IOU Financial Inc. Releases Financial Results for the Three and Nine-Month Period Ended September 30, 2018

- IOU posts fourth consecutive quarter with positive earnings. Adjusted earnings amounted to $623,795 in Q3 2018 and $2.1 million year-to-date. Net earnings on an IFRS basis amounted to $600,593 in Q3 2018 and $2.3 million year-to-date.
- Loan originations increased 84.7% to US$36.1 million during the third quarter compared to the same period last year.
- Provision for loan losses decreased 51.3% to $1.2 million in Q3 2018 compared to Q3 2017.

MONTRÉAL, Nov. 14, 2018 /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 three and nine-month period ended September 30, 2018.

"IOU continued to deliver strong loan origination growth and earnings performance during the third quarter of 2018 and we have successfully managed loan defaults as a result of measures implemented last year. We are proud of our team success as evidenced by the Company's current performance and remain committed to generate sustainable profits and loan origination growth in the upcoming quarters," said Phil Marleau, CEO.

FINANCIAL HIGHLIGHTS

- Loan originations for the third quarter ended September 30, 2018 increased 84.7% to US$36.1 million versus originations of US$19.6 million for the same period last year. During the nine-month period ended September 30, 2018, loan originations amounted to US$89.9 million (2017:US$67.8 million), representing an increase of 32.6% over the same period last year.
- As of September 30, 2018, IOU's total loans under management amounted to approximately $84.7 million as compared to $60.9 million in 2017. The principal balance of the loan portfolio amounted to $30.2 million compared to $35.0 million in 2017. The principal balance of IOU's servicing portfolio (loans being serviced on behalf of third-parties) amounted to approximately $54.5 million compared to $25.8 million in 2017.
- IOU recorded gross revenue during the third quarter of $4.9 million versus $4.5 million for the same period last year. Year-to-date, gross revenue amounted to $13.9 million ($13.2 million in 2017).
- Interest expense during the three-month period ended September 30, 2018 decreased by 9.7% to $854,098, compared to $945,720 the previous year. The decrease is attributable to a decrease in borrowings under the credit facility. For the nine-month period, interest expense amounted to $2.5 million ($2.8 million in 2017).
- Provision for loan losses (net of recoveries) decreased by 51.3% to $1.2 million for the three-month period ended September 30, 2018 (2017: $2.5 million). This decrease is primarily attributable to lower defaults by borrowers as well as by the smaller size of the loan portfolio. The improvement in the provision for loan losses (net of recoveries) is a result of changes made in 2017 in the Company's lending policies and in the loan servicing and collection process, which includes an aggressive litigation strategy against businesses who default on their loan obligations. For the nine-month period, IOU recorded a provision for loan losses of $3.1 million ($6.7 million in 2017), representing a decrease of 54.6%.
- Operating expenses, excluding non-recurring costs, decreased 1.3% to $2.1 million for the three-month period ended September 30, 2018 as compared to $2.2 million for the previous year. This was slightly above the Company's anticipated average quarterly operating expense figure of approximately $2.0 million for the remainder of 2018 as the Company incurred additional legal costs in its litigation strategy against businesses who default on their loan

obligations as well as additional marketing costs to drive more originations. The decrease year over year is attributable to the Company's plan to reduce operating expenses initially introduced in the third quarter of 2016. The plan resulted in reduced headcount thereby lowering employee compensation costs, a decrease in marketing costs and reduced professional fee expenses due to vendor contract re-negotiations. For the nine-month period ended September 30, 2018, operating expenses, excluding non-recurring costs, totaled $6.1 million ($7.2 million in 2017), representing a decrease of 14.8%.
- IOU closed its third quarter 2018 with positive net earnings of $600,593, or $0.01 per share, compared to a net loss of $1.4 million or $(0.02) per share during the same period of 2017. For the nine-month period ended September 30, 2018, net earnings totalled $2.3 million (2017: net loss of $4.5 million).
- IOU closed its third quarter 2018 with positive adjusted earnings of $623,795, which excludes certain non-cash and non-recurring items, compared to an adjusted net loss of $1.2 million in the third quarter of 2017. The $1.8 million improvement in adjusted earnings is principally due to better loan quality, as demonstrated by the $1.3 million decrease in the provision for loan losses, as well as to the increase in gross revenue in the quarter compared to the same period last year. Adjusted earnings for the nine-month period ended September 30, 2018 totalled $2.1 million (2017: adjusted net loss of $3.2 million).

OUTLOOK

IOU remains well placed at the forefront of the fintech revolution that is democratizing access to capital for small businesses. IOU expects to maintain its strategy of profitable growth.

The Company is enhancing its proprietary, next-generation technology and algorithms that evaluate and price credit risk. IOU continues to closely monitor the performance of its loan portfolio, capture operational efficiencies and keep costs under control.

The Company intends to grow loan originations by:

- Identifying, recruiting and partnering with business loan brokers;
- 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 September 30, 2018 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 Monday, November 19, 2018, to discuss its financial results. The dial-in number to access the conference call from Canada and the United States is 1 (888) 231-8191 (toll-free), conference ID: 5566669.

About IOU Financial Inc.

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, IOU Financial's advanced, automated application and approval system accurately assesses applicants' financial realities, with an emphasis on day-to-day cash flow trends. IOU Financial allows these businesses to apply for six, nine, twelve, fifteen and eighteen-month term loans of up to US$300,000 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.

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