# WhiteHorse Finance, Inc. Announces Third Quarter 2016 Earnings Results

**NEW YORK, NY, November 3, 2016 – WhiteHorse Finance, Inc.** ("WhiteHorse Finance" or the "Company") (NASDAQ: WHF) today announced its financial results for the quarter ended September 30, 2016.

## Third Quarter 2016 Summary Highlights

- Investments of $33.0 million
- Net investment income of $7.3 million
- Third quarter net investment income of $0.397 per share
- Third quarter distribution of $0.355 per share

Stuart Aronson, WhiteHorse Finance's Chief Executive Officer commented, "This was a solid quarter for WhiteHorse, with strong net interest income and modest gains in our NAV. The leadership of our firm remains committed to conservative investing in senior secured assets with a goal of earning our dividend each year and protecting NAV. The pipeline for the fourth quarter is strong, with the majority of the pipeline comprised of deals with low leverage and expected double digit returns."

## Portfolio and Investment Activity

As of September 30, 2016, the fair value of WhiteHorse Finance's investment portfolio was $402.9 million, compared with $400.9 million as of June 30, 2016. The portfolio at September 30, 2016 consisted of 34 positions across 28 companies with an average investment size of $11.9 million and a weighted average effective yield of 12.1%, up from 11.9% last quarter. The majority of the portfolio was comprised of senior secured loans and approximately 99.6% of these loans were variable-rate investments (primarily indexed to LIBOR), which should continue to position the portfolio well for a potential rising interest rate environment.

During the three months ended September 30, 2016, WhiteHorse Finance made investments in two portfolio companies totaling $33.0 million. Gross proceeds from sales and repayments totaled $33.2 million for the quarter. The Company continued to be highly selective with the deployment of capital into new investments.

## Results of Operations

For the three months ended September 30, 2016, net investment income was approximately $7.3 million, compared with approximately $5.7 million for the same period in the prior year, representing an increase of 28.1%. The increase in net investment income was primarily attributable to an increase in the balance of average earning investments over the same period in the prior year. In the past 24 months, cumulative core net investment income, a non-GAAP financial measure, exceeded distributions to stockholders.[(1)]

For the three months ended September 30, 2016, WhiteHorse Finance reported realized and unrealized gains on investments of $1.3 million. This compares with realized and unrealized losses on investments of ($4.2) million for the three months ended September 30, 2015. The increase in realized and unrealized gains on investments was primarily attributable to fair value adjustments and the sale our Orion Healthcorp warrants.

WhiteHorse Finance reported a net increase in net assets of $8.6 million for the three months ended September 30, 2016, which compares with a net increase of $1.4 million for the three months ended September 30, 2015.

WhiteHorse Finance's NAV was $246.8 million, or $13.48 per share, as of September 30, 2016, as compared with $244.7 million, or $13.37 per share, reported as of June 30, 2016.

## Liquidity and Capital Resources

As of September 30, 2016, WhiteHorse Finance had cash and cash equivalents of $23.7 million, as compared with $44.1 million as of June 30, 2016, inclusive of restricted cash. As of September 30, 2016, the Company had $56.7 million of undrawn capacity under its revolving credit facility.

## Distributions

On September 8, 2016, the Company declared a distribution of $0.355 per share for the quarter ended September 30, 2016, consistent for the sixteenth consecutive quarter since the Company's IPO. The distribution was paid on October 3, 2016 to shareholders of record as of September 19, 2016.

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.

## Conference Call

WhiteHorse Finance will host a conference call to discuss its third quarter results at 10:00 am ET on Thursday, November 3, 2016. To access the teleconference, please dial 706-758-9224 (domestic and international) approximately 10 minutes before the teleconference's scheduled start time and reference ID #3321749. Investors may also access the call on the investor relations portion of the Company's website at www.whitehorsefinance.com.

If you are unable to access the live teleconference, a replay will be available beginning approximately two hours after the call's completion through November 7, 2016. The teleconference replay can be accessed by dialing 404-537-3406 (domestic and international) and entering ID #3321749. A webcast replay will also be available on the investor relations portion of the Company's website at www.whitehorsefinance.com.

## About WhiteHorse Finance, Inc.

WhiteHorse Finance is a business development company that originates and invests in loans to privately held small-cap companies across a broad range of industries. The Company's investment activities are managed by WhiteHorse Advisers, an affiliate of H.I.G. Capital. H.I.G. Capital is a leading global alternative asset manager with $20 billion of capital under management[(2)] 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 "forward-looking statements" 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.

(1) Net investment income and core net investment income during the three months ended December 31, 2015 were $0.237 per share and $0.352 per share, respectively. Net investment income was equal to core net investment income for every other quarter since the Company's initial public offering. Core net investment income is a non-GAAP financial measure. The Company believes that core net investment income provides useful information to investors and management because it reflects the Company's financial performance excluding the net impact of costs associated with the refinancing of the Company's revolving credit facility. 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.

(2) Based on total capital commitments managed by H.I.G. Capital and affiliates.

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Source: WhiteHorse Finance, Inc.

**WhiteHorse Finance, Inc.**
**Consolidated Statements of Assets and Liabilities**
***(in thousands, except share and per share data)***

| | September 30, 2016 (Unaudited) | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Investments, at fair value | | |
| Non-controlled/non-affiliate company investments | $ 383,876 | $ 395,143 |
| Non-controlled affiliate company investments | 19,010 | 20,200 |
| Total investments, at fair value (amortized cost $421,376 and $436,109, respectively) | 402,886 | 415,343 |
| Cash and cash equivalents | 17,796 | 22,769 |
| Restricted cash and cash equivalents | 5,913 | — |
| Receivables from investments sold | — | — |
| Interest receivable | 3,966 | 3,407 |
| Prepaid expenses and other receivables | 385 | 192 |
| Total assets | $ 430,946 | $ 441,711 |
| | | |
| **Liabilities** | | |
| Debt | $ 170,379 | $ 183,482 |
| Distributions payable | 6,498 | 6,498 |
| Management fees payable | 5,876 | 3,813 |
| Payables for investments purchased | — | 2,865 |
| Accounts payable and accrued expenses | 993 | 1,001 |
| Interest payable | 385 | — |
| Total liabilities | $ 184,131 | $ 197,659 |
| | | |
| **Commitments and contingencies (See Note 7)** | | |
| | | |
| **Net assets** | | |
| Common stock, 18,303,890 shares issued and outstanding, par value $0.001 per share and 100,000,000 authorized | 18 | 18 |
| Paid-in capital in excess of par | 271,679 | 271,679 |
| Accumulated overdistributed net investment income | (6,454) | (7,419) |
| Accumulated realized gains on investments | 698 | 1,176 |
| Accumulated unrealized depreciation on investments | (19,126) | (21,402) |
| Total net assets | $ 246,815 | $ 244,052 |
| **Total liabilities and total net assets** | $ 430,946 | $ 441,711 |
| | | |
| Number of shares outstanding | 18,303,890 | 18,303,890 |
| Net asset value per share | $ 13.48 | $ 13.33 |

**WhiteHorse Finance, Inc.**
**Consolidated Statements of Operations (Unaudited)**
***(in thousands, except share and per share data)***

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Investment income** | | | | |
| From non-controlled/non-affiliate company investments | | | | |
| Interest income | $ 12,507 | $ 10,338 | $ 36,633 | $ 31,545 |
| Fee income | 683 | 681 | 1,615 | 1,505 |
| From non-controlled affiliate company investments | | | | |
| Dividend income | 840 | 688 | 2,243 | 2,090 |
| Total investment income | 14,030 | 11,707 | 40,491 | 35,140 |
| | | | | |
| **Expenses** | | | | |
| Interest expense | 2,050 | 1,654 | 5,917 | 5,028 |
| Base management fees | 2,250 | 2,125 | 6,749 | 6,377 |
| Performance-based incentive fees | 1,817 | 1,415 | 5,116 | 4,220 |
| Administrative service fees | 134 | 255 | 550 | 898 |
| General and administrative expenses | 511 | 596 | 1,700 | 1,736 |
| Total expenses | 6,762 | 6,045 | 20,032 | 18,259 |
| **Net investment income** | 7,268 | 5,662 | 20,459 | 16,881 |
| | | | | |
| **Realized and unrealized gains (losses) on investments** | | | | |
| Net realized gains/(losses) | | | | |
| Non-controlled/non-affiliate company investments | 660 | — | (478) | (379) |
| Net realized gains/(losses) | 660 | — | (478) | (379) |
| Net change in unrealized appreciation (depreciation) | | | | |
| Non-controlled/non-affiliate company investments | 1,856 | (4,234) | 3,466 | (4,751) |
| Non-controlled affiliate company investments | (1,190) | — | (1,190) | 200 |
| Net change in unrealized appreciation (depreciation) | 666 | (4,234) | 2,276 | (4,551) |
| Net realized and unrealized gains/(losses) on investments | 1,326 | (4,234) | 1,798 | (4,930) |
| **Net increase in net assets resulting from operations** | $ 8,594 | $ 1,428 | $ 22,257 | $ 11,951 |
| | | | | |
| **Per Common Share Data** | | | | |
| Basic and diluted earnings per common share | $ 0.47 | $ 0.10 | $ 1.22 | $ 0.80 |
| Dividends and distributions declared per common share | $ 0.36 | $ 0.36 | $ 1.07 | $ 1.07 |
| Basic and diluted weighted average common shares outstanding | 18,303,890 | 14,982,857 | 18,303,890 | 14,982,857 |

**WhiteHorse Finance, Inc.**
**Consolidated Schedule of Investments (Unaudited)**
**September 30, 2016**
***(in thousands)***

| Investment Type[1] | Spread Above Index[2] | Interest Rate[3] | Maturity Date | Principal Amount | Amortized Cost | Fair Value | Fair Value As A Percentage Of Net Assets |
|---|---|---|---|---|---|---|---|
| North America | | | | | | | |
| Debt Investments | | | | | | | |
| Advertising | | | | | | | |
| Fluent Acquisition II, LLC | | | | | | | |
| First Lien Secured Term Loan | L+11.50% (0.50% Floor) | 12.00% (1.00% PIK) | 12/8/20 | $ 27,165 | $ 26,713 | $ 27,029 | 10.82% |
| Intersection Acquisition, LLC | | | | | | | |
| First Lien Secured Term Loan | L+10.00% (1.00% Floor) | 11.00% | 9/15/20 | 16,149 | 16,021 | 16,149 | 6.49 |
| | | | | 43,314 | 42,734 | 43,178 | 17.31 |
| Auto Parts & Equipment | | | | | | | |
| Crowne Group, LLC | | | | | | | |
| First Lien Secured Term Loan | L+9.25% (1.00% Floor) | 10.25% | 5/26/21 | 12,500 | 12,096 | 12,375 | 4.90 |
| | | | | | | | |
| Broadcasting | | | | | | | |
| Multicultural Radio Broadcasting, Inc. | | | | | | | |
| First Lien Secured Term Loan | L+10.50% (1.00% Floor) | 11.50% | 6/27/19 | 14,850 | 14,850 | 14,757 | 6.02 |
| Consumer Finance | | | | | | | |
| Golden Pear Funding III, LLC[7] | | | | | | | |
| Second Lien Secured Term Loan | L+10.25% (1.00% Floor) | 11.25% | 6/25/20 | 25,000 | 24,782 | 24,770 | 10.04 |
| Second Lien Secured Revolving Loan | L+10.25% (1.00% Floor) | 11.25% | 6/25/20 | 5,000 | 4,956 | 4,954 | 2.01 |
| Oasis Legal Finance, LLC[7] | | | | | | | |
| Second Lien Secured Term Loan | L+10.75% (1.00% Floor) | 11.75% | 3/1/22 | 20,000 | 19,605 | 19,800 | 7.94 |
| Sigue Corporation[6] | | | | | | | |
| Second Lien Secured Term Loan | L+11.00% (1.00% Floor) | 12.00% | 12/27/18 | 25,000 | 24,776 | 24,375 | 10.04 |
| | | | | 75,000 | 74,119 | 73,899 | 30.03 |
| Data Processing & Outsourced Services | | | | | | | |
| Future Payment Technologies, L.P. | | | | | | | |
| Second Lien Secured Term Loan | L+12.00% (1.00% Floor) | 13.00% (1.00% PIK) | 12/31/18 | 36,726 | 36,096 | 34,155 | 14.62 |
| Department Stores | | | | | | | |
| Mills Fleet Farm Group, LLC | | | | | | | |
| Second Lien Secured Term Loan | L+9.75% (1.00% Floor) | 10.75% | 2/26/23 | 7,146 | 7,012 | 7,146 | 2.84 |
| Distributors | | | | | | | |
| 360 Holdings III Corp. | | | | | | | |
| First Lien Secured Term Loan | L+9.00% (1.00% Floor) | 10.00% | 10/1/21 | 9,900 | 9,556 | 9,900 | 3.87 |
| Diversified Support Services | | | | | | | |
| Sitel Worldwide Corporation | | | | | | | |
| Second Lien Secured Term Loan | L+9.50% (1.00% Floor) | 10.50% | 9/18/22 | 8,670 | 8,522 | 8,476 | 3.45 |
| Electronic Equipment & Instruments | | | | | | | |
| AP Gaming I, LLC | | | | | | | |
| First Lien Secured Term Loan | L+8.25% (1.00% Floor) | 9.25% | 12/20/20 | 9,725 | 9,547 | 9,384 | 3.87 |

**WhiteHorse Finance, Inc.**
**Consolidated Schedule of Investments (Unaudited) (Continued)**
**September 30, 2016**
***(in thousands)***

| Investment Type[1] | Spread Above Index[2] | Interest Rate[3] | Maturity Date | Principal Amount | Amortized Cost | Fair Value | Fair Value As A Percentage Of Net Assets |
|---|---|---|---|---|---|---|---|
| Food Retail | | | | | | | |
| AG Kings Holdings Inc. | | | | | | | |
| First Lien Secured Term Loan | L+9.95% (1.00% Floor) | 10.95% | 8/10/21 | $ 14,000 | $ 13,412 | $ 13,685 | 5.43% |
| Crews of California, Inc. | | | | | | | |
| First Lien Secured Term Loan | L+11.00% (1.00% Floor) | 12.00% (1.00% PIK) | 11/20/19 | 17,493 | 17,282 | 17,404 | 7.00 |
| First Lien Secured Revolving Loan | L+11.00% (1.00% Floor) | 12.00% (1.00% PIK) | 11/20/19 | 5,055 | 4,972 | 5,029 | 2.01 |
| First Lien Secured Delayed Draw Loan | L+11.00% (1.00% Floor) | 12.00% (1.00% PIK) | 11/20/19 | 5,070 | 4,993 | 5,045 | 2.02 |
| | | | | 41,618 | 40,659 | 41,163 | 16.46 |
| Health Care Facilities | | | | | | | |
| Coastal Sober Living, LLC[6] | | | | | | | |
| First Lien Secured Term Loan | L+10.25% (1.00% Floor) | 11.25% | 6/30/19 | 23,529 | 23,284 | 23,529 | 9.43 |
| Grupo HIMA San Pablo, Inc. | | | | | | | |
| First Lien Secured Term Loan | L+9.00% (1.50% Floor) | 10.50% | 1/31/18 | 14,475 | 14,398 | 13,158 | 5.83 |
| Second Lien Secured Term Loan | N/A[5] | 15.75% | 7/31/18 | 1,000 | 983 | 641 | 0.40 |
| | | | | 39,004 | 38,665 | 37,328 | 15.66 |
| | | | | | | | |
| Integrated Telecommunication Services | | | | | | | |
| Securus Technologies Holdings, Inc. | | | | | | | |
| Second Lien Secured Term Loan | L+7.75% (1.25% Floor) | 9.00% | 4/30/21 | 9,090 | 9,066 | 8,793 | 3.67 |
| Internet Retail | | | | | | | |
| Clarus Commerce, LLC | | | | | | | |
| First Lien Secured Term Loan | L+11.21% (1.00% Floor) | 12.21% | 3/17/21 | 6,000 | 5,893 | 5,895 | 2.39 |
| Office Services & Supplies | | | | | | | |
| Katun Corporation | | | | | | | |
| Second Lien Secured Term Loan | L+11.25% (1.00% Floor) | 12.25% | 1/25/21 | 5,000 | 4,968 | 4,975 | 2.01 |
| Oil & Gas Drilling | | | | | | | |
| ProPetro Services, Inc.[6] | | | | | | | |
| First Lien Secured Term Loan | L+6.25% (1.00% Floor) | 7.25% | 9/30/19 | 8,440 | 8,397 | 7,130 | 3.40 |
| 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 | 13,000 | 12,890 | 9,162 | 5.22 |
| Other Diversified Financial Services | | | | | | | |
| The Pay-O-Matic Corp | | | | | | | |
| First Lien Secured Term Loan | L+11.00% (1.00% Floor) | 12.00% | 4/2/18 | 9,059 | 8,969 | 9,004 | 3.63 |

**WhiteHorse Finance, Inc.**
**Consolidated Schedule of Investments (Unaudited) (Continued)**
**September 30, 2016**
***(in thousands)***

| Investment Type[1] | Spread Above Index[2] | Interest Rate[3] | Maturity Date | Principal Amount | Amortized Cost | Fair Value | Fair Value As A Percentage Of Net Assets |
|---|---|---|---|---|---|---|---|
| Research & Consulting Services | | | | | | | |
| Project Time & Cost, LLC | | | | | | | |
| First Lien Secured Term Loan | L+12.00% (0.50% Floor) | 12.50% | 10/9/20 | $ 10,405 | $ 10,238 | $ 10,145 | 4.15% |
| Specialized Consumer Services | | | | | | | |
| Pre-Paid Legal Services, Inc. | | | | | | | |
| Second Lien Secured Term Loan | L+9.00% (1.25% Floor) | 10.25% | 7/1/20 | 18,000 | 17,873 | 17,937 | 7.24 |
| Specialized Finance | | | | | | | |
| GMT Holdings 1, Ltd. & GMT Holdings 12, Ltd.[4][7] | | | | | | | |
| First Lien Secured Term Loan | N/A[5] | 10.00% | 6/30/17 | 965 | 959 | 965 | 0.39 |
| Trucking | | | | | | | |
| Fox Rent A Car, Inc. | | | | | | | |
| Second Lien Secured Term Loan | L+15.00% | 15.50% | 10/31/19 | 7,500 | 7,454 | 7,393 | 3.02 |
| Total Debt Investments | | | | 385,912 | 380,563 | 373,160 | 154.15 |
| Equity Investments | | | | | | | |
| Advertising | | | | | | | |
| IDI, Inc. Warrants[6] | N/A | N/A | 12/8/25 | — | — | — | — |
| Food Retail | | | | | | | |
| Crews of California, Inc. Warrants[6] | N/A | N/A | 12/31/24 | — | — | 1,933 | 0.00 |
| Nicholas & Associates, LLC Warrants[6] | N/A | N/A | 12/31/24 | — | — | 373 | 0.00 |
| Pinnacle Management Group, LLC Warrants[6] | N/A | N/A | 12/31/24 | — | — | 700 | 0.00 |
| RC3 Enterprises, LLC Warrants[6] | N/A | N/A | 12/31/24 | — | — | 206 | 0.00 |
| | | | | — | — | 3,212 | 0.00 |
| Other Diversified Financial Services | | | | | | | |
| Aretec Group, Inc. [6][7] | N/A | N/A | N/A | — | 20,693 | 7,504 | 8.38 |
| Specialized Finance | | | | | | | |
| NMFC Senior Loan Program I LLC Units[1][6][7] | N/A | N/A | 6/10/19 | — | 20,120 | 19,010 | 8.15 |
| Total Equity Investments | | | | — | 40,813 | 29,726 | 16.53 |
| **Total Investments** | | | | **$ 385,912** | **$ 421,376** | **$402,886** | **170.68%** |

(1) Except as otherwise noted, all investments are in companies that are not affiliated persons of, or controlled by, the Company, as defined by the Investment Company Act of 1940, as amended (the ‘‘1940 Act’’), and provide collateral for the Company’s credit facility.

(2) The investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (‘‘LIBOR’’ or ‘‘L’’) or the Prime Rate (‘‘Prime’’ or ‘‘P’’), which resets monthly, quarterly or semiannually.

(3) The interest rate is the ‘‘all-in-rate’’ including the current index and spread, the fixed rate, and the payment-in-kind (‘‘PIK’’) interest rate, as the case may be.

(4) The Company’s investments in GMT Holdings 1, Ltd. and GMT Holdings 12, Ltd. are held through its subsidiary Bayside Financing S.A.R.L.

(5) Interest rate is fixed and accordingly the spread above the index is not applicable.

(6) The investment or a portion of the investment does not provide collateral for the Company's revolving credit facility.

(7) Not a qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of total assets. Qualifying assets represent 85% of total assets.