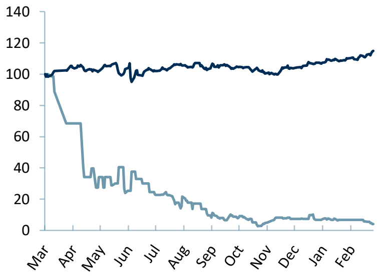
ESTIMATES

VALUE RANGE

USD 7.93 – 8.77



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

Monday, 20 March 2017

Intrinsic Price	$8.35
Value Range Low	$7.93
Value Range High	$8.77
Implied MCAP (m)	$78.83
Implied EV (m)	$78.51
OTCQB Index	IEGH
Financial YE	31-Dec
Currency	USD
Business Activity	
Consumer retail near-prime lending	
Key Metrics	
Close Price	$3.00
MCAP (m)	$29,143
Net Debt (Cash) (m)	-$0.322
EV (m)	$28.82
52 Wk Hi	$73.00
52 Wk Lo	$2.01
NAV trailing	$0.85
Key Ratios	
S/P premium to NAV	252.00%
Charge off	11.91%
(Net Cash) / Shareholder Equity %	-3.89%

Financials Sector Research

OTCQB Best Market Index

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IEG Holdings Corp. FY16 Results

Into the light

IEGH serves the retail near prime, but underbanked, US online lending market with USD 5,000 and 10,000 loans. Our underlying IEGH (OTCQB:IEGH) valuation remains remarkably robust under rigorous scenario testing. It is difficult to value IEGH below the USD 8-9 range. FY16A results show record revenues and strong growth, the accountants have finally removed their last qualification to the accounts, IEGH is on target to hit its inflection point in spite of missing some of our short-run upgraded targets for YE16A, IEGH remains 6 months ahead of our general expectations. However, the market is looking at two items – will it make its 2Q inflection point and if not will IEGH be able to find the USD 300k we estimate it would need if the FCF +ve inflection was pushed out to 4Q17E.

- Revenues up 16.34% y/y to 2.135m;
- Net income loss cut by 17% y/y down USD 1.25m to 4.8m;
- Maiden dividend promised 1Q17E;
- Share buy-back up to USD 2m “suspended” until OneMain bid over;
- EBITDA, and FCF positive by 3Q17E on a quarterly basis.

	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS
2017E	5,024	484	723	-0.18	-0.18	0.07
2018E	7,459	4,785	4,401	0.21	0.21	0.45

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS
2017E	5.74x	59.50x	39.84x	-16.92x	-16.92x	40.28x
2018E	3.86x	6.02x	6.55x	14.53x	14.53x	6.62x

17/03/2017	No. of Shares in issue	Fully diluted
Share Price History		
NoSh (m)	971.4	971.4
Implied Intrinsic Price	$8.35	$8.35
Value Range Low	$7.93	$7.93
Value Range High	$8.77	$8.77
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)		971.4

Key Metrics		adj.
MCAP (m)	$29.1	$29.1
Net Debt (Cash) (m)	-$0.32	-$0.32
EV (m)	$28.8	$28.8
52 Wk Hi	$73.0	$73.0
52 Wk Lo	$2.01	$2.01
Free Float	20%	20%

*Key Metrics FCF adj.	2017E	2018E
CPS (USD)	0.07	0.45
CPS (Exp D) (USD)	0.07	0.45
CPS (FD) (USD)	0.07	0.45
P/CPS	112.1x	18.4x
P/CPS (Exp D)	112.1x	18.4x
P/CPS (FD)	112.1x	18.4x

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 process.

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 loan delivery mechanism; targets the lower risk near prime only market; robust consistent approval process; 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 FCF and EBITDA breakeven 2Q17E; dividend payment; expansion of loan book capability (USD 10m reignited); re-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.

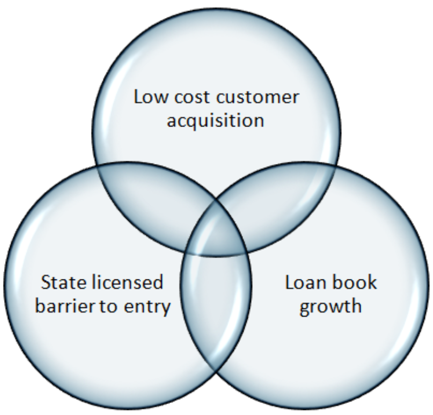
CEO and founder Paul Mathieson and COO Carla Cholewinski have considerable experience in the consumer loan and financial services and banking industries. Mr. Mathieson tested the Mr. Amazing Loans brand and concept successfully in the tiny Australian market (5m households and no online distribution permitted) 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, it has not, suggesting cultural inertia. 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 Research; 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 Research Estimates; Company Reports.
*CCA – Cash Cost of Acquisition of loan customers

● **Position concentration risk off-set** - We concluded 3Q16A 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 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.

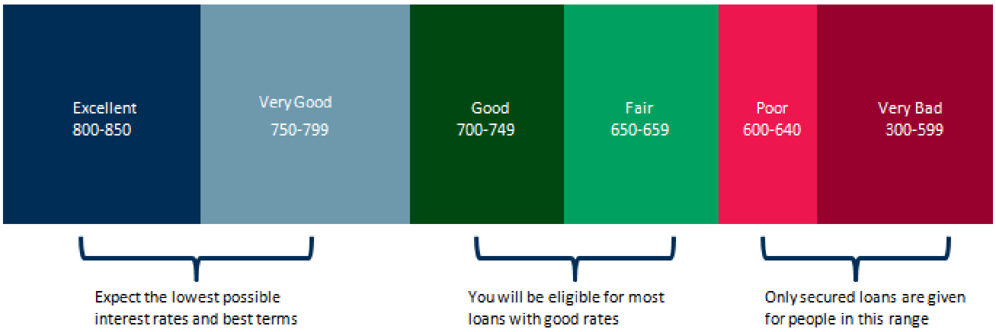
● **Client selection criteria** – IEGH only lends to customers above 600 on the credit scoring exhibit below. Historically some loan customers had lower credit scores.

● **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 to 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 clients' money management is also assessed. If a potential client passes all steps the underwriter recommends final approval.

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



Source: ACF Research Estimates; credit scoring agencies.

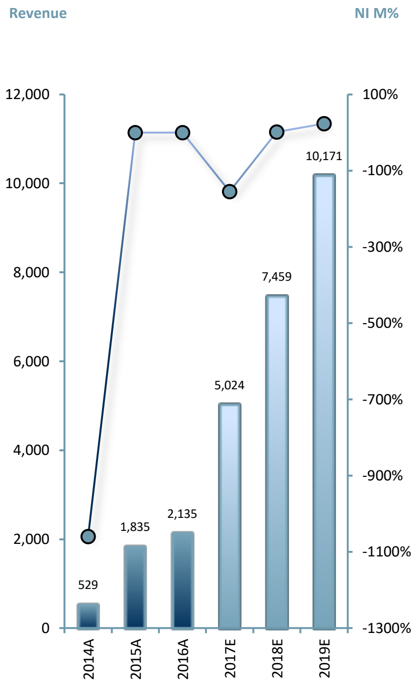
Exhibit 4: **Loan receivable balances vs. credit score change**

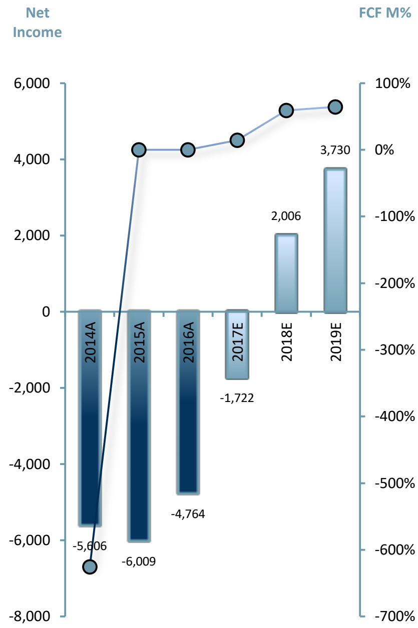
Credit Score	YE16A USD	YE15A USD	YE16A mix	YE15A mix	Delta pp YE15A YE16A
550-575	16,264		0.21%	0.00%	0.21%
576-600	183,701	149,056	2.42%	1.84%	0.58%
601-650	3,332,371	3,397,512	43.92%	41.89%	2.03%
651-700	2,946,944	3,230,308	38.84%	39.83%	-0.99%
701-750	874,408	1,097,225	11.52%	13.53%	-2.00%
751-800	166,811	185,840	2.20%	2.29%	-0.09%
801-850	46,368	50,136	0.61%	0.62%	-0.01%
851-900	20,482		0.27%	0.00%	0.27%
Total	7,587,349	8,110,077	100%	100%	
Growth % y/y	-6.45%				
Growth % 9m	1.77%				

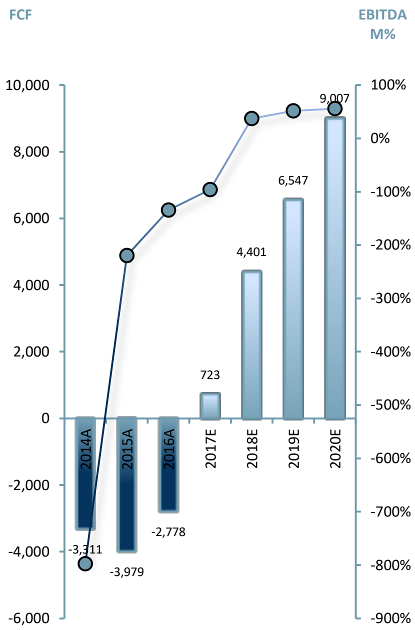
The Y/Y loan book is down 6.45%, a decline of 8.22% on the 9M16A position, in large part this is due to two main uses of management time – the restructuring plan for profitability executed 4Q16 and the bid strategy for OneMain executed 1Q17.

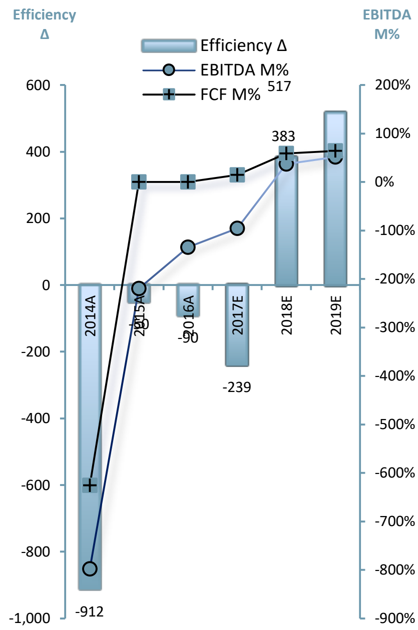
Source: ACF Research Estimates; Company Reports.

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.

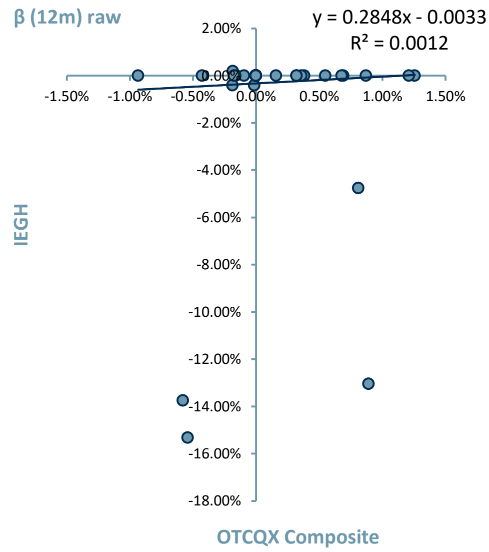
Valuation

ACF est. USD (k)	2016A	2017E	2018E	2019E	2020E
Revenue	2,135	5,024	7,459	10,171	13,250
EBITDA	-2,867	484	4,785	7,064	9,678
Net Income	-4,764	-1,722	2,006	3,730	5,677
FCF	-2,778	723	4,401	6,547	9,007
CPS (diluted)	-0.35	0.07	0.45	0.67	0.93

IEGH WACC Calc	
Pre-tax cost of debt	5.4%
ETR	40.0%
After-tax cost of debt	3.2%
Current Leverage	
Debt	-1.1%
Equity	29,143
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.	3.35%
WACC	9.93%

*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.



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 higher WACC reflects IEGH's higher volatility and delayed FCF positive inflection point risk.

Valuation Range		
NPV FCF (k)	21,824	
NPV TV EBITDA (k)	56,683	
EVF (k)	78,507	
TV Mulitple	8.0x	
% TV of total NPV	72.20%	
Net Debt (k)	-322	
Fair Value (k)	78,830	
NoSh (m)	9,438.32	
NoSh (diluted) (m)	9,438.32	
Intrinsic Value Per Share USD	8.35	
Close Price USD	3.00	
VR (low - high)	7.93	8.77
VR Spread	10.00%	
Implied VR Return (low - high)	164.5%	192.3%

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 shaved our 17E and 18E revenue forecasts, and cut our EBITDA assumptions, pushed out our inflection point to 2Q17 from 1Q17, raised our WACC to 9.93% from 6.58% and cut our TV multiple.

We have also excluded any dividend impact FY17E, the USD 2m share buy-back or (in the short run) the USD 10m debt raise to expand the loan book.

We have excluded any cash effects of acquiring OMF stock.

…and yet IEGH's longer term valuation stands up. It is difficult to get below USD 8 per share.

We have shaved our revenue forecasts for FY17E by 265k to 5,024k and to FY18E by 474k based upon IEGH's announcement that profitability will be pushed out to 2Q17E, a dividend will still be paid 1Q17E, but the current debt USD 10m raise to fund further loans and the USD 2m share buy-back are currently on hold whilst the audacious bid for OneMain plays out. Irrespective of the outcome of the OneMain bid we expect the additional publicity to aid IEGH's overall marketing effort. Our IEGH WACC is raised to 9.93% from 6.58% to reflect additional financial risk created by the OneMain bid. Our debt/equity target remains at 10% (vs. 0% previously), based upon IEGH's move to raise USD 10m debt to expand the loan book. We have also cut our FCF TV multiple to 10x vs. 14x to reflect lower growth indicators and higher charge off rate than hoped for. Nevertheless, various key catalysts have been delivered. A modest 5% EBITDA perpetuity suggests an implied IEGH VR of USD 9.51 to 10.23, which is somewhat higher than Friday's USD 3.00 close. Our new IEGH TV multiple DCF VR of USD 8.90 – 9.29 and our EBITDA TV DCF is USD 7.93 to 8.77 with a 10% spread to reflect price volatility, is published on the first page of this note. Whatever we do, assuming management does make its 2Q inflection point, it is very difficult to value IEGH much below USD 8 per share.

Exhibit 5: **IEGH multiples based on close price**

	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS	CPS (diluted)
2017E	5,024	484	723	-0.18	-0.18	0.07	0.07
2018E	7,459	4,785	4,401	0.21	0.21	0.45	0.45

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2017E	5.74x	59.50x	39.84x	-16.92x	-16.92x	40.28x	40.28x
2018E	3.86x	6.02x	6.55x	14.53x	14.53x	6.62x	6.62x

Source: ACF Research Estimates.

Exhibit 6: **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 13.61 - 15.48 per share, higher than our published VR in this note of USD 7.93–8.77 p/s.

Share Price

Terminal FCF Multiple / WACC	7.00%	8.00%	9.00%	10.00%	11.00%	12.00%
7.0x	8.17	7.83	7.51	7.20	6.91	6.64
8.0x	8.97	8.59	8.24	7.90	7.58	7.27
9.0x	9.77	9.35	8.96	8.59	8.24	7.91
10.0x	10.56	10.11	9.69	9.29	8.90	8.54
11.0x	11.36	10.88	10.42	9.98	9.57	9.18
12.0x	12.16	11.64	11.14	10.68	10.23	9.81
13.0x	12.96	12.40	11.87	11.37	10.89	10.44

Source: ACF Research Estimates.

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

Peer Group Comparators

Exhibit 7: **Trailing IEGH consumer lending peer group metrics**

Trailing 16A Metrics / Company Name	Market	MCAP (m)	Div %	EBITDA / M%	MCAP / REVS	MCAP / EBITDA	MCAP / NI
IEG Holdings Corp	OTCQB	29.14	0.0%	-134.29	13.65x	-10.16x	-6.16x
OneMain Holdings	NASDAQ	3461.23	0.0%	25.37	0.89x	3.51x	14.24x
World Acceptance	NYSE	472.74	0.0%	26	0.85x	3.26x	5.41x
Enova Internation	NYSE	464.61	0.0%	18.82	0.62x	3.31x	13.43x
LendingClub	NYSE	2109.68	0.0%	-6.9	1.77x	-25.70x	-14.45x
Average			0.00%	15.82%	1.03x	-3.90x	4.66x
Median			0.00%	22.10%	0.87x	3.29x	9.42x

Source: ACF Research Estimates; Companies reports; Factset.

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

IEGH's balance sheet efficiency is improving year on year – suggesting an increasingly efficient use of capital for investors. IEGH is travelling in the right direction.

Trailing 16A Metrics / Company Name	Market	MCAP (m)	Gross Debt / Assets	Gross Debt / Equity	RoA %	RoE %	RoI %
IEG Holdings Corp	OTCQB	29.14	-4.73	-4.73	-64.87	-69.33	37.61
OneMain Holdings	NASDAQ	3461.23	77.02	455.28	1.24	7.32	1.25
World Acceptance	NYSE	472.74	46.47	95.61	10.45	24.71	11.04
Enova Internation	NYSE	464.61	66.77	270.13	3.81	15.46	4.13
LendingClub	NYSE	2109.68	77.68	442.82	-2.57	-14.47	-2.67
Average			66.99%	315.96%	3.23%	8.26%	3.44%
Median			71.90%	356.48%	2.53%	11.39%	2.69%

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 as RM 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 FY16A trailing metrics in the exhibits above with the forward multiples FY17E and 18E in our sensitivity analysis and on the front page of this note.

Peer Group Selection

IEG Holdings Corp. (**OTCQB:IEGH**, **OTC Markets** listed) is a US consumer finance company. The Company provides an **online** unsecured installment based consumer loans 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 one office and 7 employees, but 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. OMF has >1,800 branches in 44 US sates and >10,000 employees. 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 loans 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

In reality it is likely that Maryland and Ohio will perform as well as other IEGH territories on a per capita basis.

	YE16A	YE15A
Loans receivable	7,587	8,110
Credit loss expected	1,212	985
% of loans recvbl	16%	12%
Net loans rcvbl	6,375	7,125
Beginning balance	985	597
Provisions	1,865	1,135
Charge offs	1,638	746
% charge offs vs. loans rcvbl	21.6%	9.2%
YE balance	1,212	985

● **Revenue model assumptions** – the tables below show our core underlying assumptions 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) during FY17E.

● **Credit losses and impaired loans** - IEGH maintains a provision for credit losses because it is probable that a portion of the loans receivable will not be collected. In principle we expect this proportion to be between 10% and 20% based upon management's knowledge of the industry, and the experience and trends of other companies in this sector. IEGH's portfolio of loans receivable consists of a large number of relatively small, homogenous accounts. IEGH will need to keep expected losses and charges offs around 10%-12% to meet our current revenue estimates. For FY16E we applied a 20% charge off rate - IEGH missed our FY16E revenue forecast by USD 164k.

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 averages 12% over time (FY16A 21.6%, vs. 9.2% y/y).

Exhibit 9: **Underlying revenue development**

State Licences 19	Rev/5k 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	24k	1,990	2,822k	3,708k	5,289k
Growth % y/y		19%	23%	86%	87%
Charge off rate			20%		12%
Base case			2,258k		4,654k

Source: ACF Research Estimates; Company reports.

State Licences 19 3Q16A	Origination Vol ($)	Current Principal ($)	APR (%)	Revenue run rate FY15A	No. of Loans
Alabama	35,000	34,664	29.9	10,365	7
Arizona	727,000	499,489	24.9	124,373	111
California	390,000	364,130	29.9	108,875	74
Florida	2,085,000	1,456,854	23.9	348,188	314
Georgia	1,128,023	821,007	29.9	245,481	166
Illinois	1,281,000	881,007	29.9	263,421	180
Kentucky	-	-	23.9	-	-
Louisiana	10,000	9,895	28.9	2,860	2
Missouri	293,000	238,474	29.9	71,304	48
Nevada	1,403,000	794,213	29.9	237,470	181
New Jersey	1,277,000	982,578	29.9	293,791	197
New Mexico	20,000	19,460	29.9	5,819	4
Oregon	190,000	179,190	29.9	53,578	35
Pennsylvania	540,000	489,623	29.9	146,397	94
Texas	735,000	669,710	27.9	186,849	122
Utah	45,000	38,624	29.9	11,549	7
Virginia	830,000	633,874	29.9	189,528	125
Maryland	N/A	N/A	24	N/A	N/A
Ohio	N/A	N/A	25	N/A	N/A
Total (USDk)	10,989	8,113	(%)	2,300	1,667
Average (k)	646	477	28.7	135	98.1
Median (k)	540	490	29.9	124	94

State Licences 19 YE16A	Origination Vol ($)	Current Principal ($)	APR (%)	Revenue run rate FY16A	No. of Loans
Alabama	115,000	89,203	29.9	26,672	18
Arizona	807,000	307,766	24.9	76,634	99
California	995,000	779,210	29.9	232,984	163
Florida	2,260,000	1,073,758	23.9	256,628	278
Georgia	1,433,023	800,393	29.9	239,318	177
Illinois	1,761,000	936,025	29.9	279,871	212
Kentucky	15,000	14,426	23.9	3,448	3
Louisiana	15,000	12,839	28.9	3,710	3
Missouri	413,000	254,103	29.9	75,977	59
Nevada	1,708,000	663,594	29.9	198,415	175
New Jersey	1,607,000	843,708	29.9	252,269	196
New Mexico	35,000	27,056	29.9	8,090	6
Oregon	290,000	163,429	29.9	48,865	37
Pennsylvania	810,000	562,073	29.9	168,060	117
Texas	740,000	347,538	27.9	96,963	91
Utah	75,000	49,829	29.9	14,899	11
Virginia	1,030,000	599,398	29.9	179,220	137
Maryland	N/A	N/A	24	N/A	N/A
Ohio	N/A	N/A	25	N/A	N/A
Total (USDk)	14,109	7,524	(%)	2,162	1,782
Average (k)	830	443	28.7	127	104.8
Median (k)	807	348	29.9	97	99

Source: ACF Research Estimates; Company reports.

P&L, Cash Flow and Balance Sheet forecasts

P&L USD (k)	2015A	2016A	2017E	2018E	2019E
Revs	**1,835**	**2,135**	**5,024**	**7,459**	**10,171**
gr%	247%	16%	135%	48%	36%
GP	1,835	2,135	5.024	7,459	10,171
% Revs	100%	100%	100%	100%	100%
SGA	5,864	5,002	4,539	2,669	3,101
% Revs	320%	234%	90%	36%	30%
EBITDA	**-4,029**	**-2,867**	**484**	**4,785**	**7,064**
% Revs	-220%	-134%	10%	64%	69%
Provisions credit loss	1,135	1,865	2,201	2,779	3,334
% Revs	62%	87%	44%	37%	33%
EBIT	**-5,177**	**-4,741**	**-1,722**	**2,006**	**3,730**
EBT	-5,698	-4,729	-1,722	2,006	3,730
ETR	0%	0%	0%	0%	0%
Tax	0	0	0	0	0
NI	**-5,698**	**-4,729**	**-1,722**	**2,006**	**3,730**
% Revs	-311%	-221%	-34%	27%	37%

Cash Flow USD (k)	2015A	2016A	2017E	2018E	2019E
Profit/(loss) for period	-5,698	-4,729	-1,722	2,006	3,730
Provisions credit loss	1,135	1,865	2,201	2,779	3,334
D&A	14	9	6	6	6
Othe non-cash items	90	1	0	0	0
WCap Change	500	77	239	-373	-509
Net CFO	**-3,960**	**-2,778**	**723**	**4,417**	**6,562**
Cash Taxes	0	0	0	0	0
Capex	19	0	0	16	15
FCF	**-3,979**	**-2,778**	**723**	**4,401**	**6,547**
CF from Financing	4,031	2,615	0	0	0
Net Cash In/(Out)	52	-163	723	4,401	6,547
Cash previous YE	434	486	322	1,046	5,447
Cash & CE	**486**	**322**	**1,046**	**5,447**	**11,994**

Balance Sheet USD (k)	2015A	2016A	2017E	2018E	2019E
Tangible Assets	29	19	27	0	0
Investments	7,161	6,382	15,018	22,298	30,406
Total Fixed Assets	**7,189**	**6,402**	**15,044**	**22,298**	**30,406**
Current assets	112	98	230	342	466
Cash	486	322	1,046	5,447	11,994
Total Current Assets	**598**	**420**	**1,276**	**5,789**	**12,460**
Creditors	40	0	69	103	141
Accruals & Loans	96	1	0	7,254	15,362
Net Assets	**7,650**	**6,821**	**16,251**	**20,730**	**27,364**
Share Capital	2,007	2,233	2,236	2,236	2,236
Reserves					
Share Premium	20,327	24,000	35,149	37,623	40,527
Accum. Profit/(loss)	-14,683	-19,412	-21,135	-19,129	-15,399
Total Equity	**7,650**	**6,821**	**16,251**	**20,730**	**27,364**

Source: ACF Research Estimates; Company reports.

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]

Disclaimer

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