



# Main Street Capital Corporation (MAIN)

Updated May 14<sup>th</sup>, 2025 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$53	<b>5 Year CAGR Estimate:</b>	6.3%	<b>Market Cap:</b>	\$4.8 B
<b>Fair Value Price:</b>	\$54	<b>5 Year Growth Estimate:</b>	1.0%	<b>Ex-Dividend Date:</b>	06/06/2025
<b>% Fair Value:</b>	99%	<b>5 Year Valuation Multiple Estimate:</b>	0.2%	<b>Payment Date:</b>	06/13/2025
<b>Dividend Yield:</b>	5.8%	<b>5 Year Price Target</b>	\$56	<b>Years of Dividend Growth:</b>	10
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Financials	<b>Rating:</b>	Hold

## Overview & Current Events

Headquartered in Houston, TX, Main Street Capital Corporation is a Business Development Company (BDC) that provides long-term debt and equity capital to lower middle market companies and debt capital to middle market companies. Main Street defines lower middle market companies as generally having annual revenues between \$10 million and \$150 million. The company's investments typically support management buyouts, recapitalizations, growth financings, refinancing, and acquisitions. The company has a market capitalization of \$4.8 billion and generated \$355 million in net investment income in 2024. At the end of Q1 2025, Main Street had an interest in 86 lower middle market companies (valued at \$2.6 billion), 13 middle market companies (\$128 million) and 90 private loan investments (\$1.9 billion).

On May 6<sup>th</sup>, 2025, Main Street Capital announced a 2.0% dividend increase to \$0.255 per share paid monthly.

On May 8<sup>th</sup>, 2025, Main Street Capital reported first quarter 2025 results. Net investment income of \$89.8 million for the quarter was flat compared to \$89.8 million in Q1 2024. The corporation generated net investment income per share of \$1.01, down 4% year-over-year from \$1.05 per share. Distributable net investment income per share totaled \$1.07, down 4% from \$1.11 in Q1 2024.

Main Street's net asset value per share increased 1.2% since December 31<sup>st</sup>, 2024, from \$31.65 to \$32.03. The corporation declared monthly dividends of \$0.255 to be paid in the third quarter of 2025, which are 4.1% higher than those declared a year ago, as well as a supplemental \$0.30 dividend to be paid in June.

As of the end of the first quarter of 2025, the corporation had aggregate liquidity of \$1.302 billion, consisting of \$109 million in cash and cash equivalents, and \$1.193 billion of unused capacity under the revolving credit facility.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>NIIPS</b>	\$2.18	\$2.23	\$2.39	\$2.60	\$2.50	\$2.10	\$2.65	\$3.29	\$4.14	\$4.09	<b>\$3.98</b>	<b>\$4.18</b>
<b>DPS</b>	\$2.65	\$2.73	\$2.79	\$2.85	\$2.91	\$2.46	\$2.48	\$2.60	\$2.75	\$2.91	<b>\$3.06</b>	<b>\$3.22</b>
<b>Shares<sup>1</sup></b>	49	52	57	60	63.0	66.0	70.0	77.8	84.4	88.4	<b>87.5</b>	<b>110.0</b>

NIIPS stands for Net Investment Income Per Share. Main Street's calculation of distributable net investment income excludes the impact of share-based compensation. We believe this is a real expense, and thus have elected to use net investment income instead. Main Street has put together a solid record in the past decade, with a nine-year and five-year net investment income per share CAGR of 7.2% and 10.3%, respectively. This even though the company pays out basically all its income in the form of dividends and needs to issue shares in order to fund growth.

The company pays a monthly dividend, currently sitting at \$0.255 or \$3.06 on an annual basis, along with supplemental dividends (skipped in 2020 due to COVID-19). The upcoming supplemental dividend amounts to \$0.30 per share to be paid in June, while the company keeps its trend of increasing the regular monthly dividend slightly every year. The supplemental dividends have been a result of generating realized gains from Main Street's equity investments. Starting in 2019, Main Street began gradually reducing its supplemental dividend and absorbing it into the regular monthly

<sup>1</sup> In millions

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dividend. Importantly, as a result of the BDC structure, dividends are classified as both ordinary and qualified dividends along with realized gains. Regarding the share count, you can see this growing significantly over time. In order to avoid corporate income tax, Main Street must distribute at least 90% of their taxable income, leaving little wiggle room to fund growth. While this strategy has worked extremely well since the last recession, we do caution that this method of funding becomes substantially less attractive (and more expensive) in lesser times. As such, we have tempered our growth expectations, and expect the company to post just 1% annual growth into 2030.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.3	16.5	16.6	13.3	16.4	17.4	15.3	12.1	9.7	12.1	13.4	13.5
Avg. Yld.	7.3%	7.4%	7.0%	6.7%	6.8%	7.6%	5.8%	6.1%	7.2%	7.9%	5.8%	5.7%

Over the past five years, shares of Main Street have traded at an average P/E ratio of 13.3 times earnings. Given the current environment and Main's recent performance, we estimate fair value of 13.5 times earnings, which implies the potential for a valuation tailwind.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

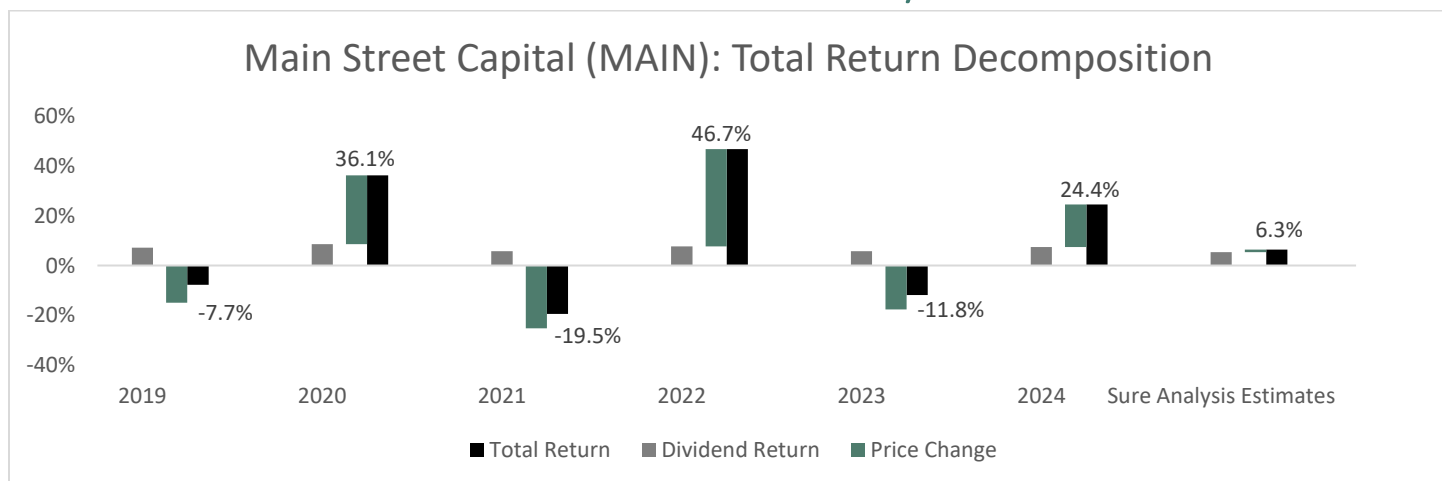
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	122%	122%	117%	110%	116%	117%	93%	79%	66%	71%	77%	77%

Main Street's competitive advantage lies in its portfolio of small company interests, allowing for equity and debt exposure that would be difficult to replicate, along with the company's management. In the last decade, the company has performed well, acting like a fund for small companies and passing along the income and gains to investors. The payout ratio detailed above is notable for two reasons. From an income standpoint, it highlights the BDC's pass through status, requiring the company to pay a substantial dividend. From a safety standpoint, it shows that there is not much room for lesser performance. Indeed, given the idea of continued equity issuance to fund investments, growth came under pressure during the COVID-19 crisis, though investment income held up well overall.

## Final Thoughts & Recommendation

Main Street has put together a solid record in the last decade. The company's model is unusual for common equity, but typical of a pass-through entity – paying out all of its earnings and funding growth by issuing shares. This leads to two distinct items: an above average dividend yield and an ever-increasing share count. MAIN could offer 6.3% annualized total returns moving forward, consisting primarily of the dividend. Main Street Capital maintains its hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	126	173	234	216	174	58	421	331	510	601
SG&A Exp.	9	9	12	12	13	13	12	16	-4	-4
Net Profit	104	139	171	168	130	29	331	242	428	508
Net Margin	82.6%	80.5%	72.8%	77.9%	74.3%	50.3%	78.5%	73.0%	83.9%	84.5%
Free Cash Flow	-131	-43	73	-109	-34	-54	-515	-247	285	-87
Income Tax	-9	-1	24	6	1	-14	33	23	23	31

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,553	2,265	2,072	1,879	1,694	1,360	1,036	4242	4444	5121
Cash & Equivalents	54	52	24	20	60	35	64	49	60	78
Total Liabilities	1,077	885	871	808	754	568	393	2133	1966	2324
Accounts Payable	64	77	31	28	38	47	38	86	100	115
Long-Term Debt	996	797	840	780	707	515	343	1999	1802	2122
Shareholder's Equity	1,476	1,380	1,201	1,071	940	793	643	2109	2477	2798
LTD/E Ratio	0.67	0.58	0.70	0.73	0.75	0.65	0.53	0.95	0.73	0.76

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.0%	7.9%	7.0%	5.8%	6.6%	8.1%	11.8%	6.1%	9.9%	10.6%
Return on Equity	11.8%	13.2%	12.2%	10.4%	11.6%	13.5%	19.9%	12.4%	18.7%	19.3%
ROIC	7.2%	8.1%	7.1%	6.0%	6.8%	8.4%	12.2%	6.3%	10.2%	11.1%
Shares Out.	49	52	57	60	63.0	66.0	70.0	74.48	81.92	86.81
Revenue/Share	3.59	4.13	3.32	2.58	3.25	3.01	4.23	4.45	6.22	6.93
FCF/Share	-1.81	1.29	-0.82	-2.68	-4.39	-6.57	-4.59	-3.32	3.48	-1.00

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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### Disclaimer

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