



# TPG Specialty Lending

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## Earnings Presentation

Quarter Ended March 31, 2015

# 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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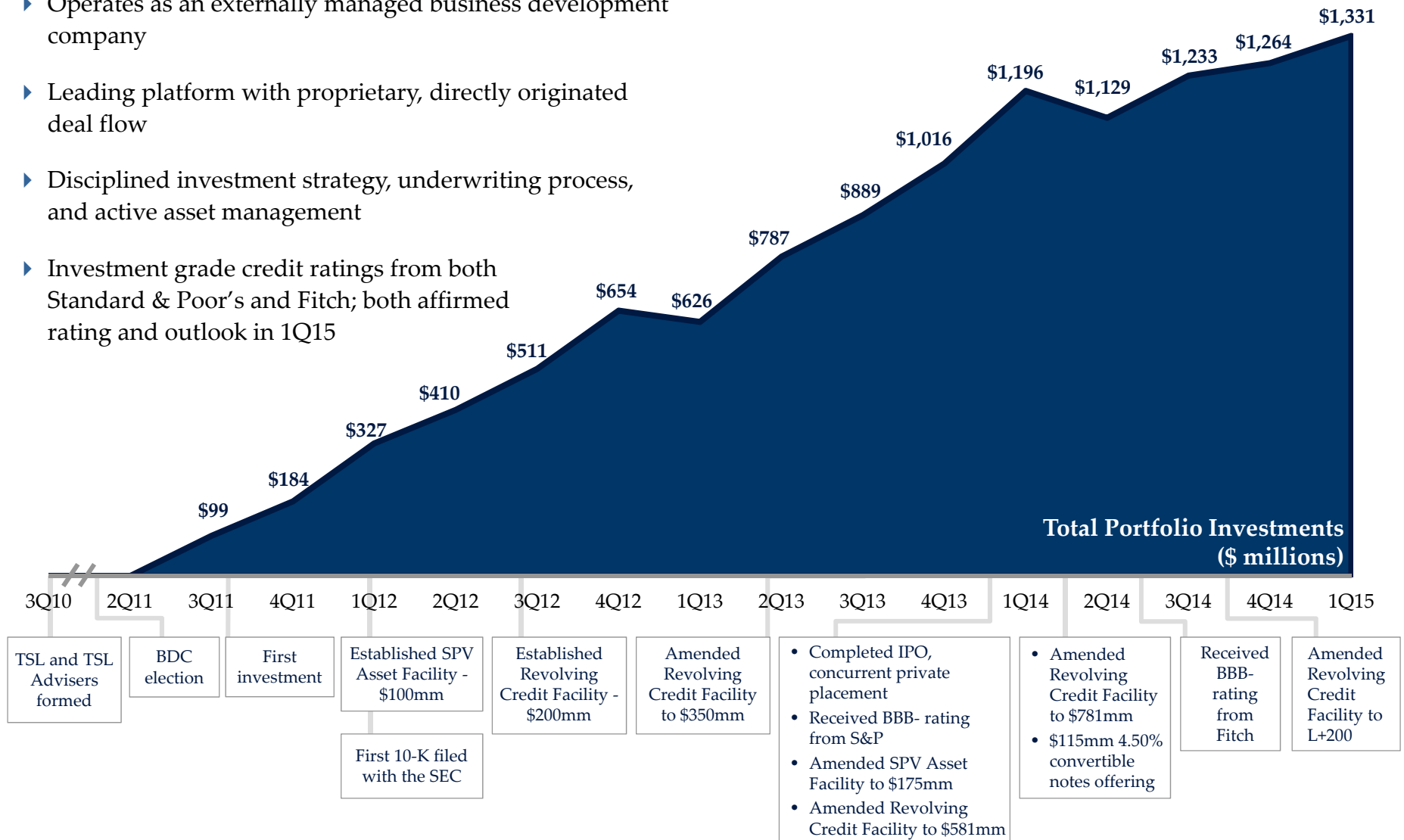
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# Overview

- ▶ 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; both affirmed rating and outlook in 1Q15
- ▶ Total of 26 dedicated professionals, including 19 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: \$32 million<sup>(1)</sup>
- ▶ Portfolio of 98% secured, 90% first-lien debt investments
- ▶ Diversified portfolio of investments in 35 portfolio companies with an average investment size of \$38 million; largest investment position of 5.2% 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 91% of TSL originations
- ▶ Sponsor coverage focused on sector-based themes

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

- ▶ Weighted average of 2.8 key financial covenants per credit agreement
- ▶ Effective voting control on 82% of debt investments
- ▶ No investments on non-accrual

## Drive ROE

- ▶ 1Q '15 Annualized ROAE from Net Investment Income of 9.9%<sup>(2)</sup>
- ▶ 1Q '15 Annualized ROAE from Net Income of 11.7%<sup>(2)</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)

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Net investment income per share	\$0.51	\$0.55	\$0.43	\$0.57	\$0.39
Net realized and unrealized gains (losses) per share	\$0.10	(\$0.04)	(\$0.08)	(\$0.31)	\$0.06
Net income per share	\$0.61	\$0.51	\$0.35	\$0.26	\$0.45
Net asset value per share	\$15.51	\$15.70	\$15.66	\$15.53	\$15.60
Distributions paid per share	\$0.47	\$0.38	\$0.38	\$0.39	\$0.39
Distributions paid per share (ending shares)	\$0.38	\$0.38	\$0.38	\$0.39	\$0.39
Net Assets	\$804,755	\$837,426	\$838,889	\$835,405	\$841,530
Total Debt	\$402,077	\$296,392	\$382,177	\$395,864	\$485,223
Debt to Equity at Quarter-End	0.50x	0.35x	0.46x	0.51x <sup>*</sup>	0.59x <sup>**</sup>
Average Debt to Equity <sup>(3)</sup>	0.73x	0.43x	0.38x	0.44x	0.50x

<sup>\*</sup> Pro-forma for unsettled trades of \$29mm at 12/31/14

<sup>\*\*</sup> Pro-forma for unsettled trades of \$8mm at 3/31/15

# Portfolio Highlights – Selected Metrics

(Dollar amounts in thousands)

	As of and For Three Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
<b>Investments at Fair Value</b>	\$1,195,539	\$1,129,199	\$1,233,181	\$1,263,511	\$1,330,993
<b>Number of Portfolio Companies</b>	30	31	31	34	35
<b>Average Investment Size in Our Portfolio Companies</b>	\$39,851	\$36,426	\$39,780	\$37,162	\$38,028
<b>Asset Class:</b>					
First-Lien Debt Investments	82%	86%	86%	89%	90%
Second-Lien Debt Investments	17%	13%	13%	9%	8%
Mezzanine Debt Investments	<1%	<1%	<1%	1%	1%
Equity and Other Investments	<1%	1%	1%	1%	1%
<b>Interest Rate Type:</b>					
% Floating Rate	99%	98%	98%	97%	97%
% Fixed Rate	1%	2%	2%	3%	3%
<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>	10.4%	10.5%	10.6%	10.3%	10.3%
Weighted Average Total Yield of Debt and Income Producing Securities	10.2%	10.3%	10.5%	10.3%	10.4%
Weighted Average Spread Over LIBOR of All Floating Rate Investments	8.5%	8.6%	8.8%	8.7%	8.8%
Weighted Average Interest Rate of Debt and Income Producing Securities	9.8%	9.8%	10.0%	9.9%	9.9%
Fair Value as a Percentage of Principal (Debt)	99.9%	99.8%	99.4%	98.2%	98.5%
Fair Value as a Percentage of Call Price (Debt)	95.0%	94.6%	93.8%	93.4%	92.9%
<b>Investment Activity at Par:</b>					
New Investment Commitments	\$314,646	\$116,382	\$248,619	\$204,791	\$137,835
Net Funded Investment Activity	\$187,011	(\$54,790)	\$114,389	\$49,917	\$71,017
<b>New Investment Commitments at Par:</b>					
Number of New Investment Commitments in New Portfolio Companies	6	4	4	6	3
Average New Investment Commitment Amount in New Portfolio Companies	\$50,641	\$28,500	\$54,219	\$28,500	\$33,667
Weighted Average Term for New Investment Commitments in New Portfolio Companies (in years)	4.7	4.7	4.1	5.3	5.5
Weighted Average Interest Rate of New Investment Commitments	9.1%	10.6%	10.3%	9.0%	10.2%
Weighted Average Spread Over LIBOR of New Floating Rate Investment Commitments	7.8%	9.6%	9.3%	8.1%	9.3%

# Quarterly Statements of Financial Condition

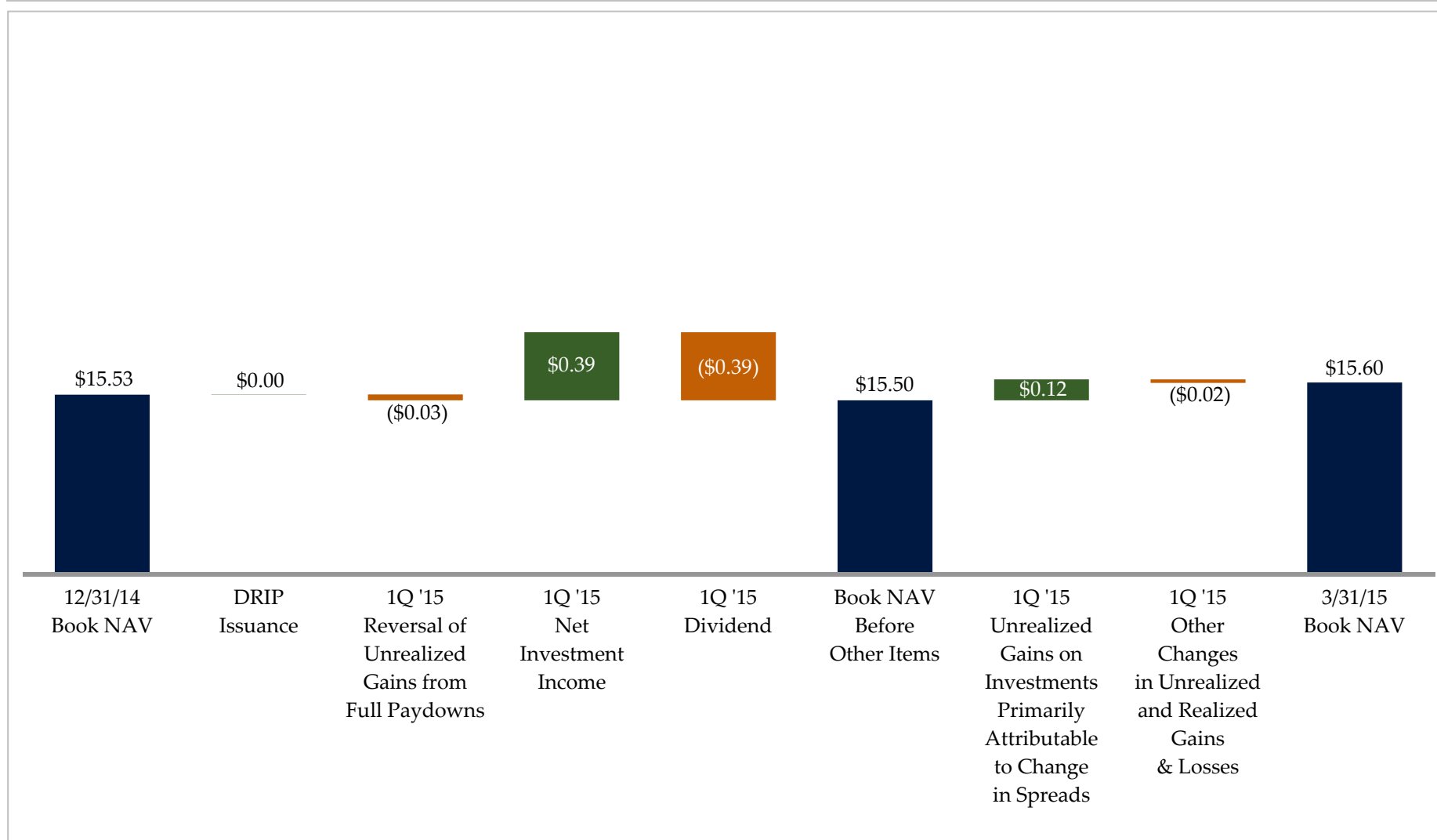
(Dollar amounts in thousands)

	As of				
	March 31, 2014 (unaudited)	June 30, 2014 (unaudited)	September 30, 2014 (unaudited)	December 31, 2014 (audited)	March 31, 2015 (unaudited)
<b>Assets</b>					
Investments at Fair Value	\$1,195,539	\$1,129,199	\$1,233,181	\$1,263,511	\$1,330,993
Cash and Cash Equivalents	\$28,804	\$6,457	\$9,159	\$2,413	\$3,329
Interest Receivable	\$8,936	\$7,239	\$6,817	\$6,137	\$7,282
Receivable on Foreign Currency Forward Contracts	-	-	\$17	-	-
Interest Rate Swaps	-	\$792	-	\$1,020	\$667
Prepaid Expenses and Other Assets	\$18,185	\$35,103	\$30,869	\$30,650	\$31,488
<b>Total Assets</b>	<b>\$1,251,464</b>	<b>\$1,178,790</b>	<b>\$1,280,043</b>	<b>\$1,303,731</b>	<b>\$1,373,759</b>
<b>Liabilities</b>					
Debt	\$402,077	\$296,392	\$382,177	\$395,864	\$485,223
Management Fees Payable to Affiliate	\$1,772	\$4,522	\$4,651	\$4,887	\$4,950
Incentive Fees Payable to Affiliate	\$7,526	\$9,399	\$7,384	\$5,955	\$5,007
Dividends Payable	\$19,717	\$20,272	\$20,355	\$20,981	\$21,044
Payable for Investments Purchased	\$4,864	-	\$12,030	\$29,017	\$7,440
Payable on Interest Rate Swaps	-	-	\$22	-	-
Payables to Affiliate	\$2,051	\$2,797	\$2,611	\$2,918	\$1,561
Other Liabilities	\$8,702	\$7,982	\$11,924	\$8,704	\$7,004
<b>Total Liabilities</b>	<b>\$446,709</b>	<b>\$341,364</b>	<b>\$441,154</b>	<b>\$468,326</b>	<b>\$532,229</b>
<b>Total Net Assets</b>	<b>\$804,755</b>	<b>\$837,426</b>	<b>\$838,889</b>	<b>\$835,405</b>	<b>\$841,530</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,251,464</b>	<b>\$1,178,790</b>	<b>\$1,280,043</b>	<b>\$1,303,731</b>	<b>\$1,373,759</b>
Net Asset Value per Share <sup>(2)</sup>	\$15.51	\$15.70	\$15.66	\$15.53	\$15.60
Debt to Equity at Quarter End	0.50x	0.35x	0.46x	0.51x*	0.59x**
Average Debt to Equity <sup>(3)</sup>	0.73x	0.43x	0.38x	0.44x	0.50x

\* Pro-forma for unsettled trades of \$29mm at 12/31/14

\*\* Pro-forma for unsettled trades of \$8mm at 3/31/15

# 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. Based on Q1 2015 weighted shares outstanding



# 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				
	March 31, 2014 (unaudited)	June 30, 2014 (unaudited)	September 30, 2014 (unaudited)	December 31, 2014 (unaudited)	March 31, 2015 (unaudited)
Total Investment Income	\$33,481	\$45,657	\$38,404	\$45,778	\$37,730
Net Expenses	\$12,230	\$15,999	\$14,913	\$14,559	\$16,638
<b>Net Investment Income Before Income Taxes</b>	<b>\$21,251</b>	<b>\$29,658</b>	<b>\$23,491</b>	<b>\$31,219</b>	<b>\$21,092</b>
Income Taxes, Including Excise Taxes	\$9	\$225	\$375	\$535	\$305
<b>Net Investment Income</b>	<b>\$21,242</b>	<b>\$29,433</b>	<b>\$23,116</b>	<b>\$30,684</b>	<b>\$20,787</b>
Net Realized and Unrealized Gains (Losses)	\$4,106	(\$2,139)	(\$4,513)	(\$16,879)	\$3,681
<b>Net Income</b>	<b>\$25,348</b>	<b>\$27,294</b>	<b>\$18,603</b>	<b>\$13,805</b>	<b>\$24,468</b>
<b>Per Share:</b>					
Net Investment Income	\$0.51	\$0.55	\$0.43	\$0.57	\$0.39
Net Income	\$0.61	\$0.51	\$0.35	\$0.26	\$0.45
Distributions	\$0.47	\$0.38	\$0.38	\$0.39	\$0.39
Distributions (Ending Shares)	\$0.38	\$0.38	\$0.38	\$0.39	\$0.39
Weighted Average Shares Outstanding for the Period	41,539,083	53,120,358	53,493,026	53,719,664	53,902,074
Shares Outstanding at End of Period	51,887,708	53,347,891	53,566,783	53,797,358	53,959,848

# Quarterly Operating Results Detail

(Dollar amounts in thousands)

	For Three Months Ended				
	March 31, 2014 (unaudited)	June 30, 2014 (unaudited)	September 30, 2014 (unaudited)	December 31, 2014 (unaudited)	March 31, 2015 (unaudited)
Investment Income:					
Interest From Investments – Interest Income <sup>(5)</sup>	\$28,905	\$30,527	\$29,630	\$31,607	\$32,322
Interest From Investments – Other Fees <sup>(6)</sup>	\$2,213	\$14,267	\$5,410	\$11,457	\$1,974
<b>Total Interest From Investments</b>	<b>\$31,118</b>	<b>\$44,794</b>	<b>\$35,040</b>	<b>\$43,064</b>	<b>\$34,296</b>
Other Income <sup>(7)</sup>	\$2,363	\$863	\$3,364	\$2,714	\$3,434
<b>Total Investment Income</b>	<b>\$33,481</b>	<b>\$45,657</b>	<b>\$38,404</b>	<b>\$45,778</b>	<b>\$37,730</b>
Expenses:					
Interest	\$3,824	\$3,460	\$3,812	\$3,982	\$4,220
Management Fees	\$4,237	\$4,522	\$4,651	\$4,887	\$4,950
Incentive Fees	\$4,473	\$5,860	\$4,161	\$3,345	\$5,007
Other Operating Expenses	\$2,160	\$2,157	\$2,289	\$2,345	\$2,461
<b>Total Expenses</b>	<b>\$14,694</b>	<b>\$15,999</b>	<b>\$14,913</b>	<b>\$14,559</b>	<b>\$16,638</b>
Management Fees Waived	(\$2,464)	-	-	-	-
<b>Net Expenses</b>	<b>\$12,230</b>	<b>\$15,999</b>	<b>\$14,913</b>	<b>\$14,559</b>	<b>\$16,638</b>
<b>Net Investment Income Before Income Taxes</b>	<b>\$21,251</b>	<b>\$29,658</b>	<b>\$23,491</b>	<b>\$31,219</b>	<b>\$21,092</b>
Income Taxes, Including Excise Taxes	\$9	\$225	\$375	\$535	\$305
<b>Net Investment Income</b>	<b>\$21,242</b>	<b>\$29,433</b>	<b>\$23,116</b>	<b>\$30,684</b>	<b>\$20,787</b>
Net Unrealized and Realized Gains (Losses)	\$4,106	(\$2,139)	(\$4,513)	(\$16,879)	\$3,681
<b>Net Income</b>	<b>\$25,348</b>	<b>\$27,294</b>	<b>\$18,603</b>	<b>\$13,805</b>	<b>\$24,468</b>

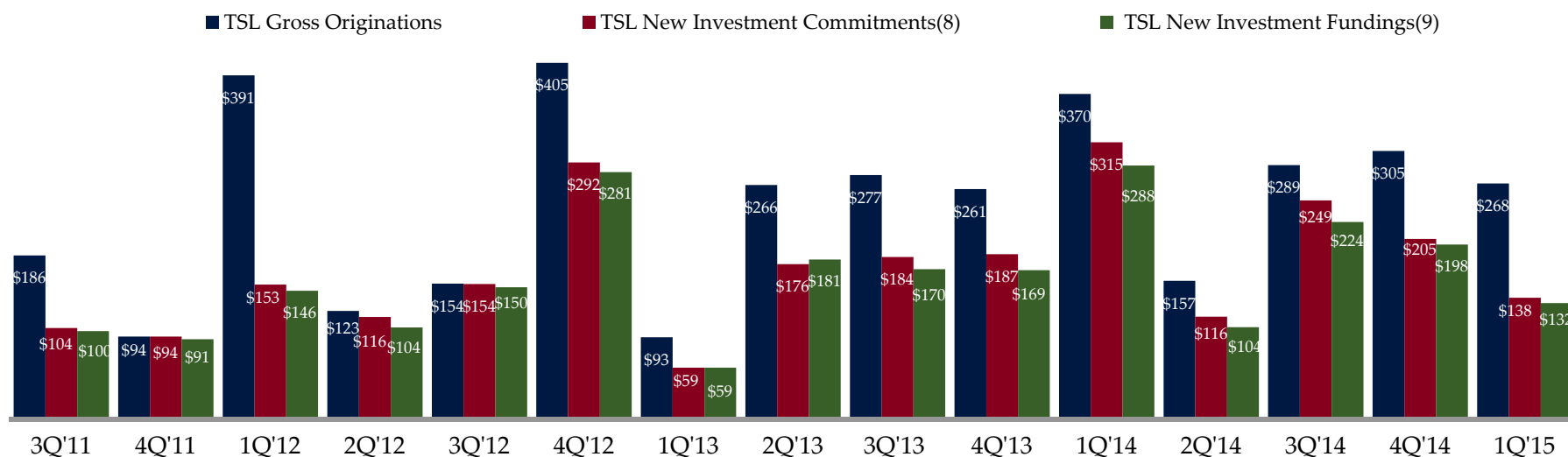
# Portfolio Highlights – Originations

(Dollar amounts in thousands)

## Originations and Net Funds Growth

- Gross originations were \$267,835 for the quarter
- New investment commitments and fundings totaled \$137,835 and \$131,835, respectively, for the quarter. The commitments were distributed across 3 new portfolio companies and 3 add-ons of existing investments
- Received full paydowns on 2 investments and 1 sale of an investment, totaling \$60,818 for the quarter
- Net funded investment activity was \$71,017 for the quarter

(Dollar amounts in millions)

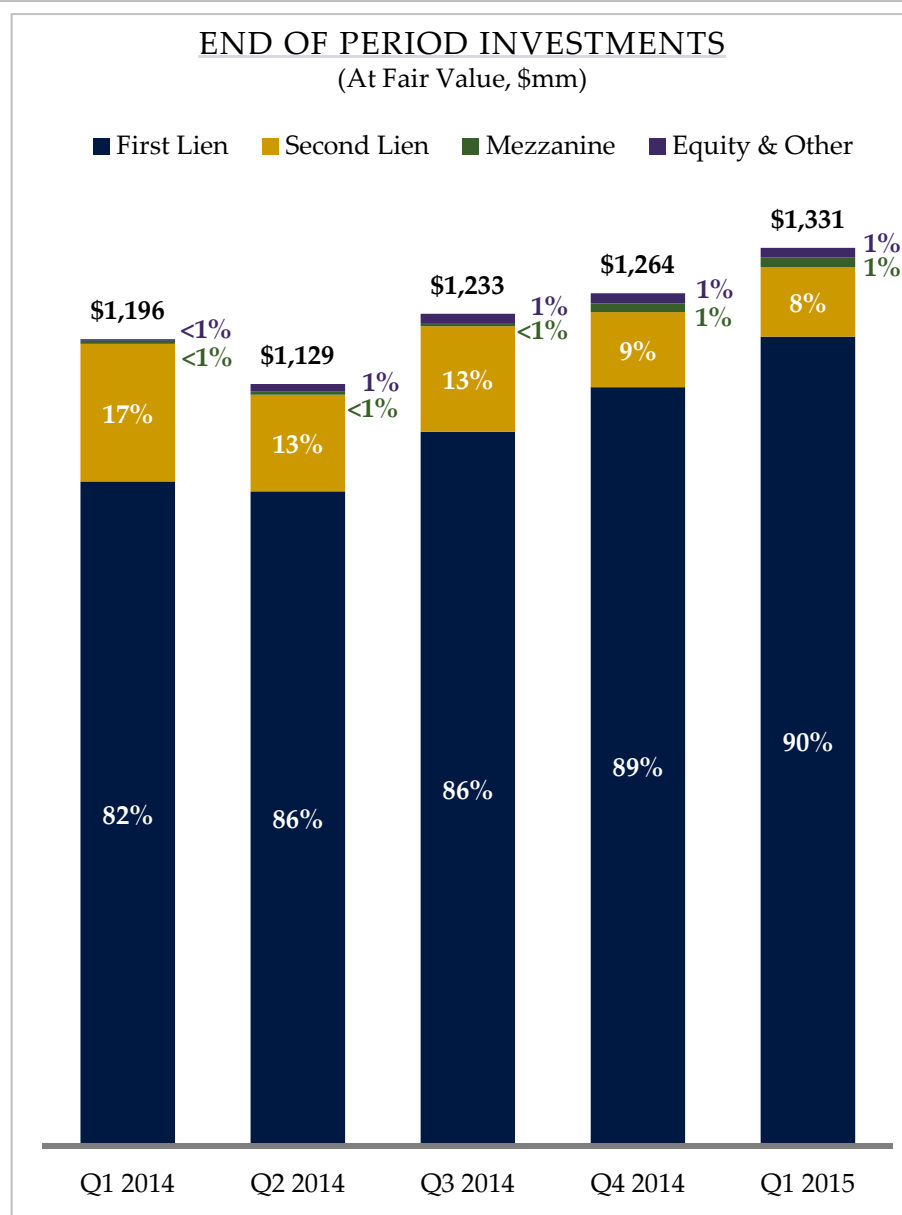
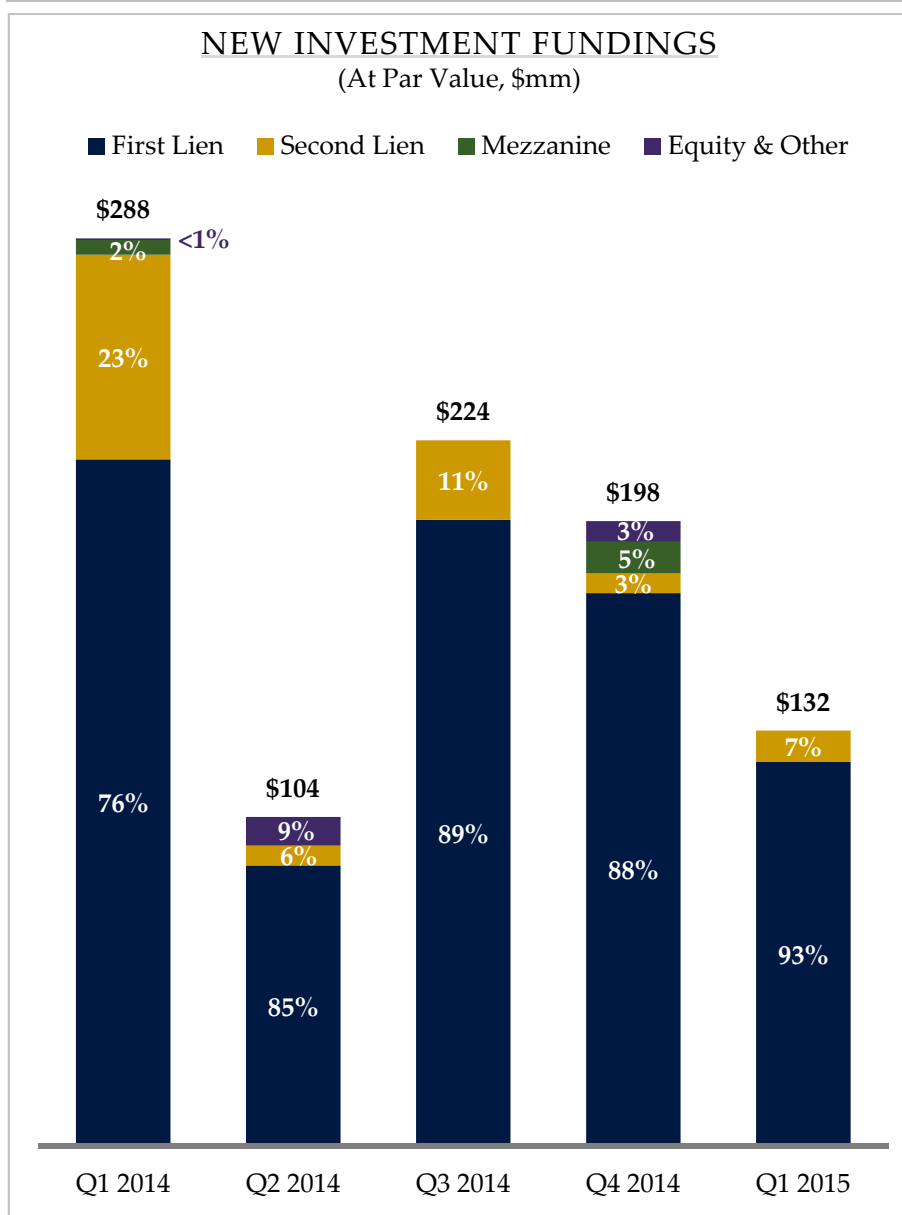


### Portfolio Funds Roll<sup>(10)</sup>

(Dollar amounts in thousands)

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
New Investment Commitments	\$314,646	\$116,382	\$248,619	\$204,791	\$137,835
New Investment Fundings	\$288,193	\$104,382	\$224,032	\$198,363	\$131,835
Investments Sold or Repaid	(\$101,182)	(\$159,172)	(\$109,643)	(\$148,446)	(\$60,818)
Net Funded Investment Activity	\$187,011	(\$54,790)	\$114,389	\$49,917	\$71,017

# Portfolio Highlights – Asset Mix

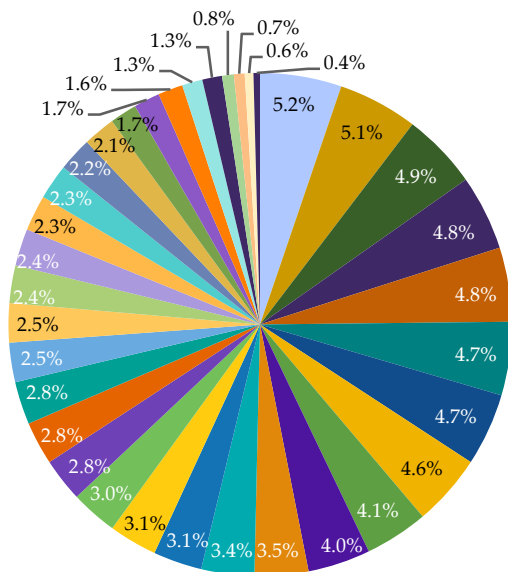


Note: Numbers may not sum to 100% due to rounding

# Portfolio Highlights – Diversification Across Borrower and Industry

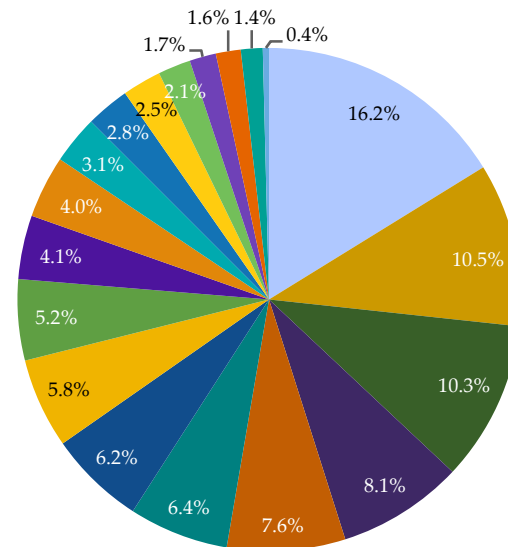
## Borrower Diversification

- Mediware Information Systems, Inc.
- Rogue Wave Software, Inc.
- Actian Corporation
- Milagro Exploration, LLC
- Saba Software, Inc.
- Global Healthcare Exchange, LLC
- Toys R Us
- Embarcadero Technologies, Inc.
- Infogix, Inc.
- Heartland Automotive Holdings, Inc.
- PayLease, LLC
- Network Merchants, LLC
- Longview Solutions, Inc
- Jeeves II - BV Acquisitions AB
- Metalico, Inc.
- ScentAir Technologies, Inc.
- APX Group
- My Alarm Center, LLC
- Insurity Inc.
- AFS Technologies (2)
- Kewill Ltd
- Highwinds Capital, Inc.
- Mississippi Resources
- IRG Sports
- ECI Acquisition Holdings, Inc.
- SRS Software
- Aesynt, Inc.
- Soho House Bond LTD
- Helix Health
- Campus Management, Inc.
- Great Atlantic & Pacific Tea Co. Inc. (The)
- Vertellus Specialties, Inc.
- Centaur LLC
- Carrix, Inc.



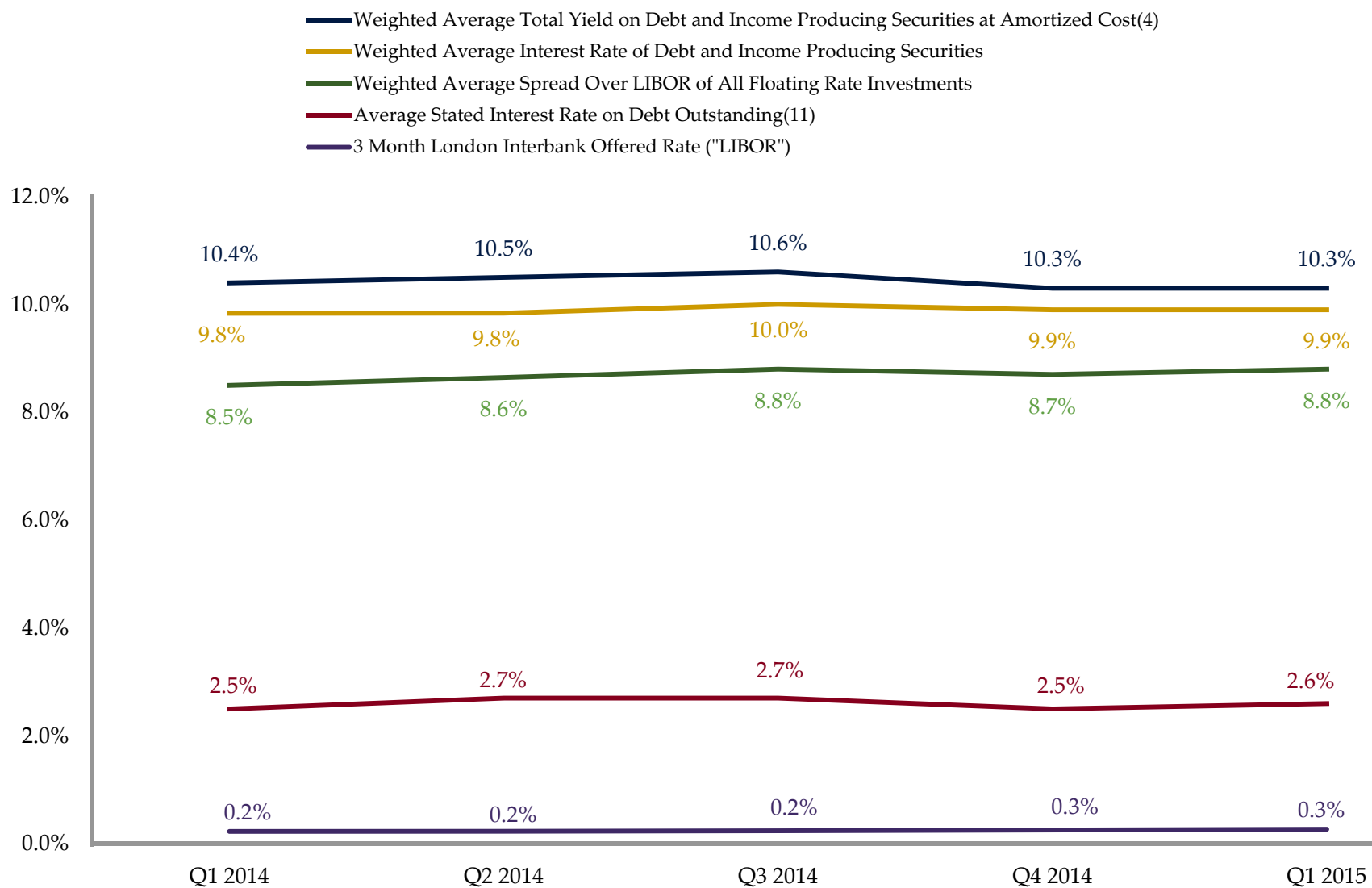
## Industry Diversification

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



Note: Numbers may not sum to 100% due to rounding  
Based on fair value of investments

# Portfolio Highlights – Net Investment Margin Analysis

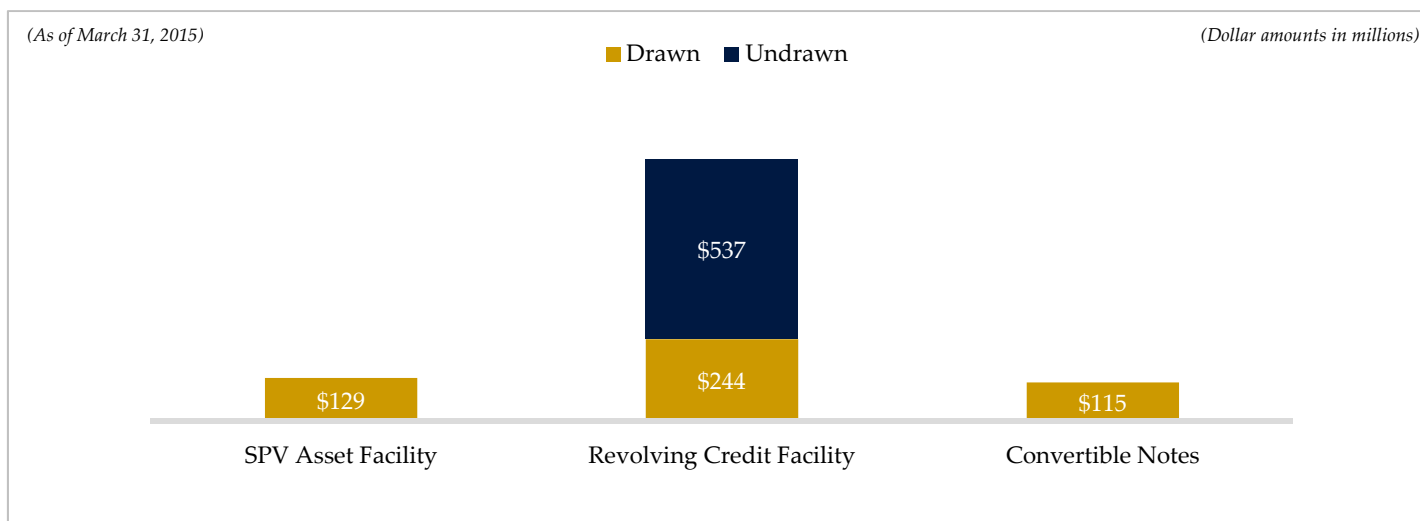


# Liquidity Management

## Cash and Cash Equivalents

Unrestricted cash totaled \$3.3 million as of March 31, 2015. 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 \$12.7 million

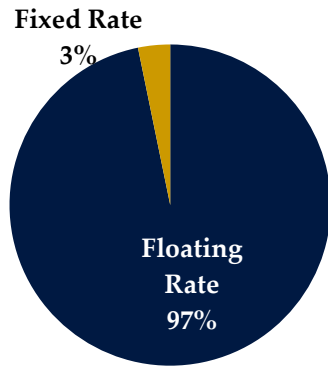
SPV Asset Facility		Revolving Credit Facility		Convertible Notes	
<b>Size:</b>	\$175 million	\$781 million; uncommitted accordion feature can increase total size to \$956 million		<b>Size:</b>	\$115 million
<b>Revolving Period:</b>	January 21, 2015	October 17, 2018		<b>Maturity:</b>	December 15, 2019
<b>Maturity Date:</b>	January 21, 2021	October 17, 2019		<b>Coupon:</b>	4.50%
<b>Interest Rate<sup>(12)</sup>:</b>	CP + 225 or L + 235	LIBOR + 200		<b>Interest Rate Swap Pricing<sup>(13)</sup>:</b>	LIBOR + 286
<b>Undrawn Fee:</b>	N/A	0.375%		<b>Conversion Price:</b>	\$25.83



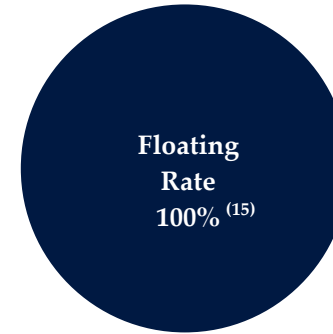
# TSLX Funding Profile

## Stable Funding Profile

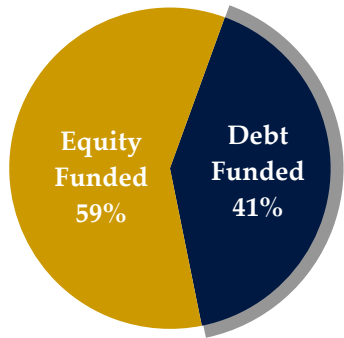
FLOATING RATE PORTFOLIO



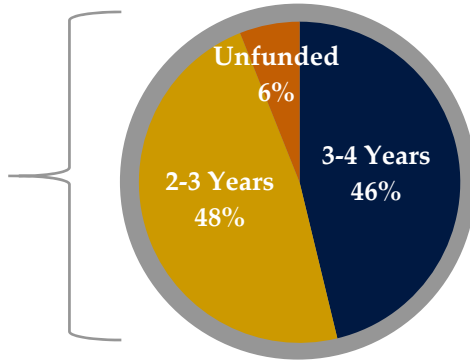
FLOATING RATE DEBT



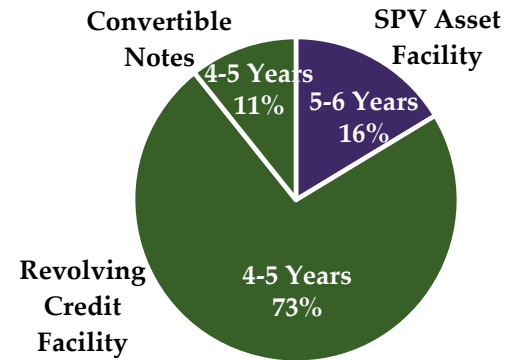
PORTFOLIO FUNDING PROFILE



INVESTMENTS FUNDED WITH DEBT



REMAINING DURATION OF DEBT



• Weighted average remaining life of investments funded by debt of ~2.9 years<sup>(14)</sup>

• Weighted average remaining maturity date of debt of ~4.8 years<sup>(16)</sup>

TSL is match funded from an interest rate and duration perspective



# Distribution and Equity Information

## Distribution Data<sup>(17)</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>(18)</sup>	\$10,260 <sup>(18)</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>(19)</sup>	\$14,810 <sup>(19)</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 30, 2015	\$0.39	\$20,981
February 20, 2015	March 31, 2015	April 30, 2015	\$0.39	\$21,044
May 6, 2015	June 30, 2015	July 31, 2015	\$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>(20)</sup>	\$8,201
April 14, 2014	Over-allotment	\$16.00 <sup>(20)</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	\$3,673
February 2, 2015	DRIP Issuance	\$16.61	\$2,699
May 1, 2015	DRIP Issuance	\$17.25	\$715

## 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
December 31, 2014	\$15.74	\$18.00	\$16.82
March 31, 2015	\$16.34	\$18.54	\$17.21

# Endnotes

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Note: Figures are as of 3/31/2015 quarter end unless otherwise noted

- 1) Represents our core portfolio, which excludes certain investments that fall outside of our typical borrower profile
- 2) 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
- 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) Interest rate on debt outstanding includes the swap-adjusted interest expense related to our Convertible Notes
- 12) Pricing for Natixis is cost of funds + 2.25% and in March 2015 we further amended and restated the amended and restated credit and security agreement for the SPV Asset Facility, reducing the applicable margin with respect to loans from LIBOR lenders from 2.75% to 2.35%
- 13) 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 was three-month LIBOR plus 286 basis points which reflects the current terms as of 3/31/15
- 14) Weighted by fair value of debt investments. Investments are financed by debt and permanent equity capital. This analysis assumes longer-dated investments are currently funded by permanent equity capital (59% of investments) and the remaining (shorter-dated) investments (41% of investments) are currently funded by debt financing. Investments for purposes of this analysis include unfunded commitments
- 15) Convertible debt treated as floating rate due to interest rate swap TSL entered into to swap fixed notes payments for floating rate payments
- 16) Weighted by gross commitment amount
- 17) Total distributions and shares issued before accounting for proceeds reinvested under the company's dividend reinvestment (DRIP) program
- 18) Includes special dividend of \$260,000, or \$0.01 per share
- 19) Includes special dividend of \$1,110,781, or \$0.03 per share
- 20) Offering price of \$16.00 per share less \$0.38 dividend per share

# Contact Us:

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