



**FY2016 Full Year Results  
Investor Presentation**

**August 2016**

# OVERVIEW OF IMF BENTHAM LIMITED

*IMF has delivered a MOIC of 1.55x since listing. IMF is continuing to execute its growth strategy including international expansion, diversification and capital management.*

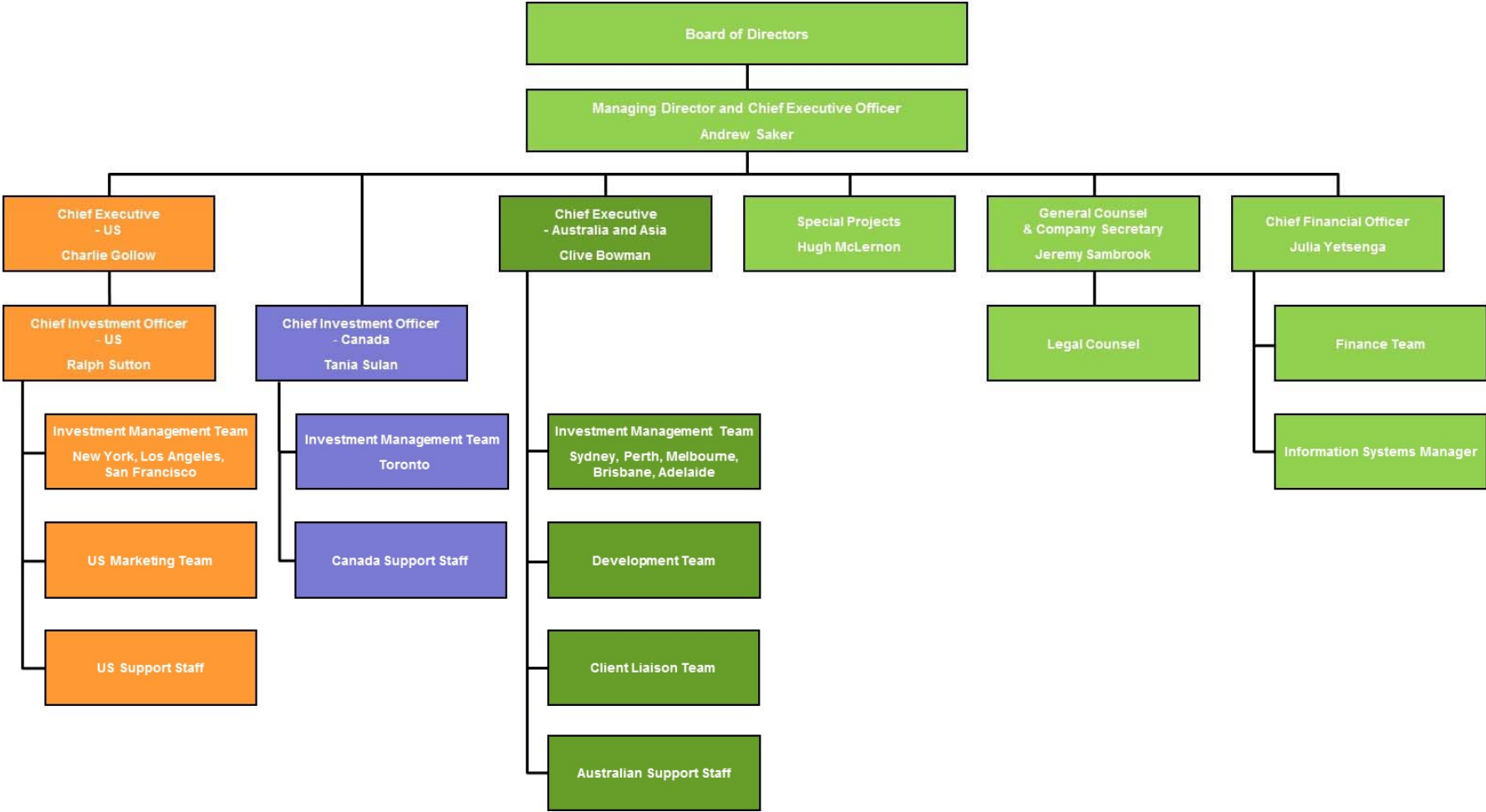
IMF Fast Facts	Detail
<b>A leading global litigation funder</b>	<ul style="list-style-type: none"> <li>Listed on ASX in 2001.</li> <li>Market cap of circa \$280 million at 19 August 2016.</li> <li>IMF has collected more than \$1.8bn for clients since its formation.</li> <li>IMF operates in Australia from offices in Sydney and Perth and smaller offices in each of Melbourne, Brisbane and Adelaide.</li> <li>IMF operates in the US and Canada through its subsidiaries, with offices in New York, Los Angeles, San Francisco and Toronto.</li> </ul>
<b>High margin and MOIC business</b>	<ul style="list-style-type: none"> <li>Average life of each case is 2.4 years, and IMF has delivered, over the past 16 years, a MOIC 1.55x (including cases lost and withdrawn).</li> </ul>
<b>Competitive advantage</b>	<ul style="list-style-type: none"> <li>Quality risk mitigation process – case selection and case management expertise.</li> <li>Demonstrated by results – globally over 16 years only lost 8% of 187 cases (66% settled, 19% withdrew, 7% won at court).</li> </ul>
<b>Unique positioning</b>	<ul style="list-style-type: none"> <li>People with the training, knowledge and scepticism to be successful funders.</li> <li>Significant corporate experience with the risks and pitfalls in litigation funding.</li> <li>Necessary funding to enable a liquid and strong approach to aggressive defendants.</li> </ul>
<b>Barriers to entry</b>	<ul style="list-style-type: none"> <li>Size of costs and duration of large litigation matters, as well as potential for adverse costs (in Australia and Canada), preclude many plaintiffs from funding their own actions.</li> <li>Litigation funding requires specialist skill set.</li> </ul>

# NORTH AMERICAN BUSINESS

*IMF commenced its geographical diversification strategy in 2011 with its first international office in New York.*

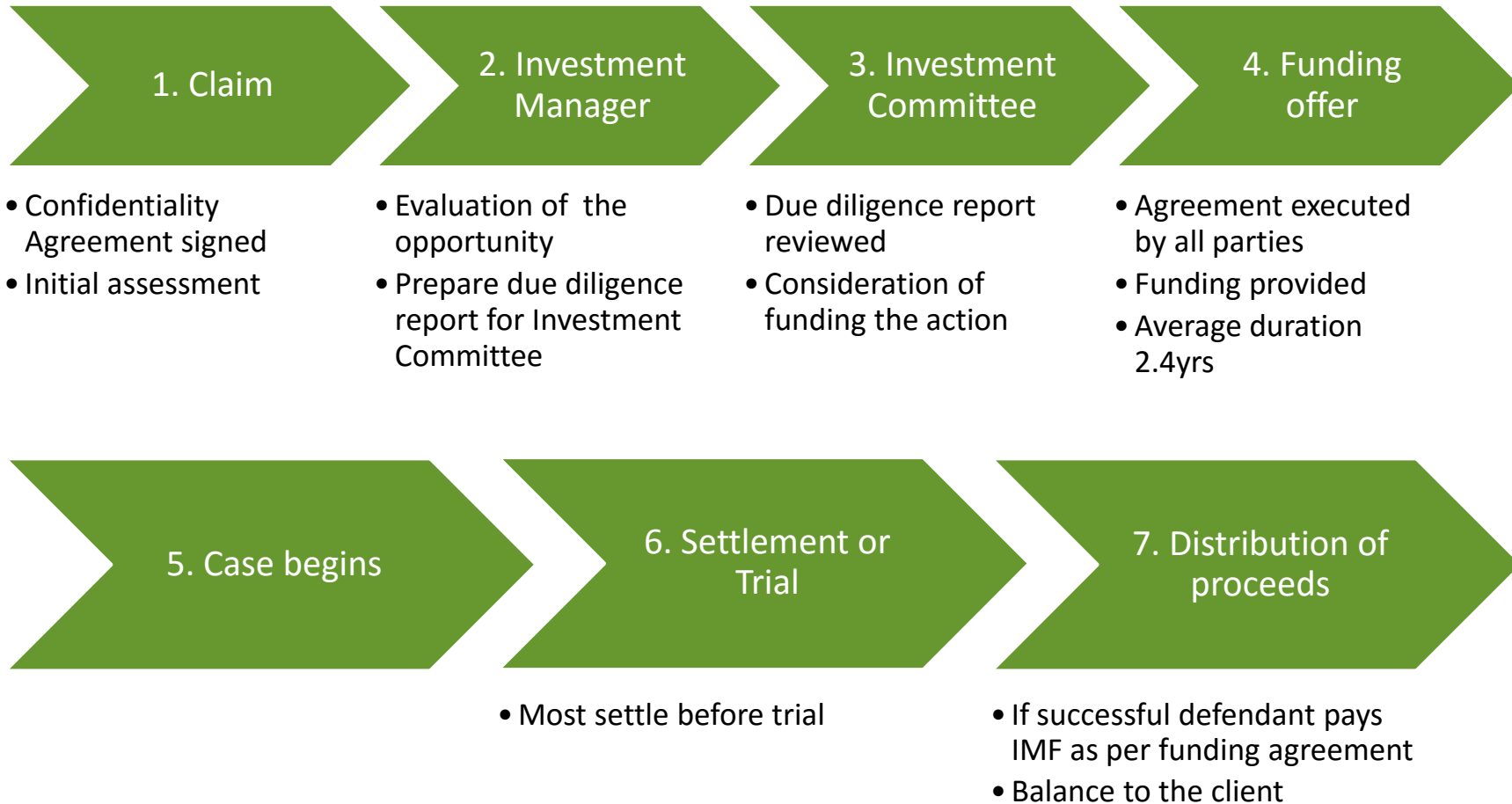
Item	Description
<b>Expanded footprint in US</b>	<ul style="list-style-type: none"> <li>▪ Opened its first office in New York in August 2011.</li> <li>▪ Offices subsequently opened in Los Angeles in September 2013 and San Francisco in May 2015.</li> <li>▪ US business now has 14 staff including six investment managers and five legal counsel, all of whom are former senior litigation attorneys, each of between 15 – 25 years’ legal experience.</li> <li>▪ Canada opened in January 2016 and now has three staff, two of whom are investment managers.</li> </ul>
<b>Established presence</b>	<ul style="list-style-type: none"> <li>▪ 40 cases have been funded since inception to 30 June 2016.</li> <li>▪ 9 of these cases have now been completed.</li> <li>▪ The claim value of the remaining cases funded in the US and Canada at 30 June 2016 was \$1,642M (30 June 2015: \$619M).</li> <li>▪ Gross revenue from completed cases to date of \$54.0M.</li> </ul>
<b>Product offerings</b>	<ul style="list-style-type: none"> <li>▪ US business operates in an environment with contingency fees and limited risk of adverse costs.</li> <li>▪ Required development of product offerings to reflect commercial landscape.</li> <li>▪ Different funding products to Australia although similarly all on a limited recourse basis to underlying litigations cases: client funding using hybrid fee arrangements, funding client operational costs, funding to law firms across a portfolio of cases.</li> <li>▪ Portfolio spread across a variety of case types including commercial, patent, appeal and multi-party.</li> <li>▪ Canada is offering similar types of products notwithstanding the adverse cost environment.</li> </ul>
<b>Disclosure</b>	<ul style="list-style-type: none"> <li>▪ US law concerning whether funders’ communications are protected by privilege inhibit IMF’s usual transparency about its business.</li> <li>▪ IMF commenced assigning case numbers to US matters in its disclosures so investors can trace outcomes.</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>▪ Growing competition in the US market, but anecdotally we understand market knowledge of litigation funding remains at a relatively early stage, but increasing.</li> </ul>

# ORGANISATION CHART



# INVESTMENT PROCESS – 7 steps

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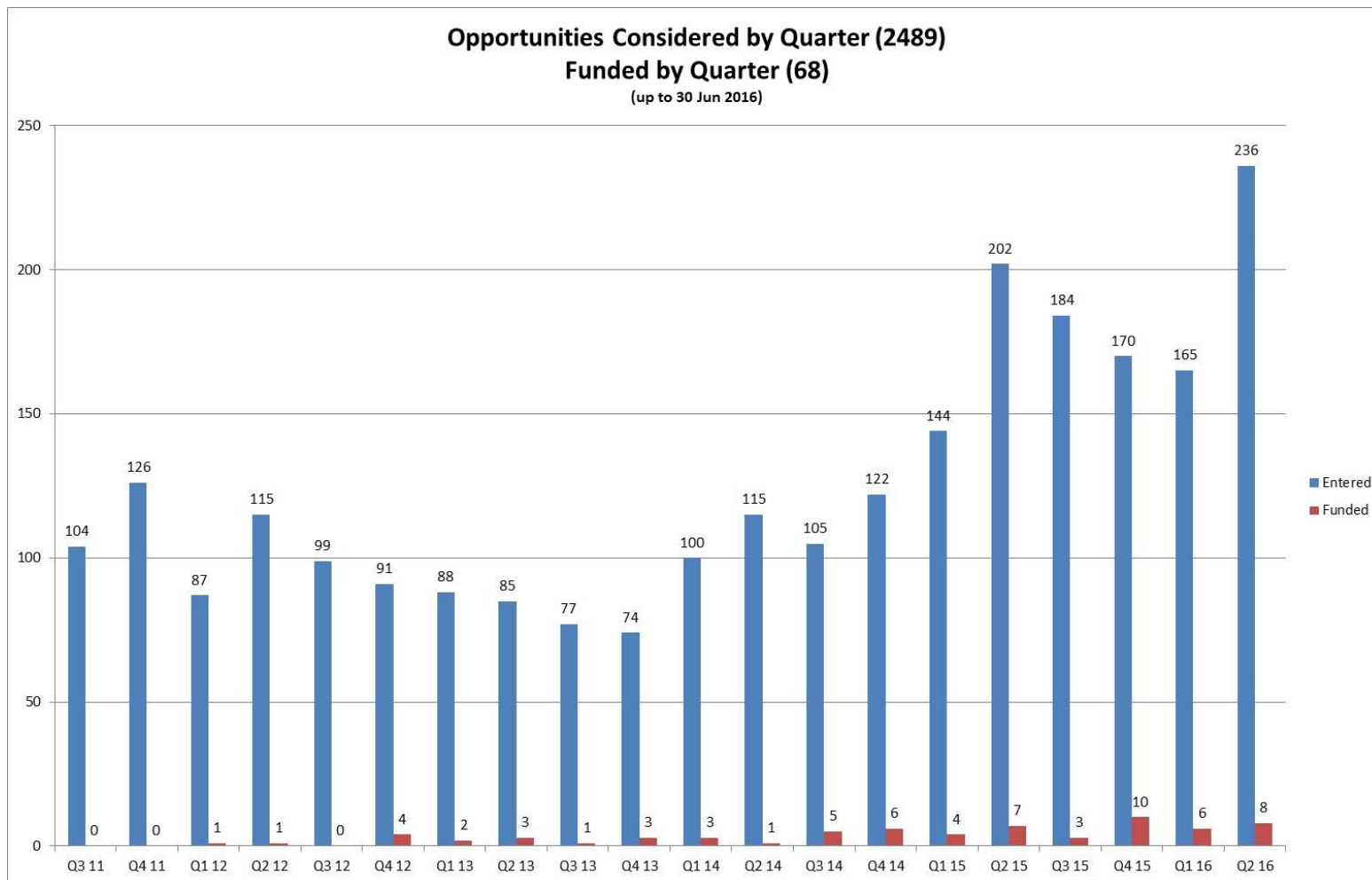


# CONSISTENT RISK MANAGEMENT

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- Risk management process includes:
  - Case selection,
  - Investment Committee review, and
  - Case Management.
- Case selection must meet minimum legal, factual and commercial criteria before recommendation to the Investment Committee.
- Rigorous Investment Committee process to challenge legal and factual issues by an internal group comprising experienced litigators and commercial staff.
- Case management by experienced Investment Managers (former legal practitioners and Counsel).
- No material changes to this process since IMF's inception.
- Resulted in 90% success rate on a large number of cases (excluding withdrawals).

# OPPORTUNITIES vs FUNDING (IMF Bentham Group)



# AGENDA

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1. Result overview and FY16 Highlights

2. Financial Performance

3. Outlook & Key Priorities

4. Appendices



# RESULT OVERVIEW and HIGHLIGHTS

	FY2014	FY2015	FY2016	FY2016 v FY2015
Contract Income	\$75.9M	\$92.3M	\$99.7M	▲ 8%
Litigation Expenses	\$(34.5)M	\$(49.1)M	\$(33.9)M	▼ 31%
Losses	\$(16.1)M	\$(28.6)M	\$(12.9)M	▼ 55%
Net Income (from cases)	\$25.3M	\$14.6M	\$53.0M	▲ 263%
Total Revenue	\$27.9M	\$27.1M	\$56.4M	▲ 108%
Operating Expenses	\$(12.3)M	\$(17.9)M	\$(30.4)M	▲ 70%
EBIT	\$15.6M	\$9.2M	\$26.0M	▲ 183%
NPBT	\$15.6M	\$9.2M	\$23.3M	▲ 153%
NPAT (underlying)	\$9.9M	\$6.3M	\$20.8M	▲ 232%
EPS	6.56	3.78	12.38	▲ 228%
DPS	10 cents	10 cents	7.5 cents	▼ 25%
ROE	5.16%	3.39%	10.30%	
Net Asset Backing	\$1.16	\$1.11	\$1.19	▲ 7.2%
Net Cash	\$57.8M	\$81.9M	\$63.0M	▼ 23%
Case Investment (Intangibles)	\$98.6M	\$99.5M	\$145.6M	▲ 46%
Value of Investment Portfolio	\$2.07BN	\$2.00BN	\$3.44BN	▲ 72%

# INVESTMENT PORTFOLIO AT 30 JUNE 2016

*IMF has generated average gross revenue in excess of 15% of the portfolio value at the time the matter is completed.*

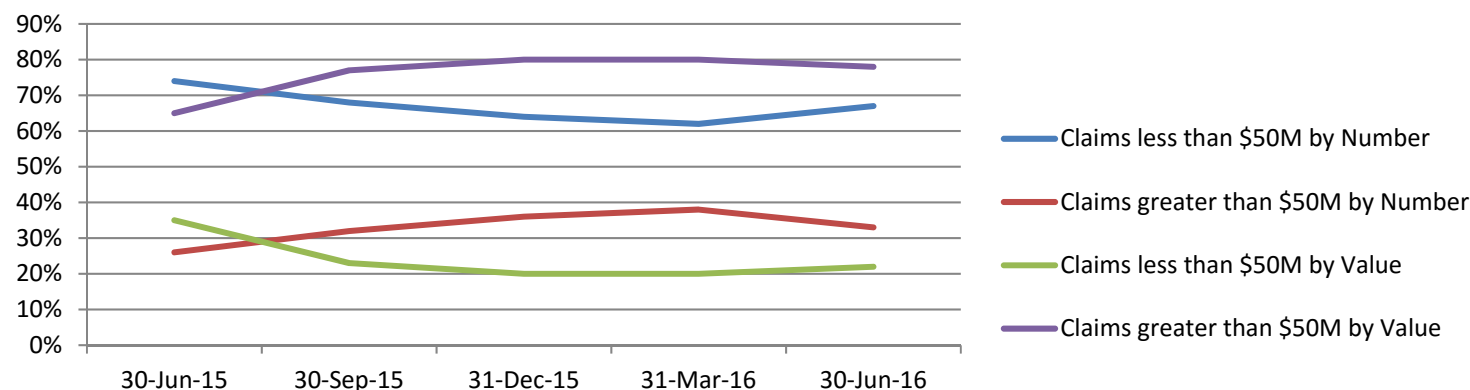
Claim value range	(a) Estimated claim value \$'000	Number of cases	Proportion of total value	(b) Possible completion FY2017 \$'000	(b) Possible completion FY2018 \$'000	(b) Possible completion FY2019 and later \$'000
Less than \$50M	760,982	36	22%	203,318	432,699	124,965
Between \$50M and \$100M	465,184	7	14%	94,262	140,796	230,126
Greater than \$100M	2,211,843	11	64%	434,943	1,027,263	749,637
<b>Total Portfolio</b>	<b>3,438,009</b>	<b>54</b>	<b>100%</b>	<b>732,523</b>	<b>1,600,758</b>	<b>1,104,728</b>
Australia and Asia cases	1,796,080	24	52%	460,500	1,053,580	282,000
USA and Canada cases	1,641,929	30	48%	272,023	547,178	822,728
<b>Total Portfolio</b>	<b>3,438,009</b>	<b>54</b>	<b>100%</b>	<b>732,523</b>	<b>1,600,758</b>	<b>1,104,728</b>

- (a) The **Estimated Claim Value** is IMF's current best estimate of the claims recoverable amount (or remaining recoverable amount if there has been a partial recovery). It considers, where appropriate, the perceived capacity of the defendant to pay the amount claimed. It is not necessarily the same as the amount being claimed by IMF's client/s in the case and calculation methodologies may vary in different regions. It is also not the estimated return to the Group from the case if it is successful. The value may vary over time for a number of reasons, including in respect of non-Australian cases, fluctuations in the exchange rate between the applicable local currency and the Australian dollar. No estimated claim value has been included for any contingently funded cases until all conditions are fulfilled.
- (b) The **Possible Completion** period is IMF's current best estimate of the period in which the case may be finalised. The case may finalise earlier or later than in this period. Completion means finalisation of the litigation by either settlement, judgement or arbitrator determination, for or against the funded client. It may not follow that the financial result will be accounted for in the year of finalisation. Completion period estimates are prepared at case inception and reviewed and updated where necessary on a quarterly basis.

# IMPLEMENTATION OF STRATEGY

- We have achieved a number of key outcomes:
  - Increased geographic footprint in North America with the opening of our office in Canada in January 2016;
  - Increased the number of matters funded from 39 to 54 and the portfolio from \$2.0BN to \$3.4BN;
  - Increased our infrastructure, with staff numbers growing from 42 to 56.
- Matters with claims greater than \$50M now represent 78% of our portfolio, up from 65% in June 2015. We are continuing to work towards reducing the average size of our cases as part of our risk diversification strategy.

**IMF Quarterly Case Portfolio %**



- We have restructured our insolvency and small claims team and expect to see a change in the mix of small cases in the next 6 to 12 months.

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# PROFIT AND LOSS STATEMENT 30 JUNE 2016

	\$'000
Revenue	3,448
Other income	52,971
Finance costs	(596)
Depreciation expense	(451)
Employee benefits expense	(20,784)
Corporate and office expense	(7,212)
Other expenses	(1,361)
<b>Profit Before Tax from Continuing Operations</b>	<b>26,015</b>
Income tax expense	(5,255)
<b>Net Profit from Continuing Operations</b>	<b>20,760</b>
<b>Discontinued Operations</b>	
Profit after tax from discontinued operations	160
<b>Profit for the year</b>	<b>20,920</b>


OTHER INCOME	\$'000
Litigation settlements and judgments	99,797
Litigation expenses	(22,540)
Litigation written-down	(11,389)
<b>Net gain on derecognition of intangible assets</b>	<b>65,868</b>
Loss on derecognition of intangible assets/receivables as a result of losing a matter or appeal	(12,923)
Other income	26
<b>Total Other Income</b>	<b>52,971</b>

EMPLOYEE EXPENSES	\$'000
Gross employee expenses	26,779
Capitalised employee expenses	(5,995)
<b>Employee benefits expense</b>	<b>20,784</b>

- IMF's earnings from litigation are included in other income due to the accounting treatment of IMF's cases as intangible assets.
- Litigation written down includes expenses relating to the group's initial assessment of cases and cases not pursued by the group.
- Gross employee expenses includes expenses relating to new employees, bonus, share performance rights and restructuring costs. A portion of these costs are capitalised to matters.

# BALANCE SHEET 30 JUNE 2016

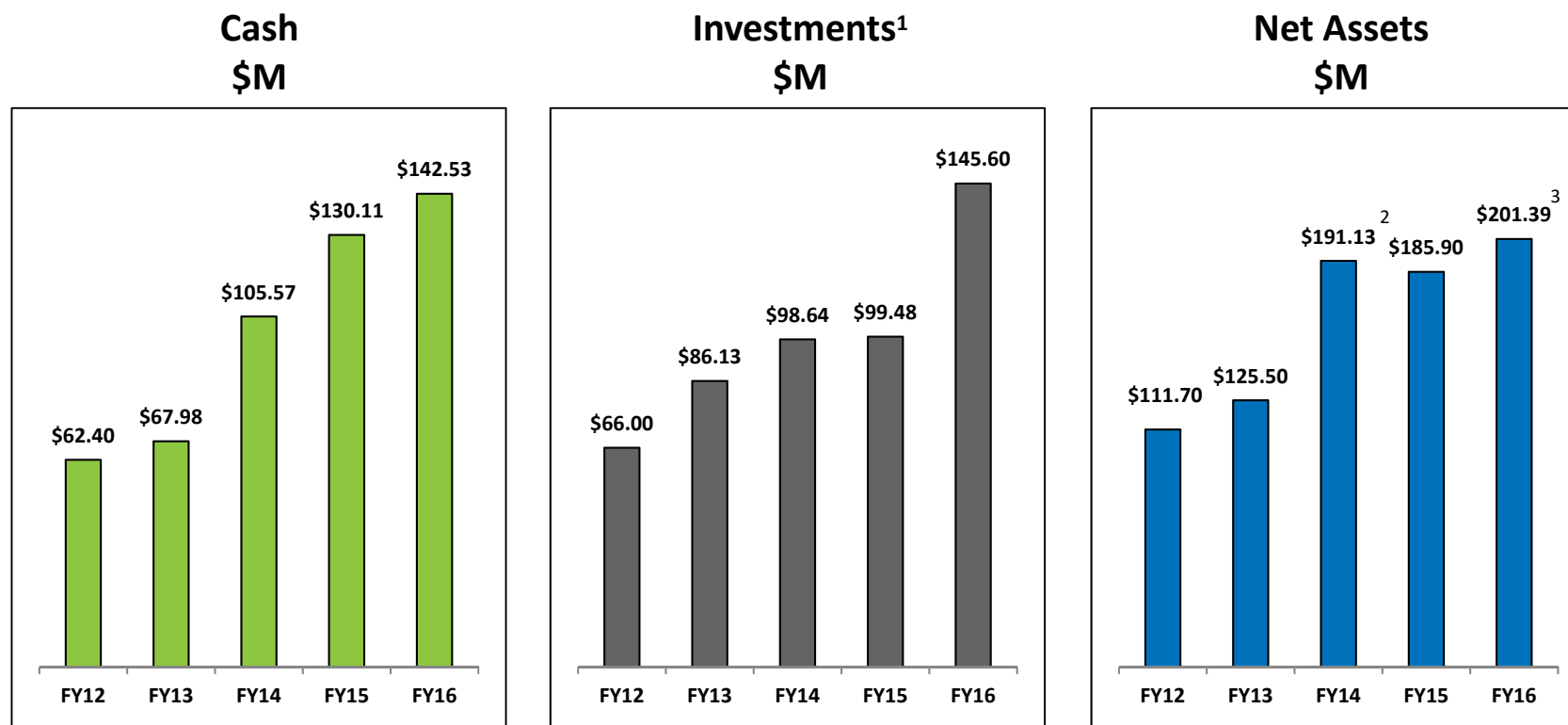
	\$'000
<b>ASSETS</b>	
Cash and cash equivalents	142,529
Trade and other receivables	49,207
Intangible assets	145,634
Other assets	2,145
<b>TOTAL ASSETS</b>	<b>339,515</b>
<b>LIABILITIES</b>	
Trade and other payables	15,250
Employee provisions	19,535
Interest-bearing loans and borrowings	79,504
Deferred tax liabilities	18,709
Other Liabilities	5,129
<b>TOTAL LIABILITIES</b>	<b>138,127</b>
<b>NET ASSETS</b>	<b>201,388</b>
<b>TOTAL EQUITY</b>	<b>201,388</b>



INTANGIBLE ASSETS	\$'000
Capitalised external costs	119,472
Capitalised internal costs	17,565
Capitalised borrowing costs	8,597
<b>TOTAL INTANGIBLE ASSETS</b>	<b>145,634</b>

- IMF accounts for its cases as intangible assets at cost, only recognising revenue when the matter has resolved.
- Capitalised internal costs comprise directly attributable costs of managing the litigation, including salaries.
- As the matters meet the definition of qualifying assets under the accounting standards, 100% of borrowing costs are capitalised to matters.

# BALANCE SHEET STRENGTH



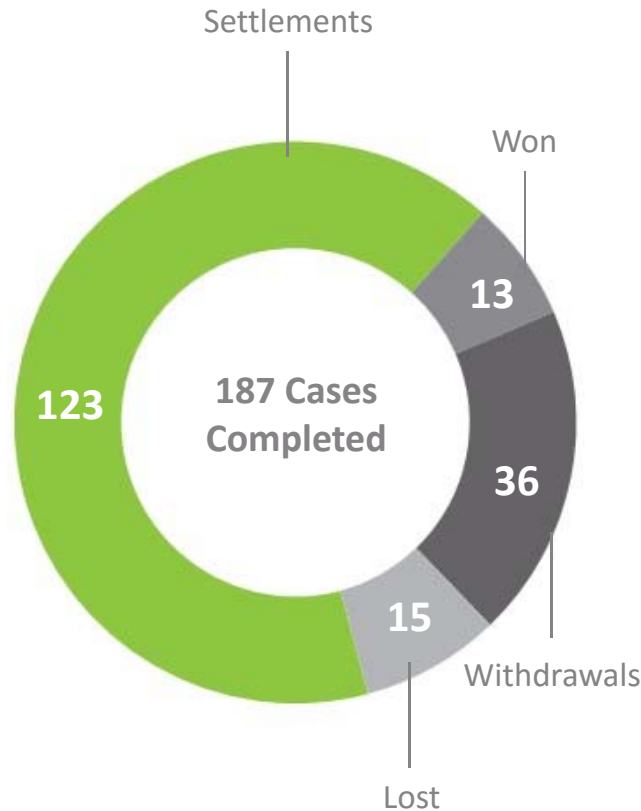
1 Investments includes capitalised overheads relating to the litigation.

2 IMF raised capital during FY2014 totalling \$42,031,791 through its institutional placement and share placement plan. A further \$27,631,244 in equity was raised through convertible noteholders converting into shares, and convertible note redemptions totalled \$11,180,756 as a result of the early redemption of the convertible notes. In addition, \$1,673,477 was raised from shareholders participating in the dividend reinvestment plan. IMF raised \$50M in debt through the issuance of the Bentham IMF Bonds.

3 IMF raised capital during FY2016 totalling \$32 million through the issue of fixed rate notes.

# FUNDING TRACK RECORD

## IMF's track record to 30 June 2016



### Summary

- **187** cases commenced and completed since listing.
- MOIC of 1.55x.
- Average investment period of 2.4 years.
- Generated total revenue of \$1,847M:
  - \$1,162M to Clients (63%);
  - \$685M to IMF comprising:
    - \$268M reimbursement of costs (14%); and
    - \$417M net revenue to IMF (excluding overheads) (23%);
- Lost cases cost \$47M including adverse costs paid and provisions raised (3 cases subject to appeal).
- Withdrawals cost \$5M.
- Losses and withdrawals cost 8% of IMF revenue.

*Note:*

MOIC (multiple on invested capital) is calculated as gross income to IMF less all cost reimbursements divided by total expenditure, and excludes overheads.



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## EUROPEAN EXIT

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- In July 2016 IMF completed the sale of its interest in the European JV to its former JV partner for €4.01M, recognising a profit before tax on disposal of approximately \$4M. IMF is now restrained from funding in certain parts of Europe for a period of 12 months.
- IMF entered into the JV with a view to mitigating the cost and risk associated with commencing operations in Europe.
- IMF was investing approximately \$3M per annum into the JV to fund operating costs, and committed to jointly fund two large and complex pieces of litigation.
- As a consequence of the sale, IMF no longer has the cash drain of the operations or the litigation, and can refocus on its growth areas.
- IMF may reconsider re-entering the European market after the restraint period, the form and structure of which is yet to be determined.

# GROWTH STRATEGY

- The Company’s focus for the next 12 months includes:
  - Further geographic expansion requiring the assessment of additional offices in the US and possibly in Asia where IMF is currently funding two cases in Hong Kong
  - Consider new products to be launched including a family law offering in Australia and arbitration funding on a global basis
  - Continue to accelerate the number and diversity of funded cases
- Funding for new cases:

DESCRIPTION	FY2014	FY2015	FY2016	FY2016	FY2017	FY2018
	Actual	Actual	Projected	Actual	Projected	Projected
Cases funded	8	21	37	27	54	61
Funds committed (A\$)	\$42M	\$54M	\$86M	\$81M	\$107M	\$123M

# CAPITAL MANAGEMENT

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- One of key priorities for FY17 will be implementing a capital management plan to fund US investments.
- Exploring opportunities with placement agents and US lawyers.
- Key benefits for IMF include risk mitigation, improved returns to shareholders through an alternative revenue source as a manager of other peoples' money.
- Too early to comment on economics or structure.

# AGENDA

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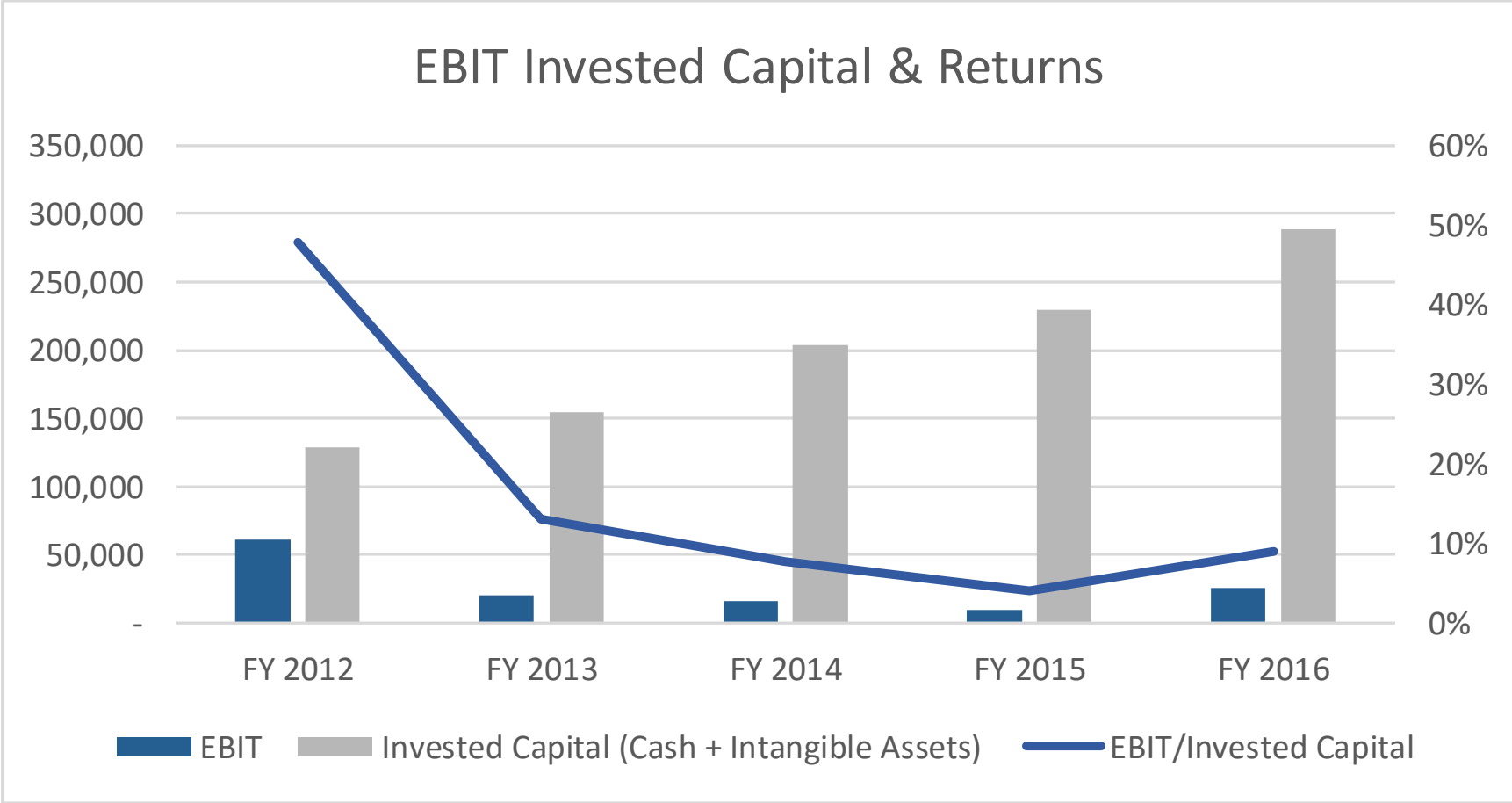
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# EBIT INVESTED CAPITAL & RETURNS



# NPAT, EQUITY AND ROE

