



Shreya Rajkumar



Tianyuan Xiao



Kareem Powell



Mathew Ng



PennyMac Financial Services Inc.

Strong Foundations Weather Economic Uncertainty!



PennyMac Financial Services Inc.

NYSE: PFSI

2

MODERATE BUY

Target Upside: 10.94%

12 Month Target: \$113.55

Last Close: \$102.35

Market Cap: \$1.09 Billion

EXECUTIVE SUMMARY



We issue a **MODERATE BUY** recommendation based on our 12-month target price of **\$113.55**, reflecting a **10.94%** upside to the Dec. 31, 2024 close price of **\$102.35**.



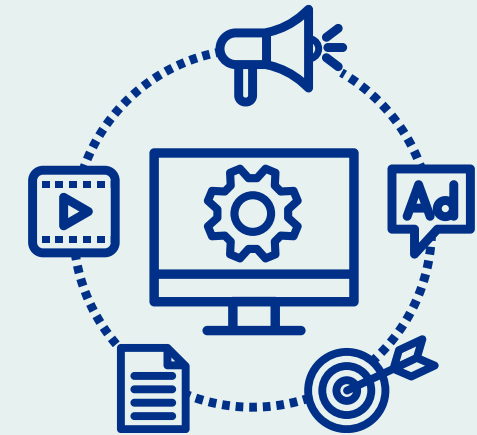
**1. Diverse
Business Lines
Hedge Against
Economic
Uncertainty**



**2. Stellar
Service & Low
Rates Enhance
Competitive
Positioning**



**3. Long-Term
Shareholder
Incentives
(LTSI) Drive
Steady Growth**

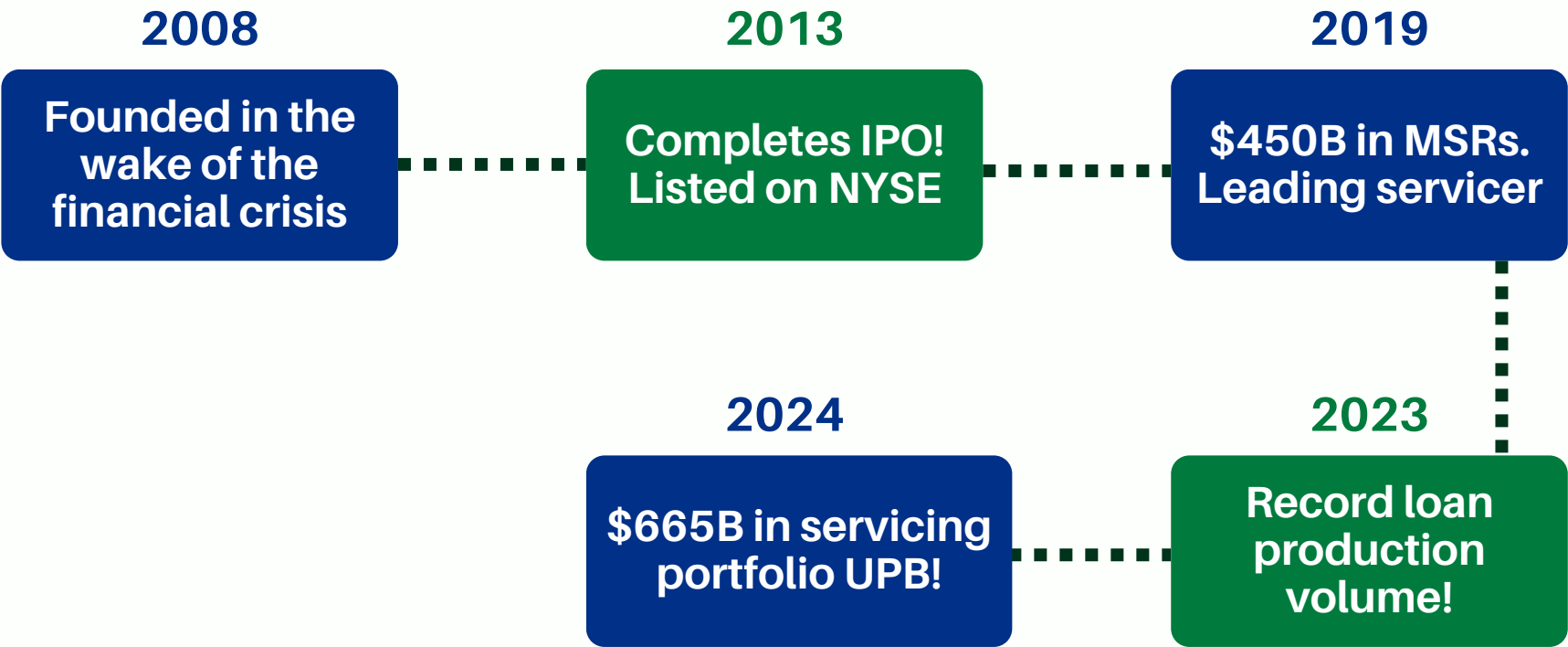


**4. Digital and
Marketing
Investments
For The
Future**

BUSINESS OVERVIEW



Leading U.S Mortgage Lender & Servicer



Total Loan Production UPB
17% ↑



Servicing Portfolio UPB
10% ↑



Production

- Correspondent Production
- Consumer Direct Lending
- Broker Direct Lending



Servicing

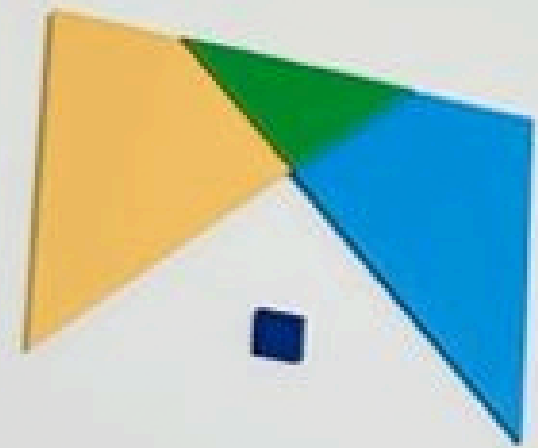
- Loan Administration
- Collection
- Debt Management Activities



Investment Management

- Acquires, Pools and Sells Mortgage Loans
- Mortgage Servicing Rights Investing

Source: Team Analysis



PENNYMAC

1. Diverse Business Lines Hedge Against Economic Uncertainty

Multiple Revenue Streams Drive Steady Growth

1. DIVERSE BUSINESS LINES



Multiple Revenue Streams Drive Steady Growth

Production

Business: Origination, Acquisition and Sale of Residential Mortgage Loans.

Government-backed loans (FHA, VA): significant portion of PennyMac's portfolio remain in demand even during inflationary periods.

Servicing

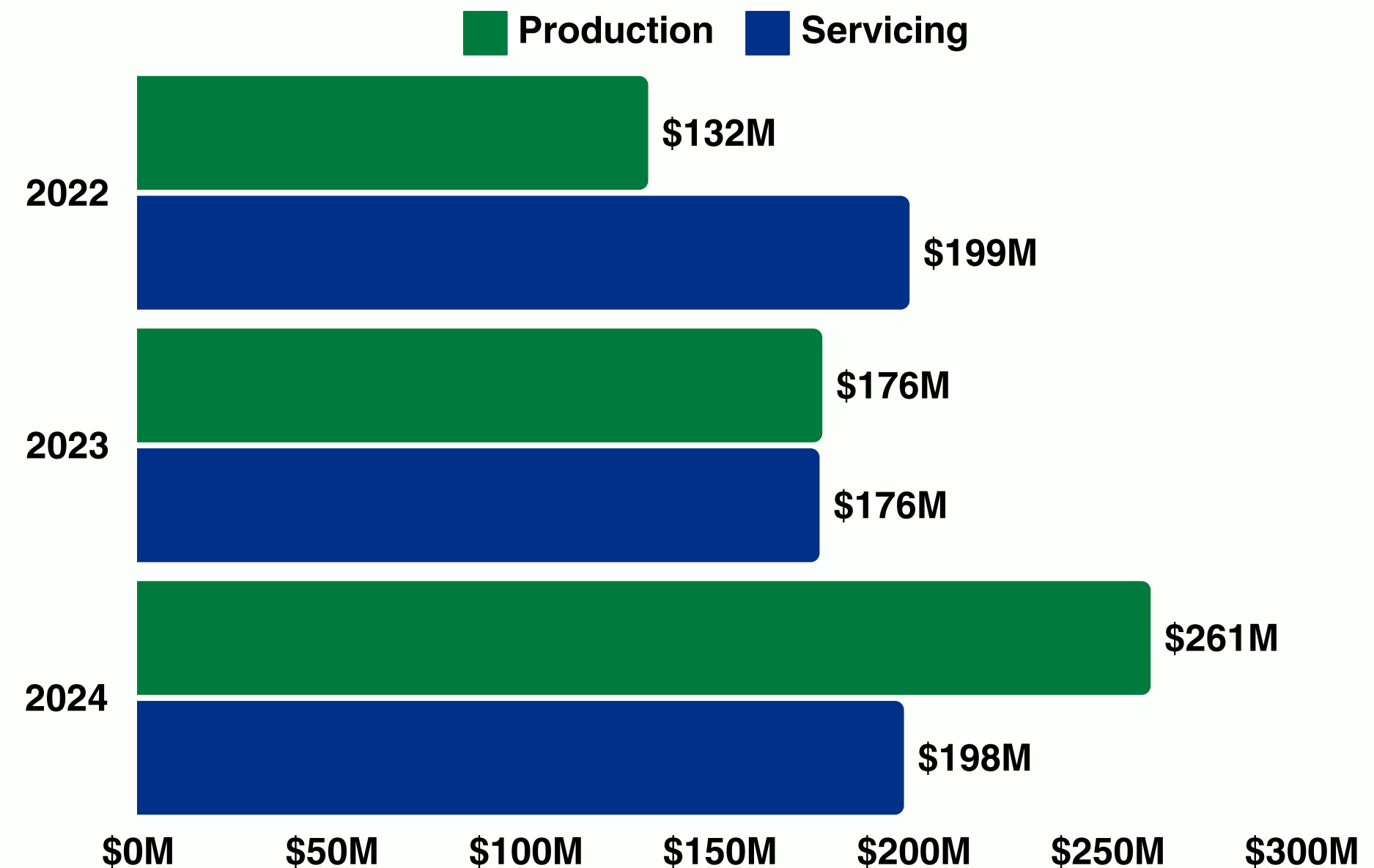
Business: Loan Administration, collection and default management

Rate Hedge: In case of rising rates and low refinancing, PFSI's servicing income sees growth.

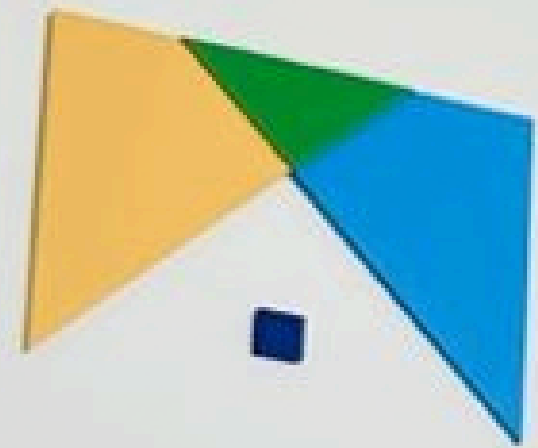
Investment Management

Business: Sourcing, performing diligence, bidding, closing asset acquisitions and strategically managing MBS portfolios hedge against interest rate fluctuations and capitalize on market dislocations.

Total Net Revenue (Quarter ended December)



Source: Team Analysis



PENNNYMAC

2. Stellar Service & Low Rates Enhance Competitive Positioning

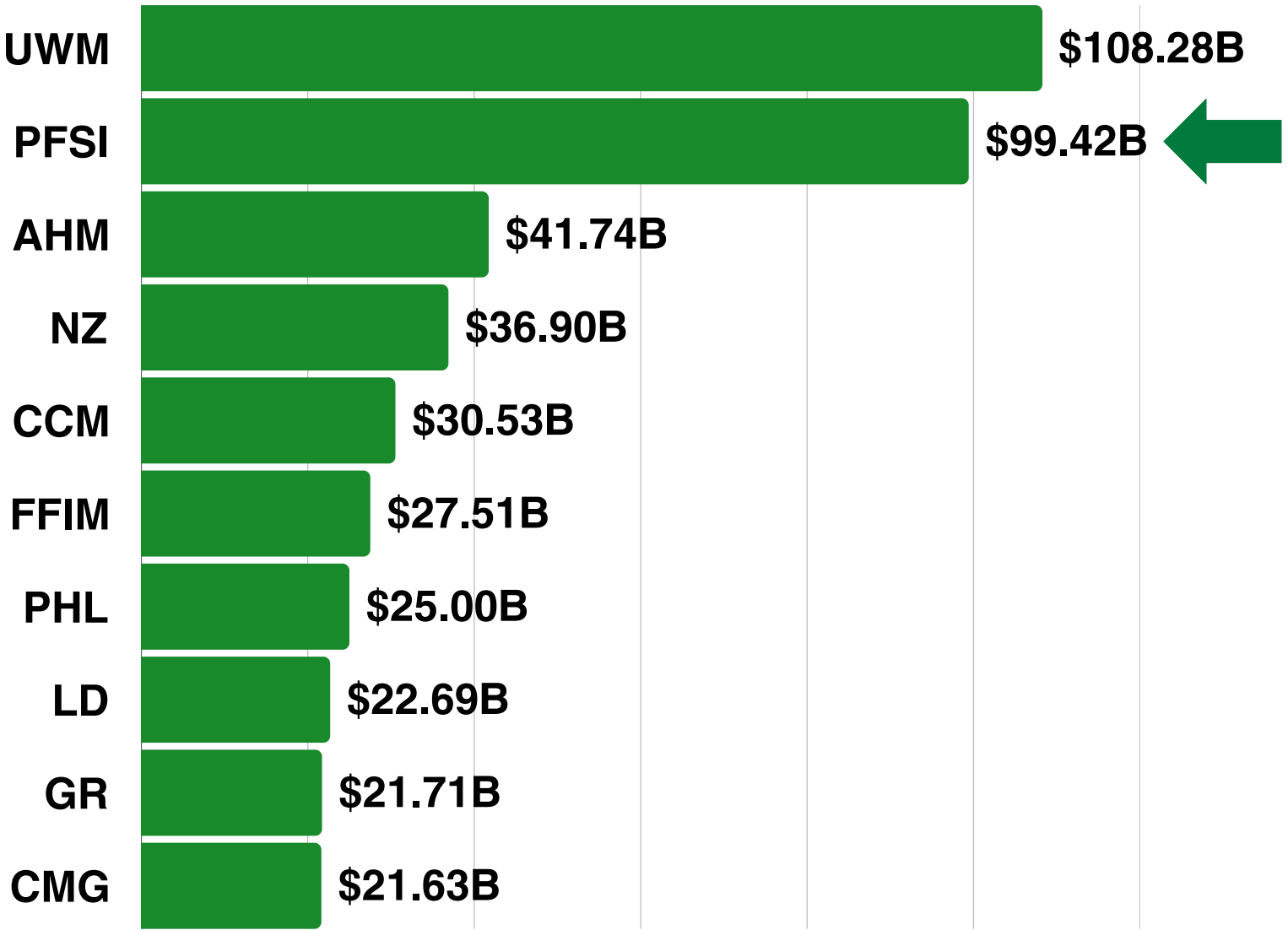
Award Winning Service & Low rates Improve Market Share

2. Stellar Service & Low Rates Enhance Competitive Positioning



Award Winning Service & Low rates Improve Market Share

2024 Top Productive Lenders in the U.S. (Funded Loans)



Lower Mortgage Rates Drive Value



- Low 30-year mortgage rates.
- Lower fees for brokers and consumers.

Source: Team Analysis

2. Stellar Service & Low Rates Enhance Competitive Positioning



Above Industry Average Rankings

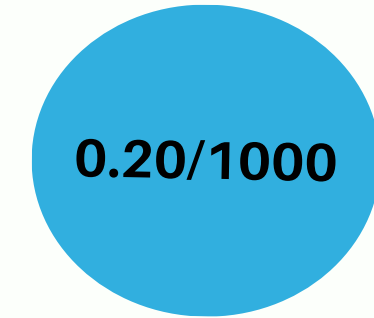
Ranked above industry average for customer satisfaction.



Forbes Advisor NerdWallet

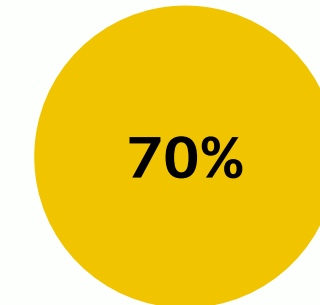


Highly Rated Customer Service

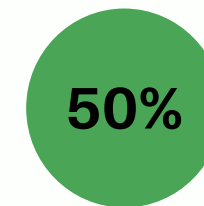


Low Customer Complaints Per 1,000 mortgages

Customer retention



Industry



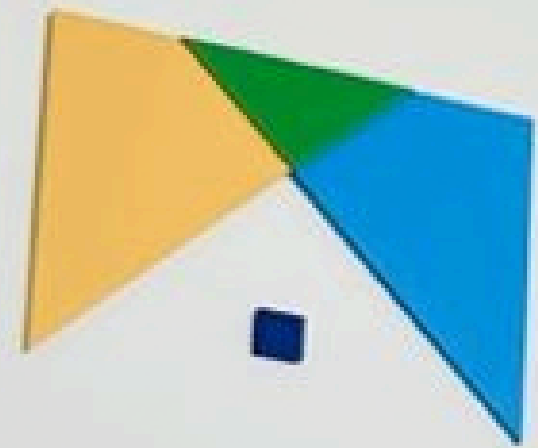
Consumer Base 2019



Consumer Base 2024



Source: Team Analysis



PENNYMAC

3. Long-Term Shareholder Incentives (LTSI) Drive Growth

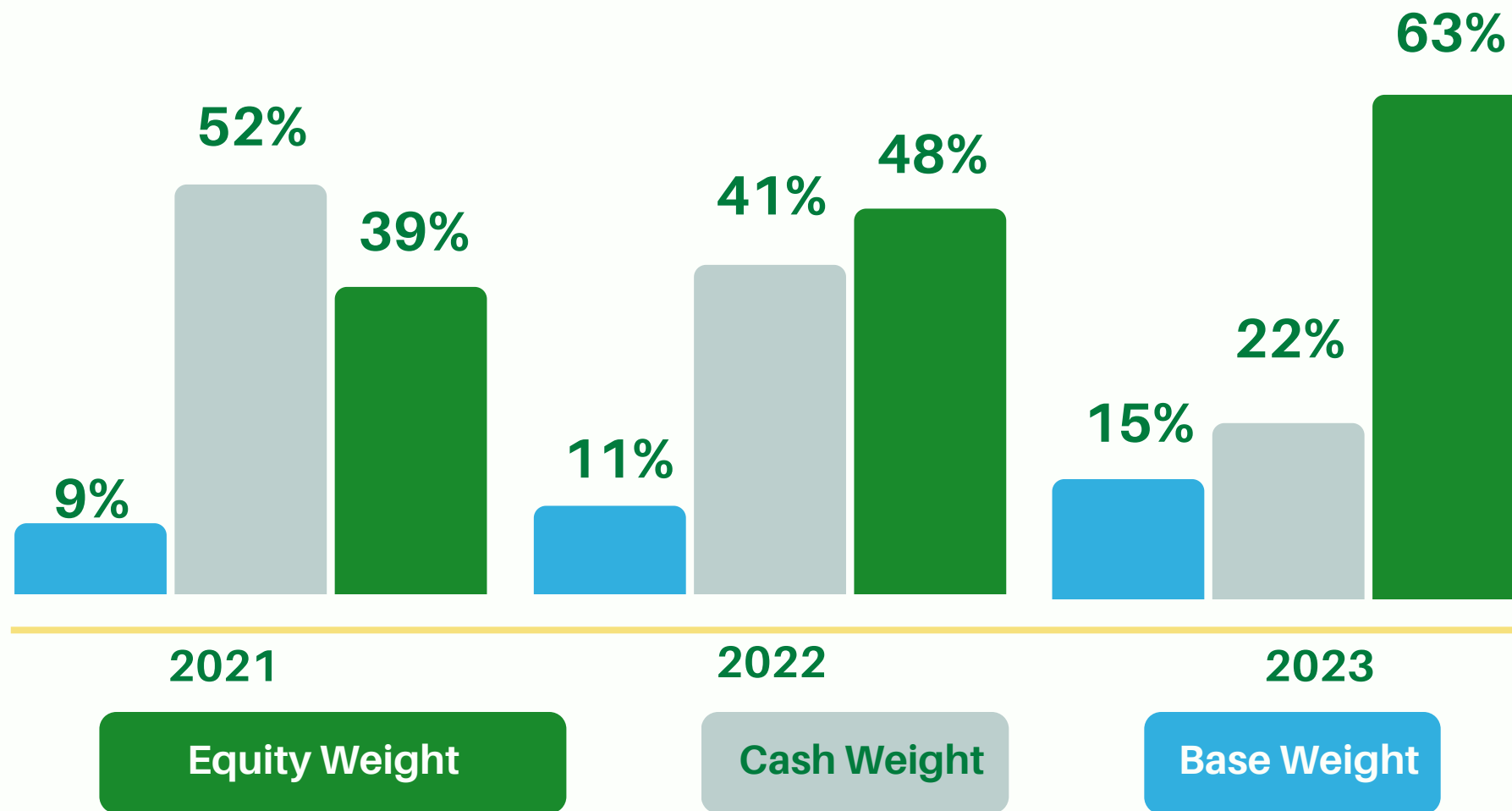
Effective Hedging Strategies Ensure Stability

3. Long-Term Shareholder Incentives (LTSI) Drive Growth

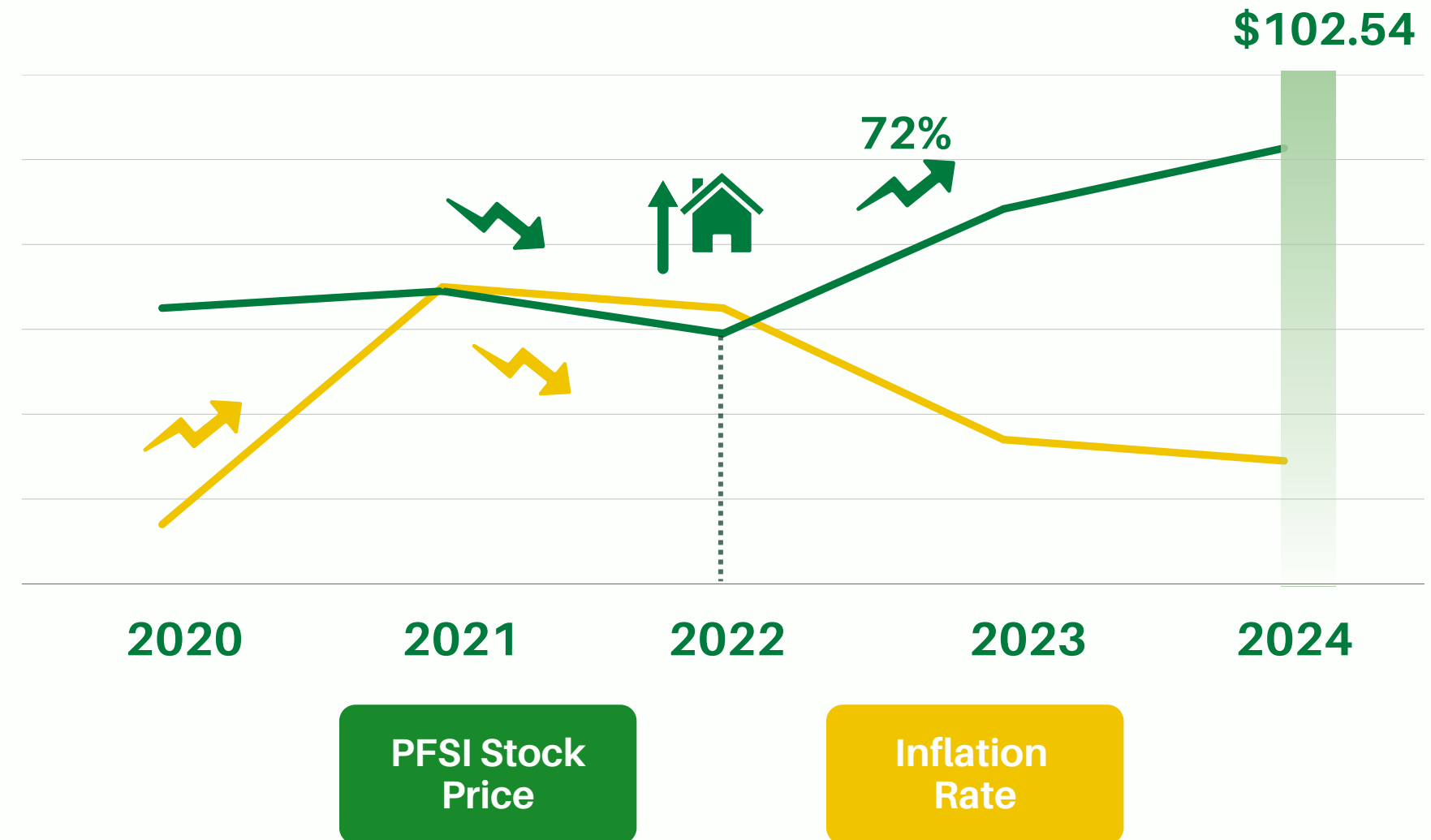


Effective Hedging Strategies Ensure Stability

Increased Equity-Weighted Portion of LTSI



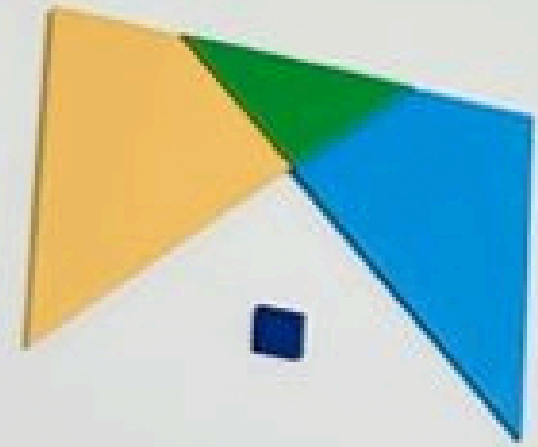
Positive Growth Despite Rate Fluctuations



⚠️ 80% Hedge Ratio Smooths Mortgage Servicing Right Fluctuations!

⚠️ 100% Hedge Ratio In 2025!

Source: Team Analysis



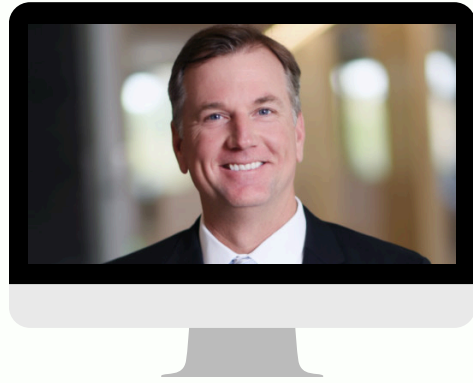
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4. Digital & Marketing Investments For The Future

Digital & Marketing CAPEX Aim To Improve Market Share

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Digital & Marketing CAPEX Aim To Improve Market Share



James Follette

Acting Chief Digital Officer responsible for technology and servicing.



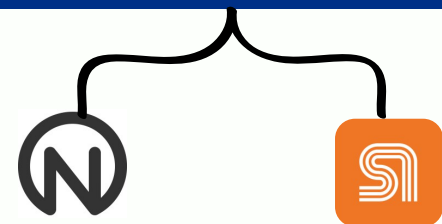
Mike Hogan

Acting Chief Information Officer responsible for leadership and vision for technological initiatives.

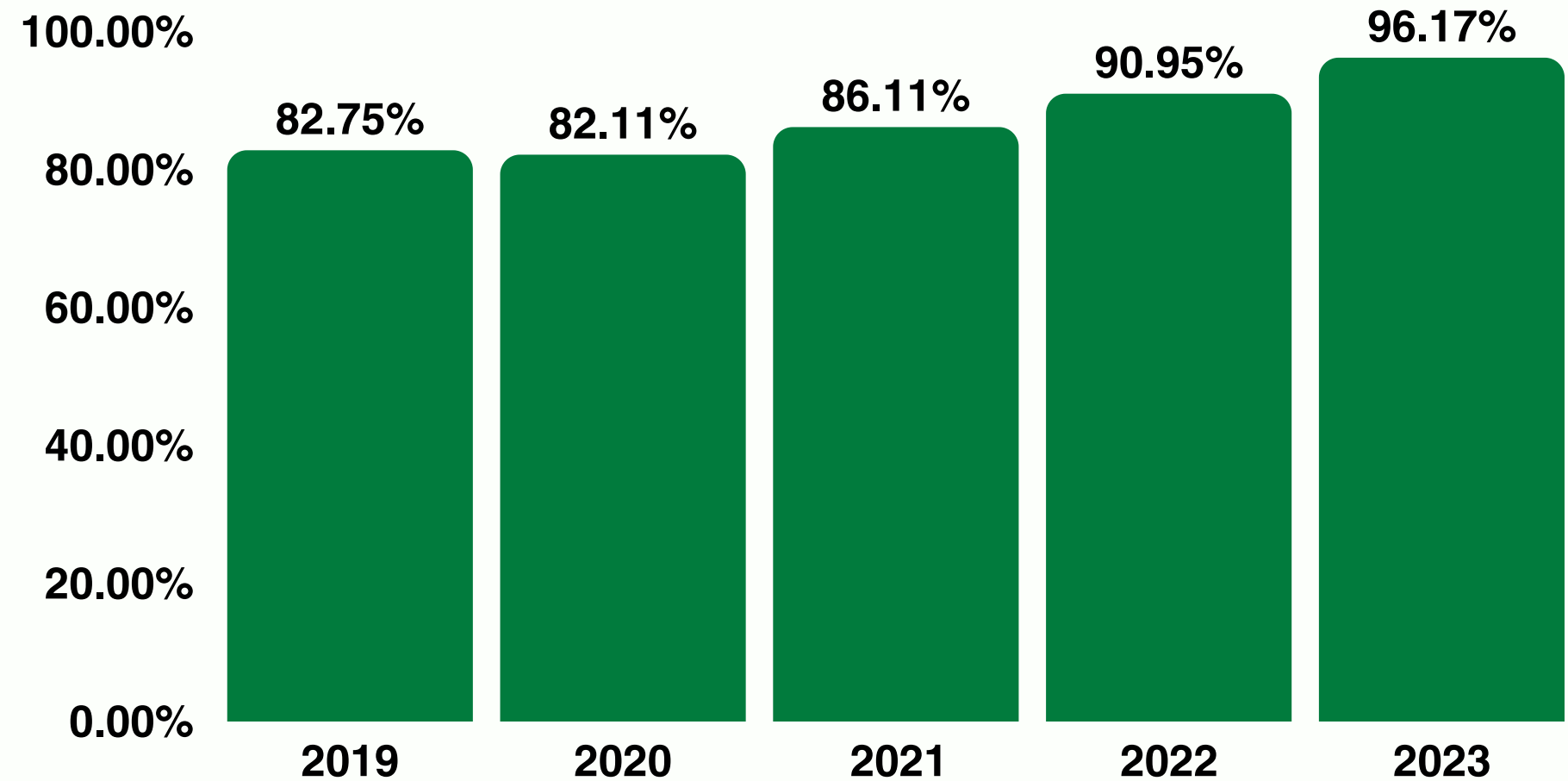


Sunil Chandra

Board Member. Founder and CEO of Dyme.Earth. A wealth of experience in technology and AI loan services.



Technological CAPEX Investments (%)






Source: Team Analysis

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)






Moderate ESG Exposure Presents Limited Risks

 **Environmental (Score 7: Industry 21)**
Negligible carbon footprint

-  Minimization and Reduction
-  Promotes Sustainability Awareness
-  Promotes Environmental Best Practices

 **Social (Score 29: Industry 23)**

-  #1 VA & FHA Loan Lender
-  94% Customer Satisfaction Rating
-  Most Loved Workplace & Top 100 Company



Peers	Env.	Social	Gov.
RKT	10	29	30
COOP	13	23	29
FLG	34	25	24

Source: SustainAnalytics

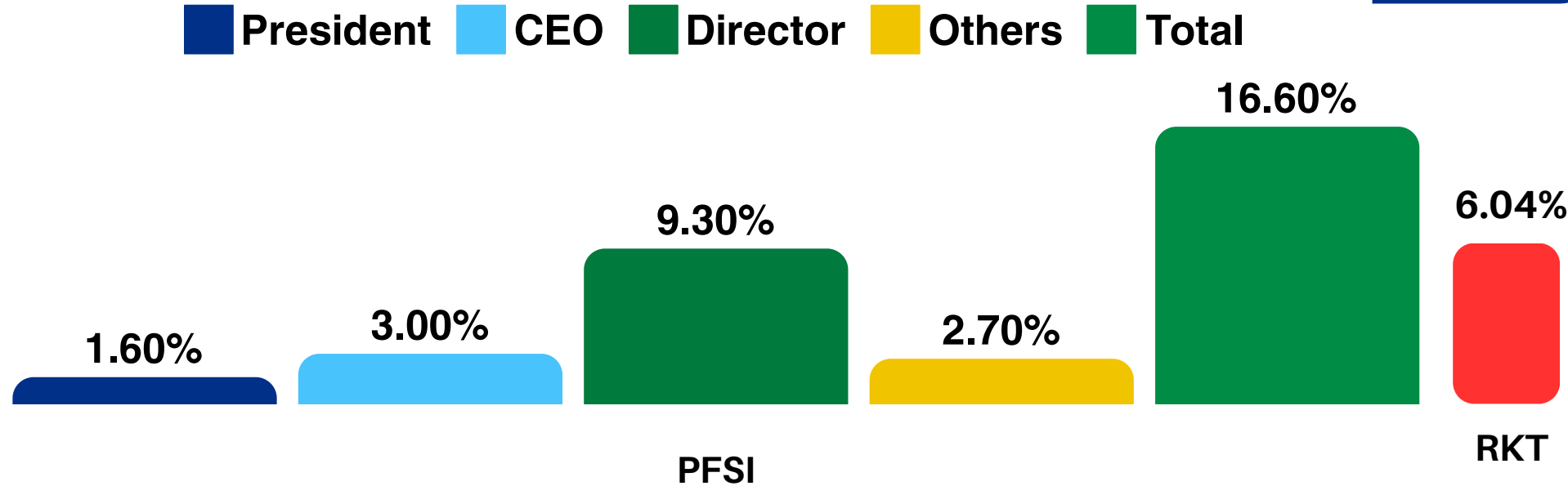
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)



Moderate ESG Exposure Presents Limited Risks

Governance (Score 30: Industry 29)

- Base salary and performance-based incentives
- Heavily weighted equity awards
- Recent expert AI and technology executive additions
- Majority large market cap institutional investors
- Significant board stock ownership:



	Peers	Env.	Social	Gov.
RKT		10	29	30
COOP		13	23	29
FLG		34	25	24

Source: SustainAnalytics

INTERNAL VALUATION



Our Gordon Growth Model Suggests Upside

Post-Tax Cost of Debt: 3.97%
 Cost of Equity: 14.14%

Terminal Growth Rate: 3.5%
 WACC: 11.00%

Concluded Equity Value	\$6,381,698.20
Shares Outstanding	51,260

		Growth Rate		
		2.5%	3.5%	4.5%
Discount Rate	10.0%	6,529,056.60	7,334,406.40	8,432,610.60
	11.0%	5,780,991.40	6,381,698.20	7,167,238.00
	12.0%	5,190,388.80	5,653,069.00	6,239,130.50

DCF Target Price
 \$123.19

Source: Team Analysis

RELATIVE VALUATION



Our Relative Valuation Price To Sales (P/S) Method Confirms Our Buy Recommendation

MORTGAGE BANKING PEERS

MANAGED REITS PEERS



MB Median P/S	REITS Median P/S	Mortgage Banking %	Managed REITS %	PFSI Target P/S	Sales/Share (2024)
1.65	3.10	82.78%	17.22%	1.90	\$54.82

RV Target Price

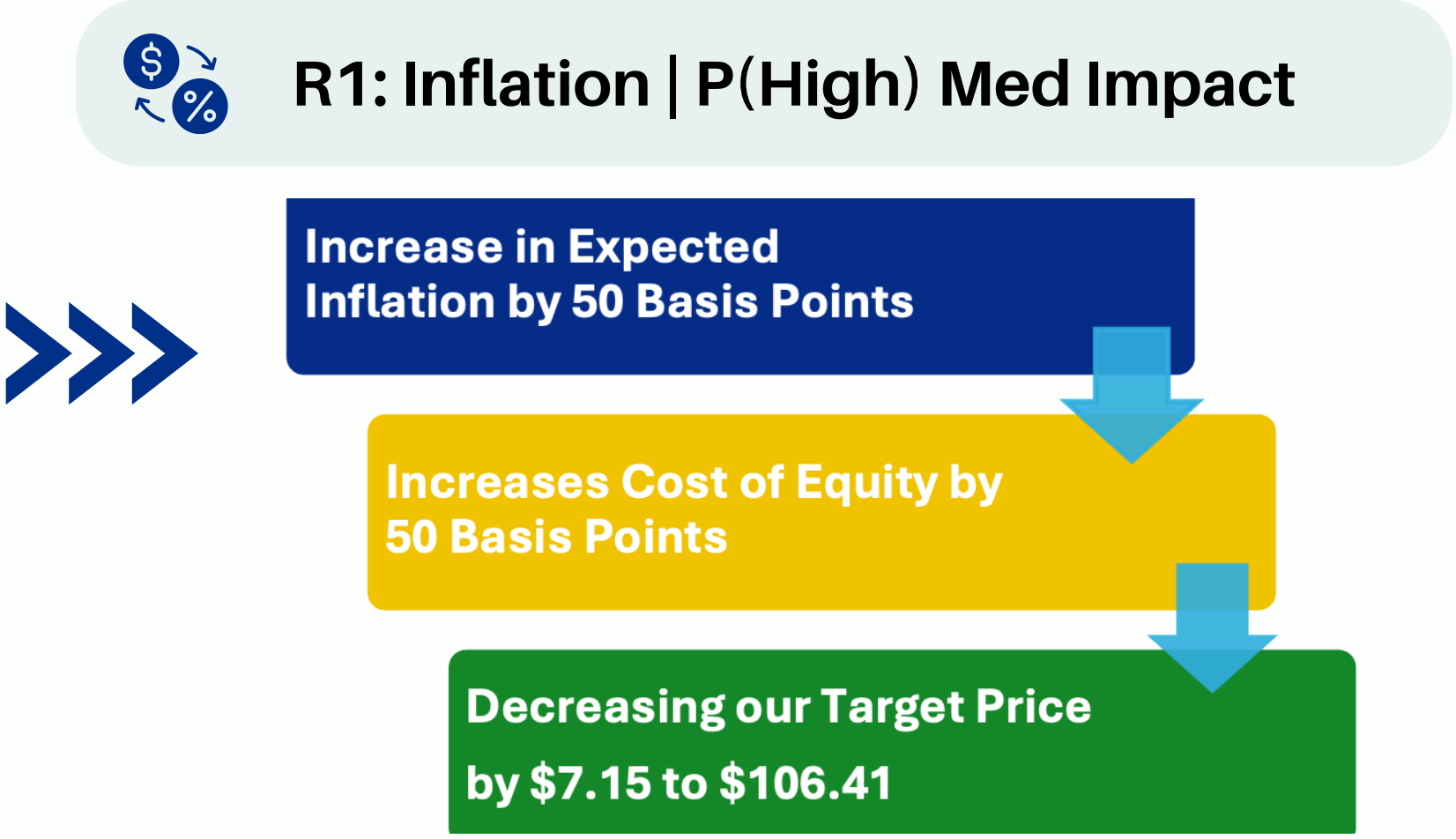
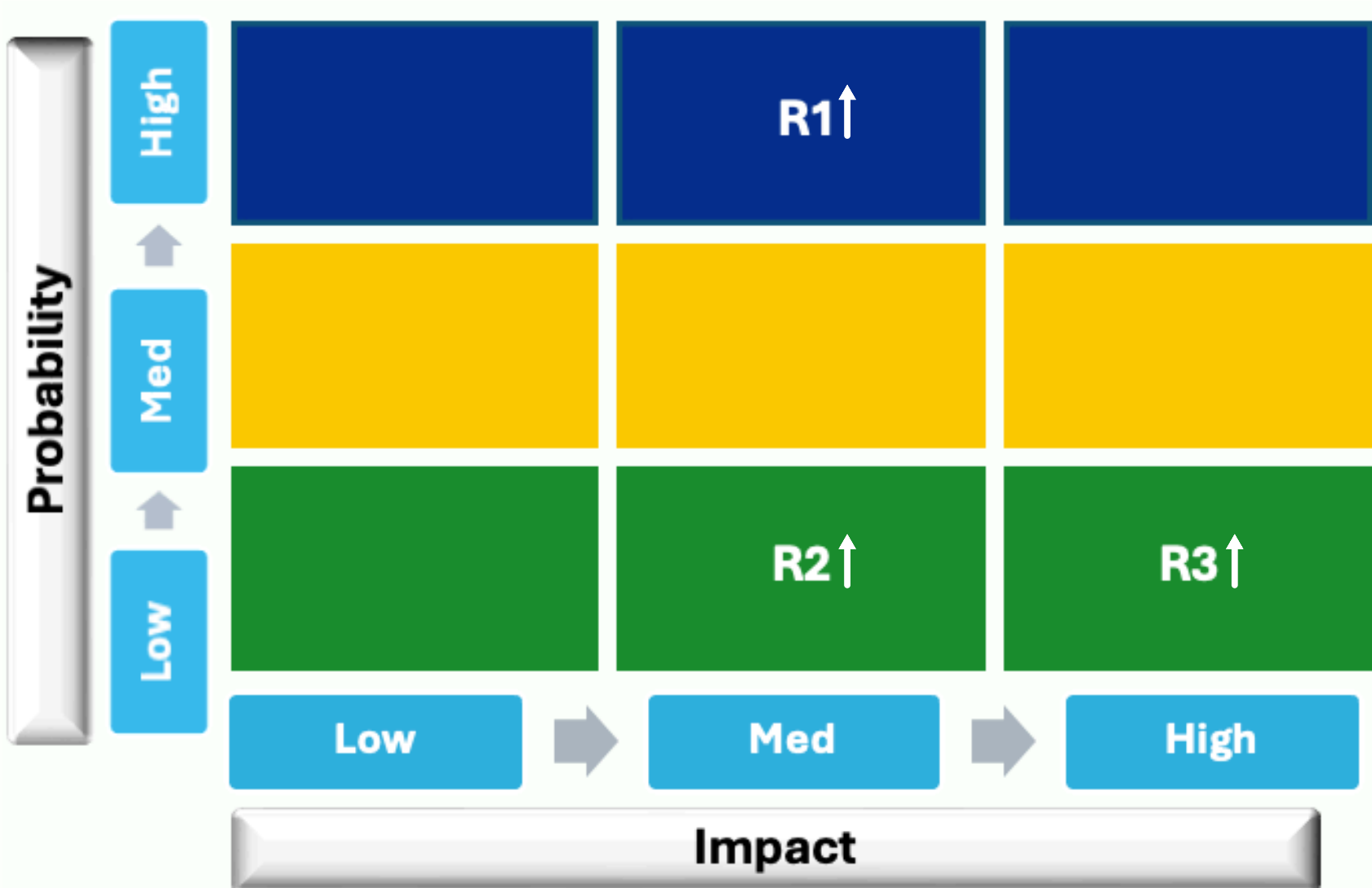
\$103.91

Source: Team Analysis

INVESTMENT RISKS



We Observe Three Downside Risks To Our **MODERATE BUY** Recommendation

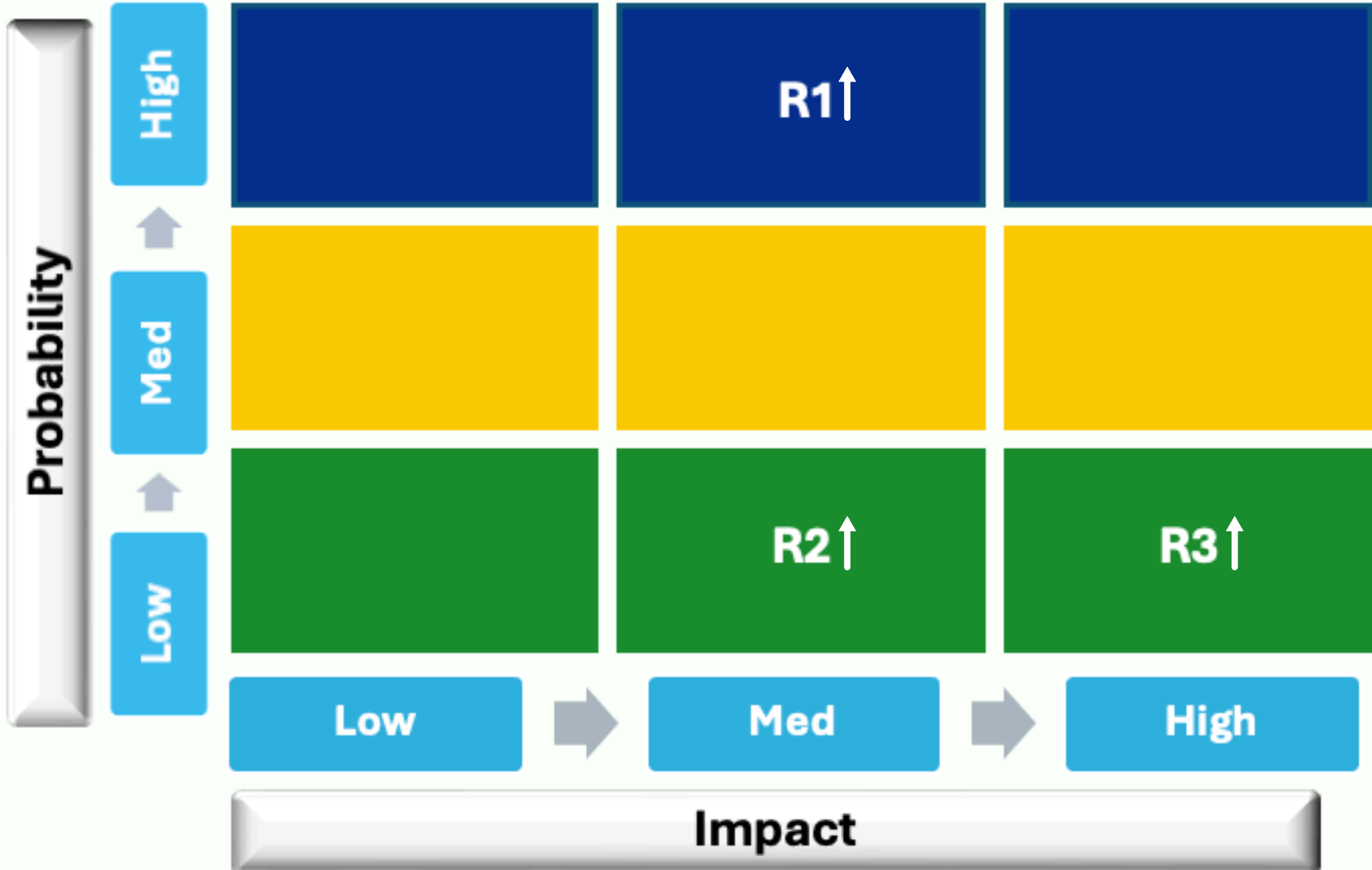


Source: Team Analysis

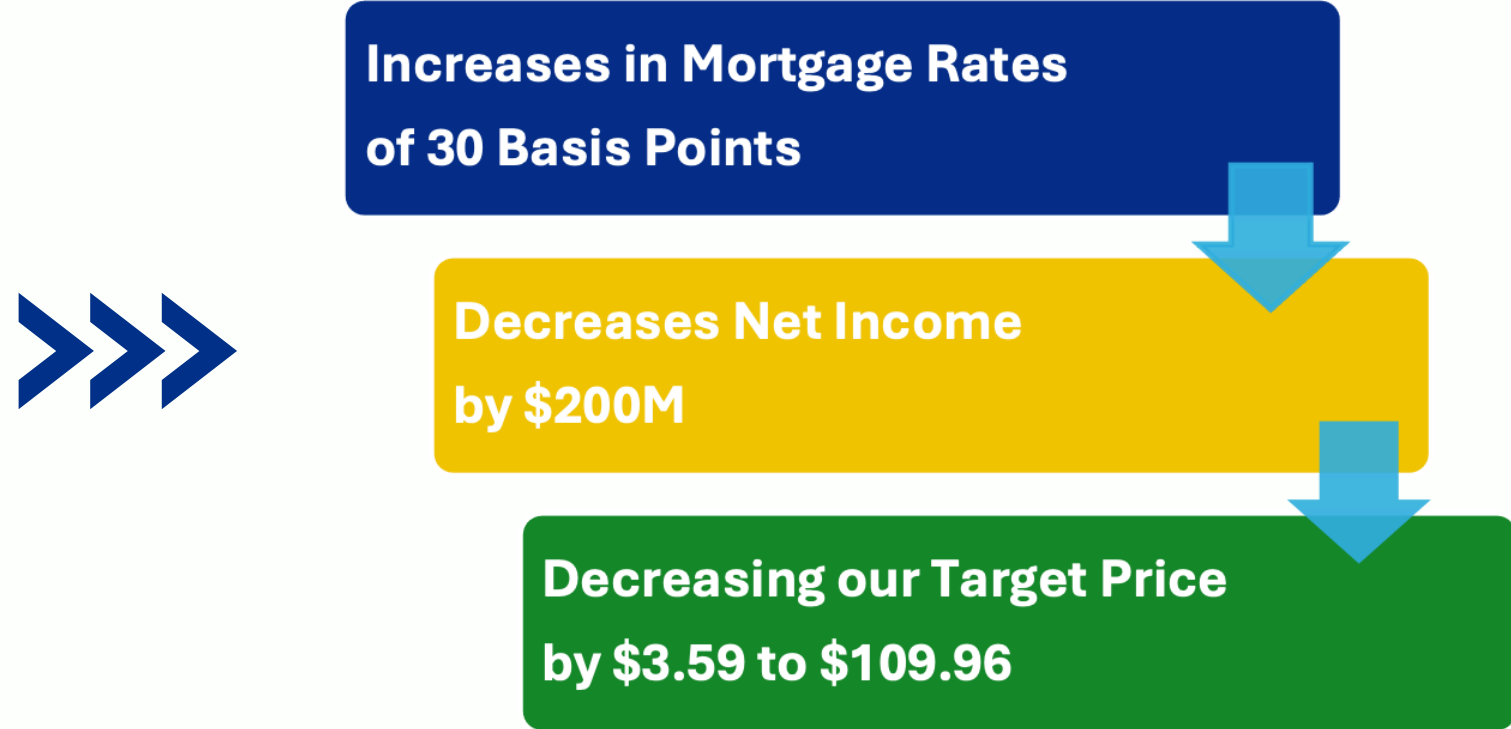
INVESTMENT RISKS



We Observe Three Downside Risks To Our **MODERATE BUY** Recommendation



R2: Mortgage Rates | P(Low) Med Impact



R3: Interest Rate | P(Low) High Impact

Fluctuating Interest Rates Distort MSR Valuations

Source: Team Analysis

SUMMARY

Strong Foundations *Build* Above Market Returns!



Diverse Business Lines Hedge Against Economic Uncertainty



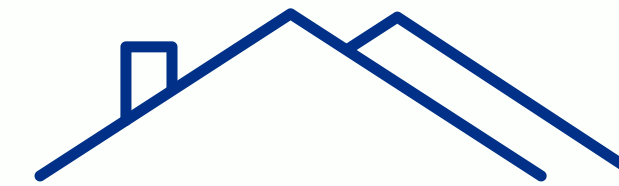
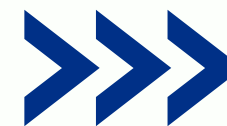
Stellar Service & Low Rates Enhance Competitive Positioning



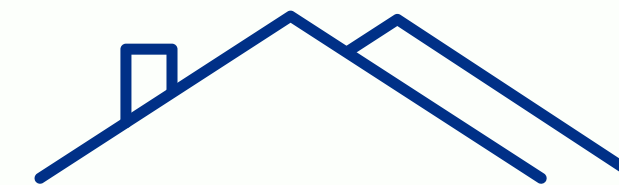
Long-Term Shareholder Incentives (LTSI) Drive Growth



Digital and Marketing Investments For The Future



Recommendation:
Moderate Buy



Target Price:
\$113.55

Source: Team Analysis

APPENDIX MAP



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PRESENTATION MAP



1. Introduction

2. Recommendation

3. Executive Summary

4. Business Overview

5. Thesis 1 - Diversified Business

Lines

6. Multiple Revenue Streams Drive

Steady Growth

7. Thesis 2 - Stellar Service & Low

Rates

8. Award Winning Service & Low

Rates Improve Market Share

9. Above Industry Average

Rankings

10. Thesis 3 - Long-Term

Shareholder Incentives Drive

Growth

11. Effective Hedging Ensures

Stability

12. Thesis 4 - Digital & Marketing

Investments For The Future

13. Digital & Marketing CAPEX

Aims To Improve Market Share

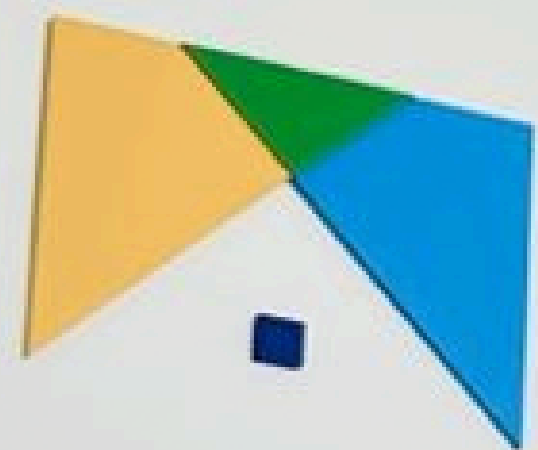
14. ESG

16. Internal Valuation

17. Relative Valuation

18. Investment Risks

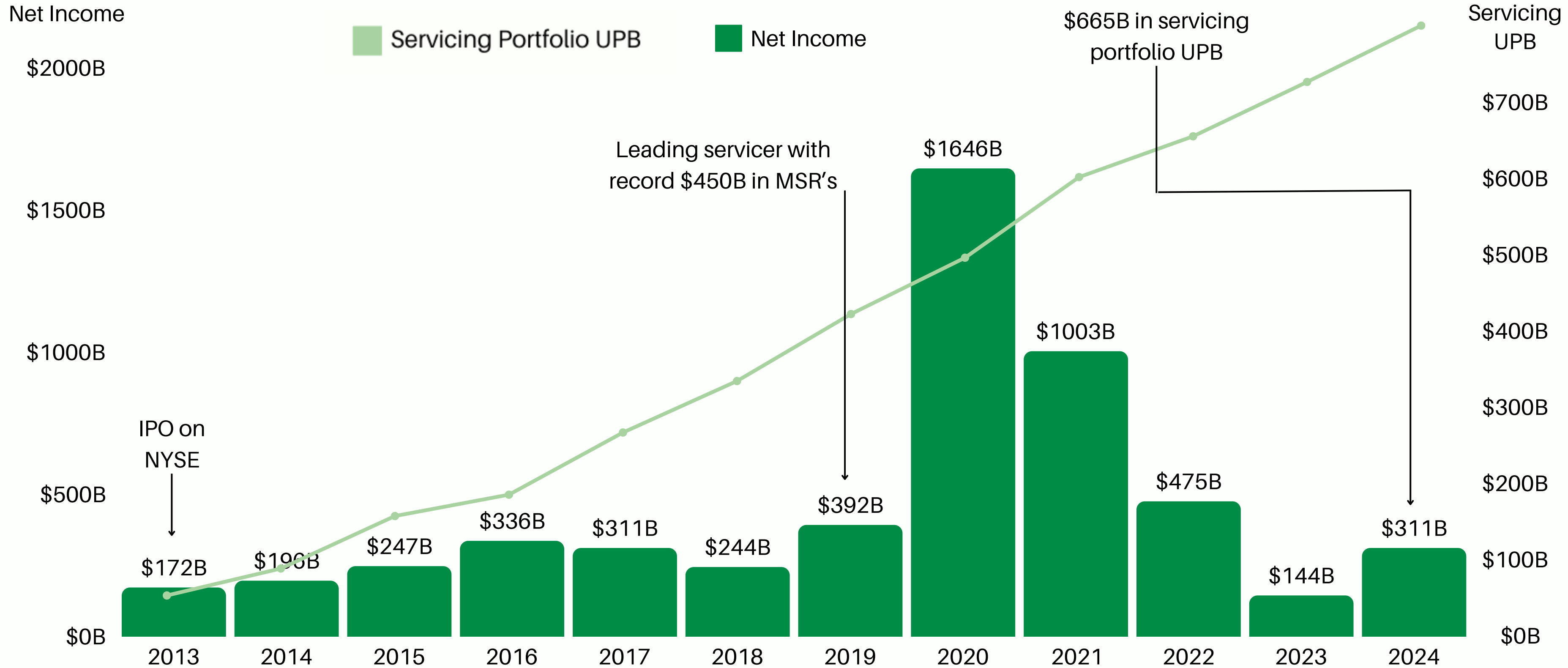
20. Summary



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BUSINESS & INDUSTRY

BUSINESS HISTORY



Source: Team Analysis

PFSI SHARE PRICE HISTORY



Source: Team Analysis

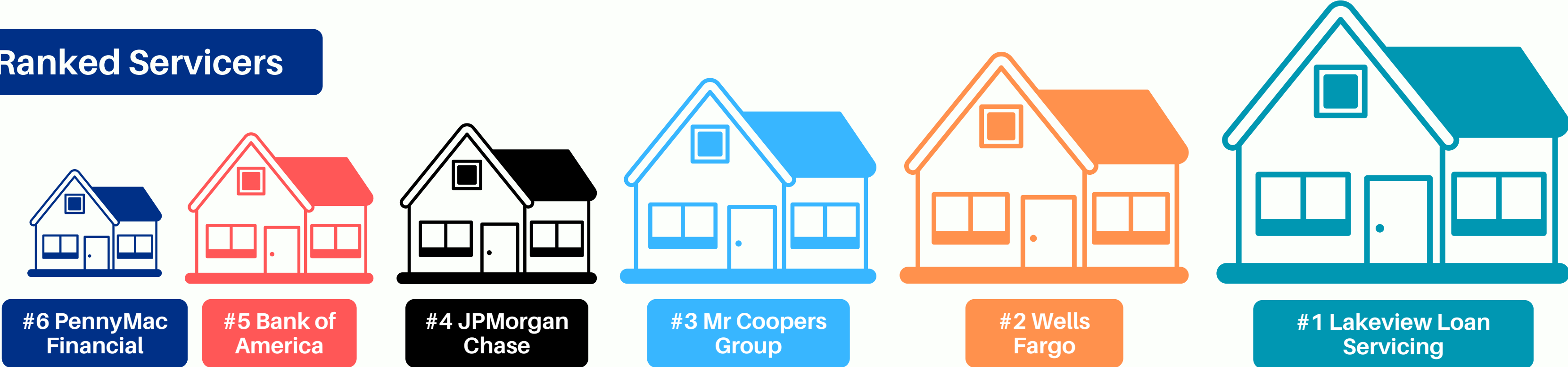
PEERS OVERVIEW



Top Ranked Providers

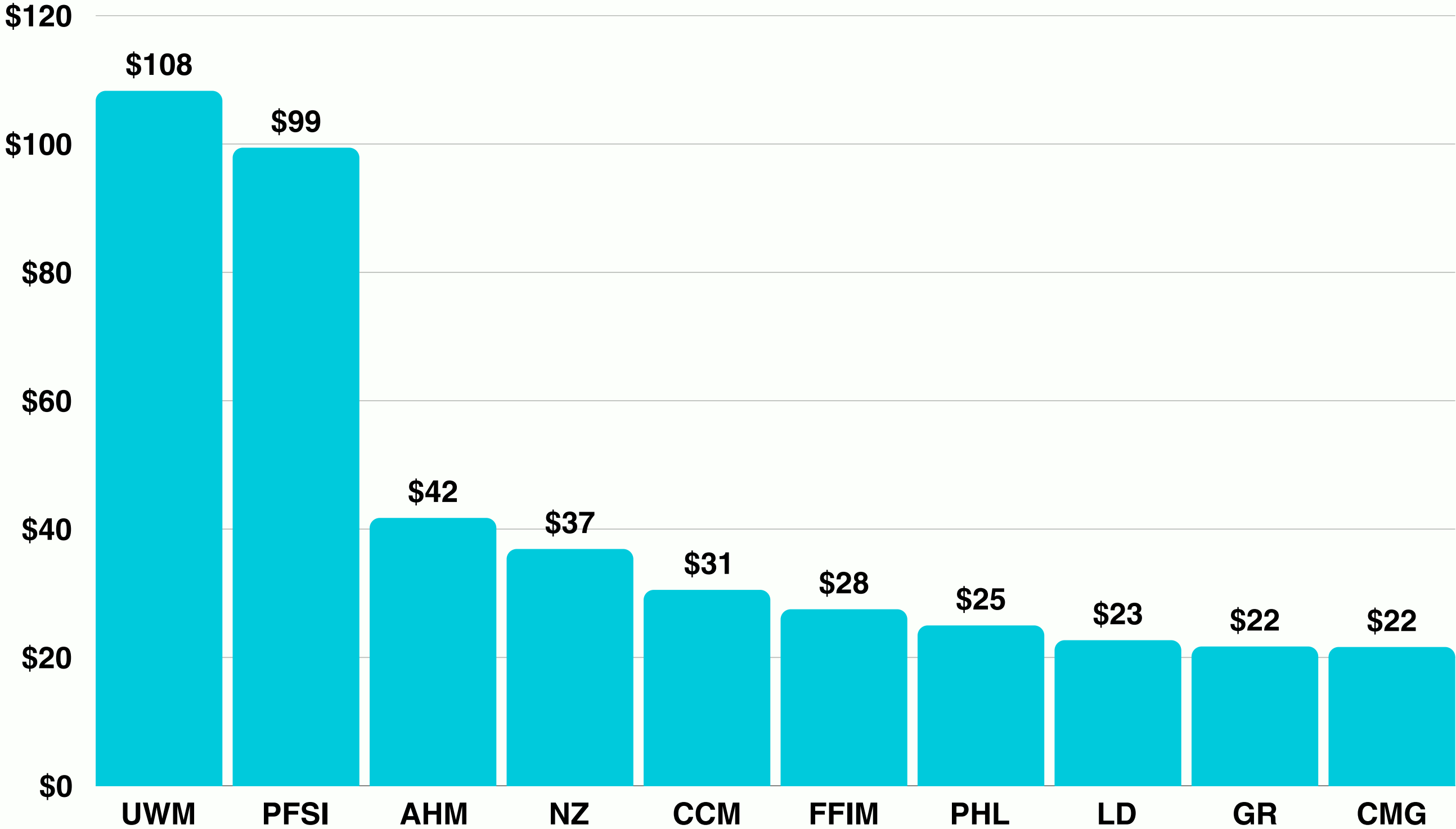


Top Ranked Servicers



Source: InsideMortgage

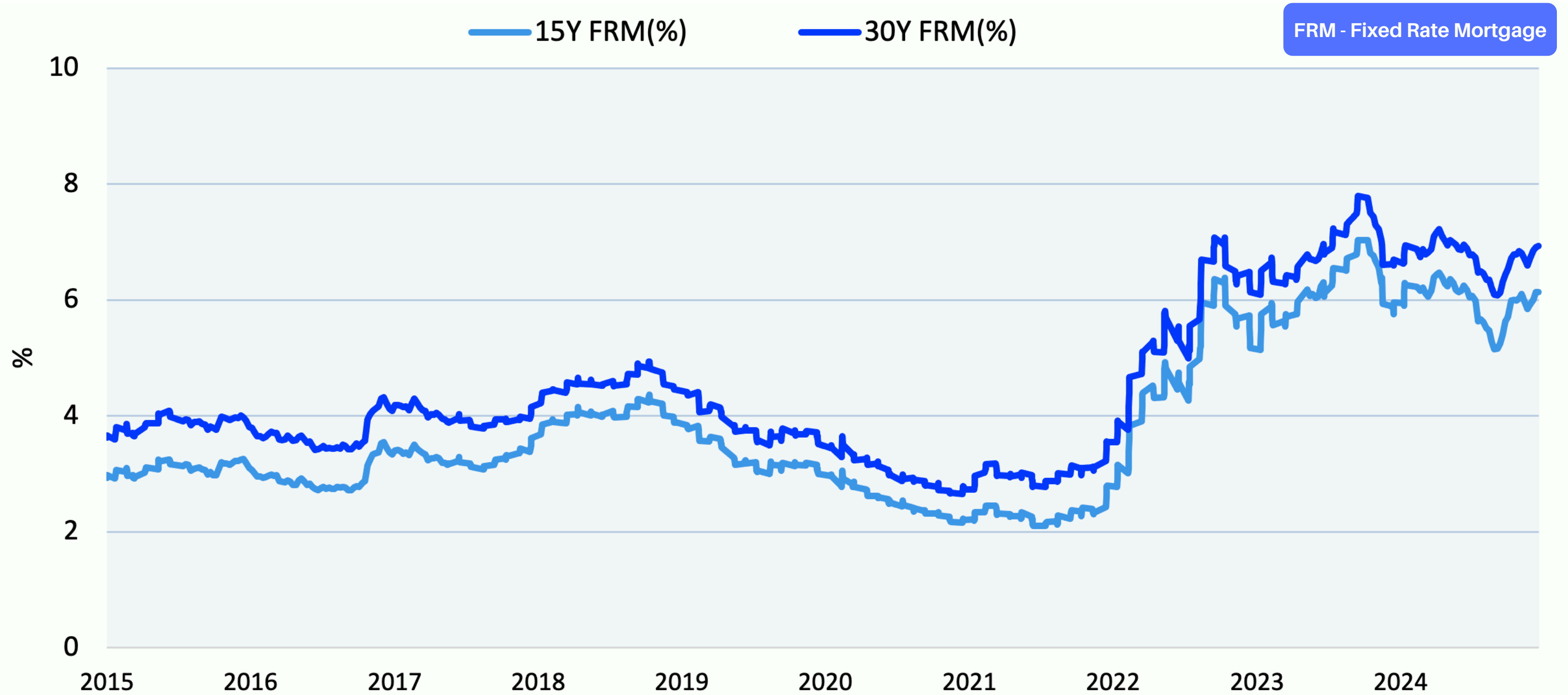
INDUSTRY LOAN VOLUME



2024

Source: Team Analysis

WEEKLY FRM 2015 - 2024

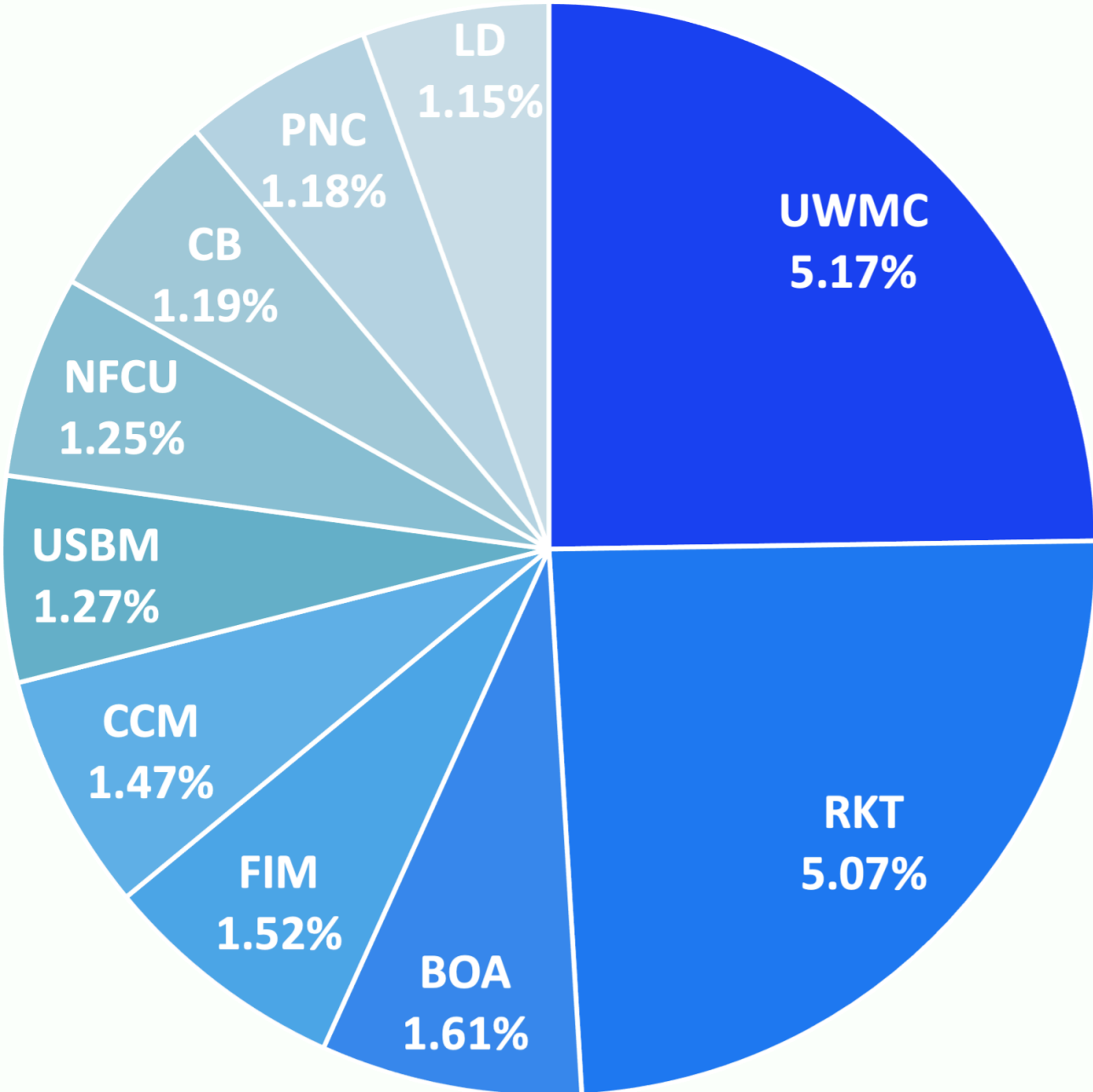


Source: Team Analysis

MARKET SHARE

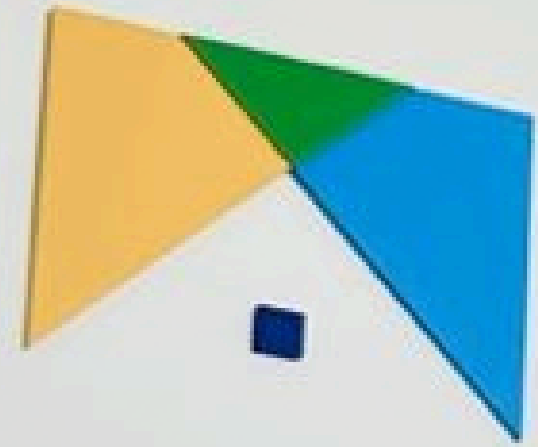


- **United Wholesale Mortgage Corp | UWMC**
- **Rocket Companies LLC | RKT**
- **Bank Of America | BOA**
- **Fairway Independ Mortgage | FIM**
- **Crosscountry Mortgage | CCM**
- **U.S. Bank Mortgage | USBM**
- **Navy Federal Credit Union : NFCU**
- **Citizens Bank: CB**
- **PNC Bank: PNC**
- **Loan Depot: LD**



2024

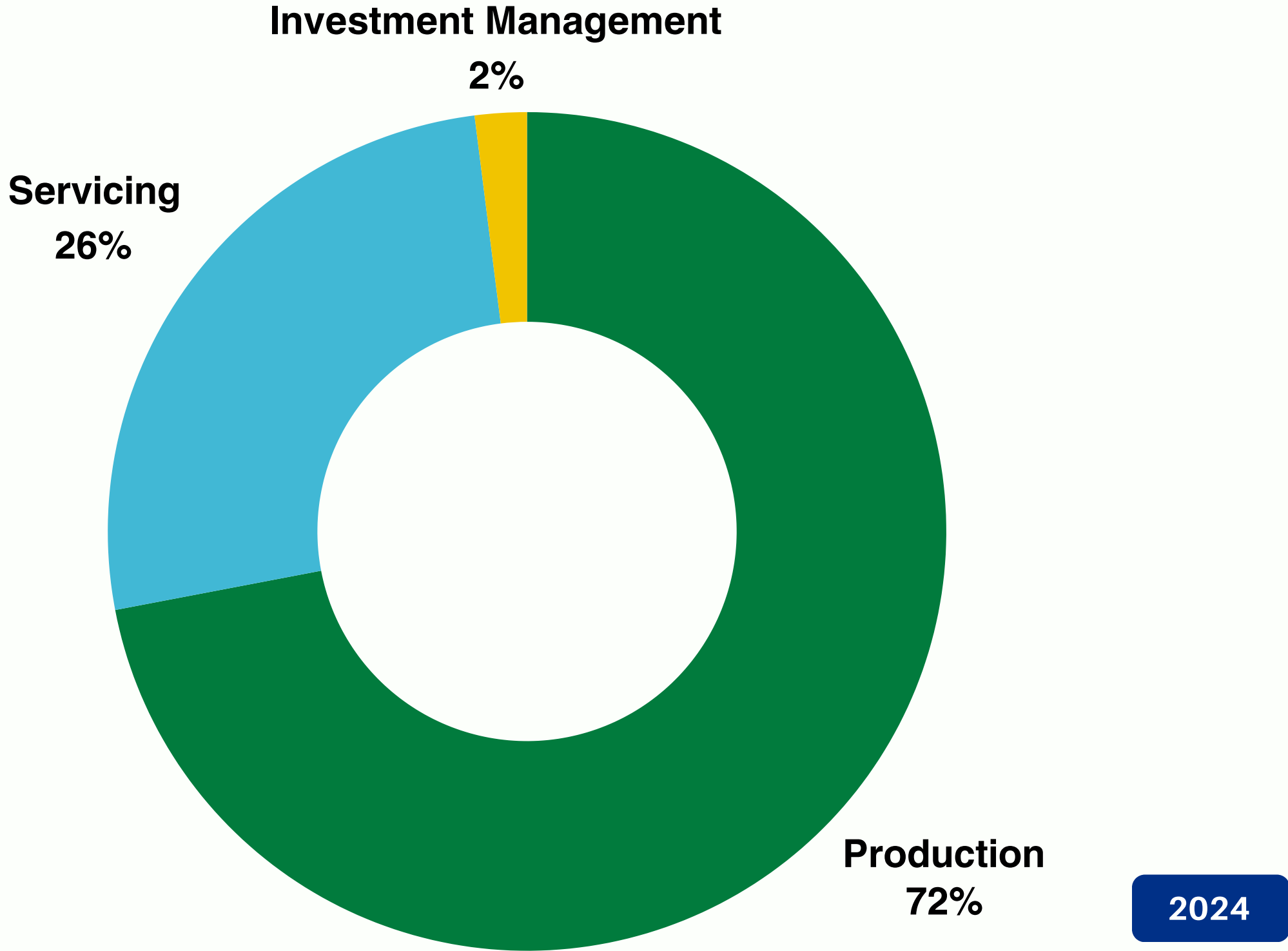
Source: Team Analysis



PENNSYLVANIA

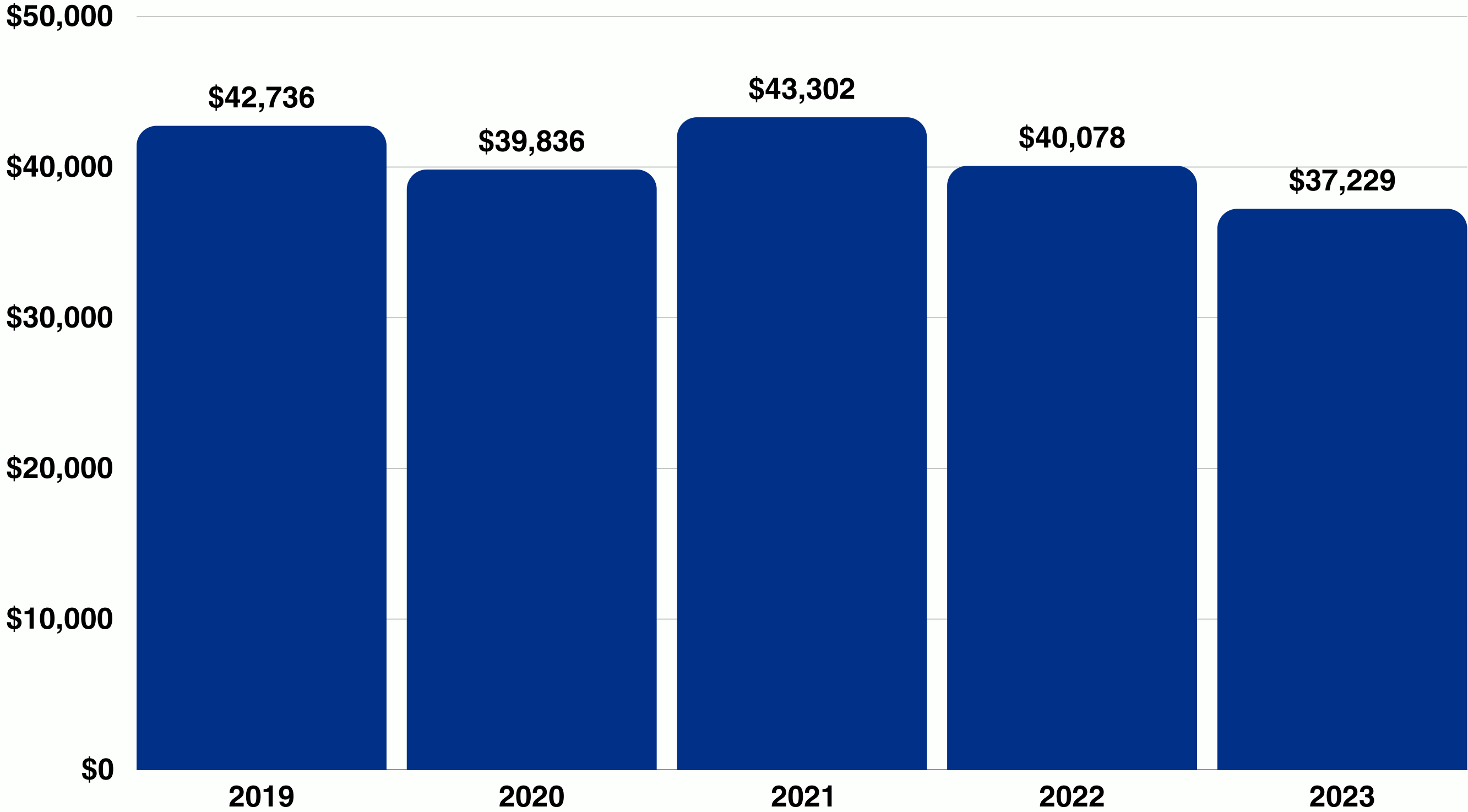
THESIS 1 - DIVERSE LOB

SEGMENTED REVENUE BREAKDOWN

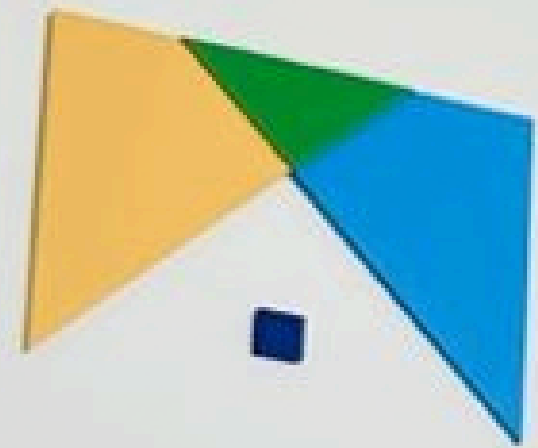


Source: Team Analysis

INVESTMENT MANAGEMENT FEES



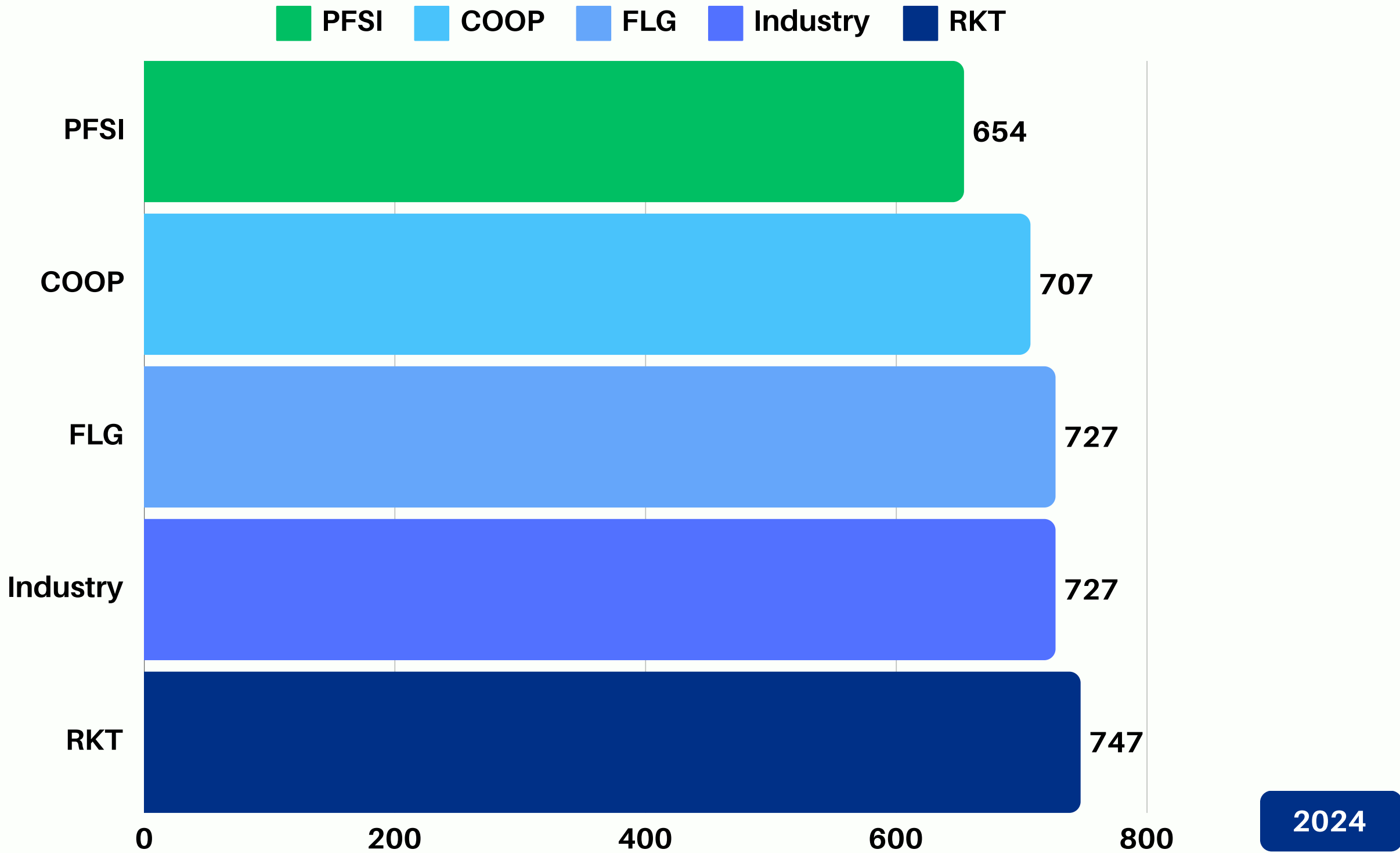
Source: Team Analysis



PENNNYMAC

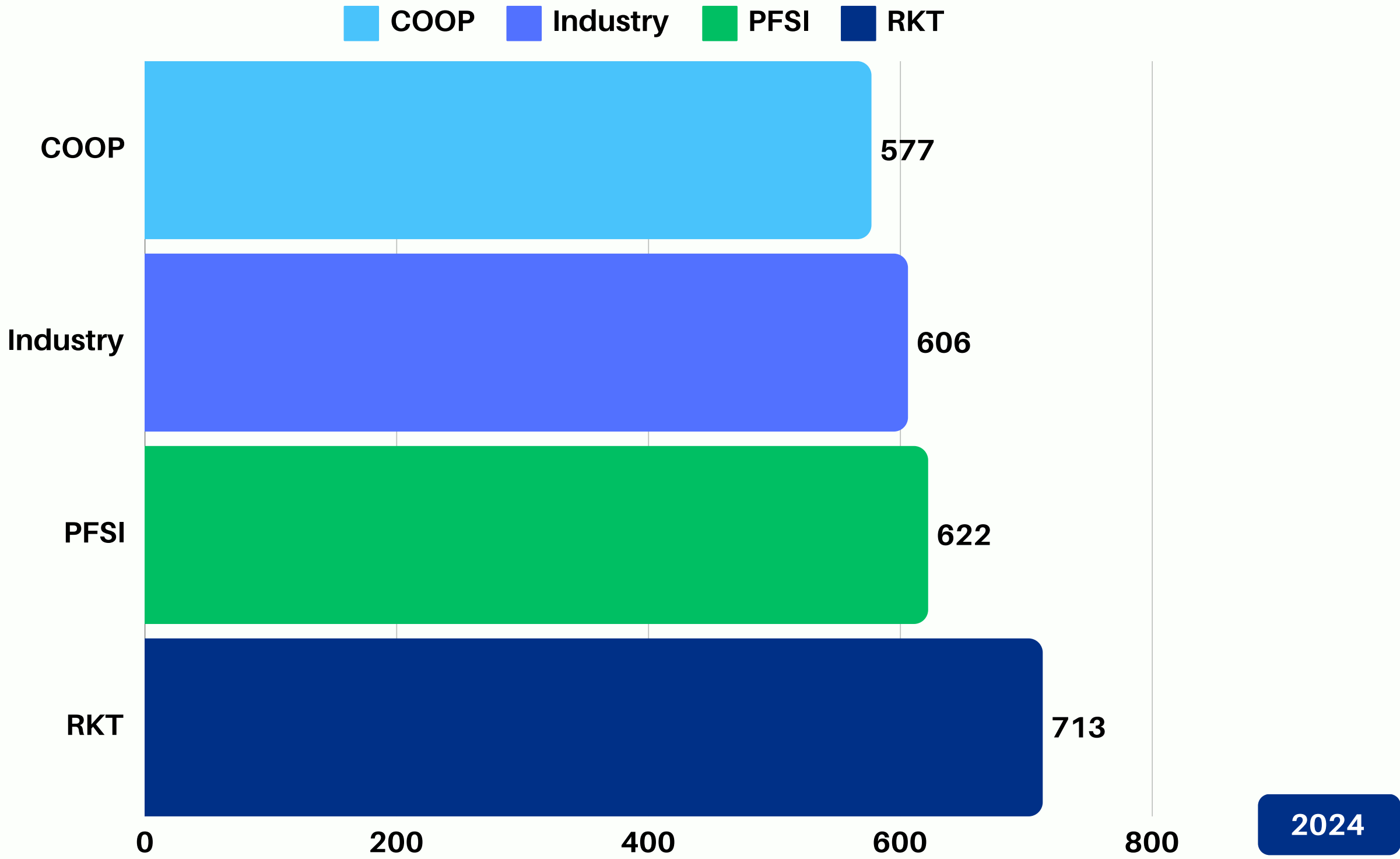
THESIS 2 - SERVICE

SERVICING SATISFACTION



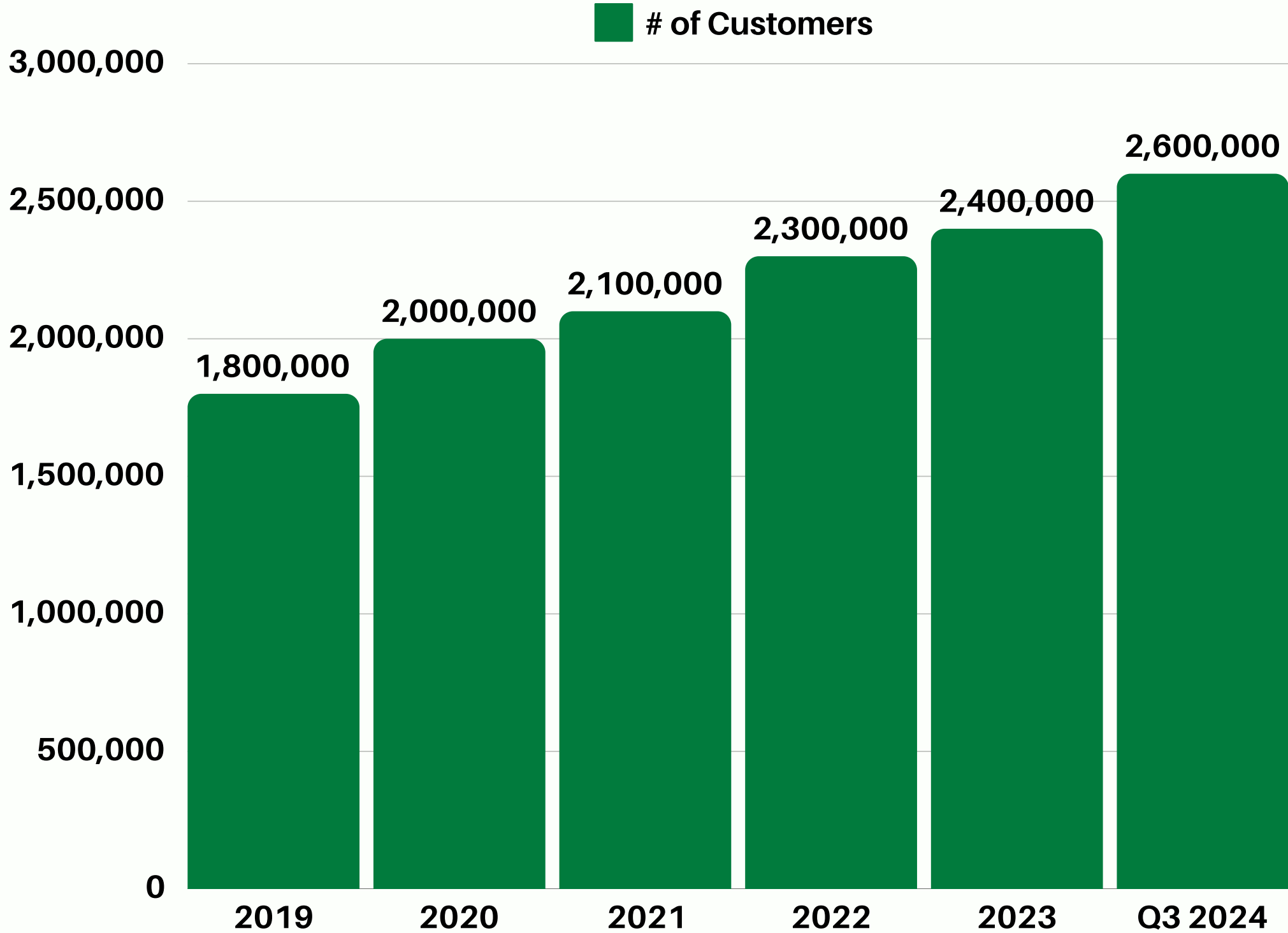
Source: Team Analysis

ORIGINATION SATISFACTION



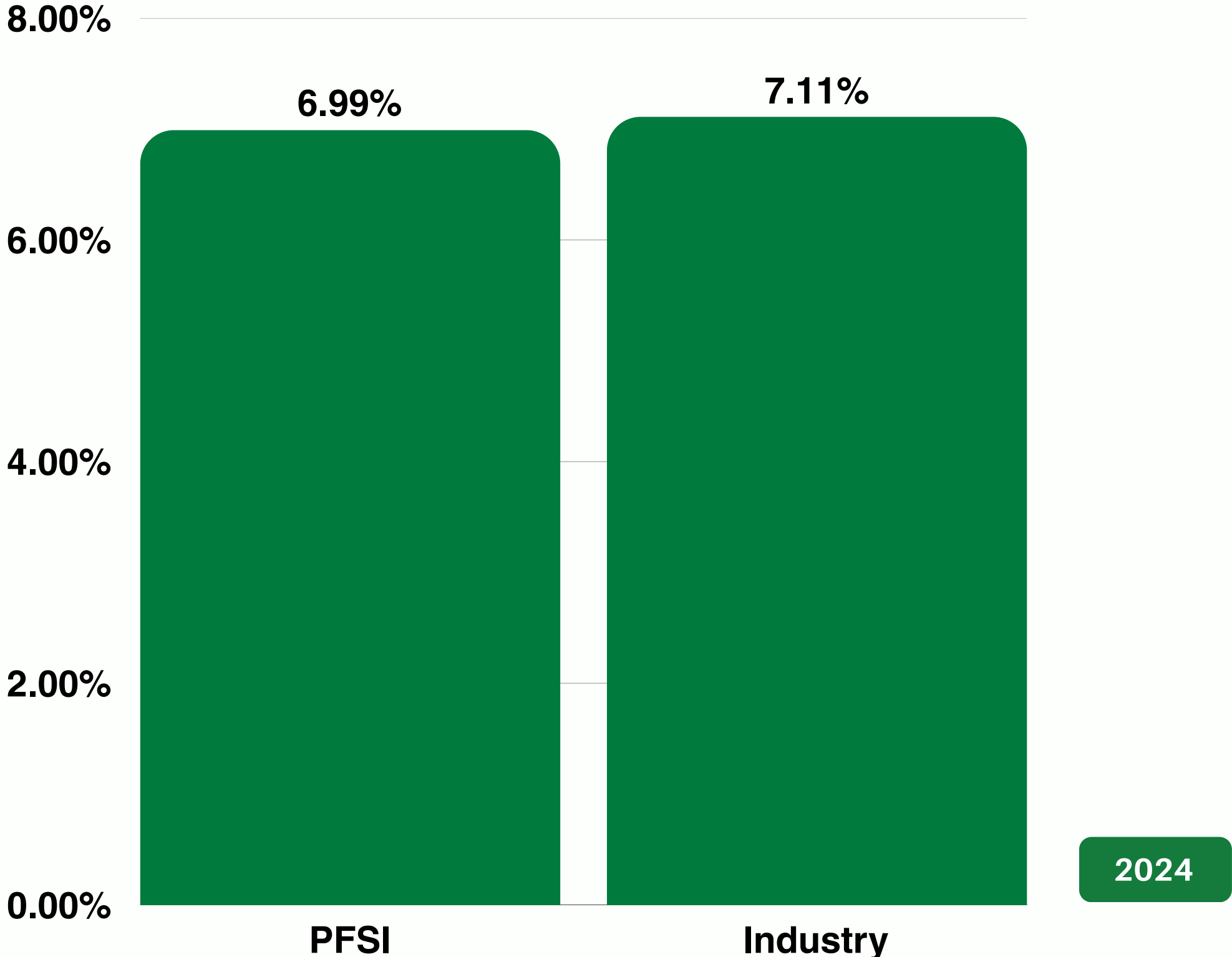
Source: Team Analysis

CUSTOMER GROWTH

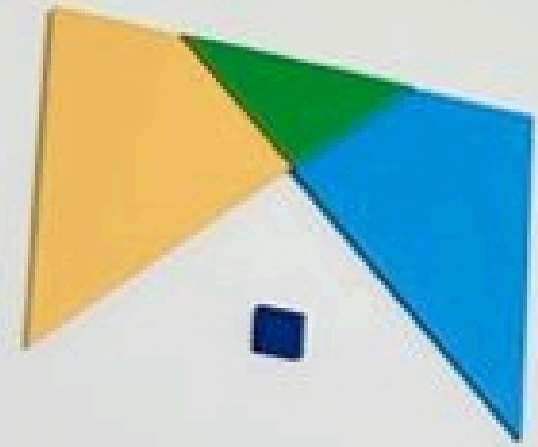


Source: Team Analysis

30 YEAR MORTGAGE RATES



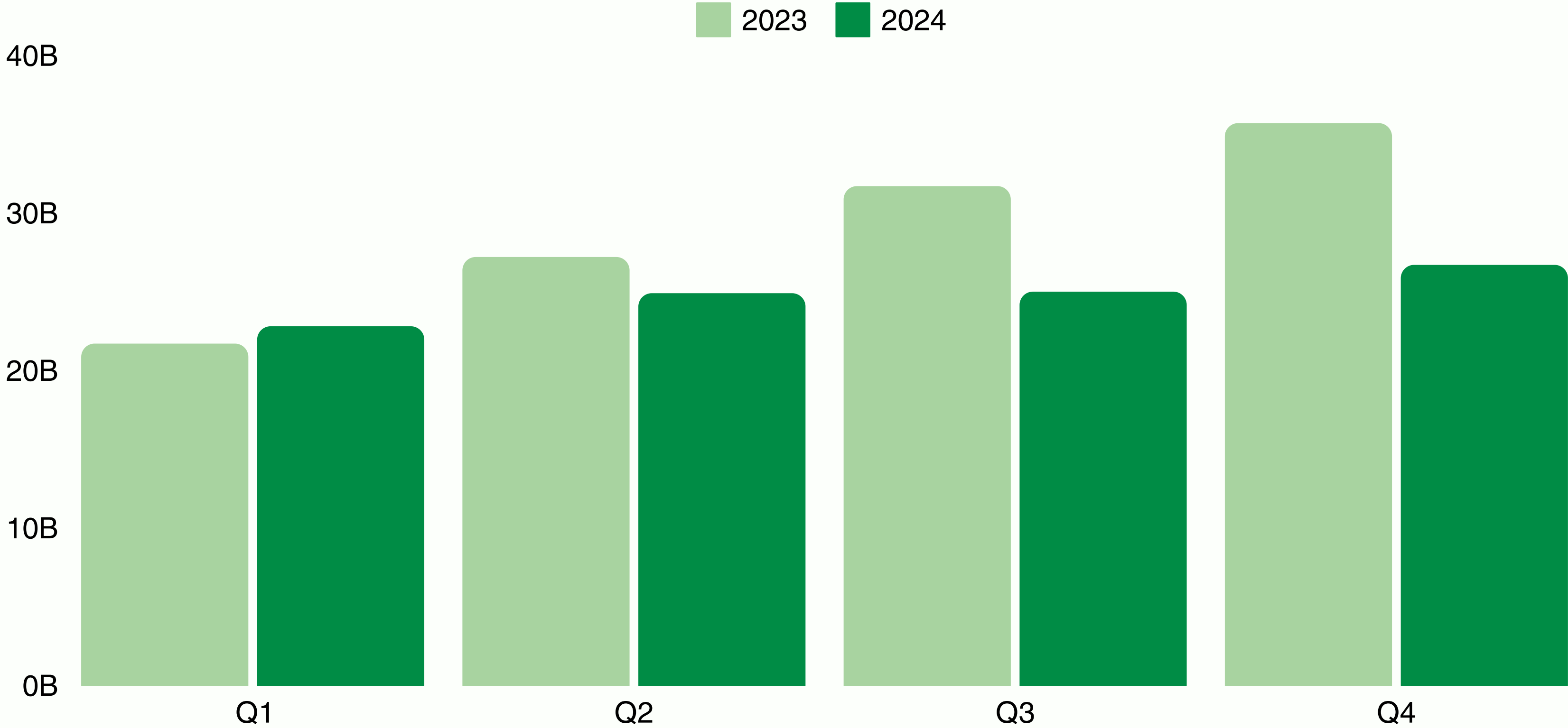
Source: Team Analysis



PENNNYMAC

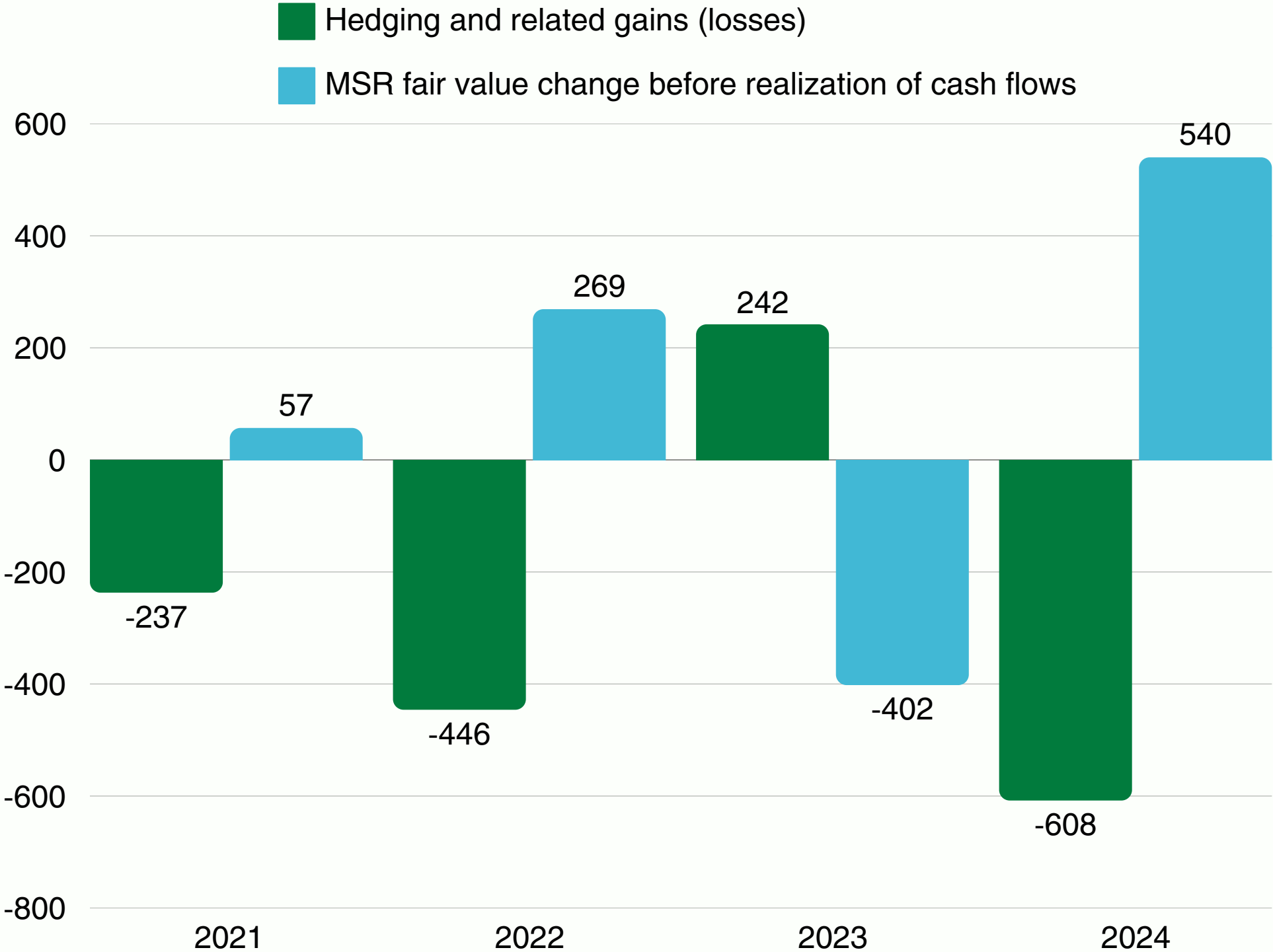
THESIS 3 - LTSI

LOAN ACQUISITIONS AND ORIGINATIONS



Source: J.D. Power

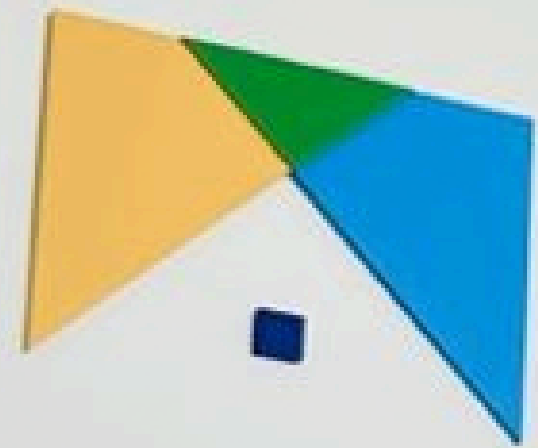
YOY HEDGE RATIO



**Q4 2024
Hedge Ratio
90%-100%**

**Q4 2024
Hedge Losses
-\$608M**

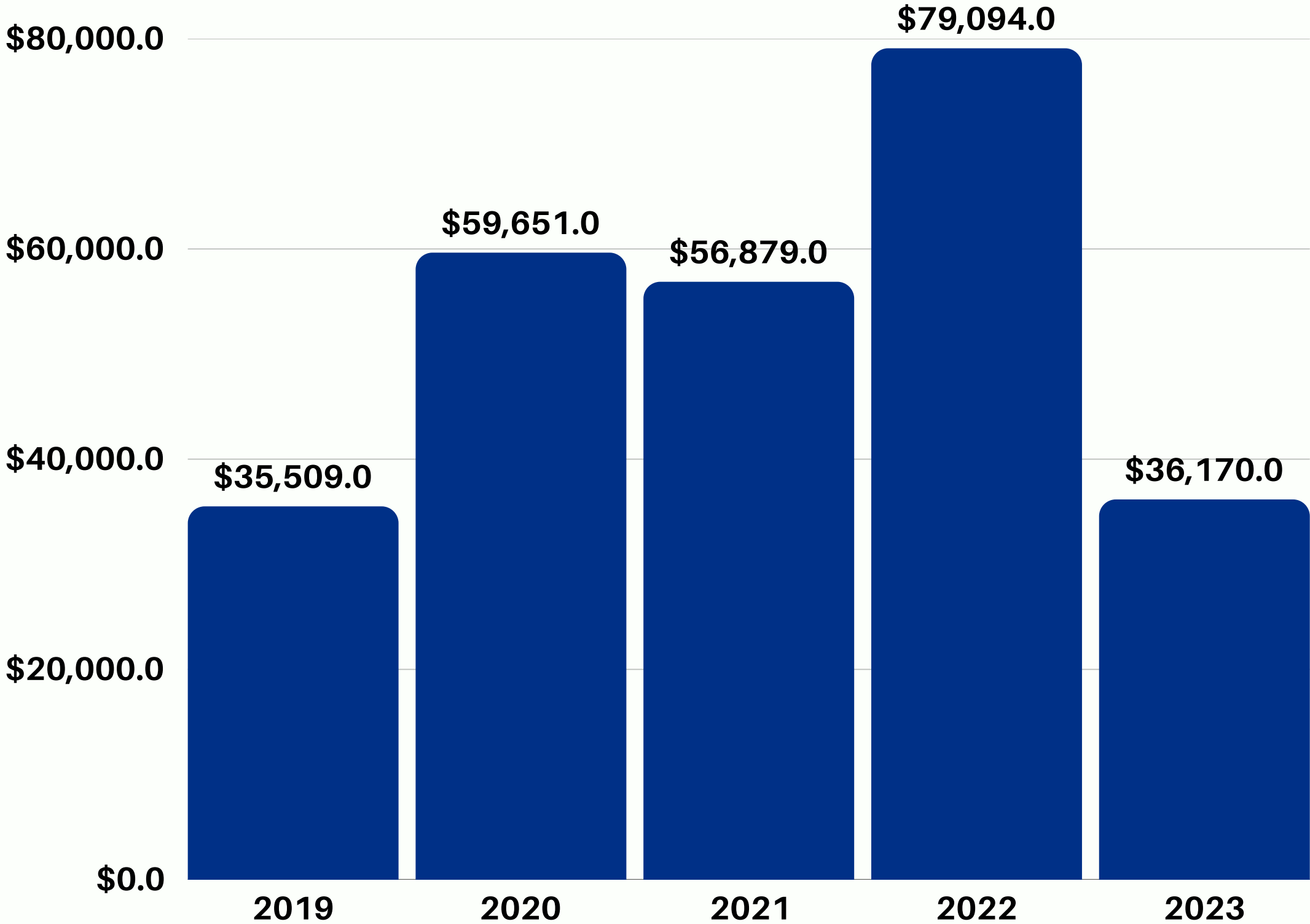
Source: Team Analysis



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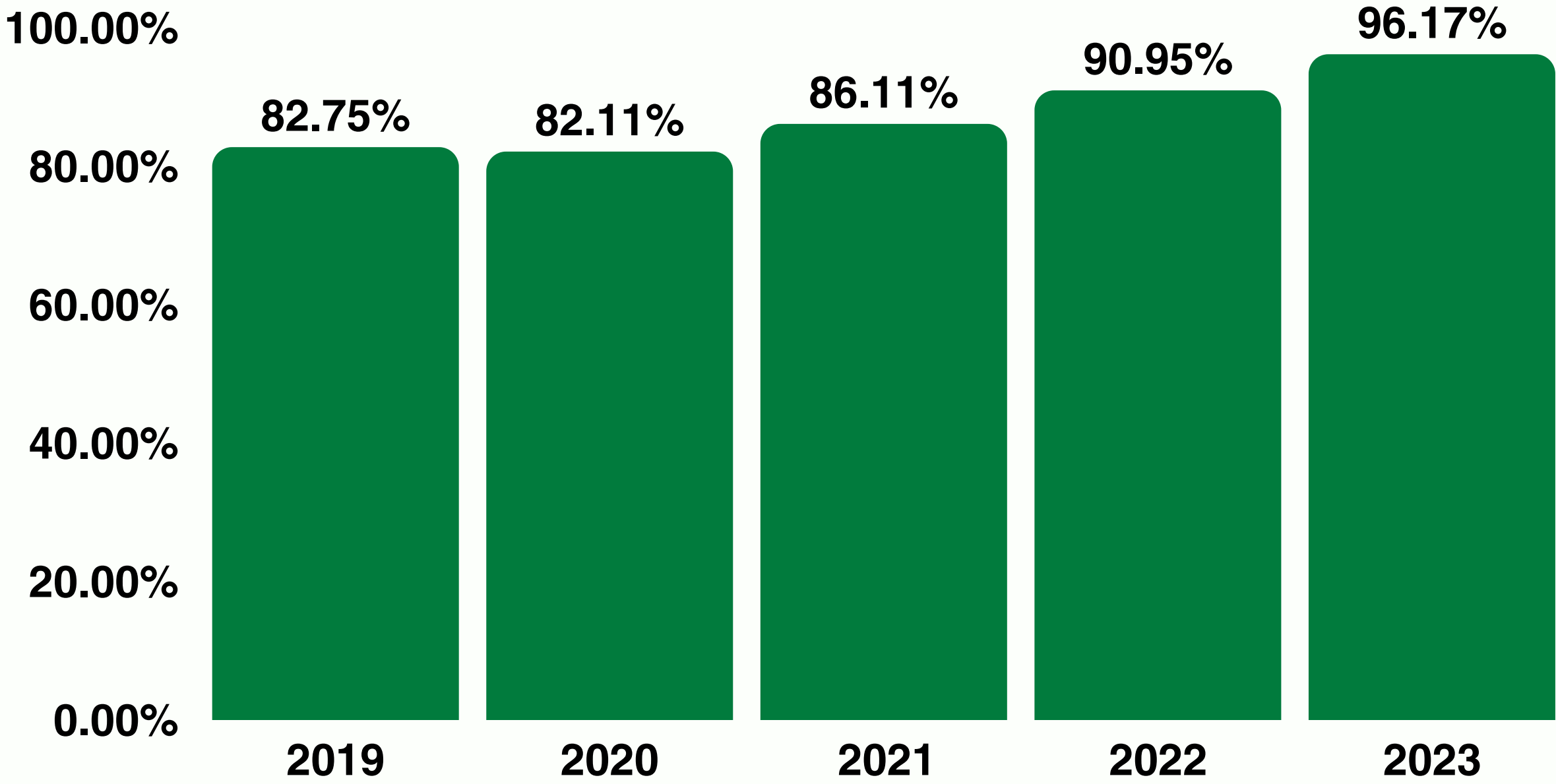
THESIS 4 - DIGITAL

HISTORICAL CAPEX

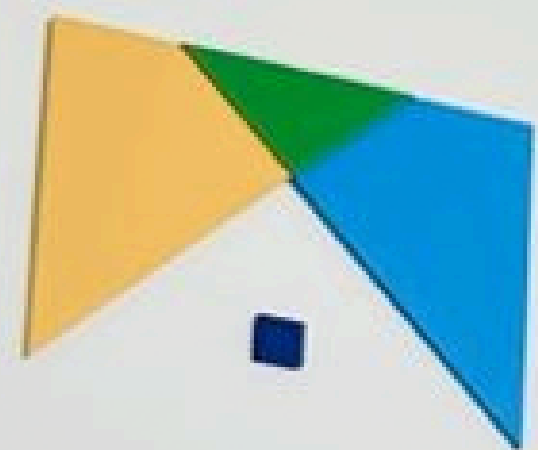


Source: Team Analysis

CAPEX TECHNOLOGY WEIGHTING



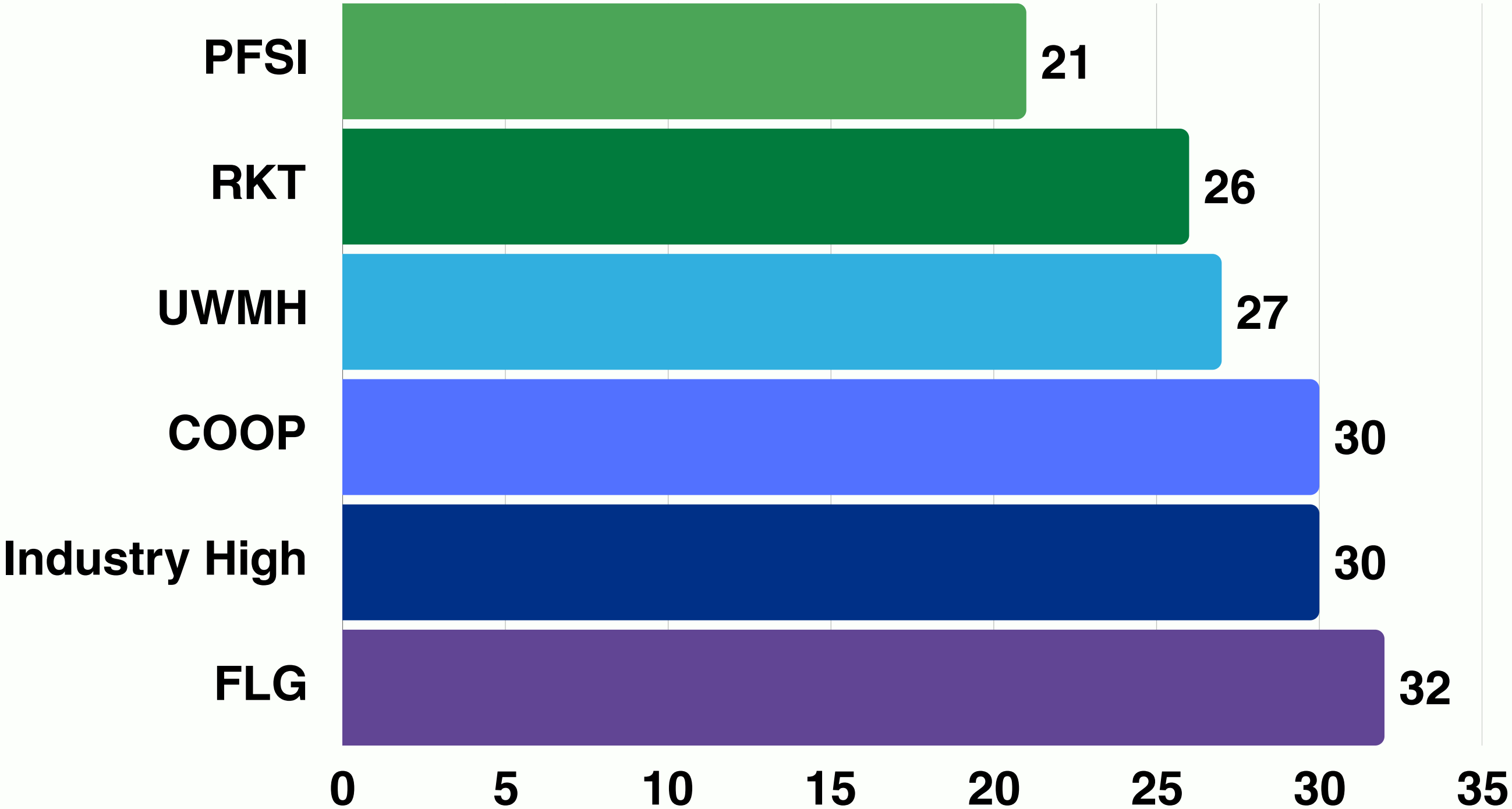
Source: Team Analysis



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ESG

ESG RISK WEIGHTING



Source: SustainAnalytics

WORKPLACE AWARDS



Source: Team Analysis

EXECUTIVE BOARD



David Spector



Jeffrey A. Perlowitz



Farhad Nanji



Joseph F. Mazzella



Doug Jones



Jonathon S. Jacobson



Theodore W. Tozer



Anne D. McCallion



Lisa M. Shalett



Sunil Chandra



Patrick Kinsella

Source: Team Analysis

ANNUAL COMPENSATION

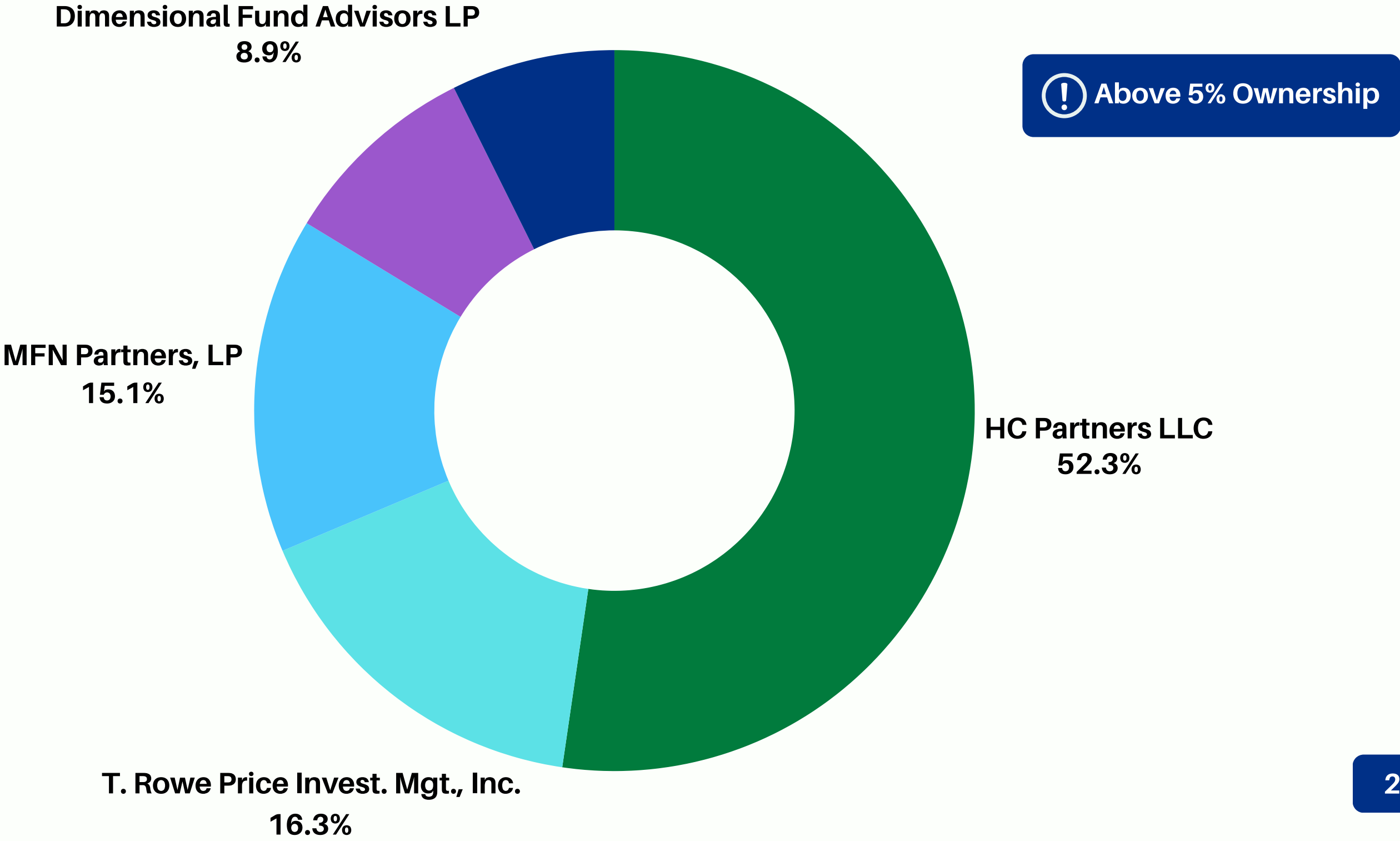


Name	Annual Base Salary	Actual Performance-Based Incentives	Peers Percentile
David A. Spector	\$1,000,000.00	\$1,631,250.00	50th to 75th
Doug Jones	\$600,000.00	\$1,125,000.00	Below the 50th
Daniel S. Perotti	\$400,000.00	\$630,000.00	Below the 50th
William Chang	\$400,000.00	\$450,000.00	Below the 50th
James Follette	\$375,000.00	\$438,750.00	Below the 50th

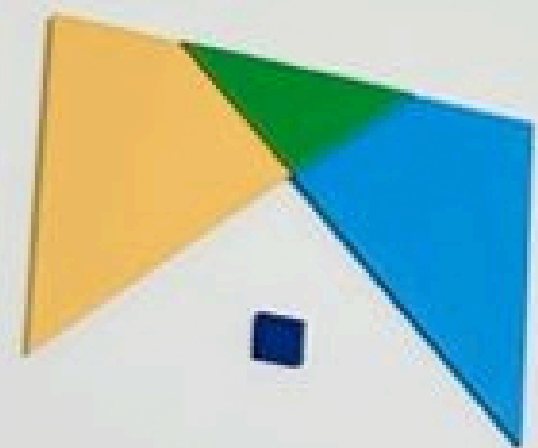
2023

Source: Proxy Statement

INSTITUTIONAL INVESTOR COMPOSITION



Source: PFSI Proxy Statment 2024



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VALUATION

BALANCE SHEET: ASSETS



Form of Statement	12/31/21	Historical 12/31/22	12/31/23	09/30/24	Projected 12/31/24
	Audited	Audited	Audited	Unaudited	Forecasted
Assets					
Assets					
Cash & Cash Equivalents	340,069.00	1,328,536.00	938,371.00	145,814.00	147,089.90
Short-term investment at fair value	6,873.00	12,194.00	10,268.00	667,934.00	673,778.40
Principal-only stripped mortgage-backed securities at fair value	-	-	-	960,267.00	968,669.30
Loans held for sale at fair value	9,742,483.00	3,509,300.00	4,420,691.00	6,565,704.00	6,623,153.90
Derivative assets	333,695.00	99,003.00	179,079.00	190,612.00	192,279.90
Servicing advances, net	702,160.00	696,753.00	694,038.00	400,764.00	404,270.70
Mortgage servicing rights at fair value	3,878,078.00	5,953,621.00	7,099,348.00	7,752,292.00	7,820,124.60
Operating lease right-of-use assets	89,040.00	65,866.00	-	-	-
Investment in PennyMac Mortgage Investment Trust at fair value	1,300.00	929	1,121.00	1,070.00	1,079.40
Receivable from PennyMac Investment Trust	40,091.00	36,372.00	29,262.00	32,603.00	32,888.30
Loans eligible for repurchase	3,026,207.00	4,702,103.00	4,889,925.00	5,512,289.00	5,560,521.50
Other assets	616,616.00	417,907.00	582,460.00	642,189.00	647,808.20
Total Assets	18,776,612.00	16,822,584.00	18,844,563.00	22,871,538.00	23,071,664.00

Source: Team Analysis

BALANCE SHEET: LIABILITIES PLUS EQUITY



Form of Statement	12/31/21	Historical 12/31/22	12/31/23	09/30/24	Projected 12/31/24
	Audited	Audited	Audited	Unaudited	Forecasted
Liabilities & Shareholders' Equity					
Liabilities					
Assets sold under agreements to repurchase	7,292,735.00	3,001,283.00	3,763,956.00	6,600,997.00	6,658,755.70
Mortgage loan participation purchase and sale agreements	479,845.00	287,592.00	446,054.00	517,527.00	522,055.40
Notes payable secured by mortgage servicing assets	1,297,622.00	1,942,646.00	1,873,415.00	1,723,632.00	1,738,713.80
Unsecured senior notes	1,776,219.00	1,779,920.00	2,519,651.00	3,162,239.00	3,189,908.60
Obligations under capital lease	3,489.00	-	-	-	-
Derivative liabilities	22,606.00	21,712.00	53,275.00	41,471.00	41,833.90
Mortgage servicing liabilities at fair value	2,816.00	2,096.00	1,805.00	1,718.00	1,733.00
Account payable and accrued expenses	359,413.00	262,358.00	449,896.00	331,512.00	334,412.70
Operating lease liabilities	110,003.00	85,550.00	-	-	-
Payable to PennyMac Mortgage Investment Trust	228,019.00	205,011.00	208,210.00	81,040.00	81,749.10
Payable to exchanged Private National Mortgage Acceptance Company, LLC	30,530.00	26,099.00	26,099.00	26,099.00	26,327.40
Income taxes payable	685,262.00	1,002,744.00	1,042,886.00	1,105,550.00	1,115,223.60
Liability for loans eligible for repurchase	3,026,207.00	4,702,103.00	4,889,925.00	5,512,289.00	5,560,521.50
Liability for losses under representations and warranties	43,521.00	32,421.00	30,788.00	28,286.00	28,533.50
Total Liabilities	15,358,287.00	13,351,535.00	15,305,960.00	19,132,360.00	19,299,768.20
Stockholders' Equity					
Common Stock	6.0	5.0	5.0	5.0	5.0
Additional Paid in Capital	125,396.00	-	24,287.00	54,415.00	54,891.10
Retained Earnings	3,292,923.00	3,471,044.00	3,514,311.00	3,684,758.00	3,716,999.70
Total Stockholders' Equity	3,418,325.00	3,471,049.00	3,538,603.00	3,739,178.00	3,771,895.80
Total Liabilities & Members' Equity	18,776,612.00	16,822,584.00	18,844,563.00	22,871,538.00	23,071,664.00
Summary					
Total Cash & Cash Equivalents				145,814.00	
Total Debt				11,528,339.00	

Source: Team Analysis

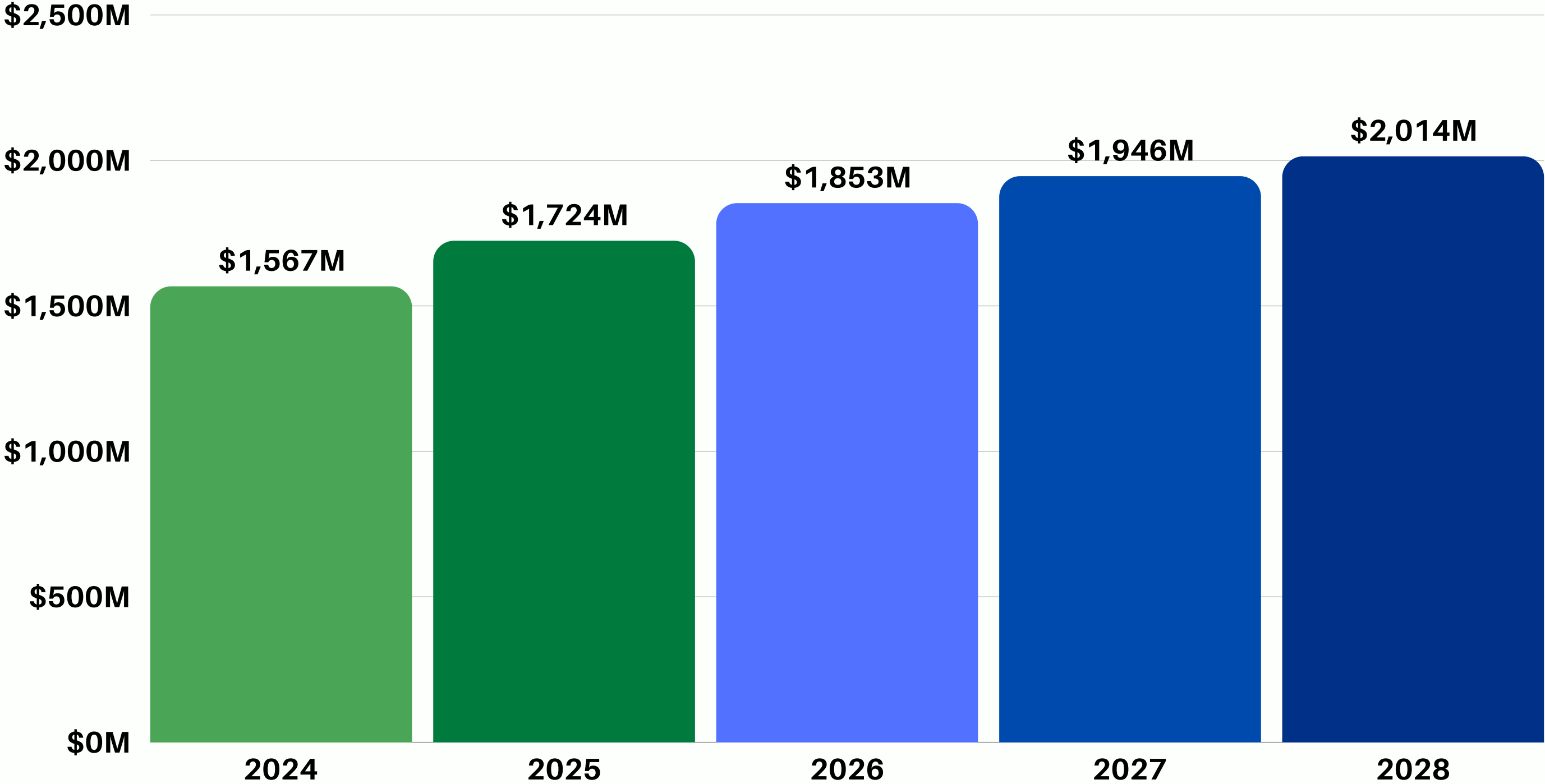
INCOME STATEMENT



Form of Statement	12/31/21	Historical 12/31/22	12/31/23	YTD (1) 09/30/24	LTM 09/30/24
	Audited	Audited	Audited	Unaudited	Unaudited
Time in Period	1 Year	1 Year	1 Year	9 Months	12 Months
Revenue	3,250,566.0	2,014,728.0	1,393,106.0	1,109,365.0	1,471,471.0
<i>Revenue Growth Rate</i>	<i>n/a</i>	<i>-0.4</i>	<i>-0.3</i>	<i>n/a</i>	
Operating Expenses					
Selling, General & Administrative	-1,740,917.0	-1,251,070.0	-1,126,575.0	-777,678.0	-1,035,039.0
Depreciation & Amortization	-67,261.0	-69,438.0	-91,450.0	-74,281.0	-98,373.0
Total Operating Expenses	-1,808,178.0	-1,320,508.0	-1,218,025.0	-851,959.0	-1,133,412.0
Operating Income	1,442,388.0	694,220.0	175,081.0	257,406.0	338,059.0
Interest Income/ (Expense), Net	-90,530.0	-41,365.0	-4,853.0	-8,530.0	-14,089.0
Other Income/ (Expense), Net	7,325.0	12,392.0	13,403.0	22,786.0	28,178.0
Pre-Tax Income (Loss)	1,359,183.0	665,247.0	183,631.0	271,662.0	352,148.0
Tax Provision	-355,693.0	-189,740.0	-38,975.0	-64,728.0	-47,340.0
Net Income (Loss)	1,003,490.0	475,507.0	144,656.0	206,934.0	304,808.0
Other Items:					
EBITDA	1,509,649.00	763,658.00	266,531.00	331,687.00	436,432.00
<i>EBITDA Margin</i>	<i>46.40%</i>	<i>37.90%</i>	<i>19.10%</i>	<i>29.90%</i>	<i>29.70%</i>

Source: Team Analysis

PROJECTED NET REVENUE



Source: Team Analysis

WACC & DCF MODEL



Capital Component (COC)	Weight	Weighted Cost
Debt (3.97%)	30.00%	1.19%
Equity (14.14%)	70.00%	9.90%
Total		11.09%
Applied		11.00%
Cost of Debt		
Pre-Tax Cost Of Debt		5.51%
Tax Rate		28.00%
Post-Tax Cost Of Debt		3.97%
Cost of Equity		
Beta		1.79x
Market Risk Premium		5.00%
Equity Risk Premium		8.95%
Risk-Free Rate		3.58%
Size Premium		0.61%
Unsystematic Risk Premium		1.00%
Calculated Cost of Equity		14.14%

	12 Months Ending Dec 31 (in thousands of USD)				
	2024	2025	2026	2027	2028
Revenue	\$	\$	\$	\$	\$
Revenue	1,567,244.30	1,723,968.70	1,853,266.30	1,945,929.60	2,014,037.20
Total	1,567,244.30	1,723,968.70	1,853,266.30	1,945,929.60	2,014,037.20
% Change	0.13	0.10	0.08	0.05	0.04
Operating Expenses	(979,527.70)	(1,077,480.40)	(1,158,291.50)	(1,216,206.00)	(1,258,773.20)
EBITDA	587,716.60	646,488.30	694,974.90	729,723.60	755,263.90
% Margin	0.38	0.38	0.38	0.38	0.38
Less: Depreciation & Amortiz	4.0%				
	62,689.77	68,958.75	74,130.65	77,837.18	80,561.49
EBIT	525,026.83	577,529.55	620,844.25	651,886.42	674,702.41
% Margin	0.35	0.35	0.35	0.35	0.35
Taxable Cash Flow	525,026.83	577,529.55	620,844.25	651,886.42	674,702.41
Calculated Taxes	28.0%	(3)	(147,007.51)	(161,708.27)	(173,836.39)
Debt-Free After-Tax Cash Flow	378,019.32	415,821.28	447,007.86	469,358.22	485,785.74
Less: Capital Expenditures	2.0%	(4)	31,344.89	34,479.37	37,065.33
Add: Depreciation & Amortization			62,689.77	68,958.75	74,130.65
Less: Change in Working Ca	1.0%		(15,672.44)	(17,239.69)	(18,532.66)
Net Debt-Free Cash Flow	456,381.53	442,723.50	477,359.00	493,098.60	510,357.00
Partial Period	0.25	1.00	1.00	1.00	1.00
Adjusted Net Debt-Free Cash Flow	114,095.38	442,723.50	477,359.00	493,098.60	510,357.00
Discount Period	0.13	0.75	1.75	2.75	3.75
Discount Factor	11.0%	0.99	0.92	0.83	0.75
Present Value	112,954.43	407,305.62	396,207.97	369,823.95	347,042.76

Source: Team Analysis

SUMMARY OF TERMINAL AND PRESENT VALUES



TERMINAL VALUE CALCULATION	
Terminal Net Debt-FCF	\$510,357
Terminal Growth Rate	3.5%
Terminal Discount Rate	11.00%
Implied Terminal Multiple	13.80x
TV	\$7,042,927
Present Value Factor	0.68
Present Value of TV	\$4,761,008

SUMMARY OF PRESENT VALUES		
Discrete Period Value	\$1,620,690.60	25.40%
TV	\$4,761,007.70	74.60%
Total	\$6,381,698.20	100.00%

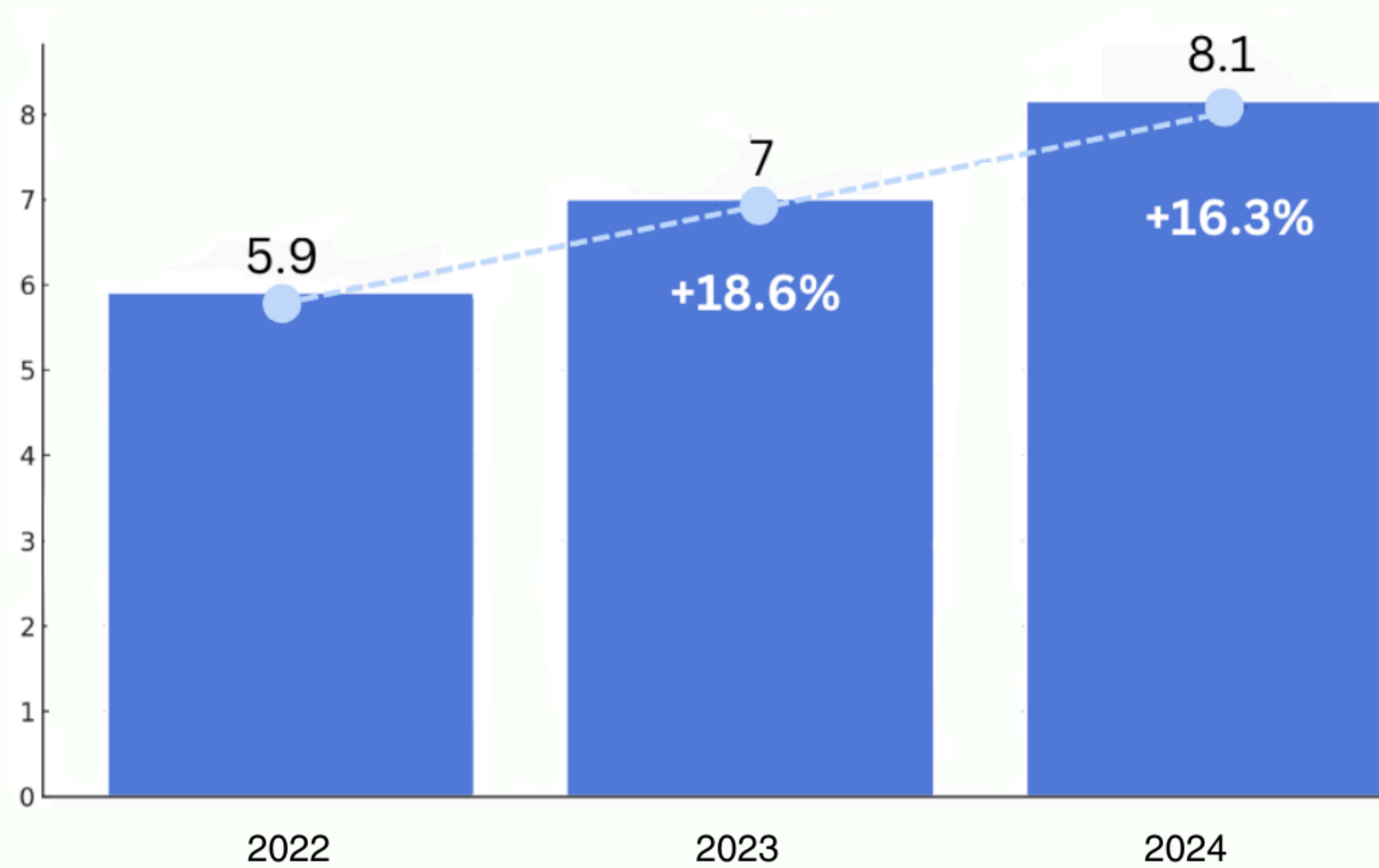
2024

Source: Team Analysis

DUPONT METHOD

DuPont Return on Equity (ROE)			
	Downside	Base	Upside
<u>3-Step DuPont Approach</u>			
Net Profit Margin	(3.9%)	9.0%	17.7%
Total Asset Turnover	0.1x	0.1x	0.2x
Financial Leverage Ratio	5.7x	5.5x	5.4x
Return on Equity (ROE)	(2.6%)	7.3%	16.6%
<u>5-Step DuPont Approach</u>			
Tax Burden	0.8x	0.8x	0.8x
Total Asset Turnover	0.1x	0.1x	0.2x
Financial Leverage Ratio	5.7x	5.5x	5.4x
Interest Burden	(1.0x)	0.6x	0.8x
Operating Margin	5.0%	20.0%	30.0%
Return on Equity (ROE)	(2.6%)	7.3%	16.6%

ADJUSTED EBITDA GROWTH



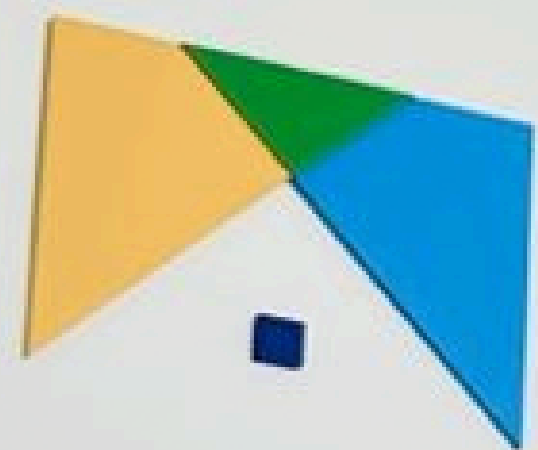
Source: Team Analysis

RELATIVE VALUATION MODEL



Peer Group	Market Cap*					TTM P/S	
	LTM \$B	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	
Mortgage Banking							
Rocket Companies, Inc. (RKT)	22.46	2.51	2.09	1.93	7.26	5.10	
UWM Holdings Corporation (UWMC)	9.38	-	2.41	2.86	5.41	3.73	
Mr. Cooper Group Inc. (COOP)	6.14	1.05	0.86	1.03	1.03	3.06	
Encore Capital Group, Inc. (ECPG)	1.13	0.82	1.20	0.83	0.87	0.85	
Median		1.05	1.65	1.48	3.22	3.40	
Managed Real Estate Investment Trusts							
Two Harbors Investment Corp. (TWO)	1.23	-	3.12	1.50	1.52	1.45	
Blackstone Mortgage Trust Inc. (BXMT)	3.00	5.16	6.55	3.35	1.89	1.64	
Apollo Commercial Real Estate Finance, Inc. (ARI)	1.20	3.66	4.35	3.10	2.19	1.48	
Median		4.41	4.35	3.10	1.89	1.48	

Source: Team Analysis



PENNYMAC

INVESTMENT RISKS

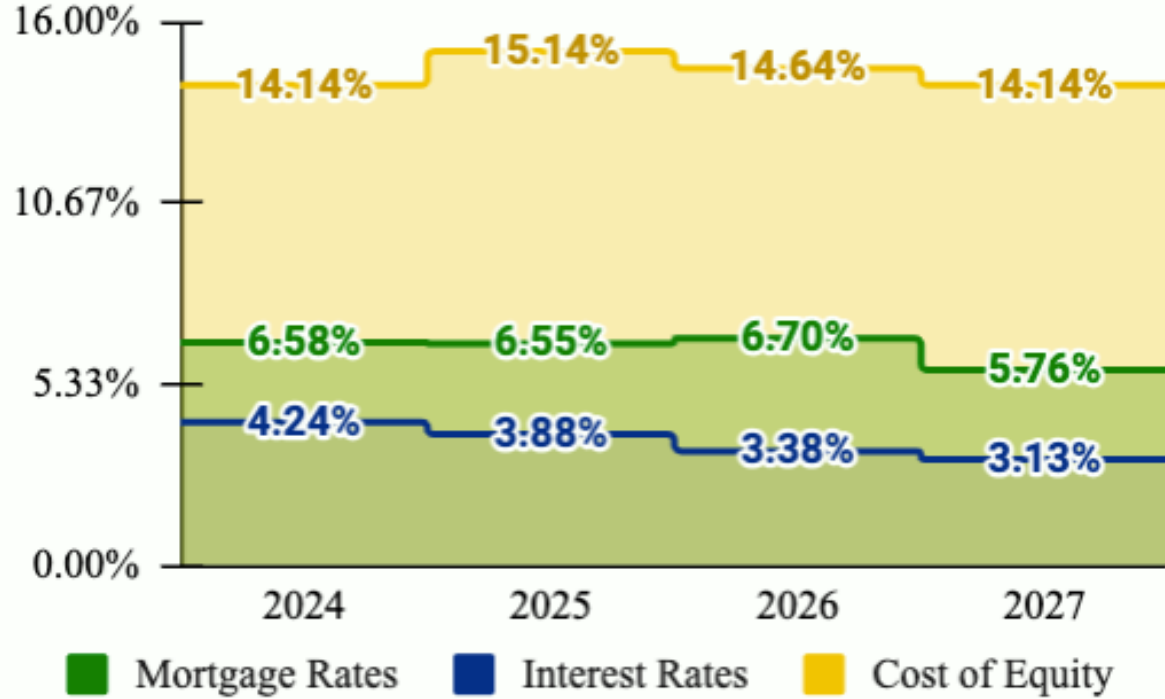
SENSITIVITY AND RATE FORECASTS



Basis Point Rate Change	Cost of Equity	Net Income (\$M)	Price Movement
Inflation 50bp increase	50bp		-\$7.15
Mortgage Rates 30bp increase		-\$200.00	-\$3.59

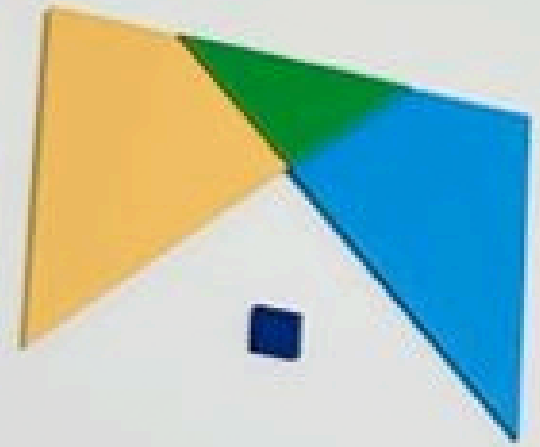
Basis Point Rate Change	Target Price
50bp increase in Inflation	\$106.41

Basis Point Rate Change	Target Price
30bp increase in Mortgage Rates	\$109.96



2024

Source: Team Analysis



PENNYMAC

OTHER

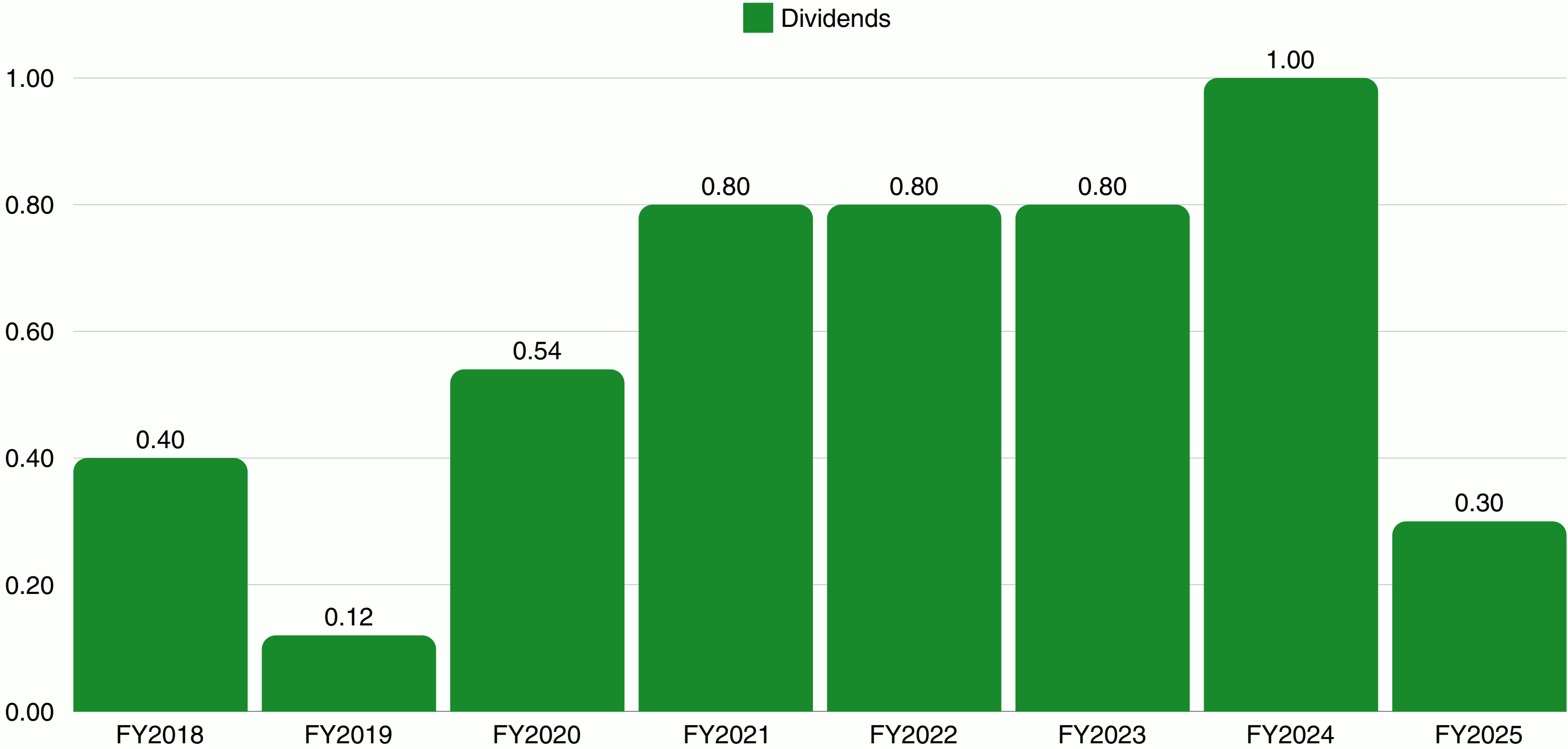


As part of our primary research, we interviewed a Branch Manager from Atlas Mortgage Group, a mortgage brokerage servicing firm that leverages PennyMac for loan origination. The Branch Manager provided a positive assessment of PFSI, citing the firm's superior customer support and competitive mortgage pricing as key factors in driving business. He emphasized PFSI's strong reputation for operational efficiency and transparent pricing, which positions the company as a preferred partner for brokers in the origination space. However, the Branch Manager also pointed out operational challenges related to PFSI's technological infrastructure, specifically the complexity and user-friendliness of its mortgage portals, which he perceived to be less advanced compared to its competitors. He suggested that strategic enhancements to PFSI's digital platforms could significantly improve user experience, thereby strengthening the company's market position.

From the conversation, it was clear that while PFSI excels in customer service and pricing efficiency, it faces challenges in the operational aspects of loan origination. This presents a potential growth opportunity for PFSI, as the company looks to enhance its market share through planned improvements, including the integration of artificial intelligence-driven customer service technology and increased investments in technological infrastructure.

Source: Team Analysis

HISTORICAL TOTAL DIVIDENDS



Source: PFSI Website

ABBREVIATIONS



ACRONYM	Definition	ACRONYM	Definition
ASM	AmeriSave Mortgage	LTSI	Long-term Share Incentives
AHM	AmeriHome Mortgage Co.	MM	Movement Mortgage
BOA	Bank of America	NFCU	Navy Federal Credit Union
C	Citigroup Inc	NYSE	New York Stock Exchange
CB	Citizens Bank	NZ	Newrez LLC
CCM	Crosscountry Mortgage	PFSI	PennyMac Financial Services, Inc.
CIM	Chimera Investment Corporation	PHL	Planet Home Lending LLC
CMG	CMG Financial	PMT	PennyMac Mortgage Investment Trust
COC	Cost of Capital	PNC	PNC Bank
COOP	Mr. Cooper Group Inc.	PV	Present Value
FCF	Free Cash Flow	PHM	Prosperity Home Mortgage
FFIEC	Federal Financial Institutions Examination Council	RKT	Rocket Companies, Inc.
FIM	Fairway Independent Mortgage	TV	Terminal Value
FLG	Flagstar Financial Inc.	USB	U.S. Bank
GR	Guaranteed Rate Inc.	USBM	U.S. Bank Mortgage
JPM	JPMorgan Chase & Co	UWMC	United Wholesale Mortgage
LDI	loanDepot, Inc.	WFC	Wells Fargo

Source: Team Analysis