

1Q FY18 Results Update and Capital Raise Investor Presentation 31 October 2017





## **Disclaimer and Forward Looking Statements**

This Presentation is provided by JustKapital Limited (the Company).

You should not rely upon anything in this presentation and/or any information obtained from the Company, its Directors or their associates in deciding whether or not to seek to participate in the shares of the Company. This is not an offer to subscribe for securities in the Company.

The Presentation may contain quantitative statements of anticipated future performance such as projections, forecasts, calculations, forward-looking statements or estimates all of which are based on certain assumptions (Forward Looking Statements). The Forward Looking Statements may involve subjective judgements and are based on a large number of assumptions and are subject to significant uncertainties and contingencies, many of which are outside the control of the Company and may not prove to be correct. No representation or warranty is made that any Forward Looking Statements will be achieved, or occur, or that the assumptions upon which they are based are reasonable or the financial calculations from which they have been derived are correct. Actual future events may vary significantly from the Forward Looking Statements. Each Recipient should undertake its own independent review of the Forward Looking Statements, including the assumptions on which they are based and the financial calculations from which they are derived

## Contents

- Introduction JustKapital and Key Highlights
- 1Q FY18 Financial Results and FY18 Outlook
- Completion of underwritten placement to raise \$4.4m
- Completion of restructure of Litigation Finance Trust ("Trust")
- Cost Savings and Management and Board Changes

**W**JUSTKAPITAL 1. Introduction – JustKapital and Key Highlights A leading provider of litigation finance **Capital Raise** 

# **Key Highlights for 1Q FY18**

### **JustKapital**

### **Top-Line**

- Q1 FY18 revenue **\$5.9m**<sup>1</sup>
- \$34.7m gross receivables (up from \$32.0m as at 30 June 17)
- Short term funding loans \$2.2m

### **Organic Growth**

- Growth **+37%** 1Q FY18 vs 1Q FY17
- Funded in excess of +10,000 cases with over 160 active clients

### **Profitability**

- EBITDA of \$0.36m<sup>1</sup>
- Significant cost saving measures to be implemented with targeted reduction in operating expenses of ~\$3.0m on a normalised basis based on FY17 operating expenses.
- 1. Using current accounting policies

#### Trust

#### **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

#### **Trust Restructure**

- Independent Valuation report valued the Trust at \$13.5m - \$17.5m
- This compares to carrying value of \$8.4m as at 30 September 2017

### JustKapital Limited

### **Upsized Facility**

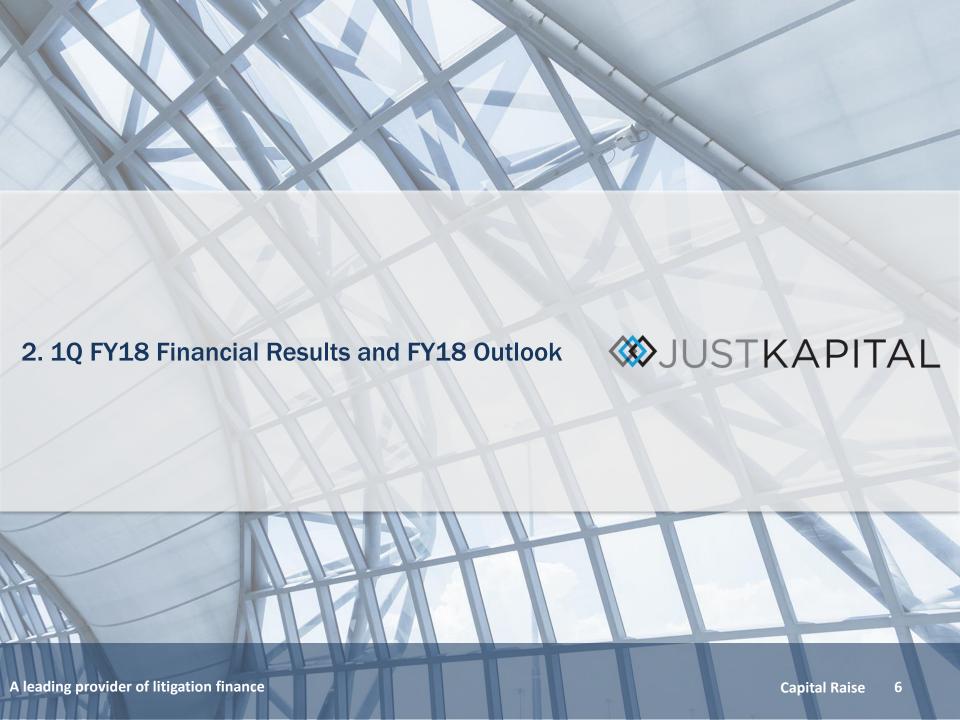
- Announced increase in disbursement funding facility in September 2017 to \$35.0m from original \$20m
- Headroom of \$12.5m to fund future growth

### **Experienced Management Team**

- Diane Jones Interim CEO
- Anthony Hersch GM

#### **Outlook FY18**

- JustKapital Revenue growth +20%
- First settlement in litigation portfolio expected in FY18.



# 1Q FY18 Results – JustKapital

\$'000	1Q FY18 <sup>1</sup>	1Q FY17 <sup>1</sup>	Growth
Disbursement Funding Gross Revenue	5,669	4,257	
Short-Term Funding Gross Revenue	205	34	
Gross Revenue	5,874	4,291	37%
Provisions & Fair Value Adjustment	(905)	(353)	
Net Revenue	4,969	3,938	
Cost of sales	(3,337)	(2,134)	
Gross Margin	1,632	1,804	(10%)
Gross Margin %	32.8%	45.8%	
Operating expenses	(1,272)	(1,455)	(13%)
EBITDA Operating	360	349	3%
Less: Interest, Depreciation, Amortisation	(1,197)	(437)	
Less: Due Diligence/Restructure costs	(1,457)	-	
Loss before Income Tax Benefit	(2,294)	(88)	

- Gross margin reduction in line with expectations due to change in pricing structure to maintain competitiveness as business scales.
- Revised FY18 EBITDA forecast will be announced to the market once the restructure and proposed NHF acquisition costs are finalised. This is expected in December 2017.

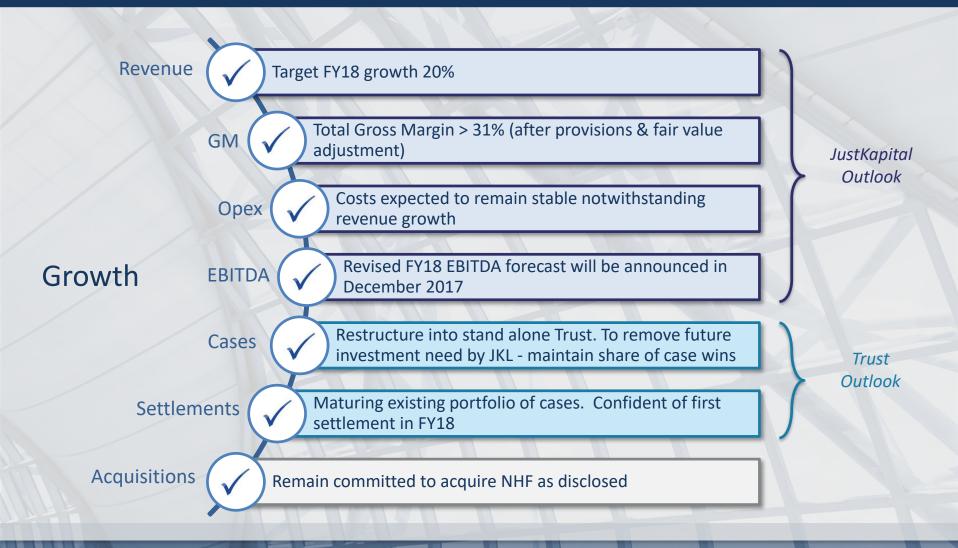
<sup>1.</sup> Using current accounting policies

# 1Q FY18 Results – JustKapital (continued)

#### **Due Diligence & Restructuring Costs**

- Total Due Diligence costs of \$1,352k in relation to the proposed NHF Acquisition include:
  - Cross-border Accounting & Legal Costs \$594k
  - Due Diligence Costs \$659k
  - Legal Costs \$99k
- Total Litigation Finance Trust restructure costs of \$105k

# **FY18 Outlook Summary**





# Institutional placement to raise \$4.4m

- On Tuesday, 31 October 2017, JKL raised \$4.4m through a placement of 31.43m shares via a Fully Underwritten Two-Tranche Placement to new and existing investors
- c. 18.87m of the new shares will be issued under the Company's capacity under ASX Listing Rule 7.1
- c. 12.56m of the new shares will be issued subject to obtaining shareholder approval at an Extraordinary General Meeting which is expected to be held in December 2017
- The raise was underwritten at \$0.14, representing a 7% discount to the last close of \$0.15 on 27 October 2017
- In addition to significant cost saving measures, the proceeds of the equity raising will provide working capital flexibility for JKL going forward during period of restructure
- Philip Kapp has agreed to sell his JKL shares via off-market transfer at \$0.14 per share to existing JKL investors, management and Board
- The Lucerne Composite Fund has agreed to convert 100% of its existing convertible bonds (\$2.625m including \$50,000 of notes to be purchased from Philip Kapp)



# **Litigation Finance Trust update**

- The Board of JKL announced today the signing of a conditional term sheet to complete the restructure of the Trust
- JKL announced on 24 May 2017 that the Litigation Funding portfolio was to be restructured in order to better align the interests of shareholders to the high-growth disbursements funding business
- JKL announced on 9 October 2017 that the Trust had been valued in an independent valuation report prepared for the Board
- Based on discounted cash flow method, the independent valuer has selected a valuation range for the portfolio of between \$13.5m \$17.5m
- This compares with JKL's investment in the portfolio of \$8.4m as at 30 September 2017
- The Board has determined that the value of the units in the Trust held by JKL will be \$17m
- As part of the resignation agreement with Philip Kapp, the management company and the trustee company will both be wholly owned companies of Philip Kapp.



# **Changes to Board and Management**

The Board of JKL announced changes to the composition of the Board and Management:

- Philip Kapp will resign as a Director and Executive Chair of JKL effective 31 October 2017, and will be
  appointed as Manager of the Trust, to focus on raising further funding and managing case investments to
  conclusion
- Tim Storey, formerly Non-Executive Director to be appointed Non-Executive Chairman
- Mike Hill to remain as a Non-Executive Director
- Anthony Murphy to be appointed as a Non-Executive Director
- Diane Jones to assume the role of Interim CEO
- Board to further review governance and management issues including cost structures and will provide further updates when appropriate

# Cost saving measures identified

- A review of the JustKapital cost structure identified a number of items which are being addressed
- The Trust restructure, changes to Board and Management and additional areas for savings have been identified

# Trust restructure

• Isolation of Trust expenses via restructure and management fee arrangement.

### Changes to Board and Management

- Resignation of Philip Kapp as Chairman and Managing Director saving \$750k
- · Reduction in Board fees for NED's
- Board to review cost structures

# Other cost savings

- · Reduction in fixed and other opex where available
- Reduction in liability to continue to find litigation cases via Trust restructure
- Total cost savings identified above are expected to be c. \$3.0m p.a.



### **CONTACT**

Diane Jones diane.jones@justkapital.com.au

Suite 2 Level 16, 56 Pitt Street, Sydney NSW 2000 Level 54, 111 Eagle Street, Brisbane NSW 4000 P: +61 (0) 2 9696 0220 P: +61 (0) 7 3012 6573



