



TSX Symbol: GSY

goeasy Ltd.  
33 City Centre Drive  
Suite 510  
Mississauga, Ontario  
L5B 2N5 Canada  
Tel: 905-272-2788  
Fax: 905-272-9886

**Press  
Release**  
August 1, 2017

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**goeasy Ltd. Reports Results for the Second Quarter ended June 30, 2017**  
***Record Revenues, Originations and Loan Book Growth in the Quarter***

**Mississauga, August 1, 2017:** *goeasy* Ltd. (TSX: GSY), ("*goeasy*" or the "**Company**"), a leading full-service provider of goods and alternative financial services that improve the lives of everyday Canadians, today announced its results for the second quarter ended June 30, 2017.

Revenue for the second quarter of 2017 increased to \$98.2 million, an increase of 14.1% from \$86.1 million in the second quarter of 2016. Total same store sales growth in the quarter was 16.6%. The growth was driven by the expansion of *easyfinancial* and the related growth of its consumer loans receivable portfolio which reached \$425.3 million by quarter's end, up 30.4% from June 30, 2016. Loan book growth in the second quarter of 2017 was a record of \$38.3 million compared with \$22.0 million in 2016, an increase of 73.6%.

Operating income for the three month period ended June 30, 2017 was \$18.6 million, an increase of \$2.9 million or 18.2% when compared to the normalized operating income in the second quarter of 2016. The 2016 results have been normalized to exclude a \$3.0 million gain on the sale of an investment and \$0.6 million in transaction advisory costs. Net income for the quarter was \$8.9 million, up \$0.5 million or 6.4% from the normalized net income of \$8.4 million in the second quarter of 2016. Diluted earnings per share for the quarter was \$0.63, down \$0.12 from the reported diluted earnings per share of \$0.75 in the second quarter of 2016 and up \$0.03 or 5.0% from the normalized diluted earnings per share of \$0.60 in the second quarter of 2016.

"We are delighted with the results and the disciplined execution made against our strategic imperatives," said David Ingram, *goeasy's* President and Chief Executive Officer. "During the quarter, we successfully launched *easyfinancial* into the province of Quebec, began offering our lending services directly through select *easyhome* stores and increased the availability of our risk adjusted interest rate loans to our most credit-worthy customers. Taken in combination with a \$1.8 million increase in advertising spend during the quarter, these new initiatives contributed to the record loan book growth for the quarter. Reinforcing these results was our lowest ever delinquency rates which provides optimism in our outlook for earnings growth."

Mr. Ingram continued "The completion of a convertible debt offering for gross proceeds of \$53 million will ensure that we can fuel consumer demand and grow unencumbered throughout 2017. As such, we are confident that we will finish the year at the upper end of our guided range for the closing loan book of \$475 to \$500 million by year's end."

Other highlights for the second quarter of 2017 include:

***easyfinancial***

- Revenue increased by 26.2% to \$63.6 million from \$50.4 million in the second quarter of 2016.
- Gross loan originations increased by 41.6% to a record of \$139.4 million from \$98.5 million in the second quarter of 2016.
- New customer growth of 8,000 was significantly greater than the prior record quarter of 6,800.
- Delinquency rates on the final Saturday of the quarter reduced to a record low of 4.8% from 6.0% on the final Saturday of the second quarter of 2016.
- Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 14.7% compared to 15.2% for the second quarter of 2016.
- Operating margin for the second quarter of 2017 decreased from 36.7% to 33.6% due to the drag associated with the implementation of strategic initiatives, \$1.8 million in additional advertising expenditures and \$1.0 million in additional provisions for future charge-offs driven by the strong loan book growth during the quarter.
- Cash generated from *easyfinancial* customer payments was \$109.7 million in the second quarter of 2017 compared to \$86.4 million in the second quarter of 2016.

***easyhome***

- Same store revenue increased 1.4%.
- Organic quarterly portfolio reduction of \$179,000 was the lowest for the second quarter since 2013
- The operating margin for *easyhome* for the second quarter of 2017 was 15.3%, up from the 12.9% reported for the same period in 2016.

**Overall**

- 29<sup>th</sup> consecutive quarter of same store sales growth.
- Operating margin was 18.9% for the quarter, up from the normalized operating margin of 18.3% in the second quarter of 2016.
- The Company's return on equity was 17.1% in the current quarter.

**Six Months Results**

For the first half of 2017, *goeasy* achieved revenues of \$192.9 million, up 14.5% compared with \$168.4 million in the first half of 2016. Operating income for the period was \$39.0 million compared with \$32.9 million in the first six months of 2016, an increase of \$6.1 million or 18.6%. The results for the first six months of 2016 included a \$3.0 million gain on the sale of an investment and \$1.1 million in transaction advisory costs. Excluding these items from the 2016 results, normalized operating income, increased \$8.0 million or 26.0%. Net income for the first half of

2017 was \$19.2 million and diluted earnings per share was \$1.36. On a normalized basis, net income in the first half of 2016 was \$16.0 million and diluted earnings per share was \$1.14, increases of 20.0% and 19.3%, respectively.

### **Balance Sheet and Liquidity**

Total assets were \$578.9 million as at June 30, 2017, an increase of 26.1% from \$459.2 million as at June 30, 2016 and driven by the \$98.7 million growth in the gross consumer loans receivable portfolio. As at June 30, 2017, the Company had \$64.8 million in cash and committed facilities available to support future growth.

*goeasy* currently has a long-term funding structure that was originally put in place in 2014 and has been expanded and enhanced on several occasions since that time. The Company's current credit facilities consist of a \$280 million term loan provided by a syndicate of U.S. based private debt funds, a \$20 million revolving operating facility provided by a large Canadian bank and a \$53 million convertible unsecured subordinated debenture. Details of the terms of these facilities are disclosed in the company's financial filings. *goeasy* does not fund any of its consumer loans receivable or its operations from customer deposits.

The Company completed the offering of convertible unsecured subordinated debentures due July 31, 2022 for aggregate gross proceeds of \$53 million during the second quarter of 2017. These funds will be utilized to continue the strong growth of *easyfinancial*. The offering was a positive first step towards achieving the Company's objective of diversifying its funding sources and optimizing its capital structure at attractive levels.

### **Outlook**

The Company reconfirmed its stated targets for 2017 including growing the loan book to the upper end of the guided range for the closing loan book of \$475 to \$500 million by year's end, opening between 20 and 30 new *easyfinancial* locations in the year, achieving revenue growth of 10% to 12% and achieving an operating margin for *easyfinancial* of 35% to 37% while maintaining loan loss rates within its targeted range of 14% to 16%. The achievement of these targets will enable the Company to deliver its targeted return on equity of 18% to 19% for 2017.

Additionally, the Company is preparing for the launch of its secured lending product in the third quarter of 2017 which represents a natural and progressive extension of its customer offerings. These installment loans will provide customers with access to larger loan sizes and lower interest rates while reducing the Company's risk, as these loans will be secured by real estate. The reduced yield achieved from this type of product will be offset by lower credit losses and costs to administer.

The secured lending product will be offered to qualified borrowers who own and reside within their home and are looking for lower cost forms of financing. Loan sizes will range from \$15,000 to \$25,000 with rates starting from 19.99% and terms of up to 10 years. All loans will require periodic instalment payments of both principal and interest.

Eligibility for the secured lending product will be consistent with the Company's existing methodology that incorporates a proprietary credit score using proprietary scoring algorithms as well as an assessment of the customer's ability to be able to afford and repay the loan. Lending decisions will therefore be made based on the creditworthiness of the borrower while the secured nature of the product will result in lower loss rates, helping to reduce the interest rate charged to the customer.

#### **Normal Course Issuer Bid and Dividend**

On June 22, 2016, the Company renewed its Normal Course Issuer Bid allowing it to purchase for cancellation up to 986,105 Common Shares. During the three month period ended June 30, 2017, the Company purchased and cancelled 85,388 of its common shares and to-date the Company has purchased and cancelled 179,888 of its common shares under this normal course issuer bid which expired on June 26, 2017.

On June 22, 2017, the Company renewed its Normal Course Issuer Bid for a further 12 months allowing it to purchase for cancellation up to an additional 300,000 commons shares.

The Board of Directors has approved a quarterly dividend of \$0.18 per share payable on October 13, 2017 to the holders of common shares of record as at the close of business on September 29, 2017.

#### **Forward-Looking Statements**

This press release 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, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. In certain cases, forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as 'expects', 'anticipates', 'intends', 'plans', 'believes',

'budgeted', 'estimates', 'forecasts', 'targets' or negative versions thereof and similar expressions, and/or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company's operations, economic factors and the industry generally, as well as those factors referred to in the Company's December 31, 2016 Management Discussion and Analysis in the section entitled "Risk Factors". There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by the Company, due to, but not limited to, important factors such as the Company's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, purchase products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favourable terms, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance the system of internal controls. The Company cautions that the foregoing list is not exhaustive.

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

#### **About goeasy**

As at June 30, 2017, the Company operated 215 *easyfinancial* locations (including 43 kiosks located within *easyhome* stores) and 173 *easyhome* stores (including 28 franchises and 2 consolidated franchise locations).

*goeasy* Ltd. is a leading full-service provider of goods and alternative financial services that improve the lives of everyday Canadians. 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 costly payday lenders. It is supported by a strong central credit adjudication process and industry leading risk analytics. *easyfinancial* also operates an indirect lending channel, offering loan products to consumers at the point-of-sale of third party merchants. *easyhome* is Canada's largest lease-to-own company, offering brand-name household furniture, appliances and electronics to consumers under weekly or monthly leasing agreements through both corporate and franchise stores. Both operating divisions of *goeasy* Ltd. offer the highest level of customer service and enable customers to



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## **Press Release**

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transact through a national store and branch network and through its online and mobile eCommerce enabled platforms.

*goeasy* Ltd. is listed on the TSX under the symbol 'GSY'. For more information, visit [www.goeasy.com](http://www.goeasy.com).

For further information contact:

David Ingram  
President and Chief Executive Officer  
(905) 272-2788

-or-

Steve Goertz  
Executive Vice President and Chief Financial Officer  
(905) 272-2788

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

(Unaudited)

(expressed in thousands of Canadian dollars)

	As At June 30, 2017	As At December 31, 2016
<b>ASSETS</b>		
Cash	44,828	24,928
Amounts receivable	13,410	7,857
Prepaid expenses	3,243	1,909
Consumer loans receivable	409,644	354,499
Lease assets	53,189	55,288
Property and equipment	15,963	16,103
Deferred tax assets	2,369	6,856
Intangible assets	14,905	14,312
Goodwill	21,310	21,310
<b>TOTAL ASSETS</b>	<b>578,861</b>	<b>503,062</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	32,545	31,879
Income taxes payable	2,689	2,874
Dividends payable	2,399	1,666
Deferred lease inducements	1,282	1,506
Unearned revenue	5,411	5,204
Provisions	436	608
Term loan	276,132	263,294
Convertible debentures	46,110	-
<b>TOTAL LIABILITIES</b>	<b>367,004</b>	<b>307,031</b>
<b>Shareholders' equity</b>		
Share capital	83,748	82,598
Contributed surplus	12,457	9,943
Accumulated other comprehensive income	853	880
Retained earnings	114,799	102,610
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>211,857</b>	<b>196,031</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>578,861</b>	<b>503,062</b>

**goeasy Ltd.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

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

	Three Months Ended		Six Months Ended	
	June 30 , 2017	June 30 , 2016	June 30 , 2017	June 30 , 2016
<b>REVENUE</b>				
Interest income	41,451	33,974	80,053	65,529
Lease revenue	33,027	34,244	66,385	70,192
Other	23,737	17,880	46,490	32,702
	<b>98,215</b>	<b>86,098</b>	<b>192,928</b>	<b>168,423</b>
Other income	-	3,000	-	3,000
<b>EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>				
Salaries and benefits	25,793	23,326	49,615	45,782
Stock-based compensation	1,266	992	2,332	1,999
Advertising and promotion	5,964	4,135	9,864	6,620
Bad debts	17,173	13,315	31,290	25,695
Occupancy	8,304	8,230	16,616	16,209
Other expenses	8,317	6,761	18,152	13,746
Transaction advisory costs	-	597	-	1,074
	<b>66,817</b>	<b>57,356</b>	<b>127,869</b>	<b>111,125</b>
<b>DEPRECIATION AND AMORTIZATION</b>				
Depreciation of lease assets	10,220	11,141	20,942	22,587
Depreciation of property and equipment	1,331	1,426	2,655	2,809
Amortization of intangible assets	1,241	1,031	2,443	2,005
	<b>12,792</b>	<b>13,598</b>	<b>26,040</b>	<b>27,401</b>
Total operating expenses	<b>79,609</b>	<b>70,954</b>	<b>153,909</b>	<b>138,526</b>
Operating income	<b>18,606</b>	<b>18,144</b>	<b>39,019</b>	<b>32,897</b>
Finance costs	<b>6,578</b>	<b>5,114</b>	<b>12,403</b>	<b>9,935</b>
Income before income taxes	<b>12,028</b>	<b>13,030</b>	<b>26,616</b>	<b>22,962</b>
Income tax expense (recovery)				
Current	(1,310)	3,574	4,137	7,227
Deferred	4,448	(1,067)	3,319	(2,040)
	<b>3,138</b>	<b>2,507</b>	<b>7,456</b>	<b>5,187</b>
<b>Net income</b>	<b>8,890</b>	<b>10,523</b>	<b>19,160</b>	<b>17,775</b>
<b>Basic earnings per share</b>	<b>0.66</b>	<b>0.77</b>	<b>1.42</b>	<b>1.30</b>
<b>Diluted earnings per share</b>	<b>0.63</b>	<b>0.75</b>	<b>1.36</b>	<b>1.27</b>

**Segmented Reporting**

(\$ in 000's except earnings per share)	Three Months Ended June 30, 2017			
	easyfinancial	easyhome	Corporate	Total
Revenue	63,642	34,573	-	98,215
Total operating expenses before depreciation and amortization	40,559	18,464	7,794	66,817
Depreciation and amortization	1,727	10,822	243	12,792
Operating income (loss)	21,356	5,287	(8,037)	18,606
Finance costs				6,578
Income before income taxes				12,028
Income taxes				3,138
Net income				8,890
Diluted earnings per share				0.63

(\$ in 000's except earnings per share)	Three Months Ended June 30, 2016			
	easyfinancial	easyhome	Corporate	Total
Revenue	50,426	35,672	-	86,098
Other income	-	-	3,000	3,000
Total operating expenses before depreciation and amortization and transaction advisory costs	30,300	19,260	7,199	56,759
Transaction advisory costs	-	-	597	597
Depreciation and amortization	1,607	11,825	166	13,598
Operating income (loss)	18,519	4,587	(4,962)	18,144
Finance costs				5,114
Income before income taxes				13,030
Income taxes				2,507
Net income				10,523
Diluted earnings per share				0.75

(\$ in 000's except earnings per share)	Six Months Ended June 30, 2017			
	easyfinancial	easyhome	Corporate	Total
Revenue	123,663	69,265	-	192,928
Total operating expenses before depreciation and amortization	74,349	36,663	16,857	127,869
Depreciation and amortization	3,415	22,147	478	26,040
Operating income (loss)	45,899	10,455	(17,335)	39,019
Finance costs				12,403
Income before income taxes				26,616
Income taxes				7,456
Net income				19,160
Diluted earnings per share				1.36

(\$ in 000's except earnings per share)	Six Months Ended June 30, 2016			
	easyfinancial	easyhome	Corporate	Total
Revenue	95,429	72,994	-	168,423
Other income	-	-	3,000	3,000
Total operating expenses before depreciation and amortization and transaction advisory costs	58,060	38,095	13,896	110,051
Transaction advisory costs	-	-	1,074	1,074
Depreciation and amortization	3,152	23,921	328	27,401
Operating income (loss)	34,217	10,978	(12,298)	32,897
Finance costs				9,935
Income before income taxes				22,962
Income taxes				5,187
Net income				17,775
Diluted earnings per share				1.27