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An Order In The Court

- A Legal Payout **Could Unleash 100% Upside**
In This Dirt-Cheap Business



A PARTNER PASS EXCLUSIVE REPORT



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Burford Capital (NYSE: BUR) is our newest addition to Porter & Co.'s *Asymmetry* portfolio.

Burford is the world's largest provider of litigation finance. The company provides the capital and legal expertise that enable its clients to pursue litigation they might not otherwise be able to pursue. Burford primarily deals in legal cases for corporations, and avoids pursuing litigation claims involving individuals (like personal-injury cases, for example). The company has increased its book value at over 15% per year since 2009, and currently oversees a portfolio of \$7.4 billion of legal assets. Below, we explain why a recent legal victory for the company's single largest asset could unleash a windfall of \$3 billion, equal to the entire market capitalization of the company.

Burford Capital was first added to ***The Big Secret On Wall Street*** portfolio on February 8, 2024. The shares are trading at around the same price as when we first recommended them. But as you'll see below, a recent legal victory in the company's largest litigation asset could unleash as much as 100% upside from its current share price.

Burford's Back-To-Back Wins

Litigation financier **Burford Capital (NYSE: BUR)** notched two major victories on Monday, June 30.

First, during the latest budget negotiations for President Donald Trump's "One Big Beautiful Bill," the proposal to impose an extra tax on the litigation finance industry was struck down.

The proposal of this tax increase caused a 14% decline in shares of Burford last Tuesday, June 24.

The eventual elimination of the litigation finance tax from the budget bill removed a negative overhang on the stock, sending shares modestly higher at the start of trading on Monday, June 30. But the real source of upside came later that day, when Burford received a positive ruling on its single largest legal asset, known as the "YPF case."

First, a brief bit of background. The YPF case stems from Argentina's 2012 nationalization of YPF SA, one of the country's largest oil companies. Two hedge funds that lost billions from the YPF nationalization then filed a suit against the government of Argentina. In 2015, Burford agreed to fund the legal expenses associated with the lawsuit, along with an upfront payment of \$16 million, to acquire a stake in the litigation claims against Argentina. All told, Burford has invested approximately \$70 million into this legal case.

In March 2023, the judge presiding over the case – Judge Loretta Preska of the Southern District of New York – ruled that the Argentine government was at fault for failing to compensate the hedge funds for their YPF stake. And on September 28, 2023, the court awarded damages of \$16.1 billion to the hedge funds. This was the single largest judgment awarded against a foreign country in the history of the U.S. legal system.

Burford currently owns approximately 38% of any proceeds from the lawsuit, making its share of the judgment equal to just over \$6 billion.

For context, at \$14 per share, Burford's current market capitalization is approximately \$3 billion. In other words, a full payout on the \$6 billion award owed to Burford in the YPF case would represent a windfall equal to double the value of the entire company.

But winning a judgment is one thing. Collecting a \$16.1 billion settlement from Argentina is another matter entirely.

Since the initial ruling was made, lawyers for the Argentine government have tried every legal maneuver to appeal, delay, or outright deny making good on the ruling. The government has also ignored requests from Burford to work out a settlement on a potentially reduced payout.

As a result, the market has assigned low odds that Burford will collect anything close to the \$6 billion payment as ordered by the court.

And that brings us to last Monday, when Judge Preska ordered Argentina to transfer its 51% stake in YPF to a custodial account, which will then be transferred to the plaintiff group, led by Burford. YPF currently trades with a market capitalization of \$12.4 billion, making the 51% stake worth \$6.3 billion. And Burford's 38% share works out to \$2.4 billion.

Importantly, this ruling was not aimed at resolving the matter. Judge Preska's order for Argentina to transfer its 51% stake in YPF is meant to serve as collateral for the judgment that has already occurred. Argentina is still on the hook for the full \$16.1 billion. Plus,

Argentina is accruing daily interest on this amount owed, at an annual interest rate of 5.43% – which is adding nearly \$1 billion a year to the judgment amount.

Judge Preska gave Argentina two weeks to make good on the order. While we expect more legal brinkmanship from the Argentine government and its lawyers, this ruling was a major victory for Burford Capital. At the least, it gives Burford a substantial boost to its negotiating power, and should provide a powerful incentive for the Argentine government to strike a settlement deal.

Even assuming Burford settles for a 50% discount on the final payout, this would translate into a roughly \$3 billion windfall, equal to the total current market cap of the entire company.

And this is just one of the assets in Burford's \$7.4 billion portfolio. Even excluding YPF, Burford's business model has never looked better. Last year, the business generated \$700 million in cash and reported a record \$327 million of realized gains across its portfolio. Before this latest positive ruling on the YPF case, analysts expected Burford to earn \$1.42 in earnings per share ("EPS") this year and \$1.80 in 2026. Trading at 10x this year's expected earnings, Burford trades at a deeply discounted valuation. For a business of its quality, we see no reason why the shares should trade at a deep discount to the market's valuation multiple, currently at over 24x forward EPS estimates.

If Burford manages to obtain a favorable resolution and payment for its YPF case, this could lead to a significant one-time earnings windfall on the order of billions of dollars (even assuming Burford settles for a steep discount to the judgment amount). We also believe such a development would lead to a re-rating of the company's valuation multiple to at least 20x earnings, resulting in a doubling in its share price to around \$28. Alternatively, if the share price remains depressed, Burford could funnel the proceeds into an aggressive capital return program, including share buybacks or a special dividend. In either case, we see significant upside from the current share price.

With a key source of downside risk removed from the business, a dirt cheap valuation, and the growing odds of a successful resolution of the YPF case, we believe Burford offers one of the most asymmetric opportunities in today's market.

One risk to keep in mind is that Burford's share price is heavily influenced by any developments regarding YPF. And even though Judge Preska's recent order for the Argentine government to transfer its 51% stake in YPF to fulfill part of the judgment in this case was a clear positive development, it also introduces the risk of a share price decline if Argentina fails to comply with the order.

We're adding Burford Capital to the *Asymmetry* portfolio using the closing price on Monday, July 7 as our cost basis.

Action to Take: Buy Burford Capital (NYSE: BUR) up to \$20 per share



Porter & Co.
Stevenson, MD

P.S. If you'd like to learn more about the Porter & Co. team, you can get acquainted with us [here](#). You can follow me (Porter) on **X** here: [@porterstansb](#)