Interim Results for six months ended 30 June 2020

2020-10-01

RNS Number : 6973A
Burford Capital Limited
01 October 2020

This announcement contains inside information.

1 October 2020

BURFORD CAPITAL REPORTS SIGNIFICANT FIRST HALF 2020 REALISATIONS AND CASH RECEIPTS

Burford Capital Limited ("Burford Capital" or "Burford" or "the Company"), the leading global finance and asset management firm focused on law, today announces its financial results for the six-month period ended 30 June 2020 ("1H 2020").

Highlights[1]

- Burford-only realisations up 40% to $478 million (1H 2019: $342 million); Group-wide realisations up 32% to $820 million (1H 2019: $623 million)

- Robust Burford-only cash generation: $486 million in cash and net receivables generated in the period, 35% above 1H 2019 ($359 million)
    - Cash flow positive in the period; cash receipts more than covered all operating expenses, finance costs and new deployments

- Strong cash position: $262 million in cash on Burford's balance sheet and a further $281 million in receivables at period end; at 15 September 2020, $86 million of those receivables had converted to cash, with cash balance rising to $316 million

- Burford-only realised gains from capital provision-direct assets up 57% at $183 million, representing 93% of adjusted profit before tax (1H 2019: 50%)
    - No contribution from YPF-related assets to realised gains in this period (1H 2019: $98 million), showing the capacity of the broader portfolio to generate attractive profits

- 24% growth in cumulative recoveries from capital provision-direct assets on Burford's balance sheet to $1.6 billion drove an increase in capital provision-direct return on invested capital by 9 percentage points to 97% (31-Dec-19: 88%), generating an IRR of 32% (31-Dec-19: 31%)
    - Demonstrating Burford's continuing ability to generate outsized returns from a portion of its assets, one group of 10 related assets realised during 1H 2020 fuelled the acceleration of returns, accounting for $266 million of Burford-only recoveries, $172 million of realised gains, an ROIC of 182% and an IRR of 49% for Burford's balance sheet

- COVID-19 lockdown impacted new business in the period, with Group-wide commitments down 74% to $195 million and deployments 42% lower at $258 million
    - Litigation environment has stabilised and pipeline is rebuilding; also expect significant volume of disputes arising from pandemic in the years to come

- Burford-only total income amounted to $253 million, a decrease of 12%, though the mix of total income was more favourable than in 1H 2019
    - No income from YPF-related assets in 1H 2020 compared to $188 million in 1H 2019
    - Realised gains from non-YPF-related assets of $186 million in 1H 2020, up 49% over 1H 2019 ($125 million)
    - Unrealised gains (net of transfers) from non-YPF-related assets of $65 million, up 30% (1H 2019: $50 million)

- As a result of holding adjusted operating expenses to a modest 4% increase, Burford-only adjusted operating profit was only down 14% to $218 million (1H 2019: $253 million) for an operating margin of 86%

- Burford-only adjusted profit after tax totalled $161 million (1H 2019: $227 million), reflecting a higher accounting tax expense of $36 million, though cash taxes were only $2 million

[1] *Figures for total income, operating profit, profit before tax and profit after tax in this release*

exclude the impact of amortisation of the intangible asset, operating expenses incurred related to (i) one-time expenses related to equity and listing matters and (ii) case-related legal fees not included in asset cost under IFRS, and third-party interests in consolidated entities, and are shown to assist understanding of the underlying performance of the Company.

Sir Peter Middleton, Chairman of Burford, commented:

"For the first time since Burford's launch in October 2009, the business was tested in the first half of 2020 by a historic global economic downturn. These financial results show that Burford passed this test with flying colours, recovering $820 million from concluded assets, significantly increasing cash and further strengthening liquidity. These outcomes do two things. First, they demonstrate the capacity of the portfolio to generate attractive cash profits. Second, they end any question about Burford being able to repeat the selection and management of outperforming matters. We look forward to implementing the Company's plans to list on the New York Stock Exchange alongside its UK listing."

Christopher Bogart, Chief Executive Officer of Burford, added:

"Burford achieved a very strong performance in the first half, with some substantial portfolio matters producing significant profits to drive an increase in cash on the balance sheet to $316 million by 15 September. In particular, Burford's most concentrated position was successful, generating $172 million of income and a 182% return on invested capital, with the result that our cumulative returns rose to a 97% ROIC and a 32% IRR. Unsurprisingly, in a world buffeted by COVID-19 and its ensuing consequences, while our team and operations have been largely unaffected, new business declined. Looking ahead, we see significant opportunity as the sizeable investments we have made have begun to come to fruition and as the economic downturn causes a significant increase in disputes."

Financial Summary

A financial summary of Burford's results is set out below. As usual, this summary is presented without third-party interests in Burford's consolidated entities and after certain adjustments to assist in understanding the underlying performance of the Company. Burford's complete interim report and accounts are available at http://www.rns-pdf.londonstockexchange.com/rns/6973A_1-2020-9-30.pdf or from the Burford website: www.burfordcapital.com/shareholders.

	6 months ended 30 June 2020 $'000	6 months ended 30 June 2019 $'000	% change
Capital provision income	251,127	268,117	
Asset management income	7,629	11,335	
Services and other income	(5,906)	7,591	
Total income*	**252,850**	**287,043**	**-12%**
Operating expenses	(35,202)	(33,976)	
Operating profit*	**217,648**	**253,067**	**-14%**
Finance costs	(19,766)	(19,733)	
Profit before tax*	**197,882**	**233,334**	**-15%**
Taxation	(36,422)	(6,237)	
Profit after tax*	**161,460**	**227,097**	**-29%**

** Total income, operating profit, profit before tax and profit after tax exclude the impact of amortisation of the intangible asset, operating expenses incurred related to (i) one-time expenses related to equity and listing matters and (ii) case-related legal fees not included in asset cost, and third-party interests in consolidated entities.*

Investor and Analyst Conference Call

Burford will host a conference call for investors and analysts at 2.00pm (British Summer Time) / 9.00am (Eastern Daylight Time) on Thursday 1 October 2020.

Burford encourages investors and analysts to pre-register for dedicated audio webcast access via:
https://www.investis-live.com/burfordcapital/5f60779e17395d100039b233/remm.

The dial-in number for the conference call is +44 (0)20 3936 2999 (UK local) / +1 646 664 1960 (US local) / +44 (0)20 3936 2999 (all other locations) and the access code is 395796

An accompanying presentation will be available on the Burford Capital website:
http://www.burfordcapital.com/shareholders.

A replay facility will be available until Thursday 15 October 2020 by dialling +44 (0)20 3936 3001 (UK local) / +1 845 709 8569 (US local) / +44 (0)20 3936 2999 (all other locations) and using the replay access code 398685.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any ordinary shares or other securities of Burford.

For further information, please contact:

Burford Capital Limited
Jim Kilman, Chief Financial Officer +1 917 985 9840
Robert Bailhache, Head of Investor Relations, EMEA and Asia - email +44 (0)20 3530 2023
Jim Ballan, Head of Investor Relations, Americas - email +1 (646) 793 9176

Numis Securities Limited - NOMAD and Joint Broker +44 (0)20 7260 1000
Huw Jeremy (NOMAD)
Charlie Farquhar / Jonathan Abbott (Joint Broker)

Jefferies International Limited - Joint Broker +44 (0)20 7029 8000
Graham Davidson
Tony White

About Burford Capital
Burford Capital is the leading global finance and asset 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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

IR WPUGABUPUPWU