



## TPG Specialty Lending, Inc. Announces Quarter Ended March 31, 2016 Financial Results; Board Declares Quarterly Dividend of \$0.39 Per Share for the Second Fiscal Quarter of 2016

May 4, 2016

NEW YORK--(BUSINESS WIRE)--May 4, 2016-- TPG Specialty Lending, Inc. (NYSE: TSLX, or the "Company") today reported net investment income of \$23.2 million, or \$0.42 per share, for the quarter ended March 31, 2016. Net asset value per share was \$15.11 at March 31, 2016 as compared to \$15.15 at December 31, 2015. The Company's Board of Directors declared a first quarter dividend of \$0.39 per share, payable to stockholders of record as of March 31, 2016 that was paid on April 29, 2016.

The Company also announced that its Board of Directors has declared a quarterly dividend of \$0.39 per share for stockholders of record as of June 30, 2016, payable on or about July 29, 2016.

### FINANCIAL HIGHLIGHTS:

(amounts in thousands, except per share amounts)

	<b>Three Months Ended</b>		
	<b>(unaudited)</b>		
	<b>March 31, 2016</b>	<b>December 31, 2015</b>	<b>March 31, 2015</b>
Investments at Fair Value	\$1,563,664	\$1,485,709	\$1,330,993
Total Assets	\$1,584,252	\$1,506,568 <sup>(1)</sup>	\$1,359,605 <sup>(1)</sup>
Net Asset Value Per Share	\$15.11	\$15.15	\$15.60
Investment Income	\$42,751	\$43,559	\$37,730
Net Investment Income	\$23,192	\$23,643	\$20,787
Net Income (Loss)	\$17,771	(\$4,342)	\$24,468
Net Investment Income Per Share	\$0.42	\$0.44	\$0.39
Net Realized and Unrealized Gains (and Losses) Per Share	(\$0.10)	(\$0.52)	\$0.06
Net Income (Loss) Per Share	\$0.32	(\$0.08)	\$0.45
Weighted Average Yield of Debt and Income Producing Securities at Fair Value	10.5%	10.3%	10.4%
Weighted Average Yield of Debt and Income Producing Securities at Amortized Cost	10.3%	10.1%	10.3%
Percentage of Debt Investment Commitments at Floating Rates	96% <sup>(2)</sup>	95% <sup>(2)</sup>	97%

(1) The Company adopted ASU 2015-03 during the quarter ended March 31, 2016 and adjusted prior period balance sheets to reflect the change. The adoption of this guidance did not have an impact on the Company's results of operations or cash flows.

(2) Includes one fixed rate investment for which we entered into an interest rate swap agreement to swap to a floating rate.

### Conference Call and Webcast

Conference Call Information:

The conference call will be broadcast live at 8:30 a.m. Eastern Time on May 5, 2016. **Please visit TSLX's webcast link located on the Events & Presentation page of the Investor Resources section of TSLX's website <http://www.tpgspecialtylending.com> for a slide presentation that complements the Earnings Conference Call.** Please visit the website to test your connection before the webcast.

Participants are also invited to access the conference call by dialing one of the following numbers:

Domestic: (877) 359-9508  
 International: +1 (253) 237-1122  
 Conference ID: 78797512

All callers will need to enter the Conference ID followed by the # sign and reference "TPG Specialty Lending" once connected with the operator. All callers are asked to dial in 10-15 minutes prior to the call so that name and company information can be collected.

Replay Information:

An archived replay will be available from approximately 12:00 p.m. Eastern Time on May 5 through May 19 via a webcast link located on the Investor Resources section of the Company's website, and via the dial-in numbers listed below:

Domestic: (855) 859-2056  
International: +1 (404) 537-3406  
Conference ID: 78797512

### **Portfolio and Investment Activity**

For the three months ended March 31, 2016, gross originations totaled \$164.6 million. This compares to \$399.3 million for the three months ended December 31, 2015 and \$267.8 million for the three months ended March 31, 2015.

For the three months ended March 31, 2016, the Company made new investment commitments of \$129.6 million, \$78.5 million in four new portfolio companies and \$51.1 million in four existing portfolio companies. For this period, the Company had \$45.8 million aggregate principal amount in exits and repayments, resulting in a net portfolio increase of \$83.8 million aggregate principal amount.

For the three months ended March 31, 2015, the Company made new investment commitments of \$137.8 million, \$101.0 million in three new portfolio companies and \$36.8 million in three existing portfolio companies. For this period, the Company had \$60.8 million aggregate principal amount in exits and repayments, resulting in a net portfolio increase of \$71.0 million aggregate principal amount.

As of March 31, 2016 and December 31, 2015, the Company had investments in 48 and 46 portfolio companies, respectively, with an aggregate fair value of \$1,563.7 million and \$1,485.7 million, respectively.

As of March 31, 2016, the portfolio consisted of 89.0% first-lien debt investments, 7.7% second-lien debt investments, 1.9% mezzanine and unsecured debt investments, and 1.4% equity and other investments. As of December 31, 2015, the portfolio based on fair value consisted of 88.2% first-lien debt investments, 8.1% second-lien debt investments, 1.9% mezzanine and unsecured debt investments, and 1.8% equity and other investments.

As of March 31, 2016, 96.2% of debt investments based on fair value in the Company's portfolio bore interest at floating rates (when including investment specific hedges), with 94.2% of these subject to interest rate floors. The Company's credit facility also bears interest at floating rates.

As of March 31, 2016 and December 31, 2015, the weighted average total yield of debt and income producing securities at fair value (which includes interest income and amortization of fees and discounts) was 10.5% and 10.3%, respectively, and the weighted average total yield of debt and income producing securities at amortized cost (which includes interest income and amortization of fees and discounts) was 10.3% and 10.1%, respectively.

As of March 31, 2016, 99.6% of debt investments based on fair value were meeting all payment requirements and 97.8% of debt investments based on fair value were meeting all covenant requirements. One investment was on non-accrual status at March 31, 2016.

### **Results of Operations for the Three Months Ended March 31, 2016 compared to the Three Months Ended March 31, 2015**

#### ***Investment Income***

For the three months ended March 31, 2016 and 2015, investment income totaled \$42.7 million and \$37.7 million, respectively. The increase in investment income for the quarter was primarily driven by an increase in the average size of the investment portfolio, accelerated amortization of upfront fees from unscheduled paydowns and dividend income, slightly offset by lower prepayment, syndication, amendment and agency fees, as compared to the same period in 2015.

#### ***Expenses***

Net expenses totaled \$19.1 million and \$16.6 million for the three months ended March 31, 2016 and 2015, respectively. The increase in net expenses was primarily due to higher interest expense related to an increase in the weighted average debt outstanding.

#### ***Liquidity and Capital Resources***

As of March 31, 2016, the Company had \$4.0 million in cash and cash equivalents, total debt outstanding of \$638.2 million, and \$298.0 million of undrawn commitments on its revolving credit facility, subject to borrowing base and other limitations. The weighted average interest rate on debt outstanding was 2.6% for the three months ended March 31, 2016 and March 31, 2015.

On March 3, 2016, the Company issued 5,000,000 shares of common stock at \$16.42 per share. Net of underwriting fees and offering costs, the Company received total cash proceeds of \$78.3 million. During the three months ended March 31, 2016, 86,081 shares were repurchased under the Company 10b5-1 Plan at a weighted average price per share of \$15.44, inclusive of commissions, for a total investment of \$1.3 million.

The Company is rated BBB- by Fitch Ratings and Standard and Poor's. Both Fitch Ratings and Standard and Poor's affirmed the Company's BBB- rating and stable outlook during the first quarter of 2016.

### **Financial Statements and Tables**

#### **TPG Specialty Lending, Inc.**

#### **Consolidated Statements of Operations (Amounts in thousands, except share and per share amounts) (Unaudited)**

<u>Three Months Ended</u> <u>March 31, 2016</u>	<u>Three Months Ended</u> <u>March 31, 2015</u>
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**Income**

Investment income from non-controlled, non-affiliated investments:

Interest from investments	\$	39,170	\$	32,879
Dividend income		474		—
Other income		723		3,377
Total investment income from non-controlled, non-affiliated investments		40,367		36,256

Investment income from controlled, affiliated investments:

Interest from investments		2,333		1,417
Other income		51		57
Total investment income from controlled, affiliated investments		2,384		1,474

**Total Investment Income**

		42,751		37,730
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**Expenses**

Interest		5,298		4,220
Management fees		5,748		4,950
Incentive fees		4,902		5,007
Professional fees		1,923		1,209
Directors' fees		97		96
Other general and administrative		1,254		1,156
Total expenses		19,222		16,638

Management and incentive fees waived

		(98)		—
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**Net Expenses**

		19,124		16,638
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**Net Investment Income Before Income Taxes**

		23,627		21,092
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Income taxes, including excise taxes

		435		305
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**Net Investment Income**

		23,192		20,787
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**Unrealized and Realized Gains (Losses)**

Net change in unrealized gains (losses):

Non-controlled, non-affiliated investments		197		(5,907)
Controlled, affiliated investments		(4,359)		605
Translation of assets and liabilities in foreign currencies		(2,703)		7,215
Interest rate swaps		1,240		(353)
Total net change in unrealized gains (losses)		(5,625)		1,560

Realized gains:

Non-controlled, non-affiliated investments		—		265
Interest rate swaps		—		1,852
Foreign currency transactions		204		4
Total realized gains		204		2,121

**Total Unrealized and Realized Gains (Losses)**

		(5,421)		3,681
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**Increase in Net Assets Resulting from Operations**

	\$	17,771	\$	24,468
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Earnings per common share—basic and diluted

	\$	0.32	\$	0.45
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Weighted average shares of common stock outstanding—basic and diluted

		55,802,270		53,902,074
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**TPG Specialty Lending, Inc.**

**Consolidated Balance Sheets**  
(Amounts in thousands, except share and per share amounts)  
(Unaudited)

	March 31, 2016	December 31, 2015
<b>Assets</b>		
Investments at fair value		
Non-controlled, non-affiliated investments (amortized cost of \$1,521,669 and \$1,443,017, respectively)	\$1,501,060	\$ 1,422,211
Controlled, affiliated investments (amortized cost of \$90,124 and \$86,659, respectively)	62,604	63,498
Total investments at fair value (amortized cost of \$1,611,793 and \$1,529,676, respectively)	1,563,664	1,485,709
Cash and cash equivalents	4,029	2,431
Interest receivable	11,829	10,146
Receivable for interest rate swaps	1,642	402
Prepaid expenses and other assets	3,088	7,880

<b>Total Assets</b>	<b>\$1,584,252</b>	<b>\$ 1,506,568</b>
<b>Liabilities</b>		
Debt (net of deferred financing costs of \$9,790 and \$10,365, respectively)	\$ 626,063	\$ 642,423
Management fees payable to affiliate	5,734	5,530
Incentive fees payable to affiliate	4,819	4,915
Dividends payable	23,098	21,124
Payable for investments purchased	22,045	4,435
Payables to affiliate	1,758	1,492
Other liabilities	6,064	5,908
<b>Total Liabilities</b>	<b>689,581</b>	<b>685,827</b>
Commitments and contingencies		
<b>Net Assets</b>		
Preferred stock, \$0.01 par value; 100,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 400,000,000 shares authorized, 59,314,768 and 54,166,959 shares issued, respectively; and 59,225,688 and 54,163,960 shares outstanding, respectively	593	542
Additional paid-in capital	892,675	812,586
Treasury stock at cost; 89,080 and 2,999 shares held, respectively	(1,359)	(30)
Undistributed net investment income	26,712	27,521
Net unrealized losses	(34,005)	(28,380)
Undistributed net realized gains	10,055	8,502
<b>Total Net Assets</b>	<b>894,671</b>	<b>820,741</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,584,252</b>	<b>\$ 1,506,568</b>
<b>Net Asset Value Per Share</b>	<b>\$ 15.11</b>	<b>\$ 15.15</b>

The Company's investment activity for the three months ended March 31, 2016 and 2015 is presented below (information presented herein is at par value unless otherwise indicated).

(\$ in millions)	Three Months Ended	
	March 31, 2016	March 31, 2015
<b>New investment commitments:</b>		
Gross originations	\$ 164.6	\$ 267.8
Less: Syndications/sell downs	35.0	130.0
Total new investment commitments	\$ 129.6	\$ 137.8
<b>Principal amount of investments funded:</b>		
First-lien	\$ 127.5	\$ 122.0
Second-lien	—	9.8
Mezzanine and unsecured	2.1	—
Equity and other	—	—
Total	\$ 129.6	\$ 131.8
<b>Principal amount of investments sold or repaid:</b>		
First-lien	\$ 43.6	\$ 43.8
Second-lien	—	17.0
Mezzanine and unsecured	2.2	—
Total	\$ 45.8	\$ 60.8
<b>Number of new investment commitments in new portfolio companies</b>	4	3
<b>Average new investment commitment amount in new portfolio companies</b>	\$ 19.6	\$ 33.7
<b>Weighted average term for new investment commitments in new portfolio companies (in years)</b>	5.0	5.5
<b>Percentage of new debt investment commitments at floating rates</b>	98.3%	92.9%
<b>Percentage of new debt investment commitments at fixed rates</b>	1.7%	7.1%
<b>Weighted average interest rate of new investment commitments</b>	9.0%	10.2%
<b>Weighted average spread over LIBOR of new floating rate investment commitments</b>	8.0%	9.3%
<b>Weighted average interest rate on investments sold or paid down</b>	8.8%	8.6%

## **About TPG Specialty Lending, Inc.**

TSLX is a specialty finance company focused on lending to middle-market companies. The Company seeks to generate current income primarily in U.S.-domiciled middle-market companies through direct originations of senior secured loans and, to a lesser extent, originations of mezzanine and unsecured loans and investments in corporate bonds and equity securities. The Company has elected to be regulated as a business development company, or a BDC, under the Investment Company Act of 1940 and the rules and regulations promulgated thereunder. TSLX is externally managed by TSL Advisers, LLC, a Securities and Exchange Commission ("SEC") registered investment adviser. TSLX leverages the deep investment, sector, and operating resources of TPG Special Situations Partners, the dedicated special situations and credit platform of TPG, with over \$16 billion of assets under management as of March 31, 2016, and the broader TPG platform, a global private investment firm with over \$74 billion of assets under management as of December 31, 2015. For more information, visit the Company's website at [www.tpgspecialtylending.com](http://www.tpgspecialtylending.com).

## **Forward-Looking Statements**

Statements included herein may constitute "forward-looking statements," which relate to future events or the Company's future performance or financial condition. These statements are not guarantees of future performance, conditions or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in the Company's filings with the Securities and Exchange Commission. The Company assumes no obligation to update any such forward-looking statements. TSLX undertakes no duty to update any forward-looking statements made herein.

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