

## Equity Research

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## Financials

### Medallion Financial Corp

#### Initiating Coverage at Buy with \$10 PT; Complex Company with Underappreciated Sources of Value

**Initiating Coverage of Medallion Financial Corp. (MFIN) with a Buy recommendation and a \$10 PT based on 7X our FY20E earnings per share estimate of \$1.40.** The company's recent initiatives and actions highlight the sources of value as the risks associated with MFIN's medallion lending business have decreased and become manageable, in our view. We believe shares of MFIN are undervalued and should appreciate as investors become comfortable with increased visibility into the company's future earnings power and optionality.

**MFIN** **\$5.80**

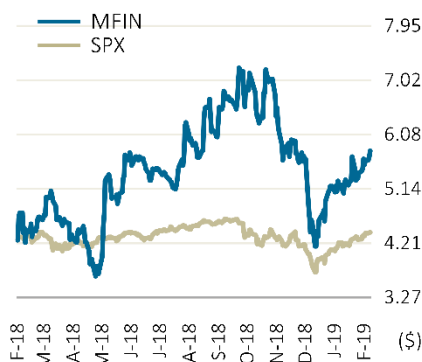
12 month target \$10.00

### BUY

52 week range \$3.64 - \$7.23

Market Cap (m) \$141

#### Price Performance



Source: IDC

- ▶ We believe MFIN has made sufficient progress in turning around its operations that we can model the company's sources of value and future earnings with a relatively high and increasing degree of certainty going forward.
- ▶ MFIN's subsidiary, Medallion Bank is an Industrial Loan Company (ILC) and is underappreciated as a source of value and provides optionality for the company going forward.
- ▶ Our base case earnings estimates for Medallion Bank are \$18.7M and \$28.2M or \$0.77 and \$1.15 per share for FY19 and FY20, respectively.
- ▶ MFIN withdrew its business development company election in April 2018 which has simplified the company's financial reporting. This change allows MFIN to consolidate Medallion Bank in its financial statements rather than holding the investment at fair value.
- ▶ In November 2018, MFIN entered into an agreement which resulted in the deconsolidation of Trust III. The company estimates it will recognize a gain in excess of \$20M during 4Q18.
- ▶ MFIN could realize material recoveries as the company attempts to collect on personal guarantees associates with its medallion loans. MFIN written off over \$300M of medallion collateral and has the potential to realize significant recoveries. We assume no recoveries in our model or valuation.
- ▶ **Valuation:** Our \$10 price target is based on 7X our FY20E earnings per share estimate of \$1.40.

## Estimates

	1Q17 A	2Q17 A	3Q17 A	4Q17 A	FY17 A	1Q18 A	2Q18 A	3Q18 A	4Q18 E	FY18 E	FY19 E
Net Income (Adj.)	0	0	0	0	0	0	(15)	(5)	28	8	23
Diluted EPS (Adj.)	0.00	0.00	0.00	0.00	0.00	0.00	(0.60)	(0.19)	1.14	0.35	0.96
BVPS (Ex-AOCI)	0.00	0.00	0.00	0.00	0.00	0.00	10.63	10.44	11.85	11.85	13.08

Source: BTIG Estimates and Company Documents (\$ in millions, except per share amount)

Please Read: Important disclosures and analyst's certification appear in Appendix

## The Company

Medallion Financial Corp. (MFIN) is a finance company which operates through various subsidiaries: Medallion Bank, Medallion Funding LLC, Medallion Capital Inc., Freshstart Venture Capital Corp., Medallion Servicing Corp., and other subsidiaries.

The company operates in four primary lines of business:

**Consumer Lending** – MFIN offers recreation and home improvement loans to consumers through Medallion Bank. At 4Q18, MFIN had \$759M of consumer loans outstanding.

**Medallion Lending** – MFIN has a portfolio of medallion loans it originated out of the bank, trusts and other subsidiaries of the holding company. At 3Q18, MFIN had \$236M of medallion loans outstanding on a consolidated basis.

**Commercial Lending** – MFIN originates and services a portfolio of Mezzanine and Subordinated commercial loans. The commercial segment operates outside of Medallion Bank. At 3Q18, MFIN had \$82M of commercial loans outstanding.

**RPAC Racing LLC** – Through MFIN's wholly owned subsidiary, Medallion Motorsports LLC, the company is the primary owner of RPAC Racing LLC, a NASCAR racing team.

## Investment Thesis Summary

**Earnings inflection** – We expect MFIN’s profitable consumer and commercial lending businesses to offset the drag from the company’s legacy medallion lending exposures going forward.

**Medallion Bank earning power** – We model \$0.77 and \$1.15 of EPS from Medallion Bank in FY19 and FY20. These estimates include conservative/high medallion loan write-off \$32.6M and 25.9M in FY19 and FY20.

Excluding the impact of the medallion write-offs, our FY19 and FY20 Medallion Bank EPS estimate would be \$1.80 and \$1.97 respectively. These figures provide a sense of the Bank’s potential earnings power if medallions stabilize or the company works through its current exposures.

**Improved capital levels at Medallion Bank** – The bank is required to maintain a minimum Tier 1 capital ratio of 15.0%. Based on the 4Q18 call report for the bank, its Tier 1 capital ratio increased 55 bps sequentially to 16.90% while the bank charged-off \$11.7M of medallion loans in the period.

**Self-funding** – We believe Medallion Bank has reached the point at which it can self-fund its operations and grow its earning organically. Alternatively, MFIN could extract capital from the bank in the near-term if they decide to slow its asset growth or sell-off additional portfolios of loans.

**Industrial Loan Company (ILC) Optionality** – We believe the value of MFIN’s ILC subsidiary is underappreciated. MFIN could leverage Medallion Bank to enter into other lines of business or partnerships to generate fee income. Additionally, we believe Medallion Bank is an attractive asset the company could monetize at a premium in the future.

**Deconsolidation of Trust III** – The company entered into a transaction that will deconsolidate a trust which was consolidated into the company’s consolidated financial statements. This transaction is expected to result in a gain of more than \$20M in 4Q18 and an increase in tangible book value.

**Reduced earnings volatility and complexity** – Effective on April 2 2018, MFIN withdrew its business development company (BDC) election with the SEC allowing the company to report its financial statements on a consolidated basis. This transaction has simplified the company’s reporting which more accurately reflects its operating performance.

**Improved regulatory environment for taxi medallions** – In 2018, New York City passed a series of regulations which support taxis and level the playing field with ridesharing companies. While we believe these are positive developments, we continue to model in significant charge-offs which write-off the majority of MFIN’s remaining medallion portfolio.

**Potential to realize material recoveries in the future** – MFIN has written off over \$300M of medallion loans over the past few years and could stand to benefit as the company attempts to collect on the personal guarantees backing written off loans.

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## Investment Thesis

**Simplified reporting and enhanced visibility into the company's earning power should support the company's shares.**

We believe the complexity and noise associated with the company's former BDC election, the consolidation of off-balance sheet trusts and a large exposure to medallion loans were the primary factors obfuscating the company's sources of value.

Now that MFIN has successfully undertaken a series of initiatives in 2018 that reduce the complexity of the company's financial reporting, enhance the visibility into the company's sources of value and will result in gains and a higher book value, we believe the shares are well positioned to appreciate as investors regain interest in the company.

We believe this simplification will allow investors forecast earnings with a greater degree of certainty and focus on MFIN's two primary sources of value: Medallion Bank and commercial lending.

**We believe MFIN's reduced bank and non-bank exposure to Medallion loans is manageable and the company is in a position to earn-out the remaining assets if needed.**

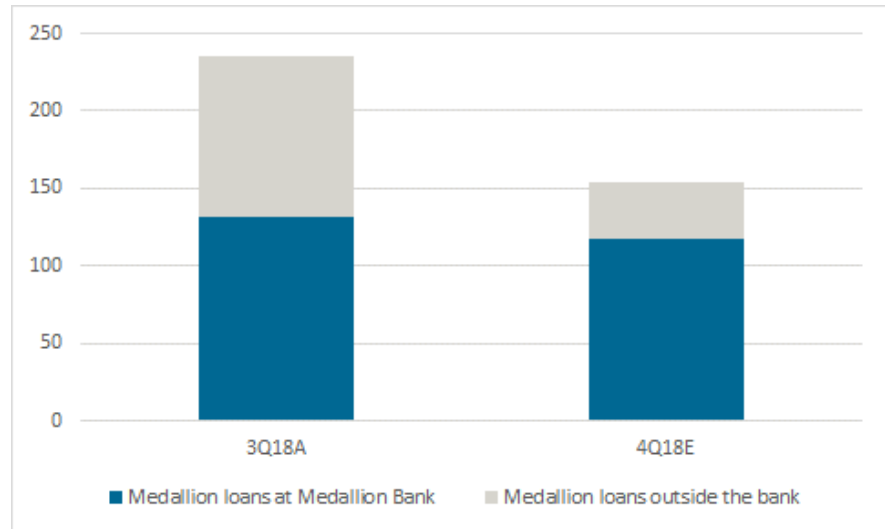
Based on Medallion Bank's call reports and the deconsolidation of the DZ trust, we have some insight into MFIN's 4Q18 results and medallion balances. In 4Q18, net medallion loans at the bank fell by \$14.9M to \$117M and the \$63.25M of medallion loans in the DZ trust will be deconsolidated for a total of \$78.1M of known medallion reductions at MFIN sequentially. In our model, we assume net medallion loan carrying value falls to \$153.6M in 4Q18, 34.9% sequentially.

While the landscape for medallions has improved and the company is pursuing recoveries on charged-off medallion loans, we continue to assume high charge-offs in our model to remain conservative.

At medallion bank, we model medallion NCO rates of 24% and 25% in FY19 and FY20, respectively. With these aggressive estimates, the bank is able to produce significant earnings power. We believe this sets a solid foundation for Medallion Bank to drive the consolidated company's earnings higher.

If the performance of MFIN's medallion portfolio stabilizes, or the company is able to realize material recoveries, there could be significant upside to our current earnings estimates.

**Exhibit 1: Carrying value of medallion loans at Medallion Bank and outside the bank.**



Source: BTIG Estimates and Company Reports

**We believe Medallion Bank is an underappreciated asset that has the ability to grow assets and earning materially now that capital has become less of a constraint.**

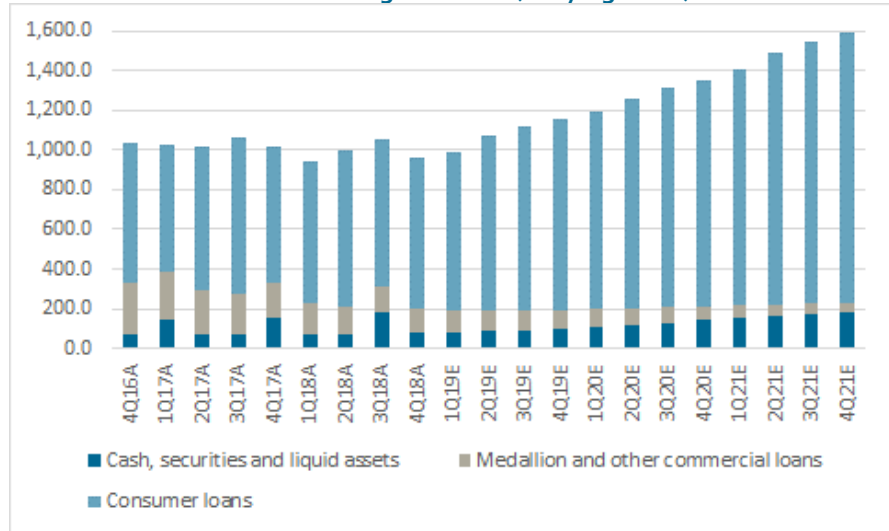
Medallion Bank is structured as an Industrial Loan Company regulated by the Utah Department of Financial Institutions and the FDIC.

Medallion Bank's has significant experience extending consumer loans and can scale the business going forward, in our view. Over the past few years, the primary impediment to the company's ability to grow the size of its consumer lending business was the impact of charge-offs in the medallion loan portfolio at the bank combined with the requirement that the bank maintain a Tier 1 ratio of at least 15%.

We believe the bank has the ability to self-fund its growth going forward while charging off material amounts of medallion loans and should not need to sell loans to maintain its Tier 1 capital above 15%. In FY17, the company sold two portfolios of consumer loans totaling \$221M and a \$101M portfolio in 2018. Putting the sales in perspective, in the last two calendar years, MFIN has sold \$322M of consumer loans, approximately 41% of its 4Q18 consumer loan portfolio of \$783.3M.

Medallion Bank's ability to originate assets is impressive and should drive meaningful value for the entity as Recreation and Home Improvement finance receivables grow on an absolute basis and the legacy medallion loan balances decrease.

**Exhibit 2: Medallion Bank earning asset mix (carrying value)**

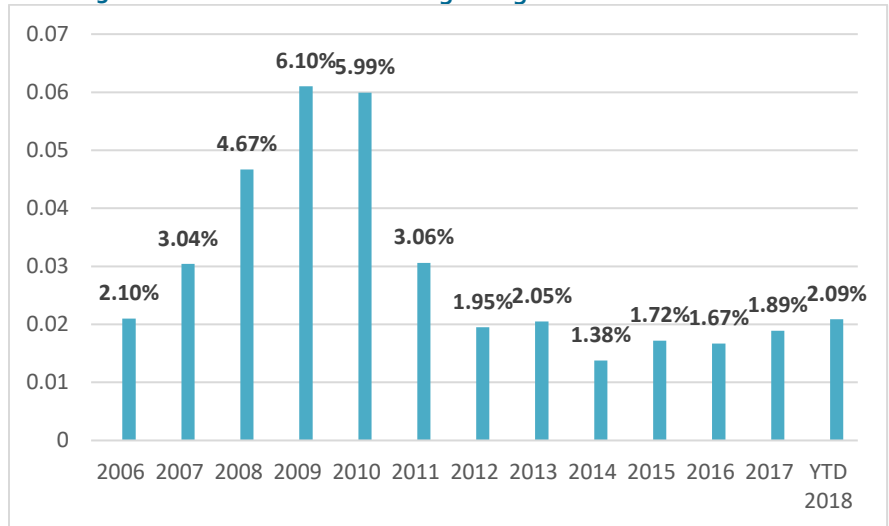


Source: BTIG Estimates and Company Reports

The credit performance of Medallion Bank’s consumer lending portfolio has impressive credit metrics compared to other consumer lending products. During the last recession, the charge-off ratio of the portfolio reached a peak of 6.10% during 2009 and has remained relatively stable around 2% since 2012.

These metrics are impressive for an asset with a weighted average yield of 15.2%. This provides a solid layer of protection and allowed the portfolio to continue to generating capital during the last recession.

**Exhibit 3: Historical Consumer Lending Charge-off Rates**



Source: Company Reports

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## Medallion Bank Scenario Analysis

### Base Case

We believe Medallion Bank is the most valuable asset at MFIN and model the bank separately from the overall business to present the standalone value and the contribution from the business.

In Exhibit 4 below, we present our base model for Medallion Bank. Notably, we expect the entity to continue to write-off material amounts of its medallion portfolio to present the entity's earnings power conservatively. We model net income of \$18.7M and 28.2M (\$0.77 and \$1.15 of EPS) in FY19 and FY20, respectively, while the bank charges-off \$32.6M and \$25.9M of medallion loans during those periods.

Excluding the impact of the medallion write-offs, our FY19 and FY20 Medallion Bank EPS net income estimate would be \$43.8M and \$48.1M (\$1.80 and \$2.09), respectively. These figures provide a sense of the Bank's potential earnings power if medallions stabilize or the company works through its current exposures.

After accounting for the medallion loan charge-offs, our FY20E year-end net balance falls to \$68.7M or 5.7% net loans.

In this scenario, we expect the bank to generate a return on tangible common equity (ROTCE) of 12.6% and 16.3% in FY19 and FY20. Excluding the impact of the medallion write-offs we build into our model; the bank would generate a ROTCE above 25% in both years.

### Alternate Scenario

Medallion Bank was unable to successfully raise capital and postponed the bank's initial public offering of Series F Preferred Stock on January 8, 2019. We believe an analysis of the bank's earnings power assuming a successful capital raise could shed some light into the entity's potential value if MFIN is able to successfully raise capital.

In our alternate scenario, we assume that Medallion Bank is able to raise \$25M in capital issuing preferred stock with a dividend of 9% at the end of 2Q19.

In exhibit 5 below we present our alternate scenario model for Medallion Bank. Similar to our base case, we model significant write-offs of medallion loans to remain conservative. We model net income of \$17.4M and 36.3M (\$0.71 and \$1.49 of EPS) in FY19 and FY20 respectively while the bank charges-off \$32.6M and \$25.9M of medallion loans during those periods.

Excluding the impact of the medallion write-offs, our FY19 and FY20 Medallion Bank net income estimate would be \$42.1 and \$56.0 (\$1.73 and \$2.29) respectively. These figures provide a sense of the Bank's potential earnings

power if medallions stabilize or the company works through its current exposures.

After accounting for the medallion loan charge-offs, our FY20E year-end net balance falls to \$68.7M or 4.8% net loans.

In this scenario, we expect the bank to generate a return on tangible common equity (ROTCE) of 11.7% and 20.7% in FY19 and FY20. Excluding the impact of the medallion write-offs we build into our model; the bank would generate a ROTCE above 25% in both years.

### **In Summary**

Both of our Medallion Bank scenarios include significant charge-offs of medallion loans going forward, we believe this is conservative which gives us additional comfort in assessing the value and earnings power of the bank.

If medallion loans stabilize going forward or the company is able to realize material recoveries on previously charged-off loans, there could be upside to both our base case and alternate scenario models.



**Exhibit 4: Medallion Bank Base Model**

Medallion Bank - Operating Model	Dec-15	Dec-16	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Dec-20	Dec-21
\$ millions	2015A	2016A	2017A	1Q18A	2Q18A	3Q18A	4Q18A	2018A	1Q19E	2Q19E	3Q19E	4Q19E	2019E	2020E	2021E
Commercial and industrial loan interest income	15.2	12.4	8.0	1.9	1.5	1.7	1.5	6.6	1.4	1.3	1.2	1.1	5.0	3.8	2.9
Consumer loan interest income	75.2	90.3	102.0	24.6	26.7	29.1	27.3	107.7	28.0	29.8	31.8	32.9	122.6	142.3	162.3
Securities interest income	0.7	0.8	0.9	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	1.1	1.1
Federal funds interest income	0.0	0.1	0.4	0.1	0.1	0.1	0.3	0.6	0.1	0.1	0.1	0.1	0.5	0.5	0.5
<b>Total interest income</b>	<b>91.2</b>	<b>103.7</b>	<b>111.3</b>	<b>26.9</b>	<b>28.6</b>	<b>31.3</b>	<b>29.3</b>	<b>116.1</b>	<b>29.8</b>	<b>31.5</b>	<b>33.4</b>	<b>34.4</b>	<b>129.2</b>	<b>147.7</b>	<b>166.8</b>
Deposit interest expense	9.2	11.7	13.9	3.6	4.2	5.1	5.0	17.8	4.9	5.3	5.8	6.1	22.1	27.8	33.5
Federal funds interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total interest expense</b>	<b>9.2</b>	<b>11.8</b>	<b>13.9</b>	<b>3.6</b>	<b>4.2</b>	<b>5.1</b>	<b>5.0</b>	<b>17.8</b>	<b>4.9</b>	<b>5.3</b>	<b>5.8</b>	<b>6.1</b>	<b>22.1</b>	<b>27.8</b>	<b>33.5</b>
<b>Net interest income</b>	<b>82.0</b>	<b>91.9</b>	<b>97.5</b>	<b>23.3</b>	<b>24.4</b>	<b>26.2</b>	<b>24.4</b>	<b>98.2</b>	<b>24.9</b>	<b>26.2</b>	<b>27.7</b>	<b>28.3</b>	<b>107.1</b>	<b>119.9</b>	<b>133.3</b>
Provisions for loan losses	16.7	69.5	51.3	17.6	15.2	6.6	11.2	50.7	13.9	12.6	12.2	13.3	52.0	50.5	53.0
<b>Net interest income after provision for loan losses</b>	<b>65.3</b>	<b>22.5</b>	<b>46.2</b>	<b>5.6</b>	<b>9.2</b>	<b>19.6</b>	<b>13.2</b>	<b>47.5</b>	<b>11.0</b>	<b>13.6</b>	<b>15.4</b>	<b>15.0</b>	<b>55.1</b>	<b>69.4</b>	<b>80.4</b>
Net gains (losses) on sales of loans and leases	0.0	3.4	7.2	0.0	0.0	2.9	0.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net gains (losses) on sales of other assets	0.0	0.0	-6.3	-10.6	-0.1	-0.1	-1.8	-12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other noninterest income	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.0	0.1	0.1	0.1	0.2	0.3	0.3
<b>Total noninterest income</b>	<b>0.1</b>	<b>3.5</b>	<b>1.0</b>	<b>-10.6</b>	<b>0.0</b>	<b>2.9</b>	<b>-1.7</b>	<b>-9.4</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>
Salaries and benefits	5.3	5.8	6.5	1.9	1.9	2.0	1.9	7.7	2.2	2.2	2.3	2.2	8.9	10.2	10.7
Expenses of premises and fixed assets	0.3	0.3	0.4	0.1	0.1	0.1	0.2	0.6	0.2	0.2	0.2	0.2	0.7	0.7	0.8
Other noninterest expense	17.2	18.2	20.6	5.2	5.4	5.4	4.6	20.6	5.3	5.6	5.6	5.0	21.5	22.2	22.9
<b>Total noninterest expense</b>	<b>22.8</b>	<b>24.3</b>	<b>27.5</b>	<b>7.2</b>	<b>7.4</b>	<b>7.6</b>	<b>6.8</b>	<b>28.9</b>	<b>7.6</b>	<b>7.9</b>	<b>8.0</b>	<b>7.4</b>	<b>31.0</b>	<b>33.1</b>	<b>34.4</b>
<b>Pretax income (loss)</b>	<b>42.7</b>	<b>1.6</b>	<b>19.6</b>	<b>-12.1</b>	<b>1.7</b>	<b>14.9</b>	<b>4.7</b>	<b>9.2</b>	<b>3.4</b>	<b>5.8</b>	<b>7.4</b>	<b>7.7</b>	<b>24.3</b>	<b>36.6</b>	<b>46.3</b>
Income tax expense	19.0	-0.3	15.1	-3.3	0.4	4.2	2.3	3.6	0.8	1.3	1.7	1.8	5.6	8.4	10.7
<b>Net income</b>	<b>23.7</b>	<b>2.0</b>	<b>4.6</b>	<b>-8.8</b>	<b>1.3</b>	<b>10.7</b>	<b>2.4</b>	<b>5.7</b>	<b>2.6</b>	<b>4.5</b>	<b>5.7</b>	<b>5.9</b>	<b>18.7</b>	<b>28.2</b>	<b>35.7</b>
<b>Diluted EPS (using MFIN share count)</b>	<b>\$0.97</b>	<b>\$0.08</b>	<b>\$0.19</b>	<b>-\$0.36</b>	<b>\$0.05</b>	<b>\$0.44</b>	<b>\$0.10</b>	<b>\$0.23</b>	<b>\$0.11</b>	<b>\$0.18</b>	<b>\$0.24</b>	<b>\$0.24</b>	<b>\$0.77</b>	<b>\$1.15</b>	<b>\$1.46</b>
Tax rate	44.5%	-19.9%	76.8%	364.4%	399.8%	357.7%	205.3%	38.7%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
ROTCE	34.81%	1.44%	3.26%	-26.41%	4.06%	32.14%	6.93%	4.20%	7.35%	12.24%	15.22%	15.12%	12.56%	16.30%	17.43%
Book value	162.4	161.9	164.2	154.4	154.9	164.8	167.0	167.0	169.6	174.1	179.8	185.7	185.7	213.9	249.6
Book value (ex. Preferred stock)	136.1	135.6	137.9	128.1	128.6	138.5	140.7	140.7	143.3	147.8	153.5	159.4	159.4	187.6	223.3
Tier 1 capital	161.9	156.5	163.8	152.1	153.6	165.2	167.9	167.9	170.5	175.0	180.7	186.6	186.6	214.8	250.5
Risk weighted assets	1,077.1	1,067.1	995.1	990.7	1,045.9	1,010.8	993.4	993.4	1,028.1	1,101.7	1,152.9	1,182.2	1,182.2	1,373.4	1,608.0
Tier 1 capital ratio	15.03%	14.66%	16.46%	15.35%	14.68%	16.35%	16.90%	16.90%	16.59%	15.88%	15.67%	15.79%	15.79%	15.64%	15.58%
Total cash, securities and federal funds sold	58.6	67.7	153.7	69.2	70.1	178.8	79.3	79.3	83.3	86.8	93.8	102.8	102.8	143.9	179.0
Commercial loans (Medallion loans)	379.1	299.1	223.7	207.6	186.9	176.1	155.0	155.0	147.2	137.8	128.9	120.6	120.6	91.8	69.1
Consumer loans	637.2	720.8	704.5	738.6	811.3	762.7	783.3	783.3	822.4	904.7	958.9	987.7	987.7	1,172.0	1,403.6

Source: BTIG Estimates and Company Documents

### Exhibit 5: Medallion Bank Alternate Scenario

Medallion Bank - Alternate Scenario Model	Dec-15	Dec-16	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Dec-20	Dec-21
\$ millions	2015A	2016A	2017A	1Q18A	2Q18A	3Q18A	4Q18A	2018A	1Q19E	2Q19E	3Q19E	4Q19E	2019E	2020E	2021E
Commercial and industrial loan interest income	15.2	12.4	8.0	1.9	1.5	1.7	1.5	6.6	1.4	1.3	1.2	1.1	5.0	3.8	2.9
Consumer loan interest income	75.2	90.3	102.0	24.6	26.7	29.1	27.3	107.7	28.3	30.8	34.2	37.6	131.0	169.6	195.4
Securities interest income	0.7	0.8	0.9	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	1.1	1.1
Federal funds interest income	0.0	0.1	0.4	0.1	0.1	0.1	0.3	0.6	0.1	0.1	0.1	0.1	0.5	0.5	0.5
<b>Total interest income</b>	<b>91.2</b>	<b>103.7</b>	<b>111.3</b>	<b>26.9</b>	<b>28.6</b>	<b>31.3</b>	<b>29.3</b>	<b>116.1</b>	<b>30.1</b>	<b>32.4</b>	<b>35.8</b>	<b>39.2</b>	<b>137.5</b>	<b>175.0</b>	<b>199.9</b>
Deposit interest expense	9.2	11.7	13.9	3.6	4.2	5.1	5.0	17.8	4.9	5.4	6.1	6.9	23.4	32.7	39.9
Federal funds interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total interest expense</b>	<b>9.2</b>	<b>11.8</b>	<b>13.9</b>	<b>3.6</b>	<b>4.2</b>	<b>5.1</b>	<b>5.0</b>	<b>17.8</b>	<b>4.9</b>	<b>5.4</b>	<b>6.1</b>	<b>6.9</b>	<b>23.4</b>	<b>32.7</b>	<b>39.9</b>
<b>Net interest income</b>	<b>82.0</b>	<b>91.9</b>	<b>97.5</b>	<b>23.3</b>	<b>24.4</b>	<b>26.2</b>	<b>24.4</b>	<b>98.2</b>	<b>25.1</b>	<b>27.0</b>	<b>29.7</b>	<b>32.3</b>	<b>114.1</b>	<b>142.3</b>	<b>160.0</b>
Provisions for loan losses	16.7	69.5	51.3	17.6	15.2	6.6	11.2	50.7	14.6	13.4	14.7	16.9	59.6	59.7	63.5
<b>Net interest income after provision for loan losses</b>	<b>65.3</b>	<b>22.5</b>	<b>46.2</b>	<b>5.6</b>	<b>9.2</b>	<b>19.6</b>	<b>13.2</b>	<b>47.5</b>	<b>10.6</b>	<b>13.6</b>	<b>15.0</b>	<b>15.4</b>	<b>54.5</b>	<b>82.7</b>	<b>96.5</b>
Net gains (losses) on sales of loans and leases	0.0	3.4	7.2	0.0	0.0	2.9	0.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net gains (losses) on sales of other assets	0.0	0.0	-6.3	-10.6	-0.1	-0.1	-1.8	-12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other noninterest income	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.0	0.1	0.1	0.1	0.2	0.3	0.4
<b>Total noninterest income</b>	<b>0.1</b>	<b>3.5</b>	<b>1.0</b>	<b>-10.6</b>	<b>0.0</b>	<b>2.9</b>	<b>-1.7</b>	<b>-9.4</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>
Salaries and benefits	5.3	5.8	6.5	1.9	1.9	2.0	1.9	7.7	2.2	2.2	2.3	2.2	8.9	10.2	10.7
Expenses of premises and fixed assets	0.3	0.3	0.4	0.1	0.1	0.1	0.2	0.6	0.2	0.2	0.2	0.2	0.7	0.7	0.8
Other noninterest expense	17.2	18.2	20.6	5.2	5.4	5.4	4.6	20.6	5.3	5.6	6.2	5.4	22.4	24.3	25.1
<b>Total noninterest expense</b>	<b>22.8</b>	<b>24.3</b>	<b>27.5</b>	<b>7.2</b>	<b>7.4</b>	<b>7.6</b>	<b>6.8</b>	<b>28.9</b>	<b>7.6</b>	<b>7.9</b>	<b>8.6</b>	<b>7.8</b>	<b>31.9</b>	<b>35.2</b>	<b>36.5</b>
<b>Pretax income (loss)</b>	<b>42.7</b>	<b>1.6</b>	<b>19.6</b>	<b>-12.1</b>	<b>1.7</b>	<b>14.9</b>	<b>4.7</b>	<b>9.2</b>	<b>3.0</b>	<b>5.7</b>	<b>6.4</b>	<b>7.7</b>	<b>22.8</b>	<b>47.8</b>	<b>60.3</b>
Income tax expense	19.0	-0.3	15.1	-3.3	0.4	4.2	2.3	3.6	0.7	1.4	1.5	1.9	5.5	11.5	14.5
<b>Net income</b>	<b>23.7</b>	<b>2.0</b>	<b>4.6</b>	<b>-8.8</b>	<b>1.3</b>	<b>10.7</b>	<b>2.4</b>	<b>5.7</b>	<b>2.3</b>	<b>4.3</b>	<b>4.9</b>	<b>5.9</b>	<b>17.4</b>	<b>36.3</b>	<b>45.9</b>
<b>Diluted EPS (using MFIN share count)</b>	<b>\$0.97</b>	<b>\$0.08</b>	<b>\$0.19</b>	<b>-\$0.36</b>	<b>\$0.05</b>	<b>\$0.44</b>	<b>\$0.10</b>	<b>\$0.23</b>	<b>\$0.09</b>	<b>\$0.18</b>	<b>\$0.20</b>	<b>\$0.24</b>	<b>\$0.71</b>	<b>\$1.49</b>	<b>\$1.87</b>
Tax rate	44.5%	-19.9%	76.8%	364.4%	399.8%	357.7%	205.3%	38.7%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
ROTCE	34.81%	1.44%	3.26%	-26.41%	4.06%	32.14%	6.93%	4.20%	6.40%	11.94%	13.06%	15.14%	11.71%	20.72%	21.19%
Book value	162.4	161.9	164.2	154.4	154.9	164.8	167.0	167.0	169.3	198.6	203.5	209.4	209.4	245.7	291.6
Book value (ex. Preferred stock)	136.1	135.6	137.9	128.1	128.6	138.5	140.7	140.7	143.0	147.3	152.2	158.1	158.1	194.4	240.3
Tier 1 capital	161.9	156.5	163.8	152.1	153.6	165.2	167.9	167.9	170.2	199.5	204.4	210.3	210.3	246.6	292.5
Risk weighted assets	1,077.1	1,067.1	995.1	990.7	1,045.9	1,010.8	993.4	993.4	1,041.6	1,159.4	1,266.6	1,365.7	1,365.7	1,623.1	1,912.5
Tier 1 capital ratio	15.03%	14.66%	16.46%	15.35%	14.68%	16.35%	16.90%	16.90%	16.34%	17.21%	16.14%	15.40%	15.40%	15.19%	15.29%
Total cash, securities and federal funds sold	58.6	67.7	153.7	69.2	70.1	178.8	79.3	79.3	82.0	109.2	112.5	118.5	118.5	169.9	215.9
Commercial loans (Medallion loans)	379.1	299.1	223.7	207.6	186.9	176.1	155.0	155.0	147.2	137.8	128.9	120.6	120.6	91.8	69.1
Consumer loans	637.2	720.8	704.5	738.6	811.3	762.7	783.3	783.3	838.1	942.8	1,060.7	1,166.8	1,166.8	1,411.0	1,689.8

Source: BTIG Estimates and Company Documents

**Utah ILC's are an attractive asset and could create an opportunity for MFIN to sell Medallion Bank for a significant gain.**

In 2013, the Dodd-Frank Act's moratorium on the acquisition of industrial bank charters by firms whose primary source of revenue is derived from non-financial business activities expired. Since the moratorium expired, there has not been a new industrial charter issued.

A few institutions have unsuccessfully applied and subsequently withdrawn their Utah ILC applications. Most recently, Nelnet, Inc (NNI, Not Rated) withdrew its application in September 2018, and SoFi (Private) withdrew its application in August 2017. And, Square, Inc. (SQ, Sell, \$30 PT; Analyst: Mark Palmer) is the only remaining company with an outstanding Utah ILC application.

Rather than apply for de novo charters, we believe some of these companies may attempt to acquire a an operating ILC as an alternative. If MFIN decides to sell Medallion Bank, we believe there would be significant interest and the company could monetize the bank for a gain.

**The difficulty of obtaining a de novo Utah ILC has created an opportunity for existing ILCs and potentially for MFIN to partner with online lenders and FinTech companies.**

As many non-bank consumer lenders scale their businesses, they need to obtain licenses in every state in which they want to operate and originate loans. This is both a costly and time-consuming process with a number of drawbacks. For example, a state licensed lender is subject to interest rate caps in the states where they operate.

As an alternative, many non-bank lenders have partnered with Utah ILCs and other banks. Using these partnerships, non-bank consumer lenders facilitate the origination, the bank originates the loan and subsequently sells the loan back to the non-bank partner after origination.

The primary advantages of this structure stems from a bank's ability to originate loans on a national basis without state licenses and a bank's ability to export the interest rate cap of its headquarter state to all other states, which may be above the cap in other states.

We believe Medallion Bank could pursue this partnership model. If the bank is successful in finding partners, this could become a source of capital light fee income that would be accretive to capital while using minimal amounts of the bank's capital.

**Commercial lending is a profitable business with a high return on assets  
MFIN can scale over time.**

As of 3Q18, MFIN's commercial lending business had \$82M of assets and accounted for approximately 8% of total loans outstanding. In FY16 and FY17, the business generated an ROE of 22% and 30%, respectively. The business has equity of approximately \$43M and operates around 2X leverage.

The lack of leverage in the commercial business compared to other parts of MFIN's business could restrict the business' growth in the near term. Because the business is outside the bank and the company may decide to use some of that capital for other purposes.

Alternatively, rather than reinvest the earnings generated from the commercial assets back into the business, they could send the capital to the bank which has the ability to lever the capital base closer to 7X and generate a higher return on capital.

While the commercial business is relatively small, it has the potential to have a greater impact on the overall business as the medallion portfolio continues to roll-off.

**Deconsolidation of Trust III will simplify MFIN's financial statements and generate a gain of over \$20M in 4Q18.**

MFIN entered into a transaction that results in the deconsolidation of Trust III in exchange for a \$1.4M promissory note. Post transaction, MFIN will no longer recognize the financial impact of Trust III through its income statement and on its balance sheet. The bulk of the impact from the consolidation was negative, high provisions related to the medallion loans and interest expense related to the DZ loan.

**Exhibit 6: Trust III 3Q18 Balance Sheet consolidated into MFIN's financial statement.**

Trust III Balance Sheet	Sep-18
\$ in millions	3Q18A
Cash	0.166
Net loans receivable	45.384
Net investment	0
Accrued interest receivable	0.097
Loan collateral in process of foreclosure	17.865
<b>Total assets</b>	<b>63.512</b>
Accounts payable and accrued expenses	0.069
Accrued interest payable	2.364
DZ loan	96.058
<b>Total liabilities</b>	<b>98.491</b>
<b>Total equity (deficit)</b>	<b>-34.979</b>

Source: Company Documents

**Medallion is currently pursuing recoveries on its medallion portfolio and could realize significant upside if the company is successful.**

MFIN has reserved for or charged-off over \$300M of medallion loans over the past few years and could realize significant upside if the company is successful in recovering a fraction of those losses. Alternatively, MFIN may pursue restructurings of nonperforming loans.

All of MFIN's medallion loans are secured by personal guarantees which the company intends to pursue to recover losses. If the company is successful in recovering a fraction of past losses, the upside could be material. MFIN could also pursue restructurings of outstanding medallion loans to reperform some nonperforming loans.

MFIN recovered \$350,000 and \$400,000 during 3Q18 and 2Q18 respectively on their nonaccrual loan portfolio which is almost entirely comprised of medallion loans.

We don't include any future upside from recoveries or restructured loans in our model because the timing and magnitude of potential recoveries are difficult to predict. We view the company's recovery efforts as a source of upside.

**4Q18 Earnings preview**

Medallion Financial Corp. is scheduled to report 4Q18 earnings after the close on Wednesday February 27<sup>th</sup>, after the market close and will host a conference call the following morning at 9am.

Going into the quarter we have some insight into the company's operating performance because Medallion Bank's 4Q18 financial statements can be accessed via the banks call reports. We believe 4Q18 will be a turning point for MFIN for a few reasons:

**Medallion recovery efforts** – While we don't have much visibility in to the timing or magnitude of future recoveries, additional updates related to the company's efforts to recover on charged-off medallion loans could be a source of upside surprise during the quarter.

**Deconsolidation of DZ** – Deconsolidating DZ will result in an accounting reversal exceeding \$20M after-taxes materially increasing the company's book value and reducing the accounting noise associated with the consolidation of the DZ trust. This will remove the reporting impacts from an entity that had limited financial impacts on MFIN.

Going forward, MFIN's financial statements will better reflect the company's operating performance.

**Focus on future earnings growth and value creation** – As the impact of ride share companies materially reduced the value of medallion in many cities, MFIN went through multiple years of significant write-downs which created significant uncertainty and risks for the company.

We believe MFIN has made it to the point at which its earnings power can offset the potential downside risk associated with its remaining medallion portfolio.

This added level of visibility is important and should give investors additional comfort in modelling out earnings power and the potential value the company could create in the future.

## Valuation

Our \$10 price target on MFIN is based on 7X our FY20E earnings per share estimate of \$1.40.

We believe 7X is a reasonable multiple for a consumer finance business in transition. We acknowledge the risks associated with MFIN's medallion portfolio and have built in high losses associated with that portfolio in our model which gives us some comfort.

As we gain for comfort in modeling out the trajectory of the medallion portfolio, there may be upside to our estimates that could create additional value and multiple expansion.

## Risks

**Credit risk** – MFIN is exposure to credit risk in its consumer lending, medallion lending and business lending segments and could be adversely impacted if the credit performance of any of those asset classes deteriorates.

**Risks related to the value of taxi medallions** – MFIN continues to have material exposure to taxi medallions and could be adversely impacted if the value of medallions fall in the markets the company is exposed to.

**Regulatory risks** – MFIN has multiple regulators including federal, state and city regulators and could be adversely impacted if the regulations in any of those markets change. Medallion Bank is regulated by

**Interest rate risks** – MFIN funds its operating with debt, preferred equity and deposits. Increased in interest rates or the inability to refinance certain sources of funding could adversely impact the company's ability to operate profitably.

**Risks related to the company's ability to maintain appropriate capital levels at Medallion Bank** – MFIN's Medallion Bank subsidiary entered into an agreement with the FDIC requiring it to maintain a 15% or higher Tier 1 capital ratio. If Medallion Bank is unable to maintain a 15% Tier 1 ratio it could impact the bank's ability to operate profitably.

**Ability to dividend capital out of Medallion Bank** – Medallion Bank is a regulated entity and has restrictions imposed on its ability to release and dividend capital to its parent company. If the performance of the banks underlying assets underperforms, it may not be able to release capital to its parent in the future. Additionally, the banks strong origination performance has been able to create more assets than the company can keep on their balance sheet without falling below a 15% Tier 1 ratio. If the bank is unable to sell portfolios in the future, it may reduce its ability to distribute capital to its parent in the future.

**An inability to generate significant recoveries on past medallion loan losses** – MFIN is in the process of pursuing recoveries on medallion loans with personal guaranties and

**Macroeconomic risks** – MFIN could be adversely impacted if economic growth slows or if we enter a recession.

## Management

**Alvin Murstein** – Chairman of the Board & CEO, Medallion Financial Corp. – Murstein has been the Chairman of the Board of Directors of Medallion Financial Corp. since its founding in 1995 and has served as Chief Executive Officer of Medallion Financial Corp. since February 1996. Murstein has also been the Chairman and Chief Executive Officer of Medallion Funding Corp. since its founding in 1979 and of Medallion Taxi Media, Inc. since its founding in 1994. Mr. Murstein also served as Chairman of the Board of Directors and Chief Executive Officer of Tri-Magna Corp. from its founding in 1989 until its acquisition by MFIN in 1996. Mr. Murstein received a B.A. and an M.B.A. from New York University.

**Andrew M. Murstein** – President, Medallion Financial Corp. – Murstein is a founder, Board Member, and President of Medallion Financial Corp. He and his family are the largest shareholders of MFIN. Murstein received a B.A. graduating cum laude from Tufts University and an M.B.A. from New York University. Andrew Murstein is Alvin Murstein's son.

**Larry D. Hall** – Senior Vice President & Chief Financial Officer, Medallion Financial Corp. – Hall has been Corporate Controller and Assistant Treasurer of Medallion Financial Corp. since October 2000. Prior to joining Medallion Financial Corp., Mr. Hall was employed by Citibank as Vice President - Corporate Financial Control/Corporate Reporting/Analysis between October 1995 and October 2000. Prior to Citibank, Hall was Vice President - Finance/Controller Treasurer and Secretary of Consolidated Waste Services of America between April 1993 and March 1995. Hall received a B.S. from the University of Southern California.

## Income Statement

MFIN - Operating Model	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Dec-20
\$ millions	2Q18A	3Q18A	4Q18E	2Q-4QE	1Q19E	2Q19E	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E
Interest and fees on loans	32.0	32.7	31.6	96.3	32.2	33.9	35.9	36.9	138.8	37.3	38.6	40.0	40.9	156.8
Medallion lease income	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	0.4	1.4
Interest and dividends on investment securities	0.6	0.4	0.6	1.6	0.4	0.4	0.4	0.4	1.6	0.4	0.4	0.4	0.4	1.6
<b>Total interest income</b>	<b>32.6</b>	<b>33.2</b>	<b>32.2</b>	<b>98.0</b>	<b>32.7</b>	<b>34.4</b>	<b>36.4</b>	<b>37.4</b>	<b>140.8</b>	<b>38.1</b>	<b>39.4</b>	<b>40.7</b>	<b>41.6</b>	<b>159.8</b>
<b>Total interest expense</b>	<b>7.9</b>	<b>8.9</b>	<b>8.2</b>	<b>25.1</b>	<b>7.5</b>	<b>8.0</b>	<b>8.5</b>	<b>8.8</b>	<b>32.8</b>	<b>9.1</b>	<b>9.5</b>	<b>9.9</b>	<b>10.3</b>	<b>38.9</b>
<b>Net interest income</b>	<b>24.7</b>	<b>24.3</b>	<b>23.9</b>	<b>72.9</b>	<b>25.1</b>	<b>26.4</b>	<b>27.9</b>	<b>28.5</b>	<b>108.0</b>	<b>28.9</b>	<b>29.8</b>	<b>30.8</b>	<b>31.4</b>	<b>121.0</b>
Provision for loan losses	30.6	18.2	11.9	60.7	9.3	7.3	7.8	9.7	34.1	8.7	6.3	7.2	9.6	31.7
<b>Net interest loss after provision for loan losses</b>	<b>-5.9</b>	<b>6.1</b>	<b>12.0</b>	<b>12.2</b>	<b>15.9</b>	<b>19.2</b>	<b>20.0</b>	<b>18.8</b>	<b>73.9</b>	<b>20.3</b>	<b>23.5</b>	<b>23.6</b>	<b>21.8</b>	<b>89.2</b>
<b>Other income (expense)</b>	<b>-12.0</b>	<b>-10.0</b>	<b>17.1</b>	<b>-4.9</b>	<b>-9.9</b>	<b>-9.6</b>	<b>-10.0</b>	<b>-9.6</b>	<b>-39.0</b>	<b>-10.2</b>	<b>-10.0</b>	<b>-10.2</b>	<b>-9.9</b>	<b>-40.2</b>
<b>Income (loss) before income taxes</b>	<b>-17.9</b>	<b>-4.0</b>	<b>29.2</b>	<b>7.3</b>	<b>6.0</b>	<b>9.6</b>	<b>10.1</b>	<b>9.2</b>	<b>34.9</b>	<b>10.0</b>	<b>13.6</b>	<b>13.4</b>	<b>11.9</b>	<b>49.0</b>
Income tax expense	4.0	0.1	-0.5	3.6	-1.4	-2.2	-2.3	-2.1	-8.0	-2.3	-3.1	-3.1	-2.7	-11.3
<b>Net income (loss)</b>	<b>-13.9</b>	<b>-3.8</b>	<b>28.7</b>	<b>10.9</b>	<b>4.6</b>	<b>7.4</b>	<b>7.8</b>	<b>7.1</b>	<b>26.9</b>	<b>7.7</b>	<b>10.5</b>	<b>10.4</b>	<b>9.2</b>	<b>37.7</b>
Less: income attributable to noncontrolling interests	0.8	0.9	0.9	2.5	0.9	0.9	0.9	0.9	3.6	0.9	0.9	0.9	0.9	3.6
<b>Net income (loss) attributable to Medallion Financial Corp.</b>	<b>-14.6</b>	<b>-4.7</b>	<b>27.8</b>	<b>8.4</b>	<b>3.7</b>	<b>6.5</b>	<b>6.9</b>	<b>6.2</b>	<b>23.3</b>	<b>6.8</b>	<b>9.6</b>	<b>9.5</b>	<b>8.3</b>	<b>34.1</b>
<b>Diluted EPS - GAAP</b>	<b>-\$0.60</b>	<b>-\$0.19</b>	<b>\$1.14</b>	<b>\$0.35</b>	<b>\$0.15</b>	<b>\$0.27</b>	<b>\$0.28</b>	<b>\$0.25</b>	<b>\$0.96</b>	<b>\$0.28</b>	<b>\$0.39</b>	<b>\$0.39</b>	<b>\$0.34</b>	<b>\$1.40</b>
Common shares	24.231	24.235	24.259	24.220	24.284	24.308	24.332	24.357	24.320	24.381	24.405	24.430	24.454	24.418
Diluted shares	24.231	24.235	24.259	24.220	24.284	24.308	24.332	24.357	24.320	24.381	24.405	24.430	24.454	24.418
<b>Consolidated Metrics</b>														
Tax rate	22.5%	3.0%	1.7%	-49.9%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Book value per share	\$10.63	\$10.44	\$11.85	\$11.85	\$12.04	\$12.39	\$12.76	\$13.08	\$13.08	\$13.45	\$13.95	\$14.45	\$14.89	\$14.89
NIM	8.9%	9.1%	9.1%		9.5%	9.6%	9.6%	9.5%	9.4%	9.5%	9.4%	9.4%	9.3%	9.2%
ROA		-1.2%	7.4%		1.0%	1.7%	1.7%	1.5%	1.4%	1.6%	2.1%	2.0%	1.7%	1.8%
ROE		-7.4%	41.1%		5.1%	8.7%	9.0%	7.9%	7.7%	8.5%	11.4%	10.9%	9.2%	10.0%
<b>Medallion Bank Metrics</b>														
	<b>2Q18A</b>	<b>3Q18A</b>	<b>4Q18A</b>	<b>2018A</b>	<b>1Q19E</b>	<b>2Q19E</b>	<b>3Q19E</b>	<b>4Q19E</b>	<b>2019E</b>	<b>1Q20E</b>	<b>2Q20E</b>	<b>3Q20E</b>	<b>4Q20E</b>	<b>2020E</b>
Medallion Bank net income	1.3	10.7	2.4	5.7	2.6	4.5	5.7	5.9	18.7	5.4	7.5	7.9	7.4	28.2
Medallion Bank net income per MFIN diluted share	\$0.05	\$0.44	\$0.10	\$0.23	\$0.11	\$0.18	\$0.24	\$0.24	\$0.77	\$0.22	\$0.31	\$0.32	\$0.30	\$1.15
Book value	154.9	164.8	167.0	167.0	169.6	174.1	179.8	185.7	185.7	191.1	198.6	206.5	213.9	213.9
Tangible book value	128.6	138.5	140.7	140.7	143.3	147.8	153.5	159.4	159.4	164.8	172.3	180.2	187.6	187.6
Book value per share	\$6.39	\$6.80	\$6.88	\$6.89	\$6.98	\$7.16	\$7.39	\$7.62	\$7.64	\$7.84	\$8.14	\$8.45	\$8.75	\$8.76
Tangible book value per share	\$5.31	\$5.71	\$5.80	\$5.81	\$5.90	\$6.08	\$6.31	\$6.54	\$6.55	\$6.76	\$7.06	\$7.38	\$7.67	\$7.68
NIM	9.9%	10.6%	10.1%	10.2%	10.3%	10.3%	10.2%	10.2%	10.3%	10.1%	10.0%	9.9%	9.8%	10.0%
ROTCE	4.1%	32.1%	6.9%	4.2%	7.3%	12.2%	15.2%	15.1%	12.6%	13.4%	17.8%	17.9%	16.0%	16.3%
ROA	0.5%	3.9%	0.9%	0.5%	1.0%	1.6%	2.0%	2.0%	1.7%	1.8%	2.3%	2.3%	2.1%	2.1%
Tier 1 Capital ratio	14.7%	16.3%	16.9%	16.9%	16.6%	15.9%	15.7%	15.8%	15.8%	15.7%	15.5%	15.5%	15.6%	15.6%
Total loans	998.2	938.8	938.2	938.2	969.6	1,042.4	1,087.9	1,108.3	1,108.3	1,140.1	1,194.2	1,236.2	1,263.7	1,263.7
Allowance for loan losses	-68.2	-65.9	-60.1	-60.1	-59.6	-60.1	-59.9	-59.1	-59.1	-58.6	-58.9	-58.9	-58.5	-58.5
<b>Total loans - net</b>	<b>930.0</b>	<b>872.9</b>	<b>878.1</b>	<b>878.1</b>	<b>910.0</b>	<b>982.3</b>	<b>1,027.9</b>	<b>1,049.3</b>	<b>1,049.3</b>	<b>1,081.5</b>	<b>1,135.3</b>	<b>1,177.3</b>	<b>1,205.2</b>	<b>1,205.2</b>
Total assets	1,068	1,120	1,024	1,024	1,060	1,136	1,188	1,219	1,219	1,259	1,323	1,376	1,416	1,416
Total deposits	896.5	947.1	848.1	848.1	881.4	952.8	999.7	1,024.1	1,024.1	1,059.1	1,115.4	1,160.7	1,193.0	1,193.0

Source: BTIG Estimates and Company Documents



## BTIG Covered Companies Mentioned in this Report

MEDALLION FINANCIAL CORP (MFIN, Buy, \$10.00 PT; Current Price: \$5.80; Analyst: Giuliano.Bologna)

## Appendix: Analyst Certification and Other Important Disclosures

### Analyst Certification

I, Giuliano Bologna, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

I, Mark Palmer, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

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#### Medallion Financial Corp (MFIN, Buy, \$10.00 PT)

**Valuation:** Our \$10 price target is based on 7X our FY20E earnings per share estimate of \$1.40.

**Risks:** Primary risks to our price target and rating include: credit risk, risks related to the company's exposure to taxi medallions and loans backed by taxi medallions, regulatory risks, risks related to Medallion Bank's ability to maintain a 15% or greater Tier 1 capital ratio, risks related to Medallion Bank's ability to upstream capital to its

parent company, interest rate risks, risks related to the company's attempt to recover on medallion loan losses and macroeconomic risks.

## Company–Specific Regulatory Disclosures

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## Other Disclosures

Additional Information Available Upon Request

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