On Deck Capital, Inc. (ONDK)

Initiation of Coverage

FinTrust Brokerage Services

Equity Research

January 29, 2015

Industry: Financial Services
GICS Sector/ Sub code: Financials Sector / Banks (GIC Code: 40 / Sub code: 4010)

Company Summary: OnDeck Capital ('ONDK', or the Company) is an online alternative small business ('SB') lender. The demand for SB term loans and lines of credit by small businesses is largely unmet according to several studies detailed within this report. **Total SB loans outstanding comprise 21.1% of $2.73 trillion in total business loans in the U.S.** According to FDIC data, as of Q2 2014, there was $589.7 billion in total SB loans outstanding at the nation's banks, comprised of $291.8 billion in Commercial Real Estate (CRE) loans, and $297.9 billion in Commercial and Industrial (C&I) loans. According to a recent Federal Reserve study, in 2013, 21% of the 28.4 million small businesses in the U.S. explored new financing venues to improve their ability to obtain financing. Since it began lending in 2007, ONDK has originated approx. $1.7 billion in loans, using a proprietary big data analytics engine that supported, we estimate, $375 million of new loans in Q4 2014, up 124% y-o-y. With its recent IPO, ONDK has secured, we estimate, enough funds to finance significant growth over the next several years.

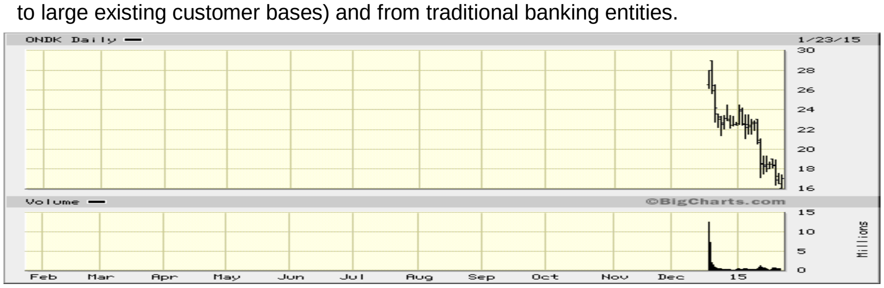
Analyst Notes:
Analysis by Bruce Roberts (917) 701-3357 & Allen Gillespie, CFA (864) 288-2849

- Fintrust Brokerage Services is commencing coverage of On Deck Capital with a BUY rating, based on its promising business model and attractive relative valuation. Our valuation model estimates that the shares are currently worth $22, or 36.9% upside. These shares are appropriate for high risk tolerant investors only.

➢ The Company has devised a mechanism to supplant traditional bank credit using a low cost internet-based platform that can (1) instantly make credit decisions and (2) amass data to improve its credit granting decisions and thus continuously increase the attractiveness of the platform to borrowers. Using a direct sales force channel, supplemented by 3rd-party SB financing companies, the lender has assembled an effective hybrid internet-based / traditional finance company lending business model. ONDK's platform incorporates a proprietary database of over 10 million SBs, or some 35% of all SBs in the U.S. ONDK is growing quickly. In Q3 2014, loan originations advanced 156% y-o-y, to $312.8 million, while gross revenues expanded 144% to $43.5 million.

- ONDK has a diversified funding platform. As of 9/30/14, 44%, 46% and 10% of the lender's $422.1 million total loans outstanding (aka, Unpaid Principal Balance, which excludes the allowance for loan losses and several other items) were being financed by debt securitization transactions, more traditional debt facilities and the OnDeck Marketplace (whereby the lender sells whole loans to 3rd parties), respectively.

- Risks include, but are not limited to (1) an evolving regulatory and competitive environment (2) uncertainty involved in the introduction of new products and entry into new geographies (3) the challenge to effectively scale the Company's digital platform and credit scoring analytics and (4) increasing its base of borrowers and revenues in the face of vigorous online banking services competition from both new entrants (who may already offer Internet-based services to large existing customer bases) and from traditional banking entities.



Fintrust Recommendation

Fintrust Rating:	**BUY**
Target Price:	**$22.00**
Current Share Price	**$16.07**
Expected Return	**36.9%**
52 Week Price Range	**$28.98 - $16.02**

Fintrust Brokerage Services, LLC rates companies a BUY, HOLD, SELL, or SHORT.

- A BUY rating is given when the security is expected to outperform the broad equity market as measured by the S&P 500 on a risk adjusted basis over the next year.
- A HOLD rating is given when the security is expected to perform in line with the broad equity market as measured by the S&P 500 on a risk adjusted basis over the next year.
- A SELL rating is given when the security is expected to perform below the broad equity market as measured by the S&P 500 on a risk adjusted basis over the next year.
- A SELL SHORT is given when the security is expected to decline in value over the next year.

The distribution of ratings across Fintrust's entire company universe is 45.5% Buy, 36.4% Hold, 9.1%Sell, and 0% Short

Key Figures

Key figures pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified.

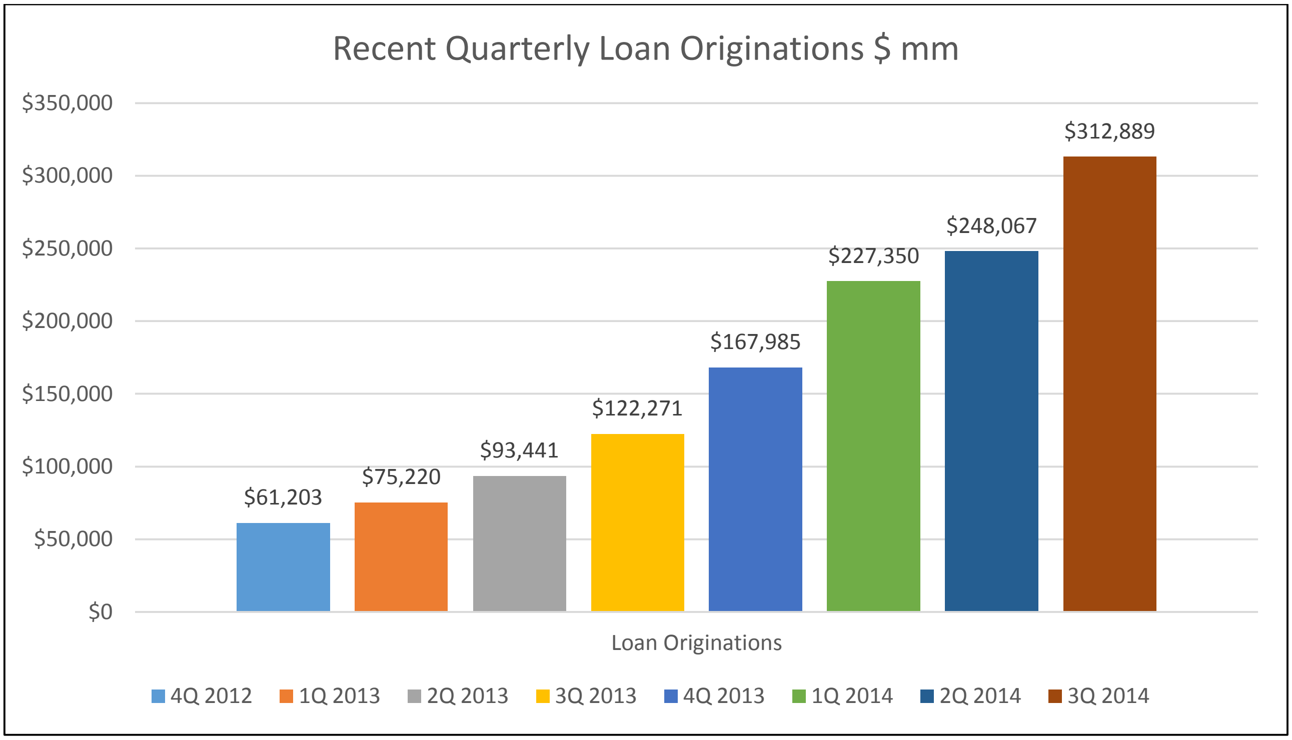
ROE	**3.5%**
ROA	**1.2%**
Loans / Assets	**66.3%**
Payout Ratio	**NA**
Revenue (000's)	**$247,174**
Net Income (000's)	**$11,310**
Outstanding (mi)	**67.5**
Shares Short (mil)	**NA**
Market Capitalization ($ mil)	**$1,084**
Gross Loans ($ mil)	**$493**
Beta	**NA**

Valuation

Sales (14E)	**$158,390**
Sales (15E)	**$247,174**
Sales (16E)	**$403,086**
P/S (14)	**7.2x**
P/S (15)	**4.6x**
P/S (16)	**2.8x**
Est. 2014-2015 Growth	**56.3%**

Please see pages 36 and 37 of this publication for important certification and disclosure information.

Analyst's Notes.... Continued



Source: ONDK IPO Prospectus

Company Introduction

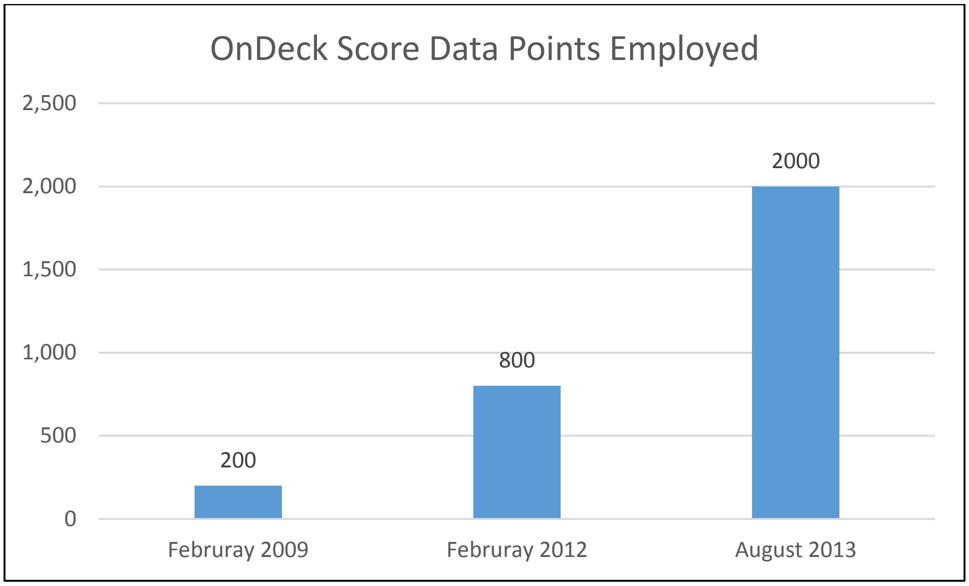
ONDK is a hybrid 'on-balance sheet lender' and increasingly a P2P lender. Launched in 2007, quickly-growing ONDK offers small businesses (or 'SB') both business term loans from $5K - $250K, and lines of credit from $10K - $20K. **ONDK earns the majority (~ 75%) of its revenues through interest income and fees earned on term loans**, **issued by ONDK into states and jurisdictions where the lender is able to 'export' interest rates based on the commercial interest-rate lending regime of the state of Virginia, and w**hich feature fixed dollar repayments with maturities of 3 – 24 months.

In October 2013, ONDK began generating revenue by selling some term loans to third-party institutional investors (there were 8 such investors at 9/30/14) through the 'OnDeck Marketplace'. Through 9/30/14, ONDK cumulatively sold $92.5 million in loans to OnDeck Marketplace investors (~ 7% of total loan originations, a ratio we see climbing to a 25% steady state). The balance of the Company's revenue consists of fees received for servicing loans sold to third-party institutional investors and marketing fees from issuing bank partners, in states where ONDK cannot 'export' the state of Virginia's interest rates. YTD 2014 loans issued by issuing bank partners represented 16.7% of total loan originations. Overall the lender has cumulatively made over $1.7 billion in SB loans since 2007.

- ONDK's platform incorporates a proprietary database of over 10 million SBs, or some 35% of all SBs in the U.S.
- ONDK is growing quickly. In Q3 2014, loan originations advanced 156% y-o-y, to $312.8 million, while gross revenues expanded 144% to $43.5 million.
- ONDK doesn't focus on subprime borrowers. The average FICO score of a SB owner loan applicant is ~ 685, with a minimum score of 500 required.
- SBs are permitted to repay their term loan at any time; however, they are responsible for the full payback amount on the term loan regardless of when it is repaid.

Analyst's Notes.... Continued

A major distinguishing characteristic of OnDeck Capital is the **OnDeck Score.** The Score is a proprietary automated credit analysis platform using big data and proprietary analytics to score a credit application. We estimate that the Score incorporates an amount of data that is multiples of that employed by traditional SB lending techniques, and includes online banking data, credit bureau data, social media data and bank payments data. As more loans are made, the Score's data base expands and the proprietary algorithms incorporate these new data to improve the mechanisms overall accuracy – referred to as 'machine learning'. The decision engine incorporates both internal and 3rd-party data.



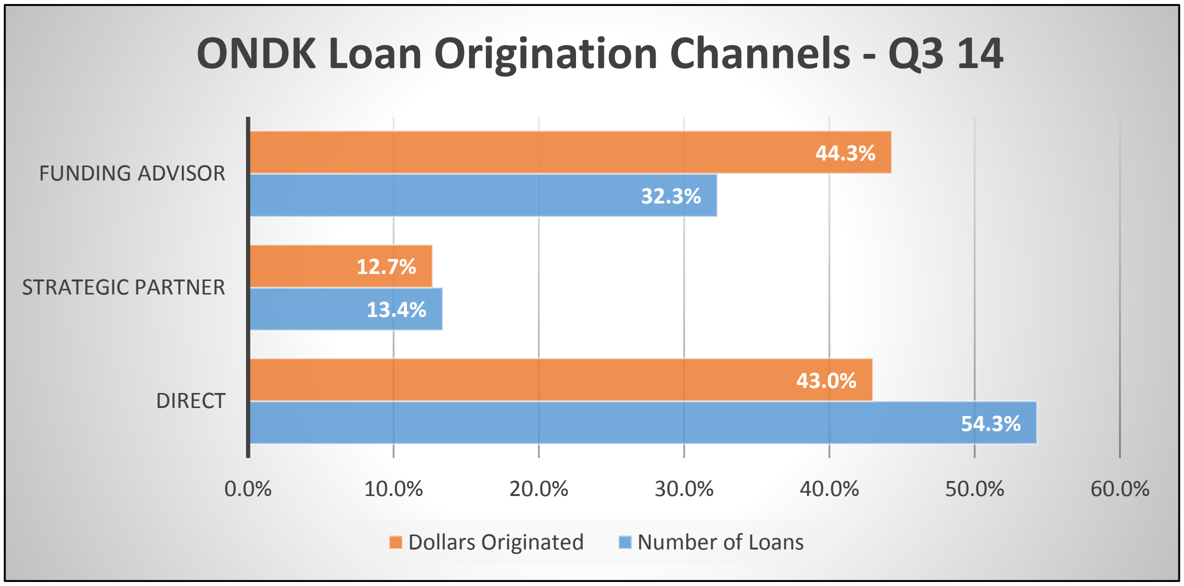
Source: ONDK IPO Prospectus

The lender, for example, uses 3rd-party providers to verify data submitted by the borrower applicant such as bank statements. Internal data includes the lender's vast database related to macro-economic, regional economics, business sector economics and individual business data that has been accumulated over many years. The company uses this data to make original loans, renew loans, and to pre-qualify individual businesses. In order <u>to better harness the lender's in-house database, ONDK has increasingly emphasized originating loans using its in-house direct sales team, rather than its various loan origination partner channels.</u>

ONDK is an alternative lender (AL) to small businesses under the category of 'on-balance-sheet' lender. While we explain these terms in depth elsewhere in this report, unlike peer-to-peer lenders such as LendingClub (LC, $20, HOLD), that merely match borrower with investor, being a balance-sheet lender means that ONDK operates, from an income and balance sheet statement point of view, as a quasi-bank: It takes loan loss provisions, estimates an allowance for loan losses, and generates net interest revenues like banks and consumer finance companies. **Thus, while it is true that ONDK uses sophisticated analytics to originate loans, and the lender is growing materially faster than more traditional lenders, we view ONDK as principally a finance company rather than a technology firm.**

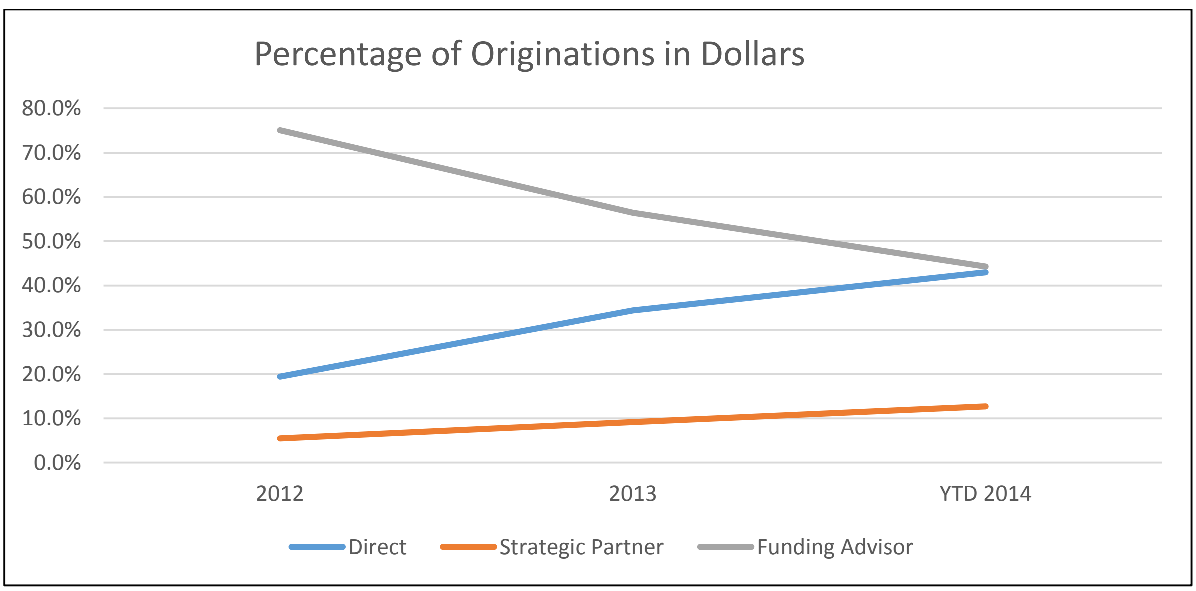
The lender employs a variety of funding sources to finance loan originations. The primary source of capital is bank debt facilities, which consisted of $312.6 million of borrowing capacity, 55% of which was being used, as of 9/30/14. In May 2014, ONDK completed its first securitization of a revolving pool of SB loans, raising $175.0 million. **As of 9/30/14, 44%, 46% and 10% of the lender's $422.1 million total loans outstanding (aka, Unpaid Principal Balance, which excludes the allowance for loan losses and several other items) were being financed by the securitization transactions, debt facilities and via the OnDeck Marketplace, respectively.**

Analyst's Notes.... Continued

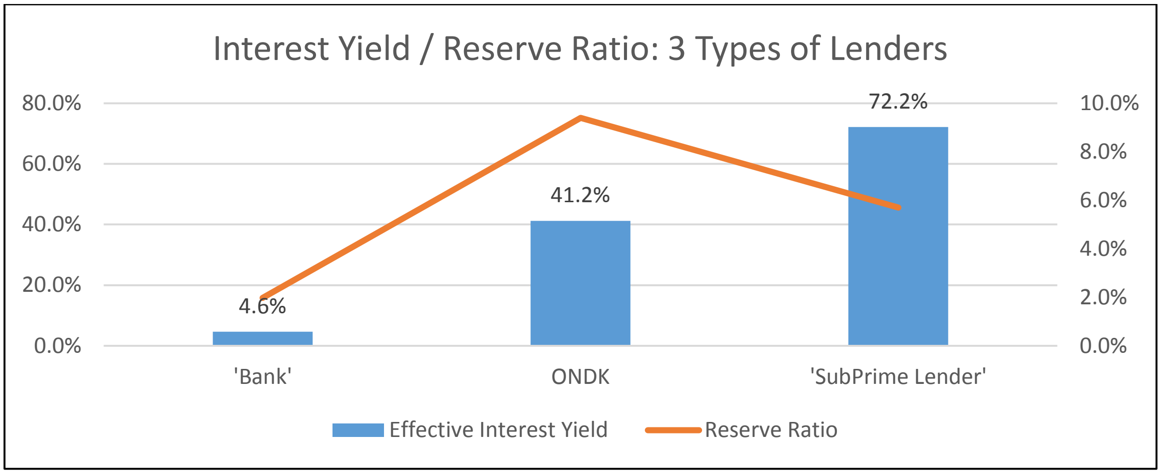


Source: ONDK IPO Prospectus

The Company has 3 main loan origination channels. These include direct marketing (direct mail, social media, other online channels), referrals (through strategic partners including banks, payment processors and SB-focused service providers), and funding advisors (including brokers who advise SB on available funding options, and others such as Biz2Credit). As the preceding chart illustrates, Funding Advisors (1) originate the most dollars lent by ONDK, and (2) originate the highest average loan amounts. **Note: Originations to new customers are increasingly principally transacted by the Company's direct sales force, a trend which we view positively.**

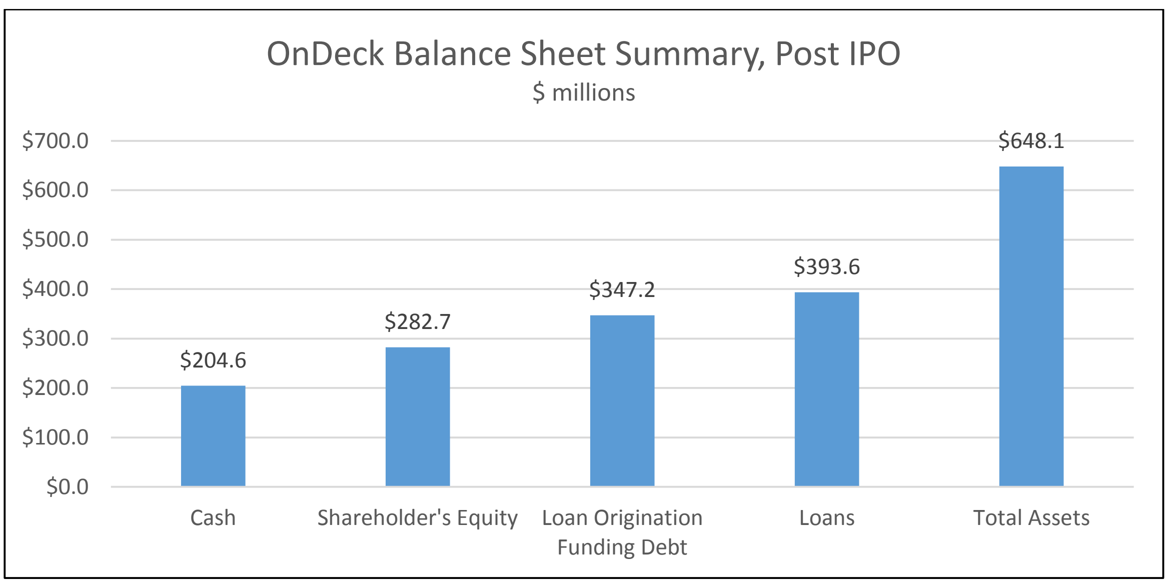


Source: ONDK IPO Prospectus



Sources: ONDK IPO Prospectus and FinTrust estimates

The preceding chart compares 2 key loan metrics for 3 very different types of lenders. We estimate that the differing effective loan yields largely reflects disparate borrower credit quality and disparate supply and demand characteristics for each lending category. While the overall correlation between yield and reserve ratio is positive, ONDK's reserve ratio, at 9.4% is exceptionally high, driven by the lender's desire to apply its more powerful analytics and credit predictive capabilities against a growing pool of loan applicants, a phenomenon we explain elsewhere in this report. **ONDK raised ~ $210 million in net proceeds late last December in its IPO, selling 11.5 million shares at $20 apiece.**



Source: ONDK IPO Prospectus

Analyst's Notes.... Continued

Small Business Lending - Industry Backdrop

Small business lending encompasses many sources, including bank debt (the largest source at $590 billion), business credit cards (~30% of small businesses use a credit card to finance capital needs, and spending on small business Visa and MasterCard credit cards reached ~ $150 billion according to a 2010 Federal reserve report), SBA lending (~ $100 billion), Alternative Lenders (~ $3 billion), and others.

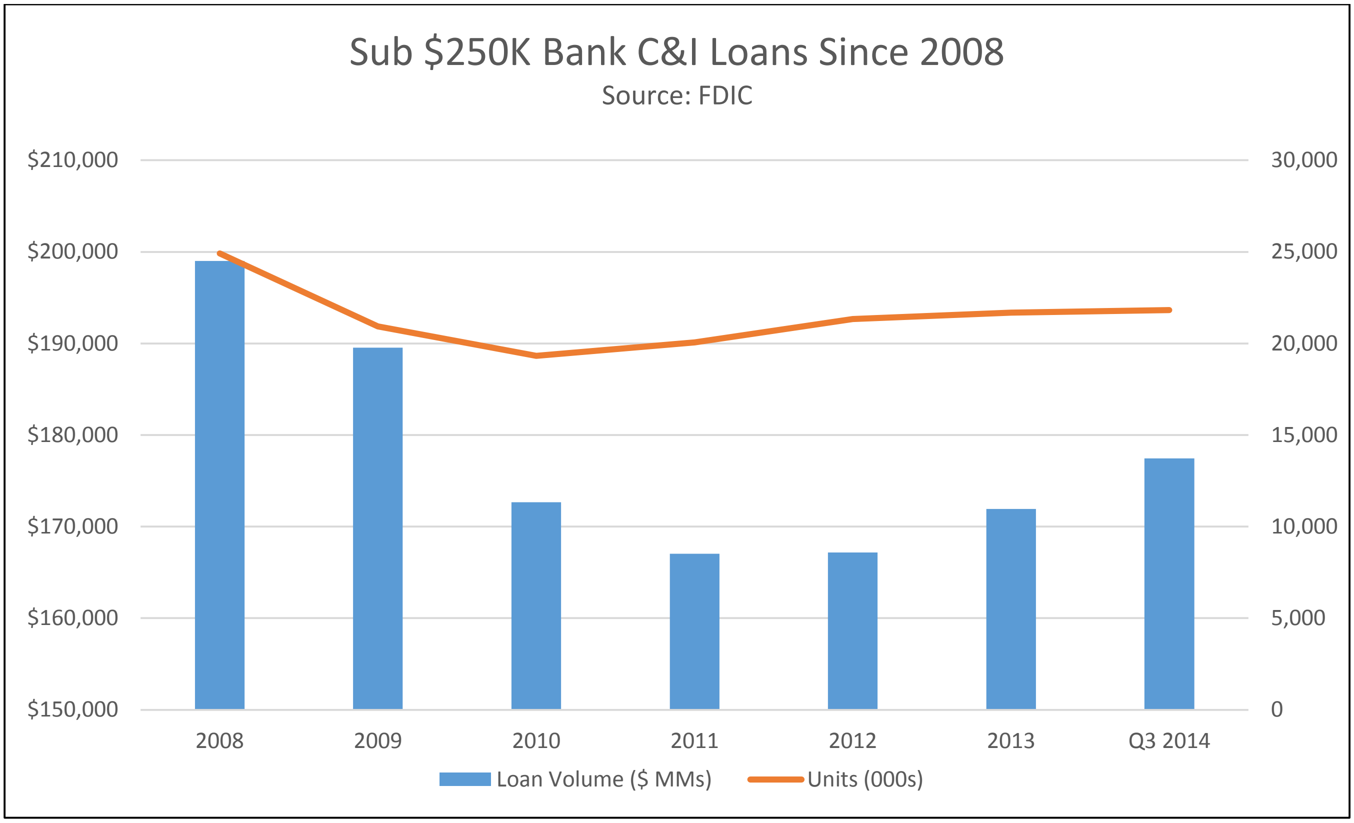
The outstanding portfolio balance of a variety of categories of SB online lenders has grown about 175% per year, but represents just ~$10 billion in loan capital (State of Small Business Lending, HBS working paper by Karen Mills, 2014). An underlying theme in small business lending is that these borrowers seek quickly approved short term financing. That is, many SB owners DO NOT want a traditional credit line or term loan. **Rather, SBs want a line of credit that would be available to act as a reserve and buffer against occasional short-term cash flow gaps (Oliver Wyman, 2013).** Businesses with higher cash flow volatility will maintain a higher average DDA balance as protection. Dealing with cash flow volatility is a perpetual worry for small business owners and in the absence of a standby line of credit, they currently resort to various tricks and evasions when faced with a payroll to meet, a large bill to pay, or a downtick in receipts. Banks have been missing the opportunity to meet this need for cash flow volatility protection. **According to the Oliver Wyman study, banks' SB loan portfolios are not 'particularly' profitable, due to many cost inputs, particularly unit cost, which is why banks' have approached the SB lending market with approaches more suited to the consumer market.** That is, using semi-automated methods to underwrite loans, with an emphasis on using credit scores on the business or its owner, to reduce unit costs.

"In fact, data quality has been a perennial problem for banks when it comes to small businesses. The traditional underwriting process for small business loans frequently calls for the business owner to provide the bank with at least two years of audited or unaudited financial statements, and/or 2-3 years of tax returns. Either way, these data are essentially out of date by the time the bank reviews them – and may not have been that accurate to begin with. Experience suggest that various metrics derived from 4 – 6 months of checking account and payments activity prove to be a reliable guide to a firm's ability to handle a given loan. The costs of marketing, underwriting and administering such loans can be a fraction of the cost of a traditional bank line of credit". – Oliver Wyman 2013

We estimate that automated, online SB-focused lenders, such as OnDeck Capital, are pioneering a new lending methodology that has enabled the SB lending arena to become a consistently profitable and growing segment of the loan landscape. These new SB lenders have developed broad distribution capabilities through partnerships with SB-focused service providers, and increasingly banks; have made substantial investments in enhanced data and analytics capabilities, enabling them to lend to more SB customers; and in the case of well-capitalized companies, are poised for international expansion.

Small businesses, which are defined by the SBA as firms with under 500 employees, employ roughly half of all Americans (48.4% in 2011) and account for over 60% of net new jobs. At year-end 2011, there were 5.68 million employer firms in the U.S, 99.7% of which had 500 or fewer workers, defining these as small businesses. Almost 90% of 5.68 million employer firms had 20 or fewer workers. In addition, there were 22.7 million non-employer (sole proprietorship) firms in 2012, yielding roughly **28.4 million small businesses in the U.S.** More dependent on bank capital than large businesses to fund their growth, small firms are generally 'hit harder' by financial crises. According to several surveys, poor sales, stemming from the recession, continues to be identified by small businesses as their single most important problem.

Analyst's Notes.... Continued



Source: FDIC

The spring 2014 Federal Reserve **'Small Business Credit Survey'** depicts a challenging environment for small business owners seeking credit, especially for loans under $1 million: FFIEC (a formal interagency body of the United States government made up of five banking regulators) Call Reports data show that despite growth in loans with a principal amount over $1 million, **lending in lower dollar ranges ─ under $1 million ─ has stagnated and remains at 2005 levels**. According to the Federal Reserve…the spring 2014 survey highlights rising business costs, including financing costs, and high credit application costs, which may explain stagnant small dollar lending. Overall, we estimate that small businesses are underserved by traditional lenders. **The Small Business Credit Survey findings also indicate widespread interest in new financing types and new, nontraditional lenders, on the part of SBs, as well as other relevant indicators:**

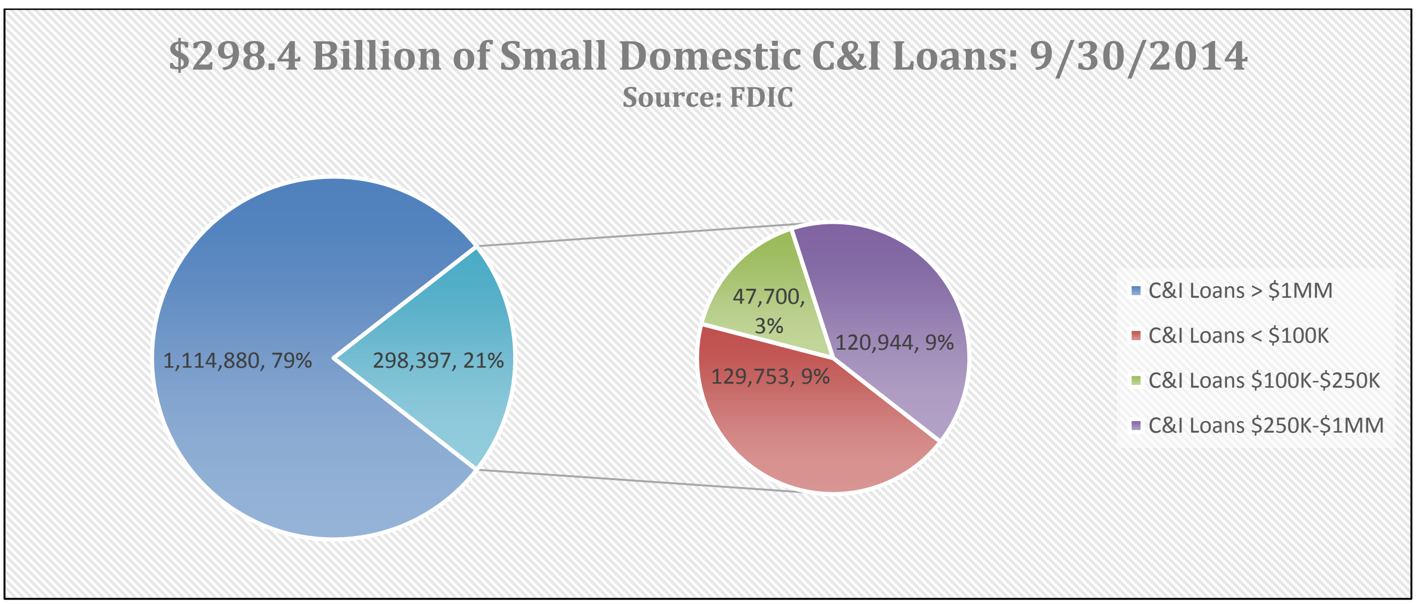
- Small business' PRIMARY source of credit in 2013 were large banks (35%), and community banks (26%).
- 36% of small businesses applied for credit in 2013 and 40% planned to apply in 2014.
- 18% of small businesses polled were too discouraged to apply for credit in 2013.
- Over 50% of unsuccessful applicants and non-applicants report an interest in exploring new financing types and new lenders.
- **In 2013, 21% of firms explored new financing types to improve their ability to obtain financing.**
- 90% of small businesses sought loans under $1 million, 51% sought loans under $100K, and 30% sought loans of $100K - $500K.
- To obtain credit, small businesses spent, on average, 33 hours applying for credit, contacted 3 financial institutions and submitted 3 credit applications. **Time is viewed as the most valuable asset for a SB owner; surveys show that SB owners perform 3 or more employee roles in any given day.**

Analyst's Notes.... Continued

Tighter lending standards in the wake of the recession has reduced the number of creditworthy borrowers. According to the Federal Reserve's Survey of Terms of Business Lending, in 2007 roughly 84 percent of the value of loans under $100,000 was secured by collateral, and by 2013 that figure had increased to 90 percent, a burden exacerbated by falling real estate values. And there are fewer bank lenders: according to the FDIC the number of Call Report lenders dropped to 6,939, in 2013, down from 8,843 in 2005, a 21.5% drop. The drop consisted almost entirely of lenders with assets under $100 million. We estimate that tighter capital ratio standards, particularly at larger banks, have contributed to the recent slowdown in small business lending: according to the FDIC, small business loan volume is dominated by the largest lenders: **at year-end 2013, the 35 largest bank holding companies held 40.1% of the $582 billion SB bank lending market.**

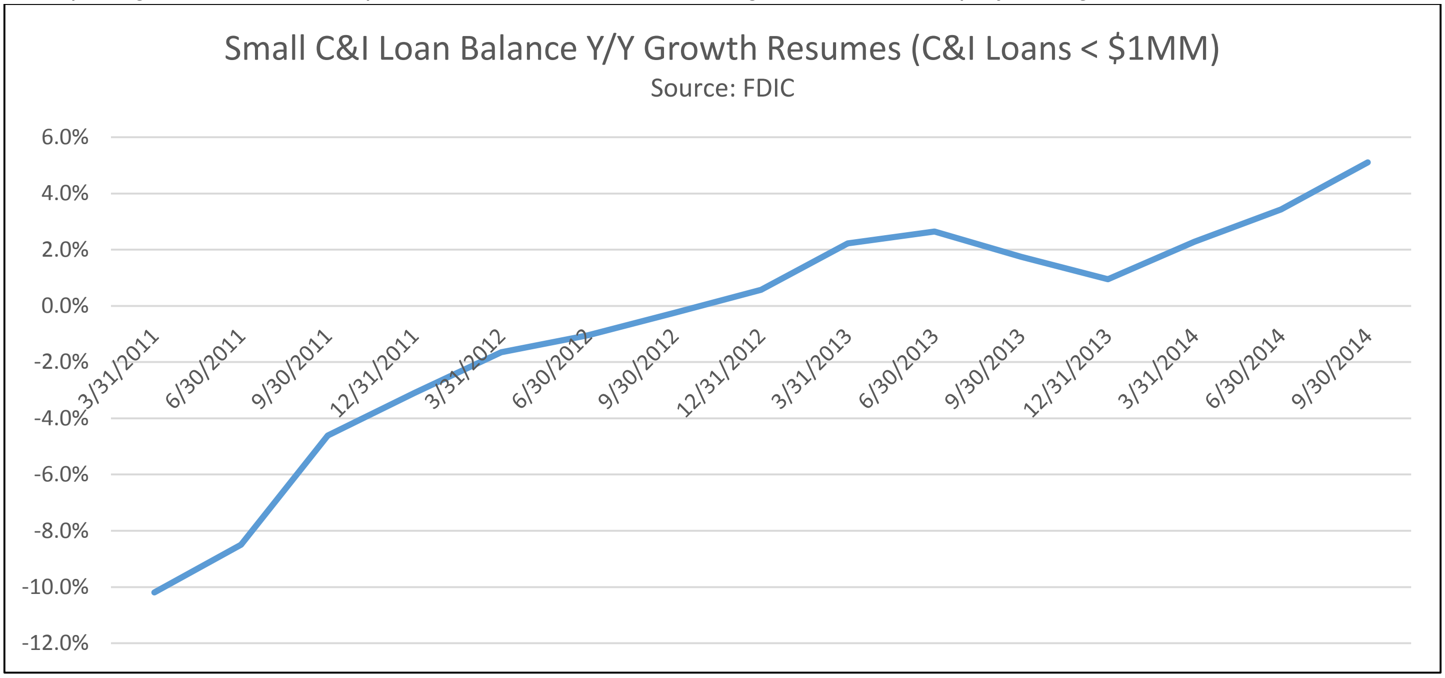
Small business loans have always been inherently difficult and time consuming to underwrite. Small businesses are a diverse group spanning many different industries, stages of development, geographies, financial profiles and operating histories, historically making it difficult to assess their creditworthiness in a uniform manner, and there is no widely accepted credit score for small businesses. In addition, small businesses often seek small, short-term loans to fund short-term projects and investments, but traditional lenders may only offer loan products that feature large loan sizes, longer durations and rigid collateral requirements that are not well suited to their needs.

Total small business loans outstanding comprise 21.1% of $2.73 trillion in total business loans in the U.S. According to FDIC data, as of Q2 2014, there was $589.7 billion in total small business loans outstanding at the nation's banks, comprised of $291.8 billion in Commercial Real Estate (CRE) loans, and $297.9 billion in Commercial and Industrial (C&I) loans (which we focus on in our review of the current state of the small business loan marketplace). Furthermore, small business loans outstanding have declined precipitously since 2008, falling to $589.7 billion in Q2 2014, from $711.5 billion at the end of 2008. During the same time span large business loans outstanding (> $1 million) expanded 19.4%, to $2.15 trillion, up from $1.80 billion in 2008. **In absolute terms, small C&I loans held at banks fell to $298.4 billion, down from $316.0 billion at 3/31/2010.**



Analyst's Notes.... Continued

With the economy gaining steam as 2014 came to a close, we estimate that both the demand and creditworthiness for credit on the part of small businesses will increase in 2015, continuing a trend started, we estimate, at the end of 2012. **Small balance C&I loans began to expand from a nadir of $279.0 billion at 9/30/2012. While total small C&I loan balances grew 5.1% y-o-y in Q3 2014**, in terms of Y-o-Y growth in the number of outstanding small C&I loans, in Q3 2014, total small C&I loans outstanding grew 1.8%, to 22.2 million loans (the highest total since 2008). The incidence of loans outstanding increased more rapidly for larger-balance loans.



The number of C&I loan originations is driven by the smallest loans. The vast majority of small C&I loans are under $100K. At 9/30/2014, according to the FDIC, 95.9%, 2.22% and 1.87% of small C&I loans outstanding are under $100K, between $100K and $250K, and between $250K and $1 MM, respectively.

Alternative Lending- AL

AL is a form of **short term small business lending** that began to flourish in the wake of the recession and subsequent tightening of bank lending standards to small businesses. AL represents short term (12 months or less) uncollateralized financing to small businesses. There are daily remittance mechanisms such as daily debit ACH or split credit card processing. The 2 primary products are the Merchant Cash Advance and the Term Business Loan. The typical AL advance amount is $25K to $35K with a repayment period of 6-8 months. AL underwriting is data intensive with decisions made within 48 hours and funded in 3 – 5 business days. **AL is widely estimated to be ~ $3 billion in size, up from just ~ $400 million in 2006**. The biggest AL participants are OnDeck, Kabbage, RapidAdvance, CAN Capital, and others. It is estimated that there are hundreds of ALs, with 'brand names' such as American Express, PayPal and Intuit entering the sector. Interest rates on AL loans can be 50% or more on a compounded annual basis, while borrowers have to make repayments daily. As private commercial lenders, ALs fall outside bank regulations. **For example, by underwriting all of its loans in Virginia, OnDeck Capital is not exposed to state usury limits.**

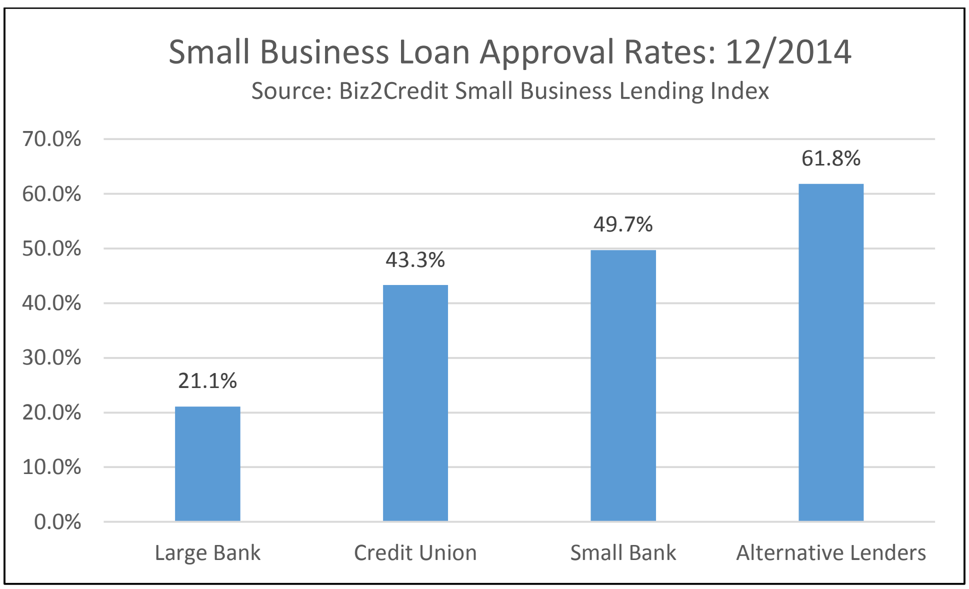
Merchant Cash Advance (MCA) is used by businesses characterized by having little or no collateral, such as storefront retail (restaurant, dry cleaner, florist, etc.), but strong credit card sales. MCA providers offer businesses a lump sum payment in exchange for a share of future sales. **MCA companies point out that advances are not loans but a purchase and sale of future income. That means that merchant cash advances are not bound by laws that regulate lenders and limit interest rates.**

Analyst's Notes.... Continued

Term Business Loans (TBL) are fixed-rate, 6 – 12 month loans that are personally guaranteed by the majority business owner, and are based on a fixed fee charged on the amount loaned, not an interest rate. TBL pay downs consist of daily debit ACH on the business' checking account. **TBLs must meet state usury requirements**. Consequently, TBL lenders partner with banks, such as WebBank of Utah, that can 'export' their rates to other states. Providers include Lending Tree, On Deck, and others.

AL customers typically have difficulty obtaining a traditional bank line of credit, and an AL can be very expensive with equivalent APR of 30% to 200%. **The AL model is not highly dissimilar from the consumer payday lending industry. A typical AL loan has an origination fee (some percentage of the loan amount) and an APR.** A typical 20%, 4-month loan equates to a 60% APR.

In fact, according to a report by Biz2Credit – the September 2014 Biz2Crdit Small Business lending Index - alternative lenders are approving fewer loans, while **big banks** are approving more: in September of last year, banks with $10 billion or more in assets approved 20.6% of small business loans, a post-recession high, up from 17.5% in September, 2013. Approvals by small banks, at 50.3%, and credit unions (43.4%), have remained flat over the past year. **On the other hand, according to Biz2Credit, AL approvals including merchant cash advances and factoring loans, have declined to 62.6%, down from 67.3% in October 2013.**



- Alternative lenders value recent growth, obviating the need for a borrower to supply years of tax returns.
- Alternative lenders focus on DDA cash flow patterns to access a businesses' creditworthiness.
- They offer 24 – 48 hour turn around, versus several weeks for a traditional bank loan.
- They offer more convenience and transparency
- They place less emphasis on collateral, credit history and tax returns and a greater emphasis on revenues and cash flows
- They accept a shorter business history; make shorter term loans based on current cash flows
- Their shorter repayment cycles than banks enable ALs to be in a better position to respond to late payments

Analyst's Notes.... Continued

Online Loan Market Growing Quickly

The online lending market disintermediates the traditional banking system, by bringing borrowers and investors together using an internet based automated platform. Some industry observers such as Foundation Capital, estimate that $8.8 billion in gross loans were originated in the online 'marketplace' in 2014, up from $3.4 billion in 2013. Successful lenders claim that they analyze larger and more heterogeneous sets of borrower data than banks, enabling them to provide loans that don't pass typical FICO-centric underwriting, used by banks to make a small business loan. Online 'lenders' such as P2P companies, use advanced data algorithms along with traditional credit data such as FICO scores and tax returns, and non-traditional credit data, such as business owners' social media profiles, to score and grade individual loans. This enables loan decisions to be made immediately. In addition to loan application automation, online lenders have significant cost advantages which are being used to arbitrage away bank's market share dominance. LendingClub (LC, $20.08, HOLD), as an example, has estimated that marketplace lending generates 400 basis points or more in operating expense savings, including 300 basis points savings from a lack of branch networks, and from use of automated origination and leaner back office operations. **Generally, there are 3 online lender platforms: P2P, online-balance sheet and small business loan matching services.**

Peer-to-Peer ('P2P') lending sites such as LendingClub, offer internet-based matching of borrower and investors. The P2P Company itself does not assume credit risk, but earns a fee for loans originated at partner banks. They view their value proposition as straightforward: create lower interest rates for borrowers, attractive rates of return for individual investors and clean and simple electronic interfaces designed to make sophisticated consumer transactions between individuals efficient, convenient and painless—and to create this value with lower operating costs and more scalability than a consumer loan department within a traditional bank. P2P lenders have traditionally focused on consumer borrowers seeking for example to consolidate credit card debt, but increasingly they are entering the small business market, forcing short term online balance lenders to lengthen their loan terms. P2P loan interest APRs are generally lower than shorter loan-term online balance sheet lenders.

Online 'balance sheet' lenders, such as OnDeck Capital, which represent the first wave of tech-based ALs, fund differently. They use their own balance sheet to make loans, which can be highly profitable as long as the platform can borrow money profitably. In addition to interest rate risk, 'balance sheet' lenders may issue equity, thereby diluting existing shareholders, when raising lending capital. Arguably, these lenders deserve lower valuation multiples than P2P marketplaces. Many **balance sheet lenders** provide a **plethora of funding solutions,** such as privately held RapidAdvance, which offers small business loans, merchant cash advances, lines of credit and SBA loans. RapidAdvance, which has funded over $600 million in loans, uses a one-page online application process and promises loan approvals within 24 hours. RapidAdvance is a direct funding source, through its own bank financing, and conducts its own underwriting. In addition, RapidAdvance sources outside funding entities for its clients, including community banks and accounts receivable financiers.

Given the short-term nature of balance sheet lenders loans, small business borrower APRs can range anywhere from 30 percent to 120 percent, with average loan sizes of about $40,000. These lenders originate new small business loans through three primary origination channels: direct, platform partnerships and brokers.

1. The direct channel allows companies to acquire borrowers through direct mail, online media, and email. As an example, OnDeck has originated loans through the direct channel since 2007, and in 2013 approximately 43 percent of their loans came through this channel.

2. In the platform channel, companies connect with prospective borrowers through strategic relationships with third party partners that have access to the small business community. OnDeck has originated loans through the platform channel since 2011 and originated approximately 10% of their loans through this channel in 2013.

3. Companies using brokers connect with prospective borrowers by entering into relationships with third‑party independent brokers that typically offer a variety of financial services to small businesses including commission‑based business loan brokerage services. OnDeck has originated loans through the broker channel since 2007 and originated approximately 47% of their loans through this channel in 2013.

Analyst's Notes.... Continued

Matching services create a platform whereby small businesses can comparison shop a range of loan products, from a wide variety of sources such as ALs and community banks. These providers address a key problem for small business in need of quick cash – 'search costs'. For example, Biz2Credit, has funded over $1.2 billion in lines of credit, equipment loans, working capital and other small business debt facilities since 2007, to over 11,000 businesses. The **match service company** connects borrowers to over 1,300 lenders, including banks, such as community bank Savoy Bank, and ALs such as CAN Capital, and RapidAdvance.

Online Big Data

Online lenders assert that their cutting-edge data-gathering techniques and software analytics allow them to make small business loans banks consider too risky, although the trend towards online loan-outsourcing by banks is growing. Unlike banks, online loan facilitators are looking beyond traditional indicators of credit risk, such as credit bureau scores. These include a person's education, a business's current cashflow and sales, sourced from Intuit or QuickBooks, a business's frequency of social media interactions, to a restaurant's YELP review. ONDK reviews behavioral data as well, such as self-reported use of proceeds, choice of loan parameters and signals in bank and cash flow data such as frequent overdraft penalties to evaluate risk of default.

- An ONDK loan application is (a) auto-approved, (b) reviewed by the lender's underwriting team, or (c) declined.

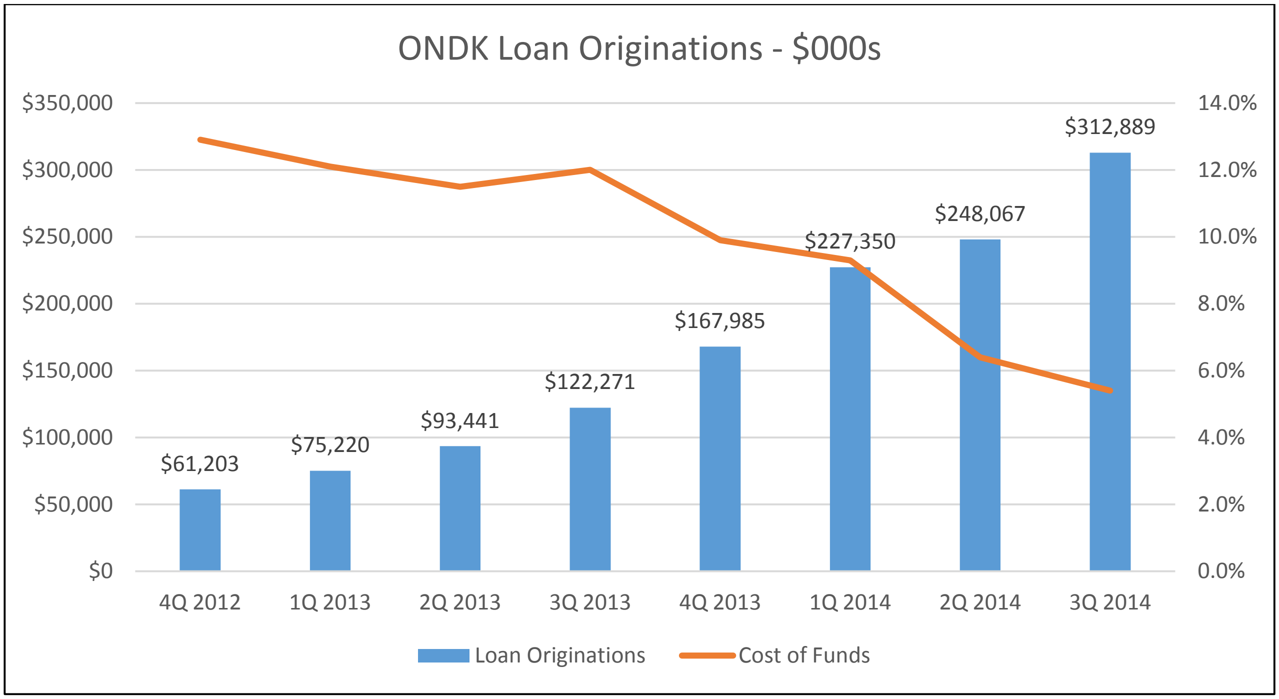
Rather than focusing on past or existing credit related data, the new lenders use in-house metrics to determine earnings potential and employability. OnDeck Capital has indicated that it can approve a loan in minutes using over 2,000 data points per application. Online lenders assert that unlike, for example, bank credit card lending, that their risk scoring models have more data analytics with which to integrate increasingly granular risk tiers, which is essential to adequately compensate investors for the risk they are assuming. In other words, the marketplace uses a wider set of data points, and analyzes the data to provide continuously more efficient / accurate loan scoring, which in theory drives lower loan defaults. In turn online lenders can price loans more effectively to the advantage of borrowers. The potential long term impact of ALs and their unique underwriting paradigms is their impact on traditional banks. As banks get more comfortable, through their burgeoning relationships with ALs, with AL underwriting techniques, banks will increasingly supply the capital used in AL lending, while the ALs themselves field loan applications.

On Deck Capital: Overview

ONDK is a leading online, hybrid balance-sheet / P2P platform for small business lending, making **term loans and lines of credit** that range from $5,000 to $250,000 and that feature terms of 3 – 24 months. Currently, term loans average ~ 5 months in duration. ONDK's loans are based on fixed repayment amounts and automated daily or weekly repayments. ONDK is an alternative to other ALs, which offer MCA, credit cards, factoring, equipment leases and HELOCs. ONDK's funding sources are diverse, and they include traditional debt facilities, securitization of small business loans originated by ONDK (the 1st occurring May, 2014), and the P2P whole loan sale marketplace that allows institutional investors to directly purchase small business loans from the Company. The vast majority of the Company's revenues, however, come from interest payments on the loans made to customers and held by the lender, and which accounted for 92.7% of total revenues during the 1st 3 quarters of 2014. The lender's profits are dependent on maintaining an acceptable interest rate spread, similar to a traditional bank. **Like a bank, ONDK is subject to credit risk, interest rate risk, liquidity risk, and others, and consequently has established a 'bank-like' allowance for loan losses. The allowance, is not, however, subject to periodic review by banking regulators.**

Loan pricing falls between traditional bank lenders and ALs such as merchant cash advances. **In Q3 2014, the weighted average APR on ONDK term loans was 53.2%.** We estimate that the repayment characteristics are less risky than repayment characteristics of banks which offer variable rate in addition to fixed rate loans, and require monthly repayment: ONDK's loans are repaid daily or weekly. **ONDK is growing quickly.** In the 9 months to 9/30/14, the lender originated $788.3 million in loans (~ $42.2K / loan), equaling a 171% y-o-y growth rate. In the 1st nine months of 2014, gross revenues advanced 156% y-o-y, to $107.6 million.

Analyst's Notes.... Continued

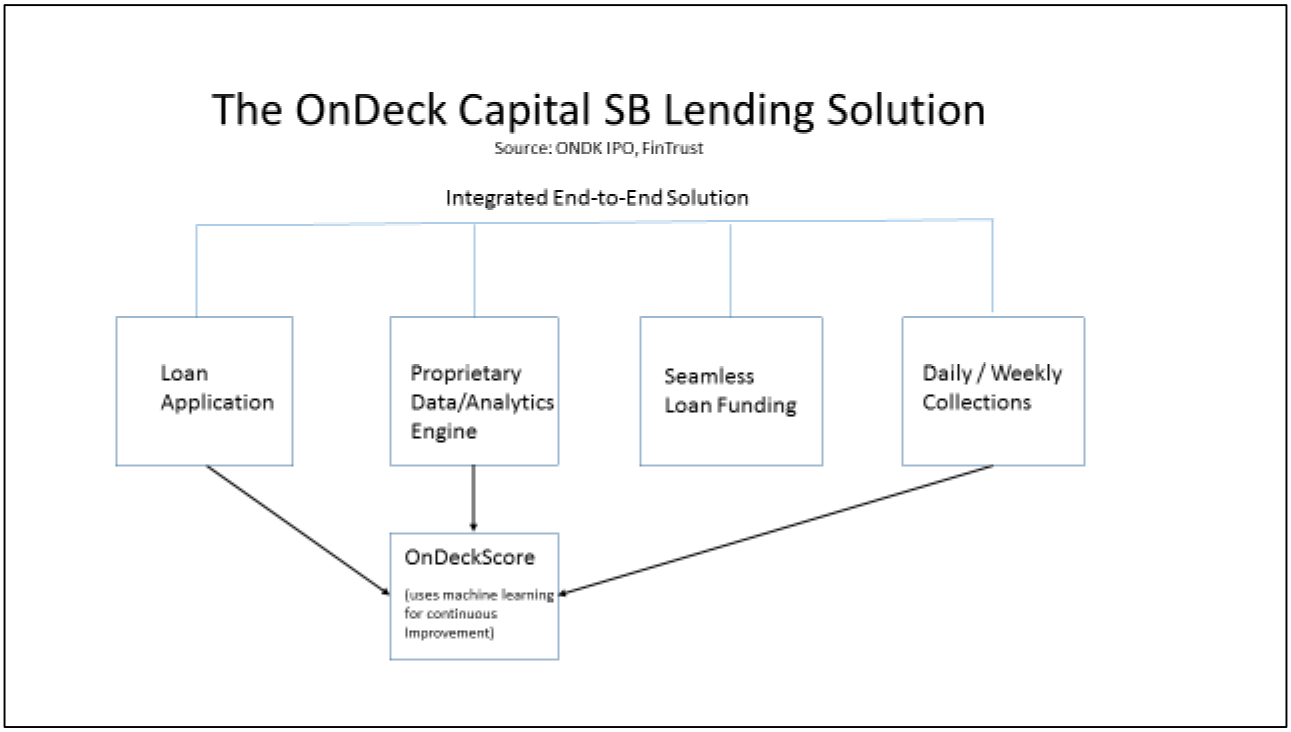


Small businesses can apply for a business term loan or line of credit on its website, and using the proprietary OnDeck Score, ONDK can make a funding decision immediately and transfer funds the same day. Since 2007, ONDK has originated over $1.7 billion in loans and collected more than 4.4 million customer payments. **Over time, growth has accelerated: from 2011 – 2013, loan originations grew at a 127% CAGR. In the 1st nine months of 2014 originations expanded 171%, compared to 2013. ONDK lends across 700 industries and in all 50 states and Canada.**

- ONDK's most frequent customers are professional services firms, retailers, restaurants, healthcare specialists and wholesalers.
- Customers have median annual revenues of $568K. A 2013 Oliver Wyman survey found that businesses with ~ $500k in annual revenues, tended to seek credit lines of between $20K and $40K.
- Customers have been in business for a median of 7.5 years.
- The average 'cents on the dollar' borrowed was 2.24 cents in Q3 2014, and does not include loan origination fees

ONDK's data and analytics assets aggregate and analyzes thousands of online and offline attributes and any relationship among those attributes to score and grade a potential credit, including time in business, recent revenues, bank activity, government filings, tax and census data, health of an applicant's industry and region, and in some cases a borrower's reputation and social media data. **The resulting credit scored that's generated is referred to as the OnDeck Score.** <u>According to ONDK, the current version of their credit-scoring model is 85% more accurate at predicting SB bad credit than personal credit scores alone.</u> The goal is to (1) bring greater granularity to the underwriting process, enabling ONDK to evaluate potential borrowers that traditional banks would reject out of hand and (2) continuously use the Company's growing data base to improve the credit assessment process enabling more rapid and predictive credit decisions. **Approx. 2/3rds of ONDK loans are underwritten without manual review.** The lender estimates that several factors combine to significantly lower the cost of ONDK underwriting versus traditional banks: branch networks have been replaced by an online website, the underwriting process has been mostly automated, the Company focuses on small business loans only rather than serving many types of borrows, and finally, **ONDK is subject to less regulation: ONDK does not serve consumers and it does not take deposits.**

Analyst's Notes.... Continued



- Applicants must be in business for at least 1 year and have revenues of at least $100K.
- The SB owner must have a credit score above 500.
- ONDK does not consider a SB owner's personal assets in the loan-granting decision.

Growth Strategy

ONDK's vision is to become the 'most trusted 'lender to small businesses. To accomplish this, the Company has a multipronged strategy to ensure continued strong growth including: expand customer acquisition through direct marketing, which increases brand awareness; expand strategic partner network including banks; enhance data analytics, enabling the lender to make better lending decisions; expand the ONDK product offering; extend the customer lifetime value (CLV) by introducing new features and product cross sell capabilities, and finally, expand internationally, although no specific plans have been articulated as of yet.

Analyst's Notes.... Continued

OnDeck Term Loan

Origination fees charged to the borrower are ~ 2.5% for a term loan. In the Company's IPO prospectus, ONDK indicated that across its 3 distribution channels, term loans incur direct origination costs (including commissions paid, vendor expenses, and the amount of personnel costs associated with underwriting the loan) of ~ 3.5% of the loan origination amount. The commissions ONDK pays on loans originated via funding advisors, strategic partners and the direct channel average approximately 7.5%, 2.5% and 1.0% of loan principal, respectively. A common way to express the cost of a term loan is 'Cents on the Dollar'. This means how much the borrower has to repay ONDK for each dollar borrowed. This is equal to the total payback from the loan divided by the loan principal. As an example, if a $50K loan required daily fixed payments of $309.52 for 189 days, or $58.5K, the Cents on the Dollar payback rate is $1.17 (58.5 / 50.0). The APR on such a loan would be 50%. Because most of the loans are short term and APR is calculated on an annualized basis, the Company and its customers prefer to use the Cents on the Dollar metric. Having said that, to compare ONDK to other lenders, an average companywide APR rate is useful. **The APRs of ONDK term loans currently range from 19.9% to 99.0%. The lender's weighted average APR for its term loans in Q3 2014 was 53.2%.**

Originations, Customer Acquisition Costs and Customer Lifetime Value

The Company has become increasingly focused on growing its direct and strategic partner channels, which we view as a favorable development. Originations of all loans through the 2 channels increased from 24.9% in 2012, to 55.7% in the YTD 2014 period. In conjunction with repeat borrowing activity, ONDK customers also tend to increase their subsequent loan size compared to their initial loan size. Customers who took out an initial loan between 2011 and 2013, on average increased their second loan size by 24.5% and increased their third loan size by 48.8% when compared to their initial loan size.

Customer Acquisition Costs – CAC – differ depending on the sales channel. Since 2012, direct channel CACs have declined as a percentage of originations, driven by the lender's increasing scale, improvements in customer targeting and the addition of pre-approvals, which has increased the conversion rate. YTD 2014, the average CAC as a percentage of principal from all originations was 3.9%, 3.4% and 8.2% in the lenders direct, strategic partner and funding advisor channels, respectively. CAC in the strategic and funding advisor channel consist of commissions paid to ONDK's internal salesforce and the 3rd-party. Direct CAC includes commissions paid to the internal salesforce and expenses associated with direct mail, and other marketing activities.

ONDK tracks Customer Lifetime Value – CLV – to measure the 'contribution' of customers over their lifetime with the lender, and to compare that with the CAC incurred to originate customers' initial loans. **ONDK defines contribution as the interest and fee income collected on customer's initial and repeat loans, less:**

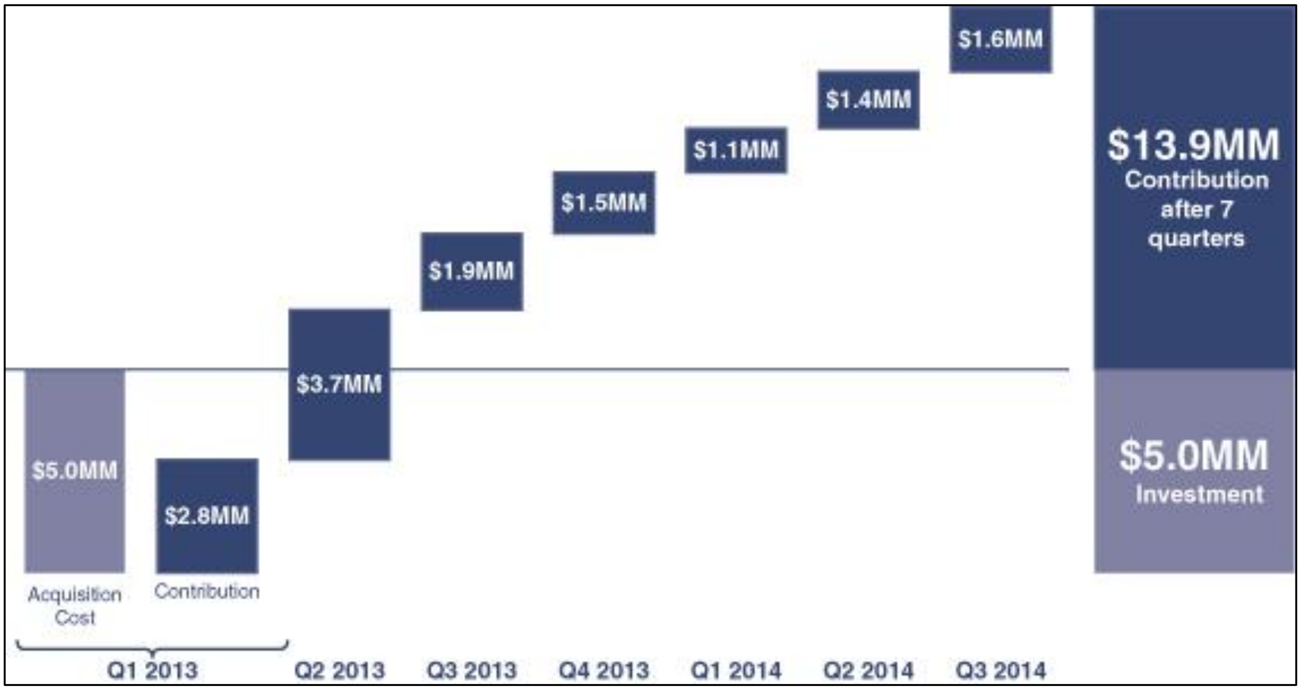
1. Acquisition costs for their repeat loans
2. 3rd-party processing and servicing expenses for both the initial and repeat loans
3. Estimated funding costs for their initial and repeat loans
4. Charge-offs for their initial and repeat loans

CLV is roughly a measure of net income less general and administrative costs, including R&D expenses. To analyze CLV, ONDK examines new customers for a given quarter: For the Q1 2013 first-time loan group, the contribution was $2.8 million during the quarter of acquisition and an aggregate of $13.9 million through Q3 2014. The aggregate contribution, over a 7-quarter period, represents a return of 2.8Xs on the initial $5.0 million investment. Over the period, total borrowings were $116.5 million, and the average number of loans per customer over the 7-quarter period was 2.2. The average initial loan was for $30,818, with an average repeat loan size of $45,390.

Aggregate contribution should not be confused with net income profitability: Over the 7-quarter period, all customers borrowed an aggregate of $1.24 billion, thus first time borrowers in Q1 2013 borrowed 9.3% of the total. Over the same period, G&A and Technology and Analytics expenses, combined, totaled $206.1 million, of which 9.3% represents $19.2 million in added expenditures not 'captured' by contribution analysis. (However, G&A and Technology and Analytics expenses, in absolute terms, have declined steadily over the time period, suggesting that the Company is moving in the direction of net income profitability).

Analyst's Notes.... Continued

Contribution Analysis of Q1 2013 First-Time Borrowers



Source: ONDK S-1

Distribution Channel Incidence / Repeat Customer Base

Distribution channels include direct marketing, strategic partnerships and funding advisors (brokers), who accounted for the **total number of loans** originated in the 1st 9 months of 2014 in the following respective proportions: 56.2%, 14.9% and 28.9%. Strategic partner referrals have become a growing source of loan originations, and the top 4 partners constituted 9.4% of total loan origination in the 1st 3 quarters of 2014. Commissions are paid to agents from each channel. However, regarding repeat loans, both direct sales personal and strategic advisors generally earn a lower commission, whereas funding advisors earn the same commission rate consistent with the commission earned on the initial loan.

Through the **Direct Marketing** channel, ONDK makes contact with prospective customers utilizing direct mail, social media, television, radio and online marketing, and outbound calling. The DM sales team interacts with the borrower regardless of the origination channel. The DM sales teams are located in New York City and Denver. This team primarily focuses on generating loan originations and assisting applicants throughout the application process by responding to applicant questions, collecting documentation and providing notification of application outcomes.

Analyst's Notes.... Continued

ONDK has been originating loans through **Strategic Partners** since 2011. SPs include banks, small business-focused service providers, other financial institutions, financial and accounting solution providers, payment processors, independent sales organizations, leasing companies and financial and other websites. Strategic partners differ from funding advisors (described below) in that they generally provide a referral to the DM sales team and the direct sales team is the main point of contact with the customer. On the other hand, funding advisors serve as the main point of contact with the customer and may help a customer evaluate multiple funding opportunities. As such, funding advisors' commissions generally exceed strategic partners' referral fees. In 2013, the average SP commission was equal to 2.5% of loan principal.

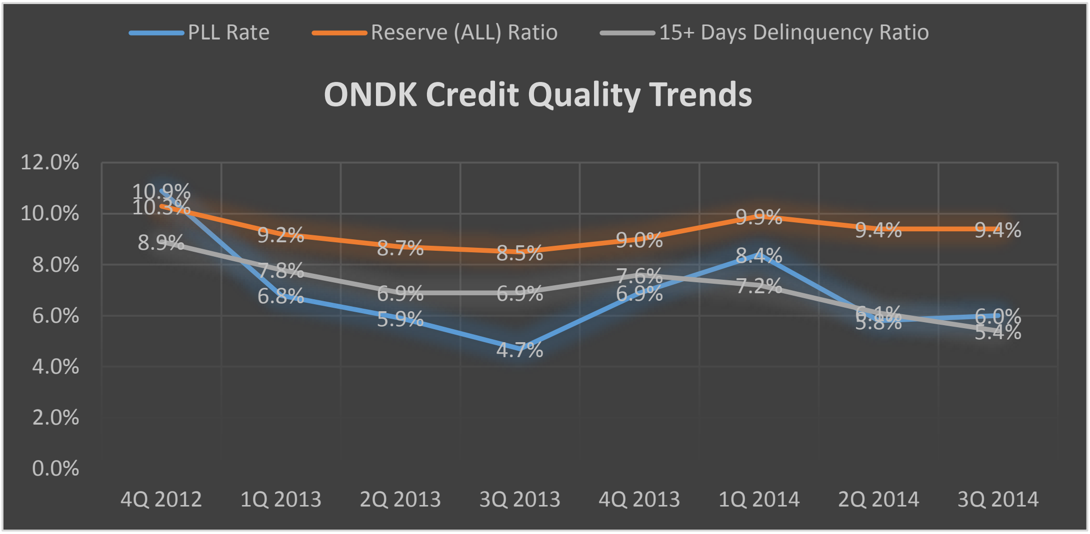
Funding Advisors, including business broker loans, are 3rd party advisors used for referrals for customers obtaining (generally large) loans from ONDK. The FA channel was the lender's original channel to access the fragmented SB marketplace. For the 1st nine months of 2014, **this channel delivered customers representing 44.3% of loans originated** during the time period. The advisor channel originates loan amounts that are well above average. FAs conduct their own marketing activities which may include direct mail, online marketing, paid leads, television and radio advertising or leveraging existing business relationships. FAs include independent sales organizations, commercial loan brokers and equipment leasing firms. As of 9/30/14, ONDK had relationships with more than 600 FAs and no single FA was associated with more than 3% of ONDK's total originations. During 2013, the average commission paid to a FA was 7.5% of the loan principal, the highest pay-out of any channel. ONDK recently has been subject to negative publicity related to this channel, including regarding the alleged backgrounds of certain of their employees. Consequently, during the first six months of 2015, ONDK plans to implement certain enhanced compliance-related measures related to the FA channel in addition to existing measures, such as, for example, doing background checks on a broker's entire employee roster rather than just the broker alone. In Q3 2014, there were complaints concerning 22 of 155 FA loan applications submitted.

Loan underwriting by channel differs to the extent historical portfolio performance by origination channel and channel specific data is different, although the Company provides no specifics.

With regard to repeat 'business', **in 2013, 43.5% of originations were by repeat customers,** who either replaced their existing loan with a new, usually larger, loan or took out a new loan after paying off their existing OnDeck loan in full.

In 2013, 30% of ONDK's origination *volume* from repeat customers was derived from **unpaid principal balances** (total loans outstanding less net deferred origination costs, allowance for loan losses and loans sold or held for sale) rolled from existing loans directly into repeat originations. In other words, a period's origination volume is calculated as the full renewal loan principal rather than the **net additional funded amount. In the YTD 2014 period, repeat customer originations grew to 49.2% of total originations, up from 43.5% in 2013.**

Analyst's Notes.... Continued



Source: ONDK S-1

Loan Quality Metrics

Overall, the lenders key asset quality metrics have held constant since 2012, even though traditional banks have reported steadily improving metrics. For example, the ALL (loan portfolio reserve ratio) has remained in the 8.5% - 9.5% range since 2012. As indicated earlier in this report, the ALL, at 9.4%, is relatively high, and has not trended lower. Traditional bank loan reserves hover in the 1.5% - 2.0% range, and in the 8-10% range for non-prime lenders.

We estimate that the lender's ALL ratio is likely to remain elevated insofar as the Company has targeted an absolute 6% - 7% net charge-off (NCO) ratio over the last several years, and for the time being, a level which, when annualized, currently equates to ~ 11% of average annualized loans outstanding. According to management, the Company targets a certain level of risk, to optimize profitability, By targeting and maintaining a relatively high charge off rate, the lender can, we estimate, enlarge the locus of potential borrowers: while its longer-tenured borrowers are likely to generate falling charge-off rates, formerly unqualified borrowers become eligible customers (due to the improving economy and continuously increasing predictive power of the lender's analytics capabilities), providing upward pressure on NCO rates. The confluence of these trends is a ~ stable NCO rate.

In the YTD 2014 period, NCOs were $26.7 million, or 146% higher than the same period in 2013, and increase roughly in line with revenue growth. Over the recent past, traditional bank NCO rates have declined substantially, to less than 0.5%. Publicly traded subprime lenders NCO rates range from 4.7% for Springleaf Holdings (LEAF, $31.96, HOLD), to 14.7% for World Acceptance Corp. (WRLD), $76.82, SELL).

The Provision (for loan losses) Ratio, as illustrated in the preceding chart, is volatile due to the fast pace of loan growth and fluid nature of the portfolio's asset quality. The ratio = the provision for loan losses (PLL) / loan originations (excluding loans sold to 3rd parties in the OnDeck marketplace). The PLL / gross revenue ratio, at 39.9% in Q3 2014, is elevated, compared to both banks and subprime lenders, due to ONDK's high growth rate and its desire to maintain a stable ALL ratio. If the lender's PLL / revenue ratio fell, as an example, to ~ 20%, we estimate that the ALL ratio would be ~ 2.5%, which would be inadequate given the current loan origination growth rate and NCO rate. **Finally, YTD 2014 PLL expense advanced 188.4% y-o-y, while interest income revenues grew 143.2% over the same comparative time frames.** Based on our conversations with the Company, PLL expense advanced more quickly due to several factors: (1) changes in expectations of loan performance over time, (2) expansion in the duration of term loans, and (3) the recent introduction of lines of credit, which require, for now, a higher rate of provision expense than term loans. The generally short term nature of the lender's portfolio, however, should, we estimate, enable management to take earlier action, with respect to taking loan loss reserves, than it could if the portfolio was long term in nature.

Analyst's Notes.... Continued

The 15+ Day Delinquency Ratio equals the aggregate unpaid principal balance that are 15 or more days past due as of the end of the period. The majority of the Company's loans require daily repayments, excluding weekends and holidays, and therefore may become delinquent more quickly than loans from traditional lenders that require only monthly payments. At 5.4%, ONDK's Delinquency ratio is at its lowest level over the last 8 quarters, and, as expected, is at a level that is between that of traditional banks and non-prime lenders.

The fall in the delinquency ratio and the concomitant steadiness of the NCO ratio suggest that ONDK's loan loss recoveries capabilities are not keeping up with overall growth. The Company stops recognizing interest income on loans that are delinquent and non-paying. Loans are returned to accrual status if they are brought to non-delinquent status or have performed in accordance with the contractual terms for a reasonable period of time and, in management's judgment, will continue to make periodic principal and interest payments as scheduled.

Loan Issuance Risk

In the 41 states and jurisdictions that do not require a license to make commercial loans, ONDK makes term loans directly to customers pursuant to Virginia law, which is the governing law the lender employs in the underlying loan agreements with its customers. Virginia law does not limit interest rates on commercial loans of $5K or more. However, there is a risk that the ability to 'export' interest rates could be reviewed and overturned, although according to the Company there isn't currently a broad based legal challenge to interest rate exportation. **Our concern is that the pursuant Virginia law was adopted prior to the advent of the internet, and therefore does not address the applicability and suitability of such laws to online transaction.**

In the remaining 9 states and jurisdictions, there's a requirement that non-bank lenders making commercial loans, such as ONDK, be licensed in each state or jurisdiction. In such states and jurisdictions term loans are made by an issuing bank partner that is not subject to state licensing, primarily BofI Federal Bank (a federally chartered bank), and which may then be sold to ONDK. BofI establishes underwriting criteria in consultation with ONDK. If BofI decides to fund the loan, BofI retains the economics on the loan for the period that it owns the loan. BofI earns origination fees from the customers who borrow from it and in addition retains the interest paid during the period BofI holds the loan before sale. In exchange for recommending loans to BofI, ONDK earns a marketing referral fee.

For the 9 months ended 9/30/14, loans made by issuing bank partners constituted 16.7% of company-wide loan originations. Although such states and jurisdictions may have licensing requirements and/or interest rate caps, **all such licensing requirements and/or caps that would otherwise be applicable are federally preempted when these loans are originated by the Company's federally chartered issuing bank partner.** As a result, loans originated by the lender's issuing bank partner are generally priced the same as loans originated by ONDK under Virginia law. **To the extent the 9 states and jurisdictions attempt to review and overturn the exemption, we estimate that such a preemption is an additional risk present in the lender's origination and rate setting mechanisms.** In the event that it is determined that the loans originated by ONDK were not made in accordance with any applicable laws, the lender would be obligated to repurchase any such loan that fails to comply with legal requirements.

Other Risks

In addition to the various risks mentioned throughout this report, potential investors should review the following, non-complete list:

- **Internal control over financial reporting**. The Company has found, and is addressing several significant control deficiencies that did not rise to the level of material weakness. The weaknesses included the effectiveness of ONDK's information technology controls, controls related to processes for the retention, documentation and evidence of reviews and approvals and the financial statement close process, specifically the recording of prepaid assets and expenses accurately, and others.

- As of 9/30/14, 28.3% of total loans outstanding were made to borrowers with less than 5 years of operating history, and as such, ONDK's loan portfolio should be expected to have a higher default rate than loans made to more established SBs. In addition, if default rates reach certain levels, the principal of ONDK's securitized notes may be required to be paid down, and ONDK may no longer be able to borrow from its debt facilities to fund future loans

Analyst's Notes.... Continued

- **Loan stacking and default** is a generalized risk applicable to any lender. The lender requires that every SB borrower signs various documents to protect ONDK, including a promise to not take out added loans from another lender (stacking). From a default standpoint, ONDK files a UCC for every loan it grants, which, however, doesn't fully protect the lender's interests: the Company's policy is to sell charged-off loans to 3rd-party collection agencies rather than pursue the SB's collateral.

Regulation

ONDK is regulated very differently than a bank. ONDK does not make consumer loans and does not take deposits, and hence is subject to fewer regulations.

Still, ONDK and the loans made through its platform are subject to extensive regulation by federal, state and local government authorities. These authorities impose obligations and restrictions on ONDK's activities and the loans made through its platform. For example, these rules limit the fees that may be assessed on the loans, require extensive disclosure to, and consents from, the borrowers and lenders, prohibit discrimination and unfair and deceptive acts or practices and may impose multiple qualification and licensing obligations on the Company's activities.

As well, the Company is subject to State Usury Limitations. **Current laws permit FDIC-insured depository institutions to "export" the interest rate permitted under the laws of the state or U.S. territory where the bank is located, regardless of the usury limitations imposed by the state law of the borrower's residence unless the state has chosen to opt out of the exportation regime.** While the Company believes that an 'opt out' by a state would NOT affect its ability to apply exported rates in a particular state, if a loan made by ONDK were deemed to be subject to the usury laws of a state, the Company could be subject to fines and other negative consequences, forcing it to cease originating loans in that state.

The Company is directly or indirectly regulated under various other requirement such as the Truth in Lending Act, Equal Credit Opportunity Act, the Fair Debt Collection Practices Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, which created the Consumer Financial Protection Board – CFPB. The CFPB is authorized to prevent "unfair, deceptive or abusive acts or practices" through its regulatory, supervisory and enforcement authority. LC is subject to the CFPB's jurisdiction, including its enforcement authority, as a servicer and acquirer of consumer credit. The CFPB may request reports concerning the Company's organization, business conduct, markets and activities. The CFPB may also conduct on-site examinations on a periodic basis if the CFPB were to determine, through its complaint system that LC was engaging in activities that pose risks to consumers.

Analyst's Notes.... Continued

Financial Review

Adjusted EBITDA Margin

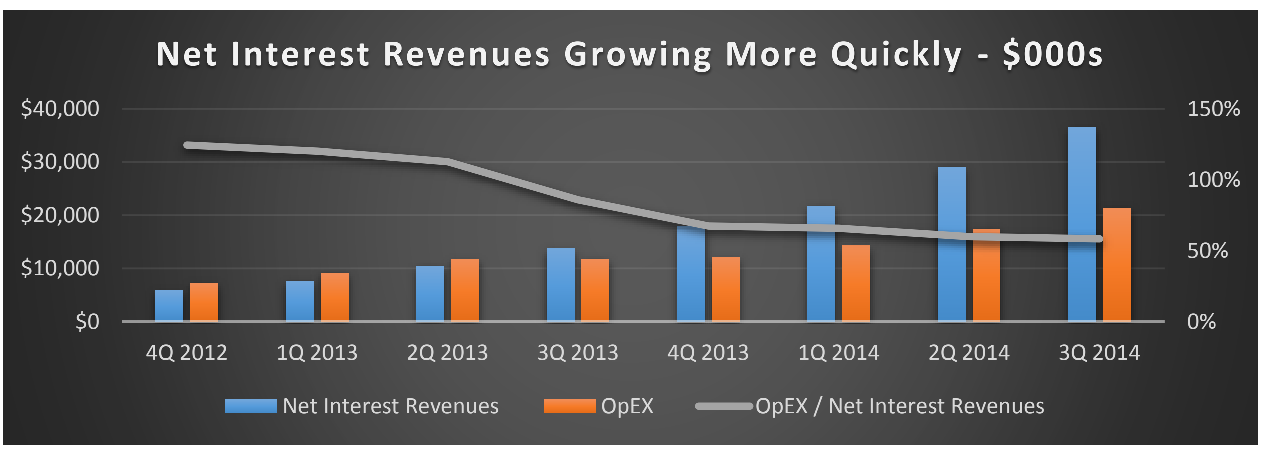
Adjusted EBITDA is a non-GAAP financial measure that is net income excluding interest expense associated with debt used for corporate purposes, D&A, stock-based compensation and income tax expense. Adjusted EBITDA margin is calculated as Adjusted EBITDA / total operating revenue, and is a measure of the profitability of the Company's operations less one-time and non-cash charges.

Loan Origination Funding

At 9/30/14, ONDK had $347.2 million in total loan origination funding debt. A significant portion of the lender's loans were funded through the securitization of small business loans. In May 2014, ONDK accessed the asset-backed securitization market using OnDeck Asset Securitization Trust LLC, a wholly-owned subsidiary, which issued ONDK's inaugural series of Fixed-Rate Asset Backed notes, the Series 2014-1 Notes, in a $175 million rated transaction to over 15 third-party institutional investors, representing a blended cost of capital of 3.41%. ONDK also funds loans through asset-backed revolving credit facilities, underwritten by Jefferies and Co., Deutsche Bank and others. The lenders to each R/C facility make loans to one of the Company's wholly owned subsidiaries which are used to finance the subsidiary's purchase of loans from ONDK in a bankruptcy-remote transaction. As of 9/30/14, the aggregate outstanding principal balance under the revolving debt facilities was $172.2 million and the principal amount of loans pledged to secure these facilities was $193.4 million. Lenders under the asset-backed revolving debt facilities do not have direct recourse to the Company.

Macro Growth Trends

As the following chart illustrates, over the last 7 quarters operating expense grew more slowly than Net Interest Revenues, enabling the lender's profitability to expand. Over the 7-quarter span, net interest revenue and operating expenses grew at a quarterly sequential compounded basis of 24.9% and 16.6%, respectively. Over the same time frame loan originations grew at a 26.2% rate (not shown).



Source: ONDK S-1

Profitability Targets

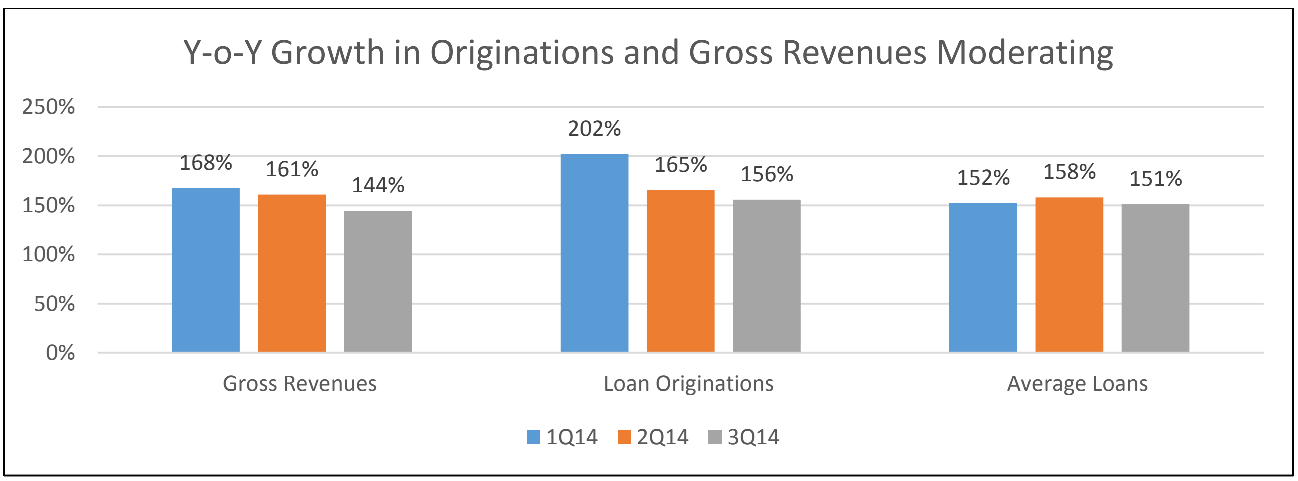
Per our discussions with management, they indicated that while attaining consistent profitability is the long term goal, the Company expects to focus on growth over the next couple of years, perhaps even at the expense of near-term profitability. That said, the following long term margin goals were indicated.

Metric	Target Margin	Current Margin – Q3 2014
Gross Margin, after PLL expense	50% - 60%	50.7%
Operating Expenses / Gross Revenue	30% - 35%	49.1%
Adjusted EBITDA / Gross Revenues	25% - 30%	6.0%
Net Income Margin	15% - 20%	0.8%

Source: ONDK

Revenues

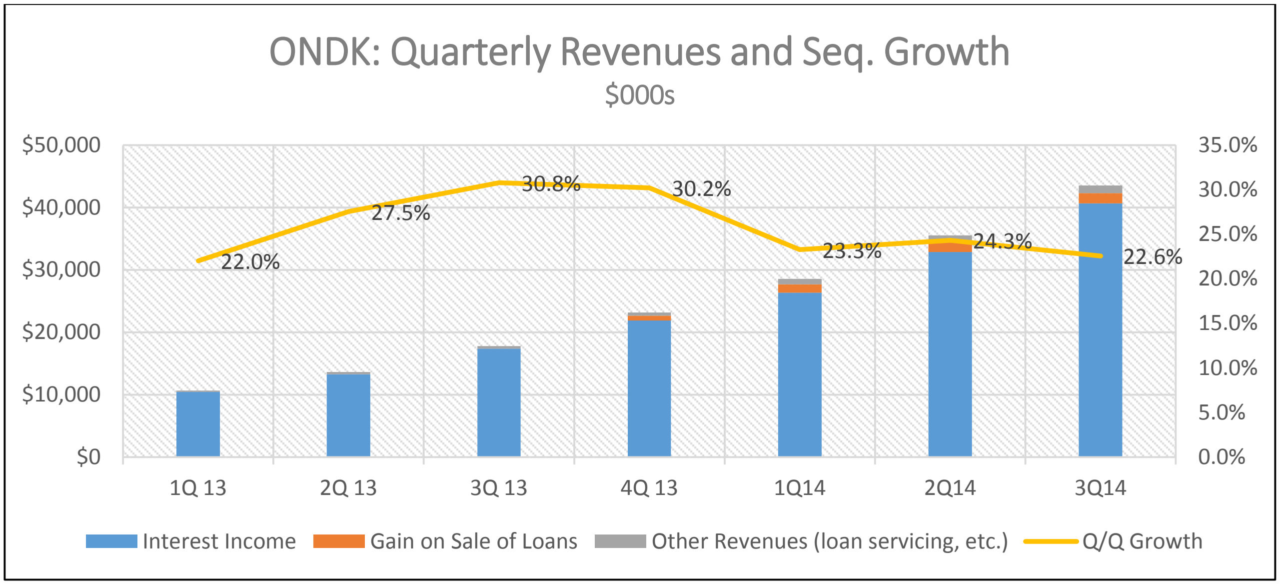
Gross revenues includes interest income, gain on sales of loans and other revenues, including servicing fees on loans sold to 3rd parties, for which the lender retains servicing rights. Interest revenues include interest income on the unpaid principal balance (UPB) of loans, as well as amortization of net deferred origination costs. Loans are carried at amortized cost, defined as unpaid principal balance + net deferred origination costs. Direct origination costs in excess of loan origination fees received are included in the loan balance and amortized over the term of the loan using the effective interest method, based on FASB 91. Growth in gross revenues is strongly correlated with growth in average loans outstanding. **While Y-o-Y growth has moderated throughout 2014, it remains robust at 144%.**



Source: ONDK S-1

Analyst's Notes.... Continued

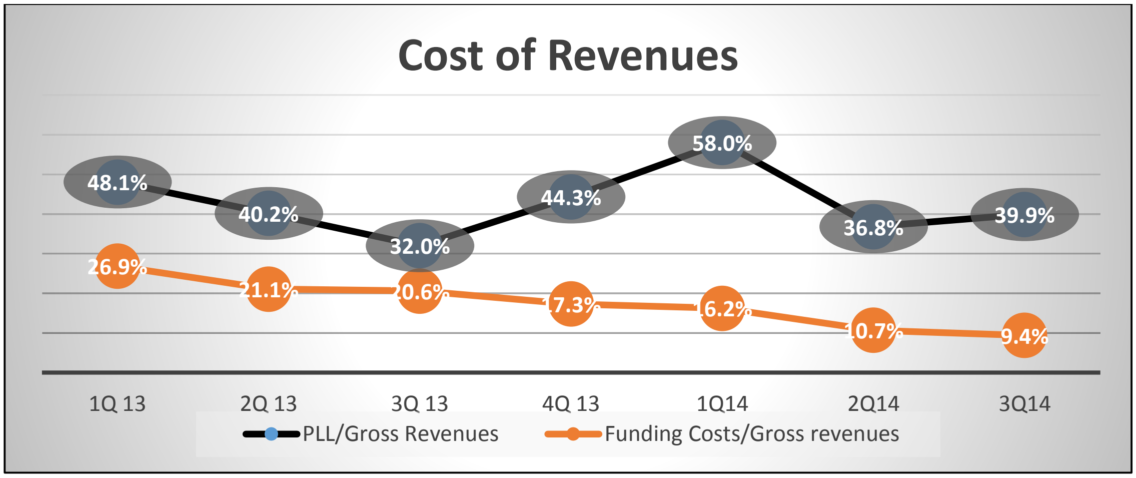
Over the last 7 quarters, total gross revenues have increased sequentially at a robust rate between 22% and 28%, although the rate of growth in 2014 has declined to the lower end of the range.



Source: ONDK S-1

Cost of Revenues

These consist of both funding costs, which are falling as a percentage of gross revenues as interest rates fall and the lender taps the less expensive securitization market, and the provision for loan losses (PLL). As mentioned earlier, the lender's PLL / revenue ratio is elevated, in the 40%-range, compared to various types of both traditional and non-traditional lenders, due to the high rate of loan growth and the desire to maintain an ALL ratio in the 9% range.

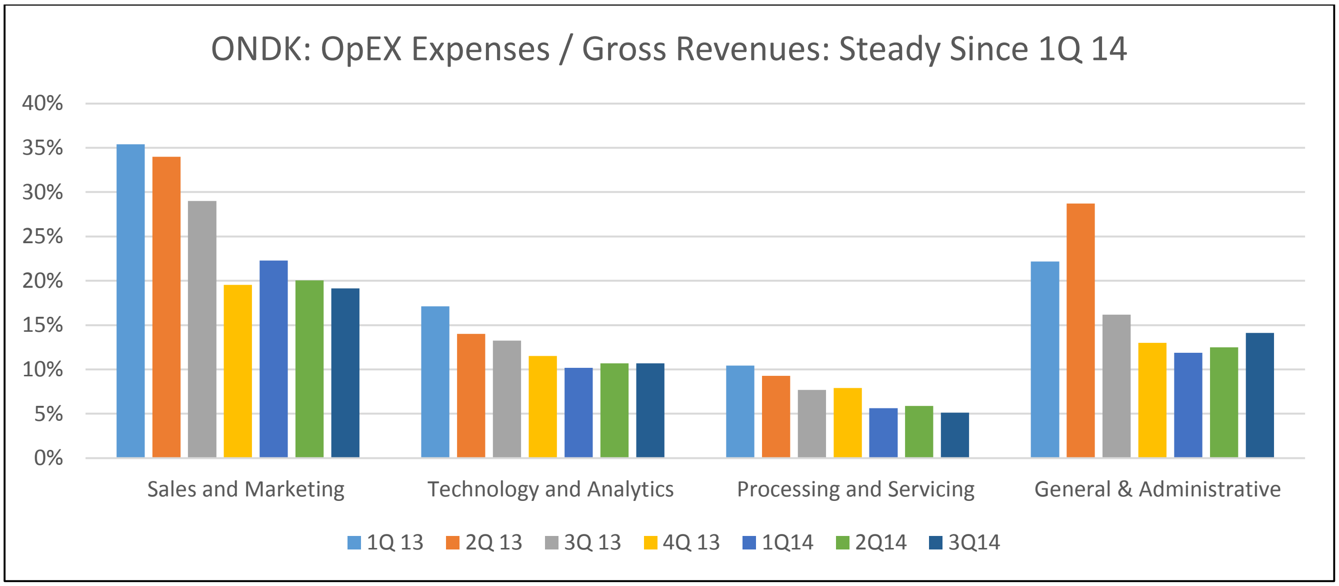


Source: ONDK S-1

Analyst's Notes.... Continued

Operating Expenses

Expenses consist of 4 key categories: sales and marketing, technology and analytics, processing and servicing and G&A. Driven by declines in every operating expense category, since Q1 2013, *total* operating expenses / gross revenues has declined from 85% to 49% in Q3 2014. That said, the decline has leveled off in 2014, driven by an acceleration in G&A growth, precipitated by added IPO-related and other expenses.

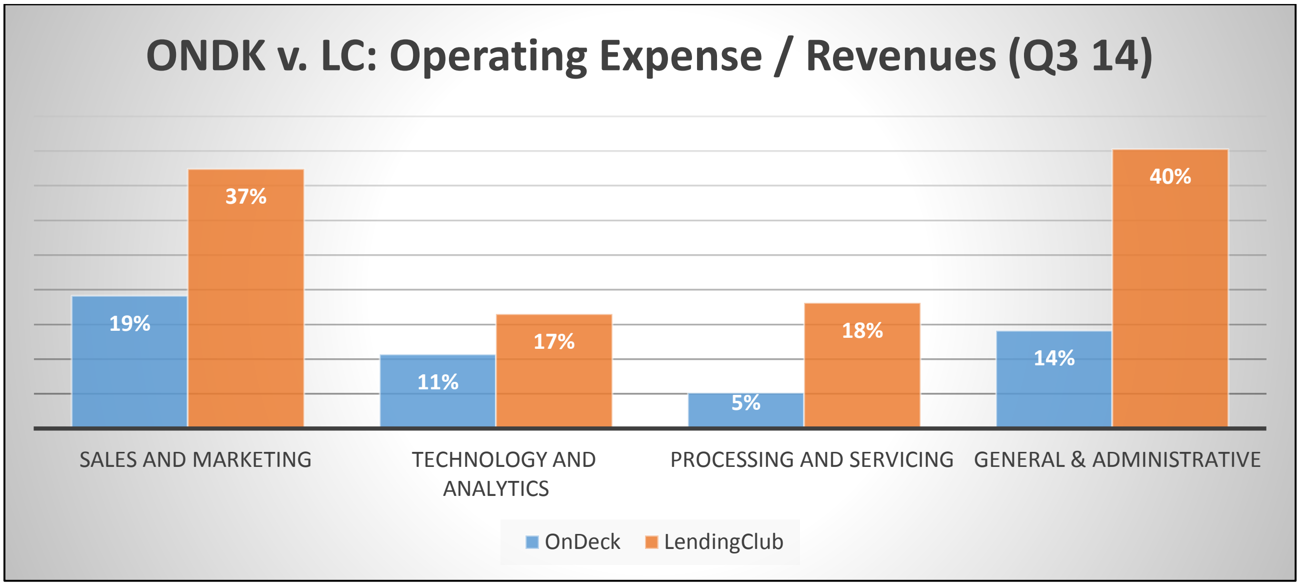


Source: ONDK S-1

Sales and marketing expense consists primarily of variable marketing expenses, including those related to borrower acquisition and retention and brand and awareness building. As a percentage of gross revenues, sales and marketing costs have fallen swiftly, to 19% of sales versus 35%, 7 quarters ago. Over the same time frame technology and analytics expense has fall to 11% of gross revenues, from 17%, while processing and servicing costs have fallen in half, to 5%.

Despite the fact that both companies have been operating since 2007, **in a comparison to P2P lender LendingClub, ONDK has achieved significantly greater economies of scale in every similar expense category**. Consequently, LC is not yet consistently profitable. In 3Q 2014, $63.1 million of operating expenses equaled 112% of net total revenues, while on balance sheet lender ONDK devoted just 49.1% of revenues to operating expense. To create the following chart, we estimated that ONDK's Technology and Analytics expense category is equivalent to LC's Engineering and Product Development expense category. It's interesting to note that in Q3 2014, on a y-o-y basis, ONDK's revenues grew more rapidly than LC's (143% v. 105%).

Analyst's Notes.... Continued



Sources: ONDK and LC S-1

- ✓ LC derives a much larger percentage of its total revenues from loan servicing, thus the Processing and Servicing percentage discrepancies are reasonable, we estimate.
- ✓ In Q1 2013, ONDK's Sales and marketing and Technologies and Analytics expense ratios were 35% and 17%, respectively, mimicking LC's expense ratios in those categories in the current quarter.
- ✓ Due to fast-rising stock-based compensation (SBC) expense, LC's G&A expense ratio has ballooned over the last 7 quarters: in Q1 2013, LC's G&A ratio was 22%, versus 40% in Q3 2014. For the 1st 3 quarters of 2014, LC's SBC expense equaled 17.4% of revenues, while SBC came to just 1.4% of ONDK's gross revenues.
- ✓ The differences in expense ratios noted, unlike LC, ONDK, as an on-balance sheet lender, must take loan provisions, which came to 39.7% of gross revenues In Q3 2014. Consequently, Lending Club and On Deck Capital's EBIT ratios in Q3 2014 were similar, at 0.59% and 1.63%, respectively.

Analyst's Notes.... Continued

As a % of Gross Revenues	1Q 13	2Q 13	3Q 13	4Q 13	1Q14	2Q14	3Q14
Interest Income	98%	97%	98%	94%	92%	93%	93%
Gain on Sale of Loans	0%	0%	0%	3%	5%	4%	4%
Other Revenues (loan servicing, etc.)	2%	3%	2%	2%	3%	3%	3%
Gross Revenues	100%	100%	100%	100%	100%	100%	100%
Funding Costs	27%	21%	21%	17%	16%	11%	9%
Net Interest Income	73%	79%	79%	83%	84%	89%	91%
Provision for Loan Losses - PLL	48%	40%	32%	44%	58%	37%	40%
Net Revenues after PLL	25%	39%	47%	38%	26%	52%	51%
Sales and Marketing	35%	34%	29%	20%	22%	20%	19%
Technology and Analytics	17%	14%	13%	12%	10%	11%	11%
Processing and Servicing	10%	9%	8%	8%	6%	6%	5%
General & Administrative	22%	29%	16%	13%	12%	12%	14%
Total Operating expenses	85%	86%	66%	52%	50%	49%	49%
EBT	-60%	-47%	-19%	-14%	-24%	3%	2%

FinTrust Earnings Forecast & Valuation Analysis: OnDeck Capital, Inc.

To estimate future results, several assumptions were made, including the following:

- Annually, loan pay downs are equal to ~ 250% of beginning Unpaid Principal Balance.
- ~ 25% of total origination are sold.
- Funding debt is ~ 85% of ending UPB balance.
- Operating expenses as a percentage of gross revenues decline from 2015 to 2018 and then plateau.

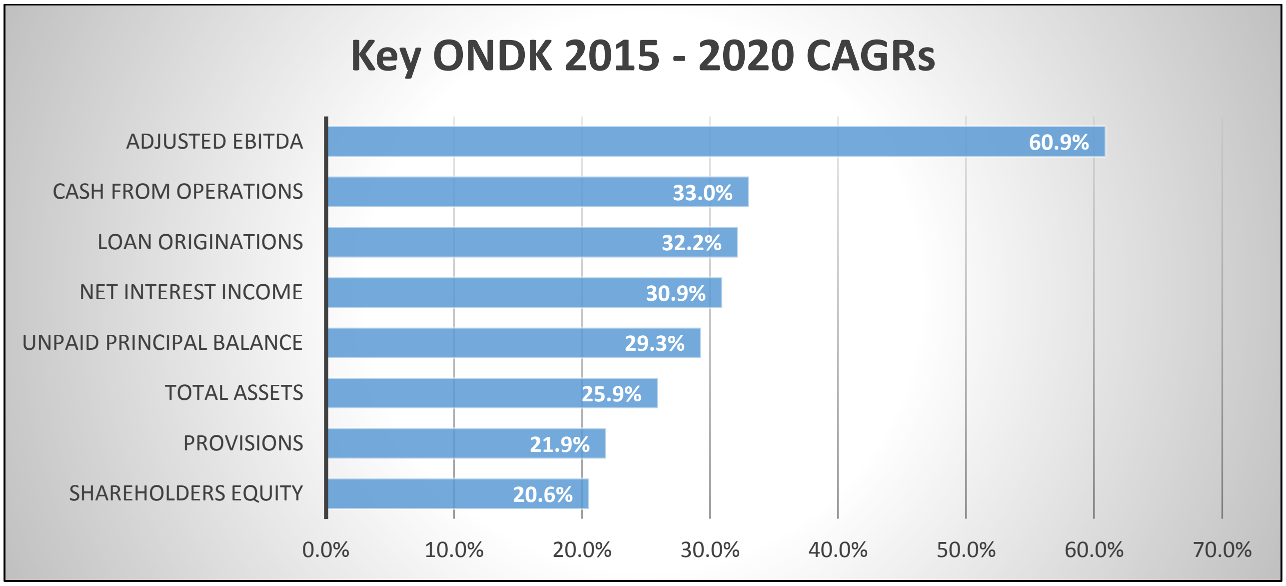
To estimate a price target, we used 2 methods.

- First we compared the lender to a group of companies involved in P2P lending and several internet-based financial services firms, focusing on sales growth and EV / sales ratios.
- Next we ran an Excess Return Valuation model, a method suitable for financial services firms. In the model, the value of a firm can be described as the sum of (1) equity capital currently invested in the firm and (2) **the present value of excess returns that we expect ONDK to generate in the future.** A firm that invests its equity and earns just a fair-market rate of return on those investments should experience a convergence of the market value of its equity and the equity currently invested in the firm**. Excess returns can be defined as (Return on Equity – Cost of Equity) x Equity Capital Invested.**

FinTrust Forecast: 2015E – 2020E

We estimate that the Company has the opportunity to grow rapidly through 2020, at least, given the Company's proprietary business model, the massive size of the SB lending marketplace and pent up demand on the part of borrowers for alternatives to banks. While ONDK currently provides almost exclusively on-balance sheet SB loans, there are ample opportunities for expansion, particularly as the lender expands its direct loan sales program, and evaluates the potential to operate a P2P model as well. The Company has yet to explore overseas lending. **From 2015 to 2020, we expect originations to grow 32.2% per annum, to $8.0 billion, up from an estimated $2.0 billion this year. The following traces other key 2015 – 2020 CAGRs as well.**

Analyst's Notes.... Continued



Source: FinTrust estimates

Specifically, based on its current target markets, we expect the Company's loan originations and net interest revenues (before PLL) to grow at a 32.2% and 30.9% CAGR, respectively, from 2015 to 2020. By 2020, our model estimates ~ $8 billion in loan originations, $849 million in net interest revenues, $454 million in cash from operating activities, and $168 million in net income. This year, we estimate that ONDK will originate $2.0 billion in loans, up 70% y-o-y, after generating 153% loan origination growth in 2014. **We anticipate that ONDK will turn solidly profitable this year, generating $247 million in gross revenues, $11.3 million in net income, $109 million in Cash from Operations, and $0.29 in Non-GAAP adjusted EBITDA EPS.** The Company is modestly FCF positive, but we expect that FCF will expand 65% per annum through 2020. Regarding the Company's balance sheet, we expect shareholder's equity to pass the $1 billion marker in 2016, and that retained losses will turn positive in 2018, as well, stimulated by both powerful top line growth and expanding profitability. ONDK's adjusted EBITDA margin climbed to 6.0% in Q3 2014, a ratio which we expect to expand to 21.8% by 2020. We estimate that ROE will broaden steadily and reach 20.5% in 2020, after eclipsing 14% in 2017 (we estimate that the Company's cost of equity is 11.0%).

Analyst's Notes.... Continued

OnDeck Capital, Inc.

($ in thousands)

Summary Financials

Income Statement	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**15 -20 CAGR**
Interest Income	147,486	216,649	358,457	519,945	655,902	771,011	863,430	31.9%
Gain on Sale of Loans	6,446	24,730	37,095	55,643	72,336	86,803	99,823	32.2%
Other Revenues (loan servicing, et	4,458	5,795	7,533	9,793	12,731	16,551	21,516	30.0%
Gross Revenues	158,390	247,174	403,086	585,381	740,969	874,364	984,769	31.8%
Funding Costs	17,677	26,715	43,075	67,042	90,550	113,746	135,892	38.4%
Net Interest Income	140,713	220,460	360,011	518,339	650,419	760,618	848,877	30.9%
Provision for Loan Losses - PLL	67,286	89,029	133,543	183,622	217,007	234,368	239,576	21.9%
Net Revenues after PLL	73,427	131,431	226,468	334,717	433,412	526,250	609,301	35.9%
Sales and Marketing	31,522	46,058	73,095	103,226	126,957	145,442	163,806	28.9%
Technology and Analytics	16,787	25,175	39,039	53,768	64,354	71,568	80,605	26.2%
Processing and Servicing	8,538	11,461	16,675	21,290	23,243	23,056	25,967	17.8%
General & Administrative	21,142	33,657	52,871	73,855	89,780	101,572	114,397	27.7%
Total Operating expenses	77,989	116,351	181,681	252,139	304,335	341,637	384,775	27.0%
EBIT	(4,562)	15,080	44,786	82,578	129,077	184,614	224,526	
Taxes	0	3,770	11,197	20,645	32,269	46,153	56,132	
Net Income	($13,958)	$11,310	$33,590	$61,934	$96,807	$138,460	$168,395	71.6%
Basic EPS	($0.51)	$0.16	$0.47	$0.85	$1.30	$1.80	$2.14	
Adjusted EBITDA / Share	$0.06	$0.29	$0.64	$1.08	$1.61	$2.23	$2.73	56.6%
Balances	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	
Loan Originations	$1,163,773	$1,978,414	$2,967,621	$4,451,431	$5,786,860	$6,944,232	$7,985,867	32.2%
Unpaid Principal Balance	383,681	677,200	1,110,915	1,532,200	1,866,845	2,207,907	2,447,540	29.3%
Shareholders Equity	311,191	322,500	356,090	418,024	514,831	653,292	821,686	20.6%
Total Assets	742,257	916,236	1,360,554	1,800,352	2,169,186	2,575,089	2,901,966	25.9%
Production								
Net Interest Income	140,713	220,460	360,011	518,339	650,419	760,618	848,877	30.9%
Provisions	67,286	89,029	133,543	183,622	217,007	234,368	239,576	21.9%
Adjusted EBITDA	1,673	19,904	45,497	78,514	120,014	171,106	214,551	60.9%
Cash From Operations	69,632	108,933	179,041	262,138	337,024	405,478	454,131	33.0%
Y-o-Y Growth								
Gross Revenues	142.0%	56.1%	63.1%	45.2%	26.6%	18.0%	12.6%	
Adjusted EBITDA	**NA**	**1090.0%**	**128.6%**	**72.6%**	**52.9%**	**42.6%**	**25.4%**	
Net Income	**NA**	**NA**	**197.0%**	**84.4%**	**56.3%**	**43.0%**	**21.6%**	
Loan Originations	153.0%	70.0%	50.0%	50.0%	30.0%	20.0%	15.0%	
Unpaid Principal Balance	77.7%	76.5%	64.0%	37.9%	21.8%	18.3%	10.9%	
Shareholder's Equity	NA	3.6%	10.4%	17.4%	23.2%	26.9%	25.8%	
Assets	214.0%	23.4%	48.5%	32.3%	20.5%	18.7%	12.7%	
Margin / ROE								
Gross Margin	46.4%	53.2%	56.2%	57.2%	58.5%	60.2%	61.9%	
OpEx / Gross Revenues	49.2%	47.1%	45.1%	43.1%	41.1%	39.1%	39.1%	
Adjusted EBITDA / Gross Revenue	1.1%	8.1%	11.3%	13.4%	16.2%	19.6%	21.8%	
Net Income / Gross Revenues	-8.8%	4.6%	8.3%	10.6%	13.1%	15.8%	17.1%	
ROE	0.0%	3.5%	9.4%	14.8%	18.8%	21.2%	20.5%	
Asset Quality								
Loans Allowance (reserves) Ratio	9.5%	10.3%	9.4%	9.7%	10.2%	10.2%	9.6%	
NCO Rate	11.4%	11.3%	11.1%	10.6%	10.3%	9.8%	9.9%	
Other								
Effective Interest Yield	41.6%	40.8%	40.1%	39.3%	38.6%	37.8%	37.1%	

Source: FinTrust estimates

Analyst's Notes.... Continued

Share Valuation

We performed a 5-year 'Excess Return Valuation' of ONDK based on our 2015 – 2020 earnings forecast, which is summarized in the preceding charts and graphs. Our key assumptions are that (1) ONDK's Cost of capital is 11.0% and that (2) the Company's discounted Terminal Value is driven by an assumption of 7% ongoing net income growth. Our model indicated that the shares' target price is $22.0, or 29.4% upside. As the following Share Price Matrix illustrates, **the target price is sensitive to very modest changes in COE or perpetual EPS growth rate assumptions.**

Excess Return Valuation Matrix: OnDeck Capital, Inc.

		Cost of Equity				
		10.00%	10.50%	11.00%	11.50%	12.00%
Perpetual Growth Rate	3.00%	$ 17.2	$ 15.6	$ 14.2	$ 13.0	$ 12.0
	4.00%	$ 18.9	$ 17.0	$ 15.3	$ 13.9	$ 12.7
	5.00%	$ 21.3	$ 18.8	$ 16.8	$ 15.1	$ 13.7
	6.00%	$ 24.9	$ 21.5	$ 18.9	$ 16.7	$ 14.9
	7.00%	$ 30.9	$ 25.8	**$ 22.0**	$ 19.0	$ 16.6
	8.00%	$ 42.9	$ 33.4	$ 27.1	$ 22.6	$ 19.3
	9.00%	$ 79.0	$ 51.2	$ 37.4	$ 29.1	$ 23.6

Source: FinTrust estimates

OnDeck Capital, Inc.

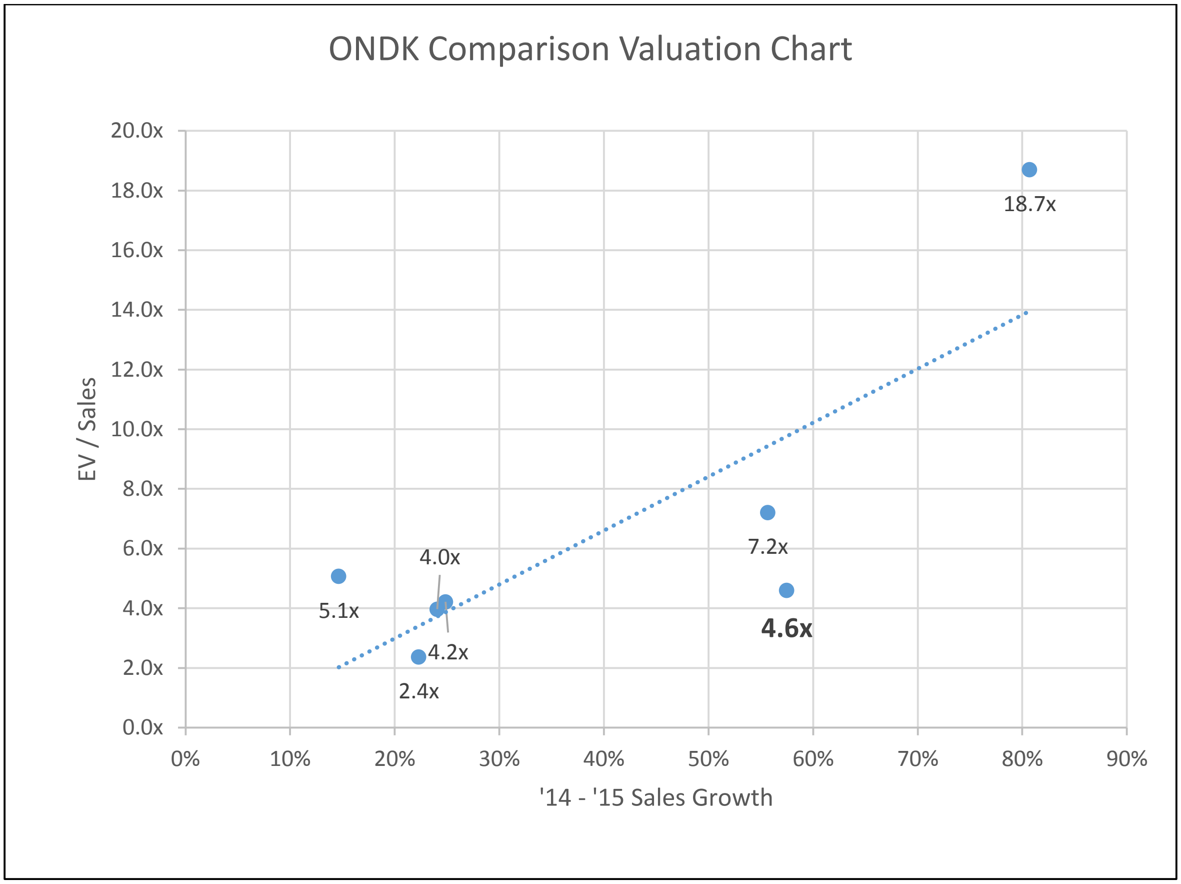
Excess Return Model	2015E	2016E	2017E	2018E	2019E	2020E
year ---------------->	1	2	3	4	5	6
Beg Book Value	311,191	322,500	356,090	418,024	514,831	653,292
Net Income	11,309.7	33,589.7	61,933.8	96,807.5	138,460.1	168,394.8
ROE	3.6%	10.4%	17.4%	23.2%	26.9%	25.8%
Cost of Equity	11%	11%	11%	11%	11%	11%
Ending Book Val	322,500	356,090	418,024	514,831	653,292	821,686
Excess Return	-20,650	-1,530	16,645	33,480	48,561	51,610
Current Book Value	311,191					
PV of Total Excess Return	128,116					
Terminal Value @ 7% Growth	1,950,233					
PV of Terminal Value	1,042,674					
Total PV to Equity ---->	1,481,982					
Shares	67,500					
Per Share Value	**$22.0**					

Source: FinTrust estimates

Analyst's Notes.... Continued

In addition, we compared ONDK to a group of 'financial technology' and one P2P lender companies, focusing on sales growth and relative EV / Sales multiples. Based on this analysis, ONDK is trading for a modest 4.6X 2015E estimated sales of $247 million, which we see growing 56.3% on a y-o-y basis versus 2014. The Peer group is trading for 6.9X 2015E sales, but as a group, is estimated to generate 28.3% sales growth. As the following chart illustrates, ONDK is trading at the largest discount on a relative growth basis. Having pointed that out, we estimate that ONDK trades at a discount insofar as its business model is relatively more risky. Unlike Lending Club (LC, $16, HOLD), which merely matches borrowers and investors and therefore doesn't assume credit and interest rate risk, ONDK is exposed to both risks. And those risks are, we estimate, enhanced by several factors:

- ONDK is spearheading a promising, but new and not fully vetted method of underwriting SB loans. For example, ONDK uses input from social media sites to analyze a credit.
- SBs are inherently harder to analyze on a mass scale, which is what ONDK is attempting to do, than other types of credits such as credit cards and large corporations.
- The lender currently generates high rates of charge-offs, which we estimate will slowly decline, but that is not assured.



Source: FinTrust estimates, Yahoo Finance

Analyst's Notes.... Continued

As a consequence, while ONDK and Lending Clus exhibit similar future growth rates, and other financial charateristics, according to our earnings models for both companies, LC attracts an EV / sales multiple that is over 3X that of ONDK (18.7X v. 5.1X). Nonetheless, we estimate that given its growth rate, increasingly accurate credit scoring algorithms and the unmet demand for credit on the part of SBs, that ONDK, a stock which is ~ 43% off its all-time high, is attractive for risk tolerant investors.

Comparative Analysis (Sources: FinTrust estimates and Yahoo Finance)

Company	Ticker	FinTrust Rating	Share Price	EV	Sales 2014E	Sales 2015E	Sales Growth	EV/Sales 2014E	EV/Sales 2015E
Alliance Data Systems	ADS	NR	$299.42	$27,990	$5,310	$6,630	24.9%	5.3x	4.2x
Envestnet	ENV	NR	$53.23	$1,720	$349	$433	24.1%	4.9x	4.0x
FleetCor Technologies	FLT	NR	$142.97	$12,910	$1,150	$1,790	55.7%	11.2x	7.2x
Xoom Corp.	XOOM	NR	$15.92	$455	$157	$192	22.3%	2.9x	2.4x
Financial Engines, Inc.	FNGN	NR	$36.69	$1,630	$280	$321	14.6%	5.8x	5.1x
LendingClub	LC	HOLD	$18.91	$6,996	$207	$374	80.7%	33.8x	18.7x
			Mean---->	$8,617	$1,242	$1,623	28.3%	10.66x	6.9x
OnDeck Capital, Inc.	**ONDK**	**BUY**	**$16.80**	**$1,134**	**$158**	**$247**	**56.3%**	**7.2x**	**4.6x**

Date: 1/6/2015

Corporate Governance:

- ONDK has a classified BOD with 3 year staggered terms. Stockholders are unable to fill vacancies on the Board.
- ONDK's directors, executive officers, and principal stockholders (of more than 5% of ONDK common stock), own 60.5% of the Company's outstanding stock, and therefore can control the outcome of matter such as the election of Directors, and merger consolidation or sale of the Company, etc.
- Stockholder action by written consent is prohibited. Stockholder action can only be taken at annual meetings, or at special meetings, which can only be called by the Board and company executives, leading to potential management entrenchment.

Company versus Market Comparison Chart:

Analyst's Notes.... Continued

OnDeck Capital, Inc.

Income Statement FY Ended December 31

($ in thousands)

	3Q 2014	4Q 2014E	FY2014E	% of Total	FY2015E	% of Total	FY2016E	% of Total	FY2017E	% of Total	FY2018E	% of Total	FY2019E	% of Total	FY2020E	% of Total	15 - 20 CAG
Interest Income	40,661	47,613	147,486	93.1%	216,649	87.7%	358,457	88.9%	519,945	88.8%	655,902	88.5%	771,011	88.2%	863,430	87.7%	31.9%
Gain on Sale of Loans	1,642	1,877	6,446	4.1%	24,730	10.0%	37,095	9.2%	55,643	9.5%	72,336	9.8%	86,803	9.9%	99,823	10.1%	32.2%
Other Revenues (loan servicing, etc.)	1,206	1,327	4,458	2.8%	5,795	2.3%	7,533	1.9%	9,793	1.7%	12,731	1.7%	16,551	1.9%	21,516	2.2%	30.0%
Gross Revenues	43,509	50,817	158,390	100.0%	247,174	100.0%	403,086	100.0%	585,381	100.0%	740,969	100.0%	874,364	100.0%	984,769	100.0%	31.8%
Funding Costs	4,090	5,146	17,677	11.2%	26,715	10.8%	43,075	10.7%	67,042	11.5%	90,550	12.2%	113,746	13.0%	135,892	13.8%	38.4%
Net Interest Income	39,419	45,671	140,713	88.8%	220,460	89.2%	360,011	89.3%	518,339	88.5%	650,419	87.8%	760,618	87.0%	848,877	86.2%	30.9%
Provision for Loan Losses - PLL	17,359	20,275	67,286	42.5%	89,029	36.0%	133,543	33.1%	183,622	31.4%	217,007	29.3%	234,368	26.8%	239,576	24.3%	21.9%
Net Revenues after PLL	22,060	25,396	73,427	46.4%	131,431	53.2%	226,468	56.2%	334,717	57.2%	433,412	58.5%	526,250	60.2%	609,301	61.9%	35.9%
Operating Expenses:																	
Sales and Marketing	8,325	9,723	31,522	19.9%	46,058	18.6%	73,095	18.1%	103,226	17.6%	126,957	17.1%	145,442	16.6%	163,806	16.6%	28.9%
Technology and Analytics	4,649	5,430	16,787	10.6%	25,175	10.2%	39,039	9.7%	53,768	9.2%	64,354	8.7%	71,568	8.2%	80,605	8.2%	26.2%
Processing and Servicing	2,235	2,610	8,538	5.4%	11,461	4.6%	16,675	4.1%	21,290	3.6%	23,243	3.1%	23,056	2.6%	25,967	2.6%	17.8%
General & Administrative	6,142	7,174	21,142	13.3%	33,657	13.6%	52,871	13.1%	73,855	12.6%	89,780	12.1%	101,572	11.6%	114,397	11.6%	27.7%
Total Operating expenses	21,351	24,937	77,989	49.2%	116,351	47.1%	181,681	45.1%	252,139	43.1%	304,335	41.1%	341,637	39.1%	384,775	39.1%	27.0%
EBIT	709	459	(4,562)	-2.9%	15,080	6.1%	44,786	11.1%	82,578	14.1%	129,077	17.4%	184,614	21.1%	224,526	22.8%	71.6%
Other Expence (income)	355	0	9,396	5.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
EBT	354	459	(13,958)	-8.8%	15,080	6.1%	44,786	11.1%	82,578	14.1%	129,077	17.4%	184,614	21.1%	224,526	22.8%	71.6%
Income Tax Expense	0	0	0	0.0%	3,770	1.5%	11,197	2.8%	20,645	3.5%	32,269	4.4%	46,153	5.3%	56,132	5.7%	71.6%
Net income	354	459	(13,958)	-8.8%	11,310	4.6%	33,590	8.3%	61,934	10.6%	96,807	13.1%	138,460	15.8%	168,395	17.1%	71.6%
Net income per common share:																	
Basic	$0.01	$0.01	($0.51)		$0.16		$0.47		$0.85		$1.30		$1.80		$2.14		67.0%
Diluted	$0.01	$0.01	($0.51)		$0.16		$0.47		$0.85		$1.30		$1.80		$2.14		67.0%
Adjusted EBITDA / Share	NA	$0.04	$0.06		$0.29		$0.64		$1.08		$1.61		$2.23		$2.73		56.6%
Weighted average shares outstanding:																	
Basic	51,167,768	59,167,768	27,583,884		68,723,469		70,723,469		72,723,469		74,723,469		76,723,469		78,723,469		2.8%
Diluted	51,167,768	59,167,768	27,583,884		68,723,469		70,723,469		72,723,469		74,723,469		76,723,469		78,723,469		2.8%

	3Q 2014	4Q 2014E	FY2014E	FY2015E	FY2016E	FY2017E	FY2018E	FY2019E	FY2020E	
Returns										
ROA				1.2%	2.5%	3.4%	4.5%	5.4%	5.8%	36.3%
ROE				3.5%	9.4%	14.8%	18.8%	21.2%	20.5%	42.3%
Average Balance Sheet										
Average Gross Loans	$391,034	$457,895	$356,024	$530,440	$894,058	$1,321,558	$1,699,523	$2,037,376	$2,327,723	34.4%
Y/Y Growth	151%	130%	145%	49%	69%	48%	29%	20%	14%	
Average Unpaid Balance	380,433	457,895	457,895	585,470	894,058	1,321,558	1,699,523	2,037,376	2,327,723	31.8%
Y/Y Growth				28%	53%	48%	29%	20%	14%	
Average Funding Debt Outstanding	$304,758	$383,444	$281,075	$497,650	$759,949	$1,123,324	$1,444,594	$1,731,770	$1,978,565	31.8%
Y/Y Growth	150%	136%	-	77%	53%	48%	29%	20%	14%	
Q/Q Growth	29%	26%	-							
Ending Balances										
Loan Originations	$312,889	$375,467	$1,163,773	$1,978,414	$2,967,621	$4,451,431	$5,786,860	$6,944,232	$7,985,867	32.2%
Y/Y Growth	156%	124%	154%	70%	50%	50%	30%	20%	15%	
Q/Q Growth	26%	20%	-							
Loan Originations Kept	281,600	337,920	$1,047,396	$1,483,810	$2,225,715	$3,338,573	$4,340,145	$5,208,174	$5,989,400	32.2%
	90%	90%	90%	42%	50%	50%	30%	20%	15%	
Loan Originations Sold	31,289	37,547	116,377	494,603	741,905	1,112,858	1,446,715	1,736,058	1,996,467	32.2%
Funding Debt Outstanding	$347,208	$419,679	$419,679	$575,620	$944,278	$1,302,370	$1,586,818	$1,876,721	$2,080,409	29.3%
Ending UPB	422,050	493,740	$383,681	677,200	1,110,915	1,532,200	1,866,845	2,207,907	2,447,540	29.3%
Funding Debt / UPB	82%	85%	-	85%	85%	85%	85%	85%	85%	
Unpaid Principal Balance Calc										
Unpaid Principal Balance - Beg	-	422,050	-	493,740	677,200	1,110,915	1,532,200	1,866,845	2,207,907	34.9%
+ Loan Originations Kept	-	337,920	-	1,483,810	2,225,715	3,338,573	4,340,145	5,208,174	5,989,400	32.2%
- Net Charge Offs	-	13,000	-	66,000	99,000	140,000	175,000	200,000	230,000	28.4%
- Principal Paid Down	196,937	253,230		1,234,350	1,693,000	2,777,288	3,830,501	4,667,112	5,519,768	34.9%
= Ending UPB	422,050	493,740	$383,681	677,200	1,110,915	1,532,200	1,866,845	2,207,907	2,447,540	29.3%
Y/Y Growth				77%	64%	38%	22%	18%	11%	-32.3%
Adjusted EBITDA	$2,611	$2,399	$1,673	$19,904	$45,497	$78,514	$120,014	$171,106	$214,551	60.9%
Y/Y Growth					129%	73%	53%	43%	25%	
Adjusted EBITDA Margin	6.0%	4.7%	1.1%	8.1%	11.3%	13.4%	16.2%	19.6%	21.8%	
Yield Analysis on Average Balances										
Annualized Interest Exp/Avg Loans	41.59%	41.59%	$0	40.84%	40.09%	39.34%	38.59%	37.84%	37.09%	
Annualized Cost of Funds / Avg Funding Debt	5.37%	5.37%	-	5.37%	5.67%	5.97%	6.27%	6.57%	6.87%	
Asset Quality Measures										
Provision Rate (PLL / loan origination)	6.16%	6.00%	-	6.00%	6.00%	5.50%	5.00%	4.50%	4.00%	
PLL / Revenues	44.04%	44.39%	-	40.38%	37.09%	35.43%	33.36%	30.81%	28.22%	
Reserve Ratio (ALL / ending UPB)	9.40%	9.53%	9.5%	10.35%	9.42%	9.67%	10.19%	10.17%	9.57%	
NCO / Average UPB	-	11.4%	11.4%	11.3%	11.1%	10.6%	10.3%	9.8%	9.9%	
Loan Reserves - ALL										
Beginning	-	39,756	-	47,031	70,060	104,603	148,224	190,232	224,599	36.7%
+ PLL	-	20,275	-	89,029	133,543	183,622	217,007	234,368	239,576	21.9%
- NCO		13,000	-	66,000	99,000	140,000	175,000	200,000	230,000	28.4%
= Ending ALL	39,756	47,031	-	70,060	104,603	148,224	190,232	224,599	234,175	27.3%
Key Income Statement Assumptions										
Gross Margin (net rev after PLL/gross Rev)	50.7%	50.0%	46.4%	53.2%	56.2%	57.2%	58.5%	60.2%	61.9%	
Sales & Marketing / Gross Revenues	19.13%	19.13%	19.90%	18.63%	18.13%	17.63%	17.13%	16.63%	16.63%	
Technology and Analytics / Gross Revenues	10.69%	10.69%	10.60%	10.19%	9.69%	9.19%	8.69%	8.19%	8.19%	
Processing and Servicing Gross Revenues	5.14%	5.14%	5.39%	4.64%	4.14%	3.64%	3.14%	2.64%	2.64%	
G&A / Gross Revenues	14.12%	14.12%	13.35%	13.62%	13.12%	12.62%	12.12%	11.62%	11.62%	
Tot Opex / Gross Revenues	49.07%	49.07%	49.24%	47.07%	45.07%	43.07%	41.07%	39.07%	39.07%	
EBIT / Gross Revenues	1.63%	0.90%	-2.88%	6.84%	12.44%	15.93%	19.85%	24.27%	26.45%	
Net Inc / Gross Revenues	0.81%	0.90%	-8.81%	4.58%	8.33%	10.58%	13.06%	15.84%	17.10%	
Tax Rate	0.00%	0.00%	0.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	
Adj EBITDA / Gross revenues	6.00%	4.72%	1.06%	8.05%	11.29%	13.41%	16.20%	19.57%	21.79%	
Stock Based Compensation / Revenues				1.48%	1.37%	1.41%	1.67%	2.13%	0.00%	

Y-o-Y Change	3Q 2014	4Q 2014E	FY2014E	FY2015E	FY2016E	FY2017E	FY2018E	FY2019E	FY2020E
Interest Income	133.8%	117.7%	134.3%	46.9%	65.5%	45.1%	26.1%	17.5%	12.0%
Gain on Sale of Loans	-	138.2%	718.1%	283.6%	50.0%	50.0%	30.0%	20.0%	15.0%
Other Revenues (loan servicing, etc.)	194.9%	157.1%	193.3%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Gross Revenues	144.5%	119.3%	142.7%	56.1%	63.1%	45.2%	26.6%	18.0%	12.6%
Funding Costs	11.6%	28.0%	31.7%	51.1%	61.2%	55.6%	35.1%	25.6%	19.5%
Net Interest Income	178.9%	138.5%	171.5%	56.7%	63.3%	44.0%	25.5%	16.9%	11.6%
Provision for Loan Losses - PLL	204.5%	97.4%	153.2%	32.3%	50.0%	37.5%	18.2%	8.0%	2.2%
Net Revenues after PLL	161.7%	185.9%	190.7%	79%	72%	48%	29%	21%	16%
Operating Expenses:									
Sales and Marketing	61.2%	114.7%	74.2%	46.1%	58.7%	41.2%	23.0%	14.6%	12.6%
Technology and Analytics	96.9%	103.4%	91.6%	50.0%	55.1%	37.7%	19.7%	11.2%	12.6%
Processing and Servicing	63.3%	42.6%	53.1%	34.2%	45.5%	27.7%	9.2%	-0.8%	12.6%
General & Administrative	113.3%	138.2%	73.7%	59.2%	57.1%	39.7%	21.6%	13.1%	12.6%
Total Operating expenses	81.4%	107.1%	74.9%	49.2%	56.1%	38.8%	20.7%	12.3%	12.6%
Net income	-107.0%	-108.2%	-42.7%	-181.0%	197.0%	84.4%	56.3%	43.0%	21.6%

Analyst's Notes.... Continued

OnDeck Capital, Inc. **ONDK**

Commom Sized Balance Sheet

($ in thousands)

	3Q 2014	4Q 2014E	2014E	% of Total	2015E	% of Total	2016E	% of Total	2017E	% of Total	2018E	% of Total	2019E	% of Total	2020E	% of Total	15 - 20 CAGR
ASSETS																	
Cash and cash equivalents	$22,642	$244,287	$244,287	32.9%	$251,651	27.5%	$289,001	21.2%	$343,420	19.1%	$412,459	19.0%	$504,468	19.6%	$594,744	20.5%	18.8%
Restricted Cash	22,615	22,615	$22,615	3.0%	22,615	2.5%	22,615	1.7%	22,615	1.3%	22,615	1.0%	22,615	0.9%	22,615	0.8%	0.0%
Gross Loans	433,391	493,740	$493,740	66.5%	677,200	73.9%	1,110,915	81.7%	1,532,200	85.1%	1,866,845	86.1%	2,207,907	85.7%	2,447,540	84.3%	29.3%
ALL	(39,756)	(47,031)	(47,031)	-6.3%	(70,060)	-7.6%	(104,603)	-7.7%	(148,224)	-8.2%	(190,232)	-8.8%	(224,599)	-8.7%	(234,175)	-8.1%	27.3%
Loans, Net	393,635	446,709	$446,709	60.2%	607,140	66.3%	1,006,313	74.0%	1,383,976	76.9%	1,676,613	77.3%	1,983,308	77.0%	2,213,364	76.3%	29.5%
Loans Held for Sale	2,653	3,184	$3,184	0.4%	4,367	0.5%	7,163	0.5%	9,880	0.5%	12,037	0.6%	14,236	0.6%	15,782	0.5%	29.3%
Deferred Debt Issuance Costs	5,281	5,281	$5,281	0.7%	5,281	0.6%	5,281	0.4%	5,281	0.3%	5,281	0.2%	5,281	0.2%	5,281	0.2%	0.0%
PP&E	13,254	14,254	$14,254	1.9%	19,254	2.1%	24,254	1.8%	29,254	1.6%	34,254	1.6%	39,254	1.5%	44,254	1.5%	18.1%
Other Assets	5,927	5,927	5,927	0.8%	5,927	0.6%	5,927	0.4%	5,927	0.3%	5,927	0.3%	5,927	0.2%	5,927	0.2%	0.0%
Total assets	**466,007**	**742,257**	**742,257**	**100.0%**	**916,235**	**100.0%**	**1,360,554**	**100.0%**	**1,800,353**	**100.0%**	**2,169,186**	**100.0%**	**2,575,089**	**100.0%**	**2,901,966**	**100.0%**	25.9%
		(0)	(0)		(0)		(0)		0		(0)		0		0		
LIABILITIES & SHAREHOLDERS' EQUITY																	
A/P	3,936	3,936	3,936	0.5%	3,936	0.4%	3,936	0.3%	3,936	0.2%	3,936	0.2%	3,936	0.2%	3,936	0.1%	0.0%
Interest Payable	717	717	717	0.1%	717	0.1%	717	0.1%	717	0.0%	717	0.0%	717	0.0%	717	0.0%	0.0%
Funding Debt	347,204	412,995	412,995	55.6%	575,664	62.8%	986,393	72.5%	1,364,257	75.8%	1,636,284	75.4%	1,903,726	73.9%	2,062,209	71.1%	29.1%
Corporate Debt	3,000	3,000	3,000	0.4%	3,000	0.3%	3,000	0.2%	3,000	0.2%	3,000	0.1%	3,000	0.1%	3,000	0.1%	0.0%
Accrued Expenses and Other Liabilities	10,418	10,418	10,418	1.4%	10,418	1.1%	10,418	0.8%	10,418	0.6%	10,418	0.5%	10,418	0.4%	10,418	0.4%	0.0%
Total Liabilities	**365,275**	**431,066**	**431,066**	**58.1%**	**593,735**	**64.8%**	**1,004,464**	**73.8%**	**1,382,328**	**76.8%**	**1,654,355**	**76.3%**	**1,921,797**	**74.6%**	**2,080,280**	**71.7%**	28.5%
Shareholders' equity:																	
Common Stock	296	296	296	0.0%	296	0.0%	296	0.0%	296	0.0%	296	0.0%	296	0.0%	296	0.0%	0.0%
Add'l Paid in Capital	225,813	435,813	435,813	58.7%	435,813	47.6%	435,813	32.0%	435,813	24.2%	435,813	20.1%	435,813	16.9%	435,813	15.0%	0.0%
Treasury Stock	(5,656)	(5,656)	(5,656)	-0.8%	(5,656)	-0.6%	(5,656)	-0.4%	(5,656)	-0.3%	(5,656)	-0.3%	(5,656)	-0.2%	(5,656)	-0.2%	0.0%
Retained Earnings (Accumulated deficit)	(119,721)	(119,262)	(119,262)	-16.1%	(107,953)	-11.8%	(74,363)	-5.5%	(12,429)	-0.7%	84,378	3.9%	222,839	8.7%	391,233	13.5%	-229.4%
Total shareholders' equity	**100,732**	**311,191**	**311,191**	**41.92%**	**322,500**	**35.20%**	**356,090**	**26.17%**	**418,024**	**23.22%**	**514,831**	**23.73%**	**653,292**	**25.37%**	**821,686**	**28.31%**	20.6%
Total liabilities and shareholders' equity	**$466,007**	**$742,257**	**$742,257**	**100.0%**	**$916,236**	**100.0%**	**$1,360,554**	**100.0%**	**$1,800,352**	**100.0%**	**$2,169,186**	**100.0%**	**$2,575,089**	**100.0%**	**$2,901,966**	**100.0%**	25.9%

Other	3Q 2014	4Q 2014E	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**
Book Value per Share	$1.97	$5.26	$5.26	$4.69	$5.03	$5.75	$6.89	$8.51	$10.44
Net Loans / Assets	84.5%	60.2%	60.2%	66.3%	74.0%	76.9%	77.3%	77.0%	76.3%
Equity / Assets	21.62%	41.92%	41.92%	35.20%	26.17%	23.22%	23.73%	25.37%	28.31%

Year-on-Year Growth	**2015A**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**
Gross Loans	37.2%	64.0%	37.9%	21.8%	18.3%	10.9%
Funding Debt	39.4%	71.3%	38.3%	19.9%	16.3%	8.3%
Shareholders Equity	3.6%	10.4%	17.4%	23.2%	26.9%	25.8%
Total Assets	23.4%	48.5%	32.3%	20.5%	18.7%	12.7%

Analyst's Notes.... Continued

OnDeck Capital, Inc. **ONDK**

Statement of Cash Flows FY Ended December 31

($ in thousands)

	9 Mos 2014	4Q 2014E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Cash flow from operating activities:									
Net income	(14,417)	459	(13,958)	11,310	33,590	61,934	96,807	138,460	168,395
PLL	47,011	17,359	64,370	89,029	133,543	183,622	217,007	234,368	239,576
Stock-based compensation	1,447	1,000	2,447	3,671	5,506	8,259	12,388	18,582	27,873
Depreciation and Amortization	2,848	940	3,788	4,924	6,401	8,322	10,818	14,064	18,283
Amortization of debt issuance costs	2,010	0	2,010	0	1	2	3	4	4
Loss on disposal	774	0	774	0	0	0	0	0	0
Pref stock warrant issuance	9,127	0	9,127	0	0	0	0	0	0
Common stock warrant issuance	64	0	64	0	0	0	0	0	0
Other Assets	(3,986)	0	(3,986)	0	0	0	0	0	0
Accounts payable	2,773	0	2,773	0	0	0	0	0	0
Accrued interest payable	(403)	0	(403)	0	0	0	0	0	0
Accrued expenses and other liabilities	3,856	0	3,856	0	0	0	0	0	0
Originations of loans held for sale	(76,212)	0	(76,212)	0	0	0	0	0	0
Sales of loans held for sale	74,982	0	74,982	0	0	0	0	0	0
Net cash provided by operating activities	49,874	19,758	69,632	108,933	179,041	262,138	337,024	405,478	454,131
Cash flows from investing activities:									
Change in Restricted cash	(7,773)	0	(7,773)	0	0	0	0	0	1
Purchases of PP&E	(7,411)	(1,000)	(8,411)	(6,729)	(5,383)	(4,306)	(3,445)	(2,756)	(2,205)
Capitalized internal-use software	(2,137)	0	(2,137)	(1,710)	(1,368)	(1,094)	(875)	(700)	(560)
Orig of term loans and LOC, excl. rollovers into new orig	(606,120)	(287,232)	(893,352)	(1,261,239)	(1,891,858)	(2,837,787)	(3,689,123)	(4,426,948)	(5,090,990)
Change in net deferred origination costs	(4,785)	0	0	0	0	0	0	0	1
Repayments of term loans and LOC	373,338	207,649	580,987	1,012,167	1,388,260	2,277,376	3,141,011	3,827,032	4,526,210
Net cash used in investing activities	(254,888)	(80,584)	(330,687)	(257,510)	(510,349)	(565,812)	(552,433)	(603,373)	(567,544)
Cash flow from financing activities:									
Proceeds from exercise of warrants and options to buy stocks	4,044	0	4,044	0	0	0	0	1	2
Proceeds from Issuance of preferred stock	**77,000**	0	77,000	0	0	0	0	0	(1)
Proceeds from IPO	0	210,000	210,000	0	0	0	0	0	0
Proceeds from the issuance of debt	428,535	0	428,535	0	0	0	0	0	0
Repayment of debt	(281,629)	0	(281,629)	0	0	0	0	0	0
Payments of debt issuance costs	(4,964)	0	(4,964)	0	0	0	0	0	0
Net Funding Debt Issued	0	72,471	72,471	155,941	368,658	358,092	284,448	289,903	203,688
Net cash used in financing activities	222,986	282,471	505,457	155,941	368,658	358,092	284,448	289,904	203,689
(Decrease) increase in cash and cash equivalents	17,972	221,645	244,402	7,364	37,350	54,419	69,039	92,009	90,276
Cash and cash equivalents at start of period	4,670	22,642	244,287	244,287	251,651	289,001	343,420	412,459	504,468
Cash and cash equivalents at end of period	22,642	244,287	488,689	251,651	289,001	343,420	412,459	504,468	594,744

Analyst's Notes.... Continued

Recommendation: We recommend that risk tolerant long term investors BUY ONDK shares. While the lender's growth rates are impressive and the SB lending target market is significant in size and eager for new funding sources, the company is trailblazing new largely unseasoned SB credit underwriting mechanisms, quickly leveraging its balance sheet to fund growth and is generating significant provision and charge-off expenses, which are expected to continue. And we estimate that online alternative lender use of interest rate 'exportation' is potentially intellectually subject to regulatory 'push back'.

Having said that, we estimate that ONDK's approach to the market can be successful, and that there is significant pent up demand for SB lending alternatives. We are reassured by the company's track record of maintaining level of asset quality over a number of years during which it enjoyed massive y-o-y growth, and a demonstrated record of cost containment. Lastly, our valuation analysis indicates that the company's shares are undervalued by 36.9%, based on our $22 price target, noting that the shares have declined from its recent IPO price and 44.5% off its post-IPO high of $28.98.

Risks: Risks include, but are not limited to (1) an evolving regulatory and competitive environment (2) uncertainty involved in the introduction of new products and entry into new geographies (3) the challenge to effectively scale the Company's digital platform and credit scoring analytics and (4) increasing its base of borrowers and revenues in the face of vigorous online banking services competition from both new entrants (who may already offer Internet-based services to large existing customer bases) and from traditional banking entities.

Important Disclosures:

Analyst Certification: We hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and its securities. We also certify that we have not, will not, nor are presently receiving direct and/or indirect compensation in exchange for any specific recommendation in this report. In addition, said analysts have not received compensation from any subject company in the last 12 months.

Ownership and Material Conflicts of Interest:

An analyst or a member of his household may not purchase the securities of a subject company 30 days before or 5 days after the issuance of the research analyst's report or a change in ratings or price targets, trade inconsistent with the views expressed by the research analyst, and all transactions in the subject company (ies) securities for the research analyst's personal trading account must be approved.

The research analyst nor a member of his household own any of the securities of the subject company including any options, rights, warrants, futures or long or short positions. Neither the research analyst nor a member of his household own 1% or more of any of the securities of the subject company based upon the same standards used to compute beneficial ownership for the purpose of reporting requirements under 13(d) of the Securities Act of 1934, as amended.

The research analyst or household member is not an officer, director, or advisory board member of the subject company.

The research analyst has not made a public appearance in front of more than 15 person to discuss the subject company and does not know or have reason to know at the time of this publication of any other material conflict of interest.

The firm has no knowledge of any material conflict of interest involving the company mentioned in this report.

Receipt of Compensation:

The firm does not engage in investment banking activities.

The subject company (ies) has not been a client in the past 12 months preceding the date of distribution of this research report and is not currently a client. The firm has not received non-investment banking compensation for products or services or other non-securities services from the subject company or any affiliated company.

The research analysts at the firm do not receive any compensation based on investment banking revenues and may be paid a bonus based upon the overall profitability of the firm.

Investment Banking Relationships:

The firm has not managed or co-managed a public offering or received investment banking compensation in the past 12 months regarding the subject company (ies).

The firm does not expect to receive or intend to seek investment banking compensation in the next 3 months from the subject company (ies).

Additional Important Disclosures...

Securities offered through Fintrust Brokerage Services, LLC (Member FINRA and SIPC) and Investment Advisory Services offered through Fintrust Investment Advisory Services, LLC. Any views expressed in this message are those of the individual sender, except where the message states otherwise and the sender is authorized to state them to be the views of any such entity. Trade instructions may not be accepted via email. This material does not constitute an offer to sell, solicitation of an offer to buy, recommendation to buy or representation as the suitability or appropriateness of any security, financial product or instrument, unless explicitly stated as such in the text of the email. Past performance is not necessarily indicative of future returns. Performance numbers have not necessarily been independently reviewed or audited and therefore we make no representation as to its accuracy. Any reference to the terms of any contracts should be treated as preliminary only and subject to our formal written confirmation.
This report is prepared for general circulation. This report is not produced based on any individual persons or entities investment objectives or financial situation and opinions expressed by the analyst are subject to change without notice. This report is not provided to any particular individual with a view toward their individual circumstances. Investors should consider this report as only a single factor in making an investment decision. Securities prices fluctuate and investors may receive back less than originally invested and are not guaranteed.

This information should not be construed as legal, regulatory, tax, or accounting advice. Any reference to the terms of any contracts should be treated as preliminary only and subject to our formal written confirmation This message (and any attached materials) is for the sole use of the intended recipient(s) and may contain information that is privileged, confidential and exempt from disclosure under applicable law. Any review, dissemination, distribution or duplication of this communication is strictly prohibited. If you are not the intended recipient, please contact the sender immediately by reply e-mail and destroy all copies of the original message.

The firm does not make market in securities.

The firm does not buy or sell the subject company (ies) securities for its own account.

The firm does not buy or sell subject company (ies) securities on a principal basis with customers. The firm's employees, or customers, may buy or sell the subject company (ies) securities.

Although the statements of fact in this report have been obtained from and are based upon outside sources that the firm believes to be reliable, the firm does not guarantee the accuracy or completeness of material contained in this report. Any such estimates or forecasts contained in this report may not be met. Past performance is not an indication of future results. Calculations of price targets are based on a combination of one or more methodologies generally accept among financial analysts, including but not limited to, analysis of multiples and/or discounted cash flows (whether in whole or in part), or any other method which may be applied.
Rating, target price and price history information on the subject company (ies) in this report is available upon request.

To receive any additional information upon which this report is based please contact (864) 288-2849, or write to:
Fintrust Brokerage Services, LLC
attn: Research Department
124 Verdae Blvd, Ste. 504
Greenville, SC 29607