

Litigation Capital Management Limited
Market Eye Investment Conference
11 April 2018

LCM
EXPERIENCE COUNTS

About LCM

- LCM is one of the oldest litigation financiers in the world
- Litigation financing first developed in Australia - LCM, along with IMF Bentham, were the pioneers of the asset class
- LCM has been involved in litigation financing since 1998 – giving LCM an 20 year track record (50 Litigation Projects comprising 194 separate cases)
- Litigation financing has grown rapidly globally – especially in the US and the UK with billions of dollars now in FUM and a diverse range of finance products being offered
- LCM listed on the ASX in late 2016 (ASX:LCA)

LCM Business Model

- LCM provides specialised financial and risk management products to the legal services industry, predominantly in litigation
- LCM assumes the cost and/ or risk of litigation in return for it receiving a share of the upside
- A range of products offered by LCM including:
 - Full non- recourse funding Adverse costs indemnities
 - Disbursement funding Security for costs
 - Assignment of claims
- Pricing ranges from 15%- 40% of outcome of litigation or up to 3.5x capital deployed depending on the length of the investment and level of risk
- The overwhelming majority of Litigation Projects settle - approx. 95% for LCM giving rise to outcomes which are far less binary than may have been perceived
- Financial returns are very attractive
 - The 28 Litigation Projects managed by LCM over the 6.5 financial years generated an IRR of 82% - Return on Invested Capital (ROIC) of 2.5x over 26 months average duration

Litigation Finance Industry

- An uncorrelated asset class which is developing rapidly worldwide
- Two other significant listed players globally:
 - Burford, market cap of USD\$3.2B (founded 2009)
 - IMF Bentham, market cap of AUD\$432M (founded 2001)
- Industry most developed in Australia, UK and US but also developing rapidly in:
 - Europe
 - Singapore and Hong Kong
 - Middle East
 - Canada
 - Latin America
- Globally a wide range of products being offered which use the asset value of litigation to secure financing or offset risk including:
 - Single case funding
 - Portfolio finance
 - Law firm finance
 - After the Event Insurance

LCM sources of opportunities

- Relationships based business
- LCM's longevity means that it has longstanding and deep relationships with the legal and insolvency industries who refer claims for financing
- Symbiotic relationship between law firms and LCM:
 - Law firms generally identify claims for financing
 - Financing allows claims generating work for law firm and also allows firms with a traditional billing model to offer alternative fee arrangements to their clients
- Traditionally litigation finance was used by impecunious plaintiffs
- Now, sophisticated corporates with strong balance sheets understand the benefits of litigation finance:
 - Transfer of cost from company having a positive effect of EBITDA
 - Transfer of risk of litigation to a professional financier who is better placed to assess this risk
 - Frees up capital of companies to focus on core business and profit generating activities

LCM potential for growth

- Litigation market is enormous globally
- Top 3 challenges of litigation:
 - Need new ways of financing litigation and other legal costs
 - Managing legal risk and uncertainty
 - Increased pressure on legal budgets, staffing and spending(Lake Whillans Survey March 2018)
- LCM's business is scalable:
 - Currently 4 Investment Managers managing a portfolio with Gross Claim Size of c. \$1.06B
 - These 4 staff could manage portfolio of c. \$2B
 - As at 31 December 2017 LCM had \$19M capital invested in Litigation Projects as compared with \$12.5M as at 30 June 2017, an increase of 52% in 6 months.
- No shortage of opportunities:
 - 64 applications for litigation funding were received in the first half of FY2018 compared with 31 in the corresponding period for FY2017.
 - 25 Pipeline Projects, 5 of which are subject to a conditional funding agreement. These 5 have an aggregate Gross Claim Size of c. \$387.9M.
 - LCM's current Pipeline Projects have an aggregate estimated Gross Claim Size of c. \$2.6B and an estimated budget of \$104M

LCM's processes

- Highly qualified and experienced team made up of:
 - CEO Patrick Moloney, 15 years experience in the litigation finance industry
 - 4 Investment Managers all highly experienced commercial litigation lawyers sourced from top tier law firms
 - Business Development Manager
- Staff incentivised to procure the best opportunities for litigation financing and to manage these to a profitable outcome
- Rigorous due diligence process undertaken to select the best opportunities and to minimise risk:
 - Only approx. 5% of all applications convert into offers of litigation finance
 - LCM has strict criteria to be satisfied in order for finance to be offered (5 key pillars)
 - Process includes a number of levels of review including:
 - Review by Investment Manager
 - Consideration by Investment Committee and/ or the Board
 - Formal due diligence which may include obtaining an independent opinion
 - Unconditional funding

LCM criteria– five pillars

1

Clear legal principles

2

Documentary
evidence

3

Ability to recover

4

Cost/benefit analysis

5

Active management

LCM's Current Portfolio

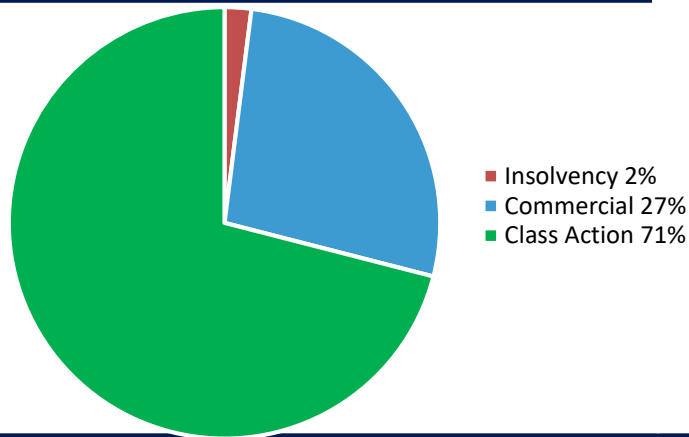
LCM is currently managing a portfolio of 16 Litigation Projects in the portfolio, with Gross Claim Size of c. \$1.06B (\$893M of which it is funding directly).

LCM has also conditionally agreed to fund a further 5 claims with an aggregate Gross Claim Size of \$387.9M.

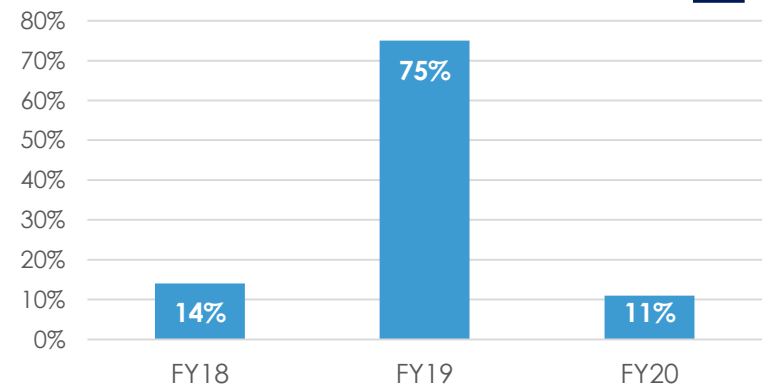
Forecast Completion	FY18	FY19	FY20	Total
LCM	3	9	1	13
IPFA*	2	1	0	3
Total	5	10	1	16

*International Partner Financing Agreement

Gross Claim Size by type of Litigation Project - %



Gross Claim Size by Completion year-%



Investor Snapshot

Strong Performance Metrics

- LCM has managed 28 Litigation Projects to Completion over the last 6.5 years that have produced a ROIC of 2.5x at an average time to maturity of 26 months at an IRR (inclusive of losses) of 82%.
- \$46.6m was returned on total Invested Capital of \$18.8m at an IRR of 82% (across all 28 Litigation Projects).

Alternative asset class uncorrelated to movement of markets

- Countercyclical, litigation (specifically insolvency based litigation) increases in a market downturn

Poised for Growth

- Conditions ripe in Australia to replicate the growth seen globally in the litigation finance industry
- LCM with its experience and longevity best placed to take advantage of that growth

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