WhiteHorse Finance, Inc. Announces Second Quarter 2014 Earnings Results

August 6, 2014 7:00 AM ET

NEW YORK--(BUSINESS WIRE)--Aug. 6, 2014-- **WhiteHorse Finance, Inc.** (â€œWhiteHorse Financeâ€ or the "Company") (NASDAQ:WHF) today announced its financial results for the quarter ended June 30, 2014.

Second Quarter 2014 Summary Highlights

- New investments of $90 million â€“ second strongest quarter on record â€“ and $107 million year-to-date
- Quarterly distribution of $0.355 per share, consistent for the seventh consecutive quarter since the Companyâ€™s IPO
- Appointed Gerhard Lombard as Chief Financial Officer

Jay Carvell, WhiteHorse Financeâ€™s Chief Executive Officer, commented, â€œOur activity during the second quarter once again reflects our priority of sourcing proprietary, quality investment opportunities in the small and mid cap space across a broad range of industries. This approach allows us to continue to deliver strong results for both our portfolio companies and shareholders. During the quarter, we originated $90 million of new investments, our second highest level of originations as a public company, across seven positions, bringing our total new investments to $107 million for the first half of the year. H.I.G. Capital continues to serve as a premium deal-sourcing network with more than half of this quarterâ€™s investments sourced through our proprietary network. While we anticipate continued quarter-over-quarter lumpiness regarding our origination pace, we believe that we are on track to achieve year-over-year growth.â

Portfolio and Investment Activity

As of June 30, 2014, the fair value of WhiteHorse Financeâ€™s investment portfolio was $347.1 million, compared with $272.4 million as of December 31, 2013. The majority of the portfolio is comprised of senior secured loans. The portfolio consisted of 93.5% variable-rate investments (indexed to LIBOR) which should continue to position the portfolio well for a potential rising interest rate environment. The overall portfolio consisted of 30 positions across 27 companies with an average investment size of $11.6 million and a weighted average yield of 10.6%.

For the three months ended June 30, 2014, WhiteHorse Finance invested $90 million across seven new portfolio companies. Gross proceeds from sales and repayments totaled $30.1 million for the quarter.

Results of Operations

For the three months ended June 30, 2014, net investment income was $4.0 million, compared with $4.9 million for the three months ended June 30, 2013.

For the three months ended June 30, 2014, WhiteHorse Finance recorded unrealized appreciation on investments of $1.0 million, as compared with unrealized depreciation on investments of $1.7 million for the three months ended June 30, 2013.

For the second quarter of 2014, operations resulted in a net increase in net assets of $5.0 million, as compared with a net increase in net assets of $3.2 million for the second quarter of 2013.

WhiteHorse Financeâ€™s NAV was $227.8 million, or $15.21 per share, as of June 30, 2014, as compared with $227.0 million, or $15.16 per share, as of December 31, 2013.

Liquidity and Capital Resources

As of June 30, 2014, WhiteHorse Finance had cash and cash equivalents of $10.8 million, as compared with $96.0 million as of December 31, 2013, inclusive of restricted cash. The decrease in cash on hand was due primarily to the net deployment of cash into attractive investment opportunities. As of June 30, 2014, the Company had $108.0 million of undrawn capacity under its revolving credit facility.

Distributions

On May 28, 2014 the Company declared a distribution of $0.355 per share for the quarter ended June 30, 2014. The distribution was payable on July 3, 2014 to stockholders of record as of June 20, 2014. This marks the seventh consecutive quarter that the Company

has declared a distribution at this rate.

Distributions are paid from taxable earnings and may include return of capital and/or capital gains. The specific tax characteristics of the distributions will be reported to stockholders on Form 1099-DIV after the end of the calendar year and in the Company's periodic reports filed with the Securities and Exchange Commission.

Exemptive Relief

On July 8, 2014, the Company received an exemptive order from the SEC that permits it to participate in negotiated investments with funds managed by H.I.G. Capital, subject to certain conditions. The exemptive relief to co-invest with affiliated funds provides stockholders with access to a broader range of investment opportunities.

Conference Call

WhiteHorse Finance will host a conference call to discuss its second quarter earnings results at 10:00 a.m. ET on Wednesday, August 6, 2014. To access the teleconference, please dial 706-758-9224 (domestic and international) approximately 10 minutes before the teleconferenceâ€™s scheduled start time and reference ID# 68696963. Investors may also access the call on the investor relations portion of the Companyâ€™s website at www.whitehorsefinance.com/ir.

If you are unable to access the live teleconference, a replay will be available beginning approximately two hours after the callâ€™s completion through August 13, 2014. The teleconference replay can be accessed by dialing 404-537-3406 (domestic and international) and entering ID# 68696963. A webcast replay will also be available on the investor relations portion of the Companyâ€™s website at www.whitehorsefinance.com/ir.

About WhiteHorse Finance, Inc.

WhiteHorse Finance, Inc. is a business development company that originates and invests in loans to privately held small-cap companies across a broad range of industries. The Companyâ€™s investment activities are managed by its investment adviser, H.I.G. WhiteHorse Advisers, LLC, an affiliate of H.I.G. Capital, L.L.C. H.I.G. Capital is a leading global alternative asset manager managing approximately $15 billion of capital as of June 30, 2014 across a number of funds focused on the small and mid-cap markets. For more information about H.I.G. Capital, please visit http://www.higcapital.com. For more information about the Company, please visit http://www.whitehorsefinance.com.

Forward-Looking Statements

This press release may contain â€œforward-looking statementsâ€ within the meaning of the Private Securities Litigation Reform Act of 1995. Statements other than statements of historical facts included in this press release may constitute forward-looking statements and are not guarantees of future performance or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in filings with the Securities and Exchange Commission. The Company undertakes no duty to update any forward-looking statement made herein. All forward-looking statements speak only as of the date of this press release.

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WhiteHorse Finance, Inc.

Consolidated Statements of Assets and Liabilities

(in thousands, except share and per share data)

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	June 30, 2014 (Unaudited)	**December 31, 2013**
Assets		
Investments, at fair value (amortized cost $343,872 and $272,608, respectively)	$ 347,107	$ 272,439
Cash and cash equivalents	6,726	92,905
Restricted cash and cash equivalents	4,041	3,078
Interest receivable	2,026	1,585

Deferred financing costs	3,533	3,827
Prepaid expenses and other receivables	Â 453	Â 319
Total assets	$ 363,886	$ 374,153
		Â
Liabilities		
Credit facility	$ 42,000	$ 25,000
Senior notes	30,000	30,000
Unsecured term loan	55,000	55,000
Distributions payable	5,319	5,317
Management fees payable	3,296	2,831
Payable for investments purchased	-	28,606
Accounts payable and accrued expenses	Â 432	Â 397
Total liabilities	Â 136,047	Â 147,151
		Â
Net assets		
Common stock, 14,982,857 and 14,977,056 shares issued and outstanding, par value $0.001 per share and 100,000,000 authorized	15	15
Paid-in capital in excess of par	228,734	228,646
Accumulated overdistributed net investment income	(3,509)	(854)
Net unrealized appreciation (depreciation) on investments	Â 2,599	Â (805)
Total net assets	Â 227,839	Â 227,002
Total liabilities and total net assets	$ 363,886	$ 374,153
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Number of shares outstanding	14,982,857	14,977,056
Net asset value per share	$ 15.21	$ 15.16
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WhiteHorse Finance, Inc.

Consolidated Statements of Operations

(in thousands, except share and per share data)

	Three months ended June 30,		**Six months ended June 30,**	
	2014	**Â Â 2013**	**2014**	**Â Â 2013**
Investment income				
Interest and fee income	$ 9,018	$ 9,498	$ 17,268	$ 17,880
Total investment income	9,018	9,498	17,268	17,880
				Â
Expenses				
Interest expense	1,386	1,304	2,741	2,666
Base management fees	1,678	1,244	3,121	2,321
Performance-based incentive fees	982	1,213	1,132	2,165
Administrative service fees	359	389	684	778
General and administrative expenses	Â 620	Â 498	Â 1,607	Â 1,091
Total expenses	Â 5,025	Â 4,648	Â 9,285	Â 9,021
Net investment income	Â 3,993	Â 4,850	Â 7,983	Â 8,859
				Â
Realized and unrealized gains (losses) on investments				
Net realized gains (losses) on investments	-	-	-	-

Net change in unrealized appreciation (depreciation) on investments	Â 1,024	Â (1,683)	Â 3,404	Â (2,184)
Net realized and unrealized gains (losses) on investments	Â 1,024	Â (1,683)	Â 3,404	Â (2,184)
Net increase in net assets resulting from operations	$ 5,017	$ 3,167	$ 11,387	$ 6,675
Per Common Share Data				
Basic and diluted earnings per common share	$ 0.34	$ 0.21	$ 0.76	$ 0.45
Dividends and distributions declared per common share	$ 0.36	$ 0.36	$ 0.71	$ 0.71
Basic and diluted weighted average common shares outstanding	14,982,857	14,965,624	14,982,793	14,965,624

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments

June 30, 2014

(in thousands)

Investment Type[6]	**Spread Above Index[1]**	**Interest Rate[2]**	**Maturity Date**	**Par / Shares**	**Amortized Cost**	**Fair Value**	**Fair Value As A Percentage Of Net Assets**
North America		Â					Â
Debt Investments							Â
Aerospace & Defense							
ILC Industries, LLC							
First Lien Secured Term Loan	L+6.50% (1.50% Floor)	8.00%	7/11/18	$ 4,575	$ 4,564	$ 4,575	2.01
Second Lien Secured Term Loan	L+10.00% (1.50% Floor)	11.50%	7/11/19	5,000	4,889	4,970	2.18
				Â Â	Â Â	Â Â	Â Â
				Â 9,575	Â 9,453	Â 9,545	Â 4.19 Â
Building Products							
TCO Funding Corp.							

First Lien Secured Term Loan	L+7.50% (2.00% Floor)	9.50%	4/27/15	17,404	17,404	17,404	7.64 Â
Cable & Satellite							
Puerto Rico Cable Acquisition Company, Inc.							
Second Lien Secured Term Loan	L+8.50% (1.00% Floor)	9.50%	5/30/19	5,000	4,926	4,960	2.18 Â
Consumer Finance							
Oasis Legal Finance, LLC[7]							
Second Lien Secured Term Loan	N/A[4]	10.50%	9/30/18	10,000	9,823	10,000	4.39 Â
Sigue Corporation							
Second Lien Secured Term Loan	L+9.50% (1.00% Floor)	10.50%	12/27/18	25,000 Â Â	24,540 Â Â	24,950 Â Â	10.95 Â Â
				Â 35,000	Â 34,363	Â 34,950	Â 15.34 Â
Data Processing & Outsourced Services							
Future Payment Technologies, L.P.							
Second Lien Secured Term Loan	L+10.00% (1.00% Floor)	11.00% (2.00% PIK)	12/31/18	35,353	34,059	35,141	15.42 Â
Diversified Support Services							
ARSloane Acquisition, LLC							
Second Lien Secured Term	L+10.50%	11.75%	10/1/20	4,000	3,926	4,000	1.76

Loan							
	(1.25% Floor)						
Orion Healthcorp, Inc.							
Senior Secured Note	L+10.00%	12.00%	3/31/18	10,034	9,749	9,804	4.30
	(2.00% Floor)	(2.00% PIK)					
Smile Brands Group Inc.							
First Lien Secured Term Loan	L+6.25%	7.50%	8/16/19	11,910	11,698	11,755	5.16
	(1.25% Floor)			Â Â	Â Â	Â Â	Â Â
				Â 25,944	Â 25,373	Â 25,559	Â 11.22 Â

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	(1.50% Floor)	(3.00% PIK)					Â
P2 Newco Acquisition, Inc.							
Second Lien Secured Term Loan	L+8.50%	9.50%	10/22/21	10,000	9,905	10,020	4.40
	(1.00% Floor)			Â Â	Â Â	Â Â	Â Â
				Â 24,421	Â 24,069	Â 24,412	Â 10.72 Â
Health Care Facilities							
Grupo HIMA San Pablo, Inc							
First Lien Secured Term Loan	L+9.00%	10.50%	1/31/18	14,813	14,582	14,738	6.47
	(1.50% Floor)						
Second Lien Secured Term Loan	N/A[4]	15.75%	7/31/18	1,000	959	988	0.43 Â
Coastal Sober Living, LLC							
First Lien Secured Term Loan	L+9.25%	10.25%	6/30/19	22,000	21,615	21,626	9.49
	(1.00% Floor)			Â Â	Â Â	Â Â	Â Â
				Â 37,813	Â 37,156	Â 37,352	Â 16.39 Â
Health Care Technology							
Client Network Services, Inc.							
First Lien Secured Term Loan	L+13.00%	13.50%		29,681	29,214	29,740	13.05
	(0.50% Floor)	(1.00% PIK)					
First Lien Secured Revolving Loan	L+12.00%	12.50%		1,000	1,000	1,002	0.44
	(0.50% Floor)			Â Â	Â Â	Â Â	Â Â
				Â 30,681	Â 30,214	Â 30,742	Â 13.49 Â
Homebuilding							
Orleans Homebuilders, Inc.							
First Lien Secured Term Loan	L+8.50%	10.50%	2/14/16	16,260	16,312	16,423	7.21
	(2.00% Floor)						Â

Homefurnishing Retail							
BDF Acquisition Corp.							
Second Lien Secured Term Loan	L+8.00% (1.00% Floor)	9.00%	2/12/22	5,000	4,903	4,890	2.15
Integrated Telecommunication Services							
Securus Technologies, Inc.							
Second Lien Secured Term Loan	L+7.75% (1.25% Floor)	9.00%	4/30/21	8,090	8,016	8,050	3.53

WhiteHorse Finance, Inc.

Consolidated Schedule of Investments

June 30, 2014
(in thousands)

Investment Type[6]	**Spread Above Index[1]**	**Interest Rate[2]**	**Maturity Date**	**Par / Shares**	**Amortized Cost**	**Fair Value**	**Fair Value As A Percentage Of Net Assets**
Internet Retail							
Bluestem Brands, Inc.							
First Lien Secured Term Loan	L+6.50% (1.00% Floor)	7.50 %	12/6/18	8,222	8,041	8,190	3.59
Metal & Glass Containers							
Pelican Products, Inc.							
Second Lien Secured Term Loan	L+8.25% (1.00% Floor)	9.25 %	4/11/21	3,000	2,978	3,030	1.33
Oil & Gas Drilling							

ProPetro Services, Inc.								
First Lien Secured Term Loan	L+6.25% (1.00% Floor)	7.25 %	9/30/19	9,625	9,535	9,750	4.28	Â
Oil & Gas Exploration & Production								
Caelus Energy Alaska O3, LLC								
Second Lien Secured Term Loan	L+7.50% (1.25% Floor)	8.75 %	4/15/20	9,000	8,824	8,946	3.93	Â
Other Diversified Financial Services								
RCS Capital Corporation								
Second Lien Secured Term Loan[7]	L+9.50% (1.00% Floor)	10.50 %	4/29/21	9,000	8,867	8,982	3.94	Â
Specialized Consumer Services								
Pre-Paid Legal Services, Inc.								
Second Lien Secured Term Loan	L+8.50% (1.25% Floor)	9.75 %	7/1/20	18,000	17,789	18,144	7.96	Â
Specialized Finance								
GMT Holdings 1, Ltd. & GMT Holdings 12, Ltd.[3][7]								
First Lien Secured Term	N/A[4]	10.00 %	6/30/17	12,049	12,114	10,905	4.79	

Loan								Â
Trading Companies & Distributors								
Distribution International, Inc.								
First Lien Secured Term Loan	L+6.50% (1.00% Floor)	7.50 %	7/16/19	9,900 Â Â	9,812 Â Â	9,811 Â Â	4.31 Â Â	
Total Debt Investments				Â 339,287	Â 333,872	Â 336,877	Â 147.86	Â
Equity Investments								Â
Diversified Support Services								
Constellation Health, LLC Warrants	-	-	3/31/18	1	-	230	0.10	Â
Specialized Finance								
NMFC Senior Loan Program I LLC[7]								
LLC Interest	-	-	6/10/19	10,000 Â Â	10,000 Â Â	10,000 Â Â	4.39 Â Â	
Total Equity Investments				Â 10,001	Â 10,000	Â 10,230	4.49	Â
Total Investments[5]				**$ 349,288**	**$ 343,872**	**$ 347,107**	Â **152.35**	**%** Â

(1) Â Â The investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (â€œLIBORâ€•or â€œLâ€•)which resets monthly, quarterly or semiannually.
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(2) The interest rate is the â€œall-in-rateâ€•including the current index and spread, the fixed rate, and the payment-in-kind, or â€œPIKâ€•interest rate, as the case may be.
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(3) WhiteHorse Finance, Inc.â€™s investments in GMT Holdings 1, Ltd. and GMT Holdings 12, Ltd. are held through its subsidiary Bayside Financing S.A.R.L.
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(4) Interest rate is fixed and accordingly the spread above the index is not applicable.
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(5) Except for AP Gaming I, LLC, BDF Acquisition Corp., GMT Holdings 1, Ltd. and GMT Holdings 12, Ltd., NMFC Senior Loan Program I LLC, P2 Newco Acquisition, Inc., Pelican Products, Inc., RCS Capital Corporation and Securus Technologies, Inc., the investments provide collateral for the Credit Facility.

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(6) All investments are non-controlled/non-affiliate investments as defined by the Investment Company Act of 1940, or the 1940 Act.

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(7) Not a qualifying asset under Section 55(a) of the 1940 Act. Under theÂ 1940 Act, WhiteHorse Finance may not be able to acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of total assets.

Source: WhiteHorse Finance, Inc.

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