



**CHESSWOOD ANNOUNCES Q1 2020 RESULTS AND PROVIDES COVID UPDATE**  
**Large Non-cash Charges and Positive Free Cash Flow**

TORONTO, May 13, 2020 – Chesswood Group Limited (“Chesswood” or the “Company”) (TSX: CHW), a North American commercial equipment finance provider for small and medium-sized businesses, today reported its results for the first quarter ended March 31, 2020 and provides a COVID-19 update.

“In contrast to our positive free cash flow for the quarter, and due to the onset of COVID-19, we recorded a large increase in our non-cash allowance for credit losses of more than \$15 million as well as a non-cash goodwill impairment on our investment in Blue Chip of \$12 million” said Barry Shafran, Chesswood’s President and CEO. “These two charges overshadowed a first quarter that generated Adjusted Operating Income of \$5.8 million before the increased provision for our allowance.”

“While \$5.8 million was \$1.6 million less than in the first quarter of last year, our net charge-offs this year were \$3.3 million higher than in the first quarter of last year, due in part to our portfolio being more than \$100 million larger than last year, along with the more elevated general levels of charge-offs we have spoken to over the last eighteen months. We did begin to see the improving expense metrics we anticipated, as Tandem moved closer to profitability in the quarter, before the onset of COVID-19, which changed all of our operations significantly” added Shafran.

<b>Financial Highlights</b> (in CDN \$000's, except EPS)	<b>For the Three Months</b>	
	<b>Ended March 31<sup>st</sup></b>	
	<b>2020</b>	<b>2019</b>
<b>Adjusted Operating Income<sup>(1)</sup></b>	<b>\$5,780</b>	\$7,343
Increase in Allowance	(15,315)	(1,825)
Intangible Asset Amortization	(333)	(333)
<b>Operating Income (Loss)</b>	<b>(9,868)</b>	5,185
Goodwill Impairment	(11,868)	-
Mark-to-market Swaps Loss	(598)	(503)
Other Non-cash Items	(193)	(112)
<b>Income (Loss) before Taxes</b>	<b>(22,527)</b>	4,570
<b>Net Income (Loss)</b>	<b>(\$19,827)</b>	\$3,071
<b>Free Cash Flow<sup>(1)</sup></b>	<b>\$4,243</b>	\$5,833
<b>Earnings (Loss) Per Share - basic</b>	<b>(\$1.12)</b>	\$0.17

(1) - See "Non-GAAP Measures" below.

**COVID UPDATE**

**Deferrals**

We continued to support our borrowers through payment accommodations and/or deferrals through April. On a positive note, the frequency of requests and grants declined significantly toward the end of April.

Through May 1<sup>st</sup>, Pawnee has provided deferrals to 24% of its customer base, with almost 90% of those customers receiving two-month deferrals. BlueChip has provided deferrals to 14% of its customer base and, while it has offered up to three-months of deferral, more than 95% of its customers that took a deferral, are making regular, reduced payments.

As businesses begin to re-open in late May and our customers' initial deferral periods begin to reach their end, we will be working with these customers to get them back on to their payment schedules as quickly as possible. Discussions with customers take place on a one-on-one basis. Our long history in collections has taught us that this approach maximizes outcomes for all. We do expect to incur higher than normal charge-offs in the coming months, as businesses re-open, due to the effects of the COVID-19 shutdown.

More than three-quarters of our customers did NOT seek payment accommodations/deferrals.

### **New Business Funding**

Pawnee and Tandem temporarily halted new originations late in April while we are in the process of working with the revolving credit facility syndicate for amendments which will better address COVID-19 related experience and expectations. Once completed, we expect to resume funding new transactions once again in the U.S. (at the more modest levels contemplated in Chesswood's annual MD&A). In Canada, Blue Chip continues to fund new business under its stricter COVID-19 credit guidelines.

We have already concluded COVID-19-related formal amendments arrangements with some of our lenders, and expect to finalize amendments with the remaining lenders in the next few weeks, if not earlier.

### **Staffing and Expenses**

Our recently announced decreases in staffing and reductions of management salaries by 20% was supplemented recently by a small number of additional layoffs and furloughs, unfortunately. Our personnel expenses have therefore been reduced by approximately 30% in addition to the suspension of directors' fees.

There remains uncertainty as to the ultimate duration and severity of the COVID-19 pandemic, and how quickly and on what scale U.S. and Canadian businesses will be reopened. Chesswood's management and directors look forward to the rehiring of as many laid-off staff as possible and a return to funding new business in the U.S. as soon as possible.

### **NON-GAAP MEASURES**

Adjusted Operating Income and Free Cash Flow are not recognized measures under International Financial Reporting Standards and do not have a standard meaning. Accordingly, these measures may not be comparable to similar measures presented by other issuers. Please refer to the Company's Management Discussion and Analysis in Chesswood's 2019 Annual Report and the 2020 First Quarter Report for additional information concerning these measures and a reconciliation of these measures to the Company's consolidated income before taxes.

### **ABOUT CHESSWOOD**

Through three wholly-owned subsidiaries in the U.S. and Canada, Chesswood Group Limited is North America's only publicly-traded commercial equipment finance company focused on small and medium-sized businesses. Our Colorado-based Pawnee Leasing Corporation, founded in 1982, finances a highly diversified portfolio of commercial equipment leases and loans through relationships with over 600 independent brokers in the U.S. In Canada, Blue Chip Leasing Corporation has been originating and servicing commercial equipment leases and loans since 1996, and today operates through a nationwide network of more than 50 independent brokers. Located in Houston, Texas, Tandem Finance Inc. provides equipment financing to small and medium-sized businesses in the U.S. through the equipment vendor channel. Based in Toronto, Canada, Chesswood's shares trade on the Toronto Stock Exchange under the symbol CHW.

Learn more at: [www.Chesswoodgroup.com](http://www.Chesswoodgroup.com) [www.PawneeLeasing.com](http://www.PawneeLeasing.com) [www.BlueChipLeasing.com](http://www.BlueChipLeasing.com) and [www.TandemFinance.com](http://www.TandemFinance.com)

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