



## COMPANY UPDATE / ESTIMATES CHANGE

### Key Metrics

TCAP - NASDAQ (as of 02/28/17)	\$19.35
Price Target	NA
52-Week Range	\$21.35-\$16.00
Shares Outstanding (mm)	47.6
Market Cap. (\$mm)	\$922
3-Mo. Average Daily Volume (000)	268.8
Institutional Ownership	30.8%
Debt / Equity	87.6%
Return on Common Equity	6.2%
Net Asset Value per Share	\$15.33
Price/Net Asset Value per Share	126.2%
Dividend Yield	9.3%
Price/LTM Earnings	20.6x

### Net Investment Income per Share

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.29	\$0.44	\$0.42		\$0.47
2Q	\$0.49	\$0.46	\$0.40		\$0.47
3Q	\$0.42	\$0.49	\$0.44		\$0.49
4Q	\$0.42	\$0.52	\$0.47		\$0.51
Year	\$1.61	\$1.91	\$1.74		\$1.94
P/NI	12.0x		11.1x		10.0x

### Net Asset Value per Share

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$15.02	\$15.13	\$15.61		\$15.70
2Q	\$14.82	\$15.40	\$15.65		\$15.73
3Q	\$15.33	\$15.20	\$15.65		\$15.78
4Q	\$15.13	\$15.28	\$15.67		\$15.84

**Company Description:** Triangle Capital Corporation is a business development company focusing on the lower middle market. The company typically makes debt and equity investments of \$5 million - \$35 million per transaction in established companies with annual revenues between \$20 million and \$200 million and EBITDA between \$3 million and \$35 million. Its investment objective is to seek attractive returns by generating current income from debt investments and capital appreciation from equity-related investments.

## Triangle Capital Corporation

TCAP -- NASDAQ – Neutral – 3

### Announces Common Stock Offering – Reaffirming Neutral Rating

- Triangle Capital commenced a public offering of 7,000,000 shares of its common stock that was priced at \$19.50 per share. Net proceeds from the offering, after deducting underwriting discounts and offering expenses, are expected to be approximately \$132 million.
- The underwriters have a 30-day option to purchase up to 1,050,000 additional common shares.
- The offering reinforces our belief that TCAP has a robust pipeline for new investments since we do not think management would have initiated the offering unless it was confident the proceeds could be fully invested within six months.
- We are reducing our 2017 net investment income per share estimate by \$0.17 to \$1.74 reflecting the dilutive impact of the offering. We are establishing our initial 2018 estimate at \$1.94.
- We reaffirm our Neutral rating. TCAP has recognized net realized and unrealized losses 10 out of the last 12 quarters. While an improving economy should help stem such losses and we are encouraged by the company's robust investment activity, considerable uncertainties exist regarding the economic outlook.

**Note Important Disclosures on pages 4-5**  
**Note Analyst Certification on page 4**

**SUITABILITY**

Our suitability rating on TCAP is 3 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity, trading volume and diversity of revenues.

**RISKS AND CONSIDERATIONS**

Triangle Capital is exposed to various risks including:

- **Economic Risk** – A widespread economic downturn could weaken the credit quality of TCAP's portfolio companies which could lead to higher than expected write downs and limit future growth opportunities in the small and medium sized companies TCAP invests in.
- **Interest Rate Risk** – Under a rising rate environment, TCAP's strong dividend yield may lose appeal and lead to lower demand for the stock.
- **Investment Criteria Risk** - Failure to invest in securities that will support the dividend and future growth of TCAP could eventually lead to dividend cuts.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.

**GLOSSARY**

**Regulated Investment Company (RIC):** As regarded by the Internal Revenue Service. By following a few requirements, the most important of which is paying out at least 90% of taxable income (ordinary income plus short-term capital gains), the company does not pay federal income tax. This *avoids double taxation*. A typical company distributes common dividends out of net income (after-tax). Taxes are paid again by the shareholder upon receipt of a dividend. Sometimes a RIC will report income taxes paid. Any amount of taxable income greater than 90% but less than 98% not paid to shareholders is subject to a 4% excise tax and a 35% rate on any taxable income retained. There may be some instances where it is in the RIC's best interest to retain income in spite of paying the taxes.

**Business Development Company (BDC):** Structure provided in the Investment Company Act of 1940. Basic requirements: 1) Qualifying assets – 70% of total assets must be small private U.S. companies. 2) Asset coverage – assets must cover the company's borrowings by at least 200% or debt to equity cannot exceed 1. 3) Significant managerial assistance – BDCs must offer to provide guidance to its portfolio companies.

**Non-Diversified Company:** May have investments exceeding 5% of total assets or an equity interest in a company exceeding 10%.

	TRIANGLE CAPITAL CORPORATION										TCAP:NEUTRAL					
	1Q16A	2Q16A	3Q16A	4Q16A	1Q17E	2Q17E	3Q17E	4Q17E	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	YOY Change			
<b>\$ Thousands, Except for Per Share Data</b>																
<b>Statement of Operations:</b>																
Investment Income:																
Interest & Dividends	24,585	25,588	25,262	29,511	28,053	29,595	31,863	33,630	108,217	104,946	123,141	140,369	-3.0%	17.3%	14.0%	
Other Interest	37	55	135	121	215	176	117	117	225	348	724	837	54.7%	108.0%	15.6%	
Noninterest Income	2,034	2,779	2,015	1,558	2,500	2,500	2,500	2,500	12,845	8,386	10,000	11,000	-34.7%	19.2%	10.0%	
Total Investment Income	26,656	28,422	27,412	31,190	30,768	32,311	34,539	36,247	121,287	113,680	133,865	152,205	-6.3%	17.8%	13.7%	
Expenses:																
Interest & Other Financing Fees	6,519	6,765	6,758	6,679	6,749	6,565	6,611	6,611	26,754	26,721	26,527	27,934	-0.1%	-0.7%	5.3%	
General & Administrative Expenses	10,539	5,318	4,823	7,402	5,970	6,176	6,866	6,861	22,904	28,082	25,543	29,680	22.6%	-9.0%	16.2%	
Total Expenses	17,058	12,083	11,581	14,081	12,711	12,741	13,477	13,472	49,658	54,803	52,070	57,614	10.4%	-5.0%	-94.6%	
Net Investment Income	9,598	16,339	15,831	17,109	18,049	19,580	21,391	22,775	71,629	58,877	81,795	94,592	-17.8%	38.9%	15.6%	
Realized & Unrealized Gains (Losses):																
Total Net Realized Gain/(Loss) on Sale	586	3,937	(11,211)	8,673	-	-	-	-	(27,489)	1,985	-	-	-	-107.2%	-100.0%	#DIV/0!
Net Unrealized (Depreciation) / Appreciation	2,232	(13,589)	3,224	(18,037)	-	-	-	-	5,496	(26,170)	-	-	-	-576.2%	-100.0%	#DIV/0!
Net Gains/(Losses)	2,818	(9,652)	(7,987)	(9,364)	-	-	-	-	(21,993)	(24,185)	-	-	-	10.0%	-100.0%	#DIV/0!
Benefit (Provision) for Taxes	11	-	36	(482)	-	-	-	-	(384)	(435)	-	-	-	13.3%	-100.0%	#DIV/0!
Loss on Extinguishment of Debt	-	-	-	-	-	-	-	-	(1,394)	-	-	-	-	-100.0%	-100.0%	#DIV/0!
Net Dec./Inc. in Net Assets from Operations	12,427	6,687	7,880	7,262	18,049	19,580	21,391	22,775	47,858	34,256	81,795	94,592	-28.4%	138.8%	15.6%	
<b>Performance Ratios:</b>																
Yield on Investments @ Cost	10.01%	10.62%	10.26%	11.27%	10.20%	10.20%	10.20%	10.20%	11.41%	10.54%	10.20%	10.33%	-7.6%	-3.2%	1.2%	
Yield on Total Earning Assets @ Cost	9.47%	9.70%	8.97%	9.99%	9.23%	9.27%	9.61%	9.79%	10.47%	9.53%	9.47%	9.84%	-9.0%	-0.6%	3.8%	
Interest Expense / Avg. Borrowings	5.15%	5.12%	5.08%	5.14%	5.36%	5.44%	5.19%	4.77%	5.61%	5.12%	5.19%	18.35%	-8.6%	1.4%	253.2%	
Efficiency Ratio	18.90%	18.71%	17.59%	23.73%	19.40%	19.11%	18.93%	18.93%	18.88%	24.70%	19.08%	0.00%	30.8%	-22.8%	-100.0%	
SGA/Avg. Investments @ Cost	4.42%	2.29%	2.04%	2.97%	2.29%	2.24%	2.18%	2.18%	2.20%	2.94%	2.23%	0.00%	17.4%	-24.2%	-100.0%	
ROA	1.22%	0.62%	0.70%	0.63%	6.00%	6.03%	6.26%	6.49%	4.60%	5.08%	6.07%	6.29%	10.3%	19.6%	3.6%	
ROE	2.46%	1.34%	1.27%	1.19%	6.71%	8.18%	9.50%	11.26%	9.41%	5.61%	10.73%	12.19%	-40.5%	91.5%	13.6%	
<b>Balance Sheet:</b>																
<b>Assets:</b>																
Total Investments At Cost	967,401	970,953	987,330	1,096,932	1,133,858	1,193,661	1,285,026	1,331,137	1,007,349	1,096,932	1,331,137	1,487,928	8.9%	21.4%	11.8%	
Total Investments At Fair Value	939,976	930,823	947,732	1,037,907	1,074,833	1,134,637	1,226,001	1,272,112	1,077,277	1,037,907	1,272,112	1,428,903	6.2%	22.6%	12.3%	
Cash & Cash Equivalents	64,163	124,930	168,337	107,088	146,869	105,318	60,000	60,000	52,615	107,088	60,000	60,000	103.5%	-44.0%	0.0%	
Other Assets	12,029	14,542	11,676	14,655	14,655	14,655	14,655	14,655	9,425	14,655	14,655	14,655	55.5%	0.0%	0.0%	
Total Assets	1,016,168	1,070,295	1,127,745	1,159,651	1,236,358	1,254,610	1,300,656	1,346,768	1,039,317	1,159,651	1,346,768	1,503,559	11.6%	16.1%	11.6%	
<b>Liabilities &amp; Shareholders' Equity:</b>																
Borrowings Under Credit Facility	128,109	152,070	91,428	127,012	75,001	75,001	75,001	75,001	131,257	127,012	75,001	203,344	-3.2%	-40.9%	171.1%	
Notes	162,292	162,444	162,599	162,755	162,755	162,755	162,755	162,755	162,142	162,755	162,755	162,755	0.4%	0.0%	0.0%	
SBA-Guaranteed Debentures	213,070	244,938	245,163	245,389	245,389	245,389	290,115	333,545	220,649	245,389	333,545	348,000	11.2%	35.9%	4.3%	
Total Borrowings	503,471	559,452	499,190	535,156	483,145	483,145	527,871	571,301	514,048	535,156	571,301	714,099	4.1%	6.8%	25.0%	
Other Liabilities	8,349	12,592	9,200	13,339	13,339	13,339	13,339	13,339	16,902	13,339	13,339	13,339	-21.1%	0.0%	0.0%	
Total Liabilities	511,820	572,044	508,390	548,494	496,483	496,483	541,209	584,639	530,950	548,494	584,639	727,437	3.3%	6.6%	24.4%	
Shareholders' Equity (Net Assets)	504,348	498,251	619,355	611,156	739,874	758,127	759,447	762,128	508,367	611,156	762,128	776,121	20.2%	24.7%	1.8%	
Total Liabilities & Shareholders' Equity	1,016,168	1,070,295	1,127,745	1,159,651	1,236,358	1,254,610	1,300,656	1,346,768	1,039,317	1,159,651	1,346,768	1,503,559	11.6%	16.1%	11.6%	
<b>Balance Sheet Statistics:</b>																
Assets/Equity	2.01x	2.15x	1.82x	1.90x	1.67x	1.65x	1.71x	1.77x	2.04x	1.90x	1.77x	1.94x	-7.2%	-6.9%	9.6%	
Total Debt to Equity	99.83%	112.28%	80.60%	87.56%	65.30%	63.73%	69.51%	74.96%	101.12%	87.56%	74.96%	92.01%	-13.4%	-14.4%	22.7%	
Total Debt to Equity Ex SBA Debt	57.59%	63.12%	41.01%	47.41%	32.13%	31.36%	31.31%	31.20%	57.71%	47.41%	31.20%	84.28%	-17.8%	-34.2%	170.2%	
<b>Share &amp; Per Share Data:</b>																
Common Shares Outstanding (000)	33,576	33,630	40,405	40,401	47,401	48,451	48,541	48,631	33,375	40,401	48,631	48,991	21.1%	20.4%	0.7%	
Average Diluted Shares (000)	33,480	33,585	38,115	40,403	42,734	48,451	48,496	48,586	33,234	36,405	47,067	48,811	9.5%	29.3%	3.7%	
Regular Dividends	0.54	0.00	0.45	0.45	0.00	0.45	0.45	0.45	2.16	1.89	1.80	1.80	-12.5%	-4.8%	0.0%	
Supplemental Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	-100.0%	0.0%	NA	
Payout Ratio (Net Investment Income)	188%	92%	108%	106%	107%	111%	102%	96%	109%	117%	104%	93%	6.5%	-11.1%	-10.4%	
Net Investment Income Per Share	0.29	0.49	0.42	0.42	0.42	0.40	0.44	0.47	2.16	1.62	1.74	1.94	-24.8%	7.2%	11.6%	
Earnings Per Share	0.37	0.20	0.21	0.18	0.42	0.40	0.44	0.47	1.44	0.94	1.74	1.94	6.5%	-11.1%	-10.4%	
Net Asset Value Per Share	15.02	14.82	15.33	15.13	15.61	15.65	15.85	15.67	15.23	15.13	15.67	15.84	-0.7%	3.6%	1.1%	

Source: Company reports and Hilliard Lyons estimates.

*Additional information is available upon request.*

### **Analyst Certification**

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

### **Important Disclosures**

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Hilliard Lyons has participated in a selling group for an offering of securities of Triangle Capital Corporation in the past 12 months.

Hilliard Lyons has received investment banking compensation from Triangle Capital Corporation in the past 12 months.

Hilliard Lyons acted as a manager or co-manager of an offering of securities of Triangle Capital Corporation in the past 12 months.

Hilliard Lyons expects to receive investment banking compensation from Triangle Capital Corporation in the next 3 months.

### **Investment Ratings**

**Buy** - We believe the stock has significant total return potential in the coming 12 months.

**Long-term Buy** - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

**Neutral** - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

**Underperform** - We believe the stock is vulnerable to a price set back in the next 12 months.

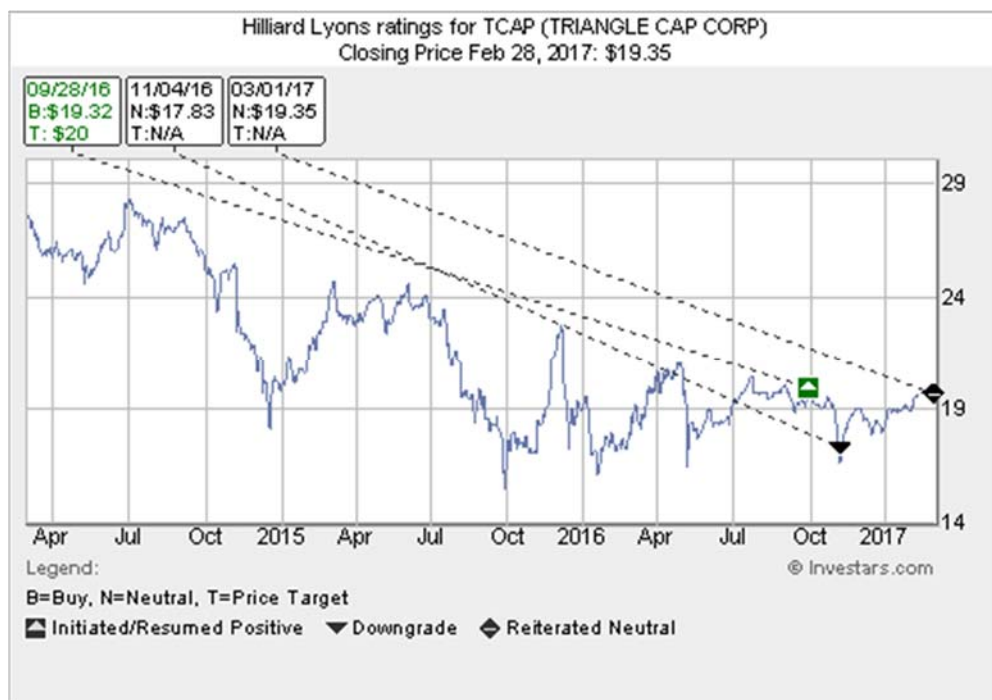
### **Suitability Ratings**

**1** - A large cap, core holding with a solid history

**2** - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

**3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

**4** - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
<b>Rating</b>				
<b>Buy</b>	36	30%	17%	83%
<b>Hold/Neutral</b>	76	62%	7%	93%
<b>Sell</b>	10	8%	0%	100%

*As of 6 February 2017*

**Other Disclosures**

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