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**Lombard - Interim results**

23 November 2006 (15:45:56)

Lombard - Interim results

Lombard (LRM) has this morning unveiled interim numbers for the period to 30th September. Numbers were inline with expectations, with revenues up to £3.459 million and a loss of £1.09 million recorded. The half year demonstrated considerable forward momentum in the business. A total of thirteen new deals were concluded in the period with a value of over £100,000 each, and while the revenue for several of these will be mostly recognized in the second half, all the indications are that Lombard is in line for around 50% organic revenue growth for the full year on a like for like basis. I cannot stress just how positive this is. Revenues were up 41% over the period 6 months earlier. That is pure like for like organic revenue growth, with no distortion from acquisitions. That ranges from 23% up for the regulatory software business to 57% up for the risk management software business. In the second half the regulatory software business is likely to grow faster than that.

Needless to say, I was absolutely delighted to see that there was considerable and growing demand for the group's Colline(R) collateral management software and its STB-Reporter regulatory reporting software product, while the Oberon(R) valuation and risk management product also put on a very a good performance. All in all, I remain confident that Lombard is on track to meet the market's revenue expectation for the full year. Around £6.7m of revenue is already assured even if no further clients are won between now and the end of the financial year.

Recurrent revenue has historically been a high proportion of revenues at Lombard Risk. Arguably the most significant change has been the replacement of the recurrent revenues lost with the sale of ValuSpread in 2005 with recurrent revenues from STB Systems, with the definition of such revenue being that Lombard continues to receive it unless it loses the customer. This is of course why customer acquisition is so very important. Recurrent annual revenues for the group are currently running at over £4m.

The high level of recurrent revenues of the business overall and the product positioning of Lombard Risk provides a very strong foundation indeed for growth of the group's software revenues. The market demand in the key focus areas of collateral management, derivatives, regulation and compliance will continue to grow, as will the area of independent valuations. Backed up by the fast growth experienced in the first six months of the new financial year including deals done but where revenue has not yet been recognized, revenue growth for the current year is going to be very good indeed. The Shanghai operation should allow revenues to grow much faster than costs from now on. The re-emergence of the region as a major financial centre also presents Lombard Risk with significant local revenue opportunities over coming years in addition to the cost benefits of offshore development.

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With revenues for the full year expected to grow at around 50% p.a. on a like for like basis, I could sense Lombard's frustration with its share price. *"Our hope and expectation is that the company's share price will be a candidate for significant re-rating once we demonstrate a return to sustained profitability."* I am confident this will be a feature in due course. This is a business that should be reporting profits of £1.6 million by March 2008. That equates to 2008 earnings of 0.82p (*fully diluted and assuming a full tax charge although this is unlikely to be the case*). On a March 2008 earnings multiple of just 9, at 7.375p, Lombard is a **"speculative buy"**.

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