



IEGH Holdings Corporation (OTCQX: IEGH, Target Price: \$8.05)

IEG Holdings Corporation (OTCQX: IEGH) provides online unsecured consumer loans under the brand name "Mr. Amazing Loans" via its website, www.mramazingloans.com, in 17 US states. The Company offers \$5,000 and \$10,000 personal loans over a five-year term at 19.9% to 29.9%. IEG Holdings plans future expansion to a total of 25 US states by mid-2017E, 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 Alabama, Arizona, California, Florida, Georgia, Illinois, Kentucky, Louisiana, Missouri, Nevada, New Jersey, New Mexico, Oregon, Pennsylvania, Texas, Utah and Virginia. The Company was founded in 2010 and is headquartered in Las Vegas, Nevada.

Investment Highlights

Strong volume drives continued growth in 2Q16

IEGH announced strong growth in its loan volume in 2Q16, which is a core driver of its revenue and potential profitability. The company noted that its daily loan volume reached a record high of \$150,000 and also stated that in May the monthly loan volume reached \$1,130,000. This marked a new record high for the company, and it is clear that IEGH is putting its freshly raised capital to work growing its loan book. Moreover, according to the company's 2Q16 results announcement, cumulative loan volume has increased by 140% since January 2015, from \$5,549,023 at that time to \$13,314,023 as of June 30, 2016. Management expects growth to continue throughout the year as it deploys newly raised capital.

1H16 revenues rise by 34% YoY

IEGH reported rising 2Q16 revenues that showed high growth from a young base as the company continued to build its book of business. Specifically, 2Q16 revenues grew by 19% YoY to reach \$545,356, a continuation of the growth displayed in 1Q16, during which revenues grew by 54% YoY to reach \$524,972 in 1Q16, versus \$340,336 in 1Q15. For the first half of 2016 revenues were \$1.1mn, up 34% from \$0.8mn in 1H15.

IEGH ended 2Q16 with cash on hand \$0.1mn and no debt. IEGH used \$1.3mn in cash from operations during 1H16 and had current assets of \$8.0mn and current liabilities of \$0.2mn, as of June 30, 2016. IEGH is in the process of raising new capital through a rights offering, the terms of which are summarized later in this report. Management indicated proceeds from the offering will be used to fund growth in its loan portfolio and for general corporate purposes.

Adjusting price target to reflect new share count

We are adjusting our price target for IEGH to \$8.05. The target reflects 95.3mn shares, versus 28.9mn shares outstanding when the firm initiated coverage and conducted its initial valuation. We plan to update our forecast and valuation for IEGH following the completion of the proposed rights offering and 3Q16 results.

Stock Details (8/30/16)

OTCQX:	IEGH
Sector / Industry	Financials / Specialty Finance
Price target	\$8.05
Recent share price	\$1.30
Shares o/s (mn)	95.3
Market cap (in \$mn)	123.9
52-week high/low	\$10.00 / 0.51

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY14	FY15	FY16E
Revenues	0.5	1.8	4.6
EBITDA	(4.8)	(5.1)	(2.7)
EBIT	(4.9)	(5.2)	(2.8)
Net Income	(5.4)	(5.7)	(2.8)
EPS (\$)	(0.25)	(0.20)	(0.05)

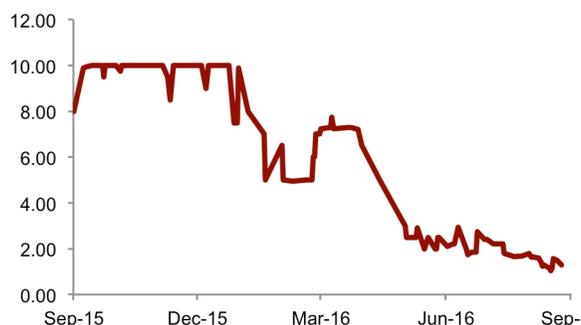
Source: SeeThruEquity Research

Key Ratios

	FY14	FY15	FY16E
Gross margin (%)	100.0	100.0	100.0
Operating Margin (%)	(916.9)	(282.1)	(60.0)
EBITDA margin (%)	(903.9)	(277.1)	(57.8)
Net margin (%)	(1,020.7)	(310.5)	(60.5)
P/Revenue (x)	234.1	67.5	27.0
EV/Revenue (x)	234.1	67.5	27.0

Source: SeeThruEquity Research

Stock Performance (LTM)



Source: Thomson Reuters



RECENT FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$ unless specified	2Q16	2Q15	1Q16
Interest Revenue	526,380	438,263	512,792
YoY growth	20.1%		51.1%
Other Revenue	18,976	18,463	12,180
YoY growth	2.8%		1316.3%
Total Revenue	545,356	456,726	524,972
YoY growth	19.4%		54.3%
Salaries & Compensation	406,323	407,424	403,006
Other Operating Expenses	409,407	352,185	410,061
Consulting	307,693	445,849	145,587
Provision for Credit Losses	354,918	428,604	387,519
Advertising, Rent & Other	318,220	334,058	140,555
Total Operating Expenses	1,796,561	1,968,120	1,486,728
YoY growth	-8.7%		26.7%
Operating Income	-1,251,205	-1,511,394	-961,756
Operating Margin			-183.2%
Interest & Other	6,673	-333,103	5,077
Pre-Tax Income	-1,244,532	-1,844,497	-956,679
Income Taxes	0	0	0
Net Loss	-1,244,532	-1,844,497	-956,679
Pref Dividends	-1,421	-72,689	-29,939
Net Loss	-1,245,953	-1,917,186	-986,618
Diluted EPS	0.01	-0.09	-0.03
Avg Shares in Period	94,432,364	21,598,401	29,580,442

Source: Company Earnings Release, SeeThruEquity Research

ADDITIONAL NOTES

Nice growth in 1H16

- As indicated in the table above, IEGH generated nice annual revenue growth in 2Q16 of approximately 19%. Revenues grew by 19% in 2Q16 to reach \$545,356, versus \$456,726 in 2Q15, and were also up 3.8% sequentially from \$524,972 in 1Q16. The rise in revenue stemmed from continued loan volume growth. For 1H16, IEGH revenues grew by 34% to reach \$1.1mn versus \$0.8mn in 1H15.
- EPS of (\$0.01) in quarter.** IEGH reported a GAAP net loss of (\$1.2mn), which was an improvement from a loss of (\$1.9mn) in the year ago period. EPS came in at (\$0.01) with 94.4mn average shares outstanding during the quarter.
- IEGH ended the quarter with cash on hand of \$0.1mn and no financial debt. The company used \$0.7mn in cash from operations during the quarter and (\$1.3mn) in 1H16. IEGH had current assets of \$8.0mn and current liabilities of \$0.2mn, with shareholders' equity of \$7.9mn. IEGH is in the process of raising new capital, which it intends to use to fund growth; the company's share count had increased to 95.4mn at the time of its 10Q filing.
- We are updating the full year revenue forecast to \$4.6mn following results. If achieved, this would represent annual revenue growth of approximately 150%, as we have assumed that new funding from the rights offering and the collection of current receivables should allow for faster loan growth and geographic expansion, as outlined by management. The new net loss estimate is (\$2.8mn).

Transaction volume continues sharp growth; new capital drives growth

- IEGH announced significant new growth in its loan volume. We see this as an important metric to track, as loan volume is a core driver of its revenue and potential profitability.
- In the announcement, IEGH noted new record highs in both its daily volume and monthly volume. Daily loan volume reached a new high of \$150,000, while May monthly loan volume came in at just over \$1.1mn. As illustrated in the following chart, the results are the latest in an impressive growth trend. Indeed, since January 2015, cumulative loan volume has increased by 133%, from \$5,549,023 at that time to \$13,314,023 as of June 30, 2016.



Source: Company investor materials

- IEGH expects this growth to continue in 2016, with management stating that it aims to be in 25 states covering 240mn people, or 75% of the population, by mid-2017E.

Rights offering to enable continued expansion

- IEGH announced a rights offering to its shareholders in an S-1 filing with the SEC. IEGH is clearly in growth mode and will likely use the new funds from the rights offering to continue to expand its loan volume as well as for general corporate purposes.
- The terms of the offering include distributing non-transferable rights to purchase up to 95.32mn shares of IEGH common stock.
- For each share of common stock held on August 15, 2016 (record date), IEGH shareholders will receive the right to purchase one share of common stock at \$1.00 per share.
- If fully subscribed, the rights offering would increase shares outstanding by twofold. An advantage of a rights offering versus a traditional equity raise, however, is that investors will have the opportunity to insulate themselves from the dilution of the new equity issuance, if they choose to fully participate in the offering. IEGH stated in its press release that shareholders who participate in the offering will be entitled, if available, to subscribe for additional rights that are not purchased.



Update on the regulatory front

- Although IEGH management has stated that it is not a P2P lender, the company is affected by regulatory trends in the consumer loan segment. We note that IEGH is exposed to changes in the regulatory environment related to consumer lending, given its focus on \$5,000 and \$10,000 personal loans over a five-year term at 19.9% to 29.9%.
- In its last corporate update, management stated that it believes it will benefit from a shakeout in P2P lenders resulting increased regulatory scrutiny, with the rational that competition will decline and that sourcing / acquisition costs will decline.

Adjusting price target to \$8.05 to reflect updated share count

- We are adjusting our price target for IEGH to \$8.05. The target reflects the updated share count of 95.3mn shares, versus 28.9mn shares outstanding when the firm initiated coverage and conducted its initial valuation. We plan to update our forecast and valuation for IEGH following an announcement related to the ultimate results of the rights offering and 3Q16 results.



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 (OTCQX: IEGH) provides online unsecured consumer loans under the brand name, "Mr. Amazing Loans," via its website, www.mramazingloans.com, in 17 US states. The Company offers \$5,000 and \$10,000 loans over a term of five years at a 19.9% to 29.9%. IEG Holdings plans future expansion to 25 US states by mid-2017. For more information about the Company, visit www.investmentevolution.com.



Contact

Ajay Tandon
SeeThruEquity
www.seethruequity.com
(646) 495-0939
info@seethruequity.com

Disclosure

This research report has been prepared and distributed by SeeThruEquity, LLC ("SeeThruEquity") for informational purposes only and does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any transaction. This report is based solely on publicly-available information about the company featured in this report which SeeThruEquity considers reliable, but SeeThruEquity does not represent it is accurate or complete, and it should not be relied upon as such. All information contained in this report is subject to change without notice. This report does not constitute a personal trading recommendation or take into account the particular investment objectives, financial situation or needs of an individual reader of this report, and does not provide all of the key elements for any reader to make an investment decision. Readers should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, many of which are beyond the company's control. Actual results could differ materially and adversely from those anticipated in such forward-looking statements as a result of certain industry, economic, regulatory or other factors.

SeeThruEquity is not a FINRA registered broker-dealer or investment adviser and does not provide investment banking services. SeeThruEquity does not accept or receive fees or other compensation for preparing its research reports. SeeThruEquity has not been retained or hired by the company featured herein or by any other party to prepare this report.

In some but not in all instances, SeeThruEquity and/or its officers, directors or affiliates may receive compensation from companies featured in its reports for non report-related services which may include charges for presenting at SeeThruEquity investor conferences, distributing press releases and performing certain other ancillary services. The company featured in this report paid SeeThruEquity its standard fee described below for distributing a press release on this report. Such compensation is received on the basis of a fixed fee and made without regard to the opinions and conclusions in its research reports. The fee to present at SeeThruEquity conferences is no more than seven thousand dollars, and the fee for distributing press releases is no more than fifteen hundred dollars. The fees for performing certain other ancillary services vary depending on the company and service provided but generally do not exceed five thousand dollars. In no event is a company on which SeeThruEquity has issued a report required to engage it with respect to these non report-related services. SeeThruEquity and/or its affiliates may have a long equity position with respect to a non-controlling interest in the publicly traded shares of companies featured in its reports, and follows customary internal trading restrictions pending the release of its reports.

SeeThruEquity's professionals may provide verbal or written market commentary that reflects opinions that are contrary to the opinions expressed in this report. This report and any such commentary belong to SeeThruEquity and are not attributable to the company featured in its reports or other communications. The price and value of a company's shares referred to in this report may fluctuate. Past performance by one company is not indicative of future results by that company or of any other company covered by a report prepared by SeeThruEquity. This report is being disseminated primarily electronically and, in some cases, in printed form. An electronic report is made simultaneously available to all recipients. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Please refer to the Disclosures section of our website for additional details.

Copyright 2011-2016 SeeThruEquity, LLC. No part of this material may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of SeeThruEquity, LLC.