

GARRISON
CAPITAL

Earnings Presentation
Fourth Quarter ended December 31, 2014

CONFIDENTIAL



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Market and Portfolio Trends

Current Market Trends in the Lower Middle-Market

- Capital remains scarce in the lower middle market as traditional lenders in the space have curtailed activity due to regulatory restrictions
- Banks, funds and other finance companies continue to participate in select one-off financings as their available capital increases
- Many competitors have moved up-market to focus their attention on larger borrowers
- Lower middle-market opportunities continue to command better pricing and structures than in the broadly syndicated market and upper middle-market
- There have been a series of new start ups and fundraisings for lower middle-market deals, however barriers to entry still remain
- Based on our experience core sponsors have expressed that purchase price multiples are overvalued
- We have seen a slight tightening in spreads as banks gradually become more aggressive and private funds enter the lower middle-market in search of enhanced yields

Trends in Our Portfolio

- New originations, club deals and purchases during the fourth quarter totaled \$77.4 million of par value
- Of the \$56.4 million of repayments, \$22.5 million were from the transitory portfolio
- Weighted average yield of deals closed during the quarter was 10.0%
- Core loan portfolio additions included six sponsor deals and one non-sponsor deal
- We experienced a slight increase in leverage on deals closed in the fourth quarter over historical averages
 - The mix of deals, however, included larger companies with higher valuation multiples and overall loan-to-values remain within normal levels
 - Portfolio leverage multiples overall are in line with historical averages
- Weighted average risk rating of the portfolio has increased over time which we attribute to the migration of our portfolio into our core investment strategy and is not indicative of any overall negative credit trends in the portfolio
- Targeting of ABL partnership deals yielded results during the quarter
- Energy exposure is limited to one deal, representing 2.1% of total investments

Q4 2014 Core Loan Portfolio Additions



Business Overview

Producer of acrylic based sheet used in a broad spectrum of applications

Manufacturer of skid street loaders and compact track loaders

Anatomic pathology-only lab

Provider of data and analytics for the construction industry

Date Closed/ Tenor

10/17/2014
5 Year Deal

12/19/2014
5 Year Deal

12/1/2014
4.5 Year Deal

10/31/2014
5 Year Deal

Interest Rate

L+800 with a 1.00% Floor and 1.75% upfront fee

L+950 with a 1.00% Floor and 2.00% upfront fee

L+700 with a 1.25% Floor and 1.00% upfront fee

L+875 with a 1.00% Floor and 2.00% upfront fee

Asset Type

Term Loan - First Lien

Term Loan - First Lien

Term Loan - First Lien/Delayed Draw Term Loan/Revolver

Term Loan - First Lien

Invested / Global facility size

TL: \$10.5mm / \$30.0mm*

TL: \$9.5mm / \$40.0mm*

TL: \$5.6mm / \$165.0mm*
DDTL: \$1.0mm / \$25.0mm*
Revolver: \$1.0mm / \$30.0mm*

TL: \$10.5mm / \$240.0mm*

Origination Source

Originated

Originated

Purchased

Purchased

Call protection

102/101

103/102/101

103/102/101

103/102/101

Leverage (Debt/EBITDA)**

3.9x

4.4x

3.7x

4.1x

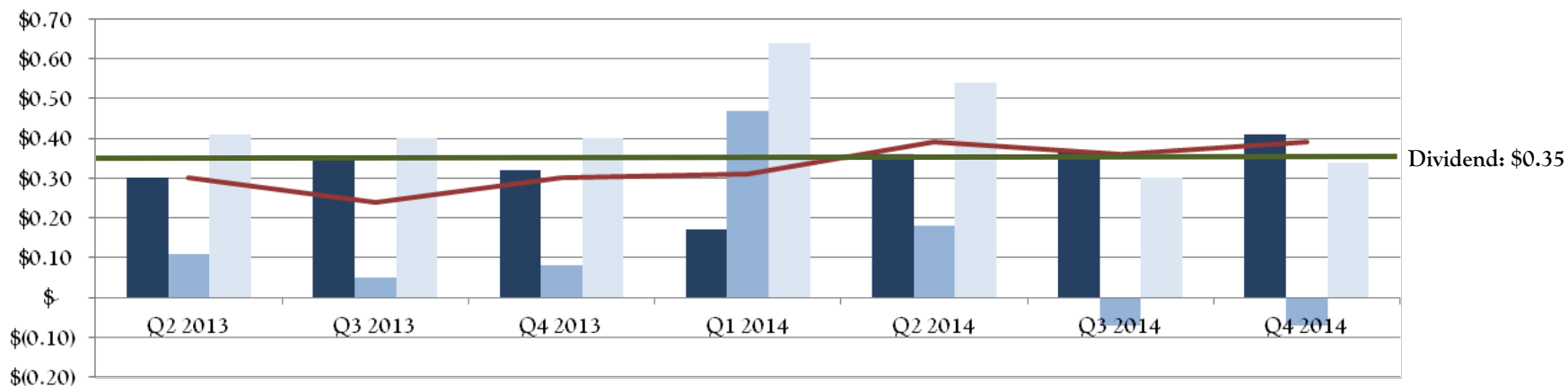
Q4 2014 Core Loan Portfolio Additions



Business Overview	Manufacturer of carpet	Supplier of high quality polymer resins	Provider of a SaaS-based membership software solution for member-based organizations
Date Closed/ Tenor	12/19/2014 5 Year Deal	11/25/2014 5 Year Deal	12/1/2014 5 Year Deal
Interest Rate	L+1000 with a 1.00% Floor and 2.50% upfront fee	L+800 with a 1.00% Floor and 2.50% upfront fee	L+700 with a 1.00% Floor and 1.00% upfront fee
Asset Type	Term Loan - First Lien	Term Loan - First Lien	Term Loan - First Lien/Revolver
Invested / Global facility size	TL: \$10.5mm / \$100.0mm*	TL: \$10.5mm / \$60.0mm*	TL: \$8.5mm / \$45.3mm* Revolver: \$0.4mm/\$2.0mm
Origination Source	Club	Originated	Club
Call protection	103/102/101	101.5/101	103 / 102 / 101
Leverage (Debt/EBITDA)**	4.2x	4.3x	4.8x

Q4 2014 Earnings Highlights

<i>(per share)</i>	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Net investment income	\$ 0.30	\$ 0.35	\$ 0.32	\$ 0.17	\$ 0.36	\$ 0.37	\$ 0.41
Net realized/unrealized gain (loss) on investments	0.11	0.05	0.08	0.47	0.18	(0.07)	(0.07)
Net increase in net assets from operations	\$ 0.41	\$ 0.40	\$ 0.40	\$ 0.64	\$ 0.54	\$ 0.30	\$ 0.34
Adjusted net investment income ⁽¹⁾	\$ 0.21	\$ 0.24	\$ 0.30	\$ 0.31	\$ 0.39	\$ 0.36	\$ 0.39



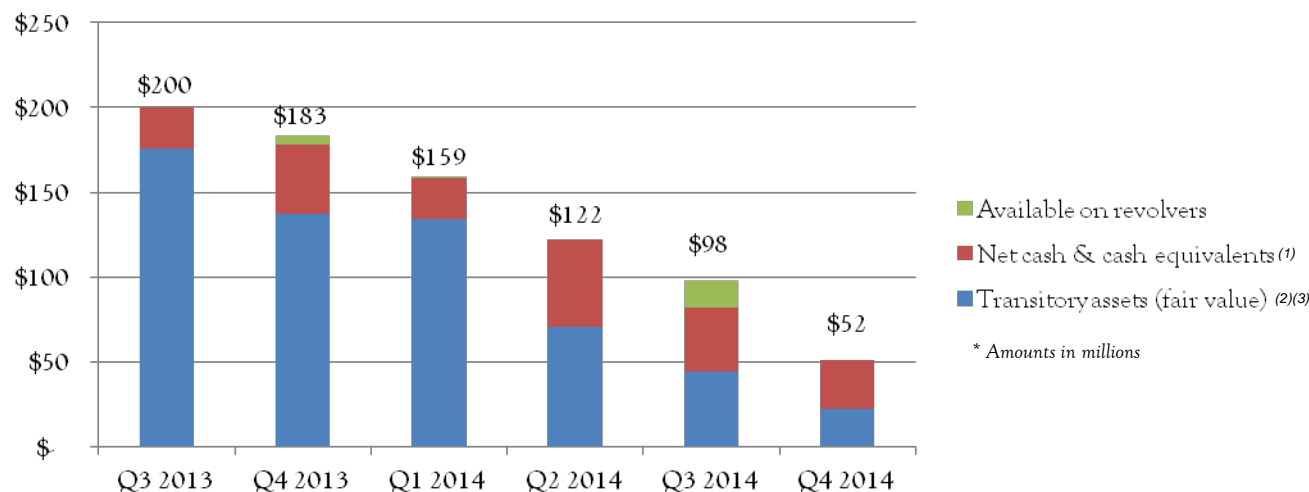
- Paid a Q4 2014 dividend of \$0.35 per share and declared a Q1 2015 dividend of \$0.35 per share payable on March 27, 2015
- \$5.6 million or \$0.34 per share of undistributed taxable net income as of December 31, 2014 (we will retain and spillover to 2015 which therefore delays the distribution of current year taxable income)
- 3.9% growth in book value since our IPO

Q4 2014 Funding & Liquidity

Funding

- Debt to equity ratio as of December 31, 2014 was 0.92x
- Weighted average cost of funds as of December 31, 2014 was 3.0%
- SBIC – We have meaningfully progressed through the SBIC process since the prior quarter

Liquidity



Leverage Ratio	0.74x	0.87x	0.87x	0.86x	0.88x	0.92x
WA Cost of Funds	3.0%	3.0%	3.0%	2.9%	3.0%	3.0%

Q4 2014 Portfolio Highlights

Portfolio Activity

Par (in millions)	Q2 2013 ⁽¹⁾	Q3 2013 ⁽¹⁾	Q4 2013 ⁽¹⁾	Q1 2014 ⁽¹⁾	Q2 2014 ⁽¹⁾	Q3 2014 ⁽²⁾	Q4 2014 ⁽²⁾	Average
Originated	\$ 22.0	\$ 30.2	\$ 24.1	\$ 31.0	\$ 6.7	\$ 71.7	\$ 30.5	\$ 30.9
Club	26.2	-	26.1	9.0	9.9	13.7	19.0	14.8
Purchased	52.2	-	9.2	-	46.1	20.4	16.4	20.6
Consumer loans	5.0	4.7	8.9	9.2	25.2	-	-	7.6
Equity	4.9	1.0	0.7	-	-	-	-	0.9
Total add-on investments	-	2.9	13.4	15.3	16.2	8.8	11.5	9.7
Total Additions	110.3	38.8	82.4	64.5	104.1	114.6	77.4	84.6
Less: Total Repayments/Sales	(4.8)	(11.5)	(25.6)	(34.6)	(61.5)	(95.9)	(56.4)	(41.5)
Net Additions	\$ 105.5	\$ 27.3	\$ 56.8	\$ 29.9	\$ 42.6	\$ 18.7	\$ 21.0	\$ 43.1

Summary	Q2 2013	Q3 2013 ⁽¹⁾	Q4 2013 ⁽¹⁾	Q1 2014 ⁽¹⁾	Q2 2014 ⁽¹⁾	Q3 2014 ⁽²⁾	Q4 2014 ⁽²⁾	Average
Number of new investments	11	6	8	4	9	8	7	8
Average WA yield of additions	10.9%	12.6%	11.1%	11.3%	12.8%	10.1%	10.0%	10.5%
Number of repayments/sales	1	1	2	3	6	13	7	5
Average WA yield of repayments/sales	13.8%	9.5%	11.5%	11.5%	12.3%	9.4%	8.6%	10.8%

Current and Historical Investment Portfolio Composition

Portfolio characteristics (\$ in millions)	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Total Market Value	\$418.1	\$411.5	\$429.1	\$455.2	\$433.6	\$448.6	\$467.8
Number of portfolio companies	83	71	70	71	62	56	57
Average investment size ⁽¹⁾	\$4.7	\$5.1	\$5.0	\$5.3	\$5.8	\$6.6	\$6.8
Weighted average yield ⁽²⁾	8.8%	9.5%	9.8%	10.0%	10.4%	10.0%	10.5%
Weighted average price ⁽¹⁾	97.1	98.6	99.2	99.1	98.3	98.0	97.1
First lien	93.8%	90.9%	88.1%	85.3%	77.1%	78.8%	85.3%
Second lien	3.3%	3.3%	4.3%	5.2%	4.1%	6.2%	2.9%
Mezzanine/Subordinated	0.0%	1.7%	1.7%	1.6%	3.0%	2.5%	2.5%
Unsecured	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%	0.0%
Consumer loans	1.2%	2.2%	3.9%	5.3%	10.5%	9.0%	7.8%
Real estate loans	0.0%	0.0%	0.0%	2.2%	2.3%	2.3%	0.0%
Equity	1.7%	1.9%	2.0%	0.4%	1.5%	1.2%	1.5%
Core ⁽³⁾	48.3%	57.2%	68.0%	70.6%	83.7%	90.0%	95.3%
Transitory ⁽³⁾	51.7%	42.8%	32.0%	29.4%	16.3%	10.0%	4.7%
Originated ⁽⁴⁾	16.0%	26.3%	32.3%	36.1%	39.6%	46.9%	48.1%
Club ⁽⁵⁾	12.8%	15.0%	15.8%	19.9%	24.7%	24.2%	27.4%
Purchased	71.2%	58.7%	51.9%	44.0%	35.7%	28.9%	24.5%
Fixed ⁽¹⁾	1.7%	4.1%	5.0%	8.1%	12.3%	13.8%	9.2%
Floating ⁽¹⁾	98.3%	95.9%	95.0%	91.9%	87.7%	86.2%	90.8%
Performing ⁽¹⁾	98.8%	98.9%	100.0%	100.0%	98.8%	99.1%	99.1%
Non-performing ⁽¹⁾	1.2%	1.1%	0.0%	0.0%	1.2%	0.9%	0.9%
Weighted average debt / EBITDA ^{(1) (3) (5)}	3.8x	3.7x	3.6x	3.5x	3.5x	3.4x	3.6x
Weighted average risk rating ⁽¹⁾	2.17	2.19	2.17	2.24	2.33	2.40	2.52

⁽¹⁾ Excludes consumer loans and equity investments

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

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

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

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

⁽⁶⁾ 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 December 31, 2014

Issuer (\$ in millions)	Fair Value	% of Loan Portfolio	Yield
GLC Trust 2013-2 Consumer Loan Portfolio ⁽¹⁾⁽²⁾	\$36.3	7.8%	8.2%
MXD Group, Inc. (fka Exel Direct Inc.)	\$12.2	2.6%	17.1%
Forest Park Medical Center at San Antonio, LLC	\$11.2	2.4%	14.5%
HC Cable OpCo, LLC	\$10.9	2.3%	9.4%
Nursery Supplies, Inc.	\$10.8	2.3%	9.4%
PD Products, LLC	\$10.8	2.3%	12.0%
EZE Trucking, LLC	\$10.6	2.3%	13.6%
Worley Claims Services, LLC	\$10.4	2.2%	9.2%
AbelConn, LLC	\$10.4	2.2%	10.0%
Speed Commerce, Inc.	\$10.3	2.2%	10.5%
Total	\$134.0	28.6%	10.9%

⁽¹⁾ The GLC Trust 2013-2 Consumer Loan Portfolio holds a portfolio of small balance consumer loans. As of December 31, 2014 the portfolio included 3,731 loans with an average par balance of \$9,875 a weighted average interest rate of 15.6% and a weighted average maturity of 2/6/2018

⁽²⁾ Yield on consumer loan portfolio is net of expected credit losses

Comparative Statement of Financial Condition

<i>(In thousands, except per share data)</i>	December 31, 2014	September 30, 2014 (unaudited)	Variance	
Assets				
Investments, fair value	\$ 467,769	\$ 448,649	\$ 19,120	4.3%
Cash and cash equivalents	13,651	25,572	(11,921)	-46.6%
Cash and cash equivalents, restricted	14,260	15,460	(1,200)	-7.8%
Due from counterparties	1,615	1,707	(92)	-5.4%
Accrued interest receivable	3,507	4,082	(575)	-14.1%
Deferred debt issuance costs	4,418	4,584	(166)	-3.6%
Deferred offering costs	314	314	0	0.0%
Prepaid administrator fee	74	-	74	NA
Other assets	233	443	(210)	-47.4%
Total Assets	\$ 505,841	\$ 500,811	\$ 5,030	1.0%
Liabilities				
Debt	\$ 240,259	\$ 228,018	\$ 12,241	5.4%
Due to counterparties	109	5,096	(4,987)	-97.9%
Payables to affiliates	3,084	4,921	(1,837)	-37.3%
Interest payable	690	649	41	6.3%
Accrued expenses and other payables	597	827	(230)	-27.8%
Total Liabilities	244,739	239,511	5,228	2.2%
Total Net Assets	261,102	261,300	(198)	-0.1%
Total Liabilities and Net Assets	\$ 505,841	\$ 500,811	\$ 5,030	1.0%
Net Asset Value per Share	\$ 15.58	\$ 15.59	\$ (0.01)	-0.1%

Comparative Statement of Quarterly Operating Results

(In thousands, except per share data)

	For the three months ended		Variance	
	December 31, 2014 (unaudited)	September 30, 2014 (unaudited)		
Investment income				
Interest income	\$ 13,385	\$ 12,944	\$ 441	3.4%
Dividend income	-	-	-	0.0%
Total Investment income	13,385	12,944	441	3.4%
Expenses				
Interest	1,930	1,871	59	3.2%
Loss on refinancing	-	243	(243)	NA
Management fees	2,068	2,024	44	2.2%
Incentive fees	1,343	1,270	73	5.7%
Professional fees	245	255	(10)	-3.9%
Directors fees	96	96	-	0.0%
Administrator expenses	143	165	(22)	-13.3%
Other expenses	679	759	(80)	-10.5%
Total expenses	6,504	6,683	(179)	-2.7%
Net expenses	\$ 6,504	\$ 6,683	\$ (179)	-2.7%
Net investment income	\$ 6,881	\$ 6,261	\$ 620	9.9%
Realized and unrealized gain/(loss) on investments				
Net realized gain/(loss) from investments	(192)	1,198	(1,390)	-116.0%
Net change in unrealized appreciation on investments	(1,021)	(2,378)	1,357	-57.1%
Net realized and unrealized gain/(loss) on investments	\$ (1,213)	\$ (1,180)	\$ (33)	2.8%
Net increase in net assets resulting from operations	\$ 5,668	\$ 5,081	\$ 587	11.6%
Net investment income per common share	\$0.41	\$0.37	\$0.03	8.1%
Basic earnings per common share	\$0.34	\$0.30	\$0.04	13.3%
Basic weighted average common shares outstanding	16,759	16,759	-	0.0%
Dividends and distributions declared per common share	\$ 0.35	\$ 0.35	\$ -	0.0%

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