

CM Finance Inc Reports Results for Its Fiscal Third Quarter Ended March 31, 2015

NEW YORK, May 11, 2015 (GLOBE NEWSWIRE) -- CM Finance Inc (Nasdaq:CMFN) ("CMFN" or "the Company") today announced financial results for its fiscal third quarter ended March 31, 2015.

HIGHLIGHTS

- **Decline in Net Asset Value per share to \$14.42 from \$14.90; change in fair value of Virgin America accounted for \$0.43 per share**
- **Investment portfolio decreased by \$4.3 million, or 1.4%, from last quarter, to \$311.9 million, at fair value**
- **Yield, at cost, on debt portfolio of 11.20%**
- **Five debt investments made during the quarter with a weighted average yield, at cost, of 11.4%**
- **Declared distribution of \$0.3469 per share for quarter ending June 30, 2015, a 2.7% increase over the 2014 quarterly dividend**

Portfolio results, as of March 31, 2015:

Total Assets	\$349.1 mm
Investment portfolio, at fair value	\$311.9 mm
Net Assets	\$197.0 mm
Weighted Average yield on debt investments, at cost	11.20%
Weighted Average yield on debt investments, at fair value	11.60%
Net Asset Value per share	\$14.42

Portfolio activity in the current quarter:

Number of new investments	5
Total capital invested	\$37.3 mm
Proceeds from repayments, sales, and amortization	\$35.2 mm
Number of portfolio companies, end of period	26
Net investment income	\$4.7 mm
Net investment income per share	\$0.35
Net decrease in net assets from operations	\$1.9 mm
Net decrease in net assets from operations per share	\$0.14
Distribution declared per share (paid April 2, 2015)	\$0.3469

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said, "We are pleased with the performance of our debt portfolio during the quarter, and continue to believe that the middle market offers attractive investment opportunities. We improved our average yield, made add-on investments to the portfolio, and improved our positioning especially within the energy sector.

While our portfolio's fair value declined by \$4.4 million during the quarter, our investment in the common stock of Virgin America Inc. (ticker: VA) declined by \$5.9 million, which was partially offset by the strength of our debt investments."

On May 6, 2015, the Company's Board of Directors declared a second calendar quarter distribution of \$0.3469 per share payable on July 5, 2015 to shareholders of record as of June 18, 2015.

The Company reported net investment income of \$4.74 million, or \$0.35 per share, and net realized and unrealized losses of \$6.65 million, or \$0.487 per share, for the quarter. The total net decrease in net assets resulting from operations for the quarter was \$1.9 million, or \$0.14 per share. At March 31, 2015, the Company's net asset value (NAV) per share was \$14.42.

Portfolio and Investment Activities

During the quarter, we continued to grow and diversify our investment portfolio. We added five new investments for \$35.2 million, funded \$2.1 million under one pre-existing commitment and realized \$35.2 million of repayments, sales proceeds and amortization. Decline in net investments after taking into account realized and unrealized gains was approximately \$4.4 million (at fair value). Two of our five new investments in the fiscal second quarter were to new portfolio companies. Our investments in new portfolio companies during the quarter averaged \$4.3 million, and had a weighted average yield of 10.0%.

At March 31, 2015, our investment portfolio of \$311.9 million (at fair value) consisted of investments in 26 portfolio companies, of which 48.5% were first lien investments, 45.7% were second lien investments, and 5.8% were equity and warrant positions. At March 31, 2015, our average portfolio company investment at fair value was \$12.0 million. We had no nonperforming loans in the portfolio.

As of March 31, 2015 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 11.20% 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 11.60% and 10.44%, respectively.

Capital Resources

As of March 31, 2015, we had \$14.3 million in cash, \$5.1 million in restricted cash, and \$23.7 million of capacity under our revolving credit facility. Our net assets totaled \$197.0 million.

Subsequent Events

Subsequent to quarter end, the Company invested \$23.9 million in new and existing portfolio companies and received repayment or sales proceeds of \$1.1 million.

Consolidated Statement of Assets and Liabilities

	March 31, 2015	June 30, 2014
	(unaudited)	<u>2014</u>
Assets		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$311,741,018 and \$271,682,258 respectively)	\$311,883,910	\$273,710,465
Derivatives, at fair value (cost \$0 and \$0, respectively)	1,833,715	563,866
Cash	14,280,014	24,698,073
Cash, restricted	5,089,659	7,139,313
Receivable for investments sold	9,511,348	--
Interest receivable	2,431,561	1,458,043
Deferred debt issuance costs	2,671,625	459,676
Deferred offering costs	186,513	--
Prepaid expenses and other assets	<u>1,183,216</u>	<u>730,562</u>
Total Assets	<u>\$349,071,561</u>	<u>\$308,759,998</u>
Liabilities		
Notes Payable:		
Term loan	\$102,000,000	\$76,500,000
Revolving credit facility	26,292,558	9,091,314
Payable for investments purchased	13,012,500	16,660,000
Distributions payable	4,740,996	4,612,500
Derivatives, at fair value (cost \$0 and \$0, respectively)	1,833,715	563,866
Base management fees payable	1,369,920	313,237
Income-based incentive fees payable	548,286	--
Deferred financing costs payable	1,525,000	--
Interest payable	150,235	108,117
Accrued expenses and other liabilities	<u>580,274</u>	<u>694,143</u>
Total Liabilities	<u>152,053,484</u>	<u>108,543,177</u>
Net Assets		
Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 13,666,666 shares issued and outstanding)	13,667	13,667
Additional paid-in capital	198,810,786	198,810,786
Accumulated net realized gain	(1,313,429)	--
Accumulated distributions in excess of net investment income	(635,839)	(635,839)
Net unrealized appreciation on investments	<u>142,892</u>	<u>2,028,207</u>
Total Net Assets	<u>197,018,077</u>	<u>200,216,821</u>

Total Liabilities and Net Assets	<u>\$349,071,561</u>	<u>\$308,759,998</u>
Net Asset Value Per Share	\$14.42	\$14.65

CM Finance Inc and subsidiaries

Consolidated Statement of Operations

For the three months ended March 31, 2015 **For the nine months ended March 31, 2015**

Investment Income:

Income:

Interest income	\$8,085,913	\$23,906,519
Payment in-kind interest income	179,015	902,867
Other fee income	<u>64,112</u>	<u>587,874</u>
Total investment income	8,329,040	25,397,260

Expenses:

Interest expense	923,814	2,538,128
Amortization of deferred debt issuance costs	340,590	854,072
Base management fees	1,369,920	3,748,061
Income-based incentive fees	1,018,817	3,148,287
Capital gains incentive fees	(902,870)	0
Custodian and administrator fees	46,412	216,569
Directors' fees	106,750	318,250
Professional fees	226,985	834,216
Allocation of administrative costs from advisor	37,154	381,992
Insurance expense	90,126	311,619
Other expenses	<u>47,258</u>	<u>254,725</u>
Total expenses	3,304,956	12,605,919
Waiver of income-based incentive fees	(591,826)	(1,174,655)
Waiver of capital gains incentive fees	<u>874,914</u>	<u>0</u>
Net expenses	3,588,044	11,431,264

Net investment income	<u><u>\$4,740,996</u></u>	<u><u>\$13,965,996</u></u>
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Net realized and unrealized losses on investment transactions:

Net realized losses on investments	(2,233,904)	(1,313,429)
Net change in unrealized depreciation on investments	<u>(4,417,224)</u>	<u>(1,885,315)</u>
Net realized and unrealized losses	<u>(6,651,128)</u>	<u>(3,198,744)</u>

Net increase (decrease) in net assets resulting from operations	<u>(\$1,910,132)</u>	<u>\$10,767,252</u>
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CM Finance Inc:

Basic and diluted:

Net investment income per share	0.35	1.02
Earnings per share	(0.14)	0.79
Weighted Average Shares of Common Stock Outstanding	13,666,666	13,666,666
Distributions declared per common share	\$0.3469	\$1.0219

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-inc.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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