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**Conference Call**
**Investcorp**
**May 12, 2020**

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| Operator: | Welcome to the Investcorp Earnings Conference Call. Your speakers for today's call are Mike Mauer, Chris Jansen, and Rocco DelGuercio. Operator assistance is available anytime during this conference by pressing *0. A question-and-answer session will follow the presentation. |
| | I'll now turn the call over to your speakers. Gentlemen, you may begin. |
| Michael Mauer: | Thank you, operator, and thanks to all of you for joining us this afternoon. I'm joined by Chris Jansen, my Co-Chief Investment Officer; and Rocco DelGuercio, our CFO. Before we begin, Rocco will give our customary disclaimer regarding information and forward-looking statements. Rocco? |
| Rocco DelGuercio: | Thanks, Mike. I would like to remind everyone that today's call is being recorded, and that this call is the property of Investcorp Credit Management BDC. Any unauthorized broadcast of this call in any form is strictly prohibited. Audio replay of the call will be available by visiting our Investor Relations page on our website at icmbdc.com. I would also like to call your attention to the safe harbor disclosure in our press release regarding forward-looking information and remind everyone that today's call may include forward-looking statements and projections. Actual results may differ materially from these projections. We will not update forward-looking statements unless required by law. To obtain copies of our latest SEC filing, please visit our Investor Relations page on our website. At this time, I'd like to turn the call back to our Chairman and CEO, Michael Mauer. |
| Michael Mauer: | Thanks, Rocco. I want to begin by recognizing the extraordinary times we live in today. The COVID-19 pandemic has caused incredible suffering all over the world, and the secondary economic effects have been devastating for both businesses and individuals. We count ourselves among the fortunate and that our team is all safe |

and healthy, and we have been able to seamlessly transition our business to a work-from-home environment.

Our work to reposition and diversify our portfolio over the past few years has strengthened our position in the midst of this pandemic. We have de-risked the portfolio to smaller average-size positions, an increase in the number of industries we lend to, and an increase in our number of borrowers.

Still, our credit standards have not wavered. By being cautious underwriters, we hope to minimize the number of our borrowers which experience distress even in the current environment. We have avoided some of the sectors which has been hardest hit by the pandemic, such as hospitality, restaurants, and retail. We have also been fortunate on occasion with the repayments, including a substantial one from Montreign which vastly improved our position as lenders, at the same time that the casino was closed. The vast majority of our borrowers have ample liquidity, are less exposed than the average corporation, and should not violate loan covenant.

We aren't perfect. We do have four borrowers in the energy sector. Another, Techniplas, has struggled with the unprecedented disruption of the auto supply chain in the U.S. and Europe. These are reasons to be cautious, but on balance, we are optimistic that our portfolio is well-positioned for this volatile business cycle.

As usual, Chris will discuss our investment activity during and after the quarter, and then Rocco will walk through our financial results. I'll conclude with some commentary about a few of our investments and conclude my prepared remarks with commentary on our leverage, Investcorp's share purchases, our dividends, and our outlook for the next few months. As always, we'll end with Q&A.

With that, I'll turn it over to Chris.

Christopher Jansen: Thanks, Mike. We invested in six portfolio companies this quarter, including four new portfolio companies. All of our investments were first lien. These additions were made between early January and early March. We also had two full realizations during the quarter and three partial realizations. After quarter-end, we made two investments in existing portfolio companies, one of which was simply funding under an existing revolving commitment.

First, our additional investments in existing portfolio companies. We invested opportunistically in RPX, which has been one of our best-performing borrowers. RPX repaid the majority of its term loan via an asset sale in December 2019, and we purchased some of the loan to hold a better price position. The yield on this new purchase was approximately 8.1%.

ACProducts refinanced its debt facilities in February. We had a full realization of our existing position and made an investment in the new term loan. Our IRR on the realization was approximately 14.3%. Our yield, at cost, on the new loan is lower at 7.8%.

As I mentioned on our last call, we also invested in Alta Equipment Group. Alta is the largest integrated equipment dealership platform in the United States. It was acquired by a SPAC. Our first lien loan yield is approximately 12.2% at cost.

We invested in a first lien loan to Pixelle Specialty Solutions, a portfolio company of Lindsay Goldberg, which backed the acquisition of two paper mills from Verso. Pixelle is the leading producer of specialty-grade papers. Our yield, at cost, is approximately 8.3%.

We also participated in a club deal for Gexpro Services which is owned by Luther King Capital. This first lien loan appears in our scheduled investments as GS Operating. Gexpro is a distributor of c-parts, which include fasteners, valves, fittings, plastic parts, and other high SKU count, low-value parts. Our yield, at cost, is approximately 8.9%.

Our fourth new portfolio company investment is Allsup's which you will see in our statement of investments listed as BW Gas & Convenience. Allsup's is a convenience store and gas station operator. Our yield, at cost, on this first lien loan is approximately 8.3%.

We had two full realizations during the quarter. I already mentioned the repayment of our loan to ACProducts. The second realization was TouchTunes. TouchTunes was a second lien investment, and our fully realized IRR was 11.7%.

We had three loans restructured during the quarter: Fusion Connect, 4L Technologies, and Montreign, also known as Empire Resorts.

Fusion exited bankruptcy in January. We had a realization of our position in the DIP loan which generated an IRR of approximately 33.2%. As discussed last quarter, we are a lender under the new first-out first lien term loan. This quarter, we received our pro rata portion of the second-out loan in exchange for our pre-petition term loan position. The yield on the second-out first lien is approximately 12.6%, although I would note that the majority of the coupon is paid in kind. We also hold a position in Fusion's equity.

4L Technologies, now known as Clover Technologies, also emerged from bankruptcy this quarter. The exit loan yield is approximately 9.6%. Like Fusion, we also hold a position in Clover's equity.

Finally, Montreign's loan also restructured during this quarter. Unlike Fusion and Clover, it was not a Chapter 11 process, but rather a very positive partial refinancing and exchange of our prime position. We received a significant paydown of approximately 70% and a new one-year loan, which yields 3.9%, with a substantially improved collateral and guarantee package. Despite the decrease in yield, we are very pleased with our position here, especially in light of the COVID pandemic, which has shuttered the casino for an indefinite amount of time.

Since quarter-end, we made a small loan to Techniplas. This was to provide liquidity in advance of the company filing for bankruptcy, which occurred earlier this month. Mike will discuss Techniplas later in the call.

Using the GICS standard, as of March 31, our largest industry concentration was energy, equipment, and services at 11.2%, followed by construction and engineering at 11%, professional services also at 11%, media at 6.8%, and trading companies and distributors at 6.1%. Our portfolio companies are in 26 GICS industries as of quarter-end, including our equity and warrant positions. As of March 31, our portfolio company count was 38 versus 35 at December 31. These counts are unchanged today.

I'd now like to turn the call over to Rocco to discuss our financial results.

Rocco DelGuercio: Thanks, Chris. For the quarter ended March 31, 2020, our net investment income was $3.4 million or $0.25 per share. The fair value of our portfolio was $274.9 million compared to $305 million at December 31. Our portfolio's net decrease from operation this quarter was approximately $24.2 million. Our new investments during the quarter had an average yield of 9.1% and investments exited during the quarter had an average yield of 11.2%, and a realized average IRR of 11.6%. The average yield of our portfolio was 10.05%, an increase of 36 basis points from December 31.

As of March 31, our portfolio consisted of 38 portfolio companies, 84.3% of our investments were first lien, 11.3% of the portfolio was second lien investment, and 3.7% was in unitranche investments. 98.1% of our debt portfolio was invested in floating rate loans and 1.9% in fixed rate investments. Our average portfolio company investment was approximately $7.2 million, and our largest portfolio company investment was Endemol at $14.9 million. We were 1.64x levered as of March 31 compared to 1.23x levered as of December 31.

Finally, with respect to our liquidity, as of March 31, we had $11 million in cash, $21.1 million in restricted cash, and $18.3 million of capacity under our revolving credit facility with UBS. Subsequent to quarter end, we reduced the current loan by $20 million, and as of today, we have $16.3 million in cash, $2.1 million in restricted cash, and are fully drawn on our $30 million revolver. Additional information regarding the composition of our portfolio is included in our Form 10-Q which was filed yesterday.

With that, I'd like to turn the call back over to Mike.

Michael Mauer: Thank you, Rocco. I'd like to provide updates on a few of the investments in our portfolio.

Unprecedented disruption in oil and gas markets have also impacted several of our investments. Since January, the U.S. onshore rig count has declined by more than 50%, and the price per barrel of WTI oil has dropped from 60 into the 20s as a result of plummeting global demand and the well-publicized feud between Saudi Arabia and Russia. The resulting slowdown in drilling and even production activities have impacted our two borrowers in the fracking industry, Liberty and ProFrac, and also Oilfield Water Logistics as well as 1888.

To start with, our fracking company, we are encouraged by the fact that each Liberty and ProFrac took early proactive measures to shore up liquidity and reduce costs.

In the case of Liberty, the company has extremely low debt levels and enough liquidity to cover a prolonged downturn. The company publicly announced significant cost-cutting measures and anticipates that even in the current market conditions, it will maintain a portion of risk-free assets and will remain cashflow-positive.

Likewise, in discussions with ProFrac management, we have high confidence this company is taking the necessary steps to weather the current market conditions and expect the company to be stable and to have sufficient liquidity for the foreseeable future. Additionally, the Wilks Family who owns ProFrac, has demonstrated the ability and willingness to split the company with additional equity to utilize.

Lastly in both cases, it is noteworthy that both companies have frac fleets with asset values in excess of both current and projected debt levels, providing an additional margin of safety for us as first lien lenders.

1888 is operating in the same challenging environment as Liberty and ProFrac, driven primarily by decrease in the rig count. With activity in the Permian Basin essentially coming to a halt, they have been focused on cutting costs and maintaining the most important relationships. They are also the beneficiary of funds under the PPP loan program, which will help offset some of the operating costs. 1888's forecast currently shows this company will have adequate liquidity through 2020 at the current oil price levels. We believe the company is doing all the right things to weather the storm.

In the case of Oilfield Water Logistics, or OWL, there is very little additional drilling activity needed to support the business as the company's revenues are geared toward water removal and thus, to production from existing wells. OWL management is delaying capex and reducing cost until additional market clarity can be had. Even in this environment, we are comfortable that the revenue from existing wells of customers that the company is literally physically connected to

will be enough to sustain the business through the current market conditions. And as is the case of Liberty and ProFrac, we are further comforted by the company's hard asset coverage.

We have one investment on nonaccrual, Techniplas. Techniplas was perhaps most impacted by work stoppages of any of our portfolio companies as the auto supply chain in both Europe and U.S. came to a virtual standstill. This occurred just as the company was on the verge of a transaction that would have involved significant new capital from a well-regarded financial sponsor. As a result, the company was forced to file for bankruptcy last week and a noteholder group provided liquidity to support the company through this process in the form of a debt financing. We expect at the conclusion of the case, that a subset of the noteholder group, including us, will also fund an exit financing. Over the long-term, we believe Techniplas has a good and defensible franchise, and that this incremental funding will increase the recovery on the notes and also provide attractive return on that capital when the business recovers and as auto production restarts.

For the past several years, we have migrated our portfolio towards first lien. We have also sought to diversify both in terms of industries we lend to and the total number of portfolio companies we hold. All three of these themes have helped us in the current market environment. Our guidance on leverage is a target of 1.25x to 1.5x. Last quarter, we were slightly below that target. Due to changes in the fair value of our portfolio in this quarter, we are slightly above the upper range of our target. We covered our dividend in December quarter with NII. As we committed to do, we waived the quoted portion of our management fee associated with base management fees over one turn of leverage.

Our Board of Directors declared a distribution for the quarter ended June 30, 2020 of $0.15 per share, payable on July 10, 2020, to shareholders of record as of June 19. The Board also declared a supplemental dividend of $0.03 per share payable on those same dates. While we are not pleased to cut our dividend, we believe that in light of the economic turmoil caused by the global pandemic, reducing the dividend and adding a variable supplemental component is a clear path forward.

Investcorp has made two separate commitments to purchase shares of ICMB. First, Investcorp has made open market purchases under a 10(b)5 program and has bought 113,200 shares between January 1 and March 31, and 272,134 shares since

inception of the program. Secondly, Investcorp has committed to purchase shares at NAV. Investcorp has purchased 113,500 shares between January 1 and March 31, and 227,000 shares to date.

COVID-19 has disrupted all markets. We don't claim to have seen it coming, but our portfolio management team, of being at the top of the capital structure and a diverse set of more resilient sectors, put us in a fortunate place. We don't have the investments in restaurants, hotels, traditional retail, transportation, early stage tech, or software, or structured products. We know that the market volatility of the past several months may continue. We accept it will continue. We will remain disciplined, managing our portfolio first and foremost, for the preservation of shareholder capital.

With that, operator, please open the line for Q&A.

Operator: Ladies and gentlemen, at this time, we will conduct a question-and-answer session. If you would like to state a question, please press *1 on your phone now and you'll be placed into the queue in the order received. Please listen for your name to be announced and be prepared to ask your question when prompted. Once again to ask a question, please press *1 on your phone now.

Our first question comes from Christopher Nolan. Please state your question.

Christopher Nolan: Mike, what is the plan in terms of lowering the leverage ratio going forward?

Michael Mauer: Yes, Chris. First, I'd like to apologize to everybody. I assume you had the same quality I had and apologies for that. So to the extent that anything wasn't audible, please chime in and ask me to clarify because, at least on my end, it was not as clear as it has been historically.

On leverage, Chris, we are targeting to be more in the 1.2x, not the 1.5x in our 1.2x to 1.5x. We're at 1.6x and change because of the write-downs in NAV. That also dovetails with – you heard we had paid down some of the revolver. We're using the term loan, and we're now using the revolver because we don't need as much between term and revolver when we were targeting a little more leverage.

In the current environment, we will continue to run at the lower end. That having been said, we're at a higher multiple today because of the write-down. We'll be prudent around that. We're not going to sell just to sell, but we're going to manage that down.

Christopher Nolan: So is it fair to say that the priority right now would be lowering the leverage as opposed to and not growing the portfolio?

Michael Mauer: I would say yes, but let me say it slightly different, which is the priority is to manage the existing portfolio, not grow it; to make sure we preserve capital. Selectively as we get any repayments, we may redeploy, but it is not targeted on growing the portfolio today.

Christopher Nolan: Great. Then, Techniplas, was that a new nonaccrual in the second quarter – or excuse me, since April?

Michael Mauer: Yes. So technically, Techniplas was not nonaccrual at 3/31, it is today. So when we say we have one nonaccrual, that's today. They paid their interest through the March quarter, and it was about to have a very nice influx of capital from a sponsor. And when COVID happened, all of that fell apart, and we are in bankruptcy, restructuring it now. So it was not nonaccrual before.

Christopher Nolan: Great. Thank you. I'll get back in the queue.

Michael Mauer: Thank you very much.

Operator: Our next question comes from Robert Dodd. Please state your question.

Robert Dodd: Hi, guys. On the dividends, obviously, cut the base to $0.15, and then the $0.03 supplemental. Any color you can give us on whether that supplemental is going to be formulaic, Board discretion – I mean, everything is Board discretion. But in terms of how the two components are going to interact going forward versus NII as well, right?

Michael Mauer: Yes, Robert. We've spent a lot of time around this, so I'm not sure if there's a right way to do it. We think we're doing it the right way. We know that over the next six months and hopefully, it's not 18 months that the global economies and the U.S.

economies are going to recover at some pace. We are being somewhat prudent in expecting that to be a slow pace. We hope it's quicker.

With all that having been said, looking at NII and managing the portfolio, we want to have a base level that we're comfortable that we will cover, and that's the $0.15. We believe there should be some above that where that will play out with time, and we will reassess that quarterly.

The supplemental will be formulaic. It is meant to be a proxy for what we expect that to be at each quarter end. It may be a little bit above or below, but it will be formulaic off expected NII.

Robert Dodd: Got it. I appreciate that. Then on liquidity, not the portfolio companies. I mean, thank you for all the color you provided on the energy investments and then Techniplas as well. As we look beyond that into the rest of the portfolio, could you give us any assessment of how much of the remainder of the portfolio beyond those called-out asset has what you would call low, moderate, or maybe high risk exposure to COVID and to the constant combination of operational exposure versus liquidity? I mean, obviously, if a business has no revenue but has 24 months of liquidity, it's less worrying than another. Any color you can give us around that kind of thought process?

Christopher Jansen: Yes. Hey, Robert. It's Chris.

Robert Dodd: Hey, Chris.

Christopher Jansen: We've done some really detailed analysis on the portfolio, as you would expect. We look at about 25% to 30% of our portfolio as being more severely impacted by COVID, including all of our oil and gas exposure, and there's an argument how much of that is COVID, how much is not. Of those, we have probably about half of that amount as lower liquidity. So, roughly 15% of the portfolio. And some of that was including Techniplas which, as Mike had mentioned, has filed for bankruptcy last week and the bondholder group is supporting that through the bankruptcy process then as you want.

Robert Dodd: Got it. I appreciate that color. Then, one more if I can? Go ahead, sir.

Michael Mauer: Robert, just to add to that, I don't know if this is part of your question. When we think about request for relief from covenants, we have just shy of 40 investments and less than a handful of them have asked for covenant relief, where almost two-thirds, 60%, plus or minus, have covenants. So we're not sitting with a 90% covenant-light basket here. We've got – vast majority are covenant, and we've only had a handful of requests. I'd expect we'd get more requests for some covenant relief as we go out further, but we have not seen people coming with a lot of amendments and ask for liquidity to date.

Robert Dodd: Got it. I appreciate that. Then on your side, I mean your liquidity, $16 million in cash today, right, and a fully drawn revolver. I mean, I presume you think that's sufficient to fund any liquidity requests that do come in from portfolio companies, even if you do not get additional repayments. But what's the margin of error there in terms of – if you do get more requests for relief, requests for the liquidity if this situation drags on longer, what are your resources to incrementally add liquidity to your own balance sheet?

Michael Mauer: Yes. There are two or three ways that we have thought about that. Number one is, revolver claims on up. It's $2 million, $3 million of revolver claims that are truly outside of our control as the lender group. The other ones have a lot of gating, a lot of requirements or discretion on the lender. We do not have significant revolver exposure by design in our portfolio, that's number one.

Number two is, when we think about self-help and other things, I've included what we know about in that number.

Number three is, we do expect that there will be at least $10 million to $20 million of repayments over the near-term, i.e., before 6/30. We will assess liquidity needs over that period of time and whether or not we pay down the revolver and keep some extra liquidity there.

Then lastly, UBS, as you know, is our liquidity provider, and they basically said they want to talk to us about extending and other things. We're kind of waiting, and I think it will probably be mid-summer before we get into those because of a lot of other disruption away from the BDC sector, actually. It's not even in the corporate, it's more in a lot of the mortgage sector. So we think we've got more than

adequate liquidity today. We've got cushions on top of that in our leverage facility with UBS that we think are adequate, and we have some liquidity coming.

Robert Dodd: Got it. I appreciate it. Thanks, guys.

Michael Mauer: Thank you.

Operator: Our next question comes from Paul Johnson. Please state your question.

Paul Johnson: Hey, guys. Thanks for taking my questions. Hey, one more on the credit facility. As far as your availability goes today, I think you said you had about – correct me if I'm wrong, $21 million drawn today on the revolver in the second quarter. Is the capacity completely available there for you to draw on? Or are there any sort of borrower restrictions in the facility that limit the availability?

Michael Mauer: Just to clarify, I think as of today, what we've done is we have drawn our revolver at the BDC and paid down our term loan. So we are drawn under the revolver. There's not additional capacity there. We've got about $15 million of cash on top of other buffers that we've got, but the actual cash is about $15 million that we have. So there is not additional revolver capacity, and we don't think we need it.

Paul Johnson: Okay. Thanks for that. As far as the fair value marks this quarter, I'm just curious. Can you talk a little bit about your process? When you were going through this process of marketing these companies, did you incorporate any sort of forward-looking projections, or were these primarily based off of more historical performance plus market spread adjustments?

Christopher Jansen: Yes. Hey, Paul. It's Chris Jansen. We did more of the latter. It's hard – it's really difficult. The crystal ball gets a little foggy depending on how companies come back. We started first hearing rumblings of this, we did some really thorough analysis on what we felt the liquidity that our individual investment had. So not really looking at enterprise value, but was like, right, what do companies have in their coffers to sustain themselves against this? From then, we went on to say, okay, which companies do we think are going to be most impacted and why?

So with that as a backdrop, we went through the portfolio and said we want – we did more of our traditional valuation analysis to say the companies that we felt

very confident would make it through this, which was a vast majority of them. And we did some spread widening and more or less where the market spreads had widened versus where we think companies would be performing in the new COVID environment. So it was pretty similar to what we've been doing before, but with our COVID analysis and liquidity analysis as a backdrop but more succinctly.

Paul Johnson: Sure, okay. Thanks for that detail. I guess the last question I had just had to do more with the broader platform. I'm curious; as we enter this crisis and we're entering potentially what's very likely to be a recession, how have you guys shifted any sort of resources at the firm to focus on potentially your highest liquidity need companies or credit trouble in the portfolio? Or basically just how are you shifting the personnel around or resources to help support your portfolio today?

Michael Mauer: Yes, I think that's a great question. We are a team of about 10 people. We all get involved. We do take specialists by industry and by restructuring expertise. And given that the portfolio is less than 40 names, we're not dealing with 150, 200 names. We're able to take the people who have the industry expertise and the senior, Chris and myself, are involved literally down to minutiae in each and every name that is having any type of discussion around whether or not it's amendment, restructuring with advisers, lawyers, etc. So we are nimble enough that we can shift based upon industry and restructuring expertise.

Paul Johnson: Okay. Thanks for that.

Christopher Jansen: A good example to that is 1888 where Mike literally rolls his sleeves up on that credit more than anybody else on the team. Mike has vast experience in restructurings and refinancing's from his prior career, so I think he understates his ability to do that.

Paul Johnson: Sure, great. Okay. Thanks for that. Those were all my questions today.

Operator: Our next question comes from David Rothchild. Please state your question.

David Rothchild: Hey, I'm a private investor. Thanks for taking my question. As far as your market prices is far below your net asset value, and I know you talked here a lot about your credits. Does your guys' line of credit allow you to buy back more shares? And if so, why aren't you doing that at this kind of discount?

Michael Mauer: So from our line of credit, we're borrowed against that. So liquidity is very important, Mr. Rothchild, around all the investments. And at this point, I think it's important to make sure that we're maintaining the overall portfolio.

I understand your question about the trading level versus the NAV. I'd say we've got a lot of company across the BDC sector in discount, whether or not you're at $0.30 or $0.60, you're at a deep discount. I think part of it is making sure that you maintain the liquidity to maintain your investments.

The second is the next stage beyond that is for a rebound and to appreciate the NAV and I think if we do that right, we should get our trading levels back up into that 60-, 70-, 80-plus range, and that's really the primary. We absolutely are focused on the share price, but buying back stock right now is not a good use of our liquidity.

David Rothchild: Yes. It seems like a 50% return is a good return, but thank you.

Michael Mauer: Yes.

Operator: Once again if you would like to ask a question, please press *1 on your phone now. At this time, we have no further questions.

Michael Mauer: Thank you, everyone. We appreciate your time and look forward to talking to you in the future.

Operator: This concludes today's conference call. Thank you for attending.

- End of Recording -