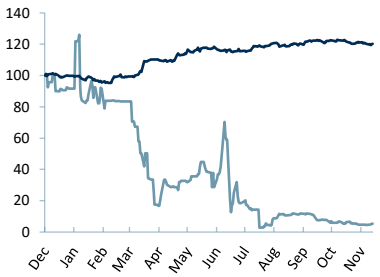
ACF EQUITY RESEARCH

POST RESULTS

VALUE RANGE

USD 3.96 – 4.37



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

Monday, 20 November 2017

Intrinsic Price	$4.16
Value Range Low	$3.96
Value Range High	$4.37
Implied MCAP (m)	$51.37
Implied EV (m)	$53.22
OTCQB Index	IEGH
Financial YE	31-Dec
Currency	USD
Business Activity	
Consumer retail near-prime lending	
Key Metrics	
Close Price	$0.32
MCAP (m)	$3.947
Net Debt (Cash) (m)	-$1.850
EV (m)	$2.10
52 Wk Hi	$8.60
52 Wk Lo	$0.14
NAV trailing	$0.67
Key Ratios	
S/P premium to NAV	-52.32%
Charge off	11.91%
(Net Cash) / Shareholder Equity %	-22.35%
Financials Sector Research	
OTCQB Best Market Index	

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IEG Holdings Corp. 3Q17 Results

Bullet proof fintech?

IEGH lends to the retail near-prime, but underbanked, US online borrowing market offering USD 5,000 and 10,000 loans. We have shied away from valuing IEGH, as a fintech, though that is what it is. IEGH raised $934k post 3Q close making it fully funded for 12-24m; The Company has around $1.6m of costs that could be cut for 12m, taking it to FCF positive FY18E if necessary, this can make the company financially bullet proof over the next 12 to 24 months. Share price volatility has hit hard and hides real progress during YTD. In addition, unavoidable legal battles (now settled in full) with Virginia and Virginia customers has held up 3Q revenue development and raised FY17E opex. However, IEGH has now entered the break-even zone.

- Cash and CE $2.79m post close – now fully funded next 12-24m;
- 3Q dividend $0.005 per common share (quarterly dividend policy);
- Share buy-back $1.7m of stock potentially still to be purchased;
- Exceptional item Virginia settlement $445k cash cost;
- 4Q17E $1.35m available for new loan origination.

	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS
2017E	1,965	-2,065	-3,194	-0.38	-0.29	-0.26
2018E	2,911	-1,285	-1,431	130.06	-0.19	-0.12

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS
2017E	1.07x	-1.02x	-0.66x	-0.84x	-1.09x	-1.24x
2018E	0.72x	-1.63x	-1.46x	-1.32x	-1.72x	-2.76x

20/11/2017 Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	12.34	16.07
Implied Intrinsic Price	$4.16	$3.20
Value Range Low	$3.96	$3.04
Value Range High	$4.37	$3.36
OTCQB	IEGH	
Financial YE	31-Dec	
Reporting Currency	USD	
NoSh (m)		12.3
NoSh (m) expected dilution (Exp D)		12.3
NoSh (m) full dilution (FD)		16.1

Key Metrics		adj.
MCAP (m)	$3.9	$3.9
Net Debt (Cash) (m)	-$1.85	-$1.85
EV (m)	$2.1	$2.1
52 Wk Hi	$8.6	$6.6
52 Wk Lo	$0.14	$0.11
Free Float	20%	20%

*Key Metrics FCF adj.	2017E	2018E
CPS (USD)	-0.26	-0.12
CPS (Exp D) (USD)	-0.26	-0.12
CPS (FD) (USD)	-0.20	-0.09
P/CPS	-16.1x	-27.5x
P/CPS (Exp D)	-16.1x	-27.5x
P/CPS (FD)	-21.0x	-35.9x

Above we show full dilution (FD) and expected dilution (Exp D). IEGH shares in issue at the date of this note are 12,335,293 which is 9,714,186 plus 3,039,880 shares issued by IEGH in exchange for 151,994 OMF shares, less shares bought back 373,254 to date. The post 3Q balance sheet close event in which IEGH issued 934,589 Series H Preferred Shares are convertible at a ratio of 1 preferred to 4 common stock shares at 17:00 EST on 31 December 2017 leading to 16.7m common shares and an ACF Value Range of USD 3.04 to 3.46 per share.

Investment Case

Competitive background

Fintech IEGH is a disruptive online force attacking the traditional bricks and mortar consumer lending market, as witnessed by its tender offer for OneMain stock. The Company's cash cost acquisition (CCA) of loan customers is 4-6% (we estimate average USD 294 per loan) 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 **LendingClub** and **OneMain. I**EGH prides itself on repeat business (80% of its loan book is repeat business). Process and contracts are transparent without hidden costs. Interest rates are in line with credit card borrowing (IEGH average less than APR 28.9%) vs. 400% and above for pay-day-loans. The Company has an automated online 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 and a lean cost model. **IEGH** has a strong growth profile, is delivering, has entered the break-even zone and could, if it chose, cut opex for 12m to become EBITDA and FCF positive FY18E and still hit our revenue targets. We think this makes IEGH relatively bullet proof financially from herein on.

Low distribution costs online - The online fintech strategy lowers costs of customer acquisition (CCA), makes the company highly scalable and suggests that past breakeven, incremental revenue will rapidly fall through to EBITDA and FCF. Our estimates reflect this view. Bricks and mortar OneMain, and LendingClub would struggle to credibly make the same claims, in our view.

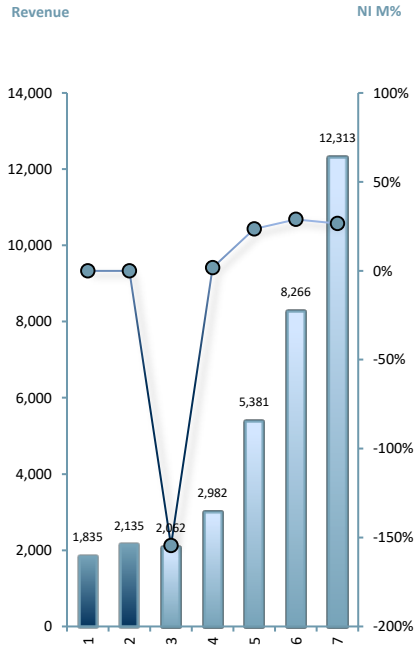
Growth market – The FDIC estimated in 2013 that 1 in 13 US households were underbanked (7.7% of pop. or 9.6m households). The Centre for Financial Services (CFS) estimated that IEGH's product category – short term credit – grew 37% from 2012-14 whilst single-payment credit, the primary competing product 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. As we have written in notes on OneMain and LendingClub, investors in these companies are ambling towards a long painful decline, the worst type in our view, due to the opportunity cost of capital. IEGH, though recently characterised by a particularly volatile stock price, has a strong growth profile. We have rebased our estimates and valuation to reflect the new higher beta and our less demanding forecast targets.

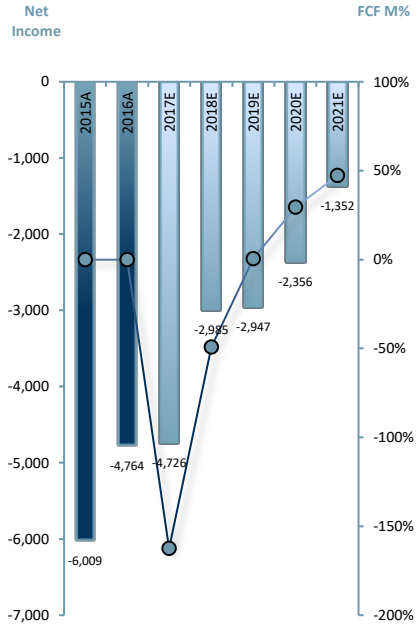
Catalysts for further valuation upgrades

Strong 4Q revenues; lower beta (lower volatility and so lower WACC); positive FCF and EBITDA; share buy-back; FY18E $3.4-5.4m raise for loans receivable.

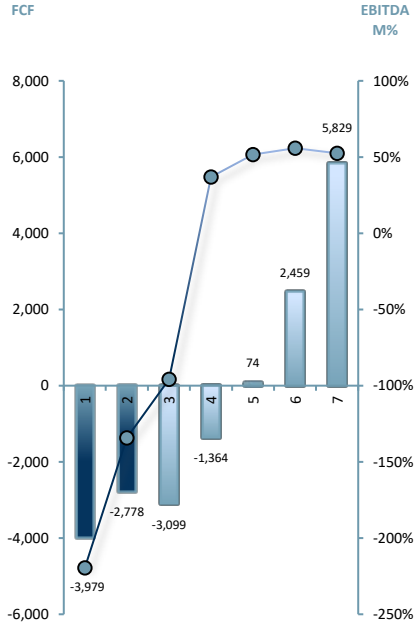
Forecasts

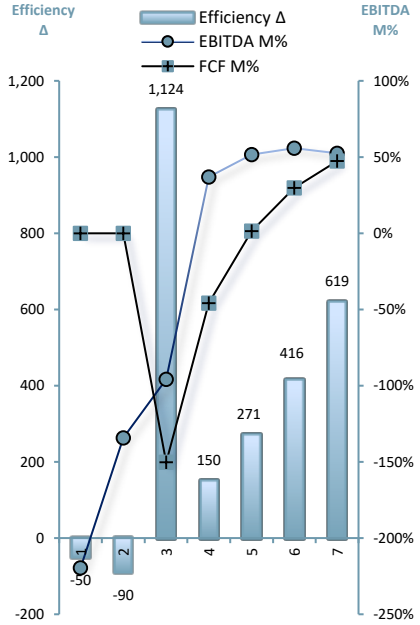
We have rebased our valuation and our estimates on the basis of a much higher beta and assumed raises for funding lending and cash burn are in the range USD 3.4-5.4m rather than USD 10-12m for FY18E.





In our view, fintech IEGH has entered the breakeven zone and probably deserves multiples that reflect a fintech rather than companies such as OneMain and LendingClub.





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

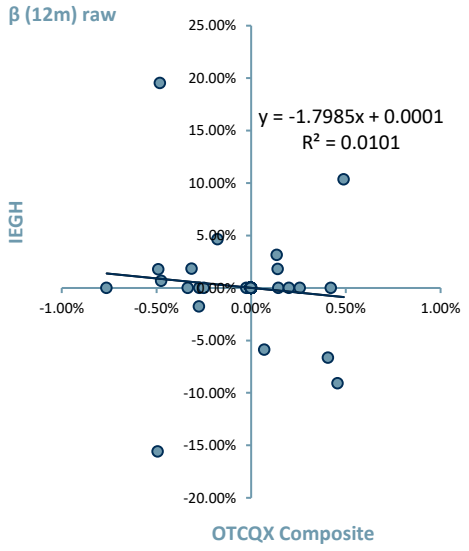
ACF est. USD (k)	2016A	2017E	2018E	2019E	2020E
Revenue	2,135	1,965	2,911	5,328	8,227
EBITDA	-2,867	-2,065	-1,285	292	2,836
Net Income	-4,764	-4,726	-2,985	-2,947	-2,356
FCF	-2,778	-3,194	-1,431	24	2,422
CPS (diluted)	-0.35	-0.20	-0.09	0.00	0.15

Beta up 3.4x due to much higher volatility during 3Q17, which will fade as IEGH continues to deliver.

IEGH WACC Calc	
Pre-tax cost of debt	5.4%
ETR	40.0%
After-tax cost of debt	3.2%
Current Leverage	
Debt/(Cash)	-46.9%
Equity	3,947
Target Leverage	
D / (D+E)	10.0%
ACF β adj levered	3.93
rf	0.80%
Rm	6.2%
ERP	5.4%
Cost of equity	22.00%
Risk adj.	0.00%
WACC	20.13%

*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. In our 2016 IEGH initiation note we assumed a Debt/Equity mix of 0% which produced a higher WACC. Our new higher WACC is raised to 20.13% from 11.58% via a higher beta, up 3.4x since 1Q, due to higher share price volatility. FCF positive inflection point is between FY18E and 19E.

Our forecasts period is 5 years (and not the typical and unreliable 10 years). Given IEGH's fintech status we have moved closer to typical EBITDA and FCF TV multiples for fintech.

We have reduced the valuation range spread to 10% post 3Q results from a 2Q VR spread of 20% as the volatility we anticipated has now been captured in the beta during 3Q.

Valuation Range		
NPV FCF (k)	2,204	
NPV TV FCF (k)	51,014	
EVF (k)	53,218	
TV Mulitple	22.0x	
% TV of total NPV	95.86%	
Net Debt/(Cash) (k)	-1,850	
Fair Value (k)	51,368	
NoSh (m)	12,335.29	
NoSh (diluted) (m)	16,073.65	
Intrinsic Value Per Share USD	4.16	
Close Price USD	0.32	
VR (low - high)	3.96	4.37
VR Spread	10.00%	
Implied VR Return (low - high)	1136.3%	1266.4%

Note: Close price on front page of this ACF research note is based on shares in issue (NoSh) on 20/11/2017 of 12,754,066. Fully diluted 16,446,900 expected 31st December 2017.

Sensitivity Analysis

We expect IEGH's share price to continue to rebuild and volatility to fall over the coming quarters.

Our valuation range reflects a greatly increased beta, in turn driving WACC to 20.13%.

Our undiluted VR is USD 3.96 – 4.37 vs. the close price at the date of this note of USD 0.32

Fintech IEGH is now In the break-even zone.

IEGH is now capable of stopping its cash burn for at least 12 months, by cutting back the CEO's salary and capital raising activities. This gives IEGH timing flexibility to raise further funds for lending. We have re-based our expectations assuming the Company is able to raise USD 3.4-5.4m and forecast FY18E net loans receivable USD 9.182m and revenues USD 2.846m. If IEGH were to raise USD 11.8m FY18 it becomes FCF positive and arguably self-sustaining assuming continued access to capital to lend therein on. Our valuation assumes no opex savings. We have refined our opex cost expectations based on improved efficiency and assumed revenue growth continues. The recent high share price volatility, thanks in part to the withdrawn LendingClub bid, has had a substantive effect on our IEGH beta, which has risen to 3.93 up from 1.14 – The share buy-back remains in place. Our IEGH WACC has risen again in the short term to 20.13% up from 11.58% 2Q17 reflecting volatility risk. We have cut the spread of our IEGH value range to 10% from 20%, as the volatility is now reflected in the beta and so the WACC. As IEGH is visibly **in the break-even zone** we expect the share price to begin to recover over time. It has already more than doubled to 0.32 cents from its low of 0.14 cents. Our TV multiples begin to reflect IEGH's fintech status.

Exhibit 1: **IEGH multiples based on close price**

	Revenue	EBITDA	FCF	EPS	EPS (diluted)	CPS	CPS (diluted)
2017E	1,965	-2,065	-3,194	-0.38	-0.29	-0.26	-0.20
2018E	2,911	-1,285	-1,431	130.06	-0.19	-0.12	-0.09

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2017E	1.07x	-1.02x	-0.66x	-0.84x	-1.09x	-1.24x	-1.61x
2018E	0.72x	-1.63x	-1.46x	-1.32x	-1.72x	-2.76x	-3.59x

Source: ACF Research Estimates.

Exhibit 2: **WACC/Multiple table shows longer-term valuation potential**

Our EBITDA TV multiple is very significantly discounted reflecting the rise of the beta to 3.93 up from 1.14, a 3.4x increase.

Our EBITDA TV multiple suggests a Value Range (VR) USD 2.62 -3.05 per share.

Terminal EBITDA Multiple	Share Price WACC 17.00%	18.00%	19.00%	**20.00%**	21.00%	22.00%
9.0x	2.24	2.23	2.22	2.21	2.20	2.19
10.0x	2.45	2.44	2.43	2.42	2.41	2.40
11.0x	2.66	2.65	2.64	**2.63**	**2.62**	2.61
12.0x	2.87	2.86	2.85	**2.84**	**2.83**	2.82
13.0x	3.08	3.07	3.06	**3.05**	**3.04**	3.03
14.0x	3.29	3.28	3.27	3.26	3.25	3.24
15.0x	3.50	3.49	3.48	3.47	3.46	3.45

Source: ACF Research Estimates.

Exhibit 7 above shows the valuation range based on EBITDA terminal value of 12x, very modestly reflecting IEGH's fintech characteristics. Our actual DCF calculation uses a TV multiple derived from discounted FCF of 22x on a 5-year rather than 10-yr DCF horizon.

Peer Group Comparators

Fintech IEGH is the only member of the peer group with a yield. IEGH's dividend policy pays out quarterly.

Exhibit 3: **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	3.95	6.3%	-134.29	1.85x	-1.38x	-0.83x
World Acceptance	NASDAQ	682.75	0.0%	22.83	1.28x	5.62x	9.28x
OneMain	NYSE	3370.37	0.0%	25.37	0.87x	3.42x	13.87x
Enova	NYSE	480.22	0.0%	18.82	0.64x	3.42x	13.88x
LendingClub	NYSE	1,783.94	0.0%	-6.9	1.50x	-21.73x	-12.22x
Average			0.00%	15.03%	1.07x	-2.32x	6.20x

Source: ACF Research Estimates; Companies reports; Factset.

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

Fintech IEGH has entered the FCF break-even zone.

Exhibit 4: **Trailing IEGH consumer lending peer group metrics**

Trailing 16A Metrics / Company Name	Market	MCAP (m)	Gross Debt / Assets	Gross Debt / Equity	RoA %	RoE %	Implied RoI %
IEG Holdings Corp	OTCQB	3.95	-27.12	-46.88	-16.19	-69.33	128.57
World Acceptance	NASDAQ	682.75	36.86	64.01	9.16	17.26	9.67
OneMain	NYSE	3370.37	77.02	455.28	1.24	7.32	1.25
Enova	NYSE	480.22	66.77	270.13	3.81	15.46	4.13
LendingClub	NYSE	1,783.94	77.68	442.82	-2.57	-14.47	-2.67
Average			64.58%	308.06%	2.91%	6.39%	3.10%

Source: ACF Research Estimates; Companies reports; Factset.

OneMain (OMH: NYSE) is included in our peer group to reflect IEGH's unsolicited bid for OMF. OneMain was previously excluded because of its much larger USD 3bn MCAP vs. IEGH and because its business strategy appeared particularly archaic and culturally encumbered compared to a fintech operation such as IEGH.

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.

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.

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.

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

• **Other revenues** - Increase in other revenues 3Q17 USD 20,805, up 108.1% vs. 10,000 y/y – and for 9M17 USD 50,414, up 22.50% vs. 41,156 y/y is attributable to an increase in **declined lead revenue** driven by increased 3Q advertising.

Declined lead revenue - IEGH automatically receives USD 10.50 for every borrowing lead that it rejects. This "declined lead" revenue of USD 10.50 per lead is paid by a lead buyer. When IEGH's advertising budget increases, IEGH will inevitably have an increased number of rejected leads that are automatically sold on to the lead buyer. IEGH is paid for these leads irrespective of whether or not the buyer of the leads funds a loan on its side.

For online leads the "declined lead" payment is made in real time. There is, however, a lag of several weeks between the IEGH cost of a direct mail campaign and incoming declined lead revenue, as might be expected

• **Other Opex** - 3Q17 declined 63.53% to $104,985 vs. $165,264 y/y and for the 9M fell 54.13% to $229,551 vs. $553,401 y/y due to improved efficiencies resulting in lower loan underwriting costs and client service costs. Essentially, two factors have created the 3Q and 9M declines…i) more efficient buying of leads led to a better quality lead pool leading in turn to a lower number of credit checks that ended in rejection; ii) most of the 3Q loan volume was originated in last six [6] weeks of 3Q17, meaning that the associated costs were also largely incurred in the last 1.5 months of 3Q17.

• **Provision for credit losses** - Provision for credit losses 3Q $300,205 vs. $257,907
Is driven by IEGH's provisioning ratio of 16% at the point loans are written. As such, an increase in originated loans will lead to an increase in the provision for credit losses. There was no change to the general character of the loan portfolio or any specific impact from general economic conditions, according to management.

Civil case with Virginia and Virginia customers unexpected and settled in 3Q.

Held back revenue development and added a one off exceptional cost to the income statement.

• **Civil legal proceedings settled** – Relating to the civil action brought by the Commonwealth of Virginia and customers, IEGH incurred 3Q costs of USD 404,283 in settlement payments, legal costs, customer interest refunds and USD 178,982 in reductions to loan principles. IEGH had USD 230,227 in outstanding loans originated in Virginia maturing between May 2019 and April 2022. The Commonwealth of Virginia alleged that IEGH violated the Virginia Consumer Protection Act in connection with loans made to customers in Virginia. IEGH did not admit any wrongdoing but agreed to provide refunds, reform interest rates and loan principle balance of certain Virginia-resident borrowers with outstanding loans issued with interest rates greater than 12% APR.

• **Advertising** - Advertising 3Q17 up 95.27% to USD 180,808 vs. USD 92,593 y/y driven by by the costs for a large direct mail campaign in the second half of 3Q, whereas by comparison there was no such scaled campaign in 1Q17 or 2Q17.

The lag in new originated loans for $1 spent on advertising depends on the method used to find leads. For direct mail IEGH commits financially to a campaign around 30 days before the campaign is executed. Applications begin to appear around two weeks after execution with the bulk of applications coming in to IEGH 2-6 weeks after the main campaign is executed, according to management.

For online campaigns there is no material lag between paying for the campaign and the receipt of applications for loans from borrowers.

Average cost per lead varies significantly between USD 5 for Google and USD 20 for other online sources. Direct mail campaigns cost around USD 200-250 per funded applicant, according to management. For modelling purposes, we use cost per sale (booked to the marketing budget), and assume USD 294 per loan signed (de-facto **cost of sales**), with an overall assumption of between 5% and 10% of the value of loans offered.

Conversion rates from lead to origination of a new loan run at around 20% for direct mail and approaching 1% for Google leads. However, 80% of loans are from repeat customers.

We have forecast a gross target of approximately 330 new loans for 4Q17, and estimate that this requires a USD 100k marketing spend.

• **Loans receivable** - Loans receivable net fell 3Q17 to $4,975,770 vs. $6,374,908 y/y due to lower loan originations vs. repayment of principle by customers.

• **Accounts payable** - Accounts payable and accrued expenses - 3Q17 $158,166 vs. $1,060 3Q16 due to timing differences between 2Q17 and 3Q17 for the payment of legal settlements related to the Commonwealth of Virginia and Virginia based customer claims. No comparable items were booked during 3Q16.

Fintech IEGH has entered the break-even zone. The Company, in our estimates, could cut USD 1.6m of opex over 12m and raise USD 3.4m – 5.4m.

Cutting USD 1.6m opex for 12m and raising USD 3.4m for loans receivable originated would make IEGH EBITDA and FCF positive FY18E, one year ahead of our estimates in this note.

• **Deposit on preferred stock** - 3Q17 $63,595 vs. $0 3Q16.is a consequence of the issue 934,589 Series H preferred stock to four related parties on 30th October 2017, which was a post 3Q close balance sheet event. USD 63,000 cash of the total USD 934,589 raise came in before the 3Q close.

• **Public company and corporate finance expenses** – Rose 3.55% to USD 1,644,856 9M17 vs. USD 1,588,411 9M16. Of these costs, the corporate finance element totaled USD 960,445 for the 9M17 period (OMF tender offer USD 687,844 and the aborted LC tender offer USD 272,601). The underlying Public company costs 9M17 are therefore USD 684,411 or currently running at around USD 230,000 per quarter. In extremis we conclude that IEGH could cut more than USD 1.6m for a 12-month period, pushing it into EBITDA and FCF positive territory during FY18E, if combined with as little as a USD 3.4m raise. In our "in extremis" USD 1.6m opex saving assumption we have left sufficient headroom for raises to fund loans of up to USD 5.4m.

• **Loss on marketable securities** – 9M17 $155,514 accounted for by the technical paper "loss" from selling OMF tendered shares on to the market at a price technically just below the price at which they were acquired via IEGH's all paper only offer.

Revenue Model projections

Fintech IEGH is in the break-even zone

We estimate that IEGH could cut USD 1.6m in opex for around 12m combined with funding, we estimate of $5.4m, the company would be FCF positive FY18E, a year ahead of our new forecasts.

IEGH has three paths to break-even between FY18E and FY19E…

1) *Cut 1.6m opex FY18E and raise $3.4m for loan origination*
2) *Raise $5.4m, FY18E and raise $10.2m FY19E*
3) *Or raise $11.8m FY18E.*

Rev Model USD (k)	2017E	2018E	2019E	2020E	2021E
Interest Revenue	**1,909**	**2,846**	**5,257**	**8,151**	**12,203**
%Growth	-9%	49%	85%	55%	50%
FCF	**-3,194**	**-1,431**	**24**	**2,422**	**5,801**
%Growth	15.0%	-55.2%	-101.7%	10017.6%	139.5%
Total Equity/Debt plug	**-1,655**	**5,407**	**10,171**	**10,583**	**11,444**
Loans Rcvble gross	**7,099**	**10,929**	**20,858**	**33,451**	**50,081**
%Growth	-6%	54%	91%	60%	50%
% Implied charge-off	16%	16%	16%	16%	16%
B/S Loans Rcvble net	**5,964**	**9,182**	**17,525**	**28,105**	**42,078**
Interest yield	32.0%	31.0%	30.0%	29.0%	29.0%
Loan rcvble originated	-2,795	-5,500	-12,500	-17,500	-24,500
Loan rcvble repaid	1,921	1,670	2,571	4,907	7,869
Loans originated net	**874**	**3,830**	**9,929**	**12,593**	**16,631**
% No. loans repaid	30.1%	28.0%	28.0%	28.0%	28.0%
No. loans prior YE	1,546	1,781	2,547	4,533	7,051
No. gross new loans re	331	1,100	2,500	3,500	4,900
No. loan rcvble repaid		-334	-514	-981	-1,574
No. ln rcv repaid 4Q17	-96				
No. total loans inc. growt	**1,781**	**2,547**	**4,533**	**7,051**	**10,378**
Cost per loan signed $	294	294	294	294	294
Marketing budget	**97**	**324**	**735**	**1,029**	**1,441**

Opex Model projections

We estimate variable costs of USD 1.6m could be cut for 12m during FY18E to drive the business EBITDA and FCF positive in conjunction with raising USD 3.4m equity funding to originate new loans.

We believe that raising USD 5.4m FY18E should be attainable for IEGH; it raised approx. $8m FY15A, a long way before the break-even zone in which it now operates.

Raising $5.4m FY18E and growing annual revenues above $2.5m should allow IEGH to go on to raise $10m per annum FY19E and FY20E, largely to fund loan origination.

Other expenses capture exceptional items including $624k Virginia State settlement (Cash cost $445.3k)

SGA USD (k)	2015A	2016A	2017E	2018E	2019E
Revs	**1,835**	**2,135**	**1,965**	**2,911**	**5,328**
%Growth	247%	16%	-8%	48%	83%
Total SGA	**7,013**	**6,876**	**5,914**	**5,896**	**8,276**
%Growth	30%	-2%	-14%	0%	40%
EBITDA	-4,029	-2,867	-2,065	-1,285	292
%Margin	-220%	-134%	-105%	-44%	5%
Total Staff Costs	**2,126**	**1,593**	**1,086**	**1,635**	**1,962**
%Growth	12.6%	-25.1%	-31.8%	50.5%	20.0%
%of Revs	115.9%	74.6%	55.3%	56.2%	36.8%
%of SGA	30.3%	23.2%	18.4%	27.7%	23.7%
Other Opex	**1,399**	**1,561**	**399**	**409**	**420**
%Growth	54.6%	11.6%	0.0%	2.5%	2.5%
%margin	76.2%	73.1%	20.3%	14.1%	7.9%
%of SGA	20.0%	22.7%	6.8%	6.9%	5.1%
Prof. costs	**1,014**	**1,154**	**2,193**	**1,755**	**1,842**
%Growth	16.4%	13.9%	90.0%	-20.0%	5.0%
%margin	55.2%	54.1%	111.6%	60.3%	34.6%
%of SGA	14.5%	16.8%	37.1%	29.8%	22.3%
Provisions	**1,135**	**1,865**	**1,100**	**1,694**	**3,233**
%Growth	84.6%	64.4%	15.5%	15.5%	15.5%
%margin	14.0%	24.6%	15.5%	15.5%	15.5%
%of SGA	16.2%	27.1%	18.6%	28.7%	39.1%
Advertising	**951**	**373**	**282**	**324**	**735**
%Growth	106.8%	-60.7%	-24.6%	14.9%	127.3%
%margin	51.8%	17.5%	14.3%	11.1%	13.8%
%of SGA	13.6%	5.4%	4.8%	5.5%	8.9%
Rent	**245**	**179**	**70**	**74**	**77**
%Growth	-2.4%	-27.0%	0.0%	5.0%	5.0%
%margin	13.3%	8.4%	3.6%	2.5%	1.5%
%of SGA	3.5%	2.6%	1.2%	1.3%	0.9%
Travel	**129**	**142**	**0**	**0**	**0**
%Growth	-65.6%	9.5%	-100.0%	0.0%	10.0%
%margin	7.0%	6.6%	0.0%	0.0%	0.0%
%of SGA	1.8%	2.1%	0.0%	0.0%	0.0%
D&A	**14**	**9**	**6**	**6**	**6**
%Growth	-6.2%	-39.0%	-33.5%	0.0%	10.0%
%margin	0.8%	0.4%	0.3%	0.2%	0.1%
%of SGA	0.2%	0.1%	0.1%	0.1%	0.1%
Other expenses	**0**	**0**	**777**	**0**	**0**
%Growth	N/A	N/A	0.0%	-100.0%	0.0%
%margin	0.0%	0.0%	39.6%	0.0%	0.0%
%of SGA	0.0%	0.0%	13.1%	0.0%	0.0%

P&L, Cash Flow and Balance Sheet forecasts

We assume a fall in FY17E revenues of 8% due to management's 3Q time-and-cash occupation with the Virginia legal challenge, now settled, paid out and written down.

We assume the Company runs at full tilt to originate loans over the next 24 months using more or less all its post FCF cash burn funding in the process.

We assume IEGH raises 5.4m FY18E rather than $10m plus

P&L USD (k)	2015A	2016A	2017E	2018E	2019E
Revs	**1,835**	**2,135**	**1,965**	**2,911**	**5,328**
gr%	247%	16%	-8%	48%	83%
GP	1,835	2,135	1.965	2,911	5,328
% Revs	100%	100%	100%	100%	100%
SGA	5,864	5,002	4,808	4,190	5,030
% Revs	320%	234%	245%	144%	94%
EBITDA	**-4,029**	**-2,867**	**-2,065**	**-1,285**	**292**
% Revs	-220%	-134%	-105%	-44%	5%
Provisions credit loss	1,135	1,865	1,100	1,700	3,239
% Revs	62%	87%	56%	58%	61%
EBIT	**-5,177**	**-4,741**	**-3,949**	**-2,985**	**-2,947**
EBT	-5,698	-4,729	-4,726	-2,985	-2,947
ETR	0%	0%	0%	0%	0%
Tax	0	0	0	0	0
NI	**-5,698**	**-4,729**	**-4,726**	**-2,985**	**-2,947**
% Revs	-311%	-221%	-240%	-103%	-55%

Cash Flow USD (k)	2015A	2016A	2017E	2018E	2019E
Profit/(loss) for period	-5,698	-4,729	-4,726	-2,985	-2,947
Provisions credit loss	1,135	1,865	1,100	1,700	3,239
D&A	14	9	6	6	6
Othe non-cash items	90	1	332	0	0
WCap Change	500	77	94	-146	-266
Net CFO	**-3,960**	**-2,778**	**-3,194**	**-1,425**	**32**
Cash Taxes	0	0	0	0	0
Capex	19	0	0	6	8
FCF	**-3,979**	**-2,778**	**-3,194**	**-1,431**	**24**
Net CF from Financing	7,973	3,730	3,876	5,407	10,171
Net loans originated	3,943	1,116	874	3,830	9,929
Net Cash In/(Out)	52	-163	-192	146	266
Cash previous YE	434	486	322	130	276
Cash & CE	**486**	**322**	**130**	**276**	**542**

Balance Sheet USD (k)	2015A	2016A	2017E	2018E	2019E
Tangible Assets	29	27	27	0	0
Loans recvble net	7,161	6,375	5,964	9,182	17,525
Total Fixed Assets	**7,189**	**6,402**	**5,991**	**9,182**	**17,525**
Current assets	112	98	90	133	244
Cash	486	322	130	276	542
Total Current Assets	**598**	**420**	**220**	**409**	**786**
Creditors	40	0	69	103	188
Accruals & Loans	96	1	-411	3,192	11,534
Net Assets	**7,650**	**6,821**	**6,552**	**6,297**	**6,589**
Share Capital	2,007	2,233	2,236	2,236	2,236
Reserves					
Share Premium	20,327	24,000	28,454	31,184	34,423
Accum. Profit/(loss)	-14,683	-19,412	-24,138	-27,123	-30,071
Total Equity	**7,650**	**6,821**	**6,552**	**6,297**	**6,589**

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]

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