



IOU Financial

Business Lending. Simplified.

Online Lending | Montreal, QC | Founded: 2009 | Employees: 39 | <https://ioufinancial.com>

PHONE: 514-789-0694
WIKIPEDIA: https://fr.wikipedia.org/wiki/IOU_Financial
BLOOMBERG: <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=59055791>
LINKEDIN: <https://www.linkedin.com/company/iou-financial-inc/>

COMPANY OVERVIEW

IOU Financial operates an online lending platform for small and medium-sized businesses (SMBs). Since 2009, they have completed over 8000 loans with a total value over \$500M USD. Their tech-enabled platform significantly streamlines a traditionally cumbersome borrowing process for SMBs, and instead allows businesses to apply for a loan in less than 5 minutes and receive funding within hours.

SENIOR MANAGEMENT

Phil Marleau: CEO, Director & Founder (2006-Present). Previously: Portfolio Manager, Palos Management (2004-2007), Equity Research Analyst, Bank of America Merrill Lynch (2000-2004), Credit Suisse First Boston (2000), Scotia Capital (1997-2000). Education: B,Eng. with a Minor in Economics from McGill University (1996), CFA

David Kennedy: CFO (2016 – Present). Previously: EVP & CFO, Dale Parizeau Morris Mackenzie (2006-2015), CFO & Compliance Officer, Marabaud Canada Inc. (1998-2006), Senior Manager, PwC (1990-1998). Education: Public Accountancy Diploma from McGill University (1991), B.A. in Economics & Political Science from University of Toronto

Robert Gloer: President and COO (2008 – Present). Previously: Director- East Region, First Franklin-Merrill Lynch (1999-2008), VP-Loan Administration, Credit Depot Corporation (1996-1999).

HISTORY

Phil Marleau recognized the opportunity for IOU Financial in 2008¹. SMBs were having difficulty getting approved and getting loans from banks, and this problem was intensified during the global financial crisis. The high-touch, labour-intensive process for large banks to approve and provide loans left SMBs largely underserved in the market, and IOU Financial opted to solve this problem using a technology-driven online lending process. IOU's first loan was written in December 2009, and that has grown to over 8000 loans to date. In order to bypass a lengthy and costly IPO process, IOU acquired MCO Capital (listed on the TSXV) in a reverse merger on February 28th, 2011².

FUNDING

IOU Financial completed their IPO in February 2011 through a reverse merger process³, and did not raise capital at this time. The company trades on the TSXV under the IOU ticker. In May 2017, IOU announced a private placement share offering for gross proceeds of up to \$3.5M⁴. Earlier this year, IOU extended their secured credit facility with MidCap Financial until December 2020, including a \$15M USD term portion and a revolver amount of \$5M USD⁵.

KEY CORPORATE DEVELOPMENTS

Press releases: <https://news.ioufinancial.com/>
September 21, 2015: [IOU ranked #1 fastest growing financial services firm in Canada](#)
September 8, 2016: [After exclusively serving the US market, IOU Financial enters Canada](#)
January 31, 2018: [IOU Partners with CDE Solutions to fund network of 26,000 convenience store owners](#)

¹ <https://business.financialpost.com/investing/podcast-iou-financial-inc-ceo-phillip-marleau-on-filling-a-void-left-by-the-big-banks-iou>

² IOU Annual Report 2010, MD&A

³ <https://www.newswire.ca/news-releases/iou-financial-inc-announces-the-completion-of-the-acquisition-of-iou-central-inc-and-related-transactions-507757091.html>

⁴ <https://www.newswire.ca/news-releases/iou-financial-announces-private-placement-of-up-to-35-million-620890743.html>

⁵ <https://news.ioufinancial.com/2018-02-27-IOU-Financial-Extends-Credit-Facility-with-Midcap-Financial>

BUSINESS HIGHLIGHTS

STRATEGY

IOU Financial provides small business loans to the SMB market. This market is often underserved by large-banks, as the loans are too small in size (\$5,000-\$300,000) to justify a human-capital intensive underwriting process. Typical customers for IOU include medical and dental practices, grocery and retail stores, salons, gas stations, auto repair shops, and restaurants. IOU uses a proprietary technology platform to assess a business' financial situation, and can quickly provide funding to these businesses.

As a lender, IOU earns revenue through interest and fees charged on loans that they originate. IOU also bundles loans for sale to hedge funds as securitized debt, and then collects payments on these loans in exchange for a servicing fee. Other sources of revenue include gains from the sale of loans and referral fees on loans referred to other third-party lenders.

PRODUCTS / PRICING

IOU Financial offers small business loans. The two loan products available are (1) the core product, which offers \$5,000-\$150,000 of funding in 6, 9, and 12-month terms with fixed daily payments and (2) the mid-market product, which offers \$70,000-\$300,000 of funding in 12, 15, and 18-month terms with daily or weekly payments⁶. SMBs apply online, receive an instant decision on their loan qualification, and receive funds in their bank account in as little as 48 hours. To assist SMBs with the lending process, IOU employs small business loan consultants.

TECHNOLOGY

IOU Financial utilizes technology to dramatically accelerate the traditional loan underwriting process. When a SMB applies for a loan on IOU's website, their automated technology platform will quickly aggregate hundreds of data points on that business from a variety of sources. Credit data, cash-flow data, social media data, and many other sources will be used to make a real-time pre-decision on that business within seconds, which allows IOU to underwrite the loan in 24-48 hours. This technology uses sophisticated algorithms that were developed internally at IOU Financial⁷.

DISTRIBUTION / LOGISTICS

IOU Financial originally focused on the US SMB market, and expanded to the Canadian market in late-2016. SMBs apply for working capital loans ranging between \$5,000-\$300,000 on IOU's website, and pay back the loan on a fixed daily or weekly basis.

MARKETING

IOU Financial forms strategic partnerships with networks of independent business owners and other key-ecosystem players to improve access to funding for customers or merchants within the network⁸.

COMPETITORS

Large banks provide business-lending, however, IOU Financial's focus on the sub-\$500,000 loan market targets underserved businesses. There are several online SMB-lending competitors, for example:

1. **OnDeck** – (New York, NY) OnDeck provides term loans of up to \$250,000 and lines of credit up to \$50,000 for SMBs.
2. **CAN Capital** – (New York, NY) CAN Capital has been providing working capital loans to small businesses since 1998, they specialize in quick funding of up to \$250,000 with loan lengths of 6-18 months.

⁶ <https://ioufinancial.com/our-loans/#loancalculator>

⁷ <https://business.financialpost.com/investing/podcast-iou-financial-inc-ceo-phillip-marleau-on-filling-a-void-left-by-the-big-banks-iou>

⁸ <https://ioufinancial.com/partner/>