



NEWS RELEASE

Atlanticus Reports Third Quarter 2022 Financial Results

2022-11-08

Consecutive quarters of growth in revenue coupled with continued growth in customers served

ATLANTA--(BUSINESS WIRE)-- 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, 2022. An accompanying earnings presentation is available in the "Investors" section of the Company's website at www.atlanticus.com or by clicking [here](#).

Third Quarter 2022 Highlights (all comparisons to the prior year period)

- Total operating revenue increased 36.3% to \$277.9 million.
- Purchase volume increased 13.5% to \$692.9 million.
- Total number of accounts serviced(1) at period end increased 28.1% to 3.3 million.
- Over 80,000 new serviced accounts added during the quarter.
- Managed receivables(2) increased 41.8% to \$2.1 billion, and 27.3% from December 31
- Net income attributable to common shareholders of \$26.3 million, or \$1.41 per diluted common share.
- Repurchased and retired 313,893 shares of our common stock at an aggregate cost of \$10.9 million.

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

(2) Managed receivables is a non-GAAP financial measure and excludes the results of our Auto Finance receivables. See "Non-GAAP Financial Measures" for important additional information.

Management Commentary

Jeff Howard, President and Chief Executive Officer at Atlanticus stated, "We are pleased to have another consecutive quarter of growth in revenue, managed receivables, and customers served during the third quarter of 2022. Additionally, we achieved another milestone as managed receivables now exceed \$2 billion. We have continued to report strong growth across all of our main operating lines – private label credit, general purpose credit cards and, more modestly, our Auto Finance platform.

As we monitor consumer behavior and the impacts of inflation, we have deliberately slowed our growth in receivables and new customers served on behalf of our bank partner by tactically tightening underwriting standards beginning in the second quarter. We have seen a strong correlation between consumer behavior and rising prices, particularly gas which has declined meaningfully since peaking in June. We believe we are well-positioned in the event of an economic downturn given our longstanding history of navigating economic volatility combined with our capital availability and largely fixed-rate funding structures.

We are proud to serve more than 3 million customers and provide them with invaluable financial tools to empower better financial outcomes. As part of that ongoing commitment, we recently launched the Aspire Banking platform, enabling the offering of banking services through our partner bank as a tool for new consumers to gain access to credit. This unique offering will provide a path to credit for millions more everyday Americans and create a more engaging experience for customers we currently serve.

With our experience, strong capital position, proven growth, and ongoing strategic initiatives, we are excited about our long-term value creation potential."

For the Three Months Ended September 30,

(\$ In Thousands)	2022	2021	% Change
Total operating revenue	\$ 277,874	\$ 203,917	36.3
Other non-operating revenue	80	32	nm
Total Revenue	277,954	203,949	36.3
Interest expense	(21,514)	(12,370)	nm
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(381)	(9,238)	nm
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(163,624)	(58,727)	nm
Net margin	92,435	123,614	(25.2)
Total Operating Expense	53,119	49,552	7.2
Loss on repurchase and redemption of convertible senior notes	—	16,184	nm
Net income	32,370	47,097	(31.3)
Net loss attributable to noncontrolling interests	201	(123)	nm
Net income attributable to controlling interests	32,571	46,974	(30.7)
Preferred dividends and discount accretion	(6,296)	(6,629)	(5.0)
Net income attributable to common shareholders	26,275	40,345	(34.9)
Per Share Data			
Net income attributable to common shareholders per common share - basic	1.81	2.67	(32.2)
Net income attributable to common shareholders per common share - diluted	\$ 1.41	\$ 1.96	(28.1)

*nm = not meaningful

Managed Receivables

Managed receivables increased 41.8% to \$2.1 billion in the quarter, as total accounts serviced increased 28.1% to 3.3 million. Managed receivables also increased 27.3% or \$439.4 million from December 31, 2021. This increase is primarily due to strong consumer spending behavior on private label and general-purpose credit cards during the third quarter of 2022. We currently expect this trend of period over period growth to continue into 2023, albeit at a slower pace when compared to earlier periods. Growth in future periods largely is dependent on the addition of new retail partners to the private label credit origination platform, the timing and size of solicitations within the general purpose credit card platform by our bank partner, as well as purchase activity of consumers, and our ongoing assessment of consumer risk which drives changes in underwriting.

Total revenue

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.

Total operating revenue increased 36.3% to \$277.9 million in the quarter. This revenue increase was primarily driven by growth in private label credit and general purpose credit card receivables, resulting in net period-over-period growth in our total interest income and related fees. We continue to experience higher growth in our acquisitions of general purpose credit card receivables (which tend to have higher yields and corresponding charge-offs) than in our acquisitions of private label credit receivables. As we tightened our stance on underwriting starting in the second quarter of 2022, we expect period over period revenue growth to slow over the next few quarters as we focus on acquiring higher quality assets in the near term which tend to have lower yields with correspondingly lower charge-off rates.

Interest expense

Interest expense was \$21.5 million for the quarter, compared to \$12.4 million in the prior year period. As expected, these variations are due to new borrowings associated with the growth in private label credit, general purpose credit card receivables and CAR operations. Offsetting these increases was the repayment of our debt facilities, commensurate with net liquidations of the underlying credit card, auto finance and installment loan receivables that serve as collateral for the facilities.

Outstanding notes payable, net of unamortized debt issuance costs and discounts, associated with our private label credit and general purpose credit card receivables increased 56.0% to \$1,473.1 million as of September 30, 2022. The majority of this increase in outstanding debt relates to the addition of multiple revolving credit facilities during 2021 and 2022. Additionally, the issuance of \$150.0 million of senior notes in November 2021 (included on our consolidated balance sheet as "Senior notes, net") will serve to increase interest expense over prior periods.

Recent increases in the federal funds rate have thus far had a minimal impact on our interest expense as over 90% of interest rates on our outstanding debt are fixed. We anticipate additional debt financing over the next few quarters as we continue to grow coupled with increased effective interest rates resulting from recent and additional anticipated federal funds rate increases. 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 \$0.4 million for the quarter, compared to \$9.2 million in the prior year period. This reduction is due to the adoption of fair value accounting for the majority of our outstanding receivables. We expect that our provision for losses on loans will continue to diminish when compared to similar periods in 2021 as the amount of underlying receivables that continue to be recorded at net realizable value has been significantly reduced.

Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value

Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value increased to \$163.6 million in the quarter, compared to \$58.7 million in the prior year period, largely driven by growth in underlying receivables coupled with increased fee billings on those receivables.

Fee billings on our fair value receivables increased from \$234.4 million for the nine months ended September 30, 2021 to \$642.2 million for the nine months ended September 30, 2022, inclusive of our forecasted market degradation to reflect the possibility of delinquency rates increasing above the level that historical and current trends would suggest.

Total operating expense

Total operating expense increased 7.2% to \$53.1 million for the quarter primarily driven by increases in salaries, reflecting growth in number of employees and labor cost increases associated with retaining and recruiting employees. We expect some continued increase in this cost for the remainder of 2022 as we modestly increase our number of employees to support our ongoing growth.

Additionally, card and loan servicing expenses including marketing and solicitation costs and other third-party expenses increased the total operating expense in the quarter due to continued growth in accounts serviced. We expect marginal increases in these costs as we continue to grow our receivable portfolios.

Net Income Attributable to Common Shareholders

Net income attributable to common shareholders decreased 34.9% to \$26.3 million.

Net income attributable to common shareholders per basic common share decreased 32.2% to \$1.81.

Net income attributable to common shareholders per common share diluted decreased 28.1% to \$1.41.

Share Repurchases

During the three months ended September 30, 2022, we repurchased 313,893 of our common stock at an aggregate cost of \$10.9 million. We will continue to evaluate our common stock price relative to other investment opportunities and, to the extent we believe that the repurchase of our common stock represents an appropriate return of capital, we will repurchase shares of our common stock.

We repurchased 3,500 shares of Series B Preferred Stock for \$70 thousand during the three months ended

September 30, 2022.

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-plus 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, revenue, amount and pace of growth of managed receivables, total interest income and related fees and charges, debt financing, liquidity, interest expense, operating expense, interest rates, underwriting, asset quality, asset yields, charge-off rates, consumer performance trends 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, merchant partners, 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, merchant partners 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.

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

	For the Three Months		For the Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Revenue:				
Consumer loans, including past due fees	\$ 218,016	\$ 141,177	\$ 574,369	\$ 366,127
Fees and related income on earning assets	48,518	54,085	169,055	140,658
Other revenue	11,340	8,655	34,016	20,546
Total operating revenue, net	<u>277,874</u>	<u>203,917</u>	<u>777,440</u>	<u>527,331</u>
Other non-operating revenue	80	32	380	3,458
Total revenue	<u>277,954</u>	<u>203,949</u>	<u>777,820</u>	<u>530,789</u>
Interest expense	(21,514)	(12,370)	(57,849)	(38,458)
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(381)	(9,238)	(710)	(24,469)
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(163,624)	(58,727)	(414,863)	(144,981)
Net margin	<u>92,435</u>	<u>123,614</u>	<u>304,398</u>	<u>322,881</u>
Operating expense:				
Salaries and benefits	10,363	8,455	31,888	24,577
Card and loan servicing	24,775	19,239	71,447	54,838
Marketing and solicitation	11,053	16,462	51,857	40,441
Depreciation	488	268	1,630	900
Other	6,440	5,128	28,086	16,068
Total operating expense	<u>53,119</u>	<u>49,552</u>	<u>184,908</u>	<u>136,824</u>
Loss on repurchase and redemption of convertible senior notes	—	16,184	—	29,439
Income before income taxes	39,316	57,878	119,490	156,618
Income tax expense	(6,946)	(10,781)	(8,568)	(28,668)
Net income	<u>32,370</u>	<u>47,097</u>	<u>110,922</u>	<u>127,950</u>
Net loss (income) attributable to noncontrolling interests	201	(123)	684	(25)
Net income attributable to controlling interests	<u>32,571</u>	<u>46,974</u>	<u>111,606</u>	<u>127,925</u>
Preferred dividends and discount accretion	(6,296)	(6,629)	(18,759)	(16,054)
Net income attributable to common shareholders	<u>\$ 26,275</u>	<u>\$ 40,345</u>	<u>\$ 92,847</u>	<u>\$ 111,871</u>
Net income attributable to common shareholders per common share—basic	<u>\$ 1.81</u>	<u>\$ 2.67</u>	<u>\$ 6.32</u>	<u>\$ 7.41</u>
Net income attributable to common shareholders per common share—diluted	<u>\$ 1.41</u>	<u>\$ 1.96</u>	<u>\$ 4.85</u>	<u>\$ 5.43</u>

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(Dollars in thousands)

	For the Nine Months Ended	
	September 30,	
	2022	2021
Operating activities		
Net income	\$ 110,922	\$ 127,950
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	4,094	448
Provision for losses on loans, interest and fees receivable	710	24,469
Interest expense from accretion of discount on notes	—	453
Income from accretion of merchant fees and discount associated with receivables purchases	(109,312)	(130,166)
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	414,863	144,981
Amortization of deferred loan costs	3,646	3,761
Income from equity-method investments	—	(16)
Loss on repurchase and redemption of convertible senior notes	—	29,439
Deferred stock-based compensation costs	3,227	2,324
Lease liability payments	(3,845)	(7,837)
Gain on sale of property	—	(599)
Changes in assets and liabilities:		
Increase in uncollected fees on earning assets	(182,379)	(70,980)
Increase in income tax liability	4,326	12,085
Increase in accounts payable and accrued expenses	3,011	2,127
Other	(3,623)	957
Net cash provided by operating activities	245,640	139,396
Investing activities		
Investments in equity-method investee	—	(398)
Proceeds from equity-method investee	—	560
Proceeds from recoveries on charged off receivables	21,490	9,110
Investments in earning assets	(1,946,759)	(1,432,768)
Proceeds from earning assets	1,402,124	1,128,653
Sale of property	—	1,100
Purchases and development of property, net of disposals	(1,299)	(144)
Net cash used in investing activities	(524,444)	(293,887)
Financing activities		
Noncontrolling interests contributions	4	4
Proceeds from issuance of Series B preferred stock, net of issuance costs	191	75,270
Preferred dividends	(18,559)	(15,582)
Proceeds from exercise of stock options	3,629	1,742
Purchase and retirement of outstanding stock	(89,008)	(5,794)
Proceeds from borrowings	481,236	507,227
Repayment of borrowings	(218,565)	(452,554)
Net cash provided by financing activities	158,928	110,313
Effect of exchange rate changes on cash	(61)	(9)
Net decrease in cash and cash equivalents and restricted cash	(119,937)	(44,187)
Cash and cash equivalents and restricted cash at beginning of period	506,628	258,961
Cash and cash equivalents and restricted cash at end of period	\$ 386,691	\$ 214,774
Supplemental cash flow information		
Cash paid for interest	\$ 53,463	\$ 35,203

Net cash income tax payments	\$ 4,242	\$ 16,584
(Decrease) increase in accrued and unpaid preferred dividends	<u>\$ (7)</u>	<u>\$ 247</u>



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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Unrestricted cash and cash equivalents (including \$186.6 million and \$209.5 million associated with variable interest entities at September 30, 2022 and December 31, 2021, respectively)	\$ 352,908	\$ 409,660
Restricted cash and cash equivalents (including \$15.8 million and \$75.9 million associated with variable interest entities at September 30, 2022 and December 31, 2021, respectively)	33,783	96,968
Loans, interest and fees receivable:		
Loans, interest and fees receivable, at fair value (including \$1,618.2 million and \$925.5 million associated with variable interest entities at September 30, 2022 and December 31, 2021, respectively)	1,728,091	1,026,424
Loans, interest and fees receivable, gross (including \$369.6 million associated with variable interest entities at December 31, 2021)	107,410	470,293
Allowances for uncollectible loans, interest and fees receivable (including \$55.1 million associated with variable interest entities at December 31, 2021)	(1,766)	(57,201)
Deferred revenue (including \$8.2 million associated with variable interest entities at December 31, 2021)	(16,560)	(29,281)
Net loans, interest and fees receivable	<u>1,817,175</u>	<u>1,410,235</u>
Property at cost, net of depreciation	7,004	7,335
Operating lease right-of-use assets	12,047	4,016
Prepaid expenses and other assets	29,414	15,649
Total assets	<u>\$ 2,252,331</u>	<u>\$ 1,943,863</u>
Liabilities		
Accounts payable and accrued expenses	\$ 43,490	\$ 42,287
Operating lease liabilities	19,959	4,842
Notes payable, net (including \$1,473.0 million and \$1,223.4 million associated with variable interest entities at September 30, 2022 and December 31, 2021, respectively)	1,544,108	1,278,864
Senior notes, net	144,027	142,951
Income tax liability	54,603	47,770
Total liabilities	<u>1,806,187</u>	<u>1,516,714</u>
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, 2022 (liquidation preference - \$40.0 million); 400,000 shares issued and outstanding at December 31, 2021 (1)	40,000	40,000
Class B preferred units issued to noncontrolling interests	99,875	99,650
Shareholders' Equity		
Series B preferred stock, no par value, 3,193,262 shares issued and outstanding at September 30, 2022 (liquidation preference - \$79.8 million); 3,188,533 shares issued and outstanding at December 31, 2021 (1)	—	—
Common stock, no par value, 150,000,000 shares authorized: 14,445,295 and 14,804,408 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	—	—
Paid-in capital	127,025	227,763
Retained earnings	180,424	60,236
Total shareholders' equity	<u>307,449</u>	<u>287,999</u>
Noncontrolling interests	(1,180)	(500)
Total equity	<u>306,269</u>	<u>287,499</u>

Total liabilities, preferred stock and equity

\$ 2,252,331 \$ 1,943,863

(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.

Additional Information

Additional trends and data with respect to our private label credit and general purpose credit card receivables can be found in our latest 10-Q filing with the Securities and Exchange Commission (SEC) under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Calculation of Non-GAAP Financial Measures

This press release presents information about managed receivables, which is a non-GAAP financial measure provided as a supplement to the results provided in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In addition to financial measures presented in accordance with GAAP, we present managed receivables, total managed yield, total managed yield ratio, combined principal net charge-off ratio, percent of managed receivables 30-59 days past due, percent of managed receivables 60-89 days past due and percent of managed receivables 90 or more days past due, all of which are non-GAAP financial measures. 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 originations 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. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures or the calculation of the non-GAAP financial measures are provided below for each of the fiscal periods indicated.

These non-GAAP financial measures include only the performance of those receivables underlying consolidated subsidiaries (for receivables carried at amortized cost basis and fair value) and exclude the performance of receivables held by our former equity method investee. As the receivables underlying our former equity method investee reflect a small and diminishing portion of our overall receivables base, we do not believe their inclusion or

exclusion in the overall results is material. Additionally, we calculate average managed receivables based on the quarter-end balances.

The comparison of non-GAAP managed receivables to our GAAP financial statements requires an understanding that managed receivables reflect the face value of loans, interest and fees receivable without any consideration for potential loan losses or other adjustments to reflect fair value.

Below are (i) the reconciliation of Loans, interest and fees receivable, at fair value to Loans, interest and fees receivable, at face value and (ii) the calculation of managed receivables:

(in Millions)	At or for the Three Months Ended							
	2022			2021				2020
	Sep. 30 (1)	Jun. 30 (1)	Mar. 31 (1)	Dec. 31 (1)	Sep. 30 (1)	Jun. 30 (1)	Mar. 31 (1)	Dec. 31 (1)
Loans, interest and fees receivable, at fair value	\$ 1,728.1	\$ 1,616.9	\$ 1,405.8	\$ 1,026.4	\$ 846.2	\$ 644.7	\$ 481.4	\$ 417.1
Fair value mark against receivable (2)	\$ 322.3	\$ 293.0	\$ 272.9	\$ 208.9	\$ 182.2	\$ 148.6	\$ 112.3	\$ 99.0
Loans, interest and fees receivable, at face value	<u>\$ 2,050.4</u>	<u>\$ 1,909.9</u>	<u>\$ 1,678.7</u>	<u>\$ 1,235.3</u>	<u>\$ 1,028.4</u>	<u>\$ 793.3</u>	<u>\$ 593.7</u>	<u>\$ 516.1</u>

(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 were acquired on or after January 1, 2020, and we elected the fair value option under ASU 2016-13 for those private label credit and general purpose credit card receivables that were previously accounted for under the amortized cost method.

(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.

(in Millions)	At or for the Three Months Ended							
	2022			2021				2020
	Sep. 30 (1)	Jun. 30 (1)	Mar. 31 (1)	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Loans, interest and fees receivable, gross	\$ —	\$ —	\$ —	\$ 375.7	\$ 417.8	\$ 454.2	\$ 498.8	\$ 574.3
Loans, interest and fees receivable, gross from fair value reconciliation above	2,050.4	1,909.9	1,678.7	1,235.3	1,028.4	793.3	593.7	516.1
Total managed receivables	<u>\$ 2,050.4</u>	<u>\$ 1,909.9</u>	<u>\$ 1,678.7</u>	<u>\$ 1,611.0</u>	<u>\$ 1,446.2</u>	<u>\$ 1,247.5</u>	<u>\$ 1,092.5</u>	<u>\$ 1,090.4</u>

(1)On January 1, 2022, we elected the fair value option under ASU 2016-13 for those private label credit and general purpose credit card receivables that were accounted for under the amortized cost method.

As discussed above, our managed receivables data differ in certain aspects from our GAAP data. First, managed

receivables data are based on billings and actual charge-offs as they occur without regard to any changes in our allowance for uncollectible loans, interest and fees receivable (in periods where applicable). Second, for managed receivables data, we amortize certain fees (such as annual and merchant fees) and expenses (such as marketing expenses) associated with our Fair Value Receivables over the expected life of the corresponding receivable and recognize other costs, such as claims made under credit deferral programs, when paid. Under fair value accounting, these fees are recognized when billed or upon receivable acquisition and marketing expenses are recognized when incurred. Third, managed receivables data excludes the impacts of equity in income of equity method investees. As of January 1, 2022, we changed the names of combined net charge-offs to combined principal net charge-offs and the combined net charge-off ratio, annualized to combined principal net charge-off ratio, annualized. These changes reflect that we now subtract finance charge-offs in the calculation of combined principal net charge-offs and the related ratio. We believe this revised calculation is more in line with the calculations used by our peers. All prior periods have been restated to reflect this new methodology. A reconciliation of our operating revenues, net of finance and fee charge offs, to comparable amounts used in our calculation of Total managed yield ratios is as follows:

(in Millions)	At or for the Three Months Ended							
	2022			2021			2020	
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Consumer loans, including past due fees	\$ 208.9	\$ 182.8	\$ 156.5	\$ 144.1	\$ 132.7	\$ 114.3	\$ 94.1	\$ 95.7
Fees and related income on earning assets	48.5	65.8	54.7	53.8	54.1	49.5	37.0	31.4
Other revenue	11.1	12.2	10.0	9.7	8.4	7.0	4.2	4.8
Adjustments due to acceleration of merchant fee discount amortization under fair value accounting	(7.9)	(12.1)	1.8	(3.4)	(14.7)	(18.6)	(5.5)	(6.6)
Adjustments due to acceleration of annual fees recognition under fair value accounting	10.0	(6.6)	(1.3)	(4.4)	(12.0)	(12.3)	(4.6)	(1.1)
Removal of expense accruals under GAAP	—	—	—	—	0.2	(0.4)	0.2	(0.1)
Removal of finance charge-offs	(45.3)	(41.2)	(32.5)	(28.1)	(16.3)	(14.1)	(10.7)	(9.8)
Total managed yield	\$ 225.3	\$ 200.9	\$ 189.2	\$ 171.7	\$ 152.4	\$ 125.4	\$ 114.7	\$ 114.3

As of January 1, 2022, we changed the names of combined net charge-offs to combined principal net charge-offs and the combined net charge-off ratio, annualized to combined principal net charge-off ratio, annualized. These changes reflect that we now subtract finance charge-offs in the calculation of combined principal net charge offs and the related ratio. We believe this revised calculation is more in line with the calculations used by our peers. All prior periods have been restated to reflect this new methodology. The calculation of Combined principal net charge offs used in our Combined principal net charge-off ratio, annualized is as follows:

(in Millions)	At or for the Three Months Ended							
	2022			2021				2020
	Sep. 30 (1)	Jun. 30 (1)	Mar. 31 (1)	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Net losses on impairment of loans, interest and fees receivable recorded at fair value	\$ 134.4	\$ 126.5	\$ 101.3	\$ 46.7	\$ 25.6	\$ 22.7	\$ 14.3	\$ 8.6
Gross charge-offs on non-fair value accounts	—	—	—	38.7	27.1	27.6	26.3	30.6
Finance charge-offs (2)	(45.3)	(41.2)	(32.5)	(28.1)	(16.3)	(14.1)	(10.7)	(9.8)
Recoveries on non-fair value accounts	—	—	—	(4.1)	(2.7)	(5.7)	(3.4)	(4.3)
Combined principal net charge-offs	<u>\$ 89.1</u>	<u>\$ 85.3</u>	<u>\$ 68.8</u>	<u>\$ 53.2</u>	<u>\$ 33.7</u>	<u>\$ 30.5</u>	<u>\$ 26.5</u>	<u>\$ 25.1</u>

(1) We implemented the fair value method under ASU 2016-13 for those private label credit and general purpose credit card receivables that were previously accounted for under the amortized cost method.

(2) Finance charge offs are included as a component of our Provision for losses on loans, interest and fees receivable recorded at net realizable value and Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value in the Company's consolidated statements of income.

Investor Relations

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Source: Atlanticus Holdings Corporation