

August 14, 2018



LM Funding Reports Second Quarter 2018 Financial Results and Class Action Settlement

TAMPA, Fla., Aug. 14, 2018 (GLOBE NEWSWIRE) -- **LM Funding America, Inc.** (NASDAQ: LMFA) ("LM Funding" or the "Company"), a technology-based specialty finance company offering unique funding solutions to community associations, today announced its financial results for the second quarter ended June 30, 2018.

"During the second quarter, we continued to see positive results from the steps we have taken to maximize our rental revenue and improve our cost structure," said Bruce Rodgers, LM Funding's Chief Executive Officer. "We reduced operating expenses by approximately 55% and entered into a revised settlement for the Solaris class action litigation resulting in a reversal of over \$400,000 in accrued expenses which led to positive net income during the quarter and first six months as compared to a net loss for the same periods the prior year. Going forward, we will continue to leverage our proprietary technology to unlock the significant value of our receivables portfolio as we focus our marketing efforts to grow our portfolio and explore new avenues to diversify our revenue streams."

Second Quarter 2018 Financial and Operational Highlights:

- Operating revenues totaled \$877,986 for the second quarter of 2018 as compared to \$977,600 for the same period the year prior;
- Rental revenue, which accounted for 24.8% of total operating revenue during the quarter, increased 28% to \$217,904 as compared to \$170,283 for the same period the year prior;
- Operating expenses decreased by 54.5% to \$733,170 as compared to \$1.6 million in the prior year period driven by a significant reduction in staff costs and payroll, professional fees, and SG&A expenses;
- Generated net income of \$455,240 as compared to a net loss of \$794,511 for the second quarter 2017;
- During the second quarter 2018, decreased the \$505,000 Solaris class action accrual incurred in the comparable 2017 period, to \$100,000 due to a revised settlement with the \$405,000 change reflected as income;
- As of June 30, 2018, the Company had \$1.2 million in cash; and
- Shareholder equity increased to \$1.5 million or \$0.24 per share as of June 30, 2018, compared to shareholder equity of \$896,983 or \$0.14 per share as of December 31, 2017.

On August 14, 2018, the Solaris court approved a revised settlement of the Solaris class

action litigation. The settlement approves the Plaintiff's Fourth Amended Complaint seeking no damages and providing only a claim for declarative and injunctive relief. Plaintiffs with existing active units being serviced by LM Funding may opt to change from the standard distribution agreement to LMF's 50/50 distribution agreement on a prospective basis. In the settlement Agreement LM Funding will pay Plaintiff's counsel \$99,000 plus an administrative fee.

Second Quarter and Six-Month Financial Results:

For the quarter ended June 30, 2018, total operating revenues were \$877,986, compared to \$977,600 in the second quarter of 2017. This includes an approximate \$48,000 increase in rental revenue to \$217,904, compared to \$170,283 for the quarter ended June 30, 2017, due to continued improvement in the utilization of the Company's rental properties. For the six months ended June 30, 2018, total revenues were \$1.8 million as compared to \$2.0 million for the same period the year prior.

Operating expenses for the second quarter of 2018 decreased 54.5% to \$733,170, compared to \$1.6 million in the prior year period. This is primarily attributable to approximately \$197,000 in reduced staffing costs, \$471,000 in lower professional fees (including a \$200,00 insurance reimbursement for legal fees in 2018) and a \$128,000 decline in selling, general and administrative costs as compared to the comparable period in 2017. For the six months ended June 30, 2018, total operating expenses decreased to \$1.7 million as compared to \$3.1 million for the same period the year prior.

Net income for the quarter ended June 30, 2018 was \$455,240, compared to a net loss of \$794,511 for the second quarter of 2017. For the six months ended June 30, 2018, net income was approximately \$446,000 as compared to a net loss of \$1.2 million.

At June 30, 2018, the Company had cash and cash equivalents of \$1.2 million, compared with \$590,394 at December 31, 2017. Total stockholder's equity increased to \$1.5 million for the period ended June 30, 2018 as compared to \$896,983 for the period ended December 31, 2017.

About LM Funding America:

LM Funding America, Inc., together with its subsidiaries, is a technology-based 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.

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.

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LM Funding America, Inc. and Subsidiaries Condensed Consolidated Balance Sheets

| | June 30, 2018 | December 31, 2017 |
|---|--------------------------|----------------------------------|
| | <u>(Unaudited)</u> | <u></u> |
| ASSETS | | |
| Cash | \$ 1,202,382 | \$ 590,394 |
| Finance receivables: | | |
| Original product - net | 504,687 | 637,937 |
| Special product - New Neighbor Guaranty program - net | 268,833 | 339,471 |
| Prepaid expenses and other assets | 240,255 | 101,339 |
| Fixed assets, net | 47,839 | 69,505 |
| Real estate assets owned | 141,518 | 196,707 |
| Other Assets | 32,964 | 32,964 |
| Total assets | <u>\$ 2,438,478</u> | <u>\$ 1,968,317</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Notes payable | | |
| Principal amount | \$ 431,297 | \$ 39,028 |
| Accounts payable and accrued expenses | 303,066 | 477,953 |
| Due to related party | 71,289 | - |
| Accrued loss litigation settlement | 100,000 | 505,000 |
| Other liabilities and obligations | 27,076 | 49,353 |
| Total liabilities | <u>932,728</u> | <u>1,071,334</u> |
| Stockholders' equity: | | |
| Common stock, par value \$.001; 10,000,000 shares authorized; 6,253,189 shares issued and outstanding | 6,253 | 6,253 |
| Additional paid-in capital | 12,070,900 | 11,908,455 |
| Accumulated deficit | (10,571,403) | (11,017,725) |
| Total stockholders' equity | <u>1,505,750</u> | <u>896,983</u> |
| Total liabilities and stockholders' equity | <u>\$ 2,438,478</u> | <u>\$ 1,968,317</u> |

**LM Funding America, Inc. and Subsidiaries Condensed Consolidated Statements of
Operations
(unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--|----------------------|--------------------------------------|------------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Interest on delinquent association fees | \$ 564,593 | \$ 602,944 | \$ 1,115,455 | \$ 1,294,592 |
| Administrative and late fees | 50,301 | 75,889 | 118,629 | 153,924 |
| Recoveries in excess of cost - special product | (8,437) | 63,434 | 59,100 | 84,373 |
| Underwriting and other revenues | 53,625 | 65,050 | 108,186 | 133,779 |
| Rental revenue | 217,904 | 170,283 | 440,349 | 334,888 |
| Total revenues | 877,986 | 977,600 | 1,841,719 | 2,001,556 |
| Operating Expenses: | | | | |
| Staff costs and payroll | 298,651 | 495,955 | 700,934 | 1,009,176 |
| Professional fees | 121,577 | 593,037 | 456,684 | 1,105,687 |
| Settlement costs with associations | 11,403 | 90,596 | 27,115 | 156,081 |
| Selling, general and administrative | 79,667 | 207,175 | 152,215 | 451,852 |
| Provision for credit losses | - | - | 581 | - |
| Real estate management and disposal | 162,578 | 139,815 | 281,940 | 269,935 |
| Depreciation and amortization | 22,156 | 30,752 | 44,311 | 46,190 |
| Collection costs | 29,560 | 50,402 | 30,162 | 98,496 |
| Other operating expenses | 7,578 | 3,743 | 11,879 | 6,815 |
| Total operating expenses | 733,170 | 1,611,475 | 1,705,821 | 3,144,232 |
| Operating income (loss) | 144,816 | (633,875) | 135,898 | (1,142,676) |
| Interest expense | (94,576) | 126,024 | (94,576) | 252,636 |
| Gain (loss) on litigation | 405,000 | (505,000) | 405,000) | (505,000) |
| Income (loss) before income taxes | 455,240 | (1,264,899) | 446,322 | (1,900,312) |
| Income tax expense (benefit) | - | (470,388) | - | (702,900) |
| Net income (loss) | \$ 455,240 | \$ (794,511) | \$ 446,322 | \$ (1,197,412) |
| Net income (loss) per share: | | | | |
| Basic | \$ 0.07 | \$ (0.24) | \$ 0.07 | \$ (0.36) |
| Diluted | 0.07 | (0.24) | 0.07 | (0.36) |
| Weighted average number | | | | |

of common shares
outstanding:

| | | | | |
|---------|-----------|-----------|-----------|-----------|
| Basic | 6,253,189 | 3,300,000 | 6,253,189 | 3,300,000 |
| Diluted | 6,253,189 | 3,300,000 | 6,253,189 | 3,300,000 |

**LM Funding America, Inc. and Subsidiaries Condensed Consolidated Statements of
Cash Flows
(unaudited)**

| | Six Months ended June 30, | |
|--|--------------------------------------|------------------------|
| | <u>2018</u> | <u>2017</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 446,322 | \$ (1,197,412) |
| Adjustments to reconcile net loss to cash used in operating activities | | |
| Depreciation and amortization | 44,311 | 45,178 |
| Amortization of debt discount | 75,638 | - |
| Stock compensation | 7,769 | 21,442 |
| Amortization of debt issuance costs | 5,705 | 49,281 |
| (Gain) loss on litigation | (405,000) | 505,000 |
| Change in assets and liabilities | | |
| Prepaid expenses and other assets | (51,901) | (90,847) |
| Accounts payable | (41,379) | (3,867) |
| Accrued expenses | (133,508) | (36,282) |
| Advances (repayments) to related party | 71,289 | (25,441) |
| Other liabilities | (22,277) | 20,972 |
| Deferred taxes | - | (702,900) |
| Net cash used in operating activities | (3,031) | (1,414,876) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net collections of finance receivables - original product | 133,250 | 47,135 |
| Net collections of finance receivables - special product | 70,635 | 115,349 |
| Capital expenditures | - | (3,255) |
| Proceeds for real estate assets owned | 32,544 | 187,297 |
| Net cash provided by investing activities | 236,429 | 346,526 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowing | 500,000 | - |
| Principal repayments | (39,028) | (379,000) |
| Debt issue costs | (82,382) | - |
| Net cash provided by (used in) financing activities | 378,590 | (379,000) |

| | | |
|---------------------------------|-----------------------------------|---------------------------------|
| NET INCREASE (DECREASE) IN CASH | 611,988 | (1,447,350) |
| CASH - BEGINNING OF YEAR | 590,394 | 2,268,180 |
| CASH - END OF YEAR | <u><u>\$ 1,202,382</u></u> | <u><u>\$ 820,830</u></u> |

SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION

| | | |
|------------------------|------|------------|
| Cash paid for interest | \$ - | \$ 221,359 |
|------------------------|------|------------|

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

| | | |
|---------------------------------------|------------|------|
| Debt discount on issuance of warrants | \$ 154,676 | \$ - |
| Insurance financing | 87,012 | - |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



LMFUNDING
AMERICA, INC.
NASDAQ: LMFA

Source: LM Funding America, Inc.