



## goeasy Ltd. Provides Response to COVID-19 and Shareholder Update

March 23, 2020

MISSISSAUGA, Ontario, March 23, 2020 (GLOBE NEWSWIRE) -- *goeasy Ltd.* (TSX: GSY), ("goeasy" or the "Company"), a leading full-service provider of goods and alternative financial services, has today shared its response plan to the COVID-19 (coronavirus) outbreak and provided an update to shareholders in response to the most frequently asked questions received in recent weeks, along with an update on its Normal Course Issuer Bid (the "NCIB") and recent insider share purchases.

### Response to COVID-19

As the Company continues to monitor and assess the global impact of COVID-19, it has activated a series of proactive and precautionary measures to protect the health and safety of its employees, customers and communities. These measures, which will continue to adapt and evolve, currently include:

- Moving all corporate office personnel to a fully remote work model
- Intensified cleaning and hygiene practices across all facilities
- Suspending all gatherings, events and air travel
- Implementing social distancing protocols across the organization
- Self-isolating any employee that has returned to Canada from travel abroad, become ill or has been in contact with someone demonstrating symptoms
- Screening all customers prior to any branch visit, store visit or delivery

All stores and branches remain open at this time and call center staff are operating remotely or have been distributed across one of the Company's office facilities. Furthermore, if the Company's consumer lending business, *easyfinancial*, were required to close its branches to the public, it is prepared and able to operate fully remote, by leveraging digital lending technology to continue accepting and originating loans. In addition, the Company collects more than 96% of its loan repayments through electronic payment mechanisms. In the event branches are closed, the Company can continue to run its entire lending operation with limited disruption.

### Balance Sheet and Liquidity

During 2019, the Company made several enhancements to its balance sheet, including amendments to its revolving credit facility and refinancing of its unsecured notes payable. The amendments to the revolving credit facility increased the maximum principal amount available to be borrowed to C\$310.0 million and extended the maturity date to February 2022. The Company also issued US\$550.0 million (approximately C\$714 million) of 5.375% senior unsecured notes payable which mature in December 2024.

Based on the cash on hand at the end of the fourth quarter of 2019 and the borrowing capacity under the Company's revolving credit facility, goeasy had approximately \$240 million in funding capacity, which is sufficient to fund the planned growth of its consumer loan portfolio through to the third quarter of 2021. If, after exhausting its existing sources of capital in 2021, the Company were unable to obtain more corporate debt due, the Company expects that it could fund annualized loan growth of approximately \$150 million from its own internal cash flows.

### Historical Performance of Non-Prime Consumers During a Recession

Although it may seem counter-intuitive, non-prime consumers are in fact generally more resilient in their repayment of credit during times of economic stress and higher unemployment, when compared to prime borrowers. The Company has identified several sources of information and data to support this assertion. Each of these sources suggests that during times of economic stress, the non-prime consumer is generally impacted to a lesser degree than a prime consumer.

- **Market Research:** The Company has reviewed research conducted by TransUnion that examined the performance of personal loans during times of economic stress in geographic markets where the rate of unemployment more than doubled in a short period of time: the dot com recession in 2001 in Silicon Valley and the collapse of the auto sector in 2009 in Detroit. The research found that the delinquency rate of loans issued to sub-prime borrowers remained broadly flat, or saw small increases, as compared to larger double digit increases experienced by prime borrowers in those markets.
- **Experience in Alberta:** The Company reviewed the performance of its own loan portfolio in Alberta during 2015, when the sharp decline in oil prices led to a doubling of the unemployment rate, to approximately 9%, in that province. This analysis showed that the historical in-period loss rate of the Company's portfolio in Alberta increased by approximately 250 basis points from approximately 14% in 2014 to approximately 16.5% in 2015. In the last several economic recessions in Canada, the unemployment rate at the national level typically rose by approximately 50% over the rate prior to the recession.

### goeasy During an Economic Downturn

While the degree of severity and length of an economic downturn is difficult to predict, the Company believes that it is well positioned to navigate through such an event based on several factors:

- **Credit and Underwriting Flexibility:** The Company employs the use of proprietary custom scoring models that can be adjusted to increase, or decrease, its tolerance for credit risk very quickly. In addition, all direct-to-consumer loans are reviewed by a central loan approval team, which conduct a series of extra evaluation measures such as verification of income. The Company has already implemented adjustments to its underwriting process and risk tolerance in response to changing market conditions.
- **Majority of easyfinancial Customers have Loan Protection Insurance:** Non-prime borrowers understand that in the event of unemployment, it would impact their ability to rebuild credit. As a result, the majority of easyfinancial customers purchase Loan Protection Insurance at the time of loan origination. This insurance, which is offered by Assurant Inc., a global provider of risk-management solutions, protects the consumer's loan in the event of death or disability, and covers their loan payments for a period of 6 consecutive months in the event of unemployment. If at the end of 6 months the consumer remains unemployed, the insurer pays a one-time lump sum payment of \$2,000 to reduce the remaining loan balance. Claims under the program are funded through premiums collected from borrowers and can reduce the amount of commission earned by easyfinancial, however a fixed portion of the premiums collected are guaranteed, while the insurer carries the additional underwriting risk.
- **Majority of Payments Collected Electronically:** At the time of loan origination, all new customers are required to set up their loan payment to be debited directly from their bank account on the day they receive their income. As a result, 93% of easyfinancial's active loan portfolio is set up on pre-authorized debit and the majority of remaining payments are collected through electronic means.
- **Ability to Generate Strong Cash Flow:** The average term of loans in easyfinancial's portfolio is 40 months. As a result, if the Company were to reduce the volume of new loan originations, it would generate increased cash flows that could be used to reduce debt or service expenses. For example, in 2019 the cash flow provided by operating activities before the net issuance of consumer loans receivable and purchase of lease assets was \$296 million.
- **Solutions to Support Borrowers:** As a non-prime lender, easyfinancial has a suite of loan amendment solutions that it can offer borrowers to support them through a difficult financial period. These include temporarily deferring loan payments or extending the term of their loan to reduce their regular payment obligation. These loan modifications have proven effective in helping a customer manage through a temporary period of income reduction.
- **Lower Level of Homeownership and Debt:** Approximately 20% of all easyfinancial customers own their home, as compared to the Canadian homeownership rate of approximately 70%. As a result, the debt to income ratio of a typical easyfinancial customer is much lower than that of the average Canadian consumer, primarily due to the absence of mortgage debt. The typical Canadian carries an average of 175% debt to disposable net income, relative to the average easyfinancial customer at 115%. In addition to the lower debt level, a renter can more easily relocate their primary place of residence to reduce housing expenses during periods of income reduction and most provinces have strict rules that prohibit rental rates from rising at unaffordable levels.
- **Strength of the Business Model:** goeasy's business model is able to withstand a material increase in credit losses. In 2019, goeasy had a net charge-off rate of 13.3% relative to an annualized revenue yield of 50.1%. Due to the risk-adjusted margin, the Company estimates that all else being equal, its net charge-off rate would have to rise by approximately 85% before the business would become unprofitable.
- **Degree of Federal and Provincial Support Available to Consumers:** On March 17<sup>th</sup>, the Canadian Government announced a \$82 billion aid package to help Canadians and businesses cope with the global COVID-19 pandemic, including income supports, wage subsidies and tax deferrals. As the income of an easyfinancial customer is consistent with the national average, this financial support, in addition to the standard unemployment insurance protection afforded to all Canadians, will help soften the impact associated with an increase in unemployment.

#### Normal Course Issuer Bid

Pursuant to the Normal Course Issuer Bid ("NCIB") announced on December 18, 2019, since February 26<sup>th</sup>, 2020 goeasy has repurchased a total of 179,200 common shares at an average price per common share of \$51.74 for a total value of \$9,273,000. The Company has the option to continue to purchase up to an aggregate of 1,038,269 common shares by way of its NCIB, which together with the common shares already repurchased, represents approximately 10% of goeasy's public float as of December 9, 2019.

#### Insider Share Purchases

In accordance with reporting requirements under the *Securities Act (Ontario)*, the Company has also disclosed recent insider share purchases. Between the period of February 21<sup>st</sup> and March 17<sup>th</sup>, 2020, members of the senior management team and Board of Directors, collectively purchased common shares or exercised stock options for a total of 56,729 shares with a value of \$1,396,839. All insider trading activity can be found on the System for Electronic Disclosure by Insiders ("SEDI"). Management and insiders have now entered a black-out period for trading effective March 17<sup>th</sup>, 2020.

Further information and supporting material related to these topics and others can be found in the Company's Q4 investor presentation at: <http://investors.goeasy.com>

#### **About goeasy**

goeasy Ltd., a Canadian company, headquartered in Mississauga, Ontario, provides non-prime leasing and lending services through its easyhome and easyfinancial divisions. With a wide variety of financial products and services including unsecured and secured instalment loans, goeasy aspires to help put Canadians on a path to a better financial future, as they rebuild their credit and graduate to prime lending. Customers can transact seamlessly with easyhome and easyfinancial through an omni-channel model that includes online and mobile, as well as over 400 leasing and lending locations across Canada supported by more than 2,000 employees.

Throughout the company's history, it has served over 1 million Canadians and originated over \$3.9 billion in loans, with one in three customers graduating to prime credit and 60% increasing their credit score within 12 months of borrowing.

goeasy is the proud recipient of several awards including Waterstone Canada's Most Admired Corporate Cultures, Glassdoor Top CEO Award, Achievers Top 50 Most Engaged Workplaces in North America, Greater Toronto Top Employers Award, the Digital Finance Institute's Canada's Top 50 FinTech Companies, ranking on the TSX30 and placing on the Report on Business ranking of Canada's Top Growing Companies. The company and its employees believe strongly in giving back to the communities in which it operates and has raised over \$2.9 million to support its long-standing partnerships with the Boys & Girls Clubs of Canada and Habitat for Humanity.

goeasy Ltd.'s common shares are listed on the TSX under the trading symbol "GSY" and goeasy's convertible debentures are traded on the TSX under the trading symbol "GSY-DB". goeasy is rated BB- with a stable trend from S&P and Ba3 with a stable trend from Moody's. Visit [www.goeasy.com](http://www.goeasy.com).

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