



Houlihan
Lokey

Specialty Finance Market Update

Q4 2024

About Our Firm

Houlihan Lokey, Inc. (NYSE:HLI) is a leading global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and financial and valuation advisory.

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

CORPORATE FINANCE

2024 M&A Advisory Rankings
All Global Transactions

	Advisor	Deals
1	Houlihan Lokey	415
2	Rothschild & Co	406
3	Goldman Sachs & Co	371
4	JP Morgan	342
5	Morgan Stanley	309

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers.

No. 1
Global M&A Advisor

Leading
Capital Markets Advisor

FINANCIAL RESTRUCTURING

2024 Global Distressed Debt &
Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	88
2	PJT Partners Inc	59
3	Rothschild & Co	48
4	Lazard	44
5	Perella Weinberg Partners LP	40

Source: LSEG (formerly Refinitiv).

No. 1
Global Restructuring Advisor

1,800+
Transactions Completed Valued at
More Than \$3.8 Trillion Collectively

FINANCIAL AND VALUATION ADVISORY

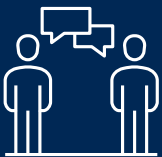
2000–2024 Global M&A
Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	1,243
2	Duff & Phelps, A Kroll Business	1,045
3	JP Morgan	1,020
4	UBS	792
5	Morgan Stanley	698

Source: LSEG (formerly Refinitiv).
Announced or completed transactions.

No. 1
Global M&A Fairness Opinion
Advisor Over the Past 25 Years

2,000+
Annual Valuation Engagements



Learn more about how
our advisors can serve
your needs:

Corporate Finance →

Financial Restructuring →

Financial and
Valuation Advisory →

Our Industry Coverage →



Our clients benefit from our local presence and global reach.

36	~2,000	337	2,000+	\$12.16B	\$2.2B
Locations Worldwide	Total Financial Professionals	Managing Directors ⁽¹⁾	Clients Served Annually	Market Cap ⁽²⁾	Annual Revenue ⁽³⁾
AMERICAS		EUROPE AND MIDDLE EAST		ASIA-PACIFIC	
Atlanta	Los Angeles	Amsterdam	Milan	Beijing	Shanghai
Baltimore	Miami	Antwerp	Munich	Fukuoka	Singapore
Boston	Minneapolis	Dubai	Paris	Gurugram	Sydney
Charlotte	New York	Frankfurt	Stockholm	Hong Kong SAR	Tokyo
Chicago	San Francisco	London	Tel Aviv	Mumbai	
Dallas	São Paulo	Madrid	Zurich		
Houston	Washington, D.C.	Manchester			

(1) As of December 31, 2024.
 (2) As of February 28, 2025.
 (3) LTM ended December 31, 2024.

Fully Integrated Financial Sponsor Coverage

29

Senior officers dedicated to the sponsor community in the Americas and Europe.

1,300+

Sponsors covered, providing market insights and knowledge of buyer behavior.

800+

Companies sold to financial sponsors over the past five years.



Financial Services | Thursday, May 15

Participating Company Benefits

VIP networking reception on the night of Wednesday, May 14.

In-person panel participation allows you to showcase the expertise of your team and your company to a truly international audience.

Participation in **highly curated one-on-one meetings** tailored to the needs of your business, to be held with industry leaders and capital providers on Thursday, May 15.

Access to high-profile investors in the financial technology space from across the globe.

Tailored follow-up and analysis with meeting attendees after the conference.

The Commitment From You

- Available to attend the conference events on the evening of Wednesday, May 14, and all day on Thursday, May 15.
- Bio, headshot, and company logo and description for promotional materials.
- Up to five slides in 16:9 format introducing your business, to last no more than five minutes.
- One-hour-long panel, with associated preparation calls.
- Working with the Houlihan Lokey team to prepare meeting materials.

Featured Sectors

- Asset and Wealth Management
- Banking and Depositories
- Broker-Dealers and Capital Markets
- Insurance
- Mortgage and Related Services
- Specialty Finance and Challenger Banks



Interested in presenting your
company at the upcoming event?

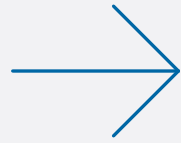
Contact a senior member of the Houlihan Lokey
Financial Services team.

Specialty Finance



All Upcoming Houlihan Lokey
Events and Conferences

Previous and Upcoming Events in 2025



SFVegas 2025

Mortgage and Specialty Finance
February 23–26, 2025

ARIA Resort & Casino
Las Vegas, Nevada

[Register](#)



ABS East 2025

Specialty Finance
October 20–22, 2025

Fontainebleau
Miami Beach, Florida

[Register](#)



ELFA 64th Annual Convention

Equipment Leasing and Finance
October 26–28, 2025

JW Marco Island Beach Resort
Marco Island, Florida

[Register](#)



SFNet's 81st Annual Convention

Asset-Based Lending and Factoring
November 11–13, 2025

JW Marriott Los Angeles: L.A. Live
Los Angeles, California

[Register](#)



ABS & Fintech Specialty Finance Forum

Specialty Finance
December 9–11, 2025

Waldorf Astoria Monarch Beach
Dana Point, California

[Register](#)

About Our Financial Services Group

Houlihan Lokey's Financial Services Group has earned a reputation for providing superior service and achieving outstanding results in M&A advisory, capital-raising, restructuring, and financial and valuation advisory services.

The global Houlihan Lokey Financial Services team has more than 80 dedicated financial professionals located in five offices around the world, including New York, Miami, Atlanta, Chicago, and Tokyo.

2024 M&A Advisory Rankings
All Global Financial Services Transactions

Advisor	Deals
1 Houlihan Lokey	56
2 Goldman Sachs & Co	46
3 JP Morgan	41
4 Rothschild & Co	40
5 Morgan Stanley	36

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers. Excludes banks.

Featured Transactions

Transaction Pending

BRYAN, GARNIER & CO

has agreed to be acquired by

STIFEL

Sellside Advisor

MORTGAGE ASSETS MANAGEMENT

a portfolio company of

Waterfall

has sold substantially all its assets to

ONITY

Sellside Advisor

CURO

has confirmed a "prepackaged" Chapter 11 Plan of Reorganization, restructuring approximately \$1.2 billion of prepetition funded corporate-level debt and addressing approximately \$900 million of prepetition SPV debt

Secured Creditor Advisor

TORREYA

has been acquired by

STIFEL

Sellside Advisor

...Saltus

has received significant investment from

PRESERVATION CAPITAL PARTNERS

Financial Advisor

ReedGroup

a subsidiary of

Guardian

has been acquired by

alight

Sellside Advisor

MORTGAGE NETWORK

has sold its retail mortgage operations to

MOVEMENT MORTGAGE

Exclusive Financial Advisor

CASCADIA CAPITAL LLC

has received a strategic growth equity investment from

ATLAS MERCANT CAPITAL

Financial Advisor

Reorg

a portfolio company of

PERMIRA

has acquired

FinDox

Buy-side Advisor

SÄKRA

a portfolio company of

Adelis Equity

has been acquired by

Cinven

Sellside Advisor

NAPIER PARK

has been acquired by

First Eagle Investments

Sellside Advisor

FLEX FLEET

a portfolio company of a fund managed by

WATERFALL

and

YRP Capital Partners

has been acquired by

Kaizen

Sellside Advisor

JG WENTWORTH

a portfolio company of

AXAR CAPITAL

Term Loan & Delayed Draw Term Loan

Refinancing and Growth Capital

\$75,000,000

Exclusive Placement Agent

NATIONS CAPITAL INC

has received a majority investment from

Gordon Brothers

Sellside Advisor

According to data provided by LSEG (formerly Refinitiv), our Financial Services Group was once again ranked as the **No. 1** M&A advisor for all global financial services transactions in 2024.

 Financial Services Industry Coverage

Industry Sector Coverage

We cover a broad array of sectors, with financial professionals dedicated to each of our primary coverage areas.



Asset and Wealth Management



Banking and Depositories



Broker-Dealers and Capital Markets



Insurance



Mortgage and Related Services



Specialty Finance

Waller Helms Acquisition



Houlihan Lokey

WHA
Waller Helms Advisors

We at Houlihan Lokey are thrilled to announce our acquisition of Waller Helms Advisors, a move that will enhance our capabilities in the insurance and wealth management sectors by expanding our expertise and resources. We are excited to welcome a talented team of 50 professionals, including 13 Managing Directors, from Waller Helms Advisors. On a pro forma basis, and according to data from LSEG (formerly Refinitiv), the new combined group now ranks as the No. 1 advisor for all global M&A transactions in 2023 in the insurance sector; the asset management sector, including wealth management; and the financial services sector, excluding depositories. The shared cultural values and client-first ethos between our firms promise to deliver superior client outcomes and reinforce our dedication to deep sector expertise and collaborative success.

The deal was completed on December 5, 2024.



Read More



About Our Specialty Finance Team

The specialty finance sector, which operates within Houlihan Lokey's Financial Services Group, has earned a reputation for providing superior service and achieving outstanding results in M&A advisory, capital-raising, restructuring, and financial and valuation advisory services.

The global Houlihan Lokey Financial Services team has more than 80 dedicated financial professionals located in five offices around the world, including New York, Miami, Atlanta, Chicago, and Tokyo. We are deeply experienced in advising clients across business models of all types, including advisory, distribution, services, technology, and balance-sheet-driven companies. When our experience is combined with our comprehensive understanding of the industry's financial, regulatory, and competitive dynamics, we are able to more effectively analyze a full range of strategic options, such as acquisitions, divestitures, capital-raising, and asset sale transactions.

2024 M&A Advisory Rankings
All Global Financial Services Transactions

Advisor	Deals
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3 JP Morgan	41
4 Rothschild & Co	40
5 Morgan Stanley	36

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers. Excludes banks.

Featured Transactions

Senior Secured Credit Facility
Refinancing and Growth Capital
\$180,000,000
Exclusive Placement Agent

has confirmed a "prepackaged" Chapter 11 Plan of Reorganization, restructuring approximately \$1.2 billion of prepetition funded corporate-level debt and addressing approximately \$900 million of prepetition SPV debt
Secured Creditor Advisor

a portfolio company of a fund managed by AXAR CAPITAL
Term Loan & Delayed Draw Term Loan
Refinancing and Growth Capital
\$75,000,000
Exclusive Placement Agent

a portfolio company of a fund managed by WATERFALL
and TRP Capital Partners
has been acquired by Kaizen
Sellside Advisor

has received a majority investment from Gordon Brothers
Sellside Advisor

has sold select U.S. stores to Populus Financial Group
Sellside Advisor

Debt Financing
\$108,000,000
Placement Agent

has invested in BriteCap
Financial Advisor

Subsector Coverage



Asset-Based Lending/Factoring



Payday Lending/Pawn



Auto Finance



Point-of-Sale Finance



Credit Cards



Small Business Lending



Debt Buying/Settlements



Solar/HIP/Recreation



Equipment Leasing



Student Lending



Installment Loans



Transportation Finance/Fleet



Litigation Finance

Leadership

Financial Services Group



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Contact Us

Please reach out to us to schedule a call to discuss this quarter's market update or to explore how we can serve your business needs.

Request a Meeting

Learn More About Us



A vertical strip on the left side of the page features a dark background with several financial charts. At the top, a blue line chart with a white moving average is visible. Below it, an orange line chart is shown. At the bottom, a candlestick chart with green and red bars is displayed, along with a yellow line chart.

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Disclaimer

Introduction Specialty Finance Market Update

We are pleased to present our Specialty Finance Market Update for Q4 2024. The commercial and consumer finance sectors continue to experience significant transformation, further accelerated by recent administration changes and rate cuts.

As we move into 2025, compelling entry points exist for companies seeking to allocate to the asset class. Record levels of capital and commitments from sponsors, combined with mounting pressure to deploy aging dry powder, have driven creative deal structuring and an increased appetite for differentiated opportunities.

The past year in the specialty finance sector was marked by change, notably a sustained increase in the demand for alternative forms of financing outside of traditional banks. This demand paved the way for growth in asset-based financing (ABF), offering flexible capital to SME commercial businesses and consumers across various domains. Despite these opportunities to fill the void left by traditional lenders, decade-high interest rates persisted throughout the majority of 2024, putting pressure on consumers and leaving investors hesitant to deploy capital.

In the final quarter of 2024, specialty finance companies within the public markets rebounded from their relatively lackluster performance in the prior three quarters. This improvement stems largely from stabilized funding costs, improving consumer financial health, and expectations of a favorable lending and regulatory environment.

The sector seeks to navigate a period of opportunity bolstered by macroeconomic tailwinds heading into 2025. Delinquency rates within specialty finance have shown signs of stabilization, indicating a shift from the rising trend that began during the pandemic. This shift should position specialty lenders well going forward, although risks relating to inflation and consumer spending linger.

Investors sitting on record levels of capital are increasingly seeking higher-return investments within niche markets. Furthermore, a steeper yield curve could fuel bank profits and accelerate focus on M&A. Firms with strong institutional relationships and selective, best-in-class underwriting capabilities, which can accurately price underlying collateral, are best positioned to capitalize on this evolving environment.

As our firm continues to execute transactions in this space, we invite you to contact us to discuss past transactions, future opportunities, or the specialty finance ecosystem more broadly.



Financial and Valuation Advisory Significant Risk Transfer Update

Significant risk transfer (SRT) transactions provide banks with a mechanism for achieving capital relief on a reference pool of assets by transferring a significant portion of the credit risk to outside investors, in return for regular interest coupons. Investors (who include pension funds, insurers, specialist credit funds, and sovereign wealth funds) have been drawn to the asset class by high risk-adjusted returns and the ability to gain exposure to bank-originated assets that would otherwise be unavailable in public markets.

SRTs typically take the form of credit-linked notes (CLNs), which are synthetically exposed to losses on a first-loss or junior mezzanine tranche referencing the target pool of bank assets. This effectively represents a leveraged exposure to the underlying reference pool, and accordingly, SRT notes have attracted high premiums, with typical coupon margins in the high single digits or low teens.

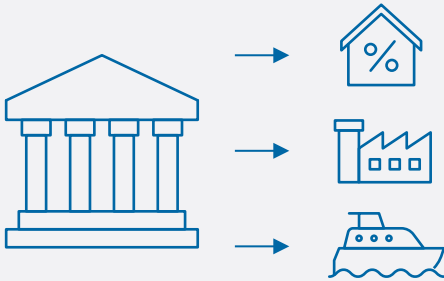
SRTs have seen record issuance in 2024, with initial estimates indicating total issuance for the year of \$28 billion to \$30 billion. This growth has been spurred by the opening of the U.S. SRT market, which was helped by the Federal Reserve’s September 2023 clarification that directly issued CLNs would qualify for capital relief. Historically, the SRT market has been dominated by European banks, which had an estimated market share of up to 85%. 2024 issuance saw the U.S. share roughly double to 30%. The growth of the market has brought added scrutiny from regulators and the attention of the IMF, whose October 2024 Global Financial Stability Report cited some potential risks to financial stability arising from banks providing leverage to investors in these transactions.

Q4 2024 issuance continued the tightening trend in SRT spreads observed throughout the year, with several SRT programs pricing some 200 bps to 300 bps inside 2023 levels. While this tightening presents a challenge to some investors, the record growth in the market is expected to continue into 2025. Investors may seek to circumvent tighter spreads by pursuing more aggressive tranching, taking additional leverage via bank financing, or re-tranching and passing the mezzanine tranche on to other market participants. The spate of issuance in Q4 2024 was well absorbed by a mixture of new entrants to the market and seasoned investors, some of whom raised record SRT funds (Chorus and AXA IM each raising \$2.5 billion).

Sources: ESRB, “The European Significant Risk Transfer Securitization Market,” IMF, “Global Financial Stability Report, October 2024,” and The Fed, “Frequently Asked Questions about Regulation Q.”

1

Bank originates loans; typical asset classes include corporate and SME loans, shipping loans, CRE loans, auto loans, mortgages, and other consumer loans.



2

Loans from the target asset class are grouped together in a reference pool and tranced to achieve optimal capital relief.



3

Investor buys an SRT note credit-linked to a junior tranche on the Reference Portfolio. Bank pays a credit protection fee to the Investor (interest coupons on the note); credit losses are paid to the Bank from the note principal; the Investor receives the remaining principal; the Bank achieves capital relief on target Reference Portfolio.



Save the date for our upcoming webinar, “**SRTs 2025: Outlook, Trends, and Valuations,**” on March 12, 2025.

Register



Featured Transactions Executed by Houlihan Lokey's Specialty Finance Team

Healthcare Funding Partners Has Raised a \$180 Million Senior Secured Credit Facility



HEALTHCARE
FUNDING + PARTNERS

Senior Secured Credit Facility

Refinancing and Growth Capital

\$180,000,000

Exclusive Placement Agent

Closed February 10, 2025

Healthcare Funding Partners (HFP), a healthcare insurance distribution company, has raised a \$180 million senior secured credit facility to repay existing indebtedness and fund growth initiatives. The transaction closed on February 10, 2025.

HFP is a leading healthcare insurance agent operating in the Affordable Care Act, Medicare Advantage, and ancillary insurance product markets. HFP works with the largest insurance carriers in the industry (including Aetna, United Healthcare, etc.). HFP also operates a strategic investment arm dedicated to equity and strategic partnerships within the insurance distribution sector.

Houlihan Lokey served as the exclusive financial advisor and placement agent to HFP, assisting the company in arranging, structuring, and negotiating the financing transaction.

Navient Has Sold Xtend Healthcare to CorroHealth



Xtend
Healthcare

an operating subsidiary of

NAVIENT

has been acquired by



CorroHealth

a portfolio company of

CARLYLE

Sellside Advisor

Closed September 19, 2024

Xtend Healthcare, a subsidiary of Navient, a loan management, processing, and business solutions firm, was acquired by CorroHealth, a portfolio company of Carlyle, on September 19, 2024, for \$365 million.

Xtend Healthcare provides specialized, tech-enabled RCM solutions to enhance the financial success of leading health systems, including hospitals and affiliated physician groups. Leveraging its proprietary technology platform, Xtend Healthcare offers a full suite of RCM services ranging from discrete point solutions to end-to-end outsourcing engagements.

Houlihan Lokey served as the exclusive finance advisor to Navient.

CURO Group Holdings Has Emerged From Chapter 11 Bankruptcy



CURO

has confirmed a "prepackaged" Chapter 11 Plan of Reorganization, restructuring approximately \$1.2 billion of prepetition funded corporate-level debt and addressing approximately \$900 million of prepetition SPV debt

Secured Creditor Advisor


Emerg ed From Chapter 11
on July 19, 2024

CURO Group Holdings Corp. (CURO) announced its financial restructuring on July 19, 2024, through a prepackaged Chapter 11 plan of reorganization.

CURO is an omnichannel consumer finance company serving a full spectrum of nonprime, near-prime, and prime consumers in portions of the United States and Canada. CURO provides alternative access to credit for its customers, providing them the ability to apply for, update, and manage their loans.

Houlihan Lokey served as the financial advisor to an ad hoc group of prepetition-secured creditors, leading the structuring and negotiation of \$70 million of committed new money DIP-to-exit financing and the restructuring of approximately \$2.1 billion of aggregate prepetition-funded debt.

JG Wentworth Has Received a \$45 Million First Lien Term Loan and a \$30 Million Delayed Draw Term Loan



JG WENTWORTH

a portfolio company of



AXAR
CAPITAL

Term Loan & Delayed Draw Term Loan

Refinancing and Growth Capital

\$75,000,000

Exclusive Placement Agent

Closed September 7, 2023

JG Wentworth Company, LLC (JG Wentworth), a portfolio company of Axar Capital Management LP, has raised a \$45 million first lien term loan and a \$30 million delayed draw term loan.

JG Wentworth is a leading direct-to-consumer specialty finance company that has been the market leader in structured settlement payment purchasing for 25+ years and, more recently, has launched debt resolution and personal lending business segments.











Houlihan Lokey served as the exclusive financial advisor and placement agent to JG Wentworth.

Proceeds from the transaction were used to refinance the company's existing indebtedness and fund its continued growth initiatives in debt resolution and personal lending.



Featured Sector News

Recent developments in the specialty finance segment, including acquisitions, refinancings, strategic partnerships, and new product integration.

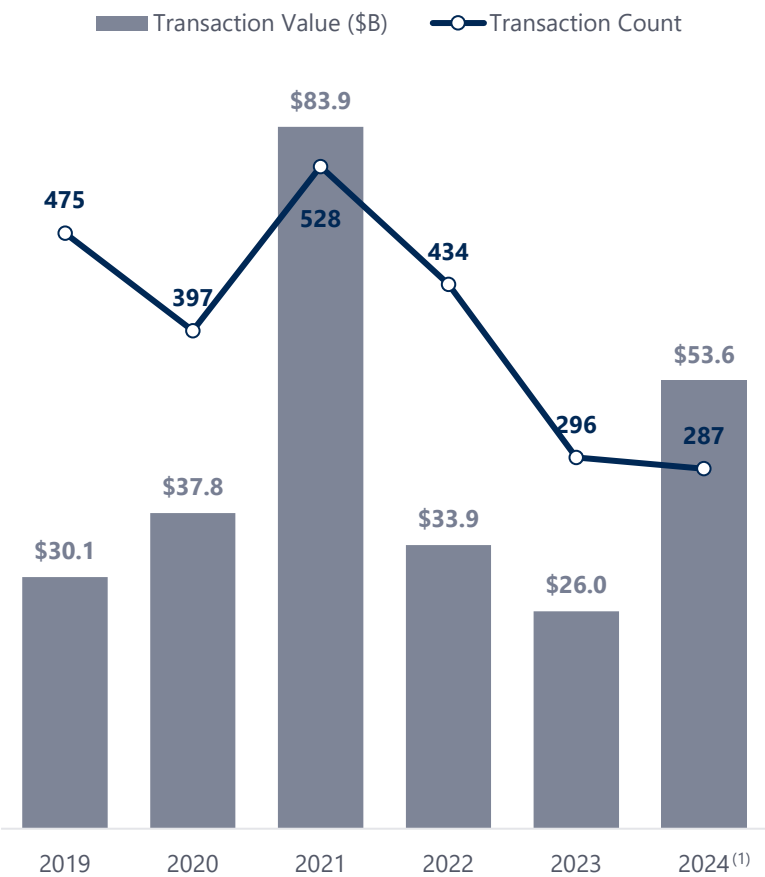
Date	Company	Description	Article Link
11/22/2024		Ally Financial is considering selling its \$2.1 billion credit card business, acquired for \$750 million in 2021, as part of a broader strategy to focus on auto lending, digital banking, and refining core operations through recent divestments like Ally Lending.	Read More
11/22/2024		The owners of Flagship Credit Acceptance LLC have begun exploring a potential sale, possibly valuing the auto-finance provider at \$400 million. Flagship, led by CEO Bob Hurzeler and specializing in non-prime auto financing, has its main stakeholders working with an advisor to solicit interest.	Read More
11/22/2024		Sunbit has announced plans to enter the competitive co-branded credit card market to target mid-sized retailers and customers. With a unique B2B2C approach, Sunbit aims to disrupt traditional markets while expanding BNPL offerings through partnerships like Stripe.	Read More
11/14/2024		Equify Financial has launched Equify Business Funding, a new division providing receivables lending and ABL solutions across various industries. Led by industry veteran Kei Lehigh, with 30+ years of experience, the division promises tailored financial flexibility and client-focused solutions.	Read More
11/4/2024		eCapital has acquired Optimum Finance Ltd., expanding its leadership in the U.K. invoice finance market. This milestone enhances eCapital's ability to deliver innovative, tech-driven financial solutions for SMBs across North America, Canada, and the U.K., boosting its global growth strategy.	Read More
11/4/2024		Sunbit secured a \$355 million debt warehouse facility led by J.P. Morgan, Mizuho Bank, and Waterfall Asset Management, following a \$310 million facility earlier this year. Known for fee-free BNPL solutions, Sunbit's growth positions it among the top 10% of private FinTech firms in the U.S.	Read More
10/25/2024		Kapitus has acquired Ten Oaks Commercial Capital, enabling the launch of its equipment finance arm alongside small business loan products. This move expands financing options for industries like construction and healthcare, addressing growing challenges in equipment financing.	Read More
10/24/2024		EverBank, N.A., plans to acquire Primis Bank's Life Premium Finance division, a leader in life insurance premium financing for high-net-worth clients. The deal, set to close in 2024 or 2025, aligns with EverBank's growth strategy, bringing \$370 million in loans and expert talent onboard.	Read More
10/10/2024		FinTech lender Upstart Holdings (Upstart) has partnered with Blue Owl Capital in a \$2 billion deal, including \$290 million in loans and a forward-flow agreement. This supports Upstart's pivot to private credit as Blue Owl expands its credit footprint following its acquisition of Atalaya Capital Management.	Read More
10/7/2024		Citibank and Apollo Global Management have announced a \$25 billion private credit direct lending program—the largest collaboration between a bank and private credit manager to date. This move combines Citi's extensive banking expertise with Apollo's vast capital resources, marking a structural shift in private credit markets.	Read More

Sources: Company websites, press releases.



Additional Specialty Finance M&A Highlights

Transaction Value and Deal Volume



Source: S&P Capital IQ.
(1) Data as of December 31, 2024; 2024 transaction value largely fueled due to Capital One acquisition of Discover in an all-stock transaction valued at \$35.3 billion.

Notable Transactions

Date	Target	Acquirer	Deal Value \$M
Dec-2024	lsq	eCAPITAL®	--
Dec-2024	FAYO CAPITAL	Undisclosed Investors	--
Dec-2024	AXIS AUTO FINANCE	Undisclosed Investors	--
Dec-2024	AQUILA AIR CAPITAL	Wafra	--
Nov-2024	SALLYPORT COMMERCIAL FINANCE	Northrim Bank®	--
Sep-2024	BEEQUIP MKE EQUIPMENT LEASE	APOLLO	--
Aug-2024	SOLERA Auto Finance	Obra	--
Aug-2024	VAULT	HB Leaseco Holdings	44
Jun-2024	Aaron's®	IQ VENTURES™	504
Feb-2024	DISCOVER®	Capital One	35,300
Nov-2023	Foursight CAPITAL	OneMain Financial	115
Oct-2023	tex	Stonepeak	7,400
Oct-2023	GreenSky™	6 SIXTH STREET KKR BAYVIEW CARDWORKS	500
Sept-2023	FLEX FLEET	Kaizen AUTOMOTIVE GROUP	--
Jul-2023	NATIONS CAPITAL	Gordon Brothers	--

Houlihan Lokey Advised

Key Takeaways

Specialty finance transaction volume in Q4 2024 increased marginally as compared to the previous quarter and remained relatively constant YoY. Despite stagnant deal volume, aggregate transaction value in 2024 has more than doubled YoY.

Throughout 2024, the Federal Reserve lowered the federal funds target rate by 100 bps, with additional cuts anticipated in 2025. This, coupled with expected changes in regulation, is projected to fuel the M&A environment.

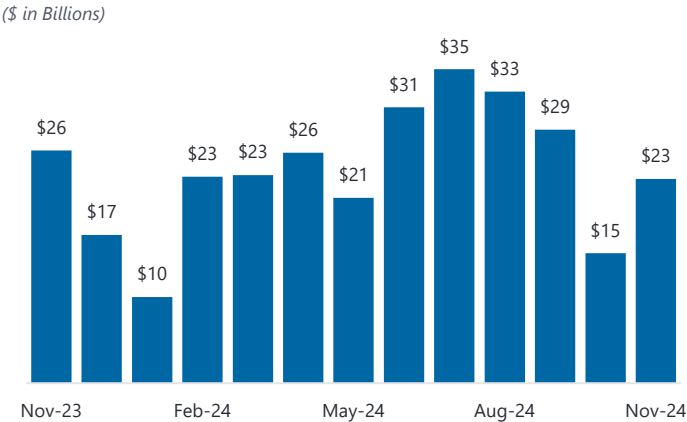
As the market trends toward a more favorable environment, sponsors may look to deploy significant capital that they accumulated over the past few years. Nonbank lenders may look to M&A to diversify their offerings, enhance underwriting capabilities, and achieve greater scale. Additionally, challenger banks could be inclined to regain market share by seeking expansion into higher-yielding, niche areas.



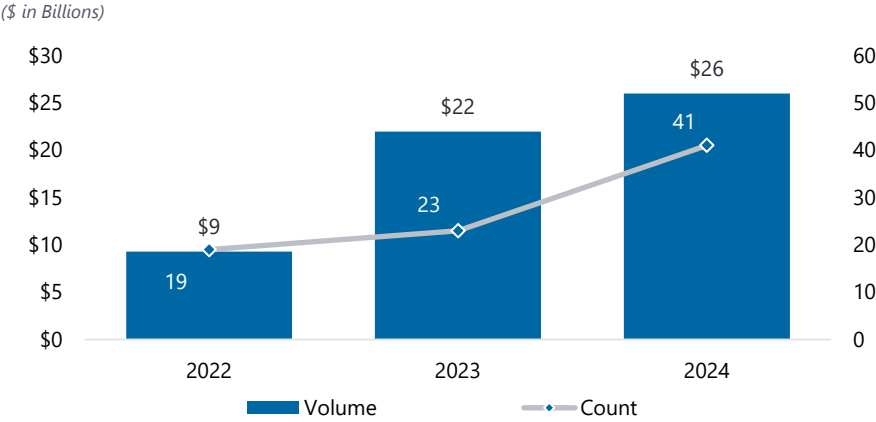
U.S. Direct Lending Market Update

The private credit market looks to 2025 with optimism, bolstered by lower rates, tighter spreads, and a robust deal backlog.

Direct Lending Volume

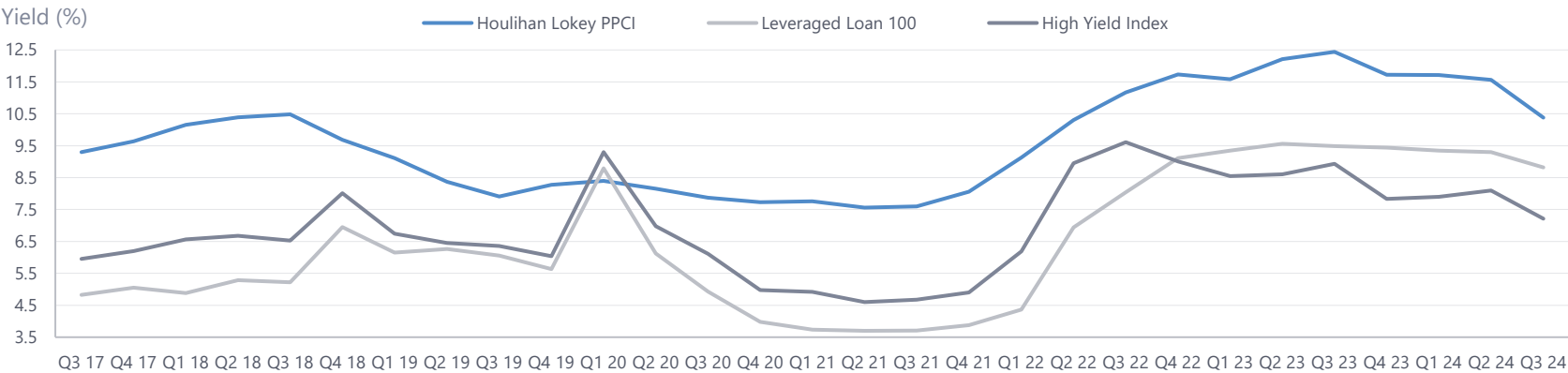


Private Market Steals Volume From Syndicated Loans (Refinances)



Houlihan Lokey Private Performing Credit Index

The Private Performing Credit Index (PPCI) is intended to provide a window to the universe of performing private credit loans. The PPCI is computed using weighted average (based on aggregate principal balance) yields of a subset of private loans valued by Houlihan Lokey.



Key Takeaways

The outlook for private credit is bright, with elevated deal volumes anticipated in early 2025 as backlogs continue to build.

Interest rate cuts in 2024 have eased borrowing costs, setting the stage for increased transaction activity as we start the year.

Private credit spreads are also expected to tighten further in 2025, following significant declines across the board in 2024.

- Core middle-market spreads tightened ~60 bps in 2024, and ~64 bps from a year ago.⁽¹⁾

The transition from the broadly syndicated market to private credit accelerated in 2024, with 41 companies refinancing \$26 billion in syndicated loans via private credit, up from \$22 billion in 2023.

Borrowers with B-minus or lower ratings are driving much of the shift, seeking private credit's flexibility to address near-term maturities and avoid the constraints of public credit markets.

Sources: DLD Weekly, KBRA DLD, LCD, BlackRock Credit Strategy, Houlihan Lokey Portfolio Valuation and Fund Advisory, Bloomberg, LSTA.
(1) As of 12/11/2024.

Equity Market Index Performance

LTM December 2024 Performance



S&P 500 Financials Index	28.4%
S&P 500	23.3%
Houlihan Lokey Specialty Finance Index ⁽¹⁾	17.0%
KBW Nasdaq Regional Banking Index	9.6%

Key Takeaways

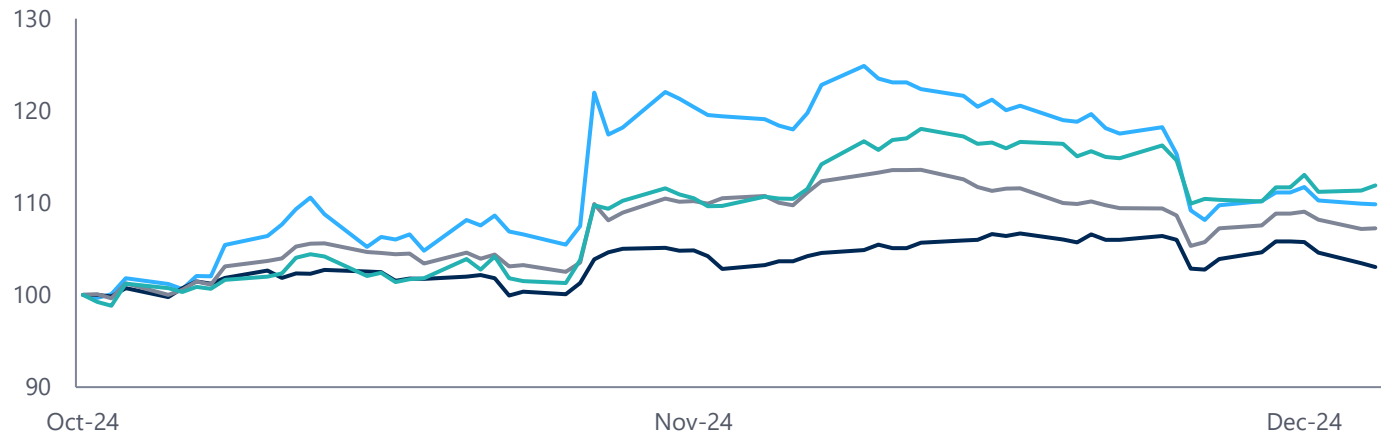
Throughout 2024, the Houlihan Lokey Specialty Finance Index was up 17.0%, underperforming the significant growth of the S&P 500 (23.3%), which was driven largely by major tech/AI players.

In the final quarter of 2024, the opposite occurred as the Houlihan Lokey Specialty Finance Index was up 11.9%, outperforming the S&P 500 (3.0%).

The growth in specialty finance public equities can largely be attributed to macroeconomic factors, including rate cuts, the moderation of inflation, expectation of de-regulation, and improvements in delinquencies.

As we move into 2025, the market could continue to look favorably on specialty finance companies that are leveraging the industry tailwinds to drive enhanced profitability.

October–December 2024 Performance

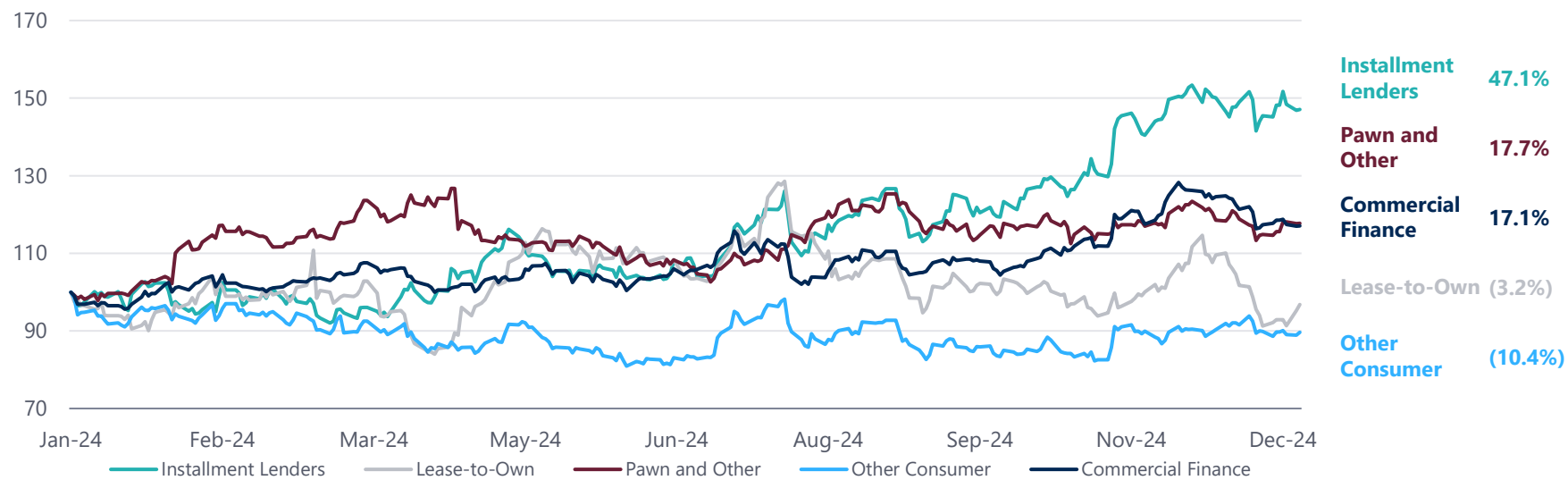


Houlihan Lokey Specialty Finance Index ⁽¹⁾	11.9%
KBW Nasdaq Regional Banking Index	9.8%
S&P 500 Financials Index	7.3%
S&P 500	3.0%

Source: S&P Capital IQ. Data as of December 31, 2024. All share prices rebased to 100.
(1) The Houlihan Lokey Specialty Finance Index consists of a diversified set of 25 companies across the specialty finance sector. See pages 18 and 19 for a complete list.

Equity Market Index Performance Specialty Finance Subsectors

LTM December 2024 Performance by Subsector

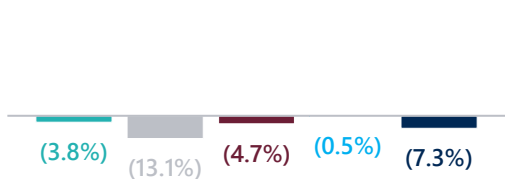


Market Performance

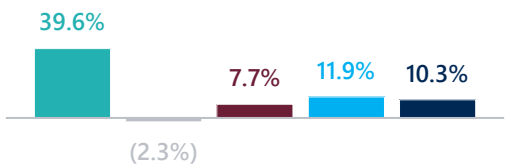
Public specialty finance stock performance traded mixed throughout the past 12 months, with installment lenders outperforming the other subsectors. Pawn and other lenders and commercial finance indices also performed strongly throughout 2024, while lease-to-own and other consumer indices were laggards.

A notable delisting occurred in Q4 2024: the Chesswood Group Ltd., a commercial equipment lessor, was delisted from the Toronto Stock Exchange (TSX:CHW).

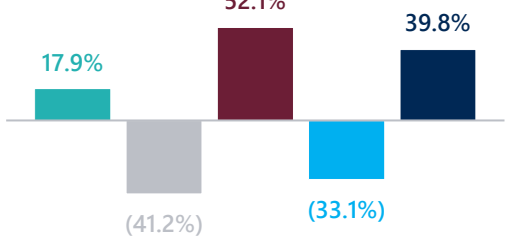
Monthly Performance



Six-Month Performance

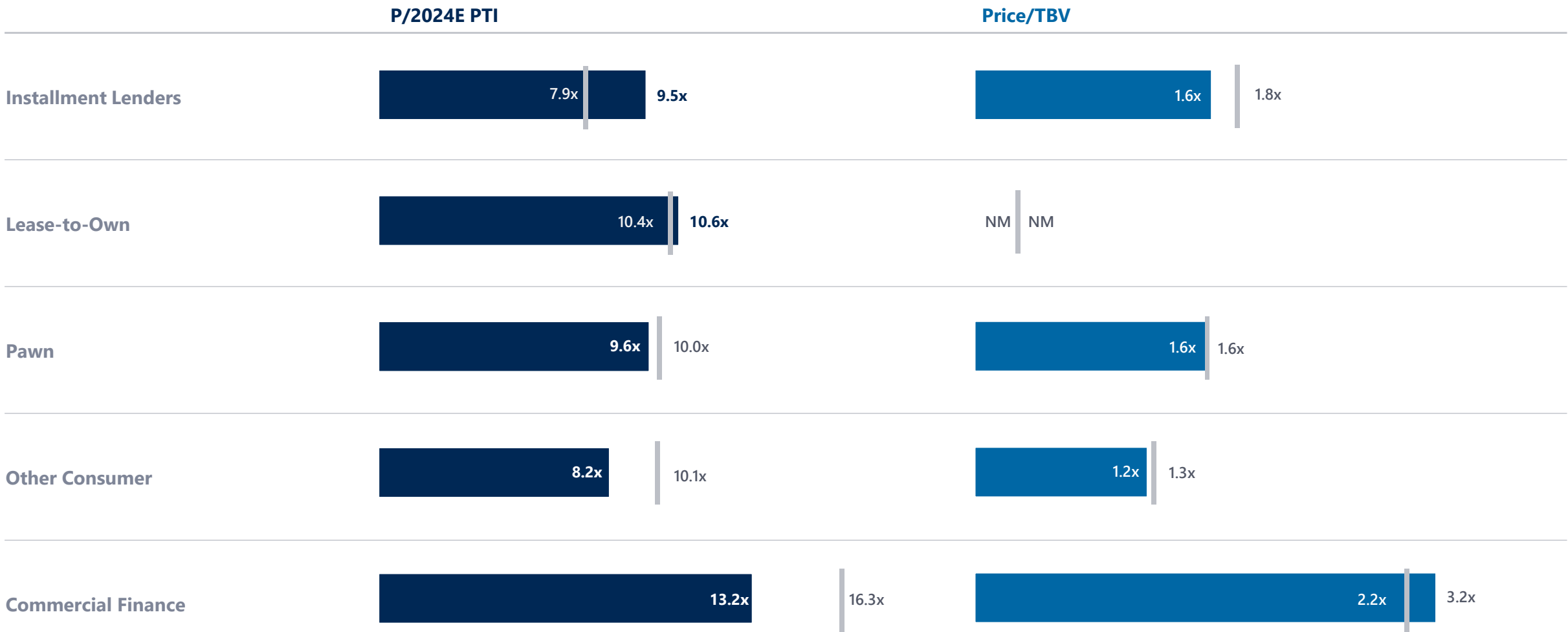


Three-Year Performance



Source: S&P Capital IQ. Data as of December 31, 2024. All share prices rebased to 100.

Public Company Valuations



Data as of September 30, 2024 (Previous Newsletter Date)

Source: S&P Capital IQ. Data as of December 31, 2024.

Public Comparables

Specialty Finance

(\$ in Millions, Except per-Share Prices)

As of 12/31/24

		Market	P/Pre-Tax			P/E			Price	2024A–2026E CAGR		Pre-Tax Margin			Previous P/Pre-Tax	Previous	LTM
		Capitalization	2024A	2025E	2026E	2024A	2025E	2026E	TBV	Revenue	Pre-Tax	2024A	2025E	2026E	2024A	TBV	ROE
Installment Lenders	OneMain Holdings, Inc.	\$6,221.8	8.9x	6.4x	4.6x	10.6x	8.6x	6.5x	4.3x	8.2%	36.9%	15.2%	17.3%	24.3%	9.1x	3.8x	16.0%
	goeasy Ltd.	2,788.8	7.0x	5.9x	5.1x	9.7x	8.1x	7.0x	3.1x	12.3%	16.9%	25.6%	26.7%	27.7%	7.9x	4.1x	25.1%
	Enova International, Inc.	2,512.6	9.5x	7.3x	6.1x	10.2x	8.1x	7.0x	3.1x	14.8%	27.1%	10.0%	11.9%	12.2%	7.8x	2.6x	17.2%
	LendingClub Corp.	1,819.8	26.8x	13.3x	8.7x	N/M	20.0x	11.5x	1.5x	19.5%	N/M	8.7%	13.5%	19.7%	21.7x	1.2x	4.0%
	Propel Holdings Inc.	1,425.1	19.7x	10.9x	7.9x	22.9x	13.6x	9.7x	N/A	33.3%	N/M	15.1%	21.3%	26.2%	14.8x	N/M	38.8%
	OppFi Inc.	839.5	9.5x	8.3x	N/A	11.1x	10.4x	N/A	N/A	10.8%	19.6%	17.1%	18.3%	19.9%	1.3x	N/M	35.0%
	World Acceptance Corp.	605.2	N/A	5.8x	5.1x	7.9x	7.7x	7.0x	1.5x	2.2%	N/A	0.0%	18.8%	20.2%	N/A	1.8x	19.3%
	Regional Management Corp.	345.3	6.5x	4.6x	3.6x	8.5x	6.8x	5.1x	1.0x	9.5%	31.8%	9.1%	10.7%	13.1%	5.7x	1.1x	12.1%
	Oportun Financial Corp.	139.6	N/M	5.8x	1.9x	9.7x	2.5x	1.8x	0.5x	2.5%	N/A	N/M	4.0%	8.0%	N/M	0.3x	(20.8%)
Median			9.5x	6.4x	5.1x	9.9x	8.1x	7.0x	1.5x	10.8%	27.1%	12.5%	17.3%	19.9%	7.9x	1.8x	17.2%
Mean			12.6x	7.6x	5.4x	11.3x	9.6x	7.0x	2.2x	12.6%	26.4%	12.6%	15.9%	19.0%	9.8x	2.1x	16.3%
Lease-to-Own	PROG Holdings, Inc.	\$1,755.6	10.6x	8.4x	8.1x	12.0x	12.6x	11.0x	6.7x	4.6%	14.7%	6.7%	7.2%	8.1%	12.5x	N/M	31.8%
	Upbound Group, Inc.	1,595.6	8.2x	5.1x	4.2x	7.5x	6.4x	5.6x	N/M	6.9%	42.2%	4.5%	7.0%	7.9%	8.4x	N/M	20.8%
	FlexShopper, Inc.	36.7	11.5x	3.8x	N/A	N/M	4.2x	N/A	N/A	N/M	N/M	2.2%	6.3%	N/A	N/M	N/M	3.1%
	Katapult Holdings, Inc.	29.7	N/M	N/M	N/M	N/M	N/M	N/M	N/A	6.0%	5.9%	N/M	N/M	N/M	N/M	N/M	N/M
Median			10.6x	5.1x	6.2x	9.7x	6.4x	8.3x	6.7x	6.0%	14.7%	4.5%	7.0%	8.0%	10.4x	N/M	20.8%
Mean			10.1x	5.8x	6.2x	9.7x	7.8x	8.3x	6.7x	5.8%	20.9%	4.5%	6.8%	8.0%	10.4x	N/M	18.5%
Pawn	FirstCash Holdings, Inc.	\$4,636.3	13.4x	10.9x	9.6x	15.7x	13.7x	11.9x	N/M	2.7%	16.1%	10.1%	11.6%	12.9%	14.6x	N/M	12.8%
	EZCORP, Inc.	665.6	5.8x	5.3x	4.7x	7.8x	6.4x	5.8x	1.5x	6.7%	15.1%	9.7%	10.7%	11.3%	5.5x	1.6x	10.7%
Median			9.6x	8.1x	7.1x	11.7x	10.1x	8.9x	1.5x	4.7%	15.6%	9.9%	11.2%	12.1%	10.0x	1.6x	11.7%
Mean			9.6x	8.1x	7.1x	11.7x	10.1x	8.9x	1.5x	4.7%	15.6%	9.9%	11.2%	12.1%	10.0x	1.6x	11.7%

Source: Trading multiples are based on share price, other market data, and broker consensus future revenue and earnings estimates from S&P Capital IQ as of December 31, 2024.

Public Comparables (cont.)

Specialty Finance

(\$ in Millions, Except per-Share Prices)

As of 12/31/24

		Market	P/Pre-Tax			P/E			Price	2024A–2026E CAGR		Pre-Tax Margin			Previous P/Pre-Tax	Previous	LTM
		Capitalization	2024A	2025E	2026E	2024A	2025E	2026E	TBV	Revenue	Pre-Tax	2024A	2025E	2026E	2024A	TBV	ROE
Other Consumer	Credit Acceptance Corp.	\$5,686.2	22.5x	9.5x	8.2x	14.6x	11.3x	9.6x	3.2x	2.4%	N/M	11.9%	30.4%	30.8%	17.1x	3.1x	14.2%
	Nelnet, Inc.	3,875.9	N/A	N/A	N/A	23.3x	18.1x	16.7x	1.2x	5.1%	20.9%	15.4%	19.6%	20.3%	N/A	N/A	5.4%
	Navient Corp.	1,426.9	6.4x	7.4x	N/A	7.5x	13.8x	10.8x	0.6x	1.2%	(6.1%)	39.0%	21.8%	33.5%	6.1x	0.8x	4.9%
	Encore Capital Group, Inc.	1,131.7	7.1x	4.5x	N/A	8.7x	9.0x	7.8x	4.4x	10.2%	27.9%	11.5%	11.9%	15.5%	6.2x	3.4x	(16.3%)
	ECN Capital Corp.	888.4	20.1x	9.3x	N/A	29.2x	9.6x	7.8x	N/M	13.0%	N/M	13.2%	25.1%	28.3%	12.5x	N/A	3.6%
	PRA Group, Inc.	823.6	8.2x	6.8x	N/A	12.2x	9.3x	8.6x	1.1x	6.4%	33.7%	9.2%	11.7%	14.5%	10.1x	1.2x	7.3%
	America's Car-Mart, Inc.	422.9	44.9x	12.8x	7.8x	N/M	15.9x	10.6x	0.9x	0.4%	N/M	0.6%	2.6%	4.1%	N/M	0.7x	(0.8%)
Median			14.2x	8.4x	8.0x	13.4x	11.3x	9.6x	1.2x	5.1%	24.4%	11.9%	19.6%	20.3%	10.1x	1.2x	4.9%
Mean			18.2x	8.4x	8.0x	15.9x	12.4x	10.3x	1.9x	5.5%	19.1%	14.4%	17.6%	21.0%	10.4x	1.8x	2.6%
Commercial Finance	Element Fleet Management Corp.	\$11,757.5	16.2x	14.1x	12.4x	18.4x	17.1x	15.3x	N/M	8.9%	13.4%	48.3%	50.1%	52.4%	16.0x	N/A	14.1%
	GATX Corp.	5,507.2	17.6x	16.3x	15.6x	19.7x	17.6x	15.8x	2.4x	7.0%	12.4%	19.8%	20.8%	21.8%	19.6x	2.2x	12.1%
	Air Lease Corp.	5,369.5	10.3x	7.7x	6.7x	14.8x	9.8x	7.4x	0.7x	7.4%	25.9%	19.1%	20.7%	26.2%	9.5x	0.7x	5.8%
	McGrath RentCorp	2,745.3	8.9x	14.1x	12.5x	21.0x	18.1x	16.5x	3.7x	4.6%	(16.0%)	33.8%	20.8%	21.8%	16.3x	4.7x	22.5%
	Triumph Financial, Inc.	2,121.0	N/M	40.2x	23.1x	N/M	N/M	N/M	3.9x	10.7%	N/M	5.5%	7.9%	15.3%	70.2x	3.4x	1.8%
Median			13.2x	14.1x	12.5x	19.0x	17.3x	15.5x	3.0x	7.4%	12.9%	19.8%	20.8%	21.8%	16.3x	2.8x	12.1%
Mean			13.2x	18.5x	14.1x	18.5x	15.7x	13.7x	2.7x	7.7%	8.9%	25.3%	24.1%	27.5%	26.3x	2.8x	11.3%
Overall Median			9.9x	7.7x	7.8x	11.6x	9.8x	8.6x	1.5x	6.9%	18.2%	11.5%	15.4%	19.9%	10.1x	1.8x	12.1%
Overall Mean			13.6x	9.8x	8.2x	13.8x	11.2x	9.4x	2.4x	8.4%	18.8%	14.4%	16.5%	19.8%	13.9x	2.2x	11.6%

Source: Trading multiples are based on share price, other market data, and broker consensus future revenue and earnings estimates from S&P Capital IQ as of December 31, 2024.

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