



## LifeWallet Announces Fiscal Year and Fourth Quarter 2022 Financial Results

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CORAL GABLES, Fla., July 26, 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2022. As previously stated, such restatements relate to the reassessment of complex accounting matters based on non-cash adjustments and do not affect the Company's cash position. The Company continues its strategy, daily operations, and mission to disrupt the antiquated healthcare reimbursement system with data-driven solutions for consumers and industries.

The Company is working expeditiously to file its Form 10-Q for the periods ending March 31, 2023 and June 30, 2023. Subsequently, the company looks forward to holding a conference call to discuss historical events, current status, and futuristic outlook.

As described in our Current Report on Form 8-K filed with the SEC on April 14, 2023, we identified errors in the accounting for the indemnification asset, various intangible assets and rights to cash flows, and consolidation of an entity in connection with our business combination. As a result of these errors, management and the audit committee of our board of directors concluded that our previously issued unaudited condensed consolidated financial statements for the periods ended June 30, 2022 and September 30, 2022 were materially misstated. Accordingly, our unaudited condensed consolidated financial statements for the foregoing periods require restatement and should no longer be relied upon. The financial information that was previously filed or otherwise reported as of and for the periods ended June 30, 2022 and September 30, 2022 is superseded by the information in the Annual Report on Form 10-K. See Note 18 to our consolidated financial statements in the Annual Report on Form 10-K for additional information on the restatement and the related financial information impacts.

In addition, on April 16, 2023, the board of directors of the Company established a special committee to review matters related to the preparation and filing of the Annual Report on Form 10-K, and to address any related issues. At that time, it was decided to postpone the filing of this Annual Report on Form 10-K pending the special committee's review. On June 13, 2023, the special committee finalized its review. The findings and recommendations of the special committee are set forth in "Part II, Item 9A Controls and Procedures" of the Annual Report on Form 10-K.

### Fiscal Year 2022 Major Highlights

- LifeWallet continued to execute and advance its business strategy as the Paid Value of Potentially Recoverable Claims ("PVPRC") increased by about \$3 billion by year-end for a total of \$89.6 billion from inception to the end of 2022. Continued growth of PVPRC reflects strong demand for LifeWallet's expertise and recovery services from health plans, providers, and self-insured entities. As a result of ongoing recovery efforts, a large portion of the newly acquired claims are incorporated into existing cases.
- During 2022, the Company recovered or settled \$4.8 million in claims recovery income through consolidated and nonconsolidated entities. These recoveries include an accident-related case settlement for \$1.75 million with a primary payer with very limited exposure where the average recovery on claims settled exceeded 2x the PVPRC. The Company also settled with a group health plan, recovering \$1.15 million on claims that had never been calculated as potentially recoverable and were found through the exercise of due diligence.
- For the fiscal year 2022, LifeWallet had an operating loss of \$331.5 million and an adjusted operating loss excluding non-cash items, of \$44.5 million. The Company's operating loss was driven by two large non-cash expenses, (i) claims amortization expense and (ii) interest expense, both combined represented 87% of our operating loss.
- Throughout 2022, LifeWallet furthered its litigation and data-matching strategies. The Company continues to make progress in 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.

- During 2022, the Company entered into a warrant agreement with Brickell Key Investments, LP (“Brickell Key”) that reduced debt by \$63 million, resulting in a \$40 million reduction in accrued interest annually. By exchanging debt for equity, the Brickell Key transaction demonstrated their continued confidence in the Company.
- During 2022, LifeWallet developed LifeChain blockchain technology, which is in the process of being implemented for several clients. LifeChain will give payers, providers, and patients the ability to confirm billing and payment integrity while reducing fraud and duplicate or improper payments. LifeChain will also offer healthcare providers invaluable data analysis tailored to their practice, including specialized healthcare analysis based on a provider’s specific needs and connection to different data sources, leading to improved patient care.

#### Fiscal Year 2022 Financial Highlights

- **Revenue:** Total revenue for 2022 was \$23.4 million, up 60% from 2021.
- **Operating loss:** Operating loss for 2022 was \$331 million, compared with \$7.1 million for 2021. Adjusted operating loss for 2022 was \$44.5 million, excluding non-cash claims amortization expense of \$266.9 million and share compensation of \$20.1 million.<sup>1</sup>
- **Net loss:** Net loss for 2022 was \$402 million and \$7.4 million to controlling members, or net loss per share of \$0.12 per share, based on 61.8 million weighted average shares outstanding. Adjusted net loss for 2022 was \$44.8 million, excluding the non-cash item noted above, add back for non-cash gain on debt extinguishment of \$63.4 million, change in fair value of warrant and derivative liabilities of \$12.5 million and \$121 million of non-cash expenses related to paid in kind interest.<sup>1</sup>
- **Liquidity:** As of December 31, 2022, cash and cash equivalents were \$3.7 million. In addition, 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. The Company has potential additional capital resources, which include the Company Common Stock Purchase Agreement, 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. While the Investment Capacity Agreement and Prudent Sale are still in effect as of this date, its uncertain if or when the Company would transact on the agreements.

(1) 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.

#### Recent Updates:

- LifeWallet also recently announced it successfully renegotiated two material obligations. The Company has extended its payment obligations to Virage Recovery Master LP, an entity managed by Virage Capital Management LP and Nomura Securities International, Inc. The new agreements with Virage and Nomura extended the payment dates for each to September 30, 2024.
- The Company also entered into three separate transactions, Hazel Holdings I, LLC and Hazel Partners Holdings LLC. The Company secured a credit agreement providing the Company with \$48 million worth of working capital, the funding of which is subject to certain milestones. Detailed financials relating to the transactions will be reflected in the Company’s first fiscal quarter 2023 financial statements.

## 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:

As of <i>(in billions)</i>	Select Portfolio Metrics					
	Year Ended December 31	Nine Months Ended September 30,	Six Months Ended June 30,	Three Months Ended March 31,	Year Ended December 31	Year Ended December 31
	2022	2022	2022	2022	2021	2020
Total Paid Amount	\$ 374.8	\$ 373.3	\$ 370.2	\$ 366.9	\$ 364.4	\$ 58.4
Paid Value of Potentially Recoverable Claims (PVPRC)	89.6	89.2	88.3	87.3	86.6	14.7
Billed Value of Potentially Recoverable Claims (BVPRC)	377.8	376.1	371.3	367.8	363.2	52.3

- Total Paid Amount of owned claims has increased to \$374.8 billion, as of December 31, 2022, up \$10.4 billion or 3% from \$364.4 billion as of December 31, 2021. This figure represents the amounts our clients/assignors have paid for in medical bills (including capitation payments).
- Paid Value of Potential Recoverable Claims grew to \$89.6 billion, as of December 31, 2022, up \$3 billion or 3% from \$86.6 billion as of December 31, 2021. This figure represents the amounts LifeWallet estimates are potentially recoverable as identified by LifeWallet algorithms.
- On August 10, 2022, the United States Court of Appeals, Eleventh Circuit held that four-year statute of limitations period for civil actions arising under an Act of Congress enacted after December 1, 1990 applies to certain claims brought under the Medicare Secondary Payer 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. Although this opinion is binding only on courts in the Eleventh Circuit, if the application of this 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 \$8.86 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.

### Recoveries Being Sought by Category:

During 2022, LifeWallet announced a strategy whereby the Company is sending out individual demand letters on identified recoverable claims to responsible payers for prompt payment. The table below outlines specific dollar amounts identified by the Company, broken down by litigation and demand letter type, that it plans to pursue against different responsible parties:

	Recoveries Being Sought By Category			
	Paid Amount (\$ in millions)	Billed Amounts Sought (\$ in millions)	2022 Recovery (\$ in millions)	Recovery Multiple
<b>ACCIDENT RELATED:</b>				
Data Matching <sup>(1)</sup>	\$5,046.5	\$20,361.4	\$1.9	2.1x
Demand Letters <sup>(2)</sup>				
1 <sup>st</sup> Party Demands	\$117.6	\$682.3	\$0.3	1.8x
3 <sup>rd</sup> Party Demands	\$227.4	\$1,631.2	\$0.1	4.4x
Case and Lien Recoveries	\$18.7	\$75.9	\$2.2	1.9x
<b>FRAUD &amp; MISCONDUCT CASES:</b>				
Private Lien Resolution Program <sup>(3)</sup>	\$2.5	\$12.9	\$2.4	Un-funneled Recovery

Big Pharma/Product Liability <sup>(4)</sup>	\$6,219.8	\$19,434.9	\$0.5	Un-funneled Recovery
Group Health Plan Recovery <sup>(4)</sup>	\$2.1	\$10.9	\$1.2	Un-funneled Recovery

(1) Data Matching represents potential recovery opportunities the Company has identified via court orders or agreements with primary payers. These represent potential recoveries that LIFW could receive from our settlement discussions or data matching with auto insurance carriers that represent approximately 28% combined market share of the auto industry.

(2) As previously announced June 13th and 27th 2022, MSP initiated billing amounts to primary payers (i.e., property and casualty insurers), giving these parties the opportunity to pay without the need for litigation or extended litigation.

(3) PLRPs are established to resolve health care liens asserted by private health insurance providers in mass tort settlements. MSPR is actively working with various lien resolution administrators to recover on those owned claims for which manufacturers have already settled other lawsuits and established PLRPs.

(4) Un-funnel recovery represents a recovery that was not identified in the PVPRC. The majority of the amount recovered in the Private Lien Resolution Program represents recoveries that are un-funneled recoveries.

**Data Matching:** Data Matching represents potential recovery opportunities the Company has identified via court orders or agreements with primary payers. These represent potential recoveries that LifeWallet could receive from a portion of our settlement discussions with approximately 28% of Auto Insurance industry or via demand letters.

**Demand Letters:** As previously announced June 13th and 27th 2022, LifeWallet initiated billing amounts to primary payers (i.e., property and casualty insurers) and big pharma, giving these parties the opportunity to pay without the need for litigation or extended litigation. For 2022, our recovery multiple on 1<sup>st</sup> party & 3<sup>rd</sup> party demand letters, was 1.8x and 4.4x, respectively.

**Private Lien Resolution Programs ("PLRP"):** PLRPs are established to resolve health care liens asserted by private health insurance providers in mass tort settlements. LifeWallet is actively working with various lien resolution administrators to recover on those owned claims for which manufacturers have already settled other lawsuits and established PLRPs.

## Financial Outlook

**Recoveries Guidance:** The Company continues to make progress in its recovery efforts, and management continues to believe previously 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.

## Quarterly Conference Call

The Company will not host a conference call to review the fourth quarter results for investors and analysts. Instead, the Company will host a call after the Company reports its second quarter results, at which time the Company will review both the 2022 and 2023 first and second quarter results. The date and time will be provided at a later date.

## About MSP Recovery

In January 2023 MSP Recovery announced its rebranding to its nationally recognized brand, LifeWallet. The Company will not change its core strategy, and its core business remains the same—secondary payer reimbursement recoveries. Utilizing the name LifeWallet reflects the diverse recovery opportunities presented by the company's growing technological innovations and consolidates the Company's lines of business under the same name, while positioning itself to generate additional revenues that were not predicted at the time of its business combination.

Founded in 2014, 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 against responsible parties. The Company provides the healthcare industry with comprehensive compliance solutions, while innovating technologies to help save lives. For more information, visit:

[www.lifewallet.com](http://www.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.

<i>(In thousands except per share amounts)</i>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,661	\$ 1,664
Restricted cash	11,420	-
Accounts receivable	6,195	-
Affiliate receivable (1)	2,425	4,070
Prepaid expenses and other current assets (1)	27,656	13,304
<b>Total current assets</b>	<b>51,357</b>	<b>19,038</b>
Property, plant and equipment, net	3,432	750
Intangible assets, net (2)	3,363,156	84,218
<b>Total assets</b>	<b>\$ 3,417,945</b>	<b>\$ 104,006</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 8,422	\$ 4,609
Affiliate payable (1)	19,822	45,252
Commission payable	545	465
Deferred service fee income	-	249
Derivative liability	9,613	-
Warrant liability	5,311	-
Other current liabilities	72,002	3,489
<b>Total current liabilities</b>	<b>115,715</b>	<b>54,064</b>
Guaranty obligation	787,945	-
Claims financing obligation and notes payable (1)	198,489	106,805
Loan from related parties (1)	125,759	-
Interest payable (1)	2,765	94,545
<b>Total liabilities</b>	<b>\$ 1,230,673</b>	<b>\$ 255,414</b>
<b>Commitments and contingencies (Note 13)</b>		
Class A common stock subject to possible redemption, 1,129,589 shares at redemption value as of December 31, 2022.	1,807	-
<b>Stockholders' Equity (Deficit):</b>		
Class A common stock, \$0.0001 par value; 5,500,000,000 shares authorized; 74,605,284 issued and outstanding as of December 31, 2022	\$ 7	\$ -
Class V common stock, \$0.0001 par value; 3,250,000,000 shares authorized; 3,147,979,494 issued and outstanding as of December 31, 2022	315	-
Additional paid-in capital	136,760	-
Members' equity	-	(155,756)
Accumulated deficit	(29,203)	-
<b>Total Stockholders' Equity (Deficit)</b>	<b>\$ 107,879</b>	<b>\$ (155,756)</b>
Non-controlling interest	2,077,586	4,348
<b>Total equity</b>	<b>\$ 2,185,465</b>	<b>\$ (151,408)</b>
<b>Total liabilities and equity</b>	<b>\$ 3,417,945</b>	<b>\$ 104,006</b>

1. As of December 31, 2022 and 2021, 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 14, Related Party*, for further details.

2. As of December 31, 2022, intangible assets, net included \$2.3 billion related to a consolidated VIE. See *Note 10, Variable Interest Entities*, for further details.

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

**MSP RECOVERY, INC. and Subsidiaries  
Consolidated Statements of Operations**

<i>(In thousands except per share amounts)</i>	<u>Year ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Claims recovery income	\$ 4,878	\$ 126	\$ 255
Claims recovery service income (1)	18,542	14,500	13,632

<b>Total Claims Recovery</b>	<b>\$ 23,420</b>	<b>\$ 14,626</b>	<b>\$ 13,887</b>
Operating expenses			
Cost of claim recoveries (2)	2,054	26	47
Claims amortization expense	266,929	164	125
General and administrative (3)	23,959	12,633	14,130
Professional fees	18,497	8,502	2,211
Professional fees - legal (4)	43,035	128	468
Depreciation and amortization	424	343	235
Total operating expenses	<u>354,898</u>	<u>21,796</u>	<u>17,216</u>
<b>Operating Loss</b>	<b>\$ (331,478)</b>	<b>\$ (7,170)</b>	<b>\$ (3,329)</b>
Interest expense	(121,011)	(27,046)	(20,886)
Other income (expense), net	63,067	1,139	(51)
Change in fair value of warrant and derivative liabilities	(12,483)	—	—
<b>Net loss before provision for income taxes</b>	<b>\$ (401,905)</b>	<b>\$ (33,077)</b>	<b>\$ (24,266)</b>
Provision for income tax expense	—	—	—
<b>Net loss</b>	<b>\$ (401,905)</b>	<b>\$ (33,077)</b>	<b>\$ (24,266)</b>
Less: Net (income) loss attributable to non-controlling members	394,488	(16)	18
<b>Net loss attributable to controlling members</b>	<b>\$ (7,417)</b>	<b>\$ (33,093)</b>	<b>\$ (24,248)</b>
Basic and diluted weighted average shares outstanding, Class A Common Stock (5)	61,825,105	N/A	N/A
<b>Basic and diluted net income per share, Class A Common Stock (5)</b>	<b>\$ (0.12)</b>	N/A	N/A

- For the years ended December 31, 2022, 2021 and 2020, Claims recovery service income included \$10.6 million, \$11.5 million, and \$13.1 million, respectively, of Claims recovery service income from VRM MSP. See *Note 14, Related Party*, for further details.
- For the year ended December 31, 2022, cost of Claim recoveries included \$405 thousand 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 14, Related Party*, for further details. For the years ended December 31, 2021 and 2020, the expenses related to contingent legal expenses were de minimis.
- For the year ended December 31, 2022, general and administrative expenses included \$400 thousand of related party expenses. For the years ended December 31, 2021 and 2020, the amounts were de minimis. See *Note 14, Related Party*, for further details.
- For the year ended December 31, 2022, professional fees - legal included \$29.7 million of related party expenses related to the Law Firm. For the year ended December 31, 2021 and 2020, the amounts were de minimis, respectively, of related party expenses related to the Law Firm. See *Note 14, Related Party*, for further details.
- Earnings per share information has not been presented for periods 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. Refer to *Note 16, Net Loss Per Common Share* 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)		<b>December 31, 2022</b>
<b>GAAP Operating Loss</b>	<b>\$</b>	<b>(331,478)</b>
Share based compensation		20,055
Claims amortization expense		266,929
<b>Adjusted operating loss</b>	<b>\$</b>	<b>(44,494)</b>
<b>GAAP Net Loss</b>	<b>\$</b>	<b>(401,905)</b>

Share based compensation	20,055
Claims amortization expense	266,929
Gain on debt extinguishment	(63,367 )
Paid-in-kind Interest	121,011
Change in fair value of warrant and derivative liabilities	12,483
<b>Adjusted net loss</b>	<b><u>\$ (44,794 )</u></b>

In addition to the financial measures prepared in accordance with GAAP, this press release also contains Non-GAAP financial measures. We consider "Net loss excluding non-cash and one-time expenses" and "Operating loss excluding non-cash or one-time items" 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. Net loss excluding non-cash and one-time expenses represents Net loss adjusted for certain non-cash and non-recurring expenses, and Operating loss excluding non-cash or one-time items represents Operating loss adjusted for certain non-cash and non-recurring expenses. These measures provide useful information to investors, and a reconciliation of these measures to the most directly comparable GAAP measures and other information relating to these Non-GAAP measures will be included in Management's Discussion and Analysis in the Form 10-K.

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