

IOU Financial Inc.

Corporate presentation
September 2021



TSX-V: IOU



OTC: IOUFF

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 19 under the heading "Risks and Uncertainties" in IOU Financial's Q2 2021 MD&A dated August 25, 2021, 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.

About IOU Financial

- IOU provides **quick access to working capital** to small businesses across North America via its **proprietary IOU360 technology platform** connecting brokers, merchants and employees in real time.
- Since 2009, IOU has originated more than **CAD \$1.2 billion (US\$932 million)**, comprising **more than eleven thousand loans** to small businesses (SMBs) throughout the United States and Canada.
- As banks continue to move away from lending to SMBs, **IOU has proven to be a trusted alternative source of financing.**

IOU Financial: a COVID-19 survivor

- A **profitable, growing business** prior to Covid-19.
- **Successfully navigated the 2020 COVID-19 pandemic** to become one of the only alternative lenders that **never stopped funding small businesses**.
- Exited 2020 with an **increased cash position** of \$9.9 Million (\$11.1 Million as of June 30, 2021) and a **loan purchase agreement of up to US\$150 Million per year with a Neuberger Berman fund**.
- IOU's Post-Pandemic Growth Plan includes investments in **technology, distribution** and **product innovation** to maximize its exposure to the recovery.
- **In March 2021, IOU originated over US\$12 Million in loans, representing the highest volume since the onset of the pandemic, and in July 2021 IOU broke its all-time monthly record with over US\$18.5 Million in loan originations.**

(1) IOU was profitable for eight consecutive quarters leading into Q1 2020. Note: Loan origination figure of US\$932 million as of June 30, 2021.

Highlights of Q2 2021 Financial Results

- Loan origination volume **grew to US\$34.4 million in Q2 2021, representing an increase of 36.1% over Q1 2021 and an increase of 272.4% over Q2 2020.**
- IOU added US\$18.5 million in loan originations in July 2021, representing the **highest monthly loan origination volume in the history of the Company.**
- IOU continued to sell its loan originations to institutional buyers as part of its **marketplace growth strategy.**
- The Company maintained a corporate **cash position of \$11.1 million** as at June 30, 2021 **despite the repurchase of \$1.9 million in convertible debentures.**

Investment considerations

A fintech pioneer in the growing small business lending industry

- IOU is one of the **most experienced** online lenders to SMBs in North America.
- **Proprietary IOU360 technology platform** processes and underwrites loan applications extremely quickly, with approvals and loan funding occurring in as little as 24 hours.

Getting back on track to profitability

- IOU was consistently profitable heading into COVID-19 and is working to bring loan origination volumes back to pre-pandemic levels and return to profitability on an annual basis.

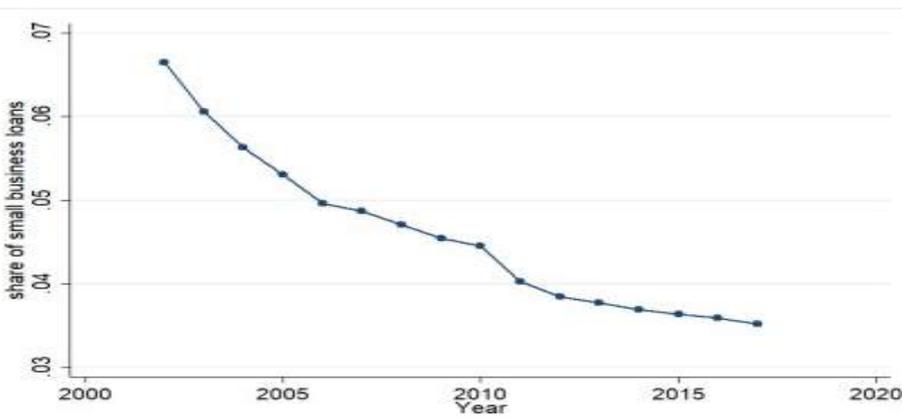
Alignment of interests with management and insiders

- **Insiders own over 39%** of Company's stock.

Small business lending market

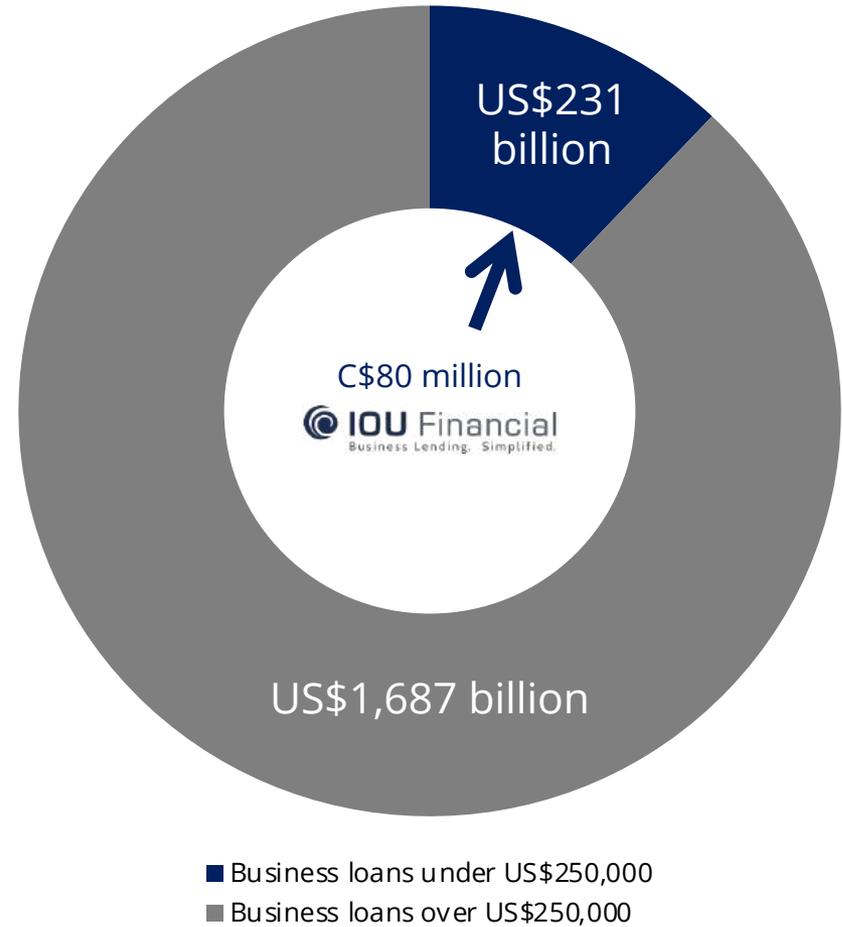
Banks have been reducing their exposure to the SMB lending market for the past two decades.

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.

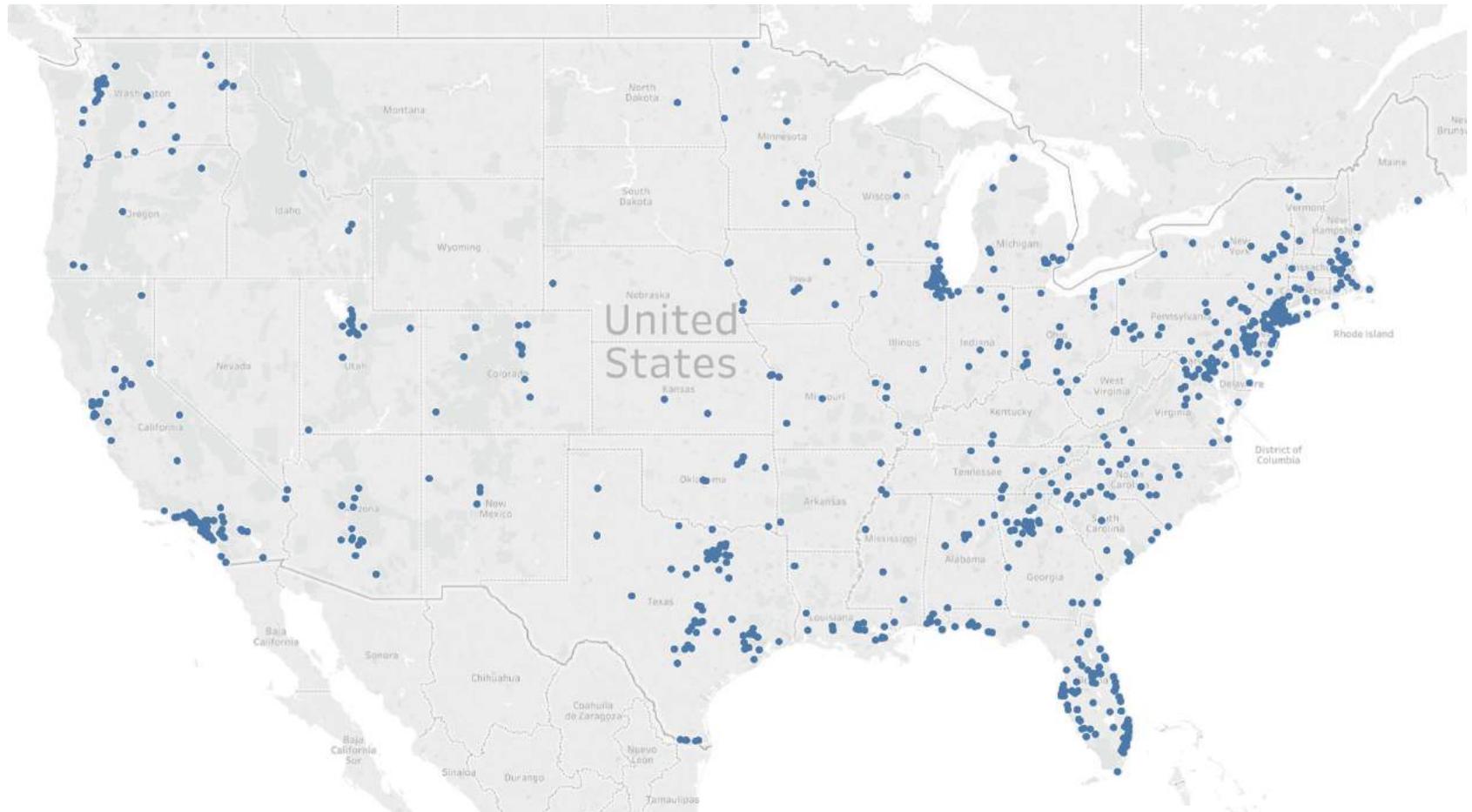
Total US Commercial & Industrial loans



Note: US C&I loan portfolio according to the FDIC as of June 30, 2019. IOU loans under management as of June 30, 2021.

Geographically diverse loan portfolio

Risk mitigation: No one state represents more than 15%, and no one industry represents more than 18% 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: 11.5 years.
- Near prime credit scores.

Typical loan

- Loan size: US\$5,000 to US\$600,000
- Loan term: 6 months – 18 months, repaid either daily, weekly or bi-weekly.
- Typical loan size (at origination): Approximately US\$150,000
- Average term: 11.9 months
- Funds are generally used for working capital purposes, to purchase new equipment, invest in an increased workforce, attend to repairs, expand their business, purchase more inventory or to increase marketing efforts.

Institutional funding sources

IOU Financial offers loans to sell through its IOU360 online marketplace to a diversified group of institutional investors.

The marketplace strategy supports growth and ensures maximum efficiency in loan placement into the secondary market.

Added to IOU's group of institutional buyers in Q4 2020: Neuberger Berman

- Strategic transaction in Q4 2020 with a fund managed by Neuberger Berman.
- US\$150M per annum loan purchase agreement over a two-year period.
- Neuberger Berman fund purchased a 15% equity stake in IOU.
- Strategic transaction provides IOU with ability to get back to pre-pandemic loan origination volumes and capitalize on the ongoing economic recovery.

LUM growth drives revenue growth

IOU circa 2012 – 2017:
 IOU circa 2018 - 2019:
 IOU circa 2020:
 IOU circa 2021:

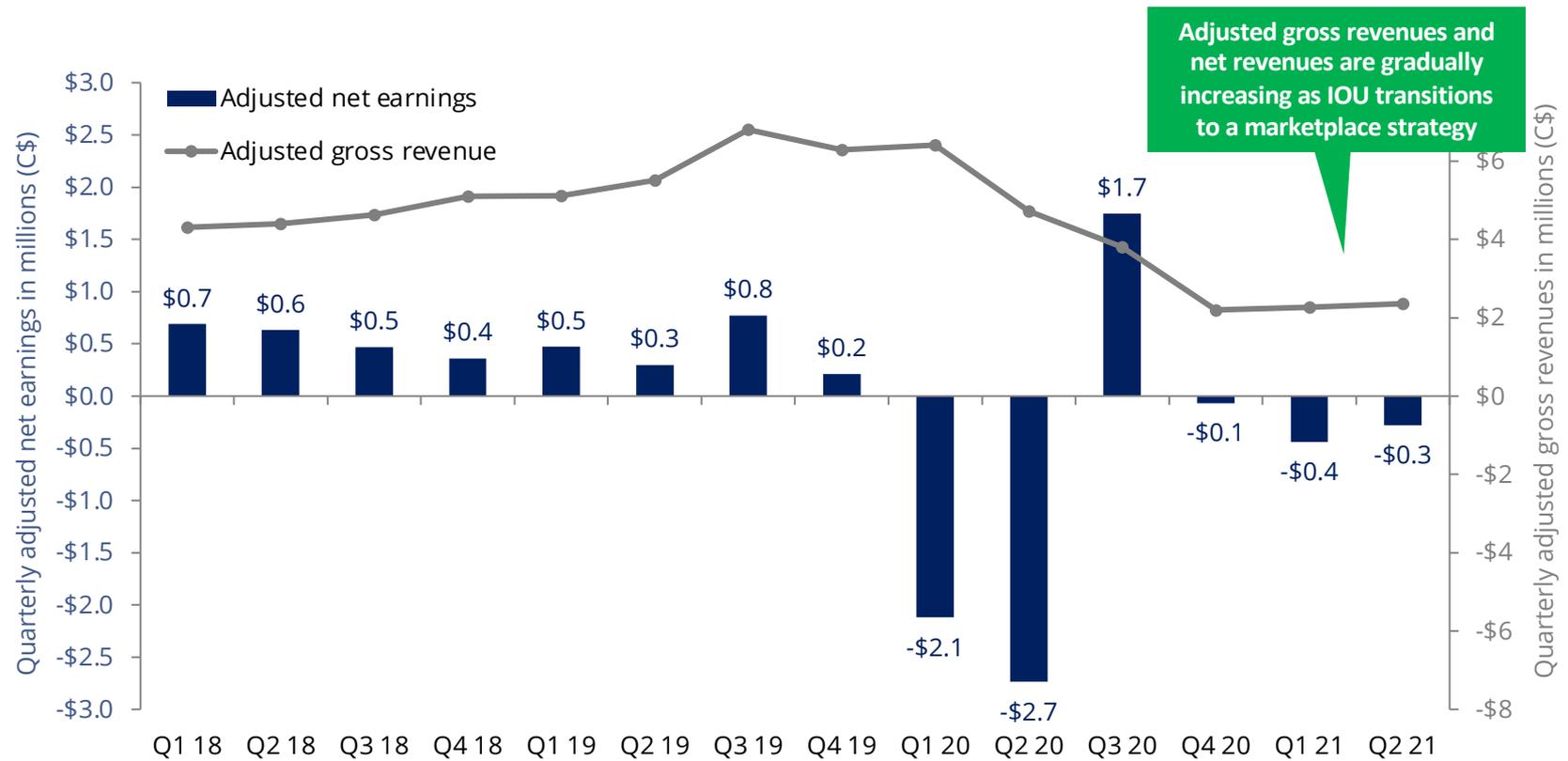
Increasing total LUM to achieve scale and profitability.
 Increasing total LUM drives revenue & earnings growth.
 COVID-19 survival and preparing for recovery
 Economic recovery and growth through marketplace strategy



Note: TTM LUM and adjusted gross revenues as of Q2 2021.

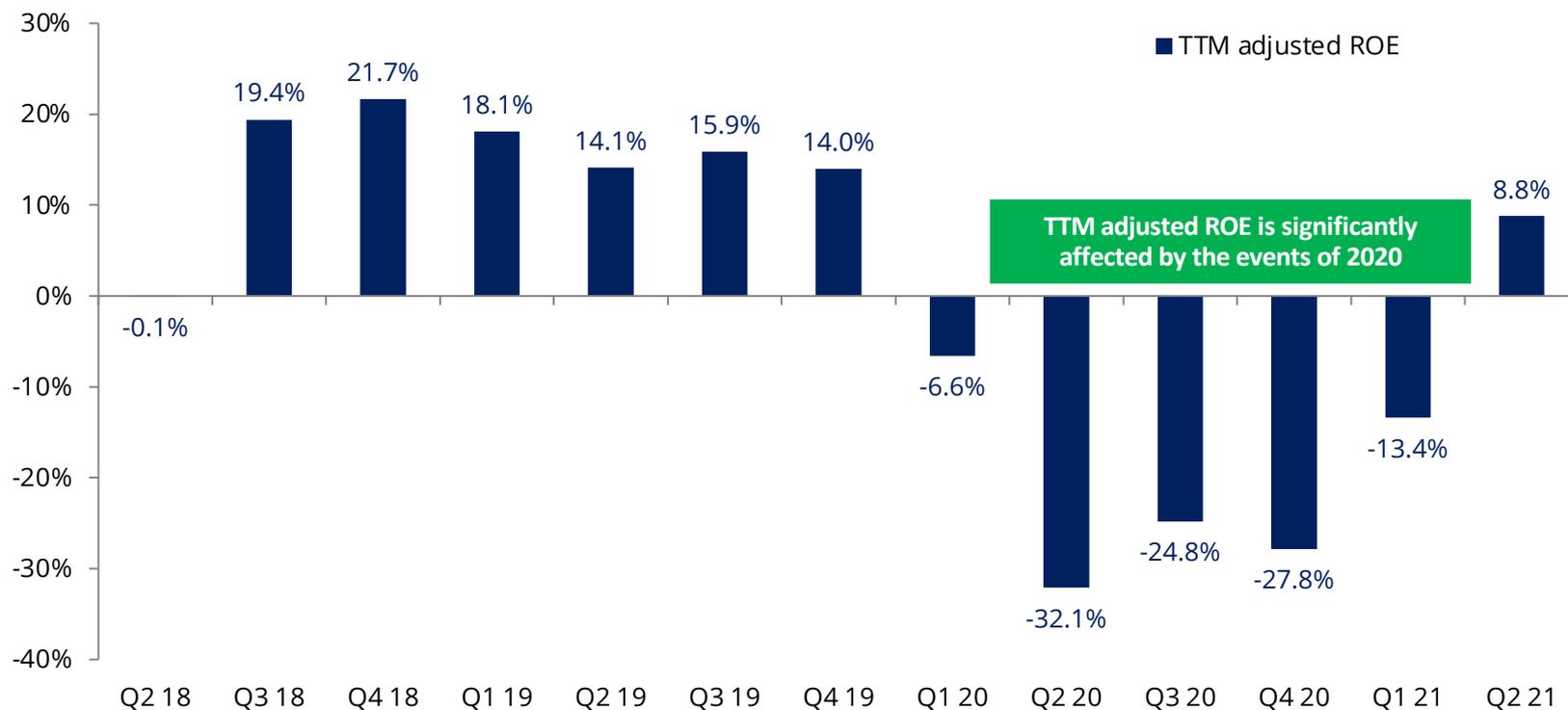
Revenue growth drives earnings growth

IOU achieved full year profitability in 2018 and was profitable leading up to COVID-19. IOU is focused on profitable growth as it emerges from the COVID-19 crisis.



Strong ROE business – COVID-19 a temporary setback

With profitability achieved in 2018, IOU demonstrated solid ROE leading into COVID-19 and is recovering as the Company emerges from the downturn.



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 support growth in loan originations by investing in 3 key areas:

- **Distribution:** Strategic marketing and communications programs
 - **Wholesale:** expanding sales force to grow the network of quality brokers working with IOU
 - **Retail:** growing ZING Funding to facilitate loan originations directly with merchants
- **Technology Innovation:** Automating, improving and expanding the IOU360 platform
 - In 2021 IOU launched a new data warehouse that powers all IOU360 applications, including the new Legal and Collections Portal, and will also enable the development of future applications
- **Product Expansion:** Introducing innovative new products to appeal to a wider range of merchants
 - IOU introduced the industry-first Cash-Back Loan on August 4, 2021 and is planning additional product launches to further expand its reach

Capital structure

Stock symbol	TSX-V: IOU
Shares outstanding	104.6M
Options	9.9M
Warrants	Nil
Fully diluted	114.5M
Insider ownership	40.7M
Basic insider ownership (%)	39%
Cash	\$11.1M
Convertible debentures	\$9.9M
SPV funding debt	\$0.0M
Commercial loans receivable balance	\$5.7M
Servicing portfolio	\$74.7M
Market capitalization	\$18.8M

Note: Financial data as of Q2 2021. Share data as of June 30, 2021.

Proven & experienced management team



Robert Gloer
President & CEO



David Kennedy, CPA, CA
CFO



Madeline Wade
EVP, Operations



Carl Brabander
EVP, Strategy



Jeff Turner
EVP, Risk Mitigation



Stewart Yeung, CPA, CA
EVP, Finance

Appendix

Adjusted & IFRS net earnings reconciliation

	2019	2020	TTM
Interest revenue	\$17,861,394	\$11,815,590	\$3,855,126
Servicing & other revenue	\$5,837,860	\$5,316,742	\$6,782,835
Adjusted gross revenue	\$23,699,254	\$17,132,332	\$10,637,961
Interest expense	\$3,998,673	\$2,800,963	\$1,559,548
Provision for loan losses	\$7,951,635	\$8,689,540	(\$1,672,320)
Recoveries	(\$248,043)	(\$706,367)	(\$387,538)
Cost of revenue	\$11,702,265	\$10,784,136	(\$500,310)
Adjusted net revenue	\$11,996,989	\$6,348,196	\$11,138,271
Adjusted operating expense	\$10,117,365	\$9,523,257	\$10,175,662
Income tax expense/(recovery)	\$121,370	-	-
Adjusted net earnings/(loss)	\$1,758,254	(\$3,175,061)	\$962,609
Non-cash gain on sale of loans	\$3,273,642	\$2,857,268	\$4,338,525
Non-cash amortization of servicing assets	(\$3,706,180)	(\$3,004,811)	(\$3,328,940)
Non-cash stock-based compensation	(\$287,986)	(\$137,345)	\$183,380
Non-recurring gain/(costs)	\$485,579	(\$640,474)	(\$544,356)
Net earnings/(loss) (IFRS):	\$1,523,309	(\$2,819,475)	\$2,333,170

Note: TTM refers to Trailing Twelve Months as of Q2 2021. 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.

A woman with her hair in a bun, wearing a plaid shirt and grey overalls, is focused on working on a bicycle in a workshop. The background shows other people and equipment, all under a blue-tinted overlay.

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For more information, please contact:

David Kennedy, Chief Financial Officer

IOU Financial Inc.

dkennedy@ioufinancial.com

www.ioufinancial.com