Trading Update

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Burford Capital
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Burford Capital Limited

Burford reports continued activity and entry into UK market

Acquisition of leading UK litigation insurance provider to form basis for market entry

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Burford Capital Limited ("Burford Capital" or "Burford" or "the Company"), the world's largest provider of investment capital and risk solutions for litigation, today reports the following developments:

Highlights:

- Burford is entering the UK litigation funding market, consistent with its recent statement to shareholders that it was ready to expand into markets beyond the US, while retaining a substantial focus on and leadership in the US market

- Burford has entered into a conditional agreement to acquire Firstassist Legal Expenses ("Firstassist"), the UK's leading after-the-event (ATE) litigation insurance provider, for cash consideration of £10.3 million ($16.1 million[1]) at closing plus a deferred element contingent on future

performance

- With Firstassist's existing business, market-leading management team and significant legal network, Burford intends to build a leading UK litigation funding business with unrivalled scale, in a market it finds increasingly attractive in light of the proposed Jackson reforms

- Sir Peter Middleton, GCB, Burford's Chairman, will also become the Chairman of the parent company in the Firstassist group

- The transaction is attractively priced, funded entirely by available cash and is expected to be immediately earnings accretive for Burford

- Burford's investment activity in its existing US litigation and international arbitration business continues to progress well, with $35 million in new commitments made in the last three months and a further complete resolution of a short duration matter

Firstassist

Firstassist Legal Expenses is the leading provider of after-the-event litigation insurance in the UK.[2] It is presently owned by Equistone Partners (until recently Barclays Private Equity), and it issues insurance policies on behalf of a subsidiary of Munich Re. Its primary focus and the main driver of its growth is high value cases. The group consists of 32 professionals, including a large underwriting division and a sales team of six.

Firstassist has a robust track record of growth and profitability and has a current book of over 3,000 cases under cover. Firstassist expects 2011 EBITDA in excess of £6 million ($9.4 million).

Rationale

Burford has always been clear in its intention to expand into other markets if the opportunity was right, stating in its AIM admission document that "in the medium-term, the Company may expand its focus to other attractive and suitable jurisdictions" and announcing in its September 2011 interim report that it was ready to undertake that expansion. The UK market is a logical expansion target. The UK common law market - second in size only to the US - has been steadily embracing alternative litigation finance and other legal reforms, so that it has now become one of the most hospitable environments for litigation funding, with a substantial litigation volume.

Regulatory reform has hastened this process: pending legislation will tilt the playing field still further in favour of litigation funding. It is no coincidence that other players have announced their entry or expansion into the market, but none has the scale of Burford.

The pending reforms will also change the landscape for ATE insurance, principally by eliminating recoverability of premiums as a "cost" of litigation.

The differing impact of those reforms on the ATE market is still uncertain. Small personal injury matters are likely to be very negatively affected but larger commercial matters (Burford's and Firstassist's main emphasis) less so and in fact this area of the market is showing prospects for continued growth.

Synergies

The transaction provides significant benefits to Burford. The acquisition is attractively priced and structured at a multiple that reflects the uncertainty associated with the Jackson reforms on the ATE business. Through it, Burford gains the services and brand of a leading team to launch an aggressive push into third party funding as an adjunct to, and hedge for, the ATE business. The acquisition is expected to be significantly earnings-enhancing in 2012 and to produce the leading UK provider of litigation capital and insurance solutions.

The combination of Firstassist and Burford is also compelling for strategic reasons. Burford gains an existing business with 32 employees, a solid track record of growth and profitability, a sales platform and relationships with hundreds of law firms that can both continue to write ATE coverage and also expand with Burford to offer capital to those law firms to fund cases. Firstassist gains the capital and expertise of the world's largest litigation funder.

Transaction

Burford will acquire Firstassist Legal Group Holdings Limited, the parent company of all companies in the Firstassist Legal Expenses group, and Sir Peter Middleton, GCB, will become Chairman of that entity. The transaction structure involving the entities below the parent is the subject of ongoing legal and tax study. The transaction is subject to FSA approval and is expected to close in the first quarter of 2012.

The transaction structure includes:

- A payment of £10.3 million ($16.1 million) cash at closing on a debt-free basis and with the business delivered with £3 million ($4.7 million) of net cash on hand
- Burford will pay up to £7 million ($10.9 million) in an earn-out payment in 2014, which is dependent on Firstassist achieving a combined EBITDA target for 2012 and 2013 of £19.3 million ($30.2 million) or more
- A lower earn out will be triggered if the EBITDA target is not reached and the earn-out mechanism ceases if the combined EBITDA is below £14.5 million ($22.7 million) or if the business' volume of new insurance coverage written declines substantially

Christopher Bogart, Chief Executive Officer, Burford Group, commented: "Extending our footprint into the UK third party litigation market has always been a strategic goal for Burford and I'm delighted to achieve it through the acquisition of the UK's leading litigation insurance provider, Firstassist.

"The scale and quality of Firstassist's litigation insurance offering, combined with

its industry-leading management and strong legal network, provide Burford with an exciting platform to build a unique litigation capital and insurance solutions group, which we hope will thrive in the increasingly attractive and growing UK market.

"The acquisition will complement the continued performance of the existing portfolio and we look forward to 2012 and the opportunities ahead with confidence."

Peter Smith, Managing Director, Firstassist Legal Expenses said: "We are delighted to be combining the UK's leading ATE insurance business with the world's leading litigation financier. Together, we will build the pre-eminent UK litigation funding business while continuing the historical growth of Firstassist's ATE insurance business."

Progress on the existing portfolio

Since its last update on 7 September 2011, Burford has committed a further $35 million to three new core investments.[3] The Company can provide the following updates on the existing portfolio.

- Burford previously indicated that a case in the short duration portfolio had experienced a positive appeal result. The defendant in that case elected to seek a further level of appellate review which it subsequently lost, and has paid the judgment against it. Burford has thus received its $4.5 million portion of that payment (from its $2 million investment made in early 2010), representing an IRR of more than 50%.

- There have been publicly reported settlement discussions in another of the Company's short duration cases. If consummated in the ranges discussed, an IRR of 49% is expected on an $8 million investment, continuing until the date paid.

- In two of Burford's core investments, interlocutory appeals of dispositive motions have been resolved in favour of the parties to whom the Company is providing financing, resulting in those matters now being returned to aggressive pre-trial schedules and presumably dampening the opponents' hopes to avoid meaningful payments.

- Burford's last trading update included a $10 million commitment in a core matter. This matter - a large commercial insolvency - was later able to obtain release of its own frozen funds in lieu of financing, and thus the trustee of the insolvent estate unwound the commitment. The estate was obliged to pay a $340,000 break fee to Burford in that regard, which has been received and will be included in income.

- It has been reported in the media that a subsidiary of Burford provided financing to a pending case against Chevron Corporation in connection with a large oil spill in Ecuador. In fact, a Burford subsidiary entered into an arrangement to provide financing directly (and only) to a major US

law firm in connection with that case. Burford provided $4 million of such financing to the law firm in November 2010, but sold a $4 million participation in the investment to a third party in December 2010. Thus, Burford has no risk in the matter but does retain a residual interest in the outcome. Originally, the potential maximum financing commitment - at Burford's option - was up to $15 million, and was included as such in the special situations portfolio. Further developments have led Burford to conclude that no further financing will be provided and thus decide to reduce the commitment level in the special situations portfolio accordingly.

Christopher Bogart, Chief Executive Officer, Burford Group, commented: "We are very pleased with the current performance and outlook for our portfolio. The previously reported performance of the short duration portfolio proved out the model, and the core portfolio continues to develop in an encouraging way. Burford also continues to see an ever-increasing variety of investment opportunities, and in addition to single investments we are actively pursuing portfolio investments that permit opportunities to secure returns with lower binary risk. Indeed, more than half our investment capital in the most recent quarter has been committed in investments where more than one defendant or one claim underpins our investment."

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About Burford

Burford is the world's largest provider of investment capital and risk solutions for litigation.

Burford Capital Limited is a closed-end $300 million investment fund publicly traded on the London Stock Exchange's Alternative Investment Market under the ticker symbol BUR. Burford provides a broad range of corporate finance solutions to lawyers and clients engaged in significant litigation and arbitration around the world. Burford Group Limited serves as the investment adviser to Burford Capital and has an expert team drawn from major law firms and corporations.

For more information about Burford: www.burfordfinance.com.

[1]£ / US$ exchange rate of 1.563

[2] The acquisition should not be confused with the separate *before*-the-event litigation insurer that trades as FirstAssist Legal Protection which was recently sold by Equistone to Cigna. Further information on Firstassist Legal Expenses can be found at www.legalexpenses.co.uk.

[3]In one of the new investment commitments, Burford's counterparty has the ability to elect a smaller commitment from Burford by as much as $10 million. We have reported what we believe to be the most likely outcome.

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

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