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

Three and Nine Months Ended September 30, 2019

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

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Date: November 4, 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 September 30, 2019 compared to September 30, 2018, and the consolidated results of operations for the three and nine-month periods ended September 30, 2019 compared with the corresponding period of 2018. 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.

There have been no material changes to the information discussed in the following sections of the Company's 2018 annual MD&A: Overview of the Business, Corporate Strategy, Commitments, Guarantees and Contingencies, Risk Factors and Accounting Standards Issued But Not Yet Effective. Critical Accounting Estimates are as described in the December 31, 2018 notes to the financial statements other than as related to the Company's implementation of IFRS 16, *Leases* which are as described in the September 30, 2019 notes to interim condensed consolidated financial statements and in this MD&A.

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

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

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

Caution Regarding Forward-Looking Statements

This MD&A includes forward-looking statements about goeasy, including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to the estimated number of new locations to be opened, targets for growth of the consumer loans receivable portfolio, annual revenue growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements and the Company's ability to secure sufficient capital, liquidity of goeasy, plans and references to future operations and results, critical accounting estimates, expected lower charge-off rates on loans with real estate collateral and the benefits resulting from such lower rates, the size and characteristics of the Canadian non-prime lending market, the continued development of the type and size of competitors in the market. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as "expect", "continue", "anticipate", "intend", "aim", "plan", "believe", "budget", "estimate", "forecast", "foresee", "target" or negative versions thereof and similar expressions, and/or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about goeasy's operations, economic factors and the industry generally. There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by goeasy. Some important factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, goeasy's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favorable terms, secure new franchised locations, offer products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favorable terms, compete, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance the system of internal controls.

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

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

Overview of the Business

goeasy Ltd. (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 Company's overview of the business remains as described in its December 31, 2018 MD&A.

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

The Company's corporate strategy remains as described in its December 31, 2018 MD&A.

Outlook

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

The Company's 2019, 2020 and 2021 targets, assumptions and risk factors were disclosed in its December 31, 2018 MD&A. The Company revised these targets in its June 30, 2019 MD&A. The targets remain consistent and are reported below.

	Targets for 2019	Targets for 2020	Targets for 2021
Gross consumer loans receivable portfolio at year end	**$1.1 - $1.2 billion**	**$1.3 - $1.4 billion**	**$1.5 - $1.7 billion**
easyfinancial total revenue yield	**49% - 51%**	**46% - 48%**	**43% - 45%**
New easyfinancial locations opened during the year	**10 – 20**	**10 - 20**	**10 - 20**
Net charge-offs as a percentage of average gross consumer loans receivable	**11.5% - 13.5%**	**11.0% - 13.0%**	**11.0% – 13.0%**
easyfinancial operating margin	**40% - 42%**	**44% - 46%**	**45 – 47%**
Total revenue growth	**20% - 22%**	**14% - 16%**	**10 – 12%**
Return on equity	**24% +**	**26% +**	**26% +**

Adoption of IFRS 16

IFRS 16 supersedes IAS 17, *Leases* ("IAS 17"), IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor such as the Company's easyhome merchandise leasing business.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, comparative figures for 2018 were not restated and the cumulative effect of initially applying the standard was recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’).

Impact of Adoption of IFRS 16

The following table summarizes the transition adjustment required to adopt IFRS 16 as at January 1, 2019.

	Carrying amount under previous accounting standards as at December 31, 2018	**Transition Adjustment**	**IFRS 16 carrying amount as at January 1, 2019**
Right-of-use asset	**-**	**41,763**	**41,763**
Deferred tax asset	**9,445**	**1,244**	**10,689**
Lease liabilities	**-**	**47,523**	**47,523**
Deferred lease inducements	**1,234**	**(1,234)**	**-**
Retained earnings	**143,710**	**(3,282)**	**140,428**

The Company has lease contracts for various premises and vehicles. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease under IAS 17. In such operating leases, the leased property was not capitalized, and the lease payments were recognized as rent expense in the statement of income on a straight-line basis over the lease term.

Upon the adoption of IFRS 16, the Company reviewed all operating leases under IAS 17, except for short-term leases (generally defined as those with a term of less than 12 months). The IFRS 16 standard provides specific exemptions for such short-term leases and hence the accounting for those leases did not change. The Company also applied the available practical expedients whereby the Company:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In accordance with IFRS 16, the Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases.

The right-of-use assets for leases recognized as at the January 1, 2019 date of adoption is the net carrying amount for the leases assuming that the standard had always been applied. The net carrying amount of the right-of-use assets are measured at the amount of lease liabilities at the date of the lease inception and recognized as if the standard had always been applied, less any accumulated depreciation (from the lease inception to the January 1, 2019 date of adoption) and less any lease incentives received. As such the deferred lease inducements previously reported on the statements of financial position are effectively netted against the right-of-use assets. The lease liabilities were recognized based on the present value of the remaining lease payments as at January 1, 2019, discounted using the incremental borrowing rate on leases at the date of initial application. As mentioned above, the difference between the right-of-use asset and lease liabilities recognized at the date of initial application was recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019.

The lease liability is derived by discounting the lease payments to which the Company is committed (but excluding variable lease payments such as property tax and common area maintenance charges on property leases and short-term leases as allowed under IFRS 16), at the average incremental borrowing rate of the leases.

Accounting Policies under IFRS 16

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized at the inception of the lease, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, plus variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments (such as common area maintenance costs or property taxes) that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate on leases at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the premises for additional terms of one to ten years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e., a change in business strategy).

Impact on the Statements of Income

The net effect of adopting IFRS 16 on the statements of income is to decrease operating expenses before depreciation and amortization while increasing depreciation and amortization and financing costs with an insignificant impact on net income. By extension this will result in earnings before interest, income tax, depreciation and amortization (EBITDA) increasing as the depreciation of the right-of-use assets and interest on the lease liability is excluded from this measure. Operating income will also increase as the interest on the lease liability is excluded from this measure. The adoption of IFRS 16 has no impact on the cash flows of the Company. For the three and nine-month periods ended September 30, 2019, the adoption of IFRS 16 decreased net income by $23 thousand and $11 thousand, respectively as set out below.

The following table presents a comparison of the financial results for the three and nine-month periods ended September 30, 2019 estimated under the previous accounting standard (IAS 17) against the financial results for the comparable period ended September 30, 2018 as reported.

	Three Months Ended			
($ in 000's except earnings per share and percentages)	**September 30, 2019 (as reported)**	**IFRS 16 Adjustments**	**September 30, 2019 (estimated under previous accounting standard [1])**	**September 30, 2018 (as reported)**
Summary Financial Results				
Revenue	**156,133**	**-**	**156,133**	129,911
Operating expenses before depreciation and amortization	**97,781**	**4,390**	**102,171**	83,988
Depreciation and amortization expense	**15,783**	**(3,800)**	**11,983**	13,038
Operating income	**42,569**	**(590)**	**41,979**	32,885
Finance costs	**14,821**	**(613)**	**14,208**	12,894
Income before income taxes	**27,748**	**23**	**27,771**	19,991
Income tax expense	**7,923**	**-**	**7,923**	5,649
Net income	**19,825**	**23**	**19,848**	14,342
Diluted earnings per share	**1.28**	**-**	**1.28**	0.97
EBITDA[2]	**49,329**	**(4,390)**	**44,939**	35,832
EBITDA margin[2]	**31.6%**	**(2.8%)**	**28.8%**	27.6%
Operating margin[2]	**27.3%**	**(0.4%)**	**26.9%**	25.3%
Return on equity[2]	**24.1%**	**-**	**24.1%**	23.8%

($ in 000's except earnings per share and percentages)	Nine Months Ended September 30, 2019 (as reported)	IFRS 16 Adjustments	September 30, 2019 (estimated under previous accounting standard [1])	September 30, 2018 (as reported)
Summary Financial Results				
Revenue	**443,847**	**-**	**443,847**	368,031
Operating expenses before depreciation and amortization	**273,436**	**13,065**	**286,501**	244,102
Depreciation and amortization expense	**48,101**	**(11,268)**	**36,833**	39,318
Operating income	**122,310**	**(1,797)**	**120,513**	84,611
Finance costs	**42,158**	**(1,808)**	**40,350**	32,989
Income before income taxes	**80,152**	**11**	**80,163**	51,622
Income tax expense	**22,486**	**-**	**22,486**	14,385
Net income	**57,666**	**11**	**57,677**	37,237
Diluted earnings per share	**3.72**	**-**	**3.72**	2.53
EBITDA[2]	**142,360**	**(13,065)**	**129,295**	93,785
EBITDA margin[2]	**32.1%**	**(3.0%)**	**29.1%**	25.5%
Operating margin[2]	**27.6%**	**(0.4%)**	**27.2%**	23.0%
Return on equity[2]	**24.5%**	**-**	**24.5%**	21.6%

[1] This represents a non-IFRS measure and reflects the financial results for the three and nine-month periods ended September 30, 2019 estimated under the previous accounting standard.
[2] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

Analysis of Results for the Three Months Ended September 30, 2019

Third Quarter Highlights

- In September 2019, the Company entered into a strategic partnership and purchased a minority equity interest in PayBright for an aggregate price of $34.3 million. PayBright is a non-listed Canadian lending company and payments platform focused on providing consumers with pay-later solutions at their favourite retailers, both online and in-store.

- The gross consumer loans receivable portfolio increased from $749.6 million as at September 30, 2018 to $1.04 billion as at September 30, 2019, an increase of $286.0 million or 38.2%. The growth was fueled by: i) continued net customer growth; ii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iii) maturation of the Company's retail branch network and expansion in Quebec; iv) lending in the Company's easyhome stores; and v) ongoing enhancements to the Company's digital properties and increased advertising spend.

- goeasy reported record revenue during the third quarter of 2019. Revenue for the quarter increased to $156.1 million from the $129.9 million reported in the same quarter of 2018, an increase of $26.2 million or 20.2%. The increase was driven by the growth of consumer lending.

- Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were at 13.2%, higher than the third quarter of 2018 at 12.9% but within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to strong originations and loan book growth that was fueled by a larger proportion of new customers and originations from the digital channel. While new customer growth is healthy for the long-term profitability of the business, new customers produce greater loan losses than lending to an existing customer. Furthermore, while borrowers acquired online tend to have lower credit quality and slightly higher charge-off rates, such customers generate attractive operating margins; Over the last eighteen months, the Company has implemented a series of credit model enhancements to improve the long-term credit quality of the portfolio and anticipates the net charge-off rate for 2019 will remain within the targeted range.

- easyfinancial's operating income was $47.5 million for the third quarter of 2019 compared with $37.7 million for the comparable period in 2018, an increase of $9.8 million or 25.9%. The benefits of the larger loan book and related revenue increases of $26.6 million were partially offset by: i) a $3.0 million increase in advertising spend; ii) a $9.9 million increase in bad debt expense; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. easyfinancial's operating margin in the quarter decreased to 38.9% when compared to 39.5% reported in the same quarter of 2018.

- easyhome's operating income was $5.6 million for the third quarter of 2019, a slight decrease of $0.3 million or 4.5% when compared with the same quarter of 2018. The decline is due to the reduced size of the lease portfolio primarily due to store sales and an increase in salaries, partially offset by the growth of consumer lending in easyhome in the quarter. easyhome's operating margin for the third quarter of 2019 was 16.6%, a slight decrease from the 17.2% reported in the same quarter of 2018.

- Total Company operating income for the third quarter of 2019 reached a record level of $42.6 million, up $9.7 million or 29.4% when compared with the same quarter of 2018. The Company's operating margin for the quarter was 27.3% up from the 25.3% reported in the third quarter of 2018. The growth in operating margin was driven by the larger proportion of earnings being generated by the higher margin easyfinancial business.

- The Company recorded record levels of net income for the third quarter of 2019 of $19.8 million or $1.28 per share on a diluted basis, which was up 38.2% and 32.0% respectively, against the $14.3 million and $0.97 per share reported in the same quarter of 2018.

- Return on equity in the third quarter increased to 24.1% from 23.8% reported in the same quarter of 2018.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended September 30, 2019	September 30, 2018	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**156,133**	129,911	26,222	20.2%
Operating expenses before depreciation and amortization	**97,781**	83,988	13,793	16.4%
EBITDA[1]	**49,329**	35,832	13,497	37.7%
EBITDA margin[1]	**31.6%**	27.6%	400 bps	14.5%
Depreciation and amortization expense	**15,783**	13,038	2,745	21.1%
Operating income	**42,569**	32,885	9,684	29.4%
Operating margin[1]	**27.3%**	25.3%	200 bps	7.9%
Finance costs	**14,821**	12,894	1,927	14.9%
Effective income tax rate	**28.6%**	28.3%	30 bps	1.1%
Net income	**19,825**	14,342	5,483	38.2%
Diluted earnings per share	**1.28**	0.97	0.31	32.0%
Return on equity	**24.1%**	23.8%	30 bps	1.3%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**20.4%**	26.2%	(580 bps)	(22.1%)
Same store revenue growth (easyhome)	**2.4%**	6.2%	(380 bps)	(61.3%)
Segment Financials				
easyfinancial revenue	**122,256**	95,658	26,598	27.8%
easyfinancial operating margin	**38.9%**	39.5%	(60 bps)	(1.5%)
easyhome revenue	**33,877**	34,253	(376)	(1.1%)
easyhome operating margin	**16.6%**	17.2%	(60 bps)	(3.5%)
Portfolio Indicators				
Gross consumer loans receivable	**1,035,596**	749,581	286,015	38.2%
Growth in consumer loans receivable	**75,888**	63,008	12,880	20.4%
Gross loan originations	**286,068**	221,340	64,728	29.2%
Total yield on consumer loans (including ancillary products)	**50.1%**	53.5%	(340 bps)	(6.4%)
Net charge-offs as a percentage of average gross consumer loans receivable	**13.2%**	12.9%	30 bps	2.3%
Potential monthly lease revenue	**8,432**	8,906	(474)	(5.3%)

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

Store Locations Summary

	Locations as at June 30, 2019	Locations opened during period	Locations closed during period	Conversions	Locations as at September 30, 2019
easyfinancial					
Kiosks (in store)	29	-	-	(2)	**27**
Stand-alone locations	217	3	-	2	**222**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	247	3	-	-	**250**
easyhome					
Corporately owned stores	130	-	(1)	(1)	**128**
Consolidated franchise locations	-	-	-	-	**-**
Total consolidated stores	130	-	(1)	(1)	**128**
Total franchise stores	34	-	-	1	**35**
Total easyhome stores	164	-	(1)	-	**163**

Summary of Financial Results by Operating Segment

	Three Months Ended September 30, 2019			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**87,087**	**3,217**	**-**	**90,304**
Lease revenue	**-**	**27,134**	**-**	**27,134**
Commissions earned	**32,706**	**2,203**	**-**	**34,909**
Charges and fees	**2,463**	**1,323**	**-**	**3,786**
	122,256	**33,877**	**-**	**156,133**
Total operating expenses before depreciation and amortization	**71,283**	**16,854**	**9,644**	**97,781**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment & intangibles	**1,794**	**9,453**	**738**	**11,985**
Depreciation of right-of-use assets	**1,672**	**1,951**	**175**	**3,798**
	3,466	**11,404**	**913**	**15,783**
Operating income (loss)	**47,507**	**5,619**	**(10,557)**	**42,569**
Finance costs				
Interest expense and amortization of deferred financing charges				**14,208**
Interest expense on lease liability				**613**
				14,821
Income before income taxes				**27,748**
Income taxes				**7,923**
Net income				**19,825**
Diluted earnings per share				**1.28**

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

Portfolio Performance

Consumer Loans Receivable Portfolio

Loan originations in the quarter were $286.1 million, up 29.2% compared with the origination volume in the same quarter of 2018. The loan book grew $75.9 million in the quarter compared to growth of $63.0 million in the same quarter of 2018. The gross consumer loans receivable portfolio increased from $749.6 million as at September 30, 2018 to $1.04 billion as at September 30, 2019, an increase of $286.0 million or 38.2%. The growth was fueled by: i) the continued net customer growth; ii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company’s best credit quality borrowers; iii) maturation of the Company’s retail branch network and expansion in Quebec; iv) lending in the Company’s easyhome stores; and v) ongoing enhancements to the Company’s digital properties and increased advertising spend.

The annualized total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 50.1% in the third quarter of 2019, down 340 bps from the same quarter of 2018. The decrease in the yield was due to several factors including: i) the increased penetration of risk adjusted interest rate and real estate secured loans to more creditworthy customers which have lower rates of interest; ii) increased lending activity in Quebec where loans have a lower interest rate; iii) a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products; and iv) a modest reduction in penetration rates on ancillary products (particularly on real estate secured and risk adjusted rate loans).

Bad debt expense increased to $43.3 million for the quarter from $32.9 million during the same quarter of 2018, an increase of $10.5 million or 31.8%. The following table details the components of bad debt expense.

	Three Months Ended	
($ in 000's)	**September 30, 2019**	**September 30, 2018**
Provision required due to net charge-offs	**33,506**	23,557
Impact of loan book growth	**7,120**	5,866
Impact of change in provision rate during period	**2,700**	3,444
Net change in allowance for credit losses	**9,820**	9,310
Bad debt expense	**43,326**	32,867

Bad debt expense increased by $10.5 million due to three factors:

(i) Net charge-offs increased from $23.6 million in the third quarter of 2018 to $33.5 million in the current quarter, up by $9.9 million. Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were at 13.2%, higher than the third quarter of 2018 at 12.9% but within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to strong originations and loan book growth that was fueled by a larger proportion of new customers and originations from the digital channel. While new customer growth is healthy for the long-term profitability of the business, new customers produce greater loan losses than lending to an existing customer. Furthermore, while borrowers acquired online tend to have lower credit quality and slightly higher charge-off rates, such customers generate attractive operating margins; Over the last eighteen months, the Company has implemented a series of credit model enhancements to improve the long-term credit quality of the portfolio and anticipates the net charge-off rate for 2019 will remain within the targeted range.

(ii) The higher loan book growth in the current quarter increased bad debt expense by $1.3 million when compared to the same period of 2018. The loan book growth in the current quarter was $75.9 million which resulted in a growth-related provision of $7.1 million as compared to $5.9 million reported in the third quarter of 2018.

(iii) During the quarter, the provision rate increased from 9.38% to 9.64% which resulted in a $2.7 million increase in bad debt expense. During the third quarter of 2018, the provision rate increased from 9.13% to 9.61% which resulted in a $3.4 million increase in bad debt expense. Under IFRS 9, the Company is required to adjust its provision rate for expected changes in macro-economic factors or forward-looking indicators ("FLIs"). The Company has determined that a forecasted change in the rate of unemployment, rate of inflation, rate of gross domestic product ("GDP") growth and oil prices impact the performance of its gross receivable loan portfolio. As at September 30, 2019 modest shifts in the distribution of accounts across the projected movement of certain risk groups contributed to the increase of the provision rate in the current quarter.

easyhome Leasing Portfolio

The leasing portfolio as measured by potential monthly lease revenue as at September 30, 2019 was $8.4 million, down from the $8.9 million reported as at September 30, 2018. On September 23, 2019, the company completed a transaction to acquire 6 rent-to-own stores and the associated merchandise lease portfolios, which total approximately $0.3 million of potential monthly lease revenue, from a large U.S. based rent-to-own company. The company subsequently closed and merged these locations and their portfolios into existing nearby easyhome locations. Overall, the number of lease agreements declined from 95,880 as at September 30, 2018 to 89,251 as at September 30, 2019, a drop of 6.9%. Approximately 50% of the decline in agreement count over the past 12 months was related to the net sale of stores with the balance of the decline related to reduced agreement count at the remaining easyhome stores. The decline in agreements was offset by a 1.7% 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, the acquisition of certain lease portfolios (highlighted above) and selected pricing adjustments. While the lease portfolio has declined, the impact on revenue has been partially offset by the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the three-month period ended September 30, 2019 was $156.1 million compared to $129.9 million in the same quarter of 2018, an increase of $26.2 million or 20.2%. Overall, same store sales growth for the quarter was 20.4%. Revenue growth was driven by the growth of consumer lending.

e*asyfinancial* – Revenue for the three-month period ended September 30, 2019 was $122.3 million, an increase of $26.6 million when compared with the same quarter of 2018. 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 $21.0 million or 31.8% driven by the 38.2% loan book growth but offset by lower interest yields (as described above);
- Commissions earned on the sale of ancillary products and services increased by $5.0 million or 18.0% 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 (particularly on risk adjusted rate and secured loans); and
- Charges and fees increased by $0.6 million driven primarily by the increase in customer count.

easyhome – Revenue for the three-month period ended September 30, 2019 was $33.9 million, a decrease of $0.4 million when compared with the same quarter of 2018. Lending revenue within the easyhome stores increased by $2.4 million in the current quarter when compared to the third quarter of 2018. However, this revenue increase was partially offset by lower revenue generated by the traditional leasing business. Traditional leasing revenue declined by $2.8 million in the current quarter compared to the same period of 2018 due to the reduced size of the lease portfolio (as described above). The components of easyhome revenue include:

- Interest revenue increased by $1.7 million due to the growth of the consumer loans receivable related to the easyhome business;
- Lease revenue declined by $2.4 million due to the reduction of the lease portfolio (as described above);
- Commissions earned on the sale of ancillary products increased by $0.5 million. The increase was due to the sale of ancillary products related to consumer lending at easyhome; and
- Charges and fees declined by $0.2 million due to lower fees charges by the traditional leasing business.

Impact of Adopting IFRS 16

IFRS 16 was adopted effective January 1, 2019. 2018 was not restated but was reported under the previous accounting standard. The net effect of adopting IFRS 16 on the statements of income in 2019 is to decrease operating expenses before depreciation and amortization while increasing depreciation and amortization and financing costs with an insignificant impact on net income. By extension this will result in EBITDA increasing as the depreciation of the right-of-use assets and interest on the lease liability is excluded from this measure. Similarly, operating income will also increase (albeit to a lesser extent) as the interest on the lease liability is excluded from this measure. During the third quarter of 2019 the adoption of IFRS 16 decreased net income by $23 thousand.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $97.8 million for the three-month period ended September 30, 2019, an increase of $13.8 million or 16.4% from the comparable period in 2018. Adopting IFRS 16 in 2019, served to reduce operating expenses before depreciation and amortization by $4.4 million (largely shifting this expense to depreciation and amortization and financing costs). The increase in operating expenses was driven primarily by higher costs associated with the expanding easyfinancial business offset by lower costs in the easyhome business and at corporate. Total operating expenses before depreciation and amortization represented 62.6% of revenue for the third quarter of 2019 compared with 64.7% reported in the same quarter of 2018.
easyfinancial – Total operating expenses before depreciation and amortization were $71.3 million for the third quarter of 2019, an increase of $15.4 million or 27.5% from the same quarter of 2018. Key drivers include:

- Bad debt expense increased by $9.9 million in the current quarter when compared to the same quarter in 2018 (for the reasons described above);
- The transition to IFRS 16 in the current quarter served to reduce total operating expenses before depreciation and amortization by $1.9 million (much of this expense is shifted to depreciation and amortization);
- A $3.0 million increase in advertising and marketing spend to drive brand awareness and support the growth in originations; and
- Other operating expenses increased by $4.4 million in the quarter driven by higher wages and incentive compensation and other costs to operate and manage the growing loan book and branch network. Overall branch count increased from 238 as at September 30, 2018 to 250 as at September 30, 2019.

easyhome – Total operating expenses before depreciation and amortization were $16.9 million for the third quarter of 2019, which was $0.8 million or 4.6% lower than the same quarter of 2018. Key drivers include:

- The transition to IFRS 16 in the current quarter served to reduce total operating expenses before depreciation and amortization by $2.2 million; partially offset by:
    - A $0.6 million increase in bad debt expense due to the growth of consumer lending at easyhome.
    - A $0.8 million increase in salaries due to an additional paid day and higher wage rate.

Corporate – Total operating expenses before depreciation and amortization for the third quarter of 2019 were $9.6 million compared to $10.4 million for the comparable period in 2018, a decrease of $0.8 million. The transition to IFRS 16 in the current quarter served to reduce total operating expenses before depreciation and amortization by $0.2 million. The remaining $0.6 million reduction was primarily related to a small gain on the sale of an easyhome store to a franchisee. Corporate expenses before depreciation and amortization represented 6.2% of revenue in the third quarter of 2019 compared to 8.0% of revenue in the third quarter of 2018.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended September 30, 2019 was $15.8 million, an increase of $2.8 million from the same quarter of 2018. Included in depreciation and amortization is $3.8 million of depreciation of right-of-use assets related to the adoption of IFRS 16. Otherwise depreciation and amortization decreased by $1.1 million due to lower depreciation and amortization at both the easyfinancial and easyhome segments partially offset by higher depreciation and amortization at corporate. Overall, depreciation and amortization represented 10.1% of revenue for the three months ended September 30, 2019, which is consistent with the comparable period of 2018.

easyfinancial – Total depreciation and amortization was $3.5 million in the third quarter of 2019. This included $1.7 million of right-of-use asset depreciation related to the adoption of IFRS 16. Depreciation of property and equipment and intangibles in the third quarter of 2019 was $1.8 million, $0.2 million lower than the $2.0 million reported in the comparable period of 2018.

easyhome – Total depreciation and amortization expense was $11.4 million in the third quarter of 2019. This included $2.0 million of right-of-use asset depreciation related to the adoption of IFRS 16. Excluding this, depreciation and amortization of lease assets, property and equipment and intangibles was $9.5 million in the current quarter, $1.2 million lower than the $10.7 million in the third quarter of 2018. This decline was due primarily to the lower level of lease revenue and lease assets. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the current quarter was 27.9%, down from the 31.3% reported in the third quarter of 2018. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion generated from consumer lending.

Corporate – Depreciation and amortization was $0.9 million in the third quarter of 2019. However, this included $0.2 million of right-of-use asset depreciation. Depreciation and amortization of property and equipment and intangibles excluding depreciation on right-of-use asset during the current quarter was $0.7 million compared with $0.3 million in the third quarter of 2018. The increase was driven primarily by the 2018 renovation of the Company's head office.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended September 30, 2019 was $42.6 million, up $9.7 million or 29.4% when compared with the same quarter of 2018. The Company's operating margin for the quarter was 27.3% up from the 25.3% reported in the third quarter of 2018. The growth in operating margin was driven by the larger proportion of earnings being generated by the higher margin easyfinancial business and lower corporate expenses. The adoption of IFRS 16 served to decrease operating income by $0.6 million in the current quarter.

easyfinancial – Operating income was $47.5 million for the third quarter of 2019 compared with $37.7 million for the comparable period in 2018, an increase of 9.8 million or 25.9%. The benefits of the larger loan book and related revenue increase of $26.6 million was partially offset by: i) the $3.0 million increase in advertising spend; ii) the $9.9 million increase in bad debt expense; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 38.9% compared with 39.5% reported in the same quarter of 2018.

easyhome – Operating income was $5.6 million for the third quarter of 2019, a decrease of $0.3 million or 4.5% when compared with the same quarter of 2018. The decline is mainly due to reduced size of the lease portfolio primarily due to store sales and an increase in salaries, partially offset by the growth of consumer lending in easyhome in the quarter. Operating margin for the third quarter of 2019 was 16.6%, a decrease from the 17.2% reported in the same quarter of 2018.

Finance Costs

Finance costs for the three-month period ended September 30, 2019 were $14.8 million. This included $0.6 million of interest expense on lease liability related to the adoption of IFRS 16. Interest expense and amortization of deferred financing charges in the current quarter were $14.2 million, up $1.3 million from the third quarter of 2018. This increase was driven by higher average borrowing levels partially offset by the reduced cost of borrowing. Total debt as at September 30, 2019 was $796.1 million against debt of $664.2 million as at September 30, 2018.

Income Tax Expense

The effective income tax rate for the third quarter of 2019 was 28.6% which was slightly higher than the 28.3% reported in the same quarter of 2018 mainly driven by higher non-deductible expenses in the third quarter of 2019 than in the same period of 2018.

Net Income and EPS

Net income for the third quarter of 2019 was $19.8 million or $1.28 per share on a diluted basis up 38.2% and 32.0% against the $14.3 million and $0.97 per share reported in the third quarter of 2018.

Analysis of Results for the Nine Months Ended September 30, 2019

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**443,847**	368,031	75,816	20.6%
Operating expenses before depreciation and amortization	**273,436**	244,102	29,334	12.0%
EBITDA[1]	**142,360**	93,785	48,575	51.8%
EBITDA margin[1]	**32.1%**	25.5%	660 bps	25.9%
Depreciation and amortization expense	**48,101**	39,318	8,783	22.3%
Operating income	**122,310**	84,611	37,699	44.6%
Operating margin[1]	**27.6%**	23.0%	460 bps	20.0%
Finance costs	**42,158**	32,989	9,169	27.8%
Effective income tax rate	**28.1%**	27.9%	20 bps	0.7%
Net income	**57,666**	37,237	20,429	54.9%
Diluted earnings per share	**3.72**	2.53	1.19	47.0%
Return on equity	**24.5%**	21.6%	290 bps	13.4%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**19.8%**	25.0%	(520 bps)	(20.8%)
Same store revenue growth (easyhome)	**3.4%**	6.1%	(270 bps)	(44.3%)
Segment Financials				
easyfinancial revenue	**340,203**	265,039	75,164	28.4%
easyfinancial operating margin	**39.9%**	37.9%	200 bps	5.3%
easyhome revenue	**103,644**	102,992	652	0.6%
easyhome operating margin	**17.7%**	15.9%	180 bps	11.3%
Portfolio Indicators				
Gross consumer loans receivable	**1,035,596**	749,581	286,015	38.2%
Growth in consumer loans receivable	**201,817**	223,035	(21,218)	(9.5%)
Gross loan originations	**781,861**	657,517	124,344	18.9%
Total yield on consumer loans (including ancillary products)	**50.2%**	54.8%	(460 bps)	(8.4%)
Net charge-offs as a percentage of average gross consumer loans receivable	**13.3%**	12.6%	71 bps	5.6%
Potential monthly lease revenue	**8,432**	8,906	(474)	(5.3%)

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

Store Locations Summary

	Locations as at December 31, 2018	Locations opened during period	Locations closed during period	Conversions	Locations as at September 30, 2019
easyfinancial					
Kiosks (in store)	33	-	-	(6)	**27**
Stand-alone locations	207	9	-	6	**222**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	241	9	-	-	**250**
easyhome					
Corporately owned stores	133	-	(1)	(4)	**128**
Consolidated franchise locations	1	-	(1)	-	**-**
Total consolidated stores	134	-	(2)	(4)	**128**
Total franchise stores	31	-	-	4	**35**
Total easyhome stores	165	-	(2)	-	**163**

Summary of Financial Results by Operating Segment

	Nine Months Ended September 30, 2019			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**241,321**	**8,273**	**-**	**249,594**
Lease revenue	**-**	**84,968**	**-**	**84,968**
Commissions earned	**92,029**	**6,312**	**-**	**98,341**
Charges and fees	**6,853**	**4,091**	**-**	**10,944**
	340,203	**103,644**	**-**	**443,847**
Total operating expenses before depreciation and amortization	**194,294**	**49,944**	**29,198**	**273,436**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment & intangibles	**5,389**	**29,383**	**2,063**	**36,835**
Depreciation of right-of-use assets	**4,728**	**5,978**	**560**	**11,266**
	10,117	**35,361**	**2,623**	**48,101**
Operating income (loss)	**135,792**	**18,339**	**(31,821)**	**122,310**
Finance costs				
Interest expense and amortization of deferred financing charges				**40,350**
Interest expense on lease liability				**1,808**
				42,158
Income before income taxes				**80,152**
Income taxes				**22,486**
Net income				**57,666**
Diluted earnings per share				**3.72**

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

Portfolio Performance

Consumer Loans Receivable Portfolio

Loan originations in the first nine months of 2019 were $781.9 million, up 18.9% compared with the origination volume in the same period of 2018. The loan book grew $201.8 million in the first nine months of 2019 against growth of $223.0 million in the same period of 2018. The gross consumer loans receivable portfolio increased from $749.6 million as at September 30, 2018 to $1.04 billion as at September 30, 2019, an increase of $286.0 million or 38.2%. The drivers of this growth are as described in the preceding section: Analysis of Results for the Three Months Ended September 30, 2019.

The annualized total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 50.2% in the current year to date period, down 460 bps from the same period of 2018. The decrease in the yield was due to the factors as described in the preceding section: Analysis of Results for the Three Months Ended September 30, 2019.

Bad debt expense increased to $113.5 million in the first nine months of 2019 from $84.8 million during the comparable period in 2018, an increase of $28.7 million or 33.8%. The following table details the components of bad debt expense:

($ in 000's)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Provision required due to net charge-offs	**93,356**	61,880
Impact of loan book growth	**19,318**	20,900
Impact of change in provision rate during period	**811**	2,014
Net change in allowance for credit losses	**20,129**	22,914
Bad debt expense	**113,485**	84,794

Bad debt expense increased by $28.7 million due to three factors:

(i) Net charge-offs increased from $61.9 million in the nine-month period ended September 30, 2018 to $93.4 million in the current year to date period, up by $31.5 million. Net charge-offs in the first nine months of 2019 as a percentage of the average gross consumer loans receivable on an annualized basis were 13.3% compared with the same period of 2018 at 12.6% and within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to: the drivers as described in the preceding section: Analysis of Results for the Three Months Ended September 30, 2019.

(ii) The loan book growth in the current year to date period was $201.8 million which resulted in a growth-related provision of $19.3 million. The loan book growth in the same period of 2018 was higher at $223.0 million which resulted in a growth-related provision of $20.9 million. The reduced loan book growth in the current year to date period reduced bad debt expense by $1.6 million when compared to the same period of 2018.

(iii) During the current year to date period, the provision rate increased by 7 bps which resulted in a $1.2 million increase in bad debt expense. The provision rate increased from 9.3% as at January 1, 2018 to 9.6% as at September 30, 2018. The 30 bps increase in the provision rate from January 1, 2018 to September 30, 2018 increased bad debt expense by $2.0 million in the current year to date period.

easyhome Leasing Portfolio

The leasing portfolio as measured by potential monthly lease revenue as at September 30, 2019 was $8.4 million, down from the $8.9 million reported as at September 30, 2018 (as described in the preceding section: Analysis of Results for the Three Months Ended September 30, 2019). While the lease portfolio has declined, this impact on revenue has been more than offset by the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the first nine months of 2019 was $443.8 million compared to $368.0 million in the same period of 2018, an increase of $75.8 million or 20.6%. Overall, same store sales growth for the quarter was 19.8%. Revenue growth was driven by the growth of consumer lending.

easyfinancial – Revenue for the first nine months of 2019 was $340.2 million, an increase of $75.2 million or 28.4% when compared with the same period of 2018. 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 $62.5 million or 35.0% driven by the 38.2% loan book growth but offset by lower interest yields (as described above).
- Commissions earned on the sale of ancillary products and services increased by $11.2 million or 13.9% 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 (particularly on risk adjusted rate and secured loans).
- Charges and fees increased by $1.5 million driven by the increase in customer count.

easyhome – Revenue for the first nine months of 2019 was $103.6 million, an increase of $0.7 million or 0.6% when compared with the same period of 2018. The introduction of lending to the easyhome stores in mid-2017 drove this increase. Lending revenue within the easyhome stores increased by $7.0 million as at September 30, 2019 when compared to the same period of 2018. These revenue increases were partially offset by lower revenue generated by the traditional leasing business. Traditional leasing revenue declined by $6.3 million for the nine-month period ended September 30, 2019 when compared to the same period of 2018 due to the reduced size of the lease portfolio (as described above). The components of easyhome revenue include:

- Interest revenue increased by $4.9 million due to the growth of the consumer loans receivable related to the easyhome business.
- Lease revenue declined by $5.3 million due to the reduction of the lease portfolio (as described above).
- Commissions earned on the sale of ancillary products increased by $1.6 million. The increase was due to the sale of ancillary products related to consumer lending at easyhome.
- Charges and fees declined by $0.5 million due to lower fees charges by the traditional leasing business.

Impact of Adopting IFRS 16

IFRS 16 was adopted effective January 1, 2019. 2018 was not restated but was reported under the previous accounting standard. The net effect of adopting IFRS 16 on the statements of income in 2019 is to decrease operating expenses before depreciation and amortization while increasing depreciation and amortization and financing costs with an insignificant impact on net income. By extension this will result in EBITDA increasing as the depreciation of the right-of-use assets and interest on the lease liability is excluded from this measure. Similarly, operating income will also increase (albeit to a lesser extent) as the interest on the lease liability is excluded from this measure. During the first nine months of 2019 the adoption of IFRS 16 decreased net income by only $11 thousand.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $273.4 million for the nine-month period ended September 30, 2019, an increase of $29.3 million or 12.0% from the comparable period in 2018. Adopting IFRS 16 in 2019, served to reduce operating expenses before depreciation and amortization by $13.1 million (largely shifting this expense to depreciation and amortization and financing costs). The increase in operating expenses was driven primarily by higher costs associated with the expanding easyfinancial business offset by lower costs from the easyhome business and at corporate. Total operating expenses before depreciation and amortization represented 61.6% of revenue for the first nine months of 2019 compared with 66.3% reported in the comparable period of 2018.

easyfinancial – Total operating expenses before depreciation and amortization were $194.3 million for the nine months of 2019, an increase of $36.2 million or 22.9% from the comparable period of 2018. Key drivers include:

- Bad debt expense increased by $27.3 million in the current period when compared to the same period in 2018 for the reasons described above;
- The transition to IFRS 16 in the current year to date period served to reduce total operating expenses before depreciation and amortization by $5.4 million (much of this expense is shifted to depreciation and amortization);

- A $6.0 million increase in advertising and marketing spend to drive brand awareness and support the growth in originations; and
- Other operating expenses increased by $8.3 million in the current year to date period driven by higher compensation and other costs to operate and manage the growing loan book and branch network. Overall branch count increased from 238 as at September 30, 2018 to 250 as at September 30, 2019.

easyhome – Total operating expenses before depreciation and amortization were $49.9 million for the first nine months of 2019, which was $4.8 million or 8.7% lower than the same period of 2018. Key drivers include:

- The transition to IFRS 16 in the current year to date period served to reduce total operating expenses before depreciation and amortization by $6.9 million;
- Bad debt expense increased by $1.4 million due to the growth of consumer lending at easyhome;
- Advertising and marketing spend increased by $0.2 million to support easyhome lending and leasing activities; and
- Other operating expenses in amalgam decreased by $0.5 million. The reduction was due to the lower store count partially offset by higher costs related to consumer lending. The consolidated easyhome store count declined from 134 as at September 30, 2018 to 128 as at September 30, 2019.

Corporate – Total operating expenses before depreciation and amortization for the first nine months of 2019 were $29.2 million compared to $31.3 million for the comparable period in 2018, a decrease of $2.1 million or 6.7%. The transition to IFRS 16 at the beginning of 2019 served to reduce total operating expenses before depreciation and amortization by $0.7 million in the first nine months of 2019. The remaining $1.4 million reduction was primarily related to lower total compensation costs and larger gains on the conversion of easyhome stores to franchise locations in the current year to date period. Corporate expenses before depreciation and amortization represented 6.6% of revenue in the first nine months of 2019 compared to 8.5% of revenue in the comparable period of 2018.

Depreciation and Amortization

Depreciation and amortization for the first nine months of 2019 was $48.1 million, an increase of $8.8 million from the comparable period in 2018. Included in depreciation and amortization is $11.3 million of depreciation of right-of-use assets related to the adoption of IFRS 16. Otherwise depreciation and amortization decreased by $2.5 million due to lower depreciation and amortization at both the easyfinancial and easyhome segments offset by higher depreciation and amortization at corporate. Overall, depreciation and amortization represented 10.8% of revenue for the first nine months of 2019, an increase from the 10.7% reported in the comparable period of 2018. (the increased rate is due primarily to the adoption of IFRS 16).

easyfinancial – Total depreciation and amortization was $10.1 million in the first nine months of 2019, this included $4.7 million of right-of-use asset depreciation related to the adoption of IFRS 16. Depreciation of property and equipment and intangibles in the first nine months of 2019 was $5.4 million compared with $6.4 million in the comparable period of 2018. This $1.0 million decline was due to the implementation of a new digital loan application system in 2018 and the accelerated depreciation of the system it replaced in that prior period.

easyhome – Total depreciation and amortization expense was $35.4 million in the first nine months of 2019. This included $6.0 million of right-of-use asset depreciation related to the adoption of IFRS 16. Depreciation and amortization of lease assets, property and equipment and intangibles was $29.4 million in the current year to date period compared with $31.9 million in the same period of 2018. This $2.5 million decline was due primarily to the lower level of lease revenue and lease assets. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the first nine months of 2019 was 28.3%, down from the 30.9% reported in the first nine months of 2018. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion being generated from consumer lending.

Corporate – Depreciation and amortization was $2.6 million in the first nine months of 2019. However, this included $0.6 million of right-of-use asset depreciation. Depreciation and amortization of property and equipment and intangibles excluding depreciation on right-of-use asset during the first nine months of 2019 was $2.1 million compared with $1.1 million in the same period of 2018. The increase was driven primarily by the 2018 renovation of the Company's head office.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the first nine months of 2019 was $122.3 million, up $37.7 million or 44.6% when compared with the same period of 2018. The operating income of both the easyfinancial and easyhome business units increased in the first nine months of 2019 compared with the same period of 2018. In addition, corporate costs declined. The adoption of IFRS 16 served to increase operating income by $1.8 million in the first nine months of 2019.

easyfinancial – Operating income was $135.8 million for the first nine months of 2019 compared with $100.6 million for the comparable period in 2018, an increase of $35.2 million or 35.0%. The benefits of the larger loan book and related revenue increases of $75.2 million were partially offset by: i) a $6.0 million increase in advertising spend; ii) a $27.3 million increase in bad debt expense; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the current year to date period was 39.9% compared with 37.9% reported in the same period of 2018.

easyhome – Operating income was $18.3 million for the first nine months of 2019 compared with $16.4 million for the comparable period in 2018, an increase of $1.9 million or 11.9%. The increase was related to the growth of consumer lending in easyhome which resulted in higher operating income in the current year to date period of $5.6 million when compared with the comparable period of 2018. This increase was partially offset by the reduction of the lease portfolio discussed above, and higher costs related to consumer lending. Operating margin for the first nine months of 2019 was 17.7%, an increase from the 15.9% reported in the same period of 2018.

Finance Costs

Finance costs for the nine months of 2019 were $42.2 million. This included $1.8 million of interest expense on lease liability related to the adoption of IFRS 16. Interest expense and amortization of deferred financing charges in the current year to date period were $40.4 million, up $7.4 million from the comparable period of 2018. This increase was driven by higher average borrowing levels partially offset by the reduced cost of borrowing. Total debt as at September 30, 2019 was $796.1 million against debt of $664.2 million as at September 30, 2018.

Income Tax Expense

The effective income tax rate for the nine-month period ended September 30, 2019 was 28.1% which was slightly higher than the 27.9% reported in the same period of 2018 mainly driven by higher non-deductible expenses in the third quarter of 2019 than in the same period of 2018.

Net Income and EPS

Net income for the first nine months of 2019 was $57.7 million or $3.72 per share on a diluted basis up 54.9% and 47.0% respectively, against the $37.2 million and $2.53 per share when compared to the same period of 2018.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	September 2019	June 2019	March 2019	December 2018	September 2018	June 2018	March 2018	December 2017[2,3]	September 2017[2]
Gross consumer loans receivable	**1,035.6**	959.7	879.4	833.8	749.6	686.6	601.7	526.5	473.1
Revenue	**156.1**	147.9	139.9	138.2	129.9	123.3	114.8	107.2	102.7
Net income	**19.8**	19.6	18.3	15.9	14.3	11.8	11.1	5.4	11.6
Return on equity	**24.1%**	25.2%	24.4%	23.0%	23.8%	20.9%	19.8%	9.5%	21.3%
Net income as a percentage of revenue	**12.7%**	13.2%	13.1%	11.5%	11.0%	9.6%	9.7%	5.0%	11.3%
Earnings per share[1]									
Basic	**1.35**	1.34	1.25	1.07	1.03	0.86	0.81	0.39	0.86
Diluted	**1.28**	1.26	1.18	1.02	0.97	0.82	0.77	0.38	0.81

[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] 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. Normalized net income, diluted earnings per share and return on equity for the fourth quarter of 2017 was $11.4 million, 0.79 and 20.1% respectively.

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, net income, return on equity, and net income as a percentage of revenue 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.

Portfolio Analysis

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

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

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

Consumer Loans Receivable Portfolio

Loan Originations and Net Principal Written

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

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

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

	Three Months Ended		Nine Months Ended	
($ in 000's)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Loan originations to new customers	**130,840**	97,565	**360,879**	295,082
Loan originations to existing customers	**155,228**	123,774	**420,982**	362,434
Less: Proceeds applied to repay existing loans	**(83,488)**	(65,686)	**(224,304)**	(181,040)
Net advance to existing customers	**71,740**	58,088	**196,678**	181,394
Net principal written	**202,580**	155,653	**557,557**	476,476

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:

($ in 000's)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Opening gross consumer loans receivable	**959,708**	686,573	**833,779**	526,546
Gross loan originations	**286,068**	221,340	**781,861**	657,517
Gross principal payments and other adjustments	**(173,427)**	(132,579)	**(477,842)**	(365,904)
Gross charge-offs before recoveries	**(36,753)**	(25,753)	**(102,202)**	(68,578)
Net growth in gross consumer loans receivable during the period	**75,888**	63,008	**201,817**	223,035
Ending gross consumer loans receivable	**1,035,596**	749,581	**1,035,596**	749,581

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

($ in 000's except percentages)	September 30, 2019 $	September 30, 2019 % of total	September 30, 2018 $	September 30, 2018 % of total
0 – 6 months	**162,117**	**15.7%**	124,818	16.7%
6 – 12 months	**124,490**	**12.0%**	98,155	13.1%
12 – 24 months	**262,356**	**25.3%**	205,468	27.4%
24 – 36 months	**245,661**	**23.7%**	186,463	24.9%
36 – 48 months	**143,770**	**13.9%**	90,519	12.1%
48 – 60 months	**39,996**	**3.9%**	22,371	3.0%
60 months+	**57,206**	**5.5%**	21,787	2.8%
Gross consumer loans receivable	**1,035,596**	**100.0%**	749,581	100.0%

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

($ in 000's except percentages)	September 30, 2019		September 30, 2018	
	$	% of total	$	% of total
0 – 1 year	**40,316**	**3.9%**	33,918	4.5%
1 – 2 years	**133,652**	**12.9%**	103,987	13.9%
2 – 3 years	**282,382**	**27.3%**	244,429	32.6%
3 – 4 years	**342,600**	**33.1%**	243,904	32.5%
4 – 5 years	**141,436**	**13.7%**	82,721	11.0%
5 years +	**95,210**	**9.1%**	40,622	5.5%
Gross consumer loans receivable	**1,035,596**	**100.0%**	749,581	100.0%

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

($ in 000's except percentages)	September 30, 2019		September 30, 2018	
	$	% of total	$	% of total
Gross consumer loans receivable, easyfinancial	**1,002,051**	**96.8%**	732,389	97.7%
Gross consumer loans receivable, easyhome	**33,545**	**3.2%**	17,192	2.3%
Gross consumer loans receivable	**1,035,596**	**100.0%**	749,581	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 interest expenses and amortization of deferred financing charges and bad debt expense from financial revenue. Net financial income is impacted by the size of the gross consumer loans receivable portfolio, the portfolio yield, the amount and cost of the Company's debt, the Company's leverage ratio and the bad debt expense experienced in the period.

($ in 000's)	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Financial revenue, easyfinancial	**122,256**	95,658	**340,202**	265,039
Financial revenue, easyhome	**4,558**	2,193	**11,797**	4,886
Financial revenue	**126,814**	97,851	**351,999**	269,925
Less: Interest expenses and amortization of deferred financing charges	**(14,208)**	(12,894)	**(40,350)**	(32,989)
Less: Bad debt expense	**(43,326)**	(32,867)	**(113,485)**	(84,794)
Net Financial Income	**69,280**	52,090	**198,164**	152,142

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		Nine Months Ended	
($ in 000's except percentages)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Finance revenue	**126,814**	97,851	**351,999**	269,925
Average gross consumer loans receivable	**1,013,074**	731,072	**935,406**	656,180
Total yield as a percentage of average gross consumer loans receivable (annualized)	**50.1%**	53.5%	**50.2%**	54.8%

Net Charge-Offs

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

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

	Three Months Ended		Nine Months Ended	
($ in 000's except percentages)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Net charge-offs	**33,507**	23,557	**93,356**	61,880
Average gross consumer loans receivable	**1,013,074**	731,072	**935,406**	656,180
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**13.2%**	12.9%	**13.3%**	12.6%

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. The allowance for expected credit losses provides for credit losses that are expected to transpire in future periods. Customer loans for which we have received a notification of bankruptcy, unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged-off against the allowance for loan losses.

	Three Months Ended		Nine Months Ended	
($ in 000's except percentages)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Allowance for credit losses, beginning of period	**90,051**	62,716	**79,741**	49,112
Net charge-offs written off against the allowance	**(33,507)**	(23,557)	**(93,356)**	(61,880)
Bad debt expense	**43,326**	32,867	**113,485**	84,794
Allowance for credit losses, end of period	**99,870**	72,026	**99,870**	72,026
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**9.64%**	9.61%	**9.64%**	9.61%

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 a forecasted increase in the rate of unemployment, rate of inflation, a decrease in the expected future price of oil from the current rates or a decrease in the rate of gross domestic product ("GDP") growth has historically tended to increase the charge-offs experienced by the Company. Conversely a forecasted decrease in the rate of unemployment, rate of inflation, an increase in the expected future price of oil from the current rates or an increase in the GDP growth rate has historically tended to decrease the charge-offs experienced by the Company. For purposes of determining its allowance for loan losses at each statement of financial position date, the Company has decided to utilize the forecasts of these FLIs from five large Canadian banks. The impact on the allowance for credit losses as a percentage of ending gross consumer loans receivable should each of these FLIs increase (or decrease) by 10%, as at September 30, 2019 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%**	**+/- 2 bps**
Rate of inflation	**+/- 10%**	**+/- 5 bps**
Oil prices	**+/- 10%**	**-/+ 11 bps**
GDP growth rate	**+/- 10%**	**-/+ 2 bps**

Bad Debt Expense (Provision for Credit Losses)

The Company's bad debt expense is the amount that its allowance for future credit losses must be increased, after considering net-charge-offs, such that the balance of the allowance for credit losses at each statement of financial position date is appropriate under IFRS. Operationally, this will require a larger provision to be taken when new consumer loans receivables are originated or purchased. An analysis of the Company's bad debt expense for the periods was as follows:

($ in 000's except percentages)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net charge-offs	**33,507**	23,557	**93,356**	61,880
Net charge in allowance for credit losses	**9,819**	9,310	**20,129**	22,914
Bad debt expense	**43,326**	32,867	**113,485**	84,794
Financial revenue	**126,814**	97,851	**351,999**	269,925
Bad debt expense as a percentage of Financial Revenue	**34.2%**	33.60%	**32.2%**	31.40%

Aging of the Consumer Loans Receivable Portfolio

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

($ in 000's except percentages)	September 30, 2019 $	September 30, 2019 % of total	September 30, 2018 $	September 30, 2018 % of total
Current	**986,617**	**95.3%**	716,163	95.5%
Days past due				
1 - 30 days	**28,323**	**2.7%**	19,531	2.6%
31 - 44 days	**6,472**	**0.6%**	3,914	0.5%
45 - 60 days	**6,751**	**0.7%**	4,081	0.5%
61 - 90 days	**7,156**	**0.7%**	5,839	0.9%
91 – 180 days	**277**	**0.0%**	53	0.0%
	48,979	**4.7%**	33,418	4.5%
Gross consumer loans receivable	**1,035,596**	**100.0%**	749,581	100.0%

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

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

	Saturday, Sep. 29, 2019	**Saturday, Sep. 29, 2018**
	% of total	**% of total**
Current	**95.4%**	95.6%
Days past due		
1 - 30 days	**2.8%**	2.6%
31 - 44 days	**0.6%**	0.5%
45 - 60 days	**0.5%**	0.5%
61 - 90 days	**0.7%**	0.8%
91 – 180 days	**0.0%**	0.0%
	4.6%	4.4%
Gross consumer loans receivable	**100.0%**	100.0%

Consumer Loans Receivable Portfolio by Geography

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

	September 30, 2019		**September 30, 2018**	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**38,855**	**3.8%**	31,149	4.2%
Nova Scotia	**57,492**	**5.6%**	46,484	6.2%
Prince Edward Island	**9,206**	**0.9%**	8,259	1.1%
New Brunswick	**47,957**	**4.6%**	37,890	5.1%
Quebec	**64,232**	**6.2%**	35,627	4.8%
Ontario	**451,380**	**43.6%**	327,687	43.7%
Manitoba	**42,977**	**4.1%**	32,673	4.4%
Saskatchewan	**55,314**	**5.3%**	38,572	5.1%
Alberta	**142,262**	**13.7%**	99,118	13.2%
British Columbia	**114,109**	**11.0%**	83,408	11.1%
Territories	**11,812**	**1.2%**	8,714	1.1%
Gross consumer loans receivable	**1,035,596**	**100.0%**	749,581	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:

($ in 000's except percentages)	September 30, 2019 $	September 30, 2019 % of total	September 30, 2018 $	September 30, 2018 % of total
Unsecured Instalment Loans	**934,506**	**90.2%**	709,062	94.6%
Secured Instalment Loans	**101,090**	**9.8%**	40,519	5.4%
Gross consumer loans receivable	**1,035,596**	**100.0%**	749,581	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		Nine Months Ended	
($ in 000's)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Opening potential monthly lease revenue	**8,365**	8,973	**9,141**	9,481
Change due to store opening or acquisitions during the period	**263**	80	**263**	131
Decrease due to store closures or sales during the period	**(65)**	(79)	**(390)**	(274)
Increase/(decrease) due to ongoing operations	**(131)**	(68)	**(582)**	(432)
Net change	**67**	(67)	**(709)**	(575)
Ending potential monthly lease revenue	**8,432**	8,906	**8,432**	8,906

Potential monthly lease revenue is calculated as follows:

	September 30, 2019	September 30, 2018
Total number of lease agreement	**89,251**	95,880
Multiplied by the average required monthly lease payment per agreement	**94.48**	92.89
Potential monthly lease revenue ($ in 000's)	**8,432**	8,906

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:

	September 30, 2019		September 30, 2018	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Furniture	**3,866**	**45.8%**	4,084	45.9%
Electronics	**2,627**	**31.2%**	2,757	31.0%
Computers	**885**	**10.5%**	1,019	11.4%
Appliances	**1,054**	**12.5%**	1,046	11.7%
Potential monthly lease revenue	**8,432**	**100.0%**	8,906	100.0%

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:

	September 30, 2019		September 30, 2018	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**673**	**8.0%**	710	8.0%
Nova Scotia	**841**	**10.0%**	774	8.7%
Prince Edward Island	**145**	**1.7%**	141	1.6%
New Brunswick	**733**	**8.7%**	646	7.3%
Quebec	**562**	**6.7%**	546	6.1%
Ontario	**2,720**	**32.3%**	3,113	35.0%
Manitoba	**246**	**2.9%**	242	2.7%
Saskatchewan	**371**	**4.4%**	392	4.4%
Alberta	**1,273**	**15.1%**	1,308	14.7%
British Columbia	**868**	**10.2%**	941	10.6%
USA	-	-	93	0.9%
Potential monthly lease revenue	**8,432**	**100.0%**	8,906	100.0%

Leasing Charge-Offs

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

	Three Months Ended		**Nine Months Ended**	
($ in 000's except percentages)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Net charge-offs	**959**	1,196	**2,705**	3,134
Leasing revenue	**29,319**	32,060	**91,847**	98,106
Net charge-offs as a percentage of leasing revenue	**3.3%**	3.7%	**2.9%**	3.2%

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-month to 36-month time frame, as these stores tend to be in the strongest period of growth at this time.

	Three Months Ended		**Nine Months Ended**	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Same store revenue growth (overall)	**20.4%**	26.2%	**19.8%**	25.0%
Same store revenue growth (easyhome)	**2.4%**	6.2%	**3.4%**	6.1%

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 September 30, 2019 [1]	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019 [1]	Nine Months Ended September 30, 2018
Operating expenses before depreciation and amortization	**97,781**	83,988	**273,436**	244,102
Divided by revenue	**156,133**	129,911	**443,847**	368,031
Operating expenses before depreciation and amortization as % of revenue	**62.6%**	64.7%	**61.6%**	66.3%

[1] As previously described, the Company adopted *IFRS 16, Leases* effective January 1, 2019. The adoption of IFRS 16 had an insignificant impact on net income in the three and nine-month periods ended September 30, 2019, however it did serve to reduce operating expenses before depreciation and amortization as well as operating expenses before depreciation and amortization expressed as a percentage of revenue.

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 September 30, 2019[1]	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019[1]	Nine Months Ended September 30, 2018
easyfinancial				
Operating income	**47,507**	37,748	**135,792**	100,565
Divided by revenue	**122,256**	95,658	**340,203**	265,039
easyfinancial operating margin	**38.9%**	39.5%	**39.9%**	37.9%
easyhome				
Operating income	**5,619**	5,881	**18,339**	16,393
Divided by revenue	**33,877**	34,253	**103,644**	102,992
easyhome operating margin	**16.6%**	17.2%	**17.7%**	15.9%
Total				
Operating income	**42,569**	32,885	**122,310**	84,611
Divided by revenue	**156,133**	129,911	**443,847**	368,031
Total operating margin	**27.3%**	25.3%	**27.6%**	23.0%

[1] As previously described, the Company adopted *IFRS 16, Leases* effective January 1, 2019. The adoption of IFRS 16 had an insignificant impact on net income in both the three and nine-month periods ended September 30, 2019, however it did serve to increase operating income and operating margin.

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

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

	Three Months Ended		Nine Months Ended	
($ in 000's except percentages)	**September 30, 2019 [1]**	**September 30, 2018**	**September 30, 2019 [1]**	**September 30, 2018**
Net income	**19,825**	14,342	**57,666**	37,237
Finance costs	**14,821**	12,894	**42,158**	32,989
Income tax expense	**7,923**	5,649	**22,486**	14,385
Depreciation and amortization, excluding depreciation of lease assets	**6,760**	2,947	**20,050**	9,174
EBITDA	**49,329**	35,832	**142,360**	93,785
Divided by revenue	**156,133**	129,911	**443,847**	368,031
EBITDA margin	**31.6%**	27.6%	**32.1%**	25.5%

[1] As previously described, the Company adopted *IFRS 16, Leases* effective January 1, 2019. The adoption of IFRS 16 had an insignificant impact on net income in both the three and nine-month periods ended September 30, 2019, however it did serve to increase EBITDA and EBITDA margin.

Return on Assets

The Company defines return on assets as annualized net income in the period divided by average total assets for the period. The Company believes return on assets is an important measure of how total assets are utilized in the business.

	Three Months Ended		Nine Months Ended	
($ in 000's except periods and percentages)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Net income	**19,825**	14,342	**57,666**	37,237
Multiplied by number of periods in year	**X 4/1**	X 4/1	**X 4/3**	X 4/3
Divided by average total assets for the period	**1,180,351**	895,136	**1,140,099**	820,645
Return on Assets	**6.7%**	6.4%	**6.7%**	6.1%

Return on Equity

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

($ in 000's except periods and percentages)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net income	**19,825**	14,342	**57,666**	37,237
Multiplied by number of periods in year	**X 4/1**	X 4/1	**X 4/3**	X 4/3
Divided by average shareholders' equity for the period	**328,431**	241,375	**314,165**	229,608
Return on equity	**24.1%**	23.8%	**24.5%**	21.6%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at September 30, 2019 and September 30, 2018.

($ in 000's, except for ratios)	September 30, 2019	September 30, 2018
Consumer loans receivable, net	**971,467**	703,461
Cash	**29,723**	141,450
Investment	**34,300**	-
Lease assets	**45,987**	49,602
Right-of-use assets	**43,648**	-
Property and equipment	**22,300**	19,934
Goodwill	**21,310**	21,310
Derivative financial assets	**23,905**	-
Intangible assets	**17,031**	14,602
Other assets	**30,975**	34,812
Total assets	**1,240,646**	985,171
External debt	**796,134**	664,174
Lease liabilities	**50,136**	-
Derivative financial liabilities	**-**	10,692
Other liabilities	**56,837**	58,986
Total liabilities	**903,107**	733,852
Shareholders' equity	**337,539**	251,319
Total capitalization (external debt plus total shareholders' equity)	**1,133,673**	915,493
External debt to shareholders' equity	**2.36**	2.64
Net debt to net capitalization [1]	**0.69**	0.68
External debt to EBITDA [2]	**4.42**	5.47

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

[2] Trailing 12-month EBITDA

Total assets were $1.24 billion as at September 30, 2019, an increase of $255.4 million or 25.9% compared to September 30, 2018. The increase was related primarily to: i) the $268.0 million increase in the net consumer loans receivable portfolio; ii) the adoption of IFRS 16 which resulted in a $43.6 million right-of-use asset being recognized as at September 30, 2019; and iii) the minority equity investment in PayBright for an aggregate price of $34.3 million partially offset by $111.8 million decrease in cash (cash balances were elevated as at September 30, 2018 due to due to the issuance of US$150 million in senior unsecured notes payable ("Notes") in the quarter).

The $255.4 million growth in total assets was primarily financed by: i) a $132.0 million increase in external debt (principally the advances from revolving credit facility in 2019); ii) the $86.2 million increase in total shareholder's equity, which was driven by earnings generated by the Company and the issuance of 920,000 common shares in the fourth quarter of 2018 (offset partially by share buybacks under the Company's normal course issuer bid); and iii) the adoption of IFRS 16 which resulted in a $50.1 million lease liability being recognized as at September 30, 2019. While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of easyfinancial.

goeasy funds its business through a combination of equity and debt instruments. goeasy's common shares are listed for trading on the TSX under the trading symbol "GSY" and goeasy's convertible debentures are traded on the TSX under the trading symbol "GSY-DB". goeasy is rated BB- with a stable trend from S&P and Ba3 with a stable trend from Moody's.

At September 30, 2019, the Company's external debt consisted of US$475 million of Notes Payable, $44 million of Convertible Debentures (with net carrying values of $643.3 million and $40.8 million respectively) and $112.0 million drawn against the Company's revolving credit facility. The borrowing limit under the revolving credit facility was $189.5 million, leaving $77.5 million in additional available borrowing capacity as at September 30, 2019.

Borrowings under the Notes bore a US$ coupon rate of 7.875%. The Company issued two tranches of Notes. Through a cross currency swap agreement arranged concurrent with the first offering of the US$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 this obligation at $197.5 million. The second offering of 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 bear interest at 5.75%. The Convertible Debentures mature on July 31, 2022 and are convertible at the holder's option into common shares of the Company at a conversion price of $44.00 per share. As at September 30, 2019, $8.9 million of convertible debentures had converted into 203,000 common shares.

Borrowings under the Company's revolving credit facility bear interest at either the Canadian Banker's Acceptance rate plus 325 bps or lenders' prime rate plus 200 bps at the option of the Company. The $112.0 million drawn against this revolving credit facility bear interest at the Canadian Banker's Acceptance rate plus 325 bps. The revolving credit facility matures on February 12, 2022.

The average blended interest rate for the Company's debt as at September 30, 2019 was 6.9% down from 7.2% as at September 30, 2018.

On October 29, 2019, the Company entered into an amendment to its revolving credit facility to increase the maximum principal amount available to be borrowed from $189.5 million to $310.0 million. As part of this amendment the cost of borrowing under the revolving credit facility was also reduced. Previously, interest on advances was payable at either the Canadian Bankers' Acceptance rate plus 325 bps or lender's prime rate plus 200 bps, at the option of the Company. Subsequent to the amendment, interest on advances is payable at either the Canadian Bankers' Acceptance rate plus 300 bps or lender's prime rate plus 200 bps, at the option of the Company.

Liquidity and Capital Resources

Summary of Cash Flow Components

($ in 000's)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash provided by operating activities before issuance of consumer loans receivable and purchase of lease assets	**80,906**	77,335	**225,112**	170,020
Net issuance of consumer loans receivable	**(113,392)**	(90,030)	**(302,727)**	(292,238)
Purchase of lease assets	**(8,948)**	(8,602)	**(24,920)**	(25,952)
Cash used in operating activities	**(41,434)**	(21,297)	**(102,535)**	(148,170)
Cash used in investing activities	**(37,985)**	(6,740)	**(40,689)**	(11,519)
Cash provided by financing activities	**79,879**	150,244	**72,759**	191,769
Net increase (decrease) in cash for the period	**460**	**122,207**	**(70,465)**	**32,080**

The Company provides loans to non-prime 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 Flow Analysis for the Three Months Ended September 30, 2019

Cash used in operating activities for the three-month period ended September 30, 2019 was $41.4 million compared with $21.3 million in the same period of 2018. The higher level of cash used in operating activities was mainly driven by the additional $23.4 million used in net issuance of consumer loans receivable.

Included in cash used in operating activities for the three-month period ended September 30, 2019 were: i) a net investment of $113.4 million to increase the consumer loans receivable portfolio; and ii) the purchase of lease assets of $8.9 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 $80.9 million for the three months ended September 30, 2019, up $3.6 million from the same period of 2018. The increase was driven by higher earnings and higher non-cash expenses (such as bad debt expense and depreciation).

During the third quarter of 2019, the Company used $38.0 million in investing activities, which included the investment of $34.3 million in PayBright.

During the third quarter of 2019, the Company generated $79.9 million in cash flow from financing activities, which included the net proceeds of $92.0 million from advances against the revolving credit facility, partially offset by $4.5 million in dividend payments, $4.2 million for repurchased shares under the Company's Normal Course Issuer Bid and the $3.9 million payment of lease liabilities. During the third quarter of 2018, the Company generated $150.2 million in cash flow from financing activities. This included the issuance of US$150.0 million in notes which generated net proceed of $203.2 million, offset by net repayment of $50.0 million under the revolving credit facility and the $3.1 million of dividend payments.

Cash Flow Analysis for the Nine Months Ended September 30, 2019

Cash used in operating activities during the nine-month period ended September 30, 2019 was $102.5 million as compared to $148.2 million in the same period of 2018. The lower cash used in operating activities was mainly driven by increased earnings and higher non-cash expenses (such as bad debt expense and depreciation).

During the first nine months of 2019, the Company used $40.7 million in investing activities, which included the investment of $34.3 million in PayBright.

Included in cash used in operating activities for the nine-month period ended September 30, 2019 were: i) a net investment of $302.7 million to increase the consumer loans receivable portfolio; and ii) the purchase of $24.9 million of lease assets. 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 $225.1 million for the nine-month period ended September 30, 2019, up $55.1 million in the same period of 2018. The increase was due to higher earnings and higher non-cash expenses (such as bad debt expense and depreciation).

During the nine-month period ending September 30, 2019 the Company generated $72.8 million in cash flow from financing activities. The net proceeds of $112.0 million from advances against the Company's revolving credit facility were offset by the payment of $12.2 million in dividends, the payment of $11.7 million in lease liabilities and the repurchase of shares under the Company's normal course issuer bid at a cost of $20.3 million. During the nine-month period ending September 30, 2018 the Company generated $191.8 million in cash flow from financing activities, which included the net proceeds of $203.2 million from issuance of Notes partially offset by the payment of $8.6 million in dividends.

Outstanding Shares & Dividends

As at November 4, 2019, there were 14,346,709 common shares, 245,657 DSUs, 471,503 options, 417,383 RSUs, and no warrants outstanding.

Normal Course Issuer Bid

On June 22, 2017, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid ("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 were limited to 9,052 common shares, other than block purchase exemptions. Under this NCIB the Company could commence share repurchases on November 13, 2018 but terminating on November 12, 2019 or on such earlier date as goeasy may complete its purchases pursuant to the Notice of Intention. On February 25, 2019, the Company announced the acceptance by the TSX of the Company's amendment to the Notice of Intention to increase the aggregate number of common shares that may be purchased to 887,000 common shares which represented approximately 8% of the common shares issued and outstanding as at October 30, 2018. On September 10, 2019, the Company announced the acceptance by the TSX of the Company's second amendment to the Notice of Intention to increase the aggregate number of common shares that may be purchased to 1,108,000 common shares which represented approximately 10% of the common shares issued and outstanding as at October 30, 2018. The purchases made by goeasy were affected 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 paid for any common shares was 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 September 30, 2019, the Company had purchased and canceled 856,712 common shares pursuant to this November 8, 2018 NCIB at an average price of $41.19 for a total cost of $35.3 million.

Dividends

During the quarter ended September 30, 2019, the Company paid a $0.31 per share quarterly dividend on outstanding common shares.

On February 20, 2019, the Company increased the dividend rate by 37.8% from $0.225 to $0.31. For the quarter ended September 3, 2019, the Company paid a $0.31 per share quarterly dividend on outstanding common shares. This dividend was paid on October 11, 2019. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. However, no dividends can be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

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

	2019	2018	2017	2016	2015	2014	2013
Dividend per share	**$0.310**	**$ 0.225**	**$ 0.18**	**$ 0.125**	**$ 0.100**	**$ 0.085**	**$ 0.085**
Percentage increase	**37.8%**	**25.0%**	**44.0%**	**25.0%**	**17.6%**	**0.0%**	**0.0%**

Commitments, Guarantees and Contingencies

The nature of the Company’s commitments, guarantees and contingencies remain as described in its December 31, 2018 MD&A.

Risk Factors

Overview

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

The Company’s risk factors remain as described in its December 31, 2018 MD&A.

Critical Accounting Estimates

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

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

The Company’s critical Accounting Estimates are as described in the December 31, 2018 notes to the consolidated financial statements other than as related to the recent implementation of IFRS 16, *Leases* which are as described in the September 30, 2019 notes to the interim condensed consolidated financial statements.

Adoption of New Accounting Standards

On January 1, 2019, the Company adopted IFRS 16, the impact of which has been described earlier in this MD&A and in the notes to the Company's interim condensed consolidated financial statements for the period ended September 30, 2019.

Internal Controls

Disclosure Controls and Procedures ("DC&P")

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

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that the design of the system of the Company's disclosure controls and procedures were effective as at September 30, 2019.

Internal Controls over Financial Reporting ("ICFR")

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

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

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

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

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

As at September 30, 2019, 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 September 30, 2019.