



CM Finance

CM Finance Inc Announces Financial Results for the Second Fiscal Quarter Ended December 31, 2013

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NEW YORK--(BUSINESS WIRE)--CM Finance Inc (Nasdaq:CMFN) ("CMFN" or "the Company") today announced financial results for its second fiscal quarter ended December 31, 2013. Additionally, the Company announced today that its Board of Directors has declared a distribution of \$0.1812 per share payable on March 31, 2014 to shareholders of record as of March 24, 2014, however, a portion of distributions paid to shareholders may be a return of capital.

On February 5, 2014, CM Finance LLC merged with and into the Company, with the Company as the surviving entity. Through this merger, the Company assumed the business activities of CM Finance LLC. On February 11, 2014, the Company announced that it closed its initial public offering of 7,666,666 shares at an offering price of \$15.00 per share with gross proceeds of \$115 million. The Company is an externally managed, non-diversified closed-end management investment company that has filed an election to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. The Company has consolidated its investments in CM Finance SPV, Ltd, a special purpose vehicle that is used to warehouse certain investments, in accordance with its consolidation policy.

Except as otherwise specified, references to "we," "us," and "our" refer to CM Finance LLC and its consolidated subsidiary for the periods prior to the merger, and refer to CM Finance Inc and its consolidated subsidiary for the periods after the merger.

Highlights

(\$ in millions, except data relating to number of portfolio companies)

Portfolio results, as of December 31, 2013

Total Assets	\$217.78
Investment portfolio, at fair value	\$203.67
Net Assets	--
Weighted Average yield on debt investments	10.85%
Net Asset Value Per Share	--
Portfolio activity in Q4	
Number of new investments	5
Total investments made, fair value	\$82.5
Repayments, sales, and amortization, fair value	\$11.3
Number of portfolio companies, end of period	16
Total investment income	\$5.19
Net investment income	\$4.11
Net investment income per share	--
Net increase in net assets	--
Net increase in net assets per share	--
Dividend declared per share	--

Portfolio and Investment Activities

During the second fiscal quarter, we continued to grow and diversify our investment portfolio. We added new investments totaling approximately \$82.5 million (fair value), and saw one investment sold, totaling \$11.0 million (fair value). For the quarter, growth in net investments was approximately \$70.8 million (fair value), with an average yield of 9.56%. Our five new investments averaged \$14.0 million (at fair value). Of our five investments in the second fiscal quarter, four were to new portfolio companies.

As of December 31, 2013, our investment portfolio consisted of investments in 16 portfolio companies with an aggregate fair value of \$203.7 million, of which 53.1% were first lien investments, 46.4% were second lien investments, and 0.5% were warrant positions. The weighted average yield on our debt investments was approximately 10.85% at December 31, 2013. Our average portfolio company investment at fair value was approximately \$12.7 million and we had no nonperforming loans in the portfolio.

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said, "We were pleased with the quality and growth of the portfolio during our second fiscal quarter. Though the broader loan market saw record new-issue volume and declining yields, we believe our disciplined approach to credit and strong relationships across the leveraged finance market will continue to allow us to build a diversified portfolio of middle-market companies with attractive risk-reward characteristics."

Second Fiscal Quarter Results of Operations

Investment income, attributable to interest and fees on our debt investments, for the three months ended December 31, 2013 increased to \$5.2 million from \$1.0 million for the three months ended December 31, 2012, due to the growth of the portfolio from the comparable period.

Total expenses for the three months ended December 31, 2013 increased to \$1.1 million from \$43 thousand for the three months ended December 31, 2012, due primarily to the interest expense on our financing facility and increases in other expenses and legal fees.

Net investment income increased to \$4.1 million for the three months ended December 31, 2013 from \$946 thousand for the three months ended December 31, 2012, primarily due to an increase in investment income from a larger investment portfolio as compared to the prior quarter.

The net realized loss on investments totaled \$1.3 million for the three months ended December 31, 2013, as compared with a net realized gain of \$85 thousand for the three months ended December 31, 2012, due to a loss realized on the sale of an investment in YRC.

We recorded a net change in unrealized appreciation of \$302 thousand for the three months ended December 31, 2013, compared to net unrealized appreciation of \$97 thousand for the three months ended December 31, 2012, which reflects the net change in the fair value of our investment portfolio relative to its cost basis over this period.

Net increase in members' capital resulting from operations totaled \$3.1 million for the three months ended December 31, 2013, compared to \$1.1 million for the three months ended December 31, 2012, and is primarily related to an increase in interest income offset by an increase in interest expense, a net realized loss on investment, and increases in other operating expenses and legal fees.

Liquidity and capital resources

As of December 31, 2013, we had \$7.7 million in cash, restricted, and our members' capital totaled \$139.9 million.

On February 11, 2014, the Company announced that it closed its initial public offering of 7,666,666 shares at an offering price of \$15.00 per share with gross proceeds of \$115 million.

CM Finance LLC and subsidiary

Consolidated Statements of Financial Condition

	(Unaudited)	
	December 31,	June 30,
	<u>2013</u>	<u>2013</u>
Assets		
Investments at fair value (amortized cost of \$203,153,576 and \$118,142,962 respectively)	\$ 203,667,993	\$ 119,209,284
Derivatives, at fair value (cost \$0 and \$0, respectively)	53,847	843,864
Cash, restricted	7,660,093	42,601,338
Due from broker	3,432,268	22,975,552
Interest receivable	1,554,011	1,012,042
Deferred debt issuance costs (net of accumulated amortization of \$111,631 and \$10,924, respectively)	820,348	296,056
Deferred offering costs	593,895	—
	<u> </u>	<u> </u>
Total Assets	<u>\$ 217,782,455</u>	<u>\$ 186,938,136</u>
Liabilities and Members' Capital		
Due to broker	\$ 1,136,034	\$ —
Notes payable	76,500,000	76,500,000
Derivatives, at fair value (cost \$0 and \$0, respectively)	53,847	843,864
Distributions payable	—	22,000,000
Interest payable	121,654	149,198
Accrued expenses	83,399	194,437
	<u> </u>	<u> </u>
Total Liabilities	77,894,934	99,687,499
Members' capital	<u>139,887,521</u>	<u>87,250,637</u>
	<u> </u>	<u> </u>
Total Liabilities and Members' Capital	<u>\$ 217,782,455</u>	<u>\$ 186,938,136</u>

CM Finance LLC and subsidiary

Consolidated Statements of Operations
(Unaudited)

	For the three months ended		For the six months ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Investment Income				
Investment Income:				
Loan interest income	\$ 4,510,768	\$ 917,189	\$ 7,787,261	\$ 1,900,514
Payment in-kind interest income	410,292	22,951	818,784	22,951
Other fee income	273,109	49,871	388,208	68,480
	<u>5,194,169</u>	<u>990,011</u>	<u>8,994,253</u>	<u>1,991,945</u>
Total investment income				
Expenses:				
Interest expense	681,151	—	1,182,553	—
Legal fees	124,955	—	216,183	6,611
Professional fees	62,198	33,584	102,198	133,584
Other expenses	145,878	9,500	158,495	9,500
Amortization of deferred debt issuance costs	74,659	—	100,708	—
	<u>1,088,841</u>	<u>43,084</u>	<u>1,760,137</u>	<u>149,695</u>
Total expenses				
Net investment income	4,105,328	946,927	7,234,116	1,842,250
Net realized and unrealized (loss) gain				
Net realized (loss) gain on investments	(1,327,466)	85,376	(1,069,290)	41,578
Net change in unrealized (depreciation) appreciation on investments	302,594	97,145	(578,951)	153,350
	<u>302,594</u>	<u>97,145</u>	<u>(578,951)</u>	<u>153,350</u>

Net realized and unrealized (loss)				
gain	<u>(1,024,872)</u>	<u>182,521</u>	<u>(1,648,241)</u>	<u>194,928</u>
Net increase in members' capital				
resulting from operations	<u>\$ 3,080,456</u>	<u>\$ 1,129,448</u>	<u>\$ 5,585,875</u>	<u>\$ 2,037,178</u>

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 \$20 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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