EDISON

Cenkos Securities

H121 results and outlook

Reinvigorated and looking to the long term

Financial services

A strong first half, continued transaction activity in the second half and a promising pipeline are positive near-term factors for Cenkos shares. On a longer view, the reinvigoration provided by management succession, a willingness to invest for growth and greater focus on building the franchise for the long term are encouraging factors, regardless of likely short-term swings in market sentiment and activity levels.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/17	59.5	10.00	13.2	9.0	6.2	11.0
12/18	45.0	3.24	4.4	4.5	18.6	5.5
12/19	25.9	0.15	0.1	3.0	N/A	3.6
12/20	31.7	2.25	3.3	3.5	24.8	4.3

Note: *PBT and EPS are reported with EPS on a fully diluted basis. Given uncertainty over the incidence of corporate transaction fees, we are not publishing forecasts at this point.

H121 result showed market and franchise strength

H121 saw continued strength in UK equity market activity levels as corporate investment and M&A activity revived with the progressive easing of lockdown restrictions. Reflecting the strength of its team, Cenkos was able to expand its client base (by six to 100) and carried out 16 transactions, raising £0.58bn for clients in the period. Revenue of £18.2m was 37% ahead of H120 and, after a 40% increase in staff and administrative expenses, underlying operating profit increased by 44% to £2.8m. Lower restructuring and incentive plan costs left reported pre-tax profit up 124% at £1.7m and diluted EPS 146% higher at 2.7p. The interim dividend is 1.25p, up from 1.0p for H120.

Background and outlook

After a strong first half, Cenkos has remained active with corporate transactions completing two IPOs and eight other transactions to date. The pipeline of further transactions is good although, as always, subject to changing market conditions. Reported earnings in H221 should benefit from the likely absence of restructuring costs. Cenkos is investing selectively in staff and systems, which should support service levels to clients and efforts to increase the client count further.

Valuation

Cenkos shares trade on a price to book value of c 1.6x. A ROE/COE model with assumed long-term growth of 2% and a 10% discount rate suggests the market is assuming a sustainable ROE of nearly 15%. This is above the level of 12% achieved in H121 and the five-year historical average of 10% but just below the underlying level of 15% that would be generated on a scenario using five-year average transaction volumes, the H121 average fee level and current fixed cost levels (see the financial section for detail).

12 October 2021

Price	**82p**
Market cap	**£46m**
Net cash at end June (£m)	24.0
Shares in issue	56.7
Free float	75%
Code	CNKS
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(8.9)	1.2	60.8
Rel (local)	(9.2)	1.3	33.5
52-week high/low		94p	46p

Business description

Cenkos Securities is a leading UK securities business that acts as nominated adviser, sponsor, broker and financial adviser to companies across all sectors and stages of growth. Since inception in 2005 it has raised more than £21bn in equity capital for corporate clients, which stood at 94 at the end of December. The business has an approach where fixed costs are contained and variable rewards are closely geared to revenues.

Next events

FY21 results (estimated)	March 2022

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Investment summary

Cenkos is a specialist securities firm that focuses on both corporate and institutional clients. Its main activity is as a stockbroker to UK small and mid-cap companies and investment funds. At end H121 it had 100 retained corporate clients. It has a disciplined approach to controlling fixed costs, which enables attractive rewards for staff when activity is high while containing costs in quiet periods. The reward structure has been modified more recently to provide better alignment with the longer-term development goals of the business and to help support a culture of teamwork and compliance with regulatory requirements.

This year a new leadership team is in place, including CEO Julian Morse who joined the firm in 2006 and led the Cenkos growth companies team from 2016. This has brought new energy and focus to the company in pursuing its goals: to become the number one broker in its core areas; to generate more consistent and sustainable revenue; and to increase total shareholder returns.

In the near term, Cenkos has continued to be active in the second half to date and has a good pipeline of transactions. The AIM market is seeing an increase in the number of quoted companies after a period of decline. While this favourable environment may change, recent history suggests Cenkos is likely to see a certain level of activity among its clients over a number of years (see Exhibit 13). Also, if it can build its client base further (a net six corporate clients added in H121) then the level of sustainable revenue will increase. In H121 non-corporate finance revenue accounted for 61% of fixed costs.

The group has a strong position in terms of both regulatory capital (surplus over Pillar 1 requirement £17m) and liquidity (cash at the half-year end was £24m).

The shares are valued at 1.6x book a level that would be consistent with an ROE of nearly 15%; as noted, this is above the five-year historical average (10%) but on a scenario assuming current fixed cost levels, potential variable costs and historical average transaction volumes and the H121 average fee level we model an underlying return of 15%.

Stockbroker focusing on growth companies and funds

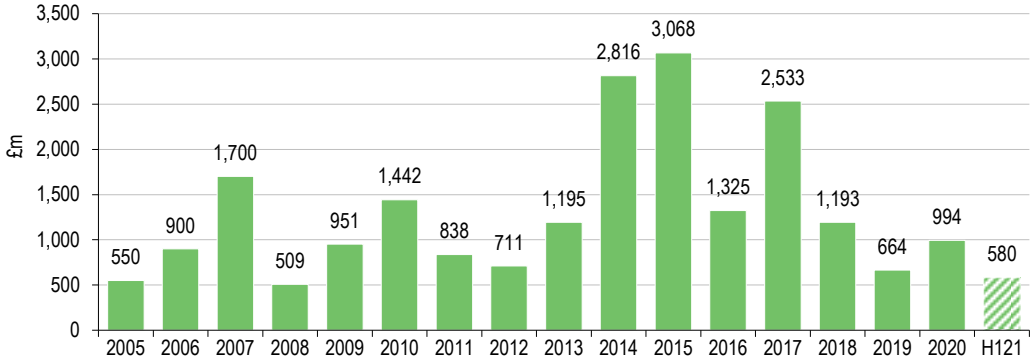
With offices in London and Edinburgh and 92 employees at end H121, Cenkos provides an integrated service as a nominated adviser, sponsor, financial and strategic adviser and market maker to 100 retained corporate clients with a focus on growth companies and investment funds listed or planning to list on the London Stock Exchange Main and AIM markets. The group seeks to maintain long-term relationships with its corporate clients through understanding their businesses and being able to provide both financial and strategic advice as part of delivering good outcomes for them. An indicator of the success of this approach is that nearly half of its corporate clients have been with the firm for more than five years.

Cenkos sees its relationship with institutional clients as based on the quality of its corporate client list and of its sales, research, execution and investor relations services. Cenkos's research reaches c 1,000 institutional investors. Its trading and market making activity seeks to provide investment clients with liquidity and competitive prices and in H121 maintained a top five market share in 90% of client stocks while making a market in a total of 219 equities and investment trusts.

At its inception in 2005, Cenkos brought together several teams of experienced market professionals who provided the company with a strong network of institutional and corporate relationships, a characteristic that has been retained through more recent management and staff succession. Cenkos itself was listed on the AIM market in 2006. It established a strong track record

for fundraising, including a number of larger transactions in addition to a flow of deals for smaller and mid-cap clients (larger transactions boosted funds raised in some years as shown in Exhibit 1).

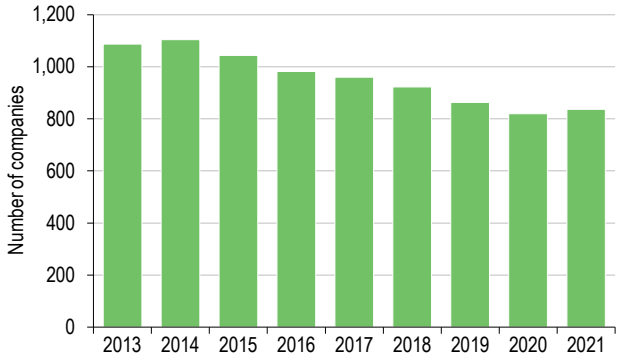
Exhibit 1: Cenkos funds raised on behalf of clients since inception



Source: Cenkos

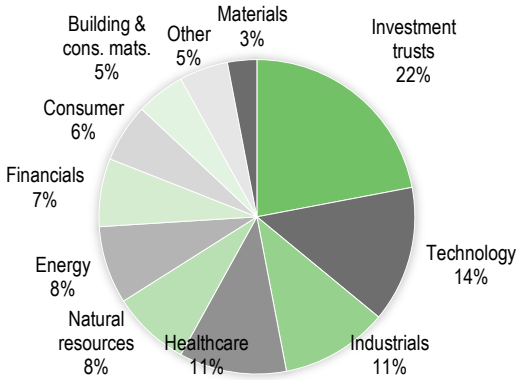
Looking at Cenkos's market position, 73 of its clients are on the AIM market, accounting for 8.7% of the total quoted on AIM at end August. After a period of decline (from a peak of 1,550 in 2008) the number of companies quoted on AIM has increased in 2021 to 836 (August), following a pick-up in IPOs in 2020 and 2021 year-to-date (see Exhibit 12). Cenkos has a good presence in growth areas such as healthcare and technology within a diverse sector exposure (Exhibit 3). The largest single area of exposure is to investment trusts, which account for 22% of Cenkos's corporate clients and c 58% of the total market capitalisation of its corporate client base. The 22 investment trust clients account for 5.6% of the total number of investment trusts. Cenkos has clients in the fast-growing alternatives area of investment trusts (including Round Hill Music). Two other clients are on the Main market and three on other markets giving the total of 100 clients.

Exhibit 2: AIM number of companies quoted



Source: London Stock Exchange. Note: Last data end August 2021.

Exhibit 3: Cenkos corporate clients by sector

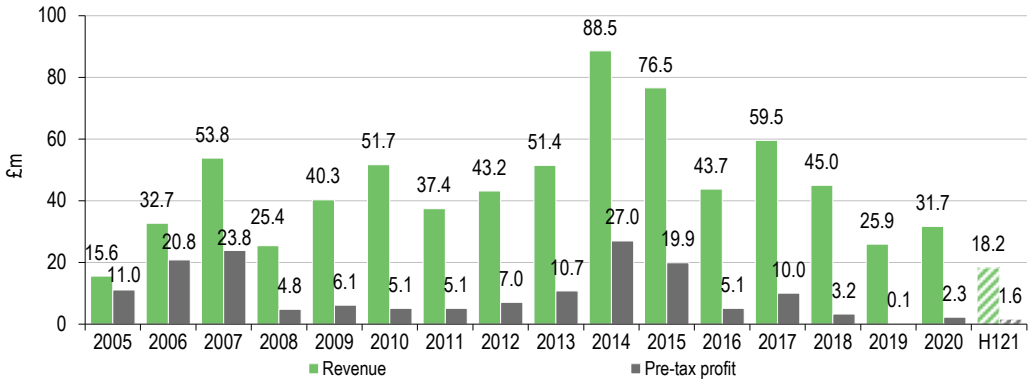


Source: Cenkos

A feature of the business since its formation has been a flexible business model (due in part to the variable components of staff compensation) that has rewarded and helped retain teams while containing costs in periods of weaker corporate activity. This has protected the profitability of the business through market fluctuations, as shown in the chart of revenue and pre-tax profit below. Management succession and evolution in the regulatory environment has meant adjustments in approach and the aim now is to align discretionary variable remuneration with the long-term success of Cenkos rather than simply tracking yearly performance.

Reflecting this approach, the company has demonstrated substantial flexibility of overall costs in response to revenue generation and acted in 2019 and H120 to review and reduce ongoing fixed costs by £3m and £0.8m, enhancing its ability to trade through fluctuating market conditions.

Exhibit 4: Cenkos revenue and profit record



Source: Cenkos, Edison Investment Research

Our next table shows Cenkos's revenue by segment over the last five and a half years. Corporate finance has accounted for over 70% of the total on average, peaking at 74% in 2017. This income is subject to the timing and size of corporate transactions and variations in the level of these transactions largely explains the substantial moves in overall revenues shown in Exhibit 4, above. Nomad and broking fees are relatively stable given their recurring nature, subject to changes in the number and mix of clients, but research income, already under pressure, was affected by MiFID II implementation, reducing the overall contribution from nomad, broking and research over the period. Finally, execution income is affected by the impact of market moves on the value of shares held as a market maker and, before a change in presentation from 2020, shares received in lieu of fees; between 2016 and 2020 it generated average income of £4.1m.

Exhibit 5: Revenue analysis since 2016

£000s	2016	2017	2018	2019	2020	H121
Corporate finance	29,720	44,030	32,734	17,364	22,250	13,034
Nomad, broking and research	10,514	8,222	7,824	6,582	6,175	2,931
Execution	3,509	7,252	4,395	1,970	3,229	2,423
Total revenue	**43,743**	**59,504**	**44,953**	**25,916**	**31,654**	**18,388**

Source: Cenkos

Exhibit 6 summarises the recent evolution of key performance indicators that Cenkos's management monitors. The variation in funds raised for clients influences revenue per head, underlying profit and dividend figures. The corporate client count declined in 2019 and 2020 but has increased this year: a positive indicator for the future. Important indicators for resilience of the business are liquidity (cash balance: £24m), regulatory capital surplus (£17m) and non-corporate finance revenue as a percentage of fixed costs (61%).

Exhibit 6: Performance indicators

	2016	2017	2018	2019	2020	H121
Revenue per head (£m)	0.37	0.48	0.41	0.23	0.35	0.20
Corporate client base (number)	116	117	116	100	94	100
Funds raised for clients (£m)	1,325	2,533	1,193	664	944	580
Non-corporate finance revenue to fixed costs (%)	66	63	50	41	57	61
Cash at bank (£m)	23.8	36.8	33.6	18.3	32.7	24.0
Regulatory surplus over Pillar 1 capital requirements (£m)	9.8	9.6	11.2	13.5	14.5	17.0
Underlying profit (£m)	5.0	10.7	4.6	1.4	4.0	2.8
Dividend per share (p)	6.00	9.00	4.50	3.00	3.50	1.25

Source: Cenkos, Edison Investment Research

There was a change in management this year after the announcement in December 2020 that CEO Jim Durkin would retire. Julian Morse was appointed as his successor, taking up his role in May 2021. Julian was appointed as a board member in May 2020, led the Cenkos growth companies team since 2016 and joined the firm in 2006. He has over 25 years' experience in the City, including

previous directorships at Beeson Gregory and Evolution Securities. Other changes included the appointment of Jeremy Osler, co-head of corporate finance and sponsor services and general counsel, as an executive board director. Succession has also taken place within teams across the business, which has given the company a new energy in pursuing its strategy.

Management has set three goals for Cenkos: to become the number one broker in its core business areas by reputation and market share, to generate more consistent and sustainable revenue and to deliver increased total shareholder returns.

To achieve this Cenkos will invest selectively in people, business development and technology. A focus on its core credentials and increasing the client base should contribute to a more sustainable revenue base while increasing the potential upside when market conditions are favourable for equity issuance. Finally, Cenkos will consider adding synergistic activities to augment revenue but this would only be in low-risk areas.

Management regard a focus on maintaining a healthy culture at the firm as essential and to this end is encouraging teamwork, mutual respect and integrity. All staff have an opportunity to contribute ideas and work is being undertaken to increase synergies across the business.

H121 results

As can be seen in Exhibit 7, Cenkos's revenue fluctuated in the six-month periods between H119 and H121 but has increased substantially over that time. Following a subdued H119, revenue recovered and 2020 was a strong year despite a hiatus in activity following the onset of the pandemic with full-year revenue increasing by 23%. For H121 revenue almost matched the level earned in H220 and was 37% ahead of H120. The other salient feature to note over this period is the completion of the group's review of fixed costs initiated in 2019. Although the variable element of staff costs increased with higher revenues, a reduction in fixed costs contributed to the move from a small underlying loss in H119 to a profit of £2.8m in H121.

Within the overall revenue gain of 37% y-o-y in H121, the largest absolute contributor was corporate finance where revenue was up by 38%, while execution revenue trebled against a relatively weak period in which the equity market fell sharply as the COVID-19 pandemic took hold. Nomad, broking and research revenues were 5% lower y-o-y, reflecting a lag before the full benefit of a net addition of six clients in the period (12 new clients added) is seen in revenues.

Other operating income/expense. This line item has now been broken out separately for H121 and 2020 and relates to movements in the fair value of options and warrants received in lieu of fees. Previously this was included within execution revenue. As shown, there was a £0.4m negative item in H120, a period of market weakness, with swing to a positive £0.6m in H220 as markets recovered. H121 saw a small negative item.

Staff costs, before restructuring and incentive plan costs, increased by 59% mainly because of higher variable compensation, but there was also a small net increase in the number of employees (92 at the end of the period versus 89 at end June 2020 and 90 at end December 2020). As a percentage of revenue, staff costs were 65%, above the level of 56% for H120 but similar to the FY20 percentage.

Administrative costs (again before restructuring and incentive plan costs) were virtually unchanged compared with H120 but up £0.5m versus H220, reflecting control over the cost base balanced by selective investment.

Exhibit 7: H121 results analysis

£000	H119	H219	H120	H220	H121
Revenue					
Corporate finance	6,245	11,119	9,216	13,034	12,732
Nomad, broking and research	3,459	3,123	3,244	2,931	3,076
Execution - net trading gains	921	1,049	806	2,423	2,413
Total revenue	**10,625**	**15,291**	**13,266**	**18,388**	**18,221**
Other operating income/expense*			(361)	620	(45)
Staff costs	(6,368)	(9,437)	(7,392)	(13,912)	(11,778)
Administrative expenses before restructuring and STIP costs	(4,336)	(4,379)	(3,539)	(3,046)	(3,565)
Underlying profit (loss)	**(79)**	**1,475**	**1,974**	**2,050**	**2,833**
Restructuring costs	(172)	(1,109)	(658)	(67)	(466)
Incentive plans			(500)	(400)	(600)
Operating profit	**(251)**	**366**	**816**	**1,583**	**1,767**
Investment income - interest income	65	41	23	7	7
Finance costs	(10)	(66)	(86)	(90)	(88)
Profit before tax	**(196)**	**341**	**753**	**1,500**	**1,686**
Tax	(5)	(96)	(163)	(286)	(183)
Profit after tax	**(201)**	**245**	**590**	**1,214**	**1,503**
Earnings per share (p)	(0.6)	0.4	1.2	2.5	3.1
Diluted earnings per share (p)	(0.4)	0.5	1.1	2.3	2.7
Dividend per share (p)	2.00	1.00	1.00	2.50	1.25

Source: Cenkos, Edison Investment Research. *Note: Other operating income/expense related to changes in values of warrants and options received in lieu of fees separated from execution revenue for H120 to H121.

The combination of revenue and staff cost growth with stable administrative costs resulted in a 44% increase in underlying operating profit to £2.8m.

Restructuring and incentive plan costs taken together (£1.1m) fell by 8% versus H120 and comprised approximately £0.5m in restructuring costs and £0.6m relating to the short-term incentive plan (STIP, launched April 2020), long-term incentive plan (LTIP, launched May 2021 and focused on senior management) and company share option plan (CSOP, also launched May 2021 for all employees).

After these costs and net finance costs pre-tax profits were 124% higher at £1.7m while a lower tax charge (11%) left diluted earnings per share up 146% at 2.7p.

An interim dividend of 1.25p is to be paid compared with 1.0p for H120. The board aims to continue to return significant value to shareholders through dividends and share buybacks, while managing a level of consistency of dividend payments through periods of market fluctuation. Since admission to AIM in 2006, Cenkos has returned the equivalent of 180.8p per share in cash to shareholders.

In Exhibit 8 we have collated a list of selected transactions carried out in 2021 to date, illustrating the range of client mandates in the period and highlighting the activity following the half-year end including two IPOs (Lords Trading and GEN inCode).

Exhibit 8: Selected transactions 2021

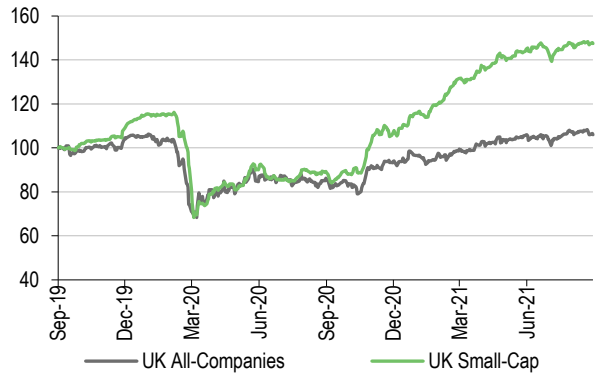
Month	Company	Transaction	Consideration (£m or US$m where shown)
January	Infrastrata	Placing and open offer	7.4
February	88 Energy	Placing and open offer	US$12.0
March	Kromek	Placing and open offer	13.0
	Plant Health Care	Placing	US$10.0
	Chamberlin	Placing	3.5
	Marlowe	Placing	100.0
April	Getech	Placing and open offer	6.3
	XLMedia	Placing and open offer	12.0
	Arena	Placing	11.0
	Duke Royalty	Placing	35.0
May	Agronomics	Placing and broker option	62.5
	Infrastrata	Placing and open offer	12.0
	US Solar Fund	Placing	US$132.0
June	Brickability	Placing	93.0
July	Pelatro	Placing	2.2
	Lords Trading	AIM IPO	52.0
	Round Hill Music	Placing	US$86.5
	GEN inCode	AIM IPO	17.0
	Bidstack	Placing	10.8
August	CAP-XX	Placing	2.8
September	Creo Medical	Placing and open offer	36.6
	Brave Bison	Placing	6.2
	Mercantile Ports & Logistics	Placing	10.1
	88 Energy	Placing	US$24.0

Source: Cenkos Securities

Background and outlook

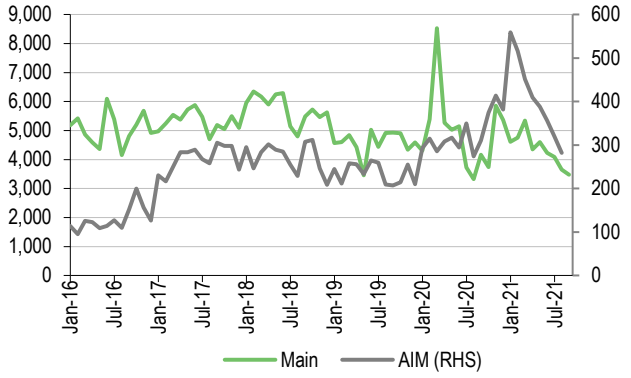
Exhibit 9 shows recent equity market trends underlining the initial impact of COVID-19 last year and the significant recovery that has followed. Since the end of 2020, the relative strength in small-cap equities has been pronounced with a rotation towards higher risk/more economically sensitive stocks. Cenkos's corporate clients are mainly small and mid-cap companies, with 73 of its 100 corporate clients listed on AIM at end H121. The level of trading activity on the London Stock Exchange Main market order book (Exhibit 10), showed a sharp but short spike after the start of the pandemic, while AIM activity surged more recently in tandem with its period of relative strength. Activity for both markets has returned to more normal levels recently.

Exhibit 9: UK equity indices



Source: Refinitiv, CBOE indices

Exhibit 10: LSE average daily value traded (£m)

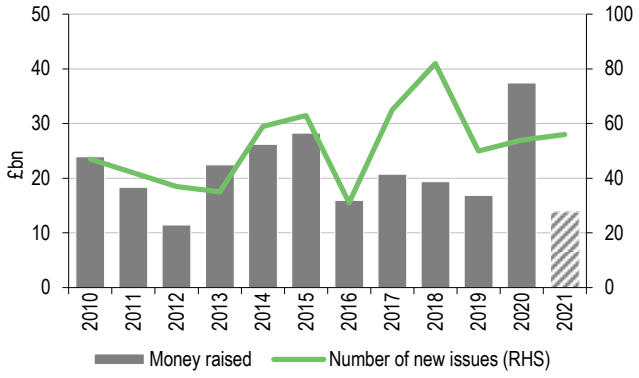


Source: London Stock Exchange (Main Market order book and AIM)

The next two charts look at trends in equity issuance on the London Stock Exchange Main and AIM markets. Both markets saw stronger activity in 2020, although this was more marked for the Main

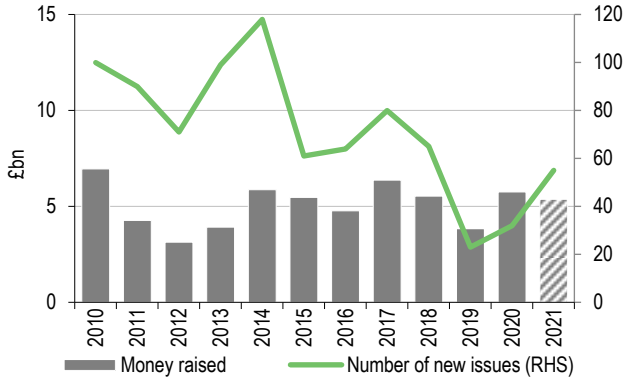
market, driven primarily by further issuance with IPO numbers restricted by the market background. Fundraising to support balance sheets played a prominent role after the onset of the pandemic but, starting in September 2020, there was a bounce back in new issuance and fund raising was directed more towards financing M&A and growth. For the eight months to end-August this year, the value of Main market total issuance was 23% lower than the same period in 2020, driven by lower further issuance compared with the very strong prior year period; in contrast, new issuance was up 89% from the subdued 2020 level. In the same period AIM recorded a 42% increase in total money raised including a near-sixfold increase in new issuance and a 19% rise in further issuance. The total raised in the first eight months of this year on AIM (£5.4bn) nearly matched the full-year total of £5.8bn for 2020.

Exhibit 11: Main Market money raised and new issues



Source: London Stock Exchange. Note: 2021 to end August

Exhibit 12: AIM money raised and new issues



Source: London Stock Exchange. Note: 2021 to end August

Since the half-year end, Cenkos report it has already carried out two IPOs and a further eight fundraisings, which it sees as demonstrating the strength of the business and its pipeline. While there can be no certainty over how long the current favourable market conditions will continue, the recent strength in small-cap and AIM stocks has created a positive environment for growth-focused corporate clients to raise capital.

To put the variability of corporate finance revenue into perspective it is useful to consider the recent history in terms of number of deals and the percentage of corporate clients carrying out transactions in a year. This is shown in Exhibit 13, where the number of transactions as a percentage of client numbers has averaged 30% over the period, ranging between 25% and 35%. The deal fee has averaged £0.86m over the period, with a high of £1.07m and low of £0.77m. The combined variation in transaction numbers and fee size produced a significant variation in corporate finance revenue between periods (a high of £44m in 2017 and a low of £17.4m in 2019). However, the table gives an indication that transactions continue through market cycles and that, providing Cenkos can maintain or increase its client count, it is likely to be able to achieve a certain level of transactions and revenue over a number of years.

Exhibit 13: Transactions per client and average deal fee since 2016

	2016	2017	2018	2019	2020	H121
Transactions per client (%)	31	35	28	25	31	32*
Number of transactions	36	41	32	25	29	16
Number of clients	116	117	116	100	94	100
Average deal fee (£m)	0.826	1.074	1.023	0.695	0.767	0.796

Source: Cenkos Securities, Edison Investment Research. Note: *Annualised.

On a longer view, Cenkos's focus on its goals and culture, attention to control of fixed costs, commitment to maintenance of a strong capital position and investment in staff and technology should help the business to grow through market cycles.

Sensitivities

Sensitivities for the business include changes in equity market conditions, the lumpy nature of corporate finance mandates, the loss of key staff, reputational risk, regulatory, conduct and financial risks. We comment briefly on four of these areas below.

- Market conditions fluctuate but, as noted previously, historically corporate finance activity levels have tended to fluctuate within a band and, with a client base of c 100 companies, there is a probability of a certain level of transactions over a number of years.
- In individual periods one or two clients have contributed more than 10% of turnover. For example, in H121 two clients contributed 32% of revenue and in FY20 two clients accounted for 26% of revenue. This reflects the episodic nature of corporate finance mandates and does not indicate reliance on particular clients over time.
- Loss of key staff could be damaging and Cenkos seeks to mitigate this risk by working to develop a culture of teamwork and integrity and offering remuneration incentives (including the CSOP and LTIP launched this year) designed to provide motivation and alignment with Cenkos's objectives.
- Reputational risk is significant for a stockbroking business and damage could be caused by any perception of financial, operational or regulatory shortcomings. Here, Cenkos's emphasis on creating the right culture, operation of a multi-disciplinary new business committee, care in recruitment, investment in systems and maintenance of a strong capital position are all important risk mitigants.

Financials

Given uncertainty over the incidence of corporate transaction fees, we are not publishing forecasts for Cenkos at this point. However, it is useful to highlight the potential impact of the reduction of fixed costs since 2019 and to bear in mind the average corporate finance activity levels we discussed in relation to Exhibit 13. First, looking at fixed costs, Cenkos indicates that non-corporate finance revenue accounted for 61% of fixed costs in H121, indicating a run rate for fixed costs of c £18m per year currently. If we ignore non-cash incentive plan payments (£0.6m H121, which we assume to continue at a similar or lower rate for the rest of this year and 2022) and restructuring costs (£0.5m H121 and unlikely to be recurring, given the company reports that its restructuring is complete) then revenue would have to fall towards £18m before a loss would be incurred. Alternatively, if we assumed a scenario in which Cenkos achieved its historical five-year average transaction rate of 30 deals at the H121 average fee rate of £0.796m, then total revenue might reach £34.4m and a return on equity of 15% could be earned (making assumptions about variable compensation and allowing for a 19% tax rate). Allowing for an assumed incentive plan charge of £1.2m would reduce the ROE to 12% in this scenario.

Looking at H121 cash flow, the operating cash flow before working capital movements was £3m compared with £2m in H120. Working capital movements were a negative £8.1m versus a £3m inflow (such movements between individual periods are not unusual for stockbroking firms reflecting timing of fees, bonus payments and movements in market-making positions). Tax and lease payments absorbed £0.9m while dividends and share buybacks accounted for a further £2.8m, giving a total cash outflow for the period of £8.8m and closing cash of £24m compared with £32.7m at the end of 2020 and £22.4m at end H120.

H121 net assets at £25.4m were maintained at very close to the year-end level with profits earned broadly balanced by share buybacks and dividends paid in the period.

As noted earlier, the regulatory capital resources surplus above the Pillar 1 requirement has increased from £14.5m at the end of 2020 to £17m underpinning the sustainability of the business and providing some headroom for selective investment.

Valuation

As we do not currently publish forecasts for Cenkos, we continue to focus our valuation discussion on where the valuation stands in terms of price to book ratio and the implied return on equity based on a ROE/COE model.

After a strong performance year-to-date (up by more than 50%), the shares trade on a price to book ratio of c 1.6x but this is still below the10-year average level of 2.1x (see Exhibit 14). To put this in context, Cenkos earned an ROE of 12% in H121 compared with five- and 10-year averages of 10% and 23% respectively. The 10-year average was augmented by a number of large transactions, which may not be repeated while regulatory costs and MiFID II effects have come into play subsequently. Positively, Cenkos has acted to control costs and is investing to support growth in the future, which should help support returns. Using a ROE/COE model with assumed long-term growth of 2% and discount rate of 10%, the share price at time of writing suggests the market is assuming a return on equity of nearly 15%. This is just below the underlying ROE of 15% calculated in the scenario discussed in the financials section (although above the 12% if we allow for a potential non-cash incentive plan charge).

Exhibit 14: 10-year price to book value history

Source: Refinitiv, Edison Investment Research

Exhibit 15: Financial summary

£000s	2015	2016	2017	2018	2019	2020
Year end 31 December						
PROFIT & LOSS						
Revenue	76,513	43,743	59,504	44,953	25,916	31,654
Other income/expense						259
Administration expenses (ex depreciation)	(56,510)	(38,581)	(49,286)	(41,567)	(24,902)	(28,823)
EBITDA	20,003	5,162	10,218	3,386	1,014	3,090
Depreciation	(241)	(182)	(242)	(247)	(899)	(691)
Operating profit	19,762	4,980	9,976	3,139	115	2,399
Investment revenues	134	83	23	103	30	(146)
Profit before tax	19,896	5,063	9,999	3,242	145	2,253
Tax	(4,525)	(1,858)	(1,815)	(805)	(101)	(449)
Profit after tax, continuing operations	15,371	3,205	8,184	2,437	44	1,804
Discontinued operations	0	(661)	(973)	0	0	0
Profit after tax	15,371	2,544	7,211	2,437	44	1,804
Average number of shares outstanding (m)	56.5	54.7	54.7	51.8	51.2	49.2
EPS continuing operations (p)	27.2	5.9	15.0	4.4	0.1	3.7
Fully diluted EPS (p)	26.8	4.6	13.2	4.4	0.1	3.3
Dividend per share (p)	14.00	6.00	9.00	4.50	3.00	3.50
NAV per share (p)	53.0	49.8	56.2	54.0	49.4	54.0
ROE (%)	43%	10%	25%	9%	0%	7%
Cost/income ratio	74.2%	88.6%	83.2%	93.0%	99.6%	93.2%
Staff costs/Revenue	60.1%	68.3%	63.7%	64.4%	63.6%	71.4%
BALANCE SHEET						
Non-current assets	1,626	625	1,263	1,179	5,611	5,202
Property, plant and equipment	296	389	525	558	517	382
Other non-current assets	1,330	236	738	621	5,094	4,820
Current assets	64,725	62,692	68,492	65,333	40,821	51,040
Other current assets inc Investments - long positions	12,706	13,811	10,615	12,648	8,973	5,312
Cash	33,106	23,795	36,829	33,635	18,333	32,735
Debtors and other	18,913	25,086	21,048	19,050	13,515	12,993
Current liabilities	(37,432)	(35,254)	(39,641)	(38,658)	(16,555)	(25,531)
Other current liabilities inc short positions	(2,551)	(2,694)	(3,341)	(6,018)	(1,840)	(1,011)
Other current liabilities	(34,881)	(32,560)	(36,300)	(32,640)	(14,715)	(24,520)
Non-current liabilities	(351)	(880)	(366)	(263)	(5,219)	(5,086)
Net assets	28,568	27,183	29,748	27,591	24,658	25,625
CASH FLOW						
Operating cash flow	15,538	(465)	6,917	3,168	(1,818)	5,474
Working capital and other items	16,184	(1,387)	13,490	1,558	(9,051)	11,636
Tax paid	(5,049)	(2,533)	(1,334)	(1,664)	(351)	(99)
Net cash from operating items	26,673	(4,385)	19,073	3,062	(11,220)	17,011
Fixed asset investment	(174)	(272)	(378)	(280)	(197)	(41)
Acquisitions/disposals	0	0	0	0	(140)	0
Other investing activities	191	93	23	90	90	24
Share (purchase)/issuance	(16,823)	(438)	(549)	(2,353)	(1,277)	(1,960)
Ordinary dividends	(9,740)	(4,367)	(5,201)	(3,573)	(2,485)	(1,027)
Other financing	47	58	66	62	(73)	395
Net cash flow	174	(9,311)	13,034	(2,992)	(15,302)	14,402
Opening net (debt)/cash	32,932	33,106	23,795	36,627	33,635	18,333
Closing net (debt)/cash	33,106	23,795	36,829*	33,635	18,333	32,735

Source: Cenkos Securities, Edison Investment Research. Note: *A change in accounting policy relating to EBT and SIP in 2019 was applied retrospectively to 2018 and results in a small mismatch between closing net cash in 2017 and opening net cash in 2018.

Contact details	Revenue by geography
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Management team

Non-executive chairman: Lisa Gordon

Lisa Gordon was appointed as a non-executive director and chairman in June 2020. With more than 25 years of executive and non-executive board experience she is also a non-executive director at AIM-listed Alpha FX, at M&C Saatchi and Magic Light Pictures. Previously she was a founding director of Local World, COO at Yattendon, a private conglomerate, and director of corporate development at Chrysalis. Her early career was as an investment analyst at County NatWest Securities.

Chief executive: Julian Morse

Appointed as an executive director in May 2020 and as CEO in May 2021, Julian Morse was head of the growth companies team from 2016 and is one of the founding members of the team, having joined in 2006. Previously a director at Beeson Gregory and Evolution Securities, Morse has over 25 years' experience in the City, where he has advised and raised equity in IPOs and secondary issues for a wide range of companies across many sectors.

Executive director: Jeremy Osler

Jeremy Osler was appointed as an executive director in May 2021. He is co-head of corporate finance and acts as general counsel. Osler joined Cenkos in 2016 and has over 20 years of experience in corporate finance in many sectors including both equity capital markets and M&A advisory with roles at J. P. Morgan, Hannam and Partners and as a corporate lawyer at Ashurst.

Non-executive director: Andrew Boorman

Andrew Boorman was appointed as a non-executive director in November 2017. From 2013 he acted as a consultant adviser to the boards of a number of financial services businesses with an emphasis on strategic human resource issues including governance, risk management and remuneration. Previously he held a number of senior roles at Henderson Group over 10 years including MD corporate services and group HR director.

Non-executive director: Jeremy Miller

Jeremy Miller was appointed to the board as a non-executive director in July 2019. With 30 years' experience in investment banking he has held senior roles at Centerview Partners, Simon Robertson Associates, Dresdner Kleinwort Wasserstein and James Capel. A qualified chartered accountant, he has been seconded to The Takeover Panel. Previously a non-executive director at Countryside Properties, he is chairman of The National Merchant Buying Society, one of the UK's largest co-operative societies.

Principal shareholders	(%)
Cannacord Genuity Group Inc.	10.0
Andrew Stewart	9.0
Jim Durkin	8.4
Interactive Investor	6.3
Premier Miton	4.5
Hargreaves Lansdown	4.3

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