



TSX Symbol: EH

easyhome Ltd.
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Press Release

July 29, 2015

easyhome Ltd. Reports Results for the Second Quarter ended June 30, 2015

**Total Revenue Growth of 15%, Same Store Sales Growth of 16.8%,
Operating Income Growth of 36%**

Mississauga July 29, 2015: *easyhome* Ltd. (TSX: EH), (“*easyhome*” or the “**Company**”), the Canadian leader in providing goods and financial services to the cash and credit constrained consumer, today announced its results for the second quarter ended June 30, 2015.

Q2 2015 Results

Revenue for the second quarter of 2015 increased to \$72.9 million, an increase of 15.2% from \$63.2 million in the second quarter of 2014. The growth was driven by the expansion of *easyfinancial* and the related growth of its consumer loans receivable portfolio. Total same store sales growth in the quarter was 16.8%. Operating income for the quarter was \$10.4 million, up \$2.7 million or 36% compared to the second quarter of 2014. Net income for the quarter was \$5.0 million, an increase of 10.6% compared with \$4.5 million reported in the second quarter of 2014. Diluted earnings per share for the quarter increased to \$0.36 compared to \$0.33 for the second quarter of 2014 despite the \$0.07 per share drag due to the acquisition and opening of 45 *easyfinancial* branches in the first quarter of 2015.

“We are pleased with the solid revenue and earnings improvement and are particularly encouraged by the origination demand at *easyfinancial* that resulted in better than expected loan book growth,” said David Ingram, *easyhome*’s President and Chief Executive Officer. “Further, subsequent to the end of the quarter we acquired 14 leasing stores from Rent-A-Center, Inc. We also partnered with Leon’s Furniture Ltd. (“Leons”) to provide customers of Leon’s that do not qualify for traditional prime credit with a new point-of-sale financing alternative. We are confident that both of these initiatives will lead to continued strong revenue and earnings performance in the ensuing quarters.”

During the second quarter of 2015, the consumer loans receivable portfolio grew \$23.4 million compared with growth of \$21.9 million in the second quarter of 2014. The gross consumer loans receivable as at June 30, 2015 was \$231 million compared with \$145 million as at June 30, 2014, growing 59% over the preceding 12 months.

Other highlights for the second quarter of 2015 include:

easyfinancial

- Revenue for *easyfinancial* increased by 52% for the second quarter of 2015 compared to the second quarter of 2014.
- Gross loan originations increased by 30.2% from \$59.4 million in the second quarter of 2014 to \$77.4 million in the current quarter.
- Operating margin of 27.1% for the second quarter of 2015 was down from 30.8% reported for the same period in 2014. If the earnings drag associated with the acquired branches

was excluded from the financial results of *easyfinancial*, operating margin would have been 31.5% in the current quarter.

easyhome Leasing

- Revenue for *easyhome* leasing decreased by \$2.4 million or 5.9%. Same store revenue growth of 3.1% was more than offset by the impact of store sales and closures over the past 15 months and the sale of the U.S. franchise royalty stream that occurred on December 31, 2014.
- Lease agreements originating online increased by 13% in the second quarter of 2015 compared to the second quarter of 2014. 10% of new *easyhome* Leasing customers in the quarter originated online.
- The operating margin of *easyhome* Leasing for the second quarter of 2015 was 14.9%.

Overall

- Operating margin was 14.3% for the quarter, up from 12.1% in the second quarter of 2014.
- Subsequent to the end of the quarter, on July 13, 2015, the Company acquired 14 Canadian merchandise leasing stores from a U.S. based rent-to-own company.

Six Months Results

For the first half of the year, *easyhome* recorded revenues of \$143.4 million, up 16.1% compared with \$123.6 million in the first half of 2014. Operating income for the period was \$20.2 million compared with \$15.6 million in the first six months of 2014, an increase of 29% while net income increased by \$0.8 million or 8.4%. Diluted earnings per share increased from \$0.66 to \$0.71, an increase of \$0.05 or 7.6%.

Outlook

The Company has revised its revenue growth targets for 2015 and its store opening and ending consumer loans receivable targets for 2016.

While *easyfinancial*'s gross consumer loans receivable portfolio grew by 58.8% over the past 12 months, *easyfinancial*'s revenue grew at a reduced rate of 51.5% in the current quarter compared with the second quarter of 2014 due to a reduction in the achieved yield. This yield reduction was related to two factors. First, the average loan size increased due to strong demand for the Company's higher dollar loans (i.e. between \$5,000 and \$10,000), which were tested throughout 2014 and launched nationwide in March 2015. Higher dollar loans have lower rates on certain ancillary products to account for the lower overall risk. Second, the net commissions earned by the Company on the sale of ancillary products have decreased. All told, the annualized yield declined by 4.0% from 67.5% in the second quarter of 2014 to 63.5% in the second quarter of 2015.

The Company anticipates that the current yield on the consumer loans receivable portfolio is more indicative of future performance. Although the yield has declined, the overall lifetime profitability by customer will improve. As such, even though the ending loan book target for 2015 has not been amended, the Company has revised its revenue growth target for 2015 from 18-22% to 15-20%.



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The continued progress that the Company has made on its strategic initiatives has enabled it to further revise its store opening target for 2016 from 20-30 new *easyfinancial* locations to 10-20 new *easyfinancial* locations. The continued growth of on-line originations has reduced the retail expansion plans for 2016 which should also moderate the associated drag from new store openings. Additionally, an anticipated increase in loan originations driven by greater consumer awareness through the *goeasy* advertising campaigns coupled with the relaunch of the consumer website and the successful roll-out of the Company's indirect lending platform will lead to further growth of the Company's consumer loans receivable portfolio by the end of 2016. The Company is now targeting the loan book to grow to between \$360 and \$390 million by the end of 2016.

"The hard work in 2015, while moderating earnings growth, has positioned the Company for significant EPS expansion and unencumbered loan book growth starting in 2016," David Ingram commented. "As such, we have focused our plans for next year on completing existing IT projects, lowering new branch openings to reduce earnings drag and accelerating new customer originations by utilizing our custom built table to add new merchants to our indirect lending channel."

The Board of Directors has approved a quarterly dividend payment of \$0.10 per share payable on October 9, 2015 to the holders of common shares of record as at the close of business on September 25, 2015.

Forward-Looking Statements

This new release 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 the Company's December 31, 2014 Management Discussion and Analysis 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



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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.

About *easyhome*

As at June 30, 2015, the Company operated 185 *easyhome* leasing stores (including 24 franchises and 6 consolidated franchise locations) and 201 *easyfinancial* locations.

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*. *easyhome* Leasing is Canada's largest merchandise leasing Company, offering top quality, brand-name household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements through both corporate and franchise stores. *easyfinancial* is a leading provider of consumer loans as an alternative to traditional banks and payday lenders.

easyhome Ltd. is listed on the TSX under the symbol 'EH'. For more information, visit www.easyhome.ca.

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easyhome Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

(expressed in thousands of Canadian dollars)

	As At June 30, 2015	As At December 31, 2014
ASSETS		
Cash	4,794	1,165
Amounts receivable	11,947	16,508
Prepaid expenses	2,563	1,971
Consumer loans receivable	216,673	180,693
Lease assets	61,013	64,526
Property and equipment	19,886	16,915
Deferred tax assets	6,273	6,725
Intangible assets	12,059	11,006
Goodwill	20,374	19,963
TOTAL ASSETS	355,582	319,472
LIABILITIES AND SHAREHOLDERS' EQUITY		
Revolving operating facility	-	1,756
Accounts payable and accrued liabilities	26,459	32,837
Income taxes payable	1,598	3,042
Dividends payable	1,348	1,133
Deferred lease inducements	2,147	2,603
Unearned revenue	4,104	3,978
Provisions	393	314
Term loan	155,223	119,841
TOTAL LIABILITIES	191,272	165,504
Shareholders' equity		
Share capital	81,988	80,364
Contributed surplus	7,732	6,458
Accumulated other comprehensive income	889	694
Retained earnings	73,701	66,452
TOTAL SHAREHOLDERS' EQUITY	164,310	153,968
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	355,582	319,472

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(expressed in thousands of Canadian dollars except earnings per share)

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
REVENUE				
Lease revenue	36,120	38,082	72,873	76,582
Interest income	23,641	14,726	44,799	27,515
Other	13,129	10,438	25,743	19,483
	72,890	63,246	143,415	123,580
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	21,078	19,483	42,233	37,742
Stock based compensation	975	1,721	2,595	3,268
Advertising and promotion	2,728	1,707	5,315	3,336
Bad debts	9,436	6,048	17,604	10,255
Occupancy	7,953	6,986	15,589	13,909
Other	6,405	5,565	12,363	11,593
	48,575	41,510	95,699	80,103
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	11,634	12,301	23,258	24,361
Depreciation of property and equipment	1,359	1,199	2,639	2,345
Amortization of intangible assets	862	506	1,584	986
Impairment, net	46	60	46	142
	13,901	14,066	27,527	27,834
Total operating expenses	62,476	55,576	123,226	107,937
Operating income	10,414	7,670	20,189	15,643
Finance costs	3,621	1,800	6,751	3,358
Income before income taxes	6,793	5,870	13,438	12,285
Income tax expense (recovery)				
Current	1,786	3,714	3,038	6,913
Deferred	(10)	(2,380)	460	(3,794)
	1,776	1,334	3,498	3,119
Net income	5,017	4,536	9,940	9,166
Basic earnings per share	0.37	0.34	0.73	0.68
Diluted earnings per share	0.36	0.33	0.71	0.66