

Investment Portfolio Report at 31 December 2023

Omni Bridgeway Limited (ASX: OBL) (**Omni Bridgeway, OBL, Group**) announces its investment performance for the three months ended 31 December 2023 (**2Q24, Quarter**) and for the financial year to date (**FYTD, 1H24**).

Summary

- First close of Fund 4 and Fund 5 series II capital raise on improved cost coverage terms.
- Investment income of A\$187 million in 1H24; A\$32 million provisionally attributable to OBL.
- 10 full completions, 4 partial completions, and a secondary market transaction with an overall MOIC of 2.2x, and an IRR of 56% in 2Q24.
- A\$260 million of new commitments in 1H24 with a corresponding A\$4.5 billion in new EPV.
- Materially improved pricing on new commitments; 38% up on FY23.
- Strong pipeline of new investment opportunities.
- OBL cash and receivables of A\$121 million plus A\$60 million in undrawn debt.
- A\$5.1 billion of possible EPV completions over the next 12 months.
- Review and simplification of communications and disclosures; working towards replacing EPV with a Fair Value measure.

Current and anticipated changes to reporting and disclosures

- As outlined at the 2023 Annual General Meeting (**AGM**), we have reviewed and benchmarked our reporting and disclosure approach to address the market feedback on overall complexity, duration related estimated portfolio value (**EPV**) 'slippage' and EPV conversion volatility. As a result, and in consultation with key stakeholders, we are simplifying and adjusting our disclosures.
- While maintaining quarterly operational reporting, we have elected to reduce granular information in the quarterly Investment Portfolio Reports and to incorporate comprehensive disclosures in the half year and full year reports.
- We have also changed the disclosure relating to the EPV timing profile. The EPV will no longer be allocated to individual financial years but will be provided on a total portfolio basis, and for the 12 month rolling period following the reporting period. The latter will indicate the part of the total portfolio which is assessed as having a reasonable probability of completing within the following 12 months.
- This approach better reflects the timing risk associated with investment completions, which are determined by the courts as well as the litigation and resolution approach of claimants and defendants, neither of which we control and can accurately predict. This also aligns with our legal finance peers, none of whom provide such information in their disclosures.
- We are working towards replacing the EPV with a fair value estimation (**Fair Value**)¹ as a measure of portfolio value, either prior to or at the end of FY24. Fair Value better captures the

¹ Defined as loss adjusted probability weighted NPV of expected investment cash flows.

duration, pricing and other value drivers of legal finance investments, and aligns with disclosures of our peers. We do not intend to change the current basis of presentation for our statutory accounts.

- We furthermore anticipate providing simplified OBL-only financial information, excluding the consolidated external Fund investor's interest² as an additional disclosure in the full year and half year reports, latest at the end of FY24.
- As also announced at the AGM, these and possible further changes will be outlined at an investor day, which is currently anticipated for late March 2024.
- Given the re-set of the portfolio methodology and disclosures, this quarterly report is transitional in nature with future quarterly reports subject to further changes.

Key metrics and developments for the Quarter

Fund capital

- US\$485 million first close of Fund 4 and Fund 5 series II capital raising (**Series II**) completed in 2Q24 on improved cost coverage terms. The continued and additional investment by existing investors³ together with OBL's co-funding⁴ provides a strong base to market the remaining US\$515 million capacity of Series II.
- Series II has been structured to improve the cost coverage received by OBL as manager through the inclusion of transaction fees payable on investments. Transaction fees, comparable to facility fees in traditional lending, are targeted to average around 2.5% to 3.0% of investment commitments and will typically be payable to OBL in the first years of an investment's life cycle. The transaction fees represent a significant improvement on the fee terms of the first series, in line with our stated objective to increase cost coverage contribution from future funds.

Income and completions

- Investment income of A\$187 million generated from A\$147.9 million income recognised and A\$39.1 million income yet to be recognised (**IYTBR**), with A\$32.0 million provisionally attributable to OBL in 1H24 (excluding management and performance fees).
- In 2Q24, a Fund 5 investment with an EPV of A\$805 million had a successful appeal decision pertaining to liability. This has not yet been included in IYTBR as further proceedings on quantum remain.
- During the Quarter, 10 full completions, 4 partial completions and one secondary market transaction had an overall multiple on invested capital (**MOIC**) of 2.2x, and an internal rate of return of 56%.
- In December 2023, OBL completed the sale of a 25% interest in a portfolio of 15 intellectual property (IP) investments in Fund 4 for an initial amount of US\$21.5 million, representing a MOIC of 2.0x of the apportioned aggregated deployments to date.

New commitments

- Our stated targets for FY24 include A\$625 million in new commitments or equivalent value, prioritising value over volume to reflect potential for improved pricing of new commitments.
- New commitments of A\$259.8 million made in 1H24, representing A\$4.5 billion of new EPV (from matters that were newly funded, conditionally approved or had increased investment opportunities). Pricing of the new commitments is approximately 38% higher than FY23, based on the loss adjusted expected net present value per dollar of new commitments.
- This accounts for 42% of the full year commitment goal and compares to an average 47% of commitment target reached as at 31 December over the last three years. On an equivalent

² Referred to as non-controlling interests or NCI in the Group Consolidated Financial Statements (OBL statutory accounts).

³ Refer to OBL's announcement dated 20 June 2019 for further details on these investors.

⁴ OBL's commitment of US\$100 million to each Series II fund is capped at 20% of ultimate fund size (i.e. after further closings).

value basis, due to improved pricing, this accounts for 58% of the full year value generation goal.

- At the date of this report, we also have 23 agreed exclusive term sheets, representing approximately A\$100 million in investment opportunities, which if converted into funded investments is a further 16% of our FY24 commitments target.

Portfolio review

- In December 2023, in conjunction with the development of probabilistic models for the Fair Value transition, we undertook a thorough review of methodology and key assumptions underpinning quantum and duration estimates for all investments. This also allowed us to review the historic possible completion period (**PCP**) and EPV slippage by benchmarking the probabilistic model assumptions against the EPV and PCP.
- Although neither method is necessarily more accurate on a case-by-case basis given the inherent uncertainties of litigation, we have revised EPV and PCP estimates for a part of the portfolio.
- While the revisions led to a combination of positive and negative EPV adjustments, the overall impact was a reduction in EPV of A\$1.3 billion. Completions are inherently uncertain and beyond our control, and investments may still complete as per prior EPV and PCP estimates.
- The resultant EPV (including conditionally funded and investment committee (IC) approved investments) is A\$27.6 billion, down 10% compared to 30 September 2023. Excluding the secondary market disposal in 2Q24, EPV was 8% lower compared to 30 September 2023.
- We do not anticipate the Fair Value of the portfolio to have reduced correspondingly as EPV generally does not capture pricing protection for slippage and other legal investment risks, whereas Fair Value does.
- In line with the indicated changed disclosures on EPV we no longer report EPV with PCP for specific financial years. Accordingly, the A\$4.2 billion EPV with a FY24 PCP together with all other EPV PCPs for later periods, reported in our 1Q24 Investment Portfolio Report dated 30 October 2023, are withdrawn.
- This is replaced by an EPV of A\$5.1 billion which is assessed to possibly complete in the 12 months following the end of the quarter. This 12 month rolling EPV is based on investments which are subject to various stages of (anticipated) settlement discussions or for which an award or a judgment is expected. All or only part of these may actually complete during the 12 month period.

EPV profile

A\$ million	#	Average duration	Possible EPV completion in the next 12 months	Total EPV
Balance sheet	5	8.8 yrs	5	106
Funds 2&3	21	4.6 yrs	1,533	3,097
Fund 4 ¹	45	1.6 yrs	1,183	7,588
Fund 5	70	1.7 yrs	1,631	9,976
Fund 6	141	7.9 yrs	736	3,600
Fund 8 ²	3	0.6 yrs	-	81
Total funded investments	285	5.1 yrs	5,088	24,448
Conditionally funded investments	10			1,394
IC approved investments	19			1,787
Total all investments	314			27,629

1. The IP portfolio in Fund 4 was deconsolidated on 8 December 2023 following the sale of a 25% interest in these investments. The EPV relating to the 75% retained interest of the IP portfolio is included. The residual interest of the IP portfolio in Fund 4 is recognised as an investment in associate in the Group Consolidated Financial Statements.
2. Including investments transferred from the warehouse and investments currently anticipated being transferred.

Cash reporting and financial position

- At 31 December 2023, the Group held A\$120.9 million in cash and receivables (A\$80.9 million in OBL balance sheet cash and A\$40.0 million of OBL share of cash and receivables within Funds) plus access to a further A\$60 million in debt.
- In aggregate, we have approximately A\$181 million to meet operational needs, interest payments, and fund investments before recognising any investment completions, secondary market sales, management and transaction fees, and associated fund performance fees.

Cash and receivables at 31 December 2023

A\$ million	Cash	Receivables	Total
OBL (balance sheet and its portion within Funds) ^{1,2}	94.9	26.0	120.9
External Fund investors' portion within consolidated funds ³	41.2	86.0	127.2
External Fund investors' portion of Fund 5 (unconsolidated fund)	13.1	28.5	41.6
Total	149.2	140.5	289.7

1. Includes Funds 2&3, Fund 4, Fund 6, and Fund 8 and represents OBL's portion of each respective Fund.

2. Includes Fund 5, which is not consolidated within the Group Consolidated Financial Statements, and represents OBL's 20% interest.

3. Includes Funds 2&3, Fund 4, Fund 6, and Fund 8 and represents the external investors' portion of each respective Fund.

1H24 results webcast

Following the release of its results for the six months to 31 December 2023, OBL will host a market briefing at 9:30am AEDT on Thursday 29 February 2024.

To access this event, please register at <https://webcast.openbriefing.com/obl-hyr-2024/>

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/omni-bridgeway-notes-to-quarterly> (**Notes**)

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

The investments of Funds 2&3, Fund 4 and Fund 6 are consolidated within the Group Consolidated Financial Statements, along with the interest of the respective external Fund investors.

The investments of Fund 8 are consolidated within the Group Consolidated Financial Statements.

Fund 1 was deconsolidated on 31 May 2023; its metrics, effective from this date, are not disclosed in this document.

The Fund 4 IP portfolio was deconsolidated on 8 December 2023 following the sale of a 25% interest in these investments. The EPV relating to the 75% retained interest is reflected in the Fund 4 EPV profile.

Fund 1, Fund 5, and Fund 7 are not consolidated within the Group Consolidated Financial Statements; the residual interest in Fund 1 and in the Fund 4 IP portfolio are recognised as an investment in associate, Fund 5 is brought in at the Group's attributable 20% share of income, assets, and liabilities.

Throughout this document, Fund 5 is presented at 100% values (except where otherwise stated) for consistency of presentation across OBL's funds.

Commitments and EPV include conditional, and investment committee approved investments.

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

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About Omni Bridgeway

Omni Bridgeway is the global leader in legal finance and risk management, including dispute and litigation finance from case inception to post-judgment enforcement and recovery.

Listed on the ASX, Omni Bridgeway (ASX:OBL) operates from 26 international locations.