



## Chesswood Announces 2016 Annual and Fourth Quarter Results

*Strong asset growth and 6<sup>th</sup> consecutive year of record earnings*

TORONTO, March 8, 2017 – Chesswood Group Limited (“Chesswood” or “the Company”) (TSX: CHW), an equipment finance provider for small and medium-sized businesses throughout North America, today reported record net income and operating earnings for 2016. Net income for 2016 of \$24.3 million was up more than 22% from fiscal 2015, while year-over-year operating income increased more than 5% to reach \$30.3 million, with results fueled by strong growth in lease and loan originations in our U.S. and Canadian businesses.

A service-driven approach combined with a positive economic climate for small and medium-sized businesses drove demand for the financing products of Chesswood’s subsidiaries in 2016. Originations increased by 42% over last year as our gross lease and loan receivables from equipment finance passed the \$500 million mark for the first time in our history.

Increased revenue from the expanding portfolio offset the impact of a \$6.9 million increase in loss provisions over 2015, mainly related to finance receivables in our non-prime U.S. portfolio. While this very profitable segment of our portfolio benefitted from enhanced asset quality following the 2008 U.S. financial crisis - due to tight credit markets that made it difficult for higher-rated businesses to obtain less-expensive financing elsewhere – the normalization of market conditions is bringing loss rates back to more typical levels. In management’s view, our risk-adjusted yields in the non-prime segment of our portfolio provide ample margin for these increased charge-off and reserve levels while continuing to generate significant returns on capital.

“Strong organic growth and cash flow, along with our increase in operating earnings and net income, allowed us to again reward shareholders with substantial dividends in 2016” said Barry Shafran, Chesswood’s President and Chief Executive Officer. “Our operating companies once again delivered excellent results while our U.S. business, Pawnee Leasing, has also been building out its technology and infrastructure resources” added Shafran.

Other financial and operational highlights for 2016 include:

- the sale of subsidiary EcoHome, a provider of financing solutions for home improvements, which Chesswood purchased in March 2015 and sold in February 2016 for \$35 million, a pre-tax gain of \$10.2 million;
- the March 2016 payment of a special dividend of \$0.50 per share from the gain on the EcoHome sale;
- investments in technological infrastructure and human resources for the long-term enhancement of customer service, portfolio administration and risk management capabilities;
- an increase in Chesswood’s credit facility from U.S. \$150 million to U.S. \$170 million (and a \$30 million expansion of the accordion feature) to help fund continued growth; and
- the September 2016 move to cease new advances at subsidiary Windset Capital, a U.S. provider of working capital loans, reflecting the Company’s view that participants in this segment are underpricing risk.

Including the special dividend of \$0.50 related to the EcoHome sale, the Company paid dividends of \$1.29 per share in 2016. Commencing with the dividend payment in December 2016 (related to November), the monthly dividend rate was increased to \$0.07 per share.

For the fourth quarter of 2016, the Company generated operating earnings of \$6.0 million and net income of \$5.1 million, compared to \$7.5 million and \$8.1 million, respectively, in the fourth quarter of 2015. Net income in the fourth quarter of 2015 included a gain on the sale of Acura Sherway for \$4.6 million. While revenues increased from portfolio growth, the provision for credit losses increased by \$1.9 million (including an increase in our non-cash allowance of \$1.3 million), compared to the fourth quarter of 2015, as did costs for our growth-related investments in technology and personnel.

“The completion of our exit from non-core businesses and the steps we’ve taken to organically grow our equipment finance business so significantly also includes investing in the support of that growth with expanded underwriting, administration and customer service resources as well as technology. These investments are on behalf of both current and expected future growth” said Shafran.

At year-end, Chesswood’s consolidated portfolio was diversified across more than 85 industries, 70 equipment types, and over 26,500 leases and loans North America-wide.

<b>Financial Highlights</b> (in CDN \$000's, except EPS)	<b>For the Three Mths</b>		<b>For the Year</b>	
	<b>Ended December 31,</b> <b>2016</b>	<b>2015</b>	<b>Ended December 31,</b> <b>2016</b>	<b>2015</b>
<b>Operating Income<sup>(1)</sup></b>	<b>\$5,979</b>	<b>\$7,547</b>	<b>\$30,310</b>	<b>\$28,784</b>
Adjusted EBITDA <sup>(1)</sup>	\$6,097	\$7,395	\$31,031	\$32,429
Net Income	\$5,103	\$8,052 <sup>(3)</sup>	\$24,278 <sup>(2)</sup>	\$19,804 <sup>(3)</sup>
Earnings Per Share – basic – continuing operations	\$0.29	\$0.21	\$0.97	\$0.74
Earnings Per Share - basic	\$0.28	\$0.46 <sup>(3)</sup>	\$1.36 <sup>(2)</sup>	\$1.19

(1) - See "Non-GAAP Measures" below.

(2) - includes \$6.7 million gain on sale of EcoHome Financial in Q1 2016.

(3) – includes \$4.6 million gain on sale of Acura Sherway in Q4 2015.

## **Non-GAAP Measures**

Adjusted EBITDA and Operating Income are not recognized measures under International Financial Reporting Standards and do not have standard meanings. Accordingly, these measures may not be comparable to similar measures presented by other issuers. Please refer to the Company’s Management Discussion and Analysis in Chesswood’s 2016 Annual Report for the three months and year ended December 31, 2016 for additional information concerning these measures and a reconciliation of these measures to the Company’s consolidated net income for the period.

## **About Chesswood**

Through two wholly-owned subsidiaries in the U.S. and Canada, Chesswood Group Limited is North America's only publicly-traded commercial equipment finance company focused on small and medium-sized businesses. Our Colorado-based Pawnee Leasing Corporation, founded in 1982, finances a highly diversified portfolio of commercial equipment loans and leases through established relationships with over 600 independent brokers in 48 U.S. states. In Canada, our subsidiary Blue Chip Leasing Corporation has been originating and servicing commercial equipment loans and leases since 1996, and today operates through a nationwide network of more than 50 independent brokers.

Based in Toronto, Canada, Chesswood's shares trade on the TSX under the symbol CHW (convertible debentures: CHW.DB).

Learn more at [www.Chesswoodgroup.com](http://www.Chesswoodgroup.com), [www.PawneeLeasing.com](http://www.PawneeLeasing.com) and [www.BlueChipLeasing.com](http://www.BlueChipLeasing.com).

— 30 —

**For more information contact:**

Barry Shafran  
Chesswood Group Limited  
416-386-3099  
[bshafran@chesswoodgroup.com](mailto:bshafran@chesswoodgroup.com)

*This press release contains forward-looking statements that involve a number of risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Many factors could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.*

*Additional information about the risks and uncertainties of the Company's businesses and material factors or assumptions on which information contained in forward-looking statements is based is provided in its publicly filed documents, including the Company's annual information form and management's discussion and analysis of the financial condition and performance, which are available electronically through the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).*

NO STOCK EXCHANGE, SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THE INFORMATION CONTAINED HEREIN.