

PRESS RELEASE | LEONTEQ PUBLISHES HALF-YEAR 2020 RESULTS

Zurich, 23 July 2020

Leonteq AG (SIX: LEON) today announced that while the Covid-19 crisis impacted its financial performance, its client business remained strong and the company made significant progress in executing its strategy.

- In line with previous guidance, Group net profit was CHF 5.5 million (first half of 2019: CHF 30.2 million)
- Substantial growth in net fee income of 76% to CHF 213.0 million
- Net trading result of CHF -107.1 million significantly impacted by hedging-related losses driven by oil price shock and cancellation of dividend payments, and increase in hedging-related costs
- Continued focus on cost management: Total operating expenses rose by 5% to CHF 98.7 million despite significant hiring and investments in key initiatives
- Nearshoring operations to be established in Lisbon, Portugal
- Smart Hedging Issuance Platform up and running; seven hedging counterparties are now connected to SHIP
- Onboarding projects with three recently announced white-labelling issuers are progressing
- Barclays to become first third-party issuer to join Leonteq's digital marketplace
- Markus Schmid (Chief People Officer) appointed as new member of the Executive Committee

Lukas Ruffin, Chief Executive Officer of Leonteq, stated: "Our results for the first half of 2020 prove that Leonteq can weather the storm in real periods of market stress and safeguard its profitability. While the bottom-line result is disappointing, we are encouraged by the further strengthening of our client franchise and the significant progress we have made by diligently executing the strategic priorities we defined two years ago. SHIP is now up and running, we are expanding our white-labelling partner network and we are further transforming our digital marketplace."

Income statement CHF million	H1 2020	H1 2019	Change y-o-y
Net fee income	213.0	120.9	76%
Net trading result	(107.1)	7.5	N/A
Net interest result	(5.0)	(5.2)	(4%)
Other ordinary income	2.6	1.4	86%
Total operating income	103.5	124.6	(17%)
Personnel expenses	(63.4)	(58.8)	8%
Other operating expenses	(23.0)	(19.3)	19%
Depreciation	(16.3)	(14.3)	14%
Changes to provisions	4.0	(1.7)	N/A
Total operating expenses	(98.7)	(94.1)	5%
Profit before taxes	4.8	30.5	(84%)
Taxes	0.7	(0.3)	N/A
Group net profit	5.5	30.2	(82%)

GROUP RESULTS FOR THE FIRST HALF OF 2020

Leonteq achieved a strong start to the 2020 financial year with high levels of client activity and a positive trading result on the back of increased volatility towards the end of February. In March and April, the global spread of Covid-19 and the oil price shock resulted in exceptionally high levels of volatility and turmoil in the global capital markets that affected all asset classes underlying structured products. In May and June, the capital markets recovered significantly, with normalising volatility levels.

In this environment, Leonteq generated a significant increase in fee income, as it continued to deliver its full-service offering to clients, including liquid market making services. Net fee income rose by 76% year on year to a record CHF 213.0 million in the first half of 2020. At the same time, net trading result was CHF -107.1 million for the first half of 2020, compared to CHF 7.5 million in the prior-year period. This was primarily due to hedging-related losses driven by the oil price shock in March (approx. CHF -20 million) as well as the widespread and unexpected cancellation of previously announced dividend payments, which affected cashflows from shareholdings owned by Leonteq for hedging purposes (approx. CHF -38 million). In addition, Leonteq recorded a significant increase in hedging-related costs as market risk exposures changed rapidly in an increasingly illiquid hedging market which were only partially offset by positive hedging contributions from Leonteq's structural long volatility position. Overall, Leonteq reported total operating income of CHF 103.5 million in the first half of 2020, compared to CHF 124.6 million in the first half of 2019.

Total operating expenses increased by 5% year on year to CHF 98.7 million in the first half of 2020, reflecting investments in key strategic initiatives, partly offset by strict cost management. Personnel expenses increased to CHF 63.4 million (up 8% from H1 2019) as a result of additional hires in the areas of Sales, IT and other shared services functions.

In line with guidance provided on 9 April 2020, Group net profit totalled CHF 5.5 million in the first half of 2020, compared to CHF 30.2 million in the prior-year period. Shareholders' equity amounted to CHF 659.0 million as of 30 June 2020, compared to CHF 662.5 million as of 31 December 2019. Under the new regulatory framework for securities firms, Leonteq significantly exceeded its regulatory capital requirement of CHF 20 million as of 30 June 2020.

SEGMENT AND REGIONAL RESULTS

Leonteq's Investment Solutions business line provided a full-service offering to its clients at all times under unprecedented market conditions in the first half of 2020. Leonteq recorded strong client activity with a high amount of secondary market transactions particularly driven by the Covid-19 situation which is reflected by a record 114,480 client transactions in the first half of 2020, up 53% from the same period in 2019. Fee income margin increased to 129 basis points compared to 71 basis points in the first half of 2019 on the back of the market turmoil and increased volatility. Turnover increased to CHF 15.4 billion in the first half of 2020 compared to CHF 15.0 billion in the prior-year period.

Leonteq's Insurance & Wealth Planning Solutions business line generated a 53% increase in total operating income to CHF 24.7 million in the first half of 2020 mainly driven by positive contribution from hedging activities. The number of outstanding policies serviced on the platform increased by 5% to 49,746 policies as of 30 June 2020.

Leonteq reported double-digit growth in all its regional operations. In its home market of Switzerland, net fee income increased by 56% to CHF 82.0 million in the first half of 2020 while the business in Europe grew by 105% to CHF 113.2 million and the Asia region saw a 34% increase in net fee income year on year to CHF 17.8 million. As part of its regional growth strategy, Leonteq progressed with the planned expansion of its footprint in Europe and the Middle East, and it expects to receive regulatory approval for the opening of new offices in Milan and Dubai in the second half of 2020.

STRATEGIC PROGRESS IN ALL AREAS

In the first half of 2020, Leonteq achieved further progress in the delivery of key strategic initiatives defined in mid-2018 in order to transform its business model with a focus on enhancing scalability and generating further growth, as well as renewing the investment experience for clients and partners through the increased digitisation of its offering.

As part of these efforts, Leonteq is today announcing that its Smart Hedging Issuance Platform (SHIP) is now up and running, as envisaged two years ago. SHIP is designed to reduce Leonteq's hedging exposure by offering Leonteq's issuance partners the opportunity to enter into hedging transactions with external hedging partners. A total of seven leading investment banks are now connected to the platform, five of which are already executing trades. Leonteq has also extended its capabilities to enter into back-to-back hedging transactions on a bespoke basis. In addition, it has increased its offering of products manufactured outside of the Leonteq platform by adding a total of 15 third-party issuers to its marketplace. In this context, Leonteq has also established direct connectivity between its digital marketplace and Barclays' electronic trading platform. Barclays will thus become the first third-party issuer on Leonteq's automated multi-issuer platform and will be available for clients located in Switzerland as well as in select key markets in Europe and Asia. In the first half of 2020, a total notional volume of CHF 895 million, or approximately 6% of total turnover, was directly hedged by an external counterparty, compared to CHF 182 million, or approximately 1%, in the prior-year period.

Leonteq has also significantly expanded its network of white-labelling issuers. Onboarding projects with Basler Kantonalbank and Rand Merchant Bank, a division of FirstRand Bank, are progressing as planned. Leonteq's cooperation with PostFinance is already live, with the scope of product offerings and internal distribution capabilities currently being extended.

Following the successful launch of Leonteq's digital marketplace in September 2019, the firm has further invested in LynQs, which features an intuitive and responsive design and navigation system as well as several new functionalities that enable Leonteq's clients to manage their portfolio of structured products more efficiently across the entire value chain, including products issued outside the Leonteq platform. In addition, Leonteq launched a new mobile app that gives clients access to all the features of LynQs while on the go.

Leonteq also made good progress in broadening its product offering through systematic indices, the extension of the underlying universe for actively managed certificates, the addition of new payoffs across all asset classes and the expansion of its fund derivatives business. In June 2020, Leonteq entered into a strategic partnership with BlackRock, which is expected to further diversify Leonteq's revenue base. In this context, Leonteq will develop and market structured investment products with BlackRock Luxembourg mutual fund range and iShares ETFs as underlying assets. In addition, Leonteq has improved its local footprint in Europe through the offering of listed products issued by EFG International on the Italian stock exchange, EuroTLX, and has newly defined its target markets and client segmentation for Asia.

NEARSHORING TO PORTUGAL TO SUPPORT BUSINESS GROWTH

As previously announced, Leonteq has launched an initiative to explore nearshoring options to generate savings and facilitate future growth in a more cost-efficient way as the business continues to expand and evolve. After an extensive evaluation process, Leonteq has selected Lisbon, Portugal, as the location of choice due to several factors, including talent and sourcing opportunities, political stability, quality of life, time zone and cost considerations. Phase 1 of the nearshoring operations will consist of establishing a serviced office set-up. This is expected to be completed by the end of the fourth quarter of 2020. A small number of external IT development specialists, as well as other personnel in shared services functions, will be employed during this process. In Phase 2, starting in the first quarter of 2021, Leonteq plans to establish an office with up to 100 designated roles along the entire value chain. It is planned that Phase 2 will be fully operational by the end of 2022.

OUTLOOK

In the first half of 2020, Leonteq demonstrated its ability to navigate unprecedented market environments, underscoring the strength of its client business, its solid capital position, its robust infrastructure and its effective business continuity management. Leonteq's technology platform was fully operational throughout that period, allowing it to deliver high-quality service to its clients without any material interruptions.

Considerable uncertainty about the duration and global economic impacts of the Covid-19 pandemic is likely to persist in the second half of 2020. At the same time, interest rates in all major currencies are at historic lows, providing an attractive environment in which to offer structured investment products. Against this backdrop and given its strategic momentum, Leonteq will continue to invest in key initiatives, with total operating expenses expected to reach approximately CHF 200 million for the full year 2020. At the same time, Leonteq will closely monitor the situation and continue to safeguard its profitability. Leonteq will continue to focus on its strategic priorities to transform into a platform business and sees itself well positioned for further growth.

EXPANSION OF EXECUTIVE COMMITTEE

The Board of Directors of Leonteq has appointed Markus Schmid, Chief People Officer, as an additional member of the Executive Committee as of 1 October 2020.

Markus Schmid (born 1968) has extensive experience of leading top-performing teams as an HR Executive. From 2010 to April 2020, he was the Head of Corporate HR & Internal Communication, Executive Vice President and Member of the Management Board at Tecan Group, where he led the Global Human Resources function. Prior to this, he spent 13 years at Manres AG as a Managing Partner. Markus Schmid is a Swiss national and he holds a Master's in Psychology and Journalism from the University of Fribourg.

Lukas Ruffin, Chief Executive Officer of Leonteq, stated: "At Leonteq, we believe that employees are our most important asset. Markus will bring his extensive experience in leading cultural transformations and in managing exemplary human resource operations to his new role and will drive forward our efforts to position Leonteq as an employer of choice. The entire Executive Committee looks forward to working together with Markus."

LEONTEQ HALF-YEAR 2020 RESULTS PRESS AND ANALYST CONFERENCE CALL

A press and analyst conference call with Lukas Ruffin, CEO of Leonteq, and Marco Amato, Deputy CEO and CFO of Leonteq, will be held today, 23 July 2020, at 09.30 a.m. CEST.

If you wish to participate, please use the following numbers:

- Dial-in number Switzerland: +41 (0)58 310 50 00
- Dial-in number UK: +44 (0) 207 107 06 13
- Dial-in number USA: +1 (1) 631 570 56 13

Please dial in 10-15 minutes before the start of the presentation and ask for 'Leonteq half-year 2020 results'.

This press release, the half-year 2020 results presentation and the half-year 2020 report are available at: <http://www.leonteq.com/halfyearresults>

A digital playback of the telephone conference will be available approximately one hour after the conference call and can be accessed for one month at: <http://www.leonteq.com/halfyearresults>

IMPORTANT DATES

11 February 2021	Full-year 2020 results
31 March 2021	Annual General Meeting 2021
29 July 2021	Half-year 2021 results

ALTERNATIVE PERFORMANCE MEASURES USED IN THIS PRESS RELEASE

The definitions of Alternative Performance Measures used in this press release are provided in the half-year report 2020 on page 3.

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LEONTEQ

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