

IMF
BENTHAM
INTERNATIONAL LITIGATION FUNDING



FY2018 Full Year Results
Investor Presentation

August 2018

FY 2018 SUMMARY

- **Third year of progress on five-year Strategic Business Plan**
- **Two new investment vehicles launched Oct 2017 ('RoW Funds') to fund investments outside USA**
- **RoW Funds transition IMF from investing entirely on balance sheet to investing in, and managing, fund structures**
- **Majority of US investments sold to Fund 1 (Feb 2018)**

Financial results impacted by:

- Two case losses (one in Fund 1, and one on balance sheet – now subject to appeal)
- Deferred completion of a number of significant investments (eg Wivenhoe Dam)
- Material, positive growth in the number of investments, EPV and intangible asset balance, and the continuation of risk diversification strategy
- Modest returns on some case completions

AGENDA

1. *Background to IMF*

2. *Financial Results FY18*

3. *Portfolio*

4. *Funds Management*

5. *Future Plans*

6. *Risks and Disclaimers*

OVERVIEW OF IMF BENTHAM LIMITED AT 30 JUNE 2018

IMF Bentham Limited has collected over \$2.2 billion for clients and successfully resolved 90% of 175 completed cases since listing on the ASX in 2001

Human Capital

- A talented global team formed over 17 years, numbering 78 people
- Investment Committee including former judges and industry founders
- Irreplaceable know-how in case selection and case management

Financial Capital

- Robust balance sheet and cash position
- Launch of Fund 1 in FY2017 and Funds 2 and 3 in FY2018 for all new investments

Geographic Coverage

- Expansive footprint with 14 offices in 6 countries
- Resources on the ground in each jurisdiction - accessing better investments and better access to investments
- Experience assessing claims throughout the world

High margin & ROIC

- 2.6 years average case lifespan
- Global ROIC¹ of 1.5x over 17 years (including cases lost)
- Investment portfolio at 30 June 2018 comprised 75 active investments, spread between balance sheet and fund structures
- Strong pipeline with over 180 matters in due diligence, 5 investments conditionally funded

Relationships

- Across commerce, finance, insurance, academia, government, media and all layers of the legal industry
- 113 'AmLaw 100 -200' firms have approached us for funding opportunities

Technology & Systems

- Proprietary infrastructure to manage in-house large multi-party matters, including 'MyIMF' (launched FY17)

Innovation & Product Development

- Finance solutions for insolvencies, multi-party actions, arbitration, law firm portfolios, commercial disputes and solutions for corporates

Risk Mitigation

- Diversification across investments, geography and capital sources

1. ROIC (return on invested capital) is calculated as gross income to IMF (litigation contracts – settlements and judgements) less all reimbursed costs, divided by total expenditure (excluding overheads but including any adverse costs on lost cases).

WORLDWIDE FUNDING SOLUTIONS



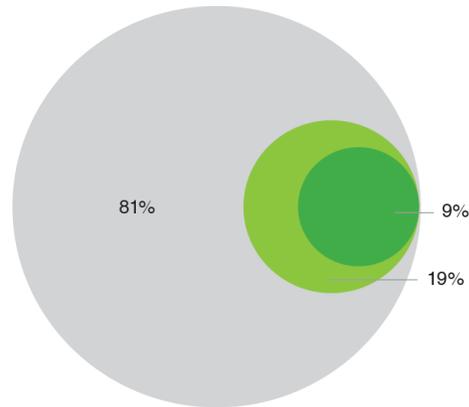
IMF Bentham Limited is a leading global litigation funding company with a track record of success, achieved over 17 years since listing on the Australian Securities Exchange in 2001.



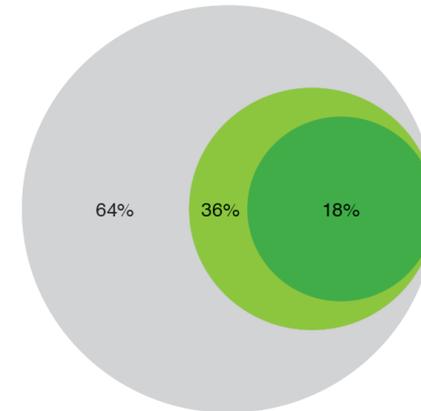
LITIGATION FUNDING MARKET

“Litigation is now a permanent fixture in the top five areas of in-house legal work as businesses deploy legal means as a business strategy tool”¹

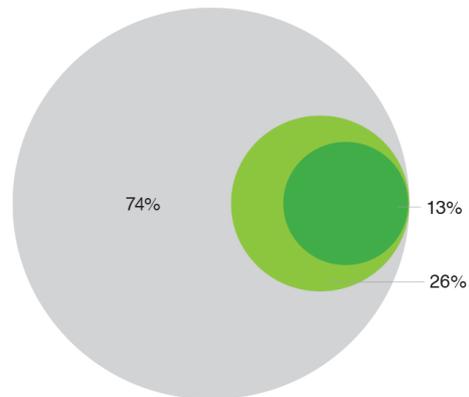
Total Estimated Addressable Market for Australia
Total Estimated Annual Market Legal Spend: \$19.7b



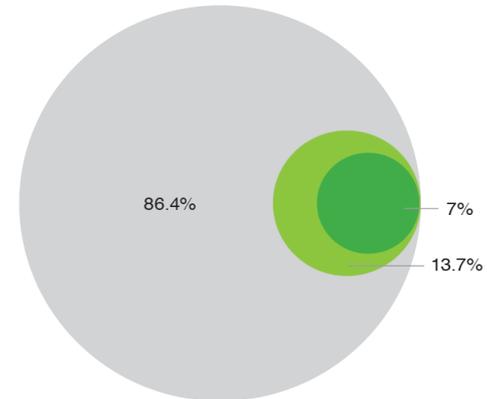
Total Estimated Addressable Market for United States
Total Estimated Annual Market Legal Spend: \$357.6b



Total Estimated Addressable Market for United Kingdom
Total Estimated Annual Market Legal Spend: \$54.9b



Total Estimated Addressable Market for Canada
Total Estimated Annual Market Legal Spend: \$25.72b



1. 2017, Benchmarks & Leading Practices Report, Association of Corporate Counsel Australia, p 117.

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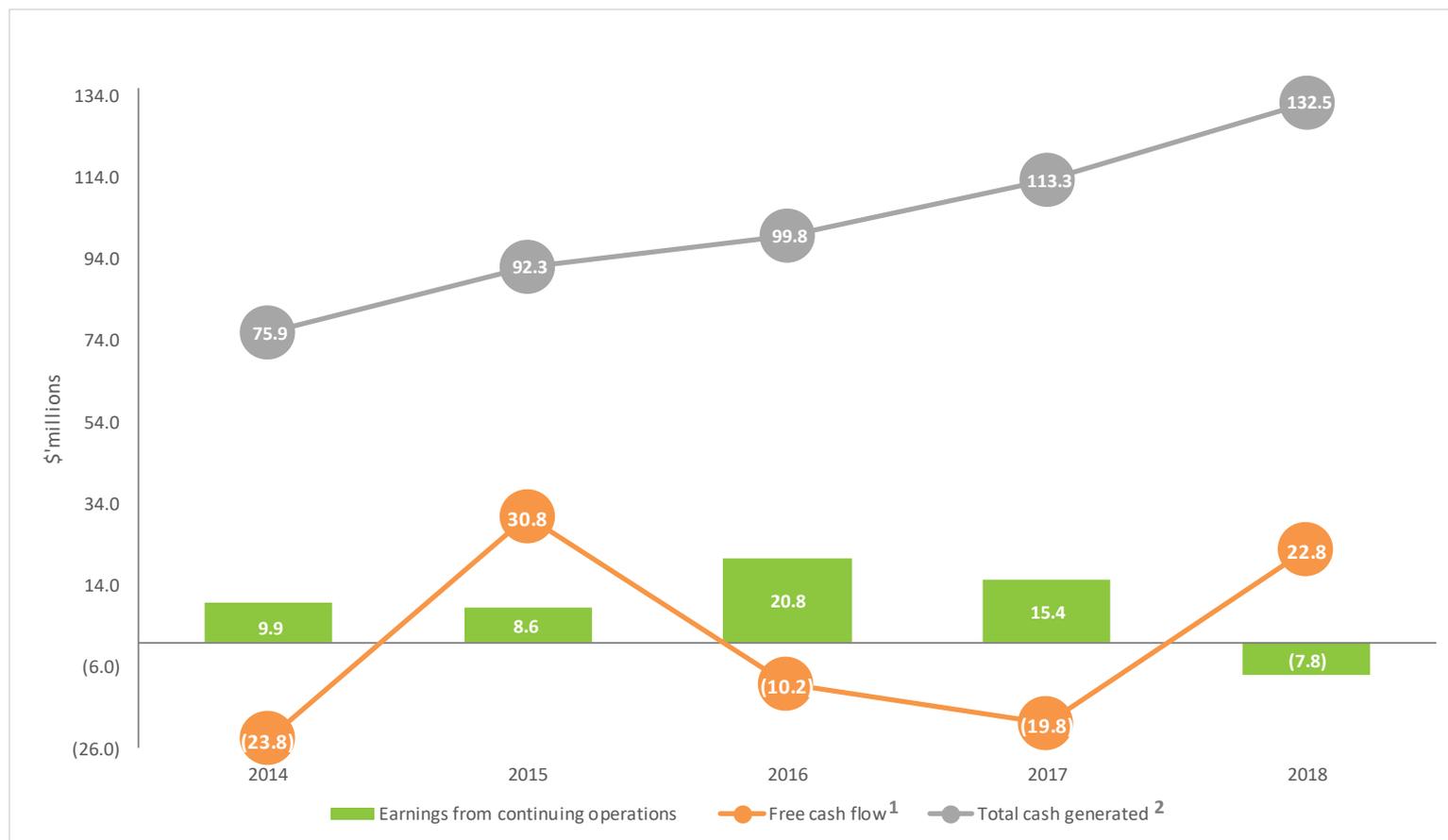
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FINANCIAL RESULTS OVERVIEW

	FY2018	FY2017	FY2018 v FY2017
Contract Income	\$71.2M	\$113.3M	▼ 37%
Litigation Expenses	\$(54.7)M	\$(59.2)M	▲ 8%
Net Income from investments	\$16.5M	\$54.1M	▼ 69%
Other income (foreign exchange & interest)	\$6.6M	\$2.9M	▲ 128%
Net Operating Expenses	\$(31.5)M	\$(31.3)M	▼ 1%
NPBT	\$(8.4)M	\$25.7M	▼ 133%
Tax	\$0.6M	\$(10.3)M	▲ 106%
NPAT	\$(7.8)M	\$15.4M	▼ 150%
EPS (cents per share)	(6.4) cents	9.0 cents	▼ 171%
Net Asset Backing	\$2.12	\$1.20	▲ 76%
Cash	\$160.2M	\$144.9M	▲ 11%
Investments - intangible assets	\$321.3M	\$190.9M	▲ 68%
Estimated Portfolio Value	\$5.6BN	\$3.8BN	▲ 48%
Number of investments	75	65	▲ 15%

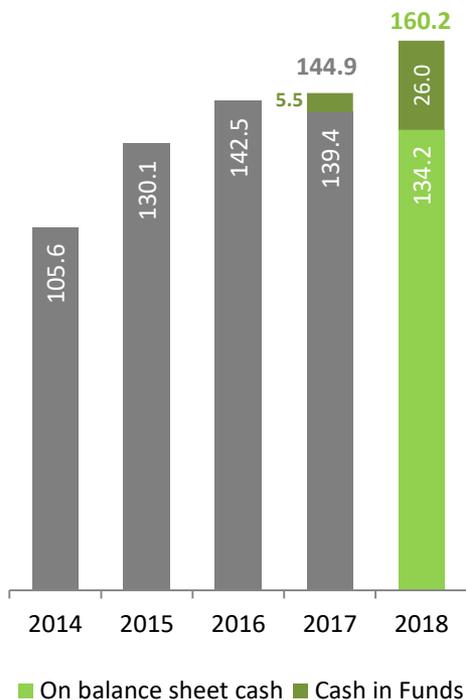
EARNINGS VERSUS FREE CASH FLOW



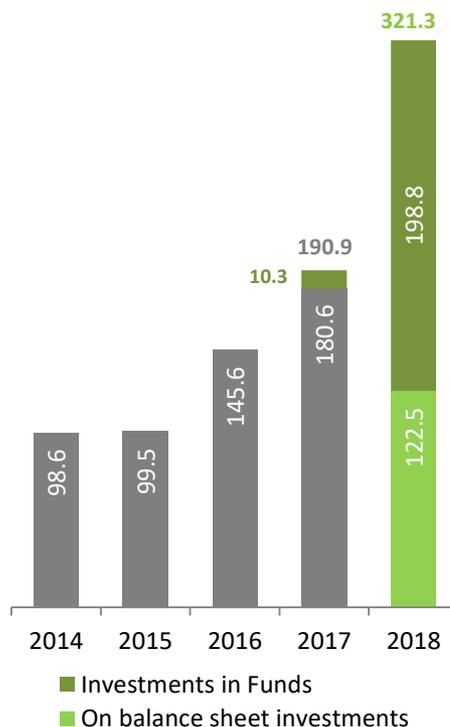
- Free cash flow represents our IFRS operating cash flow combined with our cash flows from litigation, non-controlling interests and capital expenditures. Movements in free cash flow highlight the increases and decreases in cash from our core operations that are attributable to ordinary shareholders. Our long term focus is to generate growth in free cash flow, which is primarily driven by growth in earnings, effective management of working capital and leveraging our transition to a funds management operation. Free cash flow 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.
- Total cash generated comprises reported gross income from litigation plus net cash generated from the sale of litigation assets.

BALANCE SHEET STRENGTH

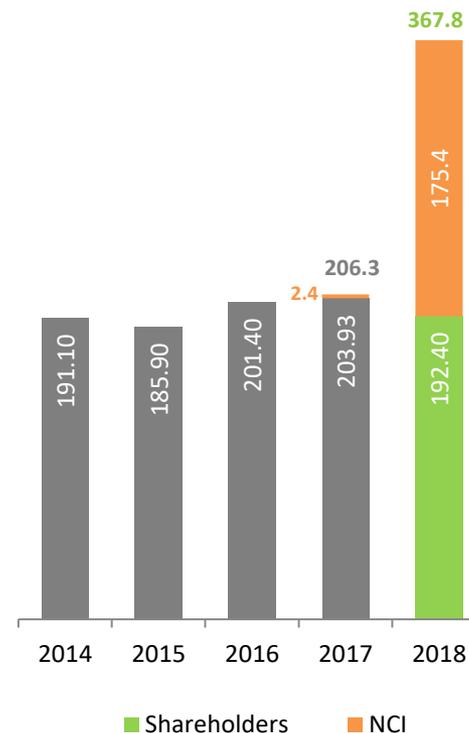
Cash
(\$ Million)



Investments¹
(\$ Million)

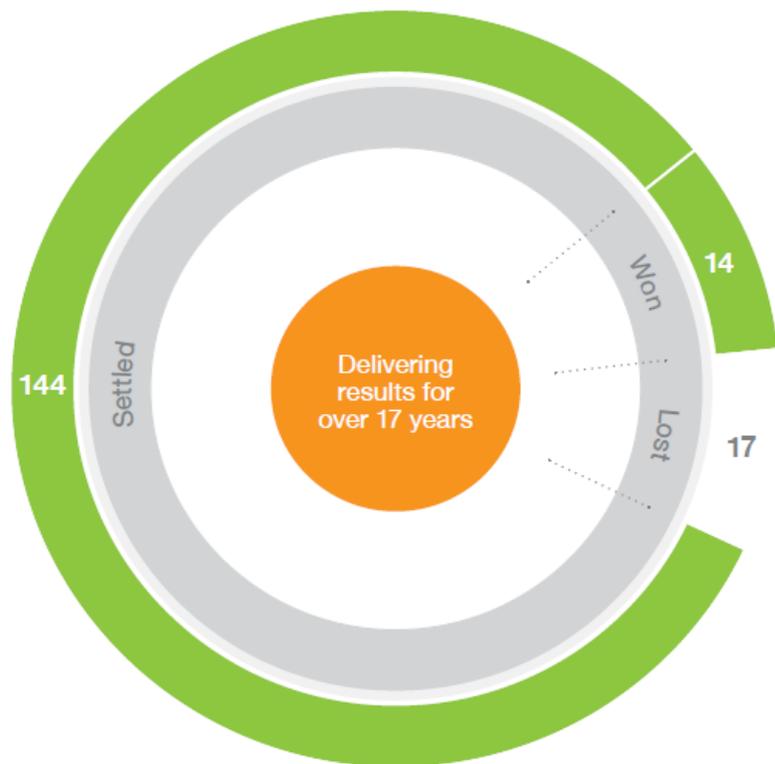


Equity
(\$ Million)



1. 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.

IMF's TRACK RECORD OF SUCCESS



Investments funded to completion at 30 June 2018. Does not include withdrawn investments.

\$2.2 billion

total recoveries

2.6 years

average investment length

90%

success rate

\$1.4 billion

returns for funded claimants

1.5x

return on invested capital

175

investments funded to completion

Revenue Summary

Revenue to funded claimants	\$1,393M	62%
Revenue to IMF:		
<i>Reimbursement of funded amounts (40%)</i>	<i>\$346M</i>	<i>15%</i>
<i>Net income (excluding overheads) (60%)</i>	<i>\$509M</i>	<i>23%</i>
IMF total revenue (100%)	\$855M	38%
Total revenue generated	\$2,248M	100%

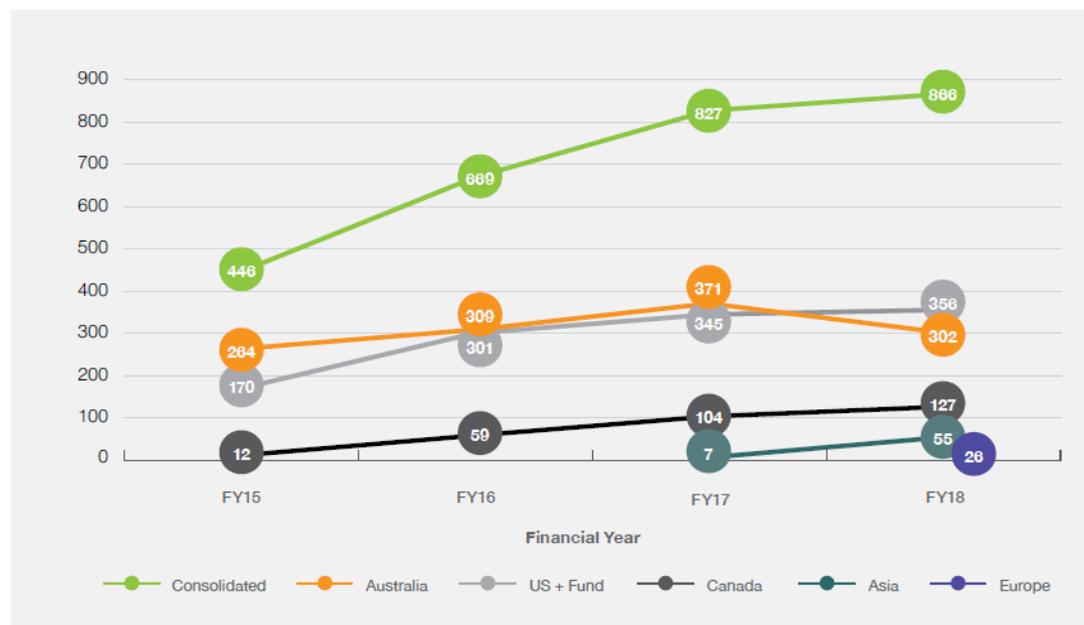
RECENT COMPLETIONS BY REGION

Recent Completions by Region (excluding withdrawals)	Number of Investments	Average Investment Length	Success rate on number of investments	Success rate by \$ weighted average	ROIC	IRR excluding overhead	IRR including overhead
IMF Bentham Ltd (Australia and RoW) - completions since 1 July 2011	58	3.0 years	90%	89%	1.40x	89%	60%
Bentham IMF (US) and US Fund 1 - completions since inception in 2011 ¹	21	1.6 years	71%	83%	0.92x	101%	80%

- Long term success rate of 90% in number of investments. Over last seven years, success rate in RoW consistent with long-term average.
- US success rate by number of cases and dollar weighted average lower than RoW, reflective of difference in litigation process, including US has jury system for commercial matters.
- However, given no “loser pay” system in US, the lower success rate has less financial impact.
- ROIC and duration in US lower than RoW, leading to higher IRR. Unlikely to be reflective of long term, and expectation is that it will trend towards outcomes in RoW.

FUNDING APPLICATIONS

Funding Applications (number of applications)



- Overall growth in applications FY17 to FY18 of 5% with strong contributions from new geographies in Canada, Asia and Europe
- Decline in Australia attributable, in part, to support being provided by Australian IMs to new geographies
- Annual results have confirmed view that half year results likely reflect seasonal implications, particularly for the US

ACTUAL AND BUDGETED FUNDING COMMITMENTS



- Material growth in funding commitments from FY15 to FY18 of 172%, including 39% growth in past 12 months.
- Reflects execution of diversification strategy

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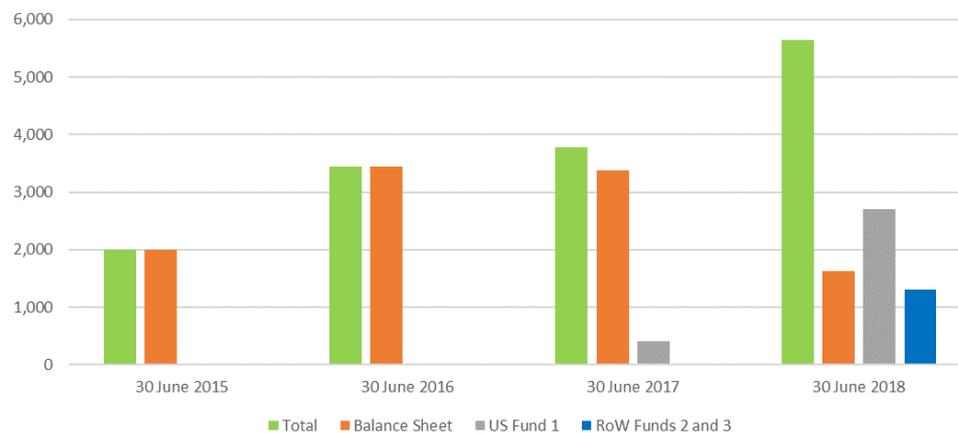
INVESTMENT PORTFOLIO AT 30 JUNE 2018

- Increase in number of investments currently funded to 75 at 30 June 2018
- 5 further investments conditionally funded at 30 June 2018
- Since the June quarter end, IMF has unconditionally funded 1 further investment and provided additional funding to 4 existing investments
- IMF does not separately disclose EPV or intangible asset values for individual investments

Number of Investments in Portfolio



EPV of Investments in Portfolio (\$m)



CONCENTRATION RISK ISSUES

- Over the past three and a half years IMF has focused on transitioning away from idiosyncratic risk to systemic risk of a portfolio, which has been reflected in the increased number of investments, across a broader range of case types, sizes and jurisdictions
- There remain two material idiosyncratic risks on IMF's balance sheet, being the Wivenhoe and Westgem investments
- Our views on prospects have not adversely changed, but if one or both are lost, it will have a material adverse impact on IMF's profit and loss and cash position
- IMF retains material adverse cost risk on each of these investments but steps have been taken, including co-funding and ACO insurance cover, to mitigate in part the impact
- We continue to estimate at the present time that both investments will complete in FY19, although there remains the usual risk that completion of these matters may be delayed and/or be the subject of appeal

INVESTMENT PORTFOLIO AT 30 JUNE 2018

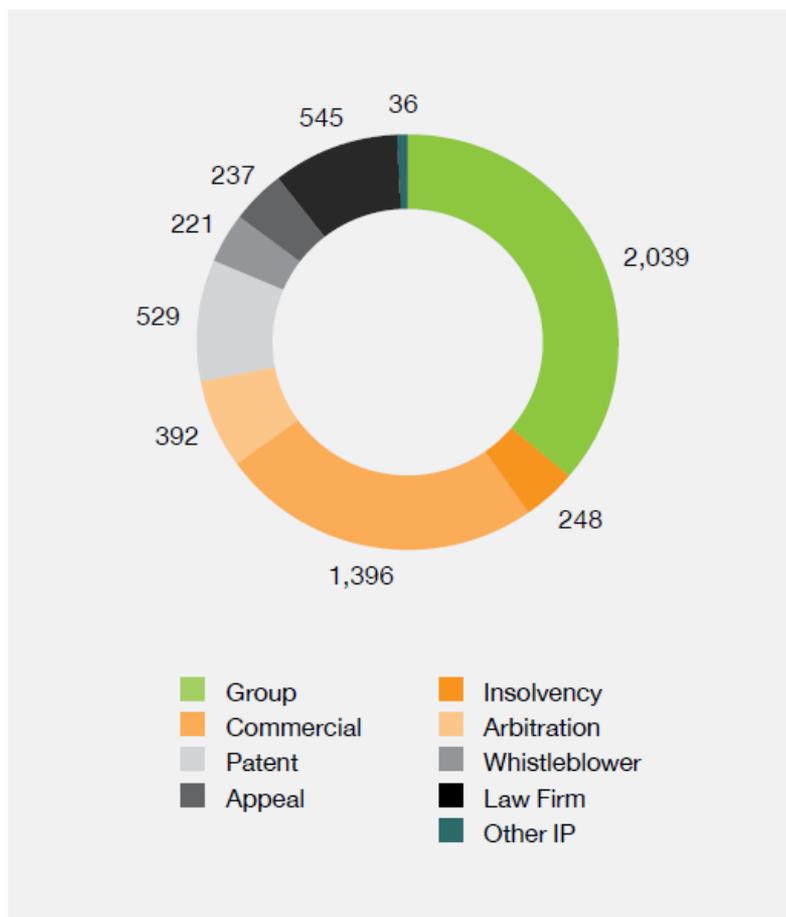
See notes to Investment Portfolio at 30 June 2018 (Slide 20) for further details

	Number of investments	EPV A\$m	Possible completion FY2019 A\$m	Possible completion FY2020 A\$m	Possible completion FY2021 and later A\$m	Priority capital deployed A\$m	Preferred return A\$m	IMF capital deployed A\$m	IMF share of residual profit
IMF balance sheet	29	1,630.6	1,186.2	244.4	200.0	N/A	N/A	N/A	100%
Fund 1	37	2,699.7	1,082.6	1,159.7	457.4	103.0	2.845	38.9	85%
RoW Funds 2 and 3	9	1,312.5	141.2	665.2	506.1	27.8	2.740	6.9	80%
Total	75	5,642.8	2,410.0	2,069.3	1,163.5				

- 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 (Long Term Conversion Rate).
- Fund 1 and RoW Funds 2 and 3 have additional capacity, which will increase EPV when cases are sourced which will also increase capital committed for priority return and to IMF
- Waterfalls in fund structures require return of capital and preferred return to investors before capital and management fee to IMF, after which profit is split

DIVERSIFICATION BY TYPE

EPV by Investment Type (\$m)



- Diversification of type of investments between balance sheet and funds.
- Opportunistic investor, so no hard rules on blend of investments, other than
 - Fund 1 hard cap on patent claims;
 - Concentration caps for individual and portfolio investments in both funds; and
 - Geographic caps in RoW Funds.
- Investments in group claims predominately Australia, but also in Canada with potential for UK.
- Law firm portfolio funding <10%, given lower returns, although risk adjusted returns are appealing.
- Primary focus on single party and group claims, given specialist nature of IM skill set and infrastructure, and generally higher return profile.

NOTES TO INVESTMENT PORTFOLIO AT 30 JUNE 2018

Notes to the Group's Investment Portfolio

Investments Included in Portfolio

The Investment Portfolio includes investments for which the IMF group or the Funds have entered into an unconditional commitment to fund and includes investments where a previously conditional funding agreement has become unconditional. Investments in Australian shareholder class actions included in the portfolio as unconditional may still be subject to a Court process, where there are competing class actions, to determine which case proceeds.

Past Performance

Past performance is not necessarily an indication of future performance. Both the Long Term Conversion Rate and IMF's ROIC 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. IMF will update its Long Term Conversion Rate and ROIC figures semi-annually in its Investment Portfolio report following the EY review of completed investments.

EPV

EPV is IMF's current best estimate (in Australian dollars) of a claim's recoverable amount, which takes into account the perceived capacity of the defendant to meet the claim. It is not necessarily the amount being claimed by the funded claimants in the investment and is not the estimated return to IMF from the investment if it is successful. An EPV is subject to change over time for a number of reasons, including 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.

Possible Completion Periods

The possible completion period is IMF's current best estimate of the period in which an investment may be finalised. 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, judgment 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 on a quarterly basis.

RoW

IMF's RoW classification includes all regions excluding the USA in which IMF has investments, currently being Australia, Canada, Asia and the Middle East.

Accounting Consolidation of IMF's Investment Vehicles

IMF's USA Fund 1, Fund 2 and Fund 3 will be consolidated within the IMF group financial statements, with the respective investors' interests reflected as Non-Controlling interests. Therefore, the entire EPV for investments funded by Fund 2 and Fund 3, and the entire funding commitment for investments funded by the Fund 1, are included in the quarterly Investment Portfolio.

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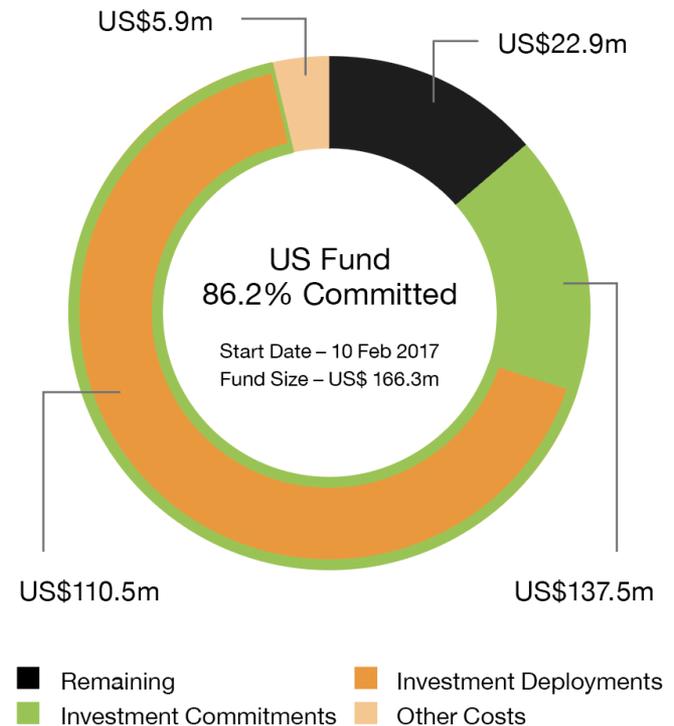
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US FUND – COMMITMENTS, DEPLOYED, CAPACITY

At 30 June 2018

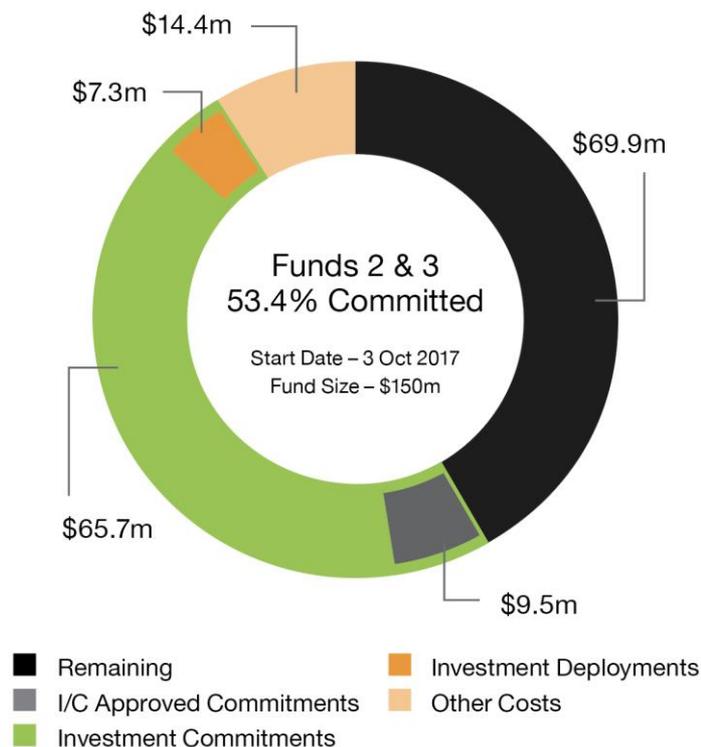
- Rate of commitment was on schedule prior to sale of investments to Fund 1.
- Fund 1 structured to accommodate sale of balance sheet investments.
- Investments were subjected to third-party due diligence, and accepted by Fortress, endorsing the quality of the investments.



RoW FUNDS – COMMITMENTS, DEPLOYED, CAPACITY

At 30 June 2018

- RoW Funds commenced in October 2017, and is ahead of schedule in terms of commitments.
- The contribution from non-Australian investments is ahead of schedule and revised geographic limitations have been agreed to reflect this outcome.



IMF CAPITAL PLANS

- Given accelerated rate of deployment in both US and RoW funds, combined with strategy to invest through fund structures, IMF plans to launch new funds for US and non-US investments in FY19
- The new US fund is targeting US\$500 million fund size, of which IMF would contribute US\$100 million. The deployment period will be 4 years, with fund life of 10 years. Investors in this fund will be given an option to roll into a new US fund after the deployment period. Proposed commercial terms for this fund are hurdle 8%, 2% management fee, performance fee with catch up of 20% < 20% IRR and 30% > 20% IRR on a loss carried forward, investment-by-investment waterfall, aiming to close H1FY19.
- The non-US fund will be scheduled for market for H2FY19. Terms for this fund are yet to be determined, but likely to reflect US fund.
- By end of FY19, IMF is aiming to have close to \$1.5 billion in FUM.

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THE FUTURE

Growth opportunities

- Financing solvent corporates across all jurisdictions
- Multi-party claims - Australia, Canada, UK/EU
- Strong pipelines in all jurisdictions
- Increase in number of IMs

Ongoing Risk Mitigation

- Continued diversification of operations
- Adverse cost insurance to reduce financial impact of lost cases
- Further enhancement of IC process

Becoming mainstream

- Increasing world-wide awareness and appetite for dispute finance

Footprint

- Expansion of footprint into continental Europe
- Expansion of operations in Asia and Canada

Debt Management

- Subject to completions we expect to may debt, in light of transitioning to a capital light fund model, from cash resources
- Alternatives may include debt refinance

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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 & Westgem</p>	<ul style="list-style-type: none"> Deliberate transition from idiosyncratic risk to systemic risk of a portfolio Portfolio represents increased number of investments, broader range of case types, sizes and jurisdictions Co-funding and ACO insurance cover in place
Competition	<p>Price compression</p> <p>Loss of Market Share</p> <p>Talent loss</p>	<ul style="list-style-type: none"> Market differentiation (track record, capital adequacy, ACO cover, security for costs, transparency through public listing, reputation for integrity and fairness, strategic insights & project management on cases) Innovation - products & services Know-how - Business processes Talent retention strategies Taking steps to reduce cost and increase availability of capital
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"> Awareness, involvement and industry leadership
Key-person Dependency	<p>Loss of know-how</p>	<ul style="list-style-type: none"> Legal avenues: non- compete, confidentiality and IP protection agreements Talent retention & knowledge transfer strategies: coaching, mentoring, professional development to build, transfer and safe-guard corporate knowledge Incentive Plans which reward loyalty and engagement
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"> Continuous adaptation to be nimble Audits by external security and IT providers Staff education Constant vigilance
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"> Conscious culture of risk management Numerous policies and practices to safe- guard reputation including escalation procedures throughout our organisation and regular and clear communication with all stakeholders
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"> Investment in experienced investment managers with litigation experience Enhanced Investment Committee process with introduction of external resources from the judiciary and legal profession

The above is not intended to be an exhaustive list of all the risks faced by the business.

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- The material in this presentation has been prepared by IMF Bentham Limited (**IMF**) and is general background information about IMF's activities. The information is given in summary form and does not purport to be complete.
- A number of terms used in this presentation including; ROIC, EPV , success rate by \$ weighted average, success rate by number of investments, IRR, actual, budgeted and deployed committed capital are 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. For further commentary and analysis refer to IMF's 2018 annual report.
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