# Enova International (ENVA): Superb Execution in a Captivity-Free Business

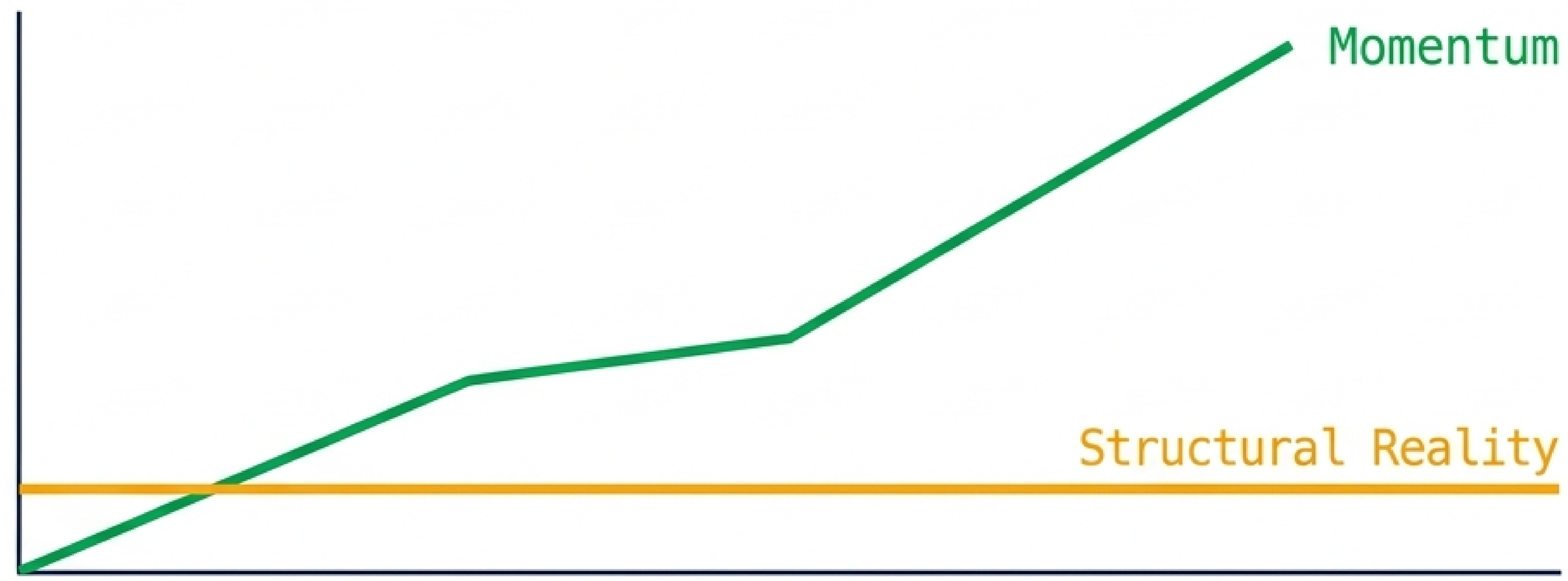
Why the best operator in a brutal industry is priced for an alternate reality.

Price: $232.52

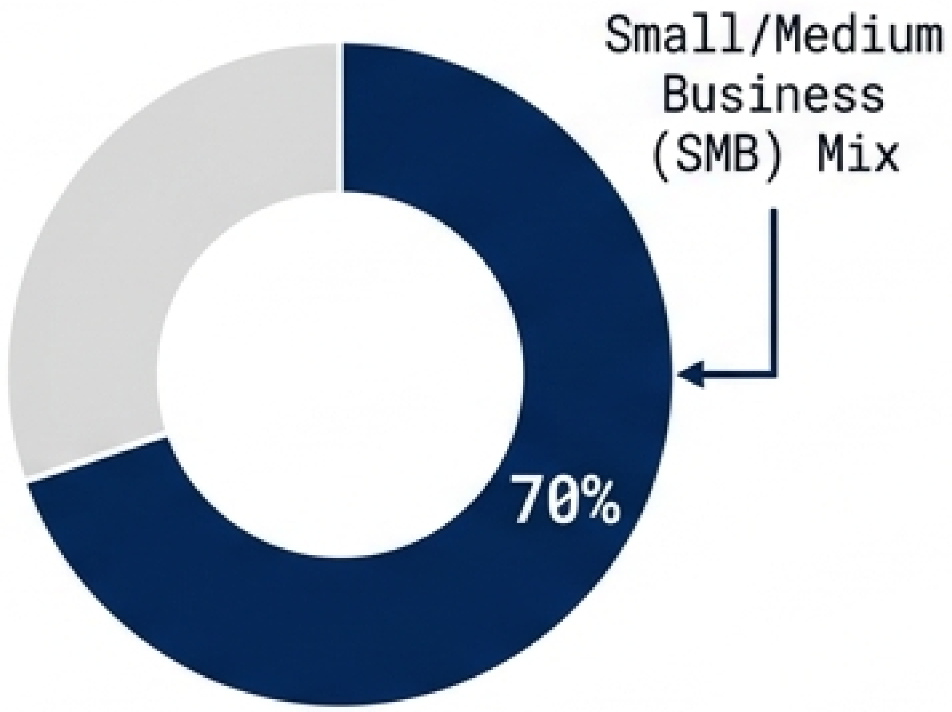
52W Range: 93rd Percentile

1-Yr Return: +102%

Recommendation: HOLD / Accumulate at $130–170



## The Bull Case is Real




- Best-in-class ~24% ROE and 5.3% ROA
- Distressed OnDeck acquisition transformed the book
- 9 straight quarters of stable SMB credit
- Share count down 31% since 2020

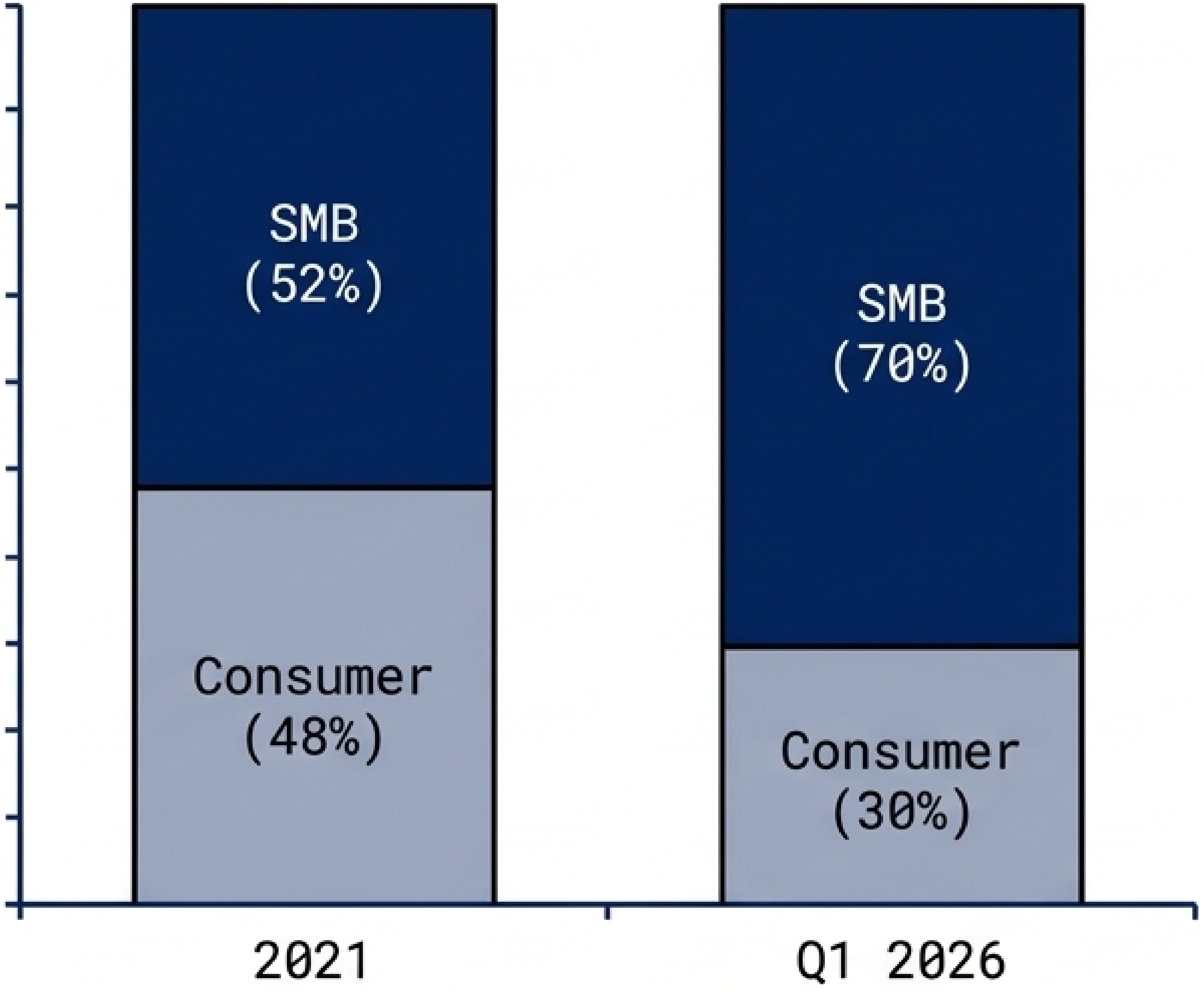
## The Structural Treadmill


- Zero customer captivity (marketing is ~20% of revenue)
- Fair Value accounting mechanically flatters growth
- $774M premium over principal (~58% of equity)

## Priced for Perfection


- Trading at 4.1x book value
- Insider selling of $99M vs $0 open-market buying in 24 months
- The stock embeds a flawless Grasshopper Bank charter approval

## The Mix Shift




The SMB book has roughly tripled since 2022, growing +38.6% YoY in Q1 2026.

## The OnDeck Catalyst

October 2020

Acquired OnDeck for ~$122M at distressed COVID pricing (~1x pricing (~1x book).

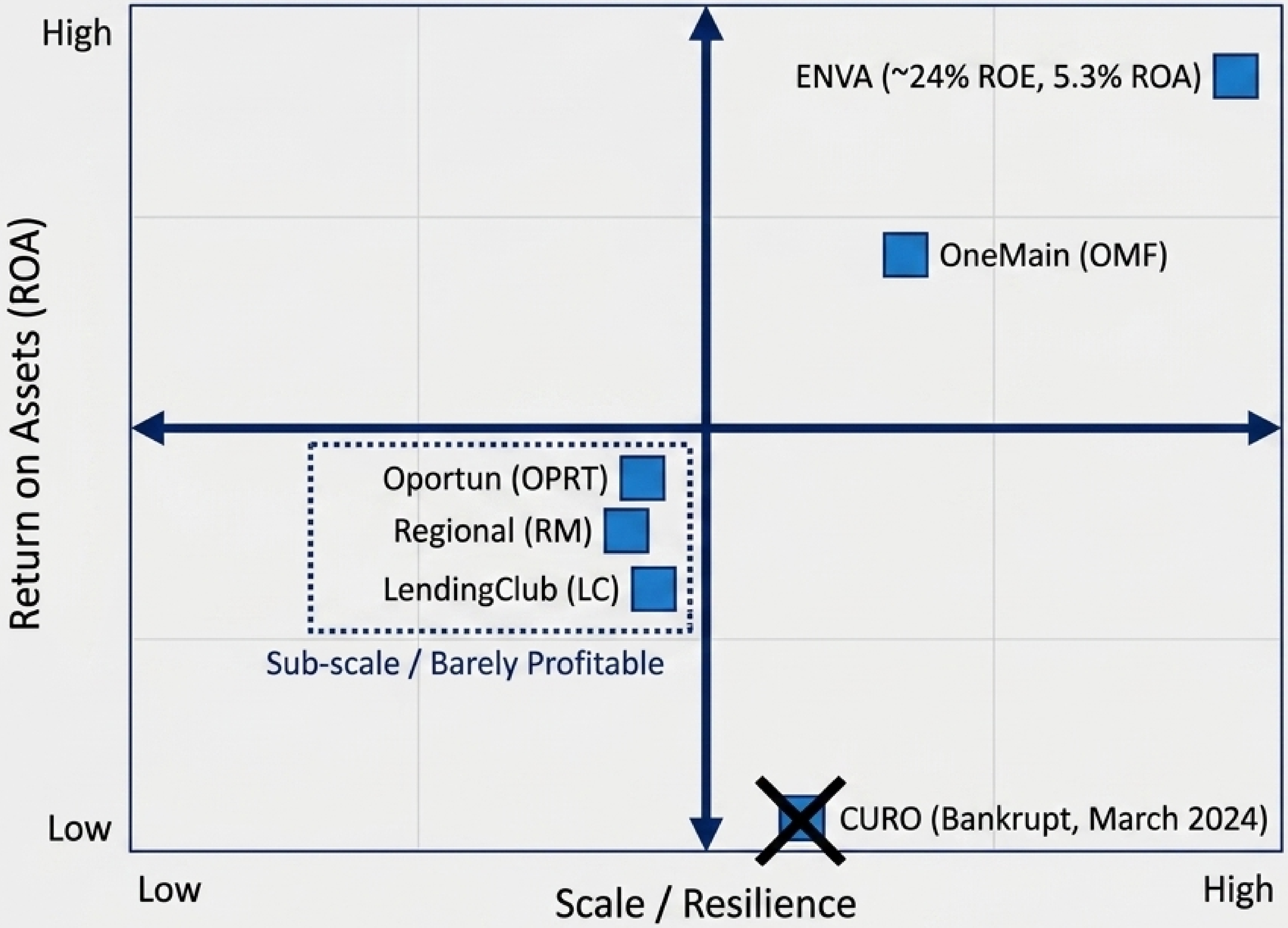
**Enova is no longer an online subprime lender. It is an SMB lender with a legacy consumer book. This is the engine of the re-rating.**

# THE UNIT ECONOMICS MATRIX

| | CONSUMER BOOK | SMALL BUSINESS (SMB) |
|---|---|---|
| PRODUCT | INSTALLMENT / LINE OF CREDIT | INSTALLMENT / LINE OF CREDIT |
| AVG ANNUALIZED YIELD | ~90–147% | ~48–49% |
| NET CHARGE-OFFS (NCOS) | 14–16% | ~4.6% |
| NET REVENUE MARGIN | ~51% | ~69–71% |
| AVG TERM LENGTH | 39 MONTHS | 15 MONTHS |

**WHILE YIELDS ARE LOWER, THE SMB BOOK IS STRUCTURALLY CLEANER. A 4.4–4.8% NCO PLATEAU MAINTAINED FOR NINE STRAIGHT QUARTERS YIELDS SUPERIOR NET REVENUE MARGINS.**

# The Industry Profit Pool




The profit pool concentrates in exactly two names: OneMain (scale + branches) and Enova (analytics + online).

Enova survived the 2022-2023 funding winter by retaining capital markets access while weaker peers were choked off.

# THE PROFIT TREADMILL

**Start:** 48–147% Gross Yield

**Minus:** ~15% Consumer NCOs / ~4.6% SMB NCOs

**Minus:** ~8.2% Wholesale Funding Cost

**Minus:** ~19.7% Marketing Cost / CAC

**End:** ~5% Return on Assets (ROA)

**Zero Customer Captivity:** A business with captive customers does not spend 20% of its revenue constantly re-acquiring them.

**Structural Disadvantage:** 8.2% wholesale funding is a massive disadvantage against deposit-funded rivals. Every dollar of revenue must be re-earned quarterly.

# The Fair Value Mirage Model

### Step 1: Origination

New loans enter near par.

### Step 2: The Mark-Up

Loans marked up via Level 3 models: Consumer at 122.9%, SMB at 112.2%

### Step 3: P&L Impact

Paper mark-ups offset realized Net Charge-Offs inside the P&L, mechanically inflating net income.

## The Black Box Trap

- Enova carries a $774M premium over principal.
- This paper premium equals ~58% of total equity.
- Loss-assumption sensitivity is NOT DISCLOSED. If models crack, the accounting tailwind instantly reverses into a massive headwind.

# Institutional Analyst Dashboard

**$369M Pending Acquisition: Grasshopper Bancorp**
($1.4B assets, ~$3.0B deposits)

## Path A: Clean Approval

- ✅ Transforms 8.2% wholesale funding into cheap deposit funding
- ✅ Provides national preemption, neutralizing true-lender legal risks
- ✅ Management claims >25% EPS accretion by Year 2

## Path B: Denial or Delay

- ❌ Organized opposition from NCRC, CRL, and NCLC citing 100%+ APRs
- ❌ ~$369M in sunk cost and management distraction
- ❌ The primary multiple-expansion narrative breaks

**The 10-K explicitly concedes the current stock price already embeds completion of this deal.**

# Institutional Analyst's Light Dashboard


**Composite Valuation**

**96.5th**
Percentile

**Price to Book (P/B)**

**4.1x**
(Double 10-yr history)

**Forward P/E**

**14–15x**

## Analyst Insight

The re-rating is purely idiosyncratic. Factor data shows Financials and Size were headwinds while ENVA doubled. The market has repriced Enova from a high-beta non-prime lender to a bank-charter-in-waiting compounder.

# Institutional Analyst’s Light Dashboard

## The Valuation Trap

| | ROE / ROTCE | P/E (Forward) | P/B (Price-to-Book) |
|---|---|---|---|
| **Enova (ENVA)** | ~24% ROE | P/E: 18.9x | **P/B: 4.1x** |
| **OneMain (OMF - Direct Peer)** | ~24% ROE | P/E: 9.0x | P/B: 2.0–2.6x |
| **Synchrony (SYF - Deposit Bank)** | 20-26% ROTCE | P/E: 7.6x | P/B: 1.6x |

### The Paradox in the Bull Case

Bulls argue the Grasshopper Bank charter justifies the 4.1x Book multiple. But actual deposit-funded consumer banks (like Synchrony) trade at much LOWER multiples (1.6x Book). Deposit funding buys a lower cost of equity, not a higher multiple.

If Enova becomes a bank, its multiple should mathematically compress, not expand.

# Institutional Analyst's Light Dashboard

## The Insider Tape (Last 24 Months)

### The Selling

**$99.3 Million**

Aggregate insider sales across 233 transactions.

- Chairman David Fisher sold at ~$231.50, mere days into all-time highs.
- Two Audit Committee directors resigned simultaneously weeks before massive bank conversion.

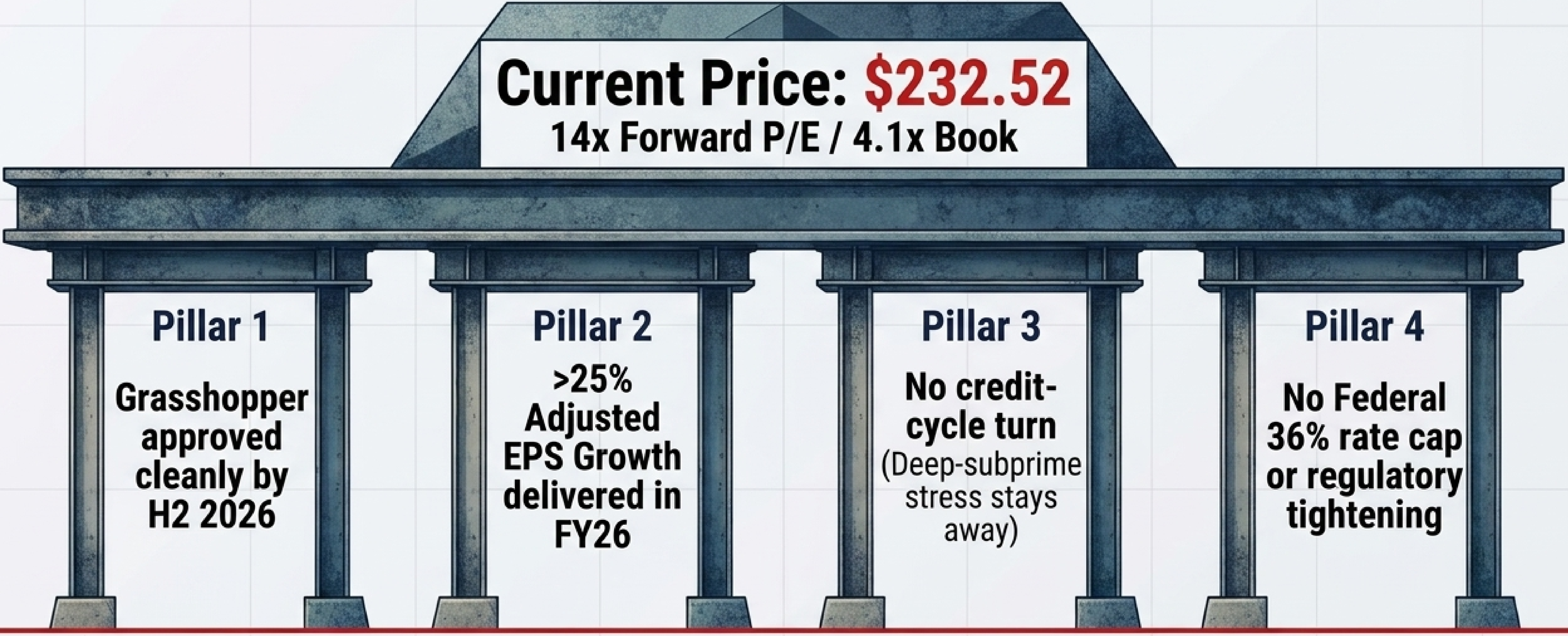
### The Buying

**1 Transaction**

A single open-market purchase by a director.

**Insiders are aggressively monetizing a stock that has 5x'd off its lows, directly contradicting the corporate buyback narrative.**

# The Priced for Perfection Scale




**To justify this price, a buyer must underwrite ALL FOUR of these pillars simultaneously. If even one cracks, the bridge collapses.**

# Falsification Checkpoints (Next 3-6 Months)

## 1. SMB Credit Seasoning

**Metric:** SMB NCOs and 30+ Delinquency.

**Falsifies Bull if:** NCOs break above >5.5% or Delinquency >8% as the +39% 2025 vintage seasons.

## 2. The Regulatory Docket

**Metric:** OCC/Fed action on Grasshopper.

**Falsifies Bull if:** The OCC grants a public hearing or delays past Q4 2026.

## 3. Fair Value Marks

**Metric:** FV/Principal Ratios.

**Falsifies Bull if:** Marks compress >150bp in a quarter, reversing the accounting tailwind.

## 4. Consumer Contagion

**Metric:** Consumer NCOs vs SYF/ALLY.

**Falsifies Bull if:** Consumer NCOs break 17% while prime-tier lenders continue improving.

## Bull Case ($273–$368)

Clean bank approval, deposit transformation, EPS compounds >25%. Requires holding 13-16x multiple.

## Base Case ($180–$260)

CURRENT PRICE $232.52

Guide delivered, deal closes, credit holds.

## Deal-Break Case ($109–$149)

OCC denial/delay. Deal premium exits. Trust multiple vanishes (7-9x).

## Bear Case ($70–$117)

SMB credit breaks plateau, Fair Value premium compresses, multiple derates. 50-70% downside.

**The asymmetry is entirely negative for new money. The base case is fully priced in, leaving massive downside air pockets.**

# The Verdict: Do Not Chase.

Enova is undeniably the best-executed company in a structurally flawed, captivity-free business. But at the 96th valuation percentile, the fundamentals and the margin of safety are moving in opposite directions.

**AVOID: >$190**

Underwriting flawless deal execution, perpetual >25% growth, and zero credit cycles simultaneously.

**HOLD: $170–$190**

Dead money relying on momentum.

**ACCUMULATE: $130–$170**

A defensible zone (~8-10x FY26 EPS, ~2.5x Book) where the stock traded just months ago.

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Great businesses at frothy prices inside cyclical industries are sources of funding, not sources of alpha. Wait for the gap down.