

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 8, 2023

CHERRY HILL MORTGAGE INVESTMENT
CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation)

001-36099
Commission File Number:

46-1315605
(IRS Employer Identification No.)

1451 Route 34, Suite 303
Farmingdale, NJ 07727
(Address of principal executive offices, including zip code)

877.870.7005
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	CHMI	NYSE
8.20% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value	CHMI-PRA	NYSE
8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable	CHMI-PRB	NYSE

Item 2.02. Results of Operations and Financial Condition.

On May 8, 2023, Cherry Hill Mortgage Investment Corporation (the “Company”) reported its results of operations for the quarter ended March 31, 2023. A copy of the press release is furnished as Exhibit 99.1.

The information in this Current Report on Form 8-K, including the exhibit attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

Item 9.01. Financial Statements and Exhibits.

(d)
Exhibits:

99.1 Press release, dated May 8, 2023.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

CHERRY HILL MORTGAGE INVESTMENT
CORPORATION

By: /s/ Michael Hutchby
Michael Hutchby
Chief Financial Officer

Date: May 8, 2023

EXHIBIT INDEX

**Exhibit
Number**

Description

[99.1](#)

Press release, dated May 8, 2023

**CHERRY HILL MORTGAGE INVESTMENT CORPORATION
ANNOUNCES FIRST QUARTER 2023 RESULTS**

FARMINGDALE, NJ – May 8, 2023 — Cherry Hill Mortgage Investment Corporation (NYSE: CHMI) (“Cherry Hill” or the “Company”) today reported results for the first quarter 2023.

First Quarter 2023 Highlights

- GAAP net loss applicable to common stockholders of \$21.4 million, or \$0.87 per share.
- Earnings available for distribution (“EAD”) attributable to common stockholders of \$5.2 million, or \$0.21 per diluted share.
- Common book value per share of \$5.52 at March 31, 2023.
- Declared regular common dividend of \$0.27 per share, annualized common dividend yield was 20.5% based on the closing sale price of the Company’s common stock reported as by the NYSE on May 5, 2023.
- Aggregate portfolio leverage stood at 4.4x at March 31, 2023.
- As of March 31, 2023, the Company had unrestricted cash of \$54.6 million.

“The persistently challenging macro environment, exacerbated by recent bank liquidity headwinds, impacted book value in the quarter,” said Jay Lown, President and Chief Executive Officer of Cherry Hill Mortgage Investment Corporation. “We continue to take proactive measures to protect book value in the current environment and selectively deploy capital where we see attractive risk-adjusted opportunities.”

Operating Results

Cherry Hill reported GAAP net loss applicable to common stockholders for the first quarter of 2023 of \$21.4 million, or \$0.87 per basic and diluted weighted average common share outstanding. Reported GAAP net loss was determined based primarily on the following: \$0.2 million of net interest expense, \$11.1 million of net servicing income, a net realized loss of \$1.0 million on RMBS, a net realized loss of \$5.6 million on derivatives, a net unrealized loss of \$0.2 million on RMBS measured at fair value through earnings, a net unrealized loss of \$12.2 million on derivatives, a net unrealized loss of \$8.7 million on Servicing Related Assets, and general and administrative expenses and management fees paid to Cherry Hill’s external manager in the aggregate amount of \$3.2 million.

Earnings available for distribution attributable to common stockholders for the first quarter of 2023 were \$5.2 million, or \$0.21 per basic and diluted weighted average common share outstanding. For a reconciliation of GAAP net income to non-GAAP earnings available for distribution, please refer to the reconciliation table accompanying this release.

	Three Months Ended	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Income		
Interest income	\$ 11,795	\$ 9,906
Interest expense	11,955	8,539
Net interest income (expense)	(160)	1,367
Servicing fee income	13,874	13,700
Servicing costs	2,765	3,304
Net servicing income	11,109	10,396
Other income (loss)		
Realized loss on RMBS, net	(981)	(30,701)
Realized gain (loss) on derivatives, net	(5,600)	8,521
Unrealized loss on RMBS, measured at fair value through earnings, net	(192)	-
Unrealized loss on derivatives, net	(12,246)	(13,526)
Unrealized loss on investments in Servicing Related Assets	(8,668)	(7,198)
Total Loss	(16,738)	(31,141)
Expenses		
General and administrative expense	1,523	1,587
Management fee to affiliate	1,680	1,597
Total Expenses	3,203	3,184
Loss Before Income Taxes	(19,941)	(34,325)
Benefit from corporate business taxes	(619)	(1,572)
Net Loss	(19,322)	(32,753)
Net loss allocated to noncontrolling interests in Operating Partnership	377	702
Dividends on preferred stock	2,463	2,463
Net Loss Applicable to Common Stockholders	\$ (21,408)	\$ (34,514)
Net Loss Per Share of Common Stock		
Basic	\$ (0.87)	\$ (1.59)
Diluted	\$ (0.87)	\$ (1.59)
Weighted Average Number of Shares of Common Stock Outstanding		
Basic	24,662,823	21,648,846
Diluted	24,685,241	21,682,287

Dollar amounts in thousands, except per share amounts.

Net unrealized gain on the Company's RMBS portfolio classified as available-for-sale that are reported in accumulated other comprehensive income was approximately \$14.6 million.

	Three Months Ended	
	March 31, 2023	December 31, 2022
	(unaudited)	(unaudited)
Net Loss	\$ (19,322)	\$ (32,753)
Other comprehensive income:		
Unrealized gain on RMBS, available-for-sale, net	14,639	41,655
Net other comprehensive income	14,639	41,655
Comprehensive income (loss)	\$ (4,683)	\$ 8,902
Comprehensive income (loss) attributable to noncontrolling interests in Operating Partnership	(91)	197
Dividends on preferred stock	2,463	2,463
Comprehensive income (loss) attributable to common stockholders	\$ (7,055)	\$ 6,242

Dollar amounts in thousands.

Portfolio Highlights for the Quarter Ended March 31, 2023

The Company realized net servicing fee income of \$11.1 million and net interest expense of \$0.2 million, offset by other loss of \$27.7 million, primarily related to unrealized losses on derivatives and investments in Servicing Related Assets. The unpaid principal balance for the MSR portfolio stood at \$21.3 billion as of March 31, 2023 and the carrying value of the MSR portfolio ended the quarter at \$270.9 million. Net interest spread for the RMBS portfolio stood at 3.41% and the debt-to-equity ratio on the aggregate portfolio ended the quarter at 4.4x.

The RMBS portfolio had a book value of approximately \$1.09 billion and carrying value of approximately \$1.08 billion at quarter-end March 31, 2023. The portfolio had a weighted average coupon of 4.35% and weighted average maturity of 29 years.

In order to mitigate duration risk and interest rate risk associated with the Company's RMBS and MSRs, Cherry Hill used interest rate swaps, TBAs and Treasury futures. At quarter end March 31, 2023, the Company held interest rate swaps with a notional amount of \$1.3 billion, TBAs with a notional amount of (\$387.2) million, and Treasury futures with a notional amount of \$221.8 million.

As of March 31, 2023, Cherry Hill's GAAP book value was \$5.52 per diluted share, net of the first quarter dividend.

Dividends

On March 16, 2023, the Board of Directors declared a quarterly dividend of \$0.27 per share of common stock for the first quarter of 2023. The dividend was paid in cash on April 25, 2023 to common stockholders of record as of the close of business on March 31, 2023. Additionally, the Board of Directors declared a dividend of \$0.5125 per share on the Company's 8.20% Series A Cumulative Redeemable Preferred Stock and a dividend of \$0.515625 per share on the Company's 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock for the first quarter 2023. The dividends were paid in cash on April 17, 2023 to Series A and B Preferred stockholders of record as of the close of business on March 31, 2023.

Earnings Available for Distribution

Earnings available for distribution ("EAD") is a non-GAAP financial measure that we define as GAAP net income (loss), excluding realized gain (loss) on RMBS, unrealized gain (loss) on RMBS measured at fair value through earnings, realized and unrealized gain (loss) on derivatives, realized gain (loss) on acquired assets, realized and unrealized gain (loss) on investments in MSRs (net of any estimated MSR amortization) and any tax expense (benefit) on realized and unrealized gain (loss) on MSRs. MSR amortization refers to the portion of the change in fair value of the MSR that is primarily due to the realization of cashflows, runoff resulting from prepayments and an adjustment for any gain or loss on the capital used to purchase the MSR. EAD also includes interest rate swap periodic interest income (expense) and drop income on TBA dollar roll transactions, which are included in "Realized loss on derivatives, net" on the consolidated statements of income (loss). EAD is adjusted to exclude outstanding LTIP-OP Units in our Operating Partnership and dividends paid on our preferred stock.

EAD is provided for purposes of potential comparability to other issuers that invest in residential mortgage-related assets. The Company believes providing investors with EAD, in addition to related GAAP financial measures, may provide investors some insight into the Company's ongoing operational performance. However, the concept of EAD does have significant limitations, including the exclusion of realized and unrealized gains (losses), and given the apparent lack of a consistent methodology among issuers for defining EAD, it may not be comparable to similarly titled measures of other issuers, which define EAD differently from us and each other. As a result, EAD should not be considered a substitute for the Company's GAAP net income (loss) or as a measure of the Company's liquidity. While EAD is one indicia of the Company's earnings capacity, it is not the only factor considered in setting a dividend and is not the same as REIT taxable income which is calculated in accordance with the rules of the IRS.

The following table provides a reconciliation of net income to EAD for the three months ended March 31, 2023 and December 31, 2022:

	Three Months Ended	
	March 31, 2023	December 31, 2022
	(unaudited)	(unaudited)
Net Loss	\$ (19,322)	\$ (32,753)
Realized loss on RMBS, net	981	30,701
Realized loss (gain) on derivatives, net ¹	14,021	(2,180)
Unrealized loss on RMBS, measured at fair value through earnings, net	192	-
Unrealized loss on derivatives, net	12,246	13,526
Unrealized gain on investments in MSRs, net of estimated MSR amortization	(739)	(1,206)
Tax (benefit) expense on realized and unrealized (loss) gain on MSRs	459	(217)
Total EAD:	\$ 7,838	\$ 7,871
EAD attributable to noncontrolling interests in Operating Partnership	(153)	(143)
Dividends on preferred stock	2,463	2,463
EAD Attributable to Common Stockholders	\$ 5,222	\$ 5,265
EAD Attributable to Common Stockholders, per Diluted Share	\$ 0.21	\$ 0.24
GAAP Net Loss Per Share of Common Stock, per Diluted Share	\$ (0.87)	\$ (1.59)

Dollar amounts in thousands, except per share amounts.

(A) Excludes drop income on TBA dollar rolls of \$538,000 and \$749,000 and interest rate swap periodic interest income of \$7.9 million and \$5.6 million, for the three-month periods ended March 31, 2023 and December 31, 2022, respectively.

Additional Information

Additional information regarding Cherry Hill's financial condition and results of operations can be found in its Annual Report on Form 10-Q for the quarter ended March 31, 2023 filed with the Securities and Exchange Commission on May 8, 2023. In addition, an investor presentation with supplemental information regarding Cherry Hill, its business and its financial condition as of March 31, 2023 and its results of operations for the first quarter 2023 has been posted to the Investor Relations section of Cherry Hill's website, www.chmireit.com. Cherry Hill will discuss the investor presentation on the conference call referenced below.

Webcast and Conference Call

The Company's management will host a conference call today at 5:00 pm Eastern Time. A copy of this earnings release and the investor presentation referenced above will be posted to the Investor Relations section of Cherry Hill's website, www.chmireit.com. All interested parties are welcome to participate on the live call.

A live webcast of the conference call will be available in the investor relations section of the Company's website at www.chmireit.com. To listen to the live broadcast, go to the site at least 15 minutes prior to the scheduled start time in order to register, download and install any necessary audio software. An online archive of the webcast will be available on the Company's website for one year following the call.

Participants may register for the conference call <https://register.vevent.com/register/BI1f064d07b0d04a938ddfef86cc4a2565>. Once registered, dial-in information for the call will be made available.

About Cherry Hill Mortgage Investment Corporation

Cherry Hill Mortgage Investment Corporation is a real estate finance company that acquires, invests in and manages residential mortgage assets in the United States. For additional information, visit www.chmireit.com.

Forward-Looking Statements

This press release contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws, including, among others, statements relating to the Company's long-term growth opportunities and strategies, expand its market opportunities and create its own Excess MSRs and its ability to generate sustainable and attractive risk-adjusted returns for stockholders. These forward-looking statements are based upon the Company's present expectations, but these statements are not guaranteed to occur. For a description of factors that may cause the Company's actual results or performance to differ from its forward-looking statements, please review the information under the heading "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, and other documents filed by the Company with the Securities and Exchange Commission.

Contact:

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