



# FOURTH QUARTER & FULL YEAR 2017 EARNINGS

GWG Holdings, Inc.

29 MARCH 2018

## FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements that are based on the current beliefs and expectations of GWG Holdings, Inc.'s management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. Factors that could cause GWG Holdings, Inc.'s actual results to differ materially from those described in the forward-looking statements can be found in GWG Holdings, Inc.'s filings with the Securities and Exchange Commission. Additional information will also be set forth in our quarterly reports on Form 10-Q, annual reports on Form 10-K and other filings that we make with the Securities and Exchange Commission and which are available on GWG Holdings, Inc.'s website (<http://investors.gwglife.com/phoenix.zhtml?c=253684&p=irol-sec>), and on the Securities and Exchange Commission's website ([www.sec.gov](http://www.sec.gov)). GWG Holdings, Inc. does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.



## JON SABES

Chief Executive Officer, Chairman of the Board of Directors



# PURPOSE

*INDUSTRY INNOVATOR*

Secondary Life Market

Primary Life Market & Technology

Expanding Alternative Asset Portfolio



# SECONDARY LIFE MARKET

## Alternative Asset Life Insurance Portfolio

Total portfolio face value of policy benefits	\$1,676,148,000
Average face value per policy	\$1,867,000
Average face value per insured life	\$2,085,000
Average age of insured (yrs.)	81.7
Average life expectancy estimate (yrs.)	6.9
Total number of policies	898
Number of unique lives	804
Demographics	75% Males; 25% Females
Number of smokers	36
Largest policy as % of total portfolio	0.79%
Average policy as % of total portfolio	0.11%
Average annual premium as % of face value	2.92%

Total Cost Basis	\$644,000,000
Paid to Seniors	\$477,000,000*
Cash Surrender Value*	\$35,000,000
Returned to Seniors in Excess of CSV*	\$441,000,000
Policy Benefits Retained by Seniors*	\$24,000,000

## Consumers Owning Life Insurance

# SECONDARY LIFE MARKET

*Direct Origination: D100*

**\$185<sup>B</sup>**

Policy Benefits  
Annual Market Potential  
2018-2020

vs.

**\$1.7<sup>B</sup>**

Policy Benefits  
Sold in 2106





- Messaging, Products, Services Valued
- Thousands of Policy Data Received
- Working on Agents Engagement
- Restructured Agent Sales Operations
- Productize in 2018

**LifeXchange**  
ANNUITY

# PRIMARY LIFE MARKET & TECHNOLOGY

## *Insurtech*

- Epigenetics vs. Genetic Science
- Mortality Test – UCLA License, Patent Pending (All Cause Hazard Ratio)
- Smoking Test – Proprietary, Patent Pending (Current, Former, Never - Amount)
- Alcohol Test – Proprietary, Patent Pending (Heavy, Moderate, Light/Ever)
- R&D / Pilot – Efficacy, Validation, Commercialization 
- Regulatory Environment – Permitted, Consumer Authorized
- Innovative Business Model – Broader Market "Product" 

# PRIMARY LIFE MARKET & TECHNOLOGY

## Insurtech

Entertainment

Health & Wellness

Health Science

ancestry.com



Helix



Place Our Brand here

HUMAN GENOMICS INC.

WGA

Lemonade

OSCAR

Ladder

Health I.Q.



When you purchase Life Insurance through our MGA you gain access to Entertainment, Health & Wellness and Health Science information





DIGITAL MGA

*Insurtech*

## The Future of Life Insurance is Here

Introducing the concept of a modular, online quote for individuals.

APPLY FOR A QUOTE

APPLY FOR A GROUP QUOTE

- Individual
- Small Group

### Get Your Free Quote

First Name

Last Name

Phone Number

GET YOUR FREE QUOTE



# BENEFICIENT TRANSACTION

## *Strategic Relationship*

- Expansive Balance Sheet Growth
- Diversification with Alternative Assets
- Experienced Management Team
- Increased Common Equity, Accretive Book Value
- No Change of Control or Change in Insurance Related Strategies
- Opportunity to Distribute Beneficient's Liquidity Products





## WILLIAM B. ACHESON

Chief Financial Officer



## 2017 FINANCIAL ACCOMPLISHMENTS

- Realized Record Benefit Face Amount – *\$55m vs \$48m In 2016*
- Realized Record Number of Matured Policies – *47 vs 23 In 2016*
- Realized Consistent Benefits – *6 Consecutive Quarters*
- Amended Senior Credit Facility – *\$300 Million, 10 Years*
- Managing Duration of Debt – *Better Matching to Assets*
- Redeemed Series A Preferred – *Investor Return and Lower COF*
- Sold out RPS 2 offering – *Strong Interest in GWG Value Proposition*
- Reported Stockholders Equity – *Further De-risking of the Balance Sheet*
- Reached Portfolio Scale – *Nearing 1,000 Lives, Best In Class Construction*
- Maintained Pricing Discipline – *Average Purchase Gross IRR ~14%*
- Maintained high liquidity – *Safety First, Optionality*

## 2017 GAAP FINANCIAL SUMMARY

\$ Millions (unless otherwise indicated)	2017	2016	Change
<b>Revenue</b>	<b>\$62.1</b>	<b>\$67.8</b>	<b>\$(5.7)</b>
Policy Purchases			+ Lower policy purchases and yield compression in secondary market
Policy Maturities			+ Record face amount and number of maturities realized, lower realized gain
Portfolio Discount Rate			+ Lower discount rate due to larger portfolio & market yields declining
Life Expectancy Updates			+ Higher number and face updated - \$20M pre-tax vs \$5M in 2016
<b>Expense</b>	<b>\$85.9</b>	<b>\$67.8</b>	<b>\$18.0</b>
Interest Expense			+ Higher balances o/b, senior credit facility rate, excess liquidity
MCA			+ Loan impairment (fully written off at 12/31/17) and legal costs
General and Administrative			+ Increase of 15% net of MCA costs - IT infrastructure & workforce
<b>Pre-Tax Income (Loss)</b>	<b>\$(23.7)</b>	<b>\$9.7</b>	<b>\$(33.4)</b>
Income Taxes			+ Valuation allowance (\$6.8 million after tax) for deferred tax asset
<b>Net Income (Loss)</b>	<b>\$(20.6)</b>	<b>\$9.4</b>	<b>\$(31.0)</b>
Preferred Dividends			+ Series A redemption (\$2.1 million after tax), higher preferred stock outstanding
<b>Net (Loss) to Common</b>	<b>\$(22.7)</b>	<b>\$(2.1)</b>	<b>\$(20.2)</b>
			<b>\$18.73</b>

## 2017 GAAP FINANCIAL SUMMARY – NON RECURRING ITEMS

2017 GAAP Financial Summary	2017	2016	Change	ADJ <sup>1</sup>	ADJ EPS
<b>Revenue</b>	<b>\$62.1</b>	<b>\$67.8</b>	<b>\$(5.7)</b>		
Policy Purchases	• Lower policy purchases and yield compression in secondary market				
Policy Maturities	• Higher face amount realized, lower realized gain				
Portfolio Discount Rate	• Lower discount rate due to formula and market demand				
Life-Expectancy Updates	• Significantly higher number and face updated in 2017				
<b>Expense</b>	<b>\$86.8</b>	<b>\$67.8</b>	<b>\$19.0</b>		
Interest Expense	• Higher balances n/y, increases senior credit facility rate				
MCA	• Loan impairment (written off) and legal costs			\$1.7	\$0.29
General and Administrative	• Increase of 16% net of MCA costs				
<b>Pre-Tax Income (Loss)</b>	<b>\$(22.7)</b>	<b>\$0.7</b>	<b>\$(23.4)</b>		
Income Taxes	• Valuation allowance (\$6.5 million after tax) for deferred tax asset			\$6.0	\$1.17
<b>Net Income (Loss)</b>	<b>\$(20.6)</b>	<b>\$0.4</b>	<b>\$(21.0)</b>		
Preferred Dividends	• Series A redemption (\$2.1 million after tax), increased preferred stock outstanding			\$2.0	\$0.36
<b>Net (Loss) to Common</b>	<b>\$(22.6)</b>	<b>\$(0.1)</b>	<b>\$(20.2)</b>	<b>\$(5.72)</b>	<b>\$1.81</b>
			<b>\$(22.6)</b>	<b>\$(0.91)</b>	— Excl. Non-Recurring

# NON-GAAP MEASURES<sup>1</sup>

## Non-GAAP Spread



## Non-GAAP Results

GAAP Net Income <sup>2</sup>	\$(33,335,000)
GAAP Unrealized Gain	\$(66,671,000)
Investment Cost Basis Increase	\$99,320,000
Income on Non-GAAP Cost Basis	\$25,434,000
Adjusted Non-GAAP Net Income <sup>2</sup>	\$24,658,000

(1) We discuss these non-GAAP financial measures to investors to provide an alternative method for assessing our financial condition and operating results. These non-GAAP financial measures are not reconcilable with GAAP and may be different from non-GAAP measures used by other companies, including other companies within our industry. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for comparable amounts prepared in accordance with GAAP.

(2) Attributable to common shareholders.

## FINANCIAL SUMMARY (CONT.)

### Life Expectancy Updates / Policy Re-Underwriting



- Periodic re-underwriting of individual lives in the portfolio
- Income statement impact is policy specific
- And typically negative
- This is not unexpected
- Large number updated in 2017
- We don't expect the same volume & impact in 2018



# BALANCE SHEET

## Growing Assets, Stable Leverage

- Continued high quality asset growth
- Record amount of stockholders' equity
- Another stage of de-risking completed



## Liquidity to Service the Business

- Cash, restrict. cash and benefits receivable
- Safety first, cautious on policy purchases
- Deployment is a priority for 2018



# ALTERNATIVE INVESTMENT SALES

## Strong Interest from IBD's<sup>1</sup>

- Record number of IBD's
- Record number of Financial Advisors
- Strong interest in asset class & GWG model

## Continued Strong Sales

- RPS 2 offering "sold out"
- Diversified & flexible funding base
- Self-reliant



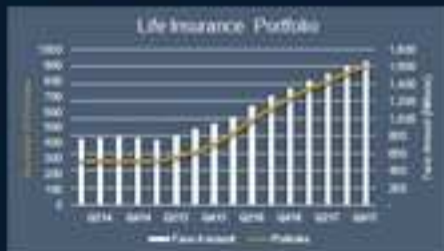
# SECONDARY LIFE PORTFOLIO

## Competitive Purchase Market

- Maintain purchase discipline and quality
- Strong institutional demand continues
- Direct origination is an opportunity & priority

## Portfolio Continues to Grow

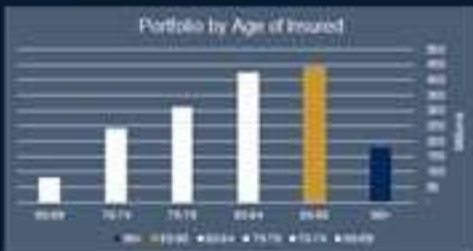
- Continued targeted growth
- Diversification increasing
- Portfolio scale in sight – 1,000 lives



## SECONDARY LIFE PORTFOLIO

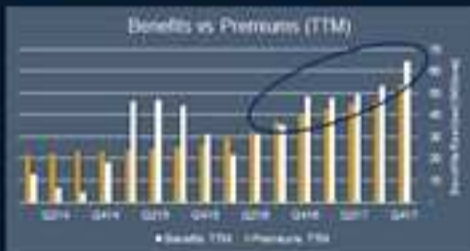
### Portfolio Continues to Age

- Total portfolio face amount: \$1,676,148,000
- Continues to age: ~50% over age 85
- Great long-term asset for GWG



### High Quality Cash Flow

- Record benefits & policies recognized
- Consistently covering premiums
- Highest quality portfolio in the market



## 2017 AND BEYOND

- It was a difficult year from a GAAP perspective as one-time charges distorted results
- We are continuing to build for long-term success
- The BEN transaction is transformational
- New products we are developing offer opportunities for further innovation



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Dan Callahan | [dcallahan@gwgh.com](mailto:dcallahan@gwgh.com)