

## Rifco Reports Fourth Quarter and March 31, 2017 Annual Results

Red Deer, Alberta. June 15, 2017; Rifco Inc. (TSXV: RFC) is announcing results for its wholly owned subsidiary Rifco National Auto Finance for the fourth quarter and the year ended March 31, 2017.

### Highlights

Highlights for the fiscal year include the following key accomplishments:

- **Originated \$100M in Finance Receivables** – Although this was short of annual target, the origination total was an increase of 13% over prior year. March 2017 was the best single month of originations since December 2014, with \$10.4M originated. As a result, Finance Receivables reversed a trend and grew in each of the last two quarters, meeting Company target
- **Improvement in Loan Losses and Delinquency** – Delinquency improved from 5.64% to 5.33%, the Average (12 month rolling) Credit Loss Rate decreased to 4.90% from 5.17%, and the Credit Losses, including costs and net of recoveries improved by 9.1% from \$12.1M in the prior year to \$11.0M in the current year
- **Management of Operating Expenses** - Operating Expenses decreased by 4.5% to \$9.73M from \$10.19M in the prior year. The Operating Expense Ratio increased to 4.42% compared to 4.38% the prior year. Wages and benefits expense for the year decreased to \$6.60M from \$7.00M, a 5.7% decrease compared to the prior year
- **New Head Office Location** – In February 2017, Rifco successfully relocated its head office. The new space allows all Rifco head office employees to be on the same floor and gives room for future expansion with a 39% increase in total square footage. The annual lease rates are slightly lower than the previous location
- **Corporate Citizenship** – On September 7, 2016, Rifco announced a donation of \$27,000 to the Red Deer Food Bank through its 5<sup>th</sup> Annual Charity Golf Classic

### Key Period-to-Date Performance Measurement

Please note the Company results as reported against the specific objectives released with the 2016 Annual Report.

1. **Achieve Loan Originations between \$110M - \$130M**  
Loan Originations for the year reached \$100.08M. Achieved 92% of target. **Target missed.**
2. **Achieve Finance Receivables between \$225M - \$240M**  
Finance Receivables at year end are \$227.17M. **Target met.**
3. **Achieve financial revenue of between \$34M - \$36M**  
Revenue for the year was \$33.5M. Achieved 99% of target. **Target missed.**
4. **Achieve Credit Loss Rate between 4.50% - 5.00%**  
Credit Loss Rate for the year of 4.90%. **Target met.**
5. **Achieve earnings per share of \$0.175 - \$0.225**  
Earnings per share for the year is \$0.136. Achieved 78% of target. **Target missed.**



## Annual Results

Rifco is reporting its 11<sup>th</sup> consecutive profitable year in a challenging regional economic environment. The Company is reporting Net Income of \$2.9M, a decrease of \$1.6M from the prior year's \$4.5M. Rifco reported earnings per share (EPS) in the period of \$0.136, a decrease of \$0.077 from the prior year. The retention of these profits has increased shareholders' equity from \$30.0M to \$33.5M, a 12% increase, which reduced the Company's leverage ratio from 7.90 to 7.11. Reducing leverage normally implies improving Company safety and strength.

The Company posted annual Originations of \$100.1M, a 13% increase from the prior year's Originations of \$88.4M. Finance Receivables also increased for the second consecutive quarter from \$223.2M to \$227.2M, marking the second consecutive quarter of growth.

Despite the growth in Finance Receivables, total annual financial revenue decreased by 10% from \$37.4M to \$33.5M. The Net Portfolio Yield decreased in the year to 15.22% from 16.08% the previous year. Rifco is working actively to develop new initiatives that it expects to positively affect loan Originations in the coming year while maintaining the Company's focus on loan credit quality and preserving Net Portfolio Yields.

The Average (12 month rolling) Credit Loss Rate has decreased to 4.90% from 5.17% in the prior year. Credit Losses, including costs and net of recoveries, are \$11.0M, a decrease from \$12.1M in the prior year, an improvement of 9.2%. The Delinquency Rate has also improved to 5.32% from 5.64% in the prior year.

The Company believes it is starting to see a new typical seasonal Delinquency Rate range. Whereas in the past, a range of between 3.00% and 4.00% was suggested, management now believes a typical seasonal Delinquency Rate range to be between 4.00% and 5.00%. Although the company was able to maintain rates within the previous ranges in the past, this was supported by strong economic cycles and high-growth rates of finance receivables.

The Company believes that Net Fair Value (NFV) provides a valuable measure as it represents the estimated net worth of the Company by identifying value as reflected by the cash flow streams over the full life of the assets. The NFV is calculated by subtracting the fair value of all liabilities from the fair value of all assets. NFV is net of anticipated management and servicing expenses of Finance Receivables, Provision for Impairment, prepayment expenses, borrowing expenses, and fees to securitize. The NFV of the Company at year end is \$75.3M, compared to \$79.6M at the end of the prior year. When divided by the ending number of common shares, the Net Fair Value Per Share (NFVPS) is calculated at \$3.50, compared to \$3.73 in the prior year.

Modified Funds Flow from Operations provides details on cash generation for the period excluding activities such as Finance Receivables (principal) advanced and collected. This measure provides useful information as it is not directly impacted by fluctuation in the level of loan Originations and represents implicit cash value to shareholders on a periodic basis. Modified Funds Flow from Operations decreased from \$20.7M to \$17.7M in the year. The Modified Funds Flow from Operations per share decreased from \$0.97 to \$0.82 in the current year. EPS considers Provisions for Impairment and Losses which each affects the balance sheet, but not cash flow.



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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 \$71M in facility availability for deployment as the current lending environment improves. The Average Interest Expense increased to 4.58% from 4.56% from the prior year.

For the year, the Company increased its Specific Provision for Impairment to \$0.86M for modified loans (loans for which the original terms of the contract have been changed) from \$0.66M in the prior year. 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. Re-established modified loans may be subject to a Specific Provision for Impairment in the future if they become Delinquent.

Operating Expenses decreased by 4% to \$9.73M from \$10.19M in the prior year. The Operating Expense Ratio increased to 4.42% compared to 4.38% the prior year. Wages and benefits expense for the year decreased to \$6.60M from \$7.00M, a 5.7% decrease compared to the comparable year. Management believes that ongoing infrastructure investments and benefits of increasing scale will ultimately result in improving operating efficiency. This will be reflected in continued improvement in Operating and Efficiency Ratios over time.

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 Annual Comparative Results

Statements of income	March 31, 2017	March 31, 2016
(\$, 000's, except per share and share count)		
<b>Financial revenue</b>		
Interest and fee income	33,500	37,386
<b>Financial expenses</b>		
Interest expenses	9,080	9,823
<b>Net financial income before provision for impairment</b>	24,420	27,563
Provision for impairment and credit losses	10,516	11,672
<b>Net financial income before operating expenses</b>	13,904	15,891
Operating expenses	9,734	10,191
<b>Income before taxes</b>	4,170	5,700
<b>Income tax expense</b>	1,247	1,155
<b>Net income</b>	<b>2,923</b>	<b>4,545</b>
Weighted average number of outstanding shares at period end	21,525,496	21,335,270
Fully Diluted Basis	21,554,035	21,477,730
Net earnings per common share basic	\$0.136	\$0.213
diluted	\$0.136	\$0.212

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## Fourth Quarter Results

Rifco had Loan Originations in the quarter of \$24.28M, compared to \$20.11M in the prior year, a 20.7% increase. This is a decrease of 6.9% from originations of \$26.06M in the prior quarter.

The Finance Receivables increased by 0.9% to \$227.17M from \$225.13M in the preceding quarter.

Financial revenue in the quarter was \$8.25M, a 5.5% decrease over \$8.73M in the comparable period. Financial revenue decreased by 1.5% compared to the prior quarter.

Net Income in the quarter decreased to \$0.76M compared to \$0.90M in the prior year, a 16% decrease. EPS decreased to \$0.035 from \$0.042 in the prior year.

Interest Expense in the quarter was \$2.24M compared to \$2.35M in the prior year and \$2.22M in the prior quarter. The annualized Interest Expense increased to 4.58% from 4.56% in the prior year.

The Average (12 month rolling) Credit Loss Rate decreased to 4.90% from 5.17% in the prior year. The Annualized Credit Loss Rate for the quarter was 4.58% a decrease from 6.32% in the comparable quarter.

Credit Losses, including costs and net of recoveries, are \$2.62M in the quarter, a decrease of \$0.94M over the comparable quarter.

The Loan Delinquency Rate decreased to 5.32% compared to 5.64% in the prior year and increased from 4.97% in the preceding quarter.

Operating Expenses increased to \$2.65M from \$2.39M compared to the prior year. The increase is primarily related to increased office and general expenses.

The Operating Expenses also increased by 11.3% from the \$2.38M in the prior quarter. The Company is working to reduce operating expenses in all areas while maintaining operating efficiency.

## Rifco Fourth Quarter Comparative Results

Statements of income	March 31, 2017	March 31, 2016
<b>(\$, 000's, except per share and share count)</b>		
<b>Financial revenue</b>		
Interest and fee income	8,247	8,730
<b>Financial expenses</b>		
Interest expenses	2,241	2,347
<b>Net financial income before provision for impairment</b>	6,006	6,383
Provision for impairment and credit losses	2,298	2,656
<b>Net financial income before operating expenses</b>	3,707	3,727
Operating expenses	2,646	2,387
<b>Income before taxes</b>	1,061	1,340
<b>Income tax expense</b>	304	439
<b>Net income</b>	<b>757</b>	<b>901</b>
Net earnings per common share basic	\$0.035	\$0.042
diluted	\$0.035	\$0.042

Rifco today filed its annual financial statements and management discussion and analysis for the year ended March 31, 2017. 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).

Rifco's Annual Shareholders meeting will be held on September 6, 2017 at 3:00PM at the Holiday Inn Hotel & Suites Red Deer South, 33 Petrolia Drive – Gasoline Alley, Red Deer County, Alberta. We look forward to meeting with our shareholders and interested parties to detail the 2017 results and share our vision for the future.

## **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 21.60 million shares (basic) outstanding and 23.17 million (fully diluted) shares.**

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