

Standard Premium Finance Inc. (OTCQX: SPFX)

Investment Thesis

SPFX offers a capital-efficient way to participate in a collateralized, short-duration lending niche with mid-teens returns on equity, supported by consistent loan growth and improving profitability from a small base. The expanded funding capacity, geographic diversification, and proprietary tech platform support a multi-year growth runway, but high leverage, funding concentration, and thin stock liquidity mean the shares are best suited for investors comfortable with small-cap specialty finance risk.

Company Overview

Standard Premium Finance Holdings, Inc. is a Florida-based holding company whose main operating subsidiary has financed property and casualty insurance premiums since 1991. The company provides short-term loans that allow mostly commercial customers to pay annual or semi-annual insurance premiums over monthly installments, with loans secured by the unearned premium of the underlying policy.^{10Q.pdf+2}

Business Model and Competitive Positioning

SPFX earns finance charges, origination fees, and late fees on premium finance contracts that typically run three to eleven months, with finance charges recognized over the life of the contract. It competes against large bank-owned national platforms, regional independents, and small local firms, emphasizing responsive service, proprietary technology, and agent relationships as differentiators versus rate-driven larger competitors and capital-constrained smaller peers.

Recent Developments and Strategic Initiatives

In 2025 the company entered an expanded syndicated revolving credit facility with three banks, increasing committed capacity from 50 million to 75 million (with a 40 million accordion), extending maturity to 2028, and lowering the interest margin. Management has added a new leasing subsidiary, continued state-by-state licensing expansion, hired experienced sales talent such as a Midwest representative, and pursued greater capital-markets visibility through OTCQX trading, investor presentations, and targeted media outreach.

Growth Drivers and Market Opportunity

Loan originations have grown from roughly 88 million in 2019 to about 149.5 million in 2024, with Q2 2025 originations of 77.9 million suggesting continued double-digit volume growth. Future growth is expected to come from additional state licenses, deeper penetration of independent agent networks, potential entry into adjacent specialty finance niches, and the ability to leverage the larger credit facility without proportionate overhead growth.

Financial Performance Overview

Total revenues increased to approximately \$12.1 million in 2024, up about 27% year over year, while net income rose to about \$1.0 million, an 84% increase compared with 2023. For the first nine months of 2025, revenues edged up to 9.2 million and net income reached \$0.87 million, with modest margin compression from higher operating and commission expenses but still solid profitability.

Key Accounting Ratios and Balance Sheet Quality

At year-end 2024, SPFX generated roughly mid-teens ROE and mid-1% ROA, reflecting efficient use of equity in a leveraged funding model. The allowance for credit losses was about 2.9% of net finance receivables at December 31, 2024 and remained near that level at September 30, 2025, while total liabilities were about eight times equity, consistent with asset-backed specialty finance but leaving limited cushion against shocks.

Asset Quality and Risk Management

Premium finance contracts are secured by unearned insurance premiums, giving SPFX the contractual ability to cancel policies and recover collateralized amounts in the event of non-payment. The company uses a CECL framework with portfolio segmentation and probability-of-default / loss-given-default modeling, supported by a third-party service provider, and has maintained low realized credit losses relative to its growing book.

Funding, Liquidity, and Interest Rate Sensitivity

The primary funding source is a revolving line of credit secured by substantially all company assets, supplemented by subordinated promissory notes to investors and related parties and a policy loan on life insurance. Loan yields on new business average around 18% while the average cost of funds has been near 7%, so spreads are attractive, but earnings remain sensitive to changes in SOFR, covenant compliance, and the continued availability of the credit facility.

Management, Governance, and Incentives

CEO and Chairman William “Bill” Koppelman founded the operating subsidiary and has grown originations to more than 1.5 billion cumulatively, positioning SPFX as a recognized player in premium finance. Management and directors hold equity and receive stock-based compensation

and performance-linked cash incentives, and the board has authorized preferred dividends but retains common earnings to fund growth, aligning leadership with long-term value creation.

Key Risks and Mitigants

Major risks include dependence on the revolving credit facility, high leverage, competitive pressure from larger, lower-cost lenders, geographic concentration in Florida and neighboring states, and limited public float and trading liquidity. Mitigants include collateralized, short-duration loans, expanding geographic footprint, long-tenured management with underwriting discipline, diversified funding through subordinated notes, and ongoing technology investments that improve efficiency and agent stickiness.

Valuation and Return Potential

As of late 2025, SPFX trades on the OTCQX with a market capitalization of roughly 6 million, implying a modest multiple of trailing earnings and a discount to book value given equity of about 7.4 million at year-end 2024 and 8.1 million at September 30, 2025. If the company can sustain mid-teens ROE and double-digit loan growth while managing leverage and credit, there is scope for both book-value compounding and multiple expansion, though small-cap illiquidity and funding risk justify a valuation discount versus larger specialty finance peers.

Conclusion

SPFX represents a focused, growing premium finance platform with improving scale, robust spreads, and a more flexible funding base, offering attractive economics for investors who can tolerate leverage and micro-cap volatility. Continued execution on geographic diversification, disciplined underwriting, and potential uplisting or increased capital-markets visibility could unlock further value, while setbacks in funding access, credit performance, or competition would materially impact the investment case.