

Numis Corporation Plc Preliminary Results for the year ended 30 September 2013

London, 3 December 2013: Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2013. Numis is the holding company of Numis Securities Limited, the independent investment banking and broking business.

Highlights

- Revenue up 55% to £77.7m (2012: £50.1m)
- Adjusted profit before tax up 227% to £25.0m (2012: £7.7m)
- Statutory profit before tax up 445% to £22.6m (2012: £4.1m)
- Adjusted EPS of 19.3p (2012: 6.4p) and statutory EPS of 16.9p (2012: 3.2p)
- Final dividend of 5.00p, giving a total dividend of 9.00p per share (2012: 8.00p)
- 28 new corporate clients during the year bringing the total to 156 covering a wide range of companies across 16 sectors of the market
- Raised £2.2bn (2012: £0.7bn) of funds for corporate clients
- Completed 38 equity issuance transactions (including 7 IPOs) and 5 Retail Bond offerings
- Combined institutional commission and trading gains of £37.2m (2012: £24.8m) at highest level in the firm’s history
- Significant increase in cash balances to £71.2m (2012: £35.9m)
- Voted “Number 1 UK Small and Mid Cap Brokerage Firm” by both companies and institutions in the 2013 Thomson Reuters Extel Survey
- No.3 Broker by number of FTSE 250 clients in latest quarterly research from Adviser Rankings.

Commenting on the results, Oliver Hemsley, Chief Executive, said:

“During the downturn we have kept a relentless focus on building and maintaining the quality of service to our corporate and institutional clients. As market sentiment improved during 2013 and confidence returned to both our corporate and buy side clients, we have facilitated much improved access to the capital markets and raised over £2billion for our corporate clients. In addition to a high level of secondary issues, we are also a leading player in the retail bond market and are at the forefront of a rejuvenated IPO market with a number of successful flotations.

Since our year end, sentiment has continued to improve and with it our pipeline and confidence in a further improvement in our performance supported, as always, by a strong balance sheet and the continuing efforts of our talented people.”

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Notes for Editors

Numis is a leading independent investment banking and stockbroking group offering a full range of research, execution, corporate broking and corporate finance services to companies quoted in the UK and their investors.

CHIEF EXECUTIVE'S STATEMENT

We are pleased to report a significant improvement in the performance of the business. During the year ended 30 September 2013 revenues have increased to £77.7m (2012: £50.1m) and adjusted profit before tax to £25.0m (2012: £7.7m). There were £3.6m of gains (2012: £2.8m) recognised on investments held outside of our market making business and £6.0m of charges (2012: £6.3m) relating to employee share scheme arrangements. This resulted in a statutory profit before tax for the year of £22.6m (2012: £4.1m). A reconciliation of the adjusted profit to the statutory result is set out in note 9.

Strong inflows of capital into equities and a general re-opening of the market to equity issuance helped to underpin a buoyant and consistent performance across UK equity indices. For the year ended 30 September 2013 double-digit percentage gains were experienced in all the key FTSE indices, with the largest gains recorded for the AIM 50 (36.3%), FTSE Small Cap (30.8%) and FTSE 250 (27.1%). Similarly, the main Numis Smaller Companies Index generated returns of 34.4% over the same period demonstrating the continued strong performance in this sector of the market.

For the market as a whole, the value of secondary trading and equity fundraising on the London Stock Exchange also improved. Secondary trading (by value) in main market stocks was up 8.6% on the same period last year and equity funds raised on AIM and the Main Market combined, increased to £23.8bn resulting in a year-on-year increase of 119%. In addition, a further £1.1bn of finance was raised by way of retail bond offerings through the Order book for Retail Bonds (ORB).

We have been able to take advantage of the improved market conditions and post a 55% increase in core revenues. This includes a record full year result for combined institutional commission & trading revenues which generated a year-on-year increase of 50% to £37.2m (2012: 24.8m). Similarly, income from corporate and issuance transactions for the year increased by 75% to £33.5m (2012: £19.1m) and was driven by the completion of 7 IPOs, 31 secondary market equity placings and 5 retail bond offerings bringing the total funds raised for our clients during the year to £2.2bn (2012: £717m). This is the highest level of activity we have achieved in any reporting period.

Our balance sheet remains strong with cash balances totalling £71.2m (2012: £35.9m) while net assets have increased to £106.8m (2012: £97.1m). The net cash inflow of £35.3m incorporates outflows of £4.7m on share repurchases and dividend distributions totalling £5.1m. These have been offset by cash inflows resulting from the significant improvement in operating profit, the monetisation of part of our investment portfolio held outside of the market making business and net inflows from other operating activities such as cash collateral placed with stock lending counterparties and clearing institutions.

Our investment portfolio is valued at £10.5m (2012: £17.8m) the majority of which comprises holdings in quoted companies. During the year we monetised £12m of this portfolio and recorded net gains of £3.2m which are reported through the other operating income line of the income statement.

Corporate Finance & Corporate Broking

Notable deals included IPOs for Foxtons, Crest Nicholson, esure Group, Hellermann Tyton and TwentyFour Income Fund and retail bond issuances for Enquest, St Modwen, Unite Group, Helical Bar and Workspace. In total we raised £1.8bn of equity finance during the year (2012: £717m) which equates to 7.7% (2012: 5.4%) of total equity fund raising on the London Stock Exchange. In the retail bond space we raised £334m during the year which represents one third of all funds raised on the London Stock Exchange ORB market during the period.

We continue to attract high quality corporate clients with 28 new clients added during the year bringing the total number for whom we act to 156 companies (2012: 144). This has helped to achieve a 13% increase in retainer fees year-on-year which currently have an annual run rate of just under £8m. During the year we won our largest ever new broking client by market capitalisation with our appointment as joint broker to Daily Mail & General Trust (market cap of c. £2.6bn at date of appointment). The average market capitalisation of our client base now stands at c. £467m (2012: £332m).

The breadth and quality of our corporate client list is significant and includes 31 FTSE 250 clients, one FTSE 100 company, 61 FTSE Small Caps and 58 AIM companies. The offering to our corporate clients includes access to worldwide institutional investors, but also to a network of over 1,500 active private client fund managers providing alternative sources of liquidity and investor interaction.

These achievements are a testament to the calibre of our people and the strength of our dedicated corporate broking team which were instrumental in Numis being voted #1 UK Small & Mid Cap Brokerage Firm by both companies and institutions in the 2013 Thomson Reuters Extel survey. In addition, Numis was voted "Best Advisor – Corporate Sponsor" in the UK Stock Market Awards 2013, retaining our 2012 title, giving further evidence of the leading role we play in this field and the high regard in which our franchise is held.

Research & Execution

Our research and execution services are recognised as being exceptional and have been critical in helping to drive further increases in market share during the year across both large and small companies. We are in the top 5 brokers for FTSE 250 trade (by value traded) based on direct customer business, and are top 3 ranked in both FTSE Small Cap and AIM trade on this basis.

External recognition of the quality of our research was reinforced in the 2013 UK Mid and Smallcap Thomson Reuters Extel survey. Out of 18 sectors covered by the survey, Numis analysts ranked number 1 in eight sectors with no other broker achieving more than two number 1 analyst votes. Our analysts produce research on 340 companies including around 160 companies with market capitalisations of over £1bn, and 180 smaller companies. In addition, our investment funds research covers around 400 investment companies and together this gives us a recognised capability across sixteen sectors. We believe that we are now one of the leading UK country brokers for equity research.

Further external recognition comes from Starmine's tracking of broker recommendations. Numis has been ranked 1st for the performance of Midcap recommendations in every one of the last 6 years, among the leading ten brokers for Midcaps researching more than 100 companies. We believe this performance reflects the extensive experience of our analysts and demonstrates the consistent and significant insight that our research product provides to investors in UK listed companies.

Sales & Trading is a highly competitive area. Our clients have a strong demand for well-researched ideas combined with high quality execution and we believe our platform is well placed to improve performance for our 450+ active institutional clients across the UK, Europe, the USA and the rest of the world. Our US office continues to provide an excellent service in marketing UK quoted companies to major US institutional investors and arranging road shows in the US for FTSE350 companies. External recognition of our Sales Team and Trading capability was achieved in the 2013 Thomson Reuters Extel survey in which Numis was voted #2 UK Small & Mid Cap Sales as well as #4 UK Small & Mid Cap Trading. Further recognition was achieved in the Acquisition International's 2013 Finance Awards in which Numis was voted Institutional Stockbroking Firm of the Year – UK.

Dividend and Scrip Alternative

In view of our robust cash position, significant excess regulatory capital and profitability, the Board has proposed a final dividend of 5.00p per share (2012: 4.00p) which increases the total distribution for 2013 by 12.5% to 9.00 per share (2012: 8.00p). The dividend will be payable on 14 February 2014 to all shareholders on the register of members at the close of business on 13 December 2013. Shareholders will be offered the option to receive shares instead of a cash dividend, the details of which will be explained in a circular to accompany our Annual Report and Accounts 2013, which will be circulated to all shareholders on 6 January 2014.

Outlook

Our new financial year has started well with buoyant levels of activity in both primary and secondary markets. The deal pipeline is building strongly and we are optimistic that favourable conditions for equity issuance will prevail in the short to medium term.

Our strategy has always centred around the quality of our corporate client list, a relentless focus on client service and building trusted relationships with institutions. We also have a proven track record of helping companies access capital by delivering successful primary issues in both the equity and retail bond markets. This strategy positioned us well for the improved market conditions experienced in 2013 and should ensure that the firm remains well positioned to benefit from favourable market conditions in the future.

Oliver Hemsley
Chief Executive
3 December 2013

Consolidated Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2013

		2013	2012
Continuing operations	Note	£'000	£'000
Revenue	3	77,658	50,076
Other operating income		3,550	2,817
Total income		81,208	52,893
Administrative expenses	4	(59,150)	(48,925)
Operating profit		22,058	3,968
Finance income		566	363
Finance costs		(5)	(182)
Profit before tax		22,619	4,149
Taxation		(4,555)	(848)
Profit after tax		18,064	3,301
Attributable to:			
Equity holders of Numis Corporation Plc		18,064	3,301
Earnings per share			
Basic	5	16.9p	3.2p
Diluted	5	15.6p	3.0p
Dividends for the year	6	(8,570)	(8,397)

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	2013	2012
	£'000	£'000
Profit for the year	18,064	3,301
Exchange differences on translation of foreign operations	(52)	(15)
Other comprehensive expense for the year, net of tax	(52)	(15)
Total comprehensive income for the year, net of tax, attributable to equity holders of Numis Corporation Plc	18,012	3,286

Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2013

	Note	2013 £'000	2012 £'000
Non current assets			
Property, plant and equipment		1,652	1,959
Intangible assets		124	82
Deferred tax	7a	2,715	1,906
		4,491	3,947
Current assets			
Trade and other receivables	7b	198,391	241,472
Trading investments	7c	36,203	38,596
Stock borrowing collateral	7d	292	4,511
Derivative financial instruments		779	72
Cash and cash equivalents	7f	71,205	35,854
		306,870	320,505
Current liabilities			
Trade and other payables	7b	(193,125)	(215,879)
Financial liabilities	7e	(8,046)	(11,013)
Current income tax		(3,363)	(485)
		(204,534)	(227,377)
Net current assets		102,336	93,128
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Net assets		106,827	97,075
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Equity			
Share capital		5,865	5,736
Share premium account		35,830	32,461
Other reserves		10,119	11,653
Retained earnings		55,013	47,225
Total equity		106,827	97,075

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2012	5,736	32,461	11,653	47,225	97,075
New shares issued	129	3,369	-	-	3,498
Dividends paid				(8,570)	(8,570)
Purchase of shares into Treasury				(3,269)	(3,269)
Movement in respect of employee share plans			(1,482)	520	(962)
Deferred tax related to share based payments				1,043	1,043
Total comprehensive (expense) / income for the year			(52)	18,064	18,012
Balance at 30 September 2013	5,865	35,830	10,119	55,013	106,827

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2011	5,622	30,767	12,809	50,393	99,591
New shares issued	114	1,694	-	-	1,808
Dividends paid				(8,397)	(8,397)
Movement in respect of employee share plans			(1,141)	1,924	783
Deferred tax related to share based payments				4	4
Total comprehensive (expense)/income for the year			(15)	3,301	3,286
Balance at 30 September 2012	5,736	32,461	11,653	47,225	97,075

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities	8	46,338	4,781
Interest paid		(5)	(23)
Taxation paid		(1,442)	(640)
Net cash from operating activities		44,891	4,118
Investing activities			
Purchase of property, plant and equipment		(88)	(407)
Purchase of intangible assets		(104)	(26)
Interest received		369	326
Net cash from / (used in) investing activities		177	(107)
Financing activities			
Purchases of own shares – Treasury		(2,370)	-
Purchases of own shares – Employee Benefit Trust		(2,321)	(3,221)
Dividends paid		(5,072)	(6,589)
Net cash used in financing activities		(9,763)	(9,810)
Net movement in cash and cash equivalents		35,305	(5,799)
Opening cash and cash equivalents		35,854	41,778
Net movement in cash and cash equivalents		35,305	(5,799)
Exchange movements		46	(125)
Closing cash and cash equivalents		71,205	35,854

Notes to the Financial Information

1. Basis of preparation and accounting policies

Basis of preparation

The consolidated financial information contained within these preliminary results 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 2013 will be delivered to the Registrar of Companies in due course. The annual report will be posted to shareholders on 6 January 2014 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 4 February 2014.

The preparation of the preliminary results 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 2012 and 2011. 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 preliminary results 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 12 months.

Accounting policies

The accounting policies applied in these preliminary results are in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), 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 2012.

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, namely investment banking.

The Group earns its revenue in the following geographical locations:

	2013	2012
	£'000	£'000
United Kingdom	70,252	45,101
United States	7,406	4,975
	77,658	50,076

There are no customers which account for more than 10% of revenues in the year ended 30 September 2013 (2012: Nil).

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

	2013	2012
	£'000	£'000
United Kingdom	1,567	1,769
United States	209	272
	1,776	2,041

Other information

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

	2013	2012
	£'000	£'000
Net institutional commission and trading income	37,218	24,809
Corporate transaction revenues	33,507	19,128
Corporate retainers	6,933	6,139
Revenue from investment banking & broking (see note 3)	77,658	50,076
Investment activity net gains	3,550	2,817
Contribution from investing activities	3,550	2,817
Total	81,208	52,893
Net assets		
Investment banking & broking	21,966	38,315
Cash collateral at clearing houses	3,111	5,131
Investing activities	10,545	17,775
Cash and cash equivalents	71,205	35,854
Total net assets	106,827	97,075

3. Revenue

	2013	2012
	£'000	£'000
Net trading gains	8,459	3,430
Institutional commissions	28,759	21,379
Net institutional income	37,218	24,809
Corporate retainers	6,933	6,139
Deal fees	6,015	8,275
Placing commissions	27,492	10,853
	77,658	50,076

4. Administrative expenses

	2013	2012
	£'000	£'000
Wages and salaries	29,645	20,122
Social security costs	5,396	3,425
Compensation for loss of office	251	296
Other pension costs	1,386	1,149
Share based payments	4,494	5,591
Non compensation costs	17,978	18,342
	59,150	48,925

Non-compensation costs have been contained against a backdrop of increased activity and revenue. We continue to examine opportunities to increase the efficiency, and therefore reduce the ongoing run rate, of these non-compensation costs.

5. Earnings per share

Basic earnings per share is calculated on a profit after tax of £18,064,000 (2012: £3,301,000) and 106,924,245 (2012: 104,184,235) 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 per share or increase the loss per share from continuing operations attributable to the equity holders. Therefore shares that may be considered dilutive while positive earnings are being reported may not be dilutive while losses are incurred.

The calculations exclude shares held by the employee benefit trusts on behalf of the Group.

	2013	2012
	Number	Number
	Thousands	Thousands
Weighted average number of ordinary shares in issue during the year – basic	106,924	104,184
Dilutive effect of share awards	8,718	7,444
Diluted number of ordinary shares	115,642	111,628

6. Dividends

	2013	2012
	£'000	£'000
Final dividend for year ended 30 September 2011 (4.00p)		4,112
Interim dividend for year ended 30 September 2012 (4.00p)		4,285
Final dividend for year ended 30 September 2012 (4.00p)	4,243	
Interim dividend for year ended 30 September 2013 (4.00p)	4,327	
Distribution to equity holders of Numis Corporation Plc	8,570	8,397

The board has proposed a final dividend of 5.00p per share for the year ended 30 September 2013. 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 dividend payable.

7. Balance sheet items

(a) *Deferred tax*

As at 30 September 2013 deferred tax assets totalling £2,715,000 (2012: £1,906,000) have been recognised reflecting managements' 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 £831,000 (2012: £1,334,000) relating to unrelieved trading losses incurred has not been recognised as there is insufficient supportable evidence 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 £3,111,000 (2012: £5,131,000).

(c) *Trading investments*

Included within trading investments is £10,545,000 (2012: £17,775,000) of investments held outside of the market making portfolio. As at 30 September 2013, Nil (2012: Nil) of trading investments had been pledged to certain institutions under stock lending arrangements.

(d) *Stock borrowing and lending collateral*

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

The securities purchased are not recognised on the balance sheet whereas the securities sold remain on the balance sheet with the transaction treated as a secured loan made for the purchase or sale price. Where cash has been used to effect the purchase or sale, an asset or liability is recorded on the balance sheet as stock borrowing or lending collateral at the amount of cash collateral advanced or received.

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 LSE Main and AIM markets 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 which, year on year, has increased by approximately £8.5m. 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.

(f) *Cash and cash equivalents*

The increase in cash balances largely reflects the significant improvement in operating profit, the monetisation of part of our investment portfolio held outside of the market making business coupled with net inflows from other operating activities such as cash collateral placed with stock lending counterparties and clearing institutions. This net inflow has been achieved whilst maintaining dividend distributions (£5.1m cash outflow) and share repurchases (£4.7m cash outflow) during the year.

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

	2013	2012
	£000	£000
Profit before tax	22,619	4,149
Net finance income	(561)	(181)
Depreciation charges on property, plant and equipment	397	373
Amortisation charges on intangible assets	62	49
Share scheme charges	4,494	5,591
Decrease/(increase) in current asset trading investments	2,393	(7,862)
Decrease/(increase) in trade and other receivables	39,584	(21,699)
Net movement in stock borrowing /lending collateral	4,219	(3,181)
(Decrease)/increase in trade and other payables	(26,162)	27,586
Increase in derivatives	(707)	(44)
Cash flows from operating activities	46,338	4,781

9. Adjusted profit measures

The following table reconciles the statutory measures of profit before tax, profit after tax and earnings per share to the adjusted measures used by management in their assessment of the underlying performance of the business:

	2013	2012
	£'000	£'000
Statutory group profit before tax	22,619	4,149
Items not included within adjusted profit before tax:		
Other operating income	(3,550)	(2,817)
Share scheme charges	4,494	5,591
National insurance provisions related to share scheme awards	1,474	733
Adjusted group profit before tax	25,037	7,656
Statutory Group taxation	(4,555)	(848)
Tax impact of adjustments	106	(104)
Adjusted group taxation	(4,449)	(952)
Adjusted group profit after tax	20,588	6,704
	2013	2012
Basic weighted average number of shares, number	106,924,245	104,184,235
Adjusted basic earnings per share, pence	19.3p	6.4p
Adjusted diluted earnings per share, pence	17.8p	6.0p