



FY2019 FINANCIAL RESULTS

Investor Presentation

March 2020

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Company Snapshot (LAW.ASX)

Capital structure

Share Price (30/03/2020)	\$0.027
Fully paid ordinary shares	892.7m
Warrants (strike price A\$0.135 per share)	452.7m
Market Capitalisation (30/03/2020)	A\$24.1m
Cash (31/12/2019)	A\$8.3m
Drawn Debt (31/12/2019)	A\$192.6m
Enterprise Value	A\$208.4m

Existing Shareholders (current)

Lucerne Asset Mgt and associates	148.3m	16.61%
David Wattel – NHF founder	107.6m	12.05%
Mark Siegel – NHF founder	107.6m	12.05%
EGP Capital Pty Ltd	80.0m	8.96%

Asset Backing by Division

Asset value

National Health Finance (USA) - Medical Lien Funding	US\$85.0m
JustKapital Finance (Australia) – Disbursement Funding	US\$27.8m
Litigation Funding - Lawsuit Financing (in run-off)	US\$14.0m
Total Group	US\$126.8m
Total Group (AUD)	A\$181.2m

Board & Management

Tim Storey	Non-Executive Chairman
Diane Jones	CEO, Executive Director
Anthony Murphy	Non-Executive Director
David Wattel	Executive Director
Anthony Hersch	Chief Operating Officer
Craig Beatton	Chief Financial Officer
Richard Cruz	Chief Operating Officer - NHF
Sarika Merchant	Chief Financial Officer - NHF

FX assumed in this presentation: AUD/USD: 0.6999 (31 December 2019)

Trading Update – COVID-19

- Demand for our services is not typically economically sensitive. Cash-collections are largely the result of legally based settlements from the at-fault-driver's insurance and the timing is therefore procedural. Nevertheless, we anticipate a slowdown in our cash-collections due to two forces:
 - The slowdown in business activity, including the work of lawyers, and closure/delay of the Courts in many jurisdictions will likely delay settlements occurring in a timely manner.
 - The likelihood that our counterparties (insurance companies) will try to retain cash for as long as possible before releasing it.
- These challenges will prevail in the US and Australia as long as the outbreak remains an extreme threat. This is not expected to erode the value of our assets, but purely delay their monetisation.
- There is likely to be an impact of COVID-19 on our originations in FY20 as the general population isolates, driving their motor vehicles less, with a resultant decrease in motor vehicle accidents. However, there may also be an opportunity as medical providers who do not normally sell their accounts to NHF, may do so for their own liquidity purposes.
- The rising US dollar versus the Australian dollar is beneficial. The majority of our assets are US\$ denominated.
- We are also investigating the opportunities for support by various government agencies in Australia and the US.

Proactive Approach through challenging times

- Like most companies around the world the outlook, in the short-term at least, is unknown. Nevertheless, we expect to be able to trade through the challenges providing all stakeholders play their part.
- In order to ensure the business continues through this period, we have cut overhead costs to a minimum, including requesting deferrals of creditor payments. Significant savings will result from the following initiatives:
 - Management and Board
 - Diane Jones (CEO), and the Board will forgo a salary and fees until July 2020 when these arrangement will be reviewed.
 - All senior executives have agreed to pay-cuts of 25%-50%.
 - Employees
 - 32% of the NHF workforce has been made redundant (16 out of 50).
- Atalaya (US senior lender)
 - A new standstill and forbearance agreement has been signed that will enable the NHF business to continue to operate despite expected future covenant breaches in relation to cash collections.
- AssetSecure (Australian senior lender)
 - Discussions are ongoing in relation to our request to allow the accounts receivables to age without their removal from the eligibility criteria under the facility.
- Syndicated Facility (Australian secured lender)
 - Discussions are ongoing in relation to our request to a standstill and forbearance agreement.

Summary P&L

Year to December (US\$'000)	JustKapital Finance	NHF	Other	Total
Revenue				
Net Income from disbursement funding/medical lien funding	3,252	(4,177)	-	(925)
Other Revenue	30	181	450	661
	3,282	(3,996)	450	(264)
Other Income	-	-	587	587
Total Revenue	3,282	(3,996)	1,037	323
Segment Result	2,127	(404)	10,206	11,929
Depreciation and Amortisation	(129)	(456)	(6)	(591)
Finance Costs	(2,135)	(8,867)	(6,247)	(17,249)
Profit/(loss before) before income tax benefit	(137)	(9,727)	3,953	(5,911)
Income tax benefit				2,811
Loss after Income tax benefit				(3,100)
Foreign currency translation				875
Total Comprehensive Loss for the period				(2,225)

- During the current year the Company impaired US\$8.4 million in receivables (using the amortised cost accounting methodology).
- The impairment was more than offset by a reduction in the NHF Vendor loans of US\$22m.
- The recognition of revenue through the revenue though the P&L was reported at negative US\$4.2 million due to the impairment.
- This compares to US\$22.7 million in cash collections from customers in the NHF business during the period, which is a more accurate reflection of the economics the NHF business.
- In the years ahead we expect the P&L to become more aligned with the cashflow of the group. The change in accounting policy will accelerate this harmonisation in FY20 and FY21.

Balance Sheet

Year to December (US\$'000)	FY18	FY19
Cash	3,696	5,777
Accounts Receivable	96,777	95,314
Goodwill	40,539	40,504
Intangibles	8,784	8,040
Other	10,643	14,932
Total Assets	160,439	164,567
Liabilities		
Accounts Payable	11,649	9,323
Borrowings	130,722	134,958
Other	215	2,547
Total Liabilities	142,586	146,828
Net Assets	17,853	17,739

- The scale of our business has improved significantly and we now have an estimated US\$127m (A\$181m) in cash to be collected from outstanding Net Receivables and the litigation portfolio.
- The vast majority will be collected in the next three years allowing us to substantially reduce corporate debt – used to fund the acquisition of NHF - over the next four years.
- We have headroom of US\$6.6m under the Australian AssetSecure facility and US\$38.4m under the US Atalaya facility, which will allow us to keep growing, despite applying cashflow to reduce our corporate debts.
- In the US, 90% of our origination costs (new loans) are funded by Atalaya. In Australia the entire origination cost is funded by AssetSecure.

Cashflow

(US\$'000)

Dec 2019

Cashflow From Operations

Receipts from Customers	33,060
Payment to Suppliers and employees	(11,772)
Payments for disbursements reports/medical lien funding	(30,015)
Drawdown/Repayment from financing facilities	(5,269)
Interest Received	7

Net Operating Cashflow (13,989)

Cashflow From Investing

Payments for Purchase of Non-Controlling Interest	(5)
Payments for Property, Plant and Equipment	(156)
Payments for Litigation Portfolio	(799)
Net Proceeds from Litigation Portfolio	632

Net Investment Cashflow (328)

Cashflow from Financing

Proceeds from issue of shares	3,499
Proceeds from Borrowings	18,468
Repayments of Borrowings	(1,345)
Interest and fees	(4,116)

Net Financing Cashflow 16,506

Movement in cash	2,189
Opening Balance	3,696
Effect on exchange rate changes	(108)

Closing Balance 5,777

- Our NHF operations are collecting ~US\$5.5m a quarter, but we hope to materially increase this over FY20 by data analysis from new systems (NetSuite) and applying techniques learned from improving collections in Australia.
- The Litigation Funding business is in run-off and as cases settle this operation should generate at least US\$14.0m in cashflow to the Group over the next 12-18 months.

Results Highlights & Change in Accounting Methodology for National Health Finance (NHF)

- The last twelve months has been a transformational for the Company. Management focused on the operational challenges of integrating and operationally improving the very substantial National Health Finance (“NHF”) acquisition. This work has largely been completed and has led to a material improvement in the way the business is managed, and the returns being generated from the capital being deployed.
- Key Highlights:
 - FY2019 total comprehensive loss has improved 80% to US\$2.2 million.
 - Net assets have remained static despite the loss in the period at US\$17.7 million.
 - Cash on hand has improved 56% to US\$5.8 million.
- A preliminary set of accounts was released to the market on 28 February 2020. Those accounts were prepared by the Group using the “fair value through profit or loss” accounting methodology under AASB 9 ‘Financial Instruments’ for both the NHF and JustKapital Finance businesses.
- Following the release of those preliminary accounts, the Group received advice from its external accounting experts that it was more appropriate to use the “amortised cost” accounting methodology under AASB 9 for the NHF business, but to retain “fair value through profit or loss” accounting methodology for the JustKapital Finance business.
- On that basis, the latest financial statements for the year ended 31 December 2019 have been prepared based upon this latest accounting advice using the two different accounting methodologies for the different businesses in the Group.
- This change in accounting methodology will not effect the Cashflow of the group. Management will continue to report on the most important KPIs (with some modifications) which remain the most accurate reflection of the economics of our business.
- The adoption of the new method of accounting is likely to have a positive impact on the Group’s P&L in FY20 and FY21.

Impact of the change from Fair Value through P&L to Amortised Cost - NHF

Extract	31 Dec 19 Preliminary US\$'000	Adjustment US\$'000	31 Dec 19 Restated US\$'000
Revenue			
Net Income from disbursement funding/medical lien funding	(1,640)	(2,537)	(4,177)
	(1,640)	(2,537)	(4,177)
Loss before income tax benefit	(3,374)	(2,537)	(5,911)
Income tax benefit	2,203	608	2,811
Loss after Income tax benefit	(1,171)	(1,929)	(3,100)
Foreign currency translation	875	-	875
Total Comprehensive Loss for the period	(296)	(1,929)	(2,225)

- Despite the amortised cost accounting methodology being used to report the NHF business, much of the economic returns from NHF's originations are not yet apparent in the consolidated statement of profit or loss.

Impact of the change from Fair Value through P&L to Amortised Cost - NHF

Extract of adjustments (US\$'000)	31 Dec 19 Prelim	Adjustment	31 Dec 19 Restated
Current Assets			
Loans and other receivables	28,623	(28,623)	-
Financial assets at fair value through profit and loss	-	12,260	12,260
Financial assets at amortised costs	-	17,236	17,236
Other loans and receivables	-	1,654	1,654
Current Assets adjusted	28,623	2,527	31,150
Current Assets not adjusted	5,942	-	5,942
Total current assets	34,565	2,527	37,092
Non-current Assets			
Loans and other receivables	71,009	(71,009)	-
Financial assets at fair value through profit and loss	-	9,923	9,923
Financial assets at amortised costs	-	55,895	55,895
Other loans and receivables	-	5	5
Deferred tax	9,732	609	10,341
Non-current Assets adjusted	80,741	(4,577)	76,164
Non-current Assets not adjusted	51,312	0	51,312
Total non-current assets	132,053	(4,577)	127,476
Total assets	166,618	(2,050)	164,568
Net Assets	19,789	(2,050)	17,739
Equity			
Accumulated losses	(26,662)	(2,268)	(28,930)
Equity attributable to the owners of LawFinance Limited	21,135	(2,268)	18,867
Non-controlling interest	(1,346)	218	(1,128)
Total equity	19,789	(2,050)	17,739

- The change in accounting will have a 1.2% negative impact on the valuation of our Assets which have been revised to US\$164.6m.
- Despite the amortised cost accounting methodology being used to report the NHF business, much of the economic returns from NHF's originations are not yet apparent.
- The carrying value on the balance sheet does not reflect management's estimates of the realisable value of the accounts receivable, which is US\$113m (the balance sheet carrying value is US\$95M).

Operating Divisions

A US market leader in the personal injury medical receivables 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 (NHF)

Funding medical bills through liens

Remove burdensome administration for medical practitioners

Expected Realisation¹: US\$85.0m

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

JustKapital Finance (JKF)

Funding expert reports

Funding other out of pocket expenses

Expected Realisation¹: US\$27.8m

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)

Cases externally financed

Cases expected to complete in FY2020

Expected Proceeds: US\$14.0m

¹. As at 31 December 2019.

Proven management team to repeat past success

JustKapital Finance

- ✓ Deployed fully integrated end to end Netsuite system
- ✓ Corporatised target business post acquisition
- ✓ Introduced robust processes and procedures
- ✓ Developed targeted marketing plan for go-market strategy
- ✓ Rollout of business across the country
- ✓ Reduced cost of capital from 13.5% to 8.45%
- ✓ 300% growth in book of receivables post acquisition

National Health Finance

- ✓ Deployed fully integrated end to end Netsuite system
- ✓ Corporatised target business post acquisition
- ✓ Introduced robust processes and procedures
- ✓ Developed targeted marketing plan for go-market strategy
- 🕒 Currently operates in 21 states
- 🕒 Reduction of the cost of capital of NHF is a priority for management in FY20
- 🕒 Targeted growth plan for originations is underway, however, the COVID-19 impact is unknown



NHF - the US expansion opportunity

Established
1999

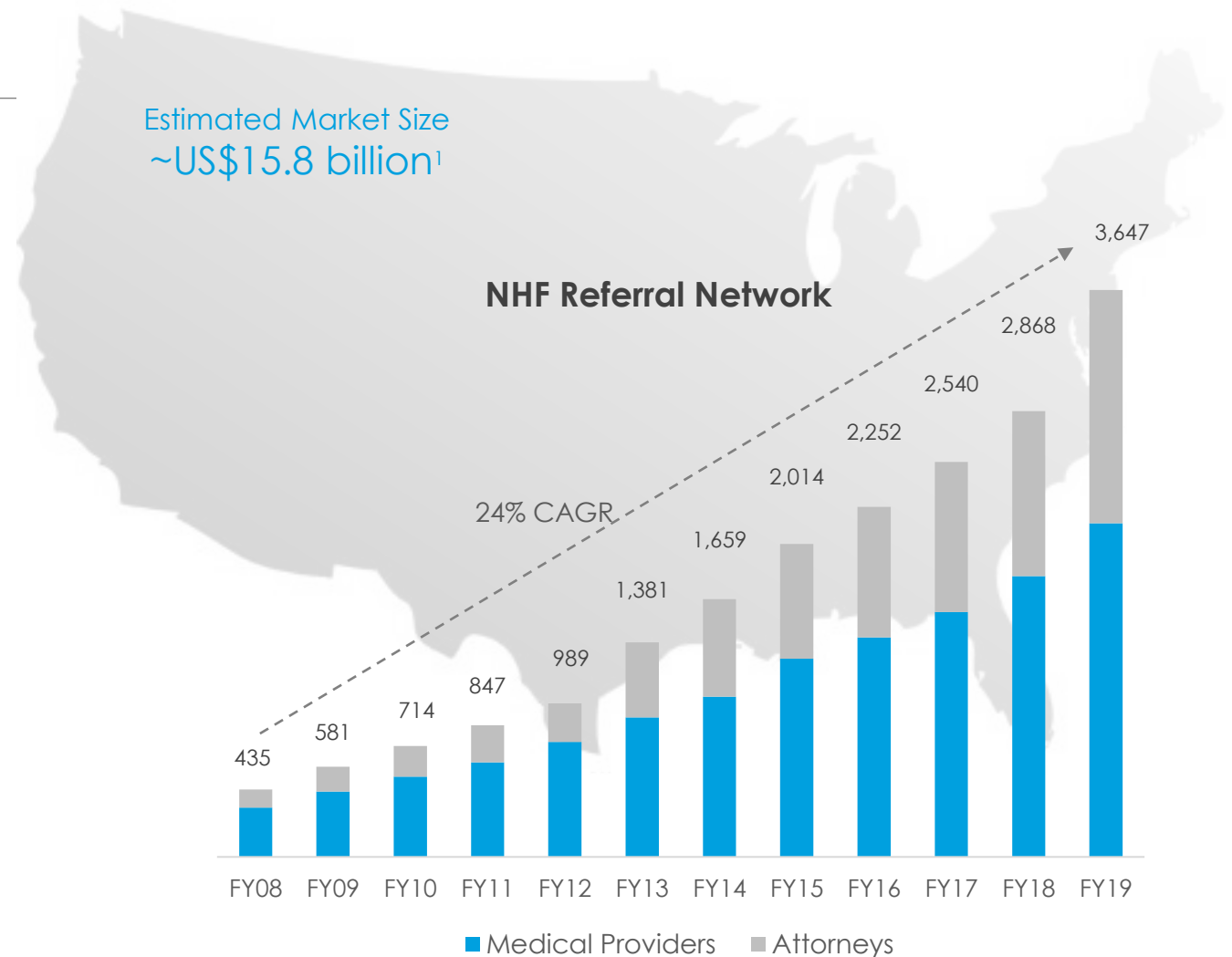
Cases
funded
60,000+

Operations
21 states

NHF opportunity

NHF currently funds less than 1% of the total addressable market and has the internal infrastructure and a relationship network to grow to +5% in the years ahead.

- NHF has been operating for 20 years and is one of the top five largest personal injury financiers in the United States.
- NHF operates in a large addressable market created by an underfunded and complex US healthcare system.
- The deployment of technology platform Netsuite has allowed management to harness its referral network of 3,600+ medical specialists & attorneys and more effectively manage its receivables book.
- After a year of investment, access to further capital allows NHF to better capture the funding opportunity.



¹Estimated market size calculation: 2.35 million people injured in car accidents per year (50% at fault) + 8,000,000 "slip and fall" accidents per year which we assume that 5% of accidents are worth funding multiplied by an average claim size of \$10,000; $((2.35m * 50\%) + (8m * 5\%)) * \$10,000$. Source: Adidem Law.

Executive Summary – The NHF Business

LawFinance (LAW) is a diversified financing business that specialises in personal injury funding in both Australia and the US.

THE BUSINESS

A subsidiary of LAW, National Health Finance (NHF) has been pre-funding the medical expenses of insured motor vehicle accident victims since 1999

NHF recoups its investment from the at fault driver's insurance company at a multiple of the amount originally funded

NHF's funding product provides a positive solution to the victim, the attorney and the medical professional

THE ISSUE

The United States does not have the Australian equivalent of "Medicare"

As a result, many US citizens cannot afford the upfront cost of medical treatment required following an accident whilst waiting for the insurance pay-out

Substantial market opportunity: estimated market size of approx. US\$15.8 billion*

NHF SOLUTION

NHF connects injured parties (who otherwise may not receive treatment) with attorneys and medical professionals

NHF has an extensive network of more than 3,500 attorneys and medical providers

Win-Win-Win: The victim gets treated sooner, whilst the attorney and medical provider get paid sooner

*Source: Adidem Law

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.



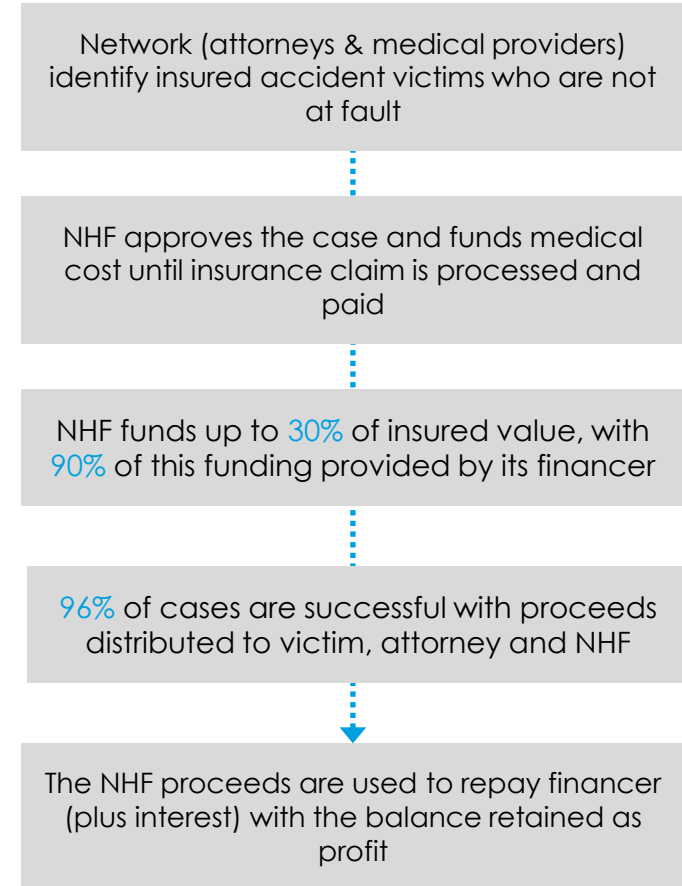
Attorneys Benefit

- 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



Patients Benefit

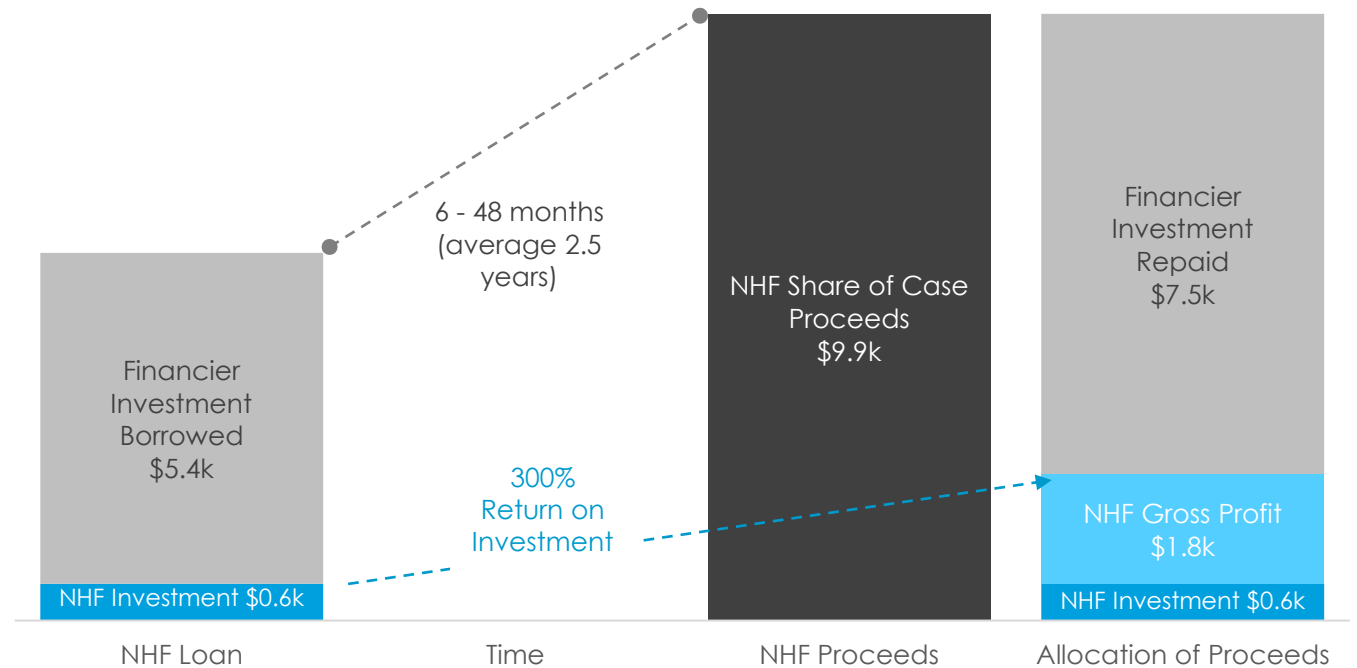
- Provides the victim with a level of medical care they would likely not otherwise receive.
- Avoids delays in obtaining medical care.
- Provides the victim with the opportunity to achieve improved compensation under their claim.
- NHF enables the patient to access premium care without the need for personal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



NHF – exceptional returns with low risk

- The model is well established and, for victims with less comprehensive healthcare and insurance coverage, forms an integral part in the US healthcare system.
- Due to the significant financing available on these funding opportunities, the return on NHF's investment is extremely high.
- The existing receivables book is earning 23% annual interest rate equivalent after losses (~1.65x money loaned).
- The payback on the 1.65x money loaned can range between less than 12 months and up to 4 years (equity IRR 30%+). This depends on which US-jurisdiction (state) the funding takes place.
- After this reorganisation, NHF will have access to US\$35m in available headroom under its US facility.

Example Receivable Funding of \$6.0k to pay medical costs of victim

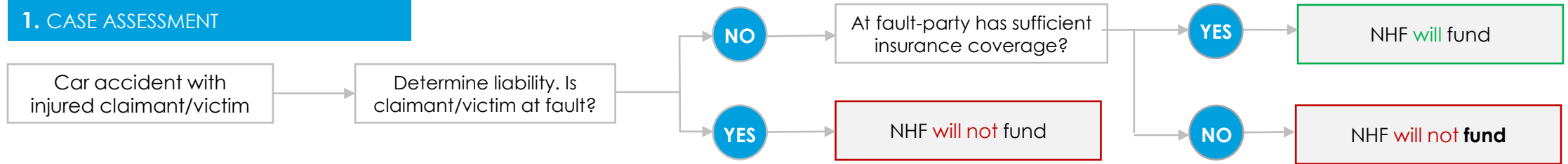




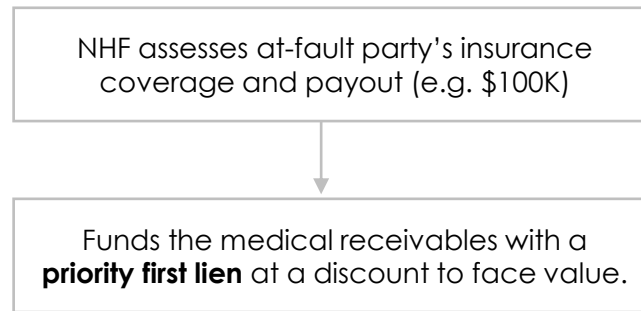
Appendix

NHF Case Assessment

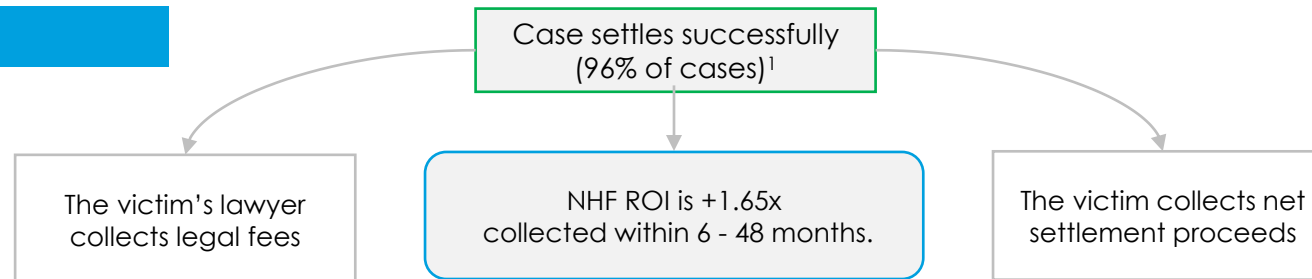
1. CASE ASSESSMENT



2. DETERMINE INSURANCE COVERAGE



3. CASE SETTLEMENT



We expect the average collection time to reduce to 24 months as the New Book replaces the Back Book. This will significantly increase investment returns

Key Performance Indicators – o be updated as a result of change in methodology

(US\$m); Dec Y/E	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Cash Collections							
USA	5.7	5.1	5.3	6.5	5.7		
Australia	2.5	2.0	2.4	2.8	3.1		
Total	8.2	7.1	7.7	9.3	8.8	0.0	0.0
Originations							
USA	4.7	7.1	5.8	6.0	6.4		
Australia	2.4	1.8	1.9	2.1	1.6		
Total	7.1	8.9	7.7	8.2	8.0	0.0	0.0
Net Receivables							
USA	96.0	105.3	102.1	98.6	85.0 ¹		
Australia	27.1	27.9	28.0	27.5	27.8		
Total	123.1	133.2	130.1	126.1	112.8	0.0	0.0
Deferred profit including Fair Value (reported half yearly)							
USA	20.4		23.2		2		
Australia	5.8		5.3		5.0		
Total	26.2		28.4		5.0		0.0
FX (AUD/USD)	0.7058	0.7087	0.7020	0.6754	0.6999	0.0000	0.0000

¹The reduction in this last quarter stems from the write-off of US\$18 million of NHF "Back Book" receivables due to conservative collectability assumptions. The write-off was offset by a US\$22.1 million reduction in NHF Vendor loans. The Back Book now comprises only 43% of the Company's total Net Receivables.

²Deferred profit is no longer calculated under the Amortised Cost methodology for NHF

- Due to the challenges of providing a P&L that accurately reflects the economics of the business and as a result of changes to reporting revenue in the NHF business, **management will be devising revised KPI's to report to the market on a quarterly basis.**
- Deferred Profit** is an internal measure and reflects the profit that has been earned but not yet recognised through the P&L. This figure will include Fair Value adjustments, which removes the reduction in the profit from the time value of money to give the actual profit which will flow through the P&L in future years. This is now only relevant to the JustKapital Finance business.
- Net Receivable** is equal to the gross receivable/claim amount less discounts, time value of money, write offs and credit risk. The net amount receivable is the amount we expect to collect over time

NHF Business Model

Illustrative model

Origination cost	1,000	...our contribution
Receivable funding	9,000	...debt financing
Cash invested to fund medical costs	10,000	...cash to be invested
Expected Return multiple	1.65x	...return on investment net of provision for losses
Expected Return	16,500	

Cashflow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash collection profile	-	5%	25%	35%	30%	5%
Cash invested	-10,000					
Cash collected		825	4,125	5,775	4,950	825
Operating costs		-990	-165	-165	-165	-165
Interest		-1,193	-1,372	-1,029	-422	0
Cashflow	-10,000	-1,357	2,588	4,581	4,363	660
	↓					

SUMMARY

Gross Cash Received	16,500
Costs & Interest	-5,667
Net Cash Received	10,833
Debt Repaid	-9,000
Net Cash return	1,833
Our contribution	1,000
Return on cash invested	83%

- We invest US\$1,000 and finance US\$9,000, which is used to purchase the medical lien (for the medical expenses) of the accident victim.
- The victim's law firm initiates legal action 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 in future).
- Cash Collection profile – sometimes cases complete in year 1, sometimes not until year 5 - the sooner the better for the victim and NHF.
- Overall, using these conservative inputs, NHF makes US\$1,833 return on each US\$1000 invested after costs.
- **By improving the speed of collection and reducing the cost of financing, we expect to be able to increase this return.**

In this example we have used a Cash collection profile that reflects the various maturities across a typical book.



THANK YOU

LawFinance Limited (LAW.ASX)

Diane Jones – CEO

+61 (0) 2 9696 0222

diane.jones@LawFinance.com.au