

## ***Focusing in: Financial firm spinoff elevates profits***

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Breaking up is not always hard to do.

Take the case of Elevate, a developer of online credit solutions designed to meet the needs of underbanked and unbanked consumers. In May 2014, Think Finance Inc., a global provider of analytics and technology services for third-party lenders in the underserved market, restructured its Fort Worth-based business, resulting in the spinoff of a new independent company called Elevate. The company is backed by Silicon Valley venture capital firms, including Sequoia Capital and Technology Crossover Ventures.

Under the restructuring, Elevate took over its parent company's portfolio of branded consumer lending products and is continuing to create next-generation financial products. Think Finance remains focused on providing analytics and technology services to lenders.

Elevate is led by Ken Rees, the former chief executive of Think Finance. Martin Wong, previously chief integrity officer of Think Finance, was promoted to CEO of Think Finance.

Rees said the spinoff has allowed each business to sharpen its strategic and operational focus and do what each does best.

"The story of this company is one of reinvention and innovation," Rees said. "Think Finance has been the industry leader in innovating better financial services solutions for an underserved market for more than 10 years, developing products ranging from installment loans to lines of credit and a new employee loan product. We recognized we had two businesses. This restructuring positions Think Finance to focus exclusively on its relationships with third-party lenders, while allowing Elevate to disrupt the consumer credit market with its innovative products."

The all-in-the-family spinoff has proved to be a successful strategic move. In its first year as a stand-alone business, Elevate generated 280 percent in revenue growth.

"I don't think we'll see another 280 percent growth this year, but we're going to see good growth for the foreseeable future," Rees said. "Our products are what have been driving our growth. We have a unique opportunity to be a dominant provider of financial products in our space."

A veteran of the financial services industry, Rees is an innovator and an entrepreneur. He served as chief operating officer of InnoVentry (formerly Mr. Payroll), the largest deployer of advanced-function ATMs. He also served in the West Coast financial services practice for CSC Index, the management consulting arm of Computer Sciences Corp., and worked for Booz, Allen and Hamilton.

In 2001, Rees founded CashWorks Inc., a non-bank financial technology company in Dallas, serving as CEO and president until he sold it to GE in 2004. Rees then moved over to Think Finance. The company was founded in 2001 as PayDay One, one of the first online payday lenders. Rees grew the company from \$17 million in revenue to more than \$500 million by 2013. He oversaw the expansion of the company internationally with the acquisition in 2010 of Fortress Group, an online lender of short-term, unsecured consumer loans in the United Kingdom.

In 2013, Rees received the Ernst & Young Entrepreneur Of The Year Award for the Southwest Area North region, singled out for his success in such areas as innovation, financial performance and personal commitment to his business and community.

Also in 2013, Think Finance rolled out a suite of online alternative financial products that bridge the gap between payday loans and credit cards. RISE is an installment loan priced significantly lower than current marketplace alternatives. Elastic is an emergency line of credit product for employees. Short-term lender Sunny is available only to UK consumers.

“They had some interesting technology,” Rees said, “but when I came on board, we leveraged that technology away from payday loans, which is why we changed the name from PayDay One to Think Finance, and moved it in a different direction to lines of credit and installment loans. We thought lending could be done in a more responsible way than traditional payday loans provided.” One quarter of American households today rely on non-bank financial services, according to Rees. And half of Americans don’t have \$2,000 saved for an emergency. Elevate caters to what it calls the “new middle class,” those who need immediate relief but are not well served by traditional credit providers. “Consumers are left with what we consider dead-end products, things like title loans and pawn shops,” Rees said. “We recognize there is an unmet need for people who have very limited financial choices. They don’t want to go to a brick-and-mortar store and they want something better than their current options that will help them in the long term. So we’ve been looking to be that player who uses technology to offer consumers not just a better rate but help them improve their financial health over time.”

To help customers achieve healthier saving and spending habits, Elevate offers financial literacy through a free online learning center called Financial U, free credit monitoring and free reporting to major credit bureaus – offerings that are not available from its competitors. Elastic, a safety net type of product available through employers in 40 states, gives employees access up to \$2,500 and includes the option to have payments made through their paychecks.

Elevate also rewards borrowers’ good financial behavior with features such as lower interest rates. RISE has rates that start at a third less than payday loans and drop to as low as 36 percent over time with positive payment history.

“We’re one of the first in the industry to offer this type of progressional product,” said Chief Operating Officer Jason Harvison. Harvison joined the original PayDay One when the company was just getting started and had 10 employees. At present, Elevate has 400 employees across the United States and Great Britain; half of those are in Fort Worth.

To date, RISE has extended nearly half a billion dollars in credit to more than 168,000 customers across 15 states, Harvison said. The product has been able to save customers an estimated \$263 million over what they would have paid on payday loans.

“We try to help the consumer understand their financial health outside of the loan,” Harvison said. “Our

focus, in addition to the immediate need of credit, is on what we can do to help the consumer work down their debt and improve their financial future.”

Elevate also stands apart thanks to Rees’ unusual leadership style. Every couple of weeks, he hosts “Cookies With Ken,” where a dozen or so employees from across the company are brought in to give feedback on what’s good and bad with the company. There’s a daily huddle with the executive team and a quarterly town hall meeting where all employees get together to discuss what’s going on with the company and give suggestions for improvement.

Employees enjoy a laid-back, open door workplace – expect to see lots of jeans, T-shirts and flip flops – with free healthy breakfasts and lunches and multiple opportunities to give back to the community through charitable activities.

“It’s a casual but driven environment,” Rees said. “You have to give employees something more than just the job. You have to encourage employees in all aspects of their life. You have to inform them so they feel empowered and will know where to focus their time.

“Our employees embody our cultural values,” he added. “Think big. Do the right thing. Win together. Raise the bar. These ideas really let our employees understand their value and give them an ownership of the company.”

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