



TSX Symbol: **EH**

easyhome Ltd.
33 City Centre Drive
Suite 510
Mississauga, Ontario
L5B 2N5 Canada
Tel: 905-272-2788
Fax: 905-272-9886

Press Release

March 11, 2013

***easyhome* Ltd. Reports Fourth Quarter and Full Year Results for 2012**

Mississauga, March 11, 2013: *easyhome* Ltd. (TSX: EH, the “Company” or “*easyhome*”), Canada’s largest merchandise leasing company and a growing provider of financial services, today announced its results for the fourth quarter and full year ended December 31, 2012.

easyhome delivered record revenues and strong earnings growth in the fourth quarter of 2012. Revenue for the quarter increased 4.9% to \$51.7 million, driven primarily by the expansion of the *easyfinancial* Services business and the related growth of its consumer loans receivable portfolio. Net income for the quarter was \$3.8 million, up from \$2.6 million reported in the fourth quarter of 2011. Reported earnings per share for the quarter was 32 cents compared to 22 cents for the fourth quarter of 2011.

During the fourth quarter of 2012, the consumer loans receivable portfolio experienced a record level of growth, increasing by \$11.1 million compared with growth of \$4.9 million in the fourth quarter of 2011. The gross consumer loans receivable as at December 31, 2012 was \$70.7 million compared with \$47.6 million as at December 31, 2011.

Other highlights for the fourth quarter of 2012 include:

***easyhome* Leasing**

- Successful completion of an exchange of stores with a large U.S. based rent-to-own company. The exchange consisted of the concurrent sale of the assets and operations of 15 leasing stores owned by *easyhome* in the U.S. and the purchase of the assets and operations of 15 leasing stores in Canada.
- Same store revenue growth excluding *easyfinancial* Services of 2.7%.
- Record quarter for unit deliveries.
- Excluding the impact of changes to the store network, the lease portfolio as measured by potential monthly lease revenue increased by \$0.6 million.
- Although revenue declined in the fourth quarter of 2012 compared to 2011 due to the reduced store count, operating income for the leasing business increased 10.9%.

***easyfinancial* Services**

- The consumer loans receivable portfolio closed at \$70.7 million, representing a year-over-year increase of 49%.
- Revenue for the fourth quarter of 2012 increased 40% compared to the fourth quarter of 2011.
- Operating margin of 27.3% was reduced from the previous quarter due to higher loan book growth requiring a larger provision against future losses (although the actual charge off rate was comparable between periods) and additional drag from new store openings along with increased amortization related to the new loan system.

***easyhome* Franchising**

- Franchise system wide revenue increased 28% compared to the fourth quarter of 2011.



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- Two new Be-A-Contender franchise locations that are funded by *easyhome* opened during the fourth quarter.

Overall

- Same store revenue growth of 9.0%.
- Operating income for the quarter includes a net gain of \$0.8 million (7 cents per share) realized on the sale of the U.S. corporate stores.
- Operating income for the quarter was negatively impacted by a \$1.1 million (7 cents per share) increase in stock based incentive compensation plan expenses, which are based on expected performance versus targets and movements in the Company's share price.
- Excluding the net gain and the impact of increased stock based incentive compensation plan expenses, adjusted operating income increased by \$1.9 million or 46.3%.
- Operating margin of 11.2% and EBITDA margin of 12.7%, up from 8.5% and 11.0%, respectively, from the fourth quarter of 2011.
- Cash flow from operating activities of \$15.6 million.

"We are pleased with the financial performance of all of our business units during the quarter," said David Ingram, *easyhome*'s President and Chief Executive Officer. "The additional financing that was secured at the beginning of the fourth quarter allowed us to continue growing our *easyfinancial* business, improving profitability now and into the future. Additionally, we are encouraged by the improved operating results of our leasing business. The restructuring activities that we completed earlier in the year are beginning to positively impact results and the exchange of stores that was completed at the end of the quarter will benefit the operating income of our leasing business throughout 2013."

Fourth Quarter Results

For the fourth quarter ended December 31, 2012, *easyhome* generated revenues of \$51.7 million, an increase from \$49.3 million in the fourth quarter of 2011. At the store level, including *easyfinancial*, same store revenue growth for the quarter was a strong 9.0%.

On a segmented basis, *easyfinancial* Services revenues increased 40% to \$10.9 million from \$7.8 million for the same period last year. The improvement is a result of the increase in the consumer loans receivable portfolio from \$47.6 million to \$70.7 million. The Company's leasing operations recorded revenues of \$40.2 million, down from \$41.0 for the same period last year due to the reduced number of stores. Franchising operations recorded revenues of \$0.5 million, relatively unchanged from the same period last year.

Operating income, which is income before interest expense and income taxes, increased 38% to \$5.8 million from \$4.2 million in the fourth quarter of 2011. As a percentage of revenue, operating income was 11.2% compared to 8.5% in the fourth quarter of 2011. Excluding the net gain realized on the sale of the U.S. corporate stores and the impact of increased stock based incentive compensation plan expenses, adjusted operating income increased by \$1.9 million or 46.3%.



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Net income increased to \$3.8 million or 32 cents per share for the fourth quarter of 2012, compared with net income of \$2.6 million or 22 cents per share for the fourth quarter of 2011.

Fiscal 2012 Results

For the full year, *easyhome* recorded revenues of \$199.7 million, up 6.0% compared with \$188.3 million in fiscal 2011. Operating income for the period was \$17.7 million compared with \$15.3 million in fiscal 2011, an increase of 16.0%. Adjusted operating earnings for fiscal 2012, excluding the restructuring and other charges, was \$17.3 million, an increase of 13.5% over fiscal 2011. Both operating income and adjusted operating earnings for 2012 compared to 2011 were negatively impacted by a \$1.5 million increase in stock based incentive compensation plan expenses, driven by the year over year rise in the Company's share price.

Earnings per share increased from 81 cents to 93 cents. Net income, adjusted for unusual items, was \$10.5 million compared with \$9.6 million for the last year. On a per share basis and excluding unusual items, earnings per share was 87 cents compared with 81 cents a year ago.

Cash flow provided by operating activities for the year ended December 31, 2012 was \$58.2 million. Included in these cash flows was a net investment in the *easyfinancial* Services consumer loans receivable portfolio of \$31.4 million. If this net investment in the loan portfolio was treated as cash flow from investing activities, cash flow from operating activities would be \$89.6 million. This cash flow from operating activities enabled the Company to invest in the portfolios to drive future revenue growth of all business units and maintain its total dividend payments for the quarter.

Outlook

Looking ahead, *easyhome*'s strategic focus remains unchanged. The Company will focus on growing *easyfinancial*, increasing the profitability of the leasing business and growing the franchise network.

The additional financing obtained in 2012 will allow the Company to grow its consumer loans receivable portfolio unencumbered during 2013. Additionally, *easyfinancial* expects to open a further 25 to 35 locations during 2013 and expects these locations to be stand alone sites. *easyfinancial* will also focus on continuing to grow its consumer loans receivable portfolio at existing locations. The Company anticipates a loan book of between \$95.0 and \$100.0 million by the end of 2013.

David Ingram commented, "The Company's view of the North American economic situation suggests that 2013 will be another challenging year, particularly impacting the purchasing decisions of consumers. As a result, *easyhome* Leasing is not expecting significant growth and does not intend to significantly grow its leasing footprint. Rather *easyhome* Leasing will continue to drive profitability enhancements across its existing store network."



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Mr. Ingram concluded, "My thanks go out to our entire team who have worked tirelessly to provide access to millions of cash and credit constrained consumers for goods and services neglected by mainstream financial services. This was our eleventh consecutive year of growing revenues and producing positive net income."

The Company does not plan to open any new corporate stores during 2013. Of course, should an economic recovery begin to take hold, these expansion plans for the leasing business will be reviewed in the future.

Fortunately, the Company's strategy of developing complementary business units is now somewhat mitigating the impacts of a negative economy on its revenue. While the Company is anticipating low growth within its leasing business, this is more than offset by the strong growth expected from easyfinancial. Ultimately, easyhome is targeting total revenue growth of between 8% and 12% for 2013. As such, next year is expected to be a record year for both revenues and earnings.

Donald K. Johnson, Chairman of the Board, commented, "The Board is pleased with the overall performance of the Company during 2012. Both revenues and net income have shown continued growth and the Company's management has taken the necessary steps to support the Company's strategy for sustainable growth."

The Board of Directors has approved a quarterly dividend payment of \$0.085 per share payable on April 16, 2013 to the holders of common shares of record as at the close of business on April 5, 2013.

About easyhome

As of March 11, 2013, *easyhome* Ltd. operated 191 *easyhome* leasing stores (including 9 consolidated franchise locations), 100 *easyfinancial* locations and 49 franchise locations.

easyhome Ltd. is Canada's largest merchandise leasing Company, offering top quality, brand-name household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements through both corporate and franchise stores. In addition, the Company offers a variety of financial services, including loans and prepaid cards, through its *easyfinancial* Services business. *easyhome* Ltd. is listed on the TSX under the symbol 'EH'. For more information, visit www.easyhome.ca.

The above analysis refers to certain financial measures, including same store revenue growth, gross consumer loans receivable, adjusted earnings, adjusted operating earnings and adjusted EBITDA, which are not determined in accordance with International Financial Reporting Standards ("IFRS"). These measures do not have standardized meanings and may not be comparable to similar measures presented by other companies. These measures are defined in our Management's Discussion and Analysis for the period which is available on SEDAR or on the Company's website at www.easyhome.ca or can be determined by reference to our financial



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statements. We discuss these measures as we believe that they facilitate the understanding of the results of our operations and financial position.

Forward-Looking Statements

This news release includes forward-looking statements about *easyhome* Ltd., including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'intends', 'plans', 'believes' or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenue, earnings or growth rates), ongoing business strategies or prospects about future events is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us, due to, but not limited to important factors such as our ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, secure new franchised locations, purchase products which appeal to our customers at a competitive rate, cope with changes in legislation, react to uncertainties related to regulatory actions, raise capital under favourable terms, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance our system of internal controls. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless otherwise required by law.

(tables follow)

For further information contact:

David Ingram
President & Chief Executive Officer
(905) 272-2788

-or-

Steve Goertz
Senior Vice President and Chief Financial Officer
(905) 272-2788

easyhome Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

(expressed in thousands of Canadian dollars)

| | As at December 31, 2012 | As at December 31, 2011 |
|---|-------------------------------|-------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | 4,631 | 1,019 |
| Amounts receivable | 4,536 | 5,893 |
| Income taxes recoverable | - | 600 |
| Consumer loans receivable | 34,425 | 32,619 |
| Prepaid expenses | 964 | 1,316 |
| Total current assets | 44,556 | 41,447 |
| Amounts receivable | 1,000 | 1,365 |
| Consumer loans receivable | 32,159 | 12,319 |
| Lease assets | 68,075 | 66,996 |
| Property and equipment | 13,729 | 12,612 |
| Deferred tax assets | 4,232 | 2,933 |
| Intangible assets | 6,213 | 4,126 |
| Goodwill | 19,963 | 17,325 |
| TOTAL ASSETS | 189,927 | 159,123 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Bank revolving credit facility | 21,281 | 33,123 |
| Accounts payable and accrued liabilities | 31,696 | 19,504 |
| Income taxes payable | 4,216 | - |
| Dividends payable | 1,012 | 1,007 |
| Deferred lease inducements | 564 | 598 |
| Unearned revenue | 3,922 | 4,562 |
| Provisions | 379 | 24 |
| Total current liabilities | 63,070 | 58,818 |
| Accounts payable and accrued liabilities | 1,459 | 727 |
| Deferred lease inducements | 1,898 | 1,959 |
| Term loan | 18,330 | - |
| Provisions | 157 | 77 |
| Total liabilities | 84,914 | 61,581 |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Share capital | 60,885 | 60,207 |
| Contributed surplus | 3,035 | 3,171 |
| Accumulated other comprehensive loss | (137) | (52) |
| Retained earnings | 41,230 | 34,216 |
| Total shareholders' equity | 105,013 | 97,542 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 189,927 | 159,123 |

easyhome Ltd.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(expressed in thousands of Canadian dollars except earnings per share)

| | Three months ended | | Years ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| REVENUE | | | | |
| Lease revenue | 39,124 | 39,874 | 156,049 | 159,072 |
| Interest income | 7,168 | 5,038 | 24,701 | 15,719 |
| Other | 5,402 | 4,380 | 18,923 | 13,534 |
| | 51,694 | 49,292 | 199,673 | 188,325 |
| EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | | | | |
| Salaries and benefits | 16,398 | 15,987 | 63,515 | 60,198 |
| Stock based compensation | 1,119 | (35) | 2,405 | 883 |
| Advertising and promotion | 1,899 | 1,615 | 7,757 | 6,829 |
| Bad debts | 3,019 | 2,046 | 9,779 | 6,289 |
| Occupancy | 6,465 | 6,511 | 25,832 | 25,330 |
| Distribution and travel | 1,765 | 1,987 | 7,300 | 7,919 |
| Other | 2,933 | 3,652 | 12,988 | 14,144 |
| Restructuring and other items | (814) | - | (378) | - |
| | 32,784 | 31,763 | 129,198 | 121,592 |
| DEPRECIATION AND AMORTIZATION | | | | |
| Depreciation of lease assets | 12,334 | 12,090 | 48,379 | 47,465 |
| Depreciation of property and equipment | 1,041 | 968 | 4,019 | 3,506 |
| Amortization of intangible assets | 273 | 37 | 621 | 434 |
| Impairment, net | (528) | 234 | (253) | 61 |
| | 13,120 | 13,329 | 52,766 | 51,466 |
| Total operating expenses | 45,904 | 45,092 | 181,964 | 173,058 |
| Operating income | 5,790 | 4,200 | 17,709 | 15,267 |
| Interest expense | 1,215 | 485 | 2,643 | 1,541 |
| Income before income taxes | 4,575 | 3,715 | 15,066 | 13,726 |
| Income tax expense (recovery) | | | | |
| Current | (536) | (1,410) | 5,309 | (1,248) |
| Deferred | 1,345 | 2,509 | (1,300) | 5,362 |
| | 809 | 1,099 | 4,009 | 4,114 |
| Net income | 3,766 | 2,616 | 11,057 | 9,612 |
| Basic earnings per share | 0.32 | 0.22 | 0.93 | 0.81 |
| Diluted earnings per share | 0.31 | 0.22 | 0.92 | 0.81 |