



LifeWallet Announces First Quarter 2024 Financial Results

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CORAL GABLES, Fla., May 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, today announced financial results for the quarter ended March 31, 2024.

LifeWallet will host a conference call and live webcast to review the Company's first quarter 2024 results for investors and analysts at 8:30 a.m. Eastern Time on Thursday, May 16, 2024. To access this call, we encourage you to pre-register using this link: [LifeWallet Q1 2024 Earnings Pre-Registration](#).

A live webcast of the conference call will be accessible from the Investors section of LifeWallet's website here: [LifeWallet Investors](#).

A replay of the webcast will be archived and accessible here: [LifeWallet Investors](#).

First Quarter Highlights

- The Company achieved its most successful quarter to date since becoming a publicly traded company, as it relates to claims recovery income, achieving two comprehensive settlements.

Comprehensive Settlements

- The Company announced two comprehensive settlements with more than 28 property and casualty insurers ("P&C Insurers"). In addition to settling existing claims, these settlements establish a process to collaboratively and timely resolve future claims that are owed to LifeWallet from the Company's portfolio of assigned claims. Through collaborative data sharing, these settlements provide the Company with additional data that enhances its ability to identify the parties responsible for unreimbursed medical liens owned by LifeWallet. It also allows the Company to identify any recoverable claims for future business that pertain to the settling counterparties.
- The Company began implementing the terms of its [March 2024 settlement](#) by entering into a tri-party data collaboration agreement between LifeWallet, Palantir Technologies (NYSE: PLTR), and the settling counterparties. The collaboration agreement allows for data sharing in order to reconcile potential Medicare liabilities and existing owned claims. This is part of the Company's initiative to maximize its Chase-to-Pay platform.
- In addition to the settlements described above, the Company continues to progress with settlement negotiations involving other P&C Insurers to resolve pending litigation under the same or similar framework. The Company's goal is to bring additional P&C Insurers into a similar settlement structure, building a potential revenue stream that is diversified and predictable.

Utilizing First-Quarter Settlements to Identify Additional Recoveries

- By processing historical claims data received from settlements, LifeWallet has been able to match first and/or third-party claimants with specific claims that were paid by LifeWallet's assignor clients using Medicare Trust funds. As a result, the Company has launched a targeted claims recovery process with third parties.
- The historical claims data enhances LifeWallet's ability to discover liens and recover payments owed, more quickly than through litigation. It also enables LifeWallet to pursue a diversified number of entities that failed to pay liens or collected twice for the same bills, both from the insurer and LifeWallet's assignor clients.

- LifeWallet believes additional value lies in the Company's identification and collection of unreimbursed liens from these other responsible parties. To date, the Company has identified thousands of unreimbursed claims and initiated the collections process. Any additional revenue from these potential collections would be reflected in future filings.

Developing Business Solutions for Medicare Advantage Subrogation and More

- [As previously announced](#), LifeWallet has developed a comprehensive clearinghouse platform with Palantir Technologies, utilizing Palantir Foundry as the foundation of the data ecosystem, enabling healthcare entities and P&C Insurers to efficiently coordinate benefits. The platform was built with LifeWallet's unique healthcare data industry knowledge and Palantir's advanced technology, which has universal applications, and can resolve all types of liens, not just Medicare and Medicaid.
- The clearinghouse directly connects healthcare entities and P&C Insurers, reducing the need to subrogate or investigate when or if a Medicare or Medicaid entity is a secondary payer. This system can substantially improve the Medicare and Medicaid payment coordination system, helping eliminate improper payments.
- LifeWallet Founder and CEO, John H. Ruiz, is confident in the Company's outlook, stating: "We identified an industry-wide problem over a decade ago and these recent settlements prove the need for LifeWallet's comprehensive solutions, which utilize data analytics and technological innovations to positively impact the U.S. healthcare system. By providing a first-of-its-kind coordination of a benefits clearinghouse, we are revolutionizing healthcare claims adjudication and payment integrity, while creating a repository of information that benefits patients, payers and providers. Our systems help discover historical unpaid medical liens and provide a platform for the reconciliation of future claims owned or processed by LifeWallet. This can be used by lawyers, providers, payers, and beneficiaries alike."

First Quarter Financial Highlights

- **Revenue:** Total revenue for the three months ended March 31, 2024 was \$6.0 million compared to \$4.0 million for three months ended March 31, 2023, out of which \$498 thousand pertained to claim recovery service income, which was terminated at the beginning of 2023.
- **Operating loss:** Operating loss for the three months ended March 31, 2024 was \$130.2 million, compared with \$140.6 million during three months ended March 31, 2023. Adjusted operating loss for the three months ended March 31, 2024 was \$8.7 million, excluding non-cash claims amortization expense of \$121.0 million and shared-based compensation of \$469 thousand.
- **Net loss:** Net loss for the three months ended March 31, 2024 was \$176.6 million and \$157.7 million to controlling members, or net loss per share of \$1.26 per share, based on 15,013,881 million weighted average shares outstanding. Adjusted net loss for the three months ended March 31, 2024 was \$8.5 million, excluding the non-cash item noted above, change in fair value of warrant and derivative liabilities of \$51.3 million, and \$98.0 million of non-cash expenses related to paid in kind interest.
- **Liquidity:** As of March 31, 2024, cash totaled \$12.0 million. The Company has in place other sources of potential funding, including its working capital facility and Yorkville standby equity purchase agreement. The Company continually monitors its liquidity, and may in the future access debt and equity markets as necessary in order to meet its ongoing liquidity needs.

Assigned Recovery Rights Claims Paid and Billed Value

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

\$ in billions	Three Months Ended March 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Paid Amount	\$ 370.0	\$ 369.8	\$ 374.8
Paid Value of Potentially Recoverable Claims ⁽²⁾	86.6	88.9	89.6
Billed Value of Potentially Recoverable Claims	363.8	373.5	377.8
Recovery Multiple	N/A ⁽¹⁾⁽³⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Penetration Status of Portfolio	86.8 %	86.8 %	85.8 %

(1) During the three months ended March 31, 2024, 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 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 \$8.3 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.

(3) The Recovery Multiple for the three months ended March 31, 2024 cannot yet be accurately determined as, pursuant recent settlement agreements, in addition to cash payments, we were assigned additional claims to pursue recoveries, for which recovery efforts are ongoing.

Non-GAAP Financial Measures

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. 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, Inc. d/b/a LifeWallet (NASDAQ: LIFW) herein speaks only as of the date made. New risks and uncertainties come up from time to time, and it is impossible for LIFW to predict or identify all such events or how they may affect it. LIFW 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, LIFW'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 LIFW; the ability to successfully expand the scope of LIFW's claims or obtain new data and claims from LIFW's existing assignor base or otherwise; LIFW's ability to innovate and develop new solutions, and whether those solutions will be adopted by LIFW's existing and potential assignors; negative publicity concerning healthcare data analytics and payment accuracy; and those other factors included in LIFW'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.

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<i>(In thousands except per share amounts)</i>	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash	\$ 11,973	\$ 11,633
Accounts receivable	—	217
Affiliate receivable (1)	1,242	1,188
Prepaid expenses and other current assets (1)	6,018	8,908
Total current assets	19,233	21,946
Property and equipment, net	4,886	4,911
Intangible assets, net (2)	3,011,882	3,132,796
Right-of-use assets	315	342
Total assets	\$ 3,036,316	\$ 3,159,995
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 11,507	\$ 6,244
Affiliate payable (1)	19,822	19,822
Commission payable	924	821
Derivative liability	190	37
Warrant liability (1)	33,316	268
Other current liabilities (1)	17,008	19,314
Total current liabilities	82,767	46,506
Guaranty obligation (1)	984,450	941,301
Claims financing obligation and notes payable (1)	575,021	548,276
Lease liabilities	204	235
Loan from related parties (1)	130,328	130,709
Interest payable (1)	20,047	73,839
Total liabilities	\$ 1,792,817	\$ 1,740,866
Commitments and contingencies (Note 13)		
Stockholders' Equity (Deficit):		
Class A common stock, \$0.0001 par value; 5,500,000,000 shares authorized; 15,636,062 and 14,659,794 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	\$ 2	\$ 1
Class V common stock, \$0.0001 par value; 3,250,000,000 shares authorized; 124,067,498 and 124,132,398 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	12	12
Additional paid-in capital	367,079	357,928
Accumulated deficit	(104,433)	(85,551)
Total Stockholders' Equity	\$ 262,660	\$ 272,390
Non-controlling interest	980,839	1,146,739
Total equity	\$ 1,243,499	\$ 1,419,129
Total liabilities and equity	\$ 3,036,316	\$ 3,159,995

1. As of March 31, 2024 and December 31, 2023, the total affiliate receivable, prepaid expenses, affiliate payable, other current liabilities, warrant liability, 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*, for further details.

2. As of March 31, 2024 and December 31, 2023, intangible assets, net included \$2.1 billion and \$2.2 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
(Unaudited)

<i>(In thousands except per share amounts)</i>	Three months ended March 31,	
	2024	2023
Claims recovery income	\$ 6,001	\$ 3,497
Claims recovery service income	—	498
Total Claims Recovery	\$ 6,001	\$ 3,995
Operating expenses		
Cost of claim recoveries	1,673	1,021

Claims amortization expense	121,014	113,469
General and administrative (1)	5,566	6,855
Professional fees	4,420	9,728
Professional fees – legal (2)	3,467	8,551
Allowance for credit losses	—	5,000
Depreciation and amortization	67	9
Total operating expenses	<u>136,207</u>	<u>144,633</u>
Operating Loss	\$ (130,206)	\$ (140,638)
Interest expense (3)	(97,953)	(42,390)
Other income (expense), net	252	6,627
Change in fair value of warrant and derivative liabilities	51,307	2,255
Net loss before provision for income taxes	\$ (176,600)	\$ (174,146)
Provision for income tax expense	—	—
Net loss	\$ (176,600)	\$ (174,146)
Less: Net (income) loss attributable to non-controlling interests	157,718	169,230
Net loss attributable to MSP Recovery, Inc.	\$ (18,882)	\$ (4,916)
Basic and diluted weighted average shares outstanding, Class A Common Stock	15,013,881	3,544,381
Basic and diluted net income per share, Class A Common Stock	\$ (1.26)	\$ (1.39)

- For the three months ended March 31, 2024 general and administrative expenses included \$45.1 thousand of related party expenses. See Note 15, *Related Party Transactions*, for further details. No such related party expenses were present for the three months ended March 31, 2023.
- For the three months ended March 31, 2024 and 2023, Professional Fees—legal included \$3.0 million and \$4.2 million, respectively, of related party expenses related to the Law Firm. See Note 15, *Related Party Transactions*, for further details.
- For three months ended March 31, 2024 and 2023, interest expense included \$73.4 million and \$37.1 million, respectively, related to interest expense due to VRM. See Note 15, *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

(In thousands)	Three Months Ended March 31,	
	2024	2023
GAAP Operating Loss	\$ (130,206)	\$ (140,638)
Professional fees paid in stock	469	7,557
Claims amortization expense	121,014	113,469
Allowance for credit losses	—	5,000
Adjusted Operating Loss	\$ (8,723)	\$ (14,612)
GAAP Net Loss	\$ (176,600)	\$ (174,146)
Professional fees paid in stock	469	7,557
Claims amortization expense	121,014	113,469
Allowance for credit losses	—	5,000
Interest expense	97,953	42,390
Change in fair value of warrant and derivative liabilities	(51,307)	(2,255)
Adjusted Net Loss	\$ (8,471)	\$ (7,985)

In addition to the financial measures prepared in accordance with GAAP, this press release 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 expenses set forth in the table above, and adjusted operating loss represents operating loss adjusted for certain non-cash expenses set forth in the table above.

