

# Dealnet Capital

**ANNUAL GENERAL MEETING**

June 28, 2017

# Agenda

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## Business of the Meeting

1. Call to Order
2. Receipt of the Corporation's financial statements, auditor's report and management's discussion and analysis for the year ending December 31, 2016
3. Election of directors
4. Appointment of auditors
5. Consideration of a special resolution to authorize the board to amend the Company's articles of incorporation to consolidate all of the issued and outstanding common shares of the Corporation
6. Consideration of a special resolution to authorize the board to amend the Company's articles of incorporation to change the name of the Corporation
7. Consideration of the omnibus plan as set out in Schedule "A" of the Information Circular
8. Other business
9. Termination

## Management Presentation

## Question & Answer Session

# Disclaimer

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Certain information in this presentation is forward-looking and relates to Dealnet Capital's anticipated financial position, business strategy, events and courses of action. Words or phrases such as "anticipate," "objective," "may," "will," "might," "should," "could," "can," "intend," "expect," "believe," "estimate," "predict," "potential," "plan," "target," "goal", "is set to", "is designed to" or similar expressions suggest future outcomes. Forward-looking statements include, among other things, statements about: our expectations regarding our expenses, sales and operations; our future customer concentration; our anticipated cash needs and our estimates regarding our capital requirements and our need for additional financing; our ability to anticipate the future needs of our customers; our plans for future products and enhancements of existing products and services; our future growth strategy and growth rate; partnerships and transactions that are subject to negotiations; possible expansion into new markets and our anticipated trends, including the growth rate of our loan originations and challenges in the markets in which we operate. Such statements reflect our current views with respect to future events and are based on assumptions and subject to significant risks and uncertainties. Such assumptions include, without limitation, that Dealnet Capital will conduct its operations in a manner consistent with its expectations and, where applicable, consistent with past practice; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax and regulatory regimes; our ability to conclude new partnerships or transactions in a satisfactory manner; certain cost assumptions; the continued availability of adequate debt and/or equity financing and cash flow to fund our capital and operating requirements as needed; and the extent of our liabilities. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Our actual results, performance or achievements could differ materially from those contemplated, expressed or implied in our statements as a result of various risk factors, including, but not limited to, business, economic and capital market conditions; market conditions and the demand and pricing; our relationships with our customers, business partners; our ability to conclude new partnerships or transactions in a satisfactory manner; competition in our industry; our ability to manage our growth; fluctuation in our quarterly operating results; and our dependence on key personnel. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. Neither we nor any of our representatives make any representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of the information in this presentation. Neither we nor any of our representatives shall have any liability whatsoever, under contract, tort, trust or otherwise, to you or any person resulting from the use of the information in this presentation by you or any of your representatives or for omissions from the information in this presentation.

# Election of Directors

# Candidates for Nomination

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**Dr. Steven Small**  
*Executive Chairman*

Dr. Small brings decades of experience in identifying and building successful businesses in the “non Bank” asset finance sector as well as business and consumer service companies. Dr. Small recently retired from his position as a Co-Founder and seed capital investor of Element Financial Corporation, where he acted as Executive Vice Chairman. He also was a Co-Founder, seed capital investor, and Director of Newcourt Credit Group. Newcourt was, when sold, the largest independent “non bank” asset backed finance company in the world.



**Harold Bridge**  
*Lead Director  
Chair Audit  
Committee*

Mr. Bridge is the Chairman & Chief Executive Officer of Kathar Enterprises Inc., a Toronto-based firm that provides corporate finance, mergers & acquisition and financial advisory services to national and international clients. Mr. Bridge currently serves on the board of Element Financial, and is Chairman of the Element audit committee. From 1976 to 2006, Mr. Bridge served as a partner in the financial advisory, audit and consulting services practice at Deloitte & Touche LLP and as Executive Vice President and Director at Deloitte & Touche Corporate Finance Canada Inc.



**Richard Carl**  
*Director*

Mr. Carl has board experience in numerous capacities for both private and public companies where he has served in roles as Executive Chair, Audit and Compensation Committee Chair as well as the Chair of Special Committees. His previous roles included the President of Credit Suisse First Boston Canada and Senior Vice President and Director of Equity Sales and Trading for BMO Nesbitt Burns. Mr. Carl holds a Bachelor of Commerce and Finance from the University of Toronto and is a CFA charterholder. He was most recently the President of AGS Capital Corp, a private family office and the Executive Chairman of Canada Fluorspar Inc, a TSX-V listed company.



**Joanne De Laurentiis**  
*Director*

Ms De Laurentiis is an experienced senior executive and Board member. Prior to retiring in 2016 as the President & CEO of the Investment Funds Institute (IFIC), she served as CEO of Credit Union Central of Canada, Mondex Canada and Interac. She currently serves on the Boards of the Toronto Transit Commission, Peak Financial Advisory Council, PIMCO Canada Independent Review Committee, the Canadian Foundation for Economic Education, and the National News Council where she is Vice-Chair. She holds a Master's degree in Political Science from Western University.

# Candidates for Nomination

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**John Radford**  
*Chair*  
*Compensation*  
*Committee*

Mr. Radford has held senior executive level positions in the automotive sector at both Corporate and Retail spheres in the USA and Canada for over three decades and retired as Senior Executive Vice President of National Sales and Marketing of Ford Motor Company of Canada in 2000. That role carried direct and material P&L responsibility in one of Canada's largest corporations. Currently, Mr. Radford is the senior Executive Auto Recruiter at the Marckis Group, Canada's leading exclusive auto executive recruiting company for international OEM's and OEM's captive auto loan operations.



**Michael Hilmer**  
*CEO & Director*

After several years with Wood Gundy financial services, Mr. Hilmer moved to MCI Systemhouse with responsibility for large financial services customers. In 2000, Mr. Hilmer founded Millennium Care, a call centre outsourcing and software company. Mr. Hilmer acquired the OC Communications Group of Companies in 2008 and successfully turned them into strong solutions provider for the financial services, utilities, retail, telecom and pharmaceutical industries.



**Brent Houlden**  
*Director*

Mr. Houlden is a retail strategy & operations consultant with deep financial advisory skills. He understands how digital and mobile technologies have changed shopping patterns and the path-to-purchase of consumers. After 26 years as a Deloitte partner, he retired from the firm in November 2014 to co-found CR Advisors – a consulting boutique focusing on formulating high impact and practical business solutions. Through his career, he led Deloitte's retail practice in Canada while serving numerous retailers, consumer product companies, real estate developers and landlords.



**Tamara Paton**  
*Director*

Ms Paton is strategy consultant advising executives in digital media, e-commerce, and other innovative consumer-facing sectors. She also serves on the boards of Meridian Credit Union, Mountain Equipment Co-op, and ServoAnnex. Previously, Tamara held governance roles with Carson-Dellosa Publishing, the Canadian Automobile Association, and the Niagara Health System. Tamara began her career at TD Securities and McKinsey & Company. She earned a Bachelor of Mathematics from the University of Waterloo and an MBA from The Wharton School with a concentration in marketing. She also holds Chartered Financial Analyst and Chartered Director designations.

# Dealnet Capital

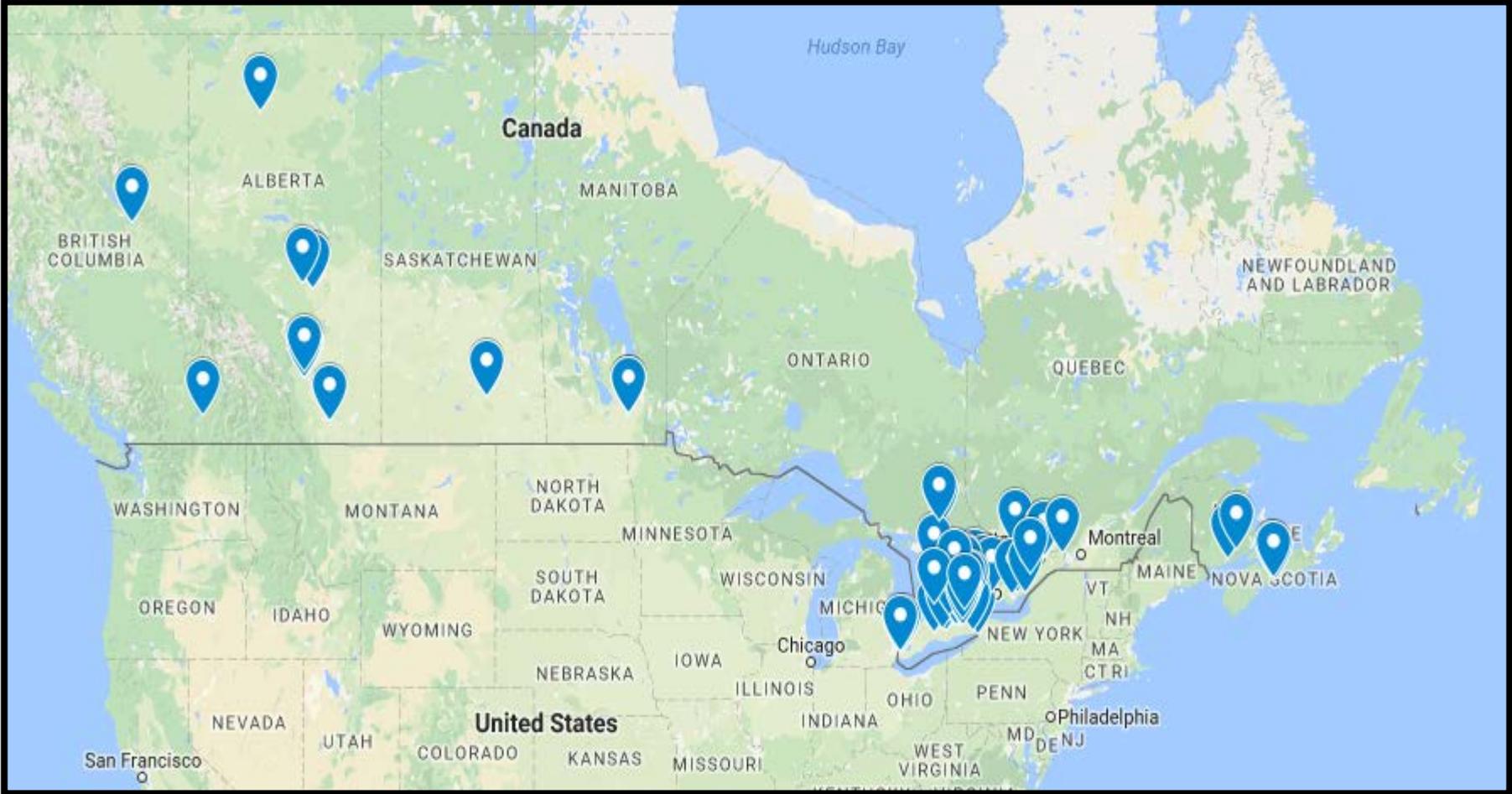
**ENGAGEMENT POWERED CONSUMER FINANCE**

**June 28, 2017**

**Annual General Meeting – Management Presentation**

# Dealnet Dealers Across Canada

The distribution of dealers by categories they work within is important. As we launch our consumer channels we want more category coverage across Canada for optimal consumer choice. We have impressive distribution today.



# OEM and Enterprise Dealer Attributes

Distinct differences in dealer attributes. Despite OEM dealers being attached to large OEM's they are often smaller and grow volume slower over time (6-8 months) however their margins are strong and their quality of work is exceptional.

We balance volume growth and use of our treasury towards a healthy mix of volume and size in proportion to quality and credit risk to **MAXIMIZE YIELD** and **MANAGE RISK**.

## OEM Dealers

- \$2-5MM annual sales volume
- Generally one location
- Family owned and operated
- Lower finance penetration of sales
- Less sophisticated sales process
- Limited sales and marketing spend
- Leverage OEM marketing and brand to drive sales
- No or limited RMR revenue
- Do not leverage existing customer base

## Enterprise Dealers

- \$5MM+ annual sales volume
- Multiple locations
- Corporate management structure
- Established customer base
- High finance penetration of sales
- Larger sales and marketing budgets
- Focused on building their own brand rather than relying on OEM brand
- Sophisticated sales process
- Multiple OEM relationships

# Strategic Dealers Cumulative Funding

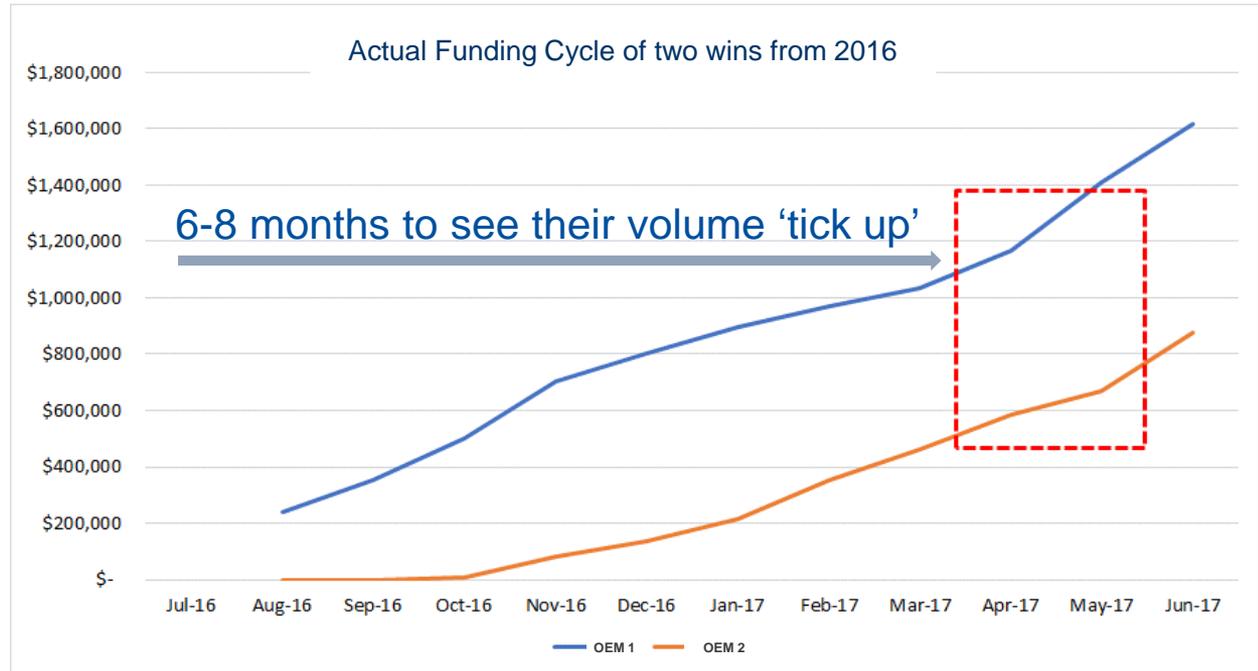
On OEM WINS, volume is not immediate. We typically have talked about 6-8 months before we start to see a moderate inflection volume. Why?

- Each dealer still goes through a credit review
- Each dealer must be trained on how to sell financing
- Each dealer must be trained on technology
- Each dealer is setup in our systems in parallel to this

**We do NOT accept every dealer. We want reputable, good dealers with strong credit and quality installations**

Automation of the majority of the dealer onboarding process is underway.

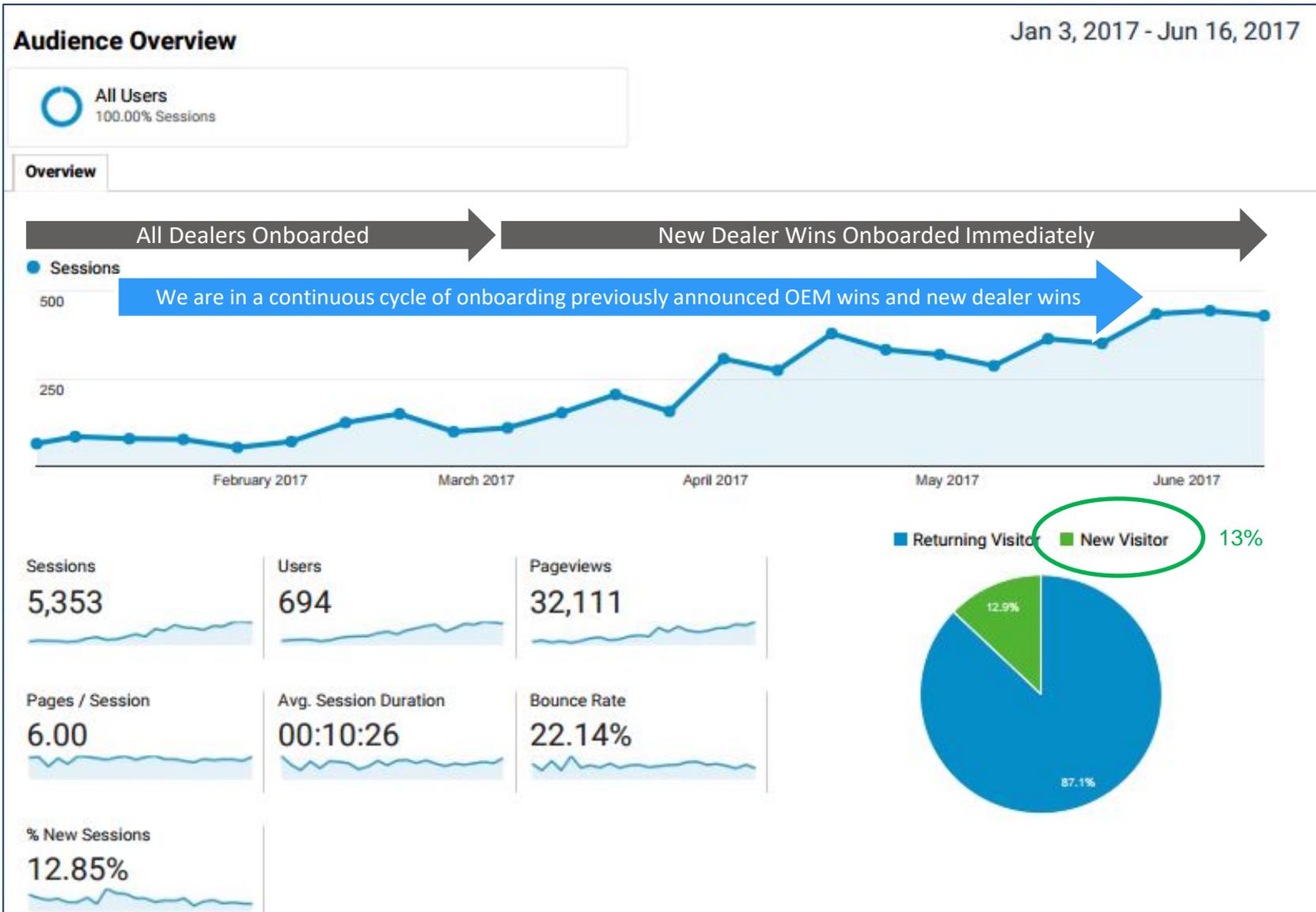
We still have a rich database of dealers attached to OEM's to bring online and have invested in sales/inside and outside sales to capture them more quickly



**OBJECTIVE: Shrink Onboarding Cycles and Increase Volume**  
Quicker through automation and further leveraging our engagement business

# Dealer Channel - Mobile APP Usage

Adoption curve maturing. New users moved from 85% Q1 to 13% Q2 signaling completion of dealer rollout



# Enabling more channels - *Moving closer to the home owner*

Dealnet finances consumers for home improvements. Using technology, we have the ability to attract consumers through more channels that 'speak to their customers about their home on a daily basis'.

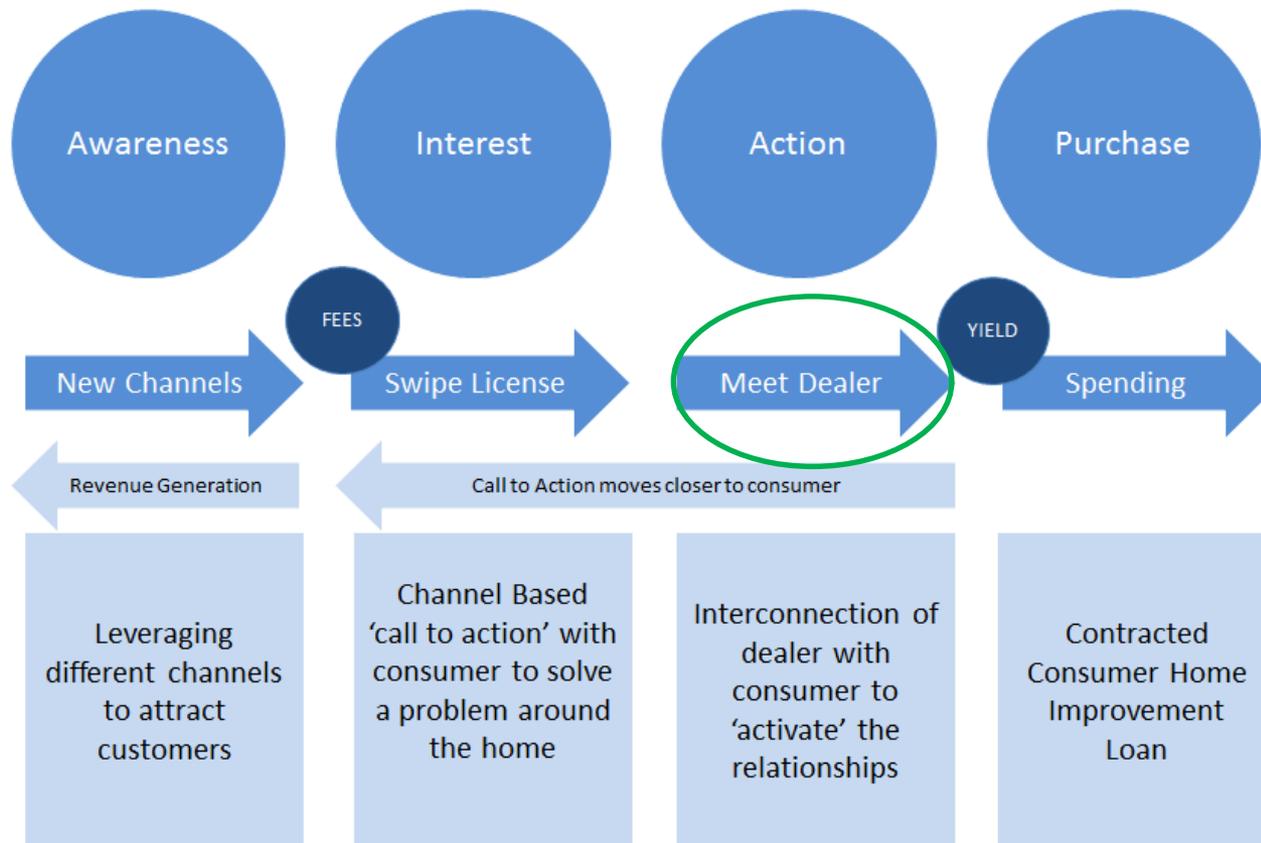
These channels in time are expected to deliver pre-qualified loans to Dealnet who in turns sends them to dealers for a 'fee' to action them and close the deal. Each party in the FINTECH CHAIN benefits by generating demand for the other in turn resulting in beneficial economics to all parties.



# Borrowing as a 'Retail' Experience

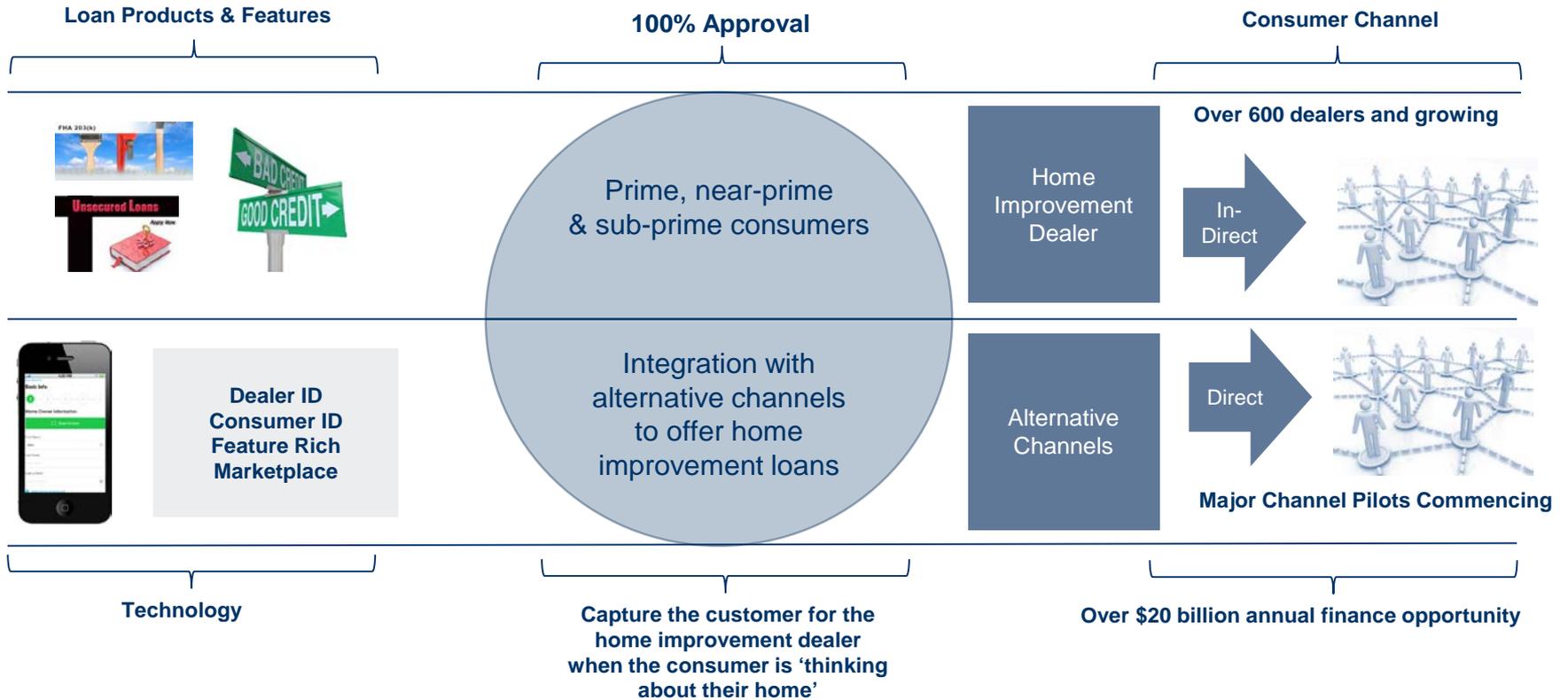
Increasing Economics and Dealer Value

- Historically consumers 'think about' how they will pay at the time of purchase providing business for credit card processing
- Our model moves that payment decision earlier in the consumer purchase cycle and carves out the lending opportunity much earlier in the consumer journey allowing us to 'PRICE' the deal with the consumer and send the business to the home improvement dealer. **A very compelling value proposition for Dealers and Consumers.**

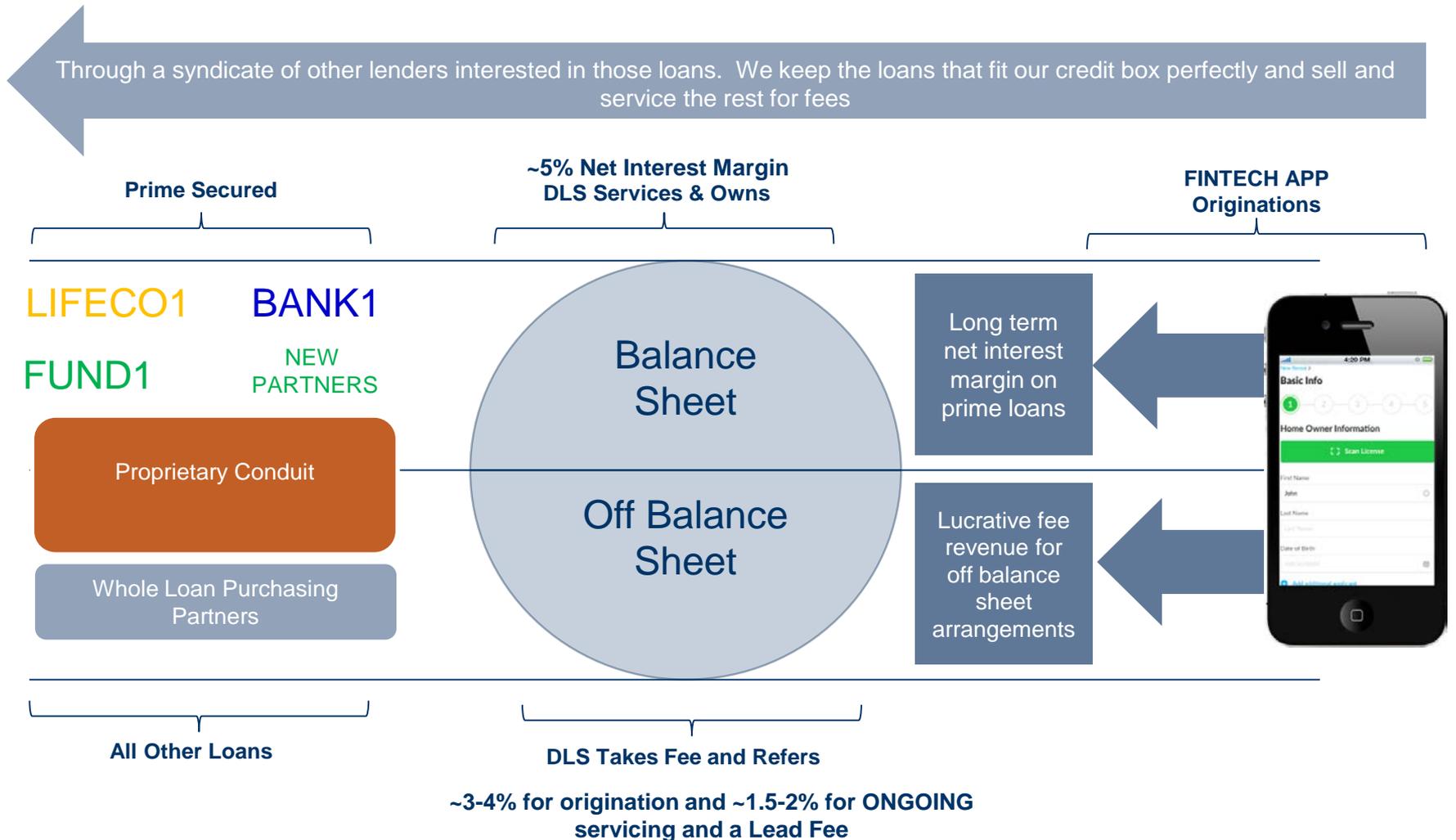


# Demand Generation

Unprecedented Consumer Access through Wide Array of Loans leading to progressively higher approval and conversion



# How do we fulfill on demand?



# Achievements and Objectives

2016	2017	2018
<ol style="list-style-type: none"><li>1. ECO Home Acquisition</li><li>2. Bought Deal Financing \$30 MM</li><li>3. Integration of ECO Home completed</li><li>4. Beginning Book ~\$2 MM, ending book ~ \$140 MM.</li><li>5. Opening dealers ~ 60, ending dealers ~ 500</li><li>6. Expanded Warehouse Capacity</li><li>7. Closed First LIFCO funder</li><li>8. Reduced Cost of Funds to ~4%</li><li>9. Increased TNW</li></ol>	<ol style="list-style-type: none"><li>1. Launch Dealer, Consumer and Marketplace Portals (Technology Investment)</li><li>2. Portfolio acquisitions if appropriate</li><li>3. Dealer onboarding and training and technology deployment</li><li>4. G&amp;A rationalization through operational synergies</li><li>5. Renew and expand funding facilities – ADD new unique structures</li><li>6. Reducing leverage and managing treasury to deploy our capital efficiently</li><li>7. Identifying and negotiating new strategic channel relationships</li><li>8. Adding strategic team members</li><li>9. Integrate engagement with finance for synergies – automate processing, dealer onboarding</li><li>10. Consolidate stock - Rebrand</li></ol>	<ol style="list-style-type: none"><li>1. Scale all consumer facing channels</li><li>2. Drive significant originations through penetration of APP's into 'customer facing channels'</li><li>3. Introduce lead revenue and servicing revenue</li><li>4. Implement on and off balance sheet arrangements to maximize fee's and cash flow</li><li>5. Maintain technology investment and enhancement.</li><li>6. Drive EPS and Cash Flow</li><li>7. Identify and review transactions that add scale, markets or platforms</li></ol>

# In closing

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We have a very specific trajectory we are working towards.



Our strategic roadmap is sound and well advanced

Our treasury provides us with more capacity than we presently need and is structured to support volumes from the new channels we are building

Our technology strategy is efficient and focused on impact areas such as:

- Consumer attraction and getting paid by dealers to bring consumers to them.
- Dealer automation
- In-house DLS production automation (synergy)

# Appendix

# Summary Balance Sheet

(\$,000)	March 31, 2017	December 31 2016
<b>Assets</b>		
Cash and Cash Equivalents, Cash Reserves, Trade Receivables (net of allowance)	20,748	32,894
Finance Receivables	169,061	137,543
Other Assets, Deferred Income Tax Asset, Property and Equipment (net)	6,050	5,422
Intangible Assets (net)	14,004	14,039
Goodwill	19,914	19,914
	229,777	209,812
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	7,271	8,780
Debentures and Notes Payable	27,104	27,055
Secured Borrowings	131,973	118,387
Deferred Income Tax Liability, Deferred Revenue	3,322	2,816
	169,670	157,038
<b>Shareholders' Equity</b>	60,107	52,774
	229,777	209,812

\*Finance receivables are net of servicing, pre-payments and amortization.

# Quarter by Quarter Key Metrics

	Q1 2017	Q4 2016	Q1 2016
Finance Receivables	\$169M	\$138M	\$83M
Organic and Acquired Originations	\$39M	\$22M	\$12M
Average Yield on Earning Assets	8.7%	8.2%	9.7%
Weighted Average Interest Expense	4.2%	4.2%	4.8%
Consumer Finance Gross Margin as a % of Total Revenue	19%	2%	6%
Engagement Gross Margin as a % of Total Revenue	25%	34%	32%
Securitizations	\$24.9M	\$31.3M	\$7.9M
Tangible Leverage	6.1	7.7	16.1
Tangible Net Worth	\$26.2M	\$18.8M	\$5.8M