



ASX Announcement (ASX: LAW)

7 September 2020

### **Investor presentation notice**

Please find attached the presentation to be given by LawFinance CEO, Diane Jones, to investors and shareholders via a live webinar hosted by Reach Markets at AEST12 p.m. on Wednesday, 9 September 2020.

To participate, please register at: [reachmarkets.com.au/meet-the-ceos-9/](https://reachmarkets.com.au/meet-the-ceos-9/)

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# ‘Meet the CEO’ presentation

Diane Jones  
9 September 2020

- To provide alternative working capital solutions that benefit all parties in the legal process
- To consistently achieve operational excellence to support scalability and growth
- To achieve attractive returns with managed risk
- To seize expansion opportunities that will drive growth
- To provide investors with a diversified revenue stream based upon a highly scalable model in a growing industry
- To provide a robust platform for direct investment exposure to the US

LawFinance (ASX-listed: LAW): Leading provider of finance solutions for the legal industry in Australia and the US

- **An Australian market leader** in funding of disbursements (out-of-pocket expenses) for law firms. Repayments of the funded disbursements are not contingent on the outcome of the underlying cases.
- **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.

- LawFinance (formerly JustKapital Ltd) listed on the ASX in March 2015 as a litigation funder
- In March 2016, Diane Jones joined the Group as Chief Operating Officer and Chief Financial Officer and was instrumental in diversifying the offering to provide the disbursement funding solution
- In October 2017, Diane Jones assumed the CEO role and was the driving force behind cementing LawFinance as Australia's leading provider of financial solutions to the legal profession
- In September 2018, the company extended its reach to the United States via the acquisition of leading personal injury medical lien funder, National Health Finance (NHF)
- The company is now focused on actively consolidating its offering in both jurisdictions, whilst continuing to explore diversification of its funding mechanisms

- LawFinance is a leading provider of disbursement funding solutions for legal practices nationally.
- The Australian operations grew from a book of receivables of \$15M to \$40M within three years.
- During this growth phase, the Australian business was corporatised, achieving operational excellence via robust systems that supported scalability.
- The Australian business is now an established provider of disbursement funding to the legal industry.
- The Coronavirus has created operational challenges over the last half year. However, we are starting to see dramatic improvements with originations (sales) in July and August showing a 50% improvement over the average monthly originations achieved during 1H20.
- We expect stable growth of our receivables book over the short and medium term.

- Disbursement funding is well-aligned to support small to medium-sized personal injury law firms that seek growth without cash flow implications
- Our funding solution enables cases to progress without being obstructed by the need to finance third-party costs upfront
- The deferred payment structure provides certainty as to the cost, with no complicated calculations leading up to settlement. Common disbursements funded include medico-legal and all other independent expert reports.

LawFinance's business model is beneficial to each party:

**Lawyers:**

- Releases working capital constraints
- Enables cases to move forward quickly
- Increases the number of cases a law firm can actively manage (without cash flow implications to the law firm)
- Provides more cash flow flexibility
- Facilitates growth
- Reduces administration costs

**Clients:**

- Assists clients unable to pay for the out-pocket expenses of their case.
- Enables cases to progress quickly
- Without funding for the disbursements, some claims are not able to proceed



- National Health Finance (NHF) boasts established financial returns
- Access to a large receivables facility to support growth.
- Its growth trajectory/ scalability is supported by established, and proven, methodologies that achieve operational excellence.
- Robust processes and procedures that have successfully been applied in Australia have been systematically integrated to streamline business operations.
- The active involvement of the Australian management team has contributed to a positive cultural shift, consolidation of industry experience and business agility.
- NHF provides exceptional growth potential, with strong risk adjusted returns.

- The company acquires a medical lien over the treatment invoices associated with personal injury cases (largely resulting from motor vehicle accidents) from medical providers and hospitals, and realises a return on these invoices upon case settlement.
- NHF is one of the top five largest providers of financing solutions for personal injury victims throughout the US
- NHF has a significant referral network of medical practitioners and legal firms.
- The company provides access to medical treatment for the injured party, liquidity to medical providers and a reduced administrative burden to the case lawyers.
- NHF addresses a substantial unmet need that is beneficial to each party involved in a personal injury claim.
- NHF plays a crucial role in the US healthcare system by which injured parties can obtain the treatment they need and deserve.



## 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.



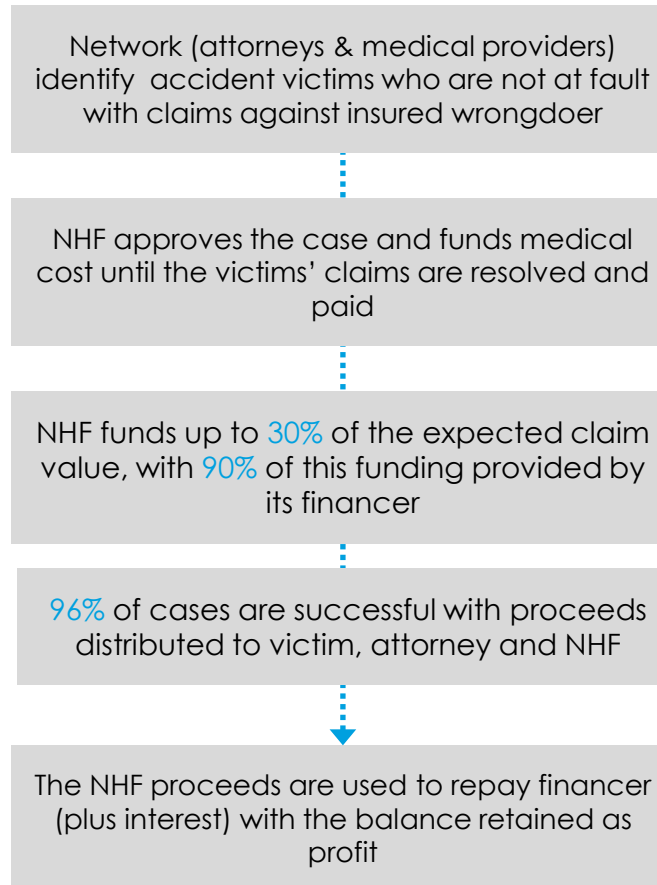
## Attorneys Benefit

- 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

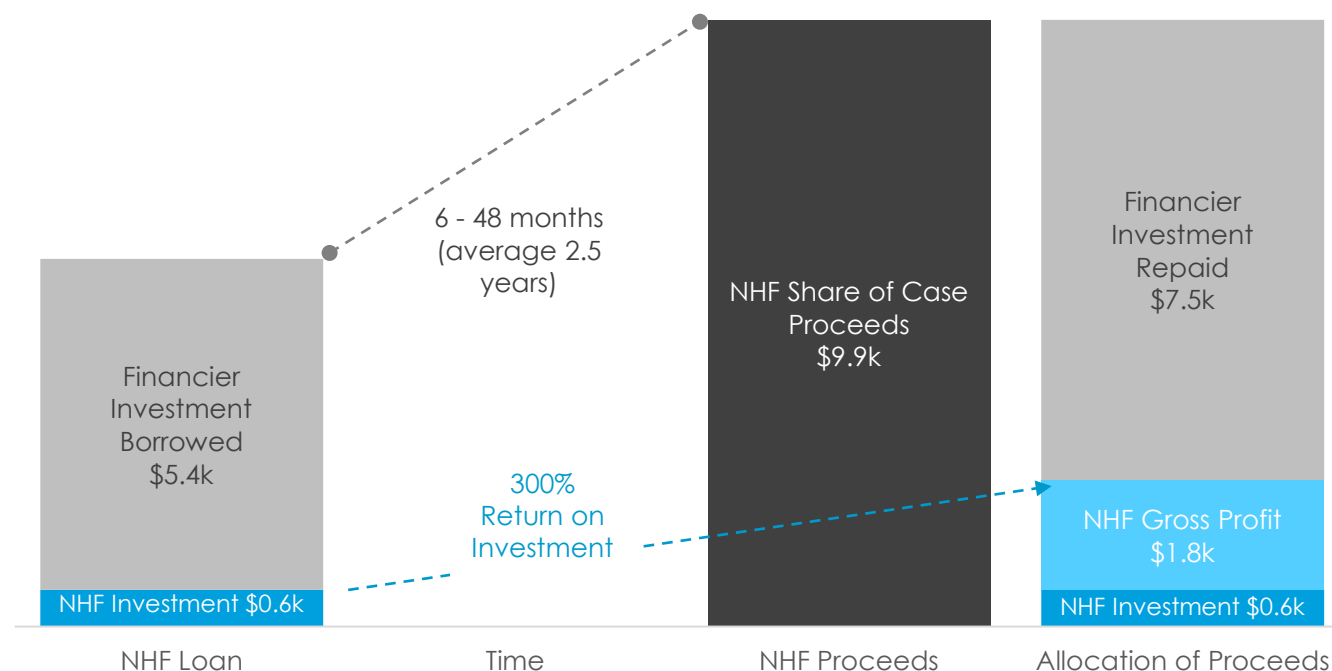
- Provides the victim with a level of medical care they would likely not otherwise receive.
- Avoids delays in obtaining necessary medical care.
- Provides the victim with the opportunity to achieve improved compensation for their claim.
- Enables victims to access premium care without the need for personal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



## 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



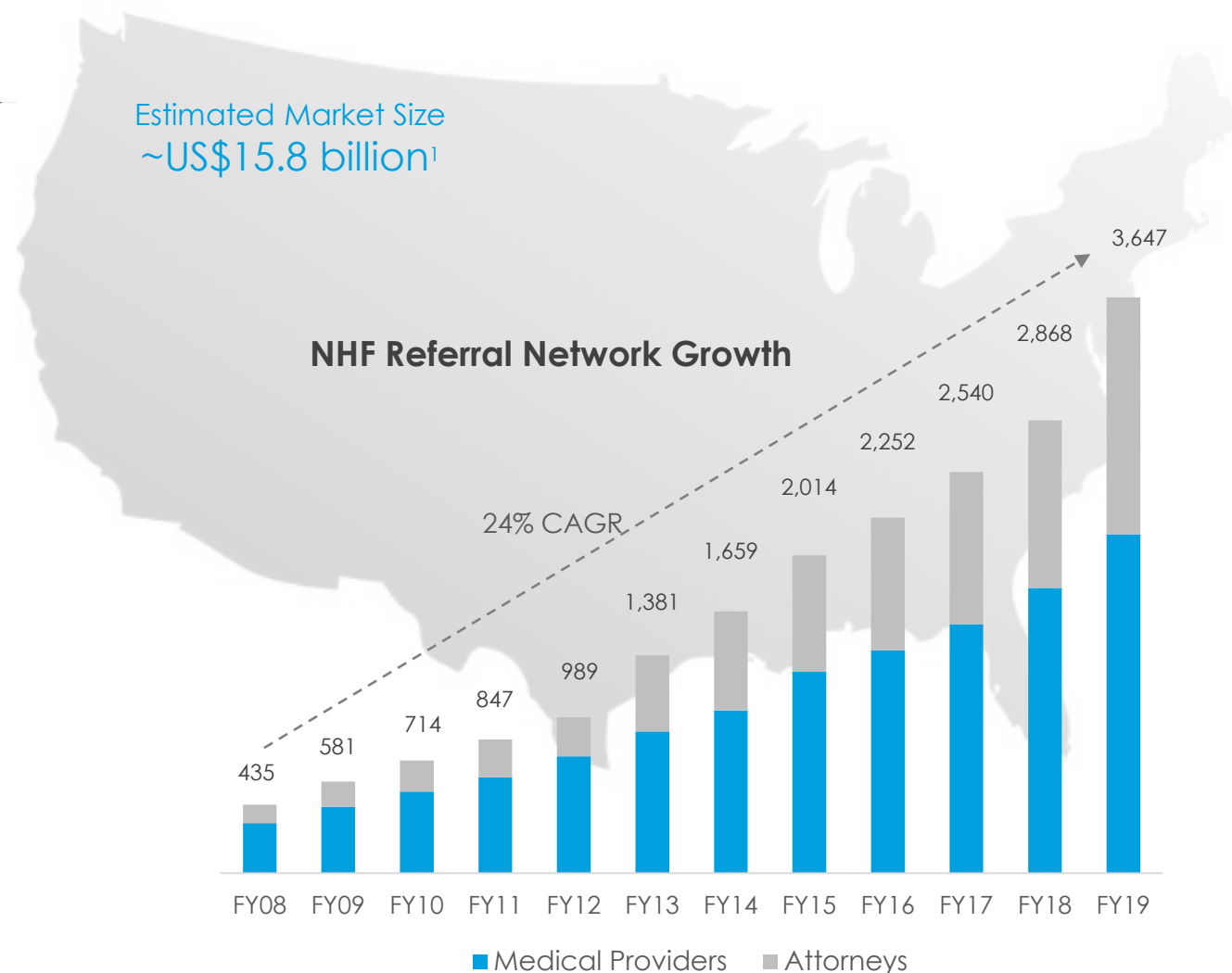
## CURRENT STATE OF PLAY

### AUSTRALIA

- Stable growth, established market share and industry recognition as an established provider of disbursement funding to the legal industry

### UNITED STATES

- NHF boasts established financial returns and a large receivables facility to support growth. It is currently active in 22 states, with scope for material market expansion through further penetration of existing states and expansion into new regions.
- NHF represents substantial scalability (currently servicing less than 1% of the addressable market)<sup>1</sup>



<sup>1</sup>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 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.

## WHY WILL WE BE SUCCESSFUL?

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- US growth plan for originations in train, to replicate past growth achieved in Australia (300% growth in book of receivables post acquisition of Australian business)
- Proven, and stable management team with strong collaboration across jurisdictions
- Proactive overhead and capital management
- Seamless processes and business operating systems
  - Robust procedures
  - Fully integrated end-to-end IT system
  - Centralised reporting and control
- Targeted sales and marketing activity.

- Coronavirus has impacted operations since March 2020, both originations and cash collections. We are starting to see improvements in Australia and expect improvements in the US over the coming 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
- IFRS9 does not presently align cash flow with profitability. This will improve over the collection life-cycle of our receivables(~ 3 years).
- Despite the challenging trading conditions the Group is well placed to take advantage of growth opportunities as COVID-19 restrictions are rolled back.

Growth opportunities to escalate shareholder value:

- Attractive returns whilst managing risk
  - Australian operations
    - Invest in an established Australian business unit that is focused on sustainable growth
  - United States operations
    - Gain direct exposure to the US, in a developing asset class, traditionally limited to fund managers and institutional finance providers
    - Access to market opportunities with substantial growth potential
- Association with a financier that actively provides a service for the community (assists lower socio-economic demographic)
- Align with a progressive firm dedicated to identifying alternative funding solutions that address the legal professions' current and emerging requirements



THANK YOU

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