

# Bain Capital Specialty Finance, Inc.

Fourth Quarter 2019  
Earnings Presentation

Bain Capital Specialty Finance, Inc.

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# Bain Capital Specialty Finance (“BCSF”) Highlights

## Investment Focus

- Primary focus is directly originating loans to middle market, sponsor backed companies with \$10-150M of EBITDA. Portfolio median EBITDA: \$47.1 million. Median leverage through investment: 5.2x
- Highly diversified portfolio of investments of 114 companies across 30 industries
- Portfolio comprised of 86% first lien senior secured, 99.0% floating rate, and 89% with financial covenants

## Benefits from Broader Bain Capital Platform

- Bain Capital is one of the world’s leading private alternative asset management firms
- Approximately \$105 billion in AUM
- 28-person Private Credit Group provides comprehensive coverage and broad geographical reach across 1,500+ middle market private equity sponsors, banks and financial intermediaries
- Bottom-up approach is grounded in business and industry due diligence, prudent investment structuring, and thorough documentation providing lender protections

## Strategic Partnership

- Bain Capital Specialty Finance has access to a range of differentiated strategic partnerships given the scope of Bain Capital and the breadth of our network
- BCSF continues to have a relationship with Antares Capital to source and make investments in unitranche loans

## Quarterly Highlights

- Q4 2019 investment fundings of \$341.4 million
- Total investment income: \$54.8 million
- NII: \$21.3 million or \$0.41 per share
- Q4 ROE: 8.4%<sup>(1)</sup>

# Portfolio Highlights

We have invested approximately \$3.5 billion in aggregate principal since inception, driven by a robust origination pipeline and global sourcing capabilities.

**\$2,527M**

Current Portfolio Size

**114**

Portfolio Companies

**30**

Industries

**7.8%**

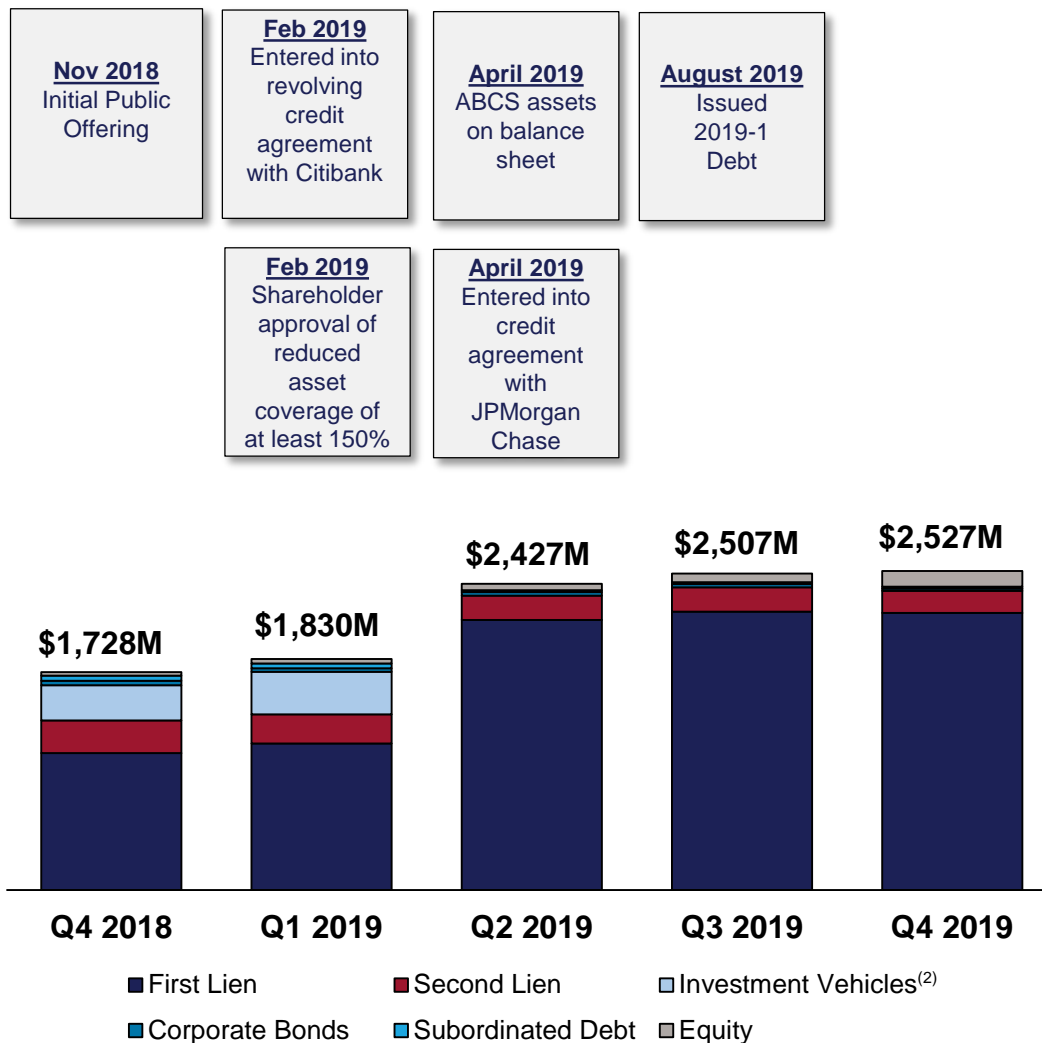
Weighted Avg. Yield at Amortized Cost<sup>(1)</sup>

**Portfolio of Predominantly Senior Secured, Floating Rate Loans**

**Portfolio growth in market value year over year of 46%**

**Increase in Net Investment Income year over year of 52%**

Portfolio Companies	132	133	123	126	114
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<b>Nov 2018</b> Initial Public Offering	<b>Feb 2019</b> Entered into revolving credit agreement with Citibank	<b>April 2019</b> ABCS assets on balance sheet	<b>August 2019</b> Issued 2019-1 Debt
	<b>Feb 2019</b> Shareholder approval of reduced asset coverage of at least 150%	<b>April 2019</b> Entered into credit agreement with JPMorgan Chase	

# Selected Quarterly Financial Information

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

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>Net investment income per share</b>	<b>\$0.41</b>	<b>\$0.41</b>	<b>\$0.41</b>	<b>\$0.41</b>	<b>\$0.41</b>
Net realized gain (loss) per share	0.03	0.05	0.12	0.01	(0.04)
Net unrealized gain (loss) per share	(0.65)	0.30	(0.16)	(0.07)	0.04
Net income per share	(0.21)	0.76	0.37	0.35	0.41
Distributions paid per share	0.41	0.41	0.41	0.41	0.41
<b>Net asset value per share (ending shares)</b>	<b>19.46</b>	<b>19.81</b>	<b>19.77</b>	<b>19.71</b>	<b>19.72</b>
<hr/>					
Total Fair Value of Investments	\$1,727.8	\$1,829.9	\$2,427.4	\$2,506.7	\$2,527.1
Number of Portfolio Companies	132	133	123	126	114
Floating rate investments as % of total	95.5%	96.1%	98.5%	98.7%	99.0%
Weighted Average Yield at Amortized Cost <sup>(1)</sup>	8.8%	8.9%	8.1%	7.8%	7.8%
Weighted Average Yield at Fair Value <sup>(1)</sup>	8.9%	8.9%	8.1%	7.9%	7.8%
<hr/>					
Net Assets	\$1,001.6	\$1,019.8	\$1,021.2	\$1,018.2	\$1,018.4
Debt <sup>(2)</sup>	637.0	916.9	1,507.1	1,662.3	1,579.2
Debt to Equity at Quarter-End <sup>(3)</sup>	0.64x	0.90x	1.48x	1.63x	1.55x

# Selected Quarterly Financial Information

(Dollar amounts in millions)

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>Originations and Net Investment Activity:</b>					
Investment Fundings	\$451.8	\$275.5	\$403.1 <sup>(2)</sup>	\$274.8	\$341.4
Sales and Repayments	42.7	192.2	378.1 <sup>(2)</sup>	184.2	333.5
<b>Net Investment Activity</b>	<b>409.1</b>	<b>83.3</b>	<b>25.0</b>	<b>90.6</b>	<b>7.9</b>
<b>Total Investment Portfolio at Cost</b>					
First Lien Debt	61.3%	62.0%	86.9%	86.6%	85.4%
First Lien, Last-out	1.5	1.5	1.1	1.1	1.1
Second Lien Debt	15.0	12.8	8.1	8.0	7.4
Subordinated Debt	2.3	2.2	0.6	0.5	0.6
Corporate Bonds	2.4	1.7	1.3	1.3	0.9
Investment Vehicles <sup>(1)</sup>	16.0	18.1	-	-	-
Equity Interest	1.4	1.3	1.2	1.7	3.8
Preferred Equity	0.1	0.4	0.8	0.8	0.8
Warrants	-	-	-	-	-

# Quarterly Balance Sheets (Quarter Ended December 31, 2019)

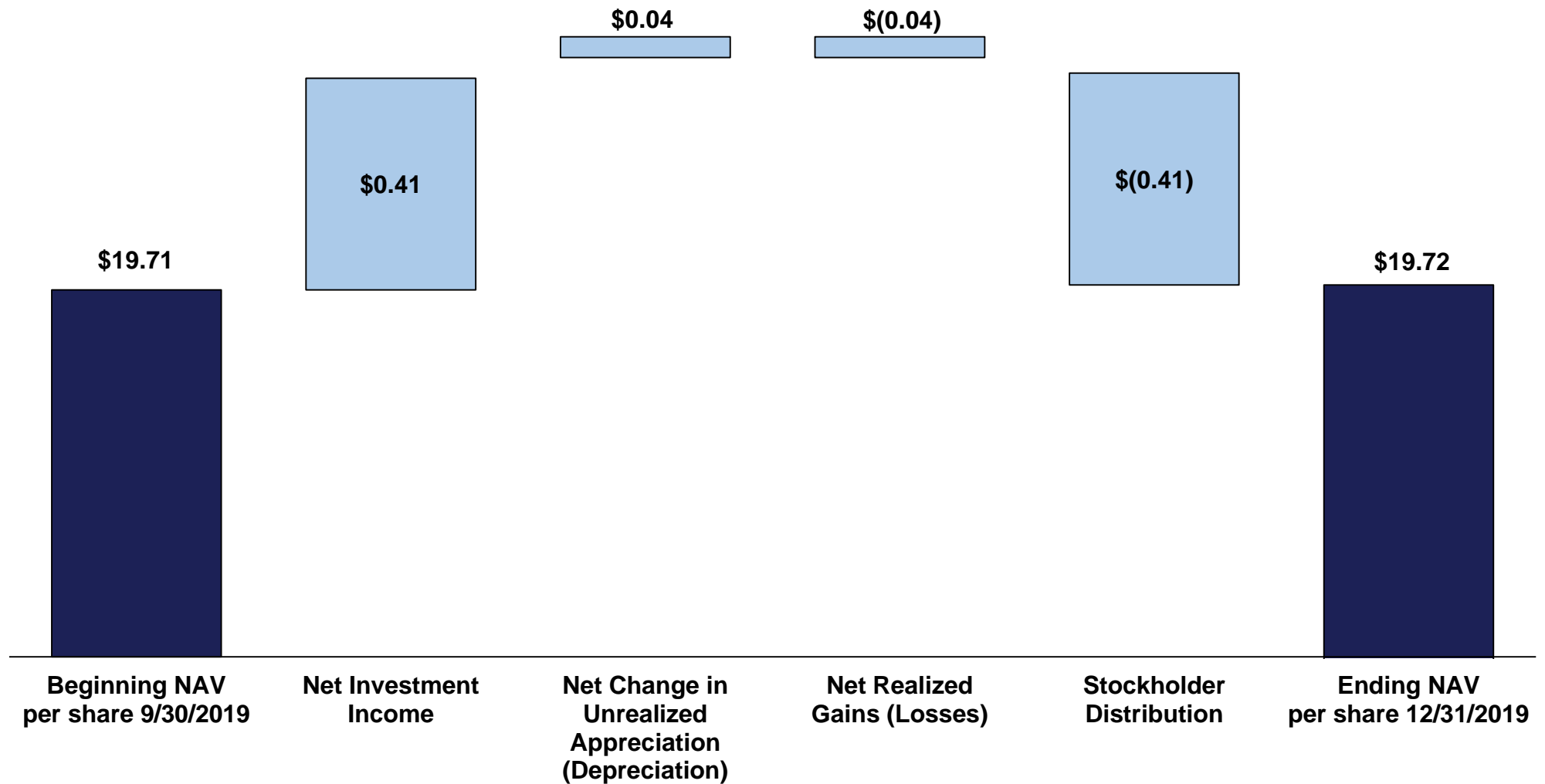
<i>\$ in '000s</i>	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>Assets</b>					
Investments at fair value	\$ 1,727,806	\$ 1,829,940	\$ 2,427,415	\$ 2,506,734	\$ 2,527,055
Cash and cash equivalents	14,693	79,140	100,358	70,637	36,531
Foreign cash	591	1,479	599	992	810
Restricted cash	17,987	14,009	27,946	86,402	31,505
Collateral on forward currency exchange contracts	4	404	1,984	64	-
Deferred financing costs	4,018	3,873	3,868	3,471	3,182
Receivable for sales and paydowns	-	40,236	12,016	28,070	21,994
Interest receivable on investments	6,251	7,974	13,529	18,600	22,482
Unrealized appreciation on forward currency contracts	9,322	6,038	331	9,308	1,034
Dividend receivable	8,709	9,150	292	1,037	961
Other assets	1,635	3,701	1,484	2,147	-
<b>Total Assets</b>	<b>\$ 1,791,014</b>	<b>\$ 1,995,944</b>	<b>\$ 2,589,822</b>	<b>\$ 2,727,462</b>	<b>\$ 2,645,554</b>
<b>Liabilities</b>					
Debt (net of issuance costs) <sup>(1)</sup>	\$ 634,925	\$ 914,896	\$ 1,505,096	\$ 1,657,578	\$ 1,574,635
Deferred offering costs payable	1,820	1,731	1,731	1,731	-
Interest payable	4,835	5,096	10,893	12,381	15,534
Payable for investments purchased	119,166	24,370	15,241	3,033	293
Unrealized depreciation on forward currency contracts	-	-	158	-	1,252
Base management fee payable	2,950	4,501	6,366	6,328	7,265
Incentive fee payable	3,300	2,103	4,490	3,567	4,513
Distributions payable	21,108	21,108	21,176	21,176	21,176
Other liabilities	1,281	2,305	3,469	3,443	2,486
<b>Total Liabilities</b>	<b>\$ 789,385</b>	<b>\$ 976,110</b>	<b>\$ 1,568,620</b>	<b>\$ 1,709,237</b>	<b>\$ 1,627,154</b>
<b>Total Net Assets</b>	<b>\$ 1,001,629</b>	<b>\$ 1,019,834</b>	<b>\$ 1,021,202</b>	<b>\$ 1,018,225</b>	<b>\$ 1,018,400</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,791,014</b>	<b>\$ 1,995,944</b>	<b>\$ 2,589,822</b>	<b>\$ 2,727,462</b>	<b>\$ 2,645,554</b>
<b>Net Assets per share</b>	<b>\$ 19.46</b>	<b>\$ 19.81</b>	<b>\$ 19.77</b>	<b>\$ 19.71</b>	<b>\$ 19.72</b>
Shares outstanding at end of period (thousands)	51,482	51,482	51,650	51,650	51,650

# Quarterly Operating Results (Quarter Ended December 31, 2019)

## For Three Months Ended

<i>\$ in '000s</i>	Q4 2018		Q1 2019		Q2 2019		Q3 2019		Q4 2019	
Interest income	\$	24,461	\$	30,495	\$	45,073	\$	51,491	\$	53,335
Dividend income		9,041		9,373		5,152		961		1,254
Other income		246		22		373		236		178
<b>Total Investment Income</b>	<b>\$</b>	<b>33,748</b>	<b>\$</b>	<b>39,890</b>	<b>\$</b>	<b>50,598</b>	<b>\$</b>	<b>52,688</b>	<b>\$</b>	<b>54,767</b>
Interest and debt financing financing expenses	\$	7,873	\$	10,546	\$	16,619	\$	19,427	\$	19,738
Base management fee		5,901		6,751		7,983		8,910		9,058
Incentive fee		2,512		4,086		4,490		4,330		4,513
Other operating expenses		921		1,497		1,968		2,191		1,958
<b>Total expenses</b>	<b>\$</b>	<b>17,207</b>	<b>\$</b>	<b>22,880</b>	<b>\$</b>	<b>31,060</b>	<b>\$</b>	<b>34,858</b>	<b>\$</b>	<b>35,267</b>
Management and incentive fees waived		(3,235)		(4,233)		(1,617)		(3,345)		(1,792)
<b>Total expenses, net of fee waivers</b>	<b>\$</b>	<b>13,973</b>	<b>\$</b>	<b>18,647</b>	<b>\$</b>	<b>29,443</b>	<b>\$</b>	<b>31,513</b>	<b>\$</b>	<b>33,475</b>
<b>Net investment income before income taxes</b>	<b>\$</b>	<b>19,774</b>	<b>\$</b>	<b>21,243</b>	<b>\$</b>	<b>21,155</b>	<b>\$</b>	<b>21,175</b>	<b>\$</b>	<b>21,292</b>
Excise tax expense		-		-		-		-		-
<b>Net investment income</b>	<b>\$</b>	<b>19,774</b>	<b>\$</b>	<b>21,243</b>	<b>\$</b>	<b>21,155</b>	<b>\$</b>	<b>21,175</b>	<b>\$</b>	<b>21,292</b>
Net realized and unrealized gains (losses)		(29,646)		18,069		(1,933)		(2,976)		59
<b>Net increase (decrease) in net assets</b>	<b>\$</b>	<b>(9,872)</b>	<b>\$</b>	<b>39,313</b>	<b>\$</b>	<b>19,222</b>	<b>\$</b>	<b>18,199</b>	<b>\$</b>	<b>21,351</b>
<b>Net investment income per share</b>	<b>\$</b>	<b>0.41</b>	<b>\$</b>	<b>0.41</b>	<b>\$</b>	<b>0.41</b>	<b>\$</b>	<b>0.41</b>	<b>\$</b>	<b>0.41</b>
Weighted average shares outstanding (thousands)		47,782		51,482		51,630		51,650		51,650

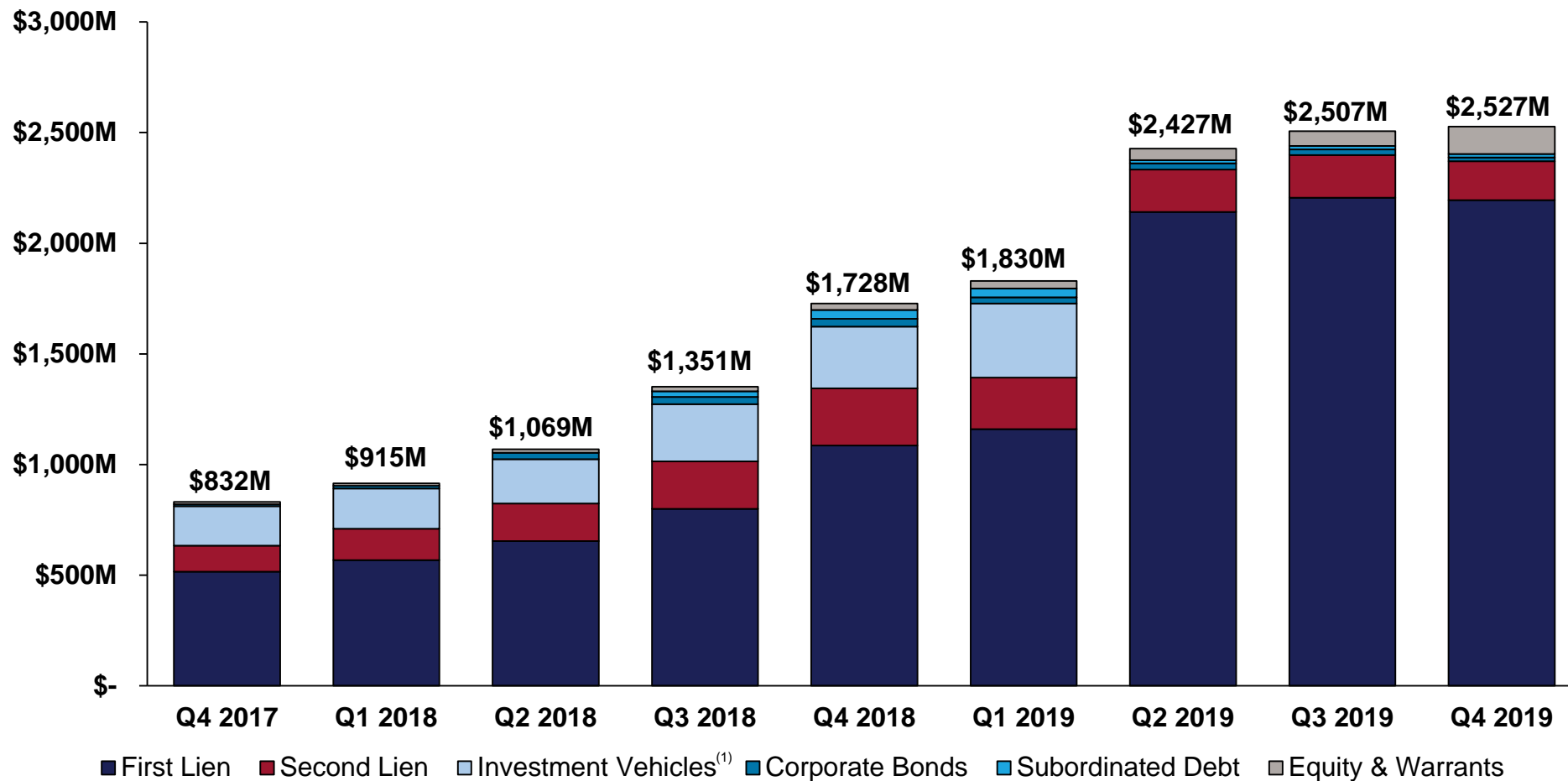
# Net Asset Value Bridge – Q4 2019



# Portfolio Overview

The Fair Value of Investments for BCSF as of December 31, 2019 is \$2,527.1 million.

Fair Value of Investments (in millions)



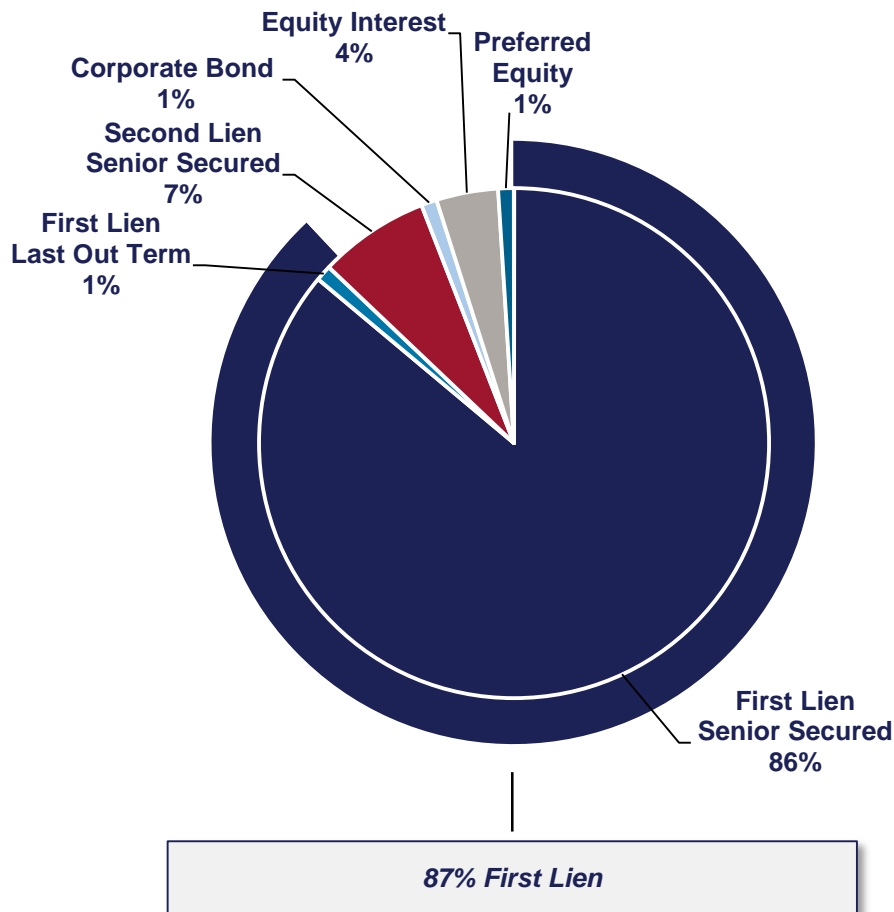
# Portfolio Overview

The portfolio primarily consists of loans that represent the first dollar of risk in a capital structure. We focus on investing in structures that provide strong lender controls.

## Portfolio Composition

Focus on First Dollar Risk <sup>(1)</sup>

Focus on Control



Primarily Sponsored <sup>(2)</sup>

Sponsored

Majority of Loans Benefit From a Financial Covenant <sup>(3)</sup>

Covenant

Effective Loan Voting Control <sup>(4)</sup>

Positive Voting Control

Negative Voting Control

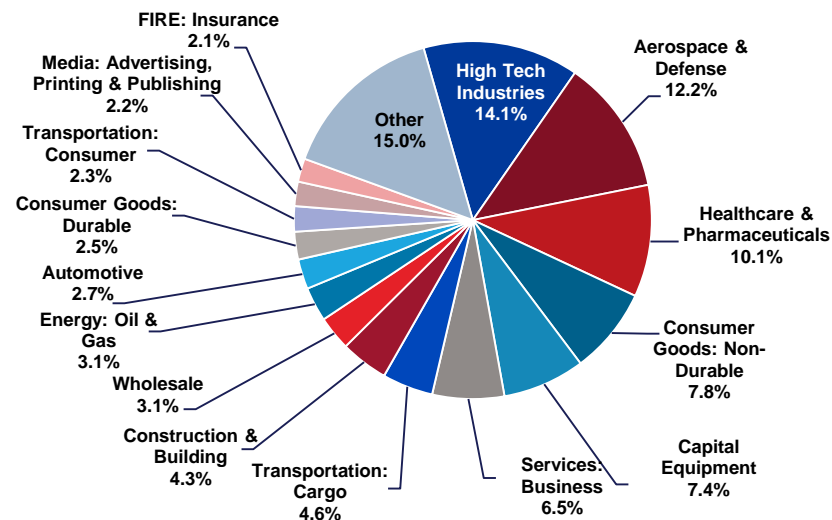
Other

# BCSF Portfolio Overview

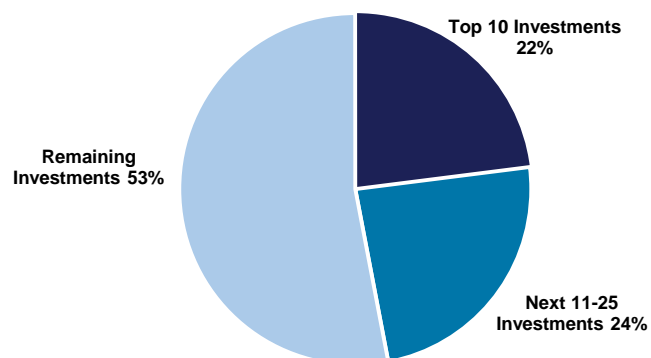
## Portfolio Characteristics

Investments at Fair Value	\$2,527.1M
Unfunded Commitments	\$215.8M
Gross Yield at Fair Value of Investments <sup>(1)</sup>	7.8%
Number of Companies	114
Floating / Fixed Rate	99.0% / 1.0%

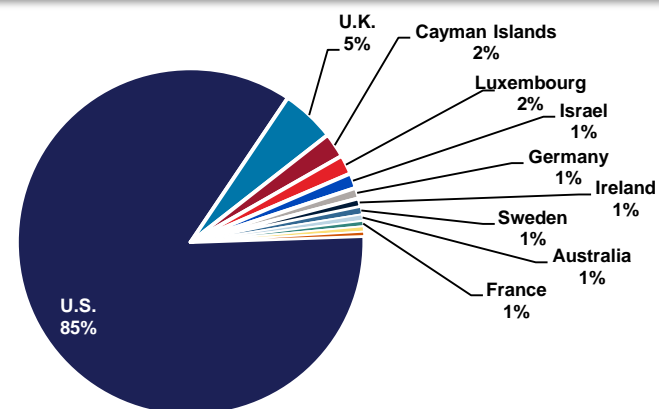
## Industry



## Diversification of Investments

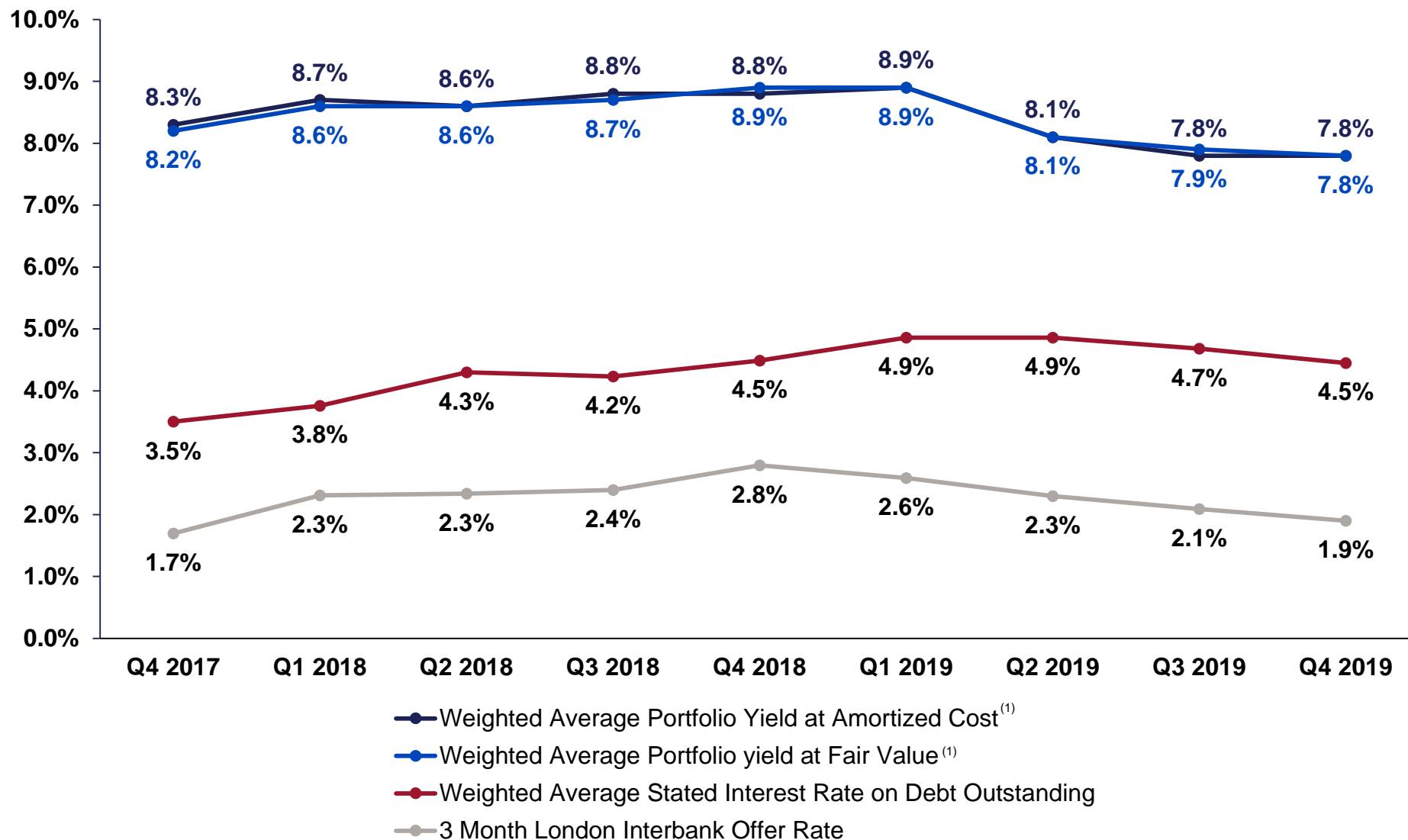


## Geography



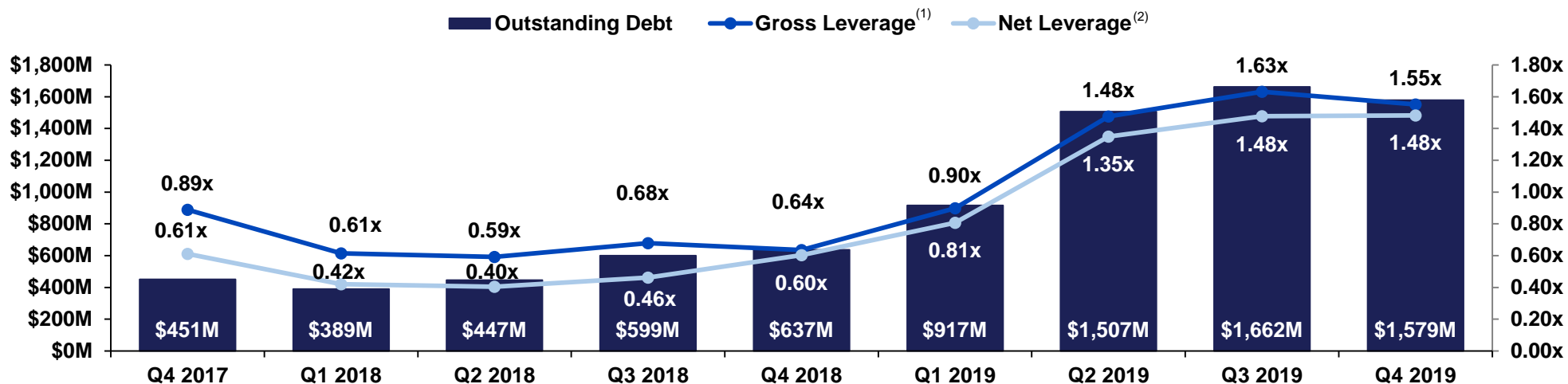
# Portfolio Yield

## Yield Analysis

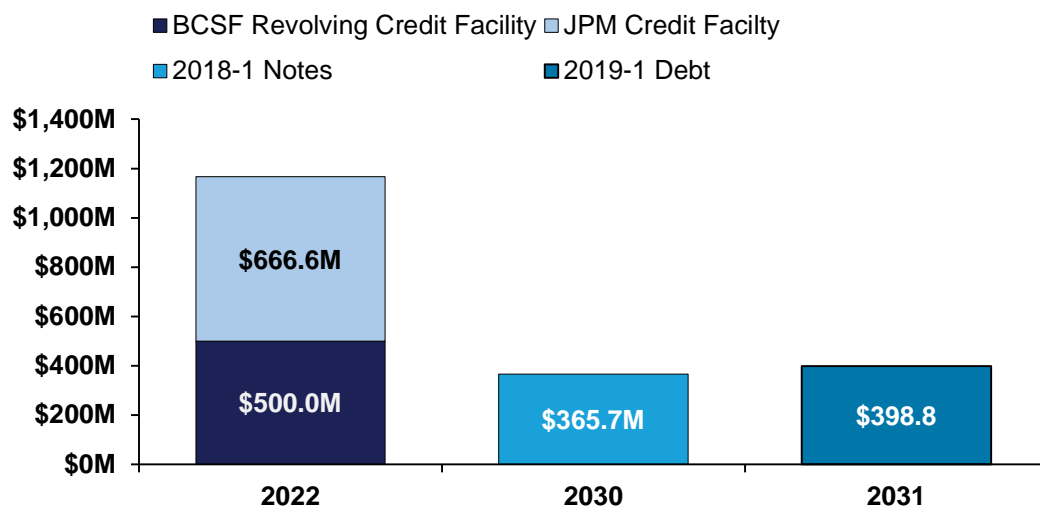


# Debt Summary

## Outstanding Debt and Debt to Equity Ratio



## Debt Maturity Schedule



## Liability Profile

	BCSF Revolving Credit Facility	2018-1 Notes	JPM Credit Facility	2019-1 Debt
<b>Principal Amount:</b>	\$500.0M	\$365.7M	\$666.6M	\$398.8M
<b>Interest Rate:</b>	L + 2.50%	L + 1.55% AAA L + 1.96%	L+2.375% <sup>(3)</sup>	L + 1.70% AAA L + 2.30%
<b>Outstanding Amount:</b>	\$268.0M	\$365.7M	\$546.7M	\$398.8M

# Credit Quality of Investments

## Investment Performance Rating

Investment Performance Rating	As of December 31, 2019				As of September 30, 2019			
	Fair Value (millions)	Percentage of Total	Number of Companies	Percentage of Total	Fair Value (millions)	Percentage of Total	Number of Companies	Percentage of Total
1	\$140.9	5.6%	4	3.5%	\$158.7	6.3%	4	3.2%
2	2,355.4	93.2	106	93.0	2,313.4	92.3	118	93.6
3	27.3	1.1	3	2.6	34.6	1.4	4	3.2
4	3.5	0.1	1	0.9	—	—	—	—
<b>Total</b>	<b>\$2,527.1</b>	<b>100.0%</b>	<b>114</b>	<b>100.0%</b>	<b>\$2,506.7</b>	<b>100.0%</b>	<b>126</b>	<b>100.0%</b>

Investment Performance Rating	Definition
1	An investment is rated 1 if, in the opinion of the Advisor, it is performing above underwriting expectations, and the business trends and risk factors are generally favorable, which may include the performance of the portfolio company or the likelihood of a potential exit.
2	An investment is rated 2 if, in the opinion of our Advisor, it is performing as expected at the time of our underwriting and there are generally no concerns about the portfolio company's performance or ability to meet covenant requirements, interest payments or principal amortization, if applicable. All new investments or acquired investments in new portfolio companies are initially given a rating of 2.
3	An investment is rated 3 if, in the opinion of our Advisor, the investment is performing below underwriting expectations and there may be concerns about the portfolio company's performance or trends in the industry, including as a result of factors such as declining performance, non-compliance with debt covenants or delinquency in loan payments (but generally not more than 180 days past due).
4	An investment is rated 4 if, in the opinion of our Advisor, the investment is performing materially below underwriting expectations. For debt investments, most of or all of the debt covenants are out of compliance and payments are substantially delinquent. Investments rated 4 are not anticipated to be repaid in full, if applicable, and there is significant risk that we may realize a substantial loss on our investment.

## Quarterly Distribution Information

Date Declared	Record Date	Payment Date	Amount Per Share
December 22, 2016	December 22, 2016	January 17, 2017	\$0.015
May 9, 2017	May 12, 2017	May 19, 2017	\$0.07
June 21, 2017	June 29, 2017	August 11, 2017	\$0.11
September 27, 2017	September 28, 2017	November 14, 2017	\$0.21
December 26, 2017	December 28, 2017	January 24, 2018	\$0.31
March 28, 2018	March 28, 2018	May 17, 2018	\$0.34
June 28, 2018	June 28, 2018	August 10, 2018	\$0.36
September 26, 2018	September 26, 2018	October 19, 2018	\$0.41
December 19, 2018	December 31, 2018	January 14, 2019	\$0.41
February 21, 2019	March 29, 2019	April 12, 2019	\$0.41
May 7, 2019	June 28, 2019	July 29, 2019	\$0.41
August 1, 2019	September 30, 2019	October 30, 2019	\$0.41
October 31, 2019	December 31, 2019	January 30, 2020	\$0.41
February 20, 2020	March 31, 2020	April 30, 2020	\$0.41