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Investor Presentation

Interim Results 2020

H1 2020 highlights

- Resilient performance in volatile market backdrop. Revenue performance +13.3% vs H1 2019
 - IB revenues -5.0%
 - Equities revenue +55.5%
- Strong performance by Equities led by strong trading profits⁽¹⁾ and higher execution revenues
- IB revenues impacted by weak equity capital market volumes due to pre-election uncertainty and COVID-19
- Improvement in Operating margin of 14.5% (FY 19: 12.6%)
- Interim dividend maintained at 5.5p against backdrop of widespread dividend suspensions
- Cash spend on share repurchases in the period total £5.5m (H1 2018: £7.5m)
- Strong balance sheet and liquidity position – well positioned to support our corporate clients
- Good, near-term pipeline of secondary issuance for clients

Our response to COVID-19

Protecting employees

- All staff working from home since 13 March
- No staff furloughed and no redundancies
- Staff wellbeing prioritised
- Optimisation of remote working effectiveness
- Well prepared for sustained period of remote working

Serving clients

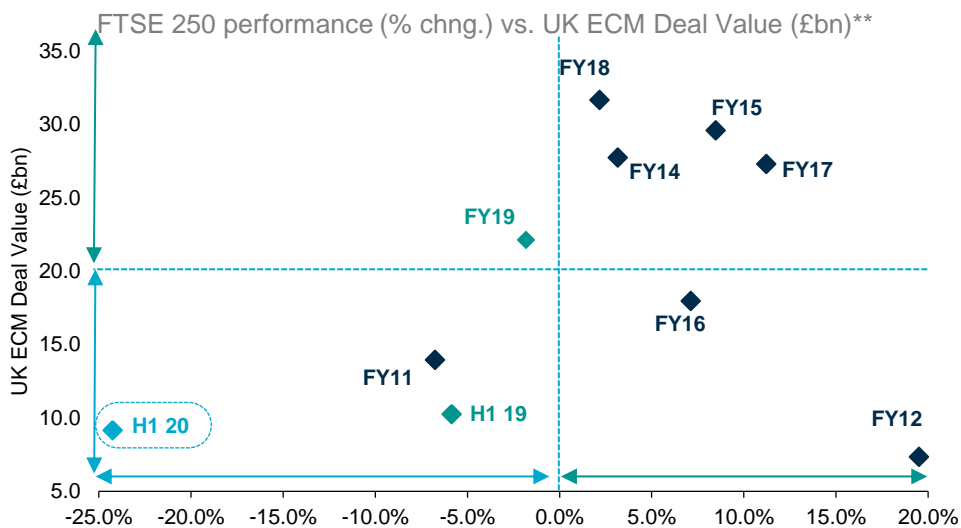
- Maximised client engagement levels across the business
- Insightful research analysing impact
- Facilitated institutional engagement with corporates
- Collaborative advice regarding debt and equity solutions
- Raised more than £600m in equity for clients since lockdown

Short-term financial response

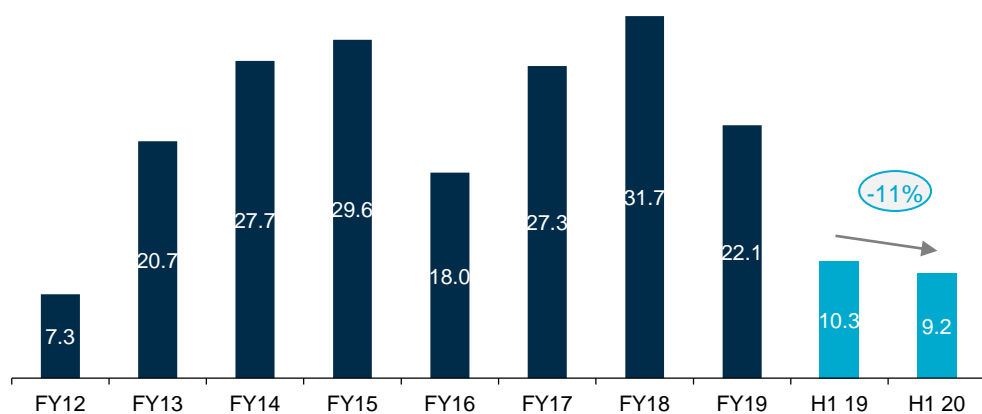
- Paused buyback programme for 6 weeks
- Reduced market risk
- Strengthened liquidity position
- No Government support schemes accessed
- Stability to resume returns strategy and capitalise on growth opportunities

H1 Market conditions

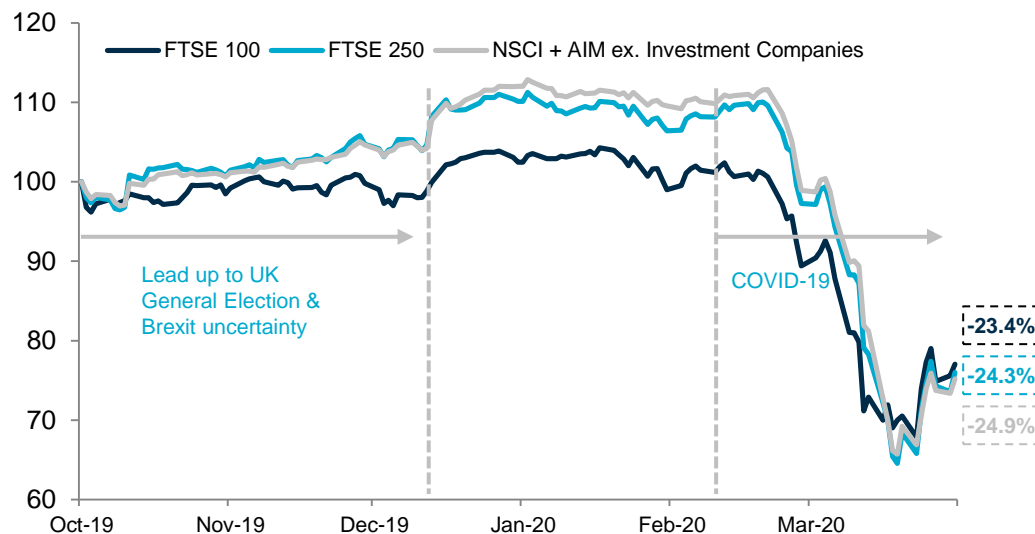
Unfavourable market backdrop



UK ECM activity declined further against a weak comparative period⁽¹⁾



H1-20 Equity market performance⁽²⁾



- 6 month period featured significant market moves
- UK election result generated increase in equity market activity to the benefit of the Equities division
- Volatility levels dramatically increased in Feb & March
- COVID-19 significantly impacted the post-Election IB pipeline and restricting deal volumes
- Recovery in deal volumes will be led by balance sheet repair
- Investment portfolio valuations negatively impacted by market movements in the final weeks of the period

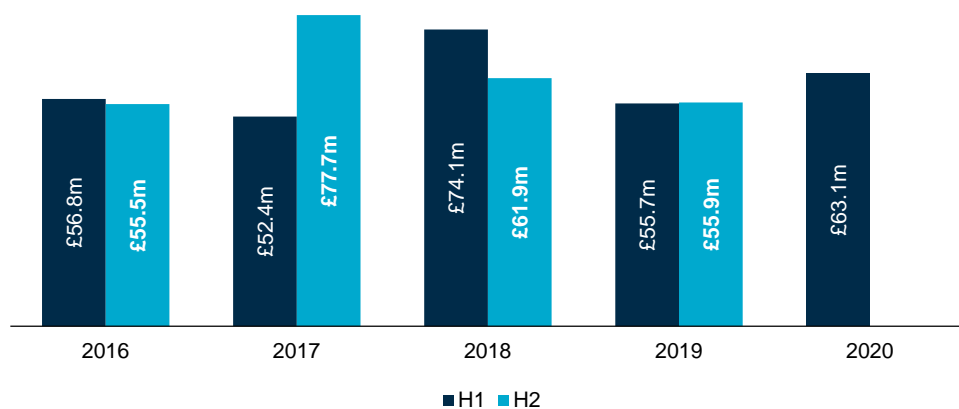
Income statement

| £'000 | H1 2020 | H1 2019 | Change (%) |
|------------------------------------|---------|---------|------------|
| Revenue ⁽¹⁾ | 63,104 | 55,689 | 13.3% |
| Investment Income | (1,904) | (1,428) | (33.3%) |
| Staff costs ⁽²⁾ | 36,999 | 30,200 | 22.5% |
| Non-staff costs | 16,974 | 17,367 | (2.3%) |
| Operating profit | 7,227 | 6,694 | 8.0% |
| Underlying Operating profit | 9,131 | 8,122 | 12.4% |
| PBT | 7,257 | 7,108 | 2.1% |
| Net income | 6,254 | 5,712 | 9.5% |
| EPS (pence) ⁽³⁾ | 6.0p | 5.4p | 11.2% |
| Dividend (pence) | 5.5p | 5.5p | 0.0% |
| Net Assets | 136,672 | 140,221 | (2.5%) |
| Cash and cash equivalents | 95,332 | 78,876 | 20.9% |
| Underlying Operating profit margin | 14.5% | 14.6% | (0.1pp) |

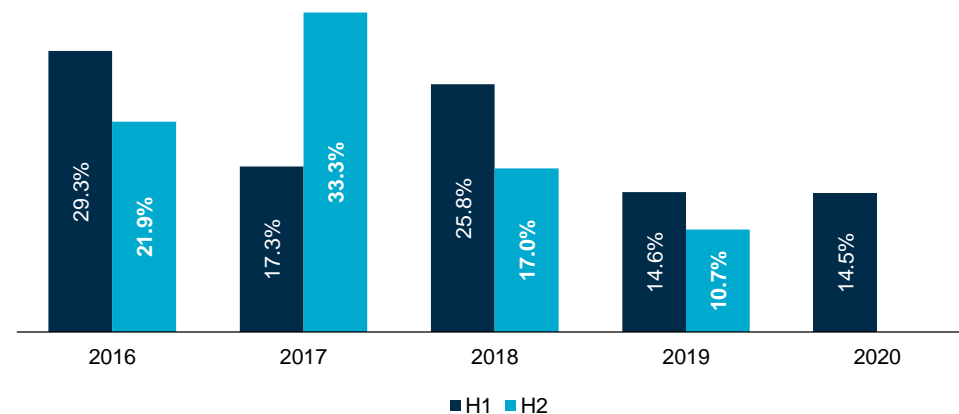
Performance summary

H1 2020 in the context of recent historic performance

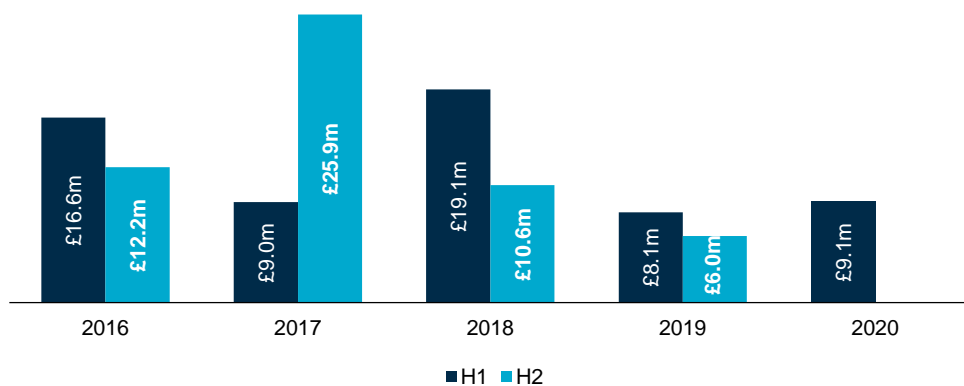
Revenue⁽¹⁾



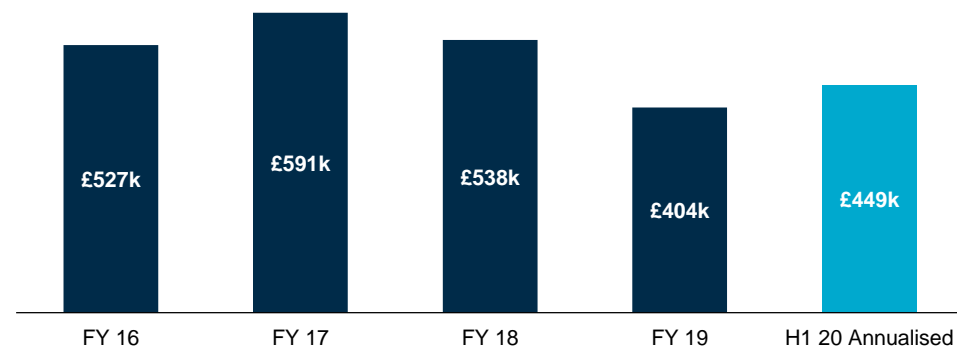
Operating margin



Underlying Operating profit⁽¹⁾

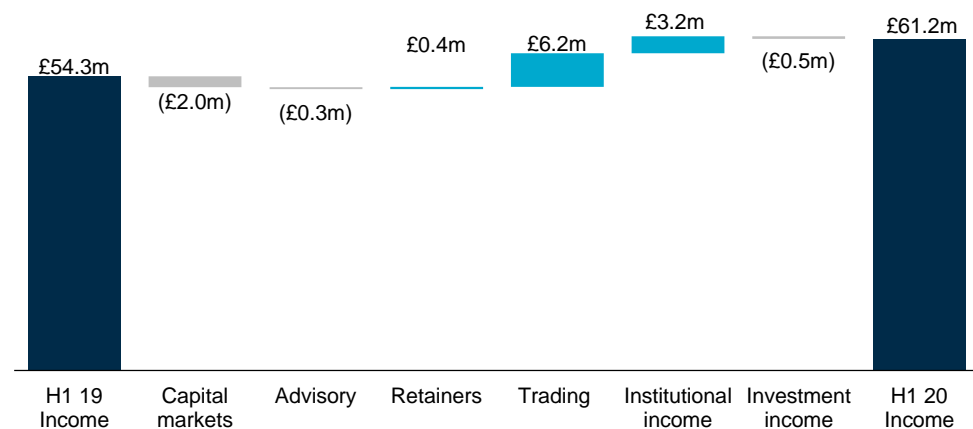


Revenue per head

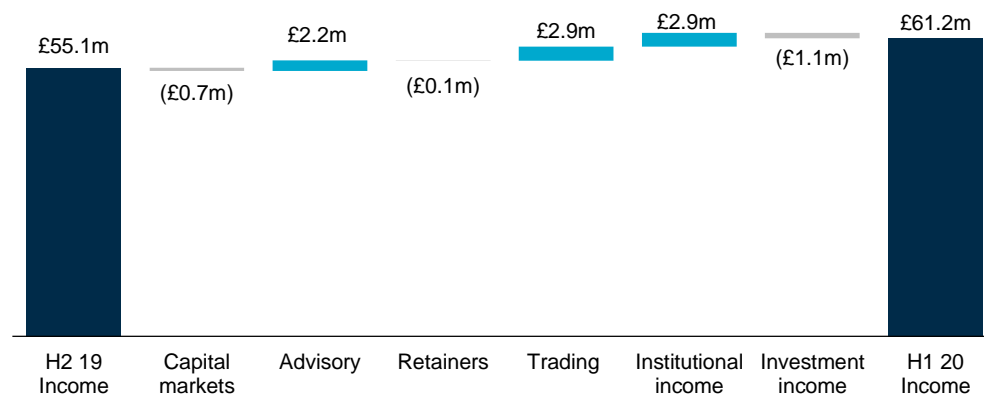


Revenue analysis

Revenue bridge H1 19 – H1 20



Revenue bridge H2 19 – H1 20



H1 20 Revenue analysis

| £m | FY 20 H1 | FY 19 H1 | FY 19 H2 | Change vs FY19 H1 | Change vs FY19 H2 |
|-------------------------|-------------|-------------|-------------|-------------------|-------------------|
| Total revenue | 61.2 | 54.3 | 55.1 | 12.8% | 11.0% |
| Capital markets | 22.8 | 24.9 | 23.5 | (8.1%) | (2.8%) |
| Advisory | 7.2 | 7.5 | 5.0 | (4.2%) | 43.5% |
| Retainers | 6.8 | 6.4 | 6.9 | 6.0% | (1.8%) |
| IB Revenue | 36.9 | 38.8 | 35.5 | (5.0%) | 4.0% |
| Trading | 6.5 | 0.4 | 3.6 | n.m. | 79.4% |
| Institutional income | 19.7 | 16.5 | 16.8 | 19.2% | 17.1% |
| Equities Revenue | 26.2 | 16.9 | 20.5 | 55.5% | 28.3% |
| Investment income | (1.9) | (1.4) | (0.8) | (33.3%) | (143.5%) |

- Strong equities growth – improved market activity levels and trading performance
- IB revenue ahead of H2'19 but impacted by lower deal volumes throughout a period impacted by political events and COVID-19
- Lower investment income due to unfavourable valuation movements of portfolio investments in line with market declines

Cost base analysis

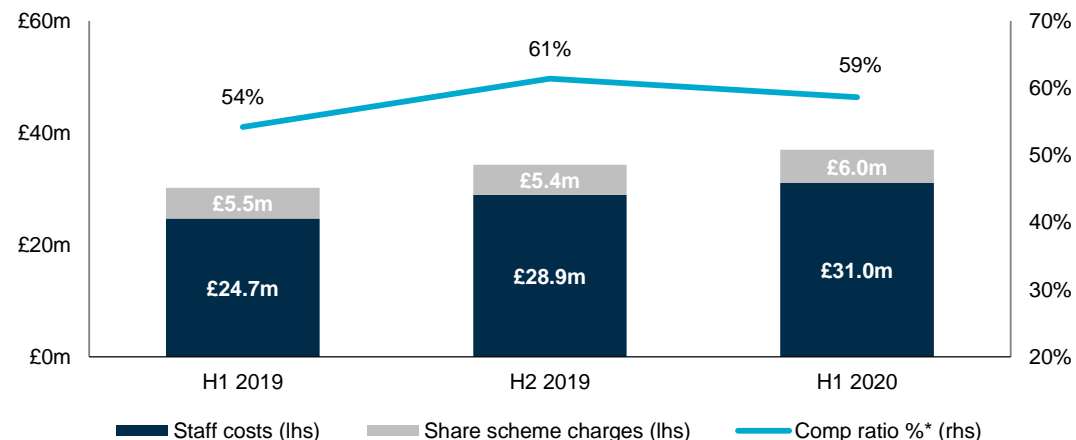
Costs analysis

| Total costs £m | H1 2020 | H2 2019 | H1 2019 | Change vs H1 19 | Change vs H2 19 |
|---------------------------|--------------|--------------|--------------|------------------|-----------------|
| Staff costs | 37.0 | 34.3 | 30.2 | 22.5% | 7.7% |
| Non-staff costs | 17.0 | 15.6 | 17.4 | (2.3%) | 8.2% |
| <i>Operating Margin %</i> | <i>14.5%</i> | <i>10.7%</i> | <i>14.6%</i> | <i>(0.1)ppts</i> | <i>3.8ppts</i> |

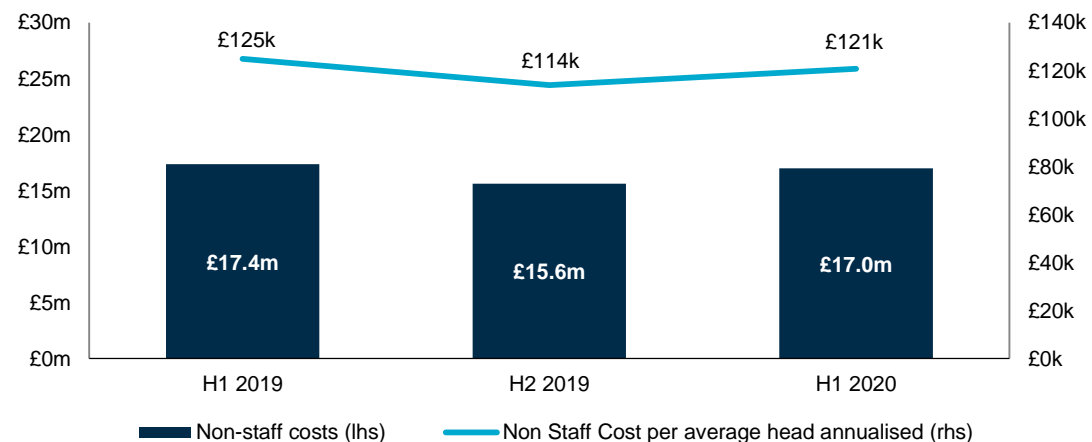
| Headcount | Mar 2020 | Sep 2019 | Mar 2019 |
|------------------------|----------|----------|----------|
| Period End | 285 | 277 | 279 |
| Average over 6m period | 281 | 274 | 278 |

- Average headcount increased by 1% vs H1 2019
- Staff costs increase attributable to higher variable compensation provision due to the stronger revenue performance
- Non-staff costs are marginally lower than the comparative period
- Minimal impact from adoption of IFRS16 (c.£70k non-staff cost benefit)

Staff costs

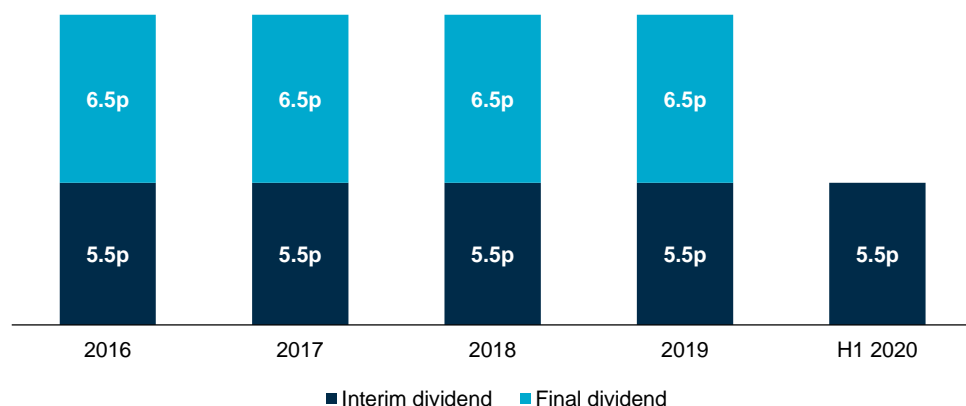


Non-staff costs

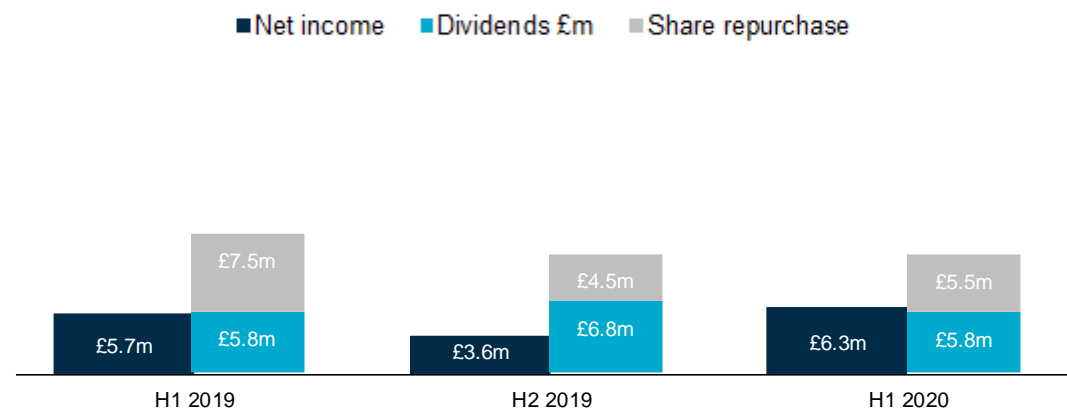


Dividends, buybacks and focus on shareholder returns

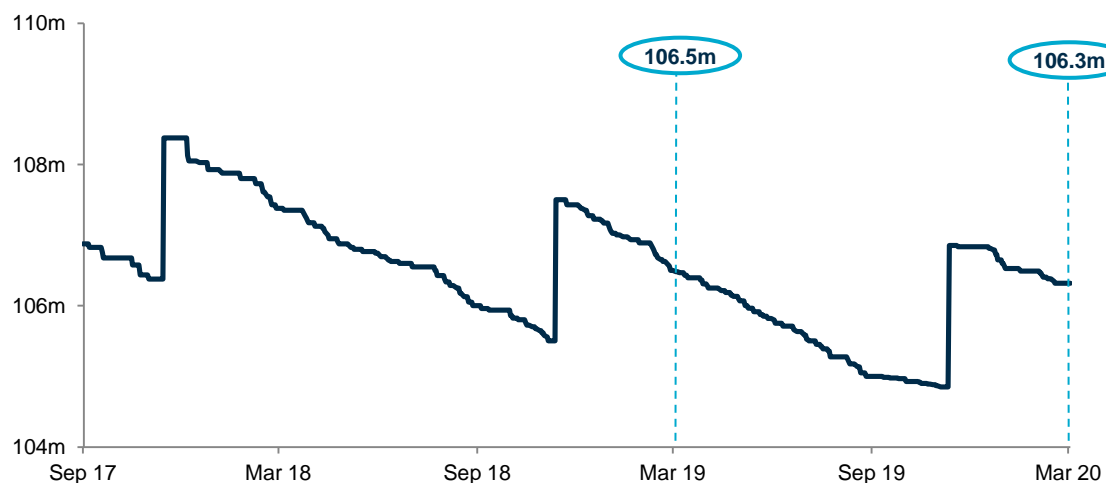
Dividend stability



Cash spend on dividends and share repurchases



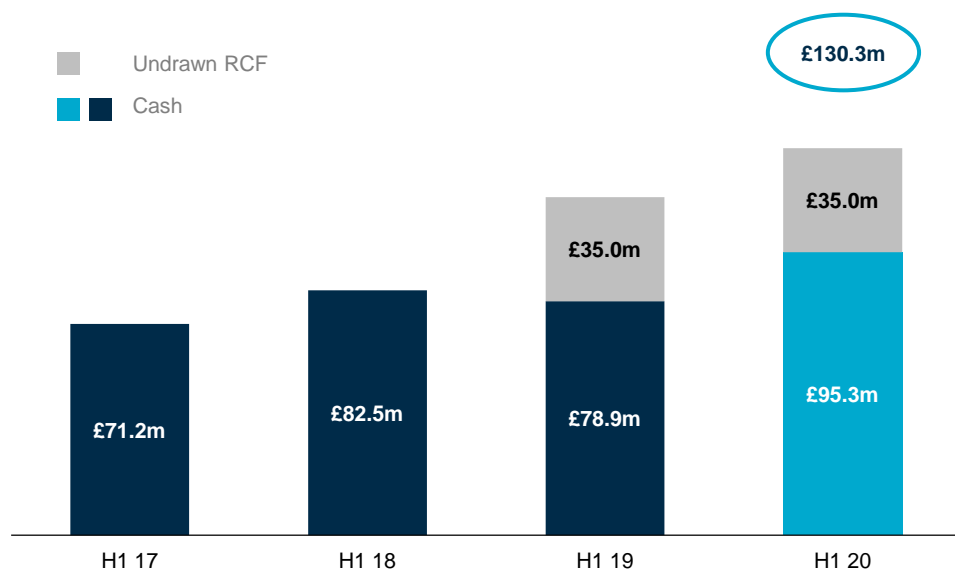
Share count (ISC net of treasury, inclusive of EBT)



- Dividend maintained despite unprecedented market conditions
- £5.5m spent on share repurchase during the period – lower than comparative period
- Majority of vestings, and off-market purchases, occur in H1
- Intention to continue share repurchases to offset dilutive impact of share awards, subject to market conditions

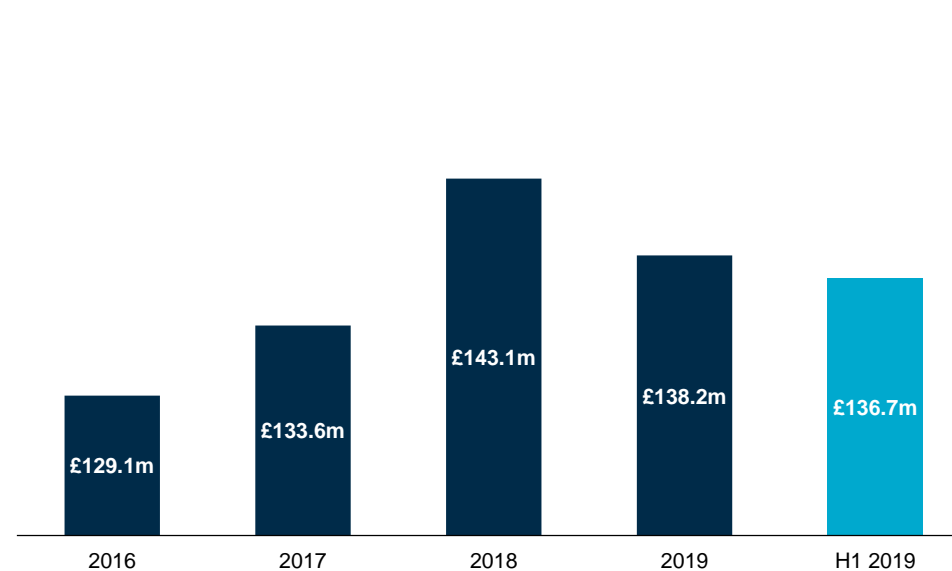
Balance sheet and liquidity

Liquidity position remains strong – enhanced by new RCF



- Liquidity position strengthened relative to prior period
- Committed RCF provides further flexibility
- Significant capacity to provide underwriting support to clients

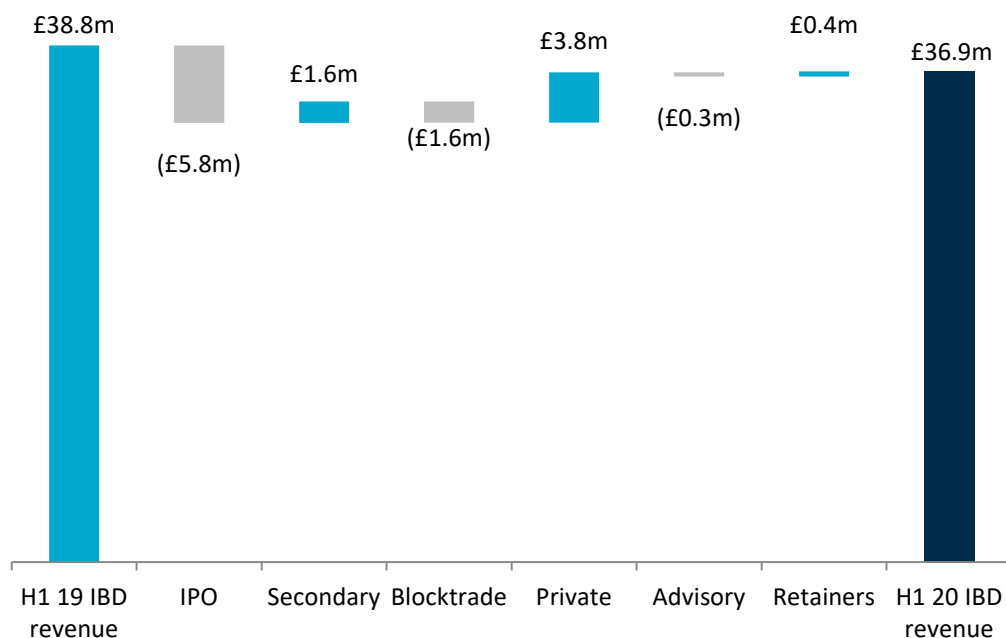
Net asset progression (£m)



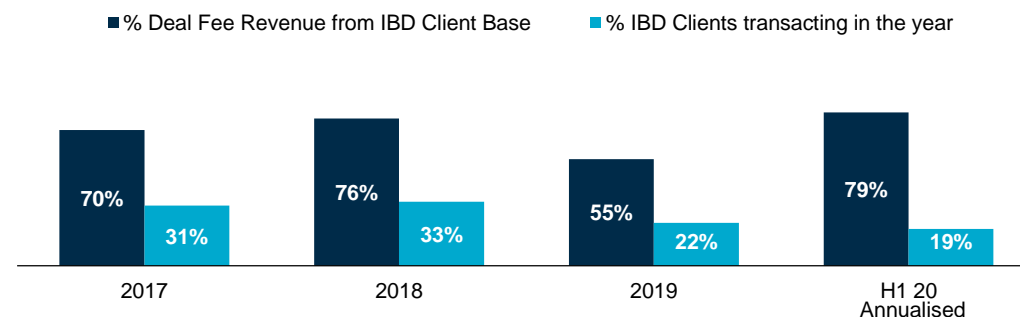
- Profitability offset by dividend in the period
- Reg cap cover maintained at c. 2x
- Ensures stability of the business and provides strategic flexibility
- 78% of NAV represented by cash and collateral (10% represented by Investment portfolio)

Investment Banking performance

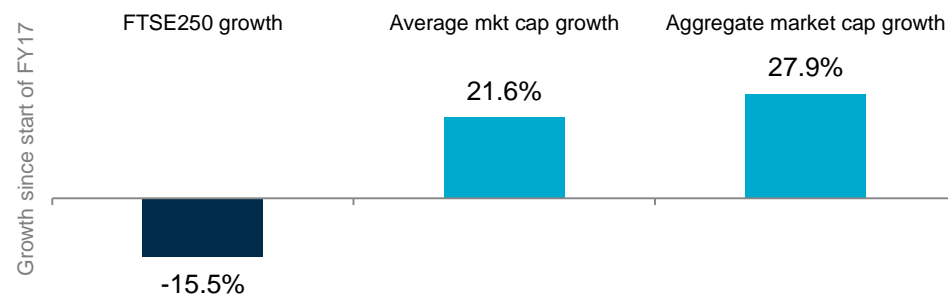
IB revenue bridge H1 20 vs H1 19



Further decline in client activity levels due to market backdrop



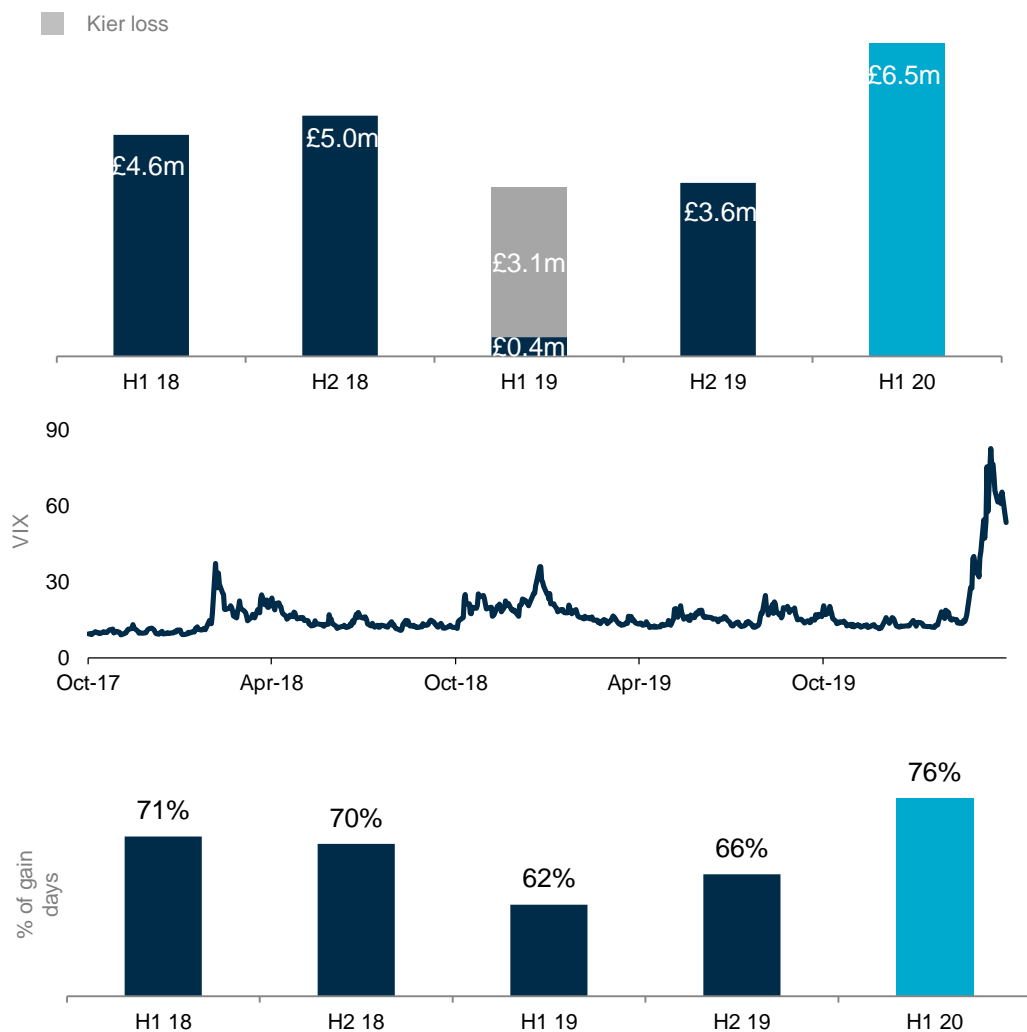
Client base well position for any recovery in activity levels



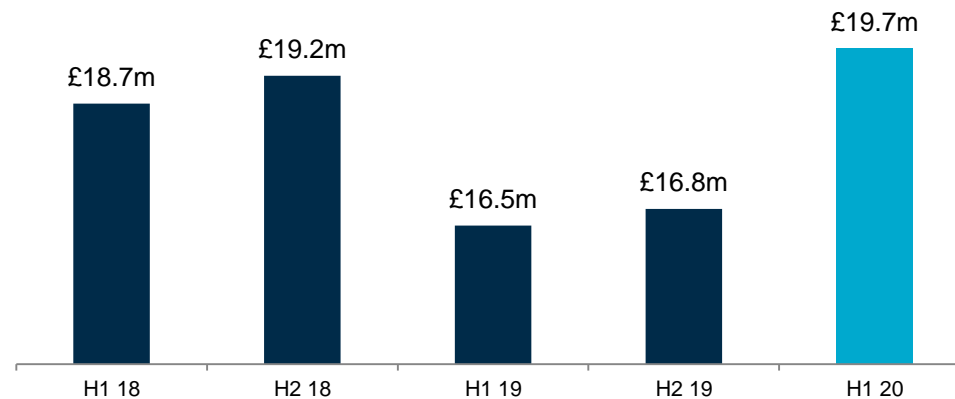
- H1 20 revenue slightly below H1 19 and in line with H2 19 – despite continued decline in ECM activity. No IPOs in H1
- Average deal fee improvement vs FY19
- Improvement in capital markets volumes expected in H2 as client activity increases in response to COVID-19
- M&A and Private markets pipeline adversely impacted in the near term

Equities income

Good trading performance in a volatile market



Strongest institutional income performance since MIFID II introduction



- Institutional income 19.2% higher than H1 19 benefiting from an increase in market activity post the General Election, and thereafter COVID-19 related volatility
- Research payments remain in line with expectations
- Trading performance materially ahead of prior year which included the loss associated with the underwriting of Kier rights issue

Current trading and outlook

- Capital markets transactions announced in recent weeks include Hyve, Polypipe, Foxtons and Asos
- Near term pipeline is encouraging – predominantly recapitalisation deals
- M&A, IPO, and private markets have been impacted by COVID-19
- Equities has continued to perform in line with the strong first half
- Longer term outlook is difficult to forecast
- We will continue to protect our staff, support our clients, and ensure we are well positioned to take advantage of market opportunities arising from this period of disruption

Strategy overview



Corporate client base

| | | | | | | |
|--------------------------------|----------------------------------|--------------------------------|---|-----------------------------------|--|---------------------------------------|
| FIG | TMT | Consumer | Building & Property (cont'd) | Natural Resources (cont'd) | Investment Companies | Investment Companies (cont'd) |
| 3i Group plc | Technology | Retail | Building & Construction | Metals & Mining | Aberdeen Frontier Markets | Riverstone Energy Limited |
| AJ Bell | Accesso Technology | AO World | Balfour Beatty | Base Resources | Aberdeen New Thai | Schroder Asia Pacific Fund |
| Arbutnot | Alfa Financial Software | ASOS | Bellway | Chaarat Gold | Acorn Income Fund | Schroder European REIT |
| Argentex | Allied Minds | B&M Europe | Bovis Homes | Danakali | Aquila European Renewables Income Fund | Schroder Oriental Income Fund |
| Arrow Global | AVEVA | H&T | Breedon | Ferrexpo | Baker Steel Resources Trust | Scottish Mortgage Investment Trust |
| Bank of Georgia | Draper Esprit | Lookers | Countryside Properties | Greatland Gold | Better Capital | Sherborne Investors B Ltd |
| Beazley | Emis | McColl's Retail Group | Forterra | Griffin Mining | Bluefield Solar Income Fund | Sherborne Investors C Ltd |
| Burford Capital | Keywords Studios | Mothercare | Foxtons | Highland Gold Mining | Catco Reinsurance | SME Credit Realisation Fund |
| Funding Circle Holdings | Learning Technologies | Motorpoint | Grafton | Horizonte Minerals | Custodian REIT | Stenprop |
| Hargreaves Lansdown | LoopUp | Ocado | Henry Boot | Pan African Resources | Edinburgh Worldwide | Third Point Offshore Investors |
| Hastings | Micro Focus International | Pets at Home | Howden Joinery | Shanta Gold | EJF Investments | Triam Investors 1 |
| IG Group | Softcat | Superdry | Kier Group | Yellow Cake | EPE Special Opportunities | Troy Income & Growth |
| Intermediate Capital Group | ULS Technology | | LSL Property Services | | Fair Oaks Income Limited | TwentyFour Income Fund |
| International Personal Finance | Media | Travel and Leisure | Marshalls | | Georgia Capital Plc | TwentyFour Select Monthly Income Fund |
| Jupiter Fund Management | Ascential | Domino's Pizza | Morgan Sindall | Healthcare | Henderson Smaller Companies | UK Mortgages Limited |
| Just Group | Auto Trader Group | Fuller Smith & Turner | Nexus Infrastructure | Abcam | HG Capital | VinaCapital Vietnam Opportunity |
| Lancashire Holdings | Centaur Holdings | The Gym Group | Norcros | Alliance Pharma | ICG Enterprise Trust | |
| Liontrust Asset Management | Ebiquity | Hostelworld | Polypipe | Benchmark Holdings | International Biotechnology Trust plc | Support Services |
| Mortgage Advice Bureau | Euromoney Institutional Investor | Marston's | Renew Holdings | Circassia Pharmaceuticals | International Public Partnerships | Biffa |
| Polar Capital Holdings | Future | On The Beach | Savills | Ergomed | JPMorgan Brazil Inv. Trust | Clipper Logistics |
| Premier Asset Management | Huntsworth | | Tyman | e-Therapeutics | JPMorgan Claverhouse Inv. Trust | Diploma |
| Randall & Quilter | ITE Group | Other Consumer | | Georgia Healthcare | JPMorgan Indian | Electrocomponents |
| River & Mercantile | Kin + Carta | Fever-Tree | Natural Resources | Horizon Discovery | JPMorgan Russian Securities | HSS Hire |
| Sabre Insurance | M&C Saatchi | Hilton Food Group | Oil & Gas | Induction Healthcare | JPMorgan US Smaller Cos | Knights plc |
| Saga | Next15 | PureCircle | ADES International | IP Group | Jupiter UK Growth | JTC |
| | Ocean Outdoor | Stock Spirits | Genel Energy | MaxCyte | Keystone Investment Trust | Northgate |
| Industrials | Reach | Stock Spirits | Lekoil | Primary Health Properties | Menhaden Capital | Origin Enterprises |
| Capital Goods | Rightmove | | Mycelx Technologies | Scapa | Mitron Global Opportunities | RPS Group |
| Luceco | Wilmington | Building & Property | Nostrum Oil & Gas | Spire Healthcare | NB Global Floating Rate Income Fund | RWS |
| TT Electronics | YouGov | Real Estate | PetroTal | Syncona | Phoenix Spree Deutschland | Safe Harbour Holdings |
| Qinetiq | Telecoms | Capital & Regional | Savannah Petroleum | Vectura | Princess Private Equity | Wincanton |
| Chemicals | Telecom Plus | Grainger | Velocys | | Raven Property | |
| Elementis | | Helical | Vivo | | RIT Capital Partners | |
| Synthomer | | Palace Capital | | | | |
| Wilmcote Holdings | | St Modwen | | | | |
| Other Industrials | | Unite | | | | |
| Accsys Technologies | | | | | | |