

28 October 2016

ASX Announcement (ASX: JKL)

Market Update

The directors of JustKapital Litigation Partners Limited (JKL) are pleased to provide an update on its businesses as at 30 September 2016.

Reaffirm Guidance

The Board advises that its first quarter FY2017 results are in line with its expectations and reaffirms its guidance given on 30 August 2016 that:

1. The disbursement funding division is on target to achieve revenue growth of approximately 30% and EBITDA in excess of \$5M.
2. The litigation funding division is likely to achieve its first settlement in FY2017.

The JKL Group now has 4 operating divisions, with the establishment of the insurance broking division and a short-term finance division.

Litigation Funding Division

The principle activities of this division is the funding and management of litigation. The Group currently has 9 cases which are funded and under management. An overview of these cases is attached as Appendix A.

During the quarter the Group purchased a portfolio of 5 cases (announced on 11 July 2016) and reviewed a number of additional cases. The Group's joint venture partner, Longford Capital, has agreed to co-fund the portfolio of 5 cases (subject to documentation).

The pipeline of potential cases remains strong and as a result of detailed due diligence it is likely the Group will agree to fund 2 additional cases in the December quarter.

Due to the nature of litigation it is not possible to predict the timing of the completion of a case with accuracy, however, the Group expects that at least one case will conclude in FY2017 as cases B, C, G and I have trial dates set in FY2017 (as detailed in Appendix A).

Disbursement Funding Division

This division funds the out of pocket expenses of legal practitioners and incorporates the Macquarie Medico Legal business (MML) which operates mainly in the personal injury area. MML also procures funded expert medical reports for lawyers and their clients.

Gross revenue in the disbursement funding division for the quarter was \$4.3M growing 15% (quarter on quarter). The gross trade receivables as at 30 September 2016 were \$22.1M (up 8% from \$20.4M as at 30 June 2016). This division produced EBITDA of \$1.1M for the quarter and based upon the growth experienced during the quarter, is on track to produce EBITDA in FY2017 of +\$5M.

Insurance Broking Division

This division provides insurance broking services for adverse costs order insurance. This division was established during the quarter with the hiring of experienced insurance broker James Walker. Since establishing this division it has been commissioned to place 4 policies. This business is expected to be cashflow and EBITDA positive in FY2017.



Short Term Finance Division

This division is a new initiative as an adjunct to the disbursement funding division and provides short term working capital finance to law firms. During the quarter the Group has committed \$1.3M in short term finance (agreements with a duration of less than 12 months). The division is expected to be EBITDA positive in FY2017.

Corporate

The Board is pleased with the prospects of all divisions.

The Company's capital management over the balance of FY2017 will include a mixture of the following:

- Further draw down's under the Group's financing facilities to fund the disbursement funding division (\$20M facility of which \$8.5M was available at 30 September 2016);
- Reimbursement from Longford for its share of the investment in the portfolio of cases (circa \$3M inflow to the Group);
- A new short term loan facility of \$5M which has been arranged by Lucerne Investment Partners to fund working capital in all divisions (presently being documented); and
- The anticipated funds received from the successful completion of cases in the Litigation Funding division.

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