



## MVC Capital Announces Second Quarter 2018 Results

June 11, 2018

### Yielding Strategy Drives Increase in Net Operating Income

PURCHASE, N.Y., June 11, 2018 (GLOBE NEWSWIRE) -- MVC Capital, Inc. (NYSE:MVC) (the Company), a publicly traded business development company (BDC) that makes private debt and equity investments, announced its financial results for the fiscal second quarter ended April 30, 2018.

#### Operational Update

- New yielding investment activity has generated increased net operating income per share of \$.06 for the quarter<sup>1</sup>, reflecting progress from approximately break-even (on an adjusted basis) at January 31, 2018, and negative net operating income in the second quarter of 2017.
  - Further deployment of capital into high yield investments should result in increased net operating income and shareholder distributions.
- Senior Notes refinancing completed in November 2017 has resulted in reduced borrowing costs, normalized at \$2.4 million for the second quarter of 2018<sup>2</sup>.
- NAV was \$13.09 per share as of April 30, 2018, compared to \$13.42 per share as of January 31, 2018.
- Excluding the NAV reductions detailed below, the portfolio had \$2.1 million or \$.11 per share of net write-ups.
  - A \$.28 per share decline was directly attributable to the market prices of two publicly-traded securities, Crius Energy Trust (“Crius”) and Equus Total Return (“Equus”).
  - The Euro moved from \$1.24 on January 31, 2018 to \$1.21 on April, 30, 2018, accounting for additional write-downs in the value of the portfolio by \$1.9 million or \$.10 per share.

<sup>1</sup> Adjusted for incentive compensation and one-time expenses during the quarter.

<sup>2</sup> Borrowing costs, adjusted for the one-time installment sale interest true-up from the sale of USG&E in July 2017 would have been approximately \$2.4 million on a normalized basis in Q2 2018.

#### Portfolio Activity

- Made two new yielding investments totaling \$21 million in the second quarter of 2018.
  - Invested \$15.0 million in a first lien loan in Apex Industrial Technologies, LLC (“Apex”).
  - Invested \$6.0 million in a second lien loan in Array Information Technology, Inc. (“Array”).
- Made six follow-on investments totaling \$6.8 million during the second quarter of 2018.
  - Committed \$6.0 million to Custom Alloy Corporation (“Custom”) in the form of a first lien 10% short-term working capital loan that matures on August 31, 2018. The funded amount as of April 30, 2018 was approximately \$3.4 million.
  - Loaned a total of \$700,000 in two \$350,000 installments to RuMe, Inc. (“RuMe”), increasing the subordinated loan amount to approximately \$1.7 million and extended the maturity to March 30, 2020.
  - Provided a \$2.3 million loan to MVC Automotive Group GmbH to be used for working capital purposes, increasing the bridge loan amount to approximately \$7.1 million and extending the maturity to June 30, 2019.
- FDS, Inc. repaid its \$2.4 million loan.
- Vestal Manufacturing Enterprises, Inc. repaid its \$2.5 million loan.
- Received a principal payment of \$2.0 million from Morey’s Seafood International, LLC.

#### Financial Results

| (Unaudited)(\$ in thousands, except per share data) | Quarter Ended |         |         |         |         |
|---|---------------|---------|---------|---------|---------|
|   | Q2 2018       | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
| Total operating income                              | 5,500         | 5,207   | 5,490   | 7,305   | 3,929   |
| Management fee                                      | 1,496         | 1,411   | 1,335   | 1,393   | 1,696   |
| Portfolio fees - asset management                   | 148           | 147     | 148     | 146     | 138     |

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Management fee - asset management   | 66      | 67      | 67      | 67      | 49      |
| Administrative  | 856     | 1,295   | 983     | 804     | 1,172   |
| Interest, fees and other borrowing costs                                  | 2,981   | 3,117   | 2,495   | 2,649   | 2,606   |
| Loss on extinguishment of debt  | -       | 1,783   | -       | -       | -       |
| Net Incentive compensation  | (1,012) | 267     | (1,224) | 5,077   | 985     |
| Total waiver by adviser   | (599)   | (390)   | (372)   | (386)   | (461)   |
| Tax expense   | 1       | -       | 1       | -       | -       |
| Net operating income (loss) before net realized and unrealized gains      | 1,563   | (2,490) | 2,057   | (2,445) | (2,256) |
| Net (decrease) increase in net assets resulting from operations           | (3,393) | 950     | (4,028) | 23,906  | 3,069   |
| Net (decrease) increase in net assets resulting from operations per share | (0.18)  | 0.05    | (0.17)  | 1.06    | 0.14    |
| Net asset value per share   | 13.09   | 13.42   | 13.24   | 13.38   | 12.45   |

### Key Financial Metrics

For the second quarter of fiscal 2018, the Company earned \$4.6 million in interest income and \$886,000 in dividend and fee income, compared to \$3.4 million and \$509,000, respectively, for the same quarter of fiscal 2017.

The Company reported total operating income of \$5.5 million for the second quarter of fiscal 2018, compared to \$3.9 million for the same quarter in 2017. The Company reported net operating income of \$1.6 million for the second quarter of fiscal 2018, compared to a net operating loss of \$2.3 million for the same quarter in 2017. Borrowing costs for the second quarter of 2018 were higher than what would have been anticipated on a normalized basis in Q2 2018, given an additional \$600,000 in costs recognized in the quarter, as a result of the installment sale of U.S. Gas & Electric, Inc. ("USG&E"). On a go forward basis, this installment interest charge is currently estimated to be \$85,000 quarterly<sup>3</sup> and net operating income per share, when adjusted for incentive compensation and the \$600,000 in installment interest mentioned above, would have been \$1.2 million or \$0.06 per share.

As of April 30, 2018, the Company's net assets were \$246.3 million, or \$13.09 per share, compared with net assets of \$252.6 million, or \$13.42 per share, at the end of the prior fiscal quarter.

In the quarter, the NAV decreased by \$0.33 per share to \$13.09 per share primarily due to (1) declines in the stock price of two publicly-traded securities, Crius and Equus, (2) a decline in the Euro, and (3) the cash distribution paid to common stockholders, partially offset by write-ups in the Company's private securities totaling \$2.1 million or \$0.11 per share and net operating income before adjustments of \$0.08 per share.

As of April 30, 2018, MVC had investments in portfolio companies totaling \$324.6 million and cash and cash equivalents of \$36.2 million, including \$5.3 million in restricted cash.

At April 30, 2018, there were \$25.0 million in outstanding borrowings under MVC's revolving credit facility with Branch Banking and Trust Company ("BB&T") and no outstanding borrowings under its credit facility with Santander Bank N.A. Subsequent to the quarter-end, the \$25.0 million borrowed under the BB&T line was repaid.

<sup>3</sup>\$85K per quarter in installment interest is based upon the deferred tax liability resulting from the installment sale treatment applied to the realized gain associated with the USG&E note that is outstanding, subject to fluctuations based upon varying inputs.

### Dividends

On April 13, 2018, the Company's Board of Directors declared a dividend of \$0.15 per share, paid on April 30, 2018 to shareholders of record on April 25, 2018.

Since implementing its dividend policy in July of 2005, MVC has paid fifty-two consecutive quarterly dividends, which have grown over time. Through April 30, 2018, dividends paid total approximately \$157 million or \$6.99 per share.

### Subsequent Events

On May 4, 2018, Custom Alloy made a principal payment of approximately \$249,000 on its first lien loan.

On May 7, 2018, the terms of Credit Facility III were amended to, among other things: (i) increase the limit for unsecured indebtedness and certain unsecured guaranty obligations of portfolio companies of the Company to \$10,000,000 and (ii) increase the limit on permitted investments of the Company with respect to certain debt, equity and follow-on investments to \$28,500,000. All other material terms of Credit Facility III remain unchanged.

On May 8, 2018, the Company loaned an additional \$400,000 to RuMe, increasing the subordinated loan amount to approximately \$2.1 million.

On May 15, 2018, the Company provided Custom Alloy an additional \$200,000 on its first lien loan.

On May 18, 2018, Custom Alloy made a principal payment of approximately \$440,000 on its first lien loan.

On May 21, 2018, the Company repaid Credit Facility II in full, including all accrued interest.

On May 30, 2018, the Company loaned Security Holdings B.V. approximately \$4.8 million in the form of a senior subordinated loan. The loan has an annual interest rate of 15% and matures on May 31, 2020.

## **About MVC Capital, Inc.**

MVC is a business development company traded on the New York Stock Exchange that provides long-term debt and equity investment capital to fund growth, acquisitions and recapitalizations of companies in a variety of industries. For additional information about MVC, please visit MVC's website at [www.mvccapital.com](http://www.mvccapital.com).

## **Safe Harbor Statement and Other Disclosures**

*The information contained in this press release contains forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results and conditions to differ materially from those projected in these forward-looking statements, including: MVC Capital's ability to deliver value to shareholders and execute its yield investment strategy; the ability to pay and grow shareholder distributions; the ability to maintain expenses; the ability to improve net operating income; the performance of MVC Capital's investments, including, portfolio companies in which the Company invested this past quarter; and changes in economic or financial market conditions and other factors that are enumerated in the Company's periodic filings with the Securities and Exchange Commission. MVC Capital disclaims and does not undertake any obligation to update or revise any forward-looking statement in this press release.*

*The press release contains unaudited financial results. For ease of review, we have excluded the word "approximately" when rounding the results.*

*There can be no assurance that future dividend payments will match or exceed historic ones, or that they will be made at all. This press release is for informational purposes only and is not an offer to purchase or a solicitation of an offer to sell shares of MVC's common stock. There is no assurance that the market price of MVC's shares, either absolutely or relative to net asset value, will increase as a result of any share repurchases, or that the program will enhance shareholder value over the long-term. There can be no assurance that MVC will achieve its investment objective.*

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Source: MVC Capital, Inc.