

## Accord Announces Third Quarter Financial Results

TORONTO--(BUSINESS WIRE)--November 14, 2023--Accord Financial Corp. (“Accord” or the “Company”) (TSX – ACD) today released its financial results for the third quarter ended September 30, 2023. The financial figures presented in this release are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards.

### *Third Quarter Financial Results*

<b>SUMMARY OF FINANCIAL RESULTS</b>	<b>Three Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Finance Receivables and Loans (Sept 30) (millions)</b>	<b>494</b>	<b>457</b>
<b>Revenue (000s)</b>	<b>19,430</b>	<b>16,452</b>
<b>Net earnings (loss) attributable to shareholders (000s)</b>	<b>(8,806)</b>	<b>1,831</b>
<b>Adjusted net earnings (loss) (000s) (note)</b>	<b>(8,271)</b>	<b>1,926</b>
<b>Earnings (loss) per common share (basic and diluted)</b>	<b>(1.03)</b>	<b>0.21</b>
<b>Adjusted earnings (loss) per common share (basic and diluted)</b>	<b>(0.97)</b>	<b>0.23</b>
<b>Book value per share (Sept 30)</b>	<b>\$10.76</b>	<b>\$12.34</b>

Driven by portfolio growth and higher average yields, revenue rose 18.1% year-over-year to \$19.4 million in the third quarter. While key growth metrics, and the balance sheet, remain strong, a significant provision for credit and loan losses, rising interest costs, and one-time debenture restructuring expenses, contributed to a net loss attributable to shareholders of \$8.8 million, bringing the year-to-date loss to \$7.1 million (\$1.03 per common share), down from net earnings of \$5.3 million (62 cents per common share) in the first nine months of 2022.

The Company’s President and CEO, Mr. Simon Hitzig, highlighted a recent post-Q3 event included in the financial statements: “Accord’s third quarter results have been impacted by an additional provision for loan losses related to a single borrower,” he noted.

Over the last two weeks the Company uncovered irregularities in collateral reporting by a borrower related to its \$14.4 million revolving loan. Accord immediately commenced a comprehensive investigation and implemented strict on-premises oversight of the borrower’s operations, including financial controls. This work is ongoing. Based on the information available at this time, Accord recorded a third quarter provision for credit and loan losses of \$11.4 million related to this account. This provision is also reflected in the allowance for credit losses on the balance sheet. The allowance for losses will be adjusted as more information becomes available and to reflect repayment from realized collateral and other potential sources of funds.

“We continue to focus on our comprehensive review of this case involving a single borrower and are pursuing all avenues for repayment,” Mr. Hitzig said, adding: “Overall, Accord’s portfolio continued to grow through the third quarter, as business conditions have shifted in favor of non-bank lenders, and Accord’s collateral-based product mix specifically.” The Company’s finance receivables and loans grew to \$493.6 million at September 30, 2023, up 9.0% since the start of the year.

The reduction in our shareholders’ equity resulting from the third quarter net loss may impact the Company’s current pace of portfolio growth. Accordingly, to strengthen the Company’s capital base in this environment, the Company’s Board of Directors has suspended its quarterly dividend, which will be reassessed in the normal course going forward.

The third quarter provision for credit and loan losses was \$14.4 million, or \$3.0 million excluding the account under review, compared to \$1.1 million during the same quarter last year. Within the provision, \$13.2 million boosts the Company’s allowance for future losses to \$20.1 million at September 30, 2023, compared to \$8.2 million at the start of the year. With this provision and allowance, and related impact on earnings, book value per common share slipped to \$10.76, compared to \$11.80 at the start of the year.

During the third quarter the Company also took an important step to ensure effective funding as the current growth phase unfolds. At a special meeting held on August 10<sup>th</sup>, more than 80% of Accord’s debenture holders voted in support of extending \$20.7 million of convertible debentures, set to mature at the end of 2023, to January 31, 2026. Carrying a 10% interest rate, the debentures were amended to remove the conversion feature, providing significant non-dilutive capital into early 2026.

Looking ahead, Mr. Hitzig added, “While the account under review is a significant event today, we look forward to continuing the Company’s long history of delivering much-needed capital to small and medium-sized companies, while maintaining the Company’s financial strength.”

### **About Accord Financial Corp.**

Accord is North America’s most dynamic commercial finance company providing fast, versatile financing solutions for companies in transition including asset-based lending, factoring, equipment leasing, inventory finance, trade finance and film/media finance. By leveraging our unique combination of financial strength, deep experience and independent thinking, we craft winning financial solutions for small and medium-sized businesses, simply delivered, so our clients can thrive. For 45 years, Accord has helped businesses manage their cash flows and maximize opportunities.

### **Note: Non-IFRS measures**

The Company’s financial statements have been prepared in accordance with IFRS. The Company uses a number of other financial measures to monitor its performance and believes that these measures may be useful to investors in evaluating the Company’s operating performance and financial position. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency between companies using these measures and are, therefore, considered to be non-IFRS measures. The non-IFRS measures presented in this press release are as follows:

- 1) Adjusted net earnings and adjusted EPS. The Company derives these measures from amounts presented in its IFRS prepared financial statements. Adjusted net earnings comprise shareholders’ net earnings before stock-based compensation, business acquisition expenses (transaction and integration costs and amortization of intangible assets) and restructuring expenses. Adjusted EPS (basic and diluted) is adjusted net earnings divided by the weighted average number of common shares outstanding (basic and diluted) in the period. Management believes adjusted net earnings is a more appropriate measure of operating performance as it excludes items which do not relate to ongoing operating activities. The following table provides a reconciliation of the Company’s net earnings to adjusted net earnings:

	<b>Three Months Ended Sept 30</b>	
	<b>2023</b>	<b>2022</b>
	\$’000	\$’000
Shareholders’ net earnings	(8,805)	1,831
Adjustments, net of tax:		
Stock-based compensation	46	73
Business acquisition expenses	25	22
Restructuring expenses	464	0
Adjusted net earnings	<u>(8,271)</u>	<u>1,926</u>

- 2) Book value per share – book value is shareholders’ equity and is the same as the net asset value (calculated as total assets minus total liabilities) of the Company less non-controlling interests. Book value per share is the book value or shareholders’ equity divided by the number of common shares outstanding as of a particular date.

- 3) Funds employed are the Company’s finance receivables and loans, an IFRS measure. Average funds employed are the average finance receivables and loans calculated over a particular period.

## **Forward-Looking Statements**

This news release contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "plans" or similar terminology. Forward-looking statements in this news release include, but are not limited to, statements, management's beliefs, expectations or intentions regarding the financial position of the Company, the collectability of the account under investigation described above, the effect the foregoing may have on the funding available to maintain the Company's current pace of portfolio growth, and the duration of the suspension of the quarterly dividend. Forward-looking statements are based on forecasts of future results, estimates of amounts not yet determinable and assumptions that while believed by management to be reasonable, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements are subject to various risks and uncertainties including risks associated with the collectability of the account under investigation, the ability of the Company to reinstate dividends and those risks identified in the Accord's periodic filings with Canadian securities regulators. See Accord's most recent annual information form and most recent management's discussion and analysis of results of operations and financial condition for a detailed discussion of the risk factors affecting Accord. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

## **Contacts**

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