



ASX Announcement (ASX: LAW)

28 October 2021

Quarterly Activities Report – September 2021 Quarter

The Board of LawFinance Limited (“**LawFinance**” or “**the Company**”) is pleased to provide the following quarterly update.

September 2021 quarter KPI and commentary:

- **Cash Collections (case related) - US\$3.8 million.**

Cash collections have improved in 3Q21 in comparison to 2Q21 as the US continues to re-open post the impact of COVID. Courts are re-opening but are still experiencing delays as they continue to manage through the backlog. All signs are pointing to returning to a level of normalcy that was experienced prior to the onset of the pandemic.

- **Originations¹ - US\$0.9 million.**

NHF continues to re-engage with its deep network of contacts across the various jurisdictions where NHF has achieved past success and is optimistic about the overall market prospects. The pipeline continues to build and the larger bulk purchasing opportunities are progressing well. These signs are encouraging, and the Company is focussing on executing upon these opportunities in the upcoming quarter, to underpin originations in the second half of the year following completion of the restructuring and capital raise processes at the end of the first half of the year.

Operational overview

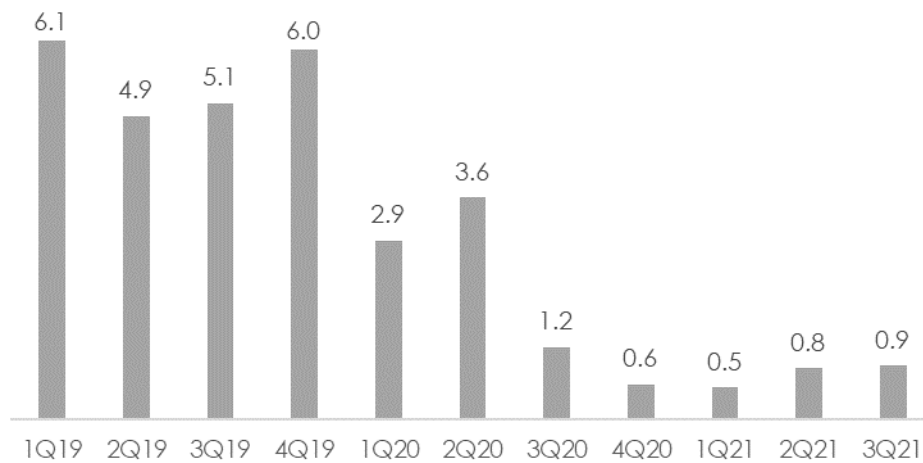
Originations

The Company is pleased with the strong relationship being forged with its new senior lender, Partners for Growth (PFG). The Company believes it is well placed with PFG as its financing partner to support implementation of its strategic growth plans.

The opportunity in the market continues to grow as NHF develops more strategic relationships in its core financing jurisdictions. NHF has evaluated several bulk purchasing opportunities (“**Elephant Opportunities**”) and is in negotiations for a significant acquisition in the largest state in the US, as detailed later in this update.

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

Medical Receivables Originations (in US\$m)

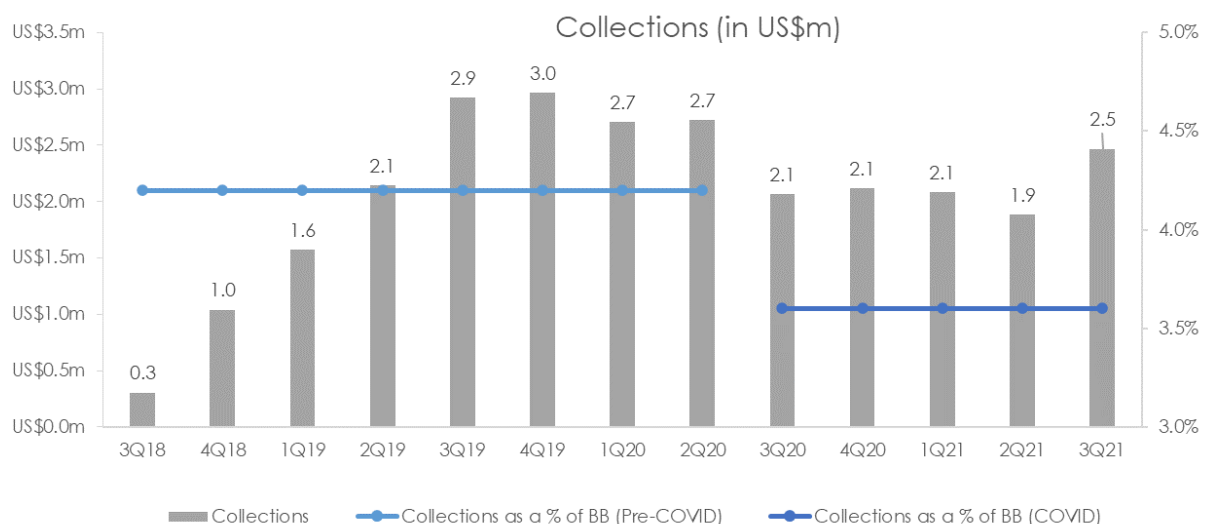


Cash Collections

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)

Cash collections have improved over the previous quarter, with quarterly cash collections having increased to an average of 4.5% of the Borrowing Base in Q3 which is above pre COVID levels. This Q3 increase has driven an improvement in the overall average collections during COVID impacted period to 3.6% of the monthly borrowing bases.



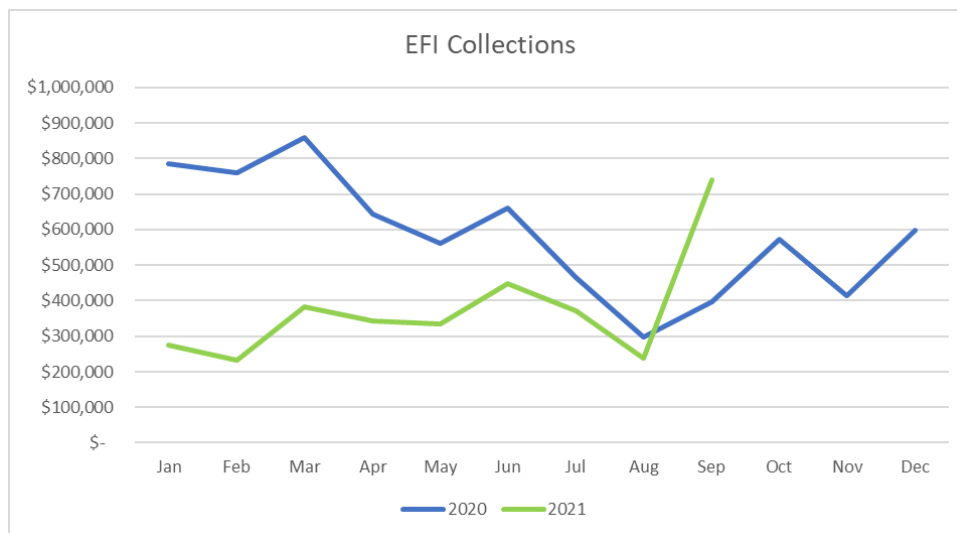
The overall impact of COVID on recovery rates in terms of cash-on-cash multiple has been significant reducing from 1.61x (pre-COVID) to the current level of 1.34x. Insurers continue to slow settlement cycles and propose lower settlement offers which has had a resultant impact on the overall reduction in the cash-on-cash multiples being achieved by NHF.

NHF expects these cash-on-cash multiples to recover and return to pre-COVID levels over the upcoming quarters. Returns increased from Q2 to Q3 by approximately 2%.

Cash Collections (EFI portfolio)

EFI monthly recoveries dramatically improved in 3Q21 in comparison to 2Q21, 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.

The EFI portfolio currently maintains an LVR of around 70%.



Update on “Elephant Opportunities”

The Company continues to simultaneously focus its efforts on (re)establishing recurring funding relationships through NHF’s network of medical providers and attorneys as well as sourcing and negotiating “Elephant Opportunities” that are larger in nature and typically have a longer sales cycle.

These opportunities present NHF with exciting prospects for the remainder of 2021 and leading strongly into 2022:

- In final stages of negotiations and contract review with pure-play medical lien imaging portfolio (largely MRI). Deal size estimated to be more than \$5m and, if successful, would be acquired progressively in late Q4 2021 and early Q1 2022.
- NHF has commenced a detailed initial financial assessment of a bulk portfolio of c.\$5m that is diversified across multiple treatment types and jurisdictions with active discussions underway as to terms; seller desires to complete transaction on/before 1 December 2021.
- Ceased M&A discussions with profitable medical lien servicing and acquisition business post initial due diligence.
- Implementation of our ER Concierge services for two hospital groups progressing. Indiana hospital group (two locations) outsourced contract review to a third party due to a conflict of



interest with in-house counsel which has delayed timing until Q4 2021. The other hospital group (five locations in CA, IL and TX) is expected to make a decision in late Q4 2021.

- Joint venture with two (non-lien) partners that would acquire Hospital/ER paper that would otherwise be funded by public healthcare insurance progressing. Potential that trial program (AZ) may slip to Q1 2022 due to external delays.

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\$141,000 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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