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OTC PINK Symbol: QCCO

NEWS RELEASE

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QC Holdings, Inc. Reports Fourth Quarter 2021 Results

Board Declares \$0.05 Special Cash Dividend per Common Share

OVERLAND PARK, KS (February 24, 2022) – QC Holdings, Inc. (OTC PINK: QCCO) reported net income of \$284,000 and revenues of \$90.9 million for the year ended December 31, 2021. For the year ended December 31, 2020, the Company reported net income of \$2.9 million and revenues of \$97.4 million.

The Coronavirus Disease 2019 (COVID-19) continues to significantly impact the Company's business due to changes in consumer behavior. In response to the COVID-19 outbreak, the United States federal government passed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) in late March 2020, a second coronavirus relief bill in December 2020 and the American Rescue Plan in March 2021. The packages included several elements to assist individuals and companies. With respect to individuals, each relief bill included, among other things, expanded unemployment insurance compensation and direct stimulus payments to many Americans and their dependent children. In addition, the American Rescue Plan expanded the child tax credit, increasing the amount per child and initiating monthly payments to families. The Company believes many of its customers have received cash payments from these various programs.

The \$6.5 million decline in revenues during 2021 compared to 2020 reflects the impact of the Company closing its Illinois branches during the first half of 2021 due to a new law passed by the Illinois legislature in early 2021 that precludes the Company's products and services. In addition, COVID-19 and resulting government programs continue

to affect consumer behavior, leading to fewer applications from new and returning customers compared to prior year. These declines were partially offset by approximately \$5.0 million of revenues from Amaranth Financial Services Inc. (Amaranth), a Canadian-based provider of short-term consumer loans and other financial services that the Company purchased on July 1, 2021.

Loan loss rates decreased from 25.3% for the year ended December 31, 2020 to 22.9% during 2021. This decline is attributable to the distribution of COVID-19 relief bill stimulus checks to consumers, as well as a change in the Company's mix of new and returning customers during the pandemic. The proportion of returning customers to new customers increased during COVID-19, which drove 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 year-to-year as a result of the Illinois branch closings, partially offset by the inclusion of Amaranth operating costs, as well as higher overall marketing costs. While marketing efforts were limited during the first half of 2021 as demand dropped due to stimulus payments, the Company accelerated its marketing spend in the second half of 2021. The Company's corporate and regional expenses increased slightly over prior year due to the Amaranth acquisition, a \$200,000 lease-related legal settlement and certain non-recurring professional fees, substantially offset by lower overall compensation.

As set forth in the CARES Act, the Company adopted the Social Security payroll tax deferral provisions and recorded a liability as of December 31, 2020, one-half of which was paid in December 2021 (with the remainder to be paid in December 2022). In addition, provisions in the CARES Act allowed the Company to carryback net operating losses to reduce income in prior tax years, which directly benefited the Company in first quarter 2020.

The Company's receivables grew \$5.5 million from December 31, 2020, primarily due to more than \$5 million in receivables from the Amaranth acquisition. Also, during second quarter 2021, the Company made a \$2 million investment in an India-based financial services technology start-up venture.

The Company expects loan demand to return to more typical levels during 2022 as customers adjust to the later stages of the COVID-19 pandemic and the current inflationary environment. While loan loss rates were lower than historical levels throughout 2021, the Company expects loan loss rates to increase to more typical levels during 2022 due to an evolving mix of new and returning customers, as well as the cumulative impact of jobs lost, high unemployment and inflation.

DIVIDEND DECLARATION

The Company's Board of Directors declared a special cash dividend of \$0.05 per common share, payable April 19, 2022 to stockholders of record as of April 5, 2022. The Company declared a special cash dividend of \$0.05 per common share in first quarter of 2020. The Board of Directors has no current plans to establish a regular quarterly dividend, but will evaluate special dividends from time to time based on the Company's financial performance, cash resources and overall capital needs.

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 installment, open-end credit, single-pay and title loans, check cashing, debit cards and money transfer services, through 205 branches in 11 states, and via the internet in 10 states, as of December 31, 2021. In Canada, the Company, through its subsidiaries Amaranth Financial Services Inc. and Direct Credit Holdings Inc., is engaged in short-term consumer lending through 20 branches in four provinces and online across the country.

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, the overall economy and the Company, (2) the impact of the recent upsurge in inflation on the ability of consumers to repay

loans and the wage pressures on the Company, (3) changes in laws or regulations or governmental interpretations of existing laws and regulations governing consumer protection or short-term lending practices, such as the recent Illinois and New Mexico legislation that effectively prohibit the Company's loan products in those states, (4) 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), (5) ballot referendum initiatives by industry opponents to cap the rates and fees that can be charged to customers, (6) uncertainties related to the examination process by the CFPB and indirect rulemaking through the examination process, (7) the impact of the 2020 U.S. Presidential election on agency appointments, including the CFPB, and the attitudes of those appointees regarding regulation and enforcement actions, (8) litigation or regulatory action directed towards us or the short-term consumer loan industry, (9) volatility in our earnings, primarily as a result of fluctuations in loan loss experience and closures of branches, (10) risks associated with our dependence on cash management banking services and the Automated Clearing House for loan collections, (11) 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, (12) changes in our key management personnel, (13) risks associated with owning and managing non-U.S. businesses, and (14) 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>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues				
Consumer loan interest and fees	\$ 22,364	\$ 22,167	\$ 80,929	\$ 87,867
Other	<u>2,820</u>	<u>2,356</u>	<u>9,974</u>	<u>9,548</u>
Total revenues	25,184	24,523	90,903	97,415
Provision for losses	6,928	7,775	20,828	24,611
Operating expenses	<u>12,285</u>	<u>11,330</u>	<u>46,981</u>	<u>48,253</u>
Gross profit	5,971	5,418	23,094	24,551
Corporate and Regional expenses	5,094	6,003	19,516	19,397
Other expense, net	<u>860</u>	<u>761</u>	<u>3,073</u>	<u>3,631</u>
Income (loss) before income taxes	17	(1,346)	505	1,523
Provision (benefit) for income taxes	<u>59</u>	<u>13</u>	<u>221</u>	<u>(1,405)</u>
Net income (loss)	<u>\$ (42)</u>	<u>\$ (1,359)</u>	<u>\$ 284</u>	<u>\$ 2,928</u>
Income (loss) per share:				
<i>Basic</i>				
Net income (loss)	<u>\$ -</u>	<u>\$ (0.08)</u>	<u>\$ 0.02</u>	<u>\$ 0.17</u>
<i>Diluted</i>				
Net income (loss)	<u>\$ -</u>	<u>\$ (0.08)</u>	<u>\$ 0.02</u>	<u>\$ 0.17</u>
Weighted average number of common shares outstanding:				
Basic	17,721	17,333	17,719	17,333
Diluted	17,962	17,588	17,890	17,542

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

	December 31, <u>2021</u>	December 31, <u>2020</u>
ASSETS		
<i>(Unaudited)</i>		
Current assets		
Cash and cash equivalents	\$ 14,120	\$ 12,174
Restricted cash	1,150	951
Loans receivable, less allowance for losses of \$6,568 at December 31, 2021 and \$6,142 at December 31, 2020	36,072	30,662
Other current assets	<u>3,788</u>	<u>6,654</u>
Total current assets	55,130	50,441
Non-current loans receivable, less allowance for losses of \$279 at December 31, 2021 and \$287 at December 31, 2020	1,741	1,683
Property and equipment, net	6,874	9,557
Right-of-use asset, net	21,006	23,547
Other assets, net	<u>7,877</u>	<u>4,034</u>
Total assets	<u>\$ 92,628</u>	<u>\$ 89,262</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	\$ 12,080	\$ 11,638
Lease liability	2,465	4,222
Debt due within one year	<u>21,950</u>	<u>7,928</u>
Total current liabilities	36,495	23,788
Long-term debt, less current portion	-	7,500
Lease liability	19,152	19,869
Non-current liabilities	<u>1,236</u>	<u>1,868</u>
Total liabilities	56,883	53,025
Stockholders' equity	<u>35,745</u>	<u>36,237</u>
Total liabilities and stockholders' equity	<u>\$ 92,628</u>	<u>\$ 89,262</u>

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

	Year Ended December 31, <u>2021</u>	Year Ended December 31, <u>2020</u>
Operating activities:		
Net income	\$ 284	\$ 2,928
Adjustments to reconcile net income to net cash	25,140	29,812
Changes in assets and liabilities	<u>(444)</u>	<u>1,760</u>
Net operating	<u>24,980</u>	<u>34,500</u>
Investing activities:		
Loan activity, net	(21,869)	(16,196)
Capital expenditures	(1,243)	(2,542)
Other investments	<u>(5,000)</u>	<u>-</u>
Net investing	<u>(28,112)</u>	<u>(18,738)</u>
Financing activities:		
Borrowing activity, net	6,200	(15,564)
Dividends to stockholders	<u>(903)</u>	<u>-</u>
Net financing	<u>5,297</u>	<u>(15,564)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(20)</u>	<u>36</u>
Net decrease in cash, cash equivalents and restricted cash	2,145	234
Cash, cash equivalents and restricted cash at beginning of year	<u>13,125</u>	<u>12,891</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 15,270</u>	<u>\$ 13,125</u>