



Media Release

31 May 2019

LUMX GROUP LIMITED ANNOUNCES 2018 ANNUAL RESULTS

LumX Group Limited (ticker: LUMX) (“LumX”, the “Group”, the “Company”, or “we”), an investment specialist focused on providing leading investment, risk management, and structuring solutions, announces its annual results and publishes its annual report for the year ended 31 December 2018.

Report Highlights

- **LumRisk**, the Group’s fintech and regtech subsidiary, has completed its CHF 7.5 million first round of direct funding from professional investors. The proceeds will be used to continue and accelerate platform development, to fund growth opportunities, and to refinance past investments. (See ad hoc press release dated 29 May 2019, which can be downloaded by clicking [here](#))
- Full-year revenues for 2018 from **LumRisk** were USD 2.7 million (USD 2.3 million after IFRS 15 application) thanks to the onboarding of new client mandates and multiple providers of risk premia. Revenue growth has significantly accelerated since the beginning of 2019 and further growth is expected in the second part of the year
- **LumRisk** has undergone a rigorous independent audit of its information security management systems, which will lead to its certification under a recognised international standard within a very short time
- Previously disclosed restructuring of our **asset management** business, with termination of its activities as a manager of collective investment schemes in Switzerland expected shortly, has resulted in an expectation of a return to profitability in Q3 2019. The Swiss asset management business has unlimited potential to grow through direct client mandates, operating as a member of the Swiss Association of Asset Managers (SAAM)
- Group gross revenues of USD 8.3 million in 2018
- Reduction of operating expenses by 8% on a like-for-like basis
- EBITDA for FY2018: Loss of USD 8.0 million
- Net loss for the year of USD 8.7 million
- The report includes an adverse opinion by the Company’s auditors, Ernst & Young Ltd, Geneva, regarding the valuation of goodwill. The Board of Directors and the Company’s management are in disagreement with this adverse opinion. The Board and management consider that the assumptions used in impairment testing were adequately substantiated and reflect the growth trends and prospects of the Company. Goodwill is strongly impacted by the growth of LumRisk, and LumRisk’s results and financing secured since the beginning of 2019 confirm these growth assumptions and give assurance to the Board and to management that the value of goodwill will be recovered. For this reason, in spite of the challenges raised by the auditors, the Board firmly and consistently stood by its unanimous decision not to impair the goodwill.

Commenting on the year’s results, Arpad Busson, Executive Chairman stated:

“During 2018, LumX continued to vigorously address the challenges of the strategic execution of its business plan, as it moves to offering a broader set of services to investors. While we are reporting a loss for the year, I remain confident that our restructuring initiatives are now beginning to bear fruit and that our outlook is positive. LumRisk, in particular, has been a key driver of growth for the Group, with its revenues reaching a new all-time high, despite the difficult market conditions in Q4 2018. The dynamics of the alternative risk premia (ARP) market are again positive and, as we also continue our penetration into the multi-asset world, the outlook



for further growth of the business is promising. The successful completion of LumRisk's first direct financing round, for CHF 7.5 million, attests to the confidence that professional investors have in its strong potential, and the completion of LumRisk's certification of its information security over the next few weeks will also strengthen its position in the marketplace.

Our LumMap platform also has encouraging potential for growth. It is currently engaged on several projects which should complete in 2019 and lead to significant new revenues.

Finally, I am happy to report that after the restructuring of our asset management business in Switzerland, it is expected to return to profitability in the second half of 2019.

I am grateful for the patience of our shareholders and stakeholders and for the dedication and tireless engagement of our colleagues and Board of Directors in advancing our projects. I am confident that their steadfastness will be rewarded. Rest assured that we are fully committed as an organisation to deliver on our plans. Our commitment to our business remains intact."

For Additional Information

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Strategy and Outlook

All three of the Group's business lines are showing encouraging signs that the strategic re-orientation of our activities is beginning to bear fruit:

LumRisk

The Group's **LumRisk** subsidiary is a risk aggregation and reporting fintech and regtech business which continues to be a major growth driver, consolidating its position as the leading independent provider of position-level transparency solutions for investors allocating to ARP across multiple providers. LumRisk has successfully reached several key milestones over the past several months:

- LumRisk's potential has been confirmed by the successful completion of its first round of direct financing. In May 2019, LumRisk issued CHF 7.5 million in convertible notes, the proceeds of which will be used for investment in new hires and infrastructure and to provide the financial stability on which to execute its ambitious growth plans.
- LumRisk now has in place contracts and communications channels with all major global bank alternative risk premia providers, who together account for a near totality of the industry.
- LumRisk's penetration of the multi-asset market continues. This market has major growth potential for LumRisk, whose platform meets the specific needs of both asset owners, who require transparency to meet reporting requirements under regulations such as Solvency II for example, and asset managers who require integrated regulatory risk reporting solutions able to consolidate, analyse and report on large diversified portfolios, often spanning multiple subsidiaries.
- LumRisk has identified numerous additional opportunities in the world of derivatives beyond ARP, such as overlays, smart beta and structured products, where full risk look-through and modelling of complex portfolios are key to effective decision making.
- LumRisk's headcount has reached 19 and will be further increased by key strategic hires in all areas, including sales.
- During the past year, LumRisk has continued to invest heavily in its technology infrastructure. The migration of LumRisk infrastructure to the cloud is in its final stages and will ensure the continued Speed, Security and Scalability of the platform. The soundness of LumRisk's information security environment has recently been confirmed by a rigorous independent audit which will lead to an internationally recognised certification within a few weeks. These achievements will ensure that LumRisk can maintain the highest level of service and efficiency as it experiences continued rapid growth.

LumMap

Our **LumMap** fund structuring business, which provides bespoke investment solutions in response to the operational, regulatory and compliance needs of both asset managers and asset owners, continues to refine its service offering. LumMap offers the convenience of a fully outsourced environment for both asset managers and asset allocators, active in both the long-only and alternative worlds. LumMap services come with the benefits of full LumRisk integration, which provides clients on the platform with full transparency and on-line access to an extensive analytical toolbox to support their decision-making.

LumMap is currently engaged on several projects that are expected to generate significant additional revenues for the business starting in the second half of 2019.



The Group has prepared for various scenarios relating to the ongoing Brexit negotiations and their potential impact on financial services in the UK and is ready to take necessary actions when their outcome is known.

Asset Management Business Line

The Group's **asset management** activities have taken a new direction. In response to a decrease in the number of collective investment mandates managed by our Swiss subsidiary LumX Asset Management (Suisse) SA, the decision was taken to request that it no longer be regulated as a manager of collective investment schemes by the Swiss regulator, FINMA. This decision led to immediate cost savings but does not hinder LumX Asset Management (Suisse) SA's ability to manage unlimited assets in the form of direct mandates, which it will continue doing as a member of the Swiss Association of Asset Managers (SAAM). As a result of these changes, our asset management activities are expected to return to profitability in the second half of 2019.

Outlook

In conclusion, with the strong growth outlook for LumRisk and its successful first direct financing round, LumMap's improved positioning and new business opportunities, and the successful streamlining of our asset management business, the Group is again in a position to benefit from growth in all its business units, confirming the development strategy it has steadfastly pursued since it initiated the strategic restructuring of its activities several years ago.

Financials

The Group's gross revenues for 2018 were USD 8.3 million. Management and performance fees were USD 5.7 million, reflecting the orderly wind down of legacy multi-manager portfolios. LumRisk fees were USD 2.3 million (USD 2.7 million before IFRS 15 application), an increase of 67% compared with 2017, and we anticipate a continuation of this revenue growth in 2019.

Operating costs continued to fall in 2018 and were USD 16.0 million (2017: USD 17.6 million), representing a reduction of 9%. Personnel expenses were USD 10.2 million (2017: USD 11.4 million) and are expected to decrease further in 2019 as headcount in the Group's asset management business is reduced, although additional hires are expected by LumRisk. LumX employed 48 employees on a full-time equivalent basis at year-end (2017: 51).

The net attributable loss in 2018 amounted to USD 8.7 million.

The Board proposes no dividend for the financial year 2018.

About LumX Group Limited

Incorporated in Guernsey and listed on the SIX Swiss Exchange, LumX Group Limited (ticker: **LUMX**) is the holding company of an investment specialist focused on bringing leading investment and risk management solutions to a primarily institutional client base.

The LumX Group has offices in Guernsey, Geneva (Nyon), London, Luxembourg, and an affiliate office in Melbourne.

Please visit <https://www.lumxgroup.com/financial-information/financial-section> to view a copy of the 2018 annual report.