



## LifeWallet Announces Third Quarter 2023 Financial Results

November 15, 2023 12:50 AM EST

CORAL GABLES, Fla., Nov. 14, 2023 (GLOBE NEWSWIRE) -- MSP Recovery, Inc. d/b/a LifeWallet (NASDAQ: LIFW) ("LifeWallet," or the "Company"), a Medicare, Medicaid, commercial, and secondary payer reimbursement recovery and technology leader, announced it has filed its quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2023.

### Recent Highlights

- LifeWallet continues to execute and advance its business strategy as the Paid Value of Potentially Recoverable Claims ("PVPRC") increased by about \$100 million for a total of \$91.5 billion as of September 30, 2023.
- The Company continues to make progress in its recovery efforts, which include ongoing litigation. The Company has negotiation sessions scheduled with auto insurers during Q4 2023 and Q1 2024 to discuss the settlement of claims owned by the Company. These negotiations and litigation encompass years of data matching with auto insurers. Recoveries are dependent on the completion of litigation or negotiated settlements, the timing of which can be subject to the risk of delays associated with litigation or settlement. Further, the Company continues to make progress in the data matching process associated with settlement negotiations, whereby primary payer insurers reconcile what they owe through detailed data exchanges.
- The results for this quarter are not significant with respect to the total amount recovered; therefore, the recovery multiple should not be considered indicative of future results. The overall recovery multiple for the nine months ended September 30, 2023 is 1.53x the Paid Amount.
- For the three months ended September 30, 2023 the Company had an Operating loss of \$136.7 million and an adjusted operating loss of \$13.8 million. The adjusted operating loss excludes non-cash items such as claims amortization expenses and shared-based compensation.
- For the nine months ended September 30, 2023 the Company had an operating loss of \$417.8 million and an adjusted operating loss of \$55.5 million. The adjusted operating loss excludes non-cash items such as claims amortization expenses, paid-in-kind interest, shared-based compensation, and allowance for credit losses.
- On November 13, 2023, the Company entered into the MTA Amendment No. 2 and Amendment to the Amended and Restated Security Agreement, with Virage Capital Management, which extended the maturity date for the payment obligations to Virage to December 31, 2024.
- On November 13, 2023, the Company entered into an amended and restated promissory note with Nomura, which extended the maturity date for the Nomura note to December 31, 2024.
- On November 14, 2023, the Company entered into a \$250 million standby equity purchase agreement with Yorkville, which replaced the existing Yorkville committed equity facility and

which includes a pre-advancement in the amount of \$5 million upon entry into the facility, and an additional \$10 million pre-advancement upon achievement of certain milestones related to the facility.

- The Company has reduced its operating costs and will continue to do so. These cost reductions do not impact the systems the Company has already created to support recovery efforts of the claims owned by the Company and other resources available to third parties.

#### Third Quarter 2023 Financial Highlights

- **Revenue:** Total revenue for the third quarter of 2023 was \$440,000 and \$7 million for the nine months ended September 30, 2023.
- **Operating loss:** Operating loss for the third quarter of 2023 was \$136.7 million, compared with \$125.2 million during the third quarter of 2022. Adjusted operating loss for the third quarter of 2023 was \$13.8 million, excluding non-cash claims amortization expense of \$121 million and shared-based compensation of \$1.9 million.
- **Net loss:** Net loss for the third quarter of 2023 was \$224.2 million and \$19.8 million to controlling members, or net loss per share of \$1.56 per share, based on approximately 12.7 million weighted average shares outstanding. Adjusted net loss for the third quarter of 2023 was \$13.4 million, excluding the non-cash item noted above, change in fair value of warrant and derivative liabilities of \$348 thousand, and \$88.3 million of non-cash expenses related to paid in kind interest.
- **Liquidity:** As of September 30, 2023, cash and cash equivalents were \$6.7 million. The Company announced on March 29, 2023, it entered into the Working Capital Credit Agreement consisting of a commitment to fund up to \$48 million in proceeds, a portion of which was funded as of March 31, 2023. The Company has potential additional capital resources, which include the Yorkville Purchase Agreement. In addition, the Investment Capacity Agreement remains in effect between the Company and Virage Capital Management, LP, and up to an additional \$250 million from the Prudent Sale; however, it's uncertain if or when the Company would transact on these agreements.

#### Assigned Recovery Rights Claims Paid and Billed Value

The table below outlines the Company's growth in claims data received in the most recent periods. The amounts represent data received from current and new assignors:

	Nine months ended September 30, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
<b>\$ in billions</b>				
Paid Amount	\$ 381.1	\$ 374.8	\$ 364.4	\$ 58.4
Paid Value of Potentially Recoverable Claims	91.5	89.6	86.6	14.7
Billed Value of Potentially Recoverable Claims	387.1	377.8	363.2	52.3
Recovery Multiple	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Penetration Status of Portfolio	86.6 %	85.8 %	75.6 %	N/A

1. During the nine months ended September 30, 2023, the Company has received total recoveries of \$6.1 million with a recovery multiple of 1.53x. However, the settlement amounts do not provide a large enough sample to be statistically significant, and are therefore not shown in the table.

2. On August 10, 2022, the United States Court of Appeals, Eleventh Circuit held that a four-year

*statute of limitations period applies to certain claims brought under the Medicare Secondary Payer Act's private cause of action, and that the limitations period begins to run on the date that the cause of action accrued. This opinion may render certain Claims held by the Company unrecoverable and may substantially reduce PVPRC and BVPRC as calculated. As the Company's cases were filed at different times and in various jurisdictions, and prior to data matching with a defendant the Company is not able to accurately calculate the entirety of damages specific to a given defendant, the Company cannot calculate with certainty the impact of this ruling at this time. However, the Company has deployed several legal strategies (including but not limited to seeking to amend existing lawsuits in a manner that could allow claims to relate back to the filing date as well as asserting tolling arguments based on theories of fraudulent concealment) that would apply to tolling the applicable limitations period and minimizing any material effect on the overall collectability of its claim rights. In addition, the Eleventh Circuit decision applies only to district courts in the Eleventh Circuit. Many courts in other jurisdictions have applied other statutes of limitations to the private cause of action, including borrowing the three-year statute of limitations applicable to the government's cause of action; and borrowing from the False Claims Act's six-year period. The most recent decision on the issue from the District Court of Massachusetts, for example, applies the same statute of limitations as Eleventh Circuit, but expressly disagrees with the Eleventh Circuit's application of the "accrual" rule and instead adopted the notice-based trigger that the company has always argued should apply. This would mean that the limitations period for unreported claims has not even begun to accrue. This is a complex legal issue that will continue to evolve in jurisdictions across the country. Nevertheless, if the application of the statute of limitations as determined by the Eleventh Circuit was applied to all Claims assigned to us, the Company estimates that the effect would be a reduction of PVPRC by approximately \$8.9 billion. As set forth in the Company's Risk Factors, PVPRC is based on a variety of factors. As such, this estimate is subject to change based on the variety of legal claims being litigated and statute of limitations tolling theories that apply.*

- Total Paid Amount of owned claims has increased to \$381.1 billion, as of September 30, 2023, up \$6.3 billion or 1.7% from \$374.8 billion as of December 31, 2022. This figure represents the amount that the Company's clients/assignors have paid for in medical bills (including capitation payments).
- Paid Value of Potential Recoverable Claims grew to \$91.5 billion, as of September 30, 2023, up \$1.9 billion or 2.1% from \$89.6 billion as of December 31, 2022. This figure represents the amounts LifeWallet estimates are potentially recoverable as identified by LifeWallet algorithms.

#### Financial Outlook

**Recoveries Guidance:** Recoveries are dependent on the completion of litigation and the negotiation of settlements, which are inherently uncertain and are subject to risk of delay and litigation outcomes. As a result, the Company will not provide future guidance on recoveries that are dependent on litigation or subrogation.

Additional information regarding the non-GAAP financial measures discussed in this release, including an explanation of these measures and how each is calculated, is included below under the heading "Non-GAAP Financial Measures." A reconciliation of GAAP to non-GAAP financial measures has also been provided in the financial tables included below.

**MSP RECOVERY, INC. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

	September 30, 2023	December 31, 2022
<i>(In thousands except per share amounts)</i>		
<b>ASSETS</b>		
<b>Current assets:</b>		

Cash and cash equivalents	\$	6,659	\$	3,661
Restricted cash		—		11,420
Accounts receivable		706		6,195
Affiliate receivable (1)		831		2,425
Prepaid expenses and other current assets (1)		14,874		27,656
<b>Total current assets</b>		<b>23,070</b>		<b>51,357</b>
Property, plant and equipment, net		4,890		3,432
Intangible assets, net (2)		3,253,707		3,363,156
Right-of-use assets		368		—
<b>Total assets</b>	<b>\$</b>	<b>3,282,035</b>	<b>\$</b>	<b>3,417,945</b>

#### LIABILITIES AND EQUITY

##### Current liabilities:

Accounts payable	\$	6,643	\$	8,422
Affiliate payable (1)		19,822		19,822
Commission payable		829		545
Derivative liability		—		9,613
Warrant liability		662		5,311
Other current liabilities		14,588		72,002
<b>Total current liabilities</b>		<b>42,544</b>		<b>115,715</b>
Guaranty obligation (1)		900,455		787,945
Claims financing obligation and notes payable (1)		513,450		198,489
Lease liabilities		264		—
Loan from related parties (1)		130,709		125,759
Interest payable (1)		50,951		2,765
<b>Total liabilities</b>	<b>\$</b>	<b>1,638,373</b>	<b>\$</b>	<b>1,230,673</b>

##### Commitments and contingencies (Note 12)

Class A common stock subject to possible redemption, 45,183 shares at redemption value as of December 31, 2022 (None as of September 30, 2023)

	\$	—	\$	1,807
--	----	---	----	-------

##### Stockholders' Equity (Deficit):

Class A common stock, \$0.0001 par value; 5,500,000,000 shares authorized; 13,799,230 and 2,984,212 issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	\$	1	\$	-
Class V common stock, \$0.0001 par value; 130,000,000 shares authorized; 124,264,645 and 125,919,180 issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		12		13
Additional paid-in capital		347,376		137,069
Accumulated deficit		(62,094)		(29,203)
<b>Total Stockholders' Equity (Deficit)</b>		<b>285,295</b>		<b>107,879</b>
Non-controlling interest		1,358,367		2,077,586
<b>Total equity</b>	<b>\$</b>	<b>1,643,662</b>	<b>\$</b>	<b>2,185,465</b>
<b>Total liabilities and equity</b>	<b>\$</b>	<b>3,282,035</b>	<b>\$</b>	<b>3,417,945</b>

- As of September 30, 2023 and December 31, 2022, the total affiliate receivable, affiliate payable, guaranty obligation and loan from related parties balances are with related parties. In addition, the prepaid expenses and other current assets, claims financing obligation and notes payable, and interest payable includes balances with related parties. See Note 13, *Related Party Transactions*, for further details.
- As of September 30, 2023 and December 31, 2022, intangible assets, net included \$2.0 billion and \$2.3 billion, respectively, related to a consolidated VIE. See Note 9, *Variable Interest Entities*, for further details.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**MSP RECOVERY, INC. and Subsidiaries**  
**Condensed Consolidated Statements of Operations (As Restated)**  
**(Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
		As Restated		As Restated
(In thousands except per share amounts)				
Claims recovery income	\$	440	\$	2,759
			\$	6,479
			\$	4,225

Claims recovery service income (1)	—	5,748	498	17,795
<b>Total Claims Recovery</b>	<b>\$ 440</b>	<b>\$ 8,507</b>	<b>\$ 6,977</b>	<b>\$ 22,020</b>
Operating expenses				
Cost of claim recoveries (2)	574	1,198	1,972	1,906
Claims amortization expense	121,008	111,851	355,481	153,560
General and administrative (3)	6,130	6,621	20,691	17,049
Professional fees	2,466	5,904	15,611	10,973
Professional fees – legal (4)	6,871	8,014	25,889	34,251
Allowance for credit losses	—	—	5,000	—
Depreciation and amortization	85	103	182	254
Total operating expenses	<u>137,134</u>	<u>133,691</u>	<u>424,826</u>	<u>217,993</u>
<b>Operating Loss</b>	<b>\$ (136,694)</b>	<b>\$ (125,184)</b>	<b>\$ (417,849)</b>	<b>\$ (195,973)</b>
Interest expense (5)	(88,279)	(46,180)	(204,287)	(80,947)
Other income, net	408	63,138	8,697	63,175
Change in fair value of warrant and derivative liabilities	348	2,670	4,247	(11,683)
<b>Net loss before provision for income taxes</b>	<b>\$ (224,217)</b>	<b>\$ (105,556)</b>	<b>\$ (609,192)</b>	<b>\$ (225,428)</b>
Provision for income tax expense	—	—	—	—
<b>Net loss</b>	<b>\$ (224,217)</b>	<b>\$ (105,556)</b>	<b>\$ (609,192)</b>	<b>\$ (225,428)</b>
Less: Net loss attributable to non-controlling members	204,462	103,484	576,301	221,476
<b>Net loss attributable to controlling members</b>	<b>\$ (19,755)</b>	<b>\$ (2,072)</b>	<b>\$ (32,891)</b>	<b>\$ (3,952)</b>
Basic and diluted weighted average shares outstanding, Class A Common Stock	12,703,472	2,761,476	7,097,032	2,125,539
<b>Basic and diluted net loss per share, Class A Common Stock</b>	<b>\$ (1.56)</b>	<b>\$ (0.75)</b>	<b>\$ (4.63)</b>	<b>\$ (1.86)</b>

- For the three and nine months ended September 30, 2022, claims recovery service income included \$0.0 million and \$10.6 million, respectively, of claims recovery service income from VRM MSP. There was no claims recovery service income from VRM MSP for the three and nine months ended September 30, 2023. See Note 13, *Related Party Transactions*, for further details.
- For both the three and nine months ended September 30, 2022, cost of claim recoveries included \$0.3 million of related party expenses. This relates to contingent legal expenses earned from claims recovery income pursuant to legal service agreements with the Law Firm. See Note 13, *Related Party Transactions*, for further details.
- For the three and nine months ended September 30, 2022, general and administrative expenses included \$0.2 million and \$0.4 million of related party expenses. See Note 13, *Related Party Transactions*, for further details. No such related party expenses were present for the three and nine months ended September 30, 2023.
- For the three and nine months ended September 30, 2023 and 2022, Professional Fees—legal included \$4.6 million and \$13.5 million, and \$4.6 million and \$5.0 million, respectively, of related party expenses related to the Law Firm. See Note 13, *Related Party Transactions*, for further details.
- For three and nine months ended September 30, 2023, interest expense included \$67.8 million and \$159.2 million, respectively, related to interest expense due to VRM. For the three and nine months ended September 30, 2022, interest expense included \$33.1 million and \$46.5 million, respectively, related to interest expense due to VRM. See Note 13, *Related Party Transactions*, for further details.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

#### Non-GAAP Financial Measures

#### MSP RECOVERY, INC. and Subsidiaries Non-GAAP Reconciliation

Three Months Ended  
September 30,

Nine Months Ended  
September 30,

<i>(In thousands)</i>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>GAAP Operating Loss</b>	\$ (136,694)	\$ (125,184)	\$ (417,849)	\$ (195,973)
Share-based compensation	1,875	—	1,875	20,055
Claims amortization expense	121,008	111,851	355,481	153,560
Allowance for credit losses	—	—	5,000	—
<b>Adjusted operating loss</b>	<u>\$ (13,811)</u>	<u>\$ (13,333)</u>	<u>\$ (55,493)</u>	<u>\$ (22,358)</u>
<b>GAAP Net Loss</b>	\$ (224,217)	\$ (105,556)	\$ (609,192)	\$ (225,428)
Share-based compensation	1,875	—	1,875	20,055
Gain on debt extinguishment	—	(63,367)	—	(63,367)
Claims amortization expense	121,008	111,851	355,481	153,560
Allowance for credit losses	—	—	5,000	—
Paid-in-kind Interest	88,279	46,180	204,287	80,947
Change in fair value of warrant and derivative liabilities	(348)	(2,670)	(4,247)	11,683
<b>Adjusted net loss</b>	<u>\$ (13,403)</u>	<u>\$ (13,562)</u>	<u>\$ (46,796)</u>	<u>\$ (22,550)</u>

The Company considers "adjusted net loss" and "adjusted operating loss" as non-GAAP financial measures and important indicators of performance and useful metrics for management and investors to evaluate the Company's ongoing operating performance on a consistent basis across reporting periods. The Company believes these measures provide useful information to investors. Adjusted net loss represents Net loss adjusted for certain non-cash expenses and adjusted operating loss items represents Operating loss adjusted for certain non-cash expenses.

### Forward Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements may generally be identified by the use of words such as "anticipate," "believe," "expect," "intend," "plan" and "will" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts, including for example guidance for 2022 portfolio recovery and total gross recoverables. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. As a result, these statements are not guarantees of future performance or results and actual events may differ materially from those expressed in or suggested by the forward-looking statements. Any forward-looking statement made by MSP Recovery herein speaks only as of the date made. New risks and uncertainties come up from time to time, and it is impossible for the Company to predict or identify all such events or how they may affect it. the Company has no obligation, and does not intend, to update any forward-looking statements after the date hereof, except as required by federal securities laws. Factors that could cause these differences include, but are not limited to, the Company's ability to capitalize on its assignment agreements and recover monies that were paid by the assignors; the inherent uncertainty surrounding settlement negotiations and/or litigation, including with respect to both the amount and timing of any such results; the success of the Company's scheduled settlement mediations; the validity of the assignments of claims to the Company; the ability to successfully expand the scope of the Company's claims or obtain new data and claims from the Company's existing assignor base or otherwise; the Company's ability to innovate and develop new solutions, and whether those solutions will be adopted by the Company's existing and potential assignors; negative publicity concerning healthcare data analytics and payment accuracy; and those other factors included in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other reports filed by it with the SEC. These statements constitute the Company's cautionary statements under the Private Securities Litigation Reform Act of 1995.

### About LifeWallet

Founded in 2014 as MSP Recovery, LifeWallet has become a Medicare, Medicaid, commercial, and secondary payer reimbursement recovery leader, disrupting the antiquated healthcare reimbursement system with data-driven solutions to secure recoveries from responsible parties. LifeWallet provides comprehensive solutions for multiple industries including healthcare, legal, education, and sports NIL, while innovating technologies to help save lives. For more information, visit: [lifewallet.com](http://lifewallet.com)

CONTACTS Media ICR, Inc. MSP@icrinc.com Investors Investors@LifeWallet.com