

20 September 2017

ASX Announcement (ASX: JKL)

## Market Update

The Board of Directors of JustKapital Limited (**JustKapital**) is pleased to announce details in connection with the proposed acquisition of an interest in National Health Finance LLC (**NHF**) as set out in the attached presentation.

As previously advised on 12 September 2017 JustKapital has signed a conditional Securities Purchase Agreement to acquire a 70% interest in NHF for consideration of approximately US\$68 million.

The attached presentation will be supplemented by a transaction prospectus to raise approximately \$80 million in new equity to fund part of the NHF transaction. An assumed equity raising price of \$0.40 has been used in the presentation to provide indicative valuation metrics and to reflect JustKapital's view of the value of NHF when combined with the existing business of JustKapital. JustKapital has also entered into a non-binding term sheet for a new debt facility of up to US\$197.5 million. The provider of the non-binding debt facility terms is a well-recognised global institution with Assets Under Management in excess of US\$50 billion. Further detail is provided in the attached presentation. JustKapital will update the market with the additional details of the terms and conditions of the debt facility upon the agreement becoming binding.

As previously advised, JustKapital will seek shareholder approval of the NHF transaction under Chapter 11 of the ASX Listing Rules. It is currently intended that this approval will be obtained at JustKapital's 2017 annual general meeting.

Completion of the transaction is subject to several conditions, including commitment of a debt facility, shareholder approval and completion of an equity capital raising.



Philip Kapp  
Executive Chairman and Managing Director  
JustKapital Limited

The information contained in the attached presentation is of a general nature and does not include all the information that would be required in a prospectus or other disclosure document prepared in accordance with the requirements of the Corporations Act. **JustKapital expects to separately release a detailed notice of meeting and prospectus concerning the matters the subject of the attached presentation, prospective investors should review that material before making any investment decision.**

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**JustKapital Limited**

***Acquisition of National Health Finance***

**September 2017**



# Disclaimer

This presentation has been prepared by JustKapital Limited ACN 088 749 008 (**JustKapital**) based on publicly available information and information that has been made available to JustKapital from National Health Finance LLC (**NHF**) as at the date of this document. JustKapital has not and does not intend to independently verify any of such information, all of which JustKapital assumes is accurate and complete in all material respects. Information contained in this presentation is current as at 17 September 2017.

The information contained in this presentation is of a general nature and does not purport to include or summarise all information that an investor should consider when making an investment decision nor does it contain all the information which would be required in a product disclosure statement, prospectus or other disclosure document prepared in accordance with the requirements of the Corporations Act. **JustKapital expects to separately release a detailed notice of meeting and prospectus concerning the matters the subject of this release, prospective investors should review that material before making any investment decision.**

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This presentation includes certain Pro forma historical financial information. The Pro forma historical financial information provided in this presentation is for illustrative purposes only and is not represented as being indicative of JustKapital's views on its, nor anyone else's, future financial position and/or performance. The Pro forma historical financial information has been prepared by JustKapital in accordance with its current significant accounting policies, which include critical judgments, estimates and assumptions, as set out in the 2017 Annual Report. This presentation does not provide all necessary accounting disclosure requirements prescribed by Australian Accounting Standards or US accounting standards. The Pro Forma Financial Information has been prepared in order to give JustKapital shareholders an indication of the scale and size of JustKapital following completion of the proposed transaction.

The accounting policies adopted for the purposes of the pro forma financial information are based on each entity's current accounting policies and income and expense treatments as outlined in their respective financial statements. As such, the financial of JustKapital (post transaction) excludes the impact of any accounting policy alignments that may be necessary post transaction including any need to change accounting policies as a result of changes in scale or changes in treatment. The financial information should be read in conjunction with the risk factors described in pages 43 and 44 of this presentation.

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An investment in shares in JustKapital is subject to known and unknown risks, some of which are beyond the control of JustKapital, including possible loss of income and principal invested. JustKapital does not guarantee any particular rate of return or the performance of JustKapital, nor does it guarantee any particular tax treatment. Investors should have regard to (amongst other things) the risk factors outlined in this presentation when making their investment decision. See the "Risk Factors" section (Appendix) of this presentation for certain risks relating to an investment in JustKapital securities.

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# Executive Summary

JustKapital (“JKL”) has signed a binding term sheet to acquire 70% of the issued capital of National Health Finance LLC (“NHF”) for US\$68m

- NHF is one of the largest personal injury litigation financiers in the United States
- NHF acquires medical receivables associated with personal injury cases from healthcare providers and hospitals at a discount, secured by lien or letter of protection, with return realised upon payment by the at-fault party or their insurance carrier
- Medical treatment in the US is very costly and over 55% of Americans could not afford unexpected hospital visits with cash on hand
- Medical and legal providers currently wait longer for less money when billing Medicare or Medicaid, the federal and state programs that provide healthcare cover for low income earners and those aged 65 and older
- NHF provides a solution to these providers by providing quick liquidity and reducing the administrative burden of managing the payment of invoices, whilst also addressing the funding requirements of underinsured accident victims
- Medical providers are typically paid by NHF within 30 days upon completion of their work as opposed to waiting ~18 months for insurance claims to be settled, or 120 days from Medicare

Compelling Acquisition for JustKapital

- It is expected the equity capital raise will be at a substantial premium to JustKapital's current share price (as at 15/09/2017).
- Non-binding term sheet executed for a new credit facility of up to US\$197.5m from global tier-1 provider has the potential to fuel significant growth as the business accesses demand from existing and new customers. Access to capital has been NHF and JKL's greatest constraint
- This acquisition builds on JustKapital's 2016 successful acquisition of Macquarie Medico Legal and the subsequent strong organic growth of its disbursements funding business and loan business
- NHF is a complementary disbursements funding business and will transform JustKapital into a global personal injury and disbursements financing company
- New Credit facility is expected to provide NHF and JKL with capital to execute on immediate growth opportunities which are currently underserved due to capital constraints
- Historical Accounts Receivables and net book value growth demonstrate management's ability to execute on their objectives and drive growth when sufficient capital is available

Source: Ipsos Public Affairs



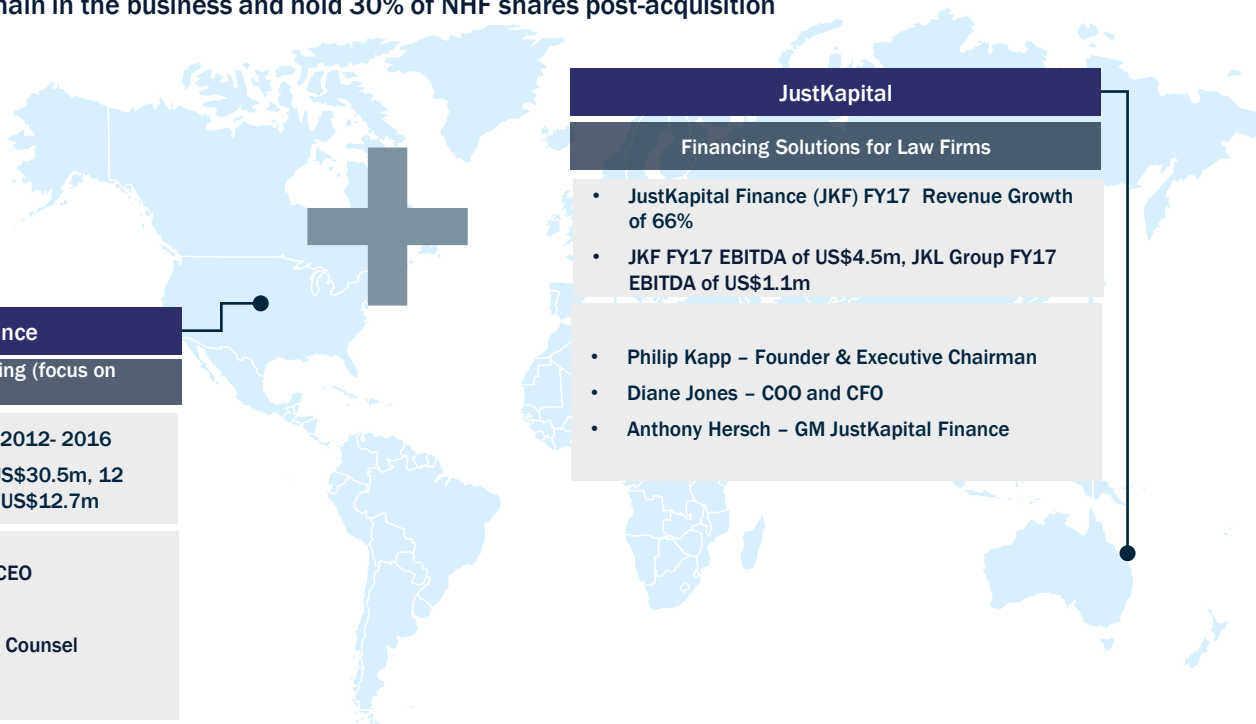
# Acquisition Overview



# Transaction Highlights

- Established in 1999, NHF is a successful litigation financing provider for personal injury claims in the U.S. with a proven operating platform that is well positioned to continue growth
- A robust business model uncorrelated to the overall economy, with consistent performance throughout the global financial crisis until present; 2006-2016 vintages of receivables delivered 1.6x ROIC
- The acquisition is expected to provide strong and immediate EPS accretion for JustKapital shareholders
- Diversification and scale benefits for JustKapital are substantial, with +70% of revenues expected to be generated in the U.S
- NHF founders and management to remain in the business and hold 30% of NHF shares post-acquisition
- The NHF acquisition represents a major first step and acceleration of JKL's Disbursements Funding business and its international expansion strategy

National Health Finance
Litigation Disbursement Financing (focus on healthcare)
<ul style="list-style-type: none"> <li>Revenue CAGR of 61% between 2012- 2016</li> <li>Calendar Year 2016 EBITDA of US\$30.5m, 12 months to June 2017 EBITDA of US\$12.7m</li> </ul>
<ul style="list-style-type: none"> <li>David Wattel – Co-Founder and CEO</li> <li>Dr Mark Siegel – Co-Founder</li> <li>Richard Cruz – COO and General Counsel</li> <li>Jason Jonas – CFO</li> </ul>



JustKapital
Financing Solutions for Law Firms
<ul style="list-style-type: none"> <li>JustKapital Finance (JKF) FY17 Revenue Growth of 66%</li> <li>JKF FY17 EBITDA of US\$4.5m, JKL Group FY17 EBITDA of US\$1.1m</li> </ul>
<ul style="list-style-type: none"> <li>Philip Kapp – Founder &amp; Executive Chairman</li> <li>Diane Jones – COO and CFO</li> <li>Anthony Hersch – GM JustKapital Finance</li> </ul>

# Transaction Highlights (Continued)

## ◆◆ Future Growth for NHF

- NHF has experienced a recent trend of lower revenue and EBITDA which is primarily driven by a reduction of available capital. The non-binding terms of the proposed new credit facility provide NHF with a significantly enlarged facility to help execute growth objectives
- Immediate opportunity to scale the business and capitalise on NHF's pipeline of opportunities in the U.S. NHF's existing infrastructure can support 2-3x current case volume with little increase to corporate overhead
- With strong underlying growth, NHF has the opportunity to finance a much larger portion of the estimated \$11.16bn addressable market (see slide 34). NHF currently finances less than 1% of the total addressable market
- NHF has a successful Partner Provider Program (see slide 24) allowing it to partner directly with local personal injury medical providers in 31 States in the U.S. which provides direct case flow in established networks

## ◆◆ Financial Highlights

- Financial performance: grown Accounts Receivable<sup>1</sup> (AR) to >\$130m with modest leverage
- High ROIC of ~1.6x and annual yield of 30%+ (net of discounts) for over 10 years with consistent returns in all market cycles (including GFC)
- Strong historical growth in Net Asset Value (NAV) CAGR; CAGR ~63% (2012-2016)

## ◆◆ Acquisition price of US\$68m for 70% of the issued capital of NHF, representing 1.21x June 2017 NAV

- NHF generated EBITDA of US\$30.5m for CY2016 and US\$12.7m the 12 months to June 2017
- The negative trend in recent performance was primarily due to unavailable capital (NHF had no available debt facilities)
- Consideration is US\$65m in cash and US\$3m of newly issued shares in JKL

<sup>1</sup>Note: Accounts Receivables is calculated as the Gross cases in process less an allowance for discounts and bad debts



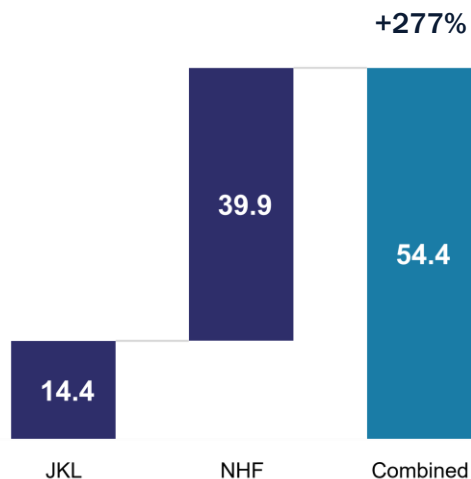
# Increased Scale and Geographic Diversification

- ◆ Transformational impact on the scale and size of JKL, with more than 70% of revenue and 90% of EBITDA expected to be generated in the U.S.
- ◆ Pro forma EBITDA for the Last Twelve Months (“LTM”) to June 2017 of US\$14.3m (+1200%)
- ◆ Significant diversification effect
- ◆ JKL management expects the transaction to be immediately EPS accretive

## Financial Metrics LTM to June 2017

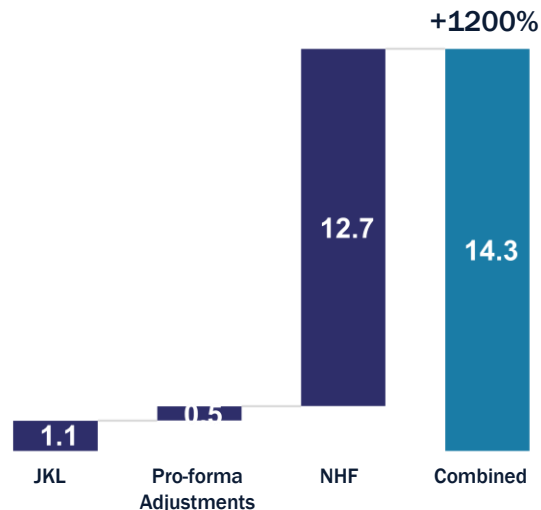
### Net Revenue<sup>1</sup>

(US\$ millions)



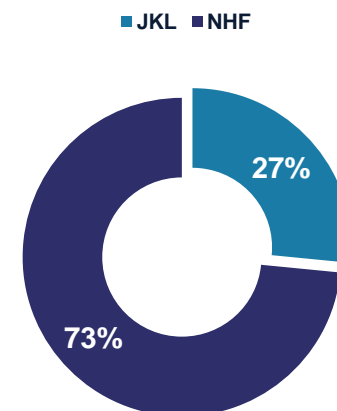
### EBITDA

(US\$ millions)



### Diversification

(Pro Forma Net Revenue)



This section has been prepared to illustrate the pro forma historical financial information of JustKapital post the acquisition of NHF (**JKL Pro Forma Income Statement**). The JKL Pro Forma Income Statement is based on information extracted from the financial statements of JustKapital and NHF and such other supplementary information as was considered necessary. It is presented in an abbreviated form and does not include all of the presentation disclosures, statements or comparative information required by the Australian or United States Accounting Standards. The JKL Pro Forma Income Statement of JustKapital (post transaction) excludes the impact of any accounting policy changes that may be necessary post transaction.

Note: <sup>1</sup> Net Revenue is gross revenue net of provisions for discounts and bad and doubtful debts.

# JKL Pro Forma Income Statement

❖ Net Revenues set to increase by 277% and EBITDA by +1200%. Additionally, there will be a significant diversification effect, with NHF contributing more than 73% towards net revenue and almost 90% of EBITDA.

❖ Lower LTM Jun-17 EBITDA of US\$12.7m is primarily driven by significantly lower availability of capital (see slide 10; NHF Trading Update)

	a	b	c	= a+b+c		
USD '000s	JKL Group Historical	Pro-forma Adjustments	Pro Forma NHF	JKL Group Pro Forma	NHF Historical	
12 months ended:	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-17	31-Dec-16	
<b>Gross Revenue</b>	<b>16,851</b>	-	<b>76,720</b>	<b>93,570</b>	<b>114,561</b>	a) <i>JustKapital statutory historical audited results for the 12 months ended 30 June 2017</i>
Discounts and others	(2,419)	-	(36,792)	(39,211)	(45,468)	b) <i>Adjustments for non-recurring items including costs associated with JKL's due diligence costs of NHF</i>
<b>Net Revenue</b>	<b>14,432</b>	-	<b>39,928</b>	<b>54,359</b>	<b>69,093</b>	c) <i>NHF unaudited results for the 12 months ended 30 June 2017</i>
Costs of goods sold	(9,393)	-	(21,444)	(30,838)	(33,326)	=a+b+c: <i>Group pro-forma historical results reflecting the impact of JKL acquiring NHF as if the two entities had always been part of the same group</i>
<b>Gross Margin</b>	<b>5,039</b>	-	<b>18,484</b>	<b>23,522</b>	<b>35,767</b>	
Other Income	987	-	1	988	8	
Operating Expenses	(4,947)	511	(6,063)	(10,499)	(5,260)	
Depreciation and Amortisation	(60)	-	-	(60)	(179)	
Business Purchase Expense	(636)	635	-	(1)	-	
Finance Costs	(2,814)	530	(4,962)	(7,246)	(3,905)	
<b>NPBT</b>	<b>(2,431)</b>	<b>1,676</b>	<b>7,460</b>	<b>6,705</b>	<b>26,430</b>	
Income tax benefit/(expense)	494	(503)	(2,022)	(2,030)	-	
<b>NPAT</b>	<b>(1,937)</b>	<b>1,173</b>	<b>5,438</b>	<b>4,674</b>	<b>26,430</b>	
<b>EBITDA</b>	<b>1,078</b>	<b>511</b>	<b>12,692</b>	<b>14,281</b>	<b>30,507</b>	

Note: The Pro forma Income Statement set out above is derived from the Statement of Profit and Loss and Other Comprehensive Income for the year ending 30 June 2017, adjusted to reflect the impact of JKL acquiring NHF as if the two entities had always been part of the same group. It is presented in an abbreviated form and does not include all of the presentation disclosures, statements or comparative information required by the Australian or United States Accounting Standards. The JKL Pro Forma Income Statement of JustKapital (post transaction) excludes the impact of any accounting policy changes that may be necessary post transaction. The average AUD/USD rate used is 0.753882.

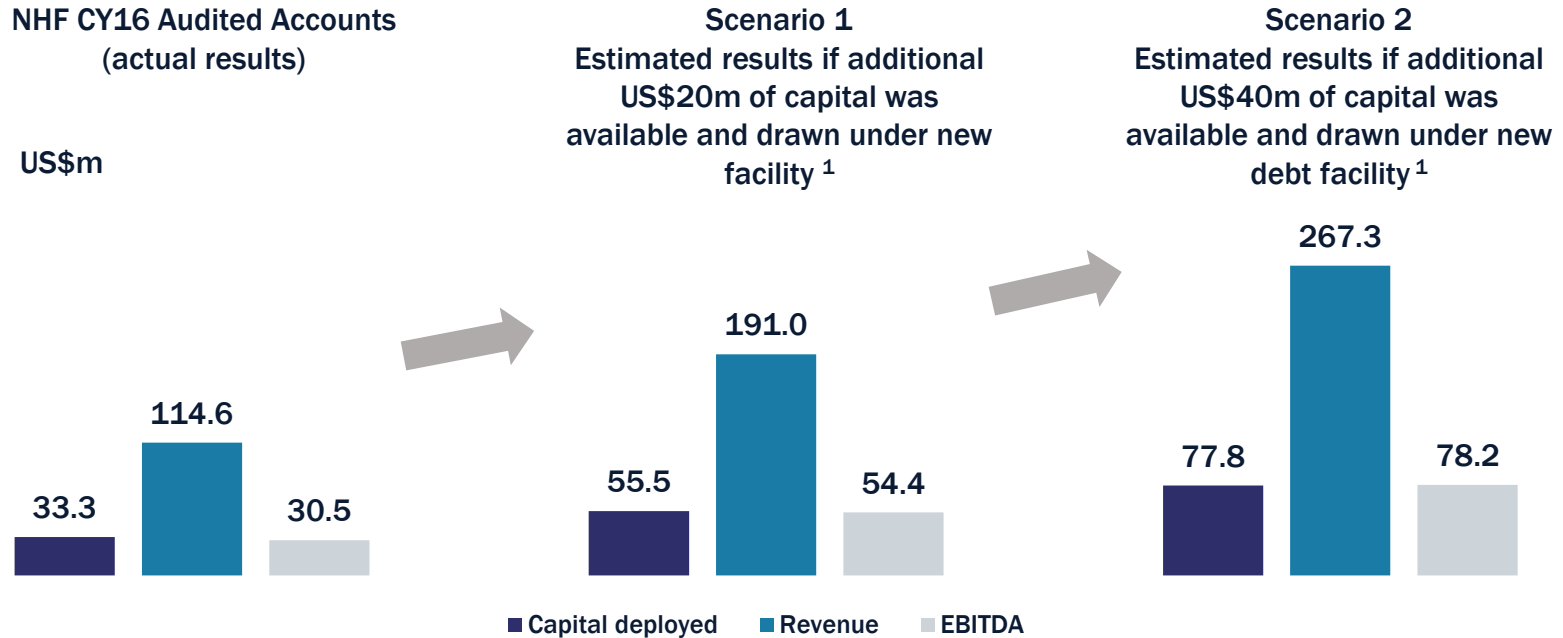
# NHF Trading Update

## *NHF litigation funding opportunities far exceed cash availability*

- ❖ NHF's recent trend of lower revenue and EBITDA is primarily driven by a reduction of available capital, not by market demand or funding opportunities
  - NHF has utilised its existing debt facility and is waiting for collections of its accounts receivables (past funded cases) and/or further equity investment to return to CY16 revenue and EBITDA levels
  - Revenue (less an allowance / provision) is recognised at the time a disbursement is funded under NHF's current accounting policies
- ❖ NHF has historically invested all available capital within short periods of time
  - Management have a proven track record of executing their objectives and driving profitable growth when sufficient capital is available
  - This is demonstrated by historical spikes in revenue, EBITDA and Accounts Receivables balances after NHF has received additional capital injections or expansions in credit debt facilities
  - This transaction has the potential to provide NHF with a significantly enlarged debt facility to enable profitable growth over the coming years
- ❖ In addition to equity and debt capital being raised under this transaction, NHF expects to reinvest cash flows generated from collecting outstanding receivables, enabling further revenue growth
  - Additional cash and reinvestment → higher level of disbursements funded → higher levels of revenue and EBITDA

# Scenario Analysis

The scenarios outlined in the below analysis indicate the impact on NHF's possible Revenue and EBITDA if additional capital available. These are example scenarios only and do not represent forecasts for NHF.



## Commentary:

- NHF management is confident that demand for funding has far exceeded its cash and debt facilities available
- Proposed new debt facility provides an immediate extension of capital available, enabling NHF to access latent demand from existing and new partner providers
- Company's existing infrastructure can process significantly higher levels of case volume with minimal increase in corporate overheads

<sup>1</sup> Based on maintaining CY16 return on invested capital and opex and assuming a constant 90% advance rate

# Comparable Peers Analysis

The following analysis indicates that comparable ASX-listed finance companies trade on an average Price / Book Value ratio of ~1.8x and a FY17 Enterprise Value / EBITDA multiple of ~7.5x

Identifier	Name	Latest Price (\$)	Book Value Per Share (\$)	Enterprise Value (EV)	FY17 EBITDA	FY17 EBIT	Price / Book Value (P/Bk)	EV / EBITDA	EV / EBIT
CCP-AU	Credit Corp Group	19.00	5.23	1,055	118	115	3.6x	9.0x	9.1x
MNY-AU	Money3 Corporation	1.44	1.17	260	51	50	1.2x	5.1x	5.3x
PNC-AU	Pioneer Credit Ltd.	2.49	1.56	137	20	19	1.6x	6.9x	7.4x
SCO-AU	Scottish Pacific	2.74	1.41	1,165	75	68	1.9x	15.5x	17.0x
SIV-AU	Silver Chef Limited	6.57	4.23	616	201	67	1.6x	3.1x	9.2x
TGA-AU	Thorn Group Limited	1.25	1.33	465	86	72	0.9x	5.4x	6.5x
<b>Average</b>							<b>1.8x</b>	<b>7.5x</b>	<b>9.1x</b>
<b>Median</b>							<b>1.6x</b>	<b>6.1x</b>	<b>8.2x</b>

A\$ 000s unless otherwise stated

JKL Pro Forma <sup>1</sup>	Assumed Price (\$)	Book Value Per Share (\$)	Enterprise Value (EV)	FY17 EBITDA	FY17 EBIT	Price / Book Value (P/Bk)	EV / EBITDA	EV / EBIT
JKL-AU	0.40	0.41	236.23	18.28	-	1.0x	12.9x	-

- Assuming a \$0.40 JKL share price would result in a pro forma price to Book Value (BV) ratio of ~1.0x (see page 13), representing a significant discount to JKL's listed finance peers which trade at an average P/Bk multiple of ~1.8x
- The EV / EBITDA multiple for the pro forma JKL group appears high as a result of the decline in the recent performance of NHF. Using a hybrid of annual NHF EBITDA to 31 December 2016 and JKL EBITDA to 30 June 2017 would result in an EV/ EBITDA multiple 5.8x
- Should JKL be able to access capital to meet NHF's current opportunities, the financial performance is likely to improve

<sup>1</sup>See page 13 for further information on the calculations for JKL Pro Forma, which have been prepared on the same basis as the Pro Forma financial statements as set out on pages 9 and 14. The JKL Pro Forma Income Statement is based on information extracted from the financial statements of JustKapital and NHF and such other supplementary information as was considered necessary. It is presented in an abbreviated form and does not include all of the presentation disclosures, statements or comparative information required by the Australian or United States Accounting Standards. The JKL Pro Forma Income Statement of JustKapital (post transaction) excludes the impact of any accounting policy changes that may be necessary post transaction.

Source: Factset as at 15/09/2017

# Indicative valuation metrics

EV / EBITDA Calculation		Price / Book Value Calculation		Assumptions	
		(A\$ 000's)			
		<b>JKL Pro Forma Balance Sheet</b>		JKL Stake	70%
Equity Raised (\$m)	80		<b>Jun-17</b>	Offer Price (US\$m)	68
Issue Price per Share (\$)	0.40	Current Receivables	48,549	Implied Equity Valuation (US\$m)	97
New Shares Issued (000's)	199,333	Non-Current Receivables	154,592		
Existing Shares on Issue	125,800	<b>Total Receivables</b>	<b>203,141</b>	Offer Price (A\$m)	87
Total Shares on Issue	325,133	Other Assets	76,218.9	Implied Valuation (A\$m)	124
<b>Pro Forma Market Cap*</b>	<b>130,053</b>	<b>Total Assets</b>	<b>279,360.1</b>	USD:AUD	1.28
Plus: Pro Forma Debt	123,990	Current Borrowings	66,028		
Less: Cash	(17,818)	Non-current Borrowings	57,961		
<b>Enterprise Value</b>	<b>236,225</b>	<b>Total Borrowings</b>	<b>123,990</b>		
Pro Forma EBITDA	18,279	Other Liabilities	37,059.3		
		Less: NHF Note	(16,525.2)		
<b>EV/ EBITDA</b>	<b>12.92x</b>	<b>Total Liabilities*</b>	<b>144,523.7</b>		
		<b>Book Value (BV)</b>	<b>134,836.4</b>		
		BVPS	0.41		
		<b>P/BV</b>	<b>0.96x</b>		

Applying an assumed JKL share price of \$0.40 is consistent with a JKL pro forma price to book value of ~1x. This assumed JKL share price has been shown to provide indicative valuation metrics.

The equity valuation will be determined during the capital raising process and is subject to prevailing market conditions at the time of the capital raise

\* Pro-Forma Market Cap has been calculated on the assumption that the JKL shares will trade at \$0.40 post capital raise

The above analysis is prepared on the same basis as the Pro Forma financial statements as set out on pages 9 and 14. The Pro forma Income Statement set out above is derived from the Statement of Profit and Loss and Other Comprehensive Income for the year ending 30 June 2017, adjusted to reflect the impact of JKL acquiring NHF as if the two entities had always been part of the same group. It is presented in an abbreviated form and does not include all of the presentation disclosures, statements or comparative information required by the Australian or United States Accounting Standards. The JKL Pro Forma Income Statement of JustKapital (post transaction) excludes the impact of any accounting policy changes that may be necessary post transaction. The average AUD/USD rate used is 0.753882. The Pro-Forma Income Statement does not purport to reflect the actual or future financial performance for the year ended 30 June 2017. The Pro-Forma Income Statement also does not purport to reflect the actual financial performance that would have occurred if JustKapital Limited had operated combined with NHF for the relevant period. No adjustments have been made to the Pro-Forma Results to reflect the impact of the business combination that will impact the profit and loss of the Group post transaction.

# JKL Pro Forma Balance Sheet

	JKL Statutory Historical	Pro-Forma NHF Adjustments	Group Pro-Forma Historical Statement of Financial Position
<b>As at 30 June 2017, US\$000s</b>			
Cash and cash equivalents	5,844	14,174	20,018
Trade and other receivables	17,641	20,288	37,929
Prepayments	160	-	160
<b>Total current assets</b>	<b>23,646</b>	<b>34,462</b>	<b>58,107</b>
Trade and Other Receivables	6,129	114,646	120,775
Other Non-current assets	15,505	23,863	39,368
<b>Total non-current assets</b>	<b>21,634</b>	<b>138,509</b>	<b>160,143</b>
<b>Total Assets</b>	<b>45,280</b>	<b>172,970</b>	<b>218,250</b>
Borrowings	(7,203)	(44,382)	(51,585)
Other Current Liabilities	(3,491)	(622)	(4,113)
<b>Total current liabilities</b>	<b>(10,694)</b>	<b>(45,004)</b>	<b>(55,698)</b>
Convertible Note Payable	-	(12,910)	(12,910)
Note payable to related parties	-	(11,929)	(11,929)
Borrowings	(23,282)	(22,000)	(45,282)
<b>Total non-current liabilities</b>	<b>(23,282)</b>	<b>(46,839)</b>	<b>(70,122)</b>
<b>Total Liabilities</b>	<b>(33,976)</b>	<b>(91,843)</b>	<b>(125,819)</b>
<b>Net Assets</b>	<b>11,303</b>	<b>81,127</b>	<b>92,431</b>
<b>Total equity</b>	<b>11,303</b>	<b>81,127</b>	<b>92,431</b>

- ❖ The Pro-Forma Historical Statement of Financial Position as at 30 June 2017 as set out in the adjacent Table is derived from the JKL Statutory Historical Statement of Financial Position as at 30 June 2017, adjusted to reflect the impact of the acquisition of NHF and the proposed capital raising as if they had occurred as at 30 June 2017.
- ❖ The Pro-Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of JKL's view of its financial position upon Completion or as at a future date.
- ❖ Pro-Forma adjustments comprise the impact of the following as if they occurred as at 30 June 2017:
  - Equity raising of US\$60m (less transaction costs)
  - Debt raising of US\$27.5m (less transaction costs)
- ❖ The Pro Forma Balance Sheets have been prepared from information extracted from the financial statements of JustKapital and NHF and such other supplementary information as was considered necessary. It is presented in an abbreviated form and does not include all of the presentation disclosures, statements or comparative information required by the Australian or United States Accounting Standards. The Pro Forma Balance Sheets exclude the impact of any accounting policy adjustments / changes that may be necessary post transaction. AUD/USD rate used: 0.76627. The Pro-Forma Balance Sheet does not purport to reflect the actual financial position of JustKapital Limited as at 30 June 2017.

# Operating Highlights



<b>Overview</b>		Provider of financing solutions for law firms, including disbursement funding and short term lending	Finances Litigation disbursements, focussing on healthcare disbursements for personal injury victims in the United States
<b>Founded</b>		New South Wales, Australia, 2015	Arizona, USA, 1999
<b>Jurisdictions</b>		4 States (Australia)	31 States (USA)
<b>Services</b>	<b>Factoring</b>	✓	✓
	<b>Coordination of services for law firm</b>	✓	✓
	<b>Short-term funding to law firms / attorneys</b>	✓	✓



# Transaction Status

- ◆ JKL has executed a binding Securities Purchase Agreement (“SPA”) with the vendors of NHF, subject to various conditions
- ◆ Agreed acquisition price is US\$65m in cash and US\$3m in JKL shares
  - Values NHF at US\$97.1m
  - Funding required to acquire 70% of NHF’s business for US\$68m (c. A\$85m)
  - Founders of NHF will retain 30% share
- ◆ Acquisition Financing Package – based on non-binding term sheet and subject to change\*
  - Consideration may be financed through a combination of the below:
    - Acquisition debt facility: US\$27.5m
    - Equity financing US\$37.5m
    - Equity to the founders US\$3m
  - Working capital debt facility of US\$110m to refinance operating debt of U.S. (~US\$43m) and Australian businesses (~US\$15m)
  - Additional equity raised will be used for working capital requirements, to support the growth of both businesses and transaction costs
- ◆ Completion of the transaction will be conditional upon satisfaction of condition precedents including JKL shareholder approval
- ◆ Employment agreements which include a 3 year term in which Dave Wattel and Mark Siegel must continue to manage the NHF business
- ◆ Anticipated Closing of the Transaction October 2017

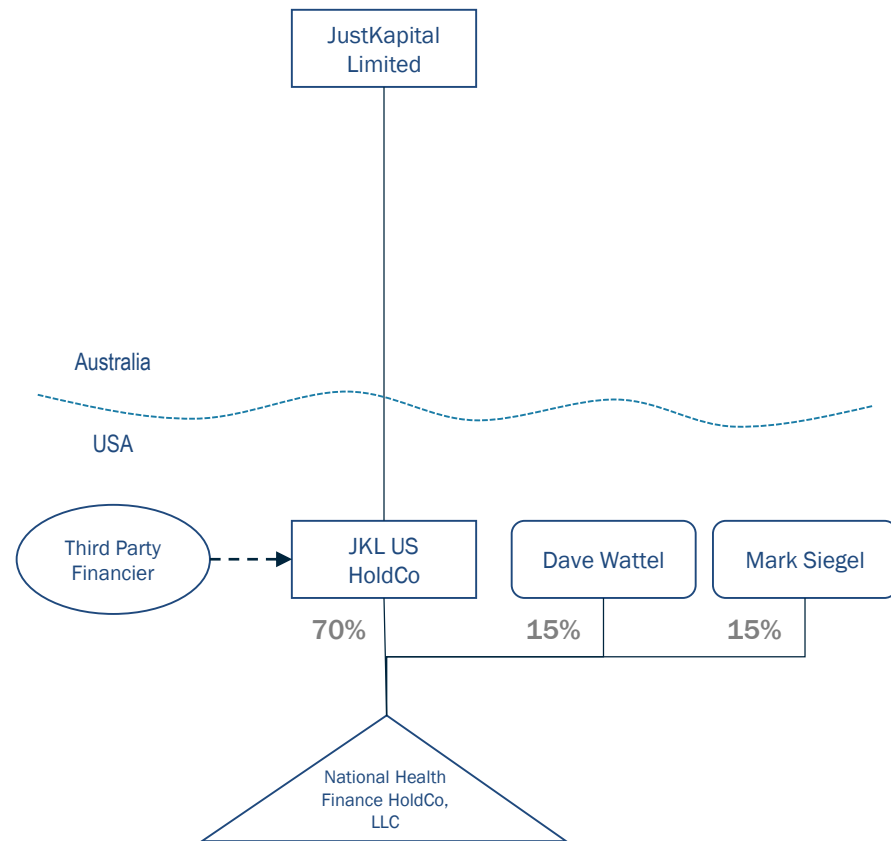
\*The provider of the non-binding debt facility terms is a well-recognised global institution with Assets Under Management in excess of US\$50 billion. JustKapital will update the market with the additional details of the terms and conditions of the debt facility upon the agreement becoming binding.

# Source and Uses of Proceeds & Acquisition Structure

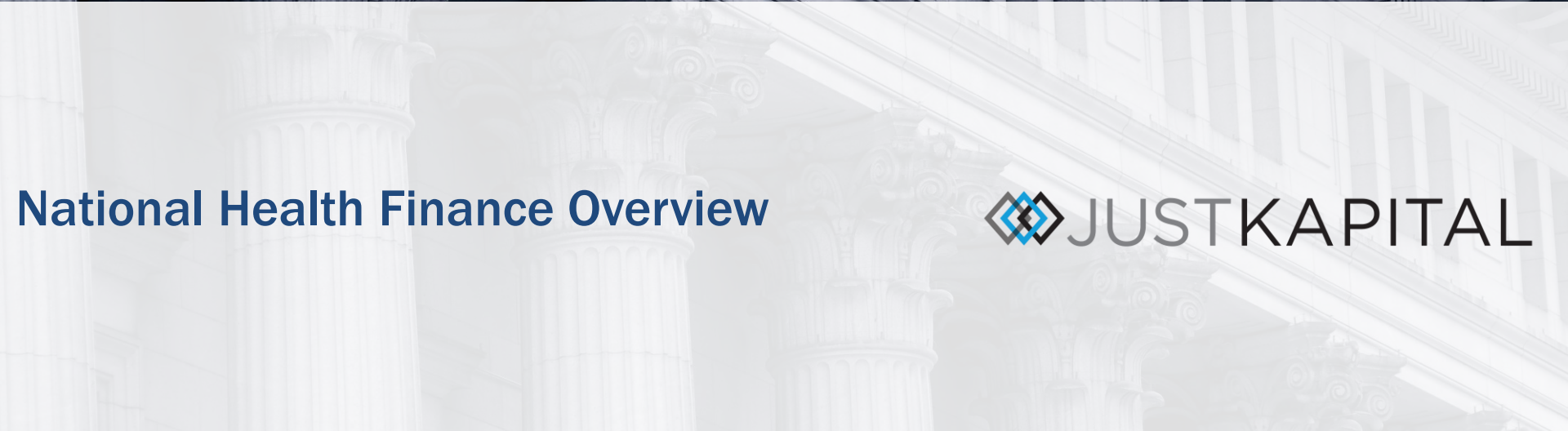
Sources	US\$M
Stock issued to NHF Vendors	3
Acquisition Debt	28
Acquisition Equity	60
Proposed Credit Facility	110
<b>Total</b>	<b>200</b>

Uses	US\$M
Pay-off existing JKL debt	15
Pay-off existing NHF debt	46
Cash Payment to Vendors	65
JKL Stock retained by NHF Vendors	3
Additional working Capital facilities	59
Fees and Expenses	12
<b>Total</b>	<b>200</b>

The above sources and uses table is based on non-binding debt terms and is likely to change



This diagram is simplified for illustrative purposes and does not depict all entities within the JKL Group or NHF Group



# National Health Finance Overview

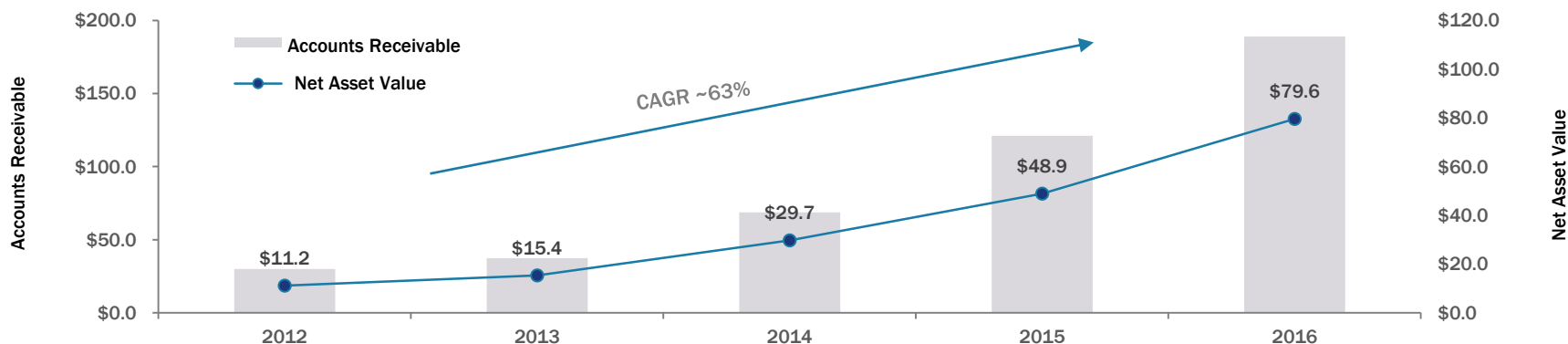


# National Health Finance Overview

## Investment thesis

- Large pipeline; immediate opportunity to scale business, existing infrastructure can support 2-3x current case volume with minimal increases to corporate overhead
- Margin compression risk is low due to the complexity of the US healthcare and legal system
- NHF provides a strong value proposition to its clients
- Operating leverage in funding book is considered well below industry standard

## Large upside in underserved niche market



## Management team with expertise in a required mix of backgrounds (legal, medicine, business)

David Wattel,  
CEO

- Over 25 years experience as personal injury attorney
- Co-founder of an multi-state based personal injury and property damage law firm

Dr. Mark Siegel,  
Executive Board

- Co-founder of Arizona based hospital
- Clinical Physician with over 20 years experience as accident and injury doctor

Richard Cruz  
COO and General  
Counsel

- Chief Operating Officer; managing underwriting and servicing teams
- Licensed attorney in the State of Arizona since 2004; over 10 years of experience as personal injury and civil litigation attorney

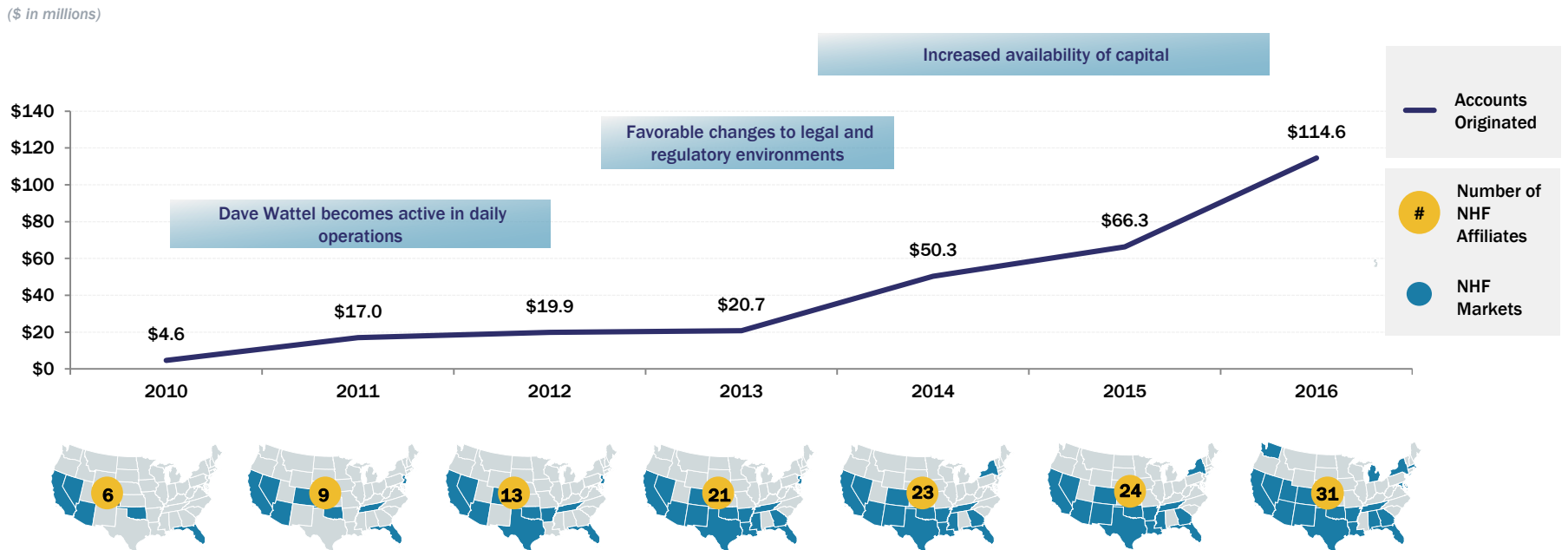
Jason Jonas  
CFO

- MBA and qualified CPA; over 10 years of experience in financial services
- Served in various CFO roles along with other C-level duties such as COO and Interim-CEO

# NHF Key Milestones

Over the last 7 years, NHF has expanded its attorney and physician network to 31 states with an annual origination volume growth rate of 70%+

## COMPANY GROWTH <sup>1</sup>



<sup>1</sup> Accounts Originated calculated as the total face value of the disbursements opened / originated each year

# NHF Key Investment Highlights

1

Strong unit economics

- Return on invested capital for accounts receivable factoring has averaged 1.6x between 2006-2016; average annual yields of 30-45% net of write-offs
- Strong historical growth of volume in NAV; CAGR ~63% (2012-2016)
- Multiple growth initiatives identified; origination growth expected to accelerate if additional capital is available

2

Scalable platform

- The Company's existing infrastructure can handle 2-3x the current case volume with small increase in corporate overhead
- NHF's scalable partner provider program enables rapid growth in new markets; NHF has identified significant growth opportunities and has identified 90 new cities in which it would like to operate.

3

Large addressable market

- It is estimated there is a large Personal injury disbursement funding market opportunity in the U.S., driven by a 10.4% uninsured population and rapidly growing medical costs, giving NHF substantial room for growth. (The estimated market size is US\$11.16bn, see page 34)
- The passage of the Affordable Care Act ("ACA") has increased the adoption of Medicare and Medicaid, which is not eligible for personal injury reimbursement, creating an opportunity for NHF
- The proliferation of high-cost and high-deductible healthcare plans provides additional incentive for personal injury victims to seek alternatives to traditional insurance financing

4

Proven underwriting process

- NHF's proprietary underwriting process delivers superior returns; supported by experienced staff
- Highly efficient risk management system
- Comprehensive and strict underwriting guidelines that considers a range of variables (including jurisdiction, insurance company etc.) with multiple levels of review

Sources: IBISWorld , Sageworks, IFG, Center for Medicare & Medicaid Services

# National Health Finance Overview

NHF's disbursement funding model creates a mutually beneficial situation for all parties involved



## Benefits to Medical Providers

**Allows physicians to focus on patients instead of collecting bills**

Physicians and medical facilities are ill-equipped to self-manage lien-based financing:

- Billing and lien filing efforts divert attention away from clients
- Hesitation to provide care exposes providers to malpractice suits
- During legal examination, the provider's testimony may be questioned if payment depends on case outcome

NHF's financing solutions ensures timely payment to medical providers, typically within 30 days, at higher reimbursement rates (~30-35%) compared to Medicare, Medicaid and other insurance providers, (which provide with lower reimbursement rates (20-28%) and longer payment terms)



## Benefits to Attorneys

**Helps attorneys obtain care for clients, minimize overhead, and access expert witnesses**

Lack of timely medical care weakens the attorney's case:

- Jurors interpret a delay or lack of medical care as untrustworthy
- Without proper care, attorneys often must settle at less than fair value
- Costly paralegals increase overhead

NHF works closely with the attorney to strengthen the insurance claim (e.g. provides documentation and invoice, medical provider is the expert witness)



## Benefits to Accident Victims

**Facilitates the victims medical care through financing, while eliminating insurance carrier limitations**

Without insurance or financing, victims often postpone medical care, often intensifying the injury and causing additional complications:

- Costly surgeries and pain management may be unattainable without insurance
- Insured patients postpone care due to:
  - Uncertainty of care being approved by insurer
  - Lack of insurance carrier approved providers
  - Potential premium increases
  - Inability to meet high deductibles or other out-of-pocket payments

NHF enables the patient to access premium care without the need for personal insurance coverage

*NHF does not provide medical services or medical advice or legal advice. It provides funding only. This funding is repaid upon the outcome of the legal claim.*

# NHF Funding Model

## 1 NHF CASE ASSESSMENT

Car Accident with Injured patient

Determine liability (Is the patient at fault?)

No

Does the other party have sufficient insurance coverage

Yes

What is max. liability coverage to determine approval limit of funding (see Step 2)

Yes

NHF will not provide funding

No

NHF will not provide funding

2

\$100k of Available Liability Coverage

NHF approves funding of up to 40% of the available Liability Coverage

\$40k of Funding Provided to Victim

NHF finances disbursements at an average 65% discount. Compensation is not dependent on case outcome.

\$14k Paid to Medical Provider by NHF within 30 days of procedure completion. The increased payout size and speed of payment makes NHF's financing product attractive to medical providers in the US (insurance cover providers typically pay less to Medical Providers than NHF).

3

## CASE SETTLEMENT

Personal Injury Lawsuit

The victim sues for the invoiced disbursement (medical services) (\$40k) plus additional damages. The court awards injured party an \$100k (or case is settled).

\$100k Settlement/Judgment

\$30K

The personal injury victim's attorney collects legal fees

\$40K

NHF collects up to the \$40k in disbursements funded (medical services billed), resulting in up to ~3x return on Invested capital

\$30K

The personal injury victim collects the settlement proceeds net of payments to NHF and the attorney

4

## NHF AVG. RETURN PROFILE

Disbursements Funded ~\$40,000

×

Avg. ~65% collected

\$26,000 Collected

35% of Disbursements Medical Bill paid to Provider

\$14,000

=

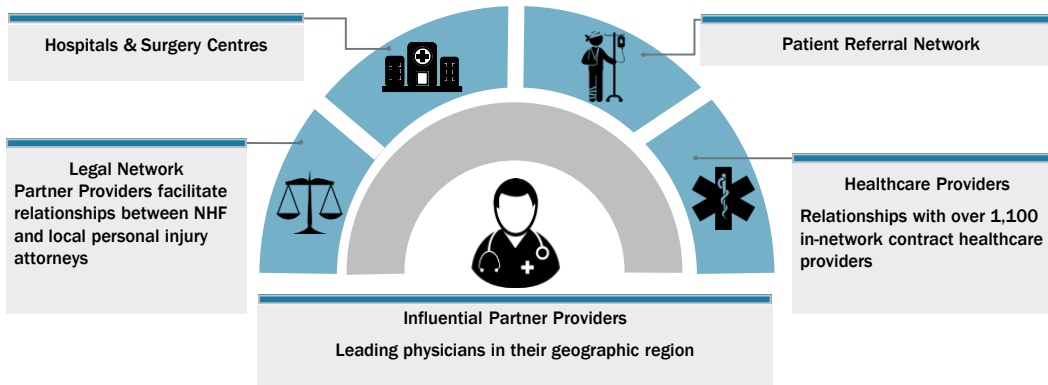
Profit Return Avg ~1.6-1.7x

\$12,000



# Affiliate Network

Affiliate network serves as primary lead generation source and allows NHF to scale rapidly



## Partner Providers

- “All Star” physicians who offer core personal injury services (i.e. chiropractic, neurological, pain management, etc.)
- Given minority equity stake in affiliate entities to align their interests with NHF’s
- Provide a turn-key referral network of attorneys and healthcare providers

## Affiliates

NHF’s affiliate entities serve two main purposes:

- Ensure consistency with state-specific laws and regulations
- Provide incentives (minority equity stake) to Partner Providers

## Select Affiliates





Growth Strategy



# Emergency Medicare / Medicaid Replacement Program

## The Problem

Emergency Rooms wait longer for less money when billing Medicare or Medicaid

- Illegal in certain situations for hospitals to bill Medicare or Medicaid before exhausting all other payment options
- Hospitals may not bill Medicare until 120 days after care and hospitals billing Medicaid face similar constraints on a state-by-state basis
- Regulations require claims to be denied when the patient has known third party liability coverage
- Reduced reimbursements and compliance risk cause administrative and cash-flow difficulties

## The NHF Opportunity

NHF provides quick liquidity and reduces administrative burden

- NHF contracts with emergency rooms and obtains right of first refusal to all personal injury related invoices (Note: every case actually funded by NHF under this arrangement is vetted by the external attorney of the injured party)
- NHF pays hospitals in accordance with contracted time frame, which will be no more than 30 days; higher reimbursement rates than Medicare/Medicaid
- Liable party pays for the victim's healthcare costs, reducing the burden placed on Medicare and Medicaid
- Business associate agreements between NHF and hospitals are HIPAA compliant

MEDICARE & MEDICAID STATISTICS

**42.9 M**  
injury-related emergency room visits per year

**9.6%**  
of injury-related ER visits result from motor vehicle accidents

**\$1,233**  
average charge for emergency room visit

**38%**  
of interviewed adults with emergency room visits in 2013 were insured with Medicaid

**100%**  
of medical centers in the U.S. must provide emergency screenings for Medicare and Medicaid insured individuals

## Hospital Medicare/Medicaid Expenditures By Year

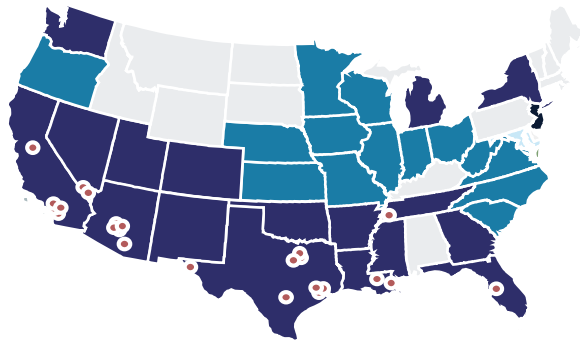
(US\$ in billions)



Sources: Center for Medicare & Medicaid Services,

# NHF Growth Initiatives

Well Positioned for Long-Term Growth to Finance Legal Disbursements

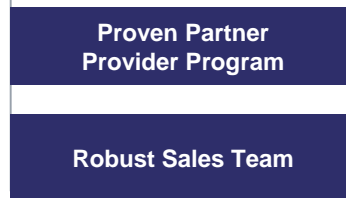


- Existing Presence
- Targeted Expansion States
- Medicare/Medicaid Program Target Hospitals

## 1 Emergency Room Medicare / Medicaid Replacement Program



## 2 Further Penetration in Existing Markets



## 3 Expansion into Favorable Markets



## 4 Partner Provider Development



Proven operating platform well-positioned to continue rapid growth funding legal disbursements



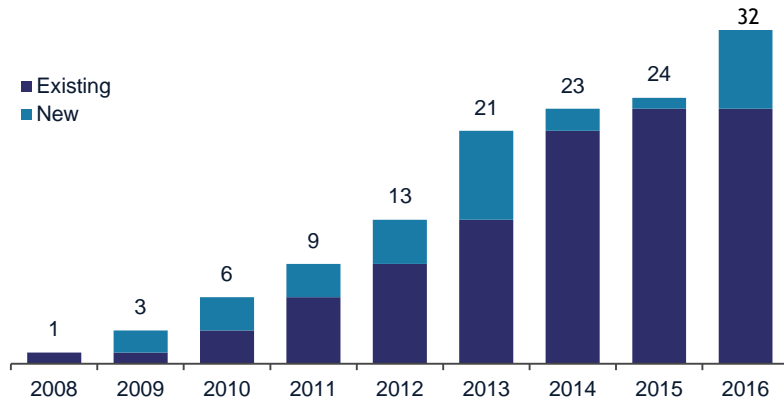
# Appendix: Historical Data



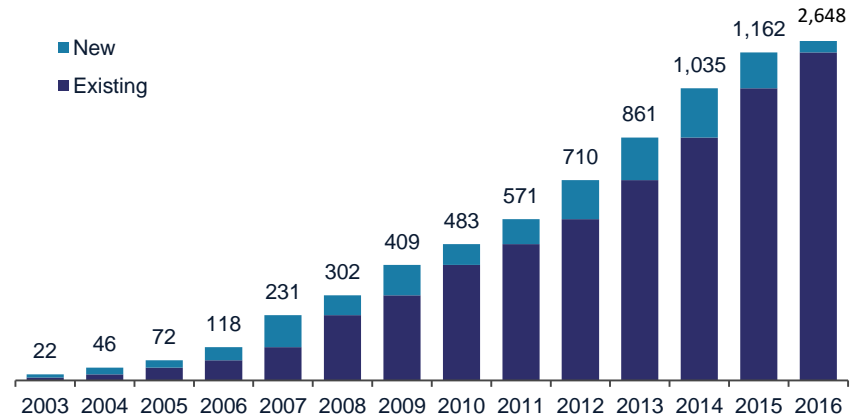
# Lead Sources

Multiple sources for lead generation; volume growth restricted due to capital constraints

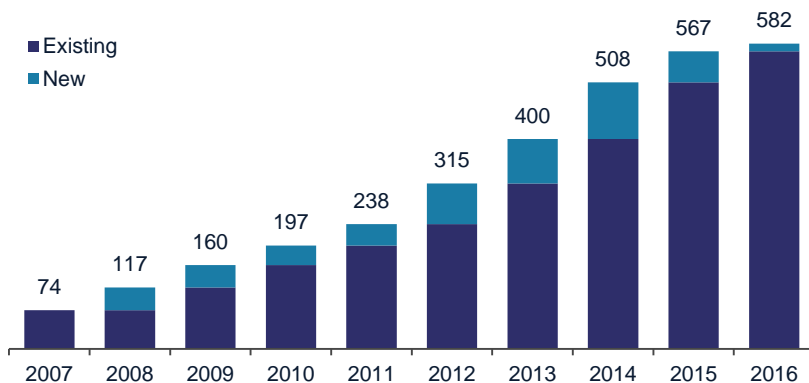
## Affiliates growth by year



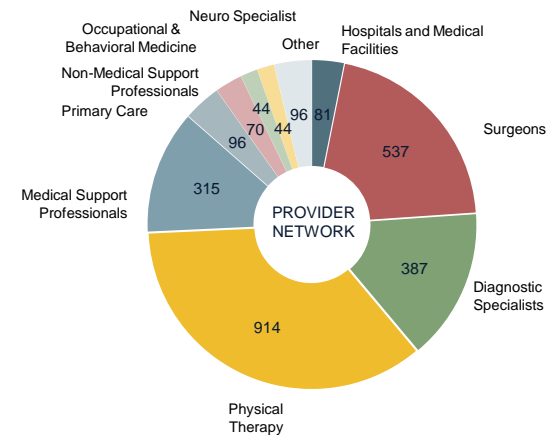
## In-network medical provider growth



## Growth of NHF-referring attorney network



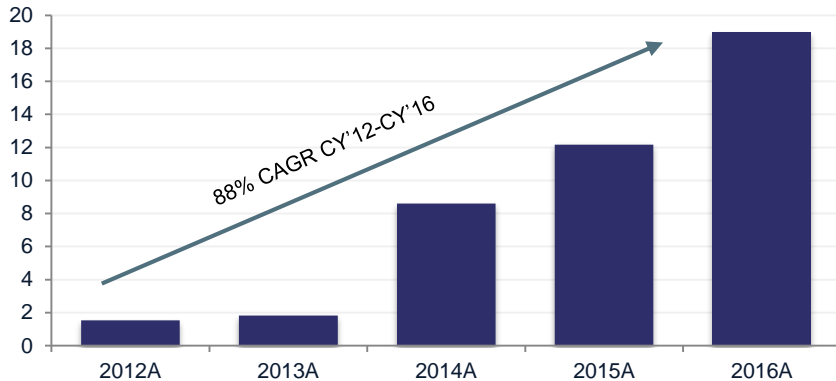
## Contracted in-network provider breakdown by type



# Portfolio Overview

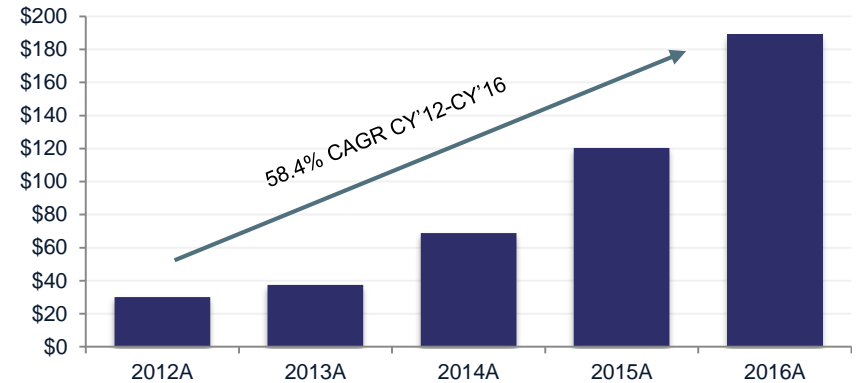
## Number of cases originated

(cases in thousands)



## Cases in progress

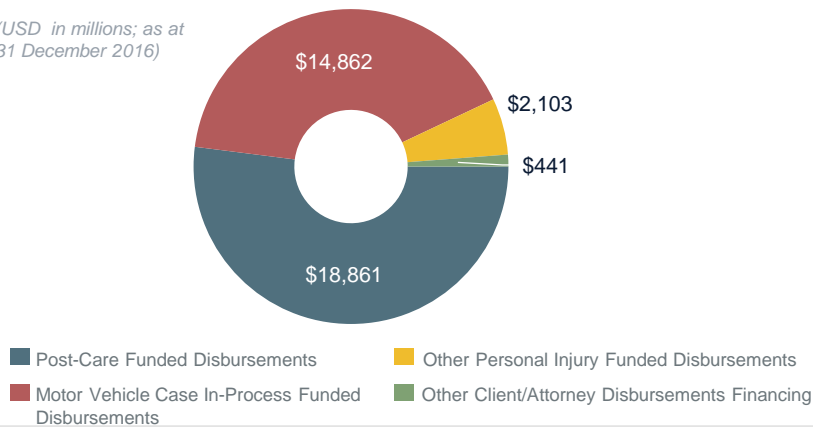
(\$ in millions)



## Portfolio by type

Motor vehicle accidents are the most profitable per case and are the focus of NHF's expansion to new markets.

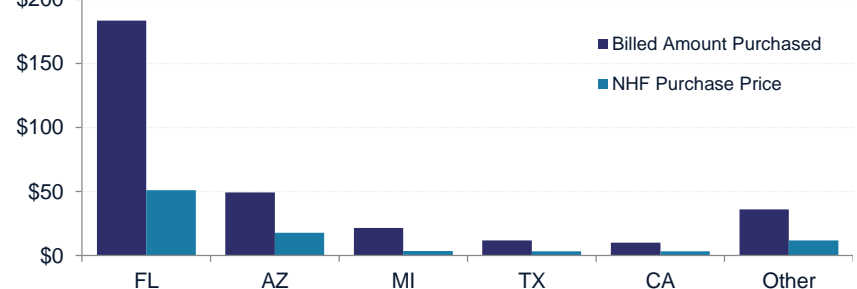
(USD in millions; as at 31 December 2016)



## Portfolio by patient location

Florida was one of the first states NHF entered. Its expansive regulatory framework makes it also one of the most attractive states to fund disbursements. Growth of other states limited to-date due to capital constraints. As capacity increases, NHF to increase focus on state diversification

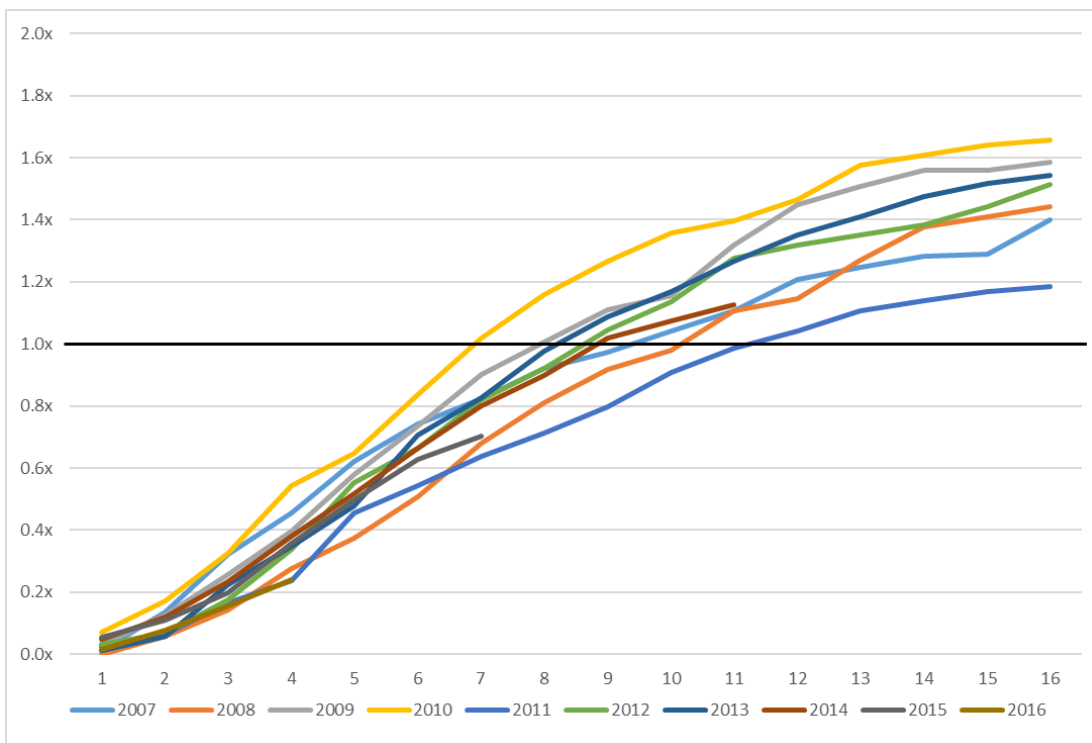
(USD in millions; as at 31 December 2016)



# Returns by Vintage

Returns uncorrelated to overall economy; consistent performance throughout financial crisis until present; 2012-2016 vintages on track to deliver 1.6x return

X-money Returns by Vintage



Return Overview by Vintage

	Invested Capital	Realised	Unrealised	ROIC		IRR
				Realised	Unrealised & Realised	
<b>2007</b>	\$1,356,675	\$1,969,811	\$0	1.5x	1.5x	40.1%
<b>2008</b>	\$1,620,506	\$2,674,725	\$3,129	1.7x	1.7x	61.1%
<b>2009</b>	\$1,448,091	\$2,519,702	\$0	1.7x	1.7x	64.8%
<b>2010</b>	\$1,682,968	\$2,911,656	\$66,275	1.7x	1.8x	81.7%
<b>2011</b>	\$4,363,461	\$5,765,705	\$797,542	1.3x	1.5x	19.8%
<b>2012</b>	\$5,939,117	\$9,171,279	\$1,363,026	1.5x	1.8x	44.2%
<b>2013</b>	\$6,184,663	\$9,423,396	\$2,264,660	1.5x	1.9x	52.8%
<b>2014</b>	\$15,183,121	\$16,791,141	\$9,884,648	1.1x	1.8x	13.9%
<b>2015</b>	\$22,064,636	\$10,711,903	\$26,754,611	0.5x	1.7x	n/a
<b>2016</b>	\$30,648,198	\$7,182,640	\$43,568,294	0.2x	1.7x	n/a

- Consistent performance of all vintages since 2007
- Newer vintages (2011-2016) on track to return ~1.6x money; in line with average historical return profile (2006-2010)
- No correlation between performance of portfolio and overall economy (eg financial crisis); returns remain stable
- Note: Profitability of newer vintages in the graph are truncated depending on origination year (eg. 2013 vintage shows 2 years of performance up to 2015)



# Underwriting Process

## Three-stage risk assessment

### Liability

- Determine patient's degree of liability

### Damages

- Gauge causation of injury and full value of the victim's claim
- The greater the severity of the injury, the greater the likelihood of full payment to NHF
- Medical provider required to testify in court that medical treatment was required

### Coverage

Assess total available coverage provided by:

- At-fault party's insurance
- Victim's and other auto insurance

## Evaluation of collectability

### Time

- Estimate time until case is resolved
- Certain insurance carriers litigate aggressively
- Statutes of limitation vary by jurisdiction

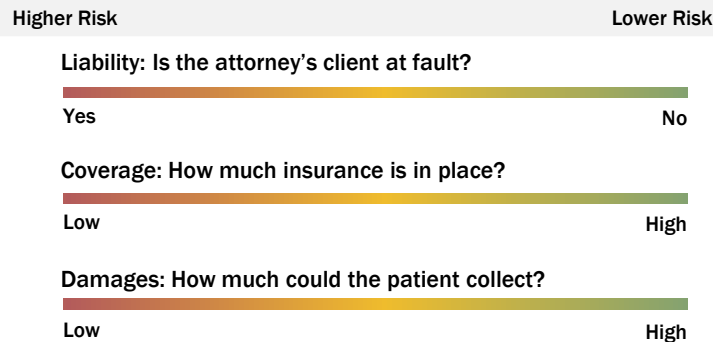
### Jurisdiction

- Laws and legal precedents vary by location
- Biases toward personal injury victims vary by location and certain jury pools are more plaintiff friendly

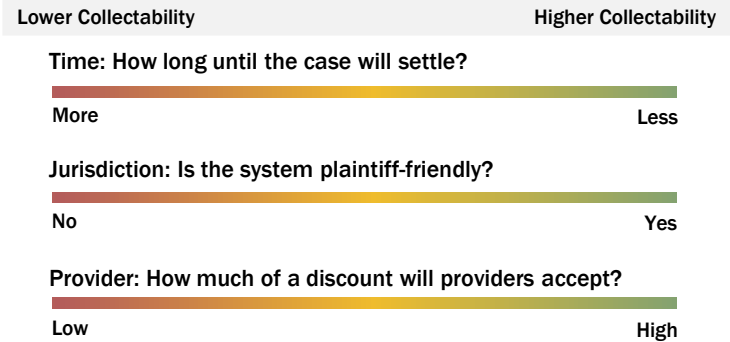
### Provider Type

Providers accept varying discounts, including: 1) flat rate, 2) set percentage, 3) fixed + set percentage, or 4) variable based on case specifics

## RISK ANALYSIS



## COLLECTION ANALYSIS



$$\boxed{\text{RISK}} + \boxed{\text{COLLECTION TIME/RETURN}} = \boxed{\text{MAXIMUM FINANCED BY NHF}}$$



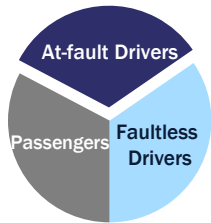
# Appendix: NHF's Target Market



# Addressable Market Size

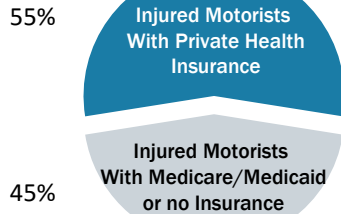
## NHF's addressable market

ANNUALLY, OVER 2,100,000 INDIVIDUALS CLAIM INJURIES



50% of drivers are at-fault, while all passengers have the potential for personal injury litigation.

**1,373,750 Faultless Individuals Injured**



There are also an additional 493,286 non-motor vehicle claims annually.

Medical expenses average \$10,000 per tort claim.

**\$11.16 BILLION ADDRESSABLE MARKET**

## Financing opportunities







- An estimated 1.6 million injury accidents occur in the U.S. annually, causing over 2 million drivers and passengers to claim injuries
- Funding treatment for auto accident and personal injury victims is the foundation of medical receivables financing
- Medical treatment and emergency care is highly costly in the U.S. A recent study determined that over 55% of Americans could not afford an unexpected ER visit with cash on hand
- National Health Finance provides funding for lien-based care for victims without health insurance, with inadequate health insurance, or with Medicare/Medicaid
- National Health Finance has the opportunity to finance a greater portion of the \$11.16bn addressable market. NHF currently finances less than 1% of the total addressable market
- Considerable legal and regulatory knowledge requirements have kept competition low in NHF's niche
- Niche focus combined with strong healthcare industry growth have allowed NHF to outpace the disbursement funding industry

Sources: IBISWorld, Sageworks, IFG, Center for Medicare & Medicaid Services, MHTSA Traffic Safety Facts 2014 Report

# Competition

Highly fragmented industry; NHF differentiated by providing not only disbursements financing but value add for all parties involved (medical provider, attorney and patient)

## Competition within the medical receivables financing space

Company	Founded	Jurisdictions	Estimated AR* US \$	Overview
 KEY HEALTH	CA, 1996	46 States	\$120 million	Offers disbursements funding in many of NHF's markets; has strong financial backing
 BANYAN FINANCE	FL, 2007	38 States	\$150+ million	Provides payment to providers in 38 states within 48 hours; Markets as a medical plan, which may invoke oversight
 MARRICK	CO, 2007	AZ	\$30 million	Offers online access to health records, but suffers from high premiums and low collection rates
 MEDFIN <small>Facilitating Medical Care on a Line</small>	AZ, 2000	18 States	\$30 million	Well funded and first in many jurisdictions, but suffers from stagnant growth and a cumbersome underwriting process
 CANYON MEDICAL BILLING	NV, 2003	AZ, CA, FL, IL	\$50 million	Has diversified holding in affiliate companies, but suffers from a limited network and stagnant growth
 NF	AZ, 1999	31 States	\$133 million	

\* Accounts receivables (AR) estimates are as at 31 December 2016

# Affordable Care Act Impact on Target Markets

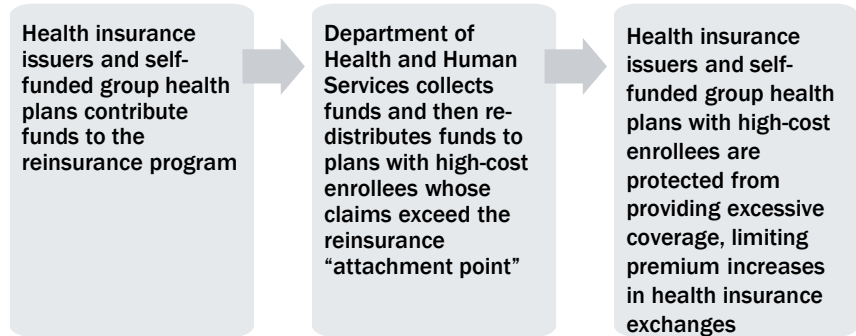
The purpose of this slide is to provide background on the Affordable Care Act and its impact on NHF's potential target markets

- National Health Finance provides a solution to patients who need immediate professional treatment due to a motor vehicle accident, but who cannot afford to pay for care upfront
- Signed into law in 2010, the Patient Protection and Affordable Care Act ("ACA") increased the percentage of Americans with insurance plans. **This increase has mainly come from Medicare and Medicaid, which may only be used as payers of last resort for personal injury cases**
- The ACA decreased the uninsured rate by subsidising health insurance companies that participate in health insurance exchanges with reinsurance and risk corridor measures to compensate insurance providers for large losses
- Current ACA Reinsurance and Risk Corridor legislation expired at the end of 2016. This expiration is expected to increase the cost of insurance and drive growth in demand for NHF's services

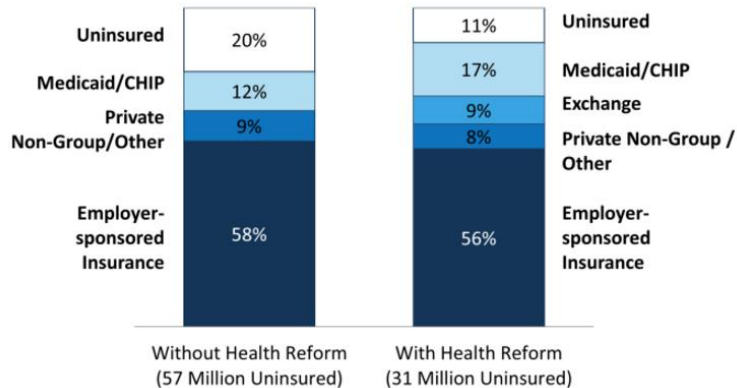
**Reinsurance and Risk Corridor expiration is expected to increase insurance carrier risk, increase health insurance premiums, and increase the uninsured rate**

## Reinsurance under ACA expired in 2016

**ACA reinsurance offsets the impact of high-cost enrollees on insurance carriers**



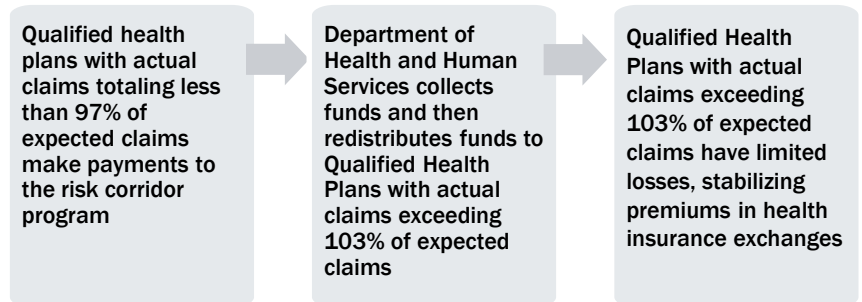
## Estimated ACA impact on insurance coverage



Source: U.S. Congressional Budget Office, April 2014

## ACA risk corridors expired in 2016

**ACA risk corridors limit losses and gains while stabilizing premiums in health insurance exchanges**





## Appendix: Management Biographies



# NHF Management Team

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**David Wattel, Esq**  
Co-founder, CEO

Mr. Wattel graduated from the University of Illinois in 1984 with a degree in economics before obtaining his JD in 1988 from Arizona State University College of Law. He has practiced personal injury law ever since graduating. He runs and manages Wattel & York; a multi-state personal injury and medical malpractice law firm. He speaks at numerous conferences in the area of personal injury and litigation. Since 2010 Mr. Wattel has been actively managing and overseeing the growth of NHF.

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**Dr. Mark Siegel**  
Co-founder

Dr. Siegel graduated from the University of Arizona in 1984 with a degree in biology and obtained his Doctor of Medicine in Osteopathic Medicine in 1987 from the College of Osteopathic Medicine of the Pacific. Supplementing his education, Dr. Siegel interned with Hollywood Community Hospital from 1988 to 1990, when he left to practice family medicine in Arizona, specializing in personal injury treatment. In 1999, Dr. Siegel and a partner converted Phoenix Community Hospital into the first surgical specialty hospital in Arizona and renamed it Arizona Surgical Hospital. Dr. Siegel practiced medicine there for six years before selling the facility to a group of private investors and devoting his time to the success of NHF.

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**Richard Cruz**  
COO & General Counsel

Richard Cruz joined National Health Finance in 2016. He obtained his Bachelor of Arts degree from University of Irvine, graduating cum laude in 1995. He obtained his Juris Doctorate degree from Arizona State University School of Law in 2004. Mr. Cruz has been a licensed attorney in the State of Arizona since 2004. Prior to joining NHF, Mr. Cruz spent his legal career working in Personal Injury and Civil Litigation. In addition, he serves as a member of the State Bar of Arizona Ethics Committee, U.S. Court of Appeals Ninth Circuit, U.S. District Court, District of Arizona, Arizona Trial Lawyers Association and is a Maricopa County Superior Court Arbitrator.

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**Sam Fratantoni**  
Assistant General Counsel

Mr. Fratantoni graduated from Loyola University of Chicago in 1979 and later received his JD in 1982 from Loyola University of Chicago's School of Law. Mr. Fratantoni began his career handling collections for two small Chicago law firms and subsequently joined the Chicago collection firm, Adler & Associates Ltd. As Managing Attorney at Adler & Associates Ltd., Mr. Fratantoni created an expansive network of collections attorneys, collecting more than \$50M in delinquent receivables, and oversaw the firm's significant expansion during his 30 year tenure. In 2015, Mr. Fratantoni joined National Health Finance as Assistant General Counsel where he manages the collection department and oversees the Company's multi-state network of collection attorneys.

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**Thomas Neel**  
VP of Sales

Thomas Neel joined the National Health Finance team in 2015 as Director of New Market Development and was promoted to his current position of VP in June 2016. Thomas has led various teams in business development roles for 15 years, primarily overseeing large investment portfolios. Thomas brings with him the experience and expertise to lay the foundation of structure and process within his team. He is devoted to creating and implementing successful strategies to achieve sustainable revenue generation. Thomas has sat on the board of directors for the United Food Bank, the advisory committee for the rebranding of Visit Mesa and is an active member of the Healthcare Financial Management Association.

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**Jason Jonas**  
CFO

Jason Jonas joined National Health Finance in 2017 as Chief Financial Officer. Jason has 10+ years experience in financial services and served in various C-level roles such as CFO, COO, CEO and Chief Compliance Officer. Prior to NHF, he served as CFO for a \$200m+ mortgage asset manager. In this role, he helped the company raise new debt capital and significantly enhance its infrastructure, processes and internal controls. Jason started his career as an auditor at Deloitte. He holds an MBA from the USC Marshall School of Business and is a Certified Public Accountant.



## Appendix: Growth Strategy





# Existing Markets Expansion

## Target States



### California

A large uninsured and underinsured population and highly active legal environment fostered growth in NHF's northern and southern California affiliates. Comparatively generous juries offer above-average settlements.



### Arizona

NHF has experienced robust demand for its services in Arizona, NHF's home state. Arizona is NHF's most saturated market. Management plans to continue driving growth, though annual gains are expected to be less than in new target markets.



### Louisiana

Louisiana is the only state that permits personal injury attorneys to finance client medical care. Attorneys are accustomed to bearing the cost of client medical care. In addition to the Company's standard benefits, NHF greatly reduces the risk for personal injury attorneys in Louisiana.



### Nevada

Nevada benefits from a favorable legal environment and NHF's average medical bill here is 36% greater than in any other existing market.



### Michigan

NHF's PIP funding has proved productive to date. There is an enormous amount of opportunity with PIP funding available now and into the future.



### Texas

Texas' favorable legal climate, a population just shy of 27 million and an uninsured rate of 16.9% make Dallas, Houston and San Antonio highly attractive to NHF. NHF management anticipates that Texas will be NHF's largest growth driver.



### Florida

NHF has experienced rapid growth in Florida through multiple portfolios of post-care purchased accounts. Florida is best suited to these accounts due to its expansive regulatory framework. Growth of the post-care purchased account portfolio is not NHF's priority for future periods.



### Tennessee

A large, concentrated uninsured population and high jury awards have led insurance carriers to quickly settle claims at higher rates than in other markets.

# Scalable Company Infrastructure

NHF's existing infrastructure can support two times its current case volume

## Healthcare Liaisons

- Initial and subsequent point of contact on all cases
- Interface with the patient, medical providers and the attorney
- Maintain all case information

## Business Development Managers

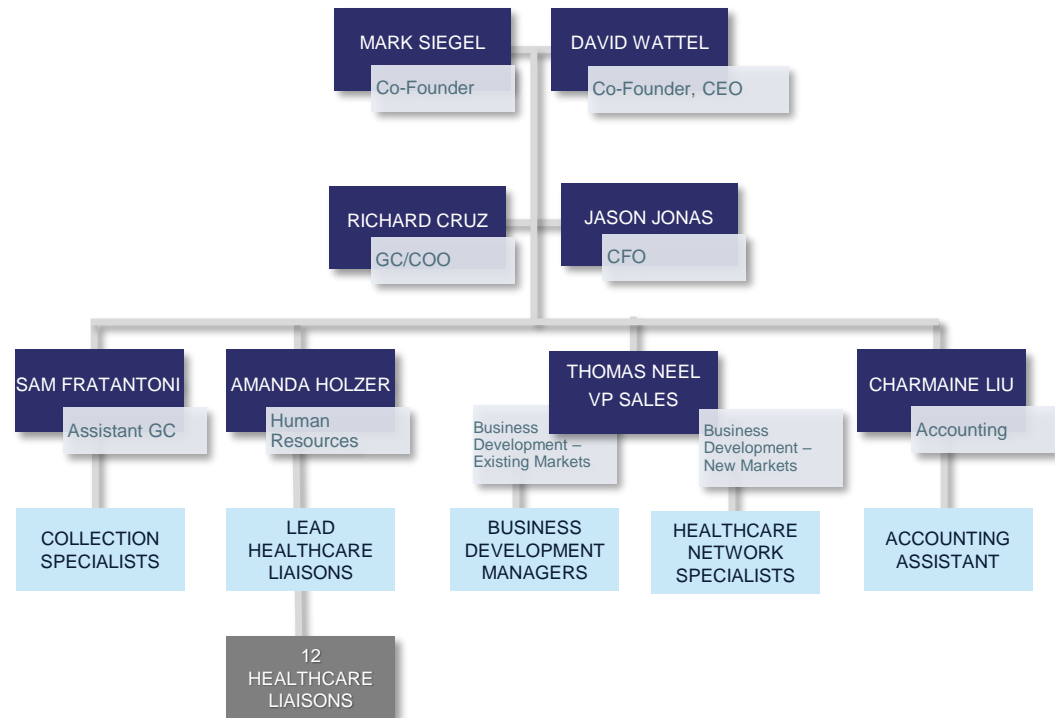
- NHF's "boots on the ground"
- Build NHF's medical provider and attorney referral network
- Assigned to jurisdictions across the nation where they are expected to spend at least one week per quarter

## Collection Specialists

- Work with attorneys and insurance carriers to collect payment
- Negotiate to receive the largest disbursement possible and maximise return on investment

## Healthcare Network Specialists

- Work with medical providers to build out referral network for NHF





## Appendix: Risk Factors



# Risk Factors

## General Risk Factors

### General risk factors

JustKapital and NHF's business activities are subject to risks, specific to its operations, as well as of a general nature. Individually, or in combination, these risks may affect the future operating performance of the JustKapital or NHF and the value of an investment in JustKapital. Investors should carefully consider the risks factors described below. More information on JustKapital's approach to Corporate Governance and risk management can be found on the JustKapital website ([www.justkapital.com.au](http://www.justkapital.com.au))

### Funding

The ability of JustKapital to raise funds on favourable terms for future activities dependent on a number of factors including general economic, political, capital and credit market conditions. The inability of JustKapital to raise funds on favourable terms for future activities could adversely affect its ability to operate its business or refinance its debt.

A significant outlay of funds will be required in order to complete the Transaction. This will increase funding pressure on JustKapital in order to continue the future development activities of the Company.

## Transaction specific risk factors

### US Health Care Industry

The United States health care industry is currently subject to intense scrutiny and uncertainty. The current administration has clearly stated its intention to implement reforms with respect to recently enacted legislation mandating healthcare coverage. There is a risk that these reforms could affect NHF's business and financial performance.

### US economy and US dollar

Following completion of the Transaction, it is expected that approximately 70% of JustKapital's revenues will be generated in the United States. In this way, JustKapital will be exposed to the United States economic and regulatory environment, including the effect of changes to tax laws, changes to local regulations or otherwise which could affect the earnings of JustKapital.

JustKapital will be exposed to the volatility and fluctuations of the exchange rate between the American dollar and the Australian dollar. Global currencies are affected by a number of factors that are beyond the control of JustKapital. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on JustKapital's operations and the ability to fund those operations.

# Risk Factors

## General Risk Factors

### Interest rates

Adverse fluctuations in interest rates, to the extent that they are not hedged or forecast, may impact JustKapital's earnings.

### Accounting policies

There is a reasonable likelihood that a change in accounting policy to recognise revenue in accordance with AASB15 *Revenue from Contracts with Customers* will have a material effect on the earnings of both JustKapital and NHF. That change will likely occur from 1 July 2017 if the NHF transaction proceeds and its adoption will have a material effect on the Group results. JKL management are currently quantifying the impact of its adoption on the JustKapital Group.

The impact of NHF adopting the accounting policies of the JustKapital Group has not been assessed and could result in a material change in the Pro-forma financial statements, as presented.

No adjustments have been made to the Pro-Forma Results to reflect the impact of the business combination that will impact the profit and loss of the Group post transaction. Whilst the Pro-Forma Balance Sheet does reflect the expected consideration no formal Purchase Price Allocation exercise has been undertaken to confirm the fair values of identifiable assets and liabilities including identification of any intangibles.

## Transaction specific risk factors

### General issues

JustKapital will be changing the nature and scale of its activities, which may not be consistent with the objectives of all Shareholders. The Transaction will result in the issue of \$80m in new Shares which will have a significant dilutive effect on the holdings of existing Shareholders.

### Due diligence

While JustKapital has undertaken due diligence on NHF it is possible that the due diligence has not revealed issues that will later have a materially adverse impact on the expected benefits to JustKapital. For example, there may be regulations in States where NHF's activities are not currently significant that have not been reviewed.

### Completion Risk

The acquisition of the NHF pursuant to the Transaction is conditional on a number of matters including JustKapital having obtained both the debt and equity financing that it deems necessary to complete the Transaction and JustKapital shareholder approval. If these conditions are not satisfied or waived, the acquisition under the Transaction will not complete. There may also be a substantial delay to completing the acquisition under the Transaction in order to satisfy some of the conditions.