



ZURICH, 13 FEBRUARY 2020

# LEONTEQ AG

## RESULTS PRESENTATION | FULL-YEAR 2019



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All figures in this presentation that are part of the consolidated IFRS financial statements for the six months ended 30 June 2019 and 2018 are reviewed. All figures in this presentation that are part of the consolidated IFRS financial statements for the twelve months ended 31 December 2019, 2018, 2017 and 2016 are audited.

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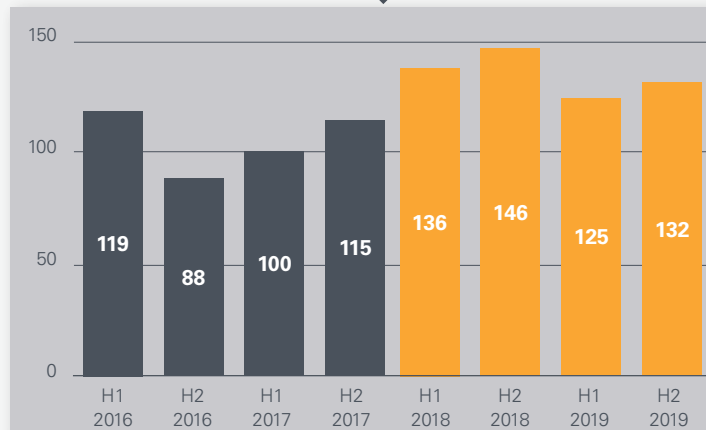
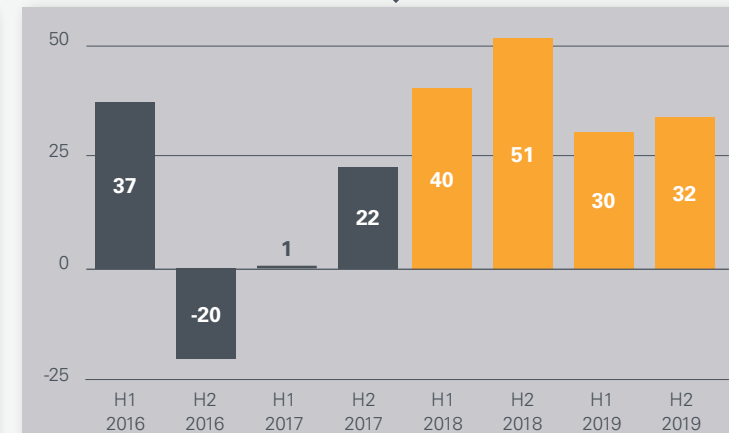
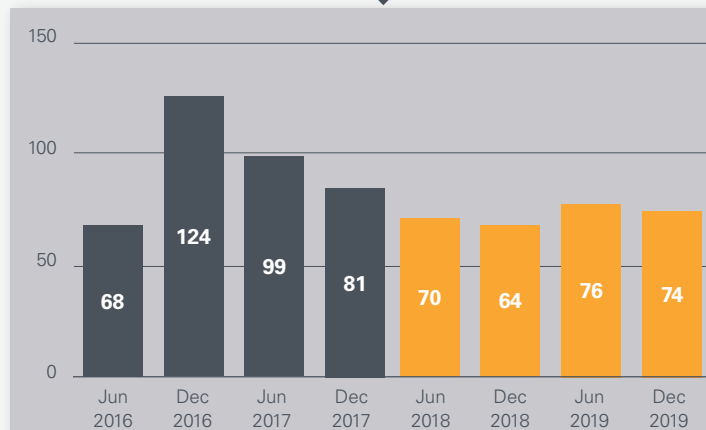
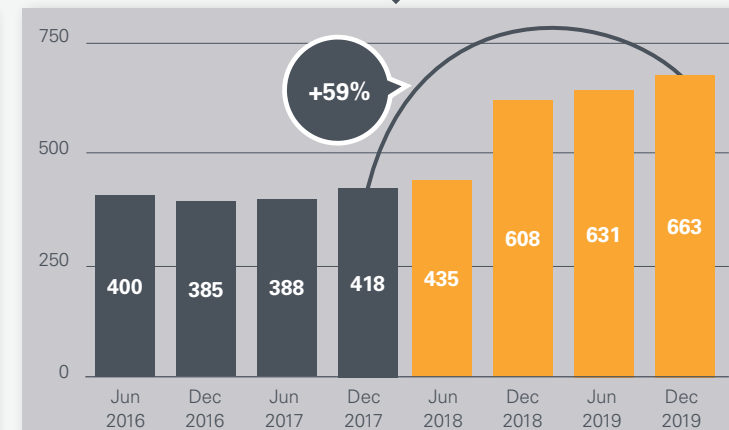
RESULTS PRESENTATION | FULL-YEAR 2019  
ZURICH, 13 FEBRUARY 2020

# THE BIG PICTURE

## LUKAS RUFLIN | CEO

## LEONTEQ RE-ESTABLISHED A SOLID FINANCIAL TRACK RECORD IN 2018 AND 2019...

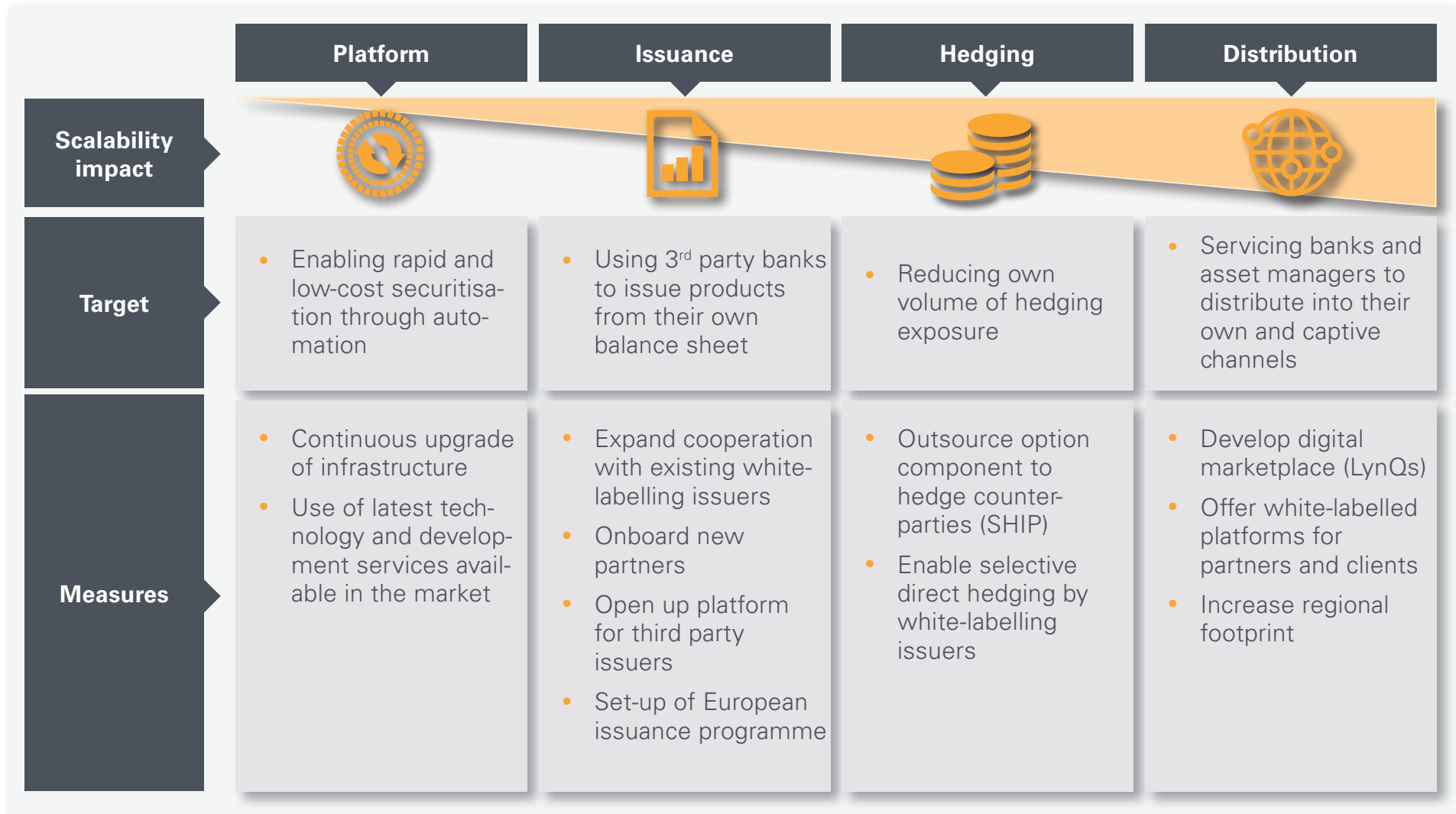
Annual revenue base increased from CHF 207-215 million range (in 2016 and 2017) to CHF 256-282 million range (in 2018 and 2019)

**Total operating income (in CHFm)**

**Net profit (in CHFm)**

**Cost-income ratio (in %)**

**Shareholders' equity (in CHFm)**


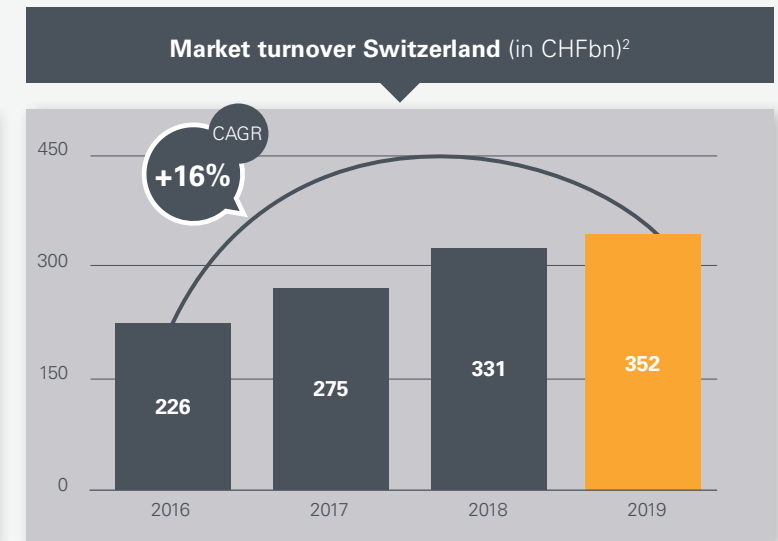
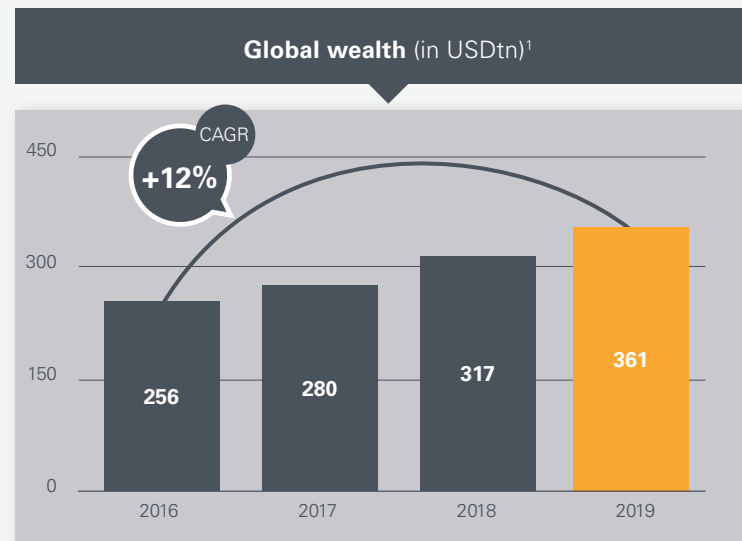
## ...AND TRANSFORMED AS A COMPANY SIGNIFICANTLY OVER THE PAST 24 MONTHS

<p><b>Improved corporate governance</b></p>	<ul style="list-style-type: none"> <li>• Newly installed leadership team with long experience in financial service sector</li> <li>• New chairman, new CEO and change of majority of Board members</li> <li>• Board and management team successfully managed turn-around</li> </ul>
<p><b>Sharpened business model</b></p>	<ul style="list-style-type: none"> <li>• Business transformation addressing constraints in scalability in terms of capital, platform and partners</li> <li>• Positioned Leonteq as globally recognised counterparty for structured products</li> </ul>
<p><b>Improved profitability</b></p>	<ul style="list-style-type: none"> <li>• Solid and profitable operational performance despite challenging market environment, increased competitive landscape and targeted investments</li> </ul>
<p><b>Better foundation</b></p>	<ul style="list-style-type: none"> <li>• Shareholders' equity strengthened by 59% to CHF 663 million at end-2019</li> <li>• In addition, deferred fee income up 133% to CHF 107 million</li> </ul>
<p><b>Recognised counterparty</b></p>	<ul style="list-style-type: none"> <li>• Change from unrated entity to investment grade rated entity by two rating agencies (Fitch: BBB-/positive; JCR: BBB+/stable)</li> </ul>
<p><b>New culture framework</b></p>	<ul style="list-style-type: none"> <li>• Newly defined core values and introduction of corporate culture committee</li> <li>• Implementation of group-wide 360° leadership review process</li> </ul>

## ONGOING BUSINESS TRANSFORMATION CENTRES AROUND FURTHER ENHANCING SCALABILITY...



## ... WHICH OFFERS THE OPPORTUNITY TO GAIN MARKET SHARE IN A CHANGING INDUSTRY



- Global wealth is increasing constantly
- Structured products account for ~3% of end clients portfolios in Switzerland<sup>3</sup>
- Allocation to structured products is expected to increase in the context of low interest rate environment (both in Switzerland and abroad)

- Turnover growth driven by increase in volumes generated primarily with participation (+CHF 42 billion), capital protection (+CHF 32 billion) and yield enhancement (+CHF 27 billion) products since 2016

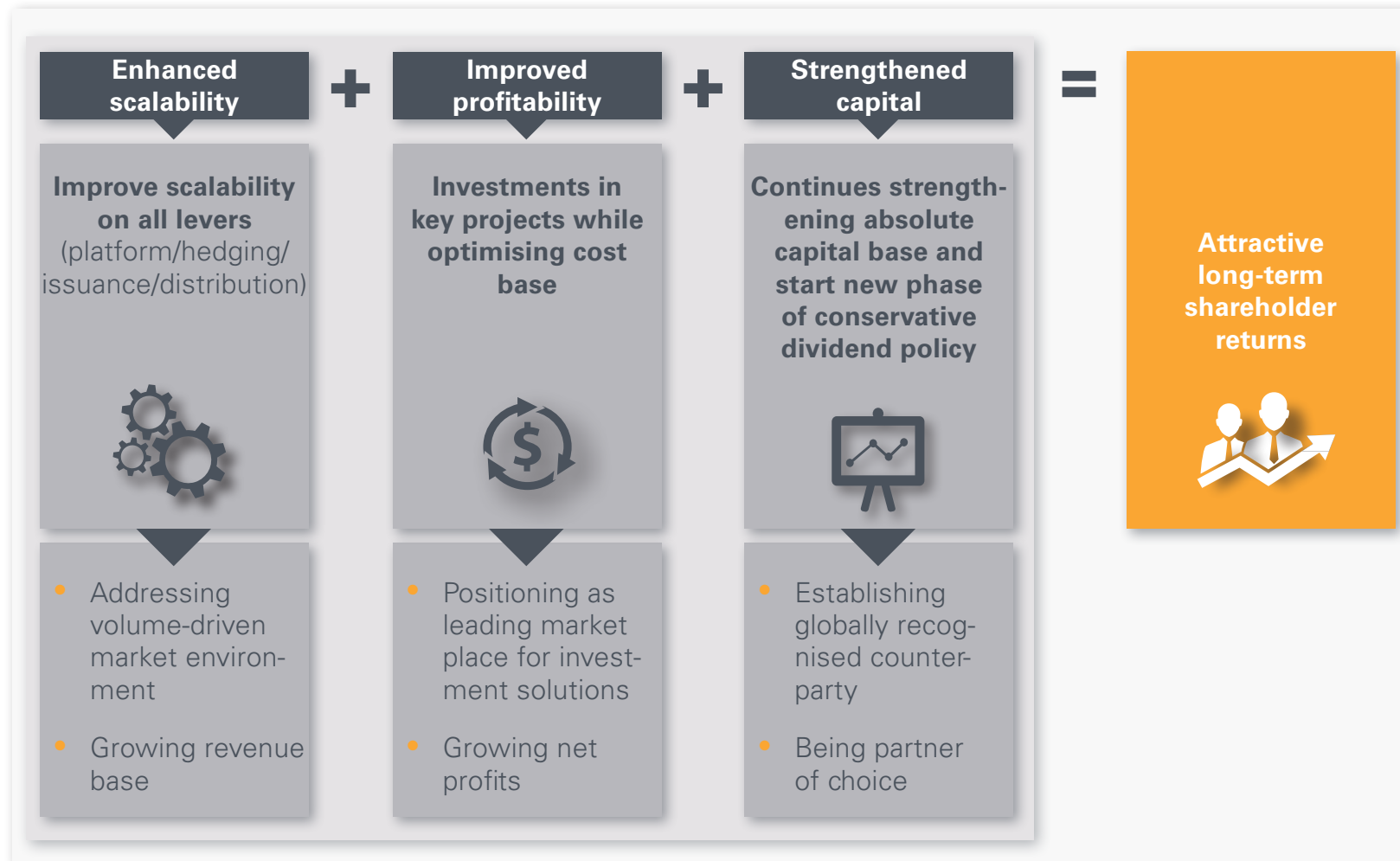
### Sources

<sup>1</sup> Credit Suisse, Global wealth report, 2019

<sup>2</sup> Swiss Structured Products Association (SSPA)

<sup>3</sup> Swiss National Bank, 2019

## LEONTEQ WILL FOCUS ON SUSTAINABLE GROWTH AND CREATING LONG-TERM SHAREHOLDER VALUE

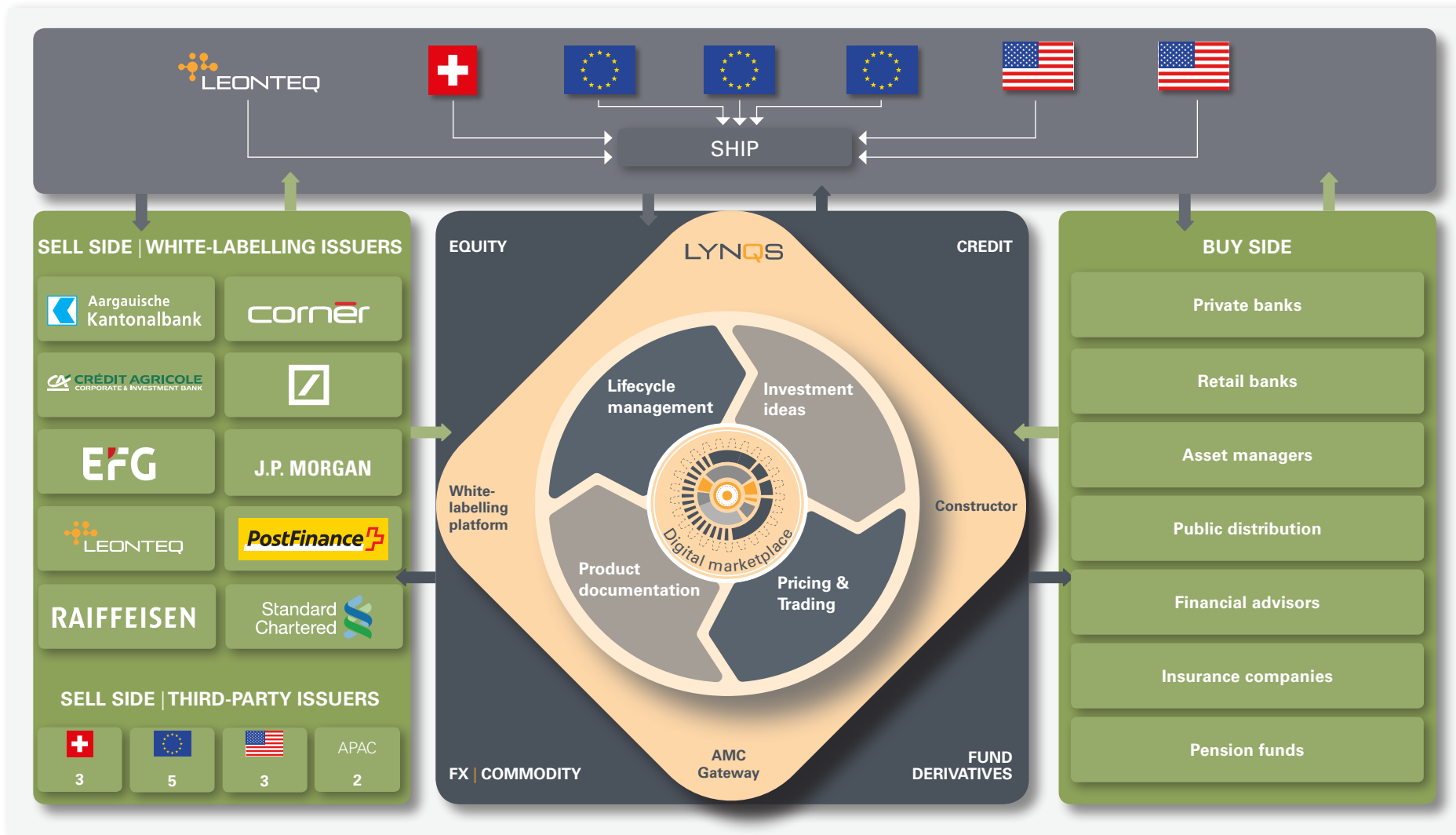




# UPDATE ON KEY INITIATIVES

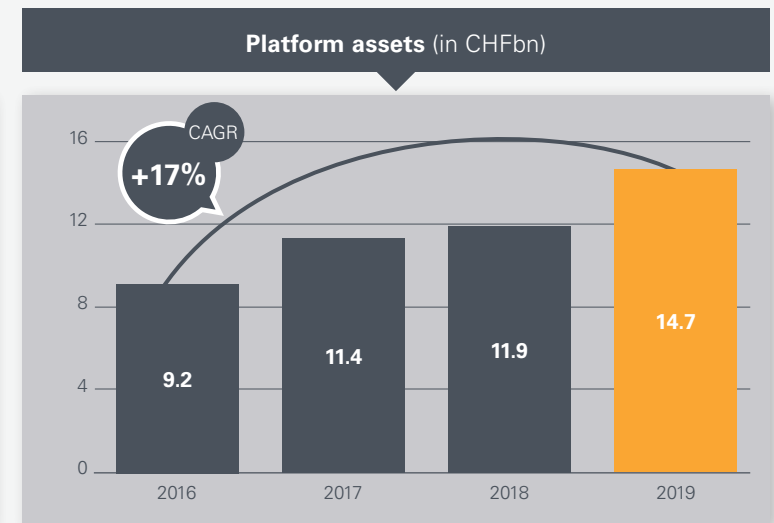
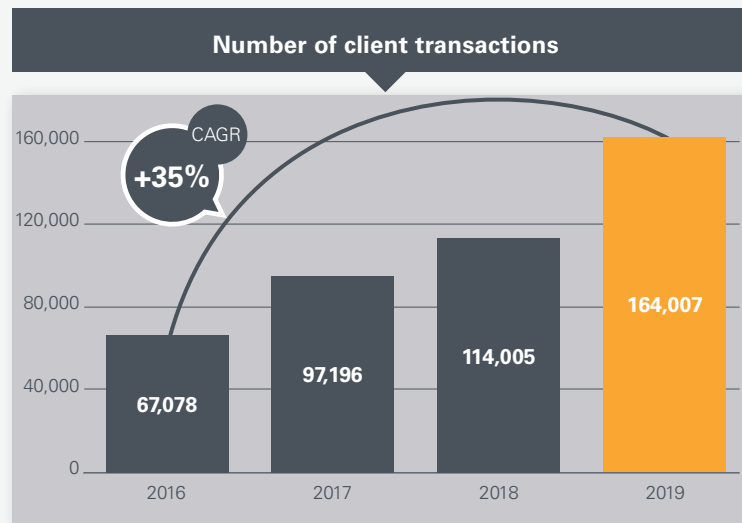
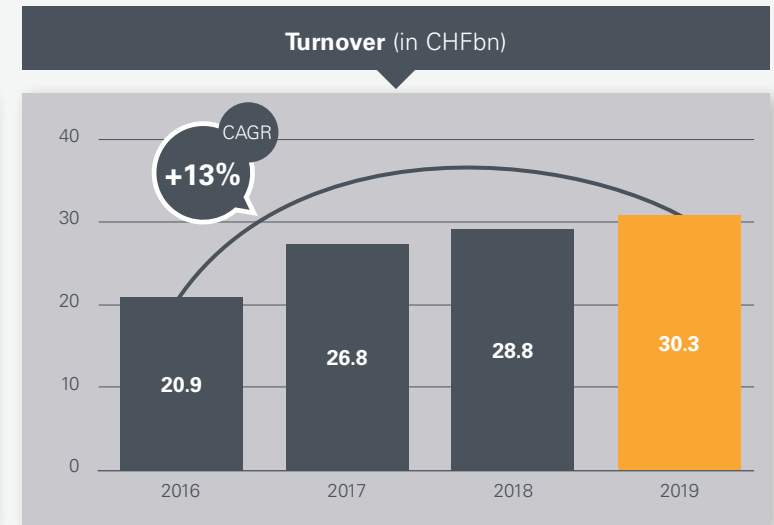
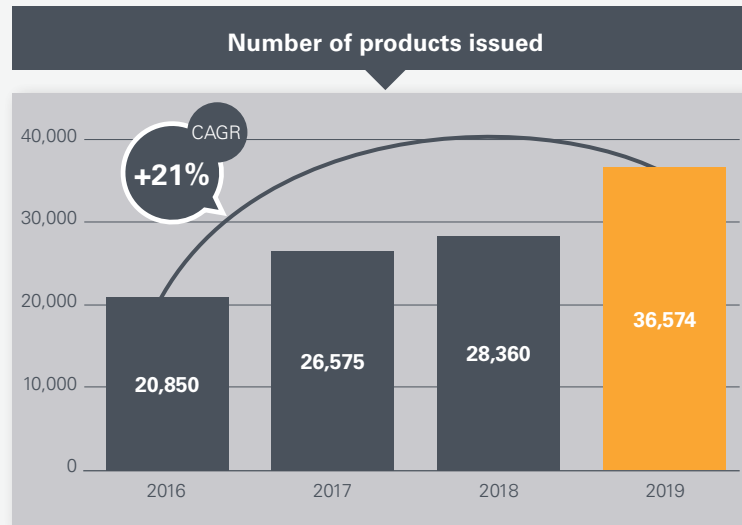
## LUKAS RUFLIN | CEO

# LEONTEQ'S MARKETPLACE FOR STRUCTURED INVESTMENT SOLUTIONS IS FURTHER TAKING SHAPE



## SIGNIFICANT GROWTH IN VOLUMES DEMONSTRATES PLATFORM SCALABILITY

- Implemented state-of-the-art infrastructure and development environment allowing for the management of in-house and third-party solutions in a faster and more resilient way
- Access to cloud solutions improving flexibility of infrastructure capacity



## SMART HEDGING ISSUANCE PLATFORM (SHIP) MADE SIGNIFICANT PROGRESS

SHIP is designed to reduce hedging exposure by offering Leonteq's issuance partners the opportunity to enter into hedging transactions for their issued products with external hedging partners

### Hedge counterparties



- Six leading investment banks connected to the platform and actively contributing quotes to the platform (of which three are currently able to execute trades)

### Issuers



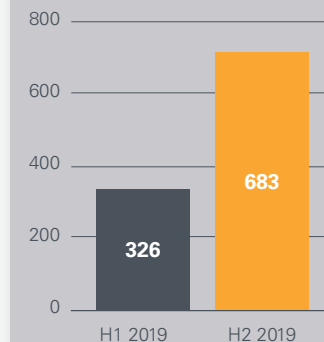
- Three issuers available on SHIP
- Direct booking model enabled for Raiffeisen

### Pay-off universe

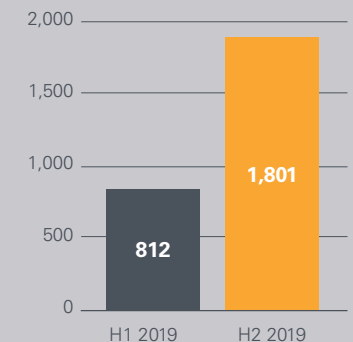
- SHIP covers Leonteq's most important payoffs (autocallables and barrier reverse convertibles with underlying equity securities and indices)
- Currently, SHIP receives external quotes for approximately 11% of all daily automated transactions

### Statistics<sup>1</sup>

Turnover (in CHFm)

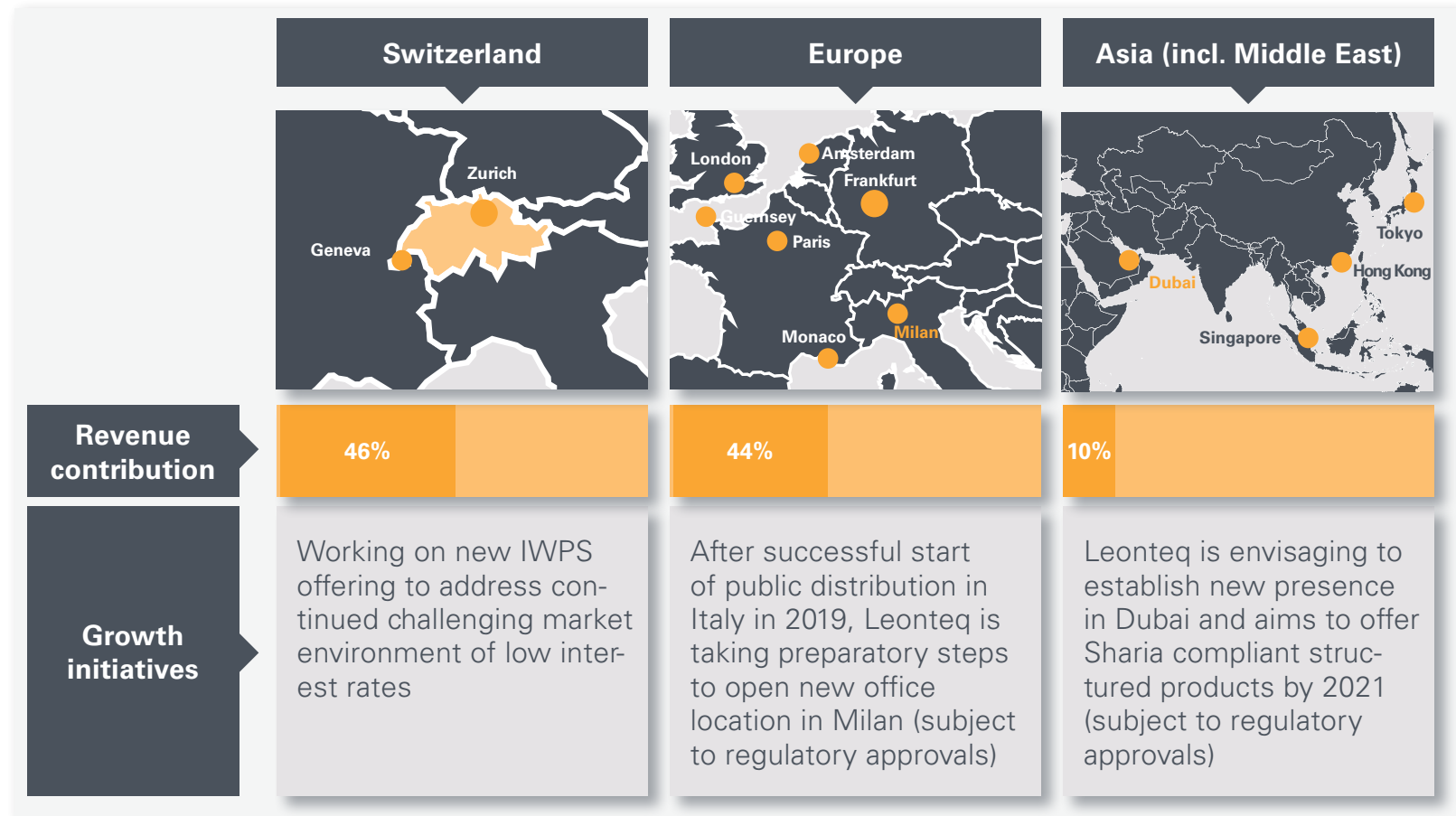


Number of trades



<sup>1</sup> The majority of transactions were hedged by Leonteq

## INCREASE REGIONAL FOOTPRINTS BY OPENING NEW OFFICES IN MILAN AND DUBAI



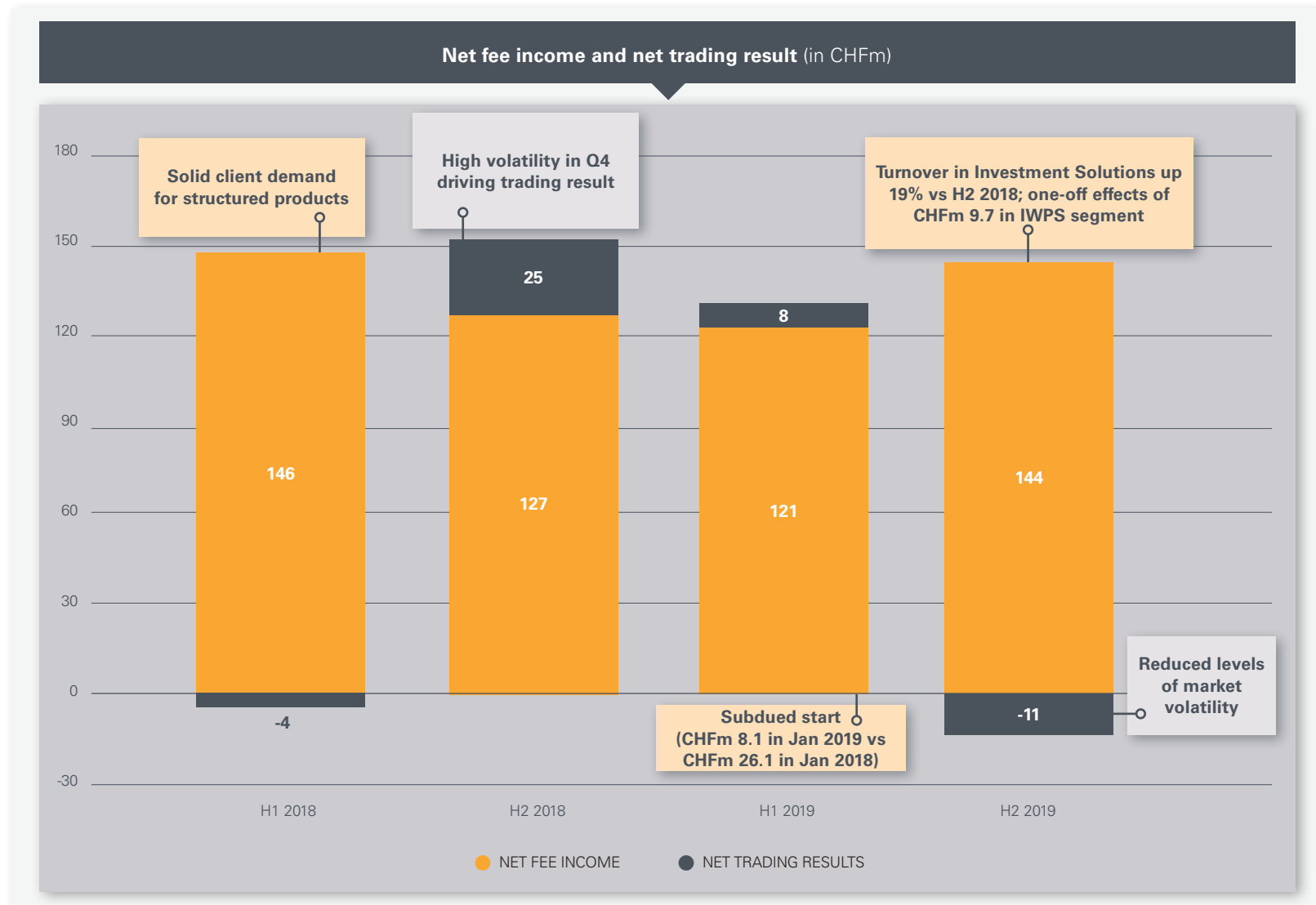
# FULL-YEAR 2019 RESULTS

MARCO AMATO | DEPUTY CEO & CFO

## HIGHLIGHTS 2019

- Following subdued start to 2019, solid performance with net profit of CHF 62.7 million (2018: CHF 91.5 million) in a challenging market environment
- Earnings per share (EPS) of CHF 3.35 (2018 CHF 5.40)
- Total operating income of CHF 256.2 million (-9%) driven by stable net fee income of CHF 264.9 million (-3%) and the absence of contributions from hedging activities
- Cost base of CHF 191.1 million (2018: CHF 189.1 million) reflecting disciplined cost management and investments in talents and key strategic initiatives
- Strong capital position maintained with total BIS eligible capital of CHF 648.1 million and a total capital ratio of 21.1%
- Launch of a new phase of conservative dividend policy; payment of CHF 0.50 per share proposed

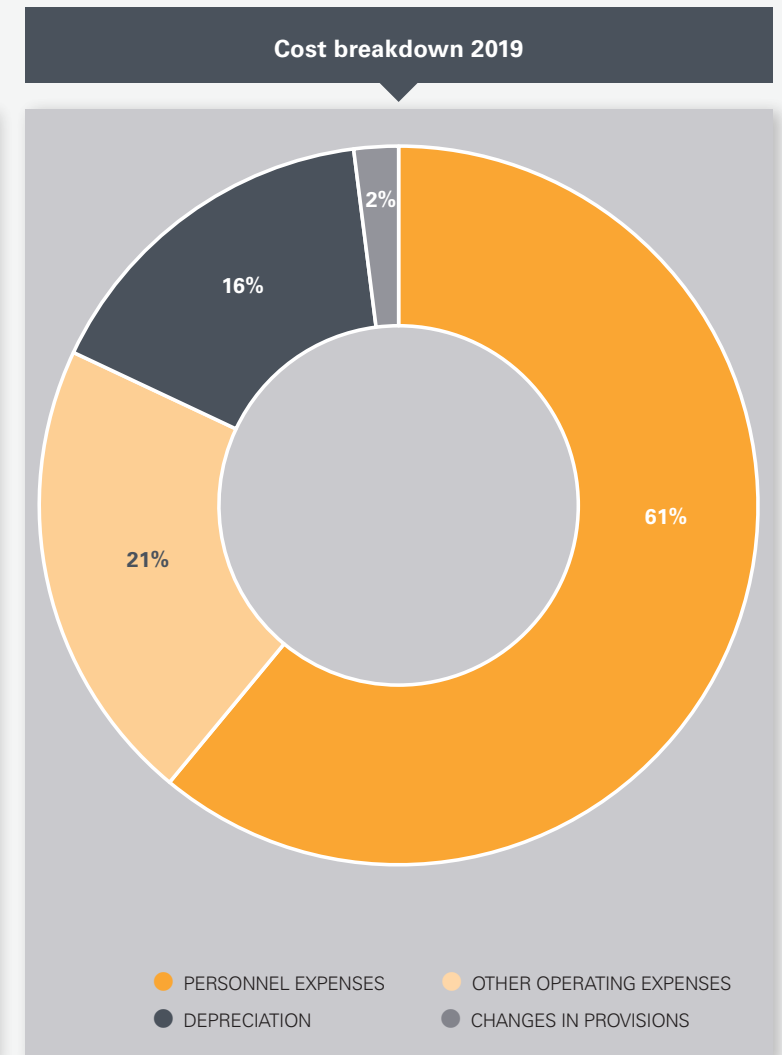
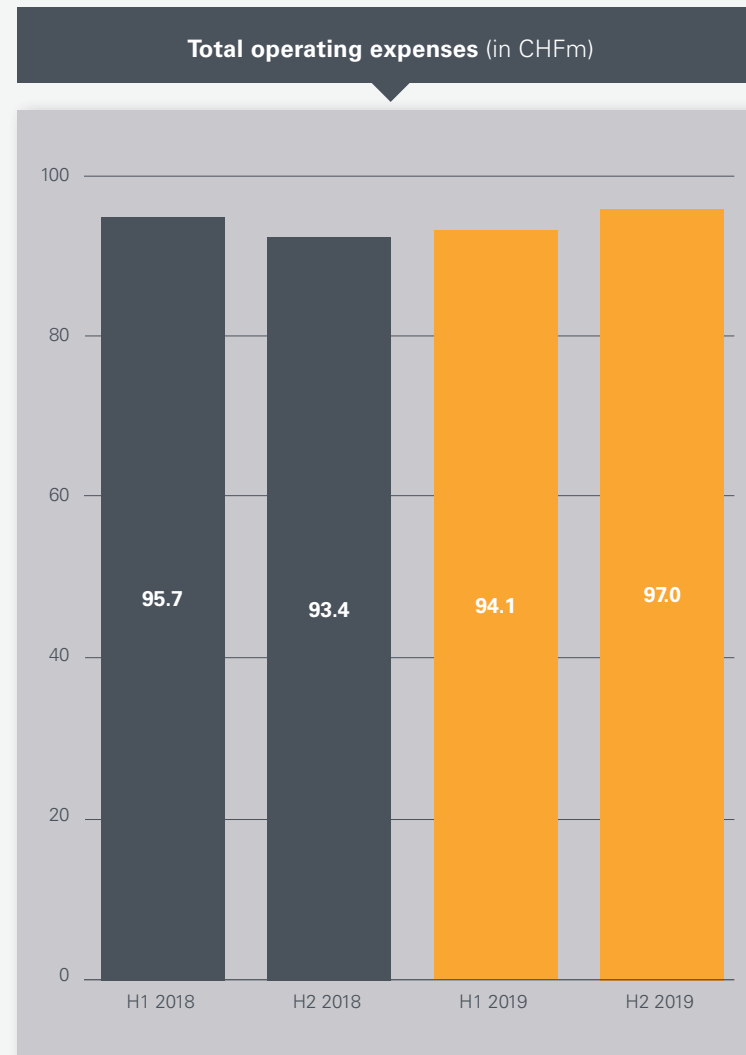
## H2 2019 PERFORMANCE DRIVEN BY GROWTH IN NET FEE INCOME AND REDUCED MARKET VOLATILITY





## CONTROLLED COST BASE DESPITE SIGNIFICANT INVESTMENTS INTO KEY INITIATIVES

- Stable cost base reflects continued cost management
- Total additional investments of approx. CHF 40 million in the past two years in key initiatives (e.g. LynQs, SHIP, AMC Gateway)
- Consideration of options to nearshore certain processes and functions to further optimise cost base



## STRONG BUILD-UP OF SHAREHOLDERS' EQUITY AND DEFERRED INCOME TO A TOTAL OF CHF 769 MILLION

### LAUNCH OF A NEW PHASE OF CONSERVATIVE DIVIDEND PAYMENTS

- Board of Directors to propose at AGM 2020 that a total distribution of CHF 0.50 per share be paid
- Distribution to be paid in equal amounts out of retained earnings and reserves from capital contributions



<sup>1</sup> Other effects primarily comprise transfers from other comprehensive income (CHFm -9.9) and disposals of own shares (CHFm 1.5)

## SOLID BALANCE SHEET WITH LOW RISK PROFILE AND LEVERAGE RATIO OF 7.4%

- Total assets decreased by 15% to CHF 9.1 billion
- Decrease in both assets and liabilities primarily driven by a reduction in positive and negative replacement values of derivative financial instruments on the back of calmer equity markets



<sup>1</sup> Trading financial assets CHF 2.16 billion and trading inventories CHF 0.03 billion

<sup>2</sup> Other financial assets designated at fair value through profit and loss CHF 1.5 billion; Financial investments measured at FVOCI CHF 1.1 billion

<sup>3</sup> Positive replacement values of derivative financial instruments

<sup>4</sup> Other financial liabilities designated at fair value through profit or loss

<sup>5</sup> Negative replacement values of derivative financial instruments CHF 2.5 billion; Trading financial liabilities CHF 0.4 billion

## MAINTENANCE OF STRONG CAPITAL POSITION DESPITE SIGNIFICANT GROWTH IN PLATFORM ASSETS



## FINANCIAL TARGETS SPECIFIED FOR 2020

### DRIVERS FOR REVENUE GROWTH IN 2020

- LynQs
- Third-party issuers
- Funds derivatives
- Actively managed certificates
- European issuance programme
- SeDeX listing



<sup>1</sup> Previous guidance: approx. CHF 300 million

<sup>2</sup> Equivalent to cost-income ratio between 67% - 74%; previous guidance: <70%

## NEW REGULATORY FRAMEWORK APPLIES TO LEONTEQ SINCE JANUARY 2020

### New regulatory framework

- On 01 January 2020, the Financial Institutions Act (FinIA) and the Financial Institutions Ordinance (FinIO) entered into force. FinIA regulates the licensing requirements and further organizational rules for certain financial institutions (including securities dealers, newly labelled as "securities firms")
- The new regime distinguishes between account-holding and non-account-holding securities firms, for the application of capital requirements. Securities firms which do not hold accounts for clients are no longer subject to the Capital Adequacy Ordinance but must permanently hold capital of at least one quarter of the fixed costs of the last annual financial statement, but no more than CHF 20 million. Leonteq does not hold client accounts

### Impact on Leonteq

- Since inception in 2007, Leonteq has operated under the securities dealer license and has significantly exceeded its capital requirements for each reporting year in the past
- Since 01 January 2020, Leonteq operates as a "securities firm" and adheres to the new capital framework
- Leonteq will report capital figures under the new framework for the first time when it announces its half-year 2020 results

### Capital planning in future

- Leonteq will continue to operate under its existing risk management framework and will further strengthen its absolute capital base
- Leonteq will pursue a conservative dividend policy for the foreseeable future

# SUMMARY & OUTLOOK

## LUKAS RUFLIN | CEO

## LEONTEQ HAS NEVER BEEN STRONGER AND IS WELL POSITIONED FOR THE FUTURE

### Summary

- Solid and profitable operational performance despite challenging market environment and increased competitive landscape
- Annual revenue base increased from CHF 207-215 million range in 2016 and 2017 to CHF 256-282 million range in 2018 and 2019
- Shareholders' equity and deferred fee income increased together to CHF 769 million (end-2019)
- Launch of a new phase of conservative dividend policy; Board of Directors to propose payment of CHF 0.50 per share at Annual General Meeting 2020

### Outlook

- SHIP on track to be fully operational by mid-2020
- New office locations to be opened in Milan and Dubai during 2020
- Financial targets defined for 2020: total operating income CHF 270-300 million; total operating expenses approx. CHF 200 million
- Continued focus on cost management and consideration of options to nearshore certain processes and functions to further optimise cost base
- New capital requirements apply since 01 January 2020 for Leonteq; priorities remain a strong capital base and investment into future opportunities



# APPENDIX

LEONTEQ

## GROUP RESULTS

<b>Income statement</b> (in CHFm)	<b>H2</b> <b>2019</b>	<b>H1</b> <b>2019</b>	<b>H2</b> <b>2018</b>	<b>Change</b> <b>y-o-y</b>	<b>FY</b> <b>2019</b>	<b>FY</b> <b>2018</b>	<b>Change</b> <b>y-o-y</b>
Net fee income	144.0	120.9	126.8	14%	264.9	272.5	(3%)
Net trading result	(10.7)	7.5	25.1	(143%)	(3.2)	21.4	n/a
Net interest result	(3.1)	(5.2)	(7.4)	(58%)	(8.3)	(14.9)	(44%)
Other ordinary income	1.4	1.4	1.8	(22%)	2.8	3.4	(18%)
<b>Total operating income</b>	<b>131.6</b>	<b>124.6</b>	<b>146.3</b>	<b>(10%)</b>	<b>256.2</b>	<b>282.4</b>	<b>(9%)</b>
Personnel expenses	(58.1)	(58.8)	(55.0)	6%	(116.9)	(115.7)	1%
Other operating expenses	(21.5)	(19.3)	(28.8)	(25%)	(40.8)	(53.2)	(23%)
Depreciation	(15.8)	(14.3)	(8.6)	84%	(30.1)	(16.7)	80%
Changes to provisions	(1.6)	(1.7)	(1.0)	60%	(3.3)	(3.5)	(6%)
<b>Total operating expenses</b>	<b>(97.0)</b>	<b>(94.1)</b>	<b>(93.4)</b>	<b>4%</b>	<b>(191.1)</b>	<b>(189.1)</b>	<b>1%</b>
<b>Profit before taxes</b>	<b>34.6</b>	<b>30.5</b>	<b>52.9</b>	<b>(35%)</b>	<b>65.1</b>	<b>93.3</b>	<b>(30%)</b>
Taxes	(2.1)	(0.3)	(1.5)	40%	(2.4)	(1.8)	33%
<b>Group net profit</b>	<b>32.5</b>	<b>30.2</b>	<b>51.4</b>	<b>(37%)</b>	<b>62.7</b>	<b>91.5</b>	<b>(31%)</b>

<b>Group KPIs</b>	<b>H2</b> <b>2019</b>	<b>H1</b> <b>2019</b>	<b>H2</b> <b>2018</b>	<b>Change</b> <b>y-o-y</b>	<b>FY</b> <b>2019</b>	<b>FY</b> <b>2018</b>	<b>Change</b> <b>y-o-y</b>
<b>Cost-income ratio</b>	<b>74%</b>	<b>76%</b>	<b>64%</b>	<b>10PP</b>	<b>75%</b>	<b>67%</b>	<b>8PP</b>
<b>Return on equity</b>	<b>10%</b>	<b>10%</b>	<b>20%</b>	<b>(10PP)</b>	<b>10%</b>	<b>18%</b>	<b>(8PP)</b>
<b>EPS</b>	<b>1.74</b>	<b>1.61</b>	<b>2.85</b>	<b>(39%)</b>	<b>3.35</b>	<b>5.40</b>	<b>(38%)</b>

## SEGMENT RESULTS

<b>Investment Solutions</b>	<b>H2 2019</b>	<b>H1 2019</b>	<b>H2 2018</b>	<b>Change y-o-y</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>Change y-o-y</b>
Total operating income (CHFm)	98.2	107.3	129.6	(24%)	205.5	250.2	(18%)
Total operating expenses (CHFm)	(75.1)	(74.4)	(74.6)	1%	(149.5)	(154.3)	(3%)
<b>Profit before taxes (CHFm)</b>	<b>23.1</b>	<b>32.9</b>	<b>55.0</b>	<b>(58%)</b>	<b>56.0</b>	<b>95.9</b>	<b>(42%)</b>
<b>Platform assets (CHFbn)<sup>1</sup></b>	<b>14.7</b>	<b>13.8</b>	<b>11.9</b>	<b>24%</b>	<b>14.7</b>	<b>11.9</b>	<b>24%</b>
Whereof platform partner business (CHFbn)	10.6	9.8	8.8	20%	10.6	8.8	20%
Whereof Leonteq business (CHFbn)	4.1	4.0	3.1	32%	4.1	3.1	32%
<b>Turnover (CHFbn)</b>	<b>15.3</b>	<b>15.0</b>	<b>12.9</b>	<b>19%</b>	<b>30.3</b>	<b>28.8</b>	<b>5%</b>
Whereof platform partner business (CHFbn)	9.5	9.3	8.8	8%	18.8	19.8	(5%)
Whereof Leonteq business (CHFbn)	5.8	5.7	4.1	41%	11.5	9.0	28%
<b>Fee income margin (bps)</b>	<b>80</b>	<b>71</b>	<b>88</b>	<b>(8BPS)</b>	<b>76</b>	<b>86</b>	<b>(10BPS)</b>
Platform partner margin (bps)	78	64	74	4BPS	71	72	(1BPS)
Leonteq margin (bps)	84	83	120	(36BPS)	84	115	(31BPS)

<b>Insurance &amp; Wealth Planning Solutions</b>	<b>H2 2019</b>	<b>H1 2019</b>	<b>H2 2018</b>	<b>Change y-o-y</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>Change y-o-y</b>
Total operating income (CHFm)	32.2	16.1	15.4	109%	48.3	29.7	63%
Total operating expenses (CHFm)	(8.0)	(7.4)	(5.8)	38%	(15.4)	(11.7)	32%
<b>Profit before taxes (CHFm)</b>	<b>24.2</b>	<b>8.7</b>	<b>9.6</b>	<b>152%</b>	<b>32.9</b>	<b>18.0</b>	<b>83%</b>
<b>Number of outstanding policies<sup>1</sup></b>	<b>47,237</b>	<b>44,287</b>	<b>41,195</b>	<b>15%</b>	<b>47,237</b>	<b>41,195</b>	<b>15%</b>

<sup>1</sup> At the end of the respective period

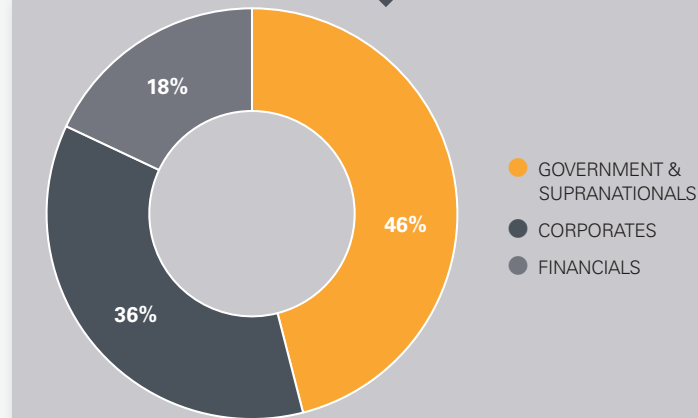
## REGIONAL RESULTS

Revenue breakdown (in CHFm)	H2 2019	H1 2019	H2 2018	Change y-o-y	FY 2019	FY 2018	Change y-o-y
Switzerland	62.5	56.4	62.5	0%	118.9	123.0	(3%)
EMEA	57.7	55.0	66.6	(13%)	112.7	126.1	(11%)
APAC	11.4	13.2	17.2	(34%)	24.6	33.3	(26%)
<b>Total operating income</b>	<b>131.6</b>	<b>124.6</b>	<b>146.3</b>	<b>(10%)</b>	<b>256.2</b>	<b>282.4</b>	<b>(9%)</b>

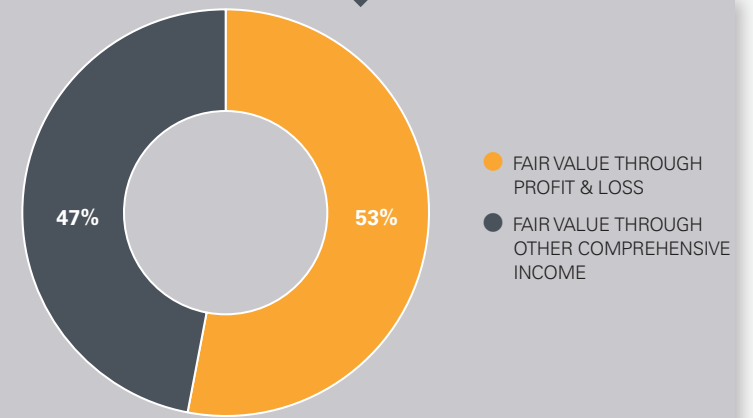
Staff breakdown	H2 2019	H1 2019	H2 2018	Change y-o-y	FY 2019	FY 2018	Change y-o-y
Switzerland	350	342	335	4%	350	335	4%
EMEA	85	79	77	10%	85	77	10%
APAC	73	74	74	(1%)	73	74	(1%)
<b>Full-time equivalents</b>	<b>508</b>	<b>495</b>	<b>486</b>	<b>5%</b>	<b>508</b>	<b>486</b>	<b>5%</b>
of which Sales	92	87	90	2%	92	90	2%
of which IT	138	128	117	18%	138	117	18%

## HIGH-QUALITY INVESTMENT PORTFOLIO

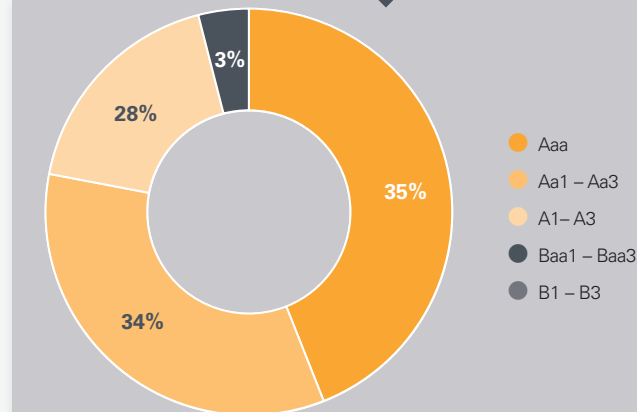
Investment portfolio by type of investment\*



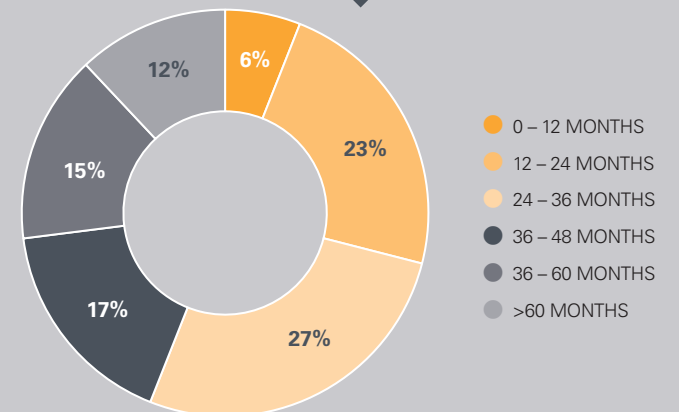
Investment portfolio by accounting measurement\*



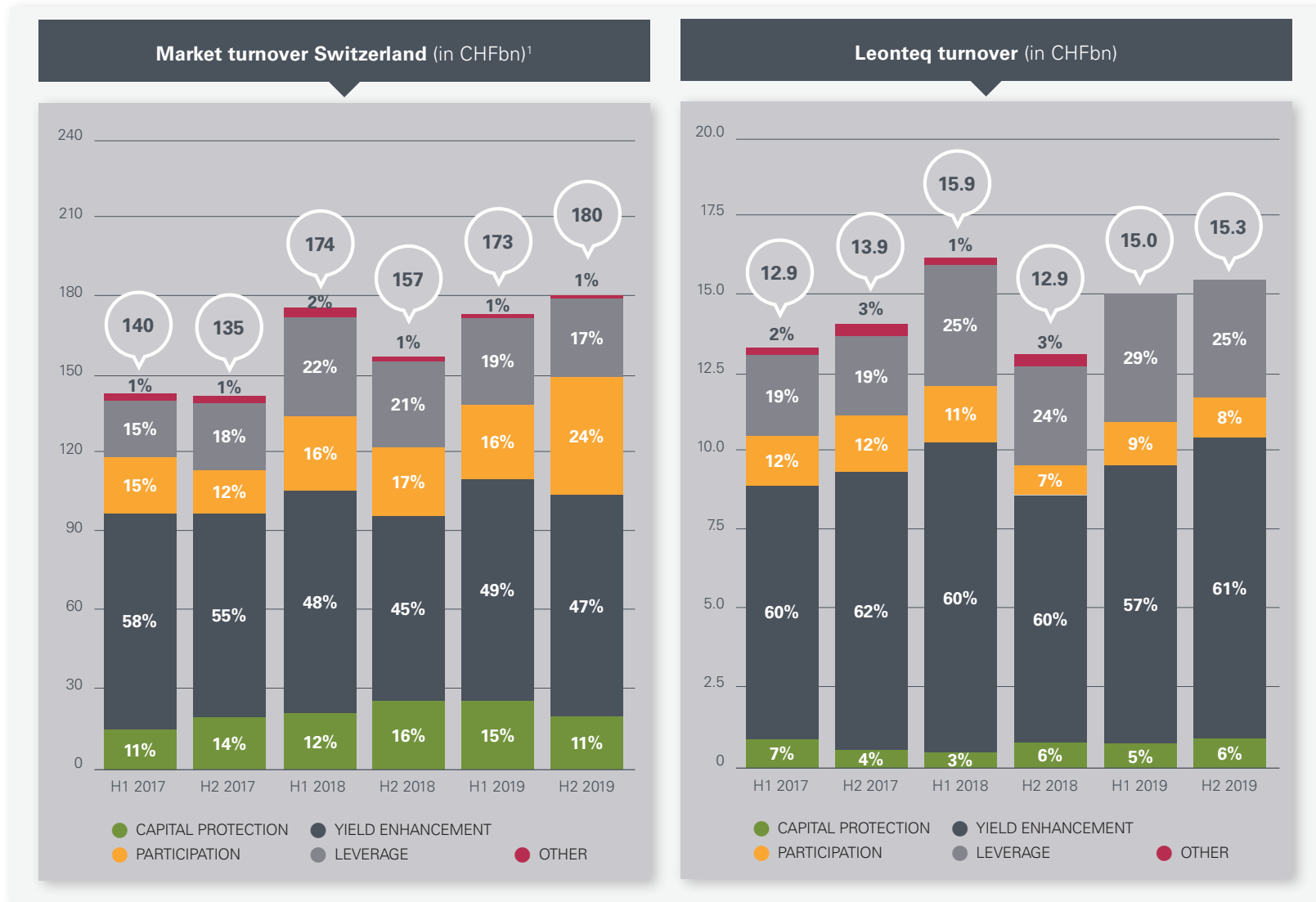
Investment portfolio by credit rating\*



Investment portfolio by maturity\*

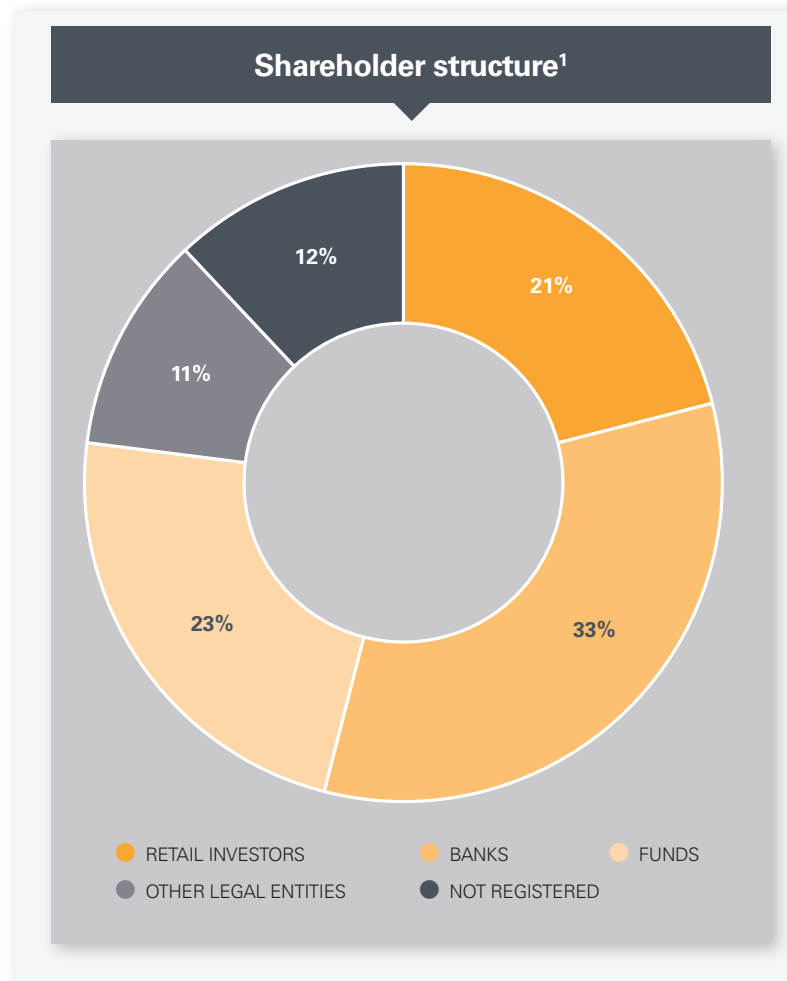


## STRUCTURED PRODUCTS MARKET SWITZERLAND



<sup>1</sup> Source: Swiss Structured Products Association (SSPA)

## SHAREHOLDER STRUCTURE



**Significant shareholders<sup>2</sup>**

Raiffeisen Switzerland <sup>3</sup>	29.02%
Lukas Rufli family interests	8.15%
Sandro Dorigo	2.45%
<b>Subtotal shareholders' agreement</b>	<b>39.62%</b>
Rainer-Marc Frey	14.70%
Directors and Executives <sup>4</sup>	0.94%
<b>Total</b>	<b>55.26%</b>

<sup>1</sup> As per Leonteq share register on 31 December 2019

<sup>2</sup> Significant shareholdings disclosures on SIX Swiss Exchange

<sup>3</sup> Includes 2.9% of shares subject to call options held by the Lukas Rufli family interests

<sup>4</sup> Excluding shareholdings of Lukas Rufli

