

JustKapital to acquire leading US personal injury financier National Health Finance for A\$68.8m

The Board of JustKapital Limited ("JustKapital" or the "Company") is delighted to announce that on 18 July 2018 it entered into two conditional Securities Purchase Agreements to acquire a 100% interest in United States personal injury financier National Health Finance HoldCo, LLC ("NHF") ("Transaction").

Highlights

- A\$7.5m placement fully underwritten by Pitt Capital Partners Limited (PCP), a wholly-owned subsidiary of Washington H. Soul Pattinson & Company Limited (WHSP) at A\$0.08. Pricing represents a 11.7% premium to the 1 month VWAP¹.
- A\$42m syndicated loan facility agreed with leading Australian institutions and family offices including WHSP.
- The acquisition is fully funded through the placement and the syndicated loan facility.
- 1:1 non-renounceable rights issue to enable existing shareholders to participate on the same terms as the placement.
- A highly complementary and transformative transaction that will significantly increase the scope, size and cash generation of JustKapital.
- The acquisition price of A\$68.8m for the purchase of 100% of NHF will be funded by a combination of cash and JustKapital scrip. The cash component will be funded through the underwritten placement of A\$7.5m and the A\$42m syndicated loan facility both of which are expected to settle following shareholder approval for the transaction.
- An extraordinary general meeting to obtain shareholder approval is expected to be held in late-August 2018.
- The 31 December 2017 pro-forma net receivables book of the combined business is A\$153.9m². The net receivables book is expected to be greater at completion of the transaction with headroom under existing facilities to fund future expansion.
- Based on the expected equity raising price, post completion of the transaction the Company will have an enterprise value of A\$201m³. JustKapital expects FY19 free cash flow to be approximately A\$34.3m⁴
- Diane Jones will continue in her role as group CEO and will oversee both the Australian and US operations, managing the group's strategic direction, cashflow and funding requirements.
- David Wattel, co-founder and MD of NHF, will be invited to join the Board of JustKapital. Both co-founders, David Wattel and Mark Siegel ("NHF Founders") will sign three-year employment agreements and become significant shareholders in JustKapital.
- The acquisition reinforces the Company's position as a business focussed on supporting the legal fraternity through disbursement and lien funding.
- The litigation funding business is in run-off and the existing cases will be funded to completion, which is expected to be over the next 12 to 24 months. The proceeds from the existing cases are expected to generate sufficient cash proceeds to repay corporate debt. No new cases will be offered litigation funding.

¹ VWAP as at close of trade on 18 July 2018

² Using an USD/AUD exchange rate of 0.77

³ Assuming a capital raising (including the placement) of \$12.0m at A\$0.08

⁴ Free cashflow = Cash collection less opex, less interest and cash cost of new purchases net of financing before tax.



Diane Jones, Chief Executive Officer and Managing Director of JustKapital said:

"the NHF acquisition has the potential for material market expansion through its scalable platform. It has a large, well-established network of counterparties, robust economics and a large receivables facility to fund growth. This provides an exceptional opportunity for JustKapital to diversify and scale that directly aligns with the Company's funding mechanisms, management capabilities and return profile".

"Operating in a large and growing niche in the US healthcare system, NHF provides a vital function, allowing access to healthcare funding following a personal injury claim that would otherwise be unavailable to large parts of the community. Although established for more than a decade, this sector of the financing industry is still in the early stages of a material growth trajectory".

Shareholders will be asked to approve the Transaction at an extraordinary general meeting. To assist shareholders, the Board has commissioned Grant Thornton Corporate Finance Pty Limited as independent expert to report on whether the Transaction is fair and reasonable. Further information, including full details about NHF and the potential advantages, disadvantages and risks to shareholders, will be set out in the notice of meeting documentation.

Funding arrangements

The acquisition price of A\$68.8m (US\$53.0m) plus additional working capital will be funded by:

- A\$7.5m placement underwritten by PCP⁵.
- A senior syndicated loan facility of A\$42.0m.
- A non-underwritten, 1:1 non-renounceable, pro-rata rights issue to raise up to A\$11.8m.
- David Wattel and Mark Siegel, the NHF Founders who will remain employees of NHF, will receive approximately 215.1m shares in JustKapital at a deemed issue price of A\$0.08 (escrowed for three years), subject to shareholder approval.
- Unsecured vendor loans of A\$17.2m from Dave Wattel and Mark Siegel.
- The syndicated loan facility lenders and Founders will be issued 452,743,636 warrants (including 122,863,636 warrants to the Founders). Each warrant is exercisable into one share, has an exercise price of A\$0.14 and is exercisable at any time up to four years after issue.
- The stake of NHF's other shareholders, Presidio Investors, will be acquired for A\$34.4m (US\$26.5m) in cash.

Key conditions to completion of the acquisition

- Completion of funding arrangements described above.
- Commitment of binding acquisition.
- No material adverse change in the business, operations, prospects, assets or condition of NHF.
- Purchaser due diligence review of the business, assets, operations, condition (financial and otherwise) and prospects of NHF.
- Approval by shareholders at an Extraordinary General Meeting expected in late August 2018.

Re-compliance with ASX Listing Rules Chapters 1 and 2

Since the Transaction will result in a significant change to the nature and scale of the Company's activities, the Transaction will require the Company's shareholders' approval under ASX Listing Rule 11.1.2 and will also require the Company to re-comply with Chapters 1 and 2 of the Listing Rules in accordance with ASX Listing Rule 11.1.3

⁵The underwriting is subject to conditions relating to finalisation of transaction documents, subunderwriting and other customary terms.



ASX waivers required

The Company intends to seek a waiver from ASX under ASX Listing Rule 2.1 (Condition 2) to allow the Company to issue Shares with an issue price below A\$0.20 in connection with the Transaction, the Placement and the rights issue.

Advisors

Pitt Capital Partners, The Fairbairn Partnership and CCZ Corporate Finance were advisors to the Transaction. Corrs Chambers Westgarth and Lowenstein Sandler LLP were JustKapital's legal advisors. DLA Piper were legal advisors to Pitt Capital Partners and WHSP.

About NHF

Founded by David Wattel (a personal injury attorney of 28 years' experience) and Dr. Mark Siegel (a physician) in 1999.

NHF provides financing solutions for personal injury victims throughout the United States. NHF acquires a lien over the medical treatment invoices associated with personal injury cases (largely resulting from motor vehicle accidents) from medical providers and hospitals and realises a return on these invoices upon case settlement. NHF's service provides access to healthcare for the injured party, liquidity to medical providers and a reduced administrative burden to the case lawyers.

NHF has experienced many years of consecutive growth, with a net receivables book value at 31 December 2017 of approximately US\$93.7m⁶. Return on invested capital has averaged 1.77x⁶ over the last 10 years, with returns remaining consistent throughout all market cycles.

About JustKapital

JustKapital is a leading provider of financing solutions for litigation, including case funding and disbursement funding and provider of broking services for adverse costs order insurance.

Further Updated Information for Shareholders

The Company has not received any further relevant correspondence in relation the purported notice provided under Section 249D of the Corporations Act 2001 (Cth) as announced on 17 May 2018.

JustKapital's securities will remain suspended until such time as the ASX is satisfied that there has been sufficient information released to the market regarding the Transaction in order for JustKapital to be reinstated.

Authorised by:

Diane Jones
Chief Executive Officer

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⁶ Based upon audited accounts as at 31 December 2017.