

Monthly Market Musings

SCURA PALEY
AND COMPANY

June 11, 2015

Scura Paley and Company

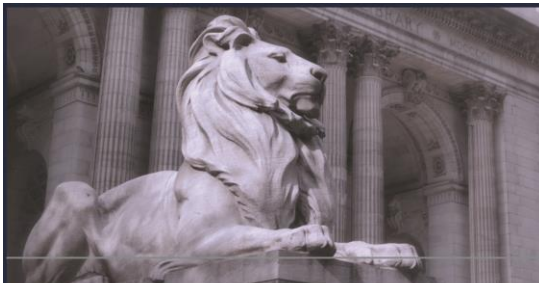
Scura Paley and Company is a private investment banking firm, based in Manhattan, providing financial advisory and capital raising services, with a particular focus on emerging growth and specialty finance companies. Scura Paley and Company provides strategic M&A and capital raising advice to middle 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, six deals were completed for the two months ended May totaling \$584 million. Dollar volume for the April-May period was dominated by two transactions, which combined equaled \$550 million; the remaining four transactions had an average deal size of roughly \$8 million. Compared with the year-ago period (April-May 2014), eight transactions were completed aggregating \$539 million; the largest deal was \$257 million. Year-to-date activity through May 2015 trails the five months ended May 2014 both in the number of transactions and volume, at 12 deals aggregating \$767 million versus 22 deals aggregating \$1.2 billion in the year-ago period. Despite the lower volume, the average deal size is larger year-to-date at approximately \$64 million compared with \$55 million for the five months ended May 2014.
- U.S. and Canada private placements for the combined Diversified Finance and Consumer Finance sector (for transactions less than \$1 billion) totaled \$489 million (22 deals) for April-May 2015. In the two-month period ended May 2014, 20 transactions were completed totaling \$565 million. For the first quarter of 2015, 31 transactions were completed aggregating \$1 billion, implying that 2Q:15 is trending modestly down from 1Q:15. Year-to-date activity through May 2015, however, is indicating higher than the year-ago period at 53 transactions aggregating \$1.5 billion versus 52 transactions totaling nearly \$1.3 billion.
- For May 2015, the number of IPOs closed in the U.S. and Canada totaled 40 deals valued at \$5.5 billion, up from 30 transactions totaling \$2.8 billion in April. Compared with May 2014, the number of closed IPOs held steady at 40, but the average deal size was nearly double that in May 2015, at \$275 million versus \$138 million. Year to date, the number of priced U.S. and Canadian IPOs totaled 135 and aggregated \$25 billion compared with 197 deals totaling \$47 billion for the five months ended May 2014.
- Total announced IPO activity has accelerated each month since the start of 2015 — 40 transactions were announced in May, up from 30 in April and 27 in March — suggesting that deal flow will remain strong during the second half of 2015.

Company specific news—

- SunGard Data Systems, which provides software and services to financial institutions, filed on June 4 with the SEC to raise up to \$100 million in an initial public offering. The number, however, likely is a placeholder as the IPO is expected to be much larger and could approach \$750 million according to The Wall Street Journal. SunGard was bought out in 2005 for \$11.3 billion via a consortium of private equity firms. The company booked \$2.8 billion in sales for the 12 months ended March 2015. Since the SunGard IPO will likely be a high profile transaction, we expect the financial technology sector broadly could benefit and may realize multiple expansion.
- In another step to avoid regulation by the Federal Reserve, General Electric (NYSE: GE) launched a bidding process for a \$40 billion piece of its commercial lending unit. GE is seeking buyers for the U.S. portion of its dealer financing and corporate finance businesses, which provide equipment loans, as well as leasing and asset-backed loans for mid-sized businesses. As the market behemoth, GE's exit from this business could help to ease pricing pressure for smaller players, at least temporarily as the company may be less aggressive in pursuing new business during the process.



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- Commercial Credit Group postponed its planned IPO scheduled for the week of May 12. The company had intended to sell 7.3 million shares at \$15-\$17, which would have resulted in Lovell Minnick Equity Partners' ownership position falling to 41% from 75%. Six companies postponed their respective IPOs in May, which represented the highest monthly rate this year; not since October 2014 has the number of postponed IPOs exceeded six. The likely culprit for the postponements was pricing push back by institutions, despite a relatively mild market in May, and could reflect frothier multiples than investors were willing to accept.

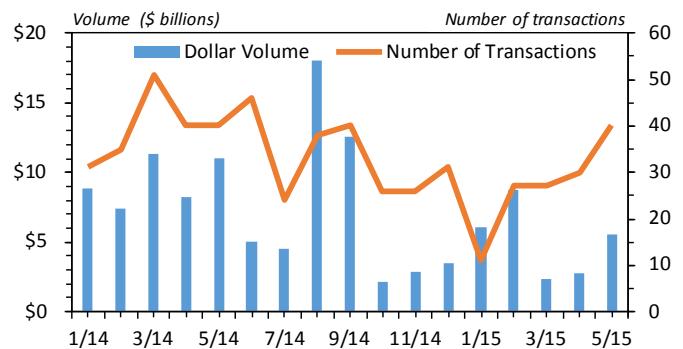
Announced Date	Issuer	Transaction Value* (\$ millions)
05/29/2015	Punto Group, Corp.	NA
05/29/2015	Teladoc, Inc.	100.0
05/27/2015	Seres Therapeutics, Inc.	100.0
05/27/2015	MetaSolutions, Inc.	NA
05/26/2015	PureTech Health PLC	160.0
05/22/2015	Gener8 Maritime Inc.	100.0
05/22/2015	Alarm.Com Holdings, Inc.	75.0
05/22/2015	Crown Capital Partners Inc.	NA
05/22/2015	Alignvest Acquisition Corporation	101.8
05/21/2015	ConforMIS, Inc.	172.5
05/19/2015	Xactly Corporation	75.0
05/19/2015	Mogo Finance Technology Inc.	NA
05/19/2015	Panamera Healthcare Corporation	NA
05/18/2015	AppFolio, Inc.	100.0
05/18/2015	Green Plains Partners LP	200.0
05/18/2015	American Realty Capital New York City REIT II, Inc.	1,099.1
05/14/2015	Landmark Apartment Trust, Inc.	375.0
05/14/2015	LoanCore Realty Trust, Inc.	100.0
05/14/2015	Alpine Auto Brokers, Inc.	NA
05/14/2015	Nurcapital Corporation Ltd.	NA
05/14/2015	AccuShares Spot CBOE VIX Fund (NasdaqGM:VXUP)	400.0
05/14/2015	Aina Le'a Inc.	27.5
05/14/2015	Provident Bancorp, Inc.	42.2
05/13/2015	Nivalis Therapeutics, Inc.	64.3
05/13/2015	Catabasis Pharmaceuticals, Inc.	75.0
05/12/2015	Empire Petroleum Partners, LP	100.0
05/12/2015	Glaukos Corporation	86.3
05/12/2015	Revelstoke Equity Inc.	NA
05/11/2015	MINDBODY, Inc.	107.3
05/11/2015	AirXpanders, Inc.	28.9
05/11/2015	Code Rebel Corp (NasdaqCM:CDRB)	NA
05/07/2015	TerraForm Global, Inc.	700.0
05/07/2015	Fitbit Inc.	477.6
05/07/2015	Easterly Acquisition Corp.	150.0
05/06/2015	Wingstop Inc.	81.2
05/05/2015	Peekay Boutiques, Inc.	50.0
05/05/2015	ECPM Holdings, LLC (NYSE:GI)	95.3
05/04/2015	Evolent Health, Inc. (NYSE:EVH)	195.5
05/01/2015	MCBC Holdings Inc.	100.0
05/01/2015	Todex Corp.	NA

* Transactions under \$10 million excluded

Source: S&P CapitalIQ

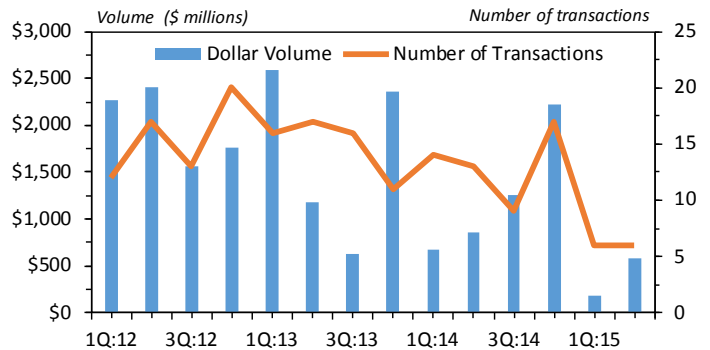
IPO Activity — Total Market

U.S. and Canada



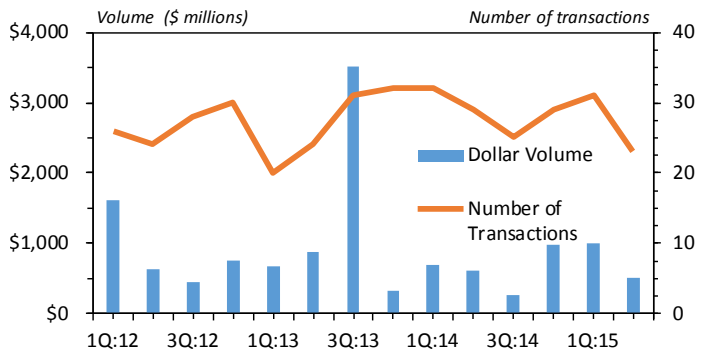
M&A Activity Diversified/Consumer Financial Services Sector

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

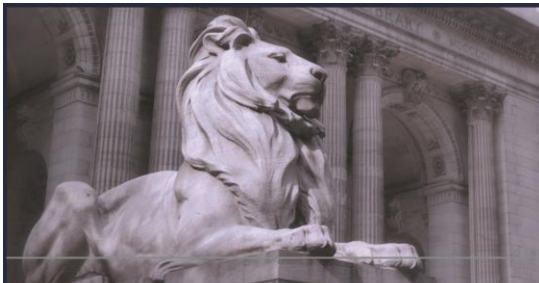


Private Placement Activity Diversified/Consumer Financial Services Sector

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



Source: S&P CapitalIQ



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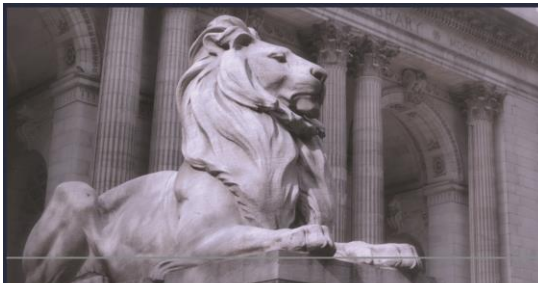
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Consumer Finance Protection Board (CFPB) “Corner”

- The CFPB released a new study on reverse mortgage advertising. A reverse mortgage targets senior citizens and allows them to borrow against the equity in their home without the need to make monthly mortgage payments. The repayments are deferred until the borrower dies, sells or moves out of the home. The reverse mortgage market is about 1% of the size of the traditional mortgage market; currently, approximately 628,000 loans are outstanding. The CFPB found that reverse mortgage advertising oftentimes is misleading and fails to adequately mention potential risks. As a result, it has formally issued a consumer advisory related to such products, which likely will depress growth in this market niche as providers avoid scrutiny by the CFPB.
- RPM Mortgage is required to pay \$18 million in redress to consumers and a \$1 million civil penalty following a complaint filed by the CFPB in federal district court for illegally paying bonuses and higher commissions to loan originators as an incentive to steer consumers into more expensive mortgages. In conjunction with the complaint, RPM Mortgage’s CEO Erwin Robert Hirt was personally fined an additional \$1 million civil penalty.
- A public inquiry has been launched into student loan servicing practices. The CFPB is seeking information on whether consumers are harmed during various servicing practices, including billing error dispute processes, borrower information when a loan is transferred between servicers and whether payments are applied in a way to maximize fees. The student loan market exceeds \$1.2 trillion and comprises more than 40 million borrowers.
- The CFPB is considering a proposal to require payday lenders to underwrite loans, set a minimum and maximum duration of 45 days and six months, cap interest rates at 28% and limit application fees to no more than \$20. Although the CFPB’s proposal would have a deleterious effect on the payday industry and eliminate predatory lenders, small loan finance companies are likely to benefit given their underwriting ability and could realize an increase in loan volume should the proposal be enacted.

FinTech Talk

- China announced that, effective June 1, it will allow foreign credit card companies such as Visa and MasterCard to have access to the country’s bank card-clearing market. China reported \$6.8 trillion in transactions in 2014, while Visa and MasterCard combined processed \$10.1 trillion in payments worldwide in 2014. The process by which Visa and MasterCard will be able to enter the market is likely to be protracted as details are yet to be determined, including the cost to implement such a system and the exact rules and regulations. It also remains to be determined whether or not Visa and MasterCard will be able to issue their own cards or if the companies will be limited to bank card clearing. Regardless, the news positively impacted stock prices given the long term opportunity and growth prospects for the global card processing market.
- NACHA, the National Automated Clearing House Association, will allow for same day ACH (automated clearing house) payments, which will facilitate faster payment speed and greater efficiencies. The rule change will be implemented in three phases; the first phase will facilitate ACH credit transactions such as hourly payroll, person-to-person (P2P) payments and same-day bill pay. The second phase will add same-day ACH debits, allowing for faster consumer bill payment uses such as utility, mortgage and credit card payments. The third phase will introduce faster ACH credit funds availability. The rule change is like to have a significant impact on the payments industry not only because of the faster speed, but also due to the lower cost structure of ACH, thus benefiting financial institutions and credit unions. Many executives within the electronic payments industry believe this rule change by NACHA is the first step in a series towards building a real-time payments network.
- According to the American Bankers Association, about 50% of banks and retailers are expected to meet the October 1, 2015 deadline set by Visa, MasterCard, Discover and American Express for credit cards to be equipped with computer chips and the technology used to authenticate transactions. Chase announced that it plans to convert 70% of its credit and debit cards, and ATMs, to chip technology by the end of 2015.
- MasterCard recently announced the \$600 million acquisition of Applied Predictive Technologies, a cloud-based analytics provider. The acquisition complements MasterCard’s 4Q:14 purchase of 5One, which is a London-based retail and consulting analytics firm.



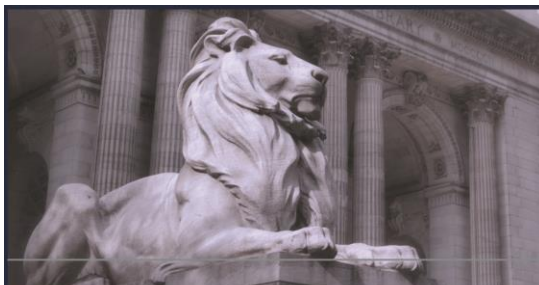
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Specialty Finance Public Company Performance

	Market Data			Valuation				
	Price (6/1/15)	Market Cap	Enterprise Value	EV/LTM Revenue	EV/LTM EBITDA	Mkt Cap/ LTM Rev.	Price/ LTM EPS	Price/ TBV
Auto Finance								
Canadream Corp. (TSXV:CDN)	\$0.52	\$10.1	\$30.8	1.1x	9.6x	0.4x	5.8x	0.8x
Credit Acceptance Corp. (NasdaqGS:CACC)	230.34	4,743.8	6,640.6	9.9x	NA	7.1x	17.4x	6.2x
America's Car-Mart Inc. (NasdaqGS:CRMT)	53.91	459.8	571.3	1.1x	10.6x	0.9x	16.6x	2.0x
Consumer Portfolio Services, Inc. (NasdaqGM:CPSS)	5.84	152.4	1,879.0	12.6x	NA	1.0x	6.0x	1.1x
Mean				6.2x	10.1x	2.3x	11.4x	2.5x
Median				5.5x	10.1x	0.9x	11.3x	1.6x
Commercial Finance								
California First National Bancorp (NasdaqGM:CFNB)	\$13.63	\$142.6	\$117.2	4.9x	NA	5.9x	15.0x	0.8x
LendingClub Corporation (NYSE:LC)	19.08	7,103.8	9,479.8	37.4x	NA	28.0x	NA	8.1x
Marlin Business Services Corp. (NasdaqGS:MRLN)	17.90	230.9	117.8	1.6x	NA	3.2x	12.4x	1.3x
NewStar Financial, Inc. (NasdaqGS:NEWS)	10.28	472.4	2,840.8	51.0x	NA	8.5x	73.4x	0.7x
On Deck Capital, Inc. (NYSE:ONDK)	14.46	1,005.2	1,235.4	11.1x	NA	9.0x	NA	3.3x
Mean				21.2x	NA	10.9x	33.6x	2.8x
Median				11.1x	NA	8.5x	15.0x	1.3x
Consumer Finance								
Atlanticus Holdings Corporation (NasdaqGS:ATLC)	\$2.50	\$34.8	\$185.8	1.6x	NA	0.3x	1.7x	3.4x
Cash America International, Inc. (NYSE:CSH)	26.40	725.4	685.6	0.6x	6.3x	0.7x	NA	1.3x
First Cash Financial Services Inc. (NasdaqGS:FCFS)	45.55	1,284.3	1,423.0	2.0x	9.8x	1.8x	16.6x	7.5x
Green Dot Corporation (NYSE:GDOT)	14.79	765.5	3.0	0.0x	0.0x	1.1x	10.3x	4.0x
Springleaf Holdings, Inc. (NYSE:LEAF)	46.56	6,261.5	11,403.5	7.0x	NA	3.9x	11.8x	2.6x
QC Holdings, Inc. (NasdaqGM:QCCO)	2.12	36.9	23.6	0.2x	2.0x	0.2x	12.5x	0.5x
Regional Management Corp. (NYSE:RM)	17.42	224.2	534.7	2.7x	11.9x	1.1x	17.1x	1.2x
Santander Consumer USA Holdings Inc. (NYSE:SC)	24.54	8,588.7	38,330.5	11.6x	NA	2.6x	9.0x	2.3x
World Acceptance Corp. (NasdaqGS:WRLD)	80.51	767.3	1,230.2	2.0x	6.0x	1.2x	6.8x	2.4x
Mean				3.1x	6.0x	1.4x	10.7x	2.8x
Median				2.0x	6.1x	1.1x	11.1x	2.4x
Debt Recovery Solutions								
Asta Funding Inc. (NasdaqGS:ASFI)	\$8.30	\$107.8	\$108.7	2.7x	NA	2.7x	9.8x	0.6x
Encore Capital Group, Inc. (NasdaqGS:ECPG)	39.49	1,027.8	3,615.0	3.3x	8.1x	0.9x	9.7x	NA
PRA Group, Inc. (NasdaqGS:PRAA)	57.25	2,766.4	4,193.6	4.5x	10.5x	3.0x	14.8x	8.9x
Mean				3.5x	9.3x	2.2x	11.4x	4.8x
Median				3.3x	9.3x	2.7x	9.8x	4.8x
Financial Technology								
DST Systems Inc. (NYSE:DST)	\$118.61	\$4,352.7	\$4,753.5	1.7x	10.9x	1.6x	7.8x	6.7x
Euronet Worldwide, Inc. (NasdaqGS:EEFT)	59.85	3,105.0	3,053.6	1.8x	13.0x	1.8x	34.8x	NA
Fidelity National Information Services, Inc. (NYSE:FIS)	62.62	17,750.5	22,578.8	3.5x	13.9x	2.8x	27.8x	NA
Fiserv, Inc. (NasdaqGS:FISV)	80.56	19,075.7	22,631.7	4.4x	14.6x	3.7x	26.2x	NA
Global Payments Inc. (NYSE:GPN)	104.74	6,960.8	8,526.5	3.1x	14.7x	2.5x	27.3x	NA
Heartland Payment Systems, Inc. (NYSE:HPY)	53.71	1,965.7	2,510.1	1.0x	14.0x	0.8x	56.5x	NA
Total System Services, Inc. (NYSE:TSS)	41.18	7,590.0	8,733.2	3.5x	14.4x	3.0x	25.3x	NA
Vantiv, Inc. (NYSE:VNTV)	40.09	5,851.3	9,217.4	3.4x	15.0x	2.1x	58.1x	NA
Mean				2.8x	13.8x	2.3x	33.0x	6.7x
Median				3.2x	14.2x	2.3x	27.6x	6.7x

Source: S&P CapitalIQ



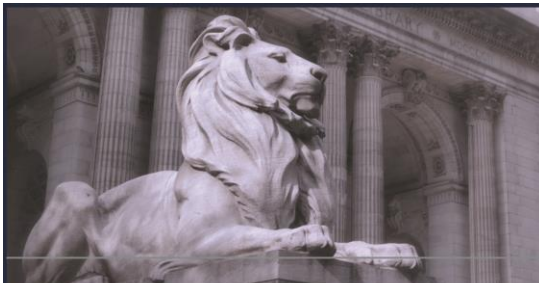
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Specialty Finance Public Company Performance

	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
Auto Finance									
Canadream Corp. (TSXV:CDN)	\$27.3	\$3.2	34.3%	11.8%	6.1%	\$0.09	\$0.64	64.7%	7.2x
Credit Acceptance Corp. (NasdaqGS:CACC)	670.9	NA	NA	NA	42.9%	13.27	37.15	71.9%	NA
America's Car-Mart Inc. (NasdaqGS:CRMT)	530.3	53.7	25.9%	10.1%	5.6%	3.25	26.34	33.2%	2.1x
Consumer Portfolio Services, Inc. (NasdaqGM:CPSS)	149.3	NA	NA	NA	20.9%	0.97	5.32	92.7%	NA
Mean			30.1%	11.0%	18.9%			65.6%	4.7x
Median			30.1%	11.0%	13.5%			68.3%	4.7x
Commercial Finance									
California First National Bancorp (NasdaqGM:CFNB)	\$24.0	NA	NA	NA	39.7%	\$0.91	\$17.91	NA	NA
LendingClub Corporation (NYSE:LC)	253.6	NA	82.8%	NA	NA	(0.22)	2.35	76.8%	NA
Marlin Business Services Corp. (NasdaqGS:MRLN)	73.3	NA	NA	NA	25.6%	1.44	14.04	NA	NA
NewStar Financial, Inc. (NasdaqGS:NEWS)	55.7	NA	99.7%	NA	12.5%	0.14	14.26	78.5%	NA
On Deck Capital, Inc. (NYSE:ONDK)	111.7	NA	75.9%	NA	NA	(0.30)	4.42	56.5%	NA
Mean			86.1%	NA	25.9%			70.6%	NA
Median			82.8%	NA	25.6%			76.8%	NA
Consumer Finance									
Atlanticus Holdings Corporation (NasdaqGS:ATLC)	\$119.6	NA	62.3%	NA	17.0%	\$1.45	\$0.74	94.7%	NA
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	NA	95.5%	NA	28.0%	3.93	17.61	83.9%	NA
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	NA	66.5%	NA	29.6%	2.73	10.64	88.6%	NA
World Acceptance Corp. (NasdaqGS:WRLD)	629.5	206.6	81.1%	32.8%	17.6%	11.90	33.68	61.4%	2.4x
Mean			66.5%	18.7%	14.2%			51.2%	2.4x
Median			66.5%	19.4%	11.0%			61.4%	1.7x
Debt Recovery Solutions									
Asta Funding Inc. (NasdaqGS:ASFI)	\$39.7	(6.8)	NA	NA	28.5%	\$0.85	\$13.73	13.2%	NA
Encore Capital Group, Inc. (NasdaqGS:ECPG)	1,104.7	444.2	NA	40.2%	10.0%	4.09	(9.66)	80.2%	6.1x
PRA Group, Inc. (NasdaqGS:PRAA)	932.3	401.0	NA	43.0%	20.8%	3.87	6.43	64.4%	3.7x
Mean			NA	41.6%	19.7%			52.6%	4.9x
Median			NA	41.6%	20.8%			64.4%	4.9x
Financial Technology									
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
Mean			37.3%	20.0%	10.2%			52.6%	2.9x
Median			37.0%	21.8%	9.8%			49.9%	2.9x

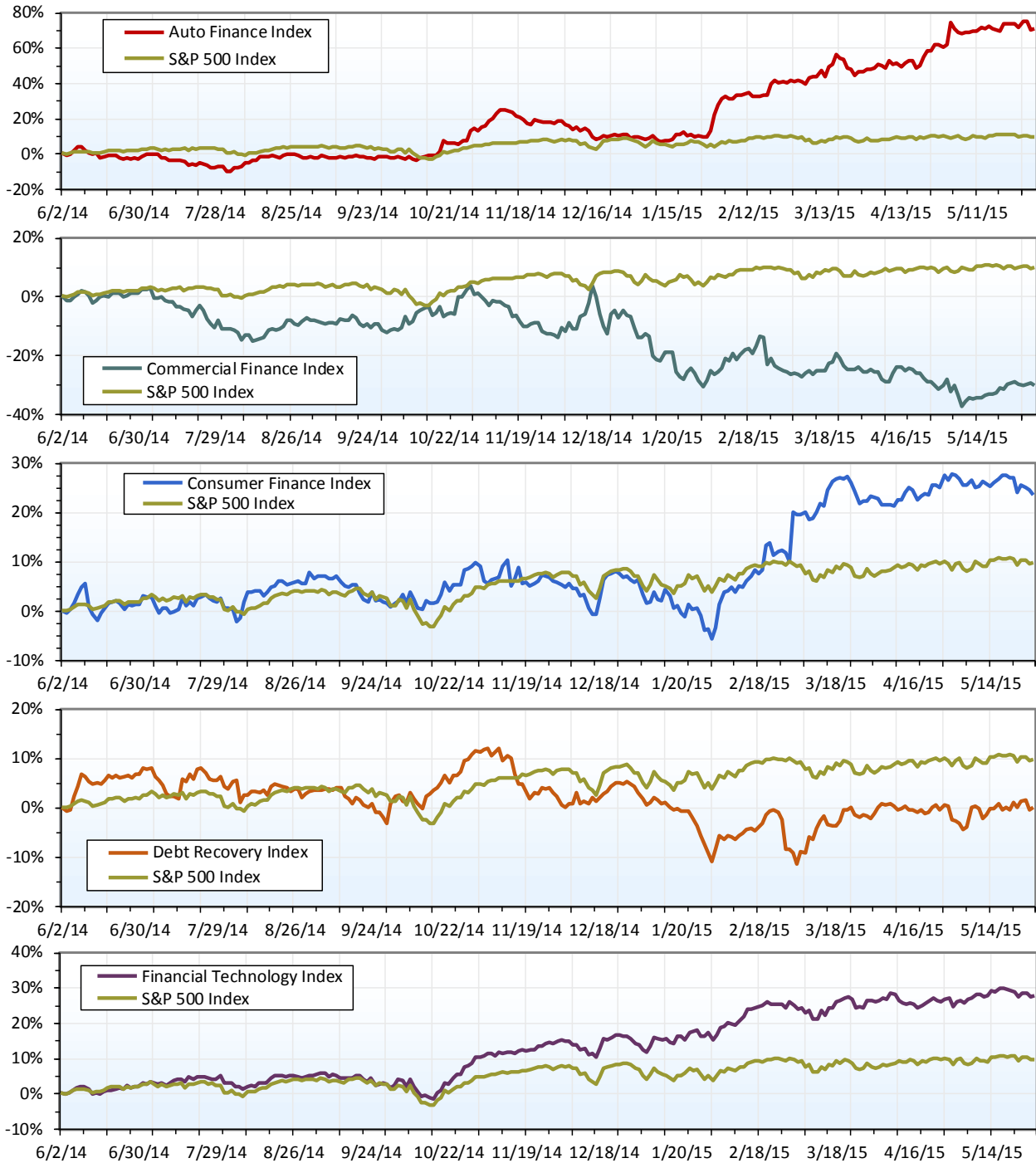
Source: S&P CapitalIQ



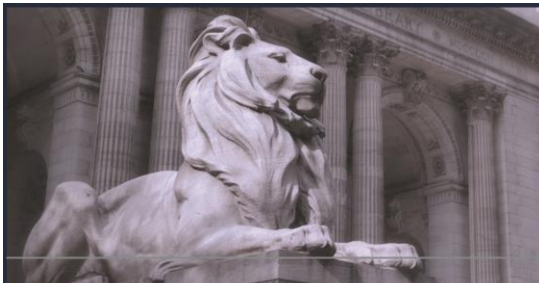
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Specialty Finance Public Company Stock Price Performance



Source: S&P CapitalIQ



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Prior to joining Scura Paley as an investment banker, Ms. Scutti was a sell-side equity research analyst and fully-licensed research director. In 2000, Ms. Scutti was ranked the #1 stock picker in Financial Services by the Wall Street Journal and among the top-25 stock pickers on Wall Street by Bloomberg.

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