



ASX Announcement (ASX: LAW)

30 July 2021

Quarterly Activities Report – June 2021 Quarter

The Board of LawFinance Limited (“**LawFinance**” or “**the Company**”) is pleased to report that the restructuring of LawFinance was successfully completed during the quarter and the Company now has one US centric operation, National Health Finance (NHF) which provides medical lien funding for personal injury victims across 22 US states.

June 2021 quarter KPI and commentary:

- **Cash Collections (case related) - US\$3.0 million.**

Cash collections have remained quite stable in 2Q21 in comparison to 1Q21 as the US emerges from the worst impacts of COVID, as vaccination rates continue to rise. Courts are re-opening but still face backlogs which need to be addressed in the post COVID world. Throughout the quarter under review, insurers have continued to use COVID as a mechanism to slow settlement cycles and reduce settlement offers but we are seeing signs that this may be starting to abate with the re-opening of the various jurisdictions in which NHF operates across the US.

- **Originations¹ - US\$0.8 million.**

NHF commenced its “re-entry campaign” in late May focusing on rebuilding existing relationships and general market awareness following the recapitalisation of the group. These efforts produced an encouraging commencement to originations in June (\$0.6 million), with expectations that will increase to target levels before the end of 2021.

Operational overview

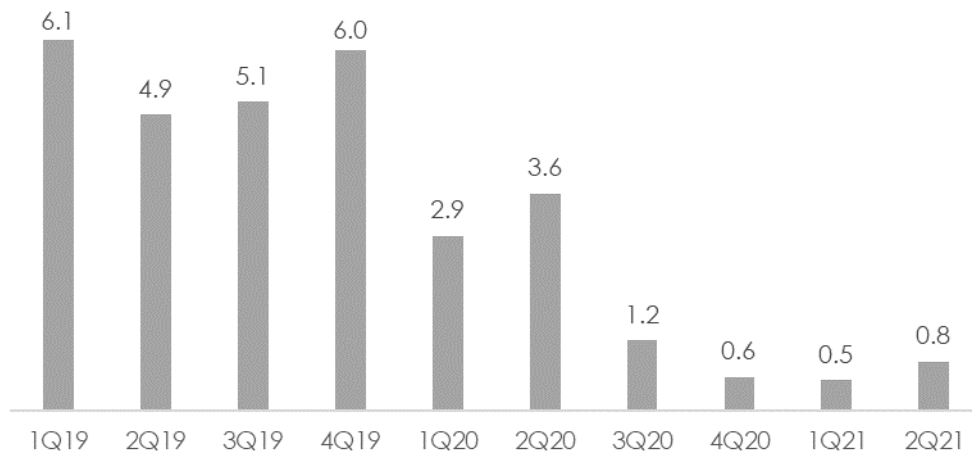
Originations

The new funding relationship commenced with Partners for Growth (PFG) in late May is proceeding well. PFG have already funded four bi-monthly borrowing bases to date which is sending a key “go to market” message regarding the cadence and reliability of funding.

The opportunity to grow the NHF business is as significant as ever as COVID has placed many US health institutions into difficult financial positions, and the Company is now well positioned to assist in solving the liquidity needs for these institutions. The Company is currently assessing several larger one-off opportunities, which include the funding of hospitals in key strategic jurisdictions.

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

Medical Receivables Originations (in US\$m)



Cash Collections

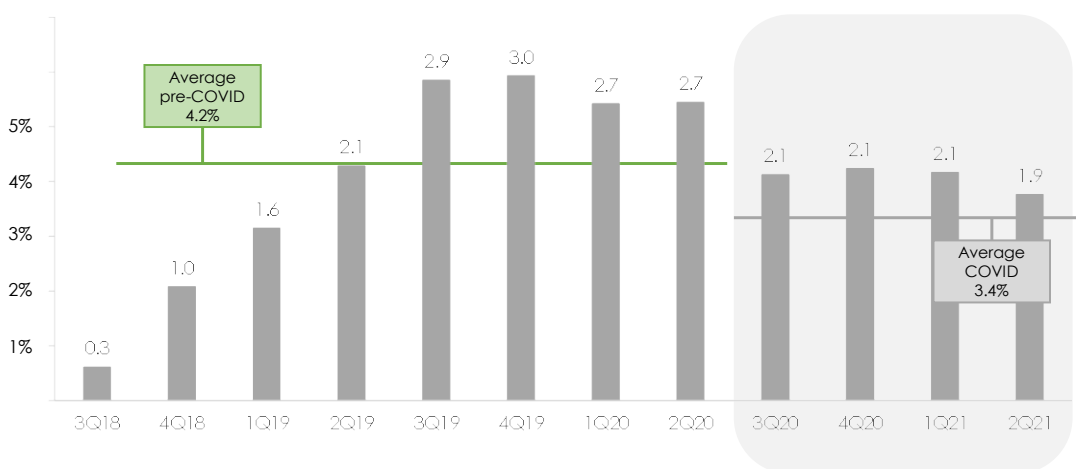
The NHF portfolio is managed as two separate sub-portfolios funded by different funders. The legacy portfolio is funded by Efficient Frontier Investing (EFI) and is comprised of receivables that are in various stages of litigation to mature receivables in their final stages of their settlement cycle (**EFI portfolio**). The growth portfolio now funded by PFG is the focus of growth initiatives currently being undertaken by the team at NHF (**PFG portfolio**).

Cash Collections (PFG portfolio)

In 1H21, claim settlements were still impacted by disruption to court activity as a consequence of COVID. The speed of the easing of these impacts has varied from state to state, however, the situation is improving.

Despite these impacts, quarterly cash collections have tracked in line with the Borrowing Base as depicted below.

Quarterly collections and collections as a % of the PFG Book (COGS)
In US\$m



The overall impact of COVID on recovery rates in terms of cash-on-cash multiple has been significant reducing from 1.61x (pre-COVID) to the current level of 1.38x. Insurers continue to slow settlement cycles and propose lower settlement offers due to the inactivity of the court systems and the need from the

injured victims' perspective to obtain their settlement proceeds. The resultant impact has been an overall reduction in the cash-on-cash multiples being achieved by NHF.

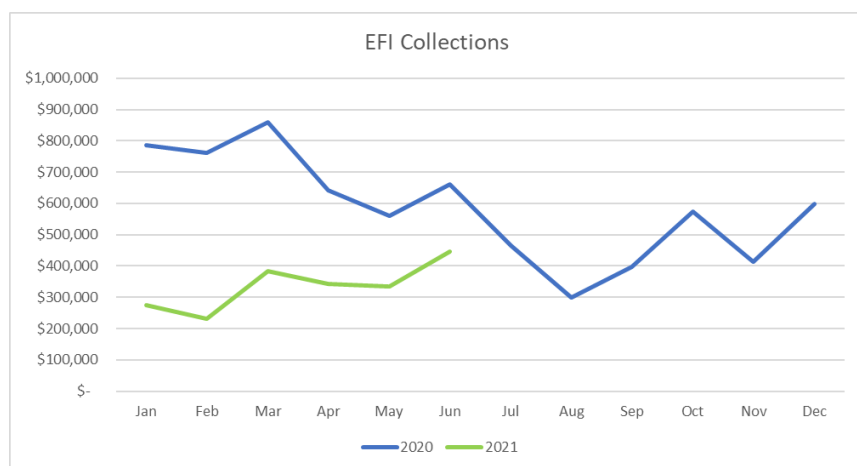
The expectation is with the US re-opening, these cash-on-cash multiples will start to recover and return to pre-COVID levels over the upcoming quarters.

Cash Collections (EFI portfolio)

EFI monthly recoveries improved in 2Q21 in comparison to 1Q21, however, the average monthly recoveries continue to fluctuate in line with the composition of the portfolio being in part, in various stages of litigation and in part, mature receivables nearing the end of their respective settlement cycle.

Overall collections will have variability in relation to timing and quantum based on recoveries from the various litigations in this portfolio.

The EFI portfolio currently maintains an LVR in the mid 70% range.



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\$176,000 to related parties for salaries and directors' fees paid to executive and non-executive directors. There were no other payments to related parties.

Authorised by:

The Board of Directors

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