



LifeWallet Announces Fiscal Year and Fourth Quarter 2023 Financial Results

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CORAL GABLES, Fla., April 15, 2024 (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 financial results for the fiscal year and fourth quarter ended December 31, 2023.

Highlights

- The Company announced a comprehensive settlement with 28 affiliated property and casualty insurers ("P&C Insurers") that, in addition to settling existing claims, establishes a going-forward process to collaboratively and timely resolve future claims.
- The Company furthered its litigation and data-matching strategies during 2023, continuing to advance its recovery efforts. Recoveries are dependent on the completion of litigation and the negotiation of settlements, the timing of which can be subject to the risk of delays associated with the litigation and settlement process. However, we continue to make progress in the data matching process associated with those settlement negotiations, whereby primary payer insurers reconcile what they owe as a result of detailed data exchanges.
- On November 14, 2023, the Company entered into a \$250 million standby equity purchase agreement with Yorkville ("Yorkville SEPA"), which replaced the existing Yorkville committed equity facility and which included pre-paid advances in the amount of \$15 million, subject to a 5% original issue discount, resulting in net funding of \$14.23 million to the Company.
- The Paid Value of Potentially Recoverable Claims ("PVPRC") decreased by about \$700 million or 0.8% for a total of \$88.9 billion as of December 31, 2023.
- The Company strategically reduced its operating costs during 2023. These cost reductions did not impact the systems the Company has already created to support recovery efforts of the claims owned by the Company or other resources available to third parties.

2023 Financial Highlights

- **Revenue:** Total revenue for the year ended December 31, 2023 was \$7.7 million compared to \$23.4 million for the year ended December 31, 2022, out of which \$18.5 million pertained to claim recovery service income, which was terminated at the beginning of 2023.
- **Operating loss:** Operating loss for the year ended December 31, 2023 was \$559.9 million, compared with \$331.5 million during the year ended December 31, 2022. Adjusted operating loss for the year ended December 31, 2023 was \$82.5 million, excluding non-cash claims amortization expense of \$476.5 million and shared-based compensation of \$830 thousand.¹
- **Net loss:** Net loss for the year ended December 31, 2023 was \$835.1 million and \$56.3 million to controlling members, or net loss per share of \$6.32 per share, based on 8,914,761 million weighted average shares outstanding. Adjusted net loss for the year ended December 31, 2023 was \$73.3 million, excluding the non-cash item noted above, change in fair value of warrant and derivative liabilities of \$4.6 million, and \$289.2 million of non-cash expenses related to paid in kind interest.¹
- **Liquidity:** As of December 31, 2023, cash and cash equivalents were \$11.6 million. We announced on March 29, 2023, the Company entered into the Working Capital Credit Agreement consisting of a commitment to fund up to \$48 million in proceeds, which has been used throughout the year to fund operations. The Company has potential additional capital

resources, which include the Yorkville SEPA. In addition, the Company still has in effect the Investment Capacity Agreement, by and among MSP Recovery and Virage Capital Management, LP., and up to an additional \$250 million from the Prudent Sale, however, its uncertain if or when the Company would transact on the agreements.

- (1) Additional information regarding 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.

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:

<i>\$ in billions</i>	As of and for the Year Ended December 31,			
	2023	2022	2021	2020
Paid Amount	\$ 369.8	\$ 374.8	\$ 364.4	\$ 58.4
Paid Value of Potentially Recoverable Claims	88.9	89.6	86.6	14.7
Billed Value of Potentially Recoverable Claims	373.5	377.8	363.2	52.3
Recovery Multiple	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Penetration Status of Portfolio	86.8 %	85.8 %	75.6 %	N/A

1. During the year ended December 31, 2023, the Company has received total recoveries of \$7.2 million. 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 our cases were filed at different times and in various jurisdictions, and prior to data matching with a defendant we are not able to accurately calculate the entirety of damages specific to a given defendant, we 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, we estimate that the effect would be a reduction of PVPRC by approximately \$7.02 billion. As set forth in our 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 decreased to \$369.8 billion, as of December 31, 2023, down \$5 billion or 1.3% from \$374.8 billion as of December 31, 2022. This figure represents the amounts our clients/assignors have paid for in medical bills (including capitation payments).
- Paid Value of Potential Recoverable Claims decreased to \$88.9 billion, as of December 31, 2023, down \$0.7 billion or 0.8% 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: The Company continues to make progress in its recovery efforts, and management continues to believe such projected recoveries are ultimately collectible. 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 process.

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.

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 innovates technologies and provides comprehensive solutions for multiple industries including healthcare, legal, and sports NIL. For more information, visit: LIFEWALLET.COM

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 MSPR to predict or identify all such events or how they may affect it. MSPR 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, MSPR'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 validity of the assignments of claims to MSPR; the ability to successfully expand the scope of MSPR's claims or obtain new data and claims from MSPR's existing assignor base or otherwise; MSPR's ability to innovate and develop new solutions, and whether those solutions will be adopted by MSPR's existing and potential assignors; negative publicity concerning healthcare data analytics and payment accuracy; and those other factors included in MSPR'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.

MSP RECOVERY, INC. and Subsidiaries Consolidated Balance Sheets

	December 31,	
	2023	2022
<i>(In thousands except per share amounts)</i>		
ASSETS		
Current assets:		
Cash	\$ 11,633	\$ 3,661
Restricted cash	—	11,420
Accounts receivable	217	6,195
Affiliate receivable (1)	1,188	2,425
Prepaid expenses and other current assets (1)	8,908	27,656
Total current assets	21,946	51,357
Property and equipment, net	4,911	3,432
Intangible assets, net (2)	3,132,796	3,363,156
Right-of-use assets	342	—
Total assets	\$ 3,159,995	\$ 3,417,945
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 6,244	\$ 8,422
Affiliate payable (1)	19,822	19,822
Commission payable	821	545
Derivative liability	37	9,613
Warrant liability	268	5,311

Other current liabilities	19,314	72,002
Total current liabilities	46,506	115,715
Guaranty obligation (1)	941,301	787,945
Claims financing obligation and notes payable (1)	548,276	198,489
Lease liabilities	235	—
Loan from related parties (1)	130,709	125,759
Interest payable (1)	73,839	2,765
Total liabilities	\$ 1,740,866	\$ 1,230,673

Commitments and contingencies (Note 13)

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

Stockholders' Equity (Deficit):

Class A common stock, \$0.0001 par value; 5,500,000,000 shares authorized; 14,659,794 and 2,984,212 issued and outstanding as of December 31, 2023 and 2022, respectively	\$ 1	\$ —
Class V common stock, \$0.0001 par value; 3,250,000,000 shares authorized; 124,132,398 and 125,919,180 issued and outstanding as of December 31, 2023 and 2022, respectively	12	13
Additional paid-in capital	357,928	137,069
Accumulated deficit	(85,551)	(29,203)
Total Stockholders' Equity (Deficit)	\$ 272,390	\$ 107,879
Non-controlling interest	1,146,739	2,077,586
Total equity	\$ 1,419,129	\$ 2,185,465
Total liabilities and equity	\$ 3,159,995	\$ 3,417,945

- As of December 31, 2023 and 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 15, *Related Party Transactions*, of the 2023 Annual Report on Form 10-K for further details.
- As of December 31, 2023 and 2022, intangible assets, net included \$2.2 billion and \$2.3 billion related to a consolidated VIE. See Note 10, *Variable Interest Entities*, of the 2023 Annual Report on Form 10-K for further details.

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

MSP RECOVERY, INC. and Subsidiaries Consolidated Statements of Operations

	Year ended December 31,		
	2023	2022	2021
<i>(In thousands except per share amounts)</i>			
Claims recovery income	\$ 7,207	\$ 4,878	\$ 126
Claims recovery service income (1)	498	18,542	14,500
Total Claims Recovery	\$ 7,705	\$ 23,420	\$ 14,626
Operating expenses			
Cost of claim recoveries (2)	2,145	2,054	26
Claims amortization expense	476,492	266,929	164
General and administrative (3)	26,508	23,959	12,633
Professional fees	22,766	18,497	8,502
Professional fees – legal (4)	34,401	43,035	128
Allowance for credit losses	5,000	—	—
Depreciation and amortization	263	424	343
Total operating expenses	567,575	354,898	21,796
Operating Loss	\$ (559,870)	\$ (331,478)	\$ (7,170)
Interest expense (5)	(289,169)	(121,011)	(27,046)
Other income (expense), net	9,290	63,067	1,139
Change in fair value of warrant and derivative liabilities	4,604	(12,483)	—
Net loss before provision for income taxes	\$ (835,145)	\$ (401,905)	\$ (33,077)
Provision for income tax expense	—	—	—
Net loss	\$ (835,145)	\$ (401,905)	\$ (33,077)
Less: Net (income) loss attributable to non-controlling interests	778,797	394,488	(16)
Net loss attributable to MSP Recovery, Inc.	\$ (56,348)	\$ (7,417)	\$ (33,093)

Basic and diluted weighted average shares outstanding, Class A Common Stock (6)	8,914,761	2,473,005	N/A
Basic and diluted net income per share, Class A Common Stock (6)	<u>\$ (6.32)</u>	<u>\$ (3.00)</u>	N/A

1. For the years ended December 31, 2022 and 2021, Claims recovery service income included \$10.6 million, and \$11.5 million, respectively, of Claims recovery service income from VRM MSP. There was no claims recovery service income from VRM MSP for the year ended December 31, 2023. See Note 15, *Related Party Transactions*, of the 2023 Annual Report on Form 10-K for further details.
2. For the years ended December 31, 2023 and 2022, cost of Claim recoveries included \$0.3 million and \$0.4 million of related party expenses. This relates to contingent legal expenses earned from Claims recovery income pursuant to legal service agreements with the La Ley con John H. Ruiz P.A., d/b/a MSP Recovery Law Firm (the "Law Firm"). See Note 15, *Related Party Transactions*, of the 2023 Annual Report on Form 10-K for further details. For the year ended December 31, 2021, the expenses related to contingent legal expenses were de minimis.
3. For the years ended December 31, 2023 and 2022, general and administrative expenses included \$0.2 million and \$0.4 million of related party expenses, respectively. For the year ended December 31, 2021, the amount was de minimis. See Note 15, *Related Party Transactions*, of the 2023 Annual Report on Form 10-K for further details.
4. For the year ended December 31, 2023 and 2022, Professional Fees – Legal included \$19.2 million and \$29.7 million of related party expenses related to the Law Firm. For the year ended December 31, 2021, the amount of related party expenses related to the Law Firm was de minimis. See Note 15, *Related Party Transactions*, of the 2023 Annual Report on Form 10-K for further details.
5. For the year ended December 31, 2023 and 2022, Interest expense included \$226.5 million and \$84.7 million, respectively, of interest expense to related parties. For the year ended December 31, 2021 the interest expense to related parties was de minimis.
6. Earnings per share information has not been presented for any period prior to the Business Combination (as defined in Note 1, *Description of Business*), as it resulted in values that would not be meaningful to the users of these consolidated financial statements. See Note 17, *Net Loss Per Common Share*, of the 2023 Annual Report on Form 10-K for further information.

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

Non-GAAP Financial Measures

MSP RECOVERY, INC. and Subsidiaries Non-GAAP Reconciliation

(In thousands)	Year Ended December 31,	
	2023	2022
GAAP Operating Loss	\$ (559,870)	\$ (331,478)
Share based compensation	830	20,055
Claims amortization expense	476,492	266,929
Adjusted Operating Loss	<u>\$ (82,548)</u>	<u>\$ (44,494)</u>
GAAP Net Loss	\$ (835,145)	\$ (401,905)
Share based compensation	830	20,055
Claims amortization expense	476,492	266,929
Gain on debt extinguishment	—	(63,367)
Interest expense	289,169	121,011
Change in fair value of warrant and derivative liabilities	(4,604)	12,483
Adjusted Net Loss	<u>\$ (73,258)</u>	<u>\$ (44,794)</u>

In addition to the financial measures prepared in accordance with GAAP, this Form 10-K also contains non-GAAP financial measures. We consider "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 our business's ongoing operating performance on a consistent basis across reporting periods. We believe these measures provide useful information to investors. Adjusted net loss represents Net loss adjusted for certain non-cash and non-recurring expenses and adjusted operating loss items represents Operating loss adjusted for certain non-cash and non-recurring expenses. A reconciliation of these non-GAAP measures to their most relevant GAAP measure is included in Management's Discussion and Analysis in the Annual Report Filed on Form 10-K.

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