



8208 Melrose Drive
Lenexa, KS • 66214
www.qchi.com
OTC PINK Symbol: QCCO

NEWS RELEASE

Contact:

Douglas E. Nickerson (913-234-5154)
Chief Financial Officer

QC Holdings, Inc. Reports Second Quarter 2020 Results

OVERLAND PARK, KS (September 3, 2020) – QC Holdings, Inc. (OTC PINK: QCCO) reported net income of \$2.2 million and revenues of \$51.2 million for the six months ended June 30, 2020. For the six months ended June 30, 2019, the Company reported a net loss of \$2.0 million and revenues of \$53.7 million.

The Coronavirus Disease 2019 (COVID-19) has significantly impacted the Company's business during 2020 due to changes in consumer behavior. COVID-19 has dramatically affected business operations, supply chains, business and leisure travel, commodity prices, consumer confidence and business sentiment, and it has resulted in soaring unemployment across the United States. Most states and counties have issued various types of requirements for individuals to stay at home and avoid gatherings. Naturally, these requirements have reduced consumers ability to access stores, restaurants, live sports and other cultural venues, as well as requiring many employees to work from home.

In response to the COVID-19 outbreak, in late March 2020, the United States federal government passed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which provided an estimated \$2 trillion stimulus package to battle the harmful effects of the COVID-19 pandemic. The package included several elements to assist companies and individuals. With respect to individuals, the CARES Act included, among other things, an expansion of unemployment insurance from three to four months and a temporary unemployment compensation increase of \$600 per week, which is in addition to regular state

and federal benefits. Further, the CARES Act provided a \$1,200 direct payment to many Americans and \$500 for each dependent child.

For companies, the CARES Act establishes a \$500 billion lending fund for businesses, cities and states. The Company was not eligible to receive any loans from the federal government under the CARES Act. For businessowners who continue to employ workers through the crisis, the act includes provisions to provide a deferral of the employer-paid 6.2% Social Security payroll tax until January 1, 2021. Half of the deferred liability would be due on December 31, 2021 with the remainder due December 31, 2022. The Company adopted the payroll tax deferral provisions and has recorded a liability for amounts due in the future. In addition, provisions in the act reduce the limitations on how a company can deduct operating losses from prior tax years by allowing net operating losses from 2018, 2019 and 2020 to be carried back five years to reduce income in a prior tax year, which directly benefited the Company, as discussed below.

The decline in revenues during the first half of 2020 compared to the same period in 2019 reflects the impact of COVID-19 on consumer behavior. Through the first quarter of 2020, the Company's revenues were up 14% over prior year. During the second quarter, however, applications from new and returning customers declined significantly compared to prior year's second quarter as a result of COVID-19, thereby limiting revenue opportunities.

Loan loss rates decreased during the six months ended June 30, 2020 compared to 2019. This decline is attributable to the CARES Act stimulus checks that many customers utilized to repay loans, as well as a change in the mix of new and returning customers during the pandemic. The proportion of returning customers to new customers has increased during COVID-19, which drives a lower loss rate. Returning customers default at a lower rate than new customers due to familiarity with the product and loan requirements.

Operating expenses declined period-to-period as a result of reduced compensation and marketing. With declining originations and transactions due to COVID-19, the Company reduced store staffing and, at many locations, store hours. Marketing efforts were limited during second quarter 2020 as demand dropped to historically low levels. In

addition, the Company reduced its employee count at its headquarters by more than 30% due to the impacts of COVID-19.

During 2020, the Company recorded an income tax benefit for estimated recoveries associated with the net loss carryback provisions of the CARES Act.

Net income for the six months ended June 30, 2020 compared to a net loss during the same 2019 period is attributable to (1) a decline in loan losses that more than offset the decline in revenue, (2) the income tax benefit from net operating loss carrybacks under the CARES Act, and (3) reduced operating expenses as noted above.

The dramatic decline in loan receivables in the second quarter as a result of COVID-19 permitted the Company to reduce borrowings under its line of credit by \$11.5 million during the quarter.

The Company expects its loan loss rates to be lower than prior year periods for the balance of 2020 due to the change in the mix of new and returning customers. These declines, however, are not expected to be as dramatic as the Company experienced during second quarter 2020 because (1) consumers may not receive a second round of stimulus relief checks and (2) the cumulative impact of jobs lost and high unemployment will directly affect consumer's ability to repay outstanding loans.

About QC Holdings, Inc.

Headquartered in Lenexa, Kansas, QC Holdings, Inc. is a leading provider of consumer loans in the United States and Canada. In the United States, QC offers various products, including single-pay, installment, open-end credit and title loans, check cashing, debit cards and money transfer services, through 241 branches in 13 states at June 30, 2020. In Canada, the company, through its subsidiary Direct Credit Holdings Inc., is engaged in short-term, consumer internet lending in various provinces.

Forward Looking Statement Disclaimer: This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the company's current expectations and are subject to many risks and uncertainties, which could cause actual results to differ materially from those forward-looking statements. These risks include (1) the continuing impact of the COVID-19 pandemic on consumers and the overall economy, (2) changes in laws or regulations or governmental interpretations of existing laws and

regulations governing consumer protection or short-term lending practices, (3) uncertainties relating to the interpretation, application and promulgation of regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act, including the impact of announced regulations by the Consumer Financial Protection Bureau (CFPB), (4) ballot referendum initiatives by industry opponents to cap the rates and fees that can be charged to customers, (5) uncertainties related to the examination process by the CFPB and indirect rulemaking through the examination process, (6) litigation or regulatory action directed towards us or the short-term consumer loan industry, (7) volatility in our earnings, primarily as a result of fluctuations in loan loss experience and closures of branches, (8) risks associated with our dependence on cash management banking services and the Automated Clearing House for loan collections, (9) negative media reports and public perception of the short-term consumer loan industry and the impact on federal and state legislatures and federal and state regulators, (10) changes in our key management personnel, (11) risks associated with owning and managing non-U.S. businesses, and (12) other various risks. QC will not update any forward-looking statements made in this press release to reflect future events or developments.

(Financial and Statistical Information Follows)

QC Holdings, Inc.
Consolidated Condensed Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

| | <u>Quarter Ended</u> | | <u>Six Months Ended</u> | |
|--|----------------------|-------------------|-------------------------|-------------------|
| | <u>June 30,</u> | | <u>June 30,</u> | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Revenues | | | | |
| Consumer loan interest and fees | \$ 18,737 | \$ 24,768 | \$ 46,132 | \$ 48,951 |
| Other | <u>2,356</u> | <u>2,450</u> | <u>5,088</u> | <u>4,758</u> |
| Total revenues | 21,093 | 27,218 | 51,220 | 53,709 |
| Provision for losses | 3,278 | 9,970 | 11,942 | 16,276 |
| Operating expenses | <u>11,522</u> | <u>13,139</u> | <u>25,853</u> | <u>26,891</u> |
| Gross profit | 6,293 | 4,109 | 13,425 | 10,542 |
| Corporate and Regional expenses | 4,281 | 5,399 | 9,509 | 10,814 |
| Other expense, net | <u>903</u> | <u>971</u> | <u>2,263</u> | <u>1,776</u> |
| Income (loss) before income taxes | 1,109 | (2,261) | 1,653 | (2,048) |
| Provision (benefit) for income taxes | <u>649</u> | <u>(6)</u> | <u>(554)</u> | <u>(3)</u> |
| Net income (loss) | <u>\$ 460</u> | <u>\$ (2,255)</u> | <u>\$ 2,207</u> | <u>\$ (2,045)</u> |
| Income (loss) per share: | | | | |
| <i>Basic</i> | | | | |
| Net income (loss) | <u>\$ 0.03</u> | <u>\$ (0.13)</u> | <u>\$ 0.13</u> | <u>\$ (0.12)</u> |
| <i>Diluted</i> | | | | |
| Net income (loss) | <u>\$ 0.03</u> | <u>\$ (0.13)</u> | <u>\$ 0.13</u> | <u>\$ (0.12)</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 17,333 | 17,333 | 17,333 | 17,333 |
| Diluted | 17,333 | 17,333 | 17,333 | 17,333 |

QC Holdings, Inc.
Consolidated Condensed Balance Sheets
(in thousands)

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|------------------------------|
| ASSETS | | |
| Current assets | | <i>(Unaudited)</i> |
| Cash and cash equivalents | \$ 11,763 | \$ 11,470 |
| Restricted cash | 1,412 | 1,421 |
| Loans receivable, less allowance for losses of \$4,908 at June 30, 2020 and \$8,592 at December 31, 2019 | 24,973 | 40,015 |
| Other current assets | <u>2,656</u> | <u>3,585</u> |
| Total current assets | 40,804 | 56,491 |
| Non-current loans receivable, less allowance for losses of \$242 at June 30, 2020 and \$483 at December 31, 2019 | 1,304 | 2,668 |
| Property and equipment, net | 11,292 | 11,963 |
| Right-of-use asset, net | 21,319 | 22,924 |
| Other assets, net | <u>6,028</u> | <u>6,153</u> |
| Total assets | <u>\$ 80,747</u> | <u>\$ 100,199</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and other current liabilities | \$ 6,914 | \$ 9,249 |
| Lease liability | 4,407 | 4,644 |
| Debt due within one year | <u>8,472</u> | <u>8,305</u> |
| Total current liabilities | 19,793 | 22,198 |
| Long-term debt, less current portion | 4,750 | 22,350 |
| Lease liability | 17,556 | 18,906 |
| Non-current liabilities | <u>3,230</u> | <u>3,545</u> |
| Total liabilities | 45,329 | 66,999 |
| Stockholders' equity | <u>35,418</u> | <u>33,200</u> |
| Total liabilities and stockholders' equity | <u>\$ 80,747</u> | <u>\$ 100,199</u> |

QC Holdings, Inc.
Consolidated Condensed Statements of Cash Flows
(in thousands)
(Unaudited)

| | Six Months Ended <u>June 30, 2020</u> | Six Months Ended <u>June 30, 2019</u> |
|---|--|--|
| Operating activities: | | |
| Net income (loss) | \$ 2,207 | \$ (2,045) |
| Adjustments to reconcile net income (loss) to net cash | 14,682 | 18,310 |
| Changes in assets and liabilities | <u>436</u> | <u>(1,673)</u> |
| Net operating | <u>17,325</u> | <u>14,592</u> |
| Investing activities: | | |
| Loan activity, net | 2,321 | (18,010) |
| Capital expenditures | (1,718) | (4,105) |
| Other | <u>-</u> | <u>1</u> |
| Net investing | <u>603</u> | <u>(22,114)</u> |
| Financing activities: | | |
| Borrowing activity, net | (17,600) | 4,500 |
| Other | <u>-</u> | <u>-</u> |
| Net financing | <u>(17,600)</u> | <u>4,500</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | <u>(44)</u> | <u>52</u> |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 284 | (2,970) |
| Cash, cash equivalents and restricted cash at beginning of year | <u>12,891</u> | <u>14,418</u> |
| Cash, cash equivalents and restricted cash at end of period | <u>\$ 13,175</u> | <u>\$ 11,448</u> |