



INVESTOR PRESENTATION **MARCH 2019**

Litigation Capital Management Limited  
AIM: LIT

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# An introduction to LCM

LCM  
EXPERIENCE COUNTS

LITIGATION CAP. 60.00 + 0.00 £ 15.3000

London Stock Exchange welcomes  
Litigation Capital Management  
to AIM

**LCM**

LIT.L

LSE.L + 4005.00

BUY	SELL	LAST	CHG
1000	1000	1000	0.00

**LCM**  
EXPERIENCE COUNTS

## Experienced team with extensive track record

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### **Patrick Moloney**

**Executive Director**  
**Chief Executive Officer**

- Appointed to the board in 2003. CEO from 2013
- 23 years experience in commercial litigation and 15 years in litigation funding
- Founder of Moloney Lawyers
- 9 years fund management experience as Chairman of 101 Capital Pty Limited



### **Nick Rowles-Davies**

**Executive Director**  
**Executive Vice Chairman**

- Founder and CEO of Chancery Capital
- Founder of Vannin Capital
- Formerly led Burford Capital globally outside of the Americas as Managing Director
- A pioneer in the litigation funding industry
- Former Director of the Association of Litigation Funders of England & Wales



### **Stephen Conrad**

**Executive Director**  
**Chief Financial Officer**

- 25 years Investment Banking experience, specialising in risk management, governance and capital optimisation
- Independent advisor and director for clients across asset management (J.P. Morgan Asset Management Alternatives), litigation funding (Litigation Capital Management), infrastructure and securitisation

# Snapshot

## Background

- Founded in **1998**
- **20 year** track record
- One of the **first** proponents of the litigation financing industry, which was originated in Australia
- **Pioneer** in the industry with some of the most experienced practitioners globally

## Revenue Model

- **Conservative accounting** policy with no fair value
- **Financing** and management of successful litigation projects
- **Risk management** process refined through market cycles
- Average project completion time currently **27 months**<sup>4</sup>

## Offices & Operations

- Head office **Sydney**
- Other offices in Melbourne, Brisbane, Singapore and London
- Recently **added UK** team
- **16** member team, including UK
- **Disciplined expansion** into new markets

## Current Portfolio & Pipeline

- **17** litigation projects unconditionally funded (additional **7** conditionally signed)<sup>5</sup>
- Balance of investment to be made in current portfolio of **A\$70m** (conditional & unconditional)
- **64** pipeline projects with estimated investment of **A\$409m**<sup>6</sup>
- Well **diversified** by litigation type and geography
- **Disciplined** project selection

## Investment Track Record

- **86%** of litigation projects are **profitable**<sup>1</sup>
- approximately **97%** of funded Litigation Projects achieve a **settlement**<sup>2</sup>
- Cumulative **ROIC 117%**<sup>3</sup>
- Portfolio **IRR of 78%**<sup>3</sup>
- Covering **201 cases**<sup>7</sup>

## Attractive Market

- **Uncorrelated** returns
- **Countercyclical** business
- **Market demand** is expanding rapidly
- Acceptance of funding products by **large Corporates**
- **Investor support into listed peers** despite share market instability

<sup>1</sup>FY12-HY19

<sup>2</sup>Over the last 7.5 years (FY12 to HY19)

<sup>3</sup>Over the last 7.5 years (FY12 to HY19, including losses). HY ending 31 December

<sup>4</sup>Average project completion over the last 7.5 years (FY12 to HY19)

<sup>5</sup>Current portfolio as at 26 February 2019

<sup>6</sup> This pipeline represents a set of qualified opportunities at various stages of due diligence as at 26 February 2019 & includes the pipeline of the UK team

<sup>7</sup>Since the inception of LCM in 1998

# Investment highlights

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## Established & Experienced

- Demonstrated track record - Portfolio IRR of 78%<sup>1</sup>

## Strong Return on Capital

- Cumulative ROIC 117%<sup>1</sup>

## Diversified Pipeline and Disciplined Project Selection

- Estimated A\$409m capital commitment<sup>2</sup>

## Profitable and Cash Generative

- Adjusted A\$2.7m PBT<sup>3</sup> and net cash of A\$52.6m<sup>3</sup>

## Clear Growth Trajectory including EMEA Expansion

- EMEA Team led by Nick Rowles-Davies, based in London



# Half year results 2019

## Half year results highlights (\$A)

	H1 2019	H1 2018	Change %
Statutory Revenue	\$18.50m	\$6.59m	181%
Adjusted Revenue	\$11.71m	\$0.10m	11498%
Gross Profit	\$5.67m	\$0.03m	18521%
Adjusted PBT <sup>1</sup>	\$2.72m	(\$1.62m)	268%
Adjusted diluted EPS	4.2 cents	(2.88) cents	246%
Statutory profit before tax <sup>3</sup>	\$1.05m	(\$1.73m)	160%
Net Cash	\$52.60m	\$0.42m	12407%
Interim dividend per share	0.506 cents	-	N.B.

Adjusted Revenue  
**\$11.7m**

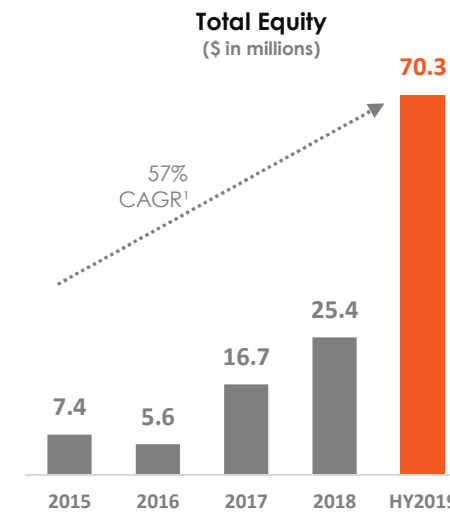
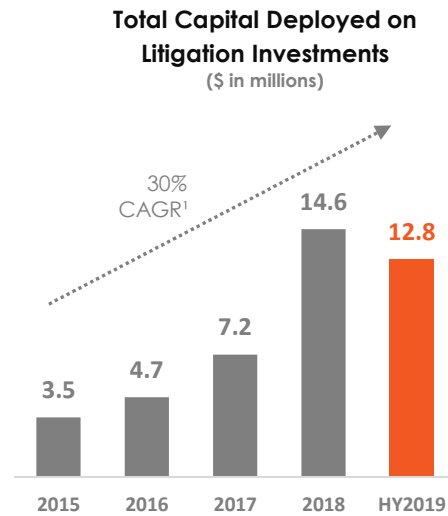
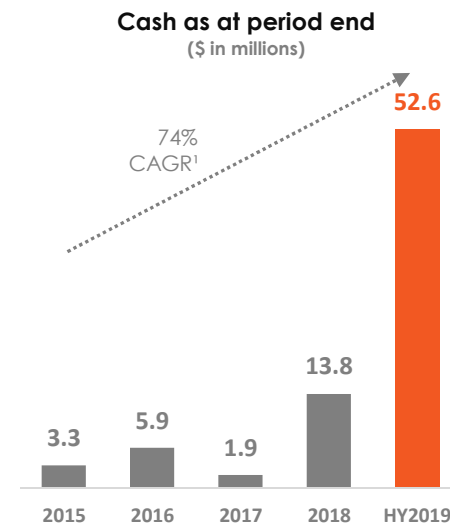
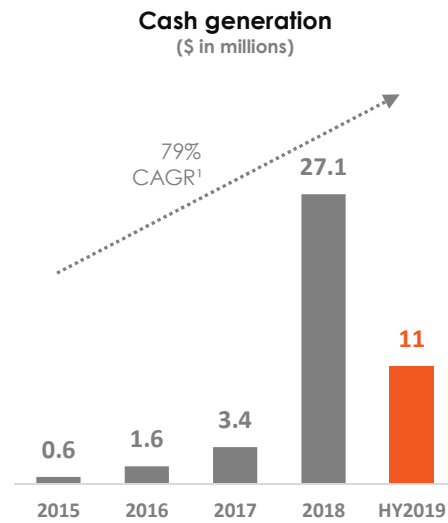
Adjusted Profit  
before tax<sup>1</sup>  
**\$2.7m**

Cumulative ROIC<sup>2</sup>  
**117%**

Portfolio IRR<sup>2</sup>  
**78%**

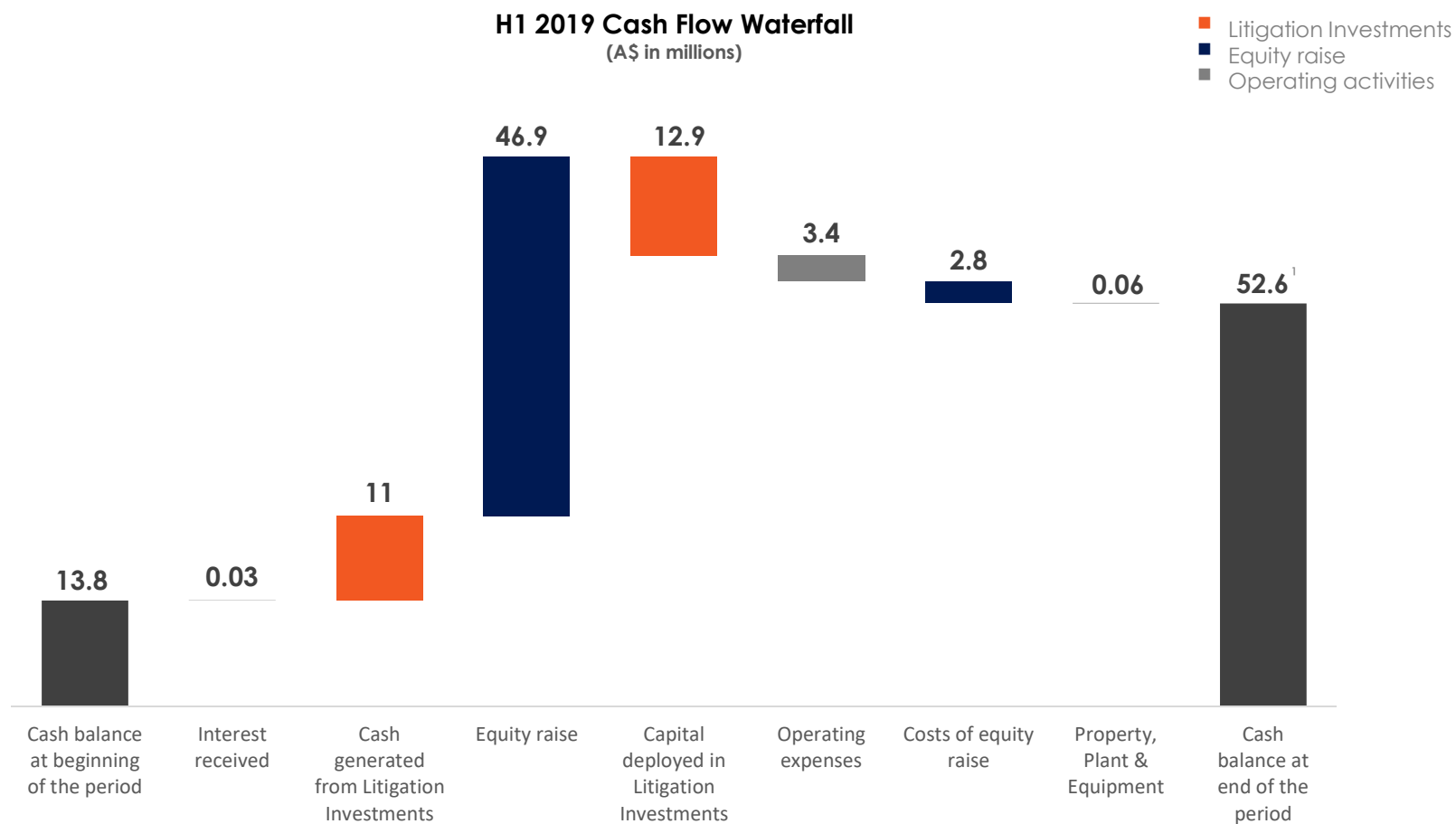


# Financial Summary (\$A)



## Organic Cash Generation (\$A)

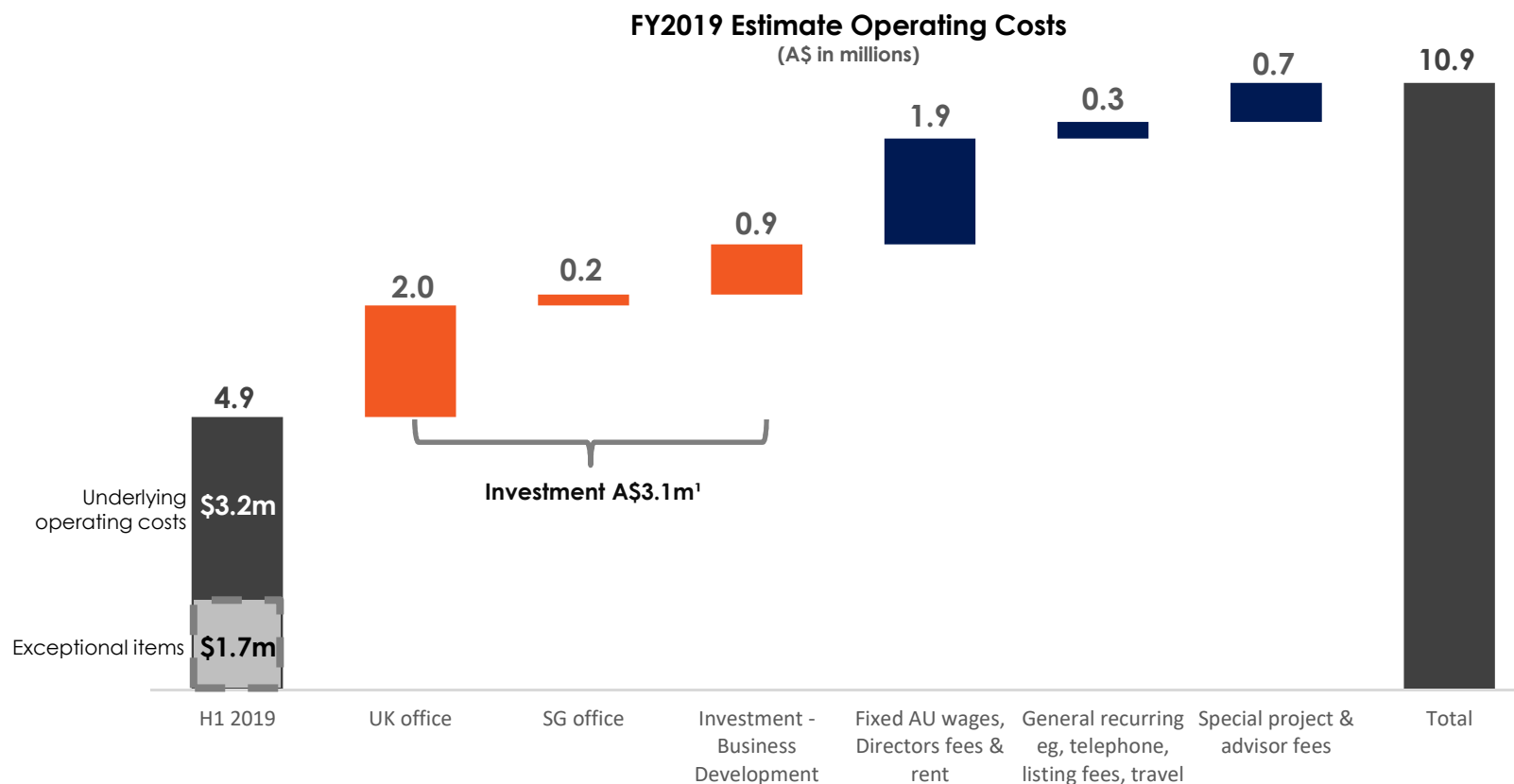
**\$11.0 million of cash organically generated by the completion of Litigation Projects in H1 2019. LCM has a strong capital position to expand its portfolio of investment opportunities and invest in the growth of the business**



## Current operating costs (\$A)

**Creation of a global platform and the growth this will provide LCM has resulted in a revision of the operating cost base.**

**The underlying operating cost base for LCM is anticipated to be A\$9.5-10 million for the year**



# Dividends

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***Inaugural interim dividend declared in line with LCM's progressive but measured dividend policy, which looks to adopt the appropriate balance between capital investment and dividend payment***

- Responsible approach to balance sheet capital management
- Progressive, but measured dividend
- Interim fully franked dividend of 0.506 cents (Australian) per share is declared in AUD
- Shareholders on the Australian share register will receive AUD
- Shareholders on the Guernsey share register and Depository Interest holders may elect to receive either AUD or GBP

<b>Dividend Timetable</b>	
Ex-Dividend Date	23 May 2019
Record Date	24 May 2019
Payment Date	21 June 2019

A low-angle, black and white photograph of several modern skyscrapers with glass facades, reaching towards a sky filled with scattered white clouds. A large, vibrant orange triangular shape is overlaid on the left side of the image, pointing towards the center. The text 'Portfolio Update' is written in white on this orange area.

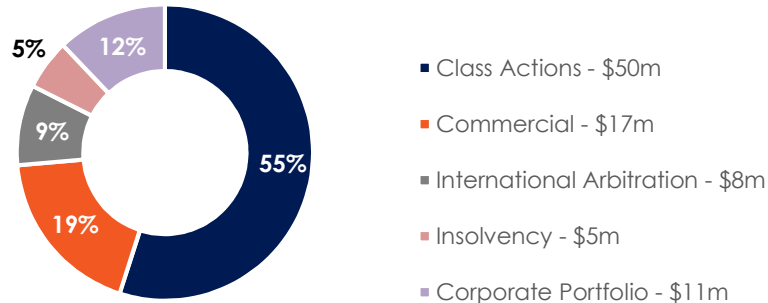
# Portfolio Update

# Strong & Diversified Project Portfolio

**Portfolio by Type / Industry sector (number of projects)**



**Portfolio by Type / Industry sector (estimated A\$ capital commitment)<sup>2</sup>**



- Portfolio diversification achieved through:
  - Industry sector
  - Capital commitment
  - Geographic location
  - Jurisdiction
- Portfolio of 24 litigation related projects
  - 17 unconditionally funded
  - 7 conditionally signed
- Opening of new offices in London and Singapore provides further geographic and jurisdictional diversification to LCM's portfolio and pipeline

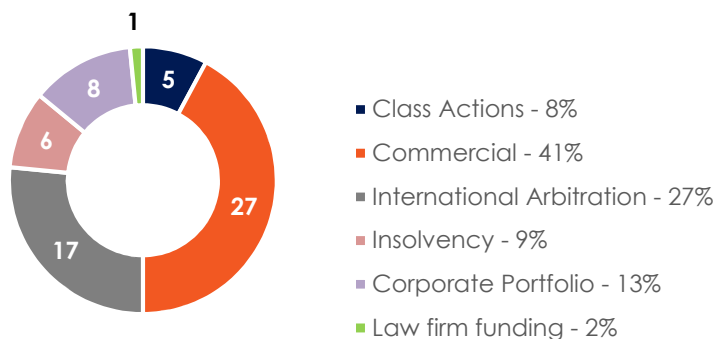
<sup>1</sup>%'s reflect type of projects as a percentage of total no. of projects

<sup>2</sup>Capital commitment denotes the total estimated budget of the portfolio of projects

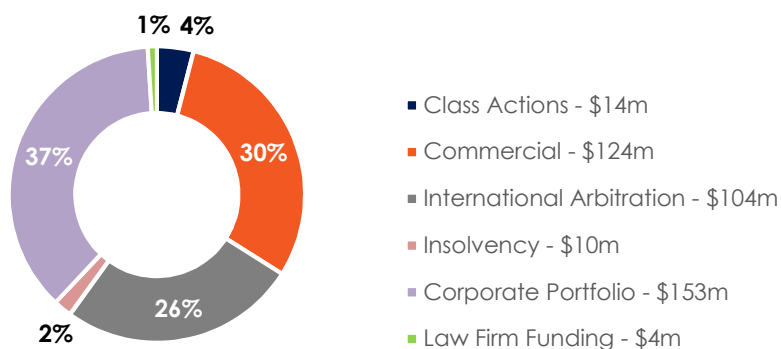
Note: Current project portfolio as at 26 February 2019 (including conditional projects)

# Investment Portfolio Opportunities

**Pipeline by Type / Industry Sector (number of projects)**



**Pipeline by Type / Industry Sector (estimated A\$ capital commitment)**



- Very large and diverse pre-qualified pipeline of investment opportunities
- Corporate portfolio funding seen as a significant global opportunity for LCM
  - Extensive experience of Nick Rowles-Davies and EMEA team
  - 8 corporate portfolio transactions currently in pre-qualified pipeline
- Significant expertise in the funding insolvency related litigation and dispute resolution
  - Current economic forecasts suggest an increase in insolvency events
  - LCM has longstanding and deep referral arrangements in the insolvency industry which it expects to capitalise on in coming periods
- Provision of litigation funding and finance products in the international arbitration is growing in popularity
  - New offices service the EMEA and in Asia Pacific regions will be targeting opportunities in this space
  - Expectation that LCM will see significant growth in the number of applications
- Post AIM listing, LCM received its first application for law firm funding
  - An area of expertise for LCM's London office

## LCM's Disciplined Project Selection - Key Funding Criteria

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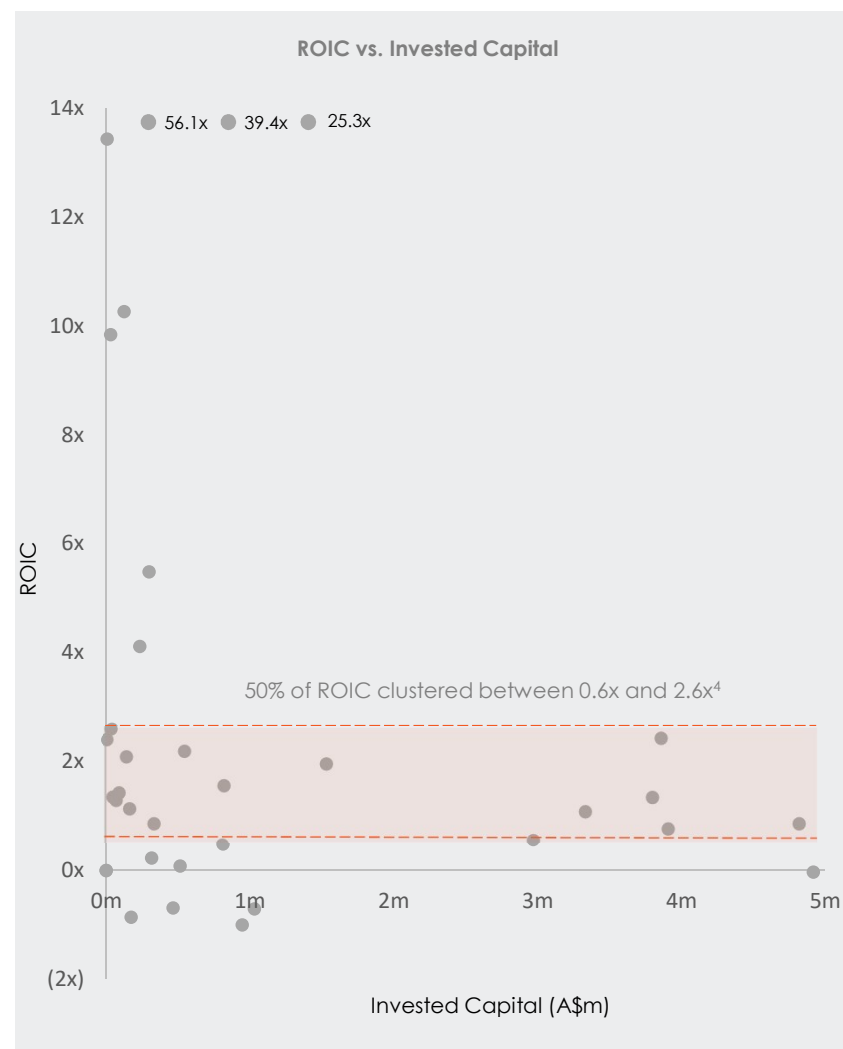
*Strict project selection process has underpinned a strong average ROIC of 117% over the past 7.5 years.*

<b>Clear Legal Principles</b>	The claim must be based on clear legal principles and not any novel points of law.
<b>Written Evidence</b>	The claim should be supported by clear evidence, the majority of which is documentary in nature rather than oral.
<b>Recoverability</b>	There must be a clear line to recovery for the claim in that it must be demonstrated that the defendant has the capacity to meet a judgment of the size which will be brought.
<b>Proportionality</b>	There must be proportionality between the size of the claim and the funding commitment. Many applications for funding are able to be quickly rejected simply on the basis that it would not be commercial to fund them.
<b>Experienced Legal Team</b>	There must be a highly competent and experienced legal team in place with the relevant expertise to pursue the claim.



## Returns on concluded litigation investments by individual case

No.	Type	FY completion	MOIC <sup>1</sup> (x)	ROIC <sup>2</sup> (x)	Time to resolve (months)
1	Commercial	12	2.4	1.4	13.0
2	Commercial	12	10.8	9.8	1.0
3	Commercial	12	2.4	1.4	7.0
4	Commercial	12	3.6	2.6	7.0
5	Commercial	13	0.3	(0.7)	73.0
6	Commercial	13	3.1	2.1	16.0
7	Insolvency	13	n/a <sup>3</sup>	n/a <sup>3</sup>	6.0
8	Commercial	13	0.3	(0.7)	79.0
9	Insolvency	14	11.3	10.3	32.0
10	Commercial	14	2.3	1.3	12.0
11	Commercial	14	3.4	2.4	6.0
12	Commercial	14	2.6	1.6	14.0
13	Commercial	14	0.1	(0.9)	33.0
14	Commercial	15	26.3	25.3	68.0
15	Insolvency	15	40.4	39.4	21.0
16	Insolvency	15	n/a <sup>3</sup>	n/a <sup>3</sup>	6.0
17	Commercial	15	2.1	1.1	29.0
18	Commercial	15	3.0	2.0	28.0
19	Commercial	15	1.1	0.1	15.0
20	Commercial	15	1.2	0.2	16.0
21	Commercial	15	0.0	(1.0)	23.0
22	Commercial	16	6.5	5.5	19.0
23	Commercial	16	1.9	0.9	50.0
24	Commercial	16	1.6	0.6	57.0
25	Commercial	17	3.2	2.2	10.0
26	Insolvency	17	5.1	4.1	25.3
27	Commercial	18	3.4	2.4	38.0
28	Commercial	18	1.8	0.8	33.5
29	Commercial	18	14.4	13.4	4.9
30	Commercial	18	2.1	1.1	53.9
31	Commercial	18	2.4	1.4	45.3
32	Insolvency	18	1.5	0.5	30.8
33	Commercial	19	1.0	0.0	45.7
34	Commercial	19	1.9	0.9	27.4
35	International Arbitration	19	57.1	56.1	2.1
<b>Cumulative MOIC (x)</b>			<b>2.17</b>		
<b>Cumulative ROIC (x)</b>				<b>1.17</b>	
<b>Average time to resolve (months)</b>					<b>27</b>



<sup>1</sup>Multiple on invested capital for FY12 - HY19

<sup>2</sup>Return on invested capital for FY12 - HY19

<sup>3</sup>Cannot be defined (no cash actually deployed)

<sup>4</sup>Based on ROIC data quartiles, with a median of 1.4x

## Revenue & Accounting Model

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- Income generated from the financing and management of successful Litigation Projects
- Income model is reflected in each financing agreement it enters into with its clients. A typical litigation financing arrangement provides for the following:
  - LCM meets all or part of the costs of the litigation or arbitral dispute, which can include solicitors' fees, barristers' fees, charges of liquidators, charges of independent experts and Court fees; and/or
  - LCM may also provide an indemnity, in certain jurisdictions, to the funded party covering adverse cost risk, in the event that their litigation is unsuccessful
- In return, LCM receives either a **percentage** or a **multiple** of capital deployed of the recovered amounts plus repayment of all invested capital:
  - The percentage received will typically vary between 15% and 40% depending on the level of financing provided
- Key drivers include the **size**, the **number** and the **profitability** of each of the Litigation Projects financed by LCM
- The way LCM accounts for its litigation contracts is as follows:
  - Historically, LCM accounted for its litigation projects under AASB 138 *Intangible Assets*
  - LCM has adopted AASB 15 *Revenue from Contracts with Customers* with effect from 1 July 2018
  - AASB 15 has been applied retrospectively in the financial statements and there has been no material change to net profitability or investment performance
  - Litigation contracts are recognised at historical cost and fair value accounting is **not** adopted
  - Carrying value includes the capitalisation of external costs of funding the litigation (including solicitors' fees, barristers fees, experts' fees and internal direct wages). No other overheads are capitalised
  - Litigation contract assets are derecognised when a successful judgement or settlement has been determined, at which point the revenue is recognised, and litigation costs derecognised, in the Statement of Profit & Loss and Other Comprehensive Income
  - Statement of Cash Flows reflects the cash outflows relating to the litigation contracts under investing activities



The growth opportunity

# Strategic Growth Focus

<b>BALANCED PORTFOLIO</b>	<ul style="list-style-type: none"> <li>LCM will target Litigation Projects which meet its Funding Criteria and deliver a balanced portfolio in terms of size, funding structure, area of law and geographical region.</li> </ul>	
<b>FUNDING FOR NEW CLAIM TYPES</b>	<b>CORPORATE PORTFOLIO</b>	<ul style="list-style-type: none"> <li>Immense global opportunity utilising the extensive experience of Nick Rowles-Davies</li> <li>LCM entered into our first corporate portfolio funding transaction in October 2018</li> <li>Currently negotiating and/or undertaking due diligence in respect of eight significant corporate portfolio transactions</li> </ul>
	<b>INSOLVENCY</b>	<ul style="list-style-type: none"> <li>LCM is actively extending its marketing and business development into the insolvency sectors both in the Northern and Southern Hemisphere</li> <li>Very significant experience in insolvency litigation and expects significant growth opportunities on counter-cyclical cycle</li> </ul>
	<b>INTERNATIONAL ARBITRATION</b>	<ul style="list-style-type: none"> <li>The provision of litigation funding and finance products into the international arbitration space is growing in popularity</li> <li>LCM has strategically addressed those markets both in EMEA and Asia Pacific</li> <li>Significant growth anticipated from moving into this area in the future</li> </ul>
<b>INTERNATIONAL EXPANSION</b>	<ul style="list-style-type: none"> <li>Launch of experienced EMEA team to address the UK and other markets which meet our criteria.</li> <li>Onboarding of Nick Rowles-Davies, leads the EMEA offering, from LCM's London office</li> <li>LCM opened an office in Singapore in November 2018, which will be a base for funding of Projects in both Singapore and Hong Kong.</li> </ul>	
<b>CAPITAL, FUNDING &amp; CORPORATE</b>	<ul style="list-style-type: none"> <li>The operation of a global litigation finance business is a capital intensive operation.</li> <li>LCM continually reviews its capital sources and allocation into investments.</li> <li>Currently in the process of raising a third party fund which will be managed by LCM. Completion is anticipated during 2019.</li> <li>AIM listing provides access to capital to match LCM's current and future pipeline.</li> <li>Appointment of experienced independent board director, Mr Jonathan Moulds, to provide international institutional experience to compliment existing board.</li> </ul>	

**LCM is a business that is imminently scalable. A substantial number of additional projects can be taken on by the team, without a material increase to the current cost base.**

Conclusion

Market Open



## Looking forward

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- Continuing past success, while evolving the business for the future
- LCM is now a truly global litigation finance provider
  - Offices in Australia
  - New offices in London and Singapore
- Significant growth opportunities from current portfolio and pipeline
  - 8 corporate portfolio transactions in current pipeline
  - Opportunities in insolvency space
  - Targeting international arbitration in EMEA and Asia Pacific markets
- Currently in the process of raising a third party managed fund, anticipated to complete during calendar year 2019
  - LCM will anticipate receiving management fees and the potential to earn performance fees
  - Additional capital to prosecute new financing opportunities
- LCM will maintain the appropriate balance between capital investment and a progressive, but measured, dividend policy
  - Inaugural (interim) dividend declared in H1 FY19
- Additional areas of longer term growth include new markets (e.g. North America), countercyclical financing lines (e.g. insolvency) and new financing products (e.g. law firm portfolios)

# Appendices

# LCM Timeline

1998



2014



2016



## Phase 1 – Inception of LCM

*Built process and market presence to originate, evaluate and manage risk*

**2003**

**Patrick Moloney** appointed as NED

**2009**

Established first dedicated fund

**2011**

Established second dedicated fund

**2013**

Enters into external financing arrangement with international litigation financier

**Patrick Moloney** appointed as CEO

First return on satellite fund

## Phase 2 – Capital raising

*Strengthening market presence, building out sophisticated governance frameworks and operating methodology culminated in listing on the ASX*

**2014**

Equity raise of **\$1.4m** to invest in systems and people

Equity raise of **\$3.9m** for continued investment in Litigation Projects, people and systems

**2015**

Equity raise of **\$5m** for direct investment in Litigation Projects and position LCM for IPO

## Phase 3 – Looking forward

*Leveraging our strong market position and experience, and accelerating growth*

**2016**

**ASX IPO** raised **\$15m**

Second return on satellite fund delivering an IRR to Unitholders of 42.1%

**2018**

**LCM** posted record results

**ASX Placement** raised **A\$10m**

**AIM IPO** raised c. **A\$35m**

**Nick Rowles-Davies** joins bringing an experienced UK-based EMEA team and pipeline

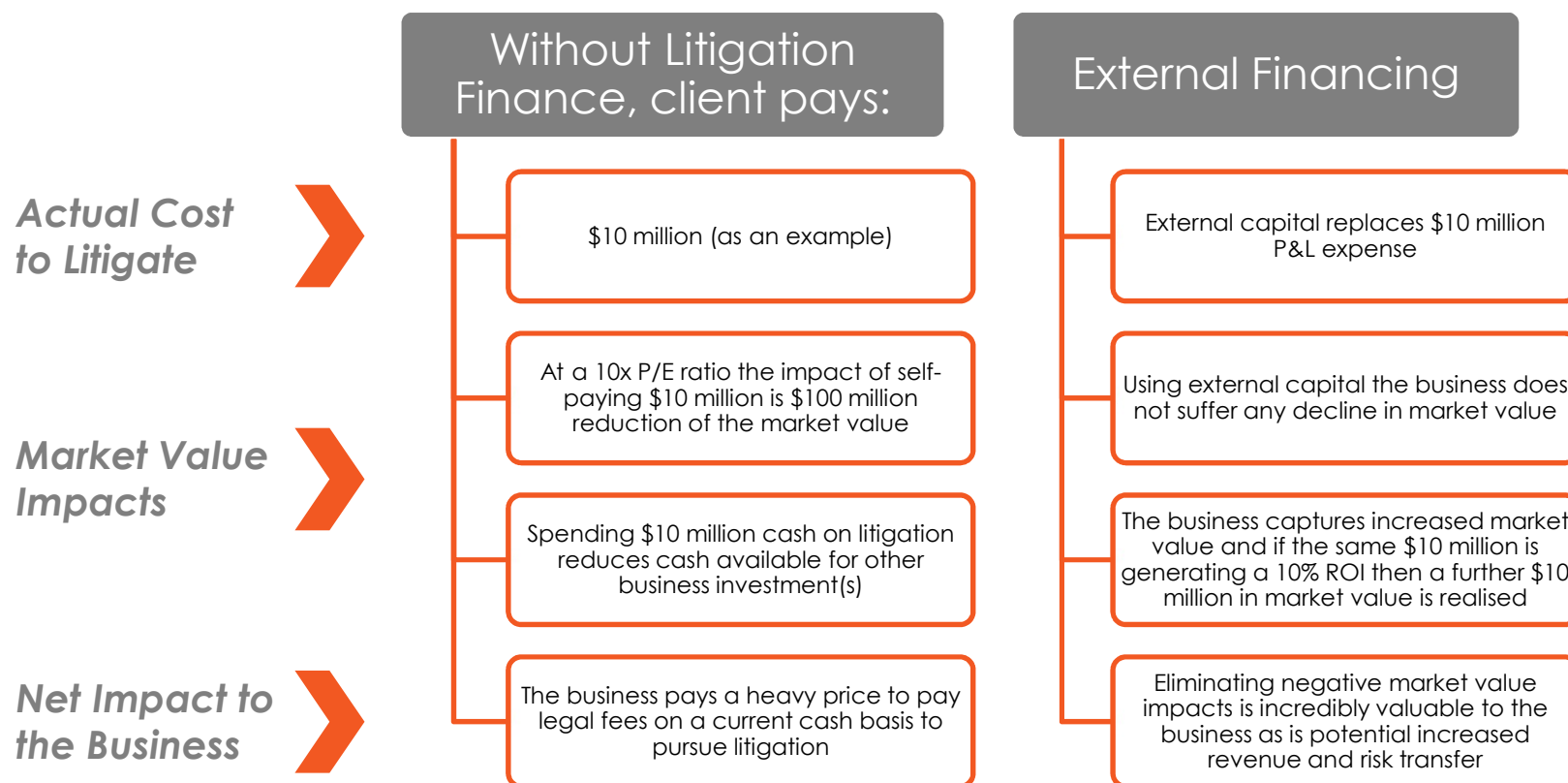


# UK Strategy & Rationale for AIM Admission

<b>UK Strategy</b>	<ul style="list-style-type: none"><li>• The UK market:<ul style="list-style-type: none"><li>- is much bigger than any single market in Australia or Asia</li><li>- brings with it more disputation in a larger economy</li><li>- is a well established centre for international arbitration</li></ul></li><li>• Provides a base for a broader reach into the EMEA region</li><li>• Brings discrete expertise in the origination of Corporate litigation matters where LCM can create new market share</li><li>• Deep knowledge of single case funding and the opportunity to position for less contested projects (in the form of Corporate Portfolios) with an experienced local origination team on the ground including existing referral base</li><li>• Existing risk function embedded into the UK team and will integrate into LCM's existing risk framework</li></ul>
<b>Rational for AIM Admission</b>	<ul style="list-style-type: none"><li>• Access to capital in a larger, deeper and more mature market</li><li>• Alignment of LCM, as a growing company, onto a growth platform</li><li>• Option for income to shareholders as the business grows</li><li>• Position LCM for visibility, access to incremental research, as the uptake of litigation funding increases</li><li>• Provide a common platform for valuation to other listed peers</li><li>• Platform for access to other capital tools</li></ul>

# Financial Benefit of Corporate Litigation Finance

*Corporate litigation financing provides a substantial benefit to corporates by transferring the risk and P&L impact of litigation to the financier.*



# Glossary

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<b>Cash conversion rate</b>	means the net cash flows of the Group divided by the Net Profit After Tax for the year.
<b>Completed</b>	means, in respect of a Case or Litigation Project, that it has been settled, for which there has been a judgment or from which LCM has elected to withdraw from funding (other than at a time prior to funding (other than at a time prior to funding becoming unconditional) or for which proceedings have been discontinued. Completion has corresponding meaning.
<b>International Financial Reporting Standards (IFRS)</b>	means a set of accounting standards developed by the organisation called the International Accounting Standards Board.
<b>Internal Rate of Return (IRR)</b>	means the internal rate of return for LCM's portfolio of Litigation Projects that are managed to Completion.
<b>Invested Capital</b>	means capital actually deployed on a cash basis by LCM in respect of costs and expenses relating to a Litigation Project, including Court filing fees, solicitors', barristers', liquidators' and experts' fees, travel and accommodation costs and, where applicable, the costs of any security provided, but does not include LCM's internal overhead costs.
<b>Litigation Project</b>	means either a Case or multiple Cases which comprise a common cause of action.
<b>Pipeline Projects</b>	means a potential proceeding or set of proceedings for which LCM is currently undertaking due diligence and/or undertaking negotiations with the intention that they may become a Litigation Project.
<b>Pre-qualified</b>	means an application which has passed through LCM's first stage of due diligence.
<b>Multiple on invested capital (MOIC)</b>	means the proceeds from a settlement or judgment that LCM receives in respect of a LCM managed Litigation Project, divided by the Invested Capital on a LCM managed Litigation Project.
<b>Recovery</b>	means the aggregate gross proceeds received as a result of an award arising from or the settlement of a Litigation Project, from which LCM receives a percentage share of that aggregate amount.
<b>Return on Invested Capital (ROIC)</b>	means the proceeds from a settlement or judgment that LCM receives in respect of a LCM managed Litigation Project, net of capital deployed, divided by the Invested Capital on a LCM managed Litigation Project.
<b>Settlement</b>	in law, a settlement is a resolution between disputing parties about a legal case, reached either before or after court action begins.
<b>Working Capital Ratio</b>	means the total current assets divided by the total current liabilities of the Group.

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