

November 4, 2015



New Mountain Finance Corporation Announces Financial Results for the Quarter Ended September 30, 2015

Reports Pro Forma Adjusted Net Investment Income of \$0.35 per Weighted Average Share and Net Asset Value of \$13.73 per Share

Declares Fourth Quarter 2015 Dividend of \$0.34 per Share

Defensive Investment Strategy Underscored by Continued Strong Credit Performance

Originated \$211 Million of Investments in the Quarter

NEW YORK--(BUSINESS WIRE)-- New Mountain Finance Corporation (NYSE:NMFC) (the "Company", "NMFC", "we", "us" or "our") today announced its financial results for the quarter ended September 30, 2015 and reported third quarter pro forma adjusted net investment income of the Company of \$0.35 per weighted average share. At September 30, 2015, net asset value ("NAV") per share was \$13.73, a decrease of \$0.17 per share from June 30, 2015. The Company also announced that its board of directors declared a fourth quarter 2015 dividend of \$0.34 per share, which will be payable on December 30, 2015 to holders of record as of December 16, 2015.

Selected Financial Highlights

(in thousands, except per share data)

	September 30, 2015
Investment Portfolio(1)	\$ 1,507,980
Total Assets	\$ 1,569,975
Total Statutory Debt(2)	\$ 568,038
NAV	\$ 878,697
NAV per Share	\$ 13.73
Statutory Debt/Equity	0.65x
Pro Forma Statutory Debt/Equity(3)	0.72x

Investment Portfolio Composition	September 30, 2015	Percent of Total
First Lien	\$ 692,342	45.9%
Second Lien(1)	604,228	40.1%
Subordinated	92,791	6.2%
Preferred Equity	72,603	4.8%
Common Equity and Other	23,088	1.5%
Investment Fund	22,928	1.5%
Total	\$ 1,507,980	100.0%

	Three Months Ended September 30, 2015		
	GAAP	Non-Cash / Non-Recurring Adjustments⁽⁴⁾	Pro Forma Adjusted⁽⁴⁾
<i>(in millions, except per share data)</i> Net investment income ("NII")	\$ 20.7	(\$0.3)	\$ 20.4
Net investment income per weighted average share	\$ 0.35		\$ 0.35

1 Includes collateral for securities purchased under collateralized agreements to resell of \$30.0 million.

2 Excludes the Company's SBA-guaranteed debentures.

3 Pro forma debt/equity reflects unfunded commitments and subsequent investment activity; refer to "Recent Developments" noted below for details.

4 Refer to "Reconciliation of Pro Forma Adjusted Net Investment Income" noted below for additional details.

We believe that the strength of the Company's unique investment strategy – which focuses on acyclical "defensive growth" companies that are well researched by New Mountain Capital, L.L.C. ("New Mountain"), a leading private equity firm – is underscored by continued strong credit performance. The Company has had only four portfolio companies, representing approximately \$36.4 million of the cost of all investments made since inception in October 2008, or approximately 1.0%, go on non-accrual.

Robert Hamwee, CEO, commented, "The third quarter represented another solid quarter of performance for NMFC. We more than covered our dividend and continue to maintain a stable portfolio yield. Additionally, we have had an active start to the fourth quarter with originations of \$128 million, allowing us to remain fully invested after our recent equity raise."

"As managers and as significant stockholders personally, we are pleased with the completion of another successful quarter," added Steven B. Klinsky, NMFC Chairman. "We believe New Mountain's strategic focus on acyclical 'defensive growth' industries and on companies that we know well continues to drive strong performance and preserves stockholder value."

Portfolio and Investment Activity¹

As of September 30, 2015, the Company's net asset value was approximately \$878.7 million and its portfolio had a fair value of approximately \$1,508.0 million in 74 portfolio companies, with a weighted average Yield to Maturity at Cost² of approximately 10.4%. For the three months ended September 30, 2015, the Company made approximately \$210.7 million of originations and commitments³. The \$210.7 million includes approximately \$181.1 million of investments in nine new portfolio companies and approximately \$29.6 million of follow-on investments in five portfolio companies held as of June 30, 2015. For the three months ended September 30, 2015, the Company had approximately \$20.2 million of sales in two portfolio companies and cash repayments³ of approximately \$8.8 million.

Consolidated Results of Operations

The Company's total pro forma adjusted investment income and adjusted investment income for the three months ended September 30, 2015 and 2014 were approximately \$37.9 million and \$34.7 million, respectively. For the three months ended September 30, 2015 and 2014,

the Company's total pro forma adjusted investment income and adjusted investment income consisted of approximately \$33.4 million⁴ and \$29.1 million in cash interest income from investments, respectively, prepayment penalties of \$0 and approximately \$1.0 million, respectively, approximately \$0.8 million and \$1.6 million in payment-in-kind ("PIK") interest income from investments, respectively, net amortization of purchase premiums/discounts of approximately \$0.6 million and \$0.6 million, respectively, cash dividend income of approximately \$0 million and \$0.5 million, respectively, PIK dividend income of approximately \$0.7 million and \$0, respectively, and approximately \$2.4 million and \$1.9 million in other income, respectively.

The Company's total pro forma net expenses and net expenses after income tax expense for the three months ended September 30, 2015 and 2014 were approximately \$17.5 million and \$16.6 million, respectively, excluding the reduction to the hypothetical capital gains incentive fee accrual of (\$0.6) million and (\$2.7) million, respectively. The hypothetical capital gains incentive fee is based upon the cumulative net Adjusted Realized Capital Gains (Losses)⁵ and the cumulative net Adjusted Unrealized Capital Appreciation (Depreciation)⁵ from inception through the end of the current period. Actual amounts paid to New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") are consistent with the investment advisory and management agreement between the Company and the Investment Adviser (the "Investment Management Agreement"), and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value.

Total pro forma net expenses and net expenses after income tax expense for the three months ended September 30, 2015 and 2014 consisted of approximately \$5.8 million and \$5.2 million, respectively, of costs associated with the Company's borrowings and approximately \$10.2 million and \$9.5 million, respectively, in net management and incentive fees, excluding the reduction to the hypothetical capital gains incentive fee accrual of (\$0.6) million and (\$2.7) million, respectively. Since the initial public offering ("IPO"), the base management fee calculation has deducted the borrowings under the New Mountain Finance SPV Funding, L.L.C. credit facility (the "SLF Credit Facility"). The SLF Credit Facility has historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to the Company's existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with and into the New Mountain Finance Holdings, L.L.C. credit facility (the "Holdings Credit Facility") on December 18, 2014. Post credit facility merger and to be consistent with the methodology since IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments that were leveraged under the legacy SLF Credit Facility, which approximated \$313.7 million as of September 30, 2015. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three months ended September 30, 2015, management fees waived were approximately \$1.2 million. No management fees were waived during the three months ended September 30, 2014, as the SLF Credit Facility was in existence during that period. The Company's net direct and indirect professional, administrative, other general and administrative and income tax expenses for the three months ended September 30, 2015 and 2014 were approximately \$1.5 million and \$1.9 million, respectively.

For the three months ended September 30, 2015 and 2014, the Company recorded approximately (\$0.6) million of pro forma adjusted net realized losses and \$0.6 million of adjusted net realized gains, respectively, and (\$10.2) million and (\$14.0) million of adjusted net changes in unrealized depreciation of investments, respectively. For the three months ended September 30, 2015 and 2014, provision for taxes was approximately (\$0.6) million and benefit for taxes was approximately \$0.1 million, respectively, related to differences between the computation of income for United States (“U.S.”) federal income tax purposes as compared to accounting principles generally accepted in the United States (“GAAP”).

Liquidity and Capital Resources

As of September 30, 2015, the Company had cash and cash equivalents of approximately \$24.6 million and total statutory debt outstanding of approximately \$568.0 million (approximately \$385.5 million of the \$495.0 million of total availability on the Holdings Credit Facility, \$67.5 million of the \$95.0 million of total availability on the Company’s senior secured revolving credit facility (“NMFC Credit Facility”) and \$115.0 million of convertible notes outstanding). Additionally, the Company had \$103.8 million of SBA-guaranteed debentures outstanding as of September 30, 2015.

Portfolio and Asset Quality

The Company puts its largest emphasis on risk control and credit performance. On a quarterly basis, or more frequently if deemed necessary, the Company formally rates each portfolio investment on a scale of one to four. Each investment is assigned an initial rating of a “2” under the assumption that the investment is performing materially in-line with expectations. Any investment performing materially below our expectations would be downgraded from the “2” rating to a “3” or a “4” rating, based on the deterioration of the investment. An investment rating of a “4” could be moved to non-accrual status, and the final development could be an actual realization of a loss through a restructuring or impaired sale.

As of September 30, 2015, four portfolio companies had an investment rating of “3”, with a total cost basis of approximately \$65.0 million and a fair value of approximately \$41.6 million.

As of September 30, 2015, one portfolio company was on non-accrual status and had an investment rating of “4”. As of September 30, 2015, the investments in this portfolio company had an aggregate cost basis of approximately \$1.6 million and an aggregate fair value of approximately \$0.4 million.

Recent Developments

The Company has had approximately \$127.7 million of originations and commitments since the end of the third quarter through November 2, 2015. This was offset by approximately \$34.0 million of repayments and \$9.9 million of sales during the same period.

On November 3, 2015, the Company’s board of directors declared a fourth quarter 2015 distribution of \$0.34 per share payable on December 30, 2015 to holders of record as of December 16, 2015.

1 Includes collateral for securities purchased under collateralized agreements to resell of \$30.0 million.

2 References to "Yield to Maturity at Cost" assume the accruing investments in our portfolio as of a certain date, the "Portfolio Date", are purchased at adjusted cost (estimated) on that date and held until their respective maturities with no prepayments or losses and are exited at par at maturity. This calculation excludes the impact of existing leverage. Yield to Maturity at Cost uses the London Interbank Offered Rate ("LIBOR") curves at each quarter's respective end date. The actual yield to maturity may be higher or lower due to the future selection of LIBOR contracts by the individual companies in the Company's portfolio or other factors.

3 Excludes revolving credit facilities, payment-in-kind ("PIK") interest, bridge loans, return of capital and realized gains / losses.

4 Includes reclassification into cash interest of recurring management fee and recurring distributions associated with the fully ramped NMFC Senior Loan Program I LLC investment fund held by NMFC from other income and dividend income, respectively.

5 Under GAAP, the Company's IPO did not step-up the cost basis of New Mountain Finance Holdings, L.L.C.'s (the "Predecessor Operating Company" or "NMF Holdings") existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold or mature in the future. The Company tracks the transferred (or fair market) value of each of its investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on the Company's investments as if each investment was purchased at the date of the IPO, or stepped up to fair market value. This is defined as "Pre-Incentive Fee Adjusted Net Investment Income". The Company also uses the transferred (or fair market) value of each of its investments as of the time of the IPO to adjust capital gains and losses ("Adjusted Realized Capital Gains (Losses)") and unrealized capital appreciation and depreciation ("Adjusted Unrealized Capital Appreciation (Depreciation)").

Conference Call

New Mountain Finance Corporation will host a conference call at 10 a.m. Eastern Time on Thursday, November 5, 2015, to discuss its third quarter 2015 financial results. All interested parties may participate in the conference call by dialing +1 (877) 443-9109 approximately 15 minutes prior to the call. International callers should dial +1 (412) 317-1082. This conference call will also be broadcast live over the Internet and can be accessed by all interested parties through the Company's website, <http://ir.newmountainfinance.com>. To listen to the live call, please go to the Company's website at least 15 minutes prior to the start of the call to register and download any necessary audio software. Following the call, you may access a replay of the event via audio webcast on our website. We will be utilizing a presentation during the conference call and we have posted the presentation to the investor relations section of our website.

New Mountain Finance Corporation
Consolidated Statements of Assets and Liabilities
(in thousands, except shares and per share data)
(unaudited)

	September 30, 2015	December 31, 2014
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$1,361,806 and \$1,422,891, respectively)	\$ 1,343,861	\$ 1,402,210
Non-controlled/affiliated investments (cost of \$88,532 and \$23,000, respectively)	88,446	22,461
Controlled investments (cost of \$41,129 and \$0, respectively)	45,673	–
Total investments at fair value (cost of \$1,491,467 and \$1,445,891, respectively)	1,477,980	1,424,671
Securities purchased under collateralized agreements to resell	30,000	30,000
Cash and cash equivalents	24,612	23,445
Interest and dividend receivable	15,900	11,744
Deferred financing costs (net of accumulated amortization of \$8,047 and \$5,867, respectively)	14,429	14,052
Receivable from unsettled securities sold	4,669	8,912
Receivable from affiliates	371	490
Other assets	2,014	1,606
Total assets	\$ 1,569,975	\$ 1,514,920
Liabilities		
Holdings Credit Facility	\$ 385,538	\$ 468,108
Convertible Notes	115,000	115,000
SBA-guaranteed debentures	103,795	37,500
NMFC Credit Facility	67,500	50,000
Management fee payable	5,136	5,144
Incentive fee payable	5,034	4,803
Interest payable	2,719	1,352
Payable for unsettled securities purchased	2,428	26,460
Deferred tax liability	1,710	493
Payable to affiliates	134	822
Other liabilities	2,284	3,068
Total liabilities	\$ 691,278	\$ 712,750
Commitments and contingencies		
Net Assets		
Preferred stock, par value \$0.01 per share, 2,000,000 shares authorized, none issued	–	–
Common stock, par value \$0.01 per share, 100,000,000 shares authorized, and 64,005,387 and 57,997,890 shares issued and outstanding, respectively	640	580
Paid in capital in excess of par	899,854	817,129
Accumulated undistributed net investment income	3,264	2,530
Accumulated undistributed net realized gains on investments	623	14,131
Net unrealized (depreciation) appreciation of investments (net of provision for taxes of \$1,710 and \$493, respectively)	(25,684)	(32,200)
Total net assets	\$ 878,697	\$ 802,170
Total liabilities and net assets	\$ 1,569,975	\$ 1,514,920
Number of shares outstanding	64,005,387	57,997,890
Net asset value per share	\$ 13.73	\$ 13.83

New Mountain Finance Corporation
Consolidated Statements of Operations
(in thousands, except shares and per share data)

(unaudited)

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Investment income⁽¹⁾				
From non-controlled/non-affiliated investments:				
Interest income	\$ 31,628	\$ 32,353	\$ 97,249	\$ 51,141
Dividend income	(509)	214	(407)	1,186
Other income	1,619	1,667	3,496	2,372
From non-controlled/affiliated investments:				
Interest income	1,594	–	3,820	–
Dividend income	892	297	2,701	297
Other income	1,020	175	1,642	179
From controlled investments:				
Interest income	517	–	1,487	–
Dividend income	673	–	1,864	–
Other income	13	–	36	–
Investment income allocated from New Mountain Finance Holdings, L.L.C.⁽²⁾				
Interest income	–	–	–	40,515
Dividend income	–	–	–	2,368
Other income	–	–	–	795
Total investment income	<u>37,447</u>	<u>34,706</u>	<u>111,888</u>	<u>98,853</u>
Expenses				
Incentive fee ⁽¹⁾	5,034	4,520	14,969	7,267
Capital gains incentive fee ⁽¹⁾	(490)	(2,667)	–	(1,904)
Total incentive fees ⁽¹⁾	<u>4,544</u>	<u>1,853</u>	<u>14,969</u>	<u>5,363</u>
Management fee ⁽¹⁾	6,373	5,021	19,039	7,763
Interest and other financing expenses ⁽¹⁾	5,788	5,237	16,863	7,796
Professional fees ⁽¹⁾	808	890	2,456	1,530
Administrative expenses ⁽¹⁾	647	549	1,804	909
Other general and administrative expenses ⁽¹⁾	370	448	1,252	687
Net expenses allocated from New Mountain Finance Holdings, L.L.C. ⁽²⁾	–	–	–	20,808
Total expenses	<u>18,530</u>	<u>13,998</u>	<u>56,383</u>	<u>44,856</u>
Less: management fee waived ⁽¹⁾	(1,237)	–	(3,866)	–
Less: expenses waived and reimbursed ⁽¹⁾	(333)	(322)	(733)	(380)
Net expenses	<u>16,960</u>	<u>13,676</u>	<u>51,784</u>	<u>44,476</u>
Net investment income before taxes	20,487	21,030	60,104	54,377
Income tax (benefit) expense ⁽¹⁾	(172)	230	130	230
Net investment income	20,659	20,800	59,974	54,147
Net realized (losses) gains:				
Non-controlled/non-affiliated investments ⁽¹⁾	(37)	768	(13,508)	(299)
Investments allocated from New Mountain Finance Holdings, L.L.C. ⁽²⁾	–	–	–	8,568
Net change in unrealized (depreciation) appreciation:				

Non-controlled/non-affiliated investments(1)	(8,360)	(14,220)	2,148	(8,512)
Non-controlled/affiliated investments(1)	313	(52)	1,041	(52)
Controlled investments(1)	(2,190)	–	4,544	–
Investments allocated from New Mountain Finance Holdings, L.L.C.(2)	–	–	–	940
(Provision) benefit for taxes(1)	(581)	115	(1,217)	(271)
Net increase in net assets resulting from operations	\$ 9,804	\$ 7,411	\$ 52,982	\$ 54,521
Basic earnings per share	\$ 0.17	\$ 0.14	\$ 0.91	\$ 1.09
Weighted average shares of common stock outstanding-basic	58,725,338	52,071,071	58,269,543	50,262,656
Diluted earnings per share	\$ 0.17	\$ 0.14	\$ 0.86	\$ 1.05
Weighted average shares of common stock outstanding-diluted	66,002,469	59,290,154	65,514,142	53,594,541
Dividends declared and paid per share	\$ 0.34	\$ 0.46	\$ 1.02	\$ 1.14

(1) For the nine months ended September 30, 2014, the amounts reported relate to the period from May 8, 2014 to September 30, 2014.

(2) For the nine months ended September 30, 2014, the amounts reported relate to the period from January 1, 2014 to May 7, 2014.

New Mountain Finance Corporation Reconciliation of Pro Forma Adjusted Net Investment Income

(in millions, except per share data)

(unaudited)

	Three months ended September 30, 2015		Nine months ended September 30, 2015	
	Amount	Per Weighted Average Share	Amount	Per Weighted Average Share
GAAP net investment income ("NII")	\$ 20.7	\$ 0.35	\$ 60.0	\$ 1.03
Non-cash capital gains incentive fee(1)(2)	(0.6)	(0.01)	(0.1)	0.00
Adjusted NII	\$ 20.1	\$ 0.34	\$ 59.9	\$ 1.03
Non-recurring tax adjustment(3)	0.3	0.01	0.4	0.01
Pro forma adjusted NII	\$ 20.4	\$ 0.35	\$ 60.3	\$ 1.04

(1) Reclassification of the non-cash capital gains incentive fee out of net investment income and into net increase in net assets resulting from operations.

(2) Net of non-cash amortization adjustment of less than \$0.1 million and \$0.1 million for the three and nine months ended September 30, 2015, respectively.

(3) Three and nine months ended September 30, 2015 reflect a net investment income impact (net of incentive fee) from changes in tax estimates related to YP, LLC distributions. Three months ended September 30, 2015 includes a pro forma adjustment to the current quarter income tax expense for changes in prior period tax estimates.

New Mountain Finance Corporation Pro Forma Adjusted Net Investment Income

(in millions, except per share data)

(unaudited, numbers may not add due to rounding)

	<u>Three months ended</u> <u>September 30, 2015</u>	<u>Nine months ended</u> <u>September 30, 2015</u>
Investment income		
Interest income	\$ 33.6	\$ 102.4
Dividend income	1.6	4.7
Other income	2.7	5.2
Total investment income	<u>37.9</u>	<u>112.3</u>
Expenses		
Management fee	6.3	19.0
Incentive fee	5.1	15.0
Interest and other financing expenses	5.8	16.9
Professional fees	0.8	2.4
Administrative expenses	0.6	1.8
Other general and administrative expenses	0.3	1.2
Total expenses	<u>18.9</u>	<u>56.3</u>
Less: management fee waived	(1.2)	(3.8)
Less: expenses waived and reimbursed	(0.3)	(0.7)
Net expenses	<u>17.4</u>	<u>51.8</u>
Net investment income before income taxes	20.5	60.5
Income tax expense	0.1	0.2
Net investment income ("NII")⁽¹⁾	20.4	60.3
Net realized losses on investments	(0.6)	(14.1)
Net change in unrealized (depreciation) appreciation of investments	(10.2)	7.9
Provision for taxes	(0.6)	(1.2)
Capital gains incentive fee	0.6	0.1
Net increase in net assets resulting from operations	\$ 9.6	\$ 53.0
Pro forma adjusted NII per weighted average share⁽¹⁾	\$ 0.35	\$ 1.04

⁽¹⁾ Includes reclassification of the non-cash capital gains incentive fee out of net investment income and into net increase in net assets resulting from operations. Three and nine months ended September 30, 2015 reflects a net investment income impact (net of incentive fee) from changes in tax estimates related to YP, LLC distributions. Three months ended September 30, 2015 includes a pro forma adjustment to the current quarter income tax expense for changes in prior period tax estimates.

ABOUT NEW MOUNTAIN FINANCE CORPORATION

New Mountain Finance Corporation is a closed-end, non-diversified and externally managed investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. The Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the investments may also include small equity interests. The Company's investment activities are managed by its Investment Adviser, New Mountain Finance Advisers BDC, L.L.C., which is an investment adviser registered under the Investment Advisers Act of 1940, as amended. More information about New Mountain Finance Corporation can be found on the Company's website at <http://www.newmountainfinance.com>.

ABOUT NEW MOUNTAIN CAPITAL, L.L.C.

New Mountain Capital, L.L.C is a New York-based private equity firm investing for long-term capital appreciation through direct investments in growth equity transactions, leveraged acquisitions, and management buyouts. The firm currently manages private and public equity funds with more than \$15.0 billion in aggregate capital commitments. New Mountain Capital, L.L.C. seeks out the highest-quality defensive growth leaders in carefully selected industry sectors and then works intensively with management to build the value of these companies. For more information on New Mountain Capital, L.L.C., please visit www.newmountaincapital.com.

FORWARD-LOOKING STATEMENTS

Statements included herein may contain “forward-looking statements”, which relate to our future operations, future performance or our financial condition. Forward-looking statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results and outcomes may differ materially from those anticipated in the forward-looking statements as a result of a variety of factors, including those described from time to time in our filings with the Securities and Exchange Commission or factors that are beyond our control. New Mountain Finance Corporation undertakes no obligation to publicly update or revise any forward-looking statements made herein. All forward-looking statements speak only as of the time of this press release.

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Source: New Mountain Finance Corporation