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

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**Date: November 6, 2013**

The following Management's Discussion and Analysis ["MD&A"] presents an analysis of the financial condition of easyhome Ltd. and its subsidiaries [collectively referred to as "easyhome" or the "Company"] as at September 30, 2013 compared to September 30, 2012, and the results of operations for the three and nine month periods ended September 30, 2013 compared with the corresponding periods of 2012. This MD&A should be read in conjunction with the Company's 2012 audited consolidated financial statements and the related notes and MD&A and the Company's interim condensed consolidated financial statements and the related notes for the three and nine month periods ended September 30, 2013. The financial information presented herein has been prepared under International Financial Reporting Standards ["IFRS"], unless otherwise noted. All dollar amounts are in Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the Company's 2012 annual MD&A: Commitments, Guarantees and Contingencies, Transactions with Related Parties, Risk Factors, Critical Accounting Estimates and Adoption of New Accounting Standards.

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 of 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.easyhome.ca*.

## Caution Regarding Forward Looking Statements

This MD&A includes forward-looking statements about easyhome, 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, targets for growth of the consumer loans receivable portfolio, annual revenue growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. 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 'expects', 'anticipates', 'intends', 'plans', 'believes', 'budgeted', 'estimates', 'forecasts', 'targets' 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 the Company's operations, economic factors and the industry generally, as well as those factors referred to in the section entitled "Risk Factors". 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 the Company, due to, but not limited to important factors such as the Company's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, secure new franchised locations, purchase products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favourable terms, 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. The Company cautions that the foregoing list is not exhaustive.

The reader is cautioned to consider these and other factors carefully and not 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

easyhome Ltd. is the Canadian leader in providing goods and financial services to the cash and credit constrained consumer. easyhome Ltd. serves its customers through two key operating divisions, easyhome Leasing and easyfinancial.

The activities of both easyhome Leasing and easyfinancial are governed by federal laws which set a maximum rate of interest and by the various consumer disclosure acts that exist in each province. As the Company does not offer pay-day loans and does not accept customer deposits, it is not subject to pay-day loan legislation or the rules set out for banks by the Office of the Superintendent of Financial Institutions.

### Overview of easyhome Leasing

The oldest and largest segment of easyhome's business is merchandise leasing, with an option to purchase, top-quality, brand name household furnishings, appliances and home electronic products to consumers under weekly or monthly agreements. The Company's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers and who are attracted to a leasing transaction that does not involve a credit check, does not require an initial down payment, includes delivery and set up and offers them the flexibility to terminate the arrangement at any time. These consumers may not be able to purchase merchandise because of a lack of credit or insufficient cash resources, who have a short-term or otherwise temporary need for the merchandise, or who simply want to use the merchandise, with no long-term obligation, before making a purchase decision.

Customers who wish to lease merchandise with an option to purchase from easyhome are required to enter into easyhome's standard form merchandise leasing agreement (a "Merchandise Lease Agreement"). The Merchandise Lease Agreement provides that the customer will lease merchandise for a set term and make periodic payments on a weekly or monthly basis. Generally, customers are required to make an initial up-front lease payment and thereafter the periodic payments are collected in advance for each payment period. If the customer makes all of the periodic payments throughout the lease term, he or she will obtain ownership of the merchandise. In addition, at specified times during the term of a Merchandise Lease Agreement, customers can exercise an option to purchase the leased merchandise at a predetermined price. easyhome maintains ownership of its merchandise unless and until this purchase option is exercised. Ultimately easyhome customers have the flexibility to return the merchandise at any time without any further obligations.

easyhome Leasing operates through corporately owned stores located across Canada and through a network of franchised locations in both Canada and the United States. The franchising business is built around the same principles of operational excellence as the Company's corporate stores and both corporate and franchised stores utilize common marketing programs, operating procedures and support and administrative infrastructures.

**Overview of easyfinancial**

easyfinancial is the Company's financial services arm, offering installment loans and other ancillary financial services. easyfinancial offers unsecured, installment loans in amounts from $500 to $5,000 for 6 to 36 month terms with bi-weekly, semi-monthly and monthly repayment options. Customers can choose to repay the entire loan balance at any time during the term without penalty. As a credit reporting lender, easyfinancial positions its loan products as a vehicle to help rebuild credit and provide access to the cash and credit constrained consumer.

easyfinancial is a logical complement to easyhome's Leasing business, leveraging the resources of its parent and its expertise in transacting with a similar customer segment.

easyfinancial's loans occupy a critical niche in the marketplace, bridging the gap between traditional financial institutions and costly pay-day lenders. Traditional financial institutions are unable to effectively 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. These same consumers are not willing to accept the high fees and onerous repayment terms imposed on them by pay-day lenders for access to credit solutions that they require to deal with unforeseen financial situations. easyfinancial's products appeal to these cash and credit constrained consumers who are looking for alternatives.

The Company believes that there is significant demand for the products offered by easyfinancial in the Canadian marketplace. Historically, the consumer demand for these loans was satisfied by the consumer lending arms of several large, international financial institutions. Since 2009, many of the largest participants in this market have either closed their operations or dramatically reduced their size due to changes in banking regulations related to risk adjusted capital reserves, leaving easyfinancial as the only national participant with growth aspirations. The Company estimates that the historic Canadian market for unsecured consumer installment loans, consistent with the products offered by easyfinancial, was in excess of $1.5 billion and that this market was serviced by over 600 retail locations.

The easyfinancial business was initially developed using a kiosk that was physically located within an existing easyhome Leasing location. In 2011 to better meet customer demand for its products, the Company determined that the easyfinancial business would scale more successfully by operating out of stand-alone locations that were physically separated from the easyhome Leasing stores. These larger and higher capacity stand-alone locations also exhibited a more rapid growth trajectory. The first easyfinancial stand-alone location was opened in July 2011. Going forward, future location growth will be focused on stand-alone locations which will also free up retail showroom space at the Leasing stores.

The Company recognizes that the loan products it offers to consumers carry a higher risk of default than the loan products offered by traditional banks and, as such, the Company will incur a higher level of delinquencies and charge offs but that this will be offset by the higher yield generated on the consumer loans receivable. To assist with the management of this risk, the Company has developed proprietary underwriting practices and credit scoring models that have been developed using the historical performance of its portfolio. The Company continuously enhances these practices and scoring models to make better lending decisions, with a goal of maximizing total returns.

## Corporate Strategy

The Company is committed to being the Canadian leader in providing goods and financial services to the cash and credit constrained consumer. To maintain this position, the Company must continuously evolve to meet the needs of its chosen consumer segment. Additionally, the Company must focus on maintaining its competitive advantage by capitalizing on the key aspects of each business unit, including brand awareness, superior customer service and its cross-country retail network. Cost efficiencies through economies of scale and shared cost services will further contribute to the Company's ability to contend with competitive activities in the marketplace.

To achieve this long-term goal, the Company has three key business priorities:

- Evolving the delivery channels to better meet the needs of its customers
- Expanding the size and scope of easyfinancial
- Executing with efficiency and effectiveness

### Evolving the Delivery Channels

Historically, all of easyhome's interactions with its leasing and financial services customers have occurred at a physical retail location. Internet access and mobile technology, however, are changing the way that businesses interact with their customers. Additionally, the rapid speed in which information can now be shared has provided consumers with greater knowledge that they can use to search out alternatives.

While easyhome's business units have had an online presence for many years, it has been purely informational. In 2013, transactional websites were launched by both easyhome Leasing for the leasing of new furniture, appliances and electronics, and easyfinancial for securing consumer installment loans. These new delivery channels allow the Company to reach consumers who may not have access to a physical location or those who prefer to interact through the privacy and convenience of the internet. Further optimization of these channels will be achieved through ongoing analysis of transactional performance data and the enhancement of the transactional websites.

As a further means of responding to consumer demand and capturing growth, easyfinancial will also evolve its delivery channels by exploring indirect lending. Indirect lending involves creating partnerships with merchants, both online and offline, to provide financing for their customers who do not qualify for traditional credit products offered by these merchants. Under such a delivery channel, these customers will be given the option of applying for a loan through easyfinancial at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner. Lastly, effective centralized support services will ensure a superior customer experience by providing just in time support to the indirect lending channel backed by a fully integrated, real-time CRM platform.

The easyhome Leasing business will complement this expansion into indirect lending. Consumer loans made by easyfinancial to consumers for the purchase of product categories that are similar to those offered by easyhome Leasing will be secured by the purchased merchandise. In the event that the loan goes into default, the goods can be repossessed and the value of these recovered goods can be realized by leasing or selling the assets through the easyhome Leasing infrastructure. In this manner, the Company can better manage its risk and has a significant competitive advantage over potential competitors that lack a viable outlet for realizing against the security.

### Expanding the Size and Scope of easyfinancial

In addition to evolving its delivery channels, the Company will continue to focus on expanding the size and scope of easyfinancial. The Company believes that there is significant demand for the products offered by easyfinancial in the Canadian marketplace and that a large portion of this demand is currently not being satisfied.

The Company has made significant investments in its processes and infrastructure to position its easyfinancial business for long-term sustainable growth, including making the following key enhancements:

- Outside experts were engaged by the Company to evaluate all of the key easyfinancial control processes and make recommendations on industry best practices. All of the opportunities identified by these experts have been addressed.
- The Company has developed an internal competence in evaluating and managing credit risk. Using leading edge, data-driven modeling and analytical techniques, underwriting and credit adjudication rules were enhanced with the goal of balancing throughput and charge offs to optimize returns.
- An industry standard banking platform was implemented to ensure that the loan portfolio could be appropriately managed and information could be securely maintained on a scaleable infrastructure.
- The easyfinancial management team was enhanced through the recruitment of senior managers with broad experience in the financial services and mobile technology industries.
- Through a combination of equity offerings, debt offerings and renegotiation of existing lending relationships, the Company secured the necessary capital to fund the expected growth for the near-term. The continued successful growth of the easyfinancial portfolio and the strengthened balance sheet should provide for access to further levels of capital in the future at reduced costs.

Unlike easyhome Leasing, the retail footprint of easyfinancial is not yet mature and requires expansion. The Company estimates that its retail footprint for easyfinancial could expand to over 250 locations. The Company is responding to this opportunity by strategically adding new stand-alone locations. In addition to providing more convenient access to the customers that wish to transact in a physical retail environment, the critical mass of physical locations will strengthen the Company's financial services brand, establishing easyfinancial as a leader in providing financing solutions to consumers who are looking for an alternative to traditional banks and pay-day lenders.

Over the long-term, the Company expects the operating margin of its easyfinancial business unit to exceed 35% (before any allocation of indirect corporate costs, interest and taxes). This operating margin, however, will be muted in periods of rapid expansion. Additional easyfinancial store openings will provide a drag on margins as the relatively fixed cost base of a new location in the months after opening will be disproportionately large until the consumer loans receivable portfolio for that location has grown to a sufficient size to generate larger revenues. The Company will continue to make investments in technology as it develops the required platforms for the new delivery channels. Additionally, the Company will make greater investments in marketing and advertising expenditures, particularly in electronic media, that will drive further growth of the portfolio, but will increase the expense load in the periods where such marketing and advertising occurs.

The expansion of easyfinancial will also be aided by the introduction of complementary financial products. The Company has a stated goal of being the Canadian leader in providing goods and financial services to the cash and credit constrained consumer. The Company intends to build out a suite of products that can ladder a customer from establishing credit to home ownership. In cases where the Company has the expertise and resources to offer these products directly, it will do so. In other cases, it will look to partner with primary providers of these products and offer such products to the Company's customers under a commission or fee type arrangement.

**Executing with Efficiency and Effectiveness**

The Company believes that the products and services presented to its customers are clearly differentiated from its competitors. easyhome Leasing has established itself as the Canadian market leader by providing a more inviting retail experience than its direct competitors, providing consumers with the guaranteed lowest weekly payment rates, and by employing more engaged and better trained retail associates. easyfinancial provides consumers with a financing alternative that is less costly than pay-day loans and quicker and more convenient than traditional banks, all in an inviting retail or electronic environment.

To meet the demands of its customers and to maximize the profitability of the overall business, the Company will continue to focus on improving its level of execution across all areas of the business.

*Offer High Levels of Customer Service and Satisfaction*

Customer retention is of paramount importance. Frequent and positive customer interactions encourage repeat business and provide high levels of service and satisfaction. As part of its effort to provide superior customer service, the Company offers quick delivery of its merchandise and rapid loan decisions and funding. The Company believes that competent, knowledgeable and motivated personnel are necessary in order to achieve high levels of customer service and satisfaction. Accordingly, the Company has intensive employee training programs, as well as performance measurement programs, incentive driven compensation plans and other tools, in order to drive a positive customer experience and ensure customer retention.

*Increase Store Level Efficiency*

Although the Company will pursue the previously described methods to encourage customer retention and growth, it must also aggressively manage all discretionary spending. Supplier relationships and economies of scale will be leveraged to reduce overall costs. Idle inventory levels within its stores will be maintained at optimum levels, balancing the need to provide customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, especially labour, will be tightly controlled through centrally established thresholds, allowing spending to occur only when it will result in improved revenues. In addition, the Company will remediate and, if necessary, close underperforming stores, merging their portfolios with other nearby locations.

*Utilize Data Analysis as a Competitive Advantage*

The Company has a tremendous volume of customer data that it has gained from years of operating its merchandise leasing and consumer lending businesses. The Company has made significant investments in information technology to safeguard the privacy of this data and also to allow the business to analyze this data to make better business decisions. The intelligent use of this data and analysis will allow easyfinancial to continually enhance its underwriting practices and credit scoring models to make better lending decisions. It will allow easyhome Leasing to better understand the retention patterns of its customers and develop marketing and customer relationship programs that are tailored to each customer’s needs while maximizing profitability to the Company.

*Leverage the Synergies of Both Business Units*

The easyhome Leasing and easyfinancial businesses offer different products to a common customer segment and share many operational practices such as customer relationship management, collections and contract administration. Historically, and as is common with both industries, these practices have been performed by each business unit at the local operating store level. While this approach results in more direct contact with customers, it makes it difficult to foster best practices and achieve economies of scale.

In the fourth quarter of 2013, the Company opened a new Shared Service Centre to provide operational support for both business units in areas such as collections, customer retention and customer care to support the new delivery channels that do not operate with a dedicated local presence. The Company believes that this hybrid structure will allow local operators to continue to provide a strong level of service directly to their customers, and will enable many administrative and support functions to be performed at a reduced cost, employing best practices. Going forward, additional opportunities for providing coordinated operational support for all business units will be explored.

*Continue to Invest in New Technologies*

As indicated previously, the Company has made significant investments in technology over the past several years to provide easyfinancial with a scalable platform on which to support significant future growth and to allow new delivery channels to be accessed. This investment in new technologies will continue into the future as the Company evolves its delivery channels and expands the size and scope of easyfinancial. Investments in new technology will also be made to provide the operators and support staff with additional tools so that they can better service their customers and obtain greater levels of efficiency.

## 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 of 2013 Targets

The Company's 2013 targets and assumptions were originally announced on November 12, 2012 in the Company's Third Quarter 2012 financial results news release. The Company has revised its guidance for fiscal 2013 as follows:

| | Revised Targets for 2013 | Original Targets for 2013 | Explanation for Change in Targets |
|---|---|---|---|
| New easyhome Leasing stores opened in year | | | |
| • Corporately owned stores | **-** | - | No change. |
| • Franchise stores that are consolidated for financial statement purposes | **1** | 3 - 4 | Available capital was allocated to easyfinancial. |
| • Franchise stores | **3** | 3 - 5 | No change. |
| New easyfinancial locations opened in year | **30 - 35** | 25 - 35 | Earlier in the year, the opening of new locations was timed to the availability of capital. Additional debt funding was secured in June 2013 followed by an equity offering to be completed in November 2013. |
| Gross consumer loans receivable portfolio at year end | **$100 - $105 million** | $90 - $100 million | Greater investments in on-line marketing spend to drive new customers to the business. |
| Total revenue growth | **8 – 12%** | 8 – 12 % | No change. |

### 2014 Targets

Looking to 2014, easyhome's strategic focus remains unchanged. The Company will focus on evolving its delivery channels, expanding the size and scope of easyfinancial and executing with efficiency and effectiveness.

The following table outlines the Company's targets for 2014 and provides the material assumptions used to develop such forward-looking statements. In addition to targets on new store openings and revenue growth, the Company has provided additional targets specific to the easyfinancial business as this business unit has a relatively short history and is going through a period of rapid expansion. These targets are inherently subject to risks which are identified in the following tables, as well as those risks referred to in the section entitled "Risk Factors".

| | Targets for 2014 | Assumptions | Risk Factors[1] |
|---|---|---|---|
| New easyhome Leasing stores opened in year<br>• Corporate owned stores | **-** | • The Company will focus on maximizing profitability at its existing locations. | • Retail business conditions are assumed to be unchanged from 2013. If these business conditions show marked improvement and consumer confidence levels increase, the Company will consider opening additional corporate stores. |
| • Franchise stores that are consolidated for financial statement purposes | **2** | • Consistent with the rate of growth experienced over the past several years.<br>• The performance trends of franchise stores within this group remain consistent. | • The Company's ability to recruit appropriately skilled franchise operators.<br>• The performance of franchise stores within this group. |
| • Franchise stores | **3** | • Consistent with the rate of growth experienced over the past several years. | • Finding suitable franchise candidates with sufficient financial resources. |
| New easyfinancial locations opened in year | **30 - 35** | • The new capital secured in 2013 will allow the Company to more aggressively expand the easyfinancial retail presence.<br>• Virtually all new locations will operate as stand-alone branches. | • The earnings drag from newly opened locations is within acceptable levels.<br>• The Company's ability to secure new real estate and experienced personnel.<br>• Continued access to capital. |
| Gross consumer loans receivable portfolio at year end | **$145 - $155 million** | • The new store opening plan and the development of new delivery channels occur as expected.<br>• Increased expenditures on marketing and advertising within the easyfinancial business unit. | • Retail business conditions are assumed to be within normal parameters with respect to consumer demand and margins.<br>• The Company's ability to secure new real estate and experienced personnel.<br>• Continued access to capital. |
| Total revenue growth | **10 – 12%** | • Nominal growth for the easyhome Leasing business unit.<br>• Continued accelerated growth of the consumer loans receivable portfolio, driven by new delivery channels, additional store openings and increased marketing and advertising expenditures.<br>• No changes to the yield on easyfinancial's products. | • Retail business conditions are assumed to be within normal parameters with respect to consumer demand and margins.<br>• Changes to regulations governing the products offered by the Company. |
| easyfinancial operating margin | **27 – 29%** | • Increased spending on advertising and marketing and the development and implementation of new technologies will negatively impact margins in the near-term.<br>• Margins will be further negatively impacted in the near-term by the earnings drag from newly opened locations. | • The Company's ability to achieve operating efficiencies as its locations mature.<br>• The earnings drag from newly opened locations is within acceptable levels.<br>• The additional marketing and advertising expenditures deliver the expected growth. |

[1] Risk factors include those risks referred to in the section entitled "Risk Factors".

**Three Year Targets (2016)**

In addition to specific targets for the 2014 fiscal year, the Company has established several three year targets that it is working to achieve by the end of 2016.

The following table outlines the Company's three year targets and provides the material assumptions used to develop such forward-looking statements. These targets are inherently subject to risks which are identified in the following tables, as well as those risks referred to in the section entitled "Risk Factors".

| | Three Year Targets | Assumptions | Risk Factors[1] |
|---|---|---|---|
| Total number of easyfinancial locations at the end of 2016 | **225** | • All new locations will operate as stand-alone branches. | • Retail business conditions are assumed to be within normal parameters with respect to consumer demand and margins.<br>• The Company's ability to secure new real estate and experienced personnel.<br>• Continued access to capital. |
| Gross consumer loans receivable portfolio at the end of 2016 | **$250 million** | • The new store opening plan and the development of new delivery channels occur as expected.<br>• Increased expenditures on marketing and advertising within the easyfinancial business unit. | • Retail business conditions are assumed to be within normal parameters with respect to consumer demand and margins.<br>• The Company's ability to secure new real estate and experienced personnel.<br>• Continued access to capital. |
| easyfinancial operating margin in 2016 | **32%** | • Although the long term easyfinancal operating margin is expected to be 35%, margins in 2016 will be moderated by the investments made to drive further growth.<br>• Yield and cost rates at mature locations are indicative of future performance. | • Retail business conditions are assumed to be within normal parameters with respect to consumer demand and margins.<br>• The Company's ability to achieve operating efficiencies as its locations mature. |

[1] Risk factors include those risks referred to in the section entitled "Risk Factors".

## Analysis of Results for the Three Months Ended September 30, 2013

### Third Quarter Highlights

- On October 21, 2013, the Company entered into an agreement with a syndicate of underwriters pursuant to which the underwriters have agreed to buy and sell to the public 1,346,900 common shares of the Company at a price of $14.85 per common share, for gross proceeds to the Company of $20.0 million. The underwriters have an option, exercisable in whole or in part at any time up to 30 days after the closing of the offering, to purchase up to an additional 202,035 common shares of the Company. In the event that the option is exercised in its entirety, the aggregate gross proceeds of the offering will be $23.0 million. Closing of the offering is expected to occur on or about November 12, 2013 and is subject to regulatory approval. The net proceeds of the offering will be used to fund growth initiatives within easyfinancial.

- easyhome continued to grow revenue during the third quarter of 2013. Revenue for the quarter increased to a record high $54.9 million from $49.3 million in the third quarter of 2012, an increase of $5.6 million or 11.3%. The growth was driven primarily by the expansion of easyfinancial and its loan portfolio. Same store revenue growth for the quarter, which includes revenue growth from easyfinancial, was 16.6%. Excluding the impact of easyfinancial, same store revenue growth was 7.7%. Same store revenue growth excluding the impact of easyfinancial was positively impacted by the store closures in the third quarter of 2012 and by the acquisition and closure of the stores acquired from a large U.S. based merchandise leasing company on December 31, 2012 (as the portfolio of these closed stores was generally transferred to nearby stores).

- The operating income and margin of the leasing business continued to improve in the third quarter. Leasing operating income for the quarter was $6.6 million, up $0.8 million or 14.3% from the third quarter of 2012. Operating margin for the third quarter of 2013 was 16.6% up from 14.6% in the third quarter of 2012. The margin improvement was driven primarily by the restructuring completed in the second quarter of 2012, the elimination of the operating losses of the U.S. corporate stores, the positive contribution of the stores acquired in the fourth quarter of 2012 and improved store level execution.

- During the third quarter of 2013, the consumer loans receivable portfolio grew by $8.9 million compared with growth of $3.8 million in the third quarter of 2012. The gross consumer loans receivable as at September 30, 2013 was $92.8 million compared with $59.6 million as at September 30, 2012. During the quarter, easyfinancial opened 10 new stand-alone locations.

- The operating margin for easyfinancial was 32.5% for the third quarter of 2013 compared with 33.8% for the third quarter of 2012. While the average loan book per branch increased year over year, operating margin declined slightly as the Company i) continued to expand its branch network (including the continued shift to higher capacity stand-alone branches), ii) increased its expenditures to develop new distribution channels, iii) incurred higher advertising and marketing spend to drive customer and loan book growth and iv) experienced higher depreciation and amortization related to the loan system which was implemented in the fourth quarter of 2012.

- Operating income was $6.9 million for the quarter and reached a record level. Operating income was up $2.7 million or 61.9% from the third quarter of 2012. Operating margin was 12.7% for the quarter, up from 8.7% in the third quarter of 2012.

- Net income for the third quarter of 2013 was $3.8 million or $0.32 per share compared with $2.6 million or $0.22 per share in the third quarter of 2012. Earnings per share increased by 45.4% in the quarter.

**Summary Financial Results and Key Performance Indicators**

| ($ in 000's except earnings per share and percentages) | Three months ended | | Variance | Variance |
|---|---|---|---|---|
| | Sep 30, 2013 | Sep 30, 2012 | $ / % | % change |
| **Summary Financial Results** | | | | |
| Revenue | **54,866** | 49,289 | 5,577 | 11.3% |
| Operating expenses before depreciation and amortization | **34,550** | 32,031 | 2,519 | 7.9% |
| EBITDA margin | **15.2%** | 11.0% | 4.2% | - |
| Depreciation and amortization expense | **13,368** | 12,966 | 402 | 3.1% |
| Operating income | **6,948** | 4,292 | 2,656 | 61.9% |
| Operating margin | **12.7%** | 8.7% | 4.0% | - |
| Finance costs | **1,686** | 481 | 1,205 | 250.5% |
| Income tax rate | **27.5%** | 30.8% | (3.3%) | - |
| Net income for the period | **3,817** | 2,638 | 1,179 | 44.7% |
| Earnings per share | **0.32** | 0.22 | 0.10 | 45.4% |
| **Key Performance Indicators** | | | | |
| Same store revenue growth[1] | **16.6%** | 9.8% | 6.8% | - |
| Same store revenue growth excluding easyfinancial[1] | **7.7%** | 3.1% | 4.6% | - |
| Potential monthly lease revenue[1] | **10,843** | 11,133 | (290) | (2.6%) |
| Change in potential monthly lease revenue due to ongoing operations[1] | **(76)** | (12) | (64) | (533.3%) |
| Gross consumer loans receivable[1] | **92,792** | 59,578 | 33,214 | 55.7% |
| Growth in consumer loans receivable[1] | **8,850** | 3,760 | 5,090 | 135.4% |
| Bad debt expense as a percentage of easyfinancial revenue[1] | **26.0%** | 24.6% | 1.4% | - |
| Net charge offs as a percentage of average gross consumer loans receivable[1] | **15.2%** | 14.1% | 1.1% | - |
| **System-Wide Key Performance Indicators** | | | | |
| Total system revenue[2] | **64,217** | 56,861 | 7,356 | 12.9% |
| Total system potential monthly lease revenue[3] | **13,906** | 13,639 | 267 | 2.0% |
| Total franchisee revenue[4] | **10,038** | 8,143 | 1,895 | 23.3% |

[1] See description in section "Key Performance Indicators and Non-IFRS Measures".
[2] Includes revenue per consolidated financial statements less revenue received from unconsolidated franchisees plus revenue of unconsolidated franchises.
[3] Includes potential monthly lease revenue for the Company as well as for unconsolidated franchises.
[4] Includes revenue of unconsolidated franchise locations.

**Store Locations Summary**

| | Locations as at Jun. 30, 2013 | Locations opened during period | Locations closed / sold during period | Conversions | Locations as at Sept. 30, 2013 |
|---|---|---|---|---|---|
| **Leasing** | | | | | |
| Corporately owned stores | 177 | - | (2) | - | **175** |
| Consolidated franchise locations | 9 | - | - | (1) | **8** |
| Total consolidated stores | 186 | - | (2) | (1) | **183** |
| Canadian franchise stores | 17 | - | - | 1 | **18** |
| U.S. franchise stores | 33 | 1 | - | - | **34** |
| Total franchise stores | 50 | 1 | - | 1 | **52** |
| **Total leasing stores** | 236 | 1 | (2) | - | **235** |
| **Easyfinancial** | | | | | |
| Kiosks (in store) | 74 | - | (4) | (2) | **68** |
| Stand-alone locations | 33 | 8 | - | 2 | **43** |
| National loan office | 1 | - | - | - | **1** |
| **Total easyfinancial locations** | 108 | 8 | (4) | - | **112** |

**Summary Financial Results by Operating Segment**

| ($ in 000's except earnings per share) | Three Months Ended September 30, 2013 | | | |
|---|---|---|---|---|
| | **Leasing** | **easyfinancial** | **Corporate** | **Total** |
| Revenue | **39,570** | **15,296** | **-** | **54,866** |
| Total operating expenses before depreciation and amortization | **20,284** | **9,820** | **4,446** | **34,550** |
| Depreciation and amortization | **12,712** | **507** | **149** | **13,368** |
| Operating income (loss) | **6,574** | **4,969** | **(4,595)** | **6,948** |
| Finance costs | | | | **1,686** |
| Income before income taxes | | | | **5,262** |
| Income taxes | | | | **1,445** |
| **Net Income for the period** | | | | **3,817** |
| **Earnings per share** | | | | **0.32** |

| ($ in 000's except earnings per share) | Three Months Ended September 30, 2012 | | | |
|---|---|---|---|---|
| | **Leasing** | **easyfinancial** | **Corporate** | **Total** |
| Revenue | 39,482 | 9,807 | - | 49,289 |
| Total operating expenses before depreciation and amortization | 21,060 | 6,340 | 4,631 | 32,031 |
| Depreciation and amortization | 12,671 | 156 | 139 | 12,966 |
| Operating income (loss) | 5,751 | 3,311 | (4,770) | 4,292 |
| Finance costs | | | | 481 |
| Income before income taxes | | | | 3,811 |
| Income taxes | | | | 1,173 |
| **Net Income for the period** | | | | 2,638 |
| **Earnings per share** | | | | 0.22 |

## Revenue

Revenue for the three month period ended September 30, 2013 was $54.9 million compared to $49.3 million in the same period in 2012, an increase of $5.6 million or 11.3%.

*Leasing* - Revenue for the three month period ended September 30, 2013 was $39.6 million, an increase of $0.1 million from the comparable period in 2012. Factors impacting revenue in the period include:

- On December 31, 2012 the Company completed an exchange of stores with a large U.S. based merchandise leasing company. The 15 stores acquired in Canada generated $0.9 million less in revenue during the third quarter of 2013 compared to the revenue generated in the third quarter of 2012 by the stores sold in the U.S. Lower ancillary fees and collection rates and higher customer attrition contributed to this decline.
- Store closures and sales which occurred during the past 15 months (net of the transfer of portfolios to nearby locations) resulted in a $0.9 million decline in revenue.
- Growth in the franchise network, both from consolidated franchise locations and fees generated from unconsolidated franchises, contributed to $0.5 million of revenue growth.
- Finally, improvements to ongoing operations, including the operational changes that were initiated during the second quarter of 2012, resulted in organic portfolio and revenue growth across the store network culminating in revenue improvements of $1.4 million in the third quarter of 2013 compared with the third quarter of 2012.

*easyfinancial* - Revenue for the three month period ended September 30, 2013 was $15.3 million, an increase of $5.5 million or 56.0% from the comparable period in 2012. The increase was due to the growth of the consumer loans receivable portfolio, which increased from $59.6 million as at September 30, 2012 to $92.8 million as at September 30, 2013, an increase of 55.7%. The consumer loans receivable portfolio grew $8.9 million during the third quarter of 2013 compared with growth of $3.8 million for the third quarter of 2012.

## Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization and restructuring and other items were $34.6 million for the three month period ended September 30, 2013, an increase of $2.5 million or 7.9% from the comparable period in 2012. Operating expenses before depreciation and amortization represented 63.0% of revenue for the third quarter of 2013 compared with 65.0% last year. The $2.5 million increase in total operating expenses before depreciation and amortization was driven primarily by the higher costs associated with an expanded easyfinancial business offset by lower costs in the leasing business.

*Leasing* – Total operating expenses before depreciation and amortization for the three month period ended September 30, 2013 were $20.3 million, a decrease of $0.8 million or 3.7% from the comparable period in 2012. This decline was driven primarily by the sale or closure of underperforming stores over the past twelve months including the sale of the loss making U.S. stores in the fourth quarter of 2012. Consolidated store count consists of corporately owned stores as well as stores where control is achieved other than through ownership of a majority of voting rights. Consolidated store count declined from 206 as at September 30, 2012 to 183 at September 30, 2013.

*easyfinancial* – Total operating expenses before depreciation and amortization were $9.8 million for the three month period ended September 30, 2013, an increase of $3.5 million or 54.9% from the comparable period in 2012. Operating expenses, excluding bad debt, increased by $1.9 million or 49.6% in the quarter. The increase was driven by i) 12 additional locations when compared to September 30, 2012; ii) the shift from in store kiosks to higher capacity stand-alone branches; iii) higher levels of marketing expenditures to drive customer and portfolio growth; and iv) incremental expenditures to develop new distribution channels. Overall, branch count increased from 100 as at September 30, 2012 to 112 as at September 30, 2013. Additionally, stand-alone branches (which have a greater capacity and a faster growth trajectory than kiosks but also have a higher cost structure) increased from 13 as at September 30, 2012 to 43 as at September 30, 2013.

Bad debt expense increased to $4.0 million for the three month period ended September 30, 2013 from $2.4 million during the comparable period in 2012. The $1.5 million increase was due to the growth of the consumer loans receivable portfolio which increased from $59.6 million as at September 30, 2012 to $92.8 million as at September 30, 2013.

Bad debt expense, expressed as a percentage of easyfinancial revenue, was 26.0% for the third quarter of 2013 compared with 24.6% for the comparable period of 2012. Net charge offs as a percentage of average gross consumer loans receivable annualized was 15.2% in the quarter compared with 14.1% in the third quarter of 2012. The deterioration in these rates was due to the sale of previously charged off loans to a third party collector in the second quarter of this year which negatively impacted recoveries.

*Corporate* – Total operating expenses before depreciation and amortization were $4.4 million for the three month period ended September 30, 2013, a decrease of $0.2 million or 4.0% from the comparable period in 2012. Stock based compensation expense, which is driven in part by movements in the Company's share price, increased by $0.4 million in the quarter compared to the comparable period of 2012. This increased expense was driven by the share price increasing 29% in the quarter. Other corporate costs declined by $0.6 million in the quarter.

**Depreciation and Amortization**

Depreciation and amortization for the three month period ended September 30, 2013 was $13.4 million, up $0.4 million or 3.1% from the comparable period of 2012. Depreciation and amortization for the leasing business was essentially flat, as was revenue, compared to the third quarter of 2012. The increase was attributable to easyfinancial and the increased number of stand-alone locations as well as the amortization of the new loan system that went live in the fourth quarter of 2012.

Depreciation and amortization represented 24.4% of revenue for the three months ended September 30, 2013, down from 26.3% in the comparable period of 2012.

**Operating Income (Income before Finance Costs and Income Taxes)**

Operating income for the three months ended September 30, 2013 was $6.9 million compared to $4.3 million for the comparable period in 2012, an increase of $2.6 million or 61.9%. Operating margin was 12.7% in the quarter compared with 8.7% in the third quarter of 2012.

*Leasing* – Operating income was $6.6 million for the three month period ended September 30, 2013, an increase of $0.8 million or 14.3% from the third quarter of 2012. The growth in operating income was driven by the earnings benefits of the 2012 restructuring and store closures, the sale of the loss making U.S. corporate stores and the addition of the acquired stores in the fourth quarter of 2012. Operating margin for the third quarter of 2013 was 16.6%, up from 14.6% in the third quarter of 2012.

*easyfinancial* – Operating income was $5.0 million for the three months ended September 30, 2013 compared with $3.3 million for the comparable period in 2012, an increase of $1.7 million or 50.1%. Operating margin for the quarter was 32.5% compared with 33.8% in the third quarter of 2012. While the average loan book per branch increased significantly, operating margin declined slightly as the Company continued to expand its branch network (including the continued shift to higher capacity stand-alone branches), increased its expenditures to develop new distribution channels, incurred higher advertising and marketing spend to drive customer and loan book growth and experienced higher depreciation and amortization.

**Finance Costs**

Finance costs for the three month period ended September 30, 2013 were $1.7 million, up $1.2 million from the same period in 2012. The increase related to the higher average debt levels during the period and an increased cost of borrowing in the current quarter compared to the third quarter of 2012.

## Income Tax Expense

The effective income tax rate for the quarter was 27.5% compared to 30.8% in the third quarter of 2012. The decline in the effective rate was due to the sale of the U.S. corporate stores whose losses in 2012 were not available to offset taxable income in the Company's profitable Canadian operations.

## Net Income and EPS

Net income for the third quarter of 2013 was $3.8 million, or $0.32 per share compared to net income for the third quarter of 2012 of $2.6 million, or $0.22 per share.

## Analysis of Results for the Nine Months Ended September 30, 2013

### Summary Financial Results and Key Performance Indicators

| ($ in 000's except earnings per share and percentages) | Nine months ended Sep 30, 2013 | Nine months ended Sep 30, 2012 | Variance $ / % | Variance % change |
|---|---|---|---|---|
| **Summary Financial Results** | | | | |
| Revenue | **161,018** | 147,979 | 13,039 | 8.8% |
| Operating expenses before depreciation and amortization | **103,429** | 96,414 | 7,015 | 7.3% |
| EBITDA margin | **13.5%** | 10.5% | 3.0% | - |
| Depreciation and amortization expense | **40,133** | 39,646 | 487 | 1.2% |
| Operating income | **17,456** | 11,919 | 5,537 | 46.5% |
| Operating margin | **10.8%** | 8.1% | 2.7% | - |
| Finance costs | **4,224** | 1,428 | 2,796 | 195.8% |
| Income tax rate | **25.6%** | 30.5% | (4.9%) | - |
| Net income for the period | **9,846** | 7,291 | 2,555 | 35.0% |
| Earnings per share | **0.82** | 0.61 | 0.21 | 34.4% |
| **Adjusted (Normalized) Financial Results** | | | | |
| Adjusted EBITDA margin[1] | **13.5%** | 10.8% | 2.7% | - |
| Adjusted operating earnings[1] | **17,456** | 12,355 | 5,101 | 41.3% |
| Adjusted operating margin[1] | **10.8%** | 8.3% | 2.5% | - |
| Adjusted earnings[1] | **9,846** | 7,596 | 2,250 | 29.6% |
| Adjusted earnings per share[1] | **0.82** | 0.63 | 0.19 | 30.2% |
| **Key Performance Indicators** | | | | |
| Same store revenue growth[1] | **15.5%** | 8.5% | 7.0% | - |
| Same store revenue growth excluding easyfinancial[1] | **8.1%** | 1.4% | 6.7% | - |
| Potential monthly lease revenue[1] | **10,843** | 11,133 | (290) | (2.6%) |
| Change in potential monthly lease revenue due to ongoing operations[1] | **(419)** | (325) | (94) | (28.9%) |
| Gross consumer loans receivable[1] | **92,792** | 59,578 | 33,214 | 55.7% |
| Growth in consumer loans receivable[1] | **22,134** | 12,012 | 10,122 | 84.3% |
| Bad debt expense as a percentage of easyfinancial revenue[1] | **25.6%** | 25.1% | 0.5% | - |
| Net charge offs as a percentage of average gross consumer loans receivable[1] | **14.2%** | 14.9% | (0.7%) | - |
| **System-Wide Key Performance Indicators** | | | | |
| Total system revenue[2] | **189,119** | 171,098 | 18,021 | 10.5% |
| Total system potential monthly lease revenue[3] | **13,906** | 13,639 | 267 | 2.0% |
| Total franchisee revenue[4] | **30,142** | 24,787 | 5,355 | 21.6% |

[1] See description in section "Key Performance Indicators and Non-IFRS Measures".
[2] Includes revenue per consolidated financial statements less revenue received from unconsolidated franchisees plus revenue of unconsolidated franchises.
[3] Includes potential monthly lease revenue for the Company as well as for unconsolidated franchises.
[4] Includes revenue from unconsolidated franchise locations.

**Store Locations Summary**

| | Locations as at Dec. 31, 2013 | Locations opened during period | Locations closed / sold during period | Conversions | Locations as at Sept. 30, 2013 |
|---|---|---|---|---|---|
| **Leasing** | | | | | |
| Corporately owned stores | 195 | - | (19) | (1) | **175** |
| Consolidated franchise locations | 9 | - | - | (1) | **8** |
| Total consolidated stores | 204 | - | (19) | (2) | **183** |
| Canadian franchise stores | 16 | - | - | 2 | **18** |
| U.S. franchise stores | 33 | 1 | - | - | **34** |
| Total franchise stores | 49 | 1 | - | 2 | **52** |
| **Total leasing stores** | 253 | 1 | (19) | - | **235** |
| **Easyfinancial** | | | | | |
| Kiosks (in store) | 81 | 1 | (5) | (9) | **68** |
| Stand-alone locations | 18 | 16 | - | 9 | **43** |
| National loan office | 1 | - | - | - | **1** |
| **Total easyfinancial locations** | 100 | 17 | (5) | - | **112** |

**Summary Financial Results by Operating Segment**

| ($ in 000's except earnings per share) | Nine Months Ended September 30, 2013 | | | |
|---|---|---|---|---|
| | **Leasing** | **easyfinancial** | **Corporate** | **Total** |
| Revenue | **120,554** | **40,464** | **-** | **161,018** |
| Total operating expenses before depreciation and amortization | **62,394** | **27,145** | **13,890** | **103,429** |
| Depreciation and amortization | **38,388** | **1,312** | **433** | **40,133** |
| Operating income (loss) | **19,772** | **12,007** | **(14,323)** | **17,456** |
| Finance costs | | | | **4,224** |
| Income before income taxes | | | | **13,232** |
| Income taxes | | | | **3,386** |
| **Net Income for the period** | | | | **9,846** |
| **Earnings per share** | | | | **0.82** |

| ($ in 000's except earnings per share) | Nine months Ended September 30, 2012 | | | |
|---|---|---|---|---|
| | **Leasing** | **easyfinancial** | **Corporate** | **Total** |
| Revenue | 121,162 | 26,817 | - | 147,979 |
| Total operating expenses before depreciation and amortization and restructuring and other items | 65,340 | 17,787 | 12,851 | 95,978 |
| Restructuring and other items | 1,296 | - | (860) | 436 |
| Depreciation and amortization | 38,820 | 420 | 406 | 39,646 |
| Operating income (loss) | 15,706 | 8,610 | (12,397) | 11,919 |
| Finance costs | | | | 1,428 |
| Income before income taxes | | | | 10,491 |
| Income taxes | | | | 3,200 |
| **Net Income for the period** | | | | 7,291 |
| **Earnings per share** | | | | 0.61 |

## Revenue

Revenue for the nine month period ended September 30, 2013 was $161.0 million compared to $148.0 million in the same period in 2012, an increase of $13.0 million or 8.8%.

*Leasing* - Revenue for the nine month period ended September 30, 2013 was $120.6 million, a decline of $0.6 million or 0.5% from the comparable period in 2012. The year over year change in revenue can be attributed to several factors:

- On December 31, 2012 the Company completed an exchange of stores with a large U.S. based merchandise leasing company. The 15 stores acquired in Canada generated $2.3 million less in revenue during the first nine months of 2013 compared to the revenue generated in the first nine months of 2012 by the stores sold in the U.S. Lower ancillary fees and collection rates and higher customer attrition contributed to this decline.
- Store closures and sales which occurred during the past 15 months (net of the transfer of portfolios to nearby locations) resulted in a $3.5 million decline in revenue.
- Growth in the franchise network, both from consolidated franchise locations and fees generated from unconsolidated franchises contributed to $1.6 million of revenue growth.
- Finally, improvements to ongoing operations, including the operational changes that were initiated during the third quarter of 2012, resulted in organic portfolio and revenue growth across the store network culminating in revenue improvements of $3.6 million in the nine months ended September 30, 2013 compared with the same period in 2012.

*easyfinancial* - Revenue for the nine months ended September 30, 2013 was $40.5 million, an increase of $13.6 million or 50.9% from the comparable period in 2012. The increase was due to the growth of the consumer loans receivable portfolio, which increased from $59.6 million as at September 30, 2012 to $92.8 million as at September 30, 2013, an increase of 55.7%. The consumer loans receivable portfolio grew $22.1 million during the first nine months of 2013 compared with growth of $12.0 million for the comparable period of 2012.

## Total Operating Expenses before Depreciation and Amortization (and Restructuring and Other Items)

Total operating expenses before depreciation and amortization and restructuring and other items was $103.4 million for the first nine months of 2013, an increase of $7.5 million or 7.8% from the comparable period in 2012. Operating expenses before depreciation and amortization and restructuring and other items represented 64.2% of revenue for the nine months ended September 30, 2013 compared with 64.9% last year. The $7.5 million increase in total operating expenses before depreciation and amortization and restructuring and other items was driven primarily by the higher costs associated with an expanded easyfinancial business as well as higher corporate costs offset by lower operating costs in the leasing business.

*Leasing* – Total operating expenses before depreciation and amortization and restructuring and other items for the nine months ended September 30, 2013 were $62.4 million, a decrease of $2.9 million or 4.5% from the comparable period in 2012. This decline was driven primarily by the sale or closure of underperforming stores over the past twelve months, including the sale of the loss making U.S. stores in the fourth quarter of 2012. Overall, consolidated store count declined from 206 as at September 30, 2012 to 183 as at September 30, 2013.

*easyfinancial* – Total operating expenses before depreciation and amortization were $27.1 million for the nine months ended September 30, 2013, an increase of $9.4 million or 52.6% from the comparable period in 2012. Operating expenses, excluding bad debt, were $16.8 million in the period, up $5.8 million or 52.3% from the comparable period of 2012. The increase was driven by i) 12 additional locations compared with September 30, 2012; ii) the shift from in store kiosks to higher capacity stand-alone branches; iii) higher levels of marketing expenditures to drive customer and portfolio growth; and iv) incremental expenditures to develop new distribution channels. Overall branch count increased from 100 as at September 30, 2012 to 112 as at September 30, 2013. Additionally, stand-alone branches (which have a greater capacity and a faster growth trajectory than kiosks but also have a higher cost structure) increased from 13 as at September 30, 2012 to 43 as at September 30, 2013.

Bad debt expense increased to $10.4 million for the nine months ended September 30, 2013 from $6.8 million during the comparable period in 2012. The $3.6 million increase was due to the growth of the consumer loans receivable portfolio which increased from $59.6 million as at September 30, 2012 to $92.8 million as at September 30, 2013. Bad debt expense, expressed as a percentage of easyfinancial revenue, was 25.6% for the first nine months of 2013 compared with 25.1% for the comparable period of 2012. Net charge offs as a percentage of average gross consumer loans receivable annualized was 14.2% in the current year to date period compared with 14.9% in the first nine months of 2012.

*Corporate* – Total operating expenses before depreciation and amortization and restructuring and other items were $13.9 million for the nine months ended September 30, 2013, an increase of $1.0 million or 8.1% from the comparable period in 2012. Stock based compensation expense, which is driven in part by movements in the Company's share price, increased by $1.5 million in the current period compared to the comparable period of 2012. This increased expense was driven by the share price increasing 54% in the nine month period ending September 30, 2013 compared with an increase of 28% in the comparable period of 2012. Other corporate costs declined by $0.5 million in the period.

**Restructuring and other items**

During the second quarter of 2012, the Company restructured the management and operating procedures of its leasing segment and closed 13 underperforming locations. A total restructuring charge of $1.4 million was recorded in the second quarter of 2012, of which $1.3 million was recorded against the leasing segment and $0.1 million was recorded against Corporate. Also during the second quarter of 2012, the Company received a reimbursement from its insurers of a portion of the costs related to the forensic investigation of an employee fraud. The net insurance reimbursement of $0.9 million was recorded against Corporate and is net of professional fees related to obtaining this reimbursement.

**Depreciation and Amortization**

Depreciation and amortization for the nine months ended September 30, 2013 was $40.1 million, up $0.5 million from the comparable period of 2012. Depreciation and amortization for the leasing business declined by $0.4 million or 1.1%, due primarily to lower net impairment charges. Offsetting this decline was higher depreciation and amortization within easyfinanicial. The $0.9 million increase was due to the increased number of stand-alone locations and the amortization of the new loan system that went live in the fourth quarter of 2012.

Depreciation and amortization represented 24.9% of revenue for the first three quarters of 2013, down from 26.8% in the comparable period of 2012.

**Operating Income (Income before Finance Costs and Income Taxes)**

Operating income for the nine months ended September 30, 2013 was $17.5 million compared to $11.9 million for the same period in 2012, an increase of $5.5 million or 46.4%. Excluding restructuring and other items, operating income improved by $5.1 million or 41.3%. Adjusted operating margin was 10.8% in the period compared with 8.3% in the comparable period of 2012.

*Leasing* – Operating income was $19.8 million for the nine months ended September 30, 2013, an increase of $4.1 million or 25.9% from the comparable period of 2012. Excluding restructuring and other items in the first three quarters of 2012, operating income increased by $2.8 million or 16.3% compared with the same period of 2012. The earnings growth was driven primarily by the positive impact of the 2012 restructuring and store closures, the sale of the loss making U.S. corporate stores and the acquisition of stores in the fourth quarter of 2012. Operating margin, excluding the impact of restructuring and other items, for the first three quarters of 2013 was 16.4%, up from 14.0% in the first three quarters of 2012.

*easyfinancial* – Operating income was $12.0 million for the nine months ended September 30, 2013 compared with $8.6 million for the comparable period in 2012, an increase of $3.4 million or 39.5%. Operating margin for the period was 29.7% compared with 32.1% in the comparable period of 2012. While the average loan book per branch increased significantly, operating margin declined as the

Company continued to expand its branch network (including the continued shift to higher capacity stand-alone branches), increased its expenditures to develop new distribution channels, incurred higher advertising and marketing spend to drive customer and loan book growth and experienced higher depreciation and amortization.

**Finance Costs**

Finance costs for the nine months ended September 30, 2013 were $4.2 million, up $2.8 million from the same period in 2012. The increase related to the higher average debt levels during the period and an increased cost of borrowing in the current period compared to the same period in 2012.

**Income Tax Expense**

The effective income tax rate for the nine months ended September 30, 2013 was 25.6% compared to 30.5% in the comparable period of 2012. The decline in the effective rate was due to i) the sale of the U.S. corporate stores whose losses in 2012 were not available to offset taxable income in the Company's profitable Canadian operations and ii) a $0.2 million reduction in the second quarter of 2013 as a result of the finalization of tax amounts previously accounted for using estimates.

**Net Income and EPS**

Net income for the nine months ended September 30, 2013 was $9.8 million or $0.82 per share compared to net income for the nine months ended September 30, 2012 of $7.3 million or $0.61 per share. Excluding restructuring and other items in the first three quarters of 2012, adjusted earnings for the nine months ended September 30, 2013 increased by $2.3 million, or $0.19 per share, an improvement of 29.6% when compared with the first nine months of 2012.

**Selected Quarterly Information**

| ($ in millions except per share amounts) | Sep. 2013 | Jun. 2013 | Mar. 2013 | Dec. 2012 | Sept. 2012 | Jun. 2012 | Mar. 2012 | Dec. 2011 | Sept. 2011 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | **54.9** | 53.8 | 52.4 | 51.7 | 49.3 | 48.9 | 49.8 | 49.3 | 46.6 |
| Net Income for the period | **3.8** | 3.1 | 2.9 | 3.8 | 2.6 | 2.0 | 2.6 | 2.6 | 1.9 |
| Net income as a percentage of revenue | **6.8%** | 5.8% | 5.6% | 7.3% | 5.3% | 4.1% | 5.3% | 5.3% | 4.1% |
| **Earnings (loss) per share[1]** | | | | | | | | | |
| Basic | **0.32** | 0.26 | 0.24 | 0.32 | 0.22 | 0.17 | 0.22 | 0.22 | 0.16 |
| Diluted | **0.31** | 0.26 | 0.24 | 0.31 | 0.22 | 0.17 | 0.22 | 0.22 | 0.16 |

[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 during the year on the basic weighted average number of common shares outstanding together with the effects of rounding.

## Key Performance Indicators and Non-IFRS Measures

The Company 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.

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 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 12-36 month time frame, as these stores tend to be in the strongest period of growth at this time.

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **Sept. 30 2013** | **Sept. 30 2012** | **Sept. 30 2013** | **Sept. 30 2012** |
| **Same store revenue growth** | **16.6%** | 9.8% | **15.5%** | 8.5% |
| **Same store revenue growth excluding easyfinancial** | **7.7%** | 3.1% | **8.1%** | 1.4% |

### Potential Monthly Lease Revenue

Potential monthly lease revenue reflects the revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments due in that period. 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 Company believes that its potential monthly lease revenue is an important indicator of how revenue may change in future periods.

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| **($ in 000's)** | **Sept. 30 2013** | **Sept. 30 2012** | **Sept. 30 2013** | **Sept. 30 2012** |
| Opening balance - Potential monthly lease revenue | **11,036** | 11,250 | **11,634** | 11,694 |
| Change due to store openings or acquisitions during the period | **-** | 38 | **-** | 63 |
| Change due to store closures or sales during the period | **(117)** | (143) | **(372)** | (299) |
| Change due to ongoing operations | **(76)** | (12) | **(419)** | (325) |
| Net change | **(193)** | (117) | **(791)** | (561) |
| **Ending balance – Potential monthly lease revenue** | **10,843** | 11,133 | **10,843** | 11,133 |

**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 Company believes that its gross consumer loans receivable value is an important indicator of the easyfinancial business and of how revenue may grow in future periods.

| ($ in 000's) | Three months ended Sept. 30 2013 | Three months ended Sept. 30 2012 | Nine months ended Sept. 30 2013 | Nine months ended Sept. 30 2012 |
|---|---|---|---|---|
| **Gross consumer loans receivable** | **92,792** | 59,578 | **92,792** | 59,578 |
| **Growth in gross consumer loans receivable during period** | **8,850** | 3,760 | **22,134** | 12,012 |

**easyfinancial Loan Losses**

Net charge offs are actual loans charged off net of recoveries. Average gross consumer loans receivable has been calculated based on the average month end loan balance for the indicated period. This metric is a measure of the collection performance of the easyfinancial loan portfolio. For interim periods the rate is annualized. Bad debt expense as a percentage of easyfinancial revenue is another measure that reflects the collection performance of the easyfinancial loan portfolio. Bad debt expense includes actual write offs net of recoveries and the impact of changes to the provision taken against the loan portfolio.

| | Three months ended Sept. 30 2013 | Three months ended Sept. 30 2012 | Nine months ended Sept. 30 2013 | Nine months ended Sept. 30 2012 |
|---|---|---|---|---|
| Net charge offs | **3,429** | 2,058 | **8,689** | 5,931 |
| Average gross consumer loans receivable | **90,371** | 58,554 | **81,445** | 53,175 |
| **Net charge offs as a percentage of average gross consumer loans receivable (annualized)** | **15.2%** | 14.1% | **14.2%** | 14.9% |
| **Bad debt expense as a percentage of easyfinancial revenue** | **26.0%** | 24.6% | **25.6%** | 25.1% |

**Adjusted Operating Earnings, Adjusted Earnings, Adjusted Earnings Per Share**

At various times, operating income, net income and earnings per share may be affected by unusual items which have occurred in the period and which 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 operating earnings as operating income excluding such unusual and non-recurring items, ii) adjusted earnings as net income excluding such items and iii) adjusted earnings per share as earnings per share excluding such items. The Company believes that adjusted operating earnings, adjusted earnings and adjusted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items which can be used to adjust operating income, net income and earnings per share for the three and nine month periods ended September 30, 2013 and 2012 include those indicated in the chart below:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| **($ in 000's except earnings per share)** | **Sept. 30 2013** | **Sept. 30 2012** | **Sept. 30 2013** | **Sept. 30 2012** |
| Operating income as stated | **6,948** | 4,292 | **17,456** | 11,919 |
| Restructuring and other items included in operating expenses[1] | **-** | - | **-** | 1,379 |
| Insurance reimbursement included in operating expenses[2] | **-** | - | **-** | (943) |
| Net restructuring and other items | **-** | - | **-** | 436 |
| **Adjusted operating earnings** | **6,948** | 4,292 | **17,456** | 12,355 |
| Net income as stated | **3,817** | 2,638 | **9,846** | 7,291 |
| Restructuring and other items included in operating expenses[1] | **-** | - | **-** | 1,379 |
| Insurance reimbursement included in operating expenses[2] | **-** | - | **-** | (943) |
| Tax impact of above items | **-** | - | **-** | (131) |
| Net restructuring and other items | **-** | - | **-** | 305 |
| **Adjusted earnings** | **3,817** | 2,638 | **9,846** | 7,596 |
| **Weighted average number of shares outstanding** | **12,065** | 12,011 | **12,061** | 11,995 |
| **Earnings per share as stated** | **0.32** | 0.22 | **0.82** | 0.61 |
| Per share impact of restructuring and other items | **-** | - | **-** | 0.03 |
| **Adjusted earnings per share** | **0.32** | 0.22 | **0.82** | 0.63 |

[1] During the third quarter of 2012, the Company restructured the management and operating procedures of its leasing segment and closed 13 of its underperforming locations incurring incremental charges of $1.4 million.

[2] During the third quarter of 2012, the Company received a reimbursement of a portion of the costs incurred to perform a forensic investigation into an employee fraud from its insurers.

**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 cost of operations adjusted for the effects of purchasing decisions that may have been made in prior periods.

| ($ in 000's except percentages) | Three months ended Sept. 30 2013 | Three months ended Sept. 30 2013 (adjusted) | Three months ended Sept. 30 2012 | Three months ended Sept. 30 2012 (adjusted) |
|---|---|---|---|---|
| Operating expenses before depreciation and amortization as stated | **34,550** | **34,550** | 32,031 | 32,031 |
| Restructuring charges included in operating expenses | **-** | **-** | - | - |
| Insurance reimbursement included in operating expenses | **-** | **-** | - | - |
| Net restructuring and other items | **-** | **-** | - | - |
| **Adjusted operating expenses before depreciation and amortization** | **34,550** | **34,550** | 32,031 | 32,031 |
| Divided by revenue | **54,866** | **54,866** | 49,289 | 49,289 |
| **Operating expenses before depreciation and amortization as % of revenue** | **63.0%** | **63.0%** | 65.0% | 65.0% |

| ($ in 000's except percentages) | Nine months ended Sept. 30 2013 | Nine months ended Sept. 30 2013 (adjusted) | Nine months ended Sept. 30 2012 | Nine months ended Sept. 30 2012 (adjusted) |
|---|---|---|---|---|
| Operating expenses before depreciation and amortization as stated | **103,429** | **103,429** | 96,414 | 96,414 |
| Restructuring charges included in operating expenses | **-** | **-** | - | 1,379 |
| Insurance reimbursement included in operating expenses | **-** | **-** | - | (943) |
| Net restructuring and other items | **-** | **-** | - | 436 |
| **Adjusted operating expenses before depreciation and amortization** | **103,429** | **103,429** | 96,414 | 96,850 |
| Divided by revenue | **161,018** | **161,018** | 147,979 | 147,979 |
| **Operating expenses before depreciation and amortization as % of revenue** | **64.2%** | **64.2%** | 65.2% | 65.4% |

**Operating Margin**

The Company defines operating margin as operating income divided by revenue. The Company believes operating margin is an important measure of the profitability of 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.

| | Three months ended | | Three months ended | |
|---|---|---|---|---|
| ($ in 000's except percentages) | Sept. 30 2013 | Sept. 30 2013 (adjusted) | Sept. 30 2012 | Sept. 30 2012 (adjusted) |
| Operating income | **6,948** | **6,948** | 4,292 | 4,292 |
| Restructuring charges included in operating expenses | **-** | **-** | - | - |
| Insurance reimbursement included in operating expenses | **-** | **-** | - | - |
| Net restructuring and other items | **-** | **-** | - | - |
| **Adjusted operating earnings** | **6,948** | **6,948** | 4,292 | 4,292 |
| Divided by revenue | **54,866** | **54,866** | 49,289 | 49,289 |
| **Operating margin** | **12.7%** | **12.7%** | 8.7% | 8.7% |

| | Nine months ended | | Nine months ended | |
|---|---|---|---|---|
| ($ in 000's except percentages) | Sept. 30 2013 | Sept. 30 2013 (adjusted) | Sept. 30 2012 | Sept. 30 2012 (adjusted) |
| Operating income | **17,456** | **17,456** | **11,919** | **11,919** |
| Restructuring charges included in operating expenses | **-** | **-** | **-** | **1,379** |
| Insurance reimbursement included in operating expenses | **-** | **-** | **-** | **(943)** |
| Net restructuring and other items | **-** | **-** | **-** | **436** |
| **Adjusted operating earnings** | **17,456** | **17,456** | **11,919** | **12,355** |
| Divided by revenue | **161,018** | **161,018** | **147,979** | **147,979** |
| **Operating margin** | **10.8%** | **10.8%** | **8.1%** | **8.3%** |

**Earnings before Interest, Taxes, Depreciation and Amortization and EBITDA Margin**

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization, excluding depreciation of lease 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 revenues.

| ($ in 000's) | Three months ended Sept. 30 2013 | Three months ended Sept. 30 2013 (adjusted) | Three months ended Sept. 30 2012 | Three months ended Sept. 30 2012 (adjusted) |
|---|---|---|---|---|
| Net income as stated | **3,817** | **3,817** | 2,638 | 2,638 |
| Finance costs | **1,686** | **1,686** | 481 | 481 |
| Income tax expense | **1,445** | **1,445** | 1,173 | 1,173 |
| Depreciation and amortization, excluding depreciation of lease assets | **1,400** | **1,400** | 1,119 | 1,119 |
| **EBITDA** | **8,348** | **8,348** | 5,411 | 5,411 |
| Restructuring charges included in operating expenses | **-** | **-** | - | - |
| Insurance reimbursement included in operating expenses | **-** | **-** | - | - |
| Net restructuring and other items | **-** | **-** | - | - |
| **Adjusted EBITDA** | **8,348** | **8,348** | 5,411 | 5,411 |
| Divided by revenue | **54,866** | **54,866** | 49,289 | 49,289 |
| **EBITDA margin** | **15.2%** | **15.2%** | 11.0% | 11.0% |

| ($ in 000's) | Nine months ended Sept. 30 2013 | Nine months ended Sept. 30 2013 (adjusted) | Nine months ended Sept. 30 2012 | Nine months ended Sept. 30 2012 (adjusted) |
|---|---|---|---|---|
| Net income as stated | **9,846** | **9,846** | 7,291 | 7,291 |
| Finance costs | **4,224** | **4,224** | 1,428 | 1,428 |
| Income tax expense | **3,386** | **3,386** | 3,200 | 3,200 |
| Depreciation and amortization, excluding depreciation of lease assets | **4,213** | **4,213** | 3,601 | 3,601 |
| **EBITDA** | **21,669** | **21,669** | 15,520 | 15,520 |
| Restructuring charges included in operating expenses | **-** | **-** | - | 1,379 |
| Insurance reimbursement included in operating expenses | **-** | **-** | - | (943) |
| Net restructuring and other items | **-** | **-** | - | 436 |
| **Adjusted EBITDA** | **21,669** | **21,669** | 15,520 | 15,956 |
| Divided by revenue | **161,018** | **161,018** | 147,979 | 147,979 |
| **EBITDA margin** | **13.5%** | **13.5%** | 10.5% | 10.8% |

**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.

| ($ in 000's) | Three months ended Sept. 30 2013 | Three months ended Sept. 30 2013 (adjusted) | Three months ended Sept. 30 2012 | Three months ended Sept. 30 2012 (adjusted) |
|---|---|---|---|---|
| Net income as stated | **3,817** | **3,817** | 2,638 | 2,638 |
| Restructuring charges included in operating expenses | **-** | **-** | - | - |
| Insurance reimbursement included in operating expenses | **-** | **-** | - | - |
| Tax impact of above items | **-** | **-** | - | - |
| Net restructuring and other items | **-** | **-** | - | - |
| Adjusted net income | **3,817** | **3,817** | 2,638 | 2,638 |
| Multiplied by number of periods in year | **X 4/1** | **X 4/1** | X 4/1 | X 4/1 |
| Divided by average shareholders' equity for the period | **111,291** | **111,291** | 100,954 | 100,954 |
| **Return on equity** | **13.7%** | **13.7%** | 10.5% | 10.5% |

| ($ in 000's) | Nine months ended Sept. 30 2013 | Nine months ended Sept. 30 2013 (adjusted) | Nine months ended Sept. 30 2012 | Nine months ended Sept. 30 2012 (adjusted) |
|---|---|---|---|---|
| Net income as stated | **9,846** | **9,846** | 7,291 | 7,291 |
| Restructuring charges included in operating expenses | **-** | **-** | - | 1,379 |
| Insurance reimbursement included in operating expenses | **-** | **-** | - | (943) |
| Tax impact of above items | **-** | **-** | - | (131) |
| Net restructuring and other items | **-** | **-** | - | 305 |
| Adjusted net income | **9,846** | **9,846** | 7,291 | 7,596 |
| Multiplied by number of periods in year | **X 4/3** | **X 4/3** | X 4/3 | X 4/3 |
| Divided by average shareholders' equity for the period | **108,906** | **108,906** | 99,631 | 99,631 |
| **Return on equity** | **12.1%** | **12.1%** | 9.8% | 10.2% |

## Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at September 30, 2013 and September 30, 2012.

| ($ in 000's, except for ratios) | Sept. 30, 2013 | Sept. 30, 2012 |
|---|---|---|
| **Total assets** | **207,638** | 168,166 |
| External debt (includes term loan) | **58,647** | 32,212 |
| Other liabilities | **36,193** | 34,235 |
| Total liabilities | **94,840** | 66,447 |
| Shareholders' equity | **112,798** | 101,719 |
| Total capitalization (total debt plus total shareholders' equity) | **171,445** | 133,931 |
| External debt to shareholders' equity | **0.52** | 0.32 |
| External debt to total capitalization | **0.34** | 0.24 |
| External debt to Adjusted EBITDA* | **2.14** | 1.51 |

*Adjusted EBITDA is expressed on a trailing twelve month basis.

Total assets were $207.6 million at September 30, 2013, an increase of $39.4 million or 23.5% over September 30, 2012. The growth in total assets was driven primarily by: i) the increased size of the net consumer loans receivable portfolio which increased by $30.9 million from September 30, 2012 to September 30, 2013, ii) property and equipment and intangible assets (specifically software) increasing by $4.4 million year over year, iii) $2.6 million of goodwill which was recognized as part of the acquisition of 15 leasing stores in Canada on December 31, 2012, and iv) year over year increases in working capital.

The growth in total assets has been financed by a $28.4 million increase in total liabilities (which includes a $26.4 million increase in external debt) and a $11.1 million increase in total shareholder's equity. Although the Company has continued to maintain its dividend payments 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.

The Company's external debt includes a bank revolving credit facility which supports the leasing business and a term loan facility which supports easyfinancial.

Canadian dollar loans under the bank revolving credit facility bear interest at the lead lenders prime rate plus 150 to 250 bps, depending on the Company's total debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio. The bank revolving credit facility was fully secured by a first charge on substantially all of the assets of the Company and its subsidiaries, excluding easyfinancial, and a second charge on the assets of easyfinancial. The Company's interest rate under the facility as at September 30, 2013 was 5.00%.

On October 3, 2013, the Company amended the terms of the bank revolving credit facility to eliminate a scheduled reduction in the maximum limit, extending the maximum limit of $35.0 million through to the maturity date of October 4, 2015.

All borrowings under the term loan credit facility were secured by a first charge on the assets of easyfinancial and a second charge on substantially all of the other assets of the Company and its subsidiaries and will mature on October 4, 2017. The Company's interest rate under the term loan facility as at September 30, 2013 was 9.98%.

At September 30, 2013 and September 30, 2012, the Company was in compliance with all of its financial covenants under its lending agreements.

## Liquidity and Capital Resources

### Summary of Cash Flow Components

| ($ in 000's) | Three months ended Sept. 30, 2013 | Three months ended Sept. 30, 2012 | Nine months ended Sept. 30, 2013 | Nine months ended Sept. 30, 2012 |
|---|---|---|---|---|
| Cash provided by operating activities before issuance of consumer loans receivable | **19,128** | **22,106** | 48,713 | 60,437 |
| Net issuance of consumer loans receivable | **(12,277)** | **(5,794)** | (30,823) | (17,930) |
| Cash provided by operating activities | **6,851** | **16,312** | 17,890 | 42,507 |
| Cash used in investing activities | **(13,249)** | **(14,965)** | (36,718) | (38,685) |
| Financing activities | **3,472** | **(1,503)** | 16,000 | (3,800) |
| **Net increase (decrease) in cash for the period** | **(2,926)** | **(156)** | (2,828) | 22 |

Cash flows provided by operating activities for the three month period ended September 30, 2013 were $6.9 million. Included in this $6.9 million is a net investment of $12.3 million to increase the easyfinancial consumer loans receivable portfolio. If this net investment in the easyfinancial loan portfolio was treated as cash flow from investing activities, the cash flows generated by operating activities would be $19.1 million, down $3.0 million from the third quarter of 2012. The decline in cash flow was related to changes in the Company's working capital.

The cash flows from operating activities in the third quarter of 2013 enabled the Company to i) meet the needs of easyfinancial as described above, ii) invest $11.3 million in new lease assets, iii) invest $2.9 million in additional property and equipment and intangible assets, and iv) maintain its dividend payments.

Cash flows provided by operating activities for the nine month period ended September 30, 2013 were $17.9 million. Included in this $17.9 million is a net investment of $30.8 million to increase the easyfinancial consumer loans receivable portfolio. If this net investment in the easyfinancial loan portfolio was treated as cash flow from investing activities, the cash flows generated by operating activities would be $48.7 million, down $11.7 million from the comparable period of 2012. The decline was driven in part by the payment in the first quarter of 2013 of the $7.0 million purchase price of the asset and operations of 15 leasing stores acquired in the fourth quarter of 2012. The remaining decline was related to changes in the Company's working capital.

The cash flows from operating activities for the nine month period ended September 30, 2013 enabled the Company to i) meet the needs of easyfinancial as described above, ii) invest $30.6 million in new lease assets, iii) invest $7.7 million in additional property and equipment and intangible assets, and iv) maintain its dividend payments.

On October 21, 2013, the Company entered into an agreement with a syndicate of Underwriters pursuant to which the Underwriters have agreed to buy and sell to the public 1,346,900 common shares of the Company at a price of $14.85 per Common Share, for gross proceeds to the Company of $20.0 million. The Underwriters have an option, exercisable in whole or in part at any time up to 30 days after the closing of the Offering, to purchase up to an additional 202,035 Common Shares of the Company. In the event that the option is exercised in its entirety, the aggregate gross proceeds of the Offering will be $23.0 million. Closing of the offering is expected to occur on or about November 12, 2013 and is subject to regulatory approval including that of the TSX Exchange. The Common Shares to be issued under the Offering will be offered by way of a short form prospectus in all provinces in Canada, except Quebec, and certain other jurisdictions. The net proceeds of the offering will be used to fund growth initiatives within easyfinancial.

The Company believes that the cash flow provided by operations will be sufficient in the near-term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. Also, the additional availability under the Company's credit facilities and the proceeds of the equity offering announced on October 21, 2013 will allow the Company to grow its consumer loan portfolio through most of 2014. However, for easyfinancial to achieve its full long-term growth potential, additional sources of financing over and above the currently available credit facility and term loan are required. There is no certainty that these long term sources of capital will be available or at terms favourable to the Company.

## Outstanding Shares and Dividends

As at November 6, 2013 there were 11,942,048 shares, 712,878 options and no warrants outstanding.

For the three month period ended September 30, 2013, the Company paid a $0.085 per share quarterly dividend on outstanding common shares. 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. No dividends may 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 third quarter of the years indicated:

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| Dividend per share | **$ 0.085** | $ 0.085 | $ 0.085 | $ 0.085 | $ 0.085 | $ 0.085 | $ 0.070 |
| Percentage increase | **0.0%** | 0.0% | 0.0% | 0.0% | 0.0% | 21.4% | 16.7% |

## Commitments, Guarantees and Contingencies

The Company's commitments, guarantees and contingencies remain as described in its December 31, 2012 MD&A except as follows:

### Class Action Lawsuit

The Company and certain of its current and former officers were named as defendants in a lawsuit filed in the Ontario Superior Court of Justice on October 25, 2010. This lawsuit was commenced by Andrew Sorensen, on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010. The claim was brought under section 138 of the Ontario Securities Act. The plaintiff alleged, among other things, that, arising out of an employee fraud discovered in 2010, the Company and certain of its former and current officers made misrepresentations about the Company's consolidated financial statements being prepared in accordance with Canadian generally accepted accounting principles. The claim sought $10 million in general damages. On March 26, 2012, the lawsuit was certified as a class proceeding on consent.

During the first quarter of 2013, the Company reached an agreement to settle with the class action plaintiffs. The agreement contemplates a settlement amount of $2.25 million, all inclusive, to be distributed to members of the class in accordance with procedures set out in the settlement agreement. On June 10, 2013, the court approved the settlement agreement. The settlement amount was paid by the Company's insurer pursuant to the Company's insurance policies and is held in escrow by an administrator who will distribute the funds to class members. The settlement agreement denies any admission of liability on the part of the Company or any of its current or former officers or directors.

The settlement reflects an agreement between all parties to resolve the action and avoid increasing costs and time commitments necessarily involved in litigation. The Company has not recorded any liability related to these matters. The Company's directors' and officers' insurance policies provide for reimbursement of certain costs and expenses incurred in connection with these lawsuits, including legal and professional fees.

## Risk Factors

### Overview

The Company's activities are exposed to a variety of operational and financial 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 Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

The Company's risk factors remain as described in its December 31, 2012 MD&A and Annual Information Form.

## Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Key areas of estimation where management has made difficult, complex or subjective judgments often in respect of matters that are inherently uncertain are:

- consumer loan losses
- cost of lease assets
- depreciation of lease assets
- depreciation of property and equipment
- allocation of the purchase price in business combinations
- impairment and recovery of non-financial assets
- impairment of goodwill and indefinite life intangibles
- fair value of stock-based compensation
- provisions
- contingencies
- taxation amounts

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 fully described in the Company's December 31, 2012 Notes to the Financial Statements.

## Adoption of New Accounting Standards

Certain new accounting standards were adopted by the Company in the first quarter of 2013. However the effect of adopting these new accounting standards had no effect on the Company's financial statements. These new accounting standards adopted by the Company and any accounting standards issued but not yet effective that may affect the Company's future financial statements remain as described in the Company's December 31, 2012 Notes to the Financial Statements.

## 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. This information is gathered and reported to the Company’s management, including the Chief Executive Officer [“CEO”] and Chief Financial Officer [“CFO”], so that timely decisions can be made regarding 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 disclosure controls and procedures were effective as at September 30, 2013.

### 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. 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 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”].

Based on this evaluation, the CEO and CFO have concluded that the design of the Company’s internal controls over financial reporting were effective as at September 30, 2013.

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.

In addition, the CEO and CFO evaluated whether there were changes in the internal controls over financial reporting during the interim period ended September 30, 2013 that materially affected, or were reasonably likely to materially affect, the internal controls over financial reporting. There were no such changes during the quarter.