

Numis Corporation

Positive year-end update

FY17 trading update

Following a positive update in July, Numis's year-end update confirmed that trading remained strong through to the financial year end (September). Both corporate and institutional sides of the business contributed to the outcome and prospectively the company indicates a strong deal pipeline. We have increased our estimate for FY17 to match company guidance but left FY18e revenue and pre-tax profit unchanged at this stage. Continuation of benign market conditions could mean the current year estimate proves conservative, while on a longer view the strength of the franchise Numis has established is a key attraction for investors.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/15	98.0	26.1	18.3	11.5	15.7	4.0
09/16	112.3	32.5	22.4	12.0	12.9	4.2
09/17e	129.0	36.5	25.0	12.0	11.5	4.2
09/18e	119.5	30.8	22.1	12.5	13.0	4.3

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

Trading update

The year-end update indicates that FY17 revenue increased by 15% and profit by a similar percentage. Growth in Corporate Broking and Advisory (CB&A) and Equities were similar. Within CB&A, equity fund raises totalled £2.5bn (+38%) feeding into strong placing commissions. The generally positive trend in markets helped both trading revenues and institutional commissions to contribute to Equities growth. Looking ahead the group highlights a strong deal pipeline and mentions its increased focus on supporting unquoted companies through its Venture Broking operation. Discussions with clients relating to MiFID II continue. This is an area of uncertainty, as for other brokers, but the firm believes it is well positioned ahead of implementation (within our estimate institutional commissions accounted for c 28% of revenue FY17).

Estimate changes and other developments

Our FY17 estimate is adjusted to reflect the trading update with a revenue increase of 2.4% and pre-tax profit increase of 3.9% compared with our previous numbers while our FY18 estimate is unchanged at the revenue and pre-tax profit level (see exhibits 1 and 2 overleaf). EPS for both years benefit from the purchase of c 6.3m shares into treasury in H217 with increases in estimate of 5.0% and 5.5% for FY17 and FY18 respectively. Other recent developments include two of the previously announced board changes (see [last note](#)) with Marcus Chorley and Lorna Tilbian standing down from the board at the end of September; the sale by Tilbian of her shareholding in Numis (5.26%); and the acquisition of an 11.26% holding by Aktieselskabet af 1 March 2017 (controlled by Anders Holch Povlsen).

Valuation

The shares have shown further strength in the last two months but are moderately rated in terms of P/E multiples compared with peers. Our (unchanged) central ROE/COE valuation of 323p points to potential upside of over 10%.

Financial services

5 October 2017

Price 288.5p
Market cap £308m

Net cash (£m) at 31 March 2017	71.2
Shares in issue	106.9m
Free float	58.5%
Code	NUM
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	3.8	20.2	29.5
Rel (local)	2.8	17.9	21.6
52-week high/low		293.2p	221.8p

Business description

Numis is one of the UK's leading independent corporate advisory and stockbroking groups, offering a full range of research, execution, equity capital markets, corporate broking and advisory services. It employs c 200 staff in offices in London and New York, and at end March 2017 had 199 corporate clients.

Next events

FY17 results	6 December 2017
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Exhibit 1: Financial summary

£'000s	2015	2016	2017e	2018e
Year end 30 September				
PROFIT & LOSS				
Revenue	97,985	112,335	129,000	119,500
Other operating income	(1,978)	3,759	2,991	700
Total income	96,007	116,094	131,991	120,200
Cost of Sales (excl. amortisation and depreciation)	(65,018)	(76,120)	(82,189)	(78,247)
Share based payment	(4,104)	(6,229)	(12,100)	(10,000)
EBITDA	28,863	29,986	34,711	31,253
Depreciation	(882)	(1,126)	(1,214)	(1,214)
Amortisation	(111)	(125)	(88)	(88)
Operating Profit (before amort. and except.)	27,870	28,735	33,409	29,951
Net finance income	190	37	100	100
Other operating income	(1,978)	3,759	2,991	700
Profit Before Tax (norm)	26,082	32,531	36,500	30,751
Tax	(4,533)	(6,132)	(7,490)	(5,995)
Profit after tax (FRS 3)	21,549	26,399	29,010	24,756
Average diluted number of shares outstanding (m)	117.6	118.0	116.0	112.0
EPS - basic (p)	19.5	23.5	26.4	23.4
EPS - diluted (p)	18.3	22.4	25.0	22.1
Dividend per share (p)	11.50	12.00	12.00	12.50
NAV per share (p)	102.0	113.5	121.9	132.5
ROE (%)	19%	22%	22%	18%
EBITDA margin (%)	29.5%	26.7%	26.9%	26.2%
Operating margin (before GW and except.) (%)	28.4%	25.6%	25.9%	25.1%
BALANCE SHEET				
Fixed assets	6,724	5,522	5,580	4,778
Current assets	279,114	312,462	317,508	329,401
Total assets	285,838	317,984	323,088	334,179
Current liabilities	(170,319)	(188,895)	(192,835)	(192,835)
Long term liabilities	0	(12)	(11)	(11)
Net assets	115,519	129,077	130,242	141,333
CASH FLOW				
Operating cash flow	6,467	48,735	36,673	30,658
Net cash from investing activities	(3,632)	84	(119)	(100)
Net cash from (used in) financing	(17,510)	(19,580)	(41,333)	(23,665)
Net cash flow	(14,675)	29,239	(4,779)	6,892
Opening net (cash)/debt	(74,518)	(59,591)	(89,002)	(84,048)
Fx effect	(252)	172	(175)	0
Closing net (cash)/debt	(59,591)	(89,002)	(84,048)	(90,941)

Source: Edison Investment Research, Numis Corporation accounts

Exhibit 2: Estimate changes

	Revenue (£m)			PBT (£m)			EPS (p)			DPS (p)		
	Old	New	Change	Old	New	Change	Old	New	Change	Old	New	Change
09/17e	126.0	129.0	2.4%	35.1	36.5	3.9%	23.8	25.0	5.0%	12.0	12.0	0.0%
09/18e	119.5	119.5	0.0%	30.8	30.8	0.0%	21.0	22.1	5.5%	12.5	12.5	0.0%

Source: Edison Investment Research. Note: EPS diluted

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