



**RELEASE TO AUSTRALIAN SECURITIES EXCHANGE  
FRIDAY, 18 NOVEMBER 2016**

**CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S  
PRESENTATION TO SHAREHOLDERS AT  
2016 ANNUAL GENERAL MEETING**

In accordance with Listing Rule 3.13.3, please refer to the following attached documents:

**Part One: Chairman's Address to the Annual General Meeting**

**Part Two: Managing Director's Presentation to the Annual General Meeting**

A handwritten signature in black ink, appearing to read 'J Sambrook', written over a light grey watermark that says 'For personal use only'.

**Jeremy Sambrook  
Company Secretary**

**ADDRESS BY IMF BENTHAM LIMITED CHAIRMAN MICHAEL KAY  
TO THE ANNUAL GENERAL MEETING  
18 NOVEMBER 2016**

Ladies and gentlemen, welcome to the annual general meeting of IMF Bentham Limited for 2016.

My name is Michael Kay and I am the Chairman of IMF Bentham Limited. This is my second meeting as Chairman of IMF. I have had the opportunity to meet a number of shareholders, including some of those present here today. I look forward to continuing to engage with our shareholders throughout this financial year.

Before we commence with the formal business of this meeting, I would like to take this opportunity to introduce you to my fellow directors:

- Andrew Saker, Managing Director and CEO;
- Hugh McLernon, Executive Director;
- Alden Halse, Non-Executive Director;
- Michael Bowen, Non-Executive Director; and
- Wendy McCarthy, Non-Executive Director.

The Chief Financial Officer, Julia Yetsenga, and the Company Secretary and General Counsel, Jeremy Sambrook, are also in attendance.

The Company's auditor is Ernst & Young. Mr Greg Meyerowitz, a partner at Ernst & Young, is in attendance and will be available to answer questions concerning the Company's financial statements.

Each of you should have registered at the registration desk as you entered. If anyone has not registered, would you please do so now.

Before moving to the formal business of the meeting, I will take the opportunity to give you a brief overview of the 2016 financial year. I will then invite our CEO and Managing Director, Andrew Saker, to present to you his thoughts on FY16 and his plans for taking your Company to the next level of its development.

Following the meeting, my fellow directors and I would be delighted if you would join us for morning tea.

I will now deliver my address:

When I stood before shareholders at last year's AGM, your company was in the midst of some significant changes in personnel at both Board and management levels, the development and execution of an evolution in the company's strategy and an unusual run of case losses. Each of these issues on their own would be noteworthy, together they put considerable pressure on us.

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In that context, I told you last year we believed the decision that was made to invest in a blend of corporate memory, diverse capabilities and fresh eyes in both Board and management was critical to ensure we were able, over the next few years, to take the company to the next level. I also told you that we believed the evolution of the company's strategy to mitigate the risk of unexpected losses by diversifying its portfolio of cases in number and geography, was the right way forward. Finally, I said we believed that despite the unusual run of case losses, your company's core capability of the selection of good cases, capable of generating good returns, remained intact.

I believe FY2016 has shown those judgements to be largely correct. Cases have been successfully resolved, results have improved, management has made excellent progress in the execution of the strategy and sensible investments have been made in people, cases, products, geography and capital management to underpin future profitable growth. Key achievements are as follows:

- NPAT increased from \$6.3m to \$20.8m.
- EPS increased from 3.78c to 12.38c.
- The dividend of 7.5c, slightly down on the previous year, was a reflection of the need to preserve cash to support the strong growth of our investment portfolio.
- Our number of funded matters increased from 39 to 54.
- The portfolio increased from \$2bn at 30 June, 2015 to \$3.4bn at 30 June, 2016.
- Our US business continued its strong growth, and as at 30 June, 2016 comprised 48% of our portfolio.
- We commenced business in Canada in Toronto to join our other North American offices in New York, Los Angeles and San Francisco.
- We successfully raised AUD32m in unlisted Secured Notes allowing us to continue to invest in our rapidly growing portfolio.
- We sold out of our joint venture in Europe. We do believe Europe is a good market for our services, but we learned that our business model is not readily amenable to an active investment partner. We want to ensure we always retain control over all investment decisions and operational activities. When our non-compete obligations cease next year, we will consider a re-entry to Europe as part of our ongoing appraisal of potential foreign markets.
- We have increased our bench strength to support our growth aspirations with staff numbers increasing from 42 to 56. Notably, Julia Yetsenga was appointed CFO and Jeremy Sambrook joined us as General Counsel and company secretary. We were also delighted to welcome to our Investment Committee, former Justice of the Supreme Court of South Australia, John Sulan QC and former Chief Judge of the United States District Court for the Northern District of California, Vaughn R Walker. Self-evidently, these eminent jurists bring great intellect and practical experience to our case selection process, a process which we have always seen as our core competence and a key difference between us and our competitors.

In looking at the next 12 months, aside from continuing to execute our operational strategy for profitable growth, we recognise that management of our capital is a key opportunity for us. If we can find more innovative ways of raising capital we can generate higher returns for shareholders. This is a key and ongoing focus for us.

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I will leave it to our Managing Director and CEO, Andrew Saker to take you through the results and the last year's key activities in detail, but suffice to say, in my opinion we have made very encouraging progress in executing our strategy and investing in the people and cases that will provide revenue and profitable growth in the years ahead. IMF is an exciting place to be and I feel very privileged to be part of it. I wish to record my thanks to my colleagues on the Board, they have all made significant contributions and I have greatly appreciated their guidance and wise counsel.

And while on the Board, I know at least one proxy firm has concerns with the tenure and affiliation of one of the Directors up for election today, Michael Bowen. As I said earlier, your company has been through a lot of personnel change over the past 18 months at Board and management. Corporate renewal and refreshment is always desirable but, in my experience, it is critical that it is balanced with the preservation of corporate memory. Having been through all this change, it is important we also retain skills and knowledge built up through the early and developing years of the company. Michael Bowen is a very important holder of those skills and knowledge, he is also an important contributor and always brings a thoughtful and fiercely independent view to the Board table. I and my colleagues unreservedly support Michael's re-election.

On behalf of the Board, I want to thank Andrew, the management team and all the people of IMF Bentham who work with diligence and great purpose. As a result of their efforts, we are a better and more capable company than we were 12 months ago and if we can continue to execute our strategy with the same energy and single-mindedness, your company has a very bright future indeed.

It is now my great pleasure to introduce our CEO and Managing Director, Andrew Saker.

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**PRESENTATION BY IMF BENTHAM LIMITED MANAGING DIRECTOR  
ANDREW SAKER TO THE ANNUAL GENERAL MEETING  
18 NOVEMBER 2016**

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ANNUAL GENERAL MEETING

18 November 2016

## FUNDING TRACK RECORD

### IMF's track record to 30 June 2016



#### Summary

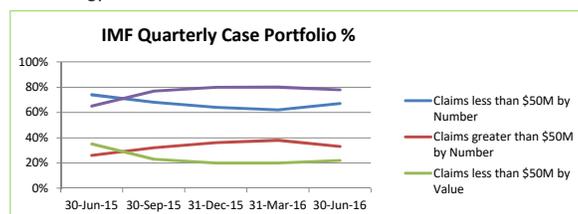
- 187 cases commenced and completed since listing.
- MOIC of 1.55x.
- Average investment period of 2.4 years.
- Generated total revenue of \$1,847M:
  - \$1,162M to Clients (63%);
  - \$685M to IMF comprising:
    - \$268M reimbursement of costs (14%); and
    - \$417M net revenue to IMF (excluding overheads) (23%);
- Lost cases cost \$47M including adverse costs paid and provisions raised (3 cases subject to appeal).
- Withdrawals cost \$5M.
- Losses and withdrawals cost 8% of IMF revenue.

**IMF**  
**BENTHAM**  
INTERNATIONAL LITIGATION FUNDING

Note:  
MOIC (multiple on invested capital) is calculated as gross income to IMF less all cost reimbursements divided by total expenditure, and excludes overheads.

## IMPLEMENTATION OF STRATEGY

- We have achieved a number of key outcomes:
  - Increased geographic footprint in North America with the opening of our office in Canada in January 2016;
  - Increased the number of matters funded from 39 to 54 and the portfolio from \$2.0BN to \$3.4BN;
  - Increased our infrastructure, with staff numbers growing from 42 to 56.
- Matters with claims greater than \$50M now represent 78% of our portfolio, up from 65% in June 2015. The number of matters less than \$50M have increased from 29 to 36, whilst matters greater than \$50M increased from 10 to 18.
- We are continuing to work towards reducing the average size of our cases as part of our risk diversification strategy.



- We have restructured our insolvency and small claims team and expect to see a change in the mix of small cases in the next 6 to 12 months.

## INVESTMENT PORTFOLIO AT 30 SEPTEMBER 2016

*IMF has generated average gross revenue in excess of 15% of the portfolio value at the time the matter 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	798,985	38	25%	128,216	488,534	182,235
Between \$50M and \$100M	777,679	12	24%	86,992	190,133	500,554
Greater than \$100M	1,665,482	7	51%	93,208	835,577	736,697
<b>Total Portfolio</b>	<b>3,242,146</b>	<b>57</b>	<b>100%</b>	<b>308,416</b>	<b>1,514,244</b>	<b>1,419,486</b>
Australia and Asia cases	1,501,680	25	46%	136,380	953,300	412,000
USA and Canada cases	1,740,466	32	54%	172,036	560,944	1,007,486
<b>Total Portfolio</b>	<b>3,242,146</b>	<b>57</b>	<b>100%</b>	<b>308,416</b>	<b>1,514,244</b>	<b>1,419,486</b>

## INVESTMENT PORTFOLIO AT 30 SEPTEMBER 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 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) **Estimated Portfolio Value (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 client/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 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 client. It may not follow that the financial result will be accounted for in the year of finalisation. 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.

## EUROPEAN EXIT

- In July 2016 IMF completed the sale of its interest in the European JV to its former JV partner for €4.01M, recognising a profit before tax on disposal of approximately \$4M. IMF is now restrained from funding in certain parts of Europe for a period of 12 months.
- IMF entered into the JV with a view to mitigating the cost and risk associated with commencing operations in Europe.
- IMF was investing approximately \$3M per annum into the JV to fund operating costs, and committed to jointly fund two large and complex pieces of litigation.
- As a consequence of the sale, IMF no longer has the cash drain of the operations or the litigation, and can refocus on its growth areas.
- IMF may reconsider re-entering the European market after the restraint period, the form and structure of which is yet to be determined.

## GROWTH STRATEGY

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- The Company's focus for the next 12 months includes:
  - Further geographic expansion requiring the assessment of additional offices in the US and possibly in Asia where IMF is currently funding two cases in Hong Kong
  - Consider new products to be launched including a family law offering in Australia and arbitration funding on a global basis
  - Continue to accelerate the number and diversity of funded cases
- Funding for new cases:

DESCRIPTION	FY2014	FY2015	FY2016	FY2016	FY2017	FY2018
	Actual	Actual	Projected	Actual	Projected	Projected
Cases funded	8	21	37	27	54	61
Funds committed (A\$)	\$42M	\$54M	\$86M	\$81M	\$107M	\$123M

## CAPITAL MANAGEMENT

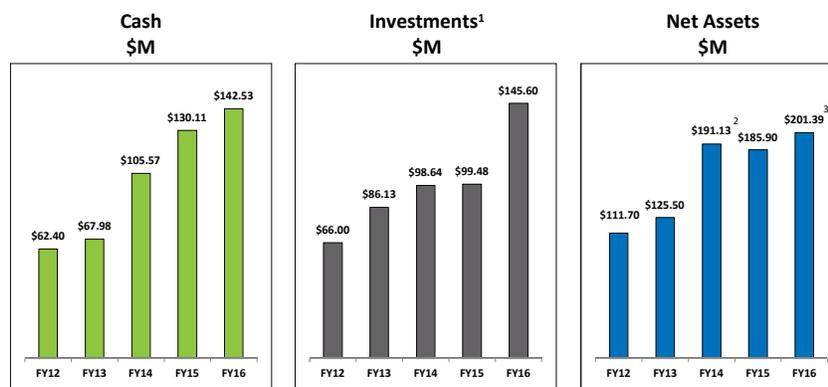
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- One of key priorities for FY17 will be implementing a capital management plan to fund US investments.
- Exploring opportunities with placement agents and US lawyers.
- Key benefits for IMF include risk mitigation, improved returns to shareholders through an alternative revenue source as a manager of other peoples' money.
- Too early to comment on economics or structure.

## RESULT OVERVIEW and HIGHLIGHTS

	FY2014	FY2015	FY2016	FY2016 v FY2015
Contract Income	\$75.9M	\$92.3M	\$99.7M	▲ 8%
Litigation Expenses	\$(34.5)M	\$(49.1)M	\$(33.9)M	▼ 31%
Losses	\$(16.1)M	\$(28.6)M	\$(12.9)M	▼ 55%
Net Income (from cases)	\$25.3M	\$14.6M	\$53.0M	▲ 263%
Total Revenue	\$27.9M	\$27.1M	\$56.4M	▲ 108%
Operating Expenses	\$(12.3)M	\$(17.9)M	\$(30.4)M	▲ 70%
EBIT	\$15.6M	\$9.2M	\$26.0M	▲ 183%
NPBT	\$15.6M	\$9.2M	\$23.3M	▲ 153%
NPAT (underlying)	\$9.9M	\$6.3M	\$20.8M	▲ 232%
EPS	6.56	3.78	12.38	▲ 228%
DPS	10 cents	10 cents	7.5 cents	▼ 25%
ROE	5.16%	3.39%	10.30%	
Net Asset Backing	\$1.16	\$1.11	\$1.19	▲ 7.2%
Net Cash	\$57.8M	\$81.9M	\$63.0M	▼ 23%
Case Investment (Intangibles)	\$98.6M	\$99.5M	\$145.6M	▲ 46%
Value of Investment Portfolio	\$2.07BN	\$2.00BN	\$3.44BN	▲ 72%

## BALANCE SHEET STRENGTH



<sup>1</sup> Investments includes capitalised overheads relating to the litigation.

<sup>2</sup> 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.

<sup>3</sup> IMF raised capital during FY2016 totalling \$32 million through the issue of fixed rate notes.