Rifco Reports Fourth Quarter and March 31, 2020 Annual Results

Red Deer, Alberta. July 15, 2020; Rifco Inc. (TSXV: RFC) ("Rifco" or the "Company") the largest publicly-traded alternative auto finance company in Canada, is announcing results for its wholly owned subsidiary Rifco National Auto Finance for the fourth quarter and the year ended March 31, 2020.

Quarterly Highlights

Highlights for the fourth quarter include the following key accomplishments:

- **Originations** – Originations increased 18.8% from $20.2M in the comparable quarter to $24.0M in the current quarter.
- **Credit Spread** – Credit Spread, the difference between total financial revenue and credit losses, increased from 10.25% in the comparable quarter and 9.72% in the prior quarter to 11.18% in the current quarter.
- **Credit losses –** Credit losses decreased to $3.5M from $3.7M in the comparable quarter and $4.3M in the prior quarter.
- **Adjusted Net Income before Taxes** – Earned $660k in Adjusted Net Income before Taxes. A remarkable result when compared with an Adjusted Net Loss before Taxes of $81k in the prior quarter and Adjusted Net Income before Taxes of $37k in the comparable quarter.

Annual Highlights

Highlights for the fiscal year include the following key accomplishments:

- **Originations** – Originations increased 25.1% from $86.6M to $108.3M. This is the Company's highest origination year since 2015 and third highest yearly level since inception.
- **Treasury Reorganization** – A treasury reorganization has resulted in significant interest expense savings, increased treasury flexibility and better matching of borrowed funds compared to the underlying finance receivables
- **Tax Recovery –** A change in the tax basis of securitization transactions from gain on sale to IFRS basis resulted in the unwinding of temporary timing differences allowing the recovery of over $3.8M of prepaid taxes from 2015, 2016 and 2017.
- **Automated Credit Adjudication** – Rifco continues to be an industry leader in automated credit adjudication allowing increased integrity, accuracy, predictability, and reliability of decision making. This allows the Company to manage its operating expenses while the overall market is experiencing an overall decline in ultimate booking rates compared to applications seen.
- **Corporate Citizenship** – Rifco employees once again spearheaded fundraising efforts, throughout the year, to raise funds in excess of $37,000 for the Central Alberta Humane Society.
- **COVID-19 Response** – Despite the rapidly evolving news and guidelines related to the COVID-19 outbreak, the Company has had no interruptions in accessing its sources of capital and all core Company functions have continued to operate without interruption. The Company continues to operate as an exempted "Essential Service" under new Alberta legislation with a significant portion of the Company's core functions now being performed by work-from-home employees.

Annual Results

The Company posted Originations for the year of $108.3M, a 25.1% increase from $86.6M in the prior year. Originations of $24M for the current quarter are an increase of 18.8% from the comparable quarter. This is the third best origination year in the history of the Company behind the 2015 and 2014 fiscal years.

The Net Portfolio Yield improved 7 basis points for the year from 17.41% in the prior year to 17.48% in the current year. Net Portfolio Yield improved 59 basis points to 17.35% in the current quarter from 16.76% in the comparable quarter.

Credit losses, including costs and net of recoveries, for the year decreased by 2.7% from $16.3M in the prior year to $15.9M in the current year. Credit losses, including costs and net of recoveries, for the quarter decreased by 5.4% from $3.7M to $3.5M in the comparable quarter. The annualized Credit Loss Rate for the year increased by 7 basis points to 7.06% from 6.99% in the prior year. The annualized Credit Loss Rate for the quarter decreased by 34 basis points to 6.17% from 6.51% in the comparative quarter.

Adjusted Net Income Before Taxes for the year of $1.3M is $1.4M higher than the prior year. Adjusted Net Income Before Taxes in the quarter was $0.7M, an improvement of $0.7M from the comparable quarter. Adjusted Net Income (Loss) Before Taxes removes the effect of the non-cash provisions and the strategic review process expenses on net income (loss) before tax. Adjusted Net Income (Loss) 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, assumptions and the strategic review expenses. Net loss before tax for the year increased by $1.9M to $3.5M from a net loss before tax of $1.6M in the prior year. This change reflects the significant increase in loan loss provisioning in anticipation of the impact of COVID-19.

Credit Spread is one of the most important measures used by management to evaluate the performance of the loan receivables over a period. Credit Spread declined by 3.5% from $24.3M in the comparable year to $23.5M in the current year. Credit Spread for the quarter increased by 7.8% from the comparable quarter to $6.3M. The Credit Spread Rate remained consistent at 10.42% between the years. The Credit Spread Rate during the quarter increased by 93 basis points over the comparable quarter and remained consistent to the preceding quarter.

Total financial revenue year to date decreased 3.2% to $39.4M from $40.7M in the prior year due to the relatively faster run off rate of the portfolio of assets acquired in June 2018. Total financial revenue increased by 2.4% to $9.7M from $9.5M in the comparable quarter and decreased by 0.8% from the preceding quarter.

The Financial Expense Ratio for the year decreased by 4 basis points to 4.95% from 4.99% in the prior year. The Financial Expense Ratio for the quarter decreased by 21 basis points to 4.82% from 5.03% in the comparable quarter. The Financial Expense Ratio for the decreased by 16 basis points from the prior quarter at 4.98%.

The Delinquency Rate increased by 9 basis points to 5.55% from 5.46% at the beginning of the year. The Delinquency Rate increased 23 basis points from 5.32% in the prior quarter. The Delinquency Rate decreased 9 basis points over the comparable quarter.

Adjusted Operating expenses continue to decline, both the dollars and as a ratio of average loan receivables. Adjusted Operating expenses in the current year decreased by 13.5% to $11.1M from $12.8M in the prior year. Adjusted Operating expenses during the quarter decreased 0.7% to $2.9M from $2.9M in the comparable quarter. The Adjusted Operating Expense Ratio decreased by 1 basis points to 5.19% compared to 5.18% in the comparable quarter. The Adjusted Operating Expense Ratio decreased 55 basis points year to date to 4.92% from 5.47% in the prior year.

Rifco is in regular contact with all of its funders and remains optimistic regarding the availability of bank borrowing and securitized facilities.

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 Annual Comparative Results

Statements of income	For the year ended March 31, 2020		For the year ended March 31, 2019	
($,000's, except per share, % of average loan receivables)				
Average loan receivables for the period	225,252		233,633	
Financial revenue	39,374	17.48%	40,670	17.41%
Credit losses	15,893	7.06%	16,333	6.99%
Credit Spread	**23,481**	**10.42%**	**24,337**	**10.42%**
Financial expenses	11,145	4.95%	11,660	4.99%
Adjusted Net Financial Income before Operating Expenses	**12,336**	**5.47%**	**12,677**	**5.43%**
Adjusted Operating expenses	11,057	4.92%	12,789	5.47%
Adjusted Net Income (Loss) Before Taxes	**1,279**	**0.55%**	**(112)**	**(0.04%)**
Strategic review expense	(700)	(0.31%)	-	0.00%
Increase in provision for impairment	(4,113)	(1.83%)	(1,506)	(0.64%)
Net loss before tax	**(3,534)**	**(1.59%)**	**(1,618)**	**(0.68%)**
Income tax recovery	651	0.29%	112	0.05%
Net loss	**(2,883)**	**(1.30%)**	**(1,506)**	**(0.63%)**
Weighted average number of outstanding shares at year end	21,597		21,597	
Fully diluted basis	21,597		21,597	
Adjusted Net Income (Loss) before Taxes per Common Share – basic	$ 0.059		$(0.005)	
Diluted	$ 0.059		$(0.005)	
Net loss per common share – basic	$(0.133)		$(0.070)	
Diluted	$(0.133)		$(0.070)	

Fourth Quarter Results

The Company had originations of $24.0M for the current quarter are an increase of 18.8% from the comparable quarter's originations of $20.2M.

Financial revenue increased 2.4% from $9.5M in the comparable quarter to $9.7M in the current quarter. Net Portfolio Yield improved 59 basis points to 17.35% in the current quarter from 16.76% in the comparable quarter.

Credit losses decreased by 5.4% from the comparable quarter to $3.5M from $3.7M in the comparable quarter. Credit losses decreased 19.9% from $4.3M in the preceding quarter. The annualized Credit Loss Rate for the quarter decreased by 34 basis points to 6.17% from 6.51% in the comparative quarter. The annualized Credit Loss Rate decreased 149 basis points from 7.66% in the preceding quarter.

Financial expenses decreased 21 basis points from the comparable quarter dropping from 5.03% to 4.82% and decreased 14 basis points from 4.96% in the preceding quarter.

The Delinquency Rate increased 23 basis points from 5.32% in the prior quarter. The Delinquency Rate decreased 9 basis points over the comparable quarter.

Rifco Quarterly Comparative Results

Statements of income	Current Quarter 3 Months Ended March 31, 2020		Prior Quarter 3 Months Ended December 31, 2019		Comparable Quarter 3 Months Ended March 31, 2019	
($,000's, except per share, % of average loan receivables)						
Average loan receivables for the period	224,580		225,815		227,008	
Financial revenue	9,744	17.35%	9,819	17.38%	9,518	16.76%
Credit losses	3,465	6.17%	4,327	7.66%	3,692	6.51%
Credit Spread	**6,279**	**11.18%**	**5,492**	**9.72%**	**5,826**	**10.25%**
Financial expenses	2,706	4.82%	2,798	4.96%	2,856	5.03%
Adjusted Net Financial Income before Operating Expenses	**3,573**	**6.36%**	**2,694**	**4.76%**	**2,970**	**5.22%**
Adjusted Operating Expenses	2,913	5.19%	2,775	4.92%	2,933	5.18%
Adjusted Net Income (Loss) Before Taxes	**660**	**1.17%**	**(81)**	**(0.16%)**	**37**	**0.04%**
Strategic review expenses	(537)	(0.96%)	(123)	(0.21%)	-	0.00%
(Increase) decrease in provision for impairment	(3,924)	(6.99%)	602	1.07%	140	0.25%
Net (loss) income before taxes	**(3,801)**	**(6.78%)**	**398**	**0.70%**	**177**	**0.29%**
Income tax recovery (expense)	771	1.37%	(213)	(0.38%)	(295)	(0.52%)
Net loss	**(3,030)**	**(5.41%)**	**185**	**0.32%**	**(118)**	**(0.23%)**
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) before taxes per Common Share basic Diluted	$0.031 $0.031		$(0.004) $(0.004)		$0.002 $0.002	
Net (loss) income per common share basic Diluted	$(0.140) $(0.140)		$0.009 $0.009		$(0.005) $(0.005)	

Rifco today filed its annual financial statements and management discussion and analysis for the year ended March 31, 2020. 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.

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 23.17 million (fully diluted) shares.

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