


# Investor Presentation: 2016 Results

*Burford Capital Limited*

March 2017

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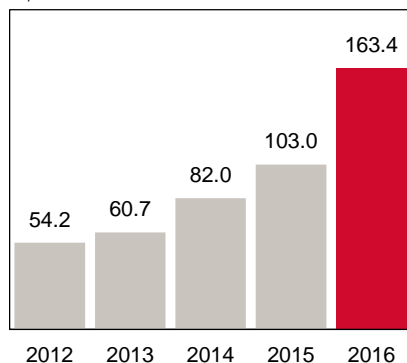
“It is doubtful the market has yet appreciated the benefits of the [Burford-Gerchen Keller] deal, in a market that can only continue to grow.”

– *The Times*, 2 January 2017

# 2016 Business highlights

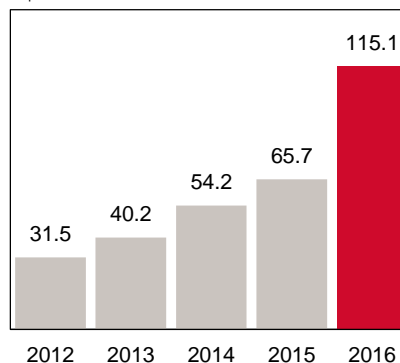
## Income

\$ in millions



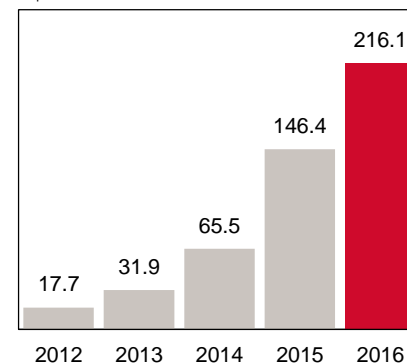
## Profit after tax<sup>1</sup>

\$ in millions



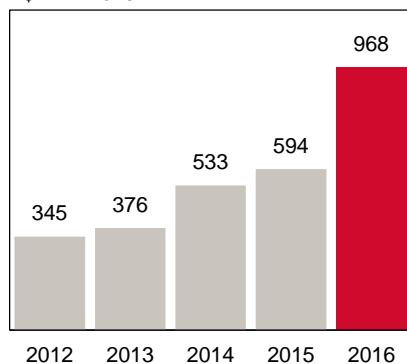
## Cash receipts

\$ in millions



## Total assets

\$ in millions



21%

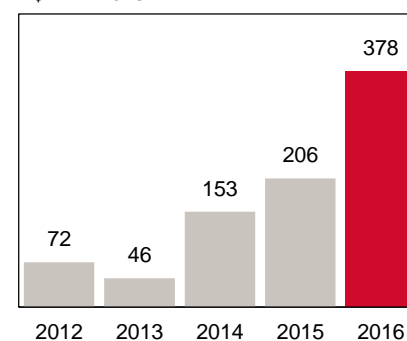
Return on Equity

9.15¢

Full Year Dividend

## New litigation investment commitments by year

\$ in millions



# Equity highlights

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- \$1.9 billion market capitalisation (£1.5 billion)
- Total shareholder return
  - Since January 2016: 284%
  - Since 2009 IPO: 754%; 34% annualised
- 24 members of management team own 14.4% of shares outstanding
  - Share-based LTIP launched this month for all employees
- Liquid, tradeable stock
  - Average daily volume TTM: 535,000 shares
  - Average daily turnover TTM: \$3.0m (£2.5m)
- Low leverage: 0.3x, with room for additional debt if needed and if market conditions are attractive

# Law is an enormous market

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*Despite the size of the legal industry, there is little use of outside risk capital  
We believe the litigation finance market remains at the early-adopter stage*

- Law firms
  - Globally, annual revenues from law firms are enormous – in the hundreds of billions of dollars
  - The 100 largest law firms in the US alone have annual revenues of more than \$80 billion<sup>1</sup>
- Claims
  - Millions brought annually; hundreds of billions of dollars in resolutions
  - US: 280,000 new federal civil claims filed annually<sup>2</sup>



# Legal finance: Desirable for all stakeholders

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## *For investors*

- Uncorrelated, desirable returns driven by structural advantages of legal claims as investment assets – cash-generative settlements; automatic monetisations; positive, idiosyncratic asymmetry
- Opportunity to invest in legal sector – a large and profitable industry with very few ways to obtain exposure

## *For law firms*

- Preserves traditional business model while enabling firms to meet significant client demand for financial alternatives
- Permits firms to calibrate the risk they assume and monetise positions

## *For corporate clients*

- Budget and liquidity management; ability to prioritise business spending
- Overcomes negative P&L and market value impacts of conventional cash payment of legal expenses
- Risk management and monetisation of otherwise invisible assets

# Burford: Global leader in finance for law

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*Burford acquired Gerchen Keller Capital, an investment manager with \$1.3 billion AUM, on 14 December 2016, combining the world's largest public direct investor and the world's largest private fund manager in the sector*

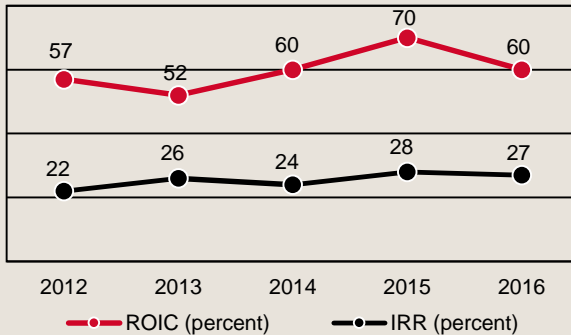
- Combined firm has \$2.3 billion invested in and available for legal finance
  - \$1.0 billion in Burford direct investing (portfolio + available cash)
  - \$1.3 billion AUM in investment funds
- More than 80 team members, including 40 experienced lawyers dedicated to originating, underwriting and managing investments
  - Principal offices in New York, London and Chicago
- Investment recoveries already exceed \$1 billion across the combined firm
  - Pre-settlement recoveries of more than \$500 million with cumulative IRR above 25%
  - Post-settlement recoveries of more than \$400 million with cumulative IRR above 12%

*“...They are unquestionably the dominant force in the litigation finance industry.”*

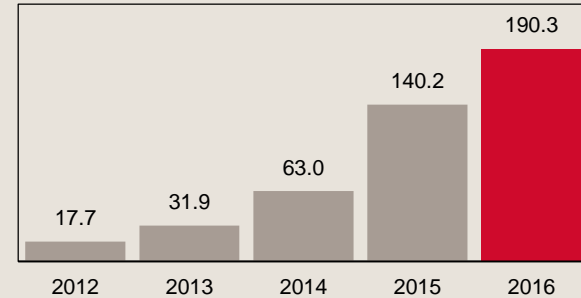
*– Reuters, 14 December 2016*

# Continued strong portfolio results ...

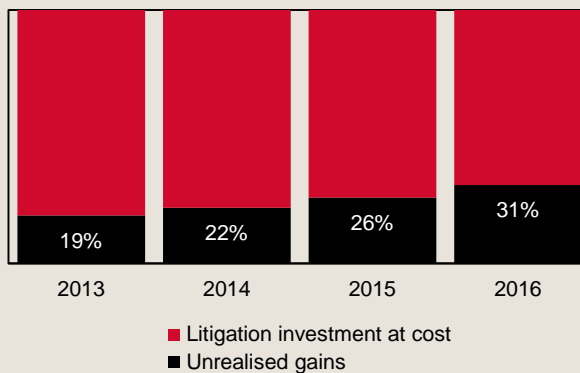
*Concluded litigation investment performance*



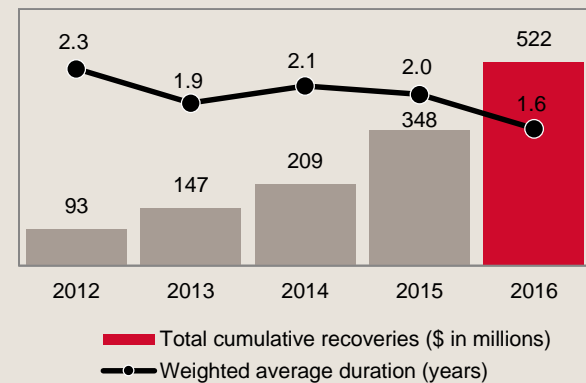
*Cash receipts from litigation investments*  
\$ in millions



*Unrealised gains in litigation investments*  
% of litigation investments



*Litigation investment recoveries & duration of concluded portfolio*

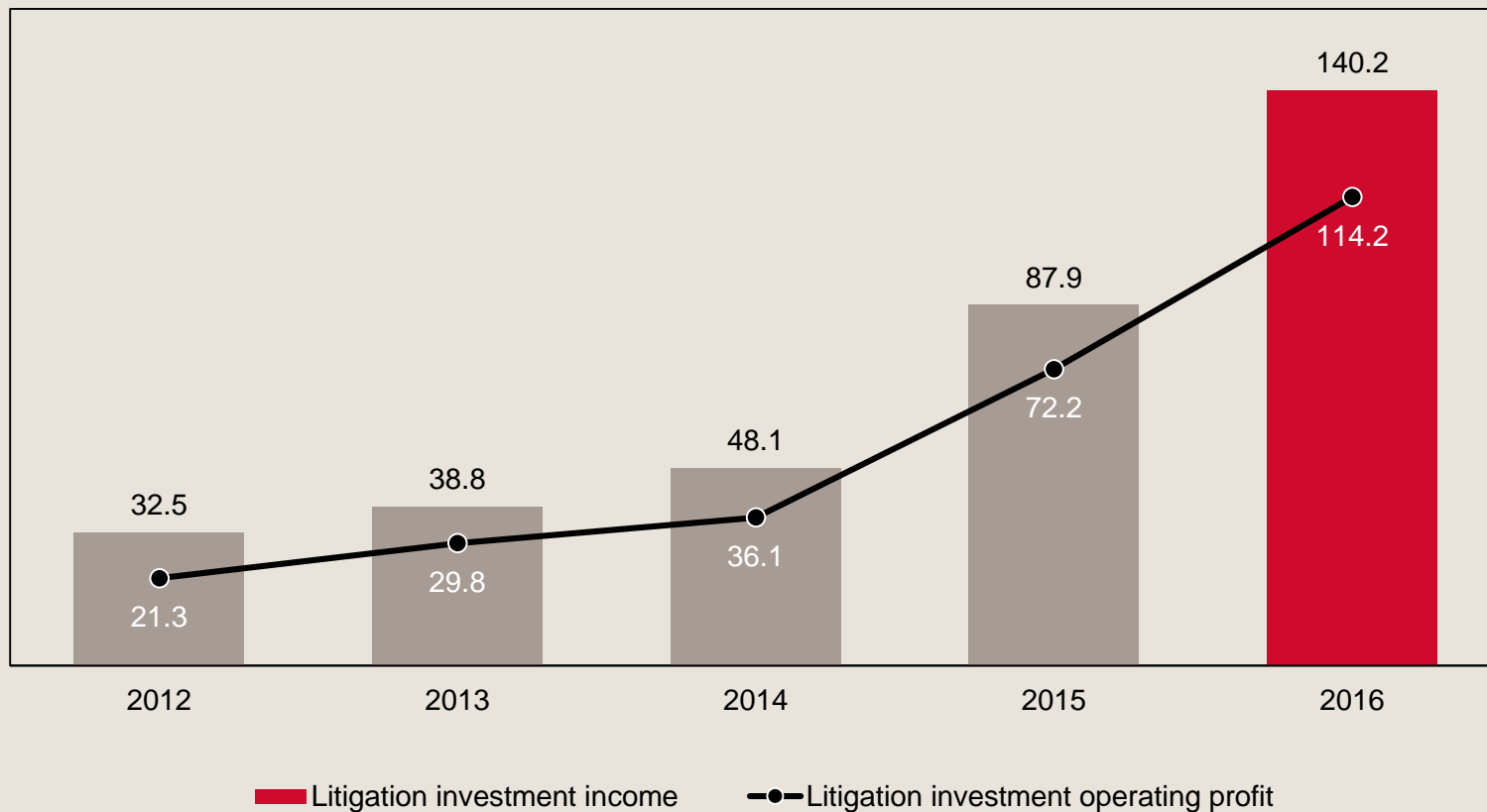




# ... driving earnings growth

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*Litigation investment income and operating profit*  
\$ in millions

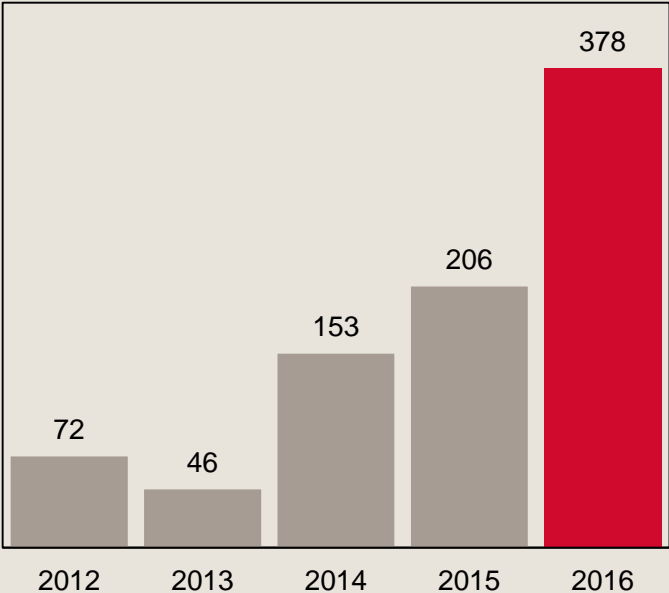


# Growth in new business seeds future results

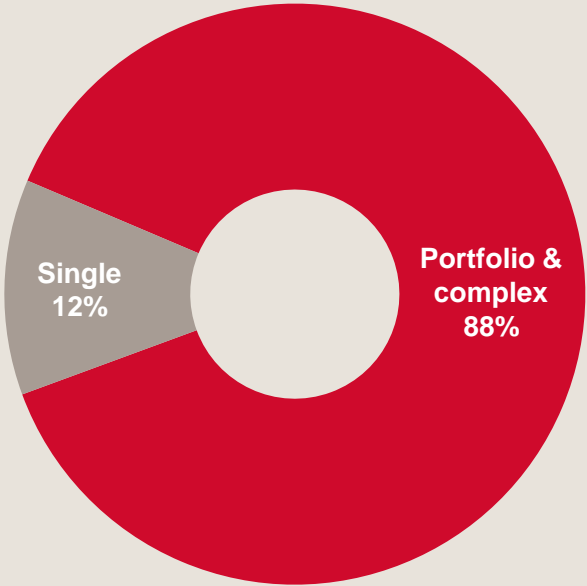
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*New litigation investment commitments by year*

\$ in millions

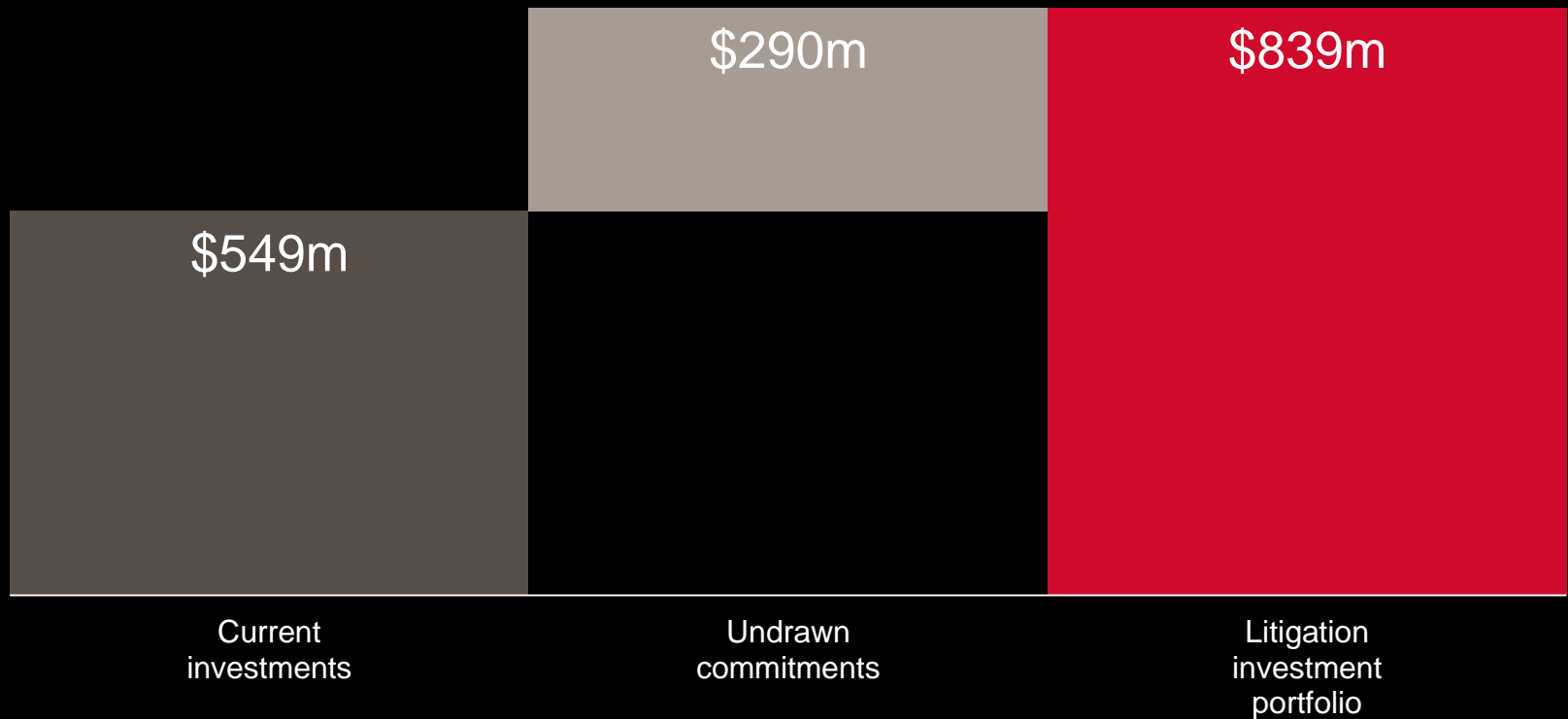


*Composition of new litigation investment commitments made in 2016*



# Large, growing litigation investment portfolio

*Continuing global expansion: 20% of total commitments non-USD*



# Secondary market transaction: Petersen claims

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## *Burgeoning secondary market showing development potential*

- Petersen claims: classic asymmetrical litigation investment, with moderate invested cost and significant potential upside
- Positive developments in 2016: US federal court rejected motion to dismiss
- Burford's investment is currently ~\$18 million
- Secondary market interest provided opportunity to take Burford off risk and lock in some gain while continuing market development – and continuing to work to maximize ultimate resolution
- Two-stage selling process
  - Early small sale to establish anchor investors (closed at year-end)
  - Closed second stage of transaction on 13 March 2017 that in total resulted in selling 10% of the interest for \$40 million of proceeds to a group of institutional investors
  - Implies \$400 million valuation for investment, ~20x Burford's current invested cost
- Burford retains 90% interest in Petersen claims

# GKC acquisition – merger of two leading firms

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- Captures benefits of scale by combining the complementary operations of the two largest legal finance firms
  - Portfolio diversification, market coverage and a deep bench
  - Potential for increased capital deployment for both public and private investors
- Enlarged group to benefit from increased revenue diversification through contribution of recurring private capital manager fees alongside investment income
  - Transaction immediately EPS accretive
  - Significant performance fees already earned but not yet paid
- Integrated global platform of public and private capital solutions permit new innovation in the fast evolving legal finance space
  - Capital invested across various stages of the legal process both on balance sheet and through private funds

*“The tie-up marks another step in the maturing of the litigation funding market.”*      – *The Wall Street Journal*, 14 December 2016

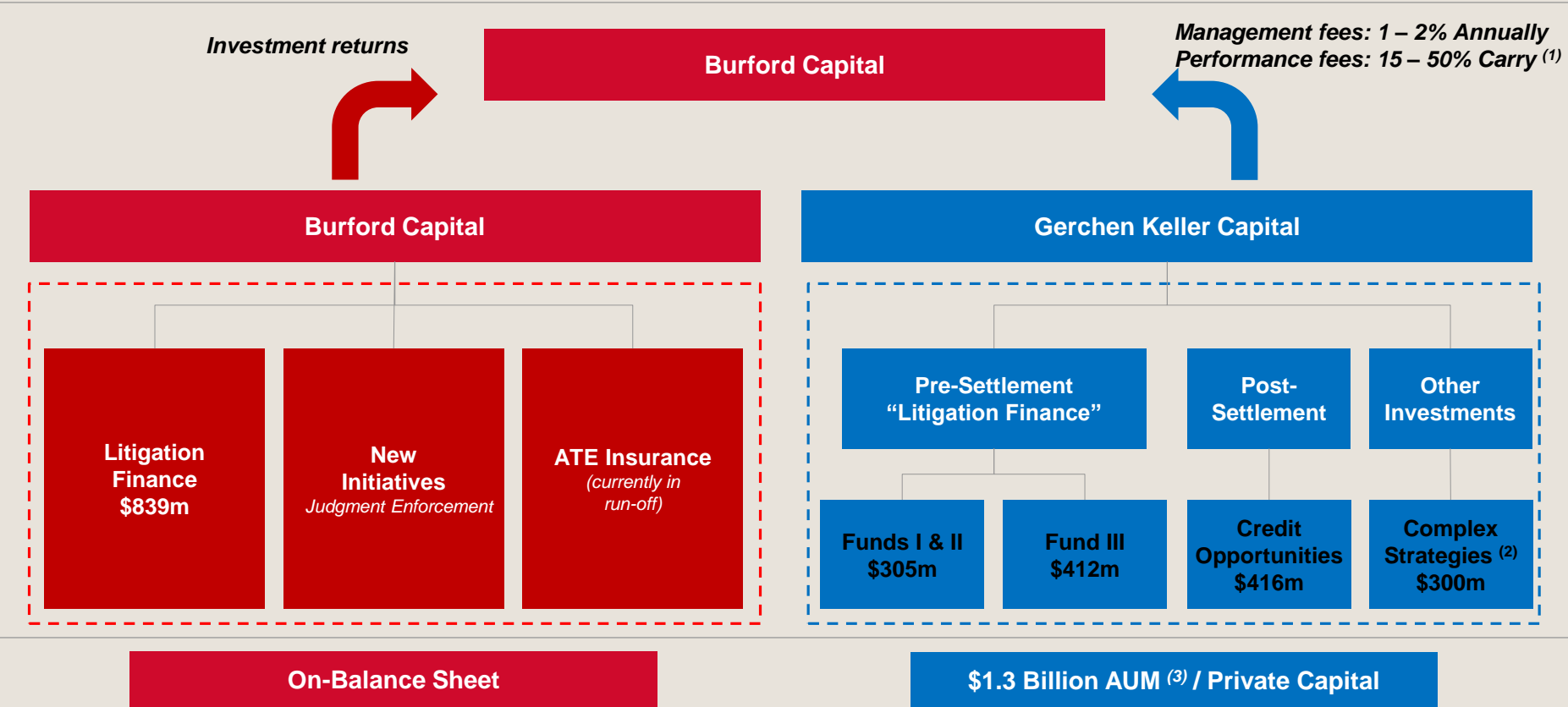
# Early demonstration of multi-source potential

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*A rapid win on a matter shows the benefit of multiple capital sources*

- Monetisation of an insolvency appellate matter – MagCorp
  - \$26 million in capital sought for binary risk investment
  - Too large an investment for any single pool of capital given the binary risk – “legacy Burford” probably would have passed on this investment on a standalone basis as the client only wanted a large capital commitment
  - However, the new Burford was able to utilise multiple capital sources:
    - Burford balance sheet
    - Partners III fund investment
    - Sidecar capital
- The appeals court ruled in our favour last week
- Potential ~\$7 million total profit for Burford
  - ~\$3 million from our direct investment (close to a 1x return in well less than a year)
  - ~\$3 million from Partners III carried interest
  - ~\$1 million in sidecar fees

# Public and private capital combined: Greater versatility, profitability and stability



The first \$15 million of all pre-settlement investments will be allocated on a 50/50 basis between Burford’s on-balance sheet capital and GKC Fund III, with Burford’s balance sheet taking any commitment in excess of \$15 million

1. GKC funds have European structure for performance fees such that no performance fees are paid until fund investors have had their entire capital repaid  
 2. Expected to be operational in the first half of 2017  
 3. SEC regulatory AUM, including funds and sidecar vehicles; excludes complex strategies. Individual fund AUM does not include sidecar vehicles.

# Investment funds: Diversified fee income

*The funds can be expected to earn considerable management and performance fees on \$1.3 billion in AUM*

	Pre-Settlement “Litigation Finance”	Post-Settlement	Other Investments
Investor commitments	\$787 million <sup>(1)</sup>	\$416 million	\$300 million <sup>(2)</sup>
Weighted average management fee	1.4%	1.6% <sup>(3)</sup>	~2.0% <sup>(3)</sup>
Weighted average performance fee	23.0%	20.0% <sup>(4)</sup>	~20%
IRR on early concluded investments	55.2%	12.6%	N/A
Duration on early concluded investments	1.0 years	0.6 years	N/A



# Performance fees: Significant potential earnings

*European structure delays recognition of performance fees*

### Key Inputs

<b>A</b>	Amount of capital invested	<b>\$100</b>
<b>B</b>	Weighted average management fee	<b>1.4%</b>
<b>C</b>	Historical pre-settlement ROIC	<b>52%</b>
<b>D</b>	Weighted average performance fee	<b>23%</b>
<b>E</b>	Return of management fees & expenses <sup>(1)</sup>	<b>\$4</b>

### Key Assumptions

- ~2 year investment period after which investments underlying \$100 capital all conclude
- “European” fund structure means that investors are entitled to their \$100 back before Burford earns a fee
- Management fees and expenses returned before incentive fees calculated (assumed \$4 over ~2 years)

### Illustrative Financial Impact

#### Yearly Management Fee

$$\begin{matrix} \text{A} \\ \$100 \end{matrix} \times \begin{matrix} \text{B} \\ 1.4\% \end{matrix} = \text{\textcircled{\$1.40}}$$

#### Performance Fee <sup>(2)</sup>

$$\left( \begin{matrix} \text{A} \\ \$100 \end{matrix} \times \begin{matrix} \text{C} \\ 52\% \end{matrix} - \begin{matrix} \text{E} \\ \$4 \end{matrix} \right) \times \begin{matrix} \text{D} \\ 23\% \end{matrix} = \text{\textcircled{\$11.04}}$$

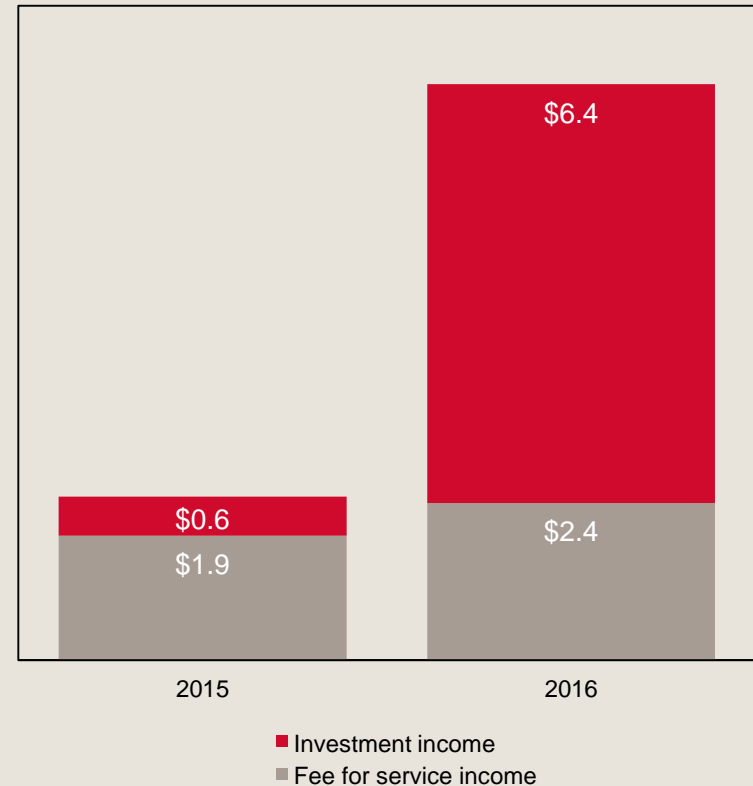
1. For illustrative purposes; based on lifetime of investment  
 2. Predicting performance fee income is an uncertain exercise which requires assumptions around capital deployment levels and portfolio returns, inter alia, and different assumptions will yield widely different results

# Judgment enforcement / Asset recovery

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- 2016 saw the successful conclusion of an investment that showcased our ability to integrate litigation finance and judgment enforcement to generate a net profit of \$12.1 million; details in the annual report

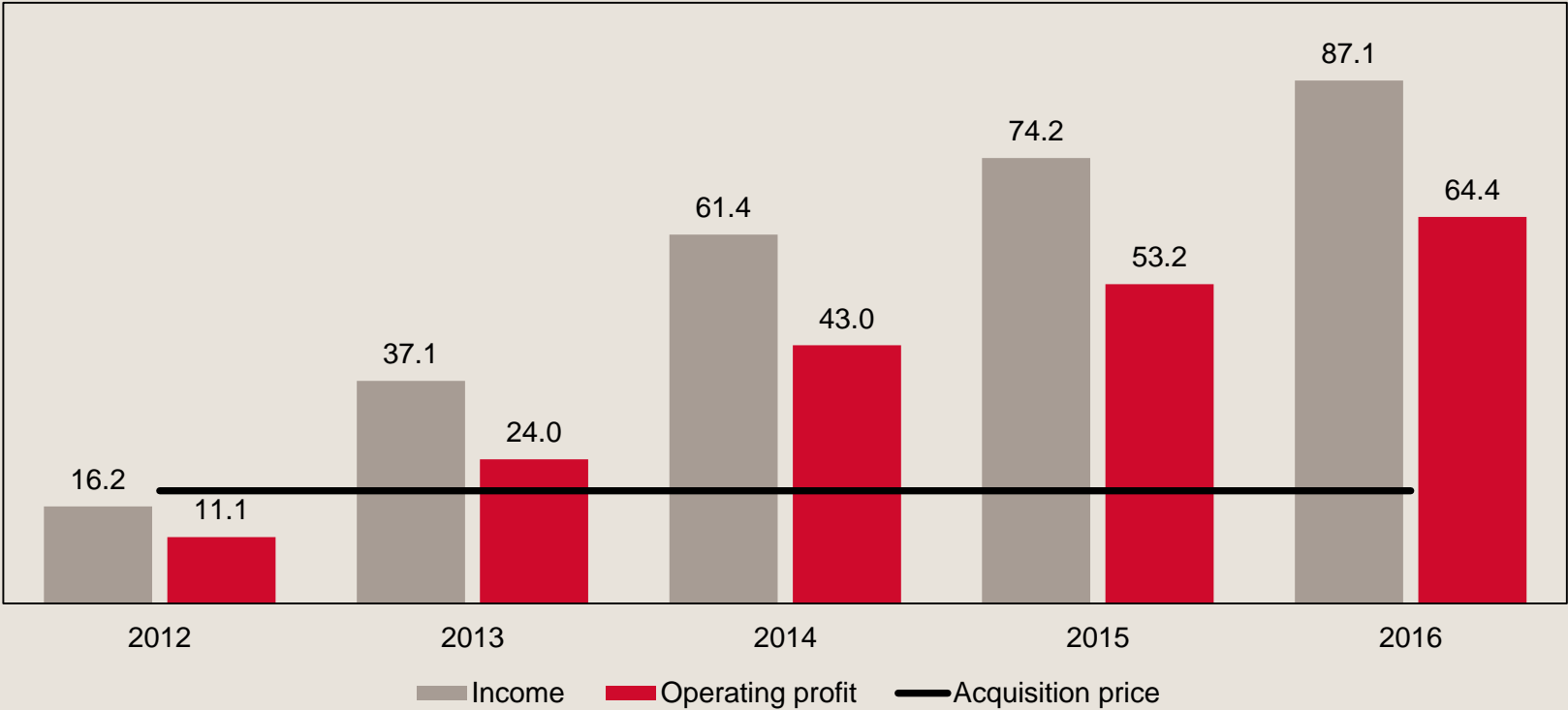
*Judgment enforcement income*  
\$ in millions



# Insurance business: Continuing returns

*Strong 2016 results: Operating profit up 10% in USD terms and 25% in GBP terms*

*Cumulative income and operating profit show acquisition success given \$18.75m purchase price*  
\$ in millions



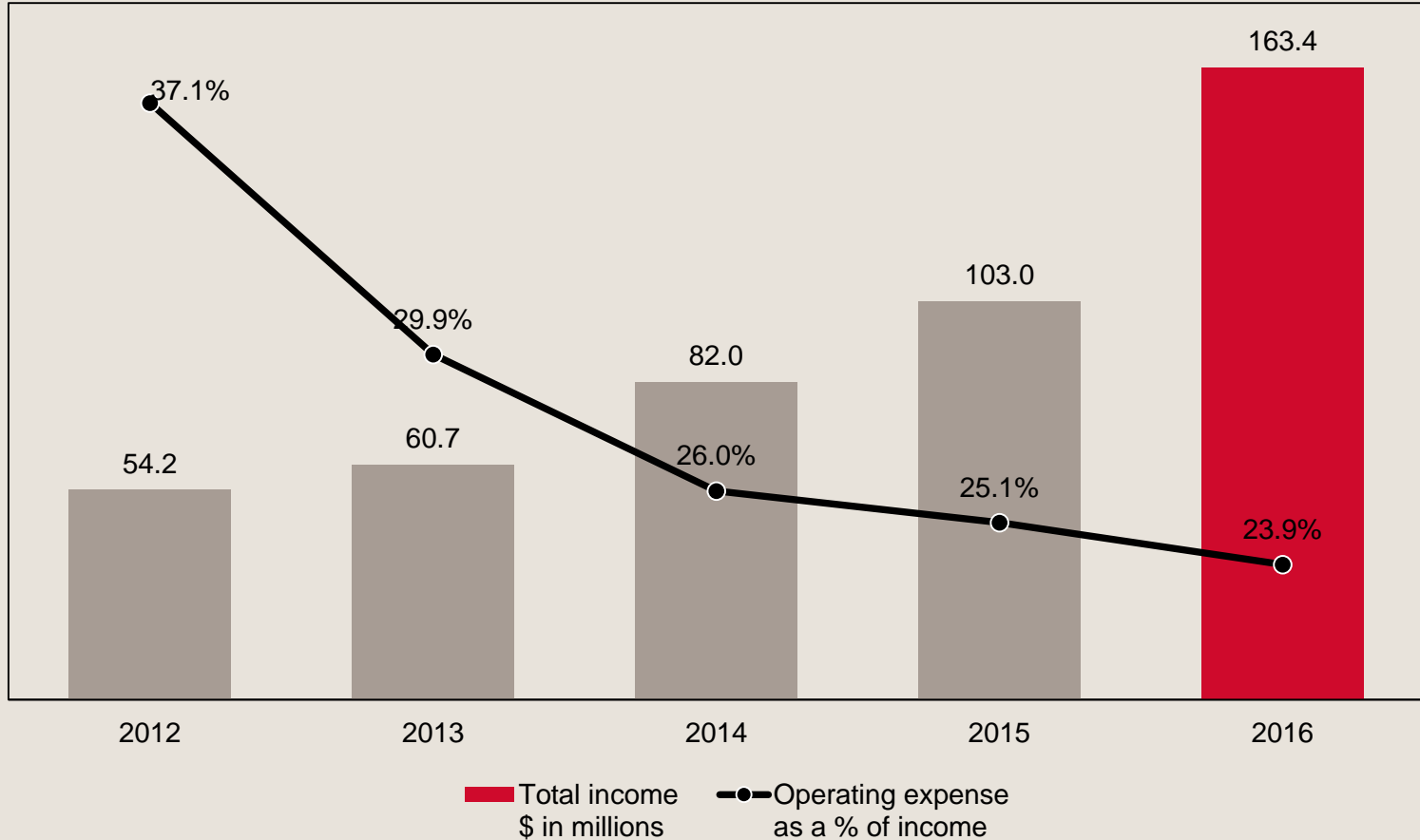
# Capital and risk management

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- \$144 million second bond issue raised in 2016
  - 8½ year term with 6.125% coupon
- Total debt now \$274 million vs. total assets of \$968 million
- Balance sheet continues low leverage – 0.3x leverage
  - Further debt capital possible to finance growth
- Sterling decline has benefited Burford – cost of debt declined substantially
- Preferred shares redeemed in 2016 – \$1.2 million annual saving
- Robust risk management program

# Well-controlled operating expenses

*Operating expenses as a percent of income have steadily declined*



# Summary income statement

(\$'000)	2016	2015
Litigation investment income	140,187	87,877
Insurance income	12,923	12,763
New initiatives income	8,849	2,510
Investment management income	647	–
Cash management income and bank interest	555	671
Foreign exchange gains/(losses)	242	(814)
<b>Total income</b>	<b>163,403</b>	<b>103,007</b>
Operating expenses	(39,026)	(25,840)
Amortisation of intangible asset arising on acquisition	(271)	–
<b>Operating profit</b>	<b>124,106</b>	<b>77,167</b>
Finance costs	(14,108)	(9,290)
<b>Profit before tax and acquisition costs</b>	<b>109,998</b>	<b>67,877</b>
Non-recurring acquisition costs	(5,945)	–
<b>Profit for the year before taxation</b>	<b>104,053</b>	<b>67,877</b>
Taxation	4,817	(2,204)
<b>Profit for the year after taxation</b>	<b>108,870</b>	<b>65,673</b>
Other comprehensive income		
Exchange differences on translation of foreign operations on consolidation	34,921	2,542
<b>Total comprehensive income for the year</b>	<b>143,791</b>	<b>68,215</b>
	<b>Cents</b>	<b>Cents</b>
<b>Basic and diluted profit per ordinary share</b>	<b>52.89</b>	<b>31.52</b>
<b>Basic and diluted comprehensive income per ordinary share</b>	<b>69.94</b>	<b>32.76</b>

# Summary balance sheet

	2016 \$'000	2015 \$'000
<b>Non-current assets</b>		
Litigation investments	559,687	334,212
New initiatives investments	2,337	3,509
Due from settlement of litigation investments	29,814	30,421
Goodwill	133,932	1,109
Intangible asset	39,395	-
Other non-current assets	11,654	2,533
	<b>776,819</b>	<b>371,784</b>
<b>Current assets</b>		
Due from settlement of litigation investments	9,554	31,188
Due from settlement of new initiatives investments	747	-
Cash and cash management investments	169,469	185,623
Other current assets	11,642	5,510
	<b>191,412</b>	<b>222,321</b>
<b>Total assets</b>	<b>968,231</b>	<b>594,105</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Loan interest payable	4,139	3,174
GKC acquisition purchase price payable	57,863	-
Acquisition costs payable	5,858	-
Other current liabilities	27,127	24,526
	<b>94,987</b>	<b>27,700</b>
<b>Non-current liabilities</b>		
Loan capital	230,243	131,280
Loan notes	43,750	-
Other non-current liabilities	3,092	1,098
	<b>277,085</b>	<b>132,378</b>
<b>Total liabilities</b>	<b>372,072</b>	<b>160,078</b>
<b>Total net assets</b>	<b>596,159</b>	<b>434,027</b>

# Investment performance

\$ in millions	# of investments	Total commitment	Total invested	Total recovered	ROIC	IRR
Concluded	3	11.5	11.5	40.1	251%	32%
Partial realisation	-	-	-	-		
Ongoing	-	-	-	-		
<b>2009 VINTAGE TOTAL</b>	<b>3</b>	<b>11.5</b>	<b>11.5</b>	<b>40.1</b>	<b>251%</b>	<b>32%</b>
Concluded	11	66.6	55.0	67.0	22%	9%
Partial realisation	-	-	-	-		
Ongoing	5	46.5	46.5	0.0		
<b>2010 VINTAGE TOTAL</b>	<b>16</b>	<b>113.1</b>	<b>101.5</b>	<b>67.0</b>		
Concluded	8	70.5	47.9	84.8	75%	23%
Partial realisation	1	15.6	15.6	1.4		
Ongoing	5	36.5	31.2	0.0		
<b>2011 VINTAGE TOTAL</b>	<b>14</b>	<b>122.6</b>	<b>94.7</b>	<b>86.2</b>		
Concluded	8	61.5	56.7	118.7	109%	41%
Partial realisation	-	-	-	-		
Ongoing	1	2.0	0.5	0.0		
<b>2012 VINTAGE TOTAL</b>	<b>9</b>	<b>63.5</b>	<b>57.2</b>	<b>118.7</b>		
Concluded	8	20.8	19.7	25.1	31%	24%
Partial realisation	2	3.5	2.7	1.4		
Ongoing	2	13.5	9.9	0.0		
<b>2013 VINTAGE TOTAL</b>	<b>12</b>	<b>37.8</b>	<b>32.3</b>	<b>26.5</b>		
Concluded	8	55.1	37.5	47.4	46%	63%
Partial realisation	3	32.8	25.0	16.6		
Ongoing	12	71.9	46.4	0.0		
<b>2014 VINTAGE TOTAL</b>	<b>23</b>	<b>159.8</b>	<b>108.9</b>	<b>64.0</b>		
Concluded	4	48.6	41.4	44.9	21%	87%
Partial realisation	3	44.4	19.3	5.7		
Ongoing	10	100.1	34.1	0.0		
<b>2015 VINTAGE TOTAL</b>	<b>17</b>	<b>193.1</b>	<b>94.8</b>	<b>50.6</b>		
Concluded	1	5.7	5.7	6.8	42%	61%
Partial realisation	2	112.0	112.0	62.0		
Ongoing	18	250.1	86.2	0.0		
<b>2016 VINTAGE TOTAL</b>	<b>21</b>	<b>367.8</b>	<b>203.9</b>	<b>68.8</b>		
<b>Total investment recoveries to date</b>	<b>51</b>	<b>391.7</b>	<b>326.8</b>	<b>521.9</b>	<b>60%</b>	<b>27%</b>
<b>Total ongoing investments</b>	<b>64</b>	<b>677.5</b>	<b>378.0</b>	<b>0.0</b>		



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