

Rifco Reports First Quarter Results

Red Deer, Alberta, August 22, 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 first quarter results for the period ended June 30, 2019.

First 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.

- Rifco’s new credit model and loan origination system projects are fully implemented and beginning to deliver results
- Originations increased 47.4% from \$20.2M to \$29.8M when compared to the previous quarter and increased 15.5% from \$25.8M in the comparable quarter. This is the largest quarterly originations level since third quarter 2015
- Credit Spread Rate increased by 196 basis points from 9.00% to 10.96% when compared to the comparable quarter
- Financial revenue increased by 3.9% from \$9.5M to \$9.9M when compared to the preceding quarter
- The Net Portfolio Yield increased by 49 basis points over the comparable quarter and 83 basis point over the preceding quarter to 17.60%
- Adjusted Income Before Taxes increased by \$1.0M to \$0.6M in comparison to the comparable quarter
- Operating expenses declined by 5.5% when compared to the comparable quarter and 5.4% from the previous quarter

Rifco Quarterly Comparative Results

	Current Quarter 3 Months Ended June 30, 2019		Prior Quarter 3 Months Ended March 31, 2019		Comparable Quarter 3 Months Ended June 30, 2018	
Statements of income						
(\$, 000’s, except per share, % of average loan receivables)						
Average loan receivables for the period	224,553		227,008		234,041	
Financial revenue	9,885	17.60%	9,518	17.41%	10,011	17.11%
Credit losses	3,729	6.64%	3,692	6.51%	4,754	8.13%
Credit Spread	6,156	10.96%	5,826	10.90%	5,257	8.98%
Financial expenses	2,827	5.04%	2,856	5.03%	2,777	4.75%
Adjusted Net Financial Income before Operating Expenses	3,329	5.92%	2,970	5.87%	2,480	4.23%
Operating expenses	2,775	4.96%	2,933	5.17%	2,937	5.02%
Adjusted Income (Loss) Before Taxes	554	0.96%	37	0.70%	(457)	(0.79%)
Income tax recovery (expense)	38	0.08%	(295)	(0.25%)	1,903	3.25%
Adjusted Net Income (Loss)	592	1.04%	(258)	(0.45%)	1,446	2.46%
Increase (decrease) in Provision for Impairment						

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	192	0.36%	(140)	(0.24%)	2,146	3.67%
Net income (loss)	400	0.68%	(118)	(0.21%)	(700)	(1.21%)
Weighted average number of outstanding shares at period end	21,597		21,597		21,597	
Fully diluted basis	21,597		21,597		21,597	
Adjusted Net Income (Loss) per common share basic	\$0.027		\$ (0.012)		\$0.067	
Diluted	\$0.027		\$ (0.012)		\$0.067	
Net earnings per common share basic	\$0.019		\$ (0.005)		\$(0.032)	
Diluted	\$0.019		\$ (0.005)		\$(0.032)	

The Company posted Originations of \$29.8M, a 47.4% increase from \$20.2M in the preceding quarter and a 15.5% increase from \$25.8M in the comparable quarter. Originations in the quarter are the largest reported since the third quarter of 2015.

Adjusted Income Before Taxes in the quarter was \$0.6M which is an improvement of \$1.0M from the comparable quarter. Net income before tax improved by \$3.0M to \$0.4M from a net loss before tax of \$2.6M in 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 17.1% to \$6.2M from \$5.3M in the comparable quarter despite a 4.1% decline in average loan receivables. The Credit Spread Rate increased by 196 basis points from 9.00% in the comparable quarter to 10.96% in the current quarter. Management is focused on originating loans that generates a significantly larger Credit Spread Rate than historical results suggest.

Total financial revenue increased 3.9% from \$9.5M in the preceding quarter. Total financial revenue declined by 1.3% to \$9.9M from \$10.0M in the comparable quarter as the decline in average loan receivables was largely offset by an increase in the Net Portfolio Yield.

Loan receivables increased by \$1.5M from \$224.4M at March 31, 2019 to \$225.9M at current quarter end. Despite strong originations, the average loan receivables during the quarter decreased 4.1% to \$224.6M from \$234.0M in the comparable quarter. Average loan receivables decreased 1.1% from \$227.0M in the preceding quarter. Higher than expected paydowns early in the quarter contributed to this decrease.

The Financial Expense Ratio is effectively unchanged versus the preceding quarter. The Financial Expense Ratio increased 29 basis points from 4.75% in the comparable quarter.

Credit losses, including costs and net of recoveries, for the quarter decreased by 21.6% from \$4.8M in the comparable quarter to \$3.7M in the current quarter. The annualized Credit Loss Rate decreased by 149 basis points to 6.64% from 8.13% in the comparable quarter. The credit loss rate is 13 basis points higher than the preceding quarter.

The Delinquency Rate increased by 43 basis points to 5.69% from 5.26% in the comparable quarter and an increase of 23 basis points from 5.46% in the preceding quarter.

Operating expenses have declined, both in dollars expensed and as a ratio of average loan receivables. Operating expenses decreased by 5.5% to \$2.8M from \$2.9M in the comparable quarter and a decrease of 5.4% from \$2.9M in the preceding quarter. The Operating Expense Ratio decreased by 6 basis points to 4.96% compared to 5.02% in the comparable quarter. The Operating Expense Ratio decreased 21 basis points from 5.17% in the preceding quarter.

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 \$64.5M in facility availability for deployment.



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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, today, filed its quarterly financial statements and management discussion and analysis for the period ended June 30, 2019. 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 June 30, 2019.

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 23.22 million (fully diluted) shares.

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