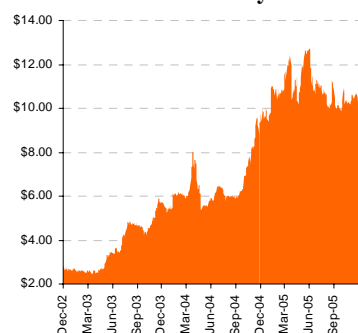


January 6, 2006



NICHOLAS FINANCIAL, INC. (\$10.45 / NASDAQ / NICK)

Three-Year Price History



PORTFOLIO..... **GROWTH**

Reference Statistics

Sector Financials
 Industry Credit Services
 Market Cap \$110 M
 Average Volume 19,000 shares
 Float 9.87 M shares

P / E 11.45
 ROE 17.3%
 PE / ROE 0.66x
 P / B 1.99
 EV / FCF 17.10

Dividend Yield NA
 Screen Score

Fiscal Year End March
 Next Report April 2006

Contact Ralph Finkenbrink
 Title Chief Financial Officer
 Number XXX-XXX-XXXX

Fair Value Range \$16 - \$22
 Time Horizon 4 years
 Expected CAGR 16.1%

Investment Summary

Nicholas Financial, Inc. provides financing, primarily for the purchase of used automobiles, to borrowers who do not meet the credit standards of traditional lenders. The company's lending standards and collection policies have resulted in consistently low charge-offs, high earnings growth and strategic geographic expansion while creating a competitive advantage over its subprime lending peers.

- ☑ **We want to invest alongside senior management.** The current senior management team at NICK has been in place for essentially the firm's entire existence. The team has, with consistency and great success, navigated NICK through business, economic and credit cycles of all kinds. The growth of the firm has resulted from well-defined lending guidelines and internal employee development. Peter Vosotas, CEO, still owns over 14 percent of outstanding shares.
- ☑ **NICK is still unknown to the investment community.** A failed investor relations attempt in 2001 convinced management that communicating with the Street was not worth their time and money. As a result, exactly one analyst follows NICK.
- ☑ **Consistent business performance.** The company has, year in and year out, turned in stellar financial and business results. Revenue growth of 15 percent, earnings growth of 20 percent, and a return on equity of 20 percent are established bogeys. In addition, NICK generates plenty of cash to fund expansion and purchase receivables. Business-as-usual is what we hope for from Nicholas Financial.
- ☑ **Business model encourages sound lending.** NICK does not securitize its loan portfolio—a far different strategy than most of its competitors. In this fashion, NICK “owns” every loan that it underwrites. This practice has instilled an attitude that places a premium on writing successful loans. NICK's “high-touch,” rather than algorithmic, lending model and strong historical performance prove that the Company has mastered the art of writing financially viable loans.
- ☑ **Concerns about rising interest rates are overblown and matter not.** Currently, we estimate that only the top 20 percent of all subprime borrowers are financed. We doubt that the interest rate NICK charges its customers will be undercut by competitors until some greater portion of the other 80 percent of the market is fully financed. Additionally, a majority of NICK's variable rate line of credit (LIBOR plus 25 basis points) is swapped to fixed to ensure a stable cost of funds.
- ☑ **Cheap valuation.** Shares of NICK trade at an unwarranted valuation discount to those of its peers (42 percent)—we believe they deserve a premium valuation.

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