



3 February 2020

UPDATE ON 2019 TRADING PERFORMANCE

Record new commitments surpass \$1.5 billion; returns remain robust

Burford Capital Limited (“Burford Capital” or “Burford” or “the Company”), the leading global finance and investment management firm focused on law, today released a trading update on its 2019 activities.

Summary

In summary, on a Group-wide basis at or for the year ended 31 December 2019, unless otherwise indicated:

- \$1.6 billion in new commitments, a 24% increase over 2018 and a new record
 - Core litigation finance commitments grew by 30% to \$854 million
- Cash returns remained robust and increased slightly with the balance sheet core litigation finance portfolio producing 93% ROIC and 31% IRR (2018: 85% and 30%, respectively) since inception
- Cash proceeds up 23% to \$997 million, including \$500 million in proceeds to the balance sheet
 - Ended 2019 with \$192 million of balance sheet cash on hand, up from \$171 million as at 30 June 2019
 - Collected during the second half 97% of \$173 million of investment receivables on the balance sheet as at 30 June 2019
- Burford again deployed \$1.1 billion to investments in the year, which continues to build the portfolio for future expected returns
- Lowest level of balance sheet investment losses in Burford’s history, confirming portfolio strength
- Balance sheet net realised gains and unrealised gains for 2019 are expected to be lower than in 2018. While this will have an impact on net income and profit for 2019, Burford’s policy is to manage litigation outcomes for optimal shareholder value rather than to its financial year end. This approach has already been vindicated with January 2020 seeing litigation successes that would trigger unrealised gains and, if ultimately affirmed and paid, would generate more than \$150 million in profits across the Group and more than \$100 million in balance sheet profits from a single month’s activity. Had January’s events occurred in December, Burford’s 2019 results would have been materially higher as Burford would have been obliged to take a meaningful portion of those future expected profits into income immediately.

Burford will hold an investor and analyst conference call today, Monday 3 February 2020, at 11:30am GMT / 06:30am EST.

Burford encourages investors and analysts to pre-register for dedicated access to the call via: www.incommuk.com/clients/burfordcapital.

The dial-in number for the conference call is +44 (0)20 3059 5751 / +1 470 279 7296 and the access code is 496790. Participants are encouraged to dial in no later than 11:20am GMT / 06:20am EST to facilitate timely access to the conference call.

Following the investor and analyst conference call, a replay facility will be available until Monday 17 February 2020 by dialling +44 (0)20 3936 3001 / +1 845 709 8569 and using the replay access code 264897.

Burford made a record-breaking level of new commitments, exceeding \$1.5 billion for the first time

Burford made more new commitments than ever before: \$1.6 billion, a 24% increase over 2018. This level of new business shows the persistent demand for Burford's capital in the legal market and Burford's ability to lead its industry in meeting that demand.

New commitments in Burford's core litigation finance business grew even more strongly to \$854 million, an increase of 30% from the year prior. We saw strong demand for Burford's varied offerings in the litigation finance space, including an increase in corporate monetisation transactions, an area of specialisation for us given our unique industry scale.

Commitments in Burford's asset recovery business increased 43% to \$89 million, reflecting the growing prominence of that business and the high demand for asset recovery solutions globally among corporate clients.

Burford's complex strategies business saw a decrease in new commitments to \$330 million, because its complex strategies investment fund was largely fully committed for much of the year, constraining its ability to make new commitments. When the fund had resolutions during the year that freed up capacity, that capacity was soon committed again.

Burford's post-settlement financing business had a particularly strong year, with \$299 million of commitments, up 78% from 2018.

Burford's returns remained robust, rising to 93% ROIC and 31% IRR

Returns from the core litigation finance portfolio on Burford's balance sheet continued to be strong. With over 100 investments that have fully or partially concluded, generating \$1.2 billion of realisations and \$576 million of profit, our return on invested capital since the portfolio's inception stood at 93% at 31 December 2019, compared with 85% at the end of 2018, and the portfolio's internal rate of return was 31% at year-end 2019 (2018: 30%).

Burford's deployments of more than \$1 billion further extend the potential performance of our portfolio

Burford was able to repeat its record-breaking 2018 performance and again deployed \$1.1 billion of cash across the Group's various strategies, positioning the business favourably for future investment returns.

Group-wide core litigation finance deployments of \$459 million in 2019 were modestly lower than 2018; Burford has regularly seen annual fluctuations in deployment levels and ascribes no significance to them given the unpredictability of timing and the wide variety of deal structures in use.

Burford also saw the expected dispersion of deployments from its multiple capital sources. In 2018, Burford was largely deploying balance sheet capital in core litigation finance, drawing on its Partners III fund for a typical maximum of \$7.5 million of capital in each investment. In 2019, both the Burford Opportunity Fund (“BOF”) and the Sovereign Wealth Fund arrangement (“BOF-C” or “SWF”) came online, lessening the capital demands on the Burford balance sheet, improving Burford’s capital diversity and providing an alternative stream of capital-free income. As a result, only 49% of core litigation finance deployments in 2019 came from Burford’s balance sheet (2018: 63%), with the result that balance sheet core litigation finance deployments declined 28% from 2018 to \$227 million but the attractive structural leverage from BOF-C came into play, deploying a further \$76 million. BOF deployed a further \$124 million. This is a healthy transition and reduces Burford balance sheet’s capital requirements.

Burford’s cash generation showed continued strength, rising 23%, while the balance sheet generated cash proceeds in line with last year

Cash proceeds rose 23% to \$997 million, showing the repeated ability of Burford to turn its investments into cash and the strong liquidity profile of Burford’s business. Cash proceeds to Burford’s balance sheet were \$500 million during 2019, down 2% from 2018.

Group cash proceeds in core litigation finance in 2019 were up 2% to \$298 million compared with the prior year. As with deployments, we saw a skew towards Burford’s investment funds, with balance sheet cash proceeds from core litigation finance declining 16% to \$197 million while investment fund cash proceeds came close to doubling to \$101 million. Additional balance sheet cash proceeds are discussed below.

Burford believes that volatility in cash proceeds is simply a timing issue. We were pleased with the progress during 2019 of a number of our cases and look forward to favourable results as the portfolio continues to mature. Significantly, 2019 also saw Burford’s lowest-ever level of losses, further confirming that it was a quiet instead of a problematic year. Indeed, Burford expects to post less than \$6 million in realised losses on cases concluded during 2019 (2018: \$21 million). As a percentage of average litigation investment assets at cost during the year, Burford experienced realised losses on 2019 concluded matters in its balance sheet core litigation finance portfolio of 0.7% in 2019, lower than in any year since its first full year of operations.

As we have long made clear, we can neither predict nor control the *timing* of the generation of litigation returns. Burford is not a business for those focused on short-term profits or for those who eschew volatility and seek predictability. We finance large, complex commercial claims. Our cash flows come from their resolution. There is no “normal” for such claims; they are inherently idiosyncratic. We have had cases resolve in less than a week, and we have matters from 2010 still going strong. That is the opportunity in our business and it is why we are able to generate the returns we have historically delivered. If litigation were predictable as to outcome and duration, banks could finance it; there would be no need for Burford.

This point is underscored by an extraordinary January 2020, often a slow month for legal activity. This year, we have already seen litigation successes that if ultimately upheld and paid would generate more than \$150 million in Group cash profits and more than \$100 million in balance sheet cash profits. Had January’s events occurred in December, Burford’s 2019 results would have been materially higher as

Burford would have been obliged to take a meaningful portion of those future expected profits into income immediately. We simply do not manage the business on a single period basis.

Cash proceeds from complex strategies investments rose 17% to \$429 million, again demonstrating the lower risk and shorter duration of those investments. Those proceeds benefitted the balance sheet, with complex strategies proceeds there being up 12% to \$282 million in 2019.

Liquidity remained solid

Burford maintained a strong liquidity position at year-end 2019, with \$192 million of cash and cash management investments on its balance sheet, up from \$171 million at 30 June 2019. Burford did not raise any external capital during 2019, although the Company does currently intend to return to the primary debt markets in 2020 to continue to fund its ongoing growth.

Burford closed the first half of 2019 with an unusually high level, \$173 million, of due from settlement of investment receivables on its balance sheet, which reflected the timing of some significant realisations late in the period. At year-end, 97% of those receivables had been paid in full. We did not experience the same timing issues in the second half, with Burford ending the year with less than \$20 million of investment receivables on its balance sheet.

Burford's financial statement income

Burford's financial statements are still in preparation and our valuation process is not complete. However, given what we have previously discussed about timing and portfolio activity, Burford expects net realised gains¹ to be approximately \$20-30 million lower than in 2018. It is more difficult to forecast the outcome of the valuation process on fair value gains, but Burford expects to book approximately \$50-70 million less in net unrealised gains than in 2018. Thus, we expect our income and our profit to be lower than in 2018.

We are entirely unconcerned about that, and as January 2020 has proved, circumstances can change quickly in our business. We focus on cash, and the best value outcome for shareholders from our investments, rather than managing realisations to an accounting year-end. We can't control when courts rule or matters resolve – and in many instances we make more money from delay because of the pricing structure of our legal finance assets.

¹ Net realised gains are realisations less investment cost, while net unrealised gains are balance sheet fair value movement net of transfers to realisations

Financial summary

The chart below provides a breakdown of various cash-based financial metrics by line of business and capital source to provide further detail for investors:

| \$ in millions | 2019 | | | | 2018 | | | |
|---------------------------------|-------------------------------------|----------------------|------------|--------------------|-------------------------------------|----------------------------------|------------|--------------------|
| | <u>Group-wide Total¹</u> | <u>Balance Sheet</u> | <u>SWF</u> | <u>Other Funds</u> | <u>Group-wide Total¹</u> | <u>Balance Sheet²</u> | <u>SWF</u> | <u>Other Funds</u> |
| Commitments: | | | | | | | | |
| Core Litigation Finance | 854 | 429 | 196 | 229 | 658 | 410 | 53 | 195 |
| Complex Strategies ³ | 330 | 208 | - | 123 | 385 | 256 | - | 129 |
| Asset Recovery | 89 | 89 | - | - | 62 | 62 | - | - |
| Post-Settlement Finance | 299 | - | - | 299 | 168 | - | - | 168 |
| Total: | 1,573 | 726 | 196 | 651 | 1,273 | 728 | 53 | 492 |
| Deployments: | | | | | | | | |
| Core Litigation Finance | 459 | 227 | 76 | 156 | 502 | 314 | 21 | 167 |
| Complex Strategies ³ | 330 | 208 | - | 123 | 385 | 290 | - | 96 |
| Asset Recovery | 30 | 30 | - | - | 33 | 33 | - | - |
| Post-Settlement Finance | 254 | - | - | 254 | 160 | - | - | 160 |
| Total: | 1,074 | 465 | 76 | 533 | 1,080 | 637 | 21 | 423 |
| Cash Proceeds: | | | | | | | | |
| Core Litigation Finance | 298 | 197 | 12 | 89 | 291 | 235 | - | 56 |
| Complex Strategies ³ | 429 | 282 | - | 147 | 367 | 251 | - | 115 |
| Asset Recovery | 1 | 1 | - | - | 7 | 7 | - | - |
| Post-Settlement Finance | 250 | - | - | 250 | 131 | - | - | 131 |
| Investment Management Fees | 20 | 20 | - | - | 16 | 16 | - | - |
| Total: | 997 | 500 | 12 | 486 | 812 | 510 | - | 303 |

¹ Group-wide figures include (i) minority interests in consolidated funds and (ii) non-consolidated funds managed by Burford.

² Balance sheet totals for 2018 can be reconciled to the 2018 Annual Report as follows:

Commitments As presented in the Total 2018 Investment Commitments table on p. 27

| | |
|---------------|---|
| Deployments | Reported as Burford-only Additions in Note 7 (less \$20.7 million of warehoused investments referenced in the note) and Additions in Note 9 to the Financial Statements |
| Cash Proceeds | Reported as Burford-only Proceeds Received in Note 8, Realisations in Note 9 and Investment management income in Note 21 to the Financial Statements |

³ As set out in Burford’s 2019 interim report, Burford now includes the impact of the cash posted for margin in its complex strategies investments in its reporting, which is an essential element of those investments. That cash was not included in Burford’s 2018 reporting; had it been, deployments would have been approximately \$50 million higher and cash proceeds approximately \$20 million higher.

Christopher Bogart, Burford’s CEO, commented:

“Burford had an exceptional year of growth in 2019, including a 30% increase in core litigation finance commitments, positioning the business favourably for the years ahead, while our returns remained robust and even inched higher than before. We are delighted that 2020 is off to a brisk start, and we were also pleased to see the capital structure benefits of our new strategic capital arrangements.”

Definitions, use of alternative performance measures and disclaimers

Burford does not typically issue trading updates following yearend and does not intend to do so regularly given the complexity of their preparation, but we are doing so this year in response to investor requests. Burford’s structure and finances are complex and while the information provided herein is believed to be generally accurate, it is possible that it will be revised prior to the finalisation of Burford’s 2019 results. Burford is also at the very early stages of its 2019 audit and it is possible that its audited results will vary from these preliminary indications. Please see Burford’s annual and interim reports or its 23 September 2019 investor presentation for definitions of the financial terms (including ROIC and IRR) used in this trading update. Burford disclaims any obligation to update these early figures between now and the release of its audited financial statements, scheduled for 24 March 2020.

Burford reminds investors of its nomenclature when describing its business, as set out in its 2018 annual report:

- When discussing financial statement measures or when we talk about “balance sheet” data, we are referring only to Burford’s own figures, without including third-party investment fund activity (other than the management and performance fees Burford may earn from its funds); when we talk about “Group” or “Group-wide” data or when we describe things on a business-wide basis, we are also including activity in our investment funds
- When we discuss litigation finance or legal finance in general terms, we are including our entire business except for insurance and asset recovery; we endeavour to make clear whether we are including or excluding investment fund activity, usually by adding the modifier “balance sheet”, and of course when we do not include investment fund activity, we are by definition not including post-settlement financing as that occurs only in its own specialised investment fund
- When we discuss “core litigation finance”, we mean our pre-settlement, non-recourse business and we are excluding recourse, complex / principal strategies and post-settlement activity; again, we will endeavour to make clear whether we are including investment fund activity

For further information, please contact:

Burford Capital Limited

Jim Kilman, Chief Financial Officer

+1 917 985 9840

Robert Bailhache, Head of Investor Relations - [email](#)

+44 (0)20 3530 2023

Macquarie Capital (Europe) Limited - NOMAD and Joint Broker

+44 (0)20 3037 2000

Jonny Allison

Alex Reynolds

Jefferies International Limited - Joint Broker

+44 (0)20 7029 8000

Graham Davidson

Tony White

Numis Securities Limited - Joint Broker

+44 (0)20 7260 1000

Charlie Farquhar

Jonathan Abbott

About Burford Capital

Burford Capital is the leading global finance and investment management firm focused on law. Its businesses include [litigation finance](#) and [risk management](#), [asset recovery](#) and a wide range of legal finance and advisory activities. Burford is publicly traded on the London Stock Exchange, and it works with law firms and clients around the world from its principal offices in New York, London, Chicago, Washington, Singapore and Sydney.

For more information about Burford: www.burfordcapital.com

This release does not constitute an offer of any Burford fund. Burford Capital Investment Management LLC ("BCIM"), which acts as the fund manager of all Burford funds, is registered as an investment adviser with the U.S. Securities and Exchange Commission. The information provided herein is for informational purposes only. Past performance is not indicative of future results. The information contained herein is not, and should not be construed as, an offer to sell or the solicitation of an offer to buy any securities (including, without limitation, interests or shares in the funds). Any such offer or solicitation may be made only by means of a final confidential Private Placement Memorandum and other offering documents.