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## Q3 2009 Financial Highlights – CFO's Review and Financial Performance

Commentary by Nancy Bland, April 30, 2009

### Net Income

Income for the third quarter was \$3.1 million, compared to \$2.1 million for the same quarter last year. The higher earnings resulted in diluted earnings per share increasing to \$0.18 in the quarter from \$0.10 for the same period last year. Corporate expenditures increased over the three months with increases in travel costs related to the President's forum, increased information system infrastructure costs, professional fees related to the class action law suits and provincial regulations.

### EBITA

Our EBITA for the third quarter was \$6.4 million, compared to \$5.4 million in the same quarter last year. This improvement is due to better execution of growth initiatives, collection protocols and risk management.

The higher third quarter earnings reflect the following:

- Increased revenue as a result of 45 net new branches opened compared to March 31, 2008
- An 11.5% increase in same branch revenues through improved staff retention, more effective bonus structures communication of expectations at all levels of the organization and action plans for our lowest-performing branches
- Improved collection protocols used to reduce retention payments

Earnings were reduced by:

- Increased branch expenses as a result of the 45 new branches
- Increased branch, regional and corporate expenses related to enhanced benefit programs
- Increased advertising expenditures
- Increased corporate expenses as a result of increased bonuses due to higher profits, as well as an increase in training support
- Increased corporate expenses related to the President's Tour which occurred in a prior quarter than last fiscal year
- Increased corporate expenses related to class action lawsuit negotiations and provincial regulation
- Increased branch and corporate expenses related to the enhancement of our information system security and infrastructure as well as the development of a new operating system

### Branch Count

At the end of the third quarter, a total of 423 branches were in operation compared to 378 branches at the end of the same quarter last year. Ten new branches were opened and two branches were closed and accounts transferred to nearby branches.

The opening of ten new branches over the quarter did not meet our targeted five to six branches due to the unavailability of appropriate sites. The closing of two underperforming branches is consistent with our strategy of ensuring positive contributions from all of our branches. We anticipate adding twelve to fifteen branches over the next quarter.

## Revenue and same branch revenues

Revenue increased 15.8% to \$36.3 million from \$31.3 million in the same quarter last year. The higher revenue reflects an increase in loans brokered and related other services. This growth is due to 45 additional branches, the maturing of existing branches and increased same branch revenues.

Same branch revenues also increased through improved staff retention, more effective bonus structures and action plans for our lowest-performing branches. Same branch revenues for the 354 locations open since the beginning of the third quarter of fiscal 2008 increased by 11.5% compared to the same quarter last year, with same branch revenues averaging \$93,200 in the third quarter compared to \$83,600 in the third quarter of the previous year.

## Branch Operating Income

Branch operating income for the quarter was \$11.7 million compared to \$8.8 million in the third quarter of last year.

## Expenses

Expenses for the third quarter totalled \$25.6 million, an increase from \$21.2 million in the same quarter last year. These increases were primarily due to the addition of 45 new branches, increased bonuses related to higher profitability, increased advertising, information system infrastructure costs, professional fees related to the class action law suits and provincial regulation, and costs associated with the President's Tour.

## Retention Payments

Third-party lender retention payments for the third quarter totalled \$4.5 million (3.2% of loans brokered), compared to \$4.8 million (3.9% of loans brokered) in the same quarter last year. Payments decreased despite the fact that total loans brokered increased to \$142.5 million this quarter from \$124.2 million in the same quarter last year. As a percentage of brokerage revenue, retention payments have decreased to 12.5% in the third quarter of 2009, compared to 15.3% in the third quarter of 2008.

## Amortization

Amortization of capital and intangible assets for the quarter totalled \$1.5 million, compared to \$1.3 million in the third quarter last year.

## Income Taxes

Our effective tax rate was 34.6% in the third quarter, compared to 35.0% for the third quarter last year, as a result of a decrease in federal and provincial corporate tax rates.

## Liquidity and capital resources

Our cash increased to \$17.5 million in the third quarter, compared to \$15.6 million at June 30, 2008. Significant items impacting cash in the third quarter and year-to-date include:

- The repurchase of our shares pursuant to a normal course issuer bid in the amount of \$7.1 million year-to-date
- The repurchase of our shares pursuant to a substantial issuer bid in the amount of \$9.0 million year-to-date
- Dividend payments of \$1.1 million in the quarter and \$4.2 million year-to-date
- Cash generated from operating activities, before non-cash operating items, of \$5.1 million in the quarter and \$22.3 million year-to-date
- Capital asset expenditures of \$1.9 million in the quarter and \$5.7 million year-to-date.

At the end of the third quarter, our working capital position totalled \$10.4 million. The \$6.4 million decrease from June 30, 2008 is primarily as a result of the purchase of our common shares and dividend payments, offset by the utilization of all of the future tax benefits associated with the spin-out of the rental operations.

## Nine months ending March 31, 2009

### Net income

Net income was \$13.4 million, compared to \$9.3 million in the same period last year. The higher earnings resulted in diluted earnings per share from continuing operations increasing to \$0.73 for the nine months ended March 31, 2009 compared to \$0.46 for the same period last year.

### EBITA

For the nine months ended March 31, 2009, the Company's EBITA was \$24.7 million, compared to \$18.7 million for the same period last year. This improvement is due to better execution of growth initiatives, collection protocols and risk management.

### Same branch revenues

Same branch revenues for the 341 locations open since the beginning of the first quarter of fiscal 2008 increased by 10.4% compared to the same period last year, with same branch revenues averaging \$290,800 year-to-date compared to \$263,400 in the same period last year.

### Revenue and branch operating income

Revenue was \$110.8 million compared to \$96.3 million in the first nine months of fiscal 2008.

The higher revenue reflects an increase in loans brokered and related other services. This growth is due to 45 additional branches, the maturing of existing branches and increased same branch revenues. Broker fees totalled \$91.7 million, compared to \$80.3 million for the nine months ended March 31, 2008.

Year-to-date, the Company brokered \$437.4 million in loans at an average amount of \$368 per loan (excluding our broker fee), compared to \$385.0 million in loans at an average amount of \$361 for the nine months ended March 31, 2008. Due to the seasonal nature of our business, we anticipate revenues will increase slightly in the next quarter. Other revenue totalled \$18.9 million, compared to \$15.8 million for the nine months ended March 31, 2008.

These improvements demonstrate the progress we continue to make against our objective of diversifying our revenue stream and increasing the value generated from our existing suite of products.

Branch operating income was \$39.8 million, compared to \$28.2 million for the same period last year. Branch operating income improved mainly as a result of increased revenue.

### Expenses

Expenses increased to \$71.6 million in the first nine months of the year, compared to \$62.0 million for the same period last year.

The increase is primarily due to the addition of 45 new branches and increased bonuses related to higher profitability, increased advertising, information system infrastructure costs, professional fees related to the class action law suits and provincial regulation and costs associated with the President's Tour.

Retention payments totalled \$13.4 million (3.1% of loans brokered), compared to \$15.9 million (4.1% of loans brokered) in the nine months ended March 31, 2008. As a percentage of brokerage revenue, retention payments have decreased to 12.1% for the nine months ended March 31, 2009, compared to 16.5% in the same period last year. Improved collection protocols have contributed to a continued reduction in retention payments in line with management's expectations.

## Amortization

Amortization of capital and intangible assets was \$4.3 million, compared to \$3.9 million for the nine months ended March 31, 2008. This increase is the result of the 45 additional branches open at March 31, 2009.

## Income Taxes

Our effective tax rate was 31.5%, compared to 36.1% for the nine months ended March 31, 2008, as a result of a decrease in federal and provincial corporate tax rates as well as utilization of all of the \$4.9 million in income tax offsets gained through the spin-out of the rental division.

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