



## Value Investors: 1 Asset Manager Trading at a Bargain Price

### Description

**ECN Capital** (TSX:ECN) is an [asset manager](#) that owns a portfolio of business services providers operating under a fee-based, asset-light model. Through this model, ECN Capital originates, manages, and advises on prime credit portfolios to a growing network of banks, credit unions, and life insurance companies. ECN Capital originates, manages, and advises on prime consumer credit portfolios, specifically unsecured loan portfolios, secured loan portfolios, and credit card portfolios.

In addition, through the company's consumer credit card portfolios business segment, ECN Capital also provides certain advisory services, including partnership and marketing services. ECN Capital's business is conducted through three scalable platform segments that were established with the company's investments in operating companies.

### Growth strategy

During over 40 years of cumulative experience, ECN Capital's management has pursued a strategy of [successfully deploying capital](#) within asset classes that comprise the specialty finance sector. By building robust specialty finance business platforms that have prospered and acting opportunistically to maximize returns, ECN Capital has gained market share and monetized existing business endeavors.

Scaling robust businesses organically and through acquisitions has helped enable the company to competitively position itself against banks and institutional investors. Further, ECN Capital has been effective in designing optimal capital structures that have provided broad and flexible access to debt and equity funding sources.

### Service finance

Founded in 2004, service finance is a leading technology-driven portfolio solutions platform focused on originating and servicing short duration consumer financing instruments for a variety of credit unions, pension funds, and insurance companies. The financing is in the form of primarily prime and super-prime retail installment contracts used to finance home improvement projects in the United States,

which has historically resulted in low losses for the company's partners.

Originations are sourced through an established national dealer network through exclusive and preferred programs with high-quality manufacturers in the home improvement industry. Originations are sold to third-party financial institutions without recourse with respect to credit losses. Service finance retains the exclusive right to service all retail installment contracts that it originates, and it earns a non-recourse origination fees with no risk of adjustments for loan performance, interest rates changes, or prepayment.

## KG co-branded credit cards portfolio

Founded in 1978, KG has grown to become the premier manager, adviser, and structuring partner to credit card issuers, banks, credit unions and payment networks. KG currently has approximately \$27 billion in managed credit card portfolios and related assets. KG also enables institutional investors to participate in credit card and consumer loan portfolios through the credit card investment management platform.

Most recently, KG's revenue mix has undergone a shift towards higher margin, longer term, recurring revenue derived from the segment's partnership services and market services segments. The transaction services segment is now more focused on driving incremental partnership services agreements.

In summary, ECN Capital appears undervalued and has expanded and diversified relationships with key partners to expand the company's menu of products. The company continued to develop dealer relationships in attractive end market verticals that bring vetted dealer networks to drive volume at low cost.

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