



## PROPEL REPORTS Q3 2021 FINANCIAL RESULTS

***Loans and Advances Receivable increased by 138%, Originations increased by 120%, Ending Combined Loan and Advance Balances increased by 150% and Revenue increased by 99%, all reaching record levels***

**TORONTO, ON, November 15, 2021** – Propel Holdings Inc. (“**Propel**” or the “**Company**”) (TSX: PRL) today reported its financial results for the three and nine month periods ending September 30, 2021 (“Q3 2021”). All amounts are expressed in U.S. dollars unless otherwise indicated.

### **Management Commentary**

“By delivering record originations, revenue and loan and advance balances in Q3 2021, we are well on our way to meeting our short term targets. With the recent implementation of variable pricing and graduation capabilities through our platform, as well as expansion of certain programs into new states over the course of the year, we have significantly increased the market that is able to be served by our platform. This places Propel in an excellent position to drive growth in Q4, historically our strongest quarter of the year, and over the short term, and importantly allows us to continue to fulfill on our mission of credit inclusion,” said Clive Kinross, Chief Executive Officer.

Mr. Kinross continued, “We have now been in operation for 10 years, and I have never been more confident about our future growth prospects. We have established bank partnerships, diversified funding sources, reliable credit decisioning from our proprietary underwriting model, new product and service offerings and greenfield markets to penetrate. I believe that we have laid the groundwork for continued long-term growth.”

### **Q3 2021 Financial and Operational Highlights**

#### ***Comparable metrics relative to Q3 2020***

- ***Loans and Advances Receivable:*** increased by 138% to \$77.2 million, a record ending balance
- ***Total Originations Funded:*** increased by 120% to \$55.8 million in Q3 2021, a record performance for quarterly originations, and increased by 144% to \$136.7 million for year-to-date Q3 2021
- ***Ending Combined Loan and Advance Balances:*** increased by 150% to \$96.8 million in Q3 2021, a record ending balance
- ***Revenue:*** increased by 99% to \$32.7 million in Q3 2021, and increased by 73% to \$88.5 million for year-to-date Q3 2021, representing record performance for both periods
- ***Net Income:*** decreased by 76% to \$0.6 million in Q3 2021, and increased by 4% to \$8.8 million for year-to-date Q3 2021
- ***Adjusted EBITDA:*** decreased 26% to \$5.0 million in Q3 2021, and increased 42% to \$22.7 million for year-to-date Q3 2021
- ***Cost of Debt Capital:*** decreased average interest rate to 9.2%, from 11.6%, in part through retirement of higher cost term loan at the end of Q2 2021
- ***Product structure additions:*** rolled out variable pricing and graduation capabilities through our platform, consistent with strategy of providing more competitive products and lower cost of credit to new and existing customers
- ***Geographic expansion:*** from Q1 to Q3 2021, facilitated expansion of bank programs into 4 and 3

new states through the MoneyKey and CreditFresh brands, respectively

### Highlights Subsequent to Q3 2021

- **Successful IPO:** raised gross proceeds of approximately C\$70 million (including the full exercise of the underwriters' over-allotment option)
- **Trading on TSX:** began trading on the Toronto Stock Exchange under the symbol "PRL"
- **Geographic expansion:** facilitated expansion of bank programs into 5 and 6 new states through the MoneyKey and CreditFresh brands, respectively
- **Dividend:** Declared its first dividend as a public company of CAD \$0.095 per share, to be paid on December 8, 2021

### Short Term Targets

The Company is maintaining the Short Term operational and financial targets for the 12 to 18 month period following June 30, 2021, disclosed in its IPO prospectus dated October 13, 2021.

<u>Operating and Financial Targets</u>	<u>Short Term Targets</u>
Ending Combined Loan and Advance Balances CAGR <sup>(1)</sup>	100%
Revenue Yield <sup>(1)</sup>	140% – 150%
Adjusted EBITDA Margin <sup>(1)</sup>	22% – 26%
Net Income Margin	8% – 10%

(1) See "Non-IFRS Financial Measures and Industry Metrics" in the Company's Management Discussion and Analysis

### Conference Call Details

The Company will be hosting a conference call and webcast later this morning with a presentation by Clive Kinross, Chief Executive Officer, and Sheldon Saidakovsky, Chief Financial Officer.

Q3 2021 conference call details are as follows:

Date: November 15, 2021  
Time: 8:30AM ET  
Conference ID: 6015799  
Toll free dial-in: (833) 989-2995  
International dial-in: (236) 714-4063  
Webcast: <https://onlinexperiences.com/Launch/QReg/ShowUUID=EA2692C5-9ED3-493E-A5B9-7D6B03450111>  
Replay: (800) 585-8367 or (416) 621-4642

## Discussion of Financial Results

	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2021	2020	% Change	2021	2020	% Change
Loans and Advances Receivable	77,216,368	33,282,125	132%	77,216,368	33,282,125	132%
Ending Combined Loan and Advance Balances <sup>(1)</sup>	96,841,777	38,735,070	150%	96,841,777	38,735,070	150%
Total Originations Funded <sup>(1)</sup>	55,786,711	25,340,129	120%	136,723,506	55,994,974	144%

(1) See "Non-IFRS Financial Measures and Industry Metrics" in the Company's Management Discussion and Analysis

Loans and Advances Receivable grew to \$77.2 million and Ending Combined Loan and Advance Balances reached \$96.8 million as at September 30, 2021 and the Company facilitated record Total Funded Originations for Q3 2021 and year-to-date Q3 2021. The growth was driven predominantly by the growth in the Bank Programs under the Company's CreditFresh brand which included the ramp up of our new bank partnership launched in Q2 2021, the ramp up of the MoneyKey Bank Service program launched last year, the roll-out of several new states through both the CreditFresh and MoneyKey brands, the general economic recovery as a result of easing of COVID-19 related restrictions, and the increased penetration of our more recent marketing partners and channels.

	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2021	2020	% Change	2021	2020	% Change
Revenue	32,742,895	16,468,013	99%	88,471,249	51,022,187	73%
Annualized Revenue Yield <sup>(1)</sup>	143%	191%	-25%	152%	202%	-25%

(1) See "Non-IFRS Financial Measures and Industry Metrics" in the Company's Management Discussion and Analysis

Revenue increased by 99% to \$32.7 million for Q3 2021 and increased 73% to \$88.5 million for year-to-date Q3 2021. Revenue generated over both the periods represent historical records for the Company. The growth in revenue is attributable to the growth in Ending Combined Loan and Advance Balances discussed above.

Annualized Revenue Yield for Q3 2021 decreased to 143% and to 152% for year-to-date Q3 2021. This reflects the growth of CreditFresh and the Bank Programs relative to Propel's legacy MoneyKey direct lending and CSO products and the general reduction of rates across products facilitated over Propel's platform. Products offered by our Bank Partners through the Bank Programs generally serve lower risk consumers when compared to Propel's legacy direct lending and CSO products offered under the MoneyKey brand.

	<u>Three Months Ended Sept 30,</u>			<u>%</u>	<u>Nine Months Ended Sept 30,</u>			<u>%</u>
	<u>2021</u>	<u>2020</u>	<u>Change</u>		<u>2021</u>	<u>2020</u>	<u>Change</u>	
Provision for loan losses and other liabilities	15,420,843	4,668,724	230%	33,175,000	13,618,114	144%		
Provision for loan losses and other liabilities as a % of revenue	47%	28%	66%	37%	27%	40%		
Net Charge-Offs as a % of Total Funded <sup>(1)</sup>	19%	8%	138%	18%	30%	-38%		

(1) See "Non-IFRS Financial Measures and Industry Metrics" in the Company's Management Discussion and Analysis

Provision for loan losses and other liabilities increased by 230% to \$15.4 million for Q3 2021 and increased 144% to \$33.2 million for year-to-date Q3 2021. The increases are primarily due to the growth in 2021 and atypically low demand and provisioning in Q2 2020 and Q3 2020 as a result of the early stages of the COVID-19 pandemic. This is further reflected in the increases in provision for loan losses and other liabilities as a % of revenue for both the Q3 and year-to-date periods in 2021.

Demand was especially muted in Q2 2020 and Q3 2020 because of a temporary reduction in consumer spending coupled with an increase in government stimulus. Also, out of prudence, underwriting was proactively tightened due to the market uncertainty which further reduced origination volumes. This led to exceptionally low provisioning as percentage of revenue in Q2 2020 and Q3 2020.

In periods of high growth, Propel experiences a higher provision for loan losses as new customers tend to have higher default rates relative to existing customers in the portfolio that have been consistently making payments. Also, under IFRS, the Company records loan loss provisions based on expected future credit losses as soon as a new loan is originated without matching revenue that is earned over the life of a loan. Demand is highest in the second half of the year beginning with the back-to-school period in Q3 and demand is particularly strong in Q4 during the holiday season, where origination volume is at its highest. In contrast, Q1 tends to be the lowest demand period driven in large part by the tax refund season. As such, provision for loan losses and other liabilities as a percentage of revenue is highest in Q3 and Q4 and lowest in Q1 in a normalized environment. As a result of COVID-19, Q2 and Q3 2020 were uncharacteristically low growth periods that, coupled with very strong credit performance, drove atypically low provision for loan losses and other liabilities as a % of revenue. 2021 has seen a gradual return in demand as the economy reopens and government stimulus packages are being wound down. As such, provision for loan losses and other liabilities as a % of revenue are more normalized for the 2021 periods considering the accelerated growth realized.

	<u>Three Months Ended Sept 30,</u>			<u>%</u>	<u>Nine Months Ended Sept 30,</u>			<u>%</u>
	<u>2021</u>	<u>2020</u>	<u>Change</u>		<u>2021</u>	<u>2020</u>	<u>Change</u>	
Net Income	626,044	2,566,736	-76%	8,775,498	8,463,160	4%		
Net Income as % of Revenue	2%	16%		10%	17%			
EBITDA <sup>(1)</sup>	2,849,359	5,168,345	-45%	18,517,389	16,659,605	11%		
EBITDA as % of Revenue	9%	31%		21%	33%			
Adjusted EBITDA <sup>(1)</sup>	5,008,050	6,753,265	-26%	22,748,623	15,992,244	42%		
Adjusted EBITDA as % of Revenue	15%	41%		26%	31%			

(1) See "Non-IFRS Financial Measures and Industry Metrics" in the Company's Management Discussion and Analysis

Net Income decreased by 76% to \$0.6 million for Q3 2021 and Adjusted EBITDA decreased by 26% to \$5.0 million. The increase in Revenue in Q3 2021 was offset primarily by higher provisioning in the higher growth period of the calendar third quarter as described above, the acquisition and data costs incurred through delivering record originations without a full period of revenue recognition, the increases in operating expenses to support the high growth, the uncharacteristic nature of Q3 2020 which resulted in much lower relative provisioning due to the factors described above as well as low acquisition and data and other operating expenses given the atypically low demand and origination volume.

Net Income increased by 4% to \$8.8 million for year-to-date Q3 2021 and Adjusted EBITDA increased by 42% to \$22.7 million. The growth in both profitability metrics is a function of overall business growth and a return of demand for the products offered over the Company's platform due to a more normalized operating environment, resulting in higher Ending Combined Loan and Advance Balances and Revenues. This growth has been offset in part by the higher provisioning discussed above and higher acquisition costs in periods of high growth.

Net Income for both the Q3 2021 and year-to-date Q3 2021 periods was more impacted by IFRS provisioning on new originations and accounts in good standing whereas an adjustment for this is made in the calculation of Adjusted EBITDA. Net Income was also impacted by non-recurring transaction expenses of \$0.3 million related to the Company's financings.

## **About Propel**

Propel is an innovative, online fintech company, committed to credit inclusion by providing fair, fast and transparent access to credit with exceptional service using its proprietary online lending platform. Through its operating brands, MoneyKey and CreditFresh, Propel is focused on providing access to credit to the over 60 million underserved U.S. consumers who struggle to access credit from mainstream credit providers. Propel's revenue growth and profitability have accelerated significantly over the past two years as Propel has been able to facilitate access to credit for an increasing number of consumers, helping them move forward in their credit journeys.

## **Forward-Looking Information**

Certain statements made in this news release may constitute forward-looking information under applicable securities laws. These statements may relate to our future financial outlook and anticipated events or results and include the reaffirmation of our short-term operating and financial targets, our ability to drive growth in Q4 and over the long-term. Such statements are based on management's reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this news release. However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors". Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Company's final initial public offering prospectus dated October 13, 2021 (the "Prospectus"). These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully. A copy of the Prospectus and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

Implicit in forward-looking statements in respect of the Company's expectations for: (i) Ending Combined Loan and Advance Balances CAGR; (ii) Revenue Yield; (iii) Adjusted EBITDA Margin; and (iv) Net Income Margin for the 12 to 18 month period following the date of the prospectus, are certain assumptions relating to the COVID-19 pandemic and related government subsidies, the regulatory landscape, our continued expansion of our Bank Partner relationships, the availability and cost of debt capital, the maintenance and expansion of our marketing partnerships and the overall macroeconomic environment, each as further set out in the Prospectus.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully

in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See “Risk Factors” in the Prospectus for a discussion of the uncertainties, risks and assumptions associated with these statements.

### **Non-IFRS Financial Measures and Industry Metrics**

This news release makes reference to certain non-IFRS financial measures and industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Such measures include “Adjusted EBITDA”, “EBITDA”, “Ending Combined Loan and Advance Balances”, “Net Charge-Offs”, “Net Charge-Offs as a Percentage of Total Funded” and “Total Originations Funded”. See “Key Components of Results of Operations” in the accompanying MD&A available on SEDAR.

For a reconciliation of the non-IFRS financial measures referenced herein, please see “Reconciliation of Non-IFRS Financial Measures” in this news release.

These non-IFRS financial measures and industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures and industry metrics in the evaluation of issuers. The Company’s management also uses non-IFRS financial measures and industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management and executive compensation. The key performance indicators used by the Company may be calculated in a manner different than similar key performance indicators used by other similar companies.

### **For further information, please contact:**

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## Reconciliation of Non-IFRS Financial Measures

The following table provides a reconciliation of our net income to EBITDA and to Adjusted EBITDA for the three- and nine-month periods ending September 30, 2021 and September 30, 2020:

(US\$)	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2021	2020	2021	2020
<b>Net Income</b>	<b>626,044</b>	<b>2,566,736</b>	<b>8,775,498</b>	<b>8,463,160</b>
Interest on Debt	1,212,845	902,706	4,124,761	2,888,953
Interest on lease liabilities	106,564	114,941	334,008	356,929
Amortization of intangible assets	493,375	441,239	1,529,846	1,236,002
Depreciation of property and equipment	25,186	38,211	87,191	127,064
Amortization of right-of-use assets	159,629	179,090	502,129	536,154
Income Tax Expense (Recovery)	225,716	925,422	3,163,956	3,051,343
<b>EBITDA</b>	<b>2,849,359</b>	<b>5,168,345</b>	<b>18,517,389</b>	<b>16,659,605</b>
Transaction Costs and Financing Costs	323,216	-	364,821	22,149
Provision for credit losses on current status accounts <sup>(1)</sup>	1,194,979	1,419,197	2,627,786	(274,066)
Provisions for CSO Guarantee liabilities and Bank Service Program liabilities	640,496	165,724	1,238,627	(415,444)
<b>Adjusted EBITDA</b>	<b>5,008,050</b>	<b>6,753,265</b>	<b>22,748,623</b>	<b>15,992,244</b>

Note: (1) Provision included for (i) loan losses on good standing current principal (Stage 1 — Performing) balances (see “Critical Accounting Estimates and Judgements — Loans and advances receivable” in the Company’s Management Discussion and Analysis).

The following table provides a reconciliation of our Ending Combined Loan and Advance Balances to loans and advances receivable for periods ending September 30, 2021, September 30, 2020, and December 31, 2020

(US\$)	As at Sept 30,		As at Dec 31,
	2021	2020	2020
<b>Ending Combined Loan and Advance balances</b>	<b>96,841,775</b>	<b>38,735,070</b>	<b>62,643,735</b>
Less: Loan and Advance balances owned by third party lenders pursuant to CSO program	(3,204,174)	(2,560,981)	(2,487,802)
Less: Loan and Advance balances owned by a NBFi pursuant to the MoneyKey Bank Service program	(9,519,178)	(280,498)	(3,316,385)
Loan and Advance owned by the Company	84,118,425	35,893,590	56,839,548
Less: Allowance for Credit Losses	(19,809,595)	(8,304,746)	(13,406,118)
Add: Fees and interest receivable	9,076,161	4,177,246	5,262,181
Add: Deferred acquisition and data costs	3,831,377	1,516,036	2,881,948
<b>Loans and Advance Receivables</b>	<b>77,216,368</b>	<b>33,282,125</b>	<b>51,577,558</b>