



# Open Forum

Newton Glassman, Executive Chairman & CEO  
David Reese, President & COO

October 13, 2015

Note: Callidus financials reflect most recent publicly released data (Q2 earnings, August 2015)

# Welcome

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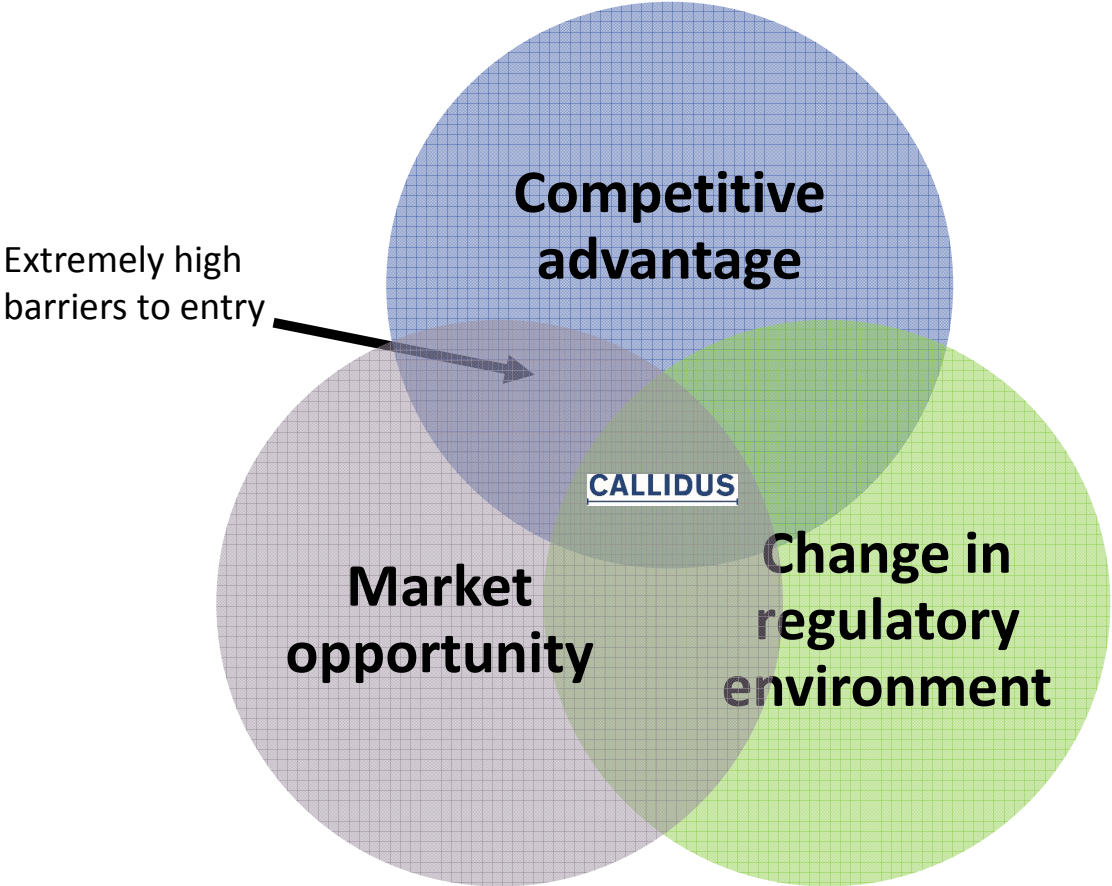
- Purpose of the Forum
  - Discuss strategy, prospects & performance
  - Answer questions from analysts & investors
- Ground rules
  - Relevance to CBL
  - Compliance with Canadian securities laws
  - Respect for legal duties to borrowers
  - No photography, video or audio recording
- Agenda
  - Management's opening remarks
  - Q&A (in room & on call)
  - Media availability will follow the meeting

# About Callidus Capital Corporation (CBL)

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- Specializes in innovative and creative financing for companies unable to obtain adequate financing from conventional lending institutions
- While conventional lenders demand a long list of covenants and make credit decisions based on cash flow and projections, Callidus credit facilities have few, if any, covenants and are based on value of company's assets, enterprise value and borrowing needs
- Proprietary system of monitoring collateral and exercising control over cash inflow and outflow of each borrower, enabling Callidus to manage any risk of loss very effectively
- Regardless of a borrower's troubled situation, loans only available if **collateral value supports the loan**. If agreement is violated, Callidus takes control of collateral

# The Callidus opportunity



# Year-to-date highlights

(Expressed in thousands of Canadian dollars, except per share information)	30-Jun-15	31-Mar-15	30-Jun-14	Q/Q Change	Y/Y Change
Gross loans receivable (before derecognition)	<b>\$1,043,897</b>	\$905,582	\$536,732	15%	94%
Average loan portfolio outstanding <sup>(1)</sup>	<b>928,172</b>	864,324	501,849	7%	85%
Total revenue (after derecognition)	<b>39,329</b>	35,091	22,974	12%	71%
Gross yield <sup>(1)</sup>	<b>18.8%</b>	17.9%	20.8%		
Net interest income	<b>30,827</b>	27,125	16,418	14%	88%
Net interest margin <sup>(1)</sup>	<b>13.5%</b>	12.7%	13.3%		
Net income (loss)	<b>18,390</b>	15,989	7,646	15%	141%
Earnings per share (diluted)	<b>\$0.36</b>	\$0.31	\$0.18	16%	100%
Return on equity	<b>15.2%</b>	13.6%	8.1%	1.6% <sup>(2)</sup>	7.1% <sup>(2)</sup>

1. Refer to "Description of Non-IFRS Measures" in the MD&A. These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable to similar measures used by other issuers.

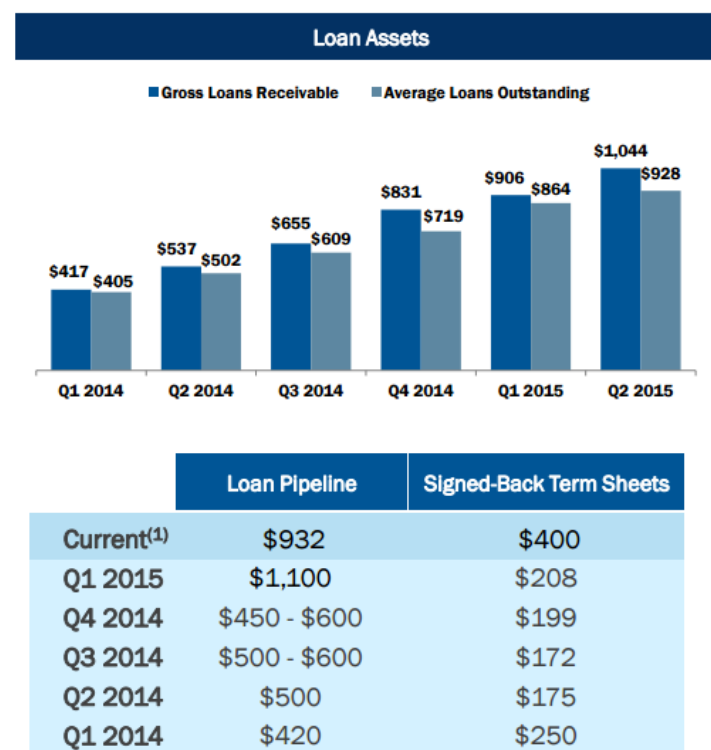
2. Expressed as a difference in percentage points.

# Strong loan growth

- Strong growth in portfolio while maintaining solid credit quality
- Signed-back term sheets of \$400 million, up \$192 million from what was reported in Q1 2015
- Loan pipeline stands at approximately \$932 million

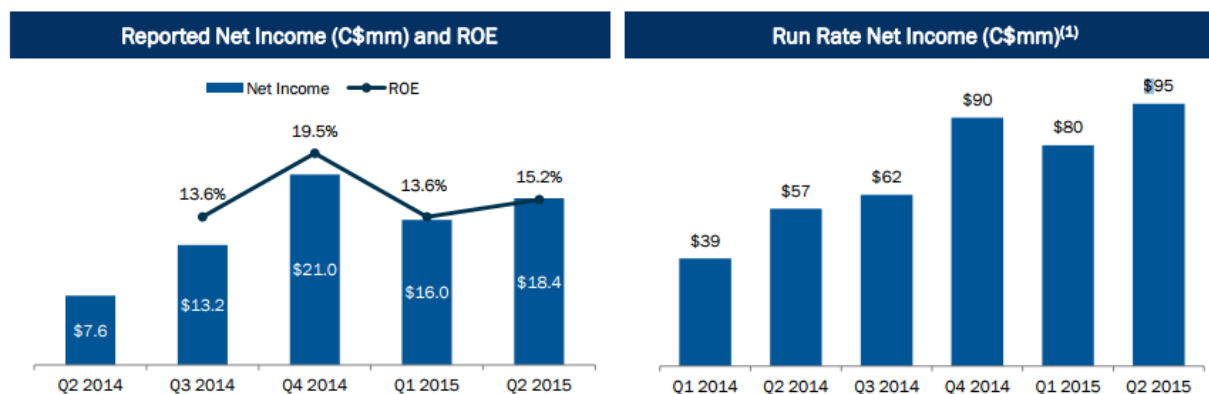
All figures in C\$ unless otherwise noted

1. As at August 5, 2015.



# Strong financial performance

- ROE was 15.2% for the second quarter of 2015, compared with 13.6% in the first quarter of 2015
- Net income in Q2 2015 was \$18.4 million, up \$2.4 million, or 15% from \$16.0 million in Q1 2015 and up from \$7.6 million in Q2 2014
- During the second quarter, 981,016 shares were acquired into treasury and cancelled under the normal course issuer bid
- Callidus announced a quarterly dividend of \$0.175 per common share



1. Run Rate Net Income is a non-IFRS measure. See “Outlook” in quarterly MD&A for more information.

# Dividend reflects disciplined growth strategy

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- Each 1% increase in leverage increases return on equity
- Dividend helps maintain/increase leverage
- Callidus remains committed to doubling loan book every 2-3 years (as indicated @ IPO) – yet first doubling achieved in less than 5 quarters
- Callidus continues to expand its team ahead of growth



# Specialty finance: Comparable companies

Company	Share Price <sup>(1)</sup>	Market Cap (\$MM)	P / E		P / BV	P / TBV	Dividend Yield	FY1 ROE	1 Year Share Return	Payout Ratio		LFY-FY1 EPS Growth	FY1-FY2 EPS Growth
			FY1	FY2						LTM	FY1		
<b><u>Canadian Specialty Finance</u></b>													
Element Financial Corp.	\$18.59	\$7,178	18.7x	11.8x	1.54x	1.92x	-	9.1%	48.4%	0.0%	0.0%	nmf	58.4%
Callidus Capital Corporation	\$12.17	\$606	8.1x	6.7x	1.23x	1.23x	5.8%	15.4%	(42.4%)	47.6%	46.8%	43.9%	21.5%
Chesswood	\$10.89	\$193	9.0x	8.5x	1.39x	4.33x	7.2%	16.4%	(25.2%)	78.8%	64.7%	23.1%	5.8%
RIFCO	\$2.31	\$49	7.3x	7.2x	1.82x	1.82x	-	23.5%	(58.1%)	0.0%	0.0%	12.1%	1.6%
Accord Financial	\$9.20	\$76	n/a	n/a	1.16x	1.26x	3.9%	n/a	6.2%	37.5%	n/a	n/a	n/a
Crown Capital Partners	\$8.40	\$80	nmf	10.7x	0.79x	0.79x	-	5.2%	(23.6%)	0.0%	0.0%	n/a	n/a
<b>Cdn. Specialty Fin. Average</b>			<b>10.8x</b>	<b>9.0x</b>	<b>1.32x</b>	<b>1.89x</b>	<b>2.8%</b>	<b>13.9%</b>	<b>(15.8%)</b>	<b>27.3%</b>	<b>22.3%</b>	<b>26.4%</b>	<b>21.8%</b>
<b><u>Alternative Mortgage Lending</u></b>													
Home Capital Group	\$33.93	\$2,383	8.2x	7.8x	1.55x	1.68x	2.6%	18.8%	(34.2%)	19.6%	21.2%	(7.5%)	4.7%
First National	\$22.03	\$1,321	10.0x	9.0x	4.32x	4.79x	6.8%	38.8%	2.5%	105.9%	68.3%	35.6%	11.0%
Equitable Group	\$59.28	\$917	7.9x	7.4x	1.35x	1.35x	1.3%	18.3%	(6.7%)	10.4%	10.1%	13.8%	6.6%
MCAN Mortgage Corporation	\$13.00	\$295	10.0x	9.6x	1.16x	1.16x	8.6%	11.8%	(9.1%)	82.9%	86.2%	5.7%	3.8%
<b>Alternative Mortgage Lending Average</b>			<b>9.0x</b>	<b>8.5x</b>	<b>2.10x</b>	<b>2.25x</b>	<b>4.8%</b>	<b>21.9%</b>	<b>(11.9%)</b>	<b>54.7%</b>	<b>46.4%</b>	<b>11.9%</b>	<b>6.5%</b>

1. As at October 9, 2015.

# Relationship with Catalyst

- Catalyst bears disproportionate **financial risk** upon repurchase by Callidus: approximately 75% of incremental new Callidus loans financed by Catalyst Fund V + 15% from other funds
- Catalyst has approximately 90% of capital at risk, with only 60% of the equity upon repurchase by Callidus
- Catalyst bears **strategic risk**: poor credit quality would harm Fund V returns, affect cash flows, reputation & franchise value
- **Why accept these risks?** Because Callidus is fundamental to Catalyst strategy by mitigating J-curve (negative returns in early period of an investment)
- Participation Agreement therefore gives **biggest upside to public investors**, with second-biggest upside for investors in Catalyst funds
- Catalyst charges no fee or mark-up to Callidus

# Relationship with Catalyst

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## In summary:

- Callidus is the **only** truly strategic asset of Catalyst funds
- Callidus gives investors access to one of the world's top-performing distressed fund managers
- Because Callidus is so essential to Catalyst's strategy, conflicts resolved in favour of the public investor

## Catalyst update:

- Catalyst Fund V close announced today
  - Raised more than US\$1.5 billion, exceeding both target and hard cap, in just six months of active marketing
  - Demonstrates exceptional performance, investor confidence, strength of franchise

# Investor communications

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- Key questions
  - Credit quality?
  - How conflicts with Catalyst are resolved?
  - Going private?
- A commitment to enhanced investor communication & education
  - Includes web publication of every borrower's public filings, with commentary from Callidus

# CALLIDUS

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## C A P I T A L

## Your turn

Q&A with Management