



## **CHESSWOOD ANNOUNCES STRONG FIRST QUARTER 2021 RESULTS AND A 50% DIVIDEND INCREASE**

TORONTO, May 6, 2021 – Chesswood Group Limited (“Chesswood” or the “Company”) (TSX: CHW), a publically traded North American commercial equipment finance provider for small and medium-sized businesses, today reported its results for its first quarter ended March 31, 2021. At quarter end, Chesswood had 17.6 million shares outstanding (giving effect to the exchange of the currently outstanding 1.4 million exchangeable shares) and a total market capitalization of \$164.5 million.

### **Q1 2021 Highlights**

- *Gross finance receivables at quarter end of \$930 million, up 5% from Q4 2020. Originations for the month of March reach \$50+ million*
- *Strong portfolio performance as a result of reduced loan delinquencies, required provisions and charge-offs*
- *Growth in earnings, up 160% from Q4 2020, to \$0.36 per share*
- *Dividend rate increased 50% to \$0.36 per share annualized*
- *Subsequent to quarter end, announced and completed a merger of Chesswood’s Canadian business (Blue Chip Leasing) with Vault Credit Corporation*

“The first quarter benefited from strong portfolio performance on the back of strong recoveries and low loan delinquencies. The impact of COVID has largely made its way through our loan portfolio and we expect this strong performance to continue throughout the year” said Chesswood CEO Ryan Marr. “In addition, first quarter originations rose throughout the period, reaching their peak in March. We expect to see continued strength in Q2 and expect strong overall growth for the year. For the first quarter, the company generated earnings of \$6.3 million, or \$0.36 per share.”

“Momentum in our business along with strong earnings performance has led us to increase our dividend rate by 50%, to \$0.36 per share annualized. As we move forward, Chesswood will adjust its dividend to target a payout ratio of 40%, retaining additional earnings to support growth plans.” said Ryan Marr.

“Subsequent to quarter end, we announced and completed the merger of Vault Credit Corporation (VCC) with our Canadian business entity, Blue Chip Leasing. The merged entity has approximately \$300 million of receivables, positioning the business as one of the largest independent equipment finance companies in Canada. We are excited by the combination, which leverages Chesswood’s strong balance sheet with VCC’s strong originations pipeline in Canada.”

### **Summary of First Quarter Results**

The Company reported consolidated net income of \$6.3 million in the quarter ended March 31, 2021 compared to a net loss of \$19.8 million in the first quarter of 2020, an increase of \$26.1 million year-over-year. Charges incurred in 2020 related to COVID-19 induced non-cash goodwill, restructuring and other transaction costs primarily account for the difference. On a constant currency basis, net income would have been \$0.4 million higher for the quarter (or \$0.02 per share).

The U.S. Equipment Finance segment (Pawnee Leasing and Tandem Finance) reported interest revenue on leases and loans of \$20.6 million and ancillary and other income of \$2.6 million, a total decrease of \$6 million year on year. The decrease is a result of a smaller average portfolio, lower transaction volume as well as an increasing weighting of prime receivables.

The Canadian Equipment Finance segment reported interest revenue on leases and loans of \$2.3 million and ancillary and other income of \$800,000, a total decrease of \$1.0 million year on year. The decrease is the result of a smaller average portfolio and lower transaction volume throughout 2020.

Overall operating costs were up \$300,000 year over year to \$10.5 million. Operating expenses were up modestly due to the increase in average full time employees for the period to support origination growth

Free cash flow for the period was \$3.8 million, down \$400,000 from Q1 2020. The decline in free cash flow is the result of higher tax levels and timing differences between portfolio net charge-offs and loss provisioning. Excluding this impact, free cash flow would have been \$1.4 million higher for the quarter. In addition to these items, on a constant currency basis, free cash flow would have been \$0.3 million higher for the quarter. Free cash flow is expected to meaningfully rise in Q2 and the remainder of the year.

## Outlook

We continue to see strong pent-up demand in 2021, and expect our originations to continue to grow in the first month of Q2. Our teams at Pawnee and Tandem continue to expect record lease and loan volumes for the year. As a result, our goal continues to be to originate \$650 million in new leases and loans.

The integration of Blue Chip and Vault Credit Corporation is expected to be completed in the second quarter of 2021. The offices have already been consolidated and both teams are working off the same operating system. We look forward to providing more detail on the combined business in Q2.

Financial Highlights (in CDN \$000's, except EPS)	For the Three Months Ended March 31	
	2021	2020
Revenue	\$26,309	\$33,313
Interest expense	(5,895)	(8,063)
Net charge-offs	(4,899)	(8,888)
	15,515	16,362
Expenses:		
Personnel	(5,699)	(5,380)
Other expenses	(4,805)	(4,902)
Depreciation	(238)	(300)
<b>Adjusted Operating Income<sup>(1)</sup></b>	<b>\$4,773</b>	<b>\$5,780</b>
Decrease/(Increase) in Allowance for Credit Losses	4,439	(15,315)
Amortization – intangible assets	(333)	(333)
<b>Operating income (loss)</b>	<b>8,879</b>	<b>(9,868)</b>
Goodwill and intangible assets impairment	-	(11,868)
Mark-to-market adj. on swaps/caps	126	(598)
Other non-cash items	(26)	(193)
<b>Income (loss) before taxes</b>	<b>\$8,979</b>	<b>\$(22,527)</b>
<b>Net income (loss)</b>	<b>\$6,313</b>	<b>\$(19,827)</b>
<b>Earnings Per Share - basic</b>	<b>\$0.36</b>	<b>\$(1.12)</b>
<b>Free Cash Flow</b>	<b>\$3,756</b>	<b>\$4,243</b>
Free Cash Flow Per Share - basic	\$0.23	\$0.21

(1) - See "Non-GAAP Measures" below.

## NON-GAAP MEASURES

Adjusted Operating Income and Free Cash Flow are not recognized measures under International Financial Reporting Standards and do not have a standard meaning. Accordingly, these measures may not be comparable to similar measures presented by other issuers. Please refer to the Company's Management Discussion and Analysis in Chesswood's 2021 First Quarter Report for additional information concerning these measures and a reconciliation of these measures to the Company's consolidated income before taxes.

## ABOUT CHESSWOOD

Through three wholly-owned subsidiaries in the U.S. and Canada, Chesswood Group Limited is North America's only publicly-traded commercial equipment finance company focused on small and medium-sized businesses. Our Colorado-based Pawnee Leasing Corporation, founded in 1982, finances a highly diversified portfolio of commercial equipment leases and loans through relationships with over 600

independent brokers in the U.S. Tandem Finance Inc. provides equipment financing to small and medium-sized businesses in the U.S. through the equipment vendor channel. In Canada, Blue Chip Leasing Corporation (which, as noted above, has recently been merged with Vault Credit Corporation) has been originating and servicing commercial equipment leases and loans since 1996, and today operates through a nationwide network of more than 50 independent brokers. Based in Toronto, Canada, Chesswood's shares trade on the Toronto Stock Exchange under the symbol CHW.

Learn more at: [www.Chesswoodgroup.com](http://www.Chesswoodgroup.com) [www.PawneeLeasing.com](http://www.PawneeLeasing.com) [www.BlueChipLeasing.com](http://www.BlueChipLeasing.com) and [www.TandemFinance.com](http://www.TandemFinance.com)

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