

Extraordinary General Meeting

March 2020

Disclaimer & Forward Looking Statements

This Presentation is provided by LawFinance Limited (the Group).

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

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 Group 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.

Highlights

- FY19 loss improved 96% to US\$0.4M. This is a favourable outcome in light of the current accounting methodology which impact much of the economic return to the Group (from Originations) not yet apparent in the P&L Statement.
- Net Assets improved 10% to US\$19.8M. This has been a transformational year for the Company as management focused on the operational challenges of integrating and operationally improving.
- Cash on hand improved 56% to US\$5.8M. This is a strong cash position for the Company to take advantage of the exciting growth opportunities in the US market.
- Capital reorganisation results in debt reduction of US\$34M (if resolutions approved).

FY19 Results will be discussed in detail at the upcoming Annual General Meeting to be held in late April 2020.

Year to December (US\$'000)	FY19	FY18
Cash	5,777	3,696
Accounts Receivable	99,632	99,321
Goodwill	40,504	40,539
Intangibles	8,040	8,784
Other	12,665	8,220
Total Assets	166,618	160,560
Liabilities		
Accounts Payable	9,323	11,649
Borrowings	134,958	130,722
Other	2,548	215
Total Liabilities	146,829	142,586
Net Assets	19,789	17,974

Please note that FY19 amounts are based on the unaudited preliminary results for the year ended 31 December 2019

Operating Divisions

A US market leader in the personal injury medical receivables financing industry. Funding medical bills, where the not-at-fault accident victim's insurance claim has not been settled and is subject to litigation.

National Health Finance (NHF)

Funding medical bills through liens

Remove burdensome administration for medical practitioners

Expected Realisation¹: US\$85.0m

An Australian market leader in funding of out-of-pocket expenses (disbursements) for law firms. Repayment for the disbursements funded is not contingent on the outcome of the case.

JustKapital Finance (JKF)

Funding expert reports

Funding other out of pocket expenses

Expected Realisation¹: US\$27.8m

In run-off - Funding of all fees and disbursements associated with large scale litigation. Funding agreements signed with plaintiff to share success of outcome.

Litigation Funding (Australia)

Cases externally financed

Cases expected to complete in FY2020

Expected Proceeds: US\$14.0m

1. As at 31 December 2019. This value is not reflected in the carrying value on the balance sheet.

Proven management team to repeat past success

JustKapital Finance

- ✓ Deployed fully integrated end to end Netsuite system
- ✓ Corporatised target business post acquisition
- ✓ Introduced robust processes and procedures
- ✓ Developed targeted marketing plan for go-market strategy
- ✓ Rollout of business across the country
- ✓ Reduced cost of capital from 13.5% to 8.7%
- ✓ 300% growth in book of receivables post acquisition

National Health Finance

- ✓ Deployed fully integrated end to end Netsuite system
- ✓ Corporatised target business post acquisition
- ✓ Introduced robust processes and procedures
- ✓ Developed targeted marketing plan for go-market strategy
- 🕒 Currently operates in 21 states
- 🕒 Cost of capital is currently 13% plus a 1% undrawn line fee
- 🕒 Targeted growth plan underway

Key Performance Indicators

(US\$m)	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Cash Collections							
USA	5.7	5.1	5.3	6.5	5.7		
Australia	2.5	2.0	2.4	2.8	3.1		
Total	8.2	7.1	7.7	9.3	8.8	0.0	0.0
				FY19 \$32.9			
Originations							
USA	4.9	7.1	5.8	6.0	6.4		
Australia	2.2	1.8	1.9	2.1	1.6		
Total	7.1	8.9	7.7	8.2	8.0	0.0	0.0
				FY19 \$32.8			
Net Receivables - Expected Future Cash Collections							
USA	96.0	105.3	102.1	98.6	85.0		
Australia	27.1	27.9	28.0	27.5	27.8		
Total	123.1	133.2	130.1	126.1	112.8	0.0	0.0
Change in Net Receivables							
USA	96.0	9.3	-3.2	-3.5	-13.6		
Australia	0.2	0.8	0.1	-0.5	0.4		
Total	96.2	10.1	-3.1	-4.0	-13.2	0.0	0.0
Deferred profit (reported half yearly)							
USA	20.4		23.2		21.9		
Australia	5.8		5.3		5.0		
Total	26.2		28.4		26.9		0.0
FX (AUD/USD)							
	0.7058	0.7087	0.7013	0.6754	0.6999	0.0000	0.0000

* The reduction in this last quarter stems from the write-off of US\$18 million of NHF "Back Book" receivables due to conservative collectability assumptions. The write-off was offset by a US\$22.1 million reduction in NHF Vendor loans. The Back Book now comprises only 43% of the Company's total Net Receivables.

- 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.
- **Deferred Profit** is an internal measure and reflects the profit that has been earned but not yet recognised through the P&L. This figure will include Fair Value adjustments, which removes the reduction in the profit from the time value of money to give the actual profit which will flow through the P&L in future years.
- **Net Receivable** is equal to the gross receivable/claim amount less discounts, time value of money, write offs and credit risk. The net amount receivable is the amount we expect to collect over time. This value is not reflected in the carrying value on the balance sheet.

Update on waiver from ASX Listing Rule 6.23.3 in relation to change of Warrant terms

Warrants Issued to Syndicated Acquisition Lenders and NHF Vendors:

In connection with the Company's acquisition of NHF, the Company issued 452,743,636 Warrants. The Warrants were issued to various lenders, otherwise known as the Syndicated Acquisition Lenders as well as the NHF Vendors, including Mr Wattel.

As part of the capital reorganisation arrangements announced by the Company, the Company has agreed to vary the Warrants issued to the Syndicated Acquisition Lenders and the NHF Vendors as follows:

- (i) Each Warrant entitles the Warrantholder to acquire one (1) fully paid ordinary share upon payment to the Company of A\$0.10 per Warrant (Exercise Price) (the previous Exercise price was A\$0.14 per Warrant); and
- (ii) The Warrants may be exercised at any time prior to 8 November 2023 (previous expiry date was prior to 28 September 2022).

In order to put the above amendments to Shareholders, the Company has sought a waiver from ASX Listing Rule 6.23.3.

If the waiver is granted, the Company intends to include the resolutions to vary the terms of the Warrants in this year's Annual General Meeting which is expected to be held in late April 2020.



THANK YOU

LawFinance Limited (LAW.ASX)

Authorised by:

Diane Jones – CEO

+61 (0) 2 9696 0222

diane.jones@LawFinance.com.au

March 2020