

# RBG Holdings plc (AIM:RBGP)

Nicola Foulston, Group Chief Executive

24 February 2021



**RBG**  
Holdings<sub>1</sub> plc

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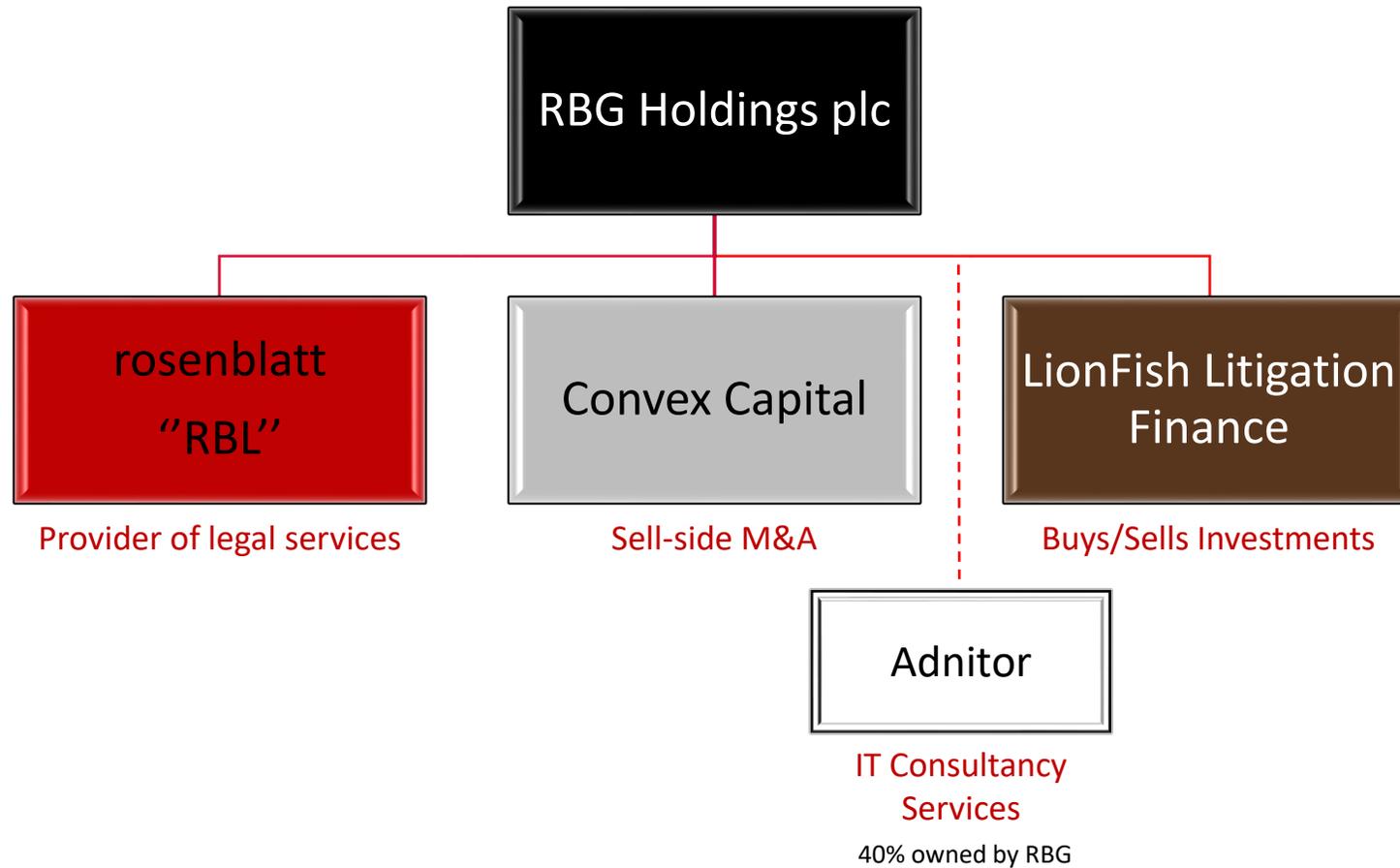
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# Agenda

	Presentation	Speaker
10.00am	Introduction; Overview of RBG and strategy	Nicola Foulston, Group CEO
10.10am	Rosenblatt	Barry Roche, MD
10.40am	Convex Capital	Mike Driver, MD
11.10am	LionFish	Tets Ishikawa, MD
11.40am	Live Q&A	Speakers and CFO, Robert Parker

# Summary of RBG Holdings plc



# Strong Entrepreneurial Management Team

## rosenblatt

**Barry Roche**  
**Managing Director**



- Built a Support Service business, start up to a market-leading, then acquired in 2009 by PHS Group.
- Co-founder of Protection Vessels International, a maritime security business. PVI grew from start up to £62m in 4 years.
- 2012 founded Protection Group International (“PGI”) a Cyber Security / Intelligence.
- In February 2020, Barry joined RBL as interim COO and was appointed MD Feb 2021

## convex.

**Mike Driver**  
**Managing Director/CEO**



- In 1992 co-founded business called M2 and in 2006 sold 39% of the business to ECI partners for £22.5m.
- Founded Convex in 2011, the business identifies and proactively targets firms that it believes represent attractive acquisition opportunities.
- Convex has established strong network of clients and partners across UK & Europe. In excess of £1b transaction the past four years.
- M&A of Convex to RBG Holdings plc Sept 2019 and appointed MD.

## LionFish

**Tets Ishikawa**  
**Managing Director**



- started career as an investment banker, structuring and marketing derivative and securitisation transactions at ABN AMRO, Goldman Sachs and Morgan Stanley as well as being a founding partner of fixed income agency broker Amias Berman & Co LLP.
- Involved in litigation funding since 2011, alongside various other business activities as both adviser and investor, including setting up captive litigation funder Sparkle Capital Ltd, for Acasta in 2014.
- Appointed MD in May 2020.

- ❑ RBG seeks to provide a platform for entrepreneurs to access the benefits of public markets without the disadvantages that often accompany life as a PLC.
- ❑ Group CEO operates a light-touch approach with her operational management team.
- ❑ Since IPO and diversification, operational management has been strengthened in every subsidiary.

# Our Strategy

## Grow the legal business

- ❑ Focus on maintaining high margins on the work we do while ensuring the core business is cash generative and efficient (KPIs: debtor days, lock-up, and revenue per fee earner).
- ❑ Increase the services we can provide to clients.
- ❑ Align remuneration with shareholder interests – Use equity participation to attract and retain talent.

## Use our expertise to move into Litigation Finance

- ❑ Allows us to monetise our case flow and to diversify our income - Proven track record in picking the right cases (**86% success rate**)
- ❑ Means we can:
  - ❑ retain the margin that would otherwise be paid to a third-party funder.
  - ❑ increase the number of cases we can take on.
  - ❑ create a revenue opportunity in terms of our ability to sell participation rights in the cases we invest in (which also de-risks investment).

## Selective M&A to build and diversify business

- ❑ Use acquisitions to diversify the business away from a reliance on legal revenues to create a broad, professional services group.
- ❑ Focus on high-margin potential businesses, **specialist** companies that can also create cross-referral opportunities.
- ❑ Take advantage of a highly fragmented legal market to engage in consolidation **BUT** only at the right value, and with the right deal structure.

# Strategy being delivered

## Legal business has grown & diversified

- ❑ 2020 was a record year for RBL; Strategy adapted – RBL has increased capacity in its Employment, and Insolvency & Restructuring practices for 2021.
- ❑ New client services momentum, despite pandemic, including in competition law.
- ❑ New MD, Barry Roche appointed to focus on maintaining commercial excellence, and growth through business development.

## Successfully moved into Litigation Finance

- ❑ The Group has two types of litigation investments – RBL's own client matters, and litigation matters run by third-party solicitors (LionFish).
- ❑ In May 2020, launched a separately branded business for third-party litigation finance – LionFish Litigation Finance (UK) Limited. Appointed an experienced MD.
- ❑ 7 Investments to date with the first realisation anticipated in H1 2021. Average investment duration is 22 months.
- ❑ Conservative accounting policy – Fair value as close to cash cost, no large unrealised gains.

## Begun diversification of Group beyond legal services

- ❑ In September 2019, acquired Convex Capital Limited , a specialist sell-side corporate finance boutique, for a total consideration of £15.8 million.
- ❑ Strong pipeline of deals across a variety of sectors which have shown resilience during the crisis.
- ❑ Pandemic meant deals were difficult to complete; However, built a strong pipeline which is being converted. Change to remuneration structure.
- ❑ Expect to see an increase in M&A activity in 2021 driven by the economic conditions and the expected changes to the Capital Gains Tax regime.
- ❑ Completed three deals so far in 2021. Total fee income to date of £1.1 million.

# Litigation Finance – Our Approach

## **Our Approach to Litigation Investments will always be conservative in nature – Limit exposure and risk**

- ❑ No more than 25% of our revenues can be committed to contingent work in progress within RBL.
- ❑ A maximum of 25% of the net assets of the Group can be invested in external funding.
- ❑ A maximum of 50% of the external funding can be invested in any one case over £0.5m within RBL is targeted.

## **Our Accounting approach will follow our same conservative commercial approach**

- ❑ Under IFRS 9 Accounting for Financial Instruments.
  - ❑ We fair value our investments as close to cash as possible.
  - ❑ Where possible we want to avoid unrealized gains in the P&L and Balance sheet.
- ❑ Our Litigation Investments are Damages Based Agreements (DBA) whether through RBL and/or LionFish to third party law firms.
- ❑ RBL DBAs are a hybrid - providing services and capital.
  - ❑ All Services (WIP) are contingent and not recognized in the P&L or Balance Sheet until (IFRS 15).
  - ❑ All capital elements are fair valued (IFRS 9).

# RBL Investments – Potential Returns

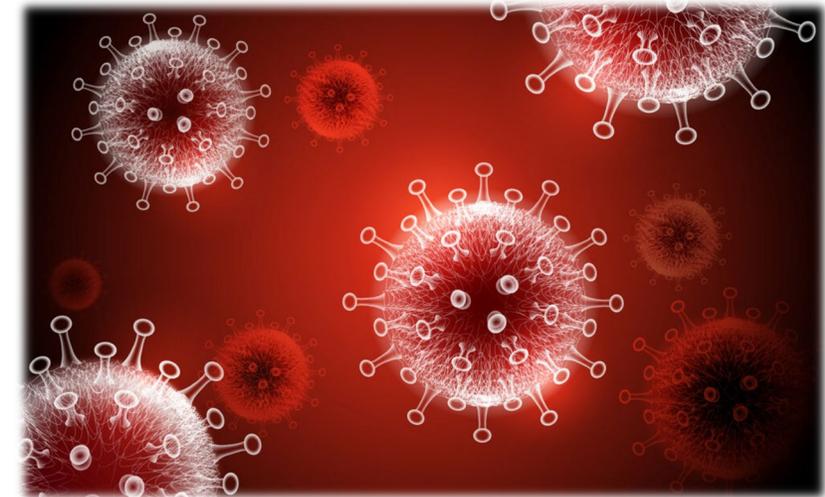
Project Name	Total potential recovery	WIP Commitment anticipated	Total Cash Investment Anticipated	%Anticipated return*
Neptune (CFA - £80m claim)	£4.2m	£2.3m	£0m	457%
Shango (DBA - £6bn claim)	£75m	£5m	£15m	441%
Mercury (DBA - £1bn claim)	£65m	£5m	£10m	542%

- ❑ These investments provide a potential return that is **not** provided in our market forecasts **nor** marked up in our annual accounts;
- ❑ The anticipated cash outlay is on the basis of the likely timeline to obtain the return and actual cash invested at 31 December 2020 will be in the annual accounts;
- ❑ This is in line with RBG’s approach to account as close to cash as possible.

*\*Calculated based on basis of WIP at Cost (being 40%) and cash invested against total expected return*

# FY20 Trading Update

- ❑ Performance in 2020 demonstrated the Group's resilience.
- ❑ Covid - All of the Group's staff were able to work from home during lockdowns; Considerable investment in IT post-IPO.
- ❑ RBL - Received new instructions, despite pandemic, including acting for Simon Cowell on his buyout of Syco Entertainment from Sony.
- ❑ FY20 Trading Update.
  - ❑ Expected Group's revenue (and realised gains) and EBITDA increases led to analyst upgrade.
  - ❑ Balance sheet remains resilient with net cash of £3.5 million as of 31 December 2020 (2019: £1.9 million) –3p dividend on 26 February 2021 to shareholders on the register as of 5 February 2021.
  - ❑ RBL had its most successful year in terms of revenue, EBITDA and gross margin, which exceeded the target of 35 per cent.
  - ❑ Convex Capital has built a new, stronger pipeline, and delivered three deal completions as of today.
  - ❑ LionFish had investments in seven cases and is seeing a regular flow of opportunities.
  - ❑ Growing pipeline of opportunities across all divisions.
- ❑ Results on 20 April 2021.



# Outlook – Resilient 2020; 2021 set for real progress

## Group is in strong position

- ❑ Expected revenue (and realised gains) and EBITDA set to exceed original analysts' expectations; Now been upgraded.
- ❑ Strong Balance Sheet – Based on current outlook expect to pay out up to 60 per cent of retained earnings in the financial year by way of dividend. Special Dividend opportunities through Litigation returns over time.

## Legal business

- ❑ New MD focused on capturing growth opportunities; Contentious law thrives in difficult times.
- ❑ Benefit from life post-Brexit and post-Covid as business return to normality.

## Litigation Finance

- ❑ RBL Investments – High potential returns from cases.
- ❑ LionFish – Business now established. First realisation expected this HY.

## Convex Capital

- ❑ Increase in M&A activity expected in 2021 driven by the economic conditions and the expected changes to the Capital Gains Tax regime.
- ❑ Strong pipeline and track record of conversion.

## M&A

- ❑ Strategy remains the same; Constantly evaluating opportunities but strict adherence to criteria. We will not overpay!