

November 14, 2016



# LM Funding Reports Third Quarter and Nine-Month 2016 Results

TAMPA, Fla., Nov. 14, 2016 (GLOBE NEWSWIRE) -- [LM Funding America, Inc.](#) (NASDAQ:LMFA) (NASDAQ:LMFAW), a specialty finance company offering unique funding solutions to community associations, reported results for the three and nine month periods ended September 30, 2016.

## Third Quarter 2016 Summary

- Revenue totaled \$1.01 million versus \$1.61 million in Q3 2015
- Rental revenues increased 182% to \$107,000 from \$38,000 in Q3 2015
- Income statement revenue per unit increased to approximately \$4,640 from \$4,010 in Q3 2015
- REO portfolio increased to 72 properties at quarter end from 33 at September 30, 2015
- Implemented cost reduction initiative, which was completed in Q4 2016. The cost-reduction measures are expected to reduce annual costs between \$2.6 million and \$3.0 million.

## Nine Months Ended September 30, 2016 Summary

- Revenue totaled \$4.02 million versus \$5.21 million in the first nine months of 2015
- Rental revenues increased to \$230,000 from \$124,000 in the first nine months of 2015
- Income statement revenue per unit increased to approximately \$5,050 from \$4,640 in the first nine months of 2015

## Subsequent Event

- Initiated strategies to monetize \$165 million of unsecured off-balance sheet assets

## Management Commentary

“Our results for the quarter were impacted by the reduction of distressed real estate transactions which were about half when compared to the third quarter of 2015,” said Bruce Rodgers, founder and CEO of LM Funding. “However, due to the unique nature of our business, we expect the current slowdown and corresponding price softening in certain Florida markets will lead to future opportunities.

“To offset the reduction in transactions, we added 10 new properties to our REO portfolio which has grown to 72 properties at quarter-end, 78% of which are generating recurring rental income. Further, we have turned our focus on collecting accounts without a mortgage, which have historically paid out approximately five times more than a typical account.

“Also during the quarter, we implemented and subsequently finalized a comprehensive cost cutting initiative, which is expected to reduce our annual costs by approximately \$2.6 million

to \$3.0 million. Importantly, our new sales team will not be impacted by these cuts and has set the new goal of acquiring 2,000 delinquent accounts during the 12 months ending September 30, 2017.

“We continue to take action to unlock the value of our company. Recently we initiated strategies to monetize \$165 million of unsecured off-balance sheet assets which we believe will generate a significant amount of capital in the future.

“We are confident that we are taking the necessary measures to build an efficient, scalable operation and plan to capitalize on the tremendous opportunity ahead of us and ultimately drive long-term shareholder value.”

### **Third Quarter 2016 Financial Results**

Revenues in the third quarter of 2016 were \$1.01 million compared with \$1.43 million in the second quarter of 2016 and \$1.61 million in the third quarter of 2015. The decrease in revenues was due to the decrease in payoff occurrences resulting from the slow-down in the Florida real estate market offset by an increase in average total income statement revenue per unit collected. The decrease was further offset by an increase in rental revenue from the company's REO properties.

Operating expenses in the third quarter of 2016 were \$2.34 million compared with \$2.07 million in the second quarter of 2016 and \$1.03 million in the third quarter of 2015. The increases versus the comparable period were due to the new service agreement with Business Law Group, an increase in legal fees related to collections, and increases in professional fees, legal fees, and payroll.

Interest expense in the third quarter of 2016 was \$119,000 compared with \$131,000 during the second quarter of 2016 and \$163,000 in the third quarter of 2015. The decrease is attributable to the refinance of \$1.8 million of debt at 6% interest that occurred in July 2015 and \$7.4 million in December 2014.

Net loss in the third quarter of 2016 totaled \$914,000 or \$(0.28) per basic and diluted share compared with net loss of \$496,000 or \$(0.15) per basic and diluted share during the second quarter of 2016 and net income before taxes of \$409,000 in the third quarter of 2015. In 2015, LM Funding was not publicly traded and organized as a Florida Limited Liability Company, so per share figures and any corporate income tax is not applicable for the period.

At September 30, 2016 cash and cash equivalents totaled \$3.6 million compared with \$5.8 million at June 30, 2016 and \$9.0 million at December 31, 2015.

### **Nine Months Ended September 30, 2016 Financial Results**

Revenues in the first nine months of 2016 were \$4.02 million compared with \$5.21 million in the first nine months of 2015. The decrease in revenues was due to the decrease in payoff occurrences resulting from the slow-down in the Florida real estate markets offset by an increase in average total income statement revenue per unit collected. The decrease was further offset by an increase in rental revenue from the company's REO properties.

Operating expenses in the first nine months of 2016 totaled \$6.53 million compared with \$2.90 million during the nine months of 2015. The increases versus the comparable period were due to the new service agreement with Business Law Group, an increase in legal fees

related to collections, and increases in professional fees, legal fees, and payroll.

Interest expense in the first nine months of 2016 was \$390,000 compared with \$566,000 in the first nine months of 2015. The decrease is attributable to the refinance of \$1.8 million of debt at 6% interest that occurred in July 2015 and \$7.4 million in December 2014.

Net loss in the first nine months of 2016 totaled \$1.85 million or \$(0.56) per basic and diluted share compared with net income before taxes of \$1.74 million in the first nine months of 2015. In 2015, LM Funding was not publicly traded and organized as a Florida Limited Liability Company, so per share figures and any corporate income tax is not applicable for the period.

### **Conference Call**

Management will hold a conference call Tuesday, November 15 at 10:00 a.m. Eastern time to discuss these results, followed by a question and answer period.

Interested parties can listen to the live presentation by dialing the listen-only number below or by clicking the webcast link available on the Investors section of the company's website at [www.lmfunding.com](http://www.lmfunding.com).

Date: Tuesday, November 15, 2016

Time: 10:00 a.m. Eastern time

Listen-only toll-free number: (877) 793-4355

Listen-only international number: (615) 247-0182

Conference ID: 11677651

Webcast: <http://edge.media-server.com/m/p/67e9wh5j>

Please dial in 10 minutes before the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios at 949-574-3860.

A webcast replay of the call will be available after the call on the same day via the Investor Information section of the LM Funding website at [www.lmfunding.com](http://www.lmfunding.com) through January 15, 2017.

### **About LM Funding America**

LM Funding America, Inc., together with its subsidiaries, is a specialty finance company that provides funding to nonprofit community associations (Associations) primarily located in the state of Florida, as well as in the states of Washington, Colorado and Illinois. The company offers funding to Associations by purchasing a certain portion of the Associations' rights to delinquent accounts that are selected by the Associations arising from unpaid Association assessments. It is also involved in the business of purchasing delinquent accounts on various terms tailored to suit each Association's financial needs, including under its New Neighbor Guaranty™ program. The company was founded in 2008 and is based in Tampa, Florida. The company's common shares and warrants trade on the NASDAQ Capital Market under the symbols "LMFA" and "LMFAW".

### **Forward-Looking Statements**

This press release may contain forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "estimate," "expect,"

“intend,” “plan,” and “project” and other similar words and expressions are intended to signify forward-looking statements. Forward-looking statements are not guarantees of future results and conditions but rather are subject to various risks and uncertainties. Some of these risks and uncertainties are identified in the company’s filings with the SEC. The occurrence of any of these risks and uncertainties could have a material adverse effect on the company’s business, financial condition, and results of operations.

- Tables to follow -

LM FUNDING AMERICA, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Cash	\$ 3,642,741	\$ 8,997,798
Finance receivables:		
Original product	1,170,836	1,537,101
Special product - New Neighbor Guaranty program, net of allowance for credit losses of \$125,000	523,662	715,534
Deferred tax asset	3,199,476	2,162,380
Due from related party	1,389,921	406,219
Other Assets (Note 2):	1,149,326	595,395
Total assets	\$ 11,075,962	\$ 14,414,427
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Notes payable (Note 3):		
Principal amount	\$ 5,878,280	\$ 7,729,605
Less unamortized debt issuance costs	(124,037 )	(197,959 )
Long-term debt less unamortized debt issuance costs	5,754,243	7,531,646
Other liabilities and obligations	625,346	618,315
Total liabilities	6,379,589	8,149,961
Stockholders' equity:		
Common stock, par value \$.001; 10,000,000 shares authorized; 3,300,000 shares issued and outstanding	3,300	3,300
Additional paid-in capital	6,559,261	6,281,322
Accumulated deficit	(1,866,188 )	(20,156 )
Total stockholders' equity	4,696,373	6,264,466
Total liabilities and stockholders' equity	\$ 11,075,962	\$ 14,414,427

LM FUNDING AMERICA, INC. AND SUBSIDIARIES AND PREDECESSOR  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenues:				
Interest on delinquent association fees	\$ 709,090	\$ 1,279,263	\$ 3,010,428	\$ 4,191,323
Administrative and late fees	91,833	114,594	330,030	414,526
Recoveries in excess of cost - special product	806	79,457	115,967	222,784

Underwriting and origination fees	97,824	96,675	332,549	259,420
Rental revenue	107,369	38,010	229,910	123,682
Total revenues	<u>1,006,922</u>	<u>1,607,999</u>	<u>4,018,884</u>	<u>5,211,735</u>
Operating Expenses:				
Staff costs and payroll	996,515	286,952	2,649,688	898,457
Professional fees	462,804	111,897	1,585,046	499,407
Settlement cost with associations	231,062	260,726	603,396	517,639
Other operating expenses	644,567	375,643	1,687,564	986,989
Total operating expenses	<u>2,334,948</u>	<u>1,035,217</u>	<u>6,525,694</u>	<u>2,902,492</u>
Operating (loss) income	(1,328,026 )	572,782	(2,506,810 )	2,309,243
Interest expense	119,218	163,361	389,712	566,186
(Loss) income before income taxes	(1,447,244 )	409,421	(2,896,522 )	1,743,057
Income tax benefit	(533,064 )	-	(1,050,491 )	-
Net (loss) income	(914,180 )	409,421	(1,846,031 )	1,743,057
Net (income) attributable to non-controlling interest	-	(38,410 )	-	(123,693 )
Net (income) attributable to predecessor members	-	(371,011 )	-	(1,619,364 )
Net loss to common stockholders'	<u>\$ (914,180 )</u>	<u>\$ -</u>	<u>\$ (1,846,031 )</u>	<u>\$ -</u>
Loss per share attributable to the stockholders' of LM Funding America, Inc.				
Basic	(0.28 )	-	(0.56 )	-
Diluted	(0.28 )	-	(0.56 )	-
Weighted average number of common shares outstanding				
Basic	3,300,000	-	3,300,000	-
Diluted	3,300,000	-	3,300,000	-

LM FUNDING AMERICA, INC. AND SUBSIDIARIES AND PREDECESSOR  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	<b>Nine Months Ended September 30, 2016</b>	<b>Nine Months Ended September 30, 2015</b>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (2,650,498 )</u>	<u>\$ 1,727,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>130,468</u>	<u>908,775</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>(2,835,027 )</u>	<u>(2,556,762 )</u>
NET (DECREASE) INCREASE IN CASH	<u>(5,355,057 )</u>	<u>79,171</u>
CASH - BEGINNING OF PERIOD	8,997,798	2,027,694
CASH - END OF PERIOD	<u>\$ 3,642,741</u>	<u>\$ 2,106,865</u>

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LMFUNDING  
AMERICA, INC.  
NASDAQ: LMFA

Source: LM Funding America, Inc.