March 6, 2013

Stellus Capital Investment Corporation Reports Results for its fourth fiscal quarter ended December 31, 2013

Houston, Texas, March 6, 2013 (BUSINESS WIRE) – Stellus Capital Investment Corporation (NYSE:SCM) ("Stellus" or "the Company") today announced financial results for its fourth fiscal quarter ended December 31, 2013.

HIGHLIGHTS

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

Portfolio results	As of December 31, 2013	
Total assets	$298.1	
Investment portfolio, at fair value	$277.5	
Net assets	$175.9	
Weighted average yield on debt investments	11.4%	
Net asset value per share	$14.54	
	Year ended December 31, 2013	Quarter ended December 31, 2013
Portfolio activity		
Total investments made, at cost	$176.4	$47.3
Number of new investments	16	4
Repayments of investments, including amortization	$97.4	$13.3
Number of portfolio companies at end of period	26	26
Operating results		
Total investment income	$29.4	$7.7
Net investment income	$16.0	$4.2
Net investment income per share	$1.33	$0.35
Regular dividends declared per share	$1.36	$0.34
Special dividends declared per share	$0.065	$0.065
Net increase in net assets from operations	$17.5	$3.7
Net increase in net assets from operations per share	$1.45	$0.30
Weighted average shares outstanding during the period	12,059,293	12,083,866

"We are pleased to have completed our first full fiscal year of operations in which we increased our portfolio by 42% with $174.6 million of new investments. In addition, we paid dividends during 2013 which equated to a yield of 9% based on our IPO price of $15 per share.", said Robert T. Ladd, Chief Executive Officer of Stellus.

Portfolio and Investment Activity

We completed the fourth quarter of 2013 with a portfolio of $277.5 million (at fair value) invested in 26 companies. As of December 31, 2013, our portfolio included approximately 17% of first lien debt, 43% of second lien debt, 38% of mezzanine debt and 2% of equity investments at fair value. Our debt portfolio consisted of 42% fixed rate investments and 58% floating rate (subject to interest rate floors), such as LIBOR. The average size of our portfolio company investments was $10.7 million and our largest portfolio company investment was approximately $22.3 million. The weighted average yield on all of our debt investments as of December 31, 2013 was approximately 11.4%.

During the three months ended December 31, 2013, we made $47.3 million of investments in four new portfolio companies and three existing portfolio companies and received $13.3 million of proceeds principally from prepayments of one investment, including $1.3 million from amortization of certain other investments.

This compares to the portfolio as of December 31, 2012, which had a fair value of $195.5 million invested in 15 companies comprising 22% first lien debt, 20% second lien debt, 57% mezzanine debt and 1% equity. As of December 31, 2012, our debt investments had a weighted average yield of 12.5% and consisted of 60% fixed rate investments and 40% floating rate (subject to interest rate floors), such as LIBOR.

Results of Operations

The Company was formed on May 18, 2012 and commenced formal operations on November 7, 2012, therefore the year and quarter ended December 31, 2012 were not full periods of operation.

Investment income for the three months ended December 31, 2013 and 2012 totaled $7.7 million and $3.7 million, respectively, most of which was interest income from portfolio investments. For the years ended December 31, 2013 and 2012, investment income was $29.4 million and $3.7 million, respectively, most of which was interest income from portfolio investments.

Operating expenses for the three months ended December 31, 2013 and 2012 totaled $3.5 million and $2.4 million, respectively. For the same respective periods, base management fees totaled $1.2 million and $0.5 million, incentive fees totaled $0.6 million (net of $0.5 million of fees waived by the manager) and $0, fees and expenses related to our credit facility totaled $0.9 million and $0.6 million (including interest and amortization of deferred financing costs), administrative expenses totaled $0.2 million and $0.1 million and other expenses totaled $0.6 million and $1.2 million. Of the $2.4 million of total expenses for 2012, approximately $1.1 million were related to the completion of our initial public offering and the closing of the bridge facility used to acquire our initial portfolio and are non-recurring in nature.

Operating expenses for the years ended December 31, 2013 and 2012 totaled $13.4 million and $2.4 million, respectively. For the same respective periods, base management fees totaled $4.2 million and $0.5 million, incentive fees totaled $2.9 million (net of $1.8 million of fees waived by the manager) and $0, fees and expenses related to our credit facility totaled $3.1 million and $0.6 million (including interest and amortization of deferred financing costs), administrative expenses totaled $0.9 million and $0.1 million and other expenses totaled $2.3 million and $1.2 million.

Net investment income was $4.2 million and $1.3 million, or $0.35 and $0.11 per common share based on weighted average common shares outstanding for the three months ended December 31, 2013 and 2012, respectively.

For the years ended December 31, 2013 and 2012, net investment income was $16.0 million and $1.3 million, or $1.33 and $0.11 per common share based on weighted average common shares outstanding, respectively.

The Company's investment portfolio had unrealized appreciation (depreciation) for the three months ended December 31, 2013 and 2012, of ($0.5) million and $0, respectively. The Company had no realized gains or losses during either of these periods.

The Company's investment portfolio had unrealized appreciation (depreciation) for the years ended December 31, 2013 and 2012, of $0.5 million and $0, respectively. During the same periods, the Company's investment portfolio had realized gains of $1.0 million and $0, respectively.

Our net increase in net assets resulting from operations totaled $3.7 million and $1.3 million, or $0.30 and $0.11 per common share based on weighted average common shares outstanding for the three months ended December 31, 2013 and 2012, respectively. For the years ended December 31, 2013 and 2012, our net increase in net assets resulting from operations totaled $17.5 million and $1.3 million, or $1.45 and $0.11 per common share based on weighted average common shares outstanding for the years ended December 31, 2013 and 2012, respectively.

Liquidity and Capital Resources

Our liquidity and capital resources are derived from our committed 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, 2013 and 2012, our credit facility provided for borrowings in an aggregate amount up to $135 million and $115 million, respectively, on a committed basis and had an accordion feature which allowed for potential future expansion of the facility size to $150 million. On July 30, 2013, we exercised a portion of the accordion on the facility which increased the committed amount from $115 million to $135 million. As of December 31, 2013 and 2012, we had $110 million and $38 million, respectively, in outstanding borrowings under the credit facility.

For the year ended December 31, 2013, our operating activities used cash of $68.6 million primarily in connection with the acquisition of new investments. For the same period, our financing activities provided net cash of $20.1 million, which included $72 million of net borrowings under the credit facility.

For the year ended December 31, 2012, our operating activities used cash of $164.4 million primarily in connection with the purchase of investments, including the initial investment portfolio we acquired immediately prior to our initial public offering. Our financing activities provided cash of $226.5 million primarily from our initial public offering and debt financings.

Distributions

During the three and twelve months ended December 31, 2013, we declared and paid distributions of $0.34 and $1.36 per share ($4.1 million and $16.4 million), respectively. Separately, we declared a special dividend of $0.065 ($0.8 million) in December 2013 which was paid in January 2014. 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

During the three months ended December 31, 2013, we made $47.3 million of investments in four new portfolio companies and three existing portfolio companies. During the same period the Company received repayments of one investment totaling $12 million and $1.4 million of amortization on existing loans.

New investment transactions and repayments which occurred during the three months ended December 31, 2013 are summarized as follows:

- On November 1, 2013, we made a $21 million investment in the second lien loan of Empirix, a provider of sophisticated testing and monitoring software systems for Voice-over-Internet-Protocol (VoIP) networks. We also invested $1.3 million in the equity of the company.

- On December 5, 2013, we made a $9.8 million investment in the second lien loan of Calero Software, which provides outsourced Communications Lifecycle Management software solutions to simplify telecommunications operations for enterprises. We also invested $0.5 million in the equity of the company.
- On December 27, 2013, we made a $6.6 million investment in the second lien loan of Hostway, which is a provider of web hosting solutions including managed hosting and cloud solutions, as well as shared hosting and domain services, to over 570,000 end user customers.
- On October 31, 2013, we made a $4.9 million investment in the unsecured loan of SQAD, which provides databases and software tools to the advertising industry to help plan, negotiate and benchmark the sale of advertising inventory (airtime, internet ad space). We also invested $0.5 million in the equity of the company.
- On November 19, 2013, we made a follow on funding of $1.5 million in the second lien loan of Securus, provides telecommunications services to the correctional services industry.
- On December 3, 2013, we made a follow on funding of $1.1 million in the revolver of Refac, which is the holding company of two optical retailers, U.S. Vision and OptiCare Health Systems.
- On November 29, 2013, we made a follow on funding of $147,000 in the equity of Eating Recovery, which is a nationally recognized facility for treatment of eating disorders.
- On October 24, 2013, we received full repayment on our first lien loan to Holley Performance Products at par plus a 2% prepayment premium resulting in proceeds of $12 million.

Events Subsequent to December 31, 2013

Since December 31, 2013, we made three new investments totaling $15.8 million, received one repayment of $10 million and realized three investments totaling $7.1 million which brings the investment portfolio to approximately $276 million (at fair value) and the average investment per company to $10.2 million as of March 4, 2014.

- On January 30, 2014, we made a $6.5 million investment in the unsecured term loan of SKOPOS. We also invested $0.7 million in the company's equity.
- On January 31, 2014, we made a $6.1 million investment in the first lien term loan of T2 Systems.
- On January 31, 2014, we made a $2.5 million investment in the second lien term loan of Vandelay Industries.
- On January 31, 2014, we received full repayment on our second lien loan of Ascend Learning at par resulting in total proceeds of $10.0 million.
- On February 24, 2014, we realized our second lien loan of Transaction Network Services (TNS) at par plus a 1.5% premium resulting in total proceeds of $2.6 million.
- On February 28, 2014, we realized $3.0 million of our $8.0 million investment in the second lien term loan of Telecommunications Management, LLC. at 101.5 resulting in total proceeds of $3.0 million.
- On February 28, 2014, we realized our second lien loan to Aderant North America, Inc. at 101.5 resulting in total proceeds of $1.5 million.

Credit Facility

The outstanding balance under the Credit Facility as of March 4, 2014 was $104 million due to net repayments subsequent to December 31, 2013.

Conference Call Information

Stellus Capital Investment Corporation will host a conference call to discuss these results on March 7, 2014, at 10:00 a.m. Central Standard 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) 461-2024 (domestic). Use passcode 7759081. Starting approximately twenty-four hours after the conclusion of the call, a replay will be available through March 15, 2014 by dialing (888) 203-1112 and entering passcode 7759081. The replay will also be available on the company's website.

STELLUS CAPITAL INVESTMENT CORPORATION

STATEMENT OF ASSETS AND LIABILITIES

	December 31, 2013	December 31, 2012
ASSETS		
Non-controlled, non-affiliated investments, at fair value (amortized cost of $277,004,466 and $195,455,671, respectively)	$ 277,504,510	$ 195,451,256
Cash and cash equivalents	13,663,542	62,131,686
Interest receivable	4,713,912	2,573,831
Deferred offering costs	205,165	—
Receivable for affiliated transaction	43,450	—
Prepaid loan structure fees	1,586,405	1,947,820
Prepaid expenses	411,321	438,384
Total Assets	298,128,305	262,542,977
LIABILITIES		
Payable for investments purchased	—	4,750,000
Credit facility payable	110,000,000	38,000,000
Short-term loan	9,000,000	45,000,943
Base management fees payable	1,176,730	527,034
Incentive fees payable	1,056,942	—
Accrued offering costs	—	147,123
Interest payable	234,051	66,477
Directors' fees payable	96,000	29,452
Unearned revenue	146,965	—
Other accrued expenses and liabilities	526,103	175,993
Total Liabilities	122,236,791	88,697,022
Net Assets	$ 175,891,514	$ 173,845,955
NET ASSETS		
Common Stock, par value $0.001 per share (100,000,000 shares authorized, 12,099,022 and 12,035,023 shares issued and outstanding, respectively)	$ 12,099	$ 12,035
Paid-in capital	175,614,738	174,714,838
Accumulated undistributed net realized gain	1,027,392	—
Distributions in excess of net investment income	(1,262,659)	(874,986)
Unrealized appreciation (depreciation) on investments and cash equivalents	499,944	(5,932)
Net Assets	$ 175,891,514	$ 173,845,955
Total Liabilities and Net Assets	$ 298,128,305	$ 262,542,977
Net Asset Value Per Share	$ 14.54	$ 14.45

STELLUS CAPITAL INVESTMENT CORPORATION

STATEMENTS OF OPERATIONS

	For the year ended December 31, 2013	For the period from Inception (May 18, 2012) through December 31, 2012
INVESTMENT INCOME		
Interest income	$ 27,995,486	$ 3,696,432
Other income	1,405,250	—
Total Investment Income	29,400,736	3,696,432
OPERATING EXPENSES		
Management fees	4,242,608	527,034
Valuation fees	497,228	184,500
Administrative services expenses	883,050	103,482
Incentive fees	4,647,802	—
Professional fees	649,863	734,365
Directors' fees	350,000	109,439
Insurance expense	468,046	79,279
Interest expense and other fees	3,123,701	282,629
Credit facility fees	—	317,594
Other general and administrative expenses	314,196	53,754
Total Operating Expenses	15,176,494	2,392,076
Waiver of Incentive Fees	(1,787,487)	—
Net Expenses	13,389,007	—
Net Investment Income	16,011,729	1,304,356
Net Realized Gain on Investments and Cash Equivalents	1,027,392	—
Net Change in Unrealized Appreciation (Depreciation) on Investments and Cash Equivalents	505,876	(5,932)
Net Increase in Net Assets Resulting from Operations	$ 17,544,997	$ 1,298,424
Net Investment Income Per Share	$ 1.33	$ 0.11
Net Increase in Net Assets Resulting from Operations Per Share	$ 1.45	$ 0.11
Weighted Average Shares of Common Stock Outstanding	12,058,879	12,035,023

STELLUS CAPITAL INVESTMENT CORPORATION

STATEMENTS OF CHANGES IN NET ASSETS

	For the year ended December 31, 2013	For the period from Inception (May 18, 2012) through December 31, 2012
Increase in Net Assets Resulting from Operations		
Net investment income	$ 16,011,729	$ 1,304,356
Net realized gain on investments and cash equivalents	1,027,392	—
Net change in unrealized appreciation (depreciation) on investments and cash equivalents	505,876	(5,932)
Net Increase in Net Assets Resulting from Operations	17,544,997	1,298,424
Stockholder distributions		
Distributions from net investment income	(16,399,402)	(2,179,342)
Capital share transactions		
Issuance of common stock	—	180,409,145
Reinvestments of stockholder distributions	899,964	112,948
Sales load	—	(4,959,720)
Offering costs	—	(835,500)
Net increase in net assets resulting from capital share transactions	899,964	174,726,873
Total increase in net assets	2,045,559	173,845,955
Net assets at beginning of year / period	173,845,955	—
Net assets at end of year / period (includes $1,262,659 and $874,986 of distributions in excess of net investment income)	$ 175,891,514	$ 173,845,955

STELLUS CAPITAL INVESTMENT CORPORATION

STATEMENTS OF CASH FLOWS

	For the year ended December 31, 2013	For the period from Inception (May 18, 2012) through December 31, 2012
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 17,544,997	$ 1,298,424
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchases of investments	(176,445,413)	(232,708,419)
Proceeds from sales and repayments of investments	97,437,434	66,458,112
Net change in unrealized appreciation on investments	(504,459)	4,415
Increase in investments due to PIK	(1,073,588)	(18,044)
Accretion of discount	(436,582)	(28,175)
Net realized gain on investments	(1,030,646)	—
Changes in other assets and liabilities		
Increase in interest receivable	(2,140,081)	(2,573,831)
Increase in receivable for affiliated transaction	(43,450)	—
Decrease (increase) in prepaid expenses and fees	388,478	(2,386,204)
Increase (decrease) in payable for investments purchased	(4,750,000)	4,750,000
Increase in management fees payable	649,696	527,034
Increase in directors' fees payable	66,548	29,452
Increase in incentive fees payable	1,056,942	—
Increase in interest payable	167,574	66,477
Increase in unearned revenue	146,965	—
Increase in other accrued expenses and liabilities	350,110	175,993
Net cash used in operating activities	(68,615,475)	(164,404,766)
Cash flows from financing activities		
Net proceeds from common shares issued	—	151,250,000
Borrowings on bridge note	—	156,000,000
Payments on bridge note	—	(156,000,000)
Sales load	—	(4,959,720)
Offering costs paid	(352,288)	(688,377)
Stockholder distributions paid	(15,499,438)	(2,066,394)
Borrowings under credit facility	72,000,000	38,000,000
Paydowns of short-term loan	(36,000,943)	45,000,943
Net cash provided by financing activities	20,147,331	226,536,452
Net increase (decrease) in cash and cash equivalents	(48,468,144)	62,131,686
Cash and cash equivalents balance at beginning of year / period	62,131,686	—
Cash and cash equivalents balance at end of year / period	$ 13,663,542	$ 62,131,686

Non-cash items

Purchase of portfolio companies through the issuance of common stock	$ —	$ 29,159,145
Accrued deferred offering costs	—	147,123
Shares issued pursuant to Dividend Reinvestment Plan	899,964	112,948

About Stellus Capital Investment Corporation

The Company is an externally-managed, closed-end, non-diversified management investment 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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