CHESSWOOD ANNOUNCES FISCAL YEAR 2023 RESULTS

TORONTO, March 14, 2024 – Chesswood Group Limited ("**Chesswood**" or the "**Company**") (TSX: CHW), a publicly traded North American specialty finance company providing commercial equipment leases and loans, automotive loans, home improvement financing, legal financing and asset management, today reported its results for the three months and year ended December 31, 2023.

Year End Highlights

- *Total originations of $1.2 billion(2) for the year ended December 31, 2023, a decrease of 31.4% (from $1.7 billion(2)) from the prior year due to tightened credit standards and higher loan pricing.*
- *During the year ended December 31, 2023, the Company continued entering into new agreements with investment managers and financial institutions for the non-recourse sale of leases and loans in exchange for fees. During the year ended December 31, 2023, $454.9 million of U.S. and Canadian finance receivables were sold under such arrangements (year ended December 31, 2022 - $270.1 million).*
- *Chesswood and Wafra Inc. formed a joint venture company to invest in equipment leases and loans originated by the U.S. Equipment Financing Segment, targeting $1 billion in total acquisitions.*
- *Positive 2023 Free Cash Flow of $3.8 million(1). Elevated general and administrative expenses occurred in the fourth quarter of 2023 due to the Wafra transaction closure.*

"Like many other financial services companies, 2023 has been a challenging year for Chesswood. Despite this difficult environment, Chesswood generated $3.8 million in free cash flow," said Ryan Marr, Chesswood's President and CEO. "We remain focused on managing liquidity in the context of the current market environment and ensuring our teams are focused on servicing and collecting our loan portfolios."

"A closer look at Chesswood's receivables portfolios reveals that much of the stress experienced in 2023 was from our 2022 loan vintage. This is similar to the experience of other lenders and coincides with the rise in interest rates that began in the second half of that year. Our accelerated pace of originations in this period, as we launched new programs with vendors, further added to this exposure," added Mr. Marr.

"As we enter 2024, we are excited to announce that we have begun selling receivables to our new joint venture company with Wafra. Wafra significantly impacted our off-balance sheet program and provides Chesswood with visibility for substantial increases in scale as well as the ability to evaluate new business opportunities. Along with many of our peers, Chesswood had been looking for its partner to help facilitate growth and take advantage of new funding paradigms impacting the specialty finance industry," said Mr. Marr.

On January 22, 2024, Chesswood's board of directors announced a review of strategic alternatives to maximize value for Chesswood's shareholders. A special committee of the board has been formed to undertake this review and RBC has been hired as advisors to the committee.

Summary of Fourth Quarter & Year End Results

2023 Full Year

The Company reported a consolidated net loss of $32.8 million for the year ended December 31, 2023, compared to consolidated net income of $30.4 million recorded in the prior year, a decrease of $63.2 million. The decrease is mainly the result of the recognition of impairment losses on intangible assets and goodwill. In addition, there were increases in interest expenses and higher provisions for credit losses, both due to current economic conditions, as well as increases in general and administrative expenses. These factors were partially offset by increased revenues and lower personnel expenses.

Interest expense increased by $50.5 million for the year ended December 31, 2023, compared to the prior year due to a rise in interest rates and the average debt outstanding, which increased by $308.1 million. Net charge-offs increased by $55.0 million (to $72.5 million) as customers continue to be impacted by current market conditions. The change in allowance for expected credit losses ("ECL") compared to the prior year decreased by $12.1 million (to $14.6 million), which slightly offset net charge-offs as the expectation of a poor 2023 economic period was mainly captured in the 2022 allowance for ECL model. The allowance for ECL was further increased in 2023 to reflect a more conservative outlook in the ECL model due to continued market uncertainties. Overall, the provision for credit losses increased by $42.8 million. In addition, there was an increase in general and administrative expenses of $8.0 million, mainly due to greater recovery costs that were incurred collecting on the higher net charge-offs, IT related expenses, and costs related to servicing a larger portfolio. Finally, there was recognition of impairment losses on goodwill and intangible assets mainly incurred on the U.S. Equipment Financing Segment during the fourth quarter as the result of increased costs of funding - which has affected the general business climate and levels of economic activity.

U.S.

The U.S. Equipment Financing Segment generated revenue of $152.1 million ($131.9 million interest revenue and $20.2 million ancillary finance and other fee income) during the year ended December 31, 2023, compared to $150.9 million ($130.4 million interest revenue and $20.5 million ancillary finance and other fee income) in the prior year, an increase of $1.2 million year-over-year. The increase in interest revenue of $1.5 million when compared to the prior year is because there was a 1.1% increase in the average net investment in finance receivables (before allowance for ECL) to $1.3 billion, an increase of $13.2 million. These increases were primarily due to the increase in the FX rate, as the average rate increased from $1.3013 to 1.3497. In the absence of FX, interest revenue in U.S. dollars decreased by US$2.5 million (to US$97.7 million) when compared to the prior year due to a decrease in the interest revenue yield of 0.1% and a decrease in the size of the portfolio. This is because there was a 1.5% decrease in the average U.S. net investment in finance receivables (before allowance for ECL) to US$932.1 million, a decrease of US$14.3 million. The reduction in overall yield was due to the sale of current year higher yielding originations to our off-balance sheet collaborators, managed by Chesswood Capital Management USA Inc., to generate recurring fee-based revenue.

Canada

During the year ended December 31, 2023, the Canadian Equipment Financing Segment generated revenue of $95.3 million ($74.1 million interest revenue and $21.2 million ancillary finance and other fee income) compared to $72.8 million ($60.7 million interest revenue and $12.1 million ancillary finance and other fee income) during the prior year, an increase of $22.5 million, or 30.9%. The Canadian Equipment Financing Segment's average net investment in finance receivables (before allowance for ECL) increased by approximately $109.4 million for the year ended December 31, 2023, compared to the prior year, largely due to its continued expansion in Canadian markets. During the year ended December 31, 2023, the interest revenue yield earned on the Canadian Equipment Financing Segment's net finance receivables was 10.8%, which increased from 10.5% from the prior year as the segment adjusts its products for increased costs of funding. The segment facilitated the sale of $268.7 million of finance receivables to VCOF SPV I Inc. during the year ended December 31, 2023. These sales earned $5.3 million for the year ended December 31, 2023, increasing ancillary finance and other fee income.

The Canadian Consumer Financing Segment generated revenue of $6.6 million ($5.9 million interest revenue and $0.7 million ancillary finance and other fee income) during the year ended December 31, 2023, compared to $1.5 million ($1.3 million interest revenue and $0.2 million ancillary finance and other fee income) in the prior year, an increase of $5.1 million, or 340%. The Canadian Consumer Financing Segment's average net investment in finance receivables (before allowance for ECL) increased by approximately $45.4 million for the year ended December 31, 2023, compared to the prior period, largely due to the segment's continued expansion in Canadian markets.

The Canadian Auto Financing Segment generated revenue of $48.5 million ($45.3 million interest revenue and $3.2 million ancillary finance and other fee income) compared to $41.9 million ($40.3 million interest revenue and $1.6 million ancillary finance and other fee income) during the prior year, an increase of $6.6 million. This was due to an increase in the portfolio as the segment's average net investment in finance receivables (before allowance for ECL) of $35.3 million compared to the prior year was partially offset by a decrease in the interest yield. The annual interest revenue yield earned on the Canadian Auto Financing Segment's net finance receivables during the year ended December 31, 2023, was 17.4%, a decrease of 0.5% compared to 17.9% during the prior year.

Q4 2023

The Company reported consolidated net loss of $35.7 million for the three months ended December 31, 2023, compared to net income of $6.8 million for the same period of the prior year, a decrease of $42.5 million. The decrease was caused by increased interest expenses and provisions for credit losses as well as decreased revenues and the impairment of intangible assets and goodwill.

Despite a $169.2 million decrease in average debt outstanding, rising interest rates resulted in a higher cost of funds which caused a $5.3 million increase in interest expense. The operating entities also had an increase in net charge-offs of $16.6 million as a result of higher delinquencies due to market conditions. The change in allowance for ECL compared to the same period in the prior year increased by $4.8 million (to

$6.6 million). The allowance for ECL was further increased during the fourth quarter of 2023 to reflect a more conservative outlook in the ECL model due to continued market uncertainties. As a result, the provision for credit losses increased by $21.4 million.

U.S.

The U.S. Equipment Financing Segment generated revenue of $36.1 million ($31.8 million interest revenue and $4.3 million ancillary finance and other fee income) for the three months ended December 31, 2023. Interest revenue decreased by $3.0 million when compared to the same period in the prior year due to a 14.2% decrease in average net investment in finance receivables (before allowance for ECL) to $1.2 billion as a result of continued off-balance sheet sales and lower originations.

Canada

During the three months ended December 31, 2023, the Canadian Equipment Financing Segment generated revenue of $22.8 million ($16.8 million interest revenue and $6.0 million ancillary finance and other fee income), an increase of $0.3 million ($2.2 million decrease in interest revenue offset by a $2.5 million increase in ancillary finance and other fee income) when compared to the same period in the prior year. The Canadian Equipment Financing Segment's average net investment in finance receivables (before allowance for ECL) decreased by approximately $75.2 million for the three months ended December 31, 2023, compared to the same period in the prior year. The segment also facilitated the sale of $83.6 million of finance receivables to VCOF SPV I Inc. during the three months ended December 31, 2023. The segment earned $1.8 million for the three months ended December 31, 2023 related to these sales, increasing ancillary finance and other fee income.

The Canadian Consumer Financing Segment generated revenue of $2.3 million ($2.1 million interest revenue and $0.2 million ancillary finance and other fee income) during the three months ended December 31, 2023, an increase of $1.5 million ($1.4 million increase in interest revenue and a $0.1 million increase in ancillary finance and other fee income) from the same period in the prior year. The Canadian Consumer Financing Segment's average net investment in finance receivables (before allowance for ECL) increased approximately $49.4 million for the three months ended December 31, 2023, compared to the same period in the prior year

During the three months ended December 31, 2023, the Canadian Auto Financing Segment generated revenue of $12.5 million ($11.9 million interest revenue and $0.6 million ancillary finance and other fee income) compared to $11.3 million ($10.8 million interest revenue and $0.5 million ancillary finance and other fee income) during the same period in the prior year. The segment's average net investment in finance receivables (before allowance for ECL) was $269.9 million for the three months ended December 31, 2023, compared to $237.0 million during the same period in the prior year, an increase of $32.9 million.

Outlook

U.S. credit conditions remained weak throughout the fourth quarter of 2023. We have seen these same trends across our peers, who have experienced similar portfolio performance – particularly in the transportation vertical. The first half of 2024 is likely to remain challenging as we continue to work through the 2022 loan vintage. However, we remain optimistic for the latter half of 2024 given the potential tailwinds that could come from lower interest rates and better portfolio performance.

Following year end, we completed our first sale of receivables to the joint venture company which Wafra created with us. This new structure allows Chesswood to allocate capital to the joint venture company, thereby earning returns on equity in addition to fees for assets managed. We expect to continue scaling assets in this joint venture company to at least US$1 billion over the next several years.

As a result of our ongoing emphasis towards asset management, we expect a substantial portion of our originated assets to be held in off-balance sheet structures going forward, thereby enabling us to invest equity with partners or in new opportunities, all while our operating companies receive a steady fee stream.

While we remain cautious on general economic conditions, we have taken the necessary steps to position the company to capitalize on future business opportunities.

Consolidated Operating and Financial Results

Financial Highlights (in CDN $000's, except EPS)	**For the Three Months Ended December 31,**		**For the Year Ended December 31,**	
	2023	**2022**	**2023**	**2022**
Revenue	$74,759	$77,076	$316,372	$276,365
Interest expense	(32,192)	(26,875)	(123,921)	(73,379)
Net charge-offs	(25,099)	(8,514)	(72,525)	(17,553)
	17,468	41,687	119,926	185,433
Expenses:				
Personnel	(15,603)	(15,528)	(61,771)	(63,005)
Other expenses	(13,225)	(13,033)	(53,827)	(45,823)
Depreciation	(370)	(423)	(1,760)	(1,765)
Adjusted Operating Income (Loss)[1]	**(11,730)**	12,703	**2,568**	74,840
Increase in allowance for expected credit losses	(6,609)	(1,834)	(14,633)	(26,762)
Goodwill and intangible asset impairment	(22,886)	—	(22,886)	—
Amortization – intangible assets	(708)	(591)	(2,785)	(2,435)
Operating income (loss)	**(41,933)**	10,278	**(37,736)**	45,643
Other non-cash items	1,219	(461)	659	(1,464)
Income (loss) before taxes	**$(40,714)**	$9,817	**$(37,077)**	$44,179
Net income (loss)	**$(35,714)**	$6,790	**$(32,800)**	$30,416
Earnings (loss) Per Share – Basic	**$(1.80)**	$0.36	**$(1.65)**	$1.63
Earnings (loss) Per Share – Diluted	**$(1.80)**	$0.33	**$(1.65)**	$1.47
Free Cash Flow[1]	**$(7,578)**	$8,806	**$3,845**	$51,715
Free Cash Flow Per Share – Diluted	**$(0.38)**	$0.42	**$0.18**	$2.47

(1) - See Note (1) below related to NON-GAAP Measures

(1) "Adjusted Operating Income (Loss)" and "Free Cash Flow" and other non-GAAP measures as defined below, are not recognized measures under International Financial Reporting Standards and do not have standardized meanings. Therefore, these measures may be different from similarly labelled measures presented by other companies. Furthermore, these measures are based primarily on the significant banking and lending agreements of the Company and its subsidiaries to determine compliance with financial covenants and calculate permitted dividends and cash available for purchases of shares under the Company's normal course issuer bid.

"EBITDA" is net income (loss) as presented in the audited consolidated statements of income (loss), adjusted to exclude interest expense, income taxes, depreciation and amortization and goodwill and intangible asset impairment. EBITDA is included in one of the Company's significant bank agreements where it is used for financial covenant purposes.

"Adjusted EBITDA" is EBITDA as further adjusted for inclusion of interest on debt facilities as a deduction from net income (loss), and the removal of other non-cash or non-recurring items such as (i) non-cash gain (loss) on financial instruments and investments, (ii) non-cash unrealized gain (loss) on foreign exchange, (iii) non-cash share-based compensation expense, (iv) non-cash change in finance receivable allowance for ECL, (v) restructuring and other transaction costs, and (vi) any unusual and material one-time gains or expenses. Adjusted EBITDA is a measure of performance defined in one of the Company's significant bank agreements and is the basis for the Company's Free Cash Flow calculation. Adjusted EBITDA is therefore included as a non-GAAP measure relevant for a wider audience of the Company's financial reporting users.

"Adjusted Operating Income (Loss)" is operating income (loss) as presented in the audited consolidated statements of income (loss), adjusted to exclude the amortization of intangible assets and the change in allowance for ECL. Adjusted Operating Income (Loss) is intended to reflect the recurring income from the Company's businesses. Amortization of intangible assets, which includes the expense related to broker relationships and software, is a function of acquisitions. Once these acquisition-related intangibles have been fully amortized they are not replenished, and the amortization expense will cease. The change in the allowance for ECL can be calculated from the continuity of the allowance for ECL in Note 6(c) - *Finance Receivables* in the audited consolidated financial statements as the difference between the provision for credit losses and the net charge-offs during a period. The change in allowance for ECL is a non-cash item. It reflects our creditor-approved formulas for Adjusted EBITDA and Free Cash Flow that drive our maximum permitted dividends, both relevant measures for the Company's financial reporting users.

"Free Cash Flow" or "FCF" is Adjusted EBITDA less maintenance capital expenditures, the tax effect of the non-cash change in the allowance for ECL and tax expense. Cash receives significant attention from primary users of financial reporting. Free Cash Flow provides an indication of the cash the Company generates that is available for servicing and repaying debt, investing for future growth and providing dividends to our shareholders. The FCF measure provides information relevant to assessing the Company's resilience to shocks and the ability to act on opportunities. Free Cash Flow is a calculation that reflects the agreement with one of the Company's significant lenders as a measure of the cash flow produced by the Company's businesses in a period. It is also management's view that the measure reduces the impact of significant non-cash charges and recoveries that do not reflect the actual cash flows of the businesses, and can vary considerably in amount from period to period.

"Free Cash Flow per share - Diluted" is FCF divided by the weighted average number of shares outstanding (including Exchangeable Securities - see Note 16 to the audited consolidated financial statements) during the period for income attributable to common shares on a fully diluted basis.

(2) Origination volumes include contracts that were originated by the Company's segments and sold to investment managers and financial institutions.

ABOUT CHESSWOOD GROUP LIMITED

Chesswood Group Limited is a Toronto, Canada based holding company whose subsidiaries engage in the business of specialty finance (including equipment finance throughout North America and vehicle finance and legal sector finance in Canada), as well as the origination and management of private credit alternatives for North American investors. Our shares trade on the Toronto Stock Exchange (under the symbol CHW).

For information on Chesswood Group Limited and its operating subsidiaries:
www.ChesswoodGroup.com

www.PawneeLeasing.com
www.VaultPay.ca
www.Rifco.net
www.EasyLegal.ca
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