EDISON

Numis Corporation

H122 results and outlook

Building a more diversified investment bank

Financial services

The challenging market background in Q222 put a brake on capital markets transactions and significantly affected Numis's first half results but also highlighted the benefits of the group's investment in developing a more diverse service offering. Private markets revenues held up well and the mergers and acquisitions (M&A) and debt advisory areas continued to make progress. The balance sheet remains strong and the group continues to focus on developing its franchise, including an increasing contribution from international transactions.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/19	111.6	12.4	8.1	12.0	28.9	5.1
09/20	154.9	37.1	26.7	12.0	8.8	5.1
09/21	215.6	74.2	49.1	13.5	4.8	5.7
09/22e	145.8	25.1	23.5	14.0	10.0	6.0

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

H122 results

In line with its H122 update at the beginning of April, the group reported first half revenue of £74.2m, 36% below the high level seen in H121. The outcome would have been weaker but for Numis's own investment in staff in the advisory and private markets (Growth Capital Solutions) parts of the business. Advisory revenues were up 39% y-o-y and Growth Capital Solutions achieved revenue close to the prior year period. Operational gearing left pre-tax profit 66% lower at £13.4m. After a one-off tax adjustment resulting in a credit in the period, diluted EPS was 14.6p (down 43%). Following the rebasing of the dividend for FY21 (to 13.5p) the interim is increased to 6.0p (5.5p). Period-end cash stood at £111.5m (£97.6m H121).

Near-term outlook uncertain but strategy consistent

Looking ahead, Numis indicated that April revenue was marginally ahead of the H122 run-rate. Capital markets activity has recovered to some extent from a very low level in Q222 while the advisory area remains strong and the M&A pipeline has continued to grow, with some transactions already announced and due to complete shortly. The group prudently notes that investor confidence is fragile and the outlook for capital markets is difficult to predict. The group remains committed to its strategy of developing its client base through quality of service, expanding into complementary product areas and extending its reach beyond its core UK market.

Valuation

Numis shares have underperformed the peers year-to-date and trade on a prospective P/E of c 10x and offer a yield of 5.7%. The price to book ratio of 1.4x compares with a 10-year average of 2.1x. A return on equity over cost of equity (ROE/COE) model suggests the current share price implies an ROE of 12.4% compared with the 18% 10-year average and our 14% forecast for FY22, a year with a relatively challenging market environment.

10 May 2022

Price	**235p**
Market cap	**£258m**

Net cash (£m) at 31 March 2022	111.5
Shares in issue	114.4m
Free float	75%
Code	NUM
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(7.8)	(18.7)	(42.2)
Rel (local)	(1.6)	(12.7)	(41.1)
52-week high/low		394p	230p

Business description

Numis Corporation 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. At the end of March 2022, it employed 325 staff in offices in London, Dublin and New York and had 183 corporate clients.

Next events

Q322 update	July 2022 est

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Edison profile page

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Investment summary

Numis originally established itself as a small/mid-cap stockbroker in the UK but has grown to become a leading UK investment bank offering a range of services to companies at various stages in their development. Under the current co-CEOs, Alex Ham and Ross Mitchinson, the group has invested in staff, systems and office accommodation to support a growing client base. Complementary services have been expanded including Growth Capital Solutions for private companies and M&A and debt advisory. Numis has increasingly been carrying out equity capital markets transactions for non-UK companies and the expected regulatory approval of its new Dublin office in H222 should contribute to the internationalisation of the business.

Revenues have grown with the number and size of Numis's retained corporate clients (183 at end H122). Transaction fees and other elements of revenue are sensitive to the market background, as illustrated by the reduction in H122 revenue and profitability. However, Numis has built its franchise through changing market environments and has achieved a 10-year average ROE of 18%. Financial strength is important in enabling the business to weather market downturns while continuing to service clients and develop its capabilities. The group has maintained headroom above regulatory capital requirements and at the half-year end had cash and cash equivalents of £111.5m. Numis also has a £17.6m portfolio of investments in companies, which is increasingly aligned with its private markets business and moving towards larger, later-stage growth companies.

As noted, the current valuation in terms of price to book is comfortably below the 10-year average (at 1.4x versus 2.1x) while a ROE/COE model suggests the market is assuming a 12.4% ROE, which appears cautious in the context of an 18% 10-year average and our estimate of 14% for the current year.

A leading investment bank looking beyond the UK

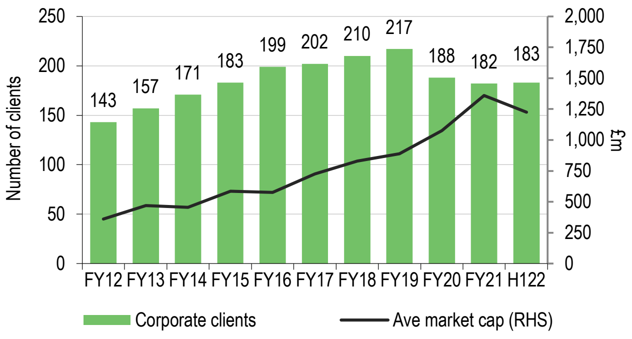
Numis was founded in the late 1980s and listed on AIM in 1996. It has grown to become a leading UK investment banking group and is increasingly looking to extend its geographical reach. The current co-CEOs, Alex Ham and Ross Mitchinson, joined the company in 2005 and 2008 respectively and assumed their roles in September 2016.

A developing range of investment banking capabilities

In addition to strengthening its traditional UK corporate broking, equity capital market, sales, research and trading services through recruitment and IT infrastructure, Numis has, over time, invested in developing M&A advisory, debt advisory and private markets capabilities, enabling it to assist companies across a wider range of situations. This has supported client service, contributing to longer-term growth in the business. While the UK is Numis's core market, it is carrying out an increasing number of transactions for non-UK corporates and expects regulatory approval for its Dublin office in H222. This would not only enable it to provide trading and research services to European Union (EU) institutional investors but is also intended to help it attract EU capital markets transactions and extend the geographical reach of Growth Capital Solutions.

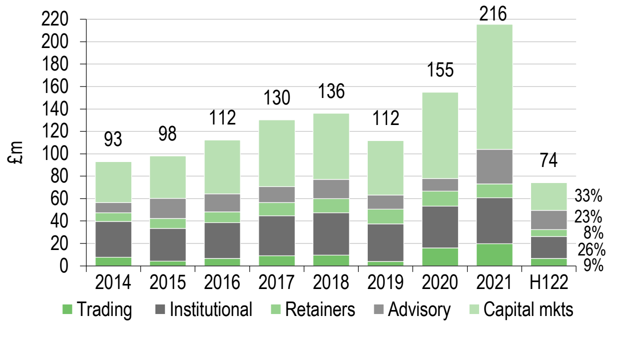
Until 2020 development of the corporate franchise was clearly evident in the increase in the number of retained corporate clients (Exhibit 1). A large part of the reduction in the client count seen in 2020 resulted from the group's decision to withdraw from the natural resources sector and the associated resignation from 18 brokerships. Numis is committed to building a high-quality client list. While this is reflected to some extent in the long-term increase in the average market capitalisation of clients, the aim is to sign up companies of all sizes, public and private, which are ambitious and for which Numis believes it can add value through its services.

Exhibit 1: Corporate client numbers and market cap



Source: Numis, Edison Investment Research

Exhibit 2: Revenue progression (year to 30 September)



Source: Numis, Edison Investment Research

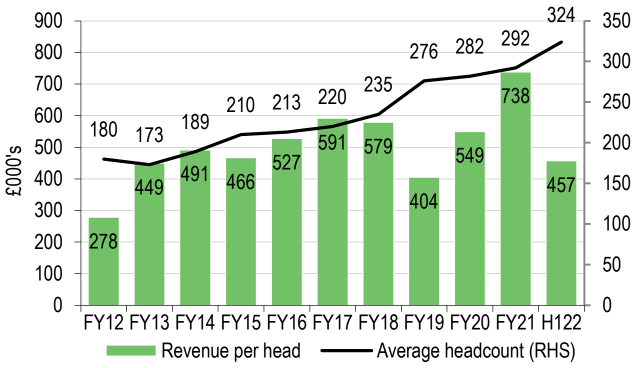
Growth through market fluctuations

Between 2008 and 2012, in the wake of the global financial crisis, Numis's revenue was relatively stable within a range between £48m and £54m and it was in 2013 that revenue stepped up to £78m, driven by growth in capital markets. Subsequent growth, shown in Exhibit 2, was also to a large extent attributable to the development of the capital markets business (supported by the Equities activities) with its contribution to revenues expanding from 39% to 52% between FY14 and FY21. Reflecting the dependence of transactions on the market environment, the progress of capital markets revenues has not been uninterrupted, with FY19 and H122 showing material reductions as a more difficult background put a brake on activity. The downturn in H122 reduced the capital markets revenue contribution to 33%. Over the period shown, institutional revenue was restrained by downward pressure on commission rates that was only intensified by the implementation of MiFID II in January 2018. As a result, institutional revenue fell as a proportion of group revenue from 34% to 19% in FY21 before increasing to 26% in H122. Corporate retainers provide a resilient source of annual fees and have grown with the client base, accounting for 8% of revenue in H122. Unsurprisingly, trading income has fluctuated but has contributed positively in each year and on average it contributed 7% of group revenue. Finally, advisory has also recorded fluctuations in its revenue and percentage contribution, reflecting changes in the M&A environment with a revival in activity in the latest period, but has increased its contribution even when capital markets performed strongly and, with muted capital markets activity in H122, its contribution rose to 23% of total revenue.

Investment in staff and cost control

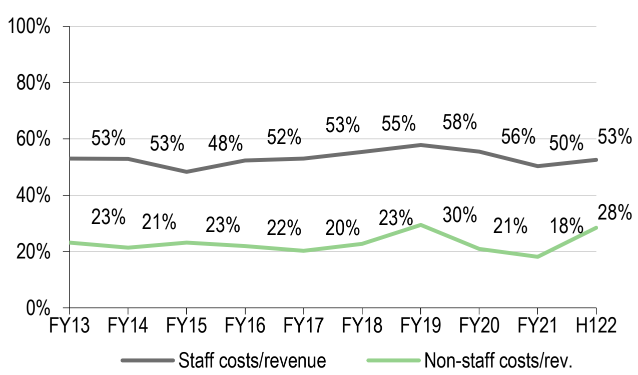
The largest element of cost for the business is staff remuneration and Exhibit 3 shows the growth in average headcount that has accompanied the development of the business illustrated in Exhibits 1 and 2. Notable here is the step up in staff numbers in FY19 as the group invested to support client service and future growth following sustained expansion of the client base. This resulted in a marked reduction in revenue per head as it coincided with a year of lower revenues; subsequently this measure recovered sharply, to £738,000 in FY21, before falling again in H122. For most of the period since 2013 the compensation ratio (Exhibit 4) has remained close to the average value of 53%, reflecting flexing in the level of variable compensation in line with pre-bonus profits. Non-staff costs increased at an annual compound rate of 10.6% between 2013 and H122, increasing noticeably in FY21 and H122 as occupancy costs rose with the new London office and non-compensation costs related to the increase in the number of staff. Variations in revenue have meant that the overall cost/income ratio has ranged between 89% in 2019 and 66% in FY21 with an average of 75% over the period shown in Exhibit 4. This gave an operating profit margin of between 13% (FY19) and 31% (FY21) for the period shown (average 24%).

Exhibit 3: Headcount and revenue per head



Source: Numis

Exhibit 4: Staff and non-staff cost ratios



Source: Numis, Edison Investment Research

Strategy

The group aims to position itself to serve its clients with a range of services as they develop. It sees the trend for companies to stay private for longer and the increasing role of tech-enabled companies across market sectors as structural changes that will endure. In tune with this, Numis sees further significant growth potential for M&A services, to address client needs as they grow, and for Growth Capital Solutions, which serves private markets and seeks to align itself with growing tech-enabled companies. More recently the group's growing reputation has enabled the development of its international equity capital markets activity. Management has identified five strategic pillars that, if executed successfully, should secure sustainable growth (subject to market cycles), profitability and attractive shareholder returns.

1. **Build the size and quality of the corporate franchise**. Here the aim is to grow the corporate client base across the market capitalisation spectrum focusing on ambitious, high-quality companies.
2. **Become the leading UK equities platform**, with the intention to grow market share in UK equities and UK equity capital markets.
3. **Diversify into new, complementary products and services**. Objectives include increasing advisory revenues, further developing its position in private markets and targeting non-UK revenue opportunities.
4. **Maintain operating and capital discipline**. As shown above, the compensation ratio has been managed through market fluctuations. The group continues to maintain prudent liquidity and capital positions.
5. **Deliver shareholder returns**. Revenue growth and greater diversity of income, together with the group's commitment to use share buybacks to control the share count, should contribute to growth and reduced volatility in EPS through the market cycle.

H122 results

Exhibit 5 provides a profit and loss analysis with figures for the last three half-year periods; in our discussion, unless stated, comparisons are between H122 and H121.

H122 revenue of £74.2m, was 36% below the high level seen in H121. The sharpest decline was in Investment Banking which was down 41%, mainly driven by capital markets. On the Equities side of the business revenues were down 22%. Other operating income, from the investment portfolio, was modestly positive at £0.4m, with negative market valuation changes offsetting most of the gains made from the sale of the Oxford Nanopore Technologies stake and one other holding. The proceeds were partly reinvested in two other companies and the portfolio value stood at £17.6m at the end of March.

Staff costs were 36% lower, reflecting a reduction in variable compensation linked to the reduction in revenue levels. The average number of staff was 13% higher at 324 as the group has continued to invest in selective hiring to further its diversification strategy and to add junior staff to support and build capabilities for the future. The non-staff cost increase of 35% was mainly driven by occupancy costs relating to the new London office, together with costs associated with the opening of the Dublin office (it is expected to receive regulatory approval and start trading in the second half).

Operational gearing left pre-tax profit 66% lower at £13.4m. After a one-off tax adjustment resulting in a credit in the period, diluted EPS was 14.6p (down 43%). Following the rebasing of the dividend for FY21 (to 13.5p) the interim is increased to 6.0p (5.5p).

Exhibit 5: Profit and loss analysis

£m unless stated	H121	H221	H122	% change y-o-y
Net trading gains	11.5	8.2	6.5	(43.7)
Institutional income	21.9	19.1	19.6	(10.3)
Equities	**33.4**	**27.3**	**26.1**	**(21.8)**
Corporate retainers	6.3	6.2	6.1	(2.9)
Advisory	12.4	18.5	17.2	38.8
Capital markets	63.3	48.2	24.7	(61.0)
Investment banking	**82.0**	**72.8**	**48.0**	**(41.4)**
Total revenue	**115.4**	**100.2**	**74.2**	**(35.8)**
Other operating income	2.0	6.7	0.4	(77.6)
Total income	**117.4**	**106.9**	**74.6**	**(36.5)**
Staff costs	(61.0)	(47.6)	(39.0)	(36.0)
Non-staff costs	(15.7)	(23.6)	(21.1)	34.9
Total administrative expenses	**(76.7)**	**(71.2)**	**(60.1)**	**(21.5)**
Operating profit / loss	**40.7**	**35.7**	**14.4**	**(64.5)**
Finance income/expense	(1.4)	(0.9)	(1.0)	(27.9)
Pre-tax profit	**39.3**	**34.8**	**13.4**	**(65.9)**
Tax	(9.5)	(6.8)	3.4	(135.2)
Effective tax rate (%)	24.3	19.4	(25.0)	
Attributable profit	**29.8**	**28.1**	**16.8**	**(43.6)**
Diluted EPS (p)	**25.7**	**23.5**	**14.6**	**(43.1)**
Dividend (p)	5.5	8.0	6.0	9.1
Operating profit before other income	38.8	28.9	14.0	(63.9)
Operating margin before other income (%)	33.6	28.9	18.9	

Source: Numis, Edison Investment Research

Looking more closely at the revenue analysis, **net trading gains**, down 44%, were affected by the increase in volatility in Q222 following the start of the war in Ukraine. Numis indicates that subsequent performance has been more in line with prior year levels. In the circumstances, **institutional income** held up well with a reduction of 10% compared with a strong period in H121 and was slightly up on H221. Revenue for the electronic trading product launched two years ago is not broken out separately but is reported to have reached a record in the period with new clients continuing to be added.

Within Investment Banking, the **capital markets** activity was down 61% as investor caution increased in Q222 with concerns over inflation, interest rates and the war in Ukraine leading to exceptionally low IPO and equity capital market activity. An absence of large equity capital market transactions was evident in a lower average transaction fee (expected to reverse once activity recovers). The outcome would have been weaker but for the Growth Capital Solutions business, which achieved revenue close to the prior year period, and the debt advisory product, which recorded record revenue since its launch three years ago. Resilient M&A activity and Numis's investment in staff allowed **advisory** revenue to increase by 39% y-o-y (down just 7% on a record

H221). All advisory fees in the period were from the retained corporate broking client list, reinforcing the importance of the client relationships built over time (in FY21 58% of these relationships had been in place for over five years). **Corporate retainer** income remained a small but stable contributor to Investment Banking revenue.

Exhibit 6 collates selected transactions carried out by Numis so far in FY22. The list includes examples of private markets transactions, debt advisory mandates and Numis's role in its first US IPO, Nubank (Nu Holdings).

Exhibit 6: Numis – selected transactions since end FY21

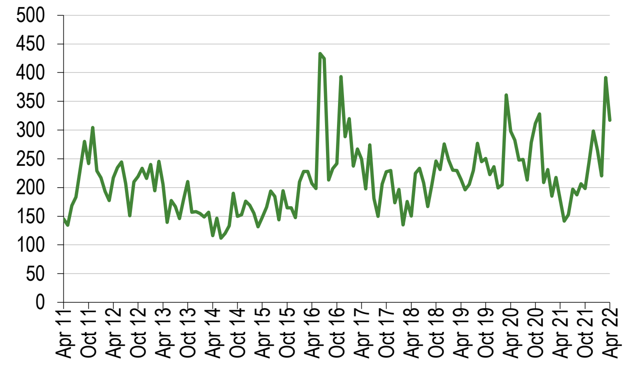
Company	Date	Role	Transaction	Money raised/ value (£m)
Synthomer	Oct-21	Joint bookrunner	Placing	205
Arrow Global	Oct-21	Joint financial adviser and joint broker	M&A	563
Oxford Nanopore	Oct-21	Joint bookrunner	IPO	603
Eurowag	Oct-21	Joint bookrunner	IPO	c 1,000
XPS Pensions	Nov-21	Debt adviser	Refinancing	100
Truecaller	Nov-21	Joint bookrunner	IPO (Nasdaq Stockholm)	1,630
Hyve	Nov-21	Sole bookrunner and debt adviser	Placing	29
Ashtead Technology	Nov-21	Sole bookrunner and nomad	IPO	129
Stock Spirits	Nov-21	Joint financial adviser	M&A	767
Synthomer	Nov-21	Joint bookrunner	Placing	205
PodPoint	Nov-21	Joint bookrunner	IPO	352
JTC	Nov-21	Joint bookrunner and broker	Placing	79
Hostmore	Nov-21	Joint financial adviser and sole sponsor	M&A	N/A
Benchmark Holdings	Nov-21	Sole bookrunner	Placing	21
Clinigen	Dec-21	Financial adviser, corporate broker and nomad	M&A	1,200
Ideagen	Dec-21	Joint bookrunner	Placing	104
Nu (Nubank)	Dec-21	Adviser	IPO (NYSE)	37,847
Hilton Food	Dec-21	Sole bookrunner	Placing	75
Chrysalis Investments	Jan-22	Joint bookrunner	Fundraise	60
TravelPerk	Jan-22	Financial adviser	Fundraise (private markets)	84
Flipdish	Jan-22	Financial adviser	Fundraise (private markets)	73
Georgia Capital	Jan-22	Sponsor and financial adviser	M&A	131
Microfocus	Jan-22	Debt and ratings adviser	Term loan issuance & RCF	1,365
Hilton Food	Jan-22	Debt adviser	Refinancing	420
Diploma	Feb-22	Debt adviser	Refinancing	422
Next15	Mar-22	Joint bookrunner, Nomad and joint broker	Placing	50
Tyman	Mar-22	Debt adviser	Placing	60
Clipper Logistics	Mar-22	Sole financial adviser and corporate broker	M&A	c 1,000
VinaCapital	Mar-22	Debt adviser	Revolving credit facility	32

Source: Numis, Edison Investment Research

Background and outlook

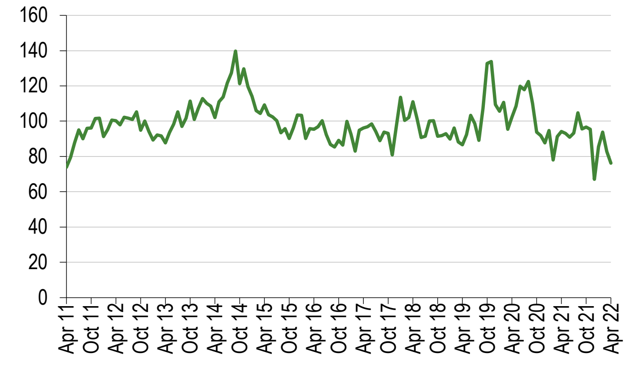
In this section we briefly review the background and outlook for Numis's activities and start with the Economic Policy Uncertainty Index (Exhibit 7) as an indicator of the environment for investor and corporate decision-making. The index component selected here reflects daily newspaper coverage related to economic uncertainty. This highlights the spikes in uncertainty around the UK EU membership referendum in June 2016, the onset of the pandemic in the first half of 2020 and most recently, the start of the war in Ukraine. On this measure uncertainty remains high and, as noted before, in addition to the risks raised by the war in Ukraine there are concerns over the implications of rising inflation and interest rates. The State Street Investor Confidence Index (Exhibit 8), which tracks institution investor allocations between more or less risky assets, mirrors the recent increase in uncertainty with a downward move on the most recent reading (for April).

Exhibit 7: Economic Policy Uncertainty Index (Europe)



Source: Measuring Economic Policy Uncertainty by Scott Baker, Nicholas Bloom and Steven J. Davis at www.policyuncertainty.com (CC BY 4.0)

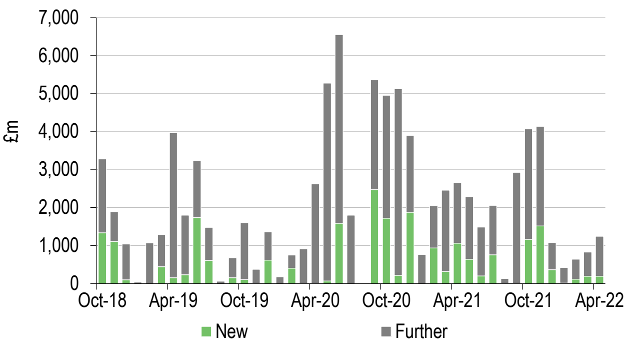
Exhibit 8: State Street Investor Confidence Index



Source: State Street (Europe index)

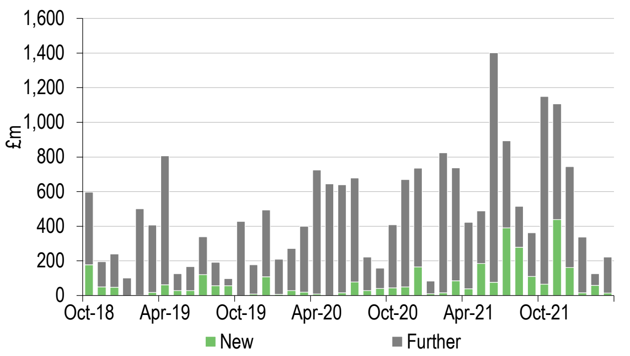
The next two charts show how the first quarter of Numis's current financial year, starting in October 2021, saw generally high levels of activity in both the Main Market and AIM with a mixture of new and further issuance. This was followed by a very quiet period in Numis's Q222. Taking the Main market, new and further issuance was £1.9bn in Q2 compared with £9.3bn in Q1.

Exhibit 9: LSE Main Market issuance (money raised)



Source: London Stock Exchange (last data April)

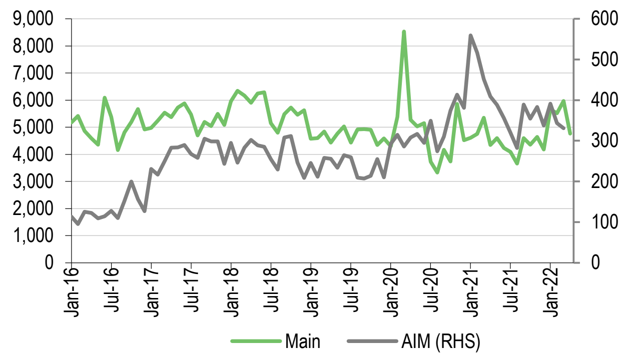
Exhibit 10: LSE AIM issuance (money raised)



Source: London Stock Exchange (last data March)

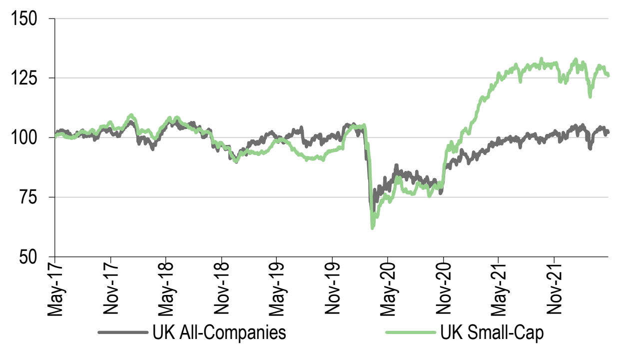
Trading activity (Exhibit 11) previously peaked with the onset of the pandemic in March 2020 (Main Market) and subsequently on AIM when there was a rotation into higher risk/small-cap stocks. That rotation is also evident in the relative performance of the CBOE All-Companies and Small-Cap indices. Most recently Main Market trading has increased, to a lesser extent, with heightened volatility. The equity indices (Exhibit 12) dipped as an immediate reaction to the attack on Ukraine but have subsequently recovered most of the initial fall. Further volatility seems quite likely given the uncertain duration and outcome of the conflict and broader macroeconomic concerns.

Exhibit 11: LSE average daily value traded (£m)



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

Exhibit 12: UK equity indices



Source: Refinitiv, CBOE indices

As noted on the front page, Numis has reported that its April revenue was marginally ahead of the H122 run-rate. Capital markets activity has recovered to some extent from a very low level in Q222, while the advisory area remains strong and the M&A pipeline has continued to grow with some transactions already announced and due to complete shortly. The group prudently notes that investor confidence is fragile and that the outlook for capital markets is difficult to predict. Given the combination of geopolitical and economic concerns it is difficult to see a rapid rebuilding of confidence, but market participants are familiar with unpredictable market fluctuations; Numis's consistent effort to develop and broaden its franchise through market cycles seems a rational response to this uncertainty.

Financials

Exhibit 13 shows a segmental analysis of our revenue assumptions for H222 and FY22 with full-year comparatives for FY19 to FY21. The considerable uncertainty over revenues in any particular period should be borne in mind when viewing the estimates. Within Equities we have assumed a modestly improved outcome for trading income given the recovery reported following the volatility affected Q222. For institutional income our second half estimate is similar to the first half. In due course the opening of the Dublin office should help rebuild European business but any benefit in the second half of this year is likely to be limited. For Investment Banking we assume capital markets will continue to see some improvement from Q222, but this may be muted leaving second half revenue below the first half. In contrast, reflecting Numis's commentary we assume that advisory revenue will be stronger again in H222; this will depend on execution of the existing pipeline and a continued flow of transactions.

Exhibit 13: Revenue analysis

£000s	2019	2020	2021	H122	H222e	2022e
Net trading gains	4,008	16,003	19,754	6,478	7,000	13,478
Institutional income	33,317	37,192	40,957	19,633	19,000	38,633
Equities	**37,325**	**53,195**	**60,711**	**26,111**	**26,000**	**52,111**
Corporate retainers	13,357	13,536	12,471	6,111	6,180	12,291
Advisory	12,576	11,146	30,884	17,246	18,500	35,746
Capital markets	48,352	77,022	111,516	24,685	21,000	45,685
Investment banking	**74,285**	**101,704**	**154,871**	**48,042**	**45,680**	**93,722**
Total revenue	**111,610**	**154,899**	**215,582**	**74,153**	**71,680**	**145,833**

Source: Company data, 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 17). Our revenue and profit estimates are little changed while the EPS estimate only changes because of the one-off tax credit seen in H122.

Exhibit 14: Estimate changes

	Revenue (£m)			PBT (£m)			Fully diluted EPS (p)			DPS (p)		
	Old	New	Change	Old	New	Change	Old	New	Change	Old	New	Change
09/22e	147.5	145.8	-1.1%	25.1	25.1	0.0%	17.2	23.5	36.7%	13.5	14.0	3.7%

Source: Edison Investment Research

As an indication of the sensitivity of profitability, taking into account variable compensation and holding other assumptions in our model stable, a £10m change in our revenue assumption would move pre-tax profit by £3–5m. On another calculation we estimate that even if revenue fell to around £110m, the business would still break even while maintaining its capabilities to service clients and execute transactions when market conditions improved. We note that since revenue was last at that level, in FY19, the head count has risen by 17% to 325 at end H122 and the group has a new London office.

At the end of the period cash stood at £111.5m versus £97.6m at end H121 and £134.1m at the end of FY21. The £22.9m cash outflow in the first half reflected an operating cash inflow of £16.6m before a negative working movement of £22.8m (mainly reflecting payment of FY21 variable compensation). Net of this, the operating cash outflow of £6.2m was comparable with the £5.9m reported for H121. Dividend payments were £8.9m and share repurchases totalled £6.5m. Following completion of the move into the new London office, capital spending was at a more normal rate of £0.9m (compared with £8.9m for FY21 as a whole). Lease payments and other items accounted for the remaining net £0.4m outflow.

Numis confirms that it continues to operate with capital significantly in excess of its regulatory requirements. A new regulatory capital regime applied from January 2022 and Numis indicates that its Pillar 1 requirement is lower under this regime but it is still awaiting the FCA's determination of its overall regulatory requirements and in the meantime the regulatory requirement is unchanged.

Valuation

We start with a peer comparison table showing UK investment banks/brokers and US and European investment banks and advisory firms. Comparisons are qualified by the differences between the activities of the companies, the patchy availability of consensus estimates for the UK companies and inconsistent year ends. Nevertheless, we note that Numis offers a yield of 5.6%, its P/E ratios are similar to those of the US investment banks and its ROE is just above the UK average.

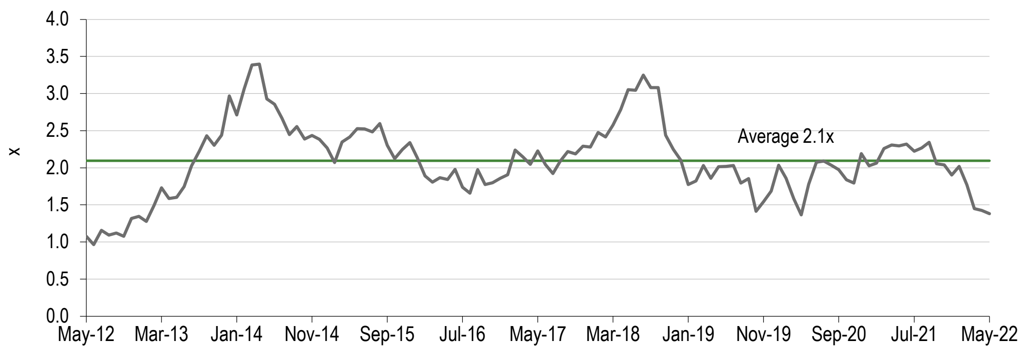
Exhibit 15: Peer comparison

	Price (local)	Market cap (£m)	Last reported P/E (x)	Current P/E (x)	Yield (%)	ROE (%)	Price to book (x)
UK brokers							
Numis	235	257	4.8	10.0	5.7	17.8	1.4
Cenkos	69	39	11.4	N/A	6.2	13.0	1.3
FinnCap	25	45	5.4	5.7	6.1	31.0	1.5
WH Ireland	42	26	11.2	N/A	0.0	7.6	1.7
UK peer average			**9.3**	**5.7**	**4.1**	**17.2**	**1.5**
US, European IB and advisory							
Bank of America	37.5	301,730	10.5	11.2	2.1	12.2	1.1
Evercore	110.6	4,782	6.3	8.7	2.4	66.1	3.2
Goldman Sachs	313.0	107,485	5.3	8.2	2.1	23.0	1.1
Greenhill	12.4	226	7.2	11.4	1.6	N/A	N/A
Jefferies Financial	32.1	7,686	5.2	8.4	2.5	N/A	0.7
JP Morgan	123.7	363,372	8.1	11.2	3.0	19.0	1.4
Moelis	42.7	2,967	7.9	11.6	4.0	N/A	5.5
Morgan Stanley	84.2	147,342	10.5	11.3	2.5	15.0	1.5
PJT Partners	66.8	2,397	15.0	13.8	0.3	137.2	13.6
Stifel Financial	62.7	6,678	8.9	8.8	1.0	18.1	1.5
Credit Suisse	6.6	17,622	N/A	9.3	1.5	N/A	0.4
Deutsche Bank	9.3	19,232	6.8	6.1	2.1	5.2	0.3
UBS	17.1	63,286	8.3	7.5	2.9	12.4	1.0
US, European IB and advisory average			**8.4**	**9.9**	**2.1**	**34.2**	**2.6**

Source: Refinitiv. Note: Priced at 9 May 2022; P/Es are for financial years therefore not all same period end.

The chart below shows a 10-year history of the price to book ratio for Numis. The current value is 1.4x, compared with the 10-year average of 2.1x. Using a ROE/COE model to infer the ROE required to match the share price at the time of writing (235p) gives a value of 12.4%. This compares with the five-year historical average of 21% and our estimate for the current year of 14%. Arguably, this suggests the market is taking a cautious view of both the short and longer-term outlook for the business despite the progress Numis has made in growing and broadening its franchise in recent years.

Exhibit 16: 10-year history of the price to book value ratio for Numis

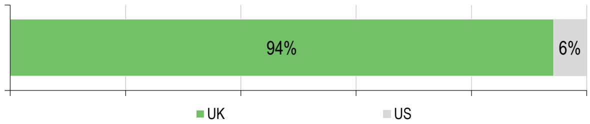


Source: Refinitiv, Edison Investment Research

Exhibit 17: Financial summary

£'000s	2016	2017	2018	2019	2020	2021	2022e
Year end 30 September							
PROFIT & LOSS							
Revenue	112,335	130,095	136,047	111,610	154,899	215,582	145,833
Administrative expenses (excl. amortisation and depreciation)	(76,120)	(83,626)	(94,603)	(85,432)	(105,327)	(133,651)	(107,801)
Share based payment	(6,229)	(10,454)	(10,583)	(10,914)	(9,961)	(9,634)	(6,525)
EBITDA	**29,986**	**36,015**	**30,861**	**15,264**	**39,611**	**72,297**	**31,507**
Depreciation	(1,126)	(1,226)	(1,113)	(1,124)	(3,016)	(4,416)	(4,566)
Amortisation	(125)	(89)	(49)	(44)	(105)	(158)	(258)
Operating Profit	**28,735**	**34,700**	**29,699**	**14,096**	**36,490**	**67,723**	**26,683**
Net finance income	37	188	212	550	263	(2,288)	(2,051)
Non recurring items	0	0	0	0	0	0	0
Other operating income	3,759	3,431	1,733	(2,210)	310	8,715	442
Profit before tax	**32,531**	**38,319**	**31,644**	**12,436**	**37,063**	**74,150**	**25,074**
Tax	(6,132)	(7,942)	(4,967)	(3,110)	(5,713)	(16,303)	1,504
Profit after tax (FRS 3)	**26,399**	**30,377**	**26,677**	**9,326**	**31,350**	**57,847**	**26,578**
Average diluted number of shares outstanding (m)	118.0	117.2	115.8	114.9	117.3	117.7	113.3
EPS - basic (p)	23.5	27.4	25.1	8.8	29.9	54.2	24.2
EPS - diluted (p)	**22.4**	**25.9**	**23.0**	**8.1**	**26.7**	**49.1**	**23.5**
Dividend per share (p)	12.00	12.00	12.00	12.00	12.00	13.50	14.00
NAV per share (p)	113.5	125.0	135.0	131.3	149.8	168.3	173.7
ROE (%)	22%	23%	19%	6.6%	21.2%	33.6%	14.2%
EBITDA margin (%)	26.7%	27.7%	22.7%	13.7%	25.6%	33.5%	21.6%
Operating margin (%)	25.6%	26.7%	21.8%	12.6%	23.6%	31.4%	18.3%
BALANCE SHEET							
Fixed assets	5,522	6,147	8,215	6,832	12,639	52,641	47,984
Current assets	312,462	407,850	533,033	326,641	509,034	683,319	482,072
Total assets	317,984	413,997	541,248	333,473	521,673	735,960	530,056
Current liabilities	(188,895)	(280,371)	(398,112)	(195,319)	(361,397)	(509,654)	(303,151)
Long term liabilities	(12)	0	0	0	(2,643)	(39,580)	(39,778)
Net assets	129,077	133,626	143,136	138,154	157,633	186,726	187,127
CASH FLOW							
Operating cash flow	48,735	43,369	45,830	(2,748)	65,953	58,329	8,320
Net cash from investing activities	84	(198)	(1,014)	(77)	(474)	(9,190)	(2,020)
Net cash from (used in) financing	(19,580)	(36,359)	(29,035)	(24,646)	(24,451)	(39,857)	(31,203)
Net cash flow	**29,239**	**6,812**	**15,781**	**(27,471)**	**41,028**	**9,282**	**(24,903)**
Opening net (cash)/debt	(59,591)	(89,002)	(95,852)	(111,673)	(84,202)	(125,217)	(134,125)
FX effect	172	38	40	0	(13)	(374)	332
Closing net (cash)/debt	**(89,002)**	**(95,852)**	**(111,673)**	**(84,202)**	**(125,217)**	**(134,125)**	**(109,554)**

Source: Company data, Edison Investment Research

Contact details	Revenue by geography (H122)
45 Gresham Street, London, UK EC2V 7BF +44 (0)20 7260 1000 www.numiscorp.com	

Management team

Co-CEO: Alex Ham	Co-CEO: Ross Mitchinson
Alex, together with Ross Mitchinson, is jointly responsible for Numis's strategic development and is head of Investment Banking. Alex joined Numis as a graduate in August 2005 and after a short time as an equity research analyst, joined the corporate broking team where he played a critical role in building and developing Numis's retained corporate client base and equity capital markets capability. He was appointed head of corporate broking & advisory in May 2015 and co-CEO in September 2016.	Ross is jointly responsible for Numis's strategic development and is head of Equities. Ross joined Numis in October 2008 and was appointed head of sales in 2014, head of Equities in 2015 and co-CEO in September 2016. Ross held positions at both UBS and Kaupthing Singer & Friedlander prior to joining Numis.
CFO: Andrew Holloway	
Andrew was appointed CFO in January 2018. He joined Numis in 2009 and played a prominent role in the development of the firm's corporate broking and advisory department, gaining a varied experience in serving many of Numis's financial services sector corporate clients. He is a qualified chartered accountant and before joining Numis was a member of the UK corporate finance team at Dresdner Kleinwort.	

Principal shareholders	(%)
Aktieselskabet AF 1.3.2017 (Anders Holch Povlsen)	22.0
IPGL (Michael Spencer)	5.7
Unicorn UK Income	4.9
J O Hambro Capital Management	4.7
Nortrust Nominees	4.4
Polar Capital	4.0
Cambridge Global AM	3.9
Aviva	3.8
Marcus Chorley	3.5

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