goeasy Ltd.

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

THREE MONTHS ENDED MARCH 31, 2020

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

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Date: May 6, 2020

The following Management's Discussion and Analysis ("MD&A") presents an analysis of the consolidated financial condition of goeasy Ltd. and its subsidiaries (collectively referred to as "goeasy" or the "Company") as at March 31, 2020 compared to March 31, 2019, and the consolidated results of operations for the three-month period ended March 31, 2020 compared with the corresponding period of 2019. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2019. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise noted. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the Company's 2019 annual MD&A: Overview of the Business, Corporate Strategy and Commitments, Guarantees and Contingencies. Critical Accounting Estimates are as described in the December 31, 2019 notes to the financial statements other than as related to the impact of COVID-19 which are described in the March 31, 2020 notes to the financial statements.

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

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

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

Caution Regarding Forward-Looking Statements

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

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

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

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

Overview of the Business

goeasy Ltd. is a Canadian company headquartered in Mississauga, Ontario, that provides non-prime leasing and lending services through its easyhome and easyfinancial divisions. With a wide variety of financial products and services including unsecured and secured instalment loans, goeasy aspires to help put Canadians on a path to a better financial future as they rebuild their credit and graduate to prime lending. Customers can transact seamlessly with easyhome and easyfinancial through an omnichannel model that includes online and mobile, as well as over 400 leasing and lending locations across Canada supported by over 2,000 employees from coast to coast. Throughout the Company's history, it has served over 1 million Canadians and originated over $4.2 billion in loans, with one in three customers graduating to prime credit and 60% increasing their credit score within 12 months of borrowing from the Company.

The Company's overview of the business remains as described in its December 31, 2019 MD&A.

Corporate Strategy

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

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

The Company's corporate strategy remains as described in its December 31, 2019 MD&A.

Outlook

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

On February 12, 2020, the Company had provided 3-year forecasts for the years 2020 through 2022, which were disclosed in its December 31, 2019 MD&A. As referenced at that time, the forecasts were subject to material assumptions used to develop such forward-looking statements. These assumptions included inherent risk factors, where the Company's activities are exposed to a variety of commercial, operational, financial, and economic risks.

The outbreak of the novel strain of coronavirus in the first quarter of 2020, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. The global pandemic related to an outbreak of COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Canadian economy and the Company's business is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgements and estimates.

The Company's forecasts were initially prepared based upon stable market conditions and did not contemplate disruption associated with the COVID-19 pandemic. Due to the current uncertainty relating to the impacts of COVID-19, the Company is withdrawing its 3-year forecast. The Company intends to provide a new long-term forecast when the economic conditions and outlook stabilize.

Analysis of Results for the Three Months Ended March 31, 2020

First Quarter Highlights

- On February 28, 2020, the Company acquired a $31.3 million of gross consumer loans receivable from Mogo Inc. ("Mogo"). The transaction also included $12.4 million of previously written-off consumer loans and a commitment from Mogo to market and promote easyfinancial to its current and prospective members. In addition to acquiring the loan portfolio, the transaction also included a three-year lending partnership with Mogo after a successful five-month pilot that began in October 2019. Under this arrangement, goeasy will become Mogo's exclusive provider of all non-prime consumer loans.

- goeasy reported record revenue during the first quarter of 2020. Revenue for the quarter increased to $167.2 million from the $139.9 million reported in the same quarter of 2019, an increase of $27.3 million or 19.5%. The increase was primarily driven by the growth of consumer lending.

- The gross consumer loans receivable portfolio increased from $879.4 million as at March 31, 2019 to $1.17 billion as at March 31, 2020, an increase of $286.7 million or 32.6%. The growth was fueled by: i) the acquisition of a consumer loan portfolio from Mogo Inc.; ii) continued net customer growth; iii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iv) maturation of the Company's retail branch network and expansion in Quebec; v) lending in the Company's easyhome stores; and vi) ongoing enhancements to the Company's digital properties.

- Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were at 13.2%, flat against the first quarter of 2019 at 13.1%.

- During the quarter, the Company increased its provision rate for future credit losses from 9.64% to 10.10%, recording an additional $5.1 million before-tax provision expense, based primarily on the significant turbulence in economic conditions generated by the COVID-19 pandemic and modest shifts in the risk of its consumer loan portfolio at quarter-end.

- easyfinancial's operating income was $51.5 million for the first quarter of 2020 compared with $41.4 million for the comparable period in 2019, an increase of $10.1 million or 24.5%. The benefits of the larger loan book and related revenue increases of $27.2 million were partially offset by: i) a $0.4 million increase in advertising spend; ii) a $13.2 million increase in bad debt expense, driven by a larger provision expense due to a higher provision rate taken in the quarter of 10.1%; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. easyfinancial's operating margin in the quarter decreased to 39.1% when compared to 39.5% reported in the same quarter of 2019.

- easyhome's operating income was $7.0 million compared with $7.1 million for the comparable period of 2019, a decrease of $0.1 million or 1.8%. The benefit of the larger loan book, which resulted in higher revenues was offset by higher expenses, particularly bad debt. Operating margin for the first quarter of 2020 was 19.8%, a decrease from the 20.3% reported in the same quarter of 2019.

- Total Company operating income for the first quarter of 2020 was $44.2 million, up $5.4 million or 13.9% when compared with the same quarter of 2019. The Company's operating margin for the quarter was 26.4% down from the 27.7% reported in the first quarter of 2019. The decrease in operating margin was mainly driven by the impact of the increase in provision rate during the period.

- The Company's net income for the first quarter of 2020 of $22.0 million or $1.41 per share on a diluted basis, was up 20.3% and 19.5%, respectively, against the $18.3 million and $1.18 per share on a diluted basis reported in the same quarter of 2019.

- Return on equity in the first quarter was 25.8%, up 140 bps from the same quarter of 2019.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**167,202**	139,860	27,342	19.5%
Operating expenses before depreciation and amortization	**107,078**	84,727	22,351	26.4%
EBITDA[1]	**51,100**	45,483	5,617	12.3%
EBITDA margin[1]	**30.6%**	32.5%	(190 bps)	(5.8%)
Depreciation and amortization expense	**15,905**	16,323	(418)	(2.6%)
Operating income	**44,219**	38,810	5,409	13.9%
Operating margin[1]	**26.4%**	27.7%	(130 bps)	(4.7%)
Finance costs	**14,344**	13,501	843	6.2%
Effective income tax rate	**26.4%**	27.8%	(140 bps)	(5.0%)
Net income	**21,979**	18,273	3,706	20.3%
Diluted earnings per share	**1.41**	1.18	0.23	19.5%
Return on equity	**25.8%**	24.4%	140 bps	5.7%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**19.6%**	21.3%	(170 bps)	(8.0%)
Same store revenue growth (easyhome)	**4.5%**	4.7%	(20 bps)	(4.3%)
Segment Financials				
easyfinancial revenue	**131,788**	104,611	27,177	26.0%
easyfinancial operating margin	**39.1%**	39.5%	(40 bps)	(1.0%)
easyhome revenue	**35,414**	35,249	165	0.5%
easyhome operating margin	**19.8%**	20.3%	(50 bps)	(2.5%)
Portfolio Indicators				
Gross consumer loans receivable	**1,166,055**	879,370	286,685	32.6%
Growth in consumer loans receivable	**55,422**	45,591	9,831	21.6%
Gross loan originations	**241,603**	219,438	22,165	10.1%
Total yield on consumer loans (including ancillary products)	**47.7%**	50.1%	(240 bps)	(4.8%)
Net charge-offs as a percentage of average gross consumer loans receivable	**13.2%**	13.1%	10 bps	0.8%
Potential monthly lease revenue	**8,272**	8,740	(468)	(5.4%)

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

Store Locations Summary

	Locations as at December 31, 2019	Locations opened during period	Locations closed during period	Conversions	Locations as at March 31, 2020
easyfinancial					
Kiosks (in store)	20	-	-	(1)	**19**
Stand-alone locations	235	-	-	1	**236**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	256	-	-	-	**256**
easyhome					
Corporately owned stores	128	-	(1)	-	**127**
Consolidated franchise locations	-	-	-	-	**-**
Total consolidated stores	128	-	(1)	-	**127**
Total franchise stores	35	-	-	-	**35**
Total easyhome stores	163	-	(1)	-	**162**

Summary of Financial Results by Operating Segment

	Three Months Ended March 31, 2020			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**96,094**	**4,006**	**-**	**100,100**
Lease revenue	**-**	**27,814**	**-**	**27,814**
Commissions earned	**32,965**	**2,313**	**-**	**35,278**
Charges and fees	**2,729**	**1,281**	**-**	**4,010**
	131,788	**35,414**	**-**	**167,202**
Total operating expenses before depreciation and amortization	**76,756**	**17,039**	**13,283**	**107,078**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**1,700**	**9,411**	**797**	**11,908**
Depreciation of right-of-use assets	**1,849**	**1,944**	**204**	**3,997**
	3,549	**11,355**	**1,001**	**15,905**
Operating income (loss)	**51,483**	**7,020**	**(14,284)**	**44,219**
Finance costs				
Interest expense and amortization of deferred financing charges				**13,676**
Interest expense on lease liabilities				**668**
				14,344
Income before income taxes				**29,875**
Income taxes				**7,896**
Net income				**21,979**
Diluted earnings per share				**1.41**

($ in 000's except earnings per share)	Three Months Ended March 31, 2019			
	easyfinancial	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	74,417	2,313	-	76,730
Lease revenue	-	29,482	-	29,482
Commissions earned	28,046	2,034	-	30,080
Charges and fees	2,148	1,420	-	3,568
	104,611	35,249	-	139,860
Total operating expenses before depreciation and amortization	59,926	15,918	8,883	84,727
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	1,818	10,101	613	12,532
Depreciation of right-of-use asset	1,517	2,082	192	3,791
	3,335	12,183	805	16,323
Operating income (loss)	41,350	7,148	(9,688)	38,810
Finance costs				
Interest expense and amortization of deferred financing charges				12,898
Interest expense on lease liabilities				603
				13,501
Income before income taxes				25,309
Income taxes				7,036
Net income				18,273
Diluted earnings per share				1.18

Portfolio Performance

Consumer Loans Receivable Portfolio

Loan originations in the quarter were $241.6 million, up 10.1% compared with the origination volume in the same quarter of 2019. The loan book grew by $55.4 million in the quarter compared to growth of $45.6 million in the same quarter of 2019. The gross consumer loans receivable portfolio increased from $879.4 million as at March 31, 2019 to $1.17 billion as at March 31, 2020, an increase of $286.7 million or 32.6%. The growth was fueled by: i) the acquisition of a consumer loan portfolio from Mogo Inc.; ii) continued net customer growth; iii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iv) maturation of the Company's retail branch network and expansion in Quebec; v) lending in the Company's easyhome stores; and vi) ongoing enhancements to the Company's digital properties. The annualized total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 47.7% in the first quarter of 2020, down 240 bps from the same quarter of 2019. The decrease in the yield was due to several factors including: i) the acquisition of a consumer loan portfolio from Mogo, which have a lower rates of interest ii) the increased penetration of risk adjusted interest rate and real estate secured loans to more creditworthy customers which have lower rates of interest; iii) increased lending activity in Quebec where loans have a lower interest rate; iv) a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products; and v) a modest reduction in penetration rates on ancillary products (particularly on real estate secured and risk adjusted rate loans).

Bad debt expense increased to $48.6 million for the quarter from $34.4 million during the same quarter of 2019, an increase of $14.2 million or 41.4%. The following table details the components of bad debt expense.

($ in 000's)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Provision required due to net charge-offs	**37,902**	28,343
Impact of loan book growth	**5,600**	4,360
Impact of change in provision rate during the period	**5,116**	1,691
Net change in allowance for credit losses	**10,716**	6,051
Bad debt expense	**48,618**	34,394

Bad debt expense increased by $14.2 million due to three factors:

(i) Net charge-offs increased from $28.3 million in the first quarter of 2019 to $37.9 million in the current quarter, up by $9.6 million. Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were at 13.2%, flat against the first quarter of 2019 at 13.1%.

(ii) The higher loan book growth in the current quarter increased bad debt expense provision by $1.2 million when compared to the same period of 2019. The loan book growth in the current quarter was $55.4 million which resulted in a growth-related provision of $5.6 million as compared to $4.4 million reported in the first quarter of 2019.

(iii) During the quarter, the Company increased its provision rate for future credit losses from 9.64% to 10.10%, recording an additional $5.1 million before-tax provision expense, based primarily on the significant turbulence in economic conditions generated by the COVID-19 pandemic and associated shifts in the risk of its consumer loan portfolio at quarter-end. During the first quarter of 2019, the provision rate increased from 9.58% to 9.76% which resulted in a $1.7 million increase in bad debt expense.

easyhome Leasing Portfolio

The leasing portfolio as measured by potential monthly lease revenue as at March 31, 2020 was $8.3 million, down from the $8.7 million reported as at March 31, 2019. Overall, the number of lease agreements declined from 92,960 as at March 31, 2019 to 86,880 as at March 31, 2020, a drop of 6.5%. Approximately 50% of the decline in agreement count over the past 12 months was related to the net sale of stores with the balance of the decline related to reduced agreement count at the remaining easyhome stores. The decline in agreements was offset by a 1.3% increase in average leasing rates due in part to the higher Canadian dollar cost of certain leased assets purchased in US dollars, changes in product mix, the acquisition of certain lease portfolios (highlighted above) and selected pricing adjustments. While the lease portfolio has declined, the impact on revenue has been offset by the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the three-month period ended March 31, 2020 was $167.2 million compared to $139.9 million in the same quarter of 2019, an increase of $27.3 million or 19.5%. Overall, same store sales growth for the quarter was 19.6%. Revenue growth was driven by the growth in consumer lending business.

e*asyfinancial* – Revenue for the three-month period ended March 31, 2020 was $131.8 million, an increase of $27.2 million when compared with the same quarter of 2019. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset by the reduction in total yield (as previously described). The components of the increased revenue include:

- Interest income increased by $21.7 million or 29.1% driven by the 31.6% loan book growth but offset by lower interest yields (as described above);
- Commissions earned on the sale of ancillary products and services increased by $4.9 million or 17.5% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, and slightly lower penetration of these products (particularly on risk adjusted rate and secured loans). At the end of the quarter, we experienced higher than usual insurance claim costs associated with our Customer Protection Program due to the COVID-19 impact; and
- Charges and fees increased by $0.6 million driven primarily by the increase in customer count.

easyhome – Revenue for the three-month period ended March 31, 2020 was $35.4 million, an increase of $0.2 million when compared with the same quarter of 2019. Lending revenue within the easyhome stores increased by $2.1 million in the current quarter when compared to the first quarter of 2019. However, this revenue increase was offset by lower revenue generated by the traditional leasing business. Traditional leasing revenue declined by $2.0 million in the current quarter compared to the same period of 2019 due to the reduced size of the lease portfolio (as described above). The components of easyhome revenue include:

- Interest income increased by $1.7 million due to the growth of the consumer loans receivable related to the easyhome business;
- Lease revenue declined by $1.7 million due to the reduction of the lease portfolio (as described above);
- Commissions earned on the sale of ancillary products increased by $0.3 million. The increase was due to the sale of ancillary products related to consumer lending at easyhome; and
- Charges and fees declined by $0.1 million due to lower fees charges by the traditional leasing business.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $107.1 million for the three-month period ended March 31, 2020, an increase of $22.4 million or 26.4% from the comparable period in 2019. The increase in operating expenses was driven by higher costs associated with expanding the easyfinancial business, higher costs in the easyhome business, and higher corporate costs. Total operating expenses before depreciation and amortization represented 64.0% of revenue for the first quarter of 2020 compared with 60.6% reported in the same quarter of 2019.

easyfinancial – Total operating expenses before depreciation and amortization were $76.8 million for the first quarter of 2020, an increase of $16.8 million or 28.1% from the same quarter of 2019. Key drivers include:

- Bad debt expense increased by $13.2 million in the current quarter when compared to the same quarter in 2019, driven by a larger provision expense due to a higher provision rate taken in the quarter of 10.1%;
- A $0.4 million increase in advertising and marketing spend to drive brand awareness and support the growth in originations; and
- Other operating expenses increased by $3.2 million in the quarter driven by higher wages and incentive compensation and other costs to operate and manage the growing loan book and branch network. Overall branch count increased from 242 as at March 31, 2019 to 256 as at March 31, 2020.

easyhome – Total operating expenses before depreciation and amortization were $17.0 million for the first quarter of 2020, which was $1.1 million or 7.0% higher than the same quarter of 2019. The main driver is an increase in bad debt expense of $1.0 million in the current quarter when compared to the same quarter in 2019 (for reasons described above).

Corporate – Total operating expenses before depreciation and amortization for the first quarter of 2020 were $13.3 million compared to $8.9 million for the comparable period in 2019, an increase of $4.4 million. The increase was primarily due to higher compensation costs, recruiting fees and technology costs than in the same period of 2019. In addition, corporate costs in the first quarter of 2019 benefited from $1.1 million in gains on conversion of easyhome stores to franchise locations and sale of loan portfolios and other assets whereas the current quarter had no such gains. Corporate expenses before depreciation and amortization represented 7.9% of revenue in the first quarter of 2020 compared to 6.4% of revenue in the first quarter of 2019.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended March 31, 2020 was $15.9 million, a decrease of $0.4 million from the same quarter of 2019. The decrease was mainly due to the decline in depreciation of lease assets primarily due to reduced size of the lease portfolio. Overall, depreciation and amortization represented 9.5% of revenue for the three months ended March 31, 2020, which is lower than the comparable period of 2019.

easyfinancial – Total depreciation and amortization was $3.6 million in the first quarter of 2020. This included $1.8 million of right-of-use asset depreciation, $0.3 million lower than the $1.5 million reported in the comparable period of 2019. Depreciation of property and equipment and intangibles in the first quarter of 2020 was $1.7 million, $0.1 million lower than the $1.8 million reported in the comparable period of 2019.

easyhome – Depreciation and amortization was $11.4 million in the first quarter of 2020, a decrease of $0.8 million from the same period in 2019. This decline was due primarily to the lower level of lease revenue and lease assets. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the current quarter was 26.6%, down from the 28.7% reported in the first quarter of 2019. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion generated from consumer lending.

Corporate – Depreciation and amortization was $1.0 million in the first quarter of 2020, an increase of $0.2 million from the same period in 2019. The increase was mainly due to higher amortization of intangible assets primarily driven by new software additions since the first quarter of 2019.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended March 31, 2020 was $44.2 million, up $5.4 million or 13.9% when compared with the same quarter of 2019. The Company's operating margin for the quarter was 26.4% down from the 27.7% reported in the first quarter of 2019. The decrease in operating margin was mainly driven by the impact of the increase in provision rate during the period .

easyfinancial – Operating income was $51.5 million for the first quarter of 2020 compared with $41.4 million for the comparable period in 2019, an increase of $10.1 million or 24.5%. The benefits of the larger loan book and related revenue increase of $27.2 million was partially offset by: i) the $0.4 million increase in advertising spend; ii) the $13.2 million increase in bad debt expense; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 39.1% compared with 39.5% reported in the same quarter of 2019.

easyhome – Operating income was $7.0 million for the first quarter of 2020, a decrease of $0.1 million or 1.8% when compared with the same quarter of 2019. Although the larger loan book more than offset the reduced size of the lease portfolio and resulted in higher revenues in the quarter of $0.2 million, this was more than offset by higher expenses of $0.3 million. Higher expenses related to: i) higher bad debt charges of $1.0 million; ii) other higher charges of $0.1 million related to the growth consumer lending business which more than offset reductions due to lower store count; offset by iii) lower depreciation and amortization charges of $0.8 million. Operating margin for the first quarter of 2020 was 19.8%, a decrease from the 20.3% reported in the same quarter of 2019.

Finance Costs

Finance costs for the three-month period ended March 31, 2020 were $14.3 million, up $0.8 million from the first quarter of 2019. This increase was driven by higher average borrowing levels partially offset by the reduced cost of borrowing. Total debt as at March 31, 2020 was $943.6 million against $689.0 million as at March 31, 2019.

Income Tax Expense

The effective income tax rate for the first quarter of 2020 was 26.4% which was lower than the 27.8% reported in the same quarter of 2019 mainly driven by the lower combined basic federal and provincial tax rates. In addition, the first quarter of 2020 also benefited from the amount paid for deferred share units settlement.

Net Income and EPS

Net income for the first quarter of 2020 was $22.0 million or $1.41 per share on a diluted basis, up 20.3% and 19.5%, respectively, against the $18.3 million and $1.18 per share on a diluted basis reported in the same quarter of 2019.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	March 2020	December 2019	September 2019	June 2019	March 2019	December 2018	September 2018	June 2018	March 2018
Gross consumer loans receivable	**1,166.1**	1,110.6	1,035.6	959.7	879.4	833.8	749.6	686.6	601.7
Revenue	**167.2**	165.5	156.1	147.9	139.9	138.2	129.9	123.3	114.8
Net income	**22.0**	6.7	19.8	19.6	18.3	15.9	14.3	11.8	11.1
Adjusted net income[2]	**22.0**	22.6	19.8	19.6	18.3	15.9	14.3	11.8	11.1
Return on equity	**25.8%**	8.0%	24.1%	25.2%	24.4%	23.0%	23.8%	20.9%	19.8%
Adjusted return on equity[2]	**25.8%**	27.0%	24.1%	25.2%	24.4%	23.0%	23.8%	20.9%	19.8%
Net income as a percentage of revenue	**13.1%**	4.0%	12.7%	13.2%	13.1%	11.5%	11.0%	9.6%	9.7%
Adjusted net income as a percentage of revenue[2]	**13.1%**	13.7%	12.7%	13.2%	13.1%	11.5%	11.0%	9.6%	9.7%
Earnings per share[1]									
Basic	**1.50**	0.46	1.35	1.34	1.25	1.07	1.03	0.86	0.81
Diluted	**1.41**	0.46	1.28	1.26	1.18	1.02	0.97	0.82	0.77
Adjusted diluted[2]	**1.41**	1.45	1.28	1.26	1.18	1.02	0.97	0.82	0.77

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

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

Portfolio Analysis

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

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

Consumer Loans Receivable Portfolio

Loan Originations and Net Principal Written

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

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

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

	Three Months Ended	
($ in 000's)	**March 31, 2020**	**March 31, 2019**
Loan originations to new customers	**94,483**	96,410
Loan originations to existing customers	**147,120**	123,028
Less: Proceeds applied to repay existing loans	**(81,193)**	(65,786)
Net advance to existing customers	**65,927**	57,242
Net principal written	**160,410**	153,652

Gross Consumer Loans Receivable

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

($ in 000's)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Opening gross consumer loans receivable	**1,110,633**	833,779
Gross loan originations	**241,603**	219,438
Gross loan purchased	**31,275**	-
Gross principal payments and other adjustments	**(176,587)**	(143,031)
Gross charge-offs before recoveries	**(40,869)**	(30,816)
Net growth in gross consumer loans receivable during the period	**55,422**	45,591
Ending gross consumer loans receivable	**1,166,055**	879,370

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

($ in 000's except percentages)	March 31, 2020		March 31, 2019	
	$	% of total	$	% of total
0 – 6 months	**190,466**	**16.3%**	139,551	15.9%
6 – 12 months	**135,555**	**11.6%**	110,305	12.5%
12 – 24 months	**288,144**	**24.7%**	232,194	26.4%
24 – 36 months	**275,192**	**23.6%**	212,051	24.1%
36 – 48 months	**161,684**	**13.9%**	116,122	13.2%
48 – 60 months	**48,609**	**4.2%**	32,280	3.7%
60 months+	**66,405**	**5.7%**	36,867	4.2%
Gross consumer loans receivable	**1,166,055**	**100.0%**	879,370	100.0%

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

($ in 000's except percentages)	March 31, 2020 $	March 31, 2020 % of total	March 31, 2019 $	March 31, 2019 % of total
0 – 1 year	**44,014**	**3.8%**	34,839	4.0%
1 – 2 years	**140,984**	**12.1%**	114,264	13.0%
2 – 3 years	**308,174**	**26.4%**	265,908	30.2%
3 – 4 years	**386,046**	**33.1%**	279,393	31.8%
4 – 5 years	**173,257**	**14.9%**	119,776	13.6%
5 years +	**113,580**	**9.7%**	65,190	7.4%
Gross consumer loans receivable	**1,166,055**	**100.0%**	879,370	100.0%

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

($ in 000's except percentages)	March 31, 2020 $	March 31, 2020 % of total	March 31, 2019 $	March 31, 2019 % of total
Gross consumer loans receivable, easyfinancial	**1,125,335**	**96.5%**	854,960	97.2%
Gross consumer loans receivable, easyhome	**40,720**	**3.5%**	24,410	2.8%
Gross consumer loans receivable	**1,166,055**	**100.0%**	879,370	100.0%

Financial Revenue and Net Financial Income

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

($ in 000's)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Financial revenue, easyfinancial	**131,788**	104,611
Financial revenue, easyhome	**5,492**	3,356
Financial revenue	**137,280**	107,967
Less: Interest expense and amortization of deferred financing charges	**(13,676)**	(12,898)
Less: Bad debt expense	**(48,618)**	(34,394)
Net financial income	**74,986**	60,675

Total Yield on Consumer Loans

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

	Three Months Ended	
($ in 000's except percentages)	**March 31, 2020**	**March 31, 2019**
Finance revenue	**137,280**	107,967
Average gross consumer loans receivable	**1,151,366**	862,512
Total yield as a percentage of average gross consumer loans receivable (annualized)	**47.7%**	50.1%

Net Charge-Offs

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

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

	Three Months Ended	
($ in 000's except percentages)	**March 31, 2020**	**March 31, 2019**
Net charge-offs	**37,902**	28,343
Average gross consumer loans receivable	**1,151,366**	862,512
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**13.2%**	13.1%

Allowance for Credit Losses

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

	Three Months Ended	
($ in 000's except percentages)	**March 31, 2020**	**March 31, 2019**
Allowance for credit losses, beginning of period	**107,107**	79,741
Net charge-offs written off against the allowance	**(37,902)**	(28,343)
Bad debt expense	**48,618**	34,394
Allowance for credit losses, end of period	**117,823**	85,792
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**10.10%**	9.76%

IFRS 9 requires that forward-looking indicators ("FLIs") be considered when determining the allowance for credit losses. Historically, the four key macroeconomic variables contributing to credit risk and losses within the Company's loan portfolio have been; unemployment rates, inflation rates, gross domestic product (GDP) growth, and the price of oil. Analysis performed by the Company determined that a forecasted increase in the rate of unemployment, rate of inflation, a decrease in the expected future price of oil from the current rates or a decrease in the rate of gross domestic product ("GDP") growth has historically tended to increase the charge-offs experienced by the Company. Conversely a forecasted decrease in the rate of unemployment, rate of inflation, an increase in the expected future price of oil from the current rates or an increase in the GDP growth rate has historically tended to decrease the charge-offs experienced by the Company. Over the past several years the Company has operated in a relatively stable Canadian economic environment with moderate movements in economic variables. However, as a result of the turbulent economic environment brought on by the COVID-19 pandemic, management identified the need to incorporate additional data and methodological approaches into the Company's forward-looking scenario modelling. Therefore, additional factors have been incorporated in assessing the economic impact of the COVID-19 pandemic on the Company's consumer loan portfolio.

The Company assessed its historical loss rate experience in Alberta during the 2015-2016 province wide recession and the relationship with the four macroeconomic indicators during that period, which was then used to provide a baseline for future loss rate volatility under a "moderate recession" scenario. These macroeconomic factors were then further stressed to provide a range of future loss outcomes under a more "severe recession" scenario. These potential economic outcomes were then probability weighted using analysis that was informed by a number of inputs, including:

- the level of income support currently available to the Company's existing customers as a result of unprecedented levels of government stimulus;
- the level of sophistication of the Company's credit risk models and underwriting;
- the Company's targeted use of enhanced collection tools to assist customers during periods of financial stress; and
- more than half of the Company's customers have optional creditor insurance, which covers the customers full loan payment in the event of unexpected events including job loss or illness.

The incorporation of this enhanced FLI modelling analysis resulted in an increase in the provision rate from 9.64% in the fourth quarter of 2019 to 10.10% during the first quarter of 2020. Management intends to continue incorporating the use of stress-weighted scenarios as inputs to its FLI provisioning methodology through this economic cycle.

Bad Debt Expense (Provision for Credit Losses)

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

	Three Months Ended	
($ in 000's except percentages)	**March 31, 2020**	**March 31, 2019**
Net charge-offs	**37,902**	28,343
Net charge in allowance for credit losses	**10,716**	6,051
Bad debt expense	**48,618**	34,394
Financial revenue	**137,280**	107,967
Bad debt expense as a percentage of Financial Revenue	**35.4%**	31.9%

Aging of the Consumer Loans Receivable Portfolio

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

	March 31, 2020		March 31, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Current	**1,099,884**	**94.3%**	841,172	95.6%
Days past due				
1 - 30 days	**39,412**	**3.4%**	19,845	2.3%
31 - 44 days	**8,695**	**0.7%**	5,731	0.7%
45 - 60 days	**8,822**	**0.8%**	5,030	0.6%
61 - 90 days	**8,754**	**0.8%**	7,448	0.8%
91 – 180 days	**488**	**0.0%**	144	0.0%
	66,171	**5.7%**	38,198	4.4%
Gross consumer loans receivable	**1,166,055**	**100.0%**	879,370	100.0%

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

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

	Saturday, Mar. 28, 2020	Saturday, Mar 30, 2019
	% of total	% of total
Current	**94.6%**	95.7%
Days past due		
1 - 30 days	**3.3%**	2.3%
31 - 44 days	**0.6%**	0.6%
45 - 60 days	**0.7%**	0.6%
61 - 90 days	**0.8%**	0.8%
91 – 180 days	**0.0%**	0.0%
	5.4%	4.3%
Gross consumer loans receivable	**100.0%**	100.0%

Consumer Loans Receivable Portfolio by Geography

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

	March 31, 2020		March 31, 2019	
($ in 000's except percentages)	$	% of total	$	% of total
Newfoundland & Labrador	**41,265**	**3.5%**	35,552	4.0%
Nova Scotia	**62,024**	**5.3%**	52,254	5.9%
Prince Edward Island	**9,682**	**0.8%**	8,682	1.0%
New Brunswick	**51,507**	**4.4%**	42,688	4.9%
Quebec	**82,758**	**7.1%**	42,192	4.8%
Ontario	**508,273**	**43.7%**	387,193	44.0%
Manitoba	**47,542**	**4.1%**	37,828	4.3%
Saskatchewan	**60,774**	**5.2%**	46,498	5.3%
Alberta	**162,478**	**13.9%**	117,085	13.3%
British Columbia	**127,480**	**10.9%**	99,211	11.3%
Territories	**12,272**	**1.1%**	10,187	1.2%
Gross consumer loans receivable	**1,166,055**	**100.0%**	879,370	100.0%

Consumer Loans Receivable Portfolio by Loan Type

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

	March 31, 2020		March 31, 2019	
($ in 000's except percentages)	$	% of total	$	% of total
Unsecured Instalment Loans	**1,044,095**	**89.5%**	810,969	92.2%
Secured Instalment Loans	**121,960**	**10.5%**	68,401	7.8%
Gross consumer loans receivable	**1,166,055**	**100.0%**	879,370	100.0%

Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

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

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

	Three Months Ended	
($ in 000's)	**March 31, 2020**	**March 31, 2019**
Opening potential monthly lease revenue	**8,643**	9,141
Decrease due to store closures or sales during the period	**(12)**	(233)
Decrease due to ongoing operations	**(359)**	(168)
Net change	**(371)**	(401)
Ending potential monthly lease revenue	**8,272**	8,740

Potential monthly lease revenue is calculated as follows:

	March 31, 2020	**March 31, 2019**
Total number of lease agreements	**86,880**	92,960
Multiplied by the average required monthly lease payment per agreement	**95.21**	94.02
Potential monthly lease revenue ($ in 000's)	**8,272**	8,740

Leasing Portfolio by Product Category

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

($ in 000's except percentages)	March 31, 2020		March 31, 2019	
	$	**% of total**	**$**	**% of total**
Furniture	**3,730**	**45.1%**	3,990	45.7%
Electronics	**2,639**	**31.9%**	2,758	31.6%
Appliances	**1,019**	**12.3%**	1,021	11.6%
Computers	**884**	**10.7%**	971	11.1%
Potential monthly lease revenue	**8,272**	**100.0%**	8,740	100.0%

Leasing Portfolio by Geography

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

($ in 000's except percentages)	March 31, 2020		March 31, 2019	
	$	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**675**	**8.2%**	724	8.3%
Nova Scotia	**826**	**10.0%**	778	8.9%
Prince Edward Island	**144**	**1.7%**	143	1.6%
New Brunswick	**697**	**8.4%**	661	7.6%
Quebec	**554**	**6.7%**	570	6.5%
Ontario	**2,662**	**32.2%**	2,978	34.1%
Manitoba	**241**	**3.0%**	252	2.9%
Saskatchewan	**358**	**4.3%**	399	4.6%
Alberta	**1,261**	**15.2%**	1,322	15.1%
British Columbia	**854**	**10.3%**	913	10.4%
Potential monthly lease revenue	**8,272**	**100.0%**	8,740	100.0%

Leasing Charge-Offs

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

	Three Months Ended	
($ in 000's except percentages)	**March 31, 2020**	**March 31, 2019**
Net charge-offs	**844**	909
Leasing revenue	**29,922**	31,893
Net charge-offs as a percentage of leasing revenue	**2.8%**	2.9%

<u>Key Performance Indicators and Non-IFRS Measures</u>

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

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

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

Same Store Revenue Growth

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

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
Same store revenue growth (overall)	**19.6%**	21.3%
Same store revenue growth (easyhome)	**4.5%**	4.7%

Operating Expenses Before Depreciation and Amortization

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

	Three Months Ended	
($ in 000's except percentages)	**March 31, 2020**	**March 31, 2019**
Operating expenses before depreciation and amortization	**107,078**	84,727
Divided by revenue	**167,202**	139,860
Operating expenses before depreciation and amortization as % of revenue	**64.0%**	60.6%

Operating Margin

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

	Three Months Ended	
($ in 000's except percentages)	**March 31, 2020**	**March 31, 2019**
easyfinancial		
Operating income	**51,483**	41,350
Divided by revenue	**131,788**	104,611
easyfinancial operating margin	**39.1%**	39.5%
easyhome		
Operating income	**7,020**	7,148
Divided by revenue	**35,414**	35,249
easyhome operating margin	**19.8%**	20.3%
Total		
Operating income	**44,219**	38,810
Divided by revenue	**167,202**	139,860
Total operating margin	**26.4%**	27.7%

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

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

	Three Months Ended	
($ in 000’s except percentages)	**March 31, 2020**	**March 31, 2019**
Net income	**21,979**	18,273
Finance costs	**14,344**	13,501
Income tax expense	**7,896**	7,036
Depreciation and amortization, excluding depreciation of lease assets	**6,881**	6,673
EBITDA	**51,100**	45,483
Divided by revenue	**167,202**	139,860
EBITDA margin	**30.6%**	32.5%

Return on Assets

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

	Three Months Ended	
($ in 000’s except periods and percentages)	**March 31, 2020**	**Mar. 31, 2019**
Net income	**21,979**	18,273
Multiplied by number of periods in year	**X 4/1**	X 4/1
Divided by average total assets for the period	**1,363,146**	1,099,847
Return on Assets	**6.4%**	6.6%

Return on Equity

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

($ in 000's except periods and percentages)	Three Months Ended March 31, 2020	Mar. 31, 2019
Net income	**21,979**	18,273
Multiplied by number of periods in year	**X 4/1**	X 4/1
Divided by average shareholders' equity for the period	**341,065**	299,900
Return on equity	**25.8%**	24.4%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at March 31, 2020 and 2019.

($ in 000's, except for ratios)	March 31, 2020	March 31, 2019
Consumer loans receivable, net	**1,088,157**	824,747
Cash	**34,252**	74,740
Investment	**34,300**	-
Lease assets	**47,711**	49,229
Right-of-use assets	**46,610**	41,756
Property and equipment	**24,076**	22,155
Goodwill	**21,310**	21,310
Derivative financial assets	**56,637**	16,706
Intangible assets	**19,991**	14,740
Other assets	**34,625**	35,628
Total assets	**1,407,669**	1,101,011
External debt[1]	**943,555**	688,995
Lease liabilities	**53,029**	47,408
Other liabilities	**61,376**	63,055
Total liabilities	**1,057,960**	799,458
Shareholders' equity	**349,709**	301,553
Total capitalization (external debt plus total shareholders' equity)	**1,293,264**	990,548
External debt to shareholders' equity	**2.70**	2.28
Net debt to net capitalization[2]	**0.72**	0.67
External debt to EBITDA	**4.69**	4.63

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

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

Total assets were $1.4 billion as at March 31, 2020, an increase of $306.7 million or 27.9% compared to March 31, 2019. The increase was related primarily to: i) the $263.4 million increase in the net consumer loans receivable portfolio which includes $31.9 million of Mogo consumer loan portfolio; ii) the increase in derivative financial assets of $39.9 million; and iii) the minority equity investment in PayBright for an aggregate price of $34.3 million partially offset by $40.5 million decrease in cash.

The $306.7 million growth in total assets was primarily financed by: i) a $254.6 million increase in external debt (principally the advances from revolving credit facility amounting to $130 million and the issuance of US$550 million of 5.375% senior unsecured notes payable ("2024 Notes") offset partially by the refinancing of the US$475 million of 7.875% senior unsecured notes payable ("2022 Notes")); and ii) the $48.2 million increase in total shareholder's equity, which was driven by earnings generated by the Company (offset partially by share buybacks under the Company's normal course issuer bid and dividends paid). While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of easyfinancial.

Liquidity and Capital Resources

Cash Flow Review

The table below provides a summary of cash flow components for the three-month periods ended March 31, 2020 and 2019.

($ in 000's)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash provided by operating activities before issuance of consumer loans receivable and purchase of lease assets	**102,793**	76,869
Net issuance of consumer loans receivable	**(96,223)**	(76,916)
Purchase of lease assets	**(8,045)**	(8,613)
Cash used in operating activities	**(1,475)**	(8,660)
Cash used in investing activities	**(6,195)**	(685)
Cash used in financing activities	**(4,419)**	(16,103)
Net decrease in cash for the period	**(12,089)**	(25,448)

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

Cash Flow Analysis for the Three Months Ended March 31, 2020

Cash used in operating activities for the three-month period ended March 31, 2020 was $1.5 million compared with $8.7 million in the same period of 2019. Included in cash used in operating activities for the three-month period ended March 31, 2020 were: i) a net investment of $96.2 million to increase the consumer loans receivable portfolio; and ii) the purchase of lease assets of $8.0 million. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $102.8 million for the three months ended March 31, 2020, up $25.9 million from the same period of 2019. The increase was driven by higher net income, higher non-cash expenses such as bad debt expense, and favorable movements in working capital.

During the first quarter, the Company used $6.2 million in investing activities compared to $0.7 million in prior year. The increase was primarily due to increases in purchases of intangible assets of $2.0 million. In addition, the first quarter of 2019 benefited from the proceeds on sale of assets of $3.3 million whereas in the first quarter of 2020, there was no sale of assets.

During the first quarter of 2020, the Company used $4.4 million in cash flow from financing activities. During the quarter, the Company received the net proceeds of $55.0 million from advances against the revolving credit facility. This inflow was partially offset by the $40.0 million in repayment of advances on the revolving credit facility, $10.0 million repurchase of shares under the Company's Normal Course Issuer Bid, $4.4 million in dividend payments and the $4.1 million payment of lease liabilities.

During the first quarter of 2019, the Company used $16.1 million in cash flow from financing activities. During the quarter the company repurchased $11.8 million worth of shares under the Company's Normal Course Issuer Bid, $3.9 million payment of lease liabilities and $3.2 million payment of dividends, partially offset by $2.9 million generated on the exercise of stock options by management.

Capital Resources

goeasy funds its business through a combination of equity and debt instruments. goeasy's common shares are listed for trading on the TSX under the trading symbol "GSY" and goeasy's convertible debentures are traded on the TSX under the trading symbol "GSY-DB". goeasy is rated BB- with a stable trend from S&P and Ba3 with a stable trend from Moody's.

At March 31, 2020, the Company's external debt consisted of US$550 million of 2024 Notes, $43.8 million of Convertible Debentures (with net carrying values of $772.4 million and $41.1 million, respectively) and $130 million drawn against the Company's revolving credit facility. The borrowing limit under the revolving credit facility was $310 million, leaving $180 million in additional available borrowing capacity as at March 31, 2020.

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

Borrowings under the Convertible Debenture bear interest at 5.75%. The Convertible Debentures mature on July 31, 2022 and are convertible at the holder's option into common shares of the Company at a conversion price of $43.36 per share. During 2020, $250.0 thousand (2019 - $7.0 thousand) of convertible debentures had converted into 5,681 (2019 - 158) common shares.

Borrowings under the Company's revolving credit facility bear interest at either the BA rate plus 300 bps or Prime plus 200 bps at the option of the Company. The $130.0 million drawn against this revolving credit facility bear interest at the BA rate plus 300 bps. The revolving credit facility matures on February 12, 2022.

The average blended coupon interest rate for the Company's debt as at March 31, 2020, was 5.6% down from 7.2% as at March 31, 2019.

As at March 31, 2020, the Company had total unrestricted cash on hand and borrowing capacity under its revolving credit facility of $214 million and the ability to exercise the accordion feature under this facility to add an additional $75 million in borrowing capacity. Ultimately, the current cash on hand and current borrowing limits, excluding future enhancements or diversification of funding sources, provide adequate growth capital for the Company to execute its growth plan and meet its stated targets through the fourth quarter of 2021. However, the Company's forecast could also be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic.

Outstanding Shares and Dividends

As at May 6, 2020, there were 14,335,278 common shares, 249,465 DSUs, 565,485 options, 348,325 RSUs, and no warrants outstanding.

Normal Course Issuer Bid

On December 18, 2019, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to commence December 20, 2019 (the "2019 NCIB"). Pursuant to the 2019 NCIB, the Company proposed to purchase, from time to time, if considered advisable, up to an aggregate of 1,038,269 common shares being approximately 10% of goeasy's public float as of December 9, 2019. As at December 9, 2019, goeasy had 14,346,709 common shares issued and outstanding, and the average daily trading volume for the six months prior to November 30, 2019, was 36,081. Under the 2019 NCIB, daily purchases will be limited to 9,020 common shares, representing 25% of the average daily trading volume, other than block purchase exemptions. The purchases were permitted to commence on December 20, 2019, and will terminate on December 19, 2020, or on such earlier date as the Company may complete its purchases pursuant to the 2019 NCIB. The 2019 NCIB will be conducted through the facilities of the TSX or alternative trading systems, if eligible, and will conform to their regulations. Purchases under the 2019 NCIB will be made by means of open market transaction or other such means as a security regulatory authority may permit, including pre-arranged crosses, exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority. The price that goeasy will pay for any common shares will be the market price of such shares at the time of acquisition, unless otherwise permitted under applicable rules. Under the 2019 NCIB, the Company completed in the first quarter of 2020 the purchase for cancellation through the facilities of the TSX of 204,150 common shares at a weighted average price of $48.98 per common share for a total cost of $10.0 million.

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

Dividends

During the quarter ended March 31, 2020, the Company paid a $0.45 per share quarterly dividend on outstanding common shares.

On February 12, 2020, the Company increased the dividend rate by 45.2% from $0.31 to $0.45. 2020 marks the 16th consecutive year of paying a dividend to shareholders and the 6th consecutive year of an increase in the dividend to shareholders. In February 2020, the Company was added to the S&P/TSX Canadian Dividend Aristocrats Index with a 42% compound annual growth rate in the dividend over the prior 5 years.

For the quarter ended March 31, 2020, the Company paid a $0.45 per share quarterly dividend on outstanding common shares. This dividend was paid on April 10, 2020. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. However, no dividends can be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

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

	2020	2019	2018	2017	2016	2015	2014
Dividend per share	**$0.450**	**$0.310**	**$ 0.225**	**$ 0.18**	**$ 0.125**	**$ 0.100**	**$ 0.085**
Percentage increase	**45.2%**	**37.8%**	**25.0%**	**44.0%**	**25.0%**	**17.6%**	**0.0%**

Commitments, Guarantees and Contingencies

The Company's commitments, guarantees and contingencies remain as described in its December 31, 2019 MD&A.

Risk Factors

Overview

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

The Company's risk factors as described in its December 31, 2019 MD&A were based upon stable market conditions and did not contemplate disruption associated with the COVID-19 pandemic. While the precise impact of the COVID-19 virus on the Company remain unknown, rapid spread of the COVID-19 virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to business, which could in turn affect interest rates, credit ratings, credit risk, inflation, financial conditions, results of operations of the Company and other risk factors relevant to the Company.

Critical Accounting Estimates

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

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

The Company's critical Accounting Estimates are as described in the Company's December 31, 2019 notes to the consolidated financial statements other than as related to the impact of COVID-19 which are described in the March 31, 2020 notes to the financial statements.

Changes in Accounting Policy and Disclosures

(a) New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Company.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments were considered in the acquisition of a loan portfolio in February 2020.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39, *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on March 29, 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board ("IASB") in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial statements of the Company.

(b) Standards issued but not yet effective

There are no new standards issued but not yet effective as at January 1, 2020 that have a material impact to the Company's interim condensed consolidated financial statements.

Internal Controls

Disclosure Controls and Procedures ("DC&P")

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

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that the design of the system of the Company's disclosure controls and procedures were effective as at March 31, 2020.

Internal Controls over Financial Reporting ("ICFR")

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

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

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

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

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

Changes to ICFR during 2020

No changes were made in our internal control over financial reporting during the three months ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of ICFR at March 31, 2020

As at March 31, 2020, 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 March 31, 2020.