



Evolve  
Capital Partners

# QUARTERLY DEALS & MARKET ROUNDUP

## Specialty Finance / Alternative Lending

December 2017



*Collections / Servicing*



*Commercial Lending*



*Consumer Lending*



*Leasing*



*Mortgage Related*



*Online Lending*

Specialized investment bankers at the intersection of finance and technology



## Highlights

*This quarter's Alternative Lending roundup discusses the following key developments:*



*Online lenders partnering with banks to support strong loan demand*



*Alternative lenders going the multi-product way*



*Introducing analytics in marketing by outsourcing customer acquisition*



*Deal activity slows down in the mainstream, but continues to be strong in the extended Alternative Lending sphere*



# Overview of Evolve Capital Partners

## ABOUT ECP

- Evolve Capital Partners (ECP) is a specialized investment bank focused on businesses serving industries at the intersection of finance and technology.
- We are dedicated investment bankers focused on evolving industries, and we support sustainable growth through transformational M&A / financing transactions.
- ECP is a dedicated, creative, and fully independent investment bank that advises private and public companies on merger, divestiture and acquisition transactions, and capital raising through private placements.
- We also provide structured finance advisory services — our investment banking practice provides a comprehensive suite of solutions to businesses.
- With over 30 engagements executed by its leaders, Evolve Capital Partners has served as a proud partner, bringing renewed value to companies at the intersection of finance and technology.
- We were founded in 2012 and are based in New York, NY.

## HIGH-TOUCH INVESTMENT BANKING

*Few investment banks have transaction experience across both corporate and asset finance.*



### Our Clients

- Corporations
- Management Teams
- VC & PE Backed Companies
- Independent Directors / Boards



### Investment Banking Advisory

- M&A
- Strategic Alliances
- Capital Raises and Asset Finance
- Financial Restructuring



### Industry Focus

#### Finance and Technology Firms

BPO

IoT

B2B

Specialty Finance

Enterprise Software

Analytics

Payments

Lending

InsuranceTech

Securities

Financial Services

Financial Management

## We Focus Exclusively on Finance and Technology-Related Firms

### Financial Management Solutions



### Payments



### Bank Tech / Solutions



### BPO



## Capabilities

### M&A Advisory

*Sales / Recaps*

*Acquisitions*

*Divestiture*

*Strategic Advisory*

## Financing

*Private Placements*

*Debt Capital*

*Restructuring*

### Specialty Finance / Alternative Lending



### Healthcare Tech



### Securities



### Data & Analytics / IoT



### Insurance





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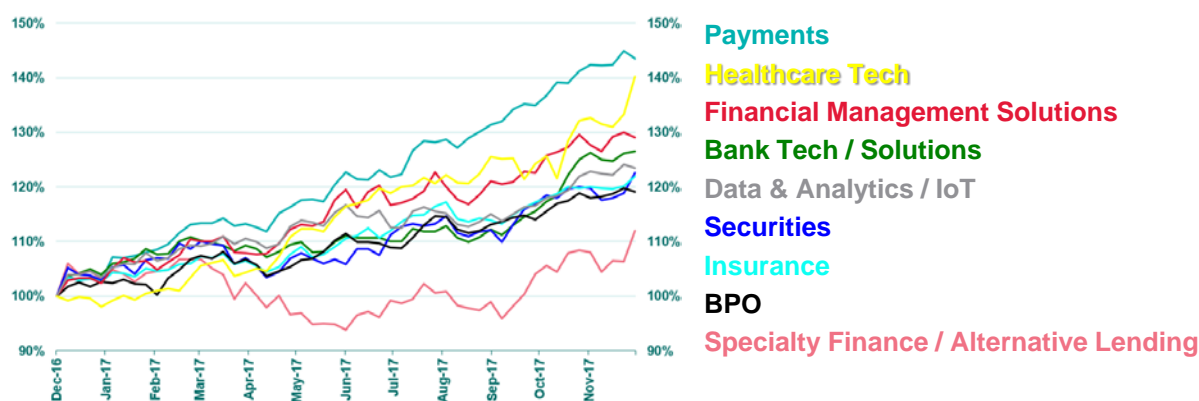
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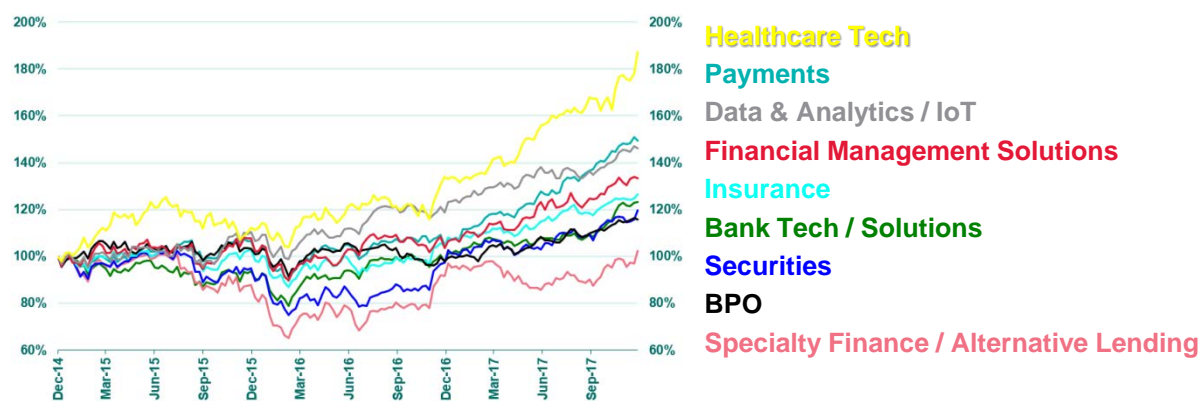
# Market Summary

## Industry Stock Market Performance of ECP Sector Coverage

### Last 12 Months



### Last 3 Years



### Indexed Price Performance

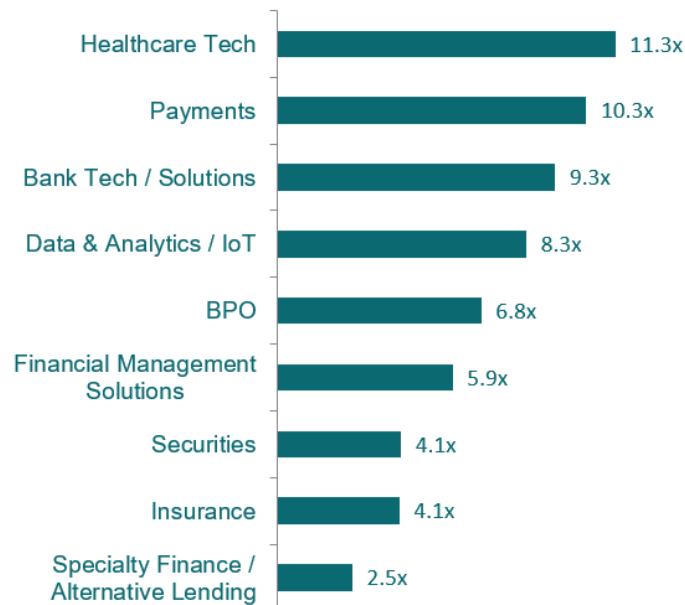
Sector	3 Months	1 Year	3 Years
Payments	12.9%	38.1%	49.4%
Bank Tech / Solutions	12.3%	26.5%	23.3%
Specialty Finance / Alternative Lending	11.2%	11.5%	2.2%
Securities	7.1%	22.7%	19.5%
Healthcare Tech	3.8%	21.3%	87.4%
BPO	4.1%	18.5%	15.8%
Financial Management Solutions	7.3%	28.6%	33.2%
Data & Analytics / IoT	7.2%	23.1%	46.2%
Insurance	14.7%	39.8%	26.6%

Source: Capital IQ and market data as of December 1, 2017

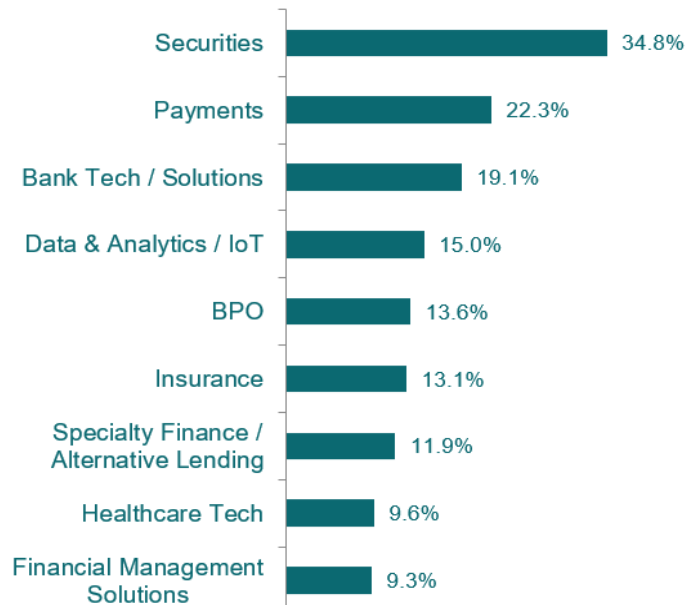
# Multiples & Margins – All Sectors

## Industry-wide Multiples and Margins

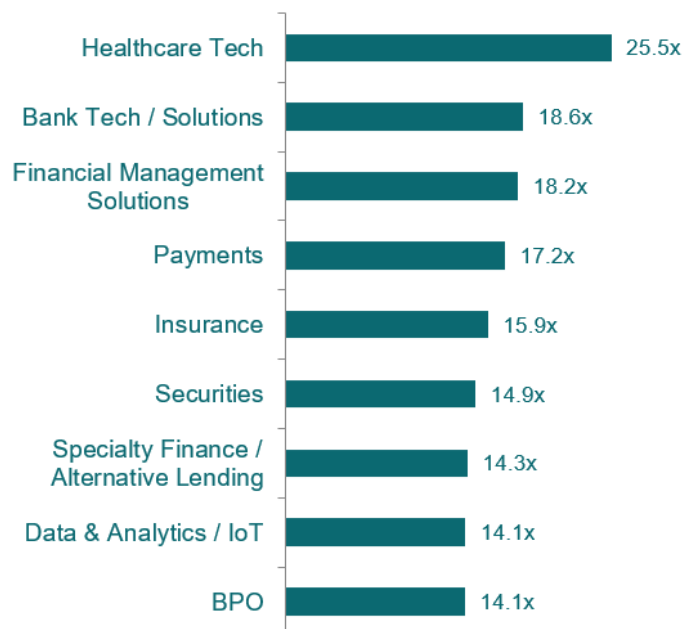
### 2017E EBITDA Multiples



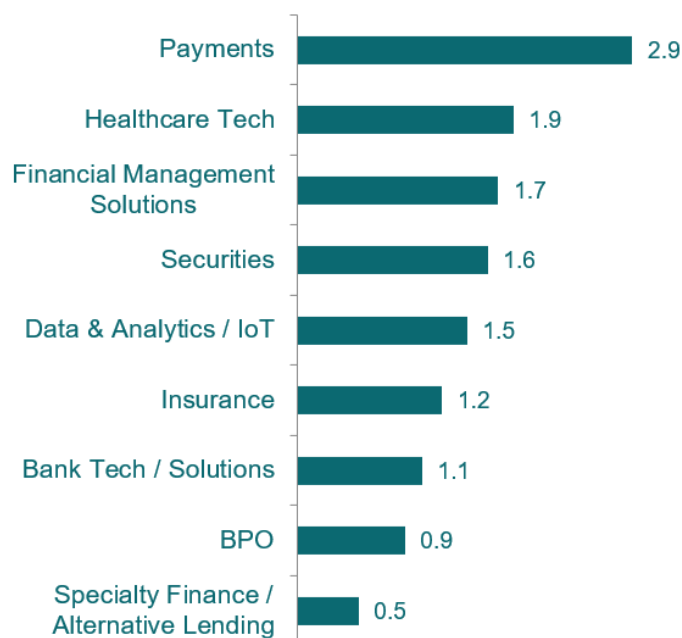
### LTM EBITDA Margins



### 2017E Price / Earnings Multiples



### 2017E PEG Ratio

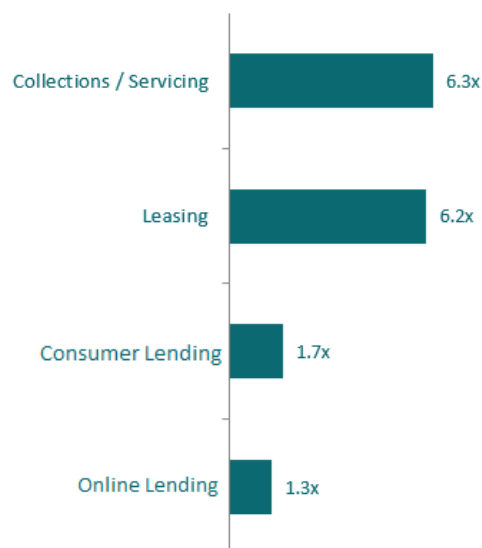


Source: Capital IQ and market data as of December 1, 2017

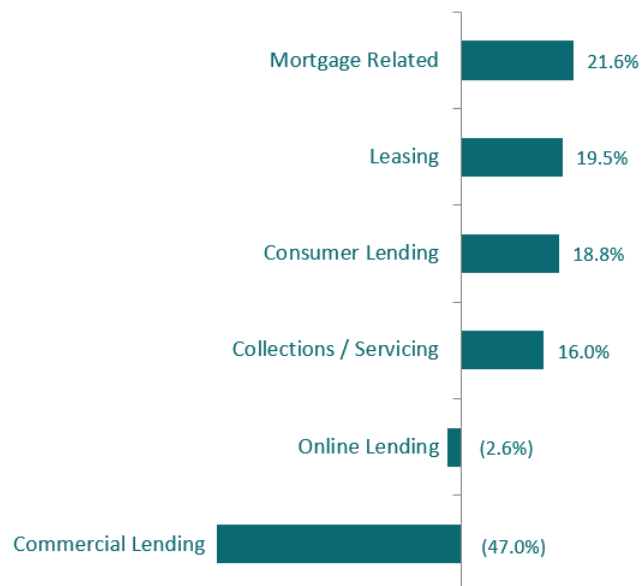
# Multiples & Margins – Specialty Finance / Alternative Lending

## Sub-sector Multiples and Margins

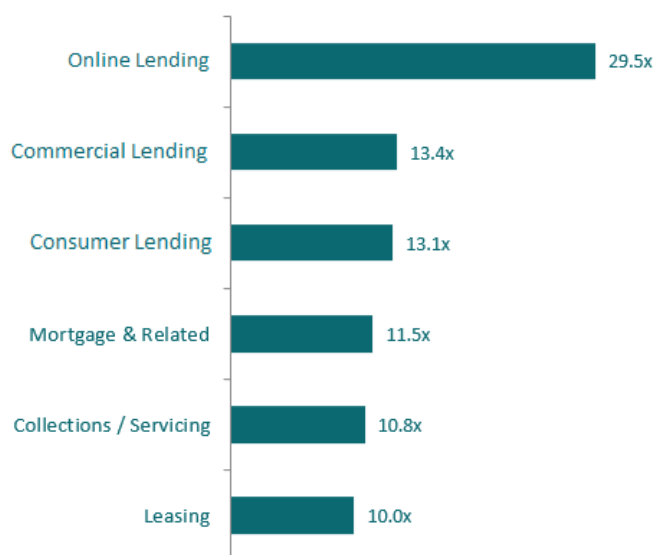
### 2017E EBITDA Multiples



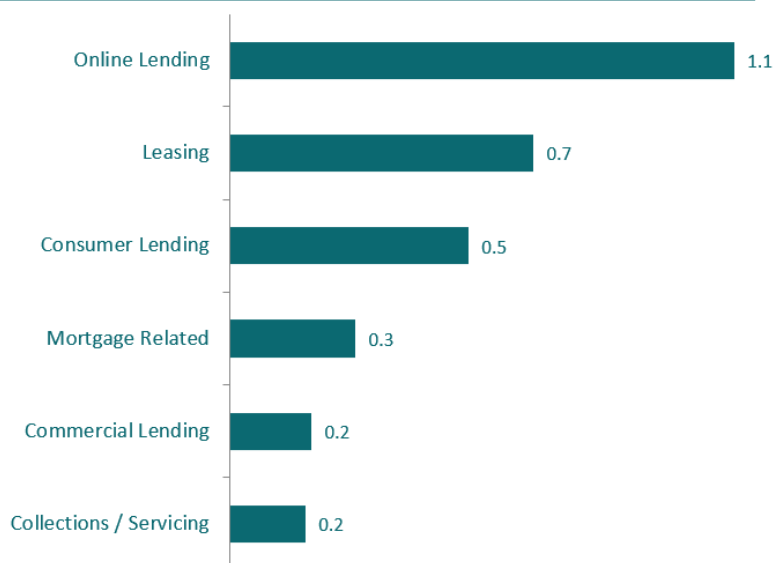
### LTM EBITDA Margins



### 2017E Price / Earnings Multiples



### 2017E PEG Ratio



Source: Capital IQ and market data as of December 1, 2017

## Stock Comparables – Specialty Finance / Alternative Lending

(All figures in US Dollars. Figures in millions, except per share data, as of December 1, 2017)

Specialty Finance / Alternative Lending Sub-Sector	Aggregate		Price / Earnings		Multiples		EV / Sales	
	Market Cap	Enterprise Value	FY 17E FY18E		EV / EBITDA		FY 17E FY 18E	
Consumer Lending	\$127,580	\$10,560	13.1x	10.5x	1.7x	2.6x	0.5x	0.5x
Commercial Lending	\$13,575	\$263	13.4x	12.5x	0.0x	0.0x	0.0x	1.1x
Online Lending	\$10,098	\$6,601	29.5x	19.7x	1.3x	3.2x	1.6x	0.9x
Collections / Servicing	\$8,660	\$8,162	10.8x	9.7x	6.3x	5.3x	1.3x	1.3x
Leasing	\$24,051	\$44,952	10.0x	11.4x	6.2x	5.2x	4.3x	3.8x
Mortgage Related	\$4,018	\$6,939	11.5x	9.5x	0.0x	0.0x	1.0x	1.3x
<b>Median</b>			<b>12.3x</b>	<b>10.9x</b>	<b>1.5x</b>	<b>2.9x</b>	<b>1.2x</b>	<b>1.2x</b>
<b>Mean</b>			<b>14.7x</b>	<b>12.2x</b>	<b>2.6x</b>	<b>2.7x</b>	<b>1.4x</b>	<b>1.5x</b>

Specialty Finance / Alternative Lending Sub-Sector	Number of Companies	Growth Rates			EBITDA Margin		PEG*
		Revenue		EPS			
		FY 17E	FY 18E	5 Yr	FY 17E	FY 18E	FY 17E
Consumer Lending	17	25.6%	13.8%	5.4%	18.8%	13.3%	0.53
Commercial Lending	7	56.5%	35.4%	1.7%	(47.0%)	10.3%	0.18
Online Lending	9	47.3%	43.2%	8.8%	(2.6%)	20.2%	1.12
Collections / Servicing	7	2.9%	10.8%	2.1%	16.0%	14.8%	0.17
Leasing	8	15.0%	11.9%	5.5%	19.5%	53.5%	0.67
Mortgage Related	6	28.2%	12.7%	0.8%	21.6%	9.8%	0.28
Median		26.9%	13.3%	3.8%	17.4%	14.0%	0.40
Mean		29.3%	21.3%	4.1%	4.4%	20.3%	0.49

\* Price/Earnings to Growth ratio is a valuation metric for determining the relative trade-off between the price of a stock, the earnings generated per share (EPS), and the company's expected growth. In general, the P/E ratio is higher for a company with a higher growth rate.

## Stock Comparables – Specialty Finance / Alternative Lending Sub-Sectors

(All figures in US Dollars. Figures in millions, except per share data, as of December 1, 2017)

### Consumer Lending

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Capital One Financial Corporation	\$44,945	NA	\$19,413	NA	NA	NA	NA	NA	11.7x	10.8x	1.6
Synchrony Financial	\$28,126	NA	\$7,052	NA	NA	NA	NA	NA	12.5x	10.1x	1.9
Discover Financial Services	\$25,844	NA	\$7,163	NA	NA	NA	NA	NA	11.2x	10.0x	1.5
SLM Corporation	\$4,919	NA	\$920	NA	NA	NA	NA	NA	14.7x	12.2x	NA
Provident Financial plc	\$1,743	NA	\$1,495	NA	NA	NA	NA	NA	17.0x	10.3x	NM
Santander Consumer USA Holdings Inc.	\$6,252	NA	\$3,325	NA	NA	NA	NA	NA	8.9x	8.3x	NM
OneMain Holdings, Inc.	\$3,530	NA	\$1,903	NA	NA	NA	NA	NA	8.3x	7.3x	1.5
FirstCash, Inc.	\$3,143	\$3,484	\$1,762	15.3%	1.9x	1.9x	12.4x	11.4x	23.9x	20.2x	NA
Aaron's, Inc.	\$2,773	\$3,020	\$3,294	14.4%	0.9x	0.8x	8.0x	6.9x	15.0x	12.6x	1.3
TCS Group Holding PLC	\$3,397	NA	\$709	NA	NA	NA	NA	NA	10.8x	9.7x	0.2
World Acceptance Corporation	\$731	\$1,033	\$535	23.8%	NA	1.9x	NA	9.4x	NA	12.4x	NA
International Personal Finance Plc	\$551	\$1,432	\$1,042	21.9%	1.3x	1.2x	NA	NA	7.1x	6.7x	NA
The Bancorp, Inc.	\$538	NA	\$168	NA	NA	NA	NA	NA	12.1x	14.4x	NA
EZCORP, Inc.	\$658	\$776	\$748	10.5%	0.9x	0.9x	8.4x	6.6x	20.6x	14.2x	NA
Regional Management Corp.	\$287	\$815	\$254	27.0%	2.8x	2.6x	NA	10.1x	9.9x	8.8x	NA
Monobank ASA	\$108	NA	\$12	NA	NA	NA	NA	NA	39.1x	9.8x	NA
Atlanticus Holdings Corporation	\$33	NA	\$50	NA	NA	NA	NA	NA	NA	NA	NA
<b>Median</b>				<b>18.6%</b>	<b>1.3x</b>	<b>1.6x</b>	<b>8.4x</b>	<b>9.4x</b>	<b>12.1x</b>	<b>10.2x</b>	<b>1.5</b>
<b>Mean</b>				<b>18.8%</b>	<b>1.6x</b>	<b>1.5x</b>	<b>9.6x</b>	<b>8.9x</b>	<b>14.9x</b>	<b>11.1x</b>	<b>1.3</b>

### Commercial Lending

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
CIT Group Inc.	\$6,500	NA	\$2,155	NA	NA	NA	NA	NA	16.3x	13.0x	NA
Credit Acceptance Corporation	\$5,891	NA	\$869	NA	NA	NA	NA	NA	14.4x	13.5x	1.3
NewStar Financial, Inc.	\$495	NA	\$82	NA	NA	NA	NA	NA	28.7x	17.7x	NA
Marlin Business Services Corp.	\$292	NA	\$86	NA	NA	NA	NA	NA	16.8x	15.2x	NA
Chesswood Group Limited	\$150	NA	\$46	NA	NA	NA	NA	NA	11.4x	9.7x	NA
zipMoney Limited	\$156	\$263	\$13	(47.0%)	NA	7.7x	NA	NM	NA	NM	NA
Consumer Portfolio Services, Inc.	\$91	NA	\$157	NA	NA	NA	NA	NA	6.4x	5.8x	NA
<b>Median</b>				<b>(47.0%)</b>	<b>-</b>	<b>7.7x</b>	<b>NA</b>	<b>NA</b>	<b>15.4x</b>	<b>13.3x</b>	<b>1.3</b>
<b>Mean</b>				<b>(47.0%)</b>	<b>-</b>	<b>7.7x</b>	<b>NA</b>	<b>NA</b>	<b>15.7x</b>	<b>12.5x</b>	<b>1.3</b>

### Online Lending

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
LendingClub Corporation	\$1,784	NA	\$558	NA	NA	NA	NA	NA	NM	25.6x	6.8
LendingTree, Inc.	\$3,642	\$3,533	\$558	15.0%	5.0x	4.1x	NM	20.9x	69.2x	51.9x	2.2
Yirendai Ltd.	\$2,239	\$2,028	\$720	32.6%	3.2x	2.3x	10.8x	8.2x	13.8x	10.5x	0.5
Ferratum Oyj	\$719	NA	\$153	NA	NA	NA	NA	NA	27.2x	17.1x	0.6
Enova International, Inc.	\$495	NA	\$732	NA	NA	NA	NA	NA	10.9x	8.6x	NA
China Rapid Finance Limited	\$389	\$308	\$65	(68.9%)	5.8x	2.1x	NA	NA	NM	10.1x	NA
Elevate Credit, Inc.	\$310	\$733	\$649	11.1%	NA	NA	NA	NA	26.2x	7.2x	NA
On Deck Capital, Inc.	\$369	NA	\$170	NA	NA	NA	NA	NA	NM	18.2x	NA
MyBucks S.A.	\$151	NA	\$20	NA	NA	NA	NA	NA	NM	27.8x	NA
<b>Median</b>				<b>13.0%</b>	<b>5.0x</b>	<b>2.3x</b>	<b>10.8x</b>	<b>14.6x</b>	<b>26.2x</b>	<b>17.1x</b>	<b>1.4</b>
<b>Mean</b>				<b>(2.6%)</b>	<b>4.7x</b>	<b>2.8x</b>	<b>10.8x</b>	<b>14.6x</b>	<b>29.5x</b>	<b>19.7x</b>	<b>2.5</b>

Source: Capital IQ

## Stock Comparables – Specialty Finance / Alternative Lending Sub-Sectors

(All figures in US Dollars. Figures in millions, except per share data, as of December 1, 2017)

### Collections / Servicing

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Navient Corporation	\$3,422	NA	\$1,808	NA	NA	NA	NA	NA	6.8x	7.4x	NA
Nelnet, Inc.	\$2,189	NA	\$828	NA	NA	NA	NA	NA	14.2x	12.4x	NA
PRA Group, Inc.	\$1,572	\$3,484	\$763	34.6%	3.8x	3.7x	13.9x	11.9x	20.7x	17.3x	NA
Encore Capital Group, Inc.	\$1,173	\$4,285	\$1,141	33.2%	3.6x	3.4x	11.1x	10.0x	12.5x	11.4x	1.2
PRGX Global, Inc.	\$163	\$165	\$154	5.9%	1.1x	1.0x	8.3x	7.7x	NM	NM	NA
Performant Financial Corporation	\$92	\$109	\$133	1.1%	0.9x	0.8x	11.1x	7.4x	NM	NM	NA
Asta Funding, Inc.	\$50	\$119	\$48	5.0%	NA	NA	NA	NA	NA	NA	NA
<b>Median</b>				<b>5.9%</b>	<b>2.4x</b>	<b>2.2x</b>	<b>11.1x</b>	<b>8.8x</b>	<b>13.3x</b>	<b>11.9x</b>	<b>1.2</b>
<b>Mean</b>				<b>16.0%</b>	<b>2.4x</b>	<b>2.2x</b>	<b>11.1x</b>	<b>9.2x</b>	<b>13.5x</b>	<b>12.1x</b>	<b>1.2</b>

### Leasing

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
United Rentals, Inc.	\$13,286	\$21,333	\$6,242	29.2%	3.1x	2.7x	6.4x	5.7x	13.6x	11.9x	0.9
Air Lease Corporation	\$4,511	\$13,522	\$1,488	0.0%	9.0x	7.7x	10.1x	8.6x	12.5x	10.7x	1.5
Element Fleet Management Corp.	\$2,879	NA	\$996	NA	NA	NA	NA	NA	11.4x	10.9x	NA
Textainer Group Holdings Limited	\$1,279	\$4,034	\$484	58.2%	8.1x	7.3x	10.6x	9.3x	NM	21.6x	NA
Rent-A-Center, Inc.	\$613	\$1,174	\$2,748	3.0%	0.2x	0.2x	3.9x	2.7x	NM	12.7x	NM
FlexiGroup Limited	\$459	NA	\$229	NA	NA	NA	NA	NA	NA	6.3x	NA
CAI International, Inc.	\$632	\$2,181	\$332	26.7%	6.4x	5.4x	9.6x	8.0x	13.8x	10.0x	1.5
FLY Leasing Limited	\$393	\$2,709	\$343	0.0%	7.8x	6.7x	8.6x	7.5x	8.7x	7.3x	0.8
<b>Median</b>				<b>27.9%</b>	<b>7.1x</b>	<b>6.1x</b>	<b>9.1x</b>	<b>7.7x</b>	<b>12.5x</b>	<b>10.8x</b>	<b>1.2</b>
<b>Mean</b>				<b>29.3%</b>	<b>5.8x</b>	<b>5.0x</b>	<b>8.2x</b>	<b>7.0x</b>	<b>12.0x</b>	<b>11.4x</b>	<b>1.2</b>

### Mortgage Related

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Nationstar Mortgage Holdings Inc.	\$1,788	NA	\$1,273	NA	NA	NA	NA	NA	27.0x	10.5x	NA
Meta Financial Group, Inc.	\$916	NA	\$255	NA	NA	NA	NA	NA	NA	11.5x	NA
PHH Corporation	\$371	NA	\$657	NA	NA	NA	NA	NA	NM	NM	NA
PennyMac Financial Services, Inc.	\$497	NA	\$1,196	NA	NA	NA	NA	NA	7.5x	6.5x	1.7
Ocwen Financial Corporation	\$427	\$6,939	\$1,242	21.6%	5.7x	7.5x	NA	NA	NM	NM	NA
Walter Investment Management Corp.	\$19	NA	\$830	NA	NA	NA	NA	NA	NM	NM	NA
<b>Median</b>				<b>21.6%</b>	<b>5.7x</b>	<b>7.5x</b>	<b>NA</b>	<b>NA</b>	<b>17.3x</b>	<b>10.5x</b>	<b>1.7</b>
<b>Mean</b>				<b>21.6%</b>	<b>5.7x</b>	<b>7.5x</b>	<b>NA</b>	<b>NA</b>	<b>17.3x</b>	<b>9.5x</b>	<b>1.7</b>

Source: Capital IQ

## Recent Updates – Specialty Finance / Alternative Lending



### **ONLINE LENDERS PARTNERING WITH BANKS TO SUPPORT STRONG LOAN DEMAND**

Online lenders were once tapped to eventually replace banks because of their ability to offer instant loans at favorable rates, even to sub-prime borrowers. With soaring demand for online loans across borrower segments, the relationship between online lenders and banks has undergone a momentum shift. Instead of viewing each other as competitors, online lenders and banks are now partnering with each other and reaping major benefits.

For banks, online lenders serve as a convenient gateway to the digital future. They don't need to tear down their legacy infrastructure and make big-ticket investments in new-age technologies to stay relevant. It also lets them tap into the underserved customer segments, with limited regulatory oversight and at lower risk compared to their conventional lending model.

Online lenders facilitate this by becoming the loan originator instead of the bank. They handle application processing and underwriting using strong algorithms and stronger credit rating mechanisms.

For online lenders, bank partnerships provide a stable source of capital that can support their rapid growth. Online lenders rely heavily on securitizing to finance their loans. Although this model has worked reasonably well until now, it might not be able to support the strong loan demand that online lenders are currently experiencing. It also exposes online lenders to various volatilities related to capital availability and cost. Banks, with their vast pool of deposits, are better placed to support this consistently increasing loan demand.



### **ALTERNATIVE LENDERS GOING THE MULTI-PRODUCT WAY**

Alternative lenders have traditionally stuck to only one segment of the market, Commercial or Consumer lending, with few noteworthy exceptions like Lending Club, which operates in both. With the industry maturing, diversification represents a great growth option, and is prompting lenders to diversify outside their segment of focus. Most lenders of note now either have products for both segments of the market or are working on introducing them. In addition to diversifying with new products, lenders have succeeded in accessing more customers and generating lucrative cross-selling opportunities. In some cases, lenders have resorted to partnerships or acquisition to enter new segments.

To stay abreast of changing consumer preferences, lenders are also deepening their product suite for their traditional market. For example, with the increasing popularity of medium-term loans, several short-term lenders have introduced products with medium-term maturity. Peer-to-peer lender Funding Circle, for instance, offers 1 to 5-year term loans to small business owners. But in the UK, it has introduced 6-month loans as well. Many small business lenders have broadened their product portfolio by adding newer categories of loans, such as inventory and equipment loans, both of which are in strong demand.



### **INTRODUCING ANALYTICS IN MARKETING BY OUTSOURCING CUSTOMER ACQUISITION**

A successful online lender excels at many tasks in addition to underwriting and servicing. Customer acquisition is not the least of these. With the advent of advanced mapping and analytics, customer acquisition has become highly specialized. Dedicated customer acquirers can track a customer's every move and analyze it to give online lenders the best quality leads and insights. Superior customer analytics can be the distinguishing factor between a thriving online lender and the rest.

Lenders are warming up to the need for a specialized customer acquisition arrangement. Since they don't have the resources and capabilities to effectively manage customer acquisition in-house, they are outsourcing this function to professional agencies. These

agencies employ tech-enabled targeted marketing methods and analytics to cater to the increasing number of tech-savvy millennials seeking loans.

Engaging a professional outsourcer can take a huge toll on an online lender's finances. It is estimated that the customer acquisition cost of an online lender is twice that of banks. Supporting these costs can be daunting for online lenders since they don't enjoy easy access to low-cost capital like banks. Fortunately, private equity funds, debt providers, and others who fund online lenders are realizing the vitality of outsourcing customer acquisition for online lenders. It not only allows a lender to build a strong brand but also achieve scale over the long run.



## Key Specialty Finance / Alternative Lending Platform Industry Developments

### ***Lending Club announces launch of next generation credit model***

Lending Club announced their most advanced fifth generation credit model. The model leverages machine learning along with 10 years of data from the 1.5 million borrowers Lending Club has accumulated. The new model is 24% better at differentiating the likelihood of a borrower charging off compared to the fourth-generation model. It includes granular views of credit data points and uses new and customized attributes for assessing risk. It appears Lending Club is now tightening their credit criteria for higher risk borrowers even further, marking a shift to higher quality loans.

### ***Marketplace lender Funding Circle forms strategic partnership with Aegon***

The UK's leading marketplace lender for small businesses has signed a landmark deal with Aegon, one of the world's largest providers of products related to life insurance, pensions and asset management. Aegon will fund £160m of loans in the first 12 months of the agreement, with the aim of extending the deal steadily across a four year programme. Aegon joins a diverse array of investors on the Funding Circle platform, which includes 65,000 individuals, local councils, the British Business Bank, and the European Investment Bank. The first year of the investment programme is expected to positively impact around 2,600 small businesses, creating an estimated 6,400 jobs.

### ***Leading peer-to-peer lending platform Zopa partners with Saffron Building Society***

The world's original peer-to-peer lender, Zopa, has struck a partnership with Saffron Building Society. Its loans will now be made available to Saffron's customers in all of its 11 branches across Hertfordshire, Essex, Suffolk and even via the building society's website. Saffron's 90,000 members will now be able to access Zopa loans more easily for the purpose of buying a car or renovating a home. Prospective borrowers will be able to apply via a short online application form, and can expect a personalized quote within minutes, without adversely affecting their credit score. As a bank, Zopa will also eventually benefit from a lowered cost of capital.

### ***Ellie Mae announces major release of Encompass all-in-one mortgage management solution***





Ellie Mae, the leading cloud-based platform provider for the mortgage finance industry, announced a new major release of Encompass, its all-in-one mortgage management solution. Encompass helps lenders of all sizes originate more loans, lower origination costs, and shorten the time to close with efficiency and quality. This comprehensive release offers technology to ensure complete compliance with regulatory updates, and strengthens Ellie Mae's innovative capabilities.

### ***ING Partners with Kabbage to expand automated small business lending into France and Italy***

Kabbage Inc. and ING are expanding their strategic partnership into France and Italy to provide small businesses with instant access to working capital. Building on ING's successful launch in Spain with the Kabbage Platform, this partnership allows millions of small businesses throughout France and Italy to easily apply, qualify and access ongoing lines of credit up to €100,000 with ING in under 10 minutes. With consistent access to basic business data, ING and Kabbage can quickly analyze the creditworthiness of any small business, approve them for easily accessible funding, and continually adjust each line of credit based on real-time business performance.

## Deal Activity – Specialty Finance / Alternative Lending

### Highlighted M&A Transactions

Date	Target	Acquirer	Sector	Amount (\$mm)
10/4/17	 earnest	 NAVIENT	Consumer Lending	\$155
9/26/17	 COFUTR	 ReliaMax	Collections / Servicing	NA
8/10/17	 LendingRobot	 nsrinvest	Online Lending	NA
8/10/17	 SWIFT CAPITAL	 PayPal	Commercial Lending	NA

- M&A activity in the Alternative Lending space has slowed down as the market approaches saturation. Most smaller players have either exited or been acquired and newer market entries are infrequent.
- Product diversification and customer base expansion dominated M&A themes in the mainstream market during Q4:17.
- Established firms in this space are consolidating their positions by acquiring analytics and automation capabilities of strong players.
- Funding and financing activity in the Alternative Lending space has remained strong with investors favoring young companies with strong offerings in areas like analytics and underwriting.

### Highlighted Financing Transactions

Date	Company	Key Investor	Type	Amount (\$mm)
11/8/17	 WeLab	 IFC International Finance Corporation WORLD BANK GROUP	Series B	\$220
10/4/17	 SalaryFinance	 Legal & General	Venture	\$54

### Deal activity slows down in the mainstream, but continues to be strong in the extended Alternative Lending sphere

M&A activity in the Alternative Lending space slowed down in Q4:17 largely due to the market approaching saturation. Most smaller players have either exited or already been acquired. New entries in the mainstream market have been infrequent and larger players have continued to strengthen their position. Product diversification and customer base expansion have become key for business growth and were, as such, the dominant M&A themes in the mainstream market during the quarter.

Established businesses in the space tried to consolidate their position by acquiring players with a strong customer base in a different segment of the market. However, most M&A deals took place in the broader Alternative Lending space, with businesses making acquisitions to acquire analytics and automation capabilities, in particular.

Transunion's acquisition of eBureau exemplifies this trend. Private Equity funds and other financial investors also made some investments in the space during the quarter. Non-strategic investor interest in the space has increased as clear winners have begun emerging and the environment is becoming more conducive (especially with respect to securitization). Varde Partners acquiring CreditShop is consistent with this theme.

Despite slight quiescence in M&A activity, financing activity in the Alternative Lending segment has remained strong. Like M&A, funding activity too has been stronger in the broader Alternative Lending space. Investors have favored young companies with strong offerings in areas like analytics and underwriting.

*A limited number of M&A deals, revolving around product diversification and customer base expansion, took place in the Alternative Finance space. Funding and financing activity remained strong in Q4:17 with investors favoring young companies with strong offerings.*

## M&A Transaction Activity Summary – Specialty Finance / Alternative Lending

Date	Target	Acquirer(s)	Sector	EV (\$mm)
11/13/17	 CreditShop	VÄRDE	Consumer Lending	NA
10/10/17	 eBureau®	 TransUnion <sup>tu</sup>	Collections / Servicing	NA
10/4/17 <small>Transaction Profiled</small>	 earnest	NAVIENT	Consumer Lending	\$155
9/26/17 <small>Transaction Profiled</small>	 COFUTR	 ReliaMax	Collections / Servicing	NA
9/7/17	 REALTYSHARES	 LIMA ONE CAPITAL	Mortgage Related	NA
8/10/17 <small>Transaction Profiled</small>	 LendingRobot	 nsrinvest	Online Lending	NA
8/10/17 <small>Transaction Profiled</small>	 SWIFT CAPITAL	 PayPal	Commercial Lending	NA
6/29/17	 credit.fr	 TIKEHAU CAPITAL	Commercial Lending	\$14
6/8/17	 SERVICE FINANCE COMPANY, LLC	 ECN CAPITAL	Commercial Lending	\$304
5/4/17	 OMNISURE	 PayLink <sup>Direct</sup>	Commercial Lending	NA

Source: Capital IQ

## M&A Transaction Activity Summary – Specialty Finance / Alternative Lending

Date	Target	Acquirer(s)	Sector	EV (\$mm)
3/2/17	 京东金融® JD Finance	Consortium of Chinese Investors	Online Lending	\$2,100
1/11/17	 shelbyfinance	 morsesclub putting you first	Online Lending	NA
1/4/17	 Capify Business Funding Made Simple	 STRATEGIC FUNDING	Commercial Lending	NA
12/15/16	 CBC	 White Oak Global Advisors, LLC	Commercial Lending	NA
12/12/16	 gradifi	 FIRST REPUBLIC It's a privilege to serve you®	Consumer Lending	NA
11/10/16	 SCS A division of MetaBank®	 MetaBank	Consumer Lending	NA
10/26/16	 BlueYield	 ally®	Consumer Lending	NA
10/4/16	 ascentium CAPITAL	WARBURG PINCUS	Leasing	NA
8/18/16	 ENTAIRE GLOBAL	 SYNOVUS®	Consumer Lending	NA
7/19/16	 Gradible	 CommonBond	Consumer Lending	NA

Source: Capital IQ

## Key M&A Deal Profiles – Specialty Finance / Alternative Lending

### Navient looking to consolidate through the acquisition of Earnest Inc. for \$155 million

#### Target Company Overview



Earnest Operations LLC refinances and consolidates student loans. The company aims to democratize access to high-quality financial services using data science, better design, and superior service. The company was incorporated in 2013 and is based in San Francisco, CA.

#### Products and Services Offered

Earnest offers student loan refinance services and four categories of personal loans. These categories are home improvement loans, credit card consolidation, moving loans, and engagement loans. The company uses data and analytics to track its clients' career trajectories, saving patterns and investments to compute lending rates on these loans.

#### Acquisition Details



Navient Corporation entered into an agreement to acquire Earnest Operations LLC for \$155 million. The seller group consisted of Battery Ventures, Adams Street Partners, LLC, Andreessen Horowitz, Wildcat Venture Partners, LP and Propel Venture Partners LLC. As part of the transaction, Navient also acquired over \$500 million in education refinancing loans.

#### Transaction Rationale

Through the acquisition, Navient looks to supplement its industry and capital markets experience with Earnest's data analytics, digital marketing, and technology capabilities. This will enable the company to provide better solutions and more value to its clients.

### ReliaMax Acquires assets of FUTR corp.

#### Target Company Overview



FUTR is a private student loan servicer focused on bringing together technology and quality service to provide transparency and insight that borrowers need to manage private student loans. The company was incorporated in 2014 and is headquartered in San Francisco, CA. It has an office in Bryan, Texas, as well.

#### Services Offered

Through its online platform, FUTR facilitates higher education loans for borrowers. It also provides servicing for private student loans to a multitude of loan programs for financial institutions including banks, private lenders, and credit unions.

#### Acquisition Details



ReliaMax Surety Company acquired assets of FUTR Corporation on September 26, 2017. ReliaMax took ownership of the core assets of FUTR, including borrower servicing contracts, intellectual property, customer relationships, data and analytics, brand capital, and key team members.

#### Transaction Rationale

The acquisition brings over 40 new lenders and \$55 million in borrower servicing to The ReliaMax Solution. Furthermore, ReliaMax expects to reach more than \$475 million in serviced loan volume by the end of 2017. The combination of ReliaMax and FUTR will bring customers expanded opportunities and a superior borrower experience.

Source: Capital IQ

## Key M&A Deal Profiles – Specialty Finance / Alternative Lending

### LendingRobot acquired by NSR Invest

#### Target Company Overview LendingRobot

Algorithmic provides a fully automated investment service call LendingRobot, for alternative lending platforms including Lending Club, Prosper, and Funding Circle. Algorithmic was founded in 2012 and is based in Bellevue, WA.

#### Products Offered

LendingRobot provides peer-to-peer lending products to retail investors. It provides this service through three products:

- **Series** – Robo-fund for alternative lending. Enables investment across multiple platforms.
- **Professional** – Alternative lending solution for wealth managers.
- **Automated management** of existing fixed income investments

#### Acquisition Details



NSR Invest and LendingRobot, two large specialized Registered Investment Advisors in the alternative lending space, have merged to create an independent advisory platform for alternative lending. Lend Core LLC, the parent company of NSR Invest, acquired Algorithmic, Inc. and all its assets, including the LendingRobot website and technology.

#### Transaction Rationale

The combination brings together two complementary companies, each with an excellent reputation in the alternative marketplace lending industry, also called peer lending. The joint team will combine its knowledge in the industry, investment algorithms, machine learning and blockchain technologies with the goal of providing steady investment returns to more than 8,000 clients.

### Swift Capital Acquired by Paypal

#### Target Company Overview SWIFT CAPITAL

Swift Financial, also known as Swift Capital, provides short term receivables-based financing services to business owners in the United States. Swift Financial, LLC was founded in 2006 and is based in Wilmington, DE.

#### Products and Services Offered

Swift Financials' products include The Swift Capital Business Advance which facilitates funding. The company, through its merchant cash advances, also assists small business owners in getting working capital they need.

#### Acquisition Details



PayPal Holdings, Inc. agreed to acquire Swift Financial Corporation on August 10, 2017. The transaction is subject to regulatory approval including antitrust approval. On September 6, 2017, the transaction was approved by the Federal Trade Commission.

#### Transaction Rationale

Through the acquisition, PayPal plans to fully integrate Swift Financial into its payment service over the course of the next year. Moreover, the Swift team is expected to join PayPal's business financing solutions unit.

## Financing Transaction Activity Summary

Date	Target	Sector	Amount (\$mm)	Type	Key Investor(s)
11/22/17	 cloudvirga™	Mortgage Lending	\$17	Series B	
11/20/17	 assetz capital	Commercial Lending	\$2	NA	Crowdfunding
11/16/17	 WeShareBonds	Online Lending	\$14	Venture	
11/15/17	 TrueAccord	Collection / Servicing	\$22	Series B	
11/9/17	 FinMkt	Online Lending	\$5	NA	
11/8/17 Transaction Profiled	 WeLab	Online Lending	\$220	Series B	
10/24/17	 P2Binvestor	Online Lending	\$2	NA	NA
10/2017	 fair	Leasing	\$1,000	Venture	
10/18/17	 FINOVA financial	Online Lending	\$103	Venture	
10/17/17	 LendingHome	Mortgage Lending	\$57	Series C	

Source: Capital IQ

## Financing Transaction Activity Summary

Date	Target	Sector	Amount (\$mm)	Type	Key Investor(s)
10/17/17	 bankbazaar.com	Online Lending	\$30	Series D	
10/16/17	 lendable	Online Lending	\$7	Series A	
10/13/17	 COMPEON Das Finanzportal für den Mittelstand	Online Lending	\$14	Series B	
10/12/17	 Linkedfinance	Online Lending	\$2	Growth	
10/9/17	 Spotcap	Online Lending	\$26	Venture	
10/4/17 Transaction Profiled	 SalaryFinance	Consumer Lending	\$54	Venture	
9/25/17	 CAPCITO STRETCH YOUR CASH FLOW	Online Lending	\$2	NA	
9/21/17	 PROSPER	Consumer Lending	\$50	Series G	
9/21/17	 tuition.io	Consumer Lending	\$7	Series B	
9/12/17	 neyber	Consumer Lending	\$180	Series C	

Source: Capital IQ

## Key Financing Deal Profiles – Specialty Finance / Alternative Lending

### WeLab raises \$220 million in funding

#### Target Company Overview



WeLab Holdings Limited operates online and mobile lending platforms. WeLab Holdings Limited was founded in 2013 and is based in Sheung Wan, Hong Kong with additional offices in China.

#### Products and Services Offered

The company operates Wolaidai, a Chinese mobile lending platform and WeLend, an online lending platform in Hong Kong. Its online lending platforms offer personal loan, online balance transfer, and 3HK handset installment plan products.

#### Financing Details



WeLab Holdings Limited announced that it has received \$220 million in its series B round of funding. The company issued debt and equity in the transaction. The transaction involved International Finance Corporation, Credit Suisse Group, and other investors. The company was valued at \$1.47 billion on close of the transaction.

#### Use of Funds

WeLab Holdings Limited will use the proceeds for research and development in big data, credit risk management technology, product development, expansion of business scale, exploration of new business models, and consolidating overseas expansion in 2018.

### SalaryFinance raises \$54 million to fund expansion plans

#### Target Company Overview



SalaryFinance

SalaryFinance Limited owns and operates an online platform through which it provides an employee benefit program for companies through its platform SalaryFinance. The company was incorporated in 2015 and is based in London, the UK.

#### Services Offered

The employee benefit program extended by Salary Finance allows employees of an organization to get a loan using future remuneration as collateral. The company's platform collects repayments from the payroll based on the repayment plan agreed to with the employees of the firm.

#### Financing Details



SalaryFinance Limited announced that it has received \$54 million in a round of funding co-led by new investors, Legal & General Group Plc and Blenheim Chalcot Management Limited on October 4, 2017.

#### Use of Funds

SalaryFinance Limited will use the proceeds for funding its overseas expansion plans. It plans to expand to the U.S. and other markets as well.

## IPO Activity Summary – Specialty Finance / Alternative Lending

Company	IPO Date	Amount Raised (\$mm)	IPO Price	Current Market Price	Total Return
 拍拍贷 ppdai.com	11/9/17	\$221	\$12.09 <sup>(1)</sup>	\$8.80	(27.2%)
 趣店 Qudian.com	10/18/17	\$900	\$22.62 <sup>(2)</sup>	\$13.78	(39.1%)
 信而富® China Rapid Finance	4/28/17	\$60	\$6.00	\$6.02	0.30%
 E/evate	4/6/17	\$81	\$6.50	\$7.40	13.8%
 TransUnion <sup>tu</sup>	6/25/15	\$627	\$22.50	\$55.65	147.3%
 BLACK KNIGHT <sup>®</sup> FINANCIAL SERVICES	5/19/15	\$441	\$24.50	\$45.15	84.3%
 ondeck	12/17/14	\$200	\$20.00	\$5.01	(75%)
 LendingClub	12/11/14	\$870	\$15.00	\$4.30	(71.3%)
 Springleaf Lending made personal	10/16/13	\$358	\$17.00	\$26.09	53.5%
 PennyMac <sup>®</sup>	5/10/13	\$200	\$18.00	\$21.35	18.6%

Note: <sup>(1)</sup>Net of \$0.91 discount per share  
<sup>(2)</sup>Net of \$1.38 discount per share.

Source: Capital IQ and market data as of December 1, 2017

## Select Wall Street Research Updates and Commentary



### Update from Wedbush, October 2017

SYF reiterated its NCO guidance for 2017 and 2018 which we interpret to mean **NCOs of between 5.00% and 5.25% of average loans in FY17 and 5.25% and 5.50% in FY 2018 with losses beginning to subside during the back half of 201 and reserve build beginning to moderate in 4Q17.** Our current estimate calls for FY 2017 NCOs of 5.23%. Additionally, the company indicated it was expecting a reserve build of ~ \$275 million in 4Q17



### Update from Maxim Group, October 2017

This **trend toward more installment loans and lines of credit and fewer singlepay loans is also why Enova is sanguine about the impact of the CFPB's recent final rule regarding "small dollar" loans.** The final rule is squarely aimed at single-pay loans; by the time the rule becomes effective (in 21 months), singlepay loans should be minimal for Enova (versus 12% of its loan portfolio at present).



### Update from Bell Potter, November 2017

ZML has announced **three important merchant wins during November with the addition of Kogan (KGN.ASX), Fantastic Furniture, and Quest Payment Systems.** Following comments at the AGM, the company also expects a number of additional retail merchants wins before the end of 2Q18, as both ZML and merchants aim to capitalise the influx of sales expected to occur during the holiday period.



### Update from Piper Jaffray, November 2017

The servicing portfolio grew by 4% in the quarter to \$238B, as production continues to outpace run-off. Pre-tax servicing income, excluding fair hedge marks and hedges, came in at a \$34M vs our \$27M estimate as recently acquired MSRs with higher base fees shifted base fees to 28.4 bps from 26.5 bps. Servicing fees ex-amortization grew to \$167M from \$143M last quarter. **Servicing fee revenue should continue to move higher due to slowing prepay speeds and therefore, lower amortization expense.**



### Update from Oppenheimer, May 2017

We believe TREE's **product scale, high revenue conversion, and paid marketing execution will generate mid-teens organic variable profit growth despite higher interest rates muting refinance mortgage demand over the next several years.** Furthermore, CompareCards is currently generating industry-leading conversion and close-out fees, and will likely benefit from TREE's larger brand budget, in our view. We forecast online financial service marketplaces increasing 12% annually to \$3.2B, with TREE increasing its market share to 38% from 26% in 2017.

# Appendix – Coverage Universe Components

Coverage universe for various sectors is as follows.

## 1 Payments:

ADS, FLT, ENXTPA:EDEN, WEX, FIS, FISV, JKHY, ACIW, EPAY, V, MA, AXP, PYPL, SHOP, ENXTAM:GTO, DBD, CATM, MB, EVRI, PMTS, BOVESPA:CIEL3, FDC, GPN, TSS, VNTV, SQ, LSE:WPG, XTRA:WDI, ENXTPA:WLN, DLX, LSE:PAYS, TSE:3769, QIWI, EVTC, LSE:PAY, UEPS, NEWT, JTPY, ENXTPA:ING, NCR, SZSE:002152, PAY, SEHK:327, AIM:SCH, PAR, WU, EEFT, HAWK, GDOT, MGI, ASX:OFX, PLPM

## 2 Bank Technology:

FIS, FISV, JKHY, SWX:TEMN, BSE:532466, TSE:6457, QTWO, SGX:5CP, EPAY, OTCCK:CSVI, BSE:538835, SWX:CLXN, AIM:MONI, LSE:EXPN, EFX, TRU, OM:IJ, FICO, FNF, ZG, CSGP, ELLI, CLGX, BKFS, LSE:ZPG, STC, TSX:REAL, ASPS, REIS, ENXTAM:WKL, PEGA, DNB, ENXTPA:SOP, WSE:ACP, MITK, AIM:SQS, NTWK, INTC, IBM, AXP, PYPL, FDC

## 3 Specialty Finance / Alternative Lending:

NAVI, NNI, PRAA, ECPG, PRGX, PFMT, ASFI, CIT, CACC, NEWS, MRLN, TSX:CHW, ASX:ZML, CPSS, COF, SYF, DFS, SLM, LSE:PFG, SC, OMF, FCFS, AAN, LSE:TCS, SGBK, WRDL, LSE:IPF, TBBK, EZPW, RM, OB:MONO-ME, ATLC, URI, AL, TSX:EFN, TGH, RCII, ASX:FXL, CAI, FLY, NSM, CASH, PHH, PFSI, OCN, WAC, LC, TREE, YRD, DB:FRU, ENVA, XRF, ELVT, ONDK, DB:MBC

## 4 Securities:

BGCP, LSE:NXX, LSE:IGG, IBKR, ENXTAM:FLOW, KCG, VIRT, ITG, ENXTPA:VIL, INTL, SWX:CFT, BMV:FINAMEX O, WFC, BAC, C, LSE:HSBA, ASX:CBA, TSX:RY, TSX:TD, ENXTPA:BNP, USB, AXP, LSE:LLOY, PNC, ASX:NAB, TSX:BMO, LSE:BARC, SEHK:11, LSE:RBS, SGX:D05, TSX:CM, NSEI:ICICIBANK, MTB, BIT:MB, UMBF, LSE:CBG, FII, NSEI:IIFL, XTRA:COM, CME, ICE, SEHK:388, XTRA:DB1, LSE:LSE, BOVESPA:BVMF3, NDAQ, CBOE, ASX:ASX, SGX:S68, ENXTPA:ENX, BME:BME, TSX:X, SPGI, TSX:TRI, MCO, INFO, MSCI, FDS, ENXTPA:FIM, MORN, NSEI:CRISIL, VALU, JPM, GS, MS, SWX:UBSG, DB:DBK, SWX:CSGN, ASX:MQG, TSE:8604, RJF, LAZ, SF, PJC, GHL, COWN, AMEX:LTS, AIM:NUM, JMP, BLK, BK, BEN, NTRS, AMP, TROW, IVZ, LSE:HL, LSE:INVP, JHG, AB, CNS, WDR, APAM, WETF, VRTS, SCHW, AMTD, ETFC, MKTX, TSE:8628, AIM:PLUS, TSE:8698, YIN, LSE:CMCX, SWX:SQN, GCAP, GLBR, STT, BR, SEIC, ASX:CPU, DST, LPLA, LSE:TCAP, FNGN, ENV, LSE:SNN, ASX:BVS, ENXTAM:KA, SSNC, CPSE:SIM, LSE:ALFA, ASX:IRE, LSE:FDSA, AIM:FDP, ENXTPA:LIN, AIM:SOG

## 5 Insurance:

LSE:REL, VRSK, DNB, ACXM, MMC, AON, WLTW, AJG, BRO, LSE:JLT, MET, PRU, CI, TSX:MFC, AFL, LSE:AV, TSX:GWO, TSX:SLF, LSE:LGEN, PFG, LNC, SWX:SLHN, LSE:SL, ENXTAM:AGN, TMK, PRI, ANAT, LSE:HSD, DB:ALV, ENXTPA:CS, AIG, SWX:ZURN, ALL, AFG, GNW, LSE:MONY, RATE, EHTH, ASX:ISU, QNST, CB, TRV, PGR, HIG, CINF, LSE:RSA, THG, MCY, SIGI, EIG, STFC, MKL, WRB, AIZ, AWH, PRA, AFSI, RLI, AGII, OB, NAVG, AMSF, GBLI, GWRE, EBIX, SPNS, CRD.B, AMEX:MJCO, TSXV:SY, PN, FNF, ORI, FAF, STC

## 6 BPO:

ENXTPA:RCF, CVG, TTEC, SYKE, SRT, ESRX, ATHN, HQY, BOVESPA:QUAL3, MDRX, HMSY, QSII, CSLT, CPSI, RCM, ADP, PAYX, ULTI, WAGE, TNET, CSOD, NSP, BNFT, ACN, NSEI:TCS, CTSH, NSEI:INFY, DXC, BSE:507685, NSEI:HCLTECH, ENXTPA:CAP, ENXTPA:ATO, DOX, OTEX, NSEI:TECHM, CACI, EXLS, WNS, CALD, SYNT, BSE:532819, NSEI:HEXAWARE, VRTU, UIS, VDSI, LSE:MCGN, BIT:BET, TSX:GIB.A, LSE:CPI, G, BSE:526299, CSGS, BSE:532809, AIM:IBPO, PRGX

## 7 Financial Management Solutions:

INTU, LSE:SGE, BL, COUP, ASX:RKN, TYL, PEGA, ASX:TNE, QADA, AMSW.A, LSE:MCGN, NSEI:RAMCOSYS, ADP, PAYX, WDAY, ULTI, HRB, PAYC, WAGE, PCTY, CSOD, NSP, LSE:HRG

## 8 Analytics / IoT:

ORCL, DB:SAP, CRM, VMW, LSE:EXPN, OTEX, SPLK, DATA, FICO, XTRA:SOW, RP, NEWR, MSTR, CLDR, AXX, HDP, VERI, DWCH, GOOGL, MSFT, AMZN, KOSE:A005930, T, CMCS.A, VZ, QCOM, TMUS, HLSE:NOKIA, S, GRMN, LOGM, SLAB, IDCC, AMBA, GLOB, FIT, CTRL, GE, INTC, CSCO, DB:SIE, HON, TXN, TSE:6501, HPE, SWKS, RHT, ARW, PTC, ZBRA, CY, IRDM, TSX:SW, ORBC, CAMP, SSNI, IBM, LSE:REL, EFX, NLSN, VRSK, IT, TRU, DNB, TDC, CLGX, VRNT, ACXM, FORR, TSX:AIM, MATR

## 9 Healthcare Tech:

INOV, OMCL, VCRA, TRHC, STRM, CERN, DB:COP, MDRX, EVH, QSII, HSTM, AIM:EMIS, CPSI, COTV, HMSY, ATHN, AIM:CRW, RCM, SREV, UNH, AET, ANTM, HUM, CNC, WCG, NUAN, MMS, MOH, MGLN, GTS, HIIQ



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Mr. Koles has over 14 years of financial advisory experience including advising middle-market and multinational firms on merger and acquisition strategies and execution, restructurings and capital raises. Prior to founding Evolve Capital Partners, he worked at a number of leading investment banks in leadership roles focused on restructuring transactions. He started his career at Merrill Lynch as an investment banker in the corporate finance group.

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