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OTC PINK Symbol: QCCO

NEWS RELEASE

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QC Holdings, Inc. Reports Fourth Quarter 2022 Results

OVERLAND PARK, KS (March 28, 2023) – QC Holdings, Inc. (OTC PINK: QCCO) reported a net loss of $2.8 million and revenues of $152.8 million for the year ended December 31, 2022. For the year ended December 31, 2021, the Company reported net income of $284,000 and revenues of $90.9 million.

On May 1, 2022, the Company acquired Hutcheson Enterprises, Inc. (HE), a network of more than 200 consumer lending stores across Alabama, Mississippi, Tennessee, Missouri, Kansas, Idaho and New Mexico. HE is widely respected as a premier title lender, with more than 70% of its approximately $29 million in gross receivables originated as title loans. For these receivables and $1.4 million in operating cash, the Company paid $34 million, comprised of $27.5 million in cash and $6.5 million in seller subordinated debt. To complete the transaction, the Company amended, and increased the capacity of, its credit facility, as well as borrowed $2.5 million of additional subordinated debt.

The $61.9 million increase in revenues during 2022 compared to 2021 reflects: i) the contribution from the acquired HE locations (approximately $36 million since the acquisition); ii) the inclusion 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; and iii) growth in the legacy QCHI branches across all states due to increased customer demand.

Loan loss rates increased from 22.9% during 2021 to 34.9% during 2022. This increase is primarily attributable to the first quarter 2021 distribution of COVID-19 relief bill stimulus checks to consumers, which drove lower losses during the first half of 2021. In addition, 2022 losses reflect the challenges associated with broader macroeconomic factors such as inflation and accelerating gas prices, as well as an increasing proportion of new customers to returning customers. Returning customers default at a lower rate than new customers due to familiarity with the product and loan requirements.

Operating expenses increased year-to-year because of the HE and Amaranth acquisitions, as well as higher marketing and branch compensation costs. With demand returning, the Company resumed a more typical marketing spend. Compensation costs were higher as wage rates jumped across the country to maintain competitive levels and address changes in minimum wage standards. The Company's corporate and regional expenses increased over prior year due to the HE and Amaranth acquisitions and higher compensation costs associated with additional headcount.

The Company's receivables nearly doubled from December 31, 2021 due to the HE and Amaranth acquisitions, a 14-store acquisition in February 2022 and a double-digit increase across the US legacy network. This growth was funded through cash flow and borrowings under the Company's credit facility. Due to these higher debt levels, the Company's interest costs jumped to $9.1 million for the year ended December 31, 2022, up $6.9 million over 2021. As a result of a restructuring involving our Canadian operations during fourth quarter 2022, the Company determined that a previously established deferred tax valuation allowance related to its Canadian operations was no longer appropriate as it is more likely than not that the ongoing profitability of the business will allow the Company to realize existing tax loss carryforwards and deferred tax assets. As a result, the Company recorded a $1.0 million benefit to deferred taxes during fourth quarter 2022.

The Company expects loan demand to follow typical seasonal trends during 2023, with inflationary pressures, a possible recession and job engagement evolution confronting customers. As expected, the Company's loan losses increased in 2022 over historically low levels throughout 2021. The Company believes loan loss rates will be higher during 2023 due to the acceleration of new customer growth during 2022, which alters the typical mix with returning customers, as well as the cumulative impact of uncertainties and challenges in the broader US economy.

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, title, open-end credit and single-pay loans, check cashing and prepaid debit cards, through 343 branches in 14 states, and via the internet in 10 states, as of February 28, 2023. In Canada, the Company's subsidiary, Amaranth Financial Services 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) risks associated with integration of recent acquisitions into the Company's operations, (4) 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, (5) 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), (6) ballot referendum initiatives by industry opponents to cap the rates and fees that can be charged to customers, (7) uncertainties related to the examination process by the CFPB and indirect rulemaking through the examination process, (8) the impact of the 2021 U.S. Presidential election on agency appointments, including the CFPB, and the attitudes of those appointees regarding regulation and enforcement actions, (9) litigation or regulatory action directed towards us or the short-term consumer loan industry, (10) volatility in our earnings, primarily as a result of fluctuations in loan loss experience and closures of branches, (11) risks associated with our dependence on cash management banking services and the Automated Clearing House for loan collections, (12) 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, (13) changes in our key management personnel, (14) risks associated with owning and managing non-U.S. businesses, and (15) 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)

	Quarter Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Revenues				
Consumer loan interest and fees	$ 42,078	$ 22,364	$ 140,856	$ 80,929
Other	2,820	2,820	11,967	9,974
Total revenues	44,898	25,184	152,823	90,903
Provision for losses	17,393	6,928	53,266	20,828
Operating expenses	17,922	12,285	65,602	46,981
Gross profit	9,583	5,971	33,955	23,094
Corporate and Regional expenses	6,467	5,094	25,589	19,516
Interest expense, net	3,420	708	9,065	2,127
Other expense, net	252	152	2,194	946
Income (loss) before income taxes	(556)	17	(2,893)	505
Provision (benefit) for income taxes	(968)	59	(44)	221
Net income (loss)	$ 412	$ (42)	$ (2,849)	$ 284
Income (loss) per share:				
Basic				
Net income (loss)	$ 0.02	$ -	$ (0.16)	$ 0.02
Diluted				
Net income (loss)	$ 0.02	$ -	$ (0.16)	$ 0.02
Weighted average number of common shares outstanding:				
Basic	17,300	17,721	17,323	17,719
Diluted	17,300	17,962	17,323	17,890

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

	December 31, 2022	December 31, 2021
ASSETS	*(Unaudited)*	
Current assets		
Cash and cash equivalents	$ 15,918	$ 14,120
Restricted cash	971	1,150
Loans receivable, less allowance for losses of $14,169 and $6,568 at December 31, 2022 and December 31, 2021, respectively	65,823	36,072
Other current assets	2,064	3,788
Total current assets	84,776	55,130
Non-current loans receivable, less allowance for losses of $558 and $279 at December 31, 2022 and December 31, 2021, respectively	3,047	1,741
Property and equipment, net	7,193	6,874
Right-of-use asset, net	26,954	21,324
Other assets, net	22,814	7,877
Total assets	$144,784	$ 92,946
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	$ 12,836	$ 11,975
Lease liability	6,271	4,124
Debt due within one year	2,287	13,700
Total current liabilities	21,394	29,799
Long-term debt, less current portion	68,790	8,250
Lease liability	23,407	19,152
Non-current liabilities	-	-
Total liabilities	113,591	57,201
Stockholders' equity	31,193	35,745
Total liabilities and stockholders' equity	$144,784	$ 92,946

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

	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating activities:		
Net income (loss)	$ (2,849)	$ 284
Adjustments to reconcile net income (loss) to net cash	57,959	25,139
Changes in assets and liabilities	(308)	(443)
Net operating	54,802	24,980
Investing activities:		
Loan activity, net	(59,416)	(21,869)
Capital expenditures	(3,096)	(1,243)
Acquisitions and investments, net	(30,230)	(5,000)
Net investing	(92,742)	(28,112)
Financing activities:		
Borrowing activity, net	41,079	6,200
Repurchase of common stock	(682)	-
Dividends to stockholders	(865)	(903)
Net financing	39,532	5,297
Effect of exchange rate changes on cash, cash equivalents and restricted cash	27	(20)
Net increase in cash, cash equivalents and restricted cash	1,619	2,145
Cash, cash equivalents and restricted cash at beginning of year	15,270	13,125
Cash, cash equivalents and restricted cash at end of year	$ 16,889	$ 15,270

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