



HOULIHAN LOKEY

SPECIALTY FINANCE

MARKET UPDATE | FALL 2020



Houlihan Lokey Specialty Finance Market Update

Dear Clients and Friends,

We are pleased to present our Specialty Finance Market Update for the fall of 2020.

We hope that you and your families remain safe and healthy and that your fall/Q4 is off to a great start. We wrapped up a relatively busy summer and remain encouraged by the “regular-way” new activity that picked up post-Labor Day. As always, please reach out if you’d like to connect or brainstorm any current needs or relevant topics with us.

As in prior newsletters, we have included select recent transaction announcements, a public markets overview, and industry insights to help you stay ahead in our dynamic and constantly evolving industry. We hope you find this quarterly update to be informative and that it serves as a valuable resource to you in staying abreast of the market. We look forward to staying in touch with you.

Regards,



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Specialty Finance Subverticals Covered

ALTERNATIVE FINANCIAL SERVICES	ASSET-BASED LENDING	AUTO LOANS/BHPH
CREDIT CARDS	DEBT BUYING/COLLECTION	EQUIPMENT LEASING
FACTORING	FLEET LEASING	HEALTHCARE FINANCE
INSTALLMENT LOANS	LITIGATION FINANCE	PAYDAY LENDING/PAWN
PREMIUM FINANCE	POINT-OF-SALE FINANCE	
SMALL BUSINESS LOANS	STUDENT LENDING	TRANSPORTATION FINANCE



Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

No. 1 Advisor to Specialty Finance Companies

2015–2019 M&A Advisory Rankings All U.S. Specialty Finance Transactions

Advisor	Deals
1 Houlihan Lokey, Inc.	48
2 J.P. Morgan Securities LLC	29
3 Barclays Capital Inc.	23
4 Credit Suisse (USA), Inc.	22
5 Stifel/Keefe, Bruyette & Woods	19
6 Bank of America Securities	16
6 Citigroup Inc.	16
8 Piper Sandler & Co.	15
9 Morgan Stanley	14
9 Wells Fargo Securities, LLC	14

Source: S&P Global Market Intelligence

2010–2019 M&A Advisory Rankings All U.S. Specialty Finance Transactions

Advisor	Deals
1 Houlihan Lokey, Inc.	90
2 J.P. Morgan Securities LLC	43
3 Stifel/Keefe, Bruyette & Woods	39
4 Piper Sandler & Co.	36
5 Barclays Capital Inc.	35
6 Credit Suisse (USA), Inc.	29
7 Bank of America Securities	28
8 Morgan Stanley	24
9 Citigroup Inc.	23
10 Deutsche Bank Securities Inc.	20

Source: S&P Global Market Intelligence

Exceptional Qualifications in Specialty Finance (Select Transactions)

2020 YTD

Project Wave
a subsidiary of
Litigation finance and structured settlement business
Sellside Advisor

19th CAPITAL
a subsidiary of
element
has completed the sale of certain assets to
Hilco Global.
Sellside Advisor

Merchants
AUTOMOTIVE GROUP
Series A Senior Secured Notes
Growth Capital
\$50,000,000
Exclusive Financial Advisor & Placement Agent

tricolor
Growth Equity
\$40,000,000 Preferred Equity
Exclusive Placement Agent

2019

NORD/LB
has sold a €2.6bn sub- and non-performing shipping loan portfolio to
cerberus
Exclusive Financial Advisor

FLEX FLEET
has been acquired by
WATERFALL
Asset Management
Sellside Advisor

2018

ORIX
has acquired
NXT CAPITAL
Buy-side Advisor

PRC
More Than Leasing. Leading.
has sold a 49% stake to
FUYO LEASE
FUYO GENERAL LEASE CO., LTD.
Sellside Advisor

INTERSTATE CREDIT
has been acquired by
TRIUMPH
Sellside Advisor

mortgage lenders of america
has been acquired by
Zillow GROUP
Sellside Advisor

Nationstar
has merged with
WMIH Corp.
Sellside Advisor

Shellpoint Partners
has been acquired by
NEW RESIDENTIAL
Residential Care
Sellside Advisor

2016 / 2017

KEY HEALTH
has merged with
Oasis Financial
Sellside Advisor

ORIX
has acquired
LANCASTER POLLARD
Buy-side Advisor

capital spring
SBA LENDING
a subsidiary of
capital spring
has been acquired by
GULF COAST BANK & Trust Company
Sellside Advisor



PACIFIC UNION BANK
Certain equipment finance assets and operations of
have been acquired by
BOFT
Sellside Advisor

CREEKRIDGE CAPITAL
VENUE FINANCIAL
has been acquired by
HITACHI
Inspire the Next
Hitachi Capital America Corp.
Sellside Advisor



CBC
has been acquired by affiliates of
WHITE OAK
GLOBAL ADVISORS
Sellside Advisor

New Market Developments—Case Studies

CIT Group/First Citizens BancShares

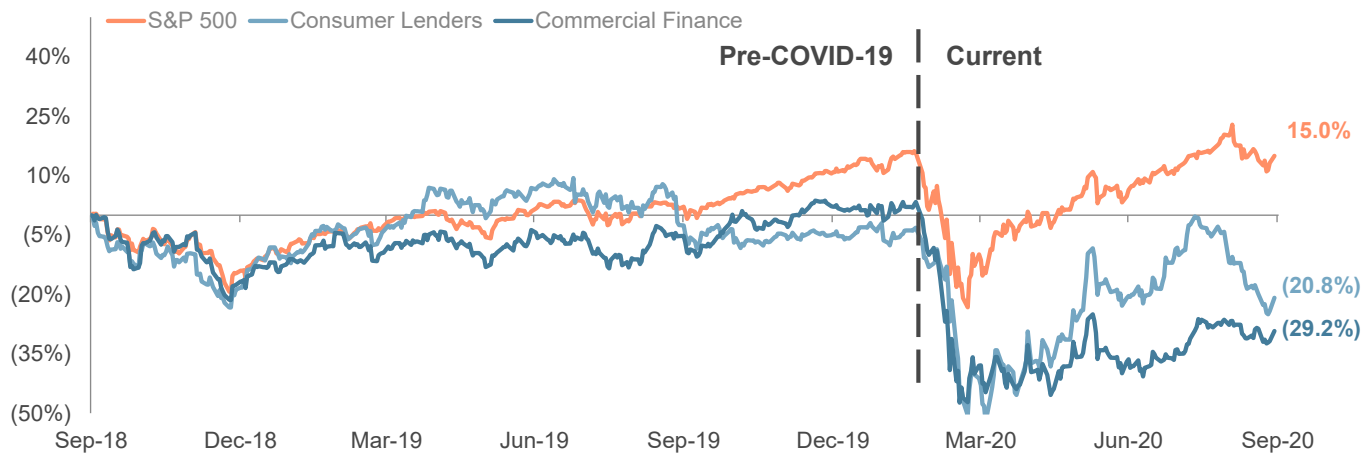
Target / Acquiror	Announcement Date	Other Commentary
 <p>(NYSE:CIT)</p>	<p>October 16, 2020</p> <p>Valuation Multiples</p> <ul style="list-style-type: none"> ~\$2.2 billion ~11% premium to stock price (one day prior) ~0.4x P/BV 	<ul style="list-style-type: none"> All stock deal ~60%/40% pro forma ownership for FCNC / CIT shareholders Combined company will operate as First Citizens Ellen Alemany to assume role of Vice Chairman 50%+ EPS accretion once cost savings are phased in Expected to close in 2021
 <p>First Citizens BancShares</p> <p>(NYSE:FCNC.A)</p>		

OnDeck Capital/Enova International

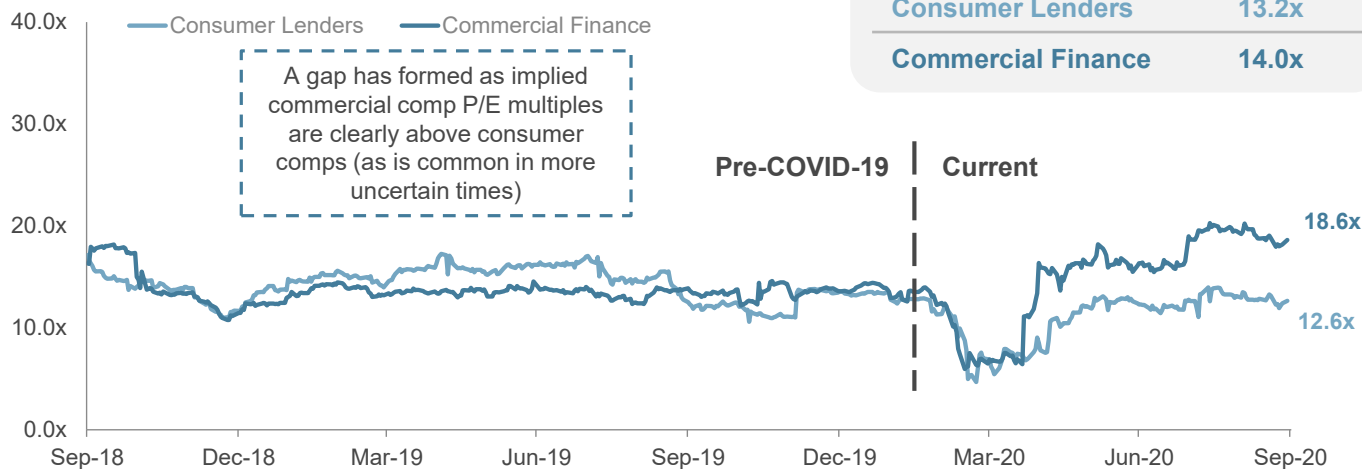
Target / Acquiror	Announcement Date	Other Commentary
 <p>(NYSE:ONDK)</p>	<p>July 28, 2020 (Closed October 13, 2020)</p> <p>Valuation Multiples</p> <ul style="list-style-type: none"> ~\$90 million (announced)/ ~\$117 million (final) ~0.5x P/BV 	<ul style="list-style-type: none"> ~90% stock ~10% cash consideration OnDeck shareholders own ~17% pro forma Noah Breslow to become Vice Chairman Accretive first-year post-closing and >40% accretion with synergies (2022E)
 <p>enova</p> <p>(NYSE:ENVA)</p>		

Public Company Valuation

Performance vs. S&P 500 (Sept. 2018–Sept. 2020)

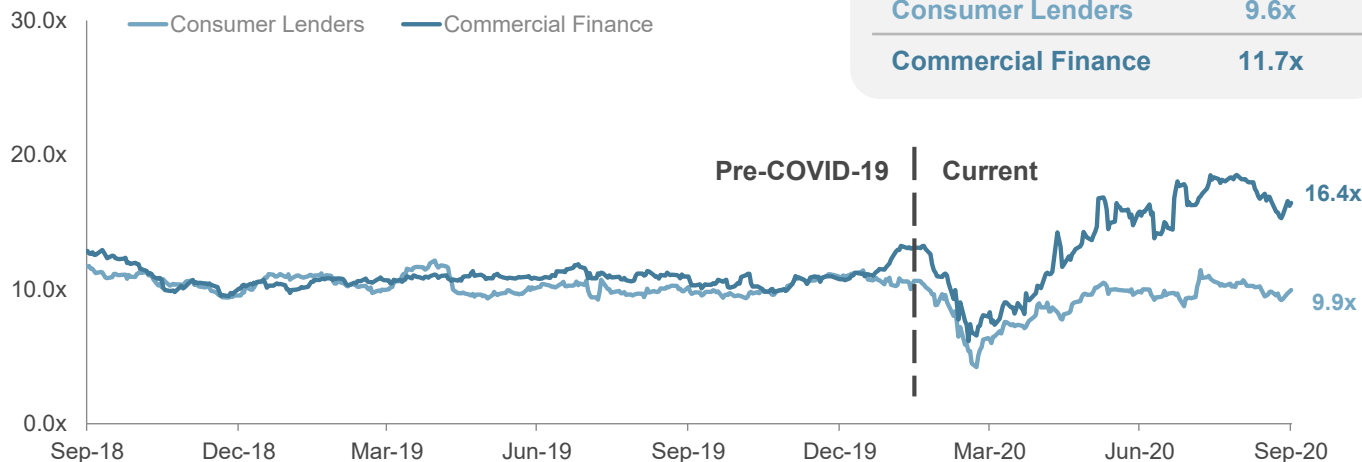


Median Trailing (LTM) P/E (Sept. 2018–Sept. 2020)



	2-Year Avg.
Consumer Lenders	13.2x
Commercial Finance	14.0x

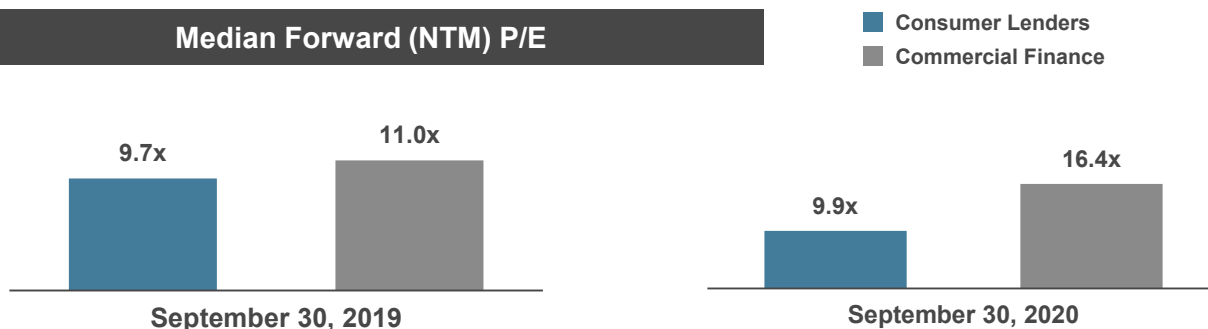
Median Forward (NTM) P/E (Sept. 2018–Sept. 2020)



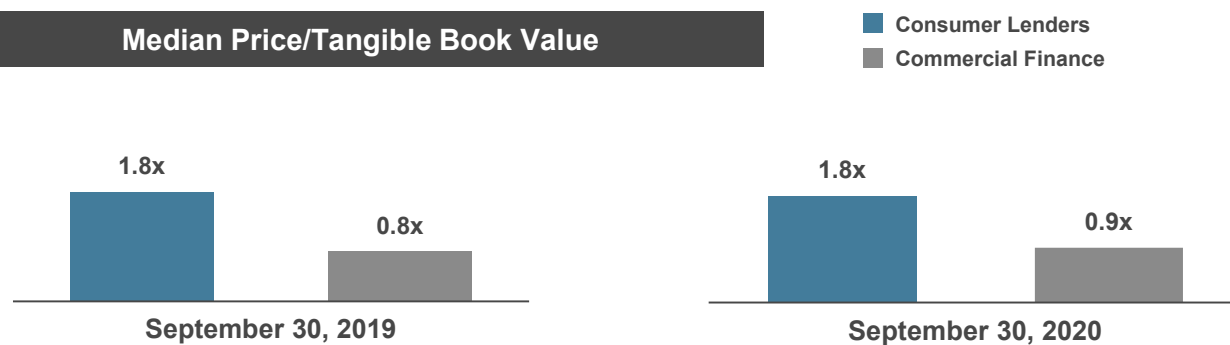
	2-Year Avg.
Consumer Lenders	9.6x
Commercial Finance	11.7x

Public Company Valuation (cont.)

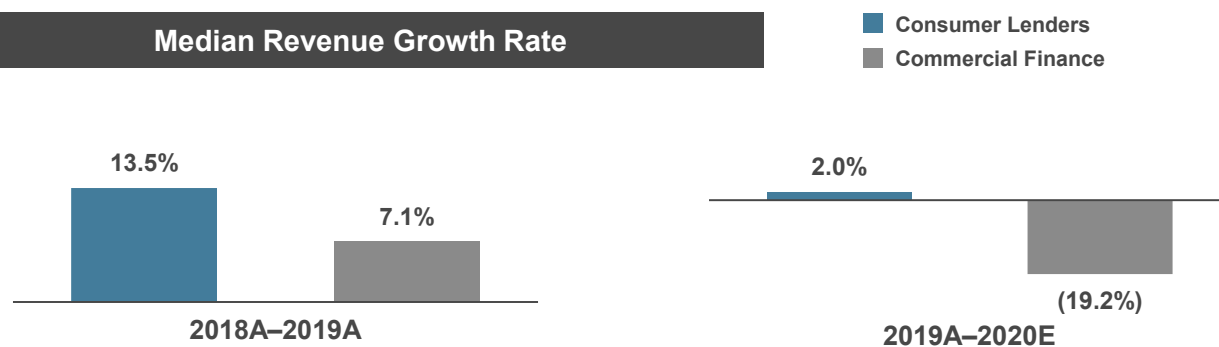
Median Forward (NTM) P/E



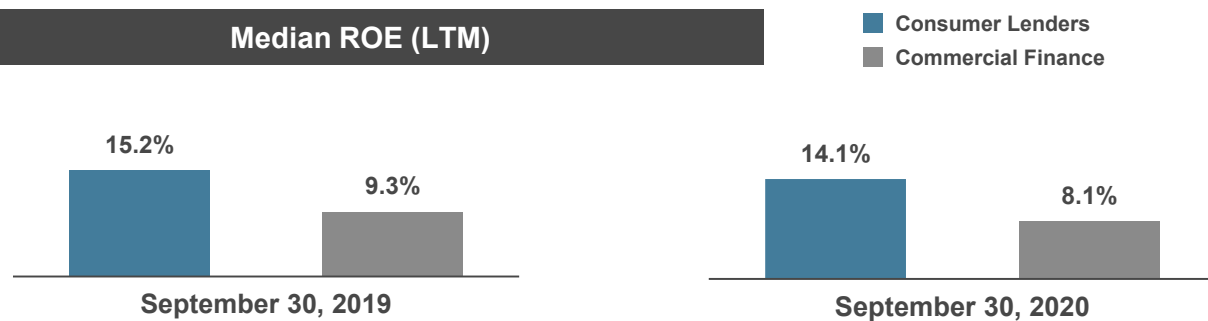
Median Price/Tangible Book Value



Median Revenue Growth Rate



Median ROE (LTM)



Public Company Valuation (cont.)

(\$ in millions)								Operating Metrics				
Company	Industry Focus	Market Cap	% of 52 Week High	P/EPS		Price		LTM		2019A–2020E		
				2020E	2021E	BV	TBV	ROA	ROE	Pre-Tax Margin	Revenue Growth	Pre-Tax Growth
Consumer Lenders												
Credit Acceptance Corporation	Auto Financing	\$6,031.8	62.8%	12.0x	11.7x	2.9x	2.9x	4.8%	15.9%	54.9%	32.9%	(65.4%)
OneMain Holdings, Inc.	Installment	4,197.6	63.9	8.4	5.8	1.3	2.9	2.9	17.2	33.2	42.0	(44.1)
FirstCash, Inc.	Pawn	2,370.8	59.3	19.4	16.6	1.9	NM	6.6	11.5	11.1	(10.9)	(29.8)
Nelnet, Inc.	Student Loan Servicing	2,309.0	90.2	14.9	10.0	1.0	1.1	0.5	5.2	14.2	11.4	NM
PRA Group, Inc.	NPLs	1,820.9	84.4	13.0	12.5	1.6	2.5	4.6	12.1	16.4	1.8	62.7
Navient Corporation	Student Loan Servicing	1,638.7	54.5	2.8	2.9	0.8	1.2	0.4	12.3	30.8	(31.7)	(3.7)
Encore Capital Group, Inc.	NPLs	1,209.4	78.7	4.6	4.1	1.2	7.7	6.5	20.9	18.2	2.1	NM
ECN Capital Corp.	Diversified Consumer	921.5	61.4	12.4	8.1	1.3	NM	1.8	3.7	16.9	NM	15.6
GreenSky, Inc.	HIP	787.5 ⁽¹⁾	45.1	15.9	10.4	NM	NM	6.9	NM	9.3	1.4	(38.5)
goeasy Ltd.	POS/Installment	735.6	60.9	9.6	9.1	1.9	2.2	6.6	24.1	26.4	NM	(4.9)
World Acceptance Corporation	Installment	712.4	78.8	21.4	17.6	1.8	2.0	4.6	7.5	7.8	8.4	(33.7)
America's Car-Mart, Inc.	BHPH	580.8	65.4	11.8	9.3	1.7	1.8	7.8	18.5	9.2	10.3	9.8
Enova International, Inc.	Online Lender	493.5	55.9	5.2	4.3	1.0	2.4	7.6	25.4	18.5	(4.3)	NM
LendingClub Corporation	Online Lender	426.3	30.8	NM	NM	0.6	0.6	1.8	NM	(17.0)	NM	NM
Oportun Financial Corporation	Online Lender	322.2	45.6	NM	7.1	0.7	0.8	NM	NM	(3.5)	6.7	NM
CURO Group Holdings Corp.	Online/Payday	288.2	41.5	4.0	3.6	3.1	NM	12.3	NM	13.1	(23.2)	NM
EZCORP, Inc.	Pawn	277.0	71.8	20.1	7.6	0.4	0.8	1.9	NM	(4.7)	2.4	NM
Regional Management Corp.	Installment	188.9	47.7	13.8	6.4	0.7	0.7	7.2	10.7	10.7	1.9	(64.6)
Elevate Credit, Inc.	Online Lender	104.8	43.0	3.4	4.7	0.7	0.7	10.4	24.9	7.1	(33.1)	(41.0)
Median			60.9%	12.0x	7.8x	1.2x	1.8x	5.7%	14.1%	13.1%	2.0%	(31.8%)
Mean			60.1%	11.3x	8.4x	1.4x	2.0x	5.3%	15.0%	14.3%	1.1%	(19.8%)
Commercial Finance												
Element Fleet Management Corp.	Fleet Mgmt.	\$3,647.1	61.7%	13.5x	11.3x	1.1x	3.4x	0.5%	2.3%	4.8%	(36.2%)	(8.2%)
GATX Corporation	Rail	2,228.9	74.1	16.3	16.8	1.2	1.2	2.2	10.5	17.1	(14.7)	(48.0)
CIT Group Inc. ⁽²⁾	Diversified	1,743.5	36.2	NM	7.9	0.3	0.3	NM	NM	(36.8)	(19.2)	NM
McGrath RentCorp	Heavy Equipment	1,435.1	71.0	15.9	14.5	2.2	2.4	7.1	16.4	23.2	(1.7)	(0.9)
CAI International, Inc.	Container/Rail	476.3	93.1	8.2	6.2	0.8	0.8	2.7	5.7	9.7	(19.4)	NM
General Finance Corporation	Modular Rentals	191.0	56.3	15.8	21.8	1.4	9.9	5.1	NM	4.1	(7.3)	20.6
On Deck Capital, Inc. ⁽²⁾	Online Lender	94.3	34.0	NM	NM	0.4	0.4	NM	NM	(26.0)	10.3	NM
Marlin Business Services Corp.	Equipment Finance	83.1	28.6	NM	5.3	0.5	0.5	NM	NM	(6.8)	(21.3)	NM
Chesswood Group Limited	Equipment Finance	80.0	40.6	NM	NM	0.6	0.9	NM	NM	(27.4)	(44.6)	NM
Median			56.3%	15.8x	11.3x	0.8x	0.9x	2.7%	8.1%	4.1%	(19.2%)	(4.6%)
Mean			55.1%	14.0x	12.0x	1.0x	2.2x	3.5%	8.7%	(4.2%)	(17.1%)	(9.1%)
Total Median			60.1%	12.7x	8.1x	1.1x	1.2x	4.8%	12.2%	10.2%	(1.7%)	(19.0%)
Total Mean			58.5%	11.9x	9.4x	1.2x	2.1x	4.9%	13.6%	8.4%	(5.4%)	(17.1%)

Source: S&P Capital IQ data as of September 30, 2020.






(1) Implied Market Capitalization.

(2) Target in an announced or completed acquisition/merger.

Recent Transactions

Consumer Finance: 2018–2020 YTD Select Transactions

(\$ in millions)

Ann. Date ⁽¹⁾	Target	Target Description	Acquirer	Deal Value	Price		
					LTM Earnings	BV	TBV
Oct-20*	FIFS Holdings Corp.	Automobile finance receivables and promissory notes	Gallatin Point Capital LLC	NA	NA	NA	NA
May-20*	Asta Funding, Inc.	NPL consumer debt consolidator	RBF Capital LLC	\$81	11.7x	0.9x	0.9x
Apr-20	Tidewater Credit	Financing services for furniture/home improvement retailers	Genesis FS Card Services, Inc.	NA	NA	NA	NA
Feb-20	North State Acceptance, LLC	Sub-prime automobile finance company	Fourshore Capital, LLC	NA	NA	NA	NA
Feb-20*	Fairstone Financial Inc.	Non-prime credit card and consumer finance lender	Duo Bank	\$417	NA	NA	NA
Nov-19*	Asta Funding, Inc.	Consumer receivables services	Management Group ⁽²⁾	\$49	8.0x	0.8x	0.8x
Jul-19	Health Credit Services, LLC	Digital point-of-sale payment solution for healthcare space	Ally Financial Inc.	\$190	NA	NA	NA
 Jul-19	Merchants Preferred	Lease purchase services for furniture	Rent-A-Center, Inc.	\$48	NA	NA	NA
Jul-19	TFG Card Solutions, Inc.	Payroll card provider	Comdata, Inc.	\$74	NA	NA	NA
Jun-19	Lendmark Financial Services, LLC	Loan products and financing services	Lightyear Capital	NA	NA	NA	NA
Jun-19	Base Capital, LLC	Income share agreements (ISAs) for college students	Stride Funding	NA	NA	NA	NA
Jun-19	Skills Fund, LLC	Student financing platform for higher education	Goal Structured Solutions, Inc.	NA	NA	NA	NA
May-19	CreditGenie Inc.	Point-of-sale (POS) financing solutions	Purpose Financial LP	NA	NA	NA	NA
Apr-19	Athena Art Finance Corporation	Loan provider for global art market	YieldStreet Management, LLC	\$170	NA	NA	NA
Mar-19	Budco Financial Services LLC	Payment plan solution for automotive and healthcare firms	Scale Community Inc.	\$11	NA	NA	NA
Mar-19	City Finance Corporation	Personal loan service provider	Cambria Thrift Consumer Discount Company	NA	NA	NA	NA
Dec-18	Caribbean Financial Group Inc.	Installment loan services	BayBoston Managers LLC	NA	NA	NA	NA
Nov-18	Spruce Finance Inc.	Consumer financing for energy efficient home products	HPS Investment Partners, LLC	NA	NA	NA	NA
Sep-18	RightWay Funding LLC	Structured settlements	Undisclosed Buyer	NA	NA	NA	NA
 Aug-18	LenderLive Network, LLC	Mortgage services provider	Computershare Loan Services	\$32	NA	1.5x	NA
 Aug-18	Mortgage Lenders of America LLC	Mortgage brokers and services	Zillow Group Inc.	\$67	NA	5.2x	6.5x
Jun-18	Regency Finance Company	Loan products and financing services	Mariner Finance, LLC	\$142	NA	NA	NA
 Mar-18	Luxury Mortgage Corp.	Mortgage brokers and services	Undisclosed buyer	NA	NA	NA	NA
Feb-18	PHH Corporation	Residential mortgage bank	Ocwen Financial Corporation	\$361	NM	0.7x	0.6x
 Feb-18	Nationstar Mortgage Holdings Inc.	Mortgage brokers and services	WMIH Corp.	\$1,928	NM	1.1x	1.2x
Mean					6.6x	1.4x	1.7x
Median					8.0x	0.9x	0.9x

Sources: SNL, S&P Capital IQ, and public filings.

Note: Screening criteria includes select FY18, FY19, and FY20 YTD specialty finance (consumer-focused) transactions over \$10 million in deal value located in the United States.





(1) Deals that include an asterisk (*) denote pending transactions.

(2) Take-private acquisition by chairman and CEO of Asta Funding, released on October 30, 2019.

Recent Transactions (cont.)

Commercial Finance: 2018–2020 YTD Select Transactions

(\$ in millions)

Ann. Date ⁽¹⁾	Target	Target Description	Acquirer	Deal Value	Price	
					BV	TBV
Oct-20	CIT Group Inc.	Commercial and consumer banking services	First Citizens Bancshares, Inc.	\$2,158.3	0.4x	0.4x
Jul-20	OnDeck Capital, Inc.	Online lending to small businesses	Enova International, Inc.	\$117.0	0.5x	N/A
Jul-20	Prosperity Funding, Inc.	Funding services to staffing firms	eCapital Corp.	NA	N/A	N/A
Jul-20	Sky Bridge Business Funding, LLC	Short-term capital advance solutions for small businesses	Revenued	NA	N/A	N/A
Jul-20	Vero Business Capital LLC	Freight factoring services for trucking company owners	Love's Financial	NA	N/A	N/A
Jun-20	Belser Advisory Group	Commercial real estate debt financing solutions	Walker & Dunlop, Inc. (NYSE:WD)	NA	N/A	N/A
 May-20	19th Capital	Credit and financing solution for fleet management firms	Hilco Global	NA	N/A	N/A
Mar-20	Snap Premium Finance	Financing for commercial and personal lines insurance policies	IPFS Corporation	NA	N/A	N/A
Feb-20	Bibby Financial Services (Holdings), Inc.	Asset-based lending and factoring solutions	Global Merchant Fund Corp.	NA	N/A	N/A
Feb-20	Ascentium Capital LLC	Online lending company that offers secured loans on luxury assets	Regions Financial Corporation	NA	N/A	N/A
Feb-20	LH-Finance, division of People's United Bank NA	Marine specialty lending	Centennial Bank	NA	N/A	N/A
Dec-19	MBMJ Capital LLC	Accounts receivable and invoice factoring solutions	Republic Business Credit, LLC	NA	N/A	N/A
Oct-19	CoreVest American Finance Lender, LLC	Business-purpose lending originator	Redwood Trust, Inc.	\$492.3	1.0x	1.4x
Jul-19	Advocate Capital, Inc.	Commercial LOCs and accounting services to trial lawyers	Pinnacle Bank	\$59.0	N/A	N/A
Jun-19	BlueTarp Financial, Inc.	Commercial trade credit services	Capital One Financial Corporation	NA	N/A	N/A
Feb-19	Pavestone Capital, LLC	Factoring solutions to transportation industry	WEX Inc.	\$28.1	1.8x	NA
 Feb-19	Flex Fleet Rental	Truck rental and leasing	Waterfall Asset Mgmt./TRP Capital Partners	NA	N/A	N/A
Feb-19	Medley SBIC LP	Small business investment company	Origami Capital Partners, LLC	\$45.0	N/A	N/A
 Jan-19	Pacific Rim Capital, Inc.	Financial leasing services to material handling equipment	Fuyo General Lease Co., Ltd.	NA	N/A	N/A
Jan-19	Eastern Funding, LLC	Leasing and financing solutions to dry cleaning industry	Brookline Bank	\$35.9	N/A	N/A
Jan-19	VAR Technology Finance	Technology leasing and financing solutions	LEAF Commercial Capital, Inc.	\$60.0	2.7x	NA
Oct-18	Engs Commercial Finance Co.	Equipment finance, working capital finance, and insurance solutions	Mitsubishi UFJ Lease & Finance Company Ltd.	\$231.2	2.1x	NA
Sep-18	Fleet Financing Resources, LLC	Leasing and financing solutions to transportation equipment	Marlin Business Services Corp.	\$15.5	1.7x	NA
 Aug-18	Ciena Capital, LLC	Factoring and commercial real estate financing solutions	Capital Crossing Servicing Company LLC	NA	NA	NA
Aug-18	Medley Capital Corporation	Invests in privately negotiated debt and equity securities	Sierra Income Corporation	\$318.8	0.9x	0.9x
Mean					1.7x	1.1x
Median					1.8x	1.1x

Sources: SNL, S&P Capital IQ, and public filings.

Note: Screening criteria includes select FY18, FY19, and FY20 YTD specialty finance (commercial-focused) transactions over \$10 million in deal value located in the United States.

(1) Deals that include an asterisk (*) denote pending transactions.

About Houlihan Lokey

Houlihan Lokey (NYSE:HLI) is a global investment bank with expertise in [mergers and acquisitions](#), [capital markets](#), [financial restructuring](#), and [valuation](#). The firm serves corporations, institutions, and governments worldwide with offices in the United States, Europe, the Middle East, and the Asia Pacific region. Independent advice and intellectual rigor are hallmarks of the firm’s commitment to client success across its advisory services. Houlihan Lokey is the No. 1 M&A advisor for the past five consecutive years in the U.S., the No. 1 global restructuring advisor for the past six consecutive years, and the No. 1 global M&A fairness opinion advisor over the past 20 years, all based on number of transactions and according to data provided by Refinitiv (formerly Thomson Reuters).

Locations

North America

Atlanta

Boston

Chicago

Dallas

Houston

Los Angeles

Miami

Minneapolis

New York

San Francisco

Washington, D.C.

Europe and Middle East

Amsterdam

Dubai

Frankfurt

London

Madrid

Milan

Paris

Asia-Pacific

Beijing

Hong Kong

Singapore

Sydney

Tokyo

HLI

LISTED

NYSE

Industry Expertise

Product Expertise	Dedicated Industry Groups	Financial Sponsors
Mergers and Acquisitions	Business Services	Active Dialogue
Capital Markets	Consumer, Food, and Retail	With a Diverse Group of 1,000+ Sponsors
Financial Restructuring	Data and Analytics	Private Equity Firms
Financial and Valuation Advisory	Energy	Hedge Funds
	Financial Institutions	Capital Alliances
	Healthcare	
	Industrials	
	Real Estate, Lodging, and Leisure	
	Technology, Media, and Telecom	

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