www.researchdistressed.com **Independent Credit Research LLC**

April 3, 2026© Vol.18, No.9

Burford Capital

RESEARCH INITIATION

We like the unsecured notes of Burford Capital and believe that they have been blindly oversold based on a number of recent YPF-related court ruling news. Burford has not received any cash from Argentina/YPF on the Petersen or Eton Park judgments; there have been no case-related cash receipts from YPF since the litigation began. The only YPF-linked cash Burford has taken in is from selling portions of its Petersen entitlement to third-party institutional investors (about $236mm in secondary sales), which is monetization of its interest, not payment from Argentina or YPF.

This is a rare double-digit YTM opportunity in stressed debt that will likely not last for a long time. A typical market oversold name that will likely rebound quickly.

Coupon	Issuer	Maturity		Face Value	*Market Price*	Market Price	Cash interest	*YTM*
			Pro forma cash	$927.3				
5.00%	Burford Capital PLC	1-Dec-26	Sr. Unsecured notes	$218.6	*Called on January 29, 2026*			
6.25%	Burford Capital GF LLC	15-Apr-28	Sr. Unsecured notes	$400.0	*94.75%*	$379.0	$25.0	*9.4%*
6.875%	Burford Capital GF LLC	15-Apr-30	Sr. Unsecured notes	$360.0	*88.75%*	$319.5	$24.8	*10.3%*
9.25%	Burford Capital GF LLC	1-Jul-31	Sr. Unsecured notes	$675.0	*91.00%*	$614.3	$62.4	*11.6%*
7.50%	Burford Capital GF LLC	15-Jul-33	Sr. Unsecured notes	$500.0	*84.0%*	$420.0	$37.5	*10.7%*
8.50%	Burford Capital GF LLC	15-Jan-34	Sr. Unsecured notes	$500.0	*85.3%*	$426.3	$42.5	*11.4%*
			Total debt	$2,435.0		$2,159.0	$192.2	
			Total Net Debt	$1,507.7		$1,231.7		
			Common shares	218.4	*$4.13*	$900.9		
			Enterprise Value			$2,408.6		

Background

Burford Capital is a publicly traded legal finance firm founded in 2009. The company funds other party's lawsuits in exchange for a cut of the winnings, making money both when cases settle or get paid out, and by marking up the value of ongoing cases on its books as they progress. It has become the largest firm of its kind globally, with a portfolio north of $7.5bn and a track record of roughly 88% return on invested capital across concluded cases since inception.

The company had a bruising moment in 2019 when short-seller Muddy Waters published a report calling its accounting "Enron-esque," arguing that most of Burford's reported profits were just internal model estimates with no cash behind them. The stock lost 70% in two days. Burford fought back hard but the SEC got involved, and the episode eventually forced a restatement of three years of financials in 2023 under a tighter valuation methodology. The stock never really recovered its pre-2019 premium.

The investment everyone has been watching is Burford's claim against Argentina over the 2012 nationalization of YPF, the Argentine oil company. Burford bought the litigation rights from a bankrupt company in 2015 for about $16.6mm, then added a second related claim for $21mm - roughly $108mm all-in after accounting for third-party interests. In 2023 a U.S. federal judge entered a $16bn judgment in Burford's favor, which would have been one of the most extraordinary returns in financial history.

Then last Friday, March 27, 2026, the Second Circuit Court of Appeals reversed that judgment in a 2-1 decision. The majority held that the claims weren't properly before a US court given the sovereign nature of Argentina's actions and pointed plaintiffs toward Argentine courts instead. One judge dissented strongly, calling the majority opinion narrow and saying it ignored the factual realities of Argentina's conduct. Burford's stock fell roughly 45% on the news. The company says no cash is affected since YPF was never generating real cash anyway. But it will take a large write-down of the asset in Q1 2026. Burford is now signaling it may pursue international arbitration through ICSID, though that would be a multi-year process starting largely from scratch. We believe that ruling had mostly Machiavellian nature, since it was likely politically driven.

The company's accounting is challenging to comprehend for any traditional high yield investor – all cash BUR generates is reflected in cash flow statement. The income statement does not reflect the real cash flow generation potential of the company and is mainly based on fair value estimates. Investors should think about BUR as a project-finance company, rather than traditional and consistent revenue source.

Investments made in various legal cases often take several years to generate cash returns. BUR calls these investments capital provision assets. When Burford agrees to fund a case, it deploys cash to the client (a law firm, a company, or an individual claimant) to cover litigation costs like legal fees, expert witnesses, and court expenses. In exchange Burford gets a contractual right to receive a portion of any proceeds if the case wins or settles. That contractual right is what gets recorded on the balance sheet as a capital provision asset. The name itself reflects what Burford is doing economically - it is providing capital to enable legal claims to proceed that might otherwise not get funded, in exchange for a financial interest in the outcome. It is analogous to a loan in some ways, but with a crucial difference: if the case loses, Burford typically gets nothing back. There is no interest accruing, no fixed repayment schedule, and no collateral. The entire return is contingent on a favorable litigation outcome. The carrying value of each capital provision asset on the balance sheet is Burford's estimate of what that contractual right is worth today, the fair value, which it updates at the end of every reporting period using its internal discounted cash flow model. That fair value moves up when cases hit positive milestones like favorable rulings and can move down if cases take a bad turn or simply take longer than expected. The changes in that carrying value are what flow through the income statement as capital provision income each quarter, which is why most of Burford's reported revenue is non-cash in nature.

At the end of 2025 Burford had roughly $5.6bn of capital provision assets on its consolidated balance sheet, representing hundreds of active cases across commercial litigation, arbitration, and asset recovery across multiple jurisdictions globally. This number includes investments made by third parties. BUR frequently engages co-investors but consolidates all assets and liabilities on its balance sheet. We mostly use Burford-only metrics, which account for total assets minus third-party investments.

Burford Only	**2021**	**2022**	**2023**	**2024**	**2025**
Cons. proceeds from cap. prov. assets	$396,415	$387,786	$559,362	$991,292	$740,376
Minus 3rd party interests	$139,826	$81,857	$117,296	$340,232	$266,849
Burford-only proceeds	$256,589	$305,929	$442,066	$651,060	$473,527
Loss on financial liabilities	$0	$0	$0	($2,583)	$0
Burford-only proceeds from cap. prov. assets	**$256,589**	**$305,929**	**$442,066**	**$648,477**	**$473,527**
Plus aset management income	$18,499	$14,759	$32,321	$26,491	$32,467
Plus proceeds from other items	$6,378	$7,298	$14,822	$24,179	$24,132
Total cash receipts	**$281,466**	**$327,986**	**$489,209**	**$699,147**	**$530,126**
Minus cash deployment	$448,171	$477,429	$411,551	$400,714	$459,156
FCF before interest, G&A, Opex, and taxes	($166,705)	($149,443)	$77,658	$298,433	$70,970
Burford-only Realizations	**$299,184**	**$360,531**	**$530,626**	**$641,124**	**$458,238**
Burford-only proceeds from capital provision assets	**$256,589**	**$305,929**	**$442,066**	**$651,060**	**$473,527**

As the chart above shows, these Burford-only capital provision assets grew from $2.3bn in 2021 to $3.9bn at the end of 2025. Assets have been growing by further deployed costs and realized gains. Cash that BUR generates from payoffs of its previous investments is reflected in realizations or proceeds from capital provision assets. Total cash receipts at Burford-only have been growing every year.

Burford Only	2021	2022	2023	2024	2025
Capital Provision Assets	$2,318,266	$2,635,419	$3,432,112	$3,571,224	$3,912,194
Deployed costs on YPF-related assets	$57,128	$54,625	$60,338	$69,576	$117,577
Deployed costs on other assets	$1,536,957	$1,464,822	$1,551,944	$1,603,017	$1,740,256
Total deployed costs	$1,594,085	$1,519,447	$1,612,282	$1,672,593	$1,857,833
Unrealized gains on YPF-related assets	$770,623	$768,410	$1,311,319	$1,395,899	$1,571,781
Unrealized gains on other assets	$279,106	$348,583	$508,511	$502,732	$482,580
Total unrealized gains	$1,049,729	$1,116,993	$1,819,830	$1,898,631	$2,054,361

Cash receipts, in our view, represent the most important characteristic of the company's financials disclosed. BUR's revenues are mostly driven by the company's estimates of various milestones accomplished throughout development of its cases. They have really nothing to do with real cash receipts and are in fact misleading.

	2022	2023	2024	2025
Net realized lawsuits gains	$161,707	$251,618	$439,665	$260,592
Fair value adjustments	$169,104	$1,081,644	$127,981	$185,589
Forex gains	($6,357)	$8,012	($15,701)	$20,145
Other	($5,346)	$649	$121	$10,487
Capital provision income	$319,108	$1,341,923	$552,066	$476,813
Less 3rd-parties interests	($494)	($279,263)	($42,384)	($99,142)
Asset management income	$9,116	$7,642	$8,340	$6,312
Securities Income	($7,744)	$12,208	$25,014	$28,760
Other income	($759)	$4,392	$3,051	$617
Total revenues	**$319,227**	**$1,086,902**	**$546,087**	**$413,360**
Salaries & benefits	$35,131	$39,788	$42,418	$48,444
Annual incentive comp.	$24,338	$32,697	$29,210	$22,335
Share-based comp.	$10,277	$21,128	$8,822	$13,841
Long-term incentive comp.	$16,600	$127,471	$43,209	$43,622
Total compensation	$86,346	$221,084	$123,659	$128,242
%-ge of sales	*27.0%*	*20.3%*	*22.6%*	*31.0%*
G&A	$29,681	$33,656	$31,025	$38,362
%-ge of sales	*9.3%*	*3.1%*	*5.7%*	*9.3%*
Other expenses	$8,245	$16,496	$801	$14,645
Total Opex	$124,272	$271,236	$155,485	$181,249

Burford's sustainable advantage comes from a combination of scale, data, relationships, and structuring expertise that are hard for new or smaller funders to replicate. Burford is the largest specialist in commercial legal finance. It has access to significant on-balance-sheet capital plus third-party assets under management, which lets it write big tickets, diversify, and commit quickly without syndicating every deal. Over more than a decade, Burford has built a very large database of case outcomes, legal strategies, counterparties, and enforcement experience across jurisdictions. Litigation finance penetration is still low (often cited in the low single-digit percentage range of addressable disputes), so the market is expanding without intense price competition, which helps preserve returns for the leading incumbent. Burford is widely seen (and markets itself) as the "gold standard" brand in this niche, which matters when corporates and law firms choose a capital partner for sensitive, high-stakes disputes.

We think that after the unfortunate recent YPF-related court ruling, investors have erroneously switched to analyzing the company in a run-off mode evaluating how long BUR can generate cash without any further cash deployments. In order to get answers, they are mostly basing their analysis on the following chart:

Burford Only	2021	2022	2023	2024	2025
Total cash receipts	**$281,466**	**$327,986**	**$489,209**	**$699,147**	**$530,126**
Minus cash deployment	$448,171	$477,429	$411,551	$400,714	$459,156
FCF before interest, G&A, Opex, and taxes	**($166,705)**	**($149,443)**	**$77,658**	**$298,433**	**$70,970**

Analysts make assumptions on the amount of cash that BUR will generate within the next several years and assume an average of 5-6 years for a legal case to generate FCF. This logic leads to a conclusion that BUR can easily service its fixed charges (mainly debt maturities, Opex, cash interest and taxes) for the next 3-4 years, with further debt maturities being more questionable. We think that this judgement is flawed, since Burford is not going to cut or shrink its business after the YPF debacle.

Burford	2021	2022	2023	2024	2025
Total Net Revenue	217,330	319,227	1,086,902	546,087	413,360
Growth Y/Y				*-49.8%*	*-24.3%*
COGS	112,979	86,346	221,084	123,659	128,242
Gross Profit	104,351	232,881	865,818	422,428	285,118
Gross Margin	*48.0%*	*73.0%*	*79.7%*	*77.4%*	*69.0%*
SG&A	30,467	29,681	33,656	31,025	38,362
Minus capital provision income	(194,554)	(319,108)	(1,341,923)	(552,066)	(476,813)
Adjustments to EBITDA	(349)	(824,962)	(26,437)	4,568	(31,781)
Cash EBITDA	(121,019)	(940,870)	(536,198)	(156,095)	(261,838)
EBITDA Margin	*-55.7%*	*-294.7%*	*-49.3%*	*-28.6%*	*-63.3%*
Liquidity					
Cash EBITDA	(121,019)	(940,870)	(536,198)	(156,095)	(261,838)
Capex	(285)	(407)	(3,212)	(661)	(284)
Acquisitions, divestitures	0	0	0	0	(8,515)
Interest Expense	(51,270)	(70,781)	(77,210)	(154,093)	(97,945)
Income Taxes	(1,305)	(641)	(13,321)	(19,275)	(21,972)
Change in Working Capitlal	(411,770)	546,188	352,047	546,188	352,741
Free Cash Flow	(585,649)	(466,511)	(277,894)	216,064	(37,813)
Cash flow from operations	(585,364)	(466,104)	(274,682)	216,725	(29,014)
Cash flow from investments	(285)	(407)	(3,212)	(661)	(8,799)
Cash flow from financing	444,829	399,131	389,534	33,832	132,415
Total cash flow	(140,820)	(67,380)	111,640	249,896	94,602
Balance Sheet					
Cash	355,591	244,016	328,110	548,950	655,923
Due from settlement	86,311	116,582	265,540	183,858	164,804
Other Current Assets	48,242	51,856	63,464	61,006	73,743
3rd party interests payable	424,733	425,205	704,196	747,053	858,491
Accrued Liabilities	172,279	206,999	305,333	359,525	419,972
Debt					
Total Debt	1,036,475	1,269,085	1,569,146	1,775,709	2,187,862
Net Debt (net of excess cash)	680,884	1,025,069	1,241,036	1,226,759	1,531,939

In fact, demand for litigation financing is growing. Additionally, the company has been taking advantage of its leadership role in the industry and monetizing a portion of its investments to third party funds with profits. Shortly, BUR is an equity story. However, its debt is generating attractive yields, and it makes sense to take advantage of it immediately.

The company does not have revolver or any secured debt. Its debt indentures are admittedly weak and allow various potential manipulations. However, given healthy cash flow generation, credit risks in Burford's case are small, in our view.

Shortly, there is nothing much to talk about here – a double-digit YTM in BUTR bonds seems like a no-brainer to us. The only uncertainty remaining here is the price of the stock.

Disclosure Regarding Research Report

The views expressed about the debt securities that are the subject of this research report accurately reflect the personal views, as of the report's publication date, of the Independent Credit Research, LLC ("ICR") analyst primarily responsible for drafting the report. No part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by him in this research report. The analyst's evaluation of the subject debt securities may change subsequently to the publication of this report. Neither the analyst nor ICR assumes any duty to update the information contained in this report. This research report is for informational purposes only and does not provide individually tailored tax, legal, or investment advice. It has been prepared without regard to the individual financial circumstances and objectives of the people who receive it. The debt instruments discussed in this research report may not be suitable for all investors. ICR strongly recommends that investors independently evaluate particular investments and strategies and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Therefore, any decisions you make based upon any information contained in this research report are your sole responsibility. Under no circumstances is this report to be used or considered as an offer to sell or a solicitation of any offer to buy any equity or debt security or any options, futures or other derivatives related to such securities.

ICR, its officers and affiliates, do not hold securities covered by this report.