



Financial Convenience.
Everyday People.



Fiscal 2009 and Q1 2010 Financial Highlights – CFO's Review and Financial Performance Commentary by Nancy Bland, October 29, 2009

All figures to be discussed in today's presentation will be exclusive of class-action law suit settlement costs of \$6.9 million before tax as these are non-recurring charges.

FISCAL 2009 FINANCIAL HIGHLIGHTS

2009 was a record year. We achieved:

- Record annual revenue of \$150.5, up 15% from \$130.8 million in the prior year.
- Record net income of \$19.3 million, up 55% from \$12.5 million in 2008.
- Record earnings per share of \$1.08, up 73% from \$0.62 in the prior year.
- EBITA of \$35.5 million, up 35% from \$26.3 million.

The higher fiscal 2009 earnings reflect the following increased branch-level operating results due to improved revenues, growing same branch revenues, and decreased retention payments;

Improved earnings were offset by:

- Increased professional fees associated with the settlement of two out of three of the class action lawsuits brought against the Company;
- Increased costs associated with provincial regulations;
- Increased branch, regional and corporate expenses related to enhanced benefit programs and bonus programs; and,
- Increased expenditures on stock-based compensation.

Revenue and Same Branch Revenues

Revenue for the year ended June 30, 2009 totaled \$150.5 million, an increase of \$19.7 million or 15% compared to \$130.8 million in the prior year.

Same branch revenues improved 11% for the 344 branches open since the beginning of fiscal 2008 averaging \$392,800 in fiscal 2009 compared to the \$354,900 in the prior year.

Product and revenue diversification initiatives continued to generate positive results. Fees from other services increased 17% to \$25.4 million for the year ended June 30, 2009, compared to \$21.7 million for fiscal 2008.

Branch Operating Income

Branch operating income for the year increased 37% to \$54.6 million from \$39.8 million, compared to the previous year, due to improved associate retention, more effective bonus structures, communication of expectations at all levels of the organization and action plans for our lowest-performing branches.

Retention Payments

Third-party lender retention payments for the year ended June 30, 2009 totalled \$18.0 million or 3.0% of loans brokered, compared to \$20.1 million or 3.9% of loans brokered last year.

Retention payments decreased despite the fact that total loans brokered increased to \$594.2 million this year from \$521.6 million last year. As a percentage of revenue, retention payments have decreased to 12.0% in the year ended June 30, 2009, compared to 15.4% in the year ended June 30, 2008.

Management believes that improved collection protocols have led to decreased retention payments.

Branch count

As at June 30, 2009, we had a total of 424 branches in operation, compared to 384 the previous year. 49 new branches were opened during the year, while 5 underperforming and 4 acquired branches were consolidated and their customer accounts were transferred to nearby branches.

Working Capital and Cash Flow

At June 30, 2009 we had a cash position of \$18.5 million.

Income taxes

Our effective tax rate for fiscal 2009 was 31.9% for the year ended June 30, 2009, compared to 38.6% in the prior year. The year-over-year decrease was caused by a reduction in the value of future income tax assets as a result of lower corporate tax rates.

Q1 2010 FINANCIAL HIGHLIGHTS

We achieved record revenue, branch operating income and diluted earnings per share in the quarter. Revenue was \$41.6 million, up 11.2% from \$37.4 million for the same period last year. Diluted earnings per share were \$0.33 compared to \$0.31 in the first quarter of fiscal 2009. Branch operating income of \$15.8 million was up 8.2% from \$14.6 million.

Branch count increased 60 net new branches to 451 up from 391 at September 31, 2008. 27 net new branches were open in the quarter compared to 7 in the same quarter last year. Net income for the quarter was \$5.6 million, compared to \$6.1 million for the same quarter last year.

The lower earnings were offset by a decrease in the number of diluted shares in circulation, resulting in diluted earnings per share increasing to \$0.33 in the quarter, compared to \$0.31 for the same period last year.

Our EBITA for the first quarter was \$10.7 million, compared to \$10.9 million in the same quarter last year.

The 11.2% increase in first quarter revenue was more than offset by:

- Start-up losses of \$390,000 as a result of 60 new branches relative to September 30, 2008;
- Increased corporate infrastructure and information technology costs;
- Increased advertising expenses related to an expanded direct mail campaign; and
- Increased retention payments.

Branch Count

At the end of the first quarter, a total of 451 branches were in operation compared to 391 branches at the end of the same quarter last year. During the quarter, 22 new branches were opened, 8 branches were acquired and 3 branches were consolidated and their accounts transferred to nearby branches. We anticipate opening 18 to 20 branches over the next quarter.

Revenue

The higher revenue reflects an increase in both brokerage fees and other services. This growth is due to 60 additional branches, the maturing of existing branches and increased same branch revenues. Broker fees for the first quarter increased 12.6% to \$34.8 million from \$30.9 million in the same quarter last year. Revenue from other services increased to \$6.8 million in the first quarter up from \$6.4 million in the same quarter last year.

Loans brokered in the first quarter totalled \$165.9 million and averaged \$377 (excluding our broker fee), compared to \$147.8 million and an average of \$364 in the same quarter last year.

Due to the seasonal nature of our business, we anticipate revenues will remain relatively constant over the next quarter.

Same Branch Revenues

Same branch revenues for the 374 locations open since the beginning of the first quarter of fiscal 2009 increased by 5.6% compared to the same quarter last year, with same branch revenues averaging \$101,600 in the first quarter of 2010 compared to \$96,200 in the first quarter of the previous year.

We continue to maximize shareholder value from our extensive network of branches and products. As the cost structure for the existing branch base is relatively fixed, improving same branch revenues is an important objective.

Expenses (excluding retention payments)

Expenses for the first quarter totalled \$26.0 million, an increase from \$22.5 million in the same quarter last year. The increase is primarily due to the addition of 60 new branches, increased bonuses related to higher profitability, an increase in information technology support, marketing and corporate infrastructure costs.

Retention Payments

Third-party lender retention payments for the first quarter totalled \$5.1 million (3.1% of loans brokered), compared to \$4.3 million (2.9% of loans brokered) in the same quarter last year. As a percentage of revenue, retention payments have increased to 12.3% in the first quarter of 2010, compared to 11.4% in the first quarter of 2009.

Amortization

Amortization of capital and intangible assets for the quarter totalled \$1.8 million, compared to \$1.3 million in the first quarter last year. The increase reflects the addition of 60 new branches.

Income Taxes

Third-party lender retention payments for the first quarter totalled \$5.1 million (3.1% of loans brokered), compared to Our effective tax rate was 35.1% in the first quarter, compared to 34.8% for the first quarter last year. At quarter end we had cash on-hand of \$18 million.

Significant items impacting cash in the first quarter included:

- The repurchase of shares in the amount of \$3.3 million;
- Dividend payments of \$2.3 million;
- Cash generated from operating activities, before non-cash operating items, of \$7.9 million; and
- Capital asset expenditures of \$4.1 million.

We remain very well-positioned to fund future growth initiatives.

For additional information or if you have any questions, please contact:

Gordon J. Reykdal
Chairman and Chief Executive Officer
Phone: 780-408-5118
Fax: 780-443-2653
Email: gord@csfinancial.ca

Nancy Bland
Chief Financial Officer
Phone: 780-732-5683
Fax: 780-443-2653
Email: nancy.bland@csfinancial.ca