

# Fifth Street Senior Floating Rate Corp. (NASDAQ:FSFR)

First Quarter Ended  
December 31, 2016



**FIFTHSTREET**

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# Overview



**FIFTH STREET**

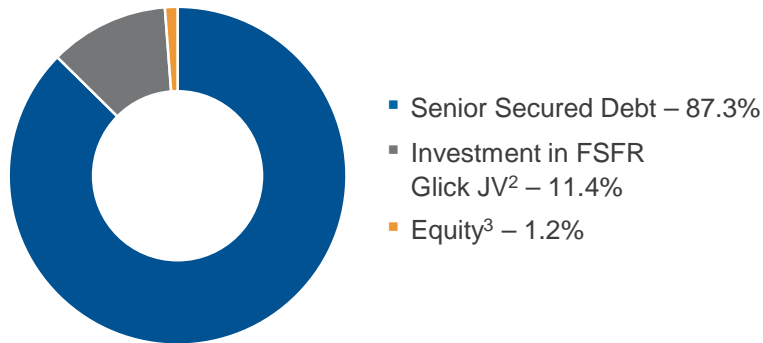
# Fifth Street Senior Floating Rate Corp. (FSFR) Overview

FSFR is a business development company (BDC) that provides floating rate, senior secured loans to sponsor-backed middle market companies.

The company's investment objective is to maximize our portfolio's total return by generating current income from our debt investments while seeking to preserve our capital.

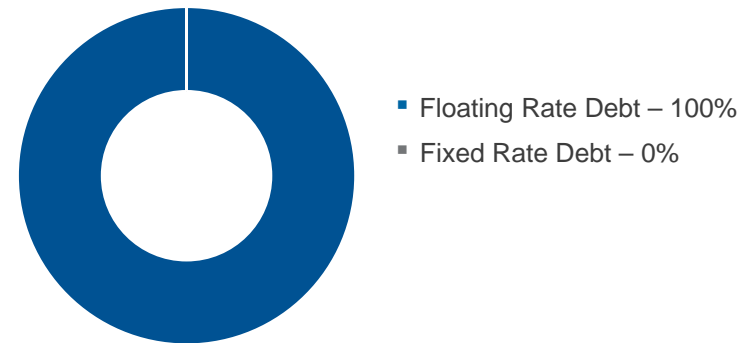
## Primary Focus on Senior Secured Loans<sup>1</sup>

Senior debt typically has a higher payment priority than subordinated debt and equity.



## Debt Portfolio Has 100% Floating Rate Exposure

Floating rate securities should benefit from the effects of inflation and rising interest rates, allowing FSFR to generate income attributable to interest rates rising over 100 basis points.



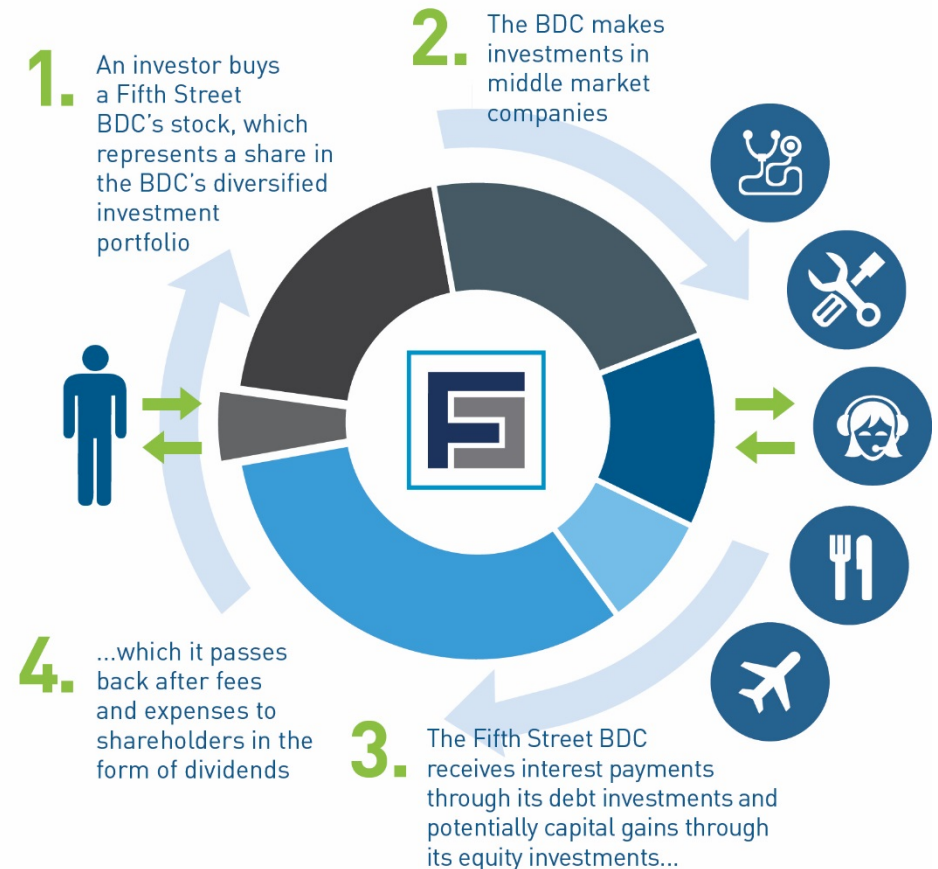
Note: Numbers may not sum due to rounding.

<sup>1</sup> At fair value as of December 31, 2016; <sup>2</sup> FSFR Glick JV invests in senior secured floating rate debt. As of December 31, 2016, FSFR's investment in FSFR Glick JV consisted of total investments of \$61.7MM of subordinated notes and equity interests, at fair value; <sup>3</sup> Excludes equity investment in FSFR Glick JV LLC.

# What is a BDC?

## Business Development Companies (BDCs)

- Special type of pass-through entity created by Congress in 1980
- An emerging asset class in the publicly-traded alternative investment space
- Total public market capitalization of industry is approximately \$32 billion<sup>1</sup>
- Structure comparable to equity REITs and MLPs
- Provides middle market debt and equity exposure, typically only available to institutional investors in committed funds for locked-up periods
- Required dividend payout of at least 90% of annual taxable net income results in attractive dividend yields of 8–12% in the current low yielding interest rate environment<sup>1</sup>



# FSFR's Experienced Management Team

**Bernard D. Berman**  
Chief Executive Officer & Chairman of the Board



- 21+ years experience focusing on corporate and investment transactions
- Formerly practiced as a corporate attorney where he negotiated and structured a variety of investment transactions

**Steven M. Noreika, CPA, CFA**  
Chief Financial Officer



- 18+ years experience in various finance and accounting positions
- Former experiences include roles at Time Warner Inc. and Marcum & Kleigman, LLP

**Kerry S. Acocella**  
Chief Compliance Officer & Secretary



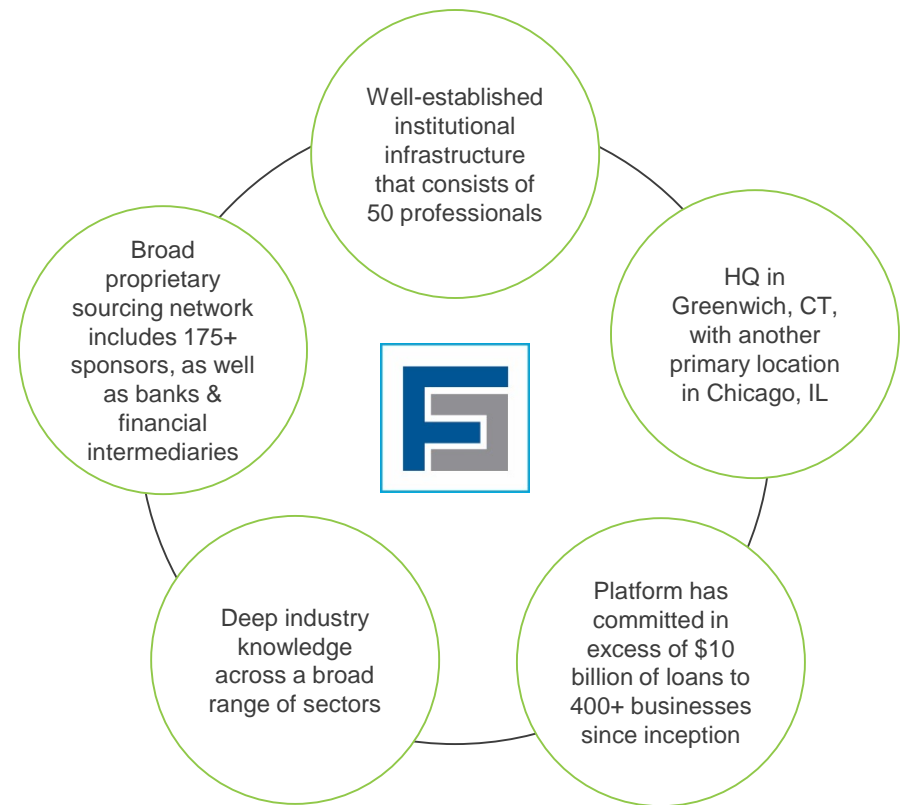
- 11+ years of legal experience providing counsel on a variety of securities and compliance matters
- Formerly Senior Corporate Counsel – Corporate & Securities at Weight Watchers International, Inc. and corporate associate with Morrison & Foerster LLP

## EMPLOYEE STATISTICS: FIFTH STREET PLATFORM<sup>1</sup>



# Overview of the Fifth Street Platform

- With approximately \$5 billion of AUM across multiple public and private investment vehicles, Fifth Street Asset Management's (NASDAQ:FSAM) platform has over an 18 year track record of disciplined credit investing across multiple economic cycles
- As a preeminent lending partner to private equity sponsors, Fifth Street structures flexible financing solutions across the capital structure to growing middle market companies
- One of a handful of middle market sponsor finance origination platforms, including sourcing, underwriting and in-house portfolio management with highly customized proprietary systems in place



## KEY DATES & MILESTONES

1998	2005	2007	2008	2010	2012	2013	2014	2015	2016
Fund I Launched	Fund II Launched	Fund III Launched	Fund III BDC Conversion Fifth Street Finance Corp. (FSC) BDC IPO	First SBIC License Granted (FSC)	Second SBIC License Granted (FSC)	Fifth Street Senior Floating Rate Corp. (FSFR) BDC IPO Hedge Fund Launched	Launched Senior Loan Fund / CLO Strategy Joint Ventures with FSC / Kemper Corporation & FSFR / Glick Family FSAM IPO	CLO I Closed CLO II Closed	SMA Closed with Institutional Investor



# FSFR Highlights

## Investment Portfolio Highlights

- 87.3% of portfolio in senior secured loans, the highest segment of the capital structure
- Well-positioned for rising interest rates, with 100% of our debt investment portfolio bearing interest at floating rates
- Debt investments in 61 companies with 8.5% weighted average annual yield<sup>1</sup>

## Access to Fifth Street's Direct Origination & Underwriting Platform

- Sources, structures and underwrites transactions in conjunction with private equity sponsors and has in-house portfolio management capabilities
- Robust origination platform provides opportunity funnel which allows for strong selectivity
- Ability to hold multiple parts of the debt capital structure including one-stop financing solutions

## Strong Balance Sheet with Diversified Funding Sources

- Debt-to-equity ratio of 0.79x (target range: 0.80x – 0.90x)
- \$309 million on-balance sheet debt securitization, maturing May 2025
- \$175 million senior secured revolving facility with Citibank, maturing January 2020
- \$25 million senior secured revolving credit facility with East West Bank, maturing January 2021

## FSFR Glick JV Enhances Returns to Shareholders

- FSFR's joint venture expands investment capacity to originate and underwrite one-stop and senior secured middle market loans
- Total assets of \$170 million at fair value with \$300 million of investment capacity
- Provided an 8.9% weighted average return on investment to FSFR

## Experienced & Growing Team

- Management team has an established track record investing in traditional middle market credit opportunities
- Dedicated team that is aligned with investors by tying a portion of employee compensation directly to the performance of FSFR

# Leading & Nationally Recognized Middle Market Platform

## Closed Approximately \$1.1B of Investments Across 80+ Deals in 2016

- **Leading direct origination platform** that creates premium yields by originating and structuring loans
- **Mutually beneficial strategic partnerships with private equity sponsors** provide incremental due diligence, additional layer of monitoring and an additional source of operating expertise
- **Comprehensive financing solutions** include first lien, one-stop, second lien and mezzanine debt, as well as equity co-investments
- **Extensive long-standing sourcing relationships** with sponsors, other middle market lenders and investment banks provide access to deal flow and enhance origination efficiency
- **Intense focus on managing credit risk** through comprehensive investment review process
- **In-house portfolio management capabilities** with highly customized loan management and accounting systems
- **Award-winning platform** that has been recognized by the M&A Advisor, *Mergers & Acquisitions* and ACG New York for being a top lender firm

## Track Record of Generating Deal Flow with Established Private Equity Sponsors<sup>1</sup>

	AUM (\$B)	Year Founded	Fifth Street Closed (\$MM)
 PERMIRA	\$30.9	1985	\$298
 ARES	\$24.9	1997	\$173
 Vista Equity Partners	\$24.3	2000	\$343
 THOMA BRAVO	\$17.0	1998	\$419
 GTCR	\$9.9	1980	\$274
 TA Associates	\$7.0	1968	\$280
 GENSTAR CAPITAL	\$5.0	1988	\$216
 VERITAS CAPITAL	\$3.6	1992	\$295

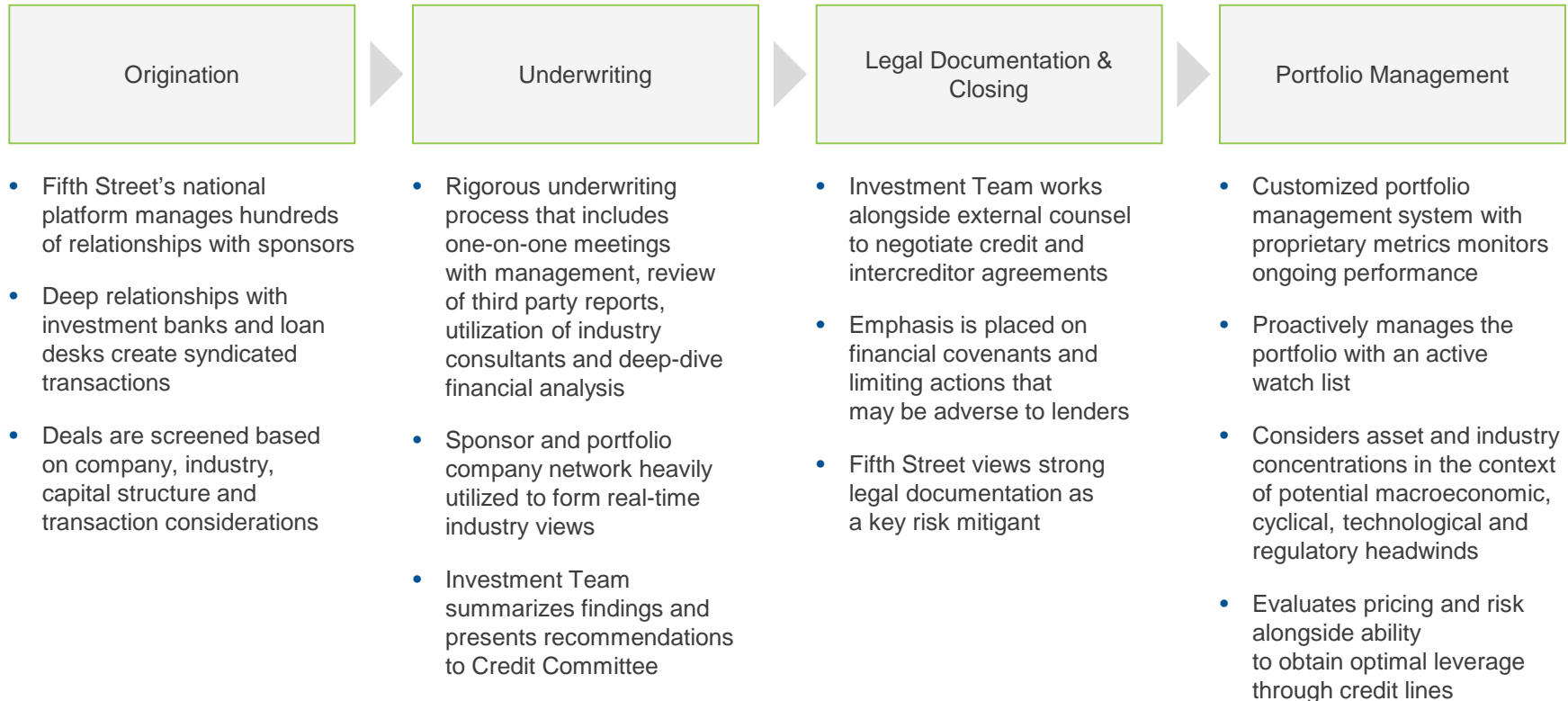
<sup>1</sup>Source: Pitchbook Data; Note: Data is as of December 30, 2016 and logos represent select relationships of the Fifth Street platform. The inclusion of certain sponsors herein does not constitute any endorsement of such sponsor by Fifth Street.

# Portfolio Review



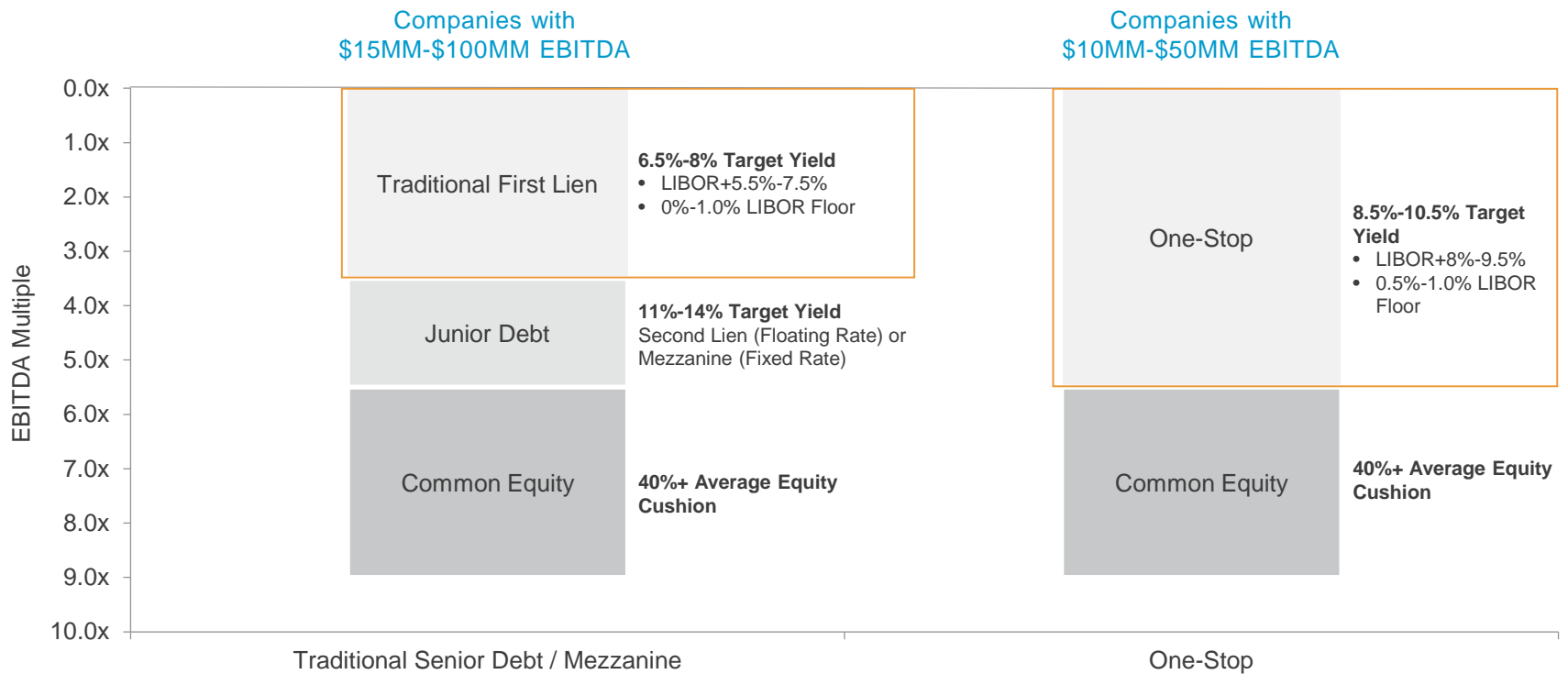
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# Comprehensive Investment Process to Manage Credit Risk



# Illustrative Middle Market Financing Structures

- Senior loans continue to be a prominent product in the middle market
- Fifth Street is one of a few direct middle market lenders of scale that actively provides senior, one-stop and junior debt
- Large hold sizes and diversified product offerings position Fifth Street to be a sponsor's first call when seeking leverage



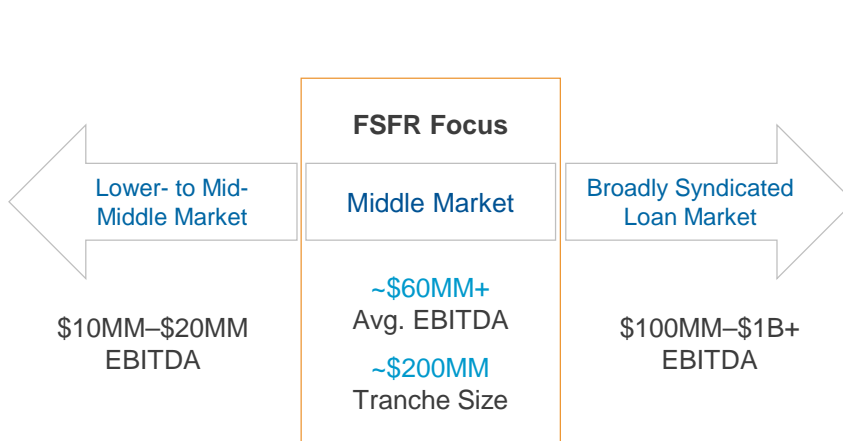
FSFR Focus

# FSFR Lends to Larger Borrowers at the Top of the Capital Structure...

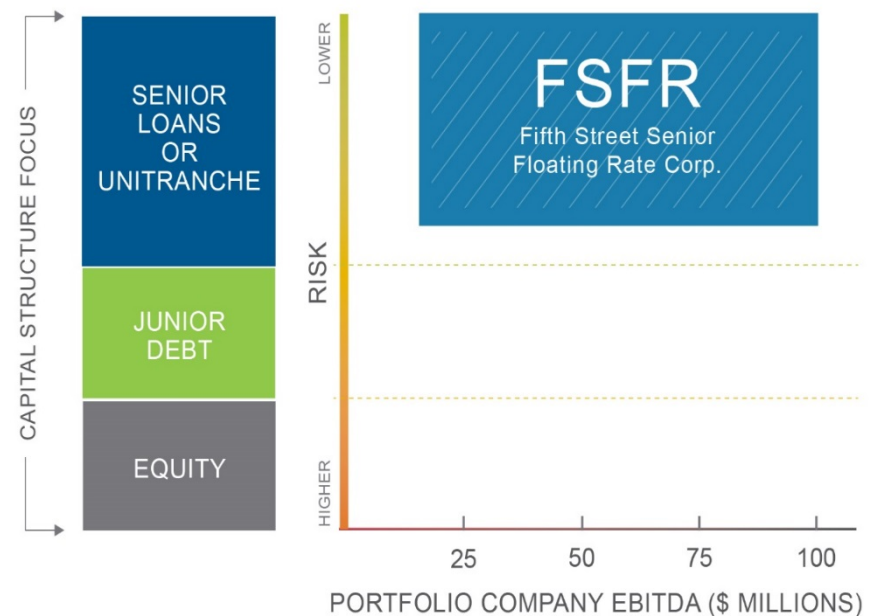
## FSFR targets senior secured investments with more established middle market companies

- FSFR's borrowers generally include larger middle market firms, which we believe have a lower overall risk profile relative to smaller middle market companies
- 87.3% of the portfolio at fair value consisted of senior secured floating rate debt investments
- 11.4% of the portfolio consisted of investments in subordinated notes and equity interests of FSFR Glick JV

## Portfolio Company EBITDA Continuum



## Capital Structure Focus

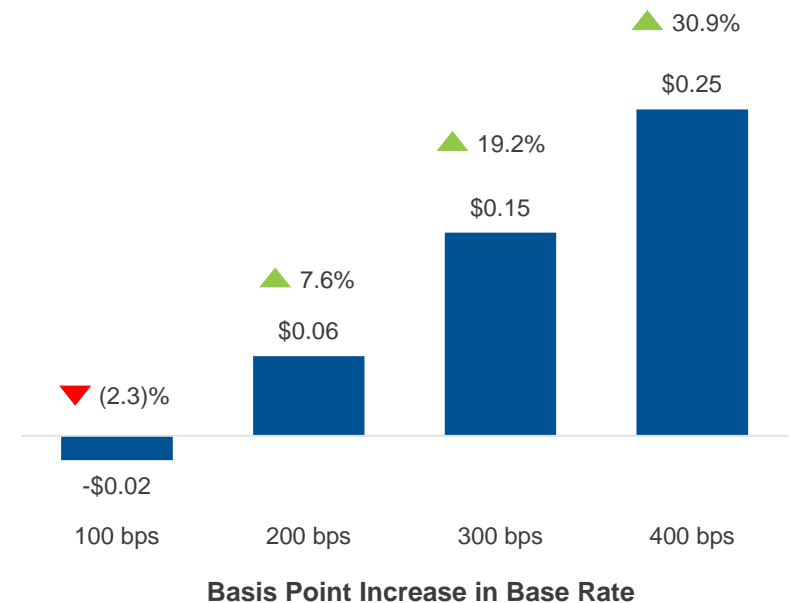


# ...and Is Well-Positioned to Benefit from Rising Interest Rates

FSFR's debt portfolio is 100% invested in floating rate securities, which should benefit from the effects of inflation and rising interest rates

- Current interest rates are at **historic lows on an absolute basis**
- Forward yield curves indicate interest rates are **expected to rise meaningfully in the future**
- Floating rate investments stand to **benefit from a rising interest rate environment** through attractive yields on both a relative and absolute basis

FSFR's Estimated Annual Change in Net Interest Income Per Share from Interest Rate Changes<sup>1,2</sup>



# FSFR's Portfolio

At Fair Value as of December 31, 2016

## Portfolio Overview

**61**  
Portfolio Company Investments

**\$66.9 Million**  
Average Portfolio Company EBITDA

**8.5%**  
Weighted Average Yield On Debt Investments

**100%**  
of the Debt Portfolio Consists of Floating Rate Loans

PORTFOLIO MIX

<b>35%</b>	Information Technology
<b>16%</b>	Healthcare
<b>14%</b>	Commercial & Professional Services
<b>13%</b>	Consumer Discretionary
<b>11%</b>	Financials <sup>1</sup>
<b>5%</b>	Telecommunication Services
<b>3%</b>	Consumer Staples
<b>2%</b>	Industrials
<b>1%</b>	Materials
<b>0%</b>	Energy

Note: Numbers may not sum due to rounding.

<sup>1</sup> Includes investment in FSFR Glick JV.



# Top 10 Investments

At Fair Value as of December 31, 2016

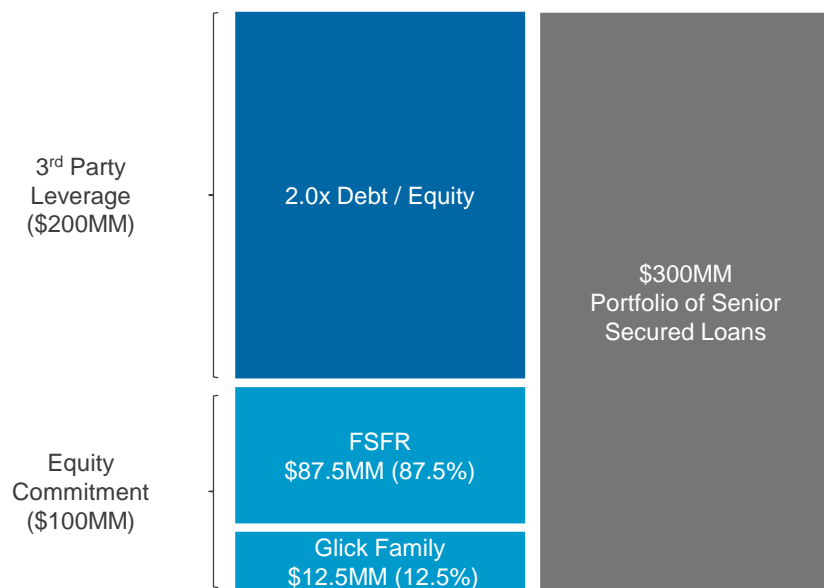
FSFR's \$540 million portfolio has 61 portfolio company investments, with the top ten investments accounting for 37.4% of total assets

Company	Investments at Fair Value (\$ millions)	Industry	% of Total Assets
FSFR Glick JV LLC	\$61.7	Multi-Sector Holdings	10.5%
All Web Leads, Inc.	28.1	Advertising	4.8%
BeyondTrust Software, Inc.	18.8	Application Software	3.2%
My Alarm Center, LLC	18.6	Security & Alarm Services	3.2%
Idera, Inc.	17.3	Internet Software & Services	2.9%
PowerPlan, Inc.	16.7	Internet Software & Services	2.8%
OBHG Management Services, LLC	16.2	Healthcare Services	2.7%
Teaching Strategies, LLC	15.2	Education Services	2.6%
Motion Recruitment Partners LLC	14.6	Diversified Support Services	2.5%
New Trident Holdcorp, Inc.	13.3	Healthcare Services	2.3%
<b>TOP 10 INVESTMENTS</b>	<b>\$220.5</b>		<b>37.4%</b>
<b>TOTAL INVESTMENTS</b>	<b>\$540.1</b>		
<b>TOTAL ASSETS</b>	<b>\$590.2</b>		

# FSFR's Senior Secured Loan Joint Venture Enhances Returns

- FSFR and GF Funding formed a joint venture (FSFR Glick JV) to invest primarily in middle market senior secured floating rate debt securities
  - FSFR Glick JV allows FSFR to utilize 3<sup>rd</sup> party leverage on a high quality pool of loans not consolidated for its regulatory leverage test
- FSFR Glick JV had total assets of \$170 million at fair value under its investment capacity of ~\$300 million as of December 31, 2016
  - Assets in the JV include senior secured loans to 32 portfolio companies
- FSFR's investments yielded an 8.9% weighted average annualized return on investment for the most recent quarter

## FSFR Glick JV Structure



## Selected Financial Information (\$ in millions)<sup>1</sup>

Investment Income	\$3.6
Third Party Interest and Operating Expense	1.3
Net Investment Income to FSFR and Glick <sup>2</sup>	2.3

FSFR receives 87.5% of the economic interest in FSFR Glick JV

# Appendix



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# Credit Facilities and Leverage Utilization

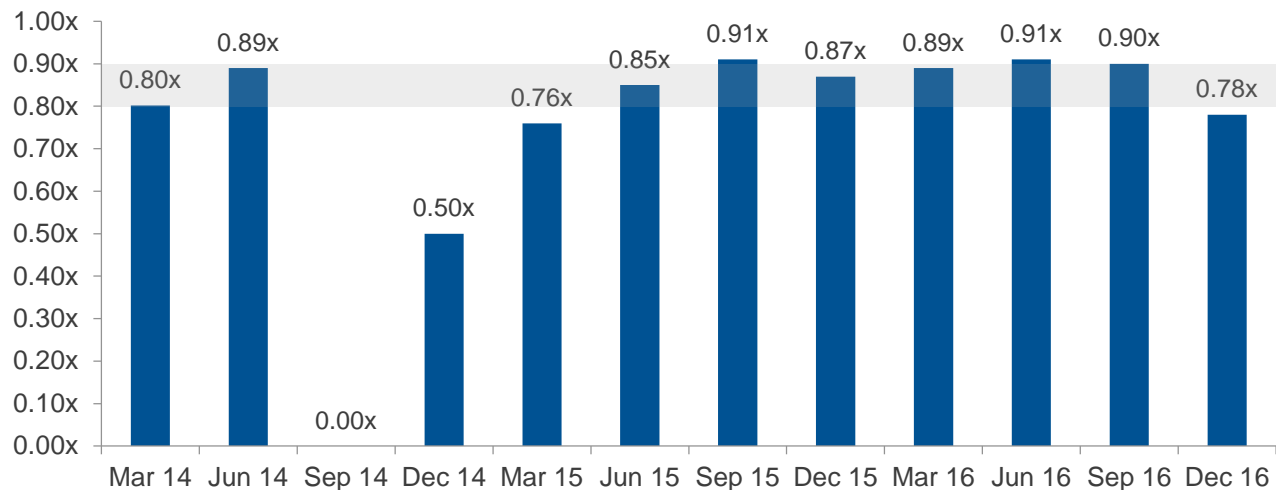
## As of December 31, 2016

Diverse sources of cost efficient capital reduces funding risks and enhances overall return

	FACILITY / ISSUANCE SIZE	INTEREST RATE	MATURITY
Debt Securitization	\$309 million	CP+190 bps or LIBOR+200 bps	November 2021
Citibank Credit Facility	\$175 million	LIBOR+200-225 bps	January 2020
East West Bank Credit Facility	\$25 million	LIBOR+325-375 bps	January 2021

### Historical Regulatory Leverage Ratio

Target Range: 0.80x – 0.90x Debt-to-Equity



# Historical Financials

(\$ in thousands, except per share data)

	Dec 14	Mar 15	Jun 15	Sep 15	Sep FY	Dec 15	Mar 16	Jun 16	Sep 16	Sep FY	Dec 16
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	Q1 2017

## Statement of Operations

Total investment income	\$11,923.1	\$11,341.2	\$14,140.2	\$14,068.1	\$51,472.5	\$13,913.8	\$13,194.7	\$13,114.5	\$13,203.3	\$53,426.2	\$11,561.2
Base management fee	1,156.9	1,523.2	1,594.9	1,656.2	5,931.1	1,586.2	1,520.5	1,511.5	1,516.1	6,134.3	1,425.2
Incentive fee	1,530.3	1,018.4	520.1	1,854.0	4,922.8	1,748.8	765.3	1,219.8	1,477.8	5,211.7	990.4
Interest and credit facility fees	886.2	1,705.1	4,162.9	2,196.5	8,950.7	2,273.4	2,337.8	2,437.2	2,546.0	9,594.4	2,456.1
All other operating expenses	854.3	800.1	776.4	959.1	3,389.8	1,303.4	2,785.8	1,782.5	1,327.6	7,199.3	805.4
Net investment income	\$7,495.5	\$6,294.3	\$7,085.9	\$7,402.3	\$28,278.1	\$7,001.9	\$5,785.2	\$6,163.5	\$6,342.1	\$25,292.7	\$5,884.1
Adjustment for one time debt sec. charge	0.0	0.0	1,056.0	0.0	1,056.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Net investment income	\$7,495.5	\$6,294.3	\$8,141.9	\$7,402.3	\$29,334.1	\$7,001.9	\$5,785.2	\$6,163.5	\$6,342.1	\$25,292.7	\$5,884.1
Net realized and unrealized gain (loss) on investments	(1,011.6)	392.2	(4,631.7)	(7,114.9)	(12,365.9)	(20,308.3)	(6,445.5)	(5,247.5)	2,250.9	(29,750.3)	(5,159.3)
GAAP net income	\$6,484.0	\$6,686.6	\$2,454.2	\$287.3	\$15,912.1	(\$13,306.4)	(\$660.3)	\$916.1	\$8,592.9	(\$4,457.6)	\$724.8

## Statement of Assets and Liabilities

Total investments (at fair value)	\$595,854.3	\$583,559.4	\$627,585.3	\$623,647.5	\$623,647.5	\$603,955.8	\$575,389.1	\$598,292.9	\$573,604.4	\$573,604.4	\$540,102.7
Cash and cash equivalents <sup>1</sup>	13,296.7	77,988.5	69,903.5	52,692.1	52,692.1	20,492.0	36,686.0	23,048.4	28,815.7	28,815.7	43,676.4
Other assets	26,726.7	12,392.8	52,360.0	21,370.9	21,370.9	20,032.7	17,012.0	18,497.7	19,997.1	19,997.1	6,468.6
Total assets	\$635,877.7	\$673,940.8	\$749,848.8	\$697,710.5	\$697,710.5	\$644,480.5	\$629,087.1	\$639,839.1	\$622,417.1	\$622,417.1	\$590,247.8
Credit facilities payable	184,847.6	280,097.6	127,366.0	136,659.8	136,659.8	109,226.8	112,946.8	115,826.8	107,426.8	107,426.8	72,256.8
Notes payable	0.0	0.0	180,000.0	186,366.0	186,366.0	182,331.0	180,000.0	180,000.0	177,485.8	177,485.8	177,558.3
Other liabilities	80,708.5	25,675.0	80,700.4	17,877.6	17,877.6	18,263.3	6,559.9	20,145.8	11,675.2	11,675.2	20,508.5
Total liabilities	\$265,556.1	\$305,772.6	\$388,066.4	\$340,903.4	\$340,903.4	\$309,821.1	\$299,506.7	\$315,972.6	\$296,587.7	\$299,102.0	\$270,323.6
Net assets	\$370,321.6	\$368,168.1	\$361,782.3	\$356,807.1	\$356,807.1	\$334,660.7	\$329,580.4	\$323,866.5	\$325,829.4	\$325,829.4	\$319,924.2

## Per Share Data

Net Investment Income <sup>2</sup>	\$0.25	\$0.21	\$0.28	\$0.25	\$1.00	0.24	0.20	0.21	0.22	0.86	0.20
Dividend	0.30	0.30	0.30	0.18	1.08	0.30	0.15	0.225	0.225	0.90	0.225
NAV at end of period	12.57	12.49	12.28	12.11	12.11	11.36	11.18	10.99	11.06	11.06	10.86

Note: Numbers may not sum due to rounding. Financials for the fiscal years of 2014 and 2015, as well as the first three quarters of 2015 were revised to reflect adjustments related to the correction of certain immaterial errors from 2013 through 2015. <sup>1</sup> Includes restricted cash; <sup>2</sup> For the quarter ended June 30, 2015 and the year ended September 30, 2015, Net Investment Income per share was adjusted by \$0.04 to exclude a one-time debt securitization charge, net of a reduction in incentive fees.

# FSFR Corporate Information

## Board of Directors

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### Independent

Richard W. Cohen  
Richard P. Dutkiewicz  
Jeffrey R. Kay  
Douglas F. Ray  
James Castro Blanco

### Interested

Bernard D. Berman (Chairman)

## Senior Management

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Bernard D. Berman, Director  
(Chairman), Chief Executive Officer

Steven M. Noreika  
Chief Financial Officer

Kerry S. Acocella  
Chief Compliance Officer & Secretary

## Independent Audit Firm

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PricewaterhouseCoopers LLP

## Transfer Agent

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American Stock Transfer &  
Trust Company  
Tel: 718.921.8200  
[www.amstock.com](http://www.amstock.com)

## Corporate Headquarters

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777 West Putnam Avenue, 3<sup>rd</sup> Floor  
Greenwich, CT 06830

## Fiscal Year End

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September 30

## Investor Relations Website

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[fsfr.fifthstreetfinance.com](http://fsfr.fifthstreetfinance.com)

## Securities Listing

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Common stock:  
NASDAQ:FSFR

## Investor Relations

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