

LCM

EXPERIENCE COUNTS

Value in the Vines Presentation November 2022

Litigation Capital Management Limited
ACN 608 667 509



Executive Summary



Industry pioneer

One of the pioneers of the litigation funding industry with 24 years of experience



244+ completed investments

244+ separate case investments completed since inception with only 12 resulting in a loss



Unparalleled track record

Financial performance of entire portfolio over the past 11 years generated IRR of 79% & MOIC of 2.63x, inclusive of losses



Geographic footprint

Offices spanning Sydney, Singapore, London, Melbourne and Brisbane



Diversified Capital Structure

In 2020 LCM handled an Asset Management Division focusing on the alternate asset class of disputes.



Fund I US\$150m

Fund II US\$293m

Total FUM of A\$580 raised within 2.5 years.

Delivering growth and scale as we transition to asset management

Funds under Management

Fund I fully committed and two thirds of the targeted **US\$300m** raised for Fund II with commitments commenced

Adjusted profit before tax¹

YoY increase in investment performance with adjusted operating profit improving by **23%** to A\$20m

Commitments

Overall commitments were in line with the prior year at **A\$104m** while applications decreased to **442**

Assets under management

Commitments increased to **A\$414m** by 30 June 2022 with further commitments in Fund II bringing our AuM to **A\$452m** at 31 August 2022

Capital invested²

Total capital invested decreased from A\$88m to **A\$66m**.

Consistent performance

Maintaining our strong track record with 11-year cumulative IRR of **79%** and cumulative ROIC of **163%**, inclusive of losses

Market conditions

Litigation finance as an industry tends to operate countercyclically to the broader economic conditions. Consequently, we are seeing and expect to continue to see greater demand for our capital

¹ FY ended 30 June 2022 inclusive of third-party funds. Excluding third-party funds, adjusted profit before tax increased by 27%

² FY ended 30 June 2022 inclusive of third-party funds. Excluding third-party funds, capital invested decreased by 40% largely attributable to maturing direct investments where LCM is funding 100% from balance sheet

Building scale

Measures of sustained growth (A\$)

Number of applications

442

Capital committed in year ¹

A\$104m

Capital invested ²

A\$66m

Maintenance of investment standards

11 year cumulative IRR

79%

11 year cumulative ROIC

163%

Increase in AUM (A\$)

Total assets under management

\$414m

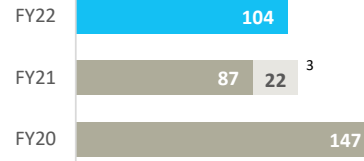
Total assets under management - 31 Aug 22⁴

\$452m

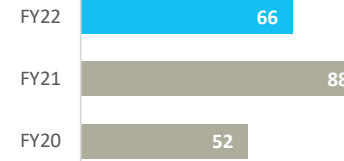
Applications



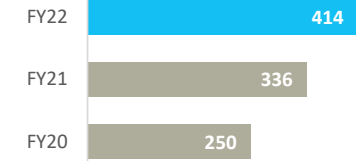
Capital committed A\$m



Capital invested A\$m



AUM A\$m



1 Capital committed in year represents new commitments signed up

2 Capital invested into litigation investments during the year inclusive of third party funds

3 Capital committed in the prior period includes a large construction portfolio investment which was significantly scaled down throughout the year due to increased risks associated with the matter and region

4 Excludes Fund I completed matter

Full year results highlights – exclusive of third-party fund (\$A)

	FY 2022	FY 2021	Change %
Gross revenue from resolution of investments	\$47.2m	\$36.3m	↑ 30%
Gross profit	\$30.9m	\$26.1m	↑ 18%
Adjusted profit before tax ¹	\$20.0m	\$15.8m	↑ 27%
Statutory profit before tax ¹	\$12.9m	\$13.1m	↓ 1%
Cash ²	\$29.3m	\$35.5m	↓ 17%
Investments at cost as at end of financial period ³	\$101.3m	\$88.6m	↑ 14%
Total capital invested ⁴	\$28.9m	\$48.5m	↓ 40%

Gross Revenue from investments

\$47.2m

Invested capital³

\$101.3m

Increase in Adjusted PBT¹

27%

1 FY ended 30 June 2022 exclusive of third-party funds

2 At balance sheet date and exclusive of third-party funds – FY ending 30 June 2022 and exclusive of borrowings

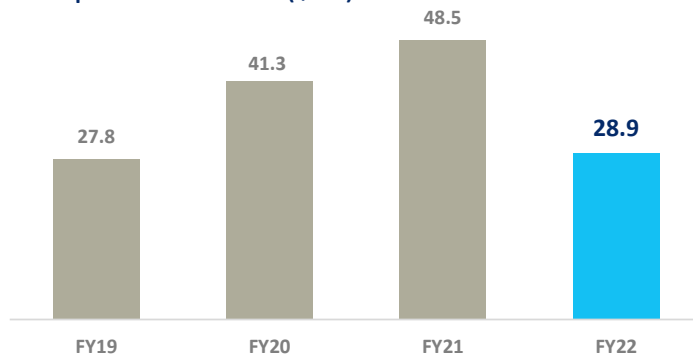
3 At balance sheet date and represented as Contract Cost in the Statement of Financial Position exclusive of third-party interests

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

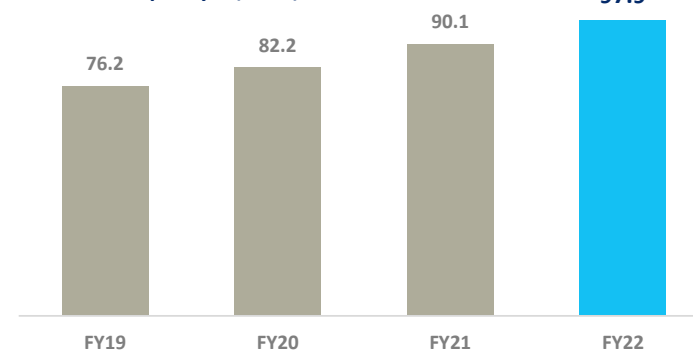
Note: Accounts prepared on historical cost basis, LCM does not adopt fair value accounting

FY22 Balance sheet overview – exclusive of third-party fund (\$A)

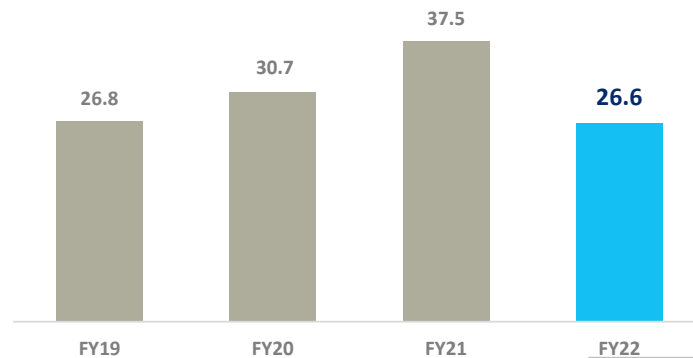
Capital invested (\$m)



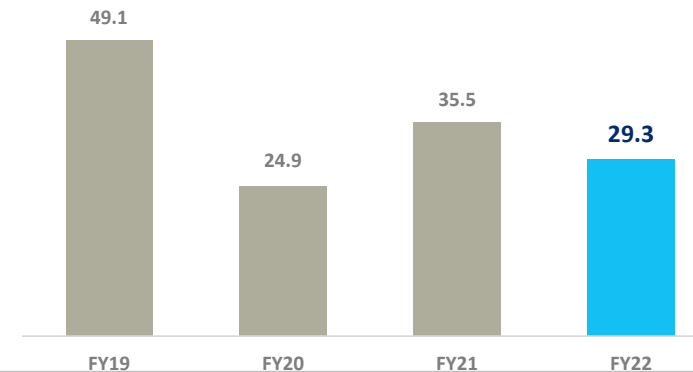
Total equity (\$m)



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

Current portfolio of direct investments

Balances as at
31 August 2022
(A\$ millions)

\$103 million

Direct 100% investment² portfolio

\$90 million³

LCM direct co-investment⁴

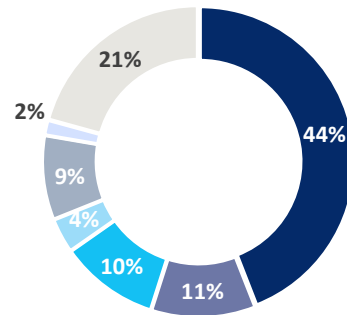
\$119 million⁵

Deployed/invested

\$74 million⁵

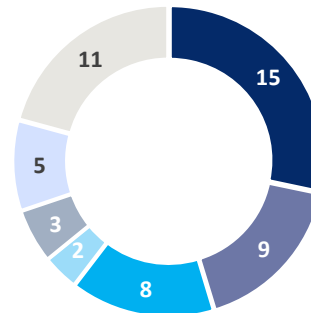
to be invested

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



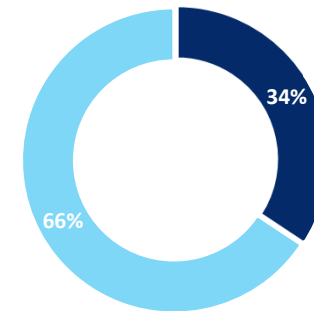
- Class action - \$85m
- Commercial disputes - \$21m
- Insolvency - \$20m
- Intellectual Property - \$7m
- Portfolio - \$17m
- Recoveries - \$3m
- Arbitration - \$40m

Portfolio by industry sector
(number of projects)



- Class action - 28%
- Commercial disputes - 17%
- Insolvency - 15%
- Intellectual Property - 4%
- Portfolio - 6%
- Recoveries - 9%
- Arbitration - 21%

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



- APAC - \$66m
- EMEA - \$127m

Portfolio by individual capital commitment¹
(estimated A\$)



Diversified portfolio with no single investment creating concentration risk

¹ Capital commitment denotes the total estimated budget of the portfolio of investments as at 31 August 2022 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\$64 million

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

⁵ This is the 31 August 2022 position which reflects the best preliminary estimate and is not final

LCM Global Alternative Returns Fund I

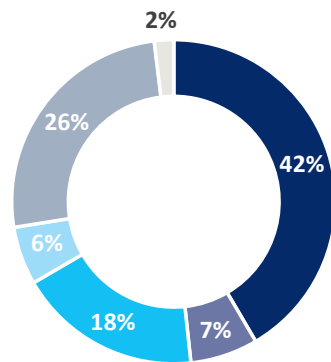
Balances as at
31 August 2022
(A\$ millions)

Fully committed

\$213 million³
Committed¹

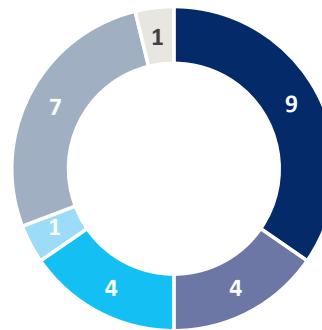
\$91 million
Deployed/Invested

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



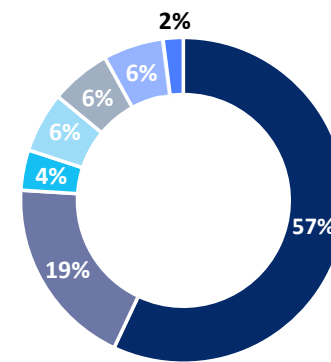
- Class action - \$86m
- Commercial disputes - \$14m
- Insolvency - \$38m
- Intellectual Property - \$12m
- Arbitration - \$53m
- Resolved - \$4m

Portfolio by industry sector
(number of investments)



- Class Action - 35%
- Commercial disputes - 15%
- Insolvency - 15%
- Intellectual property - 4%
- Arbitration - 27%
- Resolved - 4%

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



- UK - \$121m
- Australia - \$39m
- UAE - \$7m
- 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 31 August 2022 converted to AUD as at the date of litigation funding agreement

³ US\$150 million

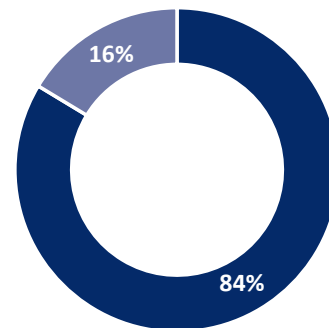
LCM Global Alternative Returns Fund II

Balances as at
31 August 2022
(A\$ millions)

\$55 million³
Committed¹

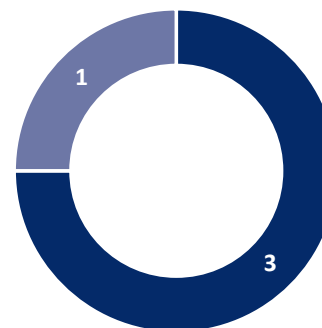
\$5 million
Deployed/Invested

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



■ Class action - \$46m
■ Insolvency - \$9m

Portfolio by industry sector
(number of investments)



■ Class Action - 75% ■ Insolvency - 25%

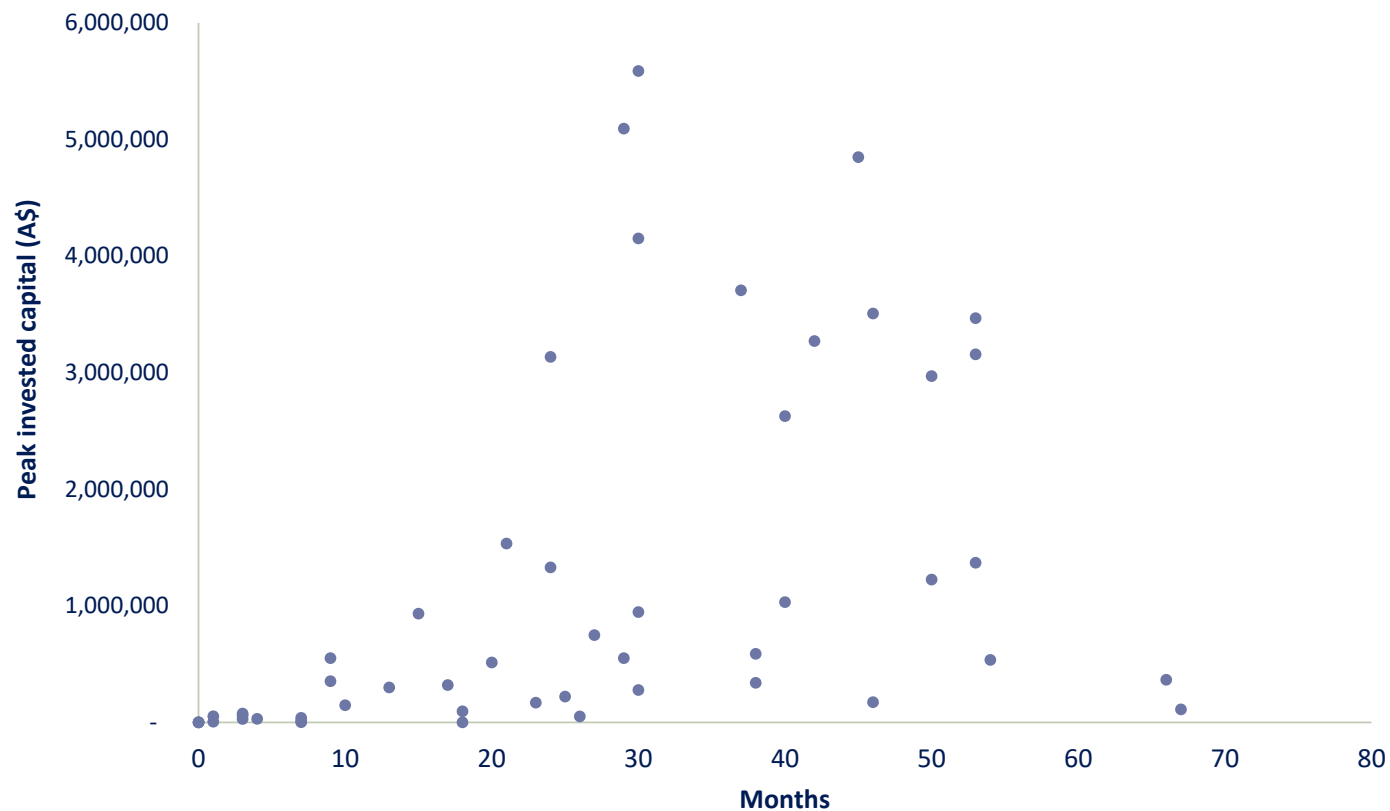
- In line with the structure of Fund I, we strive to build an overall portfolio which is diversified through industry sector, claim type and jurisdiction as well as avoiding concentration risk
- The second fund is in the early stages of construction and we expect it to exhibit similar diversification as our current portfolio as commitments increase
- Although the early profile of commitments comprises 3 class actions they are split between Australia and the UK which diversifies the area of law and jurisdiction

¹ excluding operational expenses

² Capital commitment denotes the total estimated budget of the portfolio of investments as at 31 August 2022 converted to AUD as at the date of litigation funding agreement

³ US\$40 million

Average time to completion



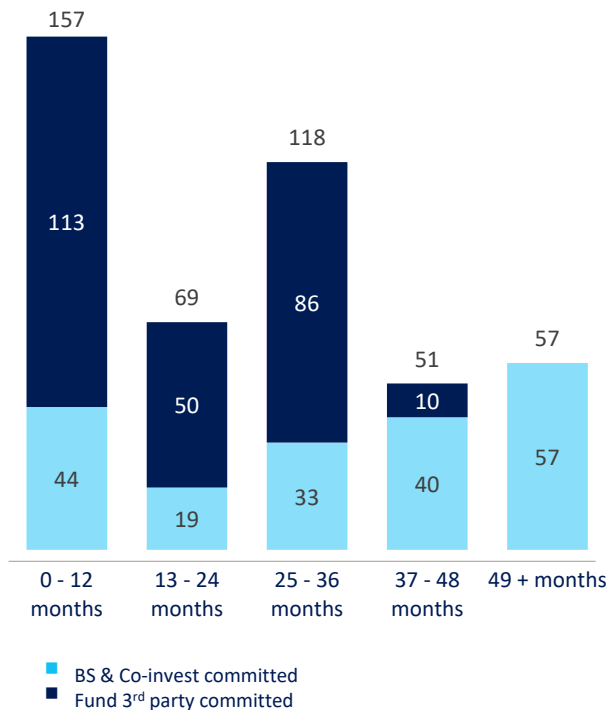
27 months

average time to completion based on 11 year track record

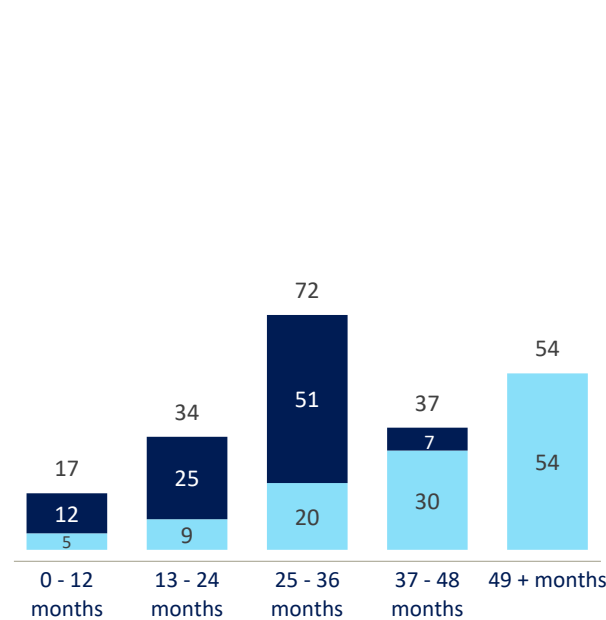
- The maturity of LCMs historical resolutions have typically taken on average 27 months
- The median time to maturity of investments is 24 months
- Despite the average time to completion the actual time to resolution changes significantly from one investment to the next
- Disruption due to COVID is increasing the time to resolution and will continue to do so for a further few years until these delays work through affected investments

Portfolio maturity profile (A\$m)

Portfolio by Capital Committed & maturity¹ (A\$m)



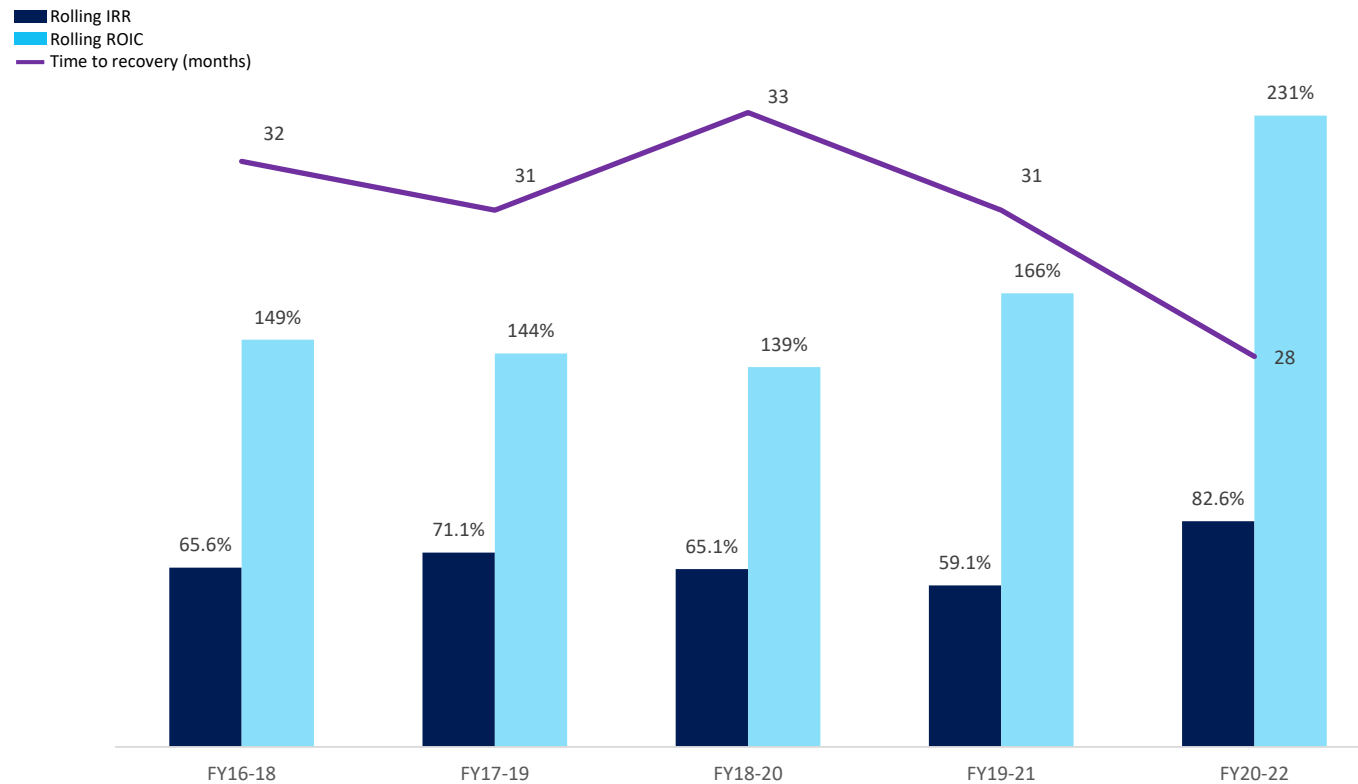
Portfolio by Capital Deployed & maturity¹ (A\$m)



- Notwithstanding the running average, LCM expects the duration of investments to increase
- The expectation is that future investments will have an investment period of between 36 and 42 months
- The main factors influencing that change are the delays to the resolution of disputes due to covid disruption and the general size of the dispute investments which form part of LCMs growing portfolio
- Larger disputes tend to be more complex and parties tend to fight longer and harder over larger sums of money. These disputes also tend to produce enhanced returns
- The underlying contractual funding agreements are typically structured as a rising multiple over time so returns are often enhanced as a result of delays

¹ Maturity is based on the length of time lapsed from execution of the LFA to 31 August 2022.

Three year running performance metrics



- We believe a three year cycle is a good indication of performance as we anticipate our investment life will likely be 36 to 42 months moving forward
- On a three year basis our investment performance has been strong
- While we have not seen a change in performance in the most recent three year period, we do anticipate that we will start to see performance return to historical levels over time as we build scale.

Business fundamentals

Underwriting



- Development of skill and discipline of investment selection
- Building experience over time
- Creation of systems and methodologies for effective due diligence and underwriting risk
- The disciplined application of those methodologies has generated a benchmark investment track record

Capital



- Effective investment in disputes is capital intensive
- Ability to attract quality investment capital to support investment strategy
- Capital is no longer flowing into litigation finance other than that to the most experienced managers with strong track records of past performance

Origination



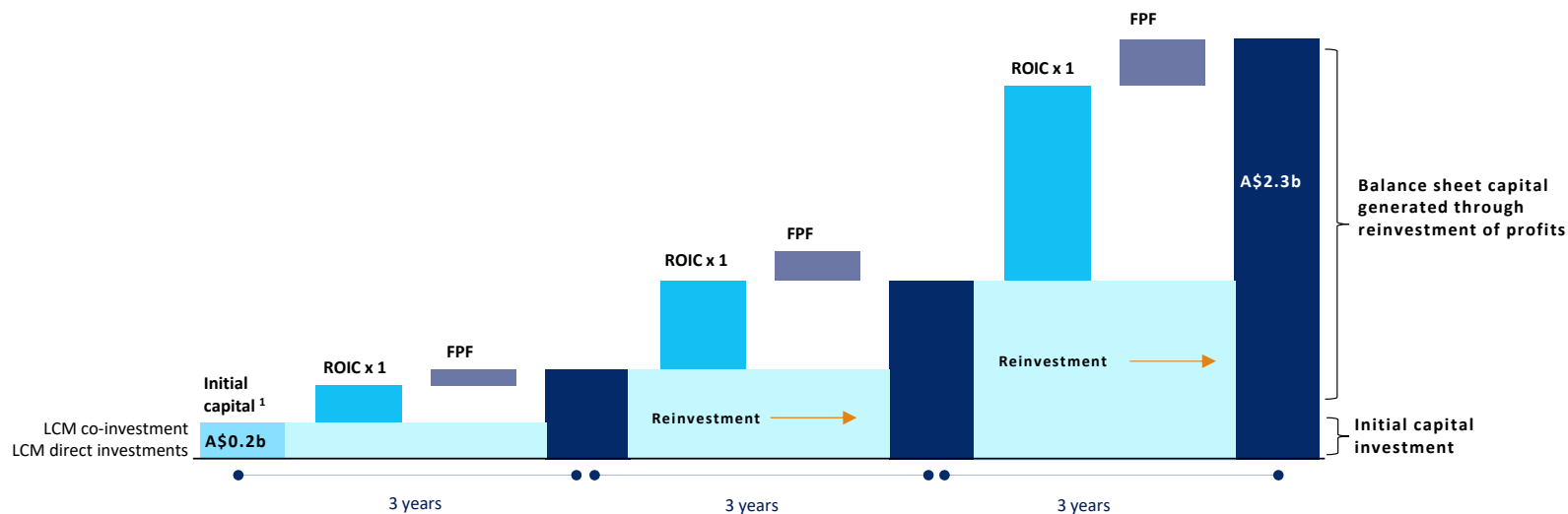
- Sourcing and originating the best dispute investments globally
- Building scale so that meaningful capital can be put to work
- An effective origination platform can only be built once sufficient and long standing capital is available

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

Theoretical capital growth potential of LCM's current portfolio

LCM profits

- Fund performance fees ("FPF")
- ROIC direct investments or co-invest @ 1x
- Capital reinvested



- The return on invested capital ("ROIC") that LCM has achieved over the past 11 years on a portfolio basis, including losses is 163%. 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 eleven years has been 27 months. We estimate this period to increase to reflect larger disputes and the variety of jurisdictions in which we operate
- The graph does not take into consideration operating expenses and purely to demonstrate illustratively the potential effect of growth of the current portfolio if reinvested
- Each life cycle represents 1 Fund from investment to run off, with excess capital redeployed into 100% direct investments

1 Capital starting position reflects capital commitment as at 30 June 2022 of both direct investments and co-investment with the Fund
Assumes run-off of each portfolio

Progress of Investment portfolio

Direct investments

- 6 direct investments completed intra period with revenue recognised of \$47.2m (on an LCM balance sheet only basis) including the settlement of an Australian class action and an arbitral award from the London Court of International Arbitration
- Final hearings completed on 4 direct investments during the period and are awaiting judgment/award

Fund I

- Fund I fully committed across 26 investments, 1 of which resolved in the prior period
- 2 Fund I investments have had final hearings and are awaiting an award/judgment
- 6 further Fund I investments have final hearing dates scheduled within the next 6 months

Fund II

- As at September 2022 we have now committed 4 matters to Fund II
- A number of further potential commitments are close to being finalised

Outlook



Mature portfolio of **high** yielding investments. Increasing number of direct investments expected to reach resolution



Balance sheet capital **growing** through investment realisations



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



Increased capital available to facilitate **continued growth**



Market conditions driving **demand** for LCM's capital



Market conditions favouring LCMs historical **experience** and **deep referral relationships**

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