

30 November 2016

ASX Announcement (ASX: JKL)

Chairman's AGM Address

Good morning ladies and gentlemen, and welcome to the 2016 Annual General Meeting of JustKapital Litigation Partners Limited.

I'd like to outline some of the Group's key highlights for the financial year ending 30 June 2016 and up to when we last provided a market update on the Group on 28 October 2016. We have copies of the 2016 Annual Report available for those shareholders who would like them as well as the recent market update provided on 28 October 2016.

Disbursement Funding:

- (a) The Macquarie Medico Legal business was acquired by JustKapital on 22 January 2016. The Macquarie Medico Legal business now forms part of JustKapital's disbursement funding business. The combined gross revenue growth generated by the disbursement funding division post-acquisition in the 2016 financial year was approximately 18%.
- (b) JustKapital secured a \$20M debt facility for its disbursement funding business, including the Macquarie Medico Legal business. As at 30 June 2016, \$10.4M had been drawn down under that facility, with the balance of the facility available to finance future disbursements as that business grows.
- (c) We hired an experienced General Manager to head up the disbursement funding business, Mr Anthony Hersch. Anthony has been tasked with growing this division, both in terms of product offering and geographically. He is approaching this task with great determination and we are seeing the results of these efforts through the sales growth being achieved.
- (d) Management remains excited by the growth prospects of the disbursement funding business and has targeted sales growth of around 30% in the 2017 financial year, with an earnings before interest and tax target of \$5M from this division.
- (e) In the market update on 28 October 2016 we advised that sales growth of 15% had been achieved in the disbursement funding division over the previous quarter and that the division is on track to achieve EBITDA of \$5M in FY2017.

Litigation Funding:

- (f) In FY2016 the joint venture with Longford Capital in the USA was finalised. Longford is a large, well respected and resourced litigation funder that has successfully funded a significant number of cases in



the USA. The joint venture enables JustKapital to grow its portfolio in a strategic and disciplined manner. As at 30 June 2016 we were co-funding two cases with Longford.

- (g) In March 2016 we hired our new Chief Operating Officer and Chief Financial Officer, Ms Diane Jones. Diane's experience in the litigation funding industry and with growth companies is immense. She is now also our Company Secretary. Since joining us, Diane has been updating our internal systems and processes, including implementing a new accounting system which went live on 1 July 2016. She is across all of our business divisions and if any shareholder has any query reach out to Diane and she should be able to assist you.
- (h) Since 30 June 2016 JustKapital has purchased a portfolio of cases, again diversifying the litigation funding portfolio. Longford has advised that it wishes to co-fund these cases and we are presently finalising the co-funding documentation.
- (i) As at 30 September 2016 the litigation funding division was funding nine cases with a claim value of \$1.9M. Further, we expect to fund an additional two cases in this quarter.
- (j) Due to the nature of litigation it is not possible to predict the timing of the completion of a case with accuracy, and therefore we are not able to provide any guidance on this division. However, the Group expects that at least one case will conclude in FY2017.

Insurance Broking:

- (k) In the September quarter we established two new operating divisions within the Group. Firstly, the Insurance Broking division which places adverse costs order insurance, or "After The Event" or "ATE" insurance, on behalf of litigants with underwriters.
- (l) We have hired Mr James Walker to be the General Manager of this division. James has in excess of 30 years' experience as an insurance broker and is probably the pre-eminent insurance professional in Australia specialising in the ATE area.
- (m) We expect the insurance broking division to be EBITDA and cash flow positive in FY2017. However, as this is a new initiative we have not provided any targets for this division.



Short-term Finance:

- (n) In the September quarter we also established the Short-term Finance division as an adjunct to the Disbursement Funding division. Again, we expect this division to be EBITDA positive in FY2017 although, as a new initiative, we have not provided any targets for this division.

Corporate:

- (o) Since 30 June 2016 we have issued \$5M in convertible bonds, with a conversion price of \$0.30 and an interest rate of 11.5%.
- (p) We also arranged a short-term finance facility of \$5M with an interest rate of 13.5% on amounts drawn down (plus a line fee of 3.5%).
- (q) The Directors and I believe that following all of these initiatives we have now laid the foundations for a very successful, growing and diverse financial services company.

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