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Zacks Small-Cap Research

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IEG Holdings Corp. (IEGH-OTC)

Initiate Coverage of IEG Holdings

Calculating the net present value of a future target price (which is based on the valuation metric of price-to-sales) at a point when we expect the company to achieve revenues of $5.0 million indicates a share price target of $8.50.

Current Price (01/20/17)	$5.25
Valuation	$8.50

OUTLOOK

IEH Holdings is a consumer finance company that offers unsecured consumer loans to individuals in 19 states. Through the effective execution of management's business plan, including generating loans via an **online platform** with effective marketing support and the **pursuit of additional state licenses,** IEG Holdings has achieved impressive growth of its loan portfolio. The company also benefits from a **disciplined underwriting process**. Recently the CEO voluntarily reduced his base compensation from $1.0 million to $1 for 2017. That action, among others, should lead the company to profitability.

SUMMARY DATA

52-Week High	**$77.50**
52-Week Low	**$2.01**
One-Year Return (%)	**N/A**
Beta	**1.86**
Average Daily Volume (shrs.)	**1,479**
Shares Outstanding (million)	**9.7**
Market Capitalization ($ mil.)	**$50.9**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**71**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2017 Estimate	**N/M**
P/E using 2018 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Finance Consumer Loans**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2015	0.34 A	0.46 A	0.53 A	0.51 A	1.84 A
2016	0.52 A	0.55 A	0.56 A	0.58 E	2.20 E
2017	0.63 E	0.65 E	0.70 E	0.72 E	2.70 E
2018					3.35 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2015	-$0.48 A	-$0.89 A	-$0.60 A	-$0.57 A	-$2.52 A
2016	-$0.33 A	-$0.13 A	-$0.10 A	-$0.09 E	-$0.52 E
2017	$0.00 E	$0.00 E	$0.01 E	-$0.01 E	$0.01 E
2018					

Zacks Projected EPS Growth Rate - Next 5 Years % **12**

Quarterly EPS may not equal annual EPS total due to rounding.

KEY POINTS

- IEG Holdings Corp. is a consumer finance company that offers direct unsecured consumer loans to individuals in **19 states** *via* an online platform under the brand name "**Mr. Amazing Loans**"
    - offers unsecured personal loans to qualified individuals
        - 5-year $5,000 and $10,000 online personal loans
        - at prevailing statutory rates, between 19.9% and 29.9% APR
            - no application fees, establishment fees or prepayment penalties
            - affordable weekly payments (e.g. $38/week for $5,000 loan at 29.9% APR)
- IEG Holdings should benefit from its focused **business model**
    - **Scalable**
        - user-friendly and efficient online loan origination platform
        - the company targets a **specific demographic profile for credit worthiness**
        - low cost customer acquisition process
            - no branch network
        - **disciplined and efficient underwriting process**
        - offers two high margin product offerings
- IEG Holding has achieved a **strong record of loan originations** since establishing its online platform
- **Updated Corporate Strategy**
    - The decision by CEO Paul Mathieson to align his compensation with the enhancement of shareholder value is expected bring the company to profitability during the first quarter of 2017
        - On November 3, 2016, IEG Holdings announced that Paul Mathieson's annual base compensation will be reduced from $1.0 million to $1 in 2017.
        - Furthermore, Mr. Mathieson waived the receipt of his 2016 bonus which was payable in December.
    - The company will continue to raise capital through equity and debt financings to fund the growth of the loan portfolio.
- Financings
    - The company has successfully funded operations and loan originations through debt, credit line and equity (both common and preferred) capital since initiating operations in the United States in 2008.
        - Recent Financings
            - A rights offering in September 2016 raised **$1.4 million**
            - **IEG Holdings is seeking additional capital** through a private offering of **$10 million** in 12% senior unsecured notes
- Management Guidance (issued November 16, 2016)
    - Due to the anticipated significant cost reductions, **management forecasts that IEG Holdings will report a net profit and positive operating cash flow for 1Q 2017**.
    - Management **anticipates declaring first dividend** after reporting first quarter results.
- Tender Offer for shares of OneMain Holdings
    - On January 6, 2017, IEG filed an S-4 through which the company offered two shares of IEGH for every one share of OMF (OneMain Holdings).
    - See Recent Events section for further information.
- We initiate coverage with a target of $8.50.

OVERVIEW

Headquartered in Las Vegas, IEG Holdings Corp. is a consumer finance company that offers unsecured consumer loans (under the brand name "**Mr. Amazing Loans**") to individuals in **19 states** *via* an online platform (mramazingloans.com). The company provides **$5,000 and $10,000 personal consumer loans** over a **term of five years** in Alabama, Arizona, California, Florida, Georgia, Illinois, Kentucky, Louisiana, Maryland, Missouri, Nevada, New Jersey, New Mexico, Ohio, Oregon, Pennsylvania, Texas, Utah and Virginia. Investment Evolution Corp (a subsidiary of IEG Holdings) holds state licenses and/or certificates of authority to lend in these 19 states. Over the intermediate-term, management plans to offer loans in 25 states, which would cover approximately 75% of the US population.

IEG Holdings is well positioned for organic growth, leveraging its unique presence in the faster-growing unsecured personal loan market and its concentration on differentiated, higher-margin products. The company's **online loan application portal** increases the potential to scale operations and enhances margins. Brick-and-mortar businesses add costs, such as rent payments and salaries/wages of branch supervisors/employees.

Through the effective execution of management's business plan, including the online loan origination platform, **effective supporting marketing programs** and the **pursuit of additional state licenses,** IEG Holdings has achieved impressive growth of its loan portfolio. The company should benefit from its **disciplined underwriting process**, which should deliver a high margin loan portfolio with relatively low underwriting credit risk.

On November 3, 2016, IEG Holdings released an **update to the company's corporate strategy**. Strategically, CEO Paul Mathieson is exploring a full range of alternatives for the purpose of increasing stockholders' value. A **major step towards becoming profitable** is that Paul Mathieson agreed to forgo his 2016 bonus and also entered into a new consulting for 2017 which **reduced his annual base compensation** from $1.0 million to $1, which should reduce operating expenses by 16%.

During 2017, management intends to focus on **increasing the company's capital base** in order to finance further growth in the loan book and on **cutting costs with the aim of becoming cash flow positive** and profitable.

Management has provided **earnings guidance for the first quarter of 2017**. Due to the anticipated significant cost reductions in compensation, consulting fees and other operating expenses, management **forecasts that IEG Holdings will report a net profit** (albeit small) and **positive operating cash flow** for the first quarter of 2017. In view of the anticipated improvement in IEG's financial position, **management intends to pay a small dividend** to shareholders and anticipates paying regular quarterly dividends thereafter.

BUSINESS MODEL

The blueprint for IEG's business model had its nascence in Australia, when CEO Paul Mathieson established and grew a similar lending operation between 2005 and 2010 which ultimately lent approximately $48 million to over 11,500 customers. In general, the Australian experience narrowed the target market to **reduce the risk profile of the loan portfolio**, optimized the product offerings **to improve the potential profitability of the loan portfolio** and guided the company to **low-cost venues** of customer acquisition.

IEG specializes in a specific market segment were the company has a competitive advantage, the unsecured personal loan category. Thus far, the company has eschewed other categories of the consumer finance industry, particularly the mortgage, student, auto, home equity, credit card, payday and vehicle title loan products.

Initially, the company provided 3-to-5 year unsecured consumer loans ranging in the $2,000 to $10,000 range, but after years of experience, **IEG now concentrates on providing 5-year $5,000 and $10,000 loans**, which are the sweet spots that maximize return and minimize potential credit losses. Customer-lead acquisition costs and shorter-term loans (less than 5 years in duration) reduce the economic attributes of underwriting unsecured consumer loans. Also, credit risk significantly increases for loans greater than $10,000.

IEG Holdings Corp.			
State	**License Approval Date**	**State**	**License Approval Date**
Nevada	6/15/2010	**Oregon**	1/8/2015
Illinois	4/13/2011	**New Mexico**	1/29/2015
Arizona	5/20/2011	**Utah**	2/5/2015
Florida	8/29/2011	**California**	7/7/2015
Georgia	3/4/2013	**Alabama**	8/13/2015
Virginia	3/5/2014	**Louisiana**	10/2/2015
Missouri	4/7/2014	**Kentucky**	12/17/2015
New Jersey	4/24/2014	**Maryland**	11/1/2016
Texas	11/14/2014	**Ohio**	12/22/2016
Pennsylvania	12/23/2014		

Geographical Expansion

On June 15, 2010, IEG Holdings received its first installment loan license in the United States and opened its first office on September 1, 2010 in Las Vegas, Nevada. The company expanded to offices in Chicago, Phoenix/Mesa and West Palm Beach. From 2010 to July 2013, IEG provided consumer loans through a branch network, which was comprised of one branch in each state in which the company operated (as required by state licensing regulations). In **July 2013**, IEG Holdings launched

MrAmazingLoans.com, the company's **online loan origination platform**. Over time, all the branches except the central Las Vegas location were closed. By the end of 2014, IEG was operating online providing loans to residents in 9 states (Nevada, Illinois, Arizona, Florida, Georgia, Missouri, Virginia, New Jersey and Texas). Subsequently, other licenses were granted (see table above). Most recently, IEG Holdings began offering loans online to residents of Ohio. Currently**, IEG Holdings holds licenses in 19 states** representing marketplace coverage over 62% of the US population.

Over the intermediate-term, management plans to offer loans in 25 states, which would cover approximately 75% of the US population.

Online Loan Origination Platform

IEG's online loan origination website is intuitive and easy to navigate. The application process for pre-approval is simple and can be quickly completed within minutes. Typical purposes for the loans are bill consolidation, home improvements, consumer durable (furniture/appliances) purchases, automobile repairs, medical/dental expenses, tax payments, vacations, etc. The company strives for same-day turnaround from the initial inquiry to cash being delivered to a customer's checking account.

The company operates in the highly fragmented and highly competitive consumer installment lending industry. A critical component of the IEG's online business model requires that traffic be driven to the company's website either through generating awareness among consumers or enhancing visibility via internet search engines. In addition to utilizing search engine optimization (SEO) techniques to ensure that the website appears high on the list of results returned by search engines, IEG employed **search engine and commenced banner advertising** to direct traffic to the company's website. The company also partnered with **lead generators** through joint venture arrangements. The online marketing efforts are supplemented with traditional forms of radio, television and **direct mail** advertising. Today, online and direct mail advertising generates approximately 80% of IEGH's new loan applications while 20% is produced by online lead generators.

Customer Acquisition Costs

IEG's website significantly reduced the company's customer acquisition costs. Not only does IEG benefit from the consumer shift to online services, the company also benefits from lower loan origination costs. Generally, traditional forms of lead generation (radio and television advertising) and the use of a branch network account for 40% to 50% of the total operational expenditure to generate a loan. By utilizing online advertising, direct mail and third-party lead generation to drive applicants to the company's online loan origination platform, **IEG has a built-in cost advantage**.

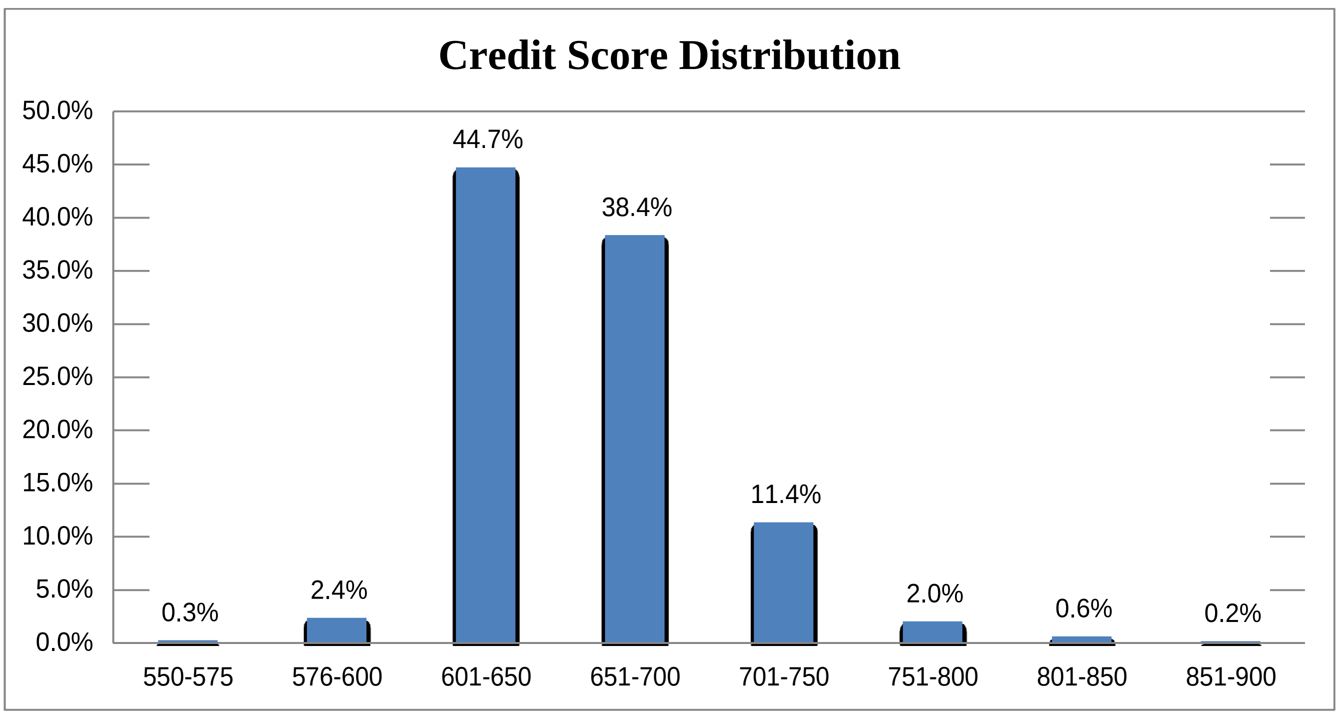
Disciplined Consumer Loan Underwriting Process

IEG Holdings **targets a specific market segment within the under-banked marketplace of non-prime consumers** which better ensures customers have the capacity to repay their loans. Parameters for certain key metrics have been set to determine the applicant's ability to repay the personal loan, including the criteria listed in the table below, which is in the company's investor presentation. The preliminary underwriting benchmarks are based not only on analysis of historical data, but also on the extensive experience of the CEO Paul Mathieson and COO Carla Cholewinski. In addition, during the fourth quarter of 2014, the company refined its loan origination model and began providing only the most lucrative modalities of $5,000 and $10,000 five-year loans at an APR between 19.9% and 29.9%.

Factor	Criteria
Minimum Income (Average ~ $61,500)	$35,000
Debt to Income – Gross	70% max
Housing Expense to Income	42% max
Credit Score Experian Vantage (Average ~653)	600+
Employment	1 yr minimum
Credit History	2 yr minimum
Checking Account	Required

Much of the loan pre-approval process is automated. An applicant provides income, employment and banking information; and the company makes a soft inquiry of the applicant's credit report. **Over 90% of applications are rejected during this pre-approval process**. If the lead passes the minimum requirements, experienced underwriters obtain a full credit report from Experian (after receiving authorization from the applicant), review of applicant's checking account statements (over the last 60-to-90 days) and verify the applicant's employment, housing costs and debt obligations. Underwriting guidelines also include identity verifications and fraud checks. Usually within hours of completing loan application, electronic loan documents are conveyed to an approved applicant.

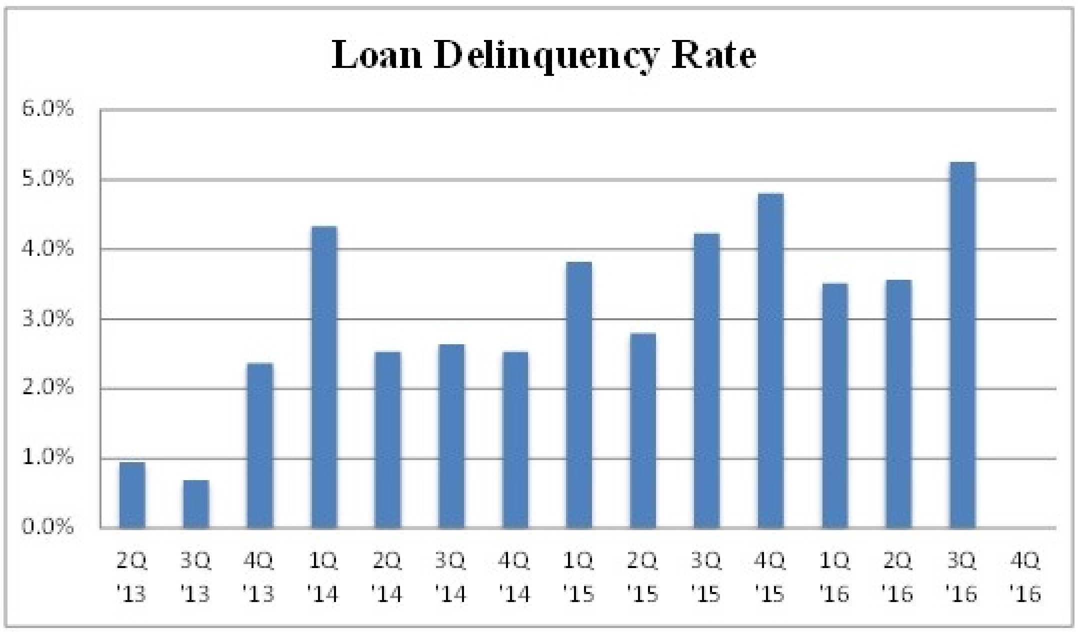
The following chart indicates the quality of IEG's loan portfolio as represented by the credit score distribution of the IEG's loan receivable balance as of September 30, 2016. Only 2.63% of the loan portfolio is to borrowers defined as subprime (having credit scores below 600).



Loan Delinquency Rate

Generally, unsecured personal loans are associated with higher delinquency rates than prime and secured loans; therefore, since higher loan loss rates are expected, unsecured personal loans carry higher interest rates. The company offers personal loans at the prevailing statutory rates, between 19.9% and 29.9% APR with roughly two-thirds of the states in which IEG operates allowing 29.9%. By underwriting unsecured personal loans at statutory rates to customers who pass the company's stringent guidelines, IEG benefits from a high margin loan portfolio while incurring relatively low underwriting credit risk by having a healthier cushion for potential credit losses. **Management adds significant value through the implementation of its disciplined underwriting process**.

A key for lenders is to manage loan losses at reasonable levels**.** IEG's management targets net loss rates of approximately 5% and has maintained an allowance for credit losses in the 12.0%-to12.6% range. As of September 30, 2016, the company had 97 loans with a total balance of $433,781 that were in default or delinquent (as defined as over 90 days past due), which represented an unsecured personal loan delinquency rate of 5.3%, which is at the high-end of its 3-year history since the inception of its online platform.



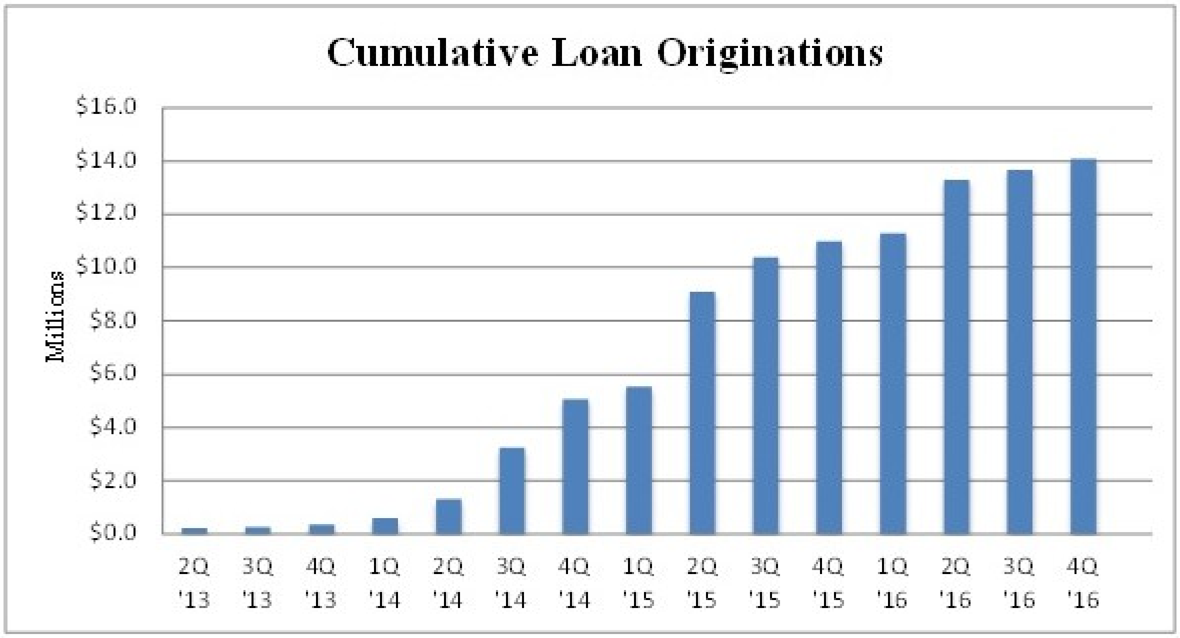
GROWTH DRIVERS

IEG Holdings has developed the enterprise functions to support scalability, including technology-based customer acquisition, risk-controlled loan generation, capital funding and regulatory compliance. The company's business model is expected to drive growth through **geographic expansion** (through being granted additional state licenses) and **underwriting an increasing amount of loans** (through a low cost customer acquisition approach and a highly efficient underwriting process). Given the company's track record, we expect IEG Holding to be able to continue finance its businesses expansion through various sources of capital funding.

Loan Book Growth

After IEG Holdings launched the Mr. Amazing Loans online loan origination platform in mid- 2013, loan volumes grew dramatically. **In the first year of the online platform's operation** (June 30 2013 to June 30, 2014), **total cumulative loan originations increased over 450%** from$237,000 to approximately

$1.32 million. In the second year (June 30 2014 to June 30, 2015), loan originations increased over 580% from to $9.08 million.



IEG Holdings continues to generate year-over-year (YOY) loan and revenue growth, key metrics indicative of the company's potential. In the third quarter of 2016, total revenues increased 5.1% YOY driven by 7.3% growth in loans receivable.

The strong growth in loan originations was not only a result of the online platform, but also the successful execution of other growth initiatives. Several **effective marketing programs** supported the effectiveness of the online application portal, including online advertising, partnering with online lead generators and direct mail advertising. Loan growth was also significantly enhanced by **pursuing additional state licenses**.

Furthermore, management also **positioned the company** to address and benefit from certain consumer needs, namely

1) IEG focuses on the under-banked marketplace of non-prime consumers requiring affordable credit and
2) the company offers a considerably lower cost alternative to payday loans

And of course, **management secured funding** to maintain and expand operations as well as finance the origination of loans.

<u>Structural Competitive Advantages</u>

As the company's loan portfolio reaches critical mass, IEG Holding should also benefit from another competitive strength: a **lean operational structure**. IEG does not have to maintain an extensive brick-and-mortar network of branches and requires fewer personnel than traditional consumer lending companies to make underwriting decisions. By serving multiple states through a centralized office in its Las Vegas headquarters, IEG Holdings will significantly benefit from economies of scale, particularly through low overhead costs as its loan portfolio expands. Also, an online loan origination business has the potential to scale more rapidly than the traditional brick-and-mortar consumer lending operation.

COMMON STOCK EVENTS

Series of Up-listings

The common stock IEG Holdings has undergone a series of up-listings since 2013. Generally, an up-listing benefits a company through better institutional investor awareness and increased share liquidity.

On November 29, 2013, IEG Holdings Corporation was upgraded from the OTC Pink sheets to the highest tier in the OTC Pink Markets, OTC Pink Current Information. In June 2015, IEGH was up-listed to the OTCQB Venture Market after a 1-for-100 reverse stock split. On March 7, 2016, IEG Holdings was upgraded to the OTCQX Best market; however, with the resignation of two directors on November 3, 2016 that resulted in Paul Mathieson becoming the sole Director, IEGH was moved back to the **OTCQB** Venture Market on January 1, 2017.

Reverse-splits

On March 14, 2013, Investment Evolution Global Corporation consummated a reverse merger transaction with IEG Holdings Corporation. Per the terms of the reverse merger, 90,815.71 shares of IEGH were received for each share of Investment Evolution Global. Immediately prior to the reverse merger, IEGH completed a 1-for-6 reverse stock split. As a result, shareholder of Investment Evolution Global owned approximately 99.1% of IEGH immediately after the transaction.

On June 17, 2015, the company completed a 1-for-100 reverse split, which had been just preceded by IEGH being upgraded to the OTCQB.

On October 17, 2016, IEG Holdings Corporation completed a 1-for-1,000 reverse stock split, immediately followed by a 100-for-1 forward stock split. The net effect of the actions was to reduce the number of common shares by a factor of 10 (similar to a 1-for-10 reverse stock split) while also consolidating the number of stockholders.

FUNDING

Since 2012, IEG Holdings has funded loan originations in the United States with debt facilities (aka credit lines) and equity capital, both common and preferred. Currently, the company is attempting to raise capital through a private offering of up to $10 million of 10-year 12% unsecured notes.

Beginning in 2012, a **$3.0 million senior credit line facility** was extended to IEG Holdings from the Boston Finance Group (subsequently known as BFG Investment Holdings, LLC). With an effective interest rate of 18% and a minimum advance of $200,000, by the end of 2012, the company has utilized $250,000 of the revolving credit facility. Following the launch of the company's online loan originations platform in mid-June 2013, the $3.0 million facility was **replaced by a new $10.0 million senior debt facility** in November 2013. Also from the Boston Finance Group, the effective interest rate remained 18% but the minimum advance amount was lowered to $25,000. In addition, during 2013 and 2014, the company incurred various small, short-term working capital loans (between $220,000 and $60,000), which were repaid in short order.

On July 15, 2015, BFG Investment Holdings converted the revolving credit facility to a term loan. IEG Holdings paid off the $2.23 million balance of the facility in August 2015 using part of the **$6.1 million in proceeds from issuing various series of preferred stock** and $**4.58 million from the issuance of common stock** during 2015. At the end of 2015, the company had no long-term debt.

Through the first nine months of 2016, the company has **raised $3.7 in equity capital** through the issuance of common shares, including **$1.4 million** through a rights offering, and $93,050 through preferred shares. Net proceeds were used primarily to fund new loan originations and general corporate purposes.

As of September 30, 2016, IEG Holdings continues to not to have any long-term-debt, though the company is currently seeking debt funding through a private offering of up to $10 million in 10-year 12% unsecured notes, which was announced on November 28, 2016.

RECENT NEWS

Corporate Strategy Update

On November 3, 2016, IEG Holdings released an update to the company's corporate strategy. Strategically, CEO Paul Mathieson is exploring a full range of alternatives for the purpose of increasing stockholder value. In addition, IEG will continue to raise capital through equity and debt financings to fund the growth of the loan portfolio. Tactically, the company's **cost structure was significantly lowered** by the announcement that two directors resigned and that Paul Mathieson's annual base compensation will be reduced from $1.0 million to $1 in 2017. Furthermore, Mr. Mathieson waived the receipt of his 2016 bonus which was payable in December. As a result, **the first quarter of 2017 is anticipated to be the company's first profitable quarter**.

Management Guidance

On November 16, 2016, management provided **earnings guidance for the first quarter of 2017**. Due to the anticipated significant cost reductions in compensation, consulting fees and other operating expenses (which was announced on November 3rd), management **forecasts that IEG Holdings will report a net profit** (albeit small) and **positive operating cash flow** for the first quarter of 2017.

In view of the anticipated improvement in IEG's financial position, management will change the company's dividend policy. After the financial results for the first quarter are announced, **management intends to pay a small dividend** to shareholders and anticipates paying regular quarterly dividends thereafter.

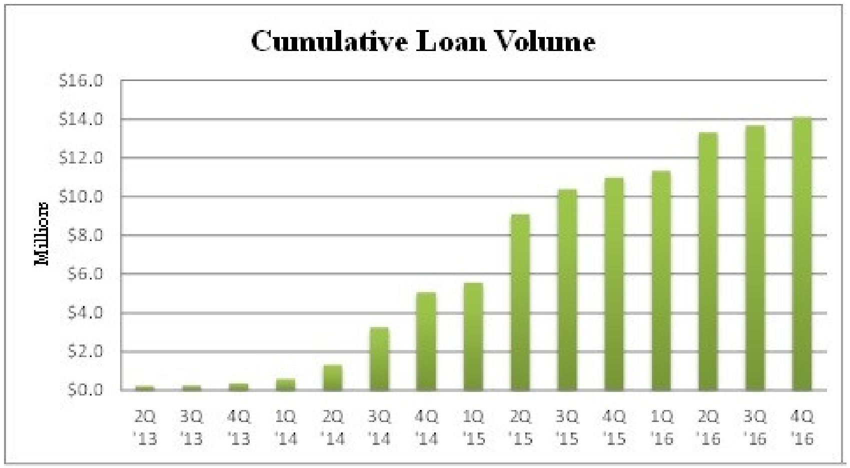
Expansion of State Licenses

On November 1, 2016, IEG Holdings announced that a State License to offer loans in **Maryland** has been approved.

On December 22, 2016, IEG Holdings announced that the company received approval to enter **Ohio**, representing the 19th state in which IEG Holdings d/b/a Mr. Amazing Loans may operate.

Loan Volume Growth

On December 13, 2016, the company announced that **cumulative loan volume** has increased to **$14,079,023** as at December 13th. This represents approximately 28.3% YOY growth in cumulative loan volume.



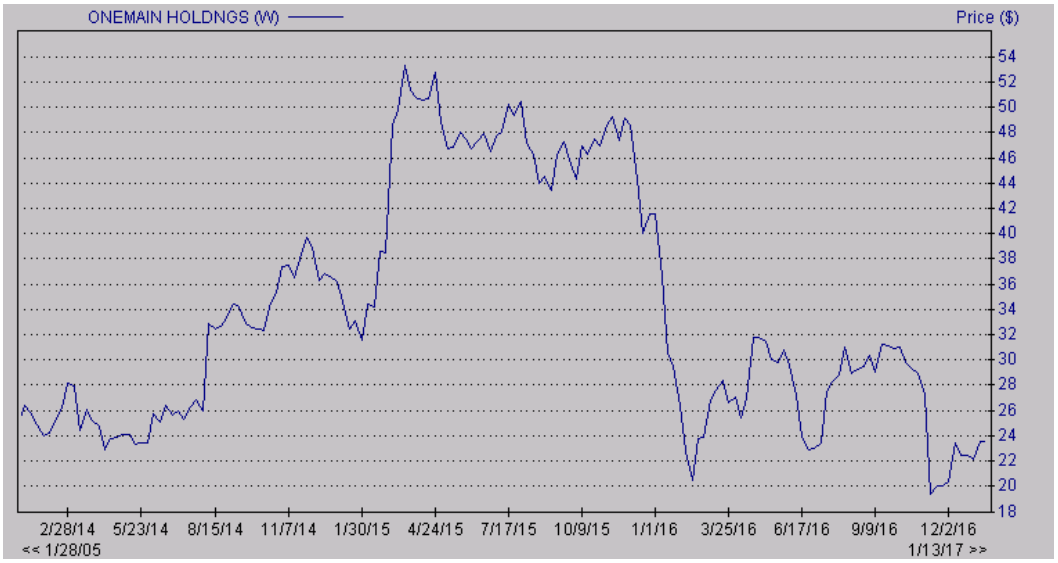
Tender Offer for OneMain Holdings Inc.

On January 6, 2017, IEG Holdings announced a **tender offer for OneMain Holdings** Inc., a branch-based consumer finance company operating in 44 states with over 1,800 branches and an online presence. IEG Holdings is offering two shares of IEG Holdings for every one share of OneMain Holdings tendered. The tender offer required a $170,237 filing fee and is slated to expire on February 6, 2017.

IEGH's CEO, Paul Mathieson, believes that OneMain's brick-and-mortar retail distribution system is outdated and that an updated online strategy needs to be adopted before OneMain (with its high cost branch system) goes the way of Blockbuster (with its physical locations) after Netflix (with its e-commerce model) made a similar offer in 2000. Mathieson estimates that there is at least $1 billion in potential annual cost savings in the transformation of OneMain's business model to IEG's online model.

On January 9, 2017, **OneMain Holdings** (NYSE: OMF) **rejected IEG's unsolicited offer** as "grossly inadequate and reckless" in that it "does not even remotely reflect the value of the company" and represents a $52 million market cap company (with $8.3 million in reported book value and $7.25 million in net loans receivable) attempting to acquire a $3.2 billion market cap (with $3.0 billion book value and $13.5 billion in net finance receivables). In addition, at the time the offer was made, the tender was at a 53% discount to the market value of OneMain (IEGH was trading at $5.45 and OMF was at $23.36). In addition, for the first nine months of 2016, OneMain reported net income of $216 million while IEG Holdings incurred a net loss of $3.2 million. Moreover, OneMain has particularly heavy institutional ownership with Fortress Investment Group LLC owning 73,437,500 shares (54.5% of shares outstanding).

We are unaware of any precedent for a successful tender offer with similar market cap and profitability disparities. However, OneMain's disappointing third quarter results (reported on November 7th after the close) severely impacted its stock and created the scenario for the offer, especially when OMF traded below $17 in the days after the earnings announcement. IEG's online business model is a disruptive force in the personal unsecured lending space; however, the tender offer appears premature in terms of OneMain's life cycle.



Stock Repurchase Program

On January 9, 2017, IEG Holdings announced an open market **stock repurchase program of up to $2 million worth of common stock**. The Board of Directors (Paul Mathieson being the sole Director and holder of 71% of the shares outstanding) authorized the repurchase, which is active through December 31, 2017.

Proposed Debt Financing

On November 28, 2016, IEG Holdings announced the launch of a private offering of up to **$10 million** of **10-year 12% unsecured notes** on a self-underwritten basis. There is no assurance that the private offering of Notes will be completed. IEGH intends to use the net proceeds to finance the anticipated increase of the company's loan book.

VALUATION

Consumer lending companies fall into several business line categories: traditional lenders (secured loans), marketplace lenders, credit card issuers, educational finance companies, payday lenders, middle market commercial lenders, non-prime consumer loans, etc. Even though IEG's direct competitors in the state-licensed, personal loan space are companies are companies like OneMain Financial (OMF) and World Acceptance Corporation (WRLD), the company is in a unique life cycle position. IEG Holdings has exhibited dramatic loan book growth and is on the verge of positive operating cash flow and profitability.

Larger, profitable lenders tend to trade at low P/S ratios usually in the 0.7 and 2.1 times revenues; however, higher growth potential marketplace lenders trade in a higher range (7.8 to 18.1 times revenues). Marketplace lending category is composed of companies that provide an online marketplace where investors and borrowers can connect. The companies offer a technology-based platform that automates the borrower application process and provides loan servicing, and at the same time provides analytical tools that enable investors to decide whether to add the loan to their portfolios.

IEG Holdings is still in an early phase of its life cycle with the loan originations volume on a high growth trajectory. The company should trade at a much higher multiple reflecting the company's potential. It is difficult to find a comparable lending company today with revenues in the $2-to-$3 million range with the same upside potential as IEG Holdings. However, in the past, Lending Club (LC), Main Street Capital (MAIN), Manhattan Bridge Capital (LOAN) and NewStar Financial (NEWS) were in roughly the same position as lenders with a particular focus but with significant loan portfolio growth potential. These stocks all attained Price-to-Sales valuation levels over 9.0 times and one as high as 51.8 times.

Industry Comparables	**Pr Chg YTD**	**P/E CFY**	**EPS Gr 5Yr Est**	**Price/ Book**	**Price/ Sales**	**Price/ CF**
IEG HOLDINGS CORP.	-3.7	N/M	12.0	5.8	23.7	N/M
Industry Mean	0.0	14.2	16.0	1.8	9.0	33.5
Industry Median	-2.1	13.8	16.0	2.0	8.1	19.8
S&P 500	1.1	17.7	10.8	6.7	3.7	16.7
Peer Group						
LENDING CLUB	10.1	N/M	N/A	2.3	4.5	80.6
MAIN STREET CAPITAL	0.0	16.4	7.0	1.7	11.1	16.8
MANHATTAN BRIDGE CAPITAL	-5.9	13.8	N/A	2.5	15.2	22.7
NEWSTAR FINANCIAL	-4.1	12.3	25.0	0.6	5.0	14.0
Historical Precedents	**Year**					
LENDING CLUB	2014	N/M	N/M	66.2	51.8	454.5
MAIN STREET CAPITAL	2007	46.7	N/M	1.1	9.6	22.3
MANHATTAN BRIDGE CAPITAL	2007	N/M	N/M	0.6	19.0	N/M
NEWSTAR FINANCIAL	2013	42.7	N/M	1.0	9.1	74.6

Utilizing annual revenues of $5.0 million (our estimated revenue level for profitability with the CEO receiving normal compensation), which we expect the company to attain organically by 2020, and with the expectation that IEG Holding stock can attain a P/S ratio of 20.0 at that time, the share price target would be $10.31 at the end of 2020. However, to translate that value to a current target price, we employ a net present value (NPV) calculation with a 5% discount rate. This valuation methodology indicates **a price target of $8.50 for IEGH.**

RISKS

- Even though the personal loan market presents an opportunity for significant growth, the consumer installment lending industry is a highly competitive and highly fragmented. Competitive reactions by both established players and newcomers could diminish the effect of the company's uniquely focused loan offerings which are provided on its online loan origination platform. In addition, other disruptive FinTech products, particularly online marketplace platforms, are impacting the competitive landscape of the unsecured consumer installment loan space.
- Although the U.S. consumer credit market is currently reasonably healthy, unfavorable changes in the macroeconomic environment may negatively impact consumer lenders, both in terms of lower availability of qualified loan applicants and higher credit risk on the existing loan portfolio.
- Until the company achieves profitability, additional capital will be needed to fund operations and loan originations. Thus far, management has been very successful in obtaining capital through equity (both common and preferred) and debt offerings.
- CEO Paul Mathieson controls a majority voting power over IEG Holdings as he beneficially owns a vast majority of the outstanding shares (71.03% as of January 12, 2017). In addition, he is the sole Director.

INSIDER OWNERSHIP

As of January 12, 2017, IEG's founder and CEO, Paul Mathieson beneficially owned 6,900,000 common shares representing 71.03% of the shares outstanding. COO Carla Cholewinski owns 2,000 shares.

BALANCE SHEET

IEG Holdings Corp.

Balance Sheet	2011 12/31/2011	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015	3Q/2016 9/30/2016
ASSETS						
Cash and cash equivalents	143,251	178,601	281,879	433,712	485,559	924,552
Loans receivable	5,300	18,482	64,719	4,316,316	7,124,702	7,250,691
Advances to officer	0	203,119	0	0	0	0
Other receivables	0	0	0	25,882	76,262	141,325
Prepaid expenses	0	0	0	0	7,276	3,663
Total current assets	**148,551**	**400,202**	**346,598**	**4,775,910**	**7,693,799**	**8,320,231**
Property and equipment - net	148,917	80,235	43,349	36,100	28,511	20,895
Loans receivable	44,910	112,004	361,394	0	0	0
Security deposits	35,927	34,454	39,329	39,329	35,839	7,470
Loan costs - net	0	164,301	131,470	77,781	0	0
Total assets	**378,305**	**791,196**	**922,140**	**4,929,120**	**7,758,149**	**8,348,596**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Accounts payable and accrued expenses	50,337	157,504	323,978	172,139	96,441	66,119
Preferred dividends payable	0	0	0	0	0	3,317
Deferred rent	32,860	48,844	48,844	28,429	11,522	0
Deferred salary	597,916	1,401,763	0	0	0	0
CEO accrued consulting fees	0	0	0	106,588	0	0
Working capital loans	0	0	140,000	0	0	0
Current portion of senior debt	0	0	114,562	0	0	0
Total current liabilities	**681,113**	**1,608,111**	**627,384**	**307,156**	**107,963**	**69,436**
Senior debt	0	250,000	385,438	2,230,000	0	0
Deposit on preferred stock to be issued	0	0	1,910,774	0	0	0
Total liabilities	**681,113**	**1,858,111**	**2,923,596**	**2,537,156**	**107,963**	**69,436**
Preferred stock	0	0	0	2,400	1,160	3,071
Common stock	3,000	272,447	956,723	2,158,111	2,165,405	2,233,258
Additional paid-in-capital	1,990,193	3,464,161	6,323,319	14,914,705	26,025,071	32,587,991
Prepaid preferred share redemption	0	0	0	0	(160,000)	0
Subscription receivable	0	0	0	0	0	(2,977,950)
Accumulated deficit	(2,296,001)	(4,803,523)	(9,281,498)	(14,683,252)	(20,381,450)	(23,567,210)
Total stockholders' equity (deficit)	**(302,808)**	**(1,066,915)**	**(2,001,456)**	**2,391,964**	**7,650,186**	**8,279,160**
Total liabilities and shareholders' equity	**378,305**	**791,196**	**922,140**	**4,929,120**	**7,758,149**	**8,348,596**
Shares outstanding	272,447	272,447	956,723	2,158,110	2,887,428	9,672,723

PROJECTED INCOME STATEMENT

IEG Holdings Corp.

Income Statement	**2011** **12/31/2011**	**2012** **12/31/2012**	**2013** **12/31/2013**	**2014** **12/31/2014**	**2015** **12/31/2015**	**2016 Est.** **12/31/2016**
Interest revenue	6,525	28,950	56,585	521,018	1,789,701	2,146,723
Other revenue	3,490	8,829	6,364	8,207	45,464	57,156
TOTAL REVENUES	**10,015**	**37,779**	**62,949**	**529,225**	**1,835,165**	**2,203,879**
Salaries and compensation	1,512,433	1,680,264	1,345,243	1,889,136	2,126,243	1,607,124
General and administrative	132,678	114,455	277,165	-	-	-
Other operating expenses	133,533	167,225	188,110	904,920	1,399,157	1,513,115
Consulting & professional fees	8,605	86,610	563,695	871,228	1,013,690	1,067,723
Provision for credit losses	9,632	20,340	63,492	614,684	1,134,518	1,306,757
Advertising	-	-	-	459,804	950,905	413,902
Rent	200,293	215,856	290,985	250,744	244,621	202,838
Travel, meals and entertainment	83,116	127,906	79,964	376,101	129,351	159,253
Depreciation and amortization	23,683	81,664	36,885	15,054	14,124	9,545
Start up costs	-		1,500,000	-	-	-
TOTAL OPERATING EXPENSES	**2,103,973**	**2,494,320**	**4,345,539**	**5,381,671**	**7,012,609**	**6,280,256**
LOSS FROM OPERATIONS	**(2,093,958)**	**(2,456,541)**	**(4,282,590)**	**(4,852,446)**	**(5,177,444)**	**(4,076,377)**
Interest income (expense)	-	(51,109)	(195,895)	(558,257)	(527,921)	0
Miscellaneous income (expense)	333	129	510	8,949	7,167	11,426
TOTAL OTHER INCOME (EXPENSE)	333	(50,980)	(195,385)	(549,308)	(520,754)	11,426
NET LOSS	**(2,093,625)**	**(2,507,521)**	**(4,477,975)**	**(5,401,754)**	**(5,698,198)**	**(4,064,951)**
minus Dividends on preferred shares	0	0	0	(204,526)	(311,056)	(35,110)
Net income (loss) to common stock	**(2,093,625)**	**(2,507,521)**	**(4,477,975)**	**(5,606,280)**	**(6,009,254)**	**(4,100,061)**
Earnings (loss) per shares - diluted	**(7.68)**	**(9.20)**	**(7.24)**	**(4.20)**	**(2.52)**	**(0.52)**
Weighted avg. number of shares	272,447	272,447	618,850	1,334,514	2,381,258	7,918,125

IEG Holdings Corp.

	2014 12/31/2014	2015 1Q	2015 2Q	2015 3Q	2015 4Q	2015 12/31/2015
Interest revenue	521,018	339,476	438,263	520,373	491,589	1,789,701
Other revenue	8,207	860	18,463	9,894	16,247	45,464
TOTAL REVENUES	**529,225**	**340,336**	**456,726**	**530,267**	**507,836**	**1,835,165**
Salaries and compensation	1,889,136	425,226	407,424	718,532	575,061	2,126,243
Other operating expenses	904,920	224,095	352,185	329,441	493,436	1,399,157
Consulting & professional fees	871,228	176,964	445,849	282,189	108,688	1,013,690
Provision for credit losses	614,684	151,404	428,604	213,611	340,899	1,134,518
Advertising	459,804	89,979	225,645	211,828	423,453	950,905
Rent	250,744	73,503	57,100	57,372	56,646	244,621
Travel, meals and entertainment	376,101	28,789	47,121	25,718	27,723	129,351
Depreciation and amortization	15,054	3,823	4,192	4,192	1,917	14,124
TOTAL OPERATING EXPENSES	**5,381,671**	**1,173,783**	**1,968,120**	**1,842,883**	**2,027,823**	**7,012,609**
LOSS FROM OPERATIONS	**(4,852,446)**	**(833,447)**	**(1,511,394)**	**(1,312,616)**	**(1,519,987)**	**(5,177,444)**
Interest income (expense)	(558,257)	(141,119)	(333,108)	(122,225)	68,531	(527,921)
Miscellaneous income (expense)	8,949	244	5	14,506	(7,588)	7,167
TOTAL OTHER INCOME (EXPENSE)	(549,308)	(140,875)	(333,103)	(107,719)	60,943	(520,754)
NET LOSS	**(5,401,754)**	**(974,322)**	**(1,844,497)**	**(1,420,335)**	**(1,459,044)**	**(5,698,198)**
minus Dividends on preferred shares	(204,526)	(70,792)	(72,689)	(61,045)	(106,530)	(311,056)
Net income (loss) to common stock	**(5,606,280)**	**(1,045,114)**	**(1,917,186)**	**(1,481,380)**	**(1,565,574)**	**(6,009,254)**
Earnings (loss) per shares - diluted	**(4.20)**	**(0.48)**	**(0.89)**	**(0.60)**	**(0.57)**	**(2.52)**
Weighted avg. number of shares	1,334,514	2,158,110	2,159,840	2,451,888	2,757,000	2,381,258

(in thousands of $US)	2015 12/31/2015	2016 1Q	2016 2Q	2016 3Q	2016 4Q E	2016 E 12/31/2016
Interest revenue	1,789,701	512,792	526,380	547,551	560,000	2,146,723
Other revenue	45,464	12,180	18,976	10,000	16,000	57,156
TOTAL REVENUES	**1,835,165**	**524,972**	**545,356**	**557,551**	**576,000**	**2,203,879**
Salaries and compensation	2,126,243	403,006	406,323	397,795	400,000	1,607,124
Other operating expenses	1,399,157	410,061	409,407	315,368	378,279	1,513,115
Consulting & professional fees	1,013,690	145,587	307,693	414,443	200,000	1,067,723
Provision for credit losses	1,134,518	387,519	354,918	257,907	306,413	1,306,757
Advertising	950,905	47,824	173,485	92,593	100,000	413,902
Rent	244,621	54,687	52,778	47,373	48,000	202,838
Travel, meals and entertainment	129,351	36,128	90,040	13,085	20,000	159,253
Depreciation and amortization	14,124	1,916	1,917	3,212	2,500	9,545
TOTAL OPERATING EXPENSES	**7,012,609**	**1,486,728**	**1,796,561**	**1,541,776**	**1,455,191**	**6,280,256**
LOSS FROM OPERATIONS	**(5,177,444)**	**(961,756)**	**(1,251,205)**	**(984,225)**	**(879,191)**	**(4,076,377)**
Interest income (expense)	(527,921)	0	0	0	0	0
Miscellaneous income (expense)	7,167	5,077	6,673	(324)	0	11,426
TOTAL OTHER INCOME (EXPENSE)	(520,754)	5,077	6,673	(324)	0	11,426
NET LOSS	**(5,698,198)**	**(956,679)**	**(1,244,532)**	**(984,549)**	**(879,191)**	**(4,064,951)**
minus Dividends on preferred shares	(311,056)	(29,939)	(1,421)	(1,875)	(1,875)	(35,110)
Net income (loss) to common stock	**(6,009,254)**	**(986,618)**	**(1,245,953)**	**(986,424)**	**(881,066)**	**(4,100,061)**
Earnings (loss) per shares - diluted	**(2.52)**	**(0.33)**	**(0.13)**	**(0.10)**	**(0.09)**	**(0.52)**
Weighted avg. number of shares	2,381,258	2,958,044	9,443,236	9,570,221	9,701,000	7,918,125

HISTORICAL STOCK PRICE

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