



The Growth & Innovation Forum 2019

29 January 2019

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.**

Setting the Scene



- IPO on AIM in December 2018
- Market capitalisation on IPO: £76m, now £85m
- Key institutional shareholders:
 - Soros Fund Management: 11%
 - Miton: 10%
 - Hargreave Hale: 9%
- Key results:

	YE March 17 (Audited) £m	YE March 18 (Audited) £m	Increase %	6 months Sept 17 (Non-Audited) £m	6 months Sept 18 (Non-Audited) £m	Increase %
Revenue	4.8	10.6	121%	5.0	6.5	30%
EBIT	2.0	4.1	105%	2.1	3.3	57%
EBIT %	42%	39%		42%	51%	

Business Overview



- Leading insolvency litigation finance company – we purchase (rather than merely fund) around 90% of our cases
- Cases range from £20,000 overdrawn Director Loan Account to £65m Tax Avoidance claim (average headline claim size currently £2.5m)
- Around 87% of our cases are now bought and controlled outright, we are not mere funders of litigation

As at 30 Sept 2018:

- Invested in 249 cases
- Completed 173 cases
- Gross case recoveries: £27.9m
- Average case duration: 11 months
- 76 live cases
- Money multiple: 3.1x
- ROI: 205%
- IRRs: Over 200% in each of the last 7 years

Multiple Award Winner



The Senior Manolete Team

Highly experienced management team



Senior Management



Steven Cooklin ACA
CEO - Director

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



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



Patrick Lineen FCA
Chief Financial Officer - Director

- Joined Manolete in 2018
- FCA qualified
- Former CFO of two listed UK companies, both in the professional services industry

Non Executive Board Directors



Peter Bertram
NE Chairman

- Appointed September 2018
- Highly experienced PLC Director



Lee Manning
NED

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



Dr Stephen Baister
NED

- Appointed as director September 2018
- Joined Manolete as senior adviser in 2017
- Was the Chief Insolvency and Companies Court Judge for 15 years

Manolete: a key stakeholder in the insolvency market



Insolvency and third party funding: a natural fit and goals aligned

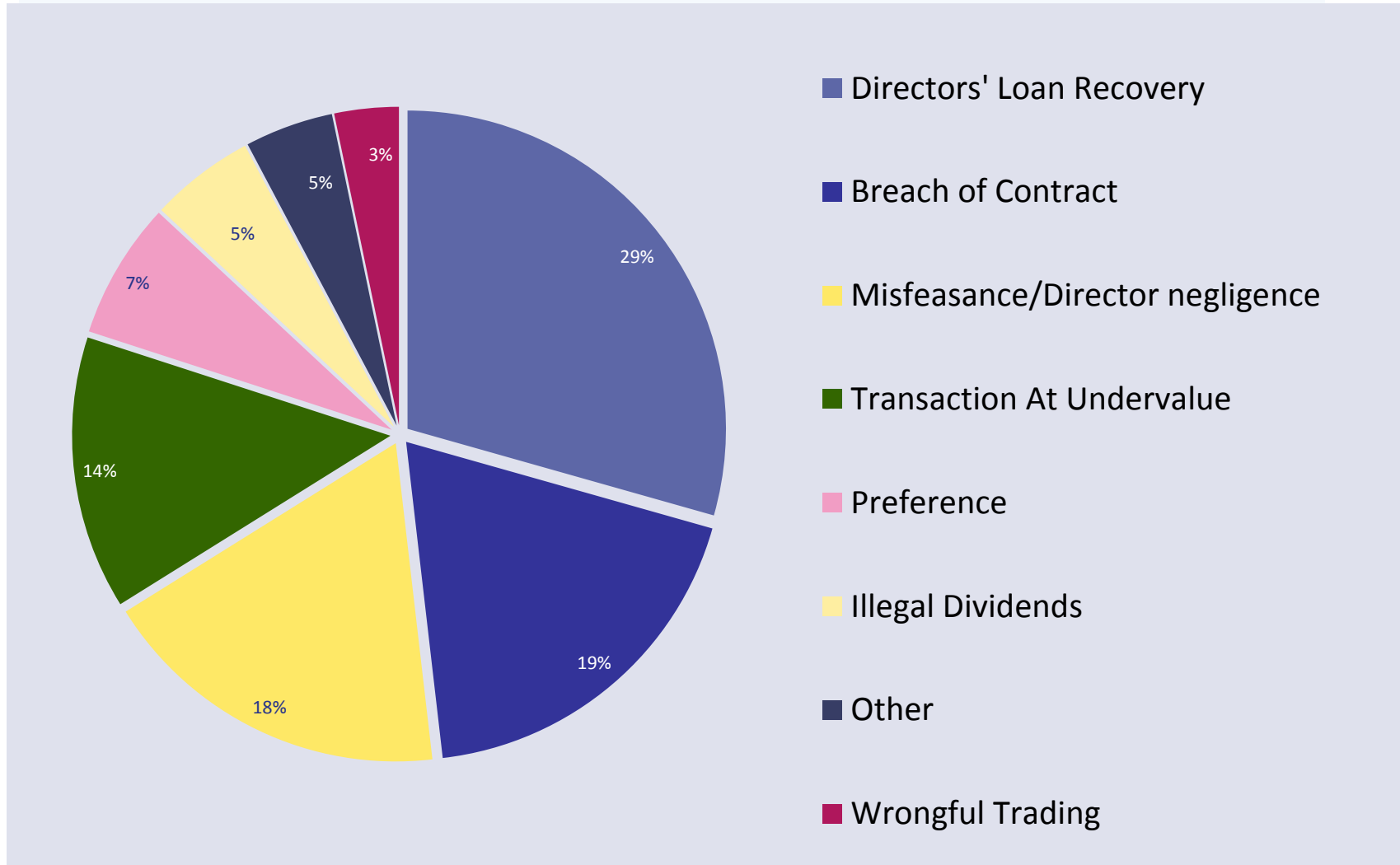
Over 14,000 corporate insolvencies and 40,000 bankruptcies per year from 2008-2017

Circa 1,735 licensed Insolvency Practitioners (“IPs”) in the UK whose statutory duty is to investigate claims to maximise returns to creditors

In our experience most IPs are risk averse, they usually act with personal liability

Third party litigation funding allows insolvency practitioners to de-risk their position yet deliver returns to creditors

Case Types¹



Source: 1) Company data since inception

The UK Insolvency Litigation



- Professor Peter Walton (Professor of Law Wolverhampton University) Report, April 2016:
 - 2014: 2,300 UK insolvency cases
 - 2014: Gross claim value of £1 Billion .v. £300m in 2010
 - 2014: 93% of cases historically done on “No Win/No Fee” + After The Event Insurance model (the “CFA Model”)
 - 52% of IPs said they would switch to funding model post-Jackson Reforms
- **The Manolete Big Bang (Part 1):**
 - The Jackson Reforms apply to UK Insolvency Litigation from April 2016:
 - CFA Success Fee and the ATE premium – no longer recoverable from the defendant
 - CFA Model resulted in litigation costs being c. 180% of damages awarded (excludes Office Holder fees)
 - Therefore CFA Model no longer economically attractive to Insolvency Practitioners (“IPs”)

The Manolete Solution



- Litigation costs just 15% of recoveries (.v. 180% under the CFA Model)
- Once Manolete costs recovered: 50%+ returned to the Insolvent Estates (fees can be paid and creditors recover monies – HMRC largest)
- Our costs plus our % paid to Manolete
- *E.g: £500k settlement. £75k legal fees. £212.5k returned to Creditors. £212.5k to Manolete. MoM: 3.8x. ROI: 283%. Avg duration: 11 months*
- **The Manolete Big Bang (Part 2):**
 - Under Insolvency Act 1986: Manolete can **buy** all insolvent **company claims** (e.g. DLA, unlawful dividend, breach of contract etc)
 - Under Small Business Enterprise and Employment Act 2015, from October 2015: Manolete can **buy** all **Office Holder claims** (e.g. TUV, Preferences, Wrongful Trading etc)
- It is the fact that we can fully **control** the litigation that leads to the costs being just 15% of the recovery
 - ✓ Win for IPs – completely de-risked and make fast recoveries
 - ✓ Win for lawyers – completely de-risked, they get paid as case progresses
 - ✓ Win for creditors – stood little chance of any recovery under old CFA model
 - ✓ Win for our shareholders – IRRs of 200%+

Why is Control so Important ?



Normal “solvent” litigation funding:

- Ancient Laws of Champerty and Maintenance: So they can merely “fund” – no decision making and undue influence allowed
 - The divorcee wants every penny from her former husband....
 - The wrongfully dismissed employee wants every penny of his denied bonus.....
 - The small company wants its “day in Court” to tell the World about the bully-boy tactics of the Goliath company that stole its intellectual property.....
- Rational judgment distorted: therefore these claims tend to go on for many years and usually end in high cost and high risk trials

Compare to the Manolete operating model:

- Insolvency litigation is the **only** area of the Law in the UK where a third party can buy and control litigation claims: legal override to champerty and maintenance
- The IP has no emotional attachment to any of the claims
- IP is risk averse: wants fast outcomes at zero risk but usually has little or no funds to pursue actions
- Creditors are used to receiving paltry return on monies owed (1p or 5p in the £ lost)
- Manolete is profit motivated, so also has no emotional attachment
 - ✓ Highly selective: we reject 82% of inbound enquiries – mainly for recoverability reasons
 - ✓ Only 9 of Manolete’s 173 completed cases have gone to trial....
 - ✓ We have only lost one at a cost of £30,000
 - ✓ The other 164 have settled on sensible commercial terms within 11 months

Why is Control so Important ?



- **Important:**
 - When we receive a settlement offer we like, we can simply take it e.g. we get a £2m offer on a £4-5m case after just 10 months. Costs £100k. Accept ! A normal Funder simply cannot influence this decision – often forced to trial at high cost and high risk
 - If we no longer like the look of a case, we can abort it early at negligible cost (16% of cases: avg cost £10,000)
 - Control means: fast completions that generate outstanding returns **plus** the ability to minimise losses on any disappointing cases

Route to Market

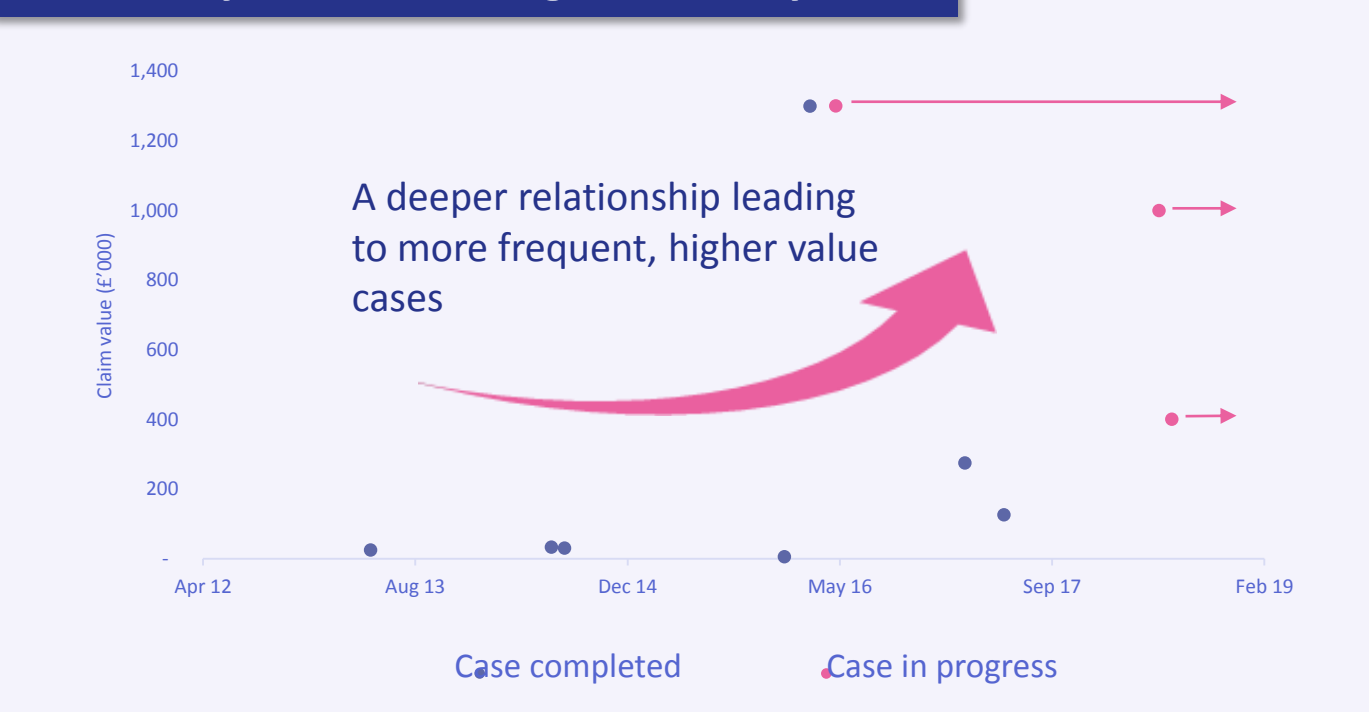


A Bespoke UK Case Referral Network – built over the last 10 years

Relationships with IPs are crucial

- Manolete has built up a referral base of over 280 IP firms (many with multiple offices) and many law firms: c. 60% repeat business
 - Worked on cases for 96 separate IP firms
- IPs are unable to enter into exclusivity agreement with funders but Manolete is the main preferred partner and two-time industry winner
 - High win ratio
 - Strong company, fulfilling IP’s DD requirements
 - Good reputation built up over 10 year history maximising first mover advantage
 - Trust has been earned through Manolete’s track record
 - Manolete team now includes a senior insolvency judge of the last 15 years

Case study of one leading Insolvency Firm



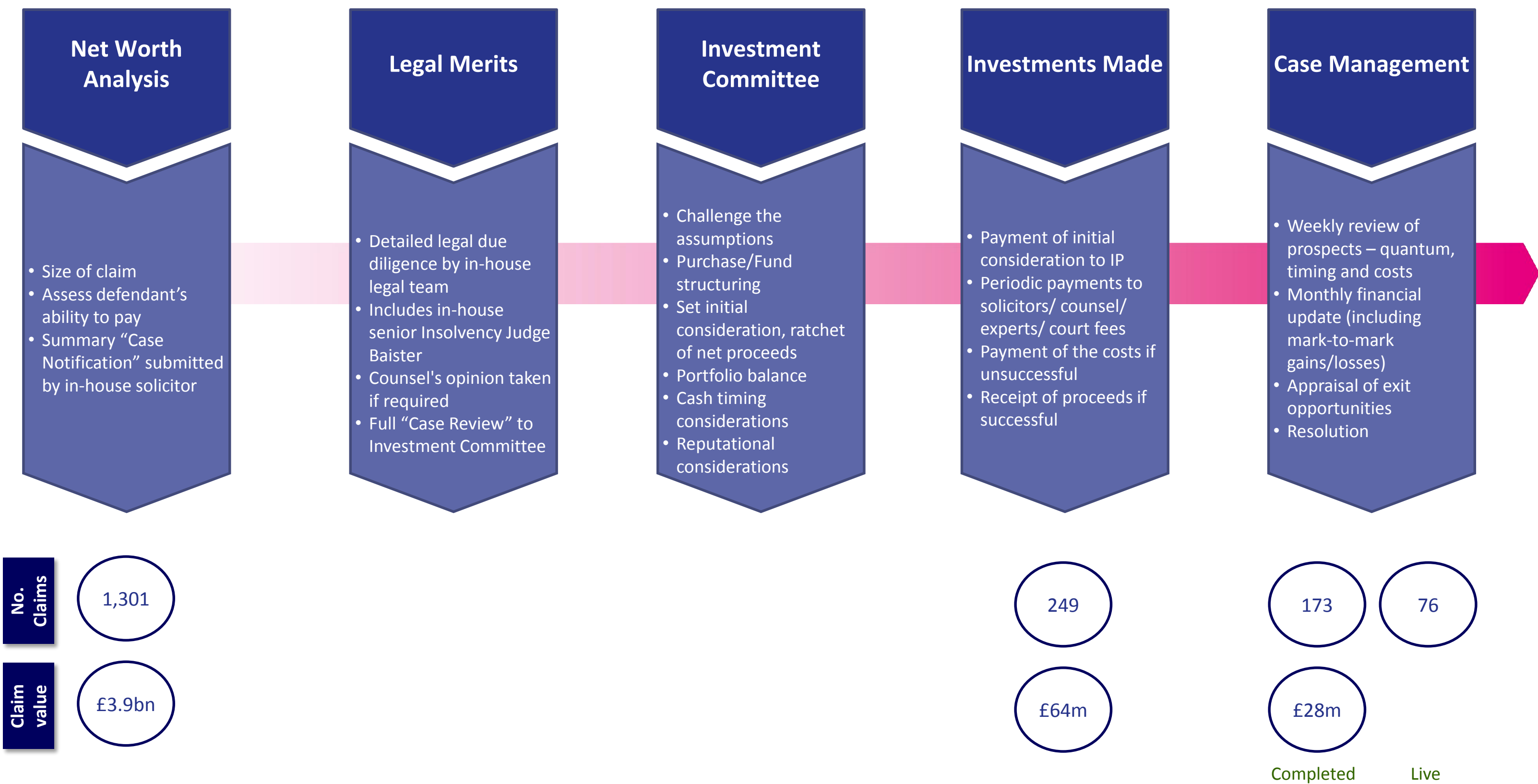
Regional penetration of UK IP market



The Investment Process



Rigorous and systematic case selection



Key Performance Indicators



Cases completed fast, pipeline growing strongly in volume and value

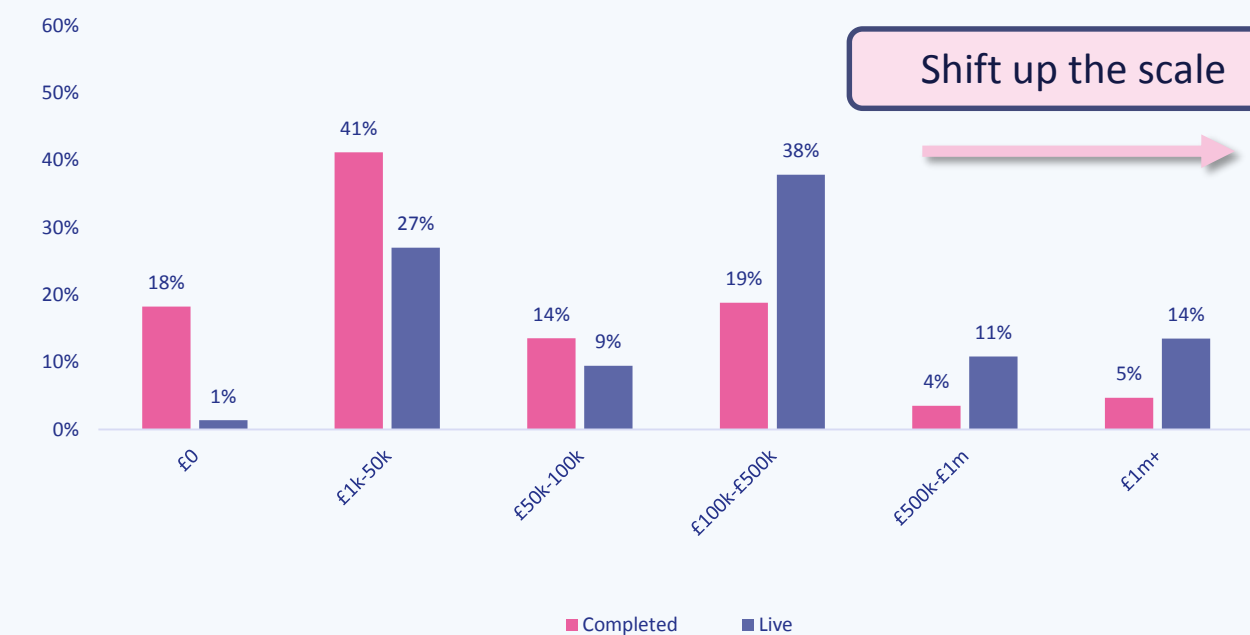
Manolette see on average £129m of claims per month¹

Dramatically increasing case values and volumes

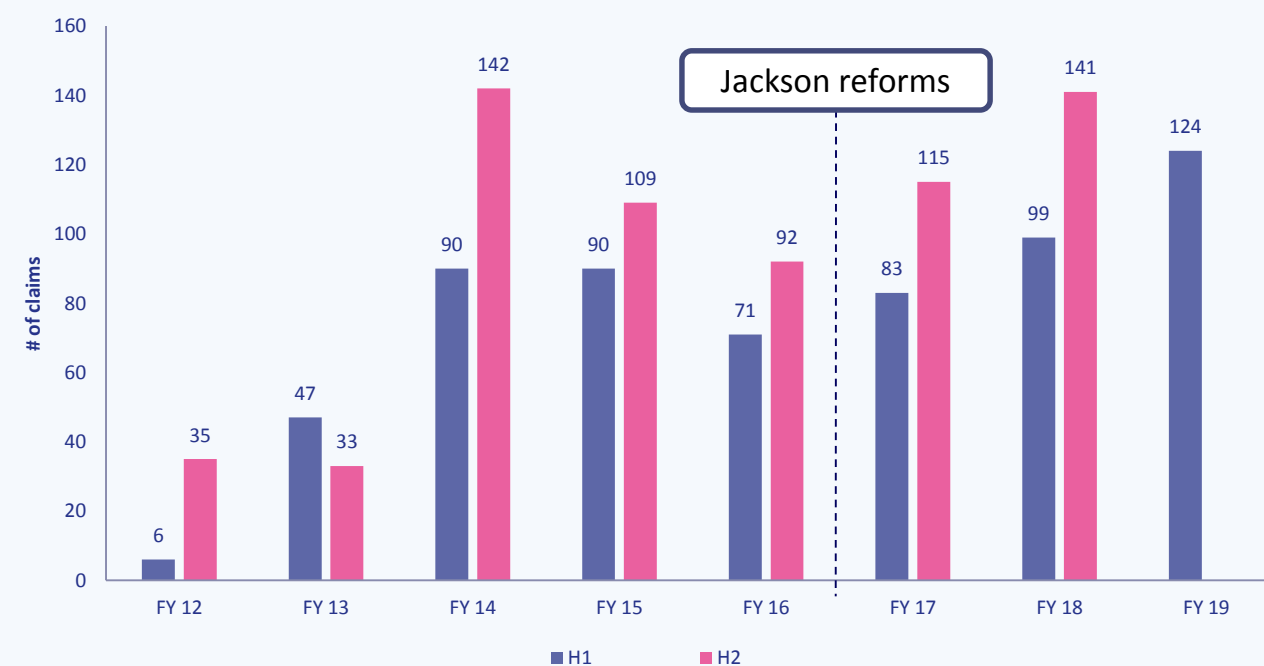
Larger does not necessarily mean more complex

Increasing claim size not leading to increased duration

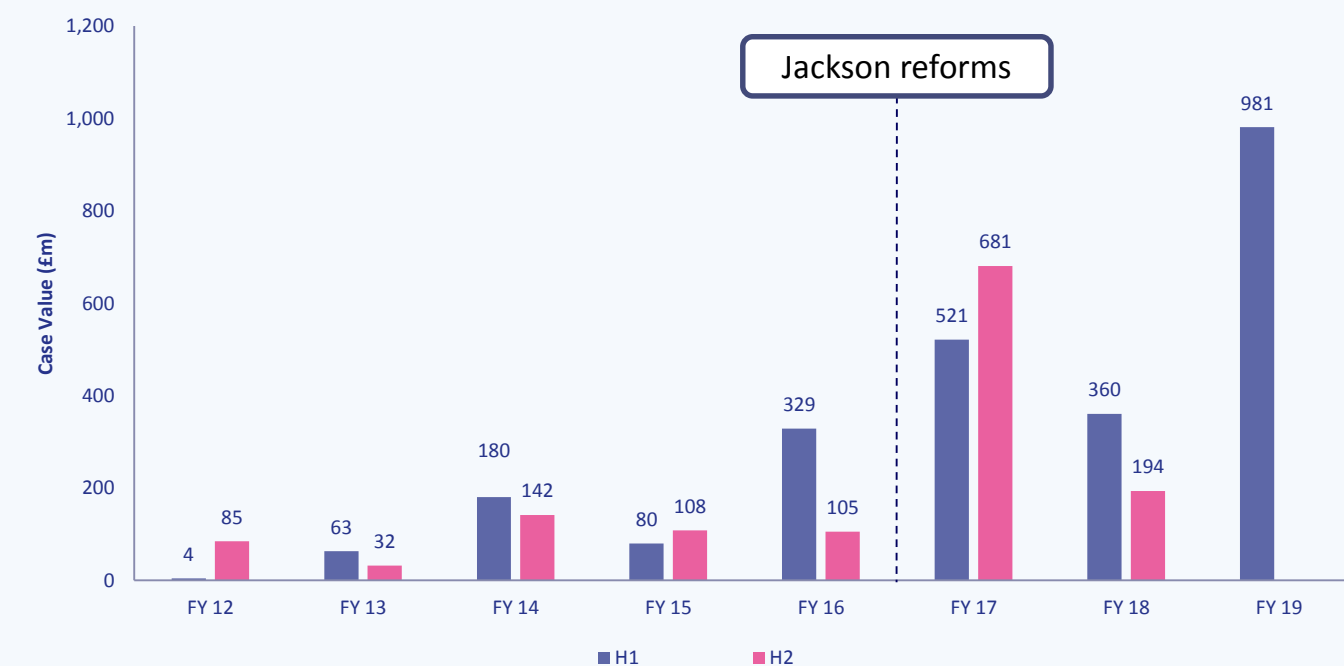
Case Settlement Size



Volume of New Case Enquiries



Value of New Case Enquiries



Source: 1) Company data – 2018 YTD

Case Studies



Fast settlements, very few trials, high ROI (NB: No capitalisation of internal legal team costs)

Project Crystal

- Large European Manufacturer with a UK sales company
- Misfeasance and Wrongful Trading Claim
- 2014: Co-funded with Burford Capital (Manolete £100k cost and £428k profit). Manolete sourced and executed case
- Settled at mediation

Duration	Costs	Settlement	Returns	Money Multiple
14 months	£100k	£2,395k	£428k	4.3x

Project Gladiator

- Directors of a flagship UK company
- Unlawful Dividend Claim
- Two years of refused engagement with IP
- Manolete then purchased claim and defendant immediately agreed to mediate

Duration	Costs	Settlement	Returns	Money Multiple
14 months	£158k	£1,300k	£502k	3.2x

Tax Avoidance Case

- Company director extracted large sums tax free for his personal benefit via an EFRB scheme
- Triggered contingent liabilities to HMRC
- Settled at mediation

Duration	Costs	Settlement*	Returns	Money Multiple
7 months	£50k	£2,150k	£492k	10.0x

Personal Bankruptcy Claim

- Individual Claim – fast completion, negligible legal costs
- Assets unlawfully removed from a bankrupt's estate prior to bankruptcy
- £50k recovery in two weeks generating profit of £23k

Duration	Costs	Settlement	Returns	Money Multiple
2 weeks	£1k	£50k	£24k	24.5x

Source: Company data

* The major creditor (HMRC) received £1.5m

Thank You for Listening

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