



ASX Announcement (ASX: LAW)

15 December 2021

## Trading Update

LawFinance Limited (“LAW” or the “Company”) today provides an update on the progress of the trading conditions.

### Collections

Collections on the PFG Book have been in line with expectations for the 2021 calendar year of c.3.7% of historical cost of the book per month.

### Returns on collections

The returns on collection have been consistently improving in recent months, with returns increasing in both October and November versus the September quarterly activities report. This trend appears to be sustainable as expected settlements (i.e., where the settlement has been agreed but the funds not yet received) show continued improvement.

### Corporate and operating expenses

The 2021 financial year has been marked by high one-off costs such as redundancy costs and expenses related to the restructure and capital raising. The first cost savings programme has now been completed with expected savings of more than \$600k p.a. A second cost savings programme is now underway and will be communicated to shareholders early next year. These cost savings programmes continue to reduce our break-even point and position us for positive cashflows earlier.

### Originations

Originations since the restructure and capital raising have been lower than expectations. A large part of the reason is that medical service providers (“MSPs”) showed reluctance to return their business to NHF after it failed to meet their expectations during the 2019 and 2020 period. The new management team is regaining their trust, which is expected to yield more business in the year ahead. In the meantime, significant progress has been made with new relationships that are delivering positive flow.

In July 2021, Michigan implemented a law change in relation to motor vehicle accident (“MVA”) healthcare costs which has severely impacted the financial viability for MSPs to continue to treat victims of MVAs on a medical lien basis. Since these law changes took effect, we have not acquired medical receivables in Michigan and will only do so where there is clarity on the application of the new law in settlements. Michigan comprised c.30% of our business.

### Outlook

The originations pipeline has been growing strongly in the last six weeks as we focus on recurring business with leading MSPs. The PFG Book is expected to be around \$17 million at year-end but, with in excess of \$100 million of paper under active review (at face value) and our access to significant levels of funding, our target of critical scale is within reach.



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