



Annual General Meeting

July 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.

Introductions and Apologies

Results Highlights

- Key Highlights:
 - FY2019 total comprehensive loss improved 80% to US\$2.2 million.
 - Net assets remained static at US\$17.7 million, despite the loss in the period.
 - Cash on hand has improved 56% to US\$5.8 million.
 - Since 31 December 2019, the capital reorganisation has resulted in debt reduction of US\$30M (on a FY19 proforma basis).
- The last twelve months has been transformational for the Company. Management focused on the operational challenges of integrating and operationally improving the very substantial National Health Finance (“NHF”) acquisition. This work has largely been completed and has led to a material improvement in the way the business is managed and the expected returns to be generated from the capital deployed.
- Based on independent expert advice, the Group adopted the “amortised cost” accounting methodology under AASB 9 for the NHF business, but retained the “fair value through profit or loss” accounting methodology under AASB 9 for the JustKapital Finance business.
- This change in accounting methodology does not effect the Cashflow of the Group. Management will continue to report on the most important KPIs (with some modifications) which remain the most accurate reflection of the economics of our business (as opposed to the deferral under the AASB9 accounting methodologies).
- As a result of the adoption of the new method of accounting and the impact of COVID-19 on current trading, the Group is expected to make a statutory loss in FY20.

31 December 2019 FX spot rate: 0.6999 has been used throughout the presentation.

Trading Update – COVID-19

- Demand for our services is not typically economically sensitive. Cash-collections are largely the result of legally based settlements from the at-fault-driver's insurance and the timing is therefore procedural. Nevertheless, we anticipate a slowdown in our cash-collections due to two forces:
 - The slowdown in business activity, including the work of lawyers, and closure/delay of the Courts in many jurisdictions will likely delay settlements occurring in a timely manner.
 - The likelihood that our counterparties (insurance companies) will try to retain cash for as long as possible before releasing it.
- These challenges will prevail in the US and Australia as long as the outbreak remains an extreme threat. This is not expected to erode the value of our assets, but purely delay their monetisation.
 - Australian cash collections have remained strong during COVID-19, however, originations have tracked at 20% of expectations between March and June 2020. We are starting to see improvements in July.
 - In the US, both cash collections and originations have continued to underperform due to COVID-19 and we expect this to continue until September whilst the US continues to overcome this virus.
- Overall, for the last 6 months, COVID-19 had a dramatic impact on our Account Receivable balances.
 - The US gross book of receivables has contracted 7% and the Australian gross book of receivables has contracted 11% (on a constant currency basis (A\$)). Our challenge now is to recapture all the sales opportunities that are likely to present themselves as businesses recover from COVID-19.

LAWFINANCE

FY19 Summary P&L

Year to December (US\$'000)	JustKapital Finance	NHF	Other	Total
Revenue				
Net Income from disbursement funding/medical lien funding	3,252	(4,177)	-	(925)
Other Revenue	30	181	450	661
	3,282	(3,996)	450	(264)
Other Income	-	-	587	587
Total Revenue	3,282	(3,996)	1,037	323
Segment Result				
Depreciation and Amortisation	2,127	(404)	10,206	11,929
Finance Costs	(129)	(456)	(6)	(591)
	(2,135)	(8,867)	(6,247)	(17,249)
Profit/(loss before) before income tax benefit	(137)	(9,727)	3,953	(5,911)
Income tax benefit				2,811
Loss after Income tax benefit				(3,100)
Foreign currency translation				875
Total Comprehensive Loss for the period				(2,225)

- During the FY19, the Company impaired US\$8.4 million in receivables (using the amortised cost accounting methodology).
- The impairment was more than offset by a reduction in the NHF Vendor loans of US\$22m.
- The recognition of USA revenue through the P&L was reported at negative US\$4.2 million due to the impairment.
- This compares to US\$22.7 million in cash collections from customers in the NHF business during the period, which is a more accurate reflection of the economics the NHF business in FY19.
- In the years ahead we expect the P&L to become more aligned with the cashflow of the group. The change in accounting policy will accelerate this harmonisation.

FY 19 Balance Sheet

Year to December (US\$'000)	FY18	FY19
Cash	3,696	5,777
Accounts Receivable	96,777	95,314
Goodwill	40,539	40,504
Intangibles	8,784	8,040
Other	10,643	14,932
Total Assets	160,439	164,567
Liabilities		
Accounts Payable	11,649	9,323
Borrowings	130,722	134,958
Other	215	2,547
Total Liabilities	142,586	146,828
Net Assets	17,853	17,739

- We expect the majority of the Accounts Receivable and litigation portfolio to be monetised over the next three years which will enable us to further reduce corporate debt.
- Despite accounting methodologies, we estimate that we will collect more cash from the outstanding Accounts Receivables than is shown in the Balance Sheet.
- Similarly, we estimate US\$14m in cash will be collected from the litigation portfolio.
- The headroom under the Australian AssetSecure facility and under the US Atalaya facility allow us to keep growing, despite applying cashflow to reduce our corporate debts.
- In the US, 90% of our origination costs (new loans) are funded by Atalaya. In Australia the entire origination cost is funded by AssetSecure.

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

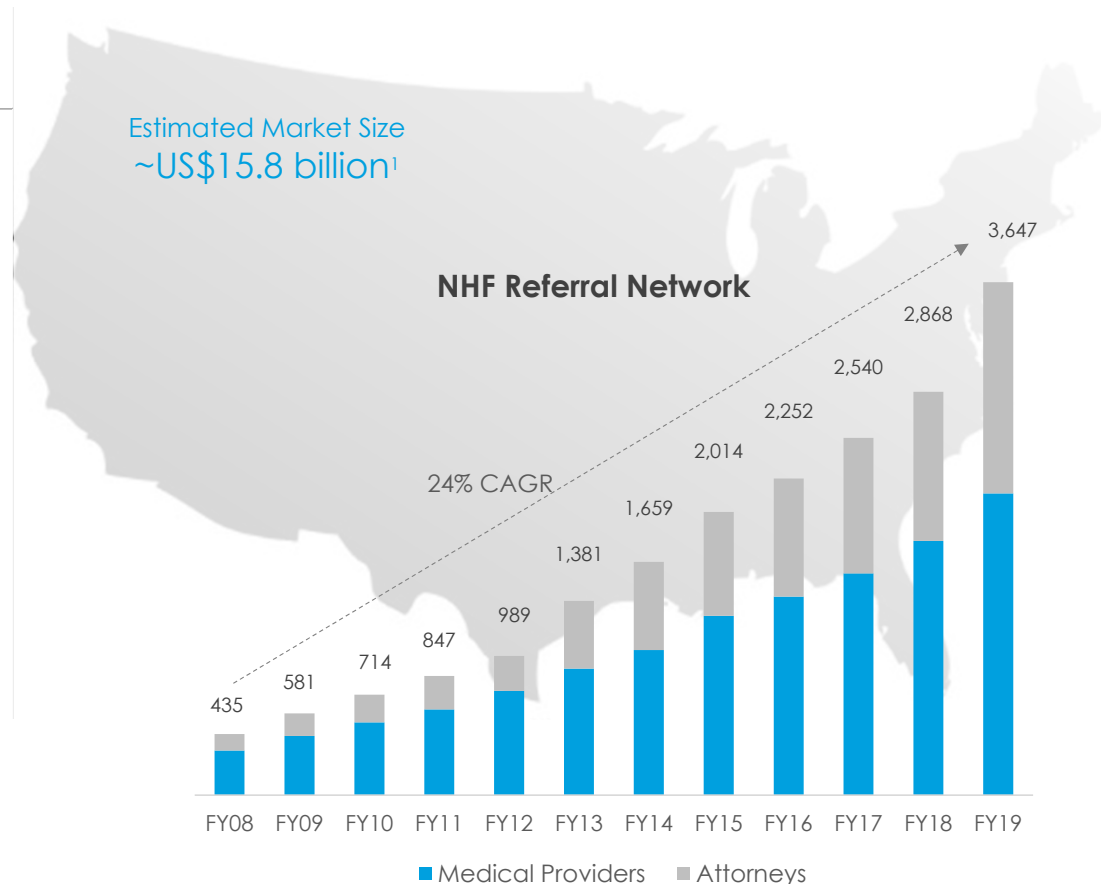
¹. As at 31 December 2019. This value is not reflected in the carrying value on the balance sheet.

LAWFINANCE

NHF opportunity

NHF currently funds less than 1% of the estimated addressable market and has the internal infrastructure and a relationship network to grow exponentially ahead.

- NHF has been operating for 20 years and is one of the top five largest personal injury financiers in the United States.
- NHF operates in a large addressable market created by an underfunded and complex US healthcare system.
- The deployment of technology platform Netsuite has allowed management to harness its referral network of 3,600+ medical specialists & attorneys and more effectively manage its receivables book.
- A territory based marketing strategy was deployed in January 2020 to better capture the dynamics of the NHF referral network.



¹Estimated market size calculation: 2.35 million people injured in car accidents per year (50% at fault) + 8,000,000 "slip and fall" accidents per year which we assume that 5% of accidents are worth funding multiplied by an average claim size of \$10,000; $((2.35m * 50\%) + (8m * 5\%)) * \$10,000$. Source: Adidem Law.

NHF's business model is beneficial to each entity that is party to the claim



Medical Providers Benefit

- Allows the physician to focus on patients
- Ensures timely payment to medical providers
- A physician's testimony during legal examination can be called into question if payment for services is directly linked to case outcome.



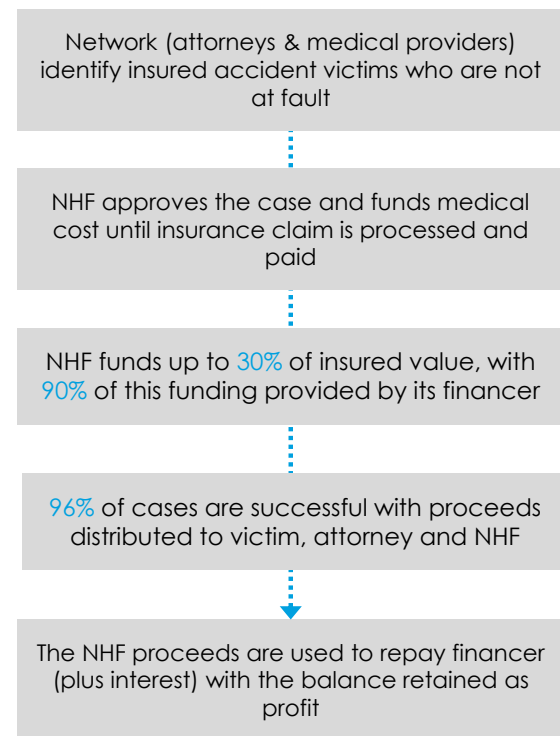
Attorneys Benefit

- Assists attorneys to obtain medical care for clients
- Removes "gap in care" from delayed treatment which can be used to minimise payout of the victim's claim.
- Assists with maximising the victim's claim.
- Strong referral network with medical providers



Patients Benefit

- Provides the victim with a level of medical care they would likely not otherwise receive.
- Avoids delays in obtaining medical care.
- Provides the victim with the opportunity to achieve improved compensation under their claim.
- NHF enables the patient to access premium care without the need for personal insurance coverage.





Executive Summary – The NHF Business

LawFinance (LAW) is a diversified financing business that specialises in personal injury funding in both Australia and the US.

THE BUSINESS

A subsidiary of LAW, National Health Finance (NHF) has been pre-funding the medical expenses of insured motor vehicle accident victims since 1999

NHF recoups its investment from the at fault driver's insurance company at a multiple of the amount originally funded

NHF's funding product provides a positive solution to the victim, the attorney and the medical professional

THE ISSUE

The United States does not have the Australian equivalent of "Medicare"

As a result, many US citizens cannot afford the upfront cost of medical treatment required following an accident whilst waiting for the insurance pay-out

Substantial market opportunity: estimated market size of approx. US\$15.8 billion*

NHF SOLUTION

NHF connects injured parties (who otherwise may not receive treatment) with attorneys and medical professionals

NHF has an extensive network of more than 3,600 attorneys and medical providers

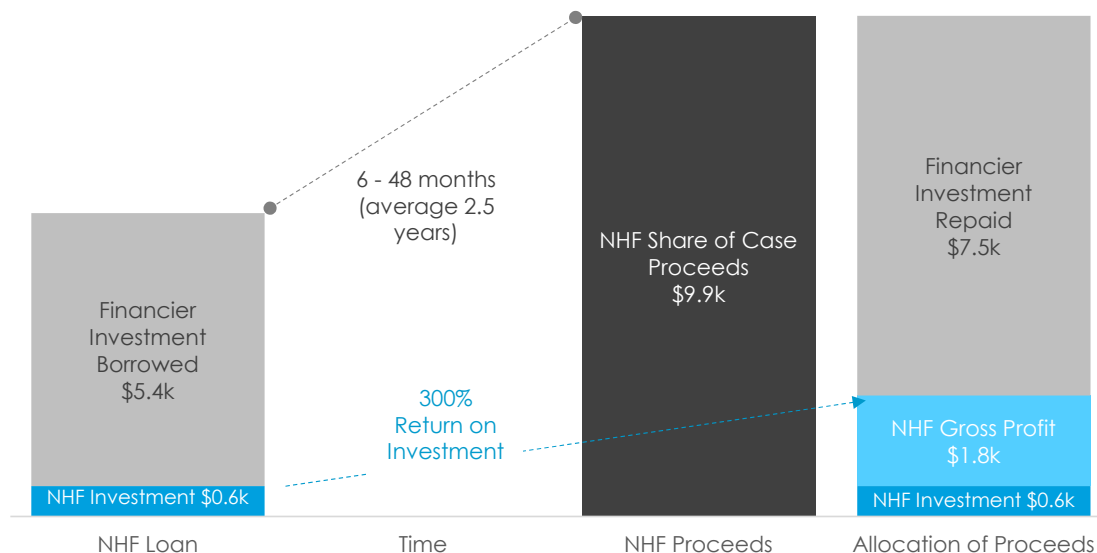
Win-Win-Win: The victim gets treated sooner, whilst the attorney and medical provider get paid sooner

*Source: Adidem Law

NHF – exceptional returns with low risk

- The model is well established and, for victims with less comprehensive healthcare and insurance coverage, forms an integral part in the US healthcare system.
- Due to the significant financing available on these funding opportunities, the return on NHF's investment is extremely high.
- The existing receivables book is earning 23% annual interest rate equivalent after losses (~1.65x money loaned).
- The payback on the 1.65x money loaned can range between less than 12 months and up to 4 years (equity IRR 30%+). This depends on which US-jurisdiction (state) the funding takes place.

Example Receivable Funding of \$6.0k to pay medical costs of victim





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 8.45%
- ✓ 300% growth in book of receivables post acquisition (as at 31 December 2019)

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 22 states
- 🕒 Reduction of the cost of capital of NHF is a priority for management in FY20
- 🕒 Targeted growth plan for originations is underway, however, the COVID-19 impact is unknown



Key Performance Indicators

(US\$m); Dec Y/E	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Cash Collections							
USA	5.7	5.1	5.3	6.5	5.7	5.1	4.5
Australia	2.5	2.0	2.4	2.8	3.1	2.2	2.7
Total	8.2	7.1	7.7	9.3	8.8	7.3	7.2
Originations							
USA	4.7	7.1	5.8	6.0	6.4	3.0	1.6
Australia	2.4	1.8	1.9	2.1	1.6	1.0	0.3
Total	7.1	8.9	7.7	8.2	8.0	4.0	1.9
Net Receivables							
USA	96.0	105.3	102.1	98.6	85.0 ¹	78.7	78.5
Australia	27.1	27.9	28.0	27.5	27.8	24.0	23.5
Total	123.1	133.2	130.1	126.1	112.8	102.7	102.0
FX (AUD/USD)	0.7058	0.7087	0.7020	0.6754	0.6999	0.6155	0.6999

- **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.
- 2Q2020 has been impacted by COVID-19, with the USA Net Receivables reducing by 7% in a 3 month period and the Australian Net Receivables reducing by 11% (on a constant currency basis (A\$.)

¹The reduction in this 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 41% of the Company's total Net Receivables.



THANK YOU

LawFinance Limited (LAW.ASX)

Diane Jones – CEO

+61 (0) 2 9696 0222

diane.jones@LawFinance.com.au

July 2020