



Update (August 9, 2017)

IEGH Holdings Corp (OTCQB: IEGH, Target Price: \$5.20)

IEG Holdings Corporation (OTCQB: IEGH) provides online unsecured consumer loans under the brand name "Mr. Amazing Loans" via its website, www.mramazingloans.com, in 20 US states. The company offers \$5,000 and \$10,000 personal loans over a five-year term at 19.9% to 29.9% APR. IEG Holdings plans future expansion to a total of 25 US states by the end of 2017, which would cover 240mn people and represent approximately 75% of the US population.

Since 2013, IEGH has obtained additional state lending licenses, and they are now licensed and originating direct consumer loans in 20 states including: Alabama, Arizona, California, Florida, Georgia, Illinois, Kentucky, Louisiana, Maryland, Missouri, Nevada, New Jersey, New Mexico, Ohio, Oregon, Pennsylvania, Texas, Utah, Virginia, and Wisconsin. The Company was founded in 2010 and is headquartered in Las Vegas, Nevada.

Investment Highlights

IEGH 2Q17 results show reduced expenses

IEGH released 2Q17 results in on August 1, 2017, which showed a reduction in operating costs, an improved balance sheet, and included the announcement of a dividend of \$0.005 per common share. Revenues, primarily consisting of interest revenue, were \$413,941 in 2Q17 versus \$467,382 in 1Q17 and \$545,356 in 2Q16. The 24.1% decline was primarily the result of lower interest revenues in the period, as we believe management was focused on reducing operating costs and corporate actions.

1H17 operating expenses were down by 30.4% YoY to \$2,284,021 from \$3,283,289. Expenses related to the operating the business, such as salaries, advertising, and rent were down substantially, driving this trend. Net loss in the first half of 2017 was (\$1.6mn), significantly reduced from a loss of (\$2.2mn) in 1H16. For the quarter, EPS came in at a loss of (\$0.10) versus (\$0.13) in the year-ago period.

Improved balance sheet highlights compelling valuation at recent prices

We note that at the end of 2Q17, IEGH had cash on hand of \$3.7mn (\$0.29 per share) and net shareholders' equity of \$8.8mn (\$0.69 per share), versus the recent close of \$0.48 on August 3, 2017. The primary cause of the increase in cash and assets was the sale of OneMain shares acquired in the company's tender offer, which concluded in June 2017. Management stated that the company would use the increased cash on hand and receivables from its loan book to increase lending activities and support its quarterly dividend.

IEGH announces second quarterly dividend, now yielding 4.2%

As part of the results announcement, IEGH declared that it would pay a shareholder dividend of \$0.005 per common share. The dividend is payable on August 21, 2017 to stockholders of record at the close of business on Friday, August 11, 2017. In the announcement, IEGH Chairman and CEO Paul Mathieson stated that IEGH expects to pay quarterly dividends on an ongoing basis.

Price target moves to \$5.20

We are updating our price target for IEGH following recent results and the new share count following its corporate actions. Shares outstanding were 12.75mn, versus 9.7mn at our last note. IEGH is a high risk, high potential reward company in the consumer finance sector. IEGH has recently accomplished several strategic goals, including improving its balance sheet and the initiation of a quarterly dividend.

Stock Details (8/3/17)

OTCQB:	IEGH
Sector / Industry	Financials / Specialty Finance
Price target	\$5.20
Recent share price	\$0.48
Shares o/s (mn)	12.8
Market cap (in \$mn)	6.1
52-week high/low	\$16.60 / 0.14

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY16	FY17E	FY18E
Revenues	2.1	2.4	3.8
EBITDA	(4.6)	(2.3)	(0.3)
EBIT	(4.7)	(2.4)	(0.4)
GAAP Net Inc. to common	(4.8)	(2.4)	(0.4)
GAAP EPS (\$)	(0.60)	(0.23)	(0.03)

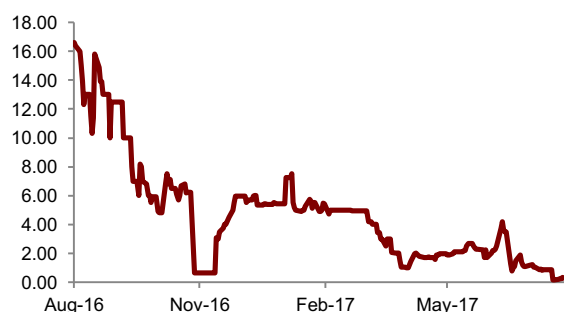
Source: SeeThruEquity Research

Key Ratios

	FY15	FY16	FY17E
Gross margin (%)	100.0	100.0	100.0
Operating Margin (%)	(223.8)	(100.0)	(10.5)
EBITDA margin (%)	(219.0)	(97.6)	(7.5)
Net margin (%)	(228.6)	(100.0)	(10.5)
P/Revenue (x)	2.9	2.6	1.6
EV/Revenue (x)	1.1	1.0	0.6

Source: SeeThruEquity Research

Stock Performance (LTM)



Source: Thomson Reuters



RECENT FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$ unless specified	2Q17	2Q16	1H17	1H16
Interest Revenue	400,986	526,380	851,715	1,039,172
YoY change	(23.8%)		(18.0%)	
Other Revenue	12,955	18,976	29,609	31,156
YoY change	(31.7%)		(5.0%)	
Total Revenue	413,941	545,356	881,324	1,070,328
YoY change	(24.1%)		(17.7%)	
Salaries & Compensation	118,925	406,323	239,203	809,329
Other Operating Expenses	79,362	206,610	194,566	388,137
Rent & Advertising	20,612	226,263	32,349	328,774
Provision for Credit Losses	394,836	354,918	619,324	742,437
Public Co Expenses & Other	698,815	602,447	1,198,579	1,014,612
Total Operating Expenses	1,312,550	1,796,561	2,284,021	3,283,289
YoY change	(26.9%)		(30.4%)	
Operating Income	(898,609)	(1,251,205)	(1,402,697)	(2,212,961)
Operating Margin	(217.1%)	(229.4%)	(159.2%)	(206.8%)
Interest & Other	(153,374)	6,673	(153,225)	11,750
Pre-Tax Income	(1,051,983)	(1,244,532)	(1,555,922)	(2,201,211)
Income Taxes	0	0	0	0
Net Loss	(1,051,983)	(1,244,532)	(1,555,922)	(2,201,211)
Pref Dividends	0	(1,421)	0	(31,360)
Net Loss	(1,051,983)	(1,245,953)	(1,555,922)	(2,232,571)
Diluted EPS	(0.10)	(0.13)	(0.16)	(0.36)
Avg Shares in Period	10,248,670	9,443,236	9,982,905	6,201,981

Source: Company SEC Filings, SeeThruEquity Research

ADDITIONAL NOTES

2Q17 results show focus on expense reduction, balance sheet

- As indicated in the table above, IEGH reported revenues of \$413,941 in 2Q17 versus \$467,382 in 1Q17 and \$545,356 in 2Q16. The 24.1% decline was primarily the result of lower interest revenues in the period, as we believe management was focused on reducing operating costs and corporate actions.
- Interest Revenues came in at \$400,986, versus \$526,380. Other revenues were \$12,955 in 2Q17 versus \$18,976 in 2Q16.
- IEGH operating expenses decline.** Management continued to focus on reducing operating expenses. 1H17 expenses were down by 30.4% YoY to \$2,284,021 from \$3,283,289. In 2Q17, Salaries & Compensation expenses declined further to \$118,925 from \$120,278 in 1Q17 and \$406,323 in 2Q16. Total Operating expenses in the quarter declined by 26.9% to \$1,312,550 in 2Q17 versus \$1,796,561 in the year-ago period.
- EPS of (\$0.10) in 2Q17.** IEGH reported a GAAP net loss of (\$1.05mn) in 2Q17, or (\$0.10) per share. Average shares outstanding (split-adjusted) were 10.2mn in the quarter, versus 9.4mn in 2Q16. Management has stated that it is targeting positive adjusted net income by the end in 2017.
- Balance Sheet & Liquidity Update:** IEGH's balance sheet improved during the quarter. The company's cash on hand rose to \$3.7mn at the end of the quarter, versus \$0.3mn at the end of 2016. Net cash per share is now \$0.29 following shares issued as part of the OneMain tender offer. 2Q17 total assets at the end of the period were \$8.9mn, with liabilities of just \$115,002, resulting in positive net shareholder's equity of \$8.8mn, or \$0.69 per share.



- **Loans Receivable Overview:** Loans receivable continues to represent the largest asset on IEGH's balance sheet, at \$5.1mn. At June 30, 2017, 74 loans with a total balance of \$335,563 were delinquent or in default, according to the company's 10-Q filing with the SEC.
- **Cash Flow Improves:** We note that there is a significant difference between net loss and cash used in operations for IEGH, and that cash used in operations has improved significantly year-over-year. Cash used in operations in 1H17 was (\$0.68mn), down from (\$1.29mn) in 1H16. Cash from Investing Activities resulted in a net inflow of capital of \$4.1mn, primarily due to the sale of OneMain securities during June.
- **Transaction Volume Update:** IEGH reported that since January 2016, cumulative loan volume has increased by 33.8% from \$10,989,023 to \$14,699,023, as of July 31, 2017. This represented only a modest increase in cumulative loans issued of \$14,249,023, as of March 31, 2017. We believe this is the result of the company being focused on improving its balance sheet, implementing cost controls, and allocating time and resources towards corporate actions.
- We see this as an important metric to track, as loan volume is a core driver of the company's business and potential profitability. We are hopeful IEGH will seek to increase the loan book in the second half of the year.

IEGH declares quarterly dividend of \$0.005, yielding 4.2% as of August 3, 2017

- **IEGH declares 2Q17 quarterly dividend of \$0.005.** As part of its 2Q17 results announcement, IEGH declared its second common shareholder dividend. The company will pay a cash dividend of \$0.005 per common share for the second quarter of 2017.
- The dividend is payable on August 21, 2017 to stockholders of record at the close of business on Friday, August 11, 2017. In the announcement, IEGH Chairman and CEO Paul Mathieson stated that IEGH expects to pay quarterly dividends on an ongoing basis.
- **4.2% Implied Annualized Dividend Yield:** At the recent close of \$0.48 on August 3, 2017, the annualized dividend of \$0.02 per share represents an 4.2% yield on common equity, assuming the company pays future dividends at the same rate as 1Q17 and 2Q17.

Update on corporate actions

- IEGH closed its tender offer for OneMain Holdings Inc. shares on June 16, 2017. The company issued 3.04mn shares of common stock, and received 151,994 shares of OneMain stock.
- IEGH sold its shares of OneMain on June 22, 2017, resulting in cash proceeds of \$3.4mn and a realized loss on a sale of marketable securities of \$153,514.
- IEGH briefly issued a new tender offer for Lending Club Corporation on July 12, 2017, but has since determined not to pursue this action. Additionally, IEGH stated in its 2Q17 10-Q that it has no intention of pursuing further tender offers.

\$5.20 target for IEGH

- We are updating our target to reflect recent results, new expectations, and the increase in share outstanding since the OneMain tender offer. We note that recent prices appear to offer compelling value in light of IEGH's cash position of \$0.29 per share and net asset value of \$0.69 per share at the end of 2Q17, as well as its annualized dividend of \$0.02 per share.
- We now forecast 2017E revenues of \$2.4mn, versus our prior estimate of \$3.8mn. Our 2018E estimates move to \$3.8mn and EPS of (\$0.03). Management has indicated that it will deploy a portion of its increased cash on hand to grow its loan book, which should drive growth in 2H17 and in future years.
- We see IEGH as a speculative consumer finance company with growth potential given the relatively low structural costs of its online lead generation model. With the recent right-sizing in the company's operating expenses, we see the potential for high earnings leverage if the company can grow its loan book to a point where scale surpasses public company costs while executing on new loan issuances and risk management.



Management Team

Paul Mathieson – Founder, Executive Chairman & CEO

Mr. Mathieson has served as the Chief Executive Officer and member of IEGH's Board of Directors since 2012 and a member of the board of directors of our subsidiary since 2009. In 2005, Mr. Mathieson founded IEG Holdings Limited in Sydney, Australia which launched the Amazing Loans business in Australia in 2005 and the Mr. Amazing Loans business in the United States via IEGC in 2010. In recognition of IEG Holdings Limited's success, Mr. Mathieson was awarded Ernst & Young's 2007 Australian Young Entrepreneur of the Year (Eastern Region). Mr. Mathieson has over 19 years finance industry experience in lending, funds management, stock market research and investment banking. His career has included positions as Financial Analyst/Institutional Dealer with Daiwa Securities from 1995 to 1995, Head of Research for Hogan & Partners from 1995 to 2000, and Stockbroker and Investment Banking Associate with ING Barings from 2000 to 2001. In addition, from 2002 to 2010, Mr. Mathieson was the Founder and Managing Director of IE Portfolio Warrants, a funds management business that offered high return and leveraged structured Australian equities products. Mr. Mathieson received a Bachelor of Commerce from Bond University, Queensland, Australia in 1994 and a Master's Degree of Applied Finance from Macquarie University, New South Wales, Australia in 2000.

Carla Cholewinski – Chief Operating Officer

Ms. Cholewinski has served as our Chief Operating Officer since 2008 and has over 37 years' experience in the finance industry including banking, credit union management, regulatory oversight, debt securitization and underwriting. Her career has included positions as Vice President and Branch Manager at Glendale Federal Bank from 1976 to 1986, Vice President and District Sales and Lending Manager with California Federal Bank from 1986 to 1992, Mortgage Banker with First Choice Financial Services from 1992 to 1995, Corporate Vice President of Lending and Collections with WesStar Credit Union from 1995 to 1999, Chief Lending Officer for American Corp & Funding from 1999 to 2000, Chief Credit Officer for Security State Savings Bank from 2000 to 2004, and Chief Credit Officer for Fifth Street Bank from 2004 to 2008. Since 2008, Ms. Cholewinski has served as our Chief Operating Officer and Chief Credit Officer and has utilized her extensive finance, banking and regulatory experience to grow the business from initial launch to our current level of operations.

About IEG Holdings Corporation

IEG Holdings Corporation provides online \$5,000 and \$10,000 unsecured consumer loans under the brand name, "Mr. Amazing Loans," via its website, www.mramazingloans.com. For more information about IEG Holdings, visit www.investmentevolution.com.



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