OneMain Holdings, Inc. (OMF)

Updated February 2nd, 2025, by Ian Bezek

Key Metrics

Current Price:	$55	**5 Year CAGR Estimate:**	1.1%	**Market Cap:**	$6.5 B
Fair Value Price:	$34	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	02/12/25
% Fair Value:	160%	**5 Year Valuation Multiple Estimate:**	-9.0%	**Dividend Payment Date:**	02/20/25
Dividend Yield:	7.6%	**5 Year Price Target**	$36	**Years Of Dividend Growth:**	5
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Rating:**	Sell

Overview & Current Events

OneMain Holdings is a specialty finance company which provides personal loans to consumers. It came about as a spinout from Citigroup's financial services division. OneMain has focused on providing services to clients with lower credit scores and has products such as the BrightWay credit card which reward holders for consistent on-time payments. Investors often lump these types of businesses together as "subprime" lending, but OneMain's average customer has a FICO score in the low 600s, which is quite a bit higher in quality than several of its peers.

OneMain offers its services through its branch network of more than 1,400 locations along with its digital affiliates. It has more than 2.5 million customer accounts and a loans receivable book of $24.7 billion as of Dec. 31st, 2024. The company faces significant competition from other specialty personal lenders such as World Acceptance. However, OneMain has invested more quickly than rivals in online originations and in sophisticated data analysis while centralizing loan underwriting operations. It also has advertised heavily in credit coaching services, online credit aggregators, and other non-traditional venues which have boosted visibility.

On January 31st, 2025, OneMain reported its Q4 2024 results. Earnings of $1.05 per share fell significantly from the $1.38 reported in the same quarter of 2023. Revenues of $1.17 billion grew 6% year-over-year but missed expectations. The company was able to grow overall net interest income, but profits fell due to a notable increase in the company's provisions for potential future loans losses. The company's operating costs also grew 10% year-over-year which outpaced revenue growth. OneMain's credit metrics have been volatile throughout 2024, but overall appear to be trending in a negative direction. Given inflation, rising unemployment, and an uncertain macroeconomic backdrop, OneMain's customers will probably face more economic stress in the near future. We expect a rebound in earnings this year, but for OneMain's earnings to remain far below levels seen in 2021 and 2022.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-$1.89	$1.59	$1.35	$3.29	$6.27	$5.41	$9.87	$7.06	$5.43	$4.24	***$4.90***	***$5.15***
DPS	---	---	---	---	$1.00	$1.44	$2.55	$3.80	$4.00	$4.00	***$4.16***	***$4.59***
Shares	134	135	135	136	136	134	128	124	120	120	***118***	***116***

OneMain completed its IPO in late 2013. It started off as a much smaller and only marginally profitable lender in its first couple of years as a standalone company. However, it has grown tremendously since IPO, with revenues increasing from $1.2 billion in 2014 to $2.5 billion in 2024. OneMain has turned the revenue growth into strong profit growth as well. OneMain arguably earned excess profit in 2021 thanks to excellent credit conditions the economy enjoyed due to pandemic-related government assistance. Earnings have since decreased sharply, however we expect to see stabilization in 2025.

It appears OneMain has already grabbed much of the available market share for its specialty loan products. To grow further, it will likely require competing more aggressively with its direct peers. Perhaps in a nod to its diminishing growth prospects, OneMain has increased capital returns. OneMain has given investors dramatic dividend increases and share repurchases in recent years, though the most recent dividend hike, on April 30th, 2024, was a more modest 4%.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	17.0	19.1	9.6	5.7	5.9	5.6	4.6	7.6	8.2	***11.2***	***7.0***
Avg. Yld.	---	---	---	---	2.8%	4.5%	4.7%	9.5%	9.8%	9.7%	***7.6%***	***12.7%***

OneMain has averaged a 6.4x P/E ratio over the past five years. The market appears to have a high degree of skepticism as to the quality and persistence of OneMain's earnings stream. Given the negative associations around high-yield specialty lending, we expect the firm's P/E ratio to remain at low levels.

OneMain's dividend yield has grown tremendously in recent years as the firm has increased its dividend repeatedly and pushed its payout ratio from the 20s up to an estimated 85% for this year.

Safety, Quality, Competitive Advantage, & Recession Resiliency

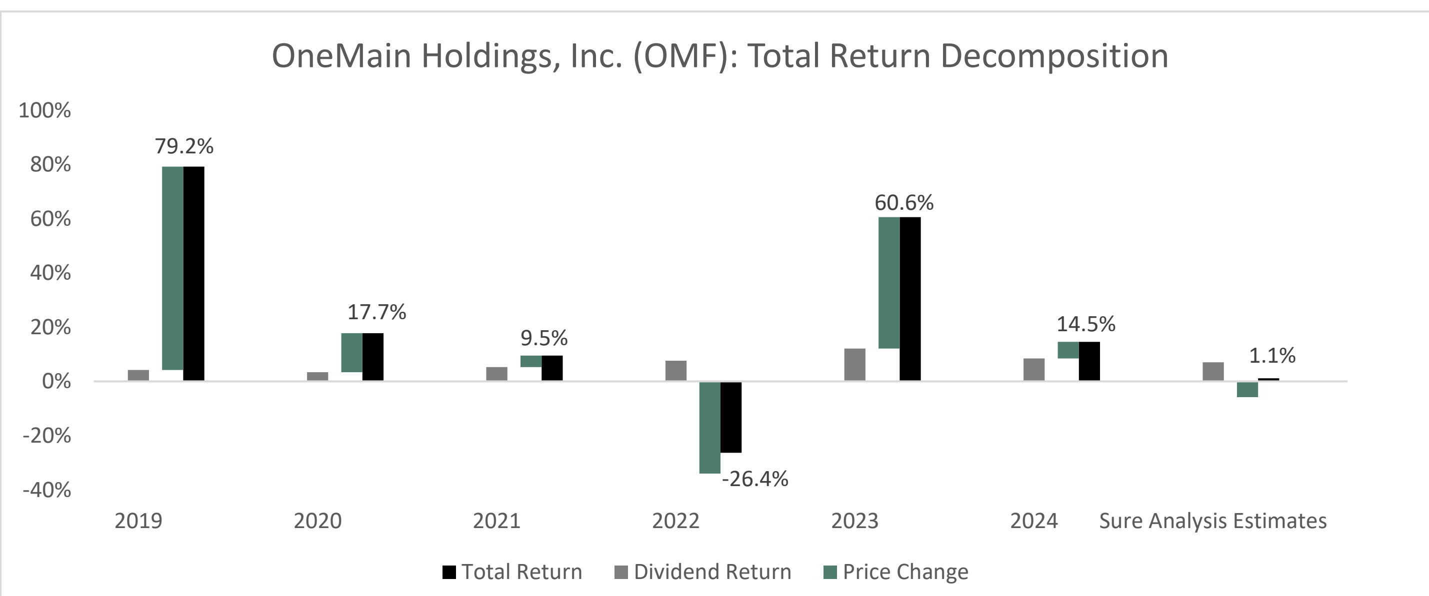
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	16%	27%	26%	54%	74%	97%	***85%***	***89%***

OneMain has been collecting data and building its proprietary information technology system since it was still a part of Citigroup. The company has far more experience dealing with recessions, such as the 2001 downturn and 2008 financial crisis, than its peers. This sets OneMain apart from much of the lending crowd which often relies more on predictive algorithms than historical data and analysis. OneMain also operates in nearly all the U.S. states and has diversification across its loan book so that a financial crisis in one state or economic sector would not overly impact the company.

Final Thoughts & Recommendation

OneMain seems well-positioned for an economic downturn given its sound risk management systems and past performance. Its strong balance sheet gives it further operating flexibility during economic volatility. While we respect OneMain's strong operational performance, after their rally, OMF shares trade far above our fair value estimate. This leaves little margin of safety today, especially as economic uncertainty is increasing due to factors such as inflation and potential tariffs. We see just 1.1% total returns for OneMain from here, as the 7.6% dividend yield is offset by sharp compression in the firm's P/E ratio. This earns OneMain a sell rating today.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,092	1,478	2,873	2,969	3,366	3,712	3,906	4,036	4,199	4,280
SG&A Exp.	435	581	955	961	1,109	993	998	1,015	986	1,044
D&A Exp.	23	198	521	328	289	271	264	264	262	257
Net Profit	463	(220)	215	183	447	855	730	1,314	878	641
Net Margin	22.1%	-14.9%	7.5%	6.2%	13.3%	23.0%	18.7%	32.6%	20.9%	15.0%
Free Cash Flow	381	741	1,322	1,555	2,046	2,362	2,212	2,247	2,387	2,519
Income Tax	272	(133)	113	248	177	243	247	427	285	199

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	10,812	21,190	18,123	19,433	20,090	22,817	22,471	22,079	22,533	24,290
Cash & Equivalents	879	939	579	987	679	1,227	2,272	541	498	1,014
Acc. Receivable	79	5	-	-	-	-	-	-	-	-
Goodwill & Int.	21	1,999	1,914	1,862	1,810	1,765	1,728	1,711	1,698	1,697
Total Liabilities	8,975	18,460	15,057	16,155	16,291	18,487	19,030	18,986	19,504	21,110
Accounts Payable	57	67	61	58	-	-	-	-	-	-
Long-Term Debt	8,356	17,300	13,959	15,050	15,178	17,212	17,800	17,750	18,281	19,810
Total Equity	2,025	2,809	3,066	3,278	3,799	4,330	3,441	3,093	3,029	3,186
LTD/E Ratio	4.13	6.16	4.55	4.59	4.00	3.98	5.17	5.74	6.04	6.22

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.5%	-1.4%	1.1%	1.0%	2.3%	4.0%	3.2%	5.9%	3.9%	2.7%
Return on Equity	26.0%	-9.1%	7.3%	5.8%	12.6%	21.0%	18.8%	40.2%	28.7%	20.7%
ROIC	3.7%	-1.5%	1.2%	1.0%	2.4%	4.2%	3.4%	6.2%	4.2%	2.9%
Shares Out.	115	134	135	135	136	136	134	128	124	121
Revenue/Share	18.15	11.55	21.26	21.88	24.74	27.23	28.95	30.33	33.75	35.48
FCF/Share	3.31	5.79	9.78	11.46	15.04	17.33	16.40	16.89	19.19	20.88

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.