



COMPANY UPDATE / COVERAGE DROPPED

Key Metrics

TCAP - NASDAQ (as of 11/01/17)	\$12.25
Price Target	NA
52-Week Range	\$20.35-\$12.18
Shares Outstanding (mm)	47.7
Market Cap. (\$mm)	\$585
3-Mo. Average Daily Volume (000)	470.7
Institutional Ownership	30.2%
Debt / Equity	75.5%
Return on Common Equity	3.2%
Net Asset Value per Share	\$15.33
Price/Net Asset Value per Share	79.9%
Dividend Yield	14.7%
Price/LTM Earnings	23.6x

Net Investment Income Per Share

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.29		\$0.42	A	
2Q	\$0.49		\$0.41	A	
3Q	\$0.42		\$0.36	A	
4Q	\$0.42				
Year	\$1.61				
P/NII	7.6x				

Net Asset Value per Share

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$15.02		\$ 15.29	A	
2Q	\$14.82		\$ 14.83	A	
3Q	\$15.33		\$ 13.20	A	
4Q	\$15.13				

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 - \$50 million per transaction in established companies with annual revenues between \$20 million and \$300 million and EBITDA between \$3 million and \$75 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 – Not Rated

Credit Quality Implodes; Dividend Slashed; Exploring Strategic Options; Withdrawing Coverage

- **Earnings Update:** TCAP reported 3Q17 net investment income of \$0.36 per share, which was \$0.06 below our estimate and the Street consensus.
- **Operating Highlights:** Total investment income decreased 4.2% linked-quarter (LQ) to \$29.9 million on a 9.5% plunge in interest & dividends on investments. Noninterest income, which tends to fluctuate, rose \$1.5 million to \$2.7 million. We had projected total investment income of \$33.5 million.

Net investment income fell \$2.2 million to \$19.4 million LQ driven by the decline in total investment income and a \$0.9 million rise in total operating expenses to \$12.7 million.

The company incurred credit losses of \$74.6 million during the quarter consisting of \$65.8 million of unrealized depreciation and \$8.8 million of realized losses.

Net asset value per share slipped \$1.63 sequentially to \$13.20 due to the credit losses.

The credit losses also triggered negative EPS of \$1.20.

TCAP cut its Q4 dividend by \$0.15 to \$0.30 versus our estimate of \$0.38.

The company announced it is exploring its strategic options, including the potential sale of certain investments and partnering with another organization.

- **Dropping Coverage:** We are discontinuing coverage of TCAP. Given the highly speculative nature of the stock, we are electing to focus our attention on other areas.
- Our prior rating of Long-term Buy as well as our prior estimates, suitability rating and price target should not be relied upon going forward.

Note Important Disclosures on pages 3-4
Note Analyst Certification on page 4

OTHER KEY TAKEAWAYS

- The credit quality issues experienced by TCAP in 3Q17 continued to be associated with legacy investments originated before the company restructured its investment approval and underwriting processes in early 2016.
- The sharp sequential reduction in interest & dividend income was largely attributable to a \$2.1 million decline in income associated with nonaccrual investments.
- Eleven portfolio companies were on full nonaccrual status at quarter-end with an aggregate cost basis of \$165.7 million, which comprised 13.4% of the total cost of TCAP's investment portfolio.
- At June 30, 2017, the company had five companies on full nonaccrual with a cost basis of \$67.5 million (5.4% of total investments at cost) and \$26.6 million (2.1% of total investments at cost) on nonaccrual with respect to only payment-in-kind interest.
- In September 2017, Triangle received an additional commitment in its credit facility of \$15 million, resulting in an increase in total commitments to \$480 million.
- New investments during the quarter were \$140.5 million, up from \$89.5 million in Q2. We had modeled \$150 million in new investments.
- The company made one new investment subsequent to quarter-end consisting of \$32.5 million in senior debt.

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%.

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 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.

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.

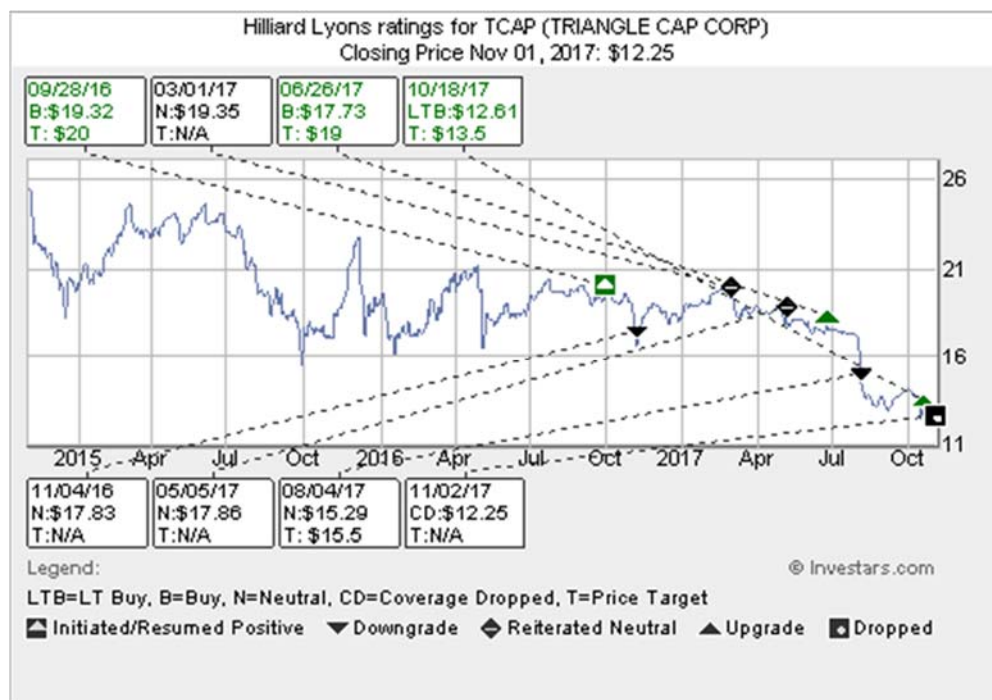
Suitability Ratings

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.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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