



IEGH Holdings Corp. (OTCQB: IEGH, Target Price: \$10.50)

IEG Holdings Corporation (OTCQB: IEGH) provides online unsecured consumer loans under the brand name "Mr. Amazing Loans" via its website, www.mramazingloans.com, in 19 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 during 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 19 states including: Alabama, Arizona, California, Florida, Georgia, Illinois, Kentucky, Louisiana, Maryland, Missouri, Nevada, New Jersey, New Mexico, Ohio, Oregon, Pennsylvania, Texas, Utah and Virginia. The Company was founded in 2010 and is headquartered in Las Vegas, Nevada.

Investment Highlights

IEGH releases 1Q17 results

IEGH released 1Q17 results in on May 3, 2017, which showed a reduction in operating costs from \$1.5mn in 1Q16 to \$1.0mn in 1Q17. Revenues, primarily consisting of interest revenue, came in at \$0.47mn, versus \$0.52mn in 1Q16, also a decline, as IEGH focused on reducing expenses. Cumulative Net Loss narrowed by approximately 50%, at (\$0.50mn) in 1Q17 versus (\$0.99mn) in 1Q16. EPS loss in the quarter narrowed to (\$0.05) from (\$0.33) in the year ago period, due to an increase in shares as well as the reduced net loss. IEGH's results announcement stated that cumulative loan volume was \$14.24mn at the end of 1Q17, versus \$10.99mn in January 2016. While the overall trend of loan growth is up 29.7% over this period, we believe loan growth slowed in March, resulting from management's focus on reducing losses, and the focus on the tender offer for OneMain Holdings. In our view, loan volume provides key insights into the health of IEGH's business, as it is a driver of revenue and potential profitability.

IEGH announces first shareholder dividend plans

As part of the results announcement, IEGH declared its first shareholder dividend. The company will pay a cash dividend of \$0.005 per common share for the first quarter of 2017. The dividend is payable on August 21, 2017 to stockholders of record at the close of business on Monday, June 5, 2017. In the announcement, IEGH Chairman and CEO Paul Mathieson stated that IEGH expects to pay quarterly dividends on an ongoing basis.

Update on OneMain corporate action

Mathieson also provided an update on the company's tender offer for shares of OneMain Holdings, Inc. (NYSE: OMF). As we noted in prior coverage of IEGH, the company has extended its tender offer for shares of OMF until 5PM EST on May 5, 2017, unless extended. OneMain Holdings is a multi-billion dollar NYSE listed provider of consumer finance and insurance solutions. Terms of the offer consist of an exchange of 20 shares of IEG Holdings common stock for each share of OneMain common stock, up to an aggregate of 6,747,723 shares of OneMain's common stock.

Price target unchanged at \$10.50 for IEGH

Our price target for IEGH is unchanged at \$10.50. IEGH is a high risk, high potential reward company in the consumer finance sector. IEGH has several potential catalysts including growth, guidance for adjusted profitability in 2017, and ongoing strategic corporate finance initiatives. We are encouraged by management's decision to declare a quarterly dividend, and look forward to hearing about upcoming plans for growth.

Stock Details (5/2/17)

OTCQB:	IEGH
Sector / Industry	Financials / Specialty Finance
Price target	\$10.50
Recent share price	\$1.95
Shares o/s (mn)	9.7
Market cap (in \$mn)	18.9
52-week high/low	\$30.89 / 0.90

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY15	FY16	FY17E
Revenues	1.8	2.1	3.8
EBITDA	(5.1)	(4.6)	(0.7)
EBIT	(5.2)	(4.7)	(0.8)
GAAP Net Inc. to common	(6.0)	(4.8)	(0.8)
GAAP EPS (\$)	(2.52)	(0.60)	(0.08)

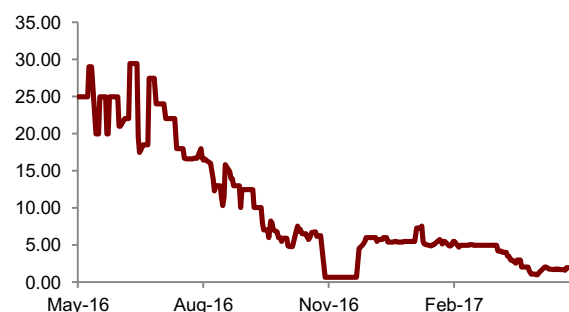
Source: SeeThruEquity Research

Key Ratios

	FY15	FY16	FY17E
Gross margin (%)	100.0	100.0	100.0
Operating Margin (%)	(282.1)	(223.8)	(21.1)
EBITDA margin (%)	(277.1)	(219.0)	(18.7)
Net margin (%)	(310.5)	(228.6)	(21.1)
P/Revenue (x)	10.9	9.5	5.2
EV/Revenue (x)	10.7	9.3	5.2

Source: SeeThruEquity Research

Stock Performance (LTM)



Source: Thomson Reuters



RECENT FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$ unless specified	1Q17	1Q16	2016	2015
Interest Revenue	450,729	512,792	2,086,976	1,789,701
YoY growth	-12.1%	51.1%	16.6%	243.5%
Other Revenue	16,654	12,180	48,070	45,464
YoY growth	36.7%	1316.3%	5.7%	454.0%
Total Revenue	467,383	524,972	2,135,046	1,835,165
YoY growth	-11.0%	54.3%	16.3%	246.8%
Salaries & Compensation	120,278	403,006	1,592,990	2,126,243
Other Operating Expenses	115,204	410,061	1,561,045	1,399,157
Consulting	224,488	145,587	1,154,465	1,013,690
Provision for Credit Losses	498,191	409,919	1,865,362	1,134,518
Advertising, Rent & Other	13,310	118,155	702,332	1,339,001
Total Operating Expenses	971,471	1,486,728	6,876,194	7,012,609
YoY growth	-34.7%	26.7%	-1.9%	30.3%
Operating Income	-504,088	-961,756	-4,741,148	-5,177,444
Operating Margin	-107.9%	-183.2%	-176.50%	-247.50%
Interest & Other	149	5,077	12,278	-520,754
Pre-Tax Income	-503,939	-956,679	-4,728,870	-5,698,198
Income Taxes	0	0	0	0
Net Loss	-503,939	-956,679	-4,728,870	-5,698,198
Pref Dividends	0	-29,939	-35,517	-311,056
Net Loss	-503,939	-986,618	-4,764,387	-6,009,254
Diluted EPS	-0.05	-0.33	-0.60	-2.52
Avg Shares in Period	9,714,186	2,958,044	7,918,922	2,381,257

Source: Company SEC Filings, SeeThruEquity Research

ADDITIONAL NOTES

Revenues rise, loss narrows in 2016

- As indicated in the table above, IEGH reported revenues of \$467,382 in 1Q17, versus \$524,972 in 1Q16. The 11% 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 \$450,729, versus \$512,792, a decline of 12.1%. Other revenues were \$16,654 in 1Q17 versus \$12,180 in 1Q16.
- IEGH cuts operating loss by 47%.** Management continued to focus on reducing operating expenses. Salaries & Compensation expenses declined sharply from \$403,006 in 1Q16 to \$120,278 in 1Q17. Total Operating expenses declined by 35% to \$971,471, with the operating loss narrowing to (\$504,088) versus (\$961,756) in 1Q16.
- EPS of (\$0.05) in 1Q17.** IEGH reported a GAAP net loss of (\$0.50mn) in 1Q17, which was an improvement from a loss of (\$0.99mn) in the year ago period. Average shares outstanding (split-adjusted) were 9.71mn in the quarter, versus 2.96mn in 1Q16. Reflecting an increase in shares and a decrease in losses, IEGH reported GAAP EPS of (\$0.05) in 1Q17, versus (\$0.33) in 1Q16. We believe the company is targeting positive adjusted net income in 2017, and have forecast full year GAAP EPS of (\$0.08).
- Balance Sheet & Liquidity Update:** We continue to see the balance sheet and access to liquidity as important factors for IEGH. Access to capital allows the company to invest in growth, adds security for shareholders, and enables



- the company to make more loans, which increases earnings potential assuming proper execution and risk management.
- IEGH ended FY 2016 quarter with cash on hand of \$446,632 and no financial debt. Total assets at the end of the period were \$6.4mn, with liabilities of just \$56,168, resulting in positive net shareholder's equity of \$6.3mn.
- **Loans Receivable Overview:** Loans receivable represents the largest asset on IEGH's balance sheet, at \$5.8mn. At March 31, 2017, 103 loans with a total balance of \$454,452 were delinquent or in default, according to the company's 10-Q filing with the SEC.
- **Cash Flow Improves:** IEGH used (\$0.22mn) in cash from operations during the quarter, an improvement over a use of (\$0.60mn) in 1Q16. Cash from Investing Activities resulted in a net inflow of capital of \$342,391, as loan amounts of \$482,391 were repaid and \$140,000 in loan receivables were originated. The company had no cash provided by financing activities in the period, thus its net cash position increased in 1Q17.
- **Transaction Volume Update:** IEGH continues to report an overall trend of rising loan volume, although we believe this activity moderated in March as the company was focused on corporate actions and cost controls. IEGH reported that, since January 2016, cumulative loan volume has increased by 29.7% from \$10,989,023 to \$14,249,023, as of March 31, 2017.
- 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 management declares dividend, provides update on tender offer

- **IEGH declares first shareholder dividend.** As part of its 1Q17 results announcement, IEGH declared its first shareholder dividend. The company will pay a cash dividend of \$0.005 per common share for the first quarter of 2017.
- The dividend is payable on August 21, 2017 to stockholders of record at the close of business on Monday, June 5, 2017. In the announcement, IEGH Chairman and CEO Paul Mathieson stated that IEGH expects to pay quarterly dividends on an ongoing basis. The initiation of a dividend may be a signal that management has confidence in its ability to generate sustainable cash flow from its portfolio and ongoing consumer loan activities.
- IEGH also provided an update on its offer for OneMain shares. As we noted in prior coverage of IEGH, the company has extended its tender offer for shares of OMF until 5PM EST on May 5, 2017, unless extended.
- OneMain Holdings is a multi-billion dollar NYSE listed provider of consumer finance and insurance solutions. Terms of the offer consist of an exchange of 20 shares of IEG Holdings common stock for each share of OneMain common stock, up to an aggregate of 6,747,723 shares of OneMain's common stock.
- The stated purpose of the offer by was outlined in a letter to OneMain shareholders from IEGH CEO Paul Mathieson. In the letter Mathieson likened OneMain to an outdated brick and mortar retailer in need of an updated online strategy. The offer was rejected by OneMain's Board in a press release, calling it grossly inadequate and reckless. As we stated when the offer was announced, we are not aware of a situation in which a company the size of IEGH has successfully acquired a company as large as OneMain, particularly considering certain large institutional shareholders of OneMain, such as Fortress, which controls more than 50% of shares.

\$10.50 target unchanged at this time for IEGH

- We are leaving the price target unchanged at this time. We are encouraged by the initiation of a dividend and hopeful that the company can show a pathway to recurring free cash flow. Reflecting 1Q17 results that emphasized cost savings, we are revising our 2017 top line estimates lower to revenue of \$3.8mn. We now estimate a GAAP net loss per share of (\$0.08). We continue to see the company as a speculative consumer finance company, with significant growth potential if it can secure access to capital to grow its loan book, and execute 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

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