

CM Finance

CM Finance Inc Reports Results for its Fiscal Fourth Quarter ended June 30, 2017

NEW YORK, Sept. 06, 2017 (GLOBE NEWSWIRE) -- CM Finance Inc (NASDAQ:CMFN) ("CMFN" or "the Company") announced its financial results for its fiscal fourth quarter ended June 30, 2017.

HIGHLIGHTS

- | **Net asset value ("NAV") per share increased by 0.7% to \$12.41, compared to \$12.32 as of March 31, 2017**
- | **CMFN made seven new investments, including investments in six new portfolio companies, during the quarter with a total cost of \$53.2mm and a weighted average yield of 8.25%**
- | **Six investments were fully realized during the quarter with an average IRR of 10.91%**
- | **The weighted average yield on debt investments, at cost, increased to 9.73%, compared to 9.72% as of March 31, 2017**

Portfolio results, as of June 30, 2017:

Total assets	\$296.0mm
Investment portfolio, at fair value	\$254.9mm
Net assets	\$169.9mm
Weighted average yield on debt investments, at cost	9.73%
Net asset value per share	\$12.41

Portfolio activity in the current quarter:

Number of new investments	7
Total capital invested	\$53.2mm
Proceeds from repayments, sales, and amortization	\$67.4mm
Number of portfolio companies, end of period	23

Net investment income (NII)	\$3.4mm
Net investment income per share	\$0.25
Net increase in net assets from operations	\$4.7mm
Net increase in net assets from operations per share	\$0.35
Quarterly per share distribution paid on July 6, 2017	\$0.25

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said, "During the current period of tightening spreads, declining new issue credit metrics, and increasing uncertainty, we have focused our origination efforts on lower-risk secured opportunities. We are also pleased to have lowered the risk profile in the portfolio by increasing diversification, reducing our average position size, and exiting one of our most highly levered investments."

On August 24, 2017, the Company's Board of Directors declared a distribution for the quarter ending September 30, 2017 of \$0.25 per share, payable on October 5, 2017, to shareholders of record as of September 8, 2017. This represents a 10.05% yield on our \$9.95 share price as of the close on September 5.

Portfolio and Investment Activities

During the quarter, we made investments in seven companies, including six new portfolio companies. Five of our seven investments were in 1st lien term loans. These seven investments totaled \$53.2mm at cost, and were made at a weighted average yield of 8.25%. We also realized \$67.4mm of repayments, sales, and amortization, primarily related to the repayment of our loans to School Specialty, Telecommunications Management, AP Gaming, and Land Holdings, and our sale of North American Lifting Holdings. Realized and unrealized gains accounted for an increase in our net investments of approximately \$1.3mm, or \$0.09 per share. The total net increase in net assets resulting from operations for the quarter was \$4.7mm, or \$0.35 per share.

As of June 30, 2017, our investment portfolio consisted of investments in 23 portfolio companies, of which 49.9% were first lien investments, 49.7% were second lien investments and 0.4% were in equity investments. Our debt portfolio consisted of 95.2% floating rate investments. As of June 30, 2017, we had one loan on non-accrual status representing 3.0% of our portfolio at fair value.

Capital Resources

As of June 30, 2017, we had \$10.6mm in cash, \$22.6mm in restricted cash and \$50.0mm of capacity under our revolving credit facility with Citibank.

Subsequent Events

Subsequent to quarter end, the Company invested \$17.5mm in one new portfolio company and received \$14.8mm in repayments and sales proceeds.

The Company's investment in Bird Electric Enterprises, LLC was restructured on September 1, 2017, resulting in the elimination of \$15 million of principal and replaced with 10 Class C Units. The Class C Units are a non-voting class of preferred equity with a \$10mm liquidation preference that accretes at a 10% rate until such time as certain EBITDA targets are met, after which the units are paid a 10% cash dividend.

CM Finance Inc and subsidiaries

Consolidated Statements of Assets and Liabilities

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$270,467,740 and \$307,364,949, respectively)	\$ 254,907,171	\$ 272,114,164
Derivatives, at fair value (cost \$0 and \$0, respectively)	5,830,501	9,071,659
Cash	10,646,697	18,433,066
Cash, restricted	22,616,177	18,023,466
Interest receivable	1,627,774	1,897,710
Deferred offering costs	186,513	186,513
Prepaid expenses and other assets	219,045	234,837
Total Assets	<u><u>\$ 296,033,878</u></u>	<u><u>\$ 319,961,415</u></u>
Liabilities		
Notes Payable:		
Term loan	\$ 102,000,000	\$ 102,000,000
Revolving credit facility	—	30,478,329
Deferred debt issuance costs	(578,074)	(1,510,491)
Notes Payable, net	101,421,926	130,967,838
Base management fees payable	1,132,391	1,257,768
Income-based incentive fees payable	274,073	275,540
Payable for investments purchased	12,490,000	8,828,750
Derivatives, at fair value (cost \$0 and \$0, respectively)	5,830,501	9,071,659
Dividend payable	3,422,307	4,809,778
Deferred financing costs payable	620,500	879,042

Interest payable	205,027	175,792
Directors' fees payable	100,000	—
Accrued expenses and other liabilities	589,041	945,365
Total Liabilities	<u>126,085,766</u>	<u>157,211,532</u>

Commitments and Contingencies (Note 6)

Net Assets

Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 13,689,221 and 13,679,686 shares issued and outstanding, respectively)	13,689	13,680
Additional paid-in capital	199,066,123	199,722,997
Accumulated net realized loss	(11,231,827)	—
Distributions in excess of net investment income	(2,339,304)	(1,736,009)
Net unrealized depreciation on investments	<u>(15,560,569)</u>	<u>(35,250,785)</u>
Total Net Assets	<u>169,948,112</u>	<u>162,749,883</u>
Total Liabilities and Net Assets	<u>\$ 296,033,878</u>	<u>\$ 319,961,415</u>
Net Asset Value Per Share	\$ 12.41	\$ 11.90

CM Finance Inc and subsidiaries

Consolidated Statements of Operations

	Three months ended June 30,			Twelve months ended June 30,		
	2017	2016	2015	2017	2016	2015
Investment Income:						
Interest income	\$ 6,920,498	\$ 7,493,388	\$ 11,259,339	\$ 29,476,315	\$ 33,683,108	\$ 35,165,863
Payment in-kind interest income	237,065	—	218,174	423,632	960,603	1,121,036
Other fee income	36,476	321,395	42,332	1,112,250	936,211	630,206
Total investment income	<u>7,194,039</u>	<u>7,814,783</u>	<u>11,519,845</u>	<u>31,012,197</u>	<u>35,579,922</u>	<u>36,917,105</u>
Expenses:						
Base management fees	1,132,392	1,257,768	1,420,978	4,652,064	5,511,532	5,169,039
Income-based incentive fees	18,511	—	1,563,388	1,289,927	1,229,031	4,711,675
Interest expense	1,321,181	1,012,620	988,886	4,748,449	4,048,527	3,527,014
Allocation of administrative costs from advisor	433,959	60,000	209,241	987,286	785,846	591,233
Amortization of deferred debt issuance costs	102,013	364,195	340,590	932,417	1,441,044	1,194,662
Professional fees	114,462	356,769	380,330	806,810	1,039,802	1,214,546
Directors' fees	201,235	97,672	108,005	501,233	425,922	426,255
Custodian and administrator fees	130,578	111,858	87,344	480,269	442,598	303,913
Insurance expense	90,923	91,916	85,266	345,697	367,327	396,885
Other expenses	215,127	61,067	84,110	818,532	434,337	338,835
Total expenses	<u>3,760,381</u>	<u>3,413,865</u>	<u>5,268,138</u>	<u>15,562,684</u>	<u>15,725,966</u>	<u>17,874,057</u>
Waiver of income-based incentive fees	—	—	—	(249,071)	—	(1,174,655)
Net expenses	<u>3,760,381</u>	<u>3,413,865</u>	<u>5,268,138</u>	<u>15,313,613</u>	<u>15,725,966</u>	<u>16,699,402</u>
Net investment income	<u>3,433,658</u>	<u>4,400,918</u>	<u>6,251,707</u>	<u>15,698,584</u>	<u>19,853,956</u>	<u>20,217,703</u>

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

Net realized gains

(losses) on investments	(2,708,549)	1	4,326,004	(11,809,335)	283,276	3,012,575
Net change in unrealized appreciation (depreciation) on investments	<u>4,007,279</u>	<u>(411,534)</u>	<u>(5,911,675)</u>	<u>19,690,216</u>	<u>(29,482,002)</u>	<u>(7,796,990)</u>
Net realized and unrealized gains (losses)	<u>1,298,730</u>	<u>(411,533)</u>	<u>(1,585,671)</u>	<u>7,880,881</u>	<u>(29,198,726)</u>	<u>(4,784,415)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 4,732,388</u>	<u>\$ 3,989,385</u>	<u>\$ 4,666,036</u>	<u>\$ 23,579,465</u>	<u>\$ (9,344,770)</u>	<u>\$ 15,433,288</u>
Basic and diluted:						
Net investment income per share	\$ 0.25	\$ 0.32	\$ 0.46	\$ 1.15	\$ 1.45	\$ 1.48
Earnings (loss) per share	\$ 0.35	\$ 0.29	\$ 0.34	\$ 1.72	\$ (0.68)	\$ 1.13
Weighted Average Shares of Common Stock Outstanding	13,689,170	13,679,532	13,667,254	13,686,288	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 \$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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