



An introduction to
 **LAWFINANCE**

(previously JustKapital Limited JKL.ASX)

October 2018

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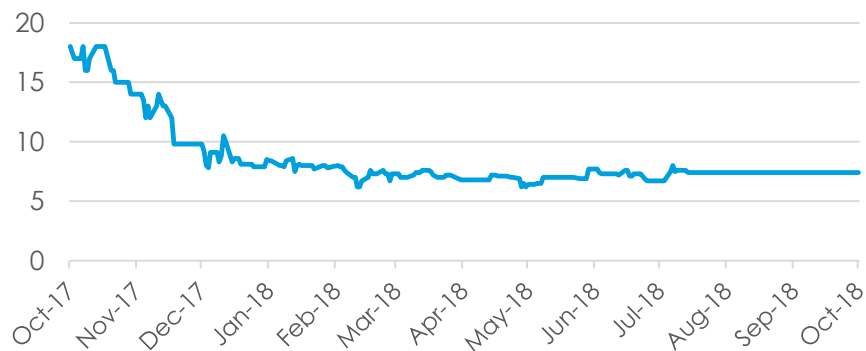
- 93,750,000 new Shares will be issued under the Placement at an issue price of A\$0.08
- 56,250,000 new Shares will be issued under the Rights Issue at an issue price of A\$0.08 plus the current shares on issue of 147,933,598 shares and the Founder's shares of 215,097,403 new Shares issued at an issue price of A\$0.08
- Warrants exercisable at A\$0.14 before October 2022 and 1.5m Options exercisable at A\$0.25 before January 2019
- Market Capitalisation – VWAP as at close of trade on 19 July 2018, being the date the Company's shares were voluntarily suspended from official quotation being A\$0.074 for 147,933,598 shares currently on issue and assuming an issue price of A\$0.08 for 93,750,000 new shares relating to the Placement and an assumption of 56,250,000 shares relating to the Rights Issue and 215,097,403 new Shares to be issued to Wattel and Siegel (in aggregate) as part of the purchase price for the Transaction.

Company Summary (JKL.ASX)

Capital structure (post Rights & Placement)²

Share Price (TERP) ¹	\$0.08
Fully paid ordinary shares ²	513.0m
Warrants / Options ²	454.2m
Market Capitalisation ²	\$40.2m
Cash	\$11.6m
Drawn Debt (as at 30 June 2018)	\$180.7m

Price Chart (1 year - cents per share)



¹ Theoretical ex-Rights Price (TERP) based on the average of: pre-existing shares on issues and the close of trade on 19 July 2018 (being the date JustKapital's Shares were voluntarily suspended from official quotation) and the shares issued at 8 cents under the transaction

² See page 2 of the presentation.

Shareholders

David Wattel	107.6m	21.0%
Mark Siegel	107.6m	21.0%
Washington H. Soul Pattinson (tbc)*	43.8m	8.5%
Lucerne Asset Mgt and associates (tbc)*	44.1m	8.6%
EGP Capital Pty Ltd (tbc)*	31.4m	6.1%
John H Bannister and associates	18.1m	3.5%

* Subject to placement stock received under the underwriting agreement

Board & Management

Tim Storey	Non-Executive Chairman
Diane Jones	CEO, Executive Director
Anthony Murphy	Non-Executive Director
David Wattel	Executive Director
Mark Siegel	Medical Director
Anthony Hersch	Chief Operating Officer
Craig Beatton	Chief Financial Officer

Operating Divisions

An Australian market leader in funding of out-of-pocket expenses (disbursements) and short-term loans for law firms. Repayment for the disbursements funded is not contingent on the outcome of the case.

JustKapital Finance (Australia)

- Funding medical reports
- Funding other out of pocket expenses
- Short Term Loans
- Net Receivables¹ & Short Term Loans: A\$36.8m²

A US market leader in the personal injury medical lien financing industry. Funding medical bills, where the not-at-fault accident victim's insurance claim has not been settled and is subject to litigation.

National Health Finance (USA)

- Funding medical bills through liens
- Managing administration for medical practitioners
- Collating the medical records necessary for a legal case
- Net Receivables¹: A\$131.8m³

In run-off - Funding of all fees and disbursements associated with large scale litigation. Funding agreements signed with plaintiff to share success of outcome.

Litigation Funding (Australia)

- 11 Cases funded
- 4 Cases now externally financed
- 4 Cases settled. Funds received from one case and awaiting funds from 3 cases.
- Expected Proceeds: A\$20.0m (if all cases are successful)

¹ Net Receivables is calculated as total gross invoiced amount (or Gross Receivables) less a provision for un-recoverability or doubtful debts.

² Net Receivables and Short Term Loans as at 30 June 2018.

³ Using an AUD/USD of 0.72

What problem are we solving?



THE PROBLEM

In both Australia and the US, before accident victims can receive compensation from a legal claim, they often incur unfunded out-of-pocket expenses



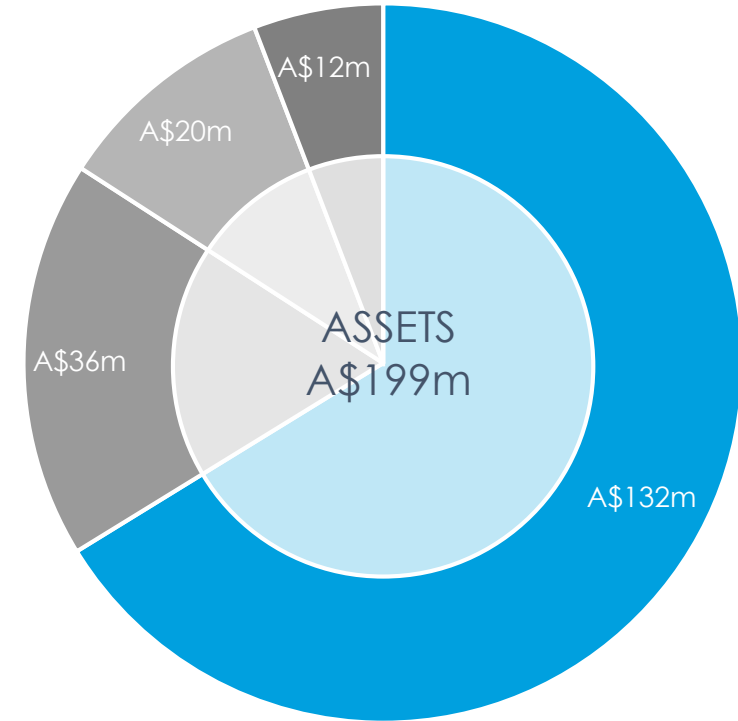
THE SOLUTION - AUSTRALIA

We pay for the independent medical reports and other costs incurred to demonstrate that the accident victim's injuries were sustained during the accident



THE SOLUTION - US

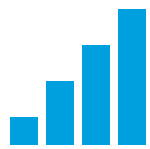
We fund the medical expenses on behalf of the victim that are not covered by their health, accident or other insurance. The medical expenses form part of the victim's litigation claim against the third party insurer



- NHF Net Receivable
- LawFinance Loans & Net Receivables
- Litigation book (expected future realisations)
- Cash



We are one of the market leaders in both Australia and the US. Our services are high margin, acyclical and have limited competition. We have growth opportunities in both jurisdictions



AUSTRALIA - opportunity

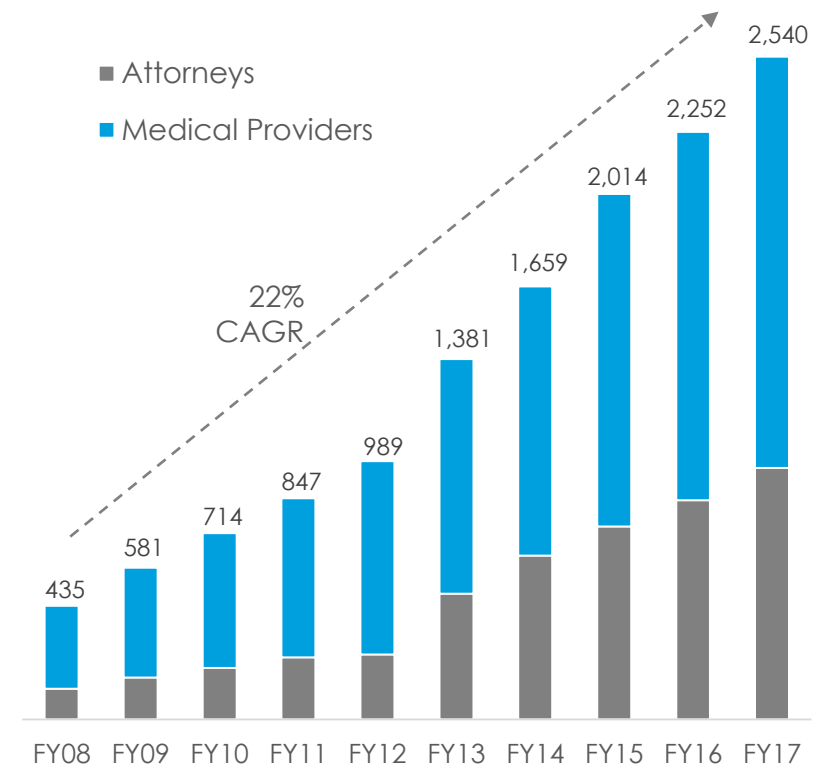
We expect to collect over A\$28m in cash receivables over the next two years from existing accounts. We anticipate steady growth, improving cash generation and there is both the opportunity for transaction derived growth and expansion into ancillary financing services



US - opportunity

We expect to collect over A\$100m in cash receivables over the next three years from existing accounts. In the last five years our network has doubled and we now have access to capital to go after a market that is under-served and has the potential for significant growth

NHF Referral Network





ESTIMATED MARKET SHARE: 16%

MARKET POSITION: Top three

GROWTH: Underserved - addresses US\$20B personal injury claims market



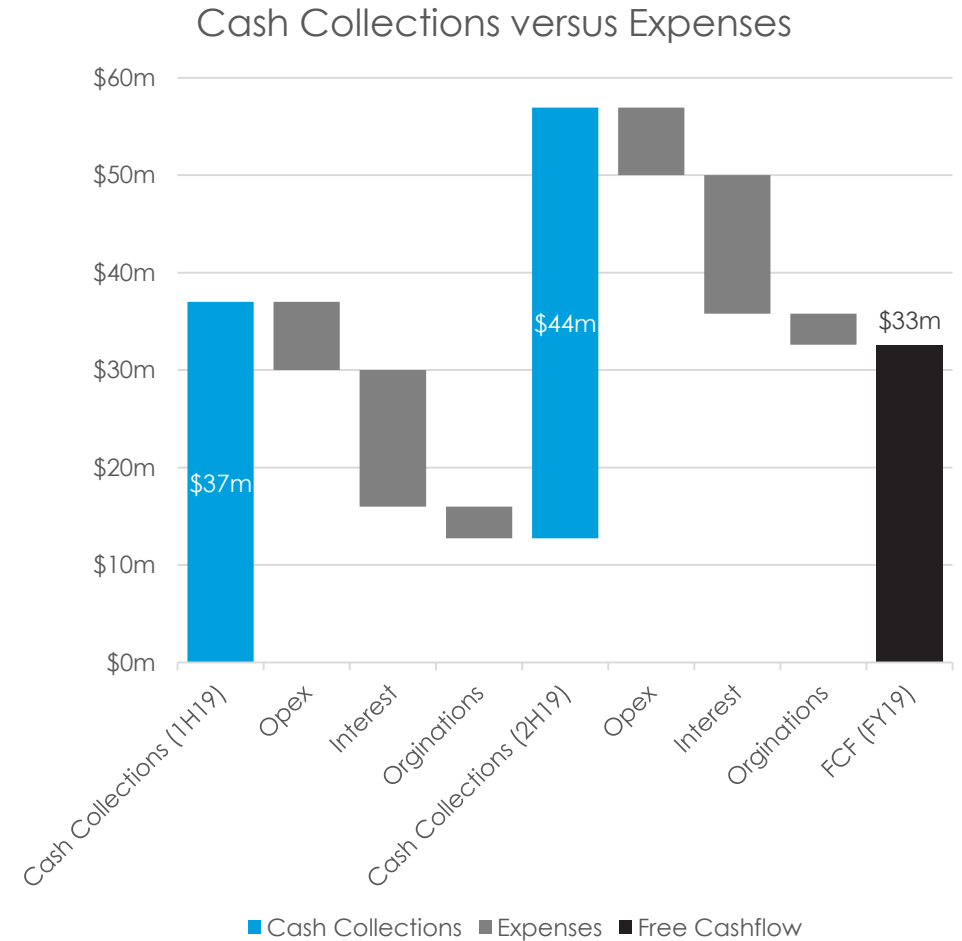
ESTIMATED MARKET SHARE: 35%

MARKET POSITION: Top two

GROWTH: GDP Plus

¹ Net Receivables – this is based on management best estimation of the market size, but due to the lack of transparency or independent analysis this may prove to be inaccurate

- With A\$189m in assets (Net Receivables and Litigation proceeds) to collect in the coming years (<4 years), we expect to enjoy significant cash inflows for the foreseeable future.
- This is well in excess of our operating costs, interest expenses, and costs to originate new business.
- In the coming years, expected excess cash (~A\$33m in FY19) will be used to repay corporate debts, to pay the amortisation of debt on existing financing facilities, with the balance available to repay the Syndicated Acquisition Loan raised to acquire NHF.
- In the medium term we expect to be highly cash generative.



Excludes cash to be collected from litigation funding portfolio.

NHF business model

Illustrative model

Origination cost	100	...our contribution
Receivable funding	900	...debt financing
Cash invested to fund medical costs	1,000	...cash to be invested
Expected Return multiple	1.65x	...return on investment net of provision for losses
Expected Return	1,650	

Cashflow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash collection profile	-	5%	25%	35%	30%	5%
Cash invested	(1,000)					
Cash collected		83	413	578	495	83
Operating costs		(99)	(17)	(17)	(17)	(17)
Interest		(119)	(137)	(103)	(42)	-
Cashflow	(1,000)	(136)	259	458	437	66

SUMMARY

Gross Cash Received	1,650
Costs & Interest	(567)
Net Cash Received	1,083
Debt Repaid	(900)
Net Cash return	183
Our contribution	100
Return on cash invested	83%

- We invest US\$100 and finance US\$900, which is used to pay the medical expenses of the accident victim.
- The victims law firm initiates legal proceedings against the at-fault driver's insurance company for compensation to cover medical costs, other expenses and pain & suffering.
- In most cases the parties settle the claim and on average NHF has enjoyed a 1.77x return on the Cash Invested (we assume 1.65x).
- Cash Collection profile – sometimes cases settle in year 1, sometimes not until year 5 - the sooner the better for the victim and us.
- Overall, using these conservative inputs, NHF makes US\$183 return on each US\$100 invested.
- **By improving the speed of collection and reducing the cost of financing, we expect to be able increase this return.**

NHF's business model is beneficial to each entity that is party to the claim



Medical providers Benefit

- Allows the physician to focus on patients
- Ensures timely payment to medical providers
- A physician's testimony during legal examination can be called into question if payment for services is directly linked to case outcome.



Attorney's Benefit

- Assists attorneys to obtain medical care for clients
- Removes "gap in care" from delayed treatment which can be used to minimise payout of the victim's claim.
- Assists with maximising the victim's claim.
- Strong referral network with medical providers



Patient's Benefit

- Provides the victim with a level of medical care they would likely not otherwise receive.
- Avoids delays in obtaining medical care.
- Provides the victim with the opportunity to achieve improved compensation under their claim.
- NHF enables the patient to access premium care without the need for personal insurance coverage.

Established
1999

Cases
funded
+60,000

Operations
19 states

Peer group valuation








We are the only listed company operating in the US medical lien industry, with most of our US peers financed by private equity. For comparison we have chosen companies in parallel fields (litigation funding) or with similar receivable financing books (debt collection agencies).

Company		Share Price (3 Oct 18)	Market Cap (3 Oct 18)	Net Debt (30 June 2018)	Enterprise Value	Receivables book (30 Jun 2018)	EV / Receivables	Book Value (30 Jun 2018)	Price / Book
Collection House	[A\$m]	\$1.50	205.7	134.5	340.2	311.9	1.1x	206.6	1.0x
Credit Corp	[A\$m]	\$21.38	1,020.0	211.9	1,231.9	513.0	2.4x	286.5	3.6x
Pioneer Credit	[A\$m]	\$3.37	207.4	125.6	333.0	224.6	1.5x	101.7	2.0x
IMF Bentham	[A\$m]	\$2.98	515.4	-39.8	475.6	347.0	1.4x	367.8	1.4x
Litigation Capital	[A\$m]	\$0.91	53.1	-13.8	39.4	13.9	2.8x	25.4	2.1x
Burford Capital (US OTC)	[US\$m]	\$24.25	5,049.8	527.2	5,577.0	1,218.0	4.6x	953.7	5.3x
Average							2.3x		2.6x
LawFinance (post Offer)*	[A\$m]	\$0.08	40.2	172.0	212.2	186.0	1.1x	40.1	1.0x





* Value based on TERP

Integration plan and milestones

Phase 1: next 6 months

-  Financial integration – deploy NetSuite across NHF and merge accounts
-  Appoint key personnel to provide more managerial support
-  Review all existing facility financing arrangements
-  Improve NHF Cash Collections and implement autonomy and automation.
-  Accelerate originations in US and Australia
-  Continue rollout of NHF 3D render product
-  Change Year-end to December and change to US\$ reporting

Phase 2: 6-12 months

-  Complete realisation of Litigation Funding operations
-  Improve existing facility financing arrangements
-  Reorganise financing to include term debt
-  Continue rollout of NHF 3D render product



Appendix

Combined Cashflow forecast

Year to December (A\$'000)

Cashflow From Operations

Receipts from Customers	86,882
Payment to Suppliers and employees	(14,745)
Interest Paid	(20,331)
Interest Received	1,475
Other	(1,109)

Net Operating Cashflow **52,172**

Cashflow From Financing

Payments for Financed New Invoices (Cost of Originations)	(80,495)
Payments for New Invoices (Cost of Originations)	(6,944)
Capital Expenditure	(246)
Proceeds from Litigation Portfolio	18,180

Net Financing Cashflow **(69,505)**

Cashflow from Investments

Proceeds from Borrowings	102,530
Repayments of Borrowings	(73,616)
Interest on HoldCo debt	(8,230)

Net Investment Cashflow **20,683**

Movement in cash	3,350
Opening Balance	22,169

Closing Balance **25,519**

CY19F

- The combined operations are expected to generate cash of over A\$87m in CY19.
- Forecasting A\$52m of positive operating cashflow for FY19.
- Operating cashflow is before originations of new Net Receivables.
- FY19 Receivables Originations across both businesses are forecast at A\$87m, funded via a mix of operating cash flow and debt drawdown.
- Total interest expenses will be more than 3x covered by Operating Cashflow (gross cash flow less operating costs).
- Cash at year end is expected to be higher despite a substantial reduction in Corporate Debt.

Combined Balance Sheet forecast

Year to December (A\$'000)

Current Assets

Cash	25,519
Restricted Cash	1,838
Accounts Receivable (Carrying Value)	186,559
Other	7,138
Total	221,054

Non Current Assets

Goodwill & Other Intangibles	59,391
PPE	506
Total	59,897

Total Assets **280,951**

Liabilities

Accounts Payable	5,481
Debtor Finance (AssetSecure and Atalaya)	164,762
Debt (Syndicated Acquisition Facility, Vendor Loan and other debt)	83,638
Other	2,049

Total Liabilities **255,929**

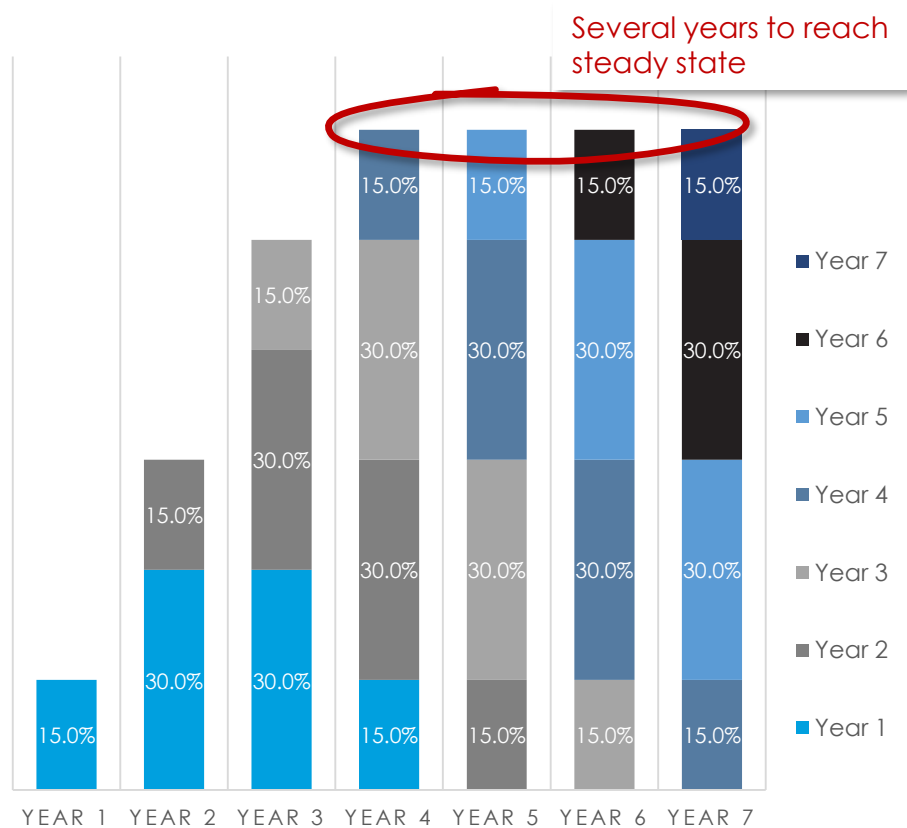
Net Assets **25,021**

CY19F

- Expect Assets to exceed liabilities by A\$25m as at 31 December 2019.
- Headroom available under Atalaya facility for growth.
- Scope for the Atalaya facility to increase a further US\$75m, plus exploring bank debt of US\$50m.
- Excess cashflow and litigation proceeds will be used to extinguish legacy corporate debts.

AASB9 - The problem with profit recognition

Example of how the change to AASB9 impacts profitability in the initial years



In FY19 both NHF and LawFinance would be profitable under historical accounting treatment

New accounting treatment means that we are changing the way profit is recognised to reflect the approximate cash receipts rather than the profit as it is created.

Ultimately this is a positive as it will provide more profit visibility, more stable profits and more accurately match the Cashflow with the P&L.

In the initial years of implementation, as we have no historical profit to recognise, this will significantly impact profitability, albeit with no change to cashflow and therefore the real economics of our business.

We are still working with our auditor to correctly estimate the profit recognition profile, but irrespective of the outcome, for the next couple of years, cashflow not profits will be the better measure of the Company's economics.

LawFinance (Australia) will recognise profits over 2.5 years, we expect NHF to recognise profits over approximately 3.5 years

Rights Issue & Placement Timetable

We are currently completing a:

- A \$7.5m placement fully underwritten by Pitt Capital, a subsidiary of Washington H. Soul Pattinson, at 8 cent per share: and,
- Right Issue (1:1) to existing shareholders to participate on the same terms.
- Our expectation is to raise approximately \$4.5m from the Rights Issue.

Completion of the Transaction (in the USA)	28-Sep-18
Ex Date, Existing Shares trade without Rights attached	2-Oct-18
Record Date to determine Entitlements	3 October 2018 at 7.00pm (Sydney)
Prospectus and Entitlement and Acceptance Form despatched	8-Oct-18
Opening date of the Rights Issue	8-Oct-18
Last date to extend the offer under the Rights Issue	12-Oct-18
Closing Date – last date for lodgement of Entitlement and Acceptance Forms and Application Money	17-Oct-18
Notification to ASX of undersubscriptions	By 22 October 2018 (no later than 3 business days after the Closing Date)
Allotment of new Shares under the Placement; Issue of New Shares and despatch of holding statements for New Shares; Normal trading of New Shares expected to commence on ASX	Upon LawFinance's re-compliance with the requirements under Chapters 1 and 2 of the ASX Listing Rules.


THANK YOU

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