



Evolve
Capital Partners

QUARTERLY DEALS & MARKET ROUNDUP

Specialty Finance / Alternative Lending

September 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:



ALTERNATIVE LENDING INDUSTRY REACHING SATURATION AFTER STRONG GROWTH



TECH GIANTS HOLD THE GREATEST POTENTIAL IN ALTERNATIVE LENDING - NOT BANKS



REGULATORY COSTS TO INCREASE FOR ALTERNATIVE LENDERS



EXPANSION AND TECHNOLOGY DRIVING M&A ACTIVITY



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





Contents

1. Market Summary

- A. Multiples and Margins – All Sectors
- B. Multiples and Margins – Specialty Finance / Alternative Lending
- C. Stock Comparables – Specialty Finance / Alternative Lending

2. Market Updates – Specialty Finance / Alternative Lending

- A. Recent Updates
- B. Key Initiatives by Leading Specialty Finance / Alternative Lending Companies

3. Deal Activity – Specialty Finance / Alternative Lending

- A. Overview
- B. M&A Transaction Activity Summary
- C. Key M&A Deal Profiles
- D. Financing Transaction Activity Summary
- E. Key Financing Deal Profiles

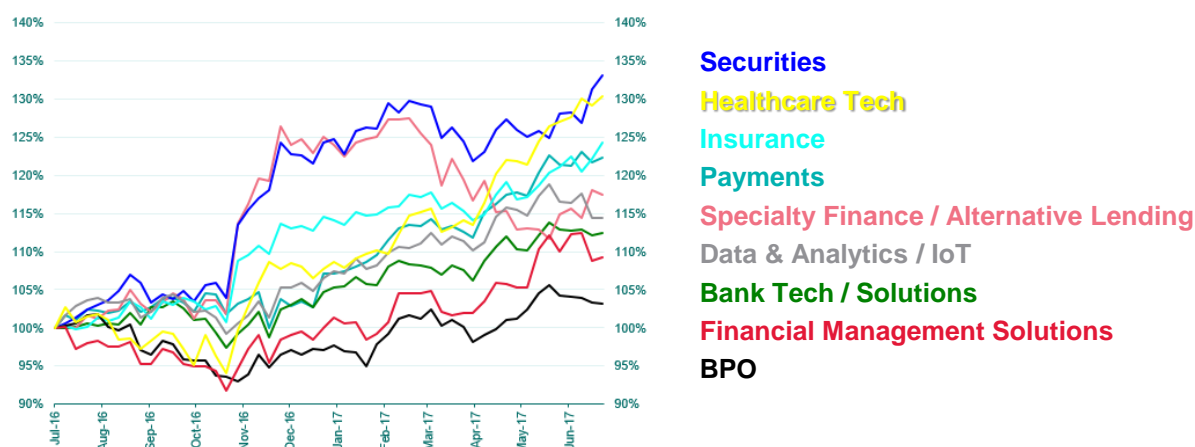
4. IPO Activity Summary – Specialty Finance / Alternative Lending

5. Select Wall Street Research & Commentary

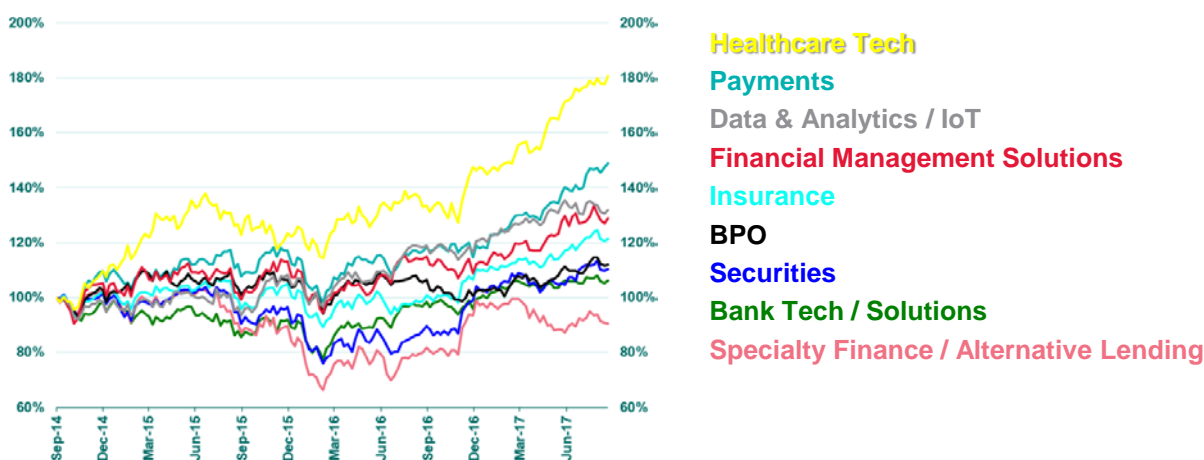
Market Summary

Industry Stock Market Performance of ECP Sector Coverage

Last 12 Months



Last 3 Years



Indexed Price Performance

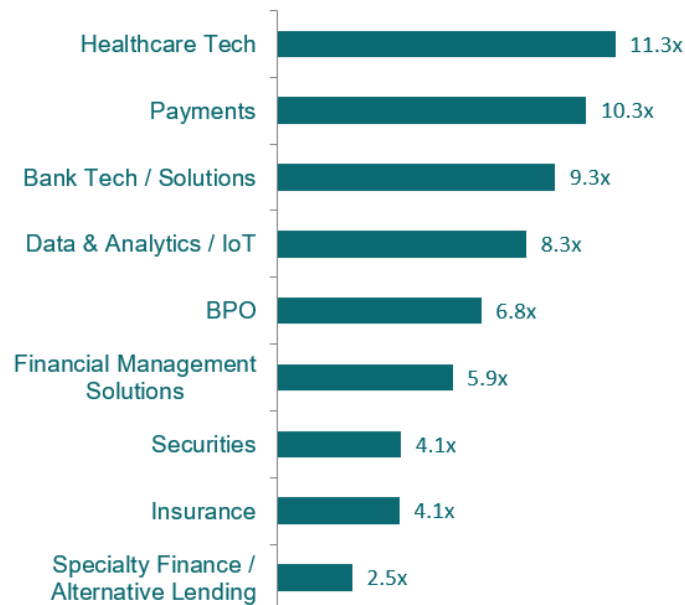
Sector	3 Months	1 Year	3 Years
Payments	34.6%	18.2%	48.9%
Bank Tech / Solutions	5.3%	(1.8%)	6.1%
Specialty Finance / Alternative Lending	9.9%	(18.1%)	(9.5%)
Securities	6.6%	(10.5%)	10.5%
Healthcare Tech	65.4%	33.3%	80.4%
BPO	6.6%	6.5%	11.9%
Financial Management Solutions	22.7%	14.9%	28.9%
Data & Analytics / IoT	32.2%	18.9%	31.8%
Insurance	15.7%	0.9%	21.2%

Source: Capital IQ and market data as of August 31, 2017

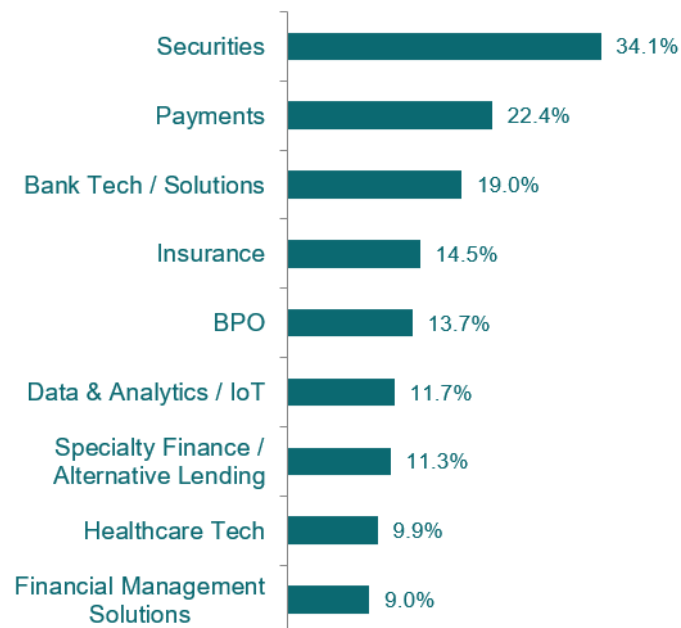
Multiples & Margins – All Sectors

Industry-wide Multiples and Margins

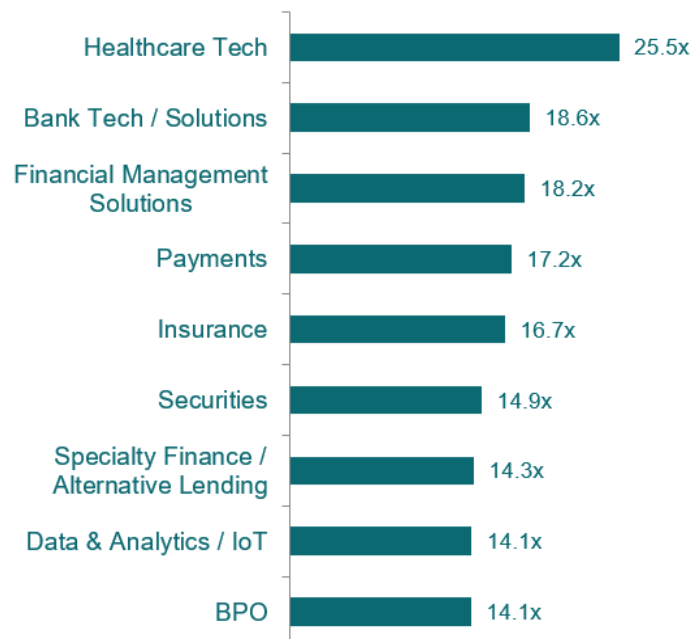
2017E EBITDA Multiples



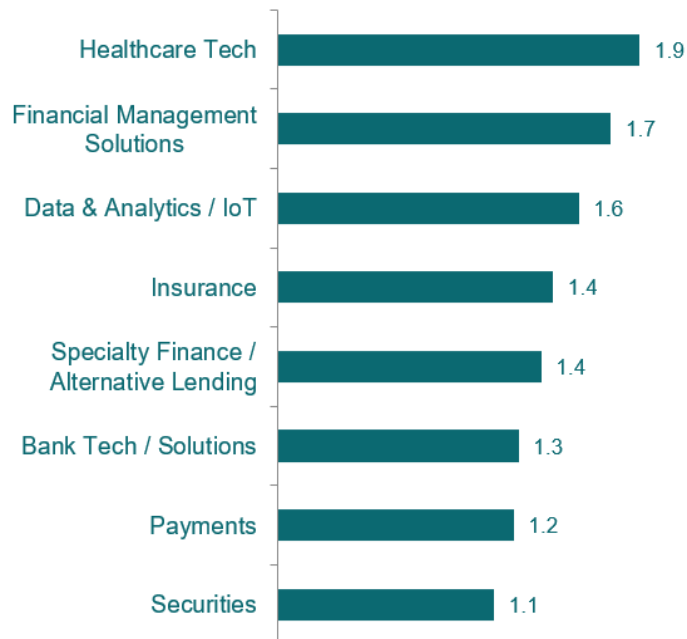
LTM EBITDA Margins



2017E Price / Earnings Multiples



2017E PEG Ratio

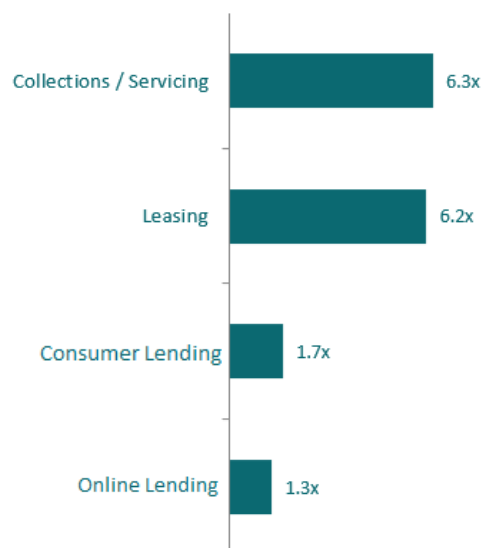


Source: Capital IQ and market data as of August 31, 2017

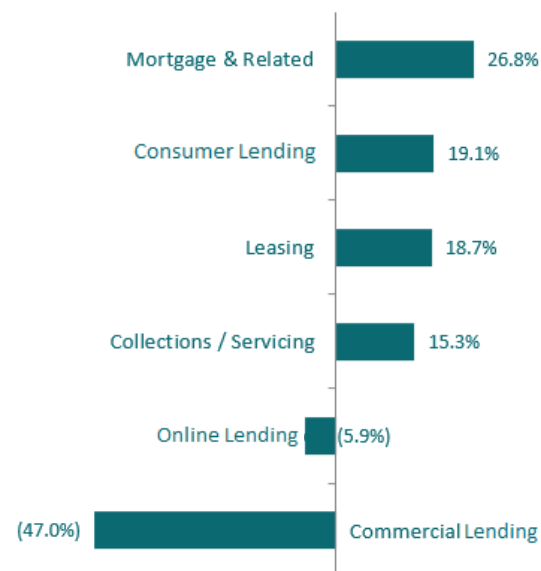
Multiples & Margins – Specialty Finance / Alternative Lending

Sub-sector Multiples and Margins

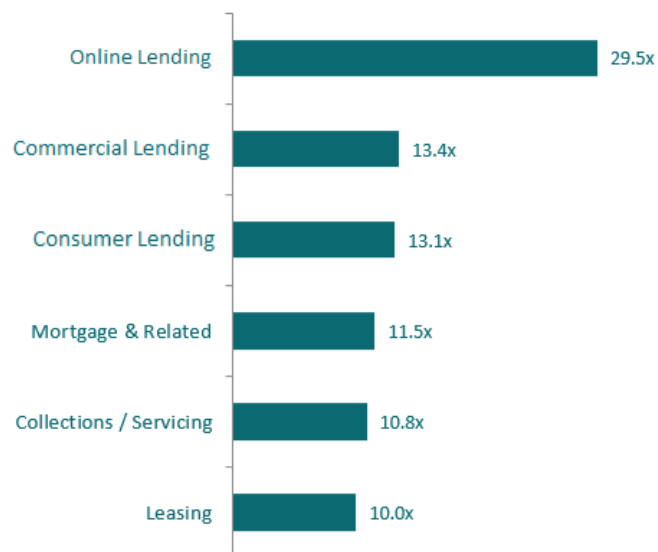
2017E EBITDA Multiples



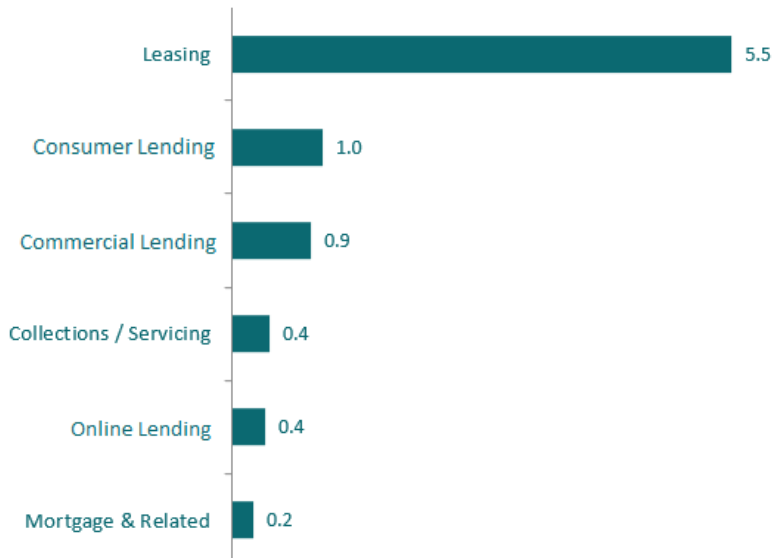
LTM EBITDA Margins



2017E Price / Earnings Multiples



2017E PEG Ratio



Source: Capital IQ and market data as of August 31, 2017

Stock Comparables – Specialty Finance / Alternative Lending

(All figures in US Dollars. Figures in millions, except per share data, as of August 31, 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	\$110,971	\$10,059	13.1x	10.5x	1.7x	2.6x	0.5x	0.5x
Commercial	\$12,474	\$283	13.4x	12.5x	0.0x	0.0x	0.0x	1.1x
Online	\$9,911	\$5,884	29.5x	19.7x	1.3x	3.2x	1.6x	0.9x
Collections / Servicing	\$8,226	\$7,528	10.8x	9.7x	6.3x	5.3x	1.3x	1.3x
Leasing	\$20,234	\$40,893	10.0x	11.4x	6.2x	5.2x	4.3x	3.8x
Mortgage & Related	\$3,867	\$6,823	11.5x	9.5x	0.0x	0.0x	1.0x	1.3x
Median			12.3x	10.9x	1.5x	2.9x	1.2x	1.2x
Mean			14.7x	12.2x	2.6x	2.7x	1.4x	1.5x

Specialty Finance / Alternative Lending Sub-Sector	Number of Companies	Growth Rates			EBITDA Margin		PEG* FY 17E
		Revenue		EPS			
		FY 17E	FY 18E	5 Yr	FY 17E	FY 18E	
Consumer	17	27.3%	13.8%	5.4%	19.1%	13.3%	1.00
Commercial	7	57.3%	35.4%	1.7%	(47.0%)	10.3%	0.87
Online	9	55.9%	43.2%	8.8%	(5.9%)	20.2%	0.37
Collections / Servicing	7	7.3%	10.8%	2.1%	15.3%	14.8%	0.41
Leasing	8	10.4%	11.9%	5.5%	18.7%	53.5%	5.49
Mortgage & Related	6	17.6%	12.7%	0.8%	26.8%	9.8%	0.24
Median		22.5%	13.3%	3.8%	17.0%	14.0%	0.64
Mean		29.3%	21.3%	4.1%	4.5%	20.3%	1.39

* 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 August 31, 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	\$38,507	NA	\$19,501	NA	NA	NA	NA	NA	11.7x	10.8x	1.4
Synchrony Financial	\$24,488	NA	\$7,052	NA	NA	NA	NA	NA	12.5x	10.1x	1.3
Discover Financial Services	\$21,950	NA	\$7,300	NA	NA	NA	NA	NA	11.2x	10.0x	1.1
SLM Corporation	\$4,389	NA	\$920	NA	NA	NA	NA	NA	14.7x	12.2x	0.8
Provident Financial plc	\$1,652	NA	\$1,495	NA	NA	NA	NA	NA	17.0x	10.3x	5.9
Santander Consumer USA Holdings Inc.	\$5,134	NA	\$3,325	NA	NA	NA	NA	NA	8.9x	8.3x	NA
OneMain Holdings, Inc.	\$3,703	NA	\$1,842	NA	NA	NA	NA	NA	8.3x	7.3x	0.7
FirstCash, Inc.	\$2,801	\$3,102	\$1,762	15.7%	1.9x	1.9x	12.4x	11.4x	23.9x	20.2x	NA
Aaron's, Inc.	\$3,131	\$3,272	\$3,294	14.8%	0.9x	0.8x	8.0x	6.9x	15.0x	12.6x	1.5
TCS Group Holding PLC	\$2,718	NA	\$608	NA	NA	NA	NA	NA	10.8x	9.7x	0.2
World Acceptance Corporation	\$651	\$937	\$534	25.5%	NA	1.9x	NA	9.4x	NA	12.4x	NA
International Personal Finance Plc	\$528	\$1,368	\$1,042	21.9%	1.3x	1.2x	NA	NA	7.1x	6.7x	1.7
The Bancorp, Inc.	\$438	NA	\$167	NA	NA	NA	NA	NA	12.1x	14.4x	NA
EZCORP, Inc.	\$491	\$637	\$750	9.0%	0.9x	0.9x	8.4x	6.6x	20.6x	14.2x	1.4
Regional Management Corp.	\$256	\$744	\$247	27.7%	2.8x	2.6x	NA	10.1x	9.9x	8.8x	0.9
Monobank ASA	\$98	NA	\$12	NA	NA	NA	NA	NA	39.1x	9.8x	NA
Atlanticus Holdings Corporation	\$34	NA	\$49	NA	NA	NA	NA	NA	NA	NA	NA
Median				18.8%	1.3x	1.6x	8.4x	9.4x	12.1x	10.2x	1.3
Mean				19.1%	1.6x	1.5x	9.6x	8.9x	14.9x	11.1x	1.5

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.	\$6,009	NA	\$2,155	NA	NA	NA	NA	NA	16.3x	13.0x	3.6
Credit Acceptance Corporation	\$5,272	NA	\$869	NA	NA	NA	NA	NA	14.4x	13.5x	1.1
NewStar Financial, Inc.	\$446	NA	\$95	NA	NA	NA	NA	NA	28.7x	17.7x	NA
Marlin Business Services Corp.	\$319	NA	\$86	NA	NA	NA	NA	NA	16.8x	15.2x	1.4
Chesswood Group Limited	\$166	NA	\$45	NA	NA	NA	NA	NA	11.4x	9.7x	NA
zipMoney Limited	\$172	\$283	\$13	(47.0%)	NA	7.7x	NA	NM	NA	NM	NA
Consumer Portfolio Services, Inc.	\$89	NA	\$157	NA	NA	NA	NA	NA	6.4x	5.8x	NA
Median				(47.0%)	-	7.7x	NA	NA	15.4x	13.3x	1.4
Mean				(47.0%)	-	7.7x	NA	NA	15.7x	12.5x	2.0

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	\$2,547	NA	\$512	NA	NA	NA	NA	NA	NM	25.6x	NA
LendingTree, Inc.	\$2,771	\$2,648	\$558	15.2%	5.0x	4.1x	NM	20.9x	69.2x	51.9x	2.5
Yirendai Ltd.	\$2,392	\$2,260	\$612	33.6%	3.2x	2.3x	10.8x	8.2x	13.8x	10.5x	0.8
Ferratum Oyj	\$582	NA	\$136	NA	NA	NA	NA	NA	27.2x	17.1x	NA
Enova International, Inc.	\$401	NA	\$732	NA	NA	NA	NA	NA	10.9x	8.6x	NA
China Rapid Finance Limited	\$419	\$344	\$55	(81.7%)	5.8x	2.1x	NA	NA	NM	10.1x	NA
Elevate Credit, Inc.	\$264	\$632	\$649	9.3%	NA	NA	NA	NA	26.2x	7.2x	NA
On Deck Capital, Inc.	\$353	NA	\$167	NA	NA	NA	NA	NA	NM	18.2x	NA
MyBucks S.A.	\$182	NA	\$20	NA	NA	NA	NA	NA	NM	27.8x	NA
Median				12.3%	5.0x	2.3x	10.8x	14.6x	26.2x	17.1x	1.6
Mean				(5.9%)	4.7x	2.8x	10.8x	14.6x	29.5x	19.7x	1.6

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 August 31, 2017)

Collections / Servicing

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Navient Corporation	\$3,618	NA	\$1,808	NA	NA	NA	NA	NA	6.8x	7.4x	0.9
Nelnet, Inc.	\$1,970	NA	\$862	NA	NA	NA	NA	NA	14.2x	12.4x	NA
PRA Group, Inc.	\$1,305	\$3,172	\$784	35.8%	3.8x	3.7x	13.9x	11.9x	20.7x	17.3x	1.2
Encore Capital Group, Inc.	\$1,039	\$3,970	\$1,014	25.4%	3.6x	3.4x	11.1x	10.0x	12.5x	11.4x	0.7
PRGX Global, Inc.	\$151	\$152	\$146	5.7%	1.1x	1.0x	8.3x	7.7x	NM	NM	NA
Performant Financial Corporation	\$89	\$111	\$134	4.9%	0.9x	0.8x	11.1x	7.4x	NM	NM	NA
Asta Funding, Inc.	\$53	\$123	\$48	5.0%	NA	NA	NA	NA	NA	NA	NA
Median				5.7%	2.4x	2.2x	11.1x	8.8x	13.3x	11.9x	0.9
Mean				15.3%	2.4x	2.2x	11.1x	9.2x	13.5x	12.1x	1.0

Leasing

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
United Rentals, Inc.	\$9,981	\$17,858	\$6,242	29.2%	3.1x	2.7x	6.4x	5.7x	13.6x	11.9x	1.1
Air Lease Corporation	\$4,195	\$13,258	\$1,467	0.0%	9.0x	7.7x	10.1x	8.6x	12.5x	10.7x	0.8
Element Fleet Management Corp.	\$2,895	NA	\$961	NA	NA	NA	NA	NA	11.4x	10.9x	NA
Textainer Group Holdings Limited	\$1,008	\$3,858	\$478	57.7%	8.1x	7.3x	10.6x	9.3x	NM	21.6x	27.6
Rent-A-Center, Inc.	\$645	\$1,207	\$2,748	3.7%	0.2x	0.2x	3.9x	2.7x	NM	12.7x	7.4
FlexiGroup Limited	\$502	NA	\$229	NA	NA	NA	NA	NA	NA	6.3x	NA
CAI International, Inc.	\$596	\$2,048	\$332	21.4%	6.4x	5.4x	9.6x	8.0x	13.8x	10.0x	1.7
FLY Leasing Limited	\$411	\$2,664	\$342	0.0%	7.8x	6.7x	8.6x	7.5x	8.7x	7.3x	5.3
Median				25.3%	7.1x	6.1x	9.1x	7.7x	12.5x	10.8x	3.5
Mean				28.0%	5.8x	5.0x	8.2x	7.0x	12.0x	11.4x	7.3

Mortgage Related

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Nationstar Mortgage Holdings Inc.	\$1,683	NA	\$1,425	NA	NA	NA	NA	NA	27.0x	10.5x	NA
Meta Financial Group, Inc.	\$657	NA	\$255	NA	NA	NA	NA	NA	NA	11.5x	NA
PHH Corporation	\$729	NA	\$734	NA	NA	NA	NA	NA	NM	NM	NA
PennyMac Financial Services, Inc.	\$400	NA	\$1,238	NA	NA	NA	NA	NA	7.5x	6.5x	1.4
Ocwen Financial Corporation	\$383	\$6,823	\$1,317	26.8%	5.7x	7.5x	NA	NA	NM	NM	NA
Walter Investment Management Corp.	\$16	NA	\$947	NA	NA	NA	NA	NA	NM	NM	NA
Median				26.8%	5.7x	7.5x	NA	NA	17.3x	10.5x	1.4
Mean				26.8%	5.7x	7.5x	NA	NA	17.3x	9.5x	1.4

Source: Capital IQ

Recent Updates – Specialty Finance / Alternative Lending



ALTERNATIVE LENDING INDUSTRY REACHING SATURATION AFTER STRONG GROWTH

The US continues to be among the world's top markets for advanced, technology-enabled, online alternative finance channels and instruments. The US alternative lending market stood at \$34.5 billion in 2016, having grown by 22% over 2015. Consumer peer-to-peer lending remained the largest segment of the US alternative lending market in 2016. Peer-to-peer mortgage loans was the most dominant sub-segment of the Consumer peer-to-peer lending segment.

The growing popularity of the Alternative Lending space continued to draw more players into the market throughout 2016. However, the alternative lending market is now becoming saturated and the entry of new players is expected to taper off. The market is entering a phase where smaller players would either be marginalized or be acquired by larger players.



TECH GIANTS HOLD THE GREATEST POTENTIAL IN ALTERNATIVE LENDING - NOT BANKS

Alternative lenders made it big during the 2009 financial crisis by filling a void left by large banks – lending to SMEs and sub-prime borrowers. Now that the online lending spree is in its prime, large banks are looking to re-enter this space and gain back market share.

Large banks are collaborating with established online lenders, such as JP Morgan partnering with OnDeck; and Santander investing in Kabbage. Although traditional lenders could play a big role in the industry, given their ability to provide liquidity, the real transformation could come from tech giants like Google and Amazon.

Large banks are designed to be more front-ended. They focus more on growing their borrower base by improving customer experience, rather than processes. Online lenders, in contrast, offer end-to-end solutions, from underwriting to loan servicing. They focus more on operational excellence than over-the-top service.

Partnering with large banks can help improve online players' user experience. But to expand the online market and serve more customers, they need tech partnerships that will help automate operational activities like underwriting and creating new channels.



REGULATORY COSTS TO INCREASE FOR ALTERNATIVE LENDERS

Recent headline events point to compliance surveillance gaps that are bound to attract increased attention by regulators.

While it is true that alternative lenders do need to comply with state and federal regulations, they have not been a focus of regulatory litigation despite notions of lax compliance standards and subprime lending practices.

Regulatory scrutiny will further drive compliance costs eroding the already depressed margins for select players. Increased filing of personnel and use of surveillance tools to flag violation in time fulfillment of reporting requirements and disclosures will serve as an additional overhead cost.

*Source: Alternative Lending Report, Ernst and Young
Cambridge Centre for Alternate Finance*



Key Specialty Finance / Alternative Lending Platform Industry Developments

Online lenders expanding their SME business with strategic partnerships

According to a Dun & Bradstreet survey, 66% of US SMEs have faced working capital challenges in the last three months. While they urgently need capital, banks are unwilling to lend to them. This has created a great opportunity for online lenders to renew their focus on their SME lending business. Several online lenders have formed partnerships to take advantage of this opportunity. For example, Lendio has partnered with Comcast, while OnDeck has extended credit to Sun Trust Bank to expand its SME network.

Amazon loans out \$1 billion in the SME loans

Atypical lenders, like Amazon, are also capitalizing on the SME lending opportunity in the past 12 months. The company loaned out \$1 billion to 20,000 third-party sellers on its site in the US, Japan, and the UK. With this, Amazon has extended a total of \$2.5 billion in loans since 2011. Amazon Lending offers short-term business loans ranging from \$1,000 to \$750,000 for up to 12 months to micro, small and medium businesses selling on Amazon, to help them grow their businesses. Amazon is now eyeing similar lending opportunities in markets such as India, China, Canada, and France.

LendingTree launches new home valuation feature

Online loan marketplace LendingTree launched a new home valuation feature within the My LendingTree platform. This tool is based on a home valuation model that estimates home value by accessing third party data and tracking it to visualize the trends in the home's value over time.

This initiative is consistent with the initiatives taken by online lenders to add more value to their offerings by using technology, to maintain their edge over banks that have increasingly entered the online lending space. The platform also provides other value-added features, such as free credit scoring and credit report analysis.

SoFi diversifying into traditional banking products

SoFi is the first online lender that is looking to compete with traditional banks in their legacy products. The company has submitted an application for federal deposit insurance, a protection that is mostly available only to traditional banks. The company is also planning to offer other legacy banking products, including checking accounts, debit cards, and credit cards. SoFi already competes with banks in areas like personal loans, mortgages, wealth management and insurance.

Mobile Payments company Square Inc. eyeing consumer lending

Square Inc. is looking to initiate a new consumer lending program that will put the company in competition with companies like PayPal, Affirm, and Synchro Financial. This new loan program will be provided in six U.S. states: California, Colorado, Florida, New Jersey, New York, and Virginia. Square's consumer lending initiative builds off its recent prepaid debit release.

Deal Activity – Specialty Finance / Alternative Lending

Highlighted M&A Transactions

Date	Target	Acquirer	Sector	Value (\$mm)
6/8/17	 SERVICE FINANCE COMPANY LLC	 ECN CAPITAL	Specialized Finance	\$304
5/11/17	 OMNISURE	 PayLink Direct	Specialized Finance	NA
3/2/17	 京东金融 JD Finance	Consortium of investors	Specialized Finance	\$2,100
1/31/17	 Capify Business Funding Made Simple	 STRATEGIC FUNDEDIRECT	Specialized Finance	NA
7/19/16	 Gradible	 CommonBond	Specialized Finance	NA

- The Alternative Lending market is entering a consolidation phase, resulting in M&A transactions.
- Transactions have involved larger players acquiring smaller players, primarily to gain market share.
- Companies also make acquisitions to obtain technology for rapidly increasing geographical coverage and operational efficiency.
- Banks and early stage investors continue to show interest in the Alternative Lending space, with several PE/VC investments and corporate venture investments by banks.

Highlighted Financing Transactions

Date	Company	Lead Investor	Series	Value (\$mm)
6/29/2017	 spruce	 HPS	Growth	\$25
5/10/2017	 Kreditech	 PayU	NA	\$120
2/27/17	 PROSPER	 NEW RESIDENTIAL Investment Corp.	NA	\$5,000
2/24/17	 SoFi	 SILVERLAKE	Series F	\$500

Expansion and Technology Driving M&A Activity

The Alternative Lending market is entering a consolidation phase, which has resulted in several M&A transactions over the last 12 months. Transactions have involved larger players acquiring smaller players, frequently with the intention of increasing their customer base.

With the industry approaching saturation, companies are looking to develop strong tech capabilities as a means to rapidly increase

their geographical coverage and operational efficiency. Several transactions in the past 12 months have followed this theme, and have involved alternative lenders acquiring promising tech companies.

Banks and early stage investors have continued to show interest in the Alternative Lending space, as evidenced by increased PE/VC investments and corporate venture investments by banks in the alternative Lending space.

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

Date	Target	Acquirer(s)	Sector	EV (\$mm)
6/29/17			Crowdfunding Platform	\$14
6/8/17 Transaction Profiled			Specialized Finance	\$304
5/11/17 Transaction Profiled			Specialized Finance	NA
3/2/17 Transaction Profiled		Consortium of Chinese Investors	Specialized Finance	\$2,100
1/11/17			Specialized Finance	NA
1/4/17 Transaction Profiled			Specialized Finance	NA
12/15/16			Specialized Finance	NA
12/12/16			Consumer Finance	NA
11/10/16			Specialized Finance	NA
10/26/16			Consumer Finance	NA
10/4/16		WARBURG PINCUS	Specialized Finance	NA
8/18/16			Specialized Finance	NA
7/19/16 Transaction Profiled			Specialized Finance	NA
6/16/16			Specialized Finance	NA
5/23/16			Asset Management and Custody Banks	NA

Source: Capital IQ

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

ECN Capital acquires Service Finance

Target Company Overview



Service Finance Company, LLC. (“SFC”) provides financing solutions to home improvement dealers and healthcare professionals in the United States. Service Finance Company, LLC. has a strategic alliance with GE Money. The company was incorporated in 2004 and is based in Boca Raton, Florida.

Products and Services Offered

SFC is a primary lender providing installment loan solutions for qualified borrowers with favorable consumer interest rates and extended repayment terms. It offers home improvement financing for HVAC, plumbing/electrical, windows/doors/shutters, siding, bathroom/kitchen remodel, roofing, flooring, and furniture projects; and healthcare financing services.

Acquisition Details



ECN Capital Corp. entered into a definitive agreement to acquire SFC for approximately \$300 million on June 8, 2017. As part of the transaction, ECN Capital will acquire the employees, systems, intellectual property, operations, offices, agreements, and other assets of Service Finance.

Transaction Rationale

SFC has leading vendor finance relationships, superior credit, proven growth, scalability, and a robust partnership with U.S. banks, and ECN Capital looks forward to a long-term partnership with the company. The company is well-positioned for the future and with ECN Capital’s support, SFC will be able to continue its incredible growth trajectory and solidify its market leadership position.

Paylink direct and Omnisure Group announce merger

Target Company Overview



Launched in 2010, Omnisure Group is a specialty finance company headquartered in Chicago. It is a payment plan provider for vehicle and home service contracts.

Products and Services Offered

Omnisure caters to sellers, consumers, dealers and administrators in giving them the best payment plans under vehicle/ home loans with attractive benefits.

Acquisition Details



Paylink Direct and Omnisure Group announced a merger to create the largest vehicle service contract (VSC) payment plan provider in the United States. The merger was announced on May 11, 2017. The merged entity will operate under the brand of Paylink direct. Paylink was previously capitalized by Fortress Investment Group.

Transaction Rationale

The merger between the two companies will help the combined entity offer expansive product solutions that are administered quickly and conveniently, making VSC sales an integral stream of revenue for direct marketing companies, auto dealerships and service contract administrators.

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

JD Finance acquired by a consortium of Chinese investors

Target Company Overview



JD Finance provides online financial services such as e-wallet. The company was founded in 2013 and is headquartered in China. JD Finance operates as a subsidiary of JD.com, Inc.

Products and Services Offered

JD Finance operates a payment platform for consumers and companies. JD Finance is also venturing into credit scoring and loans. It has teamed up with China UnionPay, the state-backed financial company, to work on online payments, credit cards and rural financing programs.

Acquisition Details

Richard Liu, JD.com's Chairman of the Board and Chief Executive Officer and other third party investors entered into definitive agreement to acquire 68.6% stake in JD Finance from JD.com, Inc. for CNY 14.3 billion (\$2.1 billion) on March 1, 2017.

Transaction Rationale

The spinoff will allow JD Finance to move more aggressively. A separate payments business, with only Chinese investors, can apply for certain financial licenses, enabling JD Finance to offer products that invest in securities and mutual funds.

Strategic Funding announces merger with US operations of Capify

Target Company Overview



Formed in 2002, Capify is a technology finance company which provides working capital solutions in the form of merchant cash advances, business loans and inventory purchase programs to customers. It is headquartered in New York.

Products and Services Offered

Capify provides two services: Merchant Cash Advance (MCA) program provides a person with a sum of capital by purchasing his/her future credit and debit card sales. Instead of making fixed monthly payments, a small percentage of the credit/ debit card sales is deducted unless the cash advance is repaid by the customer. The second product is small business loans for customers up to \$ 500,000.

Acquisition Details



Strategic Funding source Inc. announced the integration of itself with the US operations of Capify on January 31, 2017. Both the companies have been providing non-bank financing options to small and mid-size businesses for over a decade.

Transaction Rationale

The integration will allow Strategic Funding to expand its base in the US market by granting capital to the existing customers of Capify. Capify, on the other hand, will be able to give its customers a greater number of financing options for lending. This acquisition represents an add-on to Strategic Funding, which is a portfolio company of Pine Brook Partners.



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

Common Bond acquires Gradible

Target Company Overview



Gradible is an online student loan marketplace, which is headquartered in New York. Founded in 2013, Gradible also gives recommendations to students on how to manage their loan repayments.

Products and Services Offered

The company helps in paying off monthly student loan bills by doing online tasks and undertaking for businesses.

Acquisition Details





Common Bond, an online lender that refinances student loans and uses technology to make affordable solutions for students seeking loans, acquired Gradible on July 19, 2016.

Transaction Rationale

Common Bond, which specializes in higher education loans, could get a larger student base and an employee network through this acquisition. It could also make new additions to its employee-based student loan repayment platform.

Financing Transaction Activity Summary

Date	Target	Sector	Amount (\$mm)	Series	Investor(s)
6/29/2017 <small>Transaction Profiled</small>		Consumer Finance	\$25	Growth	
6/28/2017		Online Lending	NA	Growth	
6/1/2017		Consumer Finance	\$41	Growth	 
5/12/2017	Yixin Holding Group	Specialty Finance	\$579	NA	  
5/10/2017 <small>Transaction Profiled</small>		Specialty Finance	\$120	NA	
4/13/2017		Specialty Finance	\$30	Series D	 
4/6/2017		Specialty Finance	\$48	NA	  
3/14/2017		Specialty Finance	\$77	NA	   
2/27/2017 <small>Transaction Profiled</small>		Consumer Finance	\$5,000	NA	   
2/24/2017 <small>Transaction Profiled</small>		Consumer Finance	\$500	Series F	  
1/30/2017		Internet Software and Services	NA	NA	
1/27/2017		Specialty Finance	\$260	NA	 
1/12/2017		Specialty Finance	\$100	NA	   

Source: Capital IQ

Key Financing Deal Profiles – Specialty Finance / Alternative Lending

Spruce Finance receives \$25M from HPS Investment Partners

Target Company Overview



Spruce Finance Inc. provides consumer financing to purchase residential solar systems, water conservation upgrades, and energy efficient home improvements. The company was founded in 2011 and is based in San Francisco, California

Products and Services Offered

The company offers a suite of residential solar finance products, including solar leases, loans, power purchase agreements, and PACE products, as well as financing for complementary or stand-alone water-saving and energy efficient home improvements that help customers reduce their utility bill spend on power, water, and heating and cooling.

Financing Details



Spruce Finance Inc. announced that it has received \$25 million in an equity round of funding from new investor, HPS Investment Partners, LLC on June 29, 2017.

Use of Funds

Spruce Finance Inc. will use the proceeds to make energy efficiency financing and residential solar systems widely available to homeowners in the United States.

Kreditech Holding receives \$120 million in an equity round of funding from PayU Group

Target Company Overview



Kreditech Holding SSL GmbH is a real-time scoring technology company that provides online big data scoring technology and machine-learning algorithms services to make better credit decisions. The company was founded in 2012 and is based in Hamburg, Germany.

Services Offered

Kreditech uses technology to provide banking products to customers; and modular products (identification, scoring products, and payment options) that are available for external B2B customers (e.g. microlenders, banks, retailers, and debt collectors). Kreditech Holding SSL GmbH builds a broad database and country-independent learning by expanding automatized short-term microloans in markets with little to no credit bureau data availability.

Financing Details



Kreditech Holding SSL GmbH announced that it has received €110 million (\$120 million) in an equity round of funding from new investor, PayU Group on May 10, 2017. The investor acquired a minority stake in the transaction.

Use of Funds

Kreditech Holding SSL GmbH will use the proceeds to increase access to credit services in high growth, emerging markets including Eastern Europe, India and Latin America.

Key Financing Deal Profiles – Specialty Finance / Alternative Lending

Prosper Marketplace Closes Loan Purchase Agreement for up to \$5 Billion of Loans

Target Company Overview



Prosper Marketplace, Inc., together with its subsidiaries, develops a peer-to-peer online credit marketplace in the United States. Its marketplace allows investors to invest in unsecured consumer loans originated through an open and transparent marketplace, thereby aiming to benefit financially, as well as socially. Prosper Marketplace, Inc. was incorporated in 2005 and is headquartered in San Francisco, California.

Services Offered

The company offers fixed rate, amortizing, and unsecured consumer loans to accredited and institutional investors, as well as issues notes.

Financing Details



Jefferies



THIRD POINT

Prosper Marketplace announced on February 27, 2017, that it has closed a deal with a consortium of institutional investors to purchase up to \$5 billion worth of loans through the Prosper platform over the next 24 months. The investors in the consortium are affiliates of each of New Residential Investment Corp., Jefferies Group LLC and Third Point LLC, and an entity of which Soros Fund Management LLC serves as principal investment manager. The consortium will also earn an equity stake in the company based on the amount of loans purchased, further aligning the group with Prosper's future growth and success.

Use of Funds

The deal is expected to provide Prosper Marketplace the funding stability and additional capital markets expertise needed to continue to grow its marketplace and achieve profitability in 2017.

Online lending startup Sofi raises funds worth \$500 million

Target Company Overview



Founded in 2011, Sofi is an online lending company, based in San Francisco, California that provides student loan refinancing, mortgages and personal loans.

Products and Services Offered

Predominantly in student loan financing, Sofi's range of products also include mortgage financing, personal loans, wealth management and term insurance coverage.

Financing Details

SILVERLAKE

SoftBank Group



Sofi raised a total of \$500 million in equity financing from a consortium of investors led by Silver Lake Partners on February 24, 2017. The other investors in this funding included Soft Bank and GPI Capital.

Use of Funds

Sofi started out as an online lending company whose dominant business was to finance student education loans. Sofi will use the funds received from this transaction to expand into new regions and widen the scope of financial services under its domain.

IPO Activity Summary – Specialty Finance / Alternative Lending

Company	IPO Date	Amount Raised (\$mm)	IPO Price	Current Market Price	Total Return
 信而富® China Rapid Finance	4/28/17	\$60	\$6.00	\$5.72	(4.7%)
 E/evate	4/6/17	\$81	\$6.50	\$7.92	21.8%
 TransUnion®	6/25/15	\$627	\$22.50	\$43.31	92.5%
 BLACK KNIGHT® FINANCIAL SERVICES	5/19/15	\$441	\$24.50	\$40.95	67.1%
 ondeck	12/17/14	\$200	\$20.00	\$4.66	(76.7%)
 LendingClub	12/11/14	\$870	\$15.00	\$5.51	(63.3%)
 Springleaf Lending made personal	10/16/13	\$358	\$17.00	\$24.59	44.6%
 PennyMac®	5/10/13	\$200	\$18.00	\$16.70	(7.2%)

Source: Capital IQ and market data as of June 30, 2017

Select Wall Street Research Updates and Commentary



Update from J.P.Morgan, May 2017

Originations lighter than forecast, though acceleration into 2Q17 likely. Originations during the quarter totaled \$1.81B (vs. \$2.01B), marking a 22.7% Y/Y decline. Net finance receivables totaled \$13.16B (vs. JPMe \$13.34B). While originations lagged modestly during the quarter, early 2Q17 data supports the company's 2017 guidance. OMF notes that conversion rates have picked up (potentially indicating less competition); receivables grew ~\$150M in April.



Update from Compass Point Research, May 2017

Still Awaiting Movement on ED Servicing but Expense Ramp Has Commenced. Visibility into the ED servicing contract remains limited, but management has begun prepping for the potential award with ~\$5M of expenses in 1Q17 to build out "GreatNet," its JV with Great Lakes. If ED moves forward with the award, we continue to view GreatNet as well-positioned to win, primarily given their stronger performance within ED metrics.



Update from Jefferies, May 2017

We believe ELVT is an innovator in the large, fragmented market for alternative consumer lending and that there is meaningful upside potential from current stock price levels. We highlight the company has posted industry-leading revenue growth over the past few years albeit with a borrower-friendly loan product. We view 1Q17 results positively as it exhibited continued growth, stable credit, and strong expense controls. Reiterate Buy.



Update from Oppenheimer, May 2017

ONDK reported a mixed quarter, and announced an additional \$25M expense reduction initiative, reflecting tighter underwriting and implying GAAP operating expenses exit '17 with an \$160M annual run-rate. The company is reducing FY17 gross revenue guidance 9% despite strong borrower demand, but maintaining FY17 EBITDA of \$5M-15M, representing a clear shift to profitability over growth.



Update from Guggenheim, May 2017

Impacts from consumer funding choice were at the stronger end of management expectations; we believe expense trends may be stabilizing. As we underscored in our review of 1Q trends (see here), PYPL's results were stronger than we anticipated, in large part because of the benefits of PYPL's decision to enable consumers to choose credit or debit cards (rather than ACH) as the funding vehicle for their PYPL account.

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, OTCPK: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, ASP, 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:NXG, 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, AYX, 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



DISCLAIMER

The principals of Evolve Capital Partners are registered representatives of BA Securities, LLC Member FINRA SIPC, located at Four Tower Bridge, 200 Barr Harbor Drive, Suite 400 W. Conshohocken, PA 19428. Evolve Capital Partners and BA Securities, LLC are unaffiliated entities. All investment banking services are offered through BA Securities, LLC, Member FINRA SIPC. This presentation is for informational purposes only and does not constitute an offer, invitation or recommendation to buy, sell, subscribe for or issue any securities or a solicitation of any such offer or invitation and shall not form the basis of any contract with BA Securities, LLC.

The information in this presentation is based upon Evolve Capital Partners estimates and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this presentation, we have relied upon and assumed, without independent verification, the accuracy and completeness of information available from public sources. In addition, our analyses are not and do not purport to be appraisals of the assets, stock, or business of the Company or any other entity. Neither BA Securities, LLC nor Evolve Capital Partners makes any representations as to the actual value which may be received in connection with a transaction nor the legal, tax or accounting effects of consummating a transaction. BA Securities, LLC and Evolve Capital Partners do not render legal or tax advice, and the information contained in this communication should not be regarded as such.

The information in this presentation does not take into account the effects of a possible transaction or transactions involving an actual or potential change of control, which may have significant valuation and other effects.

If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this presentation is prohibited.

KEY SENIOR PROFESSIONAL

Alexander Koles

Founder, CEO, Managing Director
akoles@evolve-capital.com

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.

CONTACT

Evolve Capital Partners

1350 Avenue of the Americas
2nd Floor
New York, NY 10019
T: (646) 688-2792
evolve-capital.com