

CM Finance

CM Finance Inc Reports Results for its Fiscal First Quarter ended September 30, 2017

NEW YORK, Nov. 07, 2017 (GLOBE NEWSWIRE) -- CM Finance Inc (NASDAQ:CMFN) ("CMFN" or "the Company") announced its financial results for its fiscal first quarter ended September 30, 2017.

HIGHLIGHTS

- | **The weighted average yield on debt investments, at cost, increased to 10.67% from 9.73% as of June 30, 2017**
- | **CMFN made investments in three new portfolio companies during the quarter with a total cost of \$46.9mm and a weighted average yield of 11.70%**
- | **Three investments were fully realized during the quarter with a weighted average IRR of 10.52%**
- | **Net asset value ("NAV") per share declined by 0.2% to \$12.39, compared to \$12.41 as of June 30, 2017**

Portfolio results, as of September 30, 2017:

Total assets	\$311.2mm
Investment portfolio, at fair value	\$271.9mm
Net assets	\$169.7mm
Weighted average yield on debt investments, at cost	10.67%
Net asset value per share	\$12.39

Portfolio activity in the current quarter:

Number of new investments	3
Total capital invested	\$46.9mm
Proceeds from repayments, sales, and amortization	\$30.5mm
Number of portfolio companies, end of period	23

Net investment income (NII)	\$3.0mm
Net investment income per share	\$0.22
Net increase in net assets from operations	\$3.1mm
Net increase in net assets from operations per share	\$0.23
Quarterly per share distribution paid on October 5, 2017	\$0.25

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said "We have had continued success by focusing on developing direct lending opportunities and club relationships which accounted for two of our three new investments during the quarter, as well as an additional club investment after quarter-end. Direct and club lending enables us to focus on appropriate structures to protect our capital as well as enabling us to invest capital at more attractive yields than are generally available in the syndicated markets."

On November 7, 2017, the Company's Board of Directors declared a distribution for the quarter ending December 31, 2017 of \$0.25 per share, payable on January 4, 2018, to shareholders of record as of December 15, 2017. This represents a 11.63% yield on our \$8.60 share price as of the close on November 6. Distributions may include net investment income, capital gains and/or return of capital. The tax status of

distributions will be determined at the end of the taxable year.

Portfolio and Investment Activities

During the quarter, we made investments in three new portfolio companies. Two of three investments were 1st lien term loans and one was a 2nd lien term loan. These three investments totaled \$46.9mm at cost and were made at a weighted average yield of 11.70%. We also realized \$29.2mm of repayments, sales, and amortization, primarily related to the repayment of our 2nd lien loan to Transaction Network Services and our sales of Melissa & Doug and YRC Worldwide. Realized and unrealized gains accounted for an increase in our net investments of approximately \$0.1mm, or \$0.01 per share. The total net increase in net assets resulting from operations for the quarter was \$3.1mm, or \$.23 per share.

As of September 30, 2017, our investment portfolio consisted of investments in 23 portfolio companies, of which 51.0% were first lien investments, 44.6% were second lien investments and 4.4% were equity investments. Our debt portfolio consisted of 96.0% floating rate investments. As of September 30, 2017, we had one loan non-accrual status representing 2.8% of our portfolio at fair value.

Capital Resources

As of September 30, 2017, we had \$14.5 mm in cash, \$16.1mm in restricted cash and \$22.7mm of capacity under our revolving credit facility with Citibank.

Subsequent Events

Subsequent to quarter end, the Company invested \$8.0 mm in one new portfolio company and received \$7.0 mm in repayments and sales proceeds.

CM Finance Inc and subsidiaries

Consolidated Statements of Assets and Liabilities

	September 30, 2017 (Unaudited)	June 30, 2017
Assets		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$280,174,244 and \$270,467,740, respectively)	\$ 271,862,946	\$ 254,907,171
Derivatives, at fair value (cost \$0 and \$0, respectively)	6,550,448	5,830,501
Cash	14,537,986	10,646,697
Cash, restricted	16,143,582	22,616,177
Interest receivable	1,702,662	1,627,774
Other receivable	219,914	-
Deferred offering costs	37,395	186,513
Prepaid expenses and other assets	140,751	219,045
Total Assets	<u>311,195,684</u>	<u>296,033,878</u>
Liabilities		
Notes Payable:		
Term loan	102,000,000	102,000,000
Revolving credit facility	27,260,000	-
Deferred debt issuance costs	(1,487,038)	(578,074)
Notes Payable, net	127,772,962	101,421,926
Base management fees payable	1,153,880	1,132,391
Income-based incentive fees payable	240,538	274,073
Derivatives, at fair value (cost \$0 and \$0, respectively)	6,550,448	5,830,501
Distribution payable	3,422,432	3,422,307
Payable for investments purchased	-	12,490,000
Deferred financing costs payable	1,654,667	620,500
Interest payable	232,555	205,027

Directors' fees payable	97,043	100,000
Accrued expenses and other liabilities	397,948	589,041
Total Liabilities	<u>141,522,473</u>	<u>126,085,766</u>

Commitments and Contingencies (Note 6)

Net Assets

Common Stock, par value \$0.001 per share (100,000,000 shares authorized, 13,690,480 and 13,689,221 shares issued and outstanding, respectively)	13,689	13,689
Additional paid-in capital	199,077,936	199,066,123
Accumulated net realized loss	(18,612,517)	(11,231,827)
Distributions in excess of net investment income	(2,745,559)	(2,339,304)
Net unrealized depreciation on investments	(8,060,338)	(15,560,569)
Total Net Assets	<u>169,673,211</u>	<u>169,948,112</u>
Total Liabilities and Net Assets	<u>311,195,684</u>	<u>296,033,878</u>
Net Asset Value Per Share	\$ 12.39	\$ 12.41

CM Finance Inc and subsidiaries

Consolidated Statements of Operations (Unaudited)

	For the three months ended September 30,	
	2017	2016
Investment Income:		
Interest income	\$ 6,426,053	\$ 7,368,382
Payment in-kind interest income	292,478	—
Other fee Income	9,879	216,467
Total investment income	<u>6,728,410</u>	<u>7,584,849</u>
Expenses:		
Base management fees	1,153,880	1,211,535
Interest expense	1,437,829	991,390
Professional fees	209,041	194,589
Offering expense	186,513	—
Allocation of administrative costs from advisor	127,229	268,242
Amortization of deferred debt issuance costs	125,202	364,196
Directors' fees	99,667	100,000
Custodian and administrator fees	91,996	108,689
Insurance expense	85,225	92,560
Other expenses	195,652	282,845
Total expenses	<u>3,712,234</u>	<u>3,614,046</u>
Waiver of income-based incentive fees	—	—
Net expenses	<u>3,712,234</u>	<u>3,614,046</u>
Net Investment Income	<u>3,016,176</u>	<u>3,970,803</u>
Net Realized and Unrealized Gain/(Loss) on Investments		
Net realized loss from investments	(7,380,690)	(8,028,289)
Net change in unrealized appreciation in value of investments	7,500,231	8,362,443
Net realized and unrealized gain on investments	<u>119,541</u>	<u>334,154</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 3,135,717</u>	<u>\$ 4,304,957</u>
Basic and diluted		
Net investment income per share	\$ 0.22	\$ 0.29
Net increase in net assets resulting from operations per share	\$ 0.23	\$ 0.31
Weighted Average Shares of Common Stock Outstanding	13,689,885	13,680,817
Distributions paid per common share	<u>\$ 0.2500</u>	<u>\$ 0.3516</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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