

June 8, 2017

MVC Capital Announces Fiscal Second Quarter 2017 Results

PURCHASE, N.Y., June 08, 2017 (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, 2017.

Quarterly Highlights

- 1 MVC's largest portfolio holding, U.S. Gas & Electric, Inc. ("USG&E"), entered into a definitive agreement to be acquired (See "Subsequent Events" below.)
- 1 Converted its equity investment in Turf Products, LLC ("Turf Products") to a yielding investment, receiving a \$323K distribution which was treated as a return of capital, and realizing a capital gain of \$609K. The additional subordinated debt of \$3.8 million increased MVC's total debt investment in Turf Products to \$7.7 million at a 10% interest rate.
- 1 Sold its common stock and warrant of Vestal Manufacturing Enterprises, Inc. for \$1.1 million, resulting in a realized capital gain of \$850K.
- 1 Reported total operating income of \$3.9 million for the second quarter of fiscal 2017, compared to \$15.9 million (including a \$10 million dividend from USG&E) for the same quarter of fiscal 2016.
- 1 Reported a net increase in net assets from operations of \$3.1 million or \$0.14 per share, the third quarter in a row of positive bottom line performance.
- 1 Paid 48th consecutive quarterly dividend of \$0.135 per share on April 28, 2017.

Financial Results

(Unaudited) (\$ in thousands except for per share data)	Quarter Ended				
	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Total operating income	3,929	3,380	5,417	8,005	15,855
Management fee	1,696	1,814	1,721	1,932	1,958
Portfolio fees - asset management	138	177	183	185	186
Management fee - asset management	49	62	72	60	86
Administrative	1,172	1,474	802	1,319	1,174
Interest, fees and other borrowing costs	2,606	2,538	2,598	2,488	2,497
Net incentive compensation	985	760	577	(1,512)	1,135
Total waiver by adviser	(461)	(491)	(467)	(521)	(1,527)
Tax expense	0	1	1	-	1
Net operating (loss) income before net realized and unrealized gains	(2,256)	(2,955)	(70)	4,054	10,345
Net increase (decrease) in net assets resulting from operations	3,069	4,377	5,279	(3,536)	6,046
Net increase (decrease) in net assets resulting from operations per share	0.14	0.19	0.23	(0.16)	0.26
Net asset value per share	12.45	12.45	12.39	12.27	12.56

In the second quarter of fiscal 2017, the Company earned \$3.4 million in interest income and \$509,000 in dividend and fee income, compared to \$5.3 million and \$10.6 million, respectively, in the same quarter of fiscal 2016.

The Company reported a net operating loss of \$2.3 million for the second quarter of fiscal 2017, compared to net operating income of \$10.3 million (including a \$10 million dividend from USG&E) for the same quarter in fiscal 2016.

Portfolio Adjustments

As of April 30, 2017, the Company's net assets were \$280.9 million, or \$12.45 per share, compared with net assets of \$280.9 million, or \$12.45 per share, at the end of the prior fiscal quarter.

During the second quarter of fiscal 2017, the fair values of 19 portfolio company securities and escrow receivables were

revised by MVC's Valuation Committee, resulting in a net increase of \$5.2 million or \$0.23 per share.

Investment Activity

During the second quarter of fiscal 2017, MVC made no new investments and one follow-on bridge loan to Security Holdings, B.V., an existing portfolio company, totaling approximately \$4.1 million.

On March 7, 2017, the Company exchanged its shares of Turf Products for \$3.8 million of additional subordinated debt. After the exchange, the Company's outstanding subordinated loan to Turf Products was \$7.7 million and carried a 10% interest rate. Prior to the exchange, MVC received a cash distribution of \$323K, which was treated as a return of capital. The exchange resulted in a realized capital gain of \$609,000. Both the warrant and the guarantee were retired as part of the recapitalization.

On March 22, 2017, the Company sold its common stock and warrant in Vestal for \$1.1 million, resulting in a realized capital gain of \$850,000. The Company also received a principal payment of approximately \$4.1 million on its senior subordinated loan, resulting in an outstanding balance of approximately \$2.5 million at a revised interest rate of 12%.

Liquidity

As of April 30, 2017, MVC had investments in portfolio companies totaling \$358.9 million and cash and cash equivalents of \$30.6 million, including \$300,176 in restricted cash.

There were \$25.0 million of borrowings under MVC's \$100 million revolving credit facility with Branch Banking and Trust Company ("BB&T") at April 30, 2017. There were no outstanding borrowings under its credit facility with Santander Bank N.A. at April 30, 2017.

Dividends

During the second quarter of fiscal 2017, the Board of Directors declared a dividend of \$3.0 million or \$0.135 per share, paid on April 28, 2017 to shareholders of record on April 24, 2017.

Since implementing its dividend policy in July of 2005, MVC has paid forty-eight consecutive quarterly dividends. To date, dividends paid through April 30, 2017 total approximately \$145 million or \$6.40 per share.

Subsequent Events

On April 24, 2017, Equus Total Return, Inc. (NYSE:EQS) ("Equus") entered into a definitive agreement to acquire USG&E (the "Equus Merger Agreement"). On May 30, 2017, MVC and USG&E terminated the Equus Merger Agreement and USG&E paid a termination fee of \$2.5 million to Equus, in favor of a superior proposal.

On May 30, 2017, USG&E entered into a definitive agreement to be acquired by Crius Energy Trust ("Crius") for \$172.5 million in cash, second-lien notes, and Crius trust units. At the closing of the transaction which is expected to occur in early July, MVC is expected to receive consideration of approximately \$128.7 million (including the repayment of two outstanding loans to USG&E and the payment of deferred consulting fees), a 28.4% premium over the Company's fair value investments in USG&E as of April 30, 2017. The transaction is subject to a number of conditions, including, but not limited to, regulatory approval, the approval of certain holders of USG&E stock and the completion of delivery and other obligations specified in the merger agreement. For further information on the transaction, please see the Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on June 1, 2017.

On June 8, 2017, the Company received total proceeds of approximately \$18.1 million for the repayment of the outstanding Biogenic Reagents ("Biogenic") loans. The total proceeds include repayment of all outstanding principal and a substantial portion of the unpaid accrued interest related to the loans that was previously reserved against in full beginning on April 1, 2016. Biogenic was fair valued at \$15.1 million as of April 30, 2017.

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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 the MVC's website at 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 all shareholders and execute its yield investment strategy; the ability to pay and grow MVC distributions; the performance of Crius, USG&E and MVC Capital's investments; the anticipated timing of the transaction with Crius; the satisfaction of the conditions to, and the ability to consummate, the transaction with Crius; the future performance of Crius and its impact on MVC's interest in Crius; MVC's and Crius's financial results generally; MVC's, Crius's, and USG&E's ability to complete the transaction on the anticipated terms and schedule, including the ability to obtain regulatory, stock exchange or other approvals; risks relating to any unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition, losses, and future prospects; the risk that benefits from the transaction with Crius may not be fully realized or may take longer to realize than expected; 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. Past performance does not guarantee future results.

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