

Emergent Capital, Inc. Announces Third Quarter 2017 Results

BOCA RATON, Fla., Nov. 2, 2017 /PRNewswire/ -- Emergent Capital, Inc. (OTCQB: EMGC) ("Emergent" or the "Company"), today announced its financial results for the three and nine month periods ended September 30, 2017.

Three Months Ended September 30, 2017

Total income from continuing operations was \$24.5 million for the three month period ended September 30, 2017 compared to \$4.8 million for the same period in 2016. Income was impacted by an \$11.6 million gain on the maturity of three policies during the quarter compared to a \$4.0 million gain on maturity of two policies for the same period in 2016.

The following table provides a summary of the components of income from the Company's life settlements.

| | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 |
|---|--|--|
| Change in estimated probabilistic cash flows | \$ 21,779 | \$ 21,143 |
| Premiums paid during period | (21,068) | (18,414) |
| Change in life expectancy evaluation | (1,388) | (2,008) |
| Change in discount rates | 13,452 | — |
| Realized gain on maturities | 11,597 | 4,014 |
| Change in fair value of life settlements | \$ 24,372 | \$ 4,735 |

Total expenses from continuing operations were \$17.1 million for the three month period ended September 30, 2017 compared to income of \$13.3 million for the same period in 2016. Expenses for the quarter ended September 30, 2017 were impacted by a \$1.9 million increase in interest expense associated with increased borrowings and interest rate on the Company's White Eagle Revolving Credit Facility and approximately \$2.0 million of loss on extinguishment of debt for the 15.0% Senior Secured Notes. The increase in expense was offset by a reduction in operating expenses of \$1.9 million primarily related to a decrease in legal fees and professional fees of approximately \$1.0 million and \$1.5 million respectively.

Our results were impacted by a tax expense of approximately \$3.2 million which comprised estimated cash taxes to be paid of approximately \$878,000 and deferred tax expense of approximately \$2.3 million.

The Company reduced its headcount from 20 employees to 12 employees during the three months ended September 30, 2017 and recognized a onetime severance cost of approximately \$1.0 million related to this reduction, which is included in personnel cost and is being paid over a period of twelve months.

The Company reported net income from continuing operations of \$4.2 million, or \$0.03 per diluted share for the three month period ended September 30, 2017, compared to a net loss of \$8.5 million, or \$(0.31) per diluted share for the same period in 2016.

Nine Months Ended September 30, 2017

Total income from continuing operations for the nine month period ended September 30, 2017 was \$53.5 million compared to a loss of \$2.6 million during the same period in 2016. Income for the nine months ended September 30, 2017 was comprised mainly of a gain on maturity of ten life settlements of \$30.6 million compared to a net gain of \$14.8 million on maturity of ten life settlements during the same period in 2016. During the nine months ended September 30, 2016, the Company adopted the 2015 Valuation Basic Tables ("2015 VBT"), smoker and gender distinct tables to determine the value of the policies. The adoption reduced the fair value of the Company's life settlements by \$17.6 million.

The following table provides a summary of the components of income from the Company's life settlements.

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|
| Change in estimated probabilistic cash flows | 67,563 | \$ 57,762 |
| Premiums paid during period | (63,101) | (52,750) |
| 2015 VBT Adoption | — | (17,638) |
| Change in life expectancy evaluation | 4,818 | (12,252) |
| Change in discount rates | 13,411 | 7,149 |
| Unrealized gain on acquisitions | — | 262 |
| Realized gain on maturities | 30,603 | 14,777 |
| Change in fair value of life settlements | \$ 53,294 | \$ (2,690) |

Total expenses from continuing operations were \$50.7 million for the nine month period ended September 30, 2017 compared to \$23.2 million for the same period in 2016. Expenses during the nine months ended September 30, 2016 were significantly impacted by the adoption of the 2015 VBT, which resulted in a \$15.7 million reduction in the fair value of the Revolving Credit Facilities.

The Company's expenses for the nine months ended September 30, 2017 were impacted by an increase of \$4.1 million in interest expense of which approximately \$3.9 million is associated with increased borrowings on the Company's White Eagle Revolving Credit Facility, \$1.9 million for the 8.5% Senior Unsecured Convertible Notes which included a onetime debt modification cost of approximately \$2.5 million, offset by a \$3.2 million reduction for the Red Falcon Revolving Credit Facility which was repaid in December 2016. Expenses were also impacted by approximately \$6.0 million reduction in operating expenses primarily due to a \$2.9 million, \$1.9 million and \$1.0 million decrease in legal fees, professional fees and personnel costs, respectively, when compared to the nine month period ended September 30, 2016.

Our results were impacted by a tax expense of approximately \$3.2 million which comprised estimated cash taxes to be paid of approximately \$878,000 and deferred tax expense of approximately \$2.3 million.

The Company reported a net loss from continuing operations of \$372,000, or \$(0.01) per fully diluted share, for the nine month period ended September 30, 2017, compared to a net loss of \$25.8 million, or \$(0.94) per fully diluted share, for the same period in 2016.

Life Settlements Portfolio Highlights

On September 30, 2017, the estimated fair value of the Company's 611 life insurance policies was \$555.2 million compared to \$498.4 million for 621 life insurance policies at December 31, 2016. The weighted average discount rate was 15.93% and 16.37% at September 30, 2017 and December 31, 2016, respectively. The aggregate face value of the Company's portfolio of life insurance policies was approximately \$2.9 billion on September 30, 2017.

During the quarter, three life insurance policies that served as collateral under the revolving credit facility matured with a face value totaling \$16.5 million.

As of September 30, 2017, the Company had cash and cash equivalents and certificates of deposit of \$36.7 million and a Book Value per share of \$1.28.

About Emergent Capital, Inc.

Emergent (OTCQB: EMGC) is a specialty finance company that invests in life settlements. More information about Emergent can be found at www.emergentcapital.com.

Safe Harbor Statement

This press release may contain certain "forward-looking statements" relating to the business of Emergent Capital, Inc. and its subsidiary companies. All statements, other than statements of historical fact included herein are "forward-looking statements." These forward-looking statements are often identified by the use of forward-looking terminology such as "believes," "expects" or similar expressions, and involve known and unknown risks and uncertainties. Although Emergent believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Other than as required under the securities laws, Emergent does not assume a duty to update these forward-looking statements.

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-SELECTED FINANCIAL TABLES FOLLOW-

Emergent Capital, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|--|-------------|--|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (in thousands, except share and per share data) | | | |
| Income | | | | |
| Change in fair value of life settlements | \$ 24,372 | \$ 4,735 | \$ 53,294 | \$ (2,690) |
| Other income | 116 | 32 | 245 | 125 |
| Total income | 24,488 | 4,767 | 53,539 | (2,565) |
| Expenses | | | | |
| Interest expense | 9,773 | 7,895 | 25,471 | 21,330 |
| Loss on Extinguishment of Debt | 2,018 | — | 2,018 | — |
| Change in fair value of Revolving Credit Facilities | 1,163 | (551) | 11,209 | (16,121) |
| Personnel costs | 2,040 | 1,303 | 4,174 | 5,133 |
| Legal fees | 821 | 1,833 | 2,473 | 5,361 |
| Professional fees | 667 | 2,136 | 3,475 | 5,347 |
| Insurance | 198 | 200 | 587 | 639 |
| Other selling, general and administrative expenses | 381 | 494 | 1,294 | 1,511 |
| Total expenses | 17,061 | 13,310 | 50,701 | 23,200 |
| Income (loss) from continuing operations before income taxes | 7,427 | (8,543) | 2,838 | (25,765) |
| (Benefit) provision for income taxes | 3,210 | — | 3,210 | — |
| Net income (loss) from continuing operations | \$ 4,217 | \$ (8,543) | \$ (372) | \$ (25,765) |
| Discontinued Operations: | | | | |
| Income (loss) from discontinued operations | (33) | (54) | (257) | (248) |
| (Benefit) provision for income taxes | — | — | — | — |
| Net income (loss) from discontinued operations | (33) | (54) | (257) | (248) |
| Net income (loss) | \$ 4,184 | \$ (8,597) | \$ (629) | \$ (26,013) |
| Basic income (loss) per share: | | | | |
| Continuing operations | \$ 0.04 | \$ (0.31) | \$ (0.01) | \$ (0.94) |
| Discontinued operations | \$ — | \$ — | \$ — | \$ (0.01) |
| Net income (loss) - basic | \$ 0.04 | \$ (0.31) | \$ (0.01) | \$ (0.95) |
| Diluted income (loss) per share: | | | | |
| Continuing operations | \$ 0.03 | \$ (0.31) | \$ (0.01) | \$ (0.94) |
| Discontinued operations | \$ — | \$ — | \$ — | \$ (0.01) |
| Net income (loss) - diluted | \$ 0.03 | \$ (0.31) | \$ (0.01) | \$ (0.95) |
| Weighted average shares outstanding: | | | | |
| Basic | 115,462,646 | 27,614,441 | 57,580,062 | 27,529,120 |
| Diluted | 137,083,825 | 27,614,441 | 57,580,062 | 27,529,120 |

Emergent Capital, Inc.
CONSOLIDATED BALANCE SHEETS

| | September 30, 2017 | December 31, 2016* |
|---|---|-------------------------------|
| | (Unaudited) | |
| | (In thousands except share data) | |
| ASSETS | | |
| Assets | | |
| Cash and cash equivalents | \$ 21,689 | \$ 2,246 |
| Cash and cash equivalents (VIE) | 14,004 | 9,072 |
| Certificates of deposit | 1,007 | 6,025 |
| Prepaid expenses and other assets | 795 | 1,112 |
| Deposits - other | 1,377 | 1,347 |
| Life settlements, at estimated fair value | 721 | 680 |
| Life settlements, at estimated fair value (VIE) | 554,501 | 497,720 |
| Receivable for maturity of life settlements (VIE) | 30,200 | 5,000 |
| Fixed assets, net | 166 | 232 |
| Investment in affiliates | 2,384 | 2,384 |
| Total assets | \$ 626,844 | \$ 525,818 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 3,024 | \$ 2,590 |
| Accounts payable and accrued expenses (VIE) | 832 | 593 |
| Other liabilities | 210 | 359 |
| Interest payable - 8.5% Convertible Notes | 21 | 2,272 |
| 8.5% Convertible Notes, net of discount and deferred debt costs | 1,077 | 60,535 |
| Interest payable - 5.0% Convertible Notes | 485 | — |
| 5.0% Convertible Notes, net of discount and deferred debt costs | 68,358 | — |
| Interest payable - 15.0% Senior Secured Notes | — | 213 |
| 15.0% Senior Secured Notes, net of deferred debt costs | — | 29,297 |
| Interest payable - 8.5% Senior Secured Notes | 124 | — |
| 8.5% Senior Secured Notes, net of deferred debt costs | 33,863 | — |
| White Eagle Revolving Credit Facility, at estimated fair value (VIE) | 316,166 | 257,085 |
| Deferred tax liability | 2,332 | — |
| Current tax liability | 878 | — |
| Total liabilities | 427,370 | 352,944 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Common stock (par value \$0.01 per share, 415,000,000 authorized at September 30, 2017 and 80,000,000 at December 31, 2016; 156,572,976 issued and 155,964,976 outstanding as of September 30, 2017 and 29,021,844 issued and 28,413,844 outstanding as of December 31, 2016) | 1,565 | 290 |
| Preferred stock (par value \$0.01 per share, 40,000,000 authorized; 0 issued and outstanding as of September 30, 2017 and December 31, 2016) | — | — |
| Treasury Stock, net of issuance cost (608,000 shares as of September 30, 2017 and December 31, 2016) | (2,534) | (2,534) |
| Additional paid-in-capital | 333,601 | 307,647 |
| Accumulated deficit | (133,158) | (132,529) |
| Total stockholders' equity | 199,474 | 172,874 |
| Total liabilities and stockholders' equity | \$ 626,844 | \$ 525,818 |

* Derived from audited consolidated financial statements.

Selected Operating Data (dollars in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-------------|--|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Period Acquisitions — Policies Owned | | | | |
| Number of policies acquired | — | — | — | 1 |
| Average age of insured at acquisition | — | — | — | 90.3 |
| Average life expectancy — Calculated LE (Years) | — | — | — | 2.3 |
| Average death benefit | \$ — | \$ — | \$ — | \$ 690 |
| Aggregate purchase price | \$ — | \$ — | \$ — | \$ 16 |
| End of Period — Policies Owned | | | | |

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Number of policies owned | 631 | 623 | 631 | 623 |
| Average age of insured | 83.1 | 82.2 | 83.1 | 82.3 |
| Average death benefit per policy | \$ 4,726 | \$ 4,741 | \$ 4,726 | \$ 4,741 |
| Average Life Expectancy — Calculated LE (Years) | 8.5 | 9.2 | 8.5 | 9.2 |
| Aggregate Death Benefit | \$ 2,887,827 | \$ 2,953,796 | \$ 2,887,827 | \$ 2,953,796 |
| Aggregate fair value | \$ 555,222 | \$ 483,395 | \$ 555,222 | \$ 483,395 |
| Monthly premium — average per policy | \$ 11.8 | \$ 10.6 | \$ 11.8 | \$ 10.6 |
| Period Maturities | | | | |
| Number of policies matured | 3 | 2 | 10 | 10 |
| Average age of insured at maturity | 80.3 | 85.2 | 82.6 | 85.6 |
| Average life expectancy - Calculated LE (Years) | 6.8 | 1.8 | 4.4 | 3.7 |
| Aggregate death benefit | \$ 16,500 | \$ 12,800 | \$ 59,573 | \$ 29,980 |
| Gains on maturity | \$ 11,597 | \$ 4,014 | \$ 30,603 | \$ 14,777 |
| Proceeds collected | \$ 8,200 | \$ 7,000 | \$ 34,373 | \$ 27,980 |

SOURCE Emergent Capital, Inc.

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