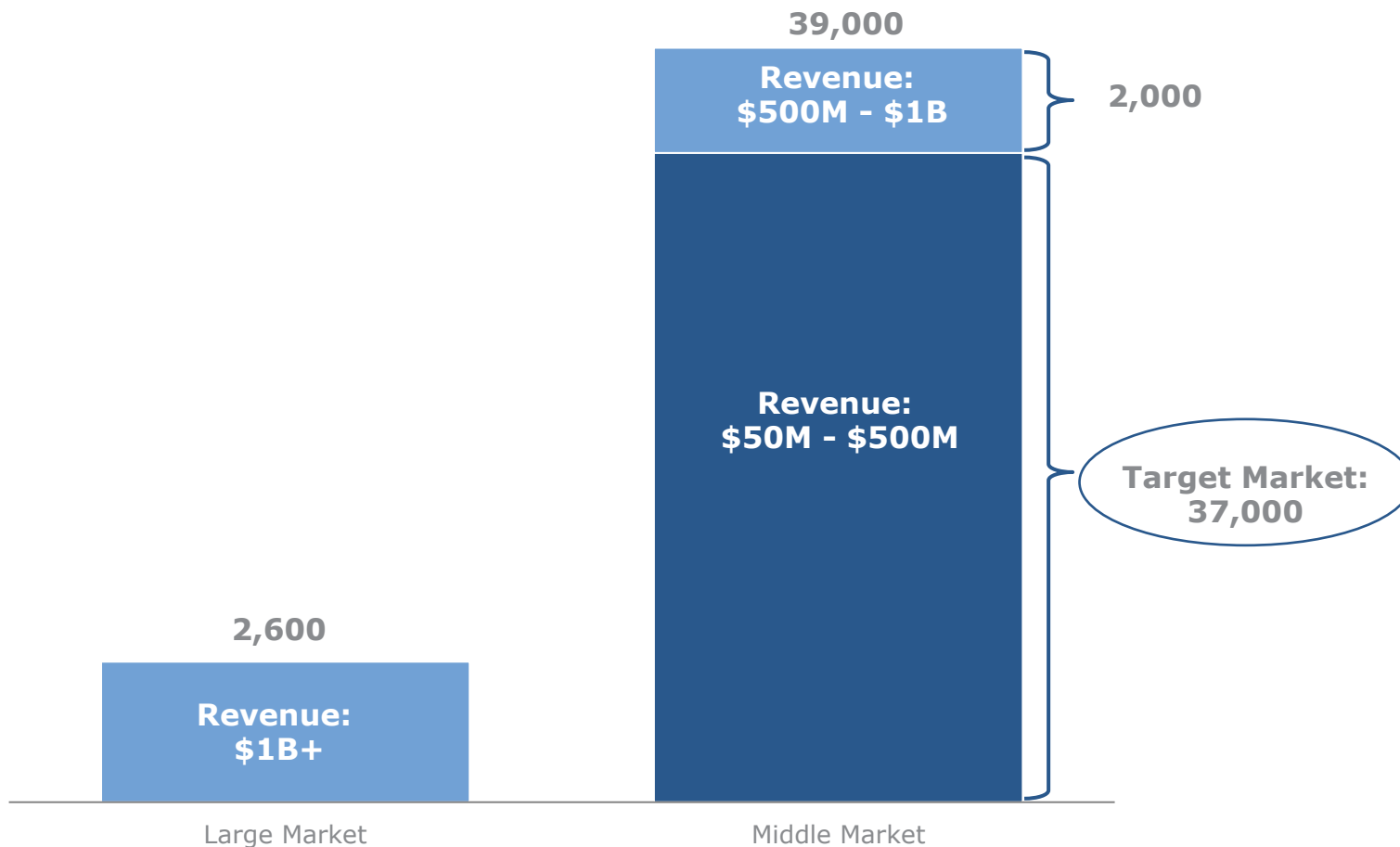


1. International Monetary Fund, World Economic Outlook Database, June 2014. Metrics in trillions of USD.

2. Preqin Private Debt Q2 2016 Quarterly Update. Metrics in billions of USD.

# The Opportunity – Large Number of Borrowers

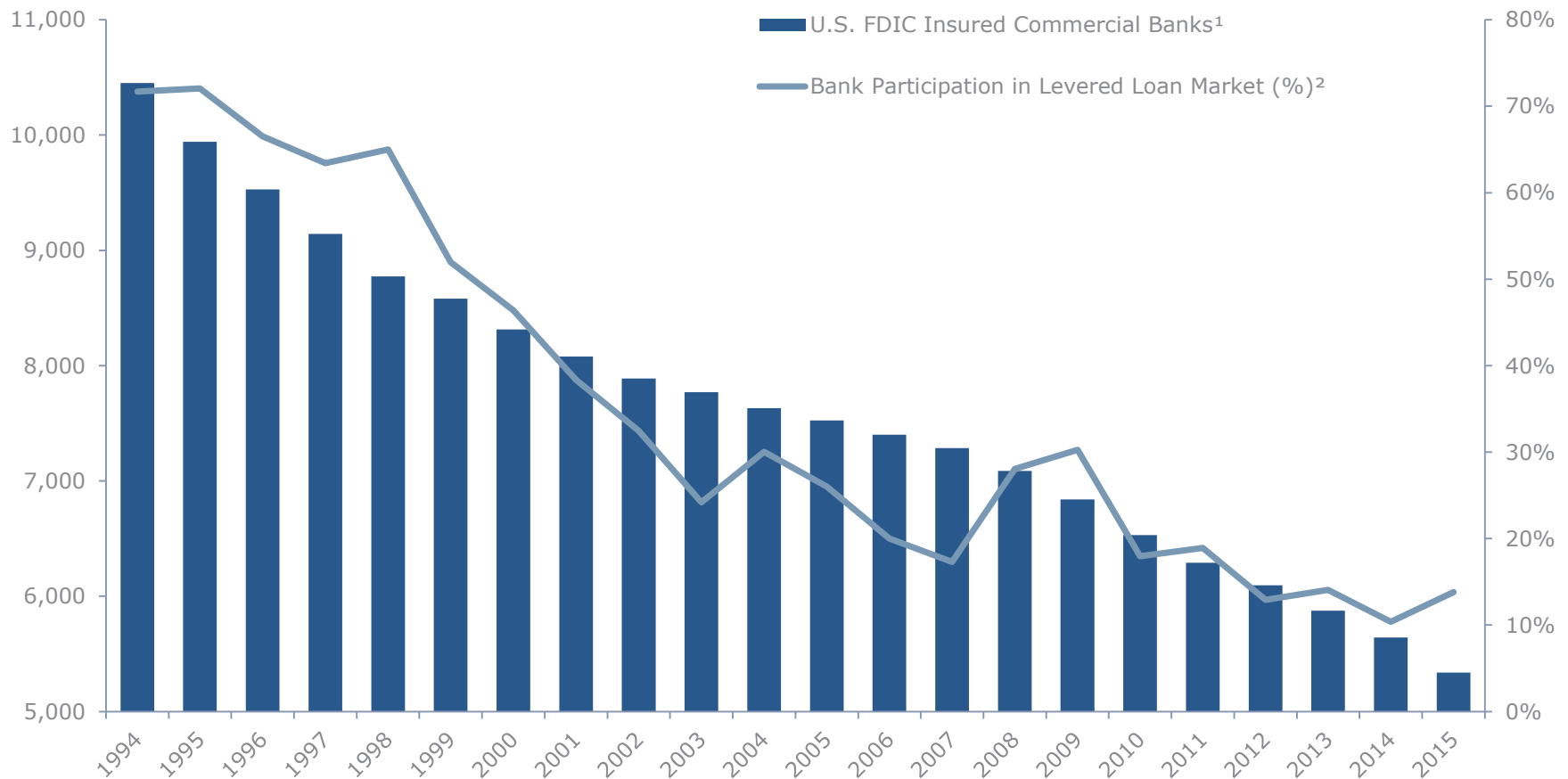
**Number of Businesses by Market <sup>1</sup>**



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

## Powerful Secular Trends

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

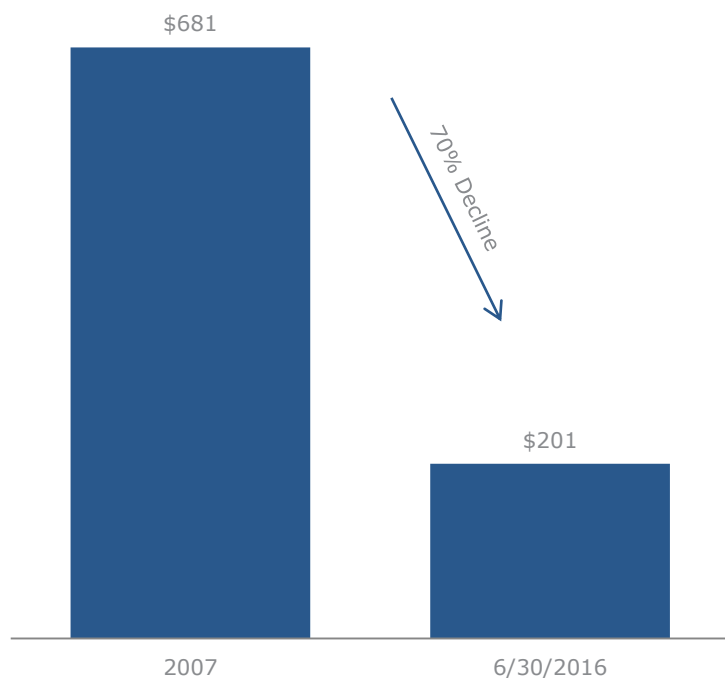


1. Federal Deposit Insurance Corporation, represents number of commercial banking institutions insured by the FDIC as of 12/31/2015.

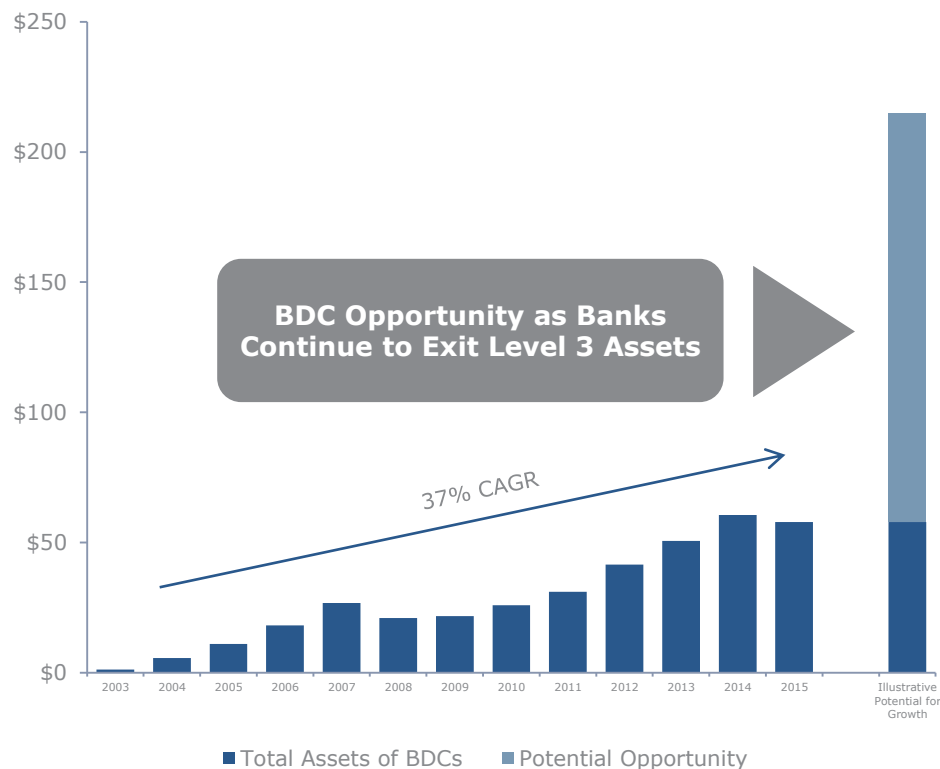
2. S&P LCD's Leveraged Lending Review - 4Q15.

# 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 for BAC, C, CS, and DB as of June, 30, 2016. All other firms as of March 31, 2016.

2. BDCs include: ACAS, ACSF, AINV, ARCC, BKCC, CMFN, CPTA, FDUS, FSC, FSIC, FSFR, GAIN, GARS, GBDC, GLAD, GSV, 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 June 30, 2016 for ACSF, AINV, GAIN, GBDC, GLAD, ACAS, ARCC, BKCC, FDUS, GSV, HCAP, KCAP, NGPC, NMFC, OFS, SCM, SLRC, SUNS, TCAP, TCRD, TICC, TSLX, WHF. All other assets as of March 31, 2016, with the exception of SAR, MCGC, and MVC which are as of May, 31, 2016, June 30, 2015, and January 31, 2015, respectively.



# MCC Financial Results

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## Performance Overview

- Net asset value of \$9.76 per share for the quarter ending 6/30/2016
- Net income of \$0.26 per share for the quarter ending 6/30/2016
- Net investment income of \$0.20 per share for the quarter ending 6/30/2016
- Quarterly dividend of \$0.22 per share for the quarter ending 6/30/2016
- 12.0% portfolio yield as of 6/30/2016<sup>1</sup>
- Total debt/credit facility commitments of \$845.0 million
- Since initiation of the share buyback program, MCC has repurchased 3,969,873 shares totaling \$31.9M
- Funded \$34.5M in the MCC SLS JV through the quarter ending 6/30/2016

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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

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

## Portfolio Highlights

- \$1,042.5 million total fair value of investments as of June 30, 2016
- \$11.7 million gross originations during quarter ended June 30, 2016
- \$12.1 million repayments and exits during quarter ended June 30, 2016
- \$0.4 million net repayments during quarter ended June 30, 2016

## Asset Mix by Investment Type

Asset Class	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15	12/31/14
Senior Secured 1st Lien	60.7%	61.4%	59.7%	60.2%	62.2%	62.3%	64.3%
Senior Secured 2nd Lien	28.4%	28.6%	30.9%	30.6%	30.3%	30.4%	29.0%
Unsecured Debt	5.3%	5.1%	3.9%	3.7%	3.2%	3.2%	3.1%
Equity/Warrants	5.6%	4.9%	5.5%	5.5%	4.3%	4.1%	3.6%

## Asset Mix by Rating

Rating	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15	12/31/14
1	14.4%	10.9%	8.6%	12.0%	10.7%	9.0%	7.1%
2	63.8%	70.7%	80.7%	78.0%	84.7%	85.8%	89.1%
3	17.2%	17.5%	9.8%	10.0%	3.6%	3.4%	2.5%
4	3.7%	-	-	-	-	0.5%	-
5	0.9%	0.9%	0.9%	-	1.0%	1.3%	1.3%

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)**

	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15
Net investment income per share - basic & diluted	\$ 0.20	\$ 0.26	\$ 0.28	\$ 0.31	\$ 0.30	\$ 0.30
Net realized and unrealized gains per share - basic & diluted <sup>1</sup>	0.06	(0.25)	(0.98)	(0.60)	(0.15)	(0.10)
GAAP EPS - basic & diluted <sup>2</sup>	0.26	0.01	(0.70)	(0.29)	0.14	0.20
Dividend declared per share	0.22	0.30	0.30	0.30	0.30	0.30
Stockholders' equity	\$ 534.4	\$ 536.8	\$ 562.7	\$ 619.9	\$ 665.5	\$ 676.1
Net asset value per share	9.76	9.80	10.01	11.00	11.53	11.68
Market Capitalization <sup>3</sup>	\$ 366.9	\$ 361.4	\$ 422.6	\$ 419.1	\$ 514.5	\$ 529.9
Common stock data:						
High Price <sup>4</sup>	\$ 6.95	\$ 7.74	\$ 8.16	\$ 9.19	\$ 9.53	\$ 9.72
Low Price <sup>4</sup>	6.26	5.37	7.01	7.41	8.85	8.70
Closing Price	6.70	6.60	7.52	7.44	8.91	9.15
Investments at fair value	\$ 1,042.5	\$ 1,036.1	\$ 1,115.1	\$ 1,216.1	\$ 1,204.2	\$ 1,211.7
% Floating Rate <sup>5</sup>	78.2%	78.5%	79.3%	78.8%	77.2%	78.6%
% Fixed Rate <sup>5</sup>	21.8%	21.5%	20.7%	21.2%	22.8%	21.4%
Number of Portfolio Companies	63	65	68	72	71	72
Gross originations for the quarter	\$ 11.7	\$ 29.1	\$ 43.6	\$ 77.7	\$ 47.5	\$ 54.3
Realizations/amortizations for the quarter	12.1	97.9	94.6	34.5	49.4	63.4
Net originations/(realizations) for the quarter	(0.4)	(68.8)	(51.0)	43.2	(1.9)	(9.1)

Note: Basic and diluted per share data reflects weighted average common shares outstanding of 54,763,411 as of 6/30/16, 55,761,062 as of 3/31/16, 56,300,067 as of 12/31/15, 57,032,056 as of 9/30/15 and 57,859,274 as of 6/30/15.

- Inclusive of change in provision for taxes of \$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, (\$716,832) for the quarter ended 9/30/15 and \$283,706 for the quarter ended 6/30/15.
- May not foot due to rounding.
- Reflects common shares outstanding of 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, 57,738,526 and a closing price of \$8.91 as of 6/30/15.
- Reflects the high and low closing share price during the periods ended 6/30/16, 3/31/16, 12/31/15, 9/30/15 and 6/30/15.
- Based on income bearing investments.

# Balance Sheet

	As of (dollars in thousands, except per share data)					
	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
<b>ASSETS</b>						
Investments at fair value						
Non-control/non-affiliate investments	\$ 920,130	\$ 932,054	\$ 1,012,559	\$ 1,131,894	\$ 1,156,184	\$ 1,164,170
Control investments	112,361	94,036	92,565	74,198	38,000	37,513
Affiliate investments	10,000	10,000	10,000	10,000	10,000	10,000
Total investments at fair value	<u>\$ 1,042,491</u>	<u>\$ 1,036,090</u>	<u>\$ 1,115,124</u>	<u>\$ 1,216,092</u>	<u>\$ 1,204,184</u>	<u>\$ 1,211,683</u>
Cash and cash equivalents	11,853	12,707	24,113	15,714	36,240	29,146
Interest receivable	8,287	9,966	8,719	9,543	11,811	13,626
Receivable for paydown of investments	778	394	1,143	579	4,282	4,573
Other assets	3,640	2,879	2,740	2,154	2,582	1,974
<b>TOTAL ASSETS<sup>1</sup></b>	<u>\$ 1,067,049</u>	<u>\$ 1,062,036</u>	<u>\$ 1,151,839</u>	<u>\$ 1,244,082</u>	<u>\$ 1,259,099</u>	<u>\$ 1,261,002</u>
<b>LIABILITIES</b>						
Revolving credit facility payable <sup>1</sup>	\$ 24,608	\$ 21,782	\$ 85,348	\$ 188,540	\$ 178,760	\$ 190,816
Term loan payable <sup>1</sup>	172,017	171,864	171,707	171,563	169,633	169,518
Notes payable <sup>1</sup>	172,635	172,374	169,185	101,175	101,069	100,964
SBA debentures payable <sup>1</sup>	146,304	146,134	145,965	145,794	126,111	106,658
Management and incentive fees payable, net	7,591	5,902	9,263	9,963	9,856	9,984
Interest and fees payable	3,110	1,832	2,592	1,314	1,902	1,196
Accounts payable, accrued expenses and other liabilities	6,419	5,376	5,064	5,813	6,249	5,771
<b>TOTAL LIABILITIES<sup>1</sup></b>	<u>\$ 532,684</u>	<u>\$ 525,264</u>	<u>\$ 589,124</u>	<u>\$ 624,162</u>	<u>\$ 593,580</u>	<u>\$ 584,907</u>
<b>NET ASSETS</b>						
Common stock, par value \$.001 per share, 100,000,000 common shares authorized, 54,763,411 common shares issued and outstanding as of June 30, 2016	\$ 55	\$ 55	\$ 56	\$ 56	\$ 58	\$ 58
Capital in excess of par value	707,496	707,496	717,141	718,241	729,938	731,514
Accumulated undistributed net investment income	11,472	16,947	19,117	20,352	20,385	20,517
Accumulated undistributed net realized gain (loss) from investments	(84,325)	(55,148)	(55,248)	(60,626)	(18,628)	(9,617)
Net unrealized appreciation (depreciation) on investments	<u>(100,333)</u>	<u>(132,578)</u>	<u>(118,351)</u>	<u>(58,103)</u>	<u>(66,234)</u>	<u>(66,377)</u>
Total net assets	<u>534,365</u>	<u>536,772</u>	<u>562,715</u>	<u>619,920</u>	<u>665,519</u>	<u>676,095</u>
<b>TOTAL LIABILITIES AND NET ASSETS<sup>1</sup></b>	<u>\$ 1,067,049</u>	<u>\$ 1,062,036</u>	<u>\$ 1,151,839</u>	<u>\$ 1,244,082</u>	<u>\$ 1,259,099</u>	<u>\$ 1,261,002</u>
<b>NET ASSET VALUE PER SHARE</b>	<u>\$ 9.76</u>	<u>\$ 9.80</u>	<u>\$ 10.01</u>	<u>\$ 11.00</u>	<u>\$ 11.53</u>	<u>\$ 11.68</u>

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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FBR & CO.  
Christopher Nolan – (646)-412-7690

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

JEFFERIES GROUP  
Kyle Joseph – (415)-229-1525

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Christopher York – (415)-835-8965

KEEFE, BRUYETTE & WOODS  
Ryan Lynch – (314)-342-2918

LADENBURG THALMANN & CO.  
Mickey Schleien – (305)-572-4131

NATIONAL SECURITIES  
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WELLS FARGO SECURITIES, LLC  
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## **Corporate Headquarters**

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

## **Corporate Counsel**

SUTHERLAND ASBIL & BRENNAN LLP  
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)

## **Transfer Agent**

AMERICAN STOCK TRANSFER & TRUST  
COMPANY, LLC  
(888)-777-0324