

LCM

EXPERIENCE COUNTS

Full year results Presentation 2021

Litigation Capital Management Limited
ACN 608 667 509

Sustained growth & strong financials in disrupted market conditions

Highlights – FY21

Adjusted profit before tax¹

Boost in investment performance increasing adjusted net profit by 47%

Applications

Applications across all regions increased by 10% despite disruption caused by COVID-19

Assets under management

Increased total investment commitments to \$336m by 30 June

Capital invested

YoY increase demonstrates ability to put capital to work. Total capital invested increased by 69%²

Funds under Management

Fund I Committed 77% by September. Imminent first close on Fund II with target of US\$300m

Consistent performance

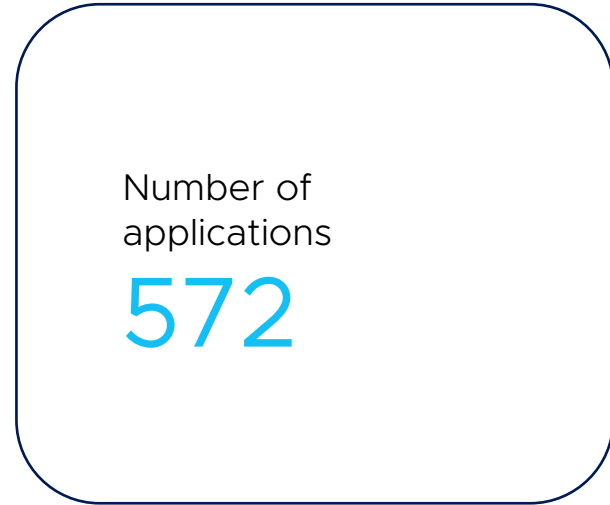
Maintaining our strong track record with 10-year cumulative IRR of 78% and cumulative ROIC of 153%, inclusive of losses

Capital structure

Increased flexibility with additional capital to facilitate growth of direct investments and fund investments

Building scale

Growth in opportunity



Increased investment



Sustained growth



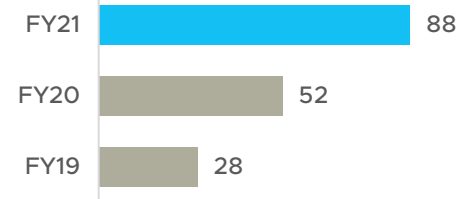
Applications



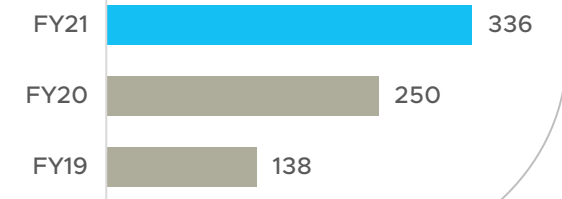
Capital committed



Capital invested



AUM



Maintaining performance through disciplined investment

- LCM has maintained its high investment return metrics whilst building scale
- Increased the return on invested capital
- Maintained internal rate of return over 10 years
- Continued the discipline in undertaking due diligence and risk management of applications
- Ten year performance metrics include all investments, inclusive of losses



10-year cumulative portfolio ROIC of

153%¹

9-year ROIC 134%



10-year cumulative portfolio IRR of

78%¹

9-year IRR 78%



Conversion of applications to investments

3%

FY20 3.5%

Full year results highlights

- exclusive of third-party fund (\$A)

	FY 2021	FY 2020	Change %
Gross revenue from resolution of investments ¹	\$36.3m	\$35.8m	↑ 1%
Gross profit	\$26.1m	\$21.7m	↑ 20%
Adjusted profit before tax ²	\$15.8m	\$11.1m	↑ 42%
Statutory profit before tax ²	\$13.1m	\$9.2m	↑ 41%
Cash ³	\$35.5m	\$24.9m	↑ 42%
Investments at cost as at end of financial period ⁴	\$88.6m	\$51.8m	↑ 71%
Total capital invested ⁵	\$48.5m	\$41.3m	↑ 17%

Gross Revenue from investments¹
\$36.3m

Increase in Statutory PBT²
41%

Increase in Adjusted PBT²
42%

1 Gross revenue from the resolution of investments does not include performance fees

2 FY ended 30 June 2021 exclusive of third-party funds

3 At balance sheet date and exclusive of third-party funds - FY ending 30 June 2021 and exclusive of borrowings

4 At balance sheet date and represented as Contract Cost in the Statement of Financial Position exclusive of third-party interests

5 Capital invested into litigation investments during the year exclusive of third-party funds

Note: Accounts prepared on historical cost basis, LCM does not adopt fair value accounting

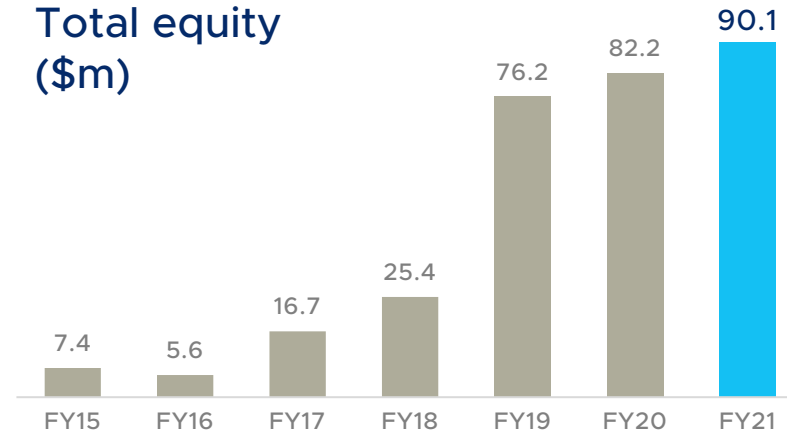
FY21 Balance sheet overview

- exclusive of third-party fund (\$A)

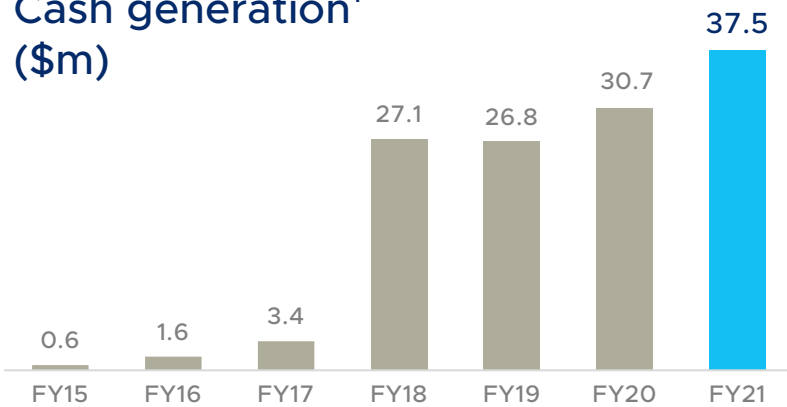
Capital invested
(\$m)



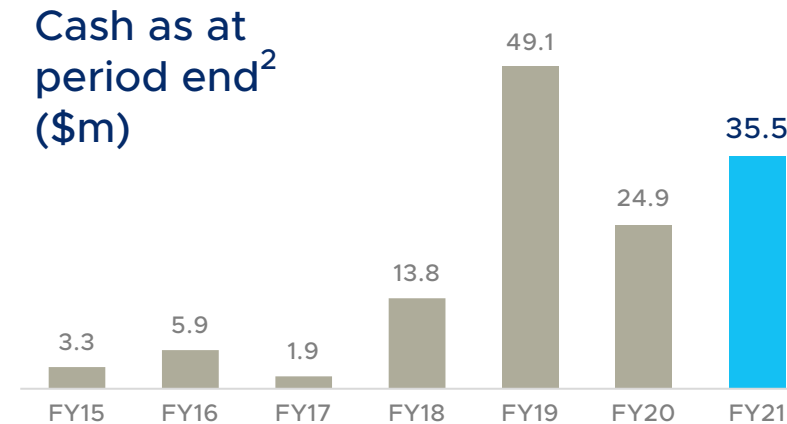
Total equity
(\$m)



Cash generation¹
(\$m)



Cash as at period end²
(\$m)



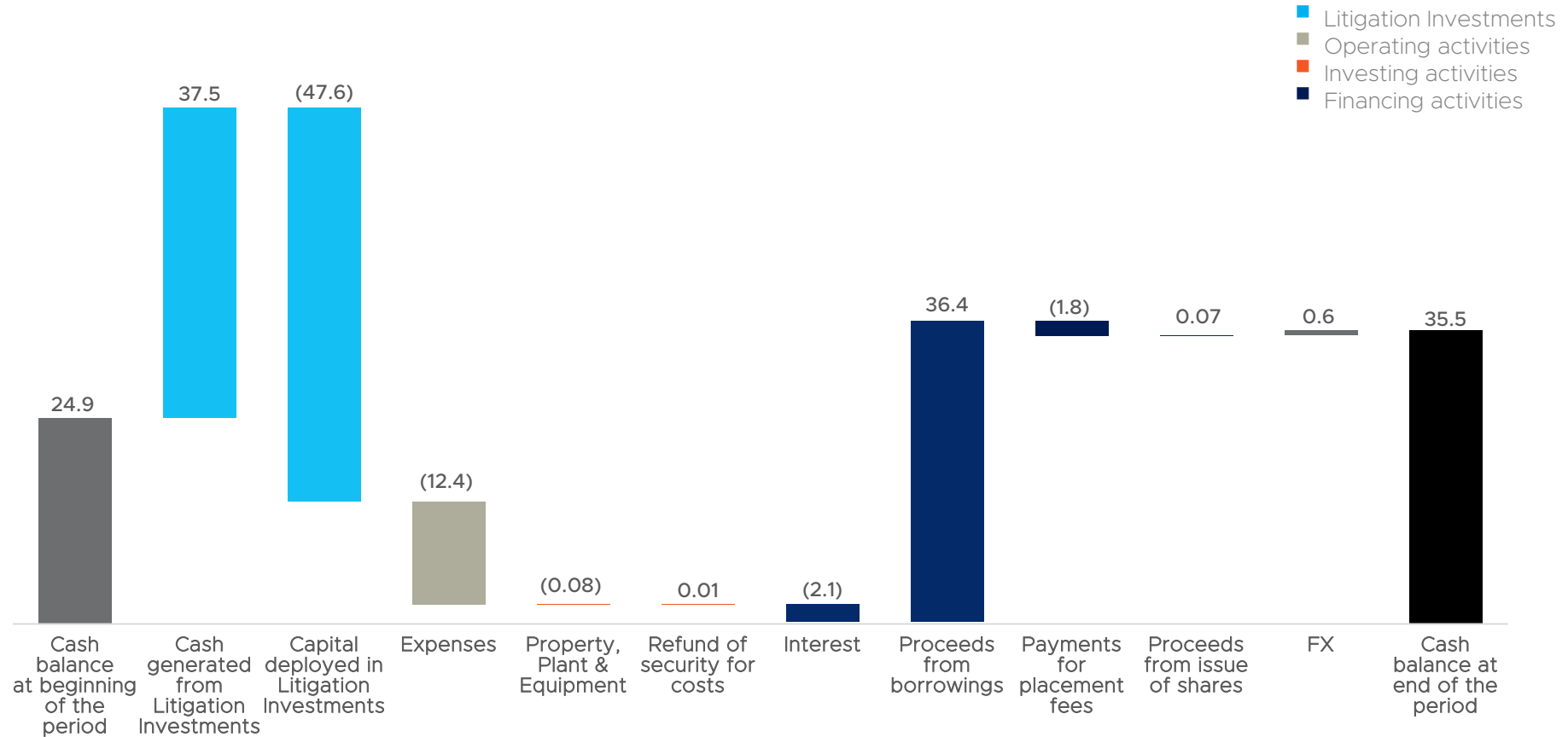
¹ Cash generation denotes cash received from the successful resolution of litigation investments during the period

² Cash excludes borrowings

Note: Accounts prepared on historical basis, LCM does not adopt fair value accounting. All amounts expressed in Australian dollars

FY21 cash movements

- exclusive of third-party fund (\$A)



Current portfolio of direct investments

Balances as at
13 September 2021
(A\$ millions)

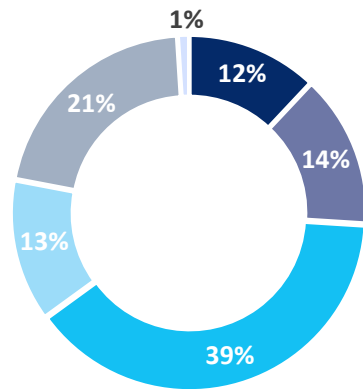
\$105 million
Direct 100% investment²
portfolio

\$76 million³
LCM direct co-investment⁴

\$104 million⁵
Deployed/invested

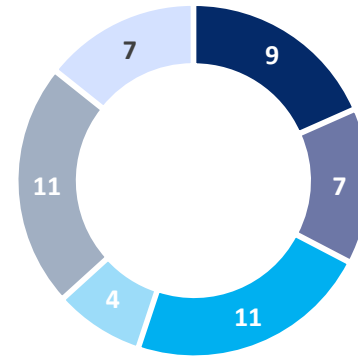
\$77 million⁵
to be invested

Portfolio by industry sector
(estimated A\$ capital commitment)¹



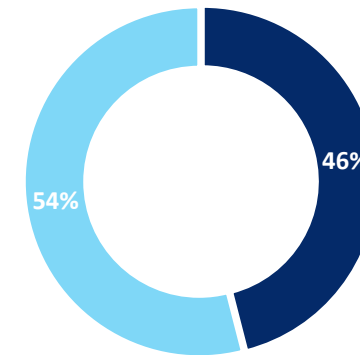
- Commercial Disputes - \$21m
- Insolvency - \$25m
- Class Action - \$71m
- Portfolio - \$23m
- Arbitration - \$39m
- Acquisition of claims - \$2m

Portfolio by industry sector
(number of projects)



- Commercial Disputes - 18%
- Insolvency - 14%
- Class Action - 23%
- Portfolio - 8%
- Arbitration - 23%
- Acquisition of claims - 14%

Portfolio by region
(estimated A\$ capital commitment)¹



- APAC - \$84m
- EMEA - \$97m

Portfolio by individual capital commitment¹
(estimated A\$)



¹ Capital commitment denotes the total estimated budget of the portfolio of investments as at 13 September 2021 converted to AUD as at the date of litigation funding agreement

² Direct investment denotes the Group's investments made 100% on-balance sheet

³ US\$54 million

⁴ Co-investment denotes the Group's direct investment into the matters funded together with the LCM Global Alternative Returns Fund, exclusive of any investments concluded and written off

⁵ This is the 31 August 2021 position which reflects the best preliminary estimate and is not final

LCM Global Alternative Returns Fund

Balances as at
13 September 2021
(A\$ millions)

77%
Committed¹

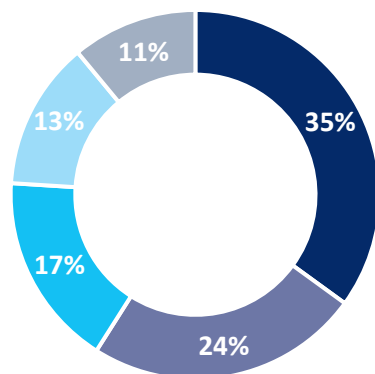
Further 5% conditionally
approved subject to
external due diligence
taking commitments to 82%

\$165 million³
Committed¹

\$76 million
Deployed/invested

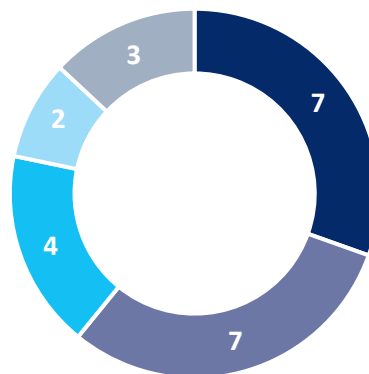
\$49 million⁴
to be invested

Portfolio by industry
sector
(estimated A\$ capital
commitment)²



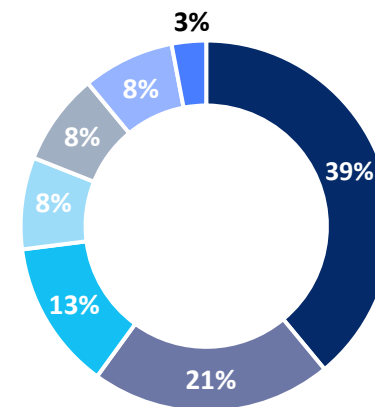
- Class Action - \$57m
- Arbitration - \$38m
- Insolvency - \$27m
- Portfolio - \$21m
- Commercial disputes - \$18m

Portfolio by industry
sector
(number of investments)



- Class Action - 30%
- Arbitration - 30%
- Insolvency - 17%
- Portfolio - 9%
- Commercial disputes - 9%

Portfolio by geography
(estimated A\$ capital
commitment)²



- UK - \$63m
- Australia - \$34m
- UAE - \$20m
- USA - \$13m
- EU - \$13m
- Asia - \$13m
- Africa - \$5m

Portfolio by individual
capital commitment¹
(estimated A\$)



Diversified portfolio
with no single
investment creating
concentration risk

¹ Including operational expenses and resolved matters

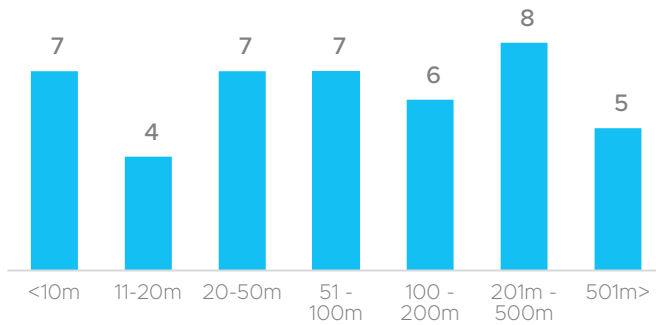
² Capital commitment denotes the total estimated budget of the portfolio of investments as at 13 September 2021 converted to AUD as at the date of litigation funding agreement

³ US\$116 million

⁴ US\$34 million

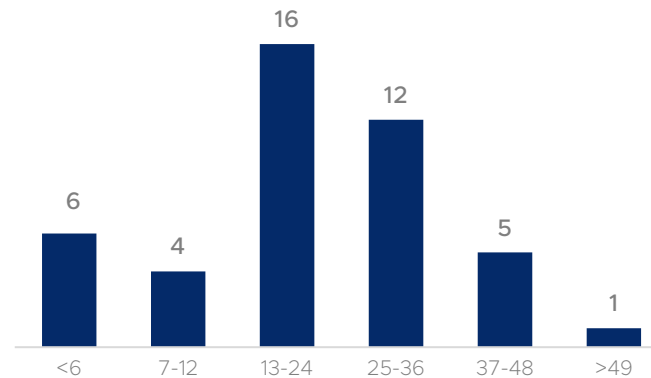
Portfolio profile

Portfolio by claim size (A\$)



LCM's entire portfolio comprising both direct and asset management investment is well balance by individual claim size

Portfolio by LFA maturity¹ (months)



LCM's entire portfolio comprises a range of maturities, with the direct investments where LCM is funding 100% from balance sheet, being the most mature portion

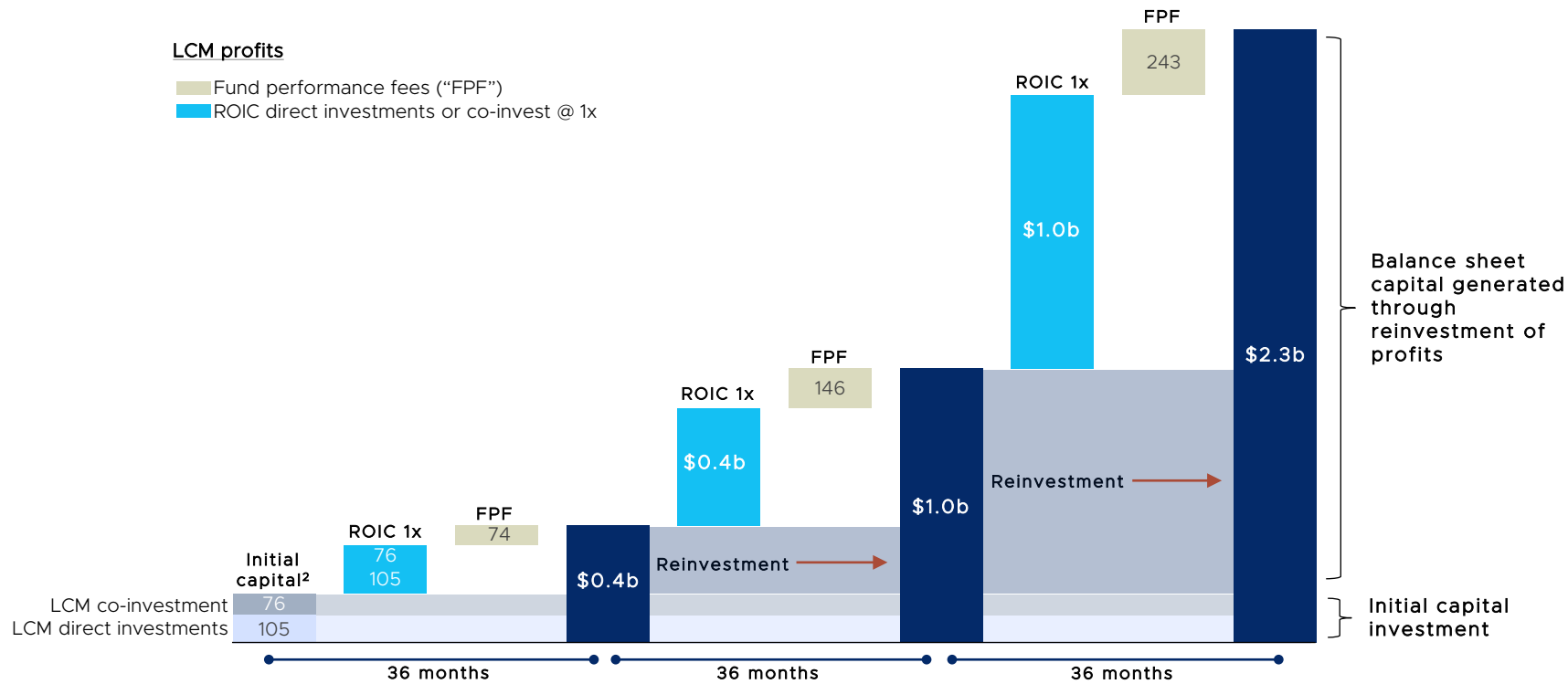
27 months

10 year average time to completion

Extended investment period expected both as a consequence of larger investments but also delay in court systems as a result of COVID-19

LCM's high returns on invested capital & reinvestment creates compounding effect

Theoretical capital growth potential of LCM's current balance sheet

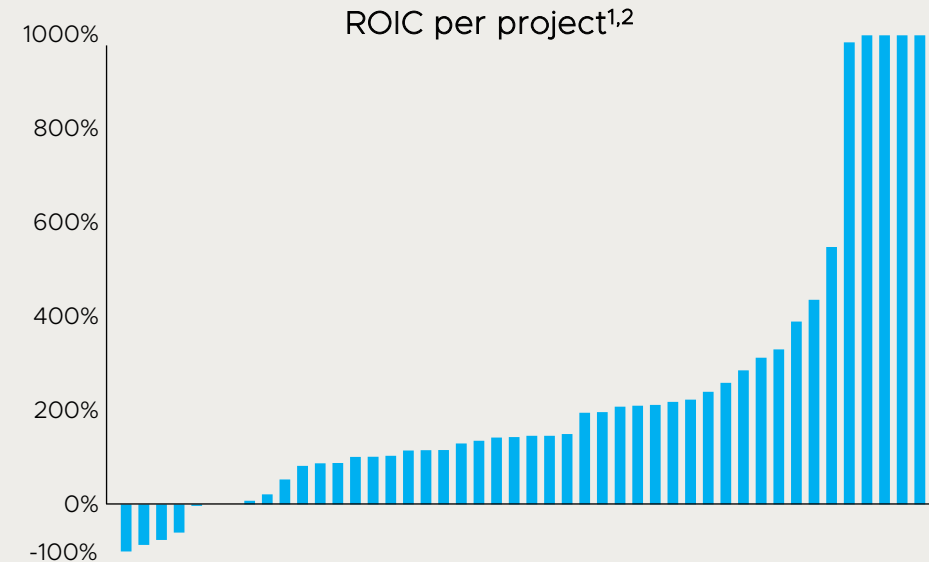


- The return on invested capital ("ROIC") that LCM has achieved over the past 10 years on a portfolio basis, including losses is 153%. For illustrative purposes we have adopted a conservative ROIC of 100% for the purpose of demonstrating the compounding effect of reinvestment over the next 9 years
- The average life of LCM's investments over the past 10 years has been 27 months. We estimate this period to increase to reflect larger disputes and the variety of jurisdictions in which we operate

Limited downside risk creates asymmetric returns

Unique characteristics of disputes finance as an asset class

Individual actual performance of LCM's investments over the past 10 years, including losses



- The potential for high returns far outweighs the downside risk representing a unique investment profile
- LCM's downside risk is a total loss of its capital investment and limited risk of further capital. The upside potential returns are a significant multiple of that invested capital
- LCM uses insurance products to manage the extent of downside risk

Favourable market dynamics



Uncorrelated returns

- Each and every investment whether the subject of a direct investment or as part of the fund portfolio is uncorrelated to each other



Countercyclical business

- Global financial markets are experiencing high volatility. Historically dispute levels rise during period of instability. The levels of insolvency events increases. Finally corporates tend to look for alternatives to disputes spending



Low market penetration

- Despite demand for litigation finance steadily increasing, the levels of market penetration in the various markets in which LCM operates is very low



Demand expanding rapidly

- The demand for litigation finance is steadily growing from year to year



Growing market globally

- Not only is there a steady increase in established markets but also new geographies and jurisdictions are opening to litigation finance. Given LCM's experience and growing capital base we are well positioned to take advantage of that trend



Shifting legal market dynamics

- The expectations of corporates are changing. Clients increasingly expect law firms to be flexible and offer alternate solutions to disputes fees, creating an opportunity for LCM

Outlook



Mature portfolio of high yielding assets



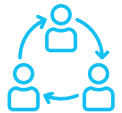
Growing asset management business expected to have **US\$450m** AUM in the near future



Balance sheet capital growing through investment realisations



Increased capital available to facilitate continued growth



Management to be centralised in London after COVID delays



Market conditions driving demand for LCM's capital

Appendices

Consolidated income statement

For the period ended 30 June 2021

	LCM only A\$m	Fund A\$m	Consolidated FY21 A\$m	LCM only A\$m	Fund A\$m	Consolidated FY20 A\$m
Revenue from contracts with customers						
Litigation service revenue	36.3	0.7	36.9	35.8	-	35.8
Performance fees	0.1	-	0.1	2.6	-	2.6
	36.4	0.7	37.1	38.4	-	38.4
Litigation service expense	(10.3)	(0.1)	(10.4)	(16.7)	-	(16.7)
Gross profit	26.1	0.6	26.6	21.7	-	21.7
Other income	-	-	-	0.1	-	0.1
Interest income	-	-	-	-	-	-
Expenses						
Employee benefits expense	(8.4)	-	(8.4)	(7.6)	-	(7.6)
Depreciation expense	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Corporate expenses	(2.7)	-	(2.7)	(3.8)	-	(3.8)
Litigation fees	(0.1)	-	(0.1)	(1.1)	-	(1.1)
Finance costs	(1.3)	-	(1.3)	-	-	-
Fund administration expense	(0.5)	(0.7)	(1.2)	-	(1.2)	(1.2)
Total expenses	(13.0)	(0.7)	(13.7)	(12.6)	(1.2)	(13.8)
Profit before income tax:	13.1	(0.1)	12.9	9.2	(1.2)	8.0
Analysed as:						
Adjusted operating profit	15.8	0.6	16.4	11.1		11.1
Non-operating costs	(1.4)	(0.7)	(2.1)	(1.9)	(1.2)	(3.1)
Finance costs	(1.3)	-	(1.3)	-	-	-
Profit before income tax expense	13.1	(0.1)	12.9	9.2	(1.2)	8.0
Income tax expense	(4.1)	-	(4.1)	(2.8)	-	2.8
Profit after income tax expense for the period	9.0	(0.1)	8.9	6.4	(1.2)	5.2

- Gross revenue fell marginally by 4% to \$37.1m, however Gross profit was up 23% inclusive of third party interests, 20% exclusive
- Variability of returns across periods is demonstrated by the resolution of one single matter which contributed 67% of overall revenue, however it demonstrates that direct investments are starting to crystallise
- FY21 total expenses increased marginally by 3%, predominantly attributable to Finance costs, however operating expenses were down 5% at \$10.2m compared with \$10.7m in FY20
- Non-operating expenses predominantly comprise SBP amortisation, one-off consultancy costs and Fund costs attributable to LCM

Adjusted profit & EBITDA reconciliation

For the period ended 30 June 2021

	LCM only A\$m	Fund A\$m	Consolidated FY21 A\$m	LCM only A\$m	Fund A\$m	Consolidated FY20 A\$m
Statutory profit after tax	9.0	(0.1)	8.9	6.4	(1.2)	5.2
Add:						
Depreciation & amortisation	0.1	-	0.1	0.05	-	0.05
Amortisation of finance costs	0.1	0.2	0.4	-	-	-
Interest	1.2	0.1	1.3	-	-	-
Amortisation of transaction costs*	0.5	0.2	0.8	-	-	-
Tax expense	4.1	-	4.1	2.8	-	2.8
EBITDA	15.0	0.4	15.4	9.2	(1.2)	8.0
Add:						
Share based payments	0.3	-	0.3	0.4	-	0.4
Litigation costs	0.1	-	0.1	1.1	-	1.1
IPO costs	0.1	-	0.1	0.1	-	0.1
Non-recurring consultancy	0.4	-	0.4	0.2	-	0.2
Third party fund costs	-	0.2	0.2	-	1.2	1.2
EBITDAe	15.9	0.6	16.5	11.1	-	11.1
Basic EPS (cents)	15.70	-	15.18	6.15	-	5.02
EBITDA	15.0	0.4	15.4	9.2	(1.2)	8.0

- Non operating costs include expenses which are considered unusual, non-cash or one-off in nature

*transaction costs related to placement fees and other costs incurred in relation to the setup of the Fund

Consolidated statement of financial position

As at 30 June 2021

	LCM only A\$m	Fund A\$m	Consolidated FY21 A\$m	LCM only A\$m	Fund A\$m	Consolidated FY20 A\$m
Current assets						
Cash and cash equivalents	35.5	14.2	49.7	24.9	6.8	31.8
Trade and other receivables	13.8	-	13.8	15.3	-	15.3
Contract costs	16.7	-	16.7	15.7	-	15.7
Other assets	0.6	-	0.6	0.4	-	0.4
Total current assets	66.6	14.2	80.9	56.3	6.8	63.1
Non-current assets						
Contract costs	71.9	46.0	117.9	36.2	10.7	46.9
Property, plant and equipment	0.2	-	0.2	0.2	-	0.2
Intangible assets	0.4	-	0.4	0.3	-	0.3
Other assets	0.3	-	0.3	0.3	-	0.3
Total non-current assets	72.8	46.0	118.8	37.0	10.7	47.7
Total assets	139.5	60.1	199.6	93.3	17.5	110.8
Liabilities						
Current liabilities						
Trade and other payables	8.0	4.4	12.4	9.3	3.9	13.2
Borrowings	-	13.3	13.3	0.3	-	0.3
Employee benefits	0.5	-	0.5	0.3	-	0.3
Total current liabilities	8.5	17.6	26.1	9.6	3.9	13.5
Non-current liabilities						
Deferred tax liability	7.5	-	7.5	3.6	-	3.6
Borrowings	37.2	-	37.2	0.1	-	0.1
Employee Benefits	0.1	-	0.1	0.1	-	0.1
Third-party interests in consolidated entities	(3.9)	43.7	39.8	(2.2)	14.8	12.6
Total non-current liabilities	40.9	43.7	84.6	1.5	14.8	16.3
Total liabilities	49.4	61.4	110.7	11.1	18.7	29.8
Net assets	90.1	(1.2)	88.9	82.2	(1.2)	81.0

- 71% Increase in contract costs exclusive of third-party investments, demonstrates future growth potential
- Book value does not reflect underlying intrinsic value of investments as contracts costs are held at cost
- LCM cash was \$35.5m at 30 June 2021 and borrowings of \$37.2m
- The US\$50m credit facility supplements LCMs balance sheet and allows the Group to continue investing in opportunities while our portfolio of direct investments starts to crystallise

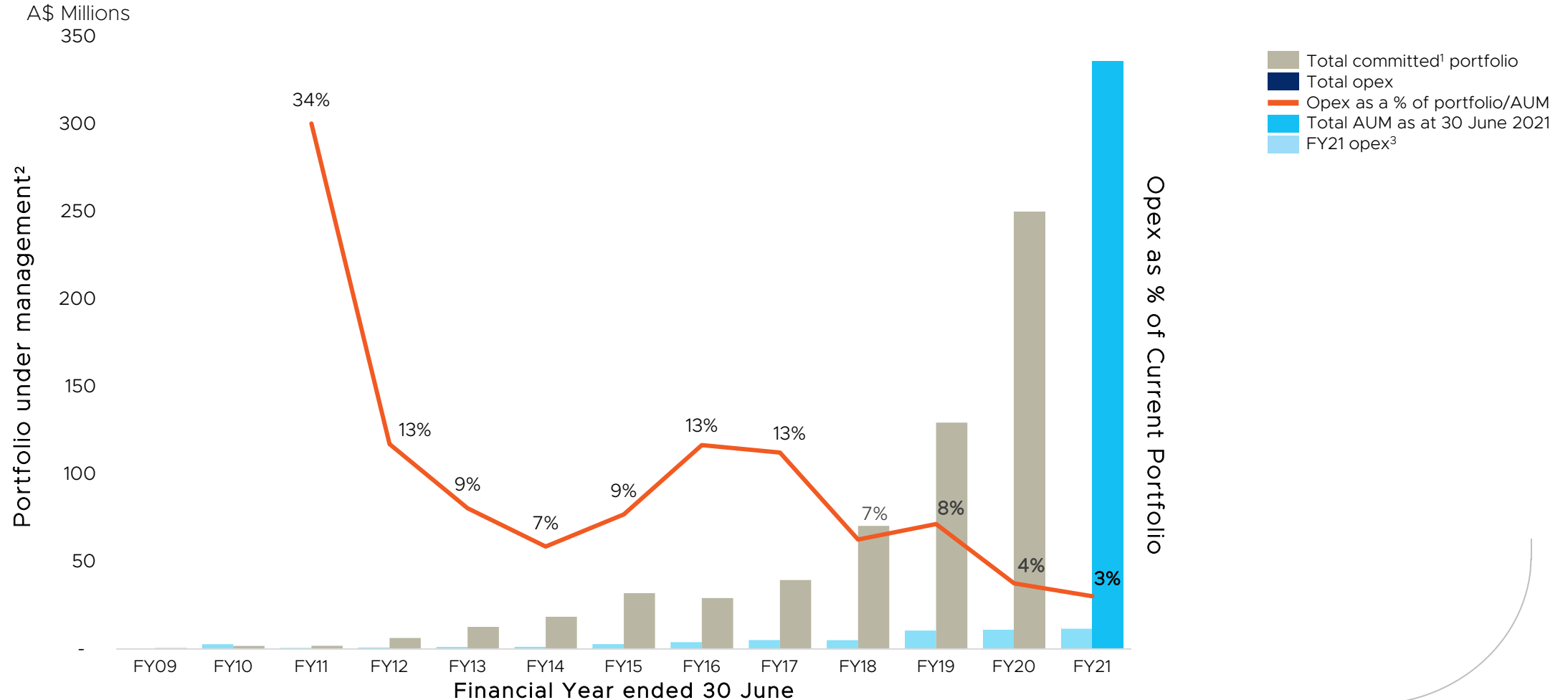
Consolidated statement of cash flows

As at 30 June 2021

	LCM only A\$m	Fund A\$m	Consolidated FY21 A\$m	Consolidated FY20 A\$m
Cash flows from operating activities				
Proceeds from litigation contracts - settlements, fees and reimbursements	37.5	-	37.5	30.7
Payments to suppliers and employees	(59.4)	-	(59.4)	(50.6)
Non-operating items paid	(0.6)	-	(0.6)	(1.4)
Interest received	-	-	-	0.0
Net payments made by third-party interests in consolidated entities	-	(34.0)	(34.0)	(6.9)
Net cash used in operating activities	(22.5)	(34.0)	(56.5)	(28.2)
Cash flows from investing activities				
Payments for property, plant and equipment	-	-	-	(0.1)
Payments for intangibles	(0.1)	-	(0.1)	(0.3)
Payments for security deposits	-	-	-	-
Net cash used in investing activities	(0.1)	-	(0.1)	(0.4)
Cash flows from financing activities				
Proceeds from issue of shares	0.1	-	0.1	-
Dividends paid	-	-	-	(0.9)
Proceeds from borrowings	36.4	26.8	63.2	-
Repayments of borrowings	-	(13.4)	(13.4)	-
Payments of finance costs	(2.1)	(0.4)	(2.5)	-
Transaction costs related to third-party interests	(1.7)	-	(1.7)	(2.1)
Contributions from third-party interests in consolidated entities	-	29.2	29.2	14.6
Payments for fund establishment & administration costs	-	(0.6)	(0.6)	(0.9)
Net cash from financing activities	32.6	41.6	74.1	10.7
Net decrease in cash and cash equivalents	10.0	7.6	17.5	(17.8)
Cash and cash equivalents at the beginning of the financial year	24.9	6.8	31.8	49.1
Effects of exchange rate changes on cash and cash equivalents	0.6	(0.2)	0.5	0.4
Cash and cash equivalents at the end of the financial year	35.5	14.2	49.7	31.7

- Cash generated from the resolution of matters during the period was \$37.5m exclusive of third party funds, an increase of 22% compared to the same prior period
- Cash generally received shortly after revenue recognised as a result of revenue recognition under AASB 15
- Direct investments are approaching maturity with completion and consequently realisations expected to flow through in the coming financial year(s)
- Capital deployed during the period on an LCM only basis was up 20% at \$47.6m compared with \$39.7m in the prior period, demonstrating our ability to put capital to work
- Board has taken prudent decision on dividend to maximise opportunity to deploy capital in line with increasing investment opportunities

Scalable business, sustained cost base



¹ Capital commitment denotes the total estimated budget of the portfolio of projects

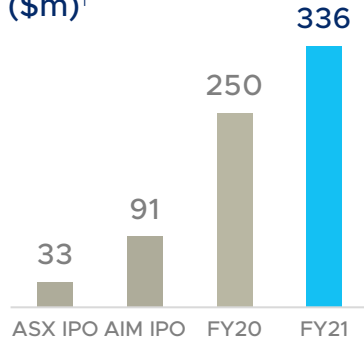
² Portfolio under management denotes the total direct investments and fund investments managed by LCM each financial year and its aggregate actual total capital deployed or in the case of matters yet to be completed, the estimated aggregate budget. The portfolio under management each year does not include projects which completed in a prior year

³ Opex denotes operational expenses excluding non-operating expenses but including finance costs

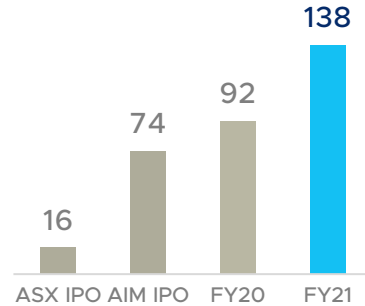
Note: Current portfolio of direct investments and fund investments as at 30 June 2021 (including conditional projects).

Significant growth since initial listing

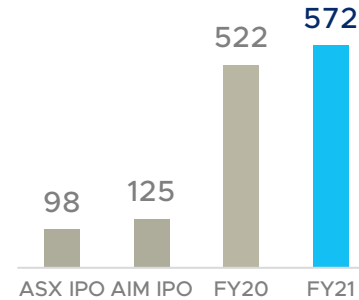
Total portfolio under management (\$m)¹



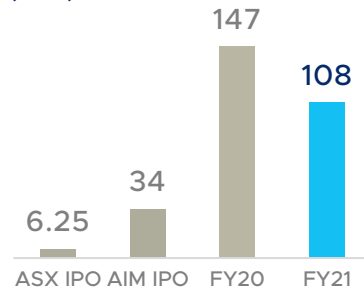
Operating capital (\$m)²



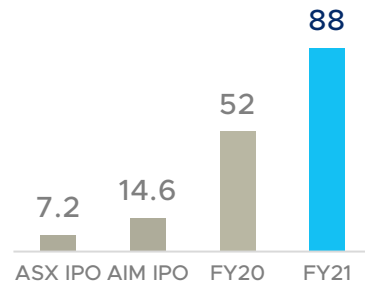
Applications received in the 12-month period³



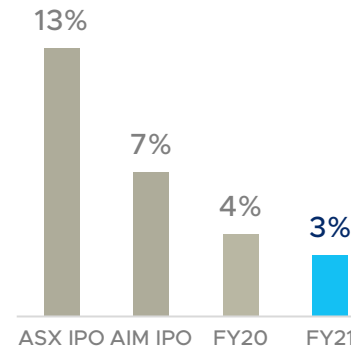
Capital committed to investments during the year² (\$m)



Capital invested during the year (\$m)²



Opex as a % of total portfolio²



- Exponential growth in total portfolio **918%**
- Significant growth in applications feeding portfolio - **484%**
- Steady decline in operating costs compared to portfolio under management

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