

GARRISON  
CAPITAL

Earnings Presentation  
*First Quarter ended March 31, 2015*

CONFIDENTIAL



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# Market and Portfolio Trends

## Current Market Trends in the Lower Middle-Market

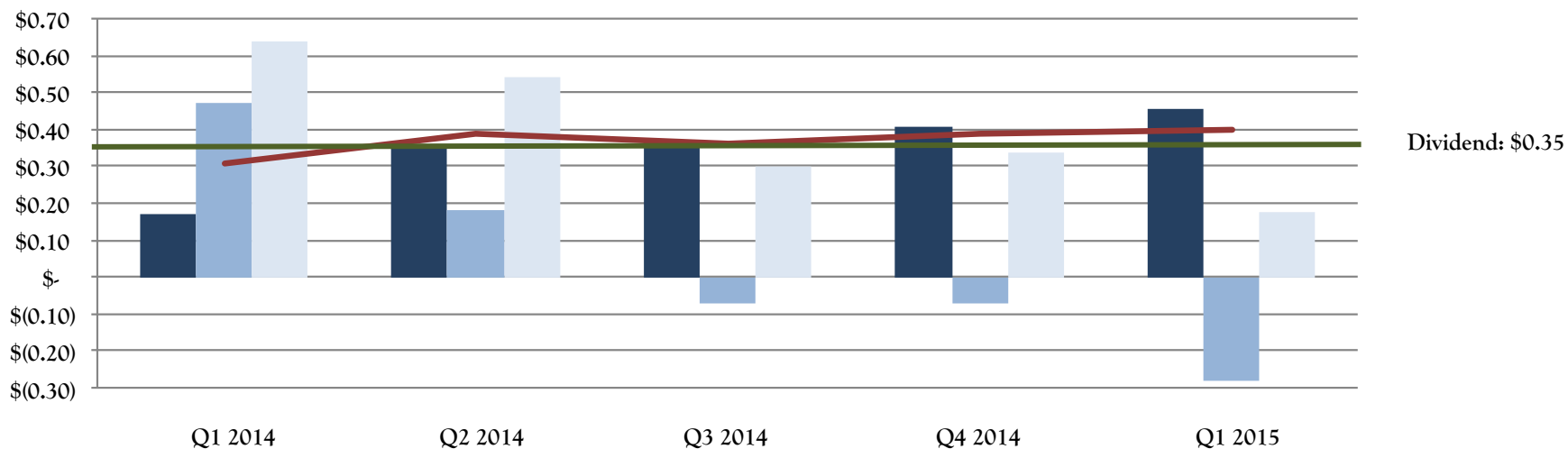
- Demand for capital was limited in the quarter by light sponsor activity and a sluggish economic climate
- Regulatory pressure and bank consolidation dynamics continue to limit capital availability in the lower middle market
- Spreads have tightened slightly as banks have become slightly more aggressive and new funds move down market in search of higher yields
- Still, lower middle-market opportunities continue to command better pricing and structures than in the broadly syndicated and upper-middle markets
- The pending sale of GE Capital will eliminate a major capital provider and should lead to more opportunities in the lower middle market
- However, we expect opportunities to remain competitive as private funds enter the lower middle market and existing funds become more aggressive

## Trends in Our Portfolio

- New originations, club deals and purchases during the first quarter totaled \$18.1 million of par value
- There were \$30.8 million of repayments of which \$0.2 million were from the transitory portfolio
- Weighted average yield of deals closed during the quarter was 12.2%
- Leverage and weighted average risk rating of the portfolio remained in line with the prior quarter at 3.6x and 2.48, respectively
- Core loan portfolio additions during the first quarter included two sponsor deals. Key terms are:
  - A 5 yr., first lien, term loan origination to Nudo Products, Inc., a provider of custom panels. This loan earns interest at L+975 with a 1.00% floor and 2.00% upfront fee and has three years of call protection at 102.5/101.5/100.5
  - A 5 yr., first lien, term loan origination to Theragenics Corporation, a medical device manufacturer. This loan earns interest at L+1200 with a 1.00% floor and 2.00% upfront fee and has two years of call protection at 102/101

# Q1 2015 Earnings Highlights

(per share)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Net investment income	\$ 0.17	\$ 0.36	\$ 0.37	\$ 0.41	\$ 0.46
Net realized/unrealized gain (loss) on investments	0.47	0.18	(0.07)	(0.07)	(0.28)
Net increase in net assets from operations	\$ 0.64	\$ 0.54	\$ 0.30	\$ 0.34	\$ 0.18
Adjusted net investment income <sup>(1)</sup>	\$ 0.31	\$ 0.39	\$ 0.36	\$ 0.39	\$ 0.40



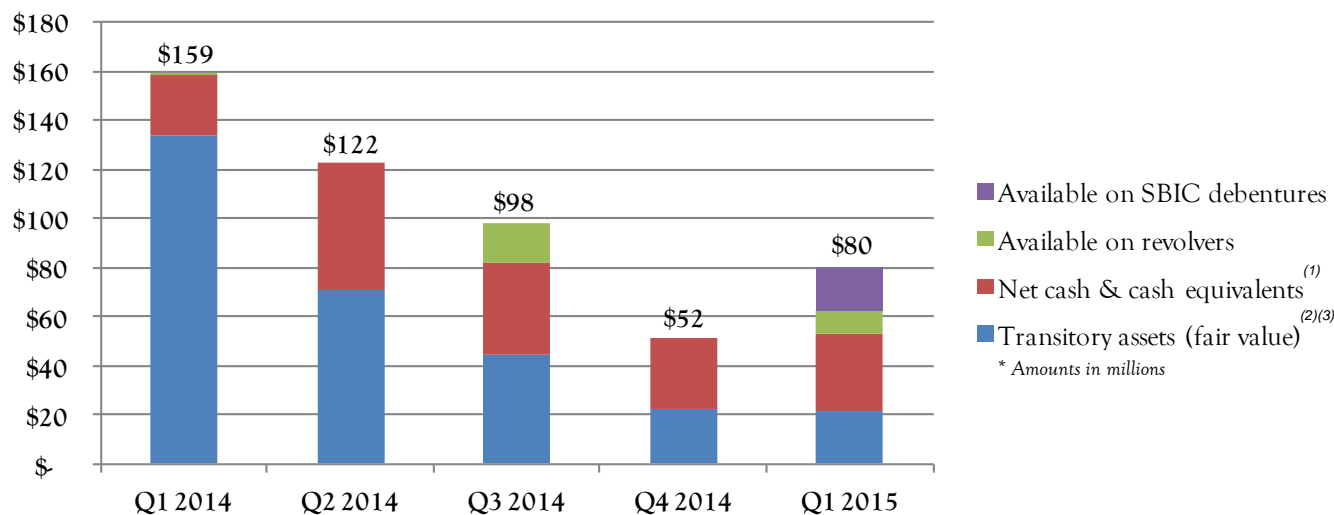
- Paid a Q1 2015 dividend of \$0.35 per share and declared a Q2 2015 dividend of \$0.35 per share payable on June 26, 2015
- Earned adjusted net investment income of \$6.7 million or \$0.40 per share for the three months ended March 31, 2015
- Estimated \$7.1 million or \$0.42 per share of undistributed taxable net income as of March 31, 2015 (\$5.6 million or \$0.34 per share represents spillover from 2014)

# Q1 2015 Funding & Liquidity

## Funding

- Debt to equity ratio as of March 31, 2015 was 0.88x
- SBIC – Received approval for our SBIC license which will allow for significant expansion of our balance sheet
- Weighted average cost of funds as of March 31, 2015 was 3.0%

## Liquidity



Leverage Ratio	0.74x	0.87x	0.87x	0.86x	0.88x
WA Cost of Funds	3.0%	3.0%	3.0%	2.9%	3.0%

# Q1 2015 Portfolio Highlights

## Portfolio Activity

Par (in millions)	Q1 2014 <sup>(1)</sup>	Q2 2014 <sup>(1)</sup>	Q3 2014 <sup>(2)</sup>	Q4 2014 <sup>(2)</sup>	Q1 2015 <sup>(2)</sup>	Average
Originated	\$ 31.0	\$ 6.7	\$ 71.7	\$ 30.5	\$ 17.2	\$ 31.4
Club	9.0	9.9	13.7	19.0	-	10.3
Purchased	-	46.1	20.4	16.4	-	16.6
Consumer loans	9.2	25.2	-	-	-	6.9
Total add-on investments	15.3	16.2	8.8	11.5	0.9	10.5
<b>Total Additions</b>	<b>64.5</b>	<b>104.1</b>	<b>114.6</b>	<b>77.4</b>	<b>18.1</b>	<b>75.7</b>
<b>Less: Total Repayments/Sales</b>	<b>(34.6)</b>	<b>(61.5)</b>	<b>(95.9)</b>	<b>(56.4)</b>	<b>(29.9)</b>	<b>(55.7)</b>
<b>Net Additions</b>	<b>\$ 29.9</b>	<b>\$ 42.6</b>	<b>\$ 18.7</b>	<b>\$ 21.0</b>	<b>\$ (11.8)</b>	<b>\$ 20.0</b>

Summary	Q1 2014 <sup>(1)</sup>	Q2 2014 <sup>(1)</sup>	Q3 2014 <sup>(2)</sup>	Q4 2014 <sup>(2)</sup>	Q1 2015 <sup>(2)(3)</sup>	Average
Number of new investments	4	9	8	7	2	6
Average WA yield of additions	11.3%	12.8%	10.1%	10.0%	12.2%	11.3%
Number of repayments/sales	3	6	13	7	3	6
Average WA yield of repayments/sales	11.5%	12.3%	9.4%	8.6%	11.6%	10.7%

# Current and Historical Investment Portfolio Composition

Portfolio characteristics (\$ in millions)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Total Market Value	\$455.2	\$433.6	\$448.6	\$467.8	\$452.0
Number of portfolio companies	71	62	56	57	57
Average investment size <sup>(1)</sup>	\$5.3	\$5.8	\$6.6	\$6.8	\$6.7
Weighted average yield <sup>(2)</sup>	10.0%	10.4%	10.0%	10.5%	10.8%
Weighted average price <sup>(1)</sup>	99.1	98.3	98.0	97.1	95.9
First lien	85.3%	77.1%	78.8%	85.3%	85.8%
Second lien & Mezzanine	6.8%	7.1%	8.7%	5.4%	5.5%
Consumer loans	5.3%	10.5%	9.0%	7.8%	6.9%
Equity & Other	2.6%	5.3%	3.5%	1.5%	1.8%
Originated <sup>(4)</sup>	36.1%	39.6%	46.9%	48.1%	50.4%
Club <sup>(5)</sup>	19.9%	24.7%	24.2%	27.4%	27.0%
Purchased	44.0%	35.7%	28.9%	24.5%	22.6%
Fixed <sup>(1)</sup>	8.1%	12.3%	13.8%	9.2%	9.1%
Floating <sup>(1)</sup>	91.9%	87.7%	86.2%	90.8%	90.9%
Performing <sup>(1)</sup>	100.0%	98.8%	99.1%	99.1%	99.1%
Non-performing <sup>(1)</sup>	0.0%	1.2%	0.9%	0.9%	0.9%
Weighted average debt / EBITDA <sup>(1) (3) (6)</sup>	3.5x	3.5x	3.4x	3.6x	3.6x
Weighted average risk rating <sup>(1)</sup>	2.24	2.33	2.40	2.52	2.48

<sup>(1)</sup> Excludes consumer loans and equity investments

<sup>(2)</sup> Excludes investments with a risk rating of 4, unfunded revolvers and equity investments.

<sup>(3)</sup> Q2 2014 includes the transfer of three portfolio companies, total par of \$13.2 million, from Transitory to Core, based on the current yield

<sup>(4)</sup> Originated positions include investments where we have sourced and led the execution of the deal

<sup>(5)</sup> Club positions include investments where we provide direct lending to a borrower with one or two other lenders but did not lead the deal

<sup>(6)</sup> Excludes investments with a risk rating of 4, unfunded revolvers and equity investments, as well as non-operating portfolio companies, which we define as those with loans collateralized by real estate, proved developed producing value ("PDP") or other hard assets. PDPs are proven revenues that can be produced with existing wells.

# Top 10 Loan Portfolio Investments as of March 31, 2015

Issuer (\$ in millions)	Fair Value	% of Loan Portfolio	Yield
GLC Trust 2013-2 Consumer Loan Portfolio <sup>(1)(2)</sup>	\$31.2	6.9%	8.2%
MXD Group, Inc. (fka Exel Direct Inc.)	\$12.3	2.7%	17.3%
HC Cable OpCo, LLC	\$10.8	2.4%	9.5%
Nursery Supplies, Inc.	\$10.7	2.4%	9.5%
Worley Claims Services, LLC	\$10.4	2.3%	9.2%
Speed Commerce, Inc.	\$10.3	2.3%	10.5%
Joe's Jeans Inc.	\$10.3	2.3%	14.5%
CR Brands, Inc.	\$10.3	2.3%	12.2%
AbelConn, LLC (Atrenne Computing)	\$10.3	2.3%	10.0%
NPI Holding Corp. (Nudo Products, Inc.)	\$10.3	2.3%	11.3%
<b>Total</b>	<b>\$126.9</b>	<b>28.1%</b>	<b>10.8%</b>

<sup>(1)</sup> The GLC Trust 2013-2 Consumer Loan Portfolio holds a portfolio of small balance consumer loans. As of March 31, 2015 the portfolio included 3,438 loans with an average par balance of \$9,243, a weighted average interest rate of 15.6% and a weighted average maturity of 2/21/2018

<sup>(2)</sup> Yield on consumer loan portfolio is net of expected credit losses



# Comparative Statement of Financial Condition

(In thousands, except per share data)

	March 31, 2015	December 31, 2014	Variance	
	(unaudited)		\$	%
<b>Assets</b>				
Investments, fair value	\$ 452,011	\$ 467,769	\$ (15,758)	-3.4%
Cash and cash equivalents	20,355	13,651	6,704	49.1%
Cash and cash equivalents, restricted	8,483	14,260	(5,777)	-40.5%
Due from counterparties	1,906	1,615	291	18.0%
Accrued interest receivable	3,722	3,507	215	6.1%
Deferred debt issuance costs	4,223	4,418	(195)	-4.4%
Deferred offering costs	335	314	21	6.7%
Prepaid administrator fee	-	74	(74)	NA
Other assets	162	233	(71)	-30.5%
<b>Total Assets</b>	<b>\$ 491,197</b>	<b>\$ 505,841</b>	<b>\$ (14,644)</b>	<b>-2.9%</b>
<b>Liabilities</b>				
Debt	\$ 227,077	\$ 240,259	\$ (13,182)	-5.5%
Due to counterparties	-	109	(109)	NA
Payables to affiliates	4,623	3,084	1,539	49.9%
Interest payable	636	690	(54)	-7.8%
Accrued expenses and other payables	653	597	56	9.4%
<b>Total Liabilities</b>	<b>232,989</b>	<b>244,739</b>	<b>-11,750</b>	<b>-4.8%</b>
<b>Total Net Assets</b>	<b>258,208</b>	<b>261,102</b>	<b>-2,894</b>	<b>-1.1%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 491,197</b>	<b>\$ 505,841</b>	<b>\$ (14,644)</b>	<b>-2.9%</b>
<b>Net Asset Value per Share</b>	<b>\$ 15.41</b>	<b>\$ 15.58</b>	<b>\$ (0.17)</b>	<b>-1.1%</b>

# Comparative Statement of Quarterly Operating Results

<i>(In thousands, except per share data)</i>	For the Three Months Ended		Variance	
	March 31, 2015 (unaudited)	December 31, 2014 (unaudited)	\$	%
<b>Investment income</b>				
Interest income	\$ 12,958	\$ 12,798	\$ 160	1.3%
Other income	521	587	(66)	-11.2%
<b>Total investment income</b>	<b>13,479</b>	<b>13,385</b>	<b>94</b>	<b>0.7%</b>
<b>Expenses</b>				
Interest expense	1,850	1,930	(80)	-4.1%
Management fees	1,990	2,068	(78)	-3.8%
Incentive fees	695	1,343	(648)	-48.3%
Professional fees	316	245	71	29.0%
Directors fees	106	96	10	10.4%
Administrator expenses	242	143	99	69.2%
Other expenses	598	679	(81)	-11.9%
<b>Total expenses</b>	<b>5,797</b>	<b>6,504</b>	<b>-707</b>	<b>-10.9%</b>
<b>Net investment income</b>	<b>\$ 7,682</b>	<b>\$ 6,881</b>	<b>\$ 801</b>	<b>11.6%</b>
<b>Realized and unrealized loss from investments</b>				
Net realized loss from investments	(490)	(192)	(298)	155.2%
Net change in unrealized loss from investments	(4,220)	(1,021)	(3,199)	313.3%
<b>Net realized and unrealized loss from investments</b>	<b>\$ (4,710)</b>	<b>\$ (1,213)</b>	<b>\$ (3,497)</b>	<b>288.3%</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 2,972</b>	<b>\$ 5,668</b>	<b>\$ (2,696)</b>	<b>-47.6%</b>
<b>Net investment income per common share</b>	<b>\$0.46</b>	<b>\$0.41</b>	<b>\$0.05</b>	<b>12.2%</b>
<b>Basic earnings per common share</b>	<b>\$0.18</b>	<b>\$0.34</b>	<b>(\$0.16)</b>	<b>-47.1%</b>
<b>Basic weighted average common shares outstanding</b>	<b>16,759</b>	<b>16,759</b>	<b>-</b>	<b>0.0%</b>
<b>Dividends and distributions declared per common share</b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>	<b>\$ -</b>	<b>0.0%</b>

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