

CM Finance

CM Finance Inc Reports Results for its Fiscal First Quarter ended September 30, 2016

NEW YORK, Nov. 09, 2016 (GLOBE NEWSWIRE) -- CM Finance Inc (NASDAQ:CMFN) ("CMFN" or "the Company") today announced financial results for its fiscal first quarter ended September 30, 2016.

HIGHLIGHTS

- | **Our September 30, 2016, net asset value ("NAV") per share was \$11.86 compared to \$11.90 as of June 30, 2016**
- | **Investment portfolio declined by \$7.9mm, or 2.9%, from last quarter, to \$264.2mm at fair value**
- | **The Company made five new investments during the quarter, including three new portfolio company investments, with a total cost of \$24.3mm and a weighted average yield of 10.17%**
- | **Three investments were fully realized during the quarter with an average IRR of 13.21%**
- | **The weighted average yield on debt investments, at cost, was 10.02% compared to 9.80% at June 30, 2016**
- | **The Board of Directors declared regular quarterly dividend distributions of \$0.3516 and \$0.25 per share for the quarters ending December 31, 2016 and March 31, 2017, payable on January 5, 2017 and April 6, 2017, to shareholders of record as of December 16, 2016 and March 17, 2017, respectively**

Portfolio results, as of September 30, 2016:

Total assets	\$304.3mm
Investment portfolio, at fair value	\$264.2mm
Net assets	\$162.2mm
Weighted average yield on debt investments, at cost	10.02%
Net asset value per share	\$11.86

Portfolio activity in the current quarter:

Number of new investments	5
Total capital invested	\$24.3mm
Proceeds from repayments, sales, and amortization	\$33.2mm
Number of portfolio companies, end of period	22

Net investment income	\$3.9mm
Net investment income per share	\$0.29
Net increase in net assets from operations	\$4.3mm
Net increase in net assets from operations per share	\$0.31
Distribution declared per share (paid October 6, 2016)	\$0.3516

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said, "We continue to diversify our portfolio and remain focused on originating secured lending opportunities, both in the primary and secondary markets. We are also pleased to have concluded the financial restructuring of AAR, allowing us to reduce the percentage of our portfolio on non-accrual."

On November 3, 2016, the Company's Board of Directors declared a distribution for the quarter ended

December 31, 2016 of \$0.3516 per share, payable on January 5, 2017, to shareholders of record as of December 16, 2016. In addition, the Company's Board of Directors also declared a distribution for the quarter ended March 31, 2017, of \$0.25 per share, payable on April 6, 2017, to shareholders of record as of March 17, 2017.

Mr. Mauer said, "We are committed to paying an attractive, sustainable distribution to our shareholders. Our Board of Directors supports us in this aim, and we have done an extensive review over the past quarter. Our objective in setting the March 31, 2017 distribution is to ensure that our distribution policy going forward is consistent with our ability to generate NII without reducing our investment quality by reaching for yield, or changing our focus from secured lending opportunities. With that in mind, we have taken the proactive step of reducing our distribution level for the first calendar quarter of 2017 to \$0.25 per share."

The Company reported net investment income of \$3.9mm, or \$0.29 per share, and net realized and unrealized gains of \$0.3mm, or \$0.02 per share, for the quarter. The total net increase in net assets resulting from operations for the quarter was \$4.3mm, or \$0.31 per share. At September 30, 2016, the Company's NAV per share was \$11.86.

Portfolio and Investment Activities

During the quarter, we made investments in five companies, including three new portfolio companies. These investments totaled \$24.3mm, at cost, and were made at a weighted average yield of 10.17%. We realized \$33.2mm of repayments, sales and amortization. The increase in our net investments after taking into account realized and unrealized gains was approximately \$0.3mm (at fair value).

As of September 30, 2016, our investment portfolio of \$264.2mm (at fair value) consisted of investments in 22 portfolio companies, of which 63.1% were first lien investments and 36.8% were second lien investments. At September 30, 2016, our average portfolio company investment was \$12.0mm at fair value. At September 30, 2016, we had two loans on non-accrual status representing 4.5% of our portfolio at fair value.

As of September 30, 2016 and June 30, 2016, 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 10.02% and 9.80%, respectively.

Capital Resources

As of September 30, 2016, we had \$12.6mm in cash, \$16.1mm in restricted cash and \$35.5mm of capacity under our revolving credit facility. Our net assets totaled \$162.2mm.

Subsequent Events

Subsequent to quarter end, the Company invested \$14.5mm in new and existing portfolio companies and received repayment or sales proceeds of \$23.0mm.

CM Finance Inc and subsidiaries Consolidated Statements of Assets and Liabilities

Assets

September 30, 2016 (Unaudited)	June 30, 2016
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Non-controlled, non-affiliated investments, at fair value (amortized cost of \$291,083,122 and \$307,364,949, respectively)	\$ 264,194,780	\$ 272,114,164
Derivatives, at fair value (cost \$0 and \$0, respectively)	8,859,132	9,071,659
Cash	12,559,961	18,433,066
Cash, restricted	16,129,989	18,023,466
Interest receivable	2,327,586	1,897,710
Deferred offering costs	186,513	186,513
Prepaid expenses and other assets	90,368	234,837
Total Assets	\$ 304,348,329	\$ 319,961,415

Liabilities

Notes Payable:		
Term loan	\$ 102,000,000	\$ 102,000,000
Revolving credit facility	14,500,000	30,478,329
Deferred debt issuance costs	(1,146,295)	(1,510,491)
Notes Payable, net	115,353,705	130,967,838
Base management fees payable	1,211,535	1,257,768
Income-based incentive fees payable	275,540	275,540
Payable for investments purchased	9,700,000	8,828,750
Derivatives, at fair value (cost \$0 and \$0, respectively)	8,859,132	9,071,659
Distributions payable	4,810,208	4,809,778
Deferred financing costs payable	879,042	879,042
Interest payable	170,166	175,792
Accrued expenses and other liabilities	833,485	945,365
Total Liabilities	142,092,813	157,211,532

Commitments and Contingencies (Note 6)

Net Assets

Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 13,680,910 and 13,679,686 shares issued and outstanding, respectively)	13,681	13,680
Additional paid-in capital	199,733,880	199,722,997
Accumulated net realized loss	(8,028,289)	—
Distributions in excess of net investment income	(2,575,414)	(1,736,009)
Net unrealized depreciation on investments	(26,888,342)	(35,250,785)
Total Net Assets	162,255,516	162,749,883
Total Liabilities and Net Assets	\$ 304,348,329	\$ 319,961,415
Net Asset Value Per Share	\$ 11.86	\$ 11.90

CM Finance Inc and subsidiaries

Consolidated Statements of Operations (Unaudited)

	For the three months ended	
	September 30,	
	2016	2015
Investment Income:		
Interest income	\$ 7,368,382	\$ 9,595,613
Payment in-kind interest income	—	239,239
Other fee income	216,467	33,742
Total investment income	7,584,849	9,868,594
Expenses:		
Base management fees	1,211,535	1,452,157
Income-based incentive fees	—	1,229,032
Interest expense	991,390	984,988
Amortization of deferred debt issuance costs	364,196	348,459
Allocation of administrative costs from advisor	268,242	276,951
Professional fees	194,589	292,334

Custodian and administrator fees	108,689	86,644
Directors' fees	100,000	114,750
Insurance expense	92,560	86,203
Other expenses	282,845	128,556
Total expenses	3,614,046	5,000,074
Net expenses	3,614,046	5,000,074
Net investment income	3,970,803	4,868,520

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

Net realized gains (losses) on investments	(8,028,289)	195,320
Net change in unrealized appreciation (depreciation) on investments	8,362,443	(4,895,677)
Net realized and unrealized gains (losses)	334,154	(4,700,357)
Net increase in net assets resulting from operations	\$ 4,304,957	\$ 168,163

Basic and diluted:

Net investment income per share	\$ 0.29	\$ 0.36
Earnings per share	\$ 0.31	\$ 0.01
Weighted Average Shares of Common Stock Outstanding	13,680,817	13,668,193

Distributions declared per common share	\$ 0.3516	\$ 0.7769
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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 \$50mm and earnings before interest, taxes, depreciation and amortization of at least \$15mm. 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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