



IOU Financial Inc.

Corporate presentation

June 2020

TSX-V: IOU

Forward looking statements

Certain information set forth in this presentation may contain forward-looking statements. Forward-looking statements are statements, other than statements of historical fact, that address or discuss activities, events or developments that IOU Financial expects or anticipates may occur in the future. These forward-looking statements can be identified by the use of words such as "anticipates", "believes", "estimates", "expects", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. These forward-looking statements reflect management's current views and are based on certain assumptions including assumptions as to future economic conditions and courses of action, as well as other factors management believes are appropriate in the circumstances. Such forward-looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what benefit IOU Financial will derive from them.

A number of factors could cause actual results, performance or developments to differ materially from those expressed or implied by such forward looking statements, including, but not limited to risks inherent in growing a new business, dependence on third-party service providers, competition, regulatory risk, dependence on key personnel, risks related to rapid growth of IOU Financial, security and confidentiality risk, risk related to inability to attract borrowers and lenders, technological development risk, IT disruptions, maintenance of client relationships, litigation risk, volatility of stock price, and other factors that are beyond its control.

Additional information concerning these and other factors can be found beginning on page 21 under the heading "Risks and Uncertainties" in IOU Financial's Q1 2020 MD&A dated May 28, 2020, which is available under IOU Financial's profile on SEDAR at www.sedar.com. IOU Financial does not undertake any obligation to update publicly or to revise any such forward-looking statements, unless required by applicable legislation or regulation.

A profitable, growing business

- Since 2009, IOU has originated more than **CAD \$1 billion (US\$827 million)**, comprising **more than ten thousand loans** to small businesses (SMBs) throughout the United States and Canada.
- IOU provides quick access to working capital via its **fully integrated, built from the ground-up** technology platform.
- As banks continue to move away from lending to SMBs, **IOU has proven to be a trusted alternative source of financing.**

Note: Loan origination figure of US\$827 million as of March 31, 2020.

Investment considerations (1 of 2)

Fintech pioneer in a growing small business lending industry

- IOU is one of the oldest, most experienced online lenders to SMBs in North America.
- Proprietary online platform processes and underwrites loan applications extremely quickly, with approvals and loan funding occurring in as little as 24 hours.

Growing Loans Under Management (“LUM”) drives growing revenues

- Since Q4 2017, IOU’s total LUM has grown from C\$61.7M to C\$119.9M as of Q1 2020.
- Over the same time period, TTM adjusted gross revenues have increased from to \$17.2M to \$25.0M as of Q1 2020.

Growing revenues drive growing earnings

- IOU achieved full year profitability in 2018 and was consistently profitable leading up to COVID-19 (Q1 2020).
- As IOU emerges out of COVID-19, the operating leverage inherent in IOU’s business model should drive a return to profitability.

Investment considerations (2 of 2)

Alignment of interests with management and insiders

- **Insiders own over 37%** of Company's stock.

Valuation

- **Current market cap is less than trailing twelve month revenues and less than 0.5x book value.**

Stock buy-back

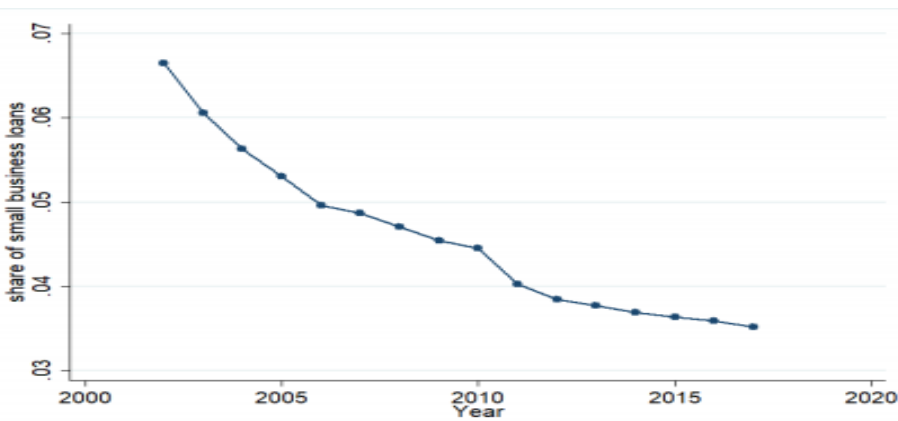
- IOU has re-purchased over 1.9M shares in the open market, representing more than 2% of shares outstanding via its NCIB since May 2019.

Note: Share re-purchase data as of Apr. 28, 2020.

Small business lending market

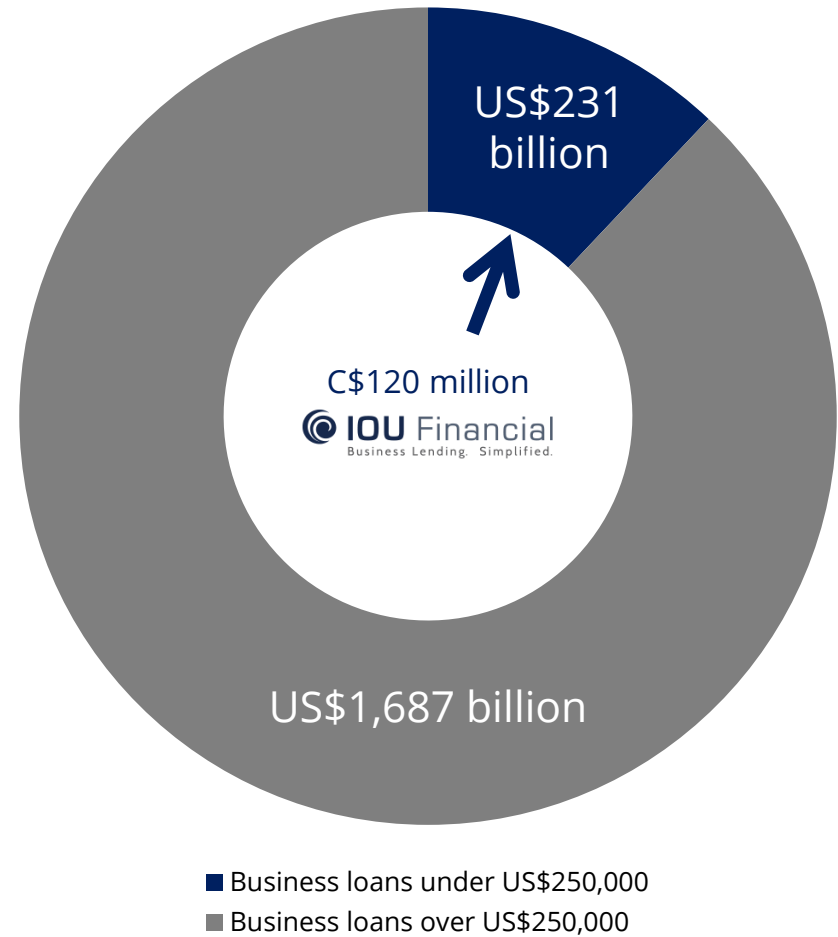
Banks have been reducing their exposure to the SMB lending market for the past two decades.

Small business loans as a share of total US bank loans



Source: Pang, H 2018, *Information Technology Improvement and Small Business Lending* utilizing data from FDIC reports on US depository institutions.

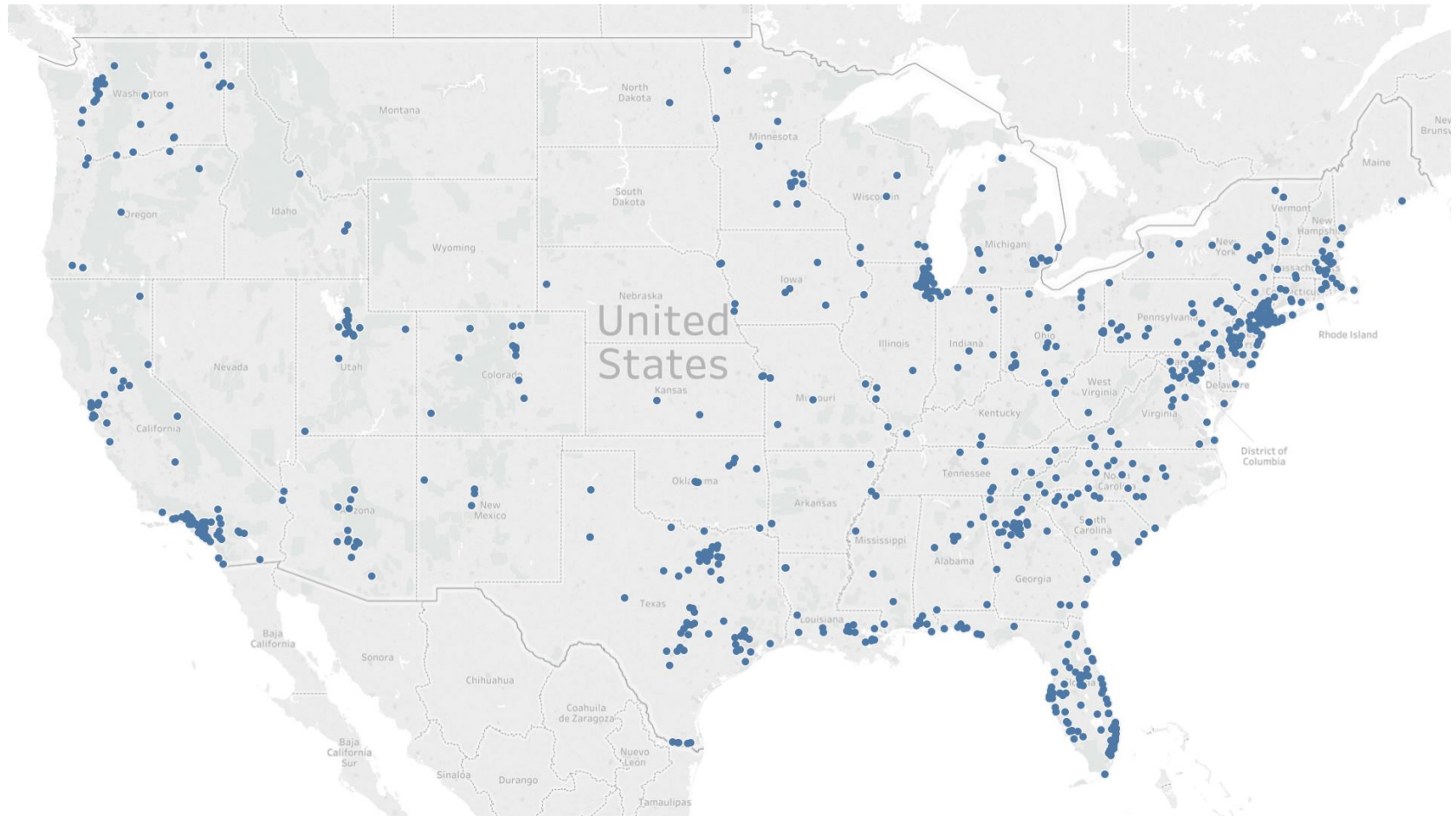
Total US Commercial & Industrial loans



Note: US C&I loan portfolio according to the FDIC as of June 30, 2019. IOU loan portfolio as of March 31, 2020.

Geographically diverse loan portfolio

Risk mitigation: No one state represents more than 15%, and no one industry represents more than 15% of IOU's loans under management.



Note: Geographic data as of Jan. 8, 2020.

IOU's typical borrower and typical loan

Typical borrowers

- Grocery stores, pharmacies, liquor stores, contractors, wholesalers, light manufacturing, online retailers, retail stores, etc.
- Average time in business: 11.6 years.
- Near prime credit scores.

Typical loan

- Loan size: US\$5,000 to US\$500,000 in the US and up to C\$150,000 in Canada.
- Loan term: 6 months – 18 months, repaid either daily or weekly.
- Typical loan size: Approximately C\$100,000.
- Average term: 11.9 months
- Interest & fees on the typical \$100,000 loan: C\$27,200 to C\$32,700
- Generally used the funds for working capital purposes, to purchase new equipment, invest in an increased workforce, attend to repairs, expand their business, purchase more inventory or increase marketing efforts.

Note: Average loan size was US\$74,748 as of Q1 2020. All other data also as of Q12020.

Institutional funding sources

Credit Suisse

- US\$50M revolving credit facility.
- Expandable to US\$100M upon IOU's request and Credit Suisse's acceptance.
- Cost of borrowing rate is 90 day USD LIBOR + 4.5%.

MidCap Financial

- US\$22M revolving credit facility.
- Cost of borrowing rate is 30 day USD LIBOR + 5.5%.
- MidCap Financial is an investee company and affiliate of Apollo Global Management.

Convertible debenture

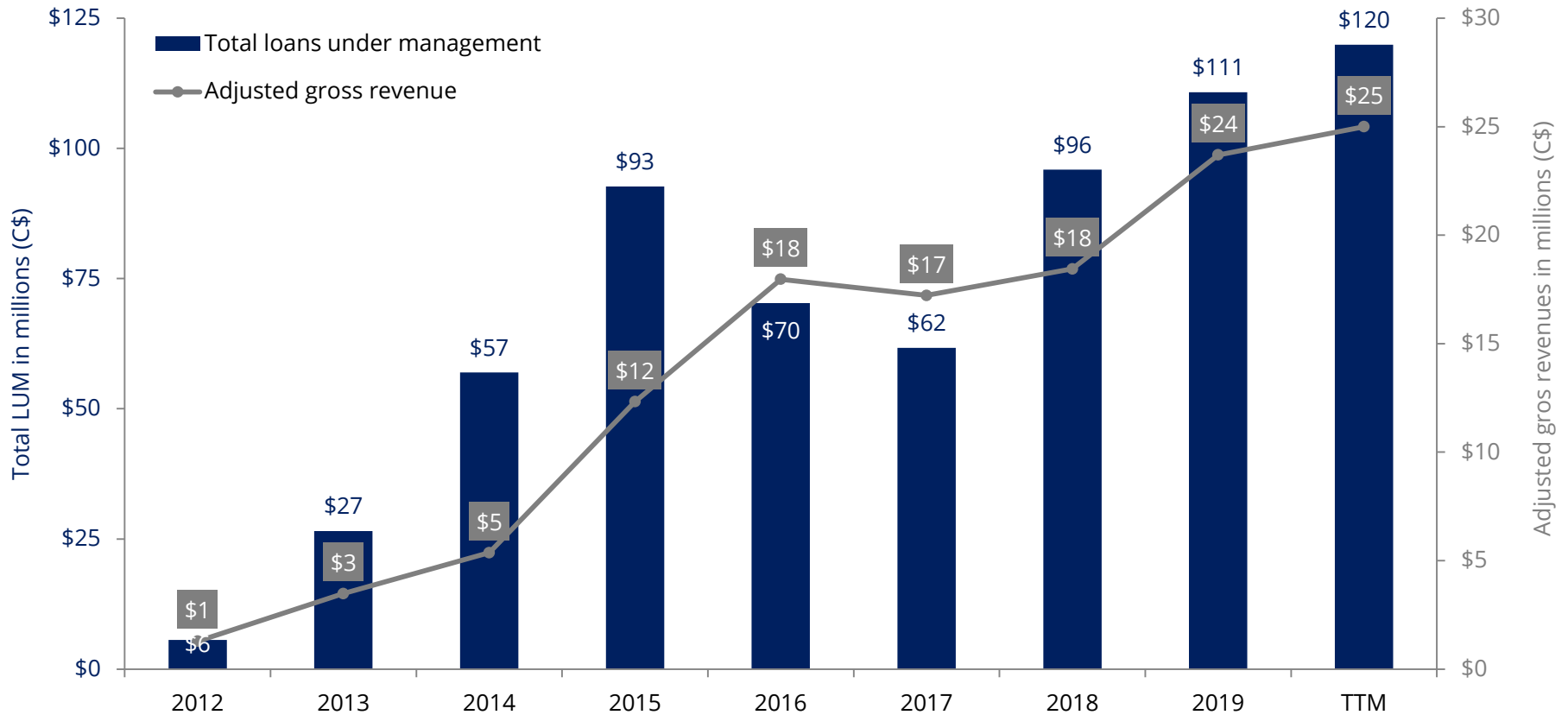
- C\$11.4M par value.
- 10% annual interest rate.
- December 31, 2023 maturity date.
- Convertible until December 31, 2020 at \$0.50.

Note: MidCap cost of borrowing rate was recently increased via modification agreements in March and April 2020 with certain borrowers in excess of allowable limits resulting in MidCap charging additional default interest of 3% for a total interest rate of LIBOR plus 8.5% effective April 1, 2020.

LUM growth drives revenue growth

IOU circa 2012 – 2017: Increasing total LUM to achieve scale and profitability.

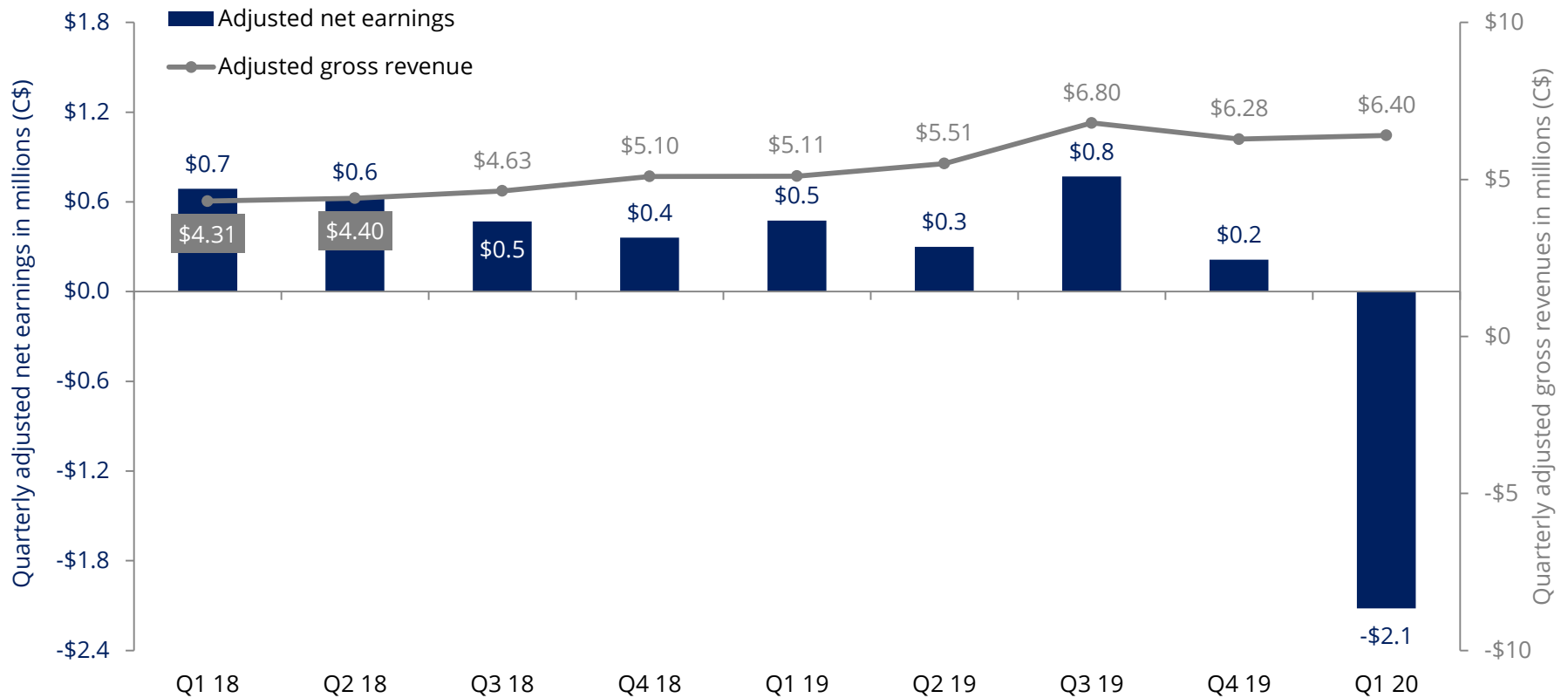
IOU circa 2018 onwards: Increasing total LUM drives revenue & earnings growth.



Note: TTM LUM and adjusted gross revenues as of Q1 2020.

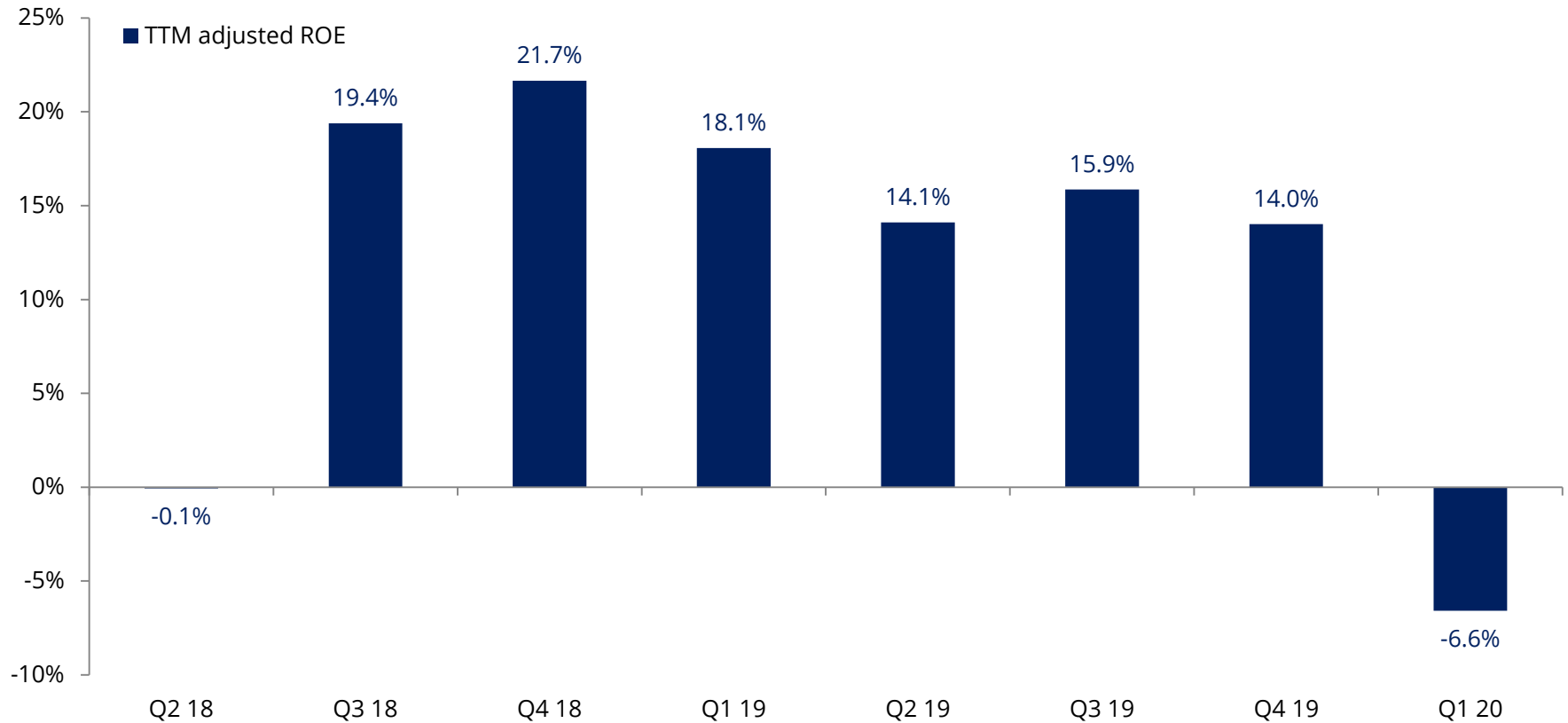
Revenue growth drives earnings growth

IOU achieved full year profitability in 2018 and was profitable leading up to COVID-19. IOU will return to a focus on profitable growth as it emerges out of the COVID-19 crisis.



Impressive ROE

With profitability achieved in 2018, IOU demonstrated solid ROE leading into COVID-19.



Note: Adjusted ROE calculated by dividing TTM adjusted earnings by average shareholder's equity over the TTM time frame (5-point average over the time frame).

Growth strategy

Growth in loan originations should ultimately drive significant earnings growth

- Growth in loan originations drives LUM growth, which drives revenue growth, which drives earnings growth.
- Operating leverage inherent in business model should drive more to the bottom-line.

IOU will grow loan originations by:

- Increasing the number of quality loan brokers working with IOU.
- Investing in direct marketing and sales.
- Expanding product offering to serve more SMBs.
- Further geographic expansion into Canada.
- Continuing to add new strategic partners such as banks and payment processors.

Capital structure

Stock symbol	TSX-V: IOU
Shares outstanding	86.4M
Options	7.1M
Warrants	nil
Fully diluted	93.5M
Insider ownership	32.3M
Basic insider ownership (%)	37%
Cash	\$5.3M
Convertible debentures	\$11.4M
SPV funding debt	\$40.8M
Commercial loans receivable balance	\$56.2M
Servicing portfolio	\$58.3M
Market capitalization	\$6.5M

Note: Financial data as of Q1 2020. Share data as of May 29, 2020.

Proven & experienced management team



Phil Marleau, CFA
Chief Executive Officer
Former equity research analyst at Merrill Lynch, CSFB, and Scotia Capital



Robert Gloer
President & COO
Former SVP East Region at First Franklin Financial



David Kennedy, CPA, CA
Chief Financial Officer
Former CFO at Dale Parizeau
Morris Mackenzie CFO at Mirabaud Canada



Benjamin Yi, CFA
Capital Markets & Corp. Dev.
Former Investor at Dundee Corporation and 1832 Asset Management L.P.



Madeline Wade
VP, Operations
Formerly underwriting at First Franklin Financial



Jeff Turner
VP, Credit & Compliance
Former VP & Branch Manager at First Franklin Financial



Joshua Zickefoose, MBA
VP, Sales & Strategy
Former VP at Equifax, Sun Trust, PNC, US Bank, and Infantryman, US Army



Stewart Yeung, CPA, CA
VP, Finance & Controller
Former VP Finance at i2C Inc., Quadbridge Inc., and Sr. Accountant at KPMG



Richard Zapata
Engineering & Technology
Former Instructor at TTS, Data Engineer & Data Architect at BioIQ and Cotiviti

Trading comparables

Fintech & Specialty finance companies		Valuation information											Financial highlights	
Company	Ticker	Share price	Shares o/s	Market cap	TTM revenues	TTM Revtps	Trailing P/S	TTM earnings	TTM EPS	Trailing P/E	Book value per Share	P/BV	ROE	ROA
Commercial lenders														
On Deck Capital (US\$)	NYSE:ONDK	\$0.77	74.6	\$57.6	\$445.1	\$5.97	0.1x	-\$36.7	-\$0.49	n/a	\$2.86	0.3x	n/a	n/a
Funding Circle Holdings (£)	LSE:FCH	£0.81	271.3	£220.3	£167.4	£0.62	1.3x	-£84.7	-£0.31	n/a	£1.18	0.7x	n/a	n/a
Chesswood Group (C\$)	TSX:CHW	\$3.95	16.3	\$64.2	\$129.5	\$7.97	0.5x	-\$8.3	-\$0.51	n/a	\$8.65	0.5x	n/a	n/a
Accord Financial (C\$)	TSX:ACD	\$6.30	8.4	\$53.2	\$56.2	\$6.65	0.9x	\$6.4	\$0.76	8.3x	\$11.41	0.6x	6.7%	1.6%
Crown Capital (C\$)	TSX:CRWN	\$3.75	9.5	\$35.5	\$35.6	\$3.76	1.0x	\$2.6	\$0.27	n/a	\$10.03	0.4x	n/a	n/a
Flow Capital (C\$)	TSXV:FW	\$0.12	77.7	\$9.3	\$3.1	\$0.04	3.0x	-\$3.4	-\$0.04	n/a	\$0.23	0.5x	n/a	n/a
Commercial lenders avg	-	-	-	-	-	-	1.2x	-	-	8.3x	-	0.5x	6.7%	1.6%
Commercial lenders median	-	-	-	-	-	-	1.0x	-	-	8.3x	-	0.5x	6.7%	1.6%
Consumer lenders														
LendingClub (US\$)	NYSE:LC	\$5.18	88.1	\$456.5	\$704.4	\$7.99	0.6x	-\$58.9	-\$0.67	n/a	\$9.04	0.6x	n/a	n/a
Enova International (US\$)	NYSE:ENVA	\$13.29	34.5	\$458.1	\$1,272.6	\$36.92	0.4x	\$7.1	\$0.20	64.9x	\$12.71	1.0x	1.7%	0.5%
Goeasy Corp. (C\$)	TSX:GSY	\$54.82	14.3	\$786.3	\$636.7	\$44.39	1.2x	\$68.1	\$4.74	11.6x	\$24.38	2.2x	20.7%	5.5%
Greensky Inc. (US\$)	NASD:GSKY	\$4.14	66.4	\$275.0	\$547.1	\$8.24	0.5x	\$25.7	\$0.39	10.7x	n/a	n/a	n/m	2.9%
Curo Group Holdings (US\$)	NYSE:CURO	\$7.01	41.5	\$290.8	\$1,247.0	\$30.06	0.2x	\$110.7	\$2.67	2.6x	\$1.44	n/m	n/m	10.4%
Elevate Credit (US\$)	NYSE:ELVT	\$1.77	44.1	\$78.1	\$734.9	\$16.65	0.1x	\$13.9	\$0.32	5.6x	\$3.35	0.5x	9.6%	1.9%
Mogo Finance Tech (C\$)	TSXV:MOGO	\$1.28	27.3	\$34.9	\$59.8	\$2.19	0.6x	-\$10.8	-\$0.40	n/a	\$0.06	19.9x	n/a	n/a
Axis Auto Finance (C\$)	TSXV:AXIS	\$0.245	97.1	\$23.8	\$33.6	\$0.35	0.7x	-\$3.4	-\$0.03	n/a	\$0.35	0.7x	n/a	n/a
Rifco (C\$)	TSXV:RFC	\$0.89	21.6	\$19.2	\$36.4	\$1.68	0.5x	\$0.0	\$0.00	n/m	\$1.35	0.7x	n/m	n/m
Dealnet Captial (C\$)	TSXV:DLS	\$0.06	284.0	\$17.0	\$30.8	\$0.11	0.6x	-\$1.1	\$0.00	n/a	\$0.12	0.5x	n/a	n/a
Consumer lenders avg	-	-	-	-	-	-	0.5x	-	-	19.1x	-	3.3x	10.7%	4.2%
Consumer lenders median	-	-	-	-	-	-	0.5x	-	-	10.7x	-	0.7x	9.6%	2.9%
Overall average	-	-	-	-	-	-	0.8x	-	-	17.3x	-	2.1x	9.7%	3.8%
Overall median	-	-	-	-	-	-	0.6x	-	-	9.5x	-	0.6x	8.2%	2.4%
IOU Financial (C\$)	TSXV:IOU	\$0.08	86.6	\$6.9	\$24.8	\$0.29	0.3x	-\$0.7	-\$0.01	n/a	\$0.15	0.5x	n/a	n/a

Note: Stock prices taken as of intra-day 5/26/20. Q1 20 used for ONDK, CHW, CRWN, FW, LC, ENVA, GSY, GSKY, CURO, ELVT, DLS. Q4 19 data used for remaining companies.

Appendix

Adjusted & IFRS net earnings reconciliation

	2018	2019	TTM
Interest revenue	\$13,464,475	\$17,861,394	\$19,251,811
Servicing & other revenue	\$4,979,791	\$5,837,860	\$5,743,878
Adjusted gross revenue	\$18,444,266	\$23,699,254	\$24,995,689
Interest expense	\$3,355,496	\$3,998,673	\$4,112,324
Provision for loan losses	\$5,004,324	\$7,951,635	\$11,684,834
Recoveries	(\$322,000)	(\$248,043)	(\$485,285)
Cost of revenue	\$8,037,820	\$11,702,265	\$15,311,873
Adjusted net revenue	\$10,406,446	\$11,996,989	\$9,683,816
Adjusted operating expense	\$8,369,410	\$10,117,365	\$10,399,199
Income tax expense/(recovery)	(\$115,676)	121,370	121,370
Adjusted net earnings/(loss)	\$2,152,712	\$1,758,254	(\$836,753)
Non-cash gain on sale of loans	\$3,466,884	\$3,273,642	\$3,250,159
Non-cash amortization of servicing assets	(\$2,743,101)	(\$3,706,180)	(\$3,481,332)
Non-cash stock-based compensation	(\$166,277)	(\$287,986)	(\$195,300)
Non-recurring gain/(costs)	\$0	\$485,579	\$559,057
Net earnings/(loss) (IFRS):	\$2,710,218	\$1,523,309	(\$704,169)

Note: TTM refers to Trailing Twelve Months as of Q1 2020. Net earnings under IFRS are calculated by adding to adjusted net earnings: (i) gain recognized on sale of loans, and subtracting (ii) amortization of servicing asset, (iii) stock-based compensation, and (iv) non-recurring costs/(gain) listed above. These four items are adjusted for as they are either non-cash or non-recurring and do not reflect on the actual operating performance of the business.



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