Rifco Reports Third Quarter Results

Red Deer, Alberta, February 20, 2020: 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 December 31, 2019.

Third Quarter Highlights

- Rifco's custom credit model and loan origination system projects are implemented and are beginning to deliver results. Supplemental opportunities for augmentation of these systems are being identified and exploited. These opportunities will further improve efficiency, consistency, scalability, risk identification, and price optimization.
- Originations for the year to date increased 27.0% from $66.4M in the comparable period to $84.3M. The current quarter originations of $27.2M are an increase of 27.6% when compared to the comparable quarter.
- Adjusted Income Before Taxes for the year to date increased by $0.6M to $0.5M in comparison to the comparable period.
- Operating expenses for the year to date declined by 15.7% to $8.3M from $9.9M when compared to the comparable period despite including non-recurring costs of $0.2M relating to the CanCap Offer.

Subsequent Events Highlights

- Rifco announced it has entered into a definitive arrangement agreement pursuant to which CanCap Group Inc., parent of AutoCapital Canada Inc., will acquire all of the issued and outstanding common share of Rifco for $1.18 per share. Rifco is preparing an information circular, which will be made available to all shareholders on or about March 3, 2020 in anticipation of the Special General Meeting to be held on April 3, 2020 at 1:00pm at the Holiday Inn Hotel & Suites Red Deer South, 33 Petrolia Drive – Gasoline Alley, Red Deer County, Alberta.
- Rifco completed a reorganziation of several of its treasury facilities. This included the complete payoff of its existing banking syndicate facility, securing a new $20M warehouse facility from a Canadian Schedule I Chartered Bank, a renewal of its existing securitization facility with the same Canadian Schedule I Chartered Bank, and securitization of a $29M tranche for January month end that facilitated the changes with a better advance rate and approximately 160bp reduction in cost of funds.
- Rifco has received cash refunds of $3.8M from Canada Revenue Agency in the month of February 2020. The refunds are related to changes in tax reporting methodology and amended tax returns.

Rifco Quarterly Comparative Results

Statements of income	**Current Quarter 3 Months Ended December 31, 2019**		**Prior Quarter 3 Months Ended September 30, 2019**		**Comparable Quarter 3 Months Ended December 31, 2018**	
($,000's, except per share, % of average loan receivables)						
Average loan receivables for the period	225,815		226,248		233,276	
Financial revenue	9,819	17.39%	9,926	17.56%	10,194	17.48%
Credit losses	4,327	7.66%	4,372	7.72%	3,926	6.73%
Credit Spread	**5,492**	**9.73%**	**5,554**	**9.84%**	**6,268**	**10.75%**
Financial expenses	2,798	4.96%	2,814	4.96%	2,953	5.06%
Adjusted Net Financial Income before Operating Expenses	**2,694**	**4.77%**	**2,740**	**4.88%**	**3,315**	**5.69%**
Operating expenses	2,898	5.13%	2,633	4.64%	3,645	6.25%
Adjusted (Loss) Income Before Taxes	**(204)**	**(0.36%)**	**107**	**0.24%**	**(330)**	**(0.56%)**

Income tax (expense) recovery	(213)	(0.38%)	55	0.08%	(101)	(0.17%)
Adjusted Net (Loss) Income	**(417)**	**(0.74%)**	**162**	**0.32%**	**(431)**	**(0.73%)**
(Decrease) increase in provision for impairment	(602)	(1.07%)	599	1.04%	(612)	(1.05%)
Net income (loss)	**185**	**0.33%**	**(437)**	**(0.72%)**	**181**	**0.32%**
Weighted average number of outstanding shares at period end Fully diluted basis	21,597 21,597		21,597 21,597		21,597 21,597	
Adjusted Net Income (Loss) per Common Share basic Diluted	$(0.019) $(0.019)		$0.027 $0.027		$(0.020) $(0.020)	
Net earnings per common share basic Diluted	$0.009 $0.009		$0.019 $0.019		$0.008 $0.008	

The Company posted Originations for the year to date of $84.3M, a 27.0% increase from $66.4M in the prior year to date. Originations of $27.2M for the current quarter are an increase of 27.6% from the comparable quarter and an 0.7% decrease from the preceding quarter.

Near-prime originations increased by $21.0M from $53.6M to $74.6M, a 39.2% increase in the current year to date when compared to the prior year. The near-prime weighted average Contract Interest Rate on the originations increased 110 basis points from 16.37% to 17.47% from the prior year.

Adjusted Income Before Taxes for the year to date of $0.5M is $0.6M higher than the prior year to date. Adjusted Net Loss Before Taxes in the quarter was $0.2M, an improvement of $0.1M from the comparable quarter. Adjusted Net (Loss) Income Before Taxes removes the effect of the non-cash provisions on net income (loss) before tax. Adjusted Net (Loss) 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. Net income before tax for the year to date improved by $2.1M to $0.3M from a net loss before tax of $1.8M in the prior year to date. Net income before tax for the quarter of $0.4M was $0.1M higher than the comparable period.

Credit Spread is one of the most important measure used by management to evaluate the performance of the loan receivables over a period. Credit Spread declined by 7.1% from $18.5M in the comparable year to date to $17.2M in the current year to date. Credit Spread for the quarter declined by 12.4% from the comparable quarter to $5.5M. The Credit Spread Rate decreased by 29 basis points from 10.46% in the comparable year to date to 10.17% in the current year to date. The Credit Spread Rate during the quarter declined by 103 basis points over the comparable quarter and by 12 basis points over the preceding quarter. This recent overall Credit Spread Rate decline is being temporarily impacted as the portfolio of loans purchased in June 2018 rapidly pays down. This portfolio has an exceptionally large Credit Spread Rate due to the very favourable purchase price paid. Management continues to originate a portfolio of loans that generates a significantly larger Credit Spread Rate than historical results suggest.

Total financial revenue year to date decreased 4.9% to $29.6M from $31.2M in the prior year to date due to the relatively faster run off rate of the portfolio of assets acquired in June 2018. Total financial revenue declined by 3.7% to $9.8M from $10.2M in the comparable quarter and decreased by 1.1% from the preceding quarter.

The near-prime portfolio increased 2.5% from $195.4M in the prior year to $200.3M. Gross Financial Revenue for near-prime loans increased 12.4% from $7.4 in the comparative period to $8.4M. The Gross Portfolio Yield improved 148 basis points for the near-prime portfolio.

Loan receivables increased by $1.0M from $224.4M at March 31, 2019 to $225.4M at current quarter end. Average loan receivables during the quarter decreased 4.4% to $225.8M from $233.3M in the comparable quarter, which included $24.8M of assets from an acquired portfolio.

The Financial Expense Ratio increased year to date by 2 basis points to 4.99%% from 4.97% in the prior year to date. The Financial Expense Ratio decreased by 10 basis points to 4.96% from 5.06% in the comparable quarter. The Financial Expense Ratio remained the same from the prior quarter at 4.96%.

Credit losses, including costs and net of recoveries, for the year to date decreased by 1.7% from $12.6M in the prior year to date to $12.4M in the current period. Credit losses, including costs and net of recoveries, for the quarter increased by 10.2% to $4.3M from $3.9M in the comparable quarter. The annualized Credit Loss Rate for the year to date increased by 20 basis points to 7.34% from 7.14% in the prior year to date. The annualized Credit Loss Rate for the quarter decreased by 6 basis points to 7.66% from 7.72% in the prior quarter.

The Delinquency Rate decreased by 14 basis points to 5.32% from 5.46% at the beginning of the year. The Delinquency Rate decreased 83 basis points from 6.15% in the prior quarter. The Delinquency Rate decreased 1 basis point over the comparable quarter.

Operating expenses continue to decline, both the dollars and as a ratio of average loan receivables. Operating expenses year to date decreased by 15.7% to $8.3M from $9.9M in the prior year to date. Operating expenses during the quarter decreased 20.5% to $2.9M from $3.6M in the comparable quarter. The Operating Expense Ratio decreased by 112basis points to 5.13% compared to 6.25% in the comparable quarter. The Operating Expense Ratio decreased 66 basis points year to date to 4.91% from 5.57% in the prior year to date.

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.

Subsequent to year end, Rifco announced it had reorganized its funding relationships resulting in a new $20M warehouse facility from a Canadian Schedule I Chartered Bank with an improved advance rate and slightly higher interest rate than the existing banking syndicate facility, which was paid out on January 30, 2020. To pay out the facility, Rifco securitized a $29M tranche of loans receivable through its existing Canadian Schedule I Chartered Bank securitization facility, which resulted in a better advance rate and approximately 160bps reduction in costs of funds when compared to the banking syndicate facility.

Rifco also received formal notification from the Canadian Revenue Agency that its proposed change in corporate income tax basis was accepted and the related amendment of the prior year return enabled it to take advantage of loss carrybacks. As such, these amounts, which were formerly recorded as a deferred tax asset, are now classified as income taxes receivable. Refunds totaling $3.8M were received in February 2020.

Rifco has leveraged its recent investments in its loan origination system and new credit model to enhance the automation of its credit decisioning. While all loans are verified prior to funding, approximately 77% of its credit decisioning is automated. This is an increase from 23% in the comparable quarter. Rifco believes that automation will increase the integrity, accuracy, predictability and reliability of decision making, improving ultimate credit spread. This transition also helps Rifco manage its operating expenses while the overall market is experiencing a decline in ultimate booking rates on applications seen.

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 December 31, 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 December 31, 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 23.20 million (fully diluted) shares.

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