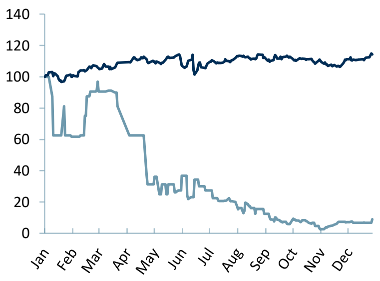
ESTIMATES

VALUE RANGE

USD 8.16 – 8.58



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

Tuesday, 10 January 2017

Intrinsic Price	$8.37
Value Range Low	$8.16
Value Range High	$8.58
Implied MCAP (m)	$79.02
Implied EV (m)	$78.53
OTCQB Index	IEGH
Financial YE	31-Dec
Currency	USD
Business Activity	
Consumer retail near-prime lending	
Key Metrics	
Close Price	$7.25
MCAP (m)	$70,428
Net Debt (Cash) (m)	-$0.486
EV (m)	$69.94
52 Wk Hi	$100.00
52 Wk Lo	$4.60
NAV trailing	$0.85
Key Ratios	
S/P premium to NAV	750.66%
Charge off	11.91%
(Net Cash) / Shareholder Equity %	-5.86%

Financials Sector Research

OTCQB Best Market Index

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IEG Holdings Corp. Upgrade

Audacious, Aggressive, Achieving

We raise our Value Range (VR) for IEG Holdings listed on OTCM's OTCQB (OTCQB:IEGH). Our VR upgrade excludes the positive cash effects of IEGH's hostile bid for OneMain (NYSE:OMF); the potential loan book expansion (USD 10m debt raise); the dividend announcement for 1Q17E. IEGH is an online consumer micro-lending provider with two products - a USD 5,000 and a USD 10,000 five-year term loan. IEGH serves the retail near prime but underbanked US market. The online brand is Mr. Amazing Loans. IEGH has confirmed that it will be FCF positive 1Q17E after aggressive cost cutting, 9 months ahead of our forecast. IEGH has launched an audacious bid for a USD 3bn MCap bricks and mortar competitor OneMain. Also see our IEGH initiation note.

- Hostile all paper bid for $3bn MCAP bricks and mortar OneMain;
- Share buy back up to USD 2m announced;
- Maiden dividend promised 1Q17E;
- Added 19th state licence, 25 targeted by 3Q17;
- EBITDA, Net Income and FCF positive by 1Q17E.

	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS
2016E	2,299	-2,204	-1,982	-0.37	-0.37	-0.20
2017E	5,289	1,954	1,788	0.01	0.01	0.18

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS
2016E	30.42x	-31.73x	-35.29x	-19.82x	-19.82x	-35.54x
2017E	13.22x	35.80x	39.12x	736.71x	736.71x	39.39x

06/01/2017	No. of Shares in issue	Fully diluted
Share Price History		
NoSh (m)	971.4	971.4
Implied Intrinsic Price	$8.37	$8.37
Value Range Low	$8.16	$8.16
Value Range High	$8.58	$8.58
OTCQB	IEGH	
Financial YE	31-Dec	
Reporting Currency	USD	
NoSh (m)		971.4
NoSh (m) expected dilution (Exp D)		971.4
NoSh (m) full dilution (FD)		971

Key Metrics		adj.
MCAP (m)	$70.4	$70.4
Net Debt (Cash) (m)	-$0.49	-$0.49
EV (m)	$69.9	$69.9
52 Wk Hi	$100.0	$100.0
52 Wk Lo	$4.60	$4.60
Free Float	20%	20%

*Key Metrics FCF adj.	2016E	2017E
CPS (USD)	-0.20	0.18
CPS (Exp D) (USD)	-0.20	0.18
CPS (FD) (USD)	-0.20	0.18
P/CPS	-41.0x	45.5x
P/CPS (Exp D)	-41.0x	45.5x
P/CPS (FD)	-41.0x	45.5x

Above we show full dilution (FD) and expected dilution (Exp D). IEGH shares in issue at the date of this note are 9,714,186. 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. Note that our Valuation Range assumes that fully USD 2m is spent on buying back stock at the close price of this note USD 7.25 p/s.

Investment Case

Competitive background

IEGH is a disruptive online business attacking the traditional bricks and mortar consumer lending market. The Company's cash cost acquisition (CCA) of loan customers is 4-6% vs. traditional bricks and mortar CCA costs of 8-10%. IEGH targets the near prime loan market (no subprime lending) another differentiator from competitors such as **OneMain**. IEGH prides itself on repeat business and positive customer feedback offering a same-day turnaround in which cash is delivered to customer accounts. Process and contracts are transparent without hidden costs such as severe technical small-print penalties for the client. Many companies rely on small print penalty payments for significant margin contributions. Interest rates are in line with credit card borrowing (IEGH average APR 28.9%) vs. 400% and above for pay-day-loans. The Company has a largely automated highly consistent loan approval processes.

Compared to IEGH's competitors such as bricks and mortar OneMain, IEGH has created a pertinent potentially dominant brand in Mr. Amazingloans with a simple transparent offering (USD 5k and 10k loans); lends at socially acceptable rates; has an attractive, efficient, fast and convenient approval and loan delivery mechanism; targets the lower risk near prime only market with robust consistent approval processes; has a lean cost model. **IEGH** has a strong growth profile, is delivering, has a lot to "teach" its competitors and value to add to investors.

Low distribution costs online - The online strategy lowers costs of customer acquisition (CCA), makes the company highly scalable and suggests that once IEGH hits breakeven, incremental revenue will rapidly fall through to EBITDA and FCF. Our estimates reflect this view. Bricks and mortar OneMain would struggle to credibly make the same claims, in our 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. It strikes us that bricks and mortar OneMain investors may well be ambling towards a long painful decline, the worst type in our view due to the opportunity cost of capital.

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

Catalysts for further valuation upgrades

Delivery of breakeven 1Q17E; dividend payment; expansion of loan book capability (USD 10m debt raise in progress); stake in, or control of, OneMain; accelerated organic growth.

Operational Strategy

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 short term credit market FY14A was estimated at USD 29bn and growing vs. single payment credit of USD 38bn contracting in favour of short term credit products. According to IEGH management, US short term credit markets already generate 2x revenue of the US single payment credit market.

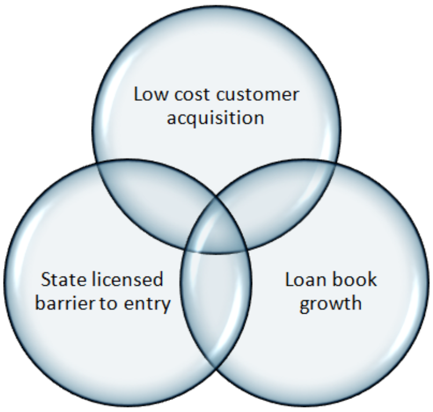
CEO and founder Paul Mathieson and COO Carla Cholewinski have considerable experience in the consumer loan and financial services and banking industries. Mr. Mathieson tested the Mr. Amazing Loans brand and concept successfully in the tiny Australian market (5m households and no online distribution permitted) before migrating his business plan to the much larger cost efficient online US market.

● **Disrupting the bricks and mortar competition model** - It seems to us that most bricks and mortar lenders such as **OneMain** should have already moved to a full online strategy. They have not, suggesting cultural inertia and bricks and mortar competitors do not appear to understand how disruptive brands work or the speed or network mechanisms that drive markets to flip from one behaviour to another.

● **Licenses targeted** - IEGH currently has micro-lending licences for its unsecured USD 5,000 and 10,000 five-year term fixed rate loans in 19 US states. The first 19 licences cover over 62% of the US market by population. The additional 6 licences targeted by IEGH for end 2Q17E bring access to 75% of the US market by population or 240m people to whom IEGH can potentially market its products online under the Mr. Amazing Loans brand (www.mramazingloans.com)

● **Thin staff structure** - The Company currently employs 7 people and distributes its loan products online in order to keep customer acquisition costs low via cost per click advertising leading to online lead generation.

Exhibit 1: **Online platform at the centre of a virtuous IEGH circle**



Source: ACF Estimates, Company Reports.

Exhibit 2: **Customer CCA online advantage**

	CCA Online %			CCA Traditional media %		
	4%	5%	6%	8%	9%	10%
USD						
Loan Principal	5,000	5,000	5,000	5,000	5,000	5,000
Cash CCA	200	250	300	400	450	500
Loan Revenue	5,975	5,975	5,975	5,975	5,975	5,975
Cash CCA	239	299	359	478	538	598

Source: ACF Estimates, Company Reports.
*CCA – Cash Cost of Acquisition of loan customers

● **Position concentration risk off-set** - We conclude from our discussion with management that COO Carla Cholewinski (also Chief Credit Officer) is responsible for the day to day processing of the loan book and CEO Founder Paul Mathieson checks the end of day close position and VAR. Daily book keeping is outsourced. Carla Cholewinski carries out the end of month reconciliation. Each State also audits the loan book for loans taken out in that State.

Audits are completed within 25 days of the close of the month. In this way a 7-person company with one office reduces the risk problem of only a closed insider circuit of audit processes. CEO Founder Paul Mathieson is not involved in day to day operations over and above loan position and VAR checks at the close of business each day. In addition, each state carries out its own audit at any time "without notice" and at least one time per year.

As a result, we conclude that in spite of a concentration of powers within the core management team, there is a comprehensive system and process to ensure effective outside oversight.

● **Market development** - The CFS suggests that upcoming regulatory changes will make the single lump-sum consumer loan payment market unattractive to operate. This suggests that investment in the lump-sum repayment market is probably on hold or diverted to IEGH's market. As such though the opportunity grows, IEGH will face commensurate increasing competition.

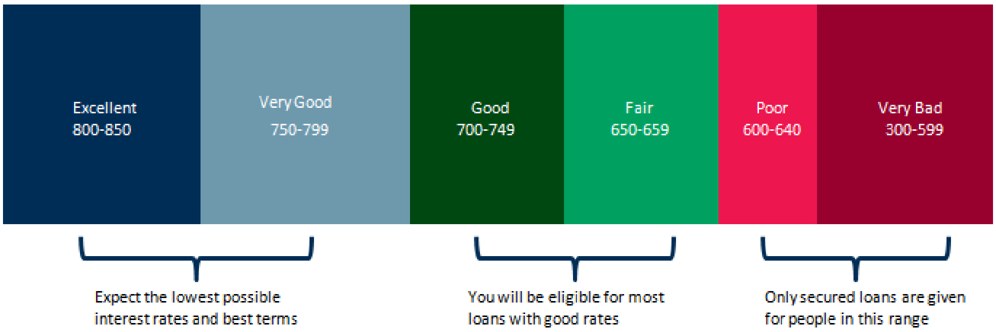
● **Client selection criteria** – IEGH only lends to customers above 600 on the credit scoring exhibit below. Historically some loan customers had lower credit scores.

● **Lead generation** – Online customer acquisition is the driving force and much of the marketing and loan approval process is fully automated. During 2014 the Company moved to using search engine optimisation, advertising, banner advertising and remarketing for lead generation. Criteria for qualifying leads and pre-approval for loans includes online capture of income, employment, banking identification, and a soft credit pull. If a lead passes the pre-approval process, the potential customer is then asked to authorise a full credit report from Experian and to verify employment.

Numerous other credibility checks are run including IP address verification of geographic location. At this point preliminary underwriting is completed, a process that is fully automated.

The second underwriting step includes the analysis of 60-90 day bank statements, which the company uses to identify other debts and liabilities including “undeclared/off balance sheet” personal debts hidden from standard credit reports. The quality of potential client’s money management is also assessed. If the potential client passes all steps the underwriter recommends final approval.

Exhibit 3: **ACF’s normalised credit score range**



Source: ACF Estimates, credit scoring agencies.

Exhibit 4: **Loan receivable balances vs. credit score change**

Credit Score	3Q16A USD	4Q15A USD	3Q16A mix	4Q15A mix	Delta pp 4Q15A 3Q16A
550-575	21,619		0.26%	0.00%	0.26%
576-600	195,543	149,056	2.37%	1.84%	0.53%
601-650	3,693,022	3,397,512	44.74%	41.89%	2.85%
651-700	3,166,855	3,230,308	38.37%	39.83%	-1.46%
701-750	938,472	1,097,225	11.37%	13.53%	-2.16%
751-800	168,883	185,840	2.05%	2.29%	-0.25%
801-850	52,813	31,888	0.64%	0.39%	0.25%
851-900	16,283	18,248	0.20%	0.23%	-0.03%
Total	8,253,490	8,110,077	100%	100%	
Growth %	1.77%				

Source: ACF Estimates, Company Reports.

Hostile Offer for OneMain (NYSE:OMF)

IEGH's bid for OMF, which however it concludes, would be positive, is not captured in our new value range in this note.

IEGH (OTCQB:IEGH) launched an all paper hostile bid for OneMain Holdings Inc. (NYSE:OMF) on Friday 05 January 2017. The Offer is 2 IEGH shares for 1 common stock of OMF. IEGH may well be able to strip out USD 1bn of costs from property and personnel. We would expect any offer to make a significant impact on the approximate USD 40m of executive costs, particularly as OMF was loss making FY15A and does not pay a dividend.

IEGH's proposed dividend policy starting 1Q17E, which would increase the valuation is not captured in our new value range.

IEGH's debt raise of USD 10m to expand its loan book, which would be positive is not captured in our new value range

IEGH shares closed on the day before the offer at USD 5.45, OMF's share price was USD 23.11. Therefore, IEGH's offer represents a discount of 52.8% to the equity valuation of OMF. At yesterday's close the discount was reduced to 39.7%. Based upon our raised VR the discount of the IEGH offer to OMF shareholders would reduce to between 32% and 28% (based on OMF's close price Monday 9th January 2017 of USD 24.05 per share).

Clearly the launch of the bid has been most positive for IEGH shares, why should this be given that generally the acquirer faces a risk discount on announcing a bid? We suspect that though IEGH is a relatively low liquidity stock, its entirely online lending model is the growth future of the industry. (We note that liquidity has improved significantly since the publication of out initiation note 14th November, 2017).

IEGH's all paper 2:1 offer for OMF could well look generous in 12-24 months.

● **Dropbox paradigm** - the table below gives an insight into why online-only lending is likely to be the future. The table shows FY15 revenues and staff for OMF and Dropbox and compares their relative efficiency with our FY16E revenues and employees for IEGH in order to attempt to normalise the comparison, as IEGH hits breakeven (1Q17E).

Dropbox, the disruptive online storage business, is included because certain metrics for online businesses recur. Revenue per employee is a key metric that amply demonstrates the difference between the potential efficiency (RoI and RoE) of online strategies compared to bricks and mortar strategies.

Exhibit 5: **Efficiency per employee**

OMF's response to IEGH's offer suggests OMF's board is furious rather than calm and considered, this usually comes out of fear and or arrogance. Neither of which bode well for current OMF shareholders.

	Revs	Emp	Rev/Emp	x diff
OMF	1,477	10,000	147,700	1.0x
IEGH	2.299	7	328,429	2.2x
Dropbox	400	971	411,946	0.8x

Source: ACF Estimates, Company Reports; Online sources.

Retail borrowing and banking trends all suggest that the days of the office/ branch network are very limited.

As can be seen from the table above IEGH's online strategy, according to our 2016 forecasts for IEGH will likely generate around 2.2x or 120% more revenue per employee than OMF's bricks and mortar strategy. By way of a sanity check IEGH produces 0.8x or 80% of the revenue of Dropbox per employee, putting IEGH very much in the online box and OMF very much out of it. We expect IEGH to book USD 2.3m FY16E in revenues vs. OMF's revs 1.5bn FY15A. This suggests that IEGH's 2:1 all share offer could look generous within 12-24 months.

● **Branch banking analogy -** we are strongly of the view that the majority of individuals, and especially those that consider themselves revenue constrained find online applications far more efficient and convenient. We accept that the personal relationship that OMF offers via its personnel and branches is valued, largely we suspect because borrowers feel they can exercise a degree of personal chemistry in the decision making process. The reality in our view is that this assumption is 20 years out of date and certainly cannot be justified by specialist lenders and retail banks post the 07/08 financial crisis.

Avoid being the blockbuster shareholder, attempt to be the Netflix investor.

● **Netflix Blockbuster analogy** IEGH draws the comparison between online video provider Netflix and bricks and mortar video provider Blockbuster in which Netflix made an offer to Blockbuster, that was summarily dismissed by the Blockbuster board, but which with hindsight would have saved Blockbuster at least as a brand. Blockbuster disappeared within 10 years. Netflix attacked its model because it transpired that much of Blockbuster's margins were based upon late-return charges to clients.

Nokia died of arrogance and a long standing inflexible culture.

● **Nokia analogy** – we have had considerable exposure to Nokia (NOK1V:OMX), the Finnish paper producer that legendarily reinvented itself by turning its hand to making telco kit and handsets and became the world's dominant handset maker. However once the sunset appeared for Nokia's handset business, it came on very swiftly (within 24 months) and took Nokia by completely surprise. One notable characteristic within Nokia before the fall was significant arrogance with respect to its position, market share and communications with stakeholders. Nokia's handset business was sold to Microsoft NYSE:MSFT) for a relative pittance compared to its highs, and has since been written down to zero by 100% shareholder MSFT. **Disclosure** one of ACF's AiM listed telco software clients was sold to Nokia around 12 months before the MSFT sale.

Disruptors come from nowhere and always look like minnows until it is too late.

● **Our message is twofold** 1) Investors ought to be very watchful of disruptors and to carefully consider which baby they'd rather be holding when it comes to the inevitable painful end for the wrong baby.

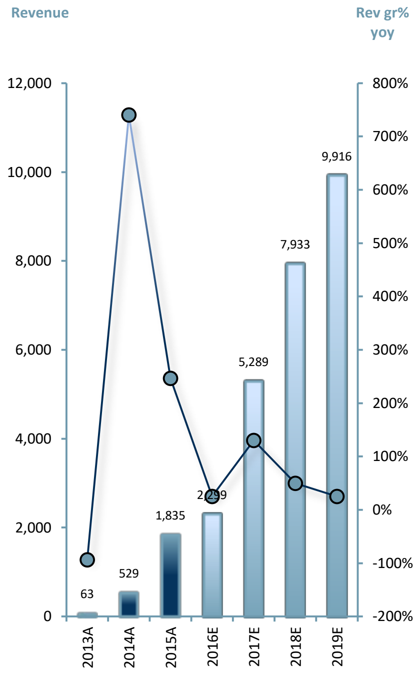
2) In our experience, nothing presages the end of a business model more than stubborn pride, comfortable remuneration packages and an entrenched culture. OFM is 100 years old and management is well remunerated. Changing culture/strategy is a very difficult, time consuming and expensive process for the incumbent management teams that are culturally entangled in the inflexibility that threatens their futures.

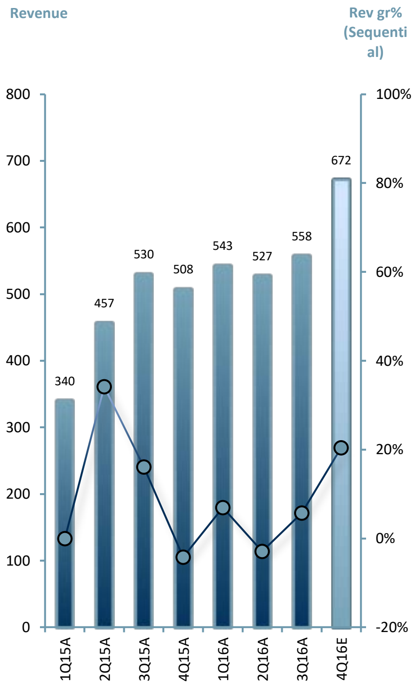
Whichever way this bid goes both IEGH and OMF shareholders are presented with beneficial opportunities. For IEGH shareholders we assess that the effects of the bid are more or less only positive. For OMF shareholders, in our view, there is more an active effort required to get better value from the OMF assets.

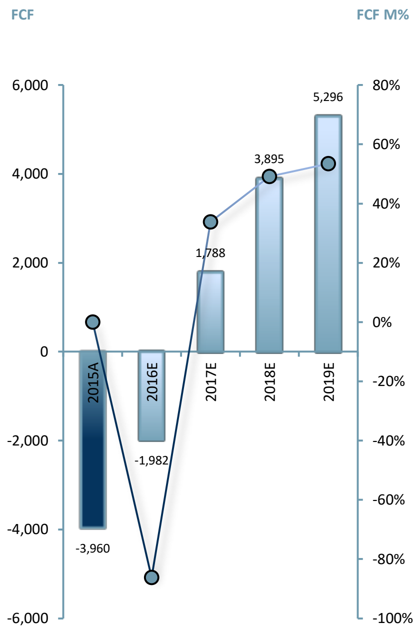
● **Aftermath** If IEGH gains 100% control of OMF, IEGH's shares could reach USD 80 within 24m. Based upon IEGH's offer, a USD 80 s/p would translate to USD 160 for OMF shareholders. If IEGH managed to coral even a small minority stake the jolt to OMF management could accelerate internal change, which would be positive for shareholders on both sides. If IEGH fails to gain a single share, positive change for shareholders may still come for OMF.

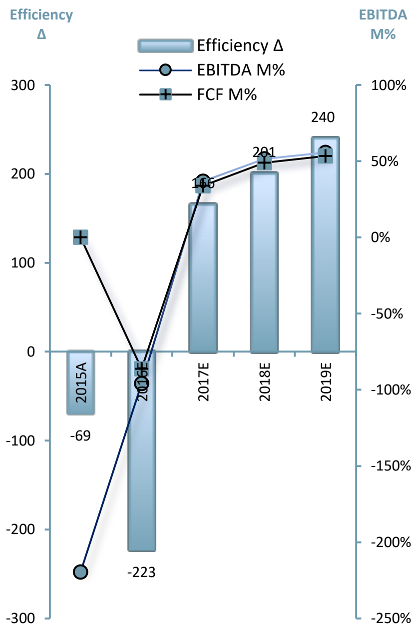
IEGH in turn is likely to benefit from significant free coverage in the media and may well itself become a target for OMF or other player. We have not attempted to capture a bid for IEGH in our new value range.

Forecasts









Our forecasts are based upon management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However, Net Income remains important for assessing elements of balance sheet strength, nevertheless we are strongly of the view that only cash matters.

Valuation

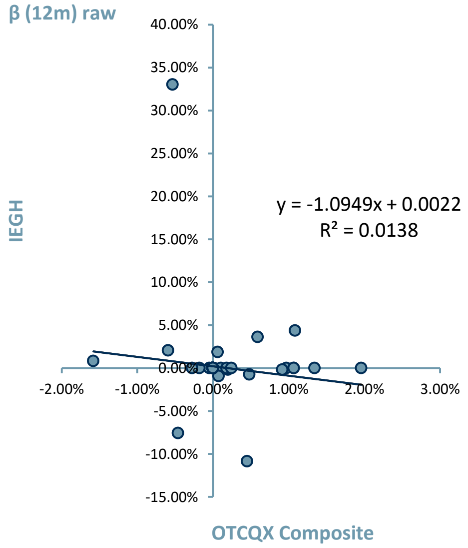
ACF est. USD (k)	2015A	2016E	2017E	2018E	2019E
Revenue	1,835	2,299	5,289	7,933	9,916
EBITDA	-4,029	-2,204	1,954	4,096	5,536
Net Income	-6,009	-3,553	96	1,866	2,863
FCF	-3,960	-1,982	1,788	3,895	5,296
CPS (diluted)	-0.41	-0.19	0.17	0.38	0.51

IEGH WACC Calc	
Pre-tax cost of debt	5.4%
ETR	40.0%
After-tax cost of debt	3.2%
Current Leverage	
Debt	-0.7%
Equity	70,428
Target Leverage	
D / (D+E)	10.0%
ACF β adj levered	1.14
rf	0.80%
Rm	6.2%
ERP	5.4%
Cost of equity	6.96%
Risk adj.	0.00%
WACC	6.58%

*Bloomberg ticker indicates ACF market ERP

Note: We assume the conservative Debt / Equity target mix 10%, up from 0% at initiation. It is likely that IEGH will raise this target ratio in the future.

β (12m) raw



IEGH is currently debt free but looking for USD 10m debt funding for its loan book. In our 2016 IEGH initiation note we assumed a Debt/Equity mix of 0% which produced a higher WACC. Our new lower WACC generates part of our upwards valuation revision.

Valuation Range		
NPV FCF (k)	15,277	
NPV TV FCF (k)	63,255	
EVF (k)	78,532	
TV Mulitple	14.0x	
% TV of total NPV	80.55%	
Net Debt (k)	-486	
Fair Value (k)	79,018	
NoSh (m)	9,438.32	
NoSh (diluted) (m)	9,438.32	
Intrinsic Value Per Share USD	8.37	
Close Price USD	7.25	
VR (low - high)	**8.16**	**8.58**
VR Spread	5.00%	
Implied VR Return (low - high)	12.6%	18.4%

Note: Close price on front page of this ACF research note is based on shares in issue (NoSh) on 10/01/2017 of 9,714,186 less the full impact of the USD 2m share buyback assuming the close price is this note.

Sensitivity Analysis

We have raised our revenue forecasts from FY17E out to FY19E. We have raised our FY17E provisions forecast to account for increased loan book growth. We captured the effect of the up to USD 2m buy back in full.

We have assumed a marketing return from the bid announcement via media coverage.

We have excluded any dividend impact FY17E.

We have excluded any impact from the USD 10m debt raise to expand the loan book.

We have excluded any cash effects of acquiring OMF stock.

We have raised our revenue forecasts from FY17E to FY19E by around 15% based upon IEGH's announcement that it will reach profitability and pay a dividend 1Q17E, around 9 months ahead of our previous forecasts. We have also assumed that publicity from the **OneMain bid** will only help accelerate loan growth in the two new licenses won since our initiation note published November 14th, 2016, irrespective of the outcome of the deal. We have raised provisions in our forecasts in line with our new revenue growth assumptions. Our IEGH WACC is lowered to 6.58% after we recalculated an individual annualised beta of IEGH, which incorporates shire price correlation and performance since our initiation note and now includes a debt/equity target of 10% (vs. a previous target assumption of zero), based upon IEGH's move to raise USD 10m debt to expand the loan book. We have also raised our FCF TV multiple to 14x vs. 12x to reflect improved growth indicators, though this multiple is still significantly lower than many growth companies enjoy. Our sanity check organic perpetuity real growth rate forecast for EBITDA is raised to 5% from 3%, to reflect catalysts delivered and we still view this as modest, suggesting an implied VR of USD 9.18 to 10.44, which is between 27% to 44% above yesterday's close of USD 7.25 and 12.6% and 18.3% above our new TV multiple DCF VR of USD 8.16 – 8.58 published in this note.

Exhibit 6: **IEGH multiples based on close price**

	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS	CPS (diluted)
2016E	2,299	-2,204	-1,982	-0.37	-0.37	-0.20	-0.20
2017E	5,289	1,954	1,788	0.01	0.01	0.18	0.18

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2016E	30.42x	-31.73x	-35.29x	-19.82x	-19.82x	-35.54x	-35.54x
2017E	13.22x	35.80x	39.12x	736.71x	736.71x	39.39x	39.39x

Source: ACF Research Estimates.

Exhibit 7: **WACC/Multiple table shows longer-term valuation potential**

Our EBITDA perpetuity growth of 5% at a WACC between 6% and 7% valuation check suggests a Value Range (VR) USD 9.18 –10.44 per share, higher than our published VR in this note of USD 8.16 – 8.58 p/s.

Share Price

Terminal EBITDA Growth	WACC 4.00%	5.00%	6.00%	7.00%	8.00%	9.00%
2.00%	14.45	11.89	10.19	8.97	8.06	7.35
3.00%	14.57	11.99	10.27	9.04	8.12	7.40
4.00%	14.70	12.09	**10.35**	**9.11**	8.18	7.46
5.00%	14.82	12.19	**10.44**	**9.18**	8.25	7.51
6.00%	14.95	12.29	**10.52**	**9.26**	8.31	7.57
7.00%	15.07	12.39	10.60	9.33	8.37	7.63
8.00%	15.20	12.49	10.69	9.40	8.43	7.68

Source: ACF Research Estimates.

Exhibit 7 above shows the valuation range based on perpetuity EBITDA growth, whereas our actual DCF calculation uses a TV multiple derived from discounted FCF.

Peer Group Comparators

Exhibit 8: **Trailing IEGH peer group metrics**

Trailing 15A Metrics / Company Name	Market	MCAP (m)	Div %	EBITDA / M%	MCAP / REVS	MCAP / EBITDA	MCAP / NI
IEG Holdings Corp	**OTCQB**	**70.43**	**0.0%**	**-219.53**	**38.38x**	**-17.48x**	**-12.36x**
OneMain Holdings	NASDAQ	3128.64	0.0%	-0.73	1.43x	-195.54x	-25.64x
World Acceptance	NYSE	562.35	0.0%	26	1.01x	3.88x	6.43x
Enova Internation	NYSE	458.36	0.0%	21.88	0.70x	3.21x	10.42x
LendingClub	NYSE	2188.42	0.0%	1.98	2.23x	112.69x	-437.68x
Average			**0.00%**	**12.28%**	**1.34x**	**-18.94x**	**-111.62x**
Median			**0.00%**	**11.93%**	**1.22x**	**3.55x**	**-9.61x**

Source: ACF Research Estimates; Companies reports; Factset.

Exhibit 9: **Trailing IEGH peer group consumer lending metrics**

Trailing 15A Metrics / Company Name	Market	MCAP (m)	Gross Debt / Assets	Gross Debt / Equity	RoA %	RoE %	RoI %
IEG Holdings Corp	**OTCQB**	**70.43**	**-1.61**	**-2.71**	**-20.29**	**-31.75**	**92.00**
OneMain Holdings	NASDAQ	3128.64	81.64	615.88	-0.76	-10.01	-0.76
World Acceptance	NYSE	562.35	46.47	95.61	10.45	24.71	11.04
Enova Internation	NYSE	458.36	64.47	263.10	5.50	24.44	6.01
LendingClub	NYSE	2188.42	78.91	438.79	-0.10	-0.50	-0.11
Average			**67.87%**	**353.35%**	**3.77%**	**9.66%**	**4.05%**
Median			**71.69%**	**350.95%**	**2.70%**	**11.97%**	**2.95%**

Source: ACF Research Estimates; Companies reports; Factset.

We have changed our IEGH peer group to include bricks and mortar lender OneMain (NYSE:OMF) and removed Regional Management (NYSE:RM) reflecting IEGH's unsolicited bid for OMF. OneMain was previously excluded because its march larger USD 3bn MCAP vs. IEGH and because its business strategy appeared particularly archaic and culturally encumbered compared to where we assess the industry is heading and so not as a good a comparator for investors to consider.

IEGH does not make up a constituent of our average or median values in the peer group metrics. We have excluded IEGH from these values to make comparison with the rest of the peer group as clean and undistorted as possible. We have used trailing metrics and we invite readers to compare the FY15A trailing metrics in Exhibits 7 and 8 above with the forward multiples FY16E and 17E in our sensitivity analysis and on the front page of this note.

Peer Group Selection

IEG Holdings Corp. (**OTCQX:IEGH**, **OTC Markets**) is a US consumer finance company. The Company provides an **online** unsecured installment based consumer loan of USD 5,000 or 10,000 with a 60-month term and APRs between 19.9% and 29.9% (State regulation dependent) via an online only platform under the brand Mr. Amazing Loans on its website www.mramazingloans.com. The Company has online lending licenses in 19 US states and is planning to raise this to 25 states by mid-2017. The Company's personal loan products are fully amortizing, fixed rate and unsecured installment loans.

OneMain Holdings, Inc., (**NYSE:OMF, NYSE** listed) is a **bricks and mortar** financial services company providing consumer finance and insurance (credit and non-credit insurance) in all 50 US states via its subsidiaries. The Company historically has been acquisitive. OMF has three segments: Consumer and Insurance; Acquisitions and Servicing, and Real Estate. The Company's real estate loans for sale total greater than USD 179m and its real estate loan held for investment are valued at over USD 524m.

World Acceptance Corporation (**NASDAQ:WRLD**, **NASDAQ** listed) is a US consumer finance company. WRLD provides installment and payment deduct loans of a standardized amount and maturity between USD 300 and USD 4,000 as its principal products via its 1,339 **bricks and mortar** branches in the US and New Mexico. WRLD also sells automobile club memberships for which it receives a commission on each sale but is not responsible for the administration of the club. ParaData Financial Systems is a subsidiary of WRLD; it automates loan account processing and collection, provides management information and control capability. WRLD also sells ParaData software systems to other loan providers.

Enova International (**NYSE:ENVA**, **NYSE** listed) provides **online** financial services to non-prime consumers and SoHo/SMEs. ENVA offers short term multi-installment unsecured consumer loans in 20 US states, the UK Australia and Brazil. The Company has over USD 17bn in loans and financing out to 4m customers.

LendingClub Corporation (Lending Club; **NYSE:LC**, **NYSE** listed) offers **online** application installment loans with fixed monthly payments to consumers and loans and lines of credit to the SoHo/SME business market. The loans bare no prepayment penalty for early redemption. The potential loan book is then offered to qualified private investors to fill the book. The loan book attracts a wide range of investors from retail, HNW and family offices, through to banks and hedge funds.

Financial Analysis

● **Revenue model assumptions** – the table below shows the assumptions we have used to underpin our revenue forecasts for IEGH. We have assumed that no loans are sold in the Maryland and Ohio licence geographies (licence granted Nov. 1st, 16; Dec 22nd, 17 respectively). In reality it is likely that Maryland and Ohio will perform as well as other IEGH territories on a per capita basis.

Exhibit 10: **Underlying revenue development**

State Licences 18	Rev/loan by State	No. of Loans FY16E	Rev. run rate FY16E	No. of Loans FY17E	Rev. run rate FY17E
Alabama	1,495	26	38,895	127	189,929
Arizona	1,245	130	161,871	231	287,648
California	1,495	93	139,060	194	290,094
Florida	1,195	333	397,955	434	518,681
Georgia	1,495	185	276,600	286	427,634
Illinois	1,495	199	297,530	300	448,564
Kentucky	1,195	19	22,725	120	143,451
Louisiana	1,445	21	30,369	122	176,352
Missouri	1,495	67	100,190	168	251,224
Nevada	1,495	200	299,025	301	450,059
New Jersey	1,495	216	322,945	317	473,979
New Mexico	1,495	23	34,410	124	185,444
Oregon	1,495	54	80,755	155	231,789
Pennsylvania	1,495	113	168,960	214	319,994
Texas	1,395	141	196,719	242	337,650
Utah	1,495	26	38,895	127	189,929
Virginia	1,495	144	215,305	245	366,339
Maryland*	0	0	0	0	0
Ohio	0	0	0	0	0
Total	24	1,990	2,822	3,708	5,289
Growth %		19%	23%	86%	87%

Source: ACF Research Estimates; Company reports;

● **Credit losses and impaired loans** - IEGH maintains a provision for credit losses due to the fact that it is probable that a portion of the loans receivable will not be collected. The allowance is estimated by management, based on various factors, including specific circumstances of the individual loans, management's knowledge of the industry, and the experience and trends of other companies in the same industry. IEGH's portfolio of loans receivable consists of a large number of relatively small, homogenous accounts.

The allowance for credit losses is determined using a systematic methodology designed by the Company but based upon a combination of historical bad debts of comparable companies. Impaired loans are considered separately and 100% **charged off**. We estimate the net charge off rate at approximately 12%.

Financial Projections

Exhibit 11: **IEGH P&L and forecasts**

P&L USD (k)	2014A	2015A	2016E	2017E	2018E
Revs	**529**	**1,835**	**2,299**	**5,289**	**7,933**
gr%	741%	247%	25%	130%	50%
GP	529	1,835	2.299	5,289	7,933
% Revs	100%	100%	100%	100%	100%
SGA	5,382	7,013	5,852	4,596	5,371
% Revs	1017%	382%	254%	87%	68%
EBITDA	**-4,223**	**-4,029**	**-2,204**	**1,954**	**4,096**
% Revs	-798%	-220%	-96%	37%	52%
Provisions, D&A	630	1,149	1,348	1,696	2,034
% Revs	119%	63%	59%	32%	26%
EBIT	**-4,852**	**-5,177**	**-3,553**	**693**	**2,562**
EBT	-5,402	-5,698	-3,553	693	2,562
ETR	0%	0%	0%	0%	0%
Tax	0	0	0	0	0
NI	**-5,402**	**-5,698**	**-3,553**	**693**	**2,562**
% Revs	-1021%	-311%	-154%	13%	32%

Source: Company reports; ACF Estimates.

Exhibit 12: **IEGH Cash Flow and forecasts**

Cash Flow USD (k) CFO	2014A	2015A	2016E	2017E	2018E
Profit/(loss) for period	-5,402	-5,698	-3,553	693	2,562
Provisions, D&A	630	1,149	1,348	1,696	2,034
Othe non-cash items	54	90	113	260	391
WCap Change	1,416	500	109	-264	-397
Net CFO	**-3,302**	**-3,960**	**-1,982**	**2,385**	**4,590**
Cash Taxes	0	0	0	0	0
Capex	0	0	0	0	0
FCF	**-3,302**	**-3,960**	**-1,982**	**2,385**	**4,590**
CF from Financing	3,454	4,011	2,535	0	0
Net Cash In/(Out)	152	52	553	2,385	4,590
Cash previous YE	282	434	486	1,038	3,423
Cash & CE	**434**	**486**	**1,038**	**3,423**	**8,013**

Source: Company reports; ACF Estimates.

Exhibit 13: **IEGH Balance Sheet and forecasts**

Balance Sheet USD (k)	2014A	2015A	2016E	2017E	2018E
Tangible Assets	36	29	27	0	0
Investments	4,316	7,161	8,972	20,636	30,954
Total Fixed Assets	**4,352**	**7,189**	**8,999**	**20,636**	**30,954**
Current assets	143	112	140	323	484
Cash	434	486	1,038	3,423	8,013
Total Current Assets	**577**	**598**	**1,179**	**3,746**	**8,498**
Creditors	28	40	69	160	240
Accruals & Loans	2,509	96	0	11,637	21,955
Net Assets	**2,392**	**7,650**	**10,108**	**12,585**	**17,257**
Share Capital	2,161	2,007	2,236	2,236	2,236
Reserves	0				
Share Premium	14,915	26,025	31,806	33,590	35,700
Accum. Profit/(loss)	-14,683	-20,381	-23,934	-23,241	-20,680
Total Equity	**2,392**	**7,650**	**10,108**	**12,585**	**17,257**

Source: Company reports; ACF Estimates.

Glossary

CFS	Centre for Financial Services
FDIC	The Federal Deposit Insurance Corporation preserves and promotes public confidence in the US financial system by insuring bank deposits and thrift institutions for a minimum USD 250k. The FDIC is also responsible for identifying, monitoring and addressing risks to the deposit insurance funds. FDIC was set up on 1933 after the thousands of bank failures during 1920s and early 30s.
CoS	Cost of Sales is, in ACF's financial models, a variable cost linked directly to revenue development, e.g. sales team commissions, but for example, not sales team salaries.
CT	Corporation Tax is the tax owed by corporation on taxable profits less exemptions to IRS.
EAT	Earnings after tax. Also often expressed as PAT – profit after tax, and post-tax profit.
EBIT	Earnings before interest and tax (also often referred to or equates to operating profit).
EBITDA	Earnings before interest, depreciation and amortisation – the presentation of EBITDA by companies is not a requirement of UK GAAP or IFRS accounting standards. However in certain cases it can act as a close proxy to free cash flow.
EBT	Earnings before tax. Also often expressed as PBT – profit before tax.
FCF	Free Cash Flow generated in ACF's models after all obligatory cash costs have been satisfied such as Interest payable (Ip), cash taxes and maintenance capex (as opposed to investment capex). FCF represents the cash remaining for theoretical distribution or investment after all obligatory cash based costs including net interest payable have been deducted.
IRS	Internal Revenues Service. The IRS is the tax collecting government agency in the US (equivalent to HMRC in the UK), which is also responsible for administering the Internal Revenue Code – the US tax law. The IRS is a bureau of the Department of Treasury under the direction of the Commissioner of Internal Revenue.

IFRS	International Financial Reporting Standards are a set of standards developed by the International Accounting Standards Board. IFRS is an internationally recognised standard and in principle means that investors from different legal geographies can compare financial performance between potential competing investments more easily (cheaply) openly and fairly, when compared to say comparing UK GAAP vs. US GAAP or other "regional" accounting standards.
JV	Joint Venture – generally a legal structure between two corporate entities involving participation in equity capital in the JV vehicle. JV can also refer to more informal arrangements.
Charge Off (Gross)	Gross charge off is the USD amount of debt that a creditor declares is unlikely to be collected. Gross charge off is triggered by a consumer becoming severely delinquent on a debt. A charge-off is a form of write-off.
Charge Off (Net)	Net charge off is the USD amount that is the difference between gross charge-offs and subsequent recoveries of delinquent debt. Net charge offs refer to the debt owed to a company that is unlikely ever to be recovered by that company i.e. bad debt
NoSh	Number of Shares in issue (NoSh).
RoA	Return on Assets is a ratio that provides insight into profitability. RoA is defined as Net Income divided by total assets. RoA is used to help investors understand how well a company management ream is using assets to generate earnings. Like most ratios a low value can also indicate an inflexion point or optimum time to buy rather than sell the related stock. Some analysts like to add back interest expense to net income as this gives a metric to compare operating returns before cost of borrowing. This is most helpful if borrowing costs are the same for the peer group under analysis.
RoE	Return on Equity is a ratio designed to provide insight into the profitability of a company by showing profit generated in comparison to cash invested by equity holders. RoE is defined as net income divided by shareholder's equity (see definitions in this glossary).

RoI Return on Investment is a ratio that provides insight into the efficiency of an investment. RoI attempts to measure the return on an investment vs. the cost of the investment. The ratio is defined as the gain from investment less cost of investment subsequently divided by cost of investment. Most RoI calculations do not account for the time value of money. This changes investment performance considerably and can easily lead to the wrong conclusions because no account is taken of the rate of return only of the total return.

SGA Sales, General and Administrative expenses, often equates to or is equivalent to Cost of Sales (CoS) plus operating expenses. However ACF uses SGA to classify relatively invariable expenses as opposed to variable expenses linked more or less directly to revenue generation, as such sales commissions might typically end up in CoS, whereas salaries for sales people would be classed as relatively invariable and be booked under SGA in an ACF model.

Shareholders' Equity Shareholders equity is a line on the balance sheet calculated from the deduction of total liabilities from total assets and represents the value (or lack of it) available for distribution to shareholders should the entity wind up operations. It differs from the equity value expressed in market capitalisation (MCap), which is number of shares in issue (NoSh) multiplied by share price. The ratio Debt/Equity commonly uses the Debt/MCap formula as opposed to the Debt/Shareholder equity formula.

uFCF Unlevered Free Cash Flow is FCF from which cash based interest payments are not deducted. It represents the total maximum cash flow available to both bond and equity holders over a given period.

Uplift Potential Uplift potential is the potential for a re-rating of the value of a stock. For example, a company is valued by market participants at the equivalent of 10x a particular metric such as EBITDA, the value then rises (due to an uplift) to the equivalent of 12x EBITDA, this is the rerating (by 2 turns in our example).

Notes [Intentionally Blank]

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