

## **Rifco Reports First Quarter Results**

Red Deer, Alberta. August 28, 2017; Rifco Inc. (TSXV: RFC) is pleased to announce its consolidated first quarter results for the period ended June 30, 2017.

### **First Quarter Highlights**

Finance Receivables increased to \$232.57M from \$222.78M in the comparable quarter  
Originations increased by 13% to \$29.43M from \$26.00M in the comparable quarter  
Financial revenue increased 1.3% to \$8.36M from \$8.25M in the preceding quarter  
Average Financial Expense decreased to 3.97% from 4.28% in comparable quarter

### **Quarterly Results**

The Company posted Originations of \$29.43M, a 13% increase from \$26.00M in the comparable quarter and a 21% increase from \$24.27M in the preceding quarter. The increased Originations were affected by growing new dealer enrollment and dealer graduations within Rifco's FF500 club dealer loyalty program.

The Finance Receivables increased 4.4% to \$232.57M from \$222.78M in the comparable quarter as a result of the increased originations. Finance Receivables increased 2.4% from \$227.17M in the preceding quarter

The total financial revenue decreased by 0.8% to \$8.36M from \$8.43M in the comparable quarter as a result of a decline in the Net Portfolio Yield in the period. Total financial revenue increased 1.3% from \$8.25M in the preceding quarter.

The Net Portfolio Yield has decreased to 14.82% from 15.36% from the comparable quarter and an increase from 14.59% in the preceding quarter.

The lending environment in the non-prime auto sector remains competitive. Rifco's main competitors continue to price 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 is reporting Adjusted Net Income of \$0.41M, a decrease of \$0.32M from the comparable quarter of \$0.73M and a decrease of \$0.03M from \$0.44M Adjusted Net Income in the preceding quarter. Adjusted Net Income removes the effect of the non-cash provisions on Net Income. Adjusted Net Income retains the actual Credit Losses incurred in the period and is the measure that management uses to evaluate the performance of Loan Receivables in the period as it removes the volatility associated with the effect of estimates and assumptions. Management believes that the usefulness of Adjusted Net Income will increase with the introduction of IFRS 9 in the next fiscal year.

The Company is reporting a Net Loss of \$0.21M, a decrease of \$1.16M from the comparable quarter of \$0.96M and a decrease of \$0.97M from \$0.76M Net Income in the preceding quarter.

Rifco reported earnings per share (EPS) in the period of \$(0.010), a decrease of \$0.055 from the comparable quarter and \$0.045 from the preceding quarters EPS of \$0.035.

The Financial Expense Ratio decreased to 3.97% compared to 4.28% in the comparable quarter and 4.02% in the preceding quarter. The Unsecured Debentures reduced from \$10.82M in the comparable quarter to \$8.65M in the current quarter, a 20% decrease.

Credit Losses, including costs and net of recoveries, are \$2.98M, an increase from \$2.50M in the comparable quarter and an increase of 13.74% from \$2.59M in the preceding quarter.



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The Delinquency Rate increased to 5.86% from 5.03% in the comparable quarter and increased 0.54% from 5.32% in the preceding quarter. The Delinquency Rate is currently higher than the Company's typical seasonal ranges of between 4.00% and 5.00%.

The annualized Credit Loss Rate increased to 5.28% from 4.55% in the comparable quarter in the prior year, and from 4.69% in the prior quarter.

During the recent economic challenges experienced since 2015 in energy producing regions of Canada, the Company had relaxed certain of the conditions for eligibility of loans to be modified. This had resulted in an abnormally high number of modified loans. More recently, as economic conditions across Canada improve, management has restored the conditions considered for a loan to be modified to stricter standards, and the ongoing number of loans being modified has returned to levels that the Company considers normal.

Operating Expenses increased to \$2.77M from \$2.46M compared to the same quarter in the prior year and an increase from \$2.65M in the prior quarter. Operating expense during the quarter was impacted by a severance package to a Company executive. The Operating Expense Ratio increased to 4.91% compared to 4.47% in the same quarter in the prior year.

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 \$95.72M in facility availability for deployment.

Modified Funds Flow from Operations represents implicit cash value to shareholders on a periodic basis. Modified Funds Flow from Operations decreased to \$1.39M from \$2.23M in the comparable quarter. The Modified Funds Flow from Operations of \$0.06 per share in the current quarter, is a decrease from \$0.10 per share in the comparable period.

Net Fair Value Per Share (NFVS) represents the estimated net worth of the Company when the assets and liabilities of the Company are measured at fair value and the cash flow streams over the full life of the assets. The NFVS increased to \$3.61 from \$3.48 when compared to the same quarter in the prior year. The increase is attributable to fair value asset increase of 2.4% partially offset by an increase in the fair value of liabilities of 1.9% compared to the same quarter in the prior year. The difference between the fair value assets and liabilities reflects value creation beyond just Book Value Per Share.

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 increasing Net Portfolio Yields.

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.



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## Rifco Quarterly Comparative Results

Statements of income	June 30, 2017	June 30, 2016
(\$, 000's, except per share and share count)		
<b>Financial revenue</b>		
Interest and fee income	8,358	8,429
<b>Financial expenses</b>		
Interest expenses	2,238	2,351
<b>Net financial income before provision for impairment</b>	<b>6,120</b>	<b>6,078</b>
Total Credit Losses	2,977	2,499
<b>Adjusted Net Financial Income before Operating Expenses</b>	<b>3,143</b>	<b>3,579</b>
Operating expenses	2,771	2,455
<b>Adjusted Income before Taxes</b>	<b>372</b>	<b>1,124</b>
<b>Income tax recovery (expense)</b>	<b>39</b>	<b>(399)</b>
<b>Adjusted Total Comprehensive Income</b>	<b>411</b>	<b>725</b>
Increase (decrease) in Provision for Impairment	616	(226)
<b>Total comprehensive income (loss)</b>	<b>(206)</b>	<b>951</b>
Weighted average number of outstanding shares at period end	21,597,483	21,357,098
Fully Diluted Basis	21,597,483	21,407,616
Adjusted Net Income per common share basic diluted	\$0.019 \$0.019	\$0.034 \$0.034
Net earnings per common share basic diluted	\$(0.010) \$(0.010)	\$0.045 \$0.044



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## Key Period-to-Date Performance as Measured Against Annual Targets

Please note the Company results as reported against the specific fiscal year 2018 objectives released with the 2017 Annual Report:

### **Achieve Loan Originations between \$110M - \$130M**

Loan Originations for the first three months reached \$29.4M. **Progress to target 27%.**

### **Achieve Finance Receivables between \$240M - \$260M**

Finance Receivables for the first three months are \$232.6M. **97% of target.**

### **Achieve financial revenue of between \$35M - \$37M**

Revenue for the first three months reached \$8.4M. **Progress to target 24%.**

### **Achieve Credit Loss Rate between 4.50% - 5.00%**

Year to date annualized Credit Loss Rate of 5.28%. **Above target.**

### **Achieve earnings per share of \$0.10 - \$0.15**

Earnings per share for the first three months are \$(0.01). **\$0.11 from target.**

Rifco, today, filed its quarterly financial statements and management discussion and analysis for the period ended June 30, 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).

## Non-IFRS Measures

Throughout this Press Release, management uses terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers. Management believes that some non-IFRS measures are useful for investors to use to evaluate the performance of the Company without certain IFRS requirements that some investors may consider to be unrelated to the underlying economic performance of the Company. Specifically, management presents an Adjusted Net Income measure, along with related Adjusted sub-totals and ratios. These measures do not have any standardized meaning under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. A full description of these measures can be found in the management discussion and analysis that accompany the financial statements for the period ended June 30, 2017.

## 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 22.91 million (fully diluted) shares.**



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