

IOU Financial Inc. Releases Financial Results for the Three-Month Period Ended March 31, 2019

- IOU posts adjusted net earnings of \$0.5 million in the first quarter of 2019.
- Under IFRS, Q1 2019 represents the Company's sixth consecutive profitable quarter.
- Loan originations increased 33.7% to US\$32.8 million in Q1 2019 compared to the same period in 2018.
- Total loans under management increased 50.3% to \$96.5 million in Q1 2019 compared to Q1 2018.
- Adjusted gross revenue increased 18.4% to \$5.1 million in Q1 2019 compared to Q1 2018.
- Adjusted Operating Expense Ratio decreased to 9.7% in Q1 2019 compared to 11.7% in Q1 2018.
- The Company closed a new credit facility in Q1 2019 at a rate which is substantially lower than the current Cost of Borrowing Rate.

MONTREAL, May 23, 2019 /CNW/ - **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-month period ended March 31, 2019.

"IOU continued to deliver growth and profits while keeping costs under control. The Company produced a strong increase in loan originations in the first quarter of 2019. We remain committed to our strategy of profitable growth which continues to deliver consistent and favorable results since its implementation," said Phil Marleau, CEO.

FINANCIAL HIGHLIGHTS

- In the first quarter of 2019, the Company funded US\$32.8 million in loans (2018: US \$24.5 million), representing an increase of 33.7% over the same period last year. This was above the Company's long-term outlook for annual loan origination growth of 25% to 30%.
- As of March 31, 2019, IOU's total loans under management amounted to \$96.5 million as compared to \$64.2 million in 2018. The principal balance of the loan portfolio amounted to \$38.1 million compared to \$32.2 million in 2018, representing an increase of 18.4%. The principal balance of IOU's servicing portfolio (loans being serviced on behalf of third-parties) amounted to \$58.4 million compared to \$32.0 million in 2018, representing an increase of 82.3%.
- IOU recorded gross revenue during the three-month period ended March 31, 2019 of \$4.8 million versus \$4.4 million for the same period last year, representing an increase of 9.2% due to an increase in interest revenue as a result of the growth in the average commercial loans receivable balance in Q1 2019 compared to Q1 2018 as well as an increase in net gain recognized on sale of loans due to loans sold to third parties.
- Adjusted gross revenue increased to \$5.1 million for the three-month period ended March 31, 2019 (2018: \$4.3 million), representing an increase of 18.4% over the previous year. The increase is due to an increase in interest revenue as a result of an increase in the average commercial loans receivable balance in Q1 2019 compared to Q1 2018 as well as an increase in the servicing portfolio.
- Interest expense during the three-month period ended March 31, 2019 increased by 7.2% to \$0.9 million (2018: \$0.8 million). The increase is attributable to an increase in borrowings under the financing credit facilities in the first quarter of 2019 compared to the same period last year as the Cost of Borrowing Rate remained relatively unchanged at 11%. In an effort to lower its Cost of Borrowing Rate, the Company closed a new credit facility in the first quarter of 2019 at a rate which is substantially lower than the current Cost of Borrowing Rate. Specifically, the rate on the new credit facility was 7.09% at March 31, 2019 or approximately one-third less than the current Cost of Borrowing Rate.
- Provision for loan losses increased to \$1.5 million for the three-month period ended March 31, 2019 (2018: \$1.0 million). The increase is attributable to an increase in the average commercial loans receivable balance in the first quarter of 2019 compared to the same period last year and an increase in the Provisional Credit Loss Rate to 16.1% in Q1 2019 compared to 12.3% in Q1 2018 due mainly to an increase in the ratio of the allowance for expected credit losses to the gross carrying amount of Stage 3 loans in Q1 2019 compared to Q1 2018. The Net Credit Loss Rate decreased from 14.2% in the first quarter of 2018 to 12.1% in the first quarter of 2019. The Company expects the Net Credit Loss Rate to vary from quarter to quarter. Over the past four quarters, the Net Credit Loss Rate has averaged 13.2%.
- While operating expenses were \$2.5 million for the three-month period ended March 31, 2019 (2018: \$1.9 million) and adjusted operating expenses increased \$0.5 million to \$2.3 million in Q1 2019 from \$1.8 million in Q1 2018, the Adjusted Operating Expense Ratio, which is a measure of the Company's operating efficiency, decreased from 11.7% in the first quarter of 2018 to 9.7% in the first quarter of 2019 as the Company increased its loans under management at a greater rate than operating expenses.
- IOU closed on the quarter ended March 31, 2019 with IFRS net earnings of \$85,870, or \$0.00 per share, compared to IFRS net earnings of \$797,198 or \$0.01 per share for the quarter ended March 31, 2018.
- IOU closed the quarter ended March 31, 2019 with adjusted net earnings of \$0.5 million, compared to adjusted net earnings of \$0.7 million during the same period in 2018.

OUTLOOK

IOU is committed to its strategy of profitable growth. 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.

These efforts are key to achieving the Company's long-term outlook for loan origination growth of 25% to 30% annually.

IOU's financial statements and management discussion & analysis for the quarter ended March 31, 2019 have been filed on SEDAR and are available at www.sedar.com.

CONFERENCE CALL

The Company will hold a conference call at 4:30 (EDT) on May 29, 2019, 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: 9990995

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. 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\$500,000 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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Definitions

- *Adjusted gross revenue is defined as gross revenue prepared in accordance with IFRS, plus amortization of servicing assets less gain on sale of loans. The Company uses adjusted gross revenue as it eliminates items that do not necessarily reflect how the Company is performing. Specifically, it eliminates the non-cash gain on sale of loans and the non-cash amortization of servicing assets which influence operating results depending on the timing and amount of the loan sales.*
- *The Cost of Borrowing Rate is calculated as follows: interest expense divided by the average borrowings for the period, presented on an annualized basis.*
- *The Provisional Credit Loss rate is calculated as follows: provision for loan losses divided by the average commercial loans receivable for the period, presented on an annualized basis.*
- *The Net Credit Loss rate is calculated as follows: charge offs net of recoveries divided by the average commercial loans receivable for the period, presented on an annualized basis. The Company uses the Net Credit Loss Rate as an alternative measure to the Provisional Credit Loss Rate as it excludes the effect of provisions (reductions) in the allowance for expected credit losses during the period which may not coincide with the actual timing of charge-offs and recoveries.*
- *Adjusted operating expenses is calculated as follows: total operating expenses for the period less stock-based compensation and non-recurring costs. The Company uses adjusted operating expenses as it eliminates items that do not necessarily reflect how the Company is performing. Specifically, it eliminates non-cash stock-based compensation which is given at different times and prices and non-recurring costs which affects operating results only periodically.*
- *The Adjusted Operating Expense Ratio is calculated as follows: adjusted operating expenses divided by the average loans under management for the period, presented on an annualized basis.*
- *Beginning in the first quarter of 2019, the calculation of adjusted net earnings was revised and is defined as net earnings for the period less gain on sale of loans, plus: amortization of servicing assets, stock-based compensation and non-recurring costs. Prior to the first quarter of 2019, the calculation of adjusted net earnings (net loss) was defined as net earnings (net loss) for the period less: gain on sale of loans and income tax recovery, plus: amortization of servicing assets, stock-based compensation, amortization of transactions costs-credit facility, depreciation and amortization, income tax expense and non-recurring costs. As a result, the prior comparative periods have been calculated to reflect the revised definition.*

View original content:

<http://www.prnewswire.com/news-releases/iou-financial-inc-releases-financial-results-for-the-three-month-period-ended-march-31-2019-300855860.html>

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