

## Propel Reports Record Results for Q3 2023 and Announces Dividend Increase

TORONTO--(BUSINESS WIRE)--November 7, 2023--Propel Holdings Inc. (“**Propel**” or the “**Company**”) (TSX: PRL), the fintech facilitating access to credit for underserved consumers, today reported another set of record financial results for the three months ended September 30, 2023 (“**Q3 2023**”). Propel also announced that its Board of Directors has approved an increase to its dividend from C\$0.40 to C\$0.42 per share on an annualized basis, effective Q4 2023. This represents an increase of 5% and the Company’s second dividend increase in 2023. All amounts are expressed in U.S. dollars unless otherwise stated.

### **Financial and Operational Highlights for Q3 2023 (Shown in U.S. Dollars)** **Comparable metrics relative to Q3 2022 and year-to-date Q3 2022, respectively**

- **Revenue:** increased by 39% to \$83.2 million in Q3 2023, and increased by 34% to \$220.5 million for year-to-date through Q3 2023, representing record performance for both periods
- **Adjusted EBITDA<sup>1</sup>:** increased by 113% to \$18.7 million in Q3 2023, and increased by 100% to \$53.9 million for year-to-date through Q3 2023, representing record performance for both periods
- **Net Income:** increased by 47% to \$6.2 million in Q3 2023, and increased by 91% to \$19.3 million for year-to-date through Q3 2023, representing record performance for a nine-month period ending Q3
- **Adjusted Net Income<sup>1</sup>:** increased by 123% to \$8.5 million in Q3 2023, and increased by 86% to \$25.4 million for year-to-date through Q3 2023, representing record performance for a nine-month period ending Q3
- **Diluted EPS<sup>2</sup>:** increased by 42% to \$0.17 (C\$0.22) in Q3 2023, and increased by 86% to \$0.53 (C\$0.71) for year-to-date through Q3 2023, representing record performance for a nine-month period ending Q3
- **Adjusted Diluted EPS<sup>1,2</sup>:** increased by 115% to \$0.23 (C\$0.31) in Q3 2023, and increased by 77% to \$0.69 (C\$0.93) for year-to-date through Q3 2023, representing record performance for a nine-month period ending Q3
- **Loans and Advances Receivable:** increased by 42% in Q3 2023 to \$236.0 million, a record ending balance
- **Ending Combined Loan and Advance Balances (“CLAB”)<sup>1</sup>:** increased by 44% in Q3 2023 to \$299.4 million, a record ending balance
- **Dividend:** Paid a Q3 2023 dividend of C\$0.10 per share on September 8, 2023, representing a 4.9% dividend yield against Propel’s closing share price on November 7, 2023

## Management Commentary

“We are proud to announce another strong quarter of record results in Q3 including record revenue, Adjusted EBITDA<sup>1</sup>, Total Originations Funded<sup>1</sup> and Ending CLAB<sup>1</sup>. Consistent with the second quarter, our growth in Q3 was driven by an increase in new customer originations which represented 51% of Total Originations Funded<sup>1</sup>. Based on our ongoing strong operational results and credit performance, confidence in our profitable growth prospects and cash flow generation as well as our solid financial position, we have made the decision to increase our dividend for the second time this year.

Propel was built on the belief that we can expand credit access to underserved consumers, while appropriately managing risk and driving sustainable and profitable growth through our AI-powered technology. Propel’s AI-powered technology has allowed us to grow our Ending CLAB<sup>1</sup> by 44% over last year while maintaining strong credit performance as shown by a decline in our provision for loan losses and other liabilities as a percentage of revenue to 52% in Q3 2023 from 54% in Q3 2022 and a decrease in Net Charge-Offs as a percentage of Average CLAB<sup>1</sup> to 12% in Q3 2023 from 14% in Q3 2022. The strong growth and credit performance was accomplished while we and our Bank Partners maintained a prudent approach to underwriting.

Looking ahead, we believe that our AI-powered technology and compliance first approach will continue to be the differentiator and driver of growth. Since going public two years ago, the macroeconomic environment has shifted and continues to be dynamic. Over the past two years, we’ve grown our revenues organically by 149% from \$88 million for the nine-months ended September 30, 2021 to \$220 million for the most recent nine-month period. We have demonstrated our ability to continue to maintain strong credit performance, while funding more underserved consumers. We are building a new world of financial opportunity for our consumers, partners and shareholders, and we’re just getting started” said Clive Kinross, Chief Executive Officer.

## Discussion of Financial Results and Business Strategy

- **Strong consumer demand and tightening of credit markets drives new customer growth in Q3**
  - Consumer demand supported by several factors including: the continued industry-wide transition from brick-and-mortar to online lending and the tightening across the credit spectrum, which increased the quality and volume of applications on Propel’s platform
    - Recent data from the Federal Reserve indicates that US banks continue to maintain tight lending standards on consumer loans and remain at the tightest levels since Q3 2020
  - Macroeconomic environment remained dynamic and consequently we and our Bank Partners remained vigilant with a prudent risk posture
- **CLAB<sup>1</sup> grew by 44% and revenue increased by 39% to reach new quarterly record**
  - Revenue increased by 39% to a record of \$83.2 million in Q3 2023, compared to \$59.7 million in Q3 2022. This growth was the result of the 44% growth in

CLAB<sup>1</sup>, offset by a decrease in Annualized Revenue Yield<sup>1</sup> to 116% in Q3 2023 from 123% in Q3 2022

- CLAB<sup>1</sup> grew to \$299.4 million, a record ending balance, and was supported by record Total Originations Funded<sup>1</sup> of \$110.3 million in Q3 2023, an increase of 13% from \$97.7 million in Q3 2022
- Decrease in Annualized Revenue Yield<sup>1</sup> was in line with expectations and a result of a reduction in the cost of credit across the portfolio as we and our Bank Partners continued expanding product offerings to a stronger credit profile consumer segment. This includes consumers who have graduated to lower cost products over time. We do note that Annualized Revenue Yield<sup>1</sup> increased relative to Q1 and Q2 2023 which was reflective of the continued emphasis on new customer volume
- **AI-powered technology continues to manage risk and drive profitability**
  - Propel's AI-powered underwriting technology can evaluate thousands of data points on each applicant to provide us a more comprehensive and current picture of their financial health. This is why Propel can facilitate loans to consumers where traditional lenders may have passed them over while maintaining prudent risk level.
  - Provision for loan losses and other liabilities as a percentage of revenue decreased to 52% in Q3 2023 from 54% in Q3 2022. This was partly driven by a decrease in year-over-year Net Charge-Offs as a Percentage of CLAB<sup>1</sup> to 12% in Q3 2023 from 14% in Q3 2022. This improvement was driven by strong credit performance facilitated by prudent underwriting and application of AI capabilities
- **Net income and Adjusted Net Income<sup>1</sup> increased due to overall growth, lower relative provisions, operating leverage and effective operating expense management**
  - Net income increased by 47% to \$6.2 million in Q3 2023, compared to \$4.2 million in Q3 2022 and Adjusted Net Income<sup>1</sup> increased by 123% to \$8.5 million in Q3 2023, compared to \$3.8 million in Q3 2022
    - Year-to-date net income increased by 91% to \$19.3 million and Adjusted Net Income<sup>1</sup> increased by 86% to \$25.4 million, both representing record performance for a nine-month period ending Q3
  - Growth in net income and Adjusted Net Income<sup>1</sup> was primarily a result of i) the overall growth of the business; ii) lower provision for loan losses and other liabilities as a percentage of revenue; iii) the inherent operating leverage in our business model from the infrastructure we've built out over the years; and iv) continued technology enhancements driving increased automation and efficiency in originations and loan servicing
- **Propel recognised as one of Canada's fastest growing companies by the Globe and Mail**
  - The Company placed in the top 10 within its revenue category of those companies with revenue over C\$250 million, and was No. 199 overall on the 2023 Report on Business ranking of Canada's Top Growing Companies
  - Propel earned this achievement by generating a three-year (2019-2022) revenue growth rate of 234%, which was accomplished all organically
- **Fora, our Canadian business continues to expand as a result of strong consumer demand**

- We continue to observe strong demand from Canadian consumers as traditional financial institutions continue to tighten underwriting, competition exits the market while demand from underserved consumers continues to increase
  - Recent data from TransUnion® showed that credit demand from prime and below consumers in Canada grew by 15% in Q2 2023 from Q2 2022
- On September 6, 2023, we launched Fora in Nova Scotia representing our 7<sup>th</sup> operational province
- We expect an update on the government's regulations regarding the lowering of the criminal rate of interest, including implementation timeline and potential exemptions, before the end of the year. As previously disclosed, we do not expect the change to have any impact on our guidance.
- While Fora currently represents a small percentage of the overall company's revenue, we are confident that we will establish a significant business in the Canadian market over time
- **Rollout of Pathward partnership in line with plan, with additional partners and channels expected to be onboarded by the end of the year**
  - Rollout has proceeded as expected, with the completion of the onboarding of the first group of Pathward customers in Q3
  - Similar to Fora, the Pathward program is expected to have a more meaningful impact to the Company's results in 2024 as the program expands
  - Propel is increasingly enthusiastic about the potential of the Lending-as-a-Service (LaaS) model and is actively exploring additional opportunities on both sides of the border
- **Solid financial position supports continued expansion of existing programs, growth initiatives and increased dividend**
  - The Company ended Q3 2023 with approximately \$116 million of undrawn credit capacity on its various credit facilities
  - Total Debt / Equity ratio of 1.8x at the end of Q3 2023, the same level at the end of 2022 despite the 21% growth in the Company's ending CLAB<sup>1</sup> during the nine months ended September 30, 2023

Note:

(1) See "Non-IFRS Financial Measures and Industry Metrics" and "Reconciliation of Non-IFRS Financial Measures" below. See also "Key Components of Results of Operations" in the accompanying Q3 2023 MD&A for further details concerning the non-IFRS financial measures and industry metrics used in this press release including definitions and reconciliations to the relevant reported IFRS measure.

(2) Results converted from USD to CAD assuming an exchange rate of USD/CAD \$1.341 and USD/CAD \$1.346 for the three-month and nine-month periods ending September 30, 2023, respectively.

## **Dividend Increase**

Propel also announced today that its board of directors has approved an increase to its dividend that represents an increase from C\$0.40 per common share to C\$0.42 per common share on an annualized basis. This 5% increase is the Company's second dividend increase in 2023 and represents a 5.2% dividend yield against Propel's closing share price on November 7, 2023. The board declared a dividend of C\$0.105 per common share, payable on December 5, 2023 to shareholders of record as of the close of business on November 21, 2023. The Company has designated this dividend as an eligible dividend within the meaning of the Income Tax Act (Canada).

## **Conference Call Details**

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

Conference call details are as follows:

|                          |  |
|--------------------------|--|
| Date:                    | Wednesday, November 8, 2023                      |
| Time:                    | 8:30 a.m. ET                                     |
| Toll-free North America: | 1-888-886-7786                                   |
| Local Toronto:           | 1-416-764-8658                                   |
| Conference ID:           | 86263795   |
| Webcast:                 | <a href="#">Click here</a>                       |
| Replay:                  | 1-877-674-7070 or 1-416-764-8692 (PIN: 263795 #) |

## **About Propel**

Propel Holdings (TSX: PRL) is the fintech company building a new world of financial opportunity for consumers, partners, and investors. Propel's operating brands — Fora Credit, CreditFresh and MoneyKey — and our Lending-as-a-Service product line facilitate access to credit for consumers underserved by traditional financial institutions. Through its groundbreaking AI-driven platform, Propel evaluates customers in a more comprehensive way than traditional credit scores can. The result is better products and an expanded credit market for consumers while creating sustainable, profitable growth for Propel. Our revolutionary fintech platform has already helped consumers access over one million loans and lines of credit and over one billion dollars in credit. At Propel, we are here to change the way customers, partners and investors succeed together. Learn more at [propelholdings.com](https://propelholdings.com)

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

This press 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", "Adjusted Net Income", "EBITDA" and "Ending CLAB". This press release also includes references to industry metrics such as "Annualized Revenue Yield" and "Total Originations Funded" which are supplementary measures under applicable securities laws. 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.

Definitions and reconciliations of non-IFRS financial measures to the relevant reported measures can be found in our accompanying MD&A available on SEDAR+. Such reconciliations can also be found in this press release under the heading "Reconciliation of Non-IFRS Financial Measures" below.

## **Forward-Looking Information**

Certain statements made in this press release may constitute forward-looking information under applicable securities laws. These statements may relate to our profitable growth prospects, our dividend, our AI-powered technology and compliance first approach continuing to be the differentiator and driver of our growth, the impact of Pathward®, N.A., Fora and Canadian government regulations' impact on our guidance, and our ability to profitably grow our business and facilitate access to credit to more and more underserved consumers. As the context requires, this may include certain targets as disclosed in the prospectus for our initial public offering, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of the Company's annual information form dated March 22, 2023 for the year ended December 31, 2022 (the "AIF"). A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

The Company cautions that the list of risk factors and uncertainties described in the AIF is not exhaustive and other factors could also adversely affect its 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. The forward-looking information contained in this press release represents our expectations as of the date of this press release (or as the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

## Selected Financial Information

| (US\$)   | Three Months Ended<br>Sept 30, |                    | Nine Months Ended<br>Sept 30, |                    |
|--|--------------------------------|--------------------|-------------------------------|--------------------|
|  | 2023                           | 2022               | 2023                          | 2022               |
| Revenue  | 83,171,747                     | 59,738,072         | 220,477,535                   | 164,335,709        |
| Provision for loan losses and other liabilities            | 43,187,285                     | 32,553,505         | 110,530,501                   | 87,265,435         |
| <b>Operating expenses</b>                                  |                                |                    |                               |                    |
| Acquisition and data                                       | 10,638,072                     | 6,186,628          | 26,921,920                    | 21,900,406         |
| Salaries, wages and benefits                               | 7,994,000                      | 6,870,706          | 22,647,417                    | 19,337,967         |
| General and administrative                                 | 2,135,332                      | 2,045,216          | 6,248,909                     | 6,055,527          |
| Processing and technology                                  | 3,101,982                      | 2,561,008          | 7,898,598                     | 7,452,001          |
| <b>Total operating expenses</b>                            | <b>23,869,386</b>              | <b>17,663,558</b>  | <b>63,716,844</b>             | <b>54,745,901</b>  |
| <b>Operating income</b>                                    | <b>16,115,076</b>              | <b>9,521,009</b>   | <b>46,230,189</b>             | <b>22,324,373</b>  |
| Other income (expenses)                                    |                                |                    |                               |                    |
| Interest and fees on credit facilities                     | (5,943,899)                    | (2,714,756)        | (16,010,677)                  | (5,737,791)        |
| Interest expense on lease liabilities                      | (86,260)                       | (92,240)           | (252,485)                     | (292,845)          |
| Amortization of internally developed software              | (835,343)                      | (607,419)          | (2,436,003)                   | (1,804,475)        |
| Depreciation of property and equipment                     | (50,186)                       | (44,844)           | (145,700)                     | (111,657)          |
| Amortization of right-of-use assets                        | (191,001)                      | (149,187)          | (515,164)                     | (463,649)          |
| Foreign exchange gain (loss)                               | (274,579)                      | 39,669             | (285,496)                     | 156,653            |
| Unrealized gain (loss) on derivative financial instruments | (280,156)                      | (299,984)          | (216,814)                     | (407,812)          |
| <b>Total other income (expenses)</b>                       | <b>(7,661,424)</b>             | <b>(3,868,761)</b> | <b>(19,862,339)</b>           | <b>(8,661,576)</b> |
| <b>Income before transaction costs and income tax</b>      | <b>8,453,652</b>               | <b>5,652,248</b>   | <b>26,367,850</b>             | <b>13,662,797</b>  |
| Income tax expense (recovery)                              |                                |                    |                               |                    |
| Current  | 4,672,134                      | 2,781,087          | 10,418,885                    | 5,702,002          |
| Deferred   | (2,390,443)                    | (1,322,470)        | (3,343,272)                   | (2,122,467)        |
| <b>Net Income for the period</b>                           | <b>6,171,961</b>               | <b>4,193,631</b>   | <b>19,292,237</b>             | <b>10,083,262</b>  |
| Earnings per share (\$USD):                                |                                |                    |                               |                    |
| Basic  | 0.18                           | 0.12               | 0.56                          | 0.29               |
| Diluted  | 0.17                           | 0.12               | 0.53                          | 0.28               |
| Earnings per share (\$CAD): <sup>1</sup>                   |                                |                    |                               |                    |
| Basic  | 0.24                           | 0.16               | 0.76                          | 0.38               |
| Diluted  | 0.22                           | 0.15               | 0.71                          | 0.36               |
| Dividends:   |                                |                    |                               |                    |
| Dividends  | 2,514,003                      | 2,484,108          | 7,469,803                     | 7,626,807          |
| Dividends per share  | 0.073                          | 0.072              | 0.218                         | 0.222              |

(1) Results converted from USD to CAD assuming an exchange rate of USD/CAD \$1.341 and USD/CAD \$1.346 for the three-month and nine-month periods ending September 30, 2023, respectively and assuming an exchange rate of USD/CAD \$1.306 and USD/CAD \$1.283 for the three-month and nine-month periods ending September 30, 2022, respectively.

## Reconciliation of Non-IFRS Financial Measures

The following table provides a reconciliation of Propel's net income to EBITDA<sup>1</sup> and Adjusted EBITDA<sup>1</sup>:

| (US\$ other than percentages)   | Three Months Ended<br>Sept 30, |             | Nine Months Ended<br>Sept 30, |            |
|---|--------------------------------|-------------|-------------------------------|------------|
|   | 2023                           | 2022        | 2023                          | 2022       |
| Net Income  | 6,171,961                      | 4,193,631   | 19,292,237                    | 10,083,262 |
| Interest and fees on credit facilities  | 5,943,899                      | 2,714,756   | 16,010,677                    | 5,737,791  |
| Interest expense on lease liabilities   | 86,260                         | 92,240      | 252,485                       | 292,845    |
| Amortization of internally developed software                                 | 835,343                        | 607,419     | 2,436,003                     | 1,804,475  |
| Depreciation of property and equipment  | 50,186                         | 44,844      | 145,700                       | 111,657    |
| Amortization of right-of-use assets   | 191,001                        | 149,187     | 515,164                       | 463,649    |
| Income Tax Expense (Recovery)   | 2,281,691                      | 1,458,617   | 7,075,613                     | 3,579,535  |
| EBITDA <sup>1</sup>   | 15,560,341                     | 9,260,694   | 45,727,879                    | 22,073,214 |
| EBITDA margin <sup>1</sup> as a % of revenue                                  | 19%                            | 16%         | 21%                           | 13%        |
| Provision for credit losses on current status accounts <sup>2</sup>           | 2,769,749                      | 1,023,894   | 5,461,937                     | 5,203,747  |
| Provisions for CSO Guarantee liabilities and Bank Service Program liabilities | 326,633                        | (1,531,659) | 2,719,596                     | (279,142)  |
| Adjusted EBITDA <sup>1</sup>  | 18,656,723                     | 8,752,929   | 53,909,412                    | 26,997,819 |
| Adjusted EBITDA margin <sup>1</sup> as a % of revenue                         | 22%                            | 15%         | 24%                           | 16%        |

(1) See "Non-IFRS Financial Measures and Industry Metrics".

(2) Provision included for (i) loan losses on good standing current principal (Stage 1 — Performing) balances (see "Critical Account Policies and Estimates — Loans and advances receivable" in the accompanying Q3 2023 MD&A).

The following table provides a reconciliation of Propel's Net Income to Adjusted Net Income<sup>1</sup> and Adjusted Net Income margin<sup>1</sup>:

| (US\$ other than percentages)   | Three Months Ended<br>Sept 30, |             | Nine Months Ended<br>Sept 30, |            |
|---|--------------------------------|-------------|-------------------------------|------------|
|   | 2023                           | 2022        | 2023                          | 2022       |
| Net Income  | 6,171,961                      | 4,193,631   | 19,292,237                    | 10,083,262 |
| Provision for credit losses on current status accounts net of taxes <sup>2</sup>                        | 2,077,312                      | 759,730     | 4,096,453                     | 3,831,921  |
| Provisions for CSO Guarantee liabilities and Bank Service Program liabilities net of taxes <sup>2</sup> | 244,975                        | (1,136,491) | 2,039,697                     | (215,890)  |
| Adjusted Net Income <sup>1</sup> for the period   | 8,494,247                      | 3,816,870   | 25,428,386                    | 13,699,292 |
| Adjusted Net Income Margin <sup>1</sup>   | 10%                            | 6%          | 12%                           | 8%         |

(1) See "Non-IFRS Financial Measures and Industry Metrics".

(2) Each item is adjusted for after-tax impact, at an effective tax rate of 25.0% for the three months and nine months ended September 30, 2023 and at an effective tax rate of 26.5% for the three months and nine months ended September 30, 2022.

The following table provides a reconciliation of Propel's Ending CLAB<sup>1</sup> to loans and advances receivable:

| (US\$)  | As at Sept 30, |              | As at Dec    |
|---|----------------|--------------|--------------|
|   | 2023           | 2022         | 31,<br>2022  |
| Ending Combined Loan and Advance balances <sup>1</sup>  | 299,374,790    | 208,380,160  | 247,488,344  |
| Less: Loan and Advance balances owned by third party lenders pursuant to CSO program          | (3,288,230)    | (3,171,971)  | (2,988,636)  |
| Less: Loan and Advance balances owned by a NBFJ pursuant to the MoneyKey Bank Service program | (31,132,413)   | (20,571,559) | (21,088,522) |
| Loan and Advance owned by the Company   | 264,954,147    | 184,636,630  | 223,411,186  |
| Less: Allowance for Credit Losses   | (58,812,754)   | (39,632,397) | (49,844,370) |
| Add: Fees and interest receivable   | 25,170,297     | 18,304,278   | 19,265,893   |
| Add: Acquisition transaction costs  | 4,695,208      | 2,960,475    | 2,795,722    |
| Loans and advances receivable   | 236,006,898    | 166,268,986  | 195,628,431  |

(1) See "Non-IFRS Financial Measures and Industry Metrics".

## Contacts

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