

# JGWPT Holdings Inc. Reports Fourth Quarter Financial Results

Written by Australian Business

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RADNOR, Pa.--( [BUSINESS WIRE](#) )--JGWPT Holdings Inc. ("JGWPT" or the "Company") (NYSE:JGW), a leading purchaser of structured settlement payments, annuity payments, lottery payments and other receivables, today reported its financial results for the fourth quarter and full year of 2013. David Miller, JGWPT's Chief Executive Officer, said, "The business performance and fourth quarter results are in line with our expectations, as we earned approximately \$0.04 on every dollar of Total Receivables Balance, or TRB, purchased from customers." The following are highlights from the fourth quarter and full year results:

## Fourth Quarter Highlights

- TRB purchases were \$260.5 million, as compared to \$278.9 million in the fourth quarter of 2012, representing a 6.6% decrease.
- Revenues were \$106.6 million, a decrease of 15.5% from revenues of \$126.2 million in the fourth quarter of 2012, due primarily to an increasing interest rate environment and lower TRB purchases.
- Net (loss) income attributable to J.G. Wentworth, LLC decreased to \$(5.4) million, as compared to \$38.6 million in the fourth quarter of 2012, driven by additional interest expense on the Company's term loan as well as the impact of an increasing rate environment.
- Adjusted Net Income ("ANI") decreased to \$11.2 million, as compared to \$23.8 million in the fourth quarter of 2012, driven primarily by \$10.1 million of additional interest expense on the term loan as well as an increasing interest rate environment (ANI is a non-GAAP measure - see Reconciliation of Net Income to Adjusted Net Income below).
- ANI as a percentage of TRB was 4.29%, as compared to 8.55% in the fourth quarter of 2012.
- Term loan interest expense was \$13.5 million, compared to \$3.4 million in the fourth quarter of 2012. In December, the Company repaid \$123.0 million on the term loan, reducing the outstanding balance to \$434.2 million, and entered into an amendment reducing the interest rate payable on the term loan by approximately 200 basis points. These changes are expected to result in annual savings of approximately \$20 million.

## Full Year Highlights

- TRB purchases were \$1,125.0 million, as compared to \$1,069.7 million in 2012, representing a 5.2% increase.

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- Revenues decreased to \$459.6 million in 2013, as compared to \$467.4 million in 2012, due to the increasing rate environment but offset somewhat by the increase in TRB purchases.
- Net income attributable to J.G. Wentworth, LLC decreased to \$61.8 million, as compared to \$116.7 million in 2012, due primarily to an increased interest rate environment and additional interest on the term loan.
- ANI was \$46.6 million, as compared to \$76.4 million in 2012, primarily driven by \$33.5 million of additional interest expense on the Company's term loan as well as the increased interest rate environment and increases in other expenses (see reconciliation of net income to adjusted net income – a non-GAAP measure).
- ANI as a percentage of TRB was 4.14%, as compared to 7.14% in 2012.
- Term loan interest expense was \$48.0 million, compared to \$14.5 million in 2012.

John Schwab, JGWPT's Chief Financial Officer, said, "Fourth quarter profitability was impacted primarily by interest expense associated with our term loan. As a result of paying down a portion of our term loan and lowering the interest rate, we have reduced our interest costs going forward."

### About JGWPT Holdings Inc.

JGWPT focuses on key sectors, including purchasing of structured settlement payments, annuity payments, lottery payments and pre-settlement funding. Through our two market leading and highly recognizable brands, J.G. Wentworth and Peachtree Financial Solutions, we have purchased over \$9.6 billion of future structured settlement payment streams from our customers since 1995.

For more information about JGWPT, visit [www.jgwpt.com](http://www.jgwpt.com) or use the contact information provided below.

### Conference Call and Webcast

Management will host a webcast to discuss the fourth quarter 2013 financial results tomorrow April 1, 2014 at 10:00 AM Eastern time. The webcast will include remarks from

JGWPT's Chief Executive Officer, David Miller, and Chief Financial Officer, John Schwab. A webcast of the conference call will be available live on the Investor Relations section of the Company's website: <https://event.on24.com/eventRegistration/EventLobbyServlet?target=registration.jsp&eventid=773707&sessionid=1&key=899335C7B16FFA04DF997FBE6773B17E&sourcepage=register>

Interested parties unable to access the conference call via the webcast may dial (877) 201-0168 and reference conference ID 19646221. A playback of the call is available until April 15, 2014 at (855) 859-2056 with conference ID 19646221.

## Forward-Looking Statements

Certain statements in this press release constitute "forward-looking statements." Statements preceded by, followed by or that otherwise include the words "believes", "expects", "anticipates", "intends", "projects", "estimates" and "plans" and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. Any statements that refer to expectations or other characterizations of future events, circumstances or results are forward-looking statements.

A number of factors could cause actual results, performance or achievements to differ materially from the results expressed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause our actual results, performance and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: our ability to purchase structured settlement payments and other assets; our ability to complete future securitizations on beneficial terms; availability of or increases in the cost of our financing sources relative to our purchase discount rate; our dependence on the opinions of certain rating agencies; our dependence on the effectiveness of our direct response marketing; the compression of the yield spread between the price we pay for and the price at which we sell assets; changes in tax or accounting policies or changes in interpretation of those policies as applicable to our business; the lack of an established market for the subordinated interest in the receivables that we retain after a securitization is executed; our exposure to underwriting risk; our ability to remain in compliance with the terms of our substantial indebtedness; changes in existing state laws governing the transfer of structured settlement payments

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or the interpretation thereof; the insolvency of a material number of structured settlement holders; any change in current tax law relating to the tax treatment of structured settlements; changes to statutory, licensing and regulatory regimes; the impact of the Consumer Financial Protection Bureau and any regulations it issues; adverse judicial developments; potential litigation and regulatory proceedings; unfavorable press reports about our business model; our access to personally identifiable confidential information of current and prospective customers and the improper use or failure to protect that information; the public disclosure of the identities of structured settlement holders; our business model being susceptible to litigation; our dependence on a small number of key personnel; our dependence on outside parties to conduct our transactions including the court system, insurance companies, outside counsel, delivery services and notaries; our ability to successfully enter new lines of business and broaden the scope of our business; changes in our expectations regarding the likelihood, timing or terms of any potential acquisitions described herein; our computer systems being subject to security and privacy breaches; and infringement of our trademarks or service marks.

Consideration should also be given to the areas of risk set forth under the heading "Risk Factors" in our filings with the Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K, and in our other filings made from time to time, in connection with considering any forward-looking statements that may be made by us and our businesses generally. Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless we are required to do so by law.

**JGWPT Holdings Inc.**  
**(Prior to November 14, 2013, J.G. Wentworth, LLC and Subsidiaries)**  
**Consolidated Balance Sheets**  
***(Dollars in thousands, except per share amounts)***

**December 31,**

**2013**

**December**

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## ASSETS

Cash and cash equivalents	\$	
Restricted cash and investments		109,338
VIE finance receivables, at fair market value		3,818,704
Other finance receivables, at fair market value		51,945
VIE finance receivables, net of allowance for losses of \$6,443 and		\$3,717, respectively
	117,826	128
Other finance receivables, net of allowance for losses of \$1,899		and \$933, respectively
	15,166	21,
Notes receivable, at fair market value		5,610
Notes receivable due from affiliate		-
Other receivables, net of allowance for losses of \$243 and \$276		13,529 respectively
Fixed assets, net of accumulated depreciation of \$4,544 and 3,128		12 respectively

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Intangible assets, net of accumulated amortization of \$17,781 and	\$14,257, respectively	
		47,878
Goodwill	84,993	51,
Marketable securities	121,954	
Deferred tax assets	1,830	
Other assets		

### **Total assets**

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### LIABILITIES AND STOCKHOLDERS' EQUITY/MEMBER'S CAPITAL

Accounts payable	\$	3,9
Accrued expenses	21,181	
Accrued interest	14,485	
VIE derivative liabilities, at fair market value	70,296	
VIE borrowings under revolving line of credit and other short term borrowings	1,274	
VIE long term debt	150,802	
VIE long term debt issued by securitization trusts, at fair market value	3,431,288	
Term loan payable	434,184	
Other liabilities	7,646	
Deferred tax liabilities	1,707	
Installment obligations payable		

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## Total liabilities

Member's capital	\$	-
Class A common stock, par value \$0.00001 per share; 500,000,000		shares authorized,
11,220,358 issued and 11,216,429 outstanding as of December 31,		2013
	-	-
Class B common stock, par value \$0.00001 per share; 500,000,000		shares authorized,
14,001,583 issued and 13,984,065 outstanding as of December 31,		2013

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	-	-
Class C common stock, par value \$0.00001 per share; 500,000,000		shares authorized,
0 issued and outstanding as of December 31, 2013	-	-
Additional paid-in-capital	70,236	
Accumulated deficit	(5,577	)
Accumulated other comprehensive income		
	\$	65,271
Non-controlling interests		

Total stockholders' equity/member's capital

**Total liabilities and stockholders' equity/member's capital**

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**JGWPT Holdings Inc.**  
**(Prior to November 14, 2013, J.G. Wentworth, LLC and Subsidiaries)**  
**Consolidated Statements of Operations**  
*(Dollars in thousands, except per share amounts)*

**For the Three Months Ended**

**For the Twelve Months Ended**

**December 31,**

**December 31,**

**2013**

## **REVENUES**

Interest income

\$

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Unrealized gains on VIE and other finance receivables,	-	
long term debt, and derivatives	38,733	
Gain (loss) on swap termination, net	(151	)
Servicing, broker, and other fees	1,585	
Other	1,266	
Realized loss on notes receivable, at fair value	-	
Gain on extinguishment of debt, net	14,217	
Realized and unrealized gains on marketable securities, net		

**Total revenue**

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### EXPENSES

Advertising	\$	18,
Interest expense	53,061	
Compensation and benefits	10,101	
General and administrative	5,298	
Professional and consulting	4,914	
Debt issuance	3,275	
Securitization debt maintenance	1,565	
Provision for losses on finance receivables	1,321	

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Depreciation and amortization	1,472
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Installment obligations expense, net	6,827
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Loss on disposal/impairment of fixed assets	
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**Total expenses**

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<b>Income (loss) before income taxes</b>	<b>\$</b>	<b>(4,117</b>
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Provision (benefit) for income taxes

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Net income (loss)	(5,362	)
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Less non-controlling interest in earnings of affiliate

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Net income (loss) attributable to J.G. Wentworth, LLC	(5,362	)
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Less net income attributable to non-controlling interests

**Net loss attributable to JGWPT Holdings Inc.**

**November 14, 2013 through December 31, 2013**

Weighted average shares of Class A common stock outstanding:

Basic

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Diluted

Net income per share attributable to stockholders of Class A common  
Basic

stock of JGWPT Ho

\$

(0.54)

Diluted

\$

(0.54)

**ANI Bridge - Unaudited**

**J.G. Wentworth LLC and Subsidiaries**

**Reconciliation of Net Income to Adjusted Net Income**

We use Adjusted Net Income (a non-GAAP financial measure) as a

measure of our results

A reconciliation of Net Income to Adjusted Net Income for the three

months ended and year

**JGWPT Holdings Inc.**

**(Prior to November 14, 2013, J.G. Wentworth, LLC and Subsidiaries)**

**Reconciliation of Net Income to Adjusted Net Income - Unaudited**

***(Dollars in thousands)***

**For the Three Months Ended**

**For the Twelve Months**

**December 31,**

**December 31,**

**2013**

**Net income (loss) attributable to J.G. Wentworth, LLC**

**Adjustments to reflect deconsolidation of securitizations:**

Elimination of unrealized gain (loss) on finance receivables,

long-term debt and derivatives from post securitization due to changes in interest rates

6,055

(18,525

Elimination of interest income from securitized finance receivables (40,349 )

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Interest income on retained interests in finance receivables 4,865

Servicing income on securitized finance receivables 1,303

Elimination of interest expense on long-term debt related to 34,760 securitization and permanent t

Professional fees relating to securitizations 1,563

### **Other adjustments:**

Share based compensation (60 )

Income tax (benefit) / provision 1,245

Severance, M & A and consulting expenses 1,020

Other non-recurring expenses

**Adjusted Net Income**

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## Other Data:

Securitized Product Total Receivables Balance (TRB) Purchases (1)	214,437
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Other TRB Purchases (2)

**Total TRB Purchases**

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Adjusted Net Income	\$	11,164
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Adjusted Net Income Margin (3)

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**December 31,**

**December 31,**

**2013**

Company retained interest in finance receivables, net at fair market value

(1)

Securitized product TRB purchases includes purchases during the period of assets that

(2)

Other TRB Purchases includes receivables purchased from life contingent structured se

(3)

Adjusted Net Income Margin is adjusted net income divided by Total TRB Purchases du

**JGWPT Holdings Inc.**  
**(Prior to November 14, 2013, J.G. Wentworth, LLC and Subsidiaries)**  
**Reconciliation of Net Income to Adjusted Net Income - Unaudited**  
***(Dollars in thousands)***

**Q4 2013**

Adjustments

to reflect

Interest

Income

on

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Share

Severance

M&A

Other

**Q4 2013**

**GAAP**

deconsolidation

Retained

Based

**Results**

of securitizations

Interest

## REVENUES

Interest income	\$	46,130	
Unrealized gains on VIE and other finance receivables, long-term debt and derivatives		38,733	6,055
Gain (loss) on swap termination, net	(151	)	
Servicing, broker, and other fees	1,585		1,303
Other	1,266		

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Realized loss on notes receivable, at fair value

Gain on extinguishment of debt, net **14,217**

Realized and unrealized gains (losses) on marketable securities, net

**Total revenue**

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### EXPENSES

Advertising	\$	18,639	
Interest expense	53,061		(34,763)
Compensation and benefits	10,101		
General and administrative	5,298		
Professional and consulting	4,914		
Debt prepayment and termination	-		
Debt issuance	3,275		
Securitization debt maintenance	1,565		(1,563)

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Provision for losses on finance receivables **1,321**

Depreciation and amortization **1,472**

Installment obligations expense (income), net **6,827**

(6,827)

Loss on disposal/impairment of fixed assets

**Total expenses**

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Income (loss) before taxes	\$	(4,117
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Provision (benefit) for income taxes

**Net income (loss) attributable to J.G. Wentworth, LLC**

**JGWPT Holdings Inc.**  
**(Prior to November 14, 2013, J.G. Wentworth, LLC and Subsidiaries)**  
**Reconciliation of Net Income to Adjusted Net Income - Unaudited**  
***(Dollars in thousands)***

**Q4 2012**

Adjustments

to reflect

Interest

Income on

Share

Severance

M&A

Other

**Q4 2012**

**GAAP**

deconsolidation

**Results**

of securitizations

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Interest

## REVENUES

Interest income

\$

**45,233**

Unrealized gains on VIE and other finance

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receivables, long-term debt and derivatives

**82,163**

(18,525)

Gain (loss) on swap termination, net

**(1,869)**

Servicing, broker, and other fees

**1,723**

Other

**(1,240)**

Realized and unrealized gains (losses) on

marketable securities, net

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**Total revenue**

## EXPENSES

Advertising	\$	17,075
Interest expense	39,699	
Compensation and benefits	10,910	

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General and administrative	<b>4,048</b>
Professional and consulting	<b>4,938</b>
Debt issuance	<b>3,156</b>
Securitization debt maintenance	<b>1,472</b>
Provision for losses on finance receivables	<b>1,918</b>
Depreciation and amortization	<b>1,650</b>
Installment obligations expense (income), net	<b>2,303</b>
Loss on disposal/impairment of fixed assets	

**Total expenses**

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Income (loss) before taxes

\$

**38,733**

Provision (benefit) for income taxes

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Net income (loss)

**38,607**

Less noncontrolling interest in earnings of affiliate

## **JGWPT Holdings Inc. Reports Fourth Quarter Financial Results**

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**Net income (loss) attributable to J.G.**

**Wentworth, LLC**

**JGWPT Holdings Inc.**  
**(Prior to November 14, 2013, J.G. Wentworth, LLC and Subsidiaries)**  
**Reconciliation of Net Income to Adjusted Net Income - Unaudited**  
***(Dollars in thousands)***

**YTD 2013**

Adjustments

to reflect

Interest

Income on

Share

Severance

M&A

Other

**GAAP**

**YTD 2013**

deconsolidation

**Results**

# JGWPT Holdings Inc. Reports Fourth Quarter Financial Results

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## REVENUES

Interest income \$

Unrealized gains on VIE and other finance

receivables, long-term debt and derivatives

**252,801**

(42,358)

Gain on swap termination, net **200**

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Servicing, broker, and other fees	<b>5,276</b>	
Other	<b>1,209</b>	
Realized loss on notes receivable, at fair value	<b>(1,862</b>	<b>)</b>
Gain on extinguishment of debt, net	<b>14,217</b>	
Realized and unrealized gains on marketable securities, net		

**Total revenue**

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### EXPENSES

Advertising	\$	70,304
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Interest expense	193,035
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Compensation and benefits	42,595
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General and administrative	20,179
----------------------------	--------

Professional and consulting	18,820
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Debt issuance	8,930
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Securitization debt maintenance **6,091**

Provision for losses on finance receivables **5,695**

Depreciation and amortization **5,703**

Installment obligations expense (income), net **19,647**

Loss on disposal/impairment of fixed assets

**Total expenses**

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Income (loss) before taxes	\$	<b>64,364</b>
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Provision (benefit) for income taxes

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Net income (loss)	\$	<b>61,818</b>
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Less noncontrolling interest in earnings of affiliate

**Net income (loss) attributable to J.G.**

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## Wentworth, LLC

\$

**JGWPT Holdings Inc.**  
**(Prior to November 14, 2013, J.G. Wentworth, LLC and Subsidiaries)**  
**Reconciliation of Net Income to Adjusted Net Income - Unaudited**  
***(Dollars in thousands)***

Interest

**YTD 2012**

Adjustments

to reflect

Income on

Share

Severance

M&A

Other

**GAAP**

**YTD 2012**

deconsolidation

**Results**

**REVENUES**

## JGWPT Holdings Inc. Reports Fourth Quarter Financial Results

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Interest income

\$

Unrealized gains on VIE and other finance receivables,

long-term debt and derivatives

**270,787**

(51,599

Gain (loss) on swap termination, net

**(2,326**

)

Servicing, broker, and other fees

**9,303**

Other

**(856**

)

Realized and unrealized gains (losses) on marketable securities, net

**Total revenue**

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## EXPENSES

Advertising	\$	73,307
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Interest expense		158,631
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Compensation and benefits	<b>43,584</b>
General and administrative	<b>14,613</b>
Professional and consulting	<b>15,874</b>
Debt issuance	<b>9,124</b>
Securitization debt maintenance	<b>5,208</b>
Provision for losses on finance receivables	<b>3,805</b>
Depreciation and amortization	<b>6,385</b>
Installment obligations expense (income), net	<b>17,321</b>

Loss on disposal/impairment of fixed assets

**Total expenses**

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Income (loss) before taxes	\$	<b>119,245</b>
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Provision (benefit) for income taxes

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Net income (loss)	\$	<b>119,472</b>
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Less noncontrolling interest in earnings of affiliate

**Net income (loss) attributable to J.G. Wentworth,**

**LLC**

**\$**

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