goeasy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Year Ended December 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Date: February 12, 2020

The following Management's Discussion and Analysis ("MD&A") presents an analysis of the consolidated financial condition of goeasy Ltd. and its subsidiaries (collectively referred to as "goeasy" or the "Company") as at December 31, 2019 compared to December 31, 2018, and the consolidated results of operations for the three-month period and year ended December 31, 2019 compared with the corresponding periods of 2018. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2019. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise noted. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated.

This MD&A is the responsibility of management. The Board of Directors has approved this MD&A after receiving the recommendations of the Company's Audit Committee, which is comprised exclusively of independent directors, and the Company's Disclosure Committee.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Information Form. These filings are available on SEDAR at *www.sedar.com* and on the Company's website at *www.goeasy.com*.

Caution Regarding Forward-Looking Statements

This MD&A includes forward-looking statements about goeasy, including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to the estimated number of new locations to be opened, forecasts for growth of the consumer loans receivable portfolio, annual revenue growth forecasts, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements and the Company's ability to secure sufficient capital, liquidity of goeasy, plans and references to future operations and results, critical accounting estimates, expected lower charge-off rates on loans with real estate collateral and the benefits resulting from such lower rates, the size and characteristics of the Canadian non-prime lending market, the continued development of the type and size of competitors in the market. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as "expect", "continue", "anticipate", "intend", "aim", "plan", "believe", "budget", "estimate", "forecast", "foresee", "target" or negative versions thereof and similar expressions, and/or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about goeasy's operations, economic factors and the industry generally. There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by goeasy. Some important factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, goeasy's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favorable terms, secure new franchised locations, offer products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favorable terms, compete, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance the system of internal controls.

goeasy cautions that the foregoing list is not exhaustive. These and other factors could cause actual results to differ materially from our expectations expressed in the forward-looking statements, and further details and descriptions of these and other factors are disclosed in this MD&A, including under the section entitled "Risk Factors".

The reader is cautioned to consider these, and other factors carefully and not to place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

Overview of the Business

goeasy Ltd. is a Canadian company headquartered in Mississauga, Ontario, that 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 omnichannel model that includes online and mobile, as well as over 400 leasing and lending locations across Canada supported by over 2,000 employees from coast-to-coast. 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 from the Company.

With nearly 30 years of leasing and lending experience, goeasy has developed a deep understanding of the non-prime Canadian consumer. Of the 29.2 million Canadians with an active credit file, 9.4 million have credit scores less than 720 and are deemed to be non-prime. Collectively, these Canadians carry $231 billion in credit balances and represent the Company's target market. These consumers, many of which are unable to access credit from banks and traditional financial institutions do not want to turn to payday lenders which uniquely positions goeasy to deliver against its vision of providing everyday Canadians a path to a better tomorrow, today.

goeasy funds its business through a combination of equity and debt instruments. goeasy's common shares are listed for trading on the TSX under the trading symbol "GSY", and goeasy's convertible debentures are traded on the TSX under the trading symbol "GSY-DB". The Company has been able to consistently secure additional capital at increasingly lower rates in order to continue fueling the growth of its business and has sufficient capital and borrowing capacity to meet its growth plans through the second quarter of 2021. goeasy is rated BB- with a stable trend from S&P, and Ba3 with a stable trend from Moody's.

goeasy is also the proud recipient of several awards in recognition of its exceptional culture and continued business growth including Waterstone Canada's Most Admired Corporate Cultures, Glassdoor Top CEO Award, Achievers Top 50 Most Engaged Workplaces in North America, the Digital Finance Institute's Canada's Top 50 FinTech Companies, ranking on the TSX30, placing on the Report on Business ranking of Canada's Top Growing Companies and being included on the 2020 Greater Toronto Area (GTA) Top Employer list.

Overview of easyfinancial

In 2006, easyfinancial, the Company's non-prime consumer lending division began operating with the goal of bridging the gap between traditional financial institutions and costly payday lenders. Since then, easyfinancial has significantly expanded and evolved to support the Company's vision of providing everyday Canadians a path to a better tomorrow, today, as they improve their credit and graduate back to prime borrowing.

Historically, consumer demand for non-prime loans in Canada was satisfied by the consumer-lending arms of several large, international financial institutions. Since 2009, many of the largest branch-based participants in this market (including Wells Fargo, HSBC Finance and CitiFinancial) have either closed their operations or dramatically reduced their size over the past years due to changes in banking regulations related to risk adjusted capital requirements. Today, traditional financial institutions are generally unwilling or unable to offer credit solutions to consumers that are deemed to be a higher credit risk due to the consumer's financial situation or less-than-perfect credit history. For this reason, demand in this market is met by a variety of industry participants who offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product rather than providing consumers with a broad integrated suite of financial products and services. As a result, easyfinancial is one of a small number of coast-to-coast non-prime lenders with a history of success.

The business model of easyfinancial is based on lending out capital in the form of unsecured and secured consumer loans to non-prime borrowers who are generally unable to access credit from traditional sources such as major banks. The company originates loans up to $35,000 with rates between 19.9% - 46.9% which are fixed payment and fully amortizing installment products. In addition, the company offers a starter loan product for those customers that do not qualify for a traditional instalment loan called creditplus which is a secured savings loan designed to help customers build a positive credit history. easyfinancial also offers a number of optional ancillary products including a customer protection program that provides creditor insurance, a home and auto benefits product which provides roadside assistance and a credit monitoring and optimization tool that helps customers understand the steps to take to rebuild their credit and improve their financial outcomes.

The Company charges its customers interest on the money it lends and also receives a commission for the optional ancillary products it offers through third party providers. The interest, additional commissions and various fees, collectively produce the total portfolio yield the Company generates on its loan book. The Company's total portfolio yield relative to its cost of capital and loan losses is a key driver of profitability.

As a lender, the Company expects to incur credit losses related to those customers who are unable to repay their loans. Given the higher risk nature of the non-prime borrower, the credit losses are reflective of the higher rate of interest it charges. In 2019, the Company experienced an annualized net charge-off rate of 13.3%, measured on the average outstanding loan balance at the end of each month. The Company's proprietary credit models allow it to set the level of risk it is willing to accept in order to optimize customer lifetime value and maximize shareholder returns over the long-term. The Company could take less credit risk and reduce its loan losses, but it would come at the expense of profitable volume. Likewise, the Company could accept more risk to drive greater growth and profitability, but it would come with higher losses and have downstream impacts on the cost and ability to access capital. Ultimately, the Company's objective is to optimize profitability and operating margins by striking the right balance between origination velocity (the applicants it approves) and the loss rate of the portfolio.

The Company offers its products and services through an omnichannel business model, including a retail branch network, digital platform and indirect lending partnerships. The Company had 256 easyfinancial locations (including 20 kiosks within easyhome stores) in 10 Canadian provinces as of December 31, 2019. In addition to its retail branch network, customers can also transact online which remains a critical source of new customer acquisition and accounts for 50% of the Company's application volume. The Company also originates loans through its point-of-sale channel that includes hundreds of retail and merchant partnerships. Through its partnership with PayBright, one of Canada's leading provider of instant point-of-sale financing, the Company is able to offer its non-prime installment loan product through the PayBright platform at the point-of-sale.

Although the Company leverages multiple acquisition channels to attract new customers, approximately 92% of loans are managed at local branches. Through its many years of experience in non-prime lending, the Company believes that an omnichannel model optimizes loan performance and profitability, while providing a high-touch and personalized customer experience. The customer loyalty developed through these direct personal relationships extends the length of the customer relationship and improves the repayment of loans which ultimately leads to lower charge-offs and higher lifetime value.

In addition to its unique omnichannel model, the Company also differentiates itself through its customer experience and specifically the journey of providing customers a path to improve their credit and graduate back to prime borrowing. This is done through the Company's broad product range which provides customers with progressively lower interest rates, access to credit rebuilding products such as its creditplus starter loan, free financial education and tools and services that help them better understand and manage their credit scores. Whether a customer is looking to establish, repair, build or strengthen their credit profile by borrowing funds or using the equity in their home to secure a larger loan at a lower rate, easyfinancial can provide a lending solution that best serves their individual needs.

Through its many years of experience and a disciplined approach to growth and managing risk, easyfinancial has demonstrated a history of stable and consistent credit performance. Over the past 14 years, the company has served over 450,000 customers and originated over $3.9 billion in loans. Since implementing centralized credit adjudication in 2011, the Company has successfully managed annualized net charge-off rates within its stated targeted range (2019 target was 11.5% to 13.5%). Lending decisions are made using proprietary custom scoring models, which combine machine learning and advanced analytical tools to optimize the balance between loan volume and credit losses. These models have been developed and refined over time by leveraging the accumulation of extensive customer application, demographic, borrowing, repayment and consumer banking data that determines a customer's creditworthiness, lending limit and interest rate. These models improve the accuracy of predicting default risk for the non-prime customer when compared to a traditional credit score. Credit risk is further enhanced by industry-leading underwriting practices that include pre-qualification, credit adjudication, affordability calculations, centralized loan verification, and repayment by the customer via electronic pre-authorized debit directly from the customer's bank account on the day they receive their regularly schedule income. The Company also requires supporting documentation for all of its successful applicants who take out a loan. Through the Company's proprietary custom scoring models, coupled with the personal relationships its employees develop with customers at its branch locations, the Company believes it has found an optimal balance between growth and prudent risk management and underwriting.

Overview of easyhome

easyhome, is Canada's largest lease-to-own company and has been in operation since 1990 offering customers brand name household furniture, appliances and electronics through flexible lease agreements. In 2019, easyhome accounted for 23% of consolidated revenue (2018 – 27%) and leasing revenue accounted for 88% of easyhome revenue (2018 – 94%).

Through its 163 locations which includes 35 franchise stores or through its eCommerce platform, Canadians turn to easyhome as an alternative to purchasing or financing their goods. With no down payment or credit check required, easyhome offers a flexible solution that helps consumers get access to the goods they need, with the flexibility to terminate their lease at any time without penalty.

In 2017, easyhome began offering unsecured lending products in almost 100 easyhome locations. This expansion allowed the Company to further increase its distribution footprint for its financial services products by leveraging its existing real estate and employee base. This transition has enabled easyhome stores to diversify its product offering and meet the broader financial needs of its customers.

In 2019, easyhome began reporting customer's lease payments to the credit reporting agencies as a way to further enhance its vision of providing its customers with a path to a better tomorrow. With every on-time lease payment, easyhome customers can now build their credit and ultimately use the easyhome transaction as a stair step into other financial products and services that easyfinancial offers.

Corporate Strategy

As the Company pursues its ambitious growth targets and plans of becoming a multi-billion dollar company, it has built its strategy on 4 key strategic pillars. These strategic imperatives have remained consistent and the Company will continue to focus on moving them forward in the years to come as it furthers its vision of helping the non-prime customer on their journey to a better tomorrow.

The Company's four strategic imperatives include focusing on developing new and creative products, expanding its channels of distribution, geographic diversification and lastly, a focus on continuously improving the customer experience by leveraging new and advanced technologies and prioritizing a frictionless journey of financial improvement for everyday Canadians.

Product Range

The Company's objective is to build a full suite of non-prime consumer credit products which today includes unsecured and secured lending products with progressively lower interest rates, products for those looking to build their credit such as creditplus, and a broad suite of value-add ancillary services. Through its robust product range, the Company looks to provide its customers with a path to improving their credit and graduating back to prime borrowing. In the future, the Company will continue to expand and grow the products it offers with the goal of providing non-prime consumers with the same type of choices and options available to prime consumers at their local bank. These products will be designed to fit the needs of the Company's customers, while helping them improve their credit and get out of the cycle of debt. As the Company brings new products to market, it will look to explore existing conventional products as well as develop innovative products and new forms of credit that meet the needs of its customers and can provide meaningful improvements to their financial health.

Channel Expansion

Today, the Company operates 3 distinct channels; retail, which represents 28% of application volume and 65% of originations, online which represents 50% of application volume and 28% of originations and indirect which represents 23% of applications and 7% of originations. 92% of all loan originations are funded/serviced in a branch location with the remainder serviced in the Company's national shared services centre. As the Company looks towards the future, expanding its channels of distribution is a key strategic imperative as it consistently looks for new ways to get in front of consumers that are in need of credit. The Company believes that broadening its distribution is key in driving brand awareness and acquisition from customers that may have been otherwise taken out of the market for credit by competing lenders. The Company will continue to pursue new opportunities that include broadening its retail network, developing a more dynamic and personalized digital experience, seeking new lending partnerships and investing in point of-sale financing. The point-of-sale market which includes over $30 billion in consumer receivables is an extremely attractive opportunity as consumers gravitate to spreading payments over time through a buy now, pay later model. This opportunity and the lack of supply for second look financing in Canada was key in prompting the Company's 2019 partnership with PayBright, Canada's leading provider of instant point-of-sale financing to create a full credit spectrum product that now offers some of the highest approval rates in the industry.

Geographic Expansion

Canada continues to provide a substantial runway for growth for many years to come for goeasy with over 9.4 million non-prime Canadians that face limited options for credit. The market is vast and often underserved, providing adequate room for expansion. While the Company finished 2019 with 256 easyfinancial locations, it estimates that its retail footprint for easyfinancial will expand to support between 300 and 325 locations across Canada in the coming years. The Company will continue to add incremental locations in select markets as it works towards this target. In particular, the retail branch expansion will be focused on the expansion into Quebec which represents a large market opportunity and completing the footprint in key urban markets such as Toronto and Vancouver. The Company also believes that there is significant future opportunity to consider international markets where the easyfinancial business model can be replicated with success.

Customer Experience

The Company competes on a unique point of differentiation which is its customer experience and more specifically, the journey of providing customers a path to improve their credit and graduate back to prime borrowing. The Company is proud to have helped 60% of its customers improve their credit score while 1 in 3 customers have graduated to prime lending. The Company has always set itself apart from the competition by seeing beyond the initial transaction with the customer and instead, focusing on building long-term relationships that are based on trust and respect for every customer's unique situation. The Company's over 2,000 employees are focused on giving these customers a second chance as they provide them with the financial relief they need today, and help them see a path forward towards a better financial future.

As the Company continues to evolve, ensuring its suite of products and services are designed to meet its customer's needs across the entire credit spectrum is critically important. Whether a customer is establishing credit as a new Canadian, or repairing damaged credit as a result of a life event, goeasy's laddered suite of products ensures that every customer that walks through its doors has access to a better financial future through product graduation. In the future, the Company will seek to establish a direct relationship with a prime lender in order to proactively round out the customer's journey by moving them directly into a lower cost lending product – the end goal for many of our customers.

Outlook

The discussion in this section is qualified in its entirety by the cautionary language regarding forward-looking statements found in the "Caution Regarding Forward-Looking Statements" of this MD&A.

Update on 2019 Targets

The Company's 2019, 2020 and 2021 targets, assumptions and risk factors were disclosed in its December 31, 2018 MD&A. The Company updated these targets in its June 30, 2019 MD&A. The Company's actual performance against its targets for fiscal 2019 is as follows:

	Actual results for 2019	Updated targets for 2019	Outcome
Gross consumer loans receivable portfolio at year end	**$1.1 Billion**	$1.1 - $1.2 billion	Target achieved
easyfinancial total revenue yield	**50.1%**	49% - 51%	Target achieved
New easyfinancial locations opened during the year	**15**	10 – 20	Target achieved
Net charge-offs as a percentage of average gross consumer loans receivable	**13.3%**	11.5% - 13.5%	Target achieved
easyfinancial operating margin[1]	**40.2%**	40% - 42%	Target achieved
Total revenue growth	**20.4%**	20% - 22%	Target achieved
Return on equity (actual/adjusted)[2]	**20.2% / 25.3%**	24% +	Target achieved

[1] easyfinancial operating margin target for 2019 was updated as outlined in the Company's MD&A for the quarter ended June 30, 2019 (along with an explanation for the change).

[2] During the fourth quarter of 2019, the Company repaid its US$475 million aggregate principal amount of 7.875% senior unsecured notes that would have matured on November 1, 2022 ("2022 Notes") incurring a $16.0 million after-tax impact of refinancing cost related to extinguishing the Company's 2022 Notes. Adjusted return on equity for 2019 was 25.3% as outlined in the Key Performance Indicators and Non-IFRS Measures section in this MD&A. The Company's refinancing cost included an early repayment penalty on the 2022 Notes, recognition of the remaining unamortized net deferred financing costs that includes customary financing, and legal & administrative fees, derivative settlement associated with the 2022 Notes and the net change in cash flow hedge that was reclassified from other comprehensive income to consolidated statement of income ("Refinancing Costs").

Three Year Forecasts

The following table outlines the Company's forecasts for 2020, 2021 and 2022. The Company has introduced guidance for 2022 and updated its 2020 and 2021 forecasts.

These forecasts are inherently subject to material assumptions used to develop such forward-looking statements and risks factors as identified below.

The Company continues to pursue a long-term strategy of expanding its product range and increasing the use of risk-based pricing offers, which increase the average loan size and extend the life of its customer relationships. As such, the total yield earned on its consumer loan portfolio will gradually decline, while net charge-off rates moderate and operating margins expand.

	Forecasts for 2020	Forecasts for 2021	Forecasts for 2022
Gross consumer loans receivable portfolio at year end	**\$1.3 - \$1.4 billion**	**\$1.5 - \$1.7 billion**	**\$1.8 - \$2.0 billion**
easyfinancial total revenue yield	**46.5% - 48.5%**	**43.0% - 45.0%**	**42.0% - 44.0%**
New easyfinancial locations to be opened during the year	**20 – 25**	**20 – 25**	**15 – 20**
Net charge-offs as a percentage of average gross consumer loans receivable	**11.5% - 13.5%**	**11.0% - 13.0%**	**11.0% - 13.0%**
easyfinancial operating margin	**42% - 44%**	**43% - 45%**	**43% - 45%**
Total revenue growth	**14% - 16%**	**12% - 14%**	**10% - 12%**
Return on equity	**26% +**	**25% +**	**23% +**
Net debt to net capitalization	**66% - 68%**	**64% - 66%**	**62% - 64%**

Key Assumptions

In formulating the guidance provided above, the Company makes a series of assumptions, which include, but are not limited to:

goeasy Locations

- The new store opening plan occurs as per the Company's stated targets.
- Virtually all new locations will be stand-alone branches.
- Continued investment in new branches, new growth opportunities and increased marketing will continue to drive customer originations.
- Stable financial performance from the Company's easyhome business.

Portfolio Growth

- The Company successfully completes the growth initiatives outlined in its strategic plan including the increased penetration of its risk adjusted and secured lending products.
- The growth of the loan book occurs as indicated.
- Continued accelerated growth of the consumer loans receivable portfolio, driven by new delivery channels, building the Quebec branch network and other additional branch openings, and the continued strong growth of the Company's existing lending products.
- Stable revenue generated by the Company's easyhome business.

Liquidity & Funding

- The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost.

Revenue Yield

- easyfinancial total revenue yield includes the impact of the sale of ancillary products.
- The Company expects the yield to moderate over this three-year period due to the increased penetration of its risk adjusted and secured lending products, and the increased growth of the loan book in Quebec (Quebec loans are at a lower rate of interest).
- The effective yield earned on the sale of ancillary products reduces as the average loan size increases.
- Yield and loss rates of risk adjusted, and secured lending products are as estimated in the Company's budget and strategic plan.
- Revenue growth moderated by a higher proportion of lower yield loans.

Credit Performance

- Net charge-off rates for the existing products remain at current levels while net charge-off rates for the risk adjusted and secured lending products are lower.
- The mixture of customers acquired through each of the Company's channels of acquisition, and the mixture of new and existing borrowers.

<u>**Key Risk Factors**</u>

These forecasts above are inherently subject to risks as identified in the following, as well as those risks, which are referred to in the section entitled "Risk Factors" as described in this MD&A.

Market Conditions

- Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins.

Real Estate

- The Company's ability to secure new real estate and experienced personnel.

Portfolio Growth

- The Company's is not able to complete its growth initiatives, or the impact of such initiatives is reduced.
- The loan book fails to grow in line with expectations and as indicated.
- The Company's ability to achieve operating efficiencies as the business grows.

Access to Capital & Funding

- Continued access to reasonably priced capital.

Regulatory Environment

- Changes to regulations governing the products offered by the Company.

Credit Performance

- Net charge-off rates for existing products increase or the net charge-off rates for the risk adjusted or secured lending products are higher than expected.
- Increased levels of unemployment or economic instability.
- The Company is able to manage charge-off rates within its desired parameters.

Analysis of Results for the Year Ended December 31, 2019

Financial Highlights and Accomplishments

- During 2019 the Company continued strengthening its balance sheet by raising additional funds, at progressively lower rates, and extending facility maturity dates. These actions serve to not only diversify and strengthen the Company's balance sheet and liquidity position but also facilitate its long-term growth plan and contemplated strategic business initiatives.

    - During 2019, the Company entered into amendments to its revolving credit facility. The amendments increased the maximum principal amount available to be borrowed from $174.5 million in 2018 to $310 million and extended the maturity date from November 1, 2020, to February 12, 2022. As part of these amendments the cost of borrowing under the revolving credit facility was also reduced. Previously, interest on advances was payable at either the Canadian Bankers' Acceptance rate ("BA") plus 450 bps or the lender's prime rate ("Prime") plus 350 bps, at the option of the Company. Subsequent to these amendments, interest on advances is payable at either the BA plus 300 bps or Prime plus 200 bps, at the option of the Company.

    - On November 27, 2019, the Company issued US$550 million of 5.375% senior unsecured notes payable ("2024 Notes") with interest payable semi-annually on June 1 and December 1 of each year and commencing on June 1, 2020. The 2024 Notes mature on December 1, 2024. Concurrent with the issuance of the 2024 Notes, the Company entered into derivative financial instruments (the "cross-currency swaps") as cash flow hedges to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the 2024 Notes at a fixed exchange rate of US$1.000 = CAD$1.3242, thereby fully hedging the foreign currency risk associated with the US$550 million 2024 Notes at a Canadian dollar interest rate of 5.65%. The cross-currency swaps fully hedge the obligation under the 2024 Notes to $728.3 million.

    - At the end of the year, the Company had total unrestricted cash on hand and borrowing capacity under its revolving credit facility of $240 million and the ability to exercise the accordion feature under this facility to add an additional $75 million in borrowing capacity. Ultimately, the current cash on hand and current borrowing limits, excluding future enhancements or diversification of funding sources, provide adequate growth capital for the Company to execute its growth plan and meet its stated targets through the second quarter of 2021.

- In September 2019, the Company entered into a strategic partnership and purchased a minority equity interest in PayBright for an aggregate price of $34.3 million. PayBright is a non-listed Canadian lending company and payments platform focused on providing consumers with pay-later solutions at their favourite retailers, both online and in-store.

- 2019 was the eighteenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue and adjusted net income have seen a compounded annual growth rate of 13.1% and 30.1%, respectively. The Company again delivered record levels of revenue, net income, earnings per share and adjusted return on equity in 2019.

- In consideration of the improved earnings achieved in 2019 compared to the prior year and the Company's confidence of its continued growth and access to capital going forward, the Board of Directors approved a 45% increase to the annual dividend from $1.24 per share to $1.80 per share in 2020.

- goeasy continued to reach record levels of revenue during 2019. Revenue increased to $609.4 million from the $506.2 million reported in 2018, an increase of $103.2 million or 20.4%. The increase in revenue was primarily driven by the growth of the Company's easyfinancial business.

- The gross consumer loans receivable portfolio increased from $833.8 million as at December 31, 2018, to $1.1 billion as at December 31, 2019, an increase of $276.9 million or 33.2%. Gross loan originations in the current year were $1.1 billion, an increase of 18.7% compared to the prior year. The growth was fueled by: i) the continued significant net customer growth; ii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iii) maturation of the Company's retail branch network and expansion in Quebec; iv) lending in the Company's easyhome stores; and v) ongoing enhancements to the Company's digital properties and increased advertising spend.

- Net charge-offs in the year as a percentage of the average gross consumer loans receivable were at 13.3%, higher than 2018 at 12.7% but within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to higher new customer originations and loan book growth that was fueled by strong performance in the digital channel. While new customer growth is healthy for the long-term profitability of the business, new customers produce greater loan losses than lending to an existing customer. Furthermore, while borrowers acquired online tend to have weaker credit performance, such customers generate attractive operating margins. The Company has continued to implement and optimize a series of credit model enhancements to improve the long-term credit quality of the portfolio.

- easyfinancial's operating income was $189.1 million in 2019 compared with $141.9 million in 2018, an increase of $47.2 million or 33.3%. The benefits of the larger loan book and related revenue increases of $101.9 million were partially offset by: i) the higher provisions for future charge-offs driven by the strong loan book volume growth; ii) the $2.8 million increase in advertising spend; and iii) and incremental expenditures to enhance the product offering and expand the easyfinancial footprint. Operating margin was 40.2% in the year compared with 38.5% reported in 2018.

- The Company's mature easyhome business also experienced increased levels of operating income and operating margin due to the growth of consumer lending.

- Operating income for the year was $168.8 million, up $49.1 million or 41.0% when compared with 2018. The Company's operating margin for the year was 27.7%, compared to 23.7% in 2018. The growth in operating margin was driven by the larger proportion of earnings being generated by the higher margin easyfinancial business.

- Net income for 2019 was $64.3 million or $4.17 per share on a diluted basis. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes, adjusted net income for 2019 was $80.3 million or $5.17 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 51.2% and 45.2%, respectively.

- Return on equity was 20.2% as compared to 21.8% reported in 2018. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes incurred in the fourth quarter of 2019, the adjusted return on equity was 25.3% in 2019 as compared to 21.8% reported in 2018. The improvement was related primarily to adjusted net income growth and the higher level of financial leverage.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Year Ended December 31, 2019	Year Ended December 31, 2018	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**609,383**	506,191	103,192	20.4%
Operating expenses before depreciation and amortization	**376,226**	334,471	41,755	12.5%
EBITDA[1]	**195,755**	131,632	64,123	48.7%
EBITDA margin[1]	**32.1%**	26.0%	610 bps	23.5%
Depreciation and amortization expense	**64,364**	52,003	12,361	23.8%
Operating income	**168,793**	119,717	49,076	41.0%
Operating margin[1]	**27.7%**	23.7%	400 bps	16.9%
Interest expense and amortization of deferred financing charges and interest expense on lease liabilities	**57,558**	45,800	11,758	25.7%
Refinancing cost[2]	**21,723**	-	21,723	100.0%
Effective income tax rate	**28.1%**	28.1%	-	-
Net income	**64,349**	53,124	11,225	21.1%
Diluted earnings per share	**4.17**	3.56	0.61	17.1%
Return on equity	**20.2%**	21.8%	(160 bps)	(7.3%)
Adjusted (Normalized) Financial Results[2]				
Adjusted net income	**80,315**	53,124	27,191	51.2%
Adjusted diluted earnings per share	**5.17**	3.56	1.61	45.2%
Adjusted return on equity	**25.3%**	21.8%	350 bps	16.1%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**19.5%**	25.7%	(620 bps)	(24.1%)
Same store revenue growth (easyhome)	**4.3%**	6.4%	(210 bps)	(32.8%)
Segment Financials				
easyfinancial revenue	**470,208**	368,325	101,883	27.7%
easyfinancial operating margin	**40.2%**	38.5%	170 bps	4.4%
easyhome revenue	**139,175**	137,866	1,309	0.9%
easyhome operating margin	**17.8%**	15.6%	220 bps	14.1%
Portfolio Indicators				
Gross consumer loans receivable	**1,110,633**	833,779	276,854	33.2%
Growth in consumer loans receivable	**276,854**	307,233	(30,379)	(9.9%)
Gross loan originations	**1,095,375**	922,550	172,825	18.7%
Total yield on consumer loans (including ancillary products)	**50.1%**	54.2%	(410 bps)	(7.6%)
Net charge-offs as a percentage of average gross consumer loans receivable	**13.3%**	12.7%	60 bps	4.7%
Potential monthly lease revenue	**8,643**	9,141	(498)	(5.4%)

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

[2] During the fourth quarter of 2019, the Company repaid its 2022 Notes incurring a $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes.

Store Locations Summary

	Locations as at December 31, 2018	Locations opened during period	Locations closed during period	Conversions	Locations as at December 31, 2019
easyfinancial					
Kiosks (in store)	33	-	-	(13)	**20**
Stand-alone locations	207	15	-	13	**235**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	241	15	-	-	**256**
easyhome					
Corporately owned stores	133	-	(1)	(4)	**128**
Consolidated franchise locations	1	-	(1)	-	**-**
Total consolidated stores	134	-	(2)	(4)	**128**
Total franchise stores	31	-	-	4	**35**
Total easyhome stores	165	-	(2)	-	**163**

Summary of Financial Results by Operating Segment

	Year Ended December 31, 2019			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**334,124**	**11,873**	**-**	**345,997**
Lease revenue	**-**	**113,236**	**-**	**113,236**
Commissions earned	**126,806**	**8,704**	**-**	**135,510**
Charges and fees	**9,278**	**5,362**	**-**	**14,640**
	470,208	**139,175**	**-**	**609,383**
Total operating expenses before depreciation and amortization	**267,356**	**67,253**	**41,617**	**376,226**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**7,194**	**39,140**	**2,831**	**49,165**
Depreciation of right-of-use assets	**6,521**	**7,943**	**735**	**15,199**
	13,715	**47,083**	**3,566**	**64,364**
Operating income (loss)	**189,137**	**24,839**	**(45,183)**	**168,793**
Finance costs				
Interest expense and amortization of deferred financing charges				**55,094**
Interest expense on lease liabilities				**2,464**
Refinancing cost				**21,723**
				79,281
Income before income taxes				**89,512**
Income taxes				**25,163**
Net income				**64,349**
Diluted earnings per share				**4.17**

($ in 000's except earnings per share)	Year Ended December 31, 2018 easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	250,622	5,375	-	255,997
Lease revenue	-	119,745	-	119,745
Commissions earned	110,423	6,577	-	117,000
Charges and fees	7,280	6,169	-	13,449
	368,325	137,866	-	506,191
Total operating expenses before depreciation and amortization	218,138	74,215	42,118	334,471
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	8,333	42,104	1,566	52,003
Operating income (loss)	141,854	21,547	(43,684)	119,717
Finance costs				
Interest expense and amortization of deferred financing charges				45,800
Income before income taxes				73,917
Income taxes				20,793
Net income				53,124
Diluted earnings per share				3.56

Portfolio Performance

Consumer Loans Receivable Portfolio

Loan originations in 2019 were $1.1 billion, up 18.7% compared with the origination volume in 2018. The loan book grew by $276.9 million in the year against growth of $307.2 million in 2018. The gross consumer loans receivable portfolio increased from $833.8 million as at December 31, 2018 to $1.1 billion as at December 31, 2019, an increase of $276.9 million or 33.2%. The growth was fueled by: i) the continued significant net customer growth; ii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iii) maturation of the Company's retail branch network and expansion in Quebec; iv) lending in the Company's easyhome stores; and v) ongoing enhancements to the Company's digital properties and increased advertising spend.

The annualized total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 50.1% in the year, down 410 bps from 2018. The decrease in the yield was due to several factors including: i) the increased penetration of risk adjusted interest rate and real estate secured loans to more creditworthy customers which have lower rates of interest; ii) increased lending activity in Quebec where loans have a lower interest rate; iii) a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products; and iv) a modest reduction in penetration rates on ancillary products (particularly on real estate secured and risk adjusted rate loans).

Bad debt expense increased to $156.7 million for the year ended December 31, 2019 from $119.0 million in 2018, an increase of $37.8 million or 31.7%. The following table details the components of bad debt expense:

($ in 000's)	Year Ended December 31, 2019	 December 31, 2018
Provision required due to net charge-offs	**129,376**	88,351
Impact of loan book growth	**26,554**	29,082
Impact of change in provision rate during the year	**812**	1,547
Net change in allowance for credit losses	**27,366**	30,629
Bad debt expense	**156,742**	118,980

Bad debt expense increased by $37.8 million due to three factors:

(i) Net charge-offs increased from $88.4 million in 2018 to $129.4 million in 2019, up by $41.0 million. Net charge-offs in 2019 as a percentage of the average gross consumer loans receivable on an annualized basis were 13.3% compared with 2018 at 12.7% and within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to higher new customer originations and loan book growth that was fueled by strong performance in the digital channel. While new customer growth is healthy for the long-term profitability of the business, new customers produce greater loan losses than lending to an existing customer. Furthermore, while borrowers acquired online tend to have weaker credit performance, such customers generate attractive operating margins. The Company has continued to implement and optimize a series of credit model enhancements to improve the long-term credit quality of the portfolio.

(ii) The loan book growth in the year was $276.9 million which resulted in a growth-related provision of $26.6 million. The loan book growth in 2018 was higher at $307.2 million which resulted in a growth-related provision of $29.1 million. The reduced loan book growth in the year reduced bad debt expense by $2.5 million when compared to 2018.

(iii) During the year, the provision rate increased by 8 bps which resulted in a $0.8 million increase in bad debt expense. The provision rate increased from 9.56% as at January 1, 2019 to 9.64% as at December 31, 2019. In the prior year, the increase in the provision rate from January 1, 2018 to December 31, 2018 was 26 bps which increased bad debt expense by $1.5 million in 2018.

easyhome Leasing Portfolio

The leasing portfolio as measured by potential monthly lease revenue as at December 31, 2019 was $8.6 million, down from the $9.1 million reported as at December 31, 2018. Throughout the year, the Company completed two transactions to acquire eight rent-to-own stores and the associated merchandise lease portfolios, which total approximately $0.4 million of potential monthly lease revenue. The Company subsequently closed and merged these locations and their portfolios into existing nearby easyhome locations. Overall, the number of lease agreements declined from 97,459 as at December 31, 2018 to 91,206 as at December 31, 2019, a drop of 6.4%. Approximately 50% of the decline in agreement count over the past 12 months was related to the net sale of stores with the balance of the decline related to reduced agreement count at the remaining easyhome stores. The decline in agreements was offset by a 1.0% increase in average leasing rates due in part to the higher Canadian dollar cost of certain leased assets purchased in US dollars, changes in product mix, the acquisition of certain lease portfolios (highlighted above) and selected pricing adjustments. While the lease portfolio has declined, this impact on revenue has been more than offset by the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the year ended December 31, 2019 was $609.4 million compared to $506.2 million in the same period of 2018, an increase of $103.2 million or 20.4%. Overall, same store sales growth for the year was 19.5%. Revenue growth was driven by the growth of consumer lending.

e*asyfinancial* – Revenue in 2019 was $470.2 million, an increase of $101.9 million or 27.7% when compared with 2018. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset by the reduction in yield (as previously described). The components of the increased revenue include:

- Interest revenue increased by $83.5 million or 33.3% driven by the 33.2% loan book growth but offset by lower interest yields (as described above).
- Commissions earned on the sale of ancillary products and services increased by $16.4 million or 14.8% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, and slightly lower penetration of these products (particularly on risk adjusted rate and secured loans).
- Charges and fees increased by $2.0 million driven by the increase in customer count.

easyhome – Revenue in 2019 was $139.2 million, an increase of $1.3 million or 0.9% when compared with 2018. The introduction of lending to the easyhome stores in mid-2017 drove this increase. Lending revenue within the easyhome stores increased by $9.1 million as at December 31, 2019 when compared to 2018. These revenue increases were partially offset by lower revenue generated by the traditional leasing business. Traditional leasing revenue declined by $7.8 million for the year ended December 31, 2019 when compared to 2018 due to the reduced size of the lease portfolio (as described above). The components of easyhome revenue include:

- Interest revenue increased by $6.5 million due to the growth of the consumer loans receivable related to the easyhome business.
- Lease revenue declined by $6.5 million due to the reduction of the lease portfolio (as described above).
- Commissions earned on the sale of ancillary products increased by $2.1 million. The increase was due to the sale of ancillary products related to consumer lending at easyhome.
- Charges and fees declined by $0.8 million due to lower fees charges by the traditional leasing business.

Impact of Adopting IFRS 16

IFRS 16 was adopted effective January 1, 2019. 2018 was not restated but was reported under the previous accounting standard. The net effect of adopting IFRS 16 on the statements of income in 2019 is to decrease operating expenses before depreciation and amortization while increasing depreciation and amortization and financing costs with an insignificant impact on net income. By extension this will result in EBITDA increasing as the depreciation of the right-of-use assets and interest on the lease liability is excluded from this measure. Similarly, operating income will also increase (albeit to a lesser extent) as the interest on the lease liability is excluded from this measure. During the year 2019, the adoption of IFRS 16 decreased net income by only $13 thousand.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $376.2 million for the year ended December 31, 2019, an increase of $41.8 million or 12.5% from 2018. Adopting IFRS 16 in 2019, served to reduce operating expenses before depreciation and amortization by $17.7 million (largely shifting this expense to depreciation and amortization and financing costs). The increase in operating expenses was driven primarily by the higher costs associated with the expanding easyfinancial business offset partially by lower costs from the easyhome business and at lower corporate costs. Total operating expenses before depreciation and amortization represented 61.7% of revenue for the year 2019 compared with 66.1% reported in 2018.

easyfinancial – Total operating expenses before depreciation and amortization were $267.4 million in 2019, an increase of $49.2 million or 22.6% from 2018. Key drivers include:

- Bad debt expense increased by $36.0 million in the year when compared to 2018 for the reasons described above;
- The transition to IFRS 16 in the year served to reduce total operating expenses before depreciation and amortization by $7.5 million (much of this expense is shifted to depreciation and amortization);
- A $7.6 million increase in advertising and marketing spend to drive brand awareness and support the growth in originations; and
- Other operating expenses increased by $13.2 million in the year driven by higher compensation and other costs to operate and manage the growing loan book and branch network. Overall branch count increased from 238 as at December 31, 2018 to 256 as at December 31, 2019.

easyhome – Total operating expenses before depreciation and amortization were $67.3 million in 2019, which was $7.0 million or 9.4% lower than the same period of 2018. Key drivers include:

- The transition to IFRS 16 in the year served to reduce total operating expenses before depreciation and amortization by $9.2 million;
- Bad debt expense increased by $1.8 million due to the growth of consumer lending at easyhome;
- Advertising and marketing spend increased by $0.1 million to support easyhome lending and leasing activities; and
- Other operating expenses in amalgam decreased by $0.3 million. The reduction was due to the lower store count partially offset by higher costs related to consumer lending. The consolidated easyhome store count declined from 134 as at December 31, 2018 to 128 as at December 31, 2019.

Corporate – Total operating expenses before depreciation and amortization for the year 2019 were $41.6 million compared to $42.1 million in 2018, a decrease of $0.5 million or 1.2%. The transition to IFRS 16 at the beginning of 2019 served to reduce total operating expenses before depreciation and amortization by $1.0 million in the year of 2019. Total operating expenses before depreciation and amortization for the year 2019 excluding the impact of IFRS 16 increased by $0.5 million primarily due lower total compensation costs and larger gains on the conversion of easyhome stores to franchise locations in the year. Corporate expenses before depreciation and amortization represented 6.8% of revenue in 2019 compared to 8.3% of revenue in 2018.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2019 was $64.4 million, an increase of $12.4 million from 2018. Included in depreciation and amortization is $15.2 million of depreciation of right-of-use assets related to the adoption of IFRS 16. Otherwise depreciation and amortization decreased by $2.8 million due to lower depreciation and amortization at both the easyfinancial and easyhome segments offset primarily by higher depreciation and amortization at corporate. Overall, depreciation and amortization represented 10.6% of revenue in 2019, an increase from the 10.3% reported in 2018 (the increased rate is due primarily to the adoption of IFRS 16).

easyfinancial – Total depreciation and amortization was $13.7 million in the year, this included $6.5 million of right-of-use asset depreciation related to the adoption of IFRS 16. Depreciation of property and equipment and intangibles in the year was $7.2 million, $1.1 million lower than the $8.3 million reported in 2018.

easyhome – Total depreciation and amortization expense was $47.1 million in the year. This included $7.9 million of right-of-use asset depreciation related to the adoption of IFRS 16. Depreciation and amortization of lease assets, property and equipment and intangibles was $39.1 million in the year compared with $42.1 million in 2018. This $3.0 million decline was due primarily to the lower level of lease revenue and lease assets. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the year was 28.1%, down from the 30.5% reported in 2018. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion being generated from consumer lending.

Corporate – Depreciation and amortization was $3.6 million in the year. This included $0.7 million of right-of-use asset depreciation related to the adoption of IFRS 16. Depreciation and amortization of property and equipment and intangibles excluding depreciation on right-of-use asset in the year was $2.8 million compared with $1.6 million in 2018. The increase was driven primarily by the full year impact of the 2018 renovation of the Company's head office.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the year ended December 31, 2019 was $168.8 million, up $49.1 million or 41.0% when compared with 2018. The operating income of both the easyfinancial and easyhome business units increased in the year compared with 2018. In addition, corporate costs declined in the year. The adoption of IFRS 16 served to increase operating income by $2.5 million in the year.

easyfinancial – Operating income was $189.1 million for the year compared with $141.9 million in 2018, an increase of $47.3 million or 33.3%. The benefits of the larger loan book and related revenue increases of $101.9 million were partially offset by: i) a $7.6 million increase in advertising spend; ii) a $36.0 million increase in bad debt expense; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the year was 40.2% compared with 38.5% reported in 2018.

easyhome – Operating income was $24.8 million for the year of 2019 compared with $21.5 million for the comparable period in 2018, an increase of $3.3 million or 15.3%. The increase was related to the growth of consumer lending in easyhome which resulted in higher operating income in the current year to date period of $4.7 million when compared with the comparable period of 2018. This increase was partially offset by the reduction of the lease portfolio discussed above, and higher costs related to consumer lending. Operating margin for the year of 2019 was 17.8%, an increase from the 15.6% reported in the same period of 2018.

Finance Costs

Finance costs for the year ended December 31, 2019 were $79.3 million. This included $2.5 million of interest expense on lease liability related to the adoption of IFRS 16 and $21.7 million of non-recurring Refinancing Costs. Interest expense and amortization of deferred financing charges in the year were $55.1 million, up $9.3 million from 2018. This increase was driven by higher average borrowing levels partially offset by the reduced cost of borrowing. Total debt as at December 31, 2019 was $859.1 million against debt of $691.1 million as at December 31, 2018.

Income Tax Expense

The effective income tax rate for the year ended December 31, 2019 was 28.1% which was consistent with 2018.

Net Income and EPS

Net income for the year was $64.3 million or $4.17 per share on a diluted basis up 21.1% and 17.1%, respectively, against the $53.1 million and $3.56 per share on a diluted basis when compared to 2018. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes, adjusted net income for 2019 was $80.3 million or $5.17 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 51.2% and 45.2%, respectively.

Selected Annual Information

($ in 000's except percentages and per share amounts)	2019	2018	2017[2]	2016[2]	2015[2]
Gross Consumer Loans Receivable	**1,110,633**	833,779	526,546	370,517	289,426
Revenue	**609,383**	506,191	401,728	347,505	304,273
Net income	**64,349**	53,124	36,132	31,049	23,728
Adjusted net income[1]	**80,315**	53,124	42,158	33,155	23,728
Return on equity	**20.2%**	21.8%	17.0%	16.8%	14.4%
Adjusted return on equity[1]	**25.3%**	21.8%	19.8%	17.9%	14.4%
Net income as a percentage of revenue	**10.6%**	10.5%	9.0%	8.9%	7.8%
Adjusted net income as a percentage of revenue[1]	**13.2%**	10.5%	10.5%	9.5%	7.8%
Dividends declared on common shares	**17.9**	12.5	9.7	6.7	5.4
Cash dividends declared per common share	**1.24**	0.90	0.72	0.49	0.40
Earnings per share					
Basic	**4.40**	3.78	2.67	2.29	1.75
Diluted	**4.17**	3.56	2.56	2.23	1.69
Adjusted diluted[1]	**5.17**	3.56	2.97	2.38	1.69

[1] Adjusted for certain non-recurring or unusual transactions.
[2] Prepared under IAS 39 rather than IFRS 9.

Key financial measures for each of the last five years are summarized in the table above and include the gross consumer loans receivable portfolio, revenue, net income, earnings per share and return on equity. Strong consumer demand has allowed the Company to grow its consumer loans receivable portfolio which in turn drove the rising level of revenue. The larger revenue base, offset partially by higher operating expenses, increased the Company's net income and earnings per share while the increased scale of the business resulted in net income as a percentage of revenue also increasing over the presented time horizon. Lastly return on equity has increased due to the increased earnings generated by the business and the higher level of financial leverage. Please refer to previous years' MD&As for detailed analysis.

Assets and Liabilities

($ in 000's)	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015
Total assets					
Consumer loans receivable, net	**1,040,552**	782,864	513,425	354,499	270,961
Cash	**46,341**	100,188	109,370	24,928	11,389
Other	**231,729**	172,624	126,820	123,635	136,152
	1,318,622	1,055,676	749,615	503,062	418,502
Total liabilities					
Notes payable	**702,414**	650,481	401,193	-	-
Revolving credit facility	**115,000**	-	-	-	-
Convertible debentures	**41,712**	40,581	47,985	-	-
Derivative financial liabilities	**16,435**	-	11,138	-	-
Term loan	-	-	-	263,294	211,720
Other	**110,640**	63,085	61,055	43,737	30,723
	986,201	754,147	521,371	307,031	242,443

Total assets have increased due primarily to the growth of the Company's consumer loans receivable portfolio. Cash decreased in 2019 mainly due to the cash used in the purchase of a minority equity investment in PayBright. Other assets increased significantly in 2019 due primarily to the adoption of IFRS 16 which resulted in a $46.1 million right-of-use asset being recognized.

The Company finances the growth of its consumer loans receivable portfolio through a combination of debt, equity and retained earnings. In 2017, the Company issued $53 million in convertible debentures and repaid the previous credit facility by issuing US$325 million in 2022 Notes and securing a $110 million revolving line of credit from a syndicate of banks. In 2018, the Company issued a second US$150 million tranche of 2022 Notes and increased the borrowing limit under its revolving line of credit to $174.5 million. In 2019, the Company issued US$550 million of 2024 Notes and repaid the 2022 Notes and increased the borrowing limit under its revolving line of credit to $310 million. All of the Company's credit facilities are as described in the notes to the Company's financial statements for the year ended December 31, 2019.

At the end of 2019, the Company's ratio of net debt (net of surplus cash on hand) to net capitalization was 71%; a level that is conservative against several of the Company's peers and relatively on target to the Company's desired position of less than, or equal to, 70%.

Analysis of Results for the Three Months Ended December 31, 2019

Fourth Quarter Highlights

- goeasy reported record revenue during the fourth quarter of 2019. Revenue for the quarter increased to $165.5 million from the $138.2 million reported in the same quarter of 2018, an increase of $27.4 million or 19.8%. The increase was primarily driven by the growth of consumer lending.

- The gross consumer loans receivable portfolio increased from $833.8 million as at December 31, 2018 to $1.1 billion as at December 31, 2019, an increase of $276.9 million or 33.2%. The growth was fueled by: i) the continued significant net customer growth; ii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iii) maturation of the Company's retail branch network and expansion in Quebec; iv) lending in the Company's easyhome stores; and v) ongoing enhancements to the Company's digital properties and increased advertising spend.

- Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were at 13.3%, higher than the fourth quarter of 2018 at 13.1% but within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to higher new customer originations and loan book growth that was fueled by strong performance in the digital channel. While new customer growth is healthy for the long-term profitability of the business, new customers produce greater loan losses than lending to an existing customer. Furthermore, while borrowers acquired online tend to have weaker credit performance, such customers generate attractive operating margins; The Company has continued to implement and optimize a series of credit model enhancements to improve the long-term credit quality of the portfolio.

- easyfinancial's operating income was $53.3 million for the fourth quarter of 2019 compared with $41.3 million for the comparable period in 2018, an increase of $12.0 million or 29.2%. The benefits of the larger loan book and related revenue increases of $26.7 million were partially offset by: i) a $1.5 million increase in advertising spend; ii) a $8.6 million increase in bad debt expense; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. easyfinancial's operating margin in the quarter increased to 41.0% when compared to 40.0% reported in the same quarter of 2018.

- easyhome's operating income was $6.5 million for the fourth quarter of 2019, an increase of $1.3 million or 26.1% when compared with the same quarter of 2018. The increase is due to the reduced operating expenses and the growth of consumer lending in easyhome in the quarter. easyhome's operating margin for the fourth quarter of 2019 was 18.3%, an increase from the 14.8% reported in the same quarter of 2018.

- Total Company operating income for the fourth quarter of 2019 reached a record level of $46.5 million, up $11.4 million or 32.4% when compared with the same quarter of 2018. The Company's operating margin for the quarter was 28.1% up from the 25.4% reported in the fourth quarter of 2018. The growth in operating margin was driven by the larger proportion of earnings being generated by the higher margin easyfinancial business.

- The Company net income for the fourth quarter of 2019 of $6.7 million or $0.46 per share on a diluted basis, which was down 57.9% and 54.9% respectively, against the $15.9 million and $1.02 per share on a diluted basis reported in the same quarter of 2018. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes incurred in the fourth quarter of 2019, adjusted net income for the fourth quarter of 2019 was $22.6 million or $1.45 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 42.6% and 42.2%, respectively.

- Return on equity in the fourth quarter was 8.0% as compared with 27% reported in the same quarter of 2018. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes incurred in the fourth quarter of 2019, the adjusted return on equity, increased to 27.0% from 23.0% reported in the same quarter of 2018. The improvement was related primarily to adjusted net income growth and the higher level of financial leverage.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended December 31, 2019	December 31, 2018	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**165,536**	138,160	27,376	19.8%
Operating expenses before depreciation and amortization	**102,790**	90,369	12,421	13.7%
EBITDA[1]	**53,395**	37,847	15,548	41.1%
EBITDA margin[1]	**32.3%**	27.4%	490 bps	17.9%
Depreciation and amortization expense	**16,263**	12,685	3,578	28.2%
Operating income	**46,483**	35,106	11,377	32.4%
Operating margin[1]	**28.1%**	25.4%	270 bps	10.6%
Interest expense and amortization of deferred financing charges and interest expense on lease liabilities	**15,400**	12,811	2,589	20.2%
Refinancing cost[2]	**21,723**	-	21,723	100.0%
Effective income tax rate	**28.6%**	28.7%	(10 bps)	(0.3%)
Net income	**6,683**	15,887	(9,204)	(57.9%)
Diluted earnings per share	**0.46**	1.02	(0.56)	(54.9%)
Return on equity	**8.0%**	23.0%	(1,500 bps)	(65.2%)
Adjusted (Normalized) Financial Results[2]				
Adjusted net income	**22,649**	15,887	6,762	42.6%
Adjusted earnings per share	**1.45**	1.02	0.43	42.2%
Adjusted return on equity	**27.0%**	23.0%	400 bps	17.4%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**19.7%**	28.5%	(880 bps)	(30.9%)
Same store revenue growth (easyhome)	**6.2%**	7.1%	(90 bps)	(12.7%)
Segment Financials				
easyfinancial revenue	**130,005**	103,286	26,719	25.9%
easyfinancial operating margin	**41.0%**	40.0%	100 bps	2.5%
easyhome revenue	**35,531**	34,874	657	1.9%
easyhome operating margin	**18.3%**	14.8%	350 bps	23.6%
Portfolio Indicators				
Gross consumer loans receivable	**1,110,633**	833,779	276,854	33.2%
Growth in consumer loans receivable	**75,037**	84,198	(9,161)	(10.9%)
Gross loan originations	**313,514**	264,996	48,518	18.3%
Total yield on consumer loans (including ancillary products)	**49.8%**	52.7%	(290 bps)	(5.5%)
Net charge-offs as a percentage of average gross consumer loans receivable	**13.3%**	13.1%	20 bps	1.5%
Potential monthly lease revenue	**8,643**	9,141	(498)	(5.4%)

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

[2] During the fourth quarter of 2019, the Company repaid its 2022 Notes incurring a $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes.

Store Locations Summary

	Locations as at September 30, 2019	Locations opened during period	Locations closed during period	Conversions	Locations as at December 31, 2019
easyfinancial					
Kiosks (in store)	27	-	-	(7)	**20**
Stand-alone locations	222	6	-	7	**235**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	250	6	-	-	**256**
easyhome					
Corporately owned stores	128	-	-	-	**128**
Consolidated franchise locations	-	-	-	-	**-**
Total consolidated stores	128	-	-	-	**128**
Total franchise stores	35	-	-	-	**35**
Total easyhome stores	163	-	-	-	**163**

Summary of Financial Results by Operating Segment

	Three Months Ended December 31, 2019			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**92,803**	**3,600**	**-**	**96,403**
Lease revenue	**-**	**28,268**	**-**	**28,268**
Commissions earned	**34,777**	**2,392**	**-**	**37,169**
Charges and fees	**2,425**	**1,271**	**-**	**3,696**
	130,005	**35,531**	**-**	**165,536**
Total operating expenses before depreciation and amortization	**73,062**	**17,309**	**12,419**	**102,790**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**1,805**	**9,757**	**768**	**12,330**
Depreciation of right-of-use assets	**1,793**	**1,965**	**175**	**3,933**
	3,598	**11,722**	**943**	**16,263**
Operating income (loss)	**53,345**	**6,500**	**(13,362)**	**46,483**
Finance costs				
Interest expense and amortization of deferred financing charges				**14,744**
Interest expense on lease liabilities				**656**
Refinancing cost				**21,723**
				37,123
Income before income taxes				**9,360**
Income taxes				**2,677**
Net income				**6,683**
Diluted earnings per share				**0.46**

($ in 000's except earnings per share)	Three Months Ended December 31, 2018 easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	71,814	2,020	-	73,834
Lease revenue	-	29,437	-	29,437
Commissions earned	29,594	1,892	-	31,486
Charges and fees	1,878	1,525	-	3,403
	103,286	34,874	-	138,160
Total operating expenses before depreciation and amortization	60,032	19,482	10,855	90,369
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	1,965	10,238	482	12,685
Operating income (loss)	41,289	5,154	(11,337)	35,106
Finance costs				
Interest expense and amortization of deferred financing charges				12,811
Income before income taxes				22,295
Income taxes				6,408
Net income				15,887
Diluted earnings per share				1.02

Portfolio Performance

Consumer Loans Receivable Portfolio

Loan originations in the quarter were $313.5 million, up 18.3% compared with the origination volume in the same quarter of 2018. The loan book grew by $75.0 million in the quarter compared to growth of $84.2 million in the same quarter of 2018. The gross consumer loans receivable portfolio increased from $833.8 million as at December 31, 2018 to $1.1 billion as at December 31, 2019, an increase of $276.9 million or 33.2%. The drivers of this growth are as described in the preceding section: Analysis of Results for the Year Ended December 31, 2019.

The annualized total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 49.8% in the fourth quarter of 2019, down 290 bps from the same quarter of 2018. The decrease in the yield was due to the factors as described in the preceding section: Analysis of Results for the Year Ended December 31, 2019.

Bad debt expense increased to $43.3 million for the quarter from $34.2 million during the same quarter of 2018, an increase of $9.1 million or 26.5%. The following table details the components of bad debt expense.

	Three Months Ended	
($ in 000's)	**December 31, 2019**	**December 31, 2018**
Provision required due to net charge-offs	**36,020**	26,471
Impact of loan book growth	**7,237**	8,182
Impact of change in provision rate during period	**-**	(467)
Net change in allowance for credit losses	**7,237**	7,715
Bad debt expense	**43,257**	34,186

Bad debt expense increased by $9.1 million due to three factors:

(i) Net charge-offs increased from $26.5 million in the fourth quarter of 2018 to $36.0 million in the current quarter, up by $9.5 million. Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were at 13.3%, higher than the fourth quarter of 2018 at 13.1% but within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to: the drivers as described in the preceding section: Analysis of Results for the Year Ended December 31, 2019.

(ii) The lower loan book growth in the current quarter decreased bad debt expense provision by $1.0 million when compared to the same period of 2018. The loan book growth in the current quarter was $75.0 million which resulted in a growth-related provision of $7.2 million as compared to $8.2 million reported in the fourth quarter of 2018.

(iii) During the quarter, the provision rate remained unchanged at 9.64%. During the fourth quarter of 2018, the provision rate decreased from 9.61% to 9.56% which resulted in a $0.5 million decrease in bad debt expense.

easyhome Leasing Portfolio

The leasing portfolio as measured by potential monthly lease revenue as at December 31, 2019 was $8.6 million, down from the $9.1 million reported as at December 31, 2018 (as described in the preceding section: Analysis of Results for the Year Ended December 31, 2019). While the lease portfolio has declined, the impact on revenue has been partially offset by the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the three-month period ended December 31, 2019 was $165.5 million compared to $138.2 million in the same quarter of 2018, an increase of $27.4 million or 19.8%. Overall, same store sales growth for the quarter was 19.7%. Revenue growth was driven by the growth of consumer lending.

e*asyfinancial* – Revenue for the three-month period ended December 31, 2019 was $130.0 million, an increase of $26.7 million when compared with the same quarter of 2018. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset by the reduction in yield (as previously described). The components of the increased revenue include:

- Interest revenue increased by $21.0 million or 29.2% driven by the 33.2% loan book growth but offset by lower interest yields (as described above);
- Commissions earned on the sale of ancillary products and services increased by $5.2 million or 17.5% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, and slightly lower penetration of these products (particularly on risk adjusted rate and secured loans); and
- Charges and fees increased by $0.5 million driven primarily by the increase in customer count.

easyhome – Revenue for the three-month period ended December 31, 2019 was $35.5 million, an increase of $0.7 million when compared with the same quarter of 2018. Lending revenue within the easyhome stores increased by $2.2 million in the current quarter when compared to the fourth quarter of 2018. However, this revenue increase was partially offset by lower revenue generated by the traditional leasing business. Traditional leasing revenue declined by $1.5 million in the current quarter compared to the same period of 2018 due to the reduced size of the lease portfolio (as described above). The components of easyhome revenue include:

- Interest revenue increased by $1.6 million due to the growth of the consumer loans receivable related to the easyhome business;
- Lease revenue declined by $1.2 million due to the reduction of the lease portfolio (as described above);
- Commissions earned on the sale of ancillary products increased by $0.5 million. The increase was due to the sale of ancillary products related to consumer lending at easyhome; and
- Charges and fees declined by $0.3 million due to lower fees charges by the traditional leasing business.

Impact of Adopting IFRS 16

IFRS 16 was adopted effective January 1, 2019. 2018 was not restated but was reported under the previous accounting standard. The net effect of adopting IFRS 16 on the statements of income in 2019 is to decrease operating expenses before depreciation and amortization while increasing depreciation and amortization and financing costs with an insignificant impact on net income. By extension this will result in EBITDA increasing as the depreciation of the right-of-use assets and interest on the lease liability is excluded from this measure. Similarly, operating income will also increase (albeit to a lesser extent) as the interest on the lease liability is excluded from this measure. During the fourth quarter of 2019 the adoption of IFRS 16 decreased net income by $2 thousand.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $102.8 million for the three-month period ended December 31, 2019, an increase of $12.4 million or 13.7% from the comparable period in 2018. Adopting IFRS 16 in 2019, served to reduce operating expenses before depreciation and amortization by $4.6 million (largely shifting this expense to depreciation and amortization and financing costs). The increase in operating expenses was driven primarily by higher costs associated with the expanding easyfinancial business and higher corporate costs offset partially by lower costs in the easyhome business. Total operating expenses before depreciation and amortization represented 62.1% of revenue for the fourth quarter of 2019 compared with 65.4% reported in the same quarter of 2018.

easyfinancial – Total operating expenses before depreciation and amortization were $73.1 million for the fourth quarter of 2019, an increase of $13.0 million or 21.7% from the same quarter of 2018. Key drivers include:

- Bad debt expense increased by $8.6 million in the current quarter when compared to the same quarter in 2018 (for the reasons described above);
- The transition to IFRS 16 in the current quarter served to reduce total operating expenses before depreciation and amortization by $2.1 million (much of this expense is shifted to depreciation and amortization);
- A $1.5 million increase in advertising and marketing spend to drive brand awareness and support the growth in originations; and
- Other operating expenses increased by $5.0 million in the quarter driven by higher wages and incentive compensation and other costs to operate and manage the growing loan book and branch network. Overall branch count increased from 241 as at December 31, 2018 to 256 as at December 31, 2019.

easyhome – Total operating expenses before depreciation and amortization were $17.3 million for the fourth quarter of 2019, which was $2.2 million or 11.2% lower than the same quarter of 2018. Key drivers include:

- The transition to IFRS 16 in the current quarter served to reduce total operating expenses before depreciation and amortization by $2.3 million
- Other operating expenses in amalgam increased by $0.1 million as the reduction due to lower store count was more than offset by higher costs related to consumer lending.

Corporate – Total operating expenses before depreciation and amortization for the fourth quarter of 2019 were $12.4 million compared to $10.9 million for the comparable period in 2018, an increase of $1.5 million. The transition to IFRS 16 in the current quarter served to reduce total operating expenses before depreciation and amortization by $0.2 million. Total operating expenses before depreciation and amortization for the year 2019 excluding the impact of IFRS 16 increased by $1.7 million primarily due to higher salaries (additional management personnel) and stock-based compensation than in the same period of 2018. Corporate expenses before depreciation and amortization represented 7.5% of revenue in the fourth quarter of 2019 compared to 7.9% of revenue in the fourth quarter of 2018.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended December 31, 2019 was $16.3 million, an increase of $3.6 million from the same quarter of 2018. Included in depreciation and amortization is $3.9 million of depreciation of right-of-use assets related to the adoption of IFRS 16. Otherwise depreciation and amortization decreased by $0.3 million due to lower depreciation and amortization at both the easyfinancial and easyhome segments partially offset by higher depreciation and amortization at corporate. Overall, depreciation and amortization represented 9.8% of revenue for the three months ended December 31, 2019, which is higher than the comparable period of 2018.

easyfinancial – Total depreciation and amortization was $3.6 million in the fourth quarter of 2019. This included $1.8 million of right-of-use asset depreciation related to the adoption of IFRS 16. Depreciation of property and equipment and intangibles in the fourth quarter of 2019 was $1.8 million, $0.2 million lower than the $2.0 million reported in the comparable period of 2018.

easyhome – Total depreciation and amortization expense was $11.7 million in the fourth quarter of 2019. This included $2.0 million of right-of-use asset depreciation related to the adoption of IFRS 16. Excluding this, depreciation and amortization of lease assets, property and equipment and intangibles was $9.8 million in the current quarter, $0.4 million lower than the $10.2 million in the fourth quarter of 2018. This decline was due primarily to the lower level of lease revenue and lease assets. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the current quarter was 27.5%, down from the 29.4% reported in the fourth quarter of 2018. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion generated from consumer lending.

Corporate – Depreciation and amortization was $0.9 million in the fourth quarter of 2019. This included $0.2 million of right-of-use asset depreciation. Depreciation and amortization of property and equipment and intangibles excluding depreciation on right-of-use asset during the current quarter was $0.7 million compared with $0.5 million in the fourth quarter of 2018.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended December 31, 2019 was $46.5 million, up $11.4 million or 32.4% when compared with the same quarter of 2018. The Company's operating margin for the quarter was 28.1% up from the 25.4% reported in the fourth quarter of 2018. The growth in operating margin was driven by the larger proportion of earnings being generated by the higher margin easyfinancial business and lower corporate expenses. The adoption of IFRS 16 served to decrease operating income by $0.7 million in the current quarter.

easyfinancial – Operating income was $53.3 million for the fourth quarter of 2019 compared with $41.3 million for the comparable period in 2018, an increase of $12.1 million or 29.2%. The benefits of the larger loan book and related revenue increase of $26.7 million was partially offset by: i) the $1.5 million increase in advertising spend; ii) the $8.6 million increase in bad debt expense; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 41.0% compared with 40.0% reported in the same quarter of 2018.

easyhome – Operating income was $6.5 million for the fourth quarter of 2019, an increase of $1.3 million or 26.1% when compared with the same quarter of 2018. The increase is mainly due the growth of the consumer lending business, which more than offset the reduced size of the lease portfolio and resulted in higher revenues in the quarter of $0.7 million. Total expenses in amalgam decreased by $0.6 million primarily due to lower depreciation and amortization expense associated with lower lease assets. Operating margin for the fourth quarter of 2019 was 18.3%, a decrease from the 14.8% reported in the same quarter of 2018.

Finance Costs

Finance costs for the three-month period ended December 31, 2019 were $37.1 million. This included $0.7 million of interest expense on lease liability related to the adoption of IFRS 16 and $21.7 million in non-recurring Refinancing Costs. Interest expense and amortization of deferred financing charges in the current quarter were $14.7 million, up $1.9 million from the fourth quarter of 2018. This increase was driven by higher average borrowing levels partially offset by the reduced cost of borrowing. Total debt as at December 31, 2019 was $859.1 million against debt of $691.1 million as at December 31, 2018.

Income Tax Expense

The effective income tax rate for the fourth quarter of 2019 was 28.6% which was slightly lower than the 28.7% reported in the same quarter of 2018.

Net Income and EPS

Net income for the fourth quarter of 2019 was $6.7 million or $0.46 per share on a diluted basis down 57.9% and 54.9% against the $15.9 million and $1.02 per share on a diluted basis reported in the fourth quarter of 2018. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes, adjusted net income for the fourth quarter of 2019 was $22.6 million or $1.45 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 42.6% and 42.2%, respectively.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	December 2019	September 2019	June 2019	March 2019	December 2018	September 2018	June 2018	March 2018	December 2017[2]
Gross consumer loans receivable	**1,110.6**	1,035.6	959.7	879.4	833.8	749.6	686.6	601.7	526.5
Revenue	**165.5**	156.1	147.9	139.9	138.2	129.9	123.3	114.8	107.2
Net income	**6.7**	19.8	19.6	18.3	15.9	14.3	11.8	11.1	5.4
Adjusted net income[3]	**22.6**	19.8	19.6	18.3	15.9	14.3	11.8	11.1	11.4
Return on equity	**8.0%**	24.1%	25.2%	24.4%	23.0%	23.8%	20.9%	19.8%	9.5%
Adjusted return on equity[3]	**27.0%**	24.1%	25.2%	24.4%	23.0%	23.8%	20.9%	19.8%	20.1%
Net income as a percentage of revenue	**4.0%**	12.7%	13.2%	13.1%	11.5%	11.0%	9.6%	9.7%	5.0%
Adjusted net income as a percentage of revenue[3]	**13.7%**	12.7%	13.2%	13.1%	11.5%	11.0%	9.6%	9.7%	10.5%
Earnings per share[1]									
Basic	**0.46**	1.35	1.34	1.25	1.07	1.03	0.86	0.81	0.39
Diluted	**0.46**	1.28	1.26	1.18	1.02	0.97	0.82	0.77	0.38
Adjusted diluted[3]	**1.45**	1.28	1.26	1.18	1.02	0.97	0.82	0.77	0.79

[1] Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of stock issued or repurchased during the year on the basic weighted average number of common shares outstanding together with the effects of rounding.
[2] Prepared under IAS 39 rather than IFRS 9.
[3] Adjusted for certain non-recurring or unusual transactions.

Key financial measures for each of the last nine quarters are summarized in the table above and include the gross consumer loans receivable portfolio, revenue, net income, return on equity, and net income as a percentage of revenue over this timeframe. Revenue growth over this time frame was primarily related to the growth of the gross consumer loans receivable portfolio. The larger revenue base, offset partially by higher operating expenses, increased the Company's net income and earnings per share while the increased scale of the business resulted in net income as a percentage of revenue also increasing over the presented time horizon. Lastly, return on equity has increased due to the increased earnings generated by the business and the higher level of financial leverage.

Portfolio Analysis

The Company generates its revenue from a portfolio of consumer loans receivable and lease agreements that are originated with its customers. To a large extent, the business results for a period are determined by the performance of these portfolios, and the make-up of the portfolios at the end of a period are an important indicator of future business results.

The Company measures the performance of its portfolios during a period and their make-up at the end of a period using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS. The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Consumer Loans Receivable Portfolio

Loan Originations and Net Principal Written

Gross loan originations is the value of all consumer loans receivable advanced to the Company's customers during the period where new credit underwritings have been performed. Included in gross loan originations are loans to new customers and new loans to existing customers, a portion of which is applied to eliminate their prior borrowings. When the Company extends additional credit to an existing customer, a full credit underwriting is performed using up-to-date information. Additionally, the loan repayment history of that customer throughout their relationship with the Company is considered in the credit decision. As a result, the quality of the credit decision is improved and has historically resulted in better performance. No additional credit is extended to a customer whose loan is delinquent.

Net principal written details the Company's gross loan originations during a period, excluding that portion of the originations that has been used to eliminate the prior borrowings.

The gross loan originations and net principal written during the period were as follows:

	Three Months Ended		Year Ended	
($ in 000's)	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Loan originations to new customers	**130,292**	116,577	**491,171**	411,671
Loan originations to existing customers	**183,222**	148,419	**604,204**	510,879
Less: Proceeds applied to repay existing loans	**(101,771)**	(78,454)	**(326,075)**	(259,513)
Net advance to existing customers	**81,451**	69,965	**278,129**	251,366
Net principal written	**211,743**	186,542	**769,300**	663,037

Gross Consumer Loans Receivable

The measure that the Company uses to describe the size of its easyfinancial portfolio is gross consumer loans receivable. Gross consumer loans receivable reflects the period-end balance of the portfolio before provisioning for potential future charge-offs. Growth in gross consumer loans receivable is driven by several factors including an increased number of customers and an increased loan value per customer. The changes in the gross consumer loans receivable portfolio during the periods were as follows:

	Three Months Ended		Year Ended	
($ in 000's)	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Opening gross consumer loans receivable	**1,035,596**	749,581	**833,779**	526,546
Gross loan originations	**313,514**	264,996	**1,095,375**	922,550
Gross principal payments and other adjustments	**(199,153)**	(151,214)	**(676,995)**	(517,155)
Gross charge-offs before recoveries	**(39,324)**	(29,584)	**(141,526)**	(98,162)
Net growth in gross consumer loans receivable during the period	**75,037**	84,198	**276,854**	307,233
Ending gross consumer loans receivable	**1,110,633**	833,779	**1,110,633**	833,779

The scheduled principal repayment of the gross consumer loans receivable portfolio is as follows:

($ in 000's except percentages)	**December 31, 2019**		**December 31, 2018**	
	$	**% of total**	**$**	**% of total**
0 – 6 months	**182,896**	**16.5%**	139,631	16.7%
6 – 12 months	**130,043**	**11.7%**	104,619	12.5%
12 – 24 months	**275,038**	**24.8%**	221,626	26.6%
24 – 36 months	**259,598**	**23.4%**	204,227	24.5%
36 – 48 months	**154,908**	**13.9%**	106,346	12.8%
48 – 60 months	**44,918**	**4.0%**	29,002	3.5%
60 months+	**63,232**	**5.7%**	28,328	3.4%
Gross consumer loans receivable	**1,110,633**	**100.0%**	833,779	100.0%

A breakdown of the gross consumer loans receivable portfolio categorized by the contractual time to maturity is as follows:

($ in 000's except percentages)	December 31, 2019		December 31, 2018	
	$	% of total	$	% of total
0 – 1 year	**42,623**	**3.8%**	34,355	4.1%
1 – 2 years	**139,414**	**12.6%**	108,262	13.0%
2 – 3 years	**296,891**	**26.7%**	260,205	31.2%
3 – 4 years	**366,359**	**33.0%**	270,621	32.5%
4 – 5 years	**156,439**	**14.1%**	108,932	13.1%
5 years +	**108,907**	**9.8%**	51,404	6.1%
Gross consumer loans receivable	**1,110,633**	**100.0%**	833,779	100.0%

Loans are originated and serviced by both the easyfinancial and easyhome business units. A breakdown of the gross consumer loans receivable portfolio between these segments is as follows:

($ in 000's except percentages)	December 31, 2019		December 31, 2018	
	$	% of total	$	% of total
Gross consumer loans receivable, easyfinancial	**1,072,530**	**96.6%**	811,950	97.4%
Gross consumer loans receivable, easyhome	**38,103**	**3.4%**	21,829	2.6%
Gross consumer loans receivable	**1,110,633**	**100.0%**	833,779	100.0%

Financial Revenue and Net Financial Income

Financial revenue is generated by both the easyfinancial and easyhome segments. Financial revenue includes interest and various other ancillary fees generated by the Company's gross consumer loans receivable portfolio. Net financial income details the profitability of the Company's gross consumer loans receivable portfolio before any costs to originate or administer. Net financial income is calculated by deducting interest expense and amortization of deferred financing charges and bad debt expense from financial revenue. Net financial income is impacted by the size of the gross consumer loans receivable portfolio, the portfolio yield, the amount and cost of the Company's debt, the Company's leverage ratio and the bad debt expense experienced in the period.

($ in 000's)	Three Months Ended		Year Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Financial revenue, easyfinancial	**130,006**	103,286	**470,208**	368,325
Financial revenue, easyhome	**5,096**	2,889	**16,893**	7,775
Financial revenue	**135,102**	106,175	**487,101**	376,100
Less: Interest expense and amortization of deferred financing charges	**(14,744)**	(12,811)	**(55,094)**	(45,800)
Less: Bad debt expense	**(43,257)**	(34,186)	**(156,742)**	(118,980)
Net financial income	**77,101**	59,178	**275,265**	211,320

Total Yield on Consumer Loans

Total yield on consumer loans is calculated as the financial revenue generated (including revenue generated on the sale of ancillary products) on the Company's consumer loans receivable portfolio divided by the average of the month-end loan balances for the indicated period. Total yield on consumer loans is a measure of the revenue produced by the Company's consumer loans receivable portfolio. For interim periods, the rate is annualized.

($ in 000's except percentages)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Finance revenue	**135,102**	106,175	**487,101**	376,100
Average gross consumer loans receivable	**1,084,284**	806,489	**972,625**	693,757
Total yield as a percentage of average gross consumer loans receivable (annualized)	**49.8%**	52.7%	**50.1%**	54.2%

Net Charge-Offs

In addition to loan originations, the consumer loans receivable portfolio during a period is impacted by charge-offs. Unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged-off. In addition, customer loan balances are charged-off upon notification that the customer is bankrupt following a detailed review of the filing. Subsequent collections of previously charged-off accounts are netted with gross charge-offs during a period to arrive at net charge-offs.

Average gross consumer loans receivable has been calculated based on the average of the month-end loan balances for the indicated period. This metric is a measure of the collection performance of the easyfinancial consumer loans receivable portfolio. For interim periods, the rate is annualized.

($ in 000's except percentages)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net charge-offs	**36,020**	26,471	**129,376**	88,351
Average gross consumer loans receivable	**1,084,284**	806,489	**972,625**	693,757
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**13.3%**	13.1%	**13.3%**	12.7%

Allowance for Credit Losses

The allowance for expected credit losses is a provision that is reported on the Company's balance sheet that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for expected credit losses provides for credit losses that are expected to transpire in future periods. Customer loans for which we have received a notification of bankruptcy, unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged-off against the allowance for loan losses.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Allowance for credit losses, beginning of period	**99,870**	72,026	**79,741**	49,112
Net charge-offs written off against the allowance	**(36,020)**	(26,471)	**(129,376)**	(88,351)
Bad debt expense	**43,257**	34,186	**156,742**	118,980
Allowance for credit losses, end of period	**107,107**	79,741	**107,107**	79,741
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**9.64%**	9.56%	**9.64%**	9.56%

IFRS 9 requires that forward-looking indicators ("FLIs") be considered when determining the allowance for credit losses. The analysis performed by the Company determined that a forecasted increase in the rate of unemployment, rate of inflation, a decrease in the expected future price of oil from the current rates or a decrease in the rate of gross domestic product ("GDP") growth has historically tended to increase the charge-offs experienced by the Company. Conversely a forecasted decrease in the rate of unemployment, rate of inflation, an increase in the expected future price of oil from the current rates or an increase in the GDP growth rate has historically tended to decrease the charge-offs experienced by the Company. For purposes of determining its allowance for loan losses at each statement of financial position date, the Company has decided to utilize the forecasts of these FLIs from five large Canadian banks. The impact on the allowance for credit losses as a percentage of ending gross consumer loans receivable should each of these FLIs increase (or decrease) by 10%, as at December 31, 2019, is as follows:

	Change in FLIs	**Impact on allowance for credit losses as a percentage of the ending gross consumer loans receivable**
Rate of unemployment	**+/- 10%**	**+/- 2 bps**
Rate of inflation	**+/- 10%**	**+/- 6 bps**
Oil prices	**+/- 10%**	**-/+ 12 bps**
GDP growth rate	**+/- 10%**	**-/+ 2 bps**

Bad Debt Expense (Provision for Credit Losses)

The Company's bad debt expense is the amount that its allowance for future credit losses must be increased, after considering net-charge-offs, such that the balance of the allowance for credit losses at each statement of financial position date is appropriate under IFRS. Operationally, this will require a larger provision to be taken when new consumer loans receivables are originated or purchased. An analysis of the Company's bad debt expense for the periods is as follows:

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Net charge-offs	**36,020**	26,471	**129,376**	88,351
Net charge in allowance for credit losses	**7,237**	7,715	**27,366**	30,629
Bad debt expense	**43,257**	34,186	**156,742**	118,980
Financial revenue	**135,102**	106,175	**487,101**	376,100
Bad debt expense as a percentage of Financial Revenue	**32.0%**	32.2%	**32.2%**	31.6%

Aging of the Consumer Loans Receivable Portfolio

An aging analysis of the consumer loans receivable portfolio at the end of the periods was as follows:

	December 31, 2019		December 31, 2018	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Current	**1,045,955**	**94.1%**	789,834	94.7%
Days past due				
1 - 30 days	**40,508**	**3.7%**	25,442	3.1%
31 - 44 days	**7,692**	**0.7%**	5,931	0.7%
45 - 60 days	**7,579**	**0.7%**	5,930	0.7%
61 - 90 days	**8,578**	**0.8%**	6,559	0.8%
91 – 180 days	**321**	**0.0%**	83	0.0%
	64,678	**5.9%**	43,945	5.3%
Gross consumer loans receivable	**1,110,633**	**100.0%**	833,779	100.0%

A large portion of the Company's consumer loans receivable portfolio operates on a bi-weekly rather than monthly repayment cycle. As such, the aging analysis between different fiscal periods may not be comparable depending upon the day of the week on which the fiscal period ends. An alternate aging analysis prepared as of the last Saturday of the fiscal periods often presents a more relevant comparison.

An aging analysis of the consumer loans receivable portfolio as of the last Saturday of the periods was as follows:

	Saturday, Dec. 28, 2019	Saturday, Dec. 29, 2018
	% of total	% of total
Current	**94.9%**	94.8%
Days past due		
1 - 30 days	**3.1%**	3.2%
31 - 44 days	**0.6%**	0.6%
45 - 60 days	**0.6%**	0.6%
61 - 90 days	**0.8%**	0.8%
91 – 180 days	**0.0%**	0.0%
	5.1%	5.2%
Gross consumer loans receivable	**100.0%**	100.0%

Consumer Loans Receivable Portfolio by Geography

At the end of the periods, the Company's consumer loans receivable portfolio was allocated among the following geographic regions:

	December 31, 2019		December 31, 2018	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**41,009**	**3.7%**	34,883	4.2%
Nova Scotia	**61,288**	**5.5%**	51,231	6.1%
Prince Edward Island	**9,553**	**0.9%**	8,721	1.0%
New Brunswick	**50,850**	**4.6%**	41,579	5.0%
Quebec	**75,539**	**6.8%**	38,330	4.6%
Ontario	**481,543**	**43.4%**	365,598	43.8%
Manitoba	**46,127**	**4.1%**	36,600	4.4%
Saskatchewan	**59,452**	**5.3%**	43,842	5.3%
Alberta	**153,141**	**13.8%**	109,864	13.2%
British Columbia	**119,863**	**10.8%**	93,420	11.2%
Territories	**12,268**	**1.1%**	9,711	1.2%
Gross consumer loans receivable	**1,110,633**	**100.0%**	833,779	100.0%

Consumer Loans Receivable Portfolio by Loan Type

At the end of the periods, the Company's consumer loans receivable portfolio was allocated among the following loan types:

	December 31, 2019		December 31, 2018	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Unsecured Instalment Loans	**995,122**	**89.6%**	780,850	93.7%
Secured Instalment Loans	**115,511**	**10.4%**	52,929	6.3%
Gross consumer loans receivable	**1,110,633**	**100.0%**	833,779	100.0%

Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio and the performance of its easyhome business through potential monthly lease revenue. Potential monthly lease revenue reflects the lease revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments contractually due in that period but excludes revenue generated by certain ancillary products. Potential monthly leasing revenue is an important indicator of the future revenue generating potential of the Company's lease portfolio. Potential monthly leasing revenue is calculated as the number of lease agreements outstanding multiplied by the average required monthly lease payment per agreement. Growth in potential monthly lease revenue is driven by several factors including an increased number of customers, an increased number of leased assets per customer as well as an increase in the average price of the leased items.

The change in the potential monthly lease revenue during the periods was as follows:

	Three Months Ended		Year Ended	
($ in 000's)	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Opening potential monthly lease revenue	**8,432**	8,906	**9,141**	9,481
Change due to store opening or acquisitions during the period	**88**	-	**351**	131
Decrease due to store closures or sales during the period	**(7)**	(27)	**(397)**	(300)
Increase/(decrease) due to ongoing operations	**130**	262	**(452)**	(171)
Net change	**211**	235	**(498)**	(340)
Ending potential monthly lease revenue	**8,643**	9,141	**8,643**	9,141

Potential monthly lease revenue is calculated as follows:

	December 31, 2019	**December 31, 2018**
Total number of lease agreements	**91,206**	97,459
Multiplied by the average required monthly lease payment per agreement	**94.77**	93.79
Potential monthly lease revenue ($ in 000's)	**8,643**	9,141

Leasing Portfolio by Product Category

At the end of the periods, the Company's leasing portfolio as measured by potential monthly lease revenue was allocated among the following product categories:

($ in 000's except percentages)	December 31, 2019		December 31, 2018	
	$	% of total	$	% of total
Furniture	**3,917**	**45.3%**	4,144	45.3%
Electronics	**2,762**	**32.0%**	2,914	31.9%
Appliances	**1,050**	**12.1%**	1,051	11.5%
Computers	**914**	**10.6%**	1,032	11.3%
Potential monthly lease revenue	**8,643**	**100.0%**	9,141	100.0%

Leasing Portfolio by Geography

At the end of the periods, the Company's leasing portfolio as measured by potential monthly lease revenue was allocated among the following geographic regions:

($ in 000's except percentages)	December 31, 2019		December 31, 2018	
	$	% of total	$	% of total
Newfoundland & Labrador	**716**	**8.3%**	737	8.1%
Nova Scotia	**890**	**10.3%**	797	8.7%
Prince Edward Island	**149**	**1.7%**	146	1.6%
New Brunswick	**729**	**8.4%**	676	7.4%
Quebec	**576**	**6.7%**	579	6.3%
Ontario	**2,769**	**32.0%**	3,167	34.6%
Manitoba	**246**	**2.9%**	252	2.8%
Saskatchewan	**378**	**4.4%**	400	4.4%
Alberta	**1,307**	**15.1%**	1,353	14.8%
British Columbia	**883**	**10.2%**	934	10.2%
USA	**-**	**-**	100	1.1%
Potential monthly lease revenue	**8,643**	**100.0%**	9,141	100.0%

Leasing Charge-Offs

When easyhome enters into a leasing transaction with a customer, a sale is not recorded as the Company retains ownership of the related asset under the lease. Instead, the Company recognizes its leasing revenue over the term of the lease as payments are received from the customer. Periodically, the lease agreement is terminated by the customer or by the Company prior to the anticipated end date of the lease and the assets are returned by the customer to the Company. In some instances, the Company is unable to regain possession of the assets which are then charged-off. Net charge-offs (charge-offs less subsequent recoveries of previously charged-off assets) are included in the depreciation of lease assets expense for financial reporting purposes. easyhome leasing revenue is defined as the total revenue generated by the Company's easyhome business less the financial revenue generated by easyhome.

	Three Months Ended		**Year Ended**	
($ in 000's except percentages)	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Net charge-offs	**933**	1,097	**2,705**	4,230
Leasing revenue	**30,435**	31,985	**91,847**	130,091
Net charge-offs as a percentage of leasing revenue	**3.1%**	3.4%	**2.9%**	3.3%

Key Performance Indicators and Non-IFRS Measures

In addition to the reported financial results under IFRS and the metrics described in the Portfolio Analysis section of this MD&A, the Company also measures the success of its strategy using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Several non-IFRS measures that are used throughout this discussion are defined as follows:

Same Store Revenue Growth

Same store revenue growth measures the revenue growth for all stores that have been open for a minimum of 15 months. To calculate same store revenue growth for a period, the revenue for that period is compared to the same period in the prior year. Same store revenue growth is influenced by both the Company's product offerings as well as the number of stores which have been open for a 12-month to 36-month time frame, as these stores tend to be in the strongest period of growth at this time.

	Three Months Ended		Year Ended	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Same store revenue growth (overall)	**19.7%**	28.5%	**19.5%**	25.7%
Same store revenue growth (easyhome)	**6.2%**	7.1%	**4.3%**	6.4%

Operating Expenses Before Depreciation and Amortization

The Company defines operating expenses before depreciation and amortization as total operating expenses excluding depreciation and amortization expenses for the period. The Company believes that operating expenses before depreciation and amortization is an important measure of the efficiency of its operations.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2019** [1]	**December 31, 2018**	**December 31, 2019** [1]	**December 31, 2018**
Operating expenses before depreciation and amortization	**102,790**	90,369	**376,226**	334,471
Divided by revenue	**165,536**	138,160	**609,383**	506,191
Operating expenses before depreciation and amortization as % of revenue	**62.1%**	65.4%	**61.7%**	66.1%

[1] As described in the Adoption of IFRS 16 section in this MD&A, the Company adopted *IFRS 16, Leases* effective January 1, 2019. The adoption of IFRS 16 had an insignificant impact on net income in the three-month period and year ended December 31, 2019, however it did serve to reduce operating expenses before depreciation and amortization as well as operating expenses before depreciation and amortization expressed as a percentage of revenue.

Operating Margin

The Company defines operating margin as operating income divided by revenue for the Company as a whole and for its operating segments: easyhome and easyfinancial. The Company believes operating margin is an important measure of the profitability of its operations, which in turn assists it in assessing the Company's ability to generate cash to pay interest on its debt and to pay dividends.

($ in 000's except percentages)	Three Months Ended December 31, 2019[1]	Three Months Ended December 31, 2018	Year Ended December 31, 2019[1]	Year Ended December 31, 2018
easyfinancial				
Operating income	**53,345**	41,289	**189,137**	141,854
Divided by revenue	**130,005**	103,286	**470,208**	368,325
easyfinancial operating margin	**41.0%**	40.0%	**40.2%**	38.5%
easyhome				
Operating income	**6,500**	5,154	**24,839**	21,547
Divided by revenue	**35,531**	34,874	**139,175**	137,866
easyhome operating margin	**18.3%**	14.8%	**17.8%**	15.6%
Total				
Operating income	**46,483**	35,106	**168,793**	119,717
Divided by revenue	**165,536**	138,160	**609,383**	506,191
Total operating margin	**28.1%**	25.4%	**27.7%**	23.7%

[1] As described in the Adoption of IFRS 16 section in this MD&A, the Company adopted *IFRS 16, Leases* effective January 1, 2019. The adoption of IFRS 16 had an insignificant impact on net income in both the three-month period and year ended December 31, 2019, however it did serve to increase operating income and operating margin.

Adjusted Net Income and Adjusted Diluted Earnings Per Share

At various times, net income and diluted earnings per share may be affected by unusual items that have occurred in the period and impact the comparability of these measures with other periods. Items are considered unusual if they are outside of normal business activities, significant in amount and scope and are not expected to occur on a recurring basis. The Company defines i) adjusted net income as net income excluding such unusual and non-recurring items and ii) adjusted diluted earnings per share as diluted earnings per share excluding such items. The Company believes that adjusted net income and adjusted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items used to net income and earnings per share for the three-month period and year ended December 31, 2019 and 2018 include those indicated in the chart below:

($ in 000's except percentages)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net income as stated	**6,683**	15,887	**64,349**	53,124
After tax impact of Refinancing Costs[1]	**15,966**	-	**15,966**	-
Adjusted net income	**22,649**	15,887	**80,315**	53,124
After tax impact of convertible debentures	**677**	698	**2,698**	2,690
Fully diluted adjusted net income	**23,326**	16,585	**83,013**	55,814
Weighted average number of diluted shares outstanding	**16,108**	16,270	**16,062**	15,671
Diluted earnings per share as stated	**0.46**	1.02	**4.17**	3.56
Per share impact of normalized items	**0.99**	-	**1.00**	-
Adjusted diluted earnings per share	**1.45**	1.02	**5.17**	3.56

[1] During the fourth quarter of 2019, the Company repaid its 2022 Notes incurring a $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and EBITDA Margin

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization, excluding depreciation of leased assets. The Company uses EBITDA, among other measures, to assess the operating performance of its ongoing businesses. EBITDA margin is calculated as EBITDA divided by revenue.

($ in 000's except percentages)	Three Months Ended December 31, 2019 [1]	Three Months Ended December 31, 2018	Year Ended December 31, 2019 [1]	Year Ended December 31, 2018
Net income	**6,683**	15,887	**64,349**	53,124
Finance costs	**37,123**	12,811	**79,281**	45,800
Income tax expense	**2,677**	6,408	**25,163**	20,793
Depreciation and amortization, excluding depreciation of lease assets	**6,912**	2,741	**26,962**	11,915
EBITDA	**53,395**	37,847	**195,755**	131,632
Divided by revenue	**165,536**	138,160	**609,383**	506,191
EBITDA margin	**32.3%**	27.4%	**32.1%**	26.0%

[1] As described in the Adoption of IFRS 16 section in this MD&A, the Company adopted *IFRS 16, Leases* effective January 1, 2019. The adoption of IFRS 16 had an insignificant impact on net income in both the three-month period and year ended December 31, 2019, however it did serve to increase EBITDA and EBITDA margin.

Return on Assets

The Company defines return on assets as annualized net income in the period divided by average total assets for the period. The Company believes return on assets is an important measure of how total assets are utilized in the business.

($ in 000's except periods and percentages)	Three Months Ended December 31, 2019	December 31, 2019 (adjusted)	December 31, 2018	December 31, 2018 (adjusted)
Net income as stated	**6,683**	**6,683**	15,887	15,887
After tax impact of Refinancing Costs	**-**	**15,966**	-	-
Adjusted net income	**6,683**	**22,649**	15,887	15,887
Multiplied by number of periods in year	**X 4**	**X 4**	X 4	X 4
Divided by average total assets for the period	**1,279,634**	**1,279,634**	1,020,424	1,020,424
Return on assets	**2.1%**	**7.1%**	6.2%	6.2%

($ in 000's except periods and percentages)	Year Ended December 31, 2019	December 31, 2019 (adjusted)	December 31, 2018	December 31, 2018 (adjusted)
Net income as stated	**64,349**	**64,349**	53,124	53,124
After tax impact of Refinancing Costs	**-**	**15,966**	-	-
Adjusted net income	**64,349**	**80,315**	53,124	53,124
Divided by average total assets for the year	**1,175,803**	**1,175,803**	867,651	867,651
Return on assets	**5.5%**	**6.8%**	6.1%	6.1%

Return on Equity

The Company defines return on equity as annualized net income in the period divided by average shareholders' equity for the period. The Company believes return on equity is an important measure of how shareholders' invested capital is utilized in the business.

	Three Months Ended			
($ in 000's except periods and percentages)	**December 31, 2019**	**December 31, 2019 (adjusted)**	**December 31, 2018**	**December 31, 2018 (adjusted)**
Net income as stated	**6,683**	**6,683**	15,887	15,887
After tax impact of Refinancing Costs	**-**	**15,966**	-	-
Adjusted net income	**6,683**	**22,649**	15,887	15,887
Multiplied by number of periods in year	**X 4**	**X 4**	X 4	X 4
Divided by average shareholders' equity for the period	**334,980**	**334,980**	276,424	276,424
Return on equity	**8.0%**	**27.0%**	23.0%	23.0%

	Year Ended			
($ in 000's except periods and percentages)	**December 31, 2019**	**December 31, 2019 (adjusted)**	**December 31, 2018**	**December 31, 2018 (adjusted)**
Net income as stated	**64,349**	**64,349**	**53,124**	**53,124**
After tax impact of Refinancing Costs	**-**	**15,966**	**-**	-
Adjusted net income	**64,349**	**80,315**	**53,124**	**53,124**
Divided by average shareholders' equity for the year	**317,816**	**317,816**	**243,992**	**243,992**
Return on equity	**20.2%**	**25.3%**	**21.8%**	**21.8%**

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at December 31, 2019 and 2018.

($ in 000's, except for ratios)	December 31, 2019	December 31, 2018
Consumer loans receivable, net	**1,040,552**	782,864
Cash	**46,341**	100,188
Investment	**34,300**	-
Lease assets	**48,696**	51,618
Right-of-use assets	**46,147**	-
Property and equipment	**23,007**	21,283
Goodwill	**21,310**	21,310
Derivative financial assets	-	35,094
Intangible assets	**17,749**	14,589
Other assets	**40,520**	28,730
Total assets	**1,318,622**	1,055,676
External debt[1]	**859,126**	691,062
Lease liabilities	**52,573**	-
Derivative financial liabilities	**16,435**	-
Other liabilities	**58,067**	63,085
Total liabilities	**986,201**	754,147
Shareholders' equity	**332,421**	301,529
Total capitalization (external debt plus total shareholders' equity)	**1,191,547**	992,591
External debt to shareholders' equity	**2.58**	2.29
Net debt to net capitalization[2]	**0.71**	0.66
External debt to EBITDA	**4.39**	5.25

[1] External debt includes convertible debentures, loan from revolving credit facility, and notes payable

[2] Net debt is calculated as external debt less cash. Net debt to net capitalization is net debt divided by the sum of net debt and shareholders' equity.

Total assets were $1.3 billion as at December 31, 2019, an increase of $262.9 million or 24.9% compared to December 31, 2018. The increase was related primarily to: i) the $257.7 million increase in the net consumer loans receivable portfolio; ii) the adoption of IFRS 16 which resulted in a $46.1 million right-of-use asset being recognized as at December 31, 2019; and iii) the minority equity investment in PayBright for an aggregate price of $34.3 million partially offset by $53.8 million decrease in cash.

The $262.9 million growth in total assets was primarily financed by: i) a $168.1 million increase in external debt (principally the advances from revolving credit facility in 2019 amounting to $115 million and the issuance of US$550 million 2024 Notes offset partially by the refinancing of the US$475 million 2022 Notes); ii) the $30.9 million increase in total shareholder's equity, which was driven by earnings generated by the Company (offset partially by share buybacks under the Company's normal course issuer bid and dividends paid); and iii) the adoption of IFRS 16 which resulted in a $52.6 million lease liability being recognized as at December 31, 2019. While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of easyfinancial.

goeasy funds its business through a combination of equity and debt instruments. goeasy's common shares are listed for trading 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.

At December 31, 2019, the Company's external debt consisted of US$550 million of 2024 Notes, $44 million of Convertible Debentures (with net carrying values of $702.4 million and $41.7 million, respectively) and $115 million drawn against the Company's revolving credit facility. The borrowing limit under the revolving credit facility was $310 million, leaving $195 million in additional available borrowing capacity as at December 31, 2019.

Borrowings under the 2024 Notes bore a US$ coupon rate of 5.375%. Through a cross-currency swap agreement arranged concurrently with the offering of the US$550 million 2024 Notes in November 2019, the Company fixed the foreign exchange rate for the proceeds from the offering and for all required payments of principal and interest under these 2024 Notes, effectively hedging the obligation at $728.3 million with a Canadian dollar interest rate of 5.65%. These 2024 Notes are due on December 1, 2024.

Borrowings under the Convertible Debenture bear interest at 5.75%. The Convertible Debentures mature on July 31, 2022, and are convertible at the holder's option into common shares of the Company at a conversion price of $44.00 per share. During 2019, $7.0 thousand (2018 - $8.9 million) of convertible debentures had converted into 158 (2018 - 203,000) common shares.

Borrowings under the Company's revolving credit facility bear interest at either the BA rate plus 300 bps or Prime plus 200 bps at the option of the Company. The $115 million drawn against this revolving credit facility bear interest at the BA rate plus 300 bps. The revolving credit facility matures on February 12, 2022.

The average blended interest rate for the Company's debt as at December 31, 2019, was 5.6% down from 7.2% as at December 31, 2018.

During 2019, the Company entered into amendments to its revolving credit facility. The amendments increased the maximum principal amount available to be borrowed from $174.5 million in 2018 to $310 million and extended the maturity date from November 1, 2020, to February 12, 2022. As part of these amendments the cost of borrowing under the revolving credit facility was also reduced. Previously, interest on advances was payable at either the BA rate plus 450 bps or Prime rate plus 350 bps, at the option of the Company. Subsequent to these amendments, interest on advances is payable at either the BA plus 300 bps or Prime plus 200 bps, at the option of the Company.

Liquidity and Capital Resources

Summary of Cash Flow Components

($ in 000's)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash provided by operating activities before issuance of consumer loans receivable and purchase of lease assets	**71,063**	62,176	**296,175**	232,196
Net issuance of consumer loans receivable	**(112,342)**	(113,589)	**(415,069)**	(405,827)
Purchase of lease assets	**(12,055)**	(11,961)	**(36,975)**	(37,913)
Cash used in operating activities	**(53,334)**	(63,374)	**(155,869)**	(211,544)
Cash used in investing activities	**(4,439)**	(4,097)	**(45,128)**	(15,616)
Cash provided by financing activities	**74,391**	26,209	**147,150**	217,978
Net increase (decrease) in cash for the period	**16,618**	(41,262)	**(53,847)**	(9,182)

The Company provides loans to non-prime borrowers. The Company obtains capital which is treated as cash flows from financing activities and then advances funds to borrowers as loans which are treated as cash used in operating activities. When borrowers make loan payments this generates cash flow from operating activities and income over time. As such when the Company is growing its portfolio of consumer loans it will tend to use cash in operating activities.

Cash Flow Analysis for the Three Months Ended December 31, 2019

Cash used in operating activities for the three-month period ended December 31, 2019 was $53.3 million compared with $63.4 million in the same period of 2018. Included in cash used in operating activities for the three-month period ended December 31, 2019 were: i) a net investment of $112.3 million to increase the consumer loans receivable portfolio; and ii) the purchase of lease assets of $12.1 million. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $71.1 million for the three months ended December 31, 2019, up $8.9 million from the same period of 2018. The increase was driven by higher non-cash expenses such as bad debt expense, depreciation and Refinancing Costs relating to 2022 Notes offset partially by lower earnings.

During the fourth quarter of 2019, the Company generated $74.4 million in cash flow from financing activities. During the quarter, the Company issued US$550 million 2024 Notes and repaid the US$475 million 2022 Notes, which generated net proceeds of $79.8 million. In the same quarter, the Company received the net proceeds of $3.0 million from advances against the revolving credit facility. These inflows were partially offset by $4.4 million in dividend payments and the $4.1 million payment of lease liabilities.

During the fourth quarter of 2018, the Company generated $26.2 million in cash flow from financing activities. During this quarter the company issued 920,000 common shares, which generated net proceeds of $44.3 million. This inflow was partially offset by the $15.0 million repurchase of shares under the Company's Normal Course Issuer Bid and $3.1 million payment of dividends.

Cash Flow Analysis for the Year Ended December 31, 2019

Cash used in operating activities for the year ended December 31, 2019, was $155.9 million as compared to $211.5 million in the same period of 2018. Included in cash used in operating activities for the year ended December 31, 2019, were: i) a net investment of $415.1 million to increase the consumer loans receivable portfolio; and ii) the purchase of $37.0 million of lease assets. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $296.2 million for the year ended December 31, 2019, up $64.0 million from 2018. The increase was due to higher earnings and higher non-cash expenses such as bad debt expense, depreciation and Refinancing Costs relating to the 2022 Notes offset partially by lower level of working capital.

During the year, the Company used $45.1 million in investing activities compared to $15.6 million in prior year. The increase was primarily due to the investment of $34.3 million in PayBright and higher proceeds on sale of assets.

During the year, the Company generated $147.2 million in cash flow from financing activities. During the year, the Company issued US$550 million 2024 Notes and repaid the US$475 million 2022 Notes, which generated net proceeds of $79.8 million. In 2019, the Company received the net proceeds of $115 million from advances against the revolving credit facility. These inflows were partially offset by the $20.3 million repurchase of shares under the Company's Normal Course Issuer Bid, $16.7 million in dividend payments and the $15.7 million payment of lease liabilities.

In 2018, the Company generated $218.0 million in cash flow from financing activities primarily due to the Company's issuance of US$150 million 2022 Notes and $44.3 million in equity.

Outstanding Shares and Dividends

As at February 12, 2020, there were 14,354,462 common shares, 270,054 DSUs, 471,503 options, 392,966 RSUs, and no warrants outstanding.

Normal Course Issuer Bid

On December 18, 2019, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to commence December 20, 2019 (the "2019 NCIB"). Pursuant to the 2019 NCIB, the Company proposes to purchase, from time to time, if considered advisable, up to an aggregate of 1,038,269 Common Shares being approximately 10% of goeasy's public float as of December 9, 2019. As at December 9, 2019, goeasy had 14,346,709 Common Shares issued and outstanding, and the average daily trading volume for the six months prior to November 30, 2019, was 36,081. Under the 2019 NCIB, daily purchases will be limited to 9,020 Common Shares, representing 25% of the average daily trading volume, other than block purchase exemptions. The purchases were permitted to commence on December 20, 2019, and will terminate on December 19, 2020, or on such earlier date as the Company may complete its purchases pursuant to the 2019 NCIB. The 2019 NCIB will be conducted through the facilities of the TSX or alternative trading systems, if eligible, and will conform to their regulations. Purchases under the 2019 NCIB will be made by means of open market transaction or other such means as a security regulatory authority may permit, including pre-arranged crosses, exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority. The price that goeasy will pay for any Common Shares will be the market price of such shares at the time of acquisition, unless otherwise permitted under applicable rules. As at December 31, 2019, the Company had not cancelled any of its common shares pursuant to 2019 NCIB.

Previously, on November 8, 2018, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a NCIB to commence November 13, 2018, (the "2018 NCIB"). Pursuant to the 2018 NCIB, the Company proposed to purchase, from time to time, if considered advisable, up to an aggregate of 555,000 Common Shares, which represented approximately 5% of the Company's Public Float. As at October 30, 2018, the Company had 14,803,919 Common Shares issued and outstanding. Under the 2018 NCIB, daily purchases were limited to 9,052 Common Shares, other than block purchase exemptions. Under the 2018 NCIB, the Company was permitted to commence share repurchases on November 13, 2018, and the 2018 NCIB terminated on November 12, 2019. On February 25, 2019, the Company announced the acceptance by the TSX of the Company's amendment to the 2018 NCIB to increase the aggregate number of Common Shares that may be purchased to 887,000 Common Shares, which represented approximately 8% of the Company's Public Float as at October 30, 2018. On September 10, 2019, the Company announced the acceptance by the TSX of the Company's second amendment to the 2018 NCIB to increase the aggregate number of Common Shares that may be purchased to 1,108,000 Common Shares, which represented approximately 10% of the Common Shares issued and outstanding as at October 30, 2018. The purchases made by goeasy pursuant to the 2018 NCIB were effected through the facilities of the TSX, as well as alternative trading systems, and in accordance with the rules of the TSX. The price that the Company paid for any Common Shares was the market price of such shares at the time of acquisition. The Company did not purchase any Common Shares other than by open-market purchases. Under the 2018 NCIB, the Company completed the purchase for cancellation through the facilities of the TSX of 856,712 Common Shares at a weighted average price of $41.19 per Common Share for a total cost of $35.3 million.

During the year ended December 31, 2019, the Company repurchased and cancelled 458,260 (2018 – 398,452) of its Common Shares on the open market at an average price of $44.31 (2018 – $37.61) per share pursuant to 2018 NCIB for a total cost of $20.3 million (2018 – $15.0 million).

Dividends

During the quarter ended December 31, 2019, the Company paid a $0.31 per share quarterly dividend on outstanding common shares.

On February 20, 2019, the Company increased the dividend rate by 37.8% from $0.225 to $0.31. For the quarter ended December 31, 2019, the Company paid a $0.31 per share quarterly dividend on outstanding common shares. This dividend was paid on January 10, 2020. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. However, no dividends can be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

The following table sets forth the quarterly dividends paid by the Company in the fourth quarter of the years indicated:

	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Dividend per share	**$0.310**	**$ 0.225**	**$ 0.18**	**$ 0.125**	**$ 0.100**	**$ 0.085**	**$ 0.085**
Percentage increase	**37.8%**	**25.0%**	**44.0%**	**25.0%**	**17.6%**	**0.0%**	**0.0%**

Commitments, Guarantees and Contingencies

Commitments

The Company is committed to software maintenance, development and licensing service agreements, and operating leases for premises and vehicles. The undiscounted potential future lease payments for operating leases for premises and vehicles and the estimated operating costs related to technology commitments required for the next five years and thereafter are as follows:

($ in 000's)	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Premises	**16,863**	**35,254**	**6,309**
Vehicles	**965**	**2,043**	**124**
Technology commitments	**9,893**	**11,221**	**-**
Total contractual obligations	**27,721**	**48,518**	**6,433**

Contingencies

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance or cash flows.

The Company has agreed to indemnify its directors and officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

Risk Factors

Overview

The Company's activities are exposed to a variety of commercial, operational, financial and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Corporate Governance, Nominating and Risk Committee of the Board reviews the Company's risk management policies on an annual basis.

Strategic Risk

Strategic risk is the risk from changes in the business environment, fundamental changes in demand for the Company's products or services, improper implementation of decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape.

The Company's growth strategy is focused on easyfinancial. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional locations for easyfinancial, to grow its consumer loans receivable portfolio, to access customers through new delivery channels, to successfully develop and launch new products to meet evolving customer demands, to secure growth financing at a reasonable cost, to maintain profitability levels within the mature easyhome business and to execute with efficiency and effectiveness.

The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Market Risk

Macroeconomic Conditions

Certain changes in macroeconomic conditions, many of which are beyond the Company's control, can have a negative impact on its customers and its performance. The Company's primary customer segment is the non-prime consumer. These cash and credit constrained customers are affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower collection rates and result in higher charge-off rates and adversely affect the Company's performance, financial condition and liquidity. The Company can neither predict the impact current economic conditions will have on its future results, nor predict when the economic environment will change.

There can be no assurance that economic conditions will remain favorable for the Company's business or that demand for loans or default rates by customers will remain at current levels. Reduced demand for loans would negatively impact the Company's growth and revenues, while increased default rates by customers may inhibit the Company's access to capital, hinder the growth of the loan portfolio attributable to its products and negatively impact its profitability. Either such result could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

Interest Rate Risk

The Company's future success depends in part on its ability to access capital markets and obtain financing on reasonable terms. This is dependent on a number of factors, many of which the Company cannot control, including interest rates. Amounts due under the Company's credit facilities may bear interest at a variable rate. The Company may not hedge its interest rate risks and future changes in interest rates may affect the amount of interest expense the Company pays. Any increases in interest rates, or in the Company's inability to access the debt or equity markets on reasonable terms, could have an adverse impact on its financial condition, results of operations and growth prospects.

Foreign Currency Risk

The 2024 Notes are US$ denominated. In connection with the offering of the 2024 Notes, the Company entered into the cross-currency swap to fix the foreign exchange rate for the obligations of the 2024 Notes and for all required payments of principal and interest.

The Company sources some of its merchandise out of the U.S. and, as such, its Canadian operations have some U.S. denominated cash and payable balances. As a result, the Company has both foreign exchange transaction and translation risk. Although the Company has U.S. dollar denominated purchases, it has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. However, in periods of rapid change in the Canadian to U.S. dollar exchange rate, the Company may not be able to pass on such changes in the cost of purchased products to its customers, which may negatively impact its financial performance.

Competition

The Company estimates the size of the Canadian market for non-prime consumer lending, excluding mortgages, is approximately $231 billion. This demand is currently being met by a wide variety of industry participants that offer diverse products, including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product offering rather than providing consumers with multiple alternatives. As a result, the suppliers to the marketplace are quite diverse.

Competition in the non-prime consumer lending market is based primarily on access, flexibility and cost (interest rates). Consumers are generally able to transition between the different types of lending products that are available in the marketplace to satisfy their need for these different characteristics. The Company expects the competition for non-prime consumer lending in Canada will continue to shift for the foreseeable future. While traditional financial institutions are likely to decrease their risk tolerance and move farther away from non-prime lending, regional financial institutions such as credit unions, payday lenders, marketplace lenders and online lenders are expected to continue their expansion into the non-prime market.

The Company also faces direct competition in the Canadian market from other merchandise leasing companies. Other factors that may adversely affect the performance of the leasing business are increased sales of used furniture and electronics at online and at retail stores that offer a non-prime point-of-sale purchase financing option. Additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

The Company may be unable to compete effectively with new and existing competitors, which could adversely affect its revenues and results of operations. In addition, investments required to adjust to changing market conditions may adversely affect the Company's business and financial performance.

Credit Risk

Credit risk is the risk of loss that arises when a customer or third party fails to pay an amount owing to the Company.

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and lease assets with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of its customers and in circumstances where its policies and procedures are not complied with.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's Credit Committee comprised of members of senior management. Credit quality of the customer is assessed using proprietary credit scorecards and individual credit limits are defined in accordance with this assessment. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. The Company develops underwriting models based on the historical performance of groups of customer loans, which guide its lending decisions. To the extent that such historical data used to develop its underwriting models is not representative or predictive of current loan book performance, the Company could suffer increased loan losses.

The Company maintains an allowance for credit losses as prescribed by IFRS 9 and as described fully in the notes to the Company's financial statements for the period ending December 31, 2019. The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial conditions and is based on historical data, the underlying health and quality of the consumer loan portfolio at a point in time, and forward-looking indicators. To the extent that such inputs used to develop its allowance for credit losses are not representative or predictive of current loan book performance, the Company could suffer increased loan losses above and beyond those provided for on its financial statements.

The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced, and there is a risk that delinquency and loss rates could increase significantly and have a material adverse effect on the financial results of the Company.

The credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed-upon payments or in their not returning the leased asset. For amounts receivable from third parties, the risk relates to the possibility of default on amounts owing to the Company. The Company deals with credible companies, performs ongoing credit evaluations of debtors and creates an allowance on its financial statements for such uncollectible amounts.

The Company has established a Credit Committee and created processes and procedures to identify, measure, monitor and mitigate significant credit risks. However, to the extent that such risks go unidentified or are not adequately or expeditiously addressed by senior management, the Company and its financial performance could be adversely affected.

Liquidity and Funding Risk

Liquidity Risk

The Company has been funded through various sources, including the issuance of the Debentures, revolving Credit Facility, the 2024 Notes, and public market equity offerings. The availability of additional financing will depend on a variety of factors, including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

The Company has publicly stated that it intends to significantly expand its consumer lending business. To achieve this goal, the Company may require additional funds which can be obtained through various sources, including debt or equity financing. There can be no assurance, however, that additional funding will be available when needed or will be available on terms favorable to the Company. The inability to access adequate sources of financing, or to do so on favorable terms, may adversely affect the Company's capital structure and ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support the Company's business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The Company's capital structure consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

All of the Company's debt facilities must be renewed on a periodic basis. These facilities contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. The facilities also contain a number of covenants that require the Company to maintain certain specified financial ratios. Failure to meet any of these covenants could result in an event of default under these facilities which could, in turn, allow the lenders to declare all amounts outstanding to be immediately due and payable. In such a case, the financial condition, liquidity and results of the Company's operations could materially suffer.

The Company has been successful in renewing and expanding its credit facilities in the past to meet the needs of its growing easyfinancial business. If the Company is unable to renew these facilities on acceptable terms when they become due, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

Debt Service

The Company's ability to make scheduled payments on, or refinance its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to repay the principal and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, reduce its growth plans, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to obtain such alternative measures on commercially reasonable terms, or at all and, even if successful, those alternative actions may not allow it to meet its scheduled debt service obligations. The Company's credit agreements restrict its ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate any such dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all would materially and adversely affect its business, results of operations and financial condition. Failure to meet its debt obligations could result in default under its lending agreements. In the event of such default, the holders of such indebtedness could elect to declare all of the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. If the Company's operating performance declines, it may need to seek waivers from the holders of such indebtedness to avoid being in default under the instruments governing such indebtedness. If the Company breaches its covenants under its indebtedness, it may not be able to obtain a waiver from the holders of such indebtedness on terms acceptable to the Company or at all. If this occurs, the Company would be in default under such indebtedness, and the holders of such indebtedness could exercise their rights as described above and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. A default under the agreements governing certain of the Company's existing or future indebtedness and the remedies sought by the holders of such indebtedness could make the Company unable to pay principal or interest on the debt.

Debt Covenants

The agreements governing the Company's credit facilities contain restrictive covenants that may limit its discretion with respect to certain business matters. These covenants may place significant restrictions on, among other things, the Company's ability to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets. In addition, the agreements governing the Company's credit facilities may contain financial covenants that require it to meet certain financial ratios and financial condition tests.

If the Company fails to maintain the requisite financial ratios under the agreement governing its credit facilities, it will be unable to draw any amounts under the revolving credit facility until such default is waived or cured as required. In addition, such a failure could constitute an event of default under the Company's lending agreements entitling the lenders to accelerate the outstanding indebtedness thereunder unless such event of default is cured as required by the agreement. The Company's ability to comply with these covenants in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond its control.

The restrictions in the agreements governing the Company's credit facilities may prevent the Company from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with companies that are not similarly restricted. The Company may also incur future debt obligations that might subject it to additional restrictive covenants that could affect its financial and operational flexibility.

The Company's ability to comply with the covenants and restrictions contained in the agreement governing the Company's credit facilities may be affected by economic, financial and industry conditions beyond its control. The breach of any of these covenants or restrictions could result in a default under the agreements that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable (including terminating any outstanding hedging arrangements), together with accrued and unpaid interest, or cause cross-defaults under the Company's other debts. If the Company is unable to repay its secured debt, lenders could proceed against the collateral securing the debt. This could have serious consequences to the Company's financial condition and results of operations and could cause it to become bankrupt or insolvent.

Credit Ratings

The Company received credit ratings in connection with the issuance of its 2024 Notes. Any credit ratings applied to the 2024 Notes are an assessment of the Company's ability to pay its obligations. The Company is under no obligation to maintain any credit rating with credit rating agencies and there is no assurance that any credit rating assigned to the 2024 Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering, withdrawal or failure to maintain any credit ratings applied to the 2024 Notes may have an adverse effect on the market price or value and the liquidity of the 2024 Notes and, in addition, any such action could make it more difficult or more expensive for the Company to obtain additional debt financing in the future.

Operational Risk

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behaviour (including error and fraud, non-compliance with mandated policies and procedures or other inappropriate behaviour) or inadequacy, or the failure of processes, procedures or controls. The impact may include financial loss, loss of reputation, loss of competitive position or regulatory and civil penalties. While operational risk cannot be eliminated, the Company takes reasonable steps to mitigate this risk by putting in place a system of oversight, policies, procedures and internal controls.

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years, the Company has strengthened its hiring competencies and training programs.

In particular, the Company is dependent upon the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could have a material adverse impact on its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store and branch level, the Company requires a growing number of qualified managers and other store or branch personnel to successfully operate its expanding branch and store network. There is competition for such personnel, and there can be no assurances that the Company will be successful in attracting and retaining the personnel it may require. If the Company is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Outsource Risk

The Company outsources certain business functions to third-party service providers, which increases its operational complexity and decreases its control. The Company relies on these service providers to provide a high level of service and support, which subjects it to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements were not renewed or were terminated or the services provided to the Company were otherwise disrupted, the Company would have to obtain these services from an alternative provider. The Company may be unable to replace, or be delayed in replacing, these sources and there is a risk that it would be unable to enter into a similar agreement with an alternate provider on terms that it considers favorable or in a timely manner. In the future, the Company may outsource additional business functions. If any of these or other risks relating to outsourcing were realized, the Company's financial position, liquidity and results of operations could be adversely affected.

Fraud Risk

Employee error and employee and customer misconduct could subject the Company to financial losses or regulatory sanctions and seriously harm the Company's reputation. Misconduct by its employees could include hiding unauthorized activities, improper or unauthorized activities on behalf of customers or improper use of confidential information. It is not always possible to prevent employee error and misconduct, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. Employee error could also subject the Company to financial claims for negligence.

If the Company's internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured, exceeds applicable insurance limits or if insurance coverage is denied or not available, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Technology Risk

The Company is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially impact the Company's ability to enter into new lease or lending transactions and service or collect customer accounts. Although the Company has extensive information technology security and disaster recovery plans, such a failure, if sustained, could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Breach of Information Security

The Company's operations rely heavily on the secure processing, storage and transmission of confidential and sensitive customer and other information through its information technology network. Other risks include the Company's use of third-party vendors with access to its network that may increase the risk of a cyber security breach. Third-party breaches or inadequate levels of cyber security expertise and safeguards may expose the Company, directly or indirectly, to security breaches.

A breach, unauthorized access, computer virus, or other form of malicious attack on the Company's information security may result in the compromise of confidential and/or sensitive customer or employee information, destruction or corruption of data, reputational harm affecting customer and investor confidence, and a disruption in the management of customer relationships or the inability to originate, process and service the Company's leasing or lending portfolios which could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

To mitigate the risk of an information security breach, the Company regularly assesses such risks, has a disaster recovery plan in place and has implemented reasonable controls over unauthorized access. The store network and corporate administrative offices, including centralized operations, takes reasonable measures to protect the security of its information systems (including against cyber-attacks). The Chief Information Officer of the Company oversees information security. However, such a cyber-attack or data breach could have a material adverse effect on the Company and its financial condition, liquidity and results of operations.

Privacy, Information Security, and Data Protection Regulations

The Company is subject to various privacy and information security laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy and information security laws which may increase the Company's cost of compliance. While the Company has taken reasonable steps to protect its data and that of its customers, a breach in the Company's information security may adversely affect the Company's reputation and also result in fines or penalties from governmental bodies or regulators.

Risk Management Processes and Procedures

The Company has established a Risk Oversight Committee and created processes and procedures to identify, measure, monitor and mitigate significant risks to the organization. However, to the extent such risks go unidentified or are not adequately or expeditiously addressed by management, the Company could be adversely affected.

Compliance Risk

Internal Controls Over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company is also obligated to comply with the Form 52-109F2 Certification of interim filings and 52-109F1 Certification of annual filings of the Ontario Securities Commission, which requires the Company's CEO and CFO to submit a quarterly and annual certificate of compliance. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses including the salability or pricing of certain ancillary products which could have a material adverse effect on the Company.

Section 347 of the Criminal Code prohibits the charging of an effective annual rate of interest that exceeds sixty percent for an agreement or arrangement for credit advanced. The Company believes that easyfinancial is subject to section 347 of the Criminal Code and closely monitors any legislative activity in this area. The application of additional capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

While management of the Company is of the view that its merchandise leasing business does not involve the provision of credit, it could be determined that aspects of easyhome's merchandise leasing business are subject to the Criminal Code. The Company has implemented measures to ensure that the aggregate of all charges and expenses under its merchandise lease agreement do not exceed the maximum interest rate allowed by law. Where aspects of easyhome's business are subject to the Criminal Code, and the Company has not complied with the requirements thereof, the Company could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers, and damages and (2) criminal prosecution for violation of the Criminal Code, any of which outcomes could have a material adverse effect on the Company.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions.

easyfinancial is subject to minimal regulatory capital requirements in connection with its operations in Saskatchewan. Otherwise, the Company operates in an unregulated environment with regard to capital requirements.

Accounting Standards

From time to time the Company may be subject to changes in accounting standards issued by accounting standard-setting bodies, which may affect the Company's financial statements and reduce its reported profitability.

Legal and Reputational Risk

Reputation

The Company's reputation is very important to attracting new customers to its platform, securing repeat lending to existing customers, hiring the best employees and obtaining financing to facilitate the growth of its business. While the Company believes that it has a good reputation and that it provides customers with a superior experience, there can be no assurance that the Company will continue to maintain a good relationship with customers or avoid negative publicity.

In recent years, consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on non-bank consumer loans. Such consumer advocacy groups and media reports generally focus on the annual percentage rate for this type of consumer loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories. The finance charges the Company assesses can attract media publicity about the industry and be perceived as controversial. Customer's acceptance of the interest rates the Company charges on its consumer loans receivable could impact the future rate of the growth. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, the Company could become subject to more restrictive laws and regulations applicable to consumer loan products that could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

The Company's ability to attract and retain customers is highly dependent upon the external perceptions of its level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters — even if related to seemingly isolated incidents, or even if related to practices not specific to short-term loans, such as debt collection — could erode trust and confidence and damage the Company's reputation among existing and potential customers, which would make it difficult to attract new customers and retain existing customers, significantly decrease the demand for the Company's products, result in increased regulatory scrutiny, and have a material adverse effect on the Company's business, prospects, results of operations, financial condition, ability to raise growth capital or cash flows.

The Company's former U.S. franchisees and certain other persons operate a lease-to-own business within the U.S. Although the Company does not own these businesses, their use of the easyhome name could adversely affect the Company if these third parties receive negative publicity or if external perceptions of these third parties' levels of service, trustworthiness or business practices are negative.

Litigation

From time to time and in the normal course of business, the Company may be involved in material litigation or may be subject to regulatory actions. There can be no assurance that any litigation or regulatory action in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations. Lawsuits or regulatory actions could cause the Company to incur substantial expenditures, generate adverse publicity and could significantly impair the Company's business, force it to cease doing business in one or more jurisdictions or cause it to cease offering one or more products.

The Company is also likely to be subject to further litigation and communications with regulators in the future. An adverse ruling or a settlement of any current or future litigation or regulatory actions against the Company or another lender could cause the Company to have to refund fees and/or interest collected, forego collections of the principal amount of loans, pay multiple damages, pay monetary penalties and/or modify or terminate its operations in particular jurisdictions. Defense of any lawsuit or regulatory action, even if successful, could require substantial time and attention of the Company's management and could require the expenditure of significant amounts for legal fees and other related costs.

Possible Volatility of Stock Price

The market price of the Common Shares, similar to that of many other Canadian (and indeed worldwide) companies, has been subject to significant fluctuation in response to numerous factors, including significant shifts in the availability of global credit, swings in macro-economic performance due to volatile shifts in oil prices and unexpected natural disasters, concerns about the global economy and potential recession, economic shocks such as the 2015 decline in oil prices and the related impact on the Canadian economy, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of shares for future sale (including shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the Common Shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without significant dilution to existing shareholders.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

The Company's critical Accounting Estimates are as described in the December 31, 2019 notes to the consolidated financial statements.

Adoption of New Accounting Standards

On January 1, 2019, the Company adopted IFRS 16, the impact of which has been described below and in the notes to the Company's consolidated financial statements for the year ended December 31, 2019.

Adoption of IFRS 16

IFRS 16 supersedes IAS 17, *Leases* ("IAS 17"), IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor such as the Company's easyhome merchandise leasing business.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, comparative figures for 2018 were not restated and the cumulative effect of initially applying the standard was recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

Impact of Adoption of IFRS 16

The following table summarizes the transition adjustment required to adopt IFRS 16 as at January 1, 2019.

($ in 000's)	Carrying amount under previous accounting standards as at December 31, 2018	Transition Adjustment	IFRS 16 carrying amount as at January 1, 2019
Right-of-use asset	**-**	**41,763**	**41,763**
Deferred tax asset	**9,445**	**1,244**	**10,689**
Lease liabilities	**-**	**47,523**	**47,523**
Deferred lease inducements	**1,234**	**(1,234)**	**-**
Retained earnings	**143,710**	**(3,282)**	**140,428**

The Company has lease contracts for various premises and vehicles. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease under IAS 17. In such operating leases, the leased property was not capitalized, and the lease payments were recognized as rent expense in the statement of income on a straight-line basis over the lease term.

Upon the adoption of IFRS 16, the Company reviewed all operating leases under IAS 17, except for short-term leases (generally defined as those with a term of less than 12 months). The IFRS 16 standard provides specific exemptions for such short-term leases and hence the accounting for those leases did not change. The Company also applied the available practical expedients whereby the Company:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In accordance with IFRS 16, the Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases.

The right-of-use assets for leases recognized as at the January 1, 2019 date of adoption is the net carrying amount for the leases assuming that the standard had always been applied. The net carrying amount of the right-of-use assets are measured at the amount of lease liabilities at the date of the lease inception and recognized as if the standard had always been applied, less any accumulated depreciation (from the lease inception to the January 1, 2019 date of adoption) and less any lease incentives received. As such the deferred lease inducements previously reported on the statements of financial position are effectively netted against the right-of-use assets. The lease liabilities were recognized based on the present value of the remaining lease payments as at January 1, 2019, discounted using the incremental borrowing rate on leases at the date of initial application. As mentioned above, the difference between the right-of-use asset and lease liabilities recognized at the date of initial application was recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019.

The lease liability is derived by discounting the lease payments to which the Company is committed (but excluding variable lease payments such as property tax and common area maintenance charges on property leases and short-term leases as allowed under IFRS 16), at the average incremental borrowing rate of the leases.

Accounting Policies under IFRS 16

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized at the inception of the lease, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, plus variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments (such as common area maintenance costs or property taxes) that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate on leases at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the premises for additional terms of one to ten years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e., a change in business strategy).

Impact on the Statements of Income

The net effect of adopting IFRS 16 on the statements of income is to decrease operating expenses before depreciation and amortization while increasing depreciation and amortization and financing costs with an insignificant impact on net income. By extension this will result in earnings before interest, income tax, depreciation and amortization (EBITDA) increasing as the depreciation of the right-of-use assets and interest on the lease liability is excluded from this measure. Operating income will also increase as the interest on the lease liability is excluded from this measure. The adoption of IFRS 16 has no impact on the cash flows of the Company. For the three-month period and year ended December 31, 2019, the adoption of IFRS 16 decreased net income by $2 thousand and $13 thousand, respectively as set out below.

The following table presents a comparison of the financial results for the three-month period and year ended December 31, 2019 estimated under the previous accounting standard (IAS 17) against the financial results for the comparable periods in 2018 as reported.

	Three Months Ended			
($ in 000's except earnings per share and percentages)	**December 31, 2019 (as reported)**	**IFRS 16 Adjustments**	**December 31, 2019 (estimated under previous accounting standard [1])**	**December 31, 2018 (as reported)**
Summary Financial Results				
Revenue	**165,536**	**-**	**165,536**	138,160
Operating expenses before depreciation and amortization	**102,790**	**4,585**	**107,375**	90,369
Depreciation and amortization expense	**16,263**	**(3,931)**	**12,332**	12,685
Operating income	**46,483**	**(654)**	**45,829**	35,106
Finance costs	**37,123**	**(656)**	**36,467**	12,811
Income before income taxes	**9,360**	**2**	**9,362**	22,295
Income tax expense	**2,677**	**-**	**2,677**	6,408
Net income	**6,683**	**2**	**6,685**	15,887
Adjusted net income	**22,649**	**2**	**22,651**	15,887
Diluted earnings per share	**0.46**	**-**	**0.46**	1.02
Adjusted earnings per share	**1.45**	**-**	**1.45**	1.02
EBITDA[2]	**53,395**	**(4,585)**	**48,810**	37,847
EBITDA margin[2]	**32.3%**	**(2.8%)**	**29.5%**	27.4%
Operating margin[2]	**28.1%**	**(0.4%)**	**27.7%**	25.4%
Return on equity[2]	**8.0%**	**-**	**8.0%**	23.0%
Adjusted return on equity[2]	**27.0%**	**-**	**27.0%**	23.0%

($ in 000's except earnings per share and percentages)	Year Ended December 31, 2019 (as reported)	IFRS 16 Adjustments	December 31, 2019 (estimated under previous accounting standard [1])	December 31, 2018 (as reported)
Summary Financial Results				
Revenue	**609,383**	**-**	**609,383**	506,191
Operating expenses before depreciation and amortization	**376,226**	**17,650**	**393,876**	334,471
Depreciation and amortization expense	**64,364**	**(15,199)**	**49,165**	52,003
Operating income	**168,793**	**(2,451)**	**166,342**	119,717
Finance costs	**79,281**	**(2,464)**	**76,817**	45,800
Income before income taxes	**89,512**	**13**	**89,525**	73,917
Income tax expense	**25,163**	**-**	**25,163**	20,793
Net income	**64,349**	**13**	**64,362**	53,124
Adjusted net income	**80,315**	**13**	**80,328**	53,124
Diluted earnings per share	**4.17**	**-**	**4.17**	3.56
Adjusted earnings per share	**5.17**	**-**	**5.17**	3.56
EBITDA[2]	**195,755**	**(17,650)**	**178,105**	131,632
EBITDA margin[2]	**32.1%**	**(2.9%)**	**29.2%**	26.0%
Operating margin[2]	**27.7%**	**(0.4%)**	**27.3%**	23.7%
Return on equity[2]	**20.2%**	**-**	**20.2%**	21.8%
Adjusted return on equity[2]	**25.3%**	**-**	**25.3%**	21.8%

[1] This represents a non-IFRS measure and reflects the financial results for the year ended December 31, 2019 estimated under the previous accounting standard.

[2] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

Internal Controls

Disclosure Controls and Procedures ("DC&P")

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to various securities regulators is recorded, processed, summarized and reported within the time periods specified in applicable Canadian securities laws and include controls and procedures designed to ensure that information required to be disclosed in the Company's filings or other reports is accumulated and communicated to the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), so that timely decisions can be made regarding required disclosure.

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that the design of the system of the Company's disclosure controls and procedures were effective as at December 31, 2019.

Internal Controls over Financial Reporting ("ICFR")

ICFR is a process designed by, or under the supervision of, senior management, and effected by the Board of Directors, management and other personnel, to provide reasonable assurances regarding the reliability of financial reporting and preparation of the Company's consolidated financial statements in accordance with IFRS.

The Company's internal control over financial reporting framework includes those policies and procedures that:

(i) Pertain to the maintenance of records that, in reasonable details, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Management is responsible for establishing and maintaining ICFR and designs such controls to attempt to ensure that the required objectives of these internal controls have been met. Management uses the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance and may not prevent or detect all misstatements as a result of, among other things, error or fraud. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and/or procedures may deteriorate.

Changes to ICFR during 2019

No changes were made in our internal control over financial reporting during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. On January 1, 2019, the Company adopted IFRS 16 and have updated and modified certain processes and internal controls over financial reporting as a result of this new accounting standard.

Evaluation of ICFR at December 31, 2019

As at December 31, 2019, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2019.