



ASX Announcement (ASX: LAW)

28 January 2022

Quarterly Activities Report – December 2021 Quarter

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

December 2021 quarter KPI and commentary:

- **Cash Collections (case related) - US\$2.1 million.**

Cash collections were lower in 4Q21 in comparison to 3Q21, primarily due to delays experienced in releasing funds from the settlement of Michigan claims. We expect this temporary Michigan bottleneck to be resolved in 1Q22. Courts are generally functioning despite some delays as they continue to manage through the backlog of cases caused by COVID in 2020/21, and the emergence of the Omicron strain which is impacting workforces. Pleasingly, recovery rates in terms of cash-on-cash continued to recover to 1.42x in 4Q21, above the average for the year to 3Q21 of 1.34x.

- **Originations¹ - US\$1.2 million.**

In December 2021, originations reached their highest level for a single month (US\$0.7 million), in the period following the restructuring and capital raise processes at the end of the first half of 2021. These increasing originations reflect the conversion of “new” recurring funding relationships, which we expect to continue to grow into 2022. The pipeline continues to build and the larger bulk purchasing opportunities are progressing with a new large portfolio opportunity identified in 4Q21 which is current being pursued. While the growth in originations has taken longer than hoped to execute, the signs are encouraging for the Company as we take momentum into 2022.

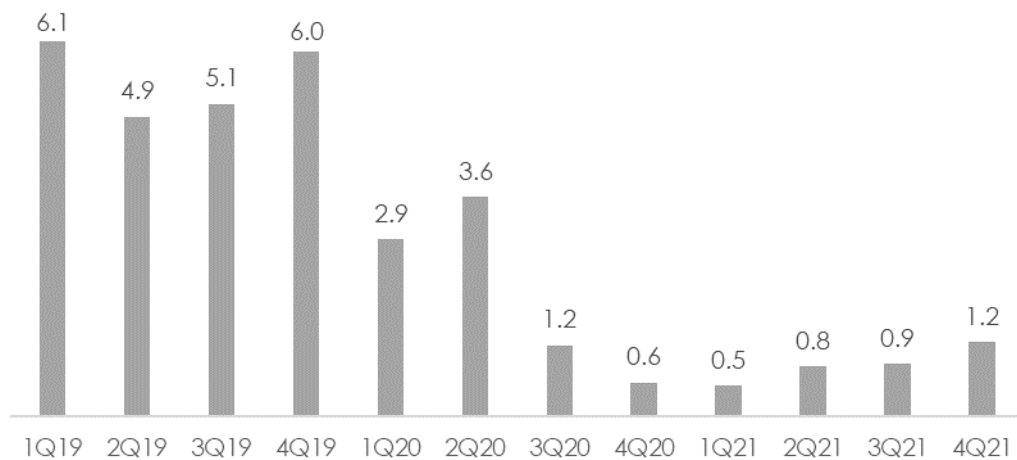
Operational Overview

Originations

The opportunity in the market continues to grow as NHF develops more strategic relationships in its core financing jurisdictions.

¹ Originations: This is the new cash funding deployed for the purchase of medical receivables.

Medical Receivables Originations (in US\$m)



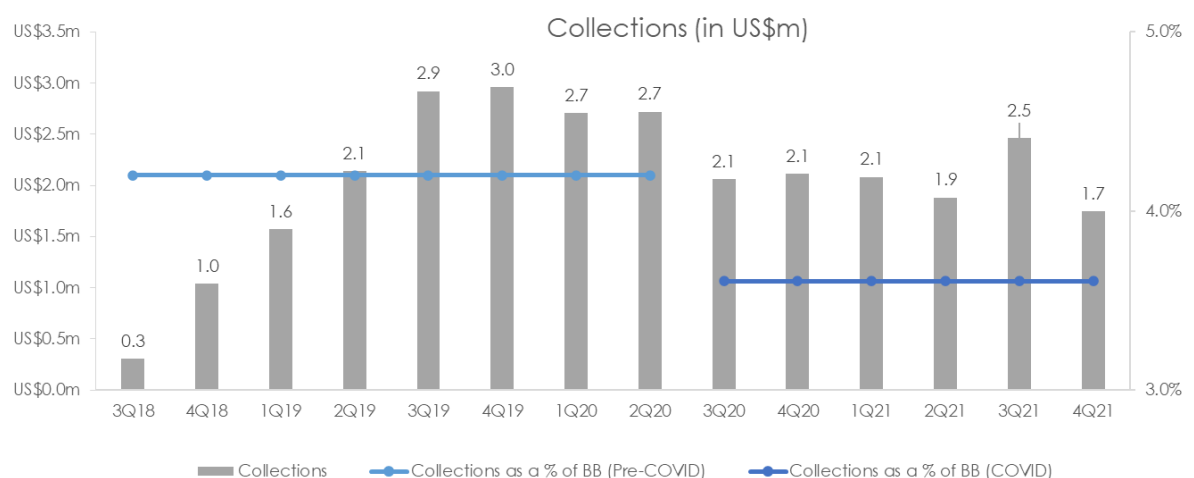
Cash Collections

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 declined in 4Q21 as receipts from the settlement of Michigan claims were delayed due to action taken by another funder to two key medical service providers (**MSPs**). We expect this bottleneck to be resolved in Q1 2022 and the proceeds of Michigan claims to recommence flowing to NHF.

Despite this delay in the receipt of Michigan claim proceeds, Q4 collections were 3.4% of the monthly borrowing bases, which was slightly below the overall average collections during COVID impacted period (3.6%).



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 1.36x (Average for 2021). Insurers continue to

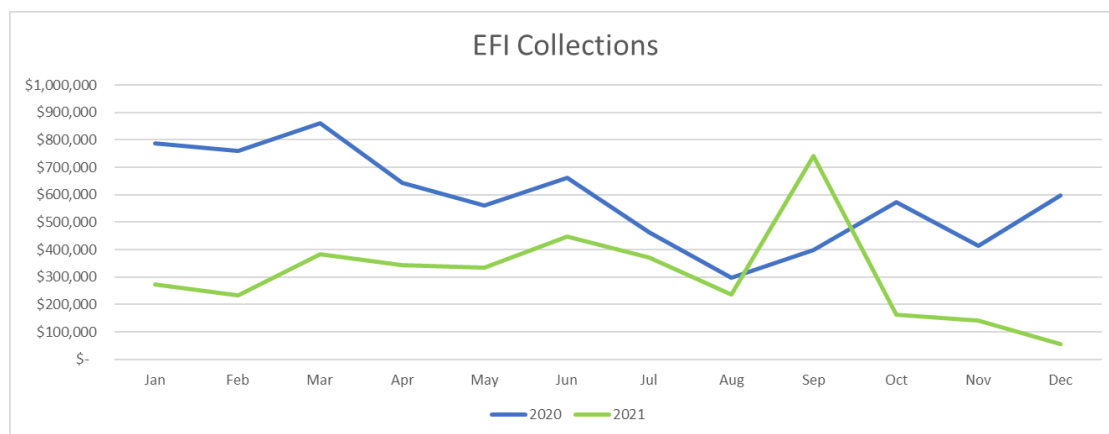
slow settlement cycles and propose lower settlement offers which has had a resultant impact on the overall reduction in the cash-on-cash multiples being achieved by NHF.

NHF expects these cash-on-cash multiples to continue its recovery to pre-COVID levels over the upcoming quarters. Returns increased from Q3 to Q4 by approximately 9%.

Cash Collections (EFI portfolio)

EFI monthly recoveries were poor in 4Q21 in comparison to 3Q21, due largely to the bottleneck experienced in Michigan, which we expect to resolve in 1Q22. In addition, 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 72%.



Update on Origination Pipeline

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 larger opportunities that typically have a longer sales cycle.

- As announced to the market on 22 December 2021, NHF executed definitive agreements with one of the largest hospital systems in the state of Indiana to implement National Health Finance's ER Concierge programme. This represents strong progress in NHF's strategic progress in its strategic priority of growing hospital originations and which provides several opportunities and benefits:
 - Exclusive and early access to victims of motor vehicle accidents;
 - ER medical receivables are valuable;
 - Allows the hospital system to become compliant with Medicaid/Medicare regulations; and
 - Puts National Health Finance in a strong position to capture follow-up treatment.
- NHF re-engaged talks with a pure-play medical lien imaging portfolio (largely MRI) out of California. The deal size is estimated to be more than US\$8m (COGS) and, if successful, it is expected the deal will close in 1Q22.
- NHF is in final negotiations with a new MSP with acquisitions expected to commence by the end of January 2022. The MSP is the owner of a multi-disciplinary medical facility offering MRIs,



surgery, consultations, anaesthesiology, toxicology and lab work. Monthly originations are projected to exceed US\$500k per month. NHF is currently performing background checks and interviews with local attorneys in the area.

- NHF is undertaking due diligence on a c.US\$35m (COGS) portfolio containing letters of credit/letters of protection located in multiple states, mostly in Georgia.
- Joint venture with two (non-lien) partners that would acquire Hospital/ER paper that would otherwise be funded by public healthcare insurance is progressing well. This venture has the potential to offer NHF significant financial upside. Pilot programme with a hospital system in the Phoenix area is expected to commence in 1H22.

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\$141,063 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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