



ASX Announcement (ASX: LAW)

31 July 2020

## Quarterly Activities Report – June Quarter 2020

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

### COVID-19 update

Although the operations of LawFinance are not typically correlated with the economic cycle, the Company has faced a number of exceptional challenges as a result of the global COVID-19 pandemic.

In the United States, the mass spread of infection and the related restrictions imposed by state governments have created a range of differing and specific challenges in the jurisdictions in which the Company operates. Many states have imposed lockdowns, of varying degrees, which have resulted in large portions of the population remaining at home and, as a by-product, far fewer cars on the road in turn leading to fewer motor vehicle accidents. The severity of the pandemic has also limited the ability of motor vehicle accident victims to attend medical appointments and, as a result, temporarily decreased demand for National Health Finance’s funding for those appointments. The US court system has slowed dramatically and cases have not been able to move through the system in the normal manner, thereby extending case settlement timeframes. In addition, motor vehicle insurers have taken advantage of the situation to delay settlement discussions and claim payments.

In Australia, we mainly provide funding for medical expert reports for litigation, which as a non-essential medical service largely ceased at the height of the pandemic. As states ease restrictions we are starting to fund this service again, however, the situation is fluid as the potential resurgence of COVID-19 evolves.

As a consequence, both businesses have been impacted. The expected realisation of the US book of receivables has contracted by 7% and the Australian book of receivables has contracted by 11% (over the last 6 months on a constant currency basis). However, originations and cash collections are expected to increase again commensurate with the progressive easing of lockdown measures in Australia and the US.

To attempt to lessen the severity of the impact of COVID-19, the Group has reduced overheads by 20% including a 16% reduction in headcount and a deferral of part or all of Board and Management salaries.

In addition, Mr Wattel has agreed to reduce his salary to US\$240,000 effective 1 July 2020. This reflects his decision to step back from the day-to-day running of National Health Finance (NHF) to focus solely on generating originations. Diane Jones will take on the additional responsibility of CEO of NHF.

The key focus of management over the next 3-6 months is to restructure the Company’s existing loan facilities. The Board will keep the market informed of these initiatives.

Diane Jones, CEO of LawFinance said: “It has been a challenging time for the Group over the last quarter, however, we are starting to see signs of recovery. Both LawFinance and NHF are well placed to take advantage of opportunities as the effects of COVID-19 abate, which will reinforce its position as one of the leading providers of medical lien funding in the US and disbursement funding in Australia.”

### June 2020 quarter highlights:

- Case-related cash collections were US\$7.2 million, down 6% year on year.
- Originations<sup>1</sup> were US\$1.9 million, down 75% year on year.
- Net Receivables were US\$102.0 million, down 22% year on year.

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<sup>1</sup> Originations: This is the new cash funding deployed for the purchase of accounts receivable.

The table below provides a summary of receipts and expenditures from operating activities for the last quarter (refer also to the accompanying Appendix 4C):

	3 months to 30 June 2020 \$USD'000
Receipts from Customers	7,170
Operating Costs	(1,243)
Interest paid	(5)
Payments for disbursement reports and medical liens	(3,257)
Movements in Working Capital Facilities (including interest)	(3,478)

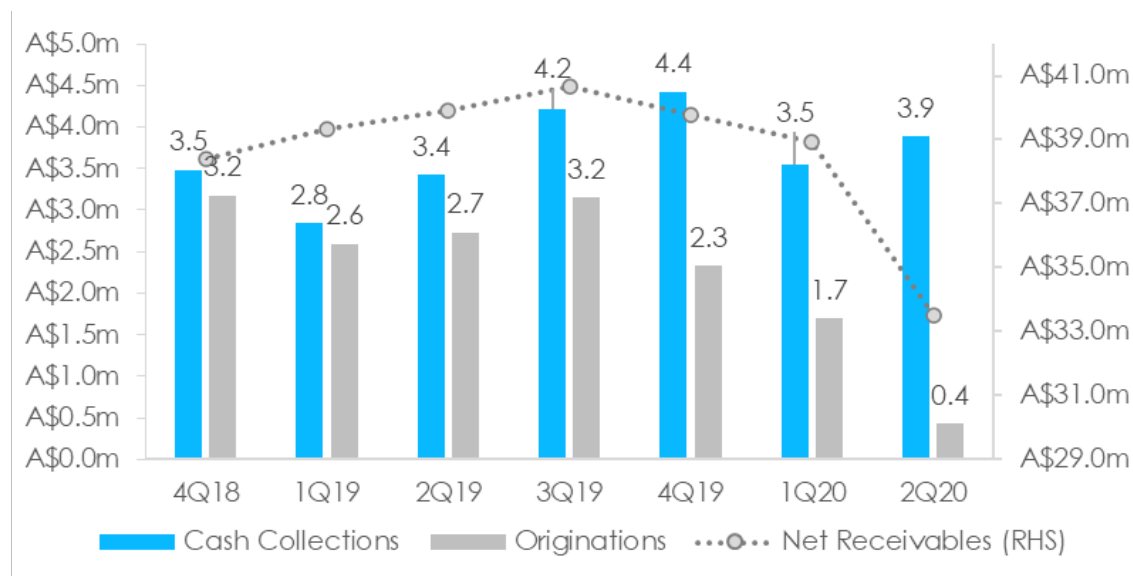
A summary of our key operating metrics is provided at the end of this report.

#### Operational overview – JustKapital Finance (Australia)

Despite the continued impact of COVID-19, the Australian disbursement funding business delivered strong cash collections quarter on quarter, increasing 16% on a constant currency basis (A\$).

Originations are significantly down due to the pandemic. Our expectation is that the impact of COVID-19 will continue into the third quarter of 2020 with a sense of normality returning to the business in 4Q20.

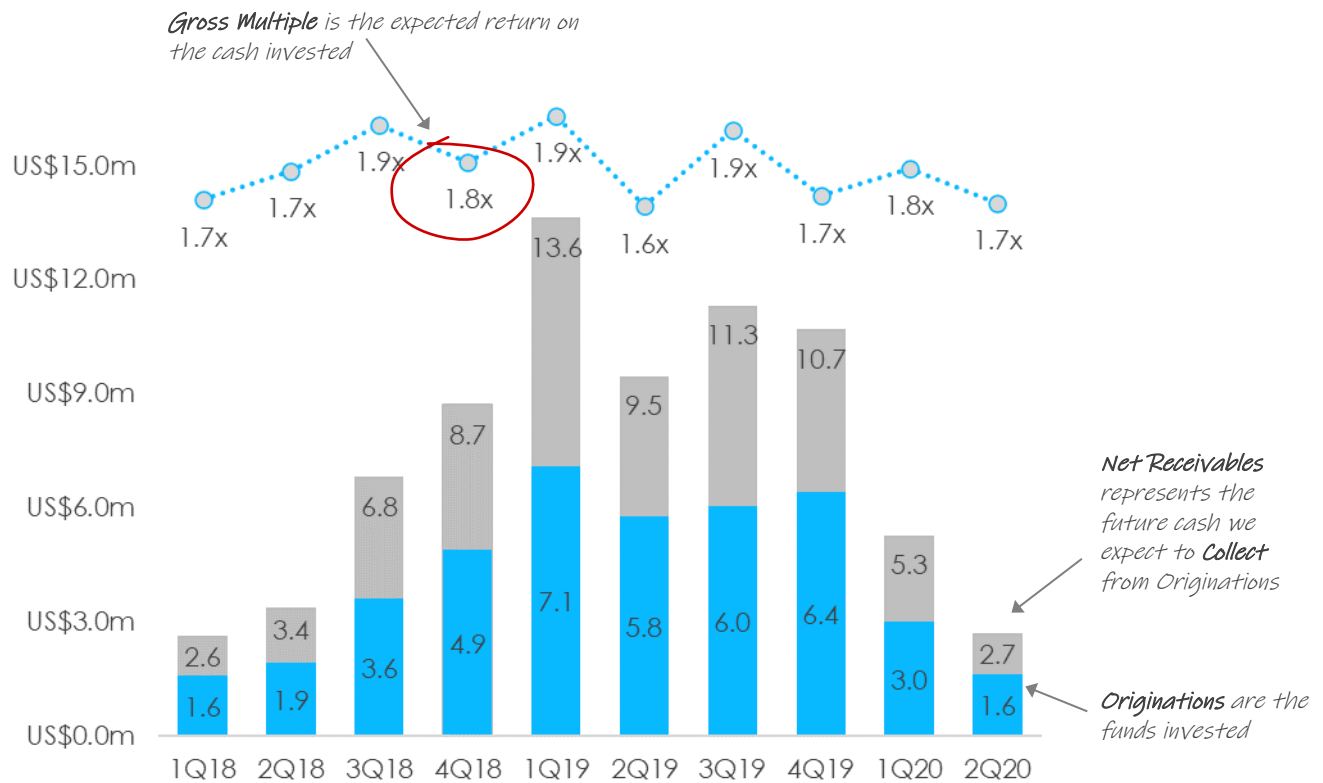
#### JustKapital Finance: Originations, Cash Collections & Net Receivables



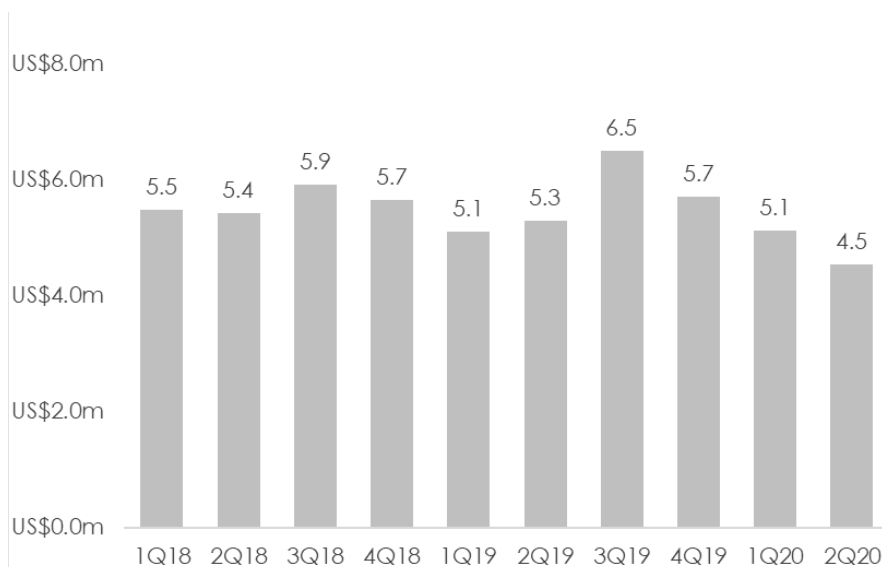
#### Operational overview – National Health Finance (NHF)

Originations have materially contracted due to COVID-19. Both originations and collections remain a focus of the management team. We are seeking to further improve both of these areas through the deployment of new portal technology to enhance our NetSuite platform. Our expectation is that the impact of the coronavirus in the US will continue into the third quarter of 2020 with a sense of normality returning in the latter part of 4Q20.

## NHF Originations and Net Receivables



## NHF Cash Collections: US\$4.5 million (2Q19: US\$5.3m)



## Operational overview – Litigation Funding (Australia)

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

## Payments to related parties of the entity and their associates

As disclosed in Section 6.1 of the attached Appendix 4C, there were total payments of US\$26,000 to related parties. Of this, US\$24,000 was for salaries and directors' fees paid to executive and non-executive directors. There were also payments for cost of sales of US\$2,000 to Multus Medical LLC.

## 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	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	4.9	7.1	5.8	6.0	6.4	3.0	1.6
Australia	2.2	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*	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
Change in Net Receivables							
USA	96.0	9.3	-3.2	-3.5	-13.6*	-6.3	-0.2
Australia	0.2	0.8	0.1	-0.5	0.4	-3.9	-0.5
Total	96.2	10.1	-3.1	-4.0	-13.2	-10.2	-0.7
FX (AUD/USD)	0.71	0.71	0.70	0.68	0.70	0.62	0.70

\* The reduction in this quarter stems from write-downs which were offset by a reduction in the NHF Vendor Loans processed through the financial statements at year end. The Back Book now comprises only **41%** of the Company's total Net Receivables.

## Authorised by:

The Board of Directors

### For media enquiries:

Sascha Moore

Director

Create Design & Marketing

Tel: +61 2 9697 9122

Email: [sascha@createdesign.com.au](mailto: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](mailto:diane.jones@lawfinance.com.au)