Callidus Capital Corporation

Callidus Capital Reports First Quarter 2017 Results

All amounts in Canadian dollars unless otherwise indicated.

- Preliminary discussions with a select, second-stage group of potential bidders in the Privatization Process (the "Process") are advancing well.
- NCIB commenced in January; an Automatic Share Purchase Plan was put in place and purchases began in April. As at May 2, 2017, the Company had purchased 232,460 Common Shares pursuant to the NCIB.
- Six loans were fully repaid during the quarter for proceeds of $377.4 million.
- Total revenue of $36.4 million decreased 25% ($12.1 million) from fourth quarter 2016 and 26% ($13.1 million) from first-quarter 2016.
- Net loss of $3.5 million for first-quarter 2017 compared to a net loss of $58.5 million in the prior quarter and net income of $17.1 million in the prior-year period.
- Earnings per share of $(0.07) per share for first-quarter 2017 compared to $(1.16) per share in the prior quarter and $0.34 per share for first-quarter 2016.

The Company has revised its disclosure and approach with respect to its use of non-IFRS financial measures this quarter in this press release, in connection with an Ontario Securities Commission continuous disclosure review. These revisions to the Company's disclosure, are intended to give greater prominence to IFRS financial measures, consistent with CSA Staff Notice 52-306 (Revised) – Non-GAAP Financial Measures, and to simplify the overall presentation of financial results. Certain non-IFRS measures – namely net income, ROE and EPS measures that incorporated unrecognized yield enhancements and/or excluded provision for loan losses - presented in previous press releases are not included in this release, nor will they be included in future releases. Therefore, readers should refer to the presentation of non-IFRS measures in this press release and not the presentation included in the March 30, 2017 press release. The Company has worked closely with key stakeholders, including shareholders and auditors, in developing the new presentation framework which we believe continues to provide our investors with useful and clear insight into the Company's performance while complying with applicable regulatory requirements. Revised disclosure presentation is provided for fiscal 2015 and 2016, as well as the current disclosure for the three months ended March 31, 2017.

TORONTO, May 3, 2017 /CNW/ - Callidus Capital Corporation (TSX:CBL), ("Callidus" or the "Company"), today announced its unaudited financial and operating results for the first quarter ended March 31, 2017.

Financial Highlights

	For Three Months Ended			For the Year Ended	
($ 000s unless otherwise indicated)	**Mar 31, 2017**	Dec 31, 2016	Mar 31, 2016	Dec 31, 2016	Dec 31, 2015
Net loans receivable, end of period	**$ 581,134**	$ 817,191	$ 915,245	$ 817,191	$ 935,130
Gross loans receivable, end of period[1]	**1,016,135**	1,313,994	1,157,734	1,313,994	1,220,715
Average loan portfolio outstanding [1]	**1,218,125**	1,282,593	1,226,881	1,218,691	1,021,553
Gross yield (%)[1]	**20.2%**	20.1%	19.4%	19.5%	18.9%
Total revenue	**36,415**	48,486	49,540	188,126	171,306
Net interest margin (%)[1]	**7.7%**	11.1%	12.5%	11.7%	13.0%
Net income	**(3,518)**	(58,542)	17,072	1,153	61,952
Earnings per share (diluted)	**$(0.07)**	$(1.16)	$0.34	0.02	1.22
ROE (%)	**(3.3)%**	(49.5)%	13.9%	0.2%	12.9%
Unrecognized non-IFRS yield enhancements, end of period[1]	**110,400**	110,700	-	110,700	-
Recognized yield enhancements[2]	**5,800**	(23,800)	-	14,400	-
Leverage ratio (%)[1]	**39.9%**	40.4%	38.9%	40.4%	50.9%

(1) Refer to "Forward-Looking and Non-IFRS Measures" in this press release. 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) Recognized yield enhancements are recorded in the statement of income before derecognition in total revenues (Q1-2017: $7.0 million) and in loss on derivative assets associated with loans (Q1-2017: loss of $1.2 million).

Our First Quarter 2017 MD&A and Unaudited Financial Statements are available on our website (www.calliduscapital.ca) or on SEDAR (www.sedar.com).

- Net loans receivable after derecognition at the end of the period were $581 million, a decrease of 29% ($236 million) from the prior quarter, and a decrease of 37% ($334 million) from the same quarter last year; primarily as a result of the largest loan in the portfolio being repaid in the quarter.
- Average loan portfolio outstanding[1] was $1,218.1 million, a decrease of 5% ($64.5 million) from the prior quarter, and a decrease of 1% ($8.8 million) from the same quarter last year.

- Gross loans receivable before derecognition(1) was $1,016.1 million at March 31, 2017, down 23% ($297.9 million) from December 31, 2016.
- Gross yield(1) for the quarter of 20.2%, was relatively unchanged from the prior quarter and up 4% (80 bps) compared to first-quarter 2016.
- Provision for loan losses of $19.4 million was recorded in the statement of income for the current quarter, of which approximately 85% consisted of interest charged on certain loans, compared to $86.3 million for the previous quarter and $7.9 million for the prior-year quarter.
- Net recognized yield enhancements for the quarter totaled $5.8 million, including $7.0 million of interest and fees, which were partially offset by a $1.2 million adjustment in the fair value of equity options in one borrower.
- The leverage ratio(1) of 39.9% at the end of the first quarter was 50 bps lower than at the end of 2016.

Business Update (As at May 3, 2016)

Privatization Process – In total, 19 interested parties signed non-disclosure agreements to enter the first stage of the Process. In March 2017, Callidus announced that, based on the expressions of interest, the Process had moved to the second stage, with six or fewer firms. Preliminary discussions with the smaller, second-stage group are advancing. Goldman, Sachs & Co. is acting as Financial Advisor to the Special Committee of the Board of Directors with respect to the Process.

The Company remains optimistic that it will announce a transaction on or about the end of the second quarter of 2017. However, there can be no certainty that a transaction will be concluded, what price or terms may be offered or accepted, or if the Process will be concluded on the anticipated timeline. The timing and/or successful conclusion of the Process could be influenced by the level of complexity of the structures presented, the time required to negotiate key agreements (such as a Shareholders' Agreement), and the number of parties that ultimately participate in the Process.

Loan Portfolio – As a result of ongoing, continuous process changes and improvements, we have revised our measure of growth prospects, referred to as our pipeline of potential borrowers, to capture a broader range of deals to better reflect the opportunities we are pursuing. This pipeline measured on a gross basis is currently approximately $1.7 billion, with $80 million in signed-back term sheets. If presented on a basis consistent with past reporting parameters, the pipeline measure at March 31, 2017 was $760 million, and currently stands at $730 million.

The Company remains committed to the goal of doubling the loan portfolio over the next two to three years. The Company has engaged search firms and is in the latter stages of hiring additional personnel to expand the deal team, with the goal of adding a total of two to four professionals – some of which will be originators and others will be underwriters - to support future growth in the loan portfolio.

The Company continues to employ a prudent and cautious approach in evaluating new loan prospects. Changes in the credit market are largely being driven by an influx of available capital, which has put downward pressure on pricing for all risk categories of new loans. Callidus will continue its stringent review and analysis of new prospects to ensure the quality of new loans and their associated collateral remains within our standards.

During the quarter, six loans were fully repaid generating $377.4 million in cash from the repayments. Included in the loans that were fully repaid was the largest loan in the portfolio, financed approximately 72% by Catalyst Fund V through its loan Participation Agreement. As a result, the largest portion of the cash and fees received on the loan repayments (approximately $206 million of the $377 million) was returned to Catalyst Fund V.

Net loans receivable decreased from year-end due to these repayments as well as the acquisition of Bluberi Gaming Technologies Inc. ("Bluberi") in the first quarter of 2017. In February 2017, Bluberi (a digital slot gaming company) emerged from formal restructuring proceedings in Canada as a going concern. As a result and under the terms of its secured creditor agreement, the Company gained control of the operating assets of the borrower.

As a result of our existing facilities, loan repayments, and the availability of funds from Catalyst Fund V under the Participation Agreement (assuming a participation rate of 75%, a leverage ratio of 50%, and other availability), at March 31, 2017 we had sufficient liquidity to support approximately $600 million of new loans.

Yield Enhancements and Provision for Loan Losses – At March 31, 2017, the total recognized yield enhancements taken into income over the last four quarters totaled approximately $20.1 million (or $0.40 per share).

Provision for loan losses of $19.4 million was recorded in the statement of income for the current quarter. The majority (approximately 85%) of this provision related to interest charged on certain loans. This compares to $86.3 million recorded in fourth-quarter 2016, and $7.9 million in first-quarter 2016.

Normal Course Issuer Bid – In January 2017, Callidus announced it had received approval from the Toronto Stock Exchange to commence a normal course issuer bid (the "NCIB") with respect to the Company's common shares (the "Common Shares"). The NCIB commenced on January 27, 2017 and will terminate on the earliest of January 26, 2018, the date on which Callidus has purchased the maximum number of Common Shares permitted under the NCIB, or, the date on which the NCIB is terminated. Under the NCIB, Callidus may purchase, in the normal course through the facilities of the TSX, up to 2,495,839 Common Shares, representing approximately 5% of its issued and outstanding Common Shares. Any Common Shares purchased pursuant to the NCIB will be cancelled by the Company. As at May 2, 2017, the Company had purchased 232,460 Common Shares at a weighted average price of $17.73 per Common Share, for a total cost of approximately $4.1 million through the NCIB.

Changes to Credit Facilities and Liquidity – As previously announced, in early 2017, the Company extended the terms of three of its main credit facilities to take into account the expected conclusion of the Privatization Process under the current timeline. The facility extensions completed were as follows:

- In January 2017, the Company extended the revolving period of its revolving credit facility by six months to July 2017 and amended the amount of the facility to US$275 million with an expandable feature to increase it to US$325 million if requested, subject to lender approval. All other terms remain substantially unchanged.
- In March 2017, the Company extended the maturity of its senior debt from March 2017 to the earlier of September 2017, and the date when a privatization transaction closes. All other terms remain substantially unchanged.
- In March 2017, the Company extended the maturity of its revolving unsecured subordinated bridge facility from April 2017 to October 2017. All other terms remain substantially unchanged.

The Company monitors potential liquidity requirements to ensure that they can be readily met by its available sources of short-term funding.

Forward-Looking and Non-IFRS Statements

Certain statements made herein contain forward-looking information. Although Callidus believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. Furthermore, the forward-looking statements contained in this press release are made as at the date of this press release and Callidus does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The following table outlines certain significant forward-looking statements contained in this release and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Forward-looking Statements	**Assumptions**	**Risk Factors**	**Significant Future Events/Milestone Assumptions to Support the Top End of the Valuations**	**Updates for the Current Year**
The fair value of the derivative asset associated with loans represents a warrant to acquire a 10% equity interest in a borrower with a total value of $14.5 million (unrecognized value of $12.6 million) on March 31, 2017.	The valuation technique primarily used a discounted cash flow on an anticipated project that the borrower expects to secure with the following significant unobservable inputs and estimates: (1) Risk adjusted discount rate (contract): 16% (2) Risk adjusted discount rate (terminal): 20% (3) Annual average EBITDA (EBITDA margin): US$79.0 million (21%) (4) Contract probability: 95% (5) Capital injection of US$32 million assumed to occur in 2017	Significant risk factors that could cause actual results to differ materially from the estimates used in the valuation of the warrant include: the borrower's ability to secure the project contract, the borrower's ability to complete an equity transaction, the borrowers' ability to achieve the forecasted EBITDA targets, unexpected changes in working capital requirements, political risk associated with the country of operations, competitor risk and execution risk. A 10% decrease or increase in the cashflows would result in a valuation range between $11.3 million to $17.7 million.	(1) Borrower finalizes contract documentation without material delays (2) Borrower completes capital injection transaction in 2017 (3) Borrower is able to execute project and achieve forecasted results (4) Political risk does not materially disrupt contract cashflows	
Fair value of controlling interest in borrower expected to recognize into income	The valuation technique used a discounted cash flow with the following significant unobservable inputs and estimates: (1) Risk adjusted discount rate: 16.5% (2) Long term	Significant risk factors that could cause actual results to differ materially from the estimates used in the valuation include the borrower's ability to secure new business from a large diversified gaming company in Canada, the borrowers' ability to achieve the forecasted EBITDA	(1) Callidus and commonly controlled enterprise are able to reach an agreement for	Callidus obtained control of

upon disposition is estimated at $110.4 million on March 31, 2017.	growth rate: 10.0% (3) Annual average EBITDA: $30.4 million (4) Significant new business from a large diversified gaming company in Canada that is commonly controlled by the Catalyst Capital Group Inc.	targets, competitor risk and unexpected changes in working capital requirements. A 10% decrease or increase in the cashflows would result in a valuation range between $87.7 million to $133.2 million.	deployment of 7,000 slot machines (2) Borrower is able to achieve forecasted results	the underlying borrower

The Corporation discloses a number of financial measures in this press release that are calculated and presented using methodologies other than in accordance with IFRS. The Corporation utilizes these measures in managing the business, including performance measurement and for valuation purposes, and believes that providing these performance measures on a supplemental basis to its IFRS results is helpful to investors in assessing the overall performance of the business of the Corporation.

Description of Non-IFRS Measures

Management uses both IFRS and non-IFRS measures to monitor and assess the operating performance of the Corporation's operations. Throughout this press release, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations:

Average loan portfolio outstanding is calculated before derecognition for the annual periods using daily loan balances outstanding. The average loan portfolio outstanding grosses up the loans receivable for (i) businesses acquired, (ii) the allowance for loan losses, and (iii) discounted facilities. This information is presented to enable readers to see, at a glance, trends in the size of the loan portfolio.

Gross yield is defined as total revenues before derecognition divided by the average loan portfolio outstanding after adjusting for loans classified as businesses acquired. While gross yield is sensitive to non-recurring fees and yield enhancements earned (for example, as a result of early repayment), the Corporation has included this information as it believes the information to be instructive given the frequency of receipt of non-recurring fees and enables readers to see, at a glance, trends in the yield of the loan portfolio.

Gross loans receivable is defined as the sum of (i) the aggregate amount of loans receivable on the relevant date, (ii) the loan loss allowance on such date, (iii) the book value of businesses acquired as they appear on the balance sheet, and (iv) discounts on loan acquisitions. The following is a reconciliation, before and after derecognition, of gross loans receivable to net loans receivable in the Statement of Financial Position and a summary of gross loans receivable as at March 31, 2017 and December 31, 2016.

($ 000s)	**After Derecognition Mar 31, 2017**	**Before Derecognition Mar 31, 2017**	After Derecognition Dec 31, 2016	Before Derecognition Dec 31, 2016
Loan facilities	**$ 1,080,607**	**$1,088,792**	$ 1,176,642	$ 1,421,771
Gross loans receivable	**1,012,595**	**1,016,135**	1,100,304	1,313,994
Less: Discounted facilities	**(7,575)**	**(7,575)**	(7,575)	(7,575)
Less: Allowance for loan losses	**(184,349)**	**(184,384)**	(164,973)	(166,732)
Less: Allowance for businesses acquired	**(19,359)**	**(19,359)**	(19,359)	(19,359)
Less: Businesses acquired	**(220,178)**	**(220,178)**	(91,206)	(91,206)
Net loans receivable	**$ 581,134**	**$ 584,639**	$ 817,191	$ 1,029,122

Net interest margin is defined as net interest income divided by average loan portfolio outstanding.

Return on equity ("ROE") is defined as net income after derecognition divided by quarterly average shareholders' equity. Return on equity is a profitability measure that presents the annualized net income available to shareholders' equity as a percentage of the capital deployed to earn the income.

Yield enhancement is defined as a component of a lending arrangement that Callidus negotiates in addition to the original loan agreement including but not limited to additional fees, profit participation arrangements and equity and equity like instruments. Should a value be determined for the enhancement and depending on its contractual nature, the related amount may be recognized in the statement of comprehensive income as a part of interest income, fee income or gain/loss on derivative assets associated with loans, may be recognized a an available-for-sale equity interest with value changes recorded in other comprehensive income/loss ("recognized yield enhancements"), or, may be unrecognized, which includes yield enhancements related to controlling interests ("unrecognized non-IFRS yield enhancements"), depending on the appropriate accounting treatment under IFRS.

Leverage ratio is defined as total debt (net of unrestricted cash and cash equivalents) divided by gross loans receivable before derecognition. Total debt consists of the senior debt, revolving credit facilities, collateralized loan obligation and subordinated bridge facility.

The non-IFRS measures should not be considered as the sole measure of the Corporation's performance and should not be considered in isolation from, or as a substitute for, analysis of the Corporation's financial statements.

About Callidus Capital Corporation
Established in 2003, Callidus Capital Corporation is a Canadian company that specializes in innovative and creative financing solutions for companies that are unable to obtain adequate financing from conventional lending institutions. Unlike conventional lending institutions who 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 the value of the borrower's assets, its enterprise value and borrowing needs. Callidus employs a proprietary system of monitoring collateral and exercising control over the cash inflows and outflows of each borrower, enabling Callidus to manage risk of loss. Further information is available on our website, www.calliduscapital.ca.

Conference Call
Callidus will host a conference call to discuss first quarter 2017 results on Thursday, May 4, 2017 at 8:00 a.m. Eastern Time. The dial in number for the call is (647) 427-7450 or (888) 231-8191 (reference number: 40040881). A taped replay of the call will be available until May 11, 2017 at (416) 849-0833 or (855) 859-2056 (reference number: 40040881).

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For further information: Paula Myson | (416) 945-3226 | pmyson@calliduscapital.ca

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