

March 31, 2017



# LM Funding Reports Fourth Quarter and Full Year 2016 Results

## Successful Cost-Cutting Initiative Drives 34% Operating Expense Reduction from Q3

TAMPA, Fla., March 31, 2017 (GLOBE NEWSWIRE) -- [LM Funding America, Inc.](#) (NASDAQ:LMFA) (NASDAQ:LMFAW), a specialty finance company offering unique funding solutions to community associations, is reporting results for the fourth quarter and full year ended December 31, 2016.

### Fourth Quarter 2016 Summary vs. Year-Ago Quarter

- Revenue totaled \$0.9 million compared to \$1.8 million
- Rental revenue increased 114% to \$117,000
- Income statement revenue per unit decreased 3.7% to \$4,700
- Finalized cost reduction initiative, which is expected to reduce annual costs by an estimated \$2.6 million to \$3.0 million

### Full Year 2016 Summary vs. 2015

- Revenue totaled \$4.9 million compared to \$7.0 million
- Rental revenue increased 93% to \$347,000
- Income statement revenue per unit was \$4,700 compared to \$4,600
- REO portfolio at year-end increased 56% to 67 properties

### Subsequent Event

- Received favorable court ruling in proposed class action filed by Wilmington Savings Fund Society (Wilmington)

### Management Commentary

“2016 was both an exciting and challenging year for our organization,” said Bruce Rodgers, founder and CEO of LM Funding. “Our revenue results for the fourth quarter continued to be impacted by the reduction of distressed real estate transactions in Florida. However, despite the decrease in payoff occurrences, we continued to bolster our assets such as the net present value of our accounts receivable, growth of our rental real estate portfolio, and potential value in our unsecured accounts receivables.

“At the end of the fourth quarter, 95% of our properties were generating recurring rental income. We also continued to focus on collecting accounts without a mortgage, which we expect will pay out approximately five times more than a typical account.

“During the quarter, we successfully finalized our comprehensive cost cutting initiative, which led to a 34% reduction of operating expenses compared to the third quarter of 2016. We expect to continue realizing the benefits of this initiative in the months and years ahead.

“Subsequent to the quarter, in February we received a favorable ruling from a Federal District Court judge regarding a proposed class action lawsuit filed by Wilmington Savings Fund Society FSB. This was a major win for not only LM Funding, but homeowners associations and every home and condominium owner throughout Florida. Ultimately, this ruling enables associations to continue to collect what they are owed, without placing additional burden on every person who pays their fees and mortgage on time each and every month.

“In 2017, we will continue to fight against predatory lawsuits to ensure homeowners associations can rightfully collect outstanding fees. We will also continue to bolster off-balance sheet assets through our various monetization initiatives, while utilizing our unique business model to capitalize on the expected Florida real estate deceleration and corresponding price softening in several over-bought markets.”

#### **Fourth Quarter 2016 Financial Results**

Revenues in the fourth quarter of 2016 were \$0.9 million compared to \$1.0 million in the third quarter of 2016 and \$1.8 million in the fourth quarter of 2015. The decrease in revenues was due to the decrease in payoff occurrences resulting from changes in the overall Florida real estate market. The decrease was offset by an increase in rental revenue from the company’s REO properties.

Operating expenses in the fourth quarter of 2016 were \$1.5 million compared to \$2.3 million in the third quarter of 2016 and \$1.5 million in the year-ago quarter. The decrease in fourth quarter 2016 expenses compared to the prior quarter is a result of the company’s cost reduction initiative implemented during the third quarter of 2016.

Interest expense in the fourth quarter of 2016 was \$131,000 compared to \$119,000 in the third quarter of 2016 and \$188,000 in the fourth quarter of 2015.

Net loss in the fourth quarter of 2016 was \$524,000 compared to a net loss of \$914,000 or \$(0.28) per share in the third quarter of 2016 and net income of \$231,000 in the year-ago quarter. In 2015, LM Funding was not publicly traded for the entire fourth quarter and organized as a Florida Limited Liability Company, so per share figures and any corporate income tax is not applicable for the entire period.

At December 31, 2016, cash and cash equivalents totaled \$2.3 million compared to \$3.6 million at September 30, 2016 and \$9.0 million at December 31, 2015.

#### **Full Year 2016 Financial Results**

Revenues in 2016 were \$4.9 million compared to \$7.0 million in 2015. The decrease in revenues was due to a reduction of payoff occurrences resulting from changes in the overall Florida real estate market. The decrease in revenues was partially offset by an increase in rental revenue driven by the company’s continued focus to increase its rental base.

Operating expenses in 2016 totaled \$8.0 million compared to \$4.3 million in 2015. The

increase was driven by increases in professional fees, legal fees, and payroll due to increased headcount.

Interest expense in 2016 was \$595,000 compared to \$917,000 in 2015, with the decrease attributable to the company's refinancing of \$1.8 million of debt in July 2015 at a 6% interest rate.

Net loss in 2016 was \$2.4 million or \$(0.72) per share compared to net income before taxes of \$1.7 million in 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 Monday, April 3 at 4:30 p.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: Monday, April 3, 2017

Time: 4:30 p.m. Eastern time

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

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

Conference ID: 95511268

Webcast: <http://edge.media-server.com/m/p/zsicqy76>

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 June 3, 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.

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

	December 31, 2016	December 31, 2015
Assets		
Cash	\$ 2,268,180	\$ 8,997,798
Finance receivables:		
Original product (Note 2)	1,035,832	1,537,101
Special product - New Neighbor Guaranty program, net of allowance for credit losses of \$125,000 (Note 3)	491,597	715,534
Due from related party (Note 10)	1,661,360	406,219
Prepaid expenses and other assets	203,738	151,362
Fixed assets, net	109,938	158,692
Real estate assets owned (Note 5)	734,727	285,341
Deferred tax asset (Note 8)	3,509,401	2,162,380
Total assets	\$ 10,014,773	\$ 14,414,427
Liabilities and stockholders' equity		
Notes payable (Note 6)		
Principal amount	\$ 5,260,274	\$ 7,729,605
Less unamortized debt issuance costs	(99,396 )	(197,959 )
Long-term debt less unamortized debt issuance costs	5,160,878	7,531,646
Accounts payable and accrued expenses	493,691	466,783
Deferred tax liability	77,865	41,803
Other liabilities and obligations	112,881	109,729
Total liabilities	5,845,315	8,149,961
Stockholders' equity (Note 9)		
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	6,556,704	6,281,322
Accumulated deficit	(2,390,546 )	(20,156 )
Total stockholders' equity	4,169,458	6,264,466
Total liabilities and stockholders' equity	\$ 10,014,773	\$ 14,414,427

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

	Quarters Ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
Revenues				
Interest on delinquent association fees	\$ 629,805	\$ 1,397,373	\$ 3,640,233	\$ 5,588,697
Administrative and late fees	53,743	129,541	383,773	544,067
Recoveries in excess of cost - special product	27,139	122,899	143,106	345,686
Underwriting fees and other revenues	53,134	67,736	385,683	302,154
Rental revenue	117,130	54,785	347,040	180,157
Total revenues	<u>880,951</u>	<u>1,772,334</u>	<u>4,899,835</u>	<u>6,960,761</u>
Operating expenses				
Staff costs & payroll	570,317	389,884	3,220,005	1,288,342
Professional fees	520,097	319,935	2,105,143	819,343
Settlement costs with associations	51,354	287,541	654,750	805,180
Selling, general and administrative	235,677	193,695	1,080,130	686,721
Real estate management and disposal	114,717	61,080	499,647	270,574
Depreciation and amortization	16,200	3,916	72,114	47,466
Collection costs	14,698	92,209	292,791	206,998
Provision for credit losses	-	125,000	-	125,000
Other operating	11,753	27,437	62,004	68,565
Operating expenses	<u>1,534,813</u>	<u>1,500,697</u>	<u>7,986,584</u>	<u>4,318,189</u>
Operating (loss) income	(653,862 )	271,637	(3,086,749 )	2,642,572
Interest expense	130,964	187,558	594,600	917,485
(Loss) income before income taxes	(784,826 )	84,079	(3,681,349 )	1,725,087
Income tax benefit	260,468	146,555	1,310,959	146,555
Net (loss) income	(524,358 )	230,634	(2,370,390 )	1,871,642
Net (income) attributable to non-controlling interest	-	(16,172 )	-	(139,865 )
Net (income) attributable to predecessor members	-	163,473	-	(1,751,933 )
Net loss to common stockholders	<u>\$ (524,358 )</u>	<u>\$ (20,156 )</u>	<u>\$ (2,370,390 )</u>	<u>\$ (20,156 )</u>
Loss per share attributable to the stockholders of LM Funding America, Inc.				
Basic			\$ (0.72 )	(0.01 )
Diluted			\$ (0.72 )	(0.01 )

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)

	Quarters Ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Interest on delinquent association fees	\$ 629,805	\$ 1,397,374	\$ 3,577,745	\$ 5,588,697
Administrative and late fees	53,743	129,541	375,259	544,067
Recoveries in excess of cost - special product	27,139	122,902	126,818	345,686
Underwriting and origination fees	53,134	42,876	386,657	291,928
Rental revenue	117,130	56,475	347,040	180,157
Staff costs and payroll	(572,875 )	(389,885 )	(2,944,625 )	(1,288,342 )
Other operating expenses	(903,892 )	(685,084 )	(4,725,496 )	(2,694,649 )
Interest paid	(106,325 )	(151,117 )	(496,037 )	(717,305 )
Net cash (used) provided by operating activities	(702,141 )	523,082	(3,352,639 )	2,250,239
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Net collections of finance receivables - original product	135,004	63,002	498,734	893,355
Net collections of finance receivables - special product	32,065	224,099	215,136	327,271
Capital expenditures	19,046	(17,412 )	(267,960 )	(43,761 )
Payments for real estate assets owned	30,910	(244,209 )	(98,417 )	(242,610 )
Net cash provided by investing activities	217,025	25,480	347,493	934,255
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from borrowings	—	112,600	—	2,172,626
Principal repayments	(618,006 )	(648,052 )	(2,469,331 )	(1,874,959 )
Redemption of membership interest	—	—	—	(1,960,010 )
Distributions	—	(2,351,000 )	—	(3,904,459 )
Return of capital to non-controlling interest	—	—	—	(36,015 )
(Advances) repayments to related party	(271,439 )	(206,872 )	(1,255,141 )	57,681
Proceeds from initial public stock offering, net	—	9,688,196	—	9,688,196
Purchase of non-controlling interest	—	(250,000 )	—	(250,000 )
Debt issue costs	—	(2,500 )	—	(107,450 )
Net cash provided by (used in) financing activities	(889,445 )	6,342,372	(3,724,472 )	3,785,610
NET (DECREASE) INCREASE IN CASH	(1,374,561 )	6,890,934	(6,729,618 )	6,970,104
CASH - BEGINNING OF YEAR			8,997,798	2,027,694

CASH - END OF YEAR

\$ 2,268,180

\$ 8,997,798

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**LMFUNDING**  
AMERICA, INC.  
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