Burford sells Teinver investment for $107 million

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This announcement contains inside information.

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BURFORD SELLS TEINVER INVESTMENT FOR $107 MILLION, A 736% RETURN

Burford Capital Limited ("Burford" or "the Company"), a leading global finance and investment management firm focused on law, today announces that it has entered into a definitive agreement to sell its entire entitlement in the Teinver matter for $107 million in cash. Burford's investment in the Teinver matter is $12.8 million. Thus, the sale represents an investment gain of $94.2 million and a return on invested capital of 736%.

The Teinver matter represents an investment in an arbitration matter arising out of the expropriation of two Argentine airlines by Argentina's government. In July 2017, the arbitration tribunal rendered an award in favour of the claimants; that award entitled Burford to receive more than $100 million under its funding agreement. For further background to the Teinver matter, please refer to our RNS dated 24 July 2017 and our interim report for the six months ended 30 June 2017.

Burford continues to pioneer development of the secondary market in litigation investments and regards the sale of this investment as prudent, locking in its gain on the investment and accelerating its cash recovery to enable reinvestment of that capital.

While Burford does not release individual investment carrying values, we can say that the Teinver investment is carried well below the sale price, and thus we expect to show a realized gain from this transaction in our interim results for the six months ended 30 June 2018, to be published in July 2018.

The transaction is scheduled to close no later than 22 March 2018. Burford intends to reinvest the proceeds of the transaction in new investment opportunities exhibiting attractive risk/reward characteristics.

The Teinver award is the subject of ongoing annulment proceedings. Annulment (the cancellation of an award) is only available in very limited circumstances of serious error by the arbitration tribunal that we do not believe exist here, with only 6% of awards ever rendered by the World Bank's arbitration institution having been annulled (and only 3% in the current decade). Were the award to be annulled, the sale transaction could be rescinded at the option of the buyers, although in that unlikely event Burford would retain a $7 million fee and would also have its original entitlement back and be free to pursue the claim again. Based on the historical speed of annulment proceedings a decision on annulment would be expected in the second half of 2019 although individual case timing is unpredictable.

Christopher Bogart, Burford's Chief Executive Officer, commented:
"The Teinver transaction represents a further step forward in our development of a secondary market for litigation and arbitration risk. It is efficient for us to move investments into the secondary market as they mature, and obtain liquidity to continue to make new investments at the rapid pace we are currently experiencing. We believe that the award would have been discounted to achieve resolution of this matter in any event, as is commonplace. Achieving certainty and immediate cash for this investment, at an attractive price, is a highly desirable outcome for us."

The person responsible for arranging for the release of this announcement on behalf of the Company is Elizabeth O'Connell, Chief Financial Officer.

For further information, please contact:

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Background to Burford's investment valuation process and its impact on reported earnings

Burford cautions that its earnings for any financial period partly depend on judgements made by management, which are then included in the audit process and ultimately determined by Burford's board of directors. The process for the six months ending 30 June 2018 has not yet commenced and reviews often result in adjustments to initial expectations. Burford does not currently intend to update the market further concerning the earnings impact of this sale prior to the release of its interim results in July 2018.

Burford values transparency in its presentation of financial results and wants to be clear with investors about its approach to those results.

Most of Burford's income comes from its litigation finance business. Within that business, there are two principal sources of income for accounting purposes, realized gains on investments and unrealized gains on investments. (Realized and unrealized losses will naturally negatively affect income and the principles we set forth here apply equally to losses.)

Realized gains are straightforward: they represent the amount of profit, net of the return of Burford's invested capital and any previously recognized unrealized

gains, on an investment that has either resolved entirely or has been settled or adjudicated such that, in Burford's view, there is no longer litigation risk associated with the investment. (In the latter event, Burford may discount the anticipated profit in respect of an investment to account for any continuing uncertainty as to the recoverability of any amount.) Burford announces individual investment results that will produce realized gains separately from its financial results only when the individual gain is new information which may be material to Burford.

Unrealized gains are more complex: they represent the fair value of Burford's investment assets, as determined by Burford's board of directors in accordance with the requirements of the relevant IFRS standards, as at the end of the relevant financial reporting period. There is no active secondary market for litigation risk, and thus there is generally no market-based approach to assessing fair value; to the extent that a secondary market transaction does take place with respect to an investment, the implied value of that transaction is a key valuation input. In the absence of such a transaction, we are mindful that the outcome of each matter Burford finances is likely to be inherently uncertain, may take several years to conclude and is often difficult to predict with accuracy. Moreover, litigation matters frequently experience multiple significant shifts in sentiment during their evolution. Burford thus eschews fair values based solely on current sentiment, and focuses on objective events (such as court rulings or settlement offers) to ground its assessment of fair value.

Burford's board of directors assesses the fair value of Burford's investments after the close of each financial reporting period and therefore investors should not expect updates about potential changes in fair value during the course of any given reporting period. Following the close of each financial reporting period, Burford's board determines the fair values of investments after taking into account the views of management, the operation of the audit process and input from external experts (as it considers appropriate). Generally, that process does not conclude finally until shortly before the release of Burford's financial results for the relevant period.

Burford is pleased to be followed by a number of research analysts and we are grateful for their efforts to understand and explain our business. They perform a valuable role in assessing our operating performance, the evolution of the litigation finance market and interpreting other relevant industry developments. However, prospective investors and other market participants must appreciate that, due to the confidential, potentially privileged, long-term and uncertain nature of each investment asset, it is very difficult for research analysts to project accurately the likely investment income of the business. Any projections produced by research analysts are not produced on behalf of Burford and Burford takes no responsibility for such projections. As a result, prospective investors and other market participants should not treat, and Burford does not intend to treat, the financial projections produced by research analysts as indicative of the market's expectations of Burford's future financial performance. We specifically eschew any obligation to correct estimates made by financial analysts or to inform the market should we come to believe that our actual performance will diverge from those estimates. This is, of course, different to the

approach taken by most operating companies, in respect of which research analysts can produce relatively reliable estimates and the relevant company will advise the market if it expects to see performance materially different from the consensus of analyst forecasts. It is important that investors understand that Burford takes a different approach as a result of the different nature of its business.

About Burford Capital

Burford Capital is a 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 and Singapore.

For more information about Burford: www.burfordcapital.com

This information is provided by RNS
The company news service from the London Stock Exchange

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