



CHESSWOOD ANNOUNCES STRONG SECOND QUARTER 2021 RESULTS

TORONTO, August 3, 2021 – Chesswood Group Limited (“Chesswood” or the “Company”) (TSX: CHW), a publically traded North American commercial equipment finance provider for small and medium-sized businesses, today reported its results for its second quarter ended June 30, 2021.

Q2 2021 Highlights

- *Gross finance receivables at quarter end of \$1.24 billion, up 33% from Q1 2021*
- *Earnings growth of 8% quarter over quarter to \$0.40 per fully diluted share (despite a \$2.2 million non-cash charge associated with the merger between Blue Chip and Vault Credit Corporation)*
- *Strong free cash flow generation of \$8.1 million, or \$0.45 per fully diluted share, in the quarter*
- *Record portfolio collections resulting in net portfolio recoveries of \$1 million*
- *Closed the merger with Vault Credit Corporation creating one of Canada’s largest independent equipment finance companies*

“The second quarter of 2021 was further evidence of the momentum we have built across each of our business units. We saw strength in originations continue throughout Q2 along with exceptional portfolio performance” said Chesswood CEO Ryan Marr. “Our net recoveries in the quarter demonstrate the credit discipline of our portfolio team in addition to the refined collections process developed over the 30+ years of being in business.”

“In addition, we closed the merger of Blue Chip Leasing (“Blue Chip”) and Vault Credit Corporation (“VCC”), creating one of Canada’s largest independent equipment finance organizations. We are excited to be working with the talented people at VCC and welcome them to the Chesswood family.”

Summary of Second Quarter Results

The Company reported consolidated net income of \$7.8 million in the three months ended June 30, 2021 compared to net income of \$1.4 million in the same period in 2020, an increase of \$6.4 million year-over-year. Other than one-time charges taken in Q2 2020, better portfolio performance and strong collections are responsible for the improvement in net income.

On a constant currency basis, net income would have been \$1.8 million higher for the quarter (or \$0.11 per share).

The U.S. Equipment Finance segment (Pawnee Leasing and Tandem Finance) reported interest revenue on leases and loans of \$21.6 million and ancillary and other income of \$2.0 million, a total decrease of \$2.5 million year on year. The decrease is a result of an increasing weighting of prime receivables and a decrease in the foreign exchange rate.

The Canadian Equipment Finance segment reported interest revenue on leases and loans of \$5.4 million and ancillary and other income of \$1.4 million, a total increase of \$3.0 million year on year. The increase is a result of a larger portfolio of receivables in our Canadian operations due to the merger of Blue Chip and VCC.

Overall operating costs were up \$3.9 million year over year to \$13.5 million. Operating expenses were up primarily due to the merger and supporting growth in the U.S. segment, resulting in an increase in average full-time employees for the period.

Free cash flow for the period was \$8.1 million, up \$4.3 million from Q2 2020. The increase in free cash flow is mainly the result of net recoveries in the period, compared to net charge-offs in Q2 2020. There were also no restructuring costs, compared to \$5.8 million in the second quarter of 2020 related to COVID. In addition to these items, on a constant currency basis, free cash flow would have been \$1.4 million higher for the quarter.

Outlook

The origination pipeline remains strong as we move into Q3 for both our U.S. and Canadian business units.

We see additional opportunities to enhance our balance sheet and improve our cost of funds in the second half of the year. Interest rates remain low, providing us an opportunity to further reduce funding costs.

We continue to look for organic and inorganic opportunities for expansion in the Canadian and U.S. market.

Financial Highlights

(in CDN \$000's, except EPS)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Revenue	\$30,524	\$30,011	\$56,833	\$63,324
Interest expense	(7,739)	(7,374)	(13,634)	(15,437)
Net charge-offs	989	(10,558)	(3,910)	(19,446)
	23,774	12,079	39,289	28,441
Expenses:				
Personnel	(7,240)	(4,449)	(12,939)	(9,829)
Other expenses	(5,454)	(4,360)	(10,259)	(9,262)
Depreciation	(261)	(323)	(499)	(623)
Adjusted Operating Income⁽¹⁾	\$10,819	\$2,947	\$15,592	\$8,727
Decrease/(Increase) in allowance for credit losses	152	5,170	4,591	(10,145)
Amortization – intangible assets	(361)	(333)	(694)	(666)
Operating income (loss)	10,610	7,784	19,489	(2,084)
Restructuring costs	-	(5,776)	-	(5,776)
Goodwill and intangible assets impairment	-	-	-	(11,868)
Mark-to-market adj. on swaps/caps	132	133	258	(465)
Other non-cash items	294	19	268	(174)
Income (loss) before taxes	\$11,036	\$2,160	\$20,015	(20,367)
Net income (loss)	\$7,812	\$1,407	\$14,125	(18,420)
Earnings Per Share - basic	\$0.43	\$0.08	\$0.79	(\$1.04)
Free Cash Flow	\$8,143	\$3,833	\$11,899	\$8,076
Free cash flow per share - basic	\$0.49	\$0.22	\$0.73	\$0.46

(1) - See "Non-GAAP Measures" below.

Non-GAAP Measures

Adjusted Operating Income and Free Cash Flow are not recognized measures under International Financial Reporting Standards and do not have a standard meaning. Accordingly, these measures may not be comparable to similar measures presented by other issuers. Please refer to the Company's Management Discussion and Analysis in Chesswood's 2021 Second Quarter Report for additional information concerning these measures and a reconciliation of these measures to the Company's consolidated income before taxes.

About Chesswood Group Limited

Through two wholly-owned subsidiaries in the United States and two subsidiaries in Canada, Chesswood Group Limited is North America's only publicly traded commercial equipment finance company focused on small and medium-sized businesses. Colorado-based Pawnee Leasing Corporation, founded in 1982, finances a highly diversified portfolio of commercial equipment leases and loans through relationships with over 600 independent brokers in the United States. Tandem Finance Inc. provides financing in the U.S. through the equipment vendor channel. In Canada, Blue Chip Leasing Corporation has been originating and servicing commercial equipment leases and loans since 1996, and today operates through a nationwide network of more than 50 independent brokers. Vault Credit Corporation specializes in equipment leases and commercial loans across Canada, allowing for customizable financing solutions while catering to a wide spectrum of credit tiers, equipment types and sectors by offering industry-leading service levels, experienced underwriters and account administrators.

Based in Toronto, Canada, Chesswood Group Limited's shares trade on the TSX under the symbol CHW.

To learn more about Chesswood Group Limited, visit www.ChesswoodGroup.com.

The websites of Chesswood Group Limited's operating businesses are:

www.PawneeLeasing.com	www.BlueChipLeasing.com
www.TandemFinance.com	www.VaultCredit.com

Contact

Investor Relations: Phone: 416-386-3099 Email: investorrelations@chesswoodgroup.com

Media Inquiries: Ryan Marr, Chief Executive Officer, 416-386-3099, rmarr@chesswoodgroup.com

This press release contains forward-looking statements that involve a number of risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Many factors could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements (including the ultimate duration and severity of the COVID-19 pandemic and the successful integration of Blue Chip Leasing and Vault Credit Corporation). By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. Additional information about the risks and uncertainties of the Company's businesses and material factors or assumptions on which information contained in forward-looking statements is based is provided in its publicly filed documents, including the Company's annual information form and management's discussion and analysis of the financial condition and performance, which are available electronically through the System for Electronic Document Analysis and Retrieval at www.sedar.com.

NO STOCK EXCHANGE, SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THE INFORMATION CONTAINED HEREIN.