

FY18 Full Year Results Presentation

JustKapital Limited

August 2018

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Agenda

Company Summary	4
Results Summary	5
Operating Divisions	6
Results Highlights	7
Financials	8-9
JustKapital Finance	10-12
National Health Finance Transaction Overview and Income Recognition	13-16
Outlook for FY19	17

Company Summary

Capital structure (as at 31 August 2018)

Share Price	\$0.07 ¹
Fully paid ordinary shares	147.9m
Options	1.5m ²
Market Capitalisation	\$11.0m
Cash (at 30 June 2018)	\$1.3m
Drawn Debt (at 30 June 2018)	\$48.3m

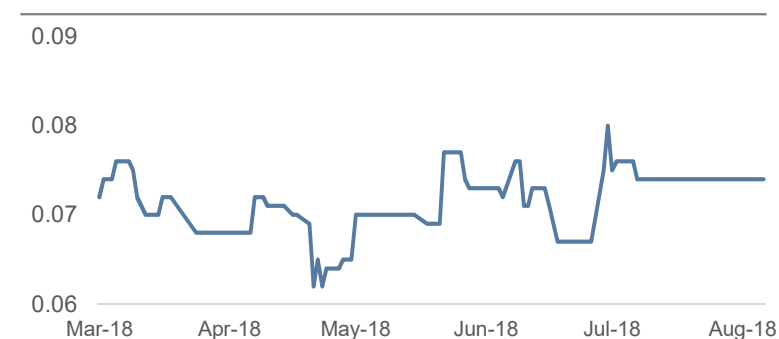
Board & Management

Tim Storey	Non-Executive Chairman
Diane Jones	CEO, Executive Director
Anthony Murphy	Non-Executive Director
Anthony Hersch	Chief Operating Officer
Craig Beaton	Chief Financial Officer

Shareholders

John H Bannister and associates	18.1m	12.24%
Lucerne Services and associates	12.8m	8.66%
EGP Capital Pty Ltd	12.6m	8.52%
Directors ³ and Employees (and their related parties)	6.1m	4.10%

Price Chart (A\$)



¹ Share price at close of trade on 19 July 2018, being the date JustKapital's Shares were voluntarily suspended from official quotation

² Exercisable at \$0.25 before 22 January 2019

³ Excludes related party interests of the Lucerne Group which are noted separately above August 2018

Results Summary

Turnaround in Operating Performance

Record net revenue of \$5.8 million, +47% versus FY17.

Gross margin improvement to \$5.5 million (FY17 gross margin: \$3.7 million).

Underlying earnings¹ before interest, tax, depreciation and amortisation (EBITDA) of +\$1.7 million, a +\$3.7 million improvement on FY17.

Statutory Net Loss of \$6.6 million including \$3.6 million in non-recurring acquisition and restructuring costs.

Received \$3.3 million on first case settlement in 2H18, resulting in a profit of \$1.9 million (a ROI of 132%).

Expect to receive cash proceeds of \$6.5 million from a further two case settlements in September 2018 with an additional case settlement (subject to Federal Court approval) expected in 2H19². Proceeds will be used to repay corporate debt.

Remaining seven cases expected to be completed prior to end of FY20.

National Health Finance acquisition to proceed, subject to shareholder approval. EGM to be held on 26 September 2018.

1. Before due diligence and transaction costs associated with NHF transaction

2. These cases were part of the litigation portfolio acquired by JustKapital on 11 July 2016. Under the acquisition arrangements the seller is entitled to participate in a share of the “free carry” generated by the portfolio. There is presently a dispute with the seller as to this participation entitlement.

Operating Divisions

JustKapital Limited (JKL: ASX)

EXISTING OPERATIONS

JustKapital Finance	JustKapital Litigation Funding
<p>Funding of out-of-pocket expenses (disbursements) and short-term loans for law firms. Disbursements funded are not contingent on the outcome of the case and include:</p> <ul style="list-style-type: none"> Medico-legal reports Radiology reports Court filing fees All other expert reports 	<p>Funding of all fees and disbursements associated with large scale litigation. Funding agreements signed with plaintiff to share success of outcome. Current portfolio of cases:</p> <ul style="list-style-type: none"> 11 cases funded 1 case settled (settlement proceeds of \$3.3m received in 2H18) 2 cases settled 1 case conditionally settled (subject to Court approval) 1 case requires no further funding 4 cases are externally financed
<ul style="list-style-type: none"> Net Receivables: A\$35.6m¹ Short term loans: A\$1.2m² 	<ul style="list-style-type: none"> Expect \$6.5m gross proceeds in Sep 2018³ Expect \$3.4m gross proceeds in Dec 2018 (if approved)³
<p>Market leader in disbursement funding and the short term loan business is in its infancy. Net Receivables are expected to generate double digit growth over the next 3 years.</p>	<p>Operation in wind down. The 7 ongoing cases in conjunction with the above two settlements and one expected settlement are projected to deliver a sufficient cash return to enable JKL to repay all of its current corporate debt (\$17.8m).</p>

PROPOSED AQUISITION

National Health Finance
<p>Personal injury medical lien financing in the United States, where the accident victim's insurance claim is subject to litigation. Operating in 19 states. Helps manage victim's case by:</p> <ul style="list-style-type: none"> Facilitate the administration of medical care Facilitate the medical bills through liens Ensuring compliance with best practice Collating the medical records necessary for mounting a successful legal case
<ul style="list-style-type: none"> Creating innovative financing solutions Net Receivables: US\$94.9m¹
<p>A market leader with significant expansion potential. Expected to generate double digit growth.</p>

1. Net Receivables is calculated as total gross invoiced amount (or Gross Receivables) less a provision for un-recoverability or doubtful debts. Net Receivables value as at 30 June 2018.

2. The Short term loans as at 30 June 2018.

3. These cases were part of the litigation portfolio acquired by JustKapital on 11 July 2016. Under the acquisition arrangements the seller is entitled to participate in a share of the "free carry" generated by the portfolio. There is presently a dispute with the seller as to this participation entitlement. The profit after capitalised overheads is expected to be between \$2.9m and \$5.9m depending on the outcome of this dispute.

Results Highlights

Strong Organic Growth Continues

Net loan receivables grew 25% to \$35.6 million¹ (FY17: \$28.5 million¹).

Cash collections of \$13.2 million² achieving a 40% growth rate from FY2017.

Funded over 10,000 cases with over 160 active clients. Expansion into VIC, WA and SA still in early stages.

Overhead expenses declined 12% versus FY17 to \$5.8 million with strong cost control a continued focus.

Wind down of Litigation Funding business progressing well, with \$3.3 million collected in 2H18, and a further 3 cases completed (with one case subject to Court approval) in 1H19. The remaining 7 funded cases are expected to complete by December 2019.

Announced acquisition of National Health Finance for \$68.8 million³:

- Funding secured through \$42 million secured syndicated acquisition facility and \$7.5 million fully underwritten placement, with key cornerstone investor Pitt Capital Partners Limited, a wholly owned subsidiary of Washington H Soul Pattinson Limited.
- Conditional Securities Purchase Agreements signed.
- Shareholder vote on 26 September 2018.

Outlook for FY19:

- Target net domestic loan receivables: +\$44.5 million¹ (+25% increase on FY2018).
- Further operating expenditure reduction. Target of \$3.7 million (excluding NHF)
- Corporate debt will be reduced as litigation funding cases are finalised.

1. Net Receivables is calculated as total gross invoiced amount (or Gross Receivables) less a provision for discounts or doubtful debts.

2. JustKapital Finance cash collections only (excludes proceeds from Litigation Funding portfolio)

3. Using an AUD/USD of 0.77.

Profit & Loss

Improved Operating Performance

Profit & Loss (\$'000)

Year to June	FY17	FY18	Change (%)
Net Income - Disbursement Funding	3,424	5,192	51.6
Other Revenue	497	570	14.8
Total Net Income	3,921	5,762	46.9
Non-supplier related Cost of Sales	(211)	(225)	6.4
Gross Margin	3,710	5,537	49.2
Other Income	812	1,888	132.5
Less: Expenses	(6,560)	(5,761)	(12.2)
EBITDA Before One Off Costs	(2,038)	1,663	181.6
Less:			
Depreciation and Amortisation	(81)	(99)	22.8
Finance Cost	(3,732)	(5,189)	39.0
Net Profit/(Loss) Before One Off Costs	(5,851)	(3,625)	(38.0)
Less: Due Diligence and Restructure Costs	(844)	(3,624)	329.5
Net Profit/(Loss) Before Income Tax Benefit	(6,695)	(7,249)	8.3

- Growth in **Disbursement Funding** net income of 52% to \$5.2 million.
- Other Revenue includes interest on short term funding loans and commissions from Insurance broking division.
- First Case Settlement generated net income of \$1.9m in 2H18 (reported as "other income").
- Continued cost rationalisation measures yielded a 12% reduction in overheads to \$5.8 million¹.
- The combination of strong income growth and cost reductions delivered a \$3.7 million improvement in EBITDA to +\$1.7 million.
- Interest Costs grew with increased disbursements funded during the period, as well as increased corporate debt.
- Non-recurring items related to business restructuring of the litigation portfolio and due diligence costs associated with NHF transaction.

1. Before due diligence and transaction costs associated with NHF transaction

Balance Sheet

Solid Growth in Loan Receivables

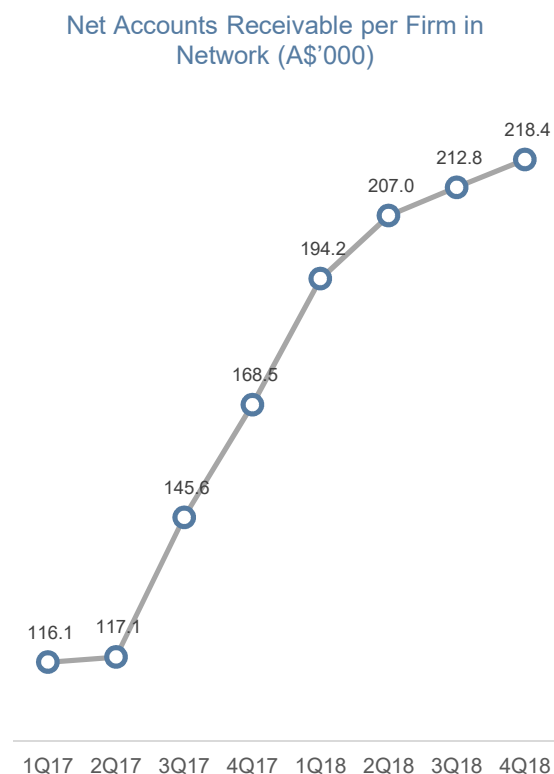
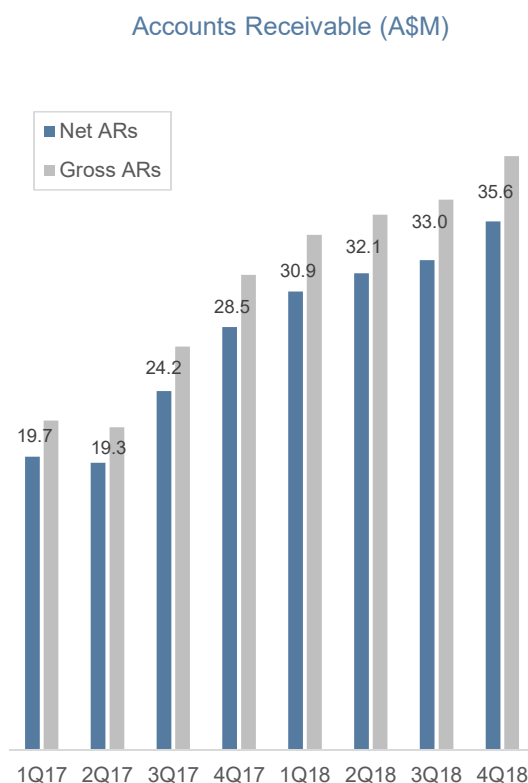
Balance Sheet (\$'000)

Year to June	FY17	FY18	Change (%)	
Cash and Cash Equivalents	7,627	1,264	(83.4)	<ul style="list-style-type: none"> Loan Receivables held at carrying value (takes into account provisions for discounts and time value of money). The unrecognised Day 1 Margin yet to be recognised through the P&L (or valued on the balance sheet) totalled \$4.6 million at 30 June 2018. Litigation Funding Assets at cost totalled \$14.9 million as at 30 June 2018. All cases are expected to complete prior to the end of FY20. JustKapital Finance has a \$35 million disbursement funding facility which is drawn to \$25.5 million as at 30 June 2018 (31 December 2017: \$23.2 million) Outstanding Corporate Debt of \$17.8 million is expected to be repaid from settled litigation cases. Convertible Bonds of \$5 million (included in Borrowings) have a maturity date of 15 January 2019. If the NHF transaction proceeds the conversion price of the convertible bonds will be \$0.064 per ordinary share.
Loan Receivables (Carrying Value)	20,467	27,032	32.1	
Other Receivables	4,040	2,200	(45.6)	
Goodwill	5,943	5,943	-	
Intangibles (Litigation Funding Assets)	8,739	14,875	70.2	
Deferred Tax Asset	5,661	6,264	10.7	
Other	2,054	1,914	(6.8)	
Total Assets	54,532	59,491	9.1	
Trade and Other Payables	3,454	4,322	25.1	
Financing Facility - JustKapital Finance	20,384	25,496	25.1	
Borrowings	19,400	22,770	17.4	
Other	1,102	631	(42.7)	
Total Liabilities	44,340	53,219	20.0	
Net Assets	10,192	6,272	(38.5)	

JustKapital Finance

Loan Receivables trending higher driven by increased Receivables per Firm in Network

- JustKapital's key driver of income in disbursement funding is growth in loan receivables.
- JustKapital has consistently improved its penetration of customer law firms. Accounts Receivable per firm has grown 88% in less than two years from \$116,100 as at end of 1Q17, to \$218,400 4Q18.
- Total net loan receivables are expected to continue to grow, with a target of \$44.5 million at 30 June 2019.
- We have moved to reporting "Net Accounts Receivable", this reflects the likely cash we will receive after provisioning for discounts.



Balance Sheet Loan Receivables – Disbursement Funding

Solid Growth in Loan Receivables

Balance Sheet Reconciliation (\$'000)

Year to June	FY17	FY18
Loan Receivables - Disbursement Funding (Gross)	31,999	40,005
Provisions for Discounts	(3,520)	(4,401)
Loan Receivables - Disbursement Funding (Net)	28,479	35,604
Fair Value Adjustment	(3,616)	(3,955)
Loan Receivables - Disbursement Funding (Fair Value)	24,863	31,650
Day 1 Margin to be recognised	(4,396)	(4,618)
Loan Receivables - Disbursement Funding (Carrying Value)	20,467	27,032

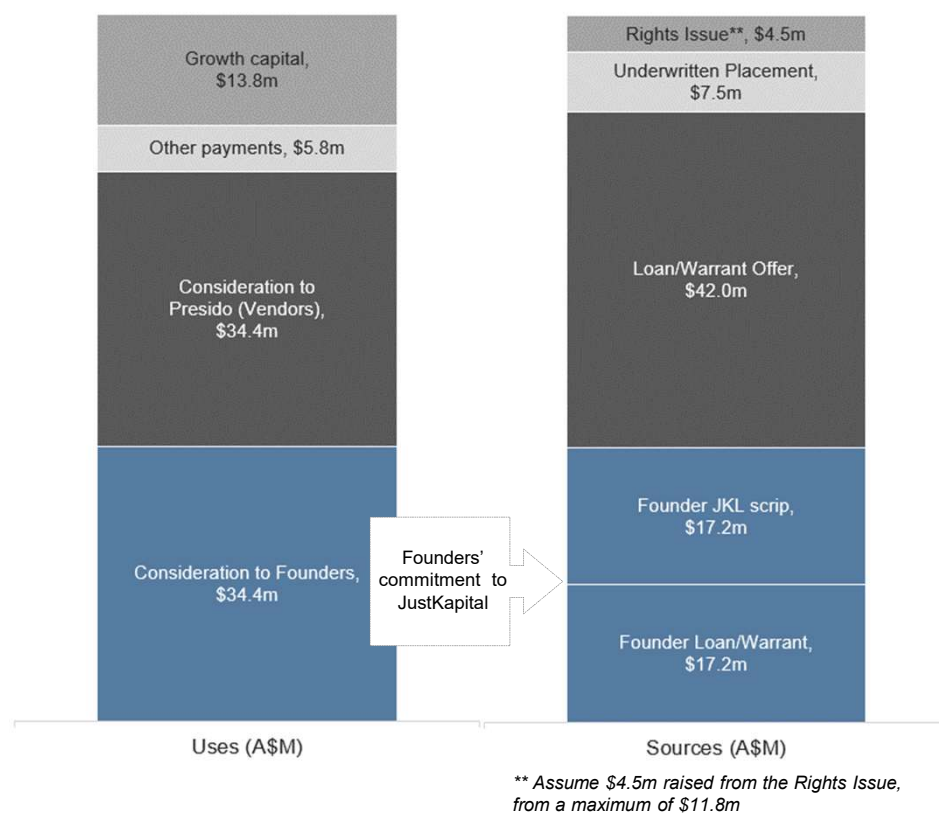
Equity Value of Loan Receivables (\$'000)

Year to June	FY17	FY18
Loan Receivables - Disbursement Funding (Net)	28,479	35,604
Loan Receivables - Debt	(20,384)	(25,496)
Equity - Loan Receivables	8,095	10,109

- Net Loan Receivables - Disbursement Funding is cash we expect to receive, the two adjustments below to reach Carrying Value, are accounting adjustments for allow for time value of money and revenue recognition.
- Fair Value Adjustment is future profit from existing sales to be reported in future periods (represents the time value of money).
- Day 1 Margin to be recognised is future profit from existing sales to be reported in future periods.
- Both of these items represent profit and cash yet to be received.
- Loan book equity is now \$10.1 million, representing +25% growth over the last 12 months.

NHF Transaction Overview

NHF Founders are Committed to the Combined Entity



Offer structure

- 100% purchase of NHF for A\$68.8m* from Founders and private equity vendors (Presidio Investors).
- Enterprise value: US\$108.0m.
- NHF purchase price represents an attractive Price / Book ratio of 1.1x.

Funding

- A\$7.5m Placement at 8.0¢ per share fully underwritten by Pitt Capital Partners Limited (a wholly owned subsidiary of Washington H Soul Pattinson Limited).
- A\$42.0m secured syndicated acquisition facility.
- 1:1 Rights Issue at 8.0¢ per share.
- The issue of 452.7m Warrants to lenders (with a 14.0¢ strike price).
- Founders taking issued A\$17.2m JKL equity and a A\$17.2m vendor loan.

ASX requirements

- Since the Transaction will result in a significant change to the nature and scale of the Company's activities, the Transaction will require the Company's shareholders' approval under ASX Listing Rule 11.1.2 and will also require the Company to re-comply with Chapters 1 and 2 of the Listing Rules in accordance with ASX Listing Rule 11.1.3.

* Using an AUD/USD of 0.77

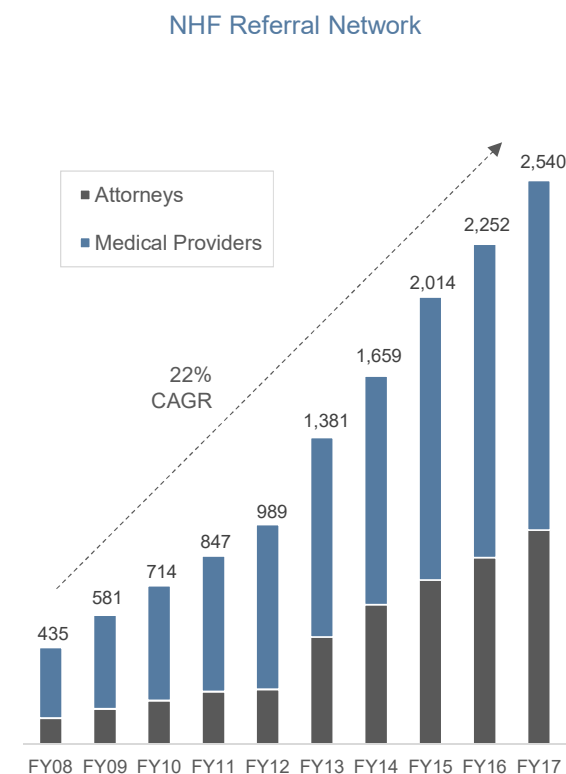
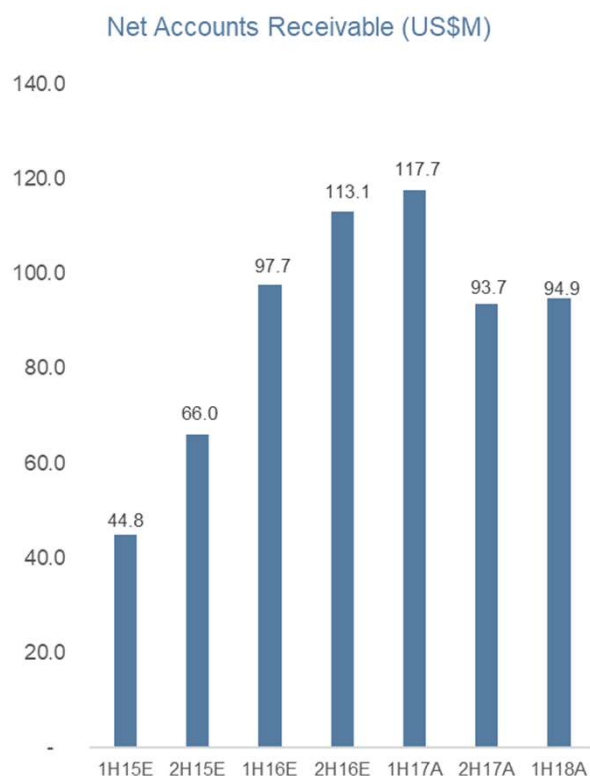
NHF: A growth opportunity waiting to happen

Capital constraints have held NHF back and are now resolved

- NHF enjoyed strong growth until becoming capital constrained 18 months ago.
- We believe there remains considerable demand for its services evidence for which is:
 - Historical: 162% growth in Receivables between June 2015 and June 2017.
 - Network growth: 22% CAGR in the referral network over nine years.
 - Due diligence discussions with the company's Attorneys and Medical Providers.
 - Current Net Receivables of US\$94.9m is estimated at circa less than 1% of the total US motor vehicle accident personal injury claims market.
- Post transaction, NHF potential will no longer be capital constrained, with the following sources of funds:
 - US\$15m+ annually from Cash Collections less costs.
 - US\$10.6m* cash injection from JKL.
 - US\$41m headroom under Atalaya** facility.
 - US\$75m additional expansion capital may be available under the Atalaya facility with the terms also allowing for additional bank facility of a further US\$50m.

* Using an AUD/USD of 0.77

** NHF has a receivables financing facility of \$80M provided by Atalaya Special Opportunities Fund VI LP



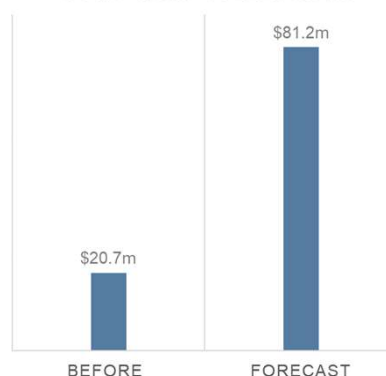
NHF, a step change and a compelling business model

- NHF represents a profound change in the scale of our JustKapital, however, it represents only a moderate departure from how we currently operate.
- We are familiar and comfortable managing legal receivables and have a management team with experience in managing a US operation.
- Due to the change in Accounting under AASB9 the profitability of the combined group will not be apparent for several reporting periods, but there are other valuation drivers that illustrate the attractions of the transaction.
- We expect to generate \$34m in free cashflow* in the 12 months to December 2019.
- Post transaction JustKapital shareholders will own 58% of the combined entity, but JKL current operations, will only represent ~25% of the group's cash collections and Net Receivables

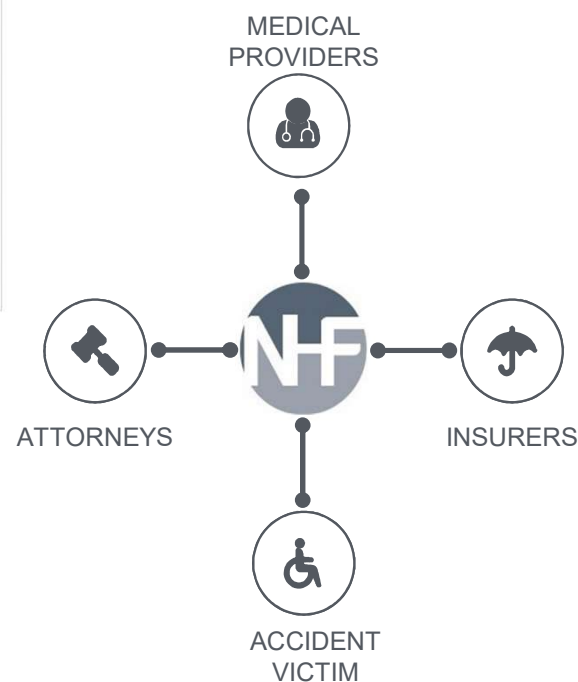
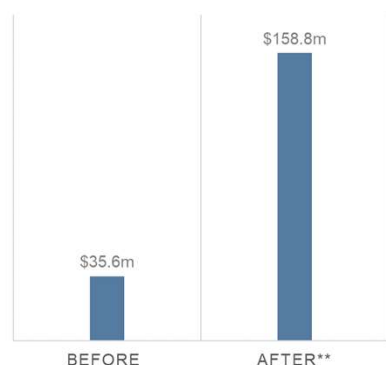
* Free cashflow before repaying financing facilities – Cash collection less opex, interest, cash to fund new originations and tax.

** Based on 30 June 2018 ProForma results using an AUD/USD exchange rate of 0.77

CY19F CASH COLLECTIONS

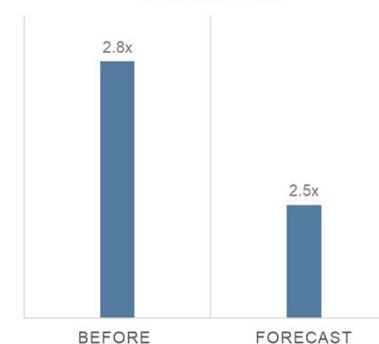


NET RECEIVABLES

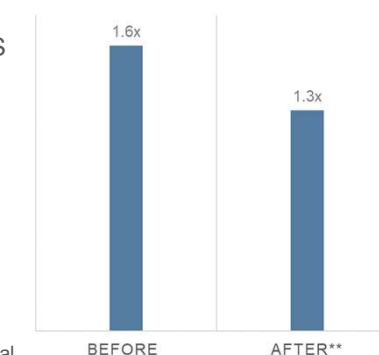


NHF provides the funding to the accident victim to pursue medical care while their case completion. It also provides a crucial case service to the attorney and treating medical provider

EV / CY19F CASH COLLECTIONS



EV / NET RECEIVABLES



Outlook for FY19

Forecasting Significant Operating Improvement

The domestic Disbursement Funding Net Loan Receivables target for FY19 is +\$44.5 million.

Targeting FY19 cash collections from Disbursement Funding of +\$14.0 million.

Target Group operating expenditure for FY19 is \$3.7 million (excluding any impact from the acquisition of National Health Finance).

Corporate debt is expected to be progressively extinguished through 2019 as case settlements are received.

A forecast will be provided following the acquisition of NHF, if it is approved by Shareholders on 26 September 2018.

1. Non-operating items include due diligence and transaction costs relating to NHF acquisition

Appendices

Overview and Impact of AASB 9

Overview – AASB 9 Financial Instruments

- The Group previously elected to early adopt AASB 9 Financial Instruments applicable from 1 July 2017.
- The Group has elected to apply the standard on a full retrospective basis as permitted by AASB 9. Therefore AASB 9 has been applied as if it had been used by the Group since the purchase of the Disbursement Funding business in January 2016 and the financial statements have been re-stated since that date.
- AASB 9 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability of another entity.
- The Group enters into a contract with the law firm to provide financing for legal disbursements in relation to their clients' legal matters. This arrangement is a financial asset for the Group and a financial liability for the law firm.
- The contract provides the Group with a right to receive cash from the law firm upon conclusion of the underlying case relating to the disbursement financing provided. This right to payment exists even if the underlying case is not successful.
- The Group has concluded that the financing arrangement with the law firm meets the definition of a financial instrument. Consequently, the arrangement and income arising from changes in the fair value of the financial instrument falls within the scope of AASB 9 Financial Instruments.

Worked Example – AASB 9 Financial Instruments

AASB 9		Old vs New – a worked example of one invoice ¹	
Positives <ul style="list-style-type: none"> Aligns recognition of Net Income (or Day 1 Margin) more closely with cash collection Means increased earnings visibility stretched out over many years 		Old Method	New Method (AASB 9)
		Sales \$1,650 Less Provisions (\$300) Net Sales \$1,350 Less Cost of Sales (\$1,000) Net Income \$350	Sales \$1,650 Less Provisions (\$300) Net Sales \$1,350 Less Cost of Sales (\$1,000) Net Income (Day 1 Margin) \$350
Negatives <ul style="list-style-type: none"> Under reports the <i>real</i> profit performance until we catch up in a number of years. 		P&L Year 1 \$350 P&L Year 2 \$0 P&L Year 3 \$0 P&L Year 4 \$0 Total Net Income \$350	P&L Year 1 \$161 P&L Year 2 \$105 P&L Year 3 \$53 P&L Year 4 \$31 Total Net Income (Day 1 Margin)² \$350
Neutral <ul style="list-style-type: none"> No change to total amount of net income (Day 1 Margin) received over time No impact on cash receipts or timing No impact on gross loan receivables which is the key indicator of growth. 		<ul style="list-style-type: none"> Total net income from each sale is recorded in the P&L in year 1 	<ul style="list-style-type: none"> Total net income from each sale is recorded in the P&L over 4 years.

Worked Example

- The above worked example is to illustrate how one invoice (only) would be recorded through the P&L.
- The recognition of the Net Income (Day 1 Margin) is determined by an actuarial calculation provided by an external actuarial firm. The total net income (Day 1 Margin) is deferred over time. Our cash collection is faster than currently being recognised. If the P&L and cash become more synchronised, there is an opportunity for faster revenue recognition in future years

Financial Statement Impact – AASB 9 Financial Instruments

- In its simplest terms the changed accounting means that we will now recognise our expected profit over the life of the Group's financial assets (which are initially recognised at fair value through the P&L as "net income").
- The best evidence of fair value of a financial instrument (at initial recognition) is normally the transaction price. The transaction price of the financial asset is the amount of cash paid to fund the legal disbursement costs.
- However, in the case of a legal disbursement funding arrangement, the fair value of the loan receivable (at initial recognition) may differ from the transaction price because the fair value of the financial asset represents the invoice amount, adjusted for such factors as time value of money, discounts and write offs, and credit risk. The difference between the fair value and the transaction price is called "the day 1 margin".
- The deferred day 1 margin is recognised in the P&L on a systematic basis over the term of the financing arrangement using actuarial methodologies. It is based on the profile of cash collections and the subsequent weighted average calculation of these collections is applied to the recognition of the day 1 margin.
- Effectively, the expected cost of the funded legal disbursement and the margin generated by the Group will be recognised through the Group's P&L over the life of the financial instrument.
- To assist shareholders understand the financial performance of the Group, the notes to the financial statements will provide shareholders with the Group's actual gross loan receivables, the actuarially determined fair value and carrying value.
- At any given point in time the Group expects to collect about 90% of the total gross loan receivable over a three year period (to account for discounts and write offs).
- In terms of cash collections, the aim of the AASB 9 is to align recognition of net income (Day 1 Margin) to the actual cash collections of the business. Under this adopted regime, the P&L remains inconsistent with the timing of cashflows, but is nevertheless is a more accurate measure of the economics of our business.
- Due to the extended period of the collection of the book of receivables, the profile of cash collections is inconsistent with the recognition through the P&L. However, the weighted average calculation of these expected cashflows is recognised as profit in the P&L as the Day 1 Margin.

JustKapital Finance Business Model

Revenue and Profit Recognition in JustKapital Finance

A\$	Amount Recognised	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year
BUSINESS MODEL										
Gross Sales		1,650	1,650	1,650	1,650	1,650	n/a	n/a	n/a	n/a
Provisions		(300)	(300)	(300)	(300)	(300)	n/a	n/a	n/a	n/a
Net Sales		1,350	1,350	1,350	1,350	1,350	n/a	n/a	n/a	n/a
Cost of Sales		(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	n/a	n/a	n/a	n/a
Net Income*		350	350	350	350	350	n/a	n/a	n/a	n/a

NET INCOME RECOGNITION (AASB9)

1 Year	46%	161	105	53	31	0				
2 Year	30%		161	105	53	31	0			
3 Year	15%			161	105	53	31	0		
4 Year	9%				161	105	53	31	0	
5 Year	0%					161	105	53	31	0
Net Income Reported*	100%	161	266	319	350	350	189	84	31	0
<i>Total Net Income Recognised</i>										<i>1,750</i>

- The adjacent worked example illustrates how five invoices over five years would be recorded through the P&L for JKL's disbursement funding business.
- The business model works as follows:
 - JKL pays the disbursement on behalf of the law firm client (A\$1,000)
 - JKL then invoices its law firm client (\$1,650), which includes JKL's margin.
 - JKL provisions a small amount for bad and doubtful debts and the time value of money (\$300) (based upon actuarial analysis).
 - Cases can take up to three years to complete; JKL carries the cost of funding the disbursement to completion (\$1,000).
 - Net income is typically recognised over approximately 28 months.

* Before taking into account the unwind of the time value of money provision under AASB9.

NHF Business Model

Revenue and Profit Recognition in National Health Finance

US\$	Amount Recognised	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year
BUSINESS MODEL										
Funding from Cashflow		1,000	1,000	1,000	1,000	1,000				
Funding from Debt		9,000	9,000	9,000	9,000	9,000				
Originations in Period		10,000	10,000	10,000	10,000	10,000				
Net Sales		16,500	16,500	16,500	16,500	16,500	n/a	n/a	n/a	n/a
Cost of Sales		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	n/a	n/a	n/a	n/a
Net Income*		6,500	6,500	6,500	6,500	6,500				
NET INCOME RECOGNITION (AASB9) - Example										
1 Year	30%	1950	1950	1950	650	0				
2 Year	30%		1950	1950	1950	650	0			
3 Year	30%			1950	1950	1950	650	0		
4 Year	10%				1950	1950	1950	650	0	
						1950	1950	1950	650	0
Net Income Reported*	100%	1,950	3,900	5,850	6,500	6,500	4,550	2,600	650	0
<i>Total Net Income Recognised</i>										32,500

- The worked example is to illustrate how five invoices over five years would be recorded through the P&L for NHF.
- The business model works as follows:
 - NHF purchases the invoice for \$10,000 (in the adjacent example).
 - Realisation is \$16,500 which represents a 1.65x ROIC.
 - Net income is recognized over 40 months.
- Historically, NHF has realised over 1.8x return on invested capital (or cost of invoice purchased), before OPEX and funding costs.
- Management forecasts are conservatively based on a return of 1.65x (in the adjacent example, net sales of \$16,500 on a cost of sales of \$10,000).

* Before taking into account the unwind of the time value of money provision under AASB9.

Contact

Diane Jones

diane.jones@justkapital.com.au

Suite 2 Level 16, 56 Pitt Street, Sydney NSW 2000 P: +61 (0) 2 9696 0220

Level 54, 111 Eagle Street, Brisbane NSW 4000 P: +61 (0) 7 3012 6573