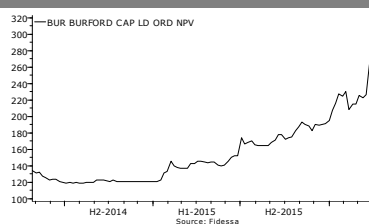


## FTSE sector



## Market data

EPIC/TKR	BUR
Price (p)	276.5
12m High (p)	308.0
12m Low (p)	139.5
Shares (m)	204.5
Mkt Cap (£m)	565.6
Total assets (£m)	540.6
Free Float*	87%
Market	AIM

\*As defined by AIM Rule 26

## Description

Burford Capital is a leading global finance and professional services firm focusing on law. Its businesses include litigation finance, insurance, law firm lending, corporate intelligence and judgement enforcement, bankruptcy, litigation funding, advisory and professional services and a wide range of professional activities.

## Company information

CEO	Christopher Bogart
CIO	Jonathan Molot
Chairman	Sir Peter Middleton
	+1 (212) 235-6820
	www.burfordcapital.com

## Key shareholders

Directors / Management	13%
Invesco Perpetual	29.9%
Woodford Investments	10.1%
Fidelity Worldwide	9.5%
Aberdeen Asset	6.0%
Reservoir Capital	5.6%

## Next event

17 May 2016	AGM
18 May 2016	Capital Markets Day
27 July 2016	Interim Results

## Analysts

Brian Moretta	020 7929 3399
	bm@hardmanandco.com

## Burford Capital

## Retail bond issue oversubscribed

Burford raised £100 million in its second bond issue on 19 April. Burford's retail bond issue was oversubscribed and the Company raised £10 million more than its first bond that was issued in August 2014. After the issue Burford's gross debt will be \$274m (£190m) and gross assets (based on 2015 results) are approximately \$740m. The net effect of post year end events (\$100m investment plus bond issue) is to raise uncommitted capital by \$44m. With Burford also investing in growing its staff capacity too, this will add to its ability to continuing its growth.

- **The Bond:** The bond has an annual 6.125% coupon and will mature on 26 October 2024. All the other terms are the same as the existing issue, keeping Burford's capital structure straightforward.
- **Estimates:** In our previous note we had assumed a fundraising of £100m and so there are no adjustments to be made to our estimates. As before, we expect the recent \$100m investment to a major global law firm to have little effect on the 2016E earnings, but 2017E will start to see the benefits.
- **Valuation:** The upgrades to our 2017E figures suggest that Burford remains undervalued relative to its potential. The prospective P/E for 2017E is just 9.7 times. With the additional investment we believe an RoE in the 15-17% range is sustainable while still growing its invested capital quickly.
- **Risks:** The investment portfolio has some very large investments, which means revenue may be volatile. As the company matures we would expect that to decrease, but not to disappear. As expected, revenue from the insurance business is declining post the adoption of the Jackson reforms.
- **Investment summary:** Burford has already demonstrated an impressive ability to deliver good returns in a growing market while investing its capital base. As the invested capital continues to grow, the litigation investment business should continue to produce strong earnings growth.

## Financial summary and valuation

Year end Dec (\$m)	2012	2013	2014	2015	2016E	2017E
Revenue	54.2	60.7	82.0	103.0	101.3	138.1
Operating Profit	34.1	42.5	60.7	77.2	72.2	104.8
Reported net income	17.4	2.6	45.4	64.5	53.2	82.9
Underlying net income	31.6	40.1	53.0	64.5	53.2	82.9
Underlying Return on Equity	9.7%	11.7%	12.1%	16.3%	12.0%	16.7%
Underlying EPS (\$)	0.15	0.20	0.26	0.32	0.26	0.41
Statutory EPS (\$)	0.10	0.01	0.22	0.32	0.26	0.41
Dividend per share (\$)	0.05	0.05	0.07	0.08	0.09	0.10
Yield	1.2%	1.3%	1.7%	2.0%	2.2%	2.5%
NAV per share (\$)	1.62	1.72	1.87	2.12	2.30	2.62
P/E (x) (underlying)	25.4	20.0	15.2	12.5	15.1	9.7
Price/NAV (x)	2.4	2.3	2.1	1.8	1.7	1.5

Source: Hardman &amp; Co Research

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