

## CM Finance Inc Reports Results for its Fiscal Second Quarter Ended December 31, 2018

NEW YORK, Feb. 06, 2019 (GLOBE NEWSWIRE) -- CM Finance Inc (NASDAQ: CMFN) ("CMFN" or "the Company") announced its financial results for its fiscal second quarter ended December 31, 2018.

### HIGHLIGHTS

- ▮ **CMFN made investments in nine portfolio companies with a total cost of \$50.1mm. The weighted average yield of debt investments made in the quarter was 10.77%**
- ▮ **Eight investments were fully realized, and one investment had a significant partial realization. Realizations during the quarter had a weighted average internal rate of return ("IRR") of 12.21%**
- ▮ **The weighted average yield on debt investments, at cost, increased 18 basis points to 11.08% compared to 10.90% as of September 30, 2018**
- ▮ **Net asset value ("NAV") per share decreased by 7.41% to \$11.49, compared to \$12.41 as of September 30, 2018**

Portfolio results, as of December 31, 2018:

Total assets	\$302.0mm
Investment portfolio, at fair value	\$283.3mm
Net assets	\$156.4mm
Weighted average yield on debt investments, at cost	11.08%
Net asset value per share	\$11.49
Portfolio activity in the current quarter:	
Number of new investments	14
Total capital invested	\$50.1mm
Proceeds from repayments, sales, and amortization	\$84.5mm
Number of portfolio companies, end of period	29
Net investment income (NII)	\$3.7mm
Net investment income per share	\$0.25
Net decrease in net assets from operations	\$9.4mm
Net decrease in net assets from operations per share	\$0.69
Quarterly per share distribution paid on October 5, 2018	\$0.25

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said, "While the fair value of the portfolio declined during the quarter, we believe that we take a prudent and conservative approach to both investing and valuing our portfolio and we see significant opportunity as we look forward in 2019. We have fully written down our positions in Trident USA Health Services, LLC, and have no other positions on non-accrual today. Our team continues to reposition our portfolio, currently emphasizing senior secured positions, building a diversified, resilient portfolio that will perform throughout the cycle. We are very happy with the progress we have made."

On February 5, 2019, the Company's Board of Directors declared a distribution for the quarter ending March 31, 2019 of \$0.25 per share, payable on April 4, 2019, to shareholders of record as of March 15, 2019. This represents a 12.5% yield on the Company's \$8.00 share price as of the close on February 5, 2018. Distributions may include net investment income, capital gains and/or return of capital; however, the Company does not expect the distribution to be comprised of a 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, the Company made investments in nine portfolio companies. These investments totaled \$50.1mm at cost and were made at a weighted average yield of 10.77%. The Company also realized \$84.5mm of repayments, sales, and amortization, primarily related to the repayments of American Gaming Systems Inc., Montrose Environmental Group, Inc., FPC Holdings, Inc, and Hostway Corp. Additionally, we had a partial realization of our investments in U.S. Well Services, LLC, including the full realization of our position in U.S. Well Services, LLC's revolving credit facility. Realized and unrealized gains and losses accounted for a decrease in the Company's net investments of approximately \$13.1mm, or \$0.96 per share. The total net decrease in net assets resulting from operations for the quarter was \$9.4mm, or \$0.69 per share.

As of December 31, 2018, the Company's investment portfolio consisted of investments in 29 portfolio companies, of which 63.7% were first lien investments, 31.7% were second lien investments, 4.1% were unitranche loans, and 0.5% were in equities, warrants and other positions. The Company's debt portfolio consisted of 94.4% floating rate investments and 5.2% fixed rate investments. As of December 31, 2018, the Company had one investment on non-accrual status, Trident USA Health Services, LLC.

### **Capital Resources**

As of December 31, 2018, the Company had \$6.2mm in cash, \$6.0mm in restricted cash and \$50.0mm of capacity under its revolving credit facility with UBS AG, London Branch.

## Share Repurchases

During the quarter, the Company repurchased 30,999 shares of common stock on the open market for \$257,336 (including commissions).

## Subsequent Events

Subsequent to December 31, 2018 and through February 5, 2019, we invested \$23.4 million in new and existing portfolio companies, and received repayment or sales proceeds of \$29.0 million

## CM Finance Inc and Subsidiaries

### Consolidated Statements of Assets and Liabilities

	December 31, 2018	June 30, 2018
<b>Assets</b>		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$307,290,045 and \$302,647,282, respectively)	\$ 283,335,302	\$ 293,592,013
Derivatives, at fair value (cost of \$0 and \$0, respectively)	94,380	229,918
Cash	6,197,259	5,620,441
Cash, restricted	5,981,651	2,706,273
Receivable for investments sold	397,146	7,751,875
Interest receivable	3,282,163	4,011,450
Deferred offering costs	121,922	121,922
Other receivables	2,515,625	245,550
Prepaid expenses and other assets	58,954	255,139
<b>Total Assets</b>	<b>\$ 301,984,402</b>	<b>\$ 314,534,581</b>
<b>Liabilities</b>		
Notes payable:		
Term loan	\$ 102,000,000	\$ 102,000,000
Revolving credit facility	-	17,823,000
Baby bonds payable:	34,500,000	-
Deferred debt issuance costs	(2,494,517)	(1,953,771)
Notes payable, net	134,005,483	117,869,229
Payable for investments purchased	2,985,000	12,569,450
Dividend payable	3,410,713	3,417,848
Deferred financing costs payable	1,037,000	2,071,167
Income-based incentive fees payable	1,566,513	2,294,678
Base management fees payable	1,405,297	1,319,853
Accrued provision for taxes	-	2,579,337
Derivatives, at fair value (cost \$0 and \$0, respectively)	94,380	229,918
Interest payable	845,566	303,153
Directors' fees payable	93,448	99,296
Accrued expenses and other liabilities	104,694	257,986
<b>Total Liabilities</b>	<b>145,548,094</b>	<b>143,011,915</b>
<b>Commitments and Contingencies (Note 6)</b>		
<b>Net Assets</b>		
Common stock, par value \$0.001 per share (100,000,000 shares authorized, 13,613,116 and 13,649,504 shares issued and outstanding, respectively)	13,613	13,649
Additional paid-in capital	198,392,175	198,700,999
Accumulated net realized loss	(21,270,472)	(21,087,280)
Undistributed (distributions in excess of) net investment income	3,255,732	2,950,567
Net unrealized depreciation on investments	(23,954,740)	(9,055,269)
<b>Total Net Assets</b>	<b>156,436,308</b>	<b>171,522,666</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 301,984,402</b>	<b>\$ 314,534,581</b>
Net Asset Value Per Share	\$ 11.49	\$ 12.57

See notes to unaudited consolidated financial statements.

## CM Finance Inc and Subsidiaries

### Consolidated Statements of Operations

	For the three months ended		For the six months ended	
	December 31,		December 31,	
	2018	2017	2018	2017
<b>Investment Income:</b>				
Interest income	\$ 8,481,251	\$ 7,538,152	\$ 16,136,091	\$ 13,964,204
Payment in-kind interest income	540,308	722,039	953,928	1,014,517
Dividend income	-	-	31,275	-
Payment in-kind dividend income	-	189,583	-	189,583
Other fee income	277,365	-	432,520	9,879
<b>Total investment income</b>	<b>9,298,924</b>	<b>8,449,774</b>	<b>17,553,814</b>	<b>15,178,183</b>
<b>Expenses:</b>				
Interest expense	2,156,537	1,601,261	4,421,394	3,039,090
Base management fees	1,405,297	1,161,353	2,757,152	2,315,233
Income-based incentive fees	753,721	921,782	874,042	906,758
Provision for tax expense	12,946	-	12,946	-
Professional fees	233,528	236,024	466,328	445,064
Allocation of administrative costs from advisor	341,633	184,561	679,696	311,790
Amortization of deferred debt issuance costs	195,377	179,514	390,754	304,716
Insurance expense	84,440	85,225	168,880	205,439
Directors' fees	101,250	99,000	202,500	198,667
Custodian and administrator fees	7,500	113,443	15,000	170,451
Offering expense	51,750	-	103,500	186,513
Other expenses	236,033	180,482	355,214	391,158
<b>Total expenses</b>	<b>5,580,012</b>	<b>4,762,645</b>	<b>10,447,406</b>	<b>8,474,879</b>
Waiver of income-based incentive fees	-	-	(22,000)	-
<b>Net expenses</b>	<b>5,580,012</b>	<b>4,762,645</b>	<b>10,425,406</b>	<b>8,474,879</b>
<b>Net investment income</b>	<b>3,718,912</b>	<b>3,687,129</b>	<b>7,128,408</b>	<b>6,703,304</b>
<b>Net realized and unrealized gain/(loss) on investments:</b>				
Net realized gain (loss) from investments	75,000	-	(183,192)	(7,380,690)
Net change in unrealized appreciation (depreciation) in value of investments	(13,176,208)	1,172,018	(14,899,471)	8,672,249
<b>Total realized and unrealized gain (loss) on investments</b>	<b>(13,101,208)</b>	<b>1,172,018</b>	<b>(15,082,663)</b>	<b>1,291,559</b>
<b>Net increase (decrease) in net assets resulting from operations</b>				
	<b>\$ (9,382,296)</b>	<b>\$ 4,859,147</b>	<b>\$ (7,954,255)</b>	<b>\$ 7,994,863</b>
Basic and diluted:				
Net investment income per share	\$ 0.27	\$ 0.27	\$ 0.52	\$ 0.49
Earnings per share	\$ (0.69)	\$ 0.35	\$ (0.58)	\$ 0.58
Weighted average shares of common stock outstanding	13,638,869	13,690,480	13,644,483	13,690,182
<b>Distributions paid per common share</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>	<b>\$ 0.50</b>	<b>\$ 0.50</b>

See notes to unaudited consolidated financial statements.

## 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](http://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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