Rifco Reports Third Quarter Results

Red Deer, Alberta, February 14, 2019: Rifco Inc. (TSXV: RFC) ("Rifco" or the "Company") the largest publicly-traded alternative auto finance company in Canada, is pleased to announce its consolidated third quarter results for the period ended December 31, 2018.

Third 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 year to date financial revenue of $31.2M, an increase of 20.0% from the prior year
- Originations increased 10.3% from $19.3M to $21.3M when compared to the previous quarter
- Year to date Gross Portfolio Yield increased by 200bps when compared to the prior year
- Year-to-date Credit Spread increased by 17.0% to $18.5M from $15.8M when compared to the prior year
- Credit Spread Rate increased by 131 basis points from 9.44% to 10.75% when compared to the comparable quarter
- Delinquency rate of 5.33%, an improvement of 68 basis points from comparable quarter

Quarterly Results

Total financial revenue for the fiscal year-to-date is the largest ever recorded by the Company. Total financial revenue year-to-date increased by 20.0% to $31.2M from $26.0M in the comparable period as a result of increases in both Credit Spread and Average Loan Receivables. Total financial revenue during the quarter increased 13.4% to $10.2M from $9.0M in the comparable quarter. Total financial revenue during the quarter declined by 6.9% as compared to 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 income for the quarter was $0.2M, a $1.1M increase from a net loss of $0.9M in the preceding quarter, and a 50.5% decline from the comparable quarter net income of $0.4M. Year-to-date net income, as compared to the prior year, declined by $1.8M to a net loss of $1.4M. Adjusted Net Loss during the quarter was $0.4M which is an improvement from the preceding quarters Adjusted Net Loss of $0.8M. Adjusted Net Loss for the quarter was $0.5M lower than the comparable quarters Adjusted Net Income of $0.1M. Year-to-date Adjusted Net Income of $0.3M was 27.7% lower than the prior years $0.4M.

Adjusted Net Income and net income was negatively impacted by a 25 basis point deterioration in the Credit Loss Rate to 6.73% from 6.48% in the preceding quarter. The Credit Loss Rate is 70 basis points higher than the 6.03% experienced in the comparable quarter. Year-to-date the Credit Loss Rate is 125 basis points higher than the prior year. Total Credit Losses, including costs and net of recoveries, were 12.0% higher than the comparable quarter, but were 0.9% lower than the preceding quarter.

The Company posted Originations of $21.3M, a 10.3% increase from $19.3M in the preceding quarter and a 14.5% decrease from $24.9M in the comparable quarter. A new Credit Model was successfully implemented during the quarter which assisted the increase in originations. Year-to-date Originations of $66.4M are 19.2% lower than the prior year.

Average Loan Receivables during the quarter increased by 0.3% to $233.3M from $232.5M in the comparable quarter. Average Loan Receivables decreased 4.6% from $244.6M in the preceding quarter. Average Loan Receivables year-to-date are 2.9% higher than the comparable period in the prior year, mainly as a result of the purchase of a Loan Receivable portfolio in June 2018.

The Company is reporting Adjusted Loss Before Taxes of $0.3M, a decrease of $0.6M from the comparable quarter and a decrease of $1.0M from Adjusted Income Before Taxes of $0.6M in the preceding quarter. Year-to-date Adjusted Loss Before Taxes of $0.1M is $0.7M lower than the comparable period in the prior year. 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.

Rifco reported Adjusted Net Income per Share year-to-date of $0.012, a decrease of $0.005 from the comparable period in the prior year.

The Delinquency Rate decreased by 68 basis points to 5.33% from 6.01% in the comparable quarter. This is an increase of 14 basis points from 5.19% in the preceding quarter. Year-to-date the Delinquency Rate is down 111 basis points from the comparable period in the prior year.

Credit Losses, including costs and net of recoveries, are $4.0M, practically unchanged from the preceding quarter and a 12.0% increase from $3.5M in the comparable quarter. Credit losses in the quarter were outside of the Company's modeled results. Total Credit Losses, including costs and net of recoveries, year-to-date were 24.7% higher than the comparable period in the prior year. Increased numbers of voluntarily surrendered vehicles and increased unrecoverable vehicles continue to contribute to poor results in a number of Rifco's credit tiers.

The annualized Credit Loss Rate increased by 70 basis points to 6.73% from 6.03% in the comparable quarter. The Credit Loss Rate increased by 25 basis points from 6.48% in the preceding quarter.

Gross Portfolio Yield for the quarter was 18.97% which was 202 basis points higher than the comparable quarters 16.95%. Gross Portfolio Yield decreased 39 basis points from 19.36% in the preceding quarter. Year-to-date Gross Portfolio Yield and Net Portfolio Yield both increased by 250 basis points compared to the prior period. Net Portfolio Yield of 17.48% is an increase of 201 basis points from the comparable quarter and a decrease of 42 basis points from the preceding quarter. Increasing Gross and Net Portfolio Yields were achieved despite the reduction in the Delinquency Rate over the comparable quarter.

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 14.3% to $6.3M from $5.5M in the comparable quarter. Year-to-date Credit Spread increased by 17.0% to $18.5M from $15.8M the prior year. Credit Spread Rate increased by 131 basis points from 9.44% in the comparable quarter to 10.75% in the current quarter. Credit Spread declined by 10.3% from the preceding quarters Credit Spread of $7.0M. 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 75 basis points to 5.06% compared to 4.31% in the comparable quarter. The Financial Expense Ratio increased 3 basis points from 5.03% in the preceding quarter. Unsecured Debentures increased from $8.3M at the prior fiscal year end to $12.8M in the current quarter, a 54.5% increase. Year-to-date the Financial Expense Ratio increased by 83 basis points to 4.97%.

Operating expenses increased by 32.9% to $3.6M from $2.7M in the comparable quarter and an increase of 11.3% from $3.3M in the prior quarter. Operating expenses were impacted by a onetime charge due to a recalculation of GST owing in prior periods. The Operating Expense Ratio increased by 153 basis points to 6.25% compared to 4.72% in the comparable quarter. The Operating Expense Ratio increased 89 basis points from 5.36% in the preceding quarter. Year-to-date Operating expenses are 21.4% higher than the prior year, 5.3% of which is due to the one-time GST liability accrual.

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 $55.7M 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 $0.5M during the quarter, a decrease of $0.7M from $1.25M in the comparable quarter. Modified Funds Flow from Operations of $0.03 per share in the current quarter, is a decrease from $0.06 per share in the comparable period. Year-to-date Modified Funds Flow from Operations of $2.8M is 23.9% lower than the prior year.

In July, 2017, Rifco announced a management-initiated voluntary review of our GST/HST remittance practices. Rifco subsequently provided an update stating that while the company had incorrectly reported certain elements of its GST/HST filings, our advisors indicated that the company had limited liability for unremitted GST/HST. In January 2018, the Federal Court of Appeal dealt with the complex rules surrounding Selected Listed Financial Institutions Attribution Method Regulations (SAM) (see 2017 FCA 244 – Farm Credit Canada v. Canada). This decision clarified rules regarding the correct attribution method for financial corporations, interpreted by many, to mean OSFI regulated institutions. The decision made it clear that SAM also applies to financial corporations that do not accept deposits.

The SAM calculation essentially is a formula that determines what percent of a financial institution's business is located in each province and calculates a weighted-average GST/HST rate based on what province the finance receivables pertain to (not where the head office is located). This weighted average rate is then compared to the rate actually paid on all applicable invoices and the difference is required to be settled with the respective harmonized provincial governments. Rifco worked with professional indirect tax and legal advisors and has updated its voluntary review to include the impacts of the SAM calculation. While the voluntary review is ongoing, the Company has recorded its best estimate in quantum and probability of the expected outcome of the review.

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.

Rifco Quarterly Comparative Results

Statements of income	**Three months ended December 31**		**Nine months ended December 31**	
	2018	**2017**	**2018**	**2017**
($, 000's, except per share and share count)				
Financial revenue	10,194	8,991	31,152	25,956
Credit Losses	3,926	3,505	12,641	10,134
Credit Spread	**6,268**	**5,486**	**18,511**	**15,822**
Financial expenses	2,953	2,508	8,803	7,111
Adjusted Net Financial Income before Operating Expenses	**3,315**	**2,978**	**9,708**	**8,711**
Operating Expenses	3,645	2,743	9,857	8,122
Adjusted Income (Loss) Before Taxes	**(330)**	**235**	**(149)**	**589**
Income tax (expense) recovery	(101)	(166)	407	(232)
Adjusted Total Comprehensive (Loss) Income	**(431)**	**69**	**258**	**357**
(Decrease) increase in Provision for Impairment	(612)	(299)	1,646	(43)
Comprehensive income (loss)	**181**	**368**	**(1,388)**	**400**
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	$ (0.020)	$ 0.003	$ 0.012	$ 0.017
Diluted	$ (0.020)	$ 0.003	$ 0.012	$ 0.017
Net income (loss) per common share – basic	$ 0.008	$ 0.029	$ (0.064)	$ 0.019
Diluted	$ 0.008	$ 0.029	$ (0.064)	$ 0.019

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:

1. **Achieve Loan Originations of $120M**
   Loan Originations for the first nine months reached $66.4M. **Progress to target 55%.**
2. **Achieve Finance Receivables of $250M**
   Finance Receivables at December 31, 2018 are $234.5. **94% of target.**
3. **Achieve Credit Spread Rate of 11.40%**
   Year-to-date Credit Spread Rate of 10.46%. **Behind target by 94 basis points**.
4. **Achieve Adjusted Net Income of $5.0M**
   Adjusted Net Income for the first nine months is $0.3M. **Progress to target 5%.**

Rifco, today, filed its quarterly financial statements and management discussion and analysis for the period ended December 31, 2018. The previously released financial statements and the related management's discussion and analysis can be viewed at www.sedar.com or at 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. 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 December 31, 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.

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