

# PRESS RELEASE

## **Rifco Reports Second Quarter Results**

Red Deer, Alberta. November 12, 2015; Rifco Inc. (TSXV: RFC) is pleased to announce its second quarter results for the period ended September 30, 2015 for its wholly owned subsidiary Rifco National Auto Finance.

### **Quarterly Results**

Finance Receivables of \$236.42 decreased by 1% from \$237.72 over the comparable quarter in the prior year. This decrease contributed to financial revenue decreasing to \$9.54M from \$9.75M compared to the same quarter in the prior year, a 2% decrease.

The Company is reporting Net Income of \$0.89M, a decrease of \$0.69M from the comparable quarter of \$1.58M. Rifco reported earnings per share (EPS) in the period of \$0.042, a decrease from \$0.075 from the comparable quarter.

The Company posted Originations of \$24.05M down from \$42.64M, a 44% decrease from the same quarter in the prior year and up 8% from \$22.30M in the preceding quarter.

The Company is encouraged to be reporting a second consecutive quarter with increased originations. Additionally, the year to date results position the Company approximately on target toward its full year objectives.

Credit Losses, including costs and net of recoveries, are \$3.02M in the quarter, an increase from \$2.40M in the comparable quarter and \$2.26M in the prior quarter.

The Average (12 month rolling) Credit Loss Rate increased to 4.30% from 3.56% in the comparable quarter and has increased from 4.07% in the prior quarter. The Annualized Credit Loss Rate for the quarter is 5.10% and 4.40% for the six month period, an increase from 3.65% in the comparable period.

The Delinquency Rate increased to 5.21% compared to 4.06% in the same quarter of the prior year and increased 0.04% from 5.17% in the preceding quarter. The Delinquency Rate is currently higher than the Company's typical seasonal ranges of between 3.00% and 4.00%. Over the last four quarters the Delinquency Rate has remained elevated but stable within a 5.11% to 5.21% range at period ends.

The Average Interest Expense decreased to 4.54% from 4.80% from the comparable quarter in the prior year.

As the result of a continuing competitive environment in Rifco's lending niche, and the Company's focus maintaining average credit quality, the Company experienced a reduction in the Net Portfolio Yield on new loans granted. The Net Portfolio Yield on average Finance Receivables has decreased to 16.20% from 16.40% in the prior quarter and from 17.16% in the comparable period.

Operating Expenses increased to \$2.52M from \$2.10M from the comparable quarter. The Operating Expense Ratio increased to 4.29% compared to 4.28% in the prior quarter and 3.70% in the comparable quarter. The increased number of Delinquent loans has increased the Company's collection and servicing requirements. The expense associated with additional internal and external servicing staff represents the increased Operating Expenses. A reduction in Delinquency levels could have a positive effect on reducing the Operating Expense Ratio in the future.

In the period, Rifco has increased the total Provision for Impairment from \$5.50M to \$5.77M.



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Unemployment rates in Alberta have recently increased. As a result, the Company previously provided additional Collective Provisioning for Impairment on loans granted in Alberta before December 31, 2014. Management conducted detailed reviews of its credit underwriting processes and made adjustments to reflect the increased employment risk in Alberta. Loans granted after December 31, 2014 were granted reflecting credit underwriting in the current environment. Included in the total is a Collective Provisioning for Impairment which is applied against certain non-delinquent Alberta loans where “there are observable changes to the external economic environment that can meaningfully change the likelihood of scheduled repayment.” The Company has a Collective Provision for Impairment in the period of \$1.27M in response to a perceived increased risk to a certain vintage of the Company’s Alberta borrowers. This is a reduction from \$1.38M from the prior quarter in line with the principal reduction of the target loan vintage.

In the period, the Company increased its Specific Provision for Impairment of current loans by \$0.50M for modified loans (loans for which the original terms of the contract have been changed) from \$0.42M in the prior quarter. Loans that have been modified but are not in arrears, are deemed impaired until the borrowers’ ability to maintain the modified contractual repayment has been re-established. The Company expects a certain number of modified loans will meet this standard and will no longer be reported as impaired in coming quarters.

The Company is experiencing aggressive competition in the non-prime auto sector. Rifco’s main competitors are loosening documentation requirements, reducing underwriting standards and are pricing risk aggressively. The Company believes that some of the pricing witnessed may be unprofitable and ultimately unsustainable. Rifco management believes that its Credit Model will continue to produce sustainable loan performance results over normal economic cycles.

The Company’s management is focused on returning its credit performance to previous levels. Predictable credit performance is imperative to achieving the Company’s long term vision of \$500M in annual loan Originations.

Rifco is in regular contact with all of its funders and remains optimistic regarding the availability of increasing amounts of Bank Borrowing and Securitized Facilities as needed. The Company currently has over \$130M in facility availability for deployment when the current lending environment improves.

## Key Period-to-Date Performance Measurement

Please note the Company results as reported against the specific objectives press released on June 11, 2015.

### **Achieve Loan Originations between \$100M - \$120M**

Loan Originations for the first six months reached \$46.35M. **Progress to target 46%**

### **Achieve Finance Receivables between \$225M - \$260M**

Finance Receivables for the first six months are \$236.24M. **On target.**

### **Achieve revenue of between \$38M - \$42M**

Revenue for the first six months totalled \$18.91M. **Progress to target 50%**

### **Achieve Credit Loss Rate between 4.50% - 4.75%**

Year to date annualized Credit Loss Rate of 4.40%. **On Target.**

### **Achieve earnings per share of \$0.30 - \$0.35.**

Earnings per share for the first six months are \$0.136. **Progress to target 45%**



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Statements of income	Three months ended Sep- tember 30		Six months ended Septem- ber 30	
	2015	2014	2015	2014
(\$, 000's, except per share and share count)				
<b>Financial revenue</b>				
Interest and other income	9,535	9,745	19,457	18,601
<b>Financial expenses</b>				
Interest expenses	2,470	2,580	5,050	4,962
<b>Net financial income before Provision for Impairment</b>	7,066	7,164	14,407	13,639
Provision for Impairment and Credit Losses	3,289	2,923	5,959	5,479
<b>Net financial income before operating expenses</b>	3,777	4,241	8,448	8,159
Operating expenses	2,523	2,101	5,112	4,156
<b>Net Income before taxes</b>	1,254	2,140	3,336	4,004
<b>Net Income tax expense</b>	363	566	444	1,059
<b>Net income</b>	<b>891</b>	<b>1,574</b>	<b>2,892</b>	<b>2,945</b>
Weighted average number of outstanding shares at peri- od end	21,347,483	21,124,874	21,323,056	21,076,445
Fully Diluted Basis	21,550,604	21,747,860	21,532,644	21,696,339
Net earnings per common share				
Basic	\$0.042	\$0.075	\$0.136	\$0.140
Diluted	\$0.041	\$0.072	\$0.134	\$0.136

Rifco today filed its quarterly financial statements and management discussion and analysis for the period ended September 30, 2015. The previously released financial statements and the related management's discussion and analysis can be viewed at [www.sedar.com](http://www.sedar.com) or at [www.rifco.net](http://www.rifco.net).

## **About Rifco**

Rifco Inc. operates through its wholly owned subsidiary Rifco National Auto Finance Corporation in order to provide automobile loans through its dealership network across Canada.

Rifco National Auto Finance provides consumers with financing options on new and used vehicles. Rifco specializes in building long-term partnerships with dealers by investing time in personalized services through dedicated account representatives. Rifco's quick credit decisions, common sense lending, and expedited funding processes give its dealers better financing options and more closed deals. Rifco's most successful partnerships result in Fast Forward 500 Club status for its loyal dealerships.

Rifco is committed to continuing growth. Key strategies for achieving this growth include the expansion of its automobile dealer base and excellence in credit and collections processes.

**The common shares of Rifco Inc. are traded on the TSX Venture Exchange under the symbol "RFC". There are 21.35 million shares (basic) outstanding and 22.70 million (fully diluted) shares.**

## **CONTACT:**

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**It's about time.**