

# HALF-YEAR RESULTS

FY2020

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Half-Year Ended  
31 December 2019

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# First Half Highlights

## What worked:

### Purchased Omni Bridgeway:

- Completed strategic expansion in Europe
- Successfully raised equity to facilitate the purchase
- Changed name

### Refinanced Debt:

- Extended maturity profile
- Aligned covenants across debt facilities
- Reduced borrowing rate

### Successful Wivenhoe Judgement:

- Significant step towards successful completion

### Financials:

- Material number of conditional and unconditional completions during the half year
- \$152m of proceeds
- \$50m of NCI extinguished
- \$761m of investments (made largest individual investment)
- Interim dividend of 3.0 cents per share

## What didn't:

- Deferred completion of significant Wivenhoe investment
- Modest returns on some case completions
- The loss of two investments

## Other:

- Common Fund Orders
- Contingency Fees

## FY2020 – more to come

AUD (millions)	Balance sheet	Fund 1	Funds 2&3	Fund 4	Fund 5	Fund 6	Total
<b>Recognised income</b>							
Completed investments	37.9	42.8	12.7	29.5	-	8.7	131.6
Ongoing investments	12.3	7.1	0.5	-	-	-	19.9
<b>Total income recognised</b>	<b>50.2</b>	<b>49.9</b>	<b>13.2</b>	<b>29.5</b>	<b>-</b>	<b>8.7</b>	<b>151.5</b>
<b>Income yet to be recognised</b>							
Binding conditional settlements	12.0	-	-	-	-	-	12.0
Successful judgements	149.6	7.8	-	-	-	-	157.4
<b>Total income yet to be recognised</b>	<b>161.6</b>	<b>7.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169.4</b>

- A further \$169.4m gross income that is pending possible recognition during the remainder of FY2020 from four investments that have completed prior to 31 December 2019 (including Wivenhoe<sup>1</sup>).
- It is expected that additional investment completions will also occur in the second half of FY2020.

<sup>1</sup> For further information see slide 18 and IMF's announcement dated 2 December 2019 *Brisbane Floods Class Action Judgment*. Please note the estimated income is subject to the outcome of any appeals and the timing of the recognition of the income remains uncertain.

## Individual Case Performance

Name	Commence date	Initial commitment amount <sup>1</sup> A\$'000	EPV A\$'000	Litigation funding contracts – proceeds A\$'000	Litigation funding contracts – derecognition (incl. capitalised overhead) A\$'000	Net gain on derecognition of intangible assets (incl. capitalised overhead) A\$'000	Attributed to IMF A\$'000	Attributed to NCI A\$'000	ROIC (incl. capitalised overhead) x	ROIC (excl. overhead) x	IRR (excl. overhead) %
Pfizer	18/09/2017	4,534	11,076	-	(6,600)	(6,600)	(6,600)	-	(1.0x)	(1.0x)	-
Forge securities	20/02/2014	5,678	16,500	7,957	(5,681)	2,276	2,276	-	0.4x	0.9x	29%
Confidential	24/02/2014	1,040	6,000	-	(1,955)	(1,955)	(1,955)	-	(1.0x)	(1.0x)	-
Confidential	27/02/2015	7,221	43,000	9,460	(9,181)	279	279	-	0.0x	0.2x	9%
UGL securities	31/03/2017	5,320	18,000	9,188	(5,736)	3,452	3,452	-	0.6x	0.8x	59%
Sirtex Medical Group	19/12/2017	6,235	50,000	11,344	(4,810)	6,534	6,534	-	1.4x	1.7x	107%
AET/SEAS Sapfor	09/05/2017	2,489	78,000	11,934	(2,791)	9,143	9,143	-	2.3x	3.0x	n/a (incomplete)
Other				366	(1,483)	(1,117)	(1,117)	-			
<b>Balance sheet investments</b>		<b>32,517</b>	<b>222,576</b>	<b>50,249</b>	<b>(38,237)</b>	<b>12,012</b>	<b>12,012</b>	<b>-</b>	<b>0.3x</b>	<b>0.5x</b>	
Confidential	28/11/2017	15,773	189,282	32,092	(20,502)	11,590	(283)	11,873	0.6x	0.6x	26%
Confidential	18/04/2019	6,974	93,026	10,751	(7,477)	3,274	(74)	3,348	0.4x	0.5x	71%
Other				7,051	(8,862)	(1,811)	(304)	(1,507)			
<b>Fund 1</b>		<b>22,747</b>	<b>282,308</b>	<b>49,894</b>	<b>(36,841)</b>	<b>13,053</b>	<b>(661)</b>	<b>13,714</b>	<b>0.4x</b>	<b>0.4x</b>	
Confidential	26/10/2018	1,621	22,000	500	(486)	14	-	14	0.0x	0.0x	n/a (incomplete)
Murray Goulburn	29/06/2018	5,439	42,000	12,661	(3,119)	9,542	(528)	10,070	3.1x	3.9x	624%
Other				-	(80)	(80)	(78)	(2)			
<b>Funds 2&amp;3</b>		<b>7,060</b>	<b>64,000</b>	<b>13,161</b>	<b>(3,685)</b>	<b>9,476</b>	<b>(606)</b>	<b>10,082</b>	<b>2.4x</b>	<b>2.9x</b>	
Confidential	21/06/2019	25,990	200,988	29,465	(25,384)	4,081	960	3,121	0.2x	0.2x	149%
Other				-	(15)	(15)	(4)	(11)			
<b>Fund 4</b>		<b>25,990</b>	<b>200,988</b>	<b>29,465</b>	<b>(25,399)</b>	<b>4,066</b>	<b>956</b>	<b>3,110</b>	<b>0.2x</b>	<b>0.2x</b>	
Other				-	(3)	(3)	(3)	-			
<b>Total</b>		<b>88,314</b>	<b>769,872</b>	<b>142,769</b>	<b>(104,162)</b>	<b>38,607</b>	<b>11,701</b>	<b>26,906</b>	<b>0.4x</b>	<b>0.5x</b>	

<sup>1</sup> excludes overheads

## Omni Bridgeway Contribution (since 8 November)

	#	OB cost @	Consolidated	OB cost since	Proceeds	Omni Bridgeway			Consolidated Group		
		acquisition	PPA value	acquisition		Profit / (loss)	ROIC	IRR <sup>1</sup>	Profit / (loss)	ROIC <sup>2</sup>	IRR <sup>3</sup>
		\$m	\$m	\$m		\$m	x	%	\$M	x	%
<b>Opening</b>	<b>230</b>	<b>61.5</b>	<b>164.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Additions and ongoing	7	n/a	n/a	(2.0)	0.2	(1.8)	(0.9)	n/a (incomplete)	(1.8)	(0.9)	n/a (incomplete)
Completions	(6)	(2.6)	(6.4)	(0.2)	8.5	5.7	2.0	118%	2.0	0.3	50%
Withdrawals	(2)	(0.6)	0.2	(0.3)	-	(0.9)	(1.0)	n/a (loss)	(0.1)	(1.0)	n/a (loss)
<b>Closing</b>	<b>229</b>	<b>58.3</b>	<b>158.4</b>	<b>(2.5)</b>	<b>8.7</b>						

- 6 investments have completed, with the group generating revenue of \$8.7m. From an IMF purchaser perspective, this represents a crystallisation of over 5% of our share of the fair value of the total purchased portfolio and reflects 10% of the closing cash consideration.
- 7 new investments have been made, with another 8 investments approved but not yet funded.

<sup>1</sup> Omni Bridgeway IRR calculated from inception of investment

<sup>2</sup> Consolidated Group ROIC is calculated based on PPA value plus costs incurred subsequent to acquisition

<sup>3</sup> Consolidated Group IRR is calculated from date of acquisition

## Sources and Applications of Cash

	1HY 2020	2HY 2019	1HY 2019	2HY 2018
	\$m	\$m	\$m	\$m
<b>Cash generation</b>				
Proceeds from litigation funding – intangible assets	91.0	19.3	23.9	15.4
Proceeds from litigation funding – other litigation assets	8.7	-	-	-
95% of Omni Bridgeway operating costs	3.3	-	-	-
Net interest	(3.9)	(2.2)	(2.4)	(3.1)
Other income	0.8	-	-	-
Movement in receivables	62.1	(0.4)	(8.4)	10.6
	<b>162.0</b>	<b>16.7</b>	<b>13.1</b>	<b>22.9</b>
<b>Cash burn</b>				
Operational cash expenditure	(34.1)	(32.9)	(31.5)	(23.2)
Transaction costs - purchase of Omni Bridgeway (one-off)	(4.8)	-	-	-
Professional advisors (one-off)	(0.3)	(0.9)	(0.7)	-
Income tax received / (paid)	-	4.6	(1.1)	(2.4)
	<b>(39.2)</b>	<b>(29.2)</b>	<b>(33.3)</b>	<b>(25.6)</b>
<b>Net cash generation</b>	<b>122.8</b>	<b>(12.5)</b>	<b>(20.2)</b>	<b>(2.7)</b>
<b>Cash and net receivables</b>				
Balance Sheet	168.3	132.4	195.1	134.2
Funds	48.1	93.6	38.2	26.0
OB	46.3	-	-	-
Movement in receivables	62.1	(0.4)	(8.4)	10.6
	<b>324.8</b>	<b>225.6</b>	<b>224.9</b>	<b>170.8</b>

- IFRS reporting requires the deferral of income until recovery is certain, and in some instances the acceleration of the recognition of some expenses and the capitalisation of others.
- Net cash generation identifies cash inflows from completions and deducts cash expenses during the period.

Net cash generation is categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information, issued in December 2011. This information has not been audited or reviewed.

# Operating Expenditure

	1HY 2020	2HY 2019	1HY 2019	2HY 2018
	\$m	\$m	\$m	\$m
<b>As per Profit and Loss Statement</b>				
Claims portfolio expense	(6.2)	-	-	-
Finance costs	(1.0)	(0.1)	(0.1)	(0.1)
Depreciation expense	(1.3)	(0.3)	(0.4)	(0.3)
Employee benefits expense	(17.7)	(14.4)	(14.1)	(11.2)
Corporate and office expense	(11.7)	(7.3)	(5.5)	(3.7)
Other expenses	(4.9)	(8.6)	(2.7)	(0.8)
	(42.8)	(30.7)	(22.7)	(16.1)
<b>Include: Capitalised items</b>				
Employee costs	(4.0)	(3.8)	(3.5)	(3.1)
Borrowing costs	(5.7)	(5.9)	(4.2)	(4.7)
Overheads	(0.2)	(0.6)	(0.6)	(0.6)
	(9.9)	(10.3)	(8.3)	(8.4)
<b>Deduct: Non-cash items &amp; one-offs</b>				
Claims portfolio expense	6.2	-	-	-
95% of Omni Bridgeway operating costs	3.3	-	-	-
Transaction costs - purchase of Omni Bridgeway	4.8	-	-	-
Professional advisors	0.3	0.9	0.7	-
Depreciation expense	1.3	0.3	0.4	0.3
Net foreign exchange (gain) / loss	1.3	(0.8)	(3.5)	1.0
Impairment	1.4	7.7	1.9	-
	18.6	8.1	(0.5)	1.3
<b>Operational cash expenditure</b>	<b>(34.1)</b>	<b>(32.9)</b>	<b>(31.5)</b>	<b>(23.2)</b>
% of net assets	4.5%	6.4%	6.8%	6.3%

- Operating expenditure has increased period on period reflecting our strategy to diversify, establish new offices in new jurisdictions and to address competition.
- Actual cash costs have increased 3.6% from the last half.
- In the current period, there are a number of expenses associated with the Omni Bridgeway merger, including:
  - Claims portfolio expense relates to costs of matters completed in the Omni portfolio;
  - Omni Bridgeway costs are the operating costs reimbursed by Fund 6/7; and
  - Transaction costs and professional advisor fees were higher because of the merger and capital raise
- LTIP relating to the FY2020 issue was not accrued for the period because of the delay in issuing performance rights until after shareholder approval at the EGM.
- As we have now established the platform, we are focussed on completing and adequately resourcing the integration whilst looking to extract cost synergies and savings globally.

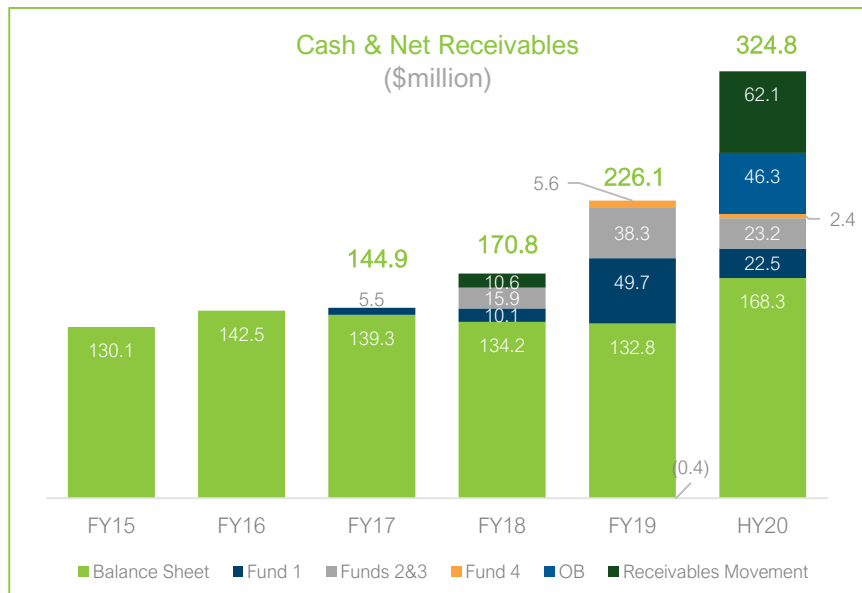
# Financial Results Overview

	1HY 2020	2HY 2019	1HY 2019	2HY 2018	% move from prior half
	\$m	\$m	\$m	\$m	
Litigation contract income	142.8	19.7	15.3	22.4	▲624%
Revenue from cases	8.7	-	-	-	▲100%
Litigation expenses	(104.2)	(25.9)	(13.3)	(18.8)	▲302%
Net gain / (loss) (from investments)	47.3	(6.2)	2.0	3.6	▲862%
Management & performance fees	0.5	0.1	-	-	
Other income (incl foreign exchange & interest)	2.5	3.7	6.2	6.7	
Impairment	(1.4)	(7.7)	(1.9)	-	▼82%
Other net operating expenses	(41.5)	(23.0)	(20.8)	(16.1)	▲80%
<b>Profit / (loss) before tax</b>	<b>7.4</b>	<b>(33.2)</b>	<b>(14.5)</b>	<b>(5.7)</b>	<b>▲122%</b>
Income tax benefit / (expense)	(2.5)	7.4	4.1	2.3	
<b>Profit / (loss) after tax</b>	<b>4.9</b>	<b>(25.8)</b>	<b>(10.4)</b>	<b>(3.5)</b>	<b>▲119%</b>
Other comprehensive income	8.6	(1.2)	11.9	7.8	▲814%
<b>Total comprehensive income / (loss)</b>	<b>13.5</b>	<b>(27.0)</b>	<b>1.5</b>	<b>4.4</b>	<b>▲150%</b>
Attributable to NCI	30.1	(26.6)	(11.4)	(5.0)	
Attributable to parent	(16.6)	(0.3)	12.9	9.4	
Cash and net receivables	324.8	226.1	224.9	170.8	▲44%
Litigation contracts in progress (intangible assets)	514.6	427.0	371.4	321.3	▲21%
Other litigation investment assets	107.6	-	-	-	▲100%
<b>Net assets</b>	<b>758.4</b>	<b>515.5</b>	<b>460.4</b>	<b>367.8</b>	<b>▲47%</b>
Net asset backing (\$ per share)	3.0	2.5	2.3	2.1	▲21%
Estimated Portfolio Value (\$b) (excl Omni Bridgeway)*	9.7	8.0	6.4	5.6	▲22%
Number of investments (excl Omni Bridgeway)	85	83	80	75	▲2%
Number of Omni Bridgeway investments	229	-	-	-	
Dividend declared	3.0	-	-	-	

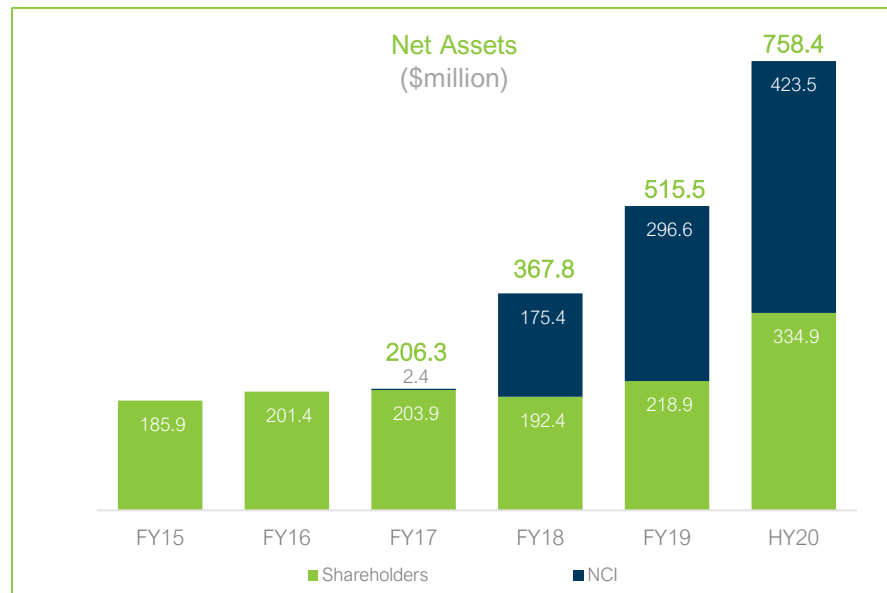
\* Estimated Portfolio Value (EPV) refers to the IMF investments as the data for Omni Bridgeway investments is not available.



## Balance Sheet Strength

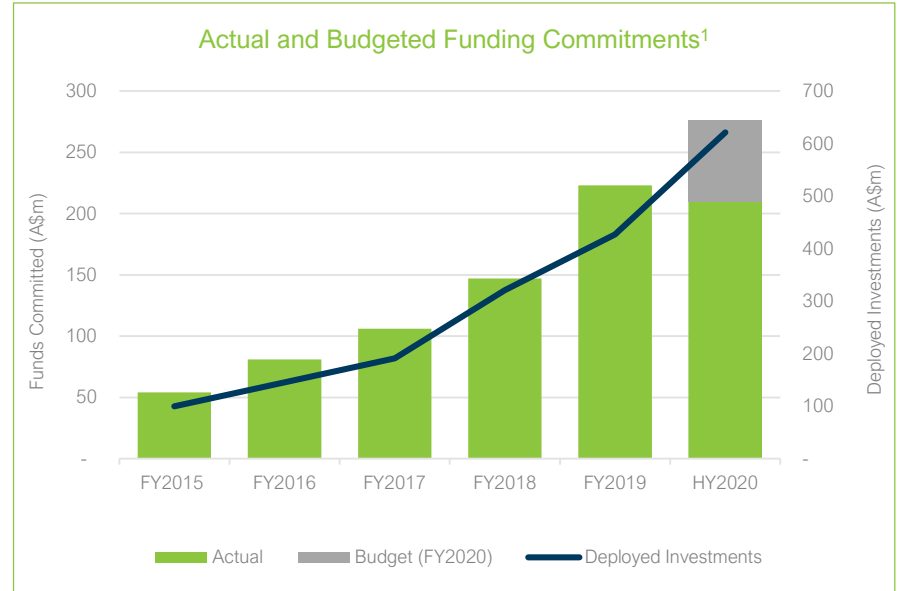
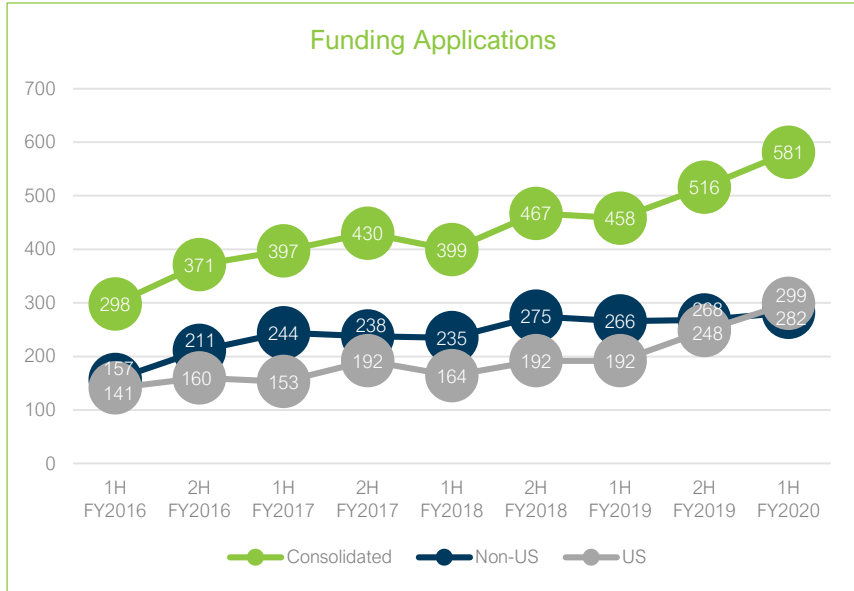


Cash & net receivables up 44% from FY19 to \$324.8m



Net assets up 47% from FY19 to \$758.4m

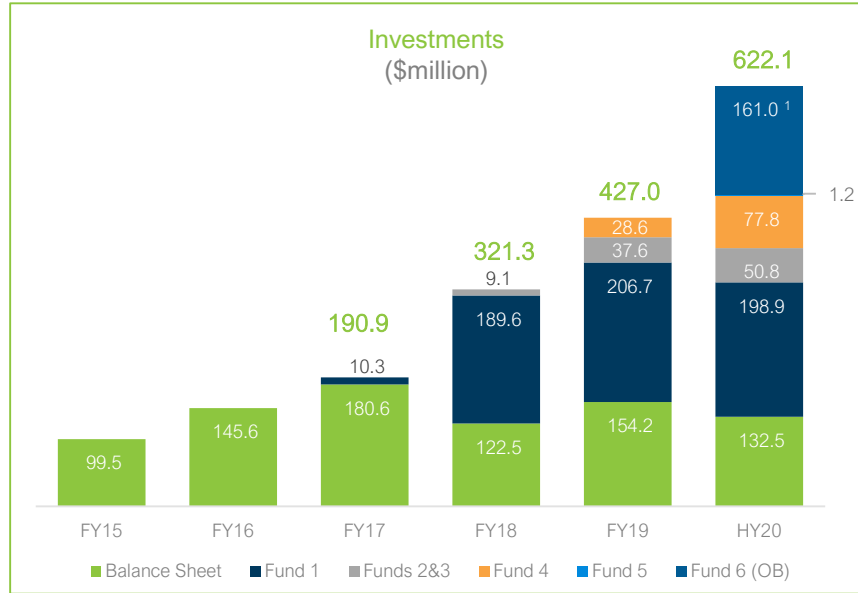
# Funding Funnel



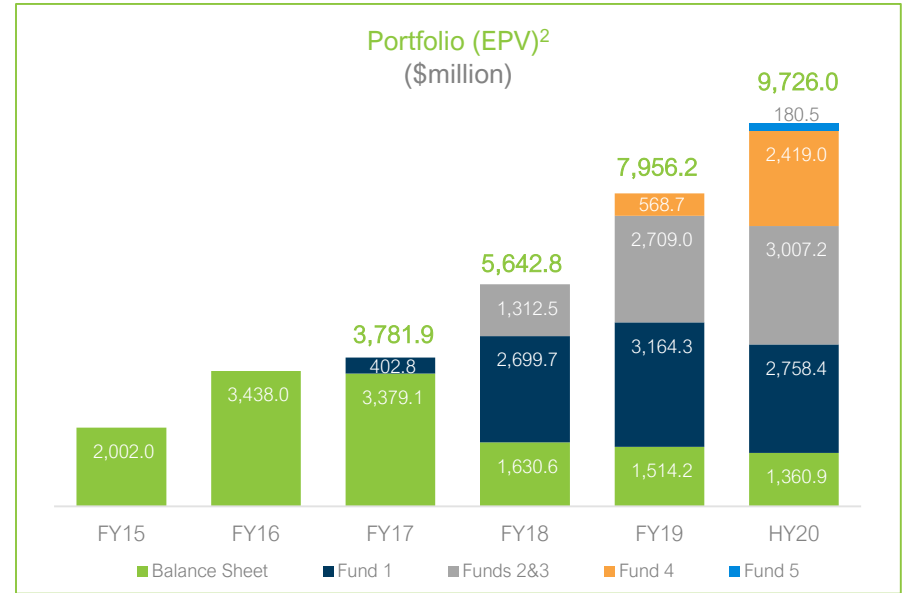
- Funding applications continue to grow year on year as our geographic expansion takes hold.

<sup>1</sup> Committed funding amounts from FY2017 include conditionally funded investments and investments approved for funding by the Investment Committee but not yet funded. From FY2018, upward budget revisions have been included.

# Investment Portfolio



Investments up 46% from FY19 to \$622.1m



Portfolio value up 22% from FY19 to \$9,726.0m

Returns from investments housed in Funds follow each respective Fund's waterfall of distributions, including allocation of profits to the IMF Group once capital and priority returns are paid.

<sup>1</sup> Investments in Fund 6 (OB) includes \$99.6m of fair value adjustments on acquisition.

<sup>2</sup> EPV refers to the IMF investments as the data for OB investments is not available.

## Investment Portfolio Profile

	Number of current investments	Number of completed investments	Average investment length (years)	Success rate on investment number (%)	ROIC excl. capitalised overhead (%)	IRR excl. capitalised overhead (%)	Investment costs A\$m	EPV A\$m	Possible completion EPV			
									FY2020 A\$m	FY2021 A\$m	FY2022 A\$m	FY2023 + A\$m
Balance sheet	15	84	2.9	85 <sup>1</sup>	123	89	132.5	1,360.9	807.8	403.1	150.0	-
Fund 1	30	18	2.6	83	16	10	198.9	2,758.4	766.9	1,635.3	119.1	237.1
Funds 2 & 3	31	5	0.6	80	302	924	50.8	3,007.2	292.2	1,193.6	1,011.5	509.9
Fund 4	5	1	0.3	100	16	93	77.8	2,419.0	-	1,649.5	85.7	683.8
Fund 5	4	-	n/a	n/a	n/a	n/a	1.2 <sup>2</sup>	180.5	-	72.9	57.1	50.5
<b>Total IMF</b>	<b>85</b>	<b>108</b>	<b>2.6</b>	<b>84</b>	<b>99</b>	<b>88</b>	<b>461.1</b>	<b>9,726.0</b>	<b>1,866.9</b>	<b>4,954.4</b>	<b>1,423.4</b>	<b>1,481.3</b>
Fund 6	229	102	2.3	69	236	99 <sup>3</sup>	60.3	n/a	n/a	n/a	n/a	n/a
Fund 7	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total OB</b>	<b>229</b>	<b>102</b>	<b>2.3</b>	<b>69</b>	<b>236</b>	<b>99<sup>3</sup></b>	<b>60.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

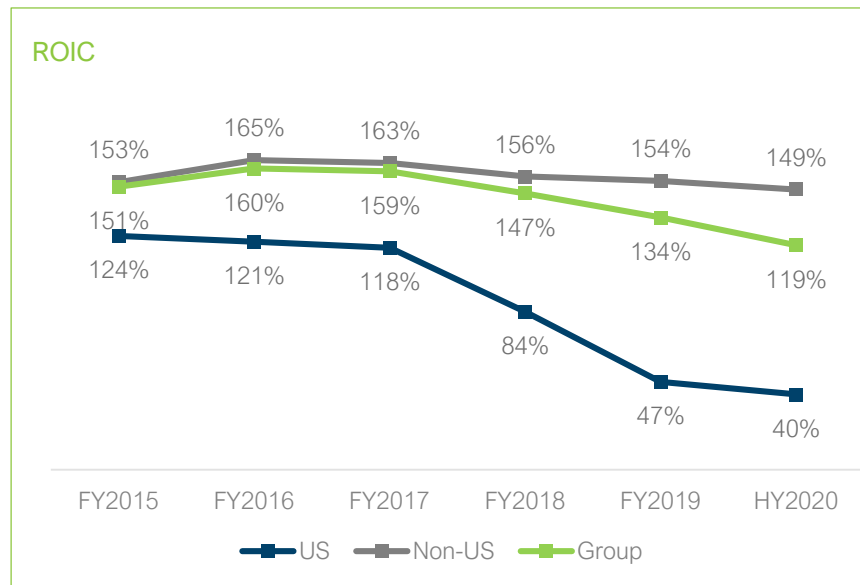
- Past performance indicates that IMF's litigation funding investments have generated average gross revenue of approximately 15% of the EPV of the investment at the time it is completed.
- For first generation funds, which include Funds 1, 2 & 3, waterfalls dictate capital and preferred return paid to investors before payment of capital and management fees to IMF, after which profit is split.
- For second generation funds, Funds 4 and 5, IMF will receive its investor return on its committed capital pari passu with external investors.
- Funds 6 and 7 were acquired through Omni Bridgeway. EPV has not been calculated for investments in these funds, as this information is not available.

<sup>1</sup> Completed investment information for balance sheet portfolio covers the period from 1 July 2011 to 31 December 2019.

<sup>2</sup> Investment costs for Fund 5 represent IMF's participation share of costs.

<sup>3</sup> IRR is calculated on OB completed investments (14) and does not include Roland completed investments (88), as this data is not available.

## IMF's ROIC Track Record (excluding Omni Bridgeway)



- ROIC in non-US investments have remained relatively stable over the period
- ROIC in US investments has been low during the period as a consequence of:
  - Large loss in FY19 in Fund 1
  - Accelerated completion of large matters in Funds 1 and 4 before higher ROIC periods were reached (Fund 4's remuneration and capital recycling arrangements are more favourably focussed on IRR returns than ROIC – Fund 4 current IRR is 93%)
- Anticipate that ROIC in the US will be lower than ROIC in non-US, and should increase above current levels

# Fund Summary

Fund 1 99% committed	Capital called USDm			Uncalled capital USDm			Accumulated preferred return USDm	Accumulated special distribution USDm	Accumulated management fee USDm
	Total	Investors	IMF	Total	Investors	IMF	Investors	Investors	IMF
	<b>166.7</b>	125.0	41.7	-	-	-	27.9	1.8	3.6
	Distributions	(42.1)	-	n/a	n/a	n/a	(8.3)	-	-
	<b>Total</b>	<b>82.9</b>	<b>41.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19.6</b>	<b>1.8</b>	<b>3.6</b>
Fund 2&3 100% committed	Capital called A\$m			Uncalled capital A\$m			Accumulated preferred return A\$m	Accumulated special distribution A\$m	Accumulated management fee A\$m
	Total	Investors	IMF	Total	Investors	IMF	Investors	Investors	IMF
	<b>80.9</b>	64.7	16.2	<b>99.1</b>	79.3	19.8	11.9	2.9	0.8
	Distributions	(4.0)	-	n/a	n/a	n/a	-	-	-
	<b>Total</b>	<b>60.7</b>	<b>16.2</b>	<b>99.1</b>	<b>79.3</b>	<b>19.8</b>	<b>11.9</b>	<b>2.9</b>	<b>0.8</b>
Fund 4 17% committed	Capital called USDm			Uncalled capital USDm			Recycled proceeds USDm		
	Total	Investors	IMF	Total	Investors	IMF	Total	Investors	IMF
	<b>73.8</b>	59.0	14.8	<b>426.2</b>	341.0	85.2	-	-	-
	Distributions	n/a	n/a	n/a	n/a	n/a	<b>18.5</b>	14.8	3.7
	<b>Total</b>	<b>57.3</b>	<b>14.4</b>	<b>426.2</b>	<b>341.0</b>	<b>85.2</b>	<b>18.5</b>	<b>14.8</b>	<b>3.7</b>
Fund 5 8% committed	Capital called USDm			Uncalled capital USDm			Recycled proceeds USDm		
	Total	Investors	IMF	Total	Investors	IMF	Total	Investors	IMF
	<b>25.1</b>	20.1	5.0	<b>474.9</b>	379.9	95.0	-	-	-
	Distributions	-	-	n/a	n/a	n/a	-	-	-
	<b>Total</b>	<b>20.1</b>	<b>5.0</b>	<b>474.9</b>	<b>379.9</b>	<b>95.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund 6 75% committed	Capital called EURm			Uncalled capital EURm			Recycled proceeds EURm		
	Total	Investors	OB	Total	Investors	OB	Total	Investors	OB
	<b>60.1</b>	57.1	3.0	<b>89.9</b>	85.4	4.5	-	-	-
	Distributions	n/a	n/a	n/a	n/a	n/a	<b>15.0</b>	14.3	0.7
	<b>Total</b>	<b>57.1</b>	<b>3.0</b>	<b>89.9</b>	<b>85.4</b>	<b>4.5</b>	<b>15.0</b>	<b>14.3</b>	<b>0.7</b>
Fund 7 4% committed	Funds called/drawn USDm			Uncalled funds USDm			Recycled proceeds USDm		
	Total	Investors	F6	Total	Investors	F6	Total	Investors	F6
	<b>3.5</b>	1.0	2.5	<b>76.5</b>	29.0	47.5	-	-	-
	Loan	-	n/a	<b>20.0</b>	20.0	n/a	-	-	-
	<b>Total</b>	<b>1.0</b>	<b>2.5</b>	<b>96.5</b>	<b>49.0</b>	<b>47.5</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Non-Controlling Interests

NCI	Fund 1	Funds 2&3	Fund 4	Fund 6	Total
	A\$m	A\$m	A\$m	A\$m	A\$m
<b>Opening</b>	<b>(202.5)</b>	<b>(68.6)</b>	<b>(25.5)</b>	<b>-</b>	<b>(296.6)</b>
Acquired during the period	-	-	-	(104.8)	(104.8)
Called during the period	-	-	(38.5)	(6.1)	(44.6)
Distributed during the period	37.8	-	3.3	-	41.1
Accumulated preferred return and special distribution (shown as movement in equity)	(13.1)	(4.9)	-	-	(18.0)
Accumulated during the period	-	-	(3.0)	2.5	(0.5)
<b>Closing</b>	<b>(177.8)</b>	<b>(73.5)</b>	<b>(63.7)</b>	<b>(108.4)</b>	<b>(423.4)</b>
Commence date	10 Feb 2017	3 Oct 2017	1 Apr 2019	2016	
Capital remaining available to be called (NCI & Parent interest)	-	99.1	426.2	89.9	615.2
Remaining number of cases (NCI & Parent interest)	30	31	5	229	295
Remaining EPV (NCI & Parent interest)	2,758.4	3,007.2	2,419.0	n/a	8,184.6
<b>Distribution History</b>					
2HY 2017	-	-	-	-	-
1HY 2018	-	-	-	-	-
2HY 2018	4.3	-	-	-	4.3
1HY 2019	5.1	-	-	-	5.1
2HY 2019	13.3	4.0	-	-	17.3
1HY 2020	37.8	-	3.3	-	41.1
	60.5	4.0	3.3	-	67.8

- First Generation Funds remain within the 100% proceed (& profit) distribution to NCI stage of the distribution waterfall
- First Generation Funds have cash distributions still to be paid to NCI in respect to first half result
- More distributions were able to be processed this half than in the cumulative life of the Funds to date
- Fund 4 realised proceeds of USD18.5m which were retained and recycled into new investments during the period

# The Future

Integration	Operations   Rebrand
Strategy	Business plan   Human resources
Footprint	Capital deployment   Cross selling   Alternative products
Technology	Artificial Intelligence
Growth opportunities	Corporates   Strong pipelines   Global coordination
Ongoing risk mitigation	Continued diversification   Adverse cost insurance
Becoming mainstream	Increasing world-wide awareness and appetite



## Common Fund Orders/Contingency Fees

- The High Court's decision on CFOs in December 2019 caused some consternation amongst industry participants but has not resulted in a wholesale change in the interest in class actions. The implications are yet to be felt on competitors attitudes to class actions under these new rules.
- Since the decision by the High Court, the Victorian Government has indicated that it will introduce legislation that will in effect allow contingency fees for lawyers in class actions. It is expected that this legislation will be passed in March 2020. If it passes, it will also have an impact on class actions in Australia, and we expect that other States are likely to follow to allow contingency fees for class actions.
- IMF has considered its various options, which include:
  - Funding law firms on a portfolio basis, as it does in the US
  - Continuing to fund class actions as a funder for a group of clients
  - Establishing its own law firm, and seeking contingency fee returns

## Wivenhoe

- The decision was handed down in November 2019 in favour of our funded clients, and which found the defendants Sunwater, Seqwater and the State of Queensland (State) liable in negligence to group members. Subsequently the State has advised that it will not appeal the decision, whereas the other defendants have now filed a notice of intention to appeal. We expect the other defendants to announce whether they will appeal on 21 February.
- Issues to resolve from the initial decision include:
  - a) allocation of proportions of liability between the defendants;
  - b) determination of quantum of damages suffered by group members;
  - c) appeals (assuming they proceed); and
  - d) The costs orders that should follow from the decision handed down in November 2019.
- At the time the decision was handed down, we estimated that IMF's income may range between \$100m and \$130 million, based on a conservative view of a range of possible resolution outcomes. There is the potential for total damages to significantly exceed that conservative range and that would have a corollary impact on increasing IMF's estimated return.
- We are not proposing to revise IMF's income estimate at this stage.

# Risk Mitigation

Risk	Potential impact	Strategic response
Portfolio Concentration	<p>Potential for a funded case to be lost = IMF investment lost and exposure to adverse costs</p> <p>Two material investment risks on balance sheet: Wivenhoe Dam &amp; Westgem</p>	<ul style="list-style-type: none"> <li>Deliberate transition from idiosyncratic risk to systemic risk of a portfolio</li> <li>Portfolio represents increased number of investments, broader range of case types, sizes and jurisdictions</li> <li>Co-funding and ACO insurance cover in place</li> </ul>
Competition	<p>Price compression</p> <p>Loss of Market Share</p> <p>Talent loss</p>	<ul style="list-style-type: none"> <li>Market differentiation (track record, capital adequacy, ACO cover, security for costs, transparency through public listing, reputation for integrity and fairness, strategic insights &amp; project management on cases)</li> <li>Innovation - products &amp; services</li> <li>Know-how - Business processes</li> <li>Talent retention strategies</li> <li>Taking steps to reduce cost and increase availability of capital</li> </ul>
Regulatory Change	<p>Need to adjust Business Model</p> <p>New reporting /licensing regime</p> <p>New market entrants</p>	<ul style="list-style-type: none"> <li>Awareness, involvement and industry leadership</li> </ul>
Key-person Dependency	<p>Loss of know-how</p>	<ul style="list-style-type: none"> <li>Legal avenues: non-compete, confidentiality and IP protection agreements</li> <li>Talent retention &amp; knowledge transfer strategies: coaching, mentoring, professional development to build, transfer and safe-guard corporate knowledge</li> <li>Incentive Plans which reward loyalty and engagement</li> <li>Purchase agreement structured to retain key executives</li> </ul>
IT & Data Security	<p>Loss of data due to software or hardware failure</p> <p>Theft or corruption of data or trade secrets due to social engineering or external penetration ('hacking')</p>	<ul style="list-style-type: none"> <li>Continuous adaptation to be nimble</li> <li>Audits by external security and IT providers</li> <li>Staff education</li> <li>Constant vigilance</li> </ul>
Brand Reputation	<p>If reputation is sullied, stakeholder trust and loyalty is eroded and brand equity and financial value can be compromised</p>	<ul style="list-style-type: none"> <li>Conscious culture of risk management</li> <li>Numerous policies and practices to safe-guard reputation including escalation procedures throughout our organisation and regular and clear communication with all stakeholders</li> </ul>
Poor investment decisions	<p>Financial impact of loss of investment, and in relevant jurisdiction adverse cost exposure, with flow on reputation risk</p>	<ul style="list-style-type: none"> <li>Investment in experienced investment managers with litigation experience</li> <li>Enhanced Investment Committee process with introduction of external resources from the judiciary and legal profession</li> </ul>

## Glossary of Terms and Notes

Estimated Portfolio Value (EPV)	EPV for an investment where the IMF funding entity earns a percentage of the resolution proceeds as a funding commission, is IMF's current estimate of the claim's recoverable amount after considering the perceived capacity of the defendant to meet the claim. It is not necessarily the amount being claimed by the claimants, nor is it an estimate of the return to IMF if the investment is successful. EPV for an investment where the IMF funding entity earns a funding commission calculated as a multiple of capital invested shall be calculated by taking IMF's estimate of the potential income return from the investment and grossing this up to an EPV using IMF's Long-Term Conversion Rate. An EPV is subject to change over time for a number of reasons, including, but not limited to, changes in circumstances and knowledge relating to an investment, partial recovery and, where applicable, fluctuations in exchange rates between the applicable local currency and the Australian dollar.
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
LTIP	Long Term Incentive Program
MOIC	Multiple on Invested Capital
NCI	Non-Controlling Interest
Past Performance	Past performance is <u>not necessarily an indication</u> of future performance. Past performance indicates that IMF's litigation funding investments (excluding Omni Bridgeway investments) have generated average gross income of approximately 15% of the EPV of an investment at the time it is completed ( <b>Long-Term Conversion Rate</b> ). The Long-Term Conversion Rate, MOIC, ROIC and IRR from completed investments may vary materially over time. By providing this information, IMF has not been and is not now, in any way, providing earnings guidance for future periods.
Possible Completion Periods	The possible completion period is IMF's current estimate of the period in which an investment may be finalised. It is <u>not</u> a projection or forecast. An investment may finalise earlier or later than the identified period for various reasons. Completion for these purposes means finalisation of the litigation by either settlement, judgement or arbitrator determination, for or against the funded claimant, notwithstanding that such finalisation may be conditional upon certain matters such as court approval in the context of a class action. It may not follow that the financial result will be accounted for in the year of finalisation. Possible completion period estimates are reviewed and updated where necessary.
PPA	Purchase Price Allocation
ROIC	Return on Invested Capital - gain or loss on derecognition of investments (including or excluding overheads) divided by the total spent on investments (including or excluding overheads)

*The Long-Term Conversion Rate, MOIC, ROIC and IRR from completed investments may vary materially over time. By providing this information, IMF has not been and is not now, in any way, providing earnings guidance for future periods.*

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