

PROSPECT CAPITAL
CONVERTIBLE PREFERRED
STOCK 

PROSPECT CAPITAL CORPORATION

Convertible Preferred Stock Offering

DISCLAIMERS

The information regarding prior performance in this presentation should not be considered as indicative of how the 5.50% Series A1 Preferred Stock (the “Series A1”), 6.50% Series A3 Preferred Stock (the “Series A3” and together with the Series A1, the “Series A”), 5.50% Series M1 Preferred Stock (the “Series M1”), 5.50% Series M2 Preferred Stock (the “Series M2”), and 6.50% Series M3 Preferred Stock (the “Series M3” and together with the Series M1 and M2, the “Series M”, and together with the Series A, the “Preferred Stock”) issued by Prospect Capital Corporation (the “Company”, “PSEC”, or “we”, or “us”) will perform.

This is neither an offer to sell nor a solicitation of an offer to buy the securities described herein. An offering is made only by a prospectus and prospectus supplement (collectively, the “prospectus”). This material must be preceded or accompanied by a prospectus. You should read the prospectus in order to understand fully all of the implications and risks of the offering of securities to which it relates. An investment in the Preferred Stock should be made only after careful review of the prospectus. All information contained in this material is qualified in its entirety by the terms of the prospectus. The achievement of any goals is not guaranteed.

Certain statements made by us in this presentation that are not historical facts or that relate to future plans, events or performances are forward-looking statements within the meaning of the federal securities laws. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. Our actual results or actions may differ materially from those expressed in any forward-looking statements made by us. Forward-looking statements involve a number of risks of uncertainties including, but not limited to, the risks described under headings such as “Risk Factors” in our SEC filings. All forward-looking statements are qualified by those risk factors. All statements made by us in this presentation are further qualified in all respects by the information disclosed in our SEC filings. We disclaim any obligation to update our forward-looking statements unless required by law.

Certain information discussed in this presentation (including information relating to portfolio companies) was derived from third-party sources and has not been independently verified and, accordingly, the Company makes no representation or warranty in respect of this information.

The following slides contain summaries of certain financial and statistical information about the Company. The information contained in this presentation is summary information that is intended to be considered in the context of our SEC filings and other public announcements that we may make, by press release or otherwise, from time to time. We undertake no duty or obligation to publicly update or revise the information contained in this presentation. In addition, information related to past performance, while helpful as an evaluative tool, is not necessarily indicative of future results, the achievement of which cannot be assured. You should not view the past performance of PSEC, or information about the market, as indicative of PSEC’s future results. This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities of PSEC.

The Company has filed a registration statement, including the prospectus, with the SEC, for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Company has filed with the SEC for more complete information about the Company and the offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the Company, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by contacting Preferred Capital Securities, LLC (member FINRA/SIPC), the dealer manager for the Preferred Stock. Preferred Capital Securities’ contact information is: 3284 Northside Parkway NW, Suite 150 | Atlanta, GA 30327 Sales Desk 855.330.6594 | Investor Services 855.320.1414.

IMPORTANT RISK FACTORS TO CONSIDER

An investment in the Preferred Stock involves certain risks, including the risk of a substantial loss of investment. You should carefully consider the information set forth in the “Risk Factors” section of the prospectus for a discussion of material risk factors relevant to an investment in the Preferred Stock. Risk factors to be considered include, but are not limited to the following:

- The Preferred Stock will be subject to a risk of early redemption or conversion at our option and holders may not be able to reinvest their funds.
- The price of our common stock may fluctuate significantly during calculation and settlement of a holder conversion, and may make it difficult for you to resell the Preferred Stock or common stock issuable upon conversion of the Preferred Stock when you want or at prices you find attractive.
- Holders of the Preferred Stock will bear dividend risk. We may be unable to pay dividends on the Preferred Stock under some circumstances. In addition, the terms of any future indebtedness we may incur could preclude the payment of dividends in respect of equity securities, including the Preferred Stock, under certain conditions.
- Our obligations to pay dividends or make distributions and, upon liquidation of the Company, liquidation payments in respect of the Preferred Stock is subordinate to our obligations to make any principal and interest payments due and owing with respect to our outstanding debt.
- There is limited liquidity and no public trading market for the PSEC Preferred Stock and there is no guarantee that the Preferred Stock will be listed on a national securities exchange.
- The Preferred Stock pays dividends at a fixed rate. The market values of fixed income investments tend to vary inversely with changes in market yields. The market yields on securities comparable to the Preferred Stock may increase, which would likely result in a decline in the market value of the Preferred Stock if it were to be traded on a national securities exchange. Additionally, if interest rates rise, securities comparable to the Preferred Stock may pay higher dividend rates and holders of the Preferred Stock, if it were listed on a national securities exchange, may not be able to sell the Preferred Stock at the Stated Value on a national securities exchange and reinvest the proceeds at market rates. The Company may be subject to a greater risk of rising interest rates due to the current period of rising interest rates and high inflation. The Federal Reserve has aggressively begun to raise interest rates, which is likely to drive down the prices of income or dividend-paying securities. The risk that interest rates may continue to rise is pronounced.
- We will have a discretionary right to limit the aggregate Liquidation Preference of Preferred Stock subject to redemption following the death of a holder that may be exercised in any calendar year to an amount equal to the greater of \$10 million or 5% of all Preferred Stock outstanding as of the end of the most recent calendar year. Accordingly, no assurance can be given that exercise of a redemption following the death of a holder for the desired amount will be permitted in any single calendar year.
- There is no cap on the number of shares of common stock that can be issued upon the conversion of shares of Preferred Stock. The conversion of the Preferred Stock into shares of common stock could cause the price of common stock to decline significantly.

IMPORTANT RISK FACTORS TO CONSIDER

- The Preferred Stock is currently rated BBB- by Egan-Jones Ratings Company and BB by S&P. These credit ratings could be reduced or withdrawn while an investor holds Preferred Stock. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Preferred Stock following a listing. In addition, a credit rating does not eliminate or mitigate the risks of investing in the Preferred Stock.
- Senior securities, including debt and preferred stock, expose us to additional risks, including the typical risks associated with leverage and could adversely affect our business, financial condition and results of operations.
- Repurchases of common stock by the Company may reduce the asset coverage of the Preferred Stock, which could adversely affect their liquidity or market prices.
- In the event the Company does not generate a total return from dividends and interest received and net realized capital gains in an amount at least equal to its distributions for a given year, the Company may return capital as part of its distribution. This would decrease the asset coverage per share with respect to the Preferred Stock, which could adversely affect their liquidity or market prices.



AGENDA

- PROSPECT CAPITAL CORPORATION OVERVIEW
- PROSPECT CAPITAL CORPORATION CONVERTIBLE PREFERRED STOCK OFFERING
- WHY PROSPECT CAPITAL CORPORATION
- OFFERING DETAILS

Opportunity to invest in a liquid, convertible,
stable-value, preferred stock with a
6.5% per annum cash dividend paid monthly
issued by one of the largest investment-grade rated
business development companies on NASDAQ.

PROSPECT CAPITAL CORPORATION OVERVIEW

PSEC IS A TOP RANKED PUBLICLY TRADED BUSINESS DEVELOPMENT COMPANY WITH SIGNIFICANT SCALE

PCM founded in **1988** with same senior leadership for past 23 years⁽¹⁾

20 years publicly traded

\$7.9B in assets

\$3.8B of common equity

Invested **\$20.4B** since 2004 across multiple origination strategies

Investment Grade Corporate Ratings⁽²⁾

 MORNINGSTAR | DBRS

BBB (low)

 Egan-Jones
Ratings Company

BBB

 KBRA KROLL BOND RATING AGENCY

BBB-

 MOODY'S

Baa3

 S&P Global

BBB-

Preferred Stock is rated BBB- by Egan-Jones and BB by S&P

Why Investment Grade Ratings Matter

(42 years of cumulative default rate data from S&P)

15-year default rate⁽³⁾

Investment grade: **3.4%**

Speculative: **25.8%**

Data in this presentation is as of September 30, 2023 unless otherwise noted. Sources include EDGAR filings, public presentations, and Prospect Capital Management L.P. ("PCM") estimates. Numbers may not add up to precise totals due to rounding.

(1) PCM is the external investment adviser to Prospect Capital Corporation.

(2) Ratings current as of 11/7/2023. A credit rating is not a recommendation to buy, sell, or hold securities and is subject to revision or withdrawal at any time and without notice by the assigning agency. Each rating should be evaluated independently of any other rating, and investors should conduct thorough due diligence before investing. Moody's investment-grade credit ratings range from Aaa to Baa, and its high-yield credit ratings range from Ba to C. For S&P, Egan-Jones, Kroll, and DBRS, investment-grade credit ratings range from AAA to BBB, while high-yield credit ratings range from BB to C. High-yield is another name for non-investment-grade or junk bonds.

(3) 2022 Annual Global Corporate Default and Rating Transition Study.

EXPERIENCED AND LONG-TENURED LEADERSHIP ALIGNED WITH SHAREHOLDERS



JOHN BARRY
Chairman & CEO



GRIER ELIASEK
President & COO



DARIA BECKER
Chief Administration
Officer



KRISTIN VAN DASK
Chief Financial Officer

27% of PSEC
Common Stock Owned
by Management

Largest Financial
Insider Ownership in
the Industry

Consistent Senior
Leadership
23-year Tenure Together⁽¹⁾

(1) Represent years together for John Barry, Grier Eliasek, and Daria Becker.

PROSPECT CAPITAL CORPORATION
**CONVERTIBLE PREFERRED
STOCK OFFERING**

OFFERING HIGHLIGHTS

SENIOR POSITION

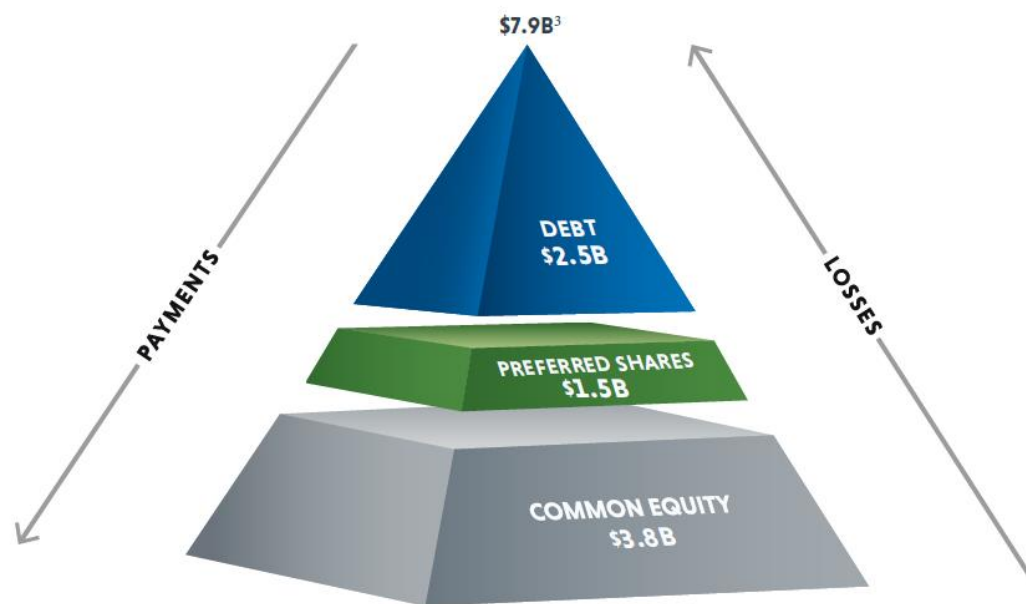
\$3.8B common equity buffer⁽¹⁾
Preferred shareholders paid first⁽²⁾

STABLE STATED VALUE
\$25.00 per share

ALIGNED INTERESTS
27% management ownership⁽¹⁾
Highest among BDCs

DEFENSIVE BY DESIGN
Leverage limited

52.5% loan-to-asset-value leverage⁽¹⁾

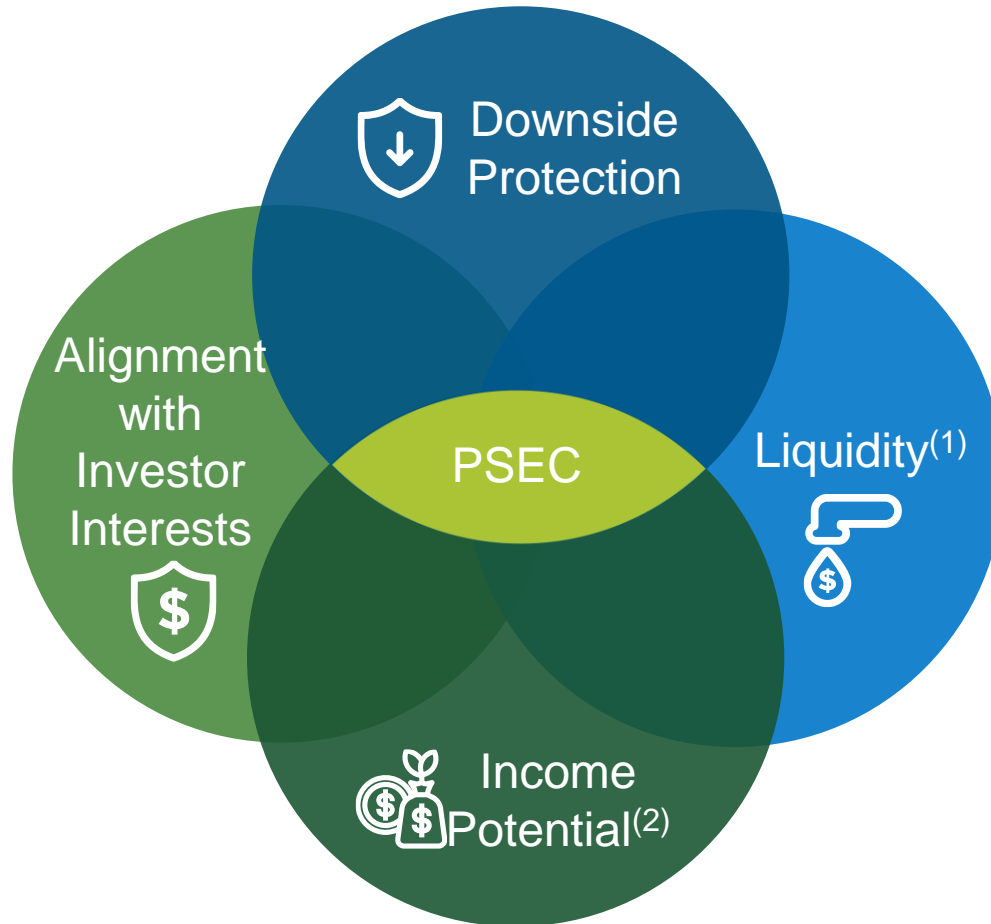


(1) As of September 30, 2023. Loan-to-asset-value leverage calculated as (Principal Debt Outstanding + Total Preferred Outstanding) / Total Assets.

(2) Preferred shareholders are junior, however, to \$2.5 billion in debt, which is paid before preferred shareholders.

(3) Based on balance sheet amounts.

POTENTIAL BENEFITS PREFERRED STOCK OFFERING



(1) Series A shares are subject to a 5-year declining conversion fee (9%, 8%, 7%, 6%, 5%) as a percentage of the \$25.00 per share stated value of the Preferred Stock. Series M shares have a 90-day dividend recapture provision in year 1 with zero fee thereafter. The Company may request that an investor purchasing Series M shares enter into an agreement pursuant to which such investor agrees not to convert such purchased Series M shares for an agreed period of time. The Company determines the conversion settlement amount prior to the next holder conversion deadline, which deadline typically occurs twice per month. Right of holder to convert Preferred Stock terminates upon listing of such Preferred Stock. Liquidity of PSEC common stock on NASDAQ is not guaranteed.

(2) Dividends are intended to be paid monthly as authorized by the Board of Directors.

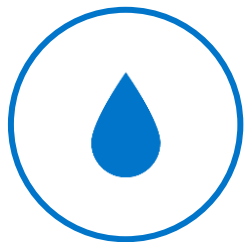
DOWNSIDE PROTECTION & LOWER RISK



- ▶ \$7.9 in total assets
- ▶ Founded in 2004 – 20 years publicly traded
- ▶ Five investment grade corporate credit ratings
- ▶ Senior position to \$3.8B in common equity
- ▶ Diversified, laddered, unsecured, and funding profile



LIQUIDITY



Liquidity from day one through conversion right⁽¹⁾



No conversion queues or pro-rated conversions – **100% liquid** through conversion right



Holder conversion deadlines twice monthly on or about 15th and last day of month



Redemption upon death of Preferred stockholder at **0% redemption fee**⁽²⁾

(1) Series A shares are subject to a 5-year declining conversion fee (9%, 8%, 7%, 6%, 5%, 0%) as a percentage of the \$25.00 per share stated value of the Preferred Stock. Series M shares have a 90-day dividend recapture provision in year 1 with zero fee thereafter. The Company may request that an investor purchasing Series M shares enter into an agreement pursuant to which such investor agrees not to convert such purchased Series M shares for an agreed period of time. The Company determines the conversion settlement amount prior to the next holder conversion deadline, which deadline typically occurs twice per month. Right of holder to convert Preferred Stock terminates upon listing of such Preferred Stock. Liquidity of PSEC common stock on NASDAQ is not guaranteed.

(2) In the event of redemption following the death of a holder, the issuer has a discretionary right to limit the aggregate liquidation preference of Preferred Stock subject to such redemption in any calendar year to the greater of \$10 million or 5% of all Preferred Stock outstanding as of the end of the most recent calendar year. Accordingly, no assurance can be given that exercise of a redemption following the death of a holder for the desired amount will be permitted in any single calendar year. Death redemption terminates upon listing of such Preferred Stock.



INCOME POTENTIAL

- ▶ **Preferred stockholders paid** before common stockholders⁽¹⁾
- ▶ **6.5% fixed cumulative** annual distribution – paid monthly⁽²⁾
- ▶ **Positioned** for well-covered dividend payments

Run Rate Preferred Dividend Coverage September 2023 Quarter⁽³⁾ (\$ 000)

Net Investment Income	\$125,612
Dividend Amount (Run Rate at Quarter End)	\$23,645
Preferred Dividend Coverage	5.3x

(1) Preferred shareholders are junior, however, to \$2.5 billion in debt, which is paid before preferred shareholders.

(2) Dividends are intended to be paid monthly as authorized by the Board of Directors. The stated dividend rate on issuances of the Series A1, A2 and M1 is 5.5%.

(3) Net Investment Income for the quarter ended September 30, 2023 rounded. Assumes the preferred investment does not produce incremental revenue; see “Disclaimers” slide herein for further information. Includes coverage of \$148 million Series A Preferred shares with 5.35% dividend rate and \$853M of Series A1, A2, and M1 with 5.5% dividend rate.



ALIGNMENT WITH INVESTOR INTERESTS

01

Management aligned with shareholders – 27% ownership of PSEC common

02

Accountability through regulatory filings

03

Equal voting rights with common shares and 2 preferred board seats

04

Prudent and protective regulatory capped debt/equity ratio

05

No fee impact on stated value or dividend

ISSUER PAYS UPFRONT FEES

- ▶ Common shareholders (not preferred investors) pays all upfront fees
 - ▶ \$25 stable preferred stated value
- ▶ Common shareholders pay all business costs

WHY PROSPECT CAPITAL CORPORATION

WHY INVEST IN PSEC?

Among the **oldest** and **largest BDCs**

20 years as a public company

Provided **consistent returns** to shareholders

Disciplined approach to investing in the U.S. middle market



Attractive Dividend Yield



Focus on Senior and Secured Lending



Conservative, Strong Capitalization



Dividend Reinvestment Plan



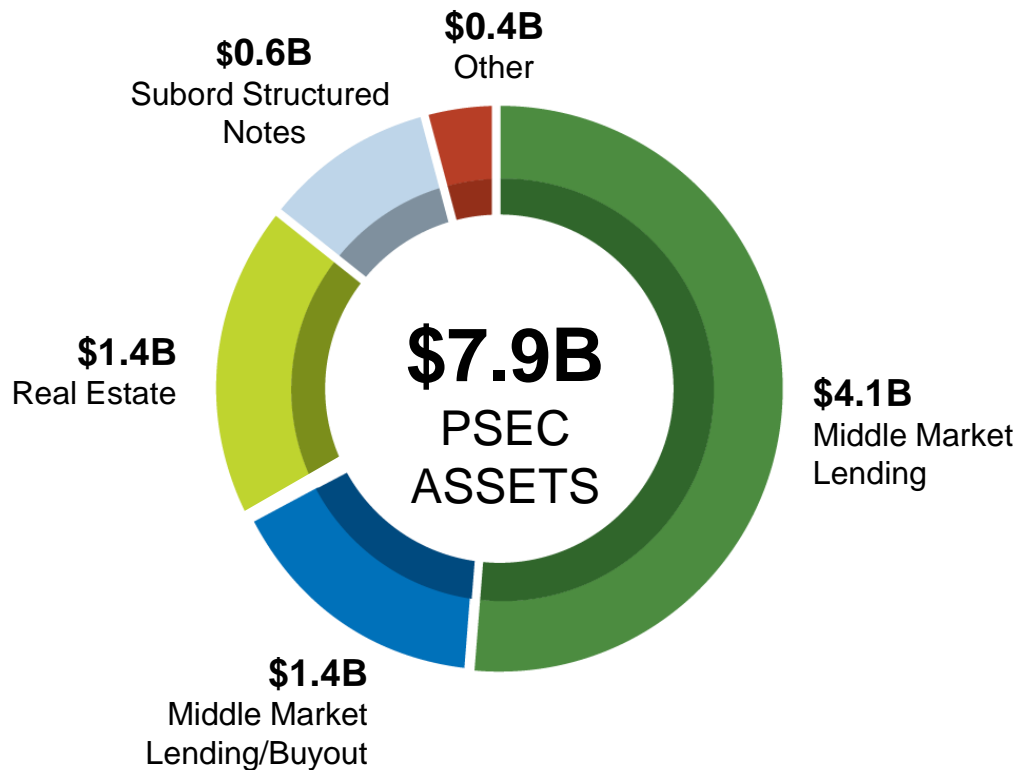
Broad Investment Portfolio



Large and Experienced Team

PORTFOLIO DIVERSIFICATION – INVESTMENT STRATEGIES

STRATEGY BREAKDOWN



\$20.4B
Invested Since 2004

283
Exits

INVESTMENT STRATEGIES

▶ MIDDLE-MARKET LENDING

Senior and secured loans to U.S. middle-market companies that need capital to grow, employ more people and bring products and services to market.

▶ MIDDLE-MARKET LENDING / BUYOUTS

Senior and secured loans plus control private equity to U.S. middle-market companies.

▶ REAL ESTATE

Fully developed class B / C multi-family residential properties with value-add potential in secondary / tertiary markets.

▶ SUBORDINATED STRUCTURED NOTES

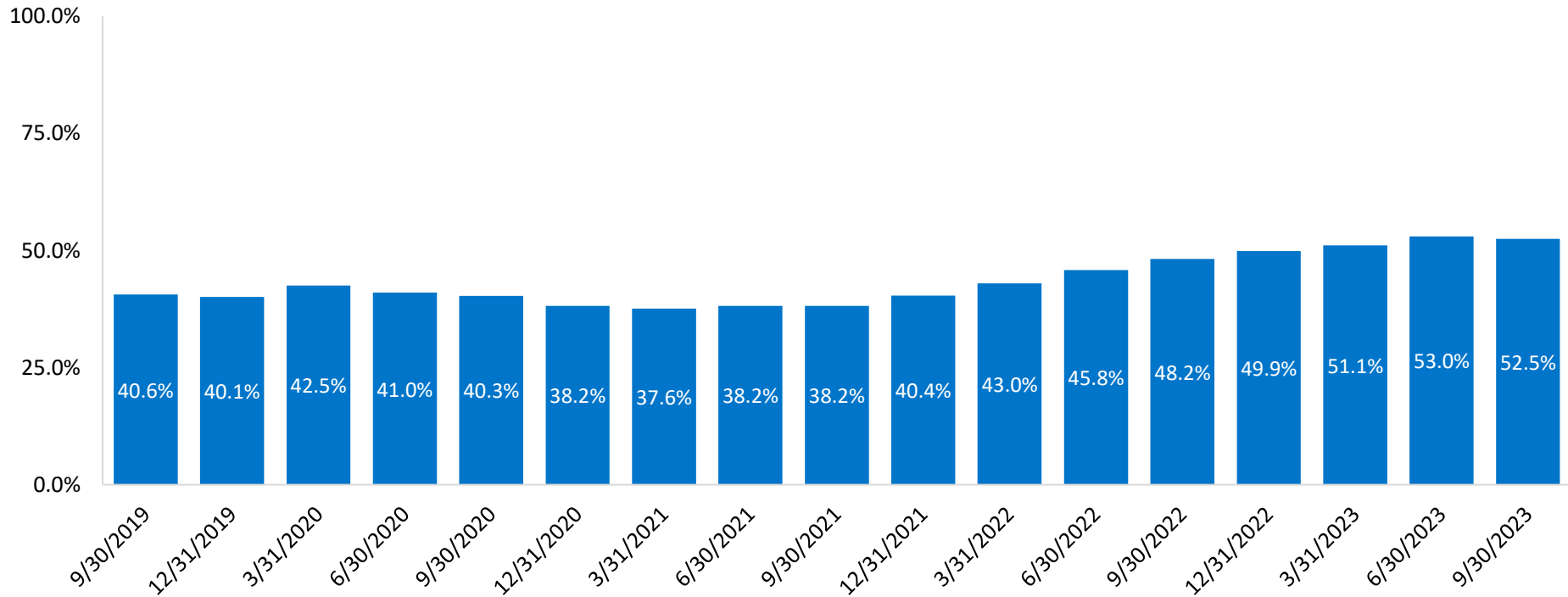
Diversified pools of senior and secured loans to large U.S. companies, which loans have a first lien on corporate assets.

▶ OTHER

Primarily diverse pools of fixed income investments.

CONSISTENTLY PRUDENT LEVERAGE

Conservatively leveraged with 52%.5 loan-to-value⁽¹⁾



(1) Loan-to-asset value leverage calculated as (Principal Debt Outstanding + Total Preferred Outstanding) / Total Assets

LOW CORRELATION WITHIN PORTFOLIO & TO OTHER ASSET CLASSES

Low to negative correlation among core investment strategies and with equities, bonds and leveraged loans dampens overall portfolio volatility.

	PSEC Middle-Market Lending	PSEC Middle-Market Lending / Buyouts	PSEC Subordinated Structured Notes	PSEC Real Estate	PSEC Portfolio
PSEC Middle-Market Lending	1.00	0.19	0.40	-0.02	0.38
PSEC Middle-Market Lending / Buyouts	0.19	1.00	-0.07	0.00	0.65
PSEC Subordinated Structured Notes	0.40	-0.07	1.00	-0.03	0.51
PSEC Real Estate	-0.02	0.00	-0.03	1.00	0.26
PSEC Portfolio	0.38	0.65	0.51	0.26	1.00
S&P 500	0.08	0.07	0.27	0.12	0.24
Barclays High Yield	0.18	0.05	0.35	0.07	0.20
Barclays U.S. Agg Total Return	0.07	0.11	-0.11	0.16	0.00
LSTA Leveraged Loan Index	0.19	0.02	0.43	-0.01	0.19

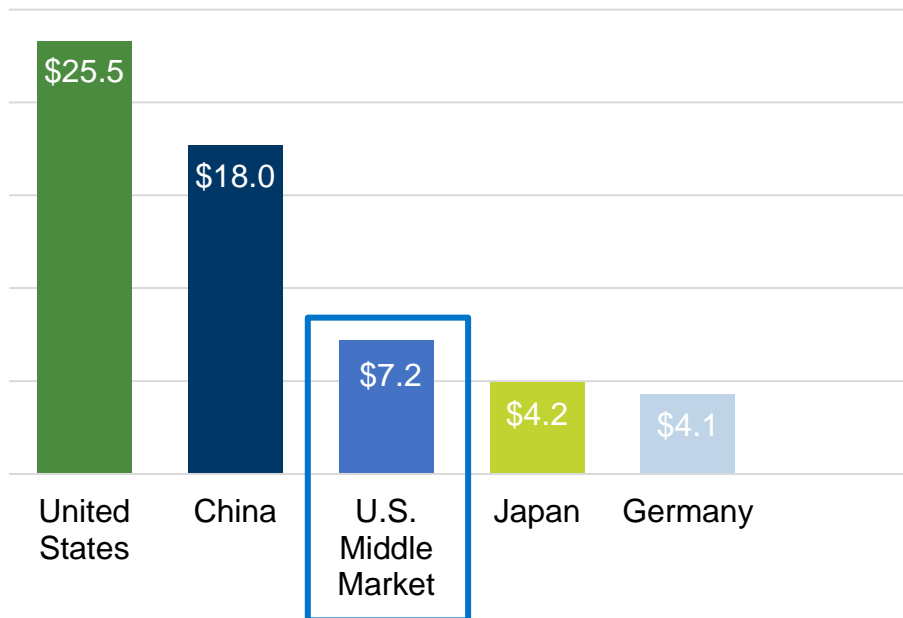
Source: PSEC and Bloomberg.

WHY FOCUS ON MIDDLE MARKET LENDING?

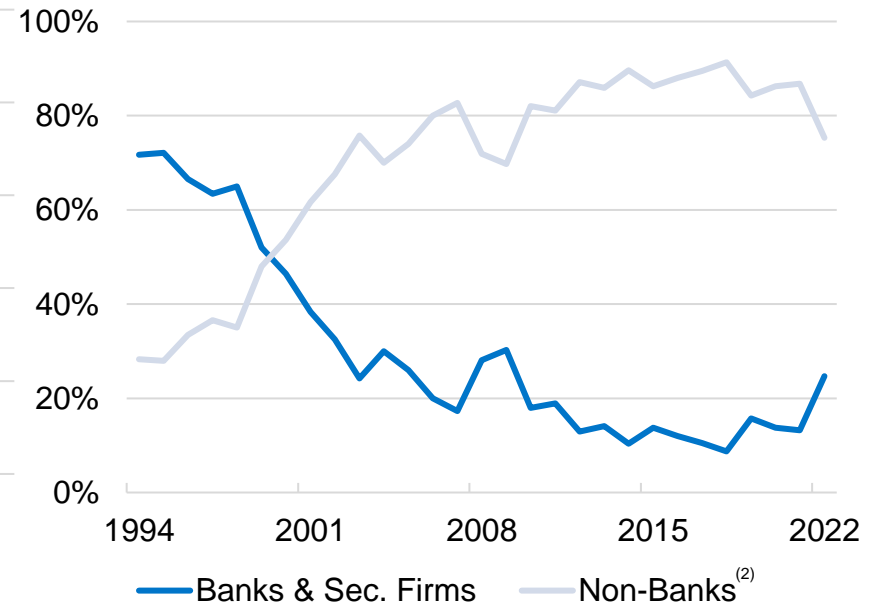
Size of Market

200,000 private businesses in U.S. make up roughly 33% of Private GDP⁽¹⁾

Leading World Economies (\$TN)⁽¹⁾



Corporate Term Loan Market Share



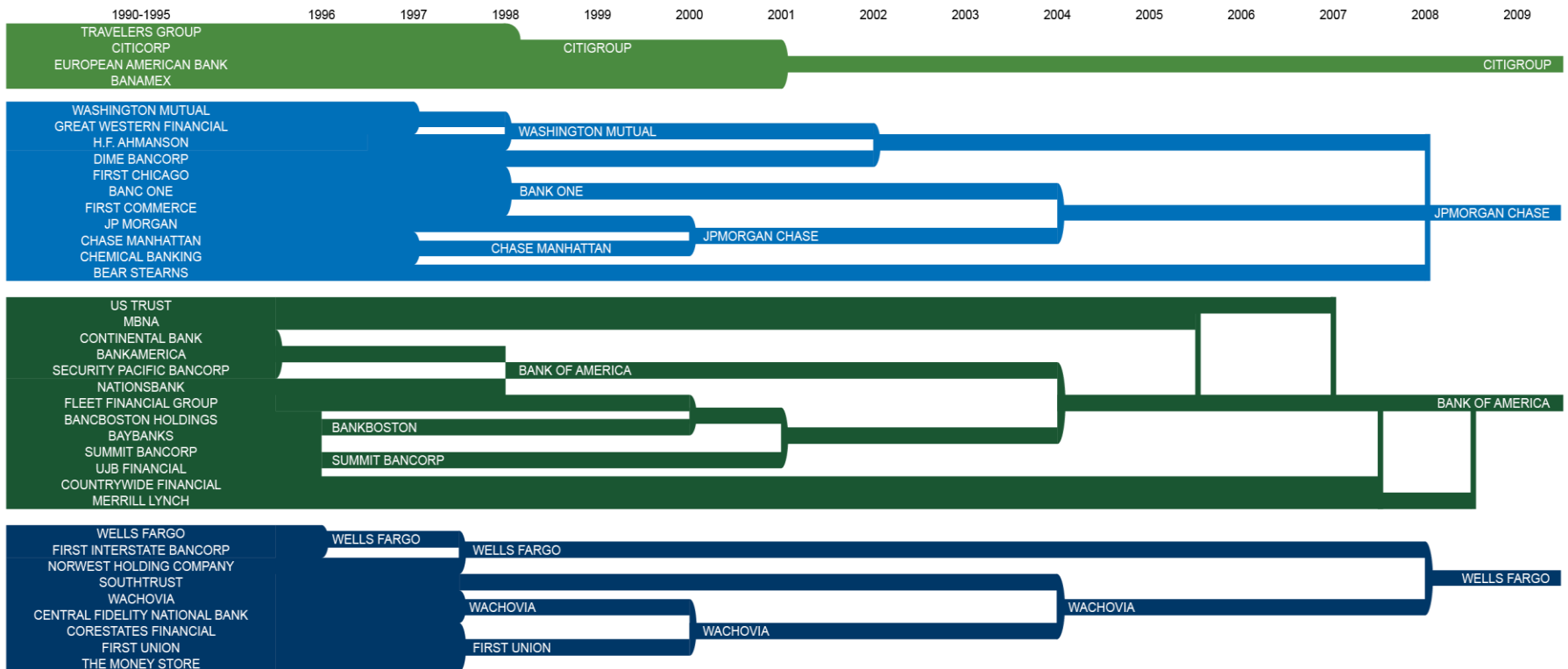
(1)Source: National Center for the Middle Market, US Bureau of Economic Analysis, and The World Bank as of December 31, 2022.

Note: Financial data as of December 31, 2022.
Source: S&P Capital IQ, (2) Institutional Investors and finance companies.

WHY FOCUS ON MIDDLE MARKET LENDING?

► Limited Traditional Loan Resources

Bank consolidation has reduced traditional loan resources. Non-traditional sources of middle market lending may provide **SUBSTANTIAL BENEFITS** to the American economy.



Source: <https://www.visualcapitalist.com/the-banking-oligopoly-in-one-chart/> and through 2009

CURRENT EXAMPLES OF PROSPECT'S INVESTMENTS





SUMMARY

- The Opportunity
- Why Prospect Capital Corporation (PSEC)?
- Why PSEC Convertible Preferred Stock?

WHERE DOES THIS FIT IN YOUR PORTFOLIO?

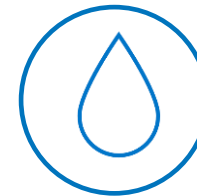
A Fixed Income Solution



Consistent monthly
income



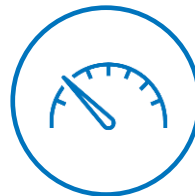
\$25 Stated Value



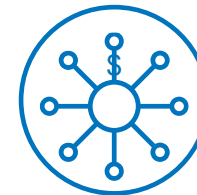
100% liquidity through
conversion right⁽¹⁾



Improve portfolio
diversification



De-risk investment
allocation by moving higher
up the capital stack



Investment exposure with
flexibility to meet liquidity
needs

(1) See footnote 1 on slide 14 titled "Liquidity".

OFFERING DETAILS

PSEC CONVERTIBLE PREFERRED STOCK OFFERING DETAILS

Offering Price

\$25.00

per share

Minimum Investment

\$5,000

Dividend

6.5%

per annum (paid monthly)

PSEC Investment Objective

Generate both current income and long-term capital appreciation through debt and equity investments

Capital Structure Ranking

Senior to common stock, junior to debt, on parity with other preferred stock

Series

Currently offering Series A3 and M3

Fund Expenses

Upfront fees paid by PSEC, not investor
Full offering price on client statement with no mark-to-market impact

Liquidity

Redeemable, convertible, and potential exchange listing (subject to investment period and early conversion fees, see prospectus)

Voting Rights

Right to elect two directors and vote with common stock as a single class on other matters