



## PROSPECT CAPITAL CORPORATION

### **Series A4 & M4 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”), Floating Rate A4 Preferred Stock (the “Series A4” and together with the Series A1 and the Series A3, the “Series A”), 5.50% Series M1 Preferred Stock (the “Series M1”), 5.50% Series M2 Preferred Stock (the “Series M2”), 6.50% Series M3 Preferred Stock (the “Series M3”), and Floating Rate Series M4 Preferred Stock (the “Series M4” and together with the Series M1, M2 and M3, 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.

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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](http://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: 3290 Northside Parkway NW, Suite 800 | 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 at our option and holders may not be able to reinvest their funds.
- 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.
- There is limited liquidity and no public trading market for the Preferred Stock and there is no guarantee that the Preferred Stock will be listed on a national securities exchange.
- The A1/A3 Shares and M1/M2/M3 Shares pay dividends at fixed rates and the Series A4 Shares and Series M4 Shares pay dividends at floating rates (subject to a minimum total dividend rate and a maximum total dividend 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 raised interest rates in recent years, which is likely to drive down the prices of income or dividend-paying securities. There is a risk that interest rates may continue to rise.
- 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.
- Series A1, A3, M1, and M3 shares of Preferred Stock are currently rated BBB- by Egan-Jones and BB by S&P. Series A4 and M4 shares of Preferred Stock are currently rated BBB- by Egan-Jones and are not rated by S&P. A credit rating that has been issued on the Preferred Stock could be reduced or withdrawn while an investor holds such Preferred Stock. A reduction or withdrawal of the credit ratings would likely have an adverse effect on the market value of the relevant series of Preferred Stock. 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.



# IMPORTANT RISK FACTORS TO CONSIDER

- Our obligations to pay dividends or make distributions and, upon liquidation of us, 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.
- In the event we do not generate a total return from dividends and interest received and net realized capital gains in an amount at least equal to our dividends for a given year, we may return capital as part of our dividends. This would decrease the asset coverage per shares with respect to the Preferred Stock, which could adversely affect their liquidity or market prices.
- Unlike the Series A1/A3 Shares and the Series M1/M2/M3 Shares, the Series A4 Shares and Series M4 Shares do not have a Holder Optional Conversion feature.
- Floating rate securities have risks that conventional fixed rate securities do not.
- Redemption of the Series A4 Shares and Series M4 Shares at the Holder's option is limited. The aggregate amount of Holder Optional Redemptions by the holders of the Series A4 Shares and Series M4 Shares will be subject to redemption limits.
- Repurchases of common stock by us may reduce the asset coverage of the Preferred Stock, which could adversely affect their liquidity or market prices.





# AGENDA

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



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Opportunity to invest in a stable stated-value, preferred stock with a  
**floating-rate monthly dividend of 7.28% annualized  
(1-Month Term SOFR + 2.00% as of 6/27/2024)**  
issued by a business development company with \$7.9B in total  
assets and a 20-year history

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# PROSPECT CAPITAL CORPORATION OVERVIEW

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# PSEC IS A TOP RANKED BUSINESS DEVELOPMENT COMPANY WITH SIGNIFICANT SCALE

PCM founded in **1988** with same senior leadership for past 24 years<sup>(1)</sup>

**20-year**  
history

**\$7.9B**  
in assets

**\$3.7B**  
of common  
equity

Invested **\$20.9B**  
since 2004 across  
multiple origination  
strategies

## Investment Grade Corporate Ratings<sup>(2)</sup>

**MORNINGSTAR** | **DBRS**

BBB (low)

**EJ** Egan-Jones  
Ratings Company

BBB

**KBRA** KROLL BOND  
RATING AGENCY

BBB-

**MOODY'S**

Baa3

**S&P Global**

BBB-

**The Series A1/A3/M1/M3 Preferred Stock is rated BBB- by Egan-Jones and BB by S&P**  
**The Series A4/M4 Preferred Stock is rated BBB- by Egan-Jones and is not rated by S&P**

## Why Investment Grade Ratings Matter (43 years of cumulative default rate data from S&P)

**15-year** default rate<sup>(3)</sup>

Investment grade: **3.3%**

Speculative: **25.6%**

Data in this presentation is as of 6/30/2024 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 8/28/2024. 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.

(3) 2023 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**  
Head of Administration



**KRISTIN VAN DASK**  
Chief Financial Officer

**26%** of PSEC  
Common Stock Owned  
by Management

Largest Financial  
Insider Ownership in  
the Industry

Consistent Senior  
Leadership  
24-year Tenure Together<sup>(1)</sup>

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



PROSPECT CAPITAL CORPORATION

# **SERIES A4 & M4 PREFERRED STOCK OFFERING**

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# OFFERING HIGHLIGHTS

## SENIOR POSITION

**\$3.7B** common equity buffer  
Preferred shareholders paid first<sup>(1)</sup>

## STABLE STATED VALUE

\$25.00 per share

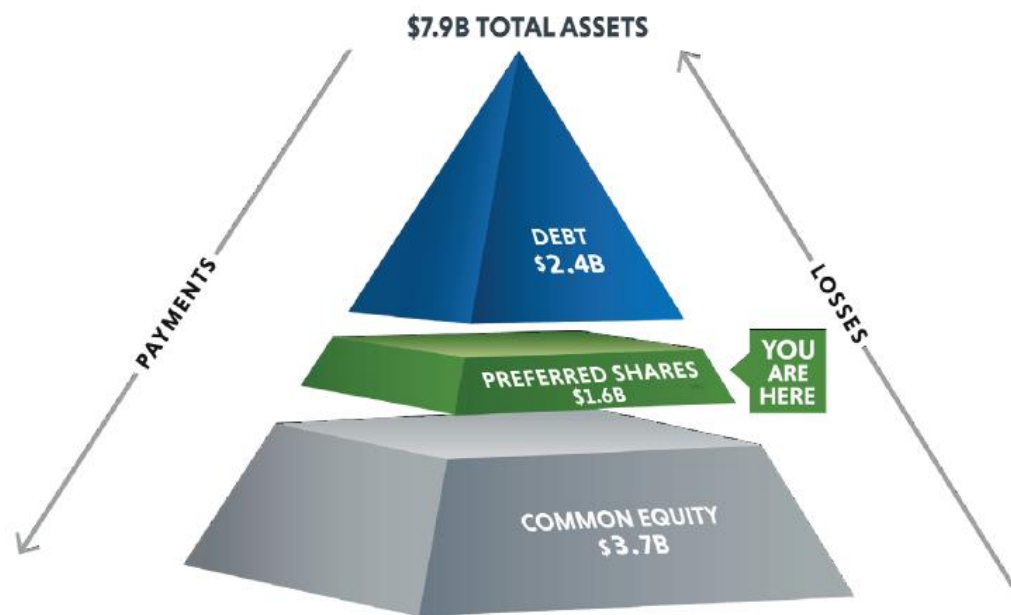
## ALIGNED INTERESTS

**26%** management ownership  
Highest among BDCs

## DEFENSIVE BY DESIGN

Leverage limited

**53.3%** loan-to-asset-value leverage<sup>(2)</sup>



(1) Preferred shareholders are junior, however, to \$2.4 billion in debt, which is paid before preferred shareholders.

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

Note: Pyramid based on balance sheet amounts.



# POTENTIAL BENEFITS OF PREFERRED STOCK OFFERING



(1) Series A4 shares are subject to a 5-year declining redemption fee (10%, 10%, 10%, 8%, 5%) as a percentage of the \$25.00 per share stated value of the Preferred Stock. Series M shares have a 180-day dividend recapture provision in year 1 and a 90-day dividend recapture provision in year 2 with zero thereafter. The Company may request that an investor purchasing Series M4 shares enter into an agreement pursuant to which such investor agrees not to redeem such purchased Series M4 shares for an agreed period of time. Right of holders to redeem Preferred Stock terminates upon listing of such Preferred Stock. Redemptions are permitted once per month with settlement up to 2 months later and are subject to limitations of (i) 2% per month of the outstanding Series A4 Shares and Series M4 Shares, in aggregate, as of the end of the most recent fiscal quarter, (ii) 5% per quarter of the outstanding Series A4 Shares and Series M4 Shares, in aggregate, as of the end of the most recent fiscal quarter, and (iii) 20% per annual redemption period (the then current fiscal quarter and the three fiscal quarters immediately preceding the then current fiscal quarter) of the outstanding Series A4 Shares and Series M4 Shares, in aggregate, as of the end of the most recent fiscal quarter, and that such capacity limitations are applied on an aggregated basis with redemptions following the death of a holder (whether of Series A4 or M4) as described in the prospectus supplement. Redemption capacity will be allocated on a pro rata basis based on the number of Series A4 Shares and Series M4 Shares submitted in the event that a redemption is oversubscribed.

(2) Dividends are intended to be paid monthly as authorized by the Board of Directors. The minimum annualized dividend rate of the Series A4 / M4 is 6.50% and the maximum annualized dividend rate of the Series A4 / M4 is 8.00%.



## DOWNSIDE PROTECTION & LOWER RISK

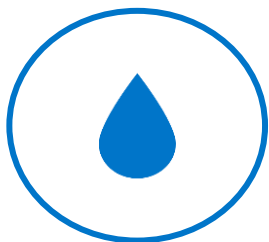


- ▶ \$7.9 in total assets
- ▶ 117 investments across 35 industries
- ▶ Five investment grade corporate credit ratings
- ▶ Diversified funding that is long-term and primarily unsecured
- ▶ Senior position to \$3.7B in common equity





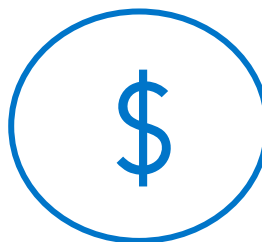
## LIQUIDITY



**Access to capital**  
with redemptions permitted  
from day one  
(subject to fees below and  
limitations of 2% per month  
/ 5% per quarter / 20% per  
annum<sup>(1)</sup>)



**Holder redemption  
deadlines monthly**  
on the last business day  
of the month



**Redemptions in  
cash**  
(up to 2 months later)

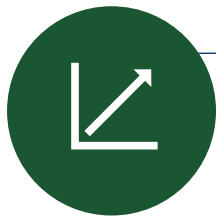


**0% redemption fee<sup>(2)</sup>**  
for redemption upon death  
of Preferred stockholder

(1) Series A4 shares are subject to a 5-year declining redemption fee (10%, 10%, 10%, 8%, 5%) as a percentage of the \$25.00 per share stated value of the Preferred Stock. Series M shares have a 180-day dividend recapture provision in year 1 and a 90-day dividend recapture provision in year 2 with zero thereafter. The Company may request that an investor purchasing Series M4 shares enter into an agreement pursuant to which such investor agrees not to redeem such purchased Series M4 shares for an agreed period of time. Right of holders to redeem Preferred Stock terminates upon listing of such Preferred Stock. Redemptions are permitted once per month with settlement up to 2 months later and are subject to limitations of (i) 2% per month of the outstanding Series A4 Shares and Series M4 Shares, in aggregate, as of the end of the most recent fiscal quarter, (ii) 5% per quarter of the outstanding Series A4 Shares and Series M4 Shares, in aggregate, as of the end of the most recent fiscal quarter, and (iii) 20% per annual redemption period (the then current fiscal quarter and the three fiscal quarters immediately preceding the then current fiscal quarter) of the outstanding Series A4 Shares and Series M4 Shares, in aggregate, as of the end of the most recent fiscal quarter, and that such capacity limitations are applied on an aggregated basis with redemptions following the death of a holder (whether of Series A4 or M4) as described in the prospectus supplement. Redemption capacity will be allocated on a pro rata basis based on the number of Series A4 Shares and Series M4 Shares submitted in the event that a redemption is oversubscribed.

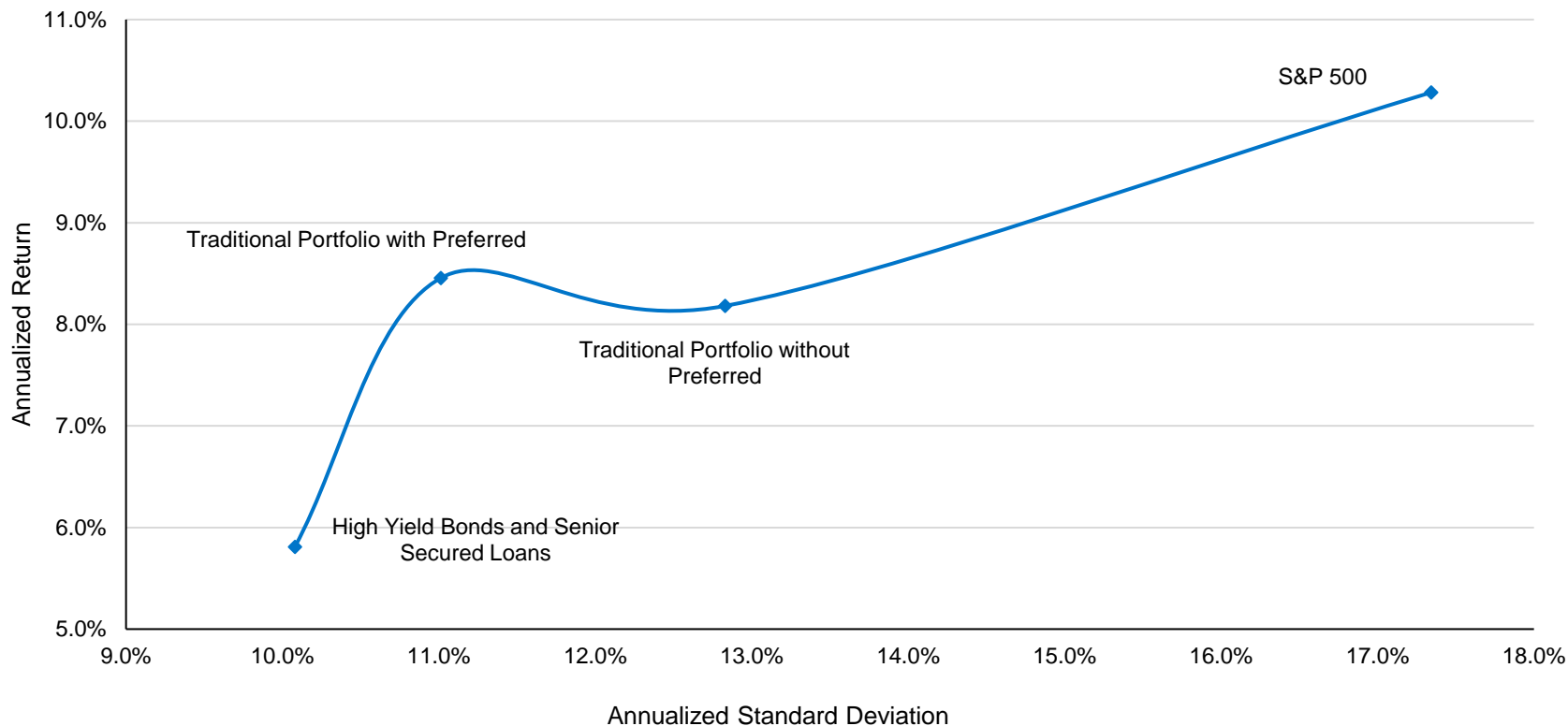
(2) In the event of redemption following the death of a holder, the issuer has a discretionary right to limit the aggregate liquidation preference of Preferred Stock subject to such redemption in any calendar year to the greater of \$10 million or 5% of all Preferred Stock outstanding as of the end of 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. Redemption following the death of a holder for a series of Preferred Stock terminates upon listing of such Preferred Stock.





# WHY SEEK ALTERNATIVE TO TRADITIONAL FIXED INCOME?

PSEC Preferred Stock May Significantly Decrease Portfolio Volatility While Maintaining the Same Level of Return



Source: Company filings, management, and Bloomberg. High Yield Bond and Senior Secured Loan data from Barclays High Yield Bond Index and LSTA Leverage Loan Index, respectively, for the period of 6/30/2004 through 6/30/2024. PSEC Preferred Stock figures are illustrative for the Series A4 and M4 and use 1-Month LIBOR from 6/30/2004 through 12/31/2018 and then 1-Month SOFR from 3/31/2019 through 6/30/2024. 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.

Portfolio allocations:

- Traditional portfolio without preferred: 50% stocks, 25% high yield bonds and 25% leverage loans.
- Traditional portfolio with preferred: 50% stocks, 15% high yield bonds, 15% leveraged loans and 20% PSEC Preferred Stock.





## INCOME POTENTIAL

- ▶ **Preferred stockholders paid** before common stockholders<sup>(1)</sup>
- ▶ **Floating rate** cumulative annual distribution of **1-Month Term SOFR + 2.00%** – paid monthly<sup>(2)</sup>
  - ▶ **7.28% annualized** as of 8/27/2024
  - ▶ Minimum annualized dividend rate of **6.50%** and maximum annualized dividend rate of **8.00%**
- ▶ **Positioned** for well-covered dividend payments

Run Rate Preferred Dividend Coverage June 2024 Quarter <sup>(3)</sup> (\$000)	
Net Investment Income	\$102,922
Dividend Amount (Run Rate at Quarter End)	\$26,176
Preferred Dividend Coverage	<b>3.9x</b>

(1) Preferred shareholders are junior, however, to \$2.4 billion in debt, which is paid before preferred shareholders.

(2) Dividends are intended to be paid monthly as authorized by the Board of Directors. Annualized dividend rate based on 1-Month Term SOFR as of 8/23/2024. The minimum annualized dividend rate of the Series A4 / M4 is 6.50% and the maximum annualized dividend rate of the Series A4 / M4 is 8.00%.

(3) Net Investment Income for the quarter ended 6/30/2024 rounded. See "Disclaimers" slide herein for further information. Includes coverage of \$131 million Series A Preferred shares with a 5.35% dividend rate, \$772M of Series A1, A2, and M1 with a 5.5% dividend rate, \$704M of Series A3 and M3 with a 6.50% dividend rate, and \$129M of Series A4 and M4 with a floating dividend rate.





## ALIGNMENT WITH INVESTOR INTERESTS

### Aligned Interests

Management holds 26% of the common equity as of 6/30/2024

### Accountability

'33 Act, '34 Act, and '40 Act SEC regulatory filing and reporting requirements

### Voting

Preferred shareholders as a class always have right to elect two directors (majority of directors if preferred dividends are unpaid for 2 years) and to vote with common shareholders on all other matters

### Conservative BDC Leverage Limit

Regulatory leverage limit of 2:1 debt:equity ratio ensures prudent and protective debt/equity balance  
PSEC net-debt-to-total-equity of 0.45x as of 6/30/2024

**No fee impact** on stated value or dividend





## ISSUER PAYS UPFRONT FEES

- ▶ 100% of up-front fees and expenses paid by PSEC, not the preferred investor
- ▶ \$25 stable preferred stated value



# WHY PROSPECT CAPITAL CORPORATION

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# WHY INVEST IN PSEC?

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

**20-year history**

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

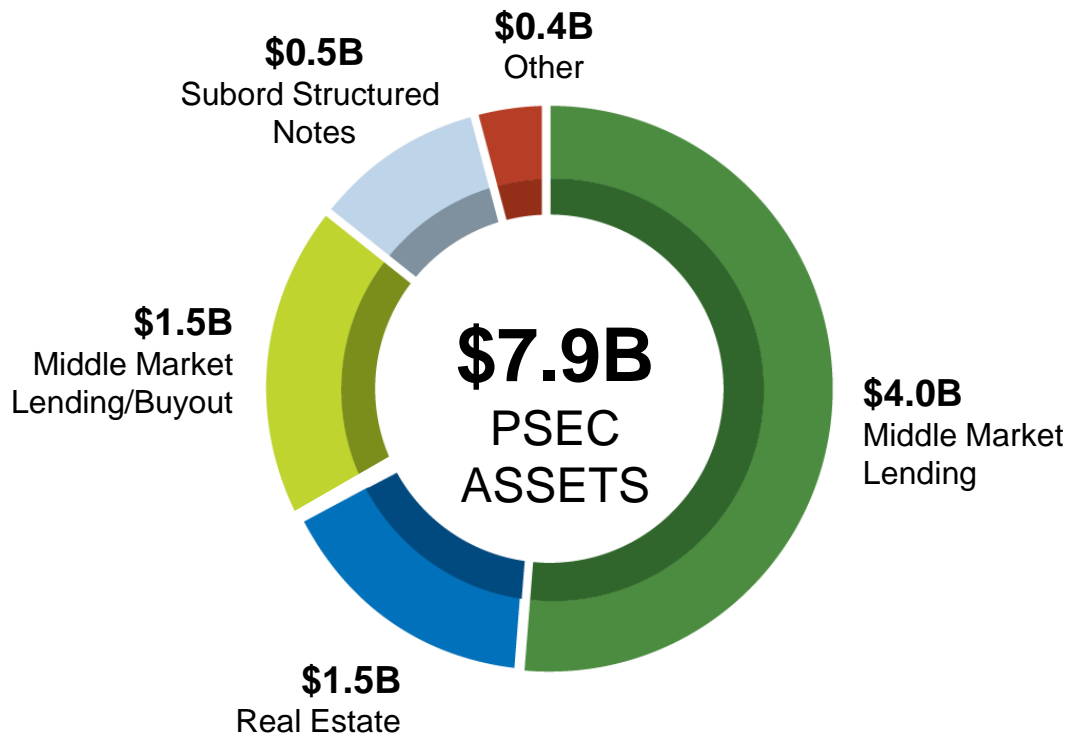


Large and  
Experienced Team



# PORTFOLIO DIVERSIFICATION – INVESTMENT STRATEGIES

## STRATEGY BREAKDOWN



**\$20.9B**

Invested Since 2004

**35**

Current Industries

**117**

Current Investments

**303**

Exited Investments



# 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.



# 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	0.39
PSEC Middle-Market Lending / Buyouts	0.19	1.00	-0.05	0.02	0.66
PSEC Subordinated Structured Notes	0.40	-0.05	1.00	0.02	0.51
PSEC Real Estate	-0.02	0.02	0.02	1.00	0.28
PSEC Portfolio	0.39	0.66	0.51	0.28	1.00
S&P 500	0.07	0.05	0.23	0.07	0.22
Barclays High Yield	0.18	0.04	0.32	0.03	0.18
Barclays U.S. Agg Total Return	0.06	0.06	-0.11	0.08	-0.04
LSTA Leveraged Loan Index	0.18	0.02	0.39	-0.03	0.18

Source: PSEC and Bloomberg.

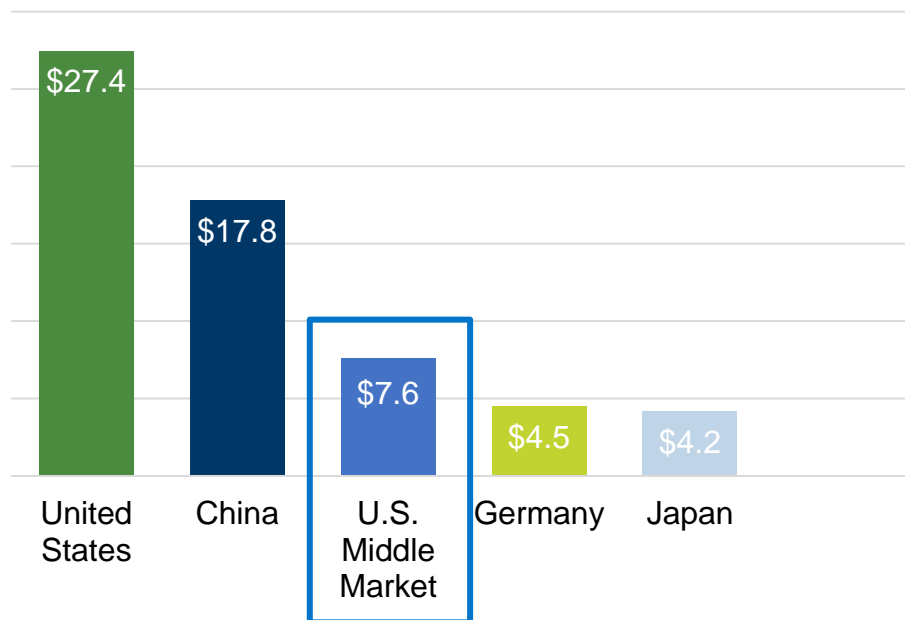


# WHY FOCUS ON MIDDLE MARKET LENDING?

## Size of Market

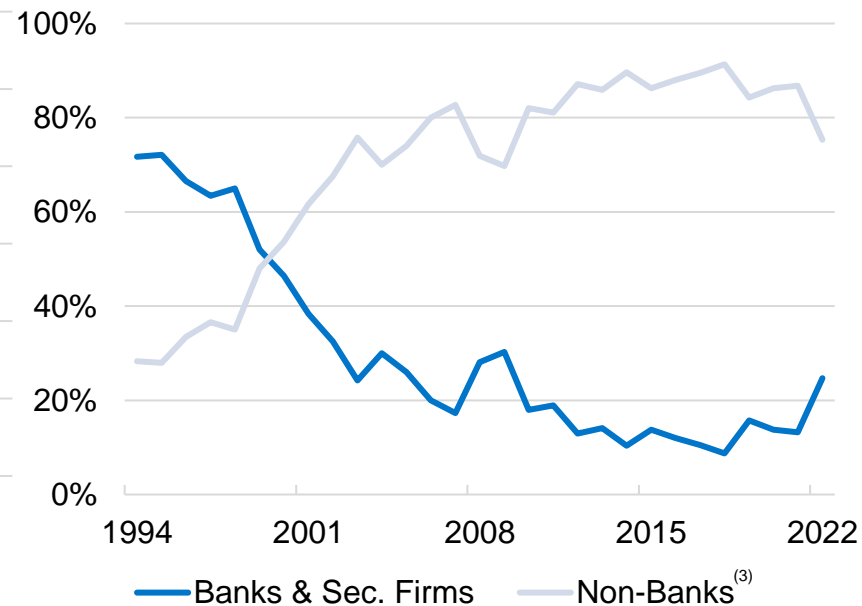
200,000 private businesses in U.S. make up roughly 33% of Private GDP<sup>(1)</sup>

Leading World Economies (\$TN)<sup>(1)</sup>



(1) Source: National Center for the Middle Market, US Bureau of Economic Analysis, and The World Bank as of December 31, 2023.

Corporate Term Loan Market Share<sup>(2)</sup>



Note: Financial data as of December 31, 2022.

(2) Source: S&P Capital IQ,

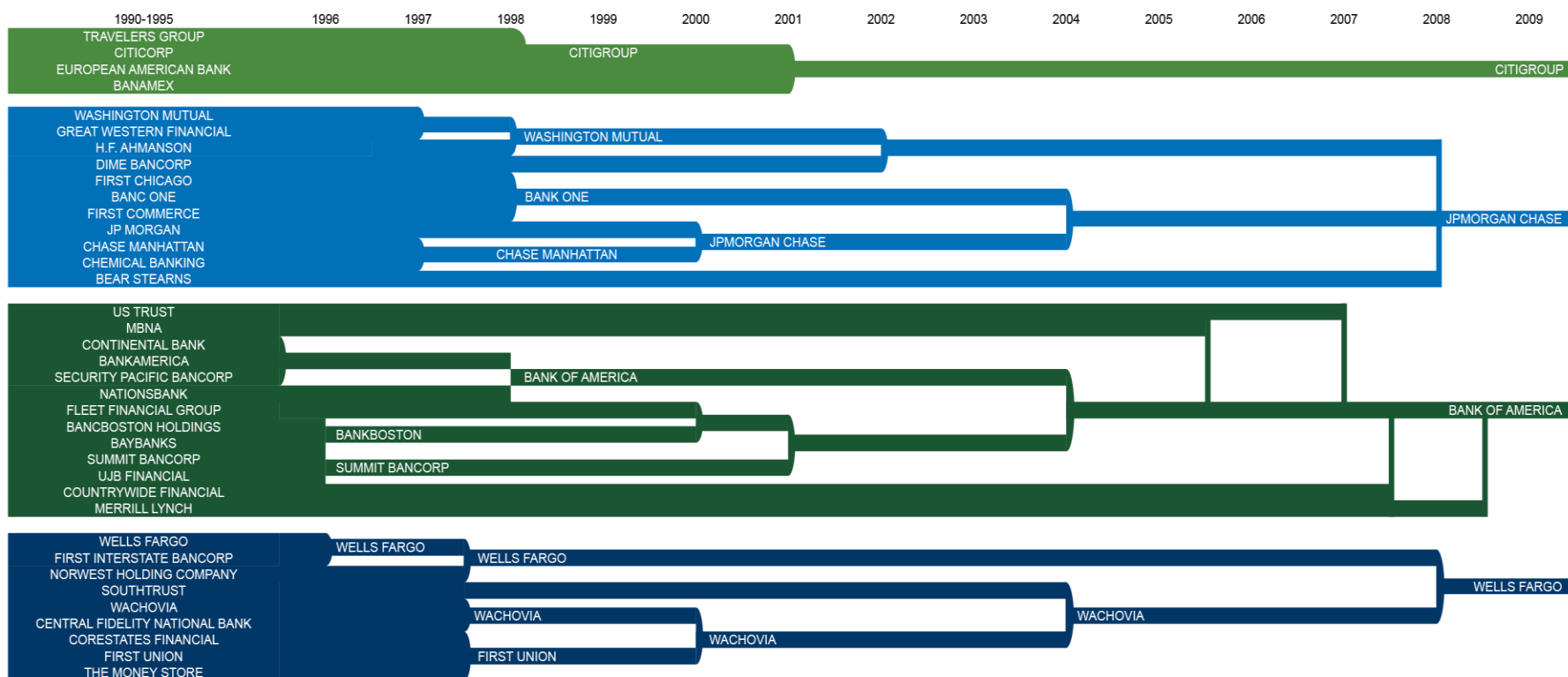
(3) Institutional investors and finance companies.



# 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 Preferred Stock?



# WHERE DOES THIS FIT IN YOUR PORTFOLIO?

## A Fixed Income Solution



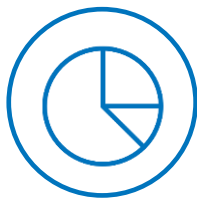
Consistent monthly  
income



\$25 Stated Value



Access to capital (subject to  
limitations)<sup>(1)</sup>



Improve portfolio  
diversification



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



Floating rate protection  
(subject to 6.50% minimum /  
8.00% maximum)

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



# OFFERING DETAILS

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# PSEC SERIES A4 & M4 PREFERRED STOCK OFFERING DETAILS

Offering Price

**\$25.00**

per share

Minimum Investment

**\$5,000**

Dividend

**1-Month Term**

**SOFR + 2.00%<sup>(1)</sup>**

7.28% annualized as of 8/27/2024  
paid monthly

6.50% minimum / 8.00% maximum  
annualized dividend rate

## 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 A4 and Series M4

## Fund Expenses

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

## Liquidity

Holder optional redemption (subject to investment period, early redemption fees and limitations, see prospectus)

## Voting Rights

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

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