

# WhiteHorse Finance, Inc.

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*Investor Presentation*

*June 2016*



**NASDAQ: WHF**

# Forward Looking Statements

References in this presentation to “WHF”, “we”, “us”, “our” and “the Company” refer to WhiteHorse Finance, Inc.

Some of the statements in this presentation constitute forward-looking statements, which relate to future events or the Company’s future performance or financial condition. The forward-looking statements contained in this presentation involve risks and uncertainties, including statements as to: the Company’s future operating results; changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes to the value of the Company’s assets; the Company’s business prospects and the prospects of its prospective portfolio companies; the impact of investments that the Company expects to make; the impact of increased competition; the Company’s contractual arrangements and relationships with third parties; the dependence of the Company’s future success on the general economy and its impact on the industries in which the Company invests; the ability of the Company’s prospective portfolio companies to achieve their objectives; the relative and absolute performance of the Company’s investment adviser; the Company’s expected financings and investments; the adequacy of the Company’s cash resources and working capital; the timing of cash flows, if any, from the operations of the Company’s prospective portfolio companies; and the impact of future acquisitions and divestitures.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words “may,” “might,” “will,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “estimate,” “anticipate,” “predict,” “potential,” “plan” or similar words.

The Company has based the forward-looking statements included in this presentation on information available to us on the date of this presentation, and the Company assumes no obligation to update any such forward-looking statements. Actual results could differ materially from those implied or expressed in the Company’s forward-looking statements for any reason, and future results could differ materially from historical performance. Although the Company undertakes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that are made directly to you or through reports that the Company in the future may file with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. For a further discussion of factors that could cause the Company’s future results to differ materially from any forward-looking statements, see the section entitled “Risk Factors” in the annual report on Form 10-K.

# WhiteHorse Finance Snapshot

**Company / Ticker:** WhiteHorse Finance, Inc. / NASDAQ: WHF (“WhiteHorse Finance” or the “Company”)

**Current Share Price:** \$10.91 <sup>(1)</sup>

**Market Cap:** \$200MM<sup>(1)</sup>

**Price / Book:** 0.82x<sup>(1)(2)</sup>

**Portfolio Fair Value:** \$417MM<sup>(2)</sup>

**Current Dividend Yield:** 13.0%<sup>(1)</sup>; consistent quarterly dividends of \$0.355 per share since IPO

**External Manager:** Affiliate of H.I.G. Capital, LLC (“H.I.G. Capital” or “H.I.G.”)

(1) As of June 8, 2016  
(2) As of March 31, 2016

# WhiteHorse Finance Overview

## Investment Strategy

- Generate attractive risk-adjusted returns through debt investments in performing small-cap companies
- Primarily target directly originated senior secured loans sourced through H.I.G.'s deal flow network
- Opportunistically invest in credits where the Company possesses an advantage through H.I.G. Capital

## Externally Managed by H.I.G. Capital

- Leading global alternative asset manager focused on the small-cap market with close to \$20Bn under management<sup>(1)</sup>
- Substantial scale and resources to support the Company's activities
  - ~310 investment professionals (90 dedicated to debt investing)
- Extensive investing experience built over the past 20 years across multiple market cycles

## Unique Deal Sourcing Network

- Consistent, "off market" deal flow generated through H.I.G.'s proprietary sourcing network
- Over 1,000 opportunities reviewed and approximately \$670MM invested since December 2012 IPO
- All ~310 H.I.G. investment professionals active in sourcing opportunities

## Secure Investment Portfolio

- ~95% of the portfolio is composed of senior secured loans
- Portfolio has significant downside protection with meaningful value coverage
- Diligently structured with tight covenants and broad lender rights

Note: As of March 31, 2016 unless otherwise noted

(1) Based on total capital commitments to funds managed by H.I.G. Capital and its affiliates



- Leading global alternative asset manager focused on the small-cap market, defined as companies with \$50MM to \$350MM of enterprise value
  - Founded in 1993; ~\$20Bn of capital under management<sup>(1)</sup>

## Investment Approach

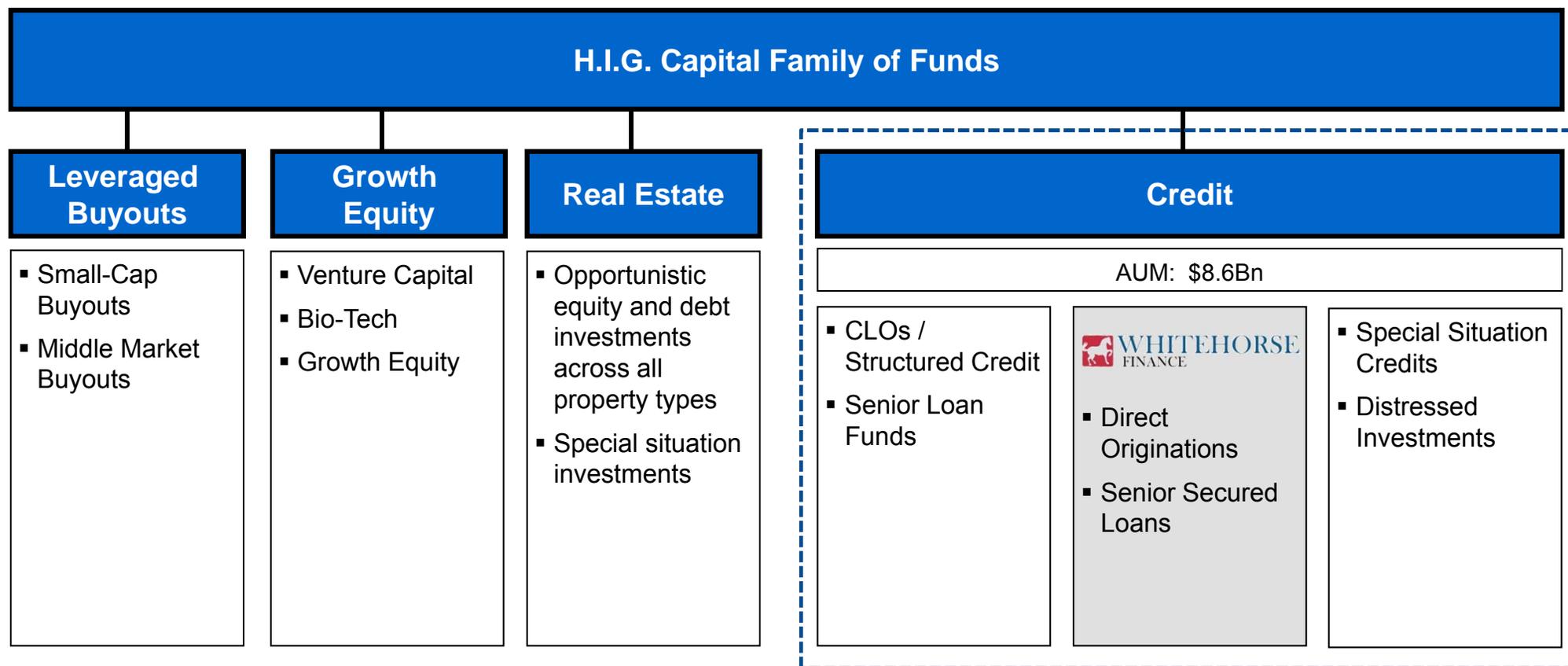
- Differentiated, value-added strategy and deep experience in the small-cap segment of the market have resulted in what we believe is a superior track record
- Broad investment capabilities across sectors, capital structures, and investment styles, with a focus on smaller, complex situations
- Investment activities include:
  - Leveraged Buyouts
  - Credit
  - Growth Capital
  - Real Estate

## Global Footprint



- ~310 investment professionals located in thirteen offices across North America, South America and Europe
- “Institutionalized” management structure and processes with strong financial staff, controls, legal, compliance, IT support, and risk management procedures in place

# H.I.G. Capital Platform Overview



- H.I.G. manages ~\$20Bn of capital under management<sup>(1)</sup> through a number of highly interconnected and synergistic strategies primarily focused on the small-cap market
- WhiteHorse Finance sits within H.I.G.'s credit platform, with \$8.6Bn of capital under management and 90 dedicated credit investment professionals

(1) Based on total capital commitments to funds managed by H.I.G. Capital and its affiliates

# Small-Cap Market Overview

## Unstructured and Inefficient Market

- Sourcing small-cap lending opportunities requires access to an extensive network of relationships in the small-business community (as opposed to the established investment banking sources for larger companies)

## Specialized Lending Requirements

- As a result of small-cap companies having limited resources to facilitate a financing process, there is an opportunity to create an informational advantage through a more rigorous due diligence and underwriting process

## Credit Supply / Demand Imbalance

- We believe commercial banks, investment banks, CLOs and hedge funds have reduced small-cap lending efforts to focus on larger, more liquid asset classes
- Demand for debt financing from small-cap companies remains strong as these companies continue to require credit to refinance existing debt, to support growth initiatives and to finance acquisitions

# Compelling Small-Cap Lending Opportunities

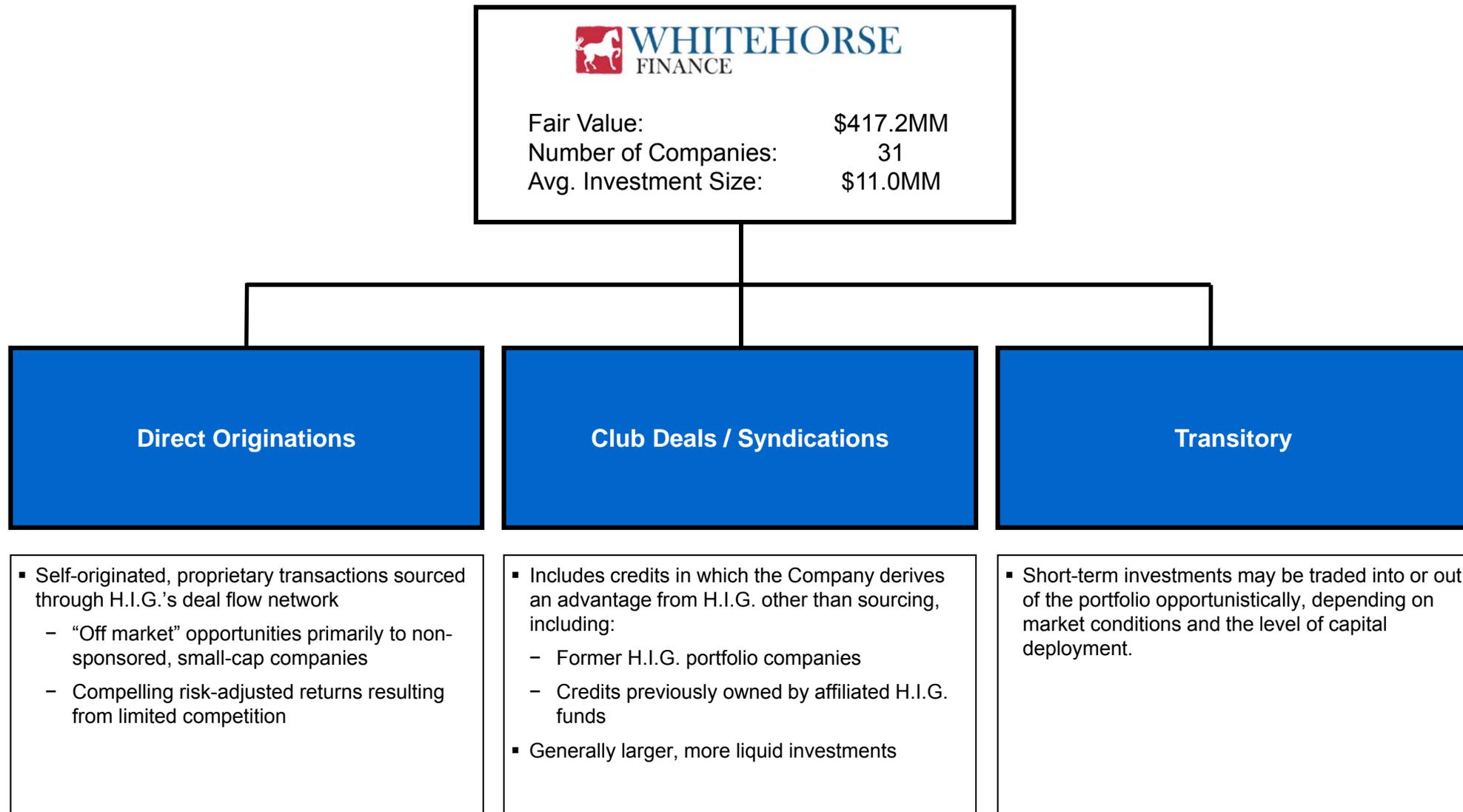
- With access to H.I.G. Capital's sourcing network, the Company is able to capitalize on more attractive self-originated small-cap transactions

	Self-Originated Small-Cap	Broadly Syndicated and Secondary Market
Value Add for Investors	<ul style="list-style-type: none"> <li>Proprietary deals with limited competition, generally resulting in above market risk-return dynamics</li> </ul>	<ul style="list-style-type: none"> <li>Larger, more liquid investments; competition among a large number of participants often drives down yields</li> </ul>
Number of Lenders	<ul style="list-style-type: none"> <li>Sole lender in most transactions</li> </ul>	<ul style="list-style-type: none"> <li>Large number of lenders in syndicated transactions; less influence over process</li> </ul>
Due Diligence	<ul style="list-style-type: none"> <li>Direct access to management allows for more thorough diligence process to create potential informational advantages</li> </ul>	<ul style="list-style-type: none"> <li>Limited access to management and owners/ sponsors at underwriting stage</li> </ul>
Terms/ Credit Metrics	<ul style="list-style-type: none"> <li>Moderate leverage levels, favorable lender terms</li> </ul>	<ul style="list-style-type: none"> <li>Market process and equity sponsor influence often lead to more borrower-friendly terms</li> </ul>
Financial Covenants	<ul style="list-style-type: none"> <li>Control over documentation, resulting in tight operational and financial covenants</li> </ul>	<ul style="list-style-type: none"> <li>Documentation controlled by agent; competitive market dynamics can result in less stringent covenant packages</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>Lead monitoring process, able to take quick action if any issues arise</li> </ul>	<ul style="list-style-type: none"> <li>Often limited to predetermined compliance package; access to company controlled by the agent</li> </ul>

**Directly originated loans to small-cap companies typically generate more attractive risk-adjusted returns relative to larger, broadly syndicated credits**

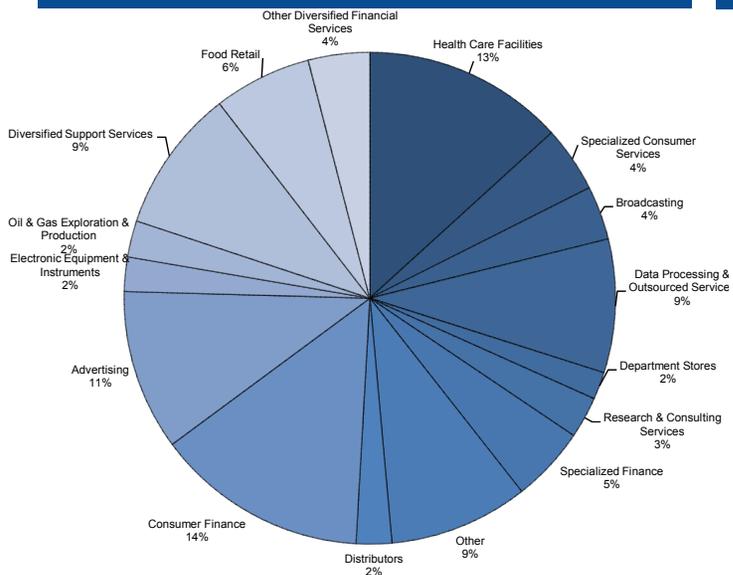
# WhiteHorse Finance Portfolio Composition

As of March 31, 2016

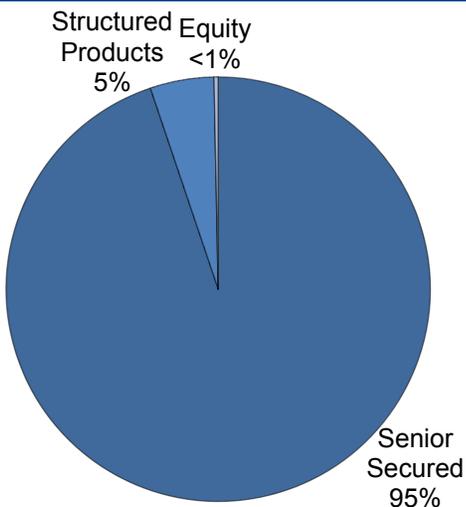


# WhiteHorse Finance Portfolio Investment Characteristics

## Investments by Sector



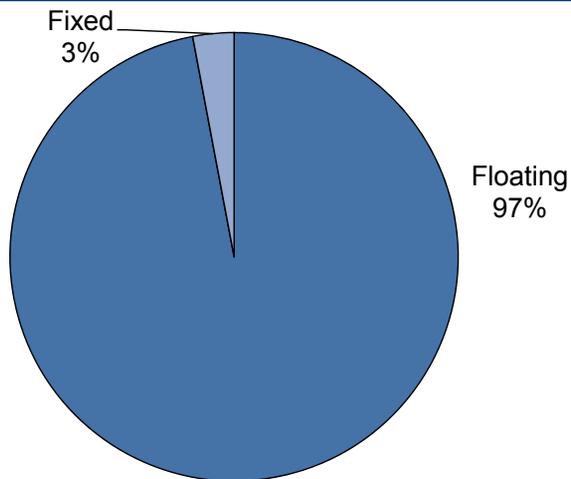
## Investments by Type



**95% of the portfolio secured**

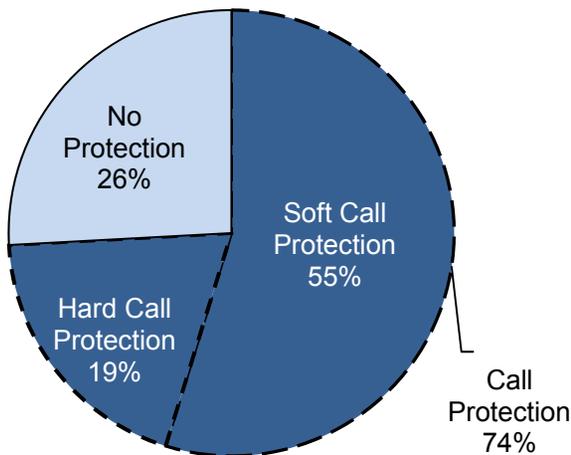
Highly diversified portfolio with significant downside protection

## Yield Protection



**97% of floating loans have LIBOR floors**

## Call Protection



**74% of portfolio has call protection**

Mitigates non-credit (interest rate and reinvestment) risks

# Updates / Developments since December 2012 IPO

## IPO/ Financing:

- Raised \$45MM through a public rights offering in November 2015
- Raised \$30MM publicly traded Senior Notes in July 2013
- Extended maturity and lowered interest rate on the Unsecured Term Loan
- Increased size and flexibility on the Revolving Credit Facility

## Investment Portfolio Activity:

- Approximately \$670MM of capital invested across ~60 new and existing portfolio companies
- Investment portfolio of \$417.2MM across 31 companies as of March 31, 2016
- ~95% of the portfolio is composed of senior secured loans, underwritten to conservative leverage ratios with meaningful value coverage

## Highlights from inception through Q1 2016:

- Only one loan on non-accrual; no credit losses
- Paid consistent quarterly distribution of \$0.355 per share since IPO
- Granted Co-investment Exemptive Relief Order by the SEC

# Summary Highlights

## Leading Small-Cap Market Position

- Over 20 years of experience and ~\$20Bn of capital committed<sup>(1)</sup> primarily across a number of synergistic small-cap strategies

## Unique Deal Sourcing Infrastructure

- Robust origination platform has enabled the Company to deploy ~\$670MM since December 2012 IPO

## Deep Credit Expertise

- Company's senior management team has collectively invested in more than 1,000 loans

## Compelling Market Opportunity

- Structural inefficiencies in the small-cap market provide an opportunity to generate attractive risk-adjusted returns

## Attractive Portfolio

- Diversified ~\$417MM portfolio principally composed of senior secured loans with an attractive yield

## Large and Experienced Team with Substantial Resources

- Access to H.I.G. Capital's resources and expertise, including an investment team of ~310 professionals (90 professionals dedicated to debt investing)

Note: As of March 31, 2016

(1) Based on total capital commitments to funds managed by H.I.G. Capital and its affiliates

# Appendix

# Historical Quarterly Operating Highlights

(USD amounts in millions, except per share data)

	Q2 15 (unaudited)	Q3 15 (unaudited)	Q4 15 (unaudited)	Q1 16 (unaudited)
<b>Total Investment Income</b>	\$ 12.2	\$ 11.7	\$ 11.9	\$ 13.4
<b>Expenses</b>				
Interest Expenses	1.7	1.7	1.7	1.9
Accelerated Amortization related to Refinancing	-	-	3.2	-
Base Management Fees	2.1	2.1	2.2	2.3
Incentive Management Fees	1.5	1.4	0.1	1.7
Other Expenses	1.0	0.8	0.8	0.7
<b>Total Expenses</b>	<b>6.3</b>	<b>6.0</b>	<b>8.0</b>	<b>6.6</b>
<b>Net Investment Income</b>	<b>5.9</b>	<b>5.7</b>	<b>3.9</b>	<b>6.8</b>
Net Realized and Unrealized Gain / (Loss)	(0.1)	(4.3)	(18.7)	(1.3)
<b>Net Increase in Net Assets from Operations</b>	<b>\$ 5.8</b>	<b>\$ 1.4</b>	<b>\$ (14.8)</b>	<b>\$ 5.5</b>
<b>Per Share</b>				
Net Investment Income (NII)	\$ 0.39	\$ 0.38	\$ 0.24	\$ 0.37
Core Net Investment Income <sup>(1)</sup>	\$ 0.39	\$ 0.38	\$ 0.35	\$ 0.37
Net Realized and Unrealized Gain / (Loss)	\$ (0.01)	\$ (0.28)	\$ (1.14)	\$ (0.07)
Earnings	\$ 0.38	\$ 0.10	\$ (0.91)	\$ 0.30
Dividends Declared	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36
<b>NII Dividend Coverage</b>	<b>111%</b>	<b>106%</b>	<b>67%</b>	<b>104%</b>

(1) 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. Core net investment income adds back non-recurring, non-cash net credit facility refinancing costs of \$0.11 per share to NII of \$0.24 per share.

# Historical Quarterly Balance Sheet Highlights

(USD amounts in millions, except per share data)

	Q2 15 (unaudited)	Q3 15 (unaudited)	Q4 15 (audited)	Q1 16 (unaudited)
<b>Assets</b>				
Investments at Fair Value	\$ 387.5	\$ 376.1	\$ 415.3	\$ 417.2
Cash and Equivalents <sup>(1)</sup>	27.3	25.9	22.8	21.1
Other Assets	7.5	7.1	7.1	7.8
<b>Total Assets</b>	<b>\$ 422.3</b>	<b>\$ 409.1</b>	<b>\$ 445.2</b>	<b>\$ 446.1</b>
<b>Liabilities</b>				
Debt	\$ 185.5	\$ 173.5	\$ 187.0	\$ 190.0
Other Liabilities	11.6	14.2	14.1	13.0
<b>Total Liabilities</b>	<b>197.1</b>	<b>187.7</b>	<b>201.1</b>	<b>203.0</b>
<b>Total Net Assets</b>	<b>225.2</b>	<b>221.4</b>	<b>244.1</b>	<b>243.1</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 422.3</b>	<b>\$ 409.1</b>	<b>\$ 445.2</b>	<b>\$ 446.1</b>
<b>Net Asset Value per Share</b>	<b>\$ 15.03</b>	<b>\$ 14.77</b>	<b>\$ 13.33</b>	<b>\$ 13.28</b>
<b>Leverage Ratio</b>	<b>0.82x</b>	<b>0.78x</b>	<b>0.77x</b>	<b>0.78x</b>
<b>Net Leverage Ratio <sup>(2)</sup></b>	<b>0.70x</b>	<b>0.68x</b>	<b>0.68x</b>	<b>0.69x</b>

(1) Includes restricted cash

(2) Net leverage ratio is defined as debt outstanding plus any amounts payable for investments purchased less cash and equivalents (including restricted cash) less any receivables for

# WhiteHorse Finance – Senior Team Bios

	Title	Years of Experience	Highlights
<b>John Bolduc</b>	<ul style="list-style-type: none"> <li>Chairman of the Board</li> <li>Member of the Investment Committee</li> </ul>	25	<ul style="list-style-type: none"> <li>Leads H.I.G. Capital's credit platform</li> <li>Previous experience at Bain &amp; Company and Chemed Corporation</li> </ul>
<b>Stuart Aronson</b>	<ul style="list-style-type: none"> <li>Chief Executive Officer</li> <li>Member of the Investment Committee</li> </ul>	29	<ul style="list-style-type: none"> <li>Leads H.I.G. Capital's direct lending strategy</li> <li>Previously held various positions with GE Sponsor Finance and was an officer of the GE Company</li> </ul>
<b>Gerhard Lombard</b>	<ul style="list-style-type: none"> <li>Chief Financial Officer, Treasurer</li> </ul>	16	<ul style="list-style-type: none"> <li>Former Chief Accounting Officer of Churchill Financial Group</li> <li>Previously worked at Ernst &amp; Young for over 10 years</li> </ul>
<b>Sami Mnaymneh</b>	<ul style="list-style-type: none"> <li>Member of the Investment Committee</li> </ul>	29	<ul style="list-style-type: none"> <li>Co-founding Partner of H.I.G. Capital</li> <li>Former Managing Director at The Blackstone Group</li> <li>Vice President in the Mergers &amp; Acquisitions group at Morgan Stanley</li> </ul>
<b>Anthony Tamer</b>	<ul style="list-style-type: none"> <li>Member of the Investment Committee</li> </ul>	31	<ul style="list-style-type: none"> <li>Co-founding Partner of H.I.G. Capital</li> <li>Former Partner at Bain &amp; Company</li> <li>Previously held marketing, engineering and manufacturing positions at Hewlett-Packard and Sprint Corporation</li> </ul>
<b>Jay Carvell</b>	<ul style="list-style-type: none"> <li>Member of the Investment Committee</li> </ul>	15	<ul style="list-style-type: none"> <li>Founding partner of WhiteHorse Capital, a leading credit investor and manager of CLOs (certain assets acquired by H.I.G. Capital in 2011)</li> <li>Previously held various positions with Highland Capital Management and PricewaterhouseCoopers LLP</li> </ul>
<b>Brian Schwartz</b>	<ul style="list-style-type: none"> <li>Member of the Investment Committee</li> </ul>	23	<ul style="list-style-type: none"> <li>Executive Managing Director and co-head of H.I.G. Capital's Middle Market funds</li> <li>Previous experience at PepsiCo and Dillon, Read and Co.</li> </ul>
<b>Pankaj Gupta</b>	<ul style="list-style-type: none"> <li>Member of the Investment Committee</li> </ul>	16	<ul style="list-style-type: none"> <li>Managing Director with H.I.G. Capital's credit platform</li> <li>Former co-head of the Credit and Sponsor Finance group at American Capital</li> </ul>
<b>Javier Casillas</b>	<ul style="list-style-type: none"> <li>Member of the Investment Committee</li> </ul>	14	<ul style="list-style-type: none"> <li>Managing Director with H.I.G. Capital's credit platform</li> <li>Previously held various positions with JP Morgan and ING</li> </ul>
<b>Chris Paldino</b>	<ul style="list-style-type: none"> <li>Member of the Investment Committee</li> </ul>	15	<ul style="list-style-type: none"> <li>Managing Director with H.I.G. Capital's credit platform</li> <li>Previously held various positions with Spire Capital Partners and Salomon Smith Barney</li> </ul>