

# Monthly Market Musings

SCURA PALEY  
AND COMPANY

July 8, 2015

## Scura Paley and Company

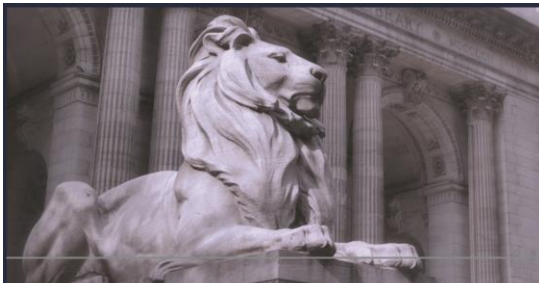
*Scura Paley and Company is a private investment banking firm, based in Manhattan, providing financial advisory and capital raising services, with a particular focus on emerging growth and specialty finance companies. Scura Paley and Company provides strategic M&A and capital raising advice to middle market companies. Scura Paley's partners have an average of twenty-five years of experience in a broad array of industries, providing nearly every investment banking product and service to their clients.*

### Investment Banking Trends in the Consumer Finance and Diversified Financial Services Sectors

- Aggregating the Diversified Finance and Consumer Finance sectors, and targeting M&A transactions less than \$1 billion in the U.S. and Canada, nine deals were completed in the second quarter of 2015 totaling \$685 million. Dollar volume for 2Q:15 was dominated by one \$500-million transaction (The Royal Bank of Scotland Group's acquisition of a North American loan portfolio); the next two largest transactions had an average size of \$60 million, with the remaining six deals averaging \$11 million each. Compared with 2Q:14, 13 transactions were completed totaling \$851 million; the largest deal was \$257 million. M&A activity for the first six months of 2015 trails 1H:14 both in the number of transactions and volume, at 15 deals totaling \$867 million versus 27 deals aggregating \$1.5 billion in the year-ago period.
- In the U.S. and Canada, announced private placements for the combined Diversified Finance and Consumer Finance sector (for transactions less than \$1 billion) totaled \$992 million (44 deals) in the second quarter of 2015. In 2Q:14, 29 transactions were completed totaling \$611 million. For the first quarter of 2015, 31 transactions were completed aggregating \$1 billion; although down modestly, 2Q:15 activity marked the second strongest quarter since 3Q:13. For the first six months of 2015, 75 deals were announced aggregating \$2 billion compared with 61 announced transactions in 1Q:14 totaling \$1.3 billion.
- In June, 42 IPOs were closed aggregating \$6.9 billion, which marked the greatest number of closed IPOs since April 2012. For the second quarter of 2015, the number of IPOs closed in the U.S. and Canada totaled 86 deals valued at \$15.8 billion, up from 51 transactions totaling \$10.8 billion in 1Q:15. Versus 2Q:14, 99 IPOs closed with an aggregate value of \$24.6 billion. For the first half of 2015, 137 IPOs were completed totaling \$26.6 billion compared with 181 IPOs in 1H:14 aggregating \$37 billion. Total announced IPO activity has accelerated each month since the start of 2015 — 47 transactions were announced in June, up from 40 in May and 30 in April — suggesting that deal flow will remain strong during the second half of 2015.

#### *Company specific and Industry news—*

- As of Friday, June 19, new rules took effect that raise the amount of capital small businesses can raise to \$50 million from \$5 million without incurring the legal and financial reporting costs associated with going public. The new rules, known as Reg A, grew out of a provisions of the 2012 JOBS Act, which aims to help small businesses raise capital and create jobs. Critics of the new rules cite the lack of restrictions on possible investors particularly as it relates to defining qualified investors. At least two state securities regulators—Massachusetts and Montana—have taken legal action to block or delay the new rules.
- Goldman Sachs Group Inc. announced that it is expanding into small business lending, an action that took many in the industry by surprise. The announced entry remains in the drafting stage, although a team of about a half dozen employees have been assembled to oversee the effort. Goldman will focus on personal and business loans, unsecured by collateral and targeting customers with good credit. The company is unlikely to pursue auto lending given the recent heightened regulatory scrutiny.
- Blackstone Group LP and Carlyle Group LP reportedly have teamed up to consider a buyout of NCR Corp., which offers financial-oriented self-service technologies such as ATMs, cash management and video banking software, digital banking services, as well as retail and hospitality oriented technologies such as point-of-sale software and terminals. The buyout would be valued at



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roughly \$10 billion when including NCR's debt. The process is ongoing as price is being negotiated with shareholders seeking at least \$36 per share versus the approximate \$34 price the stock currently is trading. Blackstone and Carlyle are rumored to be competing against other buyout firms including Apollo Global Management and Thoma Bravo.

- Discover Financial Services announced that it is closing the mortgage origination business it acquired in 2012 as the operation did not meet financial expectations. Known as Home Loan Center, Discover acquired the business in 2012 for nearly \$56 million. Charges related to exiting the business are expected to be approximately \$0.04 per share or roughly \$18 million.

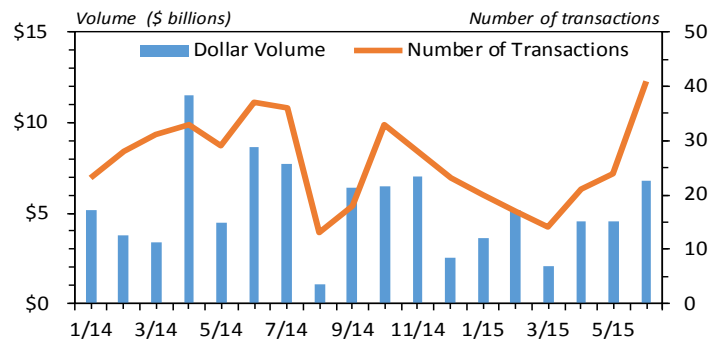
Announced Date	Issuer	Transaction Value* (\$ millions)
07/02/2015	Univision Communications Inc.	100.0
06/30/2015	Zynerba Pharmaceuticals, Inc.	57.5
06/29/2015	NEP Group, Inc.	100.0
06/29/2015	Apac Resources Inc.	NA
06/26/2015	American Farmland Company	NA
06/26/2015	Zev Ventures, Inc.	NA
06/26/2015	Multi Packaging Solutions International Ltd	100.0
06/26/2015	Amplify Snack Brands, Inc.	200.0
06/25/2015	Sunrun Inc.	100.0
06/25/2015	LM Funding America, Inc.	NA
06/24/2015	Acasta Enterprises Inc.	230.5
06/24/2015	NanoLumens, Ltd.	NA
06/23/2015	Freeport-McMoRan Oil & Gas Inc.	100.0
06/23/2015	exactEarth Ltd.	NA
06/22/2015	Planet Fitness, Inc.	100.0
06/22/2015	Hennessy Capital Acquisition Corp. II	175.0
06/19/2015	Neos Therapeutics, Inc.	69.0
06/19/2015	Live Oak Bancshares, Inc.	86.3
06/19/2015	Conkwest, Inc.	172.5
06/19/2015	Bowie Resource Partners LP	100.0
06/17/2015	RiverBanc Multifamily Investors, Inc.	NA
06/16/2015	JM Global Holding Company	50.0
06/16/2015	Aeglea Biotherapeutics, Inc.	86.3
06/16/2015	BioCardia, Inc.	57.5
06/16/2015	Shred-it International Inc.	-
06/15/2015	Ollie's Bargain Outlet Holdings, Inc.	150.0
06/15/2015	Chiasma, Inc.	86.3
06/15/2015	vTv Therapeutics Inc.	172.5
06/15/2015	Ooma, Inc.	86.3
06/15/2015	New Global Acreage Resources Ltd.	NA
06/15/2015	Roll-Up Capital Corp.	NA
06/12/2015	ProNAi Therapeutics, Inc.	86.3
06/12/2015	Cerecor Inc.	NA
06/12/2015	Global Partner Acquisition Corp.	135.0
06/12/2015	Spin Master Corp.	NA
06/11/2015	Royal Resources Partners LP	100.0
06/11/2015	Rapid7, Inc.	80.0
06/10/2015	Blue Buffalo Pet Products, Inc.	500.0
06/10/2015	Resource RE Innovation Office REIT, Inc.	1,100.0
06/09/2015	Automotive Properties REIT	NA
06/09/2015	Aqua Metals, Inc.	NA
06/09/2015	Seritage Growth Properties	1,858.4
06/05/2015	Sleep Country Canada Holdings Inc.	160.4
06/03/2015	Remove-By-You, Inc.	NA
06/03/2015	Innovation Economy Corporation	NA
06/03/2015	SunGard	100.0
06/01/2015	TMAC Resources Inc.	107.5

\* Transactions under \$10 million excluded

Source: S&P CapitalIQ

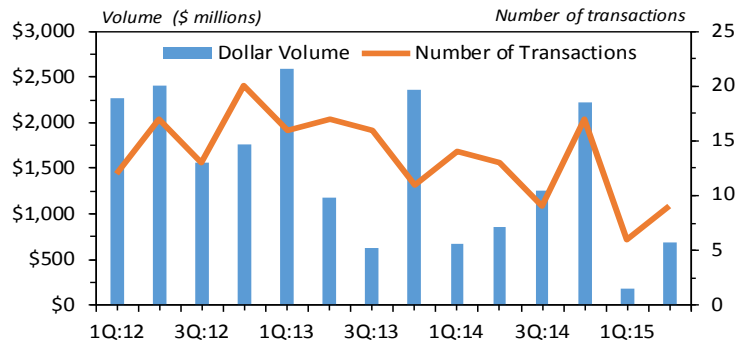
## IPO Activity, Closed Transactions — Total Market

U.S. and Canada



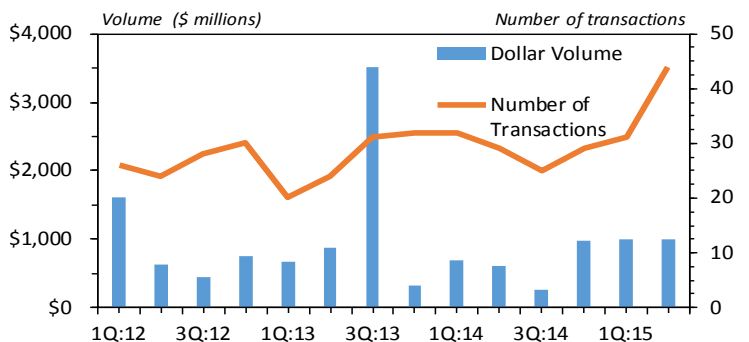
## M&A Activity Diversified/Consumer Financial Services Sector

U.S. and Canada; transaction size less than \$1 billion

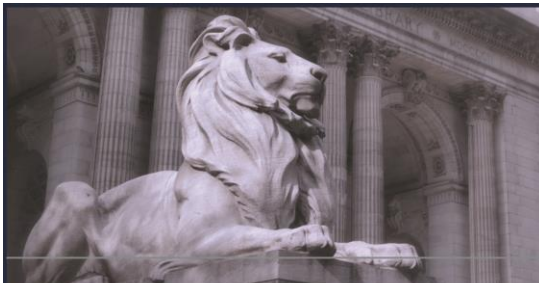


## Private Placement Activity Diversified/Consumer Financial Services Sector

U.S. and Canada; transaction size less than \$1 billion



Source: S&P CapitalIQ



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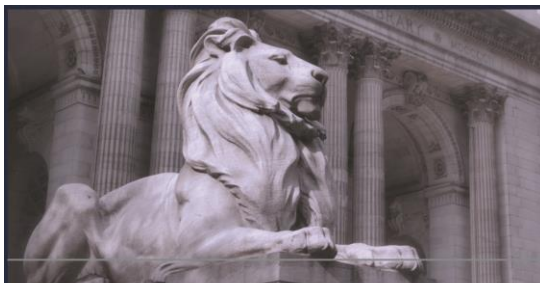
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## Consumer Finance Protection Board (CFPB) “Corner”

- The CFPB published a rule on June 10 that will allow the agency to supervise larger nonbank auto finance companies for the first time. The CFPB has defined “larger participants” as any nonbank auto finance company that makes, acquires or refinances 10,000 or more loans or leases in a year. The Bureau estimates that it will now have authority to supervise about 34 of the largest nonbank auto finance companies and their affiliates, which represents roughly 90% of nonbank auto loans and leases. The final rule also defines additional automobile leasing activities for coverage by certain consumer protections of the Dodd-Frank Act. Auto loans are the third largest category of household debt, behind mortgages and student loans. Approximately \$900 billion in auto loans were outstanding in the fourth quarter of 2014. The auto leasing market also continues to expand, as more than 25% of new cars are acquired through leases.
- Security National Automotive Acceptance Company, LLC (SNAAC) was sued by the CFPB for aggressive debt collections tactics against service members. The CFPB is seeking compensation for harmed consumers, which is a civil penalty, and an order prohibiting the company from committing future violations. SNAAC operates in more than two dozen states and specializes in lending to active-duty and former military to buy used automobiles.
- Richard Cordray, the CFPB Director issued a decision in the first appeal of a Bureau administrative enforcement action that PHH Corp., a mortgage lender, illegally referred consumers to mortgage insurers in exchange for kickbacks. Those kickbacks took the form of mortgage reinsurance premiums that mortgage insurers paid to a subsidiary of PHH. The final order requires PHH to pay \$109 million to the CFPB, which represents all the reinsurance premiums it received on or after July 2, 2008.
- In a relatively new vertical of focus, the CFPB ordered Syndicated Office Systems, a medical debt collection company, to provide more than \$5.4 million in relief to harmed consumers, correct its business practices and pay a \$500,000 penalty. The CFPB order charges that Syndicated Office Systems mishandled consumer credit reporting disputes by failing to respond to more than 13,000 consumer credit report disputes within the 30-day timeframe. The CFPB also charges that Syndicated Office Systems failed to send debt validation notices to more than 10,000 consumers; failing to provide notices denies consumers the opportunity to challenge whether the debt is valid and whether the amount or source is correct.

## FinTech Talk

- Apple Pay will be available to UK Visa cardholders in July. In response, various leading payment processors including TSYS and First Data, have announced support of their respective clients’ integration of Apple Pay. A Visa credit or debit card added to Apple Pay will not store the actual payment details on the device, but rather a unique number set is assigned, encrypted and stored on the device and used to process payments. Then, each transaction is authorized with a one-time dynamic security code instead of the code on the back of a card. Apple Pay can be used to touch and pay wherever Visa Contactless payment is accepted. More than 2.6 million Visa contactless terminals exist across Europe. Adoption of digital payments is expected to rise, with mobile payments projected to equal nearly \$71 billion in the next 10 years; 75% of the U.K. population is expected to have a smartphone by 2019.
- Square, Inc., which offers a credit card reader for iPhone, iPad and Android devices, launched a new reader capable of accepting mobile payments like those made through Apple Pay and Android Pay. Although contactless payments and terminals are widespread in Europe, the technology is in its infancy in the U.S. The new reader, which will be available this fall in the U.S., operates wirelessly for merchants who want to accept contact-less mobile payment; it will also accept chip-embedded credit cards. Square’s new reader will compete with First Data’s Clover, as well as Poynt and Shopify and will target small and medium-sized business that are required to switch to updated EMV (EuroPay, MasterCard and Visa) technology by October 2015.
- In another step towards building adoption of EMV technology, MasterCard announced that it now offers tokenization services to private label credit card issuers. Tokenization is a process in which credit card numbers are replaced with a randomly generated string of alphanumeric characters to protect against fraud; Apple Pay uses a form of tokenization. Via its MasterCard Digital Enablement Service (MDES), MasterCard is the first network to take this action, which will also support loyalty offerings, to private label credit cards.



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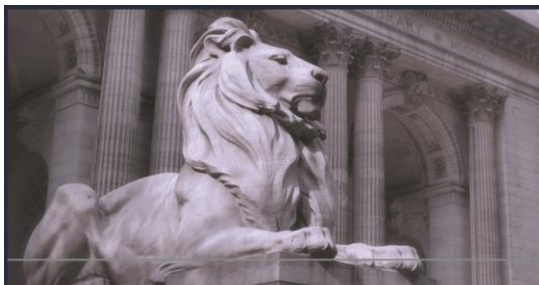
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## Specialty Finance Public Company Performance

	Market Data			Valuation				
	Price (7/1/15)	Market Cap	Enterprise Value	EV/LTM Revenue	EV/LTM EBITDA	Mkt Cap/ LTM Rev.	Price/ LTM EPS	Price/ TBV
<b>Auto Finance</b>								
Canadream Corp. (TSXV:CDN)	\$0.51	\$9.9	\$30.3	1.1x	9.5x	0.4x	6.4x	0.8x
Credit Acceptance Corp. (NasdaqGS:CACC)	261.14	5,378.8	7,275.6	10.8x	—	8.0x	19.7x	7.0x
America's Car-Mart Inc. (NasdaqGS:CRMT)	48.88	416.1	520.1	1.0x	9.7x	0.8x	15.0x	1.8x
Consumer Portfolio Services, Inc. (NasdaqGM:CPSS)	6.19	161.6	1,888.2	12.6x	—	1.1x	6.4x	1.2x
<b>Mean</b>				6.4x	9.6x	2.6x	11.9x	2.7x
<b>Median</b>				6.0x	9.6x	0.9x	10.7x	1.5x
<b>Commercial Finance</b>								
California First National Bancorp (NasdaqGM:CFNB)	\$13.37	\$139.9	\$114.5	4.8x	—	5.8x	14.7x	0.7x
LendingClub Corporation (NYSE:LC)	13.95	5,193.8	7,569.8	29.8x	—	20.5x	—	5.9x
Marlin Business Services Corp. (NasdaqGS:MRLN)	17.03	218.4	105.3	1.4x	—	3.0x	11.8x	1.2x
NewStar Financial, Inc. (NasdaqGS:NEWS)	10.98	503.1	2,871.5	51.6x	—	9.0x	78.4x	0.8x
On Deck Capital, Inc. (NYSE:ONDK)	11.76	817.5	1,047.7	9.4x	—	7.3x	—	2.7x
<b>Mean</b>				19.4x	—	9.1x	35.0x	2.3x
<b>Median</b>				9.4x	—	7.3x	14.7x	1.2x
<b>Consumer Finance</b>								
Atlanticus Holdings Corporation (NasdaqGS:ATLC)	\$3.77	\$52.4	\$203.4	1.7x	—	0.4x	2.6x	5.1x
Cash America International, Inc. (NYSE:CSH)	26.17	719.1	679.3	0.6x	6.2x	0.7x	—	1.3x
First Cash Financial Services Inc. (NasdaqGS:FCFS)	46.17	1,301.8	1,440.5	2.0x	9.9x	1.8x	16.8x	7.6x
Green Dot Corporation (NYSE:GDOT)	18.98	982.3	219.9	0.3x	1.8x	1.4x	13.3x	5.1x
Springleaf Holdings, Inc. (NYSE:LEAF)	47.67	6,410.8	11,552.8	7.1x	—	4.0x	12.1x	2.7x
QC Holdings, Inc. (NasdaqGM:QCCO)	1.85	32.2	18.9	0.1x	1.6x	0.2x	10.9x	0.5x
Regional Management Corp. (NYSE:RM)	17.55	225.9	536.4	2.7x	11.9x	1.1x	17.2x	1.2x
Santander Consumer USA Holdings Inc. (NYSE:SC)	26.20	9,373.2	39,115.0	11.9x	—	2.8x	9.6x	2.5x
World Acceptance Corp. (NasdaqGS:WRLD)	61.21	550.4	1,013.2	1.7x	4.9x	0.9x	5.1x	1.7x
<b>Mean</b>				3.1x	6.0x	1.5x	11.0x	3.1x
<b>Median</b>				1.7x	5.6x	1.1x	11.5x	2.5x
<b>Debt Recovery Solutions</b>								
Asta Funding Inc. (NasdaqGS:ASFI)	\$8.39	\$109.6	\$124.4	3.2x	—	2.8x	17.9x	0.6x
Encore Capital Group, Inc. (NasdaqGS:ECPG)	42.38	1,103.0	3,690.2	3.3x	8.3x	1.0x	10.4x	-4.4x
PRA Group, Inc. (NasdaqGS:PRAA)	62.70	3,029.7	4,456.9	4.8x	11.1x	3.2x	16.2x	9.8x
<b>Mean</b>				3.8x	9.7x	2.4x	14.8x	2.0x
<b>Median</b>				3.3x	9.7x	2.8x	16.2x	0.6x
<b>Financial Technology</b>								
DST Systems Inc. (NYSE:DST)	\$126.75	\$4,651.5	\$5,052.3	1.8x	11.6x	1.7x	8.3x	7.1x
Euronet Worldwide, Inc. (NasdaqGS:EEFT)	62.37	3,235.7	3,184.3	1.9x	13.6x	1.9x	36.3x	—
Fidelity National Information Services, Inc. (NYSE:FIS)	62.37	17,679.6	22,507.9	3.5x	13.9x	2.7x	27.7x	—
Fiserv, Inc. (NasdaqGS:FISV)	83.85	19,854.8	23,410.8	4.6x	15.1x	3.9x	27.3x	—
Global Payments Inc. (NYSE:GPN)	104.57	6,949.5	8,515.2	3.1x	14.7x	2.5x	27.3x	—
Heartland Payment Systems, Inc. (NYSE:HPY)	54.09	1,979.6	2,524.0	1.1x	14.1x	0.8x	56.9x	—
Total System Services, Inc. (NYSE:TSS)	41.95	7,731.9	8,875.1	3.5x	14.6x	3.1x	25.7x	—
Vantiv, Inc. (NYSE:VNTV)	38.66	5,642.6	9,008.7	3.3x	14.7x	2.1x	56.0x	—
<b>Mean</b>				2.8x	14.0x	2.3x	33.2x	7.1x
<b>Median</b>				3.2x	14.3x	2.3x	27.5x	7.1x

Source: S&P CapitalIQ





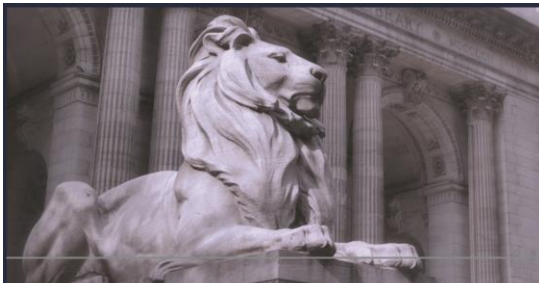
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## Specialty Finance Public Company Performance

	Operating Statistics							Balance Sheet Statistics	
	LTM Revenue	LTM EBITDA	Gross Margin	EBITDA Margin	Net Margin	LTM Dil. EPS	Tangible BV/Shr	Total Debt/Capital	Total Debt/EBITDA
<b>Auto Finance</b>									
Canadream Corp. (TSXV:CDN)	26.8	3.2	34.3%	11.8%	6.1%	0.08	0.63	64.7%	7.2x
Credit Acceptance Corp. (NasdaqGS:CACC)	670.9	—	—	—	42.9%	13.27	37.15	71.9%	—
America's Car-Mart Inc. (NasdaqGS:CRMT)	530.3	53.8	25.9%	10.1%	5.6%	3.25	26.81	31.2%	1.9x
Consumer Portfolio Services, Inc. (NasdaqGM:CPSS)	149.3	—	—	—	20.9%	0.97	5.32	92.7%	—
<b>Mean</b>			30.1%	11.0%	18.9%			65.1%	4.6x
<b>Median</b>			30.1%	11.0%	13.5%			68.3%	4.6x
<b>Commercial Finance</b>									
California First National Bancorp (NasdaqGM:CFNB)	\$24.0	—	—	—	39.7%	\$0.91	\$17.91	—	—
LendingClub Corporation (NYSE:LC)	253.6	—	82.8%	—	—	(0.22)	2.35	76.8%	—
Marlin Business Services Corp. (NasdaqGS:MRLN)	73.3	—	—	—	25.6%	1.44	14.04	—	—
NewStar Financial, Inc. (NasdaqGS:NEWS)	55.7	—	99.7%	—	12.5%	0.14	14.26	78.5%	—
On Deck Capital, Inc. (NYSE:ONDK)	111.7	—	75.9%	—	—	(0.30)	4.42	56.5%	—
<b>Mean</b>			86.1%	—	25.9%			70.6%	—
<b>Median</b>			82.8%	—	25.6%			76.8%	—
<b>Consumer Finance</b>									
Atlanticus Holdings Corporation (NasdaqGS:ATLC)	\$119.6	—	62.3%	—	17.0%	\$1.45	\$0.74	94.7%	—
Cash America International, Inc. (NYSE:CSH)	1,081.8	109.5	54.0%	10.1%	5.6%	(0.20)	20.70	15.1%	1.8x
First Cash Financial Services Inc. (NasdaqGS:FCFS)	719.1	145.3	56.1%	20.2%	11.0%	2.75	6.09	32.3%	1.5x
Green Dot Corporation (NYSE:GDOT)	677.9	125.4	87.1%	18.5%	10.1%	1.43	3.73	17.6%	1.2x
Springleaf Holdings, Inc. (NYSE:LEAF)	1,618.6	—	95.5%	—	28.0%	3.93	17.61	83.9%	—
QC Holdings, Inc. (NasdaqGM:QCCO)	149.1	11.6	25.9%	7.8%	2.0%	0.17	4.07	4.6%	0.3x
Regional Management Corp. (NYSE:RM)	198.1	45.1	69.8%	22.8%	6.7%	1.02	14.23	62.9%	6.9x
Santander Consumer USA Holdings Inc. (NYSE:SC)	3,293.4	—	66.5%	—	29.6%	2.73	10.64	88.6%	—
World Acceptance Corp. (NasdaqGS:WRLD)	610.2	206.6	81.1%	33.9%	18.2%	11.90	35.86	61.4%	2.4x
<b>Mean</b>			66.5%	18.9%	14.2%			51.2%	2.4x
<b>Median</b>			66.5%	19.4%	11.0%			61.4%	1.7x
<b>Debt Recovery Solutions</b>									
Asta Funding Inc. (NasdaqGS:ASFI)	\$39.0	(12.5)	—	—	28.5%	\$0.47	\$13.91	18.7%	—
Encore Capital Group, Inc. (NasdaqGS:ECPG)	1,104.7	444.2	—	40.2%	10.0%	4.09	(9.66)	80.2%	6.1x
PRA Group, Inc. (NasdaqGS:PRAA)	932.3	401.0	—	43.0%	20.8%	3.87	6.43	64.4%	3.7x
<b>Mean</b>			—	41.6%	19.7%			54.4%	4.9x
<b>Median</b>			—	41.6%	20.8%			64.4%	4.9x
<b>Financial Technology</b>									
DST Systems Inc. (NYSE:DST)	\$2,767.8	\$434.8	16.7%	15.7%	21.7%	\$15.30	\$17.81	29.9%	1.2x
Euronet Worldwide, Inc. (NasdaqGS:EEFT)	1,706.0	234.8	41.3%	13.8%	5.4%	1.72	(0.41)	38.4%	1.8x
Fidelity National Information Services, Inc. (NYSE:FIS)	6,448.3	1,623.8	32.4%	25.2%	9.9%	2.25	(15.97)	44.5%	3.2x
Fiserv, Inc. (NasdaqGS:FISV)	5,107.0	1,548.0	43.5%	30.3%	15.0%	3.07	(16.66)	54.5%	2.5x
Global Payments Inc. (NYSE:GPN)	2,741.1	579.6	62.7%	21.1%	9.6%	3.83	(16.76)	68.6%	3.6x
Heartland Payment Systems, Inc. (NYSE:HPY)	2,390.6	179.3	15.2%	7.5%	1.5%	0.95	(11.27)	68.8%	3.3x
Total System Services, Inc. (NYSE:TSS)	2,516.2	607.1	32.6%	24.1%	14.0%	1.63	(3.20)	45.4%	2.4x
Vantiv, Inc. (NYSE:VNTV)	2,745.2	614.5	54.2%	22.4%	4.2%	0.69	(23.18)	70.7%	5.2x
<b>Mean</b>			37.3%	20.0%	10.2%			52.6%	2.9x
<b>Median</b>			37.0%	21.8%	9.8%			49.9%	2.9x

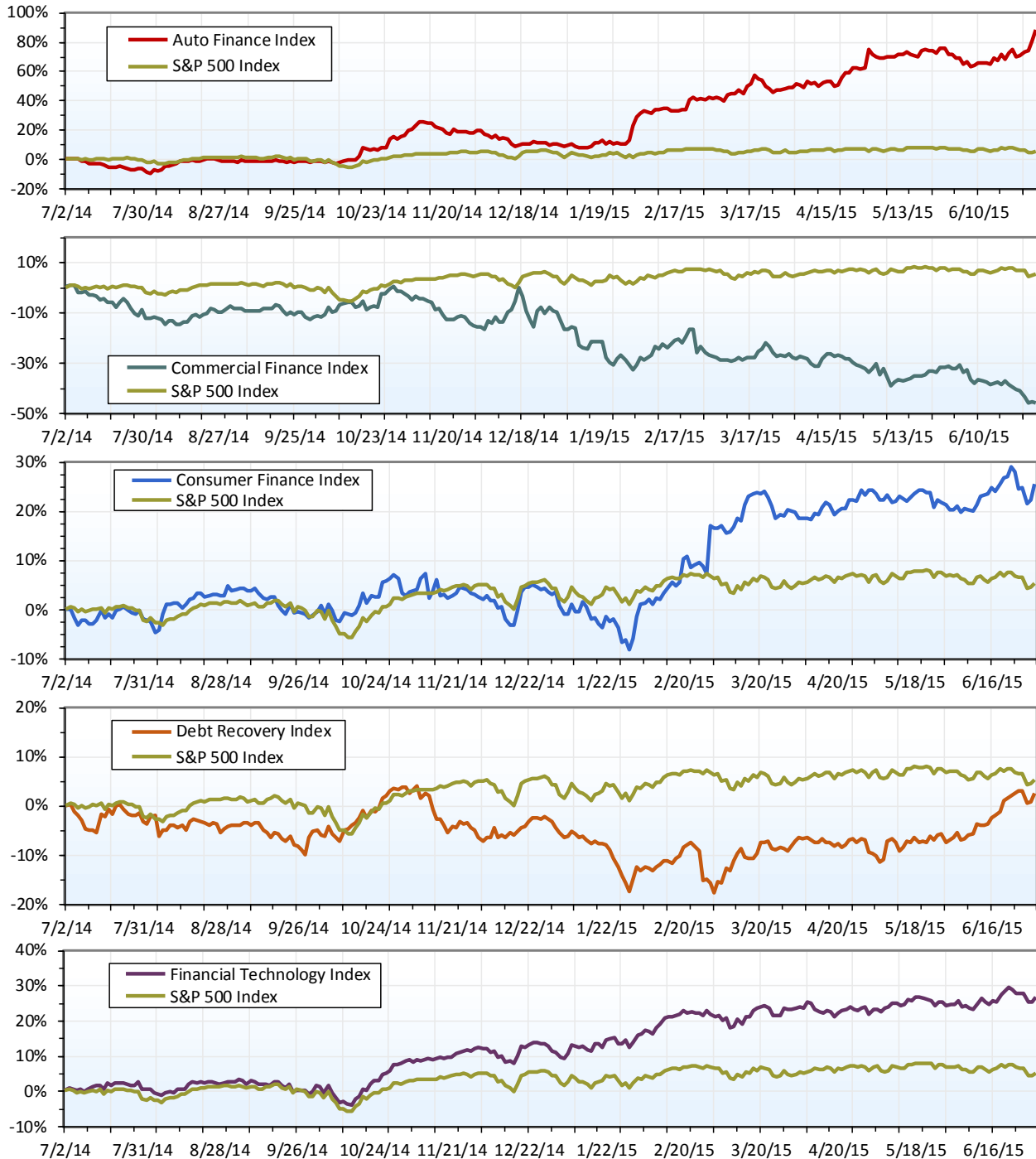
Source: S&P CapitalIQ



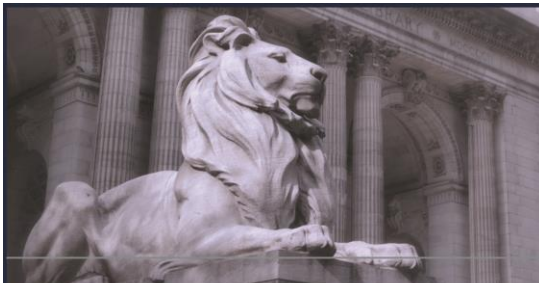
# Monthly Market Musings

SCURA PALEY  
AND COMPANY

## Specialty Finance Public Company Stock Price Performance



Source: S&P CapitalIQ



# Monthly Market Musings

**SCURA PALEY**  
AND COMPANY

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