



Business Plan Investor Presentation

17 November 2020

Introduction

Good afternoon ladies and gentlemen. Thank you for joining us for this presentation in relation to our business plan for the period of FY21 to FY25. Joining me to today is Stuart Mitchell, our Group CFO, and Jeremy Sambrook, our Group General Counsel and Company Secretary.

As many of you will be aware, we developed a business plan for the period FY16 to FY20 which we have been implementing for the past five years. We have now developed our business plan for the period FY21 to FY25, which seeks to leverage off the platform we have now established.

Omni Bridgeway now finds itself as the largest litigation funder in the world by geographic footprint and headcount. We aspire to be the largest litigation funder in the world by all metrics. We believe we have the team, the process and products to achieve our goals.

Our new business plan was developed on an iterative, bottom-up basis over the past eight months, involving all of our senior executives, the Board and some external advisers. We have shared our plan with our global team through a series of town hall meetings conducted over the past couple of weeks, who have endorsed and embraced our strategy.

As many of you know, litigation finance is a business that requires patience. The underlying investment is unpredictable in terms of its timing for completion and outcome, and in cost-shifting jurisdictions has the potential to result in not only a loss of the principal investment, but also up to another 70% of that investment in adverse costs.

It is a business that requires well-tested systems and procedures and demands high returns. It is a business that requires a long-term perspective, to allow time to implement a strategy, achieve an outcome and measure its success. We will measure our outcomes analytically and exit strategies that do not provide acceptable returns. Our intention is to make bold plans to gain market leadership, which we share with you, to allow you to evaluate if we are the right fit for you.

We will never be a business where you will see predictable

quarter by quarter outcomes. That is not the nature of the underlying asset class. At best, we aim to show a regularised annual outcome, some of which may fall into the first-half results, and some of which will not.

This presentation is broken down into two broad sections. The first section deals with our current position, and the second section deals with our new business plan.

Slide 3 – 2015-2020 Business Plan

Many of you will have seen this slide, so I will not repeat all of the detail. Suffice to say, significant concentration risks were apparent in 2015, and a critical strategic priority at that point in time was diversification.

We achieved all of the goals we set for ourselves including geographic, case type, case size, key person and capital diversification. To some extent, this strategy was obvious. Concentration risks exposed the business and its stakeholders to competition and regulatory risks and lumpy annual earnings.

Whilst we have achieved our strategic goals, the outcome of these goals is yet to be fully realised. We do not expect to enter into a period of smooth earnings until we progress further through our investment cycle, and shift into a period where we generate returns from funds management as a manager and an investor.

We are not yet at the stage where we will see predictable earnings from completions, given the lag between investment and outcome. That is a goal we continue to work to.

Slide 4 – Market Analysis

As noted, one of our key objectives was to diversify our case type and geographic footprint. We had historically been focused on a small number of large cases, predominately in Australia. Our aim was to expand geographically, to open up new types of opportunities to address risks of increased competition in Australia and the possibility of regulatory intervention, both of which materialised during the past five years.

Our geographic expansion was a combination of organic growth, as evidenced by our investments in Canada and Asia, and by way of acquisition of the Omni Bridgeway business. This expansion has facilitated the diversification of the types of investments we now make, reducing our concentration on both Australia and class actions.

As you will note, we now have an emphasis on investments in the Northern Hemisphere in Canada, EMEA and US. Because of this growing prominence of our investments, it is my intention to relocate to the US in the first-half of next calendar year, subject of course to the COVID situation. This will also provide us with greater access to public and private capital for our growing business.

Whilst we are an opportunistic investor, and will commit to invest in any matter that meets our criteria, we expect to see the following over the next five years:

- 1 | Increase in insolvency related investments as the various moratorium are lifted by governments around the world as we exit the peak of the COVID crisis period.
- 2 | Continued presence of multi-party investments as we expand opportunities in Canada and EMEA as well as Australia, assuming the new regulations continue to hold.
- 3 | Increase in law firm portfolio investments as we expand funding as a consequence of the new fund structures providing the opportunity to recycle capital.
- 4 | Rapid growth in commercial litigation and arbitration as a consequence of our active investment strategies, which includes claims monetisation and distressed debt investing.
- 5 | Development of corporate portfolios as we continue our transition from fringe to mainstream.

It is impossible to speculate on the mix of investments given the opportunistic nature of our investing. However, we have now retained key specialised professionals within our investment management cohort, including patent, insolvency, collective redress and distressed debt specialists which will complement this strategy.

As mentioned in the introduction, we will continue to evaluate our strategies analytically, and exit strategies that do not provide adequate returns. This applies to both our geographic presence and the type of investments we will make.

Slide 5 – Competition

Again, many of you will have seen this slide, and I do not intend to labour over it. The key issues to take from this slide are:

- 1 | Omni Bridgeway is now the largest litigation funder by geographic footprint and headcount.
- 2 | Our fund size put us second only to Burford. Our capital

is provided to us on an absolutely discretionary basis, such that we can apply our capital to any investments that satisfies our investment criteria. We do not, like some of our competitors, need to obtain investor approval for our investments.

- 3 | Our track record is market-leading both in pre-judgment and post-judgment investments, extending back to the mid-80s.

These factors provide us with a point of differentiation to our competition.

Slide 6 – Competitor Analysis

We have identified our USP to include a number of factors that we believe will convert into margin protection, preferred capital and service provider to clients and an attraction for internal and external stakeholders such as team members and capital providers.

Whilst we recognise that the returns that can be generated in the industry will provide an incentive for new entrants, given the investment required to respond to our USPs, we remain confident of our ability to compete and succeed.

We have identified a number of potential risks to our business and industry from competition, which include failure of a competitor that impacts on industry reputation, to the rise of new competitors from consolidation, the escalation of a second-tier competitor or hedge funds establishing or expanding their platforms.

We believe we have addressed these risks, to the extent possible, by distinguishing our business from competitors, so that when reputational issues arise, such as Burford's problems with Muddywaters, we can respond appropriately. We remain transparent and conservative in our reporting, sometimes to our detriment, but consider these qualities to be a hallmark of our reputation.

In terms of new competition, we remain of the view that our scale and track record, and offering of capital plus a service, will provide a buffer against a rise in competitive pressures. We see consolidation opportunities that may result in further M&A that will enhance scale, offerings and our USP.

Slide 7 – Financial Capital

We have evolved from a pure balance sheet investor to a fund management business. We remain convinced that the strategy of diversifying risk through fund structures and investments is appropriate for this asset class.

We have identified opportunities to optimise our fund structures through management fee or performance fee or reducing our capital participation to enhance leveraged returns. We intend to explore these opportunities in our future fund structures.

Our debt matures in 2023 and 2026, with an opportunity to refinance all of our debt in 2023 by exercising rights to accelerate our OTC Notes.

We have an allergic reaction to debt given the nature of our underlying investments, which provide returns on an uncorrelated basis, compared to the fixed duration of our debt. As such, notwithstanding that (a) we have the capacity to increase debt to \$300 million and (b) the cost of debt is at historical lows, we remain hesitant on expanding our debt load. Having said this, we remain convinced that a mix of debt and equity is appropriate to reduce our WACC.

Consideration will need to be given to our debt position in 2023, and subject to refinancing opportunities and our cash position, we may repay or refinance our debt.

Ideally, we would like to transition from public debt to institutional debt. Historically, given the Australian institutional debt market's views about litigation funders, we have struggled to find a lender willing to provide us with a facility. Given our now broader global footprint, we will explore this opportunity in greater detail in the lead up to 2023 with international institutions.

Slide 8 – Financial targets

Historically we have focused on capital commitments as a proxy for growing our portfolio of investments and set annual targets for our investment managers to meet.

The target for this financial year has been set at A\$440 million, which is a 30% increase on our conditional and unconditional commitments in FY20. This reflects an increase in the number of IMs in our business and our expanded geographic footprint.

With the merger with Omni Bridgeway we will need to transform the way we consider these targets. The legacy Omni Bridgeway business is less focused on capital deployed and more focused on revenue targets, reflecting that enforcement type investments are less capital intensive. We have redesigned our targets for IMs that now take into account the capital that is deployed and the revenue that is required to be generated from that capital.

Slide 9 – Historical commitment and deployment rates

Recognising the need to identify capital requirements for the future we have analysed our historical rates of commitment and deployment in our first-generation fund structures.

As you will note from this slide:

- 1 | Our rates of deployment are higher in US investments compared to non-US investments relative to commitments made.

- 2 | There is a high correlation between commitments and deployments in the US throughout the life of investments and the fund.
- 3 | Non-US investments have a significant lag between commitment and deployment.

The implications of this analysis are that:

- 1 | There is greater potential for higher IRR in non-US investments than US investments. This, however, is qualified by the fact that duration in US investments remains shorter than non-US investments. As such, so long as duration does not blow out for US investments, the IRR generated from both types of investments should be similar.
- 2 | We are likely to earn lower management fees in non-US investment funds, but potentially higher performance fees, compared to US investments.

Slide 10 – Regulatory landscape

As many of you will be well aware, the regulatory landscape in Australia has changed significantly with the introduction of requirements for funders of class actions to hold an AFSL and to run class actions as MISs.

Omni Bridgeway has met these new requirements, and now stands in the unique position of being the only funder in Australia that can run retail class actions. We have several class actions in the pipeline, including one shareholder class action, and several environmental class actions.

We understand that the opposition and some crossbenchers may seek to disallow the regulations in the Senate, which we believe is a retrograde step in the evolution of our industry. Omni Bridgeway remains committed to the policy of regulating funders, not only of class actions, but of all types of litigation.

The situation in Australia will continue to evolve over the plan period, and what we can expect in five years from now would be pure speculation. However, whatever evolves on this front, Omni Bridgeway remains well placed to meet those challenges.

Similarly on an international front, whilst we are not aware of any material regulatory changes over the next plan period, we will remain actively engaged to seek to ensure appropriate regulation is introduced that does not impede access to justice or our business model.

To that end, Omni Bridgeway is a founding member of the International Legal Finance Association. ILFA was a project worked on with a number of other funders, including Burford, over the past nine months. The association was established to provide the industry with a platform to respond to regulatory developments and to enhance the industry's perception on a

global basis. We are pleased this initiative finally took hold and is gathering momentum.

Slide 11 – Our mission, vision and culture

Now turning to the second part of our presentation, looking to our next plan period.

Our first task as a maturing organisation was to define our mission and vision statements.

As many of you will know, a mission statement sets out why we as an organisation, exists. A vision statement sets out the objectives of the organisation.

Our mission is to provide innovative solutions for funding and managing legal risks that clients prefer, stakeholders are proud of and that investors seek for long-term returns.

This mission statement takes into account some key operative goals, which are to fund and manage legal risks. The provision of dumb capital is not our goal. We aim to also provide the management of that legal risk, both as a service to a client and a point of differentiation from our competition, but also as a key tool for management of risks.

We aim to deliver a preferred product for clients, which is the basis for our drive to be market leader. We do not want to become a homogenous provider of litigation finance, as we see that as a slippery slope to margin compression.

We seek to ensure that the business is something that all of our stakeholders, internal and external, are proud of. We will not lose sight of the reality that our industry remains under scrutiny, and we need to satisfy a niche that is underserved, being capital for legal risks, that also serves a social function which attracts the best investment managers and professionals.

Finally, we see our mission as a public company and fund manager is to provide returns to our investors. We will not lose sight of the need to generate returns, manage our cost base and produce profits. That is the goal of all commercial enterprises. However, we need to emphasise that our decision-making is driven by a long-term market view, not short-term sugar hits.

Our vision is to be recognised as the global leader in financing and managing legal risk.

This statement sets out a number of key objectives including:

- 1 | To be recognised the industry leader.
- 2 | To finance and manage, not just provide dumb capital.
- 3 | Expand the definition of legal risk which is further discussed in the presentation.

Slide 12 – Our Strategic Priorities

We have many important objectives to achieve over the next five years. However, it is necessary to prioritise key strategies, or we run the risk of lacking focus.

The outcome from these strategic priorities is to grow our funds under management, with our current funds and new funds to be launched as commitment and deployment targets are met.

Our three key strategic priorities over the next five years all involve expansion, and are:

- 1 | Continue to expand geographically. This can be achieved through organic growth, use of agents or acquisition. This will continue to diversify risk but will also provide greater opportunities for sourcing new investments, whilst enhancing scale which we identify as a critical key to success.
- 2 | Expand our suite of offerings. We currently offer funding and services in relation to pre-judgment litigation and arbitration, and for post-judgment enforcement. We propose to leverage off of this experience and move from just being an agent to also being a principal, in the right circumstances.
- 3 | Grow our team to facilitate the expansion geographically and for new service offerings.

I will expand upon each of these later in the presentation.

Slide 13 – Omni Bridgeway Present and Future

Omni Bridgeway currently operates from 18 offices in 10 countries.

We have identified opportunities to expand within our existing markets, and into new markets. As noted previously, this can be achieved through organic growth, the use of agents or by way of acquisition.

We do not intend to open new offices for the sake of expansion alone. Each expansion will be preceded by an extensive due diligence process and a business case that rationalises that expansion. It is unlikely that we will execute on all of these targets.

These targets have been identified because they are hubs for litigation or provide access to corporates that require funding and services for litigation risk. Given our current suite of offices, we expect that it will be easier to expand into these locations than when we first set up in those markets.

In Asia Pacific, we have identified opportunities in New Zealand, Tokyo, Seoul and New Delhi. We have already commenced this expansion process with a small equity

investment in a Japanese litigation funder, and with a person on the ground in Auckland who is looking after a couple of current investments.

New Zealand is a similar common law market to Australia, and whilst their class action regime is not as well enshrined in legislation, their judiciary has found solutions to effect collective redress. There are a couple of established funders in that market, but competition is less than in other markets in which we currently operate, including Australia. We see this as a low risk, low cost option.

Japan is a large litigation market with a well-established class action regime. Given the regulatory limits, it has been difficult for a foreign funder to provide finance for Japanese litigation. We are aware that one of our competitors has overcome these issues, and we are exploring this market via our own equity investment into a local funder.

Seoul and New Delhi are centres for litigation in their respective markets, and India in particular is a hub for commercial litigation and arbitration. These are potentially challenging markets, each for their own respective reasons, but provide opportunities where competition is limited, and markets are large.

In North America, there is the potential to expand our Canadian operations into Calgary and Vancouver, and in the US to new offices in Miami, Chicago and Washington.

In Canada, we are looking to expand into new jurisdictions to increase our “boots on the ground” philosophy and access industry specific funding opportunities, such as in the mining sector.

In the US, each of these potential expansion targets provide different types of benefits. Washington is a seat for arbitration and is an active market for arbitration opportunities as well as Federal government related litigation. Chicago and Miami are both large litigation markets, behind only those of New York, California and Texas. Some of our competitors have established operations in those markets, but do not have the scale or track record of Omni Bridgeway.

In EMEA, we are looking at potential new offices in Paris, Rome and Madrid, the latter to assist with any servicing of the Latin America markets. Given the proximity of our current operations in Geneva and Amsterdam we expect that these expansions should be easily managed. Each of these targets are large litigation markets and centres for corporate activity.

We have also identified opportunities to service markets in Eastern and Northern Europe, Offshore Markets and Central and South America through use of agents.

These are bold plans but where we see a sufficient probability of gaining market leadership advantages. Such expansion is designed to meet our objective of expanding our funds

committed and deployed and rapidly expanding our funds under management.

Slide 14 – Our Offerings

You will all be familiar with our current suite of offerings, which includes merits funding, post judgment enforcement, appeal and portfolio funding and perhaps with DARP. These offerings are possible through a combination of our financial and human capital, the latter with the skill set to source and underwrite these various types of investments. Broadly, our team has a skill set that combines legal and financial acumen to invest in litigation, legal assets and distressed debt. I won't spend time on these current offerings.

Our focus today is to discuss our new offerings which includes an active investment strategy that involves claims monetisation, downside risk management, defence side funding, and distressed debt investments. There is also a potential for investing into a law firm.

I will expand upon each of these further.

Slide 15 – Our Future Offerings

We use the term active investment strategy to describe the situation where we take an active role in the litigation asset, usually by way of an ownership interest. This is quite different from the usual way we have invested, at least to the legacy IMF Bentham business. We have on occasion invested in an appeal outcome, where the decision in first instance has been rendered. On one occasion we have also taken a controlling position.

This is quite different from the legacy Omni Bridgeway business; there they have on a more regular basis invested in such a manner. As such, we intend to leverage off the experience of the Omni Bridgeway folks and take a more active role in our investments.

This is also consistent with the DARP business in relation to distressed debt, and consistent with our intentions to expand the DARP business into a Distressed Debt Investment Strategies, or DDIS. Our DDIS team will be headed up by Tim DeSieno out of New York and is something I am acutely familiar with from my previous life. I will be assisting Tim in New York once I relocate.

In a typical litigation funding situation, we identify an investment opportunity that meets our funding criteria. We are usually limited in what we can invest to the costs of the litigation. We generate a return based on a commission or multiple of the funds invested. This provides a cap on our return, notwithstanding how much we like the legal risk.

An active strategy will allow us to invest more capital into matters that appeal to our risk appetite, control the strategy of the investment, which may accelerate returns, with the

aim to produce a greater absolute return compared to our traditional funding model.

Some of our competitors describe this strategy as claims monetization. We see that model provides us with an advantage given our more experienced resources and on the ground presence in various markets.

I will walk through an example of this strategy in the next slide.

Downside risk management refers to a strategy where we leverage our skill base to identify legal risk and provide downside risk protection for a fee. This provides synthetic leverage in our funds, as we can generate fees and returns without deploying capital. As such, we should generate high IRRs but low ROICs. The typical type of downside risk protection will be indemnification for costs, or access to adverse cost cover. We would look to also provide some form of legal management service and generate a commission-type return in consideration of the risk.

Defence side funding is the proverbial “holy grail” of litigation funding, as it provides access to the other 50% of the market, the defence side.

The difficulty with this form of funding has been firstly to identify an acceptable definition of success, and secondly, to cross the Rubicon on credibility, having invested a few decades in challenging that side of the table.

I will also walk through an example of this strategy in a later slide.

Finally, is the opportunity to explore the potential for establishing or acquiring a law firm. This opportunity first presented when the Victorian government legislated for the establishment of Group Costs Orders, or contingency fees. As a response to this, we identified that by establishing our own law firm we could also participate in the contingency fee environment, and not lose all class action investment opportunities. This strategy has now expanded with the introduction of alternative ownership structures in some US states, including Arizona and Utah. We understand that this structure is also being considered by the California bar. If introduced in the US in a meaningful way, the opportunity we identified in the Victorian situation will also become apparent in the US. It is still early days in considering this option.

Slide 16 – Indicative Example – Claims Monetization

In this slide we compare a claims monetisation approach to our traditional form of litigation funding, both of which are run through our second-generation fund-type structure where we earn a management fee and a performance fee.

The key assumptions are that we have a claim for \$1,000, which settles for \$500, after we have spent \$100 in fees and costs over a three-year period. In the traditional litigation funding structure, we earn a fee of 30% of the proceeds.

As you will see, the return to Omni Bridgeway will be enhanced under the claim monetization strategy. Our ROIC will be roughly maintained, our IRR naturally decreases, but absolute dollar profits will be enhanced.

The additional benefits here include that we will:

- 1 | Be able to engage more capital into investments that meet our criteria.
- 2 | Have greater control over decision-making including which lawyers to use, strategy to be employed and unimpeded control over settlement.

The primary benefit will be that we are able to deploy more capital to qualified investments, increasing our funds under management.

Slide 17 – Indicative Example – Defence Funding

In this slide, we look at a potential defence side funding investment.

As mentioned, the difficulty is agreeing with the client on the definition of success. A funder doesn't want to define success as complete vindication, as that transfers too much risk to the funder. Equally, a client will need to see some material benefit for them to agree to pay a funder's return.

There are a few reasons why a defendant may seek funding, including cashflow management, limiting exposure to downside risk and claims management. The risk for a funder to guard against is adverse selection risk.

In this example, the defendant faces a claim of \$1,000 and agrees with the funder that success is defined at getting the claim down to or settling for \$500 or less. As such, the gain for the defendant will be \$500 or more. The funder agrees to fund the defence costs of \$100 over a three-year period and take a 30% of the success if settled for \$500 or less.

Assuming this is run through our second-generation funds, the returns to the funder are commensurate with a normal plaintiff side funding investment.

The fundamental benefit for Omni Bridgeway is that it opens up other funding opportunities to accelerate the commitment and deployment of capital under our fund structures.

These types of investments could be made on a stand-alone basis, or as part of a portfolio of opportunities for a corporate, which may then be cross-collateralized.

Slide 18 – Our Team for the Future

So, with our expansion geographically, and our expansion into new offerings, what do we need in terms of a team?

Clearly there will be some additions required to facilitate this growth, but we expect to obtain benefits from economies of scale and leverage our existing team to facilitate much of the growth.

It is our intention to continue to focus on hiring and retaining talented employees and weight their remuneration in LTIP, as we understand that our success will be affected by our ability to attract and retain motivated team members who not only think like, but are actually owners of the business.

We also acknowledge that we will need to attract and retain some additional Investment Committee members for all of our committees or face the risk of bottlenecking at the critical decision point. We have, to date, made strong additions to each of our committees, and anticipate continuing to do so.

What this all translates into, in terms of headcount, is set out in the next slide.

Slide 19 – Funds under management and Investment Commitments

So, what does this all mean?

In this slide we set out our aspirational targets for our future during this next business plan cycle.

As you see, by FY25 we are targeting to have around A\$5 billion in Funds under Management, committing A\$1 billion per annum, serviced by a team of around 200 professionals.

How much will be deployed capital at that stage is impossible to determine, as it requires some assumption about completions which is impossible to predict. Having said that, we are targeting to have around A\$4 billion in revolving deployed capital at that stage of our life cycle.

These are heady targets relative to where we were a short five years ago, and I don't pretend that achieving these targets will be easy. We will balance our focus on growth with an emphasis on long-term profitability and capital management. At this stage, we choose to prioritise growth, because we continue to believe that scale is central to achieving the potential of our business.

Conclusion

We cannot fear failure, and we must learn from both our successes and failures. These strategic initiatives will take time to implement, and to produce measurable results. There can be no innovation if we operate out of fear. We want to create an environment where our team refuses to accept mediocrity, pushing back against the urge that "good enough" is actually good enough.

We are excited about the opportunities we have identified and where our business and the industry are heading.

Thank you. I will be pleased to take any questions.

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About Omni Bridgeway

Omni Bridgeway is the global leader in financing and managing legal risks, with expertise in civil and common law legal and recovery systems, and operations spanning Asia, Australia, Canada, Europe, the Middle East, the UK and the US.

Omni Bridgeway offers dispute finance from case inception through to post-judgment enforcement and recovery. Since 1986 it has an established record of financing disputes and enforcement proceedings around the world.

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