



ASX Announcement (ASX: LAW)

30 April 2019

Quarterly Business Review - 1Q2019

The Board of LawFinance Limited (“**LawFinance**” or “**the Company**”) is pleased provide the following update.

The acquisition of National Health Finance Holdco, LLC (NHF) was completed on the 28 September 2018. Group Net Receivables¹ are now at a record US\$133m (A\$188m).

Quarterly Group Highlights:

- Net Receivables of US\$133.2m, up 8% on prior quarter.
- Originations² were a record at US\$8.9m, up 25% on the prior quarter.
- NetSuite successfully deployed in the US, on time and on budget.

The Company generated US\$4.5m in Operating Cashflow in the period. The Company finished the quarter with US\$4.0m cash on the balance sheet, after deploying cash to fund new business.

A summary of our key operating metrics is provided at the end of this Quarterly Business Review.

Operational overview – JustKapital Finance (Australia)

Our Australian disbursement funding business continues to operate soundly, with Net Receivables up 21% on the same quarter last year. Although the results were down on the prior quarter (4Q18), this is a seasonal expectation with January holidays and a short month (February) in this period.

In the quarter ahead, we expect solid incremental growth on both the current quarter under review and 4Q18.

Operational overview – Litigation Funding (Australia)

As previously advised this operation is being wound-down, with the decision not to fund any new cases. The funded cases continue to progress to completion and we expect to collect US\$14m (A\$20m) from our share of the proceeds as the portfolio of cases are concluded.

We expect several case finalisations in the latter half of CY19 with all of our cases expected to be concluded by mid-next year.

Proceeds from these cases will be used to extinguish corporate debt.

¹ Net Receivables: this is the value of the actual cash we expect to receive over the next four years, after provisions but before non-cash accounting adjustments e.g. fair value and deferred profit (unrecognised day 1 margin).

² Originations: This is the new cash funding deployed with our customers.

Operational overview – NHF (US)

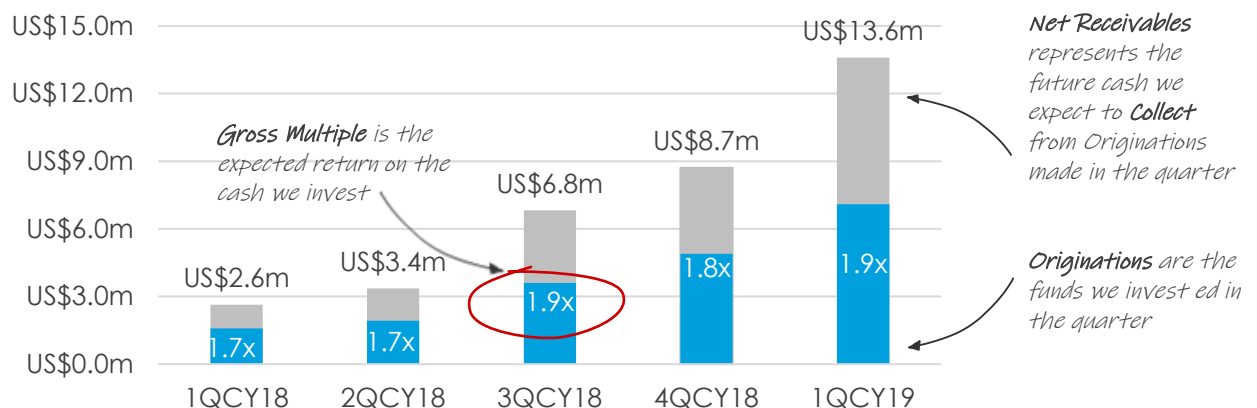
As previously disclosed, the NHF acquisition took longer than expected to complete, and this has had flow-on effect on our plans to integrate and effect operational improvements. Although we are several months behind schedule, we have now completed the implementation of NetSuite. Both management teams are working closely together and we have implemented changes that we expect to start delivering the results that we anticipated at the time of the acquisition. We continue to believe the US market opportunities are extremely appealing.

Key to our success will be finding attractive opportunities for deploying cash (“**Originations**”) through our network of doctors and lawyers across 21 states in the US and subsequently ensuring our targeted returns are collected in a timely manner (“**Cash Collections**”).

- **Originations: US\$7.1m +45%pp (4Q18: US\$4.9m)**

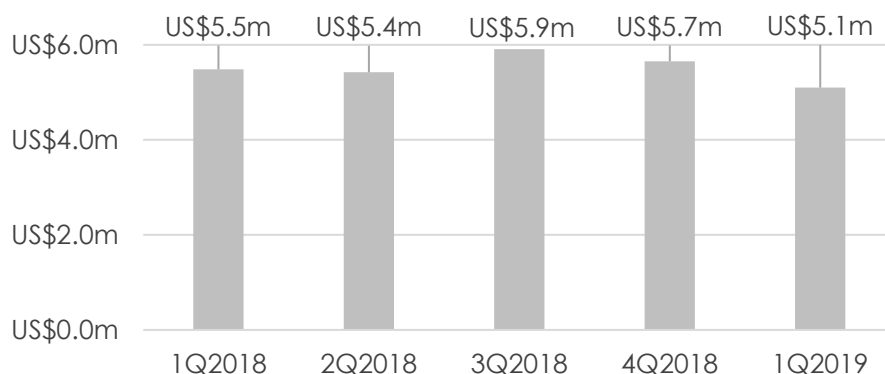
We are pleased to report that we are seeing good value in the market and we have been deploying on better terms than has historically been the case. We are investing at a rate expected to comfortably beat our target of 1.65x return on capital and anticipate further increases in Originations in 2Q19.

Originations & Net Receivables



- **Cash Collections: US\$5.1m -10%pp (4Q18: US\$5.7m)**

The first quarter was expected to be seasonally soft, but nevertheless this was a disappointing result and improving this figure is the key focus of management. As the Netsuite implementation was only completed at the end of the quarter, we now have the tools to better analyse our book of Net Receivables. We are being more proactive and assertive in collecting on accounts that are due and payable. The month of March showed improvement and reported an exit quarterly run rate of almost US\$6.5m.



Key Performance Indicators³

(US\$m)	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Cash Collections							
USA	5.7	5.1					
Australia	2.5	2.0					
Total	8.2	7.1	0.0	0.0	0.0	0.0	0.0
Originations							
USA	4.9	7.1					
Australia	2.2	1.8					
Total	7.1	8.9	0.0	0.0	0.0	0.0	0.0
Net Receivables							
USA	96.0	105.3					
Australia	27.1	27.9					
Total	123.1	133.2	0.0	0.0	0.0	0.0	0.0
Change in Net Receivables							
USA	96.0	9.3					
Australia	0.2	0.8					
Total	96.2	10.1	0.0	0.0	0.0	0.0	0.0
Deferred profit ⁴ (reported half yearly)							
USA	20.4						
Australia	5.8						
Total	26.2		0.0		0.0		0.0
FX (AUD/USD)	0.71	0.71	0.00	0.00	0.00	0.00	0.00

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³ Due to the challenges of providing a P&L that accurately reflects the economics of the business while we await the profit recognition under AASB 9 to catch-up, management will be providing updates on the key performance indicators of the operations.

⁴ Deferred Profit reflects the profit that has been earned but not yet recognised through the P&L (also referred to as Unrecognised Day 1 Margin).