

# Numis

## A further very strong period

A favourable market background has contributed to a record performance for Numis in its first half that also confirms the strength of the franchise it has built across its investment banking and equities businesses. Recent activity has been focused on areas benefiting from the acceleration of secular trends prompted by the pandemic. Numis's exposure to clients in these areas, including through its private markets activities, is valuable currently but should also prove a long-term strength.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/18	136.0	31.6	23.0	12.0	16.8	3.1
09/19	111.6	12.4	8.1	12.0	47.5	3.1
09/20	154.9	37.1	26.7	12.0	14.4	3.1
09/21e	185.0	52.4	36.7	12.0	10.5	3.1

Note: \*PBT and EPS are on a reported basis and EPS is fully diluted.

## High activity levels continued through H121

Following the positive update on the first four months of FY21 (4M21), Numis's update for H121 (to end March) reported continued very strong trading across the group. The year-on-year revenue growth guidance for the first half outpaces the 50% growth indicated for 4M21, with a 75% increase to c £110m expected. Investment Banking revenue is expected to be ahead of the high level achieved in H220, with increased IPO and M&A activity more than offsetting the tailing-off of COVID-19-related fund-raising for clients. Activity has tended to focus on those areas benefiting from changes accelerated by the pandemic evidencing Numis's credibility in the digital economy. Equities is also expected to generate revenue ahead of H220, helped by increased market share, activity levels and strong gains on the trading book. Looking ahead, the Investment Banking pipeline is reported to be encouraging with further IPO and M&A activity in prospect, while the private markets business has leading technology disrupters as clients, which also bodes well for future activity.

## A corresponding increase in estimates

Reflecting the first half revenue guidance, we have increased our FY21 revenue forecast by 14% to £185m cautiously assuming a normalisation of activity at some point in the second half (revenue assumed of c £75m). The outcome could be higher if current activity levels are maintained but the potential upside must be balanced against the considerable uncertainties surrounding the market and economic background. Operational gearing means that our FY21 pre-tax profit estimate is increased by 40% to £52.4m.

## Valuation

The shares trade on a price to book value of 2.6x, above the 10-year average of 2.0x and, based on an ROE/COE model, the share price would be consistent with an assumed return on equity (ROE) of 19.5%, just above the historical five-year average of 18% but below our estimate for FY21 of 25%.

## H121 trading update

### Financial services

30 March 2021

**Price** **386p**

**Market cap** **£416m**

Net cash (£m) at end September 2020 125.2

Shares in issue 107.8m

Free float 75%

Code NUM

Primary exchange AIM

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 14.3 11.0 83.8

Rel (local) (4.5) (14.7) (4.2)

52-week high/low 388p 200p

### Business description

Numis is one of the UK's leading independent investment banking groups, offering a full range of research, execution, equity capital markets, corporate broking and advisory services. It employs c 290 staff in offices in London and New York, and at the end of September 2020 had 188 corporate clients.

### Next events

H121 results 7 May 2021

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## Selected transactions

As an indication of the range of transactions that contributed to the first half performance, Exhibit 1 shows selected transactions that Numis was involved in during H121.

**Exhibit 1: Numis – selected transactions H121**

Company	Date	Role	Transaction	Money raised/ value (£m)
Cazoo	Oct-20	Joint placement agent	Private fund raise	240
Draper Esprit	Oct-20	Nominated advisor, joint global coordinator, bookrunner and broker	Placing	110
Aquila Capital	Oct-20	Broker, adviser and joint bookrunner	Placing	116
Merian Global Investors	Oct-20	Joint bookrunner	IPO	95
Synairgen	Oct-20	Joint broker and bookrunner	Placing and open offer	87
Victoria	Oct-20	Debt adviser	Preferred equity investment	175
Aveva	Oct-20	Joint global coordinator, bookrunner and broker; sole sponsor	Rights issue to finance acquisition	2,800
Waterfall Asset Management	Nov-20	Financial adviser	M&A	639
Future	Nov-20	Sponsor, joint financial adviser and broker	M&A	594
Pets at Home	Nov-20	Sole financial adviser	M&A	100
Electrocomponents	Dec-20	Joint broker and bookrunner	Placing	180
Bytes Technology	Dec-20	Sole sponsor, financial and debt adviser, global coordinator and bookrunner	IPO	647
AJ Bell	Dec-20	Sole broker	Block trade	25
Clipper Logistics	Jan-21	Joint bookrunner	Block trade	62
Bambuser	Jan-21	Joint global coordinator and bookrunner	Placing	52
VH Global Sustainable Energy Opportunities	Jan-21	Sponsor and sole bookrunner	IPO	243
HSS Hire	Jan-21	Sponsor and nominated adviser	Placing and open offer	53
Scapa	Jan-21	Joint corporate broker and nominated adviser	M&A	403
Moonpig	Jan-21	Joint bookrunner	IPO	1,197
Foresight	Feb-21	Sole sponsor, joint global coordinator and bookrunner	IPO	455
Knights	Feb-21	Sole bookrunner	Block trade	62
Polypipe	Feb-21	Joint bookrunner and corporate broker	Placing	96
Future	Feb-21	Sole sponsor and joint adviser and broker	M&A	594
Hargreaves Lansdown	Feb-21	Joint global coordinator and bookrunner	Placing	300
Auto1	Feb-21	Bookrunner	IPO	6,690
Auction Technology	Feb-21	Sole sponsor and joint global coordinator and bookrunner	IPO	600
Cazoo	Feb-21	Sole financial adviser	M&A	N/A

Source: Numis, Edison Investment Research

## Financials

Exhibit 2 shows an analysis of our revenue assumptions for FY21 with prior year comparatives. We have not provided an updated scenario analysis at this stage, but the considerable uncertainty over revenues in any particular period should be borne in mind when viewing the estimates. An indication of the sensitivity of profitability to changes in revenue can be seen in the scenario analysis included in our December 2020 [note](#).

**Exhibit 2: Revenue analysis**

£000s	2018	2019	2020	2021e
Net trading gains	9,594	4,008	16,003	14,000
Institutional income	37,866	33,317	37,192	36,500
<b>Equities</b>	<b>47,460</b>	<b>37,325</b>	<b>53,195</b>	<b>50,500</b>
Corporate retainers	12,430	13,357	13,536	12,000
Advisory	17,335	12,576	11,146	18,000
Capital markets	58,822	48,352	77,022	104,500
<b>Investment banking</b>	<b>88,587</b>	<b>74,285</b>	<b>101,704</b>	<b>134,500</b>
<b>Total revenue</b>	<b>136,047</b>	<b>111,610</b>	<b>154,899</b>	<b>185,000</b>

Source: Edison Investment Research

Changes in the key numbers from our forecasts are shown below, with further detail from the new forecast given in the financial summary table (Exhibit 5).

**Exhibit 3: Estimate changes**

	Revenue (£m)			PBT (£m)			Fully diluted EPS (p)			DPS (p)		
	Old	New	Change	Old	New	Change	Old	New	Change	Old	New	Change
09/21e	162.0	185.0	14.2%	37.3	52.4	40.4%	26.1	36.7	40.4%	12.0	12.0	0.0%

Source: Edison Investment Research

## Valuation

The chart below shows a 10-year history of the price to book ratio for Numis. The current value is 2.6x, above the 10-year average of 2.0x. Using an ROE/COE model to infer the ROE required to match the current share price (386p) gives a value of 19.5%. This is above the five-year historical average of 18%, but below our estimate for the current year of 25%.

**Exhibit 4: 10-year history of the price to book value ratio for Numis**


Source: Refinitiv, Edison Investment Research

**Exhibit 5: Financial summary**

£000s	2015	2016	2017	2018	2019	2020	2021e
Year end 30 September							
<b>PROFIT &amp; LOSS</b>							
Revenue	97,985	112,335	130,095	136,047	111,610	154,899	185,000
Administrative expenses (excl. amortisation and depreciation)	(65,018)	(76,120)	(83,626)	(94,603)	(85,432)	(105,327)	(118,690)
Share based payment	(4,104)	(6,229)	(10,454)	(10,583)	(10,914)	(9,961)	(9,000)
EBITDA	28,863	29,986	36,015	30,861	15,264	39,611	57,310
Depreciation	(882)	(1,126)	(1,226)	(1,113)	(1,124)	(3,016)	(5,293)
Amortisation	(111)	(125)	(89)	(49)	(44)	(105)	(110)
Operating Profit	27,870	28,735	34,700	29,699	14,096	36,490	51,907
Net finance income	190	37	188	212	550	263	470
Other operating income	(1,978)	3,759	3,431	1,733	(2,210)	310	0
Profit before tax	26,082	32,531	38,319	31,644	12,436	37,063	52,377
Tax	(4,533)	(6,132)	(7,942)	(4,967)	(3,110)	(5,713)	(9,952)
Profit after tax (FRS 3)	21,549	26,399	30,377	26,677	9,326	31,350	42,425
Average diluted number of shares outstanding (m)	117.6	118.0	117.2	115.8	114.9	117.3	115.6
EPS - basic (p)	19.5	23.5	27.4	25.1	8.8	29.9	40.0
EPS - diluted (p)	18.3	22.4	25.9	23.0	8.1	26.7	36.7
Dividend per share (p)	11.50	12.00	12.00	12.00	12.00	12.00	12.00
NAV per share (p)	102.0	113.5	125.0	135.0	131.3	149.8	161.8
ROE (%)	19%	22%	23%	19%	6.6%	21.2%	25.1%
EBITDA margin (%)	29.5%	26.7%	27.7%	22.7%	13.7%	25.6%	31.0%
Operating margin (%)	28.4%	25.6%	26.7%	21.8%	12.6%	23.6%	28.1%
<b>BALANCE SHEET</b>							
Fixed assets	6,724	5,522	6,147	8,215	6,832	12,639	43,986
Current assets	279,114	312,462	407,850	533,033	326,641	509,034	526,630
Total assets	285,838	317,984	413,997	541,248	333,473	521,673	570,616
Current liabilities	(170,319)	(188,895)	(280,371)	(398,112)	(195,319)	(361,397)	(362,747)
Long term liabilities	0	(12)	0	0	0	(2,643)	(27,523)
Net assets	115,519	129,077	133,626	143,136	138,154	157,633	180,346
<b>CASH FLOW</b>							
Operating cash flow	6,467	48,735	43,369	45,830	(2,748)	65,953	55,688
Net cash from investing activities	(3,632)	84	(198)	(1,014)	(77)	(474)	(7,260)
Net cash from (used in) financing	(17,510)	(19,580)	(36,359)	(29,035)	(24,646)	(24,451)	(30,833)
Net cash flow	(14,675)	29,239	6,812	15,781	(27,471)	41,028	17,596
Opening net (cash)/debt	(74,518)	(59,591)	(89,002)	(95,852)	(111,673)	(84,202)	(125,217)
FX effect	(252)	172	38	40	0	(13)	0
Closing net (cash)/debt	(59,591)	(89,002)	(95,852)	(111,673)	(84,202)	(125,217)	(142,813)

Source: Company data, Edison Investment Research

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