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

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**Date: February 18, 2015**

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 December 31, 2014 compared to December 31, 2013, and the results of operations for the three month period and year ended December 31, 2014 compared with the corresponding periods of 2013. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2014. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ["IFRS"], unless otherwise noted. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated.

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

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

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Information Form. These filings are available on SEDAR at *www.sedar.com* and on the Company's website at *www.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 payday loans and does not accept customer deposits, it is not subject to payday 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 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 both corporately owned stores located across Canada and through a network of franchised locations. Additionally, since 2013, the Company allows customers to enter into merchandise leasing transactions through its e-commerce platform.

**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 $10,000 for 9 to 48 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 financing for the cash and credit constrained consumer.

easyfinancial is a logical complement to the easyhome Leasing business, leveraging the resources of its affiliate 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 payday 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 prefer to avoid the high fees and onerous repayment terms imposed on them by payday 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 stated 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. Future location growth will be focused on stand-alone locations, which will also free up retail showroom space at the easyhome Leasing stores.

In 2013, a transactional website was launched by easyfinancial for securing consumer installment loans. This new delivery channel allowed the Company to reach consumers who may not have had access to a physical location or those who preferred to interact through the privacy and convenience of their home.

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.

**<u>Corporate Strategy</u>**

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 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 imperatives:

- 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**

Up until 2013, all of easyhome's interactions with its leasing and financial services customers occurred at a physical retail location. In 2013, transactional websites were launched by easyhome Leasing for the leasing of new furniture, appliances and electronics, and easyfinancial for securing consumer installment loans. These new delivery channels allowed the Company to reach consumers who may not have had access to a physical location or those who preferred to interact through the privacy and convenience of their home. 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 the traditional credit products offered by these merchants. Under such a delivery channel, these customers will be given the opportunity to apply 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 store network. 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 loans receivable portfolio could be appropriately managed and information could be securely maintained on a scalable infrastructure.
- In 2014, the Company implemented a proprietary loan application management system to process applications originated in its retail and online channels. This system is supported by a new credit decision engine built in partnership with a global leader in risk management technology solutions and is fully integrated with Company's customer relationship management platform enabling it to more efficiently meet the needs of its growing customer base.
- 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 across Canada. 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 the leader in providing financing solutions to consumers who are looking for an alternative to traditional banks and payday 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 and so 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. As an example, in 2014 the Company launched a licensed mortgage brokerage business designed to assist customers in obtaining mortgage financing.

**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 payday 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 and 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 in 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.

*Improve Brand Recognition Through goeasy*

In the third quarter of 2014 the Company announced a new master brand: goeasy. Going forward, the Company's new goeasy master brand will provide a corporate umbrella that unites and supports its sub-brands of easyhome and easyfinancial and allow it to more effectively reach its targeted demographic - the cash and credit constrained consumer - with all its lines of business.

The values of the new goeasy master brand are Access, Relief and Respect. When a customer deals with any of the Companyõs business units, they will know they can obtain greater access to products and services than they can through more traditional retailers or banks who have denied them in the past. Customers will be provided with relief from their financial challenges with the promise of a decision within 30 minutes. Finally, customers will know that they will be respected by the Company and its people throughout their entire customer experience. These are the core pillars that anchor the goeasy brand.

The new master brand launch also involved a shift away from traditional paper based advertising channels towards a greater investment in broadcast and digital media. By focusing on the master brand, the Company will maximize the impact of its advertising dollars. Both of the Company's sub-brands (easyhome and easyfinancial) will be united under this one umbrella with one common message focused around the core brand pillars. It will reach a new set of customers that are unaware of the Company's products and services. Longer term, the master brand will facilitate the launch of new products and services and reduce the cost of customer acquisition.

## Outlook

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

### Update of 2014 Targets

The Companyõs 2014 targets, along with the underlying assumptions and risk factors, were originally communicated in its December 31, 2013 MD&A and subsequently revised in its June 30, 2014 MD&A.

| | Actual Results for 2014 | Revised Targets for 2014 | Explanation for Variance to Targets |
|---|---|---|---|
| New easyhome Leasing stores opened in year | | | |
| • Corporately owned stores | **-** | - | Target achieved |
| • Franchise stores that are consolidated for financial statement purposes | **2** | 2 | Target achieved |
| • Franchise stores | **5** | 3 | Target achieved |
| New easyfinancial locations opened in year | **36** | 30 - 35 | Target achieved |
| Gross consumer loans receivable portfolio at year end | **$192.2 million** | $180 - $190 million | Target surpassed due to stronger than anticipated demand for the easyfinancial product |
| easyfinancial operating margin | **32.7%** | 30 ï 32% | Target achieved |
| Total revenue growth | **18.4%** | 14 - 16% | Target surpassed due to stronger than anticipated demand for the easyfinancial product |

Looking to 2015, 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.

**Update of Two Year Targets**

The Company's 2015 and 2016 targets were originally reported in its December 31, 2013 MD&A and were subsequently revised during 2014 due to the strong growth of the Company's easyfinancial business. The following table outlines the Company's targets for 2015 and 2016 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 2015 | Targets for 2016 | Assumptions | Risk Factors[1] |
|---|---|---|---|---|
| New easyfinancial locations opened in year | **60 to 65** | **20 to 30** | • The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost.<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. |
| Gross consumer loans receivable portfolio at year end | **$280 to $295 million** | **$340 to $370 million** | • The new store opening plan and the development of new delivery channels occur as expected.<br>• The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost. | • 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. |
| Total revenue growth | **18% to 22%** | **18% to 22%** | • 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 spend.<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 | **28% to 32%** | **32% to 35%** | • Although the long term easyfinancial margin is expected to be 35%, operating margins in 2015 will be moderated by investments made to drive future growth including the additional cost of the 45 acquired sites<br>• Yield and cost rates at mature locations are indicative of future performance | • The Company's ability to achieve operating efficiencies as its locations mature.<br>• The earnings drag from newly opened locations is within acceptable levels. |

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

## Analysis of Results for the Year Ended December 31, 2014

### Financial Highlights and Accomplishments

- 2014 was the thirteenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue has seen a compounded annual growth rate of 11.1% while net income has grown from a loss of $1.9 million in 2001 to net income of $19.7 million in 2014. In 2014, the Company delivered record levels of revenue, net income and earnings per share.

- easyhome continued to grow revenue during 2014. Revenue for the year increased to $259.2 million from $218.8 million in 2013, an increase of $40.4 million or 18.4%. The growth was driven primarily by the expansion of easyfinancial and its consumer loan receivable portfolio. Same store revenue growth for the year, which includes revenue growth from easyfinancial, was 19.6%. Excluding the impact of easyfinancial, same store revenue growth was 2.6%.

- The Company continued to secure the additional capital needed to fund the growth of its consumer loans receivable portfolio at lower costs throughout the year. In the third quarter of 2014, the Company entered into a new $200 million credit facility, replacing the Company’s previous debt facilities and providing $115 million of additional capital to support the growth of easyfinancial. The new credit facility, which expires on October 4, 2018, is comprised of a $180 million term loan and a $20 million revolving operating facility. This additional capital will allow easyfinancial to continue to expand during 2015.

- In the third quarter of 2014, the Company announced the launch of a new master brand: goeasy. The Company's new goeasy master brand will provide a corporate umbrella that unites and supports its sub-brands of easyhome and easyfinancial and allows it to more effectively reach its targeted demographic – the cash and credit constrained consumer. The new master brand launch was complemented by an integrated advertising campaign which included television ads, a new website (www.goeasy.com) and social media channels, as well as in-store and direct mail marketing. The brand launch, and incremental marketing to fuel the growth of easyfinancial, resulted in higher advertising spend in 2014.

- During 2014, the consumer loans receivable portfolio experienced record growth, increasing by $81.5 million compared with growth of $40.0 million in 2013. The gross consumer loans receivable as at December 31, 2014 was $192.2 million compared with $110.7 million as at December 31, 2013, up 73.6%. Similarly, easyfinancial revenue increased by 72.3% in the year compared to 2013, driven by the expanded consumer loans receivable portfolio. During the year, easyfinancial opened 37 new branches.

- The key metrics measuring the performance of the Company’s consumer loans receivable portfolio both improved in the year. Bad debt expense as a percentage of revenue improved from 25.3% in 2013 to 24.1% in the current year while net charge offs as a percentage of average gross consumer loans receivable improved from 13.9% in 2013 to 13.0% in the current year.

- During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This wind down involved the sale of the Company's rights to future royalty payments from its franchisees, the recognition of impairment provisions against certain intangible assets and property and equipment located in the U.S. and the recording of other restructuring charges which consisted of provisions for onerous leases, severance and other charges. For the quarter ended December 31, 2014, a net credit of $1.2 million was recorded as restructuring and other charges within operating income. No further related charges are expected in future periods.

- Operating income for 2014 was $34.6 million compared to $25.0 million in 2013, an increase of $9.6 million or 38.6%. Overall operating margin for the year was 13.3%, up from the 11.4% reported in 2013. Excluding restructuring and other items, adjusted operating earnings for the year was $33.4 million, up $8.4 million or 33.7% compared with 2013. Adjusted operating margin was 12.9% for the year.

- Net income for 2014 reached a record level of $19.7 million or $1.42 per share on a diluted basis compared with $14.2 million or $1.15 per share in 2013, an increase of $5.5 million and $0.27

respectively. Excluding the impact of restructuring and other items, adjusted earnings for 2014 was $18.6 million or $1.34 per share on a diluted basis.

- During the fourth quarter of 2014, the Company implemented a proprietary loan application management system to process applications originated in its retail and online channels. This system is supported by a new credit decision engine built in partnership with a global leader in risk management technology solutions and is fully integrated with Company's customer relationship management platform enabling it to more efficiently meet the needs of its growing customer base.

**Summary Financial Results and Key Performance Indicators**

| ($ in 000's except earnings per share and percentages) | Year ended Dec. 31, 2014 | Year ended Dec. 31, 2013 | Variance $ / % | Variance % change |
|---|---|---|---|---|
| **Summary Financial Results** | | | | |
| Revenue | **259,150** | 218,814 | 40,336 | 18.4% |
| Operating expenses before depreciation and amortization | **167,916** | 140,137 | 27,779 | 19.8% |
| EBITDA | **41,809** | 30,599 | 11,210 | 36.6% |
| EBITDA margin | **16.1%** | 14.0% | 2.1% | - |
| Depreciation and amortization expense | **56,641** | 53,712 | 2,929 | 5.5% |
| Operating income | **34,593** | 24,965 | 9,628 | 38.6% |
| Operating margin | **13.3%** | 11.4% | 1.9% | - |
| Finance costs | **8,800** | 5,638 | 3,162 | 56.1% |
| Effective income tax rate | **23.4%** | 26.6% | (3.2%) | - |
| Net income for the period | **19,748** | 14,182 | 5,566 | 39.2% |
| Diluted earnings per share | **1.42** | 1.15 | 0.27 | 23.5% |
| **Adjusted (Normalized) Financial Results**[1] | | | | |
| Adjusted EBITDA margin | **15.7%** | 14.0% | 1.7% | - |
| Adjusted operating earnings | **33,368** | 24,965 | 8,403 | 33.7% |
| Adjusted operating margin | **12.9%** | 11.4% | 1.5% | - |
| Adjusted earnings | **18,600** | 14,182 | 4,418 | 31.1% |
| Adjusted earnings per share | **1.34** | 1.15 | 0.19 | 16.5% |
| **Key Performance Indicators**[1] | | | | |
| Same store revenue growth | **19.6%** | 17.7% | 1.9% | - |
| Same store revenue growth excluding easyfinancial | **2.6%** | 7.3% | (4.7%) | - |
| Potential monthly lease revenue | **10,955** | 11,430 | (475) | (4.2%) |
| Change in potential monthly lease revenue due to ongoing operations | **143** | 243 | (100) | (41.1%) |
| easyhome Leasing operating margin | **15.4%** | 16.4% | (1.0%) | |
| Gross consumer loans receivable | **192,225** | 110,704 | 81,521 | 73.6% |
| Growth in consumer loans receivable | **81,521** | 40,046 | 41,475 | 103.6% |
| Gross loan originations | **233,805** | 142,008 | 91,797 | 64.6% |
| Bad debt expense as a percentage of easyfinancial revenue | **24.1%** | 25.3% | (1.2%) | - |
| Net charge offs as a percentage of average gross consumer loans receivable | **13.0%** | 13.9% | (0.9%) | |
| easyfinancial operating margin | **32.7%** | 31.0% | 1.7% | |

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

**Store Locations Summary**

| | Locations as at Dec. 31, 2013 | Locations opened during year | Locations closed / sold during year | Conversions | Locations as at Dec.31, 2014 |
|---|---|---|---|---|---|
| **easyhome Leasing** | | | | | |
| Corporately owned stores | 173 | - | (6) | (4) | **163** |
| Consolidated franchise locations | 9 | 2 | (3) | (2) | **6** |
| Total consolidated stores | 182 | 2 | (9) | (6) | **169** |
| Canadian franchise stores | 19 | - | (1) | 5 | **23** |
| U.S. franchise stores[1] | 36 | 5 | (42) | 1 | **-** |
| Total franchise stores | 55 | 5 | (43) | 6 | **23** |
| **Total easyhome Leasing stores** | 237 | 7 | (52) | - | **192** |
| **easyfinancial** | | | | | |
| Kiosks (in store) | 65 | 1 | - | (2) | **64** |
| Stand-alone locations | 53 | 36 | (2) | 2 | **89** |
| National loan office | 1 | - | - | - | **1** |
| **Total easyfinancial locations** | 119 | 37 | (2) | - | **154** |

[1] During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This wind down involved the sale of the Company's rights to future royalty payments from its U.S. franchisees. The stores for which royalties will no longer be received were treated as locations closed or sold during the year for reporting purposes.

**Summary Financial Results by Operating Segment**

| ($ in 000's except earnings per share) | Year Ended December 31, 2014 easyhome Leasing | easyfinancial | Corporate | Total |
|---|---|---|---|---|
| Revenue | **158,322** | **100,828** | **-** | **259,150** |
| Total operating expenses before depreciation and amortization and restructuring and other items | **81,305** | **64,524** | **23,312** | **169,141** |
| Restructuring and other items | **-** | **-** | **(1,225)** | **(1,225)** |
| Depreciation and amortization | **52,711** | **3,298** | **632** | **56,641** |
| Operating income (loss) | **24,306** | **33,006** | **(22,719)** | **34,593** |
| Finance costs | | | | **8,800** |
| Income before income taxes | | | | **25,793** |
| Income taxes | | | | **6,045** |
| **Net Income** | | | | **19,748** |
| **Diluted Earnings per Share** | | | | **1.42** |

| ($ in 000's except earnings per share) | Year Ended December 31, 2013 easyhome Leasing | easyfinancial | Corporate | Total |
|---|---|---|---|---|
| Revenue | 160,296 | 58,518 | - | 218,814 |
| Total operating expenses before depreciation and amortization | 82,778 | 38,435 | 18,924 | 140,137 |
| Depreciation and amortization | 51,210 | 1,918 | 584 | 53,712 |
| Operating income (loss) | 26,308 | 18,165 | (19,508) | 24,965 |
| Finance costs | | | | 5,638 |
| Income before income taxes | | | | 19,327 |
| Income taxes | | | | 5,145 |
| **Net Income** | | | | 14,182 |
| **Diluted Earnings per Share** | | | | 1.15 |

## Revenue

Revenue for the year ended December 31, 2014 was $259.2 million compared to $218.8 million in 2013, an increase of $40.3 million or 18.4%. Same store sales growth for the year was 19.6%. The increase to revenue was driven by the growth of the easyfinancial business.

*easyhome Leasing* - Revenue for the year ended December 31, 2014 was $158.3 million, a decrease of $2.0 million from 2013. The year over year change in revenue can be attributed to several factors:

- Revenue growth across the Canadian store network (excluding the impact of store sales and closures) was $0.8 million in 2014 compared to the prior year.
- The acquisition of leasing portfolios in the year which were merged with existing stores resulted in an additional $0.2 million of revenue in 2014 when compared with 2013.
- Growth in the franchise network, both from consolidated franchise locations and fees generated from unconsolidated franchises, contributed to $1.6 million of revenue growth.
- Revenue gains were offset by store closures and sales which occurred during the past two years (net of the transfer of portfolios to nearby locations) resulting in a $4.6 million decline in revenue.

*easyfinancial* - Revenue for the year ended December 31, 2014 was $100.8 million, an increase of $42.3 million or 72.3% from 2013. The increase was due to the growth of the consumer loans receivable portfolio, which increased from $110.7 million as at December 31, 2013 to $192.2 million as at December 31, 2014, an increase of $81.5 million or 73.6%. The gross consumer loans receivable portfolio grew by $81.5 million in the year as compared with growth of $40.0 million in 2013.

## 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 $169.1 million for the year ended December 31, 2014, an increase of $29.0 million or 20.7% from 2013. The increase in operating expenses was driven primarily by the higher costs associated with the expanding easyfinancial business and higher corporate costs partially offset by lower operating costs within the Leasing business. Total operating expenses before depreciation and amortization and restructuring and other items represented 65.3% of revenue for 2014 as compared with 64.0% for 2013.

*easyhome Leasing* ï Total operating expenses before depreciation and amortization for the year ended December, 2014 were $81.3 million, a decrease of $1.5 million or 1.8% from 2013. Net cost reductions related to lower advertising and marketing expenditures during the year and a reduced number of stores. Consolidated leasing store count declined from 182 as at December 31, 2013 to 169 at December 31, 2014.

*easyfinancial* ï Total operating expenses before depreciation and amortization were $64.5 million for the year ended December 31, 2014, an increase of $26.1 million or 67.9% from 2013. Operating expenses excluding bad debt expense increased by $16.6 million or 70.3% in the year driven by: i) higher advertising and marketing costs including the costs associated with the launch of the Companyôs master brand - goeasy, ii) 35 additional branches when compared to December 31, 2013 and the shift towards higher capacity stand alone branches, iii) higher costs associated with easyfinancialôs shared service centre to support the larger loan book and iv) incremental expenditures to develop new distribution channels and manage the growing branch network. Overall, branch count increased from 119 as at December 31, 2013 to 154 as at December 31, 2014. Additionally, stand-alone branches increased from 53 as at December 31, 2013 to 89 as at December 31, 2014.

Bad debt expense increased to $24.3 million for 2014 from $14.8 million in 2013, an increase of $9.5 million or 64.2%. The relative increase in bad debt expense trailed the growth of the consumer loans receivable portfolio which grew by 73.6% over the past 12 months. Bad debt expense expressed as a percentage of easyfinancial revenue, was 24.1% for the year, down from the 25.3% reported in 2013. Similarly, net charge-offs as a percentage of the average gross consumer loans receivable improved from 13.9% reported in 2013 to 13.0% in 2014.

*Corporate* ï Total operating expenses before depreciation and amortization and restructuring and other items was $23.3 million for the year ending December 31, 2014 compared to $18.9 million in 2013, an increase of $4.4 million or 23.3%. The increase was due primarily to higher incentive compensation expenses. Stock based compensation expense, which is driven in part by movements in the Company's share price, increased by $2.5 million in 2014 as compared to 2013. Accrued short-term bonus expense, which is based on earnings performance against targets, increased due to the improved operating results of the Company compared with 2013. Corporate expenses before depreciation and amortization and restructuring and other items represented 9.0% of revenue in 2014 compared to 8.6% of revenue in 2013.

*Restructuring and other items* ï During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This involved the sale of the Company's rights to future royalty payments from its franchisees, the recognition of impairment provisions against certain intangible assets and property and equipment located in the U.S. and the recording of other restructuring charges which consisted of provisions for onerous leases, severance and other charges. For the year ended December 31, 2014, a net credit of $1.2 million was recorded as restructuring and other charges within operating income. No further related charges are expected in future periods.

**Depreciation and Amortization**

Depreciation and amortization for the year ended December 31, 2014 was $56.6 million, up $2.9 million or 5.4% from 2013. The increase was attributable to: i) the growing easyfinancial branch network and the increased number of stand-alone locations, ii) the amortization of new easyfinancial systems and iii) an increase in the depreciation and amortization expense within the leasing business.

Leasing depreciation and amortization as a percentage of leasing revenue for the year was 33.3% up from 31.9% in 2013 due to a combination of: i) decreasing average lease terms ï particularly on used inventory, ii) merchandising activities to optimize inventory levels for the goeasy master brand launch in the third quarter of 2013 and iii) increased product costs not passed on to customers.

Overall depreciation and amortization represented 21.9% of revenue for 2014, down from 24.5% in 2013.

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

Operating income for 2014 was $34.6 million compared to $25.0 million in 2013, an increase of $9.6 million or 38.6%. Overall operating margin for the year was 13.3%, up from the 11.4% reported in 2013. Excluding restructuring and other items, adjusted operating earnings for the quarter was $33.4 million, up $8.4 million or 33.7% compared with 2013. Adjusted operating margin was 12.9% for the year up from 11.4% in 2013.

*easyhome Leasing* ï Operating income was $24.3 million for 2014 down $2.0 million from 2013 and driven primarily by lower revenue, higher depreciation and amortization and partially offset by lower store operating costs associated with a reduced number of stores.

*easyfinancial* ï Operating income was $33.0 million for 2014, compared with $18.2 million in 2013, an increase of $14.8 million or 81.3%. Operating margin for the year was 32.7% compared with 31.0% in 2013. The growth in operating income and operating margin was driven by the growing consumer loans receivable portfolio allowing easyfinancial to achieve further economies of scale.

**Finance Costs**

Finance costs for 2014 were $8.8 million, up $3.7 million from 2013. This increase in finance costs was driven by higher average borrowing levels as well as an increased blended borrowing rate.

**Income Tax Expense**

The effective income tax rate for 2014 was 23.4% compared to 26.6% in 2013. During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. which involved the sale of the Company's rights to future royalty payments from its U.S. franchisees. This resulted in a gain on sale in the Company's U.S. subsidiary which had adequate tax loss carryforwards to eliminate any tax payable on the transaction thus resulting in a low effective income tax rate in the year. Excluding the impact of the

Company's U.S. operations, the Company's effective tax rate for its Canadian operations for 2014 was 26.5%.

**Net Income and EPS**

Net income for 2014 was $19.7 million or $1.42 per share on a diluted basis compared with $14.2 million or $1.15 per share in 2013, an increase of $5.5 million and $0.27 respectively. Excluding the impact of restructuring and other items, adjusted earnings for 2014 was $18.6 million or $1.34 per share on a diluted basis.

## Selected Annual Information

### Operating Results

| ($ in 000's except per share amounts) | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Revenue | **259,150** | 218,814 | 199,673 | 188,325 | 174,184 |
| Net income | **19,748** | 14,182 | 11,057 | 9,612 | 6,072 |
| Dividends declared on common shares | **4,530** | 4,178 | 4,043 | 4,029 | 3,562 |
| Cash dividends declared per common share | **0.34** | 0.34 | 0.34 | 0.34 | 0.34 |
| **Earnings per Share** | | | | | |
| Basic | **1.47** | 1.16 | 0.93 | 0.81 | 0.58 |
| Diluted | **1.42** | 1.15 | 0.92 | 0.81 | 0.58 |

### Assets and Liabilities

| ($ in 000's) | As at Dec. 31, 2014 | As at Dec. 31, 2013 | As at Dec. 31, 2012 | As at Dec. 31, 2011 | As at Dec. 31, 2010 |
|---|---|---|---|---|---|
| **Total Assets** | **319,472** | 232,900 | 189,927 | 159,123 | 139,088 |
| **Total Liabilities** | | | | | |
| Bank debt | **1,756** | 23,496 | 21,281 | 33,123 | 18,251 |
| Term loan | **119,841** | 37,878 | 18,330 | - | - |
| Other | **43,907** | 35,893 | 45,303 | 28,458 | 29,326 |
| | **165,504** | 97,267 | 84,914 | 61,581 | 47,577 |

## Analysis of Results for the Three Months Ended December 31, 2014

### Fourth Quarter Highlights

- easyhome continued to grow revenue during the fourth quarter of 2014. Revenue for the quarter reached a record high of $70.0 million, up from the $57.8 million reported in the fourth quarter of 2013 and an increase of $12.2 million or 21.2%. The growth was driven primarily by the expansion of easyfinancial and its consumer loans receivable portfolio. Same-store revenue growth for the quarter, which includes revenue growth from easyfinancial, was 20.8%. Excluding the impact of easyfinancial, same-store revenue growth was 2.6%.

- The gross consumer loans receivable portfolio as at December 31, 2014 was $192.2 million compared with $110.7 million as at December 31, 2013, an increase of $81.5 million or 73.6%. The loan book grew by $26.5 million in the quarter compared with growth of $17.9 million in the fourth quarter of 2013. Loan originations were also strong in the quarter at $74.2 million, up 44.8% compared with the fourth quarter of 2013. Similarly, easyfinancial revenue increased by 70.0% in the quarter compared to the same period of 2013, driven by a larger consumer loans receivable portfolio. easyfinancial opened 12 new stand-alone branches in the quarter.

- Bad debt expense expressed as a percentage of easyfinancial revenue, was 22.0% for the fourth quarter of 2014, down from the 24.6% reported for the fourth quarter of 2013. Similarly, net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis improved from 13.2% reported in the fourth quarter of 2013 to 11.3% in the current quarter. During the fourth quarter of 2014, the Company sold certain previously charged off accounts for total proceeds of $0.9 million which has been included in the net charge offs.

- Operating income for the three month period ended December 31, 2014 was $11.5 million compared to $7.5 million for the comparable period in 2013, an increase of $4.0 million or 53.7%. Excluding restructuring and other items, adjusted operating earnings for the quarter was $10.3 million, up $2.8 million or 37.4% compared with the fourth quarter of 2013. Adjusted operating margin was 14.7% for the quarter up from 13.0% in the fourth quarter of 2013.

- Net income for the fourth quarter of 2014 was $7.1 million or $0.51 per share on a diluted basis compared with $4.3 million or $0.33 per share in the fourth quarter of 2013, an increase of $2.8 million and $0.18 respectively. Excluding the impact of restructuring and other items, adjusted earnings for the fourth quarter of 2014 was $6.0 million or $0.43 per share on a diluted basis.

**Summary Financial Results and Key Performance Indicators**

| ($ in 000's except earnings per share and percentages) | Three months ended Dec. 31, 2014 | Dec. 31, 2013 | Variance $ / % | Variance % change |
|---|---|---|---|---|
| **Summary Financial Results** | | | | |
| Revenue | **70,042** | 57,796 | 12,246 | 21.2% |
| Operating expenses before depreciation and amortization | **44,024** | 36,708 | 7,316 | 19.9% |
| EBITDA | **13,518** | 8,930 | 4,588 | 51.4% |
| EBITDA margin[1] | **19.3%** | 15.5% | 3.8% | - |
| Depreciation and amortization expense | **14,476** | 13,579 | 897 | 6.6% |
| Operating income | **11,542** | 7,509 | 4,033 | 53.7% |
| Operating margin[1] | **16.5%** | 13.0% | 3.5% | - |
| Finance costs | **2,907** | 1,414 | 1,493 | 105.6% |
| Effective income tax rate | **17.6%** | 28.9% | (11.3%) | - |
| Net income for the period | **7,112** | 4,336 | 2,776 | 64.0% |
| Diluted earnings per share | **0.51** | 0.33 | 0.18 | 54.5% |
| **Adjusted (Normalized) Financial Results**[1] | | | | |
| Adjusted EBITDA margin | **17.6%** | 15.5% | 2.1% | - |
| Adjusted operating earnings | **10,317** | 7,509 | 2,808 | 37.4% |
| Adjusted operating margin | **14.7%** | 13.0% | 1.7% | - |
| Adjusted earnings | **5,964** | 4,336 | 1,628 | 37.5% |
| Adjusted earnings per share | **0.43** | 0.33 | 0.10 | 30.3% |
| **Key Performance Indicators**[1] | | | | |
| Same store revenue growth | **20.8%** | 20.3% | 0.5% | - |
| Same store revenue growth excluding easyfinancial | **2.6%** | 6.8% | (4.2%) | - |
| Potential monthly lease revenue | **10,955** | 11,430 | (475) | (4.2%) |
| Change in potential monthly lease revenue due to ongoing operations | **593** | 662 | (69) | (10.4%) |
| easyhome Leasing operating margin | **15.4%** | 16.4% | (1.0%) | |
| Gross consumer loans receivable | **192,225** | 110,704 | 81,521 | 73.6% |
| Growth in consumer loans receivable | **26,505** | 17,912 | 8,593 | 48.0% |
| Gross loan originations | **74,198** | 51,242 | 22,956 | 44.8% |
| Bad debt expense as a percentage of easyfinancial revenue | **22.0%** | 24.6% | (2.6%) | - |
| Net charge offs as a percentage of average gross consumer loans receivable | **11.3%** | 13.2% | (1.9%) | - |
| easyfinancial operating margin | **35.0%** | 34.1% | 0.9% | - |

[1] See description in section "Key Performance Indicators and Non-IFRS Measures"

### Store Locations Summary

| | Locations as at Sept. 30, 2014 | Locations opened during quarter | Locations closed / sold during quarter | Conversions | Locations as at Dec. 31, 2014 |
|---|---|---|---|---|---|
| **easyhome Leasing** | | | | | |
| Corporately owned stores | 164 | - | - | (1) | **163** |
| Consolidated franchise locations | 9 | 1 | (3) | (1) | **6** |
| Total consolidated stores | 173 | 1 | (3) | (2) | **169** |
| Canadian franchise stores | 22 | - | (1) | 2 | **23** |
| U.S. franchise stores[1] | 40 | 2 | (42) | - | **-** |
| Total franchise stores | 62 | 2 | (43) | 2 | **23** |
| **Total easyhome Leasing stores** | 235 | 3 | (46) | - | **192** |
| **easyfinancial** | | | | | |
| Kiosks (in store) | 64 | - | - | - | **64** |
| Stand-alone locations | 78 | 12 | (1) | - | **89** |
| National loan office | 1 | - | - | - | **1** |
| **Total easyfinancial locations** | 143 | 12 | (1) | - | **154** |

[1] During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This wind down involved the sale of the Company's rights to future royalty payments from its U.S. franchisees. The stores for which royalties will no longer be received were treated as locations closed or sold during the quarter for reporting purposes.

**Summary Financial Results by Operating Segment**

| ($ in 000's except earnings per share) | Three Months Ended December 31, 2014<br>easyhome Leasing | easyfinancial | Corporate | Total |
|---|---|---|---|---|
| Revenue | **39,370** | **30,672** | **-** | **70,042** |
| Total operating expenses before depreciation and amortization and restructuring and other items | **19,944** | **18,972** | **6,333** | **45,249** |
| Restructuring and other items | **-** | **-** | **(1,225)** | **(1,225)** |
| Depreciation and amortization | **13,344** | **968** | **164** | **14,476** |
| Operating income (loss) | **6,082** | **10,732** | **(5,272)** | **11,542** |
| Finance costs | | | | **2,907** |
| Income before income taxes | | | | **8,635** |
| Income taxes | | | | **1,523** |
| **Net Income** | | | | **7,112** |
| **Diluted Earnings per Share** | | | | **0.51** |

| ($ in 000's except earnings per share) | Three Months Ended December 31, 2013<br>easyhome Leasing | easyfinancial | Corporate | Total |
|---|---|---|---|---|
| Revenue | 39,742 | 18,054 | - | 57,796 |
| Total operating expenses before depreciation and amortization | 20,384 | 11,290 | 5,034 | 36,708 |
| Depreciation and amortization | 12,822 | 606 | 151 | 13,579 |
| Operating income (loss) | 6,536 | 6,158 | (5,185) | 7,509 |
| Finance costs | | | | 1,414 |
| Income before income taxes | | | | 6,095 |
| Income taxes | | | | 1,759 |
| **Net Income** | | | | 4,336 |
| **Diluted Earnings per Share** | | | | 0.33 |

## Revenue

Revenue for the three month period ended December 31, 2014 was $70.0 million compared to $57.8 million in the same period in 2013, an increase of $12.2 million or 21.2%. Same store sales growth for the quarter was 20.8%. Revenue growth was driven primarily by the growth of easyfinancial.

*easyhome Leasing* - Revenue for the three month period ended December 31, 2014 was $39.4 million, a decrease of $0.4 million from the comparable period in 2013. Factors impacting revenue in the period included:

- Revenue growth across the Canadian store network (excluding the impact of store sales and closures) was $0.4 million in the fourth quarter of 2014 compared with the fourth quarter of 2013. Same store sales growth excluding the impact of easyfinancial was 2.6% in the quarter.
- The acquisition of leasing portfolios in the quarter which were merged with existing stores resulted in an additional $0.2 million of revenue in the quarter compared with the comparable period of 2013.
- Growth in the franchise network, both from consolidated franchise locations and fees generated from unconsolidated franchises, contributed to $0.2 million of revenue growth.
- Revenue gains were offset by store closures and sales which occurred during the past 15 months (net of the transfer of portfolios to nearby locations) resulting in a $1.2 million decline in revenue.

*easyfinancial* - Revenue for the three month period ended December 31, 2014 was $30.7 million, an increase of $12.6 million or 70.0% from the comparable period in 2013. The increase was due to the growth of the consumer loans receivable portfolio, which increased from $110.7 million as at December 31, 2013 to $192.2 million as at December 31, 2014, an increase of $81.5 million or 73.6%. The gross consumer loans receivable portfolio grew by $26.5 million in the quarter as compared with growth of $17.9 million for the fourth quarter of 2013. Loan originations were also strong in the quarter at $74.2 million, up 44.8% compared with the fourth quarter of 2013.

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

Total operating expenses before depreciation and amortization and restructuring and other items were $45.2 million for the three month period ended December 31, 2014, an increase of $8.5 million or 23.2% from the comparable period in 2013. The increase in operating expenses was driven primarily by the higher costs associated with the expanding easyfinancial business as well as higher corporate costs. Total operating expenses before depreciation and amortization and restructuring and other items represented 64.6% of revenue for the fourth quarter of 2014 compared with 63.5% for the fourth quarter of 2013.

*easyhome Leasing* ï Total operating expenses before depreciation and amortization for the three month period ended December 31, 2014 was $19.9 million, a decrease of $0.4 million or 2.2% from the comparable period in 2013. Increased store level costs were more than offset by cost reductions associated with closed or sold locations and reduced marketing and advertising spend. Consolidated leasing store count declined from 182 as at December 31, 2013 to 169 at December 31, 2014.

*easyfinancial* ï Total operating expenses before depreciation and amortization were $19.0 million for the fourth quarter of 2014, an increase of $7.7 million or 68.0% from the comparable period in 2013. Operating expenses, excluding bad debt, increased by $5.4 million or 78.6% in the quarter driven by: i) $0.8 million in additional advertising and marketing costs to support the strong growth in the consumer loans receivable portfolio, ii) the increased costs associated with 35 additional branches when compared to December 31, 2013 and the shift towards higher capacity stand alone branches, iii) higher costs associated with easyfinancialõs shared service centre and iv) incremental expenditures to develop new distribution channels and manage the growing branch network. Overall, branch count increased from 119 as at December 31, 2013 to 154 as at December 31, 2014. Additionally, stand-alone branches increased from 53 as at December 31, 2013 to 89 as at December 31, 2014.

Bad debt expense increased to $6.8 million for the fourth quarter of 2014 from $4.4 million during the comparable period in 2013, up $2.4 million or 51.8%. The relative increase in bad debt expense trailed the growth of the consumer loans receivable portfolio which grew by 73.6% over the past 12 months. Bad debt expense expressed as a percentage of easyfinancial revenue, was 22.0% for the fourth quarter of 2014, down from the 24.6% reported for the fourth quarter of 2013. Similarly, net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis improved from 13.2% reported in the fourth quarter of 2013 to 11.3% in the current quarter. During the fourth quarter of 2014, the Company sold certain previously charged off accounts for total proceeds of $0.9 million which has been included in the net charge offs. Excluding these proceeds, net charge offs as a percentage of the average gross consumer loans receivable on an annualized basis was 13.2%.

*Corporate* ï Total operating expenses before depreciation and amortization and restructuring and other items was $6.3 million for the fourth quarter of 2014 compared to $5.0 million in the fourth quarter of 2013, an increase of $1.3 million or 25.8%. The increase related primarily to higher accrued incentive compensation expenses as well as higher salaries, information technology and other administrative costs. The increase in accrued incentive compensation expenses was driven by the strong financial performance of the business which exceeded internal targets. Similarly, stock based compensation expense increased by $0.4 million in the quarter driven by the increased vesting of share based units due to the strong financial performance partially offset by the impact on stock based compensation expense of the share price declining by 11.7% in the quarter. Corporate expenses before depreciation and amortization and restructuring and other items represented 9.0% of revenue in the fourth quarter of 2014 as compared to 8.7% of revenue in the fourth quarter of 2013.

*Restructuring and other* items ï During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This wind down involved the sale of the Company's rights to future royalty payments from its franchisees, the recognition of impairment provisions against certain intangible assets and property and equipment located in the U.S. and the recording of other restructuring charges which consisted of provisions for onerous leases, severance and other charges. For the quarter ended December 31, 2014, a net credit of $1.2 million was recorded as restructuring and other charges within operating income. No further related charges are expected in future periods.

**Depreciation and Amortization**

Depreciation and amortization for the three month period ended December 31, 2014 was $14.5 million, up $0.9 million or 6.6% from the comparable period in 2013. The increase was attributable to the growing easyfinancial branch network, the amortization of new easyfinancial systems as well as higher depreciation and amortization within the leasing business.

Leasing depreciation and amortization as a percentage of leasing revenue for the quarter was 33.8%, up from 32.2% in the fourth quarter of 2013. The increased depreciation rate was due to a combination of decreasing average lease terms, particularly on used inventory, and increased product costs not passed on to customers.

Overall depreciation and amortization represented 20.7% of revenue for the three months ended December 31, 2014, down from 23.5% in the comparable period of 2013.

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

Operating income for the three month period ended December 31, 2014 was $11.5 million compared to $7.5 million for the comparable period in 2013, an increase of $4.0 million or 53.7%. Overall operating margin for the quarter was 16.5%, up from the 13.0% reported in the fourth quarter of 2013. Excluding restructuring and other items, adjusted operating earnings for the quarter was $10.3 million, up $2.8 million or 37.4% compared with the fourth quarter of 2013. Adjusted operating margin was 14.7% for the quarter, up from 13.0% in the fourth quarter of 2013.

*easyhome Leasing* ï Operating income was $6.1 million for the fourth quarter of 2014, down $0.5 million or 6.9% when compared with the fourth quarter of 2013. The decline in operating income was the result of store sales or closures during the past 15 months which reduced operating income by $0.2 million and increases to operating expenses and lease asset depreciation which more than offset the organic increase in revenue. Operating margin for the fourth quarter of 2014 was 15.4%, down from 16.4% reported in the fourth quarter of 2013.

*easyfinancial* – Operating income was $10.7 million for the fourth quarter of 2014 compared with $6.2 million for the comparable period in 2013, an increase of $4.5 million or 74.3%. The growth in operating income was driven primarily by the growth of the consumer loans receivable portfolio. Operating margin for the fourth quarter of 2014 was 35.0% compared with 34.1% in the comparable period of 2013.

### Finance Costs

Finance costs for the three month period ended December 31, 2014 were $2.9 million, up $1.5 million from the same period in 2013. This increase in finance costs was driven by higher average borrowing levels.

### Income Tax Expense

The effective income tax rate for the fourth quarter of 2014 was 17.6% compared to 28.9% in the fourth quarter of 2013. During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. which involved the sale of the Company's rights to future royalty payments from its U.S. franchisees. This resulted in a gain on sale in the Company's U.S. subsidiary which had adequate tax loss carryforwards to eliminate any tax payable on the transaction thus resulting in a low effective income tax rate in the quarter.

### Net Income and EPS

Net income for the fourth quarter of 2014 was $7.1 million or $0.51 per share on a diluted basis compared with $4.3 million or $0.33 per share in the fourth quarter of 2013, an increase of $2.8 million and $0.18 respectively. Excluding the impact of restructuring and other items, adjusted earnings for the fourth quarter of 2014 was $6.0 million or $0.43 per share on a diluted basis.

### Selected Quarterly Information

| **($ in millions except percentages and per share amounts)** | **Dec. 2014** | **Sept. 2014** | **Jun. 2014** | **Mar. 2014** | **Dec. 2013** | **Sept. 2013** | **Jun. 2013** | **Mar. 2013** | **Dec. 2012** |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | **70.0** | 65.5 | 63.2 | 60.3 | 57.8 | 54.9 | 53.8 | 52.4 | 51.7 |
| Net Income for the period | **7.1** | 3.5 | 4.5 | 4.6 | 4.3 | 3.8 | 3.1 | 2.9 | 3.8 |
| Net income as a percentage of revenue | **10.2%** | 5.3% | 7.2% | 7.7% | 7.5% | 6.8% | 5.8% | 5.6% | 7.3% |
| **Earnings per share[1]** | | | | | | | | | |
| Basic | **0.53** | 0.26 | 0.34 | 0.35 | 0.34 | 0.32 | 0.26 | 0.24 | 0.32 |
| Diluted | **0.51** | 0.25 | 0.33 | 0.34 | 0.33 | 0.31 | 0.26 | 0.24 | 0.31 |

[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.

## Portfolio Analysis

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

The Company measures the performance of its portfolios during a period and their make-up at the end of a period using a number of key portfolio indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

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

### easyhome Leasing Portfolio Analysis

*Potential Monthly Leasing Revenue*

The Company measures its leasing portfolio through 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 change in the potential monthly lease revenue during the periods were as follows:

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| **($ in 000's)** | **Dec. 31, 2014** | **Dec. 31, 2013** | **Dec. 31, 2014** | **Dec. 31, 2013** |
| Opening potential monthly lease revenue | **10,655** | 10,843 | **11,430** | 11,634 |
| Change due to store openings or acquisitions during the period | **73** | 26 | **104** | 26 |
| Change due to store closures or sales during the period | **(366)** | (101) | **(722)** | (473) |
| Change due to ongoing operations | **593** | 662 | **143** | 243 |
| Net change | **300** | 587 | **(475)** | (204) |
| **Ending potential monthly lease revenue** | **10,955** | 11,430 | **10,955** | 11,430 |

*easyhome Leasing Portfolio by Product Category*

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

| ($ in 000's) | Year Ended Dec. 31, 2014 | Year Ended Dec. 31, 2013 |
|---|---|---|
| Furniture | **4,191** | 4,247 |
| Appliances | **1,196** | 1,298 |
| Electronics | **3,706** | 3,729 |
| Computers | **1,862** | 2,156 |
| **Potential monthly lease revenue** | **10,955** | 11,430 |

*easyhome Leasing Portfolio by Geography*

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

| ($ in 000's) | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | $ | % of total | $ | % of total |
| Newfoundland & Labrador | **944** | **8.6%** | 954 | 8.3% |
| Nova Scotia | **864** | **7.9%** | 934 | 8.2% |
| Prince Edward Island | **202** | **1.8%** | 197 | 1.7% |
| New Brunswick | **734** | **6.7%** | 739 | 6.5% |
| Quebec | **571** | **5.2%** | 541 | 4.7% |
| Ontario | **3,956** | **36.1%** | 4,085 | 35.7% |
| Manitoba | **265** | **2.4%** | 283 | 2.5% |
| Saskatchewan | **728** | **6.7%** | 709 | 6.2% |
| Alberta | **1,430** | **13.1%** | 1,411 | 12.3% |
| British Columbia | **953** | **8.7%** | 1,066 | 9.4% |
| USA | **308** | **2.8%** | 511 | 4.5% |
| **Potential monthly lease revenue** | **10,955** | **100.0%** | 11,430 | 100.0% |

*easyhome Leasing Charge-Offs*

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

| ($ in 000’s except percentages) | Three Months Ended Dec. 31, 2014 | Three Months Ended Dec. 31, 2013 | Year Ended Dec. 31, 2014 | Year Ended Dec. 31, 2013 |
|---|---|---|---|---|
| Net charge offs | **1,633** | 1,411 | **5,145** | 4,976 |
| Leasing revenue | **39,370** | 39,742 | **158,322** | 160,296 |
| **Net charge offs as a percentage of easyhome Leasing revenue** | **4.1%** | 3.6% | **3.2%** | 3.1% |

**Consumer Loans Receivable Portfolio**

*Loan Originations and Net Principal Written*

Gross loan originations is the value of all consumer loans receivable advanced to the Company's customers during the period where new credit underwritings have been performed. Included in gross loan originations are loans to new customers and new loans to existing customers, a portion of which is applied to eliminate their prior borrowings. Net principal written details the Company's gross loan originations during a period, excluding that portion of the originations that has been used to eliminate the prior borrowings. The gross loans originations and net principal written during the period were as follows:

| ($ in 000’s) | Three Months Ended Dec. 31, 2014 | Three Months Ended Dec. 31, 2013 | Year Ended Dec. 31, 2014 | Year Ended Dec. 31, 2013 |
|---|---|---|---|---|
| Loan originations to new customers | **33,011** | 19,857 | **104,194** | 60,130 |
| Loan originations to existing customers | **41,187** | 31,385 | **129,611** | 81,878 |
| Less: Proceeds applied to repay existing loans | **(21,091)** | (16,122) | **(63,243)** | (39,629) |
| Net advance to existing customers | **20,096** | 15,263 | **66,368** | 42,249 |
| **Net principal written** | **53,107** | 35,120 | **170,562** | 102,379 |

*Gross Consumer Loans Receivable*

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

The changes in the gross consumer loans receivable portfolio during the periods were as follows:

| ($ in 000's) | Three Months Ended Dec. 31, 2014 | Three Months Ended Dec. 31, 2013 | Year Ended Dec. 31, 2014 | Year Ended Dec. 31, 2013 |
|---|---|---|---|---|
| Opening gross consumer loans receivable | **165,720** | 92,792 | **110,704** | 70,658 |
| Gross loan originations | **74,198** | 51,242 | **233,805** | 142,008 |
| Gross principal payments and other adjustments | **(41,047)** | (29,808) | **(130,682)** | (89,153) |
| Gross charge offs before recoveries | **(6,646)** | (3,522) | **(21,602)** | (12,809) |
| Net growth in gross consumer loans receivable during the period | **26,505** | 17,912 | **81,521** | 40,046 |
| **Ending gross consumer loans receivable** | **192,225** | 110,704 | **192,225** | 110,704 |

*Net Charge Offs*

In addition to loan originations, the consumer loans receivable portfolio during a period is impacted by charge offs of delinquent customers. The Company charges off delinquent customers when they are 90 days contractually in arrears. Subsequent collections of previously charged off accounts are netted with charge offs during a period to arrive at net charge offs.

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

| ($ in 000's except percentages) | Three Months Ended Dec. 31, 2014 | Three Months Ended Dec. 31, 2013 | Year Ended Dec. 31, 2014 | Year Ended Dec. 31, 2013 |
|---|---|---|---|---|
| Net charge offs | **5,167** | 3,414 | **19,500** | 12,106 |
| Average gross consumer loans receivable | **182,548** | 103,537 | **149,615** | 86,968 |
| **Net charge offs as a percentage of average gross consumer loans receivable (annualized)** | **11.3%** | 13.2% | **13.0%** | 13.9% |

*easyfinancial Bad Debt Expenses*

The Company's bad debt expense for a period includes the net charge offs for that particular period plus any increases or decreases to its allowance for loan losses.

The details of the Company's bad debt expense for the period were as follows:

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| **($ in 000's except percentages)** | **Dec. 31, 2014** | **Dec. 31, 2013** | **Dec. 31, 2014** | **Dec. 31, 2013** |
| Net charge offs | **5,167** | 3,414 | **19,500** | 12,106 |
| Net change in allowance for loan losses | **1,590** | 1,032 | **4,764** | 2,694 |
| **Bad debt expense** | **6,757** | 4,449 | **24,264** | **14,800** |
| easyfinancial revenue | **30,672** | 18,054 | **100,828** | 58,518 |
| **Bad debt expense as a percentage of easyfinancial revenue** | **22.0%** | 24.6% | **24.1%** | 25.3% |

*easyfinancial Allowance for Loan Losses*

The allowance for loan losses is a provision that is reported on the Company's balance sheet that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for loan losses provides for a portion of the future charge offs that have not yet occurred within the portfolio of consumer loans receivable that exist at the end of a period. It is determined by the Company using a standard calculation that is not subject to management's discretion or estimates that considers i) the relative maturity of the loans within the portfolio, ii) the long-term expected charge off rates based on actual historical performance and iii) the long-term expected charge off pattern (timing) for a vintage of loans over their life based on actual historical performance. The allowance for loan losses essentially estimates the charge offs that are expect to occur over the subsequent five month period for loans that existed as of the balance sheet date.

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| **($ in 000's except percentages)** | **Dec. 31, 2014** | **Dec. 31, 2013** | **Dec. 31, 2014** | **Dec. 31, 2013** |
| Allowance for loan losses, beginning of period | **9,941** | 5,736 | **6,768** | 4,074 |
| Net charge offs written off against the allowance | **(5,166)** | (3,417) | **(19,500)** | (12,106) |
| Change in allowance due to lending and collection activities | **6,757** | 4,449 | **24,264** | 14,800 |
| Allowance for loan losses, ending of period | **11,532** | 6,768 | **11,532** | 6,768 |
| **Allowance for loan losses as a percentage of the ending gross consumer loans receivable** | **6.0%** | 6.1% | **6.0%** | 6.1% |

*Aging of the Consumer Loans Receivable Portfolio*

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

| ($ in 000's) | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | **$** | **% of total** | **$** | **% of total** |
| Current | **178,590** | **92.9%** | 102,588 | 92.7% |
| Days past due | | | | |
| 1 - 30 days | **9,004** | **4.7%** | 5,445 | 4.9% |
| 31 - 44 days | **1,505** | **0.8%** | 811 | 0.7% |
| 45 - 60 days | **1,273** | **0.7%** | 855 | 0.8% |
| 61 - 90 days | **1,853** | **0.9%** | 1,005 | 0.9% |
| | **13,635** | **7.1%** | 8,116 | 7.3% |
| **Gross consumer loans receivable** | **192,225** | **100.0%** | 110,704 | 100% |

*easyfinancial Consumer Loans Receivable Portfolio by Geography*

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

| ($ in 000's) | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | **$** | **% of total** | **$** | **% of total** |
| Newfoundland & Labrador | **11,773** | **6.1%** | 8,301 | 7.5% |
| Nova Scotia | **18,715** | **9.7%** | 13,771 | 12.4% |
| Prince Edward Island | **2,757** | **1.4%** | 2,067 | 1.9% |
| New Brunswick | **12,115** | **6.3%** | 6,875 | 6.2% |
| Quebec | **-** | **-** | - | - |
| Ontario | **84,393** | **43.9%** | 47,034 | 42.6% |
| Manitoba | **6,826** | **3.7%** | 3,782 | 3.4% |
| Saskatchewan | **9,567** | **5.0%** | 5,387 | 4.9% |
| Alberta | **24,872** | **12.9%** | 12,666 | 11.4% |
| British Columbia | **19,600** | **10.2%** | 10,444 | 9.4% |
| Territories | **1,607** | **0.8%** | 377 | 0.3% |
| **Gross consumer loans receivable** | **192,225** | **100.0%** | 110,704 | 100.0% |

## Key Performance Indicators and Non-IFRS Measures

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

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

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

### Same Store Revenue Growth

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

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| | **Dec. 31, 2014** | **Dec. 31, 2013** | **Dec. 31, 2014** | **Dec. 31, 2013** |
| Same store revenue growth | **20.8%** | 20.3% | **19.6%** | 17.7% |
| Same store revenue growth excluding easyfinancial | **2.6%** | 6.8% | **2.6%** | 7.3% |

### Adjusted Operating Earnings, Adjusted Operating Margin, Adjusted Earnings, Adjusted Earnings Per Share

At various times, operating income, operating margin, 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. The Company defines operating margin as operating income divided by revenue. 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 diluted 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 months and years ended December 31, 2014 and 2013 include those indicated in the chart below:

| ($ in 000's except earnings per share) | Three months ended Dec. 31, 2014 | Three months ended Dec. 31, 2013 | Year ended Dec. 31, 2014 | Year ended Dec. 31, 2013 |
|---|---|---|---|---|
| Operating income as stated | **11,542** | 7,509 | **34,593** | 24,965 |
| Divided by revenue | **70,042** | 57,796 | **259,150** | 218,814 |
| **Operating margin** | **16.5%** | 13.0% | **13.3%** | 11.4% |
| Operating income as stated | **11,542** | 7,509 | **34,593** | 24,965 |
| Restructuring and other items included in operating expenses[1] | **(1,225)** | - | **(1,225)** | - |
| **Adjusted operating earnings** | **10,317** | 7,509 | **33,368** | 24,965 |
| Divided by revenue | **70,042** | 57,796 | **259,150** | 218,814 |
| **Adjusted operating margin** | **14.7%** | 13.0% | **12.9%** | 11.4% |
| Net income as stated | **7,112** | 4,336 | **19,748** | 14,182 |
| Restructuring and other items included in operating expenses[1] | **(1,225)** | - | **(1,225)** | - |
| Tax impact of above items | **77** | - | **77** | - |
| After tax impact | **(1,148)** | - | **(1,148)** | - |
| **Adjusted earnings** | **5,964** | 4,336 | **18,600** | 14,182 |
| **Weighted average number of shares outstanding** | **14,002** | 13,094 | **13,944** | 12,309 |
| **Diluted earnings per share as stated** | **0.51** | 0.33 | **1.42** | 1.15 |
| Per share impact of restructuring and other items | **0.08** | - | **0.08** | - |
| **Adjusted earnings per share** | **0.43** | 0.33 | **1.34** | 1.15 |

[1] During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This wind down involved the sale of the Company's rights to future royalty payments from its franchisees, the recognition of impairment provisions against certain intangible assets and property and equipment located in the U.S. and the recording of other restructuring charges which consisted of provisions for onerous leases, severance and other charges. For the year ended December 31, 2014, a net credit of $1,225 was recorded as restructuring and other charges within operating income. No further related charges are expected in future periods.

**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 | | |
|---|---|---|---|
| | Dec. 31 2014 | Dec. 31 2014 (adjusted) | Dec. 31 2013 |
| Operating expenses before depreciation and amortization as stated | **44,024** | **44,024** | 36,708 |
| Restructuring charges and other items included in operating expenses | **-** | **1,225** | - |
| **Adjusted operating expenses before depreciation and amortization** | **44,024** | **45,249** | 36,708 |
| Divided by revenue | **70,042** | **70,042** | 57,796 |
| **Operating expenses before depreciation and amortization as % of revenue** | **62.9%** | **64.6%** | 63.5% |

| ($ in 000's except percentages) | Year ended | | |
|---|---|---|---|
| | Dec. 31 2014 | Dec. 31 2014 (adjusted) | Dec. 31 2013 |
| Operating expenses before depreciation and amortization as stated | **167,916** | **167,916** | 140,137 |
| Restructuring charges and other items included in operating expenses | **-** | **1,225** | - |
| **Adjusted operating expenses before depreciation and amortization** | **167,916** | **169,141** | 140,137 |
| Divided by revenue | **259,150** | **259,150** | 218,814 |
| **Operating expenses before depreciation and amortization as % of revenue** | **64.8%** | **65.3%** | 64.0% |

**Operating Margin**

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

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| **($ in 000's except percentages)** | **Dec. 31, 2014** | **Dec. 31, 2013** | **Dec. 31, 2014** | **Dec. 31, 2013** |
| **easyhome Leasing** | | | | |
| Operating income | **6,082** | 6,536 | **24,306** | 26,308 |
| Divided by revenue | **39,370** | 39,742 | **158,322** | 160,296 |
| **easyhome Leasing operating margin** | **15.4%** | 16.4% | **15.4%** | 16.4% |
| **easyfinancial** | | | | |
| Operating income | **10,732** | 6,158 | **33,006** | 18,165 |
| Divided by revenue | **30,672** | 18,054 | **100,828** | 58,518 |
| **easyfinancial operating margin** | **35.0%** | 34.1% | **32.7%** | 31.0% |
| **Total** | | | | |
| Operating income as stated | **11,542** | 7,509 | **34,593** | 24,965 |
| Divided by revenue | **70,042** | 57,796 | **259,150** | 218,814 |
| **Total operating margin** | **16.5%** | 13.0% | **13.3%** | 11.4% |
| **Total (adjusted)** | | | | |
| Operating income as stated | **11,542** | 7,509 | **34,593** | 24,965 |
| Restructuring and other items included in operating expenses | **(1,225)** | - | **(1,225)** | - |
| Adjusted operating earnings | **10,317** | 7,509 | **33,368** | 24,965 |
| Divided by revenue | **70,042** | 57,796 | **259,150** | 218,814 |
| **Total (adjusted) operating margin** | **14.7%** | 13.0% | **12.9%** | 11.4% |

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

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

| ($ in 000's) | Three months ended | | |
|---|---|---|---|
| | Dec. 31 2014 | Dec. 31 2014 (adjusted) | Dec. 31 2013 |
| Net income as stated | 7,112 | 7,112 | 4,336 |
| Finance costs | 2,907 | 2,907 | 1,414 |
| Income Tax Expense | 1,523 | 1,523 | 1,759 |
| Depreciation and amortization, excluding dep. of lease assets | 1,976 | 1,976 | 1,421 |
| EBITDA | 13,518 | 13,518 | 8,930 |
| Restructuring and other items included in operating expenses | - | (1,225) | - |
| **Adjusted EBITDA** | 13,518 | 12,293 | 8,930 |
| Divided by revenue | 70,042 | 70,042 | 57,796 |
| **EBITDA margin** | 19.3% | 17.6% | 15.5% |

| ($ in 000's) | Year ended | | |
|---|---|---|---|
| | Dec. 31 2014 | Dec. 31 2014 (adjusted) | Dec. 31 2013 |
| Net income as stated | 19,748 | 19,748 | 14,182 |
| Finance costs | 8,800 | 8,800 | 5,638 |
| Income Tax Expense | 6,045 | 6,045 | 5,145 |
| Depreciation and amortization, excluding dep. of lease assets | 7,216 | 7,216 | 5,634 |
| EBITDA | 41,809 | 41,809 | 30,599 |
| Restructuring and other items included in operating expenses | - | (1,225) | - |
| **Adjusted EBITDA** | 41,809 | 40,584 | 30,599 |
| Divided by revenue | 259,150 | 259,150 | 218,814 |
| **EBITDA margin** | 16.1% | 15.7% | 14.0% |

**Return on Equity**

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

| ($ in 000's) | Three months ended | | |
|---|---|---|---|
| | Dec. 31 2014 | Dec. 31 2014 (adjusted) | Dec. 31 2013 |
| Net income as stated | 7,112 | 7,112 | 4,336 |
| Restructuring and other items included in operating expenses | - | (1,225) | - |
| Tax impact of above items | - | 77 | - |
| After tax impact | - | (1,148) | - |
| Adjusted earnings | 7,112 | 5,964 | 4,336 |
| Multiplied by number of periods in year | X 4/1 | X 4/1 | X 4/1 |
| Divided by average shareholders' equity for the period | 150,561 | 150,561 | 124,216 |
| **Return on equity** | 18.9% | 15.8% | 14.0% |

| ($ in 000's) | Year ended | | |
|---|---|---|---|
| | Dec. 31 2014 | Dec. 31 2014 (adjusted) | Dec. 31 2013 |
| Net income as stated | 19,748 | 19,748 | 14,182 |
| Restructuring and other items included in operating expenses | - | (1,225) | - |
| Tax impact of above items | - | 77 | - |
| After tax impact | - | (1,148) | - |
| Adjusted net income | 19,748 | 18,600 | 14,182 |
| Divided by average shareholders' equity for the period | 144,110 | 144,110 | 114,071 |
| **Return on equity** | 13.7% | 12.9% | 12.4% |

## Financial Condition

The following table provides a summary of certain information with respect to the Company’s capitalization and financial position as at December 31, 2014 and December 31, 2013.

| ($ in 000’s, except for ratios) | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Total assets | **319,472** | 232,900 |
| External debt (includes term loan) | **121,597** | 61,374 |
| Other liabilities | **43,907** | 35,893 |
| Total liabilities | **165,504** | 97,267 |
| Shareholders’ equity | **153,968** | 135,633 |
| Total capitalization (total debt plus total shareholders’ equity) | **275,565** | 197,007 |
| External debt to shareholders’ equity | **0.79** | 0.45 |
| External debt to total capitalization | **0.44** | 0.31 |
| External debt to EBITDA | **2.91** | 2.01 |

Total assets were $319.5 million as at December 31, 2014, an increase of $86.6 million or 37.2% over December 31, 2013. The growth in total assets was driven primarily by: i) the increased size of the net consumer loans receivable portfolio which increased by $76.8 million over the past 12 months, ii) the Company’s investment in property and equipment (specifically stand-alone easyfinancial locations) and intangible assets (specifically systems to support easyfinancial) which collectively increased by $2.6 million and iii) a $9.3 million increase in amounts receivable which included $4.4 million of proceeds related to the sale of the Company’s U.S. royalty rights which were received after December 31, 2014.

The $86.6 million growth in total assets was financed by a $68.2 million increase in total liabilities, including a $60.2 million increase in external debt, and a $18.4 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.

On July 28, 2014, the Company entered into a new $200 million credit facility which replaced the Company’s previous debt facilities. The new credit facility, which expires on October 4, 2018, is comprised of a $180 million term loan and a $20 million revolving operating facility. $105 million of the term loan was drawn at closing with the balance available in periodic advances until July 31, 2015. As at December 31, 2014, $125 million had been drawn under the term loan. Borrowings under the term loan bear interest at the Canadian Bankers’ Acceptance rate plus 722 bps. Borrowing under the revolving operating facility bears interest at the lender’s prime rate plus 200 to 300 bps, depending on the Company’s debt to EBITDA ratio. The new credit facility is secured by a first charge over substantially all assets of the Company. As at December 31, 2014, the Company’s interest rate under the term loan credit facility and revolving operating facility were 8.50% and 5.00%, respectively.

## Liquidity and Capital Resources

**Summary of Cash Flow Components**

| ($ in 000's) | Three Months Ended Dec. 31, 2014 | Three Months Ended Dec. 31, 2013 | Year Ended Dec. 31, 2014 | Year Ended Dec. 31, 2013 |
|---|---|---|---|---|
| Cash provided by operating activities before issuance of consumer loans receivable | **17,385** | 22,276 | **94,077** | 70,989 |
| Net issuance of consumer loans receivable | **(31,671)** | (21,329) | **(101,021)** | (52,152) |
| Cash (used in) provided by operating activities | **(14,286)** | 947 | **(6,944)** | 18,837 |
| Cash used in investing activities | **(11,357)** | (21,162) | **(50,290)** | (57,880) |
| Financing activities | **20,752** | 20,741 | **56,070** | 36,741 |
| **Net increase (decrease) in cash for the period** | **(4,891)** | 526 | **(1,164)** | (2,302) |

Cash flows used in operating activities for the three month period ended December 31, 2014 were $14.3 million. Included in this amount was a net investment of $31.7 million to increase the easyfinancial consumer loans receivable portfolio. If this net investment in the easyfinancial consumer loans receivable portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $17.4 million in the fourth quarter of 2014, down $4.9 million compared to the fourth quarter of 2013. While net income increased significantly in the quarter compared to the fourth quarter of 2013, this impact on cash flow was more than offset by the Company's increased investment in working capital.

Cash flows provided by operating activities in the fourth quarter of 2014 enabled the Company to: i) meet the growth demands of easyfinancial as described above, ii) invest $15.7 million in new lease assets, iii) invest $3.2 million in additional property and equipment and intangible assets and iv) maintain its dividend payments.

During the quarter the Company generated $20.8 million in cash flow from financing activities as the Company increased its debt under its credit facility to finance the growth of easyfinancial.

Cash flows provided by operating activities for the year ended December 31, 2014 were $6.9 million. Included in this amount was a net investment of $101.0 million to increase the easyfinancial consumer loans receivable portfolio. If this net investment in the easyfinancial consumer loans receivable portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $94.1 million in the year, up $23.1 million as compared to 2013. This increase in cash flow was driven by higher income, a reduction in working capital balances and higher non-cash expenses.

Cash flows provided by operating activities in 2014 enabled the Company to: i) meet the growth demands of easyfinancial as described above, ii) invest $49.1 million in new lease assets, iii) invest $12.3 million in additional property and equipment and intangible assets (primarily new easyfinancial branches and systems) and iv) maintain its dividend payments.

During 2014, the Company generated $56.1 million in cash flow from financing activities.

The Company believes that the cash flows 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 will allow the Company to grow its consumer loans receivable portfolio through much of 2015. 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 February 18, 2015 there were 13,331,166 shares, 138,069 DSUs, 601,462 options, 560,930 RSUs, and no warrants outstanding.

For the quarter ended December 31, 2014, 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 fourth quarter of the years indicated:

| | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** | **2008** |
|---|---|---|---|---|---|---|---|
| Dividend per share | **$ 0.085** | $ 0.085 | $ 0.085 | $ 0.085 | $ 0.085 | $ 0.085 | $ 0.085 |
| Percentage increase | **0.0%** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 21.4% |

## Commitments, Guarantees and Contingencies

### Commitments

The Company is committed to long-term service contracts and operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs and other commitments required for the next 5 years and thereafter are as follows:

| ($ in 000's) | **Within 1 year** | **After 1 year but not more than 5 years** | **More than 5 years** |
|---|---|---|---|
| Premises | 25,990 | 44,948 | 2,689 |
| Other operating lease obligations | 1,065 | 1,615 | 26 |
| Other | 7,280 | 10,250 | - |
| **Total contractual obligations** | 34,335 | 56,813 | 2,715 |

### Contingencies

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

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

## Risk Factors

### Overview

The Company's activities are exposed to a variety of commercial, operational, financial and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The 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.

### Commercial Risks

*Dependence on Key Personnel*

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

In particular, the Company is dependent on the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could materially adversely affect its business and operations.

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

*Competition*

*easyhome Leasing* - Competition from U.S. based merchandise leasing companies and others in the Canadian market will increase the competition for customers and employees. Although the Company believes that such competition will stimulate rent to own industry growth, this increased competition could have a material adverse effect on the Company's operational results should the Company not be able to adequately respond to it. Other factors that may adversely affect the performance of the Leasing business are further competition from merchandise rental businesses and, to a lesser extent, rental stores that do not offer a purchase option. The Company also competes with discount stores and other retail outlets that offer an installment sales program or offer a financing transaction to facilitate the purchase of consumer merchandise. Furthermore, additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

*easyfinancial* - The Company's financial services business occupies a market niche between traditional financial institutions and short-term payday lenders. As such, it competes with companies from each of these sectors. Competition is based primarily on access, flexibility and cost (interest rate). Since the Company's products are more affordable than payday loans while being more accessible and flexible than banks, the Company offers alternatives to customers that are not being adequately served by the incumbent participants in either of these market sectors. Although there may be other, larger companies that offer products similar to those offered by the Company's financial services business, the Company believes that the potential marketplace is sufficiently large enough that such competition will not adversely affect the Company's operational results in the near term. Additionally, the large volume of data relating to its customers and related loan performance which the Company has compiled and uses to create its loan underwriting models forms an effective barrier to entry.

*Macroeconomic Conditions*

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

*Litigation*

From time to time the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

**Operational Risks**

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

*Strategic Risk*

The Company believes it has the correct strategy to address the current market opportunities. The Company's growth strategy is focused on easyfinancial. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional locations for easyfinancial, to grow its consumer loans receivable portfolio, to access customers through new delivery channels and to execute with efficiency and effectiveness.

Strategic risk is the risk from changes in the business environment, fundamental changes in demand for the Company's products or services, improper implementation of decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape. The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

*Credit Risk*

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

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

For easyhome Leasing, the credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed upon payments or in their not returning the leased asset. The Company has a standard collection process in place in the event of payment default, which concludes with the recovery of the lease asset if satisfactory payment terms cannot be worked out, as the Company maintains ownership of the lease assets until payment options are exercised.

For amounts receivable from third parties the risk relates to the possibility of default on amounts owing to the Company. The Company deals with credible companies, performs ongoing credit evaluations of debtors and creates an allowance on its financial statements for uncollectible amounts where determined to be appropriate.

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

The Company maintains an allowance for loan losses (i.e. expected losses that will be incurred in relation to the Company's consumer loan's portfolio). The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial conditions. The allowance is determined by the Company using a standard calculation that is not subject to management's discretion that considers i) the relative maturity of the loans within the portfolio, ii) the long-term expected charge off rates based on actual historical performance and iii) the long-term expected charge off pattern (timing) for a vintage of loans over their life based on actual historical performance. To the extent that such historical data used to develop its allowance for loans losses is not representative or predictive of current loan book performance, the Company could suffer increased loan losses above and beyond those provided for on its financial statements.

The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly.

*Technology Risk*

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

The Company's operations rely heavily on the secure processing, storage and transmission of confidential customer information. While the Company has taken reasonable steps to protect its data and that of its customers, the risk of the Company's inability to protect customer information, or breaches in the Company's information systems, may adversely affect the Company's reputation and result in significant costs or regulatory penalties and remedial action.

*Internal Controls over Financial Reporting*

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

*Risk Management Processes and Procedures*

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

**Financial Risks**

*Inadequate Access to Financing*

The Company has historically been funded through various sources such as private placement debt and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company’s financial performance and credit ratings.

The Company believes that the cash flow expected to be provided by operations during 2015, coupled with the increased loan facilities obtained in the third quarter of 2014 will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements, satisfy financial obligations and pay dividends. Additionally, the Company is able to manage the growth of its consumer loans receivable portfolio based on the amount of available financing.

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

*Interest Rate Risk*

Interest rate risk measures the Company’s risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as all credit facilities bear interest at variable rates. The Company does not hedge interest rates and future changes in interest rates will affect the amount of interest expense payable by the Company.

*Foreign Exchange*

The Company sources some of its merchandise out of the U.S. and as such, the Company’s Canadian operations have U.S. denominated cash and payable balances. While the Company sold off most of its U.S. franchise rights in 2014, it continues to have some operations in the U.S. As a result, the Company has both foreign exchange transaction and translation risk.

Although easyhome has significant U.S. denominated purchases, the Company has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. However in periods of rapid change in the Canadian to U.S. dollar exchange rate, the Company may not be able to pass on such changes in the cost of purchased products to its customers which may negatively impact the Company’s financial performance. The Company currently does not actively hedge foreign currency risk and transacts in foreign currencies on a spot basis.

*Liquidity Risk*

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

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, share repurchases, the payment of dividends, increasing or decreasing debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company’s strategy, objectives, measures, definitions and targets have not changed significantly from the prior period.

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

The Company has been successful in renewing and expanding the revolving credit and term debt facilities in the past. If the Company were unable to renew these facilities on acceptable terms when they became due, however, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company has significant debt that is subject to certain financial and non-financial covenants. A violation of any or all of the debt covenants may result in the lender requiring the Company to repay the outstanding debt, which would have a material adverse effect on the Company's financial position, liquidity and results of operation.

*Possible Volatility of Stock Price*

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

**Regulatory Risks**

*Government Regulation and Compliance*

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses.

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

easyhome currently operates in an unregulated environment with regards to capital requirements. The *Criminal Code* of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

*Privacy, Information Security, and Data Protection Regulations*

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

## 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.

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, 2014 Notes to the Financial Statements.

## Adoption of New Accounting Standards and Standards Issued But Not Yet Effective

No new accounting standards were adopted by the Company during the reporting period.

The Company will be required to adopt IFRS 9, Financial Instruments, which is the IASB's project to replace IAS 39. IFRS 9 is required to be applied for years beginning on or after January 1, 2018 with early adoption permitted, and will provide new requirements for the classification and measurement of financial assets and liabilities, impairment and hedge accounting. The Company has not yet assessed the impact of this standard.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, and is to be applied retrospectively. The Company has not yet assessed the impact of this standard.

## 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 December 31, 2014.

### Internal Control 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 (1992) 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”). Management is in the process of transitioning to the 2013 COSO framework and implementation will be completed during the 2015 fiscal year.

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

### Changes to ICFR During 2014

There were no material changes in the Company's ICFR that occurred or were finalized during the year ended December 31, 2014.

### Evaluation of ICFR at December 31, 2014

As at December 31, 2014, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2014.