

CM Finance Inc Reports Results for Its Fiscal Second Quarter Ended December 31, 2014

NEW YORK, Feb. 9, 2015 (GLOBE NEWSWIRE) -- CM Finance Inc (Nasdaq:CMFN) ("CMFN" or "the Company") today announced financial results for its fiscal second quarter ended December 31, 2014.

HIGHLIGHTS

- **Increase in Net Asset Value per share to \$14.90 from \$14.65**
- **Investment portfolio increased by \$17.5 million, or 6%, from last quarter, to \$316.1 million, at fair value**
- **Yield, at cost, on debt portfolio of 10.97%**
- **Converted Virgin America positions in IPO to common shares with realized and unrealized gain of \$0.6 million \$10.6 million, respectively**
- **Six debt investments made during the quarter with a weighted average yield, at cost, of 11.9%**
- **Declared distribution of \$0.3469 per share for quarter ending March 31, 2015, a 2.7% increase**

Portfolio results, as of December 30, 2014:

Total Assets	\$356.3 mm
Investment portfolio, at fair value	\$316.1 mm
Net Assets	\$203.7 mm
Weighted Average yield on debt investments, at cost	10.97%
Weighted Average yield on debt investments, at fair value	11.95%
Net Asset Value per share	\$14.90

Portfolio activity in the current quarter:

Number of new investments	6
Total capital invested	\$49.5 mm
Proceeds from repayments, sales, and amortization	\$36.4 mm
Number of portfolio companies, end of period	25
Net investment income	\$4.6 mm
Net investment income per share	\$0.34
Net increase in net assets from operations	\$8.1 mm
Net increase in net assets from operations per share	\$0.59
Distribution declared per share (paid January 5, 2015)	\$0.3375

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said, "We are proud of all we accomplished in 2014. From our IPO in February through the end of the calendar year, we grew our portfolio from \$172.6 million to \$316.1 million, at fair value with 13 new investments, the

dividend from \$0.3375 to \$0.3469 per quarter, and net asset value per share from \$14.63 to \$14.90. We will continue to focus on prudent underwriting in order to optimize our portfolio for risk/reward as we have the opportunity to redeploy our capital into new investments where we find appropriate yields and structures."

On January 28, 2015, the Company's Board of Directors declared a first calendar quarter distribution of \$0.3469 per share payable on April 2, 2015 to shareholders of record as of March 18, 2015.

The Company reported net investment income of \$4.6 million, or \$0.34 per share, and net realized and unrealized gains of \$3.5 million, or \$0.25 per share, for the quarter. The total net increase in net assets for the quarter was \$8.1 million, or \$0.59 per share. At December 31, 2014, the Company's net asset value (NAV) per share was \$14.90.

Portfolio and Investment Activities

During the quarter, we continued to grow and diversify our investment portfolio. We added six new investments for \$49.5 million, and realized \$36.4 million of repayments, sales proceeds and amortization. Growth in net investments after taking into account realized and unrealized gains was approximately \$17.5 million (at fair value). Two of our six new investments in the fiscal second quarter were to new portfolio companies. Our investments in new portfolio companies during the quarter averaged \$17.2 million, and had a weighted average yield of 11.7%.

At December 31, 2014, our investment portfolio of \$316.1 million (at fair value) consisted of investments in 25 portfolio companies, of which 46.2% were first lien investments, 46.2% were second lien investments, and 7.6% were equity and warrant positions. At December 31, 2014, our average portfolio company investment at fair value was \$12.6 million. We had no nonperforming loans in the portfolio.

As of December 31, 2014 and June 30, 2014, respectively, our weighted average total yield of debt and income producing securities at amortized cost (which includes interest income and amortization of fees and discounts) was 10.97% and 10.82%, respectively, and our weighted average total yield of debt and income producing securities at fair value (which includes interest income and amortization of fees and discounts) was 11.95% and 10.44%, respectively.

Capital Resources

As of December 31, 2014, we had \$28.6 million in cash, \$4.4 million in restricted cash, and \$9.6 million of capacity under our revolving credit facility. Our net assets totaled \$203.7 million.

Subsequent Events

Subsequent to quarter end, the Company invested \$17.3 million in new and existing portfolio companies and received repayment or sales proceeds of \$5.0 million.

Consolidated Statement of Assets and Liabilities

	December 31, 2014 (unaudited)	June 30, 2014
Assets		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$311,584,233 and \$0, respectively)	\$316,144,349	\$273,710,465
Derivatives, at fair value (cost \$0 and \$0, respectively)	1,656,215	563,866
Cash	28,555,637	24,698,073
Cash, restricted	4,393,159	7,139,313
Interest receivable	2,058,436	1,458,043
Deferred debt issuance costs	3,012,215	459,676
Prepaid expenses and other assets	506,854	730,562
Total Assets	<u>\$356,326,865</u>	<u>\$308,759,998</u>
Liabilities		
Notes Payable:		
Term loan	\$102,000,000	\$76,500,000
Revolving credit facility	39,440,713	9,091,314
Payable for investments purchased	--	16,660,000
Distributions payable	4,612,500	4,612,500
Derivatives, at fair value (cost \$0 and \$0, respectively)	1,656,215	563,866
Base management fees payable	1,270,690	313,237
Income-based incentive fees payable	1,224,218	--
Capital gains-based incentive fees payable	27,956	--
Deferred financing costs payable	1,525,000	--
Interest payable	168,962	108,117
Accrued expenses and other liabilities	731,406	694,143
Total Liabilities	<u>152,657,660</u>	<u>108,543,177</u>
Net Assets		
Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 13,666,666 and 0 shares issued and outstanding, respectively)	13,667	13,667
Additional paid-in capital	198,810,786	198,810,786
Accumulated net realized gain	920,475	0
Accumulated distributions in excess of net investment income	(635,839)	(635,839)
Net unrealized appreciation on investments	4,560,116	2,028,207
Total Net Assets	<u>203,669,205</u>	<u>200,216,821</u>
Total Liabilities and Net Assets	<u>\$356,326,865</u>	<u>\$308,759,998</u>

CM Finance Inc and subsidiaries**Consolidated Statement of Operations**

	For the three months ended December 31, 2014	For the six months ended December 31, 2014
Investment Income:		
Interest income	\$8,888,600	\$15,820,606
Payment in-kind interest income	162,832	723,852
Other fee income	114,506	451,074
Royalty income	41,413	72,688
Total investment income	9,207,351	17,068,220
Expenses:		
Interest expense	895,438	1,614,314
Amortization of deferred debt issuance costs	340,590	513,482
Base management fees	1,270,688	2,378,141
Income-based incentive fees	1,160,012	2,129,470
Capital gains incentive fees	764,821	902,870
Custodian and administrator fees	81,467	170,157
Directors' fees	96,750	211,500
Professional fees	397,008	607,231
Allocation of administrative costs from advisor	153,418	344,838
Insurance expense	110,747	221,493
Other expenses	60,777	207,467
Total expenses	5,331,716	9,300,963
Waiver of income-based incentive fees	--	(582,829)
Waiver of capital gains incentive fees	(736,865)	(874,914)
Net expenses	4,594,851	7,843,220
Net investment income	\$4,612,500	\$9,225,000
Net realized and unrealized gains on investment transactions:		
Net realized gains on investments	1,044,073	920,475
Net change in unrealized appreciation	2,427,371	2,531,909
Net realized and unrealized gains	3,471,444	3,452,384
Net increase in net assets resulting from operations	\$8,083,944	\$12,677,384

Basic and diluted:		
Net investment income per share	0.34	0.68
Earnings per share	0.59	0.93
Weighted Average Shares of Common Stock Outstanding	13,666,666	13,666,666
Dividends declared per common share	0.3375	0.6750

About CM Finance Inc

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 through debt and related equity investments by targeting investment opportunities with favorable risk-adjusted returns. The Company seeks to invest primarily in middle-market companies that have annual revenues of at least \$50 million and earnings before interest, taxes, depreciation and amortization of at least \$15 million. The Company's investment activities are managed by its investment adviser, CM Investment Partners LLC. To learn more about CM Finance Inc, please visit www.cmfnc.com.

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 except as required by law. All forward-looking statements speak only as of the date of this press release.

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