LAWFINANCE

1H20 FINANCIAL RESULTS

Investor Presentation

August 2020

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Company Summary (LAW.ASX)

Capital structure

Share Price (28 August 2020)	A$0.036
Fully paid ordinary shares	966.6m
Market Capitalisation	A$34.8m
Cash	A$4.0m
Debt	A$156.0m
Enterprise value	A$186.8m

Shareholders

Lucerne Asset Mgt and associates	191.3m	19.8%
David Wattel	107.6m	11.1%
Mark Siegel	107.6m	11.1%
EGP Capital Pty Ltd	97.0m	10.0%

Unissued Shares:

Warrants (@ A$0.135/ share)	452.7m
Convertible Bonds(@ A$0.064/ share)	0.014m
Capitalising Converting Notes (@ A$0.10/share)	189.0m
Options (@ A$0.25; A$0.40 and A$0.60/share)	71.5m

Board & Management

Tim Storey	Non-Executive Chairman
Diane Jones	CEO, Executive Director
Anthony Murphy	Non-Executive Director
David Wattel	Executive Director
Anthony Hersch	Chief Operating Officer
Craig Beatton	Chief Financial Officer
Richard Cruz	Chief Operating Officer - NHF

FX Assumed in this presentation: AUD/USD: 0.6855

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Period in Review

- Cash Collections were impacted in the period by the acute, but temporary, slowdown in the operation of the legal system in the US and Australia due to the impact of COVID-19. Court proceedings act as a catalyst for case settlements and thus cash collections for the Group. Since March 2020, the Group has accepted lower collections (i.e. higher discounting on receivables) than previously to ensure it had sufficient cash on hand to trade through the COVID-19 pandemic period.
- Despite these challenges, our key operating metric of cash collections compared favourably in 1H20 to the same period last year with US$14.5m collected compared to US$14.8m in 1H19.
- Traditionally, long-term discounting averages have been used as assumptions in calculating forecast realisations to determine the Group's net revenue. However, due to the economic uncertainty surrounding COVID-19, it was necessary to use the current discounting levels in this period to determine future expected realisations. This has resulted in an impairment of US$11.7m and thus negative revenue of US$6.9m was recorded in the period (i.e. without this adjustment to the expected realisations assumption, the US produced net revenue of US$4.8m).
- Management believes these higher than expected discounting levels will reduce once the courts return to normal operating capacity. This has occurred in Australia and is expected to progressively occur in the US over the next few months.
- Despite the COVID-19 related trading conditions, the core asset of the Group is its book of Net Receivables. Management remains confident these receivables will realise US$101.5m, delivering significant operating cashflow for the years ahead in addition to profits from expected future originations.
- The wind-down of the litigation funding operation is continuing with the remaining cases expected to be completed in FY21 yielding US$14.0m cash to the Group (assuming all cases are successfully resolved).

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Period in Review

- In light of the low levels of originations in the period as a result of the economic dislocation caused by COVID-19, Management revised its forecast originations for the balance of FY20 and its growth assumptions for the following years. These changes negatively impacted the value in use of the US business. Accordingly, the US Goodwill was written down by US$7.3m in the period.
- These revised forecasts also impacted the recoverability of the US deferred tax asset over the next three years. Accordingly, the US deferred tax asset was written off completely in the period – impact US$7.0m. Please note that carried forward tax losses are still capable of being applied against US profits in the future.
- There was a gain of US$19.6m in the period as a result of the restatement of the Vendor loans – see next slide.

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Restatement of 31 December 2019

- The Group has received queries from ASIC concerning its 31 December 2019 results. The ASIC review is ongoing and the Group continues to respond to ASIC's queries. However, following recent independent accounting advice received, the Directors have determined that the 31 December 2019 accounts should be restated in relation to the following two items:
  - the forgiveness of NHF vendor loan and promissory notes totalling US$22.6m (and the resulting financial gain from this write-off); and
  - the classification of the Atalaya Capital Management facility of US$41.6m.
- The write-downs of the Vendor loans - NHF Founders and NHF Founder Promissory Notes were subject to shareholder approval, which was obtained at the Extraordinary General Meeting held on 10 March 2020. At the time of the signing of the 31 December 2019 financial statements on 31 March 2020, the Board was satisfied that all the conditions concerning the write downs were met and that the write downs should be included in the 31 December 2019 results as an adjusting event.
- The Directors have subsequently sought independent advice on this classification and the procedures undertaken to form this view. In particular, the Board considered whether the liabilities could be assessed as being extinguished as at 31 December 2019 and whether the subsequent shareholder vote was confirmation of circumstances that existed as at balance date or a new circumstance occurring in the 2020 financial year.
- As a result of this advice, the Board concluded that, as shareholder approval was obtained after 31 December 2019, the write down of these liabilities was incorrectly recorded at 31 December 2019. Accordingly, the restatement has derecognised the write down in the statement of financial position for the year ended 31 December 2019. These loans have now been fully impaired (or written-off) in the current period.
- The P&L impact from this adjustment was an additional loss of US$20.2m and an increase in liabilities on the balance sheet of US$22.5m as at 31 December 2019.
- The Directors have reclassified the Atalaya Capital Management borrowings from non-current to current for the year ended 31 December 2019. The Group had received a conditional waiver subject to one outstanding condition that was fulfilled shortly after year-end, and based upon subsequent independent accounting advice this loan should have been considered a current liability for the year ended 31 December 2019.

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Summary P&L

Year to December (US$'000)	JustKapital Finance	NHF	Other	Total
Revenue				
Net Income from disbursement funding/medical lien funding	507	(6,887)	-	(6,380)
Other Revenue	26	78	1,460	1,564
	533	(6,809)	1,460	(4,816)
Other Income	-	-	474	474
Total Revenue	**533**	**(6,809)**	**1,934**	**(4,342)**
Segment result after overheads and other adjustments	76	(7,696)	11,591	3,971
Depreciation and Amortisation	(94)	(235)	(683)	(1,012)
Finance Costs	(910)	(4,667)	(3,029)	(8,606)
Profit/(loss) before income tax	(928)	(12,598)	7,879	(5,647)
Income tax				(8,617)
Loss after Income tax				**(14,264)**
Foreign currency translation				1,478
Total Comprehensive Loss for the period				**(12,786)**

- The recognition of US revenue through the P&L was reported at negative US$6.9m due to the amortised cost accounting methodology changes resulting from COVID-19 discounting.
- This compares to US$9.6m in cash collections from NHF customers in the period, which is a more accurate reflection of the economics of the NHF business.
- In the years ahead we expect the P&L to become more aligned with the cashflows of the Group.
- Two negative impacts were also recognised: the impairment of US$7.3m in Goodwill and write-off of the US deferred tax asset of US$7.0m.
- The Vendor loans write-off of US$19.6m offset the losses (reclassified from prior year).

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Balance Sheet

Year to December (US$'000)	FY19	Change	FY19 (restated)	HY20
Cash	5,777		5,777	2,714
Accounts Receivable	95,314		95,314	79,911
Goodwill	40,504		40,504	33,161
Intangibles	8,040		8,040	7,834
Deferred Tax	10,340	2,239	12,579	4,167
Other	4,592		4,592	3,993
Total Assets	**164,567**		**166,806**	**131,780**
Liabilities				
Accounts Payable	9,323		9,323	7,396
Borrowings	134,958	22,490	157,448	106,967
Other	2,547		2,547	2,797
Total Liabilities	**146,828**		**169,318**	**117,160**
Net Assets	**17,739**		**(2,512)**	**14,620**

- We expect the majority of the existing Accounts Receivable and the remaining 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 outstanding Accounts Receivable than is shown on the Balance Sheet (estimate of US$101.5m).
- Similarly, we estimate US$14.0m in cash will be collected from the litigation portfolio (assuming all cases are successful).
- Although the Group has breached certain covenants under the Atalaya facility, Atalaya continue to support the Group and the headroom under the Australian AssetSecure facility and the US Atalaya facility should allow the Group to continue to grow.
- In the US, 90% of our origination costs (new loans) are funded by Atalaya. In Australia the entire origination cost is funded by AssetSecure.

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Operating Divisions

National Health Finance (NHF)	**JustKapital Finance (JKF)**	**Litigation Funding (Australia)**
A US market leader in the personal injury medical receivables financing industry. Funding medical bills, where the not-at-fault accident victim's claim is subject to litigation against an insured wrongdoer.	**An Australian market leader** in funding of out-of-pocket expenses (disbursements) for law firms. Repayments of the funded disbursements are not contingent on the outcome of the underlying cases.	**In run-off** - Funding of fees and disbursements associated with large scale litigation. Funding agreements signed with claimants to share in any successful outcome.
Funding medical bills through liens	Funding expert reports	Cases externally financed
Remove burdensome administration from medical practitioners	Funding other out of pocket expenses	Cases expected to complete in FY2021
Expected Realisation[1]: US$78.5m	Expected Realisation[1]: US$23.0m	Expected Proceeds: US$14.0m

1. As at 30 June 2020. This value is not reflected in the carrying value on the Balance Sheet.

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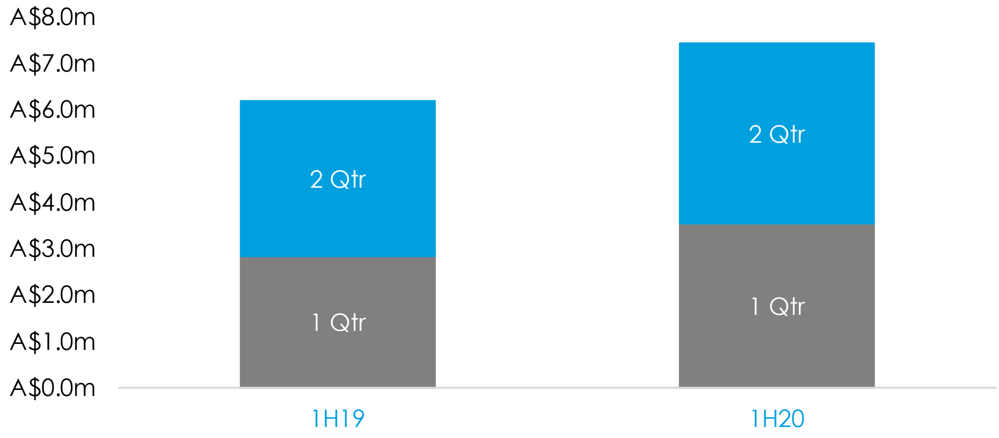
Segments: JustKapital Finance (Australia)

- Cash Collections remain resilient and in Australian dollar terms are up 20% pcp.
- Revenue is principally a reflection of new case Originations and this has been temporarily depressed due to domestic COVID-19 shut-downs.
- Originations in July and August were 50% greater than the monthly average over the preceding six months and Cash Collections remain in line with the strong performance in 1H20.
- We have expanded into all states and are now actively working with 136 law firms.
- We expect to receive US$23.0m (A$33.6m) from the existing book, and these funds are likely to be fully collected in the next 24 months.
- We have excellent visibility with US$3.6m (A$5.3m) profit yet to be recognised under AASB9, and a steady pipeline of disbursement funding opportunities.
- We are optimistic that shareholders can expect a return to P&L growth from this division for the remainder of the year ahead.

US$'000 (statutory AASB 9)	30 Jun 19 6 mths	30 Jun 20 6 mths	Change pcp
Net Revenue Recognised	2,149	507	(76%)
Other Income	19	26	37%
COGS	(37)	(6)	(84%)
Gross Profit	2,131	527	(75%)
Operating costs	(608)	(451)	(26%)
EBITDA (statutory AASB9)	1,523	76	(95%)

JustKapital Finance - Quarterly Cash Collections



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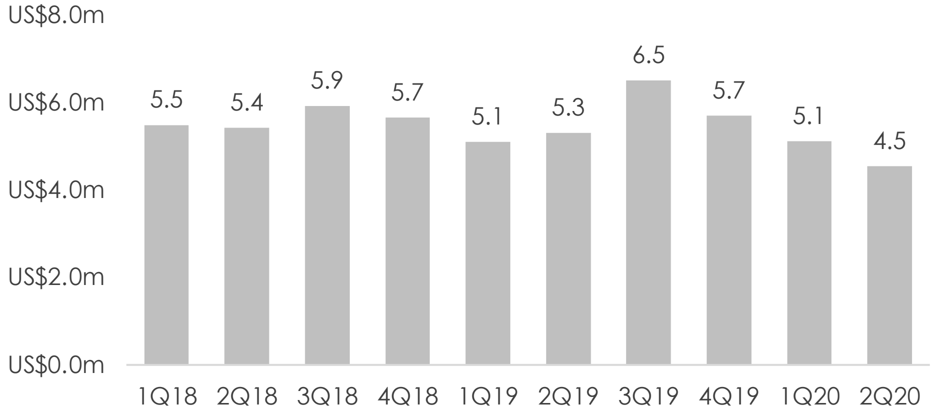
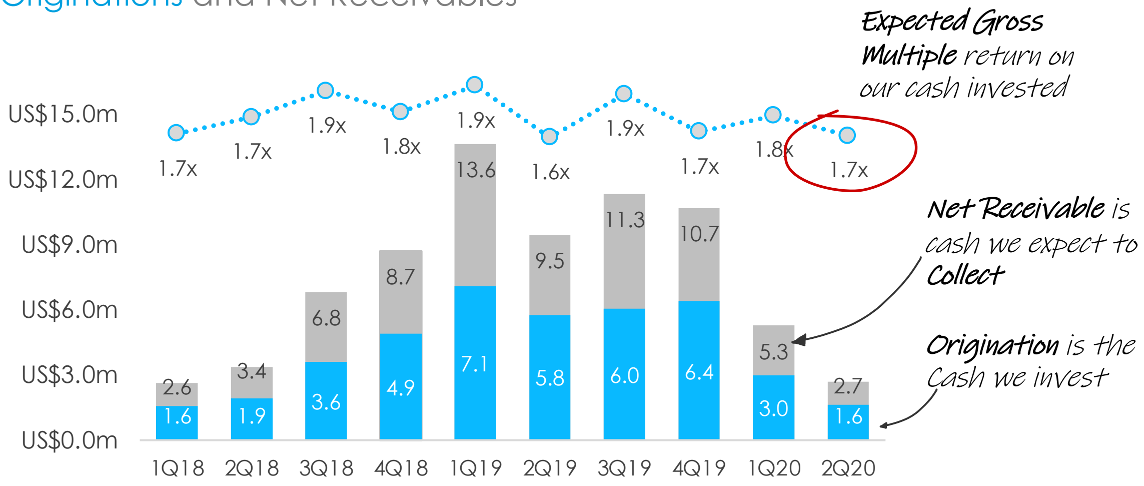
Segments: NHF (US) – trends explained

- The three key metrics for our NHF business are:
  - Collections – this is the amount of money we are recovering from our receivables.
  - Originations – this is the capital deployed to purchase the medical lien (medical expenses) of the accident victim – this is 90% funded by our financing partner Atalaya.
  - Growth in Net Receivables – cash we expect to receive from future Collections.
- The expected gross multiple is based on the cash collection less the origination costs (we aim for 1.65x).
- In the June 2020 quarter, NHF's Quarterly Cash Collection profile of US$4.5m was impacted by COVID-19.
- We expect to materially improve NHF's average collection period. We estimate there is US$78.5m of cash to be collected on the current book of Net Receivables and our aim is to collect the majority of this over the next three years.
- We have expanded into a number of states that appear to be collecting quickly even though the cash on cash return is lower than NHF's long term average collection rates.





Segments: NHF (US) – NHF Growth and Success

ER Concierge

ER Concierge is a new program. In collaboration with selected hospitals, we have implemented procedures to quickly assess and approve motor vehicle accident victims for funding. This gives immediate access to critical healthcare that the victim may not otherwise be able to afford due to limited or no health insurance coverage.

- A pilot program has been in operation in one hospital and we are now operating in two hospitals.
- We are currently in negotiations or at the contract review stage with a number of significant US hospital groups to expand beyond the two existing sites.

New Originations

Since the merger with NHF we have worked extensively on the new originations pipeline. This has been done in conjunction with a stricter vetting procedure and assessment process. These efforts have yielded some very pleasing results.

We have enjoyed significant growth in one new state and three others are targeted for the second half of FY20.

We are ready to fully implement the strategic marketing plan once the economic dislocation caused by COVID-19 stabilises. There is sufficient headroom in the existing facilities to capture this growth.

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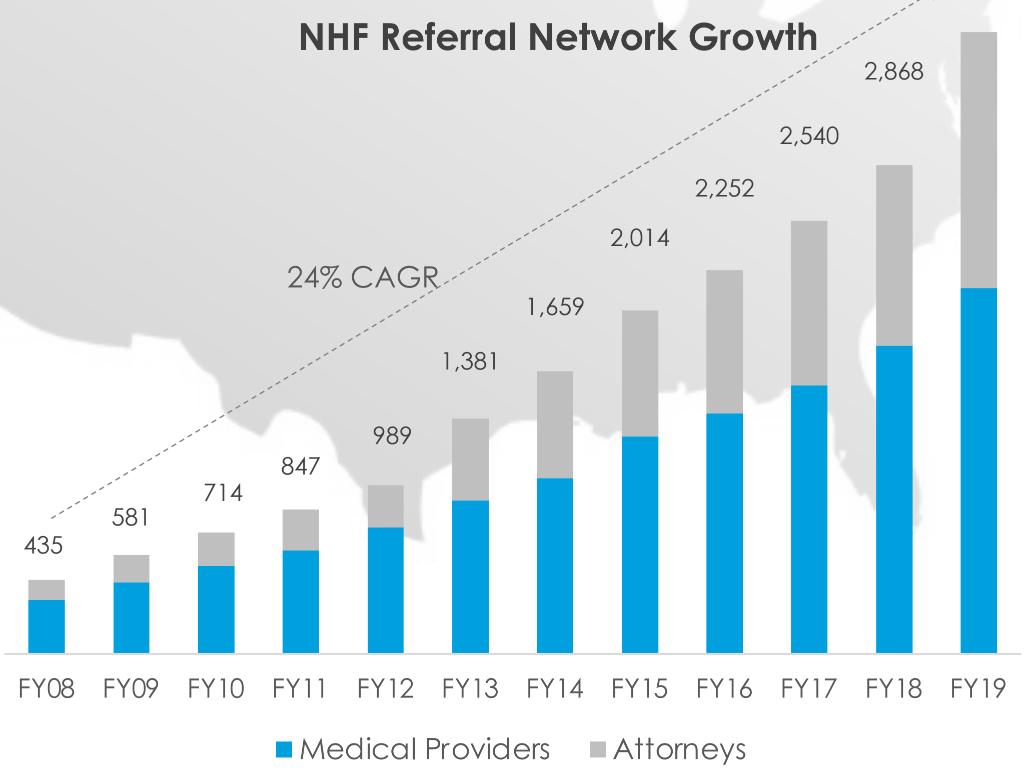
NHF opportunity

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

- NHF has been operating for 20 years and is one of the five largest personal injury financiers in the United States.
- NHF operates in a large accessible market created by an underfunded and complex US healthcare system.
- The deployment of technology platform Netsuite has allowed management to harness NHF's referral network of 3,600+ medical specialists and 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.

Estimated Market Size
~US$15.8 billion[1]



[1]Estimated 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 of which we assume 5% are viable for 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 patient care.
- Ensures timely payment to medical providers.
- A physician can independently testify in legal proceedings as payment for his or her services is not directly linked to the case outcome.

Attorneys Benefit

- Assists attorneys to obtain medical care for clients.
- Removes "gap in care" and resulting delayed treatment which can be used to reduce the value of the victim's claim.
- Accordingly, assists with maximising the value of the victim's claim.
- Access to a strong referral network with medical providers.

Victims Benefit

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

Network (attorneys & medical providers) identify accident victims who are not at fault with claims against insured wrongdoer

NHF approves the case and funds medical cost until the victims' claims are resolved and paid

NHF funds up to 30% of the expected claim value, with 90% of this funding provided by its financer

96% of cases are successful with proceeds distributed to victim, attorney and NHF

The NHF proceeds are used to repay financer (plus interest) with the balance retained as profit

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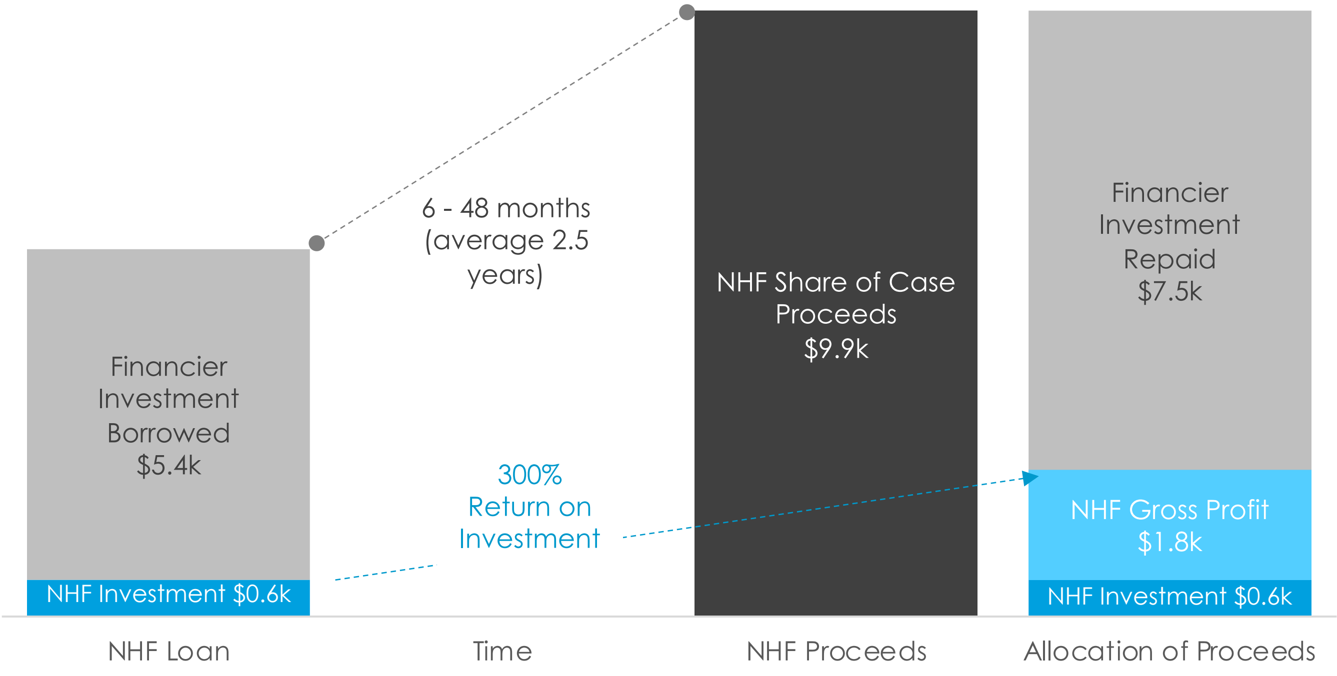
NHF – strong risk adjusted returns

- The model is well established and, for victims with less comprehensive or no healthcare and insurance coverage, forms an integral part of the US healthcare system.
- Due to the nature of these funding opportunities, the return on NHF's investment may be extremely high.
- The existing receivables book is earning an estimated 23% annual interest rate equivalent after losses (~1.65x funds invested).
- The average payback period on funds invested can range between less than 12 months and up to 4 years (equity IRR 30%+). This depends in which US-jurisdiction (State) the funding takes place.

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



Litigation Funding (Australia) *– in run-off*

The Litigation Funding operations are in run-off with an expected completion date of FY21.

This division funds fees, including legal costs and disbursements, associated with large-scale litigation.

The Directors made the decision to wind down these operations as litigation funding is unpredictable, requires significant capital and has become more competitive in Australia.

- Net proceeds to the Group are expected to be A$20.4m (US$14.0m) if all remaining cases are successfully resolved, expected to be received in next 12 months.

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Proven management team to drive growth

JustKapital Finance

- ☑ Deployed fully integrated end to end Netsuite system
- ☑ Corporatised target business post-acquisition
- ☑ Introduced robust processes and procedures
- ☑ Developed targeted marketing plan
- ☑ Rollout of business across the country
- ☑ Reduced cost of capital from 13.5% to 8.45%
- ☑ 300% growth in book of receivables post acquisition and pre-COVID-19 (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
- ☑ Currently operates in 22 states, plans for further expansion
- ⏱ Reduction in the cost of capital to NHF is a priority for management in FY20
- ⏱ Targeted growth plan for originations is underway, however, the COVID-19 impact is difficult to assess.

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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	23.0
Total	123.1	133.2	130.1	126.1	112.8	102.7	101.5
FX (AUD/USD)	0.7058	0.7087	0.7020	0.6754	0.6999	0.6155	0.6855

- **Net Receivables** are equal to the gross receivable/claim amount less discounts, time value of money, write offs and credit risk. The Net Receivables are the amount we expect to collect over time.
- 1H20 has been impacted by COVID-19, with Net Receivables reduced by 10% in the half.
- Despite the challenging trading conditions the Group is well placed to take advantage of growth opportunities as COVID-19 restrictions are rolled back.

[1]The reduction in this quarter stems from the write-off of US$18 million of NHF "Back Book" receivables due to conservative collectability assumptions. The Back Book now comprises only 41% of the Company's total Net Receivables.

THANK YOU

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