NEWS RELEASE

Atlanticus Reports Third Quarter 2021 Financial Results

2021-11-12

Net Income Attributable to Common Shareholders Increases to $40.3 Million, or $1.96 per Share

ATLANTA, Nov. 12, 2021 (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 third quarter ended September 30, 2021.

Financial and Operating Highlights

2021 Third Quarter compared to 2020 Third Quarter

- Total operating revenue increased 41.8% to $203.9 million.
- Purchase volume increased 55.7% to $610.5 million.
- The number of total customers we serve(1) increased 59.8% to 2.6 million. Since the start of the third quarter 2021, customers served increased by over 388,000, or 17.7%.
- Managed receivables(2) associated with our Credit and Other Investments Segment increased 46.5% to $1.4 billion, and 15.9% over second quarter 2021.
- Net income attributable to common shareholders increased 18.4% to $40.3 million, or $1.96 per diluted common share, an increase of 14.0%.
- Adjusted net income(2), which adjusts for the $16.2 million ($13.2 million tax effected) loss on repurchase and redemption of convertible senior notes, increased 57.1% to $53.5 million, or $2.60 per diluted common share, an increase of 50.9%.
- On a trailing twelve months basis, net income attributable to common shareholders increased 137.1% to

$133.8 million, or $6.56 per diluted common share, an increase of 125.4%.

- On a trailing twelve months basis, adjusted net income, which adjusts for the $29.4 million ($24.1 million tax effected) loss on repurchase and redemption of convertible senior notes, increased 179.7% to $157.8 million or $7.71 per diluted common share, an increase of 165.0%.

(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, "Atlanticus continued to deliver excellent results, reporting significant growth across our two main operating lines, general purpose credit card and point-of-sale finance solutions. Our growth is a direct result of the success we are having enabling our bank, retail, and healthcare partners to empower better financial outcomes for millions of everyday Americans. The strength of these partnerships and our ability to rely on data aggregated through multiple economic cycles, allowed us to continue to responsibly support our partners and their customers throughout the pandemic. This led to significant growth in customers served, managed assets, revenues and profits for the quarter. In addition, we have seen our asset quality continue to improve, with lower charge-off rates compared with both the prior year and prior quarter periods. We are equally excited about the opportunities that lie ahead as we continue to strive to enable expanded access to credit for those overlooked by other financial institutions."

2021 Third Quarter Financial Results

(In Thousands)	For the Third Quarter Ended Sept. 30, 2021	2020	Income Increases (Decreases) From 2020 to 2021	Percentage Increases (Decreases) From 2020 to 2021
Total operating revenue	$ 203,917	$ 143,853	$ 60,064	41.8%
Other non-operating revenue	32	635	(603)	(95.0%)
Total revenue	203,949	144,488	59,461	41.2%
Interest expense	(12,370)	(12,678)	308	(2.4%)
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(9,238)	(17,028)	7,790	(45.7%)
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(58,727)	(32,298)	(26,429)	81.8%
Net margin	123,614	82,484	$ 41,130	49.9%
Total operating expense	(49,552)	(34,221)	$ (15,331)	44.8%
Loss on repurchase and redemption of convertible senior notes	(16,184)	-	$ (16,184)	N/A
Net income	$ 47,097	$ 38,807	$ 8,290	21.4%
Net income attributable to controlling interests	$ 46.974	38,855	8,119	20.9%
Preferred dividends and discount accretion	$ (6,629)	$ (4,788)	$ (1,841)	38.5%
Net income attributable to common shareholders	$ 40,345	$ 34,067	$ 6,278	18.4%
Net income attributable to common shareholders per common share—basic	$ 2.67	$ 2.35	$ 0.32	13.6%
Net income attributable to common shareholders per common share—diluted	$ 1.96	$ 1.72	$ 0.24	14.0%

Managed receivables

Managed receivables increased to $1.4 billion as of September 30, 2021, from $987.3 million as of September 30, 2020 as total customers served increased 59.8% to 2.6 million. Managed receivables also increased $200 million from June 30, 2021. Consumer spending behavior was strong, driven by increased demand for general-purpose credit products, as well as increased purchase levels through the diverse retail partnerships supported by our platform. This growth helped to increase the overall combined managed receivables levels, and we expect this trend to continue through the remainder of the year.

Total revenue

Period-over-period increases in operating revenue primarily relate to growth in point-of-sale receivables and general purpose credit card receivables.

During the quarter ended September 30, 2021, total operating revenue increased 41.8% to $203.9 million from

$143.9 million at September 30, 2020. Total operating revenue increased 13.6% from $179.5 million at June 30, 2021. Total operating revenue consists of: 1) interest income, finance charges and late fees on consumer loans, 2) other fees on credit products including annual and merchant fees and 3) ancillary, interchange and servicing income on loan portfolios.

Given our expectation for continued period-over-period growth in point-of-sale and direct-to-consumer receivables, we expect continued net period-over-period growth in our total interest income and related fees and charges for these operations throughout the remainder of 2021.

Interest expense

Interest expense was $12.4 million for the quarter ended September 30, 2021, compared with $12.7 million in the prior year period. Outstanding notes payable, net, associated with our point-of-sale and direct-to-consumer operations increased to $944.5 million as of September 30, 2021 from $689.3 million as of September 30, 2020. Despite this increase, an overall decrease in the weighted average cost of funds resulted in a year over year decline in interest expense. We anticipate additional debt financing over the next few quarters as we continue to grow, 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 $9.2 million for the quarter ended September 30, 2021, compared to $17.0 million in the prior year period.

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. Based on delinquencies levels we are currently experiencing and the ongoing impacts of recent government stimulus payments, we expect to see continued period-over-period reductions in our provision for loan losses for the coming quarters.

Total operating expense

Total operating expense increased 44.8% to $49.6 million, compared to $34.2 million in the prior year period. Total annualized operating expense as a percentage of total assets increased slightly to 13.4% from 13.2% in the prior year period. Certain operating costs are variable based on the levels of accounts and receivables we service 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 18.4% to $40.3 million for the quarter ended September 30, 2021, compared to $34.1 million in the prior year period.

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

Net income attributable to common shareholders per basic common share increased to $2.67 for the period ended September 30, 2021, compared to $2.35 for the same period in 2020. Net income attributable to common shareholders per common share diluted increased to $1.96 for the period ended September 30, 2021, compared to $1.72 for the same period in 2020.

Balance Sheet and Cash Flow Information

At September 30, 2021, we had $167.0 million in unrestricted cash and cash equivalents.

During the nine months ended September 30, 2021, we generated $140.0 million of cash flows from operations compared to our generating $147.8 million of cash flows from operations during the nine months ended September 30, 2020. The decrease in cash provided by operating activities was principally related to slight decreases in finance and fee collections associated with point-of-sale and direct-to-consumer receivables as government stimulus payments declined and consumer payments returned to normalized levels as well as a bulk sale of charge-off accounts in the nine months ended September 30, 2020 which resulted in proceeds of $5.0 million.

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 $26 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 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, loan losses, debt financing and interest expense. 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 September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue:				
Consumer loans, including past due fees	$ 141,177	$ 103,643	$ 366,127	$ 306,902
Fees and related income on earning assets	54,085	35,488	140,658	102,532
Other revenue	8,655	4,722	20,546	10,358
Total operating revenue, net	203,917	143,853	527,331	419,792
Other non-operating revenue	32	635	3,458	950
Total revenue	203,949	144,488	530,789	420,742
Interest expense	(12,370)	(12,678)	(38,458)	(38,514)
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(9,238)	(17,028)	(24,469)	(116,894)
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(58,727)	(32,298)	(144,981)	(73,156)
Net margin	123,614	82,484	322,881	192,178
Operating expense:				
Salaries and benefits	8,455	6,624	24,577	20,642
Card and loan servicing	19,239	16,309	54,838	47,747
Marketing and solicitation	16,462	7,016	40,441	26,523
Depreciation	268	327	900	932
Other	5,128	3,945	16,068	13,332
Total operating expense	49,552	34,221	136,824	109,176
Loss on repurchase and redemption of convertible senior notes	16,184	—	29,439	—
Income before income taxes	57,878	48,263	156,618	83,002
Income tax expense	(10,781)	(9,456)	(28,668)	(15,716)
Net income	47,097	38,807	127,950	67,286
Net (income) loss attributable to noncontrolling interests	(123)	48	(25)	159
Net income attributable to controlling interests	46,974	38,855	127,925	67,445
Preferred dividends and discount accretion	(6,629)	(4,788)	(16,054)	(12,283)
Net income attributable to common shareholders	$ 40,345	$ 34,067	$ 111,871	$ 55,162
Net income attributable to common shareholders per common share—basic	$ 2.67	$ 2.35	$ 7.41	$ 3.81
Net income attributable to common shareholders per common share—diluted	$ 1.96	$ 1.72	$ 5.43	$ 2.85

Atlanticus Holdings Corporation and Subsidiaries

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands)

	September 30, 2021	December 31, 2020
Assets		
Unrestricted cash and cash equivalents (including $93.5 million and $96.6 million associated with variable interest entities at September 30, 2021 and December 31, 2020, respectively)	$ 166,966	$ 178,102
Restricted cash and cash equivalents (including $30.9 million and $70.2 million associated with variable interest entities at September 30, 2021 and December 31, 2020, respectively)	47,808	80,859
Loans, interest and fees receivable:		
Loans, interest and fees receivable, at fair value (including $753.8 million and $374.2 million associated with variable interest entities at September 30, 2021 and December 31, 2020, respectively)	846,160	417,098
Loans, interest and fees receivable, gross (including $404.1 million and $560.2 million associated with variable interest entities at September 30, 2021 and December 31, 2020, respectively)	511,140	667,556
Allowances for uncollectible loans, interest and fees receivable (including $76.8 million and $120.9 million associated with variable interest entities at September 30, 2021 and December 31, 2020, respectively)	(80,029)	(124,961)
Deferred revenue (including $7.4 million and $10.3 million associated with variable interest entities at September 30, 2021 and December 31, 2020, respectively)	(29,824)	(39,456)
Net loans, interest and fees receivable	1,247,447	920,237
Property at cost, net of depreciation	984	2,240
Investments in equity-method investee	—	1,415
Operating lease right-of-use assets	5,447	9,181
Prepaid expenses and other assets	14,292	15,180
Total assets	$ 1,482,944	$ 1,207,214
Liabilities		
Accounts payable and accrued expenses	$ 38,627	$ 41,731
Operating lease liabilities	7,231	13,776
Notes payable, net (including $944.5 million and $827.1 million associated with variable interest entities at September 30, 2021 and December 31, 2020, respectively)	995,322	882,610
Notes payable associated with structured financings, at fair value (associated with variable interest entities)	2,221	2,919
Convertible senior notes	—	24,386
Income tax liability	38,016	25,932
Total liabilities	1,081,417	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 September 30, 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	99,575	99,350
Shareholders' Equity		
Series B preferred stock, no par value, 3,188,533 shares issued and outstanding at September 30, 2021 and 0 shares issued and outstanding at December 31, 2020 (liquidation preference - $79.7 million) (1)	—	—
Common stock, no par value, 150,000,000 shares authorized: 15,094,382 shares issued and outstanding at September 30, 2021; and 16,115,353 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at December 31, 2020	—	—
Paid-in capital	252,438	194,950
Retained earnings (deficit)	10,259	(117,666)
Treasury stock, 1,459,233 and 0 shares at September 30, 2021 and December 31, 2020, respectively, at cost	-	-
Total shareholders’ equity	262,697	77,284

Noncontrolling interests	(745)	(774)
Total equity	261,952	76,510
Total liabilities, preferred stock and shareholders' equity	$ 1,482,944	$ 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				2019
(in Millions)	Sep. 30 (1)	Jun. 30 (1)	Mar. 31 (1)	Dec. 31 (1)	Sept. 30 (1)	Jun. 30 (1)	Mar. 31 (1)	Dec. 31
Loans, interest and fees receivable, at fair value	$ 846.2	$ 644.7	$ 481.4	$ 417.1	$ 310.8	$ 177.9	$ 89.4	$ 4.4
Fair value mark against receivable (2)	$ 182.2	$ 148.6	$ 112.3	$ 99.0	$ 71.8	$ 42.7	$ 17.5	$ 2.0
Loans, interest and fees receivable, at face value	$ 1,028.4	$ 793.3	$ 593.7	$ 516.1	$ 382.6	$ 220.6	$ 106.9	$ 6.4

(1) We elected the fair value option to account for certain loans receivable associated with our point-of-sale and direct-to-consumer 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				2019
(in Millions)	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Loans, interest and fees receivable, gross	$ 417.8	$ 454.2	$ 498.8	$ 574.3	$ 604.8	$ 679.6	$ 810.6	$ 908.4
Loans, interest and fees receivable, gross from fair value reconciliation above	1,028.4	793.3	593.7	516.1	382.6	220.6	106.9	6.4
Total managed receivables	$ 1,446.2	$ 1,247.5	$ 1,092.5	$ 1,090.4	$ 987.4	$ 900.2	$ 917.5	$ 914.8

Source: Atlanticus Holdings Corp