



Update (December 29, 2017)

IEGH Holdings Corp (OTCQB: IEGH, Target Price: \$2.00)

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 rates ranging from 19.9% to 29.9% APR. IEG Holdings plans future expansion to a total of 25 US states, 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 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 to enter Crypto / Blockchain space with new entity

On December 22, 2017, IEGH Chairman and CEO Paul Mathieson announced that IEGH would enter the cryptocurrency space with the incorporation of a new entity, Investment Evolution Crypto, LLC. The new entity is a 100% wholly-owned subsidiary that will explore the practicality and legality of working with Mr. Amazing Loans to accept payment for customer loans by way of leading Crypto / Blockchain currencies such as Bitcoin, provide the crypto currency equivalent of \$5,000 and \$10,000 loans, and potentially issue its own cryptocurrency. The decision to enter the cryptocurrency space is a rational one for IEGH, which already has an existing business issuing \$5,000 and \$10,000 consumer loans through online channels, and the company may be able to leverage the growing interest in cryptocurrency to grow its business and raise new capital that could be deployed to grow its loan book.

IEGH releases 3Q17 results

IEGH released 3Q17 results on November 8, 2017, with the filing of its 10-Q with the SEC. During 3Q17 IEGH increased its advertising spend and maintained its quarterly dividend of \$0.005 per common share. Revenues, primarily consisting of interest revenue, were \$407,370, down from \$413,941 in 2Q17 and 557,551 in 3Q16. As of September 30, 2017, IEGH had 1,546 loans outstanding with an unpaid principal balance of \$5.92mn. Operating expenses during the quarter declined to \$1.48mn from \$1.54mn in the year-ago period. The company increased advertising expenses during the quarter, which is expected to help increase loan originations in future periods. IEGH also resumed payments to CEO Paul Mathieson, at an annual salary of \$1.2mn, and reduced rent and other operating expenses. We estimate the company is now operating at an annualized expense rate of slightly under \$6mn and have assumed the company will manage the business for growth rather than targeting breakeven in the short run. Net loss in 3Q17 was (\$1.7mn), including a legal settlement of \$0.6mn. For the quarter, EPS came in at a loss of (\$0.13) versus (\$0.10) in the year-ago period.

Price target moves to \$2.00

We are updating our price target for IEGH to \$2.00 per share following recent results and a new share count assumption following recent financing activities. IEGH is a high risk, high potential reward company in the consumer finance sector.

Stock Details (12/27/17)

OTCQB:	IEGH
Sector / Industry	Financials / Specialty Finance
Price target	\$2.00
Recent share price	\$0.30
Shares o/s (mn)	12.8
Market cap (in \$mn)	\$3.8
52-week high/low	\$8.60 / 0.14

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY16	FY17E	FY18E
Revenues	2.1	1.7	2.0
EBITDA	(4.6)	(3.5)	(3.9)
EBIT	(4.7)	(3.6)	(4.0)
GAAP Net Inc. to common	(4.8)	(4.2)	(4.0)
GAAP EPS (\$)	(0.60)	(0.40)	(0.25)

Source: SeeThruEquity Research

Key Ratios

	FY16	FY17E	FY18E
Gross margin (%)	100.0	100.0	100.0
Operating Margin (%)	(223.8)	(215.2)	(198.7)
EBITDA margin (%)	(219.0)	(212.8)	(195.7)
Net margin (%)	(228.6)	(254.5)	(198.7)
P/Revenue (x)	1.8	2.3	1.9
EV/Revenue (x)	1.0	1.2	1.0

Source: SeeThruEquity Research

Stock Performance (LTM)



Source: Thomson Reuters

RECENT FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$ unless specified	3Q17	3Q16	9 mos 2017	9 mos 2016
Interest Revenue	386,565	547,551	1,238,280	1,586,723
YoY change	(29.4%)		(22.0%)	
Other Revenue	20,805	10,000	50,414	41,156
YoY change	108.1%		22.5%	
Total Revenue	407,370	557,551	1,288,694	1,627,879
YoY change	(26.9%)		(20.8%)	
Salaries & Compensation	419,144	397,795	658,347	1,207,124
Other Operating Expenses	104,985	165,264	299,551	553,401
Rent & Advertising	180,808	92,593	184,268	313,902
Provision for Credit Losses	300,205	257,907	919,529	100,344
Public Co Expenses & Other	474,598	628,217	1,702,066	2,650,294
Total Operating Expenses	1,479,740	1,541,776	3,763,761	4,825,065
YoY change	(4.0%)		(22.0%)	
Operating Income	(1,072,370)	(984,225)	(2,475,067)	(3,197,186)
Operating Margin	(263.2%)	(176.5%)	(192.1%)	(196.4%)
Interest & Other	(624,209)	(324)	(777,434)	11,426
Pre-Tax Income	(1,696,579)	(984,549)	(3,252,501)	(3,185,760)
Income Taxes	0	0	0	0
Net Loss	(1,696,579)	(984,549)	(3,252,501)	(3,185,760)
Pref Dividends	0	(1,875)	0	(33,235)
Net Loss	(1,696,579)	(986,424)	(3,252,501)	(3,218,995)
Diluted EPS	(0.10)	(0.13)	(0.16)	(0.36)
Avg Shares in Period	12,708,547	9,570,221	10,901,436	7,332,923

Source: Company SEC Filings, SeeThruEquity Research

ADDITIONAL NOTES

IEGH reports 3Q17 results as focus shifts to execution

- As indicated in the table above, IEGH reported revenues of \$407,370 in 3Q17. The results were down 1.6% sequentially from \$413,941 in 2Q17 and down 26.9% YoY from \$557,551 in 3Q16. For the first nine months of 2017. Revenues were \$1.29mn versus \$1.63mn in the year-ago period. The decline in revenues appears to have been the result of management's focus on preserving cash and the pursuit of corporate actions during much of the year.
- 3Q17 Interest Revenues were \$386,565, versus \$547,551 in 3Q16. Other revenues were \$20,805 in 3Q17 versus \$10,000 in 3Q16.
- IEGH resumes advertising, CEO pay.** IEGH resumed advertising in 3Q17, to approximately \$180,000 in the quarter, which is expected to increase the loan originations that are the fundamental driver of the company's business. CEO Paul Mathieson also elected to reinstate his annual salary at a rate of \$1.2mn per year, after having reduced it during a time of tight cash for the company. The company also reduced rent expense and other operating expenses moderately. Following these changes, IEGH appears to be on an annual operating expense rate of slightly less than \$6mn per year. This is a change which will increase the cash needs of IEGH going forward, and we expect the company will seek to raise capital in order to grow the business and cover these costs.
- EPS of (\$0.10) in 2Q17.** IEGH reported a GAAP net loss of (\$1.7mn) in 3Q17, or (\$0.13) per share. Average shares outstanding were 12.7mn in the quarter, versus 9.6mn in 3Q16. Management had previously stated that it was targeting positive adjusted net income by the end in 2017, but given the increase in expenses and shift toward growth investment we do not expect the company to meet this goal.



- **Balance Sheet & Liquidity Update:** IEGH ended the quarter with cash on hand of \$1.9mn versus \$3.7mn at the end of 2Q17 and \$0.3mn at 4Q16. Shareholders' Equity was \$6.7mn at the end of the quarter.
- IEGH used \$1.85mn of cash in operations during the first nine months of 2017, a slight improvement versus the comparable period in 2016, when the company used \$2.10mn.
- The company raised \$3.7mn in cash from investing activities in the first nine months of the year, primarily resulting from cash raised from the sale of OneMain shares acquired in the tender offering earlier this year. IEGH paid a dividend of \$0.005 in November and has resumed its share buyback. The company stated in its 3Q17 filing that it intended to continue to pay ongoing dividends at the discretion of its Board of Directors. This will likely be dependent on available cash and progress made scaling the company.
- IEGH raised \$0.9mn through the issuance of preferred stock during 4Q17. The preferred stock automatically converts to common on December 31, 2017, which should result in the issuance of approximately 3.7mn shares. With the resumption of higher operating spending levels demonstrated in 3Q17, IEGH is likely to require new capital in 2018.
- **Loans Receivable Overview:** Loans receivable continues to represent the largest asset on IEGH's balance sheet, at \$5.0mn in 3Q17 versus \$5.1mn in 2Q17. As of September 30, 2017, IEGH had 81 delinquent loans with a total balance of \$326,000, an improvement over 74 loans with a total balance of \$335,563 at the end of 2Q17, according to the company's 10-Q filing with the SEC.

IEGH to enter growing cryptocurrency market

- On December 22, 2017, IEGH Chairman and CEO Paul Mathieson announced that IEGH would enter the cryptocurrency space with the incorporation of a new entity, Investment Evolution Crypto, LLC.
- The new entity is a 100% wholly-owned subsidiary that will explore the practicality and legality of working with Mr. Amazing Loans to accept payment for customer loans by way of leading Crypto / Blockchain currencies such as Bitcoin, provide the crypto currency equivalent of \$5,000 and \$10,000 loans, and potentially issue its own cryptocurrency.
- **Clear rationale for IEGH to enter crypto market:** The decision to enter the cryptocurrency space is a rational one for IEGH, which already has an existing business issuing \$5,000 and \$10,000 consumer loans through online channels, and the company may be able to leverage the growing interest in cryptocurrency to grow its business and raise new capital that could be deployed to grow its overall loan book.
- Unlike many small companies which have recently announced an entry into the cryptocurrency market, there exists a growth rationale for an online consumer lending company such as IEGH to enter the cryptocurrency market with an aim to gain share from existing industry participants by leveraging this disruptive trend.

Updating target to \$2.00 for IEGH

- We are updating our target to reflect recent results, new expectations, and an increase in share outstanding. We note that recent share prices appear to offer compelling value in light of IEGH's net asset value of \$6.7mn at the end of 3Q17.
- Following 3Q17 results we now forecast 2017E revenues of \$1.7mn, versus our prior estimate of \$2.4mn. Our 2018E estimates move to \$2.0mn and EPS of (\$0.25). Potential growth drivers include increased marketing to grow its loan book, and any headway made in the recently announced entry into the cryptocurrency market.
- We see IEGH as a speculative consumer finance company with growth potential given the relatively low structural costs of its online lead generation model. While there are clearly risks related to the company's cash position and operating expenses, IEGH has 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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