



LifeWallet Announces Third Quarter 2024 Financial Results

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MIAMI, Nov. 14, 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 September 30, 2024.

LifeWallet Chief Executive Officer, John H. Ruiz, said, "From additional settlements to the processing of additional claims data, we continue to see progress across all lines of business. We're also reaping the rewards of reduced operating expenses, which have had a positive impact on our financials. In addition to providing invaluable technological resources to patients, providers, payers, and attorneys, our cost-cutting solutions can discover wasted federal funds and recover Medicare reimbursements to preserve tax dollars, benefiting all Americans."

Third Quarter Highlights

- On July 22, 2024, the Company announced a new comprehensive settlement with another group of affiliated property and casualty insurance carriers ("P&C Insurers") doing business in multiple states, which includes the P&C Insurers' agreement to provide ten years of historical data and data sharing of future claims, implementation of LifeWallet's clearinghouse solution to settle future claims, and assignment of additional rights to collect against additional third parties related to the settled claims.
- The Company entered into a confidential pharmaceutical antitrust settlement totaling \$3.1 million. As part of LifeWallet's owned claims portfolio, the Company has claims against multiple pharmaceutical and medical device manufacturers based on allegations of defective products or anti-competitive pricing.
- The Company launched an initiative to secure new agreements with health plans, providers, insurers and attorneys, while continuing to reduce operating costs.
- Creditors Virage Capital Management LP; Virage Recovery Master, LP; Hazel Holdings I, LLC; and Hazel Partners Holdings, LLC agreed to waive certain provisions in their agreements with the Company that would accelerate the payment of amounts due in the event that the Company receives a negative going concern opinion from its auditors for the year ending December 31, 2024.

Subsequent Events

- On November 11, 2024, the Company announced new comprehensive settlements with P&C Insurers, totaling \$5.2 million, continued progress in recoveries on owned claims and acquiring rights to additional claims, as well as initiatives to eliminate wasteful Medicare spending by launching beta testing of its clearinghouse solution, built in partnership with Palantir Technologies, Inc. (NYSE: PLTR).
- LifeWallet is also currently in negotiations with other property and casualty insurers to resolve claims on a similar basis, including one of the country's largest P&C Insurers. Some of these negotiations have resulted in collaborative statistical sampling and extensive data-matching to determine the size and scope of claims that are owned by the Company that LifeWallet has asserted repayment is due pursuant to Medicare Secondary Payer and other related laws.
- The Company entered into a confidential settlement with a medical device manufacturer totaling \$760,000. As part of LifeWallet's owned claims portfolio, the Company has ongoing

litigation against other pharmaceutical and medical device manufacturers based on claims of defective products or anti-competitive pricing.

- The Company acquired the recovery rights to additional Medicare Secondary Payer claims consisting of more than 450,000 Medicare members, as documented by health insurance plans, with an estimated total claims Paid Amount exceeding \$10.6 billion.¹
- LifeWallet strategically reduced its operating costs in 2023 and continues to do so in 2024. These cost reductions do not impact the systems that the Company has already created to support recovery efforts of the claims owned by the Company or other resources available to third parties. The Company anticipates these reductions could continue to contribute savings to operating expenses for the year ending December 31, 2024.
- The Company is advancing initiatives to eliminate wasteful spending of federal dollars and unnecessary Medicare secondary payments, utilizing its clearinghouse system, created through its exclusive healthcare partnership with Palantir Technologies. The clearinghouse solution utilizes the Palantir Foundry platform, AI tools, natural language processing, and machine learning, resulting in the development of a sophisticated data analytics system that captures and manages healthcare data, enhancing LifeWallet's Chase to Pay model.

Third Quarter Financial Highlights

- **Revenue:** Total revenue for the three months ended September 30, 2024 was \$3.7 million compared to \$0.4 million for three months ended September 30, 2023.
- **Operating loss:** Operating loss for the three months ended September 30, 2024 was \$129.9 million, compared to \$136.7 million during three months ended September 30, 2023. Adjusted operating loss for the three months ended September 30, 2024 was \$8.4 million, excluding non-cash claims amortization expense of \$121.0 million and professional fees paid in stock of \$0.4 million.
- **Net loss:** Net loss for the three months ended September 30, 2024 was \$190.4 million and \$160.5 million to controlling members, or net loss per share of \$1.26 per share, Class A Common Stock, based on 23,764,079 million weighted average shares of Class A Common Stock outstanding. Adjusted net loss for the three months ended September 30, 2024 was \$11.0 million, excluding the non-cash item noted above, change in fair value of warrant and derivative liabilities of \$45.3 million, and \$103.3 million related to interest expense.
- **Liquidity:** As of September 30, 2024, cash totaled \$4.7 million, and as of October 31, 2024, cash totaled \$5.6 million. 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, including by drawing upon its working capital facility. For the three months ended September 30, 2024, the Company received \$5.25 million of funding for working capital. Subsequently, the Company has received additional working capital funding of \$3.5 million, and it has \$5.25 million of remaining capacity to draw from its working capital facility as of the date of filing of the Quarterly Report on Form 10-Q for the period ending September 30, 2024.

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:

| | Nine Months Ended September 30, 2024 | Year Ended December 31, 2023 | Year Ended December 31, 2022 |
|-----------------------|---|------------------------------------|------------------------------------|
| \$ in billions | | | |
| Paid Amount | \$ 380.5 | \$ 369.8 | \$ 374.8 |

| | | | |
|---|--------------------|--------|--------|
| Paid Value of Potentially Recoverable Claims ⁽²⁾ | 87.8 | 88.9 | 89.6 |
| Billed Value of Potentially Recoverable Claims | 375.3 | 373.5 | 377.8 |
| Recovery Multiple | N/A ⁽¹⁾ | N/A | N/A |
| Penetration Status of Portfolio | 86.8 % | 86.8 % | 85.8 % |

1) During the nine months ended September 30, 2024, the Company has received total recoveries of \$9.9 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 \$9.9 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.

Going Concern

As disclosed in the Company's Quarterly Report on Form 10-Q, the Company has concluded that, despite the financing arrangements entered into by the Company, there is substantial doubt about its ability to continue as a going concern. Unless the Company is successful in raising additional funds through the offering of debt or equity securities, the Company has concluded it is probable the Company will be unable to continue to operate as a going concern beyond the next 12 months.

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.

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 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 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 additional 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 Securities and Exchange Commission. 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 share and per share data)</i> | September 30, 2024 | December 31, 2023 |
|--|-------------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 4,746 | \$ 11,633 |
| Accounts receivable | 3,100 | 217 |
| Affiliate receivable (1) | 1,222 | 1,188 |
| Prepaid expenses and other current assets (1) | 1,692 | 8,908 |
| Total current assets | 10,760 | 21,946 |
| Property and equipment, net | 4,866 | 4,911 |
| Intangible assets, net (2) | 2,771,969 | 3,132,796 |
| Right-of-use assets | 257 | 342 |
| Total assets | \$ 2,787,852 | \$ 3,159,995 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 10,767 | \$ 6,244 |
| Affiliate payable (1) | 20,637 | 19,822 |
| Commission payable | 1,222 | 821 |
| Derivative liability | 110 | 37 |
| Warrant liability (1) | 27,012 | 268 |
| Guaranty obligation (1) | 1,077,070 | — |
| Claims financing obligation and notes payable (1) | 43,267 | — |
| Interest payable (1) | 11,096 | — |
| Other current liabilities (1) | 14,813 | 19,314 |
| Total current liabilities | 1,205,994 | 46,506 |
| Guaranty obligation (1) | — | 941,301 |
| Claims financing obligation and notes payable (1) | 588,513 | 548,276 |
| Lease liabilities | 138 | 235 |
| Loan from related parties (1) | 130,328 | 130,709 |
| Interest payable (1) | 12,655 | 73,839 |
| Other long-term liabilities | 3,236 | — |
| Total liabilities | \$ 1,940,864 | \$ 1,740,866 |
| Commitments and contingencies (Note 13) | | |
| Stockholders' Equity: | | |
| Class A common stock, \$0.0001 par value; 5,500,000,000 shares authorized; 30,975,324 and 14,659,794 issued and outstanding as of September 30, 2024 and December 31, 2023, respectively | \$ 3 | \$ 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 September 30, 2024 and December 31, 2023, respectively | 12 | 12 |
| Additional paid-in capital | 459,748 | 357,928 |
| Accumulated deficit | (159,416) | (85,551) |
| Total stockholders' equity | \$ 300,347 | \$ 272,390 |
| Non-controlling interest | 546,641 | 1,146,739 |
| Total equity | \$ 846,988 | \$ 1,419,129 |
| Total liabilities and equity | \$ 2,787,852 | \$ 3,159,995 |

1) As of September 30, 2024 and December 31, 2023, the total affiliate receivable, affiliate payable, 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, other current liabilities, and interest payable include balances with related parties. See Note 15, *Related Party Transactions*, for further details.

2) As of September 30, 2024 and December 31, 2023, intangible assets, net included \$2.0 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 share and per share data)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------|--|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Claims recovery income | \$ 3,577 | \$ 440 | \$ 9,879 | \$ 6,479 |

| | | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| Claims recovery service income | — | — | — | 498 |
| Other | 91 | — | 127 | — |
| Total Revenues | \$ 3,668 | \$ 440 | \$ 10,006 | \$ 6,977 |
| Operating expenses | | | | |
| Cost of revenues (1) | 1,671 | 574 | 3,453 | 1,972 |
| Claims amortization expense | 121,007 | 121,008 | 363,027 | 355,481 |
| General and administrative (2) | 5,329 | 6,130 | 17,145 | 20,691 |
| Professional fees | 3,248 | 2,466 | 12,030 | 15,611 |
| Professional fees – legal (3) | 2,213 | 6,871 | 9,146 | 25,889 |
| Allowance for credit losses | — | — | — | 5,000 |
| Depreciation and amortization | 71 | 85 | 206 | 182 |
| Total operating expenses | 133,539 | 137,134 | 405,007 | 424,826 |
| Operating Loss | \$ (129,871) | \$ (136,694) | \$ (395,001) | \$ (417,849) |
| Interest expense (4) | (106,653) | (88,279) | (306,596) | (204,287) |
| Other income (expense), net | 799 | 408 | 1,140 | 8,697 |
| Change in fair value of warrant and derivative liabilities | 45,341 | 348 | 121,625 | 4,247 |
| Net loss before provision for income taxes | \$ (190,384) | \$ (224,217) | \$ (578,832) | \$ (609,192) |
| Provision for income tax expense | — | — | — | — |
| Net loss | \$ (190,384) | \$ (224,217) | \$ (578,832) | \$ (609,192) |
| Less: Net loss attributable to non-controlling interests | 160,537 | 204,462 | 504,967 | 576,301 |
| Net loss attributable to MSP Recovery, Inc. | \$ (29,847) | \$ (19,755) | \$ (73,865) | \$ (32,891) |
| Basic and diluted weighted average shares outstanding, Class A Common Stock | 23,764,079 | 12,703,472 | 18,586,357 | 7,097,032 |
| Basic and diluted net loss per share, Class A Common Stock | \$ (1.26) | \$ (1.56) | \$ (3.97) | \$ (4.63) |

- 1) For both the three and nine months ended September 30, 2024, cost of revenue included \$1.3 million of related party expenses. For both the three and nine months ended September 30, 2023, cost of revenue included \$0.3 million of related party expenses. See Note 15, *Related Party Transactions*, for further details.
- 2) For the three and nine months ended September 30, 2024, general and administrative expenses included \$89.1 thousand and \$180.8 thousand of related party expenses, respectively. See Note 15, *Related Party Transactions*, for further details. No such related party expenses were present for the three and nine months ended September 30, 2023.
- 3) For the three and nine months ended September 30, 2024 and 2023, Professional Fees—legal included \$1.7 million and \$7.7 million, and \$4.6 million and \$13.5 million, respectively, of related party expenses related to the Law Firm. See Note 15, *Related Party Transactions*, for further details.
- 4) For the three and nine months ended September 30, 2024 and 2023, interest expense included \$80.8 million and \$233.3 million, and \$69.1 million and \$163.1 million, respectively, related to interest expense due to related parties. 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 September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|--------------------|---------------------------------|--------------------|
| | 2024 | 2023 | 2024 | 2023 |
| GAAP Operating Loss | \$ (129,871) | \$ (136,694) | \$ (395,001) | \$ (417,849) |
| Professional fees paid in stock | 416 | 1,875 | 1,484 | 1,875 |
| Claims amortization expense | 121,007 | 121,008 | 363,027 | 355,481 |
| Allowance for credit losses | — | — | — | 5,000 |
| Adjusted Operating Loss | \$ (8,448) | \$ (13,811) | \$ (30,490) | \$ (55,493) |
| GAAP Net Loss | \$ (190,384) | \$ (224,217) | \$ (578,832) | \$ (609,192) |
| Professional fees paid in stock | 416 | 1,875 | 1,484 | 1,875 |
| Claims amortization expense | 121,007 | 121,008 | 363,027 | 355,481 |
| Allowance for credit losses | — | — | — | 5,000 |
| Interest expense (1) | 103,336 | 88,279 | 302,101 | 204,287 |
| Change in fair value of warrant and derivative liabilities | (45,341) | (348) | (121,625) | (4,247) |
| Adjusted Net Loss | \$ (10,966) | \$ (13,403) | \$ (33,845) | \$ (46,796) |

In addition to the financial measures prepared in accordance with GAAP, this Quarterly Report 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 the Company’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 above.

(1) Interest expense included above excludes any interest expense payments made in cash during the three and nine months ended September 30, 2024.

1 *“Paid Amount”* (a/k/a Medicare Paid Rate or wholesale price) means the amount paid to the provider from the health plan or insurer. This amount varies based on the party making payment. For example, Medicare typically pays a lower fee for service rate than commercial insurers. The Paid Amount is derived from the Claims data we receive from our Assignors. In the limited instances where the data received lacks a paid value, our team calculates the Paid Amount with a formula. The formula used provides rates for outpatient services and is derived from the customary rate at the 95th percentile as it appears from standard industry commercial rates or, where that data is unavailable, the Billed Amount if present in the data. These amounts are then adjusted to account for the customary Medicare adjustment to arrive at the calculated Paid Amount. Management believes that this formula provides a conservative estimate for the Medicare paid amount rate, based on industry studies which show the range of differences between private insurers and Medicare rates for outpatient services. We periodically update this formula to enhance the calculated paid amount where that information is not provided in the data received from our Assignors. Management believes this measure provides a useful baseline for potential recoveries, but it is not a measure of the total amount that may be recovered in respect of potentially recoverable Claims, which in turn may be influenced by any applicable potential statutory recoveries such as double damages or fines. Where we have to extrapolate a Paid Amount to establish damages, the calculated amount may be contested by opposing parties. The figures pertaining to Medicare Member Lives as well as the paid amount were tabulated based on the data provided by health care plans; these figures may be subject to adjustment upon further investigation of the paid amounts reflected by the health plans.