

## Ambac Financial Group, Inc.

November 12, 2019

Trial Date Set for July 2020 in Ambac's Largest Representation and Warranty Case Against Countrywide

**WHAT YOU SHOULD KNOW:** During a status conference related to Ambac Financial Group's largest representation and warranty case against Countrywide/Bank of America (BAC, Not Rated), the judge overseeing the case, New York Supreme Court Justice O. Peter Sherwood agreed to schedule a trial date for July 13, 2020. As we have previously noted, R&W settlements tend to occur between the final resolution of summary judgments and trial – with a trial date set, we believe the odds of a settlement between Ambac and Countrywide/Bank of America will continue to increase. The only outstanding item is the First Department's ruling related to Countrywide/Bank of America's request for leave to appeal the court's previous decision – we expect to hear an answer in the coming weeks which would remove the only remaining obstacle, in our view.

- **Trial Schedule** – Justice O. Peter Sherwood schedule jury selection for July 9, 2020, and four weeks of trial beginning on July 13, 2020. The four-week timeframe implies the trial will conclude sometime around August 7, 2020.
- Ambac received a favorable ruling in the First Department's decision related to an appeal from Countrywide/Bank of America on September 17. The ruling denied Countrywide's request to strike AAC's jury demand on the company's fraudulent inducement claim. On October 17, Countrywide/Bank of America filed a motion before the First Department for leave to appeal the court's decision. Unless Countrywide/Bank of America are granted leave to appeal and successfully appeal, at trial, a jury will rule on AMBC's fraudulent inducement claims against Countrywide. We believe this is a source of leverage in negotiating a potential settlement.
- As of today, the First Department has not released an opinion related to Countrywide/Bank of America's request for leave to appeal the court's prior decision. If the request for leave is denied, there shouldn't be any additional obstacles standing in the way of the scheduled trial. Alternatively, if the First Department grants leave, Justice O. Peter Sherwood may decide to postpone the trial until the appeal is heard and ruled on.
- We expect the First Department to come back with a decision over the next few weeks. Once that decision is made, we will have substantially more visibility. Assuming Countrywide/Bank of America are denied leave, all parties have an incentive to try to settle the case before it goes to trial in July, in our view.
- The resolution of this case is the single largest potential catalyst for AMBC shares, in our view. Based on commentary made by AMBC's attorney's during a prior hearing, AMBC has paid ~\$2B in claims related to the insured transactions at issue in the case that was originally filed on September 28, 2010.

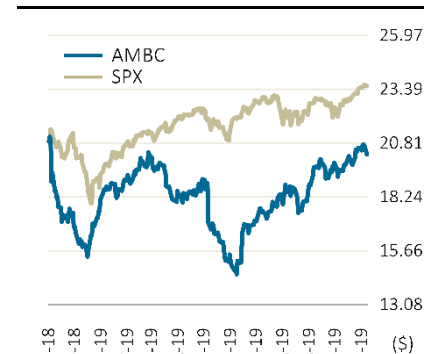
Giuliano Bologna

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AMBC	\$20.28
12 month target	\$26.00

Buy	
52 week range	\$14.54 - \$20.75
Market Cap (M)	\$929

### Price Performance



Source: IDC, BTIG Estimates and Company Documents  
(\$ in millions, except per share amount)



## BTIG Covered Companies Mentioned in this Report

AMBAC FINANCIAL GROUP, INC. (AMBC, Buy, \$26.00 PT; Current Price: \$20.28; Analyst: Giuliano.Bologna)

## Appendix: Analyst Certification and Other Important Disclosures

### Analyst Certification

I, Giuliano Bologna, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

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#### Ambac Financial Group, Inc. (AMBC, Buy, \$26.00 PT)

**Valuation:** Our \$26 price target for AMBC is based on a sum-of-the-parts analysis in which we assessed the value of AMBC's operating company, its holding company, and its adjusted operating earnings through FY20E.

**Risks:** The primary risks to achieving our recommendation and price target include the possibility that reserves against losses associated with RMBS and other insured instruments may prove inadequate, that fiscal stress of state and local governments could translate into increased losses, declines in value of investment portfolio could impede Ambac's ability to pay its liabilities and Ambac Assurance Corp. may be unable to exit rehabilitation.

## Ambac Financial Group, Inc. (AMBC)

(\$)



*Note: Closing Price and Target Price have been adjusted for corporate actions.*

Date	Closing Price (\$)	Target Price (\$)	Analyst	Rating
16-May-13	23.67	31	Mark Palmer	Buy
04-Mar-14	34.49	NA	Mark Palmer	Neutral
01-Mar-17	21.90	28	Mark Palmer	Buy
11-May-17	17.34	26	Mark Palmer	Buy
02-Aug-19	18.36	26	Giuliano Bologna	Buy

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Ambac Financial Group, Inc. (AMBC)

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Ambac Financial Group, Inc. (AMBC)

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Additional Information Available Upon Request

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