



IMF
BENTHAM
INTERNATIONAL LITIGATION FUNDING

**FY2017 Half Year Results
Investor Presentation**

February 2017

SUMMARY

- Relatively strong first half financial performance resulting from a small number of completions.
- Delivered on key strategic objectives in relation to capital management and geographic expansion.
- Half-way through three year transition phase and as a consequence will continue to experience earnings fluctuations from period to period.

OVERVIEW OF IMF BENTHAM LIMITED

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

IMF Fast Facts	Detail
A leading global litigation funder	<ul style="list-style-type: none">■ Listed on ASX in 2001.■ Market cap of circa \$350 million at 22 February 2017.■ IMF has collected more than \$2bn for clients since its formation.■ IMF operates in Australia from offices in Sydney and Perth and smaller offices in each of Melbourne, Brisbane and Adelaide.■ IMF operates in the US and Canada through its subsidiaries, with offices in New York, Los Angeles, San Francisco, Houston and Toronto.
High margin and MOIC business	<ul style="list-style-type: none">■ Average life of each case is 2.4 years, and IMF has delivered, over the past 16 years, a global MOIC 1.55x (including cases lost and withdrawn).
Competitive advantage	<ul style="list-style-type: none">■ Quality risk mitigation process – case selection and case management expertise.■ Demonstrated by results – globally over 16 years settled or won 90% and only lost 10% of 157 cases (excluding withdrawals).
Unique positioning	<ul style="list-style-type: none">■ People with the training, knowledge and scepticism to be successful funders.■ Significant corporate experience with the risks and pitfalls in litigation funding.■ Necessary funding to enable a liquid and strong approach to aggressive defendants.
Barriers to entry	<ul style="list-style-type: none">■ Size of costs and duration of large litigation matters, as well as potential for adverse costs (in Australia and Canada).■ Litigation funding requires specialist skill set.

CONSISTENT RISK MANAGEMENT

- IMF's 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 a group comprising experienced litigators and commercial staff.
- Our Investment Committee process has been supplemented by the addition of John Sulan QC, former Justice of the Supreme Court of South Australia and former United States District Judge for the Northern District of California, Vaughn R Walker.
- Case management by experienced Investment Managers (former legal practitioners and Counsel).
- No material changes to this process since IMF's inception.
- Additional risk mitigants include the use of ATE adverse cost insurance, co-funding arrangements and the recent establishment of an investment vehicle managing third party capital.

RESULT OVERVIEW and HIGHLIGHTS

	HY2017	HY2016	FY2016	HY2017 V HY2016
Contract Income	\$66.6M	\$26.2M	\$99.7M	▲ 154%
Litigation Expenses	\$(35.6)M	\$(17.0)M	\$(46.8)M	▲ 109%
Net Income (from cases)	\$35.0M	\$11.8M	\$53.0M	▲ 197%
Total Revenue	\$36.4M	\$13.1M	\$56.4M	▲ 178%
Operating Expenses	\$(15.1)M	\$(12.5)M	\$(29.0)M	▲ 21%
NPBT	\$21.3M	\$(0.6)M	\$27.4M	▲
NPAT (underlying)	\$14.0M	\$(0.9)M	\$20.9M	▲
EPS	8.22	(0.56)	12.38	▲
DPS	-	-	7.5 cents	-
ROE	10.4%	(0.52)%	13.4%	▲
Net Asset Backing	\$1.21	\$1.06	\$1.19	▲ 14%
Net Cash	\$84.1M	\$43.6M	\$60.5M	▲ 93%
Case Investment (Intangibles)	\$161.8M	\$124.3M	\$145.6M	▲ 30%
Value of Investment Portfolio	\$3.37BN	\$3.15BN	\$3.44BN	▲ 7 %

INVESTMENT PORTFOLIO AT 31 DECEMBER 2016

IMF has generated average gross revenue in excess of 15% of the estimated portfolio value of a case at the time the case is completed.

Portfolio value range	Estimated portfolio value \$'000	Number of cases	Proportion of total value	Possible completion FY2017 \$'000	Possible completion FY2018 \$'000	Possible completion FY2019 and later \$'000
Less than \$50M	895,999	38	27%	133,117	557,559	205,323
Between \$50M and \$100M	713,414	10	21%	76,009	129,099	508,306
Greater than \$100M	1,760,761	8	52%	29,365	936,456	794,940
Total Portfolio	3,370,174	56	100%	238,491	1,623,114	1,508,569
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Australia and Asia cases	1,464,200	23	43%	49,200	990,000	425,000
USA and Canada cases	1,905,974	33	57%	189,291	633,114	1,083,569
Total Portfolio	3,370,174	56	100%	238,491	1,623,114	1,508,569

INVESTMENT PORTFOLIO AT 31 DECEMBER 2016

Notes to the Group's Case Investment Portfolio

- a) Past performance indicates that the Group has generated average gross revenue in excess of 15% of the Estimated Portfolio Value (**EPV**) of a case at the time it is completed (Long Term Conversion Rate). Past performance is not necessarily an indication of the future performance and the Long Term Conversion Rate may vary materially over time. By providing this information, IMF is not in any way whatsoever providing earnings guidance for future periods.
- b) EPV is calculated using different base methodologies to reflect the different types of case investments made by the Group and, where appropriate, takes into account the perceived capacity of the defendant to meet the claim. In Australia, IMF generally does not cap its funding commitment to a case and is entitled to a prescribed percentage of any resolution sum on completion of the case. For such cases, the EPV is based upon IMF's current best estimate of the claims recoverable amount. Generally, in the USA and Canada, IMF's investment is capped and its potential return is structured as the higher of a prescribed multiple of funds invested and a percentage of any resolution sum. The EPV for such cases is calculated by reference to IMF's potential investment return, based on a multiple of funds invested, and IMF's Long Term Conversion Rate.
- c) It is important to note that whichever calculation methodology is used, the EPV is not necessarily the same as the amount being claimed by IMF's funded claimant/s in the case and is not the estimated return to the Group from the case if it is successful.
- d) The EPV may vary over time for a number of reasons, including changes in circumstances relating to a case, partial recovery and fluctuations in the foreign exchange rates between the applicable local currency and the Australian dollar.
- e) Cases which are contingently funded are included in the portfolio only when all conditions to funding are either satisfied or waived.
- f) 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, judgment or arbitrator determination, for or against the funded claimant. It may not follow that the financial result will be accounted for in the year of finalisation. Possible Completion period estimates are prepared at case inception and reviewed and updated where necessary on a quarterly basis.
- g) Cases which have settled subject to a condition or to court approval remain in the portfolio until the condition is fulfilled or approval is given.
- h) To avoid disclosing individual estimated portfolio values (which may be commercially sensitive) the estimated portfolio values for Australia and Asia, and the USA and Canada have been combined.

INVESTMENT PORTFOLIO AT 31 DECEMBER 2016

In addition to the above portfolio, IMF has also announced conditional funding of the following eight cases:

- GST class action (19 September 2016)
- Hastie Group Limited class action (19 September 2016)
- UGL Limited class action (28 September 2016)
- Oakey Contamination class action (6 October 2016)
- Claims against Australian Executor Trustees (SA) Limited in its capacity as trustee of the SEAS Sapfor Scheme (8 December 2016)
- Canadian case involving an intellectual property dispute (9 January 2017)
- Bellamy's Australia Limited class action (23 January 2017)
- Spotless Group Holdings Limited class action (30 January 2017)

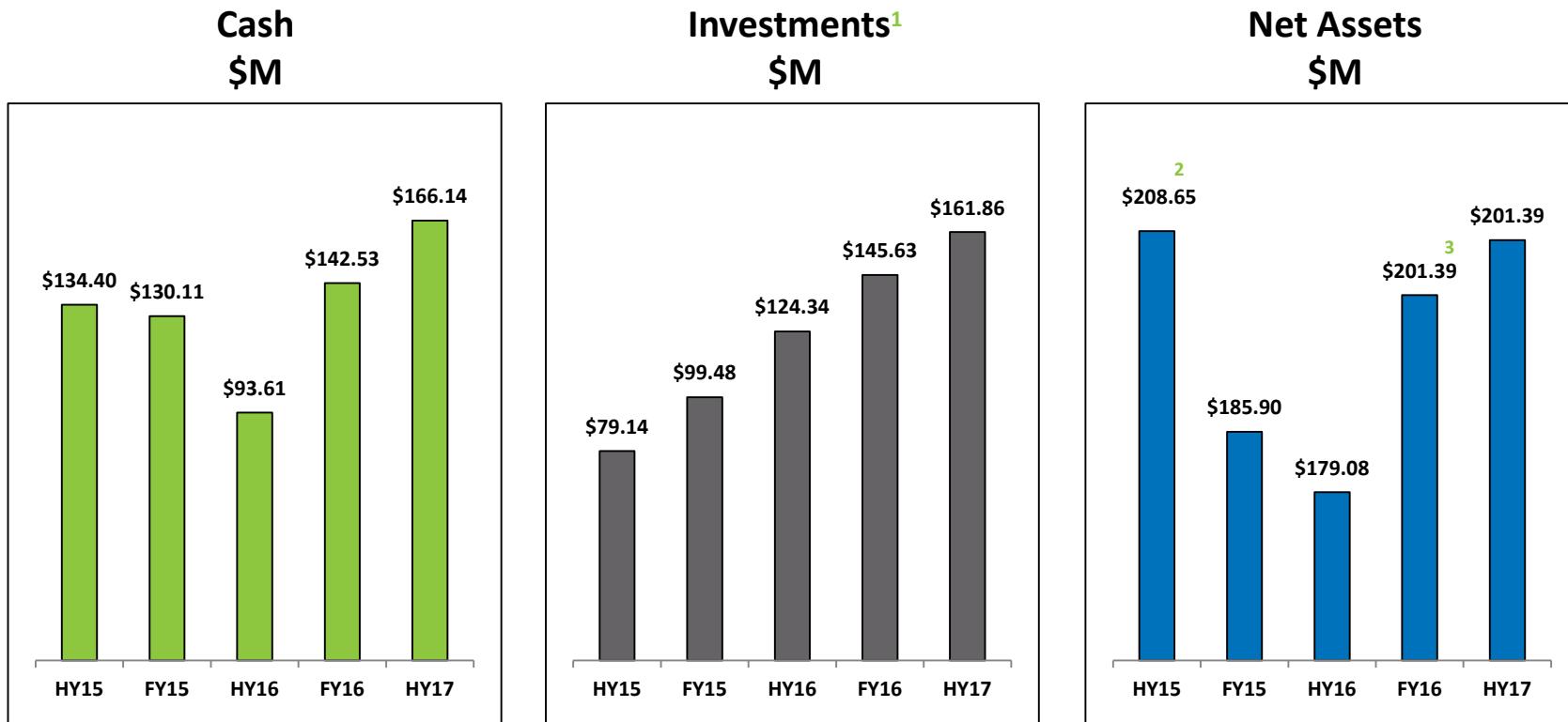
The total budgeted investment for the above cases is \$35M.

As IMF's funding of these cases is not unconditional, these cases have not been included in the above portfolio.

Targets for new cases:

DESCRIPTION	FY2015 Actual	FY2016 Actual	HY2017 Actual	Remaining FY2017 Projected	FY2018 Projected
Cases funded	21	27	12	42	61
Funds committed (A\$)	\$54M	\$81M	\$24M	\$83M	\$123M

BALANCE SHEET STRENGTH



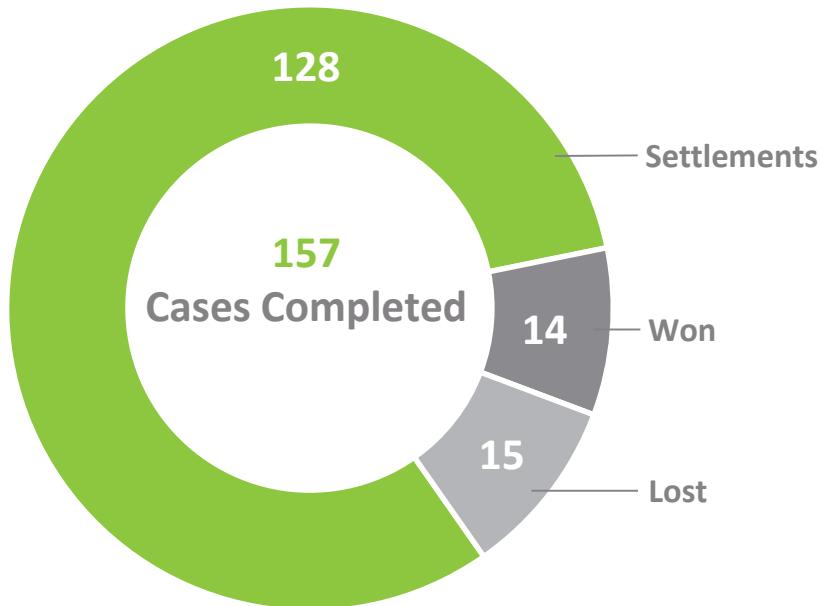
¹ Investments includes capitalised overheads relating to the litigation.

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 EXCLUDING WITHDRAWALS

IMF's track record to 31 December 2016



- **157** cases commenced and completed since listing
- MOIC of 1.6x (excluding withdrawals)
- Average investment period of 2.6 years
- 90% success rate

Revenue Summary		
Revenue to funded claimants	\$1,258M	63%
Revenue to IMF:		
<i>Reimbursement of costs</i>	\$288M	14%
<i>Net income (excluding overheads)</i>	\$461M	23%
IMF total revenue	\$749M	37%
Total revenue generated	\$2,007M	100%

- Lost cases cost \$47M including adverse costs paid and provisions raised (3 cases subject to appeal)
- Losses cost 6% of IMF revenue

Notes:

1. MOIC (multiple on invested capital) is calculated as gross income to IMF less all cost reimbursements divided by total expenditure, and excludes overheads.
2. The Funding Track Record does not include withdrawn cases.

GROWTH STRATEGY

The Company has previously announced its focus for FY2017 included the following objectives:

OBJECTIVE	ACHIEVEMENT
Further geographic expansion requiring the assessment of additional offices in the US.	✓ IMF has recently announced the opening of its fourth US office in Houston.
Possible geographic expansion in Asia, where IMF is currently funding two cases in Hong Kong.	✓ Plans for a Singapore office are advancing, targeting a mid-2017 opening.
Consider new products to be launched including a family law offering in Australia and arbitration funding on a global basis.	✓ IMF has invested in one family law matter and one international arbitration case in FY2017.

GROWTH STRATEGY - CAPITAL MANAGEMENT

- One of key priorities for FY2017 was the implementation of a capital management plan to fund US investments.
- IMF has recently announced the launch of its first investment vehicle, Bentham IMF 1 LLC.
- A special purpose vehicle funded, advised and managed by affiliates of Fortress Credit Advisors LLC (Fortress) will invest up to US\$100 million by way of subscription for Class B stock with provision for a further US\$50 million of Class B stock subject to the joint consent of IMF and Fortress.
- IMF has committed to invest US\$33.3 million by way of subscription for Class A stock, with provision to increase this investment to US\$50 million subject to the joint consent of IMF and Fortress.

SUMMARY OF KEY TERMS OF BENTHAM IMF US INVESTMENT VEHICLE

- Up to US\$200 million of capital.
- Draw down of capital over a three-year period, with minimum annual tranches applying.
- IMF to be managed by a board of managers appointed by IMF.
- IMF's US operating subsidiary, Bentham Capital LLC to provide management services.
- Capital will be used to invest in US cases.
- IMF entitled to a Manager Return.
- Net residual cashflows to be distributed 85% to IMF and 15% to Fortress.

BENEFITS OF BENTHAM IMF US INVESTMENT VEHICLE

- By leveraging its investments in the US, IMF is aiming to generate a return from the capital it invests in the Bentham IMF Funding Vehicle that is far superior to the return it would expect to achieve by investing the same amount directly into litigation funding assets.
- IMF has identified the following as additional benefits of investing through the Bentham IMF Funding Vehicle:
 - diversification of risk via a larger investment portfolio;
 - satisfaction of capital requirements without recourse to debt or an equity capital raising in IMF; and
 - freeing up capital that would have otherwise been used for investments in the US for redeployment to other jurisdictions, including Australia, Asia, and potentially any future re-entry by IMF into Europe.

STRATEGIC OBJECTIVES

- IMF will aim to continue to deliver on its growth and diversification strategy through the balance of FY 2017.
- Alternative product offerings will continue to be evaluated.
- Explore capital management strategies for non-US investments.
- Consider re-entry into Europe after the restraint period expires.