

goeasy

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Declaration of Academic Integrity

** The group hereby provides confirmation that all work is our own, except where we have acknowledged the use of the works of other people. **

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Kyle Bacciaglia 

Matthew Clement 

Daniel Martella 

Introductory Summary (All Members)

The firm to be analyzed is goeasy. The company is broken up into two separate divisions: easyfinancial and easyhome. goeasy targets the non-prime consumer market through their loan packages and services. The reason we chose this firm involves a few factors. The first being that it is a large enough company and is publicly traded, with its operations based only in Canada. This allows us to focus solely on Canada for the macro environment, leading to more detailed results. Another reason it was selected is that some group members have had experience analyzing the firm and felt that it would be appropriate and interesting to further research. Lastly, the company has information readily accessible online. The sources the team will use for the majority of the research include government websites/databases (StatsCan, Bank of Canada, Financial Consumer Agency of Canada, etc.), big four reports (Deloitte, PwC, etc.), private commercial databases (Bloomberg, TransUnion, etc.), and quality business media sources (Bloomberg, Investopedia, etc.).

Aryan Ahadimoghaddam: Strong understanding of fundamentals and macroeconomic analysis as demonstrated through his finance major. Additionally, he has a strong technical knowledge with regards to computer science, which can be attributed to his minor in computer science. Aryan's weakness is that he takes many breaks, which can slow the flow of work.

Kyle Bacciaglia: Very good at accounting and finance, as displayed by his accounting major. He is also a good team member and a hard worker. He does tend to struggle with his writing ability.

Matthew Clement: He is a reliable team member who produces good research and quality writing. His biggest weakness is that he tends to underprepare for public speaking and presentations.

Daniel Martella: Has strong skills in writing and speaking and is a good facilitator. Also, he has developed skills in accounting and computer applications through taking accounting and information systems at Sprott. Research skills are good but sometimes has difficulty relating certain trends. Along with this, he sometimes procrastinates performing research when information is difficult to find.

Executive Summary (All Members)

The Macro Environment analysis consists of many opportunities and threats. COVID-19 has been significant in changing the current landscape in which businesses operate. This leaves great opportunities for goeasy to take advantage of as well as threats that need to be considered when making business decisions. The Industry Environment is deemed to be moderately attractive. This is because there are threats that goeasy must be weary of, such as the lending industry's high level of competitive rivalry and high supplier power in the form of bondholders. These factors present obstacles that can hinder firm performance in the industry and must be made aware of by competing firms. The key value chain functions for goeasy include operations, corporate leadership, and innovation. goeasy's narrow differentiation strategy depends on these value chain functions to succeed. goeasy is not vertically integrated or horizontally integrated. Its sole purpose is to provide its services to the end consumer, and it does not have any business or partnership outside of its current industry of financial lending. Geographic expansion into Quebec is recommended, more specifically, the cities of Montreal and Quebec City. This is because they make up most of the population in Quebec and have large, urban environments. For goeasy's business-level strategy, it chooses to take a narrow differentiation approach. The firm should continue to expand its product ecosystem and offer quality services to the non-prime consumer market. With that,

this should help reduce graduating consumers from no longer using their services.

Overall, goeasy can create a sustainable competitive advantage through the refinancing of debt, continuing to differentiate its products, and spearhead its expansion into Quebec.

Part I – Macro Environment

Technology Environment (Daniel Martella)

The first area in the macro environment to be analyzed is the technology sector. Technology, in general, has been evolving at an increasingly rapid rate while becoming easier to access. Considering Moore's Law makes sense of this, as when "the speed and capability of (technology) increases, we will pay less for them."¹ The first notable trend in Canada is the use of mobile devices and their capabilities. As of 2018, 88.1% of internet users over the age of 15 have a smartphone.² A survey from 2017 also displays that smartphones are the top device owned by Canadians, followed by other portable devices such as laptops and tablets.³ When relating to low-income borrowers, this technology is relevant as it is

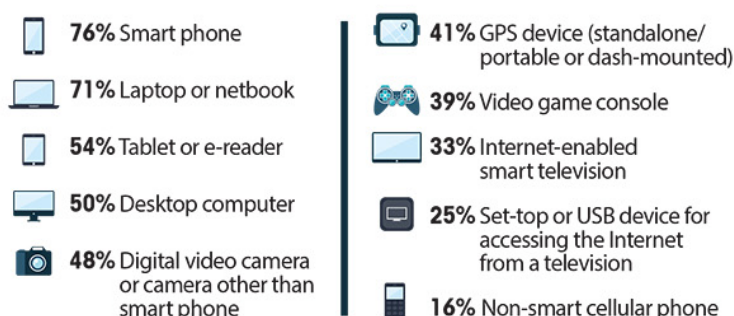
¹ Tardi, Carla. "Moore's Law Explained." Investopedia. Investopedia, September 16, 2020. <https://www.investopedia.com/terms/m/mooreslaw.asp#:~:text=Creating%20the%20Impossible%3F-.What%20Is%20Moore's%20Law%3F,will%20pay%20less%20for%20them.>

² Government of Canada, Statistics Canada, "Smartphone Use and Smartphone Habits by Gender and Age Group," Smartphone use and smartphone habits by gender and age group (Government of Canada, Statistics Canada, October 29, 2019), <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2210011501>.

³ Statistics Canada Government of Canada, "The Internet and Digital Technology," Government of Canada, Statistics Canada, November 14, 2017, <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2017032-eng.htm>.

cheaper to access, meaning most people can own a mobile device despite earning a smaller income.

Top 10 devices owned.



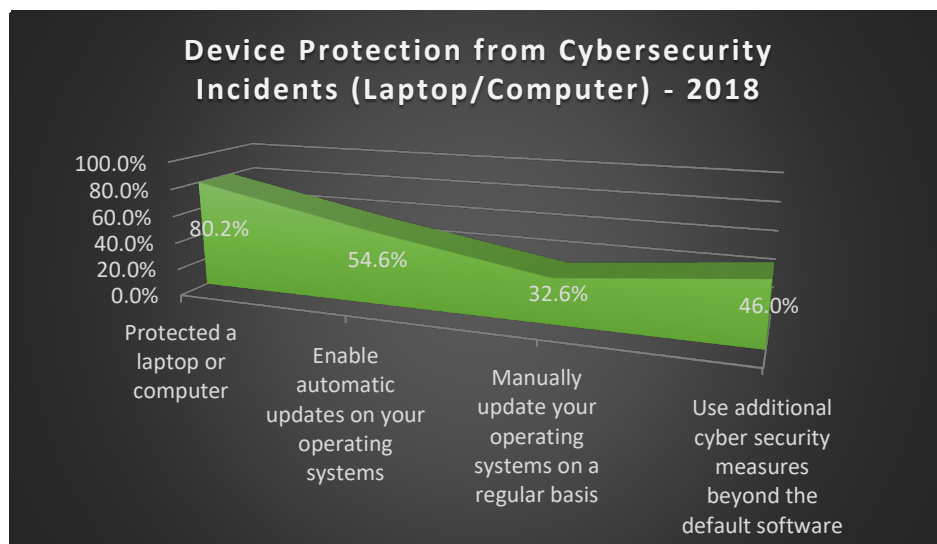
<https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2017032-eng.htm>

With this increase in mobile access, the “digital wallet” is becoming a more dependable tool. As per PwC, the digital wallet provides “consumers a fast, secure, low-cost method to use, store and send money over the Internet.”⁴ When paired with the percentage of Canadians who own a mobile device, this creates an immense opportunity for lenders who can adapt to the new technology. This correlation of mobile access and a digital wallet ecosystem displays that consumers are becoming more comfortable with online financial services. Additionally, this provides greater convenience to firms and consumers, as both can control when and how they want to complete a transaction. The threat to be weary of, though, is

⁴ “Financial Services Technology 2020 and Beyond: Embracing Disruption,” PwC (PwC, 2020), <https://www.pwc.com/gx/en/financial-services/assets/pdf/technology2020-and-beyond.pdf>.

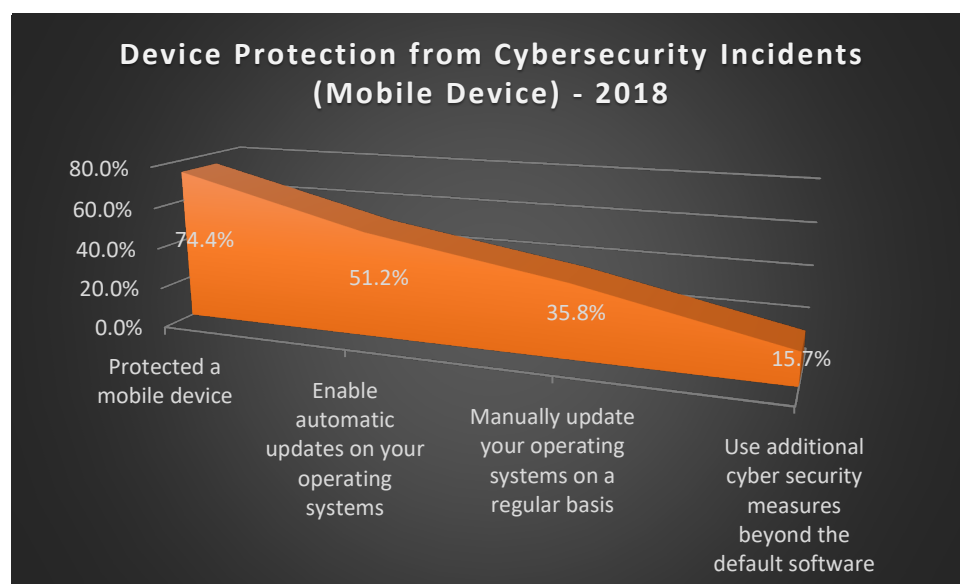
the level of security and privacy one's data has in a digital world. This leads to the next trend to be talked about, which is cybersecurity.

When it comes to cybersecurity and one's privacy online, there are a lot of factors to consider. Was the individual provoked into the attack? Was it out of their control? Or did they have security software implemented to protect them in the first place? These are all questions that can be solved through the analysis of the technological trend of cybersecurity. Data from 2018 was taken via Statistics Canada to produce the charts below, showing that most devices are being protected in some way. Laptops/computers are protected 80.2% of the time, and mobile devices 74.4%.⁵ However, when analyzing how they are being protected, manually updating the operating system and using additional software for protection is less used (even more so in mobile devices).



⁵ Government of Canada, Statistics Canada, "Device Protection from Cyber Security Incidents," Device protection from cyber security incidents (Government of Canada, Statistics Canada, October 29, 2019), <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2210010701>.

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2210010701>

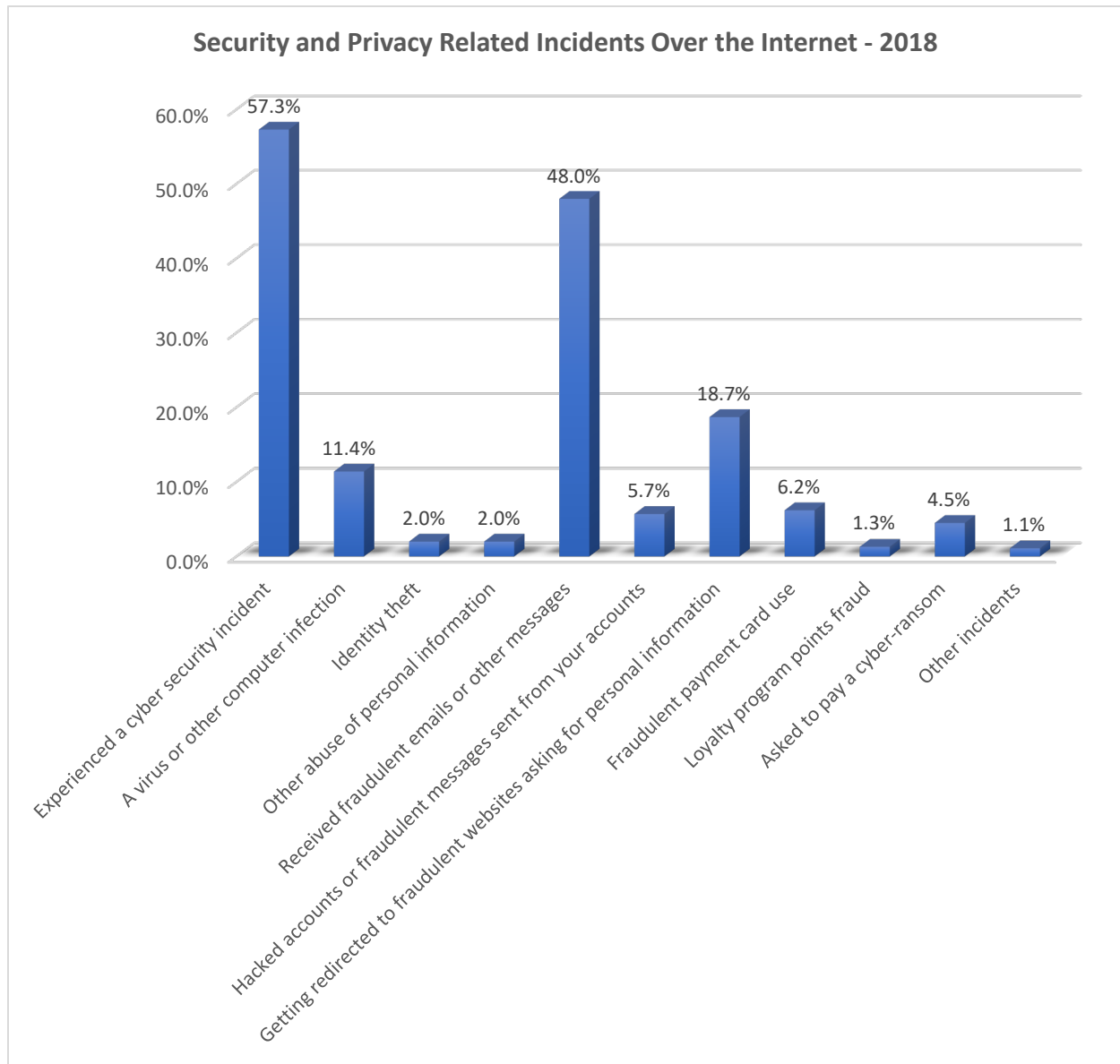


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For the types of cybersecurity and privacy incidents, survey data suggests that over half of those aged 15 years or older have experienced some sort of incident online.⁶ The majority of the incidents incurred are through fraudulent emails or messages, being redirected to fraudulent websites asking for personal information, and viruses.⁷ This data, along with other incidents, can be viewed in the graph below.

⁶ “Internet Security and Privacy Related Incidents over the Internet by Age Group,” Statistics Canada: Canada's national statistical agency / Statistique Canada : Organisme statistique national du Canada (Statistics Canada), accessed January 30, 2021, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2210010901>.

⁷ Ibid.

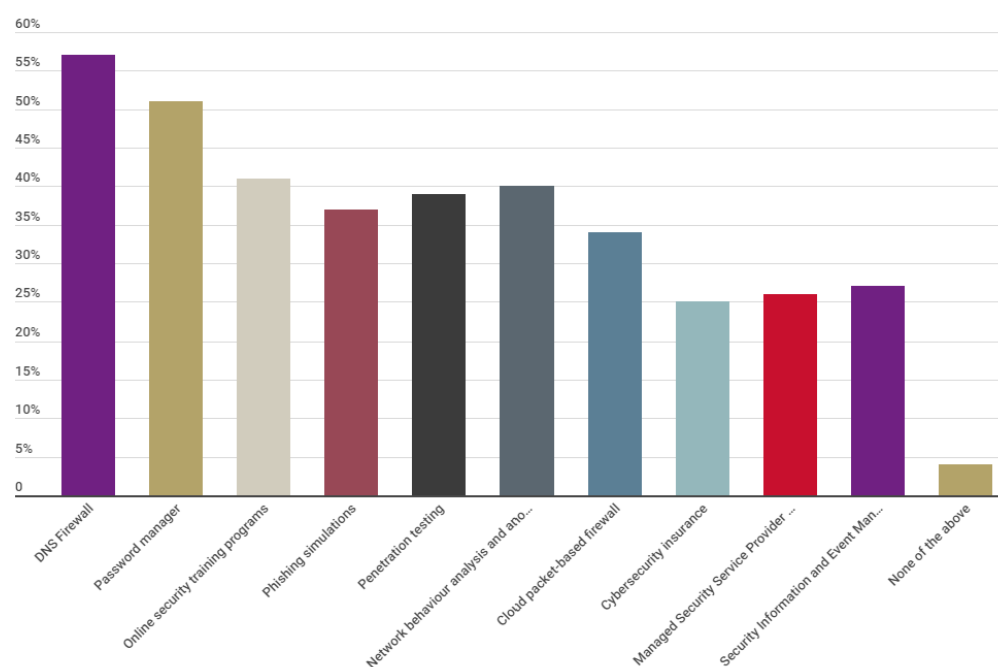


<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2210010901>

This poses a serious threat to the lending industry as lots of sensitive information surrounding consumers is processed and stored online. A major combatant that businesses and individuals are using to protect themselves is the use of Virtual Private Networks (VPNs). A VPN works by establishing a secure connection between a user or users to the internet. The VPN then routes all the

user's data through an encrypted virtual tunnel. This disguises the user's IP address when online and is also secure against external attacks.⁸ Over the past two years, businesses are beginning to implement this software—both graphs below display data gathered by the Canadian Internet Registration Authority (CIRA). The first is from 2019 where VPNs did not make an appearance. However, in 2020 VPNs are now at the top spot when it comes to software used to prevent cyber threats.⁹

2019 Cybersecurity Layers Used

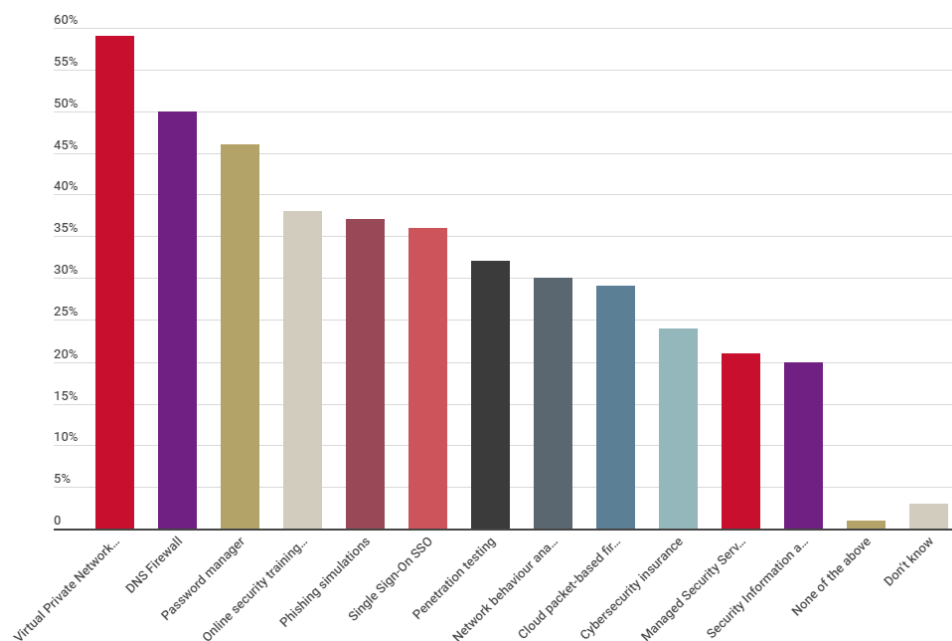


<https://www.cira.ca/cybersecurity-report-2020>

⁸ Kaspersky, “What Is a VPN and How Does It Work?,” [www.kaspersky.com](https://www.kaspersky.com/resource-center/definitions/what-is-a-vpn), January 13, 2021, <https://www.kaspersky.com/resource-center/definitions/what-is-a-vpn>.

⁹ “2020 CIRA Cybersecurity Report,” Canadian Internet Registration Authority (CIRA) (CIRA), accessed January 30, 2021, <https://www.cira.ca/cybersecurity-report-2020>.

2020 Cybersecurity Layers Used



<https://www.cira.ca/cybersecurity-report-2020>

This is a great opportunity for businesses and people to get acquainted with this software, as it is easy to setup and relatively inexpensive to purchase. Here is a pricing example (in USD) from a top VPN provider (perimeter 81).¹⁰

Pick your plan

Monthly ☐ Annual (Save 20%) ☒

Essentials

All the basics you need to secure and manage your network.

\$8

per user/mo billed annually
+ \$40/mo per gateway

Select Plan

*Minimum of 5 users

Premium

Advanced management network security features for larger businesses.

\$12

per user/mo billed annually
+ \$40/mo per gateway

Select Plan

*Minimum of 10 users

Enterprise

Enterprise-ready security features to customize and manage your network.

Custom

+ \$40/mo per gateway

Contact Sales

*Minimum of 50 users

¹⁰ "Pricing Plans," Perimeter 81 (Perimeter 81), accessed January 30, 2021, https://www.perimeter81.com/pricing?a_aid=146.

https://www.perimeter81.com/pricing?a_aid=146

With this, businesses such as those in the online lending or retail industries can rest assured that their information/data is protected as well as those of their clients. Although nothing is guaranteed, VPNs help mitigate cyber-attacks within these industries.

One other tech trend that needs to be analyzed is the breakout of Fintech and Financial Engineering. Fintech is a term used to describe new technology intended to augment and automate the delivery and use of financial services. It helps businesses, owners, and consumers “better manage their financial operations, processes, and lives by utilizing specialized software and algorithms that are used on computers and smartphones”.¹¹ Financial engineering coincides with Fintech as it is “the use of mathematical techniques to solve financial problems.”¹² With both of these trends, there are immense opportunities for lending firms to use these techniques to develop loan packages and applications that can better serve their customer base. In addition, services should become more convenient and efficient

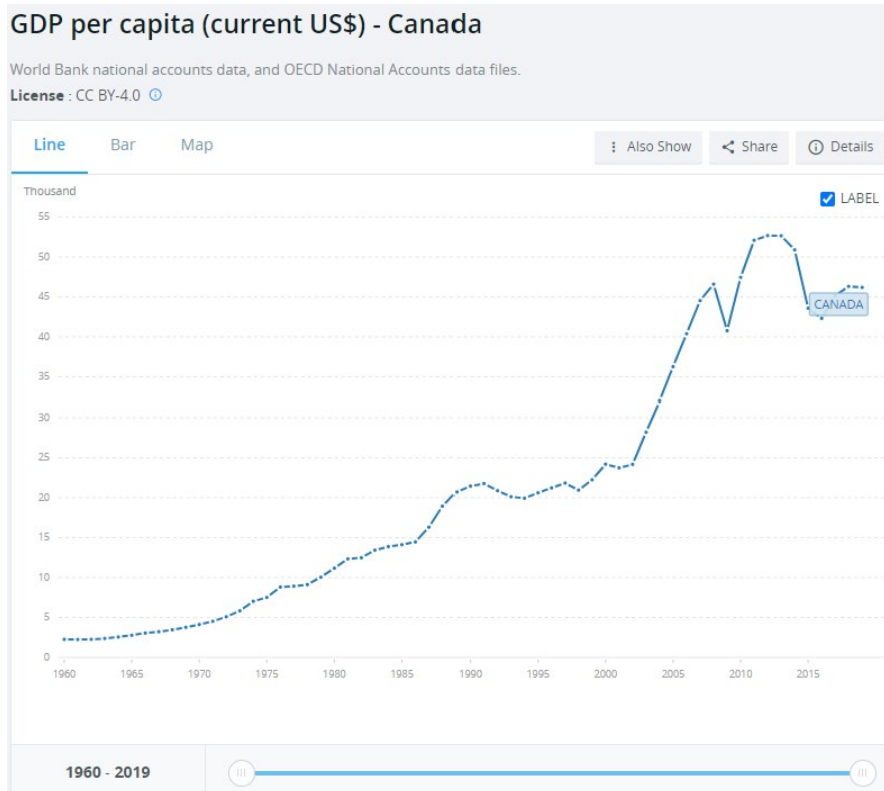
¹¹ Julia Kagan, “Financial Technology – Fintech,” Investopedia (Investopedia, December 4, 2020), <https://www.investopedia.com/terms/f/fintech.asp>.

¹² Alicia Tuovila, “Financial Engineering Definition,” Investopedia (Investopedia, March 30, 2021), <https://www.investopedia.com/terms/f/financialengineering.asp#:~:text=Financial%20engineering%20is%20the%20use,new%20and%20innovative%20financial%20products>.

for both the firm and the end consumer as they can develop improved ways to expend and receive money.

Economic Environment (Daniel Martella)

The next area in the macro-environment that will be analyzed is the economic environment. The first thing that is important to know is the real GDP per capita in Canada. According to the World Bank, Canada's most recent GDP per capita statistic from 2019 was \$46,194.70 (in USD).¹³ The economic trend for Canada's real GDP per capita also follows a steady upward trend, which is an indicator of economic health.



¹³ "GDP per Capita (Current US\$) - Canada," Data, accessed January 30, 2021, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CA>.

<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CA>

This displays that Canada's economy is healthy, as the value of its goods and services produced as years pass has been quite positive. This would lead to more spending by consumers on goods and services. Additionally, firms can feel confident investing more due to the strong economy leading to future growth.¹⁴

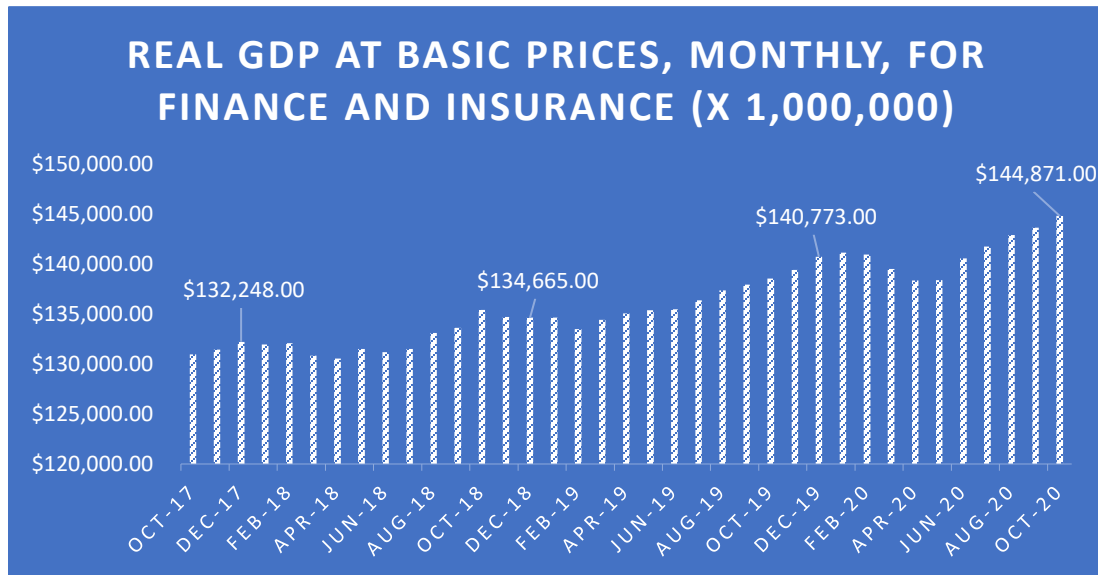
Aside from the overall GDP per capita in Canada, two powerful and relevant industries, such as financial services and retail trade, can be analyzed further. With that, industry GDP per capita results are an important statistic as it provides more insight for companies that involve banking or lending activities. As per the charts below, both industries look to be healthy and have been steadily growing over the last few years.¹⁵ This is a good indicator for firms in these markets as it reaffirms that it is healthy and consistently improving. The opportunity this brings is that firms can continue to invest in a stable market in two growing industries and attract an increasing consumer base for services such as lending and retail. However, a notable threat this brings is the potential for a second-mover advantage. This means that another company can take what a business does and try to improve it (i.e., lower rates for loans, ease of access, lower prices) and attract the new

¹⁴Statistics South Africa, "What Is GDP and Its Impact?," Statistics South Africa, accessed January 30, 2021, <http://www.statssa.gov.za/?p=1143#:~:text=When%20GDP%20growth%20is%20strong,economic%20growth%20in%20the%20future>.

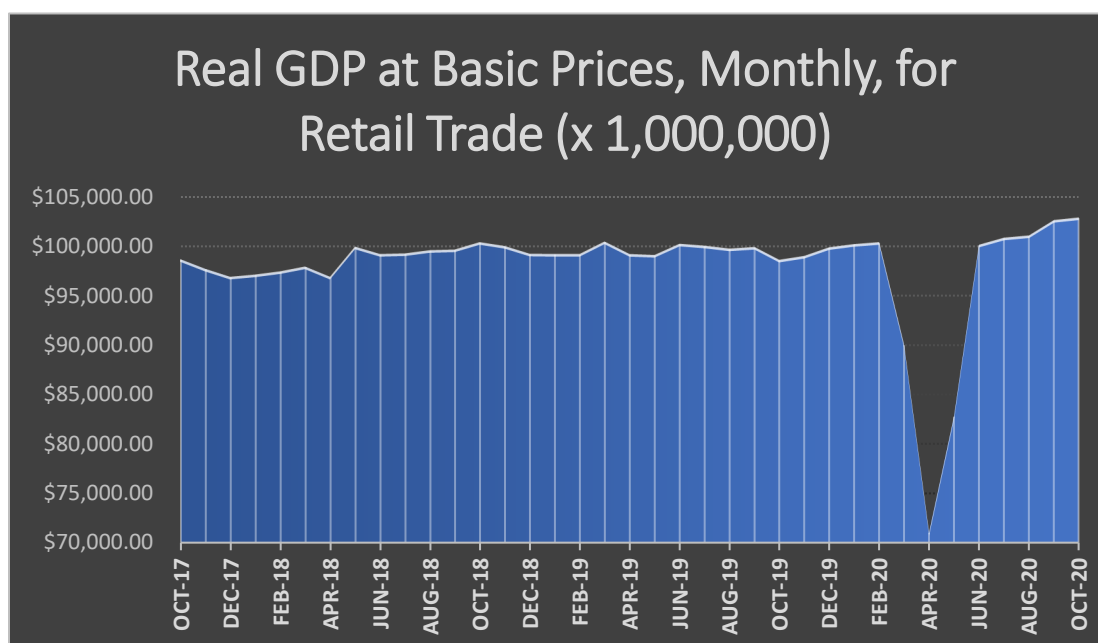
¹⁵ "Gross Domestic Product (GDP) at Basic Prices, by Industry, Monthly (x 1,000,000)," Statistics Canada: Canada's national statistical agency / Statistique Canada : Organisme statistique national du Canada, accessed January 30, 2021, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610043401>.

consumers being brought in. It is crucial for current businesses in lending and retail to continue to adapt, advertise their services, and have a strong online presence.

This is especially important now during the COVID-19 pandemic, where the majority of people are at home and online.

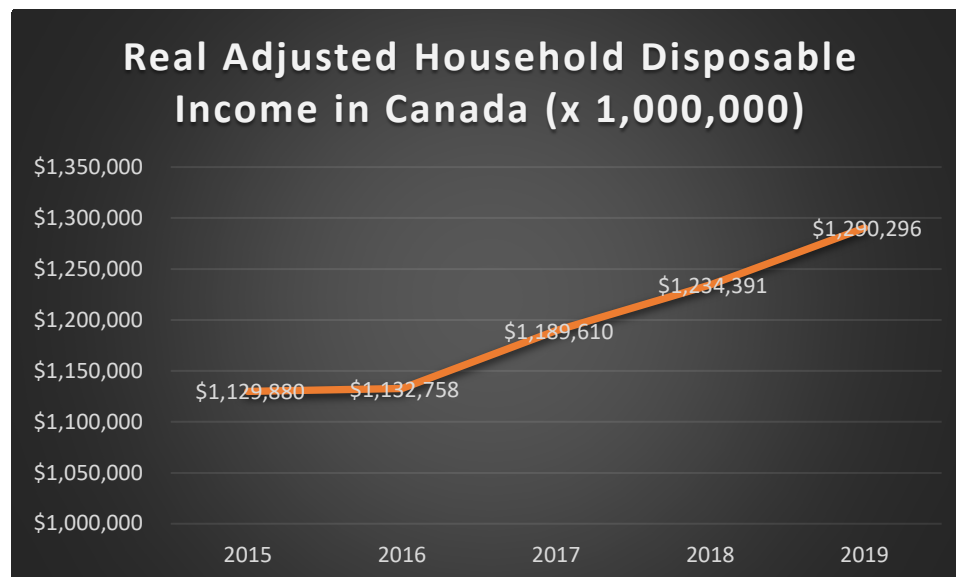


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Another statistic of value is the disposable income per household, as it helps determine one's ability to purchase or invest in goods or services that lie outside of their necessities.

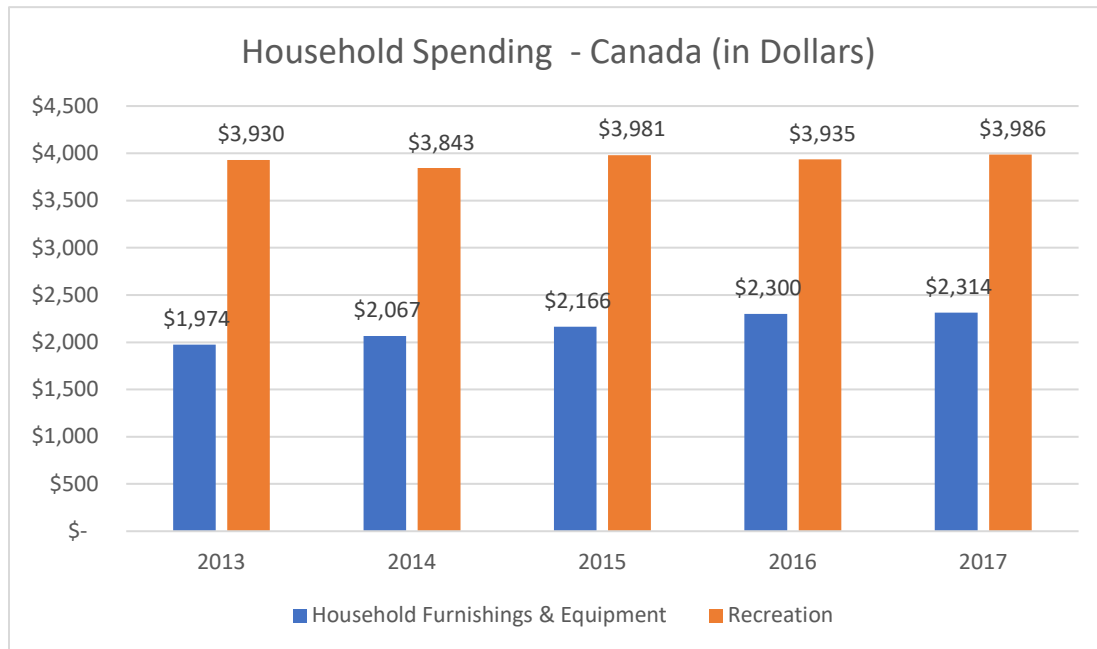


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As can be seen above, Canada's disposable income has been increasing over the last five years (2020 data not yet released).¹⁶ This is a good sign for Canada, as well as the businesses that operate in the country, as the higher disposable income indicates that there is more money that an individual can spend. Opportunities emerge for firms involved in product financing, as the higher disposable income will encourage people to purchase products that enhance their lifestyles.

¹⁶ Government of Canada, Statistics Canada, "Adjusted Household Disposable Income, Canada, Provinces and Territories, Annual," Adjusted household disposable income, Canada, provinces and territories, annual (Government of Canada, Statistics Canada, June 19, 2020), <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610061201>.

Supporting this opportunity is that over a 5-year span, household spending has remained stable as well, specifically in areas involving products that coincide with lifestyle improvements (chart below).¹⁷ This assures that consumers are capable and willing to purchase products that are outside of the bare necessities.



<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110022201>

Inversely, there is a threat for non-prime lenders as the increase in disposable income could alternatively lead to fewer loans/financing needed for down payments or products. This is because people have the extra money to pay for them outright without financial aid.

¹⁷ Government of Canada, Statistics Canada, “Household Spending, Canada, Regions and Provinces,” Household spending, Canada, regions and provinces (Government of Canada, Statistics Canada, January 22, 2021), <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110022201>.

Next up for analysis is consumer and business confidence in Canada. The first is consumer confidence. Consumer confidence is critical to the success of the economy as it measures the “optimism of the economy’s health,” leaving it to be “one of the most accurate and closely watched economic indicators.”¹⁸ Based on the data, if confidence is above 100, then consumers are more confident than they were in 2014. Over the past ten years, consumer confidence in Canada has been steady, hovering slightly above and below the 2014 benchmark.¹⁹ However, in March 2020, a massive drop in consumer confidence occurred.



¹⁸ James McWhinney, “Understanding the Consumer Confidence Index,” Investopedia (Investopedia, November 25, 2020), <https://www.investopedia.com/insights/understanding-consumer-confidence-index/>.

¹⁹ “Off-Campus Login to Access Library E-Resources,” Off campus login to access MacOdrum Library e-resources, accessed April 4, 2021, <https://www-conferenceboard-ca.proxy.library.carleton.ca/focus-areas/canadian-economics/icc/2020/10741>.

<https://www-conferenceboard-ca.proxy.library.carleton.ca/focus-areas/canadian-economics/icc/2020/10741>

This drop was caused by the COVID-19 pandemic, which ultimately closed many businesses and reduced employment for the many, leaving people dependent on stimulus cheques for financial stability. On a positive note, it has been determined that consumer confidence is recovering to pre-pandemic levels, with cases starting to slow and vaccines beginning to roll out.²⁰ It has also been stated through a survey conducted by Nano Research that individuals are becoming more optimistic about “personal finances, job security, and real estate.”²¹ This is a great sign for businesses in finance and lending as these firms can capitalize on the resurging confidence of consumers. A threat to consider in terms of consumer confidence is how volatile it becomes during times of uncertainty.

For business confidence, there is a different story to be told. When looking at the 20-year data gathered by the Conference Board of Canada, a pattern emerges showing that business confidence fluctuates heavily when there is a crisis.²²

²⁰ “Canada Consumer Confidence 2010-2021 Data: 2022-2023 Forecast: Historical: Chart,” Canada Consumer Confidence | 2010-2021 Data | 2022-2023 Forecast | Historical | Chart (Trading Economics), accessed January 30, 2021, <https://tradingeconomics.com/canada/consumer-confidence>.

²¹ Ibid.

²² “Off-Campus Login to Access Library E-Resources,” Off campus login to access MacOdrum Library e-resources, accessed April 4, 2021, <https://www-conferenceboard-ca.proxy.library.carleton.ca/focus-areas/canadian-economics/ibc/2021/11038>.

Index of business confidence

(investment, annualized percentage change; index, 2014 = 100)



<https://www.conferenceboard-ca.proxy.library.carleton.ca/focus-areas/canadian-economics/ibc/2021/11038>

This can be seen in the chart above, displaying that business confidence reached low points twice in the last 20 years, once during the recession in 2008-2009 and another from the COVID-19 pandemic.²³ This is a concern as it is said that ratings below 100 (Canada = 87.6 as of Q4 2020) indicate “pessimism towards future performance.”²⁴ This is a threat for businesses in Canada as low business confidence translates to low optimism from people running these organizations.²⁵

Lines of credit are an essential factor to breakdown as well when discussing the economic environment of Canada. Moreover, this piece will decipher the trends

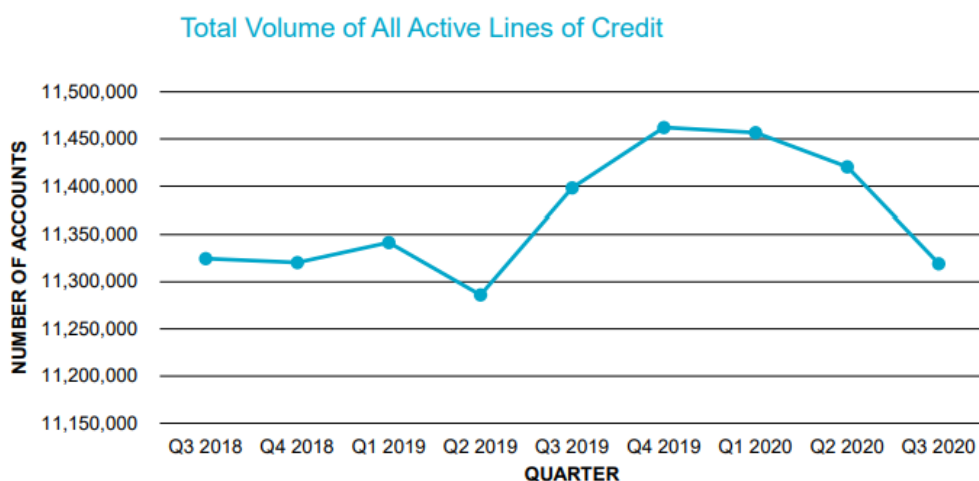
²³ “Recession of 2008–09 in Canada,” The Canadian Encyclopedia, accessed January 30, 2021, <https://www.thecanadianencyclopedia.ca/en/article/recession-of-200809-in-canada>.

²⁴ OECD, “Business Confidence Index (BCI)”.

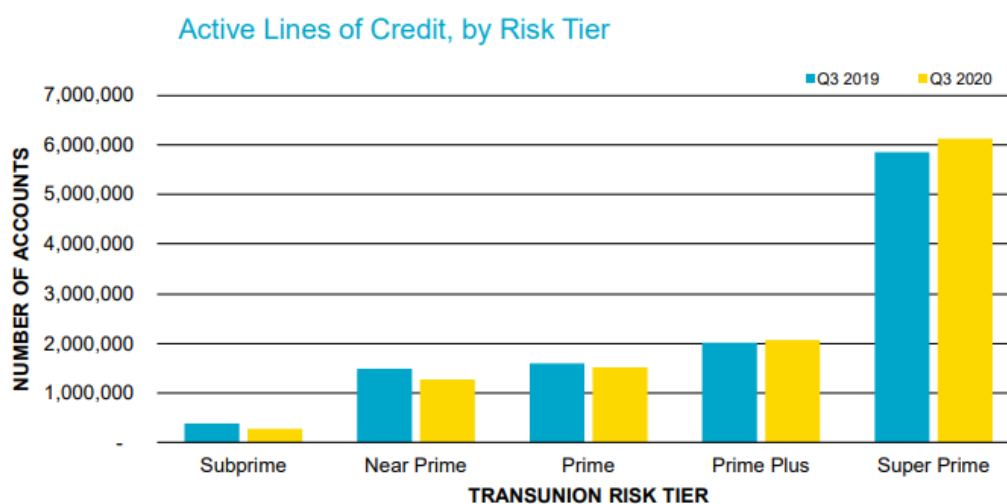
²⁵ “Economics A-Z Terms Beginning with B,” The Economist (The Economist Newspaper), accessed January 30, 2021, <https://www.economist.com/economics-a-to-z/b>.

from the past three years up until the third quarter of 2020 (2nd wave of a pandemic). Lines of credit are a critical and relevant aspect for companies that provide financial lending, as these firms rely on lending to produce profits. The charts below display total account volumes and active lines of credit by risk tier.

Total Account Volumes



TransUnion Industry Insights Report (Trans Union of Canada, Inc, 2020).



TransUnion Industry Insights Report (Trans Union of Canada, Inc, 2020).

As per TransUnion Insights, it is evident that in the past year, lines of credit volume have been on the decline.²⁶ This coincides with the COVID-19 pandemic, which has shaken the economy worldwide, closing many businesses and leaving people unemployed. For the risk tiers, the main ones affecting this decline in volume are the prime, near-prime, and subprime categories, while prime plus and super prime have increased in volume.²⁷ This is a threat for nonprime lenders as their consumer base is starting to take out fewer lines of credit.

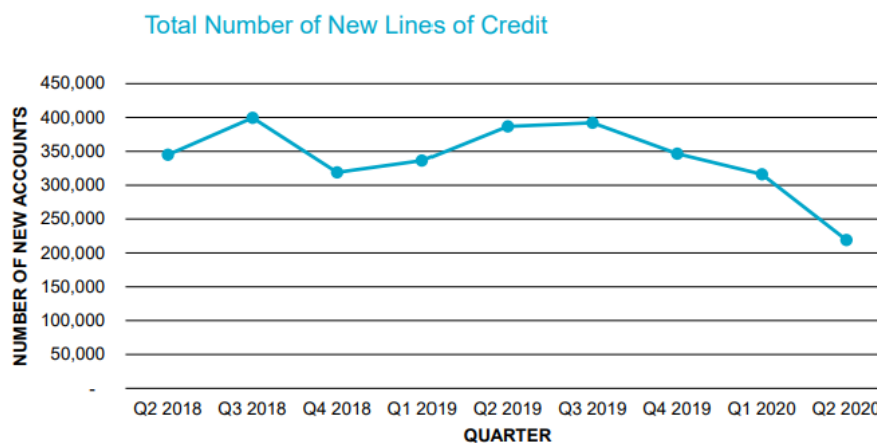
Another notable statistic that relates to the volume of active lines of credit is that new lines of credit have significantly decreased when comparing Q3 of 2019 to Q3 of 2020. This is seen among all risk tiers, most notably the prime+ tiers. The reason is that “many Canadians are opting to dig into their personal savings and investments rather than taking additional debt” amid pandemic uncertainty.²⁸ This brings on a major threat to lenders as fewer people are taking out lines of credit, thus shrinking the market and reducing income for the time being until normalcy recovers.

²⁶ “Quarterly Overview of Consumer Credit Trends Released by TransUnion of Canada,” TransUnion Industry Insights Report (Trans Union of Canada, Inc, 2020).

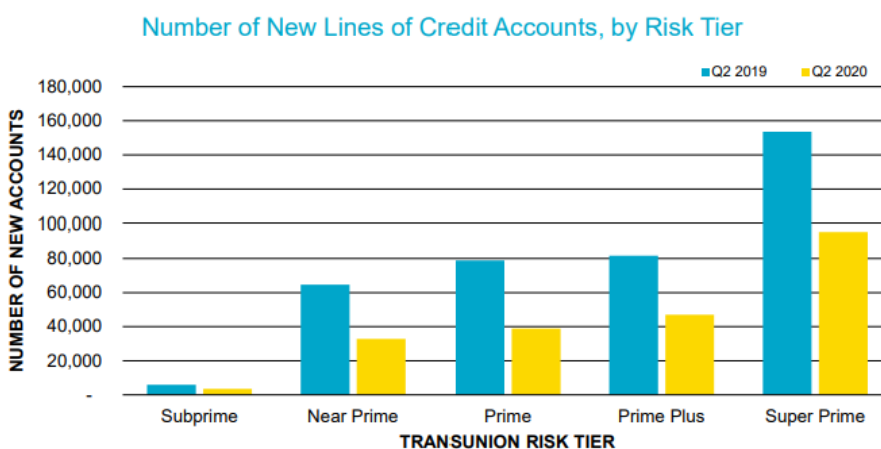
²⁷Trans Union of Canada, Inc, 2020.

²⁸ TransUnion, “COVID-19 Pandemic Drives a Decline in the Use of Credit as Canadian Consumers and Lenders Brace for Uncertainty,” GlobeNewswire News Room ("GlobeNewswire", August 18, 2020), <https://www.globenewswire.com/news-release/2020/08/18/2079742/0/en/COVID-19-Pandemic-Drives-a-Delay-in-the-Use-of-Credit-as-Canadian-Consumers-and-Lenders-Brace-for-Uncertainty.html>.

Total Reported New Account Originations



TransUnion Industry Insights Report (Trans Union of Canada, Inc, 2020).



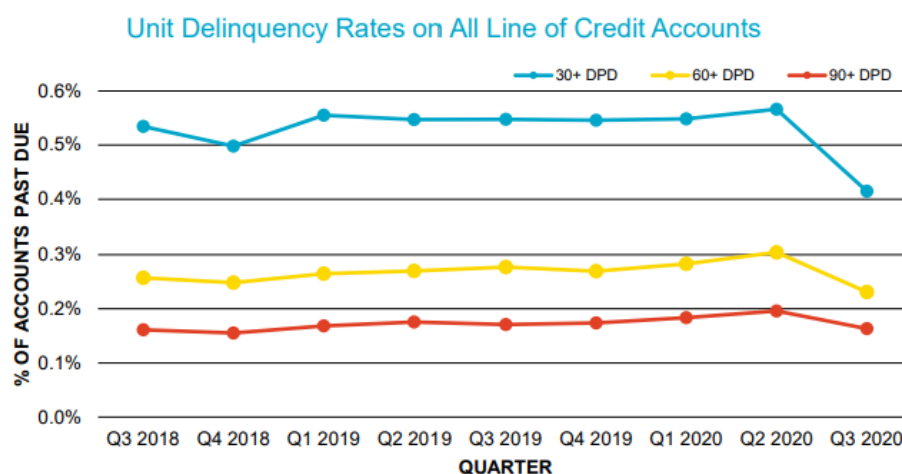
TransUnion Industry Insights Report (Trans Union of Canada, Inc, 2020).

An opportunity that comes out of the insights report is that delinquency rates have decreased in all categories during 2020, leading to fewer lines of credit being overdue.²⁹ The opportunity that this shows is that lending firms can be more confident with consumers, as there is data reassurance that there is an increased

²⁹ TransUnion of Canada, Inc, 2020.

chance people will return what is owed on time. Moreover, it is a positive sign for the lending industry that delinquency is decreasing, especially during a time of uncertainty.

Distribution of Unit Delinquency Rates



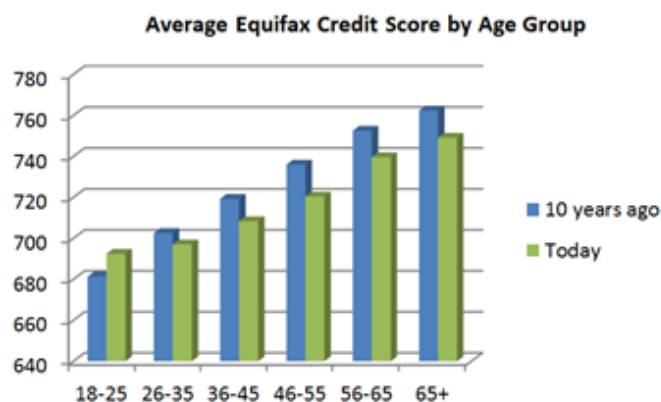
TransUnion Industry Insights Report (Trans Union of Canada, Inc, 2020).

Data from 2018 suggests that the average credit score among Canadians is “somewhere between 600-650.”³⁰ TransUnion has stated that a credit score of 650 or higher gives Canadians the best opportunity for approval and good interest rates.³¹ With that being said, the average credit score is promising for Canadians, as there is an opportunity to reach said benchmark or increase scores further. The

³⁰ “What Is the Average Credit Score in Canada by Age?,” Loans Canada, December 2, 2020, <https://loanscanada.ca/credit/what-is-the-average-credit-score-in-canada-by-age/#:~:text=Plus%2C%20our%20country%20is%20always,maintaining%20a%20healthy%20credit%20score>.

³¹ Ibid.

graph below displays the average credit score as per Equifax by age group (in 2018).³² Based on these statistics, there is an opportunity available for lending firms as the younger categories have respectable scores and will be eager to improve them. Lenders should target these categories heavily with a strong presence online and consistent advertising to attract these young consumers.



<https://www.consumer.equifax.ca/about-equifax/press-releases/-/blogs/millennials-optimistic-about-their-financial-future/>

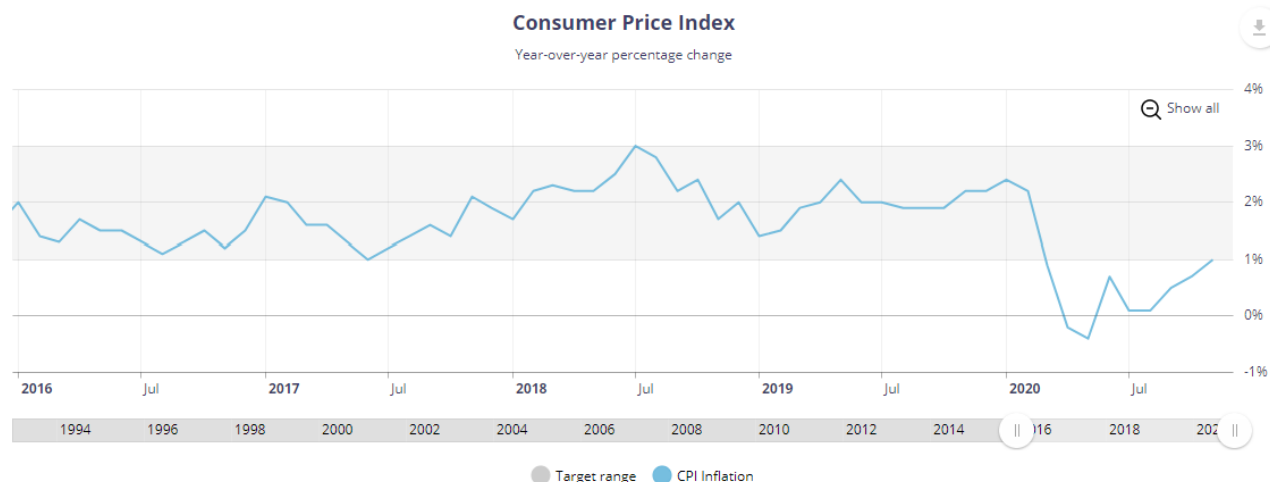
As of November 1st, 2020, CPI inflation is currently sitting at 1%.³³

Currently, “The Bank of Canada aims to keep inflation at the 2 percent midpoint” within a range of 1 to 3 percent.³⁴ The graph below displays Canada’s year-over-year inflation percentage change from January 1st, 2016 until November 1st, 2020.

³² “Press Releases,” Millennials Optimistic about their Financial Future, accessed January 30, 2021, <https://www.consumer.equifax.ca/about-equifax/press-releases/-/blogs/millennials-optimistic-about-their-financial-future/>.

³³ “Inflation: Definitions, Graphs and Data,” Bank of Canada, accessed January 30, 2021, <https://www.bankofcanada.ca/rates/indicators/capacity-and-inflation-pressures/inflation/>.

³⁴ “Inflation,” Bank of Canada, December 17, 2020, [https://www.bankofcanada.ca/core-functions/monetary-policy/inflation/#:~:text=The%20Bank%20of%20Canada%20aims,consumer%20price%20index%20\(CPI\).](https://www.bankofcanada.ca/core-functions/monetary-policy/inflation/#:~:text=The%20Bank%20of%20Canada%20aims,consumer%20price%20index%20(CPI).)



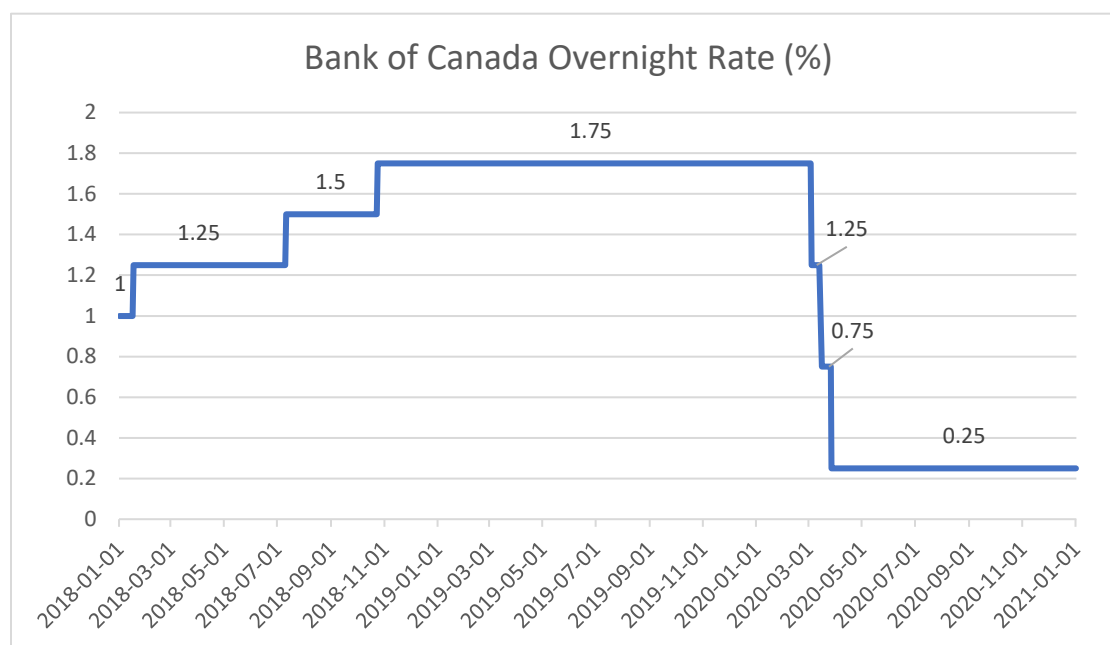
<https://www.bankofcanada.ca/rates/indicators/capacity-and-inflation-pressures/inflation/>

As can be seen, inflation dropped significantly in 2020 before starting to return to pre-pandemic levels. This drop-in inflation was due to the COVID-19 pandemic, which lowered energy prices across the board and significantly reduced the costs for travel, rental vehicles, and intercity transportation.³⁵

Interest rates play a major in this, as the Bank of Canada lowered overnight rates from 1.75 (pre-COVID) to as low as 0.25. It still sits at 0.25 as of January 1st, 2021.³⁶

³⁵ “Inflation Drops. Should We Be More Worried about Inflation or Deflation? Plans for Reopening Economy Starting to Arrive,” Deloitte Canada, accessed January 30, 2021, <https://www2.deloitte.com/ca/en/blog/economic-insights/2020/inflation-drops.html>.

³⁶ “Canadian Interest Rates and Monetary Policy Variables: 10-Year Lookup,” Bank of Canada, accessed January 30, 2021, https://www.bankofcanada.ca/rates/interest-rates/canadian-interest-rates/?lookupPage=lookup_canadian_interest.php&startRange=2011-01-23&rangeType=dates&dFrom=2018-01-01&dTo=2021-01-



https://www.bankofcanada.ca/rates/interest-rates/canadian-interest-rates/?lookupPage=lookup_canadian_interest.php&startRange=2011-01-23&rangeType=dates&dFrom=2018-01-01&dTo=2021-01-01&rangeValue=1&rangeWeeklyValue=1&rangeMonthlyValue=1&ByDate_frequency=daily&submit_button=Submit

By lowering the overnight rate, the Bank of Canada is attempting to correct inflation by stimulating the economy. This is a great opportunity for many businesses, more specifically those in lending services, as they can take advantage of the low rates, reducing their costs. With that, the lower overnight rate gives businesses the green light to “obtain additional funds for various investment and expansion activities.”³⁷ The threat that the low rates bring is that banks’ or lenders’ profit margins are essentially squeezed and more muted.³⁸

³⁷ “Overnight Rate - Definition, How It Works, Impact on Monetary Policy,” Corporate Finance Institute, January 23, 2020, <https://corporatefinanceinstitute.com/resources/knowledge/finance/overnight-rate/#:~:text=by%20bringing%20the%20overnight%20rate,affordable%20to%20businesses%20and%20individuals.>

³⁸ Stephen Rogers, “Negative Interest Rates: Implications for Investors,” Investment Insights (Investors Group, 2016), https://www.investorsgroup.com/content/dam/investorsgroup/more/wp-content/themes/ig_magazine/pdf/ENG_Investment_Insights_Negative_Interest_rates_SZ_05-16.pdf.

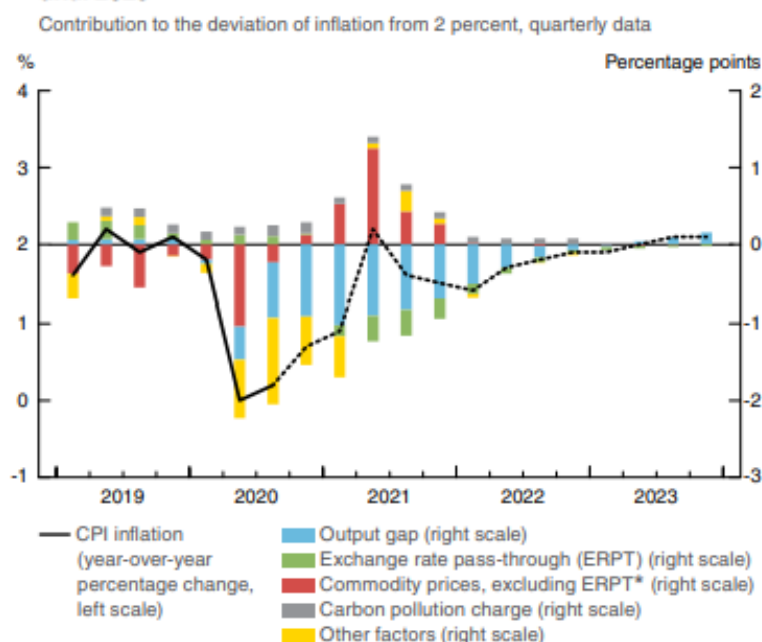
When it comes to the two-year outlook for Canada, a notable economic forecast trend is the maintenance of inflation. It is known that inflation is slowly recovering from its major drop in the 3rd quarter of 2020. The Bank of Canada's 'Monetary Policy Report' states that it expects inflation to "return sustainably to 2 percent in 2023".³⁹ Alluding to this, the report mentions how CPI inflation has been unexpectedly strengthening in recent months, driven by the increase in consumer demand for goods. Additionally, input costs have played their part, with shelter costs being higher than anticipated (new homes up in price from higher costs of building materials). Moreover, it is noted that gasoline prices will be well above their previous lows, all helping "boost inflation" going forward.⁴⁰ Overall, as excess capacity is absorbed, inflation is expected to return sustainably to the 2% target.⁴¹

³⁹ "Monetary Policy Report January 2021," Bank of Canada (Governing Council of the Bank of Canada), accessed January 30, 2021, <https://www.bankofcanada.ca/wp-content/uploads/2021/01/mpr-2021-01-20.pdf>.

⁴⁰ "Monetary Policy Report January 2021".

⁴¹ "Monetary Policy Report January 2021".

Chart 16: Apart from a temporary spike, inflation remains below 2 percent until 2023



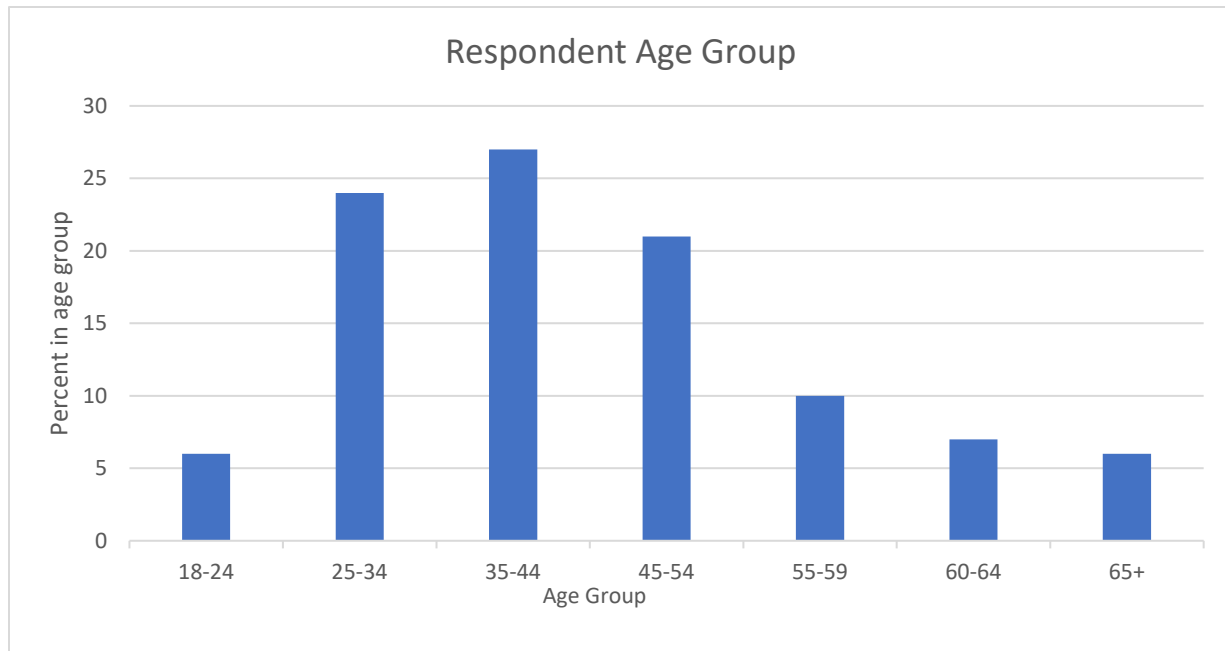
<https://www.bankofcanada.ca/wp-content/uploads/2021/01/mpr-2021-01-20.pdf>

As displayed by the chart above, the two-year trend for inflation will be impacted by factors such as output gap, commodity prices, carbon pollution charges, etc. The factor that has the most impact over the 2-year run starting in 2021 is the output gap, with it pulling down inflation until around 2023. This means that the economy is not producing to its potential and will not be for at least another 2-3 years. This is a threat to all businesses as the slacking economy will hurt the confidence in both consumers and producers, reducing investment and demand for goods and services. Companies must weather the storm and attempt to maintain market share during these turbulent times.⁴²

⁴² “Monetary Policy Report January 2021”.

Socio-Cultural Environment (Kyle Bacciaglia)

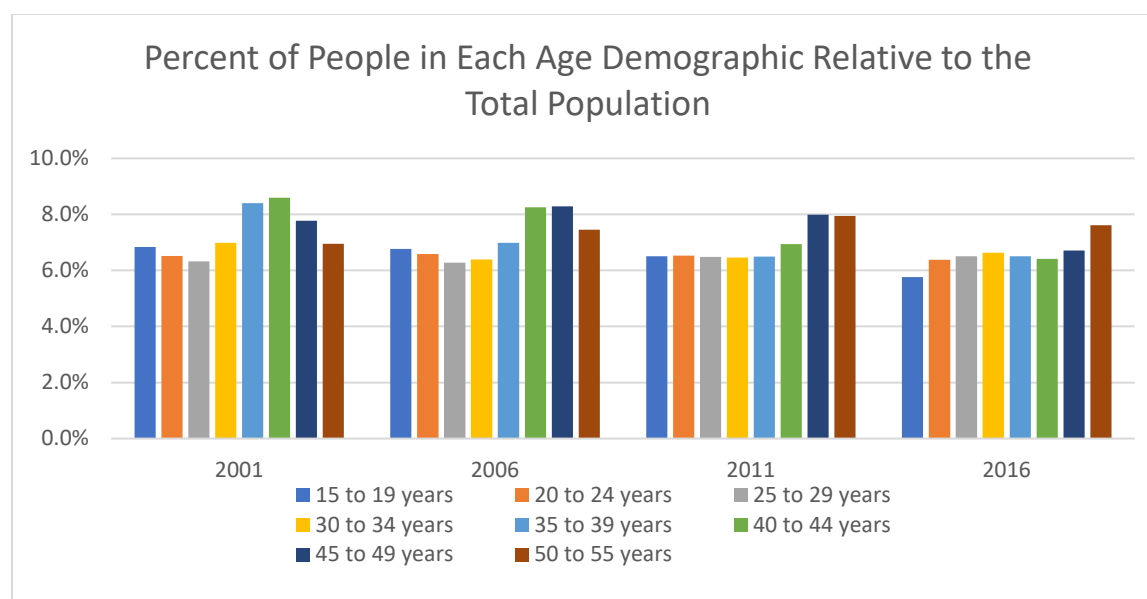
The focus of this portion will be on Canadians within the 25-54-year-old demographic. According to a Financial Consumer Agency of Canada study of people who took out short-term, high-interest loans, this demographic would make up 72 % of all borrowers.⁴³ This shows there is a dependency on younger people in Canada for this industry to operate.



<https://www.canada.ca/en/financial-consumer-agency/programs/research/payday-loans-market-trends.html#toc12>

⁴³ Government of Canada “Payday Loans: Market Trends” October 25, 2016 <https://www.canada.ca/en/financial-consumer-agency/programs/research/payday-loans-market-trends.html#toc12>

The graph below shows that as a percent of the population, the target age demographic had a major bulge in the early and mid-2000s. However, this demographic now makes up a smaller share of the total population.^{44 45 46 47}



[2016 Census Data tables – Age \(in Single Years\) and Average Age \(127\) and Sex \(3\)](#)

[2011 Census of Canada: Topic-based tabulations – Census Profile - Age and Sex for Canada](#)

[2006 Census Area Profiles \(statcan.gc.ca\)](#)

[2001 Census of Canada: Topic-based tabulations \(statcan.gc.ca\)](#)

An even more threatening issue for the nonprime lender is that in 2016 there is a lack of 15 to 19-year-olds, which could pose a hindrance to the future nonprime lending market, as a decline in these targeted age cohorts means a

⁴⁴ Data Tables, 2016 Census “Age (in Single Years) and Average Age (127) and Sex (3)” [2016 Census Data tables – Age \(in Single Years\) and Average Age \(127\) and Sex \(3\)](#)

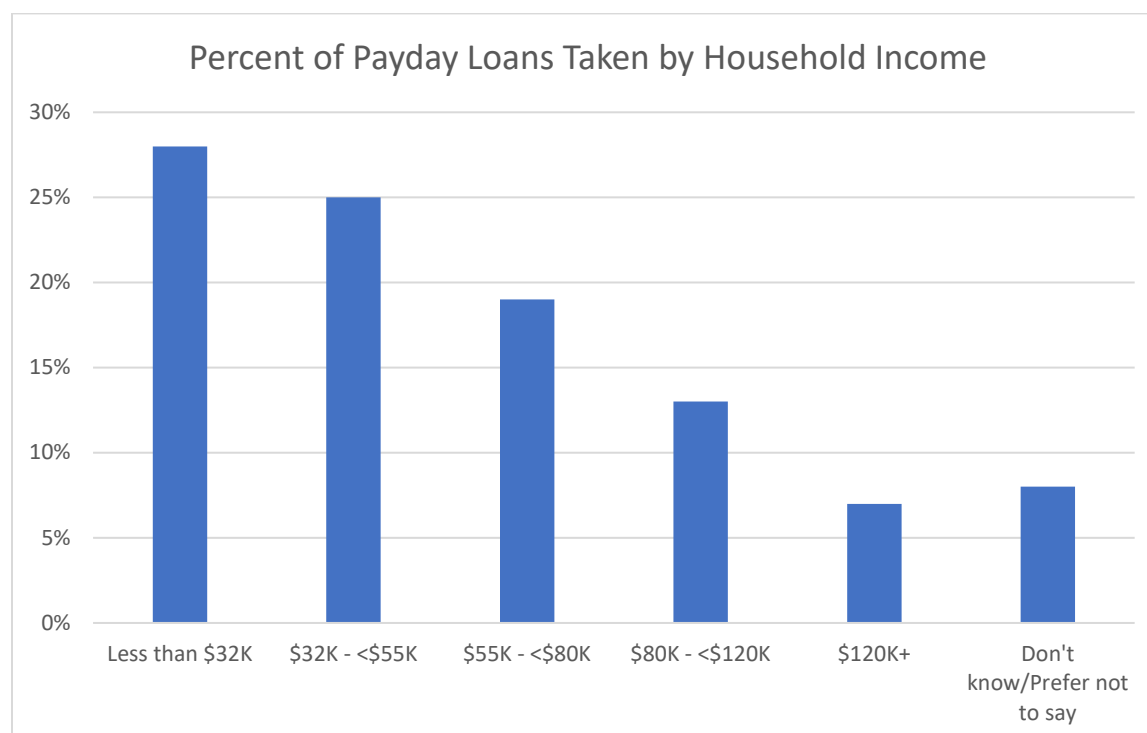
⁴⁵ 2011 Census of Canada “Age and Sex for Canada” [2011 Census of Canada: Topic-based tabulations – Census Profile - Age and Sex for Canada](#)

⁴⁶ 2006 Census Topic-based tabulations “Profile of Age and Sex for Canada” [2006 Census Area Profiles \(statcan.gc.ca\)](#)

⁴⁷ 2001 Census Topic-based tabulations “Age (122) and Sex (3) for Population, for Canada” [2001 Census of Canada: Topic-based tabulations \(statcan.gc.ca\)](#)

potential decline in business in the years to come as opposed to just a temporary loss of business.

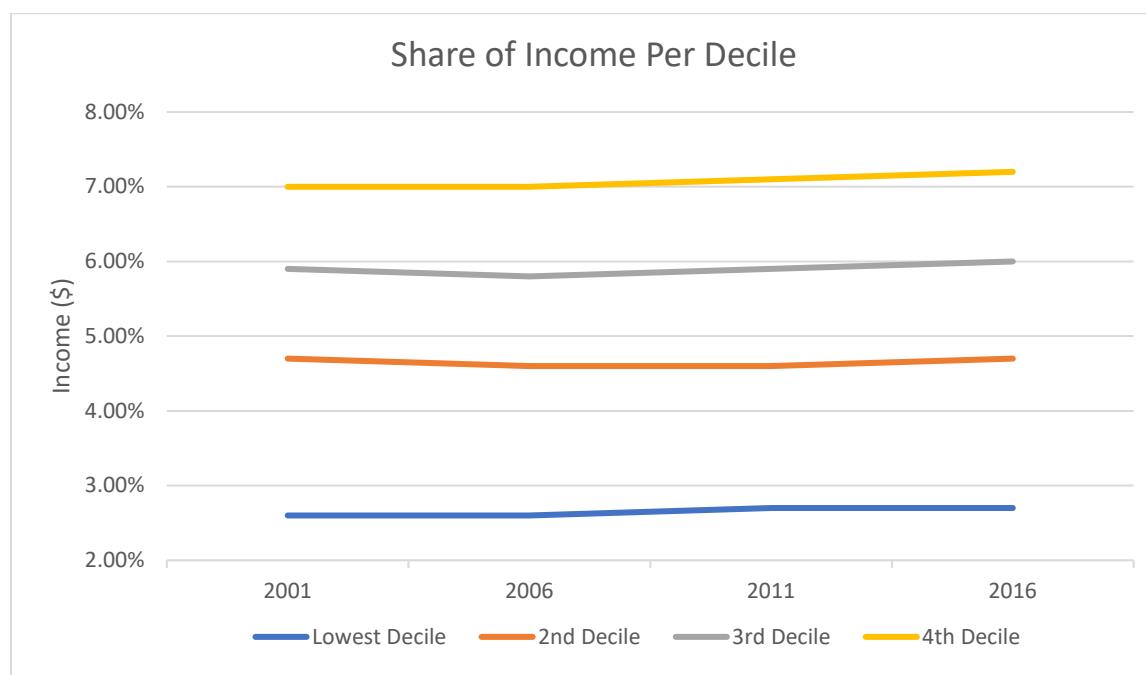
Along with this, the Financial Consumer Agency of Canada identified that over half of all people who took out short-term, high-interest loans had household incomes below \$55,000 (2018 dollars).⁴⁸ The data below shows that some of the high-interest loans are taken out by earners of all ranges of household income, but with 28% of borrowers below \$32,000 and 25% of borrowers between \$32,000 and \$55,000. This displays that often, the high interest, a short-term loan is being taken out by Canadian households that are in the lower-income brackets.



⁴⁸ Government of Canada “Payday Loans: Market Trends” October 25, 2016 <https://www.canada.ca/en/financial-consumer-agency/programs/research/payday-loans-market-trends.html#toc12>

<https://www.canada.ca/en/financial-consumer-agency/programs/research/payday-loans-market-trends.html#toc14>

In Canada, the median household income since 2000 has gradually increased from \$46,275 in the 2001 census to \$70,336 in the 2016 census.^{49 50} As the target for the high-interest loans are lower-income households, it makes sense to analyze the stability of income of the bottom four deciles in Canada.



<https://www150.statcan.gc.ca/t1/tb1/en/tv.action?pid=1110019301&pickMembers%5B0%5D=1.1&cubeTimeFrame.startYear=2001&cubeTimeFrame.endYear=2006&referencePeriods=20010101%2C20060101>

⁴⁹ Statistics Canada “Household Income Groups (24) in Constant (2000) Dollars and Selected Demographic” <https://www12.statcan.gc.ca/English/census01>

⁵⁰ Data Tables, 2016 Census “Household Total Income Groups (22) [Household Total Income Groups \(22\) in Constant \(2015\) Dollars](#)

The following is evident from the data above: the percent of households that sit in low-income demographics remains relatively stable over time.⁵¹ Although there are little fluctuations, this shows that the low household earners are not disappearing or increasing drastically.

This provides an opportunity for the nonprime lending market, as this target demographic seems to remain relatively stable over time in Canada. Although it would most likely be ideal to see the distribution of low-income households increase, the stability still offers opportunities for the industry.

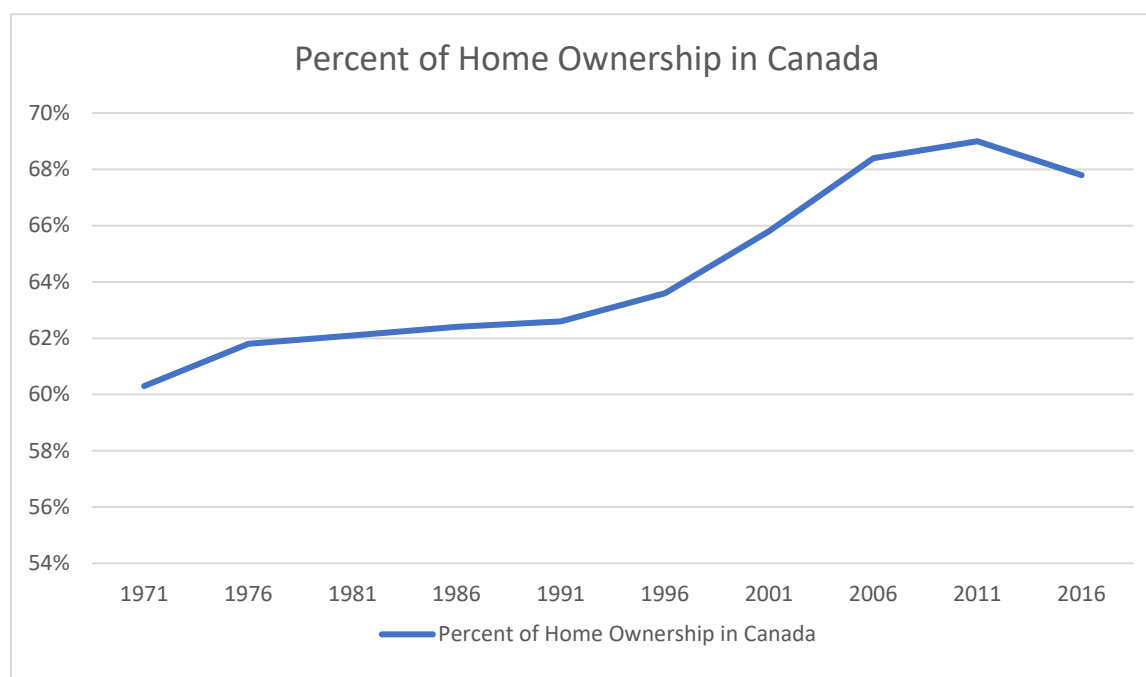
Another fact the Financial Consumer Agency of Canada survey found was that many of the nonprime borrowers did not own their own home, with only 43 percent of all borrowers owning their own homes and 32 percent of all borrowers having a mortgage.⁵² As a result of this, home ownership in Canada is a minor indicator for the lending industry, and the home ownership rate in Canada has been trending upwards since 1971.⁵³

⁵¹ Statistic Canada “Upper income limit, income share and average of adjusted market, total and after-tax income by income decile”

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110019301&pickMembers%5B0%5D=1.1&cubeTimeFrame.startYear=2001&cubeTimeFrame.endYear=2006&referencePeriods=20010101%2C20060101>

⁵² Government of Canada “Payday Loans: Market Trends” October 25, 2016 <https://www.canada.ca/en/financial-consumer-agency/programs/research/payday-loans-market-trends.html#toc12>

⁵³ Government of Canada “Payday Loans: Market Trends”



<https://www150.statcan.gc.ca/n1/daily-quotidien/171025/cg-c001-eng.htm>

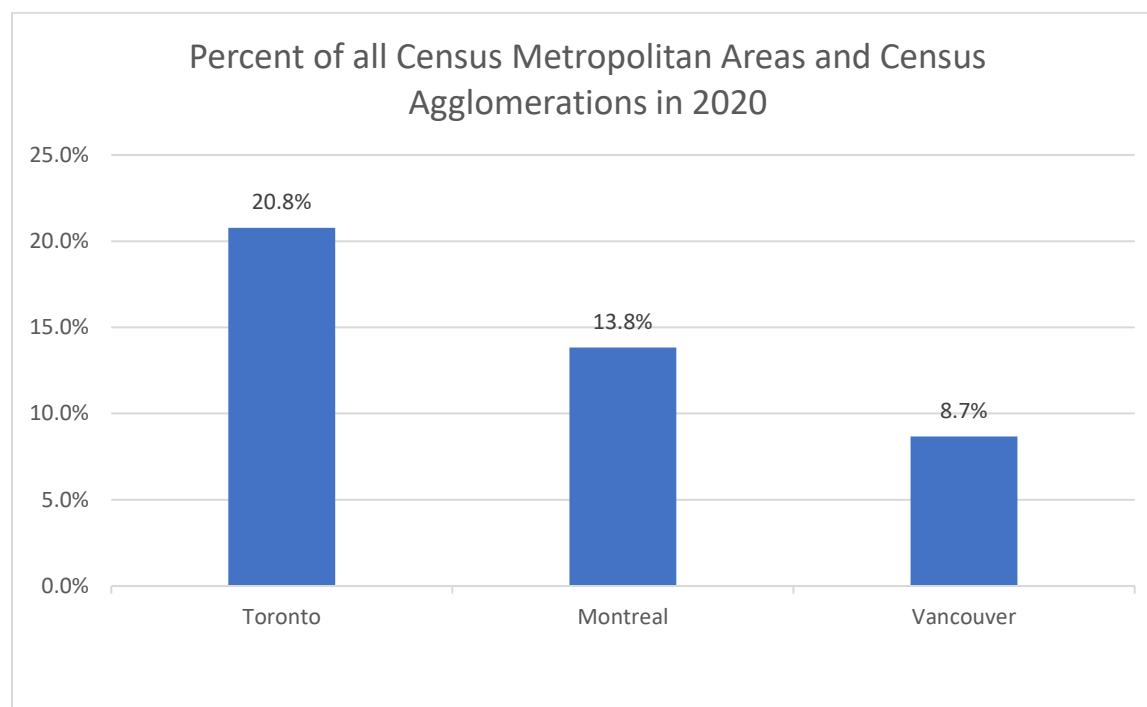
At the time of the 1971 census, the home ownership rate was just over 60%, and most recently, the rate was just below 68%.⁵⁴ This trend of increasing home ownership appears to be a threat to the nonprime market as renters or non-homeowners are a target market for lenders; with this demographic diminishing, that could also mean fewer opportunities for new business.

The Financial Consumer Agency of Canada survey found that 83% of borrowers of nonprime loans lived in an urban area⁵⁵, and due to this, it makes sense to focus on the more populated areas in Canada. Using the metrics already brought up, we can see how much opportunity lies in the more active geographical

⁵⁴ Statistics Canada "Homeownership in Canada, 1971 to 2016" <https://www150.statcan.gc.ca/n1/daily-quotidien/171025/cg-c001-eng.htm>

⁵⁵ Government of Canada "Payday Loans: Market Trends" October 25, 2016 <https://www.canada.ca/en/financial-consumer-agency/programs/research/payday-loans-market-trends.html#toc12>

locations for nonprime lending. These three urban areas will be Toronto, Montreal, and Vancouver. As combined, these metropolitan areas population estimates made up just over 43% of all census metropolitan areas and census agglomerations in Canada in 2020.⁵⁶



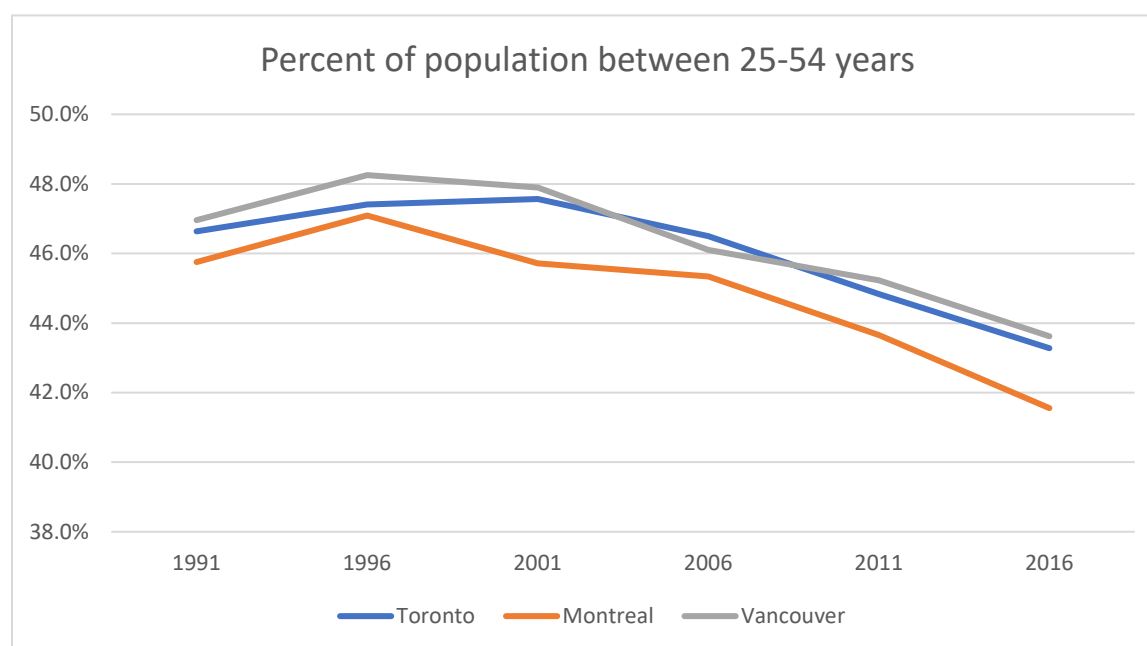
[Population estimates, July 1, by census metropolitan area and census agglomeration, 2016 boundaries \(statcan.gc.ca\)](https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710013501)

In these three metropolitan areas, there is a gradual decline in the percent of the population in the target age demographic. Peaking at above 47% in each location, there appears to be a continuing trend downwards, nearing 42% for all

⁵⁶ Statistics Canada "Population estimates, July 1, by census metropolitan area and census agglomeration" <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710013501>

locations, which threatens the industry, as they rely heavily on this demographic.⁵⁷

⁵⁸ ⁵⁹ ⁶⁰ With the decline of demographics in the most active areas of business, it could create a need for these companies to look elsewhere for business, in either demographics or in terms of geographical location.



[2016 Census Data tables](#))

[2006 Census Area Profiles \(statcan.gc.ca\)](#)

[2001 Census of Canada: Topic-based tabulations \(statcan.gc.ca\)](#)

[1996 Census of Canada: Data tables, 1996 Census \(statcan.gc.ca\)](#)

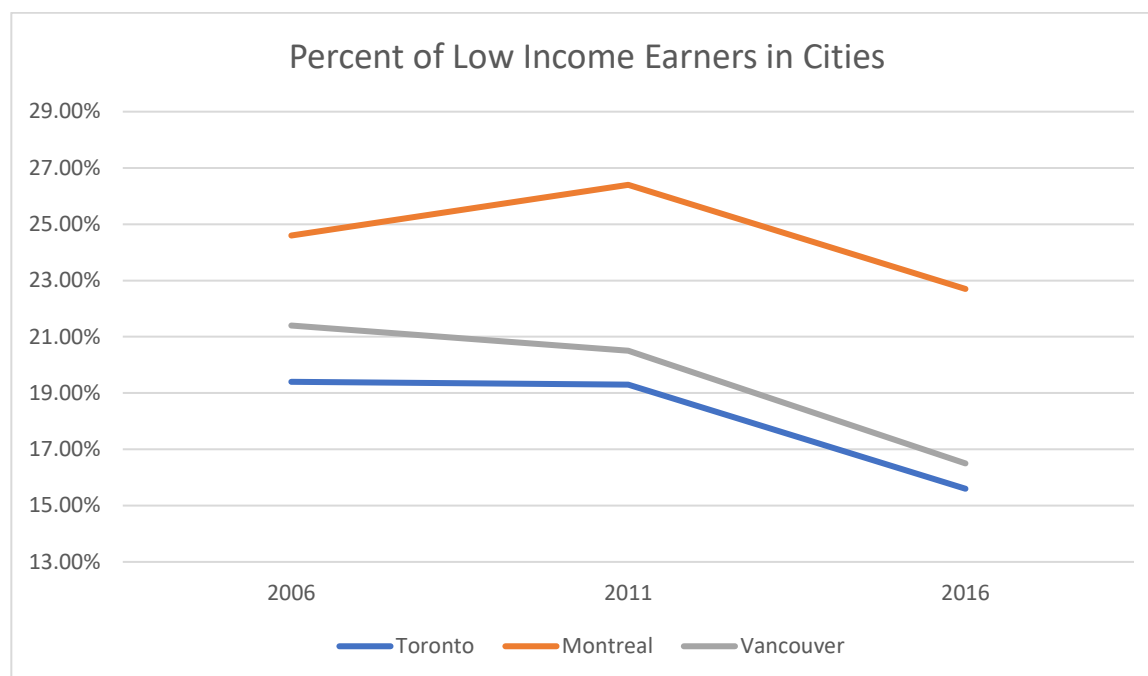
⁵⁷ Statistics Canada “Age (in Single Years) and Average Age (127) and Sex (3) for the Population of Canada, Provinces and Territories, Census Metropolitan Areas and Census Agglomerations, 2016 and 2011 Censuses” [2016 Census Data tables](#))

⁵⁸ Statistics Canada “Profile of Age and Sex for Canada, Provinces, Territories, Census Divisions and Census Subdivisions, 2006 Census” [2006 Census Area Profiles \(statcan.gc.ca\)](#)

⁵⁹ Statistics Canada “Age (122) and Sex (3) for Population, for Canada, Provinces, Territories, Census Divisions, Census Subdivisions and Dissemination Areas, 2001 Census” [2001 Census of Canada: Topic-based tabulations \(statcan.gc.ca\)](#)

⁶⁰ Statistics Canada “Population by Single Years of Age (111), Showing Sex (3), for Canada, Provinces, Territories and Census Metropolitan Areas, 1996 Census” [1996 Census of Canada: Data tables, 1996 Census \(statcan.gc.ca\)](#)

The other major indicator identified for this industry is the income levels as businesses in the industry target lower-income earners. Moreover, it can be seen how much of the distribution remains in a lower income position, using the amount under the low-income cut-off as a normalizer.



<https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm?Lang=E>

<https://www12.statcan.gc.ca/nhs-enm/2011/dp-pd/prof/index.cfm>

<https://www12.statcan.gc.ca/census-recensement/2006/dp-pd/prof/92-591/index.cfm?Lang=E>

As shown by the chart above, the value of lower-income households in all three cities remains relatively stable throughout time.^{61 62 63} There is a bit of a threat if people continue to earn more income as there is a slight decline in low-

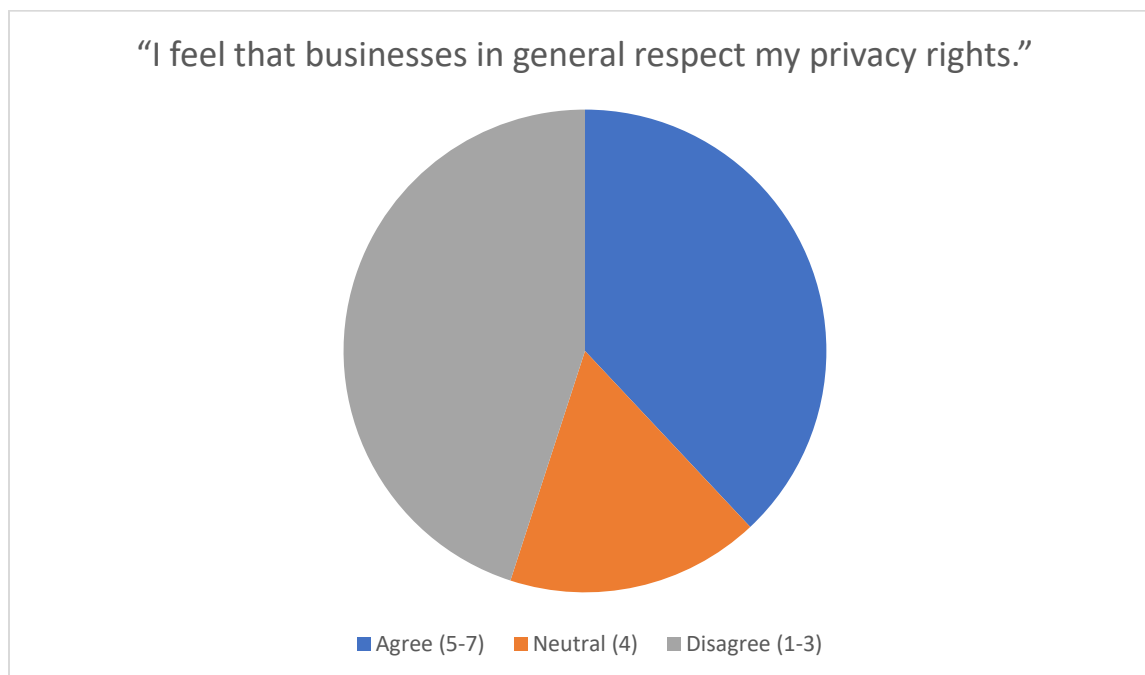
⁶¹ Statistics Canada, Census Profile

⁶² Statistics Canada, *NHS Profile* <https://www12.statcan.gc.ca/nhs-enm/2011/dp-pd/prof/index.cfm>

⁶³ Statistics Canada, *2006 Community Profiles* <https://www12.statcan.gc.ca/census-recensement/2006/dp-pd/prof/92-591/index.cfm?Lang=E>

income earners. However, it is not a drastic change, and the stability here shows the potential non-prime lenders possess to continue to grow sales.

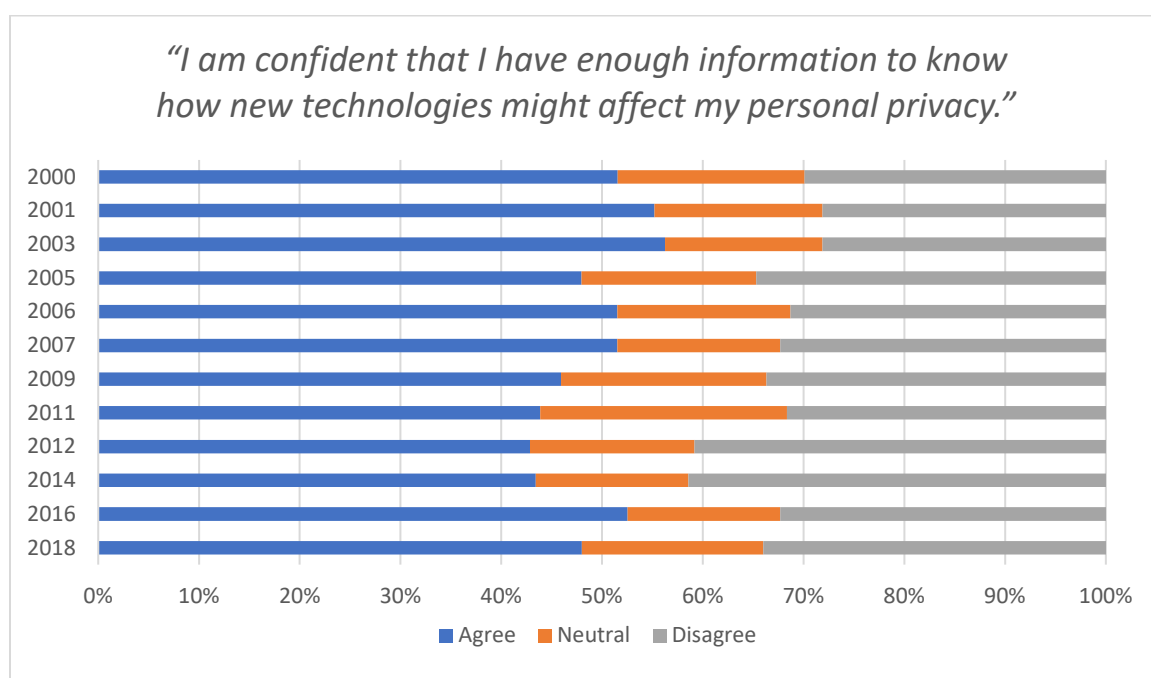
As discussed in the technological portion, security and privacy is a serious issue in Canada, and the non-prime lending industry receives a good amount of sensitive information. According to a study done by the Office of the Privacy Commissioner of Canada, 45% of Canadians do not feel like businesses respect their privacy rights.⁶⁴



https://www.priv.gc.ca/en/opc-actions-and-decisions/research/explore-privacy-research/2019/por_2019_ca/#fig03

⁶⁴ Office of the Privacy Commissioner of Canada "2018-19 Survey of Canadians on Privacy" March 2019 https://www.priv.gc.ca/en/opc-actions-and-decisions/research/explore-privacy-research/2019/por_2019_ca/#fig03

This attitude is a threat to the nonprime lending industry as many Canadians may be hesitant to take loans out of fear as to how businesses will treat their information. Along with this, there appears to be no real improvement in the last two decades as to Canadians' confidence in their own understanding as to how new technologies will use their personal information; since 2000, the amount that they believe they do has only hovered around the 50% mark.⁶⁵



https://www.priv.gc.ca/en/opc-actions-and-decisions/research/explore-privacy-research/2019/por_2019_ca/#fig03

This also poses a serious threat as this industry, where firms are integrating an increasing amount of these technologies. A company in this industry would

⁶⁵ Office of the Privacy Commissioner of Canada "2018-19 Survey of Canadians on Privacy" March 2019 https://www.priv.gc.ca/en/opc-actions-and-decisions/research/explore-privacy-research/2019/por_2019_ca/#fig03

hope that Canadians begin to feel more comfortable with how new technology can impact their privacy, but many Canadians continue to be unsure. This could harm business as the technology may not be fully utilized due to this uncertainty by the citizens.

Legal/Regulatory Environment (Kyle Bacciaglia)

According to the Government of Canada, the lending industry is monitored by the Financial Consumer Agency of Canada, a federal agency which “[ensures] federally regulated financial entities comply with consumer protection measures, promotes financial education, and raises consumers’ awareness of their rights and responsibilities.”⁶⁶

Who Monitors Different Lenders in Canada?	
Banks	Financial Consumer Agency of Canada (FCAC)
Non-prime non-payday lenders	“Governed by federal laws” and provincial high cost of credit regimes ⁶⁷
Payday lenders	Consumer Protection Authority and multiple provincial payday loans acts

⁶⁶ Government of Canada “Financial Consumer Agency of Canada” <https://www.canada.ca/en/financial-consumer-agency.html>

⁶⁷ goeasy “Annual Information Form” <https://investors.goeasy.com/static-files/7794dae2-5aaa-44e2-98b3-71db83c47127>

In Canada, the Canadian Lenders Association operates in conjunction with all types of registered lenders to help provide “the tools to innovate and grow and to foster safe and ethical lending practices.”⁶⁸ The Canadian Lenders Association identified two major areas that they can operate in to help benefit the lenders and customers in this industry: the first is regulation and the market; the second is transparency and responsibility. For the area of regulations, the Canadian Lenders Association states, “That regulation should be a collaborative process between regulators and the parties directly impacted by the proposed regulations.”⁶⁹ This creates an opportunity for lenders in the industry as they may have the opportunity to influence future industry regulations. Along with this, the association attempts to “promote and ensure a level playing field between all of the entities comprising the financial services industry.”⁷⁰ This appears to be a minor threat to the industry as although they desire to have companies’ input on the regulations; the association wants no one to have too much of an edge above all else. This could also be an opportunity as this could promote more sustainable practice in lending. For example, limiting rates may create more opportune situations where borrowers can successfully pay back loans more frequently and prevent perpetual cycles of debt. The Canadian Lenders Association also recognizes transparency and responsibility

⁶⁸ Canadian Lenders Association “About the Canadian Lenders Association”
<https://www.canadianlenders.org/about/>

⁶⁹ Canadian Lenders Association “About the Canadian Lenders Association”

⁷⁰ Canadian Lenders Association “About the Canadian Lenders Association”

as an issue in this industry as they state that they “believe that clarity and transparency should be maximized in all credit transactions.”⁷¹ Furthermore, they state that “Responsible lenders do not look to benefit from loans that fail, nor that create a cycle of debt.”⁷² This appears to be an opportunity for the environment as it is more difficult for any lender to take advantage of less-educated or unknowing customers, making the competition purely based on customer choice.

To become a Canadian Lenders Association verified lender, companies must adhere to consumer protection and consumer reporting laws, Canada’s Anti-Spam laws, and privacy laws. For these sections, there are specific areas that are related to the lending industry or the business they conduct. Under section 45(1) of the Federal Competition Act, companies are disallowed from working with competitors to “fix, maintain, increase or control the price for the supply of the product” or “fix, maintain, control, prevent, lessen or eliminate the production or supply of the product.”⁷³ This creates an opportunity for the environment as there is extra incentive to adhere to the law set out by the government as if a company does not, they will lose or not receive their validation from the Canadian Lenders Association. This enforces an environment that is more likely to remain

⁷¹ Canadian Lenders Association “About the Canadian Lenders Association”
<https://www.canadianlenders.org/about/>

⁷² Canadian Lenders Association “About the Canadian Lenders Association”

⁷³ Government of Canada: Justice Laws “Website Competition Act” July 1, 2020
<https://laws.justice.gc.ca/eng/acts/C-34/page-12.html#h-88718>

competitive and less likely to have collusion making this an opportunity for fair business practices in this market. The other major area that the Canadian Lenders Association focuses on is privacy laws. Section 4 (3) of The Personal Information Protection and Electronic Documents Act states that when using personal information, companies “shall take every reasonable precaution to avoid the disclosure of that information.”⁷⁴ This is a major factor in this industry and can constitute a threat, as any lender must gather a fair amount of information on the customers they serve and, therefore, must do everything they can to protect this information. And just like the last law mentioned, this is backed up by the Canadian Lenders Association, as adhering to this law is one of the major factors to being a verified lender.

Besides these laws specifically mentioned by the Canadian Lenders Association, certain acts directly pertain to lenders. Section 347 of the Criminal Code of Canada is the major regulator around any lenders in the industry, as it states that “everyone who enters into an agreement or arrangement to receive interest at a criminal rate, or receives a payment or partial payment of interest at a criminal rate”⁷⁵ will either be guilty of an indictable or summary offense, and it

⁷⁴ Government of Canada: Justice Laws Website “Personal Information Protection and Electronic Documents Act” June 21, 2019 <https://laws-lois.justice.gc.ca/ENG/ACTS/P-8.6/page-2.html#h-416969>

⁷⁵ Government of Canada: Justice Laws Website “An Act to amend the Criminal Code (criminal interest rate)” May 3, 2007 https://laws-lois.justice.gc.ca/eng/annualstatutes/2007_9/page-1.html

defines a criminal rate as any effective annual rate that “exceeds sixty percent.”⁷⁶

This provides a very clear limit to what is allowed by lenders when it comes to rates and creates a potential threat to the profitability of the industry. The limitations may mean that the companies cannot reach customers willing to pay more for the money they are getting. Despite this law, however, payday lenders have fees and other workarounds built into the original payback that has cost “equivalent to an interest rate of 500-600%.”⁷⁷ Another major restriction falls under section 505(1) of the federal Trust and Loans Companies Act which states that “the Superintendent, from time to time, but at least once in each calendar year, shall make or cause to be made any examination and inquiry into the business and affairs of each company that the Superintendent considers to be necessary or expedient to determine whether the company is complying with the provisions of this Act.”⁷⁸ This creates a major opportunity for the stability of the lending industry as the supervision can act as a moderator of the whole industry. This results in more secure lending practices as the oversight will promote companies to abide by the legislation put into place.

⁷⁶ Government of Canada: Justice Laws Website “Criminal Interest Rate” July 1, 2020 <https://laws-lois.justice.gc.ca/eng/acts/C-46/page-77.html#h-122004>

⁷⁷ Financial Consumer Agency of Canada “Payday Loans” <https://www.canada.ca/en/financial-consumer-agency/services/loans/payday-loans.html>

⁷⁸ Government of Canada: Justice Laws Website “Trust and Loan Companies Act” June 17 2019 <https://laws-lois.justice.gc.ca/eng/acts/t-19.8/page-22.html#h-454426>

Along with these federal laws, certain provinces have enacted different high-cost credit regulations to limit the riskier or nonprime area of the lending industry. Alberta has put into place the “High-cost credit regulation” designed to protect customers of high-interest loans from any predatory or unfair practices. The regulation says that lenders of any “credit products that have an associated annual rate of 32% or more”⁷⁹ cannot “mislead borrowers in loan advertisements, solicitations or negotiations, make empty threats or harass borrowers about outstanding loans, call borrowers before 7 am or after 10 pm” or “contact third parties in relation to a borrower’s debt.”⁸⁰ British Columbia has a Payday Loan Regulation saying many of the same things as the Albertan Regulation, with key points such as section 18 saying, “A payday lender must not issue a payday loan in excess of 50% of the borrower's net pay or other net income to be received during the term of a payday loan.”⁸¹ Newfoundland and Labrador have an Act Respecting Consumer Protection and Business Practice with Part VII. I specifically talking about high-interest loans and how “A borrower under a payday loan agreement may, without reason, cancel the agreement at a time before the end of the second day after the payday lender gives a copy of the agreement to the borrower if the payday lender is open for business on that day or the next day that the payday

⁷⁹ Alberta “High-cost credit regulation” December 1, 2020 <https://www.alberta.ca/high-cost-credit-regulation.aspx>

⁸⁰ Alberta “High-cost credit regulation”

⁸¹ BC Laws “PAYDAY LOANS REGULATION” September 1, 2018

https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/16_57_2009#section18

lender is open for business following the second day described in paragraph.”⁸²

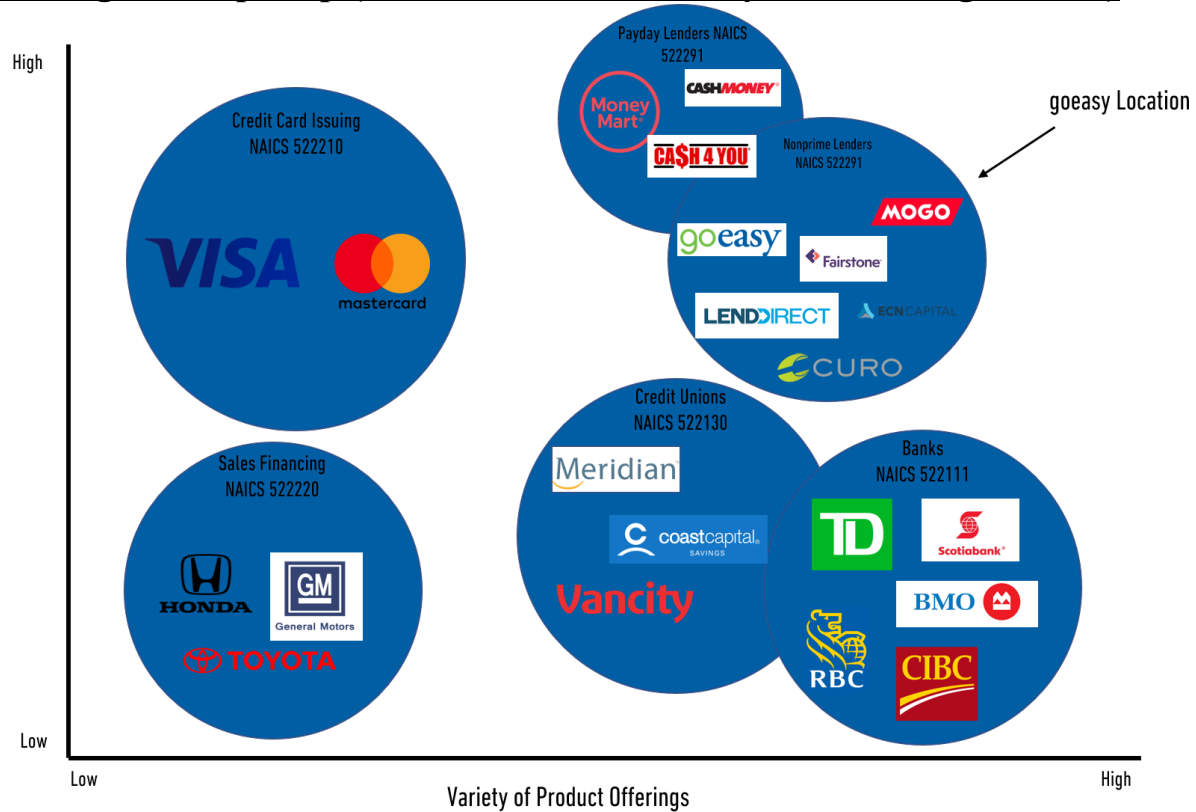
Ontario has a Payday loans act which in section 27(1) states that “No licensee shall falsify, assist in falsifying or induce or counsel another person to falsify or assist in falsifying any information or document relating to a payday loan or a payday loan agreement.”⁸³ Each province that has enacted one of these high-interest regulation, and although they may differ on the minor aspects of how they go about regulating the loans, they all have a similar objective which is the protection of customers. This creates an opportunity for stability in the lending industry as it is harder to take advantage of the borrowers who may not have as much knowledge on the cost of borrowing or those who are so desperate that they need the high interest loans.

⁸² CONSUMER PROTECTION AND BUSINESS PRACTICES ACT “ACT RESPECTING CONSUMER PROTECTION AND BUSINESS PRACTICES” May 28, 2009 <https://www.assembly.nl.ca/Legislation/sr/statutes/c31-1.htm>

⁸³ Ontario “Payday Loans Act” August 20, 2020 <https://www.ontario.ca/laws/statute/08p09#BK31>

Part II – Industry Analysis

Strategic Group Map (Matthew Clement & Aryan Ahadimoghaddam)



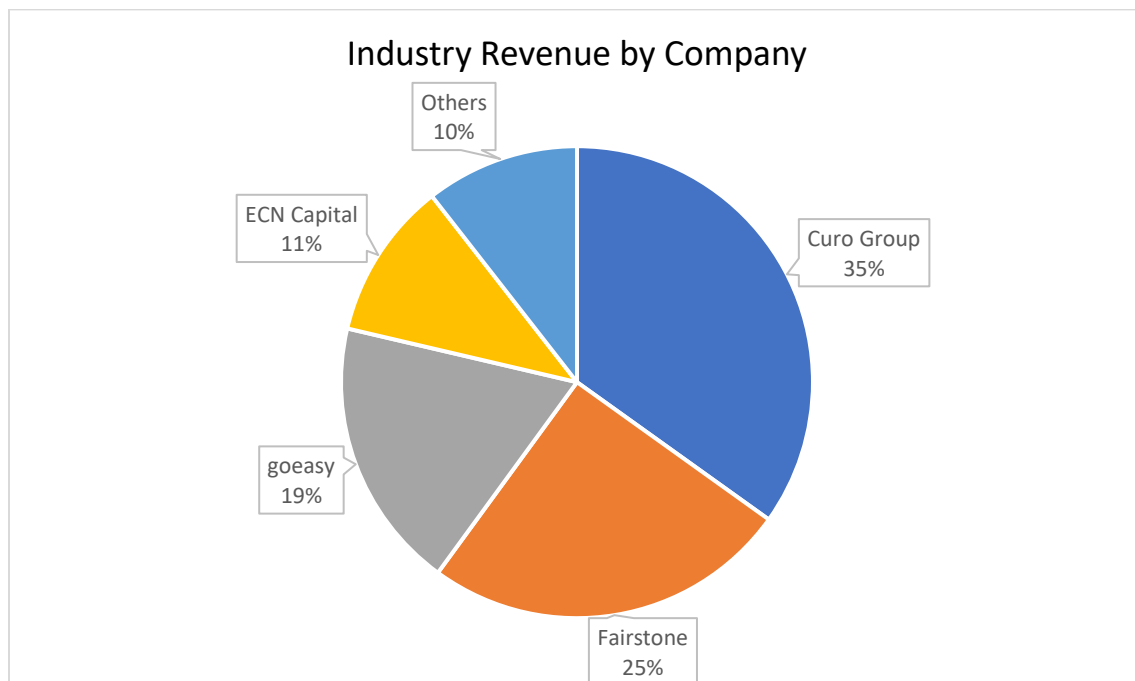
Competitive Rivalry (Matthew Clement & Aryan Ahadimoghaddam)

The main competitors for goeasy in the industry are other nonprime lenders as well as payday lenders. Although payday lenders are targeted at consumers with lower credit scores and charge higher interest rates, a nonprime consumer may choose to use a payday lender instead of a nonprime lender. If the consumer is seeking a loan to finance a product purchase, then members of this industry must also compete with sales financing companies and credit card issuers.

The top four companies in the non-prime consumer financing industry by revenue are:⁸⁴

Firm	Revenue
Curo Group	\$1,141,797,000
Fairstone	\$822,867,500
goeasy	\$609,383,000
ECN Capital	\$353,483,168
Total of Top 4	\$2,927,530,668
Total of Industry	\$3,272,490,531
Concentration of Top 4	89.46%

Source: Bloomberg

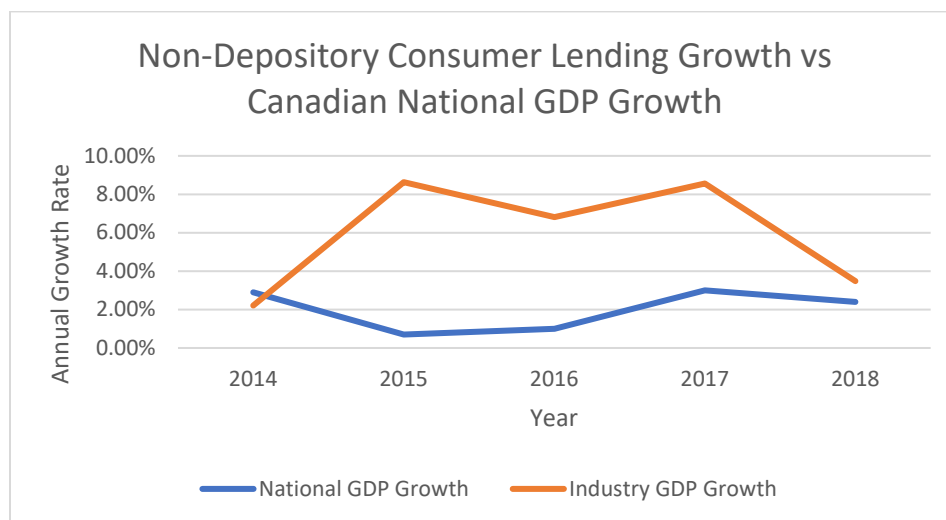


Source: Bloomberg

⁸⁴ Bloomberg L.P. (2021). Industry Classification System: Nonprime Consumer Lending. Retrieved from Bloomberg database.

This indicates that the industry is concentrated, as the top 4 firms account for 89.46 % of total industry revenues. This represents a threat for firm in the industry, as high concentration means that each competitor may wield significant market power, increasing the overall level of competitive rivalry.

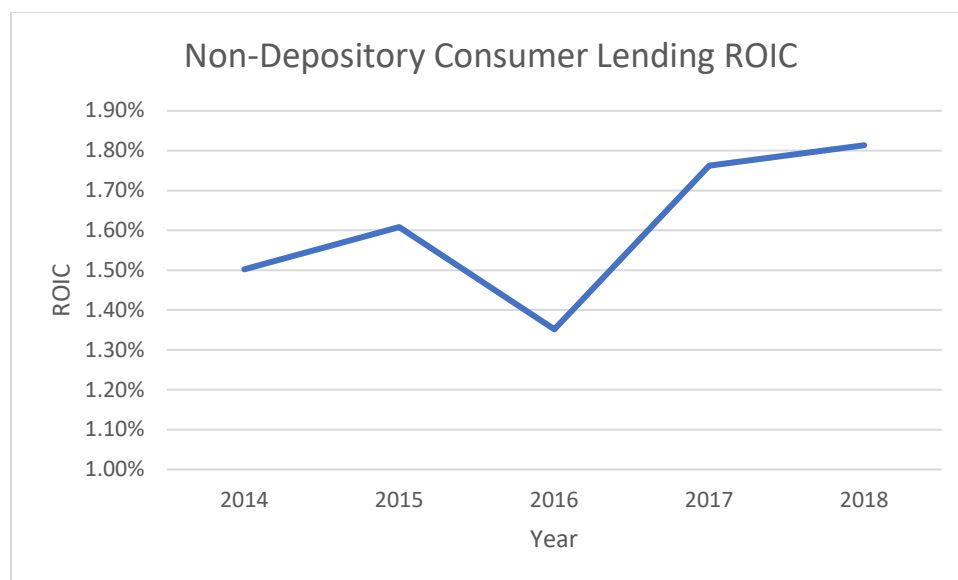
Over the past five years, the industry has generally outperformed national GDP in terms of growth.⁸⁵ This indicates that the industry is growing as a proportion of the Canadian economy and that there may be more room for competitors in the industry. This reduces the level of competitive rivalry in the industry.



Source: <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610043403>

⁸⁵ Statistics Canada. "Gross domestic product (GDP) at basic prices, by industry, annual average." 2014-2019. <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610043403>

In 2018, the non-depository consumer lending industry experienced an ROIC of 1.81%.⁸⁶ This figure is consistent with previous years' data, indicating that the industry has low but stable returns on its invested capital.



Source: <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3310000701>

Data was not available for industry fixed costs, so goeasy financial statements were used as a proxy for the industry. It was determined that fixed costs represented 21.33% of total firm assets. This indicates that firms in the industry pay significant amounts every year towards fixed costs, mostly due to their heavy use of debt and large workforces. This supports the notion that firms in the industry have high capital requirements, which would make entry into the industry more difficult.

⁸⁶ Statistics Canada. "Quarterly balance sheet and income statement, by industry." 2018. <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3310000701>

The product of this industry is financing for individual consumers. Since money is the same regardless of its source, in this sense, the industry acts as a commodity industry. However, firms will often differentiate themselves by offering some ancillary products, as well as competing on their offered APRs.

In this industry, capacity is defined as the capacity to give out more loans to customers. Firms obtain this capacity mainly through the issue of new debt and equity. Since new issues of debt or equity can be any size, capacity is theoretically incrementally scalable. In practice, firms will tend to issue new debt or equity in large batches to minimize issuance costs.

This industry is not protected by laws and regulations, and foreign companies are freely able to offer credit to Canadian consumers. Companies in the industry face competition from mainly American firms, including payday lenders and companies which offer financing for products such as automobiles.

Competitive rivalry intensity is ranked as a 6 for this industry due to the high concentration and high growth of the industry. This indicates that there is an attractive opportunity for competitors to enter and remain in the market.

Threat of New Entrants (Aryan Ahadimoghaddam)

The non-prime consumer lending industry has a low threat of new entrants due to their high capital requirements, strict government regulation, moderate technology requirements, and low-moderate switching costs.

Capital Requirements

The capital requirements to enter the non-prime consumer lending industry are very high. Firms in this industry make money by loaning money to underserved Canadians and receiving periodic interest and principal payments. This venture is funded through their retained earnings or by borrowing from a revolving credit facility. The APR that can be charged to customers ranges from 23.91% to 202.83%, depending on the type of loan offered.⁸⁷

Firm	Lowest	Highest	Average
Fair stone Financial	26.99%	39.99%	33.49%
MOGO	5.99%	47.72%	26.81%
Ferratum	18.90%	54.90%	36.90%
goeasy	19.99%	46.96%	33.47%
Lend Direct	19.99%	46.93%	33.47%
Progressa	19.99%	46.95%	32.98%
Total Average	18.48%	47.24%	32.86%

⁸⁷ “Find Canada's Best Personal Loan Rate,” Loan Application | Loans Canada (Loans Canada, 2020), <https://loanscanada.ca/app/loan>.

Source: Loans Canada (2020). <https://loanscanada.ca/app/loan>

This industry's loans range from short-term high APR payday loans to longer-term installment loans with a moderate APR. For firms looking to enter the industry, an average loan book of \$3.7 million per store is required, excluding fixed costs such as selling, general, and administrative fees and loan servicing fees.

Category	Lowest APR average	Highest Average APR	Average
APR	18.48%	47.58%	32.86%
Loan book required to make \$1,000,000 revenue	\$5,411,255	\$2,101,723	\$3,043,213
Allowance for losses as a percent of the portfolio	9.64% ⁸⁸	19.8% ⁸⁹	15%
Bad Debts	\$521,644	\$416,141	\$456,482
Cash required net of bad debts	\$5,932,899	\$2,518,864	\$3,499,695

Source: <https://loanscanada.ca/app/loan> <https://investors.goeasy.com/financial-information>
<https://ir.curo.com/annual-reports>

⁸⁸ Goeasy is used as a proxy for lower APR historical bad debts “Financial Reports,” goeasy 2019 Annual Report (goeasy Ltd, 2020), <https://investors.goeasy.com/financial-information>.

⁸⁹ CURO group is used as proxy for higher APR historical bad debts as they are a payday loan company “Curo 2020 Annual Report.” CURO, 2019. <https://ir.curo.com/annual-reports>.

For an average firm charging a 31.25% APR to break even, charge-off rates would have to be approximately 11%. This low charge-off rate is hazardous to new entrants due to the risky target demographic and higher-than-average delinquency rates.

Break-even analysis	Lowest APR	Highest APR	Average APR
APR	18.48%	47.58%	32.86%
Fixed Cost	15%	15%	15%
Finance cost	5%	5%	5%
Net charge off to break even	-1.52%	27.25%	12.86%

Source: <https://loanscanada.ca/app/loan> <https://investors.goeasy.com/financial-information>

Sizeable initial capital requirements such as a high initial loan book size and the corresponding low net charge off rates deter new entrants and create high entry barriers.

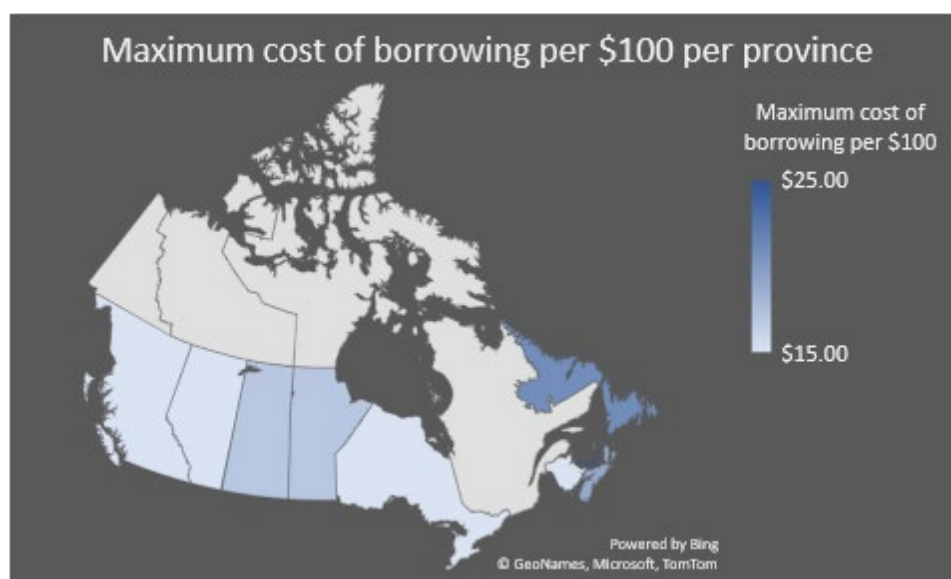
Government Regulation

The consumer loan segment's regulatory requirements present another hurdle for potential new entrants to the industry. Federally, the lending market is regulated by Section 347 of the Criminal Code, in which a maximum effective annual rate of interest of 60% is mandated.⁹⁰ Additionally, the cost of borrowing is restricted at the provincial level, in which the total loan costs are limited to \$15-

⁹⁰ Government of Canada: Justice Laws Website "Criminal Interest Rate" July 1, 2020 <https://laws-lois.justice.gc.ca/eng/acts/C-46/page-77.html#h-122004>

\$25 per \$100 of the loan. Further provincial regulations include the maximum cost of bounced checks and eligible refund periods. These regulations put higher pressure on the break-even point as interest margins are tightened.

Furthermore, municipalities are increasing regulatory pressure by restricting the number of licenses to open new consumer lending businesses.



Source: <https://www.canada.ca/en/financial-consumer-agency/services/loans/payday-loans.html>

According to the City of Toronto, Canada's largest city, total payday loan licenses have been limited to 212 across the city.⁹¹ This flat restriction virtually eliminates all new entrants looking to operate payday lending businesses in the city. Overall, the non-prime consumer lending industry has a low threat of new

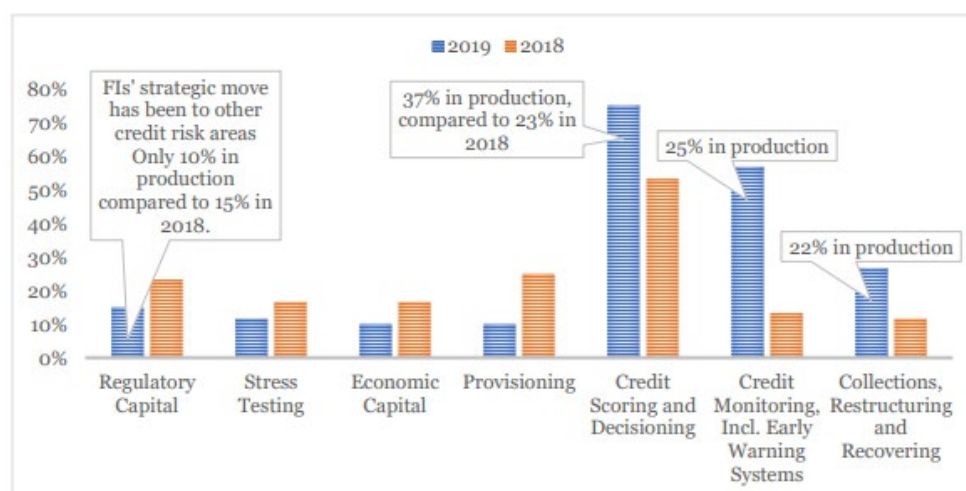
⁹¹ City of Toronto, "Payday Loan Establishments," City of Toronto, January 13, 2021, <https://www.toronto.ca/services-payments/permits-licences-bylaws/payday-loan-establishments/#:~:text=Restrictions%20for%20New%20Licence%20Applications&text=%2C%20and%20were%20operating%20in%20Toronto,operators%20to%20meet%20consumer%20demand.>

entrants due to governments' significant pressure at the federal, provincial, and municipal levels.

Technology

A lender's technological prowess is also a factor preventing new entrants. According to a study by Deloitte, the latest technology trends are heavily affecting how companies manage their credit risk.⁹² Specifically, the research suggests that more firms establish a centralized team of data analysts that provide models for all core business functions. These models will identify the economy's current health and determine their customers' risk and what risk-adjusted APR to give them.

Number of Financial Institutions that Implement Credit Risk Modelling



Source: Institution of International Finance (2020)⁹³

⁹² Edward Vantor and Athanasios Pertsinis, "https://www2.Deloitte.com/Content/Dam/Deloitte/Lu/Documents/Risk/Lu-Credit-Risk-Measurement-Technology-Trends.pdf," Deloitte, 2020, <https://www2.deloitte.com/content/dam/Deloitte/lu/Documents/risk/lu-credit-risk-measurement-technology-trends.pdf>.

⁹³ Brad Carr, Natalia Bailey, and Dennis Ferenzy, "Machine Learning in Credit Risk," Institute of International Finance, August 2020, https://www.iif.com/Portals/0/Files/content/Research/iif_mlcr_2nd_8_15_19.pdf.

Firms wishing to join the industry will have to provide significant resources to gathering data and using it for decision purposes. According to the Institution of International Finance, finding talent the right set of coding and mathematics skills is one of the most challenging challenges for firms in the financial industry.⁹⁴ According to Statistics Canada, from 2001-2019, wage growth from scientific services had a CAGR of 2.53% compared to the average of 2.39%.⁹⁵ This shows that individuals with those types of skills are heavily sought after, which drives costs up while also adding a layer of complexity for new entrants.



Source: Statistics Canada. [Table 14-10-0204-01 Average weekly earnings by industry, annual](#)

⁹⁴ Brad Carr, Natalia Bailey, and Dennis Ferenzy, “Machine Learning in Credit Risk,” Institute of International Finance, August 2020, https://www.iif.com/Portals/0/Files/content/Research/iif_mlcr_2nd_8_15_19.pdf.

⁹⁵ Statistics Canada [Table 14-10-0204-01 Average weekly earnings by industry, annual](#)

Firms looking to enter the non-prime lending industry will have significant difficulties due to the high technological costs due to the high demand for knowledge workers. Additionally, firms will have problems fully utilizing technical data until they get to scale.

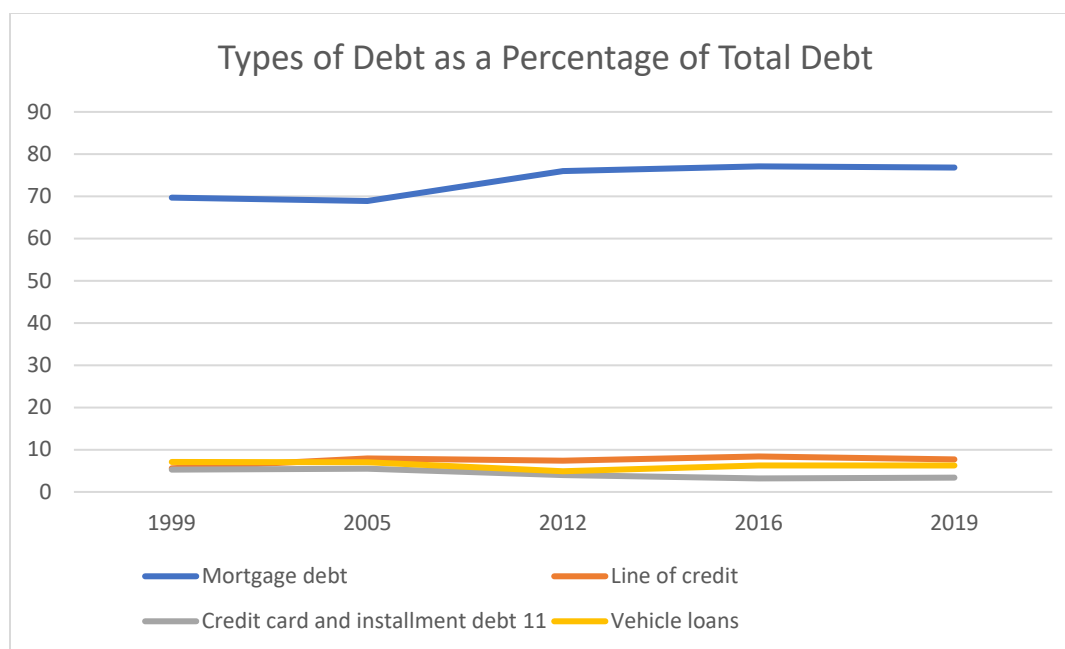
Due to high start-up costs, strict regulations, and high technology costs, it has been determined that the intensity of threats of entrants is ranked at a 2 for this industry.

Threat of Substitutes (Aryan Ahadimoghaddam)

Non-prime installment loans have few substitutes that could damage firms in the industry. Substitutes of this industry are any financial instrument that could provide capital to customers who have non-prime credit scores. These substitutes include mortgages, lines of credit, auto loans, and credit cards.

Mortgage balances have grown to 76.8% of an average families' total debt, while credit cards and installment loans, lines of credit, and vehicle debt account for 7.7%, 3.4%, and 6.3%, respectively.⁹⁶

⁹⁶ Statistics Canada. [Table 11-10-0016-01 Assets and debts held by economic family type, by age group, Canada, provinces and selected census metropolitan areas, Survey of Financial Security](#)



Source: TransUnion Q3 2020 Industry Report⁹⁷

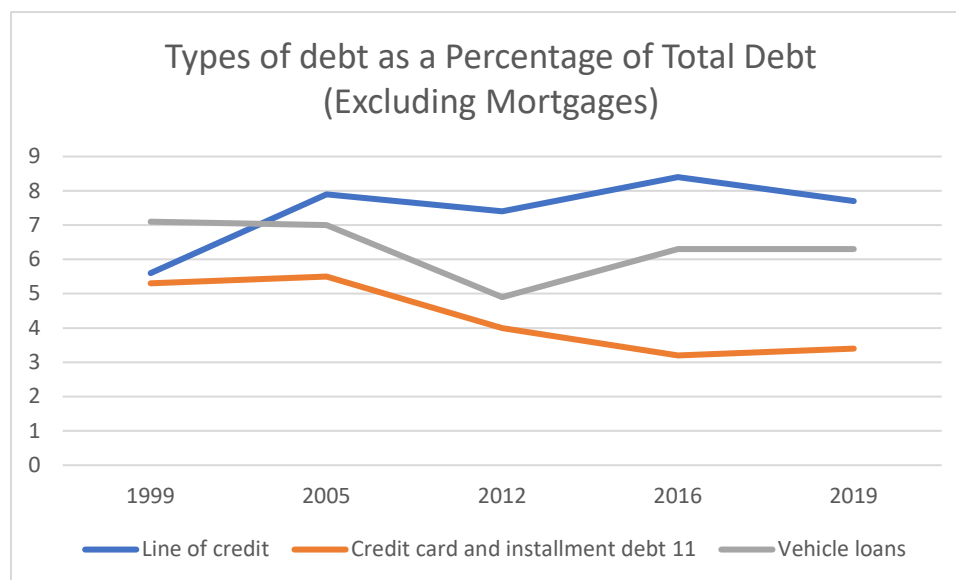
While a mortgage comprises most of an average Canadian's debt, it differs significantly for non-prime consumers. Canadians in the non-prime category have an average of \$15,470 in mortgage debt than the standard of \$43,437.⁹⁸ This is due to the higher credit requirements of these customers.

Excluding mortgages, lines of credit are increasing significantly as a percentage of total debt from 5.6% in 1999 to 7.7% in 2019. In contrast, credit

⁹⁷ "TransUnion Q3 2020 Industry Insights Report: TransUnion Canada," TRANSUNION Q3 2020 INDUSTRY INSIGHTS REPORT (TransUnion, 2020), <https://www.transunion.ca/lp/IIR>.

⁹⁸ "Financial Reports," goeasy 2019 Annual Report (goeasy Ltd, 2020), <https://investors.goeasy.com/financial-information>.

cards and installment debt have fallen to 3.4% from 5.3%, and vehicle loans have fallen to 6.3% from 7.1%.⁹⁹



Source: TransUnion Q3 2020 Industry Report¹⁰⁰

While lines of credit as a percentage of total debt increase, this is not indicative of the non-prime category. Lines of credit typically have a lower APR than credit cards and installment loans and have no repayment schedule. Furthermore, financial institutions that offer a credit line require stricter income requirements and higher credit scores.¹⁰¹

⁹⁹ Statistics Canada. [Table 11-10-0016-01 Assets and debts held by economic family type, by age group, Canada, provinces and selected census metropolitan areas, Survey of Financial Security](#)

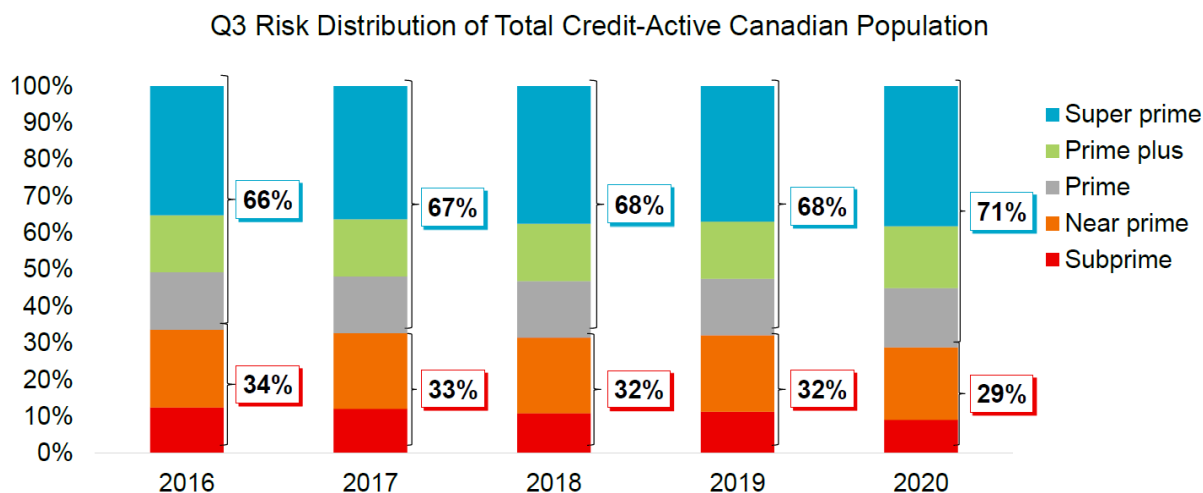
¹⁰⁰ “TransUnion Q3 2020 Industry Insights Report: TransUnion Canada,” TRANSUNION Q3 2020 INDUSTRY INSIGHTS REPORT (TransUnion, 2020), <https://www.transunion.ca/lp/IIR>.

¹⁰¹ Financial Consumer Agency of Canada, “Government of Canada,” Canada.ca (/ Gouvernement du Canada, March 21, 2019), <https://www.canada.ca/en/financial-consumer-agency/services/loans/loans-lines-credit.html>.

While auto loans are also typically available to non-prime Canadians, they are not as lucrative. Auto loans are restricted to a loan secured by a vehicle and cannot be used for other purposes.

In the short term, threat of substitutes is low. While installment loans have decreased in size for the rest of Canadians, it remains the most lucrative option for the non-prime credit category. Non-prime consumers are unable to switch to lower-cost alternatives until they improve their credit scores. As non-prime consumers improve their credit scores in the long run, they will have access to more lucrative financial products with lower APRs. This trend from non-prime to prime can be seen from 2016-2020, in which active credit participants decreased from 34% to 29%.¹⁰² Overall, the threat of substitutes is moderate since non-prime consumers have a limited selection of products until they improve their credit scores.

¹⁰² Q3 2020 Financial Services Canada Industry Insight Report



Source: TransUnion Q3 2020 Industry Report ¹⁰³

Due to the lack of availability of substitutes for the industry's target customers due to their financial situations, the threat of substitutes for this industry is ranked at 2.

Power of Suppliers (Matthew Clement)

Firms in Supplier Industry

Firms in the nonprime consumer lending industry do not have suppliers in the traditional sense since they do not offer any product or service which can be purchased from a source up the supply chain. Instead, the asset they offer to customers is capital in the form of loans. As a result, the suppliers for this industry

¹⁰³ TransUnion Q3 2020 Industry Insights Report: TransUnion Canada," TRANSUNION Q3 2020 INDUSTRY INSIGHTS REPORT (TransUnion, 2020), <https://www.transunion.ca/lp/IIR>.

are those who supply capital for the firm. This means the suppliers are mainly bondholders and shareholders.

The following chart shows the debt-to-capital ratios top five providers of non-depository consumer lending in Canada.^{104 105 106 107 108}

Firm	D/C Ratio
Curo Group	94.95
goeasy	73.28
ECN Capital	33.74
Accord Financial Corp	74.81
MOGO	97.24
Mean	74.80
Median	74.81

Source: Bloomberg

All firms are primarily in the nonprime consumer lending business.

As shown by the above data, the average firm in the industry is relatively highly leveraged, with debt representing 74.80% of all capital. However, equity still represents a significant portion of all financing, comprising 25.20% of capital. Therefore, both debt holders and equity holders possess significant power in the

¹⁰⁴ Bloomberg L.P. (2021). Curo Group Financial Analysis Tables. Retrieved from Bloomberg database

¹⁰⁵ Bloomberg L.P. (2021). goeasy Financial Analysis Tables. Retrieved from Bloomberg database

¹⁰⁶ Bloomberg L.P. (2021). ECN Capital Financial Analysis Tables. Retrieved from Bloomberg database

¹⁰⁷ Bloomberg L.P. (2021). MOGO Financial Analysis Tables. Retrieved from Bloomberg database

¹⁰⁸ Bloomberg L.P. (2021). Accord Financial Corp. Financial Analysis Tables. Retrieved from Bloomberg database

industry. However, debt holders are the most important and powerful suppliers of capital, and their potential power represents a threat for firms in the industry, as they may impose terms such as restrictive debt covenants on firms, reducing the number of freedom managers has to make decisions.

Availability of Substitute Suppliers and Industry Concentration

Although both the bond and equity markets are comprised of many individuals and institutions, every member of that market charges the market-determined price for equity or debt, so these markets could, in fact, be viewed as one supplier each. Upon a share offering, companies will receive a price that the market determines is equivalent to the market value of the shares issued. Likewise, bond holders will demand an interest rate on the bond, which the market determines will correctly compensate them for the riskiness of the company. Therefore, firms in the nonprime consumer lending industry have two suppliers of capital: the equity market and the debt market.

Firms can generally freely choose between equity financing or debt financing, but there are many differences between the two which limit their substitutability. Equity requires no fixed payments but does require the firm to surrender some control to shareholders. Firms may also be reluctant to issue new equity because of dilution on existing shareholders. On the other hand, debt allows

the firm to retain greater control but also requires fixed interest payments, making it less attractive for companies with low or uncertain cash flows.

Firms increase their risk of bankruptcy when issuing new debt, as they will be required to make larger interest payments. They do receive some tax benefits since interest payments on debt are tax-deductible. There exists an optimal capital structure for most firms where the costs associated with increased bankruptcy risk are equal to the tax benefits of interest payments. In the non-depository consumer lending industry, the mean D/C ratio has historically remained between 60% and 80%, so it can be determined that the optimal level of debt for this industry is within that range.^{109 110 111 112 113}

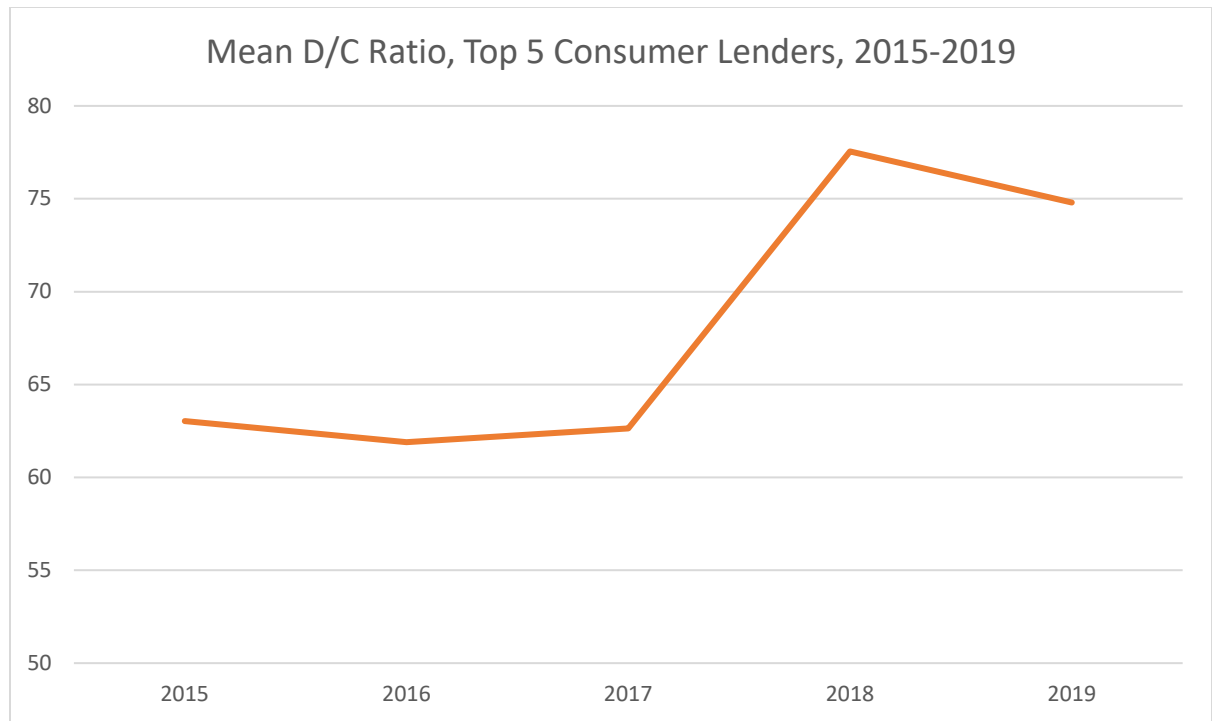
¹⁰⁹ Bloomberg L.P. (2021). Curo Group Financial Analysis Tables. Retrieved from Bloomberg database

¹¹⁰ Bloomberg L.P. (2021). goeasy Financial Analysis Tables. Retrieved from Bloomberg database

¹¹¹ Bloomberg L.P. (2021). ECN Capital Financial Analysis Tables. Retrieved from Bloomberg database

¹¹² Bloomberg L.P. (2021). Cash Store Financial Analysis Tables. Retrieved from Bloomberg database

¹¹³ Bloomberg L.P. (2021). Accord Financial Corp. Financial Analysis Tables. Retrieved from Bloomberg database



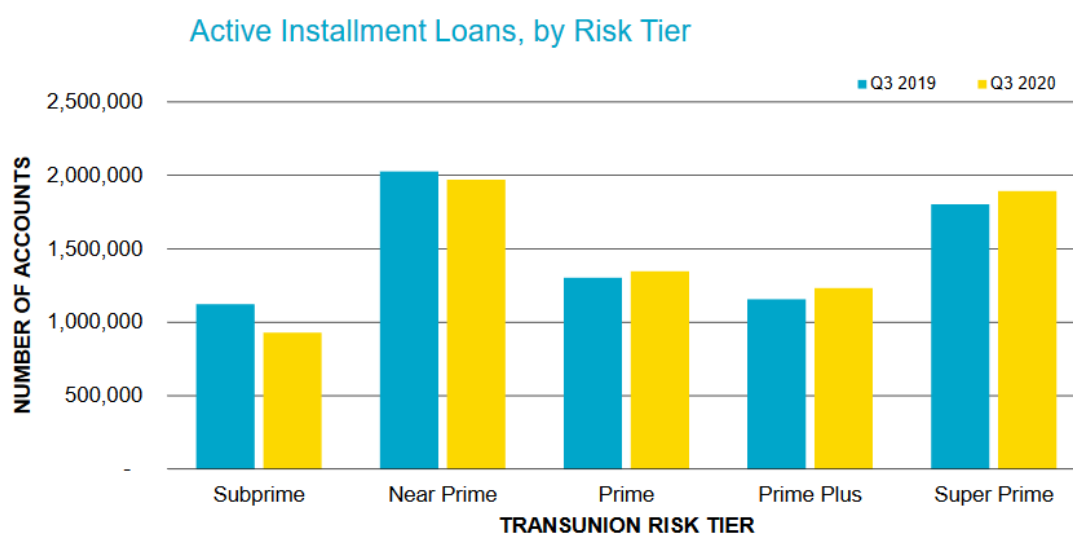
Source: Bloomberg

Once a firm reaches this optimal point, choosing to issue new debt or new equity requires them to incur switching costs associated with departing from their optimal structure.

Due to the high switching costs, the concentration of suppliers, and low substitutability of suppliers, the capital markets are price-makers, and the firms in the industry are price-takers. The power of suppliers is high in this industry, making it less attractive for firms. Supplier power can be ranked at a 9.

Power of Buyers (Matthew Clement)

The non-depository consumer lending industry targets Canadians whose credit scores fall below prime levels and thus are not able to obtain loans from sources such as chartered banks. It is estimated that 9.4 million Canadians, or about 1 in 4, have credit scores that are considered below prime.¹¹⁴ This figure represents the potential size of the market for firms in the industry. However, of these 9.4 million Canadians, just under 3 million had taken out loans as of the third quarter of 2020, which is an indication of the current size of the market.¹¹⁵



Source: TransUnion Industry Insights Report (Trans Union of Canada, Inc, 2020).

¹¹⁴ goeasy Ltd. “Annual Report 2019.” <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

¹¹⁵ TransUnion Industry Insights Report (Trans Union of Canada, Inc, 2020).

There are approximately 6 million Canadians who have credit scores below prime level and would potentially benefit from credit products such as loans to improve their score, yet currently do not engage in any of those products. This represents a largely untapped market for the industry, greatly increasing its attractiveness.

Power of Consumers

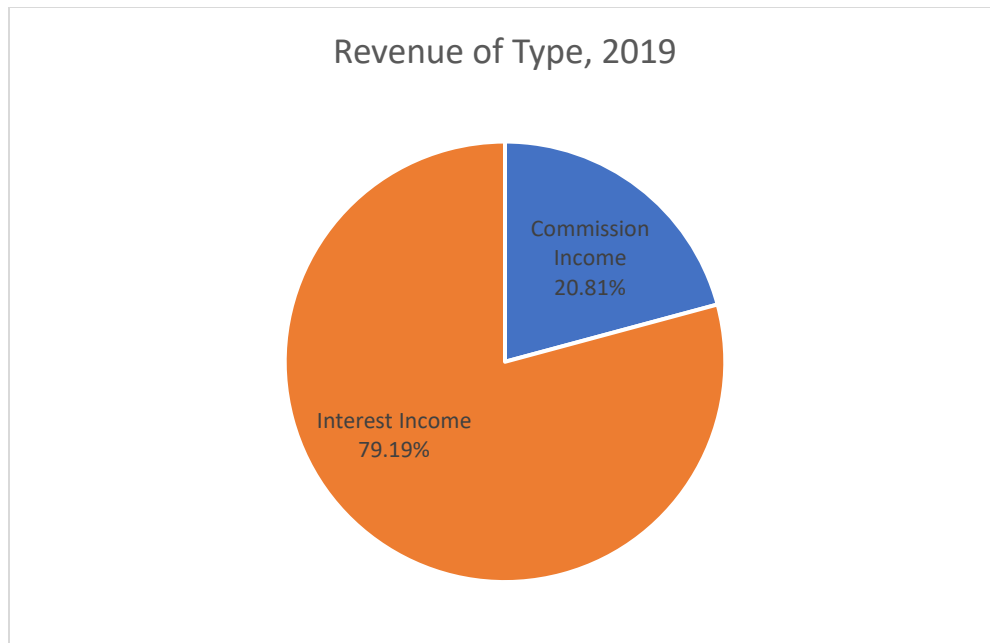
Since members of the industry target individual consumers, customers are extremely fragmented, so that individuals cannot significantly influence market prices. In this sense, the power of buyers is weak.

Many firms outside of the industry are specialists in offering a specific type of credit to consumers. For instance, vehicle dealerships offer auto loans to consumers. Since loans from dealers are restricted to loans on that company's brand of vehicles, the substitutability of credit is limited. Customers of the nonprime lending industry often have low credit, so alternatives such as borrowing from a bank are not available to them. Firms that specialize in nonprime lending will often charge higher interest rates on loans compared to rates charged by banks or specialists such as vehicle dealerships. This limits the substitutability of these firms with nonprime lenders. Overall, products in the industry have low to moderate substitutability, further reducing buyers' power.

Since most customers in this industry are individual, there is no significant threat of backward integration. Most customers do not possess the capital required to enter the market themselves, and even if some did, it would not represent a significant reduction in the size of the market.

As previously mentioned, there are switching costs associated with switching from specialist providers of credit, as the customer will no longer be able to use the credit to buy the same products. In addition, many firms are beginning to offer ancillary products to accompany their loan products to increase value to their customers. These ancillary products create an ecosystem of products around the loans, which would have to be given up if a customer decides to switch. Using goeasy as a proxy for the industry, ancillary products made up 20.81% of revenue, indicating that they are a significant portion of the business, and customers have embraced these products are part of the experience.¹¹⁶

¹¹⁶ goeasy Ltd. “Annual Report 2019.” <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>



Source: <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

As a result of the high fragmentation and low access to capital for customers in the industry, buyers have little power. Buyer power is ranked at a 3 for this industry.

Summary of Part Five Forces (Aryan Ahadimoghaddam and Matthew Clement)

The nonprime consumer lending industry has unique dynamics that affect the competitive environment. With regards to the non-prime consumer finance industry, threats of substitutes and new entrants respectively provide the most insight into the industry. The intensity of the Threat of new entrants can be given a score of 2 due to the high startup capital costs followed by strict federal, provincial, and municipal regulations. Additionally, new entrants are further

deterred by the moderate technology requirements pertaining to their core business functions, such as credit risk modeling. The threat of substitutes can be given an intensity score of 2 as other financial instruments such as mortgages, lines of credit, and sometimes credit cards are not available to customers with low credit, which restricts available substitutes. Auto loans are the firm's closest substitute but do not provide the same flexibility as installment loans. Supplier power has an intensity score of 9 due to the high switching costs of obtaining capital, high concentration, and low substitutability of supplier's capital. Buying power was given an intensity score of 3 as consumers are highly fragmented, which gives them less influence in market prices. This is because buyers in this industry have lower access to capital due to their lower credit scores. With regards to the intensity of competitive rivalry, a score of 6 was given as the competitive rivalry is moderate. Concentration in the industry is high, which suggests that competitive rivalry is relatively fierce. Furthermore, the average profitability of the industry is 21.61%, and the industry ROIC was 1.81% in 2018.¹¹⁷ The industry has experienced small and shrinking growth over the past three years, indicating that it is a mature and stable industry.¹¹⁸

¹¹⁷ Statistics Canada. "Quarterly balance sheet and income statement, by industry." 2019.

<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3310000701>

¹¹⁸ Statistics Canada. "Gross domestic product (GDP) at basic prices, by industry, annual average." 2017-2019.

<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610043403>

Industry Growth Rate, Past 3 Years

Year	2017	2018	2019
Growth Rate	3.00%	2.40%	1.90%

Source: <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610043403>

Overall, the average intensity for this industry is 4.4, indicating that it is an attractive industry for firms.

A driving force for the non-prime consumer lending industry is the current lack of diverse product offerings for non-prime consumers. As companies engage in financial engineering to create new products for the currently underserved customers, buying power of customers and the threat of substitutes will increase. This is because more available products will provide a diverse offering of APRs in which customers will seek out the lowest rate. Additionally, currently non-available substitutes such as lines of credits and credit cards may be created specifically for non-prime customers, which would increase the threat of substitutes.

Another driving force in this industry is the current lack of saturation of firms. Analysis indicates that there is room for this market for more firms and that the market is attractive enough for firms to wish to enter. As a result of this force,

it is expected that new competitors will enter the industry, and competitive rivalry will increase.

Summary of Industry Analysis (Aryan Ahadimoghaddam and Matthew Clement)

Overall, firms in the non-prime consumer lending industry have a high attractiveness, as shown by the intensity score of 4.4. Both the threat of new entrants and substitutes had a score of 2, indicating that there was no significant threat. In contrast, supplier power had a score of 9, which indicates that capital holders have significant power over the firms. The industry experienced a moderate growth rate which shows that there is still room for growth. Currently, firms have a moderate ROIC of 1.81% , which demonstrates that firms are being moderately being compensated for their invested capital. Driving forces such as the financial engineering of new products for non-prime customers and the lack of saturation in the industry have the potential to increase the threat of substitutes, buyer power, and competitive rivalry. The extreme attractiveness of the non-prime consumer lending industry has become increasingly clear due to the reasons above. However, driving forces could drive prices and decrease the attractiveness to moderate due to the availability of substitutes.

Part III – Value Chain and Competitor Analysis

Value Chain and Competitor Analysis Introduction (All Members)

goeasy Ltd. is a Canadian company that engages primarily in the nonprime consumer lending industry. It provides rent-to-own furniture and appliances to customers, as well as extending credit to customers whose credit scores place them below prime. goeasy Ltd. was founded in 1990 as RTO Enterprises. It was founded in Edmonton, Alberta but later moved to Ontario in 1993, where it is now based in Mississauga. At the time, the company focused exclusively on rent-to-own.¹¹⁹ In 2001 David Ingram became CEO of the company, where he would remain until 2019. Under Ingram, the company saw significant expansion, including a 2003 rebranding as easyhome, the introduction of its easyfinancial consumer lending division in 2006, and its 2015 rebranding as goeasy. In 2019, Ingram transitioned to the role of executive chairman and was succeeded by former COO Jason Mullins as CEO.¹²⁰ In 2019, goeasy had revenues of \$345 million with a net income of \$64 million.¹²¹ As of December 31st, 2019, goeasy had 1985 full-time employees and 42 part-time employees across the company. The firm currently operates Canada-wide, including limited services in Quebec. Moreover, they have

¹¹⁹ “Company History,” goeasy Ltd, accessed February 21, 2021, <https://investors.goeasy.com/company-history>.

¹²⁰ Ibid.

¹²¹ “2019 Annual Report”, goeasy Ltd, accessed February 21, 2021, <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>.

266 branch locations for easyfinancial and 113 for easyhome.¹²² In the nonprime consumer lending industry, goeasy has a market share of 18.62% by revenue.¹²³

Supply Chain Management (Aryan Ahadimoghaddam)

Firms in the nonprime consumer lending industry have one primary good that is supplied from a variety of outside sources. As lending to consumers is capital intensive, firms will borrow from both public and private lenders through equity investment, issuance of bonds, or a credit facility. Regarding the issuance of bonds, capital can either be secured by an asset and offer a lower coupon payment or be unsecured and have a higher coupon payment to adjust for the additional risk. Firms will then use the capital that they have borrowed and lend it at a significantly higher rate and profit off the spread between the two rates. Another source of capital is from equity issuances. Firms may issue equity directly to significant funds, institutions, or wealthy investors in exchange for cash to fund their operations. Additionally, firms can decide to issue equity to the public markets through an Initial Public Offering (IPO) if they are privately held or a Seasoned Equity Offering if they are already publicly owned. Firms will then use the capital from the equity investors and lend it to their customers. Depending on the firm's maturity, investors may receive payment in the form of dividends. Credit facilities

¹²² "Corporate Profile," goeasy Ltd, accessed February 21, 2021, <https://investors.goeasy.com/corporate-profile>.

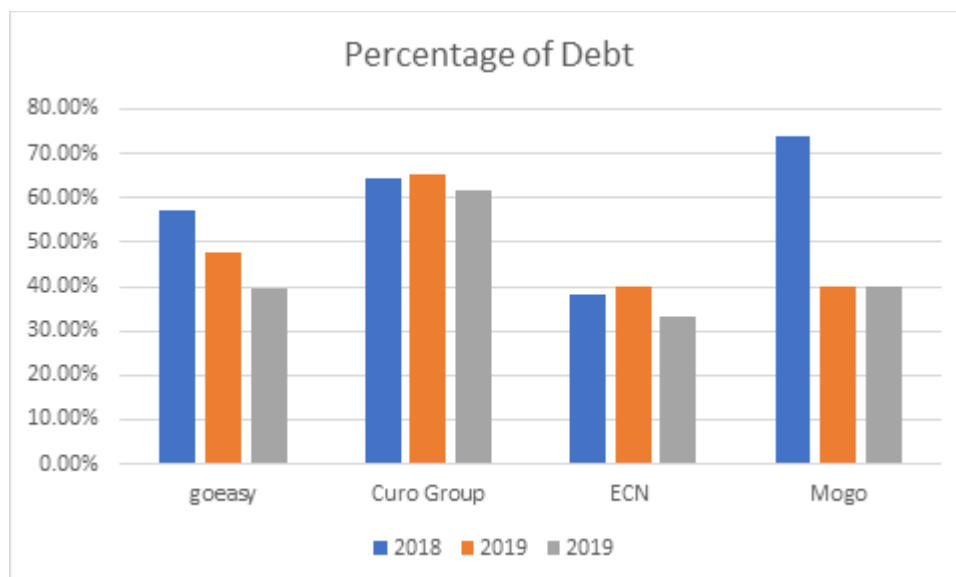
¹²³ Bloomberg L.P. (2021). Industry Classification System: Nonprime Consumer Lending. Retrieved from Bloomberg database.

are also a significant source of capital and provide firms with great flexibility. Like a line of credit, firms can draw up to a certain amount of capital and make interest-only payments. Firms will use this capital as needed for both direct lending and functional expenses.

Using industry averages, goeasy will be compared to their peers to identify their capital efficiency.

Capital Structure

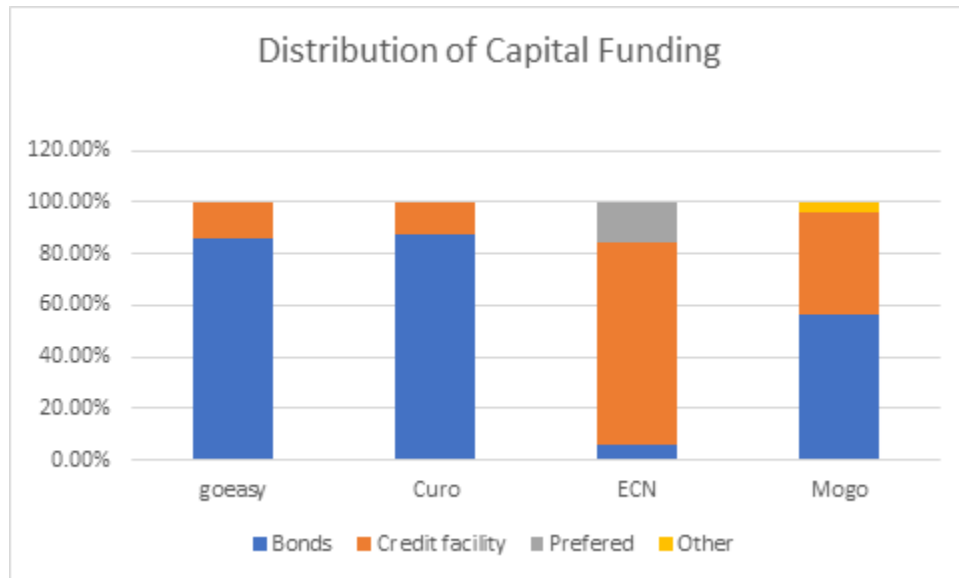
goeasy has a current market capitalization of \$1.858 billion, of which \$810.92 million is long-term debt amounting to a weight of debt of 43.63% (Bloomberg). In the past three years, goeasy has been lowering its percentage of debt which indicates less reliance on debt financing. In comparison, goeasy's competitors such as Curo Group, ECN, and MOGO's capital structure are flat, increasing, and decreasing their debt, respectively, with the median debt level at approximately 43.85%.



Source: Bloomberg

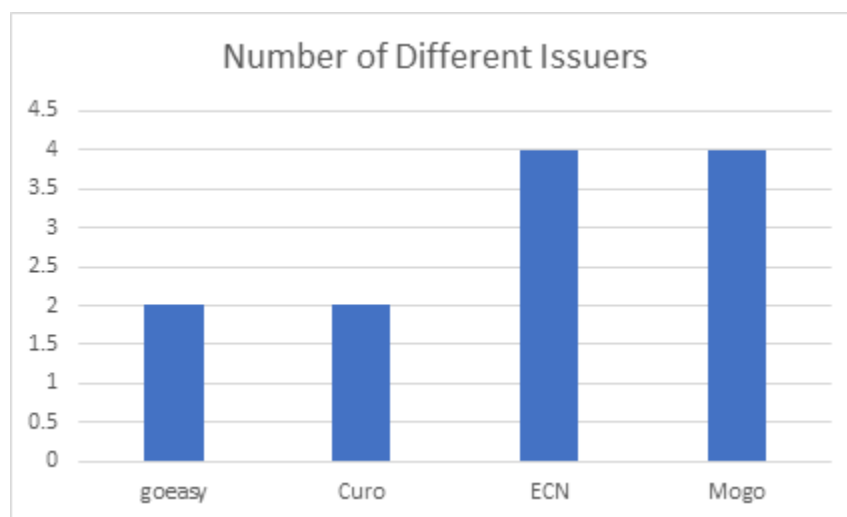
Currently, goeasy has two different issues of debt. The first one is a secured revolving credit facility of up to \$310 million dollars (14% of total debt), of which half is currently used.¹²⁴ The second type of debt is an unsecured bond with a market value of \$695.92 million and accounts for the remaining 85.77% of the debt. goeasy's competitors have a variety of different issuances of debts, including bonds, credit facilities, and preferred equity with multiple issuers.

¹²⁴ Bloomberg L.P. (2021). "goeasy Financial Analysis." Retrieved from Bloomberg database.



Source: Bloomberg

Curo Group has a similar capital structure to goeasy as they are the closest in terms of their core businesses and their target market of non-prime consumers. Firms such as ECN and MOGO differ from goeasy with regards to their capital structure as their business is focused on the prime market and has a lower risk core business.



Source: Bloomberg

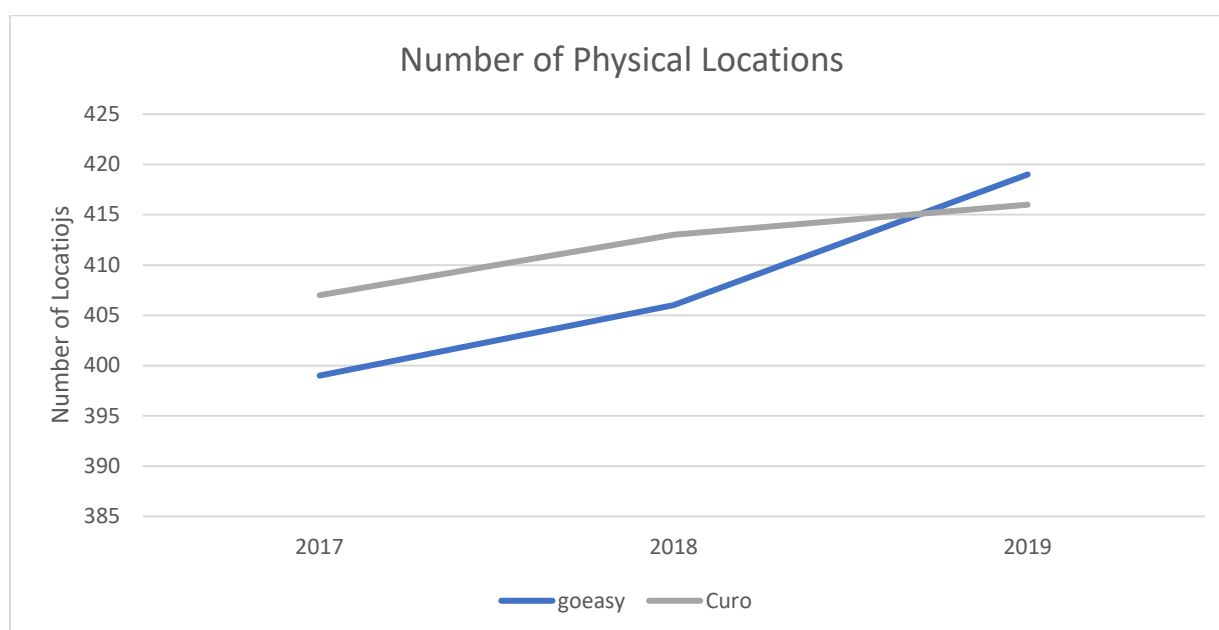
Both ECN and MOGO can generate their capital with multiple issues, allowing the firm to give up less control to their bond holders. In contrast, goeasy and Curo have two issues of debt, and the bond market owns at least 80% of their total debt. This could be harmful as their suppliers of capital would have a significant amount of influence within the company due to the large amount of capital they provide.

The supply chain value chain function provides value, as prudent financial management will provide other value chain functions with timely capital while also having superior cost savings than their competitors. Prudent financial management is also rare, as many firms have different capital structures, which can often lead to bankruptcy when incorrectly managed. As previously mentioned, goeasy's competitors vary with regards to their capital structure, with different firms opting for different strategies. Firms that can choose a strategy that minimizes their cost of capital can only be achieved with strategic capital management. The value chain function, however, is not immutable as there are no barriers stopping their competitors from applying a strict financial regimen. The value chain function is non-substitutable as firms in the long run that do not apply strict financial management processes are led to the path of bankruptcy.

Operations (Matthew Clement)

Number and Geographical Distribution of Locations

In terms of physical locations, the only comparable competitor is Curo, as ECN Capital and MOGO operate solely through non-physical channels. goeasy and Curo have a similar number of locations, indicating a similarly sized physical footprint.^{125 126}



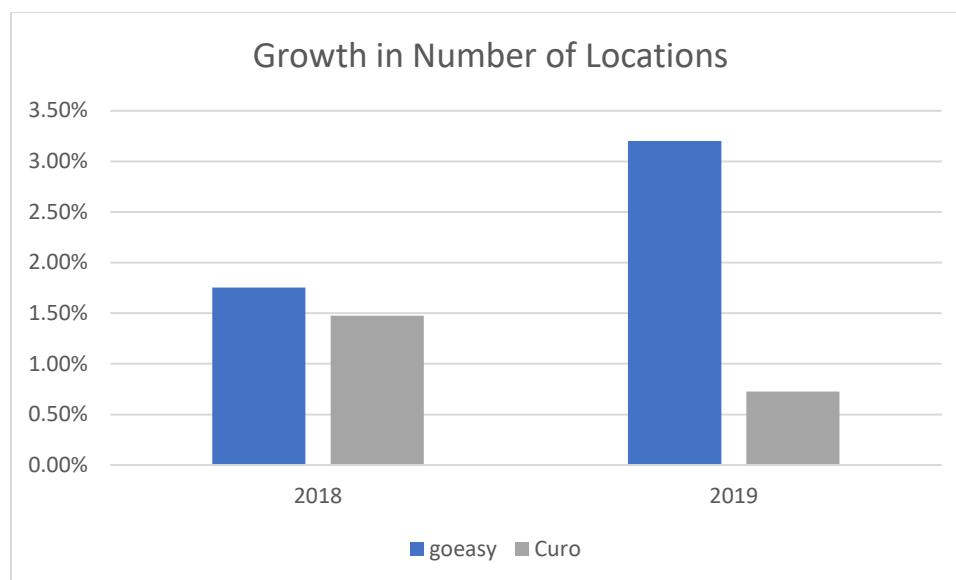
<https://investors.goeasy.com/financial-information>

<https://ir.curo.com/annual-reports>

¹²⁵ goeasy. (2020). “Annual Report 2019”. Retrieved from <https://investors.goeasy.com/financial-information>

¹²⁶ Curo Group. (2020). “Annual Report 2019”. Retrieved from <https://ir.curo.com/annual-reports>

As can be seen above, goeasy has experienced faster growth in its number of locations over the past three years. This shows a greater focus for goeasy on expanding the company's retail footprint to attract a wider customer base.



<https://investors.goeasy.com/financial-information>

<https://ir.curo.com/annual-reports>

The operations of goeasy are exclusively in Canada, with locations across the country distributed roughly proportional to population.¹²⁷ MOGO also operates solely in Canada, although it has no physical locations and instead uses mainly an online channel to conduct business.¹²⁸ ECN Capital operates in both Canada and the United States, although like MOGO, ECN has no physical locations.¹²⁹ Curo has operations in both Canada and the United States, with approximately 80% of

¹²⁷ goeasy. (2020). "Annual Report 2019". Retrieved from <https://investors.goeasy.com/financial-information>

¹²⁸ MOGO. (2020). "Annual Report 2019". Retrieved from <https://investors.mogo.ca/financial-reports/>

¹²⁹ ECN Capital. (2020). "Annual Report 2019". Retrieved from <https://www.ecncapitalcorp.com/financial-results/>

its revenue coming from its U.S. operations in the past three years.¹³⁰ It is important to note that Curo has no operations in Quebec, and goeasy's operations in Quebec are limited. Business in Quebec represents just 6.8% of the company's loan portfolio, despite the province comprising 22.59% of the country's population.¹³¹ ¹³² Thus, Quebec represents a major underserved market with fewer competitors for both goeasy and Curo.

Revenue Generation

Among its competitors, goeasy consistently has the second-highest revenue figures.¹³³ ¹³⁴ ¹³⁵ ¹³⁶

¹³⁰ Curo Group. (2020). "Annual Report 2019". Retrieved from <https://ir.curo.com/annual-reports>

¹³¹ goeasy. (2020). "Annual Report 2019". Retrieved from <https://investors.goeasy.com/financial-information>

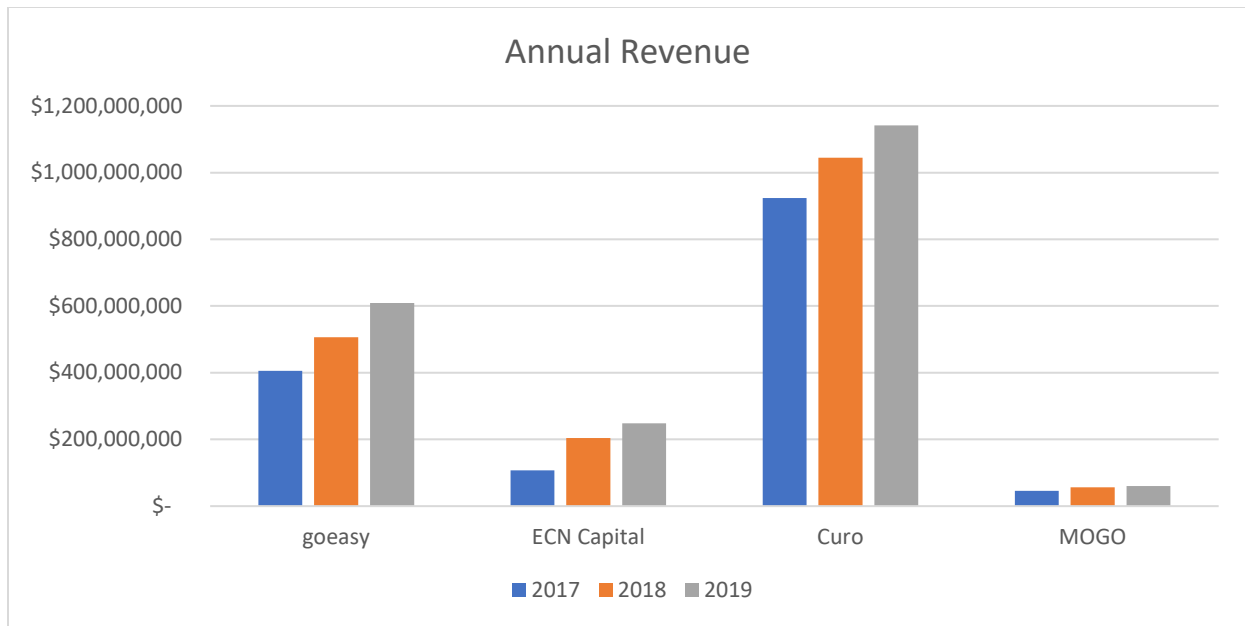
¹³² Statistics Canada. (2020). "Population estimates, quarterly." Retrieved from <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901>

¹³³ goeasy. (2020). "Annual Report 2019". Retrieved from <https://investors.goeasy.com/financial-information>

¹³⁴ MOGO. (2020). "Annual Report 2019". Retrieved from <https://investors.mogo.ca/financial-reports/>

¹³⁵ ECN Capital. (2020). "Annual Report 2019". Retrieved from <https://www.ecncapitalcorp.com/financial-results/>

¹³⁶ Curo Group. (2020). "Annual Report 2019". Retrieved from <https://ir.curo.com/annual-reports>



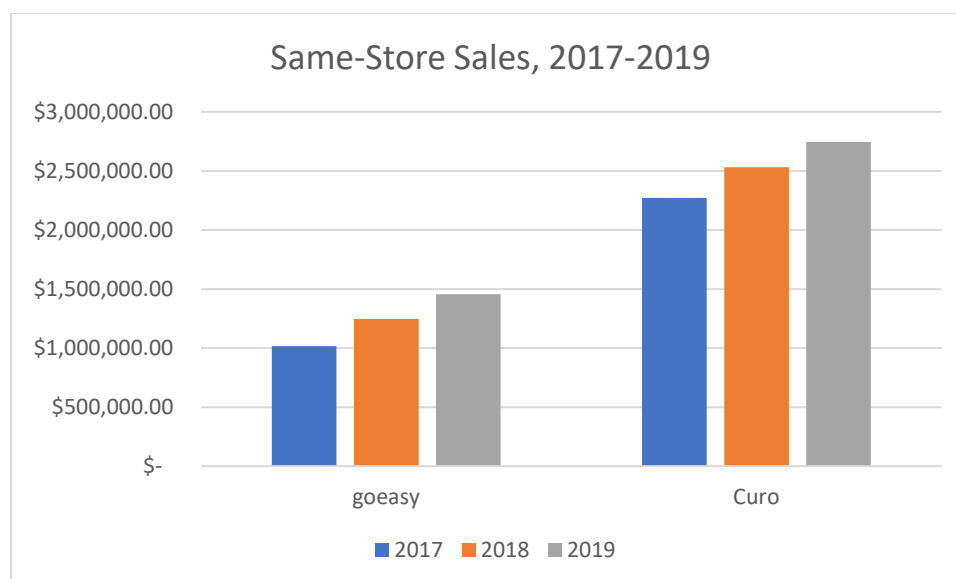
<https://investors.goeasy.com/financial-information>

<https://ir.curo.com/annual-reports>

<https://www.ecncapitalcorp.com/financial-results/>

<https://investors.mogo.ca/financial-reports/>

However, a more accurate image of the company's position in the competitive landscape can be gained by using same-store sales. goeasy can only be compared to Curo using this metric since MOGO and ECN Capital do not operate physical locations.



<https://investors.goeasy.com/financial-information>

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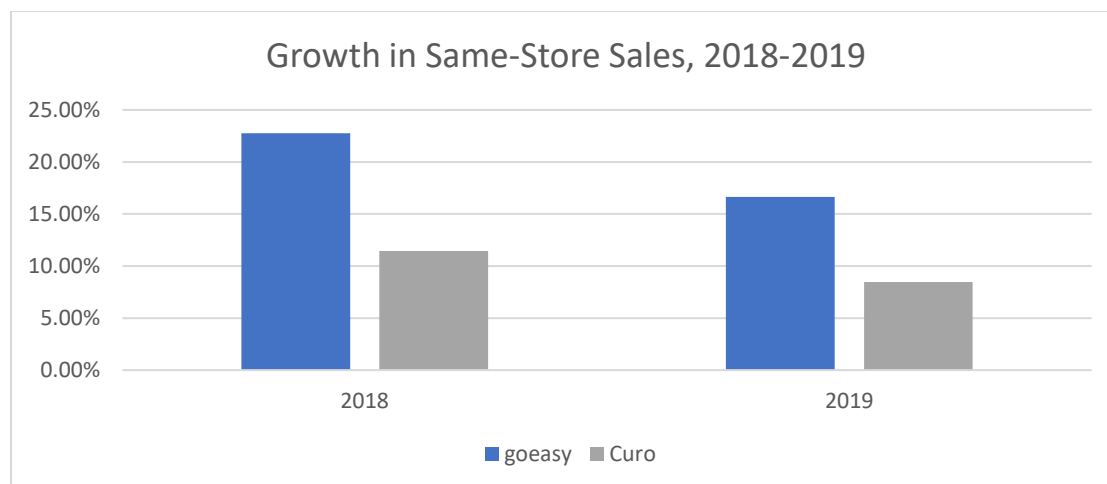
<https://investors.mogo.ca/financial-reports/>

goeasy's same-store sales are consistently lower than Curo's, indicating a lack of operational efficiency when compared to its competition. This represents a weakness for the company since it achieves consistently lower revenues on a normalized basis. The company will, therefore, not have as many funds to finance its operations or other areas of the value chain, which may create a competitive disadvantage.

While goeasy has lower same-store sales than Curo, that gap is closing, as shown by each company's annual growth in same-store sales.^{137 138}

¹³⁷ goeasy. (2020). "Annual Report 2019". Retrieved from <https://investors.goeasy.com/financial-information>

¹³⁸ Curo Group. (2020). "Annual Report 2019". Retrieved from <https://ir.curo.com/annual-reports>

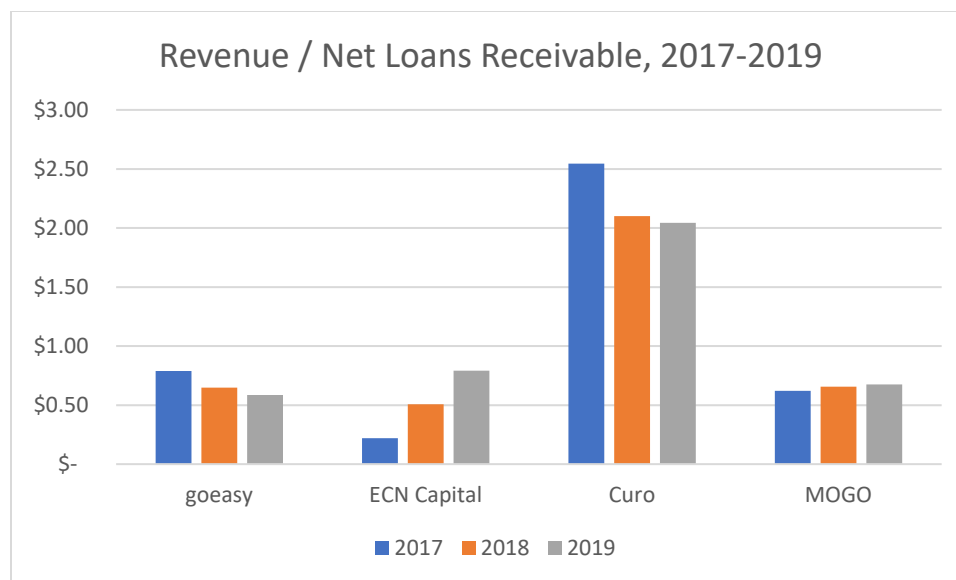


<https://investors.goeasy.com/financial-information>

<https://ir.curo.com/annual-reports>

While goeasy currently does not have an advantage in same-store sales, trends indicate that it may gain one in the future if it continues to grow more quickly than its competitors. Thus, while same-store sales represent a weakness for goeasy, its growth in same-store sales represents a strength.

Another measure of operational efficiency is the ratio of revenue over net loans receivable. This ratio indicates how much revenue the company generates per dollar of principle extended to customers. A higher figure indicates that the company can earn more revenue by giving out the same amount of loans.



<https://investors.goeasy.com/financial-information>

<https://ir.curo.com/annual-reports>

<https://www.ecncapitalcorp.com/financial-results/>

<https://investors.mogo.ca/financial-reports/>

This data shows that goeasy is lacking in this area. As of 2019, all goeasy's competitors have a greater revenue / net loans receivable ratio.^{139 140 141 142} This shows that goeasy's competitors have a greater ability to generate revenue from existing loans. In addition, goeasy's ratio has been shrinking over the past three years, showing decreasing efficiency in this area. This represents a weakness for goeasy.

Analysis of revenue shows that goeasy's ability to generate sales is not as high as its competitors. This remains true whether the data is normalized for

¹³⁹ goeasy. (2020). "Annual Report 2019". Retrieved from <https://investors.goeasy.com/financial-information>

¹⁴⁰ Curo Group. (2020). "Annual Report 2019". Retrieved from <https://ir.curo.com/annual-reports>

¹⁴¹ MOGO. (2020). "Annual Report 2019". Retrieved from <https://investors.mogo.ca/financial-reports/>

¹⁴² ECN Capital. (2020). "Annual Report 2019". Retrieved from <https://www.ecncapitalcorp.com/financial-results/>

physical locations or the size of the company's loan portfolio. However, this data also shows faster expansion and higher revenue growth for goeasy, which indicates that revenue generation may become an advantage in the future. Thus, the company's current revenue generation is a weakness, but its growth in these areas is a strength.

Expenses and Losses

While revenue generation is important for companies in this industry, it is equally important for them to maintain high margins and low loan delinquency.

Operating margins for goeasy were much higher than its competitors.^{143 144}

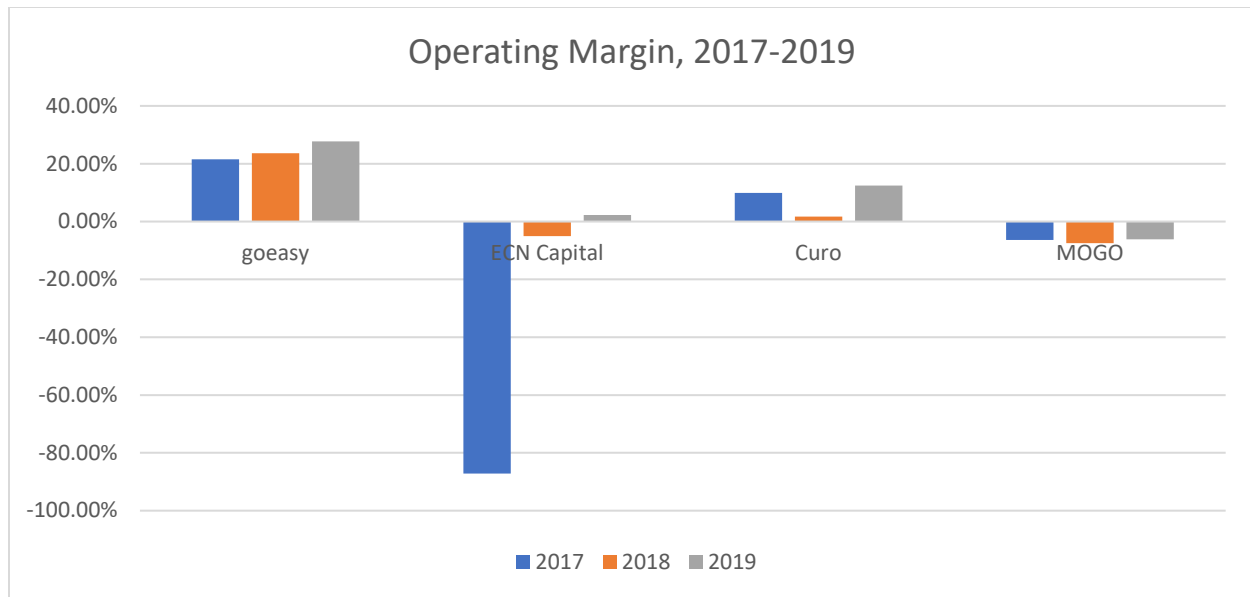
145 146

¹⁴³ goeasy. (2020). "Annual Report 2019". Retrieved from <https://investors.goeasy.com/financial-information>

¹⁴⁴ Curo Group. (2020). "Annual Report 2019". Retrieved from <https://ir.curo.com/annual-reports>

¹⁴⁵ MOGO. (2020). "Annual Report 2019". Retrieved from <https://investors.mogo.ca/financial-reports/>

¹⁴⁶ ECN Capital. (2020). "Annual Report 2019". Retrieved from <https://www.ecncapitalcorp.com/financial-results/>



<https://investors.goeasy.com/financial-information>

<https://ir.curo.com/annual-reports>

<https://www.ecncapitalcorp.com/financial-results/>

<https://investors.mogo.ca/financial-reports/>

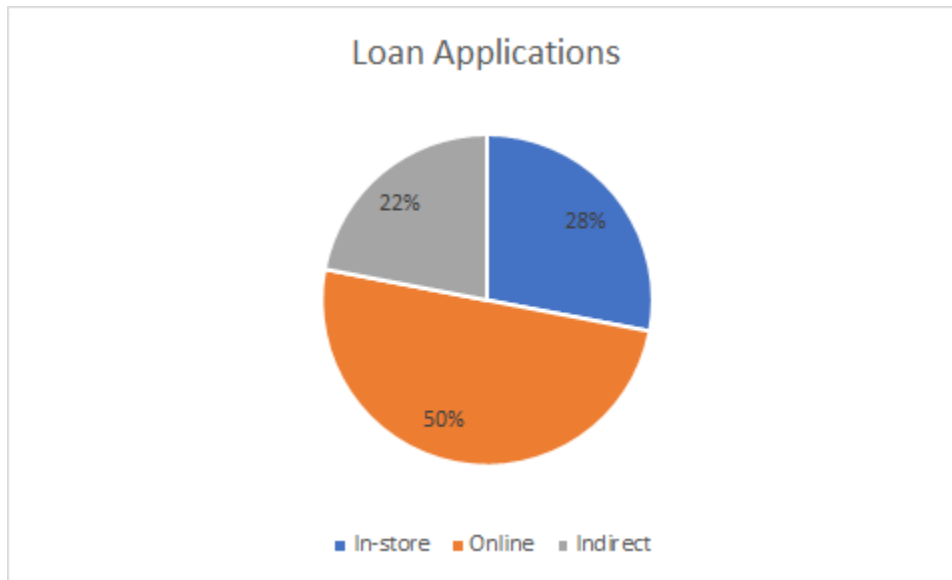
This shows that goeasy consistently has higher operating margins than its competitors, indicating that the company has a greater ability to keep expenses low to maximize the profitability of its sales. This is a strength for the company, as it can somewhat counteract its weaker revenue figures. In addition, in the event of a price war, goeasy will have the greatest ability to lower prices while maintaining profitability, giving it a significant advantage under those circumstances.

The operations value chain function is valuable since it is where the core activities of the business take place. Thus, having efficient operations means efficient execution of those activities, creating a better customer experience and higher profitability. A quality operations function is rare in this industry, as most

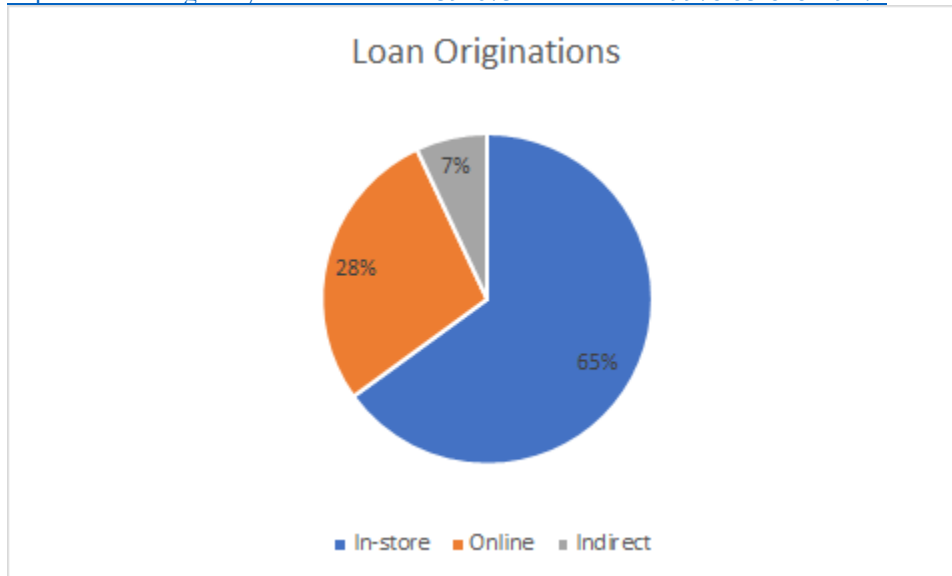
companies are lacking in some areas of the function. For example, most companies aside from goeasy have poor operating margins. Good operations are not inimitable, as there are no social or historical reasons why a company cannot have quality operations. It is non-substitutable since it is very difficult to make up for poor operations, and no other value chain function can provide a strategic equivalent.

Distribution (Aryan Ahadimoghaddam)

goeasy's distribution method involves an omnichannel approach that utilizes retail, online, and indirect sales methods. Additionally, the company is opening a variety of geographically diverse locations across the country. Currently, goeasy has 419 retail locations across the country with plans to open 20-25 per year for the foreseeable future. Like a bank, their employees will meet with their clients and discuss their financial needs. The company will then market its product line of secured and unsecured financial instruments to satisfy consumer demand. With regards to their online channel, customers can apply online to have access to their product line. Lastly, their indirect category involves processing loan applications for Paybright, a point-of-sale lending platform for prime and non-prime customers. The charts below represent the percentage of distribution for both loan applications and originations for each channel.



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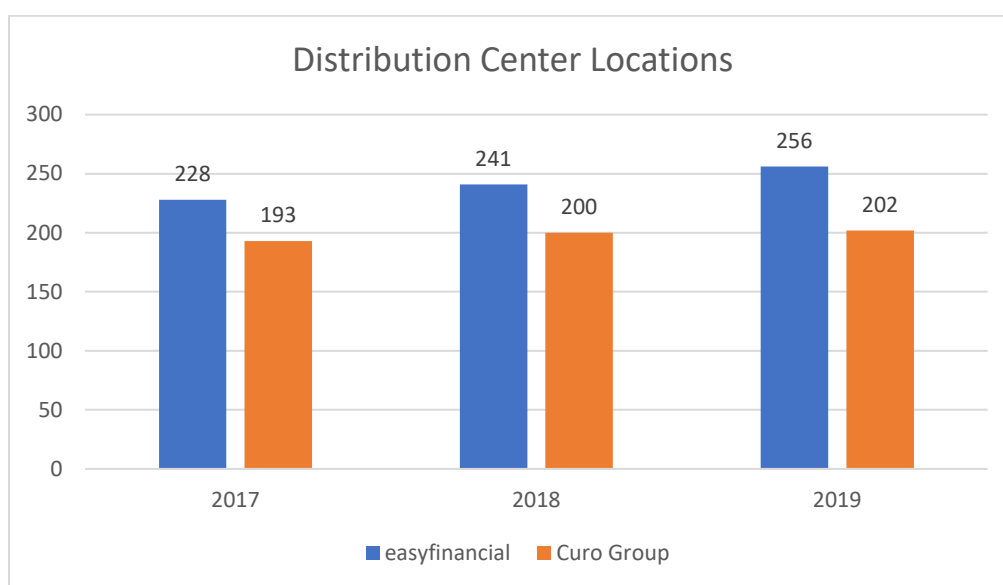


<https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

goeasy's focus is clear. Their goal is to leverage their retail locations and provide a seamless lending experience to their customers. This is shown by their overwhelming amount of loan originations from retail locations. To assess goeasy's retail distribution strategy, an analysis of their distribution centers will be performed.

Growth of Distribution Locations

goeasy has been rapidly expanding its retail branch presence across all of Canada. In 2018 and 2019, retail locations grew 1.75% and 3.20%, respectively.¹⁴⁷



Source: Bloomberg LP (2020), various financial statements

In contrast, their pure-play competitor Curo Group had only expanded their retail presence by 3.63% in 2018 and 1% in 2019. Overall, the goeasy and Curo group seem to be expanding their businesses at similar rates in recent years, providing no evident competitive advantage for either firm.¹⁴⁸ However, a competitive advantage becomes evident when looking at both the firm's increase in locations along with same-store sales. goeasy's increase in same-store sales and the

¹⁴⁷ Easyfinancial 2020 annual report

¹⁴⁸ Curo 2019 Annual Report

upcoming expansion of its retail footprint indicate that goeasy has a competitive advantage in utilizing its distribution centers to appease its customers.

It has become increasingly clear that goeasy's retail approach is superior to its pure-play competitor Curo Group. The firm has a competitive advantage in utilizing its distribution centers and creating a seamless customer experience.

Geographical Distribution

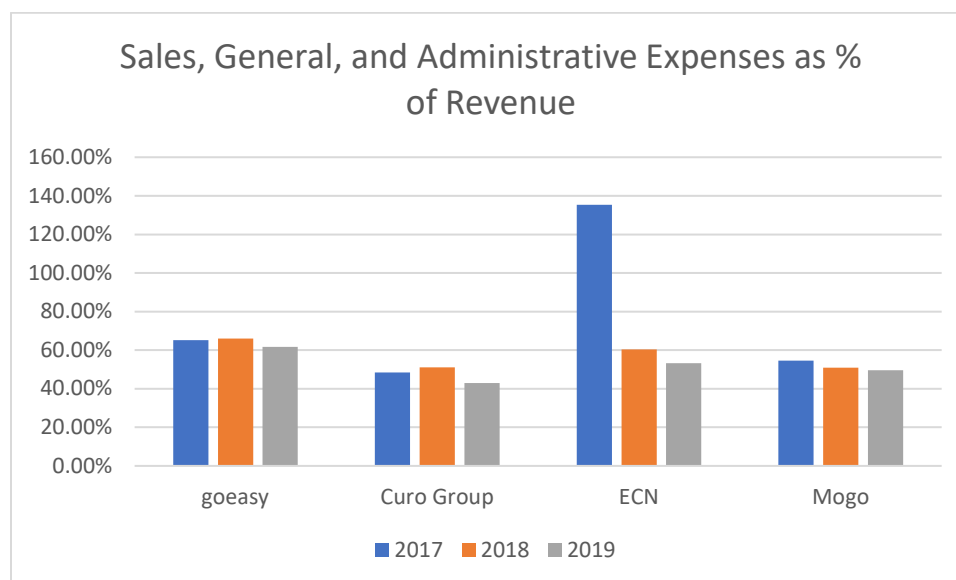
As stated previously, goeasy has been rapidly expanding its retail footprint throughout the country. Currently, goeasy operates their 419 retail locations in every province and have yet to expand into the territories.¹⁴⁹ goeasy has a similar geographic breakdown to the overall provincial population but has a significantly lower percentage in the province of Quebec¹⁵⁰. To continue goeasy's growth, the firm must evaluate how to increase their number of Quebec distribution centers and continue their geographical diversification.

Selling, General, and Administrative Expenses

¹⁴⁹ goeasy "2019 Annual Information Form" <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

¹⁵⁰ibid

Selling, General, and Administrative (SG&A) expenses identify the indirect expense of selling products. SG&A as a percentage of revenue will identify the expenses for each dollar of revenue. Higher SG&A ratios identify that distribution costs are high and that there are inefficiencies in distributing the product.



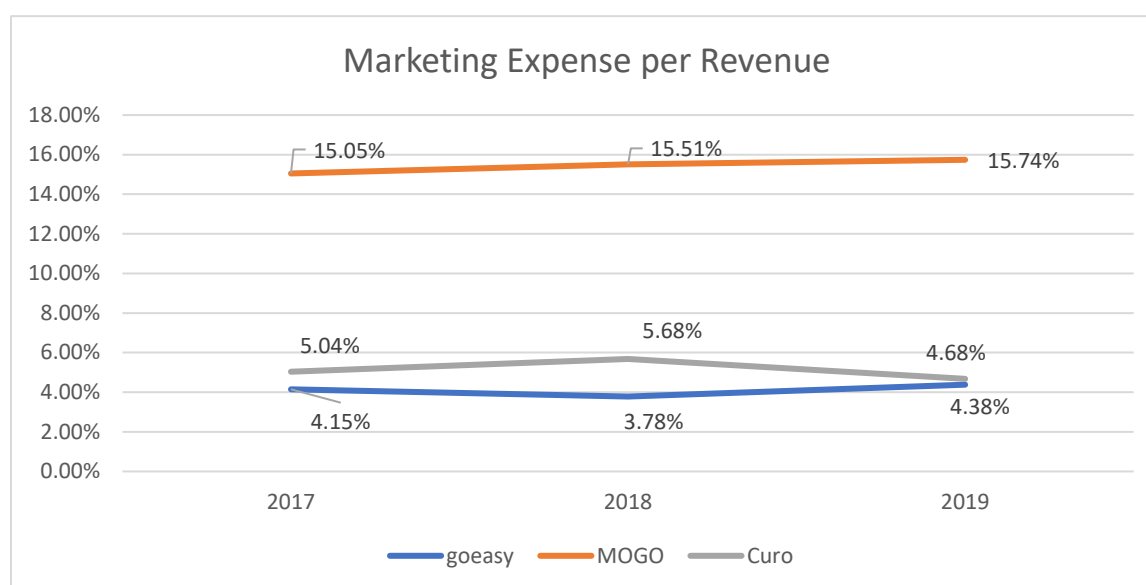
Source: Bloomberg LP (2020), various financial statements

goeasy has a competitive disadvantage in regards to its control of expenditures. SG&A expenses remained stagnant in 2018 and 2019 for all of goeasy's and their competitors.¹⁵¹ However, other than in 2017, goeasy has the highest SG&A expense as a percentage of revenue. This suggests that the firm has an efficiency issue with regards to their distribution centers which must be changed

Marketing & Sales (Kyle Bacciaglia)

¹⁵¹ 2019 goeasy Annual Report

According to Bloomberg, the Canadian nonprime lending industry sits at an approximate value of \$419 billion.¹⁵² easyfinancial holds a \$1.1 billion consumer loan portfolio, and easyhome has a loan book size of \$38 million, meaning they currently hold approximately 0.27% of the total market.¹⁵³ Despite this seemingly low percentage, Bloomberg describes goeasy as “one of the country’s largest non-prime lenders.”¹⁵⁴



<https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2019-curo-annual-report.pdf>

<https://www.sedar.com/GetFile.do?lang=EN&docClass=5&issuerNo=00003606&issuerType=03&projectNo=03035448&docId=4690801>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.19-Financial-Statements.pdf>

¹⁵² BNN Bloomberg “Subprime Canadian borrowers are weathering the crisis just fine”

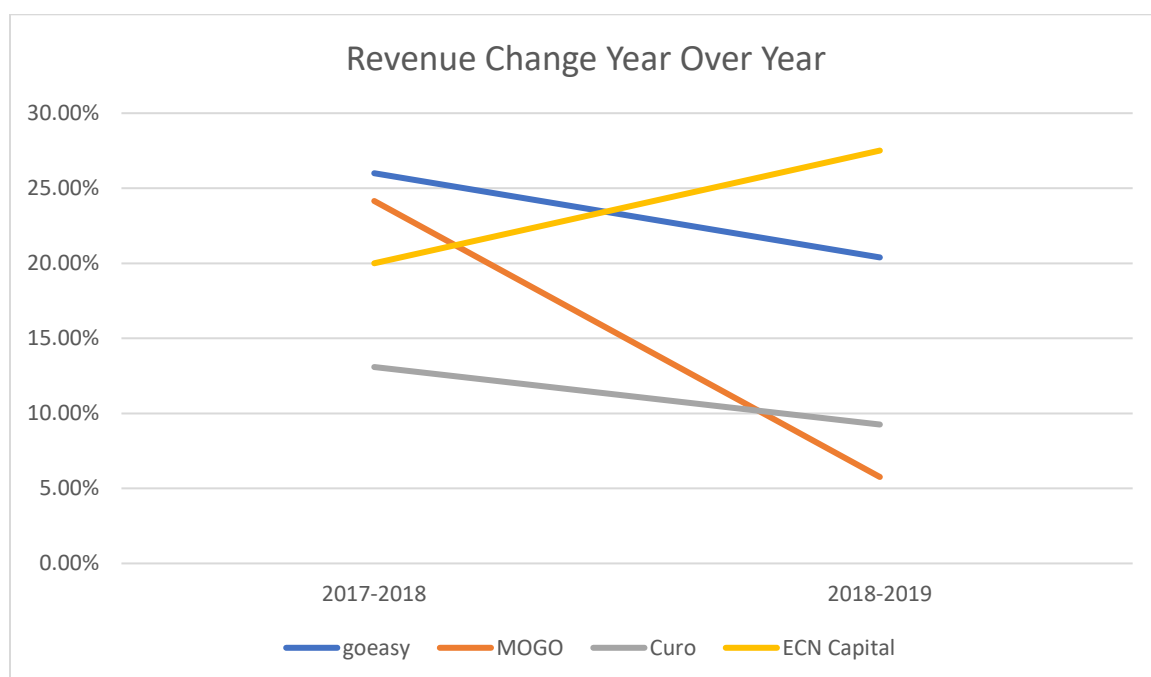
<https://www.bnnbloomberg.ca/subprime-canadian-borrowers-are-weathering-the-crisis-just-fine-thanks-1.1461023>

¹⁵³ goeasy “2019 annual report” <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

¹⁵⁴ BNN Bloomberg “Subprime Canadian borrowers are weathering the crisis just fine”

<https://www.bnnbloomberg.ca/subprime-canadian-borrowers-are-weathering-the-crisis-just-fine-thanks-1.1461023>

ECN Capital does not report the marketing expense in any of the years under analysis and therefore cannot be compared against the other firms. The marketing expense as a percent of revenue for goeasy is near the competition but does sit on the lower end. The industry does not seem to be increasing the marketing expense, rather choosing to keep the rates stable.



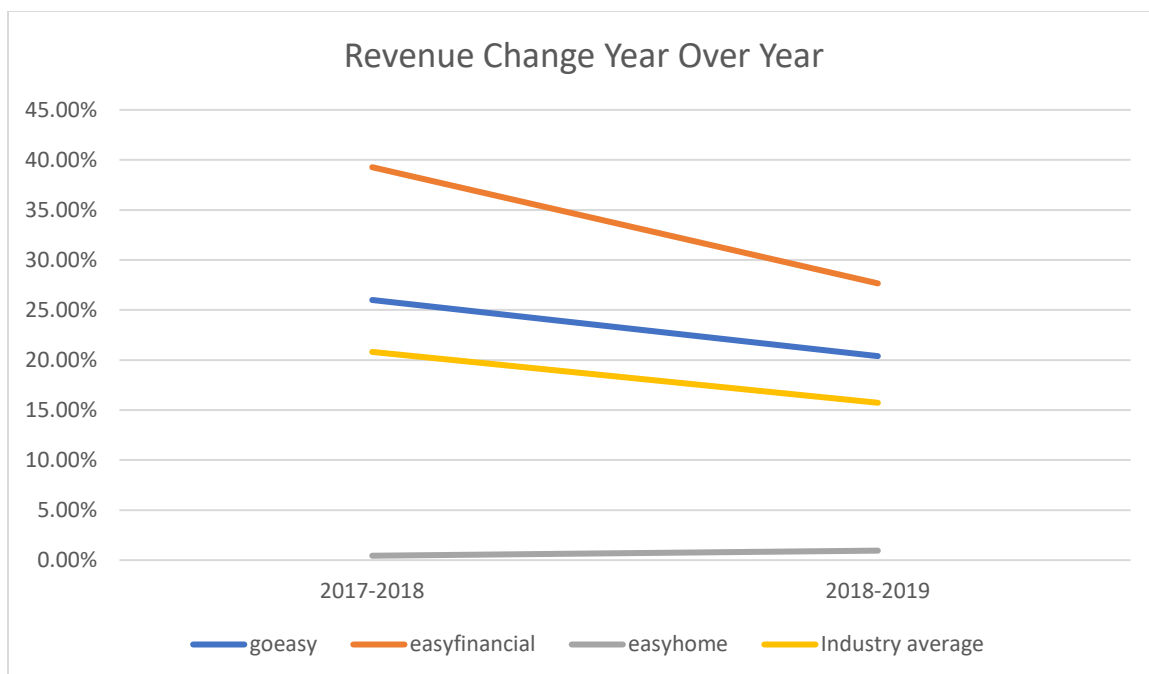
<https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2019-curo-annual-report.pdf>

<https://www.sedar.com/GetFile.do?lang=EN&docClass=5&issuerNo=00003606&issuerType=03&projectNo=03035448&docId=4690801>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.19-Financial-Statements.pdf>

Despite goeasy funding marketing less than that of the competition, they sit relatively comfortably near the top of revenue growth year over year. A lot of this can be attributed to how successfully they market and differentiate their product, rather than just how much is spent on marketing.



<https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

It is worth noting that easyfinancial's revenue growth on its own outpaces the revenue growth of the whole industry in all years measured. easyhome, however, is well below the industry, which hinders the revenue growth of goeasy. This could create a significant weakness for goeasy if they continue to let the revenue growth of easyhome fall below the competition. Even with the revenue growth of easyhome reducing the overall revenue growth, goeasy still remains competitive, which could be due to an effective marketing strategy. According to Loans Canada, easyfinancial differentiates their product by "[filling] an important void in the personal loan space. It offers fast and simple personal loans that are

cheaper than most payday loans.”¹⁵⁵ goeasy has created a specific position for themselves by properly marketing their product, which includes their five stated ways of helping borrowers:

1. borrowers get approved in minutes
2. affordable payment options
3. loans are cheaper than payday loans
4. rebuild one’s credit
5. get borrowers back on track ¹⁵⁶

In 2015 goeasy made brand recognition a key strategy to maintain its competitive advantage in the market.¹⁵⁷ The result of this was that in 2018, easyfinancial reached an industry-leading rate of 84% brand awareness.¹⁵⁸

The Marketing & Sales Value Chain function is set up properly to capture value, as, despite the lower funding, they appear to be more effective than their competition, especially on the easyfinancial side of operations. The time and strategy it took to set up a proper marketing system shows the rarity of an effective marketing system. Along with this, there are high costs associated with time-consuming activities, and therefore, goeasy’s strategy is costly to imitate.

¹⁵⁵ Loans Canada “easyfinancial Reviews, Ratings And Fees” <https://loanscanada.ca/lender/easy-financial/>

¹⁵⁶ easyfinancial “How easyfinancial can Help” <https://www.easyfinancial.com/>

¹⁵⁷ goeasy “2015 annual report” https://www.annualreports.com/HostedData/AnnualReportArchive/g/TSX_GSY_2015.pdf

¹⁵⁸ goeasy “2018 annual report” <https://2018annualreport.goeasy.com/wp-content/uploads/2019/04/goeasy-Annual-Report-2018-web.pdf>

However, a proper marketing strategy is not the only way to increase sales, and due to this, it is substitutable.

Customer Service (Kyle Bacciaglia)

Listed Ways to Contact the Companies				
	goeasy	MOGO	Curo	ECN Capital
Phone	Yes	No	Yes	Yes
Email	Yes	No	Yes	No
Find a nearby branch	Yes	No	No	Yes
Social media	No	No	No	No
Direct message	No	Yes	No	Yes

<https://www.easyfinancial.com/contact-us>

<https://helpcentre.mogo.ca/hc/en-us?chat=expanded>

<https://ir.curo.com/information-request/contact-us>

<https://www.ecncapitalcorp.com/contact-us/>

As seen by the chart above, most of the companies have similar contact methods for post-sale support. While they do not all have the same methods of contact, there is nothing that allows one firm to stand out above another. All firms have been able to replicate what competitors are doing on some level.

Listed After-Sale Services				
	goeasy	MOGO	Curo – (CashMoney)	ECN Capital
Delayed paycheque/ unable to make payment	Waive fees if informed 2-3 days before or phone to “figure out a solution that works for you.”	“That's breaking your contract... and is frowned upon.”	1-833 number to contact and work out a solution	No
Bankruptcy /consumer proposal	Option to ease the situation (1-855 number)	No	No	No
Loan protection plan	Laid off: 6 months Injured: 6 months Ill: 100% coverage Death: 100% coverage	No	“covers your loan... due to unexpected events such as loss of life, critical illness, injury or unemployment.”	No
Fraud prevention	No	MogoProtect	No	No

<https://www.easyfinancial.com/faqs>

<https://www.cashmoney.ca/faqs/installment-loans>

<https://helpcentre.mogo.ca/hc/en-us/articles/360041787894-What-is-MogoProtect->

<https://www.ecncapitalcorp.com/leadership/>

goeasy has a wide variety of consumer-friendly services that only Curo's holdings seem to match on most levels. The approach of MOGO appears to be more authoritative than goeasy with their services. ECN does not list any of its support systems post-transaction. Customer service appears to be a strength for goeasy from a customer's point of view. They care more about the consumers than their competitors. easyfinancial reported a 95% customer satisfaction rating in 2018, which helps display the fact that customers appreciate the service they receive.¹⁵⁹

Better Business Bureau Ratings		
	BBB Rating	Customer Rating
goeasy	A+ (Accredited)	1.21/5
Mogo	A+	1.24/5
ECN Capital	Not Rated	Not Rated
Curo (CashMoney)	A-	1.25/5

<https://www.bbb.org/ca/on/etobicoke/profile/payday-loans/cash-money-0107-1079172>

<https://www.bbb.org/ca/on/mississauga/profile/leasing-services/goeasy-ltd-0107-1132407>

<https://www.bbb.org/ca/bc/vancouver/profile/financial-services/mogo-0037-1233608>

The Better Business Bureau ratings show that all the companies sit in a similar position. This rating is comprised of data that the Better Business Bureau can obtain first-hand, including complaints received from the public. goeasy has

¹⁵⁹ goeasy "2019 annual report" <https://investors.goeasy.com/static-files/86eeaf1f-cb5a-4797-a10d-2a286f88f881>

the highest score possible regarding the Better Business Bureau ratings. However, when it comes to the customer score, they score the lowest. There appears to be no competitive advantage created for any company based on this metric.

Loans Canada Ratings		
	Expert Rating	Customer Rating
goeasy	23/25	4/5
Mogo	25/25	4/5
ECN Capital	Not Rated	Not Rated
Curo (CashMoney)	Not Rated	4/5

<https://loanscanada.ca/lender/easy-financial/>

<https://loanscanada.ca/lender/mogo/>

<https://loanscanada.ca/lender/cash-money/>

The Loans Canada expert rating considers application simplicity, user experience, accessibility, reputation, and transparency. Each factor has a score out of 5, which amounts to a total score out of 25. Once again, using this metric, it appears as all companies sit relatively similar in this value chain. goeasy is on par with customer ratings and only marginally behind the competition from expert ratings. To add to this, none of these companies have received an award in the customer service area. With all this information, it does not appear as anyone has an advantage over another; however, that everyone remains competitive.

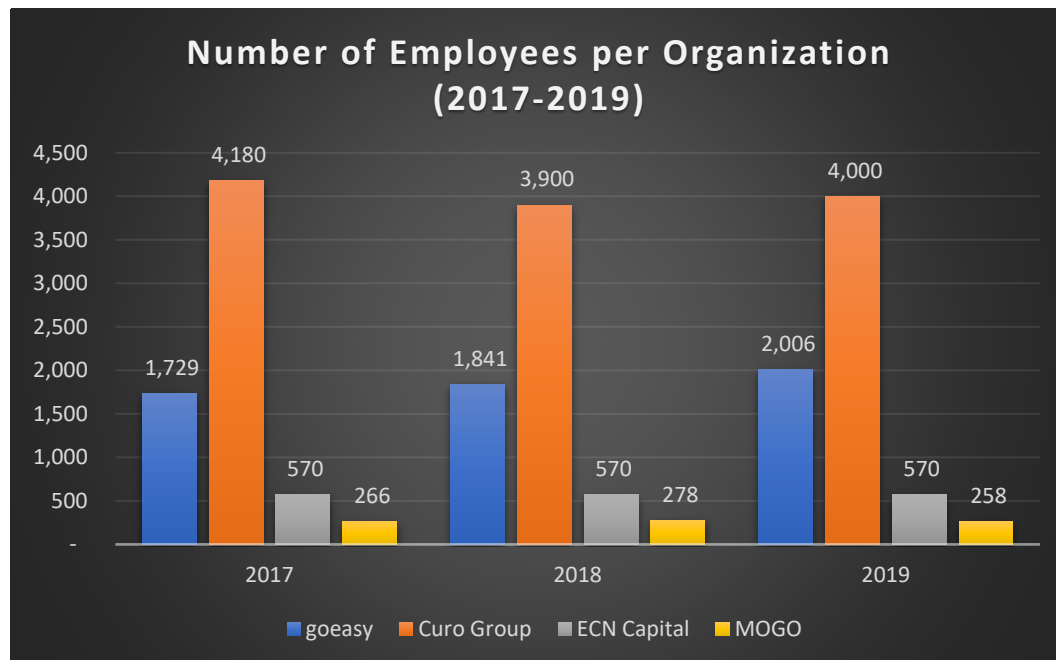
Due to the fact goeasy remains competitive, they show they are set up to capture value. However, everything they do is also done by their competition, showing it is not rare and is cheap to imitate. The function is also not the only way to help customer satisfaction, and therefore it is substitutable.

Human Resources Management (Daniel Martella)

When it comes to value creation, human resources management (HRM) plays a major role in an organization. This is because without it, companies would have great difficulty recruiting and retaining top talent as well as maintaining a healthy work environment. In this section, goeasy will be compared to its competitors in the nonprime lending industry consisting of Curo Group, ECN Capital, and MOGO. This will help determine how much of an advantage or disadvantage they have on the competition.

The first statistic to compare is the number of employees, including part-time, each organization hired over the years 2017 through 2019. As shown below, Curo Group has the most employees of the four firms, followed by goeasy at about half the amount, and then ECN Capital and MOGO. Although goeasy and the others do not come close for staffing numbers when compared to Curo Group, it is not necessarily a bad thing. This is because smaller companies can still generate plenty of revenues based on their scale. Additionally, sometimes having a smaller

workforce can lead to higher motivation and productiveness. A Forbes article supports this notion by highlighting “The Ringelmann Effect,” which is the “tendency for individual members to become less productive as the size of the group increases.”¹⁶⁰ Max Ringelmann discovered this effect through his studies on individual motivation and social loafing.¹⁶¹ This may not be the case for firms such as Curo Group, but it is something to consider when determining if more is always better.



<https://investors.goeasy.com/static-files/7794dae2-5aaa-44e2-98b3-71db83c47127>

<https://investors.goeasy.com/static-files/2ec3af03-f31c-45c2-b1c2-e963db9514fc>

¹⁶⁰ Jacob Morgan, “Why Smaller Teams Are Better Than Larger Ones,” Forbes (Forbes Magazine, April 15, 2015), <https://www.forbes.com/sites/jacobmorgan/2015/04/15/why-smaller-teams-are-better-than-larger-ones/?sh=6805a5ac1e68>

¹⁶¹ Steven J. Karau and Kipling D. Williams, “Social Loafing: A Meta-Analytic Review and Theoretical Integration,” *Interpersonal Relations and Group Processes*, accessed March 20, 2021, <http://pdfs.semanticscholar.org/dbfb/3c9153d3aa75d98460e83fa180bc9650d6fd.pdf>.

<https://investors.goeasy.com/static-files/bc44f9c6-9188-4d62-a2f9-a5e2a2ea9e37>

<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2017-annual-report.pdf>

<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2018-curo-annual-report.pdf>

<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2019-curo-annual-report.pdf>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Capital-Q4-2017-MDA.pdf>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.18-MDA-SEDAR.pdf>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.19-MDA.pdf>

https://assets.ctfassets.net/20580h26mi6y/1v5e7KSzZN6dsJAGP9EIQL/43f20cf9407e448974db99c68e45868e/2018_Annual_Information_Form.pdf

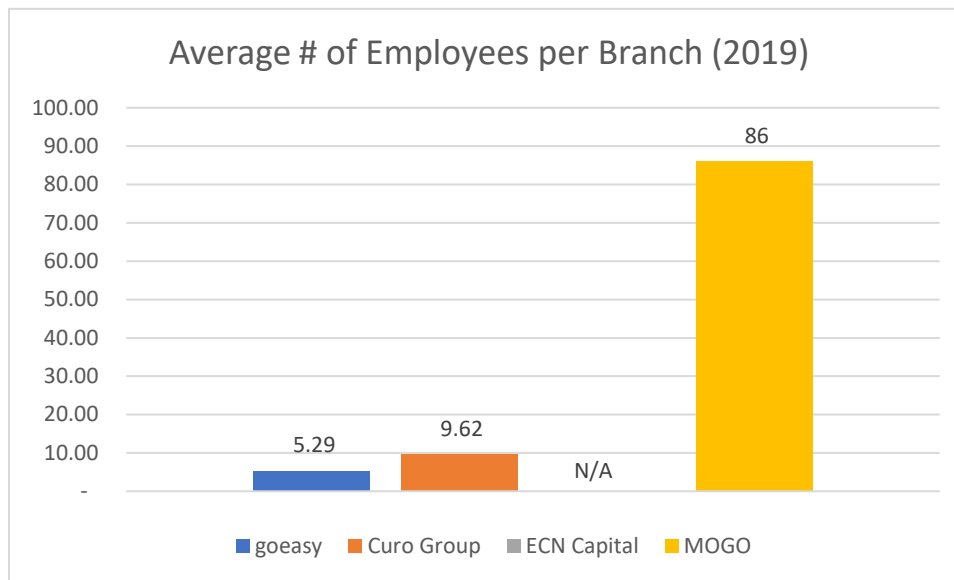
https://assets.ctfassets.net/20580h26mi6y/TFBKnlKweNzfo8UCljoMv/6108a4fabce79c98df91ed1b274a4a85/2019_AIF.pdf

One other thing to note is that goeasy has been steadily increasing their workforce over the last three years, showing that they have been able to expand operations by attracting and hiring new talent. goeasy's 2019 annual report explicitly mentions that "the company has strengthened its hiring competencies and training programs," and it shows.¹⁶² Curo Group, ECN Capital, and MOGO have stagnated for the most part when looking at their staffing numbers. This could mean that their operations have plateaued or that they have no need for the extra employees, saving on hiring costs, salaries, and benefits.

In addition, a statistic that would help understand the size of the workforce for each firm on a more normalized scale would be to determine the average number of employees per branch. The chart below shows the average number of employees per branch from 2019. ECN Capital had no data on their branch

¹⁶² "2019 Annual Report", goeasy Ltd.

numbers, leaving them out of this comparison.



Branch Locations:	
goeasy	379
Curo Group	416
ECN Capital	N/A
MOGO	3

<https://investors.goeasy.com/corporate-profile>

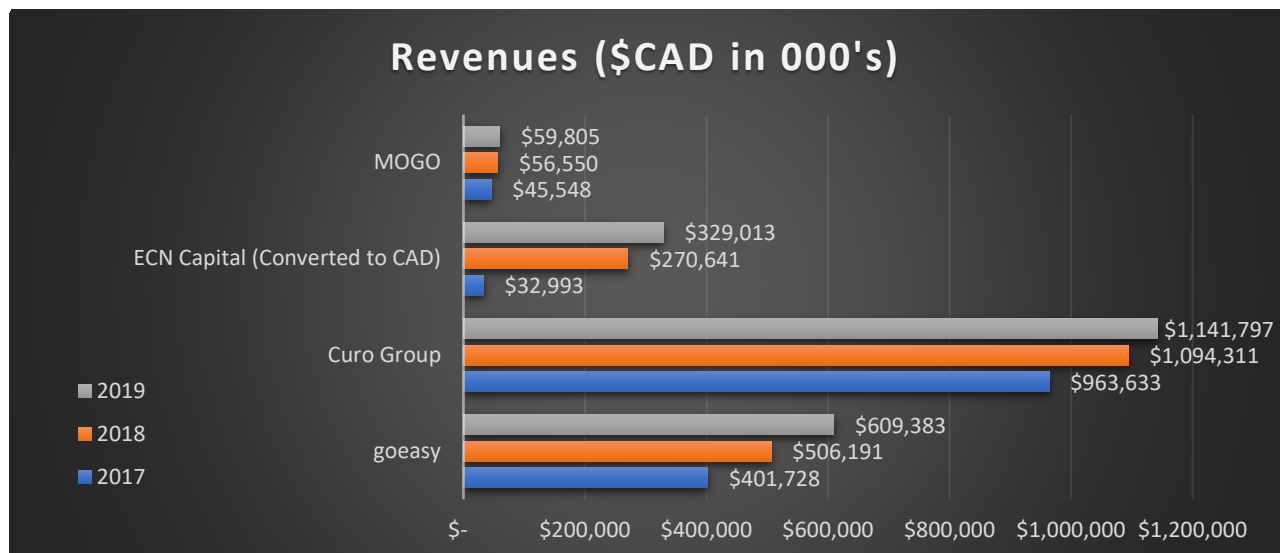
<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2019-curo-annual-report.pdf>

<https://www.mogo.ca/about-mogo>

From the data, MOGO has the most employees designated per branch even though they have the smallest workforce. This is due to them only having three offices, meaning that The Ringelmann Effect could play a role in their business if not careful. Other than that, Curo Group looks to have almost double the employees per branch when compared to goeasy. goeasy only occupies 37 fewer branches compared to Curo's 416 locations with much less staff per branch, showing how effective their operations must be. There is also less chance for the

Ringelmann Effect to occur, meaning that goeasy can get the most value and productivity out of their staff compared to the competition, providing them a competitive advantage.

Another thing that can determine the benefits of the workforce size is the revenues per employee of each organization. This will help decide whether the performance of the organization comes from the number of staff or if it is based on the value the company can get from its' employees and strategies. The graph below displays the revenues for each of the companies up for comparison. Each firm has been steadily increasing revenues over the years. Likewise, it is easy to say that Curo Group is outperforming everyone in this category until considering revenues per employee.



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<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2018-curo-annual-report.pdf>

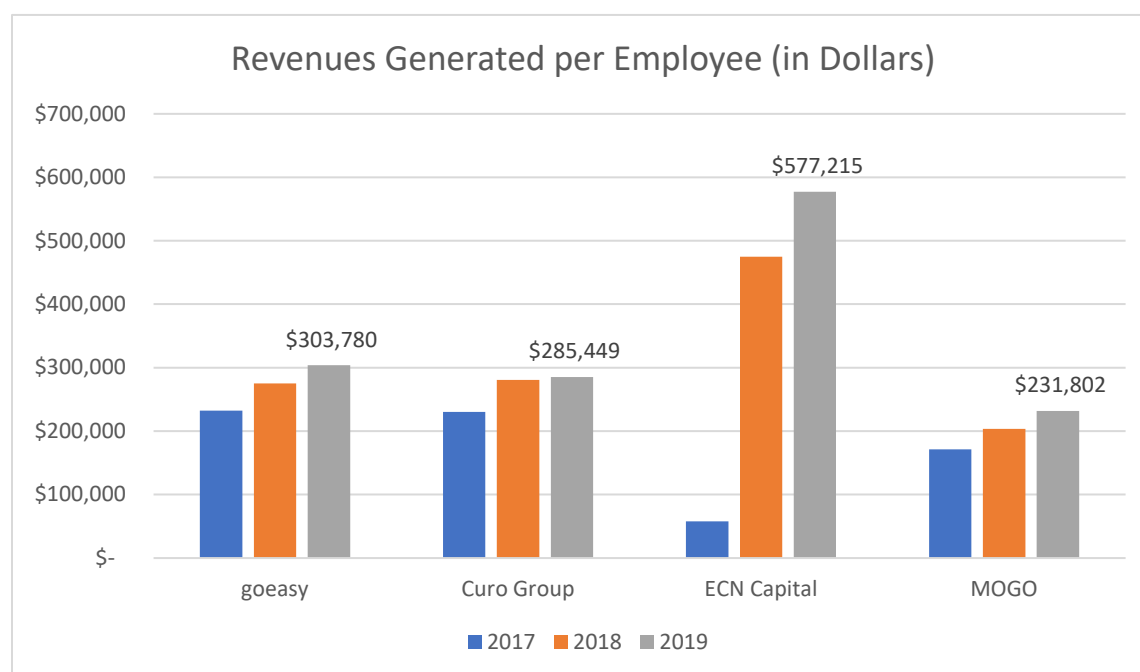
<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2019-curo-annual-report.pdf>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.18-Annual-Financial-Statements-Sedar.pdf>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.19-Financial-Statements.pdf>

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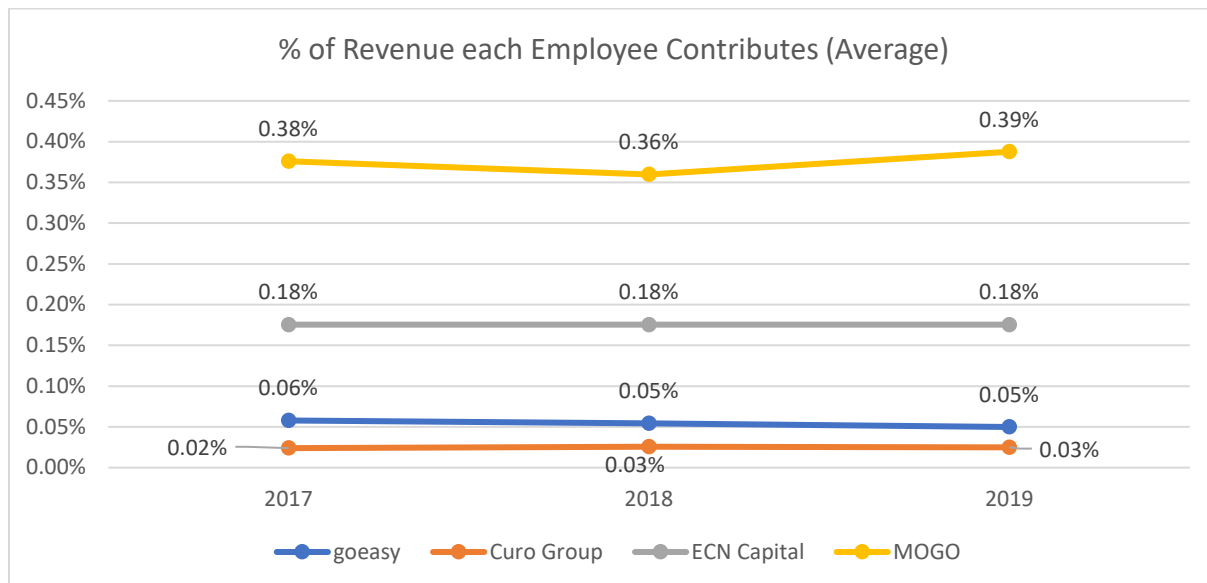
https://assets.ctfassets.net/20580h26mi6y/5yUthMVz02nf9yC2ZpQkWK/070aaadea6eacdf31f7387d8dd99d022/Q4_2018_Financial_Statements.pdf



*Calculated by taking revenues (in 000's) and dividing it by the number of employees per firm. Then multiplied by 1000 to convert to dollars. *

Revenues per employee clearly close the gap between the companies, especially that of Curo Group and MOGO. As it shows, all the firms have been increasing their revenues per employee. However, ECN Capital is much further ahead when using this statistic for comparison. Curo Group has fallen slightly below goeasy, and MOGO is on a more even playing field with the rest of the

competition. Moreover, out of all the firms, Curo Group has had the smallest increase. This could be a sign that the Ringelmann Effect is starting to take notice due to their larger size when compared to goeasy, ECN Capital, and MOGO. An additional chart displaying the average percentage that each employee contributes to revenue is needed to demonstrate how higher revenues and a larger workforce do not always mean “better performance.”



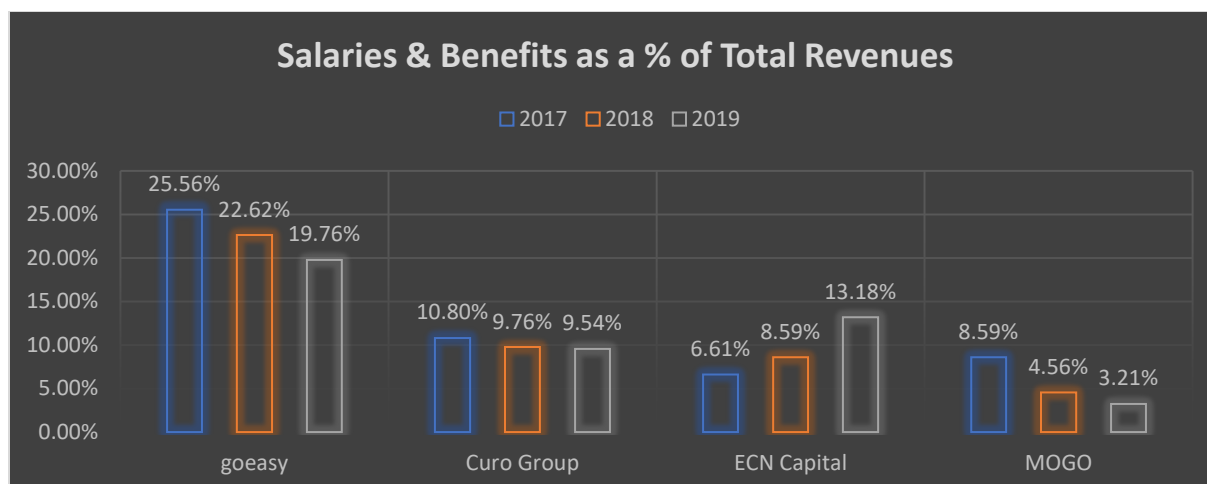
*Calculated by taking the revenues per employee and dividing it by the total revenues for each firm, resulting in the average % each employee contributes to revenue. *

As the chart above shows, MOGO has had the best return from its employees over the past three years (0.39% in 2019), while goeasy and the larger organization, Curo Group, fall behind (0.05% and 0.01% respectively in 2019). This demonstrates how the smallest workforce, MOGO, can get the most out of their employees given the current scale of their business. With this data, it is

deemed that goeasy is at a competitive disadvantage when it comes to its management control systems. This is because competition like MOGO and ECN Capital has been able to “organize resources [employees] and direct activities for the purpose of achieving organizational objectives” in the most efficient and effective manner.¹⁶³

Next up for analysis is the salaries and benefits as a percentage of total revenues. This will add some insight as to how some firms are getting more out of their employees based on what they are paying them, or vice versa. From the graph below, it can be seen by a significant margin that goeasy employees receive the highest portion of total revenues as salary and benefits. In addition, the percentage of revenues allocated to salaries and benefits has been decreasing over the last three years for goeasy, Curo Group, and MOGO, whereas ECN Capital has been increasing rapidly.

¹⁶³ Kenneth Merchant and Wim Van der Stede, *Management Control Systems 4th Edition: Performance Measurement, Evaluation and Incentives* (Harlow, United Kingdom: Financial Times/ Prentice Hall, 2017), <https://bookshelf.vitalsource.com/#/>.



<https://investors.goeasy.com/static-files/7794dae2-5aaa-44e2-98b3-71db83c47127>

<https://investors.goeasy.com/static-files/2ec3af03-f31c-45c2-b1c2-e963db9514fc>

<https://investors.goeasy.com/static-files/bc44f9c6-9188-4d62-a2f9-a5e2a2ea9e37>

<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2017-annual-report.pdf>

<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2018-curo-annual-report.pdf>

<https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2019-curo-annual-report.pdf>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Capital-Q4-2017-MDA.pdf>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.18-MDA-SEDAR.pdf>

<https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.19-MDA.pdf>

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https://assets.ctfassets.net/20580h26mi6y/TFBKnLKweNzfo8UCIjoMv/6108a4fabce79c98df91ed1b274a4a85/2019_AIF.pdf

Although goeasy's salary and benefits percentage has decreased around 6% from 2017 to 2019, they are still paying staff much more overall than the competition. This is a weakness as when looking back at goeasy's employee performance in terms of percentage of contribution towards the company's total revenues, they sit near the bottom when compared to the competition. This means

that they are getting less out of their employees for what they are paying them when compared to the likes of ECN Capital and MOGO. This puts goeasy at a competitive disadvantage. Unless goeasy finds a way to get more out of their staff, they will continue to pay more than the competition and receive diminishing returns.

One other thing to look at when comparing the human resources management value chain function for each respective company is the awards, if any, they have received. goeasy is the only firm with explicit awards related to HRM. goeasy received multiple awards in 2019-2020. The awards relating to the HRM value chain function include Waterstone's "Canada's Most Admired Corporate Cultures" award, Greater Toronto's "Top 2020 Employers", and Achiever's "Top 50 Most Engaged Workplaces in North America".¹⁶⁴ On the other hand, Curo Group had no notable awards and only mentions that they have an "industry-leading leadership team" on the company's website.¹⁶⁵ ECN Capital also did not have any explicit awards related to HRM but had one award given to their CEO in 2016. He was named EY's "Entrepreneur of the Year, Ontario 2016", which "recognizes the contribution of people who inspire others with their vision,

¹⁶⁴ "Corporate Profile," goeasy Ltd.

¹⁶⁵ "Industry Leading Leadership Team," CURO, accessed February 21, 2021, <https://www.curo.com/leadership>.

leadership, and achievement.”¹⁶⁶ MOGO had no awards related to HRM or its leadership team but had some related to its technological innovation. Based on the awards stated, it is evident that goeasy sits comfortably above the competition as they have the most notable accolades when it comes to the HRM value chain function. The sustainability of continuing to earn these awards for good HRM practices is crucial to maintain a competitive advantage.

The HRM value chain function is not valuable as they are not able to get the most out of staff compared to the competition, specifically ECN Capital and MOGO. It is rare, however, as they have a unique work environment that is highly admired, supported by their several HRM awards. goeasy’s HRM is imitable, as it can be mimicked but it would take strong corporate culture and expertise to achieve this. Lastly, it is non-substitutable as there are no alternatives for a strong HRM value chain function, as successful companies will also have this.

Innovation (Daniel Martella)

When it comes to the innovation value chain function, it is important to determine the new or improved goods and services of a company, as that will determine its sustainability and growth for the upcoming years. Without innovation

¹⁶⁶ ECN Capital Corp., “ECN Capital's CEO, Steven Hudson, Named EY Entrepreneur of the Year (TM) Ontario 2016,” GlobeNewswire News Room (ECN Capital Corp., November 1, 2016), <https://www.globenewswire.com/news-release/2016/11/01/1152040/0/en/ECN-Capital-s-CEO-Steven-Hudson-named-EY-Entrepreneur-of-the-Year-TM-Ontario-2016.html>.

or R&D, many companies become stale and fall behind the competition that can keep up with the changing times. It is also crucial for firms pursuing differentiation strategies, as it is one of the main methods used to penetrate the market and surpass the competition. Areas such as societal norms and improving technologies play a major factor in innovation, as firms may need to adapt to these changes to stay ahead. That is why this section will be looking into what goeasy and its competition do to maintain their place in the consumer lending industry.

To start off, goeasy resides in the financial lending industry catered towards nonprime credit scores. With that, they have been able to attract a large market of consumers requiring their services. Innovation and R&D are major value chain functions in the industry, as nonprime consumers will always be looking for the best packages or rates possible. Two major services and systems easyfinancial has added during their growth are “creditplus” and “creditoptimizer.” Creditplus is a type of savings loan that gets paid regularly by the consumer, with the result being that they can access those funds saved at the end of the term.¹⁶⁷ Creditoptimizer is a “first of its kind simulator” that gives each consumer a personalized plan to help them manage and improve credit scores.¹⁶⁸ Curo Group’s approach to R&D is

¹⁶⁷ “What Is Creditplus?,” creditplus Savings Loan, accessed February 21, 2021, <https://www.easyfinancial.com/creditplus>.

¹⁶⁸ “How to Get Creditoptimizer,” creditoptimizer, accessed February 21, 2021, <https://www.easyfinancial.com/creditoptimizer>.

through their acquisitions and brands. A more recent event that will benefit the firm is a merger between an e-commerce company (Katapult) and FinServ Acquisition Corp. Curo Group has heavily invested in Katapult since 2017, allowing them to accumulate strong ownership in the company. From the article, it is mentioned that this merger will “increase [Curo’s] cash balances, providing greater balance sheet flexibility for potential opportunities including strategic M&A that will expand product offerings and market reach.”¹⁶⁹ Like Curo Group, ECN Capital’s innovative prowess comes from its multiple businesses. The firm operates through three businesses: “Service Finance Company,” “Triad Financial Services,” and “Kessler Group.”¹⁷⁰ With these three businesses operating under one umbrella, ECN Capital can offer a diverse array of services such as “home improvement loans, manufactured home loans, and consumer credit card portfolios.”¹⁷¹ Lastly, MOGO’s approach to innovation also aims to create diverse products and services for consumers. The firm has mobile applications to support their clients as well as offers crypto transactions through Bitcoin and allows for the earning of Bitcoin with cashback.^{172 173} In addition, MOGO is attempting to reduce

¹⁶⁹ “CURO Group Holdings Corp. Positioned to Benefit from Katapult’s Announced Merger with FinServ Acquisition Corp.,” CURO, accessed February 21, 2021, <https://ir.curo.com/news-releases/2020/12-18-2020-142513913>.

¹⁷⁰ “Businesses,” ECN Capital, accessed March 20, 2021, <https://www.ecncapitalcorp.com/businesses/>.

¹⁷¹ Ibid.

¹⁷² “Strategies to Invest Wisely: Mogo,” Mogo Finance Technology Inc., accessed March 20, 2021, <https://www.mogo.ca/mogo-wealth>.

¹⁷³ “Mogo: Buy and Sell Bitcoin Canada,” Mogo Finance Technology Inc., accessed March 20, 2021, <https://www.mogo.ca/mogo-crypto>.

users' carbon footprint with their innovative "MOGO Visa Platinum Prepaid Card," which allows users to earn "1 to 2 % bitcoin cashback" and achieve "better spending control."¹⁷⁴

Based on the innovation and R&D these companies have been performing, both ECN Capital and MOGO are attempting to offer as many diverse services as possible for their users. Curo Group takes a more firm-first approach by acquiring brands that will help improve the company's personal growth. goeasy, on the other hand, has new features that focus more on improving a client's credit score and looks to be catering to the consumer more than the competition. With all this information, it is fair to say that goeasy has a competitive advantage when it comes to consumer-first services, as their focus is solely on helping their clients improve their credit scores to graduate to prime credit. goeasy attempts to improve the customer experience through software and improved loan packages, which is what entices consumers to use their services. However, when it comes to the diversification and volume of products and services, both ECN Capital and MOGO pull ahead of goeasy. This is because they simply have more options for a wider target market, including types of home loans, a developed mobile application, and the acceptance of crypto currency in Bitcoin.

¹⁷⁴ "MogoSpend – Prepaid Visa – Save Money and The Planet," Mogo Finance Technology Inc., accessed March 20, 2021, <https://www.mogo.ca/mogo-card>.

The innovation value chain function is valuable as they are solely trying to create value for their market of non-prime consumers. With this, their focus and resources are being put towards developing packages and services that help improve clients' credit scores. It is rare as goeasy creates a professional environment that feels bank-like, which is not like a traditional non-prime lender or loan shark. The innovation function is imitable as other firms can create this type of professional service and environment but would take some experience to do so. Lastly, it is substitutable through other forms of non-prime lending such as loan sharks and other non-prime lenders, although the service would be much poorer and less refined.

Corporate Leadership (Matthew Clement)

Executive Experience

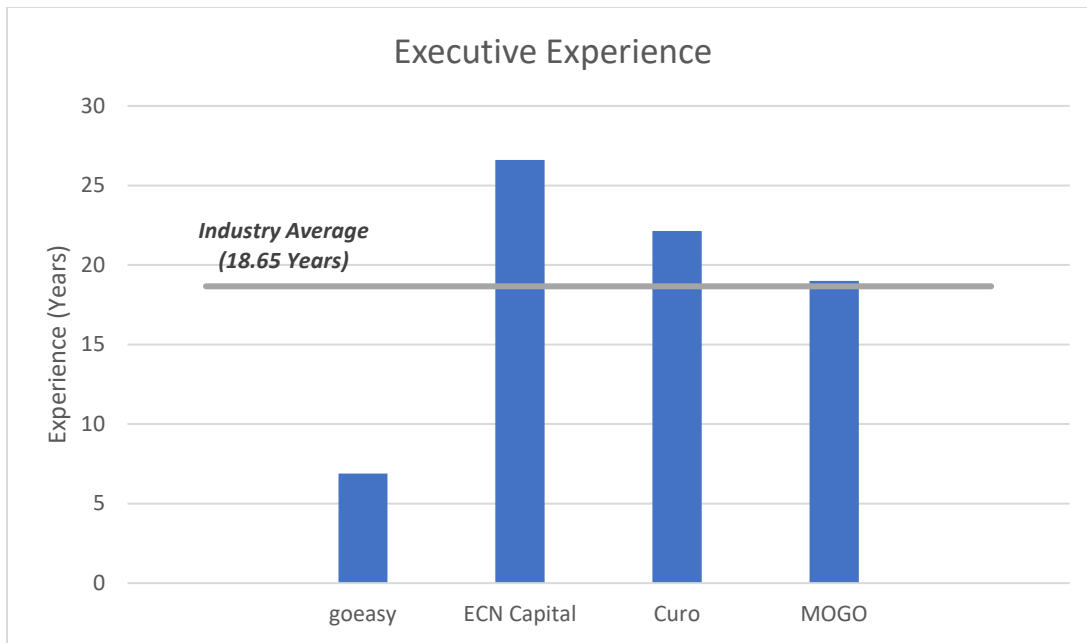
goeasy has a relatively inexperienced executive team, with an average experience in executive roles of just 6.88 years. This is significantly lower than all competitors and the average for the industry in which the firm operates.^{175 176 177 178}

¹⁷⁵ Goeasy. (2021). "Executive Management." Retrieved from <https://investors.goeasy.com/executive-management>

¹⁷⁶ Curo Group. (2021). "Industry Leading Leadership Team." Retrieved from <https://curo.com/leadership>

¹⁷⁷ ECN Capital. (2021). "Leadership." Retrieved from <https://www.ecncapitalcorp.com/leadership/>

¹⁷⁸ MOGO. (2021). "Leadership." Retrieved from <https://investors.mogo.ca/leadership>



<https://investors.goeasy.com/executive-management>

<https://curo.com/leadership>

<https://www.ecncapitalcorp.com/leadership/>

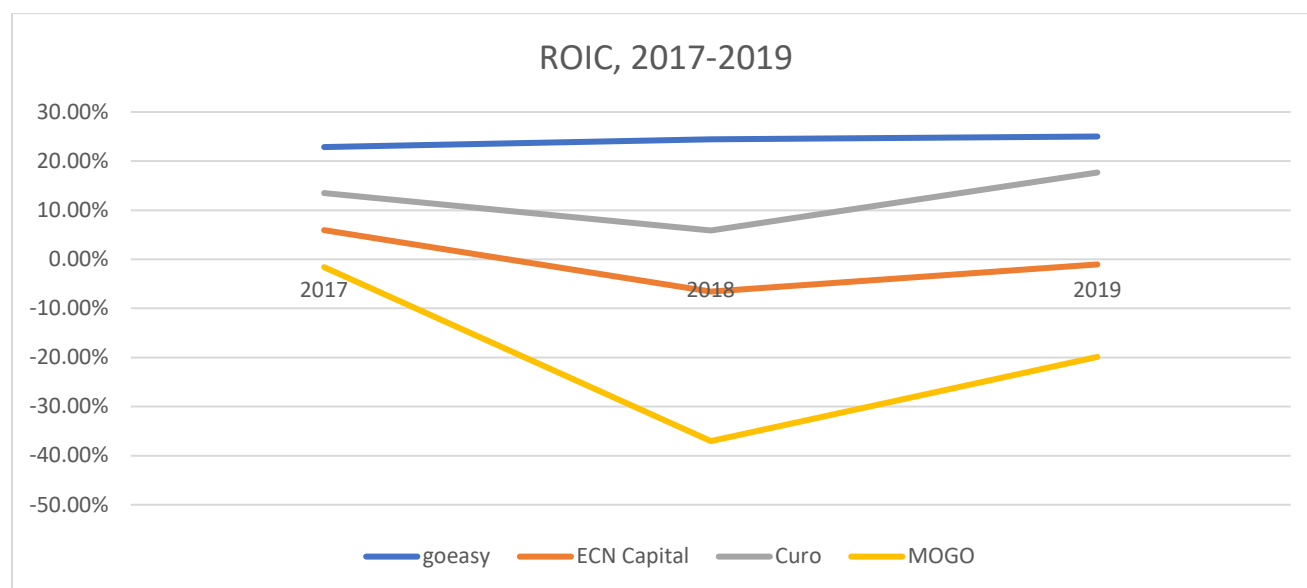
<https://investors.mogo.ca/leadership>

The lack of executive experience is a significant weakness for goeasy, as the company's leadership may not have as much knowledge or insight into the industry or business in general when compared to competitors. The company is at a disadvantage when its competitors make corporate decisions that are more informed by experience.

Corporate Performance

goeasy has experienced an average return on invested capital of 24.11% over the past three years, which places it consistently above all its competitors.^{179 180 181}

182



Source: Bloomberg

The ROIC of goeasy has remained stable over this period, while many of its competitors saw an increase between 2018 and 2019. This is concerning as it may be an indicator of industry trends, new processes, or new technologies that competitors are exploiting but goeasy has yet to implement. If goeasy fails to discover the reason behind this industry-wide increase in ROIC, they risk gaining a

¹⁷⁹ goeasy. (2020). "Annual Report 2019". Retrieved from <https://investors.goeasy.com/financial-information>

¹⁸⁰ Curo Group. (2020). "Annual Report 2019". Retrieved from <https://ir.curo.com/annual-reports>

¹⁸¹ MOGO. (2020). "Annual Report 2019". Retrieved from <https://investors.mogo.ca/financial-reports/>

¹⁸² ECN Capital. (2020). "Annual Report 2019". Retrieved from <https://www.ecncapitalcorp.com/financial-results/>

competitive disadvantage. Their lack of responsiveness may be partially due to their relatively inexperienced executive team being less able to understand and predict industry and market conditions.

Despite this concern, goeasy remains in a moderately strong position against its competitors. The company holds a competitive advantage when it comes to generating returns on capital, indicating strong value creation from corporate leadership. This is a strength of the company.

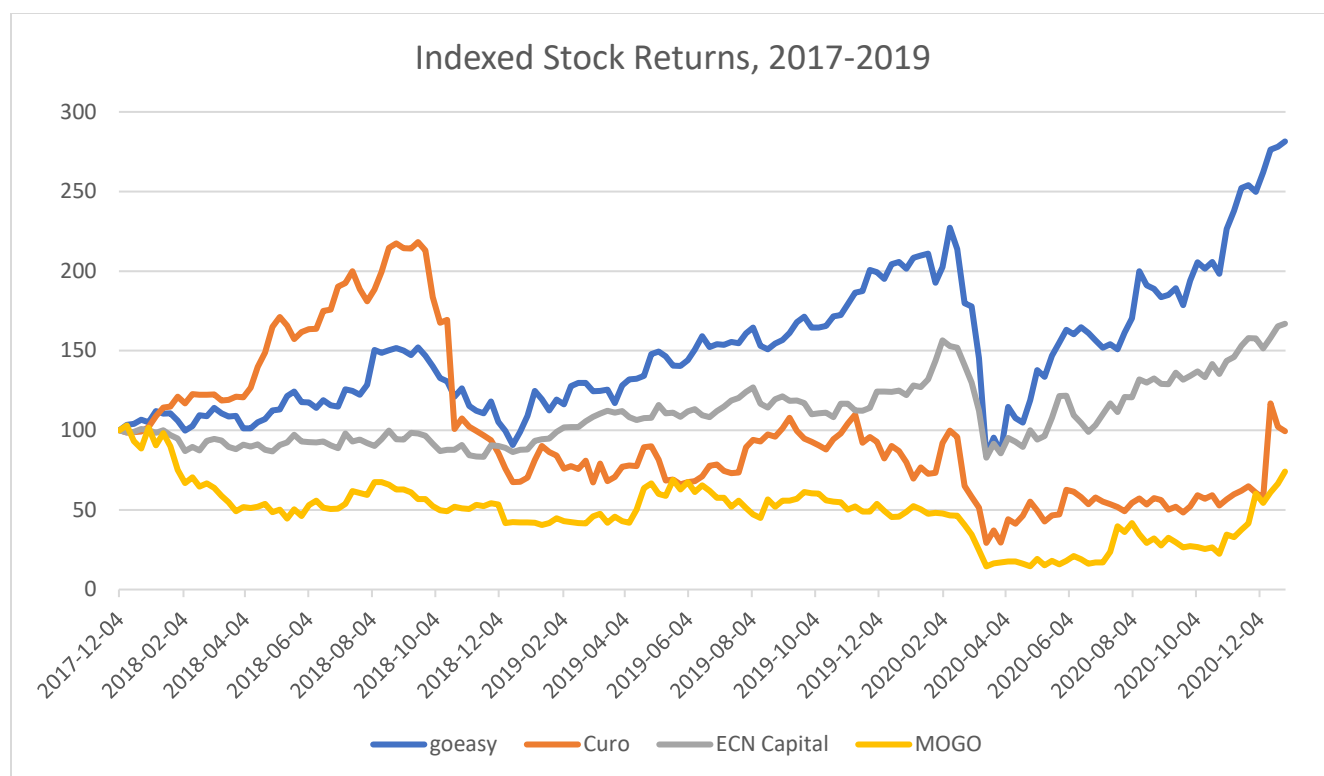
The company's stock price (Ticker GSY.TO on the TSX) has seen steady growth since December of 2017 (The earliest date for which information for Curo Group is available).¹⁸³ When the stock prices of all competitors are placed on an index beginning at a value of 100, it is shown that goeasy has experienced performance superior to all competitors.^{184 185 186} This is a strength of goeasy, as it further demonstrates the ability of corporate leadership to generate value for customers.

¹⁸³ Bloomberg L.P. (2021). "goeasy Stock Price Graph." Retrieved from Bloomberg database.

¹⁸⁴ Bloomberg L.P. (2021). "Curo Group Stock Price Graph." Retrieved from Bloomberg database.

¹⁸⁵ Bloomberg L.P. (2021). "MOGO Stock Price Graph." Retrieved from Bloomberg database.

¹⁸⁶ Bloomberg L.P. (2021). "ECN Capital Stock Price Graph." Retrieved from Bloomberg database.



Source: Bloomberg

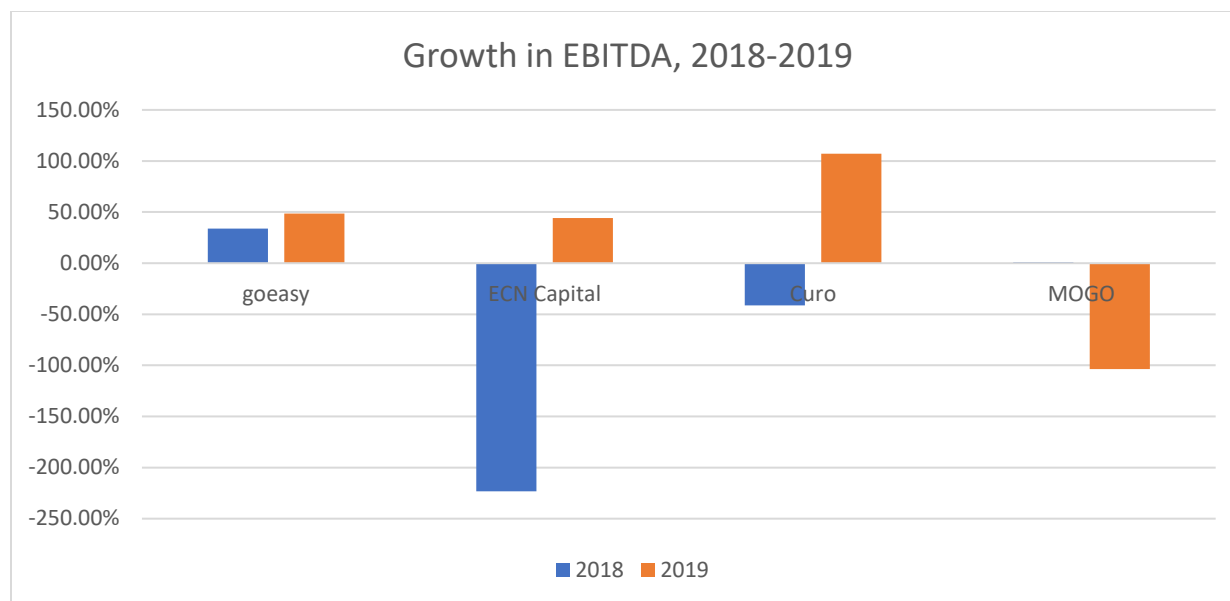
In this time, the price of goeasy's stock has grown from \$34.81 to \$98.37, representing an increase of 282.59%. This increase is driven by the strong financial performance of the company and investor belief in goeasy's value chain activities. goeasy is the only company among its competitors to experience strong growth in EBITDA over the past three years:^{187 188 189 190}

¹⁸⁷ Bloomberg L.P. (2021). goeasy Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁸⁸ Bloomberg L.P. (2021). Curo Group Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁸⁹ Bloomberg L.P. (2021). MOGO Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁹⁰ Bloomberg L.P. (2021). ECN Capital Financial Analysis Tables. Retrieved from Bloomberg database.



Source: Bloomberg

This high growth indicates the strong performance of the company's value chain activities without the influence of depreciation, amortization, or expenses related to financing and taxes. The company's value chain activities have provided a competitive advantage that was recognized and exploited by corporate leadership. This provides support for corporate leadership as a strength of the company, despite its inexperience.

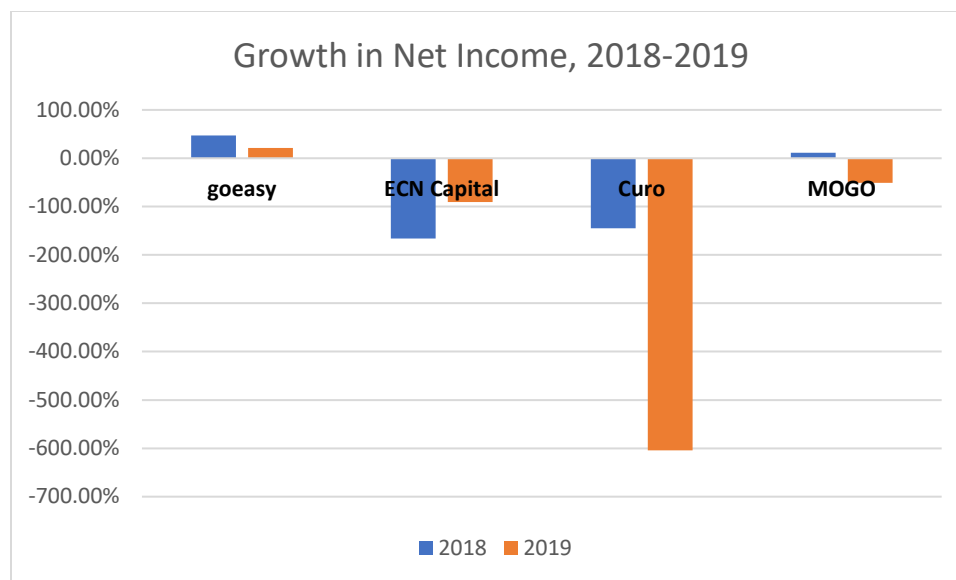
Net income has followed a similar trend to EBITDA over the past three years. Again, goeasy is the only company to experience significant growth consistently in the past three years.^{191 192 193 194}

¹⁹¹ Bloomberg L.P. (2021). goeasy Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁹² Bloomberg L.P. (2021). Curo Group Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁹³ Bloomberg L.P. (2021). MOGO Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁹⁴ Bloomberg L.P. (2021). ECN Capital Financial Analysis Tables. Retrieved from Bloomberg database.



Source: Bloomberg

This shows that, in addition to successfully exploiting advantages provided by value chain activities, corporate leadership has also been successful at minimizing the cost of financing and tax burden of the company. Corporate leadership has skills in understanding and managing the operational, logistic, and financial areas of the business, lending further support to considering corporate leadership a strength of the company.

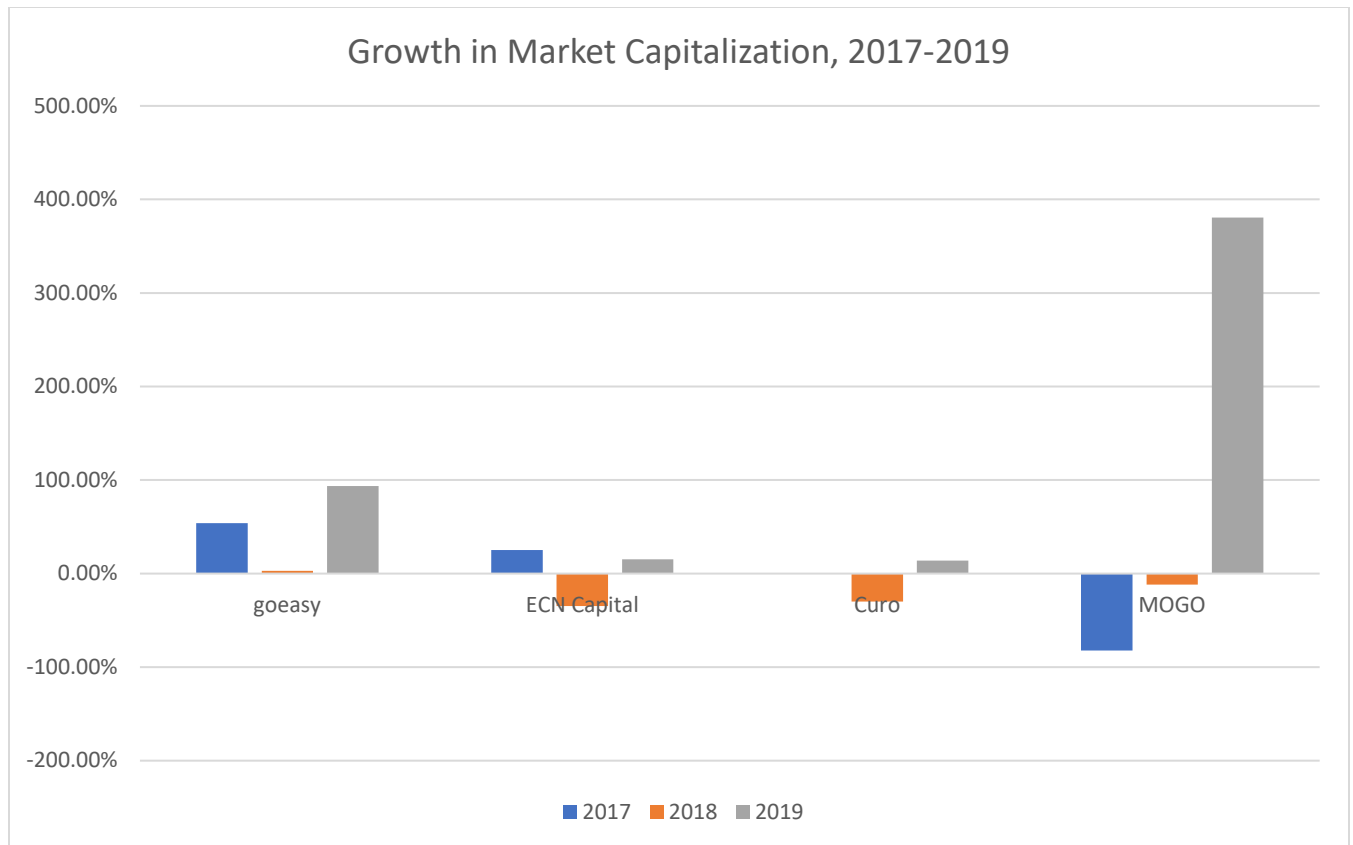
The company's significant growth is also reflected by its growth in market capitalization over the past three years. Apart from MOGO in 2019, goeasy experienced higher market capitalization growth than all its competitors over the past three years.^{195 196 197 198}

¹⁹⁵ Bloomberg L.P. (2021). goeasy Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁹⁶ Bloomberg L.P. (2021). Curo Group Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁹⁷ Bloomberg L.P. (2021). MOGO Financial Analysis Tables. Retrieved from Bloomberg database.

¹⁹⁸ Bloomberg L.P. (2021). ECN Capital Financial Analysis Tables. Retrieved from Bloomberg database.



Source: Bloomberg

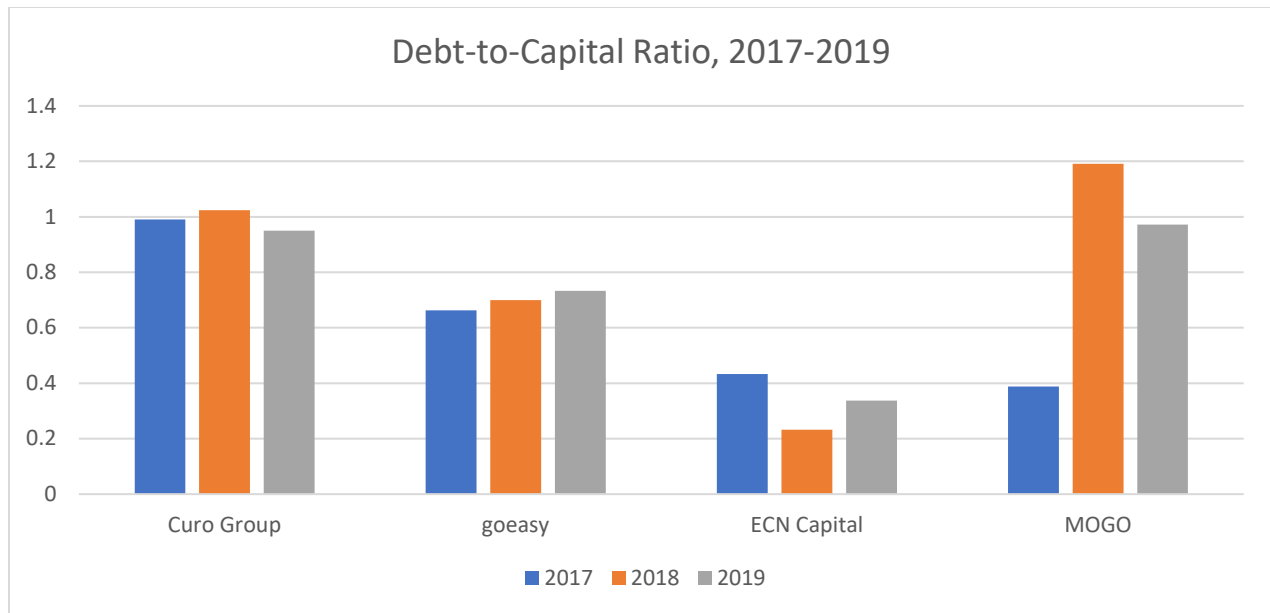
As of 2019, goeasy has the second-lowest level of debt among its competitors, as measured by its debt-to-capital ratio.^{199 200 201 202}

¹⁹⁹ Bloomberg L.P. (2021). goeasy Financial Analysis Tables. Retrieved from Bloomberg database.

²⁰⁰ Bloomberg L.P. (2021). Curo Group Financial Analysis Tables. Retrieved from Bloomberg database.

²⁰¹ Bloomberg L.P. (2021). MOGO Financial Analysis Tables. Retrieved from Bloomberg database.

²⁰² Bloomberg L.P. (2021). ECN Capital Financial Analysis Tables. Retrieved from Bloomberg database.



Source: Bloomberg

This is a strength for a company in this industry, as it shows that it still has excess borrowing capacity. This capacity can be used to fund expansion into new locations in keeping with the company's business-level strategy. It can also be used to fund new loans to customers in new or existing locations. The growth of the ratio over the past three years shows that the company has been using more debt to fund its expansion. However, the company is still not excessively leveraged or at significant risk of defaulting on its debt, showing strong capital structure management from corporate leadership.

The corporate leadership of goeasy is inexperienced compared to its competitors, falling well below the average industry experience for the industry in which the company operates. Despite this, the company has seen strong performance in both financial results and on the stock market. A price increase of

over 280% since 2017 was driven largely by steady earnings growth. This indicates a strong ability for the corporate leadership of the company to exploit the competitive advantages gained by other value chain activities and provide confidence in the company's future to investors. In addition, the company's debt position shows strong management to avoid default risk while still maintaining the capacity to expand operations at new and existing locations. As a result, corporate leadership is considered a strength of the company.

The corporate leadership value chain function is valuable since it allows for efficient coordination of all other value chain functions, which can reduce confusion, improve cohesiveness, and save on expenses for the company. It is not rare, as most successful companies must have high-quality corporate leadership. It is inimitable in goeasy's case, as much of the quality of their corporate leadership can be attributed to extensive promotion and experience within the company, which provides an understanding of the company, its strategies, and its value chain functions which cannot be easily obtained by other companies without years of training. Finally, quality corporate leadership is not substitutable because no other activity or value chain function can provide benefits which are strategically equivalent to the coordination and leadership provided by corporate leadership.

Summary of Value Chain and Competitor Analysis (All Members)

After evaluating the value chain functions, it can be determined that the most important activities for goeasy revolve around Operations, Innovation, and Corporate Leadership.

Operations provide insight as to how a firm and its employees effectively offer their services. goeasy is much smaller than its competitors, although its high growth provides the potential for a larger size in the future. goeasy's revenue/net loans receivable ratio is poor compared to its competitors, as is its operating margin. However, many of these issues can be attributed to advantages gained by larger competitors through economies of scale. Considering goeasy's high growth, these advantages may become less substantial over time. As a result, operations currently do not provide a sustainable competitive advantage, but competitors' current advantages are also not sustainable.

Innovation is a key-value chain activity because many of goeasy's strategies revolve around having a varied and diverse set of products. Thus, it is important for the company to be able to engineer new and attractive financial products, which will allow for greater differentiation and entice customers to return even after they graduate to prime credit.

Corporate leadership is critical as the major decisions of a firm start and end at the top. goeasy's corporate leadership team lacks experience but overcomes this

disadvantage by demonstrating quality management and understanding of the company's business. The company has seen significant success on the stock market, although the growth in stock price is mostly driven by good financial performance and is, therefore, more sustainable. The quality of goeasy's leadership is largely a result of internal training of executives, which may be difficult for competitors to replicate. However, there is always a risk that executives may leave the company and join competitors. Aside from this, the quality of goeasy's executive leadership is a sustainable competitive advantage for the company.

goeasy has had success in achieving the best value from their value chain activities. It fits in the relatively attractive category, as they appear to hold many competitive advantages in their value chain activities. Statistics such as their percentage of revenue contribution per employee, revenue change year over year, and brand awareness are a few areas where they dominate. However, there are always areas goeasy can improve on, which is why they are not listed as extremely attractive.

Part IV - Corporate Level Strategy

Vertical Location (All Members)

goeasy represents the entirety of the supply chain. goeasy raises capital for the purposes of lending to consumers, then engages in the lending itself. Therefore, the goeasy supply chain consists of only one level, which is fulfilled through its operations. Thus, goeasy is deemed not vertically integrated. This is the optimal configuration for goeasy, and no changes are recommended.

Horizontal Location (All Members)

goeasy's two divisions reside within the same NAICS sector classification of 52, and therefore the company does not engage in any horizontal diversification. It is recommended that the company remain in a single industry, as this will best allow them to leverage their core competencies into sustainable competitive advantages.

Geographic Diversification (All Members)

goeasy operates in all provinces in Canada except for the territories. Furthermore, when it comes to the provinces, they have the least operations in Quebec, as it has been more difficult for goeasy to enter. Although goeasy currently only operates in Canada, they take on a global strategy. This is due to

their standardization of locations and service offerings across all regions, with limited local responsiveness.

One issue that can occur with this strategy is that if goeasy decides to expand internationally, they may encounter local responsiveness pressures. This would likely come from their easyhome division as they would need to offer different products that tend to the needs of specific locations.

It is recommended that goeasy continue to operate and expand within Canada while refraining from establishing itself outside the country. This is because there is still room for growth in Canada, and more specifically, Quebec. Business in Quebec represents just 6.8% of the company's loan portfolio, despite the province comprising 22.59% of the country's population.²⁰³ ²⁰⁴ Thus, Quebec represents a significantly underserved market with fewer competitors. When expanding into Quebec, goeasy should target the more urban and populated areas. For this reason, Montreal and Quebec City are the first cities goeasy should

²⁰³ Government of Canada, Statistics Canada, "Population Estimates, Quarterly," Population estimates, quarterly (Government of Canada, Statistics Canada, December 17, 2020), <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901>.

²⁰⁴ Goeasy. "2019 Annual Report". <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>.

grow into as they contain 43.11% and 8.64% of the population of Quebec, respectively.^{205 206}

Part V - Business-Level Strategy (All Members)

Through Porter's four generic strategies, it can be said that goeasy focuses on differentiation and targets a narrow market. This is shown through the company's decision to offer a broad range of ancillary and complementary products to offer value to the customer through means other than low cost. The company also focuses on providing a positive customer service experience, which further differentiates them from traditional subprime lending firms.²⁰⁷ The company states that its focus is on building long-term relationships with customers.²⁰⁸ This indicates a differentiation strategy as most low-cost firms put little effort into building customer relationships, instead choosing to reduce customer service to cut costs. goeasy focuses on a narrow market of Canadians who have subprime credit scores but actively attempt to improve their scores.²⁰⁹

²⁰⁵ Statistics Canada. "Census Profile, Montreal" Retrieved from <https://www12.statcan.gc.ca/census-recensement/2016/dppd/prof/details/page.cfm?Lang=E&Geo1=POPC&Code1=0547&Geo2=PR&Code2=24&SearchText=Montreal&SearchType=Begin&SearchPR=01&B1=All&GeoLevel=PR&GeoCode=0547&TABID=1&type=0>

²⁰⁶ Statistics Canada. "Census Profile, Quebec." Retrieved from <https://www12.statcan.gc.ca/census-recensement/2016/dppd/prof/details/page.cfm?Lang=E&Geo1=POPC&Code1=0685&Geo2=PR&Code2=24&SearchText=Quebec&SearchType=Begin&SearchPR=01&B1=All&GeoLevel=PR&GeoCode=0685&TABID=1&type=0>

²⁰⁷ Ibid.

²⁰⁸ Ibid.

²⁰⁹ Ibid.

The reason goeasy has adopted this strategy because the target market of subprime Canadians who want to improve their credit scores were underserved. These customers cannot obtain financing from banks or similar sources, and they do not wish to use other subprime lenders. This is due to the lack of customer service and a professional environment from those lenders and the fact that users of other subprime lenders often do not improve their credit scores. For example, lenders such as payday lenders often do not report loans to credit reporting agencies, so there is no opportunity to improve credit scores.²¹⁰ goeasy believes that it can target these customers by offering a welcoming and professional experience and offering products and services aimed at improving customers' financial position.

One major flaw with this business strategy is that, by encouraging customers to improve their credit scores, the company is causing them to graduate to prime. At this point, those customers have little reason to remain with the company, instead preferring to use prime lenders who offer lower rates. Thus, if the company is successful in its stated goals of helping customers improve credit scores, it will be encouraging its own customers to no longer require its services. To address this concern, it is recommended that goeasy move further toward differentiation on its

²¹⁰ Consumer Financial Protection Bureau. "I Heard That Taking out a Payday Loan Can Help Rebuild My Credit or Improve My Credit Score. Is This True?," accessed March 14, 2021, <https://www.consumerfinance.gov/ask-cfpb/i-heard-that-taking-out-a-payday-loan-can-help-rebuild-my-credit-or-improve-my-credit-score-is-this-true-en-1611/>.

business strategy. By further differentiating its products, the company may offer products that increase switching costs and build an ecosystem of products. This will give graduating customers a reason to remain with the business, maintain ancillary services, and avoid switching costs. This further differentiation can be achieved through improved execution in various value chain functions, which will be further discussed in the next section.

Regarding the company's narrow target market, the company's focus on subprime consumers attempting to graduate to prime provides them with an underserved niche market to offer its services. Therefore, it is recommended that the company continue to operate in this target market and not broaden or narrow its customer base.

Part VI - Functional Strategies

	Opportunities	Threats	Weaknesses
SCM	Interest rates and inflation allow cheaper debt	High USD appreciation could cost the firm	Supplier power/diversification of debt
Operations	Increased Urbanization	Heavily Regulated Industry	Poor Revenue/Net Loans Receivable Ratio
Distribution	Interest rates allow faster funding of easyfinancial growth	Depressed consumer spending could cause bloated expenses	goeasy has a higher distribution cost per dollar generated than their competitors
Marketing/Sales	Stable delinquency rate, with a decline in 2020	Declining of target age demographic	Lack of sales growth of easyhome
Customer Service	Low power of consumers	Canadian's lack of confidence of privacy from technology	Lack of diversified contact methods
Human Resource Management	Unemployment rate for cheaper acquisition of talent	COVID-19 Pandemic and Low Business Confidence	- % of revenue Contributed per Employee - % of Revenues Allocated to Salaries & Benefits
Innovation	- Mobile Devices and the "Digital Wallet" - Low-Interest Rates	Graduating clients from subprime to prime	Diversification of products/services
Corporate Leadership	Increasing Household Disposable Income	Potential for Higher Interest Rates	Inexperienced Executive Team

Supply Chain Management Functional Strategies (Aryan Ahadimoghaddam)

The SCM value chain function is vital for the continuation of goeasy's day-to-day operations due to the importance of capital in the lending process. With the current volatile business environment due to the COVID-19 pandemic, there are clear opportunities, threats, and weaknesses that must be accounted for to continue goeasy's success. Internal and environmental factors that could materially affect

goeasy core business are interest rates, inflation, USD/CAD currency exchange, and the firm's capital structure.

Opportunities

The current COVID-19 pandemic has brought unique economic conditions that goeasy can exploit for above-average returns. As mentioned previously, inflation currently sits at 1%, with a low of -0.4% as of April 2021. This low inflation percentage was due to the demand shock of the initial closure of businesses and the government's stay-at-home orders. goeasy's SCM was negatively impacted as the cost of funds increased as their interest payments to creditors also increased. Additionally, during this period, the firms' perceived probability of default increased due to unexpected inflation.²¹¹

As lower inflation signals lower economic growth, goeasy's bondholders quickly reacted to less consumer spending, as shown by the significant increase in goeasy's bond yields.

²¹¹ Kang, J., & Pflueger, C. E. (2015, January 19). Inflation Risk in Corporate Bonds. Wiley Online Library. <https://onlinelibrary.wiley.com/doi/abs/10.1111/jofi.12195#:~:text=Corporate%20bond%20spreads%20price%20two, due%20to%20high%20real%20liabilities.&text=annual%2Daverage%20over%20annual%2Daverage, fall%20into%20a%20particular%20range>.

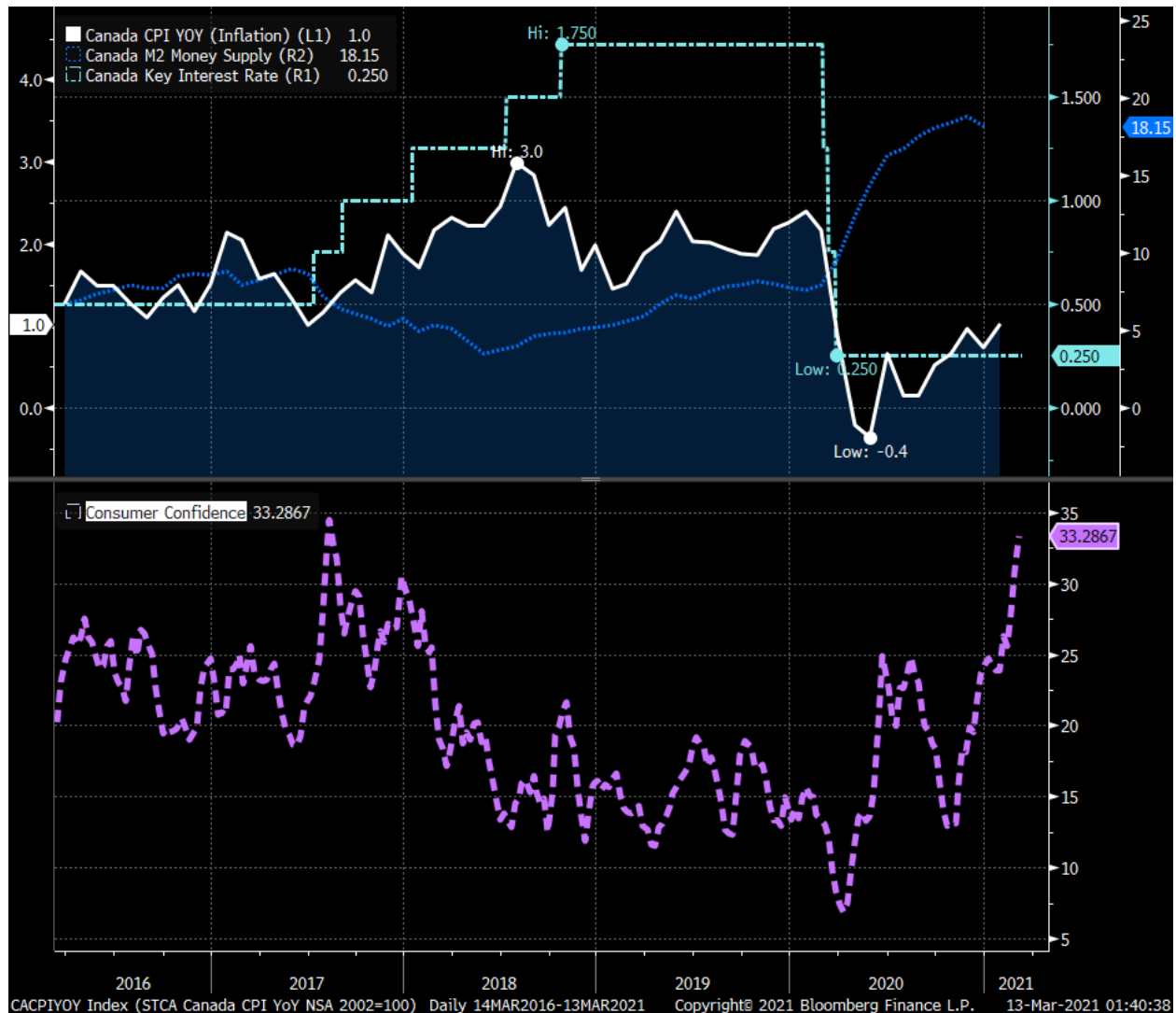
goeasy 2024 Bond Yield to Maturity



Source: Bloomberg (2020), various financial statements

After these events, significant and abnormal monetary and fiscal policy has reversed the story of low inflation, lower consumer spending, and significant default risk to a story of higher inflation and a looming economic expansion. With the large amounts of quantitative easing, rising consumer confidence, and lowering the key interest rate to record lows, two key opportunities present themselves.

Canada YOY Inflation, Money Supply, and Key Interest Rates



Source: Bloomberg (2020)

First, an inflationary environment will provide goeasy with a lower fixed-cost of borrowing (fixed-rate bonds) as the value of their monthly interest

payments in real terms decreases.²¹² This will allow the firm to generate significant abnormal returns to generate more money to pay off their debt holders.

Second, a lower interest rate environment will provide goeasy with an ability to refinance their fixed bonds and provide a lower variable rate. With the Bank of Canada not intending to increase rates until 2023, goeasy has an opportunity to improve its supply chain by refinancing its fixed-rate bonds.²¹³

S&P High Yield Corporate Bond Index Option Adjusted Spreads



Source: <https://www.spglobal.com/spdji/en/indices/fixed-income/sp-500-high-yield-corporate-bond-index/#overview>

With the option-adjusted spreads between the high yield corporate debt and government bonds approaching all-time lows, this infers that yield on non-

²¹² Oner, C., & CEYDA ONER is a deputy division chief in the IMF's Finance Department. *F&D Article*. Inflation: Prices on the Rise. <https://www.imf.org/external/pubs/ft/fandd/basics/30-inflation.htm>.

²¹³ Bank of Canada. Bank of Canada will hold current level of policy rate until inflation objective is achieved, continues quantitative easing. Bank of Canada. <https://www.bankofcanada.ca/2021/01/fad-press-release-2021-01-20/>.

investment grade debt is also decreasing. goeasy can refinance at these lower interest rates and generate above-average returns through their supply chain function as they have to pay less money.

A lower interest rate environment will also allow goeasy to gain above-average returns through its revolving credit facility. As their coupon rate is variable and tied to the bankers' acceptance rate (Annual Report), a decreasing yield environment would lower the banker's acceptance rate. This would mean that goeasy will have a smaller coupon payment.

Overall, goeasy has a significant opportunity to generate above-average returns through its SCM value chain function due to the lower interest rate environment and higher inflation.

Threats

While goeasy has a favorable rate environment in Canada, a looming threat comes from across the border. With predictions for the U.S. equity markets to reach all-time highs, the demand for U.S. dollars may increase in tandem.²¹⁴ This inflow of demand could potentially push up the USD relative to the CAD. Additionally, the

²¹⁴ J.P Morgan. 2021 Global Market Outlook. [https://www.jpmorgan.com/insights/research/2021-global-market-outlook#:~:text=J.P.%20Morgan%20strategists%20are%20forecasting,%25%20on%20parts%20of%20credit\).&text=Globally%2C%20he%20believes%20the%20positive,equity%20markets%20are%20in%20place.](https://www.jpmorgan.com/insights/research/2021-global-market-outlook#:~:text=J.P.%20Morgan%20strategists%20are%20forecasting,%25%20on%20parts%20of%20credit).&text=Globally%2C%20he%20believes%20the%20positive,equity%20markets%20are%20in%20place.)

potential inflation and low yields from the Canadian government may also devalue the Canadian currency with respect to the USD.

As all goeasy's debt is US Dollar-denominated, this means that the interest and upcoming principal payments may be more expensive. This could potentially lead to below-average returns as the cost of goeasy's supply chain increases. Furthermore, a cross-currency swap should be created to fix the exchange rate and mitigate losses due to the U.S. Dollar's potential gain.

Weakness

As discussed previously, goeasy's capital structure consists of net debt to total capitalization of 72.25% as of Jan 1st, 2020. Approximately 85% are through the issuance of a four-year note, and the remaining is through its revolving credit facility. This presents a significant weakness in goeasy's capital structure as the company relies on two issues of debt. This represents a high power of suppliers as their noteholders may influence the company's decisions as they control most of the firms' supply chain.

goeasy should have multiple issuers of debt so that one supplier does not have significant influence over the firm. By diversifying their debt issues, they may receive favorable rates from different suppliers of capital instead of relying on one holder. Another way to prevent high supplier power is to add callable

provisions to mitigate interest rate effects. Call provisions would allow goeasy to pay off its debt earlier than its designated maturity if they felt that they were paying too much or that suppliers were exerting too much power.

Operations Functional Strategies (Matthew Clement)

Opportunities

Considering the large proportion of subprime loans that originate from customers living in urban areas, the trend of increasing urbanization in Canada represents an opportunity for goeasy. More people in urban areas means an increased number of people who are likely to take out a subprime loan or use a rent-to-own business, increasing the size of goeasy's target market.²¹⁵

To take advantage of this opportunity, goeasy must tailor its operations to make its products and services more attractive and accessible to customers living in urban areas. A variety of steps can be taken to achieve this goal. First, the company should increase the density of its locations in urban areas, granting them greater access to the valuable customers living in these locations. While density is essential, there are other factors that goeasy should consider when opening new locations in urban areas. The company should ensure that locations are dispersed

²¹⁵ Government of Canada "Payday Loans: Market Trends" October 25, 2016 <https://www.canada.ca/en/financial-consumer-agency/programs/research/payday-loans-market-trends.html#toc12>

enough to avoid cannibalization of sales from existing stores. In addition, new locations should be located within walking distance of densely populated areas and frequently used public transit stations, which will provide easy access to a wide array of customers.

goeasy should also adjust its product offerings to better suit the needs of customers in urban areas. For example, the company must ensure that furniture and appliances offered through its easyhome division are compact and easily storable. This will make these products more suitable for living in apartments or condominiums, representing a significant portion of urban customers.²¹⁶ Since customers in urban areas are less likely to own a vehicle, the company should ensure that many easyhome products can be easily carried on public transit.

Threats

One major threat faced by goeasy is the threat of government regulation on the subprime lending industry. Specifically, many governments in Canada have placed maximums on interest rates charged on installment loans.²¹⁷ This represents a threat to goeasy because it places a cap on the prices they are allowed to charge

²¹⁶ goeasy Ltd. "Annual Report 2019." <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

²¹⁷ *Criminal Code*. R.S.C., 1985, c. C-46. <https://laws-lois.justice.gc.ca/eng/acts/c-46/page-78.html>

for their products. Thus, increases in costs cannot always be matched by increases in prices, leading to reduced margins and lower profitability.

This threat can be addressed by goeasy through streamlining of its operations. Since the company is pursuing a differentiation strategy, it is not recommended that it reduce customer service or new product research that is being pursued. However, the company must find ways to keep these costs as low as possible while still maintaining high standards of service and innovation. For example, physical locations should employ a few highly trained and experienced staff instead of many new or inexperienced employees. This will allow the company to reduce its salary expenses while still offering quality customer service. When furnishing its stores, the company should take a standardized approach and take advantage of its many locations. It should purchase furniture in bulk to furnish many stores and take advantage of economies of scale through bulk discounts.

In developing its online channel, the company should choose designs that are simple and convenient. These designs should still have enough flexibility and functionality to deliver on their goal of differentiation, but without excessive features or expensive graphics. Since the company differentiates through its variety of product offerings and its customer service, these aspects should be emphasized simply and straightforwardly on its online channels.

Weaknesses

goeasy's revenue/net loans receivable ratio is the lowest among all its competitors and has seen a decreasing trend over the past three years.^{218 219 220 221}

This ratio measures the company's operational efficiency, showing how much revenue they make for each dollar of loan principle extended to customers.

goeasy's low ratio indicates inefficiency relative to its competitors, representing a significant weakness in its operations. Specifically, it shows that goeasy's ability to generate revenue from loans is reduced.

To address this issue, it is recommended that goeasy place a greater focus on customer retention. This is because current customers are more familiar and comfortable with the company and will be more willing to take out higher-rate loans as well as using ancillary products. goeasy can use its operations to contribute to this goal by ensuring that it offers a clean and professional environment for its retail channel. The company's target customers are those who are attempting to improve their credit scores enough to have access to prime

²¹⁸ Goeasy. "2019 Annual Report". <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

²¹⁹ ECN Capital. "2019 Consolidated Financial Statements". <https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.19-Financial-Statements.pdf>

²²⁰ Curo Group. "2019 Annual Report". <https://ir.curo.com/~media/Files/C/Curo-IR-V2/documents/2019-curo-annual-report.pdf>

²²¹ MOGO. "2019 Consolidated Financial Statements". https://assets.ctfassets.net/20580h26mi6y/3boC6vjb3fmFirpNKIJOWD/8e5bbbcfd0020604466fcdd70fdeb585/Q4_2019_Financial_Statements_Final.pdf

loans.²²² To enforce this, goeasy should model its in-store experience after prime lenders such as banks. This will provide the customer with the feeling that goeasy stores are a place to go to make progress towards their goal of improving credit scores. This is key in creating comfort and familiarity between the company and its customers and is an essential step in building relationships with customers.

In conjunction with a comfortable and welcoming environment, the company must ensure that staff is well trained to offer knowledgeable advice and professional service. This will further improve customers' level of familiarity with goeasy. These staff should also be trained to ensure customers know the range of ancillary products available alongside loans. This will improve the penetration rate of these products, increasing revenue per dollar of loans. It will also introduce customers to an ecosystem of products which will increase switching costs. This, in turn, will improve customer retention rates, making them more likely to purchase similar products again in the future.

In a similar vein, the company can take steps to improve the customer experience in its online channel. By offering a simple, convenient, and professional experience to its online customers, goeasy can make it easier for existing customers to do business with them, improving retention rates. The online

²²² Goeasy. "2019 Annual Report". <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

experience should also offer customers a variety of ancillary products during the process of taking out a loan, which will further improve the penetration rate for these products.

Distribution Functional Strategies (Aryan Ahadimoghaddam)

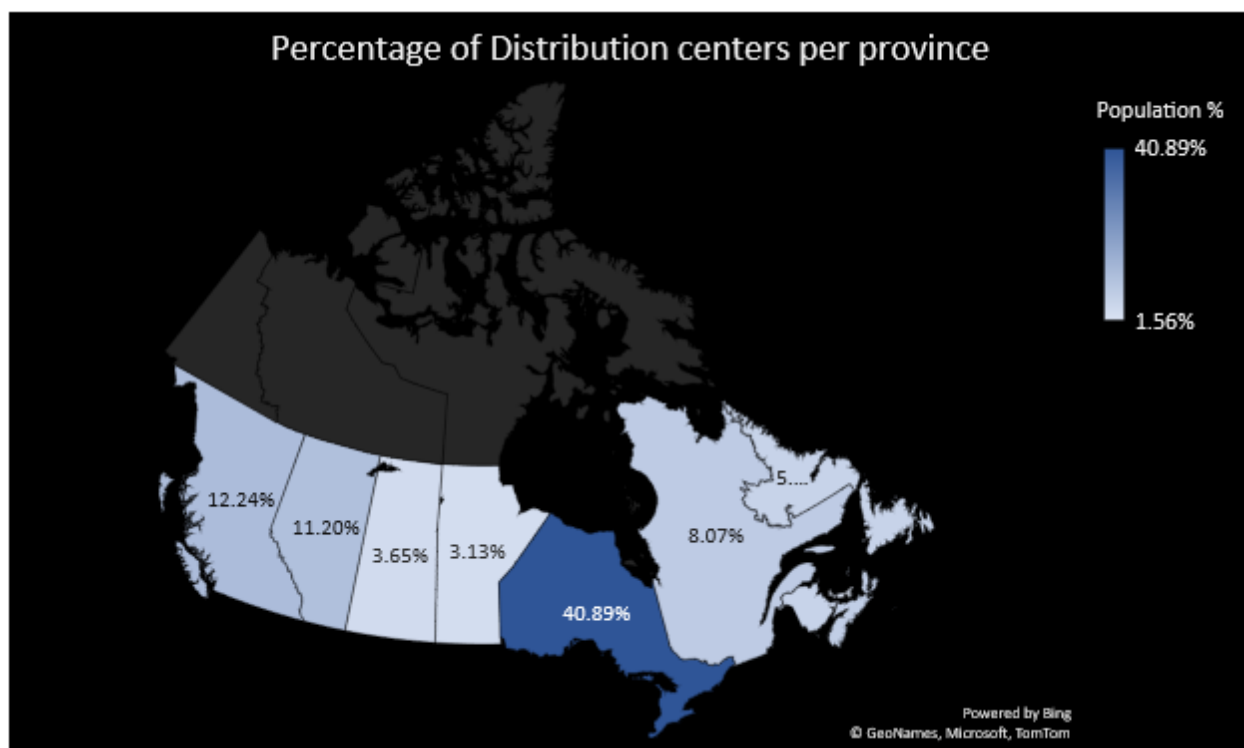
The distribution value chain function is vital for the continuation of goeasy's retail expansion as the firm decides how to continue with its explosive growth. As goeasy continues to grow in market capitalization, there are clear opportunities, threats, and weaknesses that must be accounted for to continue goeasy's success. Internal and environmental factors that could materially affect goeasy core business are interest rates, underserved provincial markets, consumer spending, and the controlling of the firm's SG&A expenses.

Opportunities

As previously stated, the general environment due to the COVID-19 pandemic has introduced low-interest rates that could provide the distribution value chain with above-average returns. While goeasy continues to expand its retail footprint across the country, it will use debt or equity to fund the expansion. Due to the current low-interest-rate environment, this expansion's cost will be significantly lower as both their debt and equity costs will lower in tandem. Regarding the firms' debt, lower central bank rates allow banks to borrow and lend

at cheaper interest rates. If the firm decides to issue equity to fund the expansion, the cost of equity also lowers as lower bond yields lower the market risk premium required from their investors.

With the favorable rate environment, goeasy has an opportunity to fund a rapid expansion into a highly underserved province. Currently, goeasy has over 419 stores throughout ten provinces²²³. Additionally, 86% of goeasy's stores are within four provinces: British Columbia, Alberta, Ontario, and Quebec.²²⁴



Source: <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

²²³ Goeasy. "2019 Annual Report". <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

²²⁴ Ibid

Despite most of their distribution centers residing in 4 provinces, goeasy still has significant room to expand throughout Quebec. By analyzing the Canadian population's provincial distribution, goeasy is 14.72% lower than Quebec's provincial distribution, with the remainder of the provinces at approximately equal levels. With their 2019 plan to increase their stores by 20-25 per year, the lower cost of borrowing may be able to fast track their growth into Quebec. It is recommended that goeasy utilize the current interest rate environment by issuing more debt to fund its expansion into Quebec. This will allow them to generate significant abnormal returns by lowering the cost of their expansion into Quebec.

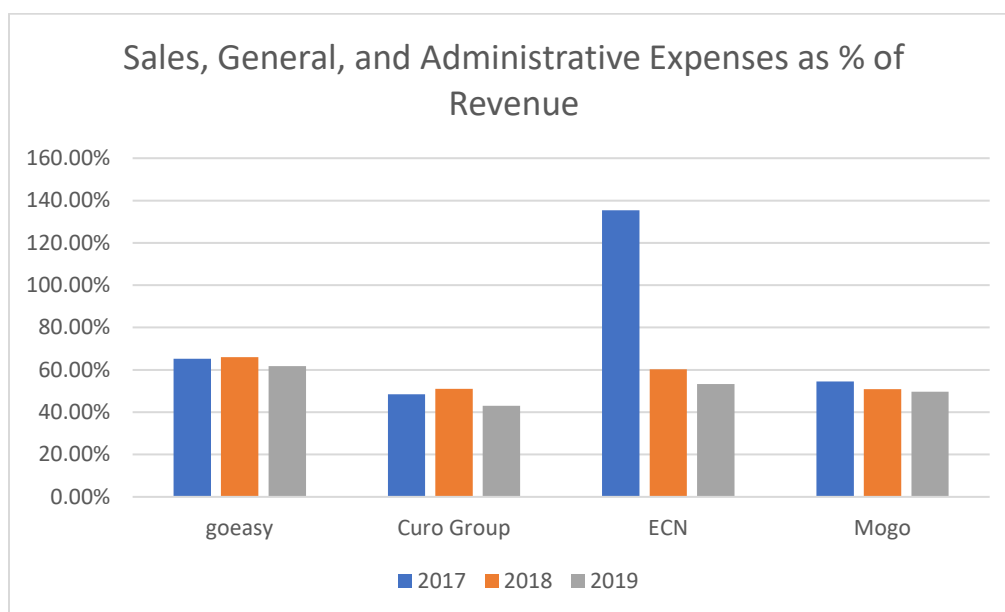
Threats

While the recovery of the COVID-19 pandemic is expected to be resolved in the upcoming months, delays could significantly harm their business segments. With an already declining easyhome retail footprint, further delays in consumer expenditures could mean a more meaningful decline in their business. In 2019, same-store sales for easyhome decreased to 4.3% from 6.4%. A continued decline in the same-store sales will lower overall revenues while also increasing unneeded store expenses. A detailed analysis of all distribution centers should be initiated to identify non-performing stores that may bloat expenses to prepare for this threat.

Furthermore, all non-performing stores identified should have a detailed plan to mitigate expenses and increase revenues. If no sufficient plan can be formed due to environmental factors, the distribution centers should be closed to reduce the expenses.

Weaknesses

As stated previously, goeasy has a competitive disadvantage in terms of its operating expenses. Compared to its competitors, goeasy has the largest SG&A as a percentage of revenue in the periods 2017-2019, excluding the outlier year from ECN in 2017.



<https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

Under further analysis, operating expenses for easyhome are significantly larger than easyfinancial. As previously stated, operating expenses for easyhome

are \$0.821 for every dollar generated (Annual Report). In contrast, easyfinancial's operating expenses are only \$0.5978 per dollar generated.

With easyhome's business steadily maturing and goeasy deciding to close many of their easyhome locations, goeasy should consider combining some of the existing stores with easyfinancial products. To continue goeasy's clear strategy of rapidly expanding easyfinancial's retail footprint, goeasy could take advantage of easyhome's existing locations by sharing retail locations. This would allow the segments to share depreciation expenses and provide easyfinancial immediate access to over 100 easyhome locations. Implementation of combined retail locations should be reorganized so that the professionalism of the traditional easyfinancial experience is still present. Additionally, all combined locations should be designed using easyhome products with new arrangements every couple of months. To avoid a less professional environment, goeasy should have a combined storage location so that easyhome inventory can be easily accessible.

The Distribution value chain function is valuable as their large retail footprint allows the firm to have a Canada-wide presence similar to a bank. Having a variety of retail locations allows the firm to reach customers across Canada who wants a bank-like customer experience. It is also rare and immutable as having as wide of a retail as goeasy is capital intensive which has prevented their competitors from replicating that strategy and will continue to crowd out new entrants.

However, a retail strategy is not non-substitutable as many firms have decided to offer an online-only experience and completely forgo a retail footprint.

Marketing & Sales Functional Strategies (Kyle Bacciaglia)

The Marketing and Sales value chain function is essential to the growth of goeasy. There are significant opportunities and threats that face this value chain activity. Although goeasy has capitalized on its strong marketing and industry opportunities to grow revenue significantly, there are areas of this function that can be improved. One change will be discussed in this section to allow their marketing and sales to become more successful and mitigate risk.

Opportunity

As previously discussed, the lending industry has seen stable delinquency rates since 2018 for all types of loans, with a significant decrease in 2020.

Canadian lenders have seen stable delinquency rate trends in recent years. This creates an opportunity as this makes the industry attractive for lenders. However, during 2020 the delinquency rate has declined significantly, which is optimal for lenders with higher interest rates. This is because a decrease in the delinquency rate would result in more people paying back loans, and with the higher interest rates, they would be making more money per dollar loaned than that of a

traditional lender like a bank. This has provided a tailwind for the sales side of goeasy, as this means that their main business outperforms in times of uncertainty.

Threat

However, goeasy and its competitors are in a situation where their products' consumer base is declining, as the target demographic for non-prime loans has been decreasing as a percent of the total Canadian population. This threat also extends to the future as the percentage of Canadians who will age into this demographic in the next 5 to 10 years is well below the percentage of Canadians aged out in the same timeframe. This poses a severe threat to the future of goeasy's sales as they may begin to see a loss of sales growth due to this declining segment. This threat will be exacerbated within the next decade if they continue to only target this one demographic.

Weakness

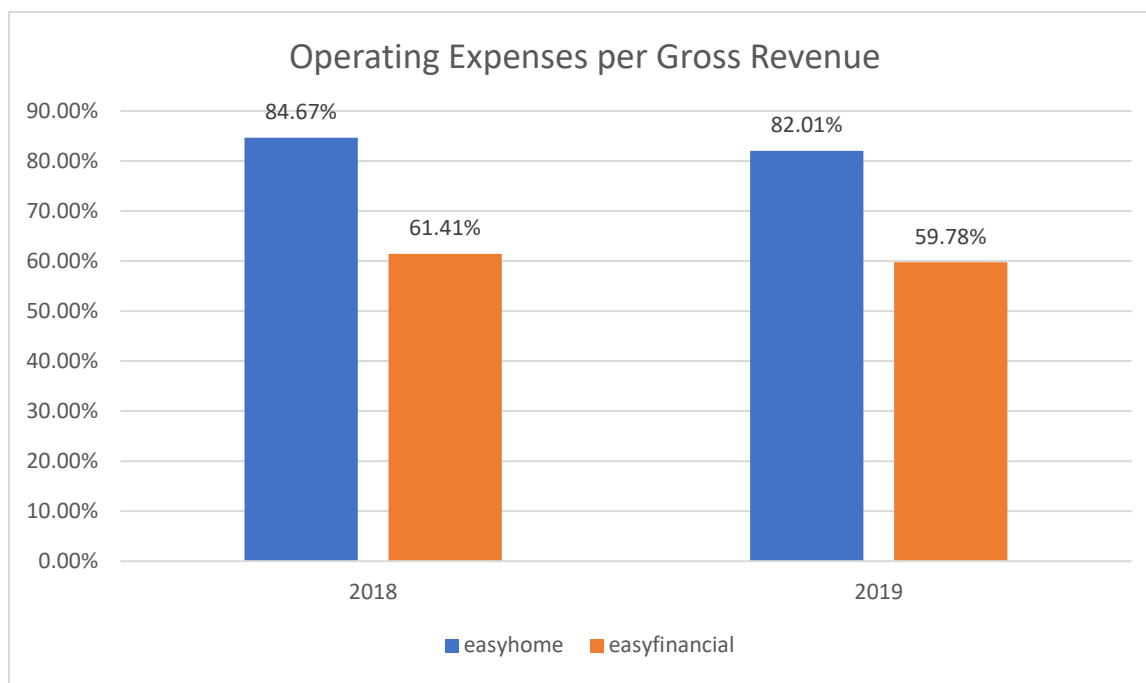
By looking at goeasy's marketing and sales, it is obvious the main weakness with their sales is coming from the lack of growth of the easyhome division. The sales growth in recent years of easyfinancial is outpacing that of the industry significantly, whereas easyhome is struggling to keep up.

Recommendation

goeasy has two options to solve this problem which they must choose between. They either have to invest more to help market easyhome or decide to phase easyhome out. The marketing expense per revenue of goeasy is around that of competitors, which could mean they would have to reallocate resources put toward easyfinancial to invest in easyhome. This is so that they do overfund marketing. This could be beneficial as the second business unit could act as a failsafe when the age cohorts they target decline. However, phasing out easyhome is likely a more favorable action. goeasy states two new initiatives they are undergoing soon, which are: "a new product in the form of a direct to consumer auto secured loan" and "offering lending products and services to several new segments of the market through the launch of proprietary credit models that leverage consumer banking data as an alternative, or supplement, to traditional credit data" which would include students.²²⁵ By investing in these areas, they can effectively hedge the threat of the declining demographic as they would create new income streams in the company's more profitable area. Along with this, offering more loans like easyfinancial's would help them capitalize on the declining

²²⁵ goeasy "2019 goeasy annual report" <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

delinquency rate. This change would also be substantial due to the high expenses that easyhome carries relative to easyfinancial.



<https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

There is a significant amount of expenses goeasy is paying for easyhome relative to easyfinancial. By cutting this line of operations, they could reinvest this money to market the new products they want to offer, or more generally, invest in the more profitable line of operations. Along with this, the diversification of product lines will allow for security if one starts to decline. However, goeasy may currently use easyhome to get customers involved with their product ecosystem. Even though its sales do not keep up with the industry, phasing it out may be detrimental to the firm's overall sales.

Customer Service Functional Strategies (Kyle Bacciaglia)

In the lending industry, customer service is not the most focused on but does have value creation. goeasy can capitalize on the low power of consumers and mitigate the threat of some Canadians uncertainty about technology by making more minor adjustments to their contact options.

Opportunity

The Canadian non-prime lending industry sits in a relatively opportunistic space in terms of the power of consumers. Regarding the structure, the segmentation of individuals means that there is less power to consumers. Therefore, they do not need to compete as heavily when it comes to post-sale service.

Threat

One threat that can harm the customer service value chain is Canadians' lack of confidence around the use of technology; as it was described, only about half of Canadians feel confident in how technology can affect privacy. This may mean that some Canadians feel more comfortable with certain forms of contact as opposed to others. If goeasy does not accommodate these customers adequately, they may be dissatisfied with the company.

Weakness

goeasy has no advantage in the contact method, as the competition also replicates all their contact methods listed on their website. The competition also goes above and beyond what goeasy has done by leaning into specific social media methods as a direct form of contact. Although this is not the most competitive aspect of the industry, they can still help create value by improving those contact methods for the company.

Recommendation

By integrating two new contact methods that they do not have, they can improve customer satisfaction as there is an added convenience factor with different methods. By adding a social media mode of contact and a physical mail aspect, they can accommodate more consumers' preferred contact method. The social media aspect makes sure they compete with other companies in the industry, and the mail accommodates those customers who are more comfortable with a physical contact method.

Human Resources Management Functional Strategies (Daniel Martella)

The HRM value chain function plays a significant role when it comes to goeasy's current success. However, there are notable opportunities, threats, and weaknesses that must be addressed to allow the firm to be proactive. This section

will outline some recommendations goeasy can utilize to take advantage of these opportunities, avoid or mitigate threats, and adjust to eliminate or improve noticeable weaknesses.

Opportunities

When it comes to opportunities, the increased unemployment rate caused by the COVID-19 pandemic stands out. As mentioned previously, higher unemployment provides many businesses the opportunity to find and acquire talent, potentially at a lower cost. This is because the unemployment rate displays a higher supply of labor, meaning that people may be willing to work for less money. An article further supports this, stating, "sometimes, job seekers may be willing to take a pay cut because they can't find a job that pays what they used to earn."²²⁶ The article also mentions how unemployment benefits nearing an end and savings running out force people's hands to find whatever they can get to make them some money.²²⁷ It is clear that goeasy is expanding rapidly, as noted in their Annual Information Form for 2020, where the company states that, "while the company finished 2020 with 266 easyfinancial locations, it estimates that its retail footprint... will expand to support between 300 and 325 locations across Canada in

²²⁶ Alison Doyle, "How to Answer Interview Questions About Taking a Job That Pays Less," The Balance Careers, accessed March 14, 2021, <https://www.thebalancecareers.com/why-would-you-accept-a-job-for-less-money-2060989>.

²²⁷ Ibid.

the coming years."²²⁸ With that, it is recommended that goeasy takes advantage of the abundance of talent searching for jobs and invest in developing optimal job descriptions and talent-seeking advertisements. That way, they can acquire rapid interest and target the best candidates to satisfy the positions at the new branch locations and expand the corporate team.

Job descriptions are crucial for attracting talent, which is why time and money should be utilized to develop them. For employment advertising, goeasy should utilize extra funds to develop creative and engaging video advertisements that can be viewed both on T.V. or the internet (e.g., YouTube, Facebook). Strong acting and clean visuals can make or break an advertisement. Additionally, it is said that the first few seconds are what matter for internet ads (such as on YouTube).²²⁹ Therefore, it is critical that HRM takes the time and funds to develop an engaging advertisement that hooks the right people they want to hire.

Threats

There are a few threats that goeasy should be wary of when it comes to the HRM value chain function. The most important being the current COVID-19 pandemic, as it has brought on low business confidence throughout Canada. Many

²²⁸ "2019 Annual Report", goeasy.

²²⁹ "The First 5 Seconds: Creating YouTube Ads That Break Through in a Skippable World," Google (Google), accessed March 14, 2021, <https://www.thinkwithgoogle.com/marketing-strategies/video/creating-youtube-ads-that-break-through-in-a-skippable-world/>.

OECD economies have recovered nicely when it comes to business confidence; however, Canada has not.²³⁰ This means that there is a threat to businesses' investment opportunities, as not many organizations want to use resources or cash reserves currently. Additionally, the pandemic has also left many people unemployed due to many businesses being closed during lockdowns, with some terminating operations indefinitely. To mitigate the threat of low business confidence, goeasy can take advantage of the abundance of unemployed individuals and low-interest rates to seek out and hire talent with a low borrowing cost. This circumvents the low business confidence as the firm will not need to use its reserves (if they choose) to reinvest in its HRM value chain function.

As mentioned, goeasy has been growing rapidly, and the firm suggests that it will continue to grow well into 2021 and the coming years. More specifically, goeasy mentions that "each easyfinancial stand-alone location requires a staff of two to five employees, each easyfinancial kiosk requires a staff of two to three employees, and each easyhome store requires a staff of four to seven employees."²³¹ Therefore, even with the low business confidence Canada currently has, goeasy remains optimistic. This alone provides confidence that goeasy will take advantage of the high unemployment and low borrowing rates to acquire

²³⁰ "Leading Indicators - Business Confidence Index (BCI) - OECD Data," theOECD (OECD Data), accessed January 30, 2021, <https://data.oecd.org/leadind/business-confidence-index-bci.htm>.

²³¹ "2019 Annual Report", goeasy.

talent, filling their expansion needs. This, in turn, will "weather the storm" until business confidence recovers, mitigating the threat it brings to the business.

Weaknesses

As discussed before, some areas of the firm are at a disadvantage when compared against competitors. These weaknesses vary among value chain functions, but for HRM, two notable areas that can be improved or adjusted are the percentage of revenue each employee contributes and the allocation of salaries and benefits as a percentage of total revenues. As analyzed previously, the HRM value chain function fared well against some of goeasy's close competition. However, the primary statistic that fell short compared to two of its three competitors was the percentage of revenue contributed per employee. MOGO and ECN capital had much larger contribution percentages (0.39% and 0.18% respectively in 2019) compared to goeasy and Curo's abysmal values (0.05% and 0.03% in 2019). Moreover, the fact that goeasy allocates the largest portion of their revenues paying out employees when compared to the competition is a cause for concern, as a poor year can significantly affect morale and revenues.

MOGO and ECN Capital have better contributions per employee and lower revenues while still allocating a smaller percentage of their revenues toward salaries and benefits. This means that goeasy will be pressured to maintain a high

adjusted operating margin of 27.7% to satisfy the high staffing payouts.²³² On top of this, unforeseen circumstances, such as COVID-19, could set goeasy back if they do not have the revenues to meet the salary and benefits standards they have already set for themselves.

A workaround that can improve goeasy's HRM value chain function is to implement an incentive control system. Size of the incentive pay (salaries and benefits) is essential as it will motivate employees to achieve performance goals. Still, there is also a risk that employee performance is not entirely in their control, reducing morale.²³³ Therefore, if goeasy implements a more incentive-focused system, they must ensure employees are in complete control of what they can and cannot do. The human resources team should add specific standards and bonuses that can be achieved based on branch performances. That way, branches with greater revenues can be compensated fairly while others who do not perform as well receive a reduced bonus. This will allow goeasy to get more productivity out of their employees as employees already have exceptional salaries and benefits based on goeasy's allocated percentage. They must continue to improve performance to earn what they are receiving. In addition, more mutual monitoring will occur as employees will try to push each other to get the most out of their

²³² Ibid.

²³³ Kenneth Merchant & Wim Van der Stede, "Management Control Systems", March 10, 2021.

respective branch locations. This will provide an increased sense of motivation to perform at a high standard, improving revenue per employee percentage.

Innovation Functional Strategies (Daniel Martella)

The innovation value chain function is another valuable section of an organization. It is used to improve a firms' goods or services, or develop something new entirely, separating them from the competition. This function is closely related to an organization's growth, as companies that keep up with the changing times can maintain or improve their position in the market. Recommendations will be made that goeasy can utilize to take advantage of some opportunities, avoid or mitigate threats, and adjust to eliminate or improve noticeable weaknesses.

Opportunities

Two opportunities that goeasy can take advantage of to separate themselves from the competition are the rise in mobile device ownership with the increasing capabilities of the "Digital Wallet" and using the low overnight rate as a catalyst for financial engineering. As detailed prior, goeasy currently has a new system that uses technology to improve its consumers' experience. This system is called the "creditooptimizer" and generates personalized credit plans to help consumers

improve their credit scores.²³⁴ However, it has been realized that the firm has not released a mobile application for the system. With everyone having smartphones, it is recommended that goeasy implement a mobile application to reach out to a broader market efficiently. The reason why an app should be developed is due to its improved functionality, as "apps have more features than browsers."²³⁵ In addition, apps are significantly more accessible as "one simply needs to unlock a phone" to have instant access to applications.²³⁶

Coinciding with developing applications is the fact that the digital wallet is becoming a more mainstream tool. People are becoming more comfortable using their mobile devices for finances and are slowly becoming accustomed to the evolving technology. With this, banking and loans are moving towards online use. goeasy must take the opportunity to develop systems that cater to consumers choosing to use their devices as financial tools. More specifically, they can create an app called "goeasy Assistant." The app would divide the two divisions of easyfinancial and easyhome, and within those portions of the app, users can make payments, receive funds, use the creditoptimizer tool, or view easyfinancial and easyhome loan packages and products. This would reduce stress on branch

²³⁴ "How to Get Creditoptimizer," creditoptimizer, accessed February 21, 2021, <https://www.easyfinancial.com/creditoptimizer>.

²³⁵ Rob Versaw, "Council Post: The Future Of Mobile Apps Is Now," Forbes (Forbes Magazine, October 6, 2017), <https://www.forbes.com/sites/forbestechcouncil/2017/08/29/the-future-of-mobile-apps-is-now/?sh=1b7fdb911152>.

²³⁶ Ibid.

locations, reach more consumers, and ultimately improve the customer experience. Notifications from the app may also lower delinquency rates, as smartphones can provide constant reminders to customers when payments are due.

Current low interest rates are another significant opportunity goeasy can take advantage of. This is because lower rates mean more incentives for consumers to spend, which leads to opportunities for financial engineering of new instruments. Financial engineering will allow goeasy to expand its omnichannel platform by providing a more extensive product line, which will increase switching costs, and ultimately, lower customer acquisition expense. For example, low interest rates allow businesses and individuals to take out loans at a lower cost. This means that financial products such as car loans may become more abundant, as people will take advantage of the low interest rates. goeasy currently does not offer car loans, but with the business investment opportunity and the demand for car loans potentially rising, they can take advantage of the low overnight rate to develop a package for consumers. This could separate goeasy from their competition as they can use this investment opportunity to diversify their loan services, attracting and targeting more segments of the non-prime lending market.

Threats

When it comes to innovation, the main threat that goeasy faces are their own business strategy, this is because their focus is to graduate subprime consumers to prime. As stated on goeasy's corporate profile, "one in three customers [graduate] to prime credit and 60% [increase] their credit score within 12 months of borrowing."²³⁷ However, once these consumers graduate, they will no longer require goeasy's services, as prime consumers will switch to banks for loans as rates are lower. For goeasy to retain customers and mitigate this threat, they must continue to develop loan packages that offer additional services to their consumers. Financial engineering will be critical for their innovation value chain function, as this is what will allow them to expand on their existing omnichannel platform. This will create an ecosystem, such as that of Apple, that will increase the switching costs a consumer will need to endure. Overall, this will encourage consumers to remain with the firm as they will realize the added value and savings that come from using the multiple services offered.

Weaknesses

Although goeasy fares well when it comes to innovation amongst its competitors, a weakness that they have is that they are less diversified in terms of

²³⁷ "Corporate Profile," goeasy Ltd, accessed March 14, 2021, <https://investors.goeasy.com/corporate-profile>.

the services they offer. goeasy mainly targets non-prime consumers and offers personal loans, savings loans, and lease-to-own products.²³⁸ However, competitors such as Curo Group and ECN Capital invest in and acquire subsidiaries to diversify their services.²³⁹ ²⁴⁰ MOGO is more like goeasy, except they are now supporting cryptocurrencies with Bitcoin, keeping up with economic trends.²⁴¹ Therefore, goeasy must continue to innovate and take advantage of the opportunities mentioned above to expand their loan packages and offer alternatives, more efficient ways to access their services.

Corporate Leadership Functional Strategies (Matthew Clement)

Opportunities

The trend of increasing household disposable income in Canada presents an opportunity for goeasy.²⁴² As households gain more disposable income, they become more likely to feel comfortable spending money on products such as appliances or furniture. In addition, more disposable income means that these customers will be less likely to default on their loans, lowering the company's

²³⁸ "Goeasy," goeasy, accessed March 14, 2021, <https://www.goeasy.com/>.

²³⁹ "CURO Brands," CURO, accessed March 14, 2021, <https://curo.com/brands>.

²⁴⁰ "Fourth Quarter 2020." ECN Capital, February 25, 2021. <https://www.ecncapitalcorp.com/content/uploads/ECN-Q4.20-Financial-Results-FINAL.pdf>.

²⁴¹ "Mogo: Buy and Sell Bitcoin Canada." Mogo Finance Technology Inc. Accessed March 14, 2021. <https://www.mogo.ca/mogo-crypto>.

²⁴² Government of Canada, Statistics Canada, "Adjusted Household Disposable Income, Canada, Provinces and Territories, Annual," Adjusted household disposable income, Canada, provinces and territories, annual (Government of Canada, Statistics Canada, June 19, 2020), <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610061201>.

delinquency rates. Since goeasy's business is centered around providing financing for such purchases, the increase in disposable income represents an opportunity for the company to increase its market size and grow its revenues.

Corporate leadership can take advantage of this opportunity by engaging in strategic partnerships with other companies to ensure that customers have access to its services. One example of an area where goeasy has already done this is through its partnership with PayBright. As part of this partnership, goeasy can offer financing at the point of sale for some retailers through PayBright's system.²⁴³ This allows the company to reach more potential customers and makes it easier for those customers to engage in financing. It is recommended that goeasy continue its partnership with PayBright and engage in more similar arrangements with retailers. Through these partnerships, goeasy will be able to offer its services at the point of sale for a variety of types of purchases, such as purchases of furniture or appliances. This is potentially applicable for any firm that does not offer its own point-of-sale financing or any firm that only offers financing to customers with prime credit scores. goeasy could offer a financing alternative for those customers with subprime credit scores, increasing the company's sales and reaching more customers with higher amounts of disposable income.

²⁴³ Goeasy. "2019 Annual Report". <https://investors.goeasy.com/static-files/39e673eb-b24d-4abc-9978-53f8d81d927e>

Threats

One threat that is faced by goeasy is the threat of rising interest rates. Interest rates have been extremely low in 2020 due to the economic effects of the COVID-19 pandemic.²⁴⁴ However, with the economy beginning to recover, the Bank of Canada may decide to raise interest rates within the next five years. If this occurs, then obtaining new financing through debt will become much more expensive for goeasy. Since the company relies on the use of debt to finance the loans it grants to their customers, a higher cost of debt will have an abnormally large effect on the company's margins and profitability.

To address this threat, it is recommended that goeasy's corporate leadership consider its capital structure and financing decisions. The company should engage in fixed-rate deb arrangements wherever possible, even if those rates are higher than currently available floating rates. For any existing or new floating-rate arrangements, it is recommended that goeasy use interest rate swaps or similar derivatives to hedge the risk of increasing interest rates.

²⁴⁴ “Canadian Interest Rates and Monetary Policy Variables: 10-Year Lookup,” Bank of Canada, accessed January 30, 2021, https://www.bankofcanada.ca/rates/interest-rates/canadian-interest-rates/?lookupPage=lookup_canadian_interest.php&startRange=2011-01-23&rangeType=dates&dFrom=2018-01-01&dTo=2021-01-

Weaknesses

The biggest weakness experienced by goeasy's corporate leadership is its lack of experience. The average experience level of the company's executives is significantly below the industry average.^{245 246 247 248} This represents a weakness because experienced executives are more familiar with the markets and industries they are involved in. Thus, those executives are better able to predict industry trends and can make more informed strategic decisions. Without an appropriate level of leadership experience, goeasy may be late or unprepared to take advantage of new opportunities or respond to new threats. Competitors with more executive experience are more likely to leverage that experience to create new competitive advantages.

To address this weakness, it is recommended that goeasy revise its executive compensation to emphasize employee retention and long-term planning. This will incentivize more executives to remain with the company, allowing them to build the necessary experience to compete with others in the industry. This approach has benefits over hiring experienced executives externally. Managers who have gained their experience with the company will better understand its goals, value chain

²⁴⁵ Goeasy. "Executive Management". <https://investors.goeasy.com/executive-management>^{curo}

²⁴⁶ Curo Group. "Industry Leading Leadership Team". <https://curo.com/leadership>

²⁴⁷ ECN Capital. "Leadership". <https://www.ecncapitalcorp.com/leadership/>

²⁴⁸ MOGO. "Leadership". <https://investors.mogo.ca/leadership>

functions, and sustainable competitive advantage. Hiring experienced executives externally is also a viable option, but it is recommended that the company focus on promoting internally for the reasons outlined above. If no suitable candidates are found internally, the goeasy should attempt to hire executives from outside the firm to provide the level of expertise needed to compete in the industry.

It is also recommended that goeasy implement high-quality executive training for all current and new executives. This training will provide insights into the management of the company, its position in the market, and its strategic goals for all executives. If the training is thorough and high-quality, it will partially counteract the disadvantage the executives have in terms of years of experience.

Corporate, Business, and Functional Strategies Summary (All Members)

With the current business environment, goeasy has an excellent opportunity to create a sustainable competitive advantage. With low interest rates and expected high inflation, the firm can save a significant amount of capital by refinancing its debt and paying a lower cost to fuel its expansion. With their cheaper capital financing, goeasy can also create a sustainable competitive advantage by establishing a more significant presence in urban areas and expanding their operations further into Quebec. Additionally, by focusing on creating value for their customers through the expansion of their product line and excellent customer

service, the firm can lock customers in and provide a professional, bank-like experience for their clients. This will allow goeasy to differentiate themselves from their competitors while increasing switching costs for existing clients, creating a sustainable competitive advantage. This advantage is valuable, as it allows the company to avoid threats from its competitors, take advantage of unique demographic and economic conditions, and mitigate weaknesses in its value chain. It is rare because presently, no other competitors in the subprime lending industry offer a comparable customer experience with as vast of a product line. It is costly to imitate because developing a similar differentiated strategy and varied product line would require significant upfront capital and investment in financial engineering. In addition, goeasy is an established brand name for customers who wish to graduate to prime credit, which is a factor that competitors will have to overcome to imitate the strategy. Finally, the advantage is non-substitutable because competitors currently cannot afford to offer a similar differentiated experience. The recommendations given in this report will guide the company to create this strategy and thus develop a sustainable competitive advantage.

Part VII - Grand Summary (All Members)

For the Macro Environment, there are several opportunities and threats that need to be considered. Along with that, it is evident that COVID-19 has a significant impact on the Macro Environment, posing unique opportunities and

threats. goeasy must properly monitor the situation to capitalize on the opportunities that arise while mitigating the risks.

The Industry Environment is moderately attractive, however, there are some elements that goeasy should be aware of. Specifically, the industry has a high level of competitive rivalry and high supplier power in the form of bondholders, which can present additional threats for companies operating in it.

When it comes to the key-value chain functions, operations, corporate leadership, and innovation were identified as being the most important. These functions are crucial in the execution of goeasy's business-level strategy of narrow differentiation as well as ensuring the success of its corporate-level strategy.

It was determined that goeasy is not vertically integrated as they only exist to serve the end customer and do not engage in any upstream business functions. The company is also not horizontally diversified as it does not operate in any industry besides its primary one. When it comes to geographic expansion, it is recommended that goeasy focus on its Canadian operations, namely its growth in Quebec and in urban areas. Cities such as Montreal and Quebec City should be key expansion targets for the company.

goeasy's business-level strategy is focused on narrow differentiation. The company should look to offer broad product lines and high-quality customer

service to retain graduating customers. In addition, it should continue to focus on a target market of consumers who wish to improve their credit scores.

Lastly, goeasy can create a sustainable competitive advantage by capitalizing on opportunities while mitigating threats and weaknesses. Specifically, it should use the low-interest rate environment to refinance debt, which will help to fund its differentiation of products and services as well as its geographic expansion into areas such as Quebec.

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Appendices – Financial Statements

goeasy

goeasy Ltd (GSY CN) - GAAP %			
In Millions of CAD except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019
Revenue	405.2	506.2	609.4
+ Sales & Services Revenue	32.2	2.7	—
+ Other Revenue	67.8	100.0	100.0
+ Other Operating Income	0.0	0.0	0.0
- Operating Expenses	78.4	76.3	72.3
+ <i>Selling & Marketing</i>	5.0	3.8	4.4
+ Research & Development	0.0	0.0	0.0
+ Depreciation & Amortization	12.9	10.3	10.6
+ Prov For Doubtful Accts	16.7	23.5	25.7
+ Other Operating Expense	43.8	38.8	31.6
Operating Income (Loss)	21.6	23.7	27.7
- Non-Operating (Income) Loss	9.1	9.0	13.0
+ Interest Expense, Net	6.3	8.2	4.0
+ <i>Interest Expense</i>	6.3	8.2	4.0
- <i>Interest Income</i>	0.0	0.0	0.0
+ Foreign Exch (Gain) Loss	0.0	0.0	0.0
+ (Income) Loss from Affiliates	0.0	0.0	0.0
+ Other Non-Op (Income) Loss	2.8	0.9	9.0
Pretax Income	12.5	14.6	14.7
- Income Tax Expense (Benefit)	3.6	4.1	4.1
+ Current Income Tax	2.7	4.8	4.6
+ Deferred Income Tax	0.9	-0.7	-0.4

Income (Loss) from Cont Ops	8.9	10.5	10.6
- Net Extraordinary Losses (Gains)	0.0	0.0	0.0
+ Discontinued Operations	0.0	0.0	0.0
+ XO & Accounting Changes	0.0	0.0	0.0
Income (Loss) Incl. MI	8.9	10.5	10.6
- Minority Interest	0.0	0.0	0.0
Net Income, GAAP	8.9	10.5	10.6
- Preferred Dividends	0.0	0.0	0.0
- Other Adjustments	0.0	0.0	0.0
Net Income Avail to Common, GAAP	8.9	10.5	10.6
Net Abnormal Losses (Gains)	0.0	0.0	0.0
Net Extraordinary Losses (Gains)	0.0	0.0	0.0
Basic Weighted Avg Shares	3.3	2.8	2.4
Basic EPS, GAAP	0.7	0.7	0.7
Basic EPS from Cont Ops	0.7	0.7	0.7
Basic EPS from Cont Ops, Adjusted	0.7	0.7	0.7
Diluted Weighted Avg Shares	3.7	3.1	2.6
Diluted EPS, GAAP	0.6	0.7	0.7
Diluted EPS from Cont Ops	0.6	0.7	0.7
Diluted EPS from Cont Ops, Adjusted	0.6	0.7	0.7

goeasy Ltd (GSY CN) - Common Size

In Millions of CAD except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019
Total Assets	749.6	1,055.7	1,318.6
Total Assets			
+ Cash, Cash Equivalents & STI	14.6	9.5	3.5
+ Cash & Cash Equivalents	14.6	9.5	3.5
+ ST Investments	0.0	0.0	0.0
+ Accounts & Notes Receiv	1.9	1.5	1.4
+ Accounts Receivable, Net	1.9	1.5	1.4
+ Notes Receivable, Net	0.0	0.0	0.0
+ Inventories	0.0	0.0	0.0
+ Raw Materials	0.0	0.0	0.0
+ Work In Process	0.0	0.0	0.0
+ Finished Goods	0.0	0.0	0.0
+ Other Inventory	0.0	0.0	0.0
+ Other ST Assets	0.5	0.4	0.5
+ Prepaid Expenses	0.5	0.4	0.5
+ Derivative & Hedging Assets	0.0	0.0	0.0
+ Misc ST Assets	0.0	0.0	0.0
Total Current Assets	17.0	11.3	5.5
+ Property, Plant & Equip, Net	9.4	6.9	8.9
+ Property, Plant & Equip	14.9	12.1	11.0
- Accumulated Depreciation	5.6	5.2	2.1
+ LT Investments & Receivables	0.0	0.0	2.6
+ LT Investments	—	—	2.6
+ Other LT Assets	73.6	81.8	83.0
+ Total Intangible Assets	4.9	3.4	3.0
+ <i>Goodwill</i>	2.8	2.0	1.6
+ <i>Other Intangible Assets</i>	2.0	1.4	1.3
+ Deferred Tax Assets	0.3	0.9	1.1
+ Derivative & Hedging Assets	0.0	3.3	0.0
+ Investments in Affiliates	0.0	0.0	0.0
+ Misc LT Assets	68.5	74.2	78.9
Total Noncurrent Assets	83.0	88.7	94.5
Total Assets	100.0	100.0	100.0

Liabilities & Shareholders' Equity			
+ Payables & Accruals	7.3	5.3	3.8
+ Accounts Payable	5.7	4.3	3.1
+ Accrued Taxes	1.3	0.7	0.3
+ Interest & Dividends Payable	0.3	0.3	0.3
+ Other Payables & Accruals	0.0	—	—
+ ST Debt	0.0	0.0	8.7
+ ST Borrowings	0.0	0.0	8.7
+ ST Lease Liabilities	0.0	0.0	—
+ <i>ST Finance Leases</i>	0.0	0.0	—
+ Other ST Liabilities	0.6	0.7	0.6
+ Deferred Revenue	0.6	0.6	0.6
+ Derivatives & Hedging	0.0	0.0	0.0
+ Misc ST Liabilities	0.0	0.1	0.0
Total Current Liabilities	7.9	6.0	13.1
+ LT Debt	59.9	65.5	60.4
+ LT Borrowings	59.9	65.5	56.4
+ LT Lease Liabilities	0.0	0.0	4.0
+ <i>LT Finance Leases</i>	0.0	0.0	—
+ Other LT Liabilities	1.7	0.0	1.2
+ Accrued Liabilities	0.0	0.0	0.0
+ Pension Liabilities	0.0	0.0	0.0
+ <i>Pensions</i>	0.0	0.0	0.0
+ <i>Other Post-Ret Benefits</i>	0.0	0.0	0.0
+ Deferred Revenue	0.0	0.0	0.0
+ Derivatives & Hedging	1.5	0.0	1.2
+ Misc LT Liabilities	0.2	0.0	0.0
Total Noncurrent Liabilities	61.6	65.5	61.7
Total Liabilities	69.6	71.4	74.8
+ Preferred Equity and Hybrid Capital	0.0	0.0	0.0
+ Share Capital & APIC	13.5	14.6	12.3
+ Common Stock	11.5	13.1	10.8
+ Additional Paid in Capital	2.0	1.5	1.5
- Treasury Stock	0.0	0.0	0.0
+ Retained Earnings	16.9	13.6	13.0
+ Other Equity	0.0	0.3	-0.1
Equity Before Minority Interest	30.4	28.6	25.2
+ Minority/Non Controlling Interest	0.0	0.0	0.0
Total Equity	30.4	28.6	25.2
Total Liabilities & Equity	100.0	100.0	100.0

Curo Group

Curo Group Holdings Corp (CURO US) - GAAP %			
In Millions of USD except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019
Revenue	637.4	651.1	673.2
- Cost of Revenue	45.2	47.6	43.8
Gross Profit	54.8	52.4	56.2
+ Other Operating Income	0.0	0.0	0.0
- Operating Expenses	27.4	42.6	24.7
Operating Income or Losses	27.4	9.8	31.5
- Interest Expense	13.0	13.0	10.4
- Foreign Exchange Losses (Gains)	0.0	0.0	0.0
- Net Non-Operating Losses (Gains)	0.0	0.0	0.0
Pretax Income	14.4	-3.2	21.2
- Income Tax Expense (Benefit)	6.7	0.2	5.7
Income Before XO Items	7.7	-3.4	15.4
- Extraordinary Loss Net of Tax	0.0	0.0	-1.1
- Minority/Non Controlling Interests (Credit)	0.0	0.0	0.0
Net Income/Net Profit (Losses)	7.7	-3.4	16.6
- Total Cash Preferred Dividends	0.0	0.0	0.0
- Other Adjustments	0.0	0.0	0.0
Net Inc Avail to Common Shareholders	7.7	-3.4	16.6
Abnormal Losses (Gains)	7.8	20.7	3.0
Tax Effect on Abnormal Items	-2.0	-4.3	-0.6
Normalized Income	13.5	13.1	17.8
Basic EPS Before Abnormal Items	0.4	0.3	0.4
Basic EPS Before XO Items	0.2	-0.1	0.3
Basic Earnings per Share	0.2	-0.1	0.4
Basic Weighted Avg Shares	6.0	7.0	6.6
Diluted EPS Before Abnormal Items	0.3	0.3	0.4
Diluted EPS Before XO Items	0.2	-0.1	0.3
Diluted EPS	0.2	-0.1	0.4
Diluted Weighted Avg Shares	6.2	7.0	6.8

Curo Group Holdings Corp (CURO US) - Common

In Millions of USD except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019
Total Assets	859.7	919.6	1,081.9
Assets			
+ Cash & Near Cash Items	18.9	7.7	7.0
+ Short-Term Investments	0.0	0.0	0.0
+ Accounts & Notes Receivable	42.3	56.3	51.7
+ Inventories	0.0	0.0	0.0
+ Other Current Assets	6.8	10.0	8.1
Total Current Assets	68.0	74.0	66.7
+ LT Investments & LT Receivables	0.0	0.0	0.0
+ Net Fixed Assets	10.1	8.3	17.4
+ <i>Gross Fixed Assets</i>	19.0	17.6	26.8
- <i>Accumulated Depreciation</i>	8.9	9.2	9.4
+ Other Long-Term Assets	21.9	17.6	15.9
Total Long-Term Assets	32.0	26.0	33.3
Total Assets	100.0	100.0	100.0
Liabilities & Shareholders' Equity			
+ Short-Term Borrowings	0.0	0.0	3.2
+ Short Term Operating Lease Liabilities	—	—	3.2
+ Other Short-Term Liabilities	13.4	11.0	6.1
Total Current Liabilities	13.4	11.0	9.3
+ Long-Term Borrowings	82.1	87.4	84.6
+ Long Term Operating Lease Liabilities	—	—	11.6
+ Other Long-Term Liabilities	3.6	3.6	1.4
Total Long-Term Liabilities	85.8	91.0	86.0
Total Liabilities	99.2	102.1	95.3
+ Total Preferred Equity	0.0	0.0	0.0
+ Minority Interest	0.0	0.0	0.0
+ Share Capital & APIC	5.4	6.5	6.3
+ Retained Earnings & Other Equity	-4.5	-8.6	-1.6
Total Equity	0.8	-2.1	4.7
Total Liabilities & Equity	100.0	100.0	100.0

ECN Capital

ECN Capital Corp (ECN CN) - GAAP %			
In Millions of USD except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019
Net Revenue	109.2	172.7	223.3
+ Net Interest Income	-43.0	-8.0	-1.3
+ Total Interest Income	26.9	10.1	9.7
+ <i>Interest Income</i>	26.9	10.1	9.7
- Total Interest Expense	69.8	18.1	11.0
+ Total Non-Interest Income	143.0	108.0	101.3
+ Trading Securities G/L	0.0	0.0	0.0
+ <i>Trading Account Profits/Losses</i>	0.0	0.0	0.0
+ <i>Investments & Loans Income (Loss)</i>	0.0	0.0	0.0
+ Other Income (Loss)	0.0	0.0	0.0
+ Commissions & Fees Earned	35.2	5.8	39.6
+ Other Operating Income (Losses)	107.8	102.2	61.7
- Provision for Loan Losses	1.9	—	—
Net Revenue after Provisions	98.1	100.0	100.0
- Total Non-Interest Expense	183.6	105.9	97.5
+ Commissions & Fees Paid	0.0	0.0	0.0
+ Other Operating Expenses	183.6	105.9	97.5
Operating Income (Loss)	-85.5	-5.9	2.5
- Non-Operating (Income) Loss	0.0	0.0	0.0
+ Other Non-Operating (Income) Loss	0.0	0.0	0.0
Pretax Income (Loss), GAAP	-85.5	-5.9	2.5
- Income Tax Expense (Benefit)	-55.0	-4.4	-2.1
Income (Loss) from Cont Ops	-30.5	-1.5	4.6
- Net Extraordinary Losses (Gains)	-248.7	89.2	11.3
+ Discontinued Operations	-248.7	89.2	11.3
+ Extraordinary & Accounting Items	0.0	0.0	0.0
Income (Loss) incl. Minority Interest	218.2	-90.7	-6.6
- Minority Interest	0.0	0.0	0.0
Net Income, GAAP	218.2	-90.7	-6.6
- Preferred Dividends	9.8	5.7	4.3
- Other Adjustments	0.0	0.0	0.0
Net Income Avail to Common, GAAP	208.4	-96.4	-10.9

ECN Capital Corp (ECN CN) - Common Size			
In Millions of USD except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019
Total Assets	3,511.2	1,749.4	1,697.2
Total Assets			
+ Cash & Cash Equivalents	0.6	3.0	3.0
+ Net Receivables	15.6	25.2	25.5
+ Net Fixed Assets	32.9	0.9	3.7
+ Property, Plant & Equip	0.6	0.9	3.7
+ Operating Lease Assets	32.4	0.0	0.0
+ Total Intangible Assets	14.9	38.7	39.7
+ Goodwill	10.0	23.6	24.8
+ Other Intangible Assets	4.9	15.1	14.9
+ Investments in Associates	0.0	0.0	0.0
+ Total Deferred Tax Assets	1.1	2.0	2.6
+ Total Derivative Assets	0.1	0.0	0.2
+ Customer Acceptances & Liab	0.0	0.0	0.0
+ Other Assets	34.8	30.1	25.1
Total Assets	100.0	100.0	100.0

Liabilities & Shareholders' Equity			
+ ST Borrowings & Repos	40.9	19.2	25.6
+ ST Lease Liabilities	0.0	0.0	0.2
+ <i>ST Finance Leases</i>	0.0	0.0	0.0
+ <i>ST Operating Leases</i>	—	—	0.2
+ ST Borrowings	40.9	19.2	25.4
+ LT Debt	0.0	0.0	0.8
+ LT Lease Liabilities	0.0	0.0	0.8
+ <i>LT Finance Leases</i>	0.0	0.0	0.0
+ <i>LT Operating Leases</i>	—	—	0.8
+ LT Borrowings	0.0	0.0	0.0
+ Pension Liabilities	0.0	0.0	0.0
+ Pensions	0.0	0.0	0.0
+ Other Post-Ret Benefits	0.0	0.0	0.0
+ Total Deferred Tax Liabilities	0.5	—	—
+ Total Derivative Liabilities	0.1	0.3	0.2
+ Other Liabilities	4.9	17.2	21.7
Total Liabilities	46.4	36.7	48.2
+ Preferred Equity and Hybrid Capital	5.5	8.3	8.5
+ Share Capital & APIC	42.9	52.4	42.6
+ Common Stock	39.2	46.8	36.3
+ Additional Paid in Capital	3.7	5.7	6.3
- Treasury Stock	0.0	0.0	0.0
+ Retained Earnings	5.4	3.7	1.5
+ Other Equity	-0.2	-1.2	-0.8
Equity before Minority Interest	53.6	63.3	51.8
Total Equity	53.6	63.3	51.8
Total Liabilities & Equity	100.0	100.0	100.0

MOGO

Mogo Inc (MOGO CN) - GAAP %			
In Millions of CAD except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019
Net Revenue	4.8	39.2	40.0
+ Net Interest Income	33.3	-44.4	-49.4
+ Total Interest Income	33.3	0.0	0.0
+ <i>Interest Income</i>	33.3	0.0	0.0
+ <i>Investment Income</i>	—	—	—
- Total Interest Expense	0.0	44.4	49.4
+ Total Non-Interest Income	66.7	144.4	149.4
+ Trading Securities G/L	66.5	0.0	0.0
+ <i>Trading Account Profits/Losses</i>	0.0	0.0	0.0
+ <i>Investments & Loans Income (Loss)</i>	66.5	—	—
+ Other Income (Loss)	0.0	0.0	0.0
+ Commissions & Fees Earned	0.0	75.7	63.2
+ Other Operating Income (Losses)	0.2	68.7	86.2
- Provision for Loan Losses	—	41.8	45.4
Net Revenue after Provisions	100.0	58.2	54.6
- Total Non-Interest Expense	124.5	114.4	81.7
+ Commissions & Fees Paid	0.0	0.0	0.0
+ Other Operating Expenses	124.5	114.4	81.7
Operating Income (Loss)	-24.5	-56.2	-27.1
- Non-Operating (Income) Loss	0.0	0.0	0.0
+ Other Non-Operating (Income) Loss	0.0	0.0	0.0
Pretax Income (Loss), GAAP	-24.5	-56.2	-27.1
- Income Tax Expense (Benefit)	0.0	0.0	0.0
+ Current Income Tax	0.0	0.0	0.0
+ Deferred Income Tax	0.0	0.0	0.0
Income (Loss) from Cont Ops	-24.5	-56.2	-27.1
- Net Extraordinary Losses (Gains)	0.0	0.0	0.0
+ Discontinued Operations	0.0	0.0	0.0
+ Extraordinary & Accounting Items	0.0	0.0	0.0
Income (Loss) incl. Minority Interest	-24.5	-56.2	-27.1
- Minority Interest	0.0	0.0	0.0
Net Income, GAAP	-24.5	-56.2	-27.1
- Preferred Dividends	0.0	0.0	0.0
- Other Adjustments	0.0	0.0	0.0
Net Income Avail to Common, GAAP	-24.5	-56.2	-27.1

Mogo Inc (MOGO CN) - Common Size			
In Millions of CAD except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019
Total Assets	77.0	132.2	151.1
Total Assets			
+ Cash & Cash Equivalents	12.1	15.5	6.9
+ ST And LT Investments	87.3	—	0.0
+ Real Estate Investments	—	—	—
+ Other Investments	87.3	—	—
+ Net Receivables	0.4	—	0.0
+ Total Loans	—	65.3	58.7
- Reserve for Loan Losses	—	—	—
+ Net Loans	—	65.3	58.7
+ Net Fixed Assets	0.0	2.3	4.4
+ Property, Plant & Equip	—	2.3	4.4
+ Total Intangible Assets	0.0	14.1	14.1
+ Goodwill	0.0	0.0	0.0
+ Other Intangible Assets	0.0	14.1	14.1
+ Investments in Associates	—	—	13.8
+ Customer Acceptances & Liab	0.0	0.0	0.0
+ Other Assets	0.2	2.9	2.2
Total Assets	100.0	100.0	100.0

Liabilities & Shareholders' Equity			
+ Total Deposits	—	—	—
+ ST Borrowings & Repos	0.0	31.9	30.1
+ ST Lease Liabilities	0.0	0.0	1.0
+ <i>ST Finance Leases</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
+ <i>ST Operating Leases</i>	—	—	1.0
+ ST Borrowings	0.0	31.9	29.1
+ LT Debt	37.1	9.0	10.7
+ LT Lease Liabilities	0.0	0.0	2.5
+ <i>LT Finance Leases</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
+ <i>LT Operating Leases</i>	—	<i>0.0</i>	2.5
+ LT Borrowings	37.1	9.0	8.2
+ Other Liabilities	4.5	65.7	58.1
Total Liabilities	41.5	106.6	98.8
+ Preferred Equity and Hybrid Capital	0.0	0.0	0.0
+ Share Capital & APIC	277.2	62.1	68.4
+ Common Stock	174.5	56.8	62.5
+ Additional Paid in Capital	102.7	5.3	5.9
- Treasury Stock	0.0	0.0	0.0
+ Retained Earnings	-221.6	-68.7	-67.2
+ Other Equity	2.8	—	—
Equity before Minority Interest	58.5	-6.6	1.2
+ Minority/Non Controlling Interest	0.0	0.0	0.0
Total Equity	58.5	-6.6	1.2
Total Liabilities & Equity	100.0	100.0	100.0