



First Quarter 2018

Financial Results



MAY 10, 2018

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Disclaimer

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Call Agenda

STRATEGIC UPDATE

OPERATING HIGHLIGHTS

Business Services

- Home Improvement
- Manufactured Housing

Legacy Business

- Rail & Aviation Finance

CONSOLIDATED FINANCIAL SUMMARY

KESSLER TRANSACTION

TRANSACTION IMPACT

QUESTIONS

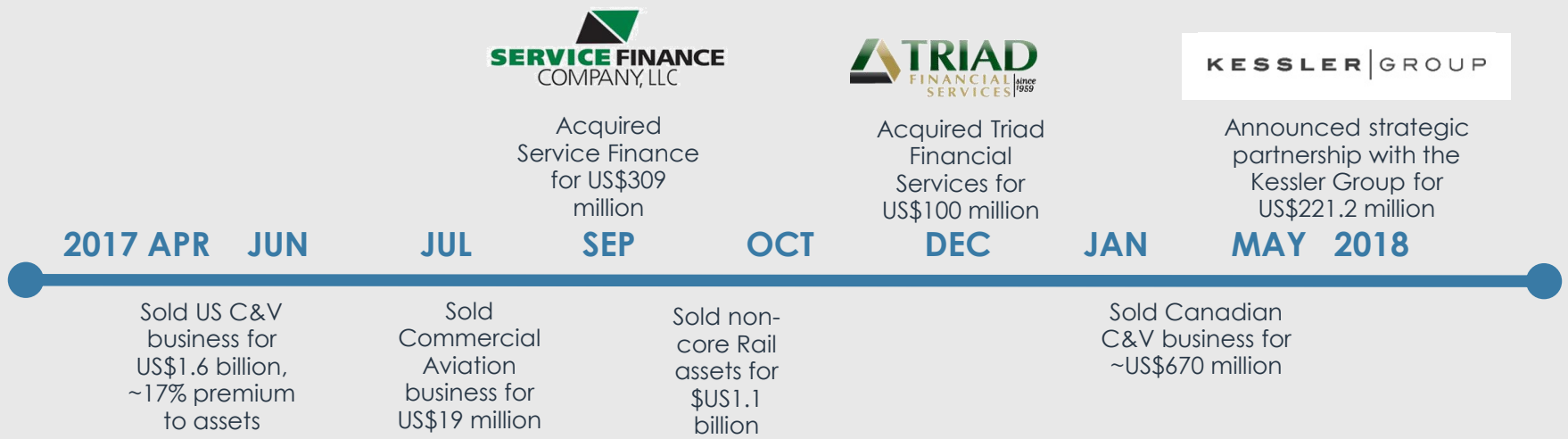
STRATEGIC UPDATE



Strategic Timeline

The Kessler partnership marks the completion of ECN's two year strategic transition

- Harvested capital through five completed sales transactions, >2% premium on book assets and >10% premium on equity
- Two business services acquisitions closed & KG partnership announced



Strategic Plan

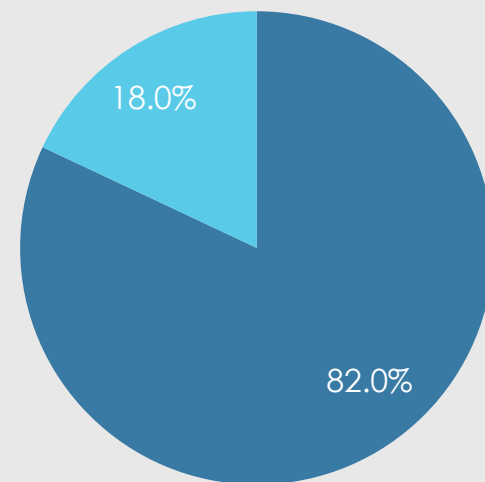
Asset-based Lender to Business Services Firm - COMPLETE

- Transition from a direct lender to a leading business services company providing lending and credit services to US financial institutions is complete
 - Three scalable business services platforms in Service Finance, Triad and The Kessler Group
 - 82% of 2019 revenue from fee based services to 90+ financial institutions; 78% in Q3 2017, 79% in Q4 2018
 - Manager, advisor and servicer on \$29+ billion of consumer credit assets

Legacy Business Capital Redeployment – ~65% COMPLETE

- Orderly redeployment of remaining legacy business capital
 - In addition to \$775 million harvested to date, legacy businesses have remaining capital of \$450 million
 - Expect substantial completion of redeployment by the end of 2019
 - Organic growth opportunities within three core verticals
 - Allocation of capital – opportunistic acquisitions, repurchase + dividends
 - Maintain investment grade ratings

ECN CAPITAL 2019 EST REVENUES



■ Business Services ■ Legacy Business

1. Management fees & Kessler annuities

Strategic Plan

Right sizing capital, operations and expenses - UNDERWAY

- Right sizing capital and operations to business services platform
 - Returned significant capital through SIB & NCIB (C\$217 million, ~15% of shares outstanding)
 - NCIB remains a valuable capital allocation tool
 - Expense reduction commitment and actions continue (see slide 25)

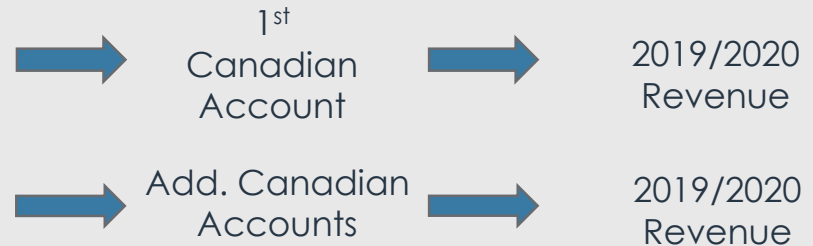
ECN committed to realizing synergies between platforms - UNDERWAY

- ECN resources and relationships driving additional bank relationships (see slide 9)
 - ECN converting its bank relationships into SFC, Triad and Kessler customers
 - Cross-selling bank relationships between platforms
 - Back office best practices shared between businesses

Strategic Value Creation

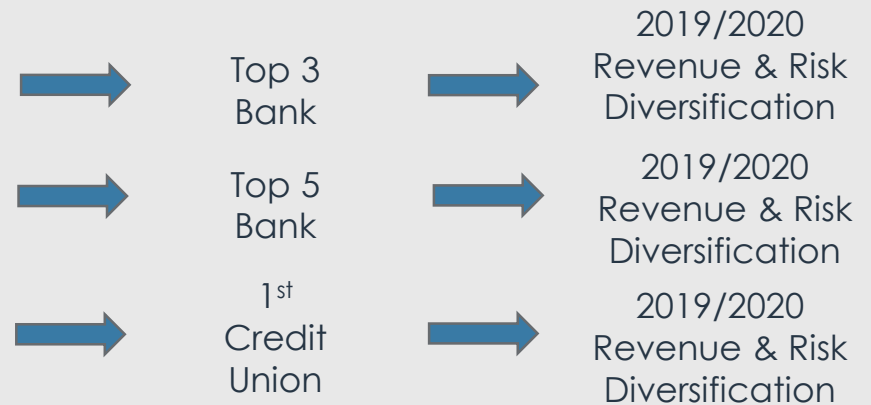
KESSLER | GROUP

- Canadian bank from ECN's senior line has joined as a Kessler risk-based marketing customer
- Other bank partners in discussion



SERVICE FINANCE
COMPANY, LLC

- A US bank from ECN's senior line is joining SFC as a bank partner
- Canadian banks from ECN's senior line in discussions with SFC as possible bank partners
- Triad credit union in due diligence to join SFC as a funding partner



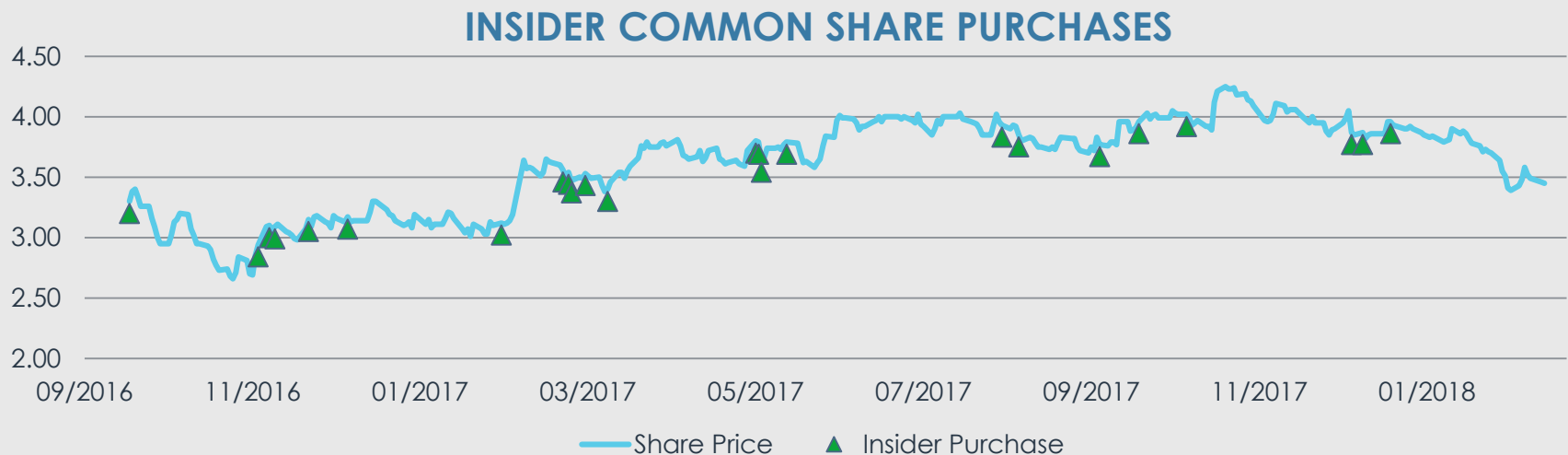
TRIAD
FINANCIAL SERVICES
Since 1959

- Agreement to use components of SFC's paperless back-office
- Launch of floorplan – drives core services



Management Aligned

- At the end of Q1, employees and board members owned approximately 11% of the company, including shares, options and PSUs
- Management and insiders have been consistent buyers of shares
- Corporate senior leader compensation and pension arrangements are tied to performance metrics
- Newly acquired businesses have 5-year deferred purchase price earn-out plans with prescribed ROAE targets



OPERATING HIGHLIGHTS

- Business Services
 - Home Improvement
 - Manufactured Housing
- Legacy Business
 - Rail & Aviation Finance



Business Services

- Home Improvement
- Manufactured Housing





Home Improvement

KEY HIGHLIGHTS

- Total originations for the quarter increased 79% over Q1-2017
- Total originations include new solar program launched in the first quarter
- EBITDA was \$8.8 million in Q1 2018, +66% year over year
 - As previously disclosed, revenue yields will vary by channel
 - Originations under the solar program have a lower fee structure than our core business but add incremental profitability
 - Operating margins impacted by increased expenses related to the development and roll-out of new origination partners
- Robust dealer growth continues
 - Adding ~170 new dealers per month

Select Metrics (US\$, MM)	Q1 2017	Q1 2018
Originations	135.1	241.7
Period end managed assets	748.1	1,217.8
EBITDA	5.3	8.8
Adjusted operating income before tax	5.3	8.4

Guidance Announced December 14, 2017 (US\$, MM)	2018
Total originations	1,365
Core originations	1,135
New channel originations	230
Managed assets (year-end)	1,860
Revenue	81
EBITDA	59
Adjusted operating income before tax	55



Home Improvement

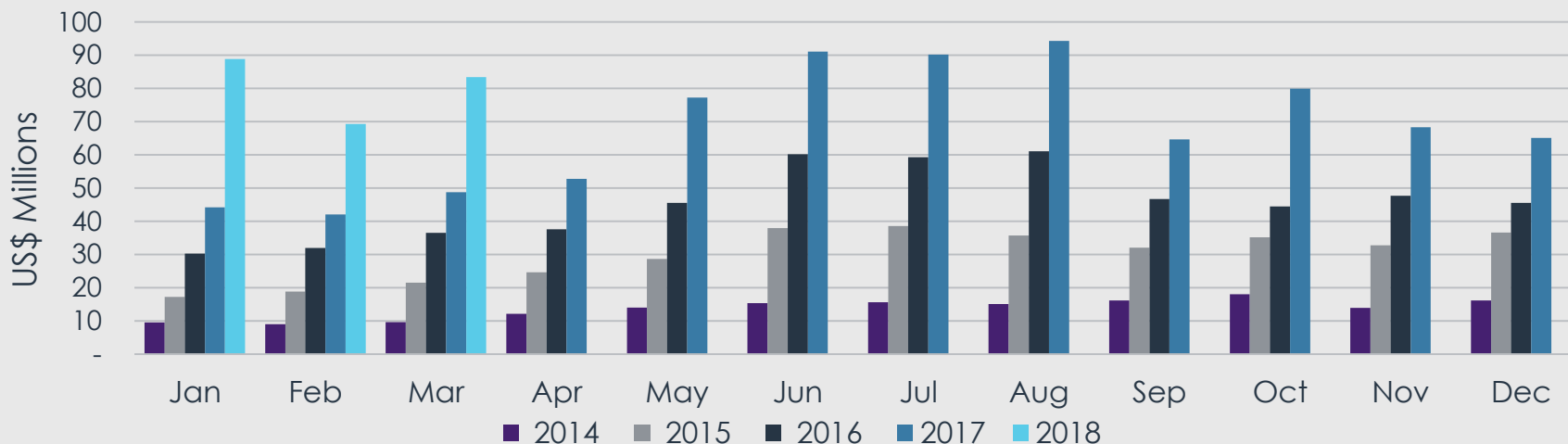
ORIGINATIONS (US\$ Million's)

	1Q	2Q	3Q	4Q
2015	58	91	106	105
2016	99	143	167	138
2017	135	221	249	213
2018	242			

YOY ORIENTATION GROWTH

	1Q	2Q	3Q	4Q
2015	104.1%	120.3%	126.5%	116.8%
2016	71.4%	56.9%	57.2%	31.7%
2017	36.8%	54.2%	49.1%	54.9%
2018	79.2%			

ORIGINATIONS





Manufactured Housing

KEY HIGHLIGHTS

- Total Q1 originations of \$94 million
- Q1 Originations were impacted by:
 - Federal Emergency Management Agency (FEMA) absorbed significant short-term industry capacity to support disaster recovery
 - The Defense Production Act allows FEMA priority for manufacturer shipments to assist with recovery¹
- This resulted in a larger than normal backlog of fully documented contractual loan agreements with down payments
 - Without delays noted above originations would have been ~\$105 million
 - Backlog to return to normal in 2Q
- April results increased significantly vs last year
- Successfully launched floorplan program
 - Drives more core loan originations & managed assets
 - 77 manufacturers/dealers signed
 - Quarter-end balance of \$12 million

Select Metrics (US\$, MM)	Q1 2017	Q1 2018
Originations	91.9	94.0
Period end managed assets	1,749.3	2,003.8
EBITDA	1.4	2.5
Adjusted operating income before tax	1.4	2.4

Guidance Announced December 14, 2017 (US\$, MM)	2018
Total originations	530
Managed assets (year-end)	2,310
Revenue	46
EBITDA	21
Adjusted operating income before tax	20

1. <https://www.manufacturedhomes.com/blog/manufactured-home-hurricane-response/>



Manufactured Housing

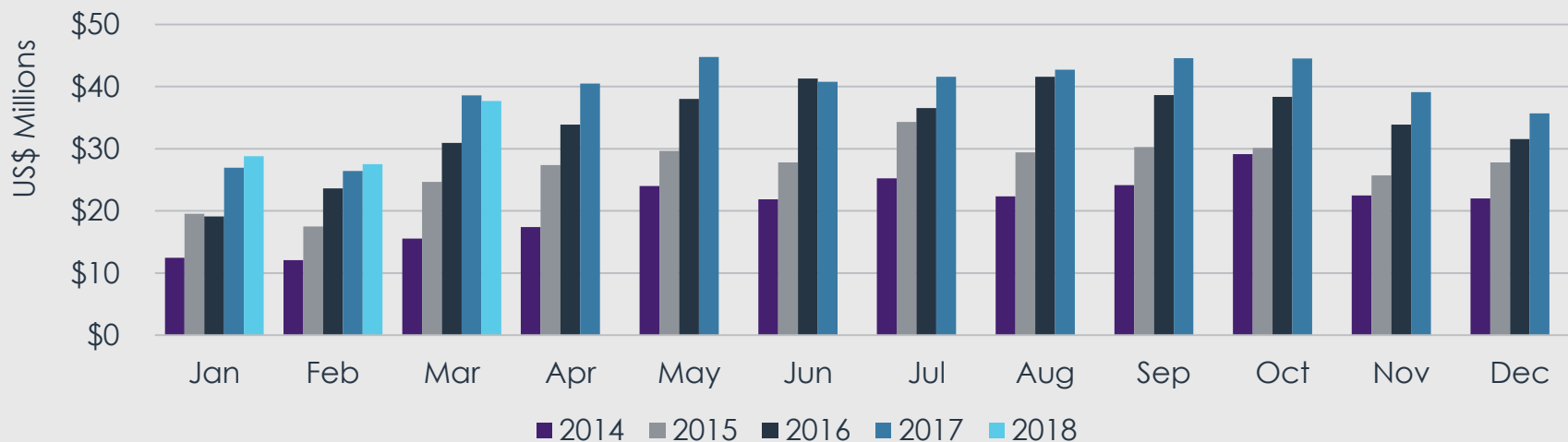
ORIGINATIONS (US\$ Million's)

	1Q	2Q	3Q	4Q
2015	59	84	93	87
2016	74	113	117	104
2017	92	126	129	119
2018	94			

YOY ORIENTATION GROWTH

	1Q	2Q	3Q	4Q
2015	54.0%	34.1%	31.1%	13.6%
2016	19.4%	33.5%	24.2%	24.2%
2017	24.7%	11.3%	10.3%	15.0%
2018	2.2%			

ORIGINATIONS



Legacy Businesses

- Rail & Aviation Finance



Rail Highlights

KEY HIGHLIGHTS

- Originations continue to be disciplined, with US\$13 million added during Q1. No syndication income realized, in-line with expectations
- Future origination and syndication activity will be opportunistic and focus on portfolio optimization
 - Syndications expected to close in Q2 and no planned origination volume
- Net Rental Revenue yield consistent with Q4 and reflects change in portfolio composition
- Improved leasing fundamentals

Income Statement (US\$,000)	Q4 2017	Q1 2018
Net rental revenue less interest expense & provision	4,521	5,146
Syndication and other income	2,853	26
Operating expenses	1,483	1,418
Adjusted operating income before tax	5,891	3,754
Key Ratios ⁽¹⁾	Q4 2017	Q1 2018
Originations (US\$MM)	36	13
Average earning assets (US\$MM)	639	688
Financial revenue yield ²	6.5%	4.7%
Interest expense	1.9%	1.7%
Net interest margin yield	4.6%	3.0%
Operating expense ratio	0.9%	0.8%
Pre-tax ROAA	3.7%	2.2%

1. Percent of average earning assets

2. Financial revenue yield includes 1.8% from syndications in Q4 2017

Aviation Highlights

KEY HIGHLIGHTS

- No originations as wind-down progresses
- Average earning assets were \$441 million down from \$464 million in Q4-2017 and \$732 million in Q1-2017
- Adjusted operating income before taxes was \$4.8 million, up 26% over Q4-2017 due to a combination of higher income and lower operating expenses
- Subsequent to quarter end, we entered into a commercial arrangement to sell aircraft inventory (\$35 million)

Income Statement (US\$,000)	Q4 2017	Q1 2018
Interest income & rental revenue net less interest expense & provision	5,676	6,001
Syndication and other income	(484)	(285)
Operating expenses	1,422	952
Adjusted operating income before tax ⁽¹⁾	3,770	4,764
Key Ratios ⁽¹⁾	Q4 2017	Q1 2018
Average earning assets (US\$MM)	464	441
Financial revenue yield	4.7%	5.2%
Interest expense	0.1%	—
Net interest margin yield	4.5%	5.2%
Operating expense ratio	1.2%	0.9%
Pre-tax ROAA	3.3%	4.3%

1. Percent of average earning assets

Consolidated Financial Summary



Q1 Consolidated Operating Highlights

SUMMARY

- Total Originations were \$349 million for the quarter
- After tax adjusted EPS of US\$0.02 (~C\$0.03)
- After tax adjusted EPS of US\$0.01 excluding discontinued operations
- Tangible leverage of 0.53:1
- Book value per share of \$3.58 (C\$4.61)

Balance Sheet

KEY HIGHLIGHTS

- Total finance assets decreased compared to Q4 primarily due to an aircraft coming off lease and moving into inventory.
- Total managed assets at the end of Q1 reflects \$1.2 billion in our Home Improvement segment, and \$2.0 billion in our Manufactured Housing segment

Balance Sheet (\$,MM)	Q3 2017	Q4 2017	Q1 2018
Total assets	2,735.7	2,793.1	2,095.5
Total finance assets ⁽¹⁾	2,400.9	1,293.6	1,259.5
Total managed assets ⁽²⁾	1,023.1	3,081.6	3,221.5
Shareholders' equity	1,537.2	1,498.4	1,441.6
Tangible book equity (excluding preferred shares)	1,032.1	938.4	878.0
Tangible leverage ratio	0.87:1	1.05:1	0.53:1

1. Total finance assets = Net investment in finance receivables + Equipment under operating leases for continuing operations.

2. Reflects off-balance sheet portfolios of Service Finance and Triad.

Consolidated Income Statement

KEY HIGHLIGHTS

- Origination and servicing revenue significantly increased in Q1 as a result of the first full quarter results of our Manufactured Housing segment.
- Interest and net rental revenue were relatively flat in Q1 while other revenue decreased due to lower syndications, particularly in our Rail Finance segment.
- Operating expenses increased due to a full quarter of Manufactured Housing results, higher costs in the Home Improvement segment as it builds out its revenue origination channels, and higher Corporate costs as M&A activity continues.

Income Statement (\$,000)	Q4 2017	Q1 2018
Origination revenue	6,874	13,432
Servicing revenue	6,844	8,580
Interest income and net rental revenue	13,379	14,126
Other revenue	5,366	3,120
Interest expense and provision for credit loss	8,031	8,358
Operating expenses	13,460	21,771
Adjusted operating income before tax	10,972	9,129

1. Excludes share-based compensation
2. Percent of average earning assets

Operating Expenses

KEY HIGHLIGHTS

- Home Improvement segment expenses increased in Q1 as the business invests in growth of its origination channels.
- Manufactured Housing expenses reflect its first full quarter of operations in Q1
- Higher corporate expenses reflect continued M&A activity and the fact that no transactions closed during the quarter. G&A expenses associated with successful M&A activity is recorded as business acquisition costs.
- 2018 guidance reflects US\$27 million in corporate operating expenses which are weighted towards Q1 to Q3 as we complete M&A execution

Operating Expenses (\$, 000)	Q3 2017	Q4 2017	Q1 2018
Home Improvement	1,052	5,250	6,008
Manufactured Housing	-	-	6,055
Rail Finance	2,432	1,483	1,418
Aviation Finance	949	1,422	952
Corporate	4,389	5,305	7,338
Total operating expenses	8,822	13,460	21,771

Operating Expenses (\$, 000)	Q3 2017	Q4 2017	Q1 2018
Base Corporate	4,389	4,911	5,250
M&A Transactions – Did not close	-	394	2,088
M&A Transactions – Closed	4,106	2,368	250
	8,495	7,673	7,588

Corporate Operating Expenses

	US\$M Quarterly	US\$M Annualized
Q1 2018	~\$7.5	~\$30
<u>Actions</u> <ul style="list-style-type: none"> • Executive compensation reductions; led by 20% reduction by CEO • Eliminate M&A related costs • Other SG&A reductions 	↓	↓
Q3 2018	~\$6.25	~\$25
<u>Actions</u> <ul style="list-style-type: none"> • Further executive compensation reductions • Right-sizing corporate overhead 	↓	↓
Q1 2019	~\$5.25	~\$21

In addition, ECN to reduce Senior line from \$2.2B to \$1.5B resulting in \$2.4 savings in standby fees

Questions

