Management's Discussion and Analysis of Financial Condition and Results of Operations

Three and Nine Months Ended September 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Table of Contents

Caution Regarding Forward-Looking Statements 2
Overview of the Business 2
Corporate Strategy 3
Outlook 3
Adoption of IFRS 9 3
Analysis of Results for the Three Months Ended September 30, 2018 9
Analysis of Results for the Nine Months Ended September 30, 2018 18
Selected Quarterly Information 24
Portfolio Analysis 25
Key Performance Indicators and Non-IFRS Measures 34
Financial Condition 37
Liquidity and Capital Resources 38
Outstanding Shares & Dividends 39
Commitments, Guarantees and Contingencies 40
Risk Factors 40
Critical Accounting Estimates 41
Adoption of New Accounting Standards 41
Accounting Standards Issued but Not Yet Effective 41
Internal Controls 42

Date: November 7, 2018

The following Management's Discussion and Analysis ("MD&A") presents an analysis of the consolidated financial condition of goeasy Ltd. and its subsidiaries (collectively referred to as "goeasy" or the "Company") as at September 30, 2018 compared to September 30, 2017, and the consolidated results of operations for the three and nine-month periods ended September 30, 2018 compared with the corresponding period of 2017. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2017. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise noted. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the Company's 2017 annual MD&A: Overview of the Business, Corporate Strategy, Commitments, Guarantees and Contingencies and Risk Factors and Accounting Standards Issued But Not Yet Effective. Critical Accounting Estimates are as described in the December 31, 2017 notes to the financial statements other than as related to the Company's implementation of IFRS 9, *Financial Instruments* which are as described in the September 30, 2018 notes to the financial statements.

This MD&A is the responsibility of management. The Board of Directors has approved this MD&A after receiving the recommendations of the Company's Audit Committee, which is comprised exclusively of independent directors, and the Company's Disclosure Committee.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Information Form. These filings are available on SEDAR at *www.sedar.com* and on the Company's website at *www.goeasy.com*.

Caution Regarding Forward-Looking Statements

This MD&A includes forward-looking statements about goeasy, including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to 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 and the Company's ability to secure sufficient capital, liquidity of goeasy, plans and references to future operations and results, critical accounting estimates, expected lower charge-off rates on loans with real estate collateral and the benefits resulting from such lower rates, the size and characteristics of the Canadian non-prime lending market, the continued development of the type and size of competitors in the market. In certain cases, forward-looking 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 "expect", "continue", "anticipate", "intend", "aim", "plan", "believe", "budget", "estimate", "forecast", "foresee", "target" 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 goeasy's operations, economic factors and the industry generally. 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 goeasy. Some important factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, goeasy's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favorable terms, secure new franchised locations, offer products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favorable terms, compete, 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.

goeasy cautions that the foregoing list is not exhaustive. These and other factors could cause actual results to differ materially from our expectations expressed in the forward-looking statements, and further details and descriptions of these and other factors are disclosed in this MD&A, including under the section entitled "Risk Factors".

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.

Overview of the Business

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.

The Company's overview of the business remains as described in its December 31, 2017 MD&A.

Corporate Strategy

The Company is committed to being a leading full-service provider of goods and alternative financial services that provides everyday Canadians with a path for a better tomorrow, today. To maintain this position, the Company must continuously improve to meet the needs of its chosen customer segment. Additionally, the Company must focus on maintaining its competitive advantage by capitalizing on the key aspects of each business unit, including brand awareness, superior customer service and its cross-country retail network. Cost efficiencies through economies of scale and shared services will enable the Company to meet future competitive challenges, including new entrants into the marketplace. Ultimately, the Company will continue to be successful if it delivers a best-in-class customer experience.

To achieve its long-term goals, the Company has four key business imperatives:

- Enhance the product offering
- Evolve the delivery channels
- Execute with efficiency and effectiveness
- Deliver a best-in-class customer experience

The Company's corporate strategy remains as described in its December 31, 2017 MD&A.

Outlook

The discussion in this section is qualified in its entirety by the cautionary language regarding forward-looking statements found in the "Caution Regarding Forward-Looking Statements" of this MD&A.

The Company's 2018, 2019 and 2020 targets, assumptions and risk factors were disclosed in its December 31, 2017 MD&A. The Company revised these targets in its June 30, 2018 MD&A. The targets remain consistent and are reported below.

	Targets for 2018	Targets for 2019	Targets for 2020
Gross consumer loans receivable portfolio at year end	**$825 - $875 million**	**$1.1 - $1.2 billion**	**$1.3 - $1.4 billion**
easyfinancial total revenue yield	**54% - 56%**	**49% - 51%**	**46% - 48%**
New easyfinancial locations opened during the year	**20 - 30**	**10 – 20**	**10 – 20**
Net charge-offs as a percentage of average gross consumer loans receivable	**12.0% - 14.0%**	**11.5% - 13.5%**	**11.0% - 13.0%**
easyfinancial operating margin	**38% - 40%**	**42% - 44%**	**44% - 46%**
Total revenue growth	**26% - 28%**	**20% - 22%**	**14% - 16%**
Return on equity	**21% +**	**24% +**	**26% +**

Adoption of IFRS 9

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 introduced a new expected loss impairment model which replaced the previous incurred loss impairment model under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

Under the previous accounting standard, IAS 39, a collective allowance for loan loss was recorded on those loans, or groups of loans, where a loss event has occurred but has not been reported, as at, or prior to, the balance sheet date. An incurred but not reported loss event provides objective evidence to establish an allowance for loan loss against such loans. IAS 39 prohibited recognizing any allowance for loan losses expected in the future if a loss event had not yet occurred as at the balance sheet date.

Under IFRS 9, the Company is required to apply an expected credit loss model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the balance sheet date, are provided for. Under IFRS 9, the Company is required to assess and segment its loan portfolio into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3) categories as at each date of the statement of financial position. Loans are categorized as under-performing if there has been a significant increase in credit risk since the origination of the loan. The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase or decrease in the credit risk of a loan. Indicators of a significant increase in credit risk include a recent degradation in internal company risk rating based on the Company's custom behaviour credit scoring model, late or missed payments, delinquency and adjustments to the loan's terms. Under-performing loans are recategorized to performing only if there is deemed to be a substantial decrease in credit risk. Loans are categorized as non-performing if there is objective evidence that such loans are impaired and thus likely to charge-off in the future which we have determined to be when loans are delinquent for greater than 30 days. For performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months. For under-performing and non-performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life. Ultimately, the expected credit loss is calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and considers reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions (forward-looking indicators or "FLIs") that may impact the credit profile of the loans.

IFRS 9 requires that FLIs be considered when determining the impact on credit risk and measuring expected credit losses and must be incorporated in the risk parameters as relevant. Based on the analysis performed by the Company, the following FLIs were determined to historically have an impact on the credit performance of the portfolio and were incorporated into its calculation of its allowance for loan losses:

- forecast rate of inflation
- forecast rate of unemployment
- forecast oil prices

The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices were negatively correlated with the Company's historic loss rates. For purposes of determining its allowance for loan losses at each balance sheet date, the Company has decided to utilize the average forecasts of these FLIs from five large Canadian banks.

It is important to note that the adoption of IFRS 9 does not impact the net charge-off rate of the Company's consumer loans receivable portfolio which is driven by borrowers' credit profile and behaviour. The Company will continue to write off unsecured customer balances that are delinquent greater than 90 days and secured customer balances that are delinquent greater than 180 days. Likewise, the cash flows used in and generated by the Company's consumer loans receivable portfolio are not impacted by the adoption of IFRS 9 as the periodic increase in the allowance for loan losses as a result of growth in the consumer loans receivable is a non-cash item.

IFRS 9 does not require the restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives provided hindsight is not applied. The Company made the decision not to restate comparative period financial information and has recognized any measurement differences between the previous carrying amounts and the new carrying amounts on January 1, 2018, through an adjustment to opening retained earnings, net of deferred tax implications. Refer to the Company's 2017 Annual Consolidated Financial Statements and the accompanying notes for accounting policies under IAS 39 applied during 2017.

The Company's allowance for loan losses, as determined under IAS 39, as at December 31, 2017, was $31.7 million which represented 6.0% of the gross consumer loans receivables. The Company determined that its allowance for loan losses, as determined under IFRS 9, as at January 1, 2018, was $49.1 million which represented 9.3% of the gross consumer loans receivable, resulting in an increase to its allowance for loan losses of $17.4 million. This increase in the allowance for loan losses was not indicative of a change in the expected recovery value of the underlying consumer loans receivable but rather a function of extending the allowance for loan losses to provide for expected future losses over a longer future time frame as required under IFRS 9.

The following table summarizes the transition adjustment required to adopt IFRS 9 as at January 1, 2018.

($ in 000's)	IAS 39 Carrying Amount as at December 31, 2017	Transition Adjustment	IFRS 9 Carrying Amount as at January 1, 2018
Consumer loans receivable	513,425	(17,406)	496,019
Income taxes payable	9,445	(4,749)	4,696
Retained earnings	127,065	(12,659)	114,406

In addition to the one-time reduction to retained earnings upon the adoption of IFRS 9 on January 1, 2018, the requirements of IFRS 9 will result in a reduction to IFRS reported net income in periods where the Company experiences growth in its consumer loans receivable portfolio. Due to the transition from an incurred loss model to a future expected credit loss model as required under IFRS 9, the Company's allowance for credit losses as a percentage of the gross consumer loans receivable outstanding will be higher. Operationally, this will require a larger provision to be taken when new consumer loans receivables are originated or purchased. This will result in greater bad debt expense and a corresponding decrease in reported net income when compared to net income reported under the prior standard, IAS 39.

Although the Company has decided not to restate the 2017 comparative figures as if IFRS 9 had been applied retroactively, it is important to understand the estimated impact of this change in accounting standards on the comparative financial results.

The following tables estimates the financial results for each quarter of the prior fiscal year, as if the company had adopted IFRS 9 on January 1, 2017, and therefore the allowance for credit losses in that prior period would employ a methodology for determining its allowance for credit losses the same as the methodology used in 2018 under IFRS 9. Such information presented is a non-IFRS 9 measure.

	Three Months Ended				Year Ended
($ in 000's)	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**December 31, 2017**
Gross Consumer Loans Receivable					
Balance, beginning of period	370,517	387,055	425,324	473,063	370,517
Growth	16,538	38,269	47,739	53,483	156,029
Balance, end of period	387,055	425,324	473,063	526,546	526,546
Allowance for credit losses as reported under IAS 39					
Balance, beginning of period	23,456	24,294	26,355	29,055	23,456
Net amounts written off	(13,279)	(15,112)	(15,029)	(16,156)	(59,576)
Increase due to lending and collecting activities	14,117	17,173	17,729	18,807	67,826
Balance, end of period	24,294	26,355	29,055	31,706	31,706
Allowance expressed as % of gross consumer loan receivable	6.3%	6.2%	6.1%	6.0%	6.0%
Estimated allowance for credit losses under IFRS 9[1]					
Balance, beginning of period	30,494	33,054	37,343	43,190	30,494
Net amounts written off	(13,279)	(15,112)	(15,029)	(16,156)	(59,576)
Increase due to lending and collecting activities	15,839	19,401	20,876	22,078	78,194
Balance, end of period	33,054	37,343	43,190	49,112	49,112
Allowance expressed as % of gross consumer loan receivable	8.5%	8.8%	9.1%	9.3%	9.3%
Estimated net increase in bad debt expense under IFRS 9	**1,722**	**2,228**	**3,147**	**3,271**	**10,368**
Net income as stated	10,270	8,890	11,606	5,366	36,132
Estimated net increase in bad debt expense under IFRS 9	(1,722)	(2,228)	(3,147)	(3,271)	(10,368)
Tax impact	470	608	859	894	2,831
Estimated after tax impact of IFRS 9 on net income	**(1,252)**	**(1,620)**	**(2,288)**	**(2,377)**	**(7,537)**
Estimated net income under IFRS 9	**9,018**	**7,270**	**9,318**	**2,989**	**28,595**
Diluted earnings per share as stated	$0.73	$0.63	$0.81	$0.38	$2.56
Estimated impact of IFRS 9	**($0.09)**	**($0.11)**	**($0.15)**	**($0.15)**	**($0.51)**
Estimated diluted earnings per share under IFRS 9	**$0.64**	**$0.52**	**$0.66**	**$0.23**	**$2.05**

[1] This represents a non-IFRS measure and reflects the estimated impact of adopting IFRS 9 with full retrospective adoption at January 1, 2017.

Under IAS 39, the Company's allowance for credit losses as a percentage of the gross consumer loans receivable decreased by 30 bps from 6.3% as at January 1, 2017 to 6.0% as at December 31, 2017. This was due largely to the improved performance of the underlying loan vintages and the shift towards risk adjusted rate loans to a better credit quality borrower.

While the allowance for credit losses as a percentage of the gross consumer loans receivable determined under IAS 39 decreased during 2017, the estimated rate determined using the same methodology as IFRS 9, on the basis presented above, for this same period increased by 100 bps from 8.5% as at January 1, 2017 to 9.3% as at December 31, 2017. The increase in this rate was predominantly due to changes in the FLIs. As at January 1, 2017 the FLIs, in amalgam, were forecasting improved economic performance and therefore indicated that the charge-off rates experienced by the Company would also improve. The incorporation of the FLIs at that time resulted in a reduction to the allowance for credit losses. By year's end, this forecasted economic improvement had been realized – oil had increased, unemployment was at structural low levels and the rate of inflation was low – and so the forecasted future change in these indicators was less positive. As a result, the incorporation of the FLIs as at December 31, 2017 resulted in an increase to the allowance for credit losses. All told, the shift in these FLIs during fiscal 2017 resulted in an increase in the allowance for credit losses under IFRS 9.

During a fiscal period, any consumer loans receivable that must be written off as uncollectible in accordance with the Company's policies, net of subsequent recoveries, are applied against the allowance for credit losses. Additionally, the Company recognizes bad debt expenses (provisions for credit losses) during the fiscal period as an increase to the allowance for credit losses such that the balance of the allowance for credit losses at each statement of financial position date is appropriate under IFRS 9.

Under IFRS 9, the required bad debt expense (provision for credit losses) will generally be more volatile than the corresponding bad debt expense determined under IAS 39 due to the inclusion of FLIs. To better understand the financial performance of the Company and compare results between different fiscal periods, the Company introduced a new, non-IFRS measure – Pre-Tax, Pre-Provision Income ("PTPP Income"). This non-IFRS measure details the financial performance of the Company excluding the impacts of income taxes and bad debt expense (provision for credit losses).

The following table presents a comparison of the financial results for the three and nine-month period ended September 30, 2018 as reported against the estimated financial results for the comparable period ended September 30, 2017 presented under IFRS 9. Certain of these measures for the three and nine-month period ended September 30, 2018 and September 30, 2017 estimated using the same methodology as IFRS 9 are non-IFRS measures.

	Three Months Ended			
($ in 000's except earnings per share and percentages)	September 30, 2018 (as reported)	September 30, 2017 (estimated under IFRS 9[1])	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**129,911**	102,693	27,218	26.5%
Bad debt expense	**32,867**	20,876	11,991	57.4%
Operating expenses before depreciation and amortization	**83,988**	69,200	14,788	21.4%
EBITDA[2]	**35,832**	23,454	12,378	52.8%
EBITDA margin[2]	**27.6%**	22.8%	480 bps	21.1%
Depreciation and amortization expense	**13,038**	12,716	322	2.5%
Operating income	**32,885**	20,777	12,108	58.3%
Operating margin[2]	**25.3%**	20.2%	510 bps	25.2%
Finance costs	**12,894**	7,465	5,429	72.7%
PTPP income[2]	**52,858**	34,188	18,670	54.6%
Net income	**14,342**	9,318	5,024	53.9%
Diluted earnings per share	**0.97**	0.66	0.31	47.0%
Return on equity	**23.8%**	17.1%	670 bps	39.2%

[1] This represents a non-IFRS measure and reflects the estimated impact of adopting IFRS 9 with full retrospective adoption at January 1, 2017.

[2] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

($ in 000's except earnings per share and percentages)	Nine Months Ended September 30, 2018 (as reported)	September 30, 2017 (estimated under IFRS 9[1])	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**368,031**	294,484	73,547	25.0%
Bad debt expense	**84,794**	56,116	28,678	51.1%
Operating expenses before depreciation and amortization	**244,102**	199,882	44,220	22.1%
EBITDA[1]	**93,785**	63,621	30,164	47.4%
EBITDA margin[1]	**25.5%**	21.6%	390 bps	18.1%
Depreciation and amortization expense	**39,318**	38,756	562	1.5%
Operating income	**84,611**	55,846	28,765	51.5%
Operating margin[1]	**23.0%**	19.0%	400 bps	21.1%
Finance costs	**32,989**	19,868	13,121	66.0%
PTPP income[1]	**136,416**	92,094	44,322	48.1%
Net income	**37,237**	25,606	11,631	45.4%
Diluted earnings per share	**2.53**	1.82	0.71	39.0%
Return on equity	**21.6%**	16.3%	530 bps	32.5%

[1] This represents a non-IFRS measure and reflects the estimated impact of adopting IFRS 9 with full retrospective adoption at January 1, 2017.

[2] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

Analysis of Results for the Three Months Ended September 30, 2018

Third Quarter Highlights

- The Company raised funds during and immediately after the quarter which will be used to grow the Company's easyfinancial business and which strengthened its balance sheet.

  - During the quarter, the Company issued US$150.0 million of Notes Payable due on November 1, 2022. These notes were issued at a price of US$1,050 per US$1,000 principal amount. Concurrent with the issuance of these notes, the Company entered into cross-currency swap to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest thereby fully hedging the notes to C$197.5 million at a Canadian dollar interest rate of 7.52%. 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%. The issuance of these Notes generated net proceeds of $203.3 million. The additional finance costs associated with these notes reduced diluted earnings per share by 14 cents in the quarter.

  - On October 10, 2018, the Company closed its offering of 920,000 common shares (including 120,000 common shares issued pursuant to the exercise in full by the syndicate of underwriters of the over-allotment option granted by the Company), at a price of $50.50 per common share for aggregate net proceeds of $44.3 million.

  - Based on the cash on hand at the end of the quarter, borrowing capacity under the Company's revolving credit facility, the Company had approximately $340 million to fund the growth of its loan book upon the completion of the equity issuance subsequent to the end of the quarter. This funding will be sufficient to meet operational requirements, purchase lease assets, meet capital spending requirements, pay dividends and will allow the Company to achieve its targets for the growth of its consumer loans receivable portfolio through to the third quarter 2020.

- As previously described, the Company adopted IFRS 9 on January 1, 2018. The adoption of IFRS 9 resulted in an increase in the allowance for credit losses and resulted in higher bad debt expense and lower net income than under the previous accounting standard in periods of loan book growth. In addition, IFRS 9 will result in increased volatility in the allowance for credit losses. The Company applied IFRS 9 on January 1, 2018 and, as such, the financial results of 2018 have been reported under IFRS 9 while the comparable financial results from 2017 have been reported under the previous incurred loss model of IAS 39.

- goeasy continued to report record revenue during the third quarter of 2018. Revenue for the quarter increased to $129.9 million from the $102.7 million reported in the same quarter of 2017, an increase of $27.2 million or 26.5%. The increase was driven by the growth of easyfinancial.

- The gross consumer loans receivable portfolio increased from $473.1 million as at September 30, 2017 to $749.6 million as at September 30, 2018, an increase of $276.5 million or 58.5%. The loan book grew $63.0 million in the quarter against growth of $47.7 million in the same quarter of 2017. Loan originations in the quarter were $221.3 million, up 40.5% against the origination volume of the same quarter of 2017. The strong growth was fueled by the continued net customer growth, the increased origination of unsecured loans including the increased penetration of risk adjusted rate loans to the Company's best credit quality borrowers, the maturation of the Company's retail branch network, lending in the Company's easyhome stores, slowing paydown rates due to longer term loans and ongoing enhancements to the Company's digital properties.

- Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.9% in the quarter compared with 13.1% in the same quarter of 2017. When compared with the prior year, the Company achieved an improvement in loss performance through the increased penetration of risk adjusted rate and secured loans to more credit worthy customers, and strong collection activities. The net charge off rate in the quarter of 12.9% was within the Company's targeted range of 12.0% to 14.0%.

- easyfinancial's operating income was $37.7 million for the third quarter of 2018 compared with $28.1 million for the comparable period in 2017, an increase of 9.6 million or 34.1%. The benefits of the larger loan book and related revenue increases of $26.9 million were partially offset by: i) the $0.5 million increase in advertising spend; ii) the higher provisions for future charge-offs driven by the strong loan book growth; iii) the adoption of IFRS 9 and the increase in the provision rate in the quarter; and iv) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 39.5% compared with 41.0% reported in the same quarter of 2017.

- The operating income generated by the Company's mature easyhome business increased by $0.3 million in the current quarter when compared to the same period of 2017. easyhome's operating margin for the third quarter of 2018 was 17.2%, an increase from the 16.4% reported in the same quarter of 2017.

- Total operating income for the third quarter of 2018 was $32.9 million, up $9.0 million or 37.5% when compared with the same quarter of 2017. Operating margin in the quarter was 25.3% against 23.3% in the same quarter of 2017. Both operating income and operating margin reached record levels in the quarter.

- Net income for the third quarter of 2018 was $14.3 million or $0.97 per share on a diluted basis, an increase of $2.7 million or $0.16 per share when compared to the same quarter of 2017. Net income and diluted earnings per share increased by 23.6% and 19.8%, respectively. Both net income and diluted earnings per share reached record levels in the quarter.

- The Company estimates that net income and diluted earnings per share for the third quarter of 2017 would have been $9.3 million and $0.66, respectively, if the allowance for credit losses was determined on the same basis as that employed under IFRS 9 in 2018, rather than under the previous accounting standard, IAS 39. On that basis net income and diluted earnings per share increased by 53.9% and 47.0%, respectively.

- The growth in net income resulted in the Company recording a record level of return on equity. Return on equity in the third quarter of 2018 was 23.8% against 21.3% in the third quarter of 2017.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended September 30, 2018	September 30, 2017	Variance $ / bps	Variance % 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[1]	**35,832**	26,601	9,231	34.7%
EBITDA margin[1]	**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[1]	**25.3%**	23.3%	200 bps	8.6%
Finance costs	**12,894**	7,465	5,429	72.7%
PTPP income[1]	**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[1]				
Same store revenue growth	**26.2%**	21.3%	490 bps	23.0%
Same store revenue growth excl. 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%

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

Store Locations Summary

	Locations as at June 30, 2018	Locations opened during period	Locations closed during period	Conversions	Locations as at September 30, 2018
easyfinancial					
Kiosks (in store)	40	-	-	(1)	**39**
Stand-alone locations	196	1	-	1	**198**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	237	1	-	-	**238**
easyhome					
Corporately owned stores	133	-	-	-	**133**
Consolidated franchise locations	1	-	-	-	**1**
Total consolidated stores	134	-	-	-	**134**
Total franchise stores	31	-	-	-	**31**
Total easyhome stores	165	-	-	-	**165**

Summary of Financial Results by Operating Segment

	Three Months September 30, 2018			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**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**
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	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
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

Portfolio Performance

Consumer Loans Receivable Portfolio – The gross consumer loans receivable portfolio increased from $473.1 million as at September 30, 2017 to $749.6 million as at September 30, 2018, an increase of $276.5 million or 58.5%. The loan book grew $63.0 million in the quarter against growth of $47.7 million in the same quarter of 2017. Loan originations in the quarter were $221.3 million, up 40.5% against the origination volume of the same quarter of 2017. The strong growth was fueled by the continued net customer growth, the increased origination of unsecured loans including the increased penetration of risk adjusted rate loans to the Company's best credit quality borrowers, the maturation of the Company's retail branch network, lending in the Company's easyhome stores, slowing paydown rates due to longer term loans and ongoing enhancements to the Company's digital properties.

The annualized yield realized by the Company on its average consumer loans receivable portfolio decreased by 660 bps in the third quarter of 2018 when compared to the same quarter of 2017. The decrease in the yield was due to the increased penetration of risk adjusted interest rate loans to a more credit worthy customer, lower interest rates on secured lending products and loans in Quebec, a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, as well as increased amortization of deferred loan acquisition costs.

Bad debt expense increased to $32.9 million for the quarter from $17.7 million during the same quarter in 2017, an increase of $15.2 million or 85.9%. The following table details the components of bad debt expense:

($ in 000's)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Provision required due to net charge-offs	**23,557**	15,029
Impact of loan book growth – Historic rate	**3,988**	2,957
Impact of loan book growth – Incremental IFRS 9 rate	**1,878**	-
Impact of change in provision rate during period	**3,444**	(257)
Net change in allowance for credit losses	**9,310**	2,700
Bad debt expense	**32,867**	17,729

Bad debt expense increased by $15.2 million due to four factors:

(i) Net charge-offs increased from $15.0 million in the third quarter of 2017 to $23.6 million in the current quarter, up $8.6 million. This represented an increase of 56.7% against the 58.5% growth in the loan book over the same period. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.9% in the quarter compared with 13.1% in the same quarter of 2017. When compared with the prior year, the Company achieved an improvement in loss performance through the increased penetration of risk adjusted rate and secured loans to more credit worthy customers as well as strong collection activities. The net charge off rate in the quarter of 12.9% was within the Company's targeted range of 12.0% to 14.0%.

(ii) The loan book growth in the quarter increased from $47.7 million in the third quarter of 2017 to $63.0 million in the current quarter. Excluding the impact of the adoption of IFRS 9 (which served to increase the provision rate), the increased growth resulted in a $1.0 million increase in bad debt expense in the quarter.

(iii) The implementation of IFRS 9 resulted in the provision taken on loan book growth in the quarter increasing from 6.1% in the third quarter of 2017 to 9.3% (the opening provision rate in the current quarter). This resulted in an additional $1.9 million increase in bad debt expense in the current quarter.

(iv) The provision rate under the old accounting standard declined slightly in the third quarter of 2017 resulting in a reduction to bad debt expense of $0.3 million. The provision rate in the third quarter of 2018 increased by 43 bps resulting in an increase in bad debt expense of $3.4 million. The net impact of these changes on the in-period provision rate resulted in bad debt expense increasing by $3.7 million in the current period compared with the comparable period of 2017. The Company achieved very strong origination and loan book growth in the first nine months of 2018. These additional borrowers had a slightly lower credit quality on average than previous cohorts of loans. This resulted in a slight downward shift in the credit quality of the overall loan portfolio which contributed to the increase in the provision rate, as did the higher than expected losses in Quebec.

easyhome Leasing Portfolio – the leasing portfolio as measured by potential monthly lease revenue as at September 30, 2018 was $8.9 million, down from the $9.2 million reported at September 30, 2017. Overall, the number of agreements declined from 103,257 as at September 30, 2017 to 95,880 as at September 30, 2018. The decline in agreement count over the past 12 months was related primarily to the sale of stores to franchisees and the closure of underperforming locations offset partially by the acquisition of lease portfolios from competitors. The 7.1% decline in agreements was offset by a 4.0% increase in average leasing rates due in part to the higher Canadian dollar cost of certain leased assets purchased in US dollars, changes in product mix and selected pricing adjustments. Seasonally the lease portfolio tends to decline slightly in the third quarter. The change in potential monthly lease revenue due to ongoing operations in the current quarter was a decline of $0.1 million consistent with the seasonal decline in the same quarter of 2017.

Revenue

Revenue for the three-month period ended September 30, 2018 was $129.9 million compared to $102.7 million in the same quarter of 2017, an increase of $27.2 million or 26.5%. Same store sales growth for the quarter was 26.2%. revenue growth was driven primarily by the growth of easyfinancial.

e*asyfinancial* – Revenue for the three-month period ended September 30, 2018 was $95.7 million, an increase of $26.9 million when compared with the same quarter of 2017. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset by the reduction in yield (as previously described). The components of easyfinancial revenue include:

- Interest revenue increased by $21.3 million or 47.5% driven by the loan book growth but offset by lower interest yields. Interest yield declined due to an increased take up of risk adjusted rate loans as well as Quebec lending and secured lending (all of which have reduced interest rates) as well as the increased amortization of deferred loan acquisition costs.
- Commissions earned on the sale of ancillary products and services increased by $5.4 million or 24.2% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products.
- Charges and fees increased by $0.3 million.

easyhome – Revenue for the three-month period ended September 30, 2018 was $34.3 million, an increase of $0.3 million when compared with the same quarter of 2017. Revenue associated with the traditional leasing business declined by $1.6 million in the current quarter related primarily to store sales and the closure of underperforming locations. These declines were offset by a $1.9 million increase in financial revenue (interest and commissions earned) related to consumer lending in easyhome which was introduced in the first quarter of 2017. The components of easyhome revenue include:

- Interest revenue increased by $1.3 million. Consumer lending in easyhome was introduced in the second quarter of 2017.
- Lease revenue declined by $1.4 million due to the reduction of the lease portfolio (as described above).
- Commissions earned on the sale of ancillary products and charges and fees collectively increased by $0.3 million. The increase was due to the growth of consumer lending at easyhome.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $84.0 million for the three-month period ended September 30, 2018, an increase of $17.9 million or 27.2% from the comparable period in 2017. The increase in operating expenses was driven primarily by the higher costs associated with the expanding easyfinancial business (including the impact of the higher rate of loan book growth and the adoption of IFRS 9 on bad debt expense) as well as higher corporate costs. Total operating expenses before depreciation and amortization represented 64.7% of revenue for the third quarter of 2018 compared with 64.3% reported in the same quarter of 2017.

easyfinancial – Total operating expenses before depreciation and amortization were $55.9 million for the third quarter of 2018, an increase of $17.1 million or 44.1% from the same quarter of 2017. Operating expenses, excluding bad debt, increased by $2.8 million or 13.2% in the quarter driven by: i) an additional $0.5 million in advertising and marketing spend to support the growth in originations, ii) higher wages and other costs to operate and manage the growing loan book at existing branches, iii) increased branch count (including new branches in Quebec), and iv) higher branch level incentives (driven by the growth in originations and loan book and significant improvements in delinquency and charge-off rates). Overall branch count increased from 220 as at September 30, 2017 to 238 as at September 30, 2018. Bad debt expense for easyfinancial, increased by $14.4 million in the current period when compared to the same period in 2017 for the reasons described above.

easyhome – Total operating expenses before depreciation and amortization were $17.7 million for the third quarter of 2018, which was $0.1 million lower than the same quarter of 2017. Operating costs declined due to the reduction in store count but were largely offset by higher store level operating expenses related specifically to the addition of consumer lending in easyhome stores including staffing and bad debt expense. Consolidated easyhome store count declined by eight from 142 as at September 30, 2017 to 134 as at September 30, 2018.

Corporate – Total operating expenses before depreciation and amortization were $10.4 million for the third quarter of 2018 compared to $9.5 million in the same quarter of 2017, an increase of $0.9 million. The increase was related to higher salary (additional management personnel) and severance costs. In addition, corporate costs in the third quarter of 2017 benefited from $1.0 million in gains on sale of corporate easyhome stores to franchises whereas the current quarter had no such gains. These increases were offset by a lower accrued bonus expense. Corporate expenses before depreciation and amortization represented 8.0% of total revenue in the third quarter of 2018 compared to 9.3% of total revenue in the same quarter of 2017.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended September 30, 2018 was $13.0 million, an increase of $0.3 million from the same quarter of 2017. Overall, depreciation and amortization represented 10.0% of revenue for the three months ended September 30, 2018, a decrease from the 12.4% reported in the comparable period of 2017.

easyfinancial – The $0.2 million increase in depreciation and amortization within easyfinancial was attributable to its growing network of branches and the amortization of new systems.

easyhome – Depreciation and amortization expense of $10.7 million in the third quarter of 2018 was comparable to the same quarter of 2017. easyhome's depreciation and amortization expense expressed as a percentage of easyhome revenue for the quarter was 31.3%, down slightly from the 31.5% reported in the same quarter of 2017.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended September 30, 2018 was $32.9 million, up $9.0 million or 37.5% when compared with the same quarter of 2017. Operating margin in the quarter was 25.3%, up from 23.3% in the comparable period of 2017. The transition to IFRS 9 in the current quarter served to reduce operating income by $1.9 million as compared to the previous accounting standard.

easyfinancial – Operating income was $37.7 million for the third quarter of 2018 compared with $28.1 million for the comparable period in 2017, an increase of 9.6 million or 34.1%. The benefits of the larger loan book and related revenue increases of $26.9 million were partially offset by: i) the $0.5 million increase in advertising spend; ii) the higher provisions for future charge-offs driven by the strong loan book growth; iii) the adoption of IFRS 9 and the increase in the provision rate in the quarter; and iv) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 39.5% compared with 41.0% reported in the same quarter of 2017.

easyhome – Operating income was $5.9 million for the third quarter of 2018, an increase of $0.3 million when compared with the same quarter of 2017. The adoption of consumer lending in easyhome resulted in higher revenues in the quarter of $0.3 million when compared with the comparable period of 2017. Total expenses were flat with cost reductions related to the lower store count being offset by additional expenses associated with consumer lending (staffing and bad debt expense). Operating margin for the third quarter of 2018 was 17.2%, an increase from the 16.4% reported in the same quarter of 2017.

Finance Costs

Finance costs for the three months ended September 30, 2018 were $12.9 million compared with $7.5 million in the same quarter of 2017. This increase in finance costs was driven by higher average borrowing levels offset somewhat by the reduced cost of borrowing. Total debt as at September 30, 2018 was $664.2 million against debt of $323.6 million as at September 30, 2017.

During the quarter the Company issued US$150 million of notes. The notes bore a coupon rate of 7.875% but were issued at a 105% premium to par which resulted in an attractive Canadian dollar interest rate of 6.17% (excluding the effect of financing charges). The funds will be used to grow the easyfinancial loan book. However, the additional finance costs associated with these notes reduced diluted earnings per share by 14 cents in the quarter.

PTPP Income

Pre-tax pre-provision income ("PTPP income") for the third quarter of 2018 was $52.9 million, an increase of $18.7 million or 54.6% when compared to the same quarter of 2017. The increased revenue associated with the larger consumer loans receivable portfolio more than offset the additional operating costs (excluding bad debt expense) in the quarter when compared to the same quarter of 2017.

Income Tax Expense

The effective income tax rate for the third quarter of 2018 was 28.3% which was lower than the 29.5% reported in the same quarter of 2017. The third quarter of 2017 had certain losses in the Company's U.S. subsidiaries which were not tax deductible.

Net Income and EPS

Net income for the third quarter of 2018 was $14.3 million or $0.97 per share on a diluted basis, an increase of $2.7 million or $0.16 per share when compared to the same quarter of 2017. Net income and diluted earnings per share increased by 23.6% and 19.8%, respectively.

The Company estimates that net income and diluted earnings per share for the third quarter of 2017 would have been $9.3 million and $0.66, respectively, if the allowance for credit losses was determined on the same basis as that employed under IFRS 9 in 2018, rather than under the previous accounting standard, IAS 39. On that basis net income and diluted earnings per share increased by 53.9% and 48.5%, respectively.

Analysis of Results for the Nine Months Ended September 30, 2018

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Nine Months Ended September 30, 2018	September 30, 2017	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**368,031**	294,484	73,547	25.0%
Operating expenses before depreciation and amortization	**244,102**	192,785	51,317	26.6%
EBITDA[1]	**93,785**	70,718	23,067	32.6%
EBITDA margin[1]	**25.5%**	24.0%	150 bps	6.2%
Depreciation and amortization expense	**39,318**	38,756	562	1.5%
Operating income	**84,611**	62,943	21,668	34.4%
Operating margin[1]	**23.0%**	21.4%	160 bps	7.5%
Interest expense and amortization of deferred financing charges	**32,989**	19,868	13,121	66.0%
PTPP income[1]	**136,416**	92,094	44,322	48.1%
Effective income tax rate	**27.9%**	28.6%	(70 bps)	(2.4%)
Net income	**37,237**	30,766	6,471	21.0%
Diluted earnings per share	**2.53**	2.17	0.36	16.7%
Return on equity	**21.6%**	19.6%	200 bps	10.2%
Key Performance Indicators[1]				
Same store revenue growth	**25.0%**	18.7%	630 bps	33.7%
Same store revenue growth excl. easyfinancial	**6.1%**	1.0%	510 bps	510.0%
Segment Financials				
easyfinancial revenue	**265,039**	191,237	73,802	38.6%
easyfinancial operating margin	**37.9%**	38.7%	(800 bps)	(2.1%)
easyhome revenue	**102,992**	103,247	(255)	(0.2%)
easyhome operating margin	**15.9%**	15.5%	40 bps	(2.6%)
Portfolio Indicators				
Gross consumer loans receivable	**749,581**	473,063	276,518	58.5%
Growth in consumer loans receivable	**223,035**	102,546	120,489	117.5%
Gross loan originations	**657,517**	403,111	254,406	63.1%
Bad debt expense as a percentage of Financial Revenue	**31.4%**	25.6%	580 bps	22.7 %
Net charge-offs as a percentage of average gross consumer loans receivable	**12.6%**	13.9%	(130 bps)	(9.4%)
Potential monthly lease revenue	**8,906**	9,226	(320)	(3.5%)
Change in potential monthly lease revenue due to ongoing operations	**(432)**	(448)	16	3.5%

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

Store Locations Summary

	Locations as at December 31, 2017	Locations opened during period	Locations closed during period	Conversions	Locations as at September 30, 2018
easyfinancial					
Kiosks (in store)	42	1	(1)	(3)	**39**
Stand-alone locations	185	10	-	3	**198**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	228	11	(1)	-	**238**
easyhome					
Corporately owned stores	140	-	(6)	(1)	**133**
Consolidated franchise locations	1	-	-	-	**1**
Total consolidated stores	141	-	(6)	(1)	**134**
Total franchise stores	30	-	-	1	**31**
Total easyhome stores	171	-	(6)	-	**165**

Summary of Financial Results by Operating Segment

	Nine Months Ended September 30, 2018			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**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**
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	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
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

Portfolio Performance

Consumer Loans Receivable Portfolio – The gross consumer loans receivable portfolio increased from $473.1 million as at September 30, 2017 to $749.6 million as at September 30, 2018, an increase of $276.5 million or 58.5%. Originations in the nine-month period ended September 30, 2018 were very strong at $657.5 million, up 63.1% against the originations recorded in the same period of 2017. The loan book grew $223.0 million in the current year to date period against growth of $102.5 million in the comparable period of 2017. The strong growth was fueled by the continued net customer growth, the increased origination of unsecured loans including the increased penetration of risk adjusted rate loans to the Company's best credit quality borrowers, the maturation of the Company's retail branch network, the growth of the loan book at the Company's easyhome stores, slowing paydown rates due to longer term loans, ongoing enhancements to the Company's digital properties and an increased level of advertising spend.

The annualized yield realized by the Company on its average consumer loans receivable portfolio decreased by 615bps in the current year to date period when compared to the same period of 2017. The decrease in the yield was due to the increased penetration of risk adjusted interest rate loans to a more credit worthy customer, lower interest rates on secured lending products and loans in Quebec, a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, as well as increased amortization of deferred loan acquisition costs. In addition, yield in the first half of 2017 included a one-time benefit associated with the transition to a new provided of the Company's creditor life insurance product.

Bad debt expense increased to $84.8 million for the nine-month period ended September 30, 2018 from $49.0 million during the comparable period in 2017, an increase of $35.8 million or 73.0%. The following table details the components of bad debt expense:

($ in 000's)	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Provision required due to net charge-offs	**61,880**	43,420
Impact of loan book growth – Historic rate	**14,241**	6,407
Impact of loan book growth – Incremental IFRS 9 rate	**6,659**	-
Impact of change in provision rate during period	**2,014**	(808)
Net change in allowance for credit losses	**22,914**	5,599
Bad debt expense	**84,794**	49,019

Bad debt expense increased by $35.8 million due to four factors:

(i) Net charge-offs increased from $43.4 million in the nine-month period ended September 30, 2017 to $61.9 million in the current year to date period, up $18.5 million. This represented an increase of 42.6% against the 58.5% growth in the loan book over the past 12 months. The net charge-off rate declined markedly in the first nine months of 2018 compared with the same period of 2017. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.6% in the nine-month period ended September 30, 2018 compared with 13.9% in the same period of 2017. The Company achieved an improvement in delinquency rates and loss performance in the current year to date period through the increased penetration of risk adjusted rate and secured loans to more credit worthy customers, as well as strong collection activities.

(ii) The loan book growth increased from $102.5 million in the nine-month period ended September 30, 2017 to $223.0 million in the current year to date period. Excluding the impact of the adoption of IFRS 9 (which served to increase the provision rate), the increased level of loan book growth resulted in a $7.8 million increase in bad debt expense in the current year to date period.

(iii) The implementation of IFRS 9 resulted in the provision taken on loan book growth increasing from 6.0% in 2017 to 9.3% in 2018 (the opening provision rate in the current year to date period). This resulted in an additional $6.7 million increase in bad debt expense in the current year to date period.

(iv) The provision rate, under the old accounting standard, declined in the nine-month period ended September 30, 2017 resulting in a reduction to bad debt expense of $0.8 million in that period. The provision rate increased from 9.3% as at January 1, 2018 to 9.6% as at September 30, 2018. The 30 bps increase in the provision rate from January 1, 2018 to September 30, 2018 increased bad debt expense by $2.0 million in the current year to date period. The relative impact of these changes resulted in bad debt expense increasing by $2.8 million in the current period compared with the same period of 2017. The drivers behind the increase in the provision rate was as previously described.

easyhome Leasing Portfolio – the leasing portfolio as measured by potential monthly lease revenue as at September 30, 2018 was $8.9 million, down from the $9.2 million reported at September 30, 2017 as previously described.

Revenue

Revenue for the nine-month period ended September 30, 2018 was $368.0 million compared to $294.5 million in the same period in 2017, an increase of $73.5 million or 25.0%. Same store sales growth for the nine-month period was 25.0%. Revenue growth was driven primarily by the growth of easyfinancial.

e*asyfinancial* – Revenue for the nine-month period ended September 30, 2018 was $265.0 million, an increase of $73.8 million or 38.6% from the comparable period of 2017. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset by the reduction in yield (as described above). The components of easyfinancial revenue include:

- Interest revenue increased by $55.1 million or 44.6% driven by the loan book growth but offset by lower yields. Interest yield declined due to an increased take up of risk adjusted rate loans as well as Quebec lending and secured lending (all of which have reduced interest rates) as well as the increased amortization of deferred loan acquisition costs.
- Commissions earned on the sale of ancillary products and services increased by $17.8 million or 28.3% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products.
- Charges and fees increased by $0.8 million.

easyhome – Revenue for the nine-month period ended September 30, 2018 was $103.0 million, a decrease of $0.3 million when compared with the comparable period in 2017. Revenue associated with the traditional leasing business declined by $4.8 million in the current year to date period related primarily to store sales and the closure of underperforming locations. These declines were offset by a $4.5 million increase in financial revenue (interest and commissions earned) related to consumer lending in easyhome which was introduced in the first quarter of 2017. The components of easyhome revenue include:

- Interest revenue increased by $3.1 million. Consumer lending in easyhome was introduced in the second quarter of 2017.
- Lease revenue declined by $4.0 million due to the reduction of the lease portfolio (as described above).
- Commissions earned on the sale of ancillary products and charges and fees collectively increased by $0.7 million. Gains in these revenue categories relating to the consumer lending business more than offset the declines related to the traditional leasing business.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $244.1 million for the nine-month period ended September 30, 2018, an increase of $51.3 million or 26.6% from the comparable period in 2017. The increase in operating expenses was driven primarily by the higher costs associated with the expanding easyfinancial business (including the impact of the higher rate of loan book growth and the adoption of IFRS 9 on bad debt expense) as well as higher corporate costs. Total operating expenses before depreciation and amortization represented 66.3% of revenue for the nine-month period ended September 30, 2018, an increase from the 65.5% reported in the comparable period of 2017.

easyfinancial – Total operating expenses before depreciation and amortization were $158.1 million for the nine-month period ended September 30, 2018, an increase of $46.1 million or 41.2% from the comparable period of 2017. Operating expenses, excluding bad debt, increased by $12.2 million or 19.8% in the nine-month period ended September 30, 2018 driven by: i) an additional $1.7 million in advertising and marketing spend to support the strong growth in originations, ii) higher wages and other costs to operate and manage the growing loan book at existing branches, iii) increased branch count (including new branches in Quebec), and iv) higher branch level incentives (driven by the large growth in originations and the loan book and significant improvements in delinquency and charge-off rates). Overall branch count increased from 220 as at September 30, 2017 to 238 as at September 30, 2018. Bad debt expense for easyfinancial, increased by $33.9 million in the current period when compared to the same period in 2017 for the reasons described above.

easyhome – Total operating expenses before depreciation and amortization were $54.7 million for the nine-month period ended September 30, 2018, which was up $0.4 million when compared to the same period of 2017. The increase was primarily related to the incremental costs associated with consumer lending in easyhome stores but was partially offset by the reduced store count and lower advertising spend. Consolidated easyhome store count declined by eight from 142 as at September 30, 2017 to 134 as at September 30, 2018.

Corporate – Total operating expenses before depreciation and amortization were $31.3 million for the nine-month period ended September 30, 2018 compared to $26.4 million in the comparable period of 2017, an increase of $4.9 million. The increase was primarily related to higher salary and stock-based compensation expense (additional management personnel) in the nine-month period ended September 30, 2018. In addition, corporate costs in the 2017 year to date period benefited from $1.9 million in gains on sale of corporate easyhome stores to franchises. In contrast the current year to date period only had $0.7 million in such gains. Corporate expenses before depreciation and amortization represented 8.5% of total revenue for the nine-month period ended September 30, 2018 compared to 9.0% in the comparable period of 2017.

Depreciation and Amortization

Depreciation and amortization for the nine-month period ended September 30, 2018 was $39.3 million, an increase of $0.6 million from the comparable period in 2017. Overall, depreciation and amortization represented 10.7% of revenue for the nine-month period ended September 30, 2018, a decrease from the 13.2% reported in the comparable period of 2017.

easyfinancial – The $1.2 million increase in depreciation and amortization within easyfinancial was attributable to its growing network of branches and the amortization of new systems.

easyhome – Depreciation and amortization expense declined by $1.0 million in the nine-month period ended September 30, 2018 compared with the same period of 2017 due to reductions in the lease portfolio and lower charge-offs. easyhome's depreciation and amortization expense expressed as a percentage of easyhome revenue for the nine-month period ended September 30, 2018 was 30.9%, a decrease from the 31.8% reported in the comparable period of 2017.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the nine-month period ended September 30, 2018 was $84.6 million, up $21.7 million or 34.4% when compared with the comparable period in 2017. Operating margin for the nine-month period ended September 30, 2018 was 23.0%, compared to 21.4% for the same period of 2017. The transition to IFRS 9 in the current year to date period served to reduce operating income by $6.7 million as compared to the previous accounting standard.

easyfinancial – Operating income was $100.6 million for the nine-month period ended September 30, 2018 compared with $74.0 million for the comparable period in 2017, an increase of $26.6 million or 35.8%. The benefits of the larger loan book and related revenue increases of $73.8 million were partially offset by i) the higher provisions for future charge-offs driven by the strong loan book growth; ii) the adoption of IFRS 9; iii) the $1.7 million increase in advertising spend; and iv) and incremental expenditures to enhance the product offering and expand the easyfinancial footprint. Operating margin was 37.9% in the current year to date period compared with 38.7% reported in the same period of 2017.

easyhome – Operating income was $16.4 million for the nine-month period ended September 30, 2018, an increase of $0.4 million when compared with the same period of 2017. Revenue declined slightly by $0.2 million with lower leasing revenue almost being offset by rising revenue associated with lending activities. Totals expenses were down by $0.6 million due primarily to the reduced store and lower advertising spend. Operating margin for the nine-month period ended September 30, 2018 was 15.9%, an increase from the 15.5% reported in the same period of 2017.

Finance Costs

Finance costs for the nine-month period ended September 30, 2018 were $33.0 million compared with $19.9 million in the comparable period of 2017. This increase in finance costs was driven by higher average borrowing levels offset somewhat by the reduced cost of borrowing. Total debt as at September 30, 2018 was $664.2 million against debt of $323.6 million as at September 30, 2017.

During the quarter the Company issued US$150 million of notes. The notes bore a coupon rate of 7.875% but were issued at a 105% premium to par which resulted in an attractive Canadian dollar interest rate of 6.17% (excluding the effect of financing charges). The funds will be used to grow the easyfinancial loan book. However, the additional finance costs associated with these notes reduced diluted earnings per share by 14 cents in the current year to date period.

PTPP Income

Pre-tax pre-provision income ("PTPP income") for the nine-month period ended September 30, 2018 was $136.4 million, an increase of $44.3 million or 48.1% when compared to the same period in 2017. The increased revenue in the nine-month period ended September 30, 2018 associated with the larger consumer loans receivable portfolio more than offset the additional operating costs (excluding bad debt expense).

Income Tax Expense

The effective income tax rate for the nine-month period ended September 30, 2018 was 27.9% which was lower than the 28.6% reported in the same period of 2017. The year to date period of 2017 had certain losses in the Company's U.S. subsidiaries which were not tax deductible.

Net Income and EPS

Net income for the nine-month period ended September 30, 2018 was $37.2 million or $2.53 per share on a diluted basis, an increase of $6.5 million or $0.36 per share when compared to the same period of 2017. Net income and diluted earnings per share increased by 21.0% and 16.7%, respectively.

The Company estimates that net income and diluted earnings per share for the nine-month period ended September 30, 2017 would have been $25.6 million and $1.82, respectively, if the allowance for credit losses was determined on the same basis as that employed under IFRS 9 in 2018, rather than under the previous accounting standard, IAS 39. On that basis, net income and diluted earnings per share increased by 45.4% and 39.0%, respectively.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	**September 2018**	**June 2018**	March 2018	December 2017[2]	September 2017[2]	June 2017[2]	March 2017[2]	December 2016[2]	September 2016[2]
Gross consumer loans receivable	**749.6**	686.6	601.7	526.5	473.1	425.3	387.1	370.5	343.7
Revenue	**129.9**	123.3	114.8	107.2	102.7	97.5	94.2	91.1	87.6
Net income	**14.3**	11.8	11.1	5.4	11.6	8.9	10.3	8.3	4.9
Return on equity	**23.8%**	20.9%	19.8%	9.5%	21.3%	18.8%	20.6%	17.4%	10.5%
Net income as a percentage of revenue	**11.0%**	9.6%	9.7%	4.9%	11.3%	9.1%	10.9%	9.1%	5.6%
Earnings per share[1]									
Basic	**1.03**	0.86	0.81	0.39	0.86	0.66	0.76	0.62	0.37
Diluted	**0.97**	0.82	0.77	0.38	0.81	0.63	0.73	0.60	0.36

[1]Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of stock issued or repurchased during the year on the basic weighted average number of common shares outstanding together with the effects of rounding.
[2]Prepared under IAS 39 rather than IFRS 9.

Key financial measures for each of the last nine quarters are summarized in the table above and include the gross consumer loans receivable portfolio, revenue, profitability and return on equity over this timeframe. Revenue growth over this time frame was primarily related to the growth of the gross consumer loans receivable portfolio. Net income increased, with the impact of higher revenue being partially offset by increased operating expenses and financing costs.

Portfolio Analysis

The Company generates its revenue from a portfolio of consumer loans receivable and lease agreements that are originated with its customers. To a large extent, the business results for a period are determined by the performance of these portfolios, and the make-up of the portfolios at the end of a period are an important indicator of future business results.

The Company measures the performance of its portfolios during a period and their make-up at the end of a period using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Consumer Loans Receivable Portfolio

Loan Originations and Net Principal Written

Gross loan originations is the value of all consumer loans receivable advanced to the Company's customers during the period where new credit underwritings have been performed. Included in gross loan originations are loans to new customers and new loans to existing customers, a portion of which is applied to eliminate their prior borrowings. When the Company extends additional credit to an existing customer, a full credit underwriting is performed using up-to-date information. Additionally, the loan repayment history of that customer throughout their relationship with the Company is considered in the credit decision. As a result, the quality of the credit decision is improved and has historically resulted in better performance. No additional credit is extended to a customer whose loan is delinquent.

Net principal written details the Company's gross loan originations during a period, excluding that portion of the originations that has been used to eliminate the prior borrowings.

The gross loan originations and net principal written during the period were as follows:

	Three Months Ended		Nine Months Ended	
($ in 000's)	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Loan originations to new customers	**97,565**	72,239	**295,082**	176,048
Loan originations to existing customers	**123,774**	85,349	**362,434**	227,063
Less: Proceeds applied to repay existing loans	**(65,686)**	(44,733)	**(181,040)**	(118,341)
Net advance to existing customers	**58,088**	40,616	**181,394**	108,722
Net principal written	**155,653**	112,855	**476,476**	284,770

Gross Consumer Loans Receivable

The measure that the Company uses to describe the size of its easyfinancial portfolio is gross consumer loans receivable. Gross consumer loans receivable reflects the period-end balance of the portfolio before provisioning for potential future charge-offs. Growth in gross consumer loans receivable is driven by several factors including an increased number of customers and an increased loan value per customer. The changes in the gross consumer loans receivable portfolio during the periods were as follows:

	Three Months Ended		Nine Months Ended	
($ in 000's)	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Opening gross consumer loans receivable	**686,573**	425,324	**526,546**	370,517
Gross loan originations	**221,340**	157,589	**657,517**	403,111
Gross principal payments and other adjustments	**(132,579)**	(93,290)	**(365,904)**	(252,868)
Gross charge-offs before recoveries	**(25,753)**	(16,560)	**(68,578)**	(47,697)
Net growth in gross consumer loans receivable during the period	**63,008**	47,739	**223,035**	102,546
Ending gross consumer loans receivable	**749,581**	473,063	**749,581**	473,063

The scheduled principal repayment aging analysis of gross consumer loans receivable portfolio as at September 30, 2018 is as follows:

($ in 000's except percentages)	**$**	**% of total Loans**
0 – 6 months	**124,818**	**16.7%**
6 – 12 months	**98,155**	**13.1%**
12 – 24 months	**205,468**	**27.4%**
24 – 36 months	**186,463**	**24.9%**
36 – 48 months	**90,519**	**12.1%**
48 – 60 months	**22,371**	**3.0%**
60 months+	**21,787**	**2.8%**
Gross consumer loans receivable	**749,581**	**100.0%**

A breakdown of the gross consumer loans receivable portfolio categorized by the contractual time to maturity is as follows:

($ in 000's except percentages)	September 30, 2018		September 30, 2017	
	$	% of total	$	% of total
0 – 1 year	**33,918**	**4.5%**	34,527	7.3%
1 – 2 years	**103,987**	**13.9%**	91,927	19.4%
2 – 3 years	**244,429**	**32.6%**	169,839	35.9%
3 – 4 years	**243,904**	**32.5%**	130,220	27.5%
4 – 5 years	**82,721**	**11.0%**	46,498	9.8%
5 years +	**40,622**	**5.5%**	52	0.1%
Gross consumer loans receivable	**749,581**	**100.0%**	473,063	100.0%

Loans are originated and serviced by both the easyfinancial and easyhome business units. A breakdown of the gross consumer loans receivable portfolio between these segments is as follows:

($ in 000's except percentages)	September 30, 2018		September 30, 2017	
	$	% of total	$	% of total
Gross consumer loans receivable, easyfinancial	**732,389**	**97.7%**	470,152	99.4%
Gross consumer loans receivable, easyhome	**17,192**	**2.3%**	2,911	0.6%
Gross consumer loans receivable	**749,581**	**100.0%**	473,063	100.0%

Financial Revenue and Net Financial Income

Financial revenue is generated by both the easyfinancial and easyhome segments. Financial revenue includes interest and various other ancillary fees generated by the Company's gross consumer loans receivable portfolio. Net financial income details the profitability of the Company's gross consumer loans receivable portfolio before any costs to originate or administer. Net financial income is calculated by deducting finance costs and bad debt expense from financial revenue. Net financial income is impacted by the size of the gross consumer loans receivable portfolio, the portfolio yield, the amount and cost of the Company's debt, the Company's leverage ratio and the bad debt expense experienced in the period.

($ in 000's)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Financial revenue, easyfinancial	**95,658**	68,711	**265,039**	191,237
Financial revenue, easyhome	**2,193**	320	**4,886**	421
Financial revenue	**97,851**	69,031	**269,925**	191,658
Less: Finance costs	**(12,894)**	(7,465)	**(32,989)**	(19,868)
Less: Bad debt expense	**(32,867)**	(17,729)	**(84,794)**	(49,019)
Net Financial Income	**52,090**	43,837	**152,142**	122,771

Net Charge-Offs

In addition to loan originations, the consumer loans receivable portfolio during a period is impacted by charge-offs of delinquent customers. Unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged-off. In addition, customer loan balances are charged-off upon notification that the customer is bankrupt. Subsequent collections of previously charged-off accounts are netted with gross charge-offs during a period to arrive at net charge-offs.

Average gross consumer loans receivable has been calculated based on the average of the month-end loan balances for the indicated period. This metric is a measure of the collection performance of the easyfinancial consumer loans receivable portfolio. For interim periods, the rate is annualized.

	Three Months Ended		**Nine Months Ended**	
($ in 000's except percentages)	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Net charge-offs	**23,557**	15,029	**61,880**	43,420
Average gross consumer loans receivable	**731,072**	459,219	**656,180**	417,128
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**12.9%**	13.1%	**12.6%**	13.9%

Allowance for Credit Losses

The allowance for expected credit losses is a provision that is reported on the Company's balance sheet that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for expected credit losses provides for credit losses that are expected to transpire in future periods and is calculated in accordance with IFRS 9 as previously described. Customer loans for which we have received a notification of bankruptcy, unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged-off against the allowance for loan losses.

	Three Months Ended		**Nine Months Ended**	
($ in 000's except percentages)	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Allowance for credit losses, beginning of period	**62,716**	26,355	**49,112**	23,456
Net charge-offs written off against the allowance	**(23,557)**	(15,029)	**(61,880)**	(43,420)
Bad debt expense	**32,867**	17,729	**84,794**	49,019
Allowance for credit losses, end of period	**72,026**	29,055	**72,026**	29,055
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**9.6%**	6.1%	**9.6%**	6.1%

IFRS 9 requires that forward-looking indicators ("FLIs") be considered when determining the allowance for credit losses. The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices were negatively correlated with the Company's historic loss rates. For purposes of determining its allowance for loan losses at each balance sheet date, the Company has decided to utilize the forecasts of these FLIs from five large Canadian banks. The impact on the allowance for credit losses as a percentage of ending gross consumer loans receivable should each of these FLIs increase (or decrease) by 10%, as at September 30, 2018 is as follows:.

	Change in FLIs	**Impact on allowance for credit losses as a percentage of the ending gross consumer loans receivable**
Rate of unemployment	**+/- 10%**	**+/- 46 bps**
Rate of inflation	**+/- 10%**	**+/- 15 bps**
Oil prices	**+/- 10%**	**-/+ 33 bps**

Bad Debt Expense (Provision for Credit Losses)

The Company's bad debt expense is the amount that its allowance for future credit losses must be increased, after considering net-charge offs, such that the balance of the allowance for credit losses at each statement of financial position date is appropriate under IFRS 9. As such, in periods where the Company grows its gross consumer loans receivable portfolio bad debt expense will tend to increase. An analysis of the Company's bad debt expense for the periods was as follows:

	Three Months Ended		**Nine Months Ended**	
($ in 000's except percentages)	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Bad debt expense	**32,867**	17,729	**84,794**	49,019
Financial revenue	**97,851**	69,031	**269,925**	191,658
Bad debt expense as a percentage of Financial Revenue	**33.6%**	25.7%	**31.4%**	25.6%

Aging of the Consumer Loans Receivable Portfolio

An aging analysis of the consumer loans receivable portfolio at the end of the periods was as follows:

($ in 000's except percentages)	September 30, 2018		September 30, 2017	
	$	**% of total**	**$**	**% of total**
Current	**716,163**	**95.5%**	452,478	95.6%
Days past due				
1 - 30 days	**19,531**	**2.6%**	11,613	2.5%
31 - 44 days	**3,914**	**0.5%**	2,834	0.6%
45 - 60 days	**4,081**	**0.5%**	2,372	0.5%
61 - 90 days	**5,839**	**0.9%**	3,718	0.8%
91 – 180 days	**53**	**0.0%**	48	0.0%
	33,418	**4.5%**	20,585	4.4%
Gross consumer loans receivable	**749,581**	**100.0%**	473,063	100.0%

A large portion of the Company's consumer loans receivable portfolio operates on a bi-weekly rather than monthly repayment cycle. As such, the aging analysis between different fiscal periods may not be comparable depending upon the day of the week on which the fiscal period ends. An alternate aging analysis prepared as of the last Saturday of the fiscal periods often presents a more relevant comparison.

An aging analysis of the consumer loans receivable portfolio as of the last Saturday of the periods was as follows:

	Saturday, Sep. 29, 2018	Saturday, Sep. 30, 2017
	% of total	**% of total**
Current	**95.6%**	95.6%
Days past due		
1 - 30 days	**2.6%**	2.5%
31 - 44 days	**0.5%**	0.6%
45 - 60 days	**0.5%**	0.5%
61 - 90 days	**0.8%**	0.8%
91 – 180 days	**0.0%**	0.0%
	4.4%	4.4%
Gross consumer loans receivable	**100.0%**	100.0%

Consumer Loans Receivable Portfolio by Geography

At the end of the periods, the Company's consumer loans receivable portfolio was allocated among the following geographic regions:

	September 30, 2018		September 30, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**31,149**	**4.2%**	22,633	4.8%
Nova Scotia	**46,484**	**6.2%**	33,028	7.0%
Prince Edward Island	**8,259**	**1.1%**	6,007	1.3%
New Brunswick	**37,890**	**5.1%**	26,135	5.5%
Quebec	**35,627**	**4.8%**	16,193	3.4%
Ontario	**327,687**	**43.7%**	204,117	43.2%
Manitoba	**32,673**	**4.4%**	19,943	4.2%
Saskatchewan	**38,572**	**5.1%**	24,491	5.2%
Alberta	**99,118**	**13.2%**	61,199	12.9%
British Columbia	**83,408**	**11.1%**	53,680	11.3%
Territories	**8,714**	**1.1%**	5,637	1.2%
Gross consumer loans receivable	**749,581**	**100.0%**	473,063	100.0%

Consumer Loans Receivable Portfolio by Loan Type

At the end of the periods, the Company's consumer loans receivable portfolio was allocated among the following loan types:

	September 30, 2018		September 30, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Unsecured Instalment Loans	**709,062**	**94.6%**	473,063	100.0%
Secured Instalment Loans	**40,519**	**5.4%**	-	-
Gross consumer loans receivable	**749,581**	**100.0%**	473,063	100.0%

Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio through potential monthly lease revenue. Potential monthly lease revenue reflects the lease revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments contractually due in that period but excludes revenue generated by certain ancillary products. Potential monthly leasing revenue is an important indicator of the future revenue generating potential of the Company's lease portfolio. Potential monthly leasing revenue is calculated as the number of lease agreements outstanding multiplied by the average required monthly lease payment per agreement. Growth in potential monthly lease revenue is driven by several factors including an increased number of customers, an increased number of leased assets per customer as well as an increase in the average price of the leased items.

The change in the potential monthly lease revenue during the periods was as follows:

($ in 000's)	Three Months Ended		Nine Months Ended	
	September 30, 2018	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Opening potential monthly lease revenue	**8,973**	9,419	**9,481**	9,886
Change due to store opening or acquisitions during the period	**80**	43	**131**	43
Decrease due to store closures or sales during the period	**(79)**	(126)	**(274)**	(255)
Increase/(decrease) due to ongoing operations	**(68)**	(110)	**(432)**	(448)
Net change	**(67)**	(193)	**(575)**	(660)
Ending potential monthly lease revenue	**8,906**	9,226	**8,906**	9,226

Potential monthly lease revenue is calculated as follows:

	September 30, 2018	**September 30, 2017**
Total number of lease agreements	**95,880**	103,257
Multiplied by the average required monthly lease payment per agreement	**92.89**	89.35
Potential monthly lease revenue ($ in 000's)	**8,906**	9,226

Leasing Portfolio by Product Category

At the end of the periods, the Company's leasing portfolio as measured by potential monthly lease revenue was allocated among the following product categories:

($ in 000's)	**September 30, 2018**	**September 30, 2017**
Furniture	**4,084**	4,146
Electronics	**2,757**	2,878
Computers	**1,019**	1,106
Appliances	**1,046**	1,096
Potential monthly lease revenue	**8,906**	9,226

Leasing Portfolio by Geography

At the end of the periods, the Company's leasing portfolio as measured by potential monthly lease revenue was allocated among the following geographic regions:

($ in 000's except percentages)	September 30, 2018		September 30, 2017	
	$	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**710**	**8.0%**	804	8.7%
Nova Scotia	**774**	**8.7%**	795	8.6%
Prince Edward Island	**141**	**1.6%**	161	1.7%
New Brunswick	**646**	**7.3%**	678	7.4%
Quebec	**546**	**6.1%**	576	6.2%
Ontario	**3,113**	**35.0%**	3,170	34.4%
Manitoba	**242**	**2.7%**	243	2.6%
Saskatchewan	**392**	**4.4%**	439	4.8%
Alberta	**1,308**	**14.7%**	1,318	14.3%
British Columbia	**941**	**10.6%**	959	10.4%
USA	**93**	**0.9%**	83	0.9%
Potential monthly lease revenue	**8,906**	**100.0%**	9,226	100.0%

Leasing Charge-Offs

When easyhome enters into a leasing transaction with a customer, a sale is not recorded as the Company retains ownership of the related asset under the lease. Instead, the Company recognizes its leasing revenue over the term of the lease as payments are received from the customer. Periodically, the lease agreement is terminated by the customer or by the Company prior to the anticipated end date of the lease and the assets are returned by the customer to the Company. In some instances, the Company is unable to regain possession of the assets which are then charged-off. Net charge-offs (charge-offs less subsequent recoveries of previously charged-off assets) are included in the depreciation of lease assets expense for financial reporting purposes. easyhome leasing revenue is defined as the total revenue generated by the Company's easyhome business less the financial revenue generated by easyhome.

($ in 000's except percentages)	Three Months Ended		Nine Months Ended	
	September 30, 2018	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Net charge-offs	**1,196**	1,141	**3,134**	3,028
easyhome Leasing revenue	**32,060**	33,662	**98,106**	102,826
Net charge-offs as a percentage of easyhome leasing revenue	**3.7%**	3.4%	**3.2%**	2.9%

Key Performance Indicators and Non-IFRS Measures

In addition to the reported financial results under IFRS and the metrics described in the Portfolio Analysis section of this MD&A, the Company also measures the success of its strategy using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Several non-IFRS measures that are used throughout this discussion are defined as follows:

Same Store Revenue Growth

Same store revenue growth measures the revenue growth for all stores that have been open for a minimum of 15 months. To calculate same store revenue growth for a period, the revenue for that period is compared to the same period in the prior year. Same store revenue growth is influenced by both the Company's product offerings as well as the number of stores which have been open for a 12-36 month time frame, as these stores tend to be in the strongest period of growth at this time.

	Three Months Ended		**Nine Months Ended**	
	September 30, 2018	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Same store revenue growth	**26.2%**	21.3%	**25.0%**	18.7%
Same store revenue growth excluding easyfinancial	**6.2%**	3.0%	**6.1%**	1.0%

Operating Expenses Before Depreciation and Amortization

The Company defines operating expenses before depreciation and amortization as total operating expenses excluding depreciation and amortization expenses for the period. The Company believes that operating expenses before depreciation and amortization is an important measure of the efficiency of its operations.

	Three Months Ended		**Nine Months Ended**	
($ in 000's except percentages)	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Operating expenses before depreciation and amortization	**83,988**	66,053	**244,102**	192,785
Divided by revenue	**129,911**	102,693	**368,031**	294,484
Operating expenses before depreciation and amortization as % of revenue	**64.7%**	64.3%	**66.3%**	65.5%

Operating Margin

The Company defines operating margin as operating income divided by revenue for the Company as a whole and for its operating segments: easyhome and easyfinancial. The Company believes operating margin is an important measure of the profitability of its operations, which in turn assists it in assessing the Company's ability to generate cash to pay interest on its debt and to pay dividends.

	Three Months Ended		Nine Months Ended	
($ in 000's except percentages)	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
easyfinancial				
Operating income	**37,748**	28,140	**100,565**	74,040
Divided by revenue	**95,658**	68,711	**265,039**	191,237
easyfinancial operating margin	**39.5%**	41.0%	**37.9%**	38.7%
easyhome				
Operating income	**5,881**	5,564	**16,393**	16,018
Divided by revenue	**34,253**	33,982	**102,992**	103,247
easyhome operating margin	**17.2%**	16.4%	**15.9%**	15.5%
Total				
Operating income	**32,885**	23,924	**84,611**	62,943
Divided by revenue	**129,911**	102,693	**368,031**	294,484
Total operating margin	**25.3%**	23.3%	**23.0%**	21.4%

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and EBITDA Margin

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization, excluding depreciation of leased assets. The Company uses EBITDA, among other measures, to assess the operating performance of its ongoing businesses. EBITDA margin is calculated as EBITDA divided by revenue.

	Three Months Ended		Nine Months Ended	
($ in 000's except percentages)	**September 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Net income	**14,342**	11,606	**37,237**	30,766
Finance costs	**12,894**	7,465	**32,989**	19,868
Income tax expense	**5,649**	4,853	**14,385**	12,309
Depreciation and amortization, excluding depreciation of lease assets	**2,947**	2,677	**9,174**	7,775
EBITDA	**35,832**	26,601	**93,785**	70,718
Divided by revenue	**129,911**	102,693	**368,031**	294,484
EBITDA margin	**27.6%**	25.9%	**25.5%**	24.0%

Pre-Tax, Pre-Provision Income ("PTPP Income")

The Company defines PTPP Income as earnings before taxes and bad debt expense (provision for credit losses). The Company uses PTPP, among other measures, to assess the operating performance of its ongoing businesses excluding the impact of bad debt expense (provision for credit losses) which could be volatile and reduce the comparability of results between periods due to the incorporation of FLIs.

($ in 000's except percentages)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income	**14,342**	11,606	**37,237**	30,766
Income tax expense	**5,649**	4,853	**14,385**	12,309
Bad debt expense	**32,867**	17,729	**84,794**	49,019
PTPP Income	**52,858**	34,188	**136,416**	92,094

Return on Equity

The Company defines return on equity as annualized net income in the period divided by average shareholders' equity for the period. The Company believes return on equity is an important measure of how shareholders' invested capital is utilized in the business.

($ in 000's except periods and percentages)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income	**14,342**	11,606	**37,237**	30,766
Multiplied by number of periods in year	**X 4/1**	X 4/1	**X 4/3**	X 4/3
Divided by average shareholders' equity for the period	**241,375**	217,972	**229,608**	208,885
Return on equity	**23.8%**	21.3%	**21.6%**	19.6%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at September 30, 2018 and September 30, 2017.

($ in 000's, except for ratios)	September 30, 2018	September 30, 2017
Consumer loans receivable, net	**703,461**	458,914
Cash	**141,450**	22,368
Lease assets	**49,602**	50,900
Property and equipment	**19,934**	15,917
Intangible assets	**14,602**	16,034
Goodwill	**21,310**	21,310
Other assets	**34,812**	19,653
Total assets	**985,171**	605,096
External debt	**664,174**	323,551
Derivative financial instruments	**10,692**	-
Other liabilities	**58,986**	57,459
Total liabilities	**733,852**	381,010
Shareholders' equity	**251,319**	224,086
Total capitalization (external debt plus total shareholders' equity)	**915,493**	547,637
External debt to shareholders' equity	**2.64**	1.44
External debt to total capitalization	**0.73**	0.59
Net external debt to net capitalization [2]	**0.68**	0.57
External debt to Adjusted EBITDA [1]	**5.55**	4.57

[1] Adjusted EBITDA excludes the impact of non-recurring or unusual items.

[2] Net external debt is calculated as external debt less cash. Net external debt to net capitalization is net external debt divided by the sum of net external debt and shareholders' equity.

Total assets were $985.2 million as at September 30, 2018, an increase of $380.1 million or 62.8% compared to September 30, 2017. The growth in total assets was driven primarily by: i) the increased size of the consumer loans receivable portfolio (net of allowance) which increased by $244.5 million over the past 12 months; and ii) a $119.1 million increase in cash (cash balances were elevated as at September 30, 2018 due to the issuance of US$150 million in senior unsecured notes payable ("notes") in the quarter.

The $380.1 million growth in total assets was primarily financed by: i) a $340.6 million increase in external debt (principally the issuance of US$475 million in Notes offset by the $280.0 million repayment in the fourth quarter of 2017 of the previous credit facilities); and ii) a $27.2 million increase in total shareholder's equity. While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of easyfinancial.

goeasy funds its business through a combination of equity and debt instruments. goeasy'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.

At September 30, 2018, the Company's external debt consisted of USD$475 million notes and $44.1 million of Convertible Debentures with net carrying values of $624.5 million and $39.6 million, respectively. As at September 30, 2018 the Company did not have a balance owing under its revolving credit facility. The maximum principal amount available to be borrowed under the revolving credit facility as at September 30, 2018 was $174.5 million.

Borrowings under the Notes bore a US$ coupon rate of 7.875%. Through a currency swap agreement arranged concurrent with the offering of the USD$325 million Notes in November 2017, the company fixed the foreign exchange rate for the proceeds from the offering and for all required payments of principal and interest under these Notes, effectively hedging the obligation at $418.9 million with a Canadian dollar interest rate of 7.84%. Concurrent with the offering of an additional US$150 million in Notes in July 2018, the company fixed the foreign exchange rate for the proceeds from the offering and for all required payments of principal and interest under these Notes, effectively hedging the obligation at $197.5 million. These notes were issued at premium to par resulting in an interest rate excluding the effect of financing charges of 6.17%. All Notes are due on November 1, 2022.

Borrowings under the Convertible Debenture bore interest at 5.75% while borrowings under the revolving credit facility bore interest at the Canadian Bankers' Acceptance rate plus 450 bps or lender's prime rate plus 350 bps, at the option of the Company. The Convertible Debentures mature on July 31, 2022, and are convertible at the holder's option into common shares of the Company at a conversion price of $44.00 per share. As at September 30, 2018, $8.9 million of convertible debentures had converted into 203,000 common shares.

On October 10, 2018, the Company closed its offering of 920,000 common shares (including 120,000 common shares issued pursuant to the exercise in full by the syndicate of underwriters of the over-allotment option granted by the Company), at a price of $50.50 per common share for aggregate net proceeds of $44.3 million. The Company intends to use the proceeds to support the growth of the Company's consumer loan portfolio.

Liquidity and Capital Resources

Summary of Cash Flow Components

($ in 000's)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash provided by operating activities before the net issuance of consumer loans receivable and purchase of lease assets	**77,335**	54,953	**170,020**	129,632
Net issuance of consumer loans receivable	**(90,030)**	(66,999)	**(292,238)**	(153,434)
Purchase of lease assets	**(8,602)**	(8,386)	**(25,952)**	(27,949)
Cash used in operating activities	**(21,297)**	(20,432)	**(148,170)**	(51,751)
Cash used in investing activities	**(6,740)**	(2,170)	**(11,519)**	(6,161)
Cash provided by financing activities	**150,244**	142	**191,769**	55,352
Net increase (decrease) in cash for the period	**122,207**	(22,460)	**32,080**	(2,560)

The Company provides loans to cash and credit constrained borrowers. The Company obtains capital which is treated as cash flows from financing activities and then advances funds to borrowers as loans which are treated as cash used in operating activities. When borrowers make loan payments this generates cash flow from operating activities and income over time. As such when the Company is growing its portfolio of consumer loans it will tend to use cash in operating activities.

Cash used in operating activities for the three-month period ended September 30, 2018 was $21.3 million; relatively consistent with the $20.4 million in the same period of 2017. While an additional $23.0 million was used in net issuance of consumer loans receivable, this was offset by higher net income, non-cash charges such as bad debt expense and favourable movements in working capital.

Included in cash used in operating activities for the three-month period ended September 30, 2018 were: i) a net investment of $90.0 million to increase the easyfinancial consumer loans receivable portfolio; and ii) the purchase of lease assets of $8.6 million. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $77.3 million for the three months ended September 30, 2018, increased from $55.0 million in the same period of 2017. The increase is due to the higher level of net income, higher non-cash expenses in the current period (such as bad debt expense) and favourable movements in working capital.

During the third quarter of 2018, the Company generated $150.2 million in cash flow from financing activities. During the quarter the company issued US$150 million in notes which generated net proceed of $203.3 million. This inflow was offset by the $50.0 million net repayment of balances outstanding under the company's revolving credit facility and the payment of $3.1 million in dividends.

During the current quarter the Company invested $6.7 million related to the purchase of property and equipment and intangible assets. Cash used in investing activities in the third quarter of 2017 was $2.2 million. The additional spend was related in part to the expansion of the Company's head office facility.

Cash used in operating activities during the nine-month period ended September 30, 2018 was $148.2 million as compared to $51.8 million in the same period of 2017. The increase in cash used in operating activities in the current year to date period was due primarily to the net issuance of consumer loans receivable but partially offset by higher net income and increased non-cash expenses such as bad debt expense.

Included in cash used in operating activities for the nine-month period ended September 30, 2018 were: i) a net investment of $292.2 million to increase the easyfinancial consumer loans receivable portfolio and ii) the purchase of lease assets of $26.0 million. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $170.0 million for the nine-month period ended September 30, 2018, up from $129.6 million in the same period of 2017. The increase was due to higher levels of net income and higher non-cash expenses such as bad debt expense.

During the nine-month period ended September 30, 2018, the Company generated $191.8 million in cash flow from financing activities. As mentioned the Company issued notes which generated net proceeds of $203.3 million. This was partially offset by the payment of $8.6 million in dividends during the year to date period.

Cash used in investing activities in the current year to date period was $11.5 million. This related to $12.8 million of investments in property and equipment and intangible assets (software) offset by $1.2 million in proceeds on the sale of assets during the period. Cash used in investing activities in the comparable period of 2017 was $6.1 million. The increase in cash used in investing activities was related in part to the Company's head office redesign project.

The Company believes that the cash on hand, additional borrowing capacity under the Company's revolving credit facility, the issuance of US$150.0 million in Notes in July 2018 and the issuance of equity subsequent to the end of the current quarter which generated net proceeds of $44.3 million will be sufficient to meet operational requirements, purchase lease assets, meet capital spending requirements, pay dividends and will allow the Company to achieve its targets for the growth of its consumer loans receivable portfolio through to the third quarter 2020.

Outstanding Shares & Dividends

As at November 7, 2018 there were 14,803,919 common shares, 179,897 DSUs, 613,389 options, 532,678 RSUs, and no warrants outstanding.

Normal Course Issuer Bid ("NCIB")

On June 22, 2016, the Company announced the acceptance by the Toronto Stock Exchange (the "TSX") of the Company's Notice of Intention to Make a Normal Course Issuer Bid. This NCIB terminated on June 26, 2017. As at June 30, 2017, the Company had purchased and cancelled 179,888 of its common shares on the open market under this NCIB at an average price of $24.40 per share for a total cost of $4.4 million.

On June 22, 2017, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid to commence June 27, 2017, (the "Notice of Intention"). Pursuant to this NCIB, the Company proposed to purchase, from time to time, if it is considered advisable, up to an aggregate of 300,000 common shares which represented approximately 4% of the 13,363,158 common shares issued and outstanding as at June 10, 2017. This NCIB terminated on June 26, 2018. The Company had not cancelled any of its common shares pursuant to this June 22, 2017 NCIB.

Dividends

During the quarter ended September 30, 2018, the Company paid a $0.225 per share quarterly dividend on outstanding common shares.

On February 20, 2018, the Company increased the dividend rate by 25% from 0.18 to 0.225. For the quarter ended September 30, 2018, the Company paid a $0.225 per share quarterly dividend on outstanding common shares. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. However, no dividends can be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

The following table sets forth the quarterly dividends paid by the Company in the third quarter of the years indicated:

	2018	2017	2016	2015	2014	2013	2012
Dividend per share	**$ 0.225**	**$ 0.18**	**$ 0.125**	**$ 0.100**	**$ 0.085**	**$ 0.085**	**$ 0.085**
Percentage increase	**25.0%**	**44.0%**	**25.0%**	**17.6%**	**0.0%**	**0.0%**	**0.0%**

Commitments, Guarantees and Contingencies

The Company's commitments, guarantees and contingencies remain as described in its December 31, 2017 MD&A.

Risk Factors

Overview

The Company's activities are exposed to a variety of commercial, operational, financial and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

The Company's risk factors remain as described in its December 31, 2017 MD&A.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

The Company's critical Accounting Estimates are as described in the December 31, 2017 notes to the consolidated financial statements other than as related to the recent implementation of IFRS 9, Financial Instruments which are as described in the September 30, 2018 notes to the interim condensed consolidated financial statements.

Adoption of New Accounting Standards

On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The new standard did not result in any financial adjustments to the Company's interim condensed consolidated financial statements. Additional required disclosures were as provided in the notes to the Company's interim condensed consolidated financial statements for the period ending September 30, 2018.

On January 1, 2018, the Company also adopted IFRS 9, the impact of which has been described earlier in this MD&A and in the notes to the Company's interim condensed consolidated financial statements for the period ending September 30, 2018.

Accounting Standards Issued but Not Yet Effective

IFRS 16, *Leases*

The Company will be required to adopt IFRS 16, Leases ("IFRS 16"), which is the International Accounting Standards Board's ("IASB") replacement of IAS 17, Leases. IFRS 16 will require lessees to recognize a lease liability that reflects future lease payments and a "right-of-use asset" for most lease contracts. IFRS 16 is required to be applied for fiscal years beginning on or after January 1, 2019, with early adoption permitted, but only in conjunction with the adoption of IFRS 15.

The Company has set up a team under the direction of the Company's chief financial officer which has reviewed all of the Company's leasing arrangements. IFRS 16 will affect the accounting for the Company's delivery vehicle and store premises leases which were treated as operating leases under IAS 17 and whereby such lease payments were expensed as part of operating expenses before depreciation and amortization. Under IFRS 16, a significant right-of-use asset and lease liability will be recognized at the date of implementation resulting in a material increase to both total assets and total liabilities. The right-of-use asset will be amortized on a straight-line basis over the lease term of the underlying lease assets. The lease liability will also be amortized under the effective interest rate method whereby payments made under the lease will include both a principal and interest component. Under IFRS 16, a portion of these lease payments will be treated as interest expense and the right-of-use asset will be amortized to depreciation and amortization. The net effect of this change is that that earnings before income tax, depreciation and amortization (EBITDA) is expected to increase as the amortization of the right-of-use assets and interests on the lease liability are excluded from this measure. The Company is in the process of completing its impact assessment but does not expect the standard to have a material impact on the Company's net income or diluted earnings per share.

Internal Controls

Disclosure Controls and Procedures (“DC&P”)

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to various securities regulators is recorded, processed, summarized and reported within the time periods specified in applicable Canadian securities laws and include controls and procedures designed to ensure that information required to be disclosed in the Company’s filings or other reports is accumulated and communicated to the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), so that timely decisions can be made regarding required disclosure.

The Company’s management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company’s DC&P, as required in Canada by National Instrument 52-109, “*Certification of Disclosure in Issuers’ Annual and Interim Filings*”. Based on this evaluation, the CEO and CFO have concluded that the design of the system of the Company’s disclosure controls and procedures were effective as at September 30, 2018.

Internal Controls over Financial Reporting (“ICFR”)

ICFR is a process designed by, or under the supervision of, senior management, and effected by the Board of Directors, management and other personnel, to provide reasonable assurances regarding the reliability of financial reporting and preparation of the Company’s consolidated financial statements in accordance with IFRS.

The Company’s internal control over financial reporting framework includes those policies and procedures that:

(i) Pertain to the maintenance of records that, in reasonable details, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s consolidated financial statements.

Management is responsible for establishing and maintaining ICFR and designs such controls to attempt to ensure that the required objectives of these internal controls have been met. Management uses the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance and may not prevent or detect all misstatements as a result of, among other things, error or fraud. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and/or procedures may deteriorate.

As at September 30, 2018, under the direction and supervision of the CEO and CFO, the Company has evaluated that the design of the Company’s internal controls over financial reporting were effective. In addition, there were no changes in the ICFR during the interim period ended September 30, 2018 that materially affected, or were reasonably likely to materially affect, the ICFR.