

## Numis Corporation Plc

### Full Year Results

for the year ended 30 September 2020

London, 8 December 2020: Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2020.

#### Highlights

- In an extraordinarily challenging year for our clients and our staff we delivered record revenues up 39% versus the prior year
- Strong growth in average deal fees and capital raising activity from our retained client base resulted in investment banking revenue growth of 37%
- Market share gains and strong trading performance resulted in Equities revenue growth of 43%
- Our response to COVID-19 was collaborative and agile and ensured client service levels were sustained and staff wellbeing protected
- For the first time average market capitalisation of our corporate client base in excess of £1bn and includes 62 FTSE350 companies
- Dividend maintained at 12p for fifth successive year and £9.8m spent on share repurchases
- Balance sheet position enhanced providing a solid foundation for further growth
- Strong start to FY21 underpinned by continued momentum in Growth Capital Solutions and early indications of a recovery in Advisory revenues

#### Key statistics

Financial highlights	2020	2019	Change
Revenue	£154.9m	£111.6m	38.8%
Underlying Operating profit	£37.8m	£14.1m	168%
Profit before tax	£37.1m	£12.4m	198%
EPS	29.9p	8.8p	240%
Cash	£125.2m	£84.2m	48.7%
Net assets	£157.6m	£138.2m	14.1%

  

Operating highlights			
Corporate clients	188	217	(29)
Average market cap of clients	£1.1bn	£888m	20.5%
Revenue per head	£549k	£404k	35.8%
Operating margin	24.4%	12.6%	+11.8ppts
Spend on share repurchases	£9.8m	£12.0m	(18.6%)

#### Notes:

- 1) Revenue, Underlying Operating profit, Operating margin and Revenue per head all exclude investment income / losses
- 2) Underlying Operating profit and Operating margin exclude relocation related expenses of £1.3m
- 3) Basic EPS

**Alex Ham and Ross Mitchinson, Co-Chief Executive Officers, said:**

“This year was one that we could not have planned for or envisaged. However, in response, we have achieved an excellent performance, strengthened the business and remained constant to our core beliefs, our strategy and ambition.

We are proud of the strength of our core corporate client relationships, which have been built up over many years and truly came into their own this year as we were able to support our clients through their refinancing activities and raise equity to take advantage of emerging growth opportunities. Similarly, our commitment to providing deep research expertise and experience has been valuable for our clients for many years, and in this tumultuous year it has been appreciated even more.

Our culture and people are central to the performance of the business, especially so this year, and we would like to thank everyone in the firm for their outstanding dedication and contributions.

We will continue to be a dynamic, creative investment bank that works in partnership with our clients to excel for them. Whilst many challenges undoubtedly remain and the outlook is unpredictable, we are excited about the future and we have made a very encouraging start to the year.”

**Contacts:**

**Numis:**

Alex Ham & Ross Mitchinson, Co-Chief Executives	020 7260 1245
Andrew Holloway, Chief Financial Officer	020 7260 1416

**Brunswick:**

Nick Cosgrove	020 7404 5959
Simone Selzer	020 7404 5959

**Grant Thornton UK LLP (Nominated Adviser):**

Philip Secrett	020 7728 2578
Harrison Clarke	020 7865 2411

**Notes for Editors**

Numis is a leading independent investment banking group offering a full range of research, execution, corporate broking and advisory services to companies and their investors. Numis is admitted to trading on AIM, and employs approximately 290 staff in London and New York.

*The information, statements and opinions contained in this announcement do not constitute a public offer under any applicable legislation or an offer to sell or solicit of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.*

*There are a number of key judgement areas, which are based on models and which are subject to ongoing modification and alteration. The reported numbers reflect our best estimates and judgements at the given point in time.*

**Forward-looking statements**

*This announcement contains forward-looking statements. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this announcement.*

*Subject to our obligations under the applicable laws and regulations of any relevant jurisdiction, in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*Nothing in this announcement constitutes or should be construed as constituting a profit forecast.*

---

## Business review

### Market conditions

Two major events determined the profile of transaction activity across the year. The first quarter of the financial year suffered from subdued equity markets and weak corporate activity in advance of the UK General Election. Subsequently markets delivered strong gains and UK equity market activity improved significantly. However, there was insufficient opportunity for deal flow to recover in response to the General Election result as the second quarter was swiftly dominated by the COVID-19 pandemic which caused an unprecedented decline in global markets and extraordinary volatility levels.

During our second half, ECM deal volumes increased significantly as companies accessed the public markets in response to COVID-19. However, this was offset by material declines in M&A and IPO volumes as uncertainty dominated equity markets and strategic plans were paused while balance sheet and funding considerations were prioritised. Nevertheless, as market volatility declined towards the end of the year and investor sentiment recovered, it became clear that several trends had been accelerated and new emerging growth opportunities required financing. Consequently, at the end of our financial year companies were able to access both public and private markets in support of revised growth strategies.

Overall, UK equity market indices declined over the course of the year, however the trading range was extraordinarily wide as volatility reached record highs. UK ECM volumes were up on the prior year, but not materially so given the sustained periods of limited transaction activity across the financial year. M&A transaction volumes are now recovering but were materially down on the year. Private markets activity slowed during the early stages of the pandemic but swiftly recovered and continued to benefit from the structural trend.

### Investment Banking

Our commitment to building a high-quality corporate client list has been constant over many years irrespective of market environments. The corporate client base is our most important source of deal revenue and remains critical to our business model. In recent years we have enhanced the service levels provided to our clients through sector-focused hiring and by developing greater depth of expertise in certain product areas. In a year of disruption, we were able to rely on this investment to serve our clients with absolute commitment and deploy the necessary resource to successfully execute transactions during a period of exceptional activity. In addition, we continued to leverage the strength of our excellent Equities platform to build our client base in targeted segments and ensure we provide our existing clients with the best possible service.

During the second half of the year we made the decision to exit the Natural Resources sector. This resulted in a small number of headcount reductions in both Equities and Investment Banking and our resignation from 18 corporate broking clients. These clients had an average market capitalisation of £290m. Only 3 remained on our client list at 30 September 2020 and we expect to exit these following the expiry of the agreed notice periods.

The average market capitalisation of our client base is now over £1bn for the first time and includes 62 FTSE350 clients as at the year end. However, size is not the determining factor in our identification and targeting of potential clients. We are focused on winning clients with long-term ambition where we believe our service can add value. The benefit of this approach is illustrated by two of our largest client mandates of the past year. We executed capital raisings for Ocado and Beazley. Both companies have been clients for more than 9 years since their IPOs, when they listed with market capitalisations of £500m and £170m respectively. The strength of our corporate client base has been the foundation of Investment Banking revenues that exceeded £100m for the first time this year.

As the market volatility rapidly accelerated during the early stages of the pandemic we encouraged our teams to support their clients and increase levels of interaction. We were proactive in engaging with our clients to assess their funding requirements, and the strategic opportunities arising from the impact of COVID-19. Our connectivity with institutional investors was pivotal in being able to provide timely and critical advice to our corporate clients. In addition, our recently launched Debt Advisory offering provided valuable support and guidance for our corporate clients as they sought both equity and debt funding solutions.

Our Capital Markets deal volumes increased significantly during the second half as many clients accessed the market to secure funding in response to the disruption caused by the pandemic. Following the immediate liquidity impact of COVID-19, it became apparent that several trends had been accelerated as a result of COVID-19, and many of our corporate clients required equity to finance an increase in near term growth opportunities. For the period post-lockdown, the majority of the funds raised by our clients related to growth financing rather than recapitalisation transactions.

This year we branded our private markets activities as Growth Capital Solutions (GCS). Whilst expansion of the team has been limited by COVID-19, we have achieved another strong performance in this area with more than 20% of our Capital Markets revenue attributable to private markets transactions. We benefited from the rapid recovery in global private markets activity as the impact of COVID-19 accelerated a number of digital trends. Importantly, our reputation continues to be enhanced by the size and quality of the companies we have acted for, and the profile of the investors who have participated in our transactions. We continue to develop our GCS capability, selectively adding resource and talent, while remaining resolutely focused on partnering with the most talented entrepreneurs globally.

Overall, we delivered 59% growth in Capital Markets revenues. This performance was achieved by executing capital raisings for our client base and progressing our GCS strategy. However, not all products saw an increase in activity levels. IPO volumes were significantly impacted, resulting in the smallest revenue contribution for more than 10 years as we completed only one IPO in the year. We expect IPO activity to recover and believe we are well placed to benefit given the strength of our reputation and market position in UK capital markets.

Advisory remains a significant growth opportunity for the business. We continue to develop our skill set and expand our relationships with corporate clients so that we can secure a higher proportion of the advisory fee opportunity. In addition, we have focused on securing mandates from the private equity sector who we expect to deploy funds in UK public to private transactions. We believe we are uniquely well positioned to leverage our knowledge of public markets and institutional shareholders. Whilst the current year revenue performance was adversely impacted by M&A deal flow declining in

reaction to COVID-19, we are making progress in building a pipeline of opportunities and expect Advisory to comprise a larger proportion of our revenues in the future.

## **Equities**

This year our institutional clients faced disruption, unprecedented market volatility levels, and significant challenges in assessing the near-term outlook and financial position of some of their holdings. Whilst extremely difficult at times, the market environment provided an opportunity for our Equities business to differentiate itself from many of our competitors and demonstrate the value of our significant experience and expertise.

At the peak of the crisis, we responded to our clients' needs and ensured our engagement with the buy-side increased, notwithstanding the parallel transition of our Equities platform to a fully remote operation. We provided innovative solutions to facilitate interaction between companies and institutional investors at a time when real time analysis, insights and access to management teams were of essential importance to shareholders.

Our strategic decision to invest in our Equities business over the past few years ensured we were well positioned as an obvious partner and trusted source of information for institutional investors. Consequently, we were able to deliver further market share gains in UK equities this year. We were delighted institutions continued to recognise the quality of our Equities offering with all of our relevant Sector Research teams voted in the Top 3 in the most recent Extel Survey. In addition, the market intelligence gathered by our Equities business, and the connectivity with institutions, provided critical support to our investment bankers in their efforts to execute capital raises for corporate clients.

Electronic Trading launched during the year and is delivering an increasing proportion of our execution revenues. The market opportunity for this product remains compelling and we are now increasing our marketing efforts internationally to continue growing the list of clients accessing this service.

Our trading book performance benefitted from the increased volatility and elevated market volumes. We actively managed our limits to navigate the periods of extreme volatility, but we also ensured we maintained our position as a leading provider of liquidity for our institutional clients, particularly in small and mid-cap stocks.

Despite the markets ending the year significantly lower than the start, we were able to deliver our strongest ever Equities performance, exceeding the levels achieved before the introduction of MIFID II.

The past year has demonstrated the value to our Corporate Broking business model of maintaining a leading, and highly respected Equities business. We will selectively hire in areas which require strengthening to ensure we build upon the recent success and continue to target market share gains.

Brexit has influenced investor sentiment towards the UK for a significant period. This year, we derived less than 5% of institutional income from EU-based clients. We continue to await clarity regarding the future framework for UK access to certain EU-based institutional clients and will respond appropriately to mitigate potential disruption. Our US office is a key feature of our Equities platform and would

clearly benefit from any improvement in US investor asset allocations to the UK post Brexit uncertainty lifting.

### Current trading & outlook

Revenue performance over the first two months of the year has continued in line with the strong second half performance of FY20.

Markets have reacted to the latest vaccine developments providing a favourable environment for our Equities business. This has supported strong execution commissions and trading gains.

Private markets deal flow has continued and a recovery in M&A activity has already started to benefit our Investment Banking revenues. We are engaged on several M&A mandates involving corporate clients, some of which require equity issuance to finance acquisition opportunities. Overall, the Investment Banking pipeline is encouraging, in particular our IPO pipeline is stronger than it has been for some time.

Brexit and the ongoing COVID-19 situation will likely present some challenges for us, and our clients in the near term, however we remain well positioned to navigate these challenges and build on our strong performance.

---

### Financial review

Our sustained investment across the cycle has enabled the business to respond to the challenging market environment, deliver significant growth in revenue and profits, and strengthen its financial position.

	<b>2020</b>	2019	%
	<b>£m</b>	£m	Change
Investment Banking	101.7	74.3	36.9%
Equities	53.2	37.3	42.5%
<b>Revenue</b>	<b>154.9</b>	<b>111.6</b>	<b>38.8%</b>
Investment income	0.3	(2.2)	
<b>Total Income</b>	<b>155.2</b>	<b>109.4</b>	<b>41.9 %</b>

Revenue for the year was £154.9m (2019: £111.6m), representing growth of 39% as the business benefitted from an increase in client activity levels and periods of elevated market volatility. Revenue per head increased by 36% to £549k, reflecting the significant growth in revenue relative to lower headcount growth. Total income increased 42%, this includes fair value adjustments within the investment portfolio which closed the year at £14.7m.

## Investment Banking

	2020 £m	2019 £m	% Change
Capital Markets	77.0	48.4	59.3%
Advisory	11.1	12.6	(11.4%)
Corporate retainers	13.5	13.4	1.3%
<b>Investment Banking revenue</b>	<b>101.7</b>	<b>74.3</b>	<b>36.9%</b>

The Investment Banking division delivered record revenue of £101.7m (2019: £74.3m), representing an increase of 37% on the prior year. Growth in average deal fees, rather the deal volumes, was the key contributor to the improved performance. Our average deal fee growth is an important function of our strategy and is attributable to an increase in the size of our corporate clients, an increase in our share of fees on high value transactions and an increase in private markets transactions which have typically attracted fees at the upper end of our range. Whilst client activity levels did increase relative to the prior year, this was offset by a reduction in IPO activity, resulting in overall deal volumes across the year being marginally below the prior year.

Capital Markets growth of 59% was underpinned by our corporate client base accessing the public markets to address the financial impact of COVID-19 and finance growth opportunities. Our Capital Markets revenues also benefited from our strategic focus on fundraising activity in private markets. GCS delivered revenue growth for the year and contributed more than a fifth of our Capital Markets revenue for the year.

Advisory revenues declined 11% compared to the prior year. The pipeline of transactions which was building post the UK General Election was severely disrupted by COVID-19, resulting in a decline in M&A deal volumes, particularly in the second half. Debt Advisory completed several mandates during the year, resulting in an improved performance relative to the previous year. However, this was more than offset by the decline in M&A related revenue.

Retainer fee income growth of 1% to £13.5m (2019: £13.4m) reflects our focus on ensuring an appropriate fee is charged for our Corporate Broking service. However, fee increases were offset by the closure of the Natural Resources sector towards the end of the financial year which has contributed to a reduction to our corporate client list. In aggregate this sector contributed approximately £1.5m of annual retainer fee revenue. We now have 188 corporate clients and will selectively grow the client list as we seek to benefit from our strong competitive position which we believe has been enhanced over the past year. However, we do not expect retainer fee income to return to FY20 levels in the short term.



## Equities

	2020 £m	2019 £m	% change
Institutional income	37.2	33.3	11.6%
Trading	16.0	4.0	299%
<b>Equities revenue</b>	<b>53.2</b>	<b>37.3</b>	<b>42.5%</b>

Equities delivered revenue of £53.2m (2019: £37.3m), which represented growth of 43%. Institutional income increased 12% against the prior year, which was the first full year since the introduction of MIFID II. Our institutional income growth reflects an increase in market volumes across the period of peak COVID-19-related volatility which led to increased execution revenues. In addition, we continued to achieve market share gains in UK equities underpinned by the quality of our overall service to institutions.

The mix of our institutional income shifted towards execution commissions given the improved market activity levels and the increasing contribution from our new Electronic Trading product. Our research income declined slightly on the year given the continued industry pressure on payments for research as the buy-side continues to review budgets in response to asset flows, consolidation and regulation.

Trading delivered gains materially ahead of the prior year which included the £3m loss associated with the underwriting of the Kier rights issue. We actively managed our trading book risk exposure during the period of heightened market volatility by reducing our exposure before relaxing book limits as markets stabilised and recovered. Profitability was maintained across the period despite material market movements in relation to the UK General Election and the early stages of pandemic. We reported 30% fewer loss days compared to the previous year, illustrating the consistency in performance across difficult markets. Our reputation as a leading provider of liquidity in small and mid-cap equities has been enhanced over this challenging period.

## Investment portfolio

Our investment portfolio is currently valued at £14.7m (2019: £14.9 m). The majority of the write-downs incurred at the half year were written back following a recovery in equity markets during the course of the second half. During the second half we recorded £1.9m of fair value gains reversing the loss of £1.9m in first half, and we sold our final listed holding for proceeds of £0.4m. The portfolio comprises a combination of private operating companies and funds, with approximately 40% of the portfolio value held in funds or diversified investment vehicles. We continue to seek liquidity events for our legacy holdings whilst maximising the strategic value and network benefits of more recent portfolio investments.

## Costs

	2020 £m	2019 £m	% Change
Staff costs	76.0	53.6	41.7%
Share-based payment	10.0	10.9	(8.7%)
Non-staff costs	32.4	33.0	(1.6%)
<b>Total administrative costs</b>	<b>118.4</b>	<b>97.5</b>	<b>21.4%</b>
Year-end headcount	292	277	5.4%
Average headcount	282	276	2.2%
Compensation ratio	55.5%	57.8%	(2.3ppts)

Total costs increased to £118.4m (2019: £97.5m) representing an increase of 21%. Average headcount increased by 2% which was attributable to recruitment of junior staff and an increase in support function roles as we focused on maintaining the operational resilience of the business throughout the challenging environment. Recruitment of senior front office roles slowed down due to the pandemic. We will continue to hire selectively in areas where there are clear growth opportunities for the business aligned to our strategic priorities.

The increase in staff costs of 42% is primarily attributable to an increase in variable compensation resulting from the significant improvement in operating performance of the business. At no stage did we furlough any staff and neither did we deem it appropriate to access any of the Government schemes designed to provide financial support for businesses through the pandemic.

Our share-based payment charge was slightly below the prior year at £10.0m (2019: £10.9m). We will continue to use equity to reward and incentivise our staff, both as part of our year end compensation round and to facilitate hiring activity.

Compensation costs as a percentage of revenue decreased to 55.5% (2019: 57.8%) as a result of the improved revenue performance and consistent approach to staff compensation. This ratio reflects the mid-point of our target range of 50% to 60% which we believe allows for appropriate alignment between staff compensation, business performance and shareholder returns whilst recognising the prevailing market conditions and outlook.

	<b>2020</b>	2019	%
	<b>£m</b>	£m	Change
Depreciation of PPE	1.2	1.1	8.8%
Depreciation of right-of-use asset (IFRS16)	1.8	-	-
Operating lease costs	-	1.9	-
Relocation expenses	1.3	-	-
Non-staff costs (ex. Property related)	28.1	30.0	(6.3%)
<b>Total non-staff costs</b>	<b>32.4</b>	<b>33.0</b>	<b>(1.6%)</b>

Our non-staff costs were slightly lower than the prior year, the net cost reductions arising as a result of COVID-19 were offset by costs incurred in relation to our upcoming office move.

Excluding property related expenses, our non-staff costs decreased 6% over the year largely due to a reduction in travel and entertainment spend which was impacted by the pandemic. It remains difficult to predict when, or if this spend will recover to previous levels. Minimal spend was required to facilitate effective remote working for the entire business given the investment in our technology infrastructure across recent years. We continue to operate with a majority of our staff working remotely and will react to any changes in government guidance confident we have the systems to accommodate a variety of scenarios.

Notwithstanding the decline in non-staff costs, we continued to invest in the Numis platform. During the year we completed the investment required to launch our Electronic Trading platform both in the UK and the US; we launched a new corporate website, and we completed the upgrade of our settlements system.

### **Office move**

Following a delay to the construction of our new London office due to the pandemic, we now expect the completion of the building early in 2021 and we plan to move into the new office towards the end of next summer ahead of the expiry of our current lease at the end of September 2021. In recognition of the likely changes to working practices moving forward, we re-engaged with staff during lockdown to ensure we have maximised the opportunity to build a flexible and collaborative working environment which promotes our corporate values.

In addition, over the past few months we have reassessed our space requirements in view of the current working practices and concluded that our current real estate strategy remains appropriate for our business, and its growth trajectory. We believe a high-quality office environment is vitally important in ensuring our business continues to thrive and we look forward to welcoming clients to our new office next year.

During the year we incurred costs of £1.3m related to the office. This includes the likely reinstatement costs associated with the exit of our current office. As previously indicated, the impact of the higher rent and larger office space will increase our ongoing occupancy costs by approximately £3m annually. In addition to this, we expect to incur an additional c. £1m in FY21 attributable to the overlap in costs on the two buildings for approximately nine months. In addition, we expect to incur one-off expenses related to the move of a similar amount to this year.

We have adopted IFRS16 during the period for the first time; given the short duration remaining on our head office lease, the impact is immaterial.

### Profit

	<b>2020</b>	2019	%
	<b>£m</b>	£m	Change
Profit before tax	37.1	12.4	198%
Adjustments:			
Investment (income) / losses	(0.3)	2.2	
Relocation expenses	1.3	-	
Net finance income	(0.3)	(0.6)	
Underlying operating profit	37.8	14.1	168%
Operating margin	24.4%	12.6%	+11.8ppts

The business benefits from operational gearing. The strong growth in revenue was only partially offset by an increase in staff costs, specifically variable compensation. Therefore, Underlying Operating profit was materially higher at £37.8m (2019: £14.1m) and operating margin increased to 24.4% (2019: 12.6%).

Profit before tax for the year was £37.1m, representing an increase of 198% compared to the prior year. This included the impact of gains of £0.3m in relation to the investment portfolio which compared to a loss of £2.2m in the prior year. Our effective tax rate for the year decreased to 15.4% (2019: 25.0%), resulting in profit after tax of £31.3m (2019: £9.3m), largely due to an increase in the deferred tax asset as a result of the share price increase over the period.

EPS increased in line with profits to 29.9p per share given the share count was flat compared to the prior year.

### Capital and liquidity

The Group's net asset position as at 30 September 2020 was £157.6m, representing an increase of 14% compared to the prior year. The profits of the Group and the movement attributable to equity compensation more than compensated for the dividend distributions and share repurchases. We continue to operate significantly in excess of our regulatory capital requirements and believe this affords the Group long-term stability, and strategic flexibility. Furthermore, in periods of market

dislocation the strength of our balance sheet provides significant comfort to our clients and counterparties.

Our liquidity position is subject to material daily movements as a result of our trading and underwriting activities. As at 30 September 2020, our cash position was £125.2m (2019: £84.2m) which was £41m higher than the prior year, reflecting the improved financial performance over the year and favourable trading book movements which more than offset cash outflows relating to dividends and share repurchases. The average daily cash position over the year was £89m. In addition, we have a £35m revolving credit facility which is currently undrawn.

The Group always operates with a cash position materially above its minimum liquidity obligations. However, the nature of our business activities means that our liquidity position can be highly volatile on a short-term basis. The variance between our daily high and low cash positions over the financial year was £78m, illustrating the importance of maintaining a strong liquidity position.

Over the course of the next year our cash position will be impacted by the capital expenditure requirements of the new office fit-out. The majority of this spend will be incurred during FY21. In addition, due to the higher than usual volume of share award vestings in FY21 we will have a higher cash spend funding off-market share repurchases to facilitate net settlement for staff.

### **Dividends and shareholder returns**

The Board has proposed a final dividend for the year of 6.5p per share. The dividend, subject to approval at the AGM, will be paid on 12 February 2021 to shareholders on the Register on 18 December 2020.

Our goal is to pay a stable ordinary dividend and reinvest in our platform, pursue selective growth opportunities, and return excess cash to shareholders subject to capital and liquidity requirements and market outlook.

During the year 3.5m shares were repurchased at a weighted average price of 283p per share. This compares to 4.7m shares purchased in the prior year at an average price of 257p per share. The impact of the share repurchases resulted in our issued share count ending the year in line with the prior financial year. Our issued share count is now 8.2m lower than five years ago. It is likely the share count will increase during this year given the September 2021 vesting date of the 2016 LTIP awards. However, our intention remains to ensure that the dilutive impact of staff equity awards is mitigated through buybacks over time.

**Consolidated Income Statement**  
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £'000	2019 £'000
Revenue	3	154,899	111,610
Other operating income/(expense)	4	310	(2,210)
<b>Total income</b>		<b>155,209</b>	<b>109,400</b>
Administrative expenses	5	(118,409)	(97,514)
<b>Operating profit</b>		<b>36,800</b>	<b>11,886</b>
	6	986	684
Finance costs	6	(723)	(134)
<b>Profit before tax</b>		<b>37,063</b>	<b>12,436</b>
Taxation		(5,713)	(3,110)
<b>Profit for the year</b>		<b>31,350</b>	<b>9,326</b>
<b>Attributable to:</b>			
Owners of the parent		31,350	9,326
Earnings per share			
Basic	7	29.9p	8.8p
Diluted	7	26.7p	8.1p
Dividends	8	(12,582)	(12,650)

**Consolidated Statement of Comprehensive Income**

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year	31,350	9,326
Exchange differences on translation of foreign operations	227	(96)
<b>Other comprehensive income for the year, net of tax</b>	<b>227</b>	<b>(96)</b>
<b>Total comprehensive income for the year, net of tax, attributable to owners of the parent</b>	<b>31,577</b>	<b>9,230</b>

## Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2020

	Note	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Property, plant and equipment		2,596	2,790
Intangible assets		406	80
Right-of-use assets		4,020	-
Deferred tax	9a	5,617	3,962
		<b>12,639</b>	<b>6,832</b>
<b>Current assets</b>			
Trade and other receivables	9b	326,156	187,258
Trading investments	9c	38,089	38,463
Stock borrowing collateral	9d	18,222	14,640
Current income tax receivable		1,332	-
Derivative financial instruments		18	1,103
Cash and cash equivalents	9g	125,217	84,202
		<b>509,034</b>	<b>325,666</b>
<b>Current liabilities</b>			
Trade and other payables	9b	(340,265)	(178,613)
Financial liabilities	9e	(19,170)	(14,153)
Lease liabilities		(1,962)	-
Current income tax payable		-	(1,578)
		<b>(361,397)</b>	<b>(194,344)</b>
<b>Net current assets</b>		<b>147,637</b>	<b>131,322</b>
<b>Non-current liabilities</b>			
Lease liabilities		(2,643)	-
<b>Net assets</b>		<b>157,633</b>	<b>138,154</b>
<b>Equity</b>			
Share capital		5,922	5,922
Other reserves		22,421	20,639
Retained earnings		129,290	111,593
<b>Total equity</b>		<b>157,633</b>	<b>138,154</b>



## Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share Capital £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2019	5,922	20,639	111,593	138,154
Profit for the year			31,350	31,350
Other comprehensive income		227		227
Total comprehensive income for the year	-	227	31,350	31,577
Dividends paid			(12,582)	(12,582)
Net movement in Treasury shares			(37)	(37)
Movement in respect of employee share plans		1,555	(1,711)	(156)
Deferred tax related to share-based payments			677	677
Transactions with shareholders	-	1,555	(13,653)	(12,098)
<b>Balance at 30 September 2020</b>	<b>5,922</b>	<b>22,421</b>	<b>129,290</b>	<b>157,633</b>
	Share Capital £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2018	5,922	17,537	119,677	143,136
Profit for the year			9,326	9,326
Other comprehensive income		(96)		(96)
Total comprehensive income for the year	-	(96)	9,326	9,230
Dividends paid			(12,650)	(12,650)
Net movement in Treasury shares			(2,303)	(2,303)
Movement in respect of employee share plans		3,198	(1,879)	1,319
Deferred tax related to share-based payments			(578)	(578)
Transactions with shareholders	-	3,198	(17,410)	(14,212)
<b>Balance at 30 September 2019</b>	<b>5,922</b>	<b>20,639</b>	<b>111,593</b>	<b>138,154</b>

**Consolidated Statement of Cash Flows**  
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £'000	2019 £'000
Cash flows generated from operating activities	10	76,051	391
Interest paid		(497)	(134)
Taxation paid		(9,601)	(3,005)
<b>Net cash generated from / (used in) operating activities</b>		<b>65,953</b>	<b>(2,748)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(1,029)	(714)
Purchase of intangible assets		(431)	(47)
Interest received		986	684
<b>Net cash used in investing activities</b>		<b>(474)</b>	<b>(77)</b>
<b>Financing activities</b>			
Purchases of own shares – Treasury		(5,426)	(7,774)
Purchases of own shares – Employee Benefit Trust		(4,344)	(4,222)
Cash paid in respect of lease arrangements – principal		(1,873)	-
Cash paid in respect of lease arrangements - interest		(226)	-
Dividends paid		(12,582)	(12,650)
<b>Net cash used in financing activities</b>		<b>(24,451)</b>	<b>(24,646)</b>
<b>Net movement in cash and cash equivalents</b>		<b>41,028</b>	<b>27,471</b>
Opening cash and cash equivalents		84,202	111,673
Net movement in cash and cash equivalents		41,028	(27,471)
Exchange movements		(13)	-
<b>Closing cash and cash equivalents</b>		<b>125,217</b>	<b>84,202</b>

## Notes to the Financial Statements

### 1. Basis of preparation and accounting policies

#### *Basis of preparation*

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2020 will be delivered to the Registrar of Companies in due course. The annual report and statutory accounts will be posted to shareholders on 5 January 2021 and further copies will be available from the Company Secretary at the Company's registered office. The Company's Annual General Meeting will be held on 9th February 2021.

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant judgements and estimates applied by the Group in these preliminary results have been applied on a consistent basis with the statutory accounts for the years ended 30 September 2020 and 30 September 2019. Although such estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

The consolidated financial information contained within these financial statements has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The consolidated financial information contained within these financial statements has been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial information and having taken into consideration the strength of the Group balance sheet and cash balances, the Group has adequate resources to continue in operational existence for at least the next twelve months.

#### *Accounting policies*

The consolidated financial information contained within these financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and are in accordance with the accounting policies that were applied in the Group's statutory accounts for the year ended 30 September 2020.

IFRS 16 "Leases" has been adopted by the Group for the accounting year ended 30 September 2020. IFRS 16 brings all material leases onto the balance sheet with a liability representing future lease payments and an asset representing right of use. This has impacted the Group for its leases that fall within the scope of the standard. All leases have been assessed, and those that fall within the standard will be the two property leases that the Group has in place, where the space is available for use, as well as photocopier leases in the US subsidiary company. The adoption of the standard has not been material to the income statement, although it has introduced material additional balances to the assets and liabilities of the Group.

There are no other new mandatory standards, amendments or interpretations for the Group's and the Company's accounting year ended 30 September 2020.

As at the date of authorisation of the financial statements, there were no relevant standards, amendments or interpretations to existing standards not yet effective, which have been early adopted by the Group.

## 2. Segmental analysis

### *Geographical information*

The Group is managed as an integrated investment banking business and although there are different revenue types, (which are separately disclosed in note 3), the nature of the Group's activities is considered to be subject to the same and/or similar economic characteristics. Consequently, the Group is managed as a single business unit.

The Group earns its revenue in the following geographical locations:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	144,333	106,077
United States of America	10,566	5,533
<b>Revenue</b> (see note 3)	<b>154,899</b>	<b>111,610</b>

There are no clients who accounted for more than 10% of revenues in the year ended 30 September 2020 (2019: nil).

The following is an analysis of the carrying amount of non-current assets (excluding deferred tax assets) by the geographical area in which the assets are located:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	3,994	2,394
United States of America	3,028	476
<b>Total non-current assets</b>	<b>7,022</b>	<b>2,870</b>

### *Other information*

In addition, the analysis below sets out the revenue performance and net asset split between our investment banking business and the small number of unlisted equity holdings which constitute our investment portfolio.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Equities income	53,195	37,325
Corporate retainers	13,536	13,357
Total deal fees	88,168	60,928
<b>Revenue</b> (see note 3)	<b>154,899</b>	<b>111,610</b>
Investment activity net gains/(losses)	310	(2,210)
<b>Contribution from investment portfolio</b>	<b>310</b>	<b>(2,210)</b>
<b>Total</b>	<b>155,209</b>	<b>109,400</b>
<b>Net assets</b>		
Investment banking and equities activities	17,685	39,105
Investing activities	14,731	14,847
Cash & cash equivalents	125,217	84,202
<b>Total net assets</b>	<b>157,633</b>	<b>138,154</b>

### 3. Revenue

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Net trading gains	16,003	4,008
Institutional income	37,192	33,317
Equities income	53,195	37,325
Corporate retainers	13,536	13,357
Advisory fees	11,146	12,576
Capital markets fees	77,022	48,352
Investment banking revenue	101,704	74,285
<b>Total</b>	<b>154,899</b>	<b>111,610</b>

### 4. Other operating income/(expense)

Other operating income/(expense) represents net gains/(losses) made on investments which are held outside of the market making portfolio.

### 5. Administrative expenses

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	63,086	45,181
Social security costs	10,771	6,301
Compensation for loss of office	440	302
Other pension costs	1,719	1,845
Share-based payments	9,961	10,914
Total staff costs	85,977	64,543
Depreciation of property, plant and equipment	1,223	1,124
Depreciation of right-of-use assets	1,793	-
Amortisation of intangible assets	105	44
Operating lease costs	-	1,871
Other non-staff costs	29,311	29,932
Total non-staff costs	32,432	32,971
<b>Total administrative expenses</b>	<b>118,409</b>	<b>97,514</b>

The average number of employees during the year increased to 282 (2019: 276) with the number as at 30 September 2020 totalling 292 (30 September 2019: 277). Compensation costs as a percentage of revenue decreased to 56% (2019: 58%).

Other non-staff costs comprise expenses incurred in the normal course of business, the most significant of which relate to technology, information systems, market data, brokerage, clearing and exchange fees. During the year, travel and entertainment costs have declined as a result of COVID-19. This decline more than offset incremental technology spend associated with enabling remote working. Other non-staff costs also reflect the adoption of IFRS 16. Given the limited remaining duration of our head office lease, the impact of the new standard on non-staff costs is immaterial. Other non-staff costs include £1,330k of non-recurring costs related to the head office relocation, which is anticipated to take place next year.

## 6. Finance income / Finance costs

<b>Finance income</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest income	261	581
Net foreign exchange gains	650	74
Other income	75	29
<b>Total finance income</b>	<b>986</b>	<b>684</b>

  

<b>Finance costs</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest expense	497	134
Unwind of lease liability discount	226	-
<b>Total finance costs</b>	<b>723</b>	<b>134</b>

Interest income comprises interest on surplus cash balances placed on call deposit and interest receivable on certain staff loans. Net foreign exchange gains relate to activities in the normal course of business and investments held in foreign currencies, such as USD.

Interest expense comprises amounts paid on overdrawn balances with clearing institutions. Interest expense has increased due to drawdowns of the Revolving Credit Facility for trading purposes in the normal course of business. The unwind of the lease liability discount relates to the leases treated as finance leases under IFRS 16, which was effective for the 2020 financial year end.

## 7. Earnings per share

Basic earnings per share is calculated on a profit after tax of £31,350,000 (2019: £9,326,000) and 104,986,698 (2019: 105,443,304) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share takes account of contingently issuable shares arising from share scheme award arrangements where their impact would be dilutive. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit or loss per share from continuing operations attributable to the equity holders.

The calculations exclude shares held by the Employee Benefit Trust on behalf of the Group and shares held in Treasury.

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares in issue	104,987	105,443
Dilutive effect of share awards	12,313	9,424
<b>Diluted number of ordinary shares</b>	<b>117,300</b>	<b>114,867</b>

## 8. Dividends

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Final dividend for year ended 30 September 2018 (6.50p)		6,837
Interim dividend for year ended 30 September 2019 (5.50p)		5,813
Final dividend for year ended 30 September 2019 (6.50p)	6,788	
Interim dividend for year ended 30 September 2020 (5.50p)	5,794	
<b>Distribution to equity holders of Numis Corporation Plc</b>	<b>12,582</b>	<b>12,650</b>

The Board has proposed a final dividend of 6.5p per share for the year ended 30 September 2020. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by the shareholders. These preliminary results do not reflect this final dividend.

The final dividend for 2020 will be payable on 12th February 2021 to shareholders on the register of members at the close of business on 18th December 2020, subject to shareholder approval at the Annual General Meeting on 9th February 2021. Shareholders have the option to elect to use their cash dividend to buy additional shares in Numis through a Dividend Re-Investment Plan (DRIP). The details of the DRIP will be explained in a circular to accompany our 2020 Annual Report and Accounts, which will be circulated to all shareholders on 5 January 2021.

## 9. Balance sheet items

### (a) *Deferred tax*

As at 30 September 2020 deferred tax assets totalling £5,617,000 (2019: £3,962,000) have been recognised reflecting management's confidence that there will be sufficient levels of future taxable gains against which the deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of share-based payments. A deferred tax asset of £562,000 (2019: £1,806,000) relating to unrelieved trading losses incurred in a subsidiary entity has not been recognised as there is insufficient supportable evidence within the relevant legal entity that there will be taxable gains in the future against which the deferred tax asset could be utilised.

### (b) *Trade and other receivables and Trade and other payables*

Trade and other receivables and Trade and other payables principally comprise amounts due from and due to clients, brokers and other counterparties. Such amounts represent unsettled sold and unsettled purchased securities transactions and are stated gross. The magnitude of such balances varies with the level of business being transacted around the reporting date. Included within Trade and other receivables are cash collateral balances held with securities clearing houses of £12,687,000 (2019: £12,007,000).

### (c) *Trading investments*

Included within trading investments is £14,701,000 (2019: £14,847,000) of investments held outside of the market making portfolio. There were new investment purchases of £39,000, disposals of £400,000 and fair value net increases of £215,000 in relation to these investments, which are now exclusively unlisted investments.

As at 30 September 2020 no trading investments had been pledged to institutions under stock borrowing arrangements (2019: nil).

### (d) *Stock borrowing collateral*

The Group enters stock borrowing arrangements with certain institutions which are entered into on a collateralised basis with cash advanced as collateral. Under such arrangements a security is purchased with a commitment to return it at a future date at an agreed price.

The securities purchased are not recognised on the balance sheet. An asset is recorded on the balance sheet as stock borrowing collateral at the amount of cash collateral advanced.

On the rare occasion where trading investments have been pledged as security these remain within trading investments and the value of the security pledged disclosed separately except in the case of short-term highly liquid assets with an original maturity of 3 months or less, which are reported within cash and cash equivalents with the value of security pledged disclosed separately.

*(e) Financial liabilities*

Financial liabilities comprise short market making positions and include shares listed on the London Stock Exchange Main Market and quoted on the AIM market as well as overseas exchanges. In conjunction with the long market making positions included within Trading investments, these two combined represent the net position of holdings within the market making book, including derivatives, which, year on year, decreased to £4.2m long as at 30 September 2020 (2019: £10.6m long). The magnitude of financial liabilities will depend, in part, on the nature and make-up of long positions combined with the market makers' view of those long positions over the short and medium term, taking into consideration market volatility, liquidity, client demand and future corporate actions.

The Group has a £35m unsecured Revolving Credit Facility ('RCF') with Barclays and AIB. The facility is undrawn.

*(f) Contingent liabilities*

The Company has signed a subscription agreement where the full amount of the subscription had not been called upon at the balance sheet date.

An investment in a U.S. private fund with a total subscription value of \$1.0m had been signed. The fund calls upon capital as it is required and at the balance sheet date \$940k had been called up and paid. This is classified within Trading Investments. The remaining \$60k has not been called at the balance sheet date and is therefore a commitment until it is paid over to the fund. The subscription agreement allows that the investment can be called any time up till the 5th anniversary of the agreement, which is June 2023.

*(g) Cash and cash equivalents*

Cash balances reflect movement in market making positions, the operating performance of the business offset by dividend distributions (£12.58m cash outflow) and share buy-backs through the repurchase of shares into Treasury and the Employee Benefit Trust (£9.77m cash outflow).



## 10. Reconciliation of profit before tax to cash flows from operating activities

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Profit before tax	37,063	12,436
Net finance income	(263)	(550)
Depreciation charges on property, plant and equipment	1,223	1,124
Depreciation charges on right-of-use assets	1,793	-
Amortisation charges on intangible assets	105	44
Share scheme charges	9,806	10,914
Decrease in current asset trading investments	374	5,337
(Increase)/decrease in trade and other receivables	(138,898)	182,046
(Increase) in stock borrowing collateral	(3,582)	(6,734)
Increase/(decrease) in trade and other payables	166,669	(203,473)
Other balance sheet movements in relation to leases	676	-
Decrease/(increase) in derivatives	1,085	(753)
<b>Cash flows from operating activities</b>	<b>76,051</b>	<b>391</b>

Cash flows in 2020 benefitted from a higher profit before tax and an increase in trade and other payables, but were partially offset by an increase in trade and other receivables.