

## Currencies

# Forex trader LMAX earns crypto-style \$1bn valuation in JC Flowers stake deal

EVA SZALAY — LONDON

The eye-popping valuations attracted by cryptocurrency companies are seeping into traditional foreign exchange markets, after a minority investment in currency trading platform LMAX Group has valued the company at \$1bn.

New York-based private equity investor JC Flowers agreed yesterday to pay \$300m for a 30 per cent stake in LMAX Group, acquiring a minority stake from the firm's management who remain majority owners. The \$1bn price tag is 20 times the company's earnings before interest, tax, depreciation and amortisation in the past 12 months.

The deal resembles valuations seen in the booming crypto space, where a raft of recent transactions have attracted billions of dollars in investment. LMAX has expanded its crypto services in recent years and investment aims to boost the company's growth in both foreign exchange and crypto, focusing on the US and Asia.

In contrast, foreign exchange platforms have struggled to attract such hefty sums. FastMatch, a one-time rival

of LMAX Exchange, was sold to Euronext for \$153m in 2017.

"The valuation is not about the product, whether it's crypto or foreign exchange, it's an endorsement of our business model," said David Mercer, chief executive. He said LMAX would be launching a new currency trading venue in Asia in the last quarter of the year.

Despite downplaying the importance of digital coins, the deal is likely to reflect a bet on this fast growing space from investment company JC Flowers.



David Mercer, LMAX chief, set out plans for a new Asia trading venue

Mercer said that in the first half of the year crypto trading volumes accounted for 11 per cent of the total, but as much as a third of revenues.

London-based LMAX was founded in 2010 by betting company Betfair. Mercer then led a management buyout in 2012, acquiring a majority stake from the betting company, which fully exited the business in 2018.

The group operates currency trading venues worldwide and in 2018 launched LMAX Digital, a crypto marketplace for large institutional traders. For the first six months of the year, the company recorded a gross profit of \$60.5m.

Mercer said LMAX's valuation vindicated choosing to operate as a regulated exchange in the \$6.6tn daily currencies market, where most deals are privately negotiated. He said he was "shouting into a vacuum" 10 years ago but "we've differentiated ourselves".

Mercer and most senior management have chosen to roll their equity holdings, betting on a larger windfall in the future. He declined to say if future plans include a potential stock market listing, adding: "It's way too early to talk about exits; this deal is just a stepping stone."

## JC Flowers stake in LMAX values currency platform at \$1bn

Transaction reflects hefty price tags in the booming cryptocurrency space

EVA SZALAY – LONDON



Private equity investor JC Flowers has agreed to pay \$300m for a 30 per cent stake in LMAX Group © FT montage/Bloomberg

The eye-popping valuations attracted by cryptocurrency companies are seeping into traditional foreign exchange markets, after a minority investment in currency trading platform LMAX Group has valued the company at \$1bn.

New York-based private equity investor JC Flowers agreed on Thursday to pay \$300m for a 30 per cent stake in LMAX Group, acquiring a minority stake from the firm's management who remain majority owners.

The \$1bn price tag is 20 times the company's earnings before interest, taxes, depreciation and amortisation in the past 12 months. In 2018, the company was valued at £100m.

The deal resembles valuations seen in the booming cryptocurrency space, where a raft of recent transactions have attracted billions of dollars in investment.

LMAX has expanded its crypto services in recent years and the investment will aim to boost the company's growth in both foreign exchange and cryptocurrency markets, with a special focus on the US and Asia.

By contrast, foreign exchange platforms have struggled to attract such hefty sums. FastMatch, a one-time rival of LMAX Exchange, was sold to Euronext for \$153m in 2017.

"The valuation is not about the product, whether it's crypto or foreign exchange, it's an endorsement of our business model," said David Mercer, chief executive of LMAX.

Mercer said the company will be launching a new currency trading venue in Asia in the last quarter of the year.

Despite playing down the importance of digital coins as a future revenue source, the deal is likely to reflect a bet on this fast growing space from investment

company JC Flowers. Mercer said that in the first half of the year cryptocurrency trading volumes accounted for 11 per cent of the total, but as much as a third of revenues.

London-based LMAX was founded in 2010 by betting company Betfair. Mercer then led a management buyout in 2012, acquiring a majority stake from the betting company, which fully exited the business in 2018. Mercer and his team paid less than £22mn for Betfair's remaining 31.5 per cent share there years ago.

The group operates currency trading venues across the globe and in 2018 it launched LMAX Digital, a cryptocurrency marketplace for large institutional traders. For the first six months of the year, the company recorded a gross profit of \$60.5m.

Mercer believes LMAX's high valuation in the deal vindicates the company's strategy of choosing to operate as a regulated exchange in the \$6.6tn daily currencies market, where most deals are privately negotiated.

"I was shouting into a vacuum 10 years ago, but this validates our business model," Mercer said. "For 10 years, I've been asked what the point of LMAX was and why it was different – surely we've differentiated ourselves now."

Mercer said that he and the majority of the senior management team have chosen to roll their equity holdings, betting on a larger windfall in the future. He described the move as a "stepping stone", but declined to say if future plans include a potential stockmarket listing.

"It's way too early to talk about exits, this deal is just a stepping stone," he said.