

LCM

EXPERIENCE COUNTS

Interim results presentation

Six months ended 31 December 2020

Litigation Capital Management Limited
ACN 608 667 509

HY21 – Progress on near-term priorities

At the latest year end, we identified the following priorities on which we expect to focus and achieve growth in the shorter to medium term:

Supplementing LCMs balance sheet capital to meet increasing demand

- Secured a US\$50 million (A\$65 million) credit facility which will accelerate growth and provide us with the opportunity to consider larger investments

To launch a second and larger third-party fund

- In light of the uncertainty of global markets caused by the COVID-19 pandemic, we are considering either an upsize of the existing third-party fund or a new second fund. We are well advanced in those considerations

Increase the number of quality applications

- The strength of our business relies upon the strong referral relationships developed over time
- The alliance with DLA Piper has strengthened these opportunities
- We have increased the number of applications by 5% on the corresponding prior period

We aim to increase the percentage of applications converted to investments

- We continue to maintain a disciplined approach to our due diligence process which enables us to maintain performance in line with our historical track record
- Increasing the quality of applications which leads to an increase in the conversation rate will occur progressively over time

HY21 – Highlights

Third party fund

Committed **64%** of first third party fund by 31 December and **70%** by 8 March with first resolution recognised shortly after the half year end

Revenue

Gross revenue of **\$8.1m** includes the resolution of two single case investments as well as two investments in our acquisitions of claims strategy

Applications

Applications increased by **5%** from to **266** compared with the same prior year period at 253

US\$50m facility

US\$50 million credit facility will accelerate growth, providing a more flexible capital structure and a greater opportunity to consider larger investments

Capital invested

Total capital invested increased by **116%**¹ to **\$40m** compared with \$18.4m for the same prior year period

Capital committed

A further **\$67m**² committed during the six-month period ended 31 December 2020, representing an increase of **134%** on the same prior period, demonstrating the increased demand for LCM's capital

Cumulative IRR & ROIC

LCM's performance resulting from completed investments continues within a consistent band. 9.5 years of performance inclusive of losses producing a cumulative IRR of **78%** and cumulative ROIC of **135%**

¹ FY ended 31 December 2020 inclusive of third-party funds. Excluding third-party funds, capital invested increased by 21% to \$22.3m
² FY ended 31 December 2020 inclusive of third-party funds. Excluding third-party funds, capital committed decreased by 8% to \$25.9m

Building scale

Measures of growth

Number of applications

266

Capital committed in year¹

\$67m

Capital invested²

\$40m

Maintenance of investment standards

9.5 year cumulative ROIC

135%

9.5 year cumulative IRR

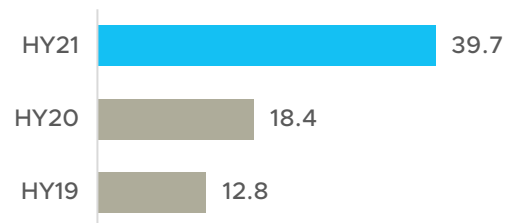
78%

Increase in AUM

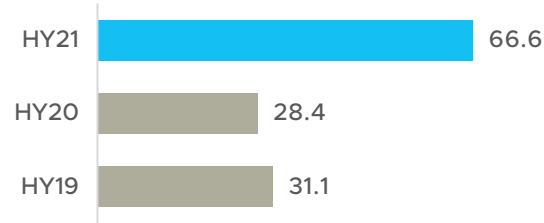
Total assets under management

\$322m

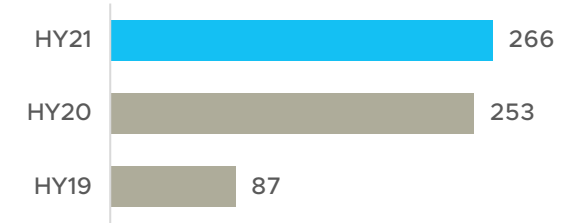
Capital invested



Capital committed



Applications



¹ Capital committed in year represents new commitments signed up. Exclusive of any commitments concluded and written off
² Capital invested into litigation projects during the year inclusive of third party funds

Interim results highlights

– exclusive of third-party fund (A\$)

	HY 2021	HY 2020	Change %
Gross revenue	\$7.7m	\$24.1m	(68%)
Gross profit	\$5.0m	\$12.2m	(59%)
Adjusted (loss)/profit before tax ¹	(\$0.6m)	\$6.9m	
Statutory (loss)/profit before tax ¹	(\$1.2m)	\$6.7m	
Cash ²	\$5.8m	\$34.7m	(83%)
Investments at cost as at end of financial period ³	\$71.4m	\$34.4m	108%
Total capital invested ⁴	\$22.3m	\$18.4m	21%

Credit Facility
\$65m⁵

Gross Revenue
\$7.7m

Increase in
 invested capital
108%

1 HY ended 31 December 2020 exclusive of third-party funds

2 At balance sheet date and exclusive of third party funds - HY ending 31 December 2020

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

4 Capital invested into litigation projects during the period exclusive of third party funds

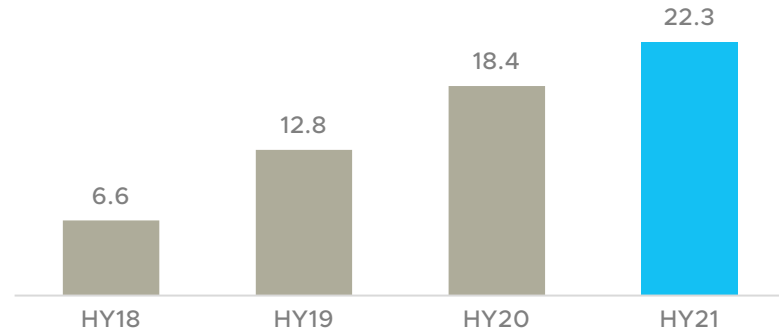
5 As announced on 22 February 2021, the Group secured a US\$50m credit facility

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

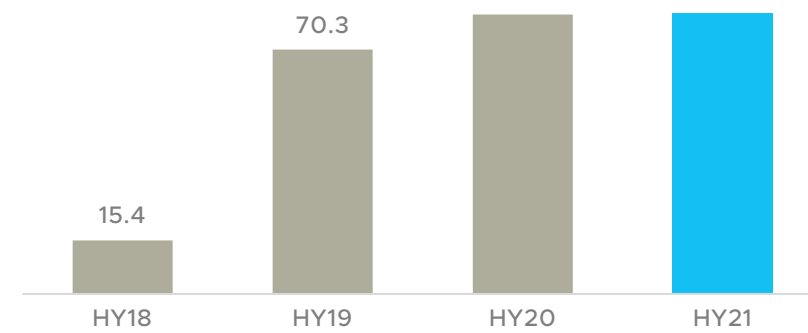
HY21 Balance sheet overview

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

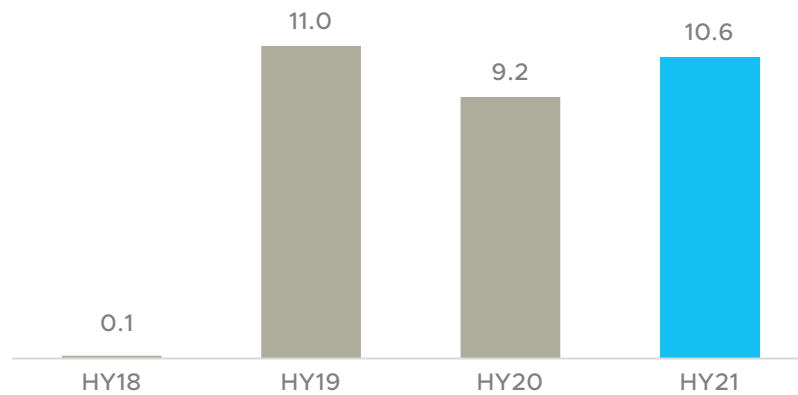
Capital invested (\$m)



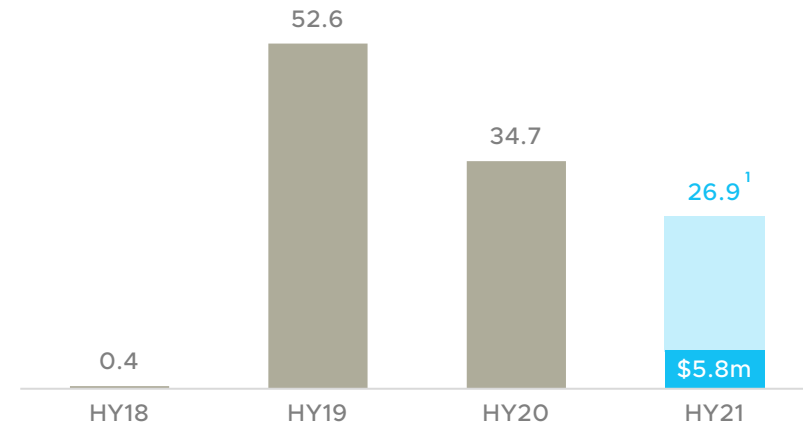
Total equity (\$m)



Cash generation (\$m)



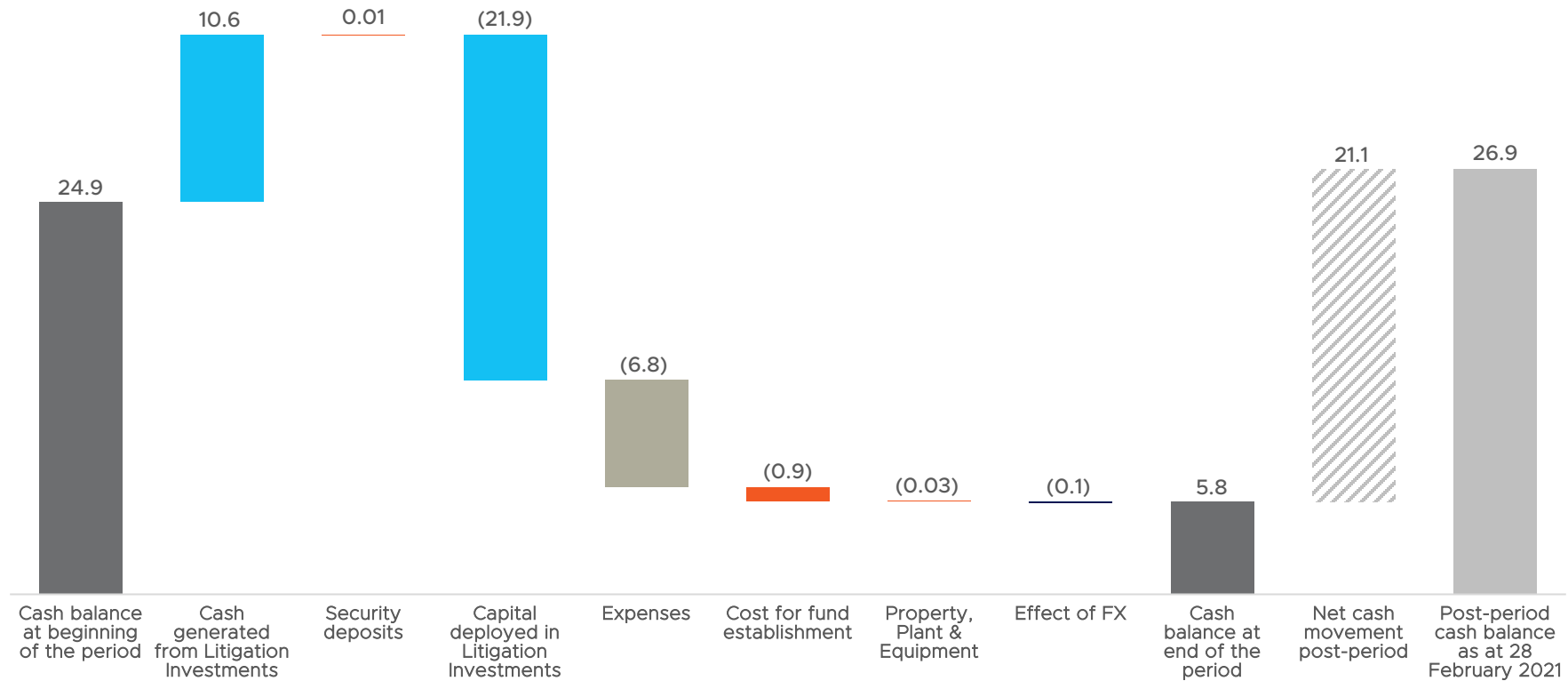
Cash as at period end (\$m)



Organic cash generation (A\$)

HY 2021 Cash Flow Waterfall¹
(A\$ in millions)

- Litigation Investments
- Operating activities
- Investing activities
- Financing activities



Current portfolio of direct investments

Balances as at
8 March 2021
(A\$ millions)

\$108 million

Direct 100% investment²
portfolio

\$63 million³

LCM direct co-investment⁴

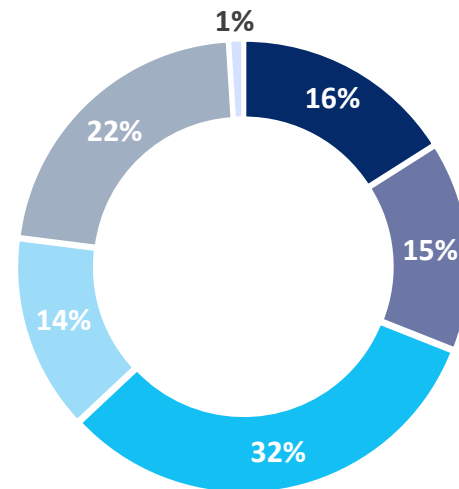
\$87 million⁵

Funded

\$84 million⁵

to be invested

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



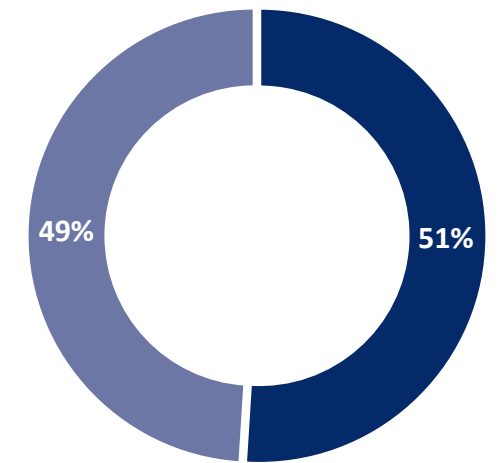
- Commercial Disputes - \$27m
- Insolvency - \$26m
- Class Action - \$54m
- Portfolio - \$24m
- Arbitration - \$38m
- Acquisition of claims - \$2m

Portfolio by industry
sector
(number of projects)



- Commercial Disputes - 18%
- Insolvency - 16%
- Class Action - 20%
- Portfolio - 8%
- Arbitration - 22%
- Acquisition of claims - 16%

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



- APAC - \$88m
- EMEA - \$83m

¹ Capital commitment denotes the total estimated budget of the portfolio of projects as at 8 March 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\$44 million

⁴ Co-investment denotes the Group's direct investment into the matters funded together with the LCM Global Alternative Returns Fund

⁵ The 8 March 2021 position reflects the best preliminary estimate and is not final

LCM Global Alternative Returns Fund

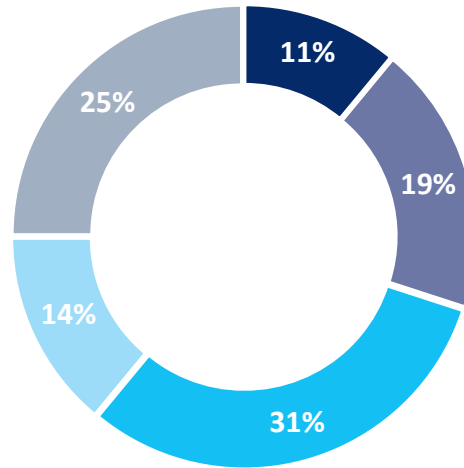
Balances as at
8 March 2021
(A\$ millions)

70%
Committed

\$151 million
Fund capital
commitment²

\$56 million
Available fund
capital³

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



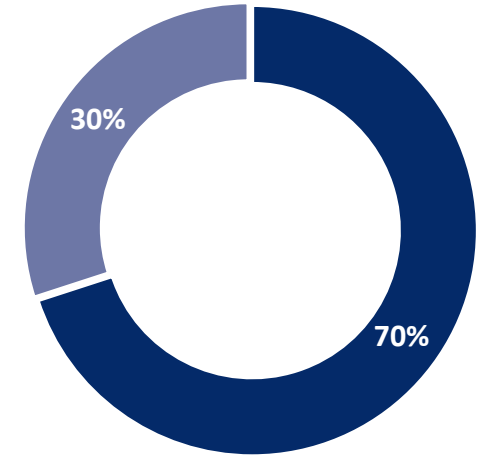
- Commercial Disputes - \$17m
- Insolvency - \$28m
- Class Action - \$47m
- Portfolio - \$21m
- Arbitration - \$38m

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



Balanced portfolio by
capital commitment
avoiding concentration risk

Third party fund
commitments
(estimated A\$ capital commitment)¹

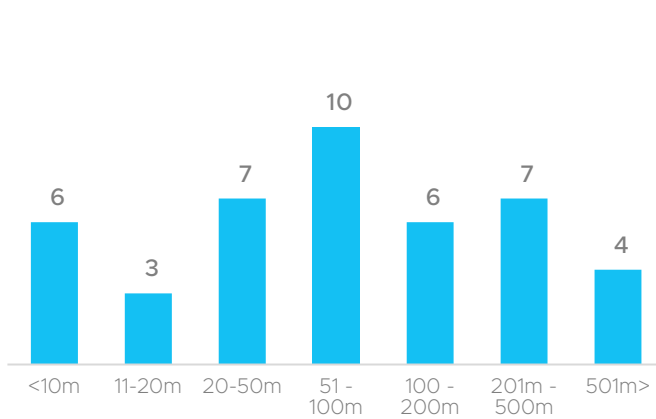


- Committed to projects
- Available capital

¹ Capital commitment denotes the total estimated budget of the portfolio of projects as at 8 March 2021 converted to AUD as at the date of litigation funding agreement
² US\$105 million
³ US\$45 million

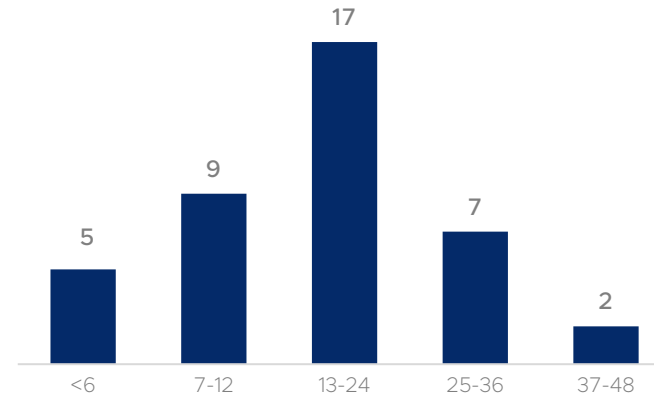
Combined portfolio profile

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)

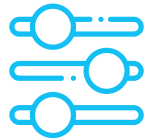


LCM's entire portfolio comprises a range of maturities, with the direct investments where LCM is funding 100% from balance sheet, being the most mature portion

27 months

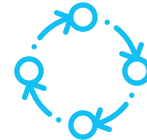
9.5 year average time to completion

Market conditions



Investing in disputes in an uncorrelated investment class

- Disputes in the form of litigation or arbitration are unaffected by political, economic or other market conditions
- Courts, tribunals and lawyers do not determine litigious or arbitral disputes by applying different legal principles depending on market conditions
- Not only is the asset class uncorrelated, but each individual dispute is also uncorrelated with the next. Therefore, a loss in one particular investment, is not reflective of the merits of any other investment



LCM's business benefits from counter-cyclical features

- In times of economic uncertainty, or instability, businesses tend to transact outside their normal business operating conditions. That leads to an increase in disputes
- Economic uncertainty and instability brought about by COVID-19 will lead to an increased number of insolvencies, bankruptcies and restructures. Funding in this area is one of LCM's core competencies having been an industry pioneer. Expected to be a significant increase in investment opportunities arising from insolvency and restructuring
- In times of economic uncertainty and instability businesses tend to reserve balance sheet capital and cashflow for core business activities leading to use of external capital for funding disputes. LCM has seen an increase in applications from corporates by **68%** compared to the prior year period

US\$50m Credit facility



Accelerating growth

- Supplements LCM's balance sheet capital
- Provides greater flexibility in LCM's capital structure
- Provides a bridge to significant organically generated capital through maturity of direct investments
- Facilitates growth in LCM's portfolio of direct investments
- Facilitates growth in LCM's Asset Management business

Credit Facility Terms

Credit facility available	US\$50m
Available use	General corporate purposes
Overall term	4 years
Coupon & LIBOR base rate	8%
Cap on profit participation in investments and coupon	13%
Drawdown period	24 months
Security	LCM's direct investments

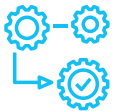
Outlook



Increased applications from our other strategic alliances with global firms as we introduce innovation to those relationships



Increased demand for LCM's capital from corporate clients as instability and uncertainty remain present in global economies



Increased applications for insolvency and restructuring disputes as moratorium against appointments are relaxed in global markets



Expected increase in resolution of investments as LCM's portfolio matures



Increased asset management model

Appendix

Consolidated income statement

For the period ended 31 December 2020

	LCM only A\$m	Fund A\$m	Consolidated HY21 A\$m	Consolidated HY20 A\$m
Revenue from contracts with customers				
Litigation service revenue	7.5	-	7.5	24.1
Portfolio revenue	0.2	0.4	0.6	-
Performance fees	0.02	-	0.02	-
	7.7	0.4	8.1	24.1
Litigation service expense	(2.7)	-	(2.7)	(11.8)
Gross profit	5.0	0.4	5.4	12.2
Other income				
Other income	-	-	-	0.6
Interest income	-	-	-	0.01
Expenses				
Employee benefits expense	(4.5)	-	(4.5)	(3.8)
Depreciation expense	(0.02)	-	(0.02)	(0.03)
Corporate expenses	(1.6)	-	(1.6)	(1.9)
Litigation fees	(0.09)	-	(0.09)	(0.4)
Fund administration expense	-	(0.6)	(0.6)	-
Total expenses	(6.2)	(0.6)	(6.8)	(6.1)
Profit before income tax:	(1.2)	(0.2)	(1.4)	(6.7)
Analysed as:				
Profit before income tax expense and non-operating costs	(0.6)	0.4	(0.2)	6.9
Non-operating costs	(0.6)	(0.6)	(1.2)	(0.2)
Profit before income tax expense	(1.2)	(0.2)	(1.4)	6.7
Profit before income tax expense	(1.2)	(0.2)	(1.4)	6.7
Income tax expense	0.2	-	0.2	(1.9)
Profit after income tax expense for the period	(1.0)	(0.2)	(1.2)	4.8

Adjusted profit & EBITDA reconciliation

For the period ended 31 December 2020

	LCM only A\$m	Fund A\$m	Consolidated HY21 A\$m	Consolidated HY20 A\$m
Statutory profit after tax	(1.05)	(0.1)	(1.2)	4.8
Add:				
Depreciation & interest	0.03	-	0.03	0.04
Tax expense	(0.2)	-	(0.2)	1.9
EBITDA	(1.22)	(0.1)	(1.4)	6.7
Add:				
Share based payments	0.2	-	0.2	0.2
Litigation costs	0.1	-	0.1	0.4
Non-recurring consultancy	0.3	-	0.3	0.1
Unrealised foreign exchange gain	-	-	-	(0.6)
Other expenses	0.05	-	0.05	0.3
Third party fund costs	-	0.6	0.6	-
EBITDAe	(0.6)	0.4	(0.2)	7.1
Basic EPS (cents)	(0.001)	-	(0.0002)	0.007

Consolidated statement of financial position

As at 31 December 2020

	LCM only A\$m	Fund A\$m	Consolidated HY21 A\$m	Consolidated FY20 A\$m
Current assets				
Cash and cash equivalents	5.8	9.6	15.4	31.8
Trade and other receivables	11.6	-	11.6	15.3
Contract costs	20.9	-	20.9	15.7
Portfolio costs	1.4	4.0	5.4	-
Other assets	0.5	-	0.4	0.4
Total current assets	40.2	13.6	53.9	63.2
Non-current assets				
Contract costs	49.2	24.0	73.2	46.8
Property, plant and equipment	0.2	-	0.2	0.2
Intangible assets	0.3	-	0.3	0.3
Other assets	0.3	-	0.3	0.3
Total non-current assets	50.0	24.0	74.0	47.6
Total assets	90.3	37.6	127.9	110.8
Liabilities				
Current liabilities				
Trade and other payables	8.9	4.2	13.1	13.2
Employee benefits	0.4	-	0.4	0.3
Total current liabilities	9.3	4.2	13.5	13.5
Non-current liabilities				
Deferred tax liability	3.4	-	3.4	3.6
Employee Benefits	0.1	-	0.1	0.1
Third-party interests in consolidated entities	(3.1)	34.6	31.5	12.6
Total non-current liabilities	0.4	34.6	35.0	16.3
Total liabilities	9.7	38.8	48.5	29.8
Net assets	80.6	(1.2)	79.4	81.0

Consolidated statement of cash flows

For the period ended 31 December 2020

	LCM only A\$m	Fund A\$m	Consolidated HY21 A\$m	Consolidated HY20 A\$m
Cash flows from operating activities				
Proceeds from litigation contracts - settlements, fees and reimbursements	10.6	-	10.6	9.2
Payments to suppliers and employees	(28.4)	-	(28.4)	(22.7)
Non-operating items paid	(0.3)	-	(0.3)	(0.6)
Interest received	-	-	-	0.1
Net payments made by third-party interests in consolidated entities	-	(17.1)	17.1	-
Net cash used in operating activities	(18.1)	(17.1)	(35.2)	(14.0)
Cash flows from investing activities				
Payments for property, plant and equipment	-	-	-	(0.04)
Payments for intangibles	(0.01)	-	(0.01)	(0.01)
Payments for security deposits	(0.01)	-	(0.01)	-
Net cash used in investing activities	(0.02)	-	(0.02)	(0.05)
Cash flows from financing activities				
Transaction costs related to third-party interests	(0.9)	-	(0.9)	-
Dividends paid	-	-	-	(0.9)
Contributions from third-party interests in consolidated entities	-	21.4	21.4	-
Payments for fund establishment & administration costs	-	(0.7)	(0.7)	(0.3)
Net cash (used in)/from financing activities	(0.9)	20.7	(19.8)	(1.2)
Net decrease in cash and cash equivalents	(19.0)	3.6	(15.4)	(15.3)
Cash and cash equivalents at the beginning of the financial year	24.9	6.8	31.7	49.1
Effects of exchange rate changes on cash and cash equivalents	(0.1)	(0.8)	(0.9)	(0.8)
Cash and cash equivalents at the end of the financial year	5.8	9.6	15.4	34.7

Glossary

Completed	means, in respect of a Case or Litigation Project, that it has been settled or for which there has been a judgment or from which LCM has elected to withdraw from funding or for which proceedings have been discontinued & LCM has received its financial entitlements.
Internal Rate of Return (IRR)	means the internal rate of return for LCM's portfolio of Litigation Projects that are managed to Completion. LCM calculates its Cumulative IRR by treating our entire investment portfolio as one undifferentiated pool of capital and measuring inflows and outflows from that pool. Cumulative IRR only includes completed investments and does not include unrealised gains or losses.
Litigation Project	means either a single case or a portfolio of cases.
Multiple on invested capital (MOIC)	means the Net Capital Returned from a settlement or judgment that LCM receives in respect of a LCM managed Litigation Project, divided by the Peak Invested Capital on a LCM managed Litigation Project.
Net Capital Returned	means the net profit derived in respect of a LCM managed case or Litigation project plus the Peak Capital Invested.
Recovery	means the aggregate gross proceeds received as a result of an award or judgment arising from or the settlement of a Litigation Project, from which LCM receives a percentage share of that aggregate amount.
Return on Invested Capital (ROIC)	means the Net Capital Returned from a settlement or judgment that LCM receives in respect of a LCM managed Litigation Project less Peak Invested Capital, divided by the Peak Invested Capital Invested on a LCM managed Litigation Project.
Settlement	means the resolution of a dispute or Court proceeding through agreement of the parties opposed to a adjudication by a Court or Tribunal.

Important notices and disclaimer

Disclaimer

The information in this presentation or on which this presentation is based has been obtained from sources that LIT believes to be reliable and accurate. However, none of LIT, LIT's directors, officers, employees, its shareholders or any of their respective advisors, or any other person has independently verified the information in this presentation and no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this presentation and no reliance should be placed on such information or opinions.

To the maximum extent permitted by law, LIT, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this presentation. No recommendation is made as to how investors should make an investment decision. Investors must rely on their own examination of LIT, including the merits and risks involved. Investors and potential investors should consult with their own professional advisors in connection with any investment decision in relation to LIT securities.

Important Notice – United Kingdom

In the United Kingdom this communication is only directed at persons who: (i) are investment professionals falling within Article 19(a) to (e) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 ("FPO"), who have professional experience in matters relating to investments or (ii) are high net worth organisations falling within Article 49(2)(a) to (d) of the FPO; or (iii) are persons to whom it may otherwise lawfully be communicated, (all such persons together being referred to as "exempt persons"). This presentation must not be acted upon or relied on by persons who are not exempt persons. Any investment or investment activity to which this presentation relates is available only to exempt persons and will be engaged in only with exempt persons. If you have received this presentation and you are not an exempt person you must return it immediately.

Forward looking statements

The information in this presentation is for general information only. To the extent that certain statements contained in this presentation may constitute "forward-looking statements" or statements about "future matters", the information reflects LIT's intent, belief or expectations at the date of this presentation. Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange, LIT disclaims any obligation or undertaking to provide you with access to any additional information or to update this presentation or to correct any inaccuracies in, or omissions from this presentation which may become apparent. Forward looking statements are generally identifiable by the terminology used, such as "may", "will", "could", "should", "would", "anticipate", "believe", "intend", "expect", "plan", "estimate", "budget", "outlook" or other similar wording. By its very nature, such forward-looking information requires LIT to make assumptions that may not materialise or that may not be accurate.

Any forward-looking statements, including projections as to pipeline business, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause LIT's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

Investment risk

This presentation is not intended to be relied upon as advice to investors or potential investors and does not contain all information relevant or necessary for an investment decision.

Any investment in LIT securities is subject to investment and other known and unknown risks, some of which are beyond the control of LIT. Any forward-looking statements, opinions and estimates in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. For example, the factors that are likely to affect the results of LIT include, but are not limited to, general economic conditions in Australia, exchange rates, competition in the markets in which LIT operates or may operate and the inherent regulatory risks in the businesses of LIT. Neither LIT, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. In addition, please note that past performance is no guarantee or indication of future performance.

This presentation presents financial information on both a statutory basis, prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS) as well as information provided on a non-IFRS basis. This presentation is not a recommendation or advice in relation to LIT or any product or service offered by LIT's subsidiaries.

It should be read in conjunction with LIT's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, and in particular the Full Year Results for the Full Year to 30 June 2018. These are also available at <http://www.lcmfinance.com>.

Jurisdiction

This presentation does not constitute an offer to issue or sell, or solicitation of an offer to buy, any securities or other financial products in any jurisdiction. The distribution of this presentation outside Australia may be restricted by law. Any recipient of this presentation outside Australia must seek advice on and observe any such restrictions. This presentation may not be reproduced or published, in whole or in part, for any purpose without the prior written permission of LIT.

Your attention is drawn to the securities restrictions set out at the end of this presentation.

Contact Information

Offices

Sydney

Level 12, The Chifley Tower
2 Chifley Square,
Sydney NSW 2000
T +61 2 8098 1390

London

Bridge House
181 Queen Victoria Street
London EC4V 4EG
T +44 203 955 5260

Melbourne

Level 17,
31 Queen Street
Melbourne VIC 3000
T +61 2 8098 1390

Brisbane

Level 54,
111 Eagle Street,
Brisbane QLD 4000
T +61 7 3012 6478

Singapore

Marina Bay Financial Centre
Tower 1, Level 11
8 Marina Boulevard
Singapore 018981
T +65 6653 4192

Patrick Moloney | Chief Executive Officer | pmoloney@lcmfinance.com

Mary Gangemi | Chief Financial Officer | mgangemi@lcmfinance.com

Nick Rowles-Davies | Executive Vice Chariman | nrowles-davies@lcmfinance.com