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

Year Ended
December 31, 2018

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

Table of Contents

Date: February 13, 2019

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 December 31, 2018 compared to December 31, 2017, and the consolidated results of operations for the three-month period and year ended December 31, 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, 2018. 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.

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

General overview

goeasy Ltd. (TSX: GSY) 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 lender that bridges the gap between traditional financial institutions and 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 flexible weekly or monthly leasing agreements through both corporate and franchise stores. Both operating divisions are supported by an omni channel business model that includes a national footprint of over 400 branches and stores across Canada and digital eCommerce enabled platforms.

The core of goeasy's business is centered around its vision of providing everyday Canadians a path to a better tomorrow, today. This vision is brought to life through its customer experience, the products and services it offers such as free financial education, risk adjusted rate loans, credit monitoring services, and the meaningful relationships formed by over 1,800 employees located coast-to-coast.

With over 25 years of experience, multiple products, risk adjusted interest rates, and an omni-channel operating model, goeasy has a unique understanding of the $186 billion non-prime consumer lending market and how to best serve the 7 million Canadians that are unable to access credit from traditional financial institutions including the major banks.

goeasy funds its business through a combination of equity and debt instruments. 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". The Company has been able to consistently secure additional capital at increasingly lower rates in order to continue fueling the growth of its business and has sufficient capital and borrowing capacity to meet its growth plans through the third quarter of 2020. goeasy is rated BB- with a stable trend from S&P, and Ba3 with a stable trend from Moody's.

goeasy investment highlights:

Sizable and Underserved Market with Opportunities for Growth	• High growth business (50% loan book CAGR over 5 years) in Canada's C$186 billion non-prime consumer lending market following the exit of several large banks and on-line only lenders
Stable Regulatory Environment in Canada	• Unchanged Federal interest rate cap of 60% since 1980 • Active engagement with government through a leading industry association
History of Execution and Profitability	• 70 consecutive quarters of positive EPS and a CAGR of 23% since 2001 • Total shareholder return of 4,569% since 2001
Diversified Sources of Revenue	• High growth lending operation complimented by a mature leasing business • Opportunities for new revenue sources from a large non-prime consumer credit market
Strong Culture of Risk Management	• Robust risk management framework with centralized lending decisions • Stable net charge-offs of between ~12% to 15% since 2012
Well Capitalized and Conservative Balance Sheet	• Healthy net debt to capital ratio of 66%, lower than industry average • Available cash and borrowing capacity to fund growth through to the third quarter of 2020
Experienced Leadership Team with Aligned Interests	• Board and management own ~27% of the company • Maximum compensation for management earned at 30%+ EPS CAGR (3 Years)

Overview of easyfinancial

easyfinancial is the Company's financial services arm that provides installment loans to non-prime customers who have limited access to traditional bank financing products.

easyfinancial's product offering consists of unsecured and real estate secured installment loans as well it's recently introduced secured saving loan, creditplus. The Company also offers a suite of complementary ancillary products including a Loan Protection Plan, Home & Auto Benefits and Credit Monitoring. easyfinancial's installment loans range in size from $500 to $25,000 at interest rates starting at 19.99%, with repayment terms of 9 to 60 months for unsecured loans and up to 10 years for secured loans. In the Company's current portfolio, unsecured loans make up about 94% of loan originations, while secured loans make up the remaining 6%. Unlike revolving credit products that can trap customers in a cycle of debt, easyfinancial's instalment loans enable customers to progressively get out of debt by requiring them to make fixed payments including principal and interest, which results in the entire principal balance being repaid over the term of the loan.

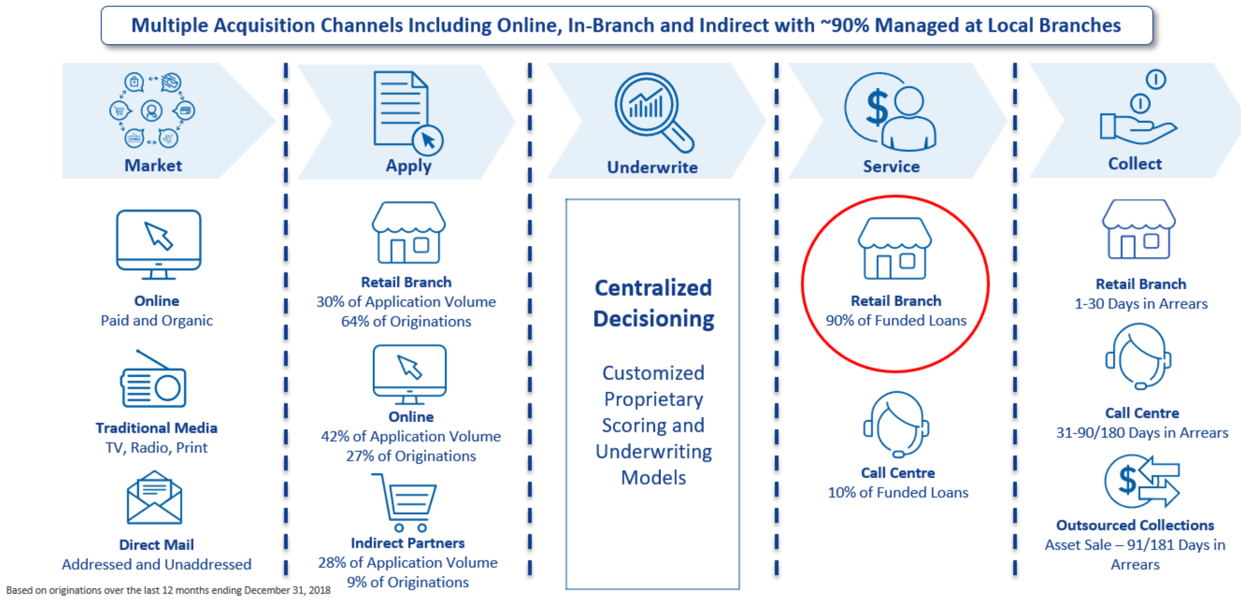
The Company believes that there is significant demand for non-prime lending in the Canadian marketplace and estimates that the size of the market is $186 billion, excluding mortgages. Historically, consumer demand for non-prime loans was satisfied by the consumer-lending arms of several large, international financial institutions. Since 2009, many of the largest branch-based participants in this market (including Wells Fargo, HSBC Finance and CitiFinancial) have either closed their operations or dramatically reduced their size over the past years due to changes in banking regulations related to risk adjusted capital requirements. Today, traditional financial institutions are generally unwilling or unable to offer credit solutions to consumers that are deemed to be a higher credit risk due to the consumer's financial situation or less-than-perfect credit history. For this reason, demand in this market is met by a variety of industry participants who offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product rather than providing consumers with a broad integrated suite of financial products and services. As a result, easyfinancial is one of a small number of coast-to-coast non-prime lenders with a history of success.

The customer base that easyfinancial serves are everyday Canadians that are hard working and have often been met with life circumstances that have negatively affected their credit profile. These customers have an average age of 40, individual income of $44,000 per year, and a debt to disposable income ratio of about 95%, compared to the much higher Canadian average of 172% due in part to easyfinancial customers having a lower rate of home ownership of 20% compared with the Canadian average of approximately 69%. These customers typically come to easyfinancial looking for a second chance as 60% of them have been turned down by a bank in the past, and are trying to improve their financial situation for themselves and their families.

Through easyfinancial's suite of lending products, the Company focuses on more than simply providing customers with the money they need today. easyfinancial's customers are given the opportunity to graduate to larger loans and lower interest rates while they work to rebuild their credit and be in a position to qualify for prime credit. Whether a customer is looking to establish, repair, build or strengthen their credit profile by borrowing funds or using the equity in their home to secure a larger loan at a lower rate, easyfinancial can provide a lending solution that best serves their individual needs.

easyfinancial's unique omni-channel model including its national branch network, remains a key differentiator in the non-prime lending market. Although the Company leverages multiple acquisition channels to attract new customers including online, in-branch and point-of-sale financing, 90% of loans are originated or managed at local branches. It is the Company's experience that in the non-prime market, an omni-channel model optimizes loan performance and profitability, while providing high-touch and personalized customer experience. The customer loyalty developed through these direct personal relationships extends the length of the customer relationship and improves the repayment of loans which ultimately leads to lower charge-offs and higher lifetime value.

The image below depicts easyfinancial's omni- channel lending model:



easyfinancial has also demonstrated a history of stable and consistent credit performance. Since 2006, the Company has served over 367,000 customers and originated 793,000 unique loans for a total of $2.9 billion in originations. Since implementing centralized credit adjudication in 2011, the Company has successfully managed annualized net charge off rates within its stated targeted range (2018 target was 12 to 14%). Lending decisions are made using proprietary custom scoring models built using machine learning and advanced analytical tools that optimize the balance between loan volume and credit losses. These models have been developed and refined over time by leveraging the accumulation of extensive customer application, demographic, borrowing, repayment and consumer banking data. These models improve the accuracy of predicting default risk for the non-prime customer when compared to a traditional credit score. Credit risk is further enhanced by industry-leading underwriting practices that include pre-qualification, credit adjudication, affordability calculations, centralized loan verification, and repayment by the customer via electronic pre-authorized debit directly from the customer's bank account on the day they receive their regularly schedule income.

Over the past 13 years, the Company has also made significant investments in its processes, systems, infrastructure and product offering to position easyfinancial for long-term sustainable growth. Below are a number of key milestones:

- Since 2011 the Company has invested $36 million in developing, enhancing and optimizing the systems that support it businesses.
- Industry-standard banking platform implemented in 2012 to ensure that its consumer loan portfolio could be appropriately managed, and information could be securely maintained on a scalable infrastructure;
- In 2013, a transactional website was launched by easyfinancial for acquiring customers online. This new delivery channel allowed the Company to reach consumers who may not have had access to a physical location or who preferred to interact through the privacy and convenience of their home or on their mobile device. Over the last several years, the Company has made significant investments in improving the online borrowing experience. In 2018, the online lending experience was significantly enhanced by the launch of a new digital loan application which has led to a noticeable increase in the number of customers applying and being approved for an easyfinancial loan.
- In 2014, the Company implemented a proprietary loan application management system to process applications originated in its retail and on-line channels. This system was supported by a credit decision engine, built in partnership with a global leader in risk management technology solutions, and is fully integrated with the Company's customer relationship management platform.
- In 2015, easyfinancial launched its point-of-sale non-prime lending platform, designed to offer merchants in a variety of industries the ability to provide financing for customers who do not qualify for traditional prime credit products. In 2018, the company further expanded its POS finance solution, by partnering with

a prime bank to create Canada's first fully digital platform for consumers across the entire credit spectrum. Offered through a fast and simple digital application, this proprietary solution enables a business in any industry to offer instant point-of-sale financing to customers of any credit quality removing friction from the customer borrowing experience and maximizing their retail sales. Once a consumer completes the application, the platform will instantly present the best financing offer and the lowest interest rate available based on the risk profile of the borrower. Qualifying prime consumers will benefit from a competitive credit offer from a prime lender, while those consumers with lower credit quality will automatically be evaluated for a non-prime lending option through easyfinancial.

- The Company is committed to helping Canadians improve their financial literacy. In 2015, the Company developed a free on-line financial education platform called goeasy academy, that includes articles, videos and other educational content all designed to help Canadians understand their finances and improve their credit.
- In 2016, the Company introduced risk-adjusted interest rates where consumers that are determined to be lower credit risk are offered a lower cost of borrowing. The consumer benefits from a lower-cost loan, while the Company benefits by retaining its best customers and extending their value, while they work to rebuild their credit profile.
- In 2017, the Company launched a personal installment loan secured by residential real estate. These secured installment loans for homeowners offer customers larger loan values and a reduced rate of interest. While the yields are reduced on such loans, the Company benefits from lower rates of charge off, longer customer tenure and lower relative acquisition and administration costs, which are expected to ultimately increase overall customer profitability.
- In 2017 easyfinancial expanded into the Québec market, which has been largely underserved by non-prime lenders. While the Company has always operated its easyhome leasing business in the province, expanding easyfinancial into Quebec provides the company access to 22% of the Canadian population.
- In 2017 the company also widened the distribution of its consumer loans by offering its easyfinancial lending products through almost 100 easyhome retail locations across Canada. This expansion enables the Company to further increase the distribution footprint of its financial services products while leveraging its existing real estate and employee base that understand the needs of this customer segment.
- To further help those customers with no credit or damaged credit, the company launched creditplus in 2018. creditplus is an innovative secured savings loan that is offered to the thousands of easyfinancial applicants who are unable to obtain an unsecured loan each month. The difference between creditplus and a traditional instalment loan is that customers do not receive immediate access to the proceeds of their loan. Instead, the loan proceeds are deposited into a savings account and held as security until the customer has successfully repaid the full amount. A customer's loan payments are reported to the credit reporting agencies which offers them the opportunity to improve their credit profile. Where a customer has demonstrated a track record of successful repayment, they may automatically qualified for an unsecured loan in as little as six months.
- Over the past 9 years the Company's management team has been progressively enhanced through the recruitment of senior executives with deep experience in financial services.

Overview of easyhome

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.

easyhome's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers and who are attracted to a leasing transaction that does not involve a credit check, does not require an initial down payment, includes delivery and set up and offers them the flexibility to terminate the lease at any time. These consumers may not be able to purchase merchandise due to a lack of credit or insufficient cash resources, may have a short-term or otherwise temporary need for the merchandise, or may simply want to use the merchandise, with no long-term obligation, before making a purchase decision.

easyhome also offers a number of optional ancillary products to its customers including a customer protection program. This product is designed to give its customers peace of mind by waiving the customer's payments for a period of time should they be met with life's unexpected circumstances including involuntary job loss, accident and illness, and critical illness or death. easyhome also offers its customers a liability damage waiver product when entering into a lease agreement. The product provides protection to a customer from the obligation to make any additional payments in the event that merchandise is damaged, destroyed or lost while on lease.

easyhome operates through corporately owned stores located across Canada and through a network of franchised locations. easyhome provides a second and diverse revenue stream from the Company's easyfinancial business and produces strong cash flows which assists with financing the growth of easyfinancial. Additionally, since 2013, the Company operates an e-commerce platform that allows customers to enter into merchandise leasing transactions through online channels.

In 2017, the Company strengthened its relationships with its easyhome customers by offering them unsecured lending products in almost 100 *easyhome* leasing locations. This expansion allowed the Company to further increase the distribution footprint of its financial services products and leverage its existing real estate and employee base that understands this customer segment.

Corporate Strategy

The Company is committed to be a leading full-service provider of goods and alternative financial services that provides everyday Canadians a path to a better tomorrow, today. To maintain this position, the Company remains focused on continuously improving its operations and business model in order to meet the evolving needs of its customers. Additionally, the Company must focus on maintaining its competitive advantage by building brand awareness, delivering a best in class customer experience and effectively managing its sources of capital and funding. Cost efficiencies through economies of scale and shared services will also enable the Company to meet future competitive challenges, including new entrants into the marketplace.

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

Enhance the Product Offering

The continued growth of easyfinancial will be fueled by the enhancement of its product offering. These enhancements will include the introduction of new lending products as well as additional ancillary products that provide value to customers and help them improve their credit and "graduate" back to lower cost prime lending.

As the Company gains more experience with its use of risk adjusted interest rates, it will continue to respond to evolving market conditions and analyze the overall impact of these activities on the behavior of its customers and its business model. Increasing the ratio of lower rate products within the Company's consumer loans receivable portfolio provides its customers with many benefits including i) lower borrowing costs; ii) access to larger dollar sized loans; and iii) the ability to improve their credit profile which should ultimately assist them in returning to lower cost prime lending. In addition to generating incremental growth, the Company benefits from increasing the size of its consumer loans receivable portfolio that has lower interest rates by: i) reducing the overall risk of its consumer loans receivable portfolio; ii) offsetting the inherent decline in yields with reduced per loan acquisition and administrative costs and lower charge offs; iii) attracting a greater number of new customers; and iv) increasing its ability to retain customers that have improved their credit standing.

In 2017, the Company launched a personal installment loan secured by residential real estate to broaden its product offering of lower rate and larger size loan products.

In 2018, the Company introduced creditplus, an innovative secured savings loan that is offered to the thousands of easyfinancial applicants that are unable to obtain an unsecured loan each month.

In the future, the Company will look to introduce additional loan products that satisfy the needs of its customers and help them graduate to lower cost prime ending solutions. All new product launches will be assessed against current market conditions, the needs of its customers, significant modeling and credit analysis and the achievement of the Company's internal targets for return. All new products launched will include a go-to-market strategy that involves a test and learn approach as the Company gathers performance data and assesses the ongoing customer and economic impact of these products.

Evolve the Delivery Channels

Over the last several years, the Company has developed multiple delivery channels in response to changing customer needs, technological advancements and market opportunities.

The Company continues to believe that direct, personal relationships with its customers are best achieved through a physical location where its customers live and work. For this reason, the Company's extensive branch and store network continues to be a core element of its business and product delivery strategy. The establishment of direct personal relationships provides the following significant benefits to both the Company and its customers:

- A greater ability to explain the product offering provides the customer with clarity on their obligations and alternatives and establishes a foundation for a meaningful value-based relationship;
- A continuing dialogue with the customer allows both the customer and the Company to more effectively deal with financial challenges that may occur. This approach leads to greater customer satisfaction and lower charge off rates; and
- Establishing easyfinancial as a financial partner to the customer aids in the ongoing retention of the customer relationship and allows easyfinancial to assist the customer in managing their financial needs as their circumstances change with the goal of helping them qualify for lower cost prime lending.

The Company estimates that its retail footprint for easyfinancial will expand to between 250 and 300 locations across Canada. Total easyfinancial branch count at the end of 2018 was 241. Over the next few years, the Company will continue to add incremental locations in select markets as it works towards this target. In particular, the retail branch expansion will be focused on the expansion into Quebec which represents a large market opportunity and completing the footprint in key urban markets such as Toronto and Vancouver.

The Company's retail branch network is complemented by a robust eCommerce channel that includes a new digital loan application launched in 2018. With its flexible architecture, this new platform allows the Company to easily test new application flows and offer customers a customized experience based on their stated needs and the marketing acquisition source. By optimizing the digital journey, the Company can increase its online applicant conversion rate while improving the customer borrowing experience.

In 2018, after several years of providing a non-prime only point-of-sale financing solution, the Company launched Canada's first fully integrated prime and non-prime point-of-sale financing platform. The platform allows for a prime lender to integrate directly with easyfinancial's technology solution to enable any business in any industry to offer instant point-of-sale financing to customers of any credit quality.

Each year in Canada there is an estimated $30 billion of credit extended to consumers for goods and services through financing programs offered at the point-of-sale. While the concept of offering financing at the point-of-sale to consumers is not new, businesses in Canada have had limited options, often relying upon a fragmented set of lenders that primarily cater to prime consumers and only serve specific industries. *easyfinancial's solution* has been designed fill this gap.

The initial launch of the indirect lending platform was the first step in a broader strategy of developing the indirect lending channel, where the Company will offer its lending products at the point-of-sale in the home furnishing, health care and automotive industries. The internally developed mobile tablet solution allows merchant partners to process credit applications at the point of sale and receive an instant credit decision. By leveraging automated authentication tools, custom credit models, personal identification scanning technology and digital documents, the Company can process loans in a fully paperless manner in minutes.

Execute with Efficiency and Effectiveness

As the Company continues to grow, executing with efficiency and effectiveness remains an important component in its ability to maximize the profitability of the overall business while continuing to meet and exceed the needs of its customers and deliver against aggressive growth targets. Below are the areas that the Company continues to focus on as it looks to improve its overall level of execution and efficiency across the business.
Utilize Data Analytics as a Competitive Advantage

The Company has a tremendous volume of customer data that it has gained from years of operating its merchandise leasing and consumer lending businesses. The Company has made significant investments in information technology to safeguard the privacy of this data and to allow the business to analyze this data to make better business decisions. The intelligent use of this data allows easyfinancial to continually enhance its underwriting practices and proprietary credit scoring models to make better lending decisions. It allows easyhome to better understand the retention patterns of its customers and develop marketing and customer relationship programs that are tailored to each customer's needs while maximizing profitability to the Company. The Company will continue to invest in new analytical tools such as machine learning software that will enable the business to process and analyze larger quantities of data and expedite the production of models and analysis.

Continue to Invest in New Technologies

The Company has made significant investments in technology over the past several years to provide easyfinancial with a scalable platform on which to support significant future growth and to allow new delivery channels to be developed. This investment in new technologies will continue in the future as the Company evolves its delivery channels and expands the size and scope of easyfinancial. Investments in new technology will also be made to provide operators and support staff with additional tools so that they can better service their customers and obtain greater levels of efficiency as well as enhanced systems, management and processes to ensure the Company's proprietary data is protected against cyber and other security threats. New technologies will increase the level of automation, improve the customer experience and enable the business to shorten the software development lifecycle through greater flexibility and more configurable features.

Optimize the Capital Structure

Over the past several years, the Company has improved its return on equity by delivering increasing net income and improving its capital structure. The growth of easyfinancial has been primarily funded through the retention of earnings in the business and the acquisition of third-party debt financing, at ever improving interest rates and more flexible terms.

Prior to refinancing, the previous term loan had an interest rate of 8.41%. Upon issuing the first tranche of Notes Payable in November 2017 the Company borrowed at an interest rate of 7.84%. The second tranche of Notes Payable issued in July 2018 further reduced the interest rate to 6.17%. At the end of 2018, the Company's ratio of net debt (net of surplus cash on hand) to capitalization was 66%; a level that is conservative against several of the Company's peers and below the 70% which the Company believes is optimal. Access to capital at reasonable terms and cost is a meaningful barrier to entry in the consumer finance sector.

The Company has always taken, and will continue to take, a long-term view in financing its business. During 2018 the Company issued an additional US$150 million in Notes Payable and $44 million in equity and increased the borrowing limit under its revolving credit facility from $110 million to $174.5 million. At year end the Company had total cash on hand and borrowing capacity under its revolving credit facility of $275 million, with the ability to exercise the accordion feature under this facility to add an additional $89 million in borrowing capacity. Ultimately the cash on hand and current borrowing limits provide adequate capital for the Company to execute its growth plan and meet its stated targets through the third quarter of 2020.

The Company is confident that it will continue to have access to additional debt capital to fund the growth of its business into the future. The Company has established relationships with many banks and other providers of such debt capital and continues to explore funding alternatives that represent an optimal balance between interest rates, term, flexibility and security.

Increase Store Level Efficiency

The Company continues to responsibly manage all discretionary spending. Supplier relationships and economies of scale are leveraged to reduce overall cost ratios. Within the easyhome leasing business idle inventory levels are maintained at optimum levels, balancing the need to provide customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, particularly labour, are tightly controlled centrally through established thresholds, allowing spending to occur only when it will result in improved revenues. In addition, the Company does remediate and, if necessary, close underperforming easyhome stores, merging their portfolios with other nearby locations. The Company regularly evaluates the activities that can be centralized within its shared services center without comprising its customer experience or loan performance, in order to drive greater efficiency and scale within the business.

Deliver a Best-in-class Customer Experience

Since its inception, the Company has set itself apart from its competition by seeing beyond the initial transaction with the customer and instead, focusing on building long-term relationships that are based on trust and respect for every customer's unique situation. These relationships are formed by over 1,800 employees from across Canada that deeply understand their customers and give them a second chance as they provide them with the financial relief they need today, and help them see a path forward towards better financial future.

As the company continues to evolve, ensuring its suite of products and services are designed to meet its customer's needs across the entire credit spectrum is critically important. Whether a customer is establishing credit as a new Canadian, or repairing damaged credit as a result of a life event, goeasy's laddered suite of products ensures that every customer that walks through its doors has access to a better financial future. In addition, the use of technology and digital innovation remains a key focus in removing friction from the loan application process to ensure its customers can get the financial relief they are looking for quickly and conveniently through the channels that suit them best. The Company has also been focused on offering a variety of tools and educational materials that help its customers understand the complexities of credit and the steps required to improve their financial situation through free financial education materials.

Lastly, goeasy recognizes that delivering a best in class customer experience goes beyond each individual customer and permeates the hundreds of communities in which the Company operates. Through a variety of community driven initiatives, including a partnership with the Boys and Girls Clubs of Canada that has raised over $2.5 million since 2004, to the company's annual day of giving back, govolunteer, the Company remains committed to making a difference not only to the customers it serves, but to the communities in which they live.

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.

Update on 2018 Targets

Due to the strong growth experienced by the Company in 2018, certain of its stated targets for 2018 as presented in its MD&A for the year ending December 31, 2017 (along with the underlying assumptions and risk factors) were increased (as outlined below) in the Company's MD&A for the quarter ending June 30, 2018 (along with an explanation for the change in each target). The Company's actual performance against its targets for fiscal 2018 is as follows:

	Actual results for 2018	**Revised targets for 2018**	**Previously reported targets for 2018**	**Outcome**
Gross consumer loans receivable portfolio at year end	**$833.8 million**	$825 - $875 million	$700 - $750 million	Target achieved
easyfinancial total revenue yield	**54.2%**	54% - 56%	54% - 56%	Target achieved
New easyfinancial locations opened during the year	**23**	20 - 30	20 - 30	Target achieved
Net charge-offs as a percentage of average gross consumer loans receivable	**12.7%**	12.0% - 14.0%	12.0% - 14.0%	Target achieved
easyfinancial operating margin	**38.5%**	38% - 40%	38% - 40%	Target achieved
Total revenue growth	**26.0%**	26% - 28%	16% - 18%	Target achieved
Return on equity	**21.8%**	21% +	20% +	Target achieved

Three Year Targets

The following table outlines the Company's targets for 2019, 2020 and 2021 and provides the material assumptions used to develop such forward-looking statements. The Company has introduced guidance for 2021 while the targets for 2019 and 2020 are as previously provided. These targets are inherently subject to risks as identified in the following tables, as well as those risks, which are referred to in the section entitled "Risk Factors" as described in this MD&A.

The Company continues to pursue a long-term strategy of expanding its product range and increasing the use of risk-based pricing offers, which increase the average loan size and extend the life of its customer relationships. As such, the total yield earned on its consumer loan portfolio will gradually decline, while net charge-off rates moderate and operating margins expand, resulting in an increase to return on equity.

	Targets for 2019	Targets for 2020	Targets for 2021	Assumptions	Risk Factors[1]
Gross consumer loans receivable portfolio at year end	**$1.1 - $1.2 billion**	**$1.3 - $1.4 billion**	**$1.5 - $1.7 billion**	• The new store opening plan occurs as per the Company's stated targets. • The Company successfully completes the growth initiatives outlined in its strategic plan including the increased penetration of its risk adjusted and secured lending products. • The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost. • Increased expenditures on marketing and advertising within easyfinancial	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company's ability to secure new real estate and experienced personnel. • The Company's is not able to complete its growth initiatives or the impact of such initiatives is reduced. • Continued access to reasonably priced capital.
easyfinancial total revenue yield	**49% - 51%**	**46% - 48%**	**43% - 45%**	• easyfinancial total revenue yield includes the impact of the sale of ancillary products. • The Company successfully completes the growth initiatives outlined in its strategic plan including the increased penetration of its risk adjusted and secured lending products. • The Company expects the yield to moderate over this three year period due to the increased penetration of its risk adjusted and secured lending products and the increased growth of the loan book in Quebec (Quebec loans are at a lower rate of interest). • The effective yield earned on the sale of ancillary products reduces as the average loan size increases.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • Changes to regulations governing the products offered by the Company. • The Company's is not able to complete its growth initiatives or the impact of such initiatives is reduced.
New easyfinancial locations opened during the year	**10 – 20**	**10 – 20**	**10 – 20**	• The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost. • The Company successfully completes the growth initiatives outlined in its strategic plan. • Virtually all new locations will be stand-alone branches.	• The earnings drag from newly opened locations is within acceptable levels. • The Company's ability to secure new real estate and experienced personnel. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins.

	Targets for 2019	Targets for 2020	Targets for 2021	Assumptions	Risk Factors[1]
Net charge-offs as a percentage of average gross consumer loans receivable	**11.5% - 13.5%**	**11.0% - 13.0%**	**11.0% – 13.0%**	• Net charge off rates for the existing products remain at current levels while net charge off rates for the risk adjusted and secured lending products are lower.	• Net charge off rates for existing products increase or the net charge off rates for the risk adjusted or secured lending products are higher than expected. • Increased levels of unemployment or economic instability
easyfinancial operating margin	**42% - 44%**	**44% - 46%**	**45 – 47%**	• The growth of the loan book occurs as indicated. • Yield and loss rates at mature locations are indicative of future performance. • Yield and loss rates of risk adjusted and secured lending products are as estimated in the Company's budget and strategic plan. • Continued investment in new branches, new growth opportunities and increased marketing to drive originations moderate earnings.	• The Company's is not able to complete its growth initiatives or the impact of such initiatives is reduced. • The loan book fails to grow in line with expectations and as indicated. • The Company's ability to achieve operating efficiencies as the business grows. • The earnings drag from newly opened locations is within acceptable levels. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company is able to manage charge-off rates within its desired parameters. • Changes to regulations governing the products offered by the Company.
Total revenue growth	**20% - 22%**	**14% - 16%**	**10 – 12%**	• Continued accelerated growth of the consumer loans receivable portfolio, driven by new delivery channels, building the Quebec branch network and other additional branch openings, the launch of secured loans and the continued strong growth of the Company's existing lending products. • Revenue growth moderated by a higher proportion of lower yield loans. • Stable revenue generated by the Company's easyhome business.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • Changes to regulations governing the products offered by the Company. • The Company's is not able to complete its growth initiatives or the impact of such initiatives is reduced. • Continued access to reasonably priced capital.

	Targets for 2019	Targets for 2020	Targets for 2021	Assumptions	Risk Factors[1]
Return on equity	**24% +**	**26% +**	**26% +**	• The growth of the loan book occurs as indicated. • Yield and loss rates at mature locations are indicative of future performance. • Yield and loss rates of risk adjusted and secured lending products are as estimated in the Company's budget and strategic plan. • Continued investment in new branches, new growth opportunities and increased marketing to drive originations moderate earnings. • Stable financial performance from the Company's easyhome business. • The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost. • Consistent leverage ratios	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • Changes to regulations governing the products offered by the Company. • The Company's is not able to complete its growth initiatives or the impact of such initiatives is reduced. • Continued access to reasonably priced capital.

[1] Risk factors include those risks referred to in the section entitled "Risk Factors" as described in this MD&A.

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 proprietary 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.

The adoption of 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 2018 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
Deferred tax asset	2,121	4,749	6,870
Retained earnings	126,924	(12,659)	114,265

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.

($ in 000's)	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2017	Three Months Ended December 31, 2017	Year Ended 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 80 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-month period and year ended December 31, 2018 as reported against the estimated financial results for the comparable period ended December 31, 2017 presented under IFRS 9. Certain of these measures for the three -month period and year ended December 31, 2018 and December 31, 2017 estimated using the same methodology as IFRS 9 are non-IFRS measures.

($ in 000's except earnings per share and percentages)	Three Months Ended December 31, 2018 (as reported)	Three Months Ended December 31, 2017 (estimated under IFRS 9[1])	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**138,160**	107,244	30,916	28.8%
Bad debt expense	**34,186**	22,078	12,108	54.8%
Operating expenses before depreciation and amortization	**90,369**	72,613	17,756	24.5%
EBITDA[2]	**37,847**	24,391	13,456	55.2%
EBITDA margin[2]	**27.4%**	22.7%	470 bps	20.7%
Depreciation and amortization expense	**12,685**	13,452	(767)	(5.7%)
Operating income	**35,106**	21,179	13,927	65.8%
Operating margin[2]	**25.4%**	19.7%	570 bps	28.9%
Finance costs	**12,811**	16,972	(4,161)	(24.5%)
PTPP income[2]	**56,481**	26,285	30,196	114.9%
Net income	**15,887**	2,989	12,898	431.5%
Adjusted net income[3]	**15,887**	9,015	6,872	76.2%
Diluted earnings per share	**1.02**	0.23	0.79	343.5%
Adjusted earnings per share[3]	**1.02**	0.64	0.38	59.4%
Return on equity[2]	**23.0%**	5.3%	1,770 bps	334.0%
Adjusted return on equity[3]	**23.0%**	15.9%	710 bps	44.7%

[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".

[3] Excluding the impact of the $8.2 million in non-recurring refinancing costs incurred in the fourth quarter of 2017.

($ in 000's except earnings per share and percentages)	Year Ended December 31, 2018 (as reported)	December 31, 2017 (estimated under IFRS 9[1])	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**506,191**	401,728	104,463	26.0%
Bad debt expense	**118,980**	78,194	40,786	52.2%
Operating expenses before depreciation and amortization	**334,471**	272,495	61,976	22.7%
EBITDA[2]	**131,632**	88,012	43,620	49.6%
EBITDA margin[2]	**26.0%**	21.9%	410 bps	18.7%
Depreciation and amortization expense	**52,003**	52,208	(205)	(0.4%)
Operating income	**119,717**	77,025	42,692	55.4%
Operating margin[2]	**23.7%**	19.2%	450 bps	23.4%
Finance costs	**45,800**	36,840	8,960	24.3%
PTPP income[2]	**192,897**	118,379	74,518	62.9%
Net income	**53,124**	28,595	24,529	85.8%
Adjusted net income[3]	**53,124**	34,621	18,503	53.4%
Diluted earnings per share	**3.56**	2.05	1.51	73.7%
Adjusted earnings per share[3]	**3.56**	2.46	1.10	44.7%
Return on equity[2]	**21.8%**	13.4%	840 bps	62.7%
Adjusted return on equity[3]	**21.8%**	16.3%	550 bps	33.7%

[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".

[3] Excluding the impact of the $8.2 million in non-recurring refinancing costs incurred in the fourth quarter of 2017.

Analysis of Results for the Year Ended December 31, 2018

Financial Highlights and Accomplishments

- During 2018 the Company strengthened its balance sheet and raised additional funds to facilitate its long term growth plan.

    - On October 10, 2018, the Company closed its offering of 920,000 common shares at a price of $50.50 per common share for aggregate net proceeds of $44.3 million.

    - On July 16, 2018, the Company issued an additional US$150 million of 7.875% senior unsecured notes payable due on November 1, 2022. These notes were issued at a premium price of US$1,050 per US$1,000 principal amount. Concurrent with the issuance of the additional notes, the Company entered into a cross-currency swap through a derivative financial instrument to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the Notes at a fixed exchange rate of US$1.000 = C$1.316, thereby fully hedging the US$150 million obligation under the Notes to C$197.5 million at a Canadian dollar interest rate of 7.52%. As the Notes were issued at premium to par, the Canadian dollar yield to maturity is 6.17% per annum.

    - On June 20, 2018, the Company entered into an amendment to its revolving credit facility to increase the maximum principal amount available to be borrowed from $110 million to $174.5 million. This facility also includes a $89 million accordion feature which allows the Company to further increase its borrowing limit.

    - At year end the Company had total cash on hand and borrowing capacity under its revolving credit facility of $275 million and the ability to exercise the accordion feature under this facility to add an additional $89 million in borrowing capacity. Ultimately the cash on hand and current borrowing limits provide adequate growth capital for the Company to execute its growth plan and meet its stated targets through the third quarter of 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 resulted in increased volatility in the allowance for credit losses due to the required incorporation of FLIs. 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.

- 2018 was the seventeenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue and adjusted net income have seen a compounded annual growth rate of 12.7% and 29.0%, respectively. The Company again delivered record levels of revenue, net income, earnings per share and return on equity in 2018.

- In consideration of the improved earnings achieved in 2017 compared to the prior year and the Company's confidence of its continued growth and access to capital going forward, the Board of Directors approved a 38% increase to the quarterly dividend from $0.225 per share to $0.310 per share in the first quarter of 2019.

- goeasy continued to reach record levels of revenue during 2018. Revenue increased to $506.2 million from the $401.7 million reported in 2017, an increase of $104.5 million or 26.0%. The increase in revenue was driven by the growth of the Company's easyfinancial business.

- The gross consumer loans receivable portfolio increased from $526.5 million as at December 31, 2017 to $833.8 million as at December 31, 2018, an increase of $307.2 million or 58.3%. Gross loan originations in the current year were $922.6 million, an increase of 59.2% compared to the prior year. 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, ongoing enhancements to the Company's digital properties and increased advertising spend.

- Net charge-offs as a percentage of the average gross consumer loans receivable were 12.7% for the year, down from 13.6% in 2017.

- easyfinancial's operating income was $141.9 million in 2018 compared with $102.7 million in 2017, an increase of $39.2 million or 38.2%. The benefits of the larger loan book and related revenue increases of $103.9 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 $2.8 million increase in advertising spend; and iv) and incremental expenditures to enhance the product offering and expand the easyfinancial footprint. Operating margin was 38.5% in the year compared with 38.8% reported in 2017.

- The Company's mature easyhome business also experienced increased levels of operating income and operating margin due to the addition of consumer lending.

- Operating income for the year was $119.7 million, up $32.3 million or 37.0% when compared with 2017. The transition to IFRS 9 in the year served to reduce operating income by $9.6 million as compared to the previous accounting standard. The operating margin for the year was 23.7%, compared to 21.8% in 2017.

- The issuance of US$150 million in Notes Payable in July, 2018 (as described above) reduced diluted earnings per share by 30 cents in the year.

- Net income for was $53.1 million or $3.56 per share on a diluted basis. Net income for 2017 was $36.1 million or $2.56 per share on a diluted basis. Excluding the after-tax impact of the $8.2 million refinancing cost incurred in the fourth quarter of 2017, adjusted net income was $42.2 million or $2.97 per share. On this normalized basis, net income and diluted earnings per share increased by 26.0% and 19.9%, respectively.

- The Company adopted IFRS 9 in 2018 while 2017 was reported under the old accounting standard. The Company estimates that adjusted net income and adjusted earnings per share for 2017 would have been $7.5 million or $0.51 lower respectively had it been reported under IFRS 9. On this basis, net income and diluted earnings per share in the year would have increased by 53.4% and 44.7% respectively.

- Return on equity was 21.8% in 2018.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Year Ended December 31, 2018	December 31, 2017	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**506,191**	401,728	104,463	26.0%
Operating expenses before depreciation and amortization	**334,471**	262,127	72,344	27.6%
EBITDA[1]	**131,632**	98,380	33,252	33.8%
EBITDA margin[1]	**26.0%**	24.5%	150 bps	6.1%
Depreciation and amortization expense	**52,003**	52,208	(205)	(0.4%)
Operating income	**119,717**	87,393	32,324	37.0%
Operating margin[1]	**23.7%**	21.8%	190 bps	8.7%
Interest expense and amortization of deferred financing charges	**45,800**	28,642	17,158	59.9%
Refinancing costs	**-**	8,198	(8,198)	(100.0%)
PTPP income[1]	**192,897**	118,379	74,518	62.9%
Effective income tax rate	**28.1%**	28.5%	(40 bps)	(1.4%)
Net income	**53,124**	36,132	16,992	47.0%
Diluted earnings per share	**3.56**	2.56	1.00	39.1%
Return on equity	**21.8%**	17.0%	480 bps	28.2%
Adjusted (Normalized) Financial Results[2]				
Adjusted net income	**53,124**	42,158	10,966	26.0%
Adjusted earnings per share	**3.56**	2.97	0.59	19.9%
Adjusted return on equity	**21.8%**	19.8%	200 bps	10.1%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**25.7%**	18.3%	740 bps	40.4%
Same store revenue growth (easyhome)	**6.4%**	(0.7%)	710 bps	1014.3%
Segment Financials				
easyfinancial revenue	**368,325**	264,468	103,857	39.3%
easyfinancial operating margin	**38.5%**	38.8%	(30 bps)	(0.8%)
easyhome revenue	**137,866**	137,260	606	0.4%
easyhome operating margin	**15.6%**	15.2%	40 bps	2.6%
Portfolio Indicators				
Gross consumer loans receivable	**833,779**	526,546	307,233	58.3%
Growth in consumer loans receivable	**307,233**	156,029	151,204	96.9%
Gross loan originations	**922,550**	579,494	343,056	59.2%
Total yield on consumer loans (including ancillary products)	**54.2%**	60.4%	(620 bps)	(10.3%)
Net charge-offs as a percentage of average gross consumer loans receivable	**12.7%**	13.6%	(90 bps)	(6.6%)
Potential monthly lease revenue	**9,141**	9,481	(340)	(3.6%)

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

[2] During the fourth quarter of 2017, the company repaid its Term Loan incurring an early repayment penalty and amortizing the remaining unamortized deferred financing costs associated with the Term Loan which resulted in a one-time before tax charge of $8.2 million.

Store Locations Summary

	Locations as at December 31, 2017	Locations opened during period	Locations closed during period	Conversions	Locations as at December 31, 2018
Easyfinancial					
Kiosks (in store)	42	1	(1)	(9)	**33**
Stand-alone locations	185	13	-	9	**207**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	228	14	(1)	-	**241**
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

	Year Ended December 31, 2018			
($ in 000's except earnings per share)	**Easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**250,622**	**5,375**	**-**	**255,997**
Lease revenue	**-**	**119,745**	**-**	**119,745**
Commissions earned	**110,423**	**6,577**	**-**	**117,000**
Charges and fees	**7,280**	**6,169**	**-**	**13,449**
	368,325	**137,866**	**-**	**506,191**
Total operating expenses before depreciation and amortization	**218,138**	**74,215**	**42,118**	**334,471**
Depreciation and amortization	**8,333**	**42,104**	**1,566**	**52,003**
Operating income (loss)	**141,854**	**21,547**	**(43,684)**	**119,717**
Finance costs				
Interest expense and amortization of deferred financing charges				**45,800**
				45,800
Income before income taxes				**73,917**
Income taxes				**20,793**
Net income				**53,124**
Diluted earnings per share				**3.56**

($ in 000's except earnings per share)	Year Ended December 31, 2017 easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	171,667	648	-	172,315
Lease revenue	-	125,111	-	125,111
Commissions earned	86,598	4,755	-	91,353
Charges and fees	6,203	6,746	-	12,949
	264,468	137,260	-	401,728
Total operating expenses before depreciation and amortization	154,559	72,570	34,998	262,127
Depreciation and amortization	7,255	43,808	1,145	52,208
Operating income (loss)	102,654	20,882	(36,143)	87,393
Finance costs				
Interest expense and amortization of deferred financing charges				28,642
Refinancing costs				8,198
				36,840
Income before income taxes				50,553
Income taxes				14,421
Net income				36,132
Diluted earnings per share				2.56

Portfolio Performance

Consumer Loans Receivable Portfolio – The gross consumer loans receivable portfolio increased from $526.5 million as at December 31, 2017 to $833.8 million as at December 31, 2018, an increase of $307.2 million or 58.3%. Originations in the year ended December 31, 2018 were very strong at $922.6 million, up 59.2% against the originations recorded in 2017. The loan book grew $307.2 million in the year against growth of $156.0 million in 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 total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 54.2% in 2018, down 620 bps from 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 $119.0 million for the year ended December 31, 2018 from $67.8 million in 2017, an increase of $51.2 million or 75.5%. The following table details the components of bad debt expense:

($ in 000's)	Year Ended December 31, 2018	Year Ended December 31, 2017
Provision required due to net charge-offs	**88,351**	59,576
Impact of loan book growth – Historic rate	**19,480**	9,693
Impact of loan book growth – Incremental IFRS 9 rate	**9,602**	-
Impact of change in provision rate during period	**1,547**	(1,443)
Net change in allowance for credit losses	**30,629**	8,250
Bad debt expense	**118,980**	67,826

Bad debt expense increased by $51.2 million due to four factors:

(i) Net charge-offs increased from $59.6 million in 2017 to $88.4 million in 2018, up $28.8 million. This represented an increase of 48.3% against the 58.3% growth in the loan book over the past 12 months. The net charge-off rate declined in the year compared to 2017. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.7% in the year compared with 13.6% in 2017. The Company achieved an improvement in delinquency rates and loss performance in the year 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 almost doubled from $156.0 million in 2017 to $307.2 million in 2018. 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 $9.8 million increase in bad debt expense in the year.

(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 year). This resulted in an additional $9.6 million in bad debt expense in the year due to the adoption of the new accounting standard.

(iv) The provision rate, under the old accounting standard, declined in the year ended December 31, 2017 resulting in a reduction to bad debt expense of $1.4 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 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. From September 30, 2018 to December 31, 2018 the provision declined by 6 bps. The overall effect of the 30 bps increase in the provision rate during 2018 increased bad debt expense by $1.5 million in the year. The relative impact of these changes resulted in bad debt expense increasing by $3.0 million in the year compared with 2017.

easyhome Leasing Portfolio – The leasing portfolio as measured by potential monthly lease revenue as at December 31, 2018 was $9.1 million, down from the $9.5 million reported as at December 31, 2017. Overall, the number of agreements declined from 104,982 as at December 31, 2017 to 97,459 as at December 31, 2018. The decline in agreement count over the past 12 months was related to the sale of stores to franchisees, the closure of underperforming locations, declines in the lease portfolio at remaining easyhome stores offset partially by the acquisition of lease portfolios from competitors. The 7.7% decline in agreements was offset by a 3.9% 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.

Revenue

Revenue for the year was $506.2 million compared to $401.7 million in 2017, an increase of $104.5 million or 26.0%. Overall same store sales growth for the year was 25.7%. Revenue growth was driven primarily by the growth of easyfinancial.

e*asyfinancial* – Revenue for the year was $368.3 million, an increase of $103.9 million or 39.3% 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 increase include:

- Interest revenue increased by $78.9 million or 46.0% driven by the loan book growth but offset by lower yields. Interest yield declined due to increased penetration of risk adjusted rate loans, 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 $23.8 million or 27.5% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products and slightly lower penetration of these products.
- Charges and fees increased by $1.1 million.

easyhome – Revenue for the year was $137.9 million, an increase of $0.6 million when compared with 2017. Revenue associated with the traditional leasing business declined by $7.1 million in the year related primarily to store sales and the closure of underperforming locations and reductions in the lease portfolio. These declines were offset by a $7.8 million increase in financial revenue related to consumer lending in easyhome. The components of easyhome revenue increase include:

- Interest revenue increased by $4.7 million. Consumer lending in easyhome was introduced in the second quarter of 2017.
- Lease revenue declined by $5.4 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 $1.2 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 $334.5 million for the year, an increase of $72.3 million or 27.6% from 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), higher costs in the easyhome business related to consumer lending as well as higher corporate costs. Total operating expenses before depreciation and amortization represented 66.1% of revenue for the year, an increase from the 65.2% reported in 2017.

easyfinancial – Total operating expenses before depreciation and amortization were $218.1 million for the year, an increase of $63.6 million or 41.1% from 2017. Operating expenses, excluding bad debts, increased by $15.3 million or 22.7% in the year driven by: i) an additional $2.8 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). Overall branch count increased from 228 as at December 31, 2017 to 241 as at December 31, 2018. Bad debt expense for easyfinancial, increased by $48.2 million in the year when compared to 2017 for the reasons described above.

easyhome – Total operating expenses before depreciation and amortization were $74.2 million for the year, which was up $1.7 million when compared to 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 seven from 141 as at December 31, 2017 to 134 as at December 31, 2018.

Corporate – Total operating expenses before depreciation and amortization were $42.1 million for the year compared to $35.0 million in 2017, an increase of $7.1 million. The increase was primarily related to higher salary and stock-based compensation expense (additional management personnel) in the year and increased accrued bonus expense due to the financial performance of the business exceeding target. In addition, corporate costs in the 2017 benefited from $1.9 million in gains on sale of corporate easyhome stores to franchises while the current year only had $0.7 million in such gains. Corporate expenses before depreciation and amortization represented 8.3% of total revenue for the year, down from 8.7% in 2017.

Depreciation and Amortization

Depreciation and amortization for the year was $52.0 million, a decrease of $0.2 million from 2017. Overall, depreciation and amortization represented 10.3% of revenue for the year, a decrease from the 13.0% reported in 2017.

easyfinancial – The $1.1 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 $1.7 million in the year compared with 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 year was 30.5%, a decrease from the 31.9% reported in 2017. The rate reduction was due to the lower amount of amortization against an easyhome revenue base that is growing due to the introduction of consumer lending.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the year was $119.7 million, up $32.3 million or 37.0% when compared with 2017. The transition to IFRS 9 in the year served to reduce operating income by $9.6 million as compared to the previous accounting standard. The operating margin for the year was 23.7%, compared to 21.8% in 2017.

easyfinancial – Operating income was $141.9 million for the year compared with $102.7 million in 2017, an increase of $39.2 million or 38.2%. The benefits of the larger loan book and related revenue increases of $103.9 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 $2.8 million increase in advertising spend; and iv) incremental expenditures to enhance the product offering and expand the easyfinancial footprint. Operating margin was 38.5% in the year compared with 38.8% reported in 2017.

easyhome – Operating income was $21.5 million for the year, an increase of $0.7 million when compared with 2017. Revenue increased by $0.6 million with lower leasing revenue being more than offset by rising revenue associated with lending activities. Total expenses were down by $0.1 million due primarily to the reduced store count and lower advertising spend offset by increased expenses related to consumer lending. Operating margin for the year was 15.6%, an increase from the 15.2% reported in 2017.

Finance Costs

Finance costs for the year were $45.8 million and consisted entirely of interest and the amortization of deferred financing charges. Finance costs in 2017 totaled $36.8 million and consisted of: i) $28.6 million of interest expense and the amortization of deferred financing charges and ii) $8.2 million in non-recurring refinancing costs. Interest and deferred financing charges increased by $17.2 million due to the increased debt level offset by a lower effective borrowing rate. The total carrying value of the debt as at December 31, 2018 was $691.1 million against debt of $449.2 million as at December 31, 2017. As a result of refinancing its business and repaying the then existing credit facility in the fourth quarter of 2017, the Company incurred $8.2 million in refinancing costs which consisted of an early repayment penalty and accelerated amortization of the remaining unamortized deferred financing costs associated with the prior credit facility.

In July 2018, 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 30 cents in the year.

PTPP Income

Pre-tax pre-provision income ("PTPP income") for the year was $192.9 million, an increase of $74.5 million or 62.9% when compared to 2017. The increased revenue in the year 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 year was 28.1% which was lower than the 28.5% reported in 2017. The higher effective tax rate in 2017 was related primarily to certain losses in the Company's U.S. subsidiaries which were not tax deductible.

Net Income and EPS

Net income for 2018 was $53.1 million or $3.56 per share on a diluted basis. Net income for 2017 was $36.1 million or $2.56 per share on a diluted basis. Excluding the after-tax impact of the $8.2 million refinancing cost incurred in the fourth quarter of 2017, adjusted net income was $42.2 million or $2.97 per share. On this normalized basis, net income and diluted earnings per share increased by 26.0% and 19.9%, respectively.

The Company adopted IFRS 9 in 2018 while 2017 was reported under the old accounting standard. The Company estimates that adjusted net income and adjusted earnings per share for 2017 would have been $7.5 million or $0.51 lower respectively had it been reported under IFRS 9. On this basis, net income and diluted earnings per share in the current quarter would have increased by 53.4% and 44.7% respectively.

Selected Annual Information

Operating Results

($ millions except percentages and per share amounts)	2018	2017 [2]	2016 [2]	2015 [2]	2014 [2]
Gross Consumer Loans Receivable	**833.8**	526.6	370.5	289.4	192.2
Revenue	**506,191**	401,728	347,505	304,273	259,150
Net income	**53,124**	36,132	31,049	23,728	19,748
Adjusted net income[1]	**53,124**	42,158	33,155	23,728	18,600
Return on equity	**21.8%**	17.0%	16.8%	14.4%	13.7%
Adjusted return on equity[1]	**21.8%**	19.8%	17.9%	14.4%	12.9%
Net income as a percentage of revenue	**10.5%**	9.0%	8.9%	7.8%	7.6%
Adjusted net income as a percentage of revenue[1]	**10.5%**	10.5%	9.5%	7.8%	7.2%
Dividends declared on common shares	**12.5**	9.7	6.7	5.4	4.5
Cash dividends declared per common share	**0.90**	0.72	0.49	0.40	0.34
Earnings per share					
Basic	**3.78**	2.67	2.29	1.75	1.47
Diluted	**3.56**	2.56	2.23	1.69	1.42
Adjusted diluted[1]	**3.56**	2.97	2.38	1.69	1.34

[1] Adjusted for certain non-recurring or unusual transactions.
[2] Prepared under IAS 39 rather than IFRS 9.

Key financial measures for each of the last five years are summarized in the table above and include the gross consumer loans receivable portfolio, revenue, net income, earnings per share and return on equity. Strong consumer demand has allowed the Company to grow its consumer loans receivable portfolio which in turn drove the rising level of revenue. The larger revenue base, offset partially by higher operating expenses, increased the Company's net income and earnings per share while the increased scale of the business resulted in net income as a percentage of revenue also increasing over the presented time horizon. Lastly return on equity has increased due to the increased earnings generated by the business and the higher level of financial leverage. Please refer to previous years' MD&As for detailed analysis.

Assets and Liabilities

($ in 000's)	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
Total assets					
Consumer loans receivable	**782,864**	513,425	354,499	270,961	180,693
Cash	**100,188**	109,370	24,928	11,389	1,165
Other	**172,624**	126,820	123,635	136,152	137,614
	1,055,676	749,615	503,062	418,502	319,472
Total liabilities					
Senior secured credit facilities	**650,481**	401,193	-	-	-
Convertible debentures	**40,581**	47,985	-	-	-
Bank debt	-	-	-	-	1,756
Term loan	-	-	263,294	211,720	120,743
Derivative financial instruments	-	11,138	-	-	-
Other	**63,085**	61,055	43,737	30,723	43,005
	754,147	521,371	307,031	242,443	165,504

Total assets have increased due primarily to the growth of the Company's consumer loans receivable portfolio. Cash increased in 2017 due to the Company refinancing in the fourth quarter of 2017 and assuming more debt to allow the Company to continue to grow its consumer loans receivable portfolio. Other assets increased significantly in 2018 due primarily to the existence of a derivate financial instrument related to a cash flow hedge against the Company's US dollar denominated debt. As the US dollar appreciated against the Canadian dollar during 2018 the carrying value of the US dollar debt increased as did the offsetting value of this hedging instrument.

The Company finances the growth of its consumer loans receivable portfolio through a combination of debt, equity and retained earnings. Until 2017 the Company had a credit facility which consisted of a term loan and a revolving line of credit. During 2017 the Company issued $53 million in convertible debentures and repaid the previous credit facility by issuing US$325 million in Notes Payable and securing a $110 million revolving line of credit from a syndicate of banks. During 2018 the Company issued a second US$150 million tranche of Notes Payable and increased the borrowing limit under its revolving line of credit to $174.5 million. All of the Company's credit facilitates are as described in the notes to the Company's financial statements for the year ended December 31, 2018.

Prior to refinancing, the previous term loan had an interest rate of 8.41%. Upon issuing the first tranche of Notes Payable in November 2017 the Company borrowed at an interest rate of 7.84%. The second tranche of Notes Payable issued in July 2018 further reduced the interest rate to 6.17%. At the end of 2018, the Company's ratio of net debt (net of surplus cash on hand) to capitalization was 66%; a level that is conservative against several of the Company's peers and below the 70% which the Company believes is optimal.

Analysis of Results for the Three Months Ended December 31, 2018

Fourth Quarter Highlights

- goeasy continued to report record revenue during the fourth quarter of 2018. Revenue for the quarter increased to $138.2 million from the $107.2 million reported in the same quarter of 2017, an increase of $30.9 million or 28.8%. The increase was driven by the growth of easyfinancial.

- The gross consumer loans receivable portfolio increased from $526.5 million as at December 31, 2017 to $833.8 million as at December 31, 2018, an increase of $307.2 million or 58.3%. The loan book grew $84.2 million in the quarter against growth of $53.5 million in the same quarter of 2017. Loan originations in the quarter were $265.0 million, up 50.2% 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, ongoing enhancements to the Company's digital properties and increased advertising spend.

- Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 13.1% in the quarter compared with 12.8% in the same quarter of 2017. The net charge off rate in the quarter of 13.1% was at the mid-point of the Company's targeted range for 2018 of 12.0% to 14.0%. During 2018 the growth of the secured loan product and expansion of risk-based pricing produced credit quality improvements. During this same time frame however, the Company experienced higher losses in Quebec than in other provinces as well as acquiring a larger proportion of originations from the digital channel. While borrowers acquired online tend to have lower credit quality, such customers generate attractive operating margins. Loss rates from Quebec were higher than in the fourth quarter of 2017 but have reduced from the level the Company experienced in the third quarter of 2018 as the new Quebec credit underwriting model is beginning to have the desired effect.

- Operating income from easyfiancial was $41.3 million for the fourth quarter of 2018 compared with $28.6 million for the comparable period in 2017, an increase of $12.7 million or 44.3%. The benefits of the larger loan book and related revenue increases of $30.1 million were partially offset by: i) the $1.1 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 iv) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 40.0% compared with 39.1% reported in the same quarter of 2017.

- The operating income generated by the Company's mature easyhome business was $5.2 million for the fourth quarter of 2018, an increase of $0.3 million when compared with the same quarter of 2017. The adoption of consumer lending in easyhome drove this improvement. Operating margin for the fourth quarter of 2018 was 14.8%, an increase from the 14.3% reported in the same quarter of 2017.

- Total Company operating income for the fourth quarter of 2018 was $35.1 million, up $10.7 million or 43.6% when compared with the same quarter of 2017. The transition to IFRS 9 in the current quarter served to reduce operating income by $2.9 million as compared to the previous accounting standard. Operating margin in the quarter was 25.4%, up from 22.8% in the comparable period of 2017.

- In July 2018, 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 16 cents in the quarter.

- Net income for the fourth quarter of 2018 was $15.9 million or $1.02 per share on a diluted basis. Reported net income for the fourth quarter of 2017 was $5.4 million or $0.38 per share on a diluted basis. Excluding the after-tax impact of the $8.2 million refinancing cost incurred in the fourth quarter of 2017, adjusted net income was $11.4 million or $0.79 per share. On this normalized basis, net income and diluted earnings per share increased by 39.5% and 29.1%, respectively.

- The Company adopted IFRS 9 in 2018 while 2017 was reported under the old accounting standard. The Company estimates that adjusted net income and adjusted earnings per share for the fourth quarter of 2017 would have been $2.3 million or $0.15 lower respectively had it been reported under IFRS 9. On this basis, net income and diluted earnings per share in the current quarter would have increased by 76.2% and 59.4% respectively.

- Return on equity in the fourth quarter was 23.0%.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**138,160**	107,244	30,916	28.8%
Operating expenses before depreciation and amortization	**90,369**	69,342	21,027	30.3%
EBITDA[1]	**37,847**	27,662	10,185	36.8%
EBITDA margin[1]	**27.4%**	25.8%	160 bps	6.2%
Depreciation and amortization expense	**12,685**	13,452	(767)	(5.7%)
Operating income	**35,106**	24,450	10,656	43.6%
Operating margin[1]	**25.4%**	22.8%	260 bps	11.4%
Interest expense and amortization of deferred financing charges	**12,811**	8,774	4,037	46.0%
Refinancing costs	**-**	8,198	(8,198)	(100.0%)
PTPP income[1]	**56,481**	26,285	30,196	114.9%
Effective income tax rate	**28.7%**	28.2%	50 bps	1.8%
Net income	**15,887**	5,366	10,521	196.1%
Diluted earnings per share	**1.02**	0.38	0.64	168.4%
Return on equity	**23.0%**	9.5%	1,350 bps	142.1%
Adjusted (Normalized) Financial Results[2]				
Adjusted net income	**15,887**	11,392	4,495	39.5%
Adjusted earnings per share	**1.02**	0.79	0.23	29.1%
Adjusted return on equity	**23.0%**	20.1%	290 bps	14.4%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**28.5%**	20.0%	850 bps	42.5%
Same store revenue growth (easyhome)	**7.1%**	0.1%	700 bps	7,000.0%
Segment Financials				
easyfinancial revenue	**103,286**	73,231	30,055	41.0%
easyfinancial operating margin	**40.0%**	39.1%	90 bps	2.3%
easyhome revenue	**34,874**	34,013	861	2.5%
easyhome operating margin	**14.8%**	14.3%	50 bps	3.5%
Portfolio Indicators				
Gross consumer loans receivable	**833,779**	526,546	307,233	58.3%
Growth in consumer loans receivable	**84,198**	53,483	30,715	57.4%
Gross loan originations	**264,996**	176,383	88,613	50.2%
Total yield on consumer loans (including ancillary products)	**52.7%**	58.4%	(570bps)	(9.8%)
Net charge-offs as a percentage of average gross consumer loans receivable	**13.1%**	12.8%	30 bps	2.3%
Potential monthly lease revenue	**9,141**	9,481	(340)	(3.6%)

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

[2] During the fourth quarter of 2017, the company repaid its Term Loan incurring an early repayment penalty and amortizing the remaining unamortized deferred financing costs associated with the Term Loan which resulted in a one-time before tax charge of $8.2 million.

Store Locations Summary

	Locations as at September 30, 2018	Locations opened during period	Locations closed during period	Conversions	Locations as at December 31, 2018
easyfinancial					
Kiosks (in store)	39	-	-	(6)	**33**
Stand-alone locations	198	3	-	6	**207**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	238	3	-	-	**241**
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 December 31, 2018			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**71,814**	**2,020**	**-**	**73,834**
Lease revenue	**-**	**29,437**	**-**	**29,437**
Commissions earned	**29,594**	**1,892**	**-**	**31,486**
Charges and fees	**1,878**	**1,525**	**-**	**3,403**
	103,286	**34,874**	**-**	**138,160**
Total operating expenses before depreciation and amortization	**60,032**	**19,482**	**10,855**	**90,369**
Depreciation and amortization	**1,965**	**10,238**	**482**	**12,685**
Operating income (loss)	**41,289**	**5,154**	**(11,337)**	**35,106**
Finance costs				
Interest expense and amortization of deferred financing charges				**12,811**
				12,811
Income before income taxes				**22,295**
Income taxes				**6,408**
Net income				**15,887**
Diluted earnings per share				**1.02**

($ in 000's except earnings per share)	Three Months Ended December 31, 2017 easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	48,005	401	-	48,406
Lease revenue	-	30,784	-	30,784
Commissions earned	23,581	1,302	-	24,883
Charges and fees	1,645	1,526	-	3,171
	73,231	34,013	-	107,244
Total operating expenses before depreciation and amortization	42,549	18,194	8,599	69,342
Depreciation and amortization	2,068	10,955	429	13,452
Operating income (loss)	28,614	4,864	(9,028)	24,450
Finance costs				
Interest expense and amortization of deferred financing charges				8,774
Refinancing costs				8,198
				16,972
Income before income taxes				7,478
Income taxes				2,112
Net income				5,366
Diluted earnings per share				0.38

Portfolio Performance

Consumer Loans Receivable Portfolio – The gross consumer loans receivable portfolio increased from $526.5 million as at December 31, 2017 to $833.8 million as at December 31, 2018, an increase of $307.2 million or 58.3%. The loan book grew $84.2 million in the quarter against growth of $53.5 million in the same quarter of 2017. Loan originations in the quarter were $265.0 million, up 50.2% against the origination volume of the same quarter of 2017. The drivers behind the growth were as previously described.

The annualized total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 52.7% in the fourth quarter of 2018, down 570 bps from 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 $34.2 million for the quarter from $18.8 million during the same quarter in 2017, an increase of $15.4 million or 81.9%. The following table details the components of bad debt expense:

($ in 000's)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017
Provision required due to net charge-offs	**26,471**	16,156
Impact of loan book growth – Historic rate	**5,239**	3,286
Impact of loan book growth – Incremental IFRS 9 rate	**2,943**	-
Impact of change in provision rate during period	**(467)**	(635)
Net change in allowance for credit losses	**7,715**	2,651
Bad debt expense	**34,186**	18,807

Bad debt expense increased by $15.4 million due to four factors:

(i) Net charge-offs increased from $16.2 million in the fourth quarter of 2017 to $26.5 million in the current quarter, up $10.3 million. This represented an increase of 62.5% 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 13.1% in the quarter compared with 12.8% in the same quarter of 2017. The net charge off rate in the quarter of 13.1% was at the mid-point of the Company's targeted range for 2018 of 12.0% to 14.0%. During 2018 the growth of the secured loan product and expansion of risk-based pricing produced credit quality improvements. During this same time frame however, the Company experienced higher losses in Quebec than in other provinces as well as acquiring a larger proportion of originations from the digital channel. While borrowers acquired online tend to have lower credit quality, such customers generate attractive operating margins. Loss rates from Quebec were higher than in the fourth quarter of 2017 but have reduced from the level the Company experienced in the third quarter of 2018 as the new Quebec credit underwriting models are beginning to have the desired effect.

(ii) The loan book growth in the quarter increased from $53.5 million in the fourth quarter of 2017 to $84.2 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 $2.0 million increase in bad debt expense in the quarter.

(iii) The implementation of IFRS 9 resulted in the provision taken on the loan book growth in the quarter increasing from 6.1% in the fourth quarter of 2017 to 9.6% (the opening provision rate in the current quarter). This resulted in an additional $2.9 million increase in bad debt expense in the current quarter.

(iv) The provision rate under the old accounting standard declined slightly in the fourth quarter of 2017 resulting in a reduction to bad debt expense of $0.6 million. The provision rate in the fourth quarter of 2018 decreased by 6 bps resulting in a decrease in bad debt expense of $0.5 million. The net impact of these changes on the in-period provision rate resulted in bad debt expense increasing by $0.2 million in the current period compared with the comparable period of 2017.

easyhome Leasing Portfolio – The leasing portfolio as measured by potential monthly lease revenue as at December 31, 2018 was $9.1 million, down from the $9.5 million reported as at December 31, 2017 (as previously described).

Revenue

Revenue for the three-month period ended December 31, 2018 was $138.2 million compared to $107.2 million in the same quarter of 2017, an increase of $30.9 million or 28.8%. Overall same store sales growth for the quarter was 28.5%. revenue growth was driven primarily by the growth of easyfinancial.

e*asyfinancial* – Revenue for the three-month period ended December 31, 2018 was $103.3 million, an increase of $30.1 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 the increased revenue include:

- Interest revenue increased by $23.8 million or 49.6% 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, 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 $6.0 million or 25.5% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products and slightly lower penetration of these products.
- Charges and fees increased by $0.3 million.

easyhome – Revenue for the three-month period ended December 31, 2018 was $34.9 million, an increase of $0.9 million when compared with the same quarter of 2017. Revenue associated with the traditional leasing business declined by $1.4 million in the current quarter related primarily to store sales and the closure of underperforming locations as well as reductions in the lease portfolio. These declines were offset by a $2.3 million increase in financial revenue (interest and commissions earned) related to consumer lending in easyhome stores which was introduced in the second quarter of 2017. The components of easyhome revenue increase include:

- Interest revenue increased by $1.6 million due to the growth of the consumer loans receivable related to the easyhome business.
- Lease revenue declined by $1.3 million due to the reduction of the lease portfolio (as described above).
- Commissions earned on the sale of ancillary products increased by $0.6 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 $90.4 million for the three-month period ended December 31, 2018, an increase of $21.0 million or 30.3% 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), the additional expenses associated with offering consumer lending in easyhome as well as higher corporate costs. Total operating expenses before depreciation and amortization represented 65.4% of revenue for the fourth quarter of 2018 compared with 64.7% reported in the same quarter of 2017.

easyfinancial – Total operating expenses before depreciation and amortization were $60.0 million for the fourth quarter of 2018, an increase of $17.5 million or 41.1% from the same quarter of 2017. Operating expenses, excluding bad debt, increased by $3.1 million or 12.9% in the quarter driven by: i) an additional $1.1 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; and iv) higher branch level incentives (driven by the growth in originations and loan book). Overall branch count increased from 228 as at December 31, 2017 to 241 as at December 31, 2018. Bad debt expense for easyfinancial, increased by $14.4 million in the current quarter when compared to the same quarter in 2017 for the reasons described above.

easyhome – Total operating expenses before depreciation and amortization were $19.5 million for the fourth quarter of 2018, which was $1.3 million higher than the same quarter of 2017. Operating costs increased due to expenses related specifically to the addition of consumer lending in easyhome stores including additional advertising, staffing and bad debt expense. These cost increases were partially offset by the reduction in store count and related cost savings. Consolidated easyhome store count declined by seven from 141 as at December 31, 2017 to 134 as at December 31, 2018.

Corporate – Total operating expenses before depreciation and amortization were $10.9 million for the fourth quarter of 2018 compared to $8.6 million in the same quarter of 2017, an increase of $2.3 million. The increase was related to higher salaries (additional management personnel) and increased accrued bonus expense due to the performance of the business exceeding target. In addition, the fourth quarter of 2017 benefitted from a $0.9 million gain on the sale of corporate easyhome store to a franchisee where the current quarter had no such gain. Corporate expenses before depreciation and amortization represented 7.9% of total revenue in the fourth quarter of 2018 compared to 8.0% of total revenue in the same quarter of 2017.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended December 31, 2018 was $12.7 million, a decrease of $0.8 million from the same quarter of 2017. Overall, depreciation and amortization represented 9.2% of revenue for the three months ended December 31, 2018, a decrease from the 12.5% reported in the comparable period of 2017.

easyfinancial – Depreciation and amortization of $2.0 million in the fourth quarter was broadly consistent with the comparable period in 2017.

easyhome – Depreciation and amortization expense was $10.2 million in the fourth quarter of 2018, a decrease of $0.7 million compared to the same quarter of 2017. The decline was due primarily to the lower level of lease revenue and lease assets. easyhome's depreciation and amortization expense expressed as a percentage of easyhome revenue for the quarter was 29.4%, down from the 32.2% reported in the same quarter of 2017. The rate reduction was due to the lower amount of amortization against an easyhome revenue base that is growing due to the introduction of consumer lending.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended December 31, 2018 was $35.1 million, up $10.7 million or 43.6% when compared with the same quarter of 2017. The operating income of both the easyfinancial and easyhome business units increased in the current quarter compared with the same period of 2017. The transition to IFRS 9 in the current quarter served to reduce operating income by $2.9 million as compared to the previous accounting standard. Operating margin in the quarter was 25.4%, up from 22.8% in the comparable period of 2017.

easyfinancial – Operating income was $41.3 million for the fourth quarter of 2018 compared with $28.6 million for the comparable period in 2017, an increase of $12.7 million or 44.3%. The benefits of the larger loan book and related revenue increases of $30.1 million were partially offset by: i) the $1.1 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 iv) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 40.0% compared with 39.1% reported in the same quarter of 2017.

easyhome – Operating income was $5.2 million for the fourth 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 $0.9 million when compared with the comparable period of 2017. Total expenses increased by $0.6 million with the higher costs associated with consumer lending (staffing and bad debt expense) being partially offset by cost reductions related to lower store count. Operating margin for the fourth quarter of 2018 was 14.8%, an increase from the 14.3% reported in the same quarter of 2017.

Finance Costs

Finance costs for the three months ended December 31, 2018 were $12.8 million and consisted entirely of interest and the amortization of deferred financing charges. Finance costs for the three-month period ended December 31, 2017 totaled $17.0 million and consisted of: i) $8.8 million of interest expense and the amortization of deferred financing charges and ii) $8.2 million in non-recurring refinancing costs. Interest and deferred financing charges increased by $4.0 million due to the increased debt level offset by a lower effective borrowing rate. The total carrying value of the debt as at December 31, 2018 was $691.1 million against debt of $449.2 million as at December 31, 2017. As a result of refinancing its business and repaying the then existing credit facility in the fourth quarter of 2017, the Company incurred $8.2 million in refinancing costs which consisted of an early repayment penalty and accelerated amortization of the remaining unamortized deferred financing costs associated with the prior credit facility.

In July 2018, 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 17 cents in the quarter.

PTPP Income

Pre-tax pre-provision income (“PTPP income”) for the fourth quarter of 2018 was $56.5 million, an increase of $30.2 million or 114.9% 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 fourth quarter of 2018 was 28.7% which was higher than the 28.2% reported in the same quarter of 2017. The Company sold a store to a franchisee in the fourth quarter of 2017 and a portion of that gain was taxed as a capital gain resulting in a lower effective tax rate in that prior period.

Net Income and EPS

Net income for the fourth quarter of 2018 was $15.9 million or $1.02 per share on a diluted basis. Reported net income for the fourth quarter of 2017 was $5.4 million or $0.38 per share on a diluted basis. Excluding the after-tax impact of the $8.2 million refinancing cost incurred in the fourth quarter of 2017, adjusted net income was $11.4 million or $0.79 per share. On this normalized basis, net income and diluted earnings per share increased by 39.5% and 29.1%, respectively.

The Company adopted IFRS 9 in 2018 while 2017 was reported under the old accounting standard. The Company estimates that adjusted net income and adjusted earnings per share for the fourth quarter of 2017 would have been $2.3 million or $0.15 lower respectively had it been reported under IFRS 9. On this basis, net income and diluted earnings per share in the current quarter would have increased by 76.2% and 59.4% respectively.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	December 2018	September 2018	June 2018	March 2018	December 2017[2]	September 2017[2]	June 2017[2]	March 2017[2]	December 2016[2]
Gross consumer loans receivable	**833.8**	749.6	686.6	601.7	526.5	473.1	425.3	387.1	370.5
Revenue	**138.2**	129.9	123.3	114.8	107.2	102.7	97.5	94.2	91.1
Net income	**15.9**	14.3	11.8	11.1	5.4	11.6	8.9	10.3	8.3
Adjusted net income[3]	**15.9**	14.3	11.8	11.1	11.4	11.6	8.9	10.3	8.3
Return on equity	**23.0%**	23.8%	20.9%	19.8%	9.5%	21.3%	18.8%	20.6%	17.4%
Adjusted return on equity[3]	**23.0%**	23.8%	20.9%	19.8%	20.1%	21.3%	18.8%	20.6%	17.4%
Net income as a percentage of revenue	**11.5%**	11.0%	9.6%	9.7%	5.0%	11.3%	9.1%	10.9%	9.1%
Adjusted net income as a percentage of revenue[3]	**11.5%**	11.0%	9.6%	9.7%	10.5%	11.3%	9.1%	10.9%	9.1%
Earnings per share[1]									
Basic	**1.07**	1.03	0.86	0.81	0.39	0.86	0.66	0.76	0.62
Diluted	**1.02**	0.97	0.82	0.77	0.38	0.81	0.63	0.73	0.60
Adjusted diluted[3]	**1.02**	0.97	0.82	0.77	0.79	0.81	0.63	0.73	0.60

[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.
[3]Adjusted for certain non-recurring or unusual transactions. ..

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. The larger revenue base, offset partially by higher operating expenses, increased the Company's net income and earnings per share while the increased scale of the business resulted in net income as a percentage of revenue also increasing over the presented time horizon. Lastly return on equity has increased due to the increased earnings generated by the business and the higher level of financial leverage. Please refer to previous periods' MD&As for detailed analysis.

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		Year Ended	
($ in 000's)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Loan originations to new customers	**116,577**	73,424	**411,671**	249,472
Loan originations to existing customers	**148,419**	102,959	**510,879**	330,023
Less: Proceeds applied to repay existing loans	**(78,454)**	(52,231)	**(259,513)**	(170,573)
Net advance to existing customers	**69,965**	50,728	**251,366**	159,450
Net principal written	**186,542**	124,152	**663,037**	408,922

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		Year Ended	
($ in 000's)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Opening gross consumer loans receivable	**749,581**	473,063	**526,546**	370,517
Gross loan originations	**264,996**	176,383	**922,550**	579,494
Gross principal payments and other adjustments	**(151,214)**	(104,796)	**(517,155)**	(357,664)
Gross charge-offs before recoveries	**(29,584)**	(18,104)	**(98,162)**	(65,801)
Net growth in gross consumer loans receivable during the period	**84,198**	53,483	**307,233**	156,029
Ending gross consumer loans receivable	**833,779**	526,546	**833,779**	526,546

The scheduled principal repayment aging analysis of gross consumer loans receivable portfolio is as follows:

	December 31, 2018		December 31, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
0 – 6 months	**139,631**	**16.7%**	104,208	19.8%
6 – 12 months	**104,619**	**12.5%**	79,952	15.2%
12 – 24 months	**221,626**	**26.6%**	149,356	28.4%
24 – 36 months	**204,227**	**24.5%**	125,258	23.8%
36 – 48 months	**106,346**	**12.8%**	50,714	9.6%
48 – 60 months	**29,002**	**3.5%**	11,686	2.2%
60 months+	**28,328**	**3.4%**	5,372	1.0%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	100.0%

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

	December 31, 2018		December 31, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
0 – 1 year	**34,355**	**4.1%**	37,332	7.1%
1 – 2 years	**108,262**	**13.0%**	96,443	18.3%
2 – 3 years	**260,205**	**31.2%**	183,254	34.8%
3 – 4 years	**270,621**	**32.5%**	145,165	27.6%
4 – 5 years	**108,932**	**13.1%**	55,853	10.6%
5 years +	**51,404**	**6.1%**	8,499	1.6%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	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)	December 31, 2018		December 31, 2017	
	$	% of total	$	% of total
Gross consumer loans receivable, easyfinancial	**811,950**	**97.4%**	**521,222**	**99.0%**
Gross consumer loans receivable, easyhome	**21,829**	**2.6%**	**5,324**	**1.0%**
Gross consumer loans receivable	**833,779**	**100.0%**	**526,546**	**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		Year Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial revenue, easyfinancial	**103,286**	73,231	**368,325**	264,468
Financial revenue, easyhome	**2,889**	608	**7,775**	1,030
Financial revenue	**106,175**	73,839	**376,100**	265,498
Less: Finance costs	**(12,811)**	(16,972)	**(45,800)**	(36,840)
Less: Bad debt expense	**(34,186)**	(18,807)	**(118,980)**	(67,826)
Net Financial Income	**59,178**	38,060	**211,320**	160,832

Total Yield on Consumer Loans

Total yield on consumer loans is calculated as the financial revenue generated (including revenue generated on the sale of ancillary products) on the Company's consumer loans receivable portfolio divided by the average of the month-end loan balances for the indicated period. Total yield on consumer loans is a measure of the revenue produced by the Company's consumer loans receivable portfolio. For interim periods, the rate is annualized.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Financial revenue	**106,175**	73,839	**376,100**	265,498
Average gross consumer loans receivable	**806,489**	506,009	**693,757**	439,348
Total yield as a percentage of average gross consumer loans receivable (annualized)	**52.7%**	58.4%	**54.2%**	60.4%

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		Year Ended	
($ in 000's except percentages)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Net charge-offs	**26,471**	16,156	**88,351**	59,576
Average gross consumer loans receivable	**806,489**	506,009	**693,757**	439,348
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**13.1%**	12.8%	**12.7%**	13.6%

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.

During 2017 the Company's allowance for credit losses was calculated under IAS 39. Under this previous accounting standard, 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.

The Company adopted IFRS 9 on January 1, 2018. 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. 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 increased. 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.

The change from IAS 39 to IFRS 9 does not impact the Company's cash flows, charge off policy, the underlying performance of the Company's consumer loans receivable portfolio or the net charge off rate. Customer loans for which the Company has 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		Year Ended	
($ in 000's except percentages)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Allowance for credit losses, beginning of period	**72,026**	29,055	**49,112**	23,456
Net charge-offs written off against the allowance	**(26,471)**	(16,156)	**(88,351)**	(59,576)
Bad debt expense	**34,186**	18,807	**118,980**	67,826
Allowance for credit losses, end of period	**79,741**	31,706	**79,741**	31,706
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**9.6%**	6.0%	**9.6%**	6.0%

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 December 31, 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%**	**+/- 43 bps**
Rate of inflation	**+/- 10%**	**+/- 9 bps**
Oil prices	**+/- 10%**	**-/+ 22 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 the applicable accounting standards. As indicated the Company adopted IFRS 9 in 2018 which resulted in a higher allowance for credit losses than under the previous accounting standard, IAS 39. Operationally, this will require a larger provision to be taken when new consumer loans receivables are originated or purchased and will result in greater bad debt expense and an increase in bad debts expressed as a percentage of financial revenue than reported under the prior standard, IAS 39.

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		Year Ended	
($ in 000's except percentages)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Net charge-offs	**26,471**	16,156	**88,351**	59,576
Net change in allowance for credit losses	**7,715**	2,651	**30,629**	8,250
Bad debt expense	**34,186**	18,807	**118,980**	67,826
Financial revenue	**106,175**	73,839	**376,100**	265,498
Bad debt expense as a percentage of Financial Revenue	**32.2%**	25.5%	**31.6%**	25.5%

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:

	December 31, 2018		December 31, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Current	**789,834**	**94.7%**	497,991	94.6%
Days past due				
1 - 30 days	**25,442**	**3.1%**	17,274	3.3%
31 - 44 days	**5,931**	**0.7%**	3,601	0.7%
45 - 60 days	**5,930**	**0.7%**	3,330	0.6%
61 - 90 days	**6,559**	**0.8%**	4,350	0.8%
91 – 180 days	**83**	**0.0%**	-	-%
	43,945	**5.3%**	28,555	5.4%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	100%

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, Dec. 29, 2018	Saturday, Dec. 30, 2017
	% of total	**% of total**
Current	**94.8%**	94.7%
Days past due		
1 - 30 days	**3.2%**	3.3%
31 - 44 days	**0.6%**	0.6%
45 - 60 days	**0.6%**	0.6%
61 - 90 days	**0.8%**	0.8%
91 – 180 days	**0.0%**	0.0%
	5.2%	5.3%
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:

	December 31, 2018		December 31, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**34,883**	**4.2%**	25,019	4.8%
Nova Scotia	**51,231**	**6.1%**	36,389	6.9%
Prince Edward Island	**8,721**	**1.0%**	6,505	1.2%
New Brunswick	**41,579**	**5.0%**	29,116	5.5%
Quebec	**38,330**	**4.6%**	23,457	4.5%
Ontario	**365,598**	**43.8%**	224,976	42.7%
Manitoba	**36,600**	**4.4%**	21,606	4.1%
Saskatchewan	**43,842**	**5.3%**	26,323	5.0%
Alberta	**109,864**	**13.2%**	68,073	12.9%
British Columbia	**93,420**	**11.2%**	58,920	11.2%
Territories	**9,711**	**1.2%**	6,162	1.2%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	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:

	December 31, 2018		December 31, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Unsecured Instalment Loans	**780,850**	**93.7%**	518,049	98.4%
Secured Instalment Loans	**52,929**	**6.3%**	8,497	1.6%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	100.0%

Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio and the performance of its easyhome business 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:

	Three Months Ended		Year Ended	
($ in 000's)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Opening potential monthly lease revenue	**8,906**	9,226	**9,481**	9,886
Change due to store opening or acquisitions during the period	**-**	(15)	**131**	28
Decrease due to store closures or sales during the period	**(27)**	(91)	**(300)**	(346)
Increase/(decrease) due to ongoing operations	**262**	361	**(171)**	(87)
Net change	**235**	255	**(340)**	(405)
Ending potential monthly lease revenue	**9,141**	9,481	**9,141**	9,481

Potential monthly lease revenue is calculated as follows:

	December 31, 2018	**December 31, 2017**
Total number of lease agreements	**97,459**	104,982
Multiplied by the average required monthly lease payment per agreement	**93.79**	90.31
Potential monthly lease revenue ($ in 000's)	**9,141**	9,481

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)	December 31, 2018	December 31, 2017
Furniture	**4,144**	4,241
Electronics	**1,051**	1,095
Computers	**2,914**	2,980
Appliances	**1,032**	1,165
Potential monthly lease revenue	**9,141**	9,481

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)	December 31, 2018		December 31, 2017	
	$	% of total	$	% of total
Newfoundland & Labrador	**737**	**8.1%**	829	8.8%
Nova Scotia	**797**	**8.7%**	836	8.8%
Prince Edward Island	**146**	**1.6%**	165	1.7%
New Brunswick	**676**	**7.4%**	698	7.4%
Quebec	**579**	**6.3%**	580	6.1%
Ontario	**3,167**	**34.6%**	3,205	33.8%
Manitoba	**252**	**2.8%**	250	2.6%
Saskatchewan	**400**	**4.4%**	448	4.7%
Alberta	**1,353**	**14.8%**	1,391	14.7%
British Columbia	**934**	**10.2%**	987	10.4%
USA	**100**	**1.1%**	92	1.0%
Potential monthly lease revenue	**9,141**	**100.0%**	9,481	100.00%

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.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Net charge-offs	**1,097**	1,118	**4,230**	4,146
easyhome Leasing revenue	**31,985**	33,405	**130,091**	136,230
Net charge-offs as a percentage of easyhome leasing revenue	**3.4%**	3.3%	**3.3%**	3.0%

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		Year Ended	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Same store revenue growth (overall)	**28.5%**	20.0%	**25.7%**	18.3%
Same store revenue growth (easyhome)	**7.1%**	0.1%	**6.4%**	(0.7%)

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.

($ in 000's except percentages)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating expenses before depreciation and amortization	**90,369**	69,342	**334,471**	262,127
Divided by revenue	**138,160**	107,244	**506,191**	401,728
Operating expenses before depreciation and amortization as % of revenue	**65.4%**	64.7%	**66.1%**	65.2%

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.

($ in 000's except percentages)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
easyfinancial				
Operating income	**41,289**	28,614	**141,854**	102,654
Divided by revenue	**103,286**	73,231	**368,325**	264,468
easyfinancial operating margin	**40.0%**	39.1%	**38.5%**	38.8%
easyhome				
Operating income	**5,154**	4,864	**21,547**	20,882
Divided by revenue	**34,874**	34,013	**137,866**	137,260
easyhome operating margin	**14.8%**	14.3%	**15.6%**	15.2%
Total				
Operating income	**35,106**	24,450	**119,717**	87,393
Divided by revenue	**138,160**	107,244	**506,191**	401,728
Total operating margin	**25.4%**	22.8%	**23.7%**	21.8%

Adjusted Net Income and Adjusted Diluted Earnings Per Share

At various times, net income and diluted earnings per share may be affected by unusual items that have occurred in the period and impact the comparability of these measures with other periods. Items are considered unusual if they are outside of normal business activities, significant in amount and scope and are not expected to occur on a recurring basis. The Company defines i) adjusted net income as net income excluding such unusual and non-recurring items and ii) adjusted diluted earnings per share as diluted earnings per share excluding such items. The Company believes that adjusted net income and adjusted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items used to net income and earnings per share for the three-month period and year ended December 31, 2018 and 2017 include those indicated in the chart below:

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Net income as stated	**15,887**	5,366	**53,124**	36,132
Refinancing costs[1]	-	8,198	-	8,198
Tax impact of above items	-	(2,172)	-	(2,172)
After tax impact of above item	-	6,026	-	6,026
Adjusted net income	**15,887**	11,392	**53,124**	42,158
After tax impact of convertible debentures	**698**	773	**2,690**	1,790
Fully diluted adjusted net income	**16,585**	12,165	**55,814**	43,948
Weighted average number of diluted shares outstanding	**16,270**	15,403	**15,671**	14,805
Diluted earnings per share as stated[2]	**1.02**	0.38	**3.56**	2.56
Per share impact of normalized items[2]	-	0.41	-	0.41
Adjusted diluted earnings per share	**1.02**	0.79	**3.56**	2.97

[1] During the fourth quarter of 2017, the company repaid its Term Loan incurring an early repayment penalty and amortizing the remaining unamortized deferred financing costs associated with the Term Loan which resulted in a one-time before tax charge of $8.2 million.

[2] During the fourth quarter of 2017, the impact of convertible debentures on diluted earnings per share was anti-dilutive. As such, diluted earnings per share as stated was calculated based on net income as stated divided by weighted average number of diluted shares outstanding excluding convertible shares ($5,366 / (15,403 – 1,205 shares) = $0.38). The normalization of refinancing costs resulted in the convertible debentures becoming dilutive in the quarter. The impact of the change from anti-dilutive to dilutive convertible debentures is included in the per share impact of normalized items.

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		Year Ended	
($ in 000's except percentages)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Net income	**15,887**	5,366	**53,124**	36,132
Finance costs	**12,811**	16,972	**45,800**	36,840
Income tax expense	**6,408**	2,112	**20,793**	14,421
Depreciation and amortization, excluding depreciation of lease assets	**2,741**	3,212	**11,915**	10,987
EBITDA	**37,847**	27,662	**131,632**	98,380
Divided by revenue	**138,160**	107,244	**506,191**	401,728
EBITDA margin	**27.4%**	25.8%	**26.0%**	24.5%

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.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Net income	**15,887**	5,366	**53,124**	36,132
Income tax expense	**6,408**	2,112	**20,793**	14,421
Bad debt expense	**34,186**	18,807	**118,980**	67,826
PTPP Income	**56,481**	26,285	**192,897**	118,379

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			
	December 31, 2018	December 31, 2018 (adjusted)	December 31, 2017	December 31, 2017 (adjusted)
Net income as stated	15,887	15,887	5,366	5,366
Refinancing costs	-	-	-	8,198
Tax impact of above item	-	-	-	(2,172)
After tax impact	15,887	15,887	-	6,026
Adjusted net income	15,887	15,887	5,366	11,392
Multiplied by number of periods in year	X 4/1	X 4/1	X 4/1	X 4/1
Divided by average shareholders' equity for the period	276,424	276,424	226,165	226,165
Return on equity	23.0%	23.0%	9.5%	20.1%

($ in 000's except periods and percentages)	Year Ended			
	December 31, 2018	December 31, 2018 (adjusted)	December 31, 2017	December 31, 2017 (adjusted)
Net income as stated	53,124	53,124	36,132	36,132
Refinancing costs	-	-	-	8,198
Tax impact of above item	-	-	-	(2,172)
After tax impact	53,124	53,124	-	6,026
Adjusted net income	53,124	53,124	36,132	42,158
Divided by average shareholders' equity for the period	243,992	243,992	212,757	212,757
Return on equity	21.8%	21.8%	17.0%	19.8%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at December 31, 2018 and December 31, 2017.

($ in 000's, except for ratios)	December 31, 2018	December 31, 2017
Consumer loans receivable, net	**782,864**	513,425
Cash	**100,188**	109,370
Lease assets	**51,618**	54,318
Derivative financial instruments	**35,094**	-
Goodwill	**21,310**	21,310
Property and equipment	**21,283**	15,941
Intangible assets	**14,589**	15,163
Other assets	**28,730**	20,088
Total assets	**1,055,676**	749,615
External debt	**691,062**	449,178
Derivative financial instruments	**-**	11,138
Other liabilities	**63,085**	61,055
Total liabilities	**754,147**	521,371
Shareholders' equity	**301,529**	228,244
Total capitalization (external debt plus total shareholders' equity)	**992,591**	677,422
External debt to shareholders' equity	**2.29**	1.97
External debt to total capitalization	**0.70**	0.66
Net external debt to net capitalization [1]	**0.66**	0.60
External debt to EBITDA	**5.25**	4.57

[1] 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 $1,055.7 million as at December 31, 2018, an increase of $306.1 million or 40.8% compared to December 31, 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 $269.5 million over the past 12 months and ii) a $35.1 million derivative financial asset.

The $306.1 million growth in total assets was primarily financed by: i) a $241.9 million increase in external debt (principally the issuance of US$150 million in Notes) and ii) a $73.3 million increase in total shareholder's equity, which is primarily driven by earnings generated by the Company and the issuance of 920,000 common shares in the fourth quarter of 2018. 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 December 31, 2018, the Company's external debt consisted of USD$475 million notes and $44.1 million of Convertible Debentures with net carrying values of $650.5 million and $40.6 million, respectively. As at December 31, 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 December 31, 2018 was $174.5 million.

Borrowings under the Notes bore a US$ coupon rate of 7.875%. The Company has issued two tranches of Notes. Through a cross currency swap agreement arranged concurrent with the first 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 second 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 December 31, 2018, $8.9 million of convertible debentures had converted into 203,000 common shares.

Liquidity and Capital Resources

Summary of Cash Flow Components

	Three Months Ended		Year Ended	
($ in 000's)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Cash provided by operating activities before the net issuance of consumer loans receivable and purchase of lease assets	**62,176**	49,768	**232,196**	179,400
Net issuance of consumer loans receivable	**(113,589)**	(73,318)	**(405,827)**	(226,752)
Purchase of lease assets	**(11,961)**	(14,092)	**(37,913)**	(42,041)
Cash used in operating activities	**(63,374)**	(37,642)	**(211,544)**	(89,393)
Cash used in investing activities	**(4,097)**	(984)	**(15,616)**	(7,145)
Cash provided by financing activities	**26,209**	125,628	**217,978**	180,980
Net (decrease) increase in cash for the period	**(41,262)**	87,002	**(9,182)**	84,442

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 December 31, 2018 was $63.4 million compared with $37.6 million in the same period of 2017. While an additional $40.3 million was used in net issuance of consumer loans receivable and increased level of working capital, this was offset by higher net income and non-cash charges such as bad debt expense.

Included in cash used in operating activities for the three-month period ended December 31, 2018 were: i) a net investment of $113.6 million to increase the easyfinancial consumer loans receivable portfolio and ii) the purchase of lease assets of $12.0 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 $62.2 million for the three months ended December 31, 2018, up $12.4 million from the same period of 2017. The increase is due to the higher level of net income and higher non-cash expenses in the current period (such as bad debt expense) offset by a higher level of working capital.

During the fourth quarter of 2018, the Company generated $26.2 million in cash flow from financing activities. During the quarter the company issued 920,000 common shares, which generated net proceeds of $44.3 million. This inflow was partially offset by the $15.0 million repurchase of shares under the Company's Normal Course Issuer Bid and $3.1 million payment of dividends.

During the current quarter, cash used in investing activities was $4.1 million compared with $1.0 million in the same period of 2017. During the current quarter the Company spent $2.6 million on property and equipment (head office expansion and new branches) and $1.5 million on intangible assets (various IT systems and software in support of easyfinancial's growth).

Cash used in operating activities during the year was $211.5 million as compared to $89.4 million in 2017. The increase in cash used in operating activities in the current year to date period was due primarily to the increase in the net issuance of consumer loans receivable and higher levels of working capital which was 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 year were: i) a net investment of $405.8 million to increase the easyfinancial consumer loans receivable portfolio and ii) the purchase of lease assets of $37.9 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 $232.2 million for the year, up from $179.4 million in 2017. The increase is due to the higher level of net income and higher non-cash expenses in the current period (such as bad debt expense) offset by a higher level of working capital.

During the year, the Company generated $218.0 million in cash flow from financing activities. The Company issued notes which generated net proceeds of $203.2 million and issuance of common shares, which generated proceeds of $45.1 million. This was partially offset by the $15.0 repurchase of shares under the Company's Normal Course Issuer Bid activities and the payment of $11.7 million in dividends during the year.

Cash used in investing activities in the current year to date period was $15.6 million compared with $7.1 million 2017. The increase was due in part to the head office expansion and the reduced proceeds on the sale of easyhome stores to franchisees (such proceeds are netted against purchases in arriving at cash used in investing activities).

During 2018 the Company issued an additional US$150 million in Notes Payable and $44 million in equity. At year's end the Company had total cash on hand and borrowing capacity under its revolving credit facility of $275 million and the ability to exercise the accordion feature under this facility to add an additional $89 million in borrowing capacity. Ultimately the cash on hand and current borrowing limits provide adequate growth capital for the Company to execute its growth plan, meet operational requirements, purchases lease assets, meet capital spending requirements, pay dividends and achieve its stated targets through the third quarter of 2020.

<u>Outstanding Shares & Dividends</u>

As at February 13, 2019 there were 14,253,818 common shares, 231,287 DSUs, 612,391 options, 553,754 RSUs, and no warrants outstanding.

Normal Course Issuer Bid

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 (“NCIB”). 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 NCIB to commence June 27, 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.

On November 8, 2018, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a NCIB to commence November 13, 2018, (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 555,000 common shares which represented approximately 5% of the 14,803,919 common shares issued and outstanding as at October 30, 2018. Under the November 8, 2018 NCIB, daily purchases will be limited to 9,052 common shares, other than block purchase exemptions. The purchases may commence on November 13, 2018 and will terminate on November 12, 2019 or on such earlier date as goeasy may complete its purchases pursuant to the Notice of Intention. The purchases made by goeasy will be effected through the facilities of the TSX, as well as alternative trading systems, and in accordance with the rules of the TSX. The price that the Company will pay for any common shares will be the market price of such shares at the time of acquisition. The Company will not purchase any common shares other than by open-market purchases. As at December 31, 2018, the Company had cancelled 398,452 common shares pursuant to this November 8, 2018 NCIB at an average price of $37.61 for a total cost of $15.0 million.

Dividends

During the quarter ended December 31, 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 December 31, 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 fourth 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

Commitments

The Company is committed to long-term service contracts and operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs and other commitments required for the next five years and thereafter are as follows:

($ in 000's)	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Premises	**15,018**	**31,812**	**41,571**
Vehicles	**850**	**1,911**	**279**
Technology commitments	**8,778**	**12,755**	**-**
Total contractual obligations	**24,646**	**46,478**	**41,850**

Contingencies

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance or cash flows.

The Company has agreed to indemnify its directors and officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

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 Corporate Governance, Nominating and Risk Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

Strategic Risk

Strategic risk is the risk from changes in the business environment, fundamental changes in demand for the Company's products or services, improper implementation of decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape.

The Company's growth strategy is focused on easyfinancial. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional locations for easyfinancial, to grow its consumer loans receivable portfolio, to access customers through new delivery channels, to successfully develop and launch new products to meet evolving customer demands, to secure growth financing at a reasonable cost, to maintain profitability levels within the mature easyhome business and to execute with efficiency and effectiveness.

The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Market Risk

Macroeconomic Conditions

Certain changes in macroeconomic conditions, many of which are beyond the Company's control, can have a negative impact on its customers and its performance. The Company's primary customer segment is the cash and credit constrained individual. These customers are affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower collection rates and result in higher charge-off rates and adversely affect the Company's performance, financial condition and liquidity. The Company can neither predict the impact current economic conditions will have on its future results, nor predict when the economic environment will change.

There can be no assurance that economic conditions will remain favorable for the Company's business or that demand for loans or default rates by customers will remain at current levels. Reduced demand for loans would negatively impact the Company's growth and revenues, while increased default rates by customers may inhibit the Company's access to capital, hinder the growth of the loan portfolio attributable to its products and negatively impact its profitability. Either such result could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

Interest Rate Risk

The Company's future success depends in part on its ability to access capital markets and obtain financing on reasonable terms. This is dependent on a number of factors, many of which the Company cannot control, including interest rates. Amounts due under the Company's credit facilities may bear interest at a variable rate. The Company may not hedge its interest rate risks and future changes in interest rates may affect the amount of interest expense the Company pays. Any increases in interest rates, or in the Company's inability to access the debt or equity markets on reasonable terms, could have an adverse impact on its financial condition, results of operations and growth prospects.

Foreign Currency Risk

The Company issued US$ denominated Notes. Concurrent with this offering, the Company entered into a currency swap agreement to fix the foreign exchange rate for the obligation under this offering and for all required payments of principal and interest.

The Company sources some of its merchandise out of the U.S. and, as such, its Canadian operations have some U.S. denominated cash and payable balances. As a result, the Company has both foreign exchange transaction and translation risk. Although the Company has U.S. dollar denominated purchases, it has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. However, in periods of rapid change in the Canadian to U.S. dollar exchange rate, the Company may not be able to pass on such changes in the cost of purchased products to its customers which may negatively impact its financial performance.

Competition

The Company estimates the size of the Canadian market for non-prime consumer lending, excluding mortgages, is approximately $186 billion. This demand is currently being met by a wide variety of industry participants that offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product offering rather than providing consumers with multiple alternatives. As a result, the suppliers to the marketplace are quite diverse.

Competition in the non-prime consumer lending market is based primarily on access, flexibility and cost (interest rates). Consumers are generally able to transition between the different types of lending products that are available in the marketplace to satisfy their need for these different characteristics. The Company expects the competition for non-prime consumer lending in Canada will continue to shift for the foreseeable future. While traditional financial institutions are likely to decrease their risk tolerance and move farther away from non-prime lending, regional financial institutions such as credit unions, payday lenders, marketplace lenders and online lenders are expected to continue their expansion into the non-prime market.

The Company also faces direct competition in the Canadian market from other merchandise leasing companies. Other factors that may adversely affect the performance of the leasing business are increased sales of used furniture and electronics at online and at retail stores that offer a non-prime point-of-sale purchase financing option. Additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

The Company may be unable to compete effectively with new and existing competitors, which could adversely affect its revenues and results of operations. In addition, investments required to adjust to changing market conditions may adversely affect the Company's business and financial performance.

Credit Risk

Credit risk is the risk of loss that arises when a customer or third party fails to pay an amount owing to the Company.

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and lease assets with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of its customers and in circumstances where its policies and procedures are not complied with.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's Credit Committee comprised of members of senior management. Credit quality of the customer is assessed using proprietary credit scorecards and individual credit limits are defined in accordance with this assessment. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. The Company develops underwriting models based on the historical performance of groups of customer loans which guide its lending decisions. To the extent that such historical data used to develop its underwriting models is not representative or predictive of current loan book performance, the Company could suffer increased loan losses.

The Company maintains an allowance for credit losses as prescribed by IFRS 9 and as described fully in the notes to the Company's financial statements for the period ending December 31, 2018. The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial conditions and is based on historical data, management's judgement and forward looking indicators. To the extent that such inputs used to develop its allowance for credit losses are not representative or predictive of current loan book performance, the Company could suffer increased loan losses above and beyond those provided for on its financial statements.

The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly and have a material adverse effect on the financial results of the Company.

The credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed upon payments or in their not returning the leased asset. For amounts receivable from third parties the risk relates to the possibility of default on amounts owing to the Company. The Company deals with credible companies, performs ongoing credit evaluations of debtors and creates an allowance on its financial statements for such uncollectible amounts.

The Company has established a Credit Committee and created processes and procedures to identify, measure, monitor and mitigate significant credit risks. However, to the extent that such risks go unidentified or are not adequately or expeditiously addressed by senior management, the Company and its financial performance could be adversely affected.

Liquidity and Funding Risk

Liquidity Risk

The Company has been funded through various sources including the issuance of convertible debentures, bank led revolving lines of credit, US$ notes payable, and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

The Company has publicly stated that it intends to significantly expand its consumer lending business. To achieve this goal, the Company may require additional funds which can be obtained through various sources including debt or equity financing. There can be no assurance, however, that additional funding will be available when needed or will be available on terms favorable to the Company. The inability to access adequate sources of financing, or to do so on favorable terms, may adversely affect the Company's capital structure and ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support the Company's business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The Company's capital structure consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

All of the Company's debt facilities must be renewed on a periodic basis. These facilities contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. The facilities also contain a number of covenants that require the Company to maintain certain specified financial ratios. Failure to meet any of these covenants could result in an event of default under these facilities which could, in turn, allow the lenders to declare all amounts outstanding to be immediately due and payable. In such a case, the financial condition, liquidity and results of the Company's operations could materially suffer.

The Company has been successful in renewing and expanding its credit facilities in the past to meet the needs of its growing easyfinancial business. If the Company is unable to renew these facilities on acceptable terms when they become due, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

Debt Service

The Company's ability to make scheduled payments on, or refinance its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to repay the principal and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, reduce its growth plans, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to obtain such alternative measures on commercially reasonable terms, or at all and, even if successful, those alternative actions may not allow it to meet its scheduled debt service obligations. The Company's credit agreements restrict its ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate any such dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect its business, results of operations and financial condition. Failure to meet its debt obligations could result in default under its lending agreements. In the event of such default, the holders of such indebtedness could elect to declare all of the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. If the Company's operating performance declines, it may need to seek waivers from the holders of such indebtedness to avoid being in default under the instruments governing such indebtedness. If the Company breaches its covenants under its indebtedness, it may not be able to obtain a waiver from the holders of such indebtedness on terms acceptable to the Company, or at all. If this occurs, the Company would be in default under such indebtedness, and the holders of such indebtedness could exercise their rights as described above, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. A default under the agreements governing certain of our existing or future indebtedness and the remedies sought by the holders of such indebtedness could make the Company unable to pay principal or interest on the debt.

Debt Covenants

The agreements governing the Company's credit facilities contain restrictive covenants that may limit its discretion with respect to certain business matters. These covenants may place significant restrictions on, among other things, the Company's ability to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets. In addition, the agreements governing the Company's credit facilities may contain financial covenants that require it to meet certain financial ratios and financial condition tests.

If the Company fails to maintain the requisite financial ratios under the agreement governing its credit facilities, it will be unable to draw any amounts under the revolving credit facility until such default is waived or cured as required. In addition, such a failure could constitute an event of default under the Company's lending agreements entitling the lenders to accelerate the outstanding indebtedness thereunder unless such event of default is cured as required by the agreement. The Company's ability to comply with these covenants in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond its control.

The restrictions in the agreements governing the Company's credit facilities may prevent the Company from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with companies that are not similarly restricted. The Company may also incur future debt obligations that might subject it to additional restrictive covenants that could affect its financial and operational flexibility.

The Company's ability to comply with the covenants and restrictions contained in the agreement governing the Company's credit facilities may be affected by economic, financial and industry conditions beyond its control. The breach of any of these covenants or restrictions could result in a default under the agreements that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable (including terminating any outstanding hedging arrangements), together with accrued and unpaid interest, or cause cross-defaults under the Company's other debts. If the Company is unable to repay its secured debt, lenders could proceed against the collateral securing the debt. This could have serious consequences to the Company's financial condition and results of operations and could cause it to become bankrupt or insolvent.

Credit Ratings

The Company received credit ratings in connection with the issuance of its Notes Payable. Any credit ratings applied to the Notes are an assessment of the Company's ability to pay its obligations. The Company is under no obligation to maintain any credit rating with credit rating agencies and there is no assurance that any credit rating assigned to the Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering, withdrawal or failure to maintain any credit ratings applied to the Notes may have an adverse effect on the market price or value and the liquidity of the Notes and, in addition, any such action could make it more difficult or more expensive for the Company to obtain additional debt financing in the future.

Operational Risk

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behaviour (including error and fraud, non-compliance with mandated policies and procedures or other inappropriate behaviour) or inadequacy, or the failure of processes, procedures or controls. The impact may include financial loss, loss of reputation, loss of competitive position or regulatory and civil penalties. While operational risk cannot be eliminated, the Company takes reasonable steps to mitigate this risk by putting in place a system of oversight, policies, procedures and internal controls.

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years, the Company has strengthened its hiring competencies and training programs.

In particular, the Company is dependent upon the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could have a material adverse impact on its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store and branch level, the Company requires a growing number of qualified managers and other store or branch personnel to successfully operate its expanding branch and store network. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining the personnel it may require. If the Company is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Outsource Risk

The Company outsources certain business functions to third-party service providers, which increases its operational complexity and decreases its control. The Company relies on these service providers to provide a high level of service and support, which subjects it to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements were not renewed or were terminated or the services provided to the Company were otherwise disrupted, the Company would have to obtain these services from an alternative provider. The Company may be unable to replace, or be delayed in replacing, these sources and there is a risk that it would be unable to enter into a similar agreement with an alternate provider on terms that it considers favorable or in a timely manner. In the future, the Company may outsource additional business functions. If any of these or other risks relating to outsourcing were realized, the Company's financial position, liquidity and results of operations could be adversely affected.

Fraud Risk

Employee error and employee and customer misconduct could subject the Company to financial losses or regulatory sanctions and seriously harm the Company's reputation. Misconduct by its employees could include hiding unauthorized activities, improper or unauthorized activities on behalf of customers or improper use of confidential information. It is not always possible to prevent employee error and misconduct, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. Employee error could also subject the Company to financial claims for negligence.

If the Company's internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured, exceeds applicable insurance limits or if insurance coverage is denied or not available, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Technology Risk

The Company is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially impact the Company's ability to enter into new lease or lending transactions and service or collect customer accounts. Although the Company has extensive information technology security and disaster recovery plans, such a failure, if sustained, could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Breach of Information Security

The Company's operations rely heavily on the secure processing, storage and transmission of confidential and sensitive customer and other information through its information technology network. Other risks include the Company's use of third-party vendors with access to its network that may increase the risk of a cyber security breach. Third-party breaches or inadequate levels of cyber security expertise and safeguards may expose the Company, directly or indirectly, to security breaches.

A breach, unauthorized access, computer virus, or other form of malicious attack on the Company's information security may result in the compromise of confidential and/or sensitive customer or employee information, destruction or corruption of data, reputational harm affecting customer and investor confidence, and a disruption in the management of customer relationships or the inability to originate, process and service the Company's leasing or lending portfolios which could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company is subject to various privacy and information security laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security laws which may increase the Company's cost of compliance. A breach in the Company's information security may adversely affect its reputation and also result in fines or penalties from government bodies or regulators.

To mitigate the risk of an information security breach, the Company regularly assesses such risks, has a disaster recovery plan in place and has implemented reasonable controls over unauthorized access. The store network and corporate administrative offices, including centralized operations, takes reasonable measures to protect the security of its information systems (including against cyber-attacks). The Chief Information Officer of the Company oversees information security. However, such a cyber-attack or data breach could have a material adverse effect on the Company and its financial condition, liquidity and results of operations.

Privacy, Information Security, and Data Protection Regulations

The Company is subject to various privacy and information security laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy and information security laws which may increase the Company's cost of compliance. While the Company has taken reasonable steps to protect its data and that of its customers, a breach in the Company's information security may adversely affect the Company's reputation and also result in fines or penalties from governmental bodies or regulators.

Risk Management Processes and Procedures

The Company has established a Risk Oversight Committee and created processes and procedures to identify, measure, monitor and mitigate significant risks to the organization. However, to the extent such risks go unidentified or are not adequately or expeditiously addressed by management, the Company could be adversely affected.

Compliance Risk

Internal Controls over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company is also obligated to comply with the Form 52-109F2 Certification of interim filings and 52-109F1 Certification of annual filings of the Ontario Securities Commission, which requires the Company's CEO and CFO to submit a quarterly and annual certificate of compliance. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses including the salability or pricing of certain ancillary products which could have a material adverse effect on the Company.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions.

The application of certain provincial legislation to the Company's business model remains uncertain. There is a risk that regulatory bodies or consumers could assert that certain provincial legislation is applicable where the Company had determined that it is not and that the Company is not in compliance with such applicable statutory requirements. If it should be determined that the Company has not complied with the requirements of applicable provincial legislation, it could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers and damages, and (2) prosecution for violation of the legislation, any of which outcomes could have a material adverse effect on the Company.

easyfinancial is subject to minimal regulatory capital requirements in connection with its operations in Saskatchewan. Otherwise, the Company operates in an unregulated environment with regard to capital requirements.

The Criminal Code, R.S.C. 1985, c. C-46 imposes a restriction on the cost of borrowing in any lending transaction in excess of 60% per year. The application of additional capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on the Company's financial condition, liquidity and results of operations. The Company and its management closely monitors and seeks to provide input and feedback on any legislative proposals that may impact the maximum cost of borrowing, details of which are ultimately determined by the federal legislature.

Accounting Standards

From time to time the Company may be subject to changes in accounting standards issued by accounting standard-setting bodies, which may affect the Company's financial statements and reduce its reported profitability.

Legal and Reputational Risk

Reputation

The Company's reputation is very important to attracting new customers to its platform, securing repeat lending to existing customers, hiring the best employees and obtaining financing to facilitate the growth of its business. While the Company believes that it has a good reputation and that it provides customers with a superior experience, there can be no assurance that the Company will continue to maintain a good relationship with customers or avoid negative publicity.

In recent years, consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on non-bank consumer loans. Such consumer advocacy groups and media reports generally focus on the annual percentage rate for this type of consumer loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories. The finance charges the Company assesses can attract media publicity about the industry and be perceived as controversial. Customer's acceptance of the interest rates the Company charges on its consumer loans receivable could impact the future rate of the growth. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, the Company could become subject to more restrictive laws and regulations applicable to consumer loan products that could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

The Company's ability to attract and retain customers is highly dependent upon the external perceptions of its level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters — even if related to seemingly isolated incidents, or even if related to practices not specific to short-term loans, such as debt collection — could erode trust and confidence and damage the Company's reputation among existing and potential customers, which would make it difficult to attract new customers and retain existing customers, significantly decrease the demand for the Company's products, result in increased regulatory scrutiny, and have a material adverse effect on the Company's business, prospects, results of operations, financial condition, ability to raise growth capital or cash flows.

The Company's former U.S. franchisees and certain other persons operate a lease-to-own business within the U.S. Although the Company does not own these businesses, their use of the easyhome name could adversely affect the Company if these third parties receive negative publicity or if external perceptions of these third parties' levels of service, trustworthiness or business practices are negative.

Litigation

From time to time and in the normal course of business, the Company may be involved in material litigation or may be subject to regulatory actions. There can be no assurance that any litigation or regulatory action in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations. Lawsuits or regulatory actions could cause the Company to incur substantial expenditures, generate adverse publicity and could significantly impair the Company's business, force it to cease doing business in one or more jurisdictions or cause it to cease offering one or more products.

The Company is also likely to be subject to further litigation and communications with regulators in the future. An adverse ruling or a settlement of any current or future litigation or regulatory actions against the Company or another lender could cause the Company to have to refund fees and/or interest collected, forego collections of the principal amount of loans, pay multiple damages, pay monetary penalties and/or modify or terminate its operations in particular jurisdictions. Defense of any lawsuit or regulatory action, even if successful, could require substantial time and attention of the Company's management and could require the expenditure of significant amounts for legal fees and other related costs.

Possible Volatility of Stock Price

The market price of the Company's Common Shares, similar to that of many other Canadian (and indeed worldwide) companies, has been subject to significant fluctuation in response to numerous factors, including significant shifts in the availability of global credit, swings in macro-economic performance due to volatile shifts in oil prices and unexpected natural disasters, concerns about the global economy and potential recession, economic shocks such as the 2015 decline in oil prices and the related impact on the Canadian economy, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of shares for future sale (including shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the Common Shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without significant dilution to existing shareholders.

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, 2018 notes to the 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 consolidated financial statements. Additional required disclosures were as provided in the notes to the Company's consolidated financial statements for year ended December 31, 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 consolidated financial statements for the year ended December 31, 2018.

Accounting Standards Issued but Not Yet Effective

IFRS 16, *Leases*

The Company will be required to adopt IFRS 16, *Leases* ("IFRS 16") on January 1, 2019, which is the IASB replacement of IAS 17, *Leases* ("IAS 17"). 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. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. As such IFRS 16 will not impact the financial results of the Company's easyhome leasing business. However, the accounting for the Company's premises and vehicle leases will be impacted by this standard.

The Company set up a team under the direction of the Company's chief financial officer which reviewed all of the Company's leasing arrangements. From the lessee's perspective, IFRS 16 affected the accounting for the Company's vehicle and premises leases which were treated as operating leases under IAS 17, whereby such lease payments were expensed periodically as part of operating expenses without the recognition of the corresponding assets and related depreciation. 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 using the interest rate inherent in the underlying leases and lease payments will include both a principal and interest component.

The net effect of this change is that earnings before income tax, depreciation and amortization (EBITDA) is expected to increase as the depreciation of the right-of-use assets and interests on the lease liability are excluded from this measure. The impact on net income is expected to be minor.

The Company plans to adopt IFRS 16 using the modified retrospective method commencing January 1, 2019. Under this method the Company will not restate 2018 under IFRS 16. In determining the opening balance sheet impact of the adoption of IFRS 16 as at January 1, 2019, the Company will recalculate all right of use asset and the lease liability of all leases as if these calculations had occurred from the data of inception of those leases. Additionally, the Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

The estimated impact as at the January 1, 2019 date of adoption is: i) a right of use asset of between $41 and $46 million; ii) a lease liability of between $46 and $50 million; iii) a reduction of retained earnings of approximately $3 million and iv) a deferred tax asset of approximately $1 million.

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 December 31, 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.

Changes to ICFR during 2018

No changes were made in our internal control over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. On January 1, 2018, the Company adopted IFRS 9 and have updated and modified certain processes and internal controls over financial reporting as a result of this new accounting standard.

Evaluation of ICFR at December 31, 2018

As at December 31, 2018, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2018.