

Investment Portfolio at 31 December 2022

Omni Bridgeway Limited (ASX:OBL) (**Omni Bridgeway, OBL, Group**) announces its investment performance for the three months ended 31 December 2022 (**2Q23, Quarter**) and for the financial year to date (**FYTD, 1H23**).

Andrew Saker, Managing Director and CEO, commented “During the last six months, we have achieved substantial portfolio growth through commitments to new investments while accelerating future potential returns from a secondary market sale in our first generation fund.

“Heightened activity in our Americas and APAC portfolio underpinned the growth of our estimated portfolio value to almost \$30 billion. Since 30 June 2022, the implied embedded value of our portfolio has increased by 5.2%, after completions, to \$3.8 billion.

“Completions in the first half have been slow, with a number of mediations failing to reach a settlement. A number of these matters and other matters proceeded to trial during the half, for which we expect decisions will be delivered in 2H23 or 1H24.

“Omni Bridgeway completed three transactions in the emerging secondary market in 2022, achieving total proceeds of approximately \$60 million. This risk management strategy allows us to reduce duration and completion risks, while enhancing liquidity and internal rates of return,” added Mr Saker.

Key metrics, highlights, and developments

- Investment income of \$156.6 million (income recognised and yet to be recognised) with \$46.1 million provisionally attributable to OBL in 1H23.
- Commitments in 1H23 of \$304.2 million representing \$5.1 billion of new EPV, relates to matters that are newly funded, conditionally approved or have had updated budgets.
- Indicative investment opportunities of approximately \$228 million across 34 agreed term sheets with clients, which if converted into funded investments is a further 41% of our FY23 commitments target.
- EPV of \$29.8 billion, up 9.6% on 30 June 2022 and up 5.0% on 30 September 2022.
- IEV of \$3.8 billion at 31 December 2022 is an increase of 5.0% on \$3.6 billion at 30 September 2022.
- Fund 1 is transitioning into OBL waterfall returns through the disposal of 100% of one of its investments for total proceeds of up to US\$20 million. Following the distribution of the proceeds, the balance of preferred return to the external investor in Fund 1 will reduce to approximately US\$8 million (~A\$12 million). Upon payment of this balance, the vast majority of Fund 1’s future proceeds will accrue to Omni Bridgeway. The IEV of the remaining Fund 1 portfolio is \$201 million.
- In line with OBL’s strategy, we continue to be active in the secondary market seeking to accelerate cash returns whilst de-risking the portfolio.

- The Group's (on balance sheet) cash and receivables at 31 December 2022 was \$93.0 million, noting there are \$24 million receivables relating to Wivenhoe, of which \$15 million is anticipated to be collected in April 2023, strong completions expected in 2H23 and the ability for OBL to access up to \$100 million of undrawn debt.
- An application was lodged seeking special leave to appeal to the High Court of Australia in respect of the recent judgment of the Supreme Court of Western Australia Court of Appeal relating to the Westgem litigation, an investment in Omni Bridgeway's balance sheet portfolio. The application relates only to the insolvency aspect of the litigation and as such the EPV of this investment has reduced to \$30 million. Details of the provision for potential adverse cost exposure and any future cash impact will be provided in our 1H23 results disclosures.
- We have grown our European locations to include Paris, France and Milan, Italy. In the United States, we continue to expand operations through geographic footprint, headcount and offering. We recently opened an office in Miami and Chicago is due to become operational in February 2023. We believe that geographic and asset diversification mitigates the risk of increased competition or regulatory intervention arising in any one region. Furthermore, moving into new markets maintains our competitive advantage and industry leadership.

Cash reporting and financial position

The cash and receivables position continues to support the liquidity requirements and corporate initiatives of the Group. In addition to this, OBL has access to undrawn debt capital of up to \$100 million under the \$250 million debt facility established in May 2022.

AUD million	Cash	Receivables	Total
OBL balance sheet (excluding Funds)	60.6	32.4	93.0
Funds 1–4, 6 (consolidated) ¹	52.1	67.5	119.6
Fund 5 ¹	7.4	-	7.4
Total	120.1	99.9	220.0

1. Includes 100% of respective Fund's holding including amount attributable to both OBL and external investors.

Income

The Group achieved investment income, recognised and yet to be recognised, of \$156.6 million for 1H23. Investment income of \$62.5 million was recognised in 2Q23, comprising:

- \$32.0 million recognised from 7 completed investments which had an EPV of \$347 million, including \$28.0 million income from the Fund 1 disposal.
- \$26.3 million recognised from partial completions of ongoing investments.
- \$4.2 million from completions in previous periods.

A further \$64.3 million of income yet to be recognised, with a corresponding EPV of \$302 million, relates to substantially completed investments with conditional settlements or judgments on appeal which may ultimately be recognised in the next quarter or future periods.

Income recognition

AUD million	Balance sheet	Fund							Total
		1	2&3	4	5	6	7	8	
Income recognised in 1Q23	-	-	0.6	20.2	8.3	0.7	-	-	29.8
Income recognised in 2Q23	4.1	34.5	3.8	0.1	14.5	5.5	-	-	62.5
- investments completed in 2Q23	-	30.5	-	-	1.5	<1	-	-	32.0
- investments completed in prior periods	4.1	-	-	<1	-	0.1	-	-	4.2
- ongoing investments	-	4.0	3.8	0.1	13.0	5.4	-	-	26.3
Income recognised in 1H23	4.1	34.5	4.4	20.3	22.8	6.2	-	-	92.3
Income yet to be recognised at 31-Dec-22	14.0	27.2	-	-	0.6	22.5	-	-	64.3
- binding conditional settlements	14.0	-	-	-	-	-	-	-	14.0
- successful judgments	-	27.2	-	-	-	22.5	-	-	49.7
- executed settlements	-	-	-	-	0.6	-	-	-	0.6
- agreed in-principle settlements	-	-	-	-	-	-	-	-	-
Income recognised in 1H23 and yet to be recognised at 31-Dec-22	18.1	61.7	4.4	20.3	23.4	28.7	-	-	156.6

Provisional distribution of income recognised and yet to be recognised¹

AUD million	Balance sheet	Fund							Total
		1	2&3	4	5	6	7	8	
Provisional distribution attributable to OBL shareholders	18.1	15.2	-	4.1	6.9	1.8	-	-	46.1
Provisional distribution attributable to NCI	-	46.5	4.4	16.2	16.5	26.9	-	-	110.5
Distribution waterfall of income recognised in 1H23 and yet to be recognised at 31-Dec-22	18.1	61.7	4.4	20.3	23.4	28.7	-	-	156.6

1. Represents indicative cashflows anticipated to flow out of the Funds due to the income generation included in the table above. It represents the aggregate estimate of the cash distributed and yet to be distributed under the various distribution waterfalls of the Funds assuming the income is equivalent to gross cash proceeds. The Fund's capital status and waterfalls operate on a cash collection and distribution basis and do not align with the accounting treatment. Accordingly, the NCI attribution disclosed in OBL's Consolidated Financial Statements will not necessarily match this.

Income conversion rate

The income conversion rate across the portfolio for 2Q23 was 9% due to the disposal of a Fund 1 investment with EPV of \$324 million which had a conversion rate of 9%. We continue to expect the Group's long term conversion rate (LTCR) to remain at around 15%.

AUD million	Balance sheet	Fund							Total
		1	2&3	4	5	6	7	8	
EPV of investments completed in 2Q23	-	342	-	<1	5	<1	-	-	347
Life to date income of fully completed investments in 2Q23	-	31	-	-	1	<1	-	-	32
Income conversion rate for 2Q23	n/a	9%	n/a	0%	34%	36%	n/a	n/a	9%
EPV of investments completed in 1H23	-	487	-	<1	535	<1	-	-	1,023
Life to date income of fully completed investments in 1H23	-	31	-	-	10	<1	-	-	41
Income conversion rate for 1H23	n/a	6%	n/a	0%	2%	28%	n/a	n/a	4%

Fund summary

Fund breakdown

Fund 1 and Funds 2&3 are fully committed. Both funds are in harvest mode. Given the respective structures of these funds, the non-controlling interests (NCI) continue to have priority entitlement to distributions, with recourse only to the investments within the respective fund.

At 31 December 2022, Fund 4 is around 80% committed and Fund 5 is around 70% committed. The series one investment period of both Funds has been extended and the upsizing process is underway.

Fund 6 is in harvest mode. Merits investment opportunities previously undertaken by Fund 6 are now flowing to Fund 5 and enforcement investment opportunities will flow to Fund 8 once closed.

Portfolio	Committed	Fund size	Fund breakdown				
			Recycled profits	Capital deployed	Capital committed – undeployed	Capital uncommitted	Other costs
Fund 1	100%	US\$172m	-	US\$154m	US\$7m	-	US\$11m
Funds 2&3	100%	\$189m	-	\$127m	\$47m	-	\$15m
Fund 4	79%	US\$500m	-	US\$180m	US\$198m	US\$103m	US\$19m
Fund 5	68%	US\$500m	-	US\$104m	US\$208m	US\$160m	US\$28m
Fund 6 ¹	100%	€188m ²	(€47m)	€85m	€124m	(€21m)	€46m
Fund 7	4%	US\$100m	-	US\$4m	-	US\$96m	-
Fund 8 ³	3%	€300m	-	<€1m	€9m	€291m	-

1. Data for Fund 6 is current at 30 September 2022.
2. Fund size is €150m plus an overcommitment allowance of 25%.
3. Investments warehoused on Balance Sheet

Fund distribution profiles

Fund 1 disposed an investment for total proceeds of up to US\$20 million, of which US\$19 million was paid on closing on 30 December 2022, and an additional amount of up to US\$1 million is contingent on the quantum and timing of the completion of the litigation underpinning the investment. Following the distribution of the sale proceeds, the balance of preferred return to the Fund NCI will reduce to approximately A\$12 million. Upon payment of this balance, potentially through the A\$27.2 million income yet to be recognised, the vast majority of Fund 1's future proceeds will accrue to Omni Bridgeway.

Portfolio	Total capital called	Total distributions (capital and returns)	Outstanding amounts yet to be attributable to NCI		Outstanding amounts yet to be attributable to OBL	
			Capital (A\$)	Returns (A\$)	Capital (A\$)	Fees (A\$)
Fund 1	US\$167m	(US\$171m)	-	\$12m ¹	\$61m	\$8m
Funds 2&3	\$154m	(\$61m)	\$62m	\$49m ¹	\$31m	\$6m
Fund 4	US\$191m	(US\$74m)	\$138m	-	\$35m	-
Fund 5	US\$118m	(US\$12m)	\$125m	-	\$31m	-
Fund 6 ²	€84m	-	\$125m	-	\$7m	-
Fund 7	US\$4m	-	\$5m	-	<\$1m	-
Fund 8	-	-	-	-	-	-
Total			\$455m	\$61m	\$165m	\$14m

1. Includes accumulated preferred returns and special distributions.
2. Data for Fund 6 is current at 30 September 2022.

Completed investment duration and outcome

The data included in the table below reflects investment completions in Funds 1 to 6 and on balance sheet since their inception.

Portfolio	#	Average duration	EPV	EPV conversion rate	Financial outcome \$ weighted average	ROIC ¹	IRR ^{1,2}
Fund 1	34	3.4 yrs	\$2,013m	11%	72%	44%	13%
Funds 2&3 ³	16	1.6 yrs	\$453m	17%	43%	86%	104%
Fund 4	8	1.1 yrs	\$822m	11%	98%	59%	93%
Fund 5	9	1.3 yrs	\$851m	5%	76%	22%	17%
Fund 6	223	3.1 yrs	n/a	n/a	77%	310%	177%
Balance sheet	193	3.0 yrs	\$5,354m	20%	78%	162%	80%

1. Return on invested capital (ROIC) and internal rate of return (IRR) is measured before capitalised overheads and operating overheads.

2. IRR information prior to FY12 is not available due to the difficulty in extracting it from legacy systems.

3. Excludes the partial investment completion of the secondary market sales.

Estimated portfolio value analysis

Total EPV of \$29.8 billion (including conditionally funded and IC approved investments) increased by net 5.0% during the Quarter.

The claimant of an impaired Fund 4 investment has filed an appeal petition to the United States Supreme Court. As such, the EPV of this investment with a possible completion period of FY24 remains included in the portfolio assumptions at 31 December 2022.

Westgem's EPV of \$250 million has been reduced to \$30 million and its possible completion period delayed to FY24 to reflect the ongoing appeal.

Most of the Fund 1 IEV reduction in 2Q23 of 27.7%, from \$278 million to \$201 million, related to the secondary market sale which occurred in December 2022 and the impairment of a law firm portfolio comprising three investments. Other investment completions and EPV revisions of several investments were contributing factors.

Investment and EPV quarterly movement

AUD million	EPV									#
	Balance sheet	Fund							Total	
		1	2&3	4	5	6	7	8		
Opening 30-Sept-22	526	1,851	3,419	7,529	6,758	3,829	-	-	23,912	278
New investments	-	-	-	1,946	707	-	-	15	2,668	13
Completions	-	(342)	-	<1	(5)	<1	-	-	(347)	(7)
Updates	(10)	(9)	(16)	(107)	(49)	(87)	-	-	(278)	
Withdrawn / terminated	-	-	-	-	-	-	-	-	-	-
Impairment	(220)	(85)	-	-	-	(7)	-	-	(312)	-
FX adjustment	(4)	(77)	(68)	(362)	(177)	153	-	-	(535)	-
Closing 31-Dec-22	292	1,338	3,335	9,006	7,234	3,888	-	15	25,108	284
Conditionally funded investments									2,509	13
IC approved investments									2,186	18
Total at 31-Dec-22									29,803	315

Funded EPV profile

Future completions	#	Average duration at 31-Dec-22	Possible completion of EPV ¹					IEV
			AUD million					
			6 mths ² to 30-Jun-23	FY24	FY25	FY26+	Total	
Balance sheet	7	11.5 yrs	36	105	150	1	292	44
Fund 1	14	6.1 yrs	646	485	141	66	1,338	201
Funds 2&3	25	3.8 yrs	888	1,075	521	851	3,335	500
Fund 4	34	1.2 yrs	196	3,116	1,792	3,902	9,006	1,351
Fund 5	50	1.6 yrs	255	2,318	2,526	2,135	7,234	1,085
Fund 6	152	6.8 yrs	142	930	704	2,112	3,888	583
Fund 8	2	0.1 yrs	-	8	4	3	15	2
Total	284	5 yrs	2,163	8,037	5,838	9,070	25,108	3,766
Completed EPV in 1Q23			(145)	-	-	(531)	(676)	
Completed EPV in 2Q23			(23)	(324)	-	-	(347)	
Completed EPV in 1H23			(168)	(324)	-	(531)	(1,023)	
Change ³ from 30-Sept-22 incl. fx			(39.7%)	(2.8%)	20.3%	32.3%	6.5%	
Change ³ from 30-Sept-22 excl. fx			(38.7%)	0.1%	22.4%	34.4%	8.8%	

1. Includes current unconditional investments and excludes conditional investments and Investment Committee approved investments. It includes the investments that are substantially completed and those that are related to income yet to be recognised in the Income Recognition table.
2. Excludes the EPV from completed investments in 1H23.
3. The change is calculated after allowing for completions in the period.

1H23 results webcast

Following the release of its results for the six months ended 31 December 2022, Omni Bridgeway will host a market briefing at 10:00am AEDT on Thursday, 23 February 2023. For access to the event, please register at <https://webcast.openbriefing.com/obl-1h23-230223/>.

Further information

Further information on terms used in this announcement is available in our Glossary and Notes: <https://omnibridgeway.com/investors/omni-bridgeway-glossary> ("Glossary")

<https://omnibridgeway.com/docs/default-source/investors/general/notes-to-qpr.pdf> ("Notes")

The Notes and Glossary contain important information, including definitions of key concepts, and should be read in conjunction with this announcement.

Fund 5 is not consolidated within OBL's Consolidated Financial Statements. Throughout this document, consistent with all funds, Fund 5 is presented at 100% values, with the outside investor portion shown in Non-Controlling Interests (NCI). Within OBL's Consolidated Financial Statements, Fund 5 is brought in at the Group's attributable share of income, assets, and liabilities with no associated NCI.

Commitments and EPV include conditional, and Investment Committee approved investments, whereas IEV excludes them.

This announcement is authorised for release to the market by the Disclosure Committee.

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