



# Interim Condensed Consolidated Financial Statements

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**MARCH 31, 2024**

# ECN Capital Corp.

## Interim condensed consolidated statements of financial position

[in thousands of United States dollars]

|   | March 31,<br>2024 | December 31,<br>2023 |
|---|-------------------|----------------------|
|   | \$                | \$                   |
| <b>Assets</b>                                       |                   |                      |
| Cash  | 8,638             | 23,239               |
| Restricted funds [note 8]                           | 7                 | 34                   |
| Finance receivables [note 4]                        | 501,732           | 598,225              |
| Accounts receivable                                 | 75,989            | 96,034               |
| Taxes receivable                                    | 11,012            | 11,136               |
| Other assets [note 5]                               | 22,310            | 22,887               |
| Retained reserve interest                           | 39,057            | 38,000               |
| Continuing involvement asset                        | 69,533            | 70,382               |
| Notes receivable [note 12]                          | 23,997            | 24,631               |
| Derivative financial instruments [note 13]          | 551               | —                    |
| Leasehold improvements and other equipment [note 6] | 18,032            | 18,729               |
| Intangible assets                                   | 105,649           | 105,049              |
| Deferred tax assets                                 | 8,572             | 9,413                |
| Goodwill [note 7]                                   | 127,298           | 126,837              |
| Assets held-for-sale                                | —                 | 140,237              |
| <b>Total assets</b>                                 | <b>1,012,377</b>  | <b>1,284,833</b>     |
| <b>Liabilities and shareholders' equity</b>         |                   |                      |
| <b>Liabilities</b>                                  |                   |                      |
| Accounts payable and accrued liabilities [note 5]   | 60,772            | 57,434               |
| Continuing involvement liability                    | 69,533            | 70,382               |
| Derivative financial instruments [note 13]          | 26,681            | 20,017               |
| Borrowings [note 8]                                 | 631,259           | 900,599              |
| Other liabilities [notes 15]                        | 26,355            | 26,913               |
| <b>Total liabilities</b>                            | <b>814,600</b>    | <b>1,075,345</b>     |
| <b>Shareholders' equity</b>                         | <b>197,777</b>    | <b>209,488</b>       |
|   | <b>1,012,377</b>  | <b>1,284,833</b>     |

See accompanying notes

On behalf of the Board:

(signed) "William W. Lovatt"

William W. Lovatt

Director

(signed) "Steven K. Hudson"

Steven K. Hudson

Director

## ECN Capital Corp.

### Interim condensed consolidated statements of operations

[in thousands of United States dollars, except for per share amounts]

|                                     | Three-month<br>period ended<br>March 31,<br>2024 | Three-month<br>period ended<br>March 31,<br>2023 |
|-------------------------------------|--|--|
|                                     | \$   | \$   |
| <b>Revenues</b>                     |  |  |
| Loan origination revenues           | 19,805   | 22,674   |
| Servicing revenue                   | 8,758  | 6,358  |
| Interest income                     | 18,853   | 19,204   |
| Other revenue (loss) [note 11]      | 2,190  | (393)  |
|                                     | <b>49,606</b>                                    | <b>47,843</b>                                    |
| <b>Operating expenses and other</b> |  |  |
| Compensation and benefits           | 18,101   | 16,257   |
| General and administrative expenses | 9,680  | 8,184  |
| Interest expense                    | 18,238   | 18,221   |
| Depreciation and amortization       | 2,167  | 1,703  |
| Share-based compensation [note 10]  | 3,075  | 4,660  |
| Other expenses [note 11]            | 4,095  | 16,042   |
|                                     | <b>55,356</b>                                    | <b>65,067</b>                                    |
| Loss before income taxes            | (5,750)  | (17,224)   |
| Provision for income taxes          | 1,422  | 2,298  |
| <b>Net loss</b>                     | <b>(7,172)</b>                                   | <b>(19,522)</b>                                  |
| <b>Loss per common share</b>        |  |  |
| Basic [note 14]                     | (0.03)   | (0.09)   |
| Diluted [note 14]                   | (0.03)   | (0.09)   |

See accompanying notes

**Interim condensed consolidated statements of comprehensive loss**

[in thousands of United States dollars]

|  | Three-month<br>period ended<br>March 31,<br>2024 | Three-month<br>period ended<br>March 31,<br>2023 |
|--|--|--|
|  | \$   | \$   |
| <b>Net loss for the period</b>                                 | <b>(7,172)</b>                                   | <b>(19,522)</b>                                  |
| <b>Other comprehensive (loss) income</b>                       |  |  |
| Items that may be reclassified subsequently to profit or loss: |  |  |
| Cash flow hedges <i>[note 13]</i>                              | <b>(2,172)</b>                                   | 993  |
| Net unrealized foreign exchange loss                           | <b>(514)</b>                                     | (444)  |
|  | <b>(2,686)</b>                                   | 549  |
| Deferred tax expense   | <b>32</b>  | (107)  |
| <b>Total other comprehensive (loss) income</b>                 | <b>(2,654)</b>                                   | 442  |
| <b>Comprehensive loss for the period</b>                       | <b>(9,826)</b>                                   | <b>(19,080)</b>                                  |

See accompanying notes

**Interim condensed consolidated statements of changes in shareholders' equity**

[in thousands of United States dollars]

|  | Common<br>share<br>capital | Preferred<br>share<br>capital | Contributed<br>surplus | Retained<br>earnings<br>(deficit) | Accumulated<br>other<br>comprehensive<br>loss | Total<br>shareholders'<br>equity |
|--|----------------------------|-------------------------------|------------------------|-----------------------------------|---|----------------------------------|
|  | \$                         | \$                            | \$                     | \$                                | \$  | \$                               |
| <b>Balance, December 31, 2022</b>          | 586,227                    | 67,052                        | 79,013                 | (504,319)                         | (34,298)                                      | 193,675                          |
| Employee stock option expense              | —                          | —                             | 301                    | —                                 | —   | 301                              |
| Employee restricted stock unit expense     | —                          | —                             | 333                    | —                                 | —   | 333                              |
| Comprehensive (loss) income for the period | —                          | —                             | —                      | (19,522)                          | 442   | (19,080)                         |
| Dividends – preferred shares [note 9]      | —                          | —                             | —                      | (1,364)                           | —   | (1,364)                          |
| Dividends – common shares [note 9]         | —                          | —                             | —                      | (1,815)                           | —   | (1,815)                          |
| <b>Balance, March 31, 2023</b>             | 586,227                    | 67,052                        | 79,647                 | (527,020)                         | (33,856)                                      | 172,050                          |
| <b>Balance, December 31, 2023</b>          | 656,908                    | 124,012                       | 81,952                 | (624,836)                         | (28,548)                                      | 209,488                          |
| Employee stock options expense             | —                          | —                             | 1,389                  | —                                 | —   | 1,389                            |
| Employee restricted stock unit expense     | —                          | —                             | 156                    | —                                 | —   | 156                              |
| Comprehensive loss for the period          | —                          | —                             | —                      | (7,172)                           | (2,654)                                       | (9,826)                          |
| Dividends – preferred shares [note 9]      | —                          | —                             | —                      | (1,370)                           | —   | (1,370)                          |
| Dividends – common shares [note 9]         | —                          | —                             | —                      | (2,060)                           | —   | (2,060)                          |
| <b>Balance, March 31, 2024</b>             | 656,908                    | 124,012                       | 83,497                 | (635,438)                         | (31,202)                                      | 197,777                          |

See accompanying notes

# ECN Capital Corp.

## Interim condensed consolidated statements of cash flows

[in thousands of United States dollars]

|   | Three-month<br>period ended<br>March 31,<br>2024 | Three-month<br>period ended<br>March 31,<br>2023 |
|---|--|--|
|   | \$   | \$   |
| <b>Operating activities</b>                                 |  |  |
| Net loss for the period                                     | (7,172)  | (19,522)   |
| Items not affecting cash:                                   |  |  |
| Share-based compensation [note 10]                          | 3,075  | 4,660  |
| Depreciation and amortization                               | 2,167  | 1,703  |
| Amortization of intangible assets                           | 1,897  | 1,887  |
| Accretion of deferred purchase consideration                | 129  | 128  |
| Amortization of deferred financing costs                    | 1,669  | 1,453  |
|   | <b>1,765</b>                                     | <b>(9,691)</b>                                   |
| Changes in operating assets and liabilities:                |  |  |
| Change in finance receivables, net [note 4]                 | 97,399   | (933)  |
| Change in accounts receivable, net                          | 20,127   | (3,255)  |
| Change in taxes payable / receivable                        | 124  | 1,952  |
| Other operating assets and liabilities                      | (2,916)  | 5,035  |
| <b>Cash provided by (used in) operating activities</b>      | <b>116,499</b>                                   | <b>(6,892)</b>                                   |
| <b>Investing activities</b>                                 |  |  |
| Acquisitions, net of cash acquired [note 3]                 | (756)  | (2,489)  |
| Sale of Red Oak   | 139,331  | —  |
| Purchase of leasehold improvements and other equipment      | (466)  | (306)  |
| Decrease (increase) in notes receivable                     | 385  | (160)  |
| <b>Cash provided by (used in) investing activities</b>      | <b>138,494</b>                                   | <b>(2,955)</b>                                   |
| <b>Financing activities</b>                                 |  |  |
| Payments of lease liabilities                               | (893)  | (637)  |
| Payments of deferred financing costs                        | (39)   | (191)  |
| (Repayments) borrowings on term senior credit facility, net | (267,319)  | 21,833   |
| Dividends paid  | (1,370)  | (1,364)  |
| <b>Cash (used in) provided by financing activities</b>      | <b>(269,621)</b>                                 | <b>19,641</b>                                    |
| <b>Net (decrease) increase in cash during the period</b>    | <b>(14,628)</b>                                  | <b>9,794</b>                                     |
| Cash and restricted funds, beginning of period              | 23,273   | 12,715   |
| <b>Cash and restricted funds, end of period</b>             | <b>8,645</b>                                     | <b>22,509</b>                                    |

## ECN Capital Corp.

### Consolidated statements of cash flows (continued)

[in thousands of United States dollars]

|   | Three-month<br>period ended<br>March 31,<br>2024 | Three-month<br>period ended<br>March 31,<br>2023 |
|---|--|--|
| <b>Cash and restricted funds reported in the interim condensed consolidated<br/>statements of cash flows:</b> |  |  |
| Cash  | \$ 8,638   | \$ 22,509  |
| Restricted funds  | 7  | —  |
| Total   | <b>8,645</b>                                     | <b>22,509</b>                                    |
|   |  |  |
| <b>Supplemental cash flow information:</b>  |  |  |
| Cash taxes paid   | \$ 482   | \$ 1,450   |
| Cash interest paid  | 19,347   | 14,344   |
| Cash interest received  | 17,607   | 18,155   |

See accompanying notes

## **ECN Capital Corp.**

### **Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

## **1. Corporate Information**

ECN Capital Corp. ("ECN Capital" or the "Company") is a leading provider of business services to North American-based banks, credit unions, life insurance companies, pension funds and investment funds (collectively, its "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically consumer (manufactured housing and recreational vehicle and marine) loans and commercial (inventory finance and rental) loans. Its Partners are seeking high-quality assets to match with their deposits, term insurance or other liabilities. These services are offered through two operating segments: (i) Manufactured Housing Finance, and (ii) Recreational Vehicle and Marine ("RV and Marine") Finance. Headquartered in South Florida and Toronto, the registered office is located at 199 Bay Street, Suite 4000, Toronto, Ontario, Canada. ECN Capital has approximately 620 employees and operates principally in the U.S. The Company is a public corporation and trades on the Toronto Stock Exchange ("TSX") under the symbol "ECN."

## **2. Basis of Presentation and Summary of Material Accounting Policies**

### **Statement of compliance**

These interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements. They should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2023, which include information necessary or useful to understanding the Company's business and financial statement presentation.

The accounting policies in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2023.

These interim condensed consolidated financial statements are presented in thousands of U.S. dollars which is the functional currency, except where otherwise noted.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors (the "Board") of the Company on May 9, 2024.

### **Critical accounting estimates and use of judgements**

The preparation of these interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the interim condensed consolidated financial statements are issued.



**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses. Although the outcome of litigation cannot be predicted with certainty, and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows.

**Seasonality of operations**

The Company's business segments are impacted by seasonality, with the second and third quarters of the year being the strongest performing quarters. As a result, higher revenues and operating profits are usually expected during the second and third quarters as compared to the first and fourth quarters.

**Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**3. Business Acquisitions and Disposals**

**Acquisition of First Approval Source, LLC**

On March 28, 2024, the Company acquired all of the outstanding membership interests in First Approval Source, LLC ("FAS"), an RV and marine finance company, for total consideration of \$800, including cash consideration of \$670 and deferred contingent consideration of \$130. This acquisition expands the Company's reach in its RV and Marine Finance segment and acquires a front-end and underwriting technology platform.

The table below presents the preliminary allocation of fair values to the net assets acquired.

|   |            |
|---|------------|
| <b>Consideration paid:</b>                                |            |
| Cash  | \$ 670     |
| Fair value of deferred contingent consideration           | 130        |
| <b>Total consideration</b>                                | <b>800</b> |
| <br>  |            |
| <b>Fair value of identifiable assets and liabilities:</b> |            |
| Cash  | 44         |
| Accounts receivable                                       | 82         |
| Intangible assets   | 348        |
| Goodwill  | 461        |
| Accounts payable and other liabilities                    | (135)      |
| <b>Net assets acquired</b>                                | <b>800</b> |

The Company has agreed to a deferred purchase price earn-out plan that is based on achievement of prescribed origination volumes. The fair value of the contingent purchase consideration of \$130 has been recorded as a liability.

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

The allocation to goodwill of \$461 is primarily attributable to senior management's ability to maintain and grow its dealer and funding relationships in support of the continued growth of the business. The Company expects that all of the goodwill will be deductible for tax purposes.

Operating results attributable to FAS are included in the Company's interim condensed consolidated statements of operations from the date of acquisition and were not material to the Company's consolidated operating results for the period ended March 31, 2024.

**Acquisition of Wake Lending, LLC**

On January 31, 2023, the Company acquired all of the outstanding equity interests in Wake Lending, LLC ("Wake Lending"), an RV and marine finance company, for total consideration of \$2.5 million. This acquisition expands the Company's geographic presence of the RV and Marine Finance segment.

The table below presents the final allocation of fair values to the net assets acquired. Adjustments to the preliminary purchase price allocation were not material.

|   |                     |
|---|---------------------|
| <b>Consideration paid:</b>                                |                     |
| Cash  | \$ <u>2,500</u>     |
| <b>Fair value of identifiable assets and liabilities:</b> |                     |
| Cash  | 1                   |
| Accounts receivable                                       | 8                   |
| Goodwill  | 1,391               |
| Intangible assets   | <u>1,100</u>        |
| <b>Net assets acquired</b>                                | <b><u>2,500</u></b> |

The allocation to goodwill of \$1.4 million is primarily attributable to senior management's ability to maintain and grow both its dealer and funding relationships in support of the continued growth of the business. The Company expects that all of the goodwill will be deductible for tax purposes.

Operating results attributable to Wake Lending are included in the Company's interim condensed consolidated statements of operations from the date of acquisition and were not material to the Company's consolidated operating results for the period ended March 31, 2024.

**Sale of Red Oak RV and Marine Inventory Finance platform**

On February 21, 2024, the Company completed the sale of its Red Oak RV and Marine Inventory Finance platform ("Red Oak"), which operated through Triad Financial Services, to a third-party investor for cash proceeds of \$153.3 million, subject to final working capital adjustments. No gain or loss was recorded for the period ended March 31, 2024 as the purchase price approximated carrying value. Red Oak did not meet the criteria to be classified as discontinued operations.

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

**4. Finance Receivables**

The following table presents the Company's finance receivables based on the type of contract:

|  | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|--|-----------------------|--------------------------|
|  | \$                    | \$                       |
| Floorplan loans                                    | <b>199,583</b>        | 149,696                  |
| RV and Marine loans                                | <b>9,887</b>          | 9,615                    |
| <b>Gross finance receivables at amortized cost</b> | <b>209,470</b>        | 159,311                  |
| Allowance for credit losses                        | <b>(335)</b>          | (1,484)                  |
| <b>Net finance receivables at amortized cost</b>   | <b>209,135</b>        | 157,827                  |
| <b>Held-for-trading financial assets</b>           | <b>292,597</b>        | 440,398                  |
| <b>Total finance receivables</b>                   | <b>501,732</b>        | 598,225                  |

**Floorplan loans**

Floorplan loans are comprised entirely of secured loans issued by Triad Financial Services to finance dealer inventory. Floorplan loans are secured by first priority, fully perfected liens in the underlying units that are financed by Triad Financial Services. Triad Financial Services is also the beneficiary of a manufacturer's repurchase guarantee on each financed unit.

**RV and Marine loans**

RV and Marine loans are primarily comprised of high-quality retail marine loans that are secured by first priority, fully perfected liens in the underlying financed units.

**Held-for-trading financial assets**

The loans balance as at March 31, 2024 includes \$227.3 million (December 31, 2023 - \$382.5 million) in manufactured housing loans and \$65.3 million (December 31, 2023 - \$57.9 million) in RV and Marine loans, that are classified as held-for-trading. Finance receivables are classified as held-for-trading if the related loans were originated with the intention of selling the instrument in the near term. Held-for-trading finance receivables are measured on the interim condensed consolidated financial statements at fair value through profit or loss. These loans are considered Level 3 assets, and the Company measures the fair value of these loans based on a valuation model using internal inputs. Upon origination, the Company's internal valuation may determine a fair value that is in excess of the origination or transaction value of the loan. In these circumstances, the Company will not recognize such gains until the fair value estimated by the internal model is substantiated by a market-observable event such as an executed sales contract.

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

The following table presents the delinquency status of the net investment in finance receivables, by contract balance:

|                               | March 31, 2024 |               | December 31, 2023 |               |
|-------------------------------|----------------|---------------|-------------------|---------------|
|                               | \$             | %             | \$                | %             |
| 31 - 60 days past due         | —              | —             | —                 | —             |
| 61 - 90 days past due         | 812            | 0.39          | —                 | —             |
| Greater than 90 days past due | 906            | 0.43          | 1,280             | 0.80          |
| Total past due                | 1,718          | 0.82          | 1,280             | 0.80          |
| Current                       | 207,752        | 99.18         | 158,031           | 99.20         |
| <b>Total investment</b>       | <b>209,470</b> | <b>100.00</b> | <b>159,311</b>    | <b>100.00</b> |

As at March 31, 2024, finance assets greater than 90 days past due of approximately \$0.9 million is comprised of a single account related to Red Oak, which has been reclassified from assets held-for-sale and is reported at its estimated recoverable value. The balance remains secured by collateral that has been successfully repossessed.

The following table presents the weighted average interest rate of the finance receivables:

|                                | March 31, 2024 | December 31, 2023 |
|--------------------------------|----------------|-------------------|
| Net investment                 | \$209,470      | \$159,311         |
| Weighted average interest rate | 10.62 %        | 10.61 %           |

The following tables provide net investments in finance receivables segregated by stage:

|                              | March 31, 2024          |                               |                             | Total          |
|------------------------------|-------------------------|-------------------------------|-----------------------------|----------------|
|                              | Stage 1<br>(Performing) | Stage 2<br>(Under-performing) | Stage 3<br>(Non-performing) |                |
|                              | \$                      | \$                            | \$                          | \$             |
| Low risk                     | 58,242                  | —                             | —                           | 58,242         |
| Medium risk                  | 149,325                 | —                             | —                           | 149,325        |
| High risk                    | 185                     | 812                           | —                           | 997            |
| Default                      | —                       | —                             | 906                         | 906            |
| <b>Gross carrying amount</b> | <b>207,752</b>          | <b>812</b>                    | <b>906</b>                  | <b>209,470</b> |

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

|                              | December 31, 2023 |                    |                  |                |
|------------------------------|-------------------|--------------------|------------------|----------------|
|                              | Stage 1           | Stage 2            | Stage 3          | Total          |
|                              | (Performing)      | (Under-performing) | (Non-performing) |                |
|                              | \$                | \$                 | \$               | \$             |
| Low risk                     | 50,873            | —                  | —                | 50,873         |
| Medium risk                  | 106,956           | —                  | —                | 106,956        |
| High risk                    | 202               | —                  | —                | 202            |
| Default                      | —                 | —                  | 1,280            | 1,280          |
| <b>Gross carrying amount</b> | <b>158,031</b>    | <b>—</b>           | <b>1,280</b>     | <b>159,311</b> |

**Low risk:** Loans that have below average probability of default with credit risk that is lower than the Company's risk appetite and risk tolerance levels. While the Company does originate loans under this category, these loans may have lower yield due to high credit quality.

**Medium risk:** Loans that have an average probability of default with credit risk that is within the Company's risk appetite and risk tolerance. The Company actively originates loans under this category due to higher yields.

**High risk:** Loans that were originated within the Company's risk appetite but have subsequently experienced an increase in credit risk that is outside of the Company's typical risk appetite and risk tolerance levels. The Company will generally not originate loans in this category.

**Default:** Loans that are over 90 days past due or loans for which there is objective evidence of impairment.

**Allowance for credit losses**

The Company's allowance for credit losses is shown in the table below:

|  | Stage 1      | Stage 2            | Stage 3          | Total          |
|--|--------------|--------------------|------------------|----------------|
|  | (Performing) | (Under-performing) | (Non-performing) |                |
|  | \$           | \$                 | \$               | \$             |
| <b>Balance as at December 31, 2022</b> | 1,066        | —                  | —                | 1,066          |
| Recovery of credit losses              | (2)          | —                  | —                | (2)            |
| Stage transfers                        | (1)          | 1                  | —                | —              |
| <b>Balance as at March 31, 2023</b>    | <b>1,063</b> | <b>1</b>           | <b>—</b>         | <b>1,064</b>   |
| <b>Balance as at December 31, 2023</b> | 204          | —                  | 1,280            | 1,484          |
| Provision for credit losses            | <b>95</b>    | <b>36</b>          | <b>—</b>         | <b>131</b>     |
| Charge-offs                            | —            | —                  | <b>(1,280)</b>   | <b>(1,280)</b> |
| Stage transfers                        | <b>(2)</b>   | <b>2</b>           | <b>—</b>         | <b>—</b>       |
| <b>Balance as at March 31, 2024</b>    | <b>297</b>   | <b>38</b>          | <b>—</b>         | <b>335</b>     |

## Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

During the three-month period ended March 31, 2024, the Company charged off a \$1.28 million balance that was fully provisioned in 2023.

### 5. Other Assets and Accounts Payable and Accrued Liabilities

The following table presents the assets reported in other assets:

|  | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
|  | \$             | \$                |
| Corporate investments                            | 11,167         | 11,104            |
| Prepaid expenses and other assets <sup>[1]</sup> | 11,143         | 11,783            |
| <b>Total</b>                                     | <b>22,310</b>  | <b>22,887</b>     |

[1] Prepaid expenses and other assets include \$1.6 million and \$1.3 million of outstanding receivables due from officers of the Company as at March 31, 2024 and December 31, 2023, respectively.

The following table presents the liabilities reported in accounts payable and accrued liabilities:

|  | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
|  | \$             | \$                |
| Accounts payable and accrued liabilities                 | 37,765         | 28,083            |
| Accrued payroll and share-based compensation liabilities | 23,007         | 29,351            |
| <b>Total</b>   | <b>60,772</b>  | <b>57,434</b>     |

Accounts payable and accrued liabilities of \$37,765 as at March 31, 2024 include a provision of \$6,284 related to asset disposal, litigation and corporate restructure costs recognized in connection with the Company's previously announced cost reduction program.

### 6. Leasehold Improvements and Other Equipment

The following table presents the Company's fixed assets and right-of-use assets included in leasehold improvements and other equipment:

|  | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
|  | \$             | \$                |
| Leasehold improvements and other equipment | 3,864          | 3,758             |
| Right-of-use assets                        | 14,168         | 14,971            |
| <b>Total</b>                               | <b>18,032</b>  | <b>18,729</b>     |

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[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

**7. Goodwill**

Changes in the Company's goodwill balance for the three-month periods ended March 31, 2024 and March 31, 2023 were as follows:

|                                     | <b>March 31, 2024</b> | <b>March 31, 2023</b> |
|-------------------------------------|-----------------------|-----------------------|
|                                     | \$                    | \$                    |
| <b>Balance, beginning of period</b> | <b>126,837</b>        | 125,446               |
| Additions from acquisitions         | <b>461</b>            | 1,381                 |
| <b>Balance, end of period</b>       | <b>127,298</b>        | 126,827               |

**8. Borrowings**

Borrowings consist of the following as at March 31, 2024 and December 31, 2023:

|                             | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|-----------------------------|-----------------------|--------------------------|
|                             | \$                    | \$                       |
| Term senior credit facility | <b>472,188</b>        | 738,328                  |
| Senior unsecured debentures | <b>159,071</b>        | 162,271                  |
| <b>Total</b>                | <b>631,259</b>        | 900,599                  |

**Term senior credit facility**

The Company is party to a \$900 million term senior credit facility, amended December 12, 2023, which is syndicated to a group of seven Canadian, U.S. and international banks with a maturity date of December 6, 2025. The facility bears interest at the prime rate plus 1.0% or one-month bankers' acceptance rate plus 2.0% per annum on outstanding Canadian-dollar-denominated balances and U.S. base rate plus 1.0% per annum or one-month secured overnight financing rate plus 2.0% per annum on outstanding U.S.-dollar-denominated balances. The term senior credit facility is secured by a general security agreement in favor of the lenders consisting of a first priority interest on all property.

The Company was in compliance with all financial and reporting covenants with all of its lenders as at March 31, 2024.

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

The following table summarizes the Company's outstanding balance on its term senior credit facility:

|                                 | March 31, 2024      |   | December 31, 2023   |   |
|---------------------------------|---------------------|---|---------------------|---|
|                                 | Balance outstanding | Weighted average interest rate <sup>[1]</sup> | Balance outstanding | Weighted average interest rate <sup>[1]</sup> |
|                                 | \$                  | %   | \$                  | %   |
| Term senior credit facility     | 480,871             | 7.44  | 748,190             | 7.49  |
| Deferred financing costs        | (8,683)             |   | (9,862)             |   |
| <b>Total secured borrowings</b> | <b>472,188</b>      |   | <b>738,328</b>      |   |

[1] Represents the weighted average stated interest rate of outstanding debt at period end, excludes amortization of deferred financing costs, premiums or discounts and stand-by fees.

As at March 31, 2024, the unutilized balance of the facility was \$419,129 (December 31, 2023 - \$151,810).

**Senior unsecured debentures**

As at March 31, 2024, the Company had outstanding listed senior unsecured debentures with an aggregate principal of C\$221.25 million (the "Debentures"), consisting of C\$75.0 million of debentures due December 31, 2025, which bear interest at a rate of 6.0% per annum, C\$86.25 million of debentures due December 31, 2026, which bear interest at a rate of 6.0% per annum, and C\$60.0 million due December 31, 2027, which bear interest at a rate of 6.25% per annum. The Company has the option to satisfy its obligations to repay the principal and accrued interest of each of the debentures at redemption or maturity by issuing and delivering that number of common shares in the capital of the Company in accordance with the terms of the respective indentures.

The following table summarizes the outstanding balance of the Company's Debentures:

|  | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
|  | \$             | \$                |
| 6.0% senior unsecured debentures due 2025  | 55,395         | 56,633            |
| 6.0% senior unsecured debentures due 2026  | 63,704         | 65,127            |
| 6.25% senior unsecured debentures due 2027 | 44,316         | 45,306            |
|  | <b>163,415</b> | 167,066           |
| Deferred financing costs                   | (4,344)        | (4,795)           |
| <b>Total unsecured debentures</b>          | <b>159,071</b> | <b>162,271</b>    |



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[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

**9. Share Capital**

The Company is currently authorized to issue (i) an unlimited number of common shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

**Common shares**

The following table summarizes the Company's outstanding common shares:

|                            | Common shares      |                |
|----------------------------|--------------------|----------------|
|                            | Shares<br>#        | Amount<br>\$   |
| Balance, December 31, 2022 | 245,382,585        | 586,227        |
| Balance, March 31, 2023    | 245,382,585        | 586,227        |
| Balance, December 31, 2023 | 279,946,742        | 656,908        |
| Balance, March 31, 2024    | <b>279,946,742</b> | <b>656,908</b> |

During the three-month periods ended March 31, 2024 and March 31, 2023, the Company did not issue any common shares.

**Common share dividends**

During the three-month period ended March 31, 2024, the Company declared \$2,060 or C\$0.01, per common share in dividends (March 31, 2023 - \$1,815 or C\$0.01, per common share). The Company's common share dividends are designated to be eligible dividends for income tax purposes.

**Preferred shares**

The following tables summarize the Company's outstanding preferred share capital:

|                            | Series C<br>Preferred Shares |               | Series E<br>Preferred Shares |               |
|----------------------------|------------------------------|---------------|------------------------------|---------------|
|                            | Shares<br>#                  | Amount<br>\$  | Shares<br>#                  | Amount<br>\$  |
| Balance, December 31, 2022 | 3,712,400                    | 67,052        | —                            | —             |
| Balance, March 31, 2023    | <b>3,712,400</b>             | <b>67,052</b> | —                            | —             |
| Balance, December 31, 2023 | <b>3,712,400</b>             | <b>67,052</b> | <b>27,450,000</b>            | <b>56,960</b> |
| Balance, March 31, 2024    | <b>3,712,400</b>             | <b>67,052</b> | <b>27,450,000</b>            | <b>56,960</b> |

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[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

The Series E Preferred Shares are initially convertible on a one-for-one basis into an aggregate of 27,450,000 common shares based on an initial liquidation preference and conversion price equal to the share issue price, which are subject to customary anti-dilution adjustments. The Series E Preferred Shares are convertible at any time at the option of Skyline Champion, are redeemable at the option of the Company in connection with a change of control of the Company and will automatically convert into common shares on the fifth anniversary of closing of the private placement, in each case subject to a conversion cap in the event that, as a result of any conversion, Skyline Champion would hold in excess of 19.9% of outstanding common shares.

The holder of the Series E Preferred Shares are entitled to receive cumulative cash dividends at a rate of 4.0% per annum on the liquidation preference, payable semi-annually, vote on an as-converted basis for all matters on which holders of common shares vote and will vote together as a single class with the common shares. The Series E Preferred Shares will not be transferable other than to affiliates of Skyline Champion or with the prior approval of the Board of Directors of the Company.

The Company's outstanding Series C convertible preferred shares ("Series C Preferred Shares") are redeemable by the Company in whole or in part at their par value of C\$25.00 per share on June 30, 2027 and on June 30 of every fifth year thereafter. Holders of Series C Preferred Shares are entitled to receive a fixed annual cash dividend at a rate of 7.937%.

**Preferred share dividends**

During the three-month period ended March 31, 2024, the Company paid \$1,370 or C\$0.4960625 per Series C Preferred Share, in dividends (March 31, 2023 - \$1,364, or C\$0.4960625 per Series C Preferred Share). During the three-month period ended March 31, 2024, the Company did not pay any dividends per Series E Preferred Share. The Company's preferred share dividends are designated to be eligible dividends for income tax purposes.

**Normal Course Issuer Bids**

On September 18, 2023, the TSX approved the renewal of the Company's Normal Course Issuer Bid (the "Common Share Bid") for common shares of the Company and the Company's Normal Course Issuer Bid (the "Preferred Share Bid" and, together with the Common Share Bid, the "NCIBs") for the Company's Series C Preferred Shares for commencement on September 21, 2023. Pursuant to the NCIBs, the Company may repurchase up to an additional 6,329,034 common shares and 371,240 Series C Preferred Shares, representing approximately 5% and 10% of the public float of each of the common shares and Series C Preferred Shares, respectively. The NCIBs will end on the earlier of September 20, 2024 or the completion of purchases under the applicable NCIB.

During the three-month periods ended March 31, 2024 and March 31, 2023, the Company did not purchase any of its common shares or Series C Preferred Shares pursuant to the NCIBs.

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[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

**10. Share-Based Compensation**

Share-based compensation expense consists of the following for the three-month periods ended March 31, 2024 and March 31, 2023:

|  | Three-month period ended |                |
|--|--------------------------|----------------|
|  | March 31, 2024           | March 31, 2023 |
|  | \$                       | \$             |
| Performance share units and restricted share units | 2,017                    | 3,919          |
| Deferred share units                               | (331)                    | 440            |
| Stock options                                      | 1,389                    | 301            |
| <b>Share-based compensation</b>                    | <b>3,075</b>             | <b>4,660</b>   |

During the three-month period ended March 31, 2024, the Company granted 2,916,549 stock options to employees with a weighted average exercise price of C\$2.28 per share.

**11. Other Revenue (Loss) and Other Expenses**

Other revenue (loss) consists of the following for the three-month periods ended March 31, 2024 and March 31, 2023:

|                                       | Three-month period ended |                |
|---------------------------------------|--------------------------|----------------|
|                                       | March 31, 2024           | March 31, 2023 |
|                                       | \$                       | \$             |
| Foreign exchange                      | 661                      | (171)          |
| Earnings (loss) on investments        | 528                      | (325)          |
| Unrealized gain on interest rate swap | 878                      | —              |
| Other fees                            | 74                       | 4              |
| Sublease income                       | 49                       | 99             |
| <b>Total other revenue (loss)</b>     | <b>2,190</b>             | <b>(393)</b>   |

Other expenses consist of the following for the three-month periods ended March 31, 2024 and March 31, 2023:

|   | Three-month period ended |                |
|---|--------------------------|----------------|
|   | March 31, 2024           | March 31, 2023 |
|   | \$                       | \$             |
| Amortization of intangible assets                             | 1,897                    | 1,887          |
| Accretion of deferred purchase consideration                  | 129                      | 128            |
| Asset disposal, litigation and corporate restructure costs    | —                        | 11,361         |
| Transaction, corporate development and strategic review costs | 2,069                    | 2,666          |
| <b>Total other expenses</b>                                   | <b>4,095</b>             | <b>16,042</b>  |

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

Transaction, corporate development and strategic review costs of \$2.1 million in the three-month period ended March 31, 2024 relate to the acquisition of FAS, other business development initiatives and the Company's review of strategic alternatives, which was completed in the first quarter of 2024.

## **12. Related Party Transactions**

### **Strategic Partnership and Investor Rights Agreement with Skyline Champion Corporation**

On September 26, 2023, the Company completed a transaction pursuant to which Champion Canada Holdings Inc., a wholly-owned subsidiary of Skyline Champion, has made an approximately \$138 million (C\$185 million) equity investment in ECN Capital on a private placement basis (the "Private Placement") in exchange for 33,550,000 common shares of ECN Capital and 27,450,000 mandatory convertible Series E preferred shares of ECN Capital ("Series E Preferred Shares"). Following closing, Skyline Champion owns an approximately 19.9% indirect equity interest in ECN Capital (assuming the conversion of all Series E Preferred Shares).

Upon closing of the Private Placement, a member of the Board of Directors of Skyline Champion was appointed to the Board of Directors and Credit and Risk Committee of ECN Capital. In addition, ECN Capital and Skyline Champion also entered into an investor rights agreement providing for, among other things, customary piggy-back registration rights, preemptive rights, standstill and voting support obligations and certain other rights and restrictions, including a right to match in connection with unsolicited offers to acquire ECN Capital or Triad Financial Services.

In connection with the Private Placement, ECN Capital and Skyline Champion have formed Champion Financing LLC, ("Champion Financing") a captive finance company that is 51% owned by an affiliate of Skyline Champion and 49% owned by Triad Financial Services. Champion Financing provides a tailored retail finance loan program for customers and a new branded floorplan offering for Skyline Champion, its affiliates and their independent retailers in the manufactured home finance space and operates with services by Triad Financial Services. The Company accounts for its investment in Champion Financing under the equity method of accounting.

### **Notes receivable**

Notes receivable of \$23,997 as at March 31, 2024 (December 31, 2023 - \$24,631) represent loans to certain employees and officers of the Company granted in order to help finance the purchase of the Company's shares. Interest is accrued on the loans based on applicable U.S. interest rates, and the principal is payable on demand in the event of non-payment of interest. The notes receivable are secured by ECN Capital shares purchased with full recourse to the employee/officer.

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

The changes in notes receivable for the three-month periods ended March 31, 2024 and March 31, 2023 were as follows:

|  | <b>March 31, 2024</b> | <b>March 31, 2023</b> |
|--|-----------------------|-----------------------|
|  | \$                    | \$                    |
| <b>Notes receivable, beginning of period</b> | <b>24,631</b>         | 31,613                |
| Interest income                              | <b>88</b>             | 124                   |
| Repayments (interest and principal)          | <b>(385)</b>          | (4)                   |
| Transfers to other assets <sup>[1]</sup>     | —                     | (3,465)               |
| Foreign exchange                             | <b>(337)</b>          | 40                    |
| <b>Notes receivable, end of period</b>       | <b>23,997</b>         | 28,308                |

[1] These amounts primarily include loans to former employees that are being repaid pursuant to a fixed repayment schedule and remain secured by ECN Capital shares. As at March 31, 2024, \$1.9 million of these loans remained outstanding.

**Other related party transactions**

The Company is party to a five-year lease agreement, expiring September 30, 2027, with a member of management of a subsidiary company to lease office space for use in the normal course of business. Payments under the lease agreement were approximately \$88 and \$88 for the three-month periods ended March 31, 2024 and March 31, 2023, respectively.

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[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

**13. Derivative Financial Instruments**

In the normal course of business, and consistent with its risk management program, the Company enters into interest rate derivatives to manage interest rate risk, foreign exchange forward agreements to manage foreign currency exposure, and total return swaps to manage the variability in cash flows associated with forecasted future obligations on vesting of DSUs, RSUs, and PSUs attributable to changes in the Company's stock price.

**Cash flow hedges**

The Company's foreign exchange forward agreements and total return swaps are designated in hedging relationships and, as such, the gains or losses of the hedging derivative are offset by the gains or losses of the hedged item. There is an economic relationship between the hedged items and the hedging instruments as the terms of the contracts match the terms of the forecasted transactions. The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the three-month periods ended March 31, 2024 and March 31, 2023:

|  | Three-month period ended |                |
|--|--------------------------|----------------|
|  | March 31, 2024           | March 31, 2023 |
|  | \$                       | \$             |
| Foreign exchange agreements recorded in other revenue (loss)         | 661                      | (171)          |
| Fair value (loss) gain recorded in other comprehensive (loss) income | <b>(2,172)</b>           | 993            |

**Notional amounts and fair values of derivative instruments**

The following table summarizes the notional principal and fair values of the derivative financial instruments outstanding:

|                             | March 31, 2024     |               | December 31, 2023  |            |
|-----------------------------|--------------------|---------------|--------------------|------------|
|                             | Notional principal | Fair value    | Notional principal | Fair value |
|                             | \$                 | \$            | \$                 | \$         |
| Derivative assets           |                    |               |                    |            |
| Foreign exchange agreements | 169,396            | 551           | —                  | —          |
|                             | <b>169,396</b>     | <b>551</b>    | —                  | —          |
| Derivative liabilities      |                    |               |                    |            |
| Interest rate contracts     | 25,000             | 484           | 25,000             | 1,362      |
| Foreign exchange agreements | —                  | —             | 170,947            | 595        |
| Total return swaps          | 44,391             | 26,197        | 45,383             | 18,060     |
|                             | <b>69,391</b>      | <b>26,681</b> | 241,330            | 20,017     |

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**14. (Loss) Earnings per Share**

|  | Three-month period ended |                  |
|--|--------------------------|------------------|
|  | March 31, 2024           | March 31, 2023   |
|  | \$                       | \$               |
| Net loss   | (7,172)                  | (19,522)         |
| Cumulative dividends on preferred shares                       | 1,370                    | 1,364            |
| <b>Net loss attributable to common shareholders</b>            | <b>(8,542)</b>           | <b>(20,886)</b>  |
| Weighted average number of common shares outstanding - basic   | <b>279,946,742</b>       | 245,382,585      |
| Basic loss per share   | <b>\$ (0.03)</b>         | \$ (0.09)        |
| <b>Total basic loss per share</b>                              | <b>\$ (0.03)</b>         | <b>\$ (0.09)</b> |
| Weighted average number of common shares outstanding - diluted | <b>308,410,540</b>       | 245,779,994      |
| Diluted loss per share   | <b>\$ (0.03)</b>         | \$ (0.09)        |
| <b>Total diluted loss per share</b>                            | <b>\$ (0.03)</b>         | <b>\$ (0.09)</b> |

For the three-month period ended March 31, 2024 and March 31, 2023, 12,078,989 and 3,086,124, respectively, potentially dilutive stock options were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

## Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

### 15. Capital Disclosures

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value.

The Company's capitalization is as follows:

|  | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
|  | \$             | \$                |
| Borrowings on term senior credit facility  | 472,188        | 738,328           |
| Accounts payable and accrued liabilities   | 60,772         | 57,434            |
| Other liabilities <sup>[1]</sup>           | 26,355         | 26,913            |
|  | <b>559,315</b> | 822,675           |
| Senior unsecured debentures <sup>[2]</sup> | 159,071        | 162,271           |
| Shareholders' equity                       | 197,777        | 209,488           |
|  | <b>916,163</b> | 1,194,434         |

[1] Other liabilities primarily include a \$10.0 million (December 31, 2023 - \$9.7 million) deferred purchase consideration liability related to the acquisition of IFG and FAS, and a \$16.3 million (December 31, 2023 - \$17.1 million) lease liability.

[2] In accordance with the terms of the indentures, the Company has the option to satisfy its obligations to repay the principal and interest of its senior unsecured debentures by issuing common shares in the capital of the Company.

### 16. Fair Value Measurements

IFRS 13, *Fair Value Measurement*, requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs used in the valuation of an asset or liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in an active market for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are not based on observable market data.



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**(a) Assets and liabilities measured at fair value on a recurring basis**

The following tables present the level within the fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis:

|                                       | March 31, 2024 |                 |                |                |
|---------------------------------------|----------------|-----------------|----------------|----------------|
|                                       | Level 1        | Level 2         | Level 3        | Total          |
|                                       | \$             | \$              | \$             | \$             |
| Cash                                  | 8,638          | —               | —              | 8,638          |
| Restricted funds                      | 7              | —               | —              | 7              |
| Held-for-trading financial assets     | —              | —               | 292,597        | 292,597        |
| Corporate investments                 | —              | 11,167          | —              | 11,167         |
| Retained reserve interest             | —              | —               | 39,057         | 39,057         |
| Derivative financial instruments, net | —              | (26,130)        | —              | (26,130)       |
| <b>Total</b>                          | <b>8,645</b>   | <b>(14,963)</b> | <b>331,654</b> | <b>325,336</b> |

|                                       | December 31, 2023 |                |                |                |
|---------------------------------------|-------------------|----------------|----------------|----------------|
|                                       | Level 1           | Level 2        | Level 3        | Total          |
|                                       | \$                | \$             | \$             | \$             |
| Cash                                  | 23,239            | —              | —              | 23,239         |
| Restricted funds                      | 34                | —              | —              | 34             |
| Held-for-trading financial assets     | —                 | —              | 440,398        | 440,398        |
| Corporate investments                 | —                 | 11,104         | —              | 11,104         |
| Retained reserve interest             | —                 | —              | 38,000         | 38,000         |
| Derivative financial instruments, net | —                 | (20,017)       | —              | (20,017)       |
| <b>Total</b>                          | <b>23,273</b>     | <b>(8,913)</b> | <b>478,398</b> | <b>492,758</b> |

Transfers between levels of the fair value hierarchy are recognized at the date of the event that caused the transfer. There were no transfers between levels of the fair value hierarchy for the periods presented.

*Retained reserve interest*

The fair value of the retained reserve interest asset represents the present value of the amount the Company expects to recover from the amounts placed on deposit in a reserve account with respect to loans sold by Triad Financial Services. The Company estimates the fair values using a discounted cash flow approach using assumptions for loan loss and prepayment rates and discount rates, which are all Level 3 inputs. A significant increase or decrease in loan loss assumptions, prepayment rates, or discount rates would result in a lower or higher, respectively, fair value measurement of the retained reserve interest asset.

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[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

The following table presents the estimated impact of a change in each of these key assumptions on the fair value of the retained reserve interest asset as at March 31, 2024.

| Assumption      | March 31, 2024 |        |
|-----------------|----------------|--------|
|                 | Change         | Amount |
|                 | basis points   | \$     |
| Charge-off rate | 5              | 2,700  |
| Prepayment rate | 100            | 1,500  |
| Discount rate   | 100            | 3,000  |

*Held-for-trading financial assets*

The fair value of held-for-trading financial assets is estimated to approximate carrying value. These finance receivables are classified as Level 3 financial instruments, whereby fair value is determined using valuation techniques and inputs not based on observable market data.

The assertion that the carrying value of held-for-trading financial assets approximates fair value requires the use of estimates and significant judgment. The underlying assets are credit-scored and/or valued based on internal models that are not necessarily used in market transactions. The fair value of any of these balances would be affected by a potential buyer's assessment of the transaction's credit quality, payment history, yield, term, documents and other legal matters and other subjective considerations. The value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations and other factors.

The fair value of finance receivables classified as assets held-for-trading is determined based on bids received on these loans in a private market. A significant increase or decrease in market interest rates and/or yields on comparable finance assets would result in a lower or higher, respectively, fair value measurement of held-for-trading financial assets. Based on its exposure as at March 31, 2024, the Company estimates that a hypothetical 50 basis point increase in interest rates may result in a decrease of approximately \$1.4 million in the carrying value of its held-for-trading financial assets.

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[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

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**(b) Reconciliation of Level 3 fair value measurements of financial instruments**

The changes in the Company's Level 3 assets measured at fair value on a recurring basis for the three-month period ended March 31, 2024 and March 31, 2023 were as follows:

|   | <b>Held-for-trading<br/>financial assets</b> | <b>Retained reserve<br/>interest</b> |
|---|--|--------------------------------------|
|   | \$   | \$                                   |
| <b>Balance, December 31, 2022</b>         | 219,734                                      | 36,479                               |
| Issues                                    | 137,728                                      | 2,759                                |
| Sales                                     | (133,935)                                    | —                                    |
| Settlements                               | (1,272)                                      | (375)                                |
| Change in fair value included in earnings | (23)   | —                                    |
| <b>Balance, March 31, 2023</b>            | <b>222,232</b>                               | <b>38,863</b>                        |
| <br>                                      |  |                                      |
| <b>Balance, December 31, 2023</b>         | 440,398                                      | 38,000                               |
| Issues                                    | <b>208,571</b>                               | <b>1,859</b>                         |
| Sales                                     | <b>(350,370)</b>                             | —                                    |
| Settlements                               | <b>(6,002)</b>                               | <b>(802)</b>                         |
| <b>Balance, March 31, 2024</b>            | <b>292,597</b>                               | <b>39,057</b>                        |

**(c) Assets measured at fair value on a non-recurring basis**

As at March 31, 2023, the Company did not have any assets or liabilities measured at fair value on a non-recurring basis.

As at December 31, 2023, the Company assessed the fair value of the assets held-for-sale related to its Red Oak RV and Marine Inventory Finance platform, which the Company entered into an agreement to sell subsequent to December 31, 2023. Fair value less costs to sell as at December 31, 2023 was measured based on the related sale contract value and estimated costs associated with the sale. As a result of the assessment, a provision of approximately \$4.0 million was recorded, which primarily represents estimated costs to sell the business. No impairment loss was recorded related to the underlying loan portfolio, as the carrying value approximated fair value. The Company completed the sale transaction on February 21, 2024. See Note 3, *Business Acquisitions and disposals*, for further details.

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

**17. Segmented Information**

**Operating segments**

ECN Capital's operating results of continuing operations are categorized into two core operating segments and a Corporate segment. The Company's core operating segments consist of: (i) Manufactured Housing Finance; and (ii) RV and Marine Finance. The Company's Chief Operating Decision Maker, the CEO, reviews the operating results, assesses performance and makes capital allocation decisions at the business segment level. Therefore, each of the Company's business segments is an operating and reporting segment for financial reporting purposes.

The financial reporting of ECN Capital's two core business segments is consistent with the manner in which management currently evaluates the operating segment performance.

The interim condensed consolidated statements of operations by segment for the three-month period ended March 31, 2024 and March 31, 2023 are shown in the following tables:

|   | <b>For the three-month period ended March 31, 2024</b> |                                  |                  |  |
|---|--|----------------------------------|------------------|--|
|   | <b>Manufactured<br/>Housing<br/>Finance</b>            | <b>RV and Marine<br/>Finance</b> | <b>Corporate</b> | <b>Total continuing<br/>operations</b> |
|   | \$   | \$                               | \$               | \$                                     |
| <b>Revenues</b>   |  |                                  |                  |  |
| Loan origination revenues   | 15,738   | 4,067                            | —                | 19,805                                 |
| Servicing revenue   | 8,758  | —                                | —                | 8,758                                  |
| Interest income and other revenue                                   | 18,296   | 1,716                            | 1,031            | 21,043                                 |
| Total revenue   | <u>42,792</u>  | <u>5,783</u>                     | <u>1,031</u>     | <u>49,606</u>                          |
| <b>Operating expenses and other</b>                                 |  |                                  |                  |  |
| Compensation and benefits   | 14,591   | 2,746                            | 764              | 18,101                                 |
| General and administrative expenses                                 | 6,548  | 1,081                            | 2,051            | 9,680                                  |
| Interest expense  | 11,342   | 1,080                            | 5,816            | 18,238                                 |
| Depreciation and amortization                                       | 1,236  | 404                              | 527              | 2,167                                  |
| Share-based compensation  | 385  | 681                              | 2,009            | 3,075                                  |
| Other expenses  | 310  | 1,716                            | 2,069            | 4,095                                  |
|   | <u>34,412</u>  | <u>7,708</u>                     | <u>13,236</u>    | <u>55,356</u>                          |
| <b>Income (loss) before income taxes from continuing operations</b> | <u>8,380</u>   | <u>(1,925)</u>                   | <u>(12,205)</u>  | <u>(5,750)</u>                         |

**Notes to interim condensed consolidated financial statements**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

March 31, 2024

|   | <b>For the three-month period ended March 31, 2023</b> |                                  |                  |  |
|---|--|----------------------------------|------------------|--|
|   | <b>Manufactured<br/>Housing<br/>Finance</b>            | <b>RV and Marine<br/>Finance</b> | <b>Corporate</b> | <b>Total continuing<br/>operations</b> |
|   | \$   | \$                               | \$               | \$                                     |
| <b>Revenues</b>   |  |                                  |                  |  |
| Loan origination revenues   | 18,004   | 4,670                            | —                | 22,674                                 |
| Servicing revenue   | 6,358  | —                                | —                | 6,358                                  |
| Interest income and other revenue                                       | 18,323   | 525                              | (37)             | 18,811                                 |
| Total revenue   | 42,685   | 5,195                            | (37)             | 47,843                                 |
| <b>Operating expenses and other</b>                                     |  |                                  |                  |  |
| Compensation and benefits   | 12,354   | 2,395                            | 1,508            | 16,257                                 |
| General and administrative expenses                                     | 5,804  | 570                              | 1,810            | 8,184                                  |
| Interest expense  | 12,472   | 240                              | 5,509            | 18,221                                 |
| Depreciation and amortization   | 887  | 247                              | 569              | 1,703                                  |
| Share-based compensation  | 1,638  | 300                              | 2,722            | 4,660                                  |
| Other expenses  | 310  | 1,705                            | 14,027           | 16,042                                 |
|   | 33,465   | 5,457                            | 26,145           | 65,067                                 |
| <b>Income (loss) before income taxes from<br/>continuing operations</b> | 9,220  | (262)                            | (26,182)         | (17,224)                               |

Total assets and total liabilities by segment as at March 31, 2024 and December 31, 2023 are shown in the following tables:

|                          | <b>March 31, 2024</b>                       |                                  |                  |                  |
|--------------------------|---|----------------------------------|------------------|------------------|
|                          | <b>Manufactured<br/>Housing<br/>Finance</b> | <b>RV and Marine<br/>Finance</b> | <b>Corporate</b> | <b>Total</b>     |
|                          | \$  | \$                               | \$               | \$               |
| <b>Total assets</b>      | <b>710,863</b>                              | <b>246,844</b>                   | <b>54,670</b>    | <b>1,012,377</b> |
| <b>Total liabilities</b> | <b>389,433</b>                              | <b>76,560</b>                    | <b>348,607</b>   | <b>814,600</b>   |

|                          | <b>December 31, 2023</b>                    |                                  |                  |              |
|--------------------------|---|----------------------------------|------------------|--------------|
|                          | <b>Manufactured<br/>Housing<br/>Finance</b> | <b>Marine and RV<br/>Finance</b> | <b>Corporate</b> | <b>Total</b> |
|                          | \$  | \$                               | \$               | \$           |
| <b>Total assets</b>      | 989,050                                     | 240,694                          | 55,089           | 1,284,833    |
| <b>Total liabilities</b> | 680,679                                     | 70,482                           | 324,184          | 1,075,345    |

