



Growth & Innovation Presentation

11th February 2020



Disclaimer:



- **The value of your investments can go down as well as up and you may get back less than you originally invested.**
- **Please consult a suitably qualified independent financial adviser.**
- **Tax treatment depends on your individual circumstances and rules may change.**
- **Past performance is not a guide to future performance and some investments need to be held for the long term.**

Manolete: leader in the specialist UK insolvency litigation market



Over 14,000 corporate insolvencies and 40,000 bankruptcies **per year** from 2008-2018

Highly risk averse Liquidators and Administrators: **personal liability but statutory duties to maximise recoveries**

Insolvency: **only** area of the law where a claim can be **purchased** by a third party

We now purchase and own c.90% of our claims – this gives us **CONTROL of:** when we win, minimising any losses and controlling costs

Addressable market: 2,300 insolvency claims each year in the UK generate cash recoveries of £500m

Law changes in 2015 & 2016 highly favourable to the Manolete model

Manolete is market leader but c. 90% of the market still open to our model

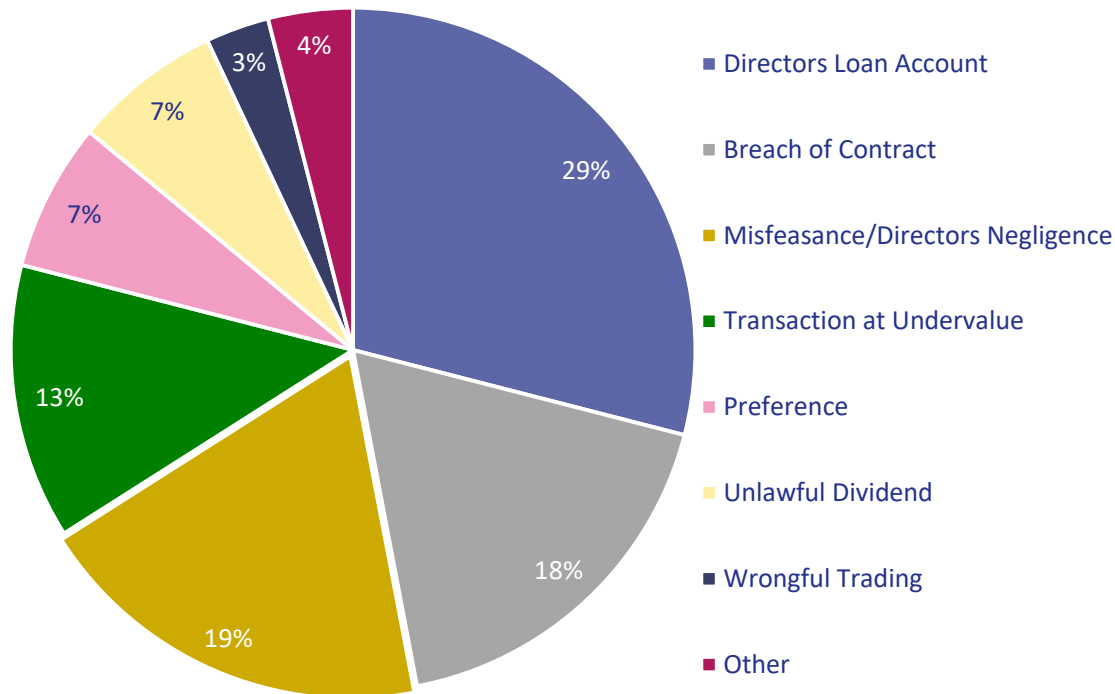
Our mission: to transition the whole market to the Manolete way

Manolete: a key stakeholder in the insolvency market



Insolvency and third-party litigation financing: a natural fit – lots of claims, little cash available

Case Types¹



Source: 1) Company data since inception

Key point: same types of *repeat* cases from *repeat* case referrers – increases predictability and visibility of earnings

The Manolete Team

Highly experienced management team



Senior Management



Steven Cooklin ACA
CEO

- Founded Manolete in 2009
- Chartered Accountant (PwC)
- Over 20 years investment banking experience



Mark Tavener ACA
Chief Financial Officer

- Joined Manolete in 2019
- ACA qualified
- Formerly Deloitte and RSM



Mena Halton
Head of Legal

- Joined Manolete in 2014
- Solicitor with over 30 years of experience of insolvency litigation
- Has acted as in-house counsel for IP firm

Board of Directors



Peter Bertram
NE Chairman

- Appointed November 2018
- Highly experienced PLC Director



Lee Manning
NED

- Appointed November 2018
- Previously Restructuring & Insolvency Partner at Deloitte
- Former President of R3



Dr Stephen Baister
NED

- Appointed as Director November 2018
- Joined Manolete as senior adviser in 2017
- Former Chief Bankruptcy Registrar for 15 years

- Plus team of 11 specialist in-house insolvency litigators, including 8 Regional Associate Directors
- Dedicated team of in-house “Net Worth” assessors

Manolete: Lifetime Historic Performance

Specialist in financing & acquiring insolvency litigation claims



360 financed claims to 11 Nov 2019

215 cases completed to 11 Nov 2019 with gross proceeds of £33m

89.4% cases won; 10.3% aborted early; only one case lost (in FY17)

2.6x average money multiple across all cases

< 1 year average duration across entire portfolio

Highlights



Vintages Table

8 years of consistently strong delivery



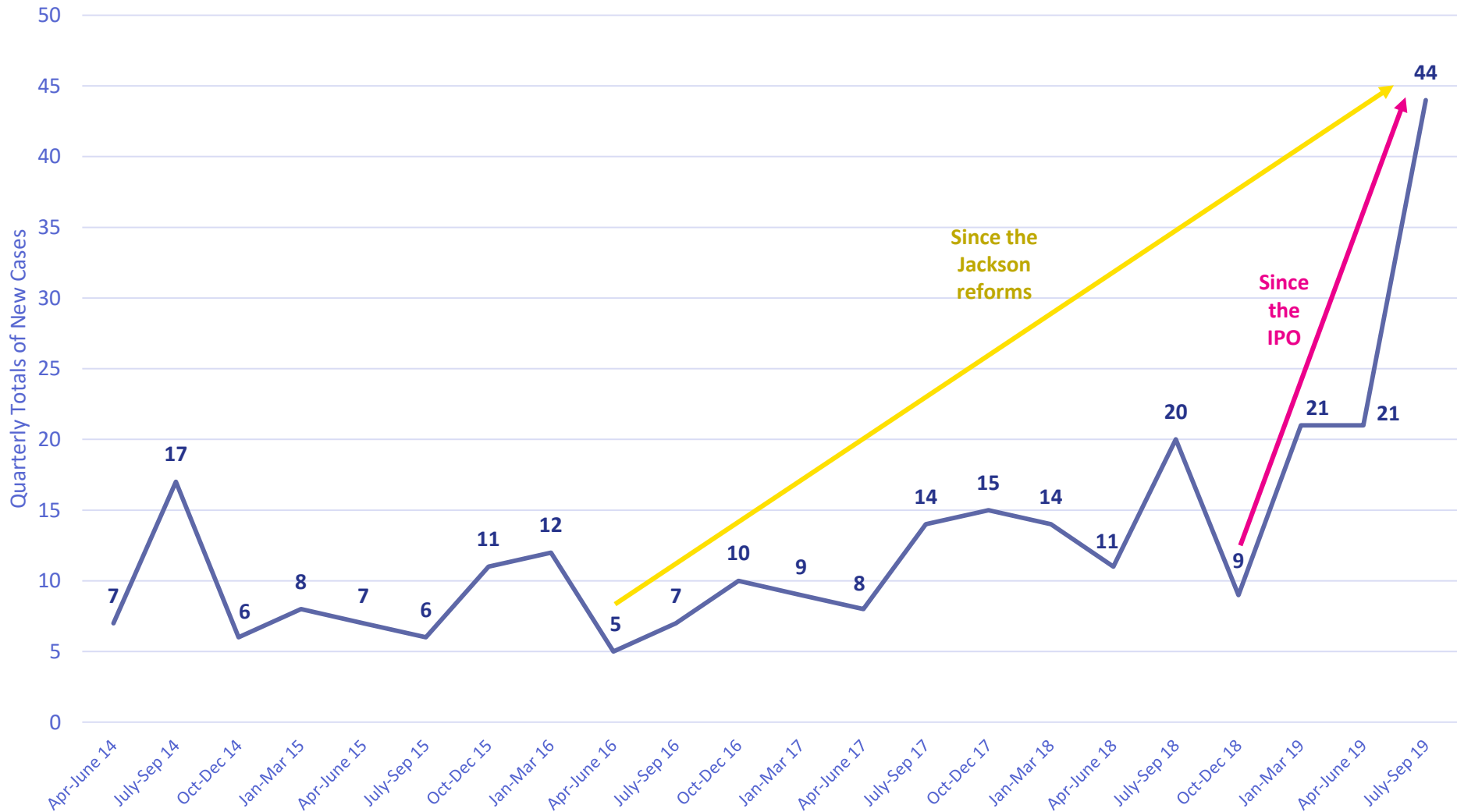
Financial Year	# Investments	Number Completed	% Completion	Number Outstanding	Open Cases Investments £000s	Closed Case Investments £000s	Total Invested £000s	Total Recovered £000s	Total Gain £000s	IP Share £000s	Manolete Gain £000s	Duration completed cases (months)	ROI	MoM	IRR
2010	3	3	100%	-	-	52	52	28	(24)	-	(24)	7	-46%	0.5	0%
2011	-	-	100%	-	-	-	-	-	-	-	-	-	0%	0.0	0%
2012	8	8	100%	-	-	763	763	2,524	1,761	580	1,181	18	155%	2.5	236%
2013	10	10	100%	-	-	174	174	780	606	316	290	7	167%	2.7	281%
2014	42	42	100%	-	-	594	594	3,884	3,290	2,427	863	10	145%	2.5	424%
2015	39	39	100%	-	-	1,476	1,476	7,029	5,553	3,290	2,263	13	153%	2.5	526%
2016	36	36	100%	-	-	1,895	1,895	9,019	7,124	4,129	2,995	15	158%	2.6	176%
2017	31	29	94%	2	266	992	1,258	4,355	3,363	1,951	1,412	11	142%	2.4	609%
2018	29	19	66%	10	1,299	347	1,646	3,225	2,878	1,989	889	9	256%	3.6	1413%
2019	59	27	46%	32	723	487	1,210	2,018	1,531	743	788	7	162%	2.6	168%
2020 YTD	80	2	3%	78	1,373	55	1,428	480	425	-	218	3	396%	5.0	177%
	337	215	64%	122	3,661	6,835	10,496	33,343	26,508	15,632	10,876	11	159%	2.6	132%

Note: The Vintages table excludes Cartel Cases and is net of deductions for bad debt provisions. It is stated as at 7th November 2019.

The Development of Manolete in One Picture



Quarterly new signed cases: Jackson Reforms: 5 cases per quarter; at IPO: 9 cases per quarter;
Latest quarter: 44 new signed cases



Manolete: Operational Highlights



Record KPIs

144 live cases currently in progress (84 in process as at 31 March 2019)

197 New Case enquiries in H1 FY20 (6 months ended 30 September 2019)

- 43% more than H1 FY19
- 1.5 new case enquiries per business day

65 New Case Investments made in first 6 months

- Representing 110% more than H1 FY19 and more than the whole of FY 19 (61 cases)
- 15 further new case investments made between 1 Oct and 11 Nov 2019

18 Case Completions in H1 FY20

- 50% more cases than H1 FY19
- Across 215 completed cases, the case durations continue to be 11 months – shortest duration amongst listed peers

As at 30 Sept 2019, 32 cases approaching completion events: ADR, trial and serious settlement offers

- 6 completed since 30 Sept 2019 generating gross proceeds of £762k plus 9 Mediations in next 2 weeks

Regional network of senior in-house lawyers now complete: NW, SW & Wales, NE, East, Midlands, Southern and Scotland. London now added as a specific business development area

13 Nov 2019: The insolvency industry's TRI Awards voted Manolete **"Insolvency Litigation Funder of Year 2019"**

32 Cases with strong, visible completion prospects

4 completed in October and 2 completed so far in November generating gross proceeds of £762k plus 9 Mediations scheduled over the next 2 weeks



	Case	Vintage	Headline Value (£)	Trial Date	Mediation	Offers Received	Completed	Comment
1	Another Scottish TUV case	FY17	300,000	Mar-20				
2	Misfeasance (Aylsebury)	FY17	3,000,000	Mar-20		Yes		Several offers received
3	Funded Case (Land) ← Completed	FY17	215,000				Yes	Completed at £100k. Estimate was £75k
4	Professional Negligence	FY18	15,000,000		Sep-19	Yes		Second mediation likely
5	Wrongful Trading (London)	FY18	6,000,000	Mar-20	Nov-19			Mediation fixed for 2/12/19
6	s127 Claim .v. Insurance company	FY18	266,000	Mar-20				They cancelled mediation
7	TUV (Scotland)	FY18	1,700,000		Nov-19	Yes		Offer received ahead of mediation
8	Bank Case	FY18	160,000	Aug-19				Court judgement in favour £150k+
9	Print company	FY18	115,000			Yes		Exchanging offers - close
10	TUV	FY19	150,000		Nov-19			
11	Professional Negligence (part 2)	FY19	11,000,000		Sep-19	Yes		See 4 above
12	Scotland/England linked cases	FY19	515,000		Nov-19			Judgement obtained in Dec 18 for £257k
13	Breach of Duty	FY19	2,600,000		Nov-19			Mediation 27/11
14	SW Case 1	FY19	350,000			Yes		Offers of £91k so far
15	SW Case 2	FY19	29,000			Yes		See case 14
16	Construction case	FY19	521,000			Yes		Offers in discussion
17	DLA	FY19	300,000		TBA			Mediation being arranged
18	Breach of Duty	FY19	232,000		TBA			Mediation being arranged
19	London Café Business	FY19	4,000,000		Oct-19	Yes		Judgement of £4m. Offers ongoing
20	Q Case ← Completed	FY19	57,000				Yes	Completed £19k
21	Tax avoidance claim	FY20	1,700,000		TBA			Mediation being arranged
22	Unlawful dividend	FY20	2,000,000		Nov-19	Yes		Mediation arranged for 27/11/19
23	Care Homes	FY20	1,300,000		Oct-19	Yes		Mediation and offers ongoing
24	Media company, WT claim	FY20	250,000		TBA			Mediation being arranged
25	Tree case	FY20	430,000		Nov-19			Mediation arranged for 26-27 Nov
26	Car Care company ← Completed	FY20	450,000				Yes	Completed at £450k. Estimate was £55k
27	Clothing company - funded	FY20	2,200,000		TBA			Mediation being arranged
28	Devons	FY20	386,000		TBA			Mediation arranged for 3 Dec 2019
29	Trend company ← Completed	FY20	107,000			Yes	Yes	Initial offer received
30	Smart company ← Completed	FY20	137,000			Yes	Yes	Close to complete at £103k
31	Enviromental	FY20	255,000			Yes		Close to complete at £139k
32	Breach of Duty ← Completed	FY20	60,000				Yes	Completed at £30k. Outright buy £15k
Total			55,785,000					

Financial Results



Manolete: Financial Highlights



- Revenue up 15% to £7.5m (H1 FY19: £6.5m)
- Gross profit up 50% to £6.6m (H1 FY19: £4.4m)
- EBIT up 37% to £4.5m (H1 FY19: £3.3m)
- Profit before tax up 42% to £4.3m (H1 FY19: £3.0m)
- Profit after tax up 41% to £3.5m (H1 FY19: £2.5m)
- Proforma earnings per share up 41% to 7.9 pence (H1 FY19: 5.6 pence)
- Interim proposed dividend of 0.5 pence per share
- Balance Sheet Investment in cases up 83% to £25.4m (H1 FY19: £13.9m, FY19 £18.2m)
- 18 cases completed (50% higher than H1 FY19) generating gross proceeds of £2.4m
- 6 cases completed since H1 FY20 generating gross proceeds of £762k plus 9 Mediations set for next 2 weeks
- Cash balances as at 30 Sept 2019 of £3.1m, no debt. **£20m unutilised HSBC RCF**

Financial Track Record

High margin and meaningful realised revenue



	31 March 2015 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2019 £'000	6m to 30 September 2018 £'000	6m to 30 September 2019 £'000
Unrealised revenue	166	424	3,185	3,905	6,624	2,236	5,576
Realised revenue	658	4,371	1,658	6,725	7,148	4,262	1,904
Gross revenue	824	4,795	4,843	10,630	13,772	6,498	7,480
Cost of sales	(321)	(2,128)	(1,021)	(3,839)	(3,686)	(2,049)	(848)
Net revenue	503	2,667	3,822	6,791	10,086	4,449	6,632
<i>Net revenue margin</i>	<i>61%</i>	<i>56%</i>	<i>79%</i>	<i>64%</i>	<i>73%</i>	<i>68%</i>	<i>89%</i>
Normalised overheads	(407)	(833)	(1,788)	(2,748)	(2,874)	(1,199)	(2,159)
Normalised EBIT	96	1,834	2,034	4,044	7,212	3,250	4,473
<i>Normalised EBIT margin</i>	<i>12%</i>	<i>38%</i>	<i>42%</i>	<i>38%</i>	<i>52%</i>	<i>50%</i>	<i>60%</i>
Loan Interest	-	(246)	(223)	(351)	(392)	(219)	(182)
Normalised PBT	96	1,591	1,813	3,693	6,820	3,031	4,291
Taxation	(33)	(92)	(425)	(433)	(1,293)	(574)	(837)
Normalised PAT	63	1,499	1,388	3,260	5,527	2,457	3,454

Net revenue is presented net of IP's portion of settlement value and legal and related expenses

Normalised solely represents the removal of costs of the IPO. No exceptional costs excluded from H1 FY20 normalised overheads

Financial Track Record



Balance sheet

	31 March 2016 £m	31 March 2017 £m	31 March 2018 £m	31 March 2019 £m	30 September 2018 £'m	30 September 2019 £m
Investments in cases	2.7	6.7	10.6	18.2	13.9	25.4
Debtors	1.8	1.8	3.0	3.8	3.0	4.1
Stock	0.0	0.0	0.0	0.4	-	0.5
Cash at bank	2.7	1.5	5.9	9.7	1.0	3.1
Current assets	7.2	10	19.5	32.1	17.9	33.1
Current liabilities	1.1	3.1	2.8	4.2	3.3	2.3
Net current assets	6.1	6.9	16.7	27.9	14.6	30.8
Long term loans	2.3	2.3	8.9	0.0	4.4	0.0
Deferred taxation	0.1	0.1	0.0	0.0	0	0.1
Net assets	3.7	4.5	7.8	27.9	10.2	30.9
Share capital	0.1	0.1	0.1	0.2	0.1	0.2
Reserves	3.6	4.4	7.7	27.7	10.1	30.7
Total equity	3.7	4.5	7.8	27.9	10.2	30.9

FY19 debtors include £0.6m of unamortised set-up costs of the HSBC facility
 Stock comprises a house, being prepared for re-sale, received from a debtor as a settlement

Fair Value



Valuing the Unrealised Cases (continued)



- It is the speed of case completion that reveals a “**wave effect**” in our audited accounts – unique in our listed sector
- The “unrealised revenue” converts to “realised” revenue in the **following financial year**

Year Ended	31/03/2015 £000'S	31/03/2016 £000'S	31/03/2017 £000'S	31/03/2018 £000'S	31/03/2019 £000'S
Unrealised revenue	166	424	3,185	3,905	6,624
Realised revenue	658	4,371	1,658	6,725	7,148
Gross revenue	824	4,795	4,843	10,630	13,772

- **Low case concentration:** Our largest ever realised gain represents just 7% of total lifetime realised gains

Valuing the Unrealised Cases (continued)



- Cross section of the current portfolio (excluding the Cartel Cases):

SUMMARY OF CASE VALUE BANDS AS AT 30/9/19

BAND	NO OF CASES	HEADLINE CLAIM VALUE	VALUE OF BAND	PROPORTION OF TOTAL
ABOVE £1M	3	136,590,000	6,713,000	44%
£500K-£1M	3	11,000,000	1,925,750	13%
£100K-£500K	16	53,943,000	4,373,525	29%
£50K-£100K	12	9,787,000	837,500	6%
UNDER £50K	78	16,386,200	1,280,398	8%
TOTALS	112	227,706,200	15,130,173	100%

- Short durations mean that the current portfolio of live (unrealised) cases is very young: average 7.33 months
- As flagged in our FY 2019 Annual Report: with record numbers of new cases signed since IPO (December 2018) and since the start of FY 20 (April 2019), expect unrealised to be higher proportion short term. Absolutely no reason why average case durations will increase, so the “wave effect” will see these transition to realised gains in the normal “Manolete timeframe”
- 6 completed since the Interim Period plus 9 Mediations are set over the next two weeks

Appendix








Market and Competitive Landscape

Large, specialist market undergoing structural transition to the Funding Model



Insolvency Litigation Funders

	Last reported revenue	Year of incorporation		Last reported revenue	Year of incorporation
	FY 19: £13.8m	2011		Small company exemption	2015
	Discontinued operations	2015		Small company exemption	2015
	Led by former Ferguson MD	Nov 2018			

Broad Litigation Funders





HARBOUR
LITIGATION FUNDING



VANNIN CAPITAL

Calunius
Capital


REDRESS SOLUTIONS


EXPERIENCE COUNTS

 AUGUSTA
Finance For Litigation

Other participants with litigation capabilities:

- All law firms in England & Wales can do CFA
- Rosenblatt has dedicated £5m capital to general litigation fund

Financial Track Record – Cash Flow Statement



	31 March 2016 £m	31 March 2017 £m	31 March 2018 £m	31 March 2019 £m	6m to 30 September 2018 £'m	6m to 30 September 2019 £m
Operating activities						
Gross cash generated from completed cases	4.5	2.9	5.9	8.8	4.3	2.8
Less: Payments to IPs	(2.7)	(1.4)	(3.2)	(3.8)	(2.0)	(1.4)
Less: Payment of legal and related costs on completed cases	(0.1)	(0.1)	(0.2)	(0.5)	(0.4)	(0.3)
Net cash generated from completed cases	1.7	1.4	2.5	4.5	1.9	1.1
Less: cash spent on legal and related costs on ongoing cases	(0.4)	(1.1)	(1.4)	(2.4)	(1.1)	(1.8)
Net cash generated from cases	1.3	0.3	1.1	2.1	0.8	(0.7)
Payments to employees and overhead suppliers	(0.9)	(1.7)	(1.7)	(2.7)	(1.1)	(2.1)
Purchase of property for re-sale	-	-	-	(0.5)	-	(0.1)
Income tax refunded less paid	-	(0.2)	0.2	-	-	(2.5)
Net cash flows from operating activities	0.4	(1.6)	(0.4)	(1.1)	(0.3)	(5.4)
Financing activities						
Proceeds from borrowings	-	1.0	9.5	-	6.4	-
Repayment of borrowings and interest	(0.3)	-	(4.7)	(9.7)	(11.0)	(0.1)
Loans made to IPs	-	-	-	-	-	(0.5)
Issue of share capital	-	-	-	14.6	-	-
Dividends paid to shareholders	-	(0.6)	-	-	-	(0.6)
Net cash flows from/(used in) financing activities	(0.3)	0.4	4.8	4.9	(4.6)	(1.2)
Net increase in cash and cash equivalents	0.1	(1.2)	4.4	3.8	(4.9)	(6.6)
Opening Cash and cash equivalents	2.6	2.7	1.5	5.9	5.9	9.7
Closing Cash and cash equivalents	2.7	1.5	5.9	9.7	1.0	3.1

*Note

Note: tax includes one-off double tax payment to cover 2018 and 2019

Thank You

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