

CM Finance

CM Finance Inc Reports Results for its Fiscal Third Quarter ended March 31, 2017

NEW YORK, May 10, 2017 (GLOBE NEWSWIRE) -- CM Finance Inc (NASDAQ:CMFN) ("CMFN" or "the Company") announced its financial results for its fiscal third quarter ended March 31, 2017.

HIGHLIGHTS

- | **Net asset value ("NAV") per share increased by 1.6% to \$12.32, compared to \$12.13 as of December 31, 2016**
- | **CMFN made seven new investments, including investments in three new portfolio companies, during the quarter with a total cost of \$32.2mm and a weighted average yield of 10.54%**
- | **One investment was fully realized during the quarter, with an IRR of 14.39%**
- | **The weighted average yield on debt investments, at cost, declined to 9.72%, compared to 9.79% as of December 31, 2016**

Portfolio results, as of March 31, 2017:

Total assets	\$298.8mm
Investment portfolio, at fair value	\$268.7mm
Net assets	\$168.6mm
Weighted average yield on debt investments, at cost	9.72%
Net asset value per share	\$12.32

Portfolio activity in the current quarter:

Number of new investments	7
Total capital invested	\$32.2mm
Proceeds from repayments, sales, and amortization	\$11.2mm
Number of portfolio companies, end of period	21

Net investment income (NII)	\$3.4mm
Net investment income per share	\$0.25
Net increase in net assets from operations	\$6.0mm
Net increase in net assets from operations per share	\$0.44
Quarterly per share distribution paid on April 6, 2017	\$0.25

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said "We are pleased with our ability to invest money during the quarter, with net investments of \$21 million. We also had a favorable realization of our investment in Land Holdings, which repaid our loan at a premium. We anticipate that unscheduled repayments will continue in our portfolio, as they have for many of our BDC peers. Our pipeline of primary and secondary market opportunities is strong and we expect to continue to deploy our capital into a variety of senior secured opportunities."

On May 2, 2017, the Company's Board of Directors declared a distribution for the quarter ending June 30, 2017 of \$0.25 per share, payable on July 6, 2017, to shareholders of record as of June 16, 2017. This represents a 9.7% yield on our \$10.30 share price as of the close on May 9.

Portfolio and Investment Activities

During the quarter, we made investments in seven companies, including three new portfolio companies.

These seven investments totaled \$32.2mm, at cost, and were made at a weighted average yield of 10.54%. We also realized \$11.2mm of repayments, sales and amortization, primarily the repayment of our loan to Land Holdings. Realized and unrealized gains accounted for an increase in our net investments of approximately \$2.6mm, or \$0.19 per share. The total net increase in net assets resulting from operations for the quarter was \$6.0mm, or \$0.44 per share.

As of March 31, 2017, our investment portfolio consisted of investments in 21 portfolio companies, of which 50.4% were first lien investments and 49.2% were second lien investments. Our debt portfolio consisted of 100.0% floating rate investments. As of March 31, 2017, we had one loan on non-accrual status representing 2.8% of our portfolio at fair value.

Capital Resources

As of March 31, 2017, we had \$5.5mm in cash, \$16.7mm in restricted cash and \$35.7mm of capacity under our revolving credit facility with Citibank.

Subsequent Events

Subsequent to quarter end, the Company invested \$15.8mm in two new portfolio companies and received \$25.4mm in repayments and sales proceeds.

CM Finance Inc and subsidiaries

Consolidated Statements of Assets and Liabilities

	March 31, 2017 (Unaudited)	June 30, 2016
Assets		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$288,260,647 and \$307,364,949, respectively)	\$ 268,692,799	\$ 272,114,164
Derivatives, at fair value (cost \$0 and \$0, respectively)	6,077,265	9,071,659
Cash	5,547,147	18,433,066
Cash, restricted	16,660,192	18,023,466
Interest receivable	1,358,391	1,897,710
Deferred offering costs	186,513	186,513
Prepaid expenses and other assets	309,968	234,837
Total Assets	\$ 298,832,275	\$ 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	(680,087)	(1,510,491)
Notes Payable, net	115,652,562	130,967,838
Base management fees payable	1,124,191	1,257,768
Income-based incentive fees payable	428,606	275,540
Derivatives, at fair value (cost \$0 and \$0, respectively)	6,077,265	9,071,659
Dividend payable	3,422,106	4,809,778
Payable for investments purchased	1,980,000	8,828,750
Deferred financing costs payable	620,500	879,042
Interest payable	223,355	175,792
Accrued expenses and other liabilities	673,250	945,365
Total Liabilities	130,201,835	157,211,532

Commitments and Contingencies (Note 6)

Net Assets

Common Stock, par value \$0.001 per share (100,000,000 shares authorized,

13,688,441 and 13,679,686 shares issued and outstanding, respectively)	13,688	13,680
Additional paid-in capital	199,801,235	199,722,997
Accumulated net realized loss	(9,100,786)	—
Distributions in excess of net investment income	(2,515,849)	(1,736,009)
Net unrealized depreciation on investments	(19,567,848)	(35,250,785)
Total Net Assets	<u>168,630,440</u>	<u>162,749,883</u>
Total Liabilities and Net Assets	<u>\$ 298,832,275</u>	<u>\$ 319,961,415</u>
Net Asset Value Per Share	\$ 12.32	\$ 11.90

CM Finance Inc and subsidiaries
Consolidated Statements of Operations (Unaudited)

	For the three months ended March 31,		For the nine months ended March 31,	
	2017	2016	2017	2016
Investment Income:				
Interest income	\$ 6,394,838	\$ 7,886,588	\$ 22,555,817	\$ 26,189,720
Payment in-kind interest income	186,567	—	186,567	960,603
Other fee income	499,813	51,255	1,075,774	614,816
Total investment income	<u>7,081,218</u>	<u>7,937,843</u>	<u>23,818,158</u>	<u>27,765,139</u>
Expenses:				
Base management fees	1,124,191	1,356,609	3,519,672	4,253,764
Income-based incentive fees	211,572	—	1,307,087	1,229,032
Interest expense	1,398,060	1,043,815	3,427,268	3,035,907
Amortization of deferred debt issuance costs	102,013	364,195	830,404	1,076,849
Professional fees	267,955	218,265	692,348	683,033
Allocation of administrative costs from advisor	136,375	287,715	553,327	725,846
Custodian and administrator fees	133,529	108,058	349,691	330,740
Directors' fees	99,999	116,750	299,998	328,250
Insurance expense	69,563	86,765	254,774	275,411
Other expenses	161,679	86,238	567,734	373,269
Total expenses	<u>3,704,936</u>	<u>3,668,410</u>	<u>11,802,303</u>	<u>12,312,101</u>
Waiver of income-based incentive fees	(45,829)	—	(249,071)	—
Net expenses	<u>3,659,107</u>	<u>3,668,410</u>	<u>11,553,232</u>	<u>12,312,101</u>
Net investment income	<u>3,422,111</u>	<u>4,269,433</u>	<u>12,264,926</u>	<u>15,453,038</u>
Net realized and unrealized gains (losses) on investment transactions:				
Net realized gains (losses) on investments	(1,111,999)	(18,649)	(9,100,786)	283,275
Net change in unrealized appreciation (depreciation) on investments	3,677,910	(2,355,765)	15,682,937	(29,070,468)
Net realized and unrealized gains (losses)	<u>2,565,911</u>	<u>(2,374,414)</u>	<u>6,582,151</u>	<u>(28,787,193)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 5,988,022</u>	<u>\$ 1,895,019</u>	<u>\$ 18,847,077</u>	<u>\$ (13,334,155)</u>
Basic and diluted:				
Net investment income per share	\$ 0.25	\$ 0.31	\$ 0.90	\$ 1.13
Earnings (loss) per share	\$ 0.44	\$ 0.14	\$ 1.38	\$ (0.98)
Weighted Average Shares of Common Stock Outstanding	13,688,377	13,677,532	13,685,331	13,672,431
Distributions paid per common share	<u>\$ 0.2500</u>	<u>\$ 0.3516</u>	<u>\$ 0.9532</u>	<u>\$ 1.4754</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 \$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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