



Business Update

Strategic Update & Financial Forecast



December 14, 2017

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Business Update

STRATEGY

CORPORATE DEVELOPMENT

2018 BUSINESS PLAN

CONSOLIDATED 2018 FINANCIAL FORECAST

STRATEGY



2017 at a Glance

Following through on strategic plan

- ✓ Five sales totaling US\$3.1 billion+ of proceeds
- ✓ Two on-target acquisitions deploying >US\$0.5 billion of equity
- ✓ Investment grade rating driven by liquidity, asset base and credit culture

- Sold US C&V business for US\$1.3 billion, ~17% premium to assets

- Closed C\$100 million (US\$74 million) preferred share offering

- Sold Commercial Aviation business for US\$19 million and retained equity upside

- Initiated normal course issuer bid



- Acquired Service Finance for US\$309 million¹
- Sold non-core Rail assets for \$US1.1 billion, representing ~65% of the company's rail portfolio



- Announced acquisition of Triad Financial Services for US\$100 million, transaction to close in Q1-2018
- Announced sale of Canadian C&V business for ~C\$900 million (US\$706 million), transaction to close in Q1-2018
- Improved US\$2.2 billion senior credit facility

APRIL

JUNE

JULY

SEPTEMBER

OCTOBER

1. Excludes DPP

Consistent Investment Rationale

Assessment Criteria	SFC	TFS	Comments
Niche Specialty Finance	✓	✓	Complementary to bank counterparties as asset management partner
Profitability	✓	✓	Exceeds profitability requirements
Stability	✓	✓	Resilient long-term business model
Scalability	✓	✓	Able to build or acquire scale over the mid term
Growth Profile	✓	✓	Niche business with strong organic and add-on growth prospects
Asset Management	✓	✓	Managing/servicing portfolio for bank counterparties
Credit Risk	✓	✓	Low credit risk originated assets sold without recourse or capital commitments

Future acquisition opportunities will require the same hurdles

ECN Business Transition Continues

Market Leading National Vendor Finance Businesses



- Prime & super-prime originator, seller & servicer of consumer home improvement installment contracts
- Premier national manufacturer and dealer network
- Avg FICO – 765



- Prime & super-prime originator, seller & servicer of consumer manufactured housing loans
- Premier national manufacturer and dealer network
- Avg FICO – 740

Future Business

- Focus on unique specialty finance/ vendor based origination franchises
- National businesses with established relationships
- Strong credit culture

Established partnerships with ~60 banks and credit unions = asset light/high return model

Synergies

FUNDING

- Broadening and deepening of bank and credit unions
- Bank and credit union network
 - Introducing Triad credit unions to SFC
 - Introducing existing bank partners to expand capacity for both Triad and SFC
 - Existing ECN top-tier lenders to partner with SFC and/or Triad in 2018

OPERATIONAL

- Sharing operational best practices across businesses
- Leveraging technology
 - Approval processes
 - Document handling
 - Paperless operations
 - Efficiency improvements
 - Call center efficiencies

Synergies between ECN businesses have not been contemplated in forecast

CORPORATE DEVELOPMENT



Disciplined Acquisition Approach

- Evaluated ~US\$70 Billion+ of acquisition targets and stayed disciplined to our strategic plan and proven business model
- Focused on the right fit – returns, credit, growth & scalability
- Unique specialty finance origination franchises with high quality credit cultures
- Due diligence across specialty finance:

Commercial Finance	Asset Management
Consumer Finance	Home Improvement
Small Business Finance	Structured Finance
Equipment Finance	Venture Lending

THE RIGHT DEAL AT THE RIGHT TIME

Due Diligence Approach

ROBUST DUE DILIGENCE PROCESS

- A 15-person internal diligence deal team was established to review recent acquisitions (Service Finance and Triad), together with assistance from external advisors (legal, regulatory, accounting, tax and IT)
- Extensive diligence was conducted in new focus areas, including the U.S. consumer finance regulatory landscape (federal and state), industry backgrounds and state licensing requirements
- Other diligence review areas included financial modelling, originations, funding, credit, risk, HR, and insurance
- Significant time invested to ensure deals met ECN's investment criteria and risk standards
- Over 10,000+ diligence hours invested with each acquisition
- Regulatory compliance and change in control are cornerstones of our approach in specialty finance businesses. Over 200 regulatory licenses (retail installment sales, collection, servicing, mortgage origination and lending) in all 50 U.S. states have been or will be assumed by ECN

Recent Transaction Activity

DISCIPLINED ACQUIRER

- During the Q3 analyst discussion, ECN Management noted the Company expected to announce a new acquisition by year end
- From October to late November, ECN entered into an exclusive arrangement and pursued a significant acquisition opportunity in a complementary U.S. specialty finance segment
- Having completed a substantial amount of due diligence, ECN ultimately determined the opportunity did not meet all its key assessment criteria for acquisitions
- ECN's disciplined approach to M&A results in higher quality and more accretive acquisitions over the long term
- Acquisitions must meet or exceed strict ECN hurdles to proceed

ANNOUNCED DEALS

- Announced transactions to acquire Triad Financial and to sell Canadian C&V are on track to close by the end of January 2018
 - Over 90% of regulatory approvals for the Triad change of control have been received

Uses Of Capital

OPPORTUNITIES

- Near term focus on organic opportunities and acquisition-driven growth
- US\$550 million (C\$700 million) in equity firepower (post-Canada C&V close)

ACQUISITIONS

- ECN Capital has a solid pipeline of on-target acquisition opportunities
 - Future acquisitions require similar strict hurdles to Service Finance and Triad
- Confident on execution of further acquisition opportunities in 2018
 - Proven ability to execute demonstrated in 2017

INVESTMENT GRADE RATING

- Capital to maintain balance sheet assets (NIM) while building asset light earnings/EBITDA
- As asset light earnings/EBITDA build over time there will be room to reduce balance sheet assets

RETURN OF CAPITAL

- Modest opportunistic NCIB

Balanced Approach to Capital Allocation

2018 BUSINESS PLAN

- Home Improvement Finance
- Manufactured Housing Finance
- Rail Finance
- Aviation Finance





Home Improvement Finance

KEY HIGHLIGHTS

- 2017 originations to exceed US\$800 million
 - +8-9% from original forecast
 - ~+47% year over year
- Core in-home originations projected to grow ~40% in 2018
 - Continued success with core programs like Lennox, Owens Corning, Service Experts etc.
 - Originations from other dealers increased ~100% in 2017
 - Continue to add ~150 dealers per month
- Roll-out of new distribution channels
- Leveraging ECN partnership to develop new relationships
- Adjusted operating income before tax are up ~8% versus initial expectations

Select Metrics (US\$ millions)	Announced 2018	Forecast 2018
Core In-Home Originations	1,100	1,135
New Channels Originations	-	230
Total Originations	1,100	1,365
Managed Assets (Year-End)	1,400	1,860
Income Statement (US\$ millions)	Announced 2018	Forecast 2018
Revenue	73	81
Adjusted Operating Income Before Tax	51	55



Home Improvement Finance

NEW CHANNEL OPPORTUNITIES

- ECN partnership enabling new business – leveraging ECN's investment grade balance sheet
- Programs leverage SFC's existing capacity
 - New channel originations are accretive to bottom line
 - Revenue yields will vary by channel
 - Leveraging existing capacity results in improved efficiency over time
 - However, current 2018 forecast includes front-end loaded operating expenses to build new channels – e.g. retail salesforce
- New distribution channels include
 - Retail
 - Abbey Carpet national roll-out in 2018
 - Other retail partners in testing and development phase
 - Bank solar fund
 - Discreet fund with existing bank partner
 - Referral arrangements
 - Channel expected in late 2018 – not included in current forecast



Manufactured Housing Finance

KEY HIGHLIGHTS

- On track to close by the end of January 2018
- ECN Capital actively engaged to implement plans at deal closing to increase growth profile
 - Origination projections reflect continued organic growth pace – in line with announcement
- 24% of total loans outstanding currently utilize Triad's full servicing option
 - Active engagement with bank partners to improve penetration represents an opportunity to increase servicing fees
- Floorplan 2018 Model
 - ECN Capital to expand Floorplan channel with on balance sheet program
 - On balance sheet program utilization estimated to grow to ~US\$65 million by year end 2018
 - Utilizes ~US\$10 million of capital on existing line
 - Program will be additive to existing managed floorplan servicing only program
 - Program will drive additional core loan growth

Select Metrics (US\$ millions)	Forecast 2018
Total Originations	530
Total Loans Outstanding	2,310
Income Statement (US\$ millions)	Forecast 2018
Revenue	46
Adjusted Operating Income Before Tax ²	20

1. Assumes acquisition closes on January 31, 2018
 2. Not inclusive of interest expense

Rail Finance

RAIL UPDATE

- All ECN owned railcars are managed by Trinity post Q2 2017 Railcar Dispositions
- New agreement allows ECN to leverage one of the largest railcar sales and marketing networks in North America and right size portfolio operating costs
- Modest amount of originations and syndications expected in FY2018. Activity will be opportunistic and focus on portfolio optimization
- Current trend of rising carloads, declining new railcar production and fewer stored railcars continues to reduce excess capacity
- Lower lease rate renewals experienced in recent quarters expected to improve as the oversupply of railcars is reduced

1. Inclusive of syndication and other income

2. Includes only securitized interest expense

Select Metrics (US\$ millions)	Forecast 2018
Average Earning Assets	670
Income Statement	Forecast 2018
Net Financial Revenue ¹	37
Adjusted Operating Income Before Tax ²	21

Aviation Finance

AVIATION UPDATE

- Orderly wind-down of Aviation portfolio will continue in 2018 through managed run-off, syndications and buy-outs
- No originations anticipated in 2018

Select Metrics (US\$ millions)	Forecast 2018
Average Earning Assets	460
Income Statement	Forecast 2018
Net Financial Revenue ¹	22
Adjusted Operating Income Before Tax ²	19

1. Inclusive of syndication and other income

2. Not inclusive of interest expense

CONSOLIDATED 2018 FINANCIAL FORECAST



Consolidated Forecast by Quarter for FY2018

Income Statement ¹	1Q18	2Q18	3Q18	4Q18	2018
Adjusted operating income before tax (US\$ million) ²	11	20	23	22	76
Adjusted operating income after tax (US\$ million)	9	16	18	18	61
Adjusted operating income after tax EPS (US\$) ^{3, 4}	\$0.02	\$0.05	\$0.05	\$0.05	\$0.17
Adjusted operating income after tax EPS (C\$) ^{3, 4}	\$0.03	\$0.06	\$0.07	\$0.06	\$0.22

Bloomberg consensus mean estimate ⁵	\$0.20
Bloomberg consensus median estimate ⁵	\$0.22

1. 1.275 exchange rate USD:CAD
2. Includes estimated operating income of ~US\$2 million from Canadian C&V, for the stub period of January. Interest expense and Corporate G&A included in consolidated results.
3. Adjusted operating EPS excludes preferred share dividends of US\$2.5 million (C\$3.1 million) per quarter.
4. Share counts adjusted to reflect estimated NCIB during the year
5. Bloomberg estimates as of December 13, 2017

Intrinsic Value

Transition continues from balance sheet lender (book value valuation) to asset manager (earnings valuation)

Intrinsic Value		
	Operating Income Before Tax (US\$ millions)¹	2018
	Home Improvement Finance	\$ 55
	Manufactured Housing Finance	\$ 20
	Adjusted operating income before tax	\$ 75
	Adjusted operating income after tax	\$ 60
	Operating Income After Tax (C\$)²	2018
	Adjusted operating income after tax	\$ 77
	Adjusted operating income after tax EPS ^{3,4}	\$ 0.20
	x Market Multiple	12x
a	Projected Value Contribution per share	\$ 2.40
	ECN ProForma Book Value (C\$)³	2018
	3Q17 BVPS currency adjusted	\$ 4.61
	M&A Adjustments	-\$ 1.40
b	Proforma Book Value per share	\$ 3.21
a+b	Intrinsic Value	\$ 5.61

1. Adjusted operating income before tax
2. 1.275 exchange rate USD:CAD
3. Totals may not add due to rounding
4. Based on average share count of 382 million

APPENDIX





SFC 2017 Guidance Reconciliation

June 8, 2017 Forecast	August 1, 2017 Expected Close	September 7, 2017 Actual Close
Adjusted net income after tax	US\$10.4 million	US\$8.1 million

Actual Performance 2017	August 1, 2017 Close	September 7, 2017 Close
Adjusted net income after tax	US\$12.1 million	US\$9.0 million
Actual improvement vs announce	+16.3%	+11.1%

Origination increases match increases in income

Notes:

1. Originally projected close of August 1, 2017. Actual close September 7, 2017
2. June 8, 2017 guidance based on CAD:USD 1.35
3. Includes estimated results for November and December