

# LOM FINANCIAL LIMITED

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## 2020 Half Year Financial Results

27th July 2020

To our Shareholders:

The main event of the first half of the year was the dramatic and shocking emergence of the Covid-19 virus and the resulting lockdown that caused a synchronous shutdown in most of the world's economies. Despite unprecedented fiscal and monetary stimulus, the world has never before witnessed such declines in GDP in the major economies.

After initial steep declines in the global markets, they rallied strongly, led mainly by the tech sector as the digitalization of business and consumer activity ramped up to meet demand from stay at home workers and shoppers. Effectively, the forced move to self-isolation has accelerated the substitution of physical activity by digital, from a three-year process to a three-week one.

The market expectations in April of a steep economic decline followed by an equally sharp recovery (the V shaped recession) have been disappointed and now have been supplanted by a more modest expectation of a U-shaped recovery with a longer period of subdued economic activity.

During the lockdown, LOM transferred all of its employees to a remote working basis and we owe thanks to our IT department and staff for ensuring that the change was done seamlessly and without any service interruptions to our customers. In the last several weeks we have been returning to a more normal office interaction.

As noted last year, LOM focused on hiring new financial advisors and their costs have been a drag on earnings. Though we had to let one go due to lack of performance, we remain hopeful that our other freshmen will become a valuable addition to the team. We continue to look for new financial advisors, however the current difficulty in travelling has meant delaying any new recruits.

Despite the downturn in the markets, the group witnessed strong activity in its broking operations as market volatility surged. We are hopeful this will continue in the second half however broking revenues are the most unpredictable of our activities.

For the first half of 2020, LOM's group profit rose 8.9% year on year to \$1,028,685 or \$0.19 per share, as compared to a profit of \$944,235, or \$0.16 per share, for the same period in 2019. As noted above we saw a strong performance from our brokerage revenues however this led to an increase in cost from higher referral and commission payments in addition to the higher salary cost of the new producers we have hired over the past year. In other expenses we have seen an increase in our jitney fees due to higher brokerage activity as well as a sharp increase in our professional fees

Overall revenues rose 14.9% and had the following year-on-year changes:

- Management and advisory fee revenues rose 4% to \$2.66 million (35% of revenues).
- Broking fee income rose 79% to \$3.41 million (45% of revenues).
- Revenues from corporate finance activity were \$13,000.
- Foreign Exchange Income rose 29% to \$284,532 (3.8% of revenues).
- Net Interest Income fell 45% to \$441,219 (5.8% of revenues).
- Gain on securities held in inventory was \$111,035

Costs for the group rose 15.9% and had the following year-on-year changes:

- Total operating expenses, ex commission and jitney fee payments, rose 7.5%
- Employee compensation including commission expenses rose 14.3%.

On other financial measures:

- LOM's assets under administration were \$1.1 billion as of 30th June 2020 as compared to \$1.13 billion in assets at December 31st 2019.
- LOM has net equity of \$21.1 million as of 30<sup>th</sup> June 2020.
- LOM holds cash and equivalents of \$6.3 million, representing 30% of net equity.

LOM has taken the opportunity to pay down the mortgage on our building in Nassau and our loan now stands at \$282,500 as of the 30<sup>th</sup> June 2020. We will continue to monitor our business over the remainder of the year and, if prudent, pay the loan down.

The Board has given approval for LOM to continue to buy back shares for cancellation for a total not to exceed 500,000 shares. Over the first half of 2020, the Company purchased for cancellation 81,000 shares at an average price of \$2.75. As at the end of June 2020 the Company had 5,410,630 shares issued and outstanding.

Our current share price on the Bermuda Stock Exchange is \$2.72, and our current market capitalization is \$14.7 million. As of June 30,2020, LOM's book value was \$3.91 per share.



Scott Lines, CEO