

CM Finance Inc Reports Results for its Fiscal Fourth Quarter ended June 30, 2018

NEW YORK, Sept. 04, 2018 (GLOBE NEWSWIRE) -- CM Finance Inc (NASDAQ: CMFN) ("CMFN" or "the Company") announced its financial results for its fiscal fourth quarter ended June 30, 2018.

HIGHLIGHTS

- ▮ **The weighted average yield on debt investments, at cost, increased to 11.19%, an increase of 7 basis points compared to 11.12% as of March 31, 2018**
- ▮ **CMFN made five new investments in four portfolio companies during the quarter with a total cost of \$37.9mm. The weighted average yield of debt investments made in the quarter was 9.65%**
- ▮ **Six investments were realized during the quarter, five fully realized and one partially realized, with a weighted average IRR of 19.95%**
- ▮ **Net asset value ("NAV") per share increased by 0.2% to \$12.57, compared to \$12.55 as of March 31, 2018**

Portfolio results, as of June 30, 2018:

Total assets	\$314.5mm
Investment portfolio, at fair value	\$293.6mm
Net assets	\$171.5mm
Weighted average yield on debt investments, at cost	11.19%
Net asset value per share	\$12.57
Portfolio activity in the current quarter:	
Number of new investments	5
Total capital invested	\$37.9mm
Proceeds from repayments, sales, and amortization	\$46.9mm
Number of portfolio companies, end of period	25
Net investment income (NII)	\$8.5mm
Net investment income per share	\$0.62
Net increase in net assets from operations	\$3.5mm
Net increase in net assets from operations per share	\$0.26
Quarterly per share distribution paid on October 5, 2018	\$0.25

Mr. Michael C. Mauer, the Company's Chief Executive Officer, said, "The market continues to present good opportunities, mostly on the first lien side in the current environment. We saw some great realizations of previously stressed situations during the fourth quarter and were able to redeploy the proceeds into strong risk return investments during the first quarter."

On August 23, 2018, the Company's Board of Directors declared a distribution for the quarter ending September 30, 2018 of \$0.25 per share, payable on October 5, 2018, to shareholders of record as of September 18, 2018. This represents a 10.93% yield on the Company's \$9.15 share price as of the close on August 31, 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 five new investments in four portfolio companies. These five investments totaled \$37.9mm at cost and were made at a weighted average yield of 9.65%. The Company also realized \$46.9mm of repayments, sales, and amortization, primarily related to the sales of PR Wireless, Inc., U.S. Well Services, LLC Classes A and B and Dayton Superior Corporation, and the repayments of Bird Electric Enterprises, LLC and CareerBuilder, LLC. Realized and unrealized gains accounted for a decrease in the Company's net investments of approximately \$5.0mm, or \$0.37 per share. The total net increase in net assets resulting from operations for the quarter was \$4.2mm, or \$0.26 per share.

As of June 30 2018, the Company's investment portfolio consisted of investments in 25 portfolio companies, of which 52.1% were first lien investments, 43.3% were second lien investments, 0.2% were in unsecured debt investments, 4.2% were unitranche loans, and 0.2% were in equities, warrants and other positions. The Company's debt portfolio consisted of 95.8% floating rate investments and 4.2% fixed rate investments. As of June 30, 2018, the Company had no investments on non-accrual status.

Capital Resources

As of June 30, 2018, the Company had \$5.6mm in cash, \$2.7mm in restricted cash and \$32.2mm of capacity under its revolving credit facility with UBS AG, London Branch.

Share Repurchases

During the quarter, the Company repurchased 42,627 shares of common stock on the open market for \$390,178 (including commissions).

Subsequent Events

On July 2, 2018, we closed the public offering of \$30 million in aggregate principal amount of 6.125% notes due 2023 (the "Notes"). On July 12, 2018, the underwriters exercised their over-allotment option to purchase an additional \$4.5 million in aggregate principal amount of the Notes. The total net proceeds to us from the Notes, including the exercise of the underwriters' over-allotment option, after deducting underwriting discounts and commissions of approximately \$1.0 million and estimated offering expenses of approximately \$230,000, were approximately \$33.2 million.

Subsequent to quarter end, the Company made investments in 5 new portfolio companies with a total cost of \$34.1mm, and received \$13.3mm in repayments and sale proceeds.

CM Finance Inc and Subsidiaries
Consolidated Statements of Assets and Liabilities

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$302,647,282 and \$ 270,467,740, respectively)	\$ 293,592,013	\$ 254,907,171
Derivatives, at fair value (cost of \$0 and \$0, respectively)	229,918	5,830,501
Cash	5,620,441	10,646,697
Cash, restricted	2,706,273	22,616,177
Receivable for investments sold	7,751,875	-
Interest receivable	4,011,450	1,627,774
Deferred offering costs	121,922	186,513
Other receivables	245,550	-
Prepaid expenses and other assets	255,139	219,045
Total Assets	\$ 314,534,581	\$ 296,033,878
Liabilities		
Notes payable:		
Term loan	\$ 102,000,000	\$ 102,000,000
Revolving credit facility	17,823,000	-
Deferred debt issuance costs	(1,953,771)	(578,074)
Notes payable, net	117,869,229	101,421,926
Payable for investments purchased	12,569,450	12,490,000
Dividend payable	3,417,848	3,422,307
Deferred financing costs payable	2,071,167	620,500
Income-based incentive fees payable	2,294,678	274,073
Base management fees payable	1,319,853	1,132,391
Accrued provision for taxes	2,579,337	-
Derivatives, at fair value (cost \$0 and \$0, respectively)	229,918	5,830,501
Interest payable	303,153	205,027
Directors' fees payable	99,296	100,000
Allocation of administrative cost from advisor payable	-	85,000
Accrued expenses and other liabilities	257,986	504,041
Total Liabilities	143,011,915	126,085,766
Commitments and Contingencies (Note 6)		
Net Assets		
Common stock, par value \$0.001 per share (100,000,000 shares authorized, 13,649,504 and 13,689,221 shares issued and outstanding, respectively)	13,649	13,689
Additional paid-in capital	198,700,999	199,066,123
Accumulated net realized loss	(21,087,280)	(11,231,827)
Undistributed (distributions in excess of) net investment income	2,950,567	(2,339,304)
Net unrealized depreciation on investments	(9,055,269)	(15,560,569)
Total Net Assets	171,522,666	169,948,112
Total Liabilities and Net Assets	\$ 314,534,581	\$ 296,033,878
Net Asset Value Per Share	\$ 12.57	\$ 12.41

Consolidated Statements of Operations

	For the three months ended June 30,			For the twelve months ended June 30,		
	2018	2017	2016	2018	2017	2016
Investment Income:						
Interest income	\$ 7,829,506	\$ 6,920,498	\$ 7,493,388	\$ 28,691,187	\$ 29,476,315	\$ 33,683,108
Payment in-kind interest income	272,386	237,065	-	2,609,037	423,632	960,603
Dividend income	8,750,239	-	-	9,005,887	-	-
Payment in-kind dividend income	-	-	-	333,333	-	-
Other fee income	90,060	36,476	321,395	152,308	1,112,250	936,211
Total investment income	16,942,191	7,194,039	7,814,783	40,791,752	31,012,197	35,579,922
Expenses:						
Interest expense	1,703,395	1,321,181	1,012,620	6,310,842	4,748,449	4,048,527
Base management fees	1,319,853	1,132,392	1,257,768	4,871,706	4,652,064	5,511,532
Income-based incentive fees	2,092,596	18,511	-	3,932,710	1,289,927	1,229,031
Provision for tax expense	2,579,337	-	-	2,579,337	-	-
Professional fees	315,091	114,462	356,769	1,063,528	806,810	1,039,802
Allocation of administrative costs from advisor	594,045	433,959	60,000	1,198,397	987,286	785,846
Amortization of deferred debt issuance costs	195,377	102,013	364,195	695,470	932,417	1,441,044
Insurance expense	80,643	90,923	91,916	351,923	345,697	367,327
Directors' fees	104,573	201,235	97,672	402,240	501,233	425,922
Custodian and administrator fees	46,844	130,578	111,858	295,032	480,269	442,598
Offering expense	-	-	-	186,513	-	-
Other expenses	(101,244)	215,127	61,067	455,645	818,532	434,337
Total expenses	8,930,510	3,760,381	3,413,865	22,343,343	15,562,684	15,725,966
Waiver of income-based incentive fees	(527,224)	-	-	(527,224)	(249,071)	-
Net expenses	8,403,286	3,760,381	3,413,865	21,816,119	15,313,613	15,725,966
Net investment income	8,538,905	3,433,658	4,400,918	18,975,633	15,698,584	19,853,956
Net realized and unrealized gain/(loss) on investments:						
Net realized gain (loss) from investments	(2,236,687)	(2,708,549)	1	(9,855,453)	(11,809,335)	283,276
Net change in unrealized appreciation (depreciation) in value of investments	(2,762,636)	4,007,279	(411,534)	6,505,300	19,690,216	(29,482,002)
Total realized and unrealized gain (loss) on investments	(4,999,323)	1,298,730	(411,533)	(3,350,153)	7,880,881	(29,198,726)
Net increase (decrease) in net assets resulting from operations	\$ 3,539,582	\$ 4,732,388	\$ 3,989,385	\$ 15,625,480	\$ 23,579,465	\$ (9,344,770)
Basic and diluted:						
Net investment income per share	\$ 0.62	\$ 0.25	\$ 0.32	\$ 1.39	\$ 1.15	\$ 1.45
Earnings (loss) per share	\$ 0.26	\$ 0.35	\$ 0.29	\$ 1.14	\$ 1.72	\$ (0.68)
Weighted average shares of common stock outstanding	13,687,517	13,689,170	13,679,532	13,689,823	13,686,288	13,674,197

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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