

**Financial Results for 1H FY17**  
**Investor Presentation**  
**February/March 2017**



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# 1. Introduction – JustKapital and Key Highlights



# Operating Divisions



## Disbursement Funding

*Funding of out-of-pocket expenses (disbursements) for law firms.*

- Currently has more than 10,000 reports funded at an average of around \$2,200 per report
- Types of claims include: Individual personal injury including Motor Vehicle Accidents, compensation claims, and medical negligence
- Gross debtor book at 31 December 2016 is \$21.7m across 280 firms
- Debtor is law firm, not plaintiff

## Litigation Funding

*Funding of all fees associated with large-scale litigation. Funding agreements signed with plaintiff to share success of outcome.*

- 8 current cases funded with total gross aggregate claim value of \$1.9bn
- 5 cases conditionally funded/in final due diligence with an estimated gross claim value of \$1.75bn
- Commercial disputes including shareholder class actions

## Insurance Broking

*Insurance broker services for 'after-the-event' (adverse cost) insurance.*

- Premiums received for broking services in relation to after-the-event insurance.
- Provides protection for a plaintiff or a defendant who loses a case and has adverse costs awarded against it
- Since establishment, the Insurance division has commissioned 5 policies

# Key Highlights for 1H FY17

## Disbursement Funding Division

### Top-Line Growth

- 1H FY17 revenue **\$8.2m**
- **\$21.7m** funded over +10,000 cases (up from \$20.4m at 30 June 16)

### Organic Growth

- Growth **+37%** 1H FY17 vs 2H FY16
- Regional expansion continues
- Customer expansion continues
- Product expansion continues

### Profitability

- Gross Margin (after provisions) **+45%**
- Disbursement EBITDA generated **\$2.5m**
- Strong cost management continues
- Scale efficiencies continue

## Litigation Funding Division

### Current Portfolio

- **8** funded cases
- Gross claim value **\$1.9bn**
- 5 cases conditionally funded/in final due diligence with an estimated gross claim value of \$1.75bn

### Case Progress

- Continue to expect that at least one case will conclude in FY17

### International and JVs

- Longford Capital (USA) – 7 cases funded
- Woodsford Litigation Funding (UK) – conditionally funded 1 case

## JustKapital

### Strong Balance Sheet

- Current cash balance is **\$4.5m<sup>1</sup>**
- Disbursement finance facility of \$20m
- (Headroom of **\$7.8m** under facility to fund growth)

### Experienced Management Team

- Philip Kapp – Executive Chairman
- Diane Jones – COO and CFO
- Anthony Hersch – GM Disbursement Funding
- James Walker – GM Insurance
- NED's – Tim Storey, Mike Hill

### Outlook FY17

- Disbursement revenue growth **+30%**
- Disbursement EBITDA target **+\$5m**
- First settlement in litigation portfolio expected in FY17.

(1) Cash balance was \$1.9m as at 31 December 2016, and co-contribution from Longford Capital (under JV arrangement) of \$2.6m was received in January

## 2. 1H FY17 Financial Results and FY17 Outlook



# 1H FY17 Results

## Disbursement Funding Division

### Disbursement Funding –

- High growth, high margin, low transaction value, large disbursement client base

\$'000	1H FY17	2H FY16 <sup>1</sup>	% change
Gross Revenue	8,227	6,002	37.1%
<b>Net Revenue</b>	<b>7,599</b>	<b>4,864</b>	<b>56.2%</b>
Gross Margin	3,447	1,957	76.1%
<i>Gross Margin %</i>	45.4%	40.2%	
<b>Reported EBITDA</b>	<b>2,524</b>	<b>892<sup>2</sup></b>	<b>201.2%</b>
<i>% Margin</i>	33.0%	18.3%	
Less: Interest, Depreciation, Amortisation	(890)	(650)	41.5%
<b>NPBT</b>	<b>1,615</b>	<b>242<sup>2</sup></b>	<b>336.5%</b>
<i>% Margin</i>	21.2%	5.0%	

### Funded for growth

- \$20m disbursement funding growth facility (undrawn component \$7.8m)

(1) The Group purchased the business and assets of Macquarie Medico Legal on 22 January 2016.

(2) The costs associated with this transaction of \$925K have been excluded from the above table

# 1H FY17 Results

## Litigation Funding Division

### Litigation Funding:

- Growing portfolio of litigation cases being funded with an aggregate claim value of \$1.9 billion
- Litigation case funding is capitalised as intangible assets until case settled

Balance Sheet – Investment at Cost; \$'000	31-Dec-16	30-Jun-16
Opening Balance – case book intangible	999	754
Investment made July-December 2016	6,416	1,413
Less: Co-funder's reimbursement	(2,340) <sup>1</sup>	(502)
<b>Closing Balance – investments in cases (intangible assets and investment in joint venture)</b>	<b>5,076</b>	<b>1,655</b>

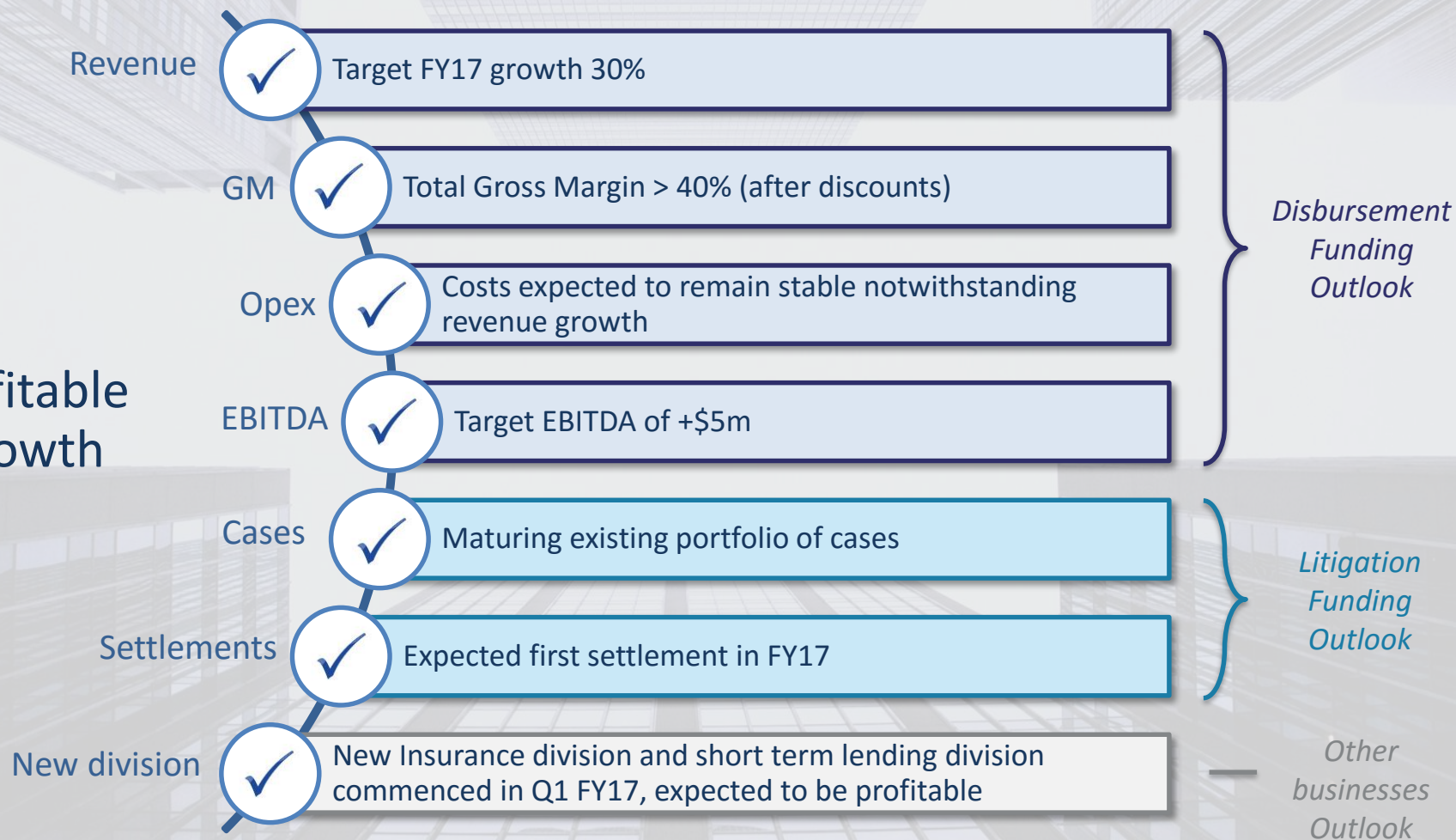
## Group

\$'000	1H FY17
Corporate Overheads	(1,593)
Add: Interest and Sundry Income	133
Less: Interest, Depreciation, Amortisation	(453)
<b>Total Expenses (ex Disbursement Funding division)</b>	<b>(1,913)</b>

(1) Co-funder's reimbursement was received in January 2017.

# FY17 Outlook Summary

## Profitable Growth



# Current Cases Portfolio – Cases Funded

TYPE OF CLAIM	DEFFENDANT	GROSS CLAIM VALUE*	COMMENTS
A. Breaches of Corporations Act & Continuous Disclosure Laws	Top 200 ASX listed Company	\$300m	Matter is proceeding through the Court system. There is a co-funding agreement in place
B. Patent Infringement US patent	Global Software Company	\$350m	All interlocutory motions and ancillary actions have been found in JKL client's favour to date. Trial was set to commence in March 2017, however due to a recent further application by the defendant concerning parts of the patents, the trial is expected to be delayed until calendar 2018. There is a co funding agreement in place
C. Breach of Fiduciary Duty	ASX Listed Trustee	\$34m	Trial to commence on 4 September 2017. A mediation expected in April 2017. There is a co funding agreement in place
D. Breach of Fiduciary Duty	ASX Listed Trustee	\$17m	Proceedings yet to be filed. There is a co funding agreement in place
E. Shareholder Class Action	Directors and Advisors	\$30m	Proceedings commenced as an open class. Strike out application has been dismissed. Expect trial date in FY18. Claim size could reach \$90m. There is a co funding agreement in place
F. Breach of Fiduciary Duty	ASX Listed Trustee	\$100m	The trial date of 3 July 2017 has been vacated. A new trial date has not yet been set but is expected to be in FY18. There is a co funding agreement in place
G. Breach of Fiduciary Duty	ASX Listed Trustee	\$50m	Trial has been moved to 18 March 2018. Mediation expected by June 2017. There is a co funding agreement in place
H. Breach of Contact & Fiduciary Duty	Big Four Bank	\$1 billion	Proceedings commenced as an open class. This matter is in its early stages. Claims totaling \$500M have signed funding agreements to date.
<b>Total Funded 8 cases</b>		<b>\$1.9 billion</b>	<b>Does not include contingently funded cases</b>

\*Gross claim value is the amount being claimed by JustKapital's clients. It is not the estimated return to the Group from the case if it is successful. JustKapital expects to receive between 25%-50% of the settlement amount or judgment awarded, which could differ substantially from the gross claim value.

# Cases Conditionally Funded or in Final Due Diligence

TYPE OF CLAIM	DEFFENDANT	GROSS CLAIM VALUE*	COMMENTS
I. Shareholder Class Action	ASX Listed Company	\$100m	Claim is for misleading and deceptive conduct and breaches of continuous disclosure laws.
J. Breaches of Joint Venture Contract	ASX Listed Company	\$30m	Claim is for breach of a joint venture agreement involving the provision of service to the NSW state government.
K. Breach of Fiduciary Duty	Big Four Bank	\$165m	Breach of a fiduciary duty by in house financial planners at a large Australian Bank
L. Breach of Statute	Australian Government	>\$1B	Claim for mis-calculation of charges by the Australian government
M. Shareholder Class Action	ASX Listed Company	\$450m	Claim is for misleading and deceptive conduct and breaches of continuous disclosure laws.
Total 5 cases		\$1.75 billion	

\*Gross claim value is the amount being claimed in the matter.

## 6. Questions



## 7. Appendix: Corporate Overview and Background Information



# JustKapital Corporate Overview

## Capital Structure

ASX code	JKL
Shares on issue (including escrowed shares)	125.8m
Convertible Bonds on issue - \$5M (if converted at 30 cents)	16.7m
Options on issue	9.8m
Exercisable at:	
A\$0.25 before 10 Mar 2018	6.4m
A\$0.25 before 27 Mar 2018	1.9m
A\$0.30 before 22 Jan 2019	1.5m
Current cash	\$4.5m <sup>1</sup>

## Shareholder Summary

Board & Management	8.7%
Top 20 Shareholders	58.4%

## Board and Management

Philip Kapp, Executive Chairman	4.9%
Tim Storey, Director	2.1%
Mike Hill, Director	1.7%

(1) Cash balance was \$1.9m as at 31 December 2016, and co-contribution from Longford Capital (under JV arrangement) of \$2.6m was received in January

# Disbursement Funding

## Disbursement Funding Division

### Structure

Funding medical reports and radiology reports



Funding other disbursements required in the course of litigation

### Acquisition

Macquarie Medico-Legal (MML) was acquired in January 2016 provides medical reports and radiology reports

### Product offering

JustKapital Financing has now expanded its product offering to provide funding for:

- all other expert reports,
- expert witness fees,
- court filing fees, and
- barrister's fees

# Growth Strategy

## Disbursement Funding

### Customer expansion

- 280 law firms today

### Geographical Expansion

- NSW metropolitan today
- Brisbane office opened July 2016
- Melbourne appointed a representative consultant in January 2017

## Litigation Funding

### Current portfolio

- Progress existing 8 funded cases to conclusion
- Expected settlement of first case in FY17

### Future portfolio

- 5 new cases acquired
- 3 additional cases in the final stages of due diligence

## Insurance Broking

### Overview

- Commenced Q1 FY17
- Authorised representative agreement in progress with offshore insurance companies
- Currently commissioned policies for 5 cases



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