



ASX Announcement (ASX: LAW)

31 January 2019

Market Update

The Board of LawFinance Limited (“the Company” or “the Group”) is pleased to provide commentary on the Appendix 4C and an update on its trading for the quarter ended 31 December 2018.

The period incorporates the first full quarter of ownership of National Health Finance HoldCo, LLC (NHF). The completion of the transaction and subsequent relisting process was far more protracted than had been envisaged and consequently the plans for integration and optimisation are behind schedule.

However, we expect significant operating efficiencies from working together and both Australian and US teams are working closely to implement the changes required to drive significant growth and cashflow from the US operations.

Our Australian operation continues to improve, and the current quarter represents a strong performance for both cash collections and our Net Receivables book. The addition of the NHF business lifted Originations (new business written) to a record level with US\$7.1M (A\$10.1M) in the quarter, of which US\$3.9M (A\$5.5M) was deployed in December alone.

The Board is pleased to report that the combined Group now boasts US\$118.5M (A\$167.9M) in Net Receivables, which is the cash we expect to collect (net of discounts) over the next four years.

Appendix 4C Commentary – Quarter ended 31 December 2018

- Section 1.1 - Receipts from Customers (Australian operations) – receipts were US\$2.5M (A\$3.6M) in the current quarter.

Total cash collections were a record at US\$9.5M (A\$13.5M) for CY2018, up 23% on the prior year.

- Section 1.1 - Receipts from Customers (US operations) – receipts were US\$5.7M (A\$8.1M) for the current quarter.
- Section 1.2 - Payments – payments were in line with Board expectations. “Payments for administration, corporate costs, due diligence and transaction costs” includes US\$0.2M (A\$0.3M) of costs in the current quarter relating to the recent acquisition of NHF.
- Section 2.5 (b) - Originations (Australian disbursement funding operations) – originations were US\$2.2M (A\$3.2M) in the current quarter.
- Section 2.5 (b) - Originations (US medical lien financing operations) – originations were US\$4.8M (A\$6.8M) for the current quarter.
- Section 9 – Estimated cash outflows for next quarter – exclude expected cash inflows from:
 - JustKapital Finance’s (Australian operations) disbursement funding book of receivables, which are expected to generate cash collections of +US\$2.5M (A\$3.5M) in the quarter.

AUD:USD exchange rate used 0.7058

- National Health Finance's (US operations) book of receivables which are expected to generate cash collections of +US\$6.7M (A\$9.5M) in the quarter.
- Further case settlements are expected to be received in the quarter.

The Group's Australian operations have undrawn facilities of approximately US\$9.0M (A\$12.8M) and is well funded to continue growing the core lending business. The Group has approximately US\$40.1M (A\$56.8M) of headroom under its existing US financing facility.

Trading Update – JustKapital Finance (Australian Operations)

The Australian Net Receivables (net of provisions for doubtful debts and discounts) grew 3.1% over the quarter to US\$26.8M (A\$38.0M) (as calculated by an external firm of actuaries) and are expected to be collected from our legal firm clients over the next 24 months.

Update – National Health Finance (US Operations)

The US Net Receivables (net of provisions for doubtful debts and discounts), as at 31 December 2018, was US\$91.7M (A\$129.9M) (as calculated by an external firm of actuaries) and these are expected to be collected over the next 36-48 months.

Following the completion of the NHF acquisition, the LAW management team has focused on a number of key initiatives:

- the implementation of the Netsuite operating system (which replaces the current NHF accounting system) will bring the US operation onto the same technology platform as the Australian operation. This system integration will provide real-time data on a consolidated basis, providing efficiencies and streamlined processes and procedures across the Group. The system is expected to 'go live' mid next month and is expected to result in immediate benefits to NHF especially in the area of cash collections.
- NHF was successful in signing on its first hospital to pilot the eagerly anticipated ER concierge program. This new initiative is currently being trialled in Las Vegas with early indications showing promising results. The benefits of this program will be to triage motor vehicle accident victims through the ER process and assist them on their journey to full recovery whilst providing NHF financing opportunities throughout the recovery process.
- NHF continues to roll out the revolutionary Multus technology across a number of states. Early signs are positive with NHF continuing to build a sales pipeline of new markets to deploy this technology.

Authorised by:



Diane Jones
Chief Executive Officer

For media enquiries:

Sascha Moore
Director
Create Design & Marketing
Tel: +61 2 9697 9122
Email: sascha@createdesign.com.au

For investor enquiries:

Diane Jones
Chief Executive Officer
LawFinance Limited
Tel: +61 2 9696 0220
Email: diane.jones@lawfinance.com.au