

**FSK** | FS KKR Capital Corp.

# **FS KKR Capital Corp.**

Financial Information

Quarter Ended September 30, 2022

All information is as of September 30, 2022 unless otherwise noted

# Summary of Quarterly Results

## Third Quarter Performance

- Net investment income (NII) for the quarter ended September 30, 2022 was \$216 million, or \$0.76 per share, as compared to \$203 million, or \$0.71 per share, for the quarter ended June 30, 2022.
- Adjusted net investment income (Adjusted NII) for the quarter ended September 30, 2022 was \$205 million, or \$0.73 per share, as compared to \$190 million, or \$0.67 per share, for the quarter ended June 30, 2022<sup>(1)</sup>.
- Net asset value (NAV) per share as of September 30, 2022 was \$25.30, compared to \$26.41 as of June 30, 2022.
- New investment fundings in the third quarter were approximately \$907 million. Net investment activity in the third quarter was \$256 million, including \$300 million of sales to Credit Opportunities Partners JV, LLC (COPJV).

## Distribution/Dividend

- Paid a total distribution of \$0.67 per share for the third quarter of 2022.
- Declared a total distribution of \$0.68 per share for the fourth quarter of 2022, which consists of a base distribution amount of \$0.61 per share and a supplemental distribution amount of \$0.07 per share.
- For the quarter ended September 30, 2022, the Adjusted NII / Dividend coverage ratio was 107%<sup>(2)</sup>.
- Annualized dividend yield on market value of common stock was 14.0% as of November 4, 2022<sup>(3)</sup>.

## Portfolio Diversification

- Diversified portfolio with 195 portfolio companies spread across 22 industries.
- Exposure to the top ten largest portfolio companies by fair value was 19% as of September 30, 2022.

## Capital Structure

- 52% of our drawn leverage was unsecured as of September 30, 2022 and our weighted average effective rate on borrowings was 4.21%.
- \$2.75 billion of liquidity in undrawn debt, cash, and unsettled trades.

1. See the Appendix for a reconciliation between NII and Adjusted NII.

2. Based on the total declared fourth quarter distribution of \$0.68 per share.

3. Based on the total declared fourth quarter distribution of \$0.68 per share annualized as a percentage of FSK's closing market price as of November 4, 2022.

# Financial Results

(Dollar amounts in millions, except per share data)

	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
NII per share	\$0.71	\$0.66	\$0.77	\$0.71	\$0.76
Adjusted NII per share <sup>(1)</sup>	\$0.64	\$0.65	\$0.72	\$0.67	\$0.73
Net realized and unrealized gains (losses) per share	\$0.24	(\$0.02)	\$0.02	(\$0.96)	(\$1.21)
Adjusted net realized and unrealized gains (losses) per share	\$0.31	\$0.03	\$0.07	(\$0.92)	(\$1.17)
Net increase (decrease) in net assets resulting from operations (earnings per share)	\$0.95	\$0.64	\$0.79	(\$0.26)	(\$0.45)
Total stockholder distributions declared per share	\$0.62	\$0.63	\$0.68	\$0.67	\$0.68
Net asset value per share at period end	\$27.14	\$27.17	\$27.33	\$26.41	\$25.30
Weighted average shares outstanding (in millions)	285.1	284.9	284.3	283.9	283.2
Shares outstanding, end of period (in millions)	285.1	284.5	284.1	283.5	283.0
Total investments at fair value	\$15,824	\$16,101	\$16,554	\$16,178	\$15,792
Total assets	\$16,620	\$17,228	\$17,985	\$17,189	\$16,716
Cash <sup>(2)</sup>	\$241	\$377	\$369	\$269	\$266
Total debt <sup>(3)</sup>	\$8,511	\$9,179	\$9,879	\$9,347	\$9,176
Debt-to-equity, Net <sup>(4)</sup>	1.03x	1.07x	1.12x	1.15x	1.19x
Adjusted NII / total stockholder distributions declared	103%	103%	106%	100%	107%

1. See the Appendix for a reconciliation between NII and Adjusted NII.

2. Includes cash, restricted cash, and cash denominated in foreign currency.

3. Principal amount outstanding.

4. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.

# Portfolio Highlights

<i>(Dollar amounts in millions)</i>	As of and for Three Months Ended				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
<b>Investment at Fair Value:</b>					
First Lien Senior Secured Loans	61.2%	60.7%	59.9%	61.9%	61.9%
Second Lien Senior Secured Loans	10.6%	9.7%	8.6%	8.0%	7.9%
Other Senior Secured Debt	0.9%	0.7%	0.7%	0.7%	0.7%
Subordinated Debt	0.6%	0.7%	0.5%	0.5%	1.6%
Asset Based Finance	12.6%	13.9%	13.2%	13.1%	11.6%
Credit Opportunities Partners JV, LLC	8.8%	8.7%	8.9%	9.3%	9.3%
Preferred Equity <sup>(1)</sup>	2.4%	2.6%	4.2%	3.9%	4.7%
Equity/Other	2.9%	3.0%	4.0%	2.6%	2.3%
<b>Total Investments</b>	<b>\$15,824</b>	<b>\$16,101</b>	<b>\$16,554</b>	<b>\$16,178</b>	<b>\$15,792</b>
Number of portfolio companies <sup>(2)</sup>	190	189	193	192	195
<b>Interest Rate Type:<sup>(3)</sup></b>					
% Floating Rate	88.1%	87.2%	87.1%	87.4%	89.1%
% Fixed Rate	11.9%	12.8%	12.9%	12.6%	10.9%
<b>Net Interest Margin:</b>					
Weighted average annual yield on accruing debt investments <sup>(4)</sup>	8.1%	8.4%	8.3%	9.2%	10.4%
Weighted average interest rate on borrowings <sup>(5)</sup>	3.2%	3.0%	3.1%	3.5%	4.2%

1. Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.

2. Does not look through to FSK's portfolio companies held solely in COPJV. COPJV is a joint venture between FSK and South Carolina Retirement Systems Group Trust (SCRS).

3. Represents interest rates on debt investments (see FSK's Quarterly Report on Form 10-Q for the definition of debt investments) at US\$ fair value. Floating Rate includes variable interest rates on Asset Based Finance investments that can change quarter to quarter.

4. Excludes the impact of the Merger. Excluding the impact of the Merger, FSK's weighted average annual yield on all debt investments was 9.7% as of September 30, 2022. See FSK's Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments and weighted average annual yield on all debt investments. On a GAAP basis, FSK's weighted average annual yield was 11.1% on accruing debt investments and 10.3% on all debt investments as of September 30, 2022.

5. Includes the effect of non-usage fees.

# FSK Investment Portfolio Overview

**195**

portfolio companies<sup>(1)</sup>

**19%**

FV in top-10 portfolio companies<sup>(2)</sup>

**71%**

of investments in senior secured debt<sup>(2)</sup>

**\$99mm / 6.0x**

median portfolio company EBITDA & leverage<sup>(3)</sup>

**89%**

of debt investments are floating rate<sup>(4)</sup>

**10.4%**

wtd. avg. annual yield on accruing debt investments<sup>(5)</sup>

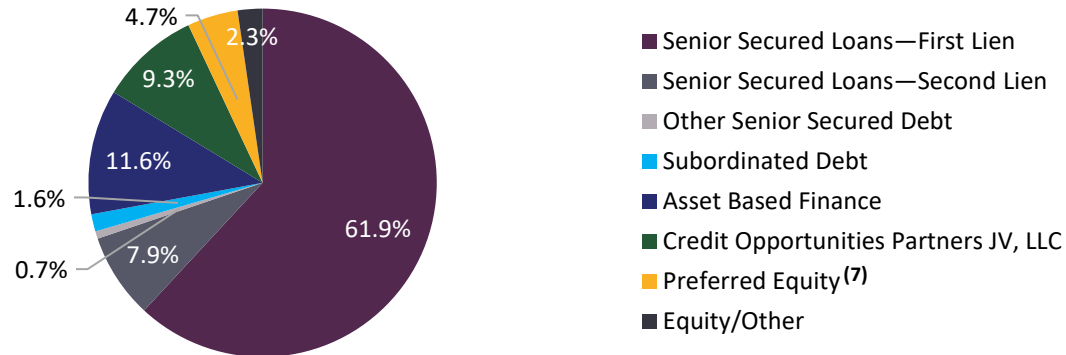
**2.5%**

non-accrual rate at FV

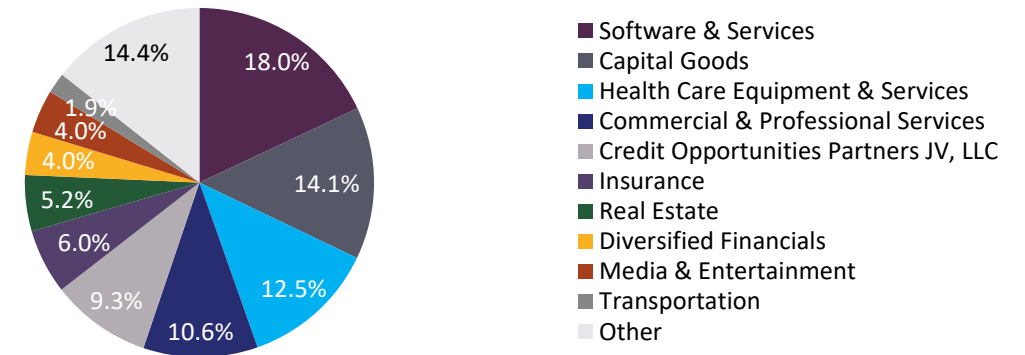
**~80%**

lead, co-lead, or sole origination<sup>(6)</sup>

## Security Exposure (by fair value)



## Sector Exposure (by fair value)

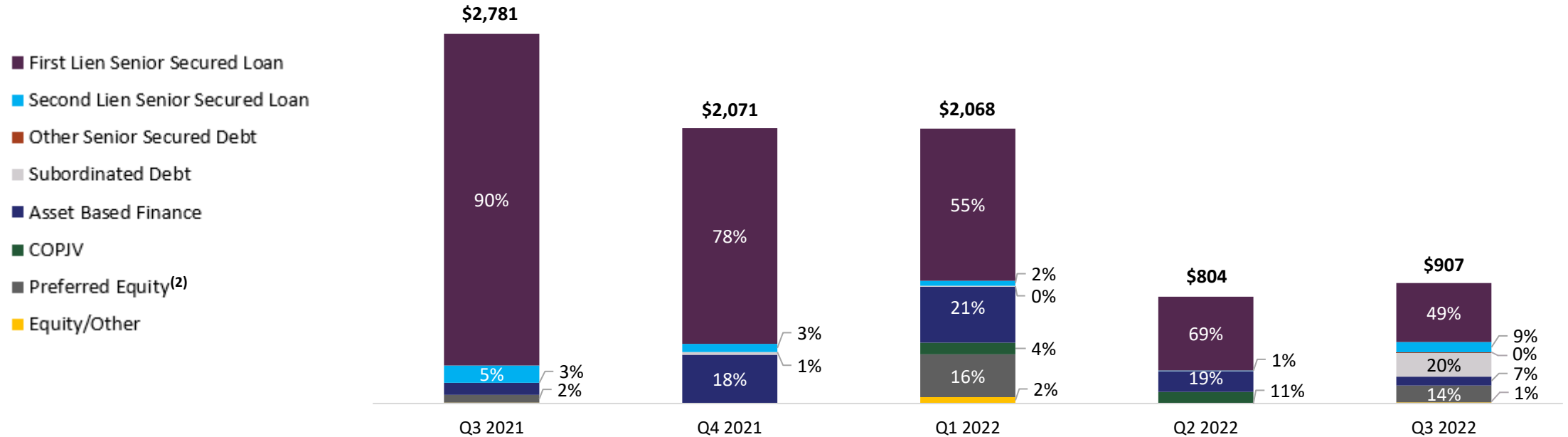


**Total Investment Portfolio at Fair Value: \$15.8bn**

- Does not look through to FSK's portfolio companies held solely in COPJV.
- Figure excludes the impact of FSK's investment in COPJV.
- Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded.
- See FSK's Quarterly Report on Form 10-Q for its definition of debt investments.
- Excludes the impact of the Merger. See FSK's Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments. On a GAAP basis, FSK's weighted average annual yield on accruing debt investments was 11.1% as of September 30, 2022.
- Figure based on fair value of Direct Origination investments only. KKR & BDC accounts' participation, KKR Capital Markets' involvement, and deal teams leading the negotiations/structuring are all considered when determining the Origination Role.
- Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.

# Quarterly Investment Activity

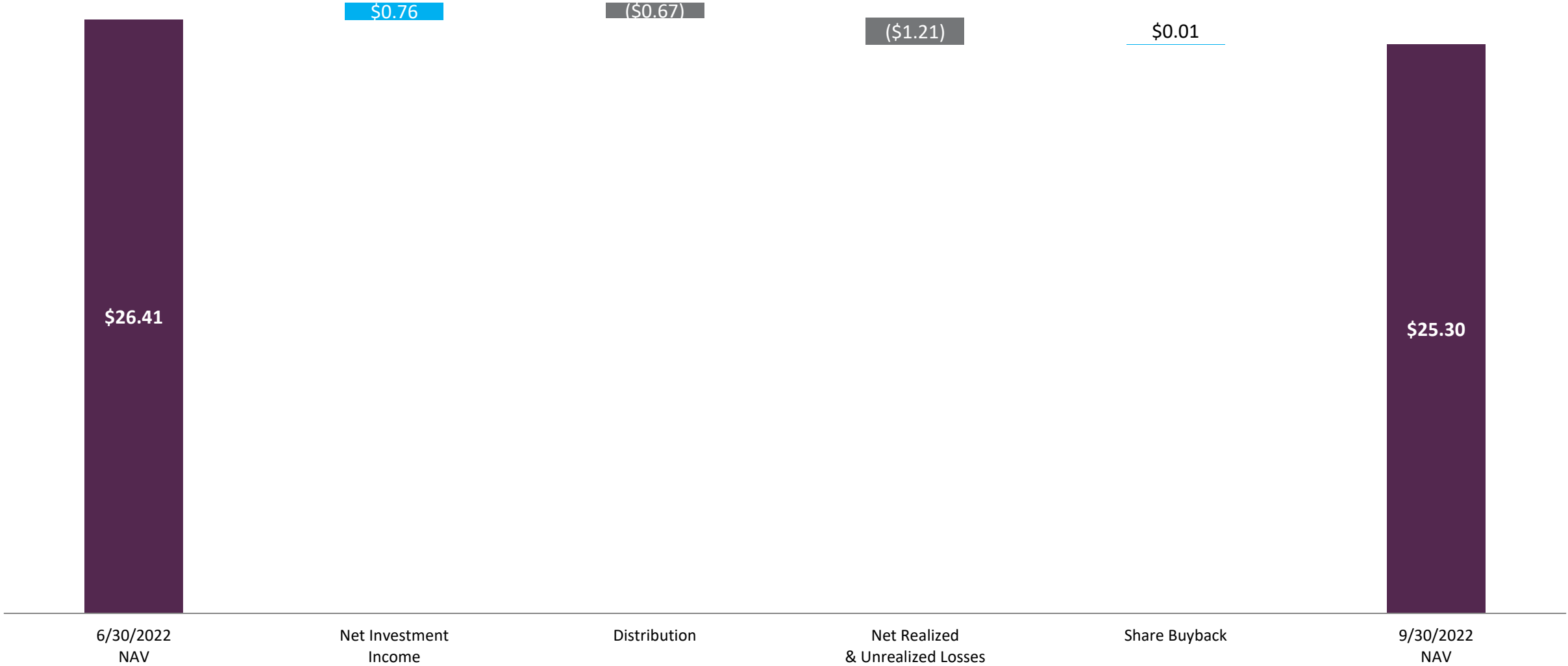
## Asset Mix of New Purchases<sup>(1)</sup>



Portfolio Roll (\$ in millions)	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
Investment Purchases	\$2,781	\$2,071	\$2,068	\$804	\$907
Sales and Redemptions <sup>(3)</sup>	(1,806)	(1,855)	(1,673)	(906)	(951)
<b>Net Investment Activity</b>	<b>\$975</b>	<b>\$216</b>	<b>\$395</b>	<b>(\$102)</b>	<b>(\$44)</b>
Net Sales to COPJV	364	1,005	554	87	300
<b>Adjusted Net Investment Activity</b>	<b>\$1,339</b>	<b>\$1,221</b>	<b>\$949</b>	<b>(\$15)</b>	<b>\$256</b>

1. Any amount less than 0.5% is reflected as zero.
2. Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.
3. Includes net sales to COPJV.

# Net Asset Value Bridge



Note: Per share data derived using the weighted average shares outstanding during the period, except NAV per share, which is based on shares outstanding at the end of the period. Numbers may not sum due to rounding.

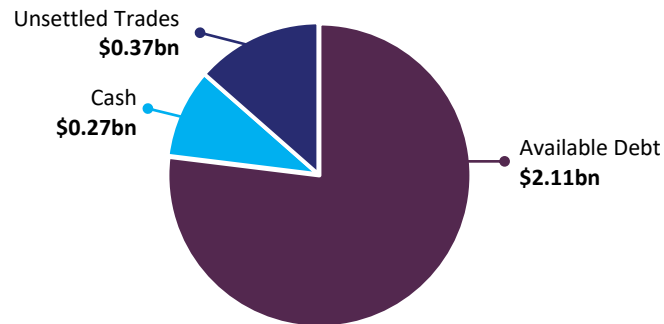
# Capital Structure: Overview

## Key Highlights

- 1.19x Net Debt-to-Equity as of September 30, 2022, compared to 1.15x as of June 30, 2022<sup>(1)</sup>
- 4.21% weighted average effective rate on borrowings as of September 30, 2022, compared to 3.51% as of June 30, 2022<sup>(2)</sup>
- Rated Investment Grade by Moody's (Baa3) Stable, Fitch (BBB-) Stable & Kroll (BBB) Stable
- 52% of drawn leverage is unsecured as of September 30, 2022

## Liquidity Analysis

9/30/2022 Liquidity: \$2.75bn

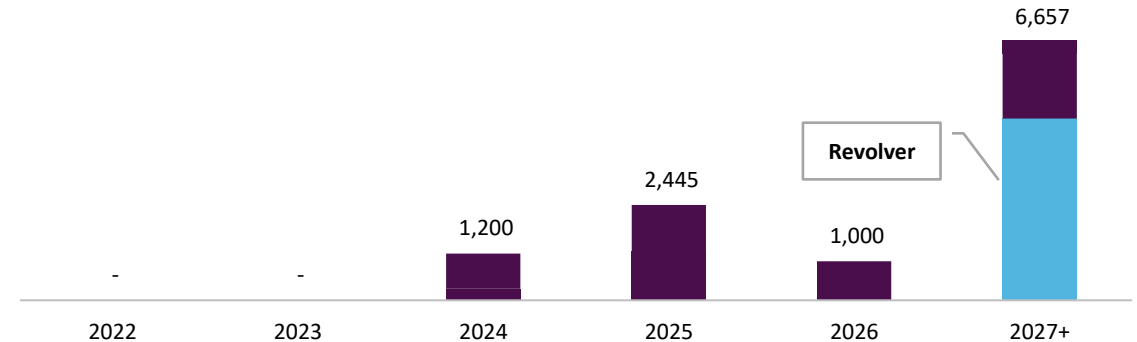


## Capital Structure Overview

Funding Source	Committed	Outstanding	Undrawn	Maturity	Wtd. Avg. Rate
Senior Secured Revolver due 2027	4,655	2,665	1,978 <sup>(3)</sup>	5/17/2027	S+1.75% - 1.88%
Additional Bilateral Facilities	1,550	1,414	136	Various	Various
<b>Total Secured</b>	<b>6,205</b>	<b>4,079</b>	<b>2,114</b>		
FS KKR MM CLO 1	352	352	-	1/15/2031	L+1.85% - 3.01%
<b>Total CLO</b>	<b>352</b>	<b>352</b>	<b>-</b>		
4.625% Notes due 2024	400	400	-	7/15/2024	4.625%
1.650% Notes due 2024	500	500	-	10/12/2024	1.650%
4.125% Notes due 2025	470	470	-	2/1/2025	4.125%
4.250% Notes due 2025	475	475	-	2/14/2025	4.250%
8.625% Notes due 2025	250	250	-	5/15/2025	8.625%
3.400% Notes due 2026	1,000	1,000	-	1/15/2026	3.400%
2.625% Notes due 2027	400	400	-	1/15/2027	2.625%
3.250% Notes due 2027	500	500	-	7/15/2027	3.250%
3.125% Notes due 2028	750	750	-	10/12/2028	3.125%
<b>Total Unsecured</b>	<b>4,745</b>	<b>4,745</b>	<b>-</b>		
<b>TOTAL</b>	<b>11,302</b>	<b>9,176</b>	<b>2,114</b>		<b>4.21%<sup>(2)</sup></b>

## Long Term Maturity Ladder

100% of our liabilities mature 2024 and beyond



1. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.  
 2. Weighted average effective interest rate on borrowings, including the effect of non-usage fees.  
 3. Amount available for borrowing reduced by any standby letters of credit issued. As of September 30, 2022, \$12mm of such letters of credit have been issued.



# Credit Opportunities Partners JV, LLC Overview

## FSK's joint venture with South Carolina Retirement Systems Group Trust (SCRS)

- > **Primarily senior secured assets**

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- > **Key Portfolio Benefits**
  - Allows FSK to access the full capabilities of KKR platform
  - Yield enhancing

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- > **Key Terms of the Partnership**
  - FSK and SCRS share voting control 50% / 50%
  - Equity ownership 87.5% FSK / 12.5% SCRS
  - FSK provides day-to-day administrative oversight

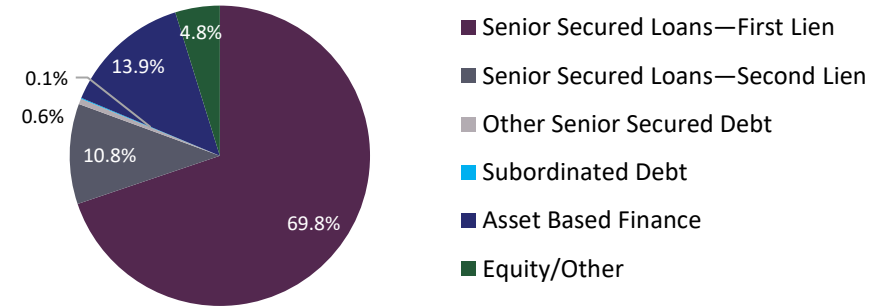
## September 30, 2022 update

- > **Portfolio**
  - Fair value of investments was \$3.6bn
  - 95% floating rate debt investments

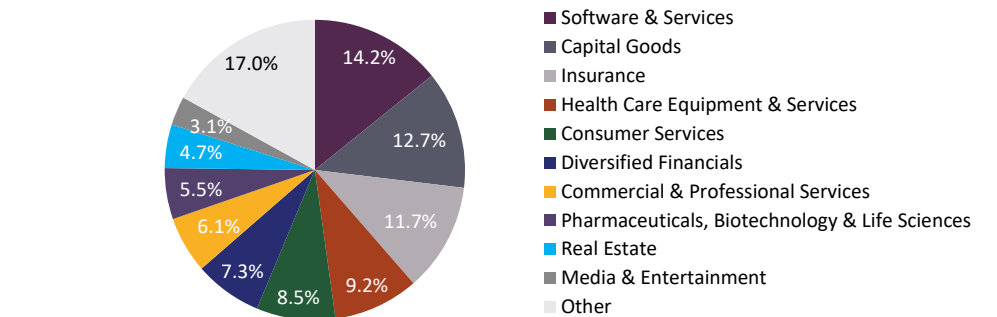
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- > **Key stats**
  - NAV of \$1.7bn (FSK's equity of COPJV was \$1.5bn)
  - \$640mm of uncalled equity capital (\$560mm allocated to FSK)
  - 1.18x net debt-to-equity ratio<sup>(1)</sup>

### Security Exposure (by fair value)

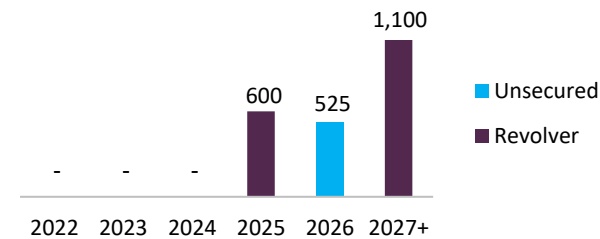


### Sector Exposure (by fair value)



### Capital Structure

#### Long Term Maturity Ladder



**Total debt:** committed \$2.2bn, funded \$1.8bn

**Unsecured debt:** 24% committed, 29% drawn

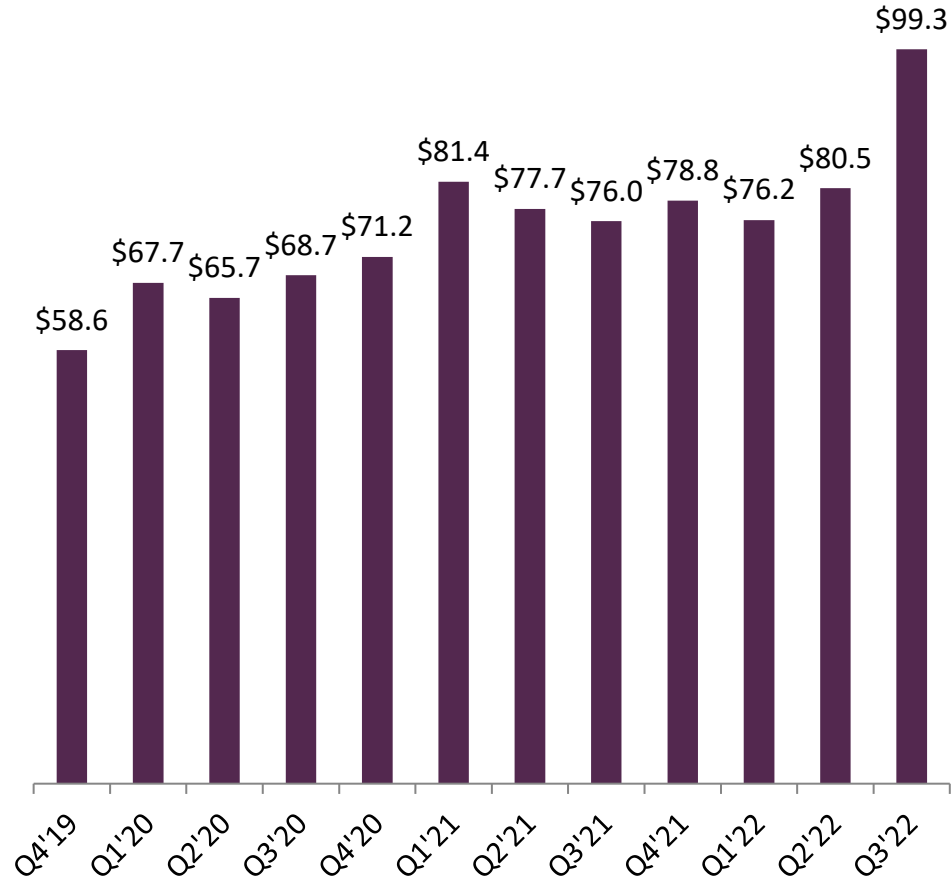
**Wtd. average interest rate on borrowings:** 4.51%<sup>(2)</sup>

1. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.

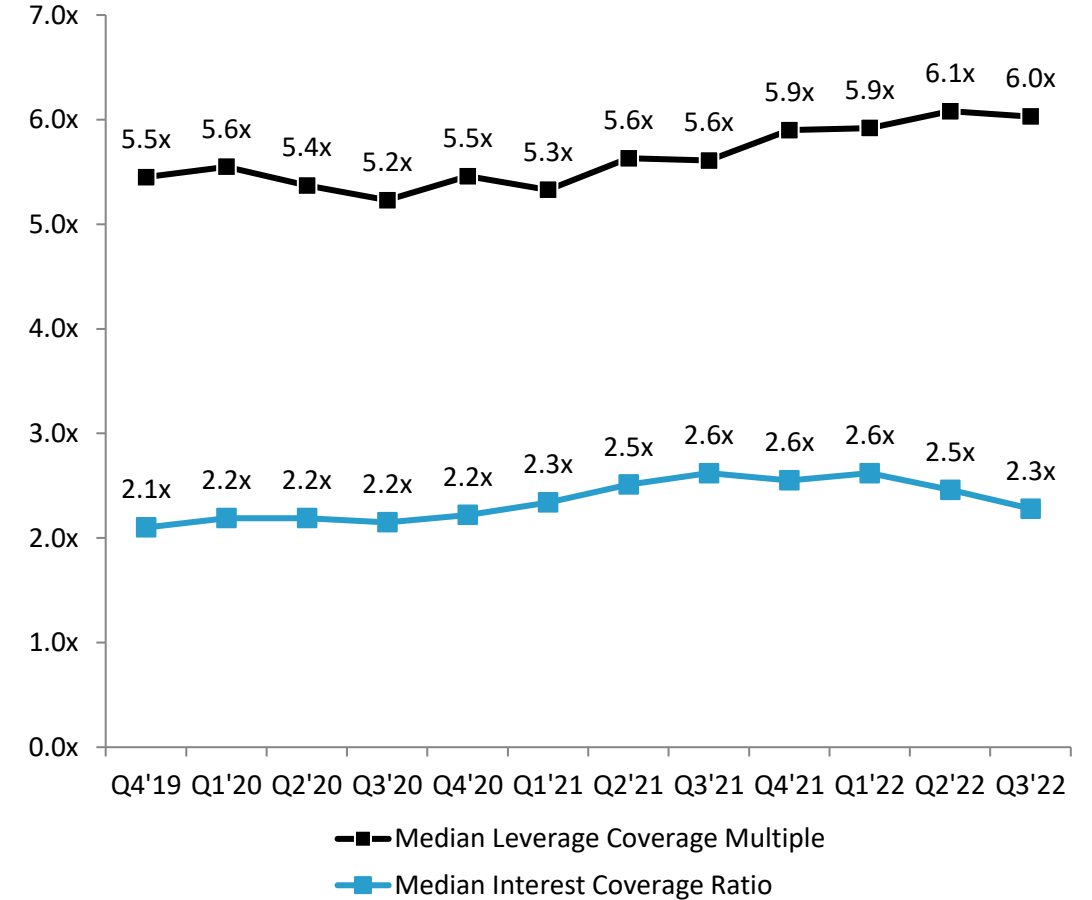
2. Includes the effect of non-usage fees.

# Direct Origination Investments EBITDA and Credit Statistics

Direct Origination Portfolio Company Median EBITDA



Direct Origination Portfolio Company Coverage Ratios



Note: Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Prior periods are shown pro forma for the Merger. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. The weighted average Direct Origination portfolio company EBITDA was \$207.4 million as of September 30, 2022.



# APPENDIX

# Operating Results

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
Total investment income	\$360	\$364	\$396	\$379	\$411
Net expenses	(159)	(163)	(176)	(176)	(194)
<b>Net investment income before taxes</b>	<b>\$201</b>	<b>\$201</b>	<b>\$220</b>	<b>\$203</b>	<b>\$217</b>
Excise taxes	-	(12)	-	-	(1)
<b>Net investment income</b>	<b>\$201</b>	<b>\$189</b>	<b>\$220</b>	<b>\$203</b>	<b>\$216</b>
Plus: excise taxes	-	12	-	-	1
Plus: net merger accretion and one-time expenses <sup>(1)</sup>	(20)	(16)	(14)	(13)	(12)
<b>Adjusted net investment income<sup>(2)</sup></b>	<b>\$181</b>	<b>\$185</b>	<b>\$206</b>	<b>\$190</b>	<b>\$205</b>
Total net unrealized and realized gains (losses)	69	(5)	5	(273)	(343)
Realized loss on extinguishment of debt	-	(3)	-	-	-
Provision for taxes on realized gains on investments	-	-	-	(3)	-
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$270</b>	<b>\$181</b>	<b>\$225</b>	<b>(\$73)</b>	<b>(\$127)</b>
<b>Per Share:</b>					
Net investment income	\$0.71	\$0.66	\$0.77	\$0.71	\$0.76
Adjusted net investment income <sup>(2)</sup>	\$0.64	\$0.65	\$0.72	\$0.67	\$0.73
Net increase (decrease) in net assets results from operations	\$0.95	\$0.64	\$0.79	(\$0.26)	(\$0.45)
Stockholder distributions	\$0.65	\$0.62	\$0.63	\$0.68	\$0.67
Weighted average shares outstanding (millions)	285.1	284.9	284.3	283.9	283.2
Shares outstanding, end of period (millions)	285.1	284.5	284.1	283.5	283.0

1. Net merger accretion represents a reversal of all Merger-related accretion for the specified period.

2. Adjusted net investment income is a non-GAAP financial measure. Adjusted net investment income is presented for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; (iii) the impact of accretion resulting from merger accounting; and (iv) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSK's normal course of business (referred to herein as one-time expenses). FSK uses this non-GAAP financial measure internally in analyzing financial results and believes that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing its financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.

# Operating Results Detail

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
<b>Investment income:</b>					
Interest income	\$239	\$245	\$261	\$247	\$279
Payment-in-kind interest income	35	37	43	40	39
Fee income	31	26	29	13	26
Total dividend and other income	55	56	63	79	67
<b>Total investment income</b>	<b>\$360</b>	<b>\$364</b>	<b>\$396</b>	<b>\$379</b>	<b>\$411</b>
<b>Operating expenses:</b>					
Investment advisory fees & expenses	58	60	62	63	61
Interest expense	70	73	77	83	96
Incentive fees <sup>(1)</sup>	20	19	25	22	25
Other operating expenses	11	11	12	8	12
<b>Total operating expenses</b>	<b>\$159</b>	<b>\$163</b>	<b>\$176</b>	<b>\$176</b>	<b>\$194</b>
Net investment income before taxes	201	201	220	\$203	\$217
Income taxes, including excise taxes	-	(12)	-	-	(1)
<b>Net investment income</b>	<b>\$201</b>	<b>\$189</b>	<b>\$220</b>	<b>\$203</b>	<b>\$216</b>
Total net unrealized and realized gains (losses)	69	(5)	5	(273)	(343)
Realized loss on extinguishment of debt	-	(3)	-	-	-
Provision for taxes on realized gains on investments	-	-	-	(3)	-
<b>Net increase in net assets resulting from operations</b>	<b>\$270</b>	<b>\$181</b>	<b>\$225</b>	<b>(\$73)</b>	<b>(\$127)</b>

1. Net of the \$15 million incentive fee waiver beginning in Q3 2021. The Advisor has agreed to waive income incentive fees in the amount of \$15 million per quarter for the first six full fiscal quarters of operations following the closing of the Merger.

# Balance Sheet

(Dollar amounts in millions, except per share data)	As of				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
<b>Assets</b>					
Total investments, at fair value	\$15,824	\$16,101	\$16,554	\$16,178	\$15,792
Cash	229	258	362	232	264
Foreign currency, at fair value	12	119	7	37	2
Receivable for investments sold and repaid	365	567	856	498	425
Income receivable	163	153	176	190	165
Unrealized appreciation on foreign currency forward contracts	6	9	10	24	39
Deferred financing costs	15	16	15	24	22
Prepaid expenses and other assets	6	5	5	6	7
<b>Total Assets</b>	<b>\$16,620</b>	<b>\$17,228</b>	<b>\$17,985</b>	<b>\$17,189</b>	<b>\$16,716</b>
<b>Liabilities</b>					
Payable for investments purchased	\$57	\$2	\$33	\$27	\$57
Debt	8,492	9,142	9,835	9,306	9,137
Unrealized depreciation on derivative instruments	1	1	1	0	-
Shareholders' distributions payable	186	176	179	193	190
Interest Payable	55	70	66	77	67
Other liabilities <sup>(1)</sup>	93	107	104	99	105
<b>Total Liabilities</b>	<b>\$8,884</b>	<b>\$9,498</b>	<b>\$10,218</b>	<b>\$9,702</b>	<b>\$9,556</b>
<b>Total Net Assets</b>	<b>\$7,736</b>	<b>\$7,730</b>	<b>\$7,767</b>	<b>\$7,487</b>	<b>\$7,160</b>
<b>Net Asset Value per Share</b>	<b>\$27.14</b>	<b>\$27.17</b>	<b>\$27.33</b>	<b>\$26.41</b>	<b>\$25.30</b>

1. Includes accrued performance-based incentive fees, accrued investment advisory fees, accrued directors' fees, administrative expenses payable and deferred tax liabilities.

# Quarterly Gain/Loss Information

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
<b>Realized gain/loss</b>					
Net realized gain (loss) on investments:					
Non-controlled/unaffiliated investments	\$60	\$50	(\$26)	\$177	\$16
Non-controlled/affiliated investments	139	(11)	(6)	45	51
Controlled/affiliated investments	(2)	9	-	(39)	(4)
Net realized gain (loss) on foreign currency forward contracts	-	-	5	2	2
Net realized gain (loss) on foreign currency	(1)	(3)	1	6	5
<b>Total net realized gain (loss)</b>	<b>\$196</b>	<b>\$45</b>	<b>(\$26)</b>	<b>\$191</b>	<b>\$70</b>
<b>Unrealized gain/loss</b>					
Net change in unrealized appreciation (depreciation) on investments:					
Non-controlled/unaffiliated investments	(\$49)	(\$48)	(\$40)	(\$251)	(\$283)
Non-controlled/affiliated investments	(104)	29	30	(71)	(99)
Controlled/affiliated investments	11	(37)	37	(184)	(69)
Net change in unrealized appreciation (depreciation) on foreign currency forward contracts	5	4	1	15	15
Net change in unrealized gain (loss) on foreign currency	10	2	3	27	23
<b>Total net unrealized gain (loss)</b>	<b>(\$127)</b>	<b>(\$50)</b>	<b>\$31</b>	<b>(\$464)</b>	<b>(\$413)</b>
<b>Total net realized and unrealized gain (loss)</b>	<b>\$69</b>	<b>(\$5)</b>	<b>\$5</b>	<b>(\$273)</b>	<b>(\$343)</b>

# Important Disclosure Notice

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## Forward-Looking Statements

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Certain figures in this presentation have been rounded.