

# LCM – 1H17 Financial Results

*Investor Presentation*

*28 February 2017*



EXPERIENCE COUNTS

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LCM is pleased with the progress it is making as it transitions to a direct funded model

#### 1H17 financial and operational highlights

- Several one off items contributed to the net loss of c. \$2.41 million for the six months to 31 December 2016
  - Non-recurring foreign exchange loss of c. \$0.31 million (directly attributable to the US dollar denominated Credit Facility)
  - Non-recurring costs associated with the IPO of c. \$0.18 million
  - Interest expense of c. \$1.66 million (directly attributable to the Credit Facility)
- Cash at bank of \$5.14 million as at balance date
- Capitalised Litigation Projects of c. \$10.39 million
  - A net increase of c. \$3.89 million
- Partial settlement of one Litigation Project

# LCM remains on track to meet its prospectus forecast

## Developments post IPO

- LCM applied proceeds from the IPO to pay down the Credit Facility in full - c. \$7.9 million
- At present LCM has no debt on its balance sheet
- On 13 December 2016 LCM provided an update to the market
  - The new Litigation Project funding agreement entered into was one of the 15 Pipeline Projects referred to in the IPO prospectus
  - Partial settlement of one Litigation Project with revenue of c. \$0.53 million and an EBITDA contribution of c. \$0.30 million<sup>1</sup>
- On 22 February 2016 LCM announced the settlement of another Litigation Project with revenue of c. \$1.95 million and an EBITDA contribution of c. \$1.22 million
  - The Litigation Financing Agreement (LFA) for this completed Litigation Project was entered into in April 2016
  - Capital deployed by LCM was c. \$0.525 million and capital returned to LCM was c. \$1.75 million generating a Return on Invested Capital of 3.3x at an IRR of 505% over a 10 month period
- LCM's Litigation Project portfolio, skewed to 2H17 and FY18, remains sound and is maturing in a positive manner

<sup>1</sup> As approximately \$72,000 in funding notices were paid out of settlement (ie. non-cash impact for LCM) the 1H17 accounts will reflect the \$72,000 as both an additional revenue and expense less \$150,000 of the revenue which will be recognised in early 2H17 when cash is received.

## Summarised financial performance

\$000's		1H17	1H16	Change
<b>Income</b>				
	Revenue	0	228	(228)
	Net profit on derecognition of intangible assets	165	0	165
	Other income	<u>3</u>	<u>11</u>	<u>(8)</u>
<b>Total income</b>		<b>168</b>	<b>239</b>	<b>(71)</b>
<b>Expenses</b>				
	Corporate and office expenses	(671)	(398)	274
	Legal and professional fees	(135)	(456)	(322)
	IPO listing expense	(182)	(0)	182
	Employment expenses	(598)	(638)	(40)
	Foreign exchange loss	(310)	(0)	310
	Finance costs	(1,664)	(0)	1,664
	Net loss on derecognition of intangible assets	(0)	(71)	71
<b>Net profit/(loss) before tax</b>		<b>(3,392)</b>	<b>(1,324)</b>	<b>(2,068)</b>
Income tax (expense)/benefit		<u>976</u>	<u>450</u>	<u>(526)</u>
<b>Net profit/(loss) after tax</b>		<b>(2,416)</b>	<b>(874)</b>	<b>(1,542)</b>

## Summarised balance sheet

000's		31 Dec 2016	30 Jun 2016	Change
<b>Assets</b>				
Current	Cash and cash equivalents	5,145	5,919	(774)
	Litigation Projects	7,944	3,574	4,370
	Other	<u>111</u>	673	<u>(561)</u>
Total current		13,200	10,165	3,035
Non current	Litigation Projects	2,448	2,920	(472)
	Deferred tax asset	7,958	5,125	2,833
	Other	<u>13</u>	<u>13</u>	<u>0</u>
Total non current		10,420	8,059	2,361
<b>Total assets</b>		<b>23,620</b>	<b>18,224</b>	<b>5,396</b>
<b>Liabilities</b>				
Current	Borrowings	0	(7,505)	7,505
	Other	<u>(3,889)</u>	<u>(3,161)</u>	<u>(728)</u>
Total current		(3,889)	(10,666)	6,777
Non current	Deferred tax	<u>(3,118)</u>	(1,948)	<u>(1,169)</u>
Total non current		(3,118)	(1,948)	(1,169)
<b>Total liabilities</b>		<b>(7,007)</b>	<b>(12,614)</b>	<b>5,608</b>
<b>Equity</b>		<b>16,613</b>	<b>5,610</b>	<b>11,003</b>

LCM's Litigation Project portfolio is effectively unchanged since IPO as one completed Litigation Project has been offset by a new Litigation Project

#### Current Litigation Project portfolio

- 14 Litigation Project in the portfolio
- Gross Claim Size of c. \$383.3 million
- Weighting to 2H17 and FY18 remains

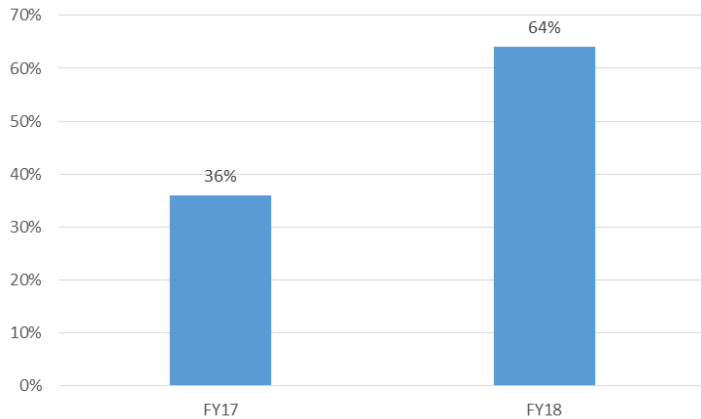
Project Completion	FY17	FY18	Total
LCM	5	6	11
IPFA	1	2	3
Total	6	8	14

#### Litigation Project pipeline

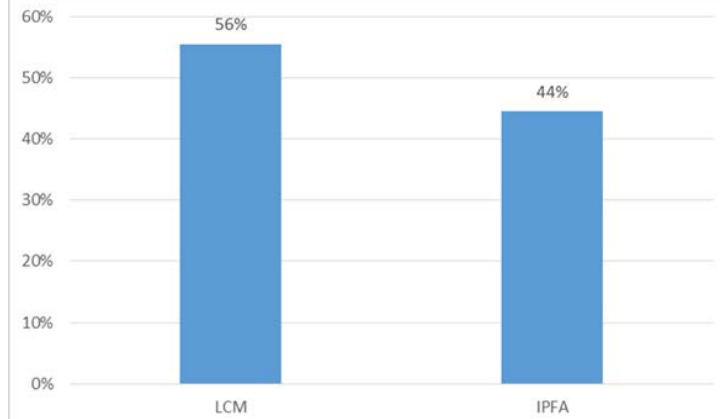
- On 13 December 2016 LCM announced that it had entered into a new unconditional funding arrangement
- This funding arrangement was one of the 15 Pipeline Projects referenced in the prospectus
- At present there are still 15 Pipeline Projects (although the composition of that list of projects has changed). The current Pipeline Projects have an aggregate:
  - estimated Gross Claim Size of c. \$1.34 billion
  - estimated budget of \$40 million

## LCM's Litigation Project portfolio continues to be weighted towards FY18

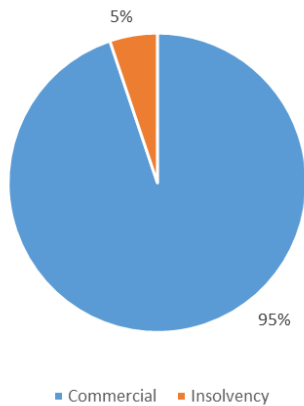
Gross Claim Size by Completion year - %



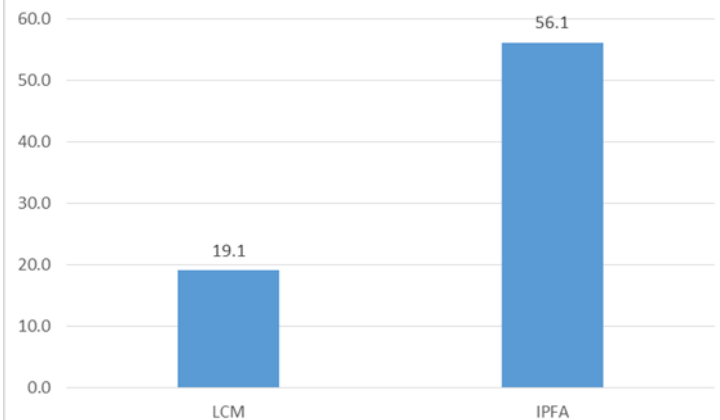
Gross Claim Size by financing entity - %



Gross Claim Size by type of Litigation Project - %



Average Gross Claim Size by financing entity - \$mm





## Recent global developments – Burford Capital acquires Gerchen Keller

### Burford Capital acquires Gerchen Keller

- Burford Capital, the world's largest listed litigation financier acquired the largest unlisted US litigation financier Gerchen Keller (GK) in December 2016
- Acquisition price of US\$160 million made up of cash, shares and loan notes plus a potential US\$15 million performance based earn out
- GK operates as a fund manager and has US\$1.3 billion in FUM
- Effectively creates a very large combined operation in which both principal investment and funds management feature
- Based on forecast profit of US\$9.1 million equates to a PE of 17.6x
- This transaction is consistent with what LCM is seeing as a rapid development and maturation of the asset class on a global basis
- Large capital inflows into the sector globally continue
- LCM's strong and demonstrable track record positions LCM to benefit from this positive global back drop

## Recent global developments (cont'd)

### First step taken in the opening of the Asian market

- On 10 January 2016 the Parliament of Singapore abolished the doctrines of maintenance and champerty (which previously prevented parties with no interest in litigation from funding that litigation) and made regulations for the litigation financing of prescribed proceedings including international arbitration
- A similar bill is expected to be passed in Hong Kong in the near future
- LCM sees this as a clear first step in the opening of the litigation financing market in Asia

*Senior Minister of State for Law in Singapore Indranee Rajah said of the new law: "It will offer businesses an additional financing and risk management tool when engaged in the relevant categories of proceedings. This includes the financing of valid claims which they may otherwise not pursue due to financial constraints."*

## Contact details

Patrick Moloney  
Litigation Capital Management Limited  
Managing Director

[pmoloney@lcmfinance.com](mailto:pmoloney@lcmfinance.com)

M: +61 416 276 979

Litigation Capital Management Limited

Level 25, Aurora Place

88 Phillip Street, Sydney NSW 2000

[www.lcmfinance.com](http://www.lcmfinance.com)