

Financial Results for FY17 and Outlook FY18
Investor Presentation
28 August 2017



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1. Introduction – JustKapital and Key Highlights



Operating Divisions



JustKapital Finance

Funding of out-of-pocket expenses (disbursements) and short-term revolving credit facilities for law firms.

- Currently has funded more than 10,000 individual disbursements with over 160 active law firm clients
- Gross debtor book as at 30 June 2017 is \$32.0m
- Debtor is law firm, not plaintiff
- Short-Term Funding as at 30 June 2017 is \$2.3m
- Each with agreements of less than 12 months
- Attractive double digit annualised returns

Litigation Funding

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

- 9 current cases funded with total gross aggregate claim value of \$1.9bn
- 4 cases conditionally funded/in final due diligence with an estimated gross claim value of \$1.4bn
- Commercial disputes including shareholder class actions
- Restructure of this division has been announced with the transfer of these assets into a Trust.

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 3 policies

Key Highlights for FY17

JustKapital Finance

Top-Line

- FY17 revenue **\$22.8m**
- **\$32.0m** gross receivables (up from \$20.4m as at 30 June 16)
- Short term funding loans have increased to **\$2.3m**

Organic Growth

- Growth **+66%** FY17 vs annualised¹ FY16
- Funded in excess of +10,000 cases with over 160 active clients

Profitability

- Gross Margin (after provisions & fair value adjustment) **+39%**
- EBITDA of **\$6m**, ahead of expectations

Litigation Funding Division

Current Portfolio

- **9** funded cases
- Gross claim value **\$1.9bn**
- 4 cases conditionally funded/in final due diligence with an estimated gross claim value of \$1.4bn

Case Progress

- Unexpected Court delays in a number of cases, however expect completions to occur in FY18.

Restructure

- Announced in May 2017
- Separation of Litigation and JustKapital Finance to reflect true value of both
- Independent Expert Report due in September 2017.

JustKapital Limited

Strong Balance Sheet

- Current cash balance is **\$7.6m**
- Disbursement finance facility has increased to **\$25.0m**, with headroom of **\$4.6m** to fund future growth

Experienced Management Team

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

Outlook FY18

- JustKapital Finance growth **+20%**
- JustKapital Finance EBITDA target **+\$6.25m²**
- First settlement in litigation portfolio expected in 1H FY18.

1. Please note that FY16 results are annualized. The Group did not own this business prior to 22 January 2016. All prior information was supplied by the previous owner and can not be relied upon.
2. Using current accounting policies

2. FY17 Financial Results and FY18 Outlook



FY17 Results – JustKapital Finance

Disbursement & Short-Term Funding

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

\$'000	FY17	FY16 (22/01/16- 30/06/16)	FY16 ¹ (Annualised)
Disbursement Funding Gross Revenue	22,352	6,002	13,695
Short-Term Funding Gross Revenue	440	–	–
Gross Revenue	22,792	6,002	13,695
Provisions & Fair Value Adjustment	(3,209)	(1,138)	(1,028)
Other Revenue	802	2	-
Net Revenue	20,385	4,866	12,667
Cost of sales	(12,460)	(2,908)	(6,573)
Gross Margin	7,925	1,958	6,094
<i>Gross Margin %</i>	<i>38.9%</i>	<i>40%</i>	<i>48.1%</i>
Operating expenses	(1,895)	(1,118)	(1,694)
Reported EBITDA	6,030	840	4,400
<i>% Margin</i>	<i>29.6%</i>	<i>17.3%</i>	<i>34.7%</i>
Less: Interest, Depreciation, Amortisation	(2,102)	(1,523)	-
NPBT	3,928	(683)	-
<i>% Margin</i>	<i>19.3%</i>	<i>N/M</i>	

(1) Please note that FY16 results are annualized. The Group did not own this business prior to 22 January 2016. All prior information was supplied by the previous owner and can not be relied upon.

Group Financial Performance

Group

\$'000	FY17	FY16
Net Revenue	19,143	4,864
Cost of Sales	(12,460)	(2,907)
Gross Margin	6,683	1,957
Other Income	1,309	158
Less: Expenses	(7,484)	(5,478)
EBIT	508	(3,363)
Less: Finance costs	(3,733)	(1,031)
Loss before Income Tax Benefit	(3,225)	(4,394)

Group overheads

- Ongoing assessment of potential acquisitions of new cases, businesses
- Significant investment in Litigation funding restructure

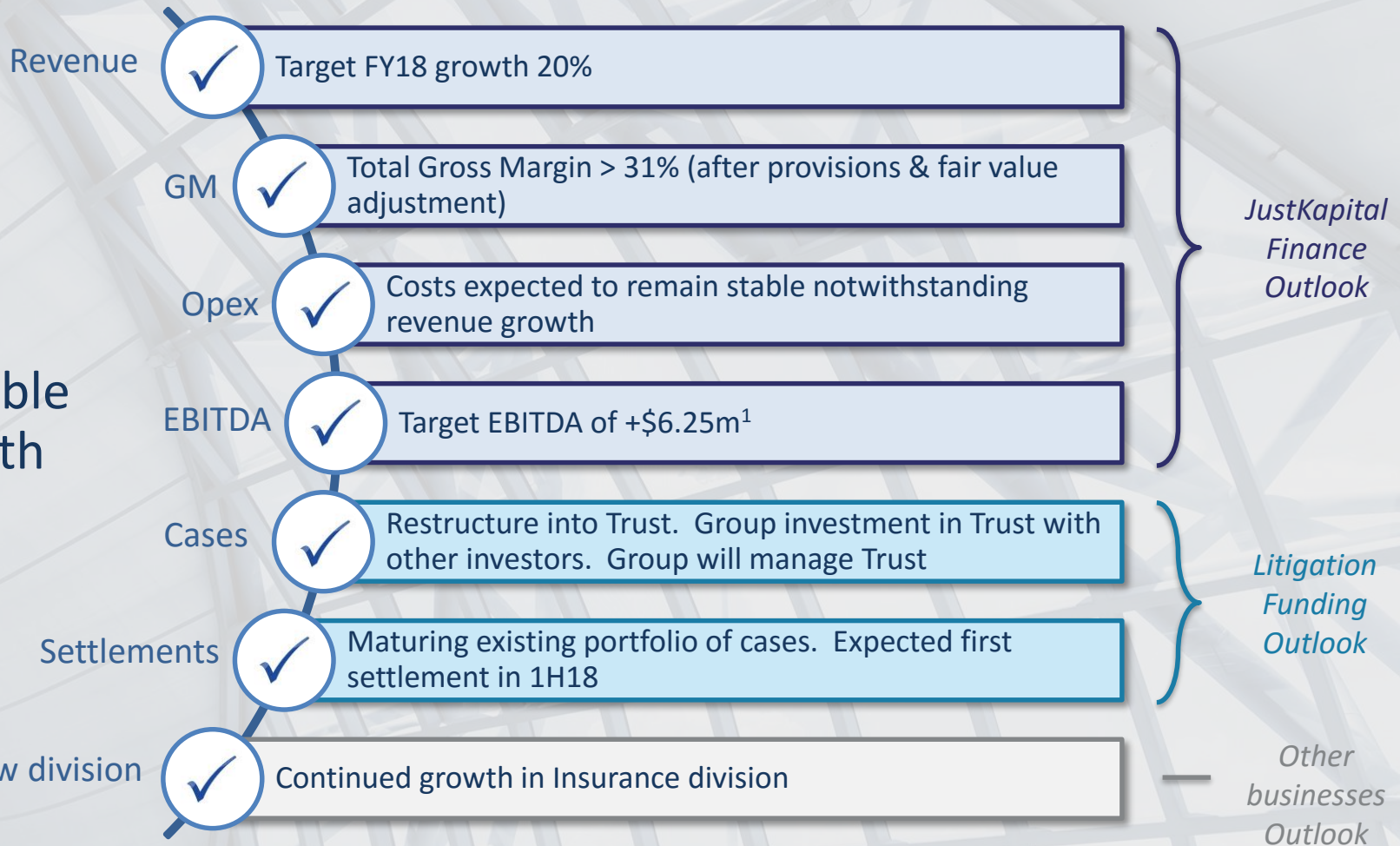
Group Financial Position

Group		
\$'000	FY17	FY16
Cash & cash equivalents	7,627	5,568
Trade receivables (net of provisions)	31,021	15,209
Intangible assets – Litigation funding	8,739	999
Goodwill	5,943	5,943
Trade Payables	(3,454)	(1,421)
Interest bearing liabilities	(39,784)	(12,799)
Other	4,659	349
Net assets	14,751	13,848
Net assets per ordinary security (cents)	11.72	11.98

- \$7.6m on hand to fund Group activities
- JustKapital Finance has a \$25m disbursement funding facility which is drawn to \$20.4m as at 30 June 2017

FY18 Outlook Summary

Profitable Growth



1. Under current accounting policies

JustKapital Finance

Disbursement & Short-Term 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 Finance has now expanded its product offering to provide funding for:

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

Short-Term funding

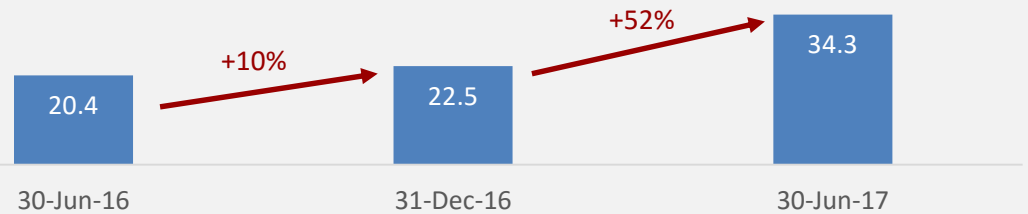
Short-Term funding established in FY17

- Tailored to law firms
- Structured similarly to a revolving line of credit, allowing firm to draw down and repay as required

JustKapital Finance performance

Gross Debtors

A\$m



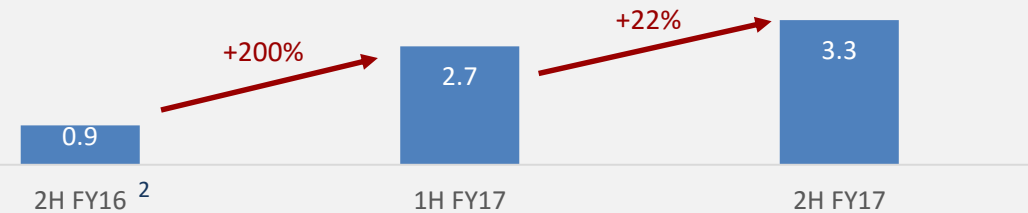
Gross Revenue (before provisions)

A\$m



EBITDA

A\$m



(1) 2H FY16 Gross Revenue has been adjusted to reflect the incomplete period 22 January 2016 to 30 June 2016

(2) 2H FY16 EBITDA has been adjusted to reflect the non-recurring transaction costs of \$925k attributed to the purchase of Macquarie Medico Legal on 22 January 2016

Litigation Funding Overview

Litigation Funding Division

What is litigation financing?

- Financing of legal claims of third parties to meet the costs of conducting litigation
- Financed cases typically related to insolvency, large commercial claims and class actions

What regulation is there?

- Litigation financing is currently not a regulated industry
- In its draft report dated April 2014, Productivity Commission has recommended that litigation financiers should hold AFSL and meet capital adequacy requirements
- This remains an open topic

What are the typical costs and returns?

- Costs may relate to one or more of legal fees, disbursements, insurance for adverse costs
- Returns are a % of the settlement or damages awarded, typically ranging between 25-50%

What is the litigation financing landscape in Australia?

- Fast growing market for the past two decades
- Market has been facilitated by:
 - Prohibition on contingency-based legal fees
 - Adverse cost insurance now available

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 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 application by the defendant, the trial will 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 in November 2017. There is a co funding agreement in place.
D. Breach of Fiduciary Duty	ASX Listed Trustee	\$17m	Proceedings recently filed. There is a co funding agreement in place.
E. Shareholder Class Action	Directors and Advisors	\$50m	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 been fixed for July 2018. 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 in 1HFY18. 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.
I. Breaches of Joint Venture Contract	ASX Listed Company	\$5m	Claim is for breach of a joint venture agreement involving the provision of service to the NSW state government.
Total Funded 9 cases		\$1.9 billion	Does not include contingently funded cases

*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
J. Shareholder Class Action	ASX Listed Company	\$156m	Claim is for misleading and deceptive conduct and breaches of continuous disclosure laws. Proceedings yet to be commenced.
K. Claim in negligence	Australian State	\$40m	Claim for damages arising from breach of duty. Proceedings yet to be commenced.
L. Breach of Fiduciary Duty	Big Four Bank	\$165m	Breach of a fiduciary duty by in house financial planners at a large Australian Bank
M. Breach of Statute	Australian Government	>\$1B	Claim for mis-calculation of charges by the Australian government
Total 4 cases		\$1.36 billion	

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

Growth Strategy

JustKapital Finance

Customer expansion

- In excess of 160 active law firm clients today

Geographical Expansion

- NSW & QLD offices today
- Expansion into VIC and SA underway

Litigation Funding

Current portfolio

- Complete restructure
- Progress existing 9 funded cases to conclusion
- Expected settlement of first case in 1H18

Future portfolio (for trust)

- 4 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 3 cases

6. Questions



7. Appendix: Corporate Overview



JustKapital Corporate Overview

Capital Structure

ASX code	JKL
Shares on issue (including escrowed shares)	125.8m
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\$0.25 before 22 Jan 2019	1.5m
Performance Rights on issue	4.7m
Current cash @ 30 June 2017	\$7.6m

Shareholder Summary

	% held
Board & Management	9.23%
Top 20 Shareholders	58.77%

Board and Management

	% held
Philip Kapp, Executive Chairman	5.78%
Tim Storey, Director	1.92%
Mike Hill, Director	1.53%

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