

STELLUS

CAPITAL

INVESTMENT CORPORATION

March 3, 2016

Stellus Capital Investment Corporation Reports Results for Its Fourth Fiscal Quarter and Year Ended December 31, 2015

HOUSTON, TX -- (Marketwired) -- 03/04/16 -- Stellus Capital Investment Corporation (NYSE: SCM) ("Stellus" or "the Company") today announced financial results for its fourth fiscal quarter and year ended December 31, 2015.

HIGHLIGHTS

(\$ in millions, except data relating to per share amounts and number of portfolio companies)

	As of December 31, 2015			
	Year ended December 31, 2015		Quarter ended December 31, 2015	
Portfolio results				
Total assets	\$	369.3		
Investment portfolio, at fair value	\$	349.0		
Net assets	\$	164.7		
Weighted average yield on debt investments		10.6%		
Net asset value per share	\$	13.19		
Portfolio activity				
Total investments made, at cost ⁽¹⁾	\$	137.9	\$	52.8
Number of new investments		22		9
Repayments of investments, including amortization ⁽¹⁾	\$	97.6	\$	21.2
Number of portfolio companies at end of period		39		39
Operating results				
Total investment income	\$	35.2	\$	9.2
Net investment income	\$	16.5	\$	4.9
Net investment income per share	\$	1.33	\$	0.39
Regular dividends declared per share	\$	1.36	\$	0.34
Net increase (decrease) in net assets from operations	\$	7.7	\$	(1.1)
Net increase (decrease) in net assets from operations per share	\$	0.61	\$	(0.09)
Weighted average shares outstanding during the period		12,479,961		12,479,961

(1) Included in the amounts above is a non-cash transaction of \$4.2 million related to the repayment and reinvestment in a new term loan of an existing portfolio company during the year ended December 31, 2015.

"We are pleased to report that we have completed 2015 with total earnings of \$1.36 per share which completes three full years, 2013 through 2015, of earnings that have covered our dividends. Since our IPO in November 2012, we have paid total dividends of \$4.44 per share," said Robert T. Ladd, Chief Executive Officer of Stellus.

Portfolio and Investment Activity

We completed the fourth quarter of 2015 with a portfolio of \$349.0 million (at fair value) invested in 39 portfolio companies. As of December 31, 2015, our portfolio included approximately 38% of first lien debt, 38% of second lien debt, 20% of mezzanine debt and 4% of equity investments at fair value. Our debt portfolio consisted of 75% floating rate investments (subject to interest rate floors) and 25% fixed rate investments. The average size of our portfolio company investments was \$8.9 million and our largest portfolio company investment was approximately \$21.4 million at fair value. The weighted average yield on all of our debt investments as of December 31, 2015 was approximately 10.6%.

During the three months ended December 31, 2015, we made \$49.5 million, at par, of investments in five new portfolio companies and two existing portfolio companies and received \$17.2 million, at par, of proceeds principally from the repayment of one investment, including \$2.2 million, at par, from amortization of certain other investments. Excluded from the above is \$4.2 million related to the repayment and reinvestment in a new term loan of an existing portfolio company.

This compares to the portfolio as of December 31, 2014, which had a fair value of \$316.0 million invested in 32 portfolio companies comprising approximately 24% of first lien debt, 32% of second lien debt, 41% of mezzanine debt and 3% of equity investments at fair value. As of December 31, 2014, our debt investments had a weighted average yield of 10.9% and consisted of 44% fixed rate investments and 56% floating rate investments (subject to interest rate floors).

Results of Operations

Investment income for the three months ended December 31, 2015 and 2014, totaled \$9.2 million and \$8.6 million, respectively, most of which was interest income from portfolio investments. For the years ended December 31, 2015 and 2014, investment income was \$35.2 million and \$32.3 million, respectively, most of which was interest income from portfolio investments.

Operating expenses, net of fee waivers for the three months ended December 31, 2015 and 2014 totaled \$4.3 million and \$4.8 million, respectively. For the same respective periods, base management fees totaled \$1.5 million and \$1.4 million, incentive fees totaled \$0.4 million (net of \$0.6 million of fees waived by the manager) and \$0.9 million, fees and expenses related to our borrowings totaled \$1.7 million and \$1.5 million (including interest and amortization of deferred financing costs), administrative expenses totaled \$0.2 million and \$0.3 million and other expenses totaled \$0.5 million and \$0.7 million.

Operating expenses, net of fee waivers for the years ended December 31, 2015 and 2014 totaled \$18.6 million and \$15.8 million, respectively. For the same respective periods, base management fees totaled \$5.8 million and \$5.2 million, incentive fees totaled \$3.3 million (net of \$0.6 million of fees waived by the manager) and \$1.7 million (net of \$1.4 million of fees waived by the manager), fees and expenses related to our borrowings totaled \$6.2 million and \$5.3 million (including interest and amortization of deferred financing costs), administrative expenses totaled \$1.0 million and \$1.2 million and other expenses totaled \$2.3 million and \$2.4 million.

Net investment income was \$4.9 million and \$3.8 million, or \$0.39 and \$0.30 per common share based on weighted average common shares outstanding for the three months ended December 31, 2015 and 2014, respectively.

For the years ended December 31, 2015 and 2014, net investment income was \$16.5 million and \$16.5 million, or \$1.33 and \$1.34 per common share based on weighted average common shares outstanding of 12,479,961 and 12,281,178, respectively.

The Company's investment portfolio had unrealized depreciation for the three months ended December 31, 2015 and 2014, of \$5.9 and \$2.7 million, respectively. The company had no material realized gains for either period.

The Company's investment portfolio had unrealized depreciation for the years ended December 31, 2015 and 2014, of \$9.2 million and \$6.5 million, respectively. During the same periods, the Company's investment portfolio had realized gains of \$0.4 million and \$0.4 million, respectively.

Our net increase (decrease) in net assets resulting from operations totaled \$(1.1) million and \$1.0 million, or \$(0.09) and \$0.08 per common share based on weighted average common shares outstanding, for the three months ended December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, our net increase in net assets resulting from operations totaled \$7.7 million and \$10.2 million, or \$0.61 and \$0.83 per common share based on weighted average common shares outstanding, for the years ended December 31, 2015 and 2014, respectively.

Liquidity and Capital Resources

Our liquidity and capital resources are derived from our credit facility and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and other operating expenses we incur, as well as the payment of dividends to the holders of our common stock. We used, and expect to continue to use, these capital resources as well as proceeds from any future public and private offerings of securities to finance our investment activities.

As of December 31, 2015 and 2014, our credit facility provided for borrowings in an aggregate amount up to \$120 million on a committed basis with an accordion feature which allows for potential future expansion of the facility size to \$195 million. As of December 31, 2015 and 2014, we had \$109.5 million and \$106.5 million, respectively, in outstanding borrowings under

the credit facility.

For the year ended December 31, 2015, our operating activities used cash of \$24.4 million primarily in connection with the acquisition and origination of new investments. For the same period, our financing activities provided net cash of \$33.3 million, primarily from the draws under the SBA-guaranteed debenture program.

For the year ended December 31, 2014, our operating activities used cash of \$27.2 million primarily in connection with the acquisition and origination of investments. Our financing activities provided cash of \$15.6 million, primarily from the draws under the SBA-guaranteed debenture program.

Distributions

During the three and twelve months ended December 31, 2015, we declared distributions of \$0.34 and \$1.36 per share, respectively. Tax characteristics of all distributions will be reported to stockholders on Form 1099-DIV after the end of the calendar year. None of these dividends are expected to include a return of capital.

Recent Portfolio Activity

New investment transactions and repayments which occurred during the three months ended December 31, 2015 are summarized as follows:

- | On October 5, 2015, we made a \$0.1 million follow-on investment in the unsecured term loan of Endpoint Security Holdings.
- | On October 9, we received full repayment of our \$15.0 million investment, at par, in the second lien term loan of Help Systems.
- | On October 28, 2015, we received full repayment of our \$4.2 million first lien term loan in Blackhawk mining at par, and invested an additional \$4.5 million in a new first lien term loan of the company.
- | On October 30, 2015, we made a \$10.5 million investment in the first lien term loan of Apex Environmental, LLC, a waste disposal services company. We also invested \$0.3 million in the equity of the company.
- | On November 10, 2015, we made a \$8.8 million investment in the first lien term loan of Dosckocil Manufacturing Company, Inc. (aka Petmate Holdings, LLC), a pet goods manufacturer.
- | On December 1, 2015, we made a \$10.3 million investment in the second lien term loan of MTC Intermediate Holdco, Inc, a financial services company. We also invested \$0.8 million in the equity of the company.
- | On December 21, 2015, we made a \$2.5 million follow-on investment in the first lien term loan of Momentum/IBBS. We also invested an additional \$0.2 million in the equity of the company.
- | On December 23, 2015, we made a \$9.9 million investment in the first lien term loan of CARS Protection Plus, Inc., a vehicle service contract provider. We also invested \$0.2 million in the equity of the company.
- | On December 29, 2015, we invested \$4.0 million in the first lien term loan of 360 Holdings III Corp, a designer and distributor of seasonal retail products.
- | On December 29, 2015, we made a \$2.1 million follow-on investment in the first lien term loan of T2 Systems, Inc.

Events Subsequent to December 31, 2015

The following changes to the portfolio have occurred since year end:

- | On January 26, 2016, we made a \$3.8 million follow-on investment in the second lien loan of Stratose Intermediate Holdings II, LLC. We also invested an additional \$0.3 million investment in the equity of the company.
- | On January 27, 2016, we made a \$0.6 million investment in the first lien loan of Vision Media Management & Fulfillment, LLC, a distributor of entertainment industry promotional items.

Credit Facility

The outstanding balance under the Credit Facility as of March 3, 2016 was \$109.5 million.

Dividend Declared

On January 13, 2016, the Company's board of directors declared a regular monthly dividend for each of January, February and March 2016 as follows:

<i>Declared</i>	<i>Ex-Dividend Date</i>	<i>Record Date</i>	<i>Payment Date</i>	<i>Amount per Share</i>
1/13/2016	1/27/2016	1/29/2016	2/12/2016	\$0.1133

1/13/2016	2/25/2016	2/29/2016	3/15/2016	\$0.1133
1/13/2016	3/29/2016	3/31/2016	4/15/2016	\$0.1133

Stock Repurchase Program

On March 1, 2016, our board of directors authorized a 2,000,000 share common stock repurchase program. The shares may be purchased from time to time at prevailing market prices, through open market transactions, including block transactions. The timing and amount of any stock repurchases will depend on the terms and conditions of the repurchase program and no assurances can be given that any common stock, or any particular amount, will be purchased. Unless extended by our board of directors, the stock repurchase program will terminate on March 1, 2017 and may be modified or terminated at any time for any reason without prior notice. We will retire immediately all such shares of common stock that we purchase in connection with the stock repurchase program.

Conference Call Information

Stellus Capital Investment Corporation will host a conference call to discuss these results on March 4, 2016, at 10:00 a.m. Central Daylight Time. The conference call will be led by Robert T. Ladd, chief executive officer, and W. Todd Huskinson, chief financial officer, chief compliance officer, treasurer, and secretary.

For those wishing to participate by telephone, please dial (888) 504-7963 (domestic). Use passcode 9408602. Starting approximately twenty-four hours after the conclusion of the call, a replay will be available through March 12, 2016 by dialing (888) 203-1112 and entering passcode 9408602. The replay will also be available on the company's website.

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
ASSETS		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$364,212,459 and \$321,955,480, respectively)	\$ 349,017,697	\$ 315,965,434
Cash and cash equivalents	10,875,790	2,046,563
Receivable for sales and repayments of investments	10,000	-
Interest receivable	4,720,031	5,082,665
Deferred offering costs	261,761	261,761
Deferred financing costs	618,892	828,956
Accounts receivable	7,684	696
Prepaid loan fees on SBA debentures	1,984,154	681,947
Prepaid loan structure fees	1,302,627	1,774,630
Prepaid expenses	475,449	419,283
Total Assets	<u>\$ 369,274,085</u>	<u>\$ 327,061,935</u>
LIABILITIES		
Notes Payable	\$ 25,000,000	\$ 25,000,000
Credit facility payable	109,500,000	106,500,000
SBA Debentures	65,000,000	16,250,000
Dividends payable	1,413,982	1,413,983
Base management fees payable	1,518,779	1,360,019
Incentive fees payable	607,956	1,121,556
Interest payable	570,189	346,204
Unearned revenue	36,877	157,403
Administrative services payable	397,799	591,744
Deferred Tax Liability	381,723	288,122
Other accrued expenses and liabilities	195,676	83,452
Total Liabilities	<u>\$ 204,622,981</u>	<u>\$ 153,112,483</u>
Net Assets	<u>\$ 164,651,104</u>	<u>\$ 173,949,452</u>

NET ASSETS

Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 12,479,960 and 12,479,962 shares issued and outstanding,

respectively)	\$	12,480	\$	12,480
Paid-in capital		180,994,752		180,994,783
Distributions in excess of net investment income		(779,643)		(779,643)
Net unrealized depreciation on investments and cash equivalents, net of provision for taxes of \$381,723 and \$288,122 as of December 31, 2015 and December 31, 2014, respectively		(15,576,485)		(6,278,168)
Net Assets	\$	<u>164,651,104</u>	\$	<u>173,949,452</u>
Total Liabilities and Net Assets	\$	<u>369,274,085</u>	\$	<u>327,061,933</u>
Net Asset Value Per Share	\$	<u>13.19</u>	\$	<u>13.94</u>

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	<i>For the year ended December 31, 2015</i>	<i>For the year ended December 31, 2014</i>	<i>For the year ended December 31, 2013</i>
INVESTMENT INCOME			
Interest income	\$ 34,643,791	\$ 31,637,094	\$ 27,995,486
Other income	514,768	687,753	1,405,250
Total Investment Income	<u>\$ 35,158,559</u>	<u>\$ 32,324,847</u>	<u>\$ 29,400,736</u>
OPERATING EXPENSES			
Management fees	\$ 5,841,267	5,202,990	4,242,608
Valuation fees	356,971	384,957	497,228
Administrative services expenses	1,029,368	1,195,566	883,050
Incentive fees	3,975,198	3,122,890	3,816,840
Professional fees	596,357	744,547	649,863
Insurance expense	473,963	482,963	468,046
Interest expense and other fees	6,177,015	5,315,325	3,123,701
Other general and administrative expenses	474,625	389,738	314,196
Total Operating Expenses	<u>\$ 19,257,764</u>	<u>\$ 17,211,976</u>	<u>\$ 14,345,532</u>
Waiver of Incentive Fees	(646,333)	(1,399,226)	(956,525)
Total expenses, net of fee waiver	<u>18,611,431</u>	<u>15,812,750</u>	<u>13,389,007</u>
Net Investment Income	<u>\$ 16,547,128</u>	<u>\$ 16,512,097</u>	<u>\$ 16,011,729</u>
Net Realized Gain on Investments and Cash Equivalents	<u>421,726</u>	<u>445,157</u>	<u>1,027,392</u>
Net Change in Unrealized Appreciation (Depreciation) on Investments and Cash Equivalents	<u>(9,204,717)</u>	<u>(6,489,990)</u>	<u>505,876</u>
Benefit (provision) for taxes on unrealized gain on investments	<u>(93,601)</u>	<u>(288,122)</u>	<u>-</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 7,670,536</u>	<u>\$ 10,179,142</u>	<u>\$ 17,544,997</u>
Net Investment Income Per Share	<u>\$ 1.33</u>	<u>\$ 1.34</u>	<u>\$ 1.33</u>
Net Increase in Net Assets Resulting from Operations Per Share	<u>\$ 0.61</u>	<u>\$ 0.83</u>	<u>\$ 1.45</u>
Weighted Average Shares of Common Stock Outstanding	<u>12,479,961</u>	<u>12,281,178</u>	<u>12,059,293</u>

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	<i>For the year ended December 31, 2015</i>	<i>For the year ended December 31, 2014</i>	<i>For the year ended December 31, 2013</i>
Increase in Net Assets Resulting from Operations			
Net investment income	\$ 16,547,128	\$ 16,512,097	\$ 16,011,729
Net realized gain on investments and cash equivalents	421,726	445,157	1,027,392
Net change in unrealized appreciation (depreciation)			

on investments and cash equivalents	(9,204,717)	(6,489,990)	505,876
Benefit (provision) for taxes on unrealized appreciation on investments	(93,601)	(288,122)	-
Net Increase in Net Assets Resulting from Operations	<u>\$ 7,670,536</u>	<u>\$ 10,179,142</u>	<u>\$ 17,544,997</u>
Stockholder distributions from:			
Net investment income	(16,547,158)	(16,029,081)	(16,399,402)
Net realized capital gains	(421,726)	(1,472,549)	-
Total Distributions	<u>\$ (16,968,884)</u>	<u>\$ (17,501,630)</u>	<u>\$ (16,399,402)</u>
Capital share transactions			
Issuance of common stock	-	5,087,335	-
Reinvestments of stockholder distributions	-	398,505	899,964
Sales load	-	(75,510)	-
Offering costs	-	(29,904)	-
Net increase in net assets resulting from capital share transactions	<u>\$ -</u>	<u>\$ 5,380,426</u>	<u>\$ 899,964</u>
Total increase in net assets	<u>\$ (9,298,348)</u>	<u>\$ (1,942,062)</u>	<u>\$ 2,045,559</u>
Net assets at beginning of year/period	<u>\$ 173,949,452</u>	<u>\$ 175,891,514</u>	<u>\$ 173,845,955</u>
Net assets at end of year/period (includes \$779,643 and \$779,643 and \$1,262,658 of distributions in excess of net investment income, respectively)	<u>\$ 164,651,104</u>	<u>\$ 173,949,452</u>	<u>\$ 175,891,514</u>
Distributions Per Share	<u>\$ 1.36</u>	<u>\$ 1.43</u>	<u>\$ 1.36</u>

STELLUS CAPITAL INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>For the year Ended December 31, 2015</i>	<i>For the year ended December 31, 2014</i>	<i>For the year ended December 31, 2013</i>
Cash flows from operating activities			
Net increase in net assets resulting from operations	\$ 7,670,536	\$ 10,179,142	\$ 17,544,997
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:			
Purchases of investments	(133,661,491)	(97,954,324)	(176,445,413)
Proceeds from sales and repayments of investments	93,289,529	54,870,360	97,437,434
Net change in unrealized appreciation on investments	9,204,717	6,490,090	(504,459)
Deferred tax provision (benefit)	93,601	288,122	-
Increase in investments due to PIK	(439,052)	(730,036)	(1,073,588)
Amortization of premium and accretion of discount, net	(1,034,240)	(686,985)	(436,582)
Amortization of loan structure fees	472,003	607,404	568,086
Amortization of deferred financing costs	210,064	90,614	-
Amortization of loan fees on SBIC debentures	204,980	37,117	-
Net realized gain on investments	(421,726)	(450,031)	(1,030,646)
Changes in other assets and liabilities			
Increase in interest receivable	362,634	(368,753)	(2,140,081)
Increase in receivable for affiliated transaction	-	43,450	(43,450)
Increase in accounts receivable	(6,988)	(696)	-
Decrease (increase) in prepaid expenses and fees	(56,166)	(7,962)	27,063
Increase in payable for investments purchased	-	-	(4,750,000)
Increase in management fees payable	158,760	183,289	649,696
Increase (decrease) in directors' fees payable	-	(96,000)	66,548
Increase (decrease) in incentive fees payable	(513,600)	64,614	1,056,942
Increase (decrease) in			

administrative services payable	(193,945)	328,519	-
Increase in interest payable	223,985	112,153	167,574
Decrease in unearned revenue	(120,526)	10,438	146,965
Increase (decrease) in other accrued expenses and liabilities	112,224	(179,426)	350,110
Net cash used in operating activities	\$ (24,444,701)	\$ (27,168,901)	\$ (68,408,804)
Cash flows from financing activities			
Proceeds from notes issued	-	25,000,000	-
Proceeds from SBA Debentures	47,567,813	15,855,937	-
Financing costs paid on notes issued	-	(919,570)	-
Financing costs paid on Credit Facility	-	(795,628)	(206,671)
Financing costs paid on SBA Debentures	(325,000)	(325,000)	-
Proceeds from the issuance of common stock	-	5,116,985	-
Sales load for common stock issued	-	(75,510)	-
Offering costs paid for common stock issued	-	(116,150)	(352,288)
Stockholder distributions paid	(16,968,885)	(15,689,142)	(15,499,438)
Borrowings under credit facility	105,000,000	105,250,000	159,000,000
Repayments of credit facility	(102,000,000)	(108,750,000)	(87,000,000)
Repayments of short-term loan	-	(9,000,000)	(85,000,576)
Borrowings on short-term loan	-	-	48,999,633
Net cash provided by financing activities	\$ 33,273,928	\$ 15,551,922	\$ 19,940,660
Net increase (decrease) in cash and cash equivalents	8,829,227	(11,616,979)	(48,468,144)
Cash and cash equivalents balance at beginning of year/period	2,046,563	13,663,542	62,131,686
Cash and cash equivalents balance at end of year/period	\$ 10,875,790	\$ 2,046,563	\$ 13,663,542
Supplemental and non-cash financing activities			
Non-cash purchase of investment through repayment of investment	\$ 4,251,032	\$ -	\$ -
Fees paid on SBA Debentures through proceeds	\$ 1,182,187	\$ 394,063	\$ -
Shares issued pursuant to Dividend Reinvestment Plan	\$ -	\$ 398,505	\$ 899,964
Interest expense paid	\$ 5,010,984	\$ 4,465,618	\$ 2,377,282

About Stellus Capital Investment Corporation

The Company is an externally-managed, closed-end, non-diversified investment management company that has elected to be regulated as a business development company under the Investment Company Act of 1940. The Company's investment objective is to maximize the total return to its stockholders in the form of current income and capital appreciation by investing primarily in private middle-market companies (typically those with \$5.0 million to \$50.0 million of EBITDA (earnings before interest, taxes, depreciation and amortization)) through first lien, second lien, unitranche and mezzanine debt financing, and corresponding equity investments. The Company's investment activities are managed by its investment adviser, Stellus Capital Management. To learn more about Stellus Capital Investment Corporation, visit www.stelluscapital.com under the Stellus Capital Investment Corporation link.

Forward Looking Statements

Statements included herein may contain "forward-looking statements" which relate to future performance or financial condition. 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 assumptions, risks and uncertainties, which change over time. Actual results may differ materially from those anticipated in any forward-looking statements as a result of a number of factors, including those described from time to time in filings by the Company 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.

Available Information

Stellus' filings with the Securities and Exchange Commission, press releases, earnings release, and other financial information are available on its website at www.stelluscapital.com under the Stellus Capital Investment Corporation link.

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