JustKapital's Acquisition of
Macquarie Medico Legal & Radiology ("MML")

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JUSTKAPITAL
Litigation Partners Limited

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1. Transaction Background

JustKapital Acquisition of Macquarie Medico Legal & Radiology

- JustKapital Litigation Partners Ltd (ASX code: ”JKL") is an ASX-listed company formed for the purpose of participating in the litigation funding market in Australia and New Zealand
- Consistent with JustKapital’s strategy to diversify and complement JustKapital's existing business, the Directors have agreed to acquire a litigation disbursements funding business - Macquarie Medico Legal & Radiology ("MML“)
- MML is a well-established private business and a market leader in the funding of medical reports and related medical professionals' expenses associated with conducting workers' compensation and other personal injury cases
- As a result of this acquisition, JustKapital will have the benefit of a growing recurring income stream and strong cashflows to complement its pipeline of larger, event-driven litigation investments
- JustKapital is acquiring the MML business for approximately $18.9m which represents a multiple of 4.6x underlying FY15 EBIT of A$4.1 million and a multiple of 1.1x value of the Debtor Book (A$17.3m), which the Board considers attractive for a business that has delivered compound revenue growth in excess of 40% over the past 3 years
- The acquisition will be funded from a combination of cash and shares as outlined below:
  - ✓ A$10.5 million in a single cash payment upon completion of the transaction;
  - ✓ A$2.0 million deferred cash payment; and
  - ✓ A$6.4 million share consideration at an average price of approximately $0.25/share*
- The Company will fund the acquisition of MML from existing cash reserves and debt and is currently in advanced discussions to finalise a debt package during the coming 1-2 weeks

* Note: this assumes A$2.4m converts @ 20% discount to 30 day VWAP at a 2-year anniversary from completion and is not repaid by the Company

2. Disbursement and Litigation Funding

Disbursement Funding and Litigation Funding

TYPES OF LITIGATION FUNDING

Disbursement funding covers external outlays required to conduct a case, usually for personal injury cases, and does not include solicitors' fees

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Litigation Funding

	Living Expenses	*Disbursements/Outlays*	*Litigation Fees*
Description:	➢ Loans to plaintiffs for everyday living expenses whilst a case is ongoing (e.g. medical expenses)	➢ Loans to plaintiffs to cover litigation expenses, excluding solicitor fees	➢ Funding of solicitor fees, with solicitor firms as clients
Types of Cases:	➢ Individual personal injury	➢ Individual personal injury, including MVA, worker's compensation, etc.	➢ Class action suits
Example of coverage:	➢ Medical/living expenses	➢ External outlays (court filing fees, medical reports, expert witness fees, barrister fees, search fees, travel expenses, etc.)	➢ Solicitor's fees; includes disbursements for cases as well
Referral source:	➢ Solicitor	➢ Solicitor	➢ Solicitor
Avg loan size ($):	➢ $10,000	➢ ~$5,000	➢ NA – can be up to millions of dollars
Avg time to repay:	➢ 395 days	➢ 1.5 years	➢ TBD
With/without recourse:	➢ NA – is equivalent to a personal loan (irrevocable instruction)	➢ With recourse for funder, guaranteed by solicitor; usually without recourse to plaintiff	➢ TBD

Source: ASK Funding; press search

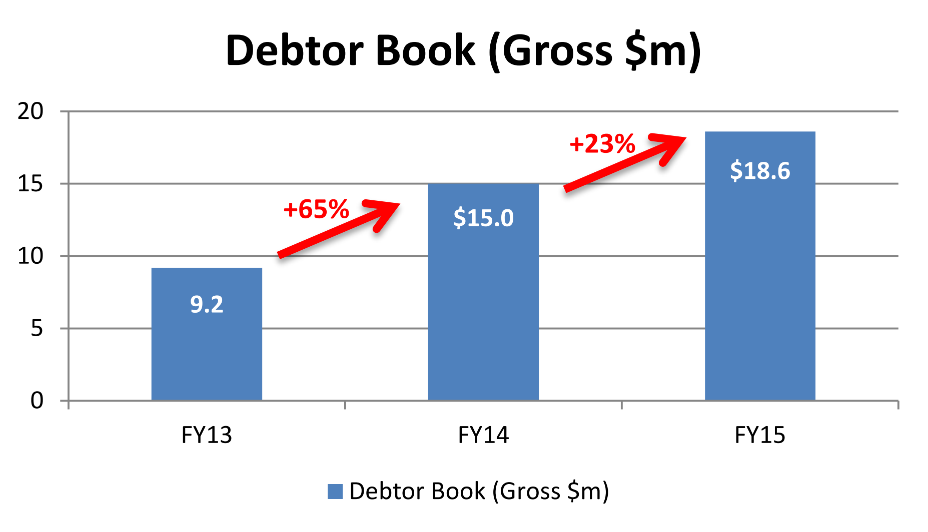
3. MML Overview

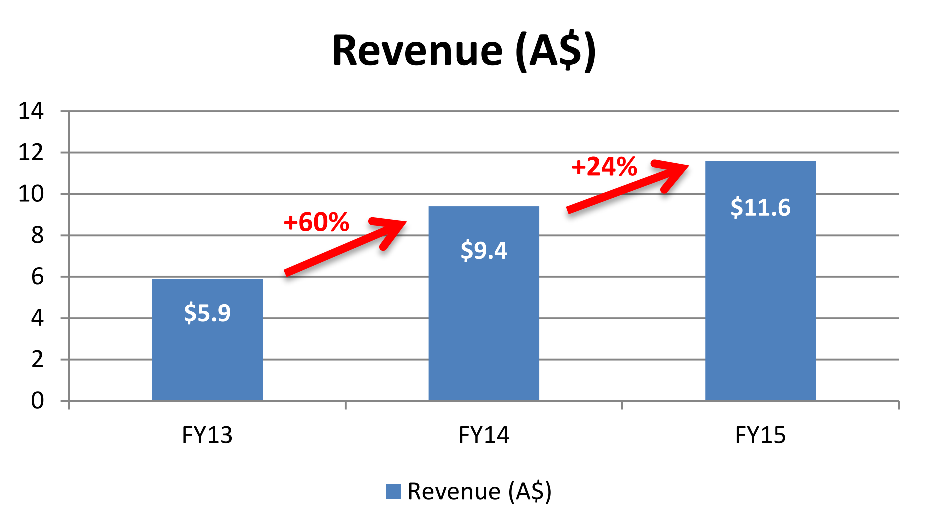
Macquarie Medico Legal & Radiology ("MML")

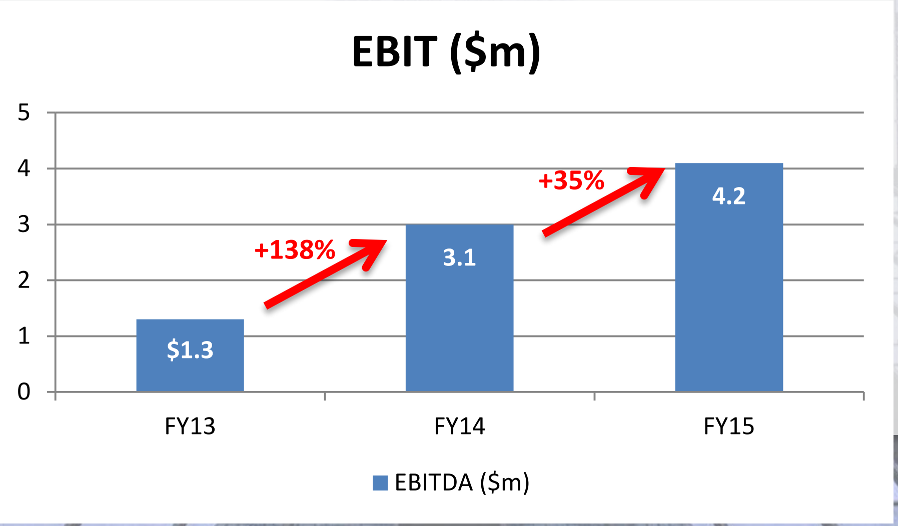
- MML is a well-established private business engaged in the funding of medical reports and related medical professionals' expenses associated with common law compensation and other personal injury cases
- MML provides funding to legal firms conducting the case for an injured client (not the plaintiff). In effect, MML provides working capital facilities for small to mid-tier plaintiff law firms
- MML's business commenced in 2007 and has a well-seasoned and growing portfolio of funded disbursement claims
- Compound annual growth in both the Debtor Book and Revenue exceeds 40% for the past 3 years
- Profitability is also increasing as the business grows to scale with EBIT margins improving from 21.7% to 36.1% in the same period
- Historically, growth has only been constrained by funding available to meet demand
- MML typically provides this disbursement funding to small to mid-tier plaintiff law firms

3. MML Overview (continued)

Macquarie Medico Legal & Radiology Metrics Overview ("MML")







3. MML Overview (continued)

Business Model – Example of a Disbursement Funding Transaction

- The counterparty to the disbursement is the law firm and not the plaintiff
- MML has approximately 9,000 cases in its' portfolio, of which approximately 5,000 were written in FY15
- The average disbursement revenue in FY15 was $2,195 per case, with an associated cost of circa $944
- Historically MML has a bad debt history of approx. 2%, plus 5.5% allowance for other discounts and credit notes issued
- The average term of a receivable is 18 months.
- Conservatively JustKapital has modelled cash flows assuming an average 24 month collection period

A financial snapshot of a typical receivable is outlined below

Profit & Loss		$
Sale of medical report		2,194.78
Provision for discounts and w/o	*7.5%*	(164.61)
		2,030.17
Cost of sale		(943.76)
Net profit per report	57.0%	1,086.42
Net profit %		*49.5%*

Cash flow (example)	Jul-2015	Jun-2016	Jun-2017
	$	$	$
Purchase medical report	(943.76)		
Financing cost (@ WACC)		(94.38)	(94.38)
Collect debtor (net of provision 7.5%)			2,030.17
Gross profit	(943.76)	(94.38)	1,935.80
WACC	*10.0%*		
IRR	***38.3%***		

4. Disbursement Funding Market in Australia

MML's Addressable Market for Disbursement Funding in Australia

- There is no independent market/sector report, as the outsourced model of disbursement funding is a relatively new niche (<10 years)
- A market review of the disbursement funding sector has been undertaken by Acuitas Consultants on behalf of JustKapital, via a combination of desktop research and interviews with lawyers and disbursement funders
- The initial findings of the review highlight that personal injury disbursement funding ("PIDF") is growing rapidly. We estimate the disbursement funding portion of the overall litigation funding market in Australia could be in excess of $1 Billion
- There are circa 30,000 liability claims per annum of which 10,000 are personal injury cases; over 95% settle before appearing in court
- These estimates imply MML has market share of between 2.5% and 4.5%. Currently operating out of NSW only, MML is in the process of expanding its services nationally
- MML are the clear market leader amongst the specialist disbursement funding report providers (noting that the largest share remains with the law firms themselves who manage this function in-house)
- Clearly the largest growth opportunity is the trend toward law firms outsourcing the provision of expert reports to support cases

5. Summary of Key Transaction Metrics

The Purchase Consideration to acquire MML is A$18.9 million

- The implied acquisition metrics are:
  - ✓ EBITDA multiple 4.6x
  - ✓ 1.1 x Debtor Book ($17.3m as at 30 June 2015)
- Purchase consideration is paid as:
  - ✓ A$10.5 million cash payment upon completion of the transaction;
  - ✓ A$2.0 million deferred cash payment; and
  - ✓ A$6.4 million share consideration at an average price of approx. $0.25/share*
- In addition to the fixed purchase consideration, the vendor is entitled to additional consideration by way of earn out (expressed as an entitlement to a fixed share of profits above an agreed profit level for each of the first three periods)
- JustKapital believes the substantial proportion of the consideration for the Vendor in JustKapital equity reflects the Vendor's belief in the merits of the transaction and the synergies between the current litigation funding model and the disbursement funding business model

TRANSACTION METRICS	$m
Purchase Consideration	18.89
Net Assets Acquired	
Assets (Debtor Book)	17.31
Liabilities	-2.93
Net assets	14.38
EBITDA FY15 (Audited)	4.14
EBITDA multiple x	*4.6 x*

* Note: this assumes A$2.4m converts @ 20% discount to 30 day VWAP at a 2-year anniversary from completion and is not repaid by the Company

6. Acquisition Terms

1.	**Transaction structure**				
	Acquisition of Business and Assets of MML (via transfer of assets from vendor companies to a newly incorporated company)				
2.	**Purchase consideration**	**$m**			
	Fixed Purchase Consideration (before earn out)	**18.9**			
3.	**Consideration Structure (Fixed consideration)**	**Total $m**	**Cash $m**	**Shares $m**	**Shares issued**
	Purchase price	**18.9**	**12.5**	**6.4**	
	On completion	13.5	10.5	3.0	$2m @ $0.25, $1m @ $0.30
	Deferred 30 Jun 2016	2.0	1.0	1.0	$1m @ $0.36
	Deferred 30 Jun 2017	1.0	1.0	0.0	
	Deferred 2 years from completion	2.4	0.0	2.4	$2.4m @ 20% discount to 30 day VWAP 2 year anniversary from completion
		18.9	**12.5**	**6.4**	

4. 3-year Earn-Out

As part of the purchase consideration the Vendor is entitled to additional contingent consideration by way of an earn-out over the first 3 years after completion.

The earn-out is subject to achieving increasing profit hurdles, and calculated by reference to the additional profit earned above the hurdle (in effect self-funded). The earn-out is payable in equal parts cash and shares.

The table on the right provides a worked example of the earn-out and reflects the actual terms of the earn-out under with the exception of the Example PBT achieved (illustrative only)

Earn-out Period Ending		**Year 1 Dec-16 $**	**Year 2* Dec-17 $**	**Year 3 Dec-18 $**
PBT threshold (hurdles)		**4,000,000**	**4,000,000**	**6,250,000**
Example *PBT achieved*		*5,000,000*	*6,000,000*	*7,250,000*
Add. profit above hurdle		**1,000,000**	**1,000,000**	**1,000,000**
Earn-out	**40%**	**400,000**	**400,000**	**400,000**
Paid as:				
Cash		200,000	200,000	200,000
Shares		200,000	200,000	200,000
(Share issue price)		$0.40	$0.50	$0.60

* In year 2, additional earn-out payment of $1m is payable subject to the PBT hurdle being achieved in that year. Additional earn-out is also payable in equal parts cash & shares.

7. Capital Structure and Pro-forma Market Capitalisation

Outlined below is a pro forma capital structure and market capitalisation post completion of the deal

MML Acquisition Overview	Shares
Existing shares on issue	104,229,791
Current Share Price	**$0.16/share**
Current Market Capitalisation	**$16,676,767**
Vendor Shares issued (issued at $0.26/share)	11,333,333
Deferred Vendor Shares issued (issued at $0.36/share)	2,750,000
Total Shares Issued	**14,083,333**
Summary	
Total shares on issue post acquisition	**118,313,124**
Market Capitalisation ($0.16/share)	**$18,930,100**

Notes: Assumes the Deferred Convertible Loan is repaid by the Company; assumes no earn-out shares are issued in the above example; and assumes no vendor options are exercised

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