



NICHOLAS

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**Nicholas Financial Reports
1st Quarter Fiscal Year 2022 Results**

- *Income year-over-year before income taxes for the three months ended June 30, 2021 increased by 25.2% compared to prior year first quarter*
- *Pre-tax yield for the three months ended June 30, 2021 increased to 5.1% compared to 3.5% during the prior year first quarter*
- *Originations year-over-year on new Contracts purchased for the three months ended June 30, 2021 increased by 20.9% compared to prior year first quarter*
- *Originations year-over-year on Direct Loans for the three months ended June 30, 2021 increased by 136.4% compared to prior year first quarter*
- *Accounts 60+ days delinquent decreased to 1.9%, excluding Chapter 13 bankruptcy accounts, compared to 2.5% as of the prior year first quarter*
- *Net Portfolio Yield for the three months ended June 30, 2021 increased to 23.5% compared to 17.2% during the prior year first quarter*

July 30, 2021 – Clearwater, Florida - Nicholas Financial, Inc. (NASDAQ: NICK) announced net income for the three months ended June 30, 2021 of \$1.7 million compared to \$1.4 million for the three months ended June 30, 2020. Diluted net income per share was \$0.22 for the three months ended June 30, 2021 as compared to \$0.18 for the three months ended June 30, 2020. Revenue decreased 11.0% to \$12.6 million for the three months ended June 30, 2021 as compared to \$14.2 million for the three months ended June 30, 2020. The Company reported income before income taxes for the three months ended June 30, 2021 of \$2.3 million compared to \$1.9 million for the three months ended June 30, 2020. The Company recorded an income tax expense of approximately \$0.6 million during the three months ended June 30, 2021 as compared to \$0.4 million during the three months ended June 30, 2020.

During the quarter ended June 30, 2021, the Company originated \$26.0 million in finance receivables, collected \$30.0 million in principal payments, reduced debt by \$13.4 million and cash by \$9.5 million.

“The more exciting news this quarter is the realization of year-over-year increases in both new indirect contract purchases and direct loan originations,” stated Doug Marohn, President and CEO of Nicholas Financial, Inc. “This has helped level off the liquidation rate of our portfolio. We have not returned to a net portfolio growth situation quite yet, but the rate of shrinkage has slowed.”

“Helping to fuel those year-over-year increases in production is our continued focus on the Direct Loan product as well as the commitment to expanding our branch network. The Direct Loan product continues to gain momentum and is becoming a larger portion of our portfolio every month. In terms of expansion, we have reentered the Houston, Texas market and expect to open the branch in the 2nd Quarter of FY 2022. We are also actively working the Dallas, San Antonio and Austin markets in Texas and plan to open offices there this fiscal year. Phoenix, Arizona is currently being developed, as well,” continued Marohn.

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“The elevated operational expense is attributed to our investments in our workforce and our network,” concluded Marohn. “As a result of our improved financial results, we are able to reinvest in technology, training, personnel development as well the expansion of our branch network. These investments will yield positive results for years to come.”

The 2021 Annual General Meeting of Shareholders of Nicholas Financial, Inc. will be held at the Company’s Central Business Operations hub, located at 3600 Arco Corporate Drive, Charlotte, North Carolina 28273, Suite 210, on Thursday, September 2, 2021, at 11:00 a.m. EST. The Company will simultaneously hold a virtual shareholder meeting. The URL Path for the virtual meeting is <https://agm.issuerdirect.com/nick>.

Key Performance Indicators on Contracts Purchased
(Purchases in thousands)

Fiscal Year /Quarter	Number of Contracts Purchased	Principal Amount Purchased#	Average Amount Financed*^	Average APR*	Average Discount%*	Average Term*
2022	1,947	\$ 20,305	\$ 10,429	23.2 %	7.0 %	46
1	1,947	20,305	10,429	23.2 %	7.0 %	46
2021	7,307	\$ 74,025	\$ 10,135	23.4 %	7.5 %	46
4	2,429	24,637	10,143	23.2 %	7.5 %	46
3	1,483	15,285	10,307	23.4 %	7.5 %	46
2	1,709	17,307	10,127	23.5 %	6.8 %	46
1	1,686	16,796	9,962	23.5 %	8.0 %	46
2020	7,647	\$ 76,696	\$ 10,035	23.4 %	7.9 %	47
4	1,991	19,658	9,873	23.5 %	7.9 %	46
3	1,753	17,880	10,200	23.3 %	7.6 %	47
2	2,011	20,104	9,997	23.5 %	7.9 %	46
1	1,892	19,054	10,071	23.4 %	8.3 %	47
2019	7,684	\$ 77,499	\$ 10,091	23.6 %	8.2 %	47

Key Performance Indicators on Direct Loans Originated
(Originations in thousands)

Fiscal Year /Quarter	Number of Loans Originated	Principal Amount Originated	Average Amount Financed*^	Average APR*	Average Term*
2022	1,316	\$ 5,737	\$ 4,359	30.1 %	25
1	1,316	5,737	4,359	30.1 %	25
2021	3,497	\$ 14,148	\$ 4,131	29.6 %	25
4	753	3,284	4,362	29.6 %	25
3	1,265	4,605	3,641	30.9 %	22
2	924	3,832	4,147	29.2 %	25
1	555	2,427	4,373	28.7 %	26
2020	3,142	\$ 12,638	\$ 4,017	28.2 %	25
4	720	3,104	4,310	28.6 %	25
3	1,137	4,490	3,949	28.4 %	24
2	739	2,988	4,043	27.4 %	25
1	546	2,056	3,765	28.2 %	24
2019	1,918	\$ 7,741	\$ 4,036	26.4 %	26

*Each average included in the tables is calculated as a simple average.

^Average amount financed is calculated as a single loan amount.

#Bulk portfolio purchase excluded for period-over-period comparability

Nicholas Financial, Inc. (NASDAQ:NICK) is a specialized consumer finance company, operating branch locations in both Southeastern and Midwestern U.S. States. The Company engages primarily in acquiring and servicing automobile finance installment contracts (“Contracts”) for purchases of used and new automobiles and light trucks. Additionally, Nicholas Financial originates direct consumer loans (“Direct Loans”) and sells consumer-finance related products. For an index of Nicholas Financial, Inc’s new releases or to obtain a specific release, please visit our website at www.nicholasfinancial.com.

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Cautionary Note regarding Forward-Looking Statements

This press release may contain various “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, that represent the Company’s current expectations or beliefs concerning future events. Statements other than those of historical fact, as well as those identified by words such as “anticipate,” “estimate,” “intend,” “plan,” “expect,” “project,” “believe,” “may,” “will,” “should,” “would,” “could,” “probable” and any variation of the foregoing and similar expressions are forward-looking statements. Such forward-looking statements are inherently subject to risks and uncertainties. The Company’s actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause actual results or performance to differ from the expectations expressed or implied in such forward-looking statements include the following: the ongoing impact of the COVID-19 pandemic and the mitigation efforts by governments and related effects on our financial condition, business operations and liquidity, our customers, our employees, and the overall economy; recently enacted, proposed or future legislation and the manner in which it is implemented; changes in the U.S. tax code; the nature and scope of regulatory authority, particularly discretionary authority, that may be exercised by regulators, including, but not limited to, the Securities and Exchange Commission (SEC), Department of Justice, U.S. Consumer Financial Protection Bureau, and individual state regulators having jurisdiction over the Company; the unpredictable nature of regulatory proceedings and litigation; employee misconduct or misconduct by third parties; uncertainties associated with management turnover and the effective succession of senior management; media and public characterization of consumer installment loans; labor unrest; the impact of changes in accounting rules and regulations, or their interpretation or application, which could materially and adversely affect the Company’s reported consolidated financial statements or necessitate material delays or changes in the issuance of the Company’s audited consolidated financial statements; the Company’s assessment of its internal control over financial reporting; changes in interest rates; risks relating to the acquisition or sale of assets or businesses or other strategic initiatives, including increased loan delinquencies or net charge-offs, the loss of key personnel, integration or migration issues, the failure to achieve anticipated synergies, increased costs of servicing, incomplete records, and retention of customers; risks inherent in making loans, including repayment risks and value of collateral; cybersecurity threats, including the potential misappropriation of assets or sensitive information, corruption of data or operational disruption; our dependence on debt and the potential impact of limitations in the Company’s amended revolving credit facility or other impacts on the Company’s ability to borrow money on favorable terms, or at all; the timing and amount of revenues that may be recognized by the Company; changes in current revenue and expense trends (including trends affecting delinquency and charge-offs); the impact of extreme weather events and natural disasters; changes in the Company’s markets and general changes in the economy (particularly in the markets served by the Company). All forward-looking statements and cautionary statements included in this document are made as of the date hereof based on information available to the Company as of the date hereof, and the Company assumes no obligation to update any forward-looking statement or cautionary statement.

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Nicholas Financial, Inc.
Condensed Consolidated Statements of Income
(Unaudited, Dollars in Thousands, Except Share and Per Share Amounts)

	Three months ended	
	June 30,	
	2021	2020
Revenue:		
Interest and fee income on finance receivables	\$ 12,594	\$ 14,151
Expenses:		
Operating expenses	8,348	7,343
Provision for credit losses	730	3,300
Interest expense	1,188	1,649
Total expenses	10,266	12,292
Income before income taxes	2,328	1,859
Income tax expense	599	429
Net income	<u>\$ 1,729</u>	<u>\$ 1,430</u>
Earnings per share:		
Basic	<u>\$ 0.22</u>	<u>\$ 0.18</u>
Diluted	<u>\$ 0.22</u>	<u>\$ 0.18</u>

Condensed Consolidated Balance Sheets
(Unaudited, In Thousands)

	June 30,	March 31,
	2021	2021
Cash and restricted cash	\$ 23,473	\$ 32,977
Finance receivables, net	168,128	170,318
Reposessed assets	805	685
Operating lease right-of-use assets	3,430	3,392
Other assets	4,772	5,066
Total assets	<u>\$ 200,608</u>	<u>\$ 212,438</u>
Credit facility, net of debt issuance costs	\$ 72,871	\$ 86,154
Note payable	3,244	3,244
Operating lease liabilities	3,410	3,367
Other liabilities	4,751	4,451
Total liabilities	84,276	97,216
Shareholders' equity	116,332	115,222
Total liabilities and shareholders' equity	<u>\$ 200,608</u>	<u>\$ 212,438</u>
Book value per share	<u>\$ 15.21</u>	<u>\$ 14.95</u>

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Three months ended

June 30,

(In thousands)

Portfolio Summary

	<u>2021</u>	<u>2020</u>
Average finance receivables (1)	\$ 181,970	\$ 213,859
Average indebtedness (2)	\$ 79,217	\$ 122,786
Interest and fee income on finance receivables	\$ 12,594	\$ 14,151
Interest expense	1,188	1,649
Net interest and fee income on finance receivables	\$ 11,406	\$ 12,502
Portfolio yield (3)	27.68 %	26.47 %
Interest expense as a percentage of average finance receivables	2.61 %	3.08 %
Provision for credit losses as a percentage of average finance receivables	1.60 %	6.17 %
Net portfolio yield (3)	23.47 %	17.22 %
Operating expenses as a percentage of average finance receivables	18.35 %	13.73 %
Pre-tax yield as a percentage of average finance receivables (4)	5.12 %	3.49 %
Net charge-off percentage (5)	3.59 %	6.01 %
Finance receivables	\$ 180,823	\$ 208,808
Allowance percentage (6)	2.90 %	5.39 %
Total reserves percentage (7)	7.01 %	9.56 %

Note: All three-month statement of income performance indicators expressed as percentages have been annualized.

- (1) Average finance receivables represent the average of finance receivables throughout the period.
- (2) Average indebtedness represents the average outstanding borrowings under the Credit Facility.
- (3) Portfolio yield represents interest and fee income on finance receivables as a percentage of average finance receivables. Net portfolio yield represents (a) interest and fee income on finance receivables minus (b) interest expense minus (c) the provision for credit losses, as a percentage of average finance receivables.
- (4) Pre-tax yield represents net portfolio yield minus operating expenses, as a percentage of average finance receivables.
- (5) Net charge-off percentage represents net charge-offs (charge-offs less recoveries) divided by average finance receivables, outstanding during the period.
- (6) Allowance percentage represents the allowance for credit losses divided by finance receivables outstanding as of ending balance sheet date.
- (7) Total reserves percentage represents the allowance for credit losses, purchase price discount, and unearned dealer discounts divided by finance receivables outstanding as of ending balance sheet date.

The following tables present certain information regarding the delinquency rates experienced by the Company with respect to automobile finance installment contracts (“Contracts”) and direct consumer loans (“Direct Loans”), excluding any Chapter 13 bankruptcy accounts:

(In thousands, except percentages)

Contracts	Balance					
	Outstanding	30 – 59 days	60 – 89 days	90 – 119 days	120+	Total
June 30, 2021	\$ 164,929	\$ 7,087	\$ 2,575	\$ 644	\$ 10	\$ 10,316
		4.30 %	1.56 %	0.39 %	0.01 %	6.26 %
June 30, 2020	\$ 196,943	\$ 9,584	\$ 3,595	\$ 1,334	\$ 26	\$ 14,539
		4.87 %	1.83 %	0.68 %	0.01 %	7.39 %

Direct Loans	Balance					
	Outstanding	30 – 59 days	60 – 89 days	90 – 119 days	120+	Total
June 30, 2021	\$ 15,721	\$ 285	\$ 70	\$ 53	\$ 0	\$ 408
		1.81 %	0.45 %	0.34 %	0.00 %	2.60 %
June 30, 2020	\$ 11,684	\$ 244	\$ 81	\$ 79	\$ 0	\$ 404
		2.09 %	0.69 %	0.68 %	0.00 %	3.46 %

The following table presents selected information on Contracts purchased and Direct Loans originated by the Company:

	Contracts		Direct Loans	
	Three months ended		Three months ended	
	June 30,		June 30,	
	(Purchases in thousands)		(Originations in thousands)	
	2021	2020	2021	2020
Purchases/Originations	\$ 20,305	\$ 16,796	\$ 5,737	\$ 2,427
Average APR	23.2 %	23.5 %	30.1 %	28.7 %
Average discount	7.0 %	8.0 %	N/A	N/A
Average term (months)	46	46	25	26
Average amount financed	\$ 10,429	\$ 9,962	\$ 4,359	\$ 4,373
Number of contracts	1,947	1,686	1,316	555

The following table presents selected information on the entire Contract and Direct Loan portfolios of the Company:

Portfolio	Contracts		Direct Loans	
	As of		As of	
	June 30,		June 30,	
	2021	2020	2021	2020
Average APR	22.8 %	22.6 %	28.8 %	27.4 %
Average discount	7.53 %	7.62 %	N/A	N/A
Average term (months)	50	51	27	27
Number of active contracts	21,995	25,931	4,354	3,412

End