



# TPG Specialty Lending

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Earnings Presentation  
Quarter Ended September 30, 2014

# Disclaimer and Forward-Looking Statement

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References in this presentation (“Presentation”) to “TSL,” “we,” “us,” “our” and “the Company” refer to TPG Specialty Lending, Inc.

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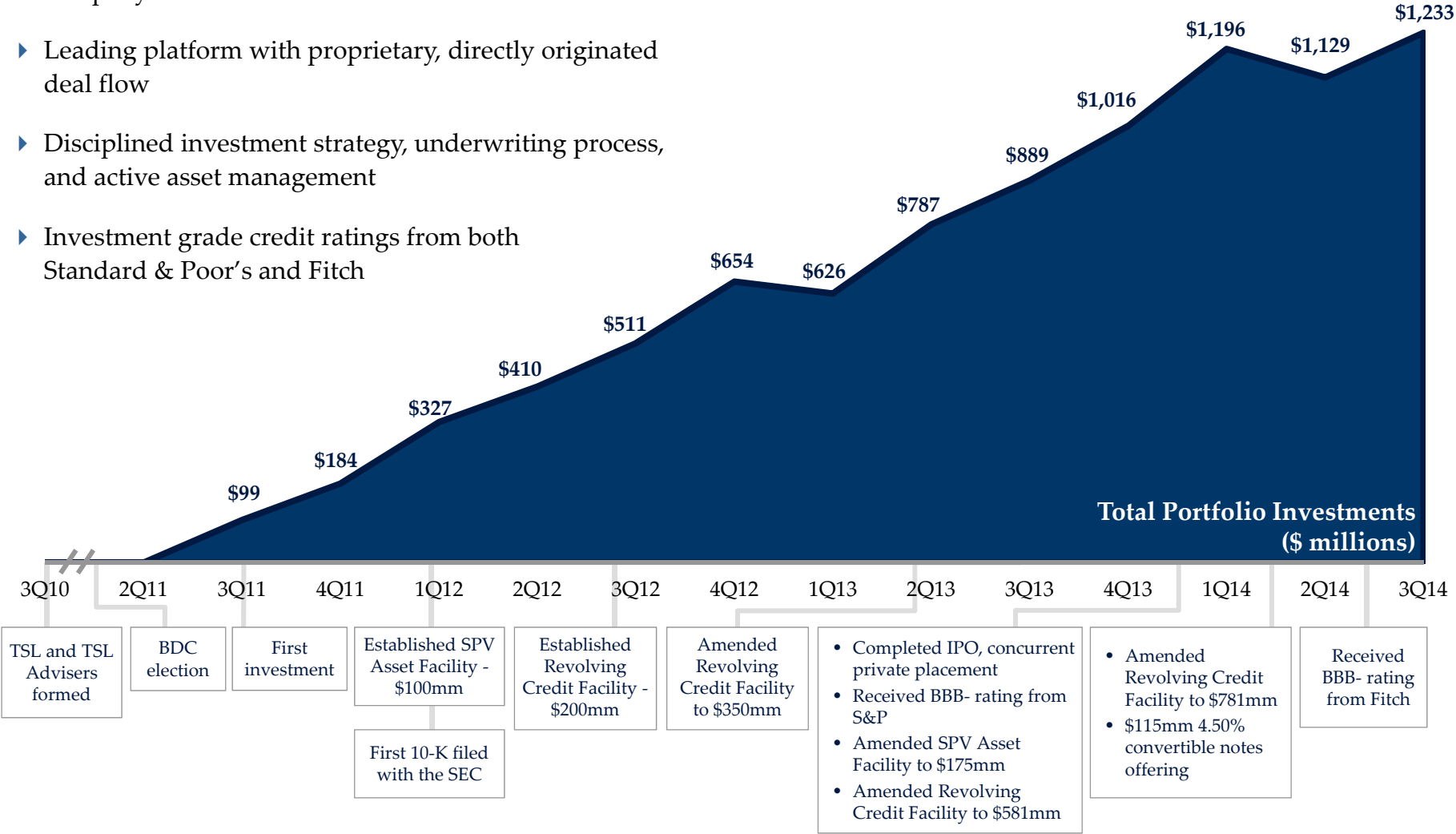
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# Overview

- ▶ Specialty finance company focused on lending to middle-market companies
- ▶ Operates as an externally managed business development company
- ▶ Leading platform with proprietary, directly originated deal flow
- ▶ Disciplined investment strategy, underwriting process, and active asset management
- ▶ Investment grade credit ratings from both Standard & Poor's and Fitch

- ▶ Total of 23 dedicated professionals, 17 dedicated investment professionals. Ratio of 2:1 – two portfolio companies per investment professional



# Key Highlights

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## Broadly distributed, scaled senior floating rate-focused portfolio

- ▶ Core focus on investing in middle-market loans to U.S. based companies
  - Target EBITDA: \$10 million to \$250 million
  - Portfolio weighted average EBITDA: \$33 million
- ▶ Portfolio of 99% secured, 86% first-lien debt investments
- ▶ Diversified portfolio of investments in 31 portfolio companies with an average investment size of \$40 million; largest investment position of 6.3% and largest industry concentration of 16.2%
- ▶ Target average investment hold size of \$30 million to \$100 million

## Leading platform with proprietary, directly originated deal flow

- ▶ Direct, primary originations generated through coverage of companies, financial sponsors, and intermediaries
- ▶ Sourcing from non-intermediated channels accounts for 96% of TSL originations
- ▶ Sponsor coverage focused on sector-based themes

## Disciplined investment strategy, underwriting process, and active asset management

- ▶ Weighted average of 2.9 key financial covenants per credit agreement
- ▶ Effective voting control on 91% of debt investments
- ▶ No investments on non-accrual

## Drive ROE

- ▶ 3Q '14 Annualized ROAE from Net Investment Income of 11.0%; YTD ROAE of 12.8%<sup>(1)</sup>
- ▶ 3Q '14 Annualized ROAE from Net Income of 8.9%; YTD ROAE of 12.6%<sup>(1)</sup>

# Financial Highlights

*(Dollar amounts in thousands, except per share data; per share data is based on weighted average shares outstanding during the period, except as otherwise noted)*

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Net investment income per share <sup>(2)</sup>	\$0.42	\$0.46	\$0.51	\$0.55	\$0.43
Net realized and unrealized gains per share <sup>(2)</sup>	\$0.05	\$0.11	\$0.10	(\$0.04)	(\$0.08)
Net income per share <sup>(2)</sup>	\$0.47	\$0.57	\$0.61	\$0.51	\$0.35
Net asset value per share <sup>(2)</sup>	\$15.35	\$15.52	\$15.51	\$15.70	\$15.66
Distributions paid per share <sup>(2)</sup>	\$0.40	\$0.40	\$0.47	\$0.38	\$0.38
Distributions paid per share (ending shares) <sup>(2)</sup>	\$0.38	\$0.40	\$0.38	\$0.38	\$0.38
Net Assets	\$561,089	\$574,696	\$804,755	\$837,426	\$838,889
Total Debt	\$338,267	\$432,267	\$402,077	\$296,392	\$382,177
Debt to Equity at Quarter-End	0.60x	0.75x	0.50x	0.35x	0.46x
Average Debt to Equity <sup>(3)</sup>	0.51x	0.68x	0.73x	0.43x	0.38x

# Portfolio Highlights – Selected Metrics

(Dollar amounts in thousands)

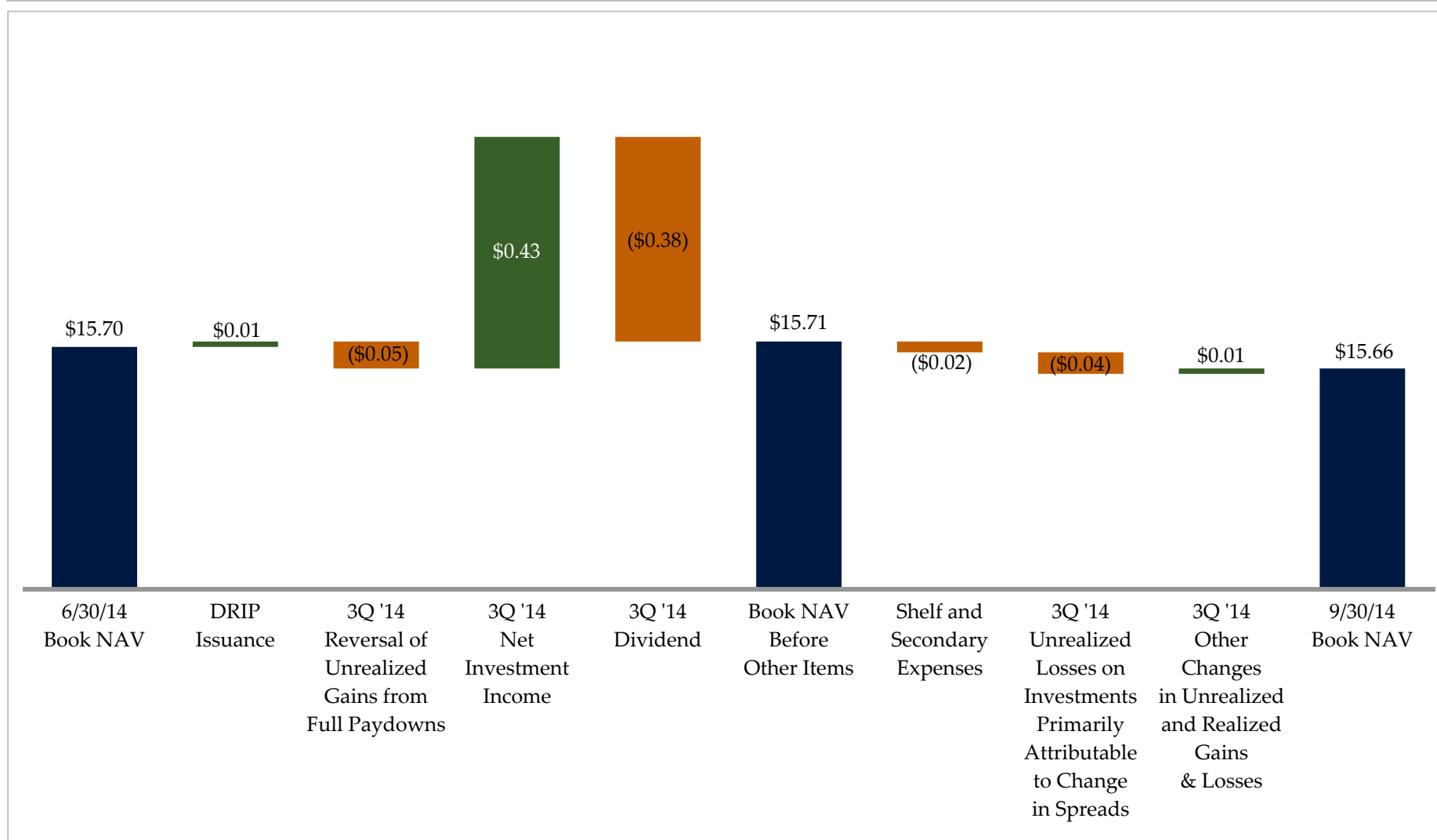
	As of and For Three Months Ended				
	September 30, 2013 (unaudited)	December 31, 2013 (unaudited)	March 31, 2014 (unaudited)	June 30, 2014 (unaudited)	September 30, 2014 (unaudited)
<b>Investments at Fair Value</b>	\$889,330	\$1,016,451	\$1,195,539	\$1,129,199	\$1,233,181
<b>Number of Portfolio Companies</b>	25	27	30	31	31
<b>Average Investment Size in Our Portfolio Companies</b>	\$35,573	\$37,646	\$39,851	\$36,426	\$39,780
<b>Asset Class:</b>					
First-Lien Debt Investments	90%	86%	82%	86%	86%
Second-Lien Debt Investments	9%	14%	17%	13%	13%
Mezzanine Debt Investments	–	–	<1%	<1%	<1%
Equity and Other Investments	<1%	<1%	<1%	1%	1%
<b>Interest Rate Type:</b>					
% Floating Rate	99%	99%	99%	98%	98%
% Fixed Rate	1%	1%	1%	2%	2%
<b>Yields at Fair Value unless Otherwise Noted:</b>					
Weighted Average Total Yield of Debt and Income Producing Securities at Amortized Cost <sup>(4)</sup>	10.6%	10.6%	10.4%	10.5%	10.6%
Weighted Average Total Yield of Debt and Income Producing Securities	10.4%	10.4%	10.2%	10.3%	10.5%
Weighted Average Spread Over LIBOR of All Floating Rate Investments	8.9%	8.7%	8.5%	8.6%	8.8%
Weighted Average Interest Rate of Debt and Income Producing Securities	10.1%	10.0%	9.8%	9.8%	10.0%
Fair Value as a Percentage of Principal (Debt)	99.7%	99.8%	99.9%	99.8%	99.4%
Fair Value as a Percentage of Call Price (Debt)	94.0%	94.9%	95.0%	94.6%	93.8%
<b>Investment Activity at Par:</b>					
New Investment Commitments	\$184,205	\$187,362	\$314,646	\$116,382	\$248,619
Net Funded Investment Activity	\$106,395	\$137,064	\$187,011	(\$54,790)	\$114,389
<b>New Investment Commitments at Par:</b>					
Number of New Investment Commitments in New Portfolio Companies	5	3	6	4	4
Average New Investment Commitment Amount in New Portfolio Companies	\$28,998	\$51,668	\$50,641	\$28,500	\$54,219
Weighted Average Term for New Investment Commitments in New Portfolio Companies (in years)	4.3	6.0	4.7	4.7	4.1
Weighted Average Interest Rate of New Investment Commitments	10.2%	9.7%	9.1%	10.6%	10.3%
Weighted Average Spread Over LIBOR of New Floating Rate Investment Commitments	9.0%	8.3%	7.8%	9.6%	9.3%

# Quarterly Statements of Financial Condition

(Dollar amounts in thousands)

	As of				
	September 30, 2013 (unaudited)	December 31, 2013 (audited)	March 31, 2014 (unaudited)	June 30, 2014 (unaudited)	September 30, 2014 (unaudited)
<b>Assets</b>					
Investments at Fair Value	\$889,330	\$1,016,451	\$1,195,539	\$1,129,199	\$1,233,181
Cash and Cash Equivalents	\$19,643	\$3,471	\$28,804	\$6,457	\$9,159
Interest Receivable	\$3,076	\$4,933	\$8,936	\$7,239	\$6,817
Receivable for Investments Sold	\$865	-	-	-	-
Receivable on Foreign Currency Forward Contracts	-	-	-	-	\$17
Interest Rate Swaps	-	-	-	\$792	-
Prepaid Expenses and Other Assets	\$13,240	\$14,295	\$18,185	\$35,103	\$30,869
<b>Total Assets</b>	<b>\$926,154</b>	<b>\$1,039,150</b>	<b>\$1,251,464</b>	<b>\$1,178,790</b>	<b>\$1,280,043</b>
<b>Liabilities</b>					
Debt	\$338,267	\$432,267	\$402,077	\$296,392	\$382,177
Management Fees Payable to Affiliate	\$1,580	\$1,580	\$1,772	\$4,522	\$4,651
Incentive Fees Payable to Affiliate	\$5,051	\$6,136	\$7,526	\$9,399	\$7,384
Dividends Payable	\$13,900	\$14,810	\$19,717	\$20,272	\$20,355
Payable for Investments Purchased	-	\$1,974	\$4,864	-	\$12,030
Payable on Foreign Currency Forward Contracts	\$1,223	\$1,244	-	-	-
Payable on Interest Rate Swaps	-	-	-	-	\$22
Payables to Affiliate	\$1,682	\$2,668	\$2,051	\$2,797	\$2,611
Other Liabilities	\$3,362	\$3,775	\$8,702	\$7,982	\$11,924
<b>Total Liabilities</b>	<b>\$356,065</b>	<b>\$464,454</b>	<b>\$446,709</b>	<b>\$341,364</b>	<b>\$441,154</b>
<b>Total Net Assets</b>	<b>\$561,089</b>	<b>\$574,696</b>	<b>\$804,755</b>	<b>\$837,426</b>	<b>\$838,889</b>
<b>Total Liabilities and Net Assets</b>	<b>\$926,154</b>	<b>\$1,039,150</b>	<b>\$1,251,464</b>	<b>\$1,178,790</b>	<b>\$1,280,043</b>
Net Asset Value per Share <sup>(2)</sup>	\$15.35	\$15.52	\$15.51	\$15.70	\$15.66
Debt to Equity at Quarter End	0.60x	0.75x	0.50x	0.35x	0.46x
Average Debt to Equity <sup>(3)</sup>	0.51x	0.68x	0.73x	0.43x	0.38x

# Net Asset Value Bridge



Note: Each net asset value per share impact is calculated based on total TSLX equity post each event divided by total shares outstanding post each event, less net asset value per share pre-event



# Quarterly Operating Results

(Dollar amounts in thousands, except per share data; per share data is based on weighted average shares outstanding during the period, except as otherwise noted)

	For Three Months Ended				
	September 30, 2013 (unaudited)	December 31, 2013 (unaudited)	March 31, 2014 (unaudited)	June 30, 2014 (unaudited)	September 30, 2014 (unaudited)
Total Investment Income	\$23,298	\$27,569	\$33,481	\$45,657	\$38,404
Net Expenses	\$8,633	\$10,461	\$12,230	\$15,999	\$14,913
<b>Net Investment Income Before Income Taxes</b>	<b>\$14,665</b>	<b>\$17,108</b>	<b>\$21,251</b>	<b>\$29,658</b>	<b>\$23,491</b>
Income Taxes, Including Excise Taxes	\$80	\$115	\$9	\$225	\$375
<b>Net Investment Income</b>	<b>\$14,585</b>	<b>\$16,993</b>	<b>\$21,242</b>	<b>\$29,433</b>	<b>\$23,116</b>
Net Realized and Unrealized Gains and Losses	\$1,674	\$4,063	\$4,106	(\$2,139)	(\$4,513)
<b>Net Income</b>	<b>\$16,259</b>	<b>\$21,056</b>	<b>\$25,348</b>	<b>\$27,294</b>	<b>\$18,603</b>
<b>Per Share:</b>					
Net Investment Income <sup>(2)</sup>	\$0.42	\$0.46	\$0.51	\$0.55	\$0.43
Net Income <sup>(2)</sup>	\$0.47	\$0.57	\$0.61	\$0.51	\$0.35
Distributions <sup>(2)</sup>	\$0.40	\$0.40	\$0.47	\$0.38	\$0.38
Distributions (Ending Shares) <sup>(2)</sup>	\$0.38	\$0.40	\$0.38	\$0.38	\$0.38
Weighted Average Shares Outstanding for the Period <sup>(2)</sup>	34,817,674	36,843,602	41,539,083	53,120,358	53,493,026
Shares Outstanding at End of Period <sup>(2)</sup>	36,546,516	37,026,023	51,887,708	53,347,891	53,566,783

	For Nine Months Ended	
	September 30, 2013 (unaudited)	September 30, 2014 (unaudited)
Total Investment Income	\$65,040	\$117,542
Net Expenses	\$24,448	\$43,142
<b>Net Investment Income Before Income Taxes</b>	<b>\$40,592</b>	<b>\$74,400</b>
Income Taxes, Including Excise Taxes	\$84	\$609
<b>Net Investment Income</b>	<b>\$40,508</b>	<b>\$73,791</b>
Net Realized and Unrealized Gains and Losses	\$5,419	(\$2,546)
<b>Net Income</b>	<b>\$45,927</b>	<b>\$71,245</b>
<b>Per Share:</b>		
Net Investment Income <sup>(2)</sup>	\$1.19	\$1.50
Net Income <sup>(2)</sup>	\$1.36	\$1.44
Distributions <sup>(2)</sup>	\$1.20	\$1.22
Distributions (Ending Shares) <sup>(2)</sup>	\$1.16	\$1.14
Weighted Average Shares Outstanding for the Period <sup>(2)</sup>	33,891,011	49,427,943
Shares Outstanding at End of Period <sup>(2)</sup>	36,546,515	53,566,783

# Quarterly Operating Results Detail

(Dollar amounts in thousands)

	For Three Months Ended				
	September 30, 2013 (unaudited)	December 31, 2013 (unaudited)	March 31, 2014 (unaudited)	June 30, 2014 (unaudited)	September 30, 2014 (unaudited)
Investment Income:					
Interest From Investments – Interest Income <sup>(5)</sup>	\$21,416	\$25,965	\$28,905	\$30,527	\$29,630
Interest From Investments – Other Fees <sup>(6)</sup>	\$1,400	\$1,109	\$2,213	\$14,267	\$5,410
<b>Total Interest From Investments</b>	<b>\$22,816</b>	<b>\$27,074</b>	<b>\$31,118</b>	<b>\$44,794</b>	<b>\$35,040</b>
Other Income <sup>(7)</sup>	\$482	\$495	\$2,363	\$863	\$3,364
<b>Total Investment Income</b>	<b>\$23,298</b>	<b>\$27,569</b>	<b>\$33,481</b>	<b>\$45,657</b>	<b>\$38,404</b>
Expenses:					
Interest	\$2,651	\$3,139	\$3,824	\$3,460	\$3,812
Management Fees	\$3,433	\$3,678	\$4,237	\$4,522	\$4,651
Incentive Fees	\$2,850	\$3,693	\$4,473	\$5,860	\$4,161
Other Operating Expenses	\$1,552	\$2,049	\$2,160	\$2,157	\$2,289
<b>Total Expenses</b>	<b>\$10,486</b>	<b>\$12,559</b>	<b>\$14,694</b>	<b>\$15,999</b>	<b>\$14,913</b>
Management Fees Waived	(\$1,853)	(\$2,098)	(\$2,464)	-	-
<b>Net Expenses</b>	<b>\$8,633</b>	<b>\$10,461</b>	<b>\$12,230</b>	<b>\$15,999</b>	<b>\$14,913</b>
<b>Net Investment Income Before Income Taxes</b>	<b>\$14,665</b>	<b>\$17,108</b>	<b>\$21,251</b>	<b>\$29,658</b>	<b>\$23,491</b>
Income Taxes, Including Excise Taxes	\$80	\$115	\$9	\$225	\$375
<b>Net Investment Income</b>	<b>\$14,585</b>	<b>\$16,993</b>	<b>\$21,242</b>	<b>\$29,433</b>	<b>\$23,116</b>
Unrealized and Realized Gains	\$1,674	\$4,063	\$4,106	(\$2,139)	(\$4,513)
<b>Net Income</b>	<b>\$16,259</b>	<b>\$21,056</b>	<b>\$25,348</b>	<b>\$27,294</b>	<b>\$18,603</b>

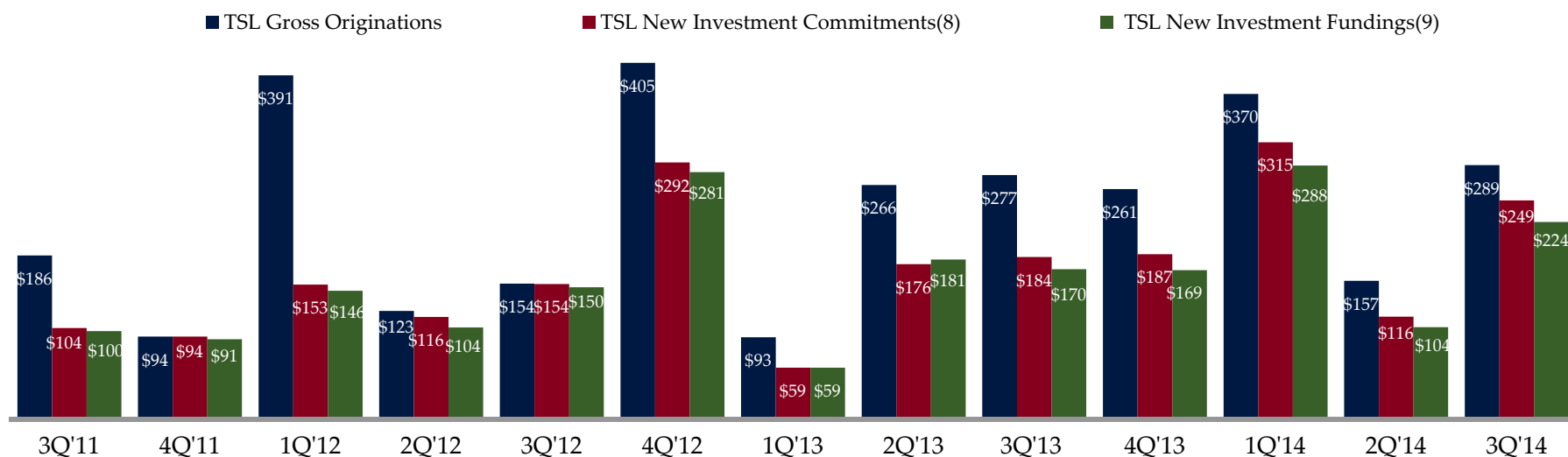
# Portfolio Highlights – Originations

(Dollar amounts in thousands)

## Originations and Net Funds Growth

- Gross originations were \$288,619 for the quarter
- New investment commitments and fundings totaled \$248,619 and \$224,032, respectively, for the quarter. The commitments were distributed across 4 new transactions and 4 add-ons of existing investments
- Received full paydowns on 4 investments, totaling \$109,643 for the quarter
- Net funded investment activity was \$113,858 for the quarter

(Dollar amounts in millions)

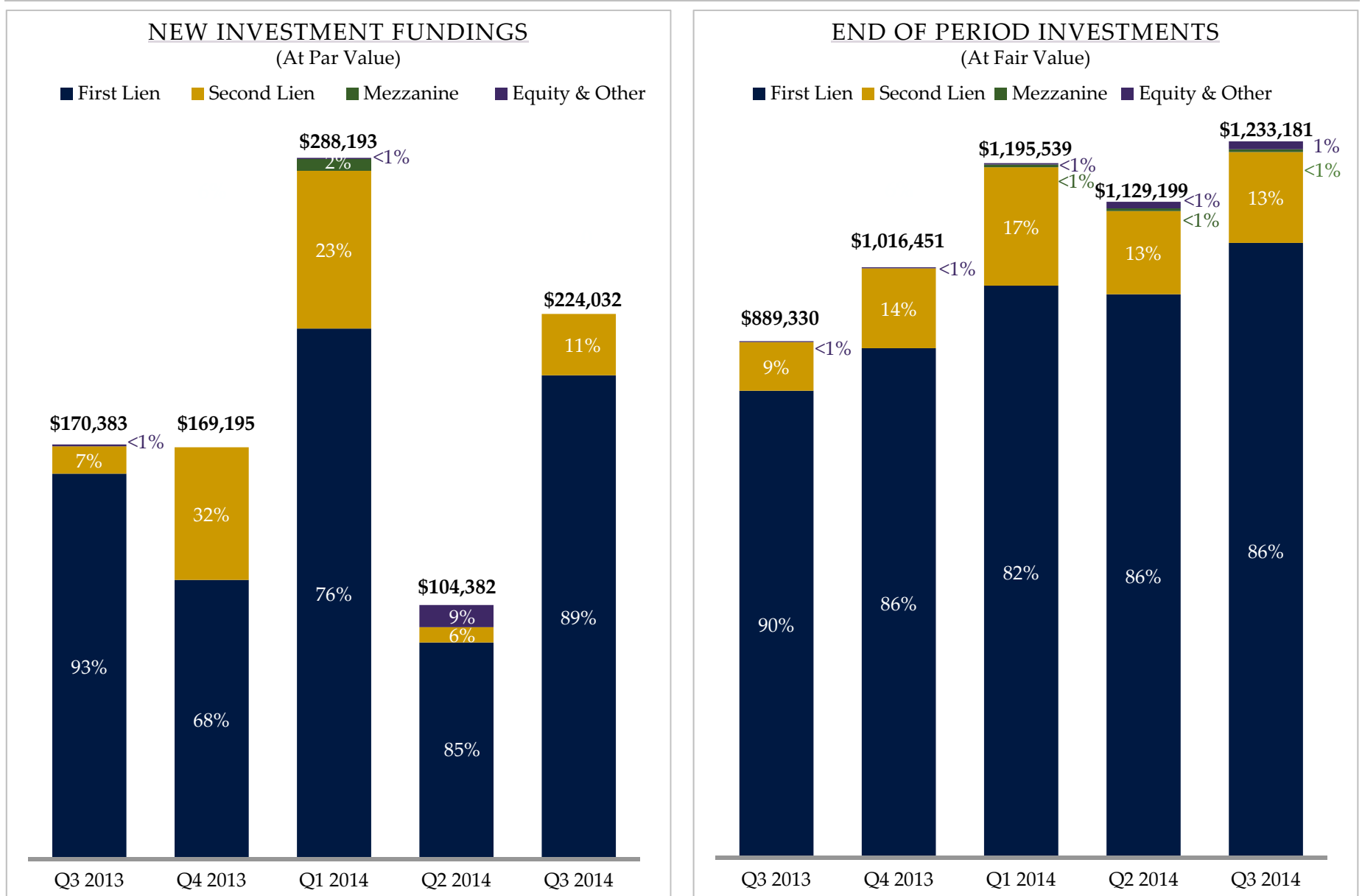


### Portfolio Funds Roll<sup>(10)</sup>

(Dollar amounts in thousands)

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
New Investment Commitments	\$184,205	\$187,362	\$314,646	\$116,382	\$248,619
New Investment Fundings	\$170,383	\$169,195	\$288,193	\$104,382	\$224,032
Investments Sold or Repaid	(\$63,988)	(\$32,131)	(\$101,182)	(\$159,172)	(\$109,643)
Net Funded Investment Activity	\$106,395	\$137,064	\$187,011	(\$54,790)	\$114,389

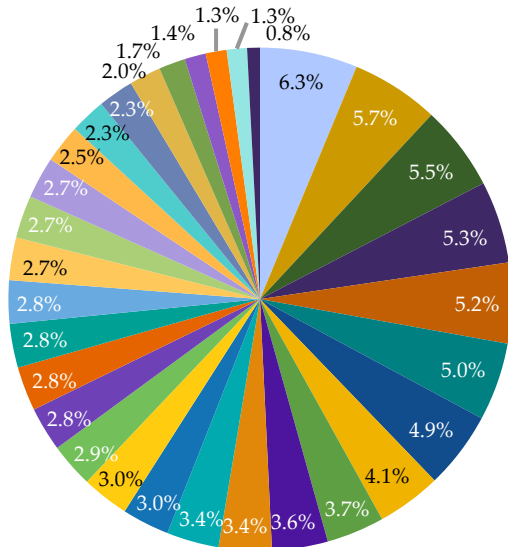
# Portfolio Highlights – Asset Mix



# Portfolio Highlights – Diversification Across Borrower and Industry

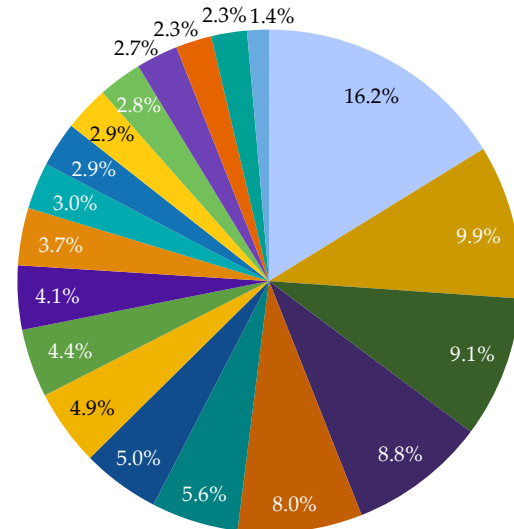
## Borrower Diversification

- Milagro Exploration, LLC
- Rogue Wave Holdings, Inc. II
- AFS Technologies, Inc. II
- My Alarm Center, LLC
- The Newark Group, Inc.
- IRG Sports & Entertainment
- Infogix, Inc.
- Pai Group, Inc.
- eCommerce Industries, Inc. II
- Helix Health Ltd
- Heartland Automotive Holdings, LLC
- Network Merchants, Inc.
- Jeeves Information Systems AB
- Sage Automotive Interiors, Inc.
- Soho House Bond Ltd.
- Centaur, LLC
- Mediware Information Systems, Inc.
- Actian Corporation
- Kewill Ltd
- Mannington Mills, Inc.
- Mississippi Resources, LLC
- Embarcadero Technologies, Inc.
- SRS Software, LLC
- Highwinds Capital, Inc.
- The Great Atlantic & Pacific Tea Co. Inc.
- Aesynt Holdings, Inc.
- Metalico, Inc.
- Campus Management, Inc.
- Global Healthcare Exchange, LLC
- IPC Systems, Inc.
- Longview Solutions Ltd.



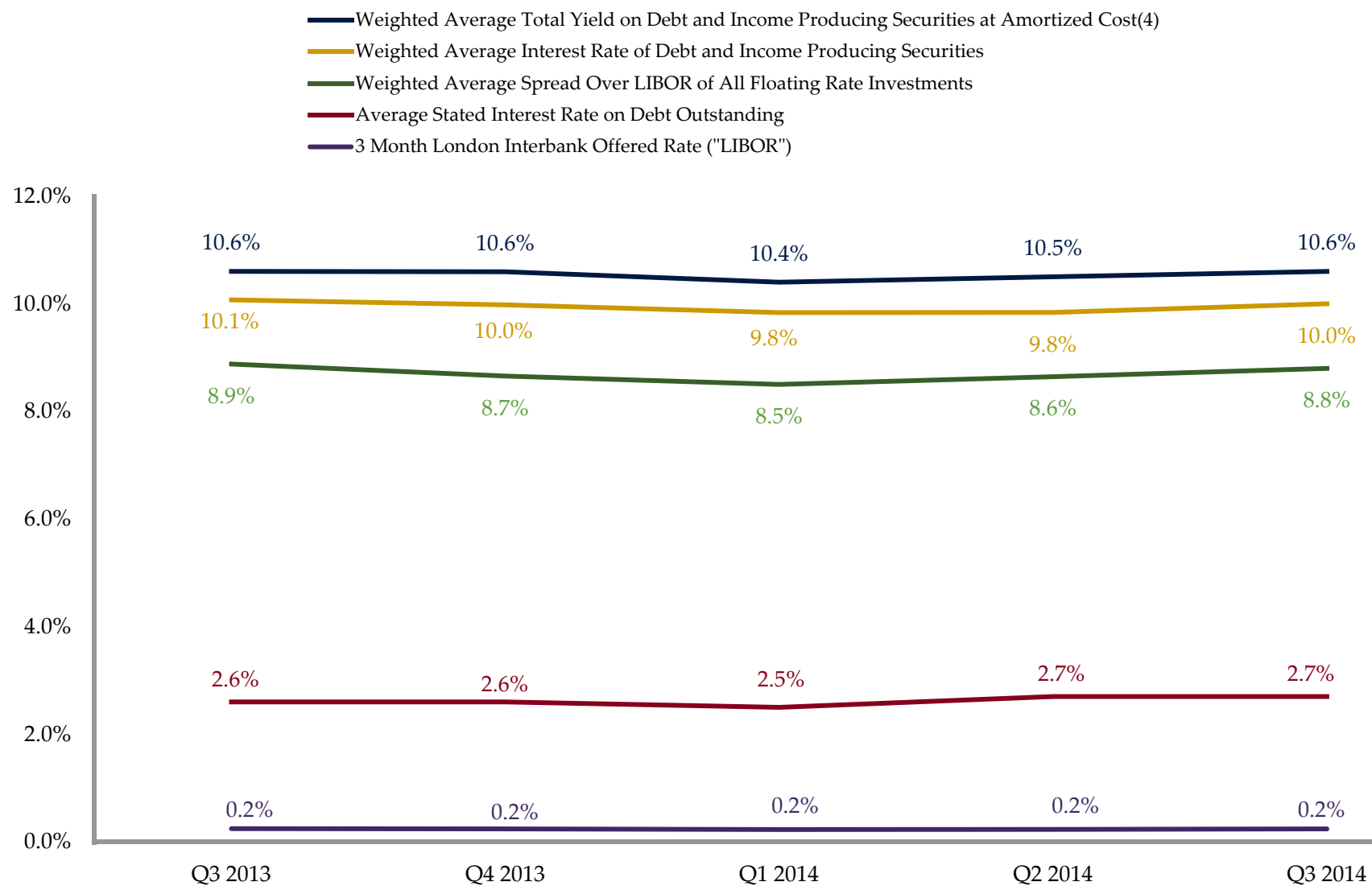
## Industry Diversification

- Healthcare and pharmaceuticals
- Business services
- Beverage, food, and tobacco
- Transportation
- Automotive
- Containers and packaging
- Human resource support services
- Internet services
- Education
- Communications
- Oil, gas and consumable fuels
- Financial services
- Hotel, gaming, and leisure
- Electronics
- Construction and building
- Insurance
- Office products
- Metals and mining
- Manufacturing



Note: Numbers may not sum to 100% due to rounding

# Portfolio Highlights – Net Investment Margin Analysis

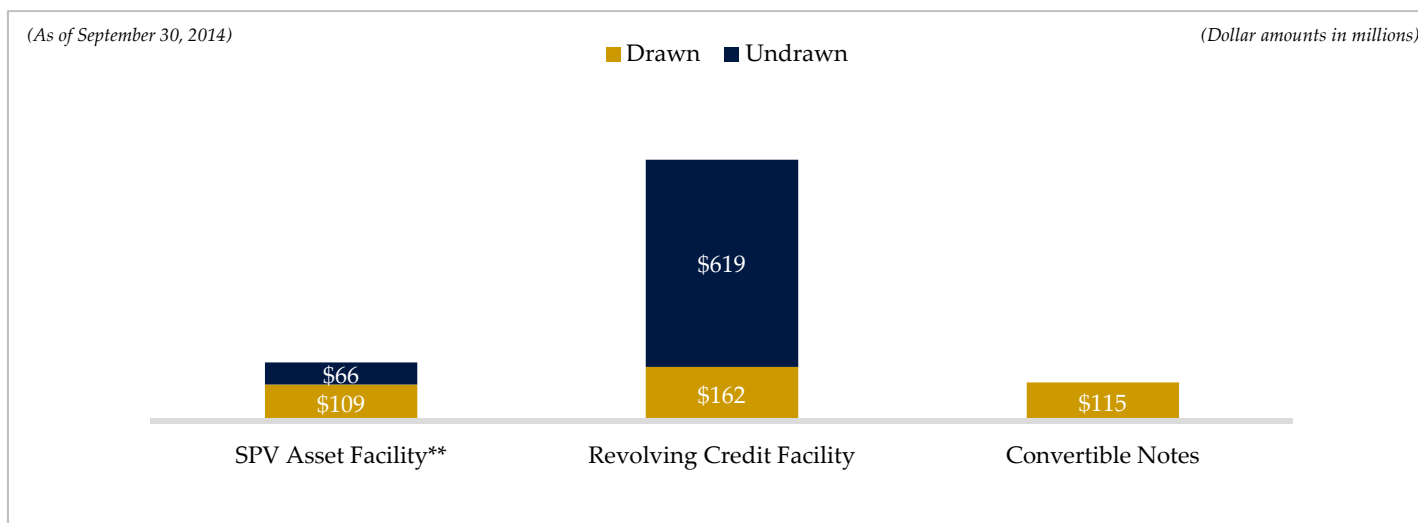


# Liquidity Management

## Cash and Cash Equivalents

Unrestricted cash totaled \$9.2 million as of September 30, 2014. Cash held at quarter-end was primarily attributable to amortization and interest payments. Restricted cash related to our SPV Asset Facility and interest rate swaps totaled \$13.1 million

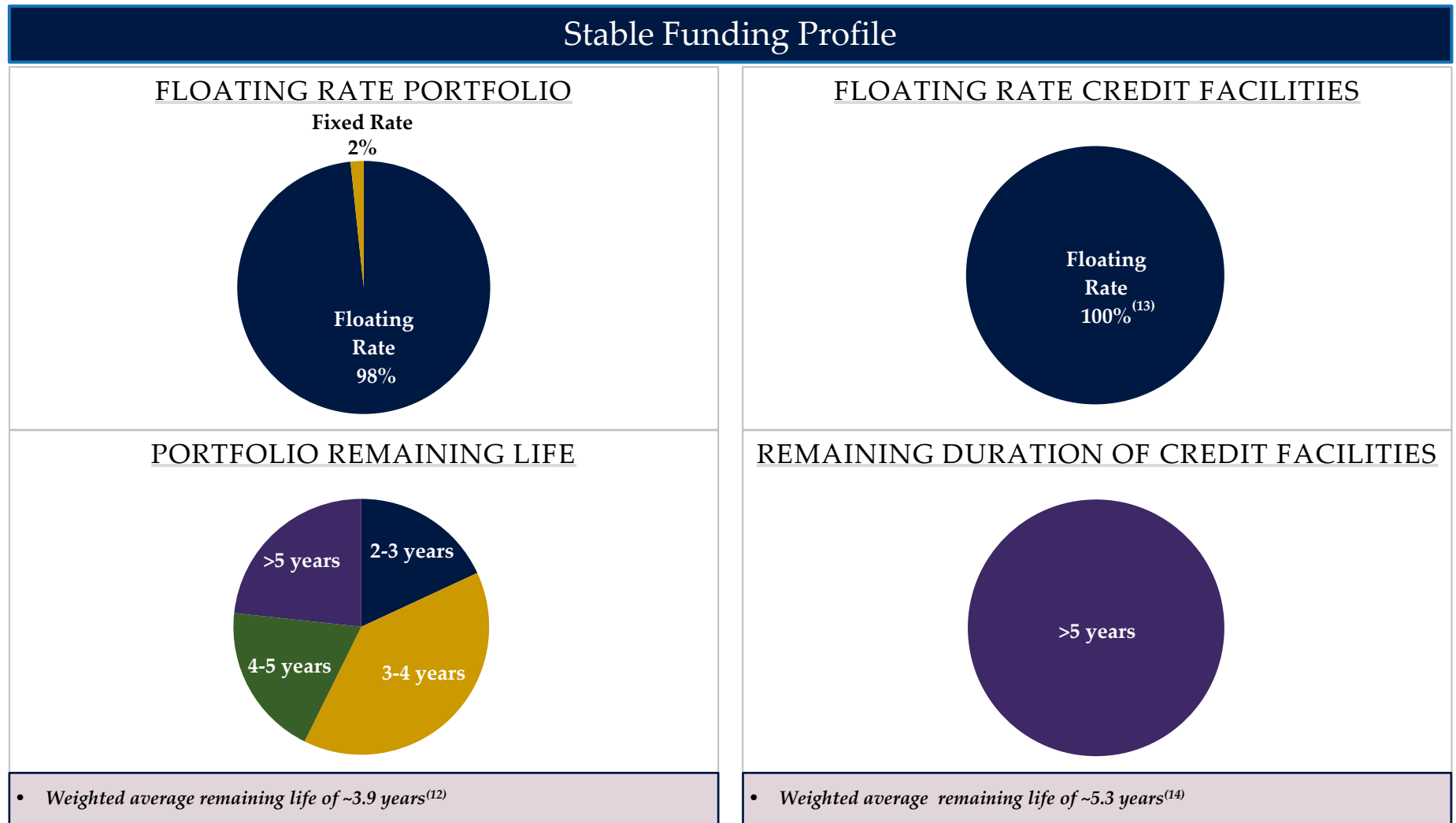
SPV Asset Facility		Revolving Credit Facility*		Convertible Notes	
<b>Size:</b>	\$175 million	\$781 million; uncommitted accordion feature can increase total size to \$956 million		<b>Size:</b>	\$115 million
<b>Revolving Period:</b>	January 21, 2015	October 17, 2018		<b>Maturity:</b>	December 15, 2019
<b>Maturity Date:</b>	January 21, 2021	October 17, 2019		<b>Coupon:</b>	4.50%
<b>Interest Rate:</b>	CP + 225	LIBOR + 200		<b>Interest Rate Swap Pricing<sup>(11)</sup>:</b>	LIBOR + 252.9
<b>Undrawn Fee:</b>	0.75%	0.375%		<b>Conversion Price:</b>	\$25.83



\* Reflects current terms as of November 3, 2014

\*\*As of September 30, 2014, we had \$42 million immediately available to draw, and an additional \$24 million available to draw subject to assigning investments to our SPV

# TSL Funding Profile



TSL is match funded from an interest rate and duration perspective



# Distribution and Equity Information

## Distribution Data<sup>(15)</sup>

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount (\$000's)
December 31, 2011	December 31, 2011	January 30, 2012	\$0.06	\$649
March 20, 2012	March 31, 2012	May 7, 2012	\$0.16	\$3,100
May 9, 2012	June 30, 2012	August 3, 2012	\$0.32	\$7,410
September 30, 2012	September 30, 2012	October 30, 2012	\$0.36	\$9,000
December 31, 2012	December 31, 2012	January 31, 2013	\$0.33 <sup>(16)</sup>	\$10,260 <sup>(16)</sup>
March 31, 2013	March 31, 2013	May 6, 2013	\$0.38	\$13,000
June 30, 2013	June 30, 2013	July 31, 2013	\$0.40	\$13,675
September 30, 2013	September 30, 2013	October 31, 2013	\$0.38	\$13,900
December 31, 2013	December 31, 2013	January 30, 2014	\$0.40 <sup>(17)</sup>	\$14,810 <sup>(17)</sup>
March 26, 2014	March 31, 2014	April 30, 2014	\$0.38	\$19,717
May 6, 2014	June 30, 2014	July 31, 2014	\$0.38	\$20,272
August 4, 2014	September 30, 2014	October 31, 2014	\$0.38	\$20,355
November 3, 2014	December 31, 2014	January 31, 2014	\$0.39	TBD

## Equity Offerings

Date	Offering	Amount Per Share	Gross Amount (\$000s)
January 15, 2014	Capital Call	\$15.35	\$65,000
February 13, 2014	DRIP Issuance	\$15.52	\$7,794
March 21, 2014	Private Placement	\$16.00	\$50,000
March 21, 2014	Public Offering	\$16.00	\$112,000
April 4, 2014	Over-allotment	\$16.00 <sup>(18)</sup>	\$8,201
April 14, 2014	Over-allotment	\$16.00 <sup>(18)</sup>	\$8,201
May 1, 2014	DRIP Issuance	\$17.24	\$7,072
August 1, 2014	DRIP Issuance	\$18.40	\$4,028
November 3, 2014	DRIP Issuance	\$15.93	\$3,901

## Common Stock Data

Quarter Ended	Low	High	End of Period
March 31, 2014	\$16.00	\$16.70	\$16.60
June 30, 2014	\$16.60	\$23.90	\$21.83
September 30, 2014	\$16.01	\$22.36	\$16.01

# Endnotes

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Note: Figures are as of 9/30/2014 quarter end unless otherwise noted

- 1) Return on Average Equity is calculated using weighted average equity. Weighted average equity is calculated by starting with NAV at the beginning of the period, adjusting daily for equity issuances and adjusting on the last day of the period for that periods net income and dividends payable
- 2) The indicated amounts have been retroactively adjusted for the stock split which was effected in the form of a stock dividend. On December 3, 2013, the Board approved a stock split in the form of a stock dividend pursuant to which the Company's stockholders of record as of December 4, 2013 received 66.676 additional shares of common stock for each share of common stock held. The Company distributed the shares on December 5, 2013 and paid cash for fractional shares without interest or deduction. The Company has retroactively applied the effect of the stock split to the financial information presented herein by multiplying numbers of shares outstanding by 66.676 and dividing per share amounts by 66.676
- 3) Daily average debt outstanding during the quarter divided by daily average net assets during the quarter. Daily average net assets is calculated by starting with the prior quarter end net asset value and adjusting for capital activity during the quarter (adding common stock offerings / capital calls / DRIP contributions)
- 4) Total yield on investments is calculated based on the interest rate and the accretion of OID
- 5) Interest from investments – interest income includes amortization of purchase discounts (premiums) and certain fees, and accelerated amortization of upfront fees on scheduled principal payments
- 6) Interest from investments – other fees includes prepayment fees and accelerated amortization of upfront fees primarily from unscheduled paydowns
- 7) Other income includes amendment and syndication fees, dividend income and other income
- 8) New investments are net of sell-downs
- 9) Fundings exclude intra-quarter revolver borrowings that are repaid by quarter-end
- 10) Par value; excludes amortization, excess cash flow sweeps, PIK, FX movements, and intra-quarter revolver borrowings that are repaid by quarter-end
- 11) In connection with the offering of the convertible senior notes, the Company entered into an interest rate swap to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominately floating rate loans. As a result of the swap, our effective interest rate on the convertible senior notes is three-month LIBOR plus 252.9 basis points
- 12) Weighted by fair value of debt investments
- 13) Convertible debt treated as floating rate due to interest rate swap TSL entered into to swap fixed notes payments for floating rate payments
- 14) Weighted by gross commitment amount
- 15) Total distributions and shares issued before accounting for proceeds reinvested under the company's dividend reinvestment (DRIP) program
- 16) Includes special dividend of \$260,000, or \$0.01 per share
- 17) Includes special dividend of \$1,110,781, or \$0.03 per share
- 18) Offering price of \$16.00 per share less \$0.38 dividend per share

# Contact Us:

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