

CM Finance

CM Finance Inc Reports Results for its Fiscal Fourth Quarter ended June 30, 2016

NEW YORK, Aug. 30, 2016 (GLOBE NEWSWIRE) -- CM Finance Inc (NASDAQ:CMFN) ("CMFN" or "the Company") today announced financial results for its fiscal fourth quarter ended June 30, 2016.

HIGHLIGHTS

- | **Decline in NAV per share to \$11.90 per share from \$11.96 per share as of March 31, 2016**
- | **Investment portfolio declined by \$4.2 mm, or 1.6%, from last quarter, to \$272.1 mm at fair value**
- | **Three new investments with a cost of \$15.3 mm and an average yield of 10.60% were made during the quarter**
- | **Two investments were fully realized during the quarter**
- | **Weighted average yield of debt portfolio, at cost (without amortization), of 9.57% compared to 9.71% at March 31, 2016**
- | **Weighted average yield of debt portfolio, at cost (with amortization), of 9.80%⁽¹⁾ compared to 9.90% at March 31, 2016**
- | **Declared a regular quarterly distribution of \$0.3516 per share for the quarter ending September 30, 2016, payable on October 6, 2016, to shareholders of record as of September 16, 2016**

Portfolio results, as of June 30, 2016:

Total Assets	\$ 320.0 mm
Investment portfolio, at fair value	\$ 272.1 mm
Net Assets	\$ 162.7 mm
Weighted Average yield on debt investments, at cost	9.80% ⁽¹⁾
Net Asset Value per share	\$11.90

Portfolio activity in the current quarter:

Number of new investments	3
Total capital invested	\$15.3 mm
Proceeds from repayments, sales, and amortization	\$20.0 mm
Number of portfolio companies, end of period	22

Net investment income	\$4.4 mm
Net investment income per share	\$0.32
Net increase in net assets from operations	\$4.0 mm
Net increase in net assets from operations per share	\$0.29
Distribution declared per share (paid July 7, 2016)	\$0.3516

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said "We see opportunities in both the primary and secondary markets, especially in first and second lien debt. As patient investors with a long-term focus, we will continue to be patient in deploying our capital."

On August 25, 2016, the Company's Board of Directors declared a distribution for the quarter ended September 30, 2016 of \$0.3516 per share payable on October 6, 2016 to shareholders of record as of September 16, 2016.

The Company reported net investment income of \$4.4 mm, or \$0.32 per share, and net realized and unrealized losses of \$0.4 mm or \$0.03 per share, for the quarter. The total net increase in net assets resulting from operations for the quarter was \$4.0 mm, or \$0.29 per share. At June 30, 2016, the Company's net asset value (NAV) per share was \$11.90.

Portfolio and Investment Activities

During the quarter, we realized \$20.0 mm of repayments, sales proceeds and amortization. The decrease in our net investments after taking into account realized and unrealized gains was approximately \$0.4 mm (at fair value).

At June 30, 2016, our investment portfolio of \$272.1 mm (at fair value) consisted of investments in 22 portfolio companies, of which 57.7% were first lien investments and 42.2% were second lien investments. At June 30, 2016, our average portfolio company investment at fair value was \$12.4 mm. At June 30, 2016, we had two loans on non-accrual status representing 6.2% of our portfolio at fair value.

As of June 30, 2016 and June 30, 2015, 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 9.80% and 10.91%, respectively.

Capital Resources

As of June 30, 2016, we had \$18.4 mm in cash, \$18.0 mm in restricted cash and \$19.5 mm of capacity under our revolving credit facility. Our net assets totaled \$162.7 mm.

Subsequent Events

Subsequent to quarter end, the Company invested \$13.2 mm in new and existing portfolio companies and received repayment or sales proceeds of \$24.7 mm.

On August 25, 2016, the Company's Board of Directors declared a regular distribution for the quarter ended September 30, 2016 of \$0.3516 per share payable on October 6, 2016 to shareholders of record as of September 16, 2016.

CM Finance Inc and subsidiaries

Consolidated Statements of Assets and Liabilities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$307,364,949 and \$336,092,639, respectively)	\$ 272,114,164	\$ 330,323,856
Derivatives, at fair value (cost \$0 and \$0, respectively)	9,071,659	1,845,768
Cash	18,433,066	21,535,492
Cash, restricted	18,023,466	3,433,704
Interest receivable	1,897,710	2,900,804
Deferred offering costs	186,513	186,513
Prepaid expenses and other assets	234,837	232,704
Total Assets	\$ 319,961,415	\$ 360,458,841
Liabilities		
Notes Payable:		
Term loan	\$ 102,000,000	\$ 102,000,000
Revolving credit facility	30,478,329	48,847,459

Deferred debt issuance costs	(1,510,491)	(2,331,035)
Notes Payable, net	130,967,838	148,516,424
Payable for investments purchased	8,828,750	2,988,655
Distributions payable	4,809,778	4,741,174
Derivatives, at fair value (cost \$0 and \$0, respectively)	9,071,659	1,845,768
Base management fees payable	1,257,768	1,420,978
Income-based incentive fees payable	275,540	1,723,260
Deferred financing costs payable	879,042	1,525,000
Interest payable	175,792	168,658
Accrued expenses and other liabilities	945,365	578,075
Total Liabilities	157,211,532	163,507,992

Commitments and Contingencies

Net Assets

Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 13,679,686 and 13,667,267 shares issued and outstanding, respectively)	13,680	13,667
Additional paid-in capital	199,722,997	199,418,478
Accumulated net realized (loss) gain	—	3,700,400
Distributions in excess of net investment income	(1,736,009)	(412,913)
Net unrealized depreciation on investments	(35,250,785)	(5,768,783)
Total Net Assets	162,749,883	196,950,849
Total Liabilities and Net Assets	\$ 319,961,415	\$ 360,458,841
Net Asset Value Per Share	\$ 11.90	\$ 14.41

CM Finance Inc and subsidiaries

Consolidated Statements of Operations

	For the three months ended June 30,		For the twelve months ended June 30,	
	2016	2015	2016	2015
Investment Income:				
Interest income	\$ 7,493,388	\$ 11,259,339	\$ 33,683,108	\$ 35,165,863
Payment in-kind interest income	—	218,174	960,603	1,121,036
Other fee income	321,395	42,332	936,211	630,206
Total investment income	7,814,783	11,519,845	35,579,922	36,917,105
Expenses:				
Interest expense	1,012,620	988,886	4,048,527	3,527,014
Amortization of deferred debt issuance costs	364,195	340,590	1,441,044	1,194,662
Base management fees	1,257,768	1,420,978	5,511,532	5,169,039
Income-based incentive fees	(1)	1,563,388	1,229,031	4,711,675
Custodian and administrator fees	111,858	87,344	442,598	303,913
Directors' fees	97,672	108,005	425,922	426,255
Professional fees	356,769	380,330	1,039,802	1,214,546
Allocation of administrative costs from advisor	60,000	209,241	785,846	591,233
Insurance expense	91,916	85,266	367,327	396,885
Other expenses	61,068	84,110	434,337	338,835
Total expenses	3,413,865	5,268,138	15,725,966	17,874,057
Waiver of income-based incentive fees	—	—	—	(1,174,655)
Net expenses	3,413,865	5,268,138	15,725,966	16,699,402
Net investment income	4,400,918	6,251,707	19,853,956	20,217,703

Net realized and unrealized gains (losses) on investment transactions:

Net realized gains (losses) on

investments	1	4,326,004	283,276	3,012,575
Net change in unrealized appreciation (depreciation) on investments	(411,534)	(5,911,675)	(29,482,002)	(7,796,990)
Net realized and unrealized losses	(411,533)	(1,585,671)	(29,198,726)	(4,784,415)
Net increase (decrease) in net assets resulting from operations	\$ 3,989,385	\$ 4,666,036	\$ (9,344,770)	\$ 15,433,288
Basic and diluted:				
Net investment income per share	\$ 0.32	\$ 0.46	\$ 1.45	\$ 1.48
Earnings (loss) per share	\$ 0.29	\$ 0.34	\$ (0.68)	\$ 1.13
Weighted Average Shares of Common Stock Outstanding	13,679,532	13,667,254	13,674,197	13,666,812

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 mm and earnings before interest, taxes, depreciation and amortization of at least \$15 mm. 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.cmfn-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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