

As of September 30, 2016

# FIFTH STREET FINANCE CORP.

NASDAQ:FSC



FIFTH STREET

## FSC STRATEGY & OBJECTIVES

Fifth Street Finance is a business development company (BDC) that provides custom-tailored financing solutions to small and mid-sized companies, primarily in connection with investments by private equity sponsors. The company originates and invests in one-stop financings, first lien, second lien, mezzanine debt and equity co-investments.

Our investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity investments.

## INVESTMENT HIGHLIGHTS

### HIGH QUALITY PORTFOLIO<sup>(1)</sup>

- Focus on senior secured debt, typically the safest loans in the capital structure
- Target established small and mid-sized companies with a history of positive operating cash flow
- 'BBB-' investment grade rating from Standard & Poor's



- Senior Secured Debt – 78%
- Equity<sup>(2)</sup> – 8%
- Subordinated Debt<sup>(2)</sup> – 7%
- Investment in SLF JV I<sup>(3)</sup> – 7%

### ACCESS TO FIFTH STREET PLATFORM

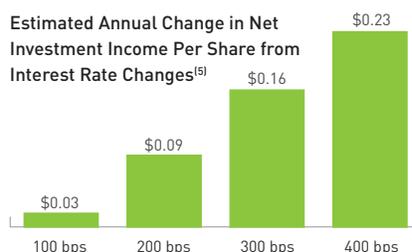
- Experienced management team with an 18+ year track record investing across multiple economic cycles
- Multi-faceted deal sourcing strategy that earns premium yields by originating and structuring debt investments throughout the capital structure
- Extensive industry knowledge with dedicated teams focused on healthcare, technology and aircraft leasing
- Intense focus on managing credit risk with institutional infrastructure and systems in place

### DIVERSIFICATION

- \$2.2B portfolio with 129 portfolio company investments across 35 industries
- Top 3 industry groups include information technology (24%), healthcare (23%) and consumer discretionary (18%)

### PROACTIVE POSITIONING

- Well-positioned to benefit from the anticipated rise in interest rates with 81% of its debt portfolio in floating rate investments<sup>(4)</sup>
- Favorable capital inflows with only 23% of capital structure comprised of floating rate debt



### SCALE

- One of the largest publicly-traded BDCs, with approximately \$837MM in market capitalization<sup>(6)</sup>
- Strong balance sheet with diversified funding sources

### SHAREHOLDER ALIGNMENT

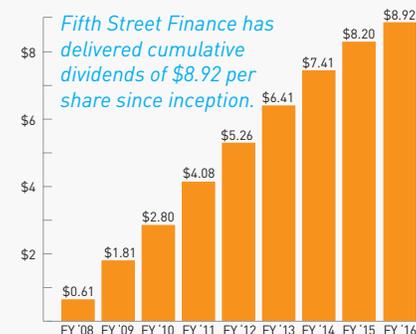
- Experienced and cohesive team aligned with investors; FSC Board, Fifth Street Asset Management and FSAM senior management own ~15% of Fifth Street Finance common stock<sup>(7)</sup>
- Frequent shareholder communication through press releases, newsletters and quarterly conference calls

## SPOTLIGHT ON SLF JV I

FSC and a subsidiary of Kemper Corporation formed a joint venture, SLF JV I, allowing FSC to utilize third-party leverage on a high quality pool of loans that is not consolidated for its regulatory leverage test.

As of September 30, 2016, the JV had assets of \$338MM at fair value under its \$600MM investment capacity in 37 portfolio companies, which provided an 11.3% weighted average annualized return on investment to FSC.

## ATTRACTIVE DIVIDEND YIELD



Dividend Yield: 12.5%<sup>(8)</sup>

Dividends Declared: Monthly dividend of \$0.06 per share through February 2017

## PORTFOLIO OVERVIEW

**Largest Debt Investment**  
2.9% of Total Assets<sup>(9)</sup>

**Weighted Average Yield on Debt Investments**  
10.4%

**Net PIK Income**  
5.9% of Investment Income<sup>(10)</sup>

## TOP 10 INVESTMENTS<sup>(1)</sup>

| Company                           | % of Total Assets |
|-----------------------------------|-------------------|
| Senior Loan Fund JV I, LLC        | 6.1%              |
| AdVenture Interactive, Corp.      | 2.9%              |
| Traffic Solutions Holdings, Inc.  | 2.7%              |
| DigiCert, Inc.                    | 2.7%              |
| Ameritox Ltd.                     | 2.6%              |
| Maverick Healthcare Group, LLC    | 2.6%              |
| First Star Speier Aviation I Ltd. | 2.4%              |
| Valet Merger Sub, Inc.            | 2.4%              |
| Thing5, LLC                       | 2.3%              |
| Refac Optical Group               | 1.9%              |
| <b>Top 10 Investments</b>         | <b>28.5%</b>      |

## SUMMARY QUARTERLY AND ANNUAL FINANCIAL INFORMATION

| (\$ in millions, except per share data)  | Three Months Ended 9/30 |           | Fiscal Year Ended 9/30 |           |
|--|-------------------------|-----------|------------------------|-----------|
|  | 2016                    | 2015      | 2016                   | 2015      |
| <b>Total Investments (at Fair Value)</b> | \$2,165.5               | \$2,402.5 | \$2,165.5              | \$2,402.5 |
| <b>Total Assets</b>                      | \$2,352.5               | \$2,585.7 | \$2,352.5              | \$2,585.7 |
| <b>Net Assets</b>                        | \$1,142.3               | \$1,353.1 | \$1,142.3              | \$1,353.1 |
| <i>Per Share Data</i>                    |                         |           |                        |           |
| <b>Net Investment Income</b>             | \$0.18                  | \$0.18    | \$0.72                 | \$0.75    |
| <b>Dividend</b>                          | \$0.18                  | \$0.18    | \$0.72                 | \$0.79    |
| <b>NAV at End of Period</b>              | \$7.97                  | \$9.00    | \$7.97                 | \$9.00    |

## KEY TEAM MEMBERS<sup>(11)</sup>

### Patrick J. Dalton | Chief Executive Officer

- 25+ years experience in investment management and credit underwriting
- Formerly President and CEO at Gordon Brothers Finance Company and President, Chief Investment Officer and Chief Operating Officer at Apollo Investment Corporation

### 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

### Bernard D. Berman | 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

## RESEARCH COVERAGE<sup>(12)</sup>

|  |   |   |  |
|--|---|---|--|
| <b>Barclays Capital</b><br>Mark DeVries<br>212.526.9484          | <b>JMP Securities</b><br>Christopher York<br>415.835.8965 | <b>Maxim Group</b><br>Michael Diana<br>212.895.3641       | <b>Standard and Poor's</b><br>Olga Roman<br>212.438.5803 |
| <b>BMO Capital Markets</b><br>James Fotheringham<br>212.885.4180 | <b>J.P. Morgan</b><br>Richard Shane<br>415.315.6701       | <b>National Securities</b><br>Chris Testa<br>212.417.7447 | <b>Wells Fargo</b><br>Jonathan Bock<br>704.410.1874      |
| <b>Deutsche Bank</b><br>Stephen Laws<br>901.322.8212             | <b>KBW</b><br>Ryan Lynch<br>314.342.2918                  | <b>Raymond James</b><br>Robert Dodd<br>901.579.4560       |  |

Note: Percentages and other numbers in this fact sheet may not sum due to rounding.

(1) At fair value as of September 30, 2016. (2) Excludes Fifth Street Finance's equity and subordinated debt investments in SLF JV I. (3) SLF JV I invests in senior secured debt. As of September 30, 2016, Fifth Street Finance's investment in SLF JV I consisted of LLC equity interests of \$13.7 million and subordinated notes of \$129.0 million, at fair value. (4) Includes debt investment in SLF JV I. (5) Net investment income calculated as the difference between the change in interest income and interest expense. Based on total number of shares outstanding as of November 28, 2016. At September 30, 3-month LIBOR was 0.8537%. (6) As of November 28, 2016. (7) Insider ownership share amounts reported as of November 28, 2016. Includes amounts owned by Leonard Tannenbaum, Chairman and CEO of Fifth Street Asset Management. (8) Fifth Street Finance dividend yield as of November 22, 2016. (9) Excludes SLF JV I. (10) For the quarter ended September 30, 2016. Net PIK income is defined as PIK interest income recognized net of PIK collected in cash. (11) Effective as of January 2, 2017. (12) Fifth Street Finance is followed by the analysts listed herein. Please note that any opinions, estimates or forecasts regarding Fifth Street Finance's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Fifth Street Finance or its management. Fifth Street Finance does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations. (13) Comprised of \$250 million unsecured institutional notes and \$161 million of unsecured retail notes.

**DISCLAIMER:** Investing involves substantial risks such as high volatility and/or potential loss of principal. An investor should consider the investment objectives, risks, charges and expenses carefully before investing.

Some of the statements in this fact sheet constitute forward-looking statements, because they relate to future events or our future performance or financial condition. Forward-looking statements may include statements as to the future operating results, dividends and business prospects of Fifth Street Finance Corp. ("FSC", or "Company"). Words such as "believes," "expects," "seeks," "plans," "should," "estimates," "project", and "intend" indicate forward-looking statements, although not all forward-looking statements include these words. These forward-looking statements involve risks and uncertainties. Actual results could differ materially from those implied or expressed in these forward-looking statements for any reason. Such factors are identified from time to time in FSC's filings with the Securities and Exchange Commission and include changes in the economy and the financial markets and future changes in laws or regulations and conditions in the Company's operating areas. FSC undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

This fact sheet is neither an offer to sell nor a solicitation of an offer to purchase securities of FSC. Such an offer or solicitation can only be made by way of a Company prospectus and otherwise in accordance with applicable securities laws.

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This fact sheet may contain statistics and other data obtained or compiled from information made available by third-parties. We have not independently verified such statistics or data. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained herein. In evaluating prior performance information in this fact sheet, you should remember that past performance is not a guarantee, prediction or projection of future results, and there can be no assurance that the Company will achieve similar results in the future.

## CORPORATE INFORMATION

### Securities Listing:

Common Stock - NASDAQ:FSC

Baby bonds / \$25 par value unsecured notes:

- NYSE:FSC - 5.875% 2024 Notes
- NASDAQ:FSCFL - 6.125% 2028 Notes

**Structure:** BDC

**IPO Date:** June 2008

**Fiscal Year End:** September 30

### Funding Sources:

- Two credit facilities
  - \$710MM syndicated facility led by ING
  - \$125MM facility with Sumitomo Mitsui Banking Corp.
- \$213MM 10-year fixed rate SBA debentures
- \$411MM of unsecured debt<sup>(13)</sup>

**Investment Adviser:** Fifth Street Management LLC

**Independent Audit Firm:** PricewaterhouseCoopers LLP

### Transfer Agent:

American Stock Transfer & Trust Company  
P: 718.921.8200 / www.amstock.com

### Corporate Office:

777 West Putnam Avenue, 3rd Floor  
Greenwich, CT 06830

## BOARD OF DIRECTORS<sup>(11)</sup>

### Interested:

Bernard D. Berman (Chairman)  
Patrick J. Dalton  
Sandeep K. Khorana

### Independent:

James Castro-Blanco  
Brian S. Dunn  
Richard P. Dutkiewicz  
Byron J. Haney  
Douglas F. Ray