

IOU Financial Inc. Releases Financial Results for the Year Ended December 31, 2016

- Closed \$50 million credit facility lowering funding costs and enhancing competitive position.
- Principal balance of loan portfolio increased 53.2% to \$42.1 million consistent with the Company's strategy to retain more loans on its balance sheet.
- Gross revenue increased 45.4% to \$17.4 million for the year ended December 31, 2016.
- Deployed next generation proprietary IOU Risk Logic Score as part of continued investment in innovation and technology.
- Initiated significant cost reduction plan. Assuming the plan was fully implemented at the beginning of 2016, the Company would have been break even based on adjusted earnings.

MONTREAL, April 28, 2017 /CNW Telbec/ - IOU FINANCIAL INC. ("IOU" or "the Company"); (TSXV: IOU), a leading online lender to small businesses (IOUFinancial.com), announced today its results for the year ended December 31, 2016.

"2016 was an active and transformative year for IOU. We are very pleased at the progress we have made in advancing our competitive position in the United States and the announcement of our entrance in Canada. We have now originated over US\$415 million of loans to small businesses in the US since our inception. In 2017, management will continue to focus on finding operational efficiencies, the performance of its loan portfolio, and achieving profitability." said Phil Marleau, Chief Executive Officer.

FINANCIAL HIGHLIGHTS

- Loan originations for the year ended December 31, 2016 were US\$107.6 million versus originations of US\$146.4 million for year ended December 31, 2015. Loan originations decreased due to changes made to the Company's lending policies in response to increased delinquency levels. We anticipate that these changes will have a positive impact on our loan portfolio over the course of 2017.
- As of December 31, 2016, IOU's total loans under management decreased to \$70.3 million as compared to \$92.7 million at the end of year 2015. On December 31, 2016, the principal balance of the loan portfolio grew to \$42.1 million compared to \$27.5 million at the end of year 2015 consistent with the Company's strategy to retain more loans on its balance sheet. The principal balance of IOU's servicing portfolio (loans being serviced on behalf of third-parties) was \$28.2 million at the end of December 31, 2016 compared to \$65.2 million in 2015.
- Gross revenue for the year ended December 31, 2016 was \$17.4 million versus \$12.0 million for the year ended December 31, 2015, representing a 45.4% increase. The increase in gross revenues was primarily driven by an increase in interest income. Interest income increased to \$13.3 million for the year ended December 31, 2016 as compared to \$6.8 million for the year 2015, representing an increase of 97.0% over the previous year, as a result of an increase in the size of the loan portfolio as well as an increase in pricing.
- Interest expense during the year ended December 31, 2016 increased to \$3.2 million, up from \$2.5 million over the previous year. The increase is attributable to an increase in borrowings under the credit facility partially offset by a reduction in the cost of funds borrowed versus the previous year.
- Provision for loan losses (net of recoveries) increased to \$7.3 million, up from \$2.5 million, for the year ended December 31, 2015. This increase is attributable to a significant increase in the size of the loan portfolio as well as a build in the allowance for loan losses mostly for loans originated prior to the quarter ended September 30, 2016. During the year ended December 31, 2016, IOU Financial made changes to its lending policies and deployed its next generation proprietary IOU Risk Logic Score. These changes are expected to contribute to improved credit performance in 2017. In addition, the Company has implemented certain process changes to improve its servicing and collections.
- Operating expenses were \$11.6 million during the year ended December 31, 2016 versus \$11.6 million for the year ended December 31, 2015. During the quarter ended September 30th, 2016 the Company adopted a plan to reduce operating expenses. These cost-reduction efforts, once fully implemented are expected to lower quarterly operating expenses from \$3.0 million for the quarter ended September 30th, 2016 to \$2.0 million to \$2.2 million, on a normalized basis. For the quarter ending December 31, 2016, operating expenses were \$2.5 million, representing a \$0.5 million reduction from the quarter ended September 30th, 2016 when the plan was initiated.
- IOU closed on the year ended December 31, 2016 with a net loss of \$4.8 million, or \$0.08 per common share, compared to a net loss of \$3.7 million or \$0.06 per common share for the year ended December 31, 2015. IOU closed the year ended 2016 with an adjusted net loss of \$3.2 million, which excludes certain non-cash and non-recurring items, compared to an adjusted net loss of \$1.7 million for the year ended December 31, 2015.
- Assuming the cost reduction plan was fully implemented on January 1, 2016, IOU's pro forma adjusted earnings for the year ended December 31, 2016 would have been break even.

OUTLOOK

- In 2017, IOU will continue to focus on finding operational efficiencies, the performance of its loan portfolio, and achieving profitability.
- The Company will maintain its core strategy of identifying, recruiting, and partnering with business loan brokers throughout the United States while continuing to focus its efforts on building long-term partnerships with its existing broker base by investing time in offering great service through dedicated account executives.
- IOU also intends to grow loan originations by forming new strategic partnerships with entities such as banks and small business suppliers and leveraging their relationships with small businesses to add new customers; expanding its product offering to allow it to serve small businesses whose needs are not met by its current products; investing in direct marketing and sales; and continuing its expansion into Canada.

IOU's financial statements and management discussion & analysis for the year ended December 31, 2016 have been filed on SEDAR and are available at www.sedar.com.

About IOU Financial

IOU Financial Inc. provides small businesses throughout the U.S. and Canada access to the capital they need to seize growth opportunities quickly. Typical customers include medical and dental practices, grocery and retail stores, salons, gas stations, auto repair shops, and restaurants. In a unique approach to lending, the IOU Financial advanced, automated application and approval system accurately assesses applicants' financial realities, with an emphasis on day-to-day cash flow trends. It makes loans of up to US\$150,000 to qualified U.S. applicants (\$100,000 in Canada) within a few business days, with affordable charges favorable to cash-flow management. Its speed and transparency make IOU Financial a trusted alternative to banks. To learn more visit: IOUFinancial.com.

Forward Looking Statements

Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of IOU including, but not limited to, the impact of general economic conditions, industry conditions, dependence upon regulatory and shareholder approvals, the execution of definitive documentation and the uncertainty of obtaining additional financing. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. IOU does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events, or otherwise.

The TSX-V has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

SOURCE IOU Financial Inc.

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