

ASX Announcement (ASX: JKL)

### **JustKapital to acquire a majority interest in NHF**

JustKapital Limited ("JustKapital") is pleased to announce it has signed a conditional Securities Purchase Agreement to acquire 70% of leading US personal injury litigation financier National Health Finance LLC ("NHF"), in a transaction that will transform JustKapital into a global personal injury and disbursements financing company.

### **Highlights**

- NHF is one of the largest operators in the North American litigation financing market
- Purchase price, payable on completion of the transaction, is US\$68m
- Current book of receivables (net of provisions) is approximately US\$130m<sup>1</sup> with growth of around 63% on an annualised basis over the past four years
- Opportunity to immediately increase the scale of both JustKapital and NHF through a new global, multi-tranche financing facility with a leading international credit fund
- The acquisition is expected to be immediately and significantly earnings accretive for JustKapital shareholders
- The acquisition will be funded through a combination of a new debt facility and an equity capital raising
- The founders of NHF, Dave Wattel and Dr Mark Siegel, will retain a combined interest of 30% in NHF and continue to manage the business
- Completion of the transaction is subject to several conditions, including commitment of a debt facility, shareholder approval and completion of an equity capital raising

### **Acquisition overview**

Mr Philip Kapp, founder and Executive Chairman of JustKapital, said that he and the Board of JustKapital strongly believed that this acquisition would provide immediate, significant earnings accretion to JustKapital shareholders.

"In addition to this, the scale of the combined group is expected to provide JustKapital's existing Australian disbursements business with greater access to capital than existing funding arrangements. This will provide further growth and expansion opportunities in the future," Mr Kapp said.

He said, the personal injury litigation funding services provided by NHF were highly complementary to JustKapital's existing disbursements funding services.

"This acquisition will transform JustKapital from an Australian-based disbursements funder to a multi-national disbursements financing company."

Following JustKapital's acquisition of Macquarie Medico Legal in 2016, JustKapital has shown incredible growth from a litigation funding company to a diversified provider of financing solutions for law firms.

The new credit facility proposed as part of the transaction would also enable JustKapital Finance to capitalise on the growth in the market in Australia.

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<sup>1</sup> Based on management accounts as at 31 December 2016



“The Founders of NHF have built a great business in the United States, with operations spanning across the country. NHF has experienced many years of consecutive growth in revenue and earnings. Through this transaction, NHF will also benefit from a significant increase in their funding capacity through the proposed credit facility, which will enable NHF to drive continued growth in the United States market”, Mr Kapp said.

Mr Dave Wattel, Co-Founder and CEO of NHF said that the existing NHF shareholders, and management team were extremely excited by the opportunity to be a part of a global disbursements and litigation financing company.

“The US litigation financing market with respect to healthcare financing is estimated to be worth more than \$11bn, and NHF currently finances less than 1% of this market. The proposed global funding facility contemplated as part of this transaction allows NHF to significantly increase funding capacity to increase NHF's share of this market opportunity,” Mr Wattel said.

The acquisition will be funded through a combination of debt funding and an equity capital raising. In addition, US\$3m out of the total purchase price of US\$68m is to be satisfied through an issue of JustKapital shares to the founders of NHF. JustKapital has signed a non-binding term sheet for a global, two-tranche facility to be provided by a leading international credit fund that includes both an acquisition facility and a facility to refinance existing operating debt.

The facility also includes a new receivables funding tranche designed to increase the availability of capital for both NHF and JustKapital Finance, supporting the further growth of both businesses.

It is expected the equity capital raise will be at a substantial premium to JustKapital's current share price. Full details of the proposed equity capital raise will be included in separate fundraising documents to be circulated to current and prospective shareholders. Any offer of securities in JustKapital will only be made in accordance with the applicable requirements of the Corporations Act. You should review those materials before making a decision to invest.

## **Conditions**

Key conditions include:

- Commitment of binding acquisition and operating debt to refinance and extend existing facilities (a non-binding term sheet has been signed with a major international credit fund)
- Completion of an equity capital raising to partially fund the acquisition
- Approval by the Board of Directors and by shareholders at JustKapital's 2017 Annual General Meeting.

## **Timing and Process to completion**

Shareholders will receive further information on the timing and process of the transaction in a Notice of Meeting, which will be distributed once final terms are agreed with the leading international credit fund.

JustKapital has not yet received ASX's determination on the application of Chapter 11 of the ASX Listing Rules to the Company's proposed acquisition of the National Health Finance business. It is expected that the ASX will provide its determination in relation to the matter and the Company will be able to update the market on or before Wednesday 13 September 2017.



## About NHF

Founded by Dave Wattel (a personal injury attorney of 28 years' experience) and Dr Mark Siegel (a personal injury physician) in 1999, NHF provides litigation financing alternatives for personal injury victims throughout the United States. NHF acquires medical receivables associated with personal injury cases (largely resulting from motor vehicle accidents) from medical providers and hospitals at a discount, secured by lien. NHF then realises a return on these invoices upon completion of the litigation. NHF provides a financing solution by providing quick liquidity and reducing the administrative burden of managing the payment of invoices.

NHF has experienced many years of consecutive growth, with a net receivables book value growing at a compound annual growth rate of approximately 63% from 2012-2016 to approximately US\$130m, and gross service revenue increasing at a compound annual growth rate of 61% over the same period. Return on invested capital has averaged 1.6x over the last 10 years, with returns remaining consistent throughout market cycles.

## About JustKapital

JustKapital is a leading provider of financing solutions for litigation, including case funding and disbursement funding and provider of broking services for adverse costs order insurance. JustKapital offers finance to corporate and individual plaintiffs with meritorious legal claims who lack the resources to pursue them. JustKapital has funded more than 10,000 disbursements and has a litigation funding portfolio with aggregate claim value of \$1.9bn.

## Authorised by:

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