



## HYDE PARK CAPITAL

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Investment Banking | Mergers & Acquisitions | Capital Raising

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# *Consumer Finance*

## **Industry Update**

### *September 2011*

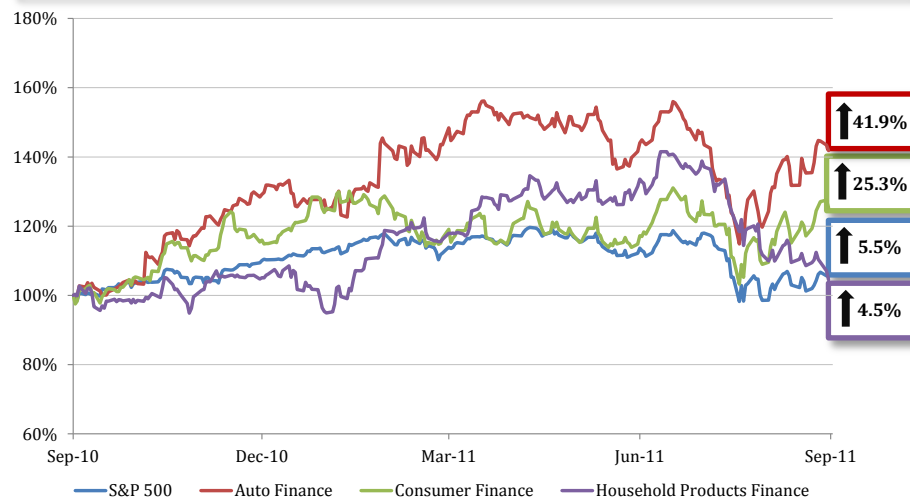


# Consumer Finance – Industry Update

## Commentary

- As of September 20, 2011, each of the **Consumer Finance** industry's sectors: *Consumer Finance (up 25%)*, *Auto Finance (up 42%)*, and *Household Products Finance (up 5%)*, delivered positive public stock market performance over the past year and generally outperformed the S&P 500 over the same period.
- A number of debt and equity transactions have been completed in the *Consumer Finance* sector in the past year, including several completed and pending Initial Public Offerings (IPO's), as detailed in the tables below.
- A few of the notable pending IPO's include the proposed \$500 million offering for Enova International (a division of Cash America, NYSE: CSH) and the proposed \$230 million offering for Community Choice Financial (profiled later in this report).

## Stock Price Performance (LTM)



## Select Debt Transactions

(\$ in millions)

Offer / Closed Date	Issuer	Transaction Type	Transaction Size
08/17/11	Exeter Finance Corp.	Credit Facility	\$600
07/28/11	Santander Consumer Finance	Fixed-Income Offering	\$592
02/10/11	ACE Cash Express	Fixed-Income Offering	\$350
06/08/11	Rent-A-Center	Fixed-Income Offering	\$300
11/02/10	Rent-A-Center	Fixed-Income Offering	\$300
04/22/11	TMX Finance	Fixed-Income Offering	\$250
09/30/10	Security National Automotive Acceptance Corp.	Credit Facility	\$200
03/03/11	Dollar Financial	Credit Facility	\$200
03/03/11	Credit Acceptance Corp.	Fixed-Income Offering	\$106
Pending	TMX Finance	Fixed-Income Offering	\$60
07/22/11	TMX Finance	Fixed-Income Offering	\$60

Source: Capital IQ

## Select Equity Transactions

(\$ in millions)

Offer / Closed Date	Issuer	Transaction Type	Offering Size
Pending	Enova International	IPO	\$500
12/07/10	Green Dot Corp.	Secondary	\$260
04/07/11	Westlake Services	Private Placement	\$250
Pending	Community Choice Financial	IPO	\$230
10/18/10	Netspend Holdings	IPO	\$204
07/21/10	Green Dot Corp.	IPO	\$164
04/07/11	Dollar Financial Corp.	Secondary	\$125
Pending	Wonga.com	Private Placement	\$117
Pending	Regional Management Corp.	IPO	\$100
09/30/10	Flagship Credit Corp.	Private Placement	\$50
Pending	Page Five Funding	Private Placement	\$46
07/28/11	LendingClub Corp.	Private Placement	\$25
11/16/10	PayNearMe	Private Placement	\$16



## Consumer Finance – M&A Activity

### Commentary

- As detailed in the table on the right, in addition to positive stock price performance from the publicly traded companies in the past year, **merger & acquisition** activity remains strong across the *Consumer Finance* industry.
- A few notable M&A transactions completed by private equity firms include: the recently closed acquisition of Exeter Finance Corp., a sub prime automobile lender, by The Blackstone Group (“Blackstone”) for an estimated \$50 million; and the acquisition or “take-private” of United PanAm Financial, also a sub-prime automobile lender, by Pine Brook Road Partners for approximately \$67 million.
- In addition, Blackstone indicated its intention to utilize Exeter as its platform to invest significantly more capital into the sub-prime auto lending sector as it has supported its current equity investment in Exeter with a \$600 million credit facility.
- Another notable M&A transaction in the *Consumer Finance* industry during the past year involved the payday loan/check cashing sector as the merger of Community Choice Financial (“CheckSmart”), a portfolio company of Diamond Castle Holdings, with California Check Cashing Stores, a portfolio company of Golden Gate Capital, was completed in April 2011.
- Dollar Financial (“Dollar”) was one of the more active acquirers in the *Consumer Finance* industry during the past year, completing acquisitions of Sefina Finance for \$73 million and PaydayUK for \$195 million to bolster Dollar’s presence in the European marketplace.

### Select M&A Transactions

(\$ in millions)

Closed Date	Target	Buyer / Investor	Transaction	Transaction Value /	
			Value	Revenue	EBITDA
Pending	CompuCredit Holdings Corp.	Advance America	\$46	0.6x	4.0x
08/12/11	Exeter Finance Corp.	The Blackstone Group	\$50	NA	NA
07/06/11	Risicum	Dollar Financial	\$46	2.5x	5.0x
05/17/11	Mister Money Holdings	EZ Corp.	\$19	NA	NA
05/05/11	Jumping Jack Cash	EZ Corp.	NA	NA	NA
04/14/11	California Check Cashing Stores	Community Choice Financial	NA	NA	NA
04/01/11	PaydayUK	Dollar Financial	\$195	NA	7.0x
03/10/11	Credit Acceptance Corp.	Share Repurchase	\$125	5.6x	9.3x
02/25/11	United PanAm Financial Corp.	Pine Brook Road Partners	\$67	1.1x	NM
12/31/10	Sefina Finance	Dollar Financial	\$73	1.5x	6.1x
12/22/10	The Rental Store	Rent-A-Center	\$76	1.0x	13.9x
11/10/10	Nine Franchise Stores in Canada	Dollar Financial	\$13	NA	4.3x
10/04/10	Maxit Financial	Cash America	\$72	1.3x	NM
10/01/10	Americredit Corp.	General Motors	\$3,341	2.4x	7.1x

Average	\$343	2.0x	7.1x
Median	\$69	1.4x	6.6x

Source: Capital IQ



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# Consumer Finance – Public Company Analysis

(\$ in millions, except per share data)

Company	Ticker	Closing Price 9/20/11	% of 52 Week High	Equity Value	Enterprise Value	LTM (a)					LTM Margins			Enterprise Value / LTM		Equity Value / LTM	
						Revenue	Gross Profit	EBITDA	Net Income	Book Value	Gross Profit	EBITDA	Net Income	Revenue	EBITDA	Net Income	Book Value
<b>Consumer Finance</b>																	
Cash America	GSH	\$59.55	96%	\$1,905	\$2,308	\$1,378	\$832	\$275	\$126	\$858	60.4%	20.0%	9.1%	1.7x	8.4x	15.1x	2.2x
Dollar Financial	DLLR	\$23.85	96%	\$1,071	\$1,827	\$788	\$482	\$241	\$66	\$427	61.1%	30.5%	8.3%	2.3x	7.6x	16.3x	2.5x
EZ Corp.	EZPW	\$32.75	85%	\$1,650	\$1,649	\$833	\$508	\$190	\$114	\$624	61.0%	22.8%	13.6%	2.0x	8.7x	14.5x	2.6x
First Cash Financial	FCFS	\$50.36	97%	\$1,605	\$1,538	\$483	\$283	\$111	\$65	\$323	58.5%	23.0%	13.5%	3.2x	13.8x	24.7x	5.0x
Green Dot Corp.	GDOT	\$36.06	55%	\$1,527	\$1,368	\$434	\$369	\$74	\$43	\$211	84.9%	17.1%	10.0%	3.2x	18.4x	35.2x	7.3x
World Acceptance	WRLD	\$61.12	87%	\$973	\$1,211	\$504	\$405	\$169	\$93	\$420	80.4%	33.4%	18.4%	2.4x	7.2x	10.5x	2.3x
Advance America	AEA	\$7.77	83%	\$480	\$545	\$599	\$422	\$116	\$44	\$255	70.4%	19.4%	7.3%	0.9x	4.7x	11.0x	1.9x
Net Spend Holdings	NTSP	\$5.85	36%	\$543	\$538	\$294	\$95	\$61	\$27	\$169	32.4%	20.8%	9.3%	1.8x	8.8x	19.9x	3.2x
<b>Auto Finance</b>																	
Credit Acceptance Corp.	CACC	\$61.63	71%	\$1,609	\$2,538	\$481	\$429	\$285	\$177	\$442	89.3%	59.2%	36.8%	5.3x	8.9x	9.1x	3.6x
Carfinco Income Fund	CFN.UN	\$6.44	85%	\$162	\$261	\$40	\$36	\$21	\$14 <sup>(b)</sup>	\$33	88.3%	53.2%	34.0%	6.5x	12.2x	11.9x	4.9x
Nicholas Financial	NICK	\$10.18	75%	\$122	\$236	\$65	\$59	\$31	\$19	\$121	91.8%	47.8%	28.7%	3.7x	7.7x	6.6x	1.0x
<b>Household Products Finance</b>																	
Aaron's	AAN	\$27.02	92%	\$2,186	\$2,051	\$1,949	\$1,020	\$277	\$112	\$1,001	52.3%	14.2%	5.8%	1.1x	7.4x	19.5x	2.2x
Rent-A-Center	RCII	\$28.46	78%	\$1,797	\$2,385	\$2,782	\$451	\$386	\$156	\$1,371	16.2%	13.9%	5.6%	0.9x	6.2x	11.5x	1.3x
		<b>Average</b>	<b>80%</b>	<b>\$1,202</b>	<b>\$1,420</b>	<b>\$818</b>	<b>\$415</b>	<b>\$172</b>	<b>\$81</b>	<b>\$481</b>	<b>65.2%</b>	<b>28.9%</b>	<b>15.4%</b>	<b>2.7x</b>	<b>9.2x</b>	<b>15.8x</b>	<b>3.1x</b>
		<b>Median</b>	<b>85%</b>	<b>\$1,527</b>	<b>\$1,538</b>	<b>\$504</b>	<b>\$422</b>	<b>\$169</b>	<b>\$65</b>	<b>\$420</b>	<b>61.1%</b>	<b>22.8%</b>	<b>10.0%</b>	<b>2.3x</b>	<b>8.4x</b>	<b>14.5x</b>	<b>2.5x</b>

Source: Capital IQ

(a) Excludes extraordinary and/or one time events

(b) Assumes a 35% tax rate



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# Consumer Finance – Recent IPO Registration Profiled

## Commentary

- ❑ **Community Choice Financial, Inc. ('CheckSmart')** filed with U.S. securities regulators on August 23<sup>rd</sup> to raise up to **\$230 million** in an initial public offering (IPO) of its common shares.
- ❑ The Company, which is backed by private equity firms Diamond Castle Holdings and Golden Gate Capital, said it would **use the proceeds from the offering to repay debt and future acquisitions.**
- ❑ In April 2011, Community Choice Financial completed the acquisition of California Check Cashing Stores, LLC via stock merger and completed a simultaneous **dividend recap transaction** via high-yield debt offering of approximately **\$400 million.**
- ❑ Although the preliminary 'price range' for the IPO is not yet available, we estimate the implied Enterprise Valuation range as a multiple of Revenue and EBITDA to be **2.2x – 2.5x** and **7.2x – 8.1x**, respectively.

## CheckSmart – Financial Profile

*(\$ in millions)*

<u>Income Statement</u>	<u>2010 (A)</u>	<u>1H Actual 6/30/11</u>	<u>Annualized 2011 (P)</u>
Revenue	\$310.4	\$157.1	<b>\$314.2</b>
EBITDA	\$101.9	\$48.3	<b>\$96.6</b>
Net Income	\$28.1	\$12.5	<b>\$25.0</b>

### Balance Sheet

	<u>As of 6/30/11</u>
Cash	\$58.9
Debt	<u>\$395.0</u>
<b>Net Debt</b>	<b>\$336.1</b>





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## Recent Transactions

 <p>has been acquired by</p> 	 <p>has been recapitalized by</p>   	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has acquired</p> 
 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been recapitalized by</p> 	 <p>has merged with</p> 
 <p>has been recapitalized by</p> 	 <p>has acquired</p> 	 <p>has been recapitalized by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 