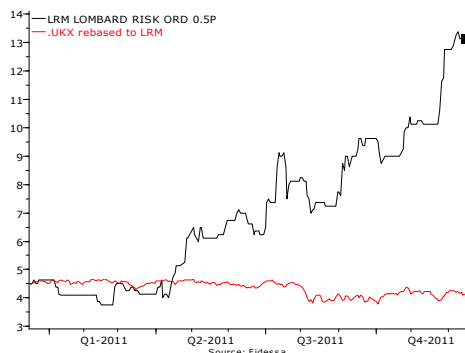


**Lombard Risk Management 13.0p**

21 December 2011

**SOFGEN Acquisition**

**Share Price: 13.0p**



**12m High:** 13.75p

**12m Low:** 3.75p

**Market Cap:** £26.9m

**Shares In Issue:** 206.9m

**NAV/Share:** Nil ex intangibles

**Gearing:** £1.3m net cash

**Interest Cover:** -

**EPIC Code:** LRM

**Sector:** Software & Computer Services

**Market:** London AIM

**Broker:** Allenby Capital Limited

+44 (0)20 3328 5656

**PR:** Threadneedle Communications

+44 (0)20 7653 9850

**Website:** [www.lombardrisk.com](http://www.lombardrisk.com)

**Description:** LRM provides financial software systems targeted at the banking and fund management sector, focused primarily on collateral management and clearing and regulatory reporting.

**Analyst:** Rae Ellingham

**Tel:** +44 (0)20 7929 3399

**Email:** [rae@hardmanandco.com](mailto:rae@hardmanandco.com)

Lombard Risk Management has announced that it has signed an agreement to acquire the regulatory reporting business of SOFGEN Holdings Limited ("SOFGEN") for a total consideration of US\$4.25m payable in a combination of cash, loan notes and equity.

SOFGEN is an international consultancy providing services to the banking sector. Its regulatory reporting product, REG-Reporter®, which Lombard Risk is acquiring, has a strong presence in North America with clients including the likes of Bank of America, Royal Bank of Canada and BNP Paribas.

The solution automates the compliance process, allowing reports to be provided directly to senior management, central banks and regulatory bodies. By using the solution financial institutions can reduce the amount of time spent on regulatory reporting by up to 80%.

The business currently turns over circa US\$3.2m per annum and estimated pro-forma profits are in the region of \$0.4m to \$0.5m. This implies Lombard Risk has paid a multiple of between 9-11x profit before tax.

Lombard Risk's management anticipate "appreciable revenue synergies" to be generated following the acquisition. It will expand the group's geographical reach by helping to build critical mass in the US. While the US currently accounts for circa 20% of Lombard Risk's overall business, with up-selling the acquired customer base and cross-selling opportunities Lombard Risk's management envisage the potential for this to grow to circa 40% of the group's business. In addition the likelihood of concluding global deals increases.

The equity portion of the consideration is to be satisfied via the issue of 2,327,556 new ordinary shares in Lombard at 11.75p per share, a circa 10% discount to the current share price. These shares will be admitted to AIM on or around 23 December.

The equity portion of the deal accounts for circa US\$425k or 10% of the deal value. US\$3.0m (70%) is to be paid in cash up-front, funded via a bank loan and the remaining US\$825k (20%) will be financed through the issue of loan notes. One third (US\$275k) will be paid in one year's time, with the remaining US\$550k paid at the end of the following year.

Following this acquisition we have lifted our forecast profit before tax for 2013 to £4.3m (previously £3.9m) and our forecast eps from 1.7p to 1.9p, an increase of circa 12%.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E Ratio	Divi	Yield
March	£m	£m	£m	p.		p.	%
2010A	8.9	-1.59	-1.59	-0.9	-	-	-
2011A	11.8	0.56	0.86	0.4	31.1	0.03	0.23
2012E	13.8	3.31	3.31	1.6	8.2	0.06	0.46
2013E	18.8	4.33	4.33	1.9	7.0	0.07	0.54



## Lombard Risk Management

21 December 2011

Management	Major Shareholders										
<p><b>Chairman:</b> Philip Crawford</p> <p><b>CEO:</b> John Wisbey</p> <p><b>Chief Financial Officer:</b> Paul Tuson</p> <p><b>Chief Technology Officer:</b> Nicholas Davies</p> <p><b>Group Marketing Director:</b> Rebecca Bond</p>	<table> <tr> <td>John Wisbey</td> <td>49.1%</td> </tr> <tr> <td>Legal &amp; General Investment Mgmt</td> <td>7.9%</td> </tr> <tr> <td>National Bank of Canada</td> <td>5.9%</td> </tr> <tr> <td>Merifin Capital NV</td> <td>3.6%</td> </tr> <tr> <td>Henderson Global Investors</td> <td>3.4%</td> </tr> </table>	John Wisbey	49.1%	Legal & General Investment Mgmt	7.9%	National Bank of Canada	5.9%	Merifin Capital NV	3.6%	Henderson Global Investors	3.4%
John Wisbey	49.1%										
Legal & General Investment Mgmt	7.9%										
National Bank of Canada	5.9%										
Merifin Capital NV	3.6%										
Henderson Global Investors	3.4%										
Key Dates	Key Milestones										
<p><b>Full Year Results:</b> May 2012</p> <p><b>Interim Results:</b> October 2012</p>	<p><b>1989</b> Company founded by John Wisbey and Oberon software installed at first customer site.</p> <p><b>2000</b> IDOX, originally part of LRM, floats on AIM.</p> <p><b>2004</b> LRM, floats on AIM</p> <p><b>2005</b> Purchase of STB Systems (now Lombard Risk Compliance)</p> <p><b>2005</b> Release of Colline® collateral management solution</p> <p><b>2006</b> New Shanghai office started</p> <p><b>2008</b> Sale of IVRS</p> <p><b>2009</b> First £1m+ contract signed for Colline with a major German bank</p> <p><b>2009</b> £1.8m of fresh equity capital raised at 4p/share. Just under £1m net remaining with the company after paying fees and repaying directors' loans. £1m of directors' loans turned into equity.</p> <p><b>2010</b> Significant new deals being signed, in excess of 30 contracts for Liquidity Regulatory software</p> <p><b>2011</b> Second £1m+ contract signed for Colline</p> <p><b>2011</b> First £1m+ contract signed for CCP</p> <p><b>2011</b> Acquired regulatory reporting business of SOFGEN Holdings for US\$4.25m</p>										

## Lombard Risk Management

21 December 2011

**Disclaimer**

The conclusions and opinions expressed in the investment research accurately reflect the views of the first named analyst. Hardman & Co provides professional independent research services and the companies researched pay a set fee in order for this research to be made available. While the information in the research is believed to be correct, this cannot be guaranteed. There are no other conflicts of interest.

Neither Hardman & Co nor the analysts responsible for this research own shares in the companies analysed in this research note. Neither do they hold any other securities or derivatives (including options and warrants) in the companies concerned. Hardman & Co does not transact corporate finance and therefore does not earn corporate finance fees. It does not buy or sell shares, and does not undertake investment business either in the UK or elsewhere.

Hardman & Co does not make recommendations. Accordingly we do not publish records of our past recommendations. Where a Fair Value price is given in a research note this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price.

Our research is issued in good faith but without legal responsibility and is subject to change or withdrawal without notice. Members of the professional investment community are encouraged to contact the analyst concerned.

This research is provided for the use of the professional investment community, market counterparties and sophisticated and high net worth investors as defined in the rules of the regulatory bodies. It is not intended to be made available to unsophisticated individuals. In the UK, any such individual who comes into possession of this research should consult their properly authorized professional adviser, or undertake one of the 'self certified' sophisticated investor tests that are available.

This research is not an offer to buy or sell any security.

Past performance is not necessarily a guide to the future and the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested. For AIM and PLUS shares, it is the opinion of the regulator that risks are higher. Furthermore the marketability of these shares is often restricted.

This document must not be accessed or used in any way that would be illegal in any jurisdiction.

In some cases research is only issued electronically and in some cases printed research will be received by those on our distribution lists later than those receiving research electronically.

The report may be reproduced either whole or in part on condition that attribution is given to Hardman & Co, and on condition that Hardman & Co accepts no liability whatsoever for the actions of third parties in this respect.

Hardman & Co is not regulated by the Financial Services Authority (FSA).

© Hardman & Co.

**Hardman & Co**

4-5 Castle Court  
London  
EC3V 9DL  
United Kingdom

Tel: +44(0)20 7929 3399  
Fax: +44(0)20 7929 3377

[www.hardmanandco.com](http://www.hardmanandco.com)

