goeasy

2019 ANNUAL REPORT

PROVIDING EVERYDAY CANADIANS A PATH TO A BETTER TOMORROW, TODAY.

goeasy Ltd.

is one of Canada's leading providers of non-prime leasing and lending services offering a wide variety of financial products that help put Canadians on a path to a better financial future.

Our commitment to helping the 9.4 million non-prime Canadians that are often denied for credit by banks and other traditional financial institutions, is grounded in our vision of helping put everyday Canadians on a path to a better tomorrow, today. With a wide variety of financial products and services including unsecured and secured installment loans and consumer leases, goeasy aspires to help Canadians rebuild their credit and graduate to prime lending. Our unique omnichannel model that includes online and mobile, as well as over 400 leasing and lending locations across Canada, is supported by over 2,000 employees from coast-to-coast.

Our growth story is rooted in the lease-to-own business, which was founded in 1990 and then rebranded as easyhome in 2003. The rapid expansion of our leasing business was our first wave of growth. After testing several ideas for new lines of business, in 2006 we launched our consumer lending division, easyfinancial, which offered a single-priced unsecured installment loan. Designed as a better alternative to the expensive and inflexible nature of payday loans, the objective was to create a complementary business, serving the same customer that had been walking through our doors for over 15 years. Our initial expansion followed our rigorous test and learn philosophy, by gradually opening kiosks within our existing easyhome locations, until we had proven the model. Between 2010 and 2012, we centralized credit decisioning, opened our first stand-alone branch, launched a new core loan platform and began to scale the loan portfolio, in what became our second wave of growth. Now, in what we consider to be the early stages of our third wave of growth, we have begun expanding our financial services product range, broadening our channels of distribution, and expanding the geographies that we operate in, while remaining focused on providing our customers with a best-in-class experience.

29 YEARS
OF LEASING AND LENDING EXPERIENCE

1 MILLION +
CANADIANS SERVED

$3.9 BILLION
TOTAL LOAN ORIGINATIONS

60%
OF CUSTOMERS IMPROVE THEIR CREDIT SCORE[1]

1 IN 3
CUSTOMERS GRADUATE TO PRIME CREDIT[2]

(1) As measured by an increase in TransUnion Risk Score within 12 months of borrowing from us.
(2) Prime credit is defined as opening a trade with a prime bank lender within 12 months of borrowing from us.

A HISTORY IN THE MAKING

Our 29 year journey is one of growth, evolution and innovation, with the one constant being our desire to help give our customers a better financial future.

1990

RTO ENTERPRISES FOUNDED

2001

DAVID INGRAM APPOINTED CEO AND COMPANY RETURNS TO PROFITABILITY

2003

EASYHOME LTD. IS BORN, CONSOLIDATED FROM 6 BRANDS

2006

EASYFINANCIAL LAUNCHES

2011

FIRST EASYFINANCIAL STAND ALONE BRANCH OPENS

CENTRALIZED CREDIT ADJUDICATION INTRODUCED

2015

CORPORATE NAME CHANGED TO GOEASY LTD.

2016

RISK ADJUSTED INTEREST RATE LOANS LAUNCHED

2017

RECAPITALIZED THE BUSINESS WITH C$530 MILLION IN FINANCING

SECURED LENDING PRODUCT LAUNCHED

EXPANDED INTO QUEBEC

2018

NEXT GENERATION PROPRIETARY ONLINE LOAN APPLICATION LAUNCHED

CREDITPLUS STARTER LOAN LAUNCHED

2018 AWARDS

- GLASSDOOR TOP CEOs
- MOST ADMIRED CORPORATE CULTURES

2019

DAVID INGRAM TRANSITIONS TO EXECUTIVE CHAIRMAN

JASON MULLINS APPOINTED PRESIDENT AND CEO

$1.1 BILLION LOAN PORTFOLIO

STRATEGIC PARTNERSHIP & INVESTMENT IN PAYBRIGHT

RECAPITALIZED THE BUSINESS WITH C$728 MILLION IN FINANCING

REACHED $1 BILLION MARKET CAPITALIZATION

2019 AWARDS

- ACHIEVERS 50 MOST ENGAGED WORKPLACES
- TOP 50 FINTECH COMPANIES
- TSX 30
- CANADAS TOP GROWING COMPANIES
- GREATER TORONTO'S TOP 2020 EMPLOYERS

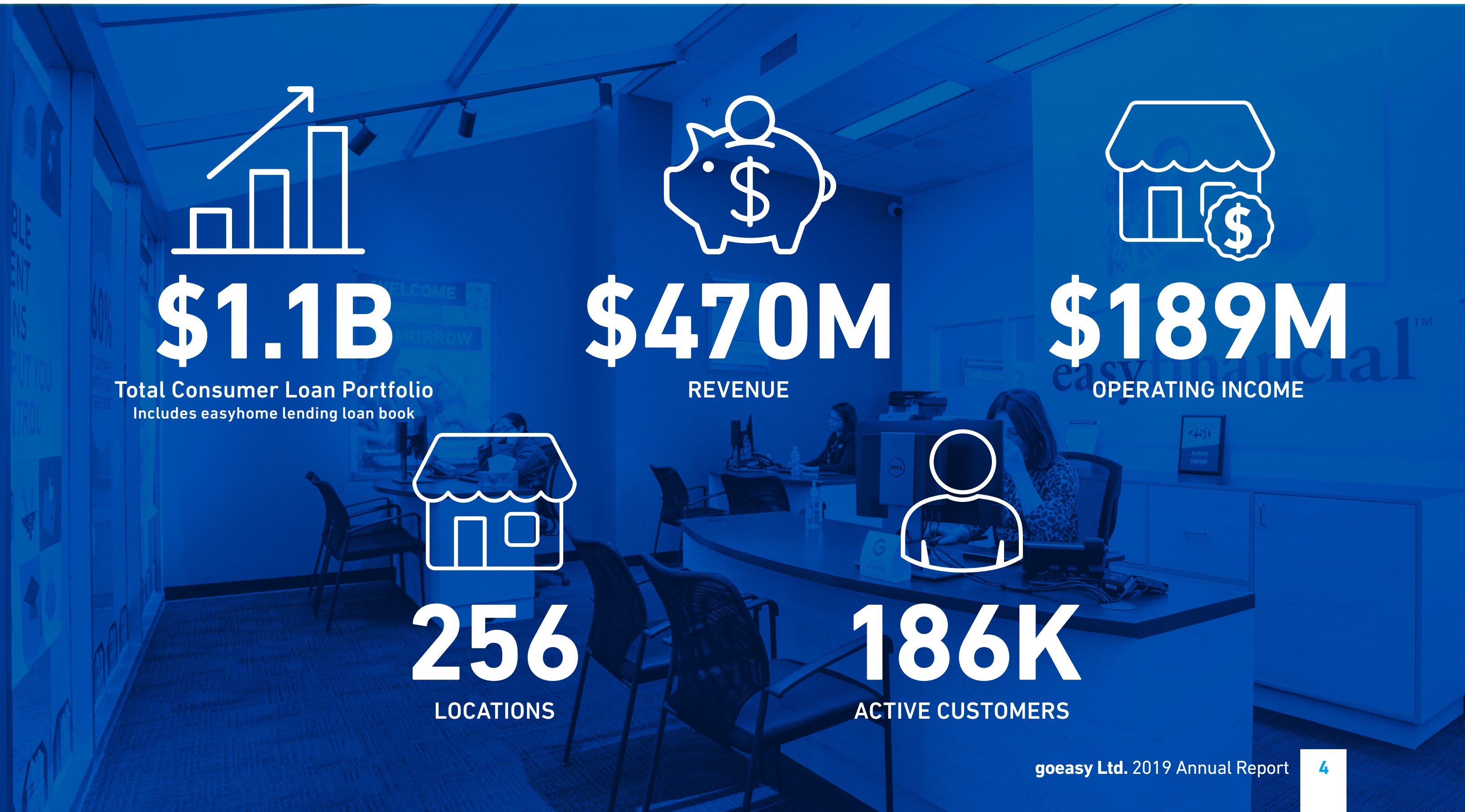
BEYOND

2019 HIGHLIGHTS

BUSINESS UNIT OVERVIEW

easyfinancial goeasy

Launched in 2006, easyfinancial is our non-prime consumer lending division that began with the goal of bridging the gap between traditional financial institutions and costly payday lenders. Since then, easyfinancial has significantly expanded and evolved to support our core vision of providing everyday Canadians a path to a better tomorrow, today, as they improve their credit and work their way back to prime lending. Offering a suite of unsecured and secured lending products up to $45,000 with rates starting at 19.99%, easyfinancial is uniquely positioned in the market. With an omnichannel business model, our customers can transact conveniently through our national branch network of 256 locations, online, or through one of our many retail and merchant point-of-sale partnerships. Through a disciplined approach to managing risk, easyfinancial has demonstrated a history of stable and consistent credit performance. We believe our proprietary industry-leading credit models built using machine learning and advanced analytical tools, coupled with the personal relationships we develop with our customers in our branches, strikes the optimal balance between growth and prudent risk management and underwriting. Over the past 14 years, we have served over 450,000 customers and originated over $3.9 billion in loans, with $1.1 billion originated in 2019. With several additional value-add services, including our starter loan product for those with no credit or damaged credit, a credit optimizer tool to help consumers track their progress to improving their credit score, and free financial education tools, our commitment to helping our customers on their journey towards a better financial future has never been stronger.



2019 HIGHLIGHTS

BUSINESS UNIT OVERVIEW

easyhome goeasy

easyhome, Canada's largest lease-to-own Company, has been in operation since 1990 and offers customers brand name household furniture, appliances and electronics through flexible lease agreements. Through our 163 locations, which includes 35 franchise stores or through our eCommerce platform, Canadians turn to easyhome as an alternative to purchasing or financing their goods. With no down payment or credit check required, we offer a variety of solutions that help customers get access to the goods they need, with the flexibility to terminate their lease at any time without penalty. In 2017, easyhome began offering unsecured lending products in over 100 easyhome locations. This expansion allowed us to further increase the distribution footprint of our financial services products by leveraging our existing real estate and employee base. Offering lending at our easyhome locations has enabled our stores to diversify their product offering and meet their customers broader financial needs. In 2019, easyhome also began reporting customer's lease payments to the credit reporting agencies to further enhance our vision of providing our customers with a path to a better tomorrow. With every on-time lease payment, easyhome customers can now build their credit and use easyhome as a stepping stone into other financial products and services.

$38M
EASYYHOME LENDING LOAN BOOK SIZE

$139M
REVENUE

$25M
OPERATING INCOME

163
LOCATIONS
109 WITH LENDING

44K
ACTIVE CUSTOMERS

FINANCIAL SUMMARY

(in $000s except per share amounts, store counts, employee counts, annual dividends, percentages and ratios)	2019	2018	2017	2016	2015
INCOME STATEMENT					
Revenue	609,383	506,191	401,728	347,505	304,273
Operating income	168,793	119,717	87,393	62,516	48,052
Net income	64,349	53,124	36,132	31,049	23,728
Diluted earnings per share	4.17	3.56	2.56	2.23	1.69
BALANCE SHEET					
Cash	46,341	100,188	109,370	24,928	11,389
Gross consumer loans receivable	1,110,633	833,779	526,546	370,517	289,426
Lease assets	48,696	51,618	54,318	55,288	60,753
Total assets	1,318,622	1,055,676	749,615	503,062	418,502
External debt	859,126	691,062	449,178	263,294	211,720
Shareholders' equity	332,421	301,529	228,244	196,031	176,059
FINANCIAL METRICS					
Revenue growth	20.4%	26.0%	16.6%	14.2%	17.4%
Adjusted operating margin[1]	27.7%	23.7%	21.8%	19.0%	15.8%
Adjusted net income[1]	80,315	53,124	42,158	33,155	23,728
Adjusted diluted earnings per share[1]	5.17	3.56	2.97	2.38	1.69
Adjusted return on equity[1]	25.3%	21.8%	19.8%	17.9%	14.4%
Net debt to net capitalization	0.71	0.66	0.60	0.55	0.53
Annual dividend per share	1.24	0.90	0.72	0.50	0.40
OPERATING METRICS					
Same store revenue growth	19.5%	25.7%	18.3%	12.1%	16.3%
Gross loan originations	1,095,375	922,550	579,494	398,739	330,689
Growth in gross consumer loans receivable	276,854	307,233	156,029	81,091	97,201
Net charge-offs as a percentage of average gross consumer loans receivable	13.3%	12.7%	13.6%	15.4%	14.8%
OPERATIONS					
Total Store Count:					
easyfinancial	256	241	228	208	202
easyhome	163	165	171	176	184
easyfinancial branch openings	15	23	22	17	64
Employees	2,024	1,821	1,729	1,587	1,566

1 Certain financial statement amounts have been adjusted to exclude unusual and non-recurring items. Further details on such adjustments can be found in Management's Discussion and Analysis.

33.2%
TOTAL LOAN BOOK GROWTH

20.4%
TOTAL REVENUE GROWTH

51.2%
ADJUSTED NET INCOME GROWTH[1]

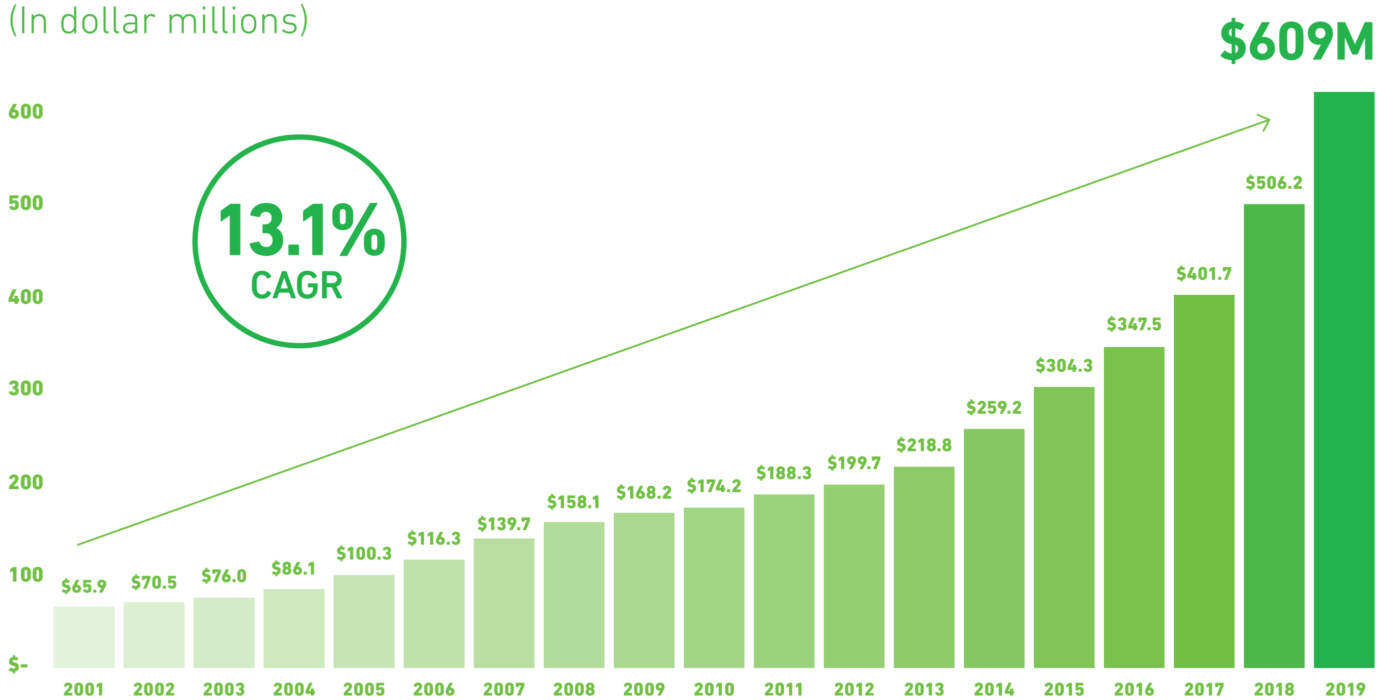
45.2%
ADJUSTED DILUTED EPS GROWTH[1]

25.3%
ADJUSTED RETURN ON EQUITY[1]

(1) Excludes the impact of non-recurring financing charge in 2019

ANNUAL REVENUE

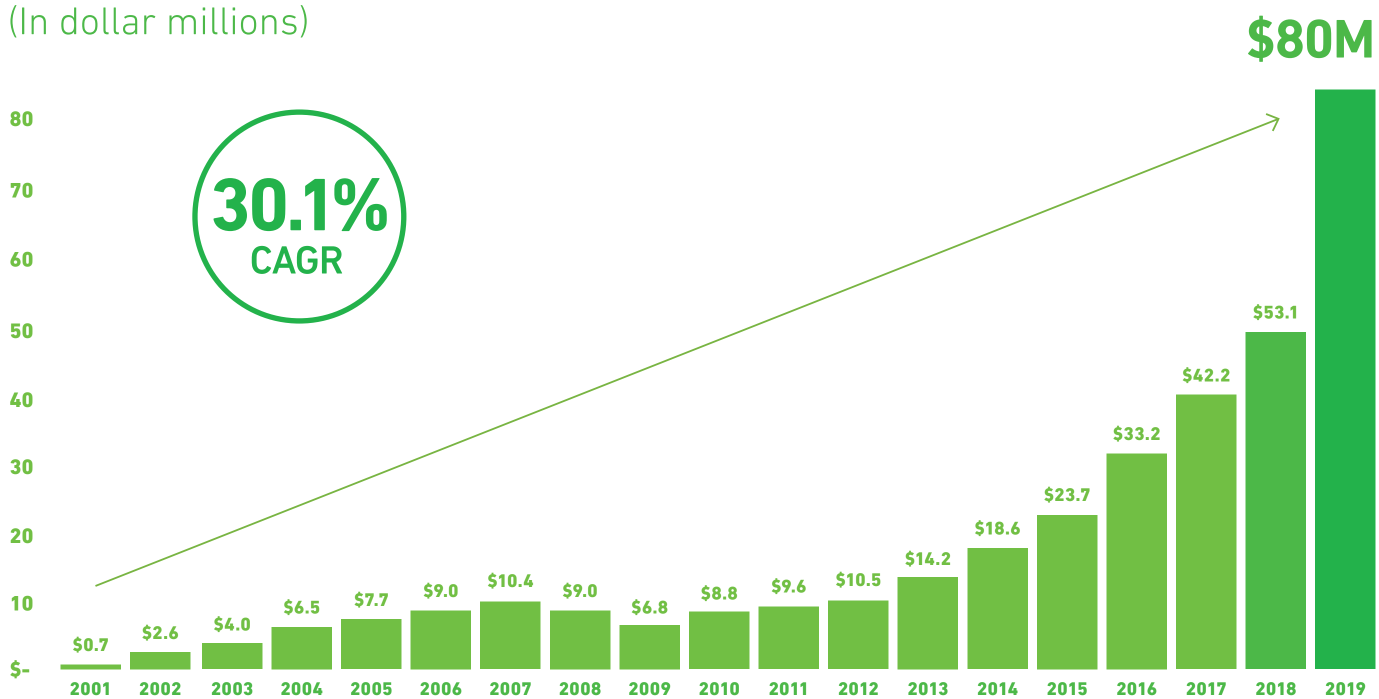
(In dollar millions)



Note: All revenue restated to IFRS. CAGR = Compound Annual Growth Rate

ADJUSTED ANNUAL NET INCOME

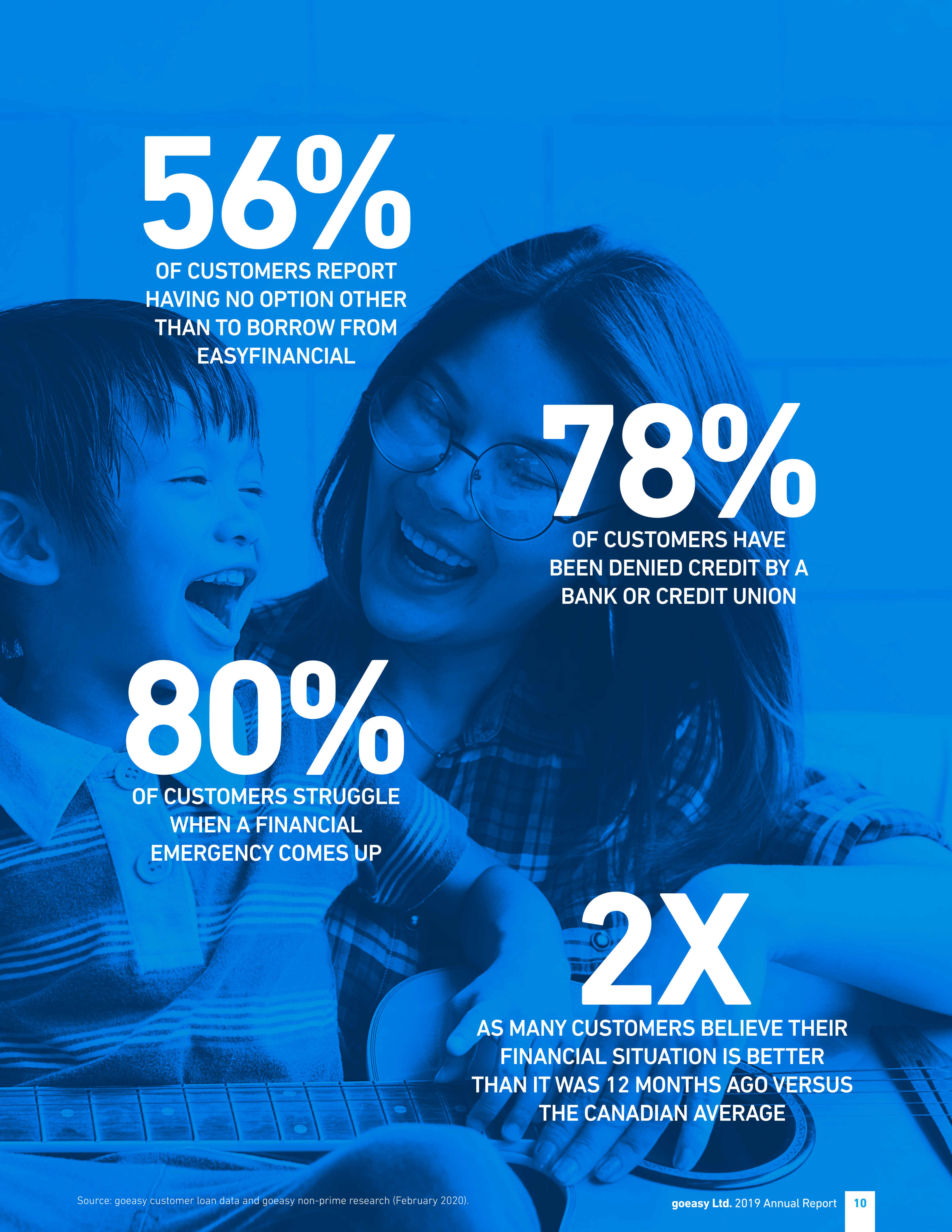
(In dollar millions)



Note: 2001 to 2009 amounts reported on a Canadian GAAP basis. 2010 to 2019 amounts reported under IFRS. Certain financial statement amounts have been adjusted to exclude unusual and non-recurring items. Further details on such adjustments can be found in the Management Discussion and Analysis. CAGR = Compound Annual Growth Rate

WE SEE BEYOND OUR CUSTOMER'S SITUATION TODAY, AND WE SEE THEIR POTENTIAL FOR A BETTER FUTURE, TOMORROW.

Our customers are hardworking everyday Canadians that have typically been turned down by banks and traditional lenders. Often met by life circumstances that have negatively impacted their credit, they turn to goeasy for financial relief and a second chance. Our customers come to us when they have nowhere else to turn and put their trust in us at their most critical time of need. That sense of trust is core to the strong and lasting relationships we build with each individual customer as we provide them with knowledge and guidance to help build their financial confidence. We understand our customers better than anyone else and go above and beyond to treat every customer with empathy, care and most importantly heart, because many of us were once in their shoes.



56%

OF CUSTOMERS REPORT HAVING NO OPTION OTHER THAN TO BORROW FROM EASYFINANCIAL

78%

OF CUSTOMERS HAVE BEEN DENIED CREDIT BY A BANK OR CREDIT UNION

80%

OF CUSTOMERS STRUGGLE WHEN A FINANCIAL EMERGENCY COMES UP

2X

AS MANY CUSTOMERS BELIEVE THEIR FINANCIAL SITUATION IS BETTER THAN IT WAS 12 MONTHS AGO VERSUS THE CANADIAN AVERAGE

Source: goeasy customer loan data and goeasy non-prime research (February 2020).

OUR AWARD WINNING CULTURE

With over 2,000 employees across the country, our workforce is as diverse as Canada itself. The one thing that unites us is the passion we have for our customers and the deep sense of care we have for everyone that steps foot into our stores and branches. We are a performance-driven culture, where our team members are given the opportunities and challenges to impact and influence the organization. We are obsessed with our front-line workforce and the customers they serve, never taking our eye off the critical connection and relationship that is so essential to our customer experience. We are entrepreneurial in spirit and mindset and are relentless about finding a way to get things done, avoiding complexity and bureaucracy from stifling our growth and ambitions.

We also believe strongly in investing in our people. With programs such as our Women in Leadership initiatives, now in its 5th year, we have helped thousands of our female leaders participate in a variety of training and development programs catered to providing them the tools they need to be successful leaders. Through our "future stars" and "goforum" programs, we are training our best and brightest talent to have the skills and experience they need to become our leaders of tomorrow. With a culture that is all in, we truly embody the notion of working hard and playing hard through events, sports teams and celebrations that acknowledge the hard work and accomplishments of our teams.

Waterstone CANADA'S MOST ADMIRED CORPORATE CULTURES 2018

DIGITALFINANCE INSTITUTE TOP 50 FINTECH COMPANIES

2019 Canada's Top Growing Companies REPORT ON BUSINESS

2019 Achievers 50 MOST ENGAGED WORKPLACES 2019 WINNER

TSX 30 2019

GREATER TORONTO'S TOP 2020 EMPLOYERS

ANDREA FIEDERER EVP & CMO

STEVEN POOLE SVP, OPERATIONS & MERCHANDISING

JASON APPEL EVP & CRO

JASON MULLINS PRESIDENT & CEO

HAL KHOURI EVP & CFO

DAVID COOPER SVP, HR

SHANE PENNELL SVP, OPERATIONS & SHARED SERVICES

SABRINA ANZINI SVP, LEGAL & CORPORATE AFFAIRS

2,000+
EMPLOYEES ACROSS CANADA

51%
FEMALE EMPLOYEE BASE

40
NATIONALITIES REPRESENTED WITHIN OUR EMPLOYEE BASE

CORPORATE SOCIAL RESPONSIBILITY

Our vision of providing everyday Canadians a better tomorrow, extends beyond our customers

and runs deep within the communities in which we operate. To date, goeasy has contributed over $3 million through our longstanding partnership with Boys and Girls Clubs of Canada, to help the clubs with their mission of providing safe, supportive places where children and youth can grow and experience new opportunities. In 2014, we expanded our partnership with the clubs and launched easybites, an ambitious $2.5 million, 10-year initiative to build functioning kitchens in all 100 Boys and Girls Clubs across Canada. In 2019, we completed our 50th kitchen on our journey to help feed today's youth, while helping them learn how to prepare quality meals and encourage the development of healthy habits and life skills. Our Corporate Social Responsibility efforts also extend beyond local communities as we support charitable endeavours in developing countries through our partnership with Habitat for Humanity's Global Village program. Since 2015, we have taken over 125 goeasy employees to Nicaragua, India, Guatemala, Cambodia and Bolivia, where we have helped build 27 homes and 18 smokeless stoves for a total of 45 housing solutions for families in extreme poverty.

MESSAGE FROM THE EXECUTIVE CHAIRMAN OF THE BOARD

Successful CEO Transition Plus Strong Operational Execution Equals High Returns for Investors.

First and foremost I'd like to acknowledge the difficulty and severity we have all been facing together as a result of the Coronavirus. Our hearts go out to the families and communities around the World who have been affected by the pandemic. We are sincerely grateful to everyone on the front lines of this crisis for the courageous work they are doing to keep us all protected.

After 18 years as the President & CEO of goeasy, I am pleased to write my first letter as the Executive Chairman. I will provide some reflection on 2019, while concluding with some thoughts on the exciting journey ahead of us. My time with the Company, which spans a period of nearly two decades, has given me perspective and experience gained from working with three different sets of directors and having over 1,000 discussions with investors. This has provided me with the benefit of valuable lessons that accumulate to build a "tool box" that can be applied to strategy, leadership, risk management, governance and ultimately, serves as a scorecard of your judgement. When I reflect upon the many insights that I have learned, what stands out the most is that while growth in revenues and profits have significant importance within the research analyst community, what truly matters is the absolute total shareholder return compounded over the long-term. To this end, it's incumbent on the Board to help support management in determining where to focus and how to optimize the long-term success for goeasy in order to maximize the return for shareholders. Although it can be difficult to narrow down that focus, the two areas that myself and the Board believe require particular attention and mastery are capital allocation and talent management.

CAPITAL ALLOCATION & THE STRENGTH OF OUR PLATFORM – We entered 2020 with a strong financial position due largely to increasing our total capitalization from $993 million to $1.2 billion, while reducing our fully drawn interest costs from 6.8% to 5.5% and providing sufficient liquidity to meet our loan book forecast until the end of 2021. The strong cash flow and build in retained earnings enables us to meet our dividend objective of paying 35% of prior year earnings, while still investing capital in operations and repurchasing our shares opportunistically. The slightly increased leverage combined with lower relative costs, resulted in return on equity improving from 21.8% to 25.3% in 2019. As a lender, our priority since 2012 has been to ensure that we apply capital to first meet customer demand, so that our portfolio expands its future profitability. We have compounded the return on investment through this use of capital at approximately 25%. Our next use of capital has been dividend payments, which have been applied with consistency and thoughtful rationality for 16 years, with the last 6 years compounding at growth of 32%. We have often chosen to defer paying down debt as our incremental draws on the credit facility have lowered to only 4.3%. With the recent volatility in our share price, it has created a dislocation from our pre-COVID-19 share price and an opportunity to generate a 50%+ return by buying our own shares. This approach has served us well with our total shareholder return since December 2000 to December 2019 being 7709% vs. the S&P/TSX Financial Index of 491%. As we move forward, we will see many more opportunities for the use of capital, as the industry creates winners and losers and international M&A becomes more attractive than in the past. Therefore, managing internal hurdle rates for where and when to send our cash is even more critical.

TALENT MANAGEMENT – One of my most memorable interactions with Jason Mullins was the way in which he brought to my attention the bad news regarding a fraud in one of our branches back in 2010, only a few months after he joined the organization. It was presented logically with a timeline that was backed up with data and events, and it made us believe we had recruited a star. This was someone who got my attention by digging below the surface and providing a sense of trust and acumen while having the confidence to deliver devastating news. My belief in Jason's capabilities was reaffirmed in 2012, when Sean Morrison, one of our Directors, noted on our annual directors' survey that our "Company's Top Risk" was not the typical response of access to capital or credit risk, but rather "losing Jason Mullins". Yet, a year earlier in 2011, when we parted ways with five directors, none of them thought he was CEO potential. So, after investing in extensive training, including an Executive MBA at the Ivey School of Business, working with an external coach and receiving guidance from many of our current Board members, Jason began his journey to the position of CEO. This illustrated how important the Board's role is to align on the selection of talent, mentoring that talent and providing high potential individuals with access to these important role models. Taking this even further, this philosophy has shaped our approach to showcasing talent within the Board. goeasy team members from across a variety of levels can participate in "lunch and learn" sessions that provide high potential employees with the ability to prove their capabilities and get sponsorship from our Directors.

In Jason's first year as CEO, I am extremely proud to say he repaid the trust in his appointment by hitting all seven of the publicly guided targets, while growing revenue by 20% and adjusted diluted earnings per share by 45%. In addition to the capital restructuring, Jason also led the team through the successful completion of a strategic investment in PayBright, Canada's leader in point-of-sale financing. Furthermore, he has energized the entire goeasy team and is putting the finishing touches on building his management team, who are being recruited with the horsepower to build a multi-billion-dollar organization.

OUTLOOK – As Jason builds his management team for our third wave of growth, we are applying the same investment in building our Board of Directors that will be positioned to give strategic support over the next decade of our continued expansion. Our shared ambition goes beyond becoming the biggest and best non-prime lender in Canada. Through our purpose driven vision, access to capital, credit risk expertise and management talent, we believe we can lead in other international markets. In 2019, after much discussion with the Board and management, we completed a skill matrix assessment that determined we would need to find three new board members to complement the existing team, while providing the leadership and mentorship required to fuel our expansion ambitions. The first position was recently filled by James Moore, who was elected in March of this year as Chair of the Governance Committee. His experience as Industry Minister for the Federal Government will be invaluable as we strive to create strong relationships at all levels of government. The next position that we are looking to fill is Chair for the Human Resource Committee, ideally with a candidate that has global experience with larger organizations and M&A experience working across borders. Lastly, we plan to add an individual who brings global capital markets experience and is a proven leader in capital allocation. We are fortunate to have a Board that is very engaged, provides diligent questions, has been extremely responsive to both Jason and I, and above all is excited to help lead us into the future. I truly appreciate their commitment and sound advice.

On behalf of our Board of Directors, I want to congratulate Jason and his senior team for the execution of their strategy and to express sincere gratitude to all of our colleagues, especially those who work tirelessly on the front-lines to serve our 230,000 customers. I also want to pay tribute to David Thomson, who passed away in February this year after being the Company's Audit Committee Chair since 2012. He was a true gentleman who served the Company to the highest ethical standards and was a friend to us all. He is deeply missed.

goeasy is a Company that has a healthy disrespect for the way things are. We want to build an enduring organization that prevents the inertia, sluggish drive for innovation and bureaucracy that holds many Companies back as they scale and mature. As Jason will tell you, we are truly just getting started!

David Ingram
Executive Chairman of the Board, goeasy Ltd.

LETTER TO SHAREHOLDERS

I write this letter amidst one of the greatest periods of challenge and uncertainty in many generations.

We are living in a remarkable time, during which the pressure on economies, communities and families could not be greater. As the COVID-19 pandemic sweeps around the globe, it has acted as a stark reminder of how fortunate we are and what truly matters. Although at the time of this letter, many lives have been lost and we remain in a period of economic disruption, there are many signs that a recovery is in sight and I am confident we will emerge from this stronger than ever.

Before I begin, I want to first thank all of those on the front-line of this crisis and the 2,000 goeasy team members that have stood by our customers through this event. To all those that are working hard to keep our families and communities safe, maintain the availability of our essential services and keep our economy running, we are grateful and thank you.

In the following pages I will provide a reflection on my first year as CEO, discuss our results for the year, reaffirm why our business model is built to withstand the test of time and provide an update on our strategy and outlook for the future.

REFLECTIONS ON THE FIRST YEAR

PREPARATION – As I walked into the office on January 2nd, 2019, it felt like any other day from the several years preceding it. Looking back now, that was how it should have felt. As the beneficiary of a well-orchestrated multi-year CEO succession plan that began in 2015, I was well prepared. While there were plenty of exceptional learning moments and a greater level of ultimate accountability, I never felt unequipped. To that I owe the years of preparation, the thoughtful planning of our Board to lay the groundwork for a successful transition plan and the training camp atmosphere that David Ingram, our Executive Chairman and former CEO, created through a progressive handover of responsibility. Fast forward to leading the organization through a crisis, for which there is no playbook, during which I continue to lean heavily on the leadership principles instilled over many years of training. Preparation is key.

THE TEAM – Business is a team sport. Full stop. When you run a large business, this becomes more real than ever. I have been incredibly fortunate to be surrounded by great talent, up and down the organization. The entire Board have acted as a group of supportive advisors and David has continued to be an invaluable mentor, providing near on-demand guidance and counsel. I am also privileged to lead a talented senior leadership team. With the addition of Hal Khouri as CFO, the recent appointment of Michael Eubanks as CIO, and the strength of our existing leadership team, we are building a management group that can lead the business through our next stage of growth. Most important has been the unwavering support of our front-line team, as they are the engine of our organization. Their passion and energy to deliver on our vision has never been stronger and I continue to be inspired by their teamwork and comradery. In their own words, their bonds are as strong as family.

THE CULTURE – In the letter last year I suggested one of my key responsibilities was to protect and preserve the core values and leadership principles that have been progressively embedded into the DNA of our company. After the extreme contrast between a record year, followed quickly by a crisis, it is evident that there is no aspect of my job more important than nurturing and developing our culture. At the core of our culture is a purpose driven vision - to put our customers on the path to a better tomorrow - while making a positive impact on the communities we serve. It is our purpose that fuels us to face adversity with grit and perseverance, drives us to perform at a high level and ignites our desire to care for each other and our customers. Carefully selecting the talent that embraces our philosophies as we scale the organization will be key to our success. As the renowned management consultant Peter Drucker once said, “culture eats strategy for breakfast”.

PERSONAL DEVELOPMENT – Despite the benefits of intense preparation, it was without question a period of significant learning. Throughout the year I kept a journal of personal reflections, which included a long list of insights about the way I needed to continue evolving my leadership. I learned to rethink my time management, delegate more, sharpen my communication, adapt my coaching style and improve how we prioritize initiatives across the organization. This is only the beginning of my personal growth journey as a CEO and we will continue to prioritize and invest in the development of our people. We will never stop learning.

REVIEW OF 2019

2019 was another significant year for our organization, highlighted by record financial results, several major milestones and great progress made against our strategic initiatives. We were also pleased to achieve all seven of the revised commercial targets published for the year.

We continued to build our brand in Canada with the launch of our latest fully integrated media campaign, which focused on authentic and relatable moments for our customers and the inspiration for a better tomorrow. The campaign included a new TV spot, new radio ads, as well as new digital, print and out-of-home creative. Collectively, the campaign helped drive a 31% increase in web traffic over the prior year, lifting our aided brand awareness to an all-time high of 85% and produced a record level of loan application volume, which was up 19% over 2018.

Our positioning in the market is simple; we aim to provide the approximately 9.4 million non-prime Canadians with access to the credit they need, while helping put them on a path to a better tomorrow. In early 2019 we began sharing the impact we are having on our customers' credit improvement. With 1 in 3 of them graduating to prime credit, and 60% increasing their credit score within 12 months of borrowing from us, we believe we are making a positive difference in their financial lives.

The improved brand awareness and strong customer demand led to loan originations of $1.1 billion, which were up 19% from 2018. Furthermore, 2019 was a record year for new customer growth, adding over 33,000 new borrowers to our easyfinancial portfolio. The elevated originations resulted in total organic loan growth of $277 million, leading to one of the most significant achievements in our history, crossing the $1 billion milestone. Having joined the Company ten years prior when the loan portfolio had just crossed $15 million, this was certainly a moment to be proud of. By year-end we finished with a loan portfolio of $1.1 billion, which was up 33% from 2018.

We continued to pursue our strategy of expanding the product range and increasing the use of risk-based pricing to reduce the cost of borrowing for our customers, while concurrently increasing the average loan size, extending customer tenure and increasing lifetime value. Over the year, this strategy led to a gradual decline in the weighted average APR charged to our borrowers, and consequently, the total yield generated on the portfolio, while increasing revenue and income.

2019 marked the 18th consecutive year of revenue growth for the Company at $609 million, an increase of 20% over 2018, lifting our compound annual growth rate since 2001 to 13.1%. While the success in generating online traffic and new customer growth served to accelerate the loan book, it also slowed the rate of improvement we had planned for the credit quality of the portfolio. While the customers we acquire online are sufficiently profitable, their risk level exceeds that of a customer acquired through our retail channel. Likewise, while new customers are the lifeblood of the business, the first loan we issue a new customer produces higher losses than every subsequent loan. Lending to an existing customer allows us to use a more predictive behavioural scoring model that considers their payment history, which results in a loss rate that is more than 30% lower than that of a new borrower. As such, the net charge-off rate of the portfolio was 13.3% in 2019, up slightly from the 12.7% we reported in 2018. Despite the shift in the mix of originations, the overall stability of our loss rate highlighted the strength of our risk management capability to respond quickly to changes in the environment.

During the year we continued to increase the average loan book per branch, which grew from $2.9 million to $3.7 million. The revenue produced by growing the average book per branch is accompanied by only a marginal level of incremental cost, resulting in significant operating leverage for the business. Operating income was $169 million in the year, up 41%, while the operating margin expanded to a record 27.7%, up from 23.7% in 2018.

Over the course of the year we made several important enhancements to our balance sheet, including amendments to our revolving credit facility and refinancing our unsecured notes. Thanks to the continued confidence of the bank lenders in our syndicate, we increased the size of our revolving credit facility from $174.5 million to $310 million and extended the maturity date from November 2020 to February 2022, giving us significantly more liquidity. In addition, the cost of borrowing under the facility was also reduced to the BA rate plus 300 bps or the prime rate plus 200 bps, at our option.

Late in the year our unsecured notes became eligible for early redemption. Although the cost to redeem the notes three years prior to maturity was not insignificant, our notes were trading at a sufficient premium such that we could significantly reduce the coupon rate to more than offset the early redemption cost over the remaining term of the notes. Most importantly, it ensured that if we faced a more difficult economic period in the coming years, it would extend the maturity of our notes for a fresh five-year period, providing us with stable and longer-term capital. In November we went to market and issued an upsized transaction of US$550 million, 5.375% senior unsecured notes, which mature in December 2024. The proceeds were used to extinguish the previous notes and top up the balance sheet with additional liquidity. Upon redeeming the notes, we incurred an early repayment penalty, resulting in a one-time after-tax charge of $16.0 million.

While we did not foresee a global pandemic producing a severe economic recession, the decisions made to increase our liquidity, extend our debt maturities and take advantage of excellent conditions in the capital markets, were very timely. When combined, these two balance sheet enhancements increased our funding capacity to $240 million at year-end, providing enough capital to fund our business until late in 2021. Furthermore, our fully drawn weighted average cost of debt reduced from 6.8% at the start of the year, to 5.5% at year-end, helping to further boost our return on assets. With these major enhancements behind us, we have now begun to lay the groundwork for the next stage in the evolution of our balance sheet, through the establishment of a securitized funding facility, which we hope to implement as soon as the conditions in the market improve.

As a portfolio business with strong risk-adjusted margins and an average remaining term on our loans of less than four years, our business generates significant free cash flow. Cash flow from operations before the net issuance of consumer loans (and the purchase of lease assets) was $296 million in the year, up 28% from $232 million in 2018. Our first preference is to invest our free capital in growing the loan portfolio, as the organic growth of our business produces the best return on our investment and fuels earnings into the future. If we produce incremental free cash above the level that can be deployed into organic loan growth, the excess capital can then be used to either pay down debt and de-leverage the balance sheet, invest in new lines of business or acquisitions, or return capital to shareholders through dividends or share repurchases. In this event, we will first assess our ability to access and maintain sufficient liquidity to fund our organic growth and whether our current level of financial leverage is appropriate, which we believe to be optimal at approximately 70% net debt to net capitalization or roughly 2.5 times debt to equity. Provided we are confident we have access to the capital to fund organic loan growth, we have chosen to return approximately 35% of our trailing earnings to shareholders through a dividend, while investing the remaining capital where we can generate the next highest return that will maximize the long-term per share value of the Company. Based on the 2019 earnings and confidence in our liquidity position, the Board approved an increase to the annual dividend from $1.24 per share to $1.80 per share, an increase of 45%. 2019 marked the 6th consecutive year of an increase in the dividend to shareholders. During the year, we then took advantage of several opportunistic times when our share price traded below its intrinsic value, such that repurchasing our stock became the best return on our capital. Over the year we invested $20.3 million in share repurchases, buying back approximately 458,000 common shares at a weighted average price of $44 through our normal course issuer bid.

It is important to note that all the decisions we make with respect to our financial leverage, distributing dividends, repurchasing stock or investing in new lines of business, are all made on the principle that they are sustainable through economic cycles.

Based on the strong revenue growth, improved operating leverage and adjusting for the one-time charge associated with the early redemption of our unsecured notes, adjusted net income for the full year was a record $80.3 million, up 51% from $53 million in 2018. Adjusted diluted earnings per share were a record $5.17, up 45% from $3.56. We were also pleased to report record adjusted return on equity of 25.3%, up from 21.8% the prior year. Lastly, it was the 18th consecutive year of reporting a profit and lifted our compound annual growth rate for adjusted net income since 2001 to 30.1%.

During the year we also made significant progress against our key initiatives, including all four pillars of our strategy.

After fine tuning our secured loan product throughout 2018, we began to scale our offering in a more meaningful manner in 2019. The "test and learn" philosophy I discussed in my letter from last year had successfully exposed the learnings and insights we needed to be comfortable accelerating growth. The product, which allows homeowners to graduate to larger loans at lower interest rates, more than doubled during the year, finishing at $115 million, or approximately 10% of our portfolio. With 20% of easyfinancial customers owning their home, we continue to believe this product will be an important part of our broader financial services offering and help our customers get back to prime credit.

As we entered 2019 our efforts to refine and optimize our business in Quebec also proved successful. Loss rates were progressively trending toward the portfolio average and we began to scale our presence in the province. By year-end we had doubled our loan book to $75 million, or approximately 7% of our total portfolio. With 22% of the Candian population in Quebec, there remains tremendous growth in this market for many years into the future.

Over the last several years we have been developing our point-of-sale financing channel to provide greater access to credit for non-prime Canadians when shopping for goods and services. Each year in Canada we estimate there is more than $30 billion of credit extended to consumers through financing and "buy now, pay later" programs offered at the point-of-sale. We have always viewed this channel as a great low-cost source of acquisition to bring new customers into our lending ecosystem, so we can offer them other products and services and expand our share of wallet. Historically, our greatest challenge in this channel had been the lack of integration between a prime lender and ourselves. If a customer was declined for prime credit and then forced to resubmit a new application from scratch, it created significant friction in the experience, resulting in abandoned sales and frustrated customers. Furthermore, we knew the right long-term solution was an omnichannel model to support the continuing shift to eCommerce. So, in 2018 we went on a journey to find a prime point-of-sale lending partner that we could team up with. All options were explored, including partnering with major banks, acquisitions, international incumbents and building the platform ourselves.

After extensive market research, we found the ideal partner. In September, we entered into a strategic commercial partnership and made a $34.3 million equity investment in PayBright, a Canadian fintech business focused on instant point-of-sale consumer financing to the prime market through interest bearing, 0% financing and "Pay-in-4" programs. Through this arrangement, easyfinancial became the provider of non-prime financing within their platform. PayBright has partnered with over 6,000 domestic and international merchants, allowing them to offer installment payment plans to their Canadian consumers in a quick and easy digital experience, through both eCommerce and in-store. Major partners today include brands such as Wayfair, Samsung, Lenovo and The Source. By offering PayBright as a payment method at checkout, retailers provide their customers with additional spending power, which drives increased sales through higher checkout conversion, increased average order value, and greater customer loyalty. Through integrating our non-prime loan product into their platform, we now offer Canada's leading instant point-of-sale payment solution that serves the entire credit spectrum of consumers in a single, seamless user experience. We have already acquired thousands of customers through this channel, yet consider this partnership at the very early stages.

We also made several improvements to our customer experience during the year, including introducing e-Transfer as a new funding method for our borrowers, and launching a new credit score optimizer product, the first of its kind in Canada, which helps our customers tackle their debt in a methodical manner. Continuing to digitize the transaction, automate underwriting and give consumers more tools that can help them on their journey back to prime credit, will continue to be at the core of what we do.

Topping off the year, we were very humbled to be the proud recipients of five new awards in recognition of our culture and performance. During the year we were named one of "Achievers Top 50 Most Engaged Workplaces in North America", named one of the "Top Employers in the Greater Toronto Area", named one of the "Digital Finance Institute's Top 50 FinTech Companies in Canada", ranked on the inaugural "TSX30" list based on dividend-adjusted share price appreciation over a three-year period and placed on the "Report on Business list of Canada's Top Growing Companies" based on three-year cumulative revenue growth.

OUR ENVIRONMENT

MARKET & COMPETITIVE LANDSCAPE

Of the 29 million Canadians with an active credit file, approximately 9.4 million have credit scores less than 720 and are deemed to be non-prime according to TransUnion. Collectively, these Canadians carry $230 billion in credit balances (excluding any primary mortgages), which represents our target market. Our customers resemble the average Canadian, with similar income, education and demographics, although they are more likely to be renters than homeowners and therefore carry less total debt. This market is largely underserved by only a handful of major providers. Fairstone, formerly CitiFinancial Canada, is our largest competitor and was once the Canadian consumer finance arm of U.S. bank Citigroup Inc., before being acquired by private equity and then recently sold to DuoBank. Over the years, we have also witnessed numerous pure-play online lenders launch, yet none of them have been able to achieve scale and success in non-prime lending through an online only model. Finally, two large payday loan chains have migrated into traditional lending products, including MoneyMart, a privately held U.S. company, which offers an installment loan and CashMoney, the Canadian brand of U.S. public company CURO Group, which offers a revolving line of credit product. We believe we remain highly competitive amongst our peer group, however, the size of the market can also support several large companies at scale.

We also believe that the recession caused by the recent pandemic will slightly favour the market and competitive landscape for goeasy. As prime lenders, specifically major banks, tighten credit criteria in response to the weaker economic environment, this will limit the access to traditional credit for near-prime consumers, making the role we play in filling the gap left by the banks more important than ever.

REGULATORY LANDSCAPE

Canada continues to remain a stable regulatory environment with a good framework for governing the non-bank consumer lending industry. Section 347 of the Criminal Code regulates the entire lending market, dictating the maximum effective annual rate of interest that can be charged at 60%. This regulation has been stable and unchanged since 1980, without challenge by any government or major political party. We believe that there continues to be strong evidence of support for the existing federal structure. At the provincial level, each province maintains consumer protection legislation that outlines specific rules about how businesses interact with their customers. In addition, several provinces have implemented "high cost credit" regulations, which have been specifically designed to ensure consumers are treated fairly and that there is transparency in the borrowing experience. Manitoba was the first to implement such regulations in 2016, followed by Alberta and Quebec in 2019 and British Columbia expected to do so in 2020. These regulations require that lenders offering loans over a prescribed rate, obtain a license and follow an additional set of disclosure requirements and operating practices. Independently and through the Canadian Lenders Association, goeasy works directly with provincial and federal regulators. Throughout the legislative process we are regularly consulted to provide guidance and feedback on how regulations can be crafted to best protect consumers, without restricting their access to credit and disrupting the efficacy of the market. These consultations have helped us develop productive working relationships at all levels of government. As always, we remain in full compliance with all federal and provincial laws and regulations.

ECONOMIC LANDSCAPE

At the time of this letter, we find ourselves in the middle of one of the most turbulent economic periods in history. As it is difficult to predict the exact depth of a recession, or the pace of a recovery, we maintain a series of risk-based scenarios that stress the business under various degrees of economic disruption. These scenarios are informed by research conducted by TransUnion on how non-prime consumers perform during a downturn, which can be found in our investor presentation online, as well as our own experience in Alberta during 2015 and 2016. When there was a sharp decline in oil prices beginning in early 2015, Alberta saw a doubling of the unemployment rate, to approximately 9%, leading to a prolonged province-wide recession. At the time we had approximately 14% of our portfolio in Alberta and the downtown led to a moderate increase in the in-period annualized net charge off rate, which rose by 250 basis points from 14% in 2015 to approximately 16.5% in 2016. Since then we have also made significant enhancements to our business, including material improvements in credit modeling and collections. While it is impossible to predict how each economic cycle is going to evolve, we firmly believe that our business is structurally designed to successfully navigate through a downturn, due to several key factors:

Credit and Underwriting Flexibility: We employ the use of proprietary credit scoring and underwriting models that can be adjusted to increase, or decrease, our tolerance for credit risk very quickly. In addition, all our direct-to-consumer loans are reviewed by a central loan approval team, which conduct a series of extra evaluation measures such as verification of income. By adjusting our risk tolerance in response to changing market conditions, the quality of originations produced during a downtown are often higher quality and help improve the overall risk of the loan portfolio.

Majority of easyfinancial Customers have Loan Protection Insurance: Presented at the time of loan origination, our optional loan protection insurance, offered by Assurant Inc., a global provider of risk-management solutions, covers a borrower's full loan payment for a period of up to 6 consecutive months in the event of unemployment. The majority of our customers purchase this product and payments are made directly to us in the event of a claim.

Lower Levels of Debt: Approximately 20% of our easyfinancial customers own their home, as compared to the Canadian homeownership rate of approximately 70%. As a result, the debt to income ratio of a typical easyfinancial customer is much lower than the average Canadian consumer, at 115% debt to disposable annual income versus 175%, primarily due to the absence of mortgage debt. As renters, our customers maintain greater flexibility in changing their housing expense than a homeowner does with a mortgage payment.

Solutions to Support Borrowers: As a non-prime lender, we have long maintained a suite of loan amendment solutions that offer borrowers support through a difficult financial period. These include temporarily deferring loan payments or extending the term of their loan to reduce their regular payment obligation. These tools have proven effective in helping our borrowers get back on their feet after temporary financial challenges.

Federal Financial Support for Consumers: Canada's standard unemployment insurance program, which pays approximately two thirds of an average Canadian's after-tax income, acts as a significant social safety net for consumers who lose their job. Furthermore, at the time of this letter the Federal Government has pledged over $145 billion in financial aid to help Canadians cope with the global COVID-19 pandemic, including income supports, wage subsidies and tax deferrals. These programs are helping to further soften the impact associated with an increase in unemployment.

Strength of the Business Model under Stress: Our business model is designed to withstand a material increase in credit losses. Due to the risk-adjusted margin and variable nature of many operating expenses, our net charge-off rate would have to more than double (from 13% to approximately 30%) before the business would become unprofitable and impact our capital. Furthermore, we maintain a conservative level of financial leverage at a target of 70% net debt to net capitalization with over $300 million of tangible capital, or roughly 27% of our consumer loan portfolio.

Ability to Generate Cash Flow: Lastly, if we were to reduce the volume of new loan originations, the business would generate increased cash flow that could be used to reduce debt or service expenses. As highlighted earlier, the cash flow provided by operating activities before the net issuance of consumer loans receivable and purchase of lease assets was $296 million in 2019 and we estimate the total run off value of our current portfolio is more than $2 billion. Originations act as a significant lever if the business needed to de-leverage and generate more cash flow.

OUTLOOK

While the current circumstances required that we temporarily focus our efforts on supporting existing customers to ensure we navigate our way safely through the crisis, we know the challenges we are facing are temporary. We are proud to have kept our entire workforce employed and our balance sheet is equipped so that we are well positioned to capture the many opportunities that lie ahead as the economy reopens.

With only a small share of the $230 billion non-prime consumer credit market, along with attractive opportunities outside of Canada, we are in the early stages of our third wave of growth. Our strategy to become the largest and best-performing lender in our industry will continue to be guided by four strategic pillars of expanding our product range, developing our channels of distribution, increasing our geographic footprint and delivering a best-in-class customer experience.

In 2020 we will undertake four major initiatives designed to support our strategy and position the business for significant expansion.

Our first major initiative for 2020 is to upgrade our core lending platform. With a plan to develop new lending products, expand our channels of distribution and leverage new technologies to disrupt and innovate within our industry, our core lending technology is a critical part of our business. Our existing platform, which was implemented nearly a decade ago in the early stages of our lending business, has served us well. However, in a world that now demands a frictionless digital experience for our staff and customers, there is a competitive edge to be gained through a more intuitive and flexible platform. The launch of a best-in-class, fully cloud-based SAS lending solution will give us the platform to scale the enterprise for many years into the future. After spending almost two years researching and selecting the right platform, we began this important project late last year and expect to complete the configuration and migration in 2021.

Our second major initiative will be to focus on further developing our point-of-sale business in partnership with PayBright. With only a small handful of PayBright's major eCommerce merchants live with the non-prime integration today, we will work together to onboard new partners, further optimize the technology platform and launch the in-store solution. With sales volume already beginning to climb thanks to PayBright's presence in eCommerce, we expect customer acquisition from this channel to build throughout 2020 and beyond. Most importantly, customers acquired through this channel will have the opportunity to access our other unsecured and secured loan products, as we aim to give them the full easyfinancial borrowing experience. PayBright, with goeasy's full support as both commercial partner and shareholder, is on a mission to be the buy now, pay-later market leader in Canada.

Our third major initiative will be to pilot a new product in the form of a direct to consumer auto secured loan. After careful and exhaustive research of the market, we see a significant opportunity for this product to take several forms. First, we estimate there is over $13 billion of non-prime auto loan originations annually and believe there is an opportunity to create a better car buying experience for these customers. Today, consumers wait until they find a dealership that can get them approved for financing and are at the mercy of the dealer who controls the entire transaction. By pre-approving customers for financing up-front, they will be able to shop wherever they like, with ease and control. Secondly, many non-prime consumers rely on purchasing vehicles through private sale, such as from a neighbour or a friend, yet there is currently a void in the market for financing these types of transactions. Our research suggests that over 1 million used cars change hands privately each year, so this is a true untapped opportunity we believe we can fill. Lastly, as we aim to offer our existing customers larger loans at lower interest rates on their journey back to prime, there is an opportunity for customers to provide their existing vehicle as security to secure a better loan offer. Like our real estate secured loan, this product would be underwritten on credit and affordability, but utilize security to offer a more attractive interest rate to the customer. Consistent with our test and learn philosophy, we are aiming to be in market with a pilot program in late 2020 or early 2021, so that we can test and optimize the product before beginning to scale.

Lastly, our fourth major initiative is to begin offering lending products and services to several new segments of the market through the launch of proprietary credit models that leverage consumer banking data as an alternative, or supplement, to traditional credit data. Each year there are over 300,000 newcomers to Canada and 500,000 students graduating with post-secondary education who do not have a credit file or have a very limited borrowing history. These new credit algorithms, built using the latest statistical modelling techniques, will enable us to utilize a customer's income and expense transactions to assess their creditworthiness and offer them the opportunity to borrow while establishing or building their credit profile. Over the last three years we have enabled applicants to submit their bank account data electronically as part of their application for an easyfinancial loan. As a result, we have collected data from over half a million bank accounts containing over 700 million transactions and have utilized machine learning to carefully mine and analyze this data to build more advanced and predictive credit scoring models. With a plan to begin testing these models later this summer, we believe this represents a major milestone in the use of alternative data and the evolution of our risk and analytics practice.

As I eluded in the opening comments, our future depends on our culture and our people. The diverse group of over 2,000 passionate and dedicated goeasy team members are the lifeblood of our business. After traveling the country to spend time with hundreds of our front-line staff last year, I have never been more energized by their tireless work ethic and commitment to our vision.

Although we are proud of our accomplishments, we will never take them for granted. We will continue to work hard, maintain a scrappy and competitive spirit and set big and ambitious goals.

As I have said before, we still think of ourselves as a small entrepreneurial company in a vast, underserved market and believe that the future remains more exciting than ever. We are truly just getting started.

Sincerely,

Jason Mullins
President & CEO, goeasy Ltd.

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

DATE: FEBRUARY 12, 2020

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

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

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

OVERVIEW OF THE BUSINESS

goeasy Ltd. is a Canadian company headquartered in Mississauga, Ontario, that provides non-prime leasing and lending services through its easyhome and easyfinancial divisions. With a wide variety of financial products and services including unsecured and secured instalment loans, goeasy aspires to help put Canadians on a path to a better financial future as they rebuild their credit and graduate to prime lending. Customers can transact seamlessly with easyhome and easyfinancial through an omnichannel model that includes online and mobile, as well as over 400 leasing and lending locations across Canada supported by over 2,000 employees from coast-to-coast. Throughout the company's history, it has served over 1 million Canadians and originated over $3.9 billion in loans, with one in three customers graduating to prime credit and 60% increasing their credit score within 12 months of borrowing from the Company.

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

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

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

OVERVIEW OF EASYFINANCIAL

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

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

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

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

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

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

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

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

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

OVERVIEW OF EASYHOME

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

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

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

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

CORPORATE STRATEGY

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

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

PRODUCT RANGE

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

CHANNEL EXPANSION

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

GEOGRAPHIC EXPANSION

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

CUSTOMER EXPERIENCE

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

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

OUTLOOK

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

UPDATE ON 2019 TARGETS

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

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

1 easyfinancial operating margin target for 2019 was updated as outlined in the Company's MD&A for the quarter ended June 30, 2019 (along with an explanation for the change).
2 During the fourth quarter of 2019, the Company repaid its US$475 million aggregate principal amount of 7.875% senior unsecured notes that would have matured on November 1, 2022 ("2022 Notes") incurring a $16.0 million after-tax impact of refinancing cost related to extinguishing the Company's 2022 Notes. Adjusted return on equity for 2019 was 25.3% as outlined in the Key Performance Indicators and Non-IFRS Measures section in this MD&A. The Company's refinancing cost included an early repayment penalty on the 2022 Notes, recognition of the remaining unamortized net deferred financing costs that includes customary financing, and legal & administrative fees, derivative settlement associated with the 2022 Notes and the net change in cash flow hedge that was reclassified from other comprehensive income to consolidated statement of income ("Refinancing Costs").

THREE YEAR FORECASTS

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

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

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

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

KEY ASSUMPTIONS

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

goeasy Locations

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

Portfolio Growth

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

Liquidity & Funding

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

Revenue Yield

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

Credit Performance

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

KEY RISK FACTORS

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

Market Conditions

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

Real Estate

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

Portfolio Growth

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

Access to Capital & Funding

- Continued access to reasonably priced capital.

Regulatory Environment

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

Credit Performance

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

ANALYSIS OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS AND ACCOMPLISHMENTS

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

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

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

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

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

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

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

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

- The gross consumer loans receivable portfolio increased from $833.8 million as at December 31, 2018, to $1.1 billion as at December 31, 2019, an increase of $276.9 million or 33.2%. Gross loan originations in the current year were $1.1 billion, an increase of 18.7% compared to the prior year. The growth was fueled by: i) the continued significant net customer growth; ii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iii) maturation of the Company's retail branch network and expansion in Quebec; iv) lending in the Company's easyhome stores; and v) ongoing enhancements to the Company's digital properties and increased advertising spend.
- Net charge-offs in the year as a percentage of the average gross consumer loans receivable were at 13.3%, higher than 2018 at 12.7% but within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to higher new customer originations and loan book growth that was fueled by strong performance in the digital channel. While new customer growth is healthy for the long-term profitability of the business, new customers produce greater loan losses than lending to an existing customer. Furthermore, while borrowers acquired online tend to have weaker credit performance, such customers generate attractive operating margins. The Company has continued to implement and optimize a series of credit model enhancements to improve the long-term credit quality of the portfolio.
- easyfinancial's operating income was $189.1 million in 2019 compared with $141.9 million in 2018, an increase of $47.2 million or 33.3%. The benefits of the larger loan book and related revenue increases of $101.9 million were partially offset by: i) the higher provisions for future charge-offs driven by the strong loan book volume growth; ii) the $2.8 million increase in advertising spend; and iii) and incremental expenditures to enhance the product offering and expand the easyfinancial footprint. Operating margin was 40.2% in the year compared with 38.5% reported in 2018.
- The Company's mature easyhome business also experienced increased levels of operating income and operating margin due to the growth of consumer lending.
- Operating income for the year was $168.8 million, up $49.1 million or 41.0% when compared with 2018. The Company's operating margin for the year was 27.7%, compared to 23.7% in 2018. The growth in operating margin was driven by the larger proportion of earnings being generated by the higher margin easyfinancial business.
- Net income for 2019 was $64.3 million or $4.17 per share on a diluted basis. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes, adjusted net income for 2019 was $80.3 million or $5.17 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 51.2% and 45.2%, respectively.
- Return on equity was 20.2% as compared to 21.8% reported in 2018. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes incurred in the fourth quarter of 2019, the adjusted return on equity was 25.3% in 2019 as compared to 21.8% reported in 2018. The improvement was related primarily to adjusted net income growth and the higher level of financial leverage.

SUMMARY OF FINANCIAL RESULTS AND KEY PERFORMANCE INDICATORS

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

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

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

STORE LOCATIONS SUMMARY

	LOCATIONS AS AT DECEMBER 31, 2018	LOCATIONS OPENED DURING PERIOD	LOCATIONS CLOSED DURING PERIOD	CONVERSIONS	LOCATIONS AS AT DECEMBER 31, 2019
easyfinancial					
Kiosks (in store)	33	-	-	(13)	**20**
Stand-alone locations	207	15	-	13	**235**
National loan office	1	-	-	-	**1**
Total *easyfinancial* locations	241	15	-	-	**256**
easyhome					
Corporately owned stores	133	-	(1)	(4)	**128**
Consolidated franchise locations	1	-	(1)	-	**-**
Total consolidated stores	134	-	(2)	(4)	**128**
Total franchise stores	31	-	-	4	**35**
Total *easyhome* stores	165	-	(2)	-	**163**

SUMMARY OF FINANCIAL RESULTS BY OPERATING SEGMENT

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

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

PORTFOLIO PERFORMANCE

Consumer Loans Receivable Portfolio

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

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

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

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

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

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

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

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

easyhome **Leasing Portfolio**

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

Revenue

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

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

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

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

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

Impact of Adopting IFRS 16

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

Total Operating Expenses before Depreciation and Amortization

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

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

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

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

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

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

Depreciation and Amortization

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

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

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

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

Operating Income (Income before Finance Costs and Income Taxes)

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

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

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

Finance Costs

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

Income Tax Expense

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

Net Income and EPS

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

SELECTED ANNUAL INFORMATION

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

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

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

ASSETS AND LIABILITIES

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

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

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

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

ANALYSIS OF RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

FOURTH QUARTER HIGHLIGHTS

- goeasy reported record revenue during the fourth quarter of 2019. Revenue for the quarter increased to $165.5 million from the $138.2 million reported in the same quarter of 2018, an increase of $27.4 million or 19.8%. The increase was primarily driven by the growth of consumer lending.
- The gross consumer loans receivable portfolio increased from $833.8 million as at December 31, 2018 to $1.1 billion as at December 31, 2019, an increase of $276.9 million or 33.2%. The growth was fueled by: i) the continued significant net customer growth; ii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iii) maturation of the Company's retail branch network and expansion in Quebec; iv) lending in the Company's easyhome stores; and v) ongoing enhancements to the Company's digital properties and increased advertising spend.
- Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were at 13.3%, higher than the fourth quarter of 2018 at 13.1% but within the Company's targeted range for 2019 of 11.5% to 13.5%. The increase in the charge-off rate was due to higher new customer originations and loan book growth that was fueled by strong performance in the digital channel. While new customer growth is healthy for the long-term profitability of the business, new customers produce greater loan losses than lending to an existing customer. Furthermore, while borrowers acquired online tend to have weaker credit performance, such customers generate attractive operating margins; The Company has continued to implement and optimize a series of credit model enhancements to improve the long-term credit quality of the portfolio.
- easyfinancial's operating income was $53.3 million for the fourth quarter of 2019 compared with $41.3 million for the comparable period in 2018, an increase of $12.0 million or 29.2%. The benefits of the larger loan book and related revenue increases of $26.7 million were partially offset by: i) a $1.5 million increase in advertising spend; ii) a $8.6 million increase in bad debt expense; and iii) incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. easyfinancial's operating margin in the quarter increased to 41.0% when compared to 40.0% reported in the same quarter of 2018.
- easyhome's operating income was $6.5 million for the fourth quarter of 2019, an increase of $1.3 million or 26.1% when compared with the same quarter of 2018. The increase is due to the reduced operating expenses and the growth of consumer lending in easyhome in the quarter. easyhome's operating margin for the fourth quarter of 2019 was 18.3%, an increase from the 14.8% reported in the same quarter of 2018.
- Total Company operating income for the fourth quarter of 2019 reached a record level of $46.5 million, up $11.4 million or 32.4% when compared with the same quarter of 2018. The Company's operating margin for the quarter was 28.1% up from the 25.4% reported in the fourth quarter of 2018. The growth in operating margin was driven by the larger proportion of earnings being generated by the higher margin easyfinancial business.
- The Company net income for the fourth quarter of 2019 of $6.7 million or $0.46 per share on a diluted basis, which was down 57.9% and 54.9% respectively, against the $15.9 million and $1.02 per share on a diluted basis reported in the same quarter of 2018. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes incurred in the fourth quarter of 2019, adjusted net income for the fourth quarter of 2019 was $22.6 million or $1.45 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 42.6% and 42.2%, respectively.
- Return on equity in the fourth quarter was 8.0% as compared with 27% reported in the same quarter of 2018. When factoring in the $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes incurred in the fourth quarter of 2019, the adjusted return on equity, increased to 27.0% from 23.0% reported in the same quarter of 2018. The improvement was related primarily to adjusted net income growth and the higher level of financial leverage.

SUMMARY OF FINANCIAL RESULTS AND KEY PERFORMANCE INDICATORS

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

1 See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".
2 During the fourth quarter of 2019, the Company repaid its 2022 Notes incurring a $16.0 million after-tax impact of the Refinancing Costs of extinguishing the Company's 2022 Notes.

STORE LOCATIONS SUMMARY

	LOCATIONS AS AT SEPTEMBER 30, 2019	LOCATIONS OPENED DURING PERIOD	LOCATIONS CLOSED DURING PERIOD	CONVERSIONS	LOCATIONS AS AT DECEMBER 31, 2019
easyfinancial					
Kiosks (in store)	27	-	-	(7)	**20**
Stand-alone locations	222	6	-	7	**235**
National loan office	1	-	-	-	**1**
Total *easyfinancial* locations	250	6	-	-	**256**
easyhome					
Corporately owned stores	128	-	-	-	**128**
Consolidated franchise locations	-	-	-	-	**-**
Total consolidated stores	128	-	-	-	**128**
Total franchise stores	35	-	-	-	**35**
Total *easyhome* stores	163	-	-	-	**163**

SUMMARY OF FINANCIAL RESULTS BY OPERATING SEGMENT

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

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

PORTFOLIO PERFORMANCE

Consumer Loans Receivable Portfolio

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

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

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

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

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

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

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

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

easyhome Leasing Portfolio

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

Revenue

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

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

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

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

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

Impact of Adopting IFRS 16

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

Total Operating Expenses before Depreciation and Amortization

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

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

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

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

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

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

Depreciation and Amortization

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

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

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

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

Operating Income (Income before Finance Costs and Income Taxes)

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

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

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

Finance Costs

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

Income Tax Expense

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

Net Income and EPS

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

SELECTED QUARTERLY INFORMATION

($ IN MILLIONS EXCEPT PERCENTAGES AND PER SHARE AMOUNTS)	DECEMBER 2019	SEPTEMBER 2019	JUNE 2019	MARCH 2019	DECEMBER 2018	SEPTEMBER 2018	JUNE 2018	MARCH 2018	DECEMBER 2017[2]
Gross Consumer Loans Receivable	**1,110.6**	1,035.6	959.7	879.4	833.8	749.6	686.6	601.7	526.5
Revenue	**165.5**	156.1	147.9	139.9	138.2	129.9	123.3	114.8	107.2
Net income	**6.7**	19.8	19.6	18.3	15.9	14.3	11.8	11.1	5.4
Adjusted net income[3]	**22.6**	19.8	19.6	18.3	15.9	14.3	11.8	11.1	11.4
Return on equity	**8.0%**	24.1%	25.2%	24.4%	23.0%	23.8%	20.9%	19.8%	9.5%
Adjusted return on equity[3]	**27.0%**	24.1%	25.2%	24.4%	23.0%	23.8%	20.9%	19.8%	20.1%
Net income as a percentage of revenue	**4.0%**	12.7%	13.2%	13.1%	11.5%	11.0%	9.6%	9.7%	5.0%
Adjusted net income as a percentage of revenue[3]	**13.7%**	12.7%	13.2%	13.1%	11.5%	11.0%	9.6%	9.7%	10.5%
Earnings per share[1]									
Basic	**0.46**	1.35	1.34	1.25	1.07	1.03	0.86	0.81	0.39
Diluted	**0.46**	1.28	1.26	1.18	1.02	0.97	0.82	0.77	0.38
Adjusted diluted[3]	**1.45**	1.28	1.26	1.18	1.02	0.97	0.82	0.77	0.79

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

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

PORTFOLIO ANALYSIS

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

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

CONSUMER LOANS RECEIVABLE PORTFOLIO

Loan Originations and Net Principal Written

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

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

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

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

Gross Consumer Loans Receivable

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

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

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

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

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

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

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

($ IN 000'S EXCEPT PERCENTAGES)	DECEMBER 31, 2019 $	DECEMBER 31, 2019 % OF TOTAL	DECEMBER 31, 2018 $	DECEMBER 31, 2018 % OF TOTAL
Gross consumer loans receivable, *easyfinancial*	**1,072,530**	**96.6%**	811,950	97.4%
Gross consumer loans receivable, *easyhome*	**38,103**	**3.4%**	21,829	2.6%
Gross consumer loans receivable	**1,110,633**	**100.0%**	833,779	100.0%

Financial Revenue and Net Financial Income

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

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

Total Yield on Consumer Loans

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

	THREE MONTHS ENDED		YEAR ENDED	
($ IN 000'S EXCEPT PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2018	DECEMBER 31, 2019	DECEMBER 31, 2018
Finance revenue	**135,102**	106,175	**487,101**	376,100
Average gross consumer loans receivable	**1,084,284**	806,489	**972,625**	693,757
Total yield as a percentage of average gross consumer loans receivable (annualized)	**49.8%**	52.7%	**50.1%**	54.2%

Net Charge-Offs

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

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

	THREE MONTHS ENDED		YEAR ENDED	
($ IN 000'S EXCEPT PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2018	DECEMBER 31, 2019	DECEMBER 31, 2018
Net charge-offs	**36,020**	26,471	**129,376**	88,351
Average gross consumer loans receivable	**1,084,284**	806,489	**972,625**	693,757
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**13.3%**	13.1%	**13.3%**	12.7%

Allowance for Credit Losses

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

	THREE MONTHS ENDED		YEAR ENDED	
($ IN 000'S EXCEPT PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2018	DECEMBER 31, 2019	DECEMBER 31, 2018
Allowance for credit losses, beginning of period	**99,870**	72,026	**79,741**	49,112
Net charge-offs written off against the allowance	**(36,020)**	(26,471)	**(129,376)**	(88,351)
Bad debt expense	**43,257**	34,186	**156,742**	118,980
Allowance for credit losses, end of period	**107,107**	79,741	**107,107**	79,741
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**9.64%**	9.56%	**9.64%**	9.56%

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

	CHANGE IN FLIs	IMPACT ON ALLOWANCE FOR CREDIT LOSSES AS A PERCENTAGE OF THE ENDING GROSS CONSUMER LOANS RECEIVABLE
Rate of unemployment	**+/- 10%**	**+/- 2 bps**
Rate of inflation	**+/- 10%**	**+/- 6 bps**
Oil prices	**+/- 10%**	**-/+ 12 bps**
GDP growth rate	**+/- 10%**	**-/+ 2 bps**

Bad Debt Expense (Provision for Credit Losses)

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

	THREE MONTHS ENDED		YEAR ENDED	
($ IN 000'S EXCEPT PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2018	DECEMBER 31, 2019	DECEMBER 31, 2018
Net charge-offs	**36,020**	26,471	**129,376**	88,351
Average gross consumer loans receivable	**7,237**	7,715	**27,366**	30,629
Bad debt expense	**43,257**	34,186	**156,742**	118,980
Financial revenue	**135,102**	106,175	**487,101**	376,100
Bad debt expense as a percentage of Financial Revenue	**32.0%**	32.2%	**32.2%**	31.6%

Aging of the Consumer Loans Receivable Portfolio

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

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

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

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

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

Consumer Loans Receivable Portfolio by Geography

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

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

Consumer Loans Receivable Portfolio by Loan Type

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

	DECEMBER 31, 2019		DECEMBER 31, 2018	
($ IN 000'S EXCEPT PERCENTAGES)	$	% OF TOTAL	$	% OF TOTAL
Unsecured Instalment Loans	**995,122**	**89.6%**	780,850	93.7%
Secured Instalment Loans	**115,511**	**10.4%**	52,929	6.3%
Gross consumer loans receivable	**1,110,633**	**100.0%**	833,779	100.0%

LEASING PORTFOLIO ANALYSIS

Potential Monthly Leasing Revenue

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

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

	THREE MONTHS ENDED		YEAR ENDED	
($ IN 000'S EXCEPT PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2018	DECEMBER 31, 2019	DECEMBER 31, 2018
Opening potential monthly lease revenue	**8,432**	8,906	**9,141**	9,481
Change due to store opening or acquisitions during the period	**88**	-	**351**	131
Decrease due to store closures or sales during the period	**(7)**	(27)	**(397)**	(300)
Increase/(decrease) due to ongoing operations	**130**	262	**(452)**	(171)
Net change	**211**	235	**(498)**	(340)
Ending potential monthly lease revenue	**8,643**	9,141	**8,643**	9,141

Potential monthly lease revenue is calculated as follows:

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

Leasing Portfolio by Product Category

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

	DECEMBER 31, 2019		DECEMBER 31, 2018	
($ IN 000'S EXCEPT PERCENTAGES)	$	% OF TOTAL	$	% OF TOTAL
Furniture	**3,917**	**45.3%**	4,144	45.3%
Electronics	**2,762**	**32.0%**	2,914	31.9%
Appliances	**1,050**	**12.1%**	1,051	11.5%
Computers	**914**	**10.6%**	1,032	11.3%
Potential monthly lease revenue	**8,643**	**100.0%**	9,141	100.0%

Leasing Portfolio by Geography

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

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

Leasing Charge-Offs

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

($ IN 000'S EXCEPT PERCENTAGES)	THREE MONTHS ENDED DECEMBER 31, 2019	THREE MONTHS ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
Net charge-offs	933	1,097	2,705	4,230
Leasing revenue	30,435	31,985	91,847	130,091
Net charge-offs as a percentage of leasing revenue	3.1%	3.4%	2.9%	3.3%

KEY PERFORMANCE INDICATORS AND NON-IFRS MEASURES

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

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

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

SAME STORE REVENUE GROWTH

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

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018	DECEMBER 31, 2019	DECEMBER 31, 2018
Same store revenue growth (overall)	**19.7%**	28.5%	**19.5%**	25.7%
Same store revenue growth (easyhome)	**6.2%**	7.1%	**4.3%**	6.4%

OPERATING EXPENSES BEFORE DEPRECIATION AND AMORTIZATION

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

	THREE MONTHS ENDED		YEAR ENDED	
($ IN 000'S EXCEPT PERCENTAGES)	DECEMBER 31, 2019[1]	DECEMBER 31, 2018	DECEMBER 31, 2019[1]	DECEMBER 31, 2018
Operating expenses before depreciation and amortization	**102,790**	90,369	**376,226**	334,471
Divided by revenue	**165,536**	138,160	**609,383**	506,191
Operating expenses before depreciation and amortization as % of revenue	**62.1%**	65.4%	**61.7%**	66.1%

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

OPERATING MARGIN

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

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

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

ADJUSTED NET INCOME AND ADJUSTED DILUTED EARNINGS PER SHARE

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

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

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

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

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") AND EBITDA MARGIN

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

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

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

RETURN ON ASSETS

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

	THREE MONTHS ENDED			
($ IN 000'S EXCEPT PERIODS AND PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2019 (ADJUSTED)	DECEMBER 31, 2018	DECEMBER 31, 2018 (ADJUSTED)
Net income as stated	6,683	6,683	15,887	15,887
After tax impact of Refinancing Costs	-	15,966	-	-
Adjusted net income	6,683	22,649	15,887	15,887
Multiplied by number of periods in year	X 4	X 4	X 4	X 4
Divided by average total assets for the period	1,279,634	1,279,634	1,020,424	1,020,424
Return on assets	2.1%	7.1%	6.2%	6.2%

	YEAR ENDED			
($ IN 000'S EXCEPT PERIODS AND PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2019 (ADJUSTED)	DECEMBER 31, 2018	DECEMBER 31, 2018 (ADJUSTED)
Net income as stated	64,349	64,349	53,124	53,124
After tax impact of Refinancing Costs	-	15,966	-	-
Adjusted net income	64,349	80,315	53,124	53,124
Divided by average total assets for the year	1,175,803	1,175,803	867,651	867,651
Return on assets	5.5%	6.8%	6.1%	6.1%

RETURN ON EQUITY

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

	THREE MONTHS ENDED			
($ IN 000'S EXCEPT PERIODS AND PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2019 (ADJUSTED)	DECEMBER 31, 2018	DECEMBER 31, 2018 (ADJUSTED)
Net income as stated	6,683	6,683	15,887	15,887
After tax impact of Refinancing Costs	-	15,966	-	-
Adjusted net income	6,683	22,649	15,887	15,887
Multiplied by number of periods in year	X 4	X 4	X 4	X 4
Divided by average shareholders' equity for the period	334,980	334,980	276,424	276,424
Return on equity	8.0%	27.0%	23.0%	23.0%

	YEAR ENDED			
($ IN 000'S EXCEPT PERIODS AND PERCENTAGES)	DECEMBER 31, 2019	DECEMBER 31, 2019 (ADJUSTED)	DECEMBER 31, 2018	DECEMBER 31, 2018 (ADJUSTED)
Net income as stated	64,349	64,349	53,124	53,124
After tax impact of Refinancing Costs	-	15,966	-	-
Adjusted net income	64,349	80,315	53,124	53,124
Divided by average shareholders' equity for the year	317,816	317,816	243,992	243,992
Return on equity	20.2%	25.3%	21.8%	21.8%

FINANCIAL CONDITION

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

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

1 External debt includes convertible debentures, loan from revolving credit facility, and notes payable
2 Net debt is calculated as external debt less cash. Net debt to net capitalization is net debt divided by the sum of net debt and shareholders' equity.

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY OF CASH FLOW COMPONENTS

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

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

CASH FLOW ANALYSIS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

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

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

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

CASH FLOW ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

OUTSTANDING SHARES AND DIVIDENDS

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

NORMAL COURSE ISSUER BID

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

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

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

DIVIDENDS

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

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

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

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

COMMITMENTS, GUARANTEES AND CONTINGENCIES

COMMITMENTS

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

($ IN 000'S)	WITHIN 1 YEAR	AFTER 1 YEAR BUT NOT MORE THAN 5 YEARS	MORE THAN 5 YEARS
Premises	**16,863**	**35,254**	**6,309**
Vehicles	**965**	**2,043**	**124**
Technology commitments	**9,893**	**11,221**	**-**
Total contractual obligations	**27,721**	**48,518**	**6,433**

CONTINGENCIES

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

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

RISK FACTORS

OVERVIEW

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

STRATEGIC RISK

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

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

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

MARKET RISK

Macroeconomic Conditions

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

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

Competition

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

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

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

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

CREDIT RISK

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

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

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

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

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

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

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

LIQUIDITY AND FUNDING RISK

Liquidity Risk

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

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

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

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

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

Debt Service

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

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

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

Debt Covenants

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

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

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

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

Credit Ratings

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

OPERATIONAL RISK

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

Dependence on Key Personnel

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

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

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

Outsource Risk

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

Fraud Risk

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

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

Technology Risk

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

Breach of Information Security

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

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

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

Privacy, Information Security, and Data Protection Regulations

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

Risk Management Processes and Procedures

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

COMPLIANCE RISK

Internal Controls Over Financial Reporting

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

Government Regulation and Compliance

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

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

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

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

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

Accounting Standards

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

LEGAL AND REPUTATIONAL RISK

Reputation

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

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

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

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

Litigation

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

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

Possible Volatility of Stock Price

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

ADOPTION OF NEW ACCOUNTING STANDARDS

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

ADOPTION OF IFRS 16

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

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

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

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

IMPACT OF ADOPTION OF IFRS 16

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

($ IN 000'S)	CARRYING AMOUNT UNDER PREVIOUS ACCOUNTING STANDARDS AS AT DECEMBER 31, 2018	TRANSITION ADJUSTMENT	IFRS 16 CARRYING AMOUNT AS AT JANUARY 1, 2019
Right-of-use asset	-	41,763	**41,763**
Deferred tax asset	9,445	1,244	**10,689**
Lease liabilities	-	47,523	**47,523**
Deferred lease inducements	1,234	(1,234)	**-**
Retained earnings	143,710	(3,282)	**140,428**

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

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

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

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

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

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

ACCOUNTING POLICIES UNDER IFRS 16

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases

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

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

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

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

IMPACT ON THE STATEMENTS OF INCOME

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

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

	THREE MONTHS ENDED			
($ IN 000'S EXCEPT EARNINGS PER SHARE AND PERCENTAGES)	DECEMBER 31, 2019 (AS REPORTED)	IFRS 16 ADJUSTMENTS	DECEMBER 31, 2019 (ESTIMATED UNDER PREVIOUS ACCOUNTING STANDARD[1])	DECEMBER 31, 2018 (AS REPORTED)
Summary Financial Results				
Revenue	165,536	-	165,536	138,160
Operating expenses before depreciation and amortization	102,790	4,585	107,375	90,369
Depreciation and amortization expense	16,263	(3,931)	12,332	12,685
Operating income	46,483	(654)	45,829	35,106
Finance costs	37,123	(656)	36,467	12,811
Income before income taxes	9,360	2	9,362	22,295
Income tax expense	2,677	-	2,677	6,408
Net income	6,683	2	6,685	15,887
Adjusted net income	22,649	2	22,651	15,887
Diluted earnings per share	0.46	-	0.46	1.02
Adjusted earnings per share	1.45	-	1.45	1.02
EBITDA[2]	53,395	(4,585)	48,810	37,847
EBITDA margin[2]	32.3%	(2.8%)	29.5%	27.4%
Operating margin[2]	28.1%	(0.4%)	27.7%	25.4%
Return on equity[2]	8.0%	-	8.0%	23.0%
Adjusted return on equity[2]	27.0%	-	27.0%	23.0%

($ IN 000'S EXCEPT EARNINGS PER SHARE AND PERCENTAGES)	YEAR ENDED DECEMBER 31, 2019 (AS REPORTED)	IFRS 16 ADJUSTMENTS	DECEMBER 31, 2019 (ESTIMATED UNDER PREVIOUS ACCOUNTING STANDARD[1])	DECEMBER 31, 2018 (AS REPORTED)
Summary Financial Results				
Revenue	**609,383**	**-**	**609,383**	506,191
Operating expenses before depreciation and amortization	**376,226**	**17,650**	**393,876**	334,471
Depreciation and amortization expense	**64,364**	**(15,199)**	**49,165**	52,003
Operating income	**168,793**	**(2,451)**	**166,342**	119,717
Finance costs	**79,281**	**(2,464)**	**76,817**	45,800
Income before income taxes	**89,512**	**13**	**89,525**	73,917
Income tax expense	**25,163**	**-**	**25,163**	20,793
Net income	**64,349**	**13**	**64,362**	53,124
Adjusted net income	**80,315**	**13**	**80,328**	53,124
Diluted earnings per share	**4.17**	**-**	**4.17**	3.56
Adjusted earnings per share	**5.17**	**-**	**5.17**	3.56
EBITDA[2]	**195,755**	**(17,650)**	**178,105**	131,632
EBITDA margin[2]	**32.1%**	**(2.9%)**	**29.2%**	26.0%
Operating margin[2]	**27.7%**	**(0.4%)**	**27.3%**	23.7%
Return on equity[2]	**20.2%**	**-**	**20.2%**	21.8%
Adjusted return on equity[2]	**25.3%**	**-**	**25.3%**	21.8%

1 This represents a non-IFRS measure and reflects the financial results for the year ended December 31, 2019 estimated under the previous accounting standard.
2 See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

INTERNAL CONTROLS

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

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

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

(i) Pertain to the maintenance of records that, in reasonable details, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

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

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

CHANGES TO ICFR DURING 2019

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

EVALUATION OF ICFR AT DECEMBER 31, 2019

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"] and include some amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

goeasy Ltd. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable, and the Company's assets are properly accounted for and adequately safeguarded. These controls include quality standards in the hiring and training of employees, written policies and procedures related to employee conduct, risk management, external communication and disclosure of material information, and review and oversight of the Company's policies, procedures and practices. Management has assessed the effectiveness of this system of internal controls and determined that, as at December 31, 2019, the Company's internal control over financial reporting is effective.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for the financial statements through its Audit Committee. The Audit Committee is composed entirely of independent directors. The Audit Committee is responsible for the quality and integrity of the Company's financial information, the effectiveness of the Company's risk management, internal controls and regulatory compliance practices, reviewing and approving applicable financial information and documents prior to public disclosure and for selecting the Company's external auditors. The Audit Committee meets periodically with management and the external auditors to review the financial statements and the annual report and to discuss audit, financial and internal control matters. The Company's external auditors have full and free access to the Audit Committee.

The financial statements have been subject to an audit by the Company's external auditors, Ernst & Young LLP, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Jason Mullins
President & Chief Executive Officer

Hal Khouri
Executive Vice-President & Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the shareholders of goeasy Ltd.

OPINION

We have audited the consolidated financial statements of goeasy Ltd. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management's Discussion & Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Tedesco.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 12, 2020

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)

	AS AT DECEMBER 31, 2019	AS AT DECEMBER 31, 2018
ASSETS		
Cash (note 4)	**46,341**	100,188
Amounts receivable (note 5)	**18,482**	15,450
Prepaid expenses	**7,077**	3,835
Consumer loans receivable, net (note 6)	**1,040,552**	782,864
Investment (note 7)	**34,300**	-
Lease assets (note 8)	**48,696**	51,618
Property and equipment, net (note 9)	**23,007**	21,283
Deferred tax assets (note 18)	**14,961**	9,445
Derivative financial assets (note 13)	**-**	35,094
Intangible assets, net (note 10)	**17,749**	14,589
Right-of-use assets (note 3)	**46,147**	-
Goodwill (note 10)	**21,310**	21,310
Total Assets	**1,318,622**	1,055,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Revolving credit facility (note 11)	**115,000**	-
Accounts payable and accrued liabilities	**41,350**	45,103
Income taxes payable	**4,187**	7,499
Dividends payable (note 14)	**4,448**	3,247
Deferred lease inducements (note 3)	**-**	1,234
Unearned revenue	**8,082**	6,002
Derivative financial liabilities (note 13)	**16,435**	-
Lease liabilities (note 3)	**52,573**	-
Convertible debentures (note 12)	**41,712**	40,581
Notes payable (note 13)	**702,414**	650,481
Total Liabilities	**986,201**	754,147
Shareholders' equity		
Share capital (note 14)	**141,956**	138,090
Contributed surplus (note 15)	**20,296**	16,105
Accumulated other comprehensive income (loss)	**(915)**	3,624
Retained earnings	**171,084**	143,710
TOTAL SHAREHOLDERS' EQUITY	**332,421**	301,529
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,318,622**	1,055,676

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

David Ingram
Director

Donald K. Johnson
Director

CONSOLIDATED STATEMENTS OF INCOME

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

	YEAR END	
	DECEMBER 31, 2019	**DECEMBER 31, 2018**
REVENUE		
Interest income	**345,997**	255,997
Lease revenue	**113,236**	119,745
Commissions earned	**135,510**	117,000
Charges and fees	**14,640**	13,449
	609,383	506,191
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**120,414**	114,522
Stock-based compensation (note 15)	**8,686**	6,836
Advertising and promotion	**26,699**	19,145
Bad debts	**156,742**	118,980
Occupancy	**20,573**	34,665
Technology costs	**12,293**	11,118
Other expenses (note 16)	**30,819**	29,205
	376,226	334,471
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets	**37,402**	40,088
Depreciation of right-of-use assets (note 3)	**15,199**	-
Depreciation of property and equipment	**6,281**	5,719
Amortization of intangible assets	**5,482**	6,196
	64,364	52,003
Total operating expenses	**440,590**	386,474
Operating income	**168,793**	119,717
Finance costs		
Interest expense and amortization of deferred financing charges (note 17)	**55,094**	45,800
Interest expense on lease liabilities (note 3)	**2,464**	-
Refinancing cost relating to notes payable (note 13)	**21,723**	-
	79,281	45,800
Income before income taxes	**89,512**	73,917
Income tax expense (recovery) (note 18)		
Current	**27,763**	24,354
Deferred	**(2,600)**	(3,561)
	25,163	20,793
Net income	**64,349**	53,124
Basic earnings per share (note 19)	**4.40**	3.78
Diluted earnings per share (note 19)	**4.17**	3.56

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(expressed in thousands of Canadian dollars)

	YEAR END	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Net income	64,349	53,124
Other comprehensive income (loss) to be reclassified to the consolidated statement of income in subsequent periods		
Change in foreign currency translation reserve	12	(20)
Change in fair value of cash flow hedge, net of taxes	3,014	3,503
Reclassification of cash flow hedge to the consolidated statement of income, net of taxes	(7,648)	-
Transfer of realized translation losses on disposal of a special purpose entity	83	-
	(4,539)	3,483
Comprehensive income	59,810	56,607

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in thousands of Canadian dollars)

	SHARE CAPITAL	CONTRIBUTED SURPLUS	TOTAL CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY
Balance, December 31, 2018	138,090	16,105	154,195	143,710	3,624	301,529
International Financial Reporting Standards 16 adjustment (note 3)	-	-	-	(3,282)	-	(3,282)
Adjusted Balance, January 1, 2019	138,090	16,105	154,195	140,428	3,624	298,247
Common shares issued	8,334	(4,495)	3,839	-	-	3,839
Conversion of convertible debentures	6	-	6	-	-	6
Stock-based compensation (note 15)	-	8,686	8,686	-	-	8,686
Shares purchased for cancellation (note 14)	(4,474)	-	(4,474)	(15,839)	-	(20,313)
Comprehensive income	-	-	-	64,349	(4,539)	59,810
Dividends (note 14)	-	-	-	(17,854)	-	(17,854)
Balance, December 31, 2019	141,956	20,296	162,252	171,084	(915)	332,421
Balance, December 31, 2017	85,874	15,305	101,179	126,924	141	228,244
International Financial Reporting Standards 9 adjustment	-	-	-	(12,659)	-	(12,659)
Adjusted Balance, January 1, 2018	85,874	15,305	101,179	114,265	141	215,585
Common shares issued	48,112	(2,972)	45,140	-	-	45,140
Conversion of convertible debentures	7,924	-	7,924	-	-	7,924
Stock-based compensation (note 15)	-	6,836	6,836	-	-	6,836
Shares withheld related to net share settlement	-	(3,064)	(3,064)	-	-	(3,064)
Shares purchased for cancellation (note 14)	(3,820)	-	(3,820)	(11,175)	-	(14,995)
Comprehensive income	-	-	-	53,124	3,483	56,607
Dividends (note 14)	-	-	-	(12,504)	-	(12,504)
Balance, December 31, 2018	138,090	16,105	154,195	143,710	3,624	301,529

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in thousands of Canadian dollars)

	YEAR END	
	DECEMBER 31, 2019	DECEMBER 31, 2018
OPERATING ACTIVITIES		
Net income	64,349	53,124
Add (deduct) items not affecting cash		
Bad debts expense	156,742	118,980
Depreciation of lease assets	37,402	40,088
Refinancing cost relating to notes payable	21,723	-
Depreciation of right-of-use assets	15,199	-
Stock-based compensation (note 15)	8,686	6,836
Depreciation of property and equipment	6,281	5,719
Amortization of intangible assets	5,482	6,196
Amortization of deferred financing charges	3,506	4,540
Amortization of premium on notes payable	(1,879)	(1,005)
Deferred income tax recovery (note 18)	(2,600)	(3,561)
Gain on sale or disposal of assets	(2,591)	(568)
	312,300	230,349
Net change in other operating assets and liabilities (note 20)	(16,125)	1,847
Net issuance of consumer loans receivable	(415,069)	(405,827)
Purchase of lease assets	(36,975)	(37,913)
Cash used in operating activities	(155,869)	(211,544)
INVESTING ACTIVITIES		
Proceeds on sale of assets	6,032	1,231
Purchase of property and equipment	(8,218)	(11,225)
Purchase of intangible assets	(8,642)	(5,622)
Purchase of investment	(34,300)	-
Cash used in investing activities	(45,128)	(15,616)
FINANCING ACTIVITIES		
Advances from revolving credit facility	167,000	69,378
Issuance of notes payable (note 13)	79,810	203,202
Issuance of common shares	3,839	45,140
Lease incentive received (note 3)	1,208	-
Payment of lease liabilities (note 3)	(15,741)	-
Payment of common share dividends (note 14)	(16,653)	(11,683)
Purchase of common shares for cancellation (note 14)	(20,313)	(14,995)
Payment of advances from revolving credit facility	(52,000)	(70,000)
Shares withheld related to net share settlement	-	(3,064)
Cash provided by financing activities	147,150	217,978
Net decrease in cash during the year	(53,847)	(9,182)
Cash, beginning of year	100,188	109,370
Cash, end of year	46,341	100,188

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Canadian dollars except where otherwise indicated)
December 31, 2019 and 2018

1. CORPORATE INFORMATION

goeasy Ltd. (the "Parent Company") was incorporated under the laws of the Province of Alberta, Canada by Certificate and Articles of Incorporation dated December 14, 1990 and was continued as a corporation in the Province of Ontario pursuant to Articles of Continuance dated July 22, 1993. The Parent Company has common shares listed on the Toronto Stock Exchange (the "TSX") under the symbol "GSY" and its head office is located in Mississauga, Ontario, Canada.

The Parent Company and all of the companies that it controls (collectively referred to as "goeasy" or the "Company") are a leading full-service provider of goods and alternative financial services that provides everyday Canadians with a path for a better tomorrow, today. The principal operating activities of the Company include: i) providing loans and other financial services to consumers; and ii) leasing household products to consumers.

The Company operates in two reportable segments: easyfinancial and easyhome. As at December 31, 2019, the Company operated 256 easyfinancial locations (including 20 kiosks within easyhome stores) and 163 easyhome stores (including 35 franchises and one consolidated franchise location). As at December 31, 2018, the Company operated 241 easyfinancial locations (including 33 kiosks within easyhome stores) and 165 easyhome stores (including 31 franchises and one consolidated franchise location).

The consolidated financial statements were authorized for issue by the Board of Directors on February 12, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of the Company for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements were based on IFRS issued and outstanding as at December 31, 2019.

Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company and all of the companies that it controls. goeasy Ltd. controls an entity: i) when it has the power to direct the activities of the entity that have the most significant impact on the entity's risks and/or returns; ii) where it is exposed to significant risks and/or returns arising from the entity; and iii) where it is able to use its power to affect the risks and/or returns to which it is exposed. This includes all wholly-owned subsidiaries and a special purpose entity ("SPE") where goeasy Ltd. has control but does not have ownership of a majority of voting rights. In 2019, the Parent Company disposed the SPE.

As at December 31, 2019, the Parent Company's principal subsidiaries were:

- RTO Asset Management Inc.
- easyfinancial Services Inc.
- easyhome U.S. Ltd.

All intra-group transactions and balances were eliminated on consolidation.

PRESENTATION CURRENCY

The consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Parent Company's functional currency. The functional currency is the currency of the primary economic environment in which a reporting entity operates and is normally the currency in which the entity generates and expends cash. All financial information presented in CAD has been rounded to the nearest thousand, unless noted otherwise.

FOREIGN CURRENCY TRANSLATION

The Parent Company's presentation and functional currency is CAD. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company's United States (U.S.) subsidiary, easyhome U.S. Ltd. and its SPE, is the U.S. dollar ("USD"). The functional currency of all other entities that are consolidated is CAD.

Foreign currency transactions are initially recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot rate on the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into CAD at the rate of exchange prevailing at the reporting date and items in comprehensive income are translated at the average exchange rates prevailing for the year. The exchange differences arising on the translation are recognized in other comprehensive income (loss). On disposal or divestiture of a foreign operation, the component of accumulated other comprehensive income (loss) relating to that particular foreign operation is reclassified to net income.

REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding promotional discounts, rebates and sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements except for the sale of certain ancillary products where it acts as agent and therefore recognizes such revenue on a net basis.

i) Interest Income

Interest income from consumer loans receivable is recognized when earned using the effective interest rate method.

ii) Lease Revenue

Merchandise is leased to customers pursuant to agreements that provide for periodic lease payments collected in advance. The lease agreements can be terminated by the customer at the end of the periodic lease period without any further obligation or cost to the customer.

Lease revenue consists of lease payments, product damage liability waivers and processing and other fees. Revenue from lease agreements is recognized when earned. Lease revenue also consists of revenue from the ultimate sale of goods to customers, which represents the culmination of the lease asset life cycle and occurs when title passes to the customer. Such revenue is measured at the fair value of the consideration received or receivable.

iii) Commissions Earned and Charges and Fees

Commissions earned are recognized when, or as, a performance obligation is satisfied by providing a service to a customer, in the amount of the consideration to which the Company expects to receive. Charges and fees are recognized as revenue at a point in time upon when the transaction is completed.

VENDOR REBATES

The Company participates in various vendor rebate programs, including vendor volume rebates and vendor advertising incentives. The Company records the benefit of vendor volume rebates on purchases made as a reduction of lease assets based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program. Vendor advertising incentives that are related to specific advertising programs are accounted for as a reduction of the related expenses.

CASH

Cash consists of bank balances and cash on hand, adjusted for in-transit items such as outstanding cheques and deposits.

FINANCIAL ASSETS

Initial Recognition and Measurement

Financial assets are classified at initial recognition at fair value through: i) profit or loss ("FVTPL"), ii) amortized cost, iii) debt financial instruments measured at fair value through other comprehensive income ("FVOCI"), iv) equity financial instruments designated at FVOCI, or v) financial instruments designated at FVTPL, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed. All financial assets are measured at fair value with the exception of financial assets measured at amortized cost. Financial assets are reclassified when and only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

All debt instrument financial assets that do not meet a "solely payment of principal and interest" ("SPPI") test, including those that contain embedded derivatives are classified at initial recognition as FVTPL. For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis are classified as FVOCI for debt. Debt instruments that are managed on a "hold to collect" basis are classified as amortized cost.

Financial assets consist of amounts receivable, consumer loans receivable and investment, and are initially measured at fair value plus transaction costs. They are subsequently measured at amortized cost.

Amortized cost is determined using the effective interest rate method, factoring in acquisition costs paid to third parties, and the allowance for loan losses. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument.

The Company does not have any financial assets that are subsequently measured at fair value except for investment and the derivative financial instrument which may be in an asset or liability position depending on the prevailing foreign exchange rates at such time (see section "Derivative Financial Instruments and Hedge Accounting").

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from an asset.

Impairment of Financial Assets

The Company applies an expected credit loss ("ECL") model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the statement of financial position date, are provided for. The Company assesses and segments its loan portfolio into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3) categories as at each statement of financial position date. Loans are categorized as under-performing if there has been a significant increase in credit risk. The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase or decrease in the credit risk of a loan. Indicators of a significant increase in credit risk include a recent degradation in internal company risk rating based on the Company's custom behaviour credit scoring model, non-sufficient fund ("NSF") transactions, delinquency and adjustments to the loan's terms. Under-performing loans are recategorized to performing only if there is deemed to be a substantial decrease in credit risk. Loans are categorized as non-performing if there is objective evidence that such loans will likely charge-off in the future which the Company has determined to be when loans are delinquent for greater than 30 days. For performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months. For under-performing and non-performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life.

The Company does not provide any additional credit to borrowers who are delinquent. In order for additional credit to be advanced to a borrower, they must be current on their pre-existing loan and meet the Company's credit and underwriting requirements. In limited situations, the Company may amend the terms of a loan, typically through deferring payments and extending the loan amortization period, for customers that are current or are in arrears as a means to ensure the customer remains able to repay the loan.

The key inputs in the measurement of ECL allowances are as follows:

- The probability of default is an estimate of the likelihood of default over a given time horizon;
- The exposure at default is an estimate of the exposure at a future default date;
- The loss given default is an estimate of the loss arising in the case where a default occurs at a given time; and
- Forward-looking indicators ("FLIs").

Ultimately, the ECL is calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and considers reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the loans. Forward-looking information is considered when determining significant increase in credit risk and measuring expected credit losses. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant. From an analysis of historical data, management has identified and reflected in the Company's ECL allowance those relevant FLIs variables that contribute to credit risk and losses within the Company's loan portfolio. Within the Company's loan portfolio, the most highly correlated variables are unemployment rates, inflation, oil prices, and gross domestic product ("GDP").

Unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are written off against the allowance for loan losses.

Consumer loan balances, together with the associated allowances, are written off when there is no realistic prospect of further recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to bad debt expense.

For amounts receivable, the Company applies a simplified approach in calculating ECLs recognizing a loss allowance based on lifetime ECLs at each reporting date.

Modified Loans

In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, rate reductions and other modifications intended to minimize the economic loss. The Company has policies in place to determine the appropriate remediation strategy based on the individual borrower.

If the Company determines that a modification results in the expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the new financial instrument at the date of derecognition. A gain or loss is assessed at the date of modification or derecognition equal to the difference between the fair value of the cash flows under the original and modified terms.

If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, the loans can revert to having twelve-month ECLs after a period of performance and improvement in the borrower's financial condition.

LEASE ASSETS

Lease assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

The cost of lease assets comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Vendor volume rebates are recorded as a reduction of the cost of lease assets.

As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase options provided to the customer, the customer leases are considered operating in nature. Lease agreements entitle customers to buy out a lease asset earlier in accordance with conditions stipulated in the lease agreements.

The residual value, useful life and depreciation method of the lease assets are reviewed at each financial year-end, and if expectations differ from previous estimates, they are adjusted, and the changes are accounted for prospectively as a change in accounting estimates. In the event management determines that the Company can no longer lease or sell certain lease assets, they are written off. The residual value of lease assets is nominal.

Depreciation on lease assets is charged to net income as follows:

- Lease assets, excluding game stations, computers and related equipment, are depreciated using the units of activity method over the expected lease agreement term.
- Game stations are depreciated on a straight-line basis over 18 months. Computers and related equipment are depreciated on a straight-line basis over 24 months.
- Depreciation for all lease assets includes the remaining book values at the time of disposition of the lease assets that have been sold and amounts that have been charged off as stolen, lost or no longer suitable for lease.

The Company's lease assets are subject to theft, loss or other damage from its customers. The Company records a provision against the carrying value of lease assets for estimated losses.

PROPERTY AND EQUIPMENT

The cost of property and equipment comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to net income as repairs and maintenance expense when incurred.

Depreciation on property and equipment is charged to net income.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Estimated Useful Lives
Furniture and fixtures	7 years
Computer	5 years
Office equipment	7 years
Automotive	5 years
Signage	7 years
Leasehold improvements	5 to 10 years depending on the lease term

Property and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gains or losses arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) are included in net income in the period the assets are derecognized.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their estimated fair values at the date of acquisition. Following initial recognition, intangible assets are carried at costs less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in net income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period for potential impairment indicators. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in net income.

Customer lists and software are amortized over their estimated useful lives of five years. Websites and digital properties are amortized over their estimated useful lives of three years

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's trademarks have been assessed to have an indefinite life.

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amounts of the asset and are recognized in net income when the assets are derecognized.

LEASES

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

A. Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use Assets

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

ii) Lease Liabilities

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

In determining a lease component, the Company does not separate the non-lease components from the lease component and instead accounts for each lease component and any associated non-lease components as a single lease component.

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

iii) Short-term Leases and Leases of Low Value Assets

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

B. Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease revenue recognition is discussed above.

DEVELOPMENT COSTS

Development costs, including those related to the development of software, are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of the expected future benefit.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized initially using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortized. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's operating segments that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those segments.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses, at each reporting date, whether there is an indication that an asset or a cash-generating unit ("CGU") may be impaired.

The Company regularly reviews lease assets that are idle for more than 90 days for any indicators of impairment. Such assets deemed not leaseable or sellable are discarded and their net carrying value reduced to nil.

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the easyhome business unit, a CGU was determined to be at the individual store level as the cash inflows of an individual store are largely independent of the cash inflows of other assets in the Company. For the easyfinancial business unit, a CGU was determined to be at the business unit level rather than at the individual store or kiosk level, as the cash inflows are largely dependent on easyfinancial's centralized loan and collections centre.

If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset or CGU's recoverable amount. The recoverable amount is the higher of the asset or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case it is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognized in net income.

The impairment test calculations are based on detailed budgets and forecasts which are prepared annually for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversals are recognized in net income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each group of CGUs to which the goodwill relates. Where the recoverable amount of the CGUs is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level and when circumstances indicate that the carrying value may be impaired.

FINANCIAL LIABILITIES

Financial liabilities are initially recognized at fair value. In the case of certain loans and borrowings, the fair value at initial recognition includes the value of proceeds received net of directly attributable transaction costs. The Company's financial liabilities include a revolving credit facility, USD denominated notes payable, convertible debentures, term loans, derivative financial instruments and accounts payable and accrued liabilities.

After initial recognition, the Company's interest-bearing debt is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any fees or costs related to the interest-bearing debt. Interest expense and the amortization of deferred financing charges are included in finance costs.

Non-interest bearing financial liabilities, such as accounts payable and accrued liabilities, are carried at the amount owing.

A financial liability is derecognized when the obligation under the liability is settled, discharged, cancelled or expired. Any gains or losses are recognized in net income when liabilities are derecognized.

CONVERTIBLE DEBENTURES

Convertible debentures include both liability and equity components associated with the conversion option. The liability component of the convertible debentures is initially recognized at fair value determined by discounting the future principal and interest payments at the rate of interest prevailing at the date of issue for a similar non-convertible debt instrument.

The equity component of the convertible debentures is initially recognized at fair value determined as the difference between the gross proceeds of the convertible debt issuance less the liability component and the deferred tax liability that arises from the temporary difference between the carrying value of the liability and its tax basis. The equity component is allocated to contributed surplus within shareholders' equity. Directly attributable transaction costs related to the issuance of convertible debentures are allocated to the liability and equity components on a pro-rata basis, reducing the fair value at the time of initial recognition.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Company's financing activities expose it to the financial risks of changes in foreign exchange rates. The Company utilizes derivative financial instruments as cash flow hedges to assist in the management of certain foreign exchange risks.

Derivative financial instruments are initially measured at fair value on the trade date and are subsequently remeasured at fair value at each reporting date using observable market inputs.

The Company designates derivative financial instruments as cash flow hedges to hedge the change due to foreign exchange risk when the derivative financial instruments meet the criteria for hedge accounting in accordance with IFRS 9, *Financial Instruments*.

In order to qualify for hedge accounting, formal documentation must include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the change in values that result from that economic relationship.
- The hedge ratio of the hedging relationship is consistent with management's risk strategy.

Where an effective hedge exists, the change in the fair value of the derivative instrument is recognized in other comprehensive income (loss) and reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows (in this case the interest or principal payments of the Company's USD Notes Payable) affect profit or loss. As such there is no net impact on net income.

Hedge effectiveness is assessed at the inception of the hedge and on an ongoing basis. Should a hedge cease to be effective any changes in fair value related to movements in the foreign currency rates would be taken in net income.

PROVISIONS

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. Where there is expected to be a reimbursement of some or all of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted. Where discounting is used, the increase in the provision as a result of the passage of time is recognized as a finance cost.

TAXES

i) Current Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current income tax relating to items recognized directly in equity is recognized in equity and not in net income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred Income Taxes

Deferred income taxes are provided for using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deductible income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The following temporary differences do not result in deferred income tax assets or liabilities:

- The initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- The initial recognition of goodwill; and
- Investment in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

iii) Sales Tax

Revenue, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of amounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

STOCK-BASED PAYMENT TRANSACTIONS

The Company has stock-based compensation plans as described in note 15.

i) Equity-Settled Transactions

The Company has stock options, Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") which are currently accounted for as equity-settled awards. The cost of such equity-settled transactions is measured by reference to the fair value determined using the market value on the grant date or the Black-Scholes option pricing model, as appropriate. The inputs into this model are based on management's judgments and estimates.

The cost of equity-settled transactions is charged to net income, with a corresponding increase in contributed surplus over the vesting period. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has elapsed and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense for a period is recognized in stock-based compensation expense in the consolidated statements of income. No expense is recognized for awards that do not ultimately vest.

ii) Cash-Settled Transactions

The Company has Performance Share Units ("PSUs") which mirror the value of the Company's publicly-traded common shares and can only be settled in cash ("cash-settled transactions"). The cost of cash-settled transactions is measured initially at fair value at the grant date. The liability is remeasured to fair value, at each reporting date up to and including the settlement date, based on the value of the Company's publicly-traded common shares and the Company's best estimate of the number of cash-settled instruments that will ultimately vest.

The cost of cash-settled transactions is charged to net income, with a corresponding increase in liabilities, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for cash-settled transactions at each reporting date reflected the extent to which the vesting period had elapsed and the Company's best estimate of the number of cash-settled instruments that will ultimately vest. The expense for a period including changes in fair value are recognized in stock-based compensation expense in the consolidated statements of income. No expense is recognized for awards that do not ultimately vest.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, which assumes that the cash that would be received on the exercise of options, warrants and convertible debentures is applied to purchase shares at the average price during the period and that the difference between the shares issued upon exercise of the options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods.

These accounting judgments, estimates and assumptions are continuously evaluated and are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, which could materially impact these consolidated financial statements. Changes in estimates will be reflected in the consolidated financial statements in future periods.

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

i) Allowance for Credit Losses and Allowance for Loan Losses

ECL method is applied in determining the allowance for credit losses on gross consumer loans receivable. The key inputs in the measurement of ECL allowances, all of which are subject to accounting judgments, estimates and assumptions are discussed in note 2, Financial Assets.

ii) Interest Receivable from Consumer Loans

Consumer loans receivable include accrued interest earned from consumer loans that is expected to be received in future periods. Interest receivable from consumer loans is determined based on the amounts the Company believes will be collected in future periods.

iii) Depreciation of Lease Assets

Certain assets on lease, (excluding game stations, computers and related equipment) are depreciated based on the time on lease against the lease agreement term, which is estimated by management for each product category. Other assets on lease such as game stations, computers and related equipment are depreciated on a straight-line basis over their estimated useful lives.

iv) Impairment on Non-financial Assets

The indicators of impairment are based on management's judgment. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the recoverable amount, management estimates the asset's or CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year. Key areas of management judgment include the cash flow forecast, the growth rate applied to cash flows subsequent to the third year and the discount rate.

v) Impairment of Goodwill and Indefinite-Life Intangible Assets

In assessing the recoverable amount, management estimated the group of CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year. Key areas of management judgment involve the cash flow forecast, the growth rate applied to cash flows subsequent to the third year and the discount rate.

vi) Fair Value of Stock-Based Compensation

The fair value of equity-settled stock-based compensation plan grants are measured at the grant date using either the related market value or the Black-Scholes option pricing model, as appropriate. The Black-Scholes option pricing model was developed for estimating the fair value of traded options that are fully transferable and have no vesting restrictions. In addition, option pricing models require the input of highly subjective assumptions, including expected share price volatility. The Company's share options have characteristics significantly different from those of freely traded options and because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of the unit options granted.

The vesting of the Company's stock-based compensation plans is based on the expected achievement of long-term targets and management retention rates, the assessment of which are subject to management's judgment.

vii) Taxation Amounts

Tax provisions, including current and deferred income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations and judgments as to their interpretation and application to the Company's specific situation. Therefore, it is possible that the ultimate value of the tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on the Company's consolidated financial statements.

viii) Unearned Revenue

Unearned revenue includes lease payments that have not yet been earned, lease processing fees that are received at the inception of a consumer lease and secured loan origination fees charged to consumers. The processing fees are recognized into income over the expected life of the lease agreement, as estimated by management. The secured loan origination fees are recognized into income over the expected life of the loan, as estimated by management.

ix) Convertible Debentures

The convertible debentures are accounted for as a compound financial instrument with a liability component and a separate equity component. The debt component of this compound financial instrument is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk as estimated by management. The debt component is subsequently deducted from the total carrying value of the compound financial instrument to derive the equity component.

x) Premises Lease Contracts

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

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

xi) Fair Value Measurement of Investments

When the fair values of investments recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using alternative valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3. ADOPTION OF ACCOUNTING STANDARD

IFRS 16, Leases ("IFRS 16")

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

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

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

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

i) Impact of Adoption of IFRS 16

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

	CARRYING AMOUNT UNDER PREVIOUS ACCOUNTING STANDARDS AS AT DECEMBER 31, 2018	TRANSITION ADJUSTMENT	IFRS 16 CARRYING AMOUNT AS AT JANUARY 1, 2019
Right-of-use assets	-	41,763	41,763
Deferred tax assets	9,445	1,244	10,689
Lease liabilities	-	47,523	47,523
Deferred lease inducements	1,234	(1,234)	-
Retained earnings	143,710	(3,282)	140,428

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

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

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

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

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

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at January 1, 2019 as follows:

Lease commitments as at January 1, 2019 (excluding commitments relating to estimated variable lease payments and short-term leases)	54,173
Weighted average incremental borrowing rate on leases as at January 1, 2019	4.7%
Lease liabilities as at January 1, 2019	47,523

The lease liabilities are derived by discounting the operating lease payments to which the Company is committed (but excluding variable lease payments such as property tax and common area maintenance charges on property leases and short-term leases as allowed under IFRS 16), at the average incremental borrowing rate on leases under the leases. The Company applied the available practical expedients whereby the Company did not separate the non-lease components from the lease component and instead accounts for each lease component and any associated non-lease components as a single lease component.

ii) Impact on the Consolidated Statements of Income

The net effect of adopting IFRS 16 on the consolidated statements of income is to decrease operating expenses before depreciation and amortization while increasing depreciation and amortization and financing costs with an insignificant impact on net income. By extension this will result in earnings before interest, income tax, depreciation and amortization (EBITDA) increasing as the depreciation of the right-of-use assets and interest on the lease liabilities are excluded from this measure. Operating income will also increase as the interest on the lease liabilities are excluded from this measure. The adoption of IFRS 16 has no impact on the cash flows of the Company. For the year ended December 31, 2019, the adoption of IFRS 16 decreased net income by $13 as described in the Company's Management's Discussion and Analysis for the year ended December 31, 2019.

Right-of-use Assets and Lease Liability

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period.

	RIGHT-OF-USE ASSETS			
	PREMISES	VEHICLES	TOTAL	LEASE LIABILITIES
As at January 1, 2019	39,274	2,489	41,763	47,523
Additions	18,553	1,030	19,583	19,583
Depreciation expense	(14,408)	(791)	(15,199)	-
Interest expense	-	-	-	2,464
Interest payment	-	-	-	(2,464)
Lease inducement received	-	-	-	1,208
Principal payment	-	-	-	(15,741)
As at December 31, 2019	43,419	2,728	46,147	52,573

For the year ended December 31, 2019, the Company recognized rent expense from short-term leases of $1,438 and variable lease payments of $11,266.

4. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates. The Company has pledged part of its cash to fulfill collateral requirements under its derivative financial instruments contract. As at December 31, 2019, the fair value of the cash pledged as a cash collateral in respect of the derivative financial instruments was $11.6 million (2018 – $29.9 million cash collateral was posted by the counterparties).

5. AMOUNTS RECEIVABLE

	DECEMBER 31, 2019	DECEMBER 31, 2018
Vendor rebate receivable	324	593
Due from franchisees	3,349	2,467
Commission receivable	11,082	9,439
Other	3,727	2,951
	18,482	15,450
Current	17,384	14,438
Non- current	1,098	1,012
	18,482	15,450

Other amounts receivables consist of amounts due from customers and other items.

6. CONSUMER LOANS RECEIVABLE

Consumer loans receivable represent amounts advanced to customers and includes both unsecured and secured loans. Unsecured loan terms generally range from 9 to 60 months while secured loan terms generally range from 6 to 10 years.

	DECEMBER 31, 2019	DECEMBER 31, 2018
Gross consumer loans receivable	1,110,633	833,779
Interest receivable from consumer loans	16,384	10,472
Unamortized deferred acquisition costs	20,642	18,354
Allowance for credit losses	(107,107)	(79,741)
	1,040,552	782,864

The allocation of the Company's gross consumer loans receivable as at December 31, 2019 and 2018 based on loan types are as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Unsecured instalment loans	995,122	780,850
Secured instalment loans	115,511	52,929
	1,110,633	833,779

The scheduled principal repayment aging analyses of the gross consumer loans receivable portfolio as at December 31, 2019 and 2018 are as follows:

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	$	% OF TOTAL LOANS	$	% OF TOTAL LOANS
0 - 6 months	182,896	16.5%	139,631	16.7%
6 - 12 months	130,043	11.7%	104,619	12.5%
12 - 24 months	275,038	24.8%	221,626	26.6%
24 - 36 months	259,598	23.4%	204,227	24.5%
36 - 48 months	154,908	13.9%	106,346	12.8%
48 - 60 months	44,918	4.0%	29,002	3.5%
60 months +	63,232	5.7%	28,328	3.4%
	1,110,633	100.0%	833,779	100.0%

The gross consumer loans receivable portfolio categorized by the contractual time to maturity at year-ends are summarized as follows:

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	$	% OF TOTAL LOANS	$	% OF TOTAL LOANS
0 - 1 year	42,623	3.8%	34,355	4.1%
1 - 2 years	139,414	12.6%	108,262	13.0%
2 - 3 years	296,891	26.7%	260,205	31.2%
3 - 4 years	366,359	33.0%	270,621	32.5%
4 - 5 years	156,439	14.1%	108,932	13.1%
5 years +	108,907	9.8%	51,404	6.1%
	1,110,633	100.0%	833,779	100.0%

An aging analysis of gross consumer loans receivable past due is as follows:

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	$	% OF TOTAL LOANS	$	% OF TOTAL LOANS
1 - 30 days	**40,508**	**3.7%**	25,442	3.1%
31 - 44 days	**7,692**	**0.7%**	5,931	0.7%
45 - 60 days	**7,579**	**0.7%**	5,930	0.7%
61 - 90 days	**8,578**	**0.8%**	6,559	0.8%
91 - 180 days	**321**	**0.0%**	83	0.0%
	64,678	**5.9%**	43,945	5.3%

The following table provides the gross consumer loans receivable split by the Company's risk ratings and further segregated by Stage 1, Stage 2, and Stage 3. The categorization of borrowers into low, normal and high risk is based on the Company's custom behaviour credit scoring model. This scoring model has been built and refined using analytical techniques and statistical modelling tools which has proven more effective at predicting future losses than traditional credit scores available from credit reporting agencies. Borrowers categorized as low risk have expected future losses that are lower than the average expected loss rate of the overall loan portfolio. Customers categorized as normal risk have expected future losses that are approximately the same as the average expected loss rate of the overall loan portfolio. Customers categorized as high risk have expected future losses that are higher than the average expected loss rate of the overall loan portfolio. The median TransUnion Risk Score for those borrowers categorized as low, normal and high risk is presented below as reference.

	AS AT DECEMBER 31, 2019				
	MEDIAN TRANSUNION RISK SCORE	STAGE 1 (PERFORMING)	STAGE 2 (UNDER-PERFORMING)	STAGE 3 (NON-PERFORMING)	TOTAL
Low Risk	**601**	**445,584**	**1,198**	**6**	**446,788**
Normal Risk	**531**	**400,040**	**6,379**	**225**	**406,644**
High Risk	**489**	**137,699**	**95,871**	**23,631**	**257,201**
Total	**535**	**983,323**	**103,448**	**23,862**	**1,110,633**

	AS AT DECEMBER 31, 2018				
	MEDIAN TRANSUNION RISK SCORE	STAGE 1 (PERFORMING)	STAGE 2 (UNDER-PERFORMING)	STAGE 3 (NON-PERFORMING)	TOTAL
Low Risk	610	324,989	1,517	-	326,506
Normal Risk	539	310,059	8,763	-	318,822
High Risk	496	66,119	103,998	18,334	188,451
Total	544	701,167	114,278	18,334	833,779

An analysis of the changes in the classification of gross consumer loans receivable is as follows:

	YEAR ENDED DECEMBER 31, 2019			
	STAGE 1 (PERFORMING)	STAGE 2 (UNDER-PERFORMING)	STAGE 3 (NON-PERFORMING)	TOTAL
Balance as at January 1, 2019	701,167	114,278	18,334	833,779
Gross loan originated	1,095,375	-	-	1,095,375
Principal payments and other adjustments	(684,412)	12,999	(5,582)	(676,995)
Transfers to (from)				
Stage 1 (Performing)	281,552	(266,836)	(14,716)	-
Stage 2 (Under-Performing)	(334,752)	351,835	(17,083)	-
Stage 3 (Non-Performing)	(43,089)	(88,061)	131,150	-
Gross charge-offs	(32,518)	(20,767)	(88,241)	(141,526)
Balance as at December 31, 2019	983,323	103,448	23,862	1,110,633

	YEAR ENDED DECEMBER 31, 2018			
	STAGE 1 (PERFORMING)	STAGE 2 (UNDER-PERFORMING)	STAGE 3 (NON-PERFORMING)	TOTAL
Balance as at January 1, 2018	446,920	68,440	11,186	526,546
Gross loan originated	922,550	-	-	922,550
Principal payments and other adjustments	(527,488)	13,559	(3,226)	(517,155)
Transfers to (from)				
Stage 1 (Performing)	135,378	(133,616)	(1,762)	-
Stage 2 (Under-Performing)	(234,495)	250,963	(16,468)	-
Stage 3 (Non-Performing)	(22,481)	(70,007)	92,488	-
Gross charge-offs	(19,217)	(15,061)	(63,884)	(98,162)
Balance as at December 31, 2018	701,167	114,278	18,334	833,779

The changes in the allowance for credit losses are summarized below:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Balance, beginning of year	79,741	49,112
Net amounts written-off against allowance	(129,376)	(88,351)
Increase due to lending and collection activities	156,742	118,980
Balance, end of year	107,107	79,741

An analysis of the changes in the classification of the allowance for credit losses is as follows:

	YEAR ENDED DECEMBER 31, 2019			
	STAGE 1 (PERFORMING)	STAGE 2 (UNDER-PERFORMING)	STAGE 3 (NON-PERFORMING)	TOTAL
Balance as at January 1, 2019	37,715	28,214	13,812	79,741
Gross loans originated	53,740	-	-	53,740
Principal payments and other adjustments	(23,631)	3,006	(13,654)	(34,279)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	57,526	(57,192)	(11,017)	(10,683)
Stage 2 (Under-Performing)	(30,588)	105,649	(12,913)	62,148
Stage 3 (Non-Performing)	(7,923)	(26,271)	120,010	85,816
Net amounts written-off against allowance	(30,909)	(19,735)	(78,732)	(129,376)
Balance as at December 31, 2019	55,930	33,671	17,506	107,107

	YEAR ENDED DECEMBER 31, 2018			
	STAGE 1 (PERFORMING)	STAGE 2 (UNDER-PERFORMING)	STAGE 3 (NON-PERFORMING)	TOTAL
Balance as at January 1, 2018	24,384	16,193	8,535	49,112
Gross loans originated	53,883	-	-	53,883
Principal payments and other adjustments	(20,232)	2,713	(11,009)	(28,528)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	23,634	(25,868)	(1,252)	(3,486)
Stage 2 (Under-Performing)	(20,893)	70,393	(12,403)	37,097
Stage 3 (Non-Performing)	(4,754)	(20,870)	85,638	60,014
Net amounts written-off against allowance	(18,307)	(14,347)	(55,697)	(88,351)
Balance as at December 31, 2018	37,715	28,214	13,812	79,741

7. INVESTMENT

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

The Company's investment in PayBright is classified at FVTPL. The fair value of the PayBright was determined using an enterprise value technique. No gains or losses were incurred in the year ended December 31, 2019.

8. LEASE ASSETS

	DECEMBER 31, 2019	DECEMBER 31, 2018
Cost		
Balance, beginning of year	62,180	68,493
Additions	36,877	37,913
Disposals	(44,217)	(44,226)
Balance, end of year	54,840	62,180
Accumulated Depreciation		
Balance, beginning of year	(10,562)	(14,175)
Depreciation for the year	(37,402)	(40,088)
Disposals	41,820	43,701
Balance, end of year	(6,144)	(10,562)
Net book value	48,696	51,618

During the year ended December 31, 2019, the net book value of the lease assets sold by the Company was $2,397 (2018 – $516).

9. PROPERTY AND EQUIPMENT

	FURNITURE AND FIXTURES	COMPUTER AND OFFICE EQUIPMENT	AUTOMOTIVE	SIGNAGE	LEASEHOLD IMPROVEMENTS	TOTAL
Cost						
As at December 31, 2017	14,501	10,398	212	5,911	26,631	57,653
Additions	1,926	2,066	-	393	6,840	11,225
Disposals	(683)	(1,400)	(6)	(121)	(1,451)	(3,661)
As at December 31, 2018	**15,744**	**11,064**	**206**	**6,183**	**32,020**	**65,217**
Additions	**658**	**1,336**	**30**	**381**	**5,812**	**8,217**
Disposals	**(7,033)**	**(4,024)**	**(236)**	**(3,157)**	**(15,006)**	**(29,456)**
As at December 31, 2019	**9,369**	**8,376**	**-**	**3,407**	**22,826**	**43,978**
Accumulated Depreciation						
As at December 31, 2017	(10,648)	(6,665)	(210)	(4,357)	(19,832)	(41,712)
Depreciation	(1,070)	(1,128)	(3)	(411)	(3,107)	(5,719)
Disposals	654	1,309	7	103	1,424	3,497
As at December 31, 2018	**(11,064)**	**(6,484)**	**(206)**	**(4,665)**	**(21,515)**	**(43,934)**
Depreciation	**(1,127)**	**(1,178)**	**(3)**	**(449)**	**(3,524)**	**(6,281)**
Disposals	**7,022**	**3,936**	**209**	**3,138**	**14,939**	**29,244**
As at December 31, 2019	**(5,169)**	**(3,726)**	**-**	**(1,976)**	**(10,100)**	**(20,971)**
Net Book Value						
As at December 31, 2018	4,680	4,580	-	1,518	10,505	21,283
As at December 31, 2019	**4,200**	**4,650**	**-**	**1,431**	**12,726**	**23,007**

As at December 31, 2019, the amount of property and equipment classified as under construction or development and not being amortized was $0.9 million (2018 – $1.5 million).

During the year ended December 31, 2019, the net book value of the property and equipment sold by the Company was $212 (2018 – $168).

For easyhome, various impairment indicators were used to determine the need to test a CGU for impairment. Examples of impairment indicators include a significant decline in revenue, performance significantly below budget and expectations and negative CGU operating income during the year. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGU's value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three-year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 1% long-term growth rate. The pre-tax discount rate used on the forecasted cash flows was 11.5%. Where the carrying value of the CGU's assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that, due to the portability of lease assets held within the CGU and the cash flows generated by individual lease assets, no impairment write-down of the lease assets was required. As such, the CGU impairment charge would be limited to the property and equipment held by the impaired CGU.

For easyfinancial, it was determined that no indicators of impairment existed that would require an impairment test on property and equipment.

For the year ended December 31, 2019, the Company recorded a net impairment recovery in depreciation of property and equipment of nil (2018 – $150 net impairment recovery). All impairment charges and recoveries in 2018 are related solely to the easyhome segment.

10. INTANGIBLE ASSETS AND GOODWILL

	TRADEMARKS	CUSTOMER LISTS	SOFTWARE	TOTAL
Cost				
As at December 31, 2017	2,088	1,202	30,916	34,206
Additions	-	481	5,141	5,622
Disposals	-	-	(2)	(2)
As at December 31, 2018	**2,088**	**1,683**	**36,055**	**39,826**
Additions	**-**	**9**	**8,633**	**8,642**
Write-off	**-**	**(438)**	**(9,795)**	**(10,233)**
As at December 31, 2019	**2,088**	**1,254**	**34,893**	**38,235**
Accumulated Amortization				
As at December 31, 2017	(1,992)	(809)	(16,242)	(19,043)
Amortization	-	(230)	(5,966)	(6,196)
Disposals	-	-	2	2
As at December 31, 2018	**(1,992)**	**(1,039)**	**(22,206)**	**(25,237)**
Amortization	**-**	**(257)**	**(5,225)**	**(5,482)**
Write-off	**-**	**438**	**9,795**	**10,233**
As at December 31, 2019	**(1,992)**	**(858)**	**(17,636)**	**(20,486)**
Net Book Value				
As at December 31, 2018	96	644	13,849	14,589
As at December 31, 2019	**96**	**396**	**17,257**	**17,749**

Trademarks are considered indefinite-life intangible assets as there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

Included in additions for the year ended December 31, 2019 were $8.6 million (2018 – $5.1 million) of internally developed software application and website costs.

Goodwill was $21.3 million as at December 31, 2019 (2018 – $21.3 million). There were no disposals or impairments applied to goodwill during the years ended December 31, 2019 and 2018.

Goodwill and indefinite-life intangible assets were allocated to the group of CGUs to which they relate. The carrying value of goodwill was fully allocated to the easyhome CGUs. Impairment testing is performed annually and was performed as at December 31, 2019 and 2018. The impairment test consisted of comparing the carrying value of assets within the CGU to the recoverable amount of that CGU as measured by discounting the expected future cash flows using a value in use approach. The discounted cash flow model was based on historical operating results, detailed sales and cost forecasts over a three-year period, a 1% long-term growth rate and a pre-tax discount rate used on the forecasted cash flows of 11.5%, all of which were consistent with the strategic plans presented to the Company's Board of Directors.

Based on the analysis performed by management, no impairment charge was required on goodwill.

11. REVOLVING CREDIT FACILITY

The revolving credit facility is provided by a syndicate of banks.

During 2019, the Company entered into amendments to its revolving credit facility. The amendments increased the maximum principal amount available to be borrowed from $174.5 million in 2018 to $310.0 million and extended the maturity date from November 1, 2020 to February 12, 2022. As part of these amendments, the cost of borrowing under the revolving credit facility was also reduced. Previously, interest on advances was payable at either the Canadian Bankers' Acceptance rate ("BA") plus 450 bps or the lender's prime rate ("Prime") plus 350 bps, at the option of the Company. Subsequent to these amendments, interest on advances is payable at either the BA plus 300 bps or Prime plus 200 bps, at the option of the Company.

As at December 31, 2019, $115.0 million was drawn on this facility based on 90-day BA rate plus 300 bps. No amount was drawn on this facility as at December 31, 2018.

The financial covenants of the revolving credit facility were as follows:

FINANCIAL COVENANT	REQUIREMENTS	DECEMBER 31,2019
Minimum consolidated tangible net worth	>132,000, plus 50% of consolidated net income	**$276,735**
Maximum consolidated leverage ratio	< 3.25	**3.08**
Minimum consolidated fixed charge coverage ratio	> 1.75	**2.27**
Maximum net charge-off ratio	< 15.0%	**13.3%**
Minimum collateral performance index	> 90.0%	**99.4%**

December 31, 2019, the Company was in compliance with all of its financial covenants under its credit agreements.

12. CONVERTIBLE DEBENTURES

In June 2017, the Company issued $53.0 million of 5.75% convertible unsecured subordinated debentures, with interest payable semi-annually on January 31 and July 31 each year and commenced on January 31, 2018 (the "Debentures"). The Debentures mature on July 31, 2022 and are convertible at the holder's option into common shares of the Company at a conversion price of $44.00 per share.

On and after July 31, 2020, and prior to July 31, 2021, the Debentures may be redeemed in whole or in part from time to time and with proper notice by the Company, provided that the volume-weighted average trading price of the common shares on the TSX for the 20 consecutive trading days prior to the 5th trading day before redemption notification date was not less than 125% of the conversion price. On or after July 31, 2021, the Company may redeem with proper notice the convertible debentures for the principal amount plus accrued and unpaid interest.

The following table summarizes the details of the convertible debentures:

	LIABILITY COMPONENT OF DEBENTURE	EQUITY COMPONENT OF DEBENTURE	NET BOOK VALUE
As at January 1, 2018	47,985	3,220	51,205
Conversion of debentures to equity (net of $1,013 unamortized deferred financing costs)	(7,924)	-	(7,924)
Accretion in carrying value of debenture liability	1,234	-	1,234
Accrued interest	2,858	-	2,858
Interest payment	(3,572)	-	(3,572)
As at December 31, 2018	**40,581**	**3,220**	**43,801**
Conversion of debentures to equity (net of $1 unamortized deferred financing costs)	**(6)**	**-**	**(6)**
Accretion in carrying value of debenture liability	**1,137**	**-**	**1,137**
Accrued interest	**2,533**	**-**	**2,533**
Interest payment	**(2,533)**	**-**	**(2,533)**
As at December 31, 2019	**41,712**	**3,220**	**44,932**

During 2019, $7.0 thousand (2018 – $8.9 million) of Debentures were converted into 158 (2018 – 203,108) common shares. Unamortized deferred financing costs related to these Debentures amount to $1.0 thousand (2018 – $1.0 million).

13. NOTES PAYABLE

On November 27, 2019, the Company issued USD550.0 million of 5.375% senior unsecured notes payable ("Notes Payable") with interest payable semi-annually on June 1 and December 1 of each year and commencing on June 1, 2020. The Notes Payable mature on December 1, 2024.

The Notes Payable include certain prepayment features: i) up to December 1, 2021, all of the Notes Payable can be prepaid at par plus a premium and accrued and unpaid interest or, if the proceeds are acquired from an equity offering, up to 40% of the Notes Payable (including future additions) can be prepaid at a price of 105.375% plus accrued and unpaid interest; ii) from December 1, 2021 to November 30, 2022, all of the Notes Payable can be prepaid at a price of 102.688% plus accrued and unpaid interest; iii) from December

1, 2022 to November 30, 2023, all of the Notes Payable can be prepaid at a price of 101.344% plus accrued and unpaid interest; and iv) subsequent to December 1, 2023 the Notes Payable can be prepaid at par plus accrued and unpaid interest.

The proceeds of the November 27, 2019 notes issuance was used to extinguish the Company's previous USD475.0 million of 7.875% senior unsecured outstanding notes payable that would have matured on November 1, 2022, and unwind the related cross-currency swap for USD325.0 million at USD1.000 = CAD1.289 and USD150.0 million at USD1.000 = CAD1.316. As a result of repaying these notes, the Company incurred an early repayment penalty, recognized the remaining unamortized deferred financing costs and unamortized premium associated with these notes, realized derivative loss, and reclassified the net change in cash flow hedge from other comprehensive income (loss) to the consolidated statement of income resulting in a one-time before tax charge of $21.7 million.

The following table summarizes the details of the notes payable:

	DECEMBER 31,2019	DECEMBER 31,2018
Notes Payable in CAD at issuance	**728,310**	616,383
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**(13,851)**	31,375
	714,459	647,758
Accrued interest on credit facilities	**3,303**	8,169
Unamortized premium	**-**	8,868
Unamortized deferred financing costs	**(15,348)**	(14,314)
	702,414	650,481

The following table summarizes the total carrying value of the notes payable:

	DECEMBER 31,2019	DECEMBER 31,2018
Issued November 2017	**-**	438,076
Issued July 2018	**-**	212,405
Issued November 2019	**702,414**	-
	702,414	650,481

Concurrent with the issuance of the Notes Payable, the Company entered into derivative financial instruments (the "cross-currency swaps") as cash flow hedges to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the Notes Payable at a fixed exchange rate of USD1.000 = CAD1.3242, thereby fully hedging the USD550.0 million Notes Payable at a CAD interest rate of 5.65%. The cross-currency swaps fully hedge the obligation under the Notes Payable to $728.3 million.

The Company has elected to use hedge accounting for the notes payable and their cross-currency swaps (i.e., the same notional amount, maturity date, interest rate and interest payment dates). The Company has elected to designate foreign currency basis as a cost of hedging, thereby excluding foreign currency basis spreads from the designation of the hedging relationship, and has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. There are no significant sources of hedge ineffectiveness between the Notes Payable and cross-currency swaps. There was no hedge ineffectiveness recognized in net income for the years ended December 31, 2019 and 2018.

As the notes payable and their cross-currency swaps are in an effective hedging relationship, changes in the fair value of the cross-currency swaps is recorded in other comprehensive income (loss) and subsequently reclassified into net income to offset the effect of foreign currency exchange rates related to the notes payable recognized in net income. The amount of the foreign currency basis spread at inception, designated as a cost of hedging, is amortized to profit and loss on a straight-line basis over the life of the Notes Payable.

The cross-currency swaps have an aggregated notional amount equal to the aggregated principal outstanding of the hedged notes payable. The fair value of cross-currency swaps is determined from swap curves adjusted for credit risks. Swap curves are obtained directly from market sources. The change in fair value of the cross-currency swaps used for measuring ineffectiveness for the period is as follows:

	DECEMBER 31,2019	DECEMBER 31,2018
Derivative financial assets (liabilities)		
Issued November 2017	-	25,680
Issued July 2018	-	9,414
Issued November 2019	(16,435)	-
	(16,435)	35,094

14. SHARE CAPITAL

Authorized Capital

The authorized capital of the Company consisted of an unlimited number of common shares with no par value and an unlimited number of preference shares.

Each common share represents a shareholder's proportionate undivided interest in the Company. Each common share confers to its holder the right to one vote at any meeting of shareholders and to participate equally and rateably in any dividends of the Company. The common shares are listed for trading on the TSX.

Common Shares Issued and Outstanding

The changes in common shares issued and outstanding are summarized as follows:

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	# OF SHARES (IN 000S)	$	# OF SHARES (IN 000S)	$
Balance, beginning of year	14,405	138,090	13,476	85,874
Exercise of stock options	188	4,284	46	562
Exercise of RSUs	201	3,560	146	2,860
Dividend reinvestment plan	10	490	12	508
Shares purchased for cancellation	(458)	(4,474)	(398)	(3,820)
Convertible debt	-	6	203	7,924
Share issuance, net of cost	-	-	920	44,182
Balance, end of year	14,346	141,956	14,405	138,090

Dividends on Common Shares

For the year ended December 31, 2019, the Company paid dividends of $16.7 million (2018 – $11.7 million) or $1.155 per share (2018 – $0.855 per share). On November 4, 2019, the Company declared a dividend of $0.310 per share to shareholders of record on December 27, 2019, payable on January 10, 2020. The dividend paid on January 10, 2020 was $4.4 million.

Shares Purchased for Cancellation

During the year ended December 31, 2019, the Company purchased and cancelled 458,260 (2018 – 398,452) of its common shares on the open market at an average price of $44.31 (2018 – $37.61) for a total cost of $20.3 million (2018 – $15.0 million) pursuant to a normal course issuer bid. This normal course issuer bid expired on November 12, 2019. The normal course issuer bid was renewed on December 18, 2019 which allows for a total purchase of up to 1,038,269 common shares and expires on December 19, 2020.

15. STOCK-BASED COMPENSATION

Share Option Plan

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. Options are generally granted at exercise prices equal to the fair market value at the grant date, vest at the end of a three-year period based on earnings per share targets and have exercise lives of five years.

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	# OF OPTIONS (IN 000S)	WEIGHTED AVERAGE EXERCISE PRICE $	# OF OPTIONS (IN 000S)	WEIGHTED AVERAGE EXERCISE PRICE $
Outstanding balance, beginning of year	613	27.67	526	23.70
Options granted	115	40.60	186	35.50
Options exercised	(188)	17.74	(46)	9.81
Options forfeited or expired	(68)	35.33	(53)	31.30
Outstanding balance, end of year	472	33.67	613	27.67
Exercisable balance, end of year	47	18.81	236	17.98

Outstanding options to officers and employees as at December 31, 2019 were as follows:

	OUTSTANDING			EXERCISABLE	
RANGE OF EXERCISE PRICES $	# OF OPTIONS (IN 000S)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE $	# OF OPTIONS (IN 000S)	WEIGHTED AVERAGE EXERCISE PRICE $
18.81 - 19.99	47	0.13	18.81	47	18.81
20.00 - 29.99	-	-	-	-	-
30.00 - 39.99	330	2.97	33.73	-	-
40.80	95	4.12	40.80	-	-
18.81 - 40.80	472	2.92	33.67	47	18.81

The Company used the fair value method of accounting for stock options granted to employees. During the year ended December 31, 2019, the Company recorded an expense of $1,151 (2018 – $914) in stock-based compensation expense related to its stock option plan in the consolidated statements of income, with a corresponding adjustment to contributed surplus.

Options granted in 2019 and 2018 were determined using the Black-Scholes option pricing model with the following assumptions:

	2019	2018
Risk-free interest rate (% per annum)	1.82	2.01
Expected hold period to exercise (years)	4.75	4.75
Volatility in the price of the Company's shares (%)	37.37	35.74
Dividend yield (%)	3.00	2.03

Restricted Share Unit ("RSU") Plan

Under the Company's RSU Plan, RSUs may be granted by the Board of Directors to employees of the Company. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets.

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	# OF RSUS (IN 000S)	WEIGHTED AVERAGE FAIR VALUE AT GRANT DATE $	# OF RSUS (IN 000S)	WEIGHTED AVERAGE FAIR VALUE AT GRANT DATE $
Outstanding balance, beginning of year	533	31.14	641	22.78
RSUs granted	126	43.93	184	39.78
RSU dividend reinvestments	8	48.27	10	39.80
RSUs exercised	(201)	17.58	(226)	16.93
RSUs forfeited	(65)	37.03	(76)	25.26
Outstanding balance, end of year	401	41.34	533	31.14

For the year ended December 31, 2019, $5,096 (2018 – $5,181) was recorded as an expense in stock-based compensation expense related to the Company's RSU program in the consolidated statements of income with a corresponding adjustment to contributed surplus.

Deferred Share Unit ("DSU") Plan

During the year ended December 31, 2019, the Company granted 58,103 DSUs (2018 – 14,767 DSUs) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the year ended December 31, 2019, $2,439 (2018 – $741) was recorded as stock-based compensation expense under the DSU Plan in the consolidated statements of income. Additionally, for the year ended December 31, 2019, an additional 5,368 DSUs (2018 – 3,684 DSUs) were granted as a result of dividends reinvested.

Contributed Surplus

The following is a continuity of the activity in the contributed surplus account:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Contributed surplus, beginning of year	**16,105**	15,305
Equity-settled stock-based compensation expense		
Stock options	**1,151**	914
Restricted share units	**5,096**	5,181
Deferred share units	**2,439**	741
Reduction due to exercise of stock-based compensation		
Stock options	**(941)**	(112)
Restricted share units	**(3,554)**	(5,924)
Contributed surplus, end of year	**20,296**	16,105

16. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios, loan portfolio and other assets. For the year ended December 31, 2019, other expenses included net gains realized on the sale of lease portfolios, loan portfolio and other assets of $2.6 million (2018 – $0.6 million).

17. INTEREST EXPENSE AND AMORTIZATION OF DEFERRED FINANCING CHARGES

Interest expense and amortization of deferred financing charges under finance costs in the consolidated statements of income include the following:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Interest expense		
Notes payable	**46,118**	39,250
Convertible debt	**2,534**	2,868
Revolving credit facility	**2,631**	630
Amortization of deferred financing costs and accretion expense	**4,819**	4,541
Interest income, net	**(1,008)**	(1,489)
	55,094	45,800

18. INCOME TAXES

The Company's income tax expense was determined as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Combined basic federal and provincial income tax rates	**27.3%**	27.2%
Expected income tax expense	**24,439**	20,112
Non-deductible expenses	**1,090**	574
U.S. and SPE results not tax effected	**(70)**	27
Effect of capital gains on sale of assets and investments	**(248)**	(92)
Other	**(48)**	172
	25,163	20,793

The significant components of the Company's income tax expense are as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Current income tax:		
Current income tax charge	**27,876**	23,689
Adjustments in respect of prior years and other	**(113)**	665
	27,763	24,354
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(2,600)**	(3,561)
	25,163	20,793

The significant components of the Company's deferred tax assets are as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Amounts receivable and allowance for credit losses	**8,890**	7,481
Financing fees	**6,707**	(1,044)
Stock-based compensation	**2,411**	1,994
Right-of-use assets, net of lease liabilities	**1,224**	-
Revaluation of notes payable and cross-currency swaps	**685**	(986)
Loss carry forwards	**616**	187
Unearned revenue	**378**	454
Tax cost of lease assets and property and equipment in excess of net book value	**(5,950)**	(991)
Premium on notes payable	**-**	2,350
	14,961	9,445

All changes to the deferred tax assets were recorded as an expense in deferred tax expense in the consolidated statements of income.

As at December 31, 2019 and 2018, there was no recognized deferred tax liabilities for taxes that would be payable on the undistributed earnings of the Company's subsidiaries. The Company has determined that undistributed earnings of its subsidiaries would not be distributed in the foreseeable future.

19. EARNINGS PER SHARE

Basic Earnings Per Share

Basic earnings per share amounts were calculated by dividing the net income for the year by the weighted average number of ordinary shares and DSUs outstanding. DSUs were included in the calculation of the weighted average number of ordinary shares outstanding as these units vest upon grant.

	DECEMBER 31, 2019	DECEMBER 31, 2018
Net income	**64,349**	53,124
Weighted average number of ordinary shares outstanding (in 000s)	**14,635**	14,045
Basic earnings per ordinary share	**4.40**	3.78

For the year ended December 31, 2019, 238,529 DSUs (2018 – 173,667 DSUs) were included in the weighted average number of ordinary shares outstanding.

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of RSUs, or the exercise of the conversion option of the convertible debentures. The number of additional shares for inclusion in the diluted earnings per share calculation was determined using the treasury stock method. For the years ended December 31, 2019 and 2018, the convertible debentures were dilutive. Therefore, diluted earnings per share is calculated based on a fully diluted net income (adjusted for the after-tax financing cost associated with the convertible debentures) and including the shares to which those debentures could be converted.

	DECEMBER 31, 2019	DECEMBER 31, 2018
Net income	**64,349**	53,124
After tax impact of convertible debentures	**2,698**	2,690
Fully diluted net income	**67,047**	55,814
Weighted average number of ordinary shares outstanding (in 000s)	**14,635**	14,045
Dilutive effect of stock-based compensation (in 000s)	**426**	496
Dilutive effect of convertible debentures (in 000s)	**1,001**	1,130
Weighted average number of diluted shares outstanding (in 000s)	**16,062**	15,671
Dilutive earnings per ordinary share	**4.17**	3.56

For the year ended December 31, 2019, 94,648 stock options to acquire common shares (2018 – 185,784), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

20. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

The net change in other operating assets and liabilities was as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Amounts receivable	**(3,032)**	(1,028)
Prepaid expenses	**(3,242)**	(290)
Accounts payable and accrued liabilities	**(3,753)**	2,032
Income taxes payable	**(3,312)**	(1,946)
Deferred lease inducements	-	(60)
Unearned revenue	**2,080**	1,183
Accrued interest	**(4,866)**	1,956
	(16,125)	1,847

Supplemental disclosures in respect of the consolidated statements of cash flows comprised the following:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Income taxes paid	**31,948**	26,300
Income taxes refunded	**873**	-
Interest paid	**60,492**	45,023
Interest received	**338,361**	253,578

21. COMMITMENTS AND GUARANTEES

The Company is committed to software maintenance, development and licensing service agreements, and operating leases for premises and vehicles. Some of the Company's lease contracts for premises include extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. As at December 31, 2019, no extension option for lease contracts for premises is expected to be exercised.

The undiscounted potential future lease payments for operating leases for premises and vehicles and the estimated operating costs related to technology commitments required for the next five years and thereafter are as follows:

	WITHIN 1 YEAR	AFTER 1 YEAR, BUT NOT MORE THAN 5 YEARS	MORE THAN 5 YEARS
Premises	16,863	35,254	6,309
Vehicles	965	2,043	124
Technology commitments	9,893	11,221	-
	27,721	48,518	6,433

22. CONTINGENCIES

The Company was 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.

23. CAPITAL RISK MANAGEMENT

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 bank debt (revolving operating facility), notes payable, convertible debentures and shareholders' equity, which includes share capital, contributed surplus, accumulated other comprehensive income (loss) 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 issues, share repurchases, the payment of dividends, increasing or decreasing bank debt and term debt or by undertaking other activities as deemed appropriate under specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly in the past year.

The Company has externally imposed capital requirements as governed through its financing facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to net worth. The capital requirements are congruent with the Company's management of capital.

The Company monitors capital on the basis of the financial covenants of its financing facilities.

For the years ended December 31, 2019 and 2018, the Company was in compliance with all of its externally imposed financial covenants.

24. FINANCIAL RISK MANAGEMENT

Overview

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. 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.

Credit Risk

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 makes consumer loans and leases products 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.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by FLIs. The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices and the rate of GDP were negatively correlated with the Company's historic loss rates. For purposes of determining its allowance for loan losses at each consolidated statement of financial position date, the Company utilizes the forecasts of these FLIs from five large Canadian banks. The impact on the allowance for credit losses as a percentage of ending gross consumer loans receivable should each of these FLIs increase (or decrease) by 10%, as at December 31, 2019 is as follows:

	CHANGE IN FLIS	IMPACT ON ALLOWANCE FOR CREDIT LOSSES AS A PERCENTAGE OF THE ENDING GROSS CONSUMER LOANS RECEIVABLE
Rate of unemployment	+/- 10%	+/- 2 bps
Rate of inflation	+/- 10%	+/- 6 bps
Oil prices	+/- 10%	-/+ 12 bps
GDP	+/- 10%	-/+ 2 bps

As at December 31, 2019, the Company's gross consumer loans receivable portfolio was $1,110.6 million (2018 – $833.8 million). Net charge-offs expressed as a percentage of the average loan book were 13.3% for the year ended December 31, 2019 (2018 – 12.7%).

The credit risk related to lease assets with customer's results from the possibility of customer default with respect to agreed upon payments or in not returning the lease assets. The Company has a standard collection process in place in the event of payment default, which includes the recovery of the lease asset if satisfactory payment terms cannot be worked out with the customer, as the Company maintains ownership of the lease assets until payment options are exercised. As at December 31, 2019, the Company's lease assets were $48.7 million (2018 – $51.6 million). Lease asset losses for the year ended December 31, 2019 represented 2.9% (2018 – 3.3%) of total revenue for the easyhome segment.

The credit risk related to other amounts receivable are managed in accordance with policies and procedures resulting from the possibility of default on rebate payments, amounts due from licensee and franchisees and other amounts receivable. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and allows for uncollectible amounts when determined to be appropriate.

Liquidity Risk

The Company addresses liquidity risk management by maintaining sufficient availability of funding through its financing facility. The Company manages its cash resources based on financial forecasts and anticipated cash flows, which are periodically reviewed with the Company's Board of Directors.

The Company believes that the cash flow provided by operations and funds available from the credit facility will be sufficient in the near term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. In addition, the incremental financing obtained in 2019 will allow the Company to continue growing its consumer loans receivable portfolio into the third quarter of 2021. In order for the Company to achieve the full growth opportunities available, however, additional sources of financing over and above the currently available credit facility will be required in the future. There is no certainty that these long-term sources of capital will be available or at terms favourable to the Company.

Substantially all liabilities are due within 12 months with the exception of convertible debentures and notes payable. These credit facilities have no current component and are due as disclosed in notes 12 and 13. As at December 31, 2019, $115.0 million was drawn on the Company's revolving credit facility (note 11).

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. As at December 31, 2019, the notes payable and the convertible debentures had a fixed rate of interest. The $310.0 million revolving credit facility has a variable interest rate at either the BA rate plus 300 bps or the Prime rate plus 200 bps, at the option of the Company.

The Company does not hedge interest rates on the revolving credit facility. Accordingly, future changes in interest rates will affect the amount of interest expense payable by the Company to the extent that draws are made on the variable rate revolving credit facility.

As at December 31, 2019, the Company's outstanding borrowing from its revolving credit facility was subject to movements in the BA rate. A 10% movement in the BA rate would have increased or decreased net income for the year by approximately $193.

Currency Risk

Currency risk measures the Company's risk of financial loss due to adverse movements in currency exchange rates.

The Company completed an offering of USD$550.0 million Notes Payable. These notes are due December 1, 2024 with a USD coupon rate of 5.375%. Concurrent with these offerings, the Company entered into currency swap agreements to fix the foreign exchange rate for the proceeds from the offerings and for all required payments of principal and interest under these notes effectively hedging the obligation. The hedge is designed to match the cash flow obligations of the Company under the Notes Payable.

The Company sources a portion of the assets it leases in Canada from U.S. suppliers. As a result, the Company had foreign exchange transaction exposure. These purchases were funded using the spot rate prevailing at the date of purchase. Pricing to customers can be adjusted to reflect changes in the CAD landed cost of imported goods and, as such, there is not a material foreign currency transaction exposure. A 5% movement in the CAD and USD exchange rate would have increased or decreased net income for the year by approximately $34.

25. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

FINANCIAL INSTRUMENTS	MEASUREMENT	DECEMBER 31, 2019	DECEMBER 31, 2018
Cash	Fair value	46,341	100,188
Amounts receivable	Amortized cost	18,482	15,450
Consumer loans receivable	Amortized cost	1,040,552	782,864
Investment	Fair value	34,300	-
Derivative financial assets	Fair value	-	35,094
Revolving credit facility	Amortized cost	115,000	-
Accounts payable and accrued liabilities	Amortized cost	41,350	45,103
Derivative financial liabilities	Fair value	16,435	-
Convertible debentures	Amortized cost	41,712	40,581
Notes payable	Amortized cost	702,414	650,481

Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the consolidated financial statements were categorized within the fair value hierarchy, described as follows, based on the lowest level input that was significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at December 31, 2019 and 2018:

DECEMBER 31, 2019	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Cash	46,341	46,341	-	-
Amounts receivable	18,482	-	-	18,482
Consumer loans receivable	1,040,552	-	-	1,040,552
Investment	34,300	-	-	34,300
Revolving credit facility	115,000	-	-	115,000
Accounts payable and accrued liabilities	41,350	-	-	41,350
Derivative financial liabilities	16,435	-	16,435	-
Convertible debentures	41,712	-	-	41,712
Notes payable	702,414	-	-	702,414

DECEMBER 31, 2018	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Cash	100,188	100,188	-	-
Amounts receivable	15,450	-	-	15,450
Consumer loans receivable	782,864	-	-	782,864
Derivative financial assets	35,094	-	35,094	-
Accounts payable and accrued liabilities	45,103	-	-	45,103
Convertible debentures	40,581	-	-	40,581
Notes payable	650,481	-	-	650,481

There were no transfers between Level 1, Level 2, or Level 3 during the current or prior year.

26. RELATED PARTY TRANSACTIONS

Key management personnel includes all corporate officers with the position of president, executive vice president or senior vice president. The following summarizes the expense related to key management personnel during the year.

	DECEMBER 31, 2019	DECEMBER 31, 2018
Short-term employee benefits including salaries	4,426	6,049
Share-based payment transactions	2,865	4,111
	7,291	10,160

27. SEGMENTED REPORTING

For management purposes, the Company had two reportable segments: easyfinancial and easyhome. The Company's business units generate revenue in four main categories: i) interest generated on the Company's gross consumer loans receivable portfolio; ii) lease payments generated by easyhome lease agreements; iii) commissions and other revenues generated by the sale of various ancillary products; and iv) charges and fees.

General and administrative expenses directly related to the Company's business segments were included as operating expenses for those segments. All other general and administrative expenses were reported separately as part of Corporate. Management assessed the performance based on segment operating income (loss).

The following tables summarize the relevant information for the years ended December 31, 2019 and 2018:

YEAR ENDED DECEMBER 31, 2019	EASYFINANCIAL	EASYHOME	CORPORATE	TOTAL
Revenue				
Interest income	334,124	11,873	-	345,997
Lease revenue	-	113,236	-	113,236
Commissions earned	126,806	8,704	-	135,510
Charges and fees	9,278	5,362	-	14,640
	470,208	139,175	-	609,383
Total operating expenses before depreciation and amortization	267,356	67,253	41,617	376,226
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	7,194	39,140	2,831	49,165
Depreciation of right-of-use assets	6,521	7,943	735	15,199
	13,715	47,083	3,566	64,364
Segment operating income (loss)	189,137	24,839	(45,183)	168,793
Finance costs				
Interest expense and amortization of deferred financing charges				55,094
Interest expense on lease liabilities				2,464
Refinancing cost relating to notes payable				21,723
				79,281
Income before income taxes				89,512

YEAR ENDED DECEMBER 31, 2018	EASYFINANCIAL	EASYHOME	CORPORATE	TOTAL
Revenue				
Interest income	250,622	5,375	-	255,997
Lease revenue	-	119,745	-	119,745
Commissions earned	110,423	6,577	-	117,000
Charges and fees	7,280	6,169	-	13,449
	368,325	137,866	-	506,191
Total operating expenses before depreciation and amortization	218,138	74,215	42,118	334,471
Depreciation and amortization Depreciation and amortization of lease assets, property and equipment and intangible assets	8,333	42,104	1,566	52,003
Segment operating income (loss)	141,854	21,547	(43,684)	119,717
Finance costs				
Interest expense and amortization of deferred financing charges				45,800
Income before income taxes				73,917

As at December 31, 2019, the Company's goodwill of $21.3 million (2018 – $21.3 million) related entirely to its easyhome segment.

In scope under IFRS 15 are revenues relating to commissions earned and charges and fees. Lease revenue is covered under IFRS 16. Included in lease revenue is certain additional services provided by the Company related to the lease, but which fall under the scope of IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). These revenues totalled $13.4 million and $14.2 million in 2019 and 2018, respectively.

The Company's easyhome business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the years ended December 31, 2019 and 2018 were as follows:

	DECEMBER 31, 2019 (%)	DECEMBER 31, 2018 (%)
Furniture	**44**	44
Electronics	**32**	31
Computers	**11**	12
Appliances	**13**	13
	100	100

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LISTED
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Trading Symbol: GSY

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Executive Chairman of the Board

Donald K. Johnson
Chairman Emeritus

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Karen Basian
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Sean Morrison
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President & Chief Executive Officer

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Senior Vice-President, Legal & Corporate Affairs

Jason Appel
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Andrea Fiederer
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Hal Khouri
Executive Vice-President & Chief Financial Officer

Steven Poole
Senior Vice-President, Operations and Merchandising