

## **Rifco Reports Second Quarter Results**

Red Deer, Alberta, November 28, 2018: Rifco Inc. (TSXV: RFC) (“Rifco” or the “Company”) the largest publicly-traded alternative auto finance company in Canada, is pleased to announce its consolidated second quarter results for the period ended September 30, 2018.

### **Second Quarter Highlights**

Rifco is dedicated to building the best auto finance company in Canada. The Company is committed to achieving this goal through improved data and analytics and industry-leading software and people.

- Record financial revenue of \$10.9M, an increase of 27.2% from the comparable quarter
- Credit Spread increased 41% from the comparable quarter to \$7.0M
- 165 basis point improvement in Credit Loss rate from the preceding quarter
- Delinquency rate of 5.19%, an improvement of 78 basis points from comparable quarter and lowest since Q2 2017
- Next generation custom credit scorecard successfully launched
- Renewal of Securcor facility
- Renewal and extension of Wells Fargo led syndicate subsequent to quarter end

### **Quarterly Results**

Total financial revenue for the quarter is the largest ever recorded by the Company. Total financial revenue increased by 35.1% to \$11.6M from \$8.6M in the comparable quarter as a result of increases in both Net Portfolio Yield and Loan Receivables. The \$11.6M total financial revenue during the quarter represented an increase of 16.2% from \$10.0M in the preceding quarter. Net Portfolio Yield and Loan Receivables were both positively affected by the purchase of a portfolio of loans at the beginning of June 2018.

Net loss for the quarter was \$0.9M. Adjusted Net Income and Net Income were positively impacted by a 165 basis point improvement in the Credit Loss rate to 6.48% from 8.13% in the preceding quarter. The Credit Loss rate is 14 basis points higher than the 6.34% experienced in the comparable quarter. Total Credit Losses, including costs and net of recoveries, were \$0.3M higher than the comparable quarter, but were \$0.8M lower than the preceding quarter.

The Company posted Originations of \$19.3M, a 25.2% decrease from \$25.8M in the preceding quarter and a 30.6% decrease from \$27.8M in the comparable quarter. Originations slowed during the quarter as Management focused on completing the rollout of a new, industry leading credit model. The new credit model was successfully implemented subsequent to the quarter end.

Average Loan Receivables during the quarter increased by 6.2% to \$244.6M from \$230.4M in the comparable quarter mainly as a result of the purchase of a Loan Receivable portfolio which was included in the entire quarter for the first time since the purchase in June 2018. Average Loan Receivables increased 4.5% from \$234.0M in the preceding quarter. Average Loan Receivables of \$244.6M were second only to the \$247.3M Average Loan Receivables in the fourth quarter of 2015 as the largest Average Loan Receivables in the history of the Company.

The Company is reporting Adjusted Income Before Taxes of \$0.6M, an increase of \$0.6M from the comparable quarter and an increase of \$1.1M from Adjusted Loss Before Taxes of \$0.5M in the preceding quarter. Adjusted Income Before Taxes removes the effect of both non-cash provisions and taxes on Net Income. Adjusted Income Before Taxes accounts for the actual Credit Losses incurred in the period and is the measure that management uses to evaluate the performance of the Company in the period as it removes the volatility associated with the effect of estimates and assumptions. The Company is reporting Net Loss of \$0.9M, a decrease of \$1.1M from the comparable quarter Net Income of \$0.2M.

Rifco reported Adjusted Net Loss per Share in the quarter of \$0.035, a decrease of \$0.029 from the comparable quarter and a decrease of \$0.102 from the preceding quarters' Net Income per Share of \$0.067.



It's about time.

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The Delinquency Rate decreased by 78 basis points to 5.19% from 5.97% in the comparable quarter and a decrease of 7 basis points from 5.26% in the preceding quarter. The Delinquency Rate in the quarter is the lowest since the second quarter of fiscal 2017.

Credit Losses, including costs and net of recoveries, are \$4.0M, a decrease of 16.7% from \$4.8M in the preceding quarter and an increase of 8.5% from \$3.7M in the comparable quarter. Credit losses in the quarter were outside of the Company's modeled results. Increased numbers of voluntarily surrendered vehicles and increased unrecoverable vehicles contributed to poor results in a number of Rifco's credit tiers

The annualized Credit Loss Rate increased by 14 basis points to 6.48% from 6.34% in the comparable quarter. The Credit Loss Rate decreased by 165 basis points from 8.13% in the preceding quarter.

Gross Portfolio Yield for the quarter at 19.36% is the highest since the first quarter of fiscal 2014. Gross Portfolio Yield increased 284 basis points from 16.52% in the comparable quarter. This is also an increase of 63 basis points from the preceding quarters' 18.73% Gross Portfolio Yield. Net Portfolio Yield of 17.90% is an increase of 296 basis points from the comparable quarter and an increase of 79 basis points from the preceding quarter. Increasing Gross and Net Portfolio Yields were achieved despite the reduction in the Delinquency Rate.

Credit Spread is the most important measure used by Management to evaluate the performance of the Loan Receivables over a period. Credit Spread increased by 41.0% to \$7.0M from \$5.0M in the comparable quarter. Credit Spread Rate increased by 281 basis points from 8.61% in the comparable quarter to 11.42% in the current quarter. Management continues to originate and service a portfolio of loans that generate a significantly larger Credit Spread than historical results suggest.

The Financial Expense Ratio increased 93 basis points to 5.03% compared to 4.10% in the comparable quarter. The Financial Expense Ratio increased 28 basis points from 4.75% in the preceding quarter. Unsecured Debentures increased from \$8.3M at the prior fiscal year end to \$13.0M in the current quarter, a 57% increase.

Operating expenses increased by 25.6% to \$3.3M from \$2.6M in the comparable quarter and an increase of 11.5% from \$2.9M in the prior quarter. The Operating Expense Ratio increased by 83 basis points to 5.36% compared to 4.53% in the comparable quarter. The Operating Expense Ratio increased 34 basis points from 5.02% in the preceding quarter. Operating expenses experienced some increases due to changes in the Loan Servicing and Recoveries division as the Company continues to manage higher than expected Credit Losses. As the Delinquency Rate and Credit Loss Rate improve, the Operating Expense Ratio should return to lower levels.

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 \$93.7M 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 was \$1.6M during the quarter, an increase of \$0.6M from \$1.0M in the comparable quarter. Modified Funds Flow from Operations of \$0.08 per share in the current quarter, is an increase from \$0.05 per share in the comparable period.

The company recorded \$1.4M in income tax expense on \$0.5M in net income before taxes. This compares to \$1.9M in income tax recovery on a net loss before taxes of \$2.6M in the prior quarter. The current period was impacted by timing differences in the deductibility of certain expenses associated with finance receivables. The prior period was impacted by the transition to IFRS 9. The volatility of reported income tax rates are a reflection of the differences between IFRS net income and taxable income. Volatility in tax rates are not an accurate reflection of the underlying business results.

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



It's about time.

## Rifco Quarterly Comparative Results

Statements of income	Three months ended September 30		Six months ended Sep- tember 30	
	2018	2017	2018	2017
(\$, 000's, except per share and share count)				
Financial revenue	10,947	8,607	20,959	16,965
Credit Losses	3,961	3,651	8,715	6,629
<b>Credit Spread</b>	<b>6,986</b>	<b>4,956</b>	<b>12,244</b>	<b>10,336</b>
Financial expenses	3,074	2,364	5,850	4,602
<b>Adjusted Net Financial Income before Operating Expenses</b>	<b>3,912</b>	<b>2,592</b>	<b>6,394</b>	<b>5,734</b>
Operating Expenses	3,275	2,608	6,212	5,379
<b>Adjusted Income (Loss) Before Taxes</b>	<b>637</b>	<b>(16)</b>	<b>182</b>	<b>355</b>
Income tax (expense) recovery	(1,395)	(105)	508	(66)
<b>Adjusted Total Comprehensive (Loss) Income</b>	<b>(758)</b>	<b>(121)</b>	<b>690</b>	<b>289</b>
Increase (decrease) in Provision for Impairment	112	(359)	2,259	256
<b>Comprehensive (loss) income</b>	<b>(870)</b>	<b>238</b>	<b>(1,569)</b>	<b>33</b>
Weighted average number of outstanding shares at period end	21,597,483	21,597,483	21,597,483	21,597,483
Fully diluted basis	21,597,483	21,597,483	21,597,483	21,597,483
Adjusted Net (Loss) Income Per Common Share – basic	\$ (0.035)	\$ (0.006)	\$ 0.032	\$ 0.013
Diluted	\$ (0.035)	\$ (0.006)	\$ 0.032	\$ 0.013
Net (loss) income per common share – basic	\$ (0.040)	\$ 0.011	\$ (0.073)	\$ 0.002
Diluted	\$ (0.040)	\$ 0.011	\$ (0.073)	\$ 0.002

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

Please note the Company results as reported against the specific fiscal year 2019 objectives released with the 2018 Annual Report:

#### **Achieve Loan Originations of \$120M**

Loan Originations for the first six months reached \$45.1M. **Progress to target 38%.**

#### **Achieve Finance Receivables of \$250M**

Finance Receivables at September 30, 2018 are \$242.3. **97% of target.**

#### **Achieve Credit Spread Rate of 11.40%**

Year-to-date Credit Spread Rate of 10.30%. **Behind target by 110 basis points.**

#### **Achieve Adjusted Net Income of \$5.0M**

Adjusted Net Income for the first six months is \$0.7M. **Progress to target 14%.**

Rifco, today, filed its quarterly financial statements and management discussion and analysis for the period ended September 30, 2018. 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).



It's about time.

## **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. Management uses these non-IFRS measures to evaluate the 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 September 30, 2018.

## **About Rifco**

Rifco Inc. is focused on being the best alternative auto finance company through its wholly owned subsidiary Rifco National Auto Finance Corporation. [Our mission is to help deserving Canadians own automobiles.](#) Rifco is Canada's largest publicly traded alternative auto finance company.

Rifco seeks to create sustainable long-term competitive advantages through personalized partnerships with dealers, innovative products, the use of industry-leading data and analytics, and leading collections practices. Rifco's corporate culture fosters employees that are highly engaged, innovative, and performance driven.

Rifco is committed to creating value for all stakeholders through profitable growth and predictable credit performance, while pursuing its long-term vision of \$500M in annual loan Originations.

**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 23.46 million (fully diluted) shares.**

## **CONTACT:**

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