

Callidus Capital Announces Substantial Issuer Bid and Reports Significant Gains in Earnings, Revenues and Loan Portfolio Growth in 2015

Note: All amounts in Canadian dollars unless otherwise indicated.

Substantial Issuer Bid

- The Board of Directors has approved a substantial issuer bid of up to \$50 million at a price of \$14 per common share (the "SIB"), which could result in the repurchase and cancellation of up to 3,571,428 common shares if the maximum number of shares is tendered
- In connection with the issuer bid, the Board of Directors retained National Bank Financial Inc. to prepare a formal valuation of the common shares (the "Valuation"). The Board of Directors expects that the fair market value of the common shares to be provided for in the valuation will be substantially and materially higher than the \$14 per common share offered under the SIB
- The Board expects that the Valuation will be filed and that the offering documents will be mailed to shareholders by April 22, 2016.

Full Year 2015 Highlights

- Total revenue of \$171 million for the year, an increase of \$72 million or 73% from last year
- Net income was \$62.0 million for the year, up \$20.2 million or 48% from last year
- Earnings per share (diluted) of \$1.22 for the year, an increase of \$0.19 or 18% from last year
- ROE was 12.9%, an increase of 230 bps or 22%, from 10.6% last year
- Gross yield for the year was 18.9%, a decrease from 20.3% last year due primarily to a higher proportion of Callidus Lite loans
- Gross loans receivable before derecognition was \$1,221 million at year-end, up \$390 million or 47% from last year
- Average loan portfolio outstanding was \$1,022 million, an increase of \$476 million or 87% from last year
- Leverage ratio of 50.9% at the end of the current year, an increase from 38.1% at the end of last year
- During the year, four loans representing \$58 million were fully repaid
- Callidus recorded a disappointing and unexpected pre-tax provision of \$22.7 million in the fourth quarter of 2015, as a result of an isolated atypical event experienced by one borrower, Gray Aqua Group Ltd. which impacted net income, EPS and ROE. Before this unusual provision, results for 2015 were net income of \$78.6 million, an increase of 88% over 2014; EPS (diluted) of \$1.54, an increase of 50%; and ROE of 16.2%, an improvement from 10.6% from 2014. These kinds of events do occur occasionally as a result of the nature of the business, as do unexpected one-time gains
- Increased the amount of the revolving credit facility by US\$100 million to US\$300 million
- Increased the amount of the revolving unsecured subordinated bridge facility from the Catalyst Funds by US\$50 million to US\$250 million

- Adopted a dividend policy initially set at \$0.70 per common share per annum and implemented a dividend reinvestment plan ("**DRIP**"). Commencing with the month of April, 2016, the Board modified the dividend payment frequency to monthly instead of quarterly
- Successfully completed a normal course issuer bid by acquiring and cancelling approximately 2.6 million shares

TORONTO, March 30, 2016 /CNW/ - Callidus Capital Corporation ("Callidus" or the "Company") (TSX:CBL), today announced a Substantial Issuer Bid, released its full year 2015 and fourth quarter financial results and provided an update on the current state of its business. Callidus, which provides flexible and innovative asset-based loans, primarily to growth and distressed or troubled companies, reported significant gains in its key metrics, including earnings, revenues and loan portfolio growth for the year-ended December 31, 2015.

'Another Good Year'

Newton Glassman, Executive Chairman and Chief Executive Officer of Callidus said: "2015 was another good year for Callidus Capital. While we had a disappointing and unexpected event in the fourth quarter related to a loan to a company, Gray Aqua Group Ltd., virtually every measure in our results for the year overall showed significant improvement over 2014, underscoring management's primary commitment - - operating our business effectively over multiple quarters. Quarter over quarter results were also very good, but for this unusual event. The momentum we achieved in loan portfolio growth, revenues, earnings and return on equity, along with an extremely robust new loan pipeline, despite the intentional slowdown in growth of the loan book in the fourth quarter, provides the foundation for a continued strong future. Most importantly, we now see that existing loan quality and go-forward yields are way up as a result of some operational improvements discussed in our MD&A."

"While the nature of our business means our quarterly results can be 'lumpy', Callidus continues to demonstrate solid and continuously improving performance over the longer term. Our growth and growing pipeline are evidence of the market opportunity, the soundness of our business model coupled with the operational improvements we implemented, overall continued excellent credit quality, and our unique competitive advantage, at a time when broader economic factors favour a business like Callidus," added David Reese, President and Chief Operating Officer of Callidus.

Maximizing Shareholder Value and Substantial Issuer Bid

Callidus has now completed a number of steps aimed at maximizing shareholder value. In 2015, a Normal Course Issuer Bid was completed and a regular quarterly dividend policy, which the Board has determined to declare and pay monthly commencing in April, was implemented. The magnitude of our dividend reflects faster than expected growth. Mr. Glassman stated, "We have the current liquidity and are generating more than sufficient liquidity to support all of continued loan portfolio growth, a growing dividend over time, as well as the proposed SIB."

As part of the continuing effort to better align the share price with the underlying value of the shares, Callidus' Board of Directors (the "Board") has authorized a substantial issuer bid to purchase for cancellation up to 3,571,428 common shares at a purchase price of \$14 per common share (the "Purchase Price") for an aggregate purchase price not to exceed \$50 million (the "Offer").

In connection with the Offer, the Board has retained National Bank Financial Inc. to prepare a formal valuation of the common shares (the "Valuation"). The Board also expects that the fair market value of the common shares to be provided for in the Valuation will be substantially and materially higher than the \$14 per common share offered under the Offer.

The Offer will not be conditional upon any minimum number of shares being tendered, but will be subject to certain other customary conditions. A complete description of the terms and conditions of the Offer will be contained in the Offer to Purchase and Issuer Bid Circular and related documents that Callidus expects will be filed with the applicable securities regulatory authorities in Canada and expected to be mailed to shareholders on or before April 22, 2016. National Bank Financial Inc. is expected to deliver to the Board of Directors an opinion that (i) a liquid market exists for the shares as of the opinion and (ii) it is reasonable to conclude that, following the completion of the Offer, there will be a market for holders of the shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer.

National Bank Financial Inc. is independent of the Company for the purposes of applicable securities laws. A copy of the Valuation will be in the Circular but also available at the Company's profile at www.sedar.com prior to the Issuer Bid Circular being mailed to shareholders.

The Board of Directors strongly recommends that shareholders review the Valuation and the Offer to Purchase and Issuer Bid Circular in their entirety before determining whether to participate in the Offer.

The Purchase Price was determined based on a number of factors including a substantial discount to the expected Valuation, but a material premium to the current and historic trading price of the common shares, and the price at which the common shares were sold under the Company's initial public offering. The Purchase Price represents a premium of 36% over the closing price of the common shares on the Toronto Stock Exchange (the "TSX") on March 29, 2016, the last trading day before the announcement of the Offer, and a premium of 53% over the 20 day volume weighted average trading price of the common shares on the TSX for the period ending on March 29, 2016.

The Catalyst Capital Group Inc. ("Catalyst"), the manager of various funds who own in the aggregate 62.4% of Callidus' common shares, has advised Callidus that the funds will not tender any of their holdings to the Offer.

Mr. Glassman said "We continue to believe strongly that Callidus is a fantastic business with an incredible future. We will continue to work with shareholders to address their concerns and to communicate effectively with the market. It is our intention to do everything we can to ensure maximum value for shareholders. The SIB is intended to provide liquidity to those shareholders desirous of such."

In addition, Callidus advises that if, following completion of the Offer, our shares continue to trade at a significant discount to their value, it may seek to privatize the company. In order to avoid any perception of conflict, Catalyst has told the Board that it and all Funds managed by it will currently abstain from bidding for the roughly 32% of Callidus not owned by them so as to ensure that if a going private transaction is ever entertained, it will be pursuant to a process structured to ensure value maximization for all shareholders, but especially minority shareholders, as Catalyst has no intention of ever selling its interest in Callidus. Four interested parties have already approached Callidus.

Credit Quality Improved, Yields Enhanced as a Result of Process Improvements

During the first quarter of 2016, Callidus implemented an intentional and substantial slowdown in new loan underwriting while it undertook an internal review of operating and underwriting procedures with a view to achieving improved processes and enhanced margins. With ample liquidity to meet both our short and longer-term requirements, a number of process changes and improvements to those procedures have been implemented that are expected to be reflected in future results. Specific details regarding these improvements can be found in Management's Discussion and Analysis as at December 31, 2015.

Mr. Glassman said "There are two longer-term and positive impacts of these changes. Firstly, we believe as a result of: (a) the number of recent repayments as well as soon to be completed repayments, (b) the current and expected decline in the number and value of watch-list loans, and (c) the Project Resolve loan, that the credit quality of Callidus' portfolio is much higher currently than at any time in the past. Secondly, yield potential has been dramatically increased by certain operational changes, including our decision to consider free warrants and limited equity participations at low, or no cost in certain historic and go-forward situations. Starting with our Q2 material, we intend to disclose: (i) the nature of such arrangements, (ii) fair value of the financial instruments received pursuant to such, where appropriate, and (iii) the impact to total returns, over and above, the gross yield generated from the associated loans."

Current state of the business, as at March 29, 2016:

- Gross loans receivable before derecognition stood at \$1,143 million, primarily as a result of the sale of our "asset held for sale"
- The pipeline of potential new loans stands at approximately \$720 million
- Signed back term sheets and balance of funding for Project Resolve Inc. as described below, of approximately \$230 million
- One of the Company's newest and largest loans is for Project Resolve Inc. – which involves the conversion of a modern containership, the MV Asterix, into a much needed Auxiliary Oil Replenishment vessel for the Royal Canadian Navy. The vessel is being converted in Canada's largest shipyard - Chantier Davie Canada Inc. shipyard in Levis, Quebec. Callidus extended a project finance loan that at close was supported first by the collateral of the ship, and second, upon completion a Government of Canada take-out lease with expected positive margin
- Total debt (net of cash and cash equivalents) of \$458 million, or 40% of gross loans receivable before derecognition
- During the first quarter of 2016, two loans representing \$16 million in commitments were fully repaid. In the coming months, the Company expects five other loan repayments, representing approximately \$190 million in current gross loans receivable
- In March 2016, the Company required payment by the Catalyst Funds of a guarantee with respect to one of the Company's loan assets (Xchange Technology Group) in an amount equal to the total outstanding principal plus accrued and unpaid interest of \$101.3 million. The Catalyst Funds acquired the loan in question for an amount equal to the guarantee and are now the owners of the business and are actively restructuring it. The Company primarily used the proceeds from the guarantee to repay a portion of the balance outstanding under the subordinated bridge facility
- Three watch-list accounts (with gross loans receivables of \$104 million as of December 31, 2015) have left the watch-list and none have been added since December 31, 2015. The Company expects other watch-list accounts (with gross loans receivable of \$92 million as of March 29, 2016, to be favorably resolved in the coming months, which would result in our watch-list decreasing to 23% of gross loans receivable

Financial Highlights

	Three Months Ended			Year Ended	
(\$ 000s)	December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Average loan	\$1,192,994	\$1,101,675	\$718,562	\$1,021,553	\$ 545,749

portfolio outstanding (1)					
Total revenue (after derecognition)	48,467	48,419	29,194	171,306	99,046
Gross yield ⁽¹⁾	19.1%	19.7%	18.6%	18.9%	20.3%
Net interest margin ⁽¹⁾	12.2%	13.6%	13.8%	13.0%	12.9%
Net income	7,648	19,925	21,019	61,952	41,759
Earnings per share (diluted)	\$0.15	\$0.40	\$0.42	\$1.22	\$1.03
ROE	6.2%	16.1%	19.5%	12.9%	10.6%
Leverage ratio ⁽¹⁾	50.9%	52.8%	38.1%	50.9%	38.1%
Notes:					
(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.				

Fourth Quarter 2015 Highlights

- Gross loans receivable before derecognition of \$1,221 million at December 31, 2015, up \$22 million or 2% from the prior quarter
- Average loan portfolio outstanding was \$1,193 million, an increase of \$91 million or 8% from the prior quarter, and an increase of \$474 million or 66% from the same quarter last year
- Total revenue of \$48 million for the quarter, consistent with the previous quarter, and an increase from \$29 million in the same quarter last year
- Gross yield for the quarter was 19.1%, a decrease from 19.7% in the prior quarter, and an increase from 18.6% in the same quarter last year. The prior quarter gross yield included the recognition of a non-recurring fee and an early prepayment fee totaling \$1.6 million. The increase from the same quarter last year was due primarily to higher rates charged on certain loans this quarter. As noted previously, gross yields can be lumpy quarter to quarter
- Net income was \$7.6 million for the quarter. Earnings for the current quarter were impacted by an unusual pre-tax provision of \$22.7 million related to the expected loss on Gray Aqua as a result of an isolated event experienced by it. Before this specific provision, net income was \$24.3 million for the quarter, which is \$4.4 million higher than the prior quarter
- Earnings per share (diluted) of \$0.15 for the quarter, a decrease from \$0.40 last quarter, and a decrease from \$0.42 in the same quarter last year. Before the specific provision above, earnings

per share (diluted) was \$0.48 for the quarter, which is \$0.08 per share higher quarter over quarter

- ROE was 6.2%, a decrease from 16.1% in the prior quarter, and a decrease from 19.5% in the same quarter last year. Before the specific provision above, ROE was 19.2% for the quarter, an increase from 16.1% in the prior quarter
- Leverage ratio of 50.9% at the end of the current quarter, a decrease from 52.8% at the end of the prior quarter
- As at December 31, 2015, the estimated global collateral value coverage across aggregate net loans receivable was approximately 172% with a range between 100% and 525% on an individual loan basis. Furthermore, the loans on Callidus' watch-list had an estimated aggregate collateral value coverage of 104% and non-watchlist loans had an estimated collateral value coverage of 209%. Given changes to the watch-list post quarter and further expected reductions in watch-list amounts, it is expected that watch-list collateral coverage will continue to go up. It should be noted that there is no cross-collateralization of the asset coverage as between borrowers
- Provision for loan losses for the fourth quarter was \$25.4 million, of which a \$6.0 million recovery was recognized related to the guarantee provided by the Catalyst funds

No Solicitation

This press release is for informational purposes only and does not constitute an offer to buy or the solicitation of an offer to sell Callidus' common shares. The solicitation and the offer to buy Callidus' common shares will be made only pursuant to the Offer to Purchase and Issuer Bid Circular and related documents. At the time the Offer is commenced, Callidus will file the Offer to Purchase and Issuer Bid Circular and related documents with the Canadian securities regulatory authorities. Shareholders should carefully read the Offer to Purchase and Issuer Bid Circular, the related letter of transmittal and other related documents when they are available because they will contain important information, including the various terms and conditions of the Offer. The Offer to Purchase and Issuer Bid Circular, the related letter of transmittal and certain other documents will be delivered without charge to all shareholders. Offer documents required to be filed in Canada will be available without charge at www.sedar.com. Shareholders are urged to read these materials carefully prior to making any decision with respect to the Offer.

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 company'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 very effectively manage risk of loss.

Forward-Looking 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.

Conference call

Callidus will host a conference call to discuss Q4 2015 results on March 31, 2016 at 10:30 a.m. Eastern

Time. The dial in number for the call is [\(647\) 427-7450](tel:(647)427-7450) or [\(888\) 231-8191](tel:(888)231-8191) (reference number: 93956138). A taped replay of the call will be available until April 7, 2016 at [\(416\) 849-0833](tel:(416)849-0833) or [\(855\) 859-2056](tel:(855)859-2056) (reference number: 93956138).

SOURCE Callidus Capital Corporation

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