

# LOM FINANCIAL LIMITED

The LOM Building, 27 Reid Street, Hamilton, Bermuda HM11, Telephone: (441) 292 5000 Fax: (441) 295 3343

28<sup>th</sup> April 2020

## 2019 Financial Results

To our Shareholders:

This letter comes to you in extraordinary times. The coronavirus pandemic and the resultant lockdown of global economic activity will have repercussions long into the future. Very little debate by either the private or public sector has as of yet focused on these costs, but the costs of the lockdown are real and they will have far reaching and unexpected consequences. It is without doubt that the world has gone into recession; what is unclear is the recovery and that will lie in a large part on the actions of various governments.

2019 was a year that saw continued growth in LOM's client base and assets. Our AUA rose from \$954 million at the start of the year to \$1.12 billion at the end of 2019. All of our offices saw an increase in business throughout the year. Unfortunately, the events of March and April has seen steep declines in global stock market valuations and as a result we have witnessed a consequent drop in our assets under administration.

Our profits were lower in 2019 than in the previous year (\$1.26 million vs \$2.08 million), as we suffered a sharp contraction in our brokerage fees. Brokerage revenues have always been highly volatile and somewhat beyond our control as they are dependant upon our clients' reactions to domestic and global events. As I feared in my report last year, events during 2019 did cause such a contraction.

Our current challenge is that although we are able to keep our operations running using mostly remote working, we cannot grow under these conditions of lockdown and I fear that 2020 may prove to be a difficult year for the organization.

## The Financial Market Environment

Last year I felt that the three main concerns for the market (interest rate increases, trade tensions and Brexit) would ease over the course of the year and give us positive returns, and that was indeed the case.

In the US, as measured by the S&P 500 index, the market surged 28.9%. The UK market as measured by the FTSE100 rose 12.1%, Europe, as measured by the Euro Stoxx 50, rose 24.8%. In Asia, the Japanese market as measured by the Nikkei 225 rose 18.2%, while China surged 36.1%. Markets around the world performed well and the combination of growth with little to no inflation and low interest rates looked set to continue their run into this year. Then the global economy got the flu.

The outlook for the markets and the global economy going forward very much depends upon the steps taken by governments around the world over the next couple months. There has never before been an event that has resulted in the whole world shutting down in synchronization.

Unlocking business and individuals to be able to resume wealth creation is vital, as it is a fantasy that governments have resources or money. They have other people's money and, to paraphrase Margaret Thatcher, it can soon run out. Unlocking the globe will be critical in the next couple months or we could potentially risk a 1930s global depression.

These are the highlights of LOM's financial performance during 2019.

Revenues had the following year-on-year changes:

- Management and advisory fee revenues rose 14.1% to \$5.418 million (42% of revenues).
- Broking fees fell 27 % to \$3.845 million (30% of revenues).
- Net interest earnings rose 18% to \$1,654,961 (12.7% of revenues).
- Foreign Exchange revenues rose 29% to \$501,541 (3.8% of revenues).
- Fees from corporate finance work rose 103% to \$83,009 (0.6% of revenues).
- Gains on securities held in inventory fell to a loss for the year of \$87,847.
- Total revenues fell 8.3% to \$12,979,261.

Costs for the group had the following year-on-year changes:

- Employee compensation costs rose 1.7% to \$4,190,774
- Commission and referral fees declined 7.4% to \$3,570,088
- Total operating expenses fell 2.6%

On other financial measures:

- LOM's assets under administration were \$1.12 billion as of 31st December 2019 as compared to \$954 million in assets at the end of 2018.
- LOM's fully diluted net income per common share was \$0.22
- LOM remains in a strong financial position with net equity of \$20.37 million.
- LOM had a net return on equity of 6.2% in 2019.
- LOM held cash and equivalents of \$5.28 million, representing 26% of shareholder equity.
- LOM's book value as at 31st December 2019 was \$3.71 per share.

The Board of Directors have decided to pay a dividend of \$0.01 per share on May 15th 2020 to shareholders of record on May 12th 2020.

Our current share price on the Bermuda Stock Exchange is \$2.72 which equates to 73% of LOM's book value as at 31st December 2019.

The Company still has in place a buy back from August 5, 2019 to purchase up to 500,000 shares. Over the whole of 2019, the Company purchased for cancellation 395,650 shares.

As always, I would like to express appreciation and thanks to our customers for their business and the employees at LOM for their dedication and professionalism, and especially thank them for the efforts they have put forth to keep our services at the highest levels during this very trying time of lockdowns



Scott GS Lines  
Chairman & CEO