PEEL HUNT

HALF YEAR RESULTS PRESENTATION FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2021

December 2021

PEELHUNT.COM

Agenda

SECTION 1

H1 22 Highlights

H1 22 Highlights

1 **Overall:** On track **to meet** market expectations.

2 **Investment Banking: Record results**, with revenue up 43% to £32.7m. 15% increase in average market cap of clients.

3 **Research & Distribution: Revenue up** despite challenging market. **Growth in number** of research agreements and trading accounts.

4 **Execution & Trading:** Revenue moderated down as expected. Revenue, volumes and market share **higher than pre pandemic**.

5 **Strong capital:** Net assets of £50m; **increased further** by net IPO proceeds.

6 **Financing facilities: Renegotiated and extended** our long-term financing facilities. **Strong partnership** with, and **commitment from** Lloyds.

7 **Awards:** Named the **UK's best overall broker** focused on UK mid & small-cap companies by the Institutional Investor's 2021 Europe Survey.

£71.4m
Revenue *(H1 22)*

£16.3m
Illustrative PAT (H1 22)

43%
IB revenue growth

17.9%
Share of LSE volume[(1)]

(1) Information from Bloomberg

Financial Highlights

Revenue

28th September 2021	30th September 2020	Change
£71.4m	£93.2m	(23.4%)

Decrease was in line with our expectations, as the exceptional trading and heightened market activity due to the pandemic returned to more normal levels. IB had its strongest half year on record.

Illustrative profit before tax[1]

28th September 2021	30th September 2020	Change
£21.6m	£33.1m	(34.7%)

Decrease due to reduced revenues offset by lower illustrative administrative costs resulting from lower variable remuneration expense.

Illustrative profit after tax[1]

28th September 2021	30th September 2020	Change
£16.3m	£26.0m	(37.3%)

Decrease due to reduced revenues offset by lower illustrative administrative costs resulting from lower variable remuneration expense.

Illustrative compensation ratio[1]

28th September 2021	30th September 2020	Change
45.8%	46.2%	(0.4)ppts

Reduction in revenues has resulted in a reduction in variable remuneration expense, leading to a lower illustrative compensation ratio.

(1) See page 16 for Illustrative Consolidated Income Statement

Operational Highlights

Investment Banking clients

28th September 2021	30th September 2020	Change
158	150	5.3%

Differentiate ourselves through our strategy of joined up broking, combining advice, research, distribution and market share, which leaves us well placed to continue to attract and win high quality clients.

Average market cap of clients

28th September 2021	30th September 2020	Change
£731.2m	£632.6m	15.6%

Driven by our highly selective take-on approach targeting quality companies.

Cash

28th September 2021	30th September 2020	Change
£77.0m	£72.9m	5.6%

Grown from the prior period on the back of strong underlying results, supplemented by an increase in the Senior Facilities Agreement with Lloyds to £30m.

Net Assets

28th September 2021	30th September 2020	Change
£50.0m	£50.1m	-

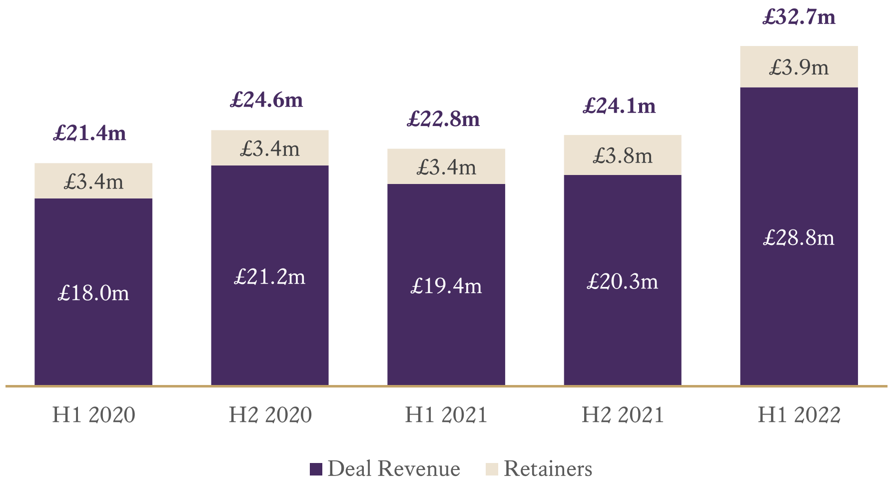
The balance sheet remains strong with net assets at 28 September 2021 of £50.0m, increased further by net IPO proceeds.

SECTION 2

Business update

Investment Banking Overview

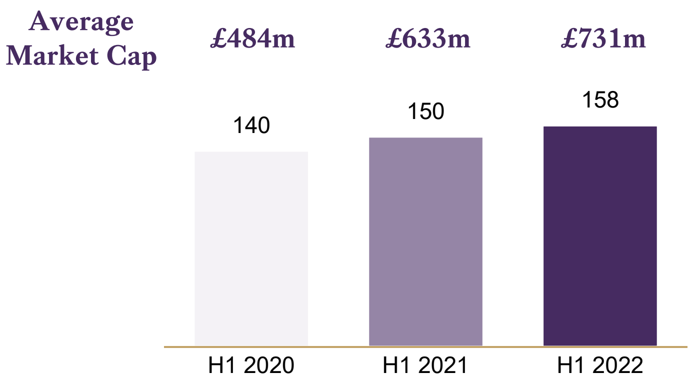
Investment Banking revenue (£m)[1]



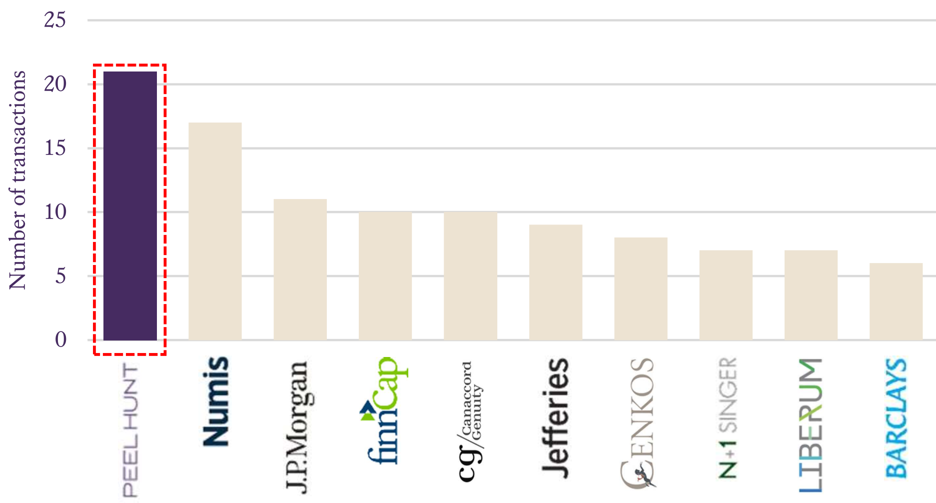
Commentary

- Investment Banking had its strongest half year on record, with revenue of £32.7m, significantly ahead of H1 21.
- ECM saw strong volumes, with higher transaction volumes and average deal fees compared with H1 21.
- There has also been an increase in M&A activity, driven particularly by international buyers identifying attractive UK investment opportunities.
- Retainer fee income increased 14.7% over H1 21.

Number of retained clients and average market cap[1]



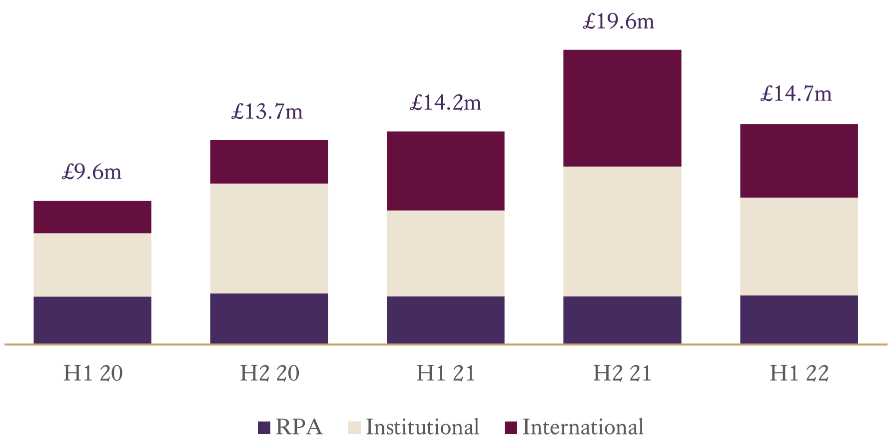
Active ECM desk[2]



(1) *Management information*
(2) *Dealogic data for UK ECM deals over £5m for the period 01/04/2021 – 28/09/2021*

Research & Distribution Overview

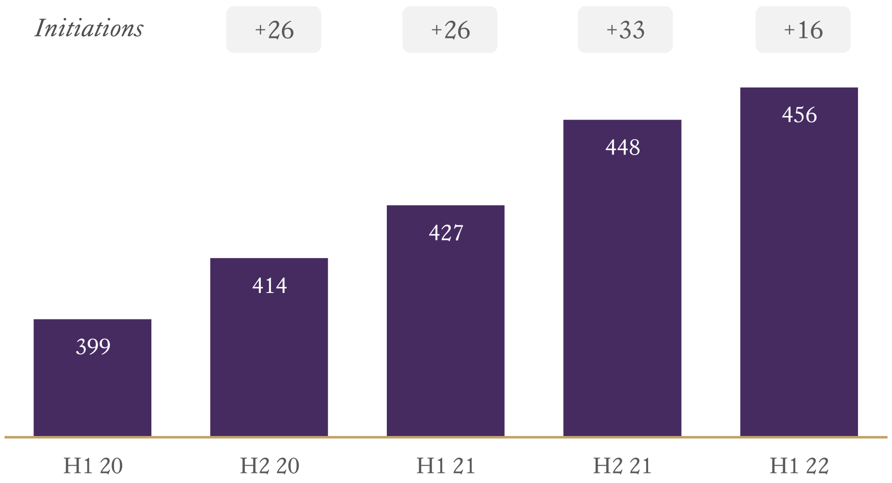
Research & Distribution revenue (£m) [1]



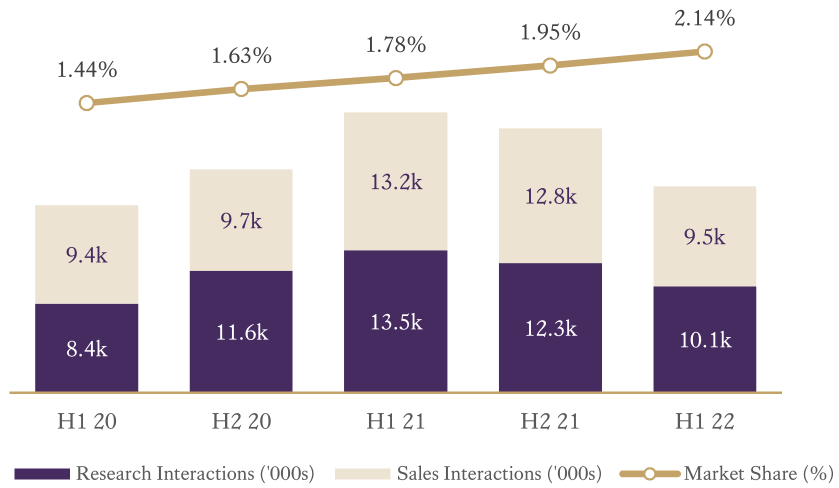
Commentary

- Revenue from research payments and execution commissions grew by 3.5% compared with H1 21.
- Achieved in the face of a challenging market, which saw a significant decline in UK market volume compared with the strong H1 21.
- This growth continued the trend of the last five years, during which we have doubled our overall market share.
- During H1 22, we have added 18 research agreements, started 33 research trial agreements and opened 20 new client trading accounts.

Number of companies under coverage [1]



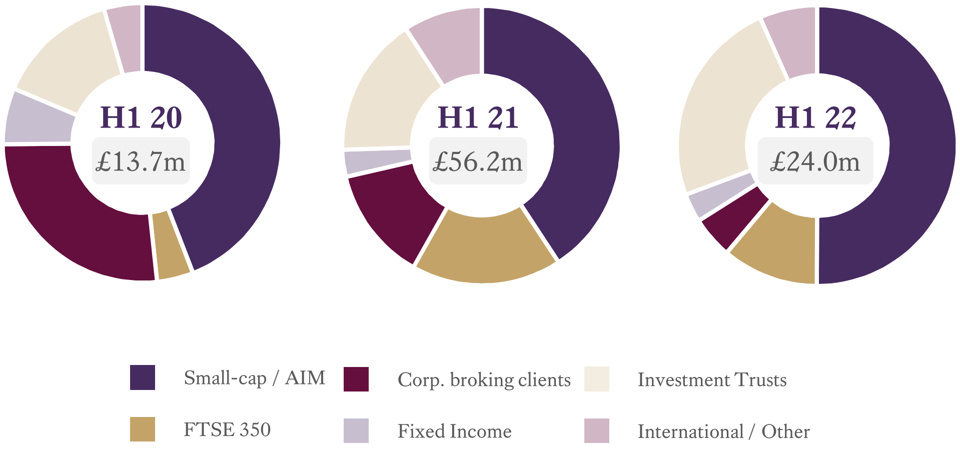
Client interactions[1] & Market share[2,3]



(1) *Management information*
(2) *Global market share of commission and Research payments in UK shares*
(3) *Market share for H1 22 as at 30th June 2021*

Execution & Trading Platform Overview

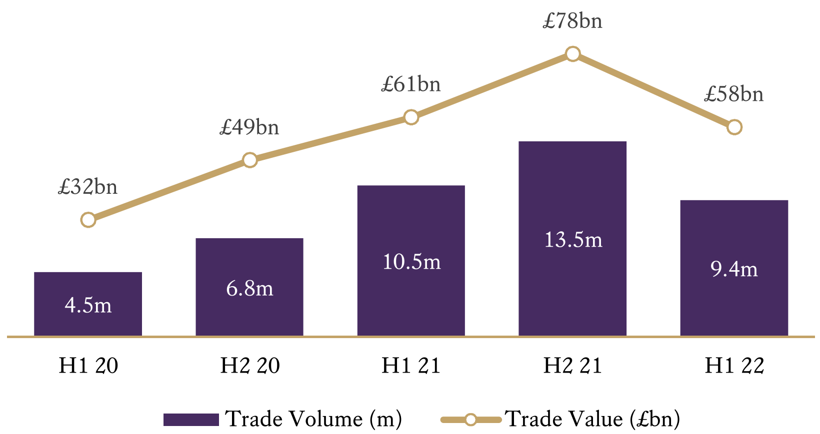
Execution & Trading revenue (£m)(1)



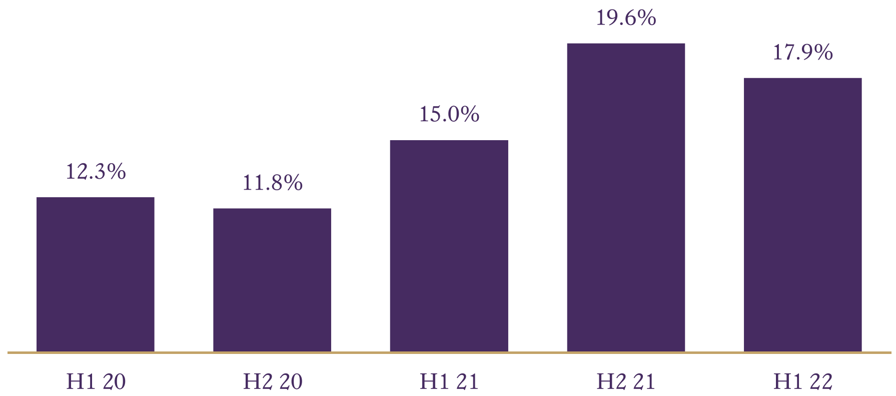
Commentary

- Execution & Trading revenue in H1 22 was significantly lower than H1 21, which had been buoyed by elevated volumes and volatility amid market-wide uncertainty at the onset of the pandemic.
- However, revenue was in line with our expectations and was materially ahead of H1 20 (by £10.3m), a more comparable market environment (pre-pandemic).
- Peel Hunt retained a leading position with a 17.9% share of LSE volume (H1 21: 15.0%).

Trading value (£bn) and volume (m)(1)



Market share of LSE trading volume(2)



(1) *Management information*
(2) *Calendar year as per Bloomberg*

ESG at Peel Hunt: Community, Diversity & Sustainability

Committed to being a responsible business in terms of our staff, our community and our environment

29% of Board (40% of NEDs) are women vs average of 15% for AIM listed companies

As of Sep'21, 24.3% of Peel Hunt's staff is female

Despite lockdown,19 volunteering events have been carried out in 2021

234 volunteering hours carried out by 80 employees in 2021

New London office has reduced amount of CO2 produced (intensity ratio) from 2.72 kgCO2e per sq ft[1] to 0.58 kgCO2e per sq ft[2]

DIVERSITY & INCLUSION

- ✓ Partnered with Arrival Education and The Brokerage to provide mentoring, masterclass and internship programmes for underprivileged students across inner London.
- ✓ Corporate partner with Women on Boards.
- ✓ New partnership with Talking Talent to support working parents and carers through portable coaching.

SOCIAL

- ✓ All staff receive a day for volunteering activities annually. Activities include working in local soup kitchens and on city farms.
- ✓ Charity partners for Stem4 and Next Meal, with a number of fundraising activities held by staff.
- ✓ Extensive wellbeing programme for employees.

SUSTAINABILITY

- ✓ Net Zero Carbon Office, with the move to 100 Liverpool St., (a state of the art building in terms of sustainability).
- ✓ Set up ESG Committee.
- ✓ Member of the Heart of the City network, a Charity programme established by the Corporation of London promoting responsible business.

(1) Period 01/04/2020–31/01/2021
(2) Period 01/02/2021–31/03/2021

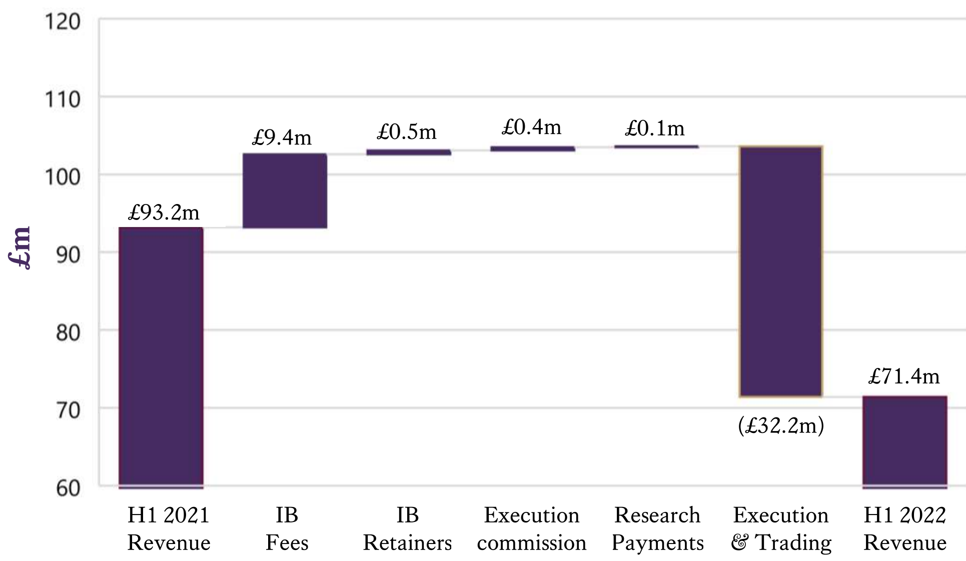
SECTION 3
Financial Update

Revenue Overview

Revenue by division

As at 28 September *£m*	H1 2022	H1 2021	Change
Investment Banking fees	28.8	19.4	48.5%
Investment Banking retainers	3.9	3.4	14.7%
Investment Banking Revenue	**32.7**	**22.8**	**43.4%**
Execution commission	11.4	11.0	3.7%
Research payments	3.3	3.2	2.6%
Research payments & execution commission	**14.7**	**14.2**	**3.5%**
Execution & Trading Revenue	**24.0**	**56.2**	**(57.3%)**
Total Revenue	**71.4**	**93.2**	**(23.4%)**

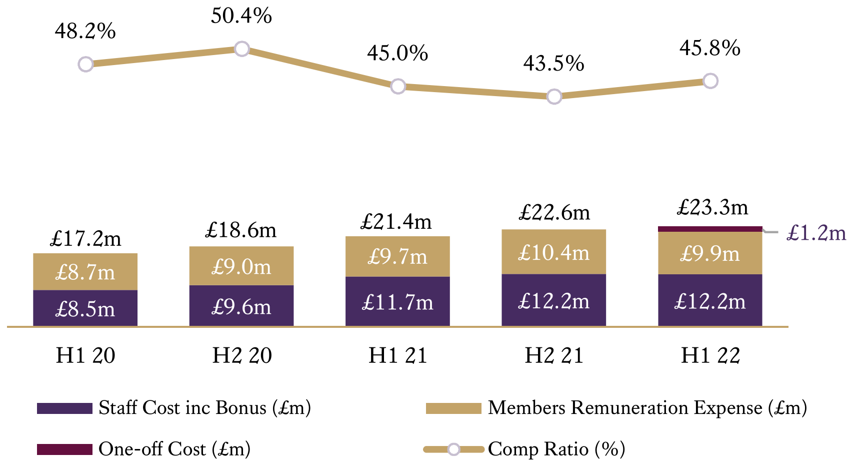
Revenue bridge



- **Strongest half yearly performance on record for Investment Banking**
- **Research payments & execution commission up due to increase in client numbers**
- **Execution & Trading revenue reduced as expected following exceptional performance in H1 21**
- **Execution & Trading revenue significantly up on H1 20 revenue (+£10.3m)**

Operating Costs Overview

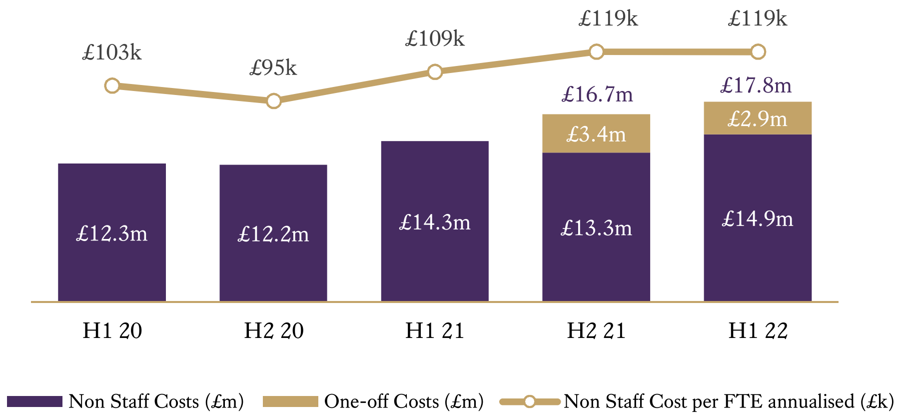
Staff costs (Actual)



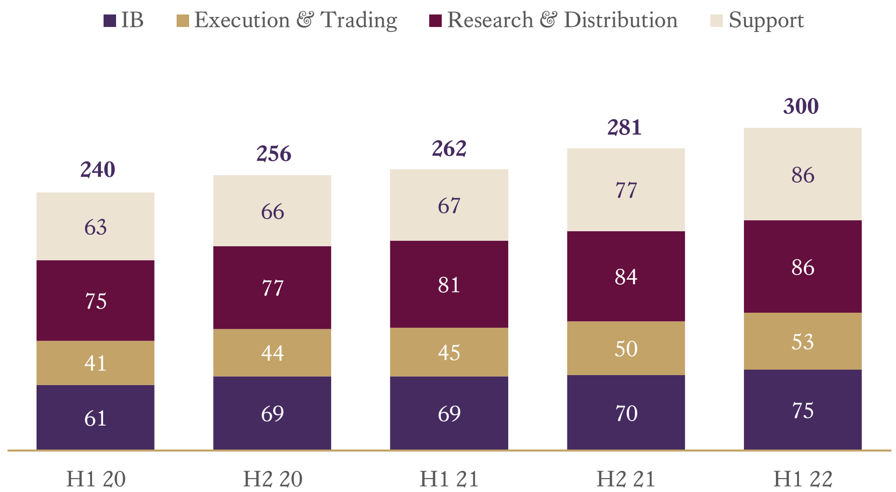
Commentary

- Staff costs (not including partner profit share) in H1 22 were marginally higher than H1 21, as we hired more people to support our growth.
- Non-staff costs increased in H1 22 due to one-off costs associated with the IPO and our continued investment in technology.
- Period-end headcount show double-digit percentage growth over the corresponding period in H1 21, reflecting the strategic investment in additional people to support business expansion, improved governance and to ensure that we maintain exceptional client service.

Non-Staff costs (Actual)

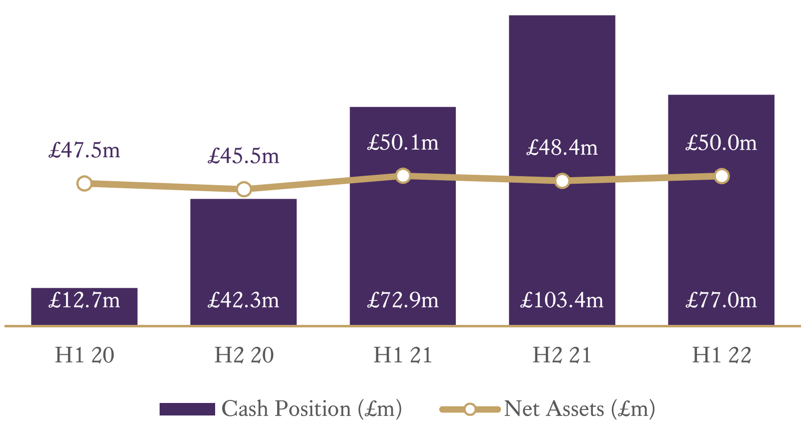


Period-end headcount



Balance Sheet & Capital Position Overview

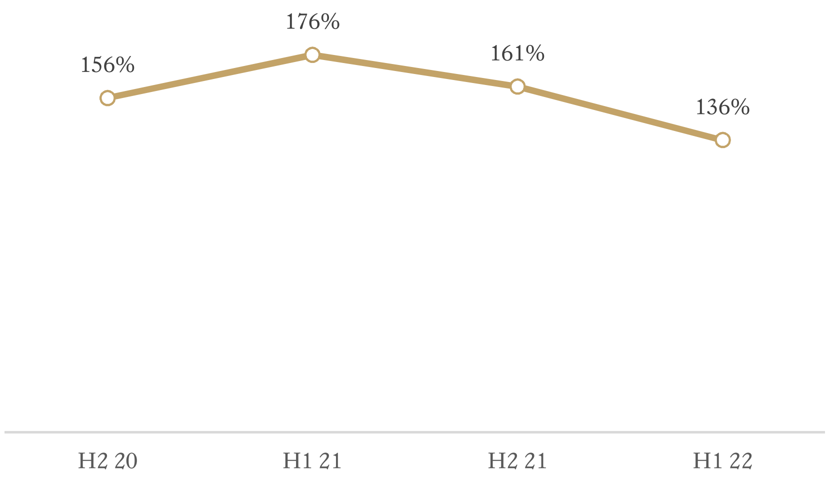
Cash Position and Net Asset Value



Commentary

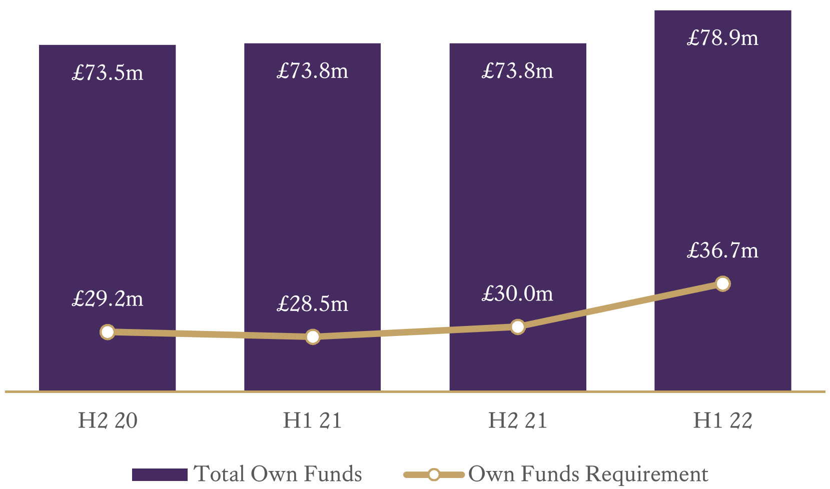
- Net assets remained strong at £50.0m as at 28 September 2021, which is consistent with H1 21.
- Pillar 1 coverage over net assets decreased in H1 22 vs H1 21 due to an increase in the market risk requirement on securities held for trading and the operational risk requirement following the final audited result for 31 March 2021.
- H1 22 we continued to operate with coverage in excess of our regulatory capital requirements. Our coverage will increase due to the net proceeds raised in the IPO.

Pillar 1 coverage (Over Net Assets of Group)[1]



(1) Group not consolidated as at H1 20

Total Own Funds vs Requirement[1]



Unaudited Illustrative Consolidated Income Statement

Unaudited for the six months ended 28 September 2021

The unaudited illustrative consolidated income statement set out below has been prepared to illustrate the impact that the reorganisation of the Group's corporate structure, and the IPO, would have had on the consolidated statement of comprehensive income had it taken place on or before 31 March 2020. The statement has been adjusted to remove the impact of one-off costs relating to the IPO, the office move in the year ended 31 March 2021, and tax related prior year items arising in the period.

As at 28 September *£'000*	H1 2022 *Six months ended £'000*	30-Sep-20 *Six months ended £'000*	31-Mar-21 *Year ended £'000*
Revenue	**71,355**	**93,207**	**196,874**
Illustrative administrative expenses[1]	(49,103)	(59,209)	(118,141)
Adjusted profit from operations	**22,252**	**33,998**	**78,733**
Finance income	5	20	30
Finance expenses	(712)	(987)	(2,106)
Other income	23	53	360
Adjusted Profit before tax	**21,568**	**33,084**	**77,017**
Illustrative corporation tax[2]	(5,252)	(8,038)	(19,108)
Adjusted Profit after tax	**16,316**	**25,046**	**57,908**
Illustrative dividend[3]	(6,526)	(10,018)	(23,164)
Adjusted retained profit for the year[4]	**9,790**	**15,028**	**34,745**
Illustrative performance metrics			
Compensation Ratio	45.8%	46.2%	45.7%
Non-Staff Cost Ratio	24.0%	18.3%	15.2%
PBT Margin	30.2%	35.5%	39.1%

Notes

(1) Illustrative administrative expenses – the illustrative administrative expenses in all periods include the impact of changes to the compensation structure of the Group, including the former members of Peel Hunt LLP being remunerated as employees plus the resulting additional National Insurance contributions and pension costs. In addition, for the periods:

(a) Illustrative administrative expenses in H1 2022 exclude one-off costs of £4.1m (£1.2m of staff costs relating to the reorganisation of the Group's corporate structure, and £2.9m of non-staff costs relating to the IPO).

(b) Illustrative administrative expenses in the year ended 31 March 2021 exclude one-off costs of £3.4m (relocation to 100 Liverpool Street).

(2) Illustrative corporation tax – the illustrative corporation tax includes the effect of the Group being subject to corporation tax at the standard rate (19%) on additional profits, as well as the bank surcharge levy (8% on annual profits over £25m). The illustrative corporation tax for H1 2022 excludes £1.6m of tax charge in respect of prior years.

(3) Illustrative dividend – the illustrative dividend includes the targeted basic dividend pay-out ratio of the Group (40%), applied to the Illustrative profits after tax for the period.

(4) Adjustments in relation to other matters such as equity incentive structures that may be implemented have not been reflected in the Illustrative Consolidated Income Statement because they would not currently be factually supportable since their quantum is not yet known.

H1 21/22 Illustrative Financials

Moving from a partnership to public shareholder structure

Pre-IPO Group

As at 28 September £'000	H1 2022 *Six months ended £'000*	H1 2021 *Six months ended £'000*
Research & distribution	14,665	14,171
Trading platform	24,017	56,223
Investment banking	32,673	22,813
Revenue	**71,355**	**93,207**
Administrative Costs	(41,819)	(36,633)
Total costs	**(41,819)**	**(36,633)**
Profit before tax	**29,536**	**56,574**

Adjustments

1 **Administrative costs:**

- All LLP partners convert to employees
- Additional National Insurance costs for Partners converting to employees
- Additional Pension costs for Partners converting to employees
- Re-organisation of the group's corporate structure

2 **Tax charge:**

- Corporation tax on Group profits
- Bank surcharge levy on Group profits >£25m
- Prior year adjustment

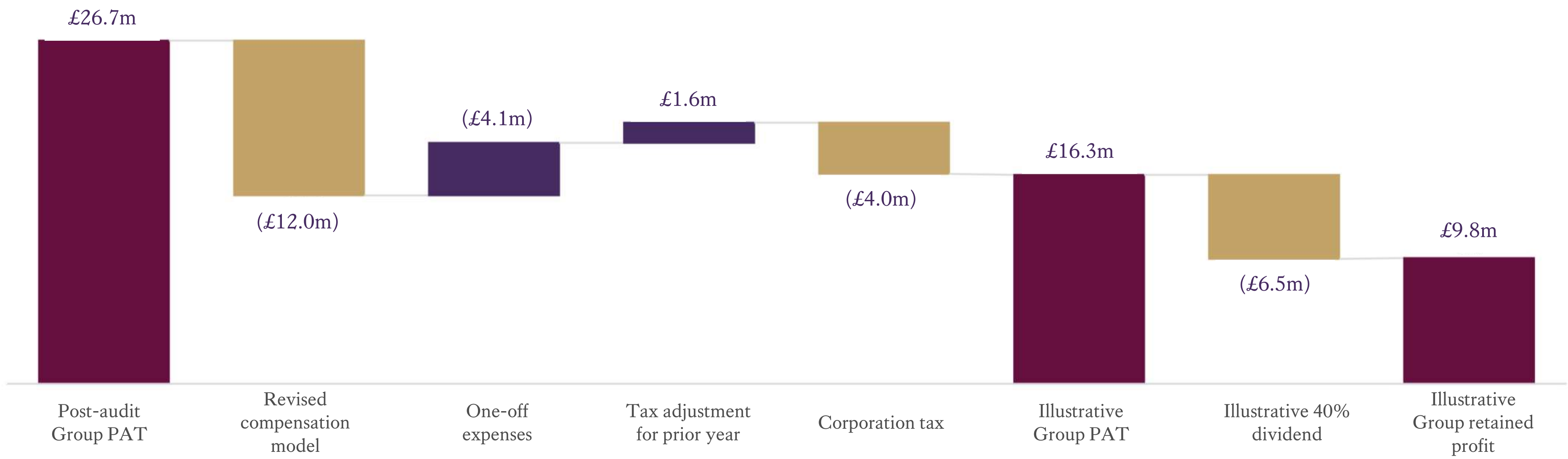
3 **Dividend:** Targeting a basic 40% payout ratio on profits.

Illustrative Post-IPO Group

As at 28 September £'000	H1 2022 *Six months ended £'000*	H1 2021 *Six months ended £'000*
Research & distribution	14,665	14,171
Trading platform	24,017	56,223
Investment banking	32,673	22,813
Revenue	**71,355**	**93,207**
Administrative Costs	(49,787)	(60,123)
Total costs	**(49,787)**	**(60,123)**
Profit before tax	**21,568**	**33,084**
Effective tax rate	*24%*	*24%*
Illustrative Tax charge	(5,252)	(8,038)
Profit after tax	**16,316**	**25,046**
Illustrative dividend @ 40%	(6,526)	(10,018)
Retained profit	**9,790**	**15,028**

H1 22 Illustrative Group Profit Reconciliation

		Administrative Expenses[1]					
	Post Audit - Group (Consol)	Include: Revised compensation model[2]	Exclude: One-off expenses[2]	Exclude: Tax charges in respect of prior year	Include: Additional Corporation tax incl. Bank Levy	Include: Illustrative 40% dividend	Illustrative - Group (Consol)
Profit before tax	**29,536**	**(12,041)**	**4,073**				**21,568**
Actual tax charge	(2,828)			1,559	(3,983)		(5,252)
Profit after tax	**26,708**	**(12,041)**	**4,073**	**1,559**	**(3,983)**		**16,316**
Illustrative dividend						(6,526)	(6,526)
Group retained profit							**9,790**



(1) *Illustrative Administration expenses includes Members' remuneration charged as an expense; this is presented separately from actual Administration expenses shown in the Consolidated Income Statement below.*
(2) *Includes National Insurance, pension costs and variable remuneration related to former members of Peel Hunt LLP.*

SECTION 4
Current Trading & Outlook

Current Trading and Outlook

	Current Trading	Outlook
EXECUTION & TRADING	• Revenues since IPO continue to be **in line with H1 22**. • **Trading volumes have remained higher** than before the pandemic, although lower than the extraordinarily high volumes we saw from the start of the pandemic and the first national lockdown in March 2020.	• **Strong position** to take benefit from continuing changes in **retail investors' behaviour**. • We are **capitalising on our proprietary technology** as we develop and **enhance our systematic trading products**, and **expanding our geographical offerings**.
RESEARCH & DISTRIBUTION	• Commissions **remain in line with H1 22**. • **Historically stronger Q4** still to come.	• Expect to **continue to expand geographically**. • **Increase market share** through increasing number of paying clients as well as doing more business with existing clients.
INVESTMENT BANKING	• Since our IPO, we have **added five new retained clients**. • Deal activity has **been in line** with H1 22.	• **Diversified pipeline of transactions** remains healthy • **Strong position to win** additional clients. • Whilst execution risk remains high due to the current economic environment, the **diversification of our investment banking revenues is encouraging**.
OVERALL	• Trading since the IPO has **remained in line with expectations**. • We remain on track to **meet market expectations for the full year**.	• Overall, the **outlook for future growth remains positive**. • The capital we raised through the IPO will enable us to **continue our investment in people and technology** and at the same time **take advantage of** multiple growth opportunities ahead of us.

SECTION 5

Q&A

SECTION 6
Appendix

Consolidated Income Statement

Unaudited for the six months ended 28 September 2021

Income statement

£'000	H1 2022 *28 Sep 21*	H1 2021 *30 Sep 20*	Change
Research payments & Execution commission	14,665	14,171	3.5%
Execution & Trading Revenue	24,017	56,223	(57.3%)
Investment Banking fees and retainers	32,673	22,813	43.2%
Revenue	**71,355**	**93,207**	**(23.4%)**
Administrative expenses	(31,228)	(25,983)	20.2%
Profit from operations	**40,127**	**67,224**	**(40.3%)**
Finance income	5	20	(75%)
Finance expense	(712)	(987)	(27.9%)
Other income	23	52	(55.8%)
Profit before remuneration to the members' of the LLP and tax	**39,443**	**66,309**	**(40.5%)**
Members' remuneration charged as an expense	(9,907)	(9,735)	1.8%
Profit before tax for the year	**29,536**	**56,574**	**(47.8%)**
Tax	(2,828)	(1,192)	137.2%
Profit for the year	**26,708**	**55,382**	**(51.8%)**
Other comprehensive income for the year	-	-	0.0%
Total comprehensive income for the year	**26,708**	**55,382**	**(51.8%)**

Consolidated Balance Sheet

Unaudited for the six months ended 28 September 2021

Balance Sheet

£'000	H1 2022 28 Sep 21	H1 2021 30 Sep 20	Change
Non-current assets	**29,863**	**24,715**	**20.8%**
Long positions of dealing operations	67,067	48,664	37.8%
Market and client debtors	484,578	352,701	37.4%
Other debtors and deferred taxation	8,213	13,636	(39.8%)
Cash	76,972	72,928	5.5%
Current assets	**636,830**	**487,929**	**30.5%**
Total assets	**666,693**	**512,644**	**30.0%**
Bank debt	(24,000)	(22,500)	6.7%
Lease liability	(22,516)	(21,992)	2.4%
Non-current liabilities	**(46,516)**	**(44,492)**	**4.5%**
Market and client creditors	(427,911)	(304,981)	40.3%
Short positions of dealing operations	(35,925)	(27,463)	30.8%
Amounts due to members	(87,293)	(68,021)	28.3%
Other creditors	(19,083)	(17,627)	8.3%
Current liabilities	**(570,212)**	**(418,092)**	**36.4%**
Total liabilities	**(616,728)**	**(462,584)**	**33.3%**
Net assets	**49,965**	**50,060**	**(0.2%)**

Consolidated Statement of Cash Flows

Unaudited for the six months ended 28 September 2021

Cash Flow

£'000	H1 2022 *28 Sep 21*	H1 2021 *30 Sep 20*	Change
Net cash generated from operations	**(30,930)**	**42,169**	**(173.3%)**
Cash flows from investment activities			
Purchase of tangible assets	(1,026)	(1,013)	1.3%
Purchase of intangible assets	(6)	(1)	500.0%
Net cash used in investing activities	**(1,033)**	**(1,014)**	**1.9%**
Cash flows from financing activities			
Interest paid	(276)	(804)	(65.7%)
Net borrowings	-	(7,500)	(100.0%)
Lease Liability payments	(151)	(734)	(79.4%)
Revaluation of Right-of-use asset and Lease liability	(2)	22	(109.1%)
Purchase of Treasury Shares	-	-	0%
Loan	6,000	(1,500)	(500.0%)
Net cash generated from financing activities	**5,572**	**(10,517)**	**(153.0%)**
Net increase in cash and cash equivalents	(26,391)	30,638	(186.1%)
Cash and cash equivalents at start of period	103,363	42,290	144.4%
Cash and cash equivalents at end of period	**76,972**	**72,928**	**5.5%**

Regulatory Consolidation Group Capital Position

Unaudited for the six months ended 28 September 2021

Pillar 1 Capital Position

£'000	H1 2022 28 Sep 21	H1 2021 30 Sep 20	Change
Total own funds	**78,868**	**73,774**	**6.9%**
Market risk	14,088	10,890	**29.4%**
Settlement risk	923	1,438	**(35.8%)**
Credit risk	4,672	4,398	**6.2%**
Operational risk	17,016	11,734	**45.0%**
Total own funds requirement	**36,699[1]**	**28,460**	**28.9%**
Surplus own funds	**42,168**	**45,314**	**(6.9%)**
Own funds requirement coverage	187%	163%	24%
Risk Weighted Exposure	**458,741[1]**	**355,747**	**29.0%**
Total Capital Ratio	**17.2%**	**20.7%**	**(3.5%)**

(1) Total own funds requirement and Risk Weighted Exposure COREP reported to FCA as at 30th September 2021

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