



## IEGH Holdings Corporation (OTCQX: IEGH, Target Price: \$10.50)

IEG Holdings Corporation (OTCQX: IEGH) provides online unsecured consumer loans under the brand name "Mr. Amazing Loans" via its website, www.mramazingloans.com, in 18 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 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

#### IEGH announced it is exploring strategic alternatives

On November 3, 2016, IEGH announced that it would explore strategic alternatives. In the announcement, the company stated that it would forgo its application to uplist to a national exchange at this time. Coincident with the announcement, two members of IEGH's Board of Directors resigned from their posts. CEO Paul Mathieson also announced that he would reduce annual base compensation from 1mn to \$1.00 in 2017, and that he would forgo any bonus opportunities in 2016. In light of these costs cuts, the company is aiming to achieve breakeven in 2017E.

#### Loan volume rises again in 3Q16

IEGH discussed growth in its loan volume in 3Q16 earnings release. According to the company's results release, since January 2015, cumulative loan volume has increased by 150% from \$5.5mn to \$13.9mn as of October 31, 2016. In our view trends in loan volume provide key insights into the core health of IEGH's business, as loan volume is a driver of revenue and potential profitability. Management noted that loan volume is affected by the performance of mramazingloans.com, the cost of new leads, and the pace of geographic expansion. In its earnings release, IEGH stated that it now expects to be in 25 states by mid-2017E, versus our prior expectation that it would accomplish this by year-end.

#### IEGH reaches record quarterly revenues in 3Q16

IEGH reported 3Q16 revenues of \$557,551. Revenues were up 5% from 3Q15 and were also up sequentially from \$545,356 in 2Q16. The results reflected rising loan volume and represented a new record for the company. For the three quarters of 2016, revenues came in at \$1.6mn, versus \$1.3mn in the comparable period in 2015. IEGH ended 3Q16 with cash on hand of \$0.9mn and shareholder's equity of \$8.3mn, or \$0.85 per share.

#### Updating estimates for 2016E-2017E; reverse split

Considering recent results in 3Q16 and the new timeline for expansion to have licenses in 25 states, we are pushing some of our growth forecast out from 4Q16E into 2017E, which is reflected in our new estimates. We now see full year 2016E revenue as coming in at \$2.3mn (23% YoY growth), and 2017E revenues coming in at \$5mn. We are also adjusting our forecast for 2016E GAAP EPS to (\$0.42), reflecting shares outstanding after recent corporate actions of 9.7mn. Our 2017E EPS is \$0.00, reflecting guidance that IEGH would generate cash in 2017.

### Adjusting price target to \$10.50

We are adjusting our price target for IEGH to \$10.50, versus the recent close of \$3.75 on November 4, 2016. The target reflects the new share count of 9.7mn shares, as well as recent results and our new estimates. We continue to see IEGH as a high risk, high potential reward company in the consumer finance industry.

### Stock Details (11/4/16)

OTCQX:	IEGH
Sector / Industry	Financials / Specialty Finance
<b>Price target</b>	<b>\$10.50</b>
Recent share price	\$3.75
Shares o/s (mn)	9.7
Market cap (in \$mn)	36.4
52-week high/low	\$100.00 / 4.60

Source: Thomson Reuters, SeeThruEquity Research

### Key Financial (\$mn, unless specified)

	FY15	FY16E	FY17E
Revenues	1.8	2.3	5.0
EBITDA	(5.1)	(4.0)	0.1
EBIT	(5.2)	(4.1)	0.0
Net Income	(5.7)	(4.1)	0.0
EPS (\$)	(1.97)	(0.42)	0.00

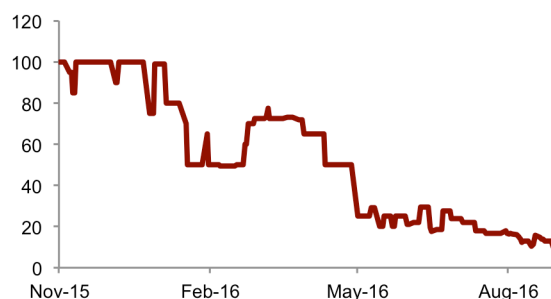
Source: SeeThruEquity Research

### Key Ratios

	FY15	FY16E	FY17E
Gross margin (%)	100.0	100.0	100.0
Operating Margin (%)	(282.1)	(180.0)	0.0
EBITDA margin (%)	(277.1)	(177.8)	2.4
Net margin (%)	(310.5)	(181.0)	0.0
P/Revenue (x)	19.8	16.2	7.3
EV/Revenue (x)	19.3	15.8	7.1

Source: SeeThruEquity Research

### Stock Performance (LTM)



Source: Thomson Reuters



## RECENT FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$ unless specified	3Q16	3Q15	2Q16
<b>Interest Revenue</b>	<b>547,551</b>	<b>520,373</b>	<b>526,380</b>
YoY growth	5.2%		20.1%
<b>Other Revenue</b>	<b>10,000</b>	<b>9,894</b>	<b>18,976</b>
YoY growth	1.1%		2.8%
<b>Total Revenue</b>	<b>557,551</b>	<b>530,267</b>	<b>545,356</b>
YoY growth	5.1%		19.4%
<b>Salaries &amp; Compensation</b>	<b>397,795</b>	<b>718,532</b>	<b>406,323</b>
<b>Other Operating Expenses</b>	<b>315,368</b>	<b>329,441</b>	<b>409,407</b>
<b>Consulting</b>	<b>414,443</b>	<b>282,189</b>	<b>307,693</b>
<b>Provision for Credit Losses</b>	<b>257,907</b>	<b>213,611</b>	<b>354,918</b>
<b>Advertising, Rent &amp; Other</b>	<b>156,263</b>	<b>299,110</b>	<b>318,220</b>
<b>Total Operating Expenses</b>	<b>1,541,776</b>	<b>1,842,883</b>	<b>1,796,561</b>
YoY growth	83.7%		-8.7%
<b>Operating Income</b>	<b>-984,225</b>	<b>-1,312,616</b>	<b>-1,251,205</b>
Operating Margin	-176.5%	-247.5%	-229.4%
<b>Interest &amp; Other</b>	<b>-324</b>	<b>-107,719</b>	<b>6,673</b>
<b>Pre-Tax Income</b>	<b>-984,549</b>	<b>-1,420,335</b>	<b>-1,244,532</b>
<b>Income Taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Loss</b>	<b>-984,549</b>	<b>-1,420,335</b>	<b>-1,244,532</b>
<b>Pref Dividends</b>	<b>-1,875</b>	<b>-61,045</b>	<b>-1,421</b>
<b>Net Loss</b>	<b>-986,424</b>	<b>-1,481,380</b>	<b>-1,245,953</b>
<b>Diluted EPS</b>	<b>(0.10)</b>	<b>(0.60)</b>	<b>(0.13)</b>
<b>Avg Shares in Period</b>	<b>9,570,221</b>	<b>2,451,888</b>	<b>9,443,236</b>

Source: Company Earnings Release, SeeThruEquity Research

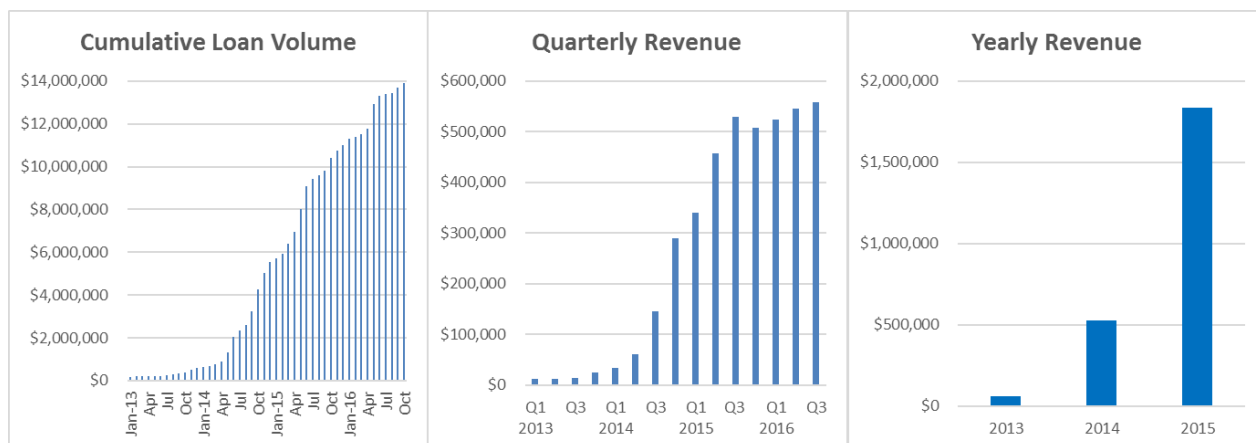
### ADDITIONAL NOTES

#### Revenues rise sequentially and YoY in 3Q16

- As indicated in the table above, IEGH generated sequential and YoY revenue growth in 2Q16. Interest revenues came in at \$547,551 during the quarter. Total revenues of \$557,551 were a new record for the company, and represented YoY growth of 5.1%. Revenues were also up 2% sequentially from \$545,356 in 2Q16.
- For the first three quarters of 2016, IEGH revenues grew by 22.6% to reach \$1.6mn versus \$1.3mn in the first three quarters of 2015. The rise in revenue stemmed from continued loan volume growth.
- EPS of (\$0.10) in quarter.** IEGH reported a GAAP net loss of (\$0.9mn), which was an improvement from a loss of (\$1.4mn) in the year ago period. Adjusted for the recent reverse stock split, EPS came in at (\$0.10) with 9.6mn average shares outstanding during the quarter; this compared to a loss of (\$0.13) in 2Q16 and (\$0.60) in the year-ago period (split-adjusted).
- IEGH ended the quarter with cash on hand of \$0.9mn and no financial debt. The company used (\$0.8mn) in cash from operations during the quarter and (\$2.7mn) in the first three quarters of 2016.
- IEGH had current assets of \$8.3mn and current liabilities of \$0.1mn, with shareholders' equity of \$8.3mn at the end of 3Q16.
- In its recent corporate update on November 3, 2016, IEGH announced that recent cost-cutting initiatives – including the resignation of two directors and the reduction in CEO compensation from \$1mn to \$1 – would position the company for reaching breakeven / cash flow positive status in 2017E.

**Transaction volume continues sharp growth; new capital drives growth**

- IEGH continues to report rises in its loan volume. We see this as an important metric to track, as loan volume is a core driver of the company’s business and potential profitability.
- In its results announcement, IEGH noted that it continues to experience increases in loan volume. As illustrated in the accompanying chart, the results are the latest in a growth trend, which management sees as being driven by [www.mramazingloans.com](http://www.mramazingloans.com), low acquisition costs, and continued expansion of state licenses.



Source: Company investor materials

- According to the company, since January 2015, cumulative loan volume increased by 150% from \$5.5mn at that time to \$13.9mn as of October 31, 2016.
- **Adds 18<sup>th</sup> state:** IEGH announced on November 1, 2016, that it received approval to enter its 18<sup>th</sup> state, Maryland. IEGH expects this growth to continue in coming months. The company is now expecting to be in 25 states by mid-2017, which would cover approximately 75% of the US population.

**Reverse Split**

- On October 18, 2016, IEGH announced that it had effected a reverse split.
- The specifics of the transaction included a 1:1000 reverse split; immediately following the company effected a 1:100 forward stock split. Following the actions the authorized shares outstanding were reduced from 200mn to 40mn.
- The net effect of these actions was a 1:10 reverse stock split. We estimate current shares outstanding after these actions to be 9.7mn.
- IEGH will trade as (IEGHD) for a 20-day period following October 28, 2016, to reflect these actions.

**Updating estimates; adjusting price target to \$10.50 to reflect recent results, updated share count**

- We are updating the full year revenue forecast to \$2.3mn following results. If achieved, this would represent annual revenue growth of approximately 23%. We believe the company is expecting growth to accelerate in 2017E due to increased geographic expansion and fundraising activities, which should allow for faster loan growth.
- Additionally, due to cost cutting measures, IEGH now plans on reaching net income and cash flow positive status during 2017E. The company is still seeking to raise additional funds.
- The new GAAP net loss estimate is (\$4.1mn). This would represent EPS of (\$0.42) per share assuming 9.7mn shares outstanding.



- **Price target moves to \$10.50.** We are adjusting our price target for IEGH to \$10.50. The new target reflects the updated share count of 9.7mn shares, following the next effect of recent corporate actions, as well as recent results and our new estimates for the company.

## 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

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