

# MEDLEY

## Medley Management Inc. (NYSE: MDLY)

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*Investor Presentation*

*Quarter ended September 30, 2019*

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## Important Notice to Investors

This presentation contains “forward looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to risks and uncertainties. Actual outcomes and results could differ materially from those suggested by this presentation due to the impact of many factors beyond the control of Medley Management Inc., including those listed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and our other filings with the Securities and Exchange Commission (“SEC”). Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws and Medley Management Inc. assumes no obligation to update or revise any such forward-looking statements except as required by law.

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The following slides contain summaries of certain financial and statistical information about Medley Management Inc. 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. 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 Medley Management Inc., or information about the market, as indicative of Medley Management Inc.’s future results. This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities of Medley Management Inc.

This presentation includes certain non-GAAP financial measures, including Core Net Income, Core EBITDA, Core Net Income Per Share, Pre-Tax Core Net Income per Share, Core Net Income Margin and Pro-Forma Weighted Average Shares Outstanding. These measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with U.S. GAAP.

Please refer to the financial performance section of this presentation for a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with U.S. GAAP.

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# OVERVIEW

## Overview

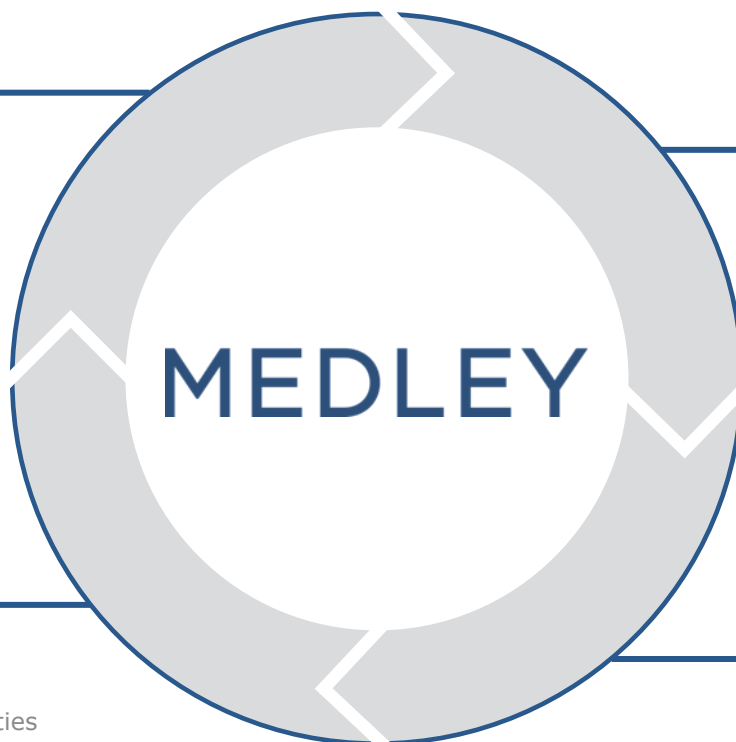
- Diversified alternative asset manager with \$4.3 billion of assets under management
- Synergies between business units (deal flow, ideas, relationships, experience)

### Direct Lending

- Lending solutions for private, middle market companies in the U.S.
- National direct origination franchise
- Medley leads origination, underwriting and portfolio management

### Tactical Opportunities

- Structured capital solutions
- Leverages direct lending and institutional deal sourcing capabilities
- Private equity risk-reward profile



### Corporate Credit

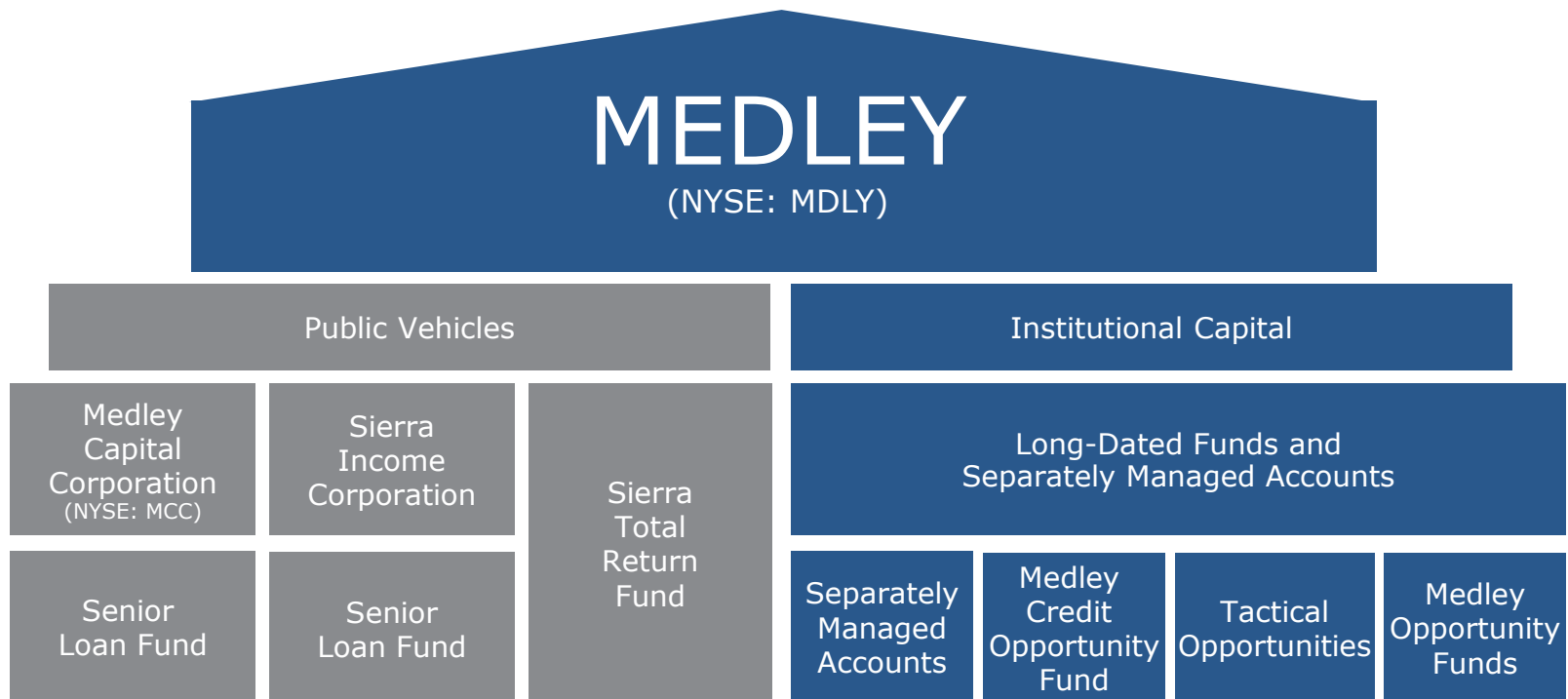
- Primarily focused on syndicated middle market corporate credit
- Typically larger borrowers than direct lending
- Partners with arrangers and club lenders

### Structured Credit

- Investing in CLO equity issued by top tier managers
- Secondary markets investing in CLO equity and related securities
- Capability to sponsor and issue Medley-branded CLOs

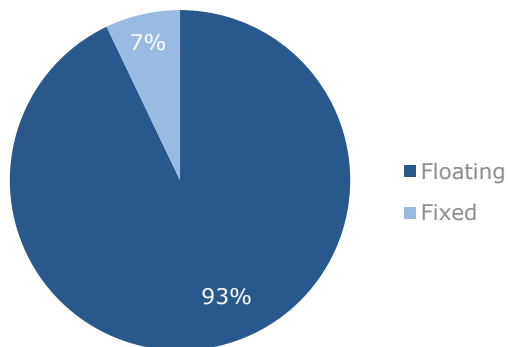
## Diversified AUM Across Multiple Funds

- Broad distribution through public and private channels
- Permanent capital, long-dated funds and managed accounts not subject to traditional outflows

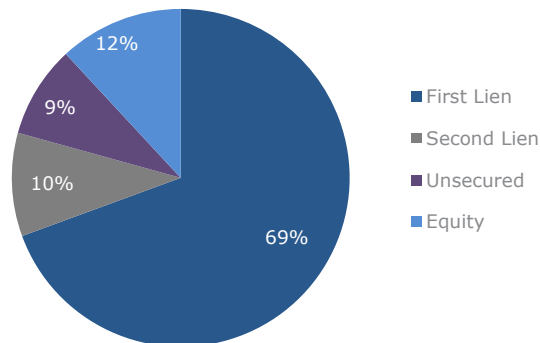


## Portfolio Summary

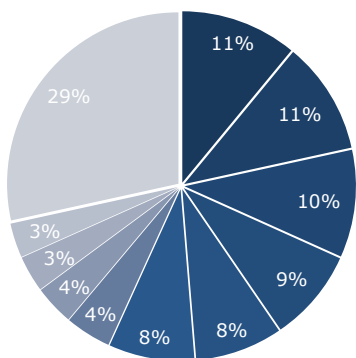
### Floating vs. Fixed Rate



### Investment Type Breakout

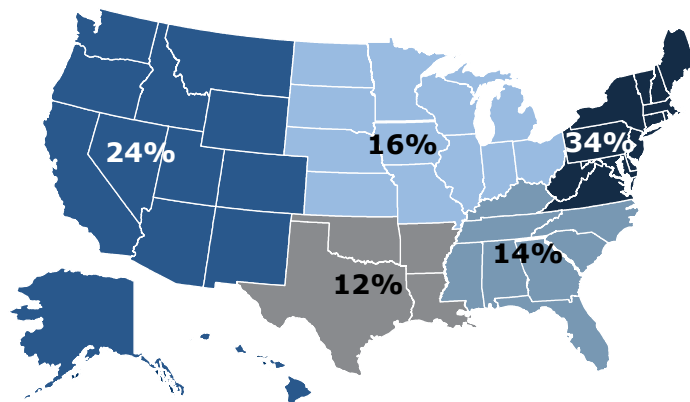


### Industry Breakout



- Services: Business
- High Tech Industries
- Healthcare & Pharmaceuticals
- Banking, Finance, Insurance & Real Estate
- Construction & Building
- Multi-Sector Holdings
- Energy: Oil & gas
- Automotive
- Hotels, Gaming & Leisure
- Aerospace & Defense
- Other

### Medley Investments by Geography



Note: Portfolio summary represents total committed amounts as of 9/30/19 and represents assets in all investment vehicles including SLS assets. Fixed/Floating mix includes only interest bearing investments. In addition, non-U.S. investments comprise approximately 1% of Medley's overall investment portfolio.

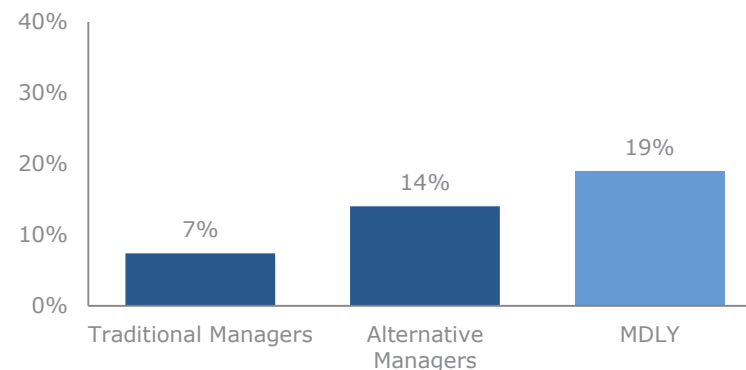
# MARKET OPPORTUNITY



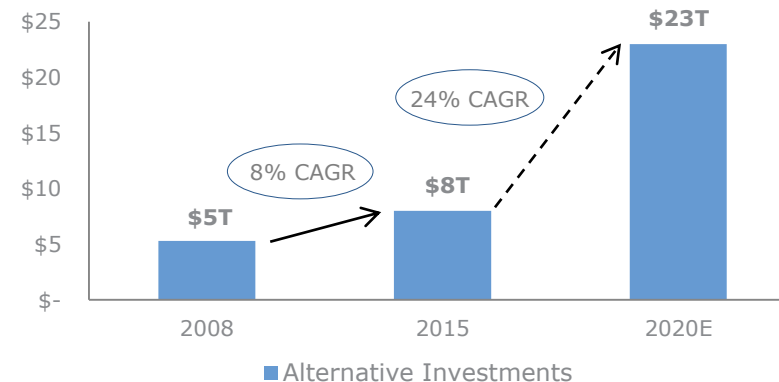
## Increasing Demand for Alternatives

- Market leading growth in AUM driven by:
  - Increasing demand for yield in low rate environment
  - Increasing demand by investors for senior secured and floating rate exposure
  
- Growth in alternatives continues to outpace that of traditional asset managers
  - Increased allocation from both retail and institutional investors
  - Retail investors significantly underweight exposure to alternatives

**AUM CAGR Since 2010<sup>(1)</sup>**



**Growth in Alternatives<sup>(2)</sup>**



Note: Metrics in trillions of USD.

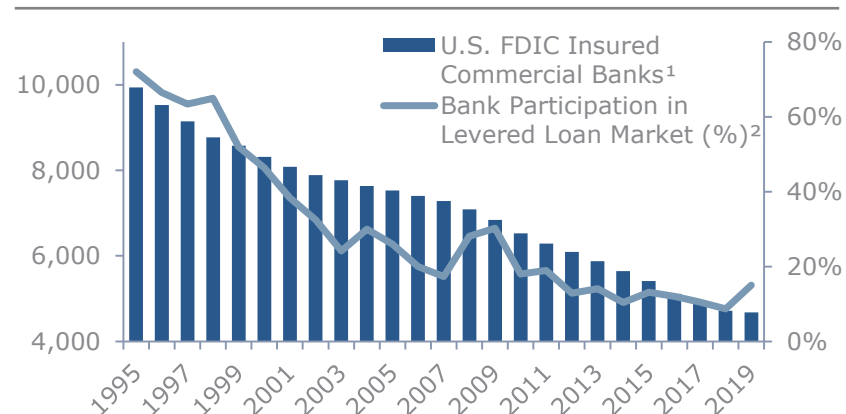
1. As of 9/30/19. Traditional managers include: BEN, BLK, IVZ, JHG, OMAM, and TROW. Alternative managers include APO, BX, CG, KKR, OAK, and OZM. Medley selected the traditional and alternative manager groups based on subjective factors. There may be other managers not mentioned.

2. Based on BCG, Global Asset Management 2016.

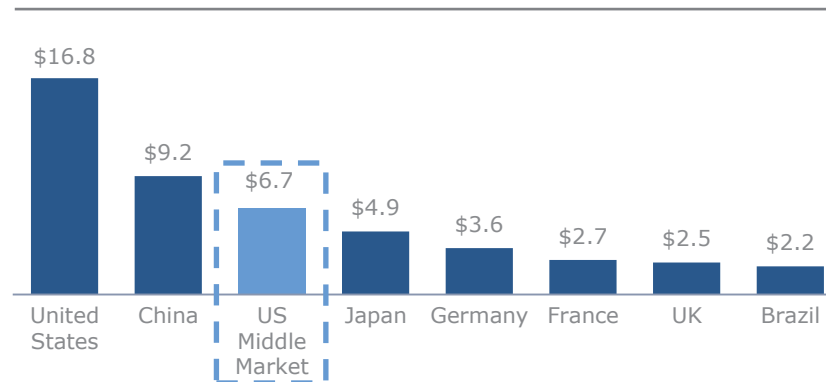
## Large and Growing Market in Private Credit

- Traditional lenders to the middle market have changed in recent years
  - Consolidation of the banking system
  - Regulatory headwinds for banks and CLO managers
- The middle market remains a large opportunity
  - 20 years ago banks represented over 70%
  - Today banks represent approximately 15%
- US middle market would rank as the 3rd largest global economy
- Private credit has emerged as an important asset class for all investors
  - Retail
  - Insurance companies
  - Pension funds
  - Endowments

### Bank Consolidation<sup>(1)(2)</sup>



### Top GDPs<sup>(3)</sup>



1. Federal Deposit Insurance Corporation, represents number of commercial banking institutions insured by the FDIC as of 6/30/2019.

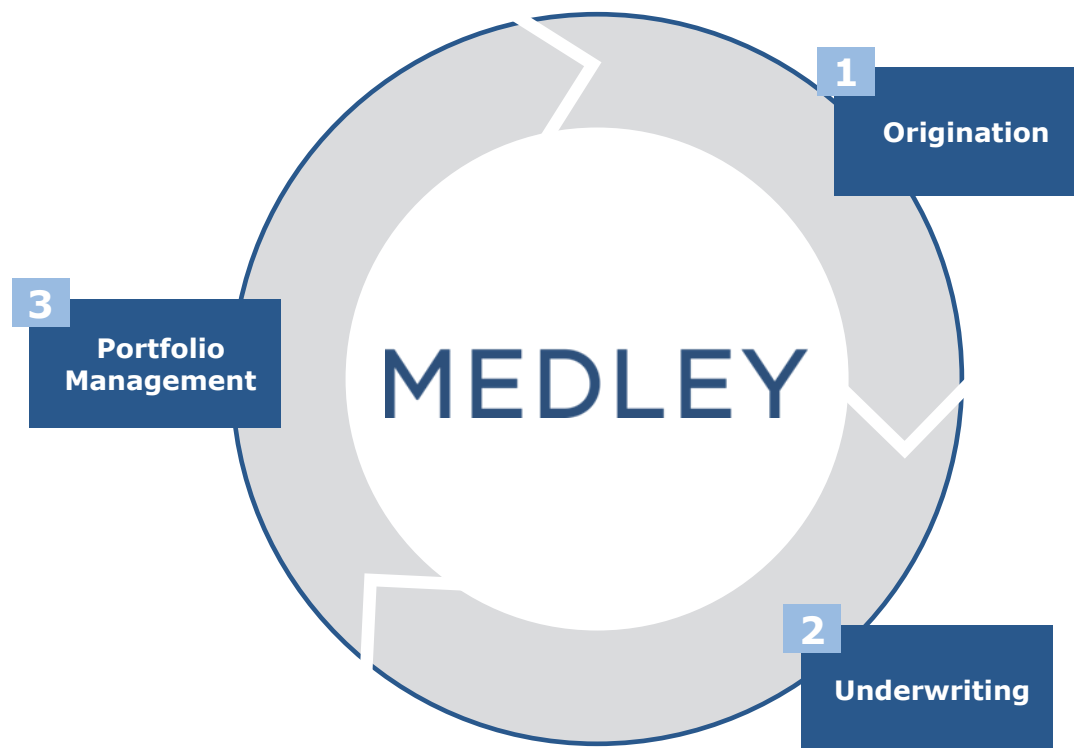
2. S&P LCD's Leveraged Lending Review – Q3'19.

3. International Monetary Fund, World Economic Outlook Database, June 2014. Metrics in trillions of USD.

# INVESTMENT PROCESS

## Integrated Investment Approach

- Three step investment process
- Composition of Investment Committee ensures integrated approach to investment decisions
- Downside protection – focused on capital preservation



### 1 Origination

- Private equity sponsors
- Co-lenders
- Financial intermediaries

### 2 Underwriting

- Obtain information advantage through 3<sup>rd</sup> party resources
- Identify and quantify risk
- Focus on documentation to control risk
- Medley has invested in over 400 borrowers<sup>1</sup>

### 3 Portfolio Management

- Proactive approach
- Best-in-class technology and systems
- Frequent interaction with borrowers
- Risk management at portfolio level

1. Since inception through September 30, 2019.

## 2015 Investment Strategy Shift Overview

**Beginning in 3Q 2015, the Medley lending platform shifted its focus to first lien loans provided to larger, sponsor backed borrowers**

- **Results have been strong**
  - Across Medley, new investments post Q2 2015 have produced an IRR of 9.1%
  - New investments post Q2 2015 have experienced 0.13% of annualized realized and unrealized losses<sup>1</sup>
  - 4 non-accruals out of 251 borrowers loans originated since the beginning of 3Q 2015<sup>1</sup>
  - Since 2015, Medley has raised over \$1.5 billion of capital across the platform from leading global institutional investors
- **Significant structural and personnel changes designed to create an effective investing culture**
  - New Head of Investing
  - New Head of Risk
  - Re-composition of the Investment Committees
  - Added new senior credit and investing professionals
  - Separation of Origination and Underwriting

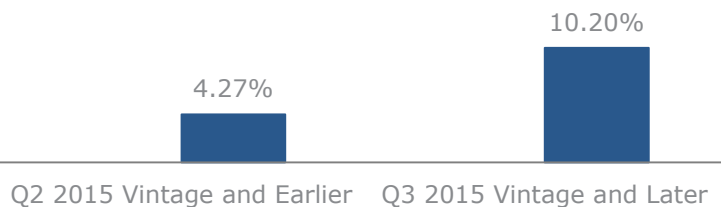
Source: Management, Past performance is not indicative of future results.

1. Annualized loss utilizes the loss for each realized and unrealized investment over total capital invested during the life of the investment. The terminal value for unrealized investments is the fair market value as of September 30, 2019.

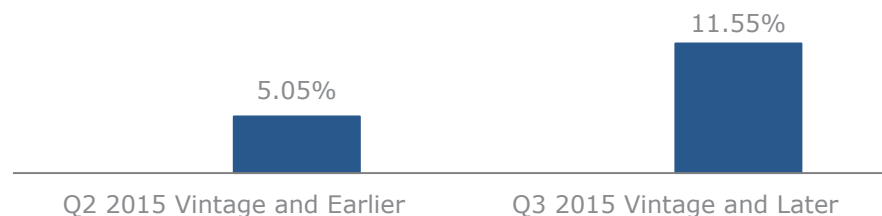
## 2015 Investment Strategy Shift

- Originations post Q2 2015 continue to perform well with higher asset level IRRs and lower annualized realized loss rates compared to the earlier vintage
- SIC and MCC invested total capital of \$1,040 and \$392 million, respectively in post Q2 2015 vintage investments

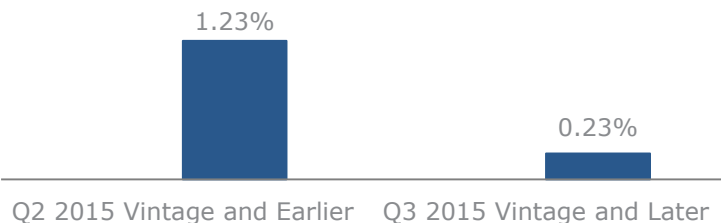
**SIC IRR<sup>1</sup>**



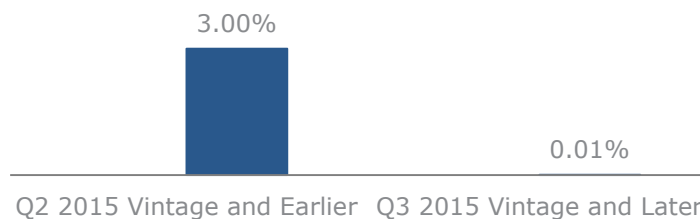
**MCC IRR<sup>1</sup>**



**SIC Annualized Realized & Unrealized Loss Rate<sup>2</sup>**



**MCC Annualized Realized & Unrealized Loss Rate<sup>2</sup>**



Source: Management

Note: Portfolio data as of September 30, 2019. Past performance is not indicative of future results. For information about past performance prior to 2015 and since inception, see the public filings for Sierra and MCC.

1. IRR includes both realized and unrealized investments and excludes the impact of base management fees, incentive fees and other fund related expenses. For realized investments, the investment returns were calculated based on the actual cash outflows and inflows for each respective investment and include all interest, principal and fee note repayments, dividends and transaction fees, if applicable. For unrealized investments, the investment returns were calculated based on the actual cash outflows and inflows for each respective investment and include all interest, principal and fee note repayments, dividends and transaction fees, if applicable. The investment return assumes that the remaining unrealized portion of the investment is realized at the investment's most recent fair value, as calculated in accordance with GAAP. There can be no assurance that the investments will be realized at these fair values and actual results may differ significantly.

2. Annualized loss utilizes the loss for each realized and unrealized investment over total capital invested during the life of the investment. The terminal value for unrealized investments is the fair market value as of September 30, 2019.

# FINANCIAL PERFORMANCE

## Consolidated Income Statements

(Dollars in thousands except share and per share amounts)

	For the Three Months Ended September 30, (unaudited)		For the Nine Months Ended September 30, (unaudited)	
	2019	2018	2019	2018
<b>Revenues</b>				
Management fees	\$ 9,607	\$ 12,336	\$ 30,728	\$ 36,386
Other revenues and fees	2,621	2,769	7,731	8,136
Investment income:				
Carried interest	(142)	(326)	651	271
Other investment loss, net	(550)	(382)	(922)	(849)
Total Revenues	11,536	14,397	38,188	43,944
<b>Expenses</b>				
Compensation and benefits	7,090	6,241	22,069	21,879
General, administrative and other expenses	5,403	6,244	12,763	15,095
Total Expenses	12,493	12,485	34,832	36,974
<b>Other Income (Expenses)</b>				
Dividend income	182	962	942	3,351
Interest expense	(2,874)	(2,717)	(8,646)	(8,113)
Other expenses, net	1,768	2,711	(641)	(11,055)
Total other income (expenses), net	(924)	956	(8,345)	(15,817)
(Loss) income before income taxes	(1,881)	2,868	(4,989)	(8,847)
(Benefit from) provision for income taxes	(188)	450	(281)	835
Net (Loss) Income	(1,693)	2,418	(4,708)	(9,682)
Less: Net income (loss) attributable to redeemable non-controlling interests and non-controlling interests in consolidated subsidiaries	1,619	3,866	140	(3,112)
Less: Net loss income attributable to non-controlling interests in Medley LLC	(2,796)	(963)	(4,078)	(4,729)
<b>Net Loss Attributable to Medley Management Inc.</b>	\$ (516)	\$ (485)	\$ (770)	\$ (1,841)
<b>Core Net Income (1)</b>	\$ (987)	\$ 1,889	\$ 378	\$ 5,163
<b>Core EBITDA</b>	\$ 2,123	\$ 5,582	\$ 9,830	\$ 15,941
<b>Core Net Income per Share(2)</b>	\$ (0.02)	\$ 0.06	\$ 0.01	\$ 0.16
<b>Core Net Income Margin (3)</b>	(5.4)%	12.5%	1.2%	11.0%
<b>Pro Forma Weighted Average Shares Outstanding (4)</b>	34,507,579	32,174,946	33,339,090	31,539,125

- Core Net Income reflects net income attributable to the controlling and non-controlling interests in Medley LLC adjusted to exclude reimbursable expenses associated with the launch of funds, certain one-time severance costs and stock-based compensation associated with restricted stock units that were granted in connection with our initial public offering ("IPO"), and non-recurring expenses associated with strategic initiatives, such as our pending merger with Sierra, as well as other non-core items and, in 2018, unrealized losses related to our investment in shares of MCC. Please refer to the reconciliation of net income attributed to controlling and non-controlling interests in Medley LLC to Core Net Income on the following page.
- Core Net Income Per Share reflects an adjustment for federal, state and local corporate income taxes. Please refer to the calculation of Core Net Income Per Share on the following page.
- Core Net Income Margin equals Core Net Income Per Share divided by total revenue per share.
- The calculation of Pro-Forma Weighted Average Shares Outstanding assumes the conversion by the pre-IPO holders of up to 26,316,642 Medley LLC units for 26,316,642 shares of Class A common stock at the beginning of each period presented, as well as the vesting of the weighted average number of restricted stock units.



## Consolidated Income Statements (Cont.)

(Dollars in thousands except share and per share amounts)

The reconciliation of Net loss attributable to Medley Management Inc. and non-controlling interests in Medley LLC to Core Net Income and Core EBITDA is as follows:

	For the Three Months Ended September 30, (unaudited)		For the Nine Months Ended September 30, (unaudited)	
	2019	2018	2019	2018
<b>Net loss attributable to Medley Management Inc.</b>	\$ (516)	\$ (485)	\$ (770)	\$ (1,841)
<b>Net loss attributable to non-controlling interests in Medley LLC</b>	(2,796)	(963)	(4,078)	(4,729)
<b>Net loss attributable to Medley Management Inc. and non-controlling interests in Medley LLC</b>	(3,312)	(1,448)	(4,848)	(6,570)
Reimbursable fund startup expenses	22	240	283	1,304
IPO date award stock-based compensation	282	444	555	1,018
Expenses associated with strategic initiatives	2,070	2,067	3,486	3,858
Other non-core items:				
Unrealized losses on shares of MCC	—	—	—	3,543
Severance expense	200	39	1,462	2,263
Other <sup>(1)</sup>	—	892	—	961
Income tax expense on adjustments	(249)	(345)	(560)	(1,214)
<b>Core Net Income (Loss)</b>	(987)	1,889	378	5,163
Interest expense	2,874	2,717	8,647	8,113
Income taxes	61	795	278	2,049
Depreciation and amortization	175	181	527	616
<b>Core EBITDA</b>	\$ 2,123	\$ 5,582	\$ 9,830	\$ 15,941

The Calculation of Core Net Income Per Share is as follows:

	For the Three Months Ended September 30, (unaudited)		For the For the Nine Months Ended September 30, (unaudited)	
	2019	2018	2019	2018
<b>Numerator</b>				
Core Net Income (Loss)	\$ (987)	\$ 1,889	\$ 378	\$ 5,163
Add: Income taxes	61	795	278	2,049
Pre-Tax Core Net Income (Loss)	\$ (926)	\$ 2,684	\$ 656	\$ 7,212
<b>Denominator</b>				
Class A common stock	5,899,328	5,591,123	5,834,489	5,539,804
Conversion of LLC Units and restricted LLC Units to Class A common stock	26,316,642	24,215,302	25,389,742	24,008,815
Restricted stock units	2,291,609	2,368,521	2,114,859	1,990,506
Pro-Forma Weighted Average Shares Outstanding	34,507,579	32,174,946	33,339,090	31,539,125
<b>Pre-Tax Core Net Income (Loss) Per Share</b>	\$ (0.03)	\$ 0.08	\$ 0.02	\$ 0.23
Less: corporate income taxes per share <sup>(2)</sup>	0.01	(0.02)	(0.01)	(0.07)
<b>Core Net Income (Loss) Per Share</b>	\$ (0.02)	\$ 0.06	\$ 0.01	\$ 0.16

- For the three and nine months ended September 30, 2019, other non-core items consists of expenses related to non-core business development expenses and other expenses
- Represents a per share adjustment for income taxes assuming that all of our pre-tax earnings were subject to federal, state and local corporate income taxes. We assumed an annualized effective corporate tax rate of 33.0% for 2019 and 2018

## Consolidated Balance Sheets

(Dollars in thousands)

	As of September 30, 2019 (unaudited)	As of December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 11,125	\$ 17,219
Investments, at fair value	34,331	36,425
Management fees receivable	8,526	10,274
Right-of-use assets under operating leases	6,996	—
Other assets	14,444	14,298
<b>Total assets</b>	<b>\$ 75,422</b>	<b>\$ 78,216</b>
<b>Liabilities, Redeemable Non-controlling Interests and Equity</b>		
Liabilities		
Senior unsecured debt, net	\$ 118,190	117,618
Loans payable, net	10,000	9,892
Due to former minority interest holder, net	8,735	11,402
Operating lease liabilities	8,772	—
Accounts payable, accrued expenses and other liabilities	20,371	26,739
<b>Total Liabilities</b>	<b>166,068</b>	<b>165,651</b>
<b>Redeemable Non-controlling Interests</b>	<b>20,503</b>	<b>23,186</b>
<b>Equity</b>		
Class A common stock	60	57
Class B common stock	—	—
Additional paid in capital	12,242	7,529
Accumulated deficit	(20,290)	(19,618)
Total stockholders' deficit, Medley Management Inc.	(7,988)	(12,032)
Non-controlling interests in consolidated subsidiaries	(509)	(747)
Non-controlling interests in Medley LLC	(102,652)	(97,842)
Total deficit	(111,149)	(110,621)
<b>Total Liabilities, Redeemable Non-controlling Interests and Equity</b>	<b>\$ 75,422</b>	<b>\$ 78,216</b>

# APPENDIX

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## Endnotes & Definitions

### Definitions:

**"Assets Under Management"** or **"AUM"** refers to the assets of our funds, which represents the sum of the NAV of such funds, the drawn and undrawn debt (at the fund level, including amounts subject to restrictions) and uncalled committed capital (including commitments to funds that have yet to commence their investment periods).

**"Core Earnings Before Interest, Income Taxes, Depreciation and Amortization (Core EBITDA)"** is calculated as Core Net Income before interest expense, income taxes, depreciation and amortization.

**"Core Net Income"** is calculated by adjusting net income attributable to Medley Management Inc. and net income attributable to non-controlling interests in Medley LLC to exclude reimbursable expenses associated with the launch of funds, expenses associated with strategic initiatives, such as our pending merger with Sierra, and amortization of stock-based compensation expense associated with grants of restricted stock units at the time of our IPO, other non-core items and the income tax impact of these adjustments.

**"Core Net Income Margin"** equals Core Net Income Per Share divided by total revenue per share.

**"Core Net Income Per Share"** is Core Net Income adjusted for corporate income taxes assuming that all of our pre-tax earnings are subject to federal, state and local corporate income taxes, divided by Pro-Forma Weighted Average Shares Outstanding (as defined above). In determining corporate income taxes we used an annual effective corporate tax rate of 33%.

**"Fee Earning Assets Under Management"** refers to the assets under management on which we directly earn base management fees.

**"Pre-Tax Core Net Income"** is calculated as Core Net Income excluding the impact of income taxes.

**"Pre-Tax Core Net Income Per Share"** is calculated as Pre-Tax Core Net Income divided by Pro-Forma Weighted Average Shares Outstanding.

**"Pro-Forma Weighted Average Shares Outstanding"** assumes the conversion by the pre-IPO holders of up to 26,316,642 Medley LLC units for 26,316,642 shares of Class A common stock at the beginning of each period presented, as well as the vesting of the weighted average number of restricted stock units.

## Corporate Information

### Board of Directors

BROOK TAUBE  
Co-Chairman

SETH TAUBE  
Co-Chairman

JAMES G. EATON  
Independent Director

JEFFREY T. LEEDS  
Independent Director

GUY ROUNSAVILLE, JR.  
Independent Director

### Corporate Officers

BROOK TAUBE  
Co-Chief Executive Officer

SETH TAUBE  
Co-Chief Executive Officer

RICHARD T. ALLORTO, JR.  
Chief Financial Officer

JOHN FREDERICKS  
General Counsel & Secretary

### Corporate Headquarters

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### Investor Relations

SAM ANDERSON  
Head of Capital Markets & Risk  
Management  
(212) 759-0777

### Corporate Counsel

LOWENSTEIN SANDLER LLP  
New York, NY

### Independent Registered Public Accounting Firm

RSM US, LLP  
New York, NY

### Securities Listing

NYSE: MDLY (Common Stock)  
MDLQ (Senior Notes Due 2024)  
MDLX (Senior Notes Due 2026)

### Transfer Agent

AMERICAN STOCK TRANSFER & TRUST  
COMPANY, LLC  
(888) 777-0324

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