COMMUNITY CHOICE FINANCIAL INC.
TRANSCRIPT OF THE THIRD QUARTER 2017 EARNINGS CALL

Note: Community Choice Financial Inc. ("Company" or "CCFI") apologizes to those who attempted to connect to the Company's earnings call held on November 16, 2017. The Company uses the services of West Unified Communication Services ("West Unified") to host these calls. West Unified sustained a platform error that resulting in the disconnection of those who attempted to access the scheduled call. At this point in time, the Company has not been informed about West Unified's remediation of the issue that caused the call problems. The following is the transcript of the call from which callers were disconnected.

[Michael Durbin speaking:]

Good Morning. This is Michael Durbin, Chief Financial Officer of Community Choice Financial Inc.

Thank you for participating in today's call and for your continued support of Community Choice Financial.

I'd like to remind you that the following discussion contains certain statements that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Because forward-looking statements involve risks and uncertainties, they are not guarantees of future performance and actual results may differ materially from those expressed or implied by these forward-looking statements due to a variety of factors, including those risk factors discussed in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 13, 2017 and the Company's Annual Report on Form 10-K filed on March 29, 2017.

And now, I would like to turn the call over to Ted Saunders, our Chairman and Chief Executive Officer.

Thank you very much, Michael. Good afternoon and welcome to Community Choice Financial's Third Quarter 2017 earnings call

I have to start out by noting that there have been certain recent developments at the Consumer Financial Protection Bureau or the CFPB that should be noted: First, on November 15, 2017, Richard Cordray announced that he will resign at the end of this month. It is too early to speculate on the impact of Director Cordray's resignation on the Payday, Vehicle Title, and Certain High-Cost Installment Loans rules which were proposed on October 5, 2017 or to the bureau itself. The scope of those rules as they were released on October 5th were narrowed from the Company's original expectations. These rules as released include what is commonly referred to as the "Ability to Repay" or ATR requirements. This ATR requirement is now only imposed on short-term loan products and longer-term products which meet the rule's definition of a "balloon payment."

These rules also contain certain restrictions against lender-initiated payments such as ACH or RCC type payments.   These leveraged payment restrictions apply to the short-term and longer-term balloon payment loans as well as longer term loans, with Annual Percentage Rates in excess of 36%.

Several industry analysts have written that expectations are that these rules, should they become effective, will have a severe negative impact on revenue associated with short term loans. We concur with this assessment and have, as a result, modified the relevant risk factors in the most recently filed 10-Q. While there are many theories regarding when and if these rules will be implemented – the rules as released by the CFPB indicated an implementation date of 21 months after being published in the Federal Register. The CFPB's website indicates that this publication will occur on November 17, 2017. We will obviously stay as involved as possible in continuing to educate regulators, elected officials and policy makers on the products and services CCFI, and the industry in general, provides to customers who would otherwise have limited and less attractive options if the CFPB rules became effective as written.

During last quarter's earnings call, I shared the Company's on-going focus on portfolio expansion and positioning the Company for 2018. At that time, we also discussed the negative impact that portfolio expansion would have on near term profitability – both in terms of marketing costs as well as net bad debt. Portfolio expansion results in increasing reserves and the heightened net bad debt related to new customers. These themes continued to play out in the Company's third quarter.

We understand that it is critical as we head into 2018 that we achieve the scale necessary to return to levels of historic profitability. As a comparative point of reference, two years ago, at the beginning of the third quarter of 2015, the Company's portfolio, inclusive of its credit service organization or CSO related receivables, was $90MM or over 66% higher than it was as entering the third quarter of this year.

We are aggressively working to narrow that gap in order to achieve operating leverage and profitability. Progress has been made on narrowing that gap during the third quarter of this year. Gross portfolio position expanded 17.2% from the second to the third quarter of 2017, which resulted in revenues increasing more than 20% as compared to the second quarter.

I am pleased that strong growth was achieved in both the Company's internet and retail segments. Retail grew 18%, and was largely accomplished with minimal incremental marketing dollars, as we leveraged our retail footprint and cost structure to grow customer count.

The internet growth was more pronounced at 29%. However, our internet growth was achieved with heightened variable costs in marketing and underwriting. Although these investments have proven accretive over time, they are costly from a current quarter profit and loss standpoint.

While we can bridge the increase in net bad debt during the quarter and attribute it to movement in reserves along with a change in the charge-off process associated with one of our CSO products, I am not satisfied with our performance on this front. I would summarize our financial performance and our path back to acceptable profitability as "a tale of time and money." We undertook a protracted period of rationalization, followed by a pivot back to growth in the first quarter of this year. In the second

quarter we reported revenue down nearly 20% versus the prior year. In our third quarter, we had accelerated growth to the point where we were only down 4% versus the prior year. This trajectory demonstrates three things: First, the business is coming back; Second, portfolios are growing; and Third, customer counts are up.

Community Choice Financial is energized and excited about the path we are on. New customer charge-off performance was generally in line with our underwriting expectations across most short-term products. But we experienced more deterioration than I would like as it relates to our medium term loan products. We have detected and addressed pockets of fraud which negatively impacted performance in this portfolio. We have made adjustments to both our fraud filters and underwriting processes.

I believe overall, our risk department has underperformed, and this has been addressed. As we expand our retail business, we have been negatively impacted by adverse selection. In our experience, this is a typical occurrence when you are the new entrant into a market. As we have pivoted back to growth and market-share expansion, adverse selection is impacting our performance.

And finally, our collections' function has also underperformed and not met my expectations. I can assure you we have made adjustments in an attempt to address each of these issues.

We have suffered some collateral damage from our pivot back to aggressive growth, but, most importantly, we experienced a substantial increase in the base of our business during the quarter. Continued expansion of that base should allow us to leverage our fixed costs and maximize value for all of our stakeholders. The team continues to identify further savings and consolidation opportunities. As these are identified and executed on, you will note some dislocation costs that impact the financials. But, as we are making progress in growing portfolios to achieve scale, we are also attacking expenses in an attempt to accelerate our return to profitability.

My job is to ensure we are prudent in that process. Cutting when possible but at the same time ensuring the continued value of the competencies we have built and invested in over the years.

And with that, I will turn the call to Michael Durbin our CFO for a more detailed discussion of our financials.

[Michael Durbin speaking:]

Thank you, Ted. I will start with the highlights for the quarter and expand on Ted's comments. As it relates to our pivot from portfolio rationalization to expansion, it is important to note that in our second quarter, inclusive of CSO related receivables, we began the quarter with a portfolio which was down 24% as compared to the second quarter of the prior year. During the second quarter, we began pivoting the trajectory of our portfolios and, entering the third quarter, our portfolios were down 18.5% versus the prior year. Finally, through growth achieved during the third quarter of 2017, as of the end of the quarter, we had reached a point where our gross portfolios exceeded their levels as of the end of the third quarter of 2016. This portfolio growth allowed us to achieve revenue during the quarter which was within 4% of the comparable quarter of 2016. I should also add that this compares favorably to our

second quarter position when we reported a negative revenue variance of 17% as compared to the prior year.

As Ted indicated, on a comparative basis, net bad debt was elevated, creating a $10.5MM unfavorable variance as compared to the prior year. As you compare year-over-year net bad debt, recognize that in the third quarter of 2017, between allowance for loan losses and our accrual for third-party lender losses, our reserves increased by $5.4MM during the quarter, which increased net bad debt.

On a comparative basis, with portfolios contracting at this time last year, our reserve balances in the third quarter of 2016 reduced by $1.8MM, which reduced net bad debt in the third quarter of 2016. Consequently, looking at the $10.5MM year-over-year negative variance, the relative movement in reserve balances accounted for $7.2MM of the year-over-year increase in net bad debt. Most of this was due to relative size on the portfolios as opposed to the elevated reserve rates reflecting our mix of new customers. Additionally, in the quarter we adjusted the charge-off process of one of our CSO products, which accelerated the realization of defaults as of the last day of the quarter, which created an incremental increase of $3.3MM in net bad debt.

As Ted indicated, we underperformed on collections during the quarter. The change made at the end of the quarter allowed us to begin acting on delinquent portfolios more quickly.

Combining the 4% negative revenue variance with the $10.5MM unfavorable net bad debt variance results in a year-over-year unfavorable net revenue variance of $14.7MM. In addition, if you turn to the operating expense section of our MD&A, you will see an increase of $4.1MM related to new customer acquisition, both marketing, underwriting and verification expenses. Combining this cost of customer acquisition with the net revenue variance provides the primary bridge to both operating income and EBITDA variances during the quarter.

I indicated last quarter that the trend of improving net bad debt would reverse in the second half of 2017. What we have reported in this quarter is consistent with those expectations regarding trend.

Turning to our revenue categories, as you would expect revenue reductions reflect portfolio positions. In the quarter, the portfolios trended positively, however, following what we've previously described as a protracted period of rationalization, revenue is still down in some instances. Short-term consumer loan fees represented a negative variance of 1% compared to the prior year. However, as it relates to positive momentum in the category, this revenue category represented a negative variance of 7% last quarter. Next, medium-term fees and interest represented a negative variance of 13% as compared to the third quarter of 2016. Again, this an improvement from the negative variance reported in the second quarter. Credit Service fees represented a positive variance of 1%. Check cashing fees reported a single digit negative variance due to the overall contraction in the business throughout 2016. On the check cashing front, although we saw fewer transactions, we were able to increase our average fee per check as compared to the prior year. And finally, we saw year-over-year growth in prepaid debit card services of 6%.

I would next like to turn to segment reporting: In the third quarter, revenue in our retail segment represented a negative variance of 3% as compared to the third quarter of 2016. This is a marked improvement from our year-over-year results reported in the second quarter. Year-to-date revenue from our retail division was $212.1MM this year as compared to $235.5MM in the first nine months of 2016. Net bad debt in the retail segment was 34.2% of revenue for the third quarter of 2017 as compared to 26.6% for the third quarter of 2016.

This negative variance in net bad debt was attributable to the changes in our default policies mentioned earlier, along with the impact of adverse selection which comes with growth.

Our internet segment reported a negative variance of $2.1MM or 9.5% for the quarter. Net Bad Debt in the internet segment reflects the expansion in that segment along with the growth in our Installment Portfolio and the performance of that portfolio.

Excluding the effect from higher provisions for loan losses, the third quarter's operating expenses increased $3.9MM compared to the third quarter of 2016. The primary driver of this year-over-year increase was our advertising and marketing expenses, which reflected a focus on market share expansion and growing loan portfolios during the quarter.

We ended the quarter with 502 stores as compared to 507 at the beginning of the quarter. During the quarter, we consolidated an additional ten underperforming locations during the quarter for a year-to-date total of 63 closures. We also added five locations during the third quarter resulting in a net reduction of five stores during the quarter.

Corporate expenses represented an unfavorable variance of $1.9MM as compared to the third quarter of 2016. This variance was the result of a one-time severance expense associated with additional cost cutting initiatives as well as some expansion-related expenses associated with overall growth in the business. Thank you and I will now turn the call back to Ted Saunders.

[Ted Saunders speaking**:]**Thank you, Michael.

As I indicated, I am pleased to see the portfolios responding to our marketing efforts. I believe we are managing our expense structure prudently, although as we continue to find pockets of opportunity, we will seize on them.

While net bad debt is explainable, I am disappointed that we were unable to convert more of the quarter's revenue expansion into operating profits. Reports of increasing fraud and the sophistication of its perpetrators is widespread, and we saw signs of it in segments of portfolio performance during the quarter. As I indicated, we have added layers to our identity proofing process and made adjustments to our underwriting to attempt to address this evolving market risk.

We continue to prepare for the potential implementation of the CFPB's small dollar rules. The game has changed. We have been and anticipate continuing to aggressively add customers. Of course, we are carefully watching developments in D.C. We will keep moving ahead and attacking losses. Consistent with my comments from last quarter, members of the team are excited. Winning customer

relationships, serving customers, creating loyalty: This is our legacy. This is what we do well. As we execute on this plan, we will strive to grow the business. If we are successful in winning customer relationships, we will be successful in the market and create value for all of our stakeholders.

Thank you once again for your continued support. I freely admit our loss in the quarter is disappointing. I appreciate your understanding of the investments we have made and continue to make to reestablish the necessary scale in our portfolios.

I am committed to achieving improvements in net bad debt while we continue to prudently expand our portfolios.

And with that I will turn the call back to our operator for Q&A.