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OTC PINK Symbol: QCCO

NEWS RELEASE

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QC Holdings, Inc. Reports Third Quarter 2023 Results

LENEXA, KS (November 28, 2023) – QC Holdings, Inc. (OTC PINK: QCCO) reported net loss of \$3.5 million and revenues of \$125.0 million for the nine months ended September 30, 2023. For the nine months ended September 30, 2022, the Company reported net loss of \$3.3 million and revenues of \$107.9 million.

The \$17.1 million increase in revenues during the first nine months of 2023 compared to 2022 is largely due to revenues from the more than 200 branches the Company purchased from Hutcheson Enterprises, Inc. (HE) on May 1, 2022. Further, gains across the network were partially offset by the impact of the Company closing its New Mexico branches during first quarter 2023 due to a law passed by the New Mexico legislature in 2022 that precludes the Company from offering its products and services in the state.

Loan loss rates increased from 33.2% for the nine months ended September 30, 2022 to 34.2% during the comparable 2023 period. This increase is primarily attributable to a higher proportion of new customers to returning customers compared to the prior year. New customers default at a higher rate than returning customers due to lack of familiarity with the product and loan requirements. In addition, the loss rates on the products offered in the acquired HE branches have trended slightly higher than the Company's existing portfolio. During third quarter 2023, the HE branches were fully integrated into the Company's loan management system, resulting in all products and services now being subject to the Company's typical underwriting procedures and guidelines.

Operating expenses increased for the nine months ended September 30, 2023 over the comparable 2022 period due to the inclusion of HE operating costs. In addition, compensation costs increased slightly across the Company's network due to wage increases in response to inflationary pressures and broader competitive pressures. The Company's corporate and regional expenses increased over prior year due to the HE acquisition and higher compensation costs associated with additional headcount.

The Company's receivables declined \$5.0 million from September 30, 2022 due to the closure of the New Mexico branches, an anticipated reduction in factoring receivables and the integration of the HE acquired branches into QCHI operations.

The Company expects loan demand to increase in fourth quarter, consistent with typical seasonality. As expected, the Company's loan losses increased in first nine months of 2023 over 2022. The Company believes loan loss rates will continue to trend higher than prior year due to the evolving mix of new and returning customers, as well as the cumulative impact of broader economic uncertainties, including continuing inflation and lack of real wage growth.

In August 2023, the Company amended its existing credit arrangement to provide for additional borrowing capacity for operational, growth and seasonal needs. The amendment provides up to an additional \$15 million borrowing capacity depending on the balance of eligible loans receivable as defined in the agreement.

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 332 branches in 12 states, and via the internet in 10 states, as of October 31, 2023. In Canada, the Company, through its 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 impact of persistent inflation on the ability of consumers to repay loans and the wage pressures on the Company, (2) risks associated with integration of recent acquisitions into the Company's operations, (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 New Mexico legislation that effectively prohibits the Company's loan products in that state, (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) litigation or regulatory action directed towards us or the short-term consumer loan industry, (8) volatility in our earnings, primarily as a result of fluctuations in loan loss experience and closures of branches, (9) risks associated with our dependence on cash management banking services and the Automated Clearing House for loan collections, (10) 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, (11) changes in our key management personnel, (12) risks associated with owning and managing non-U.S. businesses, and (13) 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 Income
(in thousands, except per share amounts)
(Unaudited)

	<u>Quarter Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues				
Consumer loan interest and fees	\$ 40,560	\$ 42,593	\$ 117,705	\$ 98,778
Other	<u>2,594</u>	<u>3,215</u>	<u>7,250</u>	<u>9,147</u>
Total revenues	43,124	45,808	124,955	107,925
Provision for losses	16,170	17,649	42,755	35,873
Operating expenses	<u>18,686</u>	<u>18,690</u>	<u>53,758</u>	<u>47,680</u>
Gross profit	8,268	9,469	28,442	24,372
Corporate and Regional expenses	6,804	6,692	20,413	19,122
Interest expense, net	3,119	2,818	9,084	5,645
Other expense, net	<u>603</u>	<u>1,158</u>	<u>2,023</u>	<u>1,942</u>
Loss before income taxes	(2,258)	(1,199)	(3,078)	(2,337)
Provision for income taxes	<u>138</u>	<u>406</u>	<u>461</u>	<u>924</u>
Net loss	<u>\$ (2,396)</u>	<u>\$ (1,605)</u>	<u>\$ (3,539)</u>	<u>\$ (3,261)</u>
Loss per share:				
<i>Basic</i>				
Net loss	<u>\$ (0.14)</u>	<u>\$ (0.09)</u>	<u>\$ (0.20)</u>	<u>\$ (0.19)</u>
<i>Diluted</i>				
Net loss	<u>\$ (0.14)</u>	<u>\$ (0.09)</u>	<u>\$ (0.20)</u>	<u>\$ (0.19)</u>
Weighted average number of common shares outstanding:				
Basic	17,300	17,300	17,300	17,331
Diluted	17,318	17,300	17,313	17,331

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

	September 30, <u>2023</u>	December 31, <u>2022</u>
	<i>(Unaudited)</i>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,356	\$ 15,918
Restricted cash	811	971
Loans receivable, less allowance for losses of \$11,791 and \$14,169 at September 30, 2023 and December 31, 2022, respectively	59,221	65,823
Other current assets	<u>4,242</u>	<u>3,336</u>
Total current assets	80,630	86,048
Non-current loans receivable, less allowance for losses of \$662 and \$558 at September 30, 2023 and December 31, 2022, respectively	2,172	3,047
Property and equipment, net	6,917	7,193
Right-of-use asset, net	24,351	25,607
Other assets, net	<u>23,616</u>	<u>22,814</u>
Total assets	<u>\$137,686</u>	<u>\$144,709</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	\$ 13,197	\$ 14,006
Lease liability	4,995	6,189
Debt due within one year	<u>2,259</u>	<u>2,287</u>
Total current liabilities	20,451	22,482
Long-term debt, less current portion	67,106	68,790
Lease liability	<u>22,443</u>	<u>22,217</u>
Total liabilities	110,000	113,489
Stockholders' equity	<u>27,686</u>	<u>31,220</u>
Total liabilities and stockholders' equity	<u>\$137,686</u>	<u>\$144,709</u>

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

	<u>Nine Months Ended September 30, 2023</u>	<u>Nine Months Ended September 30, 2022</u>
Operating activities:		
Net loss	\$ (3,539)	\$ (3,261)
Adjustments to reconcile net loss to net cash	47,766	40,221
Changes in assets and liabilities	<u>(401)</u>	<u>2,876</u>
Net operating	<u>43,826</u>	<u>39,836</u>
Investing activities:		
Loan activity, net	(39,853)	(42,328)
Capital expenditures	(1,320)	(1,384)
Acquisitions, net of cash	<u>-</u>	<u>(30,230)</u>
Net investing	<u>(41,173)</u>	<u>(73,942)</u>
Financing activities:		
Indebtedness activity, net	(2,374)	39,079
Repurchase of common stock	-	(682)
Dividends to stockholders	<u>-</u>	<u>(865)</u>
Net financing	<u>(2,374)</u>	<u>37,532</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(1)</u>	<u>38</u>
Net increase in cash, cash equivalents and restricted cash	278	3,464
Cash, cash equivalents and restricted cash at beginning of year	<u>16,889</u>	<u>15,270</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 17,167</u>	<u>\$ 18,734</u>