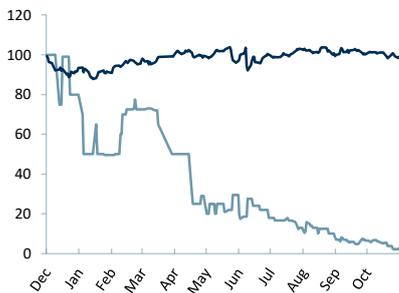


FLASH NOTE

VALUE RANGE

USD 5.42 – 5.70



IEGHD 12m Price Rel. vs. OTCQX Composite (darker)

Wednesday, 16 November 2016

Intrinsic Price	\$5.56
Value Range Low	\$5.42
Value Range High	\$5.70
Implied MCAP (m)	\$53.76
Implied EV (m)	\$53.27
OTCQX Index	IEGHD
Financial YE	31-Dec
Currency	USD

Business Activity

Consumer retail near-prime lending

Key Metrics

Close Price	\$2.70
MCAP (m)	\$26,116
Net Debt (Cash) (m)	-\$0.486
EV (m)	\$25.63
52 Wk Hi	\$100.00
52 Wk Lo	\$4.60
NAV trailing	\$0.86

Key Ratios

S/P premium to NAV	215.45%
Charge off (Net Cash) /	11.91%
	-5.86%

Shareholder Equity %

Financials Sector Research

OTCQX Best Market Index

Analyst Team

ACF Financials Team

+44 20 7419 7928

financials@acfequityresearch.com

IEG Holdings Corp. Flash Note

Breakeven accelerated, Dividend by FY17E

IEG Holdings is listed on OTCM's OTCQX (OTCQX:IEGHD) confirmed this morning that it will enforce our forecast cuts to SGA ahead of expectations and believes it will reach breakeven 1Q17E delivering positive Net Income, Operating CF and a small dividend for investors post the 1Q17E results and therein on a quarterly dividend. IEGH also signalled that it will consider share buy backs as part of changes to its strategic capital management plan. The online brand is Mr. Amazing Loans. IEGH has embarked on a rapid growth path via its new distribution and customer acquisition strategy – an online platform and 18 US state lending licences YTD. The market segment is growing handsomely. The core management team is highly experienced within the sector. See our [14th November](#) recent [IEGH initiation note](#) for a fuller analysis.

- Upgrade - breakeven, EBITDA, Net Income and FCF positive by 2Q17E;
- Regular maiden dividend during 17E;
- SGA cost cuts accelerated;
- Online distributions strategy delivering competitive advantage;
- Share price gains 23% since 14th November indicating change in direction and momentum.

	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS
2016E	2,299	-2,204	-2,095	-0.37	-0.35	-0.22
2017E	4,599	1,699	1,469	0.01	0.01	0.15

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS
2016E	11.15x	-11.63x	-12.23x	-7.35x	-7.82x	-12.47x
2017E	5.57x	15.09x	17.45x	314.16x	334.05x	17.78x

15/11/2016	No. of Shares	
	in issue	Fully diluted
Share Price History		
NoSh (m)	967.3	1,028
Implied Intrinsic Price	\$5.56	\$5.23
Value Range Low	\$5.42	\$5.10
Value Range High	\$5.70	\$5.36
OTCQX	IEGH	
Financial YE	31-Dec	
Reporting Currency	USD	
NoSh (m)	967.3	
NoSh (m) expected dilution (Exp D)	967.3	
NoSh (m) full dilution (FD)	1,028	
Key Metrics		
MCAP (m)	\$26.1	adj. \$26.1
Net Debt (Cash) (m)	-\$0.49	-\$0.49
EV (m)	\$25.6	\$25.6
52 Wk Hi	\$100.0	\$94.0
52 Wk Lo	\$4.60	\$4.33
Free Float	20%	20%
*Key Metrics FCF adj.		
	2016E	2017E
CPS (USD)	-0.22	0.15
CPS (Exp D) (USD)	-0.22	0.15
CPS (FD) (USD)	-0.20	0.14
P/CPS	-25.7x	34.4x
P/CPS (Exp D)	-25.7x	34.4x
P/CPS (FD)	-27.3x	36.6x

Above we show full dilution (FD) and expected dilution (Exp D). IEGH shares in issue at the date of this note are 9,672,726. We assume there are not dilutive effects over our 5-yr valuation horizon. Note that the 52wk high price of USD 100 is before IEGH's 2016 forward and reverse splits.

Investment Case

Competitive background

IEGH is a disruptive concept that we expect to become a force in the consumer near prime loan market (no subprime lending). The Company has a highly focussed offering - USD 5,000 or 10,000 five-year mid-term consumer credit loan, distributed online with an average APR of 28.9% vs. pay-day competitor loan rates of 400% and above. We are of the view that the pay-day lenders will come under increasing regulation globally, forcing down their APRs and so RoEs.

Licence barrier - In order to distribute unsecured credit loans IEGH must obtain a licence from each individual US state. IEGH has 18 state licences to date and is aiming for 25. Of the additional 8 licences targeted, the first (Maryland), was secured 1st Nov. 16. Public data suggests 25 State licences will convey online marketing access to 240m inhabitants. The barrier to entry created by the State licensing process suggests that few single person operators can enter the market, limiting competition to larger players.

Low distribution costs online - The online strategy lowers costs of customer acquisition (CCA), makes IEGH highly scalable, suggesting breakeven will see marginal revenue fall through to EBITDA and FCF. Our estimates reflect this view.

Growth market – The FDIC estimated in 2013 that 1 in 13 US households were underbanked (7.7% of pop. or 9.6m households). The Centre for Financial Services (CFS) estimated that IEGH's product category – short term credit – grew 37% from 2012-14 whilst single- payment credit, the primary competing product category grew 0.1%. Given statistical error, this suggests to us that the single lump-sum repayment market is probably contracting in favour of IEGH's instalment based market. A real contraction in the lump-sum consumer loan market is an opportunity for IEGH to cannibalise (win market share) from indirect competitors.

Subprime loan market value – this market can be broadly broken into two product categories – short term credit and single repayment loans (where the entire loan is paid down by the borrower in one payment). The market size of short term credit products was estimated in 2014 at USD 29bn in the US market and growing. The market for single payment credit was estimated at USD 38bn in 2014 and contracting in favour of short term credit products. According to IEGH management, the US short term credit market already generates twice the revenue of the US single payment credit market.

Management skill - CEO and founder Paul Mathieson and COO Carla Cholewinski have considerable experience in the industry.

Catalysts

Breakeven FY17E (accelerated); removal of going concern note in accounts (achieved); move up to NYSE market; fund raising; accelerated organic growth; acquisition growth. Dividend guidance (announced); Buy back guidance (announced).

Financial Projections

Exhibit 1: IEGH P&L and forecasts

P&L USD (k)	2014A	2015A	2016E	2017E	2018E
Revs	529	1,835	2,299	4,599	6,898
gr%	741%	247%	25%	100%	50%
GP	529	1,835	2,299	4,599	6,898
% Revs	100%	100%	100%	100%	100%
SGA	5,382	7,013	5,852	4,516	5,275
% Revs	1017%	382%	254%	98%	76%
EBITDA	-4,223	-4,029	-2,204	1,699	3,562
% Revs	-798%	-220%	-96%	37%	52%
Provisions, D&A	630	1,149	1,348	1,616	1,938
% Revs	119%	63%	59%	35%	28%
EBIT	-4,852	-5,177	-3,553	83	1,623
EBT	-5,402	-5,698	-3,553	83	1,623
ETR	0%	0%	0%	0%	0%
Tax	0	0	0	0	0
NI	-5,402	-5,698	-3,553	83	1,623
% Revs	-1021%	-311%	-154%	2%	24%

Source: Company reports; ACF Estimates.

Exhibit 2: IEGH Cash Flow and forecasts

Cash Flow USD (k)	2014A	2015A	2016E	2017E	2018E
CFO					
Profit/(loss) for period	-5,402	-5,698	-3,553	83	1,623
Provisions, D&A	-683	-1,239	-1,348	-1,616	-1,938
Δ Working capital	1,416	500	109	-230	-345
Net CFO	-3,302	-3,960	-2,095	1,469	3,216
Cash Taxes	0	0	0	0	0
Capex	0	0	0	0	0
FCF	-3,302	-3,960	-2,095	1,469	3,216
CF from Financing	3,454	4,011	2,535	0	0
Net Cash In/(Out)	152	52	440	1,469	3,216
Cash previous YE	282	434	486	925	2,394
Cash & CE	434	486	925	2,394	5,611

Source: Company reports; ACF Estimates.

Disclaimer

The information in this report has been prepared by ACF Equity Research Ltd (ACF). The research is published for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any securities or any financial instruments.

ACF has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of ACF Equity Research Limited. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance does not guarantee future performance.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of ACF which may, from time to time, solicit business from any of the companies referred to in this report. The analyst(s) responsible for covering securities in this report may not hold a position in any or related securities in this report in ACF's sector universe or in any other sector in which ACF carries out research. The company does not hold any position in the securities mentioned in this report.

ACF is regulated as an Appointed Representative of City & Merchant Limited which is authorized and regulated by the Financial Conduct Authority. This research report and its contents are intended for professional investors and not for retail investors. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of the investment research. ACF Equity Research Limited is authorised and regulated by the Financial Conduct Authority. However, the contents of this research report are produced as if ACF Equity Research Limited is unregulated and consequently this report does not contain investment recommendations or ratings. ACF has designed its own independence standards that we believe far exceed the legal framework requirements.

ACF, its directors, employees and agents accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or part of these materials. The information in this report is provided with the understanding that ACF is not acting in a fiduciary capacity. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall in no way constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Copyright © 2015 ACF Equity Research all rights reserved. Additional information is available upon request.

ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.

Tel: +44 (020) 7558 8974

Website: www.acfequityresearch.com