

# HALF YEAR RESULTS PRESENTATION

1<sup>st</sup> December 2022

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FOR THE PERIOD ENDED 30 SEPTEMBER 2022

**PEEL  
HUNT**



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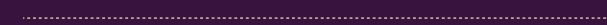
Appendix

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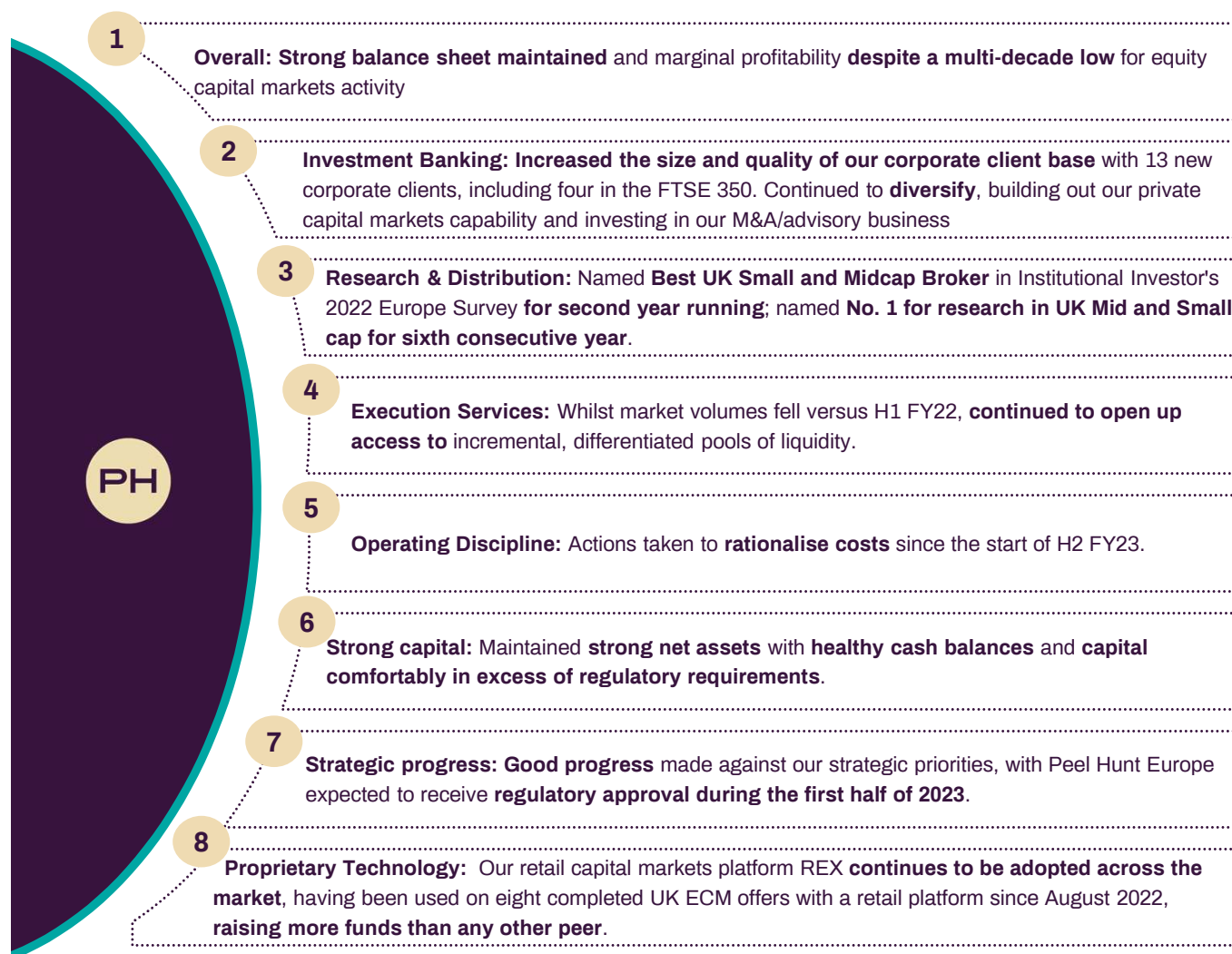
SECTION 1

OVERVIEW &  
HIGHLIGHTS



# Overview & Highlights

Revenues down across all business divisions year on year but marginal profitability maintained in difficult markets



£41.1m Revenue
£0.1m Profit Before Tax
58.5% Compensation Ratio
£41.4m Cash position
£95.9m Net Assets
13% Share of LSE volume <sup>(1)</sup>
165 Corporate Clients

(1) Source: Bloomberg

# Key messages from H1 FY23

Results impacted by market conditions but well positioned for growth due to operational leverage when market normalise

“Challenging market conditions have persisted throughout our first half as the macroeconomic and geopolitical backdrop has continued to have an adverse impact on markets and investor sentiment.

Our results have inevitably been considerably affected by these historically low levels of activity, but the strength of our diversified business model, the quality of our people and our high performance culture, have enabled us to mitigate many of these headwinds”.

## Areas of Focus

- Building size and quality of Corporate client base
- Large international distribution reach
- Continue to diversify IB and trading revenues
- Technology investment and building solutions e.g. REX
- Maintain strong net assets
- Ensuring operational leverage within the business

## Operating Platform

- Cost rationalisation and control
- Continued investment in key technology both for client use and internal use

## Market Opportunities

- Re-pricing of debt could lead to resurgence in public equity finance
- Regulatory change should make UK equity markets more attractive for growth and mid-cap companies
- Continued focus on access for retail to UK capital markets

## Looking Forward

- UK has entered into a Recession
- Continued low investor sentiment
- Interest rate, inflation and cost of living issues prevail
- Structural change will take time from legislators & regulators

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SECTION 2

MARKET UPDATE

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### Commentary



Central banks have ramped up interest rate increases to try and tame high inflation.



Trading volumes have reduced and equity prices have moderated following increased interest rates.

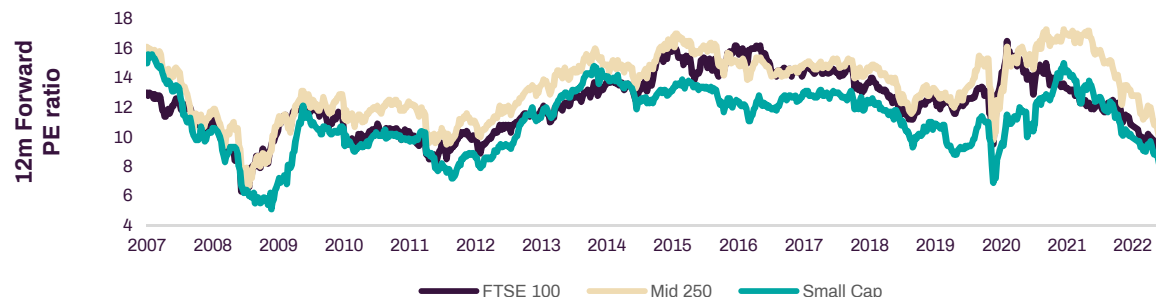


A challenging period for UK equity capital markets with very low volumes of activity, particularly in terms of equity issuance.

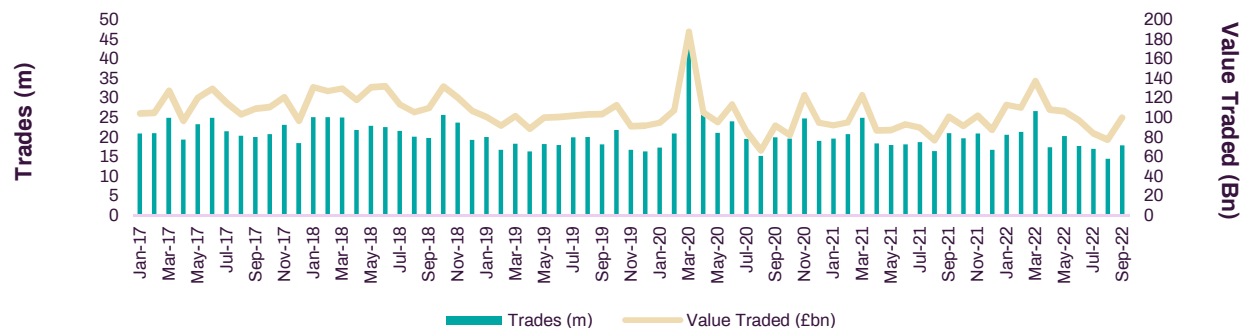


It is expected that this environment will persist in the short term, with the Chancellor of the Exchequer in the Autumn Statement noting the UK is now in recession.

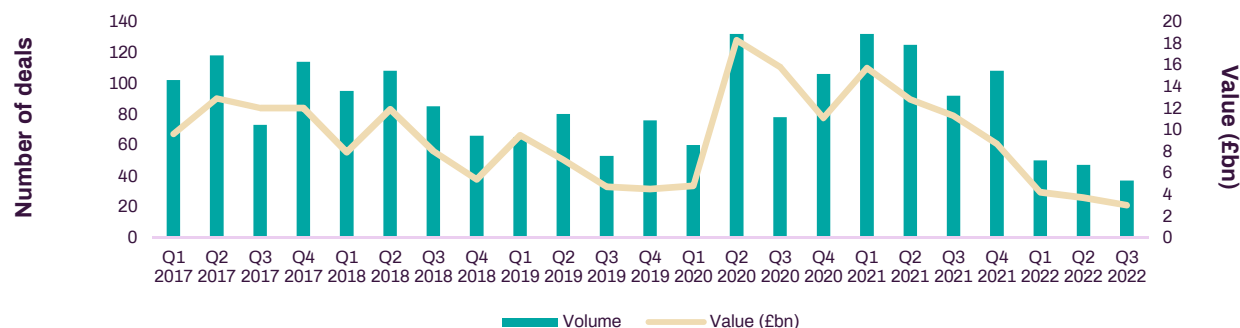
### Decline in 12m forward PE ratio



### LSE Trading volumes and values are suppressed<sup>1</sup>



### UK ECM volumes at recent historic lows<sup>2</sup>



(1) Source: LSE  
 (2) Source: Perfect Information

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SECTION 3

BUSINESS &  
FINANCIAL UPDATE

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## Commentary



Challenging market conditions have persisted throughout our first half as the macroeconomic and geopolitical backdrop has continued to have an adverse impact on markets and investor sentiment. Results have been considerably affected by these historically low levels of activity.



Illustrative staff costs (including variable remuneration) in H1 FY23 were lower than H1 FY22, reflecting the reduction in revenue and the associated reduction in variable remuneration expense. This has resulted in an increased illustrative compensation ratio compared with H1 FY22.



Illustrative non-staff costs are largely consistent with H1 FY22.



Finance and other income has increased due to increased interest earned on cash deposits. Finance expense has also increased as a result of higher interest rates applied to long term debt.

## Basis of Preparation

The unaudited illustrative statement of comprehensive income set out below has been prepared for the comparative periods 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 2021. H1 FY23 are actual results whilst H1 FY22 and FY22 are prepared on an illustrative basis.

As at 30 September	H1 23	H1 22	Change (H1 23 v H1 22)
<i>£m</i>			
Investment Banking revenue	11.9	32.7	(63.6%)
Research payments & execution commission	13.7	14.7	(6.8%)
Execution Services revenue	15.5	24.0	(35.4%)
<b>Total revenue</b>	<b>41.1</b>	<b>71.4</b>	<b>(42.4%)</b>
Staff costs	(24.0)	(32.7)	(26.6%)
Non-Staff costs	(16.2)	(16.4)	(1.2%)
<b>Profit from Operations</b>	<b>0.9</b>	<b>22.3</b>	<b>(95.9%)</b>
Finance and other income	0.3	0.0	857.1%
Finance expense	(1.1)	(0.7)	58.6%
<b>Profit before tax</b>	<b>0.1</b>	<b>21.6</b>	<b>(97.2%)</b>
Corporation tax	(0.0)	(5.3)	(99.7%)
<b>Profit before tax for the period</b>	<b>0.0</b>	<b>16.3</b>	<b>(97.2%)</b>
Dividend	-	(6.5)	(100%)
<b>Profit for the period</b>	<b>0.0</b>	<b>9.8</b>	<b>(99.8%)</b>

## Commentary



Net assets remained strong, They are 4.2% lower than 31 March 2022, due to the £3.9m dividend payment made in July 2022.



We continued to operate well in excess of our regulatory capital requirements with Pillar 1 coverage over net assets increasing in H1 2023 in comparison to H1 2022. The increase has been due to both good risk management discipline during H1 FY23 and also the reduction in net assets since FY22.

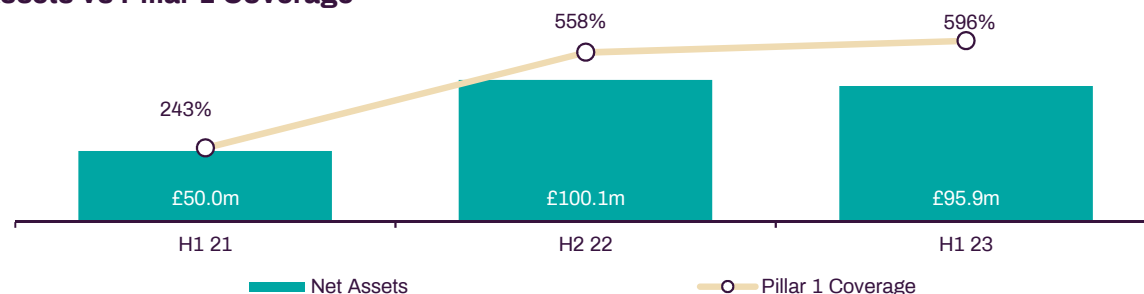


Our cash position also remained healthy (£41.4m as at 30 September 2022), although this decreased from £77.0m at the end of FY22, due to a number of factors including payment of variable compensation from realised profits in FY22, investment in the trading book and payment of the dividend in July 2022. By the end of FY23 all payments due to members in relation to the period before the IPO will have been completed.

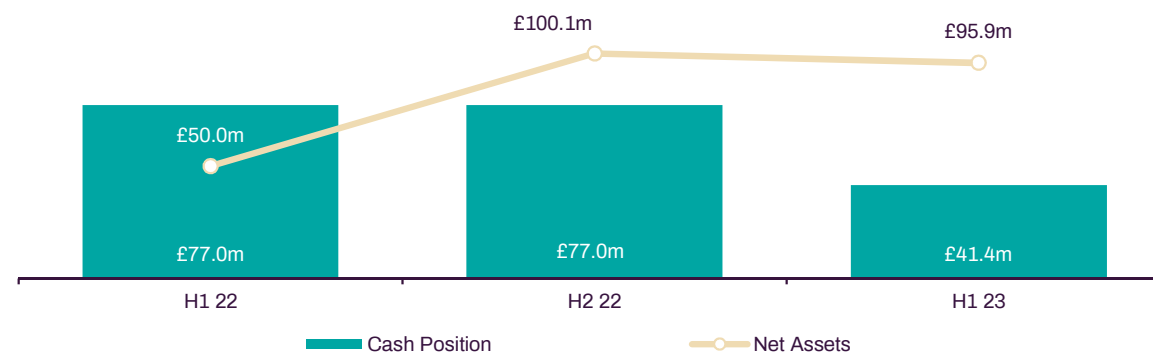


RCF facility was drawn down £10m at period end, for working capital purposes. It was repaid in early October. Long term debt was reduced by £3m during the period.

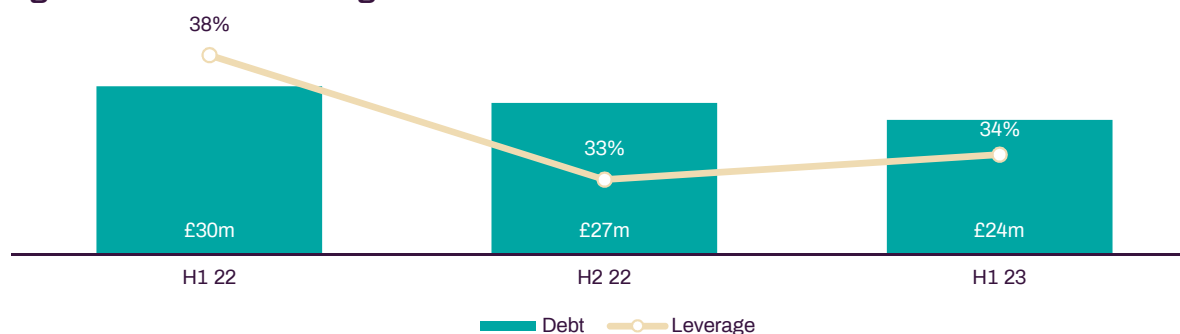
## Net Assets vs Pillar 1 Coverage<sup>1</sup>



## Cash Position and Net Asset Value



## Long Term Debt and Leverage<sup>2</sup>



(1) "Pillar 1" means the higher of the K-factor requirement and the fixed overhead requirement per MIFIDPRU 4.3

(2) Leverage ratio = Debt / Debt + Equity

## Commentary

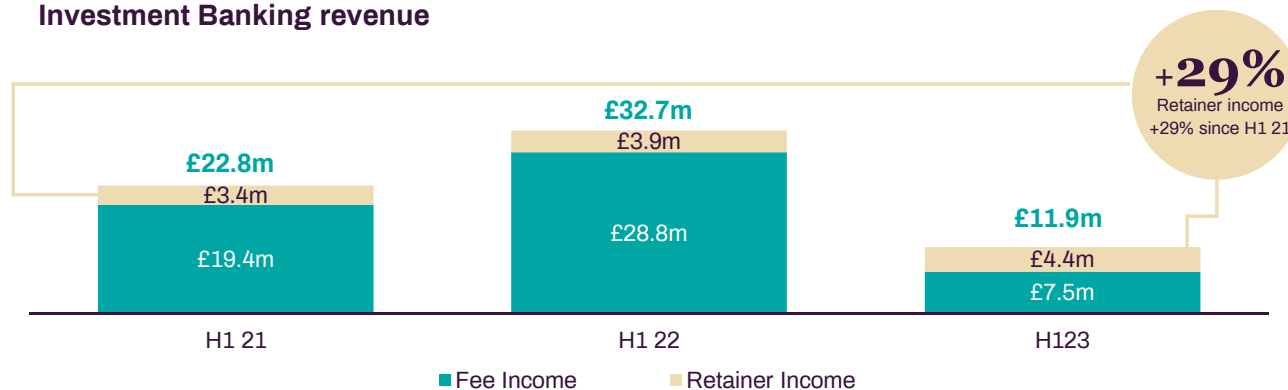
Low volumes of activity, especially in equity issuance has resulted in reduced fee income. Lowest Fee income since H1 12.

Retainer income increased 12.8% due to an increase in number of clients and average retainer amounts.

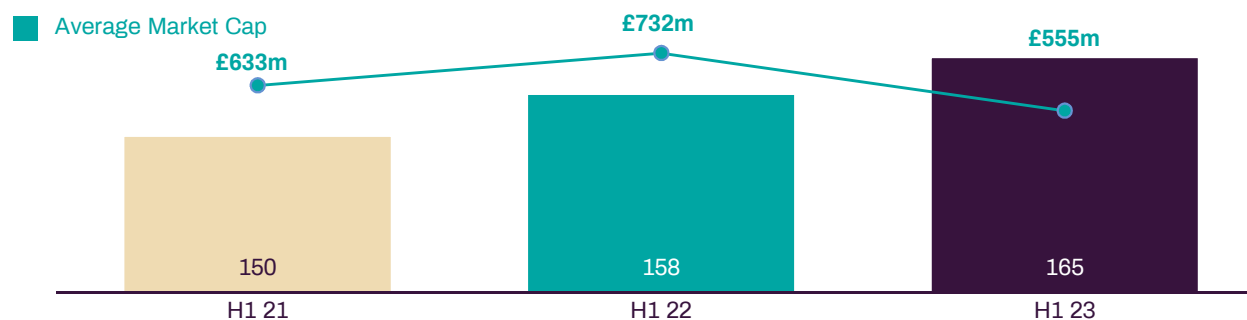
Continue to build the size and quality of corporate clients, with 4 FTSE 250 clients added in the period. The average market cap of clients has dropped due to the market environment.

Continued investment in Private Capital Markets and Mergers & Acquisitions to diversify revenue base.

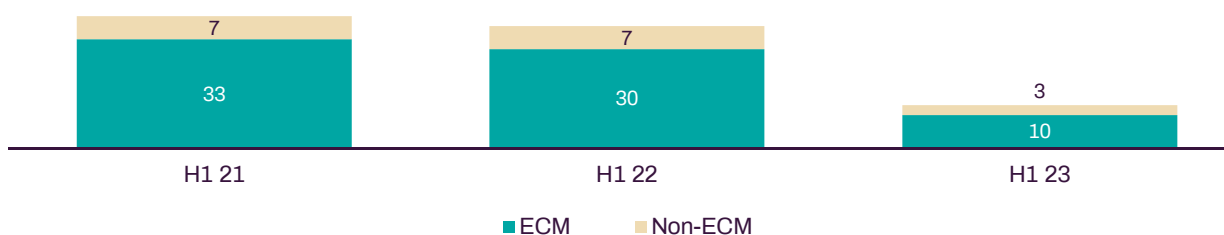
## Investment Banking revenue



## Number of retained clients and average market cap



## Client Transactions



## Commentary

FY22 revenue was lower than the prior year, due to lower trading volumes particularly in small-cap and AIM.

FTSE 350 and investment trusts trading books have performed in line with expectations, as have our fixed income and systematic trading businesses.

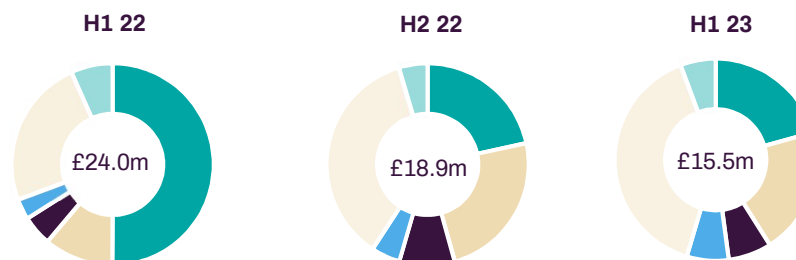
Investment in investment trusts trading books has yielded positive returns in difficult markets.

Maintained good diversification of revenue to better withstand the market conditions.

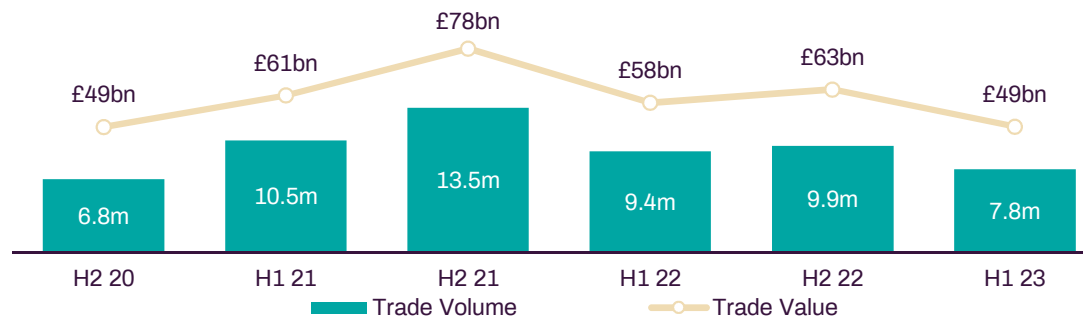
Peel Hunt retained a leading position with a 12.9% share of LSE volume, ahead of pre-pandemic market share.

## Execution Services

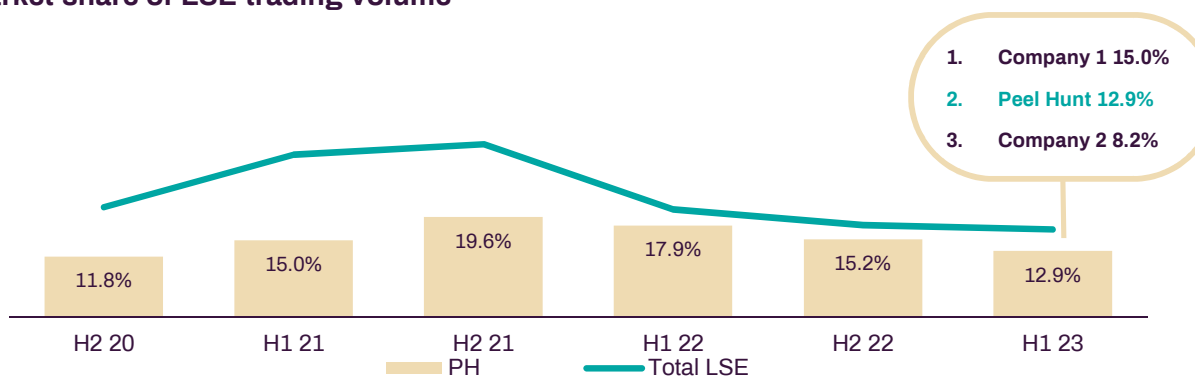
- Small-cap / AIM
- FTSE 350
- Corp. broking clients
- Fixed Income
- Investment Trusts
- International / Other



## Trading value and volume



## Market share of LSE trading volume<sup>(1)</sup>



(1) Bloomberg

## Commentary



Market volumes in H1 23 reduced in comparison to H1 22, due to lower institutional investor sentiment, and interest rate and inflationary concerns weighing on risk assets, including equities. Research & Distribution performance in the period was resilient.



The number of companies under our research coverage has reduced in H1 23 mainly due to M&A activity.



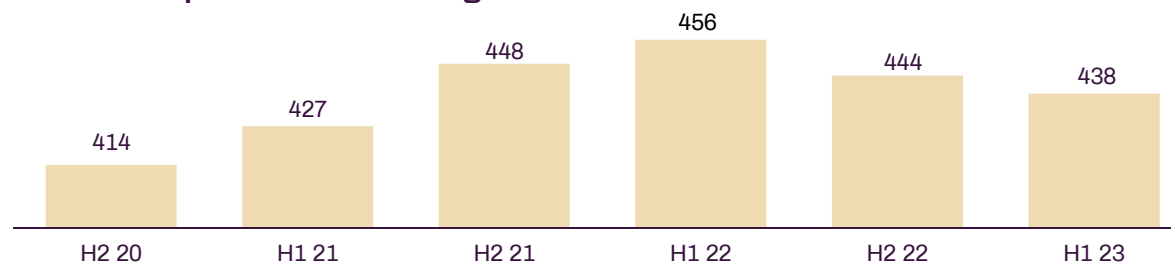
### Institutional Investor

We retained our No. 1 research ranking in the Institutional Investor's UK Mid and Small cap survey for the sixth consecutive year, with 10 of our sector teams ranked top, and a record five of our analysts ranked individually in the top 10 across all sectors.

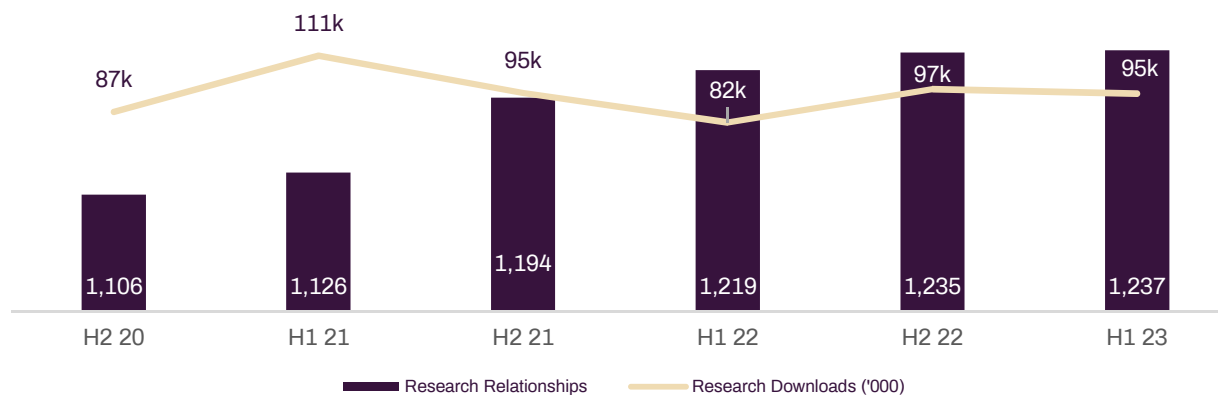
### Research and Distribution revenue



### Number of companies under coverage



### Research relationships and downloads



## Commentary



Illustrative staff and non-staff costs per FTE declined due to a stable cost base and an increase in headcount.

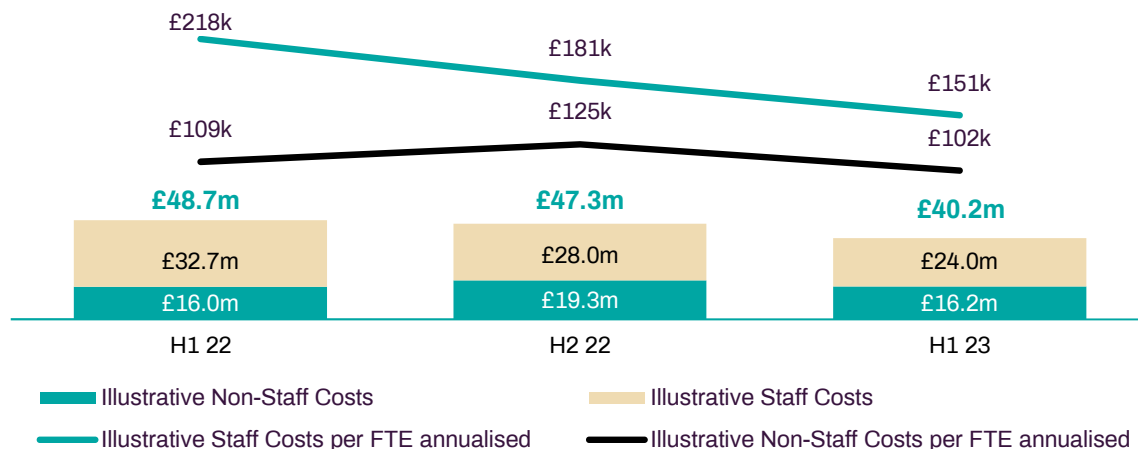


We have recruited more people to help us expand the business, improve our governance and continue to give our clients exceptional service. As a consequence, headcount grew by 3.2% in the first half.

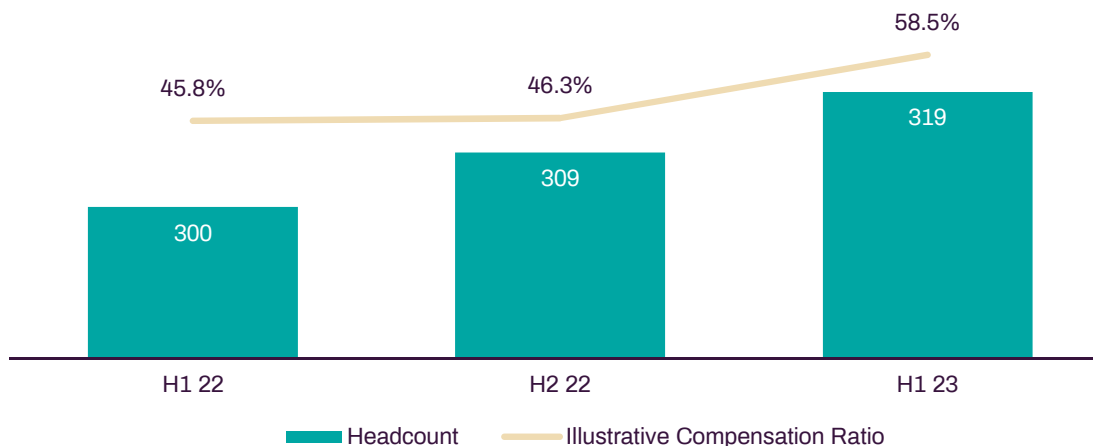


Illustrative compensation ratio (staff cost / income ratio) increased as a result of reduced income.

## Cost Overview

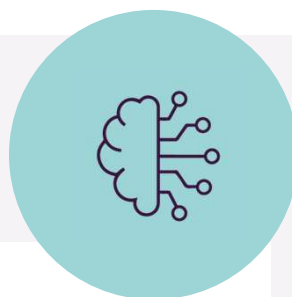


## Period-end headcount



## Digital Strategy

### REX Platform



#### What is it?

Proprietary technology platform opening up primary capital markets to retail investors, allowing equal access to IPOs, Accelerated Book Builds and retail bonds.

#### Widely adopted solution

Since August, REX has been mandated on eight completed transactions of which seven were non-Peel Hunt deals, raising more funds than any other UK retail platform.

#### Retail empowerment

We anticipate significant further progress as UK capital market reforms designed to foster greater retail investor inclusion in capital raises are expected to be implemented including the recently announced revised Pre-Emption Group guidelines that encourage the inclusion of retail investors in non pre-emptive share offerings by listed companies.

## Expanding our offering



#### European Distribution

Our plans to open an EU office based in Copenhagen are progressing well, and we expect to launch Peel Hunt Europe during the first half of 2023.

This will reinstate unrestricted, pre-Brexit access to EU institutions and markets.

#### IB Diversification

We have continued to invest in our Private Capital Markets and M&A/Advisory capabilities, building our operational leverage for when markets return to normal levels of activity.

## Sustainability



Working on **carbon reduction plan** which will be **submitted for verification** by the Science Based Targets Initiative during **2023**

Launch of **cycle to work scheme** with The Green Commute Initiative

Launching an **electric car scheme**



## Diversity & Inclusion



As of September 2022, **25.1%** of Peel Hunt's staff are women

Launch of **Connect Women**, with an aim to inspire, connect and develop all professionals with a focus on gender parity related topics

Hosted strength in diversity webinar **attended by 82 employees** which explored what everyone can do to encourage diversity, equity & inclusion



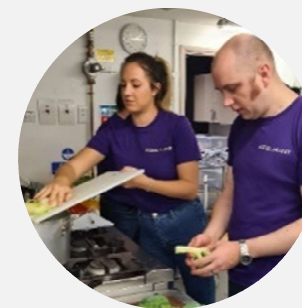
## Social



**£32,037** - Amount raised by staff for Stem4, a charity that promotes positive mental health in teenagers

All managers have received **mental health awareness training** during the half year to better support their teams when they most need it

Peel Hunt **won the Best Approach to Wellbeing Award** at the 2022 Diversity and Inclusion Awards





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SECTION 4

OUTLOOK



# Current trading and outlook



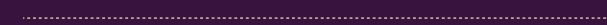
Peel Hunt well placed to weather the difficult markets and take advantage when activity increases

	Current Trading and Priorities	Outlook
Execution Services	<ul style="list-style-type: none"> <li>Continue to open up access to incremental, trading flows, which increases our ability to provide liquidity to our clients/counterparties.</li> <li>Pick up in trading volumes in the 6 weeks since period end.</li> <li>Focus is on spread capture and good risk management discipline.</li> </ul>	<ul style="list-style-type: none"> <li>Market conditions are not expected to improve in the short term, with suppressed trading volumes continuing.</li> <li>In the medium term, our investment in technology will allow us to expand our range of services, with a view to creating further opportunities for capturing trading spreads.</li> </ul>
Research & Distribution	<ul style="list-style-type: none"> <li>Low-touch institutional electronic execution product continues to build momentum with the technical build-out now complete and client on-boarding continuing.</li> <li>Opening of our European office.</li> <li>Expand our offering to a wider client base such as hedge funds.</li> </ul>	<ul style="list-style-type: none"> <li>Investor sentiment remains subdued, resulting in lower activity. This is not expected to change in the short term.</li> <li>In the medium term the increased geographic distribution and offering will open up new commission opportunities.</li> </ul>
Investment Banking	<ul style="list-style-type: none"> <li>Low levels of capital market activity resulting in deals being cancelled or delayed.</li> <li>Continue to expand our M&amp;A advisory and private capital markets practices.</li> </ul>	<ul style="list-style-type: none"> <li>Outlook for capital markets remains uncertain. Adverse geopolitical and macro-economic factors have continued to negatively impact markets. More recently, tightening of monetary policy and Government fiscal stimulus have further destabilised markets.</li> </ul>
Cost base	<ul style="list-style-type: none"> <li>We will continue to carefully monitor costs in light of market activity levels, whilst continuing to remain focused on our strategic priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Will continue to monitor markets and actively managing our cost base.</li> <li>Continued investment in technology and efficiencies.</li> </ul>

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SECTION 5

Q&A



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SECTION 6

APPENDIX



# Consolidated Balance Sheet

Unaudited as at 30 September 2022

<i>£'000</i>	FY22 30 Sep 22	FY21 28 Sep 21	Change
<b>Non-current assets</b>	<b>27,116</b>	<b>29,863</b>	<b>(9.4%)</b>
Securities held for trading	55,180	67,067	(17.7%)
Market and client debtors	451,633	484,578	(6.8%)
Other debtors	13,777	8,213	67.8%
Cash	41,352	76,972	(46.3%)
<b>Current assets</b>	<b>561,942</b>	<b>636,830</b>	<b>(11.8%)</b>
<b>Total assets</b>	<b>589,058</b>	<b>666,693</b>	<b>(11.6%)</b>
Long-term loan	(18,000)	(24,000)	(25.0%)
Lease liability	(19,482)	(22,516)	(13.4%)
<b>Non-current liabilities</b>	<b>(37,482)</b>	<b>(46,516)</b>	<b>(19.4%)</b>
Market and client creditors	(399,465)	(427,911)	(6.7%)
Securities held for trading	(27,604)	(35,925)	(23.2%)
Amounts due to members	(5,041)	(87,293)	(94.2%)
Lease liability	(2,907)	(331)	778.3%
Borrowings	(10,000)	-	100%
Long-term loan	(6,000)	(6,000)	0.0%
Other creditors / provisions	(4,613)	(12,752)	(63.8%)
<b>Current liabilities</b>	<b>(455,630)</b>	<b>(570,212)</b>	<b>(20.1%)</b>
<b>Total liabilities</b>	<b>(493,112)</b>	<b>(616,728)</b>	<b>(20.0%)</b>
<b>Net assets</b>	<b>95,946</b>	<b>49,965</b>	<b>92.0%</b>

## Broker

### Keefe, Bruyette & Woods

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## Nominated Advisor

### Grant Thornton UK LLP

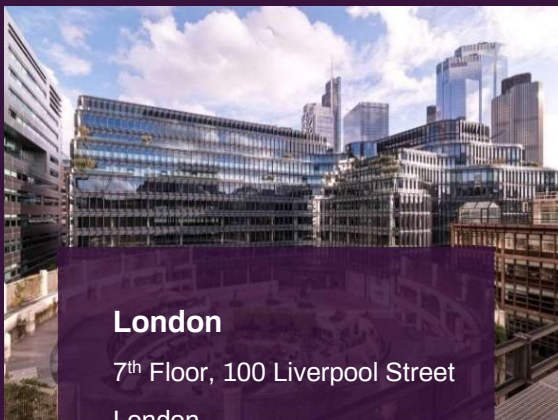
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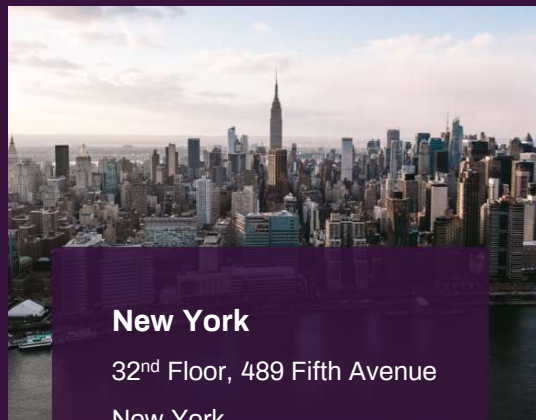
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