

LCM

EXPERIENCE COUNTS

Interim results presentation

Six months ended 31 December 2021

Litigation Capital Management Limited
ACN 608 667 509

HY22 – Highlights

Funds management

Fund I **US\$150m** now fully committed inside the initial two-year period, notwithstanding disruption due to COVID. Commitments of Fund II has commenced

Fund II

Final targeted raise of **US\$300m** fund size is well progressed with final close expected in calendar H1

Revenue

Gross revenue of **A\$19.3m** includes the resolution of direct balance sheet investment

Applications

Applications in H1 decreased by **26%** to **196** compared with the same prior year period at 266, however, a further **89** applications received in the two-month period to end of February, demonstrates increased momentum and a return to more normal conditions

Capital invested

Total capital invested decreased by **21%**¹ to **A\$31.5m** compared with \$40m for the same prior year period. Demonstrating our strategic shift from 100% direct investments to co-funding

Management update

Re-location of CEO to London and Board appointment of London based CFO now centralising Executive management team

Cumulative IRR & ROIC

LCM's performance resulting from completed investments across 10.5 years of performance inclusive of losses produced a cumulative IRR of **79%** and cumulative ROIC of **162%**

Building scale

Measures of growth (A\$)

Number of applications
196

Capital committed in year¹
\$25m

Capital invested²
\$31.5m

Maintenance of investment standards

10.5 year cumulative IRR
79%

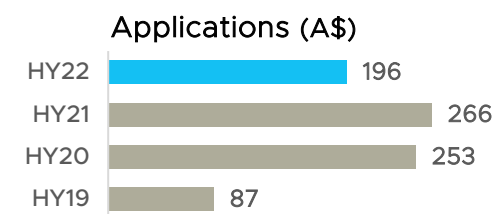
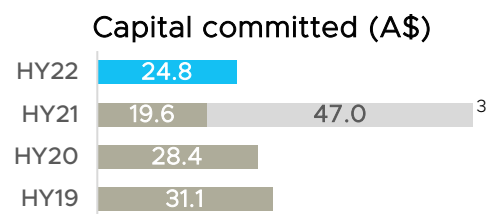
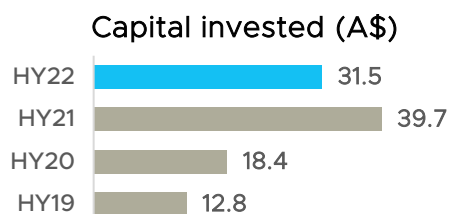
10.5 year cumulative ROIC
162%

Increase in AUM (A\$)

Total assets under management – 31 Dec
\$343m

Total assets under management – 8 Mar⁴
\$386m

- This financial period has experienced the most significant disruption due to covid. In each of the three regions in which LCM operates, its workforce was subject to the longest periods of lockdown and disruption of any time in the pandemic to date
- Very encouragingly the first two and half months of the current financial period are showing much stronger numbers of new applications and commitments



¹ Capital committed in year represents new commitments signed up. Exclusive of any commitments concluded, written off or adjusted

² Capital invested into litigation projects 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 due to increased risks associated with the matter and region

⁴ Excludes Fund I completed matter

Interim results highlights

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

	HY 2022	HY 2021	Change %
Gross revenue	\$19.2m	\$7.7m	149%
Gross profit	\$13.8m	\$5.0m	176%
Adjusted profit/(loss) before tax ¹	\$7.4m	(\$0.6m)	
Statutory profit/(loss) before tax ¹	\$4.3m	(\$1.2m)	
Cash ²	\$30.3m	\$5.8m	422%
Investments at cost as at end of financial period ³	\$97.2m	\$71.4m	36%
Total capital invested ⁴	\$13.9m	\$22.3m	(38%)

Gross Revenue
\$19.2m

Invested capital³
\$97.2m

1 HY ended 31 December 2021 exclusive of third-party funds

2 At balance sheet date and exclusive of third party funds and gross of borrowings A\$40m - HY ending 31 December 2021

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

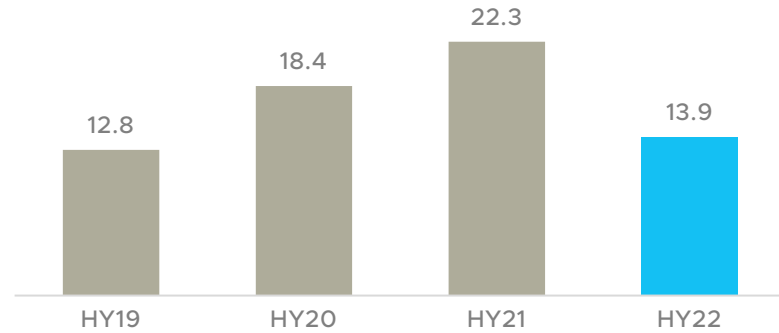
4 Capital invested into litigation projects during the period exclusive of third party funds

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

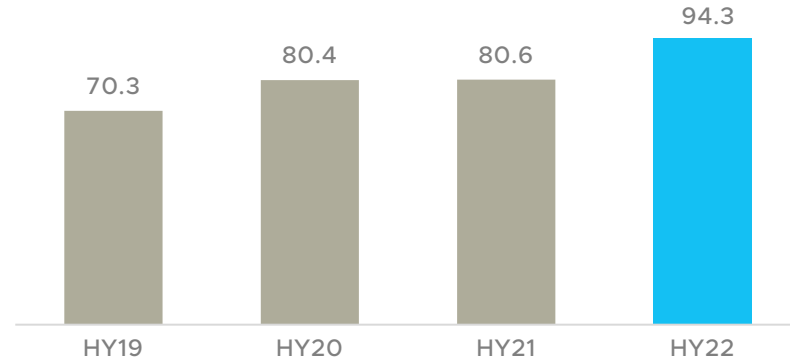
HY22 Balance sheet overview

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

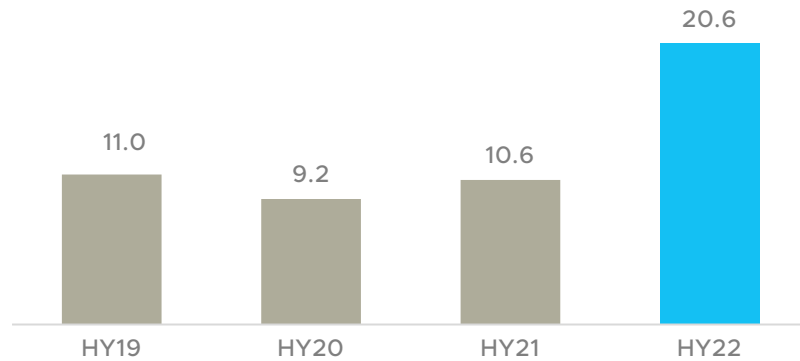
Capital invested (\$m)



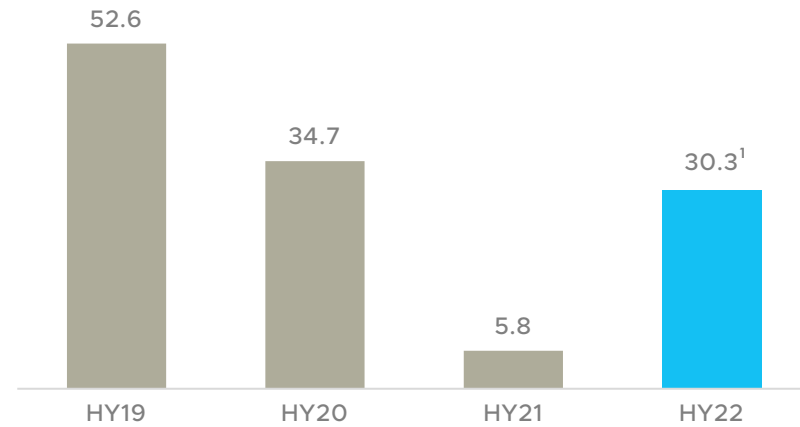
Total equity (\$m)



Cash generation (\$m)²



Cash as at period end (\$m)



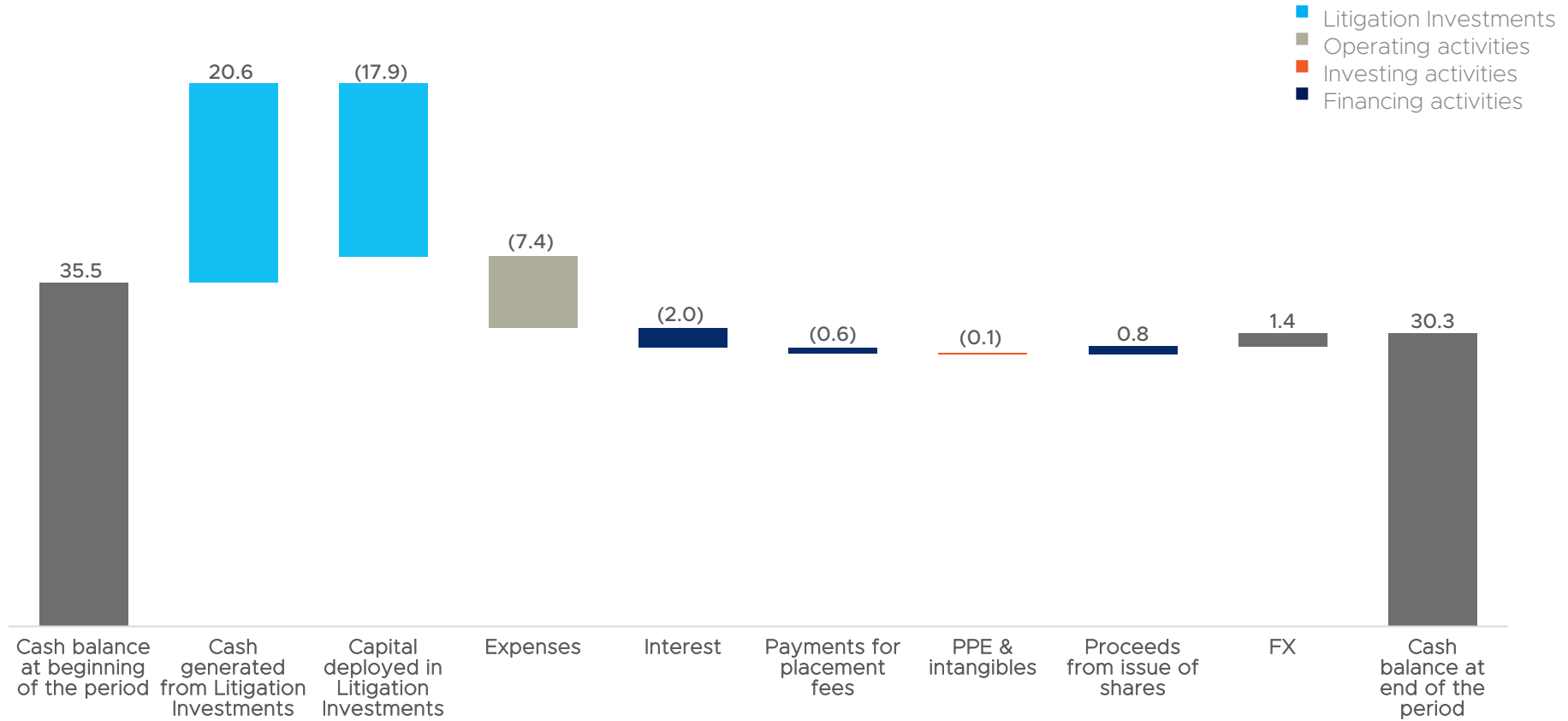
¹ Cash balance gross of A\$39m borrowings

² Cash generation denotes cash received from the successful resolution of litigation projects during the period

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

HY22 cash movements¹

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

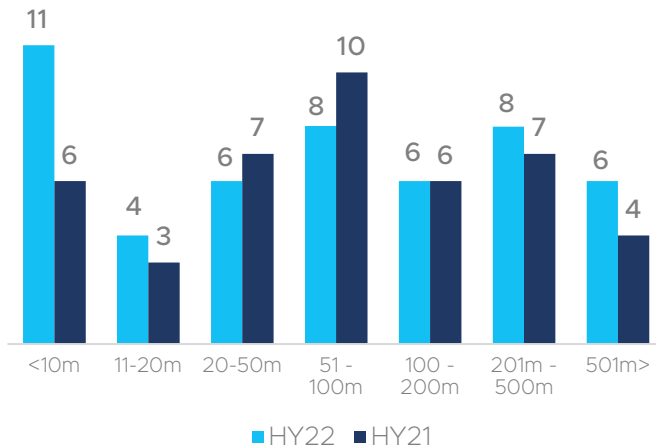


Combined portfolio profile

27 months

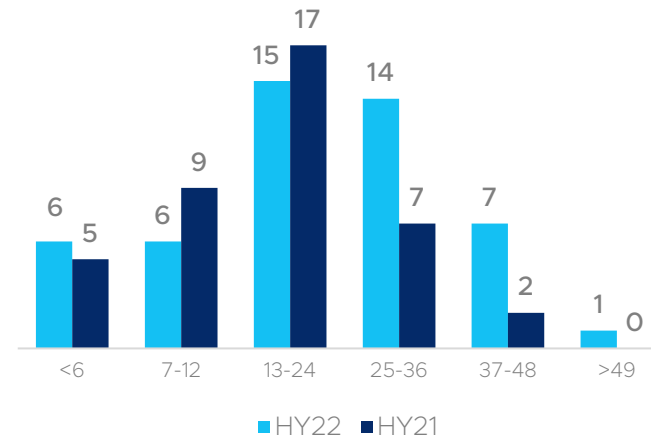
10.5 year average
time to completion

Portfolio by claim size
(A\$)



LCM's entire portfolio comprising both direct and asset management investment is well balanced 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

- 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

Progress of Investment portfolio

- Portfolio continues to experience delays as a result of COVID and delays associated with the latest strain, however we are seeing increased momentum and a return to more normal operating conditions
- Three direct investments resolved intra period with judgments awaiting payment or resolution of appeals. Revenue yet to be recognised
- Four direct investments have had final hearings and are awaiting judgment or award
- Four direct investments have or are expecting final hearing dates scheduled before the end of 2022
- Six Fund I investments have final hearing dates scheduled before the end of 2022
- Two Fund I investments have had the final hearing and are awaiting an award
- Following recent regulatory changes in Singapore permitting funding for domestic arbitration and claims before the Singapore International Commercial Court (SICC), LCM is the first to fund a domestic arbitration in Singapore and the first to fund a dispute in the SICC

Current portfolio of direct investments

Balances as at
8 March 2022
(A\$ millions)

\$113 million

Direct 100% investment²
portfolio

\$78 million³

LCM direct co-investment⁴

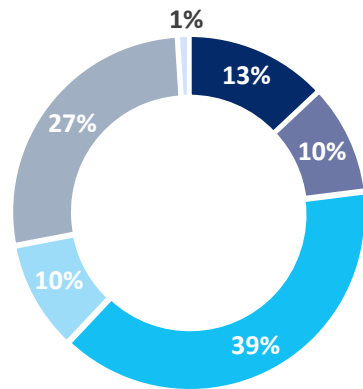
\$117 million⁵

Deployed/invested

\$74 million⁵

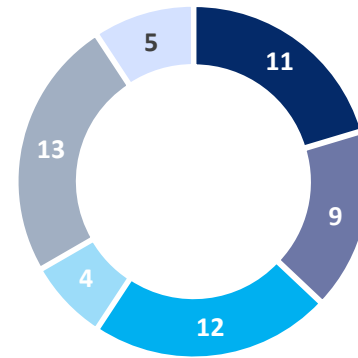
to be invested

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



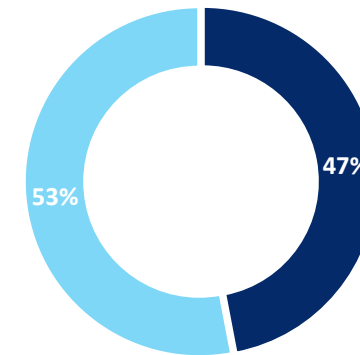
- Commercial Disputes - \$24m
- Insolvency - \$20m
- Class Action - \$75m
- Portfolio - \$19m
- Arbitration - \$51m
- Acquisition of claims - \$1m

Portfolio by industry sector
(number of projects)



- Commercial Disputes - 20%
- Insolvency - 17%
- Class Action - 23%
- Portfolio - 7%
- Arbitration - 24%
- Acquisition of claims - 9%

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



- APAC - \$90m
- EMEA - \$101m

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 8 March 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\$55 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 8 March 2022 position which reflects the best preliminary estimate and is not final

LCM Global Alternative Returns Fund

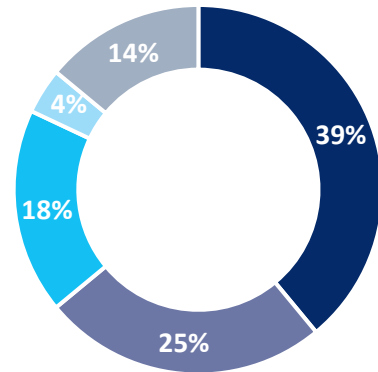
Balances as at
8 March 2022
(A\$ millions)

Fully
Committed¹

\$213 million³
Committed¹

\$75 million⁴
Deployed/Invested

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



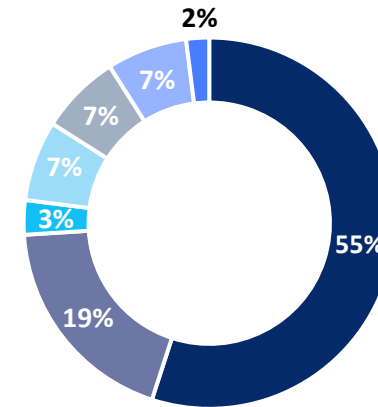
- Class Action - \$78m
- Arbitration - \$49m
- Insolvency - \$38m
- Portfolio - \$7m
- Commercial disputes - \$28m

Portfolio by industry sector
(number of investments)



- Class Action - 31%
- Arbitration - 31%
- Insolvency - 15%
- Portfolio - 8%
- Commercial disputes - 15%

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



- UK - \$110m
- 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, resolved matters and US\$7 million of investments awaiting final fund approval
² Capital commitment denotes the total estimated budget of the portfolio of investments as at 8 March 2022 converted to AUD as at the date of litigation funding agreement
³ US\$143 million and US\$7 million awaiting final fund approval
⁴ This is the 8 March 2022 position which reflects the best preliminary estimate and is not final

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

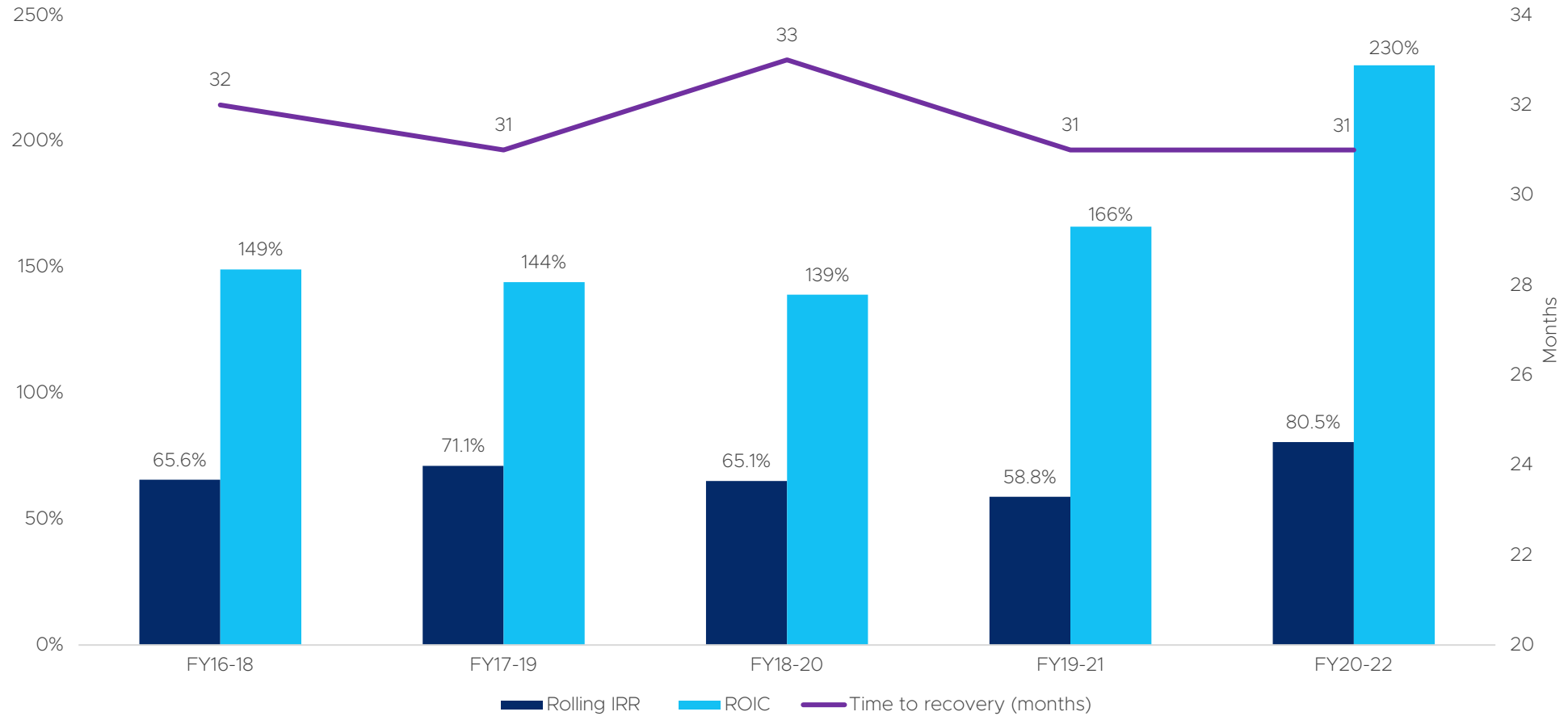
Origination

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

Three year running performance metrics



Track Record

Type of Project	Commercial arbitration proceedings (English law / London seat) by a company headquartered in Jordan against a company incorporated in the Netherlands, in relation to a construction dispute under the auspices of the London Court of International Arbitration (LCIA).
Origination	Direct approach from Claimant's lawyers as a result of a law firm strategic alliance.
Due Diligence	External due diligence was undertaken by a construction law specialist QC who provided a detailed assessment of the legal merits of the claim and of an opinion from the Claimant's QC. An internal assessment of quantum and enforcement was also undertaken.
Peak LCM Investment	AUD\$5.1M
Active Management	LCM managed the investment by way of review of key pleadings, consideration of the procedural tactics and assessment of key issues. The Solicitors provided detailed monthly formal updates.
Revenue and contribution to EBITDA	Revenue: AUD\$18.4M Contribution to EBITDA: AUD\$13.3M
Time to completion	26 months
IRR and ROIC	IRR of 199% ROIC of 2.61x

Outlook



CEO now relocated to London and accelerating growth alongside a highly skilled and motivated team



LCM's business ready for scale through expansion of global origination platform



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



Expected increase in applications for insolvency and restructuring disputes as moratorium against corporate wind-ups are relaxed in global jurisdictions



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



Growing asset management model

Appendix

Consolidated income statement

For the period ended 31 December 2021

	LCM only A\$m	Fund A\$m	Consolidated HY22 A\$m	LCM only A\$m	Fund A\$m	Consolidated HY21 A\$m
Revenue from contracts with customers						
Litigation service revenue	19.1	0.2	19.3	7.5	-	7.5
Portfolio revenue	-	-	-	0.2	0.4	0.6
Performance fees	-	-	-	0.02	-	0.02
	19.1	0.2	19.3	7.7	0.4	8.1
Litigation service expense	(5.3)	(0.1)	(5.4)	(2.7)	-	(2.7)
Gross profit	13.8	0.1	13.9	5.0	0.4	5.4
Expenses						
Employee benefits expense	(5.1)	-	(5.1)	(4.5)	-	(4.5)
Depreciation expense	(0.03)	-	(0.03)	(0.02)	-	(0.02)
Corporate expenses	(1.7)	-	(1.7)	(1.6)	-	(1.6)
Litigation fees	-	-	-	(0.09)	-	(0.09)
Fund administration expense	(0.4)	(0.4)	(0.8)	-	(0.6)	(0.6)
Finance costs	(2.2)	-	(2.2)	-	-	-
Total expenses	(9.5)	(0.4)	(9.8)	(6.2)	(0.6)	(6.8)
Profit before income tax:	4.3	(0.3)	4.0	(1.2)	(0.2)	(1.4)
Analysed as:						
Profit before income tax expense and non-operating costs	7.4	0.1	7.5	(0.6)	0.4	(0.2)
Non-operating costs	(0.9)	(0.4)	(1.3)	(0.6)	(0.6)	(1.2)
Finance costs	(2.2)	-	(2.2)	-	-	-
Profit before income tax expense	4.3	(0.3)	4.0	(1.2)	(0.2)	(1.4)
Profit before income tax expense	4.3	(0.3)	4.0	(1.2)	(0.2)	(1.4)
Income tax expense	(1.4)	-	(1.4)	0.2	-	0.2
Profit after income tax expense for the period	2.9	(0.3)	2.6	(1.0)	(0.2)	(1.2)

- Increase in employee costs include the addition of an investment manager in Singapore
- Fund administration costs relate to the first close of Fund II
- Interests costs are those related to the credit facility

Adjusted profit & EBITDA reconciliation

For the period ended 31 December 2021

	LCM only A\$m	Fund A\$m	Consolidated HY22 A\$m	LCM only A\$m	Fund A\$m	Consolidated HY21 A\$m
Statutory profit after tax	2.9	(0.3)	2.6	(1.05)	(0.1)	(1.2)
Add:						
Depreciation & interest	2.2	-	2.2	0.03	-	0.03
Tax expense	1.4	-	1.4	(0.2)	-	(0.2)
EBITDA	6.5	(0.3)	6.2	(1.22)	(0.1)	(1.4)
Add:						
Share based payments	0.1	-	0.1	0.2	-	0.2
Litigation costs	-	-	-	0.1	-	0.1
Non-recurring consultancy	0.2	-	0.2	0.3	-	0.3
Unrealised foreign exchange gain	-	-	-	-	-	-
Other expenses	0.2	-	0.2	0.05	-	0.05
Third party fund costs	0.4	0.4	0.8	-	0.6	0.6
EBITDAe	7.4	0.1	7.5	(0.6)	0.4	(0.2)

Consolidated statement of financial position

As at 31 December 2021

	LCM only A\$m	Fund A\$m	Consolidated HY22 A\$m	LCM only A\$m	Fund A\$m	Consolidated HY21 A\$m
Current assets						
Cash and cash equivalents	30.3	13.2	43.4	5.8	9.6	15.4
Trade and other receivables	12.5	-	12.5	11.6	-	11.6
Contract costs	15.9	-	15.9	20.9	-	20.9
Portfolio costs	-	-	-	1.4	4.0	5.4
Other assets	0.7	-	0.7	0.5	-	0.4
Total current assets	59.4	13.2	72.6	40.2	13.6	53.9
Non-current assets						
Contract costs	81.2	63.4	144.6	49.2	24.0	73.2
Property, plant and equipment	0.2	-	0.2	0.2	-	0.2
Intangible assets	0.5	-	0.5	0.3	-	0.3
Other assets	0.4	-	0.4	0.3	-	0.3
Total non-current assets	82.3	63.4	145.7	50.0	24.0	74.0
Total assets	141.7	76.6	218.3	90.3	37.6	127.9
Liabilities						
Current liabilities						
Trade and other payables	3.5	1.9	5.3	8.9	4.2	13.1
Borrowings	-	13.7	13.7	-	-	-
Employee benefits	0.7	-	0.7	0.4	-	0.4
Total current liabilities	4.2	15.6	19.8	9.3	4.2	13.5
Non-current liabilities						
Deferred tax liability	8.9	-	8.9	3.4	-	3.4
Borrowings	38.7	-	38.7	-	-	-
Employee Benefits	0.2	-	0.2	0.1	-	0.1
Third-party interests in consolidated entities	(4.6)	62.6	57.9	(3.1)	34.6	31.5
Total non-current liabilities	43.2	62.6	105.7	0.4	34.6	35.0
Total liabilities	47.4	78.2	125.5	9.7	38.8	48.5
Net assets	94.3	(1.5)	92.8	80.6	(1.2)	79.4

- Credit facility continues to provide a bridge between the organic generation of cash from our maturing portfolio of direct investments, allowing the continuous deployment of capital into new and existing investments

Consolidated statement of cash flows

For the period ended 31 December 2021

	LCM only A\$m	Fund A\$m	Consolidated HY22 A\$m	LCM only A\$m	Fund A\$m	Consolidated HY21 A\$m
Cash flows from operating activities						
Proceeds from litigation contracts - settlements, fees and reimbursements	20.6	-	20.6	10.6	-	10.6
Payments to suppliers and employees	(24.9)	-	(24.9)	(28.4)	-	(28.4)
Non-operating items paid	(0.4)	-	(0.4)	(0.3)	-	(0.3)
Interest received	-	-	-	-	-	-
Net payments made by third-party interests in consolidated entities	-	(19.9)	(19.9)	-	(17.1)	17.1
Net cash used in operating activities	(4.7)	(19.9)	(24.7)	(18.1)	(17.1)	(35.2)
Cash flows from investing activities						
Payments for property, plant and equipment	-	-	-	-	-	-
Payments for intangibles	(0.0)	-	(0.0)	(0.01)	-	(0.01)
Payments for security deposits	(0.1)	-	(0.1)	(0.01)	-	(0.01)
Net cash used in investing activities	(0.0)	-	(0.0)	(0.02)	-	(0.02)
Cash flows from financing activities						
Proceeds from issue of shares	0.8	-	0.8	-	-	-
Transaction costs related to third-party interests	(0.6)	-	(0.6)	(0.9)	-	(0.9)
Repayment of borrowings	(2.0)	(0.3)	(2.3)	-	-	-
Contributions from third-party interests in consolidated entities	-	19.1	19.1	-	21.4	21.4
Payments for fund establishment & administration costs	-	(0.2)	(0.2)	-	(0.7)	(0.7)
Net cash (used in)/from financing activities	(1.8)	18.6	16.8	(0.9)	20.7	(19.8)
Net decrease in cash and cash equivalents	(6.7)	(1.3)	(8.0)	(19.0)	3.6	(15.4)
Cash and cash equivalents at the beginning of the financial year	35.5	14.2	49.7	24.9	6.8	31.7
Effects of exchange rate changes on cash and cash equivalents	1.4	0.3	1.7	(0.1)	(0.8)	(0.9)
Cash and cash equivalents at the end of the financial year	30.2	13.2	43.5	5.8	9.6	15.4

Glossary

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.

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.

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