



Houlihan
Lokey

Specialty Finance Market Update

Q1 2025

About Our Firm

Houlihan Lokey, Inc. (NYSE:HLI) is a leading global investment bank with expertise in mergers and acquisitions, capital solutions, 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 Solutions Group

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

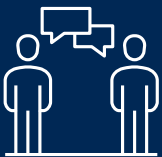
2000–2024 Global M&A
Fairness Advisory Rankings

| | 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.

34

Locations
Worldwide

~2,000

Total Financial
Professionals

339

Managing
Directors⁽¹⁾

2,000+

Clients Served
Annually

\$12.19B

Market
Cap⁽²⁾

\$2.4B

Annual
Revenue⁽³⁾

AMERICAS

| | |
|-----------|------------------|
| Atlanta | Los Angeles |
| Baltimore | Miami |
| Boston | Minneapolis |
| Charlotte | New York |
| Chicago | San Francisco |
| Dallas | São Paulo |
| Houston | Washington, D.C. |

EUROPE AND MIDDLE EAST

| | |
|------------|-----------|
| Amsterdam | Milan |
| Antwerp | Munich |
| Dubai | Paris |
| Frankfurt | Stockholm |
| London | Zurich |
| Madrid | |
| Manchester | |

ASIA- PACIFIC

| | |
|---------------|-----------|
| Beijing | Shanghai |
| Gurugram | Singapore |
| Hong Kong SAR | Sydney |
| Mumbai | Tokyo |

(1) As of March 31, 2025.

(2) As of May 30, 2025.

(3) LTM ended March 31, 2025.

Fully Integrated Financial Sponsor Coverage

25

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

1,900+

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

800+

Companies sold to financial sponsors over the past five years.

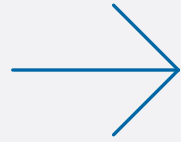


Specialty Finance



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 and Casino
Las Vegas, Nevada



ABS East 2025

Specialty Finance
October 20–22, 2025

Fontainebleau
Miami, 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](#)

ONE HOULIHAN LOKEY

GLOBAL CONFERENCE

Highlights From ONE Houlihan Lokey Global Conference

 May 13–15, 2025
 New York Marriott Marquis

4,000+
Conference Attendees

380+
Participating Companies

100+
Panels and Presentations

 Business Services | Industrials | Oil and Gas
 Consumer | Healthcare
 Financial Services | FinTech | Tech

80+
Sectors Represented

3
Day Event

Targeted
1x1 Meetings

The 2025 ONE Houlihan Lokey Global Conference was a tremendous success, drawing more than 4,000 ONE attendees and over 380 participating companies for three days of targeted 1x1 meetings, meaningful exchange, compelling content, and insights.

Discussions highlighted the ongoing transformation of these sectors and the evolving strategies that are reshaping M&A activity, underscoring the critical role innovation and digital disruption play in driving deal flow and investment opportunities.

This event highlighted key themes from across more than 80 sectors within multiple industries and services, including:

- Business Services
- Consumer
- Financial Sponsors
- Healthcare
- Oil and Gas
- Capital Solutions
- Financial Services
- FinTech
- Industrials
- Tech

Next Stop:
ONE Houlihan Lokey
London

 Mark Your Calendar
November 18–20, 2025
London Hilton on Park Lane



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 Atlanta, Chicago, Miami, New York, and Tokyo,

Featured Transactions

GSP 5.0 Fund, L.P.
U.S. Middle-Market Multi-Unit Consumer and Business Services
\$1,200,000,000

Exclusive Placement Agent

Transaction Pending

has agreed to be acquired by

Sellside Advisor

Senior Secured Credit Facility

Refinancing and Growth Capital

\$180,000,000

Exclusive Placement Agent

Secured Credit Facility

General Corporate Purposes

\$75,000,000

Exclusive Placement Agent

has received strategic investment from

Sellside Advisor

a portfolio company of

has acquired

Buyside Advisor

has received strategic investment from

Sellside Advisor

has been acquired by

Sellside Advisor

has been acquired by

Sellside Advisor

has been acquired by

Sellside Advisor

a portfolio company of

has been acquired by

Sellside Advisor

has been acquired by

Sellside Advisor

Arc70 Fund IV, LP
\$820,000,000

Affordable Housing Private Credit

Exclusive Placement Agent

has been acquired by

Sellside Advisor

FINANCIAL SERVICES

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.

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.



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 and
Challenger
Banks

Key Facts and Figures

80+

Dedicated
Financial
Services
Professionals

37

Completed
Financial
Services
M&A/Private
Placement
Transactions
in FY25

Six

Key Sector
Verticals



About Our Specialty Finance Team

The specialty finance sector, which operates within Houlihan Lokey's Financial Services Group, has built a strong reputation as a leading advisor across both consumer and commercial finance. Our team brings end-to-end capabilities to our clients, including M&A advisory, capital-raising, restructuring, and financial and valuation advisory services.

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.

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 \$800 million of prepetition SPV debt Term Loan & Delayed Draw Term Loan Refinancing and Growth Capital \$75,000,000 Secured Creditor Advisor | a portfolio company of 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 YRP 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 | Term Loan & Delayed Draw Term Loan Refinancing & Growth Financing \$85,000,000 Exclusive Placement Agent | a subsidiary of element has completed the sale of certain assets to Hilco Global Sellside Advisor | Series A Senior Secured Notes Growth Capital \$50,000,000 Exclusive Financial Advisor & Placement Agent | has partnered with CRANEMERE Sellside 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.



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, a candlestick chart with green and red bars is shown. At the bottom, a purple line chart with a white moving average is displayed.

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Introduction **Specialty Finance Market Update**

We are pleased to present our Specialty Finance Market Update for Q1 2025. The commercial and consumer finance sectors are navigating a period of transformation, driven largely by macroeconomic uncertainty.

As we progress through 2025, heightened geopolitical and macroeconomic uncertainty remains a defining theme. Heightened pressure in the private markets, segmenting the winners from the losers, presents compelling entry points for investors seeking niche, differentiated opportunities with creative structures.

The start of Q1 2025 was marked by financial optimism with a new administration, as investors anticipated pro-business policy and a deregulatory agenda, leading to a favorable M&A environment. Market confidence has since tempered as concerns stemming from tariff policy and increased inflation have become prevalent.

Irrespective of macroeconomic uncertainty, the specialty finance sector remains resilient, continuing to fill the void left by traditional banks for creative lending solutions. As the funding gap from bank retrenchment persists, the demand for asset-backed financing (ABF) solutions has grown significantly through investments from institutional investors, including pension funds, insurance companies, endowments, sovereign wealth funds, and other banks. These investors seek to allocate toward diversified, strategically constructed private credit portfolios with outsized returns. Specialty finance companies across a range of sectors (equipment, invoices, etc.), especially those that are most proven and capable in pricing and managing underlying collateral effectively, sit at the center of this trend.

Although sector demand and overall market confidence have moderated, there are many opportunities for consolidation. Firms with tested business models, differentiated credit and servicing capabilities, and tech-enabled operating leverage are best positioned to navigate this current market ambiguity.

As our firm continues to execute 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 SRT and CLO Market Update

CLO markets began 2025 with a strong start. Record issuance was spurred by a tightening in liability spreads close to record tightness. Uncertainty fuelled by tariffs did not deter this issuance moving into March, despite some spread widening.

CLOs then witnessed sharp increases in spreads from April 3 to April 9 following U.S. tariff announcements. Market visibility deteriorated significantly, but large volumes continued to trade, particularly at the senior level. The junior mezzanine debt went into price discovery mode, with fewer trades following on from lists of bonds up for auction.

There were some very large outflows from CLO ETFs (a record \$1.79 billion in a week), but the market appears to have absorbed the outflows relatively well.

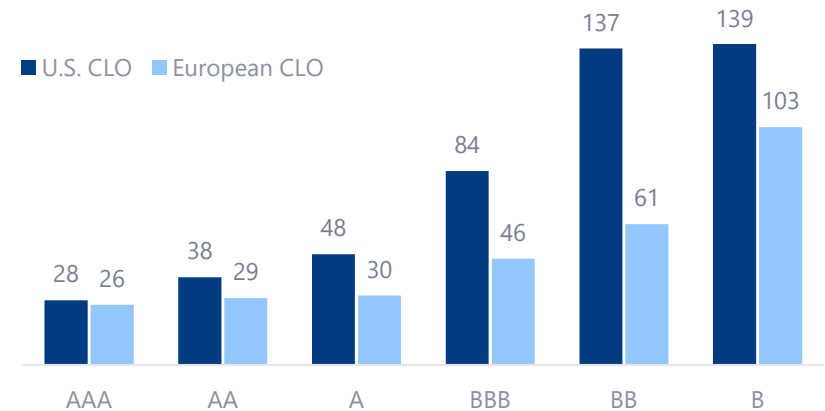
Since April 9, spreads have recovered but remain wider than Q1 2025 levels.

SRTs saw record issuance in 2024, with many anticipating further growth in 2025. The strong tightening seen throughout 2024 continued into Q1 2025, where we saw certain bank SRT programs priced at their tightest levels observed. The spread tightening leveled off by the end of the quarter, as some investors reviewed the relative value of SRTs in the context of other, more liquid credit markets widening.

The quarter saw continued themes from 2024—steady issuance from well-established programs and jurisdictions, bolstered by growing SRT asset classes such as subscription line financing, CRE, consumer and auto transactions, and issuance in peripheral regions such as APAC, Central, and Eastern Europe.

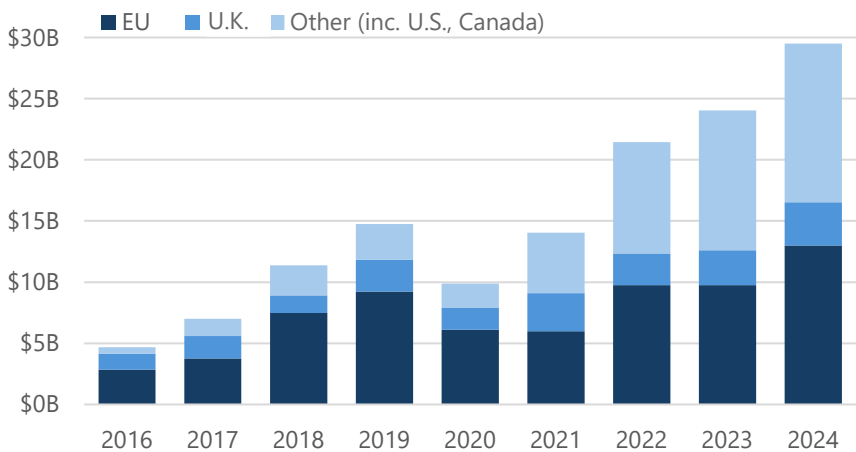
Q1 also saw an increased issuance of “full-stack” SRTs, with the risk transfer sliced into multiple tranches to offer more leverage and higher spreads to certain investors in the face of spread tightening and some tranches achieving a formal credit rating.

Tariff Impact: CLO Spread Change April 7 vs. March 31 (bps)



Source: Market Data.
Note: Change based on data estimated as of April 7, 2025, at 4:00 p.m. EDT.

Estimated Annual SRT Issuance



Sources: IACPM.org, Chorus Capital.

Houlihan Lokey Hosts SRT Webinar in March 2025

Following a record year of SRT issuance in 2024, Houlihan Lokey was pleased to host a webinar in March 2025 on **Significant Risk Transfer (SRTs) 2025: Outlook, Trends, and Valuation**, with insights from **Jessica Littlewood** (Clifford Chance), **Jason Marlow** (Barclays), **Frank Benhamou** (Cheyne Capital), and **James Wright** (Houlihan Lokey), and moderated by **Fraser Malcolm** (Houlihan Lokey).

What’s driving record issuance?

The panel explored some driving factors behind the record issuance seen in 2024. Banks increasingly see SRTs as a “multi-tool” for capital relief, credit risk management, and mitigating accounting volatility under IFRS 9.

“Once you’ve done one [SRT], it’s much easier to do a second, and then a third, and doing an SRT over a corporate book is not that different from doing an SRT over a residential mortgage book.”

Jessica Littlewood, Clifford Chance

What’s coming in 2025?

“The binding constraint around this market is generic stakeholder comfort. There was a rumor about a recent U.S. issuer: From when they first started looking into SRTs to printing their first trade took eight years. I’m virtually certain that their next trade is going to be in less than eight years from now!”

Jason Marlow, Barclays

The panel expects growth to continue in 2025, driven by repeat issuers and new entrants, particularly in the U.S. and Eastern Europe. The ECB’s fast-track process could support higher volumes, particularly for standardised trades.

WEBINAR

SRTs 2025:

Outlook, Trends, and Valuation

Replay



Specialty Finance **Forward Flow and Private Credit Agreements**

Forward flow agreements have become increasingly popular in the past decade and are a preferred financing option for many participants in the specialty finance space. Public data suggests forward flow arrangements have significantly outpaced ABS origination volumes within the industry (e.g., \$12.4 billion versus \$5.2 billion, respectively, for select companies). The rise of forward flow agreements in the industry has marked a stark shift in how companies think about on-balance sheet risk, near-term liquidity needs, and alternative capital sources.

Forward flow agreements are a financial strategy whereby the economic interest in a loan is transferred to a buyer or funder (often a fund or financial institution) in return for liquidity. The financial strategy is used by alternative lenders and challenger banks, among other originators, to sell their receivables on a recurring basis, through contractually agreed-upon flow arrangements, quickly converting them to cash for immediate use to originate new loans or free up capital. This strategy is particularly useful for consumer/commercial finance companies underwriting longer-dated loans who seek to reduce exposure to long-term risks. These arrangements drastically reduce such regulatory burdens, time commitment, and market-volatility risk that securitization/capital markets may exhibit. Furthermore, companies maintain the flexibility to originate new loans and make strategic decisions without the need to wait for asset maturation but give up potential upside associated with future gains and ownership.

Unprecedented growth in the private credit market has fueled this thematic shift—the U.S. private credit market has more than doubled over the past five years, from \$700 billion in 2019 to \$1.7 trillion in 2024. Private credit funds now hold \$350 billion (~5%) of U.S. consumer debt. Partnering with industries in this space via forward flow agreements provides these funders the flexibility to lean on strong management teams with proven track records and return thresholds without the need for origination and underwriting operations in-house. Funders can also benefit through improved yields, often receiving better spreads than if they funded these loans directly. Specialty finance companies find this an attractive way to free up balance sheet capital, de-risk their balance sheet, and avoid unnecessary equity dilution.

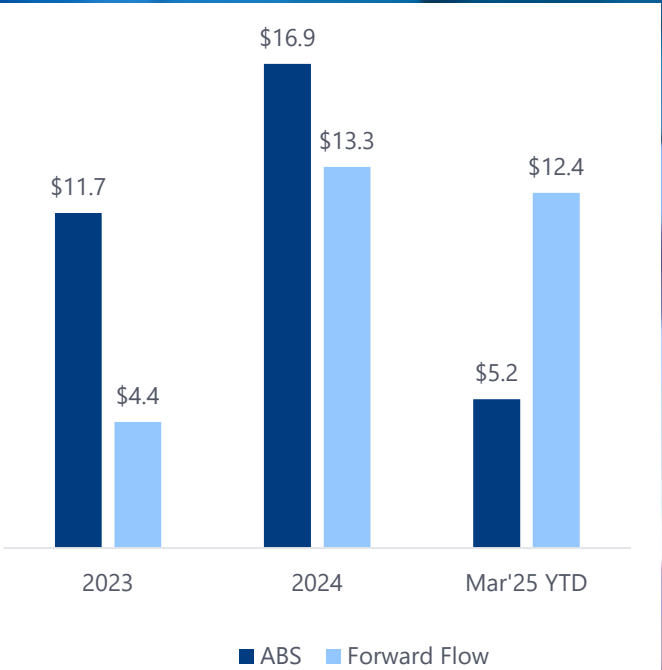
Some notable forward flow agreements include Upstart and Fortress (\$1.2 billion through '26), Pagaya and Blue Owl (\$2.4 billion through '27), Affirm and Sixth Street (\$4 billion through '27), and Affirm and Liberty Mutual (\$5 billion through '27).

Our team brings valuable expertise in this space. Please reach out to discuss previous deals, upcoming prospects, or the broader landscape.

Sources: PitchBook, S&P Global Market Intelligence, company press releases, Jeffries Research Services, Finsight.

Forward Flow and ABS Origination Volumes From Select Originators

(\$ in Billions)



Note: Includes available data from AFRM, SOFI, UPST, PGY, LC, ALLY, OMF, and OPRT.



Featured Transactions Executed by Houlihan Lokey's Specialty Finance Team

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



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



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



EmergEd 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



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.

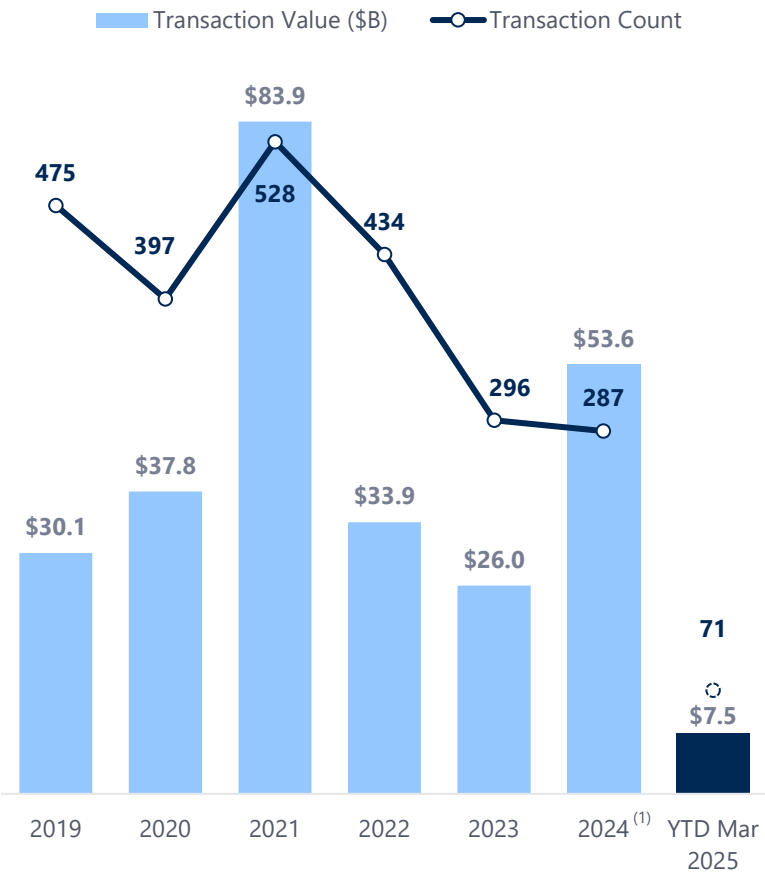
| Date | Company | Description | Article Link |
|-----------|--|---|---------------------------|
| 4/1/2025 |  ally | CardWorks acquired Ally Financial's credit card portfolio and platform, integrating 1.3 million cardholders and \$2.2 billion in receivables. This positions Merrick Bank (the wholly owned bank subsidiary of CardWorks) as a leader in non-prime and near-prime credit cards, expanding reach and strengthening capabilities. | Read More |
| 3/13/2025 |  SoFi | SoFi finalized a record deal with Blue Owl Capital, securing up to \$5 billion for its Loan Platform Business. This agreement diversifies revenue through fee-based sources and demonstrates strong loan demand, enhancing SoFi's position as a leader in innovative credit access. | Read More |
| 3/6/2025 |  NORTH MILL EQUIPMENT FINANCE | North Mill Equipment Finance announced plans to acquire Pawnee Leasing and Tandem Finance through a court-approved reverse vesting transaction as part of Chesswood Group's restructuring. The deal, endorsed as optimal for stakeholders, is set to close by April 2025, pending approvals. | Read More |
| 2/6/2025 |  PAGAYA | Pagaya announced a new agreement with Blue Owl Capital to purchase up to \$2.4 billion in consumer loans over 24 months. This deal reinforces Pagaya's robust funding capabilities and highlights the increasing demand for AI-driven financial products. | Read More |
| 2/5/2025 |  6 SIXTH STREET First Citizens Bank | First Citizens Bank and Sixth Street have launched Sixty-First Commercial Finance, a joint venture offering flexible equipment financing from \$5 million to \$100 million for middle-market companies. Bank of America supports with \$300 million in funding. | Read More |
| 2/3/2025 |  AMERICA'S CAR-MART | America's Car-Mart has completed a \$200 million asset-backed notes securitization with a 6.49% weighted average coupon, improving by 95 basis points from its previous deal. The strong demand highlights market confidence and benefits from the company's advanced loan system. | Read More |
| 1/31/2025 |  upbound | Upbound Group announced the completion of its acquisition of Brigit, expanding its financial solutions to include wage access and credit building. The merger serves four million customers and enhances Upbound's risk management through Brigit's proprietary technology and leadership. | Read More |
| 1/30/2025 |  GLOBAL LENDING SERVICES | Global Lending Services, an auto finance firm backed by Sound Point Capital, announced its consideration of a sale that could exceed \$1 billion. Goldman Sachs is assisting with early-stage inquiries. GLS has originated \$18 billion in loans and works with 17,500 dealers nationwide. | Read More |
| 1/16/2025 |  Oportun | Oportun has issued \$425 million in one-year fixed-rate asset-backed notes, backed by installment loans and rated from AA- to B-. Strong investor demand led to oversubscription and favorable pricing, which brings Oportun's total diversified financings to \$2.8 billion since June 2023. | Read More |
| 1/6/2025 |  DEXT CAPITAL | Dext Capital has agreed to acquire Honour Capital's Equipment Finance team, enhancing its innovative financial service offerings nationwide. Honour Capital will retain Honour Ag and certain lease assets, marking a strategic move leveraging both firms' complementary strengths. | Read More |

Sources: Company websites, press releases.



Additional Specialty Finance M&A Highlights

Transaction Value and Deal Volume



Source: S&P Capital IQ.
(1) 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 |
|-----------|---------------------------------|--------------------------------------|----------------|
| Mar-2025 | GLOBAL | TRITON | 1,000 |
| Mar-2025 | QUICKPAY | CULAIN Capital Management LLC | -- |
| Dec-2024 | lsq | CAPITAL ONE | -- |
| Dec-2024 | FAVO AUTO FINANCE | Undisclosed Investors | -- |
| Dec-2024 | AXIS | Undisclosed Investors | -- |
| Dec-2024 | AQUILA AIR CAPITAL | Wafra | -- |
| Nov-2024 | SALLYPORT COMMERCIAL FINANCE | Northrim Bank | -- |
| Sep-2024 | BEEQUIP HMB 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 | SIXTH STREET RAYVIEW CardWorks | 500 |
| Sept-2023 | FLEX FLEET | Kaizen AUTOMOTIVE GROUP | -- |
| Jul-2023 | NATIONS CAPITAL | Gordon Brothers | -- |

Houlihan Lokey Advised

Key Takeaways

In Q1 2025, there was a slight uptick in specialty finance M&A. Outside of Capital One's acquisition of Discover in Q1 2024, this quarter achieved the largest aggregate transaction value since Q2 2023.

The heightened activity throughout early 2025 can be primarily attributed to macroeconomic optimism stemming from the new administration's push for a more M&A-friendly regulatory environment, coupled with speculation of additional rate cuts.

As we progress through 2025, investors sitting on capital they have accumulated over the past few years will need to weigh this macroeconomic optimism with pending uncertainty from trade policy and looming inflation. Many nonbank lenders will continue to look at M&A to achieve greater scale and diversify their offerings. Additionally, some banks may look to regain market share in niche areas within specialty finance that align with strategic initiatives and risk profiles.

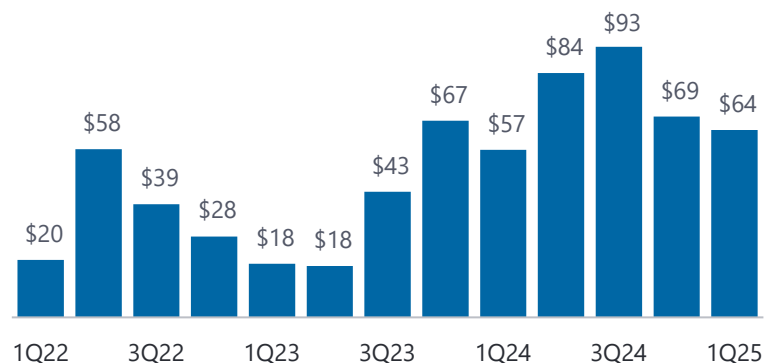


Private Credit Market Update

Private credit remains resilient despite public market volatility, supported by new capital sources, ample dry powder, and a ramp-up in junior lending.

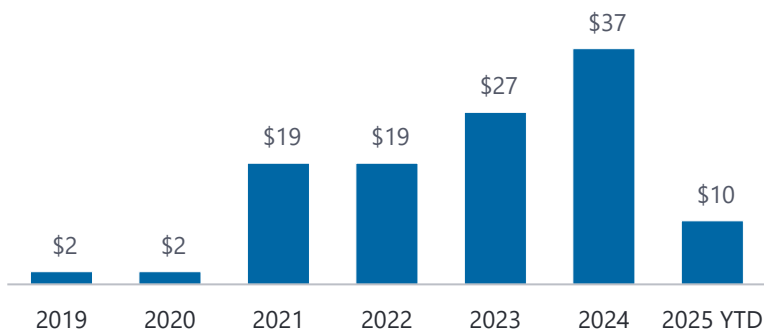
Direct Lending Volume

(\$ in Billions)



Debt Refinanced From BSL to Private Credit

(\$ in Billions)



U.S. Dividend Recap Volume⁽¹⁾

(\$ in Billions)



Nominal PIK and PIK % of Interest Income

(\$ in Billions)



Sources: DLD Weekly, KBRA DLD, LCD, BlackRock Credit Strategy, Bloomberg, J.P. Morgan weekly reports.

(1) Values reflect total loan amount for which dividend recap was at least a partial use of proceeds.

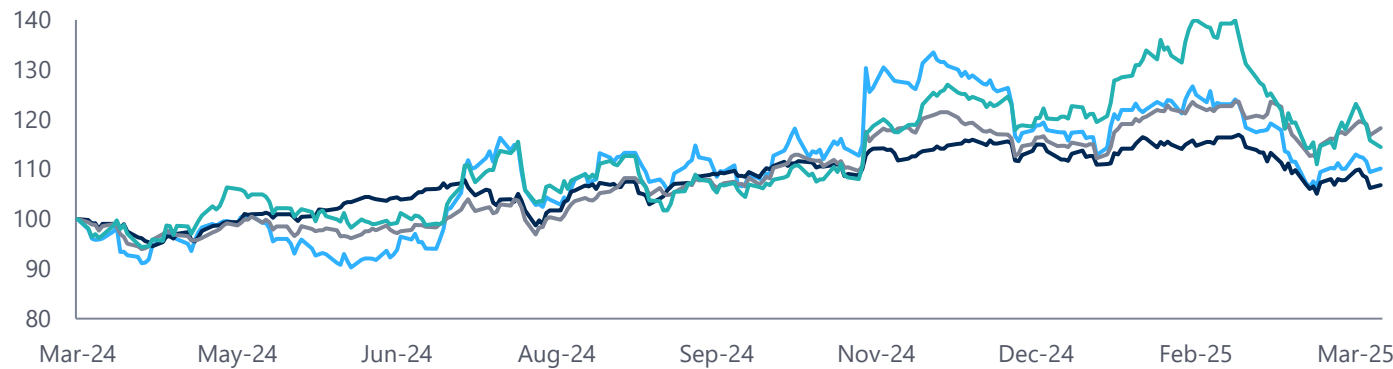
Key Takeaways

- Despite public market volatility and a sluggish start to M&A, private credit remains active, buoyed by a strong investor base eager to deploy capital.
- As public market conditions deteriorate, banks have begun tightening lending standards.
 - In previous periods of public market dislocation, private credit investors have consistently stepped in to replace banks and public lenders, offering financing to a wide range of borrowers.
- Direct lending volume totaled more than \$64 billion for Q1 '25, marking a 12% year-over-year increase.
- Direct lenders are sitting on substantial amounts of capital awaiting deployment.
 - As of year-end 2024, dry powder for private credit funds stood at approximately \$433 billion.
- Dividend recapitalization activity has picked up as private equity sponsors seek liquidity amid a stalled M&A backdrop.
- HoldCo and junior capital structures are gaining momentum, often spearheaded by capital solutions investors, who can offer bespoke, flexible financing alternatives.
- Meanwhile, PIK (payment-in-kind) usage has surged, as borrowers prioritize liquidity preservation in a high-interest rate environment.

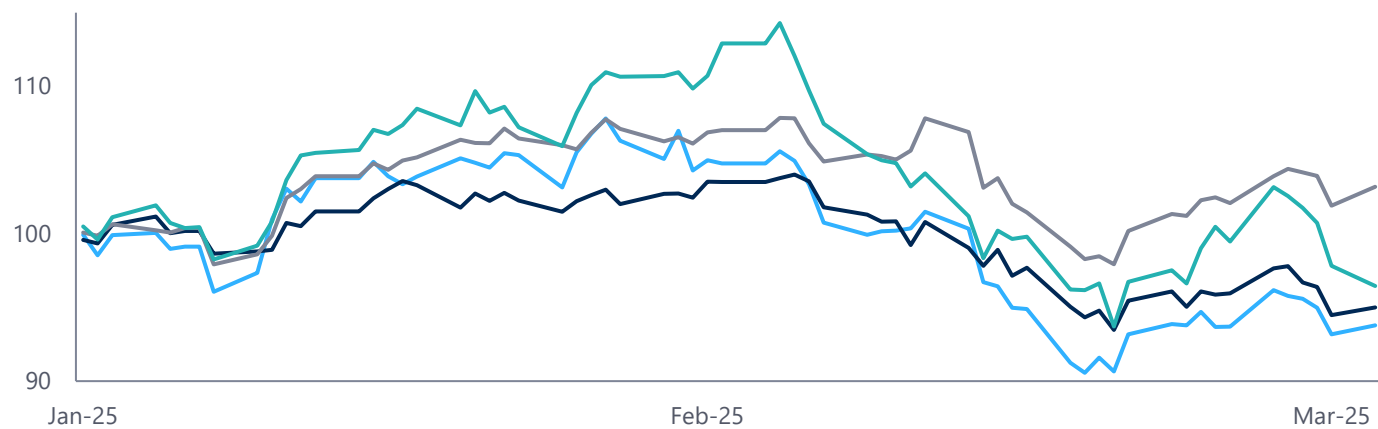


Equity Market Index Performance

LTM March 2025 Performance



January 2025–March 2025 Performance



Key Takeaways

Over the past year, the Houlihan Lokey Specialty Finance Index has increased by 14.5%, outperforming the S&P 500's YoY increase of 6.8%.

In the first quarter of 2025, the Houlihan Lokey Specialty Finance Index was down 3.6%, outperforming the S&P 500, which was down 5.0%.

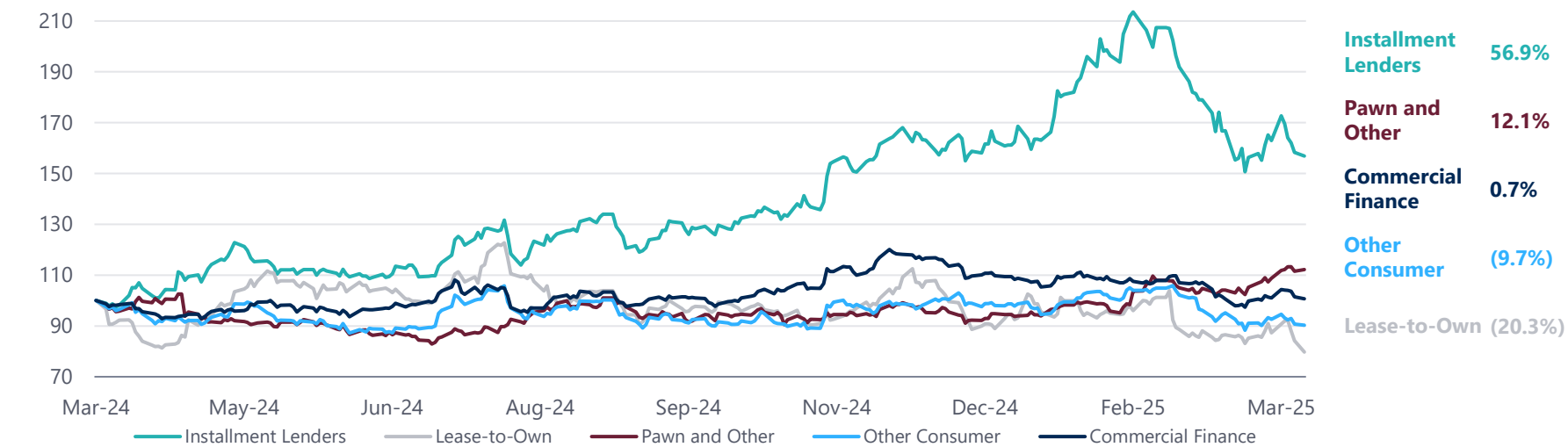
The growth in specialty finance public equities over the past year can be largely attributed to two primary factors: (i) interest rate cuts, deregulation, and improving credit conditions, and (ii) increased demand via creative credit agreements, investments, and strategic partnerships.

As we progress through 2025, the market looks favorable for the industry as companies strategically navigate headwinds and opportunistically drive enhanced profitability.

Source: S&P Capital IQ. Data as of March 31, 2025. 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 19 and 20 for a complete list.

Equity Market Index Performance Specialty Finance Subsectors

LTM March 2025 Performance by Subsector

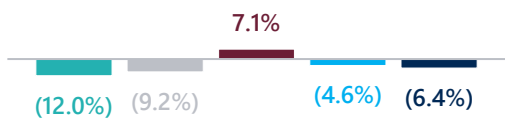


Market Performance

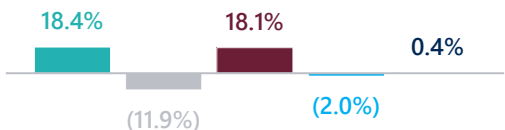
Performance for public equities in the specialty finance sector has been mixed over the past 12 months, largely driven by acute subsector factors.

Installment lenders have significantly outperformed other subsectors, driven largely by increased consumer demand for flexible, user-friendly payment solutions. Pawn and other lenders also performed strongly, while lease-to-own equities were laggards over the past 12 months.

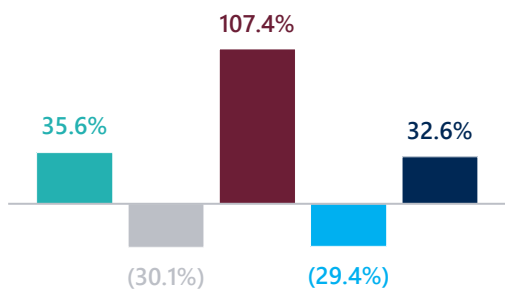
Monthly Performance



Six-Month Performance

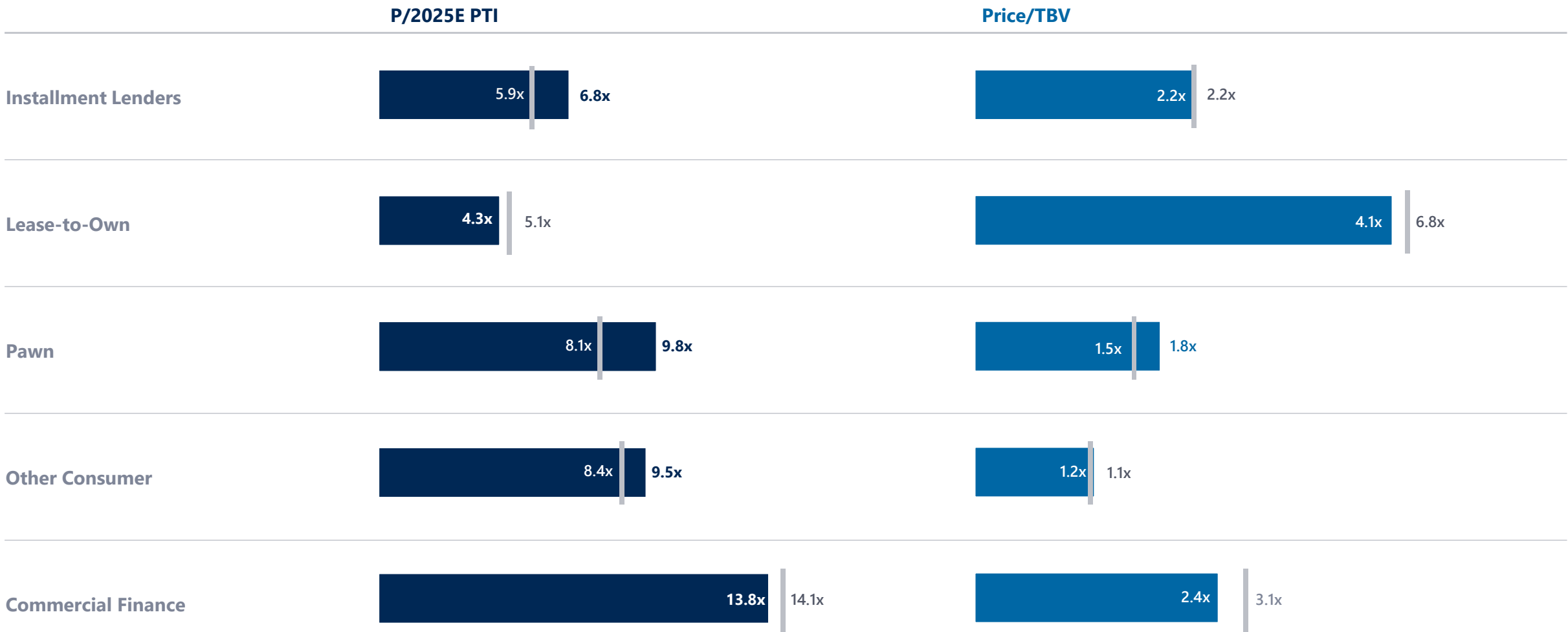


Three-Year Performance



Source: S&P Capital IQ. Data as of March 31, 2025. All share prices rebased to 100.

Public Company Valuations



Source: Trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of March 31, 2025

Data as of December 31, 2024 (Previous Newsletter Date)

Public Comparables

Specialty Finance

| (\$ in Millions, Except per-Share Prices) | | Market | P/Pre-Tax | P/Pre-Tax | | P/E | P/E | | Price | 2024A–2026E CAGR | | Pre-Tax Margin | Pre-Tax Margin | | Previous P/Pre-Tax | Previous | LTM |
|---|---------------------------|----------------|-----------|-----------|-------|-------|-------|-------|-------|------------------|---------|----------------|----------------|-------|--------------------|----------|---------|
| | | | | | | | | | | | | | | | | | |
| | | Capitalization | LTM | 2024A | 2025E | LTM | 2024A | 2025E | TBV | Revenue | Pre-Tax | LTM | 2024A | 2025E | 2025E | TBV | ROE |
| As of 3/31/25 | | | | | | | | | | | | | | | | | |
| Installment Lenders | OneMain Holdings, Inc. | \$5,834.7 | 7.9x | 8.7x | 6.8x | 10.3x | 11.5x | 8.0x | 4.1x | 45.0% | 32.9% | 28.6% | 26.7% | 19.0% | 6.4x | 4.3x | 17.5% |
| | Enova International, Inc. | 2,490.6 | 8.4x | 9.2x | 6.8x | 10.6x | 11.9x | 8.2x | 3.1x | N/M | 24.4% | 22.8% | 21.9% | 11.6% | 7.3x | 2.8x | 19.9% |
| | goeasy Ltd. | 2,462.7 | 6.8x | 6.4x | 5.4x | 9.3x | 8.7x | 8.4x | 2.7x | N/M | 9.6% | 44.5% | 47.6% | 21.5% | 5.9x | 3.1x | 23.4% |
| | LendingClub Corp. | 1,170.1 | 18.2x | 18.0x | 9.2x | 23.1x | 22.8x | 15.7x | 1.0x | (2.2%) | N/M | 5.4% | 5.6% | 11.0% | 13.3x | 1.5x | 3.9% |
| | OppFi Inc. | 1,019.3 | 10.2x | 11.6x | 8.5x | N/M | N/M | 9.2x | N/M | N/M | 34.4% | 32.6% | 31.8% | 21.2% | 1.6x | 4.7x | 43.4% |
| | Propel Holdings Inc. | 902.2 | 11.9x | 14.4x | 8.3x | 15.9x | 19.5x | 10.1x | 6.4x | 32.2% | N/M | 15.4% | 13.9% | 18.6% | 10.9x | N/M | 32.9% |
| | World Acceptance Corp. | 682.6 | 6.1x | 6.6x | 6.6x | 7.6x | 8.5x | 9.3x | 1.7x | (1.3%) | (2.4%) | 19.8% | 18.5% | 16.6% | 5.8x | 1.6x | 20.8% |
| | Regional Management Corp. | 296.0 | 6.8x | 5.5x | 4.3x | 9.0x | 7.2x | 6.8x | 0.9x | 10.7% | 27.0% | 7.5% | 9.5% | 9.1% | 4.6x | 1.0x | 9.5% |
| | Oportun Financial Corp. | 198.4 | N/M | N/M | 5.3x | N/M | N/M | 3.4x | 0.7x | 15.9% | N/A | N/M | N/M | 4.4% | 5.8x | 0.6x | (11.4%) |
| Median | | | 8.1x | 9.0x | 6.8x | 10.3x | 11.5x | 8.4x | 2.2x | 13.3% | 25.7% | 21.3% | 20.2% | 16.6% | 5.9x | 2.2x | 19.9% |
| Mean | | | 9.6x | 10.0x | 6.8x | 12.3x | 12.9x | 8.8x | 2.6x | 16.7% | 21.0% | 22.1% | 21.9% | 14.8% | 6.9x | 2.5x | 17.8% |
| Lease-to-Own | Upbound Group, Inc. | \$1,375.9 | N/M | 7.7x | 4.3x | 11.4x | 11.1x | 5.7x | N/M | 7.8% | 48.8% | 4.1% | 4.1% | 6.3% | 5.1x | N/M | 19.2% |
| | PROG Holdings, Inc. | 1,080.1 | 6.0x | 6.6x | 5.9x | 5.1x | 5.5x | 8.4x | 4.1x | 2.3% | 8.3% | 7.2% | 6.6% | 6.6% | 8.4x | 6.8x | 33.9% |
| | Katapult Holdings, Inc. | 45.6 | N/M | N/M | N/M | N/M | N/M | N/M | N/M | 15.3% | (44.3%) | N/M | N/M | N/M | N/M | N/M | N/M |
| | FlexShopper, Inc. | 27.5 | 42.8x | 42.8x | 2.9x | N/M | N/M | 1.7x | N/M | N/M | N/M | 0.5% | 0.5% | N/M | 3.8x | N/M | (0.6%) |
| Median | | | 24.4x | 7.7x | 4.3x | 8.3x | 8.3x | 5.7x | 4.1x | 7.8% | 8.3% | 4.1% | 4.1% | 6.5% | 5.1x | 6.8x | 19.2% |
| Mean | | | 24.4x | 19.0x | 4.4x | 8.3x | 8.3x | 5.3x | 4.1x | 8.5% | 4.3% | 3.9% | 3.7% | 6.5% | 5.8x | 6.8x | 17.5% |
| Pawn | FirstCash Holdings, Inc. | \$5,385.6 | 14.5x | 15.7x | 13.6x | 19.2x | 20.8x | 15.5x | N/M | 2.9% | 18.5% | 11.0% | 10.1% | 12.1% | 10.9x | N/M | 13.7% |
| | EZCORP, Inc. | 808.7 | 6.5x | 6.8x | 6.1x | 9.0x | 9.4x | 8.0x | 1.8x | 7.2% | 10.3% | 10.4% | 10.1% | 10.1% | 5.3x | 1.5x | 10.8% |
| Median | | | 10.5x | 11.2x | 9.8x | 14.1x | 15.1x | 11.7x | 1.8x | 5.0% | 14.4% | 10.7% | 10.1% | 11.1% | 8.1x | 1.5x | 12.3% |
| Mean | | | 10.5x | 11.2x | 9.8x | 14.1x | 15.1x | 11.7x | 1.8x | 5.0% | 14.4% | 10.7% | 10.1% | 11.1% | 8.1x | 1.5x | 12.3% |

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 March 31, 2025.

Public Comparables (cont.)

Specialty Finance

| (\$ in Millions, Except per-Share Prices) | | Market | P/Pre-Tax | P/Pre-Tax | | P/E | P/E | | Price | 2024A–2026E CAGR | | Pre-Tax Margin | Pre-Tax Margin | | Previous P/Pre-Tax | Previous | LTM |
|---|--------------------------------|----------------|-----------|-----------|-------|-------|-------|-------|-------|------------------|---------|----------------|----------------|-------|--------------------|----------|---------|
| As of 3/31/25 | | Capitalization | LTM | 2024A | 2025E | LTM | 2024A | 2025E | TBV | Revenue | Pre-Tax | LTM | 2024A | 2025E | 2025E | TBV | ROE |
| Other Consumer | Credit Acceptance Corp. | \$6,212.5 | 16.1x | 18.9x | 9.5x | 21.4x | 25.1x | 12.8x | 3.6x | N/M | 42.3% | 38.7% | 35.5% | 25.4% | 9.5x | 3.5x | 17.2% |
| | Nelnet, Inc. | 4,026.0 | 16.7x | 17.6x | N/A | 20.8x | 21.9x | N/A | 1.3x | 9.6% | N/M | 17.6% | 16.9% | N/M | N/A | 1.3x | 5.6% |
| | Navient Corp. | 1,291.7 | 15.9x | 7.4x | 9.6x | 23.1x | 9.9x | 12.0x | 0.6x | (14.9%) | (5.5%) | 11.6% | 20.5% | 21.9% | 7.4x | 0.6x | 2.1% |
| | PRA Group, Inc. | 814.7 | 7.5x | 7.4x | 5.9x | 11.5x | 11.5x | 11.7x | 1.1x | 4.0% | 5.5% | 9.6% | 9.8% | 7.3% | 6.8x | 1.0x | 6.9% |
| | Encore Capital Group, Inc. | 812.1 | N/M | N/M | 4.3x | N/M | N/M | 4.7x | 3.1x | 14.0% | N/A | N/M | N/M | 13.0% | 4.5x | 2.7x | (13.1%) |
| | ECN Capital Corp. | 726.1 | 32.4x | 45.2x | N/M | N/M | N/M | 7.9x | N/M | N/M | N/M | 12.3% | 9.6% | 24.0% | 9.3x | N/M | 6.8% |
| | America's Car-Mart, Inc. | 375.0 | N/M | 34.4x | 11.4x | N/M | N/M | 13.6x | 0.8x | 5.1% | N/M | 0.8% | 0.8% | 2.5% | 12.9x | 0.9x | 1.5% |
| Median | | | 16.1x | 18.2x | 9.5x | 21.1x | 16.7x | 11.9x | 1.2x | 5.1% | 5.5% | 11.9% | 13.4% | 17.5% | 8.4x | 1.1x | 5.6% |
| Mean | | | 17.7x | 21.8x | 8.1x | 19.2x | 17.1x | 10.5x | 1.7x | 3.5% | 14.1% | 15.1% | 15.5% | 15.7% | 8.4x | 1.7x | 3.9% |
| Commercial Finance | Element Fleet Management Corp. | \$11,544.8 | 21.9x | 22.5x | 13.5x | 29.2x | 29.8x | 17.0x | N/M | 3.2% | 33.2% | 31.8% | 31.1% | 50.0% | 14.1x | N/M | 14.0% |
| | GATX Corp. | 5,539.4 | 16.0x | 16.1x | 15.6x | 19.2x | 19.5x | 17.6x | 2.4x | 7.1% | 6.3% | 21.3% | 21.7% | 20.3% | 16.3x | 2.4x | 11.8% |
| | Air Lease Corp. | 5,399.1 | 6.2x | 10.1x | 8.9x | 7.8x | 12.6x | 8.4x | 0.7x | 7.8% | 21.8% | 31.0% | 19.5% | 34.5% | 7.7x | 0.7x | 9.2% |
| | McGrath RentCorp | 2,735.0 | 8.5x | 8.7x | 13.8x | 11.5x | 11.8x | 18.0x | 3.7x | 4.8% | (16.4%) | 35.0% | 34.4% | 21.1% | 14.1x | 3.8x | 22.8% |
| | Triumph Financial, Inc. | 1,350.9 | 85.7x | 66.0x | 37.5x | N/M | N/M | N/M | 2.5x | 12.1% | N/M | 3.9% | 5.2% | 5.0% | 40.2x | 3.8x | 1.4% |
| Median | | | 16.0x | 16.1x | 13.8x | 15.4x | 16.1x | 17.3x | 2.4x | 7.1% | 14.1% | 31.0% | 21.7% | 21.1% | 14.1x | 3.1x | 11.8% |
| Mean | | | 27.7x | 24.7x | 17.8x | 16.9x | 18.4x | 15.3x | 2.3x | 7.0% | 11.2% | 24.6% | 22.4% | 26.2% | 18.5x | 2.7x | 11.8% |
| Overall Median | | | 11.1x | 10.9x | 7.5x | 11.5x | 11.8x | 8.8x | 2.1x | 7.2% | 14.4% | 13.8% | 15.4% | 14.8% | 7.4x | 2.0x | 11.3% |
| Overall Mean | | | 17.0x | 17.3x | 9.3x | 14.5x | 14.7x | 10.1x | 2.3x | 9.0% | 14.2% | 17.6% | 17.2% | 16.4% | 9.5x | 2.4x | 12.4% |

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 March 31, 2025.

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