IOU Financial Inc. Releases Financial Results for the Three and Six Month Period Ended June 30, 2017

- Principal balance of loan portfolio increased 20.2% compared to the same period last year to $42.9 million consistent with the Company's strategy to retain more loans on its balance sheet.
- Gross revenue increased 27.0% to $8.7 million for the first half of 2017.
- Opex (excluding non-recurring costs) decreased 18.1% or $0.6 million for the quarter ended June 30, 2017 compared to the same period last year. The Company is on track to achieve its target of quarterly operating costs of $2.0 million to $2.2 million on a normalized basis in the third quarter.
- During the quarter, the Company focussed its efforts on an aggressive litigation strategy against businesses who intentionally default on their loan obligations.

MONTREAL, Aug. 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 three and six month period ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- Loan originations for the second quarter ended June 30, 2017 were US$26.2 million versus originations of US$31.8 million for the same period last year. Loan originations decreased by 17.8% 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. For the first half of 2017, loan originations amounted to $48.2 million, representing a decrease of 15.7% over the origination of $57.1 million for the same period last year.
- As of June 30, 2017, IOU's total loans under management amounted to approximately $65.7 million as compared to $79.6 million in 2016. On June 30, 2017, the principal balance of the loan portfolio amounted to $41.6 million compared to $35.5 million in 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 $24.1 million compared to $44.1 million in 2016.
- IOU recorded gross revenue during the second quarter of $4.4 million versus $3.5 million for the same period last year, representing a 24.5% increase. The increase in gross revenues was primarily driven by a 55.3% increase in interest income from $2.4 million in 2016 to $3.7 million in 2017, as a result of an increase in the size of the loan portfolio. For the six-month period ended June 30, 2017, gross revenues improved to $8.7 million compared to $6.8 million for the same period in 2016.
- Interest expense during the three-month period ended June 30, 2017 increased by 44.3% to $1.0 million, up from $0.7 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. For the six-month period ended June 30, 2017, interest expense amounted to $1.9 million compared to $1.3 million in 2016.
- Provision for loan losses (net of recoveries) increased to $2.4 million for the three-month period ended June 30, 2017, up from $1.2 million for the previous year. The increase is primarily attributable to an increase in defaults by borrowers and partially due to an increase in the size of the loan portfolio. To improve loss performance, IOU Financial has made changes to its lending policies and deployed its next generation proprietary IOU Risk Logic Score. In addition, the Company has implemented certain process changes to improve its servicing and collections which includes an aggressive litigation process against businesses who intentionally default on their loan obligations. For the six-month period ended June 30, 2017, IOU recorded a provision for loan losses of $4.3 million compared to $2.0 million in 2016.
- Excluding non-recurring costs, operating expenses decreased 18.1% to $2.5 million for the three-month period ended June 30, 2017 as compared to $3.1 million for the previous year. During the quarter ended September 30, 2016, the Company adopted a plan to reduce operating expenses. The Company is on track to achieve its target of quarterly operating costs of $2.0 million to $2.2 million on a normalized basis in the third quarter. In the second quarter, IOU recorded non-recurring costs of $0.5 million related to vendor contract cancellations and impairment of intangible assets. For the six-month period ended June 30, 2017, operating expenses amounted to $4.9 million, excluding non-recurring costs, compared to $6.0 million in 2016.
- IOU closed its second quarter 2017 with a net loss of $2.1 million, or $0.03 per share, compared to a net loss of $1.5 million or $0.02 per share during the same period of 2016. For the six-month period ended June 30, 2017, the net loss amounted to $3.1 million versus $2.8 million in 2016.
- IOU closed its second quarter 2017 with an adjusted net loss of $1.3 million, which excludes certain non-cash and non-recurring items, compared to an adjusted net loss of $1.1 million in the second quarter of 2016. For the first half of 2017, the adjusted net loss was $1.9 million compared to an adjusted net loss of $1.6 million for the same period in 2016. Assuming the cost reduction plan was fully implemented on January 1, 2017, IOU's pro forma adjusted net loss for the three-month and six-month period ended June 30, 2017 would have been approximately $0.8 million and $1.2 million, respectively.

OUTLOOK

For the remainder of 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 June 30, 2017 have been filed on SEDAR and are available at www.sedar.com.

CONFERENCE CALL

The Company will hold a conference call at 4:30 p.m. (EDT) on Wednesday, August 30, 2017, to discuss its financial results. The dial-in number to access the conference call from Canada and the United States is 1‑800‑511‑8018 (toll-free), conference ID: 6480086.

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 $300,000 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.

SOURCE IOU Financial Inc.

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