



ECN CAPITAL

Financial Industry Solutions

Second Quarter 2018

Financial Results



AUGUST 9, 2018

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Disclaimer

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Call Agenda

BUSINESS OVERVIEW

OPERATING HIGHLIGHTS

Business Services

- Service Finance
- Triad Financial Services
- The Kessler Group

Legacy Business

- Rail & Aviation Finance

CONSOLIDATED FINANCIAL SUMMARY

QUESTIONS

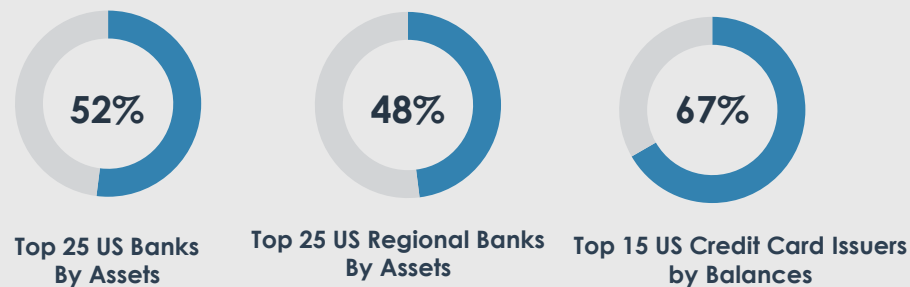
BUSINESS OVERVIEW



Business Description

- Business service provider to US financial industry
 - 90+ bank and credit union partners; over 10,000 banks and credit unions
 - \$28B+ of managed and advised credit portfolios

LARGER US PARTNERS

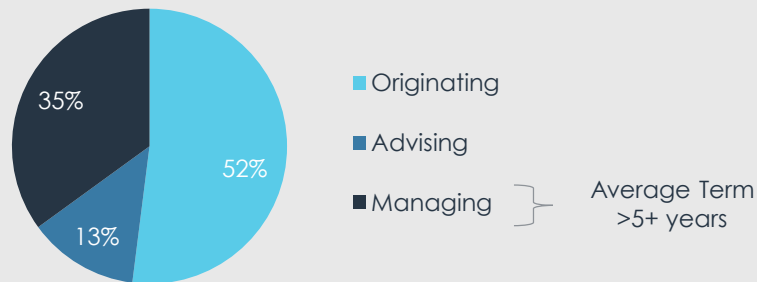


- Specific customer?
 - Retail banks looking for credit portfolio solutions to match deposit liabilities
- Why ECN?
 - Attractive portfolio yields with embedded risk diversification
 - Cycle tested portfolios
 - Aligned and proven management teams

Solutions Offered

ECN originates, manages and advises on prime credit portfolios

2018 ESTIMATED REVENUE COMPOSITION¹



- Prime credit portfolio solutions:

1. Unsecured consumer loan portfolios → Home Improvement Loans²
2. Secured consumer loan portfolios → Manufactured Home Loans
3. Consumer credit card portfolios → Affinity + Co-Branded Credit Cards

1. Excludes legacy businesses; Assumes full year 2018 revenues at ECN's current 76% ownership of Kessler

2. In the form of retail installment contracts; ability to file UCC lien

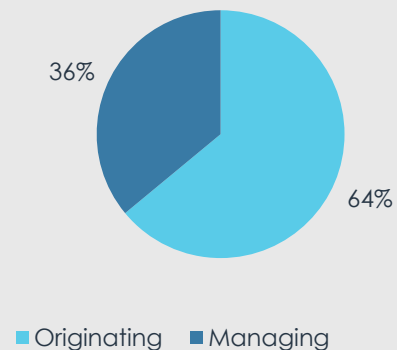
Solution #1



Service Finance Company - Unsecured Consumer Loan Portfolios¹

- 15 years in business – Founders active in the industry for 30+ years
- Home improvement loans; tech-enabled point of sale originations
- Sourced through national dealers under programs with leading manufacturers
- Average FICO 765; average term ~30 months
- Forecasted managed portfolios of ~\$1.8B
- Bank yields of ~5%+, net of all costs
- No recourse to loan performance, including credit losses

2018 EST REVENUE COMPOSITION



¹. In the form of retail installment contracts; ability to file UCC lien

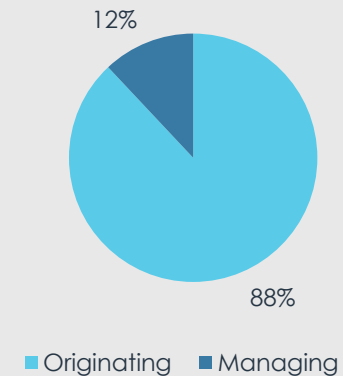
Solution #2



Triad Financial Services - Secured Consumer Loan Portfolios

- 59 years in business
- Manufactured home loans
- Originations through decades old national dealer and manufacturer network
- Average FICO ~750; average term ~96 months
- Forecasted managed portfolios of \$2.3B
- Bank yield of ~5.5%, net of all costs
- No recourse to loan performance, including credit losses

2018 EST REVENUE COMPOSITION



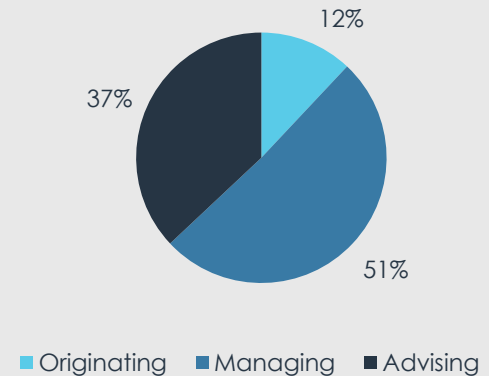
Solution #3

KESSLER | GROUP

Kessler Group - Credit Card Portfolios

- 40 years in business
- Comprehensive platform focused on managing and advising on consumer credit card and related portfolios for 25+ financial institutions
- The Kessler Group has created over 6,000 partnerships between credit card issuers and affinity & Co-brand groups
- Forecasted managed and advised credit card portfolios of \$25B+
- Multi-year contractual revenue streams represents more than 70% of total revenue

2018 EST REVENUE COMPOSITION



ECN Value Add

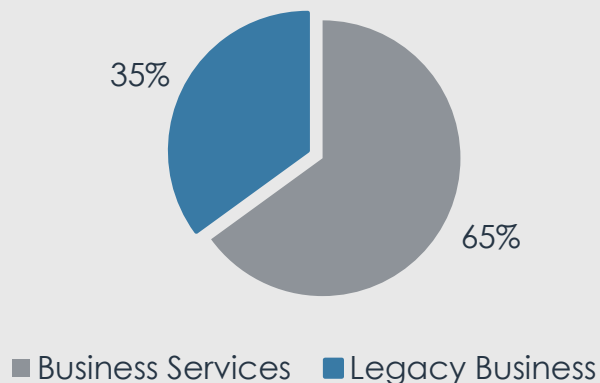
ECN's active management creating additional growth & incremental value

1. Rapid launch of “foundation” products driving incremental profitability
 - Triad’s recently launched floorplan driving 20% incremental origination growth
2. New loan products – created and launched driving incremental portfolios
 - Created compliant PACE loans - driving dealer growth and increased originations/portfolios
 - Launched solar initiative
3. Cross-sell portfolio solutions
 - Taking bank and credit union relationships to more than one solution
 - 2 completed with 3 in due diligence
4. Balance sheet & investment grade rating
 - Aggressively marketing our strength and durability to new origination sources

Legacy Business

- ECN has reduced legacy assets from ~\$6B to ~\$1.2B since the end of 2016
- Under ECN's stewardship, the orderly run-down of these businesses continues, while providing stable and predictable cash flow to the Company in the interim
- Released equity will continue to be redeployed into core businesses or returned to shareholders

ECN CAPITAL
Q2 2018 REVENUES



- 2019 legacy business revenues expected to be 15% or lower

OPERATING HIGHLIGHTS

- Service Finance
- Triad Financial Services
- The Kessler Group





Service Finance

KEY HIGHLIGHTS

- Substantial new bank partner now funding; 15 banks in total
- Additional 3 banks/credit unions in due diligence funnel
- 61% Y/Y growth in originations
- 62% Y/Y growth in managed portfolios
- 62% Y/Y growth in EBITDA
- Continue to focus originations on proven home improvement asset class
- Robust dealer growth continues
- We maintain our 2018 outlook for the business

Select Metrics (US\$, MM)	Q2 2017	Q2 2018
Originations	221.1	355.4
Period end managed portfolios	874.4	1,419.1
EBITDA	8.6	14.0
Adjusted operating income before tax	8.6	13.2

Guidance Announced December 14, 2017 (US\$, MM)	2018
Total originations	1,365
Managed portfolios (year-end)	1,860
Revenue	81
Adjusted operating income before tax	55



Service Finance

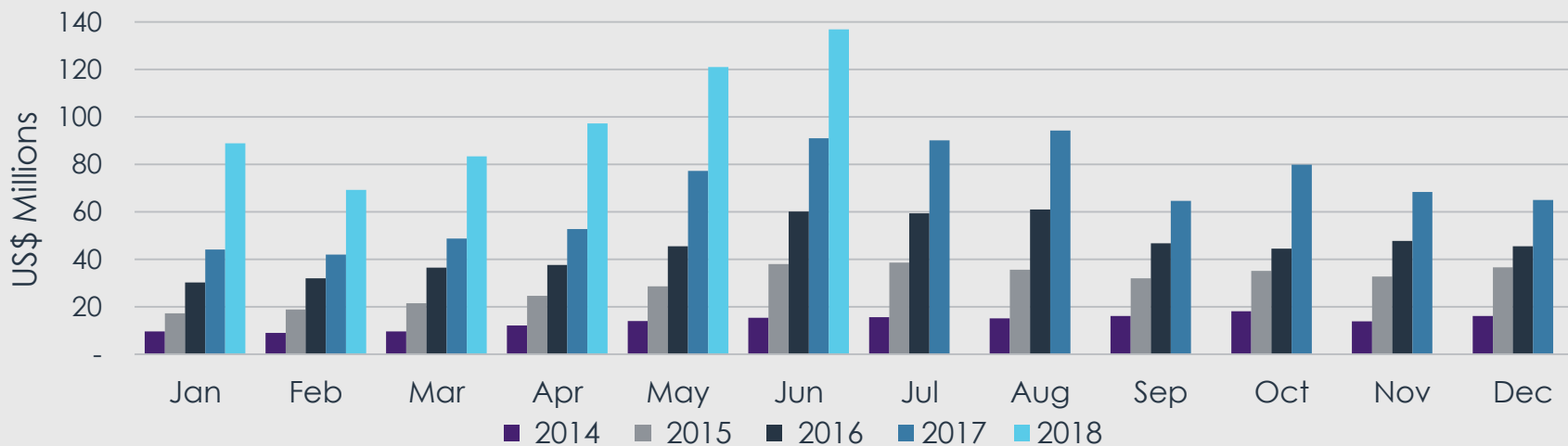
ORIGINATIONS (US\$ Million's)

	1Q	2Q	3Q	4Q	YTD
2015	58	91	106	105	360
2016	99	143	167	138	547
2017	135	221	249	213	819
2018	242	355			597

YOY ORIENTATION GROWTH

	1Q	2Q	3Q	4Q	YTD
2015	104.1%	120.3%	126.5%	116.8%	113.8%
2016	71.4%	56.9%	57.2%	31.7%	52.0%
2017	36.8%	54.2%	49.1%	54.9%	49.7%
2018	79.2%	60.7%			67.6%

ORIGINATIONS





Triad Financial Services

KEY HIGHLIGHTS

- 6 new banks/credit unions added YTD
- 19% Y/Y growth in originations
- 14% Y/Y growth in managed portfolios
- 101% Y/Y growth in EBITDA
 - Backlogs from the temporary industry impact in Q1-2018 has been normalizing
 - Triad continues to achieve a steady increase in the full-serviced portfolio
- We maintain our 2018 outlook for the business

Select Metrics (US\$, MM)	Q2 2017	Q2 2018
Originations	126.2	149.8
Period end managed portfolios	1,764.5	2,008.5
EBITDA	3.4	6.7
Adjusted operating income before tax	3.3	6.3

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



Triad Financial Services

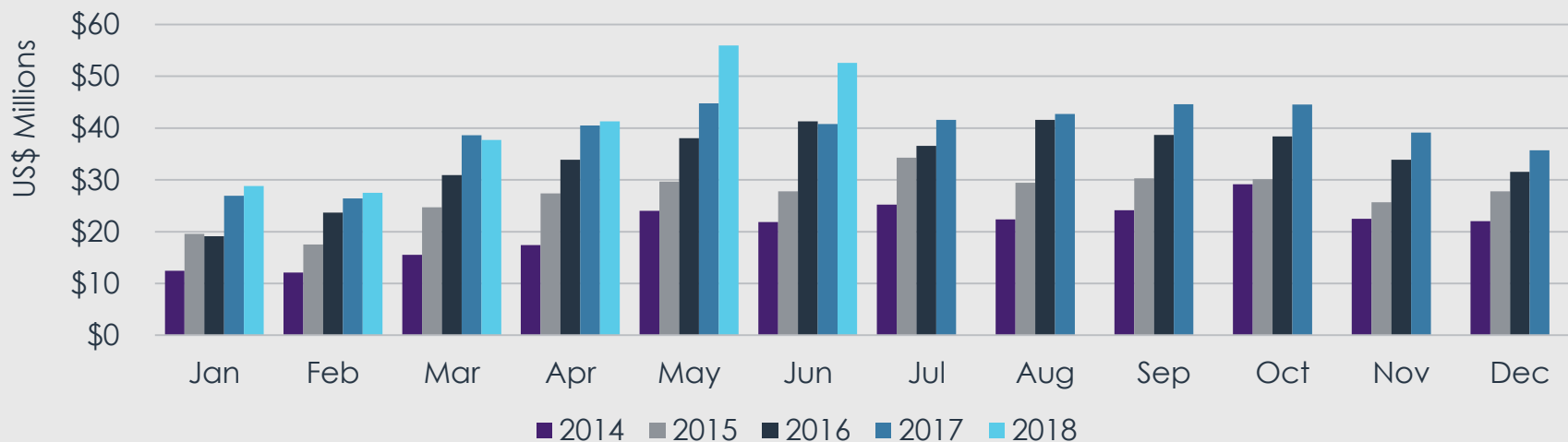
ORIGINATIONS (US\$ Million's)

	1Q	2Q	3Q	4Q	YTD
2015	59	84	93	87	323
2016	74	113	117	104	408
2017	92	126	129	119	466
2018	94	150			244

YOY ORIENTATION GROWTH

	1Q	2Q	3Q	4Q	YTD
2015	54.0%	34.1%	31.1%	13.6%	30.4%
2016	19.4%	33.5%	24.2%	24.2%	25.7%
2017	24.7%	11.3%	10.3%	15.0%	14.4%
2018	2.2%	19.0%			11.9%

ORIGINATIONS



KEY HIGHLIGHTS

- ECN completed its strategic investment in Kessler Group on May 31, 2018
 - ECN subsequently sold 4% of its equity position to a member of senior management resulting in an ECN ownership position of 76%
- For the stub month of June 2018, Kessler earned pre-tax \$2.5 million (ECN share - \$1.9 million) on revenue of \$5.7 million with no portfolio advisory revenues
- Subsequent to quarter end, one of Kessler's core bank clients was awarded a substantial credit card program; will increase 2nd half 2019 revenues

Select Metrics (US\$, MM)	Q2 2018
Revenue	5.7
EBITDA	2.6
Adjusted operating income before tax	2.5
Adjusted operating income before tax (ECN Capital share) ¹	1.9

Guidance Announced May 10, 2018 (US\$, MM)	2018
Revenue	90
Adjusted operating income before tax	44
Adjusted operating income before tax (ECN Capital share) ¹	31

1. Represents ECN equity ownership of 76% for Q2 2018 and 70% for our share of the illustrative full year Kessler results

OPERATING HIGHLIGHTS

- Legacy Businesses



Rail Highlights

KEY HIGHLIGHTS

- Rail Finance is a legacy business in a prudent and predictable wind down
- No origination activity in Q2 and no volume expected during the second half of the year
- Adjusted operating income improved relative to Q1 due to increased syndication income
- Released capital will continue to be redeployed into our core businesses or returned to shareholders

Income Statement (US\$,MM)	Q1 2018	Q2 2018
Rental revenue less interest expense, depreciation & provision	5.1	6.0
Syndication and other income	0.03	1.0
Operating expenses	1.4	1.3
Adjusted operating income before tax	3.7	5.7
Key Ratios ⁽¹⁾	Q1 2018	Q2 2018
Originations (US\$MM)	13	-
Average earning assets (US\$MM)	687.5	688.3
Interest expense ratio	1.70%	1.69%
Operating expense ratio	0.82%	0.75%
Pre-tax ROAA	2.2%	3.3%

1. Percent of average earning assets

Aviation Highlights

KEY HIGHLIGHTS

- No originations as prudent wind-down continues
- Average earning assets were \$389M down from \$441M in Q1-2018 and \$645M in Q2-2017; accelerated dispositions YTD tracking ahead of wind-down plan
- Adjusted operating income before taxes was \$3.0M, down 49% over Q2-2017 reflecting faster than forecast runoff and sale of inventory
- Released capital will continue to be redeployed into our core businesses or returned to shareholders

Income Statement (US\$,MM)	Q1 2018	Q2 2018
Interest & rental revenue less interest expense, depreciation & provision	6.0	4.2
Other revenue / expenses	(0.3)	(0.1)
Operating expenses	0.9	1.1
Adjusted operating income before tax	4.8	3.0
Key Ratios ⁽¹⁾	Q1 2018	Q2 2018
Average earning assets (US\$MM)	441	389
Interest expense ratio	—	—
Operating expense ratio	0.9%	1.2%
Pre-tax ROAA	4.3%	3.1%

1. Percent of average earning assets

Consolidated Financial Summary



Q2 Consolidated Operating Highlights

SUMMARY

- Managed and advised portfolios of approximately \$28B at quarter end
- Total Originations were \$505M for the quarter
- After-tax adjusted EPS applicable to common shareholders of \$0.04
- Tangible leverage of 1.35:1

Balance Sheet

KEY HIGHLIGHTS

- Total assets increased Q/Q primarily as a result of ECN's investment in the Kessler Group and accordingly tangible leverage increased to 1.35:1
- Earning assets - managed and advisory at the end of Q2 reflects managed assets of \$1.4 billion at Service Finance, \$2.0 billion at Triad, and \$24.7 billion in managed and advisory assets at Kessler
- Shareholders' equity declined due to the completion of the C\$115 million Substantial Issuer Bid ("SIB") in Q2

Balance Sheet (US\$,MM)	Q4 2017	Q1 2018	Q2 2018
Total assets	2,793.1	2,095.5	2,477.7
Total finance assets	1,293.6	1,267.2	1,319.6
Earning assets- managed and advisory ⁽¹⁾	3,081.6	3,221.5	28,117.5
Shareholders' equity	1,498.4	1,441.6	1,343.7
Tangible book equity (excluding preferred shares)	938.4	878.0	532.9
Tangible leverage ratio	1.05:1	0.53:1	1.35:1

1. Reflects off-balance sheet portfolios of Service Finance, Triad and Kessler.

Consolidated Income Statement

KEY HIGHLIGHTS

- The increase in adjusted operating income before tax and EBITDA reflects the strong performance from Service Finance and Triad in the second quarter, as well as one-month of operating results from Kessler
- Operating expenses increased by \$3.7 million due to the inclusion of one month of operating expenses from Kessler

Income Statement (US\$,000)	Q1 2018	Q2 2018
Portfolio origination services	13,432	20,969
Portfolio management services	8,580	12,114
Portfolio advisory services	-	4,389
Interest income and rental revenue	22,335	22,065
Other revenue	1,639	2,125
Operating expenses	21,267	25,013
Provision for credit losses	52	43
EBITDA	24,667	36,606
Depreciation & amortization	7,232	6,633
Interest expense	8,306	10,287
Non-controlling interest in Kessler	-	649
Adjusted operating income before tax	9,129	19,037

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

Return on Average Equity and Per Share Amounts

on a Continuing Operations Basis

KEY HIGHLIGHTS

- Q2 EPS of \$0.04 is in line with guidance

For 3 Months Ended and as at End of Period (Per share, US\$)	Q1 2018	Q2 2018
Pre-tax adjusted net income (basic)	0.02	0.05
Adjusted net income applicable to common shareholders (basic)	0.01	0.04
Book value of common shares	3.58	3.63

Operating Expenses

KEY HIGHLIGHTS

- The increase in operating expenses compared to the prior year period is related to the inclusion of one month of operating results from Kessler
- Service Finance and Triad's expenses increased in Q2 largely due to the growth in originations
- Corporate expenses reflect continued M&A activity during the quarter, with \$2.2 million in expenses related to M&A activity being recorded as business acquisition costs
- Corporate expenses are on track to meet our previously announced expense plan

Operating Expenses (US\$, 000)	Q4 2017	Q1 2018	Q2 2018
Service Finance	5,193	5,952	6,536
Triad	-	5,941	6,957
Kessler	-	-	3,073
Rail Finance	1,479	1,418	1,293
Aviation Finance	1,422	952	1,139
Corporate	5,211	7,004	6,015
Total operating expenses	13,305	21,267	25,013

Operating Expenses (US\$, 000)	Q4 2017	Q1 2018	Q2 2018
Base Corporate	4,800	5,125	5,125
M&A Transactions – Did not close	411	1,879	890
M&A Transactions – Closed	2,368	250	1,987
Total corporate operating expenses¹	7,579	7,254	8,002

1. Prior period numbers restated to exclude depreciation on Corporate fixed assets to correspond with current income statement format

Questions

