NEWS RELEASE

Atlanticus Reports Fourth Quarter and Full Year 2021 Financial Results

2022-03-15

Fourth Quarter 2021 Net Income Attributable to Common Shareholders Increased to $43.7 million, or $2.13 per Diluted Common Share

ATLANTA, March 15, 2022 (GLOBE NEWSWIRE) -- Atlanticus Holdings Corporation (NASDAQ: ATLC) (“Atlanticus,” “the Company”, “we,” “our” or “us”), a financial technology company which enables its bank, retail and healthcare partners to offer more inclusive financial services to millions of everyday Americans, today announced its financial results for the fourth quarter and full year ended December 31, 2021.

Financial and Operating Highlights

Fourth Quarter 2021 compared to Fourth Quarter 2020

- Total operating revenue increased 54.4% to $216.5 million.
- Purchase volume increased 58.5% to $616.3 million.
- Number of total customers served(1) at period end increased 52.5% to 2.7 million.
- Managed receivables(2) at period end associated with Credit as a Service Segment increased 47.7% to $1.6 billion, and 11.4% over third quarter 2021.
- Net income attributable to common shareholders increased 99.5% to $43.7 million, or $2.13 per diluted common share, an increase of 88.5%.

Full Year 2021 compared to Full Year 2020

- Total operating revenue increased 32.8% to $743.9 million.
- Purchase volume increased 57.5% to $2.2 billion.

- Net income attributable to common shareholders increased 101.9% to $155.5 million, or $7.56 per diluted common share, an increase of 91.4%.
- Adjusted net income(2), which adjusts for the $29.4 million ($24.1 million tax effected) loss on repurchase and redemption of convertible senior notes, increased 133.1% to $179.6 million, or $8.70 per diluted common share, an increase of 120.3%.

(1) In our calculation of total customers, we include all customers with account activity and customers who have open lines of credit at the end of the referenced period.

(2) Managed receivables and adjusted net income are non-GAAP financial measures. See "Non-GAAP Financial Measures" for important additional information.

Management Commentary

Jeff Howard, President and Chief Executive Officer, stated, "In 2021 Atlanticus achieved another year of exceptional growth in customers served, managed assets, revenue and profitability, reflecting the appeal of our value-added financial solutions for millions of everyday Americans and the strength of our underlying data, analytics, and technology platform. We have aggregated insightful, robust data over the course of our 25-year history, enabling Atlanticus to successfully navigate the pandemic and deliver outstanding results for our bank, retail and healthcare partners and their customers. Our core competencies and enhanced asset quality position Atlanticus for continued growth in the coming year. We remain very excited about the future and steadfast in our mission to expand access to financial services and empower better financial outcomes for an increasing number of consumers." Mr. Howard further commented, "We are closely monitoring the impact of inflation on the customers we serve. Few companies have the depth of data, across time and through economic cycles, that we have. As we've done throughout our history, we will leverage our years of experience and data aggregation to guide changes in underwriting and account management that are appropriate for the economic environment."

Fourth Quarter and Year Ended 2021 Financial Results

(In Thousands)	For the Fourth Quarter Ended Dec. 31, 2021	2020	Income Increases (Decreases) From 2020 to 2021	Percentage Increases (Decreases) From 2020 to 2021
Total operating revenue	$ 216,524	$ 140,215	$ 76,309	54.4%
Other non-operating revenue	743	2,453	(1,710)	(69.7%)
Total revenue	217,267	142,668	74,599	52.3%
Interest expense	(15,669)	(13,034)	(2,635)	20.2%
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(11,986)	(25,825)	13,839	(53.6%)
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(73,752)	(35,392)	(38,360)	108.4%
Net margin	115,860	68,417	47,443	69.3%
Total operating expense	(52,905)	(37,028)	(15,877)	42.9%
Net income	$ 49,839	$ 26,631	$ 23,208	87.1%
Net income attributable to controlling interests	$ 49,977	$ 26,675	$ 23,302	87.4%
Preferred dividends and discount accretion	(6,309)	(4,787)	(1,522)	31.8%
Net income attributable to common shareholders	$ 43,668	$ 21,888	$ 21,780	99.5%
Net income attributable to common shareholders per common share—basic	$ 2.91	$ 1.51	$ 1.40	92.7%
Net income attributable to common shareholders per common share—diluted	$ 2.13	$ 1.13	$ 1.00	88.5%

(In Thousands)	For the Year Ended December 31, 2021	2020	Income Increases (Decreases) from 2020 to 2021	Percentage Increases (Decreases) from 2020 to 2021
Total operating revenue	$ 743,855	$ 560,007	183,848	32.8%
Other non-operating revenue	4,201	3,403	798	23.4%
Total revenue	748,056	563,410	184,646	32.8%
Interest expense	(54,127)	(51,548)	(2,579)	5.0%
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(36,455)	(142,719)	106,264	-74.5%
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(218,733)	(108,548)	(110,185)	101.5%
Net margin	438,741	260,595	178,146	68.4%
Total Operating Expense	(189,729)	(146,204)	(43,525)	29.8%
Loss on repurchase of convertible senior notes	(29,439)	-	(29,439)	
Net income	$ 177,789	$ 93,917	83,872	89.3%
Net income attributable to controlling interests	$ 177,902	$ 94,120	83,782	89.0%
Preferred dividends and discount accretion	(22,363)	(17,070)	(5,293)	31.0%
Net income attributable to controlling interests to common shareholders	$ 155,539	$ 77,050	78,489	101.9%
Net income attributable to common shareholders per common share—basic	**$ 10.32**	**$ 5.32**	5.00	94.0%
Net income attributable to common shareholders per common share—diluted	**$ 7.56**	**$ 3.95**	3.61	91.4%

Managed receivables

Managed receivables increased 47.7% to $1.6 billion as of December 31, 2021, from $1.1 billion as of December 31, 2020 as total customers served increased 52.5% to 2.7 million. Managed receivables also increased 11.4% or $164.9 million from September 30, 2021. Strong consumer spending behavior continued during the fourth quarter of 2021, driven by increased demand for private label credit and general purpose credit card products throughout the year, as well as increased purchase levels through the diverse retail partnerships and general purpose cards supported by our platform. This growth helped to increase the overall combined managed receivables levels, and we expect this trend to continue into 2022.

Total revenue

Period-over-period increases in operating revenue primarily relate to growth in private label credit and general purpose credit card receivables.

During the quarter and year ended December 31, 2021, total operating revenue increased 54.4% to $216.5 million and 32.8% to $743.9 million, respectively. Total operating revenue consists of interest income, finance charges, fees and ancillary, interchange and servicing income on loan portfolios.

Given our expectation for continued period-over-period growth in private label credit and general purpose credit card receivables, coupled with increased revenue recognition as a result of our adoption of the fair value option for all remaining loans receivable associated with our private label credit and general purpose credit card platform currently measured at amortized cost, we expect continued net period-over-period growth in our total interest income and related fees and charges for these operations in 2022.

Interest expense

Interest expense was $15.7 million and $54.1 million for the quarter and year ended December 31, 2021, respectively, compared with $13.0 million and $51.5 million for the quarter and year ended December 31, 2020, respectively.

Outstanding notes payable, net, associated with private label credit and general purpose credit card products increased to $1.2 billion as of December 31, 2021 from $827.1 million as of December 31, 2020 helping drive the increase in interest expense. Additionally, the issuance of $150.0 million of senior notes in November 2021 also served to increase interest expense during the period. Offsetting these increases in interest expense is an overall decrease in the weighted average cost of funds, coupled with the repurchase and redemption of our convertible senior notes. We anticipate additional debt financing over the next few quarters as we continue to grow coupled with increased effective interest rates resulting from anticipated federal fund rate increases, and as such, we expect our quarterly interest expense to be above that experienced in the prior periods for these operations.

Provision for losses on loans, interest and fees receivable recorded at net realizable value

Provision for losses on loans, interest and fees receivable recorded at net realizable value decreased to $12.0 million and $36.5 million for the quarter and year ended December 31, 2021, respectively, compared to $25.8 million and $142.7 million for the quarter and year ended December 31, 2020, respectively.

We have experienced a period-over-period decrease in this category primarily reflecting: 1) the effects of our adoption of the fair value option to account for certain loans receivable that are acquired on or after January 1, 2020 which has resulted in a decline in the outstanding receivables subject to this provision and 2) the overall reduction in delinquencies (and related charge-offs) associated with these receivables in part due to government stimulus programs, which have served to increase payments on outstanding receivables.

This reduction in provision has been offset somewhat by additional reserves associated with accounts that have been impacted due to COVID-19. On January 1, 2022, we adopted fair value accounting for our remaining general purpose credit card and private label credit receivables. Our provision for losses on loans will relate to our Auto Finance Segment going forward.

Total operating expense

Total operating expense increased 42.9% and 29.8% for the quarter and year ended December 31, 2021, respectively, when compared to the same periods in 2020. Total operating expense for the year ended December 31, 2021, as a percentage of total assets, decreased slightly to 9.8% from 12.1% for the year ended December 31, 2020.

Certain operating costs are variable based on the levels of accounts and receivables we service (both for our own receivables and for others) and the pace and breadth of our growth in receivables. Increases in operating expenses were largely due to increases in receivables acquisition volume as well as increased marketing expenses that often precede the revenues generated from the subsequently acquired assets.

Net Income Attributable to Common Shareholders

Net income attributable to common shareholders increased 99.5% to $43.7 million for the quarter ended December 31, 2021, compared to $21.9 million for the same period in 2020. Net income attributable to common shareholders increased 101.9% to $155.5 million for the year ended December 31, 2021, compared to $77.1 million for the year ended December 31, 2020.

Net Income Attributable to Common Shareholders Per Common Share – basic and diluted

Net income attributable to common shareholders per basic common share increased to $2.91 and $10.32 for the quarter and year ended December 31, 2021, respectively, compared to $1.51 and $5.32 for the quarter and year ended December 31, 2020, respectively.

Net income attributable to common shareholders per common share diluted increased to $2.13 and $7.56 for the quarter and year ended December 31, 2021, respectively, compared to $1.13 and $3.95 for the quarter and year ended December 31, 2020, respectively.

Balance Sheet and Cash Flow Information

At December 31, 2021, unrestricted cash and cash equivalents totaled $409.7 million.

During 2021, cash flow from operations equaled $212.4 million, compared to $212.7 million during 2020.

About Atlanticus Holdings Corporation

Empowering Better Financial Outcomes for Everyday Americans

Atlanticus' technology allows bank, retail, and healthcare partners to offer more inclusive financial services to everyday Americans through the use of proprietary analytics. We apply the experience gained and infrastructure built from servicing over 18 million customers and $27 billion in consumer loans over our 25-year operating history to support lenders that originate a range of consumer loan products. These products include retail and healthcare private-label credit and general purpose credit cards marketed through our omnichannel platform, including retail point-of-sale, healthcare-point of-care, direct mail solicitation, internet-based marketing, and partnerships with third parties. Additionally, through our CAR subsidiary, Atlanticus serves the individual needs of automotive dealers and automotive non-prime financial organizations with multiple financing and service programs.

Forward-Looking Statements

This press release contains forward-looking statements that reflect the Company's current views with respect to, among other things, its business, operations, financial performance, managed receivables, total interest income and related fees and charges, debt financing and interest expense, interest rates, underwriting and economic developments. You generally can identify these statements by the use of words such as "outlook," "potential," "continue," "may," "seek," "approximately," "predict," "believe," "expect," "plan," "intend," "estimate" or "anticipate" and similar expressions or the negative versions of these words or comparable words, as well as future or conditional verbs such as "will," "should," "would," "likely" and "could." These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. These risks and uncertainties include those risks described in the Company's filings with the Securities and Exchange Commission and include, but are not limited to, risks related to the extent and duration of the COVID-19 pandemic and its impact on the Company, bank partners, merchants, consumers, loan demand, the capital markets, labor availability, supply chains and the economy in general; the Company's ability to retain existing, and attract new, merchants and funding sources; changes in market interest rates; increases in loan delinquencies; its ability to operate successfully in a highly regulated industry; the outcome of litigation and regulatory matters; the effect of management changes; cyberattacks and security vulnerabilities in its products and services; and the Company's ability to compete successfully in highly competitive markets. The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, the Company disclaims any obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

In light of these risks and uncertainties, there is no assurance that the events or results suggested by the forward-looking statements will in fact occur, and you should not place undue reliance on these forward-looking statements.

Non-GAAP Financial Measures

This press release presents information about managed receivables and adjusted net income, which are non-GAAP financial measures provided as supplements to the results provided in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These non-GAAP financial measures aid in the evaluation of the performance of our credit portfolios, including our risk management, servicing and collection activities and our valuation of purchased receivables. The credit performance of our managed receivables provides information concerning the quality of loan origination and the related credit risks inherent with the portfolios. Management relies heavily upon financial data and results prepared on the "managed basis" in order to manage our business, make planning decisions, evaluate our performance and allocate resources.

These non-GAAP financial measures are presented for supplemental informational purposes only. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, GAAP financial measures. These non-GAAP financial measures may differ from the non-GAAP financial measures used by other companies. The calculation of managed receivables is provided below under "Calculation of Non-GAAP Financial Measure" for each of the fiscal periods indicated.

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Atlanticus Holdings Corporation and Subsidiaries
Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share data)

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2021	**2020**	**2021**	**2020**
Revenue:				
Consumer loans, including past due fees	$ 152,656	$ 103,714	$ 518,783	$ 410,616
Fees and related income on earning assets	53,808	31,428	194,466	133,960
Other revenue	10,060	5,073	30,606	15,431
Total operating revenue, net	216,524	140,215	743,855	560,007
Other non-operating revenue	743	2,453	4,201	3,403
Total revenue	217,267	142,668	748,056	563,410
Interest expense	(15,669)	(13,034)	(54,127)	(51,548)
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(11,986)	(25,825)	(36,455)	(142,719)
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(73,752)	(35,392)	(218,733)	(108,548)
Net margin	115,860	68,417	438,741	260,595
Operating expense:				
Salaries and benefits	9,447	8,437	34,024	29,079
Card and loan servicing	20,559	15,300	75,397	63,047
Marketing and solicitation	16,194	8,489	56,635	35,012
Depreciation	593	315	1,493	1,247
Other	6,112	4,487	22,180	17,819
Total operating expense	52,905	37,028	189,729	146,204
Loss on repurchase and redemption of convertible senior notes	-	-	29,439	-
Income before income taxes	62,955	31,389	219,573	114,391
Income tax expense	(13,116)	(4,758)	(41,784)	(20,474)
Net income	49,839	26,631	177,789	93,917
Net loss attributable to noncontrolling interests	138	44	113	203
Net income attributable to controlling interests	49,977	26,675	177,902	94,120
Preferred dividends and discount accretion	(6,309)	(4,787)	(22,363)	(17,070)
Net income attributable to common shareholders	$ 43,668	$ 21,888	$ 155,539	$ 77,050
Net income attributable to common shareholders per common share—basic	$ 2.91	$ 1.51	$ 10.32	$ 5.32
Net income attributable to common shareholders per common share—diluted	$ 2.13	$ 1.13	$ 7.56	$ 3.95

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

	December 31, 2021	December 31, 2020
Assets		
Unrestricted cash and cash equivalents (including $209.5 million and $96.6 million associated with variable interest entities at December 31, 2021 and December 31, 2020, respectively)	$ 409,660	$ 178,102
Restricted cash and cash equivalents (including $75.9 million and $70.2 million associated with variable interest entities at December 31, 2021 and December 31, 2020, respectively)	96,968	80,859
Loans, interest and fees receivable:		
Loans, interest and fees receivable, at fair value (including $925.5 million and $374.2 million associated with variable interest entities at December 31, 2021 and December 31, 2020, respectively)	1,026,424	417,098
Loans, interest and fees receivable, gross (including $369.6 million and $560.2 million associated with variable interest entities at December 31, 2021 and December 31, 2020, respectively)	470,293	667,556
Allowances for uncollectible loans, interest and fees receivable (including $55.1 million and $120.9 million associated with variable interest entities at December 31, 2021 and December 31, 2020, respectively)	(57,201)	(124,961)
Deferred revenue (including $8.2 million and $10.3 million associated with variable interest entities at December 31, 2021 and December 31, 2020, respectively)	(29,281)	(39,456)
Net loans, interest and fees receivable	1,410,235	920,237
Property at cost, net of depreciation	7,335	2,240
Investments in equity-method investee	—	1,415
Operating lease right-of-use assets	4,016	9,181
Prepaid expenses and other assets	15,649	15,180
Total assets	$ 1,943,863	$ 1,207,214
Liabilities		
Accounts payable and accrued expenses	$ 42,287	$ 41,731
Operating lease liabilities	4,842	13,776
Notes payable, net (including $1,223.4 million and $827.1 million associated with variable interest entities at December 31, 2021 and December 31, 2020, respectively)	1,278,864	882,610
Notes payable associated with structured financings, at fair value (associated with variable interest entities)	—	2,919
Convertible senior notes	—	24,386
Senior notes, net	142,951	—
Income tax liability	47,770	25,932
Total liabilities	1,516,714	991,354
Commitments and contingencies		
Preferred stock, no par value, 10,000,000 shares authorized:		
Series A preferred stock, 400,000 shares issued and outstanding at December 31, 2021 (liquidation preference - $40.0 million); 400,000 shares issued and outstanding at December 31, 2020 (1)	40,000	40,000
Class B preferred units issued to noncontrolling interests	99,650	99,350
Shareholders' Equity		
Series B preferred stock, no par value, 3,188,533 shares issued and outstanding at December 31, 2021 and		

shares issued and outstanding at December 31, 2020 (liquidation preference - $79.7 million) (1)	—	—
Common stock, no par value, 150,000,000 shares authorized: 14,804,408 and 16,115,353 shares issued at December 31, 2021 and December 31, 2020, respectively; 14,804,408 and 16,115,353 (including 1,459,233 loaned shares to be returned at December 31, 2020) shares outstanding at December 31, 2021 and December 31, 2020, respectively	—	—
Paid-in capital	227,763	194,950
Retained earnings (deficit)	60,236	(117,666)
Total shareholders' equity	287,999	77,284
Noncontrolling interests	(500)	(774)
Total equity	287,499	76,510
Total liabilities, preferred stock and shareholders' equity	$ 1,943,863	$ 1,207,214

(1) Both the Series A preferred stock and the Series B preferred stock have no par value and are part of the same aggregate 10,000,000 shares authorized.

Calculation of Non-GAAP Financial Measure

Loans, interest and fees receivable, at face value

	At or for the Three Months Ended							
	2021				2020			
(in Millions)	**Dec. 31 (1)**	**Sep. 30 (1)**	**Jun. 30 (1)**	**Mar. 31 (1)**	**Dec. 31 (1)**	**Sept. 30 (1)**	**Jun. 30 (1)**	**Mar. 31 (1)**
Loans, interest and fees receivable, at fair value	$ 1,026.4	$ 846.2	$ 644.7	$ 481.4	$ 417.1	$ 310.8	$ 177.9	$ 89.4
Fair value mark against receivable (2)	208.9	182.2	148.6	112.3	99.0	71.8	42.7	17.5
Loans, interest and fees receivable, at face value	$ 1,235.3	$ 1,028.4	$ 793.3	$ 593.7	$ 516.1	$ 382.6	$ 220.6	$ 106.9

(1) We elected the fair value option to account for certain loans receivable associated with our private label credit and general purpose credit card platform that are acquired on or after January 1, 2020.

(2) The fair value mark against receivables reflects the difference between the face value of a receivable and the net present value of the expected cash flows associated with that receivable.

Managed receivables

Below is the calculation of managed receivables (in millions):

	At or for the Three Months Ended							
	2021				2020			
(in Millions)	**Dec. 31**	**Sep. 30**	**Jun. 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	**Jun. 30**	**Mar. 31**
Loans, interest and fees receivable, gross	$ 375.7	$ 417.8	$ 454.2	$ 498.8	$ 574.3	$ 604.8	$ 679.6	$ 810.6
Loans, interest and fees receivable, gross from fair value reconciliation above	1,235.3	1,028.4	793.3	593.7	516.1	382.6	220.6	106.9
Total managed receivables	$ 1,611.0	$ 1,446.2	$ 1,247.5	$ 1,092.5	$ 1,090.4	$ 987.4	$ 900.2	$ 917.5

Source: Atlanticus Holdings Corp