

CM Finance

CM Finance Inc Reports Results for its Fiscal Second Quarter ended December 31, 2016

NEW YORK, Feb. 08, 2017 (GLOBE NEWSWIRE) -- CM Finance Inc (NASDAQ:CMFN) ("CMFN" or "the Company") today announced its financial results for its fiscal second quarter ended December 31, 2016.

HIGHLIGHTS

- | **Net Asset Value ("NAV") per share increased 2.3% to \$12.13, from \$11.86 in the prior quarter**
- | **CMFN made four new investments during the quarter with a total cost of \$24.5mm and a weighted average yield of 10.06%. This included investments in two new portfolio companies**
- | **Four investments were fully realized during the quarter with an average IRR of 14.32%**
- | **The weighted average yield on debt investments, at cost, declined to 9.79%, compared to 10.02% in the prior quarter**

Portfolio results, as of December 31, 2016:

Total assets	\$308.0mm
Investment portfolio, at fair value	\$245.4mm
Net assets	\$166.1mm
Weighted average yield on debt investments, at cost	9.79%
Net asset value per share	\$12.13

Portfolio activity in the current quarter:

Number of new investments	4
Total capital invested	\$24.5mm
Proceeds from repayments, sales, and amortization	\$47.9mm
Number of portfolio companies, end of period	19

Net investment income (NII)	\$4.9mm
Net investment income per share	\$0.36
Net increase in net assets from operations	\$8.6mm
Net increase in net assets from operations per share	\$0.62
Quarterly per share distribution paid on January 5, 2017	\$0.3516

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said, "Unscheduled repayments late in the quarter boosted our net investment income. Our pipeline is robust, both for primary and secondary market opportunities. We are intensely focused on identifying investment opportunities to redeploy our capital into secured assets."

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 commented, "Our new dividend level of \$.25 per share is consistent with our ability to generate NII without reducing the investment quality of our portfolio, by reaching for yield, or changing our focus from secured lending opportunities. We believe it is a sustainable and competitive

level, representing a 10.4% yield on our February 7, 2017, closing share price of \$9.65."

Portfolio and Investment Activities

During the quarter, we made investments in four companies, including two new portfolio companies. These four investments totaled \$24.5mm, at cost, and were made at a weighted average yield of 10.06%. We also realized \$47.9mm of repayments, sales and amortization. The resulting decline in the size of our investment portfolio was partially offset by realized and unrealized gains of approximately \$3.7mm, or \$.27 per share, for the quarter. The total net increase in net assets resulting from operations for the quarter was \$8.6mm, or \$0.62 per share. At December 31, 2016, our NAV per share was \$12.13.

As of December 31, 2016, our investment portfolio of \$245.4mm (at fair value) consisted of investments in 19 portfolio companies, of which 57.2% were first lien investments and 42.8% were second lien investments. Our debt portfolio consisted of 95.4% floating rate investments (of which 100% had a London Interbank Offered Rate, or LIBOR, floor) and 4.6% fixed rate investments. As of December 31, 2016, we had two loans on non-accrual status representing 5.1% of our portfolio at fair value.

Capital Resources

As of December 31, 2016, we had \$26.6mm in cash, \$27.8mm in restricted cash and \$35.7mm of capacity under our revolving credit facility.

Subsequent Events

Subsequent to quarter end, our debt investment in U.S. Well Services, LLC was restructured. As a result of this, our \$6.7 million loan is now a \$3.8 million loan at L+9.00% with a 1% floor, or L+11.00% with a 1% floor if paid-in-kind, and an equity interest of approximately 2%. We also purchased an interest in the new first-out revolving credit facility of U.S. Well Services, LLC. We believe this creates real opportunity for upside to our current value over the near- and medium-term.

Subsequent to quarter end, the Company invested \$21.3mm in new portfolio companies, \$1.0mm in existing portfolio companies, and received no repayment or sales proceeds.

CM Finance Inc and subsidiaries

Consolidated Statements of Assets and Liabilities

	December 31, 2016 (Unaudited)	June 30, 2016
Assets		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$268,644,626 and \$307,364,949, respectively)	\$ 245,398,868	\$ 272,114,164
Derivatives, at fair value (cost \$0 and \$0, respectively)	6,483,333	9,071,659
Cash	26,569,817	18,433,066
Cash, restricted	27,792,121	18,023,466
Interest receivable	1,530,437	1,897,710
Deferred offering costs	186,513	186,513
Prepaid expenses and other assets	1,125	234,837
	<u>1,125</u>	<u>234,837</u>
Total Assets	\$ 307,962,214	\$ 319,961,415
Liabilities		
Notes Payable:		
Term loan	\$ 102,000,000	\$ 102,000,000
Revolving credit facility	14,332,649	30,478,329
Deferred debt issuance costs	(782,100)	(1,510,491)
Notes Payable, net	<u>115,550,549</u>	<u>130,967,838</u>
Base management fees payable	2,395,481	1,257,768

Income-based incentive fees payable	1,167,813	275,540
Payable for investments purchased	9,965,000	8,828,750
Derivatives, at fair value (cost \$0 and \$0, respectively)	6,483,333	9,071,659
Dividend payable	4,812,446	4,809,778
Deferred financing costs payable	620,500	879,042
Interest payable	262,216	175,792
Accrued expenses and other liabilities	650,825	945,365
Total Liabilities	141,908,163	157,211,532

Commitments and Contingencies

Net Assets

Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 13,687,280 and 13,679,686 shares issued and outstanding, respectively)	13,687	13,680
Additional paid-in capital	199,790,758	199,722,997
Accumulated net realized loss	(7,988,787)	—
Distributions in excess of net investment income	(2,515,849)	(1,736,009)
Net unrealized depreciation on investments	(23,245,758)	(35,250,785)
Total Net Assets	166,054,051	162,749,883
Total Liabilities and Net Assets	\$ 307,962,214	\$ 319,961,415
Net Asset Value Per Share	\$ 12.13	\$ 11.90

CM Finance Inc and subsidiaries

Consolidated Statements of Operations (Unaudited)

	For the three months ended December 31,	
	2016	2015
Investment Income:		
Interest income	\$ 8,792,597	\$ 8,707,519
Payment in-kind interest income	—	721,364
Other fee income	359,494	529,819
Total investment income	9,152,091	9,958,702
Expenses:		
Base management fees	1,183,946	1,444,998
Income-based incentive fees	1,095,515	—
Interest expense	1,037,818	1,007,104
Amortization of deferred debt issuance costs	364,195	364,195
Professional fees	229,804	172,434
Allocation of administrative costs from advisor	148,710	161,180
Custodian and administrator fees	107,473	136,038
Directors' fees	99,999	96,750
Insurance expense	92,651	102,443
Other expenses	123,210	158,475
Total expenses	4,483,321	3,643,617
Waiver of income-based incentive fees	(203,242)	—
Net expenses	4,280,079	3,643,617
Net investment income	4,872,012	6,315,085
Net realized and unrealized gains (losses) on investment transactions:		
Net realized gains (losses) on investments	39,502	106,604
Net change in unrealized appreciation (depreciation) on investments and unfunded commitments	3,642,584	(21,819,026)
Net realized and unrealized gains (losses)	3,682,086	(21,712,422)
Net increase (decrease) in net assets resulting from operations	\$ 8,554,098	\$ (15,397,337)

Basic and diluted:

Net investment income per share	\$	0.36	\$	0.46
Earnings (loss) per share	\$	0.62	\$	(1.13)
Weighted Average Shares of Common Stock Outstanding		13,686,865		13,671,273
Distributions paid per common share	\$	0.3516	\$	0.3469

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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