

IOU Financial Inc. Releases Financial Results for the First Quarter Ended March 31, 2017

- Principal balance of loan portfolio increased 72.0% compared to the same period last year to \$43.8 million consistent with the Company's strategy to retain more loans on its balance sheet.
- Gross revenue increased 29.6% to \$4.3 million for the quarter ended March 31, 2017.
- On a sequential basis, the provision for loan losses decreased 38.3% from the quarter ended December 31, 2016 to \$1.9 million.
- Opex decreased from \$3.0 million for the quarter ended September 30th, 2016 when a cost reduction plan was initiated, to \$2.4 million for the quarter ended March 31, 2017.
- Won a Gold Stevie® Award in the 11th Annual Stevie Awards for Best Use of Technology in Customer Service.

MONTREAL, May 29, 2017 /CNW Telbec/ - **IOU FINANCIAL INC.** ("IOU" or "the Company") (TSXV: IOU), a leading online lender to small businesses, announced today its results for the first quarter ended March 31, 2017.

"IOU continues to lead at the forefront of the fintech revolution taking hold in North America. The first quarter of 2017 saw strong loan applications, but lower loan volumes, due to a strategic emphasis on seeking higher loan quality. This emphasis is demonstrated in our financial performance with our provision for loan losses down by 38.3% on a sequential basis. In 2017, management will continue to focus on operational efficiencies, pursuing sustainable, high quality growth opportunities to achieve favourable risk adjusted returns and achieving profitability," said Phil Marleau, CEO.

FINANCIAL HIGHLIGHTS

- Loan originations for the first quarter period ended March 31, 2017 were US\$22.1 million versus originations of US\$25.4M for the same period last year. 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. On a sequential basis, loan originations increased 9.8% from the quarter ended December 31, 2016 to US\$22.1 million.
- As of March 31, 2017, IOU's total loans under management amounted to approximately \$66.8 million as compared to \$79.8 million at the end of the first quarter 2016. On March 31, 2017, the principal balance of the loan portfolio amounted to \$43.8 million compared to \$25.5 million at the end of the first quarter of 2016. The increase is 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) amounted to approximately \$23.0 million compared to \$54.3 million in 2016.
- IOU recorded gross revenue for the quarter ended March 31, 2017 of \$4.3 million versus \$3.3 million for the quarter ended March 31, 2016, representing a 30.3% increase. The increase in gross revenues was primarily driven by an increase in interest income. Interest income increased to \$3.7 million for the quarter ended March 31, 2017 as compared to \$2.2 million for the quarter ended March 31, 2016, representing a 69.2% increase, as a result of an increase in the size of the loan portfolio.
- Interest expense during the three-month period ended March 31, 2017 increased by 46.8% to \$0.9 million, up from \$0.6 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 \$1.9 million for the three-month period ended March 31, 2017, up from \$0.8 million for the previous year. 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. On a sequential basis, the provision for loan losses decreased 38.3% from the quarter ended December 31, 2016 to \$1.9 million.
- Operating expenses decreased 16.8% to \$2.4 million for the three-month period ended March 31, 2017 as compared to \$2.9 million for the previous year. During the year ended December 31, 2016, the Company adopted a plan to reduce operating expenses. These cost-reduction efforts, once fully implemented are expected to lower quarterly operating expenses to \$2.0 million to \$2.2 million, on a normalized basis. On a sequential basis, operating expenses decreased from \$3.0 million for the quarter ended September 30th, 2016 when the plan was initiated, to \$2.6 million for the quarter ended December 31, 2016, to \$2.4 million for the quarter ended March 31, 2017.
- IOU closed its first quarter 2017 with a net loss of \$995,085, or \$0.01 per share, compared to a net loss of \$1,308,229 or \$0.02 per share during the same period of 2016.
- IOU closed its first quarter 2017 with an adjusted net loss of \$690,400, which excludes certain non-cash and non-recurring items, compared to an adjusted net loss of \$473,480 in the first quarter of 2016. Assuming the cost reduction plan was fully implemented on January 1, 2017, IOU's pro forma adjusted net loss for the three-month period ended March 31, 2017 would have been approximately \$0.35 million.

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 quarter ended March 31, 2017 have been filed on SEDAR and are available at www.sedar.com.

About IOU Financial Inc.

IOU Financial provides small businesses throughout the U.S. access to the capital they need to seize growth opportunities quickly. Typical customers include medical and dental practices, grocery and retail stores, restaurant and hotel franchisees and e-commerce companies. In a unique approach to lending, IOU Financial's 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 \$150,000 to qualified U.S. applicants (\$100,000 in Canada) within a few business days, with affordable charges favourable to cash-flow management. IOU Financial's speed and transparency make it a trusted alternative to banks. To learn more visit: www.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.

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