

# Third Quarter 2019

Financial Results

## FINANCIAL INDUSTRY SOLUTIONS

**\$33B**

Managed &  
Advised Credit  
Portfolios

**90+**

US Bank  
Partners

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Certain information in this presentation is forward-looking and related to anticipated financial performance, events and strategies. When used in this context, words such as "will", "anticipate", "believe", "plan", "intend", "target" and "expect" or similar words suggest future outcomes. Forward-looking statements relate to, among other things, ECN Capital Corp.'s ("ECN Capital") objectives and strategy; future cash flows, financial condition, operating performance, financial ratios, projected asset base and capital expenditures; anticipated cash needs, capital requirements and need for and cost of additional financing; future assets; demand for services; ECN Capital's competitive position; expected growth in originations; and anticipated trends and challenges in ECN Capital's business and the markets in which it operates; and the plans, strategies and objectives of ECN Capital for the future.

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# Call Agenda

## BUSINESS OVERVIEW OPERATING HIGHLIGHTS

### Business Services

- Service Finance
- The Kessler Group
- Triad Financial Services

## CONSOLIDATED FINANCIAL SUMMARY CLOSING SUMMARY QUESTIONS

# BUSINESS OVERVIEW



# Business Overview



Origination &  
Management Services for  
Financial Institutions

**30+** Years Commercial  
finance experience

**\$33B+** Managed  
credit portfolios

**90+** Financial  
institution partners

Investment grade rated



Origination & Management  
of Prime & Super Prime  
Home Improvement Loans

**2004** Founded

**\$2B+** Managed credit portfolios

**20+** Bank and life  
insurance partners

**10,000+** Network of  
home improvement  
dealers



Origination & Management  
of Prime Manufactured  
Housing Loans

**1959** Founded

**\$2B+** Managed credit portfolios

**50+** Bank and  
Credit union partners

**3,000+** Network of manufactured  
housing  
dealers



Origination & Advisory  
Services for  
Credit Card Portfolios

**1978** Founded

**\$28B** Managed  
credit card portfolios

**25+** Financial  
Institution partners

**6,000+** Credit card  
partnerships created



## OPERATING HIGHLIGHTS

- Service Finance
- The Kessler Group
- Triad Financial Services





# Highlights

- Q3 results in line with management expectations
- Reiterating full year 2019 guidance
- Robust dealer growth continues
- Adjusted operating income before tax in Q3 of \$19.4 million
- 29.2% Q3 Y/Y growth in originations
- 35.4% Q3 Y/Y growth in originations excluding PACE
- 43.9% Q3 Y/Y growth in managed portfolios
- 32.6% Q3 Y/Y growth in EBITDA

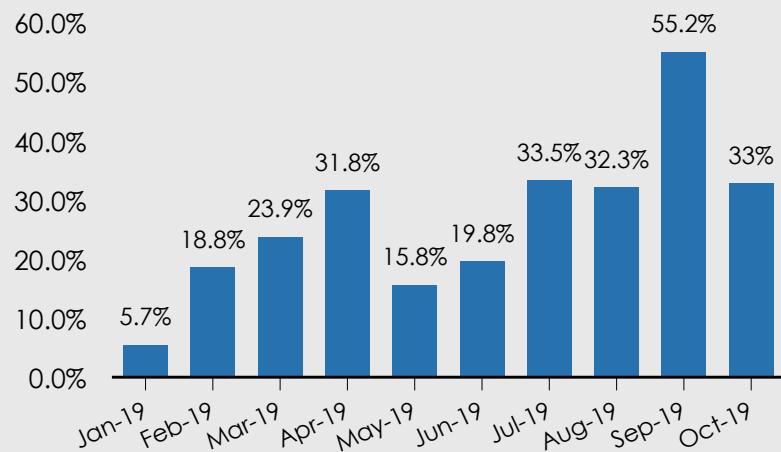
Select Metrics (US\$, millions)	Q3 2018	Q3 2019
Originations	362.2	468.1
Originations – excluding PACE	345.8	468.1
Period end managed portfolios	1,621.1	2,331.9
Revenue	21.0	28.4
Adjusted EBITDA	15.4	20.4
Adjusted operating income before tax	13.9	19.4



# Program Update

- Lennox volume solid with continued Y/Y growth each month
  - Q3 Y/Y Lennox volume accelerated after unseasonably cool weather in May and June
- As discussed in Q1, SFC prudently raised FICO scores and pricing on solar originations
  - Solar represented ~17% of Q3 originations compared to ~24% in Q3 2018
  - Impacted total originations by ~\$30-\$35 million in the quarter
- Originations excluding PACE were +38.1% Y/Y adjusted for an origination partner that declared bankruptcy last year
- Continue to forecast \$1.6-\$1.8 billion of originations for 2019

## LENNOX ORIGINATION VOLUME Y/Y GROWTH





# Bank Purchase Commitment Update

Top 10 Bank Partners	Incremental Purchase Commitments Jan 2019 Inv Day	Incremental Purchase Commitments Today	% Change
Top 10	\$1,330MM	\$2,250MM	~+70%

- Top-10 partner purchase commitments increased by ~70% since ECN's January Investor Day
- Several existing bank partners increased commitments in 2019
- Added large life insurance partner in Q1 2019
- Added a new bank partner in Q3 2019
- Pension plan funding discussions continue

## Total Loan Portfolio

Servicing Assets \$2.0BN

Avg. FICO 766

Avg. Customer Balance  
Funded ~\$10,977

W.A. Life ~30 months

## Current Partners

Banks  
Life Insurance Cos

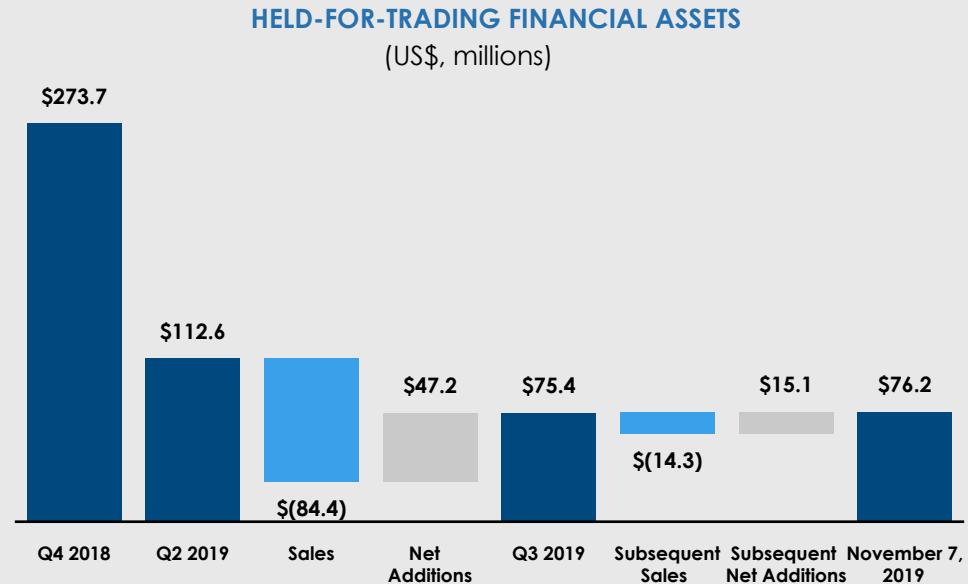
## Possible Partners

Pension Plans



# Held-for-Trading Asset Update

- Held-for-trading (“HFT”) assets declined from \$273.7 million in Q4 2018 to \$75.4 million at Q3 2019
- New HFT originations primarily related to “Complimentary Flow” program launched in Q1 2019
  - Program launched with select bank partners
  - Similar credit (Avg FICO ~760) and performance to core program but falls outside core program underwriting criteria (e.g. due to loan size)
  - Executed ~\$43.7 million sale of “Complimentary Flow” originations to a bank partner as part of the \$84.4 million in sales





# Originations

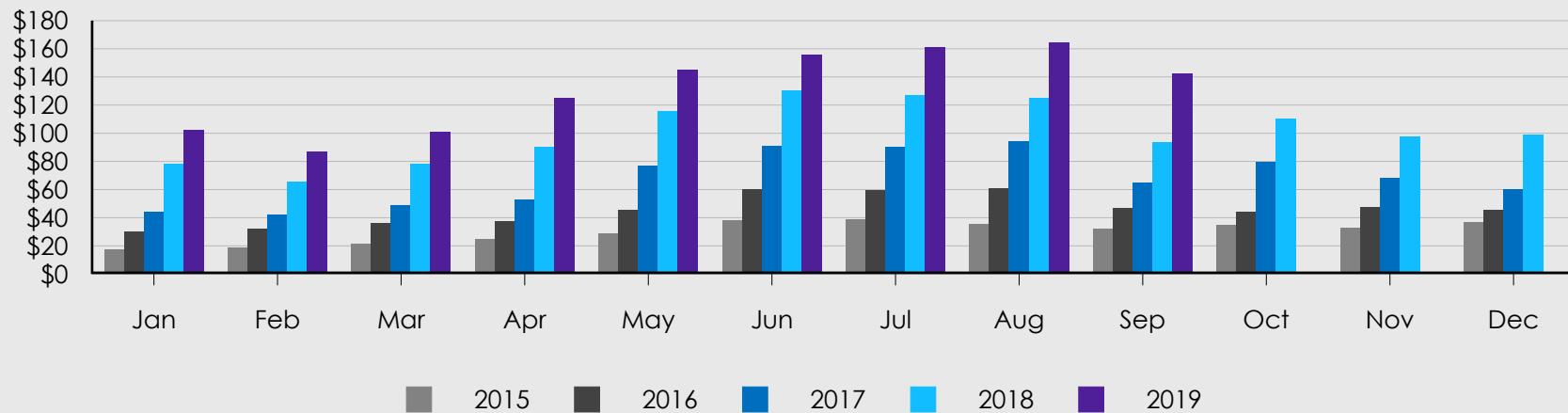
**ORIGINATIONS<sup>1</sup>**  
(US\$, millions)

	1Q	2Q	3Q	4Q	YTD
<b>2015</b>	58	91	106	105	360
<b>2016</b>	99	143	167	138	547
<b>2017</b>	135	221	249	208	814
<b>2018</b>	222	336	346	307	1,211
<b>2019</b>	290	426	468		1,184

**YOY ORIGINATION GROWTH<sup>1</sup>**

	1Q	2Q	3Q	4Q	YTD
104.1%	120.3%	126.5%	116.8%	113.8%	
71.4%	56.9%	57.2%	31.7%	52.0%	
36.8%	54.2%	49.1%	51.7%	48.9%	
64.7%	52.0%	38.8%	46.9%	48.8%	
30.5%	26.7%	35.4%			30.9%

**ORIGINATIONS<sup>1</sup>**  
(US\$, millions)



1. Excludes PACE originations

# Highlights

- Q3 results in-line with expectations
- Reiterating increased full year 2019 guidance
- EBITDA margin of 57.3% in Q3 reflecting ongoing operating efficiencies and better revenue performance
- Continue to explore a long-term strategy to develop credit card syndicated investment platform
  - KG partnered with several institutional partners to originate, syndicate and advise on four portfolios totaling \$0.9 billion of assets
  - KG has retained a modest investment of ~\$90 million; ~18 month weighted average life

Select Metrics (US\$, millions)	Q3 2018	Q3 2019
Revenue	33.4	18.0
EBITDA	21.4	10.3
Adjusted operating income before tax	20.7	9.6
Adjusted operating income before tax (ECN Capital share) <sup>1</sup>	16.0	9.3

1. Represents ECN equity ownership of 96% in Q1 2019 and Q2 2019

- KG revenue mix has shifted toward strategic advisory and risk-based marketing from portfolio advisory revenues
- Typically higher margins on long-term revenues drives better and more predictable profitability
- Robust pipeline across business lines for the remainder of 2019 and into 2020

## Business Mix

Kessler Group Revenue Mix (US\$, millions)	At Transaction	Q3 2019
Strategic Advisory <sup>(1)</sup>	54%	68%
Risk-Based + Multi-Channel marketing	12%	19%
Total Annuity Revenue	66%	87%
Portfolio Advisory Revenue	34%	13%
Total Revenue	100%	100%

(1) Strategic Advisory includes credit card investment platform revenues.



# Highlights

- Q3 results ahead of management expectations; reiterating 2019 forecast
- 50+ funding partners
- 16.5% Q3 Y/Y growth in originations
- 10.3% Q3 Y/Y growth in managed portfolios
- 32.3% Q3 Y/Y growth in EBITDA
- Floorplan (FP) program update:
  - Outstanding of ~\$100 million
  - 236 active dealers
  - FP active dealers retail origination growth 3x origination growth overall, driving significant market share pick-up relative to industry
- Held-for-trading assets increased to \$16 million as certain new funding partners look to purchase a portfolio for administrative ease

Select Metrics (US\$, millions)	Q3 2018	Q3 2019
Originations	146.8	171.0
Period end managed portfolios	2,157.2	2,379.9
EBITDA	6.7	8.9
Adjusted operating income before tax	6.0	7.7



# Originations

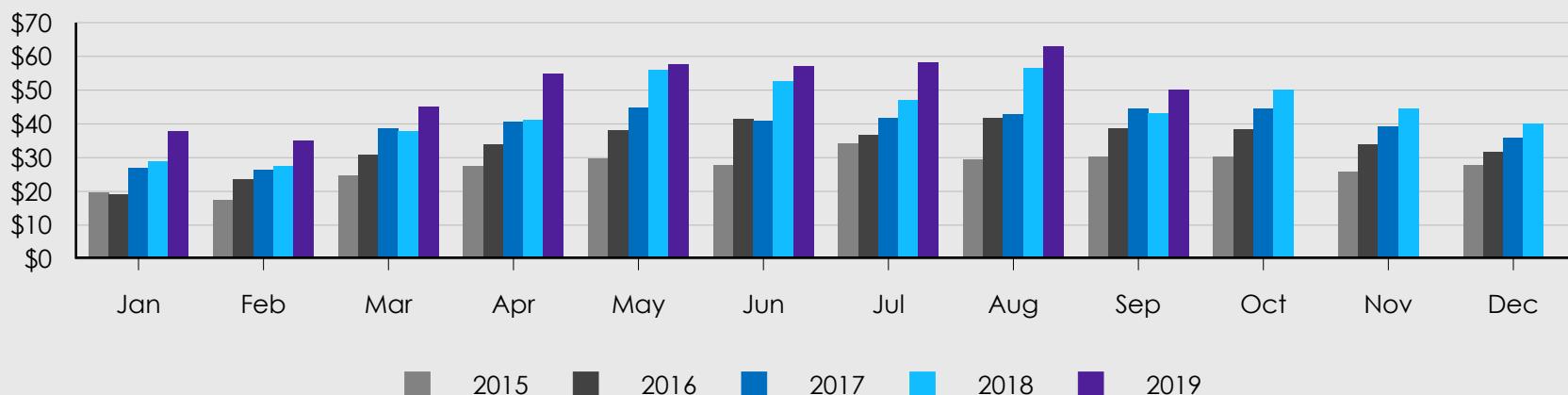
**ORIGINATIONS**  
(US\$, millions)

	1Q	2Q	3Q	4Q	YTD
2015	59	85	93	87	323
2016	74	113	117	104	408
2017	92	126	129	119	466
2018	94	150	147	135	525
2019	118	170	171		458

**YOY ORIGINATION GROWTH**

	1Q	2Q	3Q	4Q	YTD
2015	54.0%	34.1%	31.1%	13.6%	30.4%
2016	20.1%	33.5%	24.2%	24.2%	25.7%
2017	24.7%	11.3%	10.3%	15.0%	14.4%
2018	2.2%	19.0%	14.0%	13.4%	12.7%
2019	25.2%	13.2%	16.5%		17.4%

**ORIGINATIONS**  
(US\$, millions)



# Consolidated Financial Summary



# Q3 Consolidated Operating Highlights

## SUMMARY

- Total Originations were \$639.1 million for the quarter
- Q3 adjusted EBITDA of \$34.0 million compared to \$38.0 million for Q3 2018
- Q3 adjusted operating income before tax of \$26.4 million compared to \$22.8 million for Q3 2018
- After-tax adjusted EPS applicable to common shareholders of \$0.08
- Debt to equity ratio of 0.51:1
- Book value of \$3.08 per share

# Balance Sheet

## KEY HIGHLIGHTS

- Total assets increased by \$19.0 million, primarily due to increased loans and receivables at Kessler
- Earning assets - managed and advised at the end of Q3 reflects:
  - Servicing assets of \$2.3 billion at Service Finance
  - Managed loans of \$2.4 billion at Triad
  - Managed and advisory assets of \$27.9 billion at Kessler
- Debt increased by \$13.6 million compared to Q2 2019, reflecting the investment in the new credit card portfolio, partially offset by net repayment activity during the quarter

Balance Sheet (US\$, millions)	Q1 2019	Q2 2019	Q3 2019
Total assets	1,737.0	1,606.9	1,625.9
Total finance assets	352.2	323.2	332.3
Earning assets- managed and advisory <sup>(1)</sup>	31,861.3	32,178.9	32,618.0
Debt	585.9	437.7	451.3
Shareholders' equity	880.0	888.0	884.5
Total Debt to Equity ratio	0.67	0.49	0.51

(1) Reflects off-balance sheet portfolios of Service Finance, Triad and the Kessler Group

# Income Statement

## KEY HIGHLIGHTS

- Adjusted EBITDA of \$34.0 million down 10.6% over Q3 2018; adjusted operating income before tax of \$26.4 million up 15.6% over Q3 2018.
- The decrease in adjusted EBITDA compared to Q3 2018 reflects lower M&A revenue from the Kessler Group, partially offset by growth at our Service Finance and Triad businesses. Adjusted operating income before tax compared to Q3 2018 reflects lower expense attributable to the non-controlling interest in the Kessler Group segment
- Operating expenses decreased in the third quarter compared to Q3 2018 primarily due to lower Kessler Group compensation costs due to the impact of expense reductions initiated in the first quarter of 2019

Income Statement (US\$, thousands)	Q3 2018	Q3 2019
Portfolio origination services	22,580	27,652
Portfolio management services	22,170	28,146
Portfolio advisory services	18,130	2,452
Interest income	6,093	5,276
Other revenue	692	(189)
Operating expenses	31,626	29,332
<b>Adjusted EBITDA</b>	<b>38,039</b>	<b>34,005</b>
Depreciation & amortization	740	1,416
Interest expense	9,751	5,857
Non-controlling interest in Kessler	4,700	315
<b>Adjusted operating income before tax (1)</b>	<b>22,848</b>	<b>26,417</b>

1. Excludes share-based compensation

# Operating Expenses

## KEY HIGHLIGHTS

- The decrease in operating expenses compared to Q3 2018 is primarily related to lower Kessler Group compensation costs
- Corporate operating expenses were up compared to our normalized run rate of ~\$5.0 - \$5.5 million per quarter due to costs related to the pursuit of strategic tuck-in M&A and other growth opportunities
- We continue to expect normal corporate operating expenses to be approximately \$20 million on an annualized basis

Operating Expenses (US\$, thousands)	Q3 2018	Q3 2019
Service Finance	5,616	8,031
Kessler Group	12,030	7,666
Triad	7,281	7,823
Corporate	6,699	5,812
<b>Total operating expenses</b>	<b>31,626</b>	<b>29,332</b>

# Discontinued Operations Highlights

## RAIL

- Rail assets of \$36 million at Q3
- Remaining rail assets are classified as held-for-sale and will be disposed of following the completion of scheduled retrofits (lessee responsible)

## AVIATION

- Total aviation assets declined from \$182 million at Q2 2019 to \$138 million at Q3 2019 reflecting continued asset sales and early customer payouts
- Aviation assets are classified as held-for-sale and the orderly elimination of substantially all of these assets remains on track

## OTHER

- C&V assets of \$11 million at Q3
- C&V assets are classified as held-for-sale and will be disposed of in due course

Rail (US\$, millions)	Q1 2019	Q2 2019	Q3 2019
Adjusted operating income before tax	-1.6	-0.5	-3.8

Aviation (US\$, millions)	Q1 2019	Q2 2019	Q3 2019
Adjusted operating income before tax	-1.2	-0.7	-0.6

## TOTAL ASSETS - DISCONTINUED OPS (US\$, billions)



# Closing Summary



# Closing Summary

## SUCCESSFUL OPERATING RESULTS

- Q3 2019 EPS of \$0.08 at high end of previous guidance of \$0.07-\$0.08
- 2019 EPS guidance range maintained at US\$0.25-US\$0.28
- 2020 EPS guidance range maintained at US\$0.35-US\$0.40
- Solid, clean quarter with positive earnings and no one-time charges
- SFC Solid Q3; Lennox volumes accelerated in Q3; balance sheet use declined to ~\$75 million
- KG Q3 on plan; revenue mix continues to shift to more predictable, recurring revenues
- Triad Q3 on plan; floorplan initiative continues to drive exceptional growth; taking market share

## CAPITAL MANAGEMENT

- Quarterly dividend raised by 25% to C\$0.025 (C\$0.10 annually)
- 2019-2020 NCIB reauthorized
- Senior credit facility extended to 2023

# Questions



# Appendix





# 2019 Guidance

## KEY HIGHLIGHTS

- Reiterate guidance from 2019 Investor Day
- Forecast 2019 total originations to increase by 24% - 40% vs. 2018
  - 2019 addressable home improvement market of more than \$130B
  - 2019 expected originations at the midpoint represents 1.3% of the addressable market
  - Top 5 originators, including SFC represent just ~8% of the addressable market; enormous market opportunity
- 2019 adjusted operating earnings before tax forecast to increase by 21% - 29% vs. 2018

Select Metrics (US\$, millions)	2018	2019 Forecast Range	
Originations	1,288	1,600	1,800
Managed & advised portfolio (period end)	1,768	2,500	2,700
Income Statement (US\$, millions)	2018	2019 Forecast Range	
Revenues	82	96	101
EBITDA	56.1	66	70
Adjusted operating income before tax	51.3	62	66
EBITDA margin	68%	~69%	~69%

# 2019 Guidance

## KEY HIGHLIGHTS

- Guidance raised in Q1 reflecting improved operating results
- Expanded strategic partnership agreement with significant long-term client performing ahead of expectations
- Expect Strategic Partnership vertical to continue to add new relationships and long-term contracts given current pipeline
  - KG ongoing total contracted annuity income ~\$200 million
- Risk-based marketing funding expected to generate net revenue of ~\$15 million in 2019

Income Statement (us\$, millions)	2018 <sup>1</sup>	2019 Forecast Range	
Revenue	62.2	86	90
EBITDA	35.7	46	49
Adjusted operating income before tax (100%)	34.3	44	48
Adjusted operating income before tax (ECN share)	26.4	42	46
EBITDA margin	~57%	~53%	~54%

1. 2018 results May 31 through December 31



# 2019 Guidance

## KEY HIGHLIGHTS

- Reiterate guidance from 2019 Investor Day
- Originations projected to grow 14% - 18% vs. 2018
- Floorplan initiatives showing progress on increased core MH market share
- Manufactured Housing Industry positioned for increasing shipment rates as an affordable housing solution
- Servicing penetration continues to rise leading to increased ongoing revenue streams
- Adjusted operating income growth of 11% - 26% vs. 2018
- Positioned to scale – margins continue to expand
- Financial partner demand continues to increase

Select Metrics (US\$ millions)	2018	2019 Forecast Range	
Total originations	525	600	620
Floorplan line utilized	78	100	110
Managed & advised portfolio (period end)	2,166	2,500	2,600
Income Statement (US\$ millions)	2018	2019 Forecast Range	
Revenue	49.6	55	60
EBITDA	21.9	26	30
Adjusted operating income before tax	19.9	22	25
EBITDA margin	44%	~47%	~50%

# Updated Consolidated 2019 Financial Forecast

## KEY HIGHLIGHTS

- Updated 2019 EPS range to \$0.25-\$0.28; +10% at the midpoint at Q1 2019
- Service Finance and Triad guidance reiterated
- KG ownership to 96%; guidance raised to \$42-\$46 million in Q1 2019
- ECN management streamlining and operating efficiencies drive reduced corporate opex
- Corporate interest increased due to line usage primarily to acquire the minority interest in KG
- Expected annual tax rate of 22% in 2019; No federal cash taxes paid in 2019

Adjusted Net Income (US\$, millions except per share amounts)	2019	
Service Finance	62	66
Kessler Group (96%)	42	46
Triad Financial Services	22	25
<b>Continuing Ops Adj Op Income before Tax</b>		<b>126</b>
Corporate operating expenses	(19)	(20)
Corporate depreciation	(2)	(2)
Corporate interest	(11)	(13)
<b>Total ECN adjusted operating income before tax</b>		<b>94</b>
Tax – Non-Cash	(21)	(23)
<b>Total ECN adjusted net income</b>		<b>74</b>
Preferred Dividends	(13)	(13)
<b>Adjusted net income (after pfds)</b>		<b>61</b>
<b>EPS US\$</b>	<b>\$0.25</b>	<b>\$0.28</b>



- Non-recourse origination fees are earned with no risk of adjustments for loan performance, interest rate changes, prepayment, etc.
- Recurring, high margin servicing revenue
- Focus on consumer protections and regulatory compliance
  - SFC operates and is licensed in all 50 states
  - Triad operates and is licensed in 47 states
  - Neither relies on the use of a 3<sup>rd</sup> party bank charter for federal pre-emption
  - Borrowers required to review truth in lending disclosures and execute loan documents
  - All borrowers receive a borrower verification call PRIOR to the funding of a loan confirming the consumer is satisfied and that they understand the terms and conditions of the loan

# Business Model Recap

ECN Business Services Companies	
<b>Clawback on Origination Fee/Transaction Fee</b>	None
<b>Servicing Fee Contribution</b>	Significant & Growing
<b>Recourse:</b>	
<b>Interest Rates</b>	None
<b>Prepayment</b>	None
<b>Loan Losses</b>	None
<b>Dealer Processing Fees</b>	None
<b>Loan Types</b>	Variety of rate, payment, and duration options
<b>Project Types</b>	All
<b>Licensing</b>	Nationally licensed