



TSX Symbol: GSY

goeasy Ltd.
33 City Centre Drive
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Press Release

November 7, 2018

goeasy Ltd. Reports Record Results for the Third Quarter 2018

Loan book increase of 58%

Revenue increase of 26%

Net Income increase of 24%

Mississauga, November 7, 2018: *goeasy* Ltd. (TSX: GSY), ("*goeasy*" or the "**Company**"), a leading full-service provider of goods and alternative financial services that provides everyday Canadians a path to a better tomorrow, today, announced its results for the third quarter ended September 30, 2018.

Third Quarter Results

Revenue for the third quarter of 2018 increased to a record \$130 million, an increase of 26.5% over the same period in 2017. The increase was driven by the growth of the easyfinancial consumer loan portfolio, which reached \$750 million by quarter's end, up 58.5% from \$473 million as at September 30, 2017.

During the quarter the Company generated \$221 million of loan originations, up 40.5% from the \$158 million in the third quarter of 2017. The growth in originations was primarily fueled by consumer demand for the core unsecured loan product, further expansion of risk adjusted rate loans, the growth of secured lending and offering consumer loans through the easyhome leasing stores. The increased originations led to growth in the loan portfolio of \$63.0 million in the quarter, up 32.0% from the \$47.7 million in the third quarter of 2017. The net charge-off rate in the quarter was 12.9%, down from 13.1% in the third quarter of 2017 and at the midpoint of the Company's guided range of 12% to 14% for 2018.

The result of growing revenues and increasing scale produced record operating income, margins, net income, earnings per share and return on equity. Operating income grew to \$32.9 million, up 37.5% from \$23.9 million in the third quarter of 2017, while operating margin expanded to 25.3% up from 23.3%. Net income in the third quarter was \$14.3 million, up 23.6% from \$11.6 million in 2017, which resulted in diluted earnings per share of \$0.97, up 19.8% from the \$0.81 in 2017. After adjusting for the effect of IFRS 9, which would have elevated the loan loss provision and bad debt expense in the prior year, diluted earnings per share were up 47.0% compared to the estimated \$0.66 per share in the third quarter of 2017.

"It was a solid quarter for the company, highlighted by record financial results," said David Ingram, *goeasy's* Chief Executive Officer. "The strong revenue growth, combined with stable credit performance, led to improved margins, record earnings per share and a record return on equity of nearly 24%. We remain on track to finish 2018 near the mid-point of our guided range for both the ending consumer loan portfolio and the net charge-offs. During the quarter we also made several enhancements to our balance sheet. Securing lower cost capital in advance of its use reduced earnings per share by approximately \$0.14 in the quarter, while the equity raise completed in October served to lower our total leverage. Combined we were able to obtain the capital we need to fund our growth until the third quarter of 2020."



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Other Key Highlights

easyfinancial

- Revenue increased to \$95.7 million, up 39.2% from \$68.7 million in the third quarter of 2017.
- 61.9% of net loan advances year to date have been issued to new customers, consistent with 2017.
- Average loan book per branch improved to \$2.7 million from \$1.9 million in the third quarter of 2017, an increase of 42.1%.
- Average weekly delinquency rate throughout the quarter was 4.4%, consistent with the same period of 2017.

easyhome

- Same store revenue increased 6.2%, up from 3.0% in the third quarter of 2017
- Consumer lending portfolio within easyhome leasing stores of \$17.2 million up from \$2.9 million in the third quarter of 2017.
- Revenue of \$2.2 million from consumer lending, versus \$0.3 million in the third quarter of 2017.
- Operating margin of 17.2% for the quarter, an increase from the 16.4% reported in 2017.
- Operating income of \$5.9 million in the quarter compared with \$5.6 million in the third quarter of 2017.

Overall

- 34th consecutive quarter of same store sales growth.
- 69th consecutive quarters of positive net income.
- Total same store revenue growth of 26.2%, up from 21.3% in the third quarter of 2017.
- Compound annual growth in diluted earnings per share of 37.0% since 2001.
- Record return on equity of 23.8% in the quarter, up from 21.3% in the third quarter of 2017.
- Net external debt to net capitalization of 68% as at September 30, 2018, below the Company's target leverage ratio of 70%.



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Future Outlook

In the second quarter of 2018, the Company provided revised 3-year targets for 2018 through 2020. These targets remain unchanged and are as follows:

	2018	2019	2020
Gross Loan Receivable Portfolio at Year End	\$825M - \$875M	\$1.1B - \$1.2B	\$1.3B - \$1.4B
easyfinancial Total Revenue Yield	54% - 56%	49% - 51%	46% - 48%
New easyfinancial locations	20 - 30	10 - 20	10 - 20
Net charge-offs as a percentage of average gross consumer loans receivable	12% - 14%	11.5% - 13.5%	11% - 13%
easyfinancial Operating Margin	38% - 40%	42% - 44%	44% - 46%
Total Revenue Growth	26% - 28%	20% - 22%	14 - 16%
Return on Equity	21%+	24%+	26%+

“With the fourth quarter already off to a strong start, we remain excited by our future initiatives and our ability to execute against the targets set for the next 3 years.” Mr. Ingram concluded. “We are still at the early stages of a significant period for growth that will continue to build our leadership position in the non-prime lending space. To this end, I am extremely proud to have guided the Company for the last 18 years and have always been inspired by the meaningful relationships that our front-line staff have worked tirelessly to build with the customers in their communities. In January when I take on the role of Executive Chairman, I will pass the reigns over to Jason Mullins to assume the role of CEO, who has demonstrated during his eight years with our Company the qualities and commitment to be an outstanding leader for the future of our organization.”

Balance Sheet and Liquidity

Total assets were \$985 million as at September 30, 2018, an increase of 62.8% from \$605 million as at September 30, 2017, primarily driven by the growth in the consumer loan portfolio and the additional cash on hand to fund future growth.

During the quarter, the Company issued US\$150 million of Notes Payable due on November 1, 2022, which generated net proceeds of C\$203 million. The issuance of the Notes Payable was at a premium to par resulting in an attractive interest rate (excluding the effect of financing charges) of 6.17%. On October 10, 2018, the Company also closed its offering of 920,000 common shares, at a price of \$50.50 per common share for aggregate net proceeds of \$44.3 million.



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Based on the cash on hand at the end of the quarter, borrowing capacity under the Company's revolving credit facility and the equity issuance subsequent to the end of the quarter the Company had approximately \$340 million, which will allow the Company to achieve its targets for the growth of its consumer loans portfolio through to the third quarter 2020.

Dividend

The Board of Directors has approved a quarterly dividend of \$0.225 per share payable on January 11, 2019 to the holders of common shares of record as at the close of business on December 28, 2018.

Forward-Looking Statements

All figures reported above with respect to outlook are targets established by the Company and are subject to change as plans and business conditions vary. Accordingly, investors are cautioned not to place undue reliance on the foregoing guidance. Actual results may differ materially.

This press release includes forward-looking statements about goeasy, including, but not limited to, its business operations, strategy, expected financial performance and condition, the estimated number of new locations to be opened, targets for growth of the consumer loans receivable portfolio, annual revenue growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. In certain cases, forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'budgeted', 'estimates', 'forecasts', 'targets' or negative versions thereof and similar expressions, and/or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company's operations, economic factors and the industry generally, as well as those factors referred to in the Company's most recent Annual Information Form and Management Discussion and Analysis, as available on www.sedar.com, in the section entitled "Risk Factors". There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by the Company, due to, but not limited to, important factors such as the Company's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, purchase products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favourable terms, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance the system of internal controls. The Company cautions that the foregoing list is not exhaustive.



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The reader is cautioned to consider these, and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

About goeasy

goeasy Ltd. offers leasing and lending services in the alternative financial services market and provides everyday Canadians a path to a better tomorrow, today. goeasy Ltd. serves its customers through two key operating divisions, easyfinancial and easyhome. easyfinancial is a non-prime consumer lending business that bridges the gap between traditional financial institutions and costly payday loans. easyfinancial offers a range of unsecured and secured personal instalment loans supported by a strong central credit adjudication process and industry leading risk analytics. easyhome is Canada's largest lease-to-own company, offering brand-name household furniture, appliances and electronics to consumers under weekly or monthly leasing agreements through both corporate and franchise stores. Both operating divisions of goeasy Ltd. offer the highest level of customer service and enable customers to transact through an omni channel model that includes over 400 stores and branches across Canada and digital eCommerce enabled platforms.

goeasy Ltd.'s common shares are listed for trading on the TSX under the trading symbol "GSY" and goeasy's convertible debentures are traded on the TSX under the trading symbol "GSY-DB". goeasy is rated BB- with a stable trend from S&P and Ba3 with a stable trend from Moody's. For more information, visit www.goeasy.com.

For further information contact:

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Chief Executive Officer
(905) 272-2788

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(expressed in thousands of Canadian dollars except earnings per share)

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
REVENUE				
Interest income	67,597	44,994	182,163	123,909
Lease revenue	29,506	30,892	90,308	94,327
Commissions earned	29,387	23,561	85,514	66,470
Charges and fees	3,421	3,246	10,046	9,778
	129,911	102,693	368,031	294,484
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	27,149	26,355	85,339	75,970
Stock-based compensation	1,727	1,764	5,081	4,096
Advertising and promotion	3,352	2,913	12,942	11,640
Bad debts	32,867	17,729	84,794	49,019
Occupancy	8,628	8,352	25,858	24,968
Other expenses	10,265	8,940	30,088	27,092
	83,988	66,053	244,102	192,785
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	10,091	10,039	30,144	30,981
Depreciation of property and equipment	1,461	1,389	4,470	4,044
Amortization of intangible assets	1,486	1,288	4,704	3,731
	13,038	12,716	39,318	38,756
Total operating expenses	97,026	78,769	283,420	231,541
Operating income	32,885	23,924	84,611	62,943
Finance costs	12,894	7,465	32,989	19,868
Income before income taxes	19,991	16,459	51,622	43,075
Income tax expense (recovery)				
Current	9,266	4,938	20,601	9,075
Deferred	(3,617)	(85)	(6,216)	3,234
	5,649	4,853	14,385	12,309
Net income	14,342	11,606	37,237	30,766
Basic earnings per share	1.03	0.86	2.70	2.28
Diluted earnings per share	0.97	0.81	2.53	2.17

goeasy Ltd.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

(expressed in thousands of Canadian dollars)

	As At September 30, 2018	As At December 31, 2017
ASSETS		
Cash	141,450	109,370
Amounts receivable	15,249	14,422
Prepaid expenses	5,237	3,545
Consumer loans receivable	703,461	513,425
Lease assets	49,602	54,318
Property and equipment	19,934	15,941
Deferred tax assets	14,326	2,121
Intangible assets	14,602	15,163
Goodwill	21,310	21,310
TOTAL ASSETS	985,171	749,615
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	41,527	43,071
Income taxes payable	7,846	9,445
Dividends payable	3,123	2,426
Deferred lease inducements	977	1,294
Unearned revenue	5,513	4,819
Convertible debentures	39,632	47,985
Notes payable	624,542	401,193
Derivative financial liability	10,692	11,138
TOTAL LIABILITIES	733,852	521,371
Shareholders' equity		
Share capital	97,262	85,874
Contributed surplus	14,350	15,305
Accumulated other comprehensive (loss) income	(2,538)	141
Retained earnings	142,245	126,924
TOTAL SHAREHOLDERS' EQUITY	251,319	228,244
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	985,171	749,615

Segmented Reporting

(\$ in 000's except earnings per share)	Three Months Ended September 30, 2018			
	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	66,053	1,544	-	67,597
Lease revenue	-	29,506	-	29,506
Commissions earned	27,728	1,659	-	29,387
Charges and fees	1,877	1,544	-	3,421
	95,658	34,253	-	129,911
Total operating expenses before depreciation and amortization	55,906	17,660	10,422	83,988
Depreciation and amortization	2,004	10,712	322	13,038
Segment operating income (loss)	37,748	5,881	(10,744)	32,885
Finance costs				12,894
Income before income taxes				19,991
Income taxes				5,649
Net Income				14,342
Diluted earnings per share				0.97

(\$ in 000's except earnings per share)	Three Months Ended September 30, 2017			
	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	44,796	198	-	44,994
Lease revenue	-	30,892	-	30,892
Commissions earned	22,324	1,237	-	23,561
Charges and fees	1,591	1,655	-	3,246
	68,711	33,982	-	102,693
Total operating expenses before depreciation and amortization	38,799	17,712	9,542	66,053
Depreciation and amortization	1,772	10,706	238	12,716
Segment operating income (loss)	28,140	5,564	(9,780)	23,924
Finance costs				7,465
Income before income taxes				16,459
Income taxes				4,853
Net Income				11,606
Diluted earnings per share				0.81

(\$ in 000's except earnings per share)	Nine Months Ended September 30, 2018			
	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	178,808	3,355	-	182,163
Lease revenue	-	90,308	-	90,308
Commissions earned	80,829	4,685	-	85,514
Charges and fees	5,402	4,644	-	10,046
	265,039	102,992	-	368,031
Total operating expenses before depreciation and amortization	158,106	54,733	31,263	244,102
Depreciation and amortization	6,368	31,866	1,084	39,318
Segment operating income (loss)	100,565	16,393	(32,347)	84,611
Finance costs				32,989
Income before income taxes				51,622
Income taxes				14,385
Net Income				37,237
Diluted earnings per share				2.53

(\$ in 000's except earnings per share)	Nine Months Ended September 30, 2017			
	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	123,662	247	-	123,909
Lease revenue	-	94,327	-	94,327
Commissions earned	63,017	3,453	-	66,470
Charges and fees	4,558	5,220	-	9,778
	191,237	103,247	-	294,484
Total operating expenses before depreciation and amortization	112,010	54,376	26,399	192,785
Depreciation and amortization	5,187	32,853	716	38,756
Segment operating income (loss)	74,040	16,018	(27,115)	62,943
Finance costs				19,868
Income before income taxes				43,075
Income taxes				12,309
Net Income				30,766
Diluted earnings per share				2.17

(\$ in 000's except earnings per share and percentages)	Three Months Ended		Variance	Variance
	September 30, 2018	September 30, 2017	\$ / bps	% change
Summary Financial Results				
Revenue	129,911	102,693	27,218	26.5%
Operating expenses before depreciation and amortization	83,988	66,053	17,935	27.2%
EBITDA	35,832	26,601	9,231	34.7%
EBITDA margin	27.6%	25.9%	170 bps	6.6%
Depreciation and amortization expense	13,038	12,716	322	2.5%
Operating income	32,885	23,924	8,961	37.5%
Operating margin	25.3%	23.3%	200 bps	8.6%
Finance costs	12,894	7,465	5,429	72.7%
PTPP income	52,858	34,188	18,670	54.6%
Effective income tax rate	28.3%	29.5%	(120 bps)	(4.1%)
Net income	14,342	11,606	2,736	23.6%
Diluted earnings per share	0.97	0.81	0.16	19.8%
Return on Equity	23.8%	21.3%	250 bps	11.7%
Key Performance Indicators				
Same store revenue growth	26.2%	21.3%	490 bps	23.0%
Same store revenue growth excluding easyfinancial	6.2%	3.0%	320 bps	106.7%
Segment Financials				
easyfinancial revenue	95,658	68,711	26,947	39.2%
easyfinancial operating margin	39.5%	41.0%	(150 bps)	(3.7%)
easyhome revenue	34,253	33,982	271	0.8%
easyhome operating margin	17.2%	16.4%	80 bps	4.9%
Portfolio Indicators				
Gross consumer loans receivable	749,581	473,063	276,518	58.5%
Growth in consumer loans receivable	63,008	47,739	15,269	32.0%
Gross loan originations	221,340	157,589	63,751	40.5%
Bad debt expense as a percentage of financial revenue	33.6%	25.7%	790 bps	30.7%
Net charge offs as a percentage of average gross consumer loans receivable	12.9%	13.1%	(20 bps)	(1.5%)
Potential monthly lease revenue	8,906	9,226	(320)	(3.5%)
Change in potential monthly lease revenue due to ongoing operations	(68)	(110)	42	38.2%