



TPG Specialty Lending, Inc.

Wells Fargo Middle Market Forum

November 17, 2015

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TPG Specialty Lending, Inc. (“TSLX”) Overview



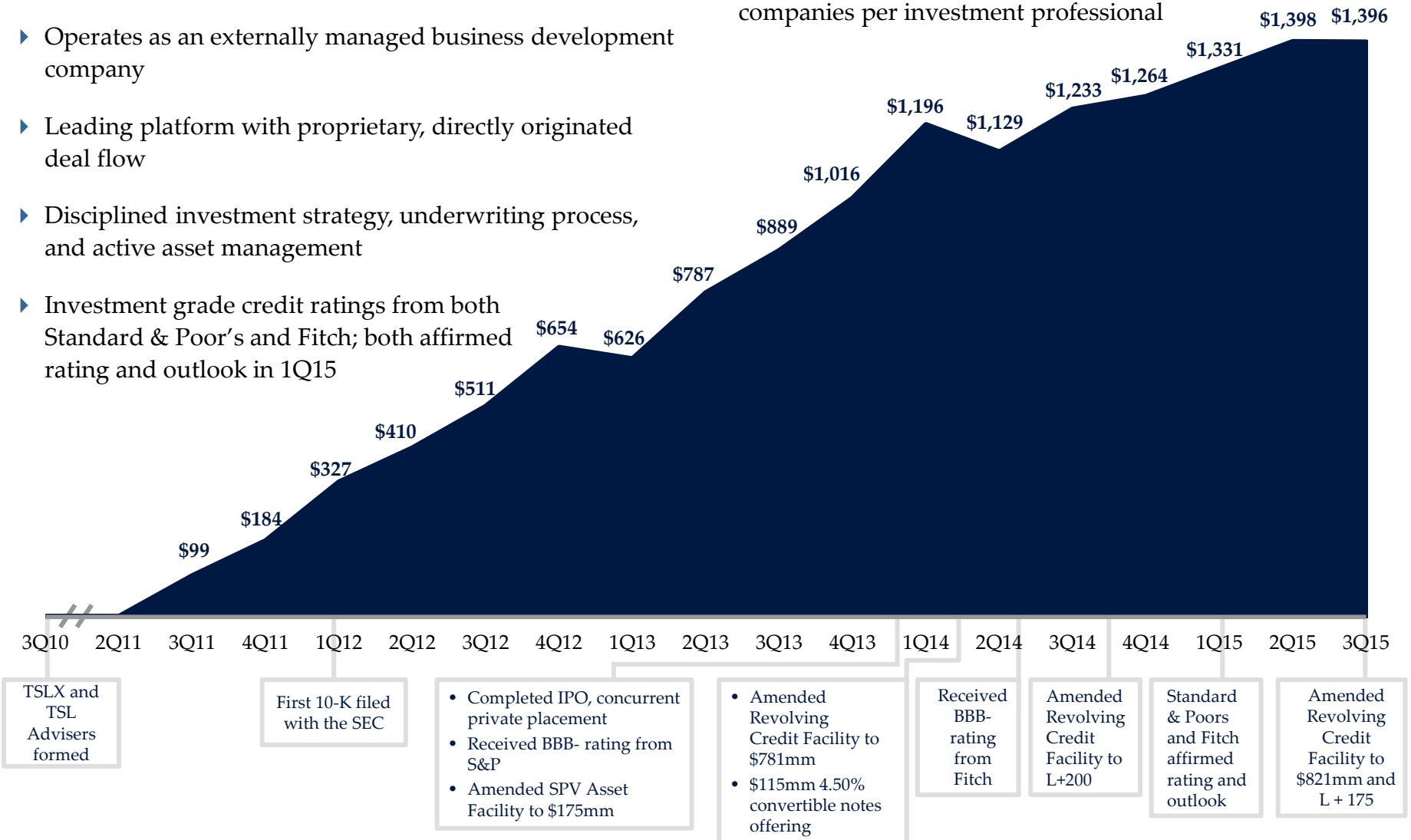
Ticker	TSLX
Exchange	NYSE
Market Capitalization	\$945 million
Most Recent Quarterly Dividend	\$0.39 per share
Dividend Yield at NAV Per Share	10.0%
Net Asset Value Per Share as of 9/30/15	\$15.62
LTM Total Return	12.4%

Note: Market capitalization as of 11/12/15; financial data as of 9/30/15

TPG Specialty Lending, Inc. (“TSLX”) 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; both affirmed rating and outlook in 1Q15

- ▶ Total of 27 dedicated professionals, including 19 dedicated investment professionals. Ratio of 2:1 – two portfolio companies per investment professional



TSLX Competitive Advantages

Leading Platform and Proprietary Deal Flow

- ▶ 27 dedicated professionals
- ▶ Leverage resources of TPG and TSSP
- ▶ Over 90% of investments are directly originated
- ▶ SEC Exemptive Relief

Experienced Management Team

- ▶ 8 managing directors with over 160 years of collective experience as commercial dealmakers and risk managers
- ▶ Gross unlevered IRR of 16.4% on exited investments totaling \$1.1 bn of cash invested
- ▶ Operating as a BDC since 2011



Disciplined Investment / Underwriting Process

- ▶ Focus on risk-adjusted returns, not absolute return
- ▶ Strong documentation with effective voting control on 82% of debt investments
- ▶ Robust and active management of investments

Shareholder Alignment

- ▶ 10b5-1 stock repurchase plan in place since IPO
- ▶ Sourcing and underwriting in separate functions
- ▶ Compensation structure based on returns, not on volume of loans originated

Senior, Floating Portfolio w/ Strong Yields

- ▶ 44 companies with a weighted average total yield of 10.5% at amortized cost¹
- ▶ 87% first lien, 96% secured, 95% floating rate
- ▶ 90% of debt investments have call protection

¹ Total yield on investments is calculated based on the interest rate and the accretion of OID
Note: As of 9/30/2015, unless otherwise noted

I. BDC Sector Observations

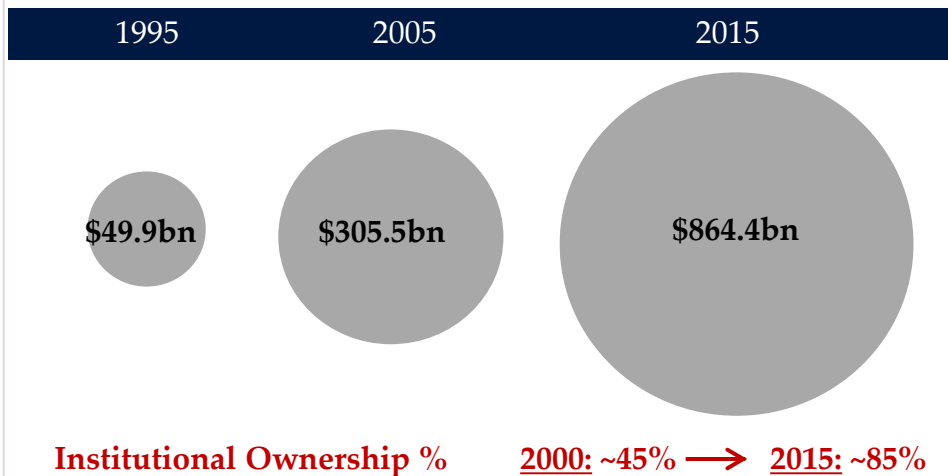
II. TSLX Principles and Investment Strategy

III. Return on Equity & Current Investment Themes

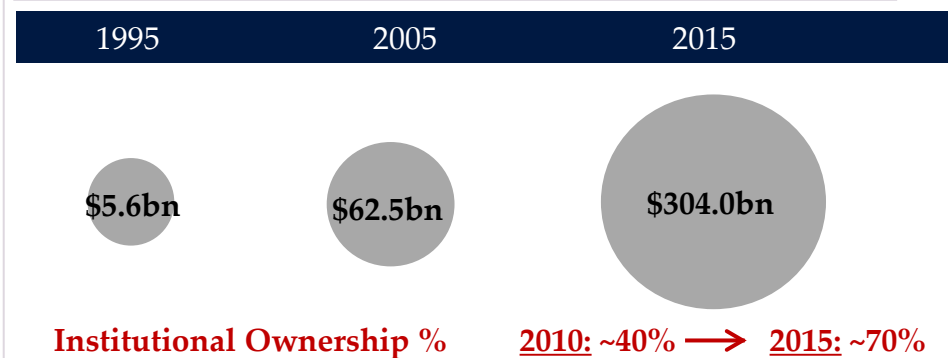
Where is the BDC Sector Heading?

Growth of REITs and MLPs

REIT – HISTORICAL AGGREGATE MARKET CAP



MLP – HISTORICAL AGGREGATE MARKET CAP



Source: Wells Fargo Securities; Bloomberg

	REIT	MLP	BDC
High Current Income	✓	✓	✓
Liquid Access to Illiquid Assets	✓	✓	✓
Diversification with High-Quality Managers	✓	✓	✓
Potential for Strong Risk-Adjusted Returns	✓	✓	✓

The significant growth of REIT and MLP sectors have been supported by increasing institutional ownership. Given BDCs' similarities to REITs and MLPs, we would expect the BDC industry's growth to be similar...

BDC Sector – At an Inflection Point

BDC – HISTORICAL AGGREGATE MARKET CAP¹

2005

2015

Future

\$7.8bn

\$30.5bn

?

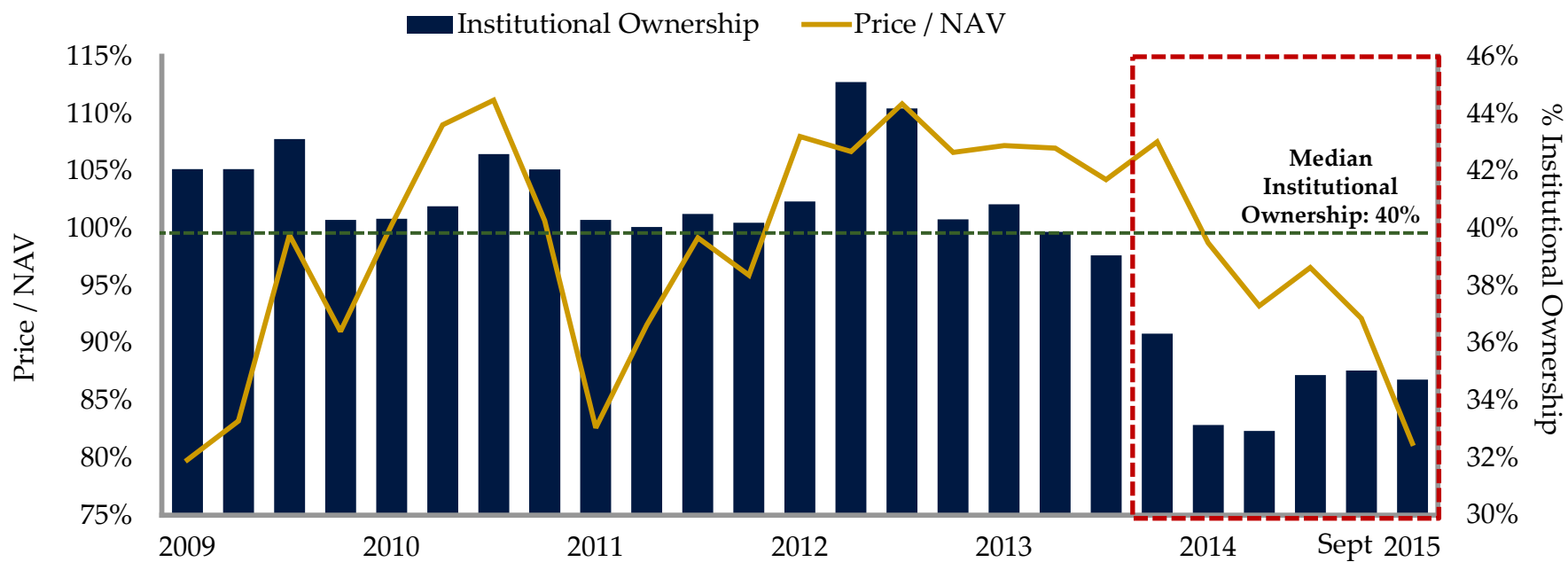
¹ Represents publicly traded BDCs in the Raymond James BDC Constituents



The BDC sector can only thrive in a culture that fosters real value creation for shareholders

Institutional Ownership of BDC Sector

BDC¹ PRICE TO NAV VS. % INSTITUTIONAL OWNERSHIP

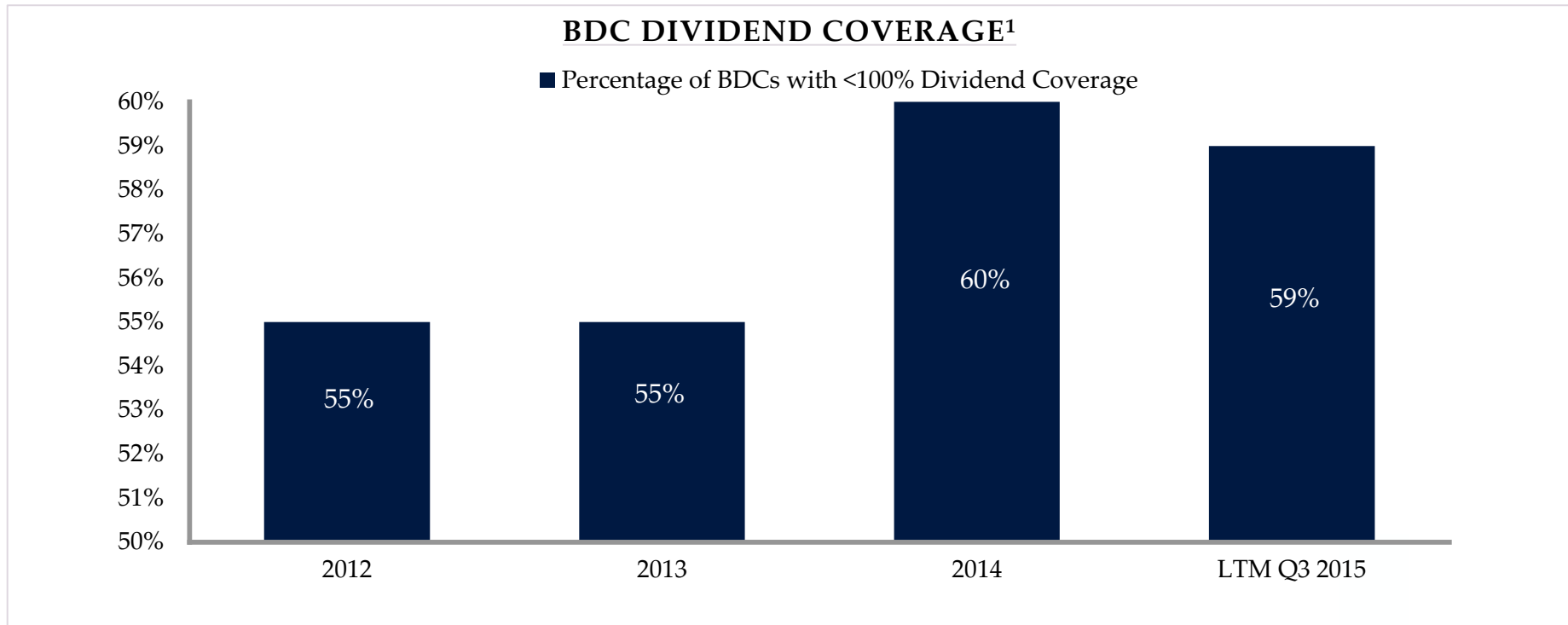


¹ BDCs consists of ACAS, AINV, ARCC, BKCC, FSC, FSIC, FSFR, GLAD, GBDC, HTGC, HRZN, KCAP, MAIN, MCGC, MCC, MRCC, NMFC, OFS, PFLT, PNNT, PSEC, SAR, SLRC, SUNS, SCM, TCPC, TCRD, TICC, TCAP, TPVG, TSLX, WHF
 Source: Wells Fargo Securities; SNL



Institutional ownership is significantly below average

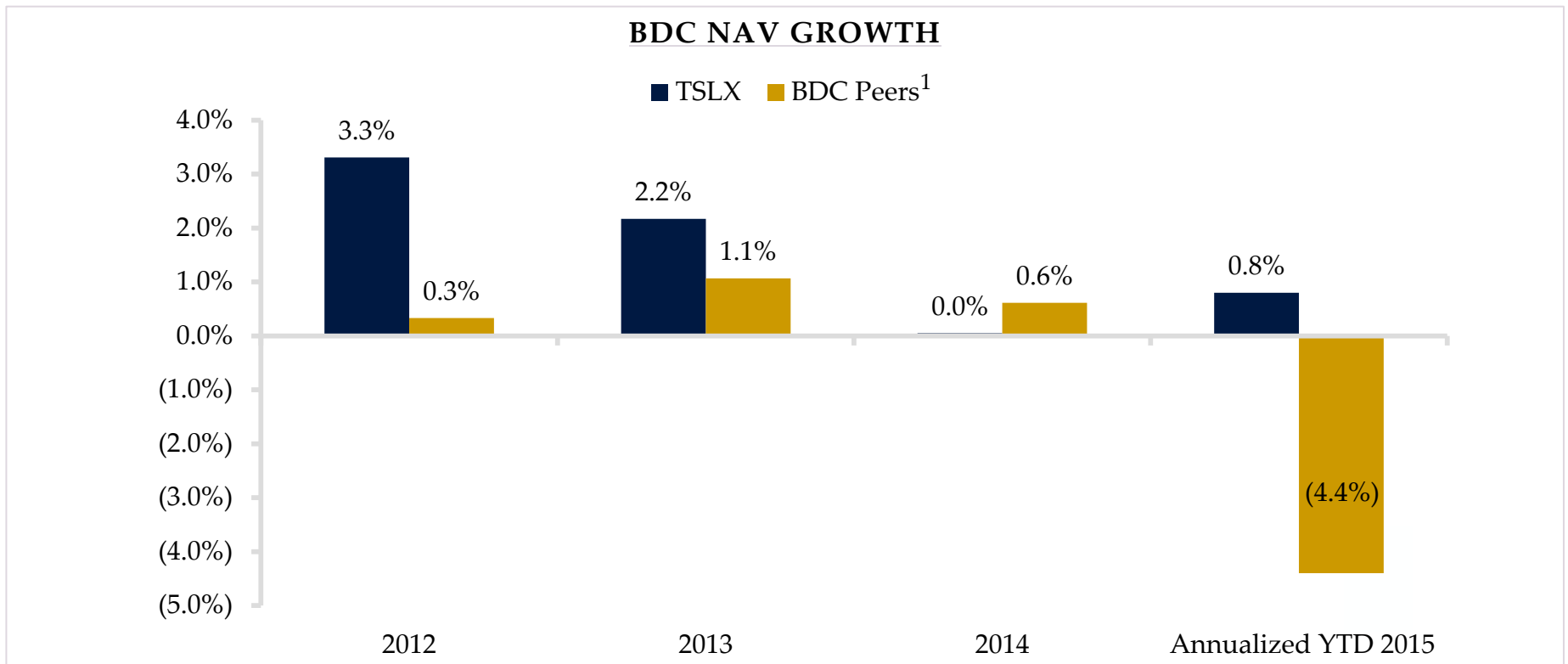
What Happened?



¹ Calculated as net investment income per share divided by dividends per share. BDCs consists of publicly traded BDCs in the Raymond James BDC Constituents
Source: SNL; company filings

A majority of BDCs are not covering their dividends on a net investment income basis, which will continue to put downward pressure on the sector's NAV

What Happened?



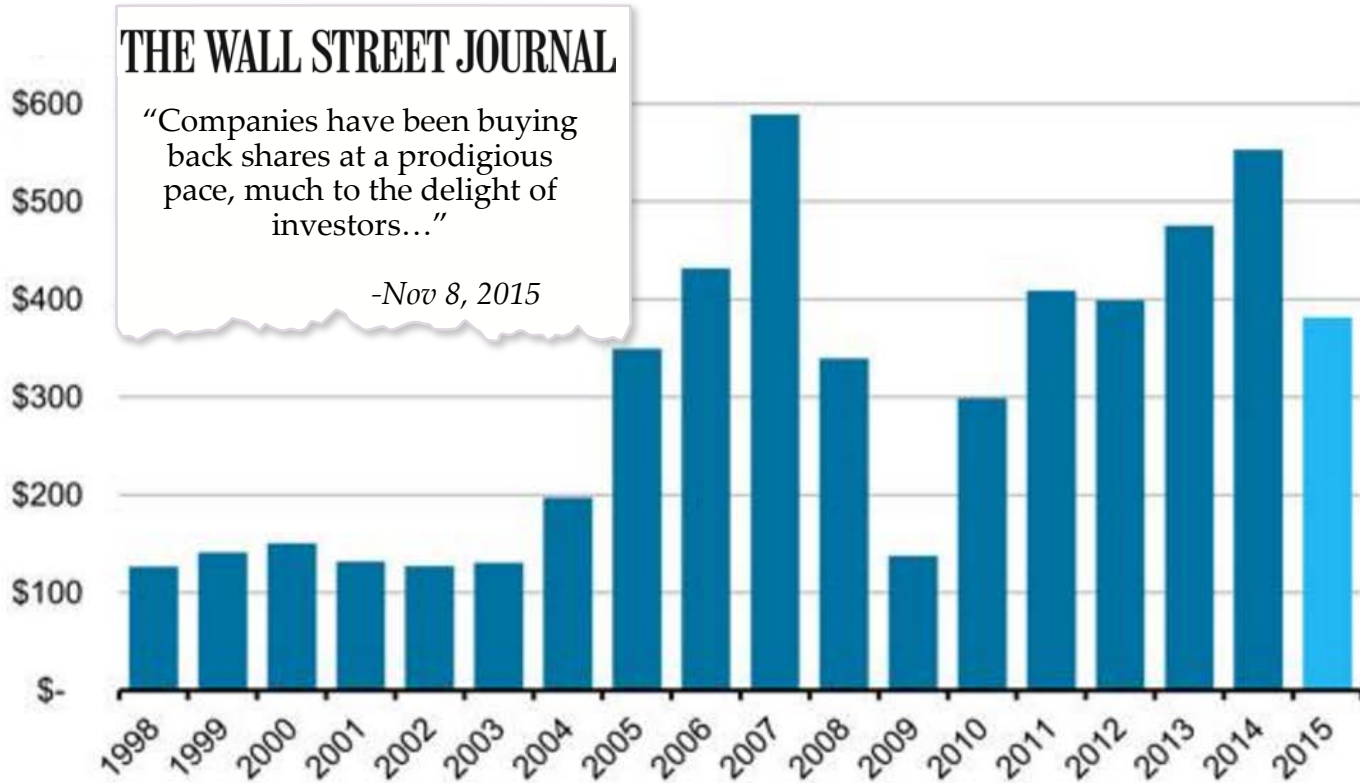
¹ Calculated as percentage change in net asset value. for BKCC, GBDC, ARCC, TCRD, SLRC, PSEC, FSIC, NMFC, FSC, AINV, MCC, PNNT
Source: SNL; company filings



Net asset value of BDCs have declined in a benign credit environment, eroding the implied terminal value of the industry

What Happened?

S&P 500 SHARE BUYBACKS
(\$ Billions)

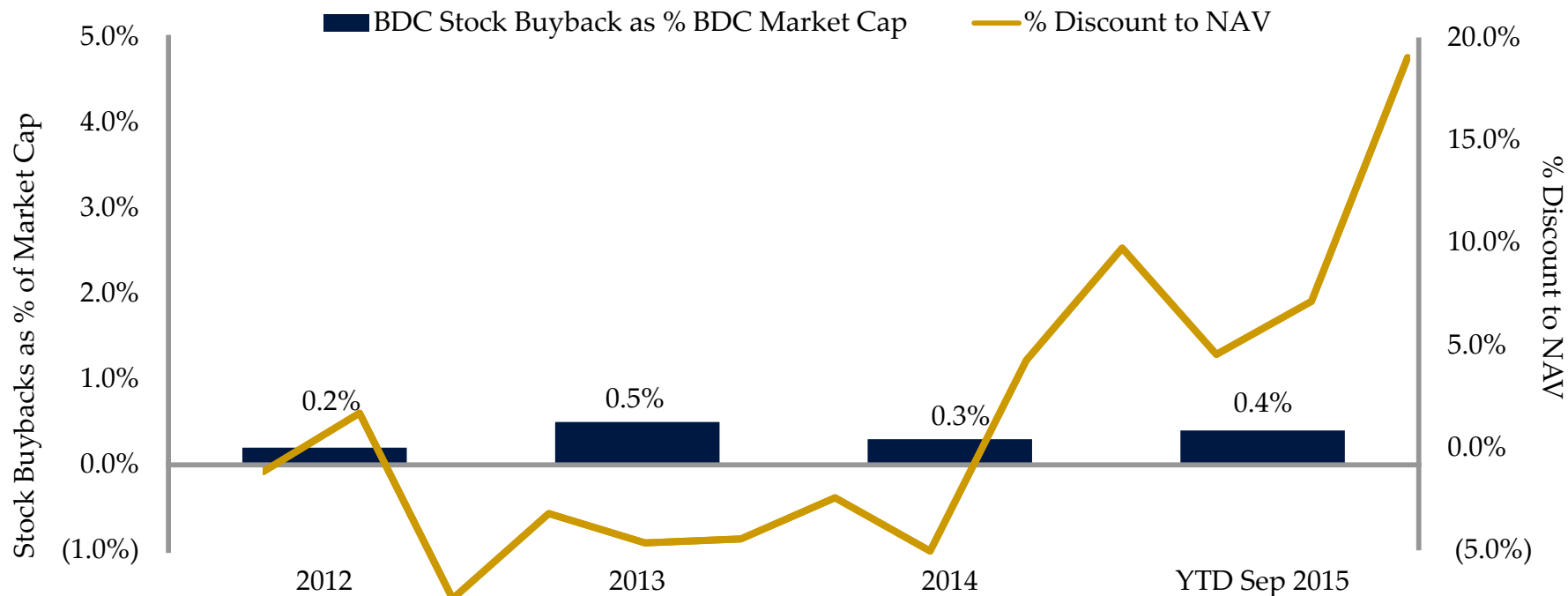


Source: Wall Street Journal; S&P Dow Jones Indices. 2015 data is reported YTD Nov 2015

Nearly 25% of S&P 500 companies have reduced their shares outstanding by at least 4% in the past year

What Happened?

BDC STOCK BUYBACKS AS % OF BDC MARKET CAP¹



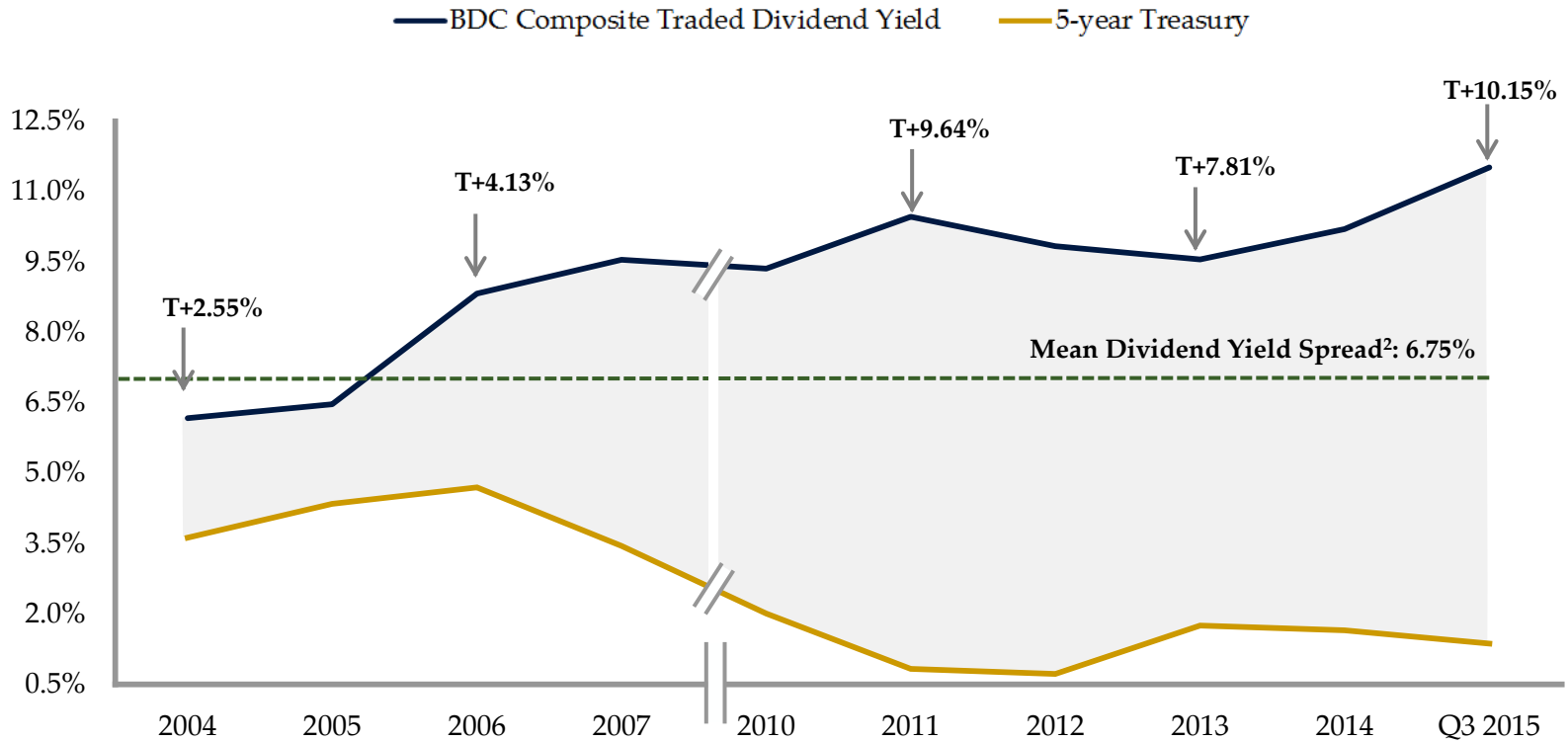
¹ BDC stock buybacks % calculated as dollar amount of stock repurchased by companies divided by average BDC market cap in the Raymond James BDC Constituents. Excludes ACAS for all periods and FSIC in Q2'14
Source: SNL; Raymond James

The BDC sector has done de minimis stock buybacks...even when trading at significant discount to NAV

What Happened?

Cost of Equity

BDC COMPOSITE TRADED DIVIDEND YIELD VS. 5-YEAR TREASURY¹



¹ BDC Composite includes TSLX, BKCC, GBDC, ARCC, TCRD, SLRC, PSEC, FSIC, NMFC, FSC, AINV, MCC, PNNT

² Mean calculation excludes 2008 and 2009

Source: SNL, company filings



The BDC sector's cost of equity are at all time highs

Inflection Point for the BDC Sector

Current Issues

Equity Raises

- Non-accretive equity raises on both an ROE and NAV basis

Share Repurchase Programs

- Abysmal stock buyback record

Dividend Policy

- Insufficient dividend coverage, eroding NAV/terminal value

Asset Selection / NAV Protection

- High cost provider of CLO and liquid credit risk/returns
- Deploying capital in lower quality assets to boost income

Inflection Point for the BDC Sector

Shareholder-friendly Actions



Leads To

- ✓ Restored investor confidence
- ✓ Greater institutional ownership
- ✓ Pull to NAV
- ✓ Reduced cost of capital
- ✓ Sector market cap growth

I. BDC Sector Observations

II. TSLX Principles and Investment Strategy

III. Return on Equity & Current Investment Themes

TSLX Principles and Investment Strategy

1

Equity Raises



Equity Raise Discipline

Canceled pre-IPO capital commitments

\$900m / \$1.6bn of potential fee paying assets

% of days closing above book value

100%

% of days closing above 103% of book value

99%



Potential to raise equity¹

412 trading days

Equity raised since IPO

None

Note: As of 11/12/2015

¹ Reflects trading days that TSLX closed above 103% of book value



Discipline in accessing equity capital markets reflective of shareholder alignment

2

Share Repurchase Programs

3

Dividend Policy

4

Asset Selection / NAV Protection

TSLX Principles and Investment Strategy

1
Equity Raises

2
Share Repurchase Programs

3
Dividend Policy

4
Asset Selection / NAV Protection

Stock Buyback Plan

	Typical BDC Stock Buyback Plan	TSLX ¹
Plan Inception Date	Varies	At IPO
Execution	Discretionary	None
Timing of Buyback	Discretionary	Automatic
Threshold Price	Discretionary	1 cent below NAV
MNPI	Can only trade when not in possession of MNPI	Generally no trading limitations
Approx. Trading Days / Qtr	~20 days	~60 days

¹ TSLX's stock buyback plan complies with SEC rule 10b5-1

TSLX's stock buyback plan is shareholder-oriented, with 200% more potential buyback days compared to typical plans

TSLX Principles and Investment Strategy

1

Equity Raises

2

Share Repurchase Programs

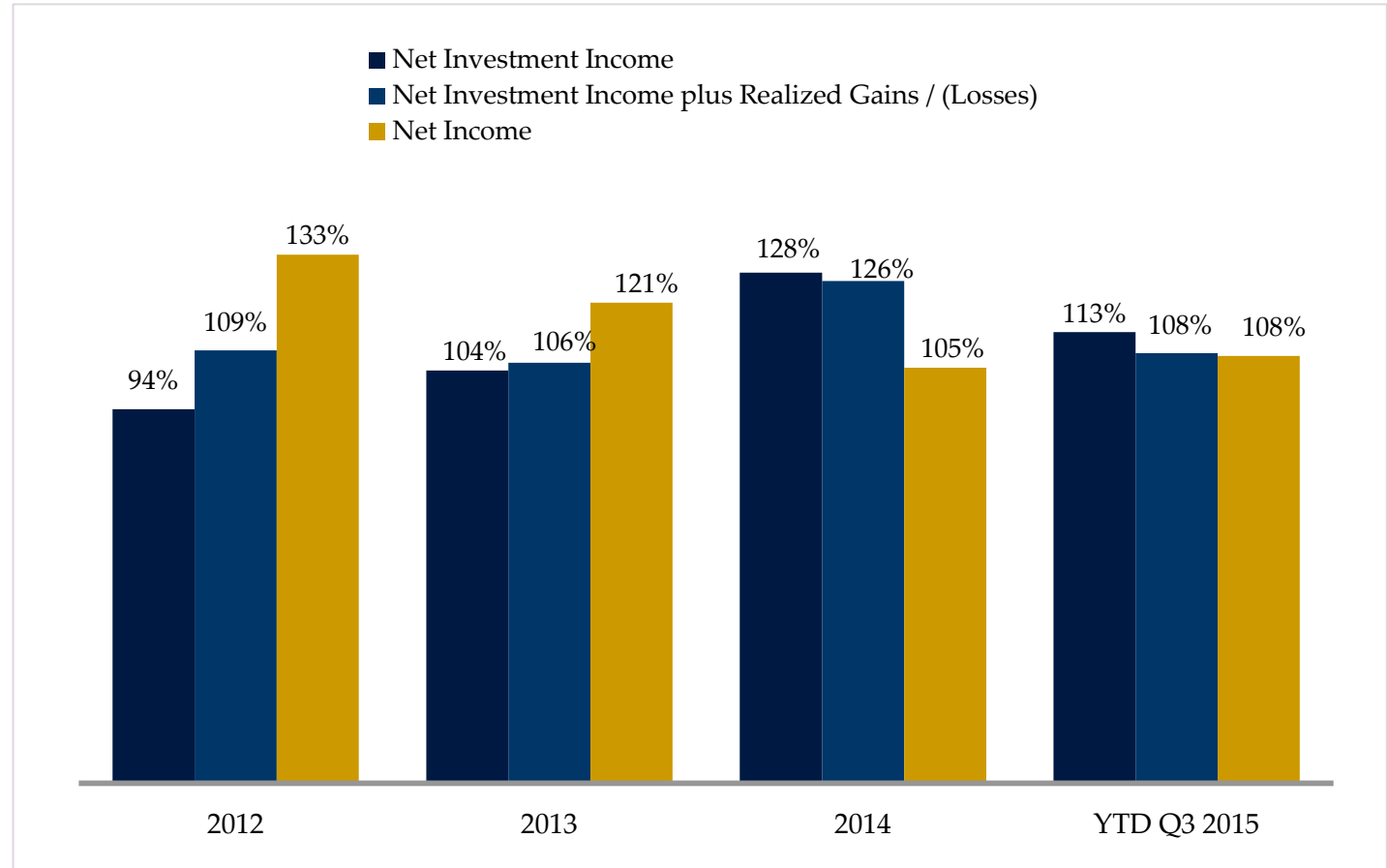
3

Dividend Policy

4

Asset Selection / NAV Protection

Dividend Coverage



Consistently earned dividend for 3.75 years

TSLX Principles and Investment Strategy

1

Equity Raises

2

Share Repurchase Programs

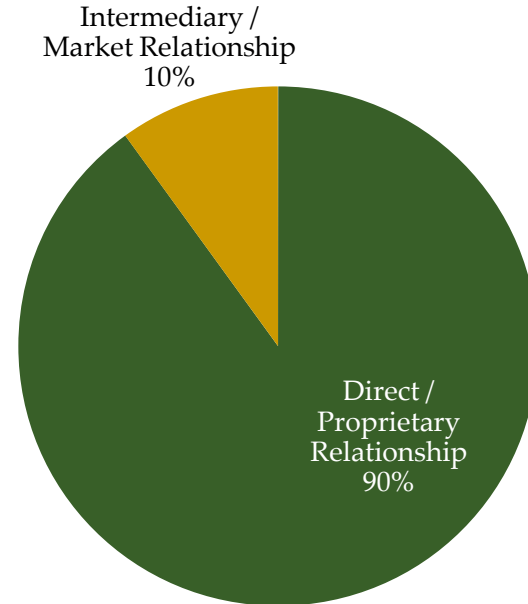
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Dividend Policy

4

Asset Selection / NAV Protection

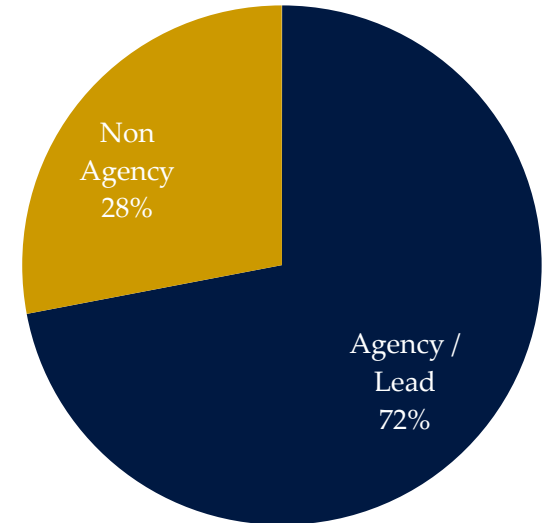
Sourcing



Note: By fair value of investments as of 9/30/2015

90% sourced away from Wall Street

Agency



Agency / lead position in 72% of portfolio debt investments

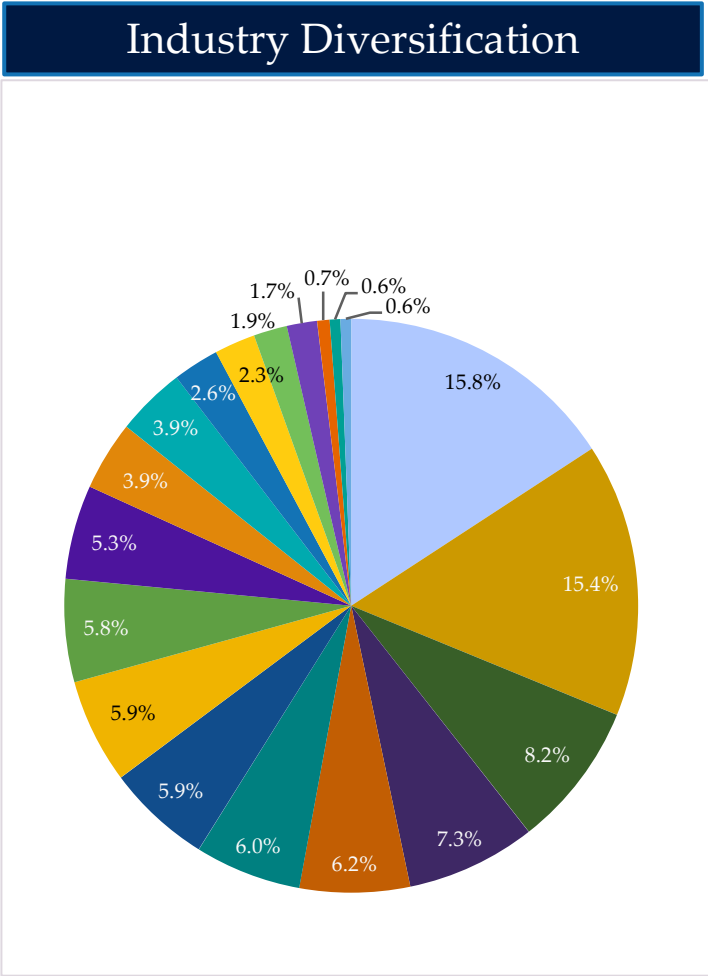
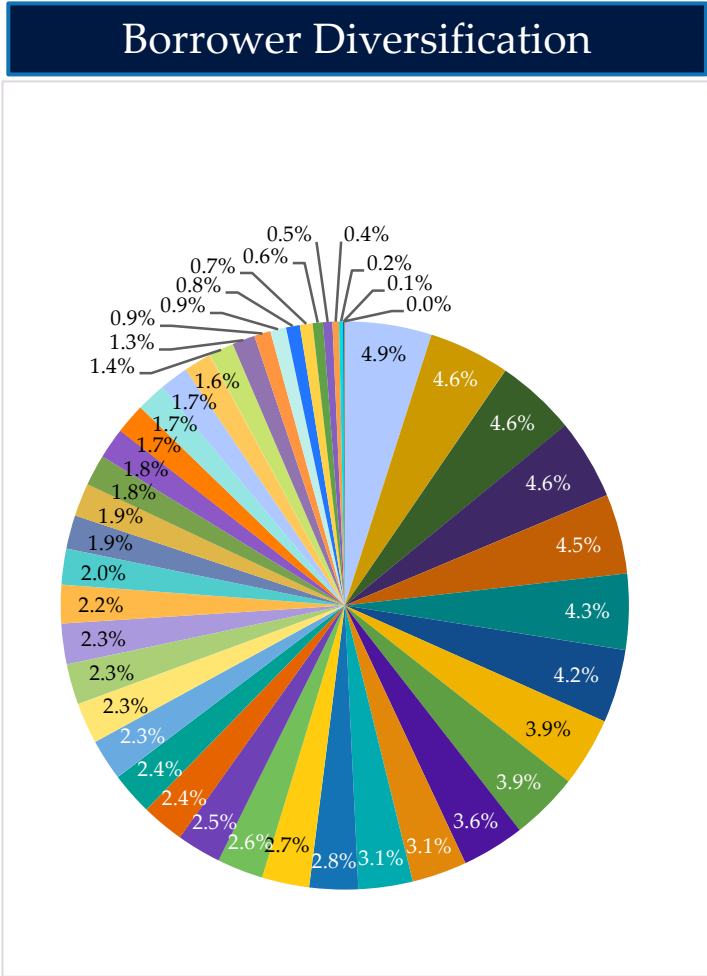
TSLX Principles and Investment Strategy

1 Equity Raises

2 Share Repurchase Programs

3 Dividend Policy

4 Asset Selection / NAV Protection



Note: By fair value of investments as of 9/30/2015

Diversity across borrower and industry concentrations

TSLX Principles and Investment Strategy

1

Equity Raises

2

Share Repurchase Programs

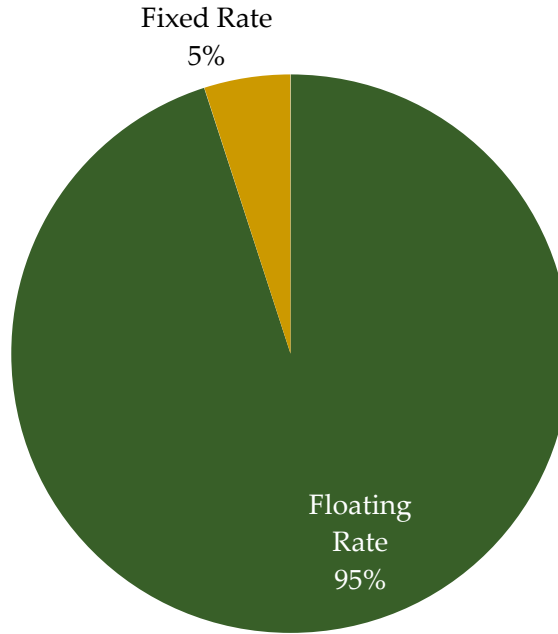
3

Dividend Policy

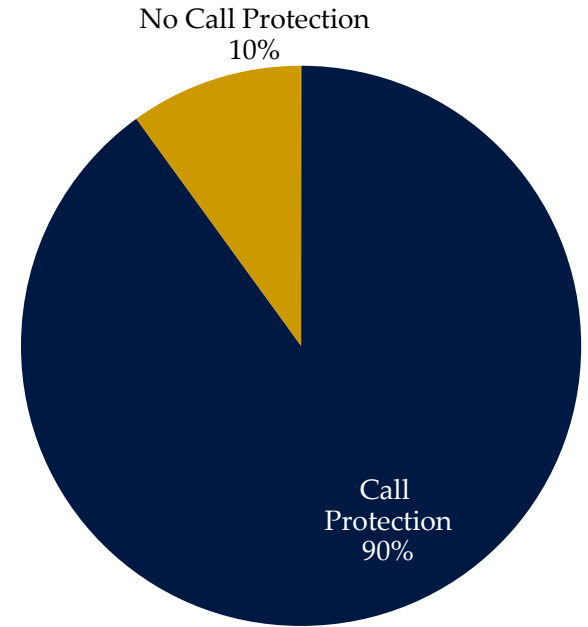
4

Asset Selection / NAV Protection

Yield Protection



Call Protection



Note: By fair value of investments as of 9/30/2015

Mitigation of non-credit (interest rate and reinvestment) risks

TSLX Principles and Investment Strategy

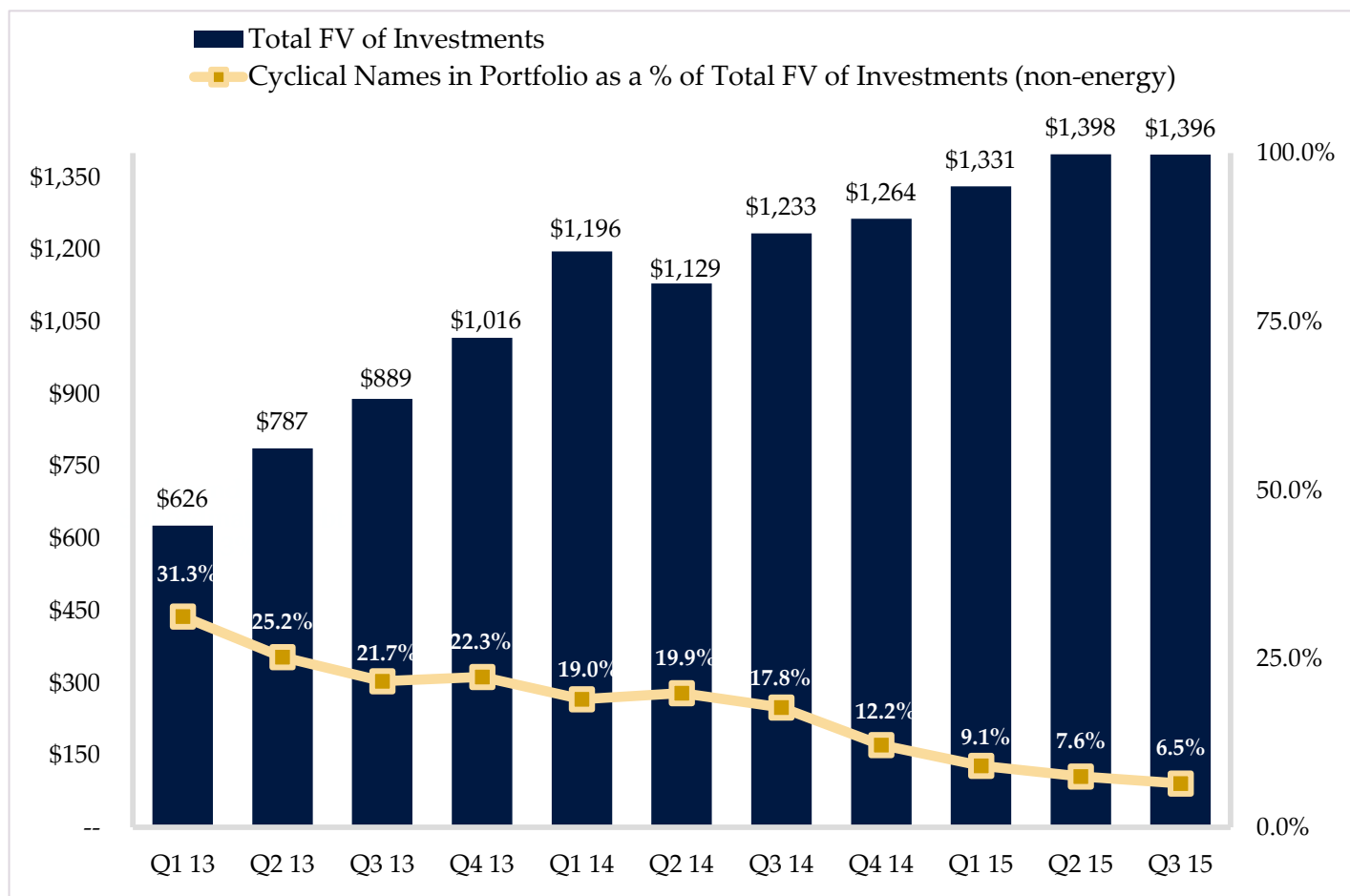
1
Equity Raises

2
Share Repurchase Programs

3
Dividend Policy

4
Asset Selection / NAV Protection

Reducing Cyclical Exposure



Notes: Cyclical names exclude energy-related portfolio companies and includes certain portfolio companies in the following industries: automotive; beverage, food, and tobacco; capital equipment; construction and building; containers and packaging; hotel, gaming, and leisure; manufacturing; metals and mining

Late cycle-minded sector selection

TSLX Principles and Investment Strategy

1

Equity Raises

2

Share Repurchase Programs

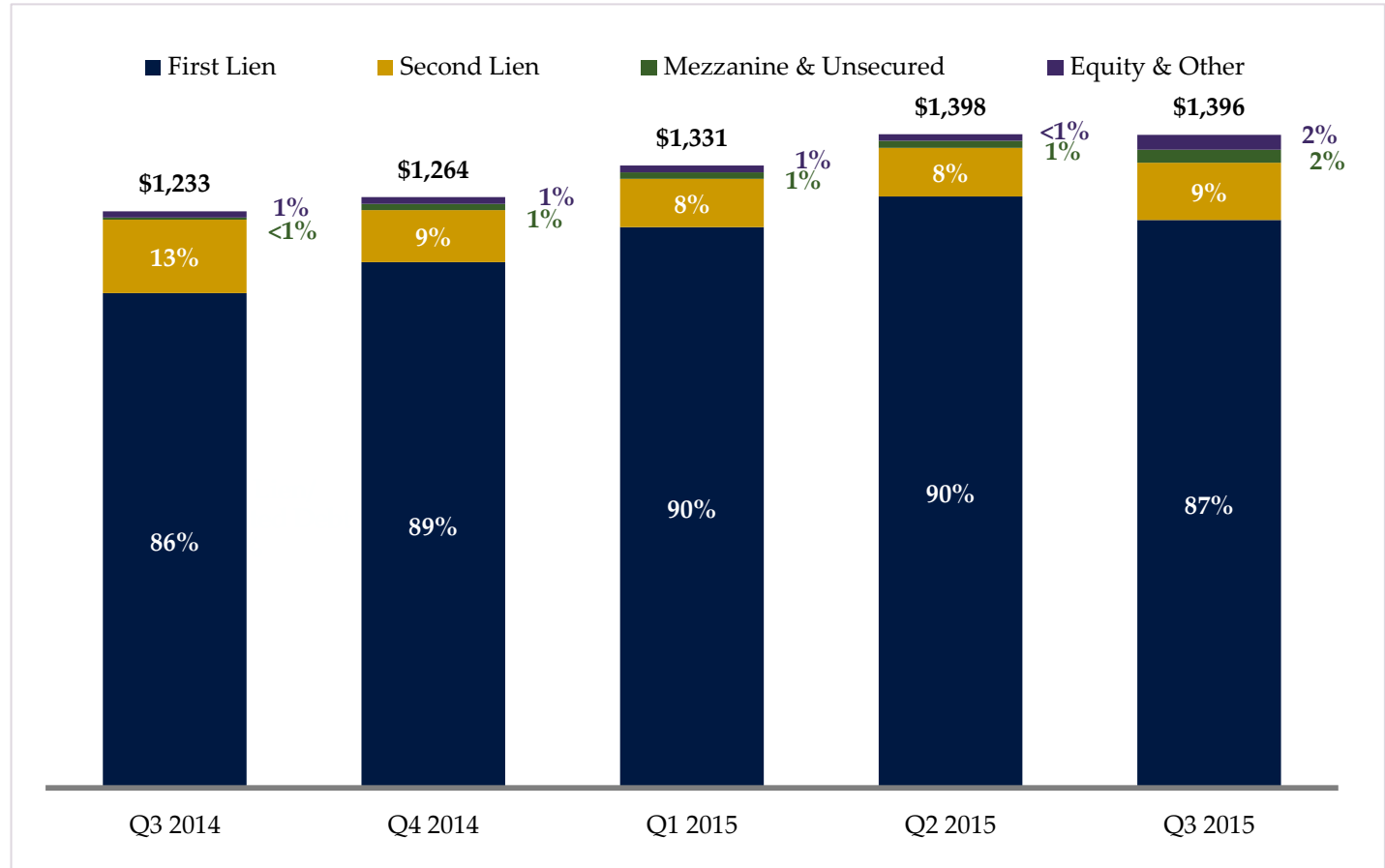
3

Dividend Policy

4

Asset Selection / NAV Protection

Capital Structure



Note: By fair value of investments as of 9/30/2015

Late cycle-minded capital structure selection

TSLX Principles and Investment Strategy

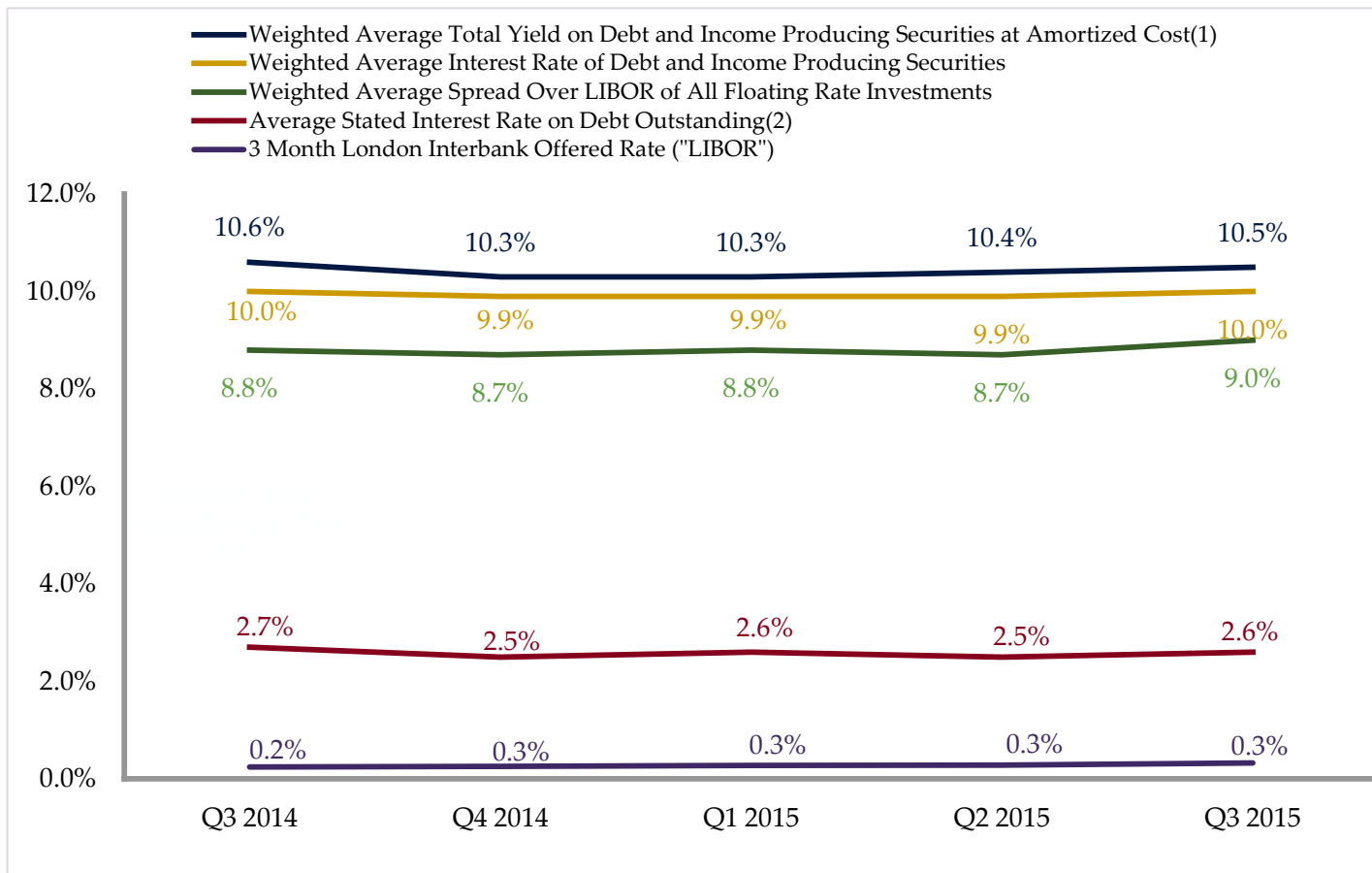
1
Equity Raises

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Share Repurchase Programs

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Asset Selection / NAV Protection

Net Interest Margin



(1) Total yield on investments is calculated based on the interest rate and the accretion of OID, exclusive of investments on non-accrual status
 (2) Interest rate on debt outstanding includes the swap-adjusted interest expense related to our Convertible Notes

Net investment margin has been stable...the benefit of direct originations

TSLX Principles and Investment Strategy

1
Equity Raises

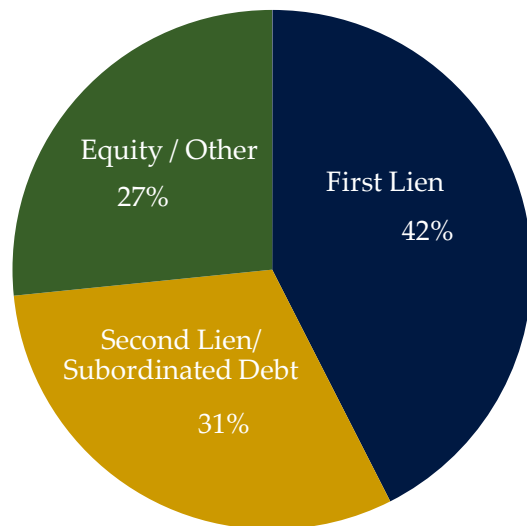
2
Share Repurchase Programs

3
Dividend Policy

4
Asset Selection / NAV Protection

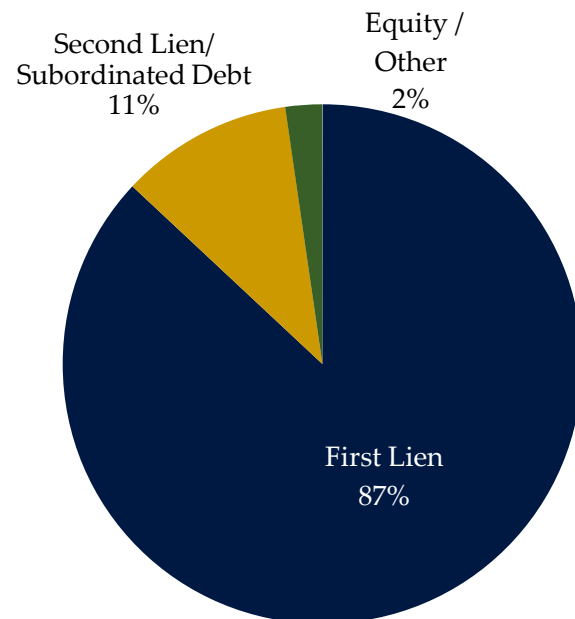
Relative Value

LARGE CAP BDC COMPOSITE^{1,2}



Yield at Amortized Cost³:
10.9%

TSLX PORTFOLIO



Yield at Amortized Cost:
10.5%

(1) Excludes investments on non-accrual status
 (2) BDC Composite consists of ARCC, AINV, FSC, GBDC, PSEC, SLRC, MAIN
 (3) SLRC and GBDC yield at fair value
 Note: Weighted average based on portfolio FV; as of 6/30/15, the latest available.
 Senior debt was split evenly between first and second lien (FSC, GBDC, SLRC)
 For ARCC, SSLP is considered CLO equity
 Numbers may not sum to 100% due to rounding
 Source: Company Reports; SNL

Stronger portfolio yields with less risk
 (13.3% 2014 ROE on NII basis vs. BDC Composite 9.3% 2014 ROE on NII basis)

TSLX Principles and Investment Strategy

1

Equity Raises

2

Share Repurchase Programs

3

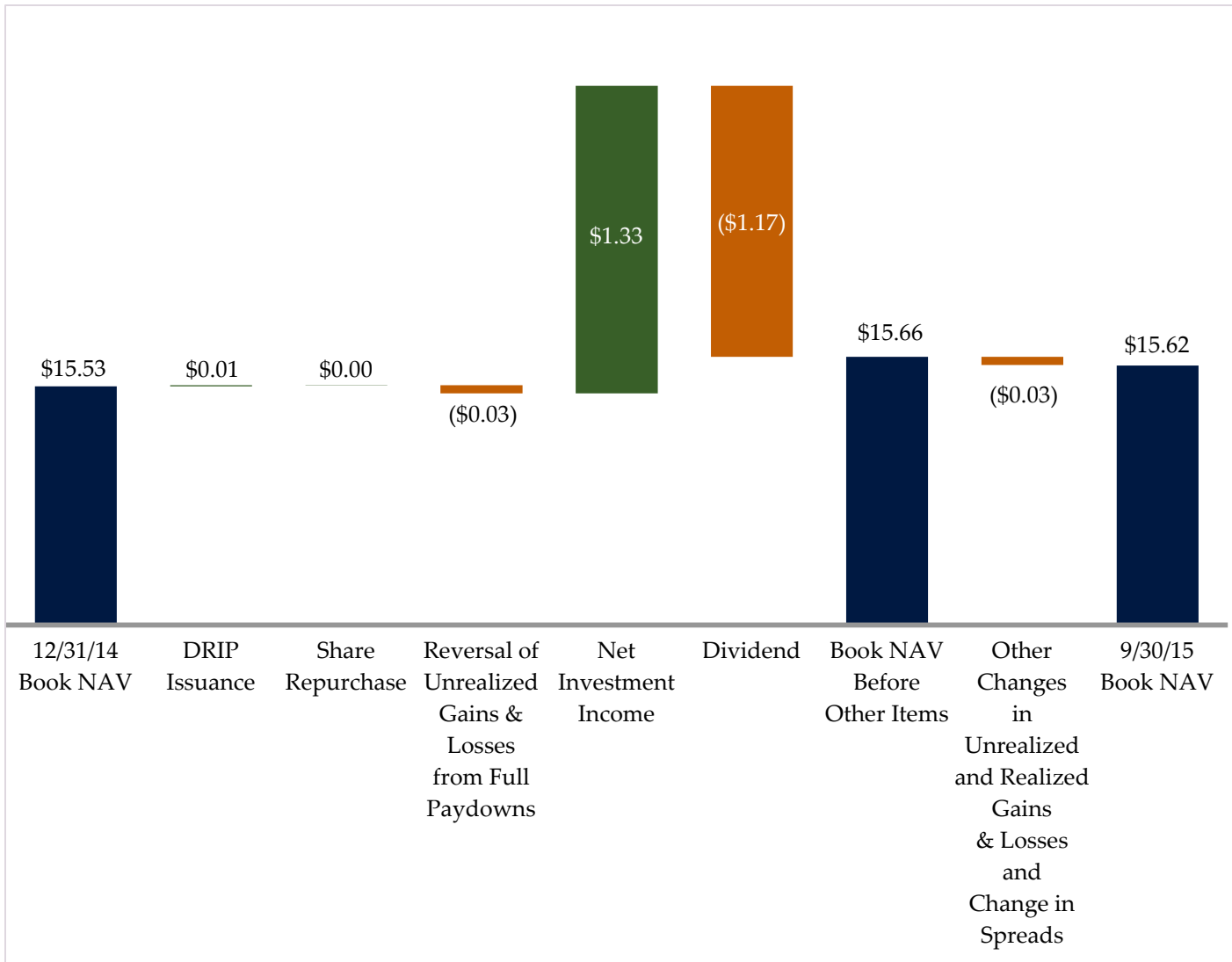
Dividend Policy

4

Asset Selection / NAV Protection



Net Asset Value Bridge - YTD



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. Based on YTD weighted shares outstanding

I. BDC Sector Observations

II. TSLX Principles and Investment Strategy

III. Return on Equity & Current Investment Themes

Our Drivers of ROE

1

Return on Assets

2

Prudent Use of Leverage

3

Expense Management

4

Positioned For NAV Growth



Illustrative Unit Economics / Return on Equity	
Weighted Average Interest Rate of Debt and Income Producing Securities	9.9%
Amortization of upfront fees ⁽¹⁾	1.0%
Total Yield	10.9%
Impact of Additional Fees ⁽²⁾	1.1%
All-in Yield	12.0%
Cost of funds ⁽³⁾	(3.5%)
Assumed Debt/Equity	0.70x
Net Levered Return	17.9%
Management Fees (1.50% of Assets)	(2.6%)
Operating Expenses (0.78% of Assets)	(1.3%)
Levered Returns Before Incentive Fee	14.1%
Incentive Fee	(2.5%)
Illustrative Net Levered ROE	11.6%
Book Dividend Yield at 12/31/14	10.0%

(1) Assumes 2.0 year average life

(2) Reflects average of prepayment fees, syndication fees and other income since inception through 9/30/15

(3) Reflects the pro-forma annualized interest cost within our target debt to equity range, under the terms of our debt, including fees (such as fees on undrawn amounts and amortization of upfront fees) and giving effect to the swap-adjusted interest rate on our Convertible Senior Notes

Note: For illustrative purposes only; not necessarily indicative of future returns



We believe we are generating a strong risk-adjusted return on equity in excess of our dividend

Illustrative Net Levered ROE Throughout Cycles

Illustrative Net Levered ROE		Debt to Equity						
		0.55x	0.60x	0.65x	0.70x	0.75x	0.80x	0.85x
All-in Yield	9.5%	7.6%	7.8%	7.9%	8.1%	8.2%	8.4%	8.6%
	10.0%	8.3%	8.5%	8.6%	8.8%	9.0%	9.1%	9.3%
	10.5%	8.9%	9.1%	9.3%	9.5%	9.7%	9.9%	10.1%
	11.0%	9.6%	9.8%	10.0%	10.2%	10.4%	10.6%	10.8%
	11.5%	10.2%	10.4%	10.7%	10.9%	11.1%	11.4%	11.6%
	12.0%	10.8%	11.1%	11.3%	11.6%	11.9%	12.1%	12.4%
	12.5%	11.5%	11.8%	12.0%	12.3%	12.6%	12.9%	13.1%
	13.0%	12.1%	12.4%	12.7%	13.0%	13.3%	13.6%	13.9%

Illustrative Net Levered ROE		Cost of Funds						
		3.00%	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%
All-in Yield	9.5%	8.4%	8.3%	8.1%	8.0%	7.8%	7.7%	7.5%
	10.0%	9.1%	9.0%	8.8%	8.7%	8.5%	8.4%	8.2%
	10.5%	9.8%	9.7%	9.5%	9.4%	9.2%	9.1%	8.9%
	11.0%	10.5%	10.4%	10.2%	10.1%	9.9%	9.8%	9.6%
	11.5%	11.2%	11.1%	10.9%	10.8%	10.6%	10.5%	10.3%
	12.0%	11.9%	11.8%	11.6%	11.5%	11.3%	11.2%	11.0%
	12.5%	12.6%	12.5%	12.3%	12.2%	12.0%	11.9%	11.7%
	13.0%	13.3%	13.2%	13.0%	12.9%	12.7%	12.6%	12.4%

Notes: Analysis assumes no non-accruals. Illustrative purposes only; not necessarily indicative of future returns



We believe our senior secured, floating rate portfolio and matched funding profile is well positioned for cycles

Our Drivers of ROE



Portfolio Construction Disciplines and Current Investment Themes

Portfolio Construction Disciplines

- 1 Cover the Downside
- 2 Pursue and Use Control
- 3 Source Away from Wall Street
- 4 Create Our Own Transactions
- 5 Leverage Our Resource Competitive Advantages

Current Investment Themes

- 1 Avoid risks that are asymmetrical to the downside (interest rate, individual credit selection)
- 2 Late cycle-minded sector selection
- 3 Late cycle-minded capital structure selection
- 4 Return of capital over an extra basis point / duration
- 5 Focus on resource-intensive situations that require originations and underwriting capabilities