ECN CAPITAL

Management Discussion & Analysis

DECEMBER 31, 2020

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the financial condition and results of operations of ECN Capital Corp. (the "Company" or "ECN Capital") as at and for the year ended December 31, 2020 and should be read in conjunction with the Company's annual audited consolidated financial statements for the years ended December 31, 2020 (the "2020 Annual Consolidated Financial Statements") and December 31, 2019 (the "2019 Annual Consolidated Financial Statements"). Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's website at www.ecncapitalcorp.com.

Certain comparative figures have been reclassified to conform to the current period's presentation. All amounts set forth in this MD&A are in U.S. dollars unless otherwise noted.

Cautionary Statement

This analysis has been prepared taking into consideration information available to February 25, 2021. Certain statements contained in this report constitute "forward looking statements". When used in this report, the words "may", "would", "could," "will," "intend," "plan," "anticipate," "believe," "estimate," "expect," and similar expressions, as they relate to the company, or its management, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to inherent risks, uncertainties and numerous assumptions, including, without limitation, general economic and industry conditions, reliance on debt financing, dependence on borrowers, dependence on financing its business through funding commitments and the sale of loan portfolios to banks and other financial institutions, inability to recover receivables, competition, interest rates, regulation, demand for financing in the specialty finance sector, insurance, failure of key systems, debt service, future capital needs and such other risks or factors described from time to time in reports of ECN Capital.

By their nature, forward looking statements involve numerous assumptions, known and unknown, risks and uncertainties, both general and specific, which contribute to the possibility that predictions, forecasts, projections and other forms of forward looking information may not be achieved. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements and readers are cautioned that the list of factors in the foregoing paragraph is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Accordingly, readers are cautioned not to place undue reliance on forward looking statements or interpret or regard forward-looking statements as guarantees of future outcomes. Except as may be required by applicable Canadian securities laws, we do not intend, and disclaim any obligation to update or rewrite any forward-looking statements whether oral or written as a result of new information, future events or otherwise.

Risk Factors

The following information updates, and should be read in conjunction with, the information disclosed in the Company's Annual Information Form dated March 26, 2020 for the financial year ended December 31, 2019, available on SEDAR at www.sedar.com and on the Company's website at www.ecncapitalcorp.com.

The COVID-19 Pandemic may adversely affect ECN Capital's business, operations and results

The outbreak of the coronavirus disease 2019 ("COVID-19") caused by a novel strain of coronavirus, specifically identified as "SARS-CoV-2", has been declared a pandemic by the World Health Organization. COVID-19 continues to spread in the United States, Canada and a number of other countries globally and has created, and continues to create, significant societal and economic disruptions, including global stock market and financial market volatility, a general reduction in consumer activity, operating, supply chain and project development delays and disruptions and declining trade and market sentiment, all of which have and could further affect, among other things, the markets and/or industries in which ECN Capital participates, the economy and consumer spending, commodity prices, interest rates, credit ratings and credit and counterparty risk. Furthermore, governments worldwide have enacted emergency measures in response to the COVID-19 pandemic. These measures, which include the implementation of regional and/or international travel bans, border closings, mandated closure of non-essential services, social and physical distancing, self-imposed quarantine periods, "shelter-in place" policies and/or similar restrictions on individuals and businesses, have caused material disruption to the economy, businesses and industries globally, resulting in an economic slowdown. Governments and central banks have also reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The ever-changing and rapidly-evolving effects of the COVID-19 pandemic, including the accompanying response measures, on investors, businesses, the economy, society and the financial markets may negatively impact ECN Capital as well as its Partners, customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting local, national or international economies and employment levels, triggering potentially significant inflationary pricing or a recession, increasing delinquencies, non-accruals and credit losses and reducing origination and asset management volumes; (ii) adversely affecting the business operations, liquidity and capital allocation decisions of ECN Capital's existing or potential lenders and/or Partners and other financing sources, reducing or eliminating the availability of funding and/or sufficient funding commitments from Partners and/or existing or potential lenders and other financing sources; (iii) causing business interruptions as a result of the strain on ECN Capital's existing resources, including information technology systems and infrastructure resulting from senior management and other employees working remotely, the inability to receive necessary technology or other hardware, including updates thereto, due to supply chain interruption, other extended disruptions in the telecommunications and internet infrastructures that support the Corporation's remote work capability and increased cybersecurity risk due to cybercriminals' attempting to capitalize from the disruption; and (iv) adversely affecting ECN Capital's ability to maintain the performance of or compel growth in the verticals in which it operates, all of which could have a material negative impact on ECN Capital's financial condition, operating results and cash flows.

In general, a decline in economic conditions, either in the markets or industries in which ECN Capital participates, or both, will result in downward pressure on its operating margins and asset values as a result of lower demand and increased price competition for the services and products that it provides. If global economic conditions deteriorate, ECN Capital's performance could suffer, resulting in decreased cash flow from operations, which could adversely affect ECN Capital's liquidity position and the amount of cash it has on hand to conduct its operations. A reduction in ECN Capital's cash flow from operations could, in turn, require ECN Capital to rely on other sources of capital (such as the capital markets which may not be available to ECN Capital on acceptable terms, or debt and other forms of capital). Further or prolonged economic slowdowns or recessions, including those caused by the ongoing COVID-19 pandemic, could lead to financial losses in ECN Capital's portfolio and a decrease in ECN Capital's adjusted net income applicable to common shareholders, adjusted EBITDA, total originations and managed and advisory assets (and, to the extent applicable, the relevant closest comparable IFRS measure from which these metrics are derived, including net income). Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on ECN Capital's businesses, operating results, and financial condition.

The duration and ultimate impact of the COVID-19 pandemic on ECN Capital's business, operations and financial results, in the near, medium and long-term, is unknown at this time, as is the efficacy of the various government and central bank interventions, including any future interventions and responses. The extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity or spread of COVID-19 and the further actions taken to contain it or treat its impact.

ECN CAPITAL

Table of Contents

Overview

ABOUT ECN

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 our "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically unsecured loan portfolios, secured loan portfolios and credit card portfolios. Our Partners are seeking high quality assets to match with their deposits or other liabilities. Headquartered in South Florida and Toronto, the registered office is located at 200 Bay Street, Suite 1625, Toronto, Ontario, Canada. ECN Capital has approximately 600 employees and operates (principally) in the United States. The Company is a public corporation and trades on the Toronto Stock Exchange under the symbol "ECN".

BUSINESS STRATEGY

ECN Business Model

The Company owns a portfolio of business services providers that operate under a fee-based, asset-light model through which it leverages highly specialized expertise, industry knowledge, regulatory compliance and strategic relationships. This specialized business model provides significant barriers to entry. Our core investor companies are: Service Finance Company LLC ("Service Finance"), Kessler Financial Services LLC ("KG") and Triad Financial Services, Inc. ("Triad Financial Services"). ECN Capital has managed and advisory assets[1] of approximately $33.1 billion and our customers include more than 100 bank, credit union, insurance company, pension plan and investment fund partners. ECN Capital partners with these financial institutions rather than competing with them. Specifically, our Partners are the decision makers inside each institution who are looking for appropriate portfolio solutions to match customer deposits and other liabilities. We meet our customer needs by offering the following consumer portfolio solutions:

- Unsecured consumer loan portfolios - Home improvement loans
- Consumer credit card portfolios - Focused on co-branded credit cards and related financial products
- Secured consumer loan portfolios - Manufactured home loans

The Company's focus is to drive origination and asset management growth as well as broadening our Partner relationships through the marketing of all three solutions across our network of 90+ Partners. In pursuit of these objectives: (i) The Company provides its portfolio companies with modest capital, extensive knowledge and scale to help grow their businesses within their large addressable markets; and (ii) The Company continuously brings new funding relationships and structures to our investor companies.

(1) This is a non-IFRS measure. Please refer to the "Non-IFRS and Other Performance Measures" section of this MD&A for a definition and reconciliation of this measure.

The Company's investments are made within these strategic parameters and have demonstrated each of the following value propositions:

- Significant barriers to entry through established long-term regulatory relationships with financial services regulators; strong long-term relationships with the banks, credit unions, insurance companies, investment funds and payment networks that are its customers; exclusive/preferred manufacturer and dealer arrangements that drive the Company's origination services; and proprietary intellectual capital
- Established originator / manager / adviser of consumer credit assets with a history of strong performance across business cycles
- Excellent credit quality and track record of excellence in providing managerial and advisory services
- Capital-light businesses with solid growth profiles
- Scalable platforms with established operations and information technology.

A description of each of our core business segments is provided below.

Core Business Segments:

Service Finance - Home Improvement Loans

Founded in 2004, Service Finance utilizes a technology-driven platform to originate and manage short duration unsecured consumer loans for 25+ Partners. These loans are primarily prime and super-prime retail installment contracts to finance home improvement projects in the U.S. Originations are sourced through national dealer networks through exclusive and preferred programs with top manufacturers in the home improvement industry. Originations are sold to third-party financial institutions without recourse with respect to credit losses, prepayments or yield, and Service Finance retains the exclusive right to service all retail installment contracts that it originates. Service Finance has sold loans to over 20 Federal Deposit Insurance Corporation ("FDIC") insured institutions with zero objections and negative comments during formal examinations by and through all bank counterparties. Service Finance is headquartered in Boca Raton, Florida and is a fully licensed sales finance company and third-party servicer in all 50 States.

KG - *Co-brand Credit Card Portfolios and Related Financial Products*

Founded in 1978, KG has grown to become the premier manager, adviser and structuring partner to credit card issuers, banks, credit unions and payment networks. KG helps clients grow and optimize partnership credit card portfolios and other financial products and has created over 6,000 partnerships between banks/credit card issuers and partner organizations. Through its credit card investment management platform, KG enables institutional investors to participate in credit card and consumer loan portfolios that historically moved among banks. KG currently has approximately $27 billion in managed credit card portfolios and related assets and is headquartered in Boston, Massachusetts.

Triad Financial Services - Manufactured Home Loans

Founded in 1959, Triad Financial Services is the oldest manufactured housing finance company in the U.S. Triad Financial Services is a premier portfolio solutions platform focused on originating and managing longer duration secured consumer loan portfolios for 50+ Partners. These assets are primarily prime and super-prime loans to consumers for the purchase of manufactured homes throughout the U.S. Originations are sourced through a long-established national network of dealers and manufacturers. In addition to originating prime consumer loans, Triad Financial Services manages manufactured housing portfolios for third party owners and provides floor plan financing for select dealers and manufacturers. Triad Financial Services is headquartered in Jacksonville, Florida and is licensed in 47 States.

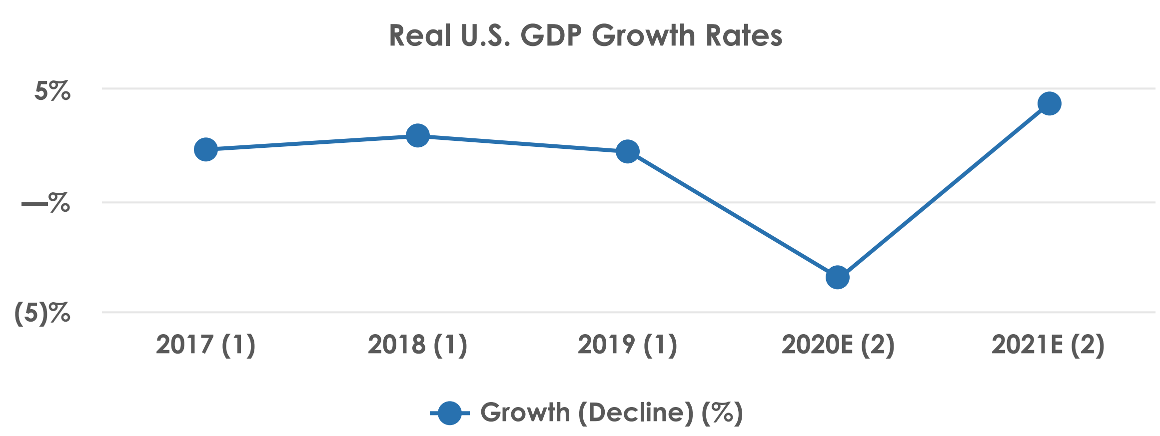
MARKET OUTLOOK

The Company's ability to generate earnings and operating cash flow is dependent on the general economic performance of the U.S. economy, and in particular, the financial condition of U.S. consumers. The predictions and forecasts in this section are based on information and assumptions from sources we consider reliable. Actual economic outcomes may differ materially from the outlook presented in this section.

During 2020, the novel coronavirus identified as COVID-19 adversely impacted the economies and financial markets of many countries, including the U.S. Actions taken to mitigate the spread of COVID-19, which has been declared a global pandemic by the World Health Organization, include restrictions on travel, quarantines in certain areas and forced closure for certain types of public places and businesses. While certain parts of the U.S. have begun to lift these measures, others have had to re-establish restrictions due to a resurgence in COVID-19 cases. It currently remains unknown how long these conditions will last and what the complete financial effect will be to the U.S. economy and the Company.

The economy has partially recovered from the peak impact of the COVID-19 pandemic in April and early May, and the pace of recovery is expected to accelerate in 2021. Based on current consensus estimates, the U.S. economy is expected to grow by approximately 4.4% in calendar 2021. This expectation is based on anticipated lower COVID-19 infection rates, increased access to COVID-19 vaccinations and the likelihood of an additional fiscal support program from the U.S. government.

ECN Capital's home improvement finance and manufactured housing finance platforms are considered "essential businesses" and have been exempted from restrictive orders, including shutdowns, in response to the COVID-19 pandemic in the jurisdictions in which they operate. As such, these platforms have continued physical operations while keeping the safety and well-being of employees, Partners, customers and the communities in which these platforms operate as their top priority. As a result, despite the overall economic decline in 2020 due to the COVID-19 pandemic, each of our business segments exhibited strong performance, with Service Finance and Triad Financial Services each exceeding their 2019 operating results and KG maintaining results in line with 2019. We expect the economic recovery that began in 2020 to continue and accelerate in 2021, supporting a strong economic outlook for each of our business segments.

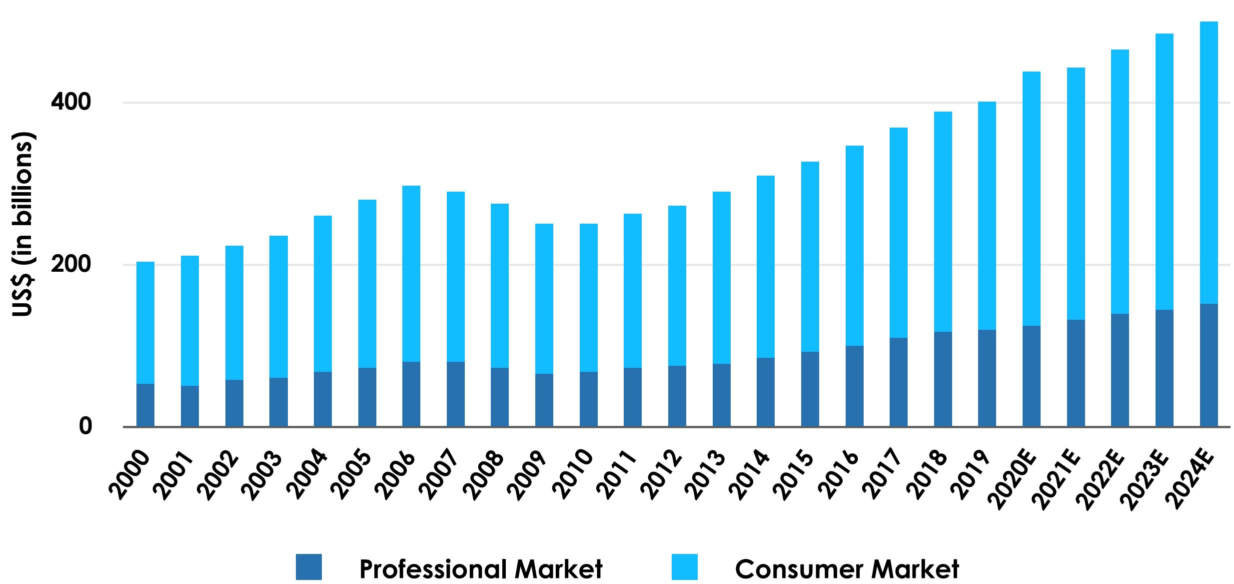


(1) Source: U.S. Bureau of Economic Analysis
(2) Source: The Conference Board

Home Improvement Market

The home improvement market has grown steadily at a 4.2% CAGR[1] since 1992, with the market estimated to reach $440 billion in 2020[1]. The Home Improvement Research Institute expects the home improvement market will surpass $446 billion in 2021[1] and continue to grow thereafter. Ongoing shifts in consumer preferences and spending, particularly as homeowners spend more time at home, are expected to provide ongoing tailwinds for the home improvement industry. 85% of consumers expect to spend more time at home[2], with 69% expecting to work from home more often[3]. To facilitate changing home requirements, 77% of U.S. homeowners plan to make improvements in 2021[4]. Furthermore, 75% of homeowners are considering financing for their home improvement projects[2], with point-of-sale ("POS") representing a growing share. POS lending, such as the programs offered by Service Finance, provide numerous benefits to consumers which is driving increased adoption and growth at three-times the rate of revolving-based credit[5]. These trends support the continued growth in the addressable market for our Service Finance business segment.

Total Home Improvement Market[1]

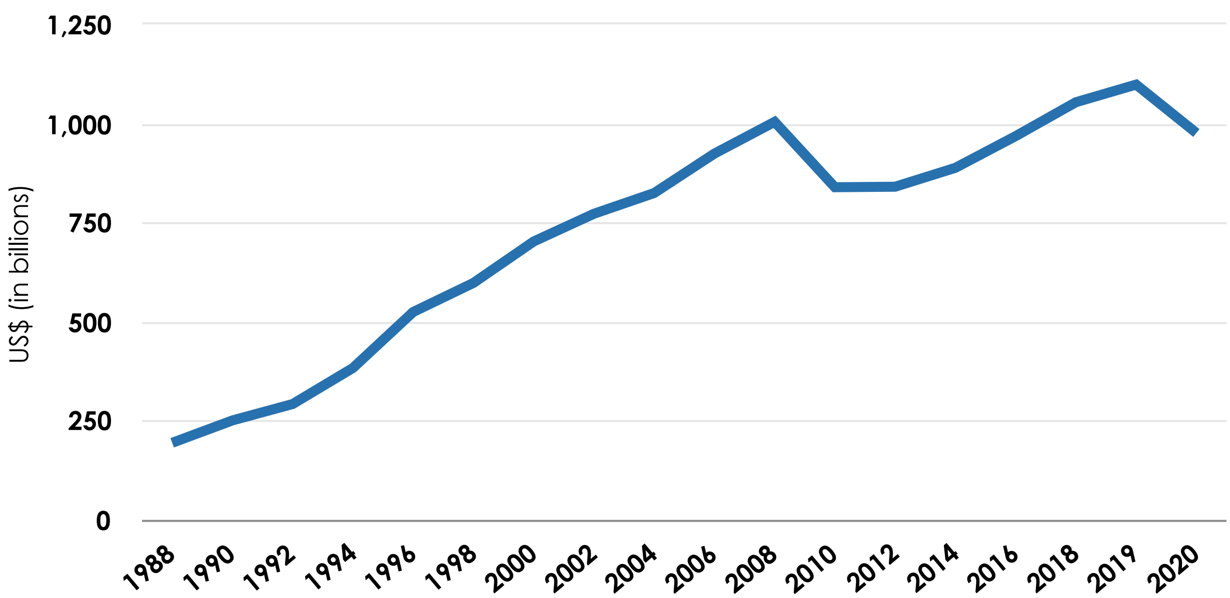


(1) Source: Home Improvement Research Institute
(1) Source: Home Advisor State of Home Spending
(1) Source: Piper Sandler 2021 Consumer Survey
(1) Source: Lightstream Home Improvement Survey
(1) Source: McKinsey

Consumer Credit Market

Total U.S. revolving credit balances declined in 2020 as a result of the impact of the COVID-19 pandemic on consumer spending but are expected to recover in 2021. Beyond traditional credit card and consumer payment applications, KG is well-positioned to support Partners' growth objectives within the emerging digital space (including point-of-sale ("POS") and Buy Now Pay Later ("BNPL")). Clients are increasingly leveraging KG's expertise to navigate an evolving consumer finance ecosystem and to capitalize on the acceleration of digital payments and heightened consumer expectations of both transparency and a frictionless experience. Overall, revolving credit balances have been resilient through economic cycles and are expected to resume growth in 2021, supporting the long-term outlook for our KG business segment.

Total U.S. Revolving Consumer Credit Outstanding(1)

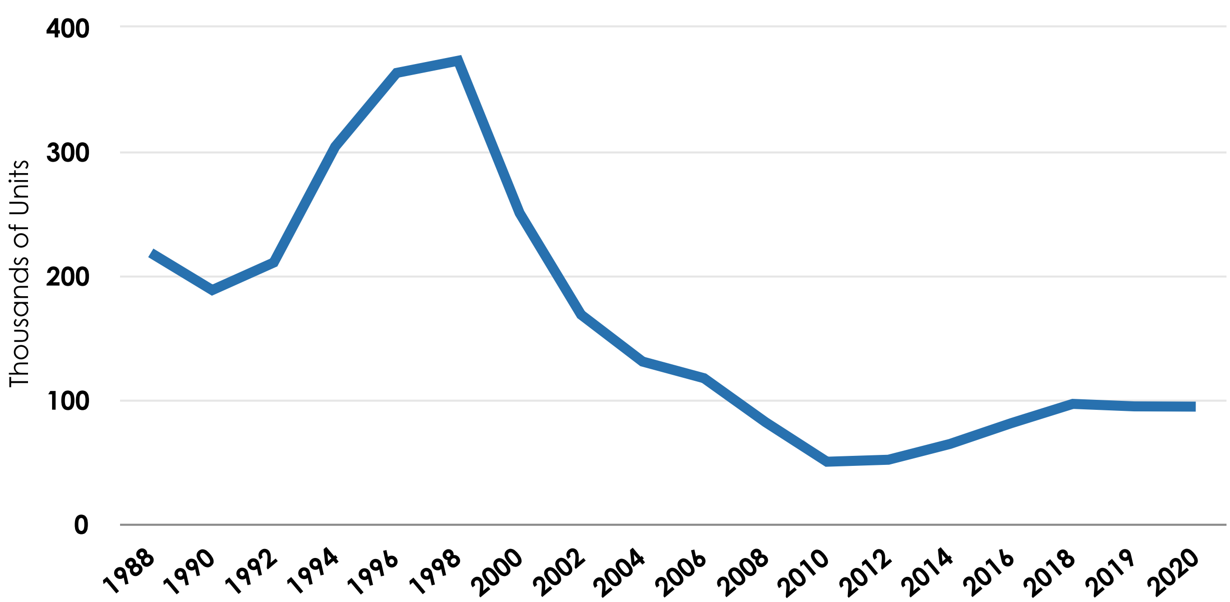


(1) Source: Federal Reserve Bank

Manufactured Housing Market

Shipments of manufactured homes in 2020 were in line with 2019 shipments primarily due to delays in delivery as a result of the impacts of the COVID-19 pandemic on supply chains and plant production. While overall shipments of manufactured homes were flat, builder backlogs increased as a result of greater demand for affordable housing solutions. Both application volumes and approval volumes increased significantly in the second half of 2020 as an increasing number of consumers are seeking a move to reduce living expenses. The industry is projected to benefit from this demand as manufactured housing represents approximately 80% of new home sales priced below $150,000. Triad Financial Services is well-positioned to benefit from the anticipated recovery in 2021 as demand and builder backlogs materialize into originations.

Shipments of New Manufactured Homes: 1988 - 2020 (1)



(1) Source: United States Census Bureau

Key Business Developments

Information related to the key developments in support of the Company's business strategy for the year ended December 31, 2020 are outlined below.

CORPORATE FINANCE DEVELOPMENTS

Issuance of Senior Unsecured Debentures

On September 4, 2020, the Company issued C$75 million (US$57.1 million) aggregate principal amount of listed senior unsecured debentures due December 31, 2025 (the "Debentures") at a price of C$1,000 per Debenture. The Debentures will bear interest at a rate of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2020.

The Debentures will not be redeemable by the Company prior to December 31, 2023 (the "First Call Date"). On and after the First Call Date and prior to December 31, 2024, the Debentures will be redeemable, in whole or in part, at the Company's option at a redemption price equal to 103.0% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On and after December 31, 2024 and prior to the maturity date of December 31, 2025, the Debentures will be redeemable, in whole or in part, at the Company's option at par plus accrued and unpaid interest. The Company has the option to satisfy its obligations to repay the principal amount of the Debentures due 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 indenture.

Normal Course Issuer Bids

On September 14, 2020, 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 notice of intention to commence a Normal Course Issuer Bid (the "Preferred Share Bid" and, together with the Common Share Bid, the "NCIBs") for the Company's Series A 6.50% Rate Reset Preferred Shares (the "Series A Preferred Shares") and Series C 6.25% Rate Reset Preferred Shares (the "Series C Preferred Shares") for commencement on September 17, 2020. Pursuant to the NCIBs, the Company may repurchase up to an additional 22,432,925 common shares, 399,900 Series A Preferred Shares and 399,800 Series C Preferred Shares, representing approximately 10% of the public float of each of the common shares, the Series A Preferred Shares and the Series C Preferred Shares. The NCIBs will end on the earlier of September 16, 2021 and the completion of purchases under the applicable NCIB.

During the fourth quarter of 2020, the Company purchased 99,300 Series A Preferred Shares for a total of $1.7 million (C$2.2 million) or C$22.56 per share and 82,000 Series C Preferred Shares for a total of $1.4 million (C$1.8 million) or C$22.00 per share pursuant to the Preferred Share Bid. During the year ended December 31, 2020, the Company purchased 107,800 Series A Preferred Shares for a total of $1.9 million (C$2.4 million) or C$22.53 per share and 239,200 Series C Preferred Shares for a total of $3.9 million (C$5.2 million) or C$21.66 per share pursuant to the Preferred Share Bid.

During the fourth quarter of 2020, the Company purchased 1,531,606 common shares for a total of $7.0 million (C$9.2 million) or C$6.01 per share pursuant to the Common Share Bid. During the year ended December 31, 2020, the Company purchased 2,805,230 common shares for a total of $11.1 million (C$14.9 million) or C$5.32 per common share, respectively, pursuant to the Common Share Bid.

Capital Reinvestment

Under its NCIBs and substantial issuer bids ("SIBs"), ECN has repurchased for cancellation approximately 37% of the total common shares outstanding and 4% of the total preferred shares outstanding through December 31, 2020.

The following table sets forth a summary of the Company's capital reinvestment under its common share transactions.

Capital Reinvestment - Common Shares	Shares Retired (millions)	Average Price (C$)	Total Consideration (C$ millions)
NCIB since inception 2017	54.6	$3.79	$207
SIB April 2018	31.9	$3.60	$115
SIB January 2019	70.7	$3.75	$265
Total common shares repurchased for cancellation	**157.2**	**$3.73**	**$587**

Common shares outstanding pre-buyback	390
Common shares outstanding as at December 31, 2020	245
% common shares repurchased to date	**~37%**

The following table sets forth a summary of the Company's capital reinvestment under its preferred share transactions.

Capital Reinvestment - Preferred Shares	Shares Retired (millions)	Average Price (C$)	Total Consideration (C$ millions)
Preferred shares repurchased under 2020 NCIB	0.3	$21.93	$8
Total preferred shares repurchased for cancellation	**0.3**	**$21.93**	**$8**

Preferred shares outstanding pre-buyback	8.0
Preferred shares outstanding as at December 31, 2020	7.7
% preferred shares repurchased to date	**~4%**

Results of Operations

OPERATING HIGHLIGHTS FOR THE FOURTH QUARTER AND FULL YEAR 2020

1. Adjusted net income applicable to common shareholders[1] was $19.7 million or $0.08 per share for the quarter ended December 31, 2020 and $74.4 million or $0.31 per share for the full year.

2. Adjusted EBITDA[1] for the full year was $132.5 million compared to $128.0 million for the prior year, reflecting strong growth in Service Finance and Triad Financial Services, partially offset by lower KG and Corporate revenues.

3. Total originations increased to $727.8 million and $2.8 billion for the quarter and year ended December 31, 2020, respectively, from $541.7 million and $2.2 billion, respectively, for the prior year periods.

4. Managed and advisory assets[1] totaled $33.1 billion as at December 31, 2020, compared to $33.6 billion as at December 31, 2019, reflecting the growth in Service Finance and Triad Financial Services, offset by a reduction in KG managed and advisory assets[1] due to a decline in credit card receivables balances as a result of the impact of the COVID-19 pandemic.

5. The Company remains focused on the efficient disposition of its legacy aviation, commercial and vendor finance and railcar assets. In the fourth quarter of 2020, the Company recorded an incremental after-tax provision of approximately $22.7 million related to its aviation assets. Total legacy assets classified as held-for-sale are down to $106.8 million from $143.0 million at December 31, 2019.

1. This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

The following table sets forth a summary of the Company's consolidated results from continuing operations and is to be read in conjunction with the Company's consolidated financial statements for the same periods.

	For the three-month period ended			For the year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
(in 000's for stated values, except per share amounts)	$	$	$	$	$
Select metrics					
Originations	**727,768**	841,567	541,723	**2,754,733**	2,198,058
Average earning assets - Owned (1)	**398,463**	467,813	313,867	**397,155**	337,396
Average earning assets - Managed and advisory (1)	**32,646,521**	32,743,503	33,108,155	**33,162,383**	32,275,041
Period end earning assets - Owned (1)	**374,025**	422,900	313,227	**374,025**	313,227
Period end earning assets - Managed and advisory (1)	**33,096,962**	32,196,080	33,598,354	**33,096,962**	33,598,354
Operating highlights:					
Portfolio origination services	**30,256**	29,644	21,754	**105,918**	87,227
Portfolio management services	**35,249**	27,563	30,400	**116,867**	102,612
Portfolio advisory services	**2,066**	999	3,549	**8,525**	21,875
Marketing services	**1,118**	2,959	4,024	**7,203**	13,336
Total portfolio revenue	**68,689**	61,165	59,727	**238,513**	225,050
Interest income	**7,309**	7,650	5,336	**26,818**	21,772
Other revenue	**(3,974)**	673	935	**(1,722)**	1,134
	72,024	69,488	65,998	**263,609**	247,956
Operating expenses	**37,377**	30,612	32,871	**131,085**	119,998
Adjusted EBITDA (1)	**34,647**	38,876	33,127	**132,524**	127,958
Interest expense	**6,126**	6,143	5,183	**22,840**	24,645
Depreciation & amortization	**1,833**	1,656	1,698	**6,799**	5,808
Adjusted operating income before tax and NCI (1)	**26,688**	31,077	26,246	**102,885**	97,505
Adjustments:					
Share-based compensation	**7,665**	6,755	3,762	**21,556**	17,447
Amortization of intangibles	**8,899**	8,058	6,453	**29,863**	25,811
Accretion of deferred purchase consideration	**4,573**	1,207	1,134	**8,807**	5,750
Impairment of legacy corporate investment	**13,000**	—	—	**13,000**	—
Corporate restructuring and transition costs	**—**	—	3,141	**1,486**	15,690
Provision for credit losses	**—**	1,300	—	**5,700**	—
Purchase price premium on non-controlling interest	**—**	—	—	**—**	28,138
Unrealized (gain) loss on economic currency hedge	**—**	—	—	**—**	(4,789)
Business acquisition costs	**—**	—	2,168	**—**	2,168
Non-controlling interest	**—**	—	413	**—**	1,600
	34,137	17,320	17,071	**80,412**	91,815
Net (loss) income before income taxes from continuing operations	**(7,449)**	13,757	9,175	**22,473**	5,690
Income tax expense (recovery)	**(1,445)**	3,539	(2,929)	**6,649**	(4,692)
Net (loss) income from continuing operations	**(6,004)**	10,218	12,104	**15,824**	10,382
Cumulative dividends on preferred shares	**2,337**	2,393	2,417	**9,389**	9,618
Net (loss) income from continuing operations attributable to common shareholders	**(8,341)**	7,825	9,687	**6,435**	764
Net loss from discontinued operations	**(21,110)**	(2,179)	(18,608)	**(29,365)**	(25,131)
Net (loss) income for the period attributable to common shareholders	**(29,451)**	5,646	(8,921)	**(22,930)**	(24,367)
Weighted Average number of shares outstanding (basic)	**244,087**	242,467	240,302	**242,312**	242,567
(Loss) earnings per share (basic) - continuing operations attributable to common shareholders	**$(0.03)**	$0.03	0.04	**$0.03**	$ —
Non-IFRS Measures					
Adjusted operating results:					
Adjusted EBITDA (1)	**34,647**	38,876	33,127	**132,524**	127,958
Adjusted operating income before tax and NCI(1)	**26,688**	31,077	26,246	**102,885**	97,505
Non-controlling interest in KG	**—**	—	413	**—**	1,600
Adjusted operating income before tax (1)	**26,688**	31,077	25,833	**102,885**	95,905
Adjusted net income (1)	**22,045**	25,670	20,917	**83,810**	75,573
Adjusted net income applicable to common shareholders (1)	**19,708**	23,277	18,500	**74,421**	65,955
Adjusted net income per share (basic) (1)	**$0.09**	$0.11	$0.09	**$0.35**	$0.31
Adjusted net income applicable to common shareholders per share (basic) (1)	**$0.08**	$0.10	$0.08	**$0.31**	$0.27

(1) This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

The following discussion relates to the results of operations for the three-month period and year ended December 31, 2020 presented on a continuing operations basis.

Q4 2020 vs Q4 2019

The Company reported total originations of $727.8 million for the quarter ended December 31, 2020, up 34.3% compared to the $541.7 million in total originations for the prior year quarter. Current quarter originations include $530.4 million from Service Finance and $197.4 million from Triad Financial Services. Total portfolio revenue for the quarter ended December 31, 2020 increased to $68.7 million compared to $59.7 million in the prior year period, reflecting the growth in originations at Service Finance and Triad Financial Services partially offset by lower transaction services and marketing services revenue from KG. Total revenue for the current quarter was $72.0 million compared to $66.0 million for the prior year quarter, primarily due to higher portfolio originations services, portfolio management services and portfolio advisory services revenues, partially offset by lower revenue from the Corporate segment as a result of the settlement of foreign currency hedge positions. In the fourth quarter, we re-set our hedge positions to reflect the significant movement in foreign currency denominated balances, including the issuance of Canadian-dollar denominated debentures and the change in Canadian-dollar denominated aviation balances. The cost of rebalancing our hedge positions to effect these changes was approximately $4.0 million ($3.3 million after-tax). As at December 31, 2020, the Company is effectively hedged on its net foreign currency balance sheet exposure.

The table below illustrates the Company's operating expenses for the three-month periods and years ended December 31, 2020 and December 31, 2019:

	For the three-month period ended		For the year ended	
(in 000's for stated values)	**December 31, 2020** **$**	December 31, 2019 $	**December 31, 2020** **$**	December 31, 2019 $
Service Finance	**13,051**	9,611	**44,511**	32,858
KG	**7,685**	10,189	**28,119**	36,077
Triad Financial Services	**11,290**	7,145	**36,332**	29,165
Business segment operating expenses	**32,026**	26,945	**108,962**	98,100
Corporate operating expenses	**5,351**	5,926	**22,123**	21,898
Total operating expenses	**37,377**	32,871	**131,085**	119,998

Operating expenses were $37.4 million in the current quarter, compared to $32.9 million for the prior year quarter. The increase in operating expenses compared to the prior year quarter is primarily attributable to growth in Service Finance and Triad Financial Services. This increase was partially offset by lower operating expenses at KG as a result of lower incentive compensation due to lower revenue as well as expense reduction efforts. Corporate operating expenses of $5.4 million reflect a return to normal activity levels with respect to business development, professional services and travel.

Interest expense was $6.1 million for the quarter ended December 31, 2020 compared to $5.2 million in the prior year period. The increase in current quarter-to-date interest expense reflects a higher average debt balance, including the issuance of C$75 million (US$57.1 million) aggregate principal amount of listed senior unsecured debentures on September 4, 2020, partially offset by a lower average borrowing rate during the current year period. Depreciation expense was $1.8 million for the quarter ended December 31, 2020 compared to $1.7 million in the prior year quarter.

Other expenses, which include share-based compensation, amortization of intangible assets and other items, were $34.1 million for the quarter ended December 31, 2020 compared to $17.1 million in the prior year quarter. Other expenses for the current year quarter include a $13.0 million impairment loss on a legacy corporate investment. In the current quarter, share-based compensation expense increased $3.9 million primarily as a result of retention awards granted to the heads of Service Finance and KG. Additionally, the completion of the 2020 annual grant to corporate employees was finalized in the third quarter of 2020, compared to the first quarter of 2019. Accretion of deferred purchase consideration increased $3.4 million in the current quarter primarily due to the termination of the deferred purchase consideration plan at Triad Financial Services as a result of the completion of the leadership transition in 2020. Amortization of intangible assets was up $2.4 million compared to the same prior year quarter. Other expenses for the prior year quarter included $3.1 million of transition costs and $2.2 million of business acquisition costs.

Adjusted EBITDA[1] increased to $34.6 million for the quarter ended December 31, 2020, compared to $33.1 million for the prior year period. The increase in adjusted EBITDA[1] in the current quarter was primarily due to growth in Service Finance and Triad Financial Services, partially offset by lower KG and Corporate revenues. Adjusted net income applicable to common shareholders[1] was $19.7 million or $0.08 per share for the quarter ended December 31, 2020, compared to $18.5 million or $0.08 per share for the prior year period. The increase in adjusted net income applicable to common shareholders[1] in the current quarter reflects higher operating income from the business segments and lower expense attributable to the non-controlling interest, partially offset by higher interest expense.

The Company reported net loss from continuing operations of $6.0 million for the quarter ended December 31, 2020 compared to net income of $12.1 million for the prior year period.

1. This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

2020 vs 2019

Total originations for the year ended December 31, 2020 increased to $2.8 billion, up 25.3% compared to the $2.2 billion for the prior year, reflecting strong year over year growth at both Service Finance and Triad Financial Services despite the impact of the pandemic. Current year originations include $2.1 billion from Service Finance and $0.7 billion from Triad Financial Services. Total portfolio revenue for the year ended December 31, 2020 increased to $238.5 million compared to $225.1 million in the prior year, primarily reflecting the growth in originations at Service Finance and Triad Financial Services, partially offset by lower transaction services and marketing services revenue from KG. Total revenue for the year ended December 31, 2020 increased to $263.6 million compared to $248.0 million for the prior year, reflecting the increase in interest income on held-for-trading financial assets.

Operating expenses were $131.1 million in the current year, compared to $120.0 million for the prior year. The increase in operating expenses compared to the prior year is primarily attributable to growth in Service Finance and Triad Financial Services. This increase was partially offset by lower operating expenses at KG as a result of lower incentive compensation due to lower revenue as well as expense reduction efforts. Corporate operating expenses for the current year were in line with the prior year.

Interest expense was $22.8 million for the year ended December 31, 2020 compared to $24.6 million in the prior year. The decrease in current year interest expense reflects a lower average borrowing rate during the current year, partially offset by a higher average debt balance, including the issuance of C$75 million (US$57.1 million) aggregate principal amount of listed senior unsecured debentures on September 4, 2020. Depreciation expense was $6.8 million for the year ended December 31, 2020 compared to $5.8 million in the prior year.

Other expenses, which include share-based compensation, amortization of intangible assets and other items, were $80.4 million for the year ended December 31, 2020 compared to $91.8 million in the prior year. Other expenses for the current year quarter include a $13.0 million impairment loss on a legacy corporate investment, a $5.7 million provision for credit losses related to solar exposure at Service Finance due to the economic impacts associated with the COVID-19 pandemic and $1.5 million of corporate restructuring and transition costs. In the current year, share-based compensation expense increased $4.1 million primarily as a result of retention awards granted to the heads of Service Finance and KG which vest over five years, but for accounting purposes approximately 50% of the expense is recorded in the year of the grant. Amortization of intangible assets was up $4.1 million in the current year and accretion of deferred purchase consideration increased $3.1 million in the current year primarily due to the termination of the deferred purchase consideration plan at Triad Financial Services in the fourth quarter of 2020 as a result of the completion of the leadership transition in 2020. Other expenses for the prior year include $2.2 million of business acquisition costs, $28.1 million of purchase price premium plus associated transaction costs to acquire a non-controlling interest in KG, $15.7 million of corporate restructuring and transition costs and a $4.8 million gain on a foreign currency hedge.

Adjusted EBITDA[1] increased to $132.5 million for the year ended December 31, 2020 compared to $128.0 million for the prior year. The increase in adjusted EBITDA[1] in the current year was primarily due to growth in Service Finance and Triad Financial Services, partially offset by lower KG and Corporate revenues. Adjusted net income applicable to common shareholders[1] was $74.4 million or $0.31 per share for the year ended December 31, 2020 compared to $66.0 million or $0.27 for the prior year. The current year increase in adjusted net income applicable to common shareholders[1] reflects the higher operating income from the business segments, a $1.8 million decrease in interest expense and a $1.6 million decrease in expense attributable to the non-controlling interest in the KG segment.

The Company reported net income from continuing operations of $15.8 million for the year ended December 31, 2020 compared to net income of $10.4 million for the prior year.

1. This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

Business Segment Results

RESULTS OF SERVICE FINANCE - HOME IMPROVEMENT LOANS

The following table sets forth a summary of the Company's select metrics and results from the Service Finance segment, for the three-month periods ended December 31, 2020, September 30, 2020, and December 31, 2019 and the years ended December 31, 2020 and December 31, 2019.

	For the three-month period ended			For the year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations (1)	**530,370**	639,813	397,238	**2,058,990**	1,595,145
Managed assets, period end (2)	**3,350,645**	3,189,180	2,505,270	**3,350,645**	2,505,270
Managed assets, period average (2)	**3,269,913**	3,035,327	2,418,590	**2,917,298**	2,103,427
Dealer advances	**53,883**	61,286	52,036	**53,883**	52,036
Held-for-trading financial assets	**93,196**	128,407	61,524	**93,196**	61,524
Operating results					
Originations revenue	**15,108**	17,030	11,626	**56,478**	44,512
Servicing revenue	**18,598**	10,235	14,518	**52,903**	47,572
Interest income & other revenue	**2,560**	3,475	1,562	**10,581**	9,011
Revenue	**36,266**	30,740	27,706	**119,962**	101,095
Operating expenses	**13,051**	10,295	9,611	**44,511**	32,858
Adjusted EBITDA (2)	**23,215**	20,445	18,095	**75,451**	68,237
Interest & depreciation expense	**1,147**	1,879	825	**5,196**	5,233
Adjusted operating income before tax (2)	**22,068**	18,566	17,270	**70,255**	63,004

(1) Amounts presented include originations of PACE loans. The PACE loan program was discontinued in the second quarter of 2019.
(2) This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

Service Finance - Home Improvement Loans

Originations at Service Finance for the fourth quarter and year ended December 31, 2020 were approximately $530.4 million and $2.1 billion, respectively, up 33.7% and 30.3% from the prior year periods, excluding property assessed clean energy ("PACE") program loans which were discontinued in the second quarter of 2019. The growth in originations reflects the strength and stability of Service Finance's business model, driven by continued growth in Service Finance's core HVAC, windows and doors, remodeling, and roofing business lines which more than made up for the planned reduction in solar originations.

Historically, originations have followed a seasonal pattern, with the second and third quarters being the strongest performing quarters. This is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)[1]								
Q4, 2018	Q1, 2019	Q2, 2019	Q3, 2019	Q4, 2019	Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020
307	290	426	468	397	376	513	640	531

(1) Amounts presented exclude originations of PACE loans.

As COVID-19 created marketplace disruptions beginning in the first quarter of 2020, dealers using Service Finance or competitor financing products became acutely focused on financing platforms with short- and long-term financial stability. A significant take-share market opportunity had developed. In response, management pursued the strategic objective of accelerating funding commitments and thereby maximizing the long-term value of this take-share opportunity.

To this end, Service Finance moved quickly to seize this take-share opportunity and position it for growth in 2021 and beyond. Service Finance provided a temporary reduction in fees for 2020, primarily servicing fees, to provide our Partners protection in an uncertain credit performance environment in return for securing the funding described below. The subsequent credit performance has met or exceeded our Partners' expectations.

In the second quarter of 2020, Service Finance added a major Canadian pension plan as a funding partner. Despite significant market uncertainty, this pension plan provided a commitment to purchase in excess of $1 billion of originations during 2020 and 2021. In addition to adding two credit unions, Service Finance also expanded capacity at several existing funding partners and renewed commitments for 2021 in excess of $2.0 billion, well in advance of contractual roll over dates. These 2021 funding commitments are on historical contractual terms, both for originations and servicing fees.

With this funding in place, Service Finance accelerated its take-share plan and has added new dealers at a significantly above average rate.

Originations revenue for the fourth quarter and year ended December 31, 2020 was approximately $15.1 million and $56.5 million, respectively, up 30.0% and 28.6% from the prior year periods, excluding revenues from PACE loans, which is in line with total originations growth.

Servicing revenues of $18.6 million and $52.9 million for the fourth quarter and year ended December 31, 2020, respectively, were up 28.1% and 11.2% from the prior year, reflecting the growth in managed assets. Servicing revenues in the fourth quarter were positively impacted by a return to normal margins on core originations and the sale of $94.6 million in complementary flow under bulk purchase agreements. For the full year, servicing revenues were negatively impacted by lower servicing fees on 2020 originations, primarily in the second and third quarters, as noted above.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $23.2 million and $22.1 million respectively, for the fourth quarter of 2020 compared to $18.1 million and $17.3 million, respectively, for the fourth quarter of 2019. For the full year, adjusted EBITDA[1] and adjusted operating income before tax[1] of $75.5 million and $70.3 million, respectively, were each in line with the Company's updated guidance provided in the second quarter of 2020 and represent increases of 10.6% and 11.5%, respectively.

Dealer advances were $53.9 million as at December 31, 2020, compared to $61.3 million as at September 30, 2020 and $52.0 million as at December 31, 2019. Dealer advances consist primarily of staged fundings to key dealers with respect to committed home improvement loans. These loans are similar to Triad Financial's successful floorplan initiative and strengthen the relationship with Service Finance's key dealers. During the second quarter of 2020, Service Finance increased its provision for credit losses with respect to its dealer advances by approximately $4.4 million due to the economic impacts associated with the COVID-19 pandemic. Service Finance increased its provision for potential losses by an additional $1.3 million in the third quarter. We continue to pursue recoveries of these balances. However, due to the continued shutdowns in California, we charged off the entire remaining $2.4 million exposure to California solar dealers in the fourth quarter.

Held-for-trading financial assets were $93.2 million as at December 31, 2020, compared to $128.4 million as at September 30, 2020 and $61.5 million as at December 31, 2019. Held-for-trading financial assets consist of loans that are originated on behalf of our bank partners with the intention of selling through under a portfolio sale agreement. During the fourth quarter of 2020, Service Finance successfully completed two portfolio sales totaling approximately $94.6 million which, together with net additions of approximately $59.4 million, reduced held-for-trading financial assets by approximately $35.2 million during the period.

Service Finance is well positioned to continue growing in 2021 as a result of solid core growth and new programs. Please see the table below for the Company's 2021 outlook for the Service Finance segment.

Service Finance - Home Improvement Loans 2021 Outlook

	2021 Forecast Range	
Select Metrics (US$ millions)		
Originations	**2,500**	**2,700**
Managed and advised portfolio (period end)	**4,200**	**4,500**
Income Statement (US$ millions)		
Origination Revenue	**80**	**90**
Servicing and Other Revenue	**80**	**85**
Total Revenues	**160**	**175**
Adjusted EBITDA	**106**	**114**
Adjusted Operating Income Before Tax	**100**	**108**
Adjusted EBITDA margin	**~66%**	**~65%**

RESULTS OF KG - CONSUMER CREDIT CARD PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the KG segment for the three-month periods ended December 31, 2020, September 30, 2020 and December 31, 2019 and the years ended December 31, 2020 and December 31, 2019.

	For the three-month period ended			For the year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
(in 000's for stated values)	**$**	$	$	**$**	**$**
Operating results					
Partnership services revenue	**14,494**	15,142	14,071	**56,007**	**46,486**
Marketing services revenue	**1,118**	2,959	4,024	**7,203**	**13,336**
Transaction services revenue	**2,066**	999	3,549	**8,525**	**23,875**
Interest income & other revenue	**14**	197	394	**502**	**825**
Revenue	**17,692**	19,297	22,038	**72,237**	**84,522**
Operating expenses	**7,685**	6,931	10,189	**28,119**	**36,077**
Adjusted EBITDA (1)	**10,007**	12,366	11,849	**44,118**	**48,445**
Interest and depreciation expense	**805**	794	1,181	**3,544**	**3,695**
Adjusted operating income before tax and non-controlling interest (1)	**9,202**	11,572	10,668	**40,574**	**44,750**
Non-controlling interest in KG	**—**	—	413	**—**	**1,600**
Adjusted operating income before tax (1)	**9,202**	11,572	10,255	**40,574**	**43,150**

(1) This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

KG - Consumer Credit Card Portfolios Segment

KG helps clients grow and optimize co-brand credit card portfolios and other financial products through four primary product lines:

1. **Partnership Services:** managing and advising on co-brand credit card programs and portfolios
2. **Marketing Services:** marketing services and data analytics
3. **Transaction Services:** purchase, sale and renewal of co-brand credit card portfolios/ programs

Total KG revenues for the fourth quarter and year ended December 31, 2020 were $17.7 million and $72.2 million, respectively, compared to $22.0 million and $84.5 million in the same prior year periods. KG revenues decreased from the same prior year periods primarily due to lower transaction services and marketing services revenue as a result of the impact of the COVID-19 pandemic during the current year. Partnership services revenue increased 3.0% and 20.5% for the fourth quarter and full year compared to the same prior year periods, respectively, due to the growth in KG's credit card investment management platform as KG continues to build and manage portfolios for institutional investors, which partially offset the decreases in transaction services and marketing services revenue.

Operating expenses were down to $28.1 million year-to-date from $36.1 million in the prior year as a result of expense reductions and lower incentive compensation costs due to lower revenue.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $10.0 million and $9.2 million, respectively, for the fourth quarter of 2020 compared to $11.8 million and $10.3 million, respectively, for the fourth quarter of 2019. For the full year, adjusted EBITDA[1] of $44.1 million and adjusted operating income before tax[1] of $40.6 million each exceeded the Company's updated guidance provided in the second quarter of 2020.

KG is well positioned to return to growth in 2021. Please see the table below for the Company's 2021 outlook for the KG segment.

KG - Consumer Credit Card Portfolios 2021 Outlook

	2021 Forecast Range	
Income Statement (US$ millions)		
Revenue	**82**	**90**
Adjusted EBITDA	**49**	**54**
Adjusted Operating Income Before Tax	**46**	**52**
Adjusted EBITDA margin	**~60%**	**~60%**

RESULTS OF TRIAD FINANCIAL SERVICES - SECURED CONSUMER LOAN PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Triad Financial Services segment for the three-month periods ended December 31, 2020, September 30, 2020 and December 31, 2019 and the years ended December 31, 2020 and December 31, 2019.

	For the three-month period ended			For the year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	**December 31, 2019**
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations	**197,398**	201,754	144,485	**695,743**	602,913
Managed assets, period end (1)	**2,638,615**	2,635,335	2,428,110	**2,638,615**	2,428,110
Managed assets, period average (1)	**2,636,975**	2,599,082	2,403,990	**2,548,672**	2,298,975
Manufactured housing loans	**113,649**	115,933	101,440	**113,649**	101,440
Held-for-trading financial assets	**57,054**	57,736	23,897	**57,054**	23,897
Operating results					
Originations revenue	**15,148**	12,614	10,128	**49,440**	42,715
Servicing revenue	**2,157**	2,186	1,811	**7,957**	6,554
Interest income & other revenue	**4,083**	3,748	2,915	**14,242**	10,252
Total revenue	**21,388**	18,548	14,854	**71,639**	59,521
Operating expenses	**11,290**	8,512	7,145	**36,332**	29,165
Adjusted EBITDA (1)	**10,098**	10,036	7,709	**35,307**	30,356
Interest and depreciation expense	**1,204**	1,100	1,165	**4,715**	4,497
Adjusted operating income before tax (1)	**8,894**	8,936	6,544	**30,592**	25,859

(1) This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

Triad Financial Services - Secured Consumer Loan Portfolios Segment

Originations at Triad Financial Services for the fourth quarter and year ended December 31, 2020 were approximately $197.4 million and $695.7 million, respectively, up 36.6% and 15.4% from the prior year periods. Managed assets were $2.6 billion as at December 31, 2020, an increase of 8.7% compared to managed assets of $2.4 billion as at December 31, 2019.

Traditionally, this business is impacted by seasonality, with the second and third quarters of the year being the strongest performing quarters. This is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)								
Q4, 2018	Q1, 2019	Q2, 2019	Q3, 2019	Q4, 2019	Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020
135	118	170	171	144	133	163	202	197

Originations revenue for the fourth quarter and year ended December 31, 2020 was approximately $15.1 million and $49.4 million, respectively, up 49.6% and 15.7% from the prior year periods, respectively, which is in line with total originations growth.

Servicing revenues of $2.2 million and $8.0 million for the fourth quarter and year ended December 31, 2020 were up 19.1% and 21.4%, respectively, reflecting growth in managed assets.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $10.1 million and $8.9 million, respectively, for the current quarter compared to $7.7 million and $6.5 million, respectively, for the prior year quarter. For the full year, adjusted EBITDA[1] of $35.3 million and adjusted operating income before tax[1] of $30.6 million were each in line with the Company's updated guidance provided in the second quarter of 2020 and represent increases of 16.3% and 18.3%, respectively.

Manufactured housing loans were $113.6 million as at December 31, 2020, compared to $115.9 million as at September 30, 2020 and $101.4 million as at December 31, 2019. Manufactured housing loans consist primarily of floorplan loans as well as a modest amount of loans committed to funding partners. The floorplan loans enable key dealers to finance their inventory and support the growth of their businesses. These loans strengthen the relationship with our key dealers and manufacturers.

Held-for-trading financial assets were $57.1 million as at December 31, 2020, compared to $57.7 million as at September 30, 2020 and $23.9 million as at December 31, 2019. Held-for-trading financial assets consist of loans that are originated on behalf of our bank partners with the intention of selling through under a portfolio sale agreement. The increase in held-for-trading financial assets during 2020 is primarily due to portfolios accumulated for partners signed during the second half of the year. The Company has completed several portfolio sales since year-end and will continue to sell to Partners that purchase loans in pools.

Triad Financial Services is well positioned to continue growing in 2021 as a result of solid core growth and new programs. Please see the table below for the Company's 2021 outlook for the Triad Financial Services segment.

Triad Financial Services - Secured Consumer Loan Portfolios 2021 Outlook

	2021 Forecast Range	
Select Metrics (US$ millions)		
Total Originations	**950**	**1,150**
Floorplan line utilized	**120**	**140**
Managed & advised portfolio (period end)	**3,200**	**3,400**
Income Statement (US$ millions)		
Origination Revenues	**55**	**60**
Servicing Revenues[(1)]	**30**	**35**
Total Revenues	**85**	**95**
Adjusted EBITDA	**44**	**49**
Adjusted Operating Income Before Tax	**39**	**44**
Adjusted EBITDA margin	**~52%**	**~52%**

(1) Servicing Revenues includes income from floorplan loans.

RESULTS OF CORPORATE SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Corporate segment for the three-month periods ended December 31, 2020, September 30, 2020 and December 31, 2019 and the years ended December 31, 2020 and December 31, 2019.

	For the three-month period ended			For the year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
(in 000's for stated values)	**$**	**$**	**$**	**$**	**$**
Operating results					
Revenues	**(3,322)**	903	1,400	**(229)**	2,818
Operating expenses	**5,351**	4,874	5,926	**22,123**	21,898
Adjusted EBITDA (1)	**(8,673)**	(3,971)	(4,526)	**(22,352)**	(19,080)
Interest expense	**4,128**	3,420	3,039	**13,616**	14,982
Depreciation & amortization	**675**	606	671	**2,568**	2,046
Adjusted operating income before tax (1)	**(13,476)**	(7,997)	(8,236)	**(38,536)**	(36,108)

(1) This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

Corporate

Revenue (expense) was $(3.3) million and $(0.2) million for the fourth quarter and year ended December 31, 2020, respectively, compared to $1.4 million and $2.8 million, respectively, for the prior year periods. Revenue (expense) primarily consists of gains or losses from legacy corporate investments and gains or losses from foreign currency transactions and related hedge contracts. in the fourth quarter of 2020, the Company recorded a foreign currency hedge loss of approximately $4 million. As at December 31, 2020, the Company is effectively hedged on its net foreign currency balance sheet exposure.

Corporate operating expenses of approximately $5.4 million are reflective of our normalized run rate on a go-forward basis, as the Company has returned to normal activity levels with respect to business development, professional services and travel. Interest expense increased compared to the third quarter of 2020 primarily as a result of higher average borrowing costs, including the impact of the issuance of C$75 million (US$57.1 million) aggregate principal amount of listed senior unsecured debentures on September 4, 2020, partially offset by lower average borrowings. Average borrowings on the term senior credit facility during the fourth quarter of 2020 were $528.2 million compared to $649.4 million in the preceding quarter.

RESULTS OF DISCONTINUED OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from discontinued operations for the three-month periods ended December 31, 2020, September 30, 2020 and December 31, 2019 and the years ended December 31, 2020 and December 31, 2019.

	For the three-month period ended			For the year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
(in 000's for stated values)	**$**	$	$	**$**	$
Operating results					
Revenues	**476**	453	459	**1,436**	4,145
Operating expenses	**4,054**	3,112	4,949	**14,822**	16,369
Adjusted EBITDA (1)	**(3,578)**	(2,659)	(4,490)	**(13,386)**	(12,224)
Interest expense	**5,400**	302	496	**6,391**	1,119
Adjusted operating (loss) income before tax (1)	**(8,978)**	(2,961)	(4,986)	**(19,777)**	(13,343)
Adjustments:					
Share-based compensation	**—**	—	1	**1**	7
Asset valuation reserve	**37,107**	—	19,500	**37,107**	19,500
Net loss before income taxes from discontinued operations	**(46,085)**	(2,961)	(24,487)	**(56,885)**	(32,850)
Recovery of income taxes on asset valuation reserve	**(23,923)**	—	(5,200)	**(23,923)**	(5,200)
Recovery of other income taxes	**(1,052)**	(782)	(679)	**(3,597)**	(2,519)
Net recovery of income taxes	**(24,975)**	(782)	(5,879)	**(27,520)**	(7,719)
Net loss from discontinued operations	**(21,110)**	(2,179)	(18,608)	**(29,365)**	(25,131)

(1) This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition and reconciliation of this measure.

Discontinued Operations

Revenue from discontinued operations was $0.5 million and $1.4 million for the fourth quarter and year ended December 31, 2020, respectively, compared to $0.5 million and $4.1 million, respectively, in the prior year periods, reflecting the impact of the rundown of the legacy asset portfolio. Operating expenses were $4.1 million and $14.8 million, respectively, for the fourth quarter and year ended December 31, 2020, down from $4.9 million and $16.4 million in the prior year periods, respectively.

During the fourth quarter of 2020, the Company recorded an incremental provision of $37.1 million (approximately $13.1 million after-tax, due to current tax recoveries of $9.8 million and a one-time benefit of $14.1 million related to corporate tax restructuring completed in 2020), primarily related to the legacy aviation business. This provision will enable us to exit the remaining aviation exposure on a timely basis and significantly reduce the ongoing operating and holding costs associated with those assets. During the fourth quarter of 2020, the Company also recorded interest expense of approximately $4.1 million related to the close out of hedge positions on legacy interest rate hedges which were no longer effective due to the reduction in our aviation exposure. Net loss related to discontinued operations was $21.1 million and $29.4 million for the current quarter and year-to-date periods, respectively.

The following table sets forth a summary of assets held-for-sale as at December 31, 2020 and December 31, 2019:

	As at	
	December 31, 2020	December 31, 2019
(in 000's for stated values)	**$**	**$**
Rail Finance	**32,837**	35,581
Aviation Finance	**64,844**	97,480
C&V Finance	**9,087**	9,911
Total assets held-for-sale	**106,768**	142,972

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by core business segment, as at December 31, 2020, September 30, 2020 and December 31, 2019.

	December 31, 2020						
	Service Finance	KG	Triad Financial Services	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	19,972	10,929	—	7,076	**37,977**	—	**37,977**
Restricted funds	—	—	9,226	—	**9,226**	—	**9,226**
Accounts receivable	4,750	18,635	44,097	1,231	**68,713**	10,066	**78,779**
Finance assets:							
Loans receivable	53,883	56,243	113,649	—	**223,775**	—	**223,775**
Held-for-trading financial assets	93,196	—	57,054	—	**150,250**	—	**150,250**
Total finance assets	147,079	56,243	170,703	—	**374,025**	—	**374,025**
Retained reserve interest	—	—	29,390	—	**29,390**	—	**29,390**
Continuing involvement asset	—	—	164,188	—	**164,188**	—	**164,188**
Goodwill and intangible assets	385,488	229,458	63,905	1,433	**680,284**	—	**680,284**
Deferred tax assets	—	—	—	60,445	**60,445**	—	**60,445**
Other assets and investments	12,826	27,063	7,479	115,817	**163,185**	1,938	**165,123**
Assets held-for-sale	—	—	—	—	**—**	106,768	**106,768**
Total Assets	**570,115**	**342,328**	**488,988**	**186,002**	**1,587,433**	**118,772**	**1,706,205**
Liabilities							
Debt	41,184	56,243	137,066	282,699	**517,192**	—	**517,192**
Continuing involvement liability	—	—	164,188	—	**164,188**	—	**164,188**
Other liabilities	27,335	84,870	17,213	55,564	**184,982**	17,282	**202,264**
Total Liabilities	**68,519**	**141,113**	**318,467**	**338,263**	**866,362**	**17,282**	**883,644**
Earning Assets - Owned and Managed							
Earning assets - owned	147,079	56,243	170,703	—	**374,025**	—	**374,025**
Earning assets - managed and advisory	3,350,645	27,107,702	2,638,615	—	**33,096,962**	—	**33,096,962**
Total Earning Assets - Owned and Managed and Advisory	**3,497,724**	**27,163,945**	**2,809,318**	**—**	**33,470,987**	**—**	**33,470,987**

Total finance assets for continuing operations were $374.0 million at December 31, 2020 compared to $422.9 million at September 30, 2020, and $313.2 million at December 31, 2019. The decrease compared to the preceding quarter primarily reflects a decrease in held-for-trading financial assets at Service Finance as a result of portfolio sales.

Debt from continuing operations of $517.2 million decreased by $42.6 million compared to September 30, 2020, primarily reflecting net repayment activity during the quarter primarily driven by the reduction in finance assets.

Earning assets - managed and advisory of $33.1 billion as at December 31, 2020 reflects managed loans of $3.4 billion at Service Finance, $27.1 billion in advisory assets at KG and $2.6 billion in managed loans at Triad Financial Services.

	September 30, 2020						
	Service Finance	KG	Triad Financial Services	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	11,816	12,126	4,427	18,224	**46,593**	—	**46,593**
Restricted funds	—	—	8,569	—	**8,569**	—	**8,569**
Accounts receivable	5,078	19,241	39,503	987	**64,809**	10,005	**74,814**
Finance assets							
Loans receivable	61,286	59,538	115,933	—	**236,757**	—	**236,757**
Held-for-trading financial assets	128,407	—	57,736	—	**186,143**	—	**186,143**
Total finance assets	189,693	59,538	173,669	—	**422,900**	—	**422,900**
Retained reserve interest	—	—	28,537	—	**28,537**	—	**28,537**
Continuing involvement asset	—	—	161,843	—	**161,843**	—	**161,843**
Goodwill and intangible assets	375,671	233,901	64,259	1,512	**675,343**	—	**675,343**
Deferred tax assets	—	—	—	40,700	**40,700**	—	**40,700**
Other assets and investments	40,276	27,766	6,930	139,655	**214,627**	5,099	**219,726**
Assets held-for-sale	—	—	—	—	**—**	113,546	**113,546**
Total Assets	**622,534**	**352,572**	**487,737**	**201,078**	**1,663,921**	**128,650**	**1,792,571**
Liabilities							
Debt	90,339	59,538	146,615	263,252	**559,744**	—	**559,744**
Continuing involvement liability	—	—	161,843	—	**161,843**	—	**161,843**
Other liabilities	36,146	92,567	15,399	58,979	**203,091**	16,140	**219,231**
Total Liabilities	**126,485**	**152,105**	**323,857**	**322,231**	**924,678**	**16,140**	**940,818**
Earning Assets - Owned and Managed							
Earning assets - owned	189,693	59,538	173,669	—	**422,900**	—	**422,900**
Earning assets - managed and advisory	3,189,180	26,371,565	2,635,335	—	**32,196,080**	—	**32,196,080**
Total Earning Assets - Owned and Managed and Advisory	**3,378,873**	**26,431,103**	**2,809,004**	**—**	**32,618,980**	**—**	**32,618,980**

	December 31, 2019						
	Service Finance	KG	Triad Financial Services	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	9,826	30,559	7,896	3,439	**51,720**	—	**51,720**
Restricted funds	1,386	—	5,023	—	**6,409**	—	**6,409**
Accounts Receivable	5,067	52,264	21,277	307	**78,915**	9,245	**88,160**
Finance assets							
Loans receivable	52,036	74,330	101,440	—	**227,806**	—	**227,806**
Held-for-trading financial assets	61,524	—	23,897	—	**85,421**	—	**85,421**
Total finance assets	113,560	74,330	125,337	—	**313,227**	—	**313,227**
Retained reserve interest	—	—	25,558	—	**25,558**	—	**25,558**
Continuing involvement asset	—	—	126,689	—	**126,689**	—	**126,689**
Goodwill and intangible assets	361,890	245,646	64,729	1,833	**674,098**	—	**674,098**
Deferred tax assets	—	—	—	44,461	**44,461**	—	**44,461**
Other assets and investments	38,817	38,432	6,817	137,249	**221,315**	2,557	**223,872**
Asset held-for-sale	—	—	—	—	**—**	142,972	**142,972**
Total Assets	**530,546**	**441,231**	**383,326**	**187,289**	**1,542,392**	**154,774**	**1,697,166**
Liabilities							
Debt	57,663	74,330	97,443	201,042	**430,478**	—	**430,478**
Continuing involvement liability	—	—	126,689	—	**126,689**	—	**126,689**
Other liabilities	25,605	125,651	15,583	80,063	**246,902**	14,071	**260,973**
Total Liabilities	**83,268**	**199,981**	**239,715**	**281,105**	**804,069**	**14,071**	**818,140**
Earning Assets - Owned and Managed and Advisory							
Earning assets - owned	113,560	74,330	125,337	—	**313,227**	—	**313,227**
Earning assets - managed and advisory	2,505,270	28,664,974	2,428,110	—	**33,598,354**	—	**33,598,354**
Total Earning Assets - Owned and Managed and Advisory	**2,618,830**	**28,739,304**	**2,553,447**	**—**	**33,911,581**	**—**	**33,911,581**

Delinquencies

The contractual delinquency of finance receivables at each reporting period is as follows:

	December 31, 2020		September 30, 2020		December 31, 2019	
	$	**%**	$	%	$	%
Current	**224,640**	**100.00 %**	235,045	96.48 %	228,199	99.95 %
31-60 days past due	**3**	**— %**	6	— %	—	— %
61-90 days past due	**—**	**— %**	331	0.14 %	—	— %
Greater than 90 days past due	**—**	**— %**	8,239	3.38 %	115	0.05 %
Total continuing operations	**224,643**	**100.00 %**	243,621	100.00 %	228,314	100.00 %

Allowance for Credit Losses

Credit losses and provisions, as at and for each of the respective periods are as follows:

(in 000's except percentage amounts)	**Year ended December 31, 2020** **$**	Year ended December 31, 2019 $
Allowance for credit losses, beginning of period	**508**	644
Provision for credit losses	**8,593**	337
Charge-offs, net of recoveries, and other	**(8,233)**	(95)
Transfer to held-for-trading financial assets	**—**	(378)
Allowance for credit losses, end of period	**868**	508

The Company's allowance for credit losses was $0.9 million as at December 31, 2020, compared to $0.5 million at December 31, 2019. During the current year, the Company recorded a provision of approximately $8.6 million, primarily related to dealer advances at our Service Finance segment due to the economic impacts associated with the COVID-19 pandemic. During the fourth quarter of 2020, approximately $8.2 million of the provision was charged off. The remaining allowance for credit losses of $0.9 million as at December 31, 2020 is in line with management's expectation of losses from the business segments and the current mix of assets.

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are: (i) cash flows from operating activities; (ii) borrowings on our term senior credit facility and proceeds from the issuance of our senior unsecured debentures; (iii) funding commitments from our Partners; and (iv) equity. The Company's primary use of cash is the funding of its capital allocation priorities, including funding organic growth initiatives for our new businesses, acquisition opportunities and returning capital to shareholders. The Company manages its capital resources by utilizing the financial leverage available under its senior credit facilities, selling loans that we originate to our Partners and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred or common shares.

As at December 31, 2020, the Company's debt to equity ratio was 0.63:1. The Company is focused on managing and preserving its liquidity through the economic crisis created by the COVID-19 pandemic. This includes utilizing the Company's senior credit facility, managing and monitoring origination levels at Service Finance and Triad Financial Services and their available Partner funding. The Service Finance and Triad Financial Services segments have commitments in place to fund their loan originations for the remainder of 2020. All of these actions are in context of the current COVID-19 pandemic as described in the risk factors on (or incorporated by reference) page 2 of this MD&A.

The Company's capitalization and key leverage ratios are as follows:

			As at	
(in 000's for stated values, except for percentage amounts)		**December 31, 2020** **$**	September 30, 2020 $	December 31, 2019 $
Total debt, including borrowings on term senior credit facility and senior unsecured debentures	**(a)**	**517,192**	559,744	430,478
Shareholders' equity	**(b)**	**822,561**	851,753	879,026
Debt to equity ratio	**(a)/(b)**	**0.63**	0.66	0.49

The decrease in total debt compared to the third quarter of 2020 primarily reflects net repayment activity during the quarter primarily driven by the reduction in finance assets.

The Company has significant resources available to continue funding projected growth. Finance receivables are securitized or sold to third party funding counterparties on a regular basis to ensure cash is available to fund new transactions. Cash levels are also monitored by management. In addition, the Company adheres to a strict policy of matching the maturities of owned finance assets and the related debt as closely as possible in order to manage its liquidity position.

The Company's available sources of financing are as follows:

		As at	
	December 31, 2020	September 30, 2020	December 31, 2019
(in 000's)	**$**	$	$
Cash and cash equivalents	**37,977**	46,593	51,720
Senior Facilities			
Facilities	**1,000,000**	1,000,000	1,000,000
Utilized against Facility	**473,000**	518,000	443,590
Unutilized Borrowing Facilities (i.e., excl. Cash & Equiv.)	**527,000**	482,000	556,410
Total available sources of capital, end of period	**564,977**	528,593	608,130

As at December 31, 2020, the unutilized balance of the borrowing facility was approximately $0.5 billion compared to $0.5 billion at September 30, 2020. This $0.5 billion in unutilized borrowings is in addition to the commitments in place to fund loan originations from our Service Finance and Triad Financial Services business segments for 2021. Management believes the available liquidity from its cash and equivalents, unutilized borrowing capacity and the funding commitments in place at Service Finance and Triad Financial Services is sufficient to fund operations and internal growth initiatives.

Summary of Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended as at December 31, 2020. The information should be read in conjunction with ECN Capital's audited and interim unaudited consolidated financial statements, the notes thereto and the related management discussion and analysis for the relevant periods.

Key factors that account for the fluctuation in the Company's quarterly results include the year-over-year growth in originations at the Service Finance and Triad Financial Services business segments and the seasonality of these businesses, as well as fluctuation in KG's advisory revenues from period to period. ECN acquired Service Finance on September 7, 2017, Triad Financial Services on December 29, 2017, 76% of KG on May 31, 2018, an additional 20% of KG on March 21, 2019, and the remaining 4% interest of KG on December 31, 2019.

(in $ 000's for stated values, except ratio and per share amounts)	**Q4, 2020**	Q3, 2020	Q2, 2020	Q1, 2020	Q4, 2019	Q3, 2019	Q2, 2019	Q1, 2019
Adjusted operating income before tax and NCI(1)	**26,688**	31,077	24,102	21,018	26,246	26,732	24,699	19,828
Amortization of intangibles	**8,899**	8,058	6,453	6,453	6,453	6,452	6,453	6,453
Accretion of deferred purchase consideration	**4,573**	1,207	2,416	611	1,134	2,035	1,223	1,358
Impairment of legacy corporate investment	**13,000**	—	—	—	—	—	—	—
Share based compensation	**7,665**	6,755	3,922	3,214	3,762	4,555	2,970	6,160
Corporate restructuring and transition costs	**—**	—	1,486	—	3,141	—	—	12,549
Provision for credit losses	**—**	1,300	4,400	—	—	—	—	—
Purchase price premium on non-controlling interest	**—**	—	—	—	—	—	—	28,138
Business acquisition costs	**—**	—	—	—	2,168	—	—	—
Unrealized (gain) loss on economic currency hedge	**—**	—	—	—	—	—	—	(4,789)
Non-controlling interest	**—**	—	—	—	413	315	326	546
Net (loss) income before income taxes	**(7,449)**	13,757	5,425	10,740	9,175	13,375	13,727	(30,587)
Net (loss) income from continuing operations	**(6,004)**	10,218	3,895	7,715	12,104	8,203	10,856	(20,781)
Net (loss) income from discontinuing operations	**(21,110)**	(2,179)	(3,384)	(2,692)	(18,608)	(3,431)	(932)	(2,160)
Net (loss) income - total	**(27,114)**	8,039	511	5,023	(6,504)	4,772	9,924	(22,941)
Earnings per share (basic) - continuing operations attributable to common shareholders	**($0.03)**	$0.03	$0.01	$0.02	$0.04	$0.02	$0.04	$(0.09)
Adjusted net income (1)	**22,045**	25,670	19,282	16,814	20,917	20,605	19,011	15,040
Adjusted net income per share (basic) (1)	**$0.09**	$0.11	$0.08	$0.07	$0.09	$0.09	$0.08	$0.06
Adjusted net income applicable to common shareholders per share (basic)(1)	**$0.08**	$0.10	$0.07	$0.06	$0.08	$0.08	$0.07	$0.05
Period end earning assets - owned	**374,025**	422,900	512,726	362,895	313,227	314,507	311,455	345,374
Period end earning assets - managed and advisory	**33,096,962**	32,196,080	33,290,926	33,629,592	33,598,354	32,617,957	32,178,949	31,861,273
Period end earning assets - total	**33,470,987**	32,618,980	33,803,652	33,992,487	33,911,581	32,932,464	32,490,404	32,206,647
Originations	**727,768**	841,567	676,372	509,026	541,723	639,124	598,010	419,201
Allowance for credit losses	**868**	6,864	5,331	627	508	461	833	768
Allowance for credit losses as a % of finance receivables	**0.23 %**	1.62 %	1.04 %	0.17 %	0.16 %	0.14 %	0.27 %	0.22 %
Term senior credit facility	**462,083**	506,480	672,876	494,660	430,478	451,326	437,726	585,876
Senior unsecured debentures	**55,109**	53,264	—	—	—	—	—	—
Total debt	**517,192**	559,744	672,876	494,660	430,478	451,326	437,726	585,876
Shareholders' equity	**822,561**	851,753	841,194	843,148	879,026	884,516	887,989	880,035

(1) For additional information, see "Non-IFRS and Other Performance Measures" section.

Non-IFRS and Other Performance Measures

DESCRIPTION OF NON-IFRS MEASURES

The Company uses certain measures to assess our financial performance that are not generally accepted accounting principles measures under IFRS ("Non-IFRS measures"). The Company believes the non-IFRS measures described below are more reflective of our ongoing operating results and provide readers with a better understanding of the Company's operating performance through the eyes of management. Non-IFRS measures are intended to provide additional information only and do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should not be considered in isolation or as a substitute for measures of performance determined under IFRS.

The following discussion describes the non-IFRS measures we use in evaluating our operating results.

Adjusted Earnings before interest expense, taxes, depreciation and amortization ("adjusted EBITDA")

We define adjusted EBITDA as adjusted operating income before interest expense, income tax expense, depreciation and amortization. We believe adjusted EBITDA is a key measure of the Company's operating performance over the long term and is a useful measure of the Company's ability to generate cash from operations to maintain and grow its core business. Investors and analysts also use adjusted EBITDA as a measure to compare the operating performance of different businesses in the business services sector and to assess the enterprise value of a business as adjusted EBITDA eliminates the impact of financing decisions.

Adjusted operating income before tax, Adjusted operating income before tax and NCI, Adjusted net income and Adjusted net income applicable to common shareholders

Adjusted operating income before tax is net income excluding the impact of share-based compensation, corporate restructuring and transition costs, business acquisition costs, loss (gain) on business disposals, impairment charges and asset valuation reserves, amortization of intangible assets acquired in business combinations, accretion of deferred purchase consideration, cumulative dividends on preferred shares, loss (income) from discontinued operations, provision for credit losses, loss (gain) on economic currency hedge and income tax. Adjusted operating income before tax and NCI is adjusted operating income before tax as defined above, excluding the impact of expense attributable to the non-controlling interest in KG. Management believes it is appropriate to adjust for these items when evaluating the underlying performance of our business because amortization of intangible assets and share-based compensation are primarily non-cash in nature; corporate restructuring and transition costs, business acquisition costs and loss (gain) on business disposals do not relate to continuing operating activities; accretion of deferred purchase consideration is considered part of the purchase price consideration for business acquisitions notwithstanding the accounting treatment which views all or a portion of the related payments, depending on how it is structured, to be an operating expense; dividends on preferred shares are a financing cost not related to operating activities; provision for credit losses is considered to be a consequence of the impact of the COVID-19 pandemic related to Service Finance's solar business and is not indicative of the underlying performance of our business segments, unrealized loss (gain) on economic currency hedge does not represent the underlying performance of our business segments; income tax expense is managed at a corporate level and is a function of the jurisdictions in which the Company operates and not the underlying performance of our business segments; and non-controlling interest expense attributable to KG does not represent the underlying performance of our KG business segment's core business.

Adjusted net income is adjusted operating income before tax less the provision for income taxes applicable to adjusted operating income before tax. Adjusted net income per share applicable to common shareholders is computed as adjusted net income less cumulative preferred share dividends.

Adjusted operating income before tax is a key operating measure used by management to assess the underlying operating performance of the Company's business segments, including the determination of amounts to be paid out pursuant to deferred purchase consideration plans and Performance Share Unit (PSU) plans. Management also uses this measure to prepare the internal budgets and forecasts that support the Company's public guidance. Adjusted net income provides a consolidated view of the Company's underlying financial performance attributable to the common shareholders. The presentation of these measures enables investors and analysts to better understand the underlying performance of our business segments.

Adjusted net income per share and Adjusted net income per share applicable to common shareholders

Adjusted net income per share is computed as adjusted net income divided by the basic weighted average number of common shares outstanding during the period. Adjusted net income per share applicable to common shareholders is computed as adjusted net income applicable to common shareholders divided by the basic weighted average number of common shares outstanding during the period.

Earning assets - owned

Earning assets - owned are the finance receivables from continuing operations held on our balance sheet.

Managed and advisory assets

Managed and advisory assets are the asset portfolios in the Company's Service Finance, Triad Financial Services and the KG segments that the Company manages, services or advises on behalf of its Partners. The Company earns either servicing, portfolio advisory or reserve income from these portfolios.

In addition, the Company utilizes the following performance measures, which are derived from amounts calculated in accordance with IFRS to assess performance:

Allowance for credit losses as a percentage of finance receivables

Allowance for credit losses as a percentage of finance receivables is the allowance for credit losses at the end of the period divided by the finance receivables (gross of the allowance for credit losses) at the end of the period.

Average debt

Average debt is calculated as the daily weighted average borrowings outstanding under all of the Company's secured borrowings facilities throughout the period.

Finance assets or total finance assets

Finance assets are the sum of the total finance receivables and the total carrying value of the equipment under operating leases.

Debt to equity ratio

Debt to equity ratio is calculated as total debt (secured borrowings) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. Debt to equity refers to the use of debt to acquire/finance additional finance receivables and other assets and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

RECONCILIATION OF NON-IFRS TO IFRS MEASURES

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for three-month periods ended December 31, 2020, September 30, 2020 and December 31, 2019 and the years ended December 31, 2020 and December 31, 2019.

	For the three-month period ended			For the year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Reported and adjusted measures					
Net (loss) income from continuing operations	**(6,004)**	10,218	12,104	**15,824**	10,382
Adjustments:					
Share-based compensation	**7,665**	6,755	3,762	**21,556**	17,447
Amortization of intangibles	**8,899**	8,058	6,453	**29,863**	25,811
Accretion of deferred purchase consideration	**4,573**	1,207	1,134	**8,807**	5,750
Impairment of legacy corporate investment	**13,000**	—	—	**13,000**	—
Business acquisition costs	**—**	—	2,168	**—**	2,168
Corporate restructuring and transition costs	**—**	—	3,141	**1,486**	15,690
Provision for credit losses	**—**	1,300	—	**5,700**	—
Purchase price premium on non-controlling interest	**—**	—	—	**—**	28,138
Unrealized loss on economic currency hedge	**—**	—	—	**—**	(4,789)
Non-controlling interest in KG	**—**	—	413	**—**	1,600
(Recovery of) provision for income taxes	**(1,445)**	3,539	(2,929)	**6,649**	(4,692)
Adjusted operating income before tax and NCI	**26,688**	31,077	26,246	**102,885**	97,505
Non-controlling interest in KG	**—**	—	413	**—**	1,600
Adjusted operating income before tax	**26,688**	31,077	25,833	**102,885**	95,905
Provision for taxes applicable to adjusted operating income (1)	**4,643**	5,407	4,916	**19,075**	20,332
Adjusted net income	**22,045**	25,670	20,917	**83,810**	75,573
Cumulative preferred share dividends during the period	**2,337**	2,393	2,417	**9,389**	9,618
Adjusted net income attributable to common shareholders	**19,708**	23,277	18,500	**74,421**	65,955
Per share information					
Weighted average number of shares outstanding (basic)	**244,087**	242,467	240,302	**242,312**	242,567
Adjusted net income per share (basic)	**$0.09**	$0.11	$0.09	**$0.35**	$0.31
Adjusted net income applicable to common shareholders per share (basic)	**$0.08**	$0.10	$0.08	**$0.31**	$0.27
Adjusted operating income before tax comprised of:					
Service Finance	**22,068**	18,566	17,270	**70,255**	63,004
KG	**9,202**	11,572	10,255	**40,574**	43,150
Triad Financial Services	**8,894**	8,936	6,544	**30,592**	25,859
Corporate	**(13,476)**	(7,997)	(8,236)	**(38,536)**	(36,108)
	26,688	31,077	25,833	**102,885**	95,905

(1) Provision for taxes applicable to adjusted operating income reflects an effective tax rate of 17.4%, 17.4% and 19.0% for the three-month periods ended December 31, 2020, September 30, 2020, and December 31, 2019, respectively, and 18.5% and 21.2% for the years ended December 31, 2020 and December 31, 2019, respectively.

Risk Management

RISK MANAGEMENT APPROACH

ECN Capital's various business segments are subject to numerous and substantial risks. Management believes that effective risk management is of primary importance to the achievement of the Company's strategic objectives, including the delivery of superior risk-adjusted returns to shareholders. We have risk management policies in place to monitor, evaluate and manage the principal risks we assume in conducting our activities. We seek to monitor and control our risk exposure through a variety of separate, but complementary financial, credit, and operational processes under the oversight of the Board of Directors, and in particular, the Audit, Credit and Risk, and Compensation and Governance Committees of the Board. Management oversight is a fundamental element of our risk management processes. The principal risks are discussed in further detail below.

PRINCIPAL RISKS

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on loans and financial derivatives. Counterparty limits are established by the use of both external and internal credit risk classification systems, which assign each counterparty a risk rating.

The Company manages its counterparty credit risk in respect to cash and cash equivalents by financing its operations through a syndicate of Canadian and U.S. banks.

The Company limits its exposure to counterparty credit risk in respect to the use of financial derivatives by transacting only with highly rated financial institutions. The Company's financial derivatives portfolio is spread across financial institutions that are at least dual-rated and have a credit rating in the "A" category or better.

The Company's maximum exposure to credit risk with respect to its consolidated statements of financial position as at December 31, 2020 and December 31, 2019 is the carrying amounts as disclosed on the statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company manages its liquidity risk by monitoring its operating and growth requirements. The Company prepares forecasts to ensure it has sufficient liquidity to fulfill its obligations and operating plans and actively pursues new funding sources to meet future liquidity requirements.

The most significant exposure to liquidity risk relates to the funding of loan originations at Service Finance and Triad Financial Services by our Partners. The Company mitigates this risk by maintaining a diversified group of Partners, including banks, credit unions, insurance companies, pension funds and investment funds, as well as maintaining excess funding capacity for the following twelve months. The Company also maintains access to liquidity through its term senior credit facility. The Company ensures it has excess borrowing capacity under the facility by closely monitoring its covenants and managing the cash flows generated by its operating subsidiaries.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company enters into interest rate swaps to fix a portion of its floating rate debt.

After considering the interest rate swaps, the Company's interest rate risk is limited to cash and restricted cash, the unhedged portion of debt under the senior credit facility and floating rates on finance receivables and assets held for sale. Based on its unhedged exposure as at December 31, 2020, the Company estimates that a 50-basis point increase or decrease in interest rates would not have a significant impact on the Company's earnings.

The Company does experience short-term interest rate risk on its finance receivables/loans during the period between fixing the contractual rate under the finance contracts with its customers and locking the interest rate under its funding facilities or when the Company can sell the finance contracts through to third party financial institutions. The Company also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing/selling through such finance assets.

Foreign currency risk

Foreign currency risk is the risk of exposure to foreign currency movements on the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk that the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company typically mitigates and manages this risk by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. As at December 31, 2020, the Company did not have a significant unhedged exposure to this type of foreign currency risk that would have an impact to net income.

Taxes

ECN Capital is a Canadian corporation which operates in multiple jurisdictions. As a result, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments and of the governments of foreign jurisdictions in which ECN Capital operates, as well as to any income tax treaties between Canada and any such jurisdictions, and to the risk that those tax laws, regulations and treaties may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, and the effective tax rate in the jurisdictions in which ECN Capital operates.

The determination of ECN Capital's provision for income taxes in Canada and elsewhere, including current and deferred tax assets and liabilities on ECN Capital's financial statements, require estimates, interpretation and significant judgment. Various internal and external factors may have favorable or unfavorable effects on future provisions for income taxes and ECN Capital's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements can have a material impact on ECN Capital's effective income tax rate.

ECN Capital could be impacted by certain tax treatment for various revenue streams in different tax jurisdictions. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines. This would potentially reduce the amounts of revenue, ultimately received by ECN Capital.

ECN Capital, from time to time, has executed or may execute reorganization transactions impacting its tax structure, including the tax-deferred spin-off from Element Financial Corporation on October 3, 2016. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines.

Business Environment

The Company's business segments operate in a competitive business environment. This creates a risk from the potential impact of current and former competitors. There can be no assurance that the Company will be able to compete successfully against its competitors or that such competition will not have a material adverse effect on the Company's financial condition and operations. In addition, the Company's performance is strongly correlated to the overall economic environment in the U.S. Any adverse changes in the general economic environment in the U.S. could have a material impact on the Company's operating performance.

Potential Acquisitions and Investments

As the Company seeks to acquire or invest in businesses that complement or expand its business, there is a risk if the Company commits significant financial or other resources that results in a material adverse effect on the Company's financial condition and operations.

Environmental, Social and Governance Risk

Environmental, social and governance ("ESG") risk is the risk to the Company as stakeholders demand greater accountability and transparency on how the Company approaches environmental issues, attends to the well-being of employees, customers and Partners, and governs in an ethical manner. A company that ignores these risks or commits a misstep could incur significant economic costs that jeopardize its ability to earn long-term, sustainable profits.

To mitigate ESG risk, the Company established an ESG Management Committee which reports directly to the Board of Directors. The ESG Management Committee is working with all stakeholders to evolve and enhance our ESG disclosure, and address material ESG risks across the Company and its subsidiaries.

Accounting and Internal Control Matters

Critical Accounting Policies and Estimates and Use of Judgments

The Company's significant accounting policies are described in note 2 of our 2020 Annual Consolidated Financial Statements. Certain of these policies, and related estimates and judgments have been identified as "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. Our significant accounting judgments, estimates and assumptions relate to inventory, allowances for credit losses, income taxes, useful lives and residual values of equipment under operating leases, goodwill and intangible assets, derecognition of financial assets, and the outcome of contingencies such as lawsuits, claims or proceedings incident to the operation of our businesses. Our critical accounting policies and estimates have been reviewed and approved by our Audit Committee, in consultation with management, as part of their review and approval of our significant accounting policies, judgments, estimates and assumptions. Please refer to note 2 of our 2020 Annual Consolidated Financial Statements for a description of each of our significant accounting judgments, estimates and assumptions.

The preparation of 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 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 consolidated financial statements are issued.

As at December 31, 2020, due to the emergence of the novel coronavirus identified as COVID-19, we are subject to a greater degree of uncertainty in making the estimates and judgments required to apply our significant accounting policies. The ultimate impacts of COVID-19 on our business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic, which are highly uncertain and cannot be predicted. The uncertainty of future results and cash flows may impact our estimates and judgments underlying the carrying values of our finance receivables, held-for-trading financial assets, goodwill, intangible assets and retained reserve interest asset, the adequacy of our credit loss provisions, the fair value of our assets held-for-sale and the realization of our deferred tax assets. We continue to update the Company's forecasts, assumptions, valuation models and other analyses that support the current carrying value of these assets. Accordingly, actual results may be materially different from those recorded amounts.

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 us, 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. Costs related to such matters were not material to the periods presented.

Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and other members of the Board of Directors, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible to design, or cause to be designed under their supervision, internal controls over financial reporting to a standard that provides reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

It should be noted that while the Company's CEO and CFO believe that the Company's internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company's control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any designs will succeed in achieving its stated goals under all potential conditions.

The Company has an established process in place to ensure the effectiveness of the disclosure controls and internal controls over financial reporting.

Updated Share Information

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.

As at February 25, 2021, the Company had 244,550,264 common shares, 13,724,071 options; 3,875,100 Series A preferred shares, and 3,744,200 Series C preferred shares issued and outstanding.

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