RNS Number : 9886C
Peel Hunt Limited
16 June 2023

The following amendments have been made to the 'Full-Year Results' announcement released on 16 June 2023 at 7:00 under RNS No 9193C.

- In the Unaudited Illustrative Statement of Comprehensive Income table, Dividend for Year ended 31 March 2023 should have read 'Nil' and not '(1,322)'

All other details remain unchanged.

The full amended text is shown below.

Peel Hunt Limited

Full-Year Results

For the year ended 31 March 2023

Strategic progress in challenging markets

Peel Hunt Limited ("Peel Hunt" or the "Company") together with its subsidiaries (the "Group") today announces audited results for the year ended 31 March 2023 ("FY23").

The full-year results for the Group consolidate Peel Hunt LLP, a limited liability partnership which, up until the IPO of the Company on 29 September 2021, had a corporate member and individual members. Profits derived from the partnership during the year ended 31 March 2022 ('FY22') were allocated between the members. Profits attributable to the corporate member were retained within the Group and subject to corporation tax; profits attributable to individual members (prior to the IPO) comprised the non-controlling interests, with those members bearing tax liabilities personally. Following the IPO, individual members became employees of Peel Hunt LLP with all future earnings attributable to the Group.

For reference, an unaudited illustrative consolidated statement of comprehensive income for FY22 is also presented as a prior year comparative. This statement illustrates 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. This illustrative statement retains the actual revenue results in FY22 and considers the addition of all former members of Peel Hunt LLP being remunerated as employees along with related National Insurance contributions and pension costs on an ongoing basis. The statement has also been adjusted to remove the impact of one-off costs relating to the IPO, and tax-related prior year items arising in FY22. Partnership profits that were allocated to the former individual members in FY22, or non-controlling interests, are attributed to the Group in full and are shown as if subject to corporation tax.

Steven Fine, Chief Executive Officer, said:

"The challenges faced by the financial services sector in the past 12 months have been well documented, with the impact on market activity and investor sentiment felt across the industry. This can be seen in our FY23 results.

Despite this backdrop, we have continued to deliver on the strategic priorities of the organisation, adding FTSE 350 mandates, building-out our Private Capital Markets capability and strengthening our M&A/Advisory business. We are also pleased to be relaunching REX as RetailBook alongside a number of our peers, and to have received regulatory approval for our EU platform.

Real credit for all of this goes to our people, who have shown incredible tenacity, working together to stay focused on what matters most: looking after our clients. I'd like to thank them for their hard work and continued enthusiasm for our future.

Our distinctive culture and continued technology leadership have been integral to navigating this turbulence and will remain core to the long-term future of the firm. Our diversified business model and cost discipline have helped us maintain a strong balance sheet, which in turn has allowed us to invest selectively to strengthen our platform. We remain confident that we will be ready and well-positioned to capitalise when market activity normalises."

Highlights

- Revenue and profitability impacted by unusually low capital markets activity throughout FY23

- Revenue of £82.3m (FY22: £131.0m) and loss before tax (LBT) of £(1.5)m (FY22: profit before tax (PBT) £41.2m)
- Actions taken to rationalise costs, partially mitigating inflationary cost pressures

- Business division performance
  - **Investment Banking** revenues were £23.4m (FY22: £57.9m), 19 new retained corporate clients, including seven in the FTSE 350. We currently act for 40 FTSE 350 clients, an increase of 37.9% over the last five years
  - **Execution Services** revenues remain higher than pre-pandemic levels at £33.8m but down year-on-year due to lower market volumes (FY22: £46.1m). Market leading position retained with a 13.3% share of LSE volumes
  - A resilient performance in **Research and Distribution** with revenues of £25.1m (FY22: £26.9m) despite the drop in market activity. Further strengthened our market leading mid-cap North American and Continental European distribution capabilities, and continued to build our institutional client base
- Strategic progress
  - Further built out our Private Capital Markets capability and strengthened our M&A/Advisory business
  - Our retail capital markets technology platform REX to relaunch as RetailBook, a standalone business that will operate independently of Peel Hunt. Collaboration agreements in place with Hargreaves Lansdown, Jefferies, Numis and Rothschild & Co
  - Regulatory approval received for Peel Hunt Europe to open our Copenhagen office which is expected to be operational over the summer
- Our strong balance sheet allowed us to take advantage of market dislocation to make selective and targeted investment in talent in line with the strategy
  - Net assets of £93.1m and cash balances of £27.4m
  - Capital base comfortably in excess of minimum regulatory requirements
- Well positioned for when market conditions improve with considerable operational leverage in the business

Outlook

Whilst the macro-economic backdrop may remain challenging for some time, we have seen a gradual improvement in our M&A pipeline since the start of FY24, with UK mid-cap valuations remaining attractive, and are seeing tentative signs of a pick-up in capital markets activity. We will continue to progress our strategic priorities whilst prudently managing the business through this period of downturn. As consolidation amongst UK-focused investment banking and financial advisory businesses accelerates, we remain confident that our consistent model of delivering a joined-up and agile service, providing our clients with trusted and impartial advice, will position us well to take advantage of opportunities that may arise.

Key statistics

Financial highlights	**2023**	**2022**	**Change**
Revenue	£82.3m	£131.0m	(37.2)%
(Loss)/Profit before tax (1)	LBT £(1.5)m	PBT £41.2m	(103.6)%
Basic EPS (2)	(1.1)p	15.4p	(107.1)%
Dividend	-	3.1p	(100)%
Compensation ratio (3)	58.6%	47.1%	11.5ppts

Operating highlights			
Cash	£27.4m	£76.7m	(64.3)%
Net assets	£93.1m	£100.1m	(7.0)%
Corporate clients	155	162	(4.3)%
Average market cap of clients	£690.5m	£683.7m	1.0%

Notes:

(1) Illustrative PBT in FY22 was £33.1m
(2) Illustrative Basic EPS in FY22 was £21.1p
(3) Illustrative Compensation ratio (using illustrative staff costs) in FY22 was 46.3%.

For further information, please contact:

Peel Hunt: via MHP
Steven Fine, CEO
Sunil Dhall, CFOO

MHP (Financial PR): +44 (0)20 3128 8540
Tim Rowntree
Charlie Barker
Robert Collett-Creedy
peelhunt@mhpgroup.com

Grant Thornton UK LLP (Nominated Adviser): +44 (0)20 7728 2942
Colin Aaronson
Samuel Littler

Keefe, Bruyette & Woods (Corporate Broker): +44 (0) 20 7710 7600
Alistair McKay
Alberto Moreno Blasco
Fred Walsh
Akshman Ori

Notes to editors

Peel Hunt is a leading specialist in UK investment banking. Our purpose is to guide and nurture people through the evolution of business. We achieve this through a proven, joined-up approach that consistently delivers value to UK corporates, global institutions and trading counterparties alike.

Forward-looking statements

This announcement contains forward-looking statements. Forward-looking statements sometimes use words such as 'may', 'will', 'could', 'seek', 'continue', 'aim', 'anticipate', 'target', 'project', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Past performance is no guide to future performance and any forward-looking statements and forecasts 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. These statements and forecasts are subject to various risks and uncertainties and 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.

The forward-looking statements contained in this document speak only as of the date of this announcement and (except as required by applicable regulations or by law) Peel Hunt does not undertake to publicly update or review 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.

No offer of securities

The information, statements and opinions contained in this announcement do not constitute or form part of, and should not be construed as, any public offer under any applicable legislation, or an offer, or solicitation of an offer, to buy or sell any securities or financial instruments in any jurisdiction, or any advice or recommendation with respect to any securities or financial instruments.

BUSINESS REVIEW

Market review

During FY23 we have seen an extraordinary level of market turmoil, driven by different economic and geopolitical events. The ongoing war on European soil combined with the fallout from the UK Government's disastrous mini-budget have contributed to rapidly rising interest rates, which are now at their highest level for 14 years. This, together with the biggest bank failures since 2008, has weighed heavily on investor confidence and market volumes in the UK.

Overall, during the financial year, the FTSE 250 declined 10.6% and the AIM All-Share 22.3%, although both have staged recoveries in the second half, from October lows. Nevertheless, capital markets activity levels have remained exceptionally low throughout the period and the IPO market has been effectively closed.

Divisional review: Investment Banking

This has been a difficult year for the UK's equity markets, with very low volumes of activity, particularly around primary issuance. As a result, Investment Banking revenues in FY23 were down at £23.4m, compared with £57.9m in FY22. Overall, we acted on 27 Equity Capital Markets (ECM) transactions over FY23, versus 46 in FY22. Nonetheless, we worked on a number of successful secondary fundraising transactions with a total value of £829.6m, acted on a number of high-profile public M&A transactions, and continued to develop our retail capital markets profile on our own transactions as well as on third-party transactions, through the use of REX.

We have always stayed close to our clients and invested selectively in our business during economic downturns. This year has been no different. The quality and consistency of our team and the services they provide, alongside our absolute commitment to being a trusted adviser to our clients, have helped us win 19 new retained corporate clients.

A key element of our refined strategy is to evolve the quality and profitability of our corporate client base, focusing on mid-cap and growth companies ahead of absolute client numbers. In the period we added seven FTSE 350 clients. Notwithstanding the drop in the FTSE 250 over FY23, the average market capitalisation of our retained corporate clients was £690.5m (FY22: £684m). Overall, we ended the year with 155 corporate clients (FY22: 162), including 39 in the FTSE 350, and our income from retainers increased to £8.8m. What sits behind these numbers is the quality and relevance of the relationships we're developing, and our long-term approach of supporting our clients through the evolution of business.

Towards the end of Q4, we saw some pick-up in market activity, with a number of new mandates and pipeline deals with a higher M&A weighting. However, it is too early to say what will happen in practice, and execution risk remains amplified.

A period of sustained subdued capital market activity has given us the opportunity to spend time focusing internally on building the business in line with our strategic priorities. Expanding Investment Banking as part of the joined-up service we offer clients includes strengthening our capabilities in M&A, Private Capital Markets, and Debt Advisory. We are really pleased to have made some key strategic hires in these areas. A particularly important development is our increasing focus on Private Capital Markets. We've long been known for our expertise in Equity Capital Markets, but our services are equally relevant to private companies.

We're also investing in people at the very start of their finance career, launching our first graduate scheme, which has given us the opportunity to target a more diverse pool of candidates. The scheme has already proved popular, with more than 1,000 applications for four places. Our graduates will join us later in 2023 and will spend their first 12 months rotating through a series of roles to help them experience our joined-up approach.

Technology is one of our firm-wide strategic priorities, and it's particularly relevant in Investment Banking, where our ability to digitalise makes life easier, simpler, faster and more efficient for our clients and ourselves. Our proprietary retail platform, REX, is an excellent example of this. This year, REX was mandated on 12 completed transactions of which eight were non-Peel Hunt deals. We're now taking steps to spin off REX into a standalone business, RetailBook, which will help expand retail participation in capital markets.

Meanwhile, our ability to use technology to interrogate data in a more meaningful way is evolving. The bespoke digital tools and dashboards developed by our in-house team are adding value to our Investment Banking service, helping us share emerging trends and themes with clients more quickly, and speeding up decision-making. What's also important is how we're embedding digital thinking within our team. Not everyone needs to be able to create technology, but we all need to understand what technology can help us achieve and how it can add value to our clients.

Divisional review: Execution Services

Execution Services had a respectable year despite the extremely challenging economic climate, generating revenue of £33.8m (FY22: £46.1m). Crucially, we retained a leading market position with a 13.3% share of LSE volume, ahead of our pre-pandemic market share.

Systematic Trading and Investment Trusts performed in-line with expectations. Fixed Income has outperformed given the greater trading opportunities in fixed income securities this year. The capital and funding we've applied to the trading business has yielded positive returns in difficult markets.

We have not completely avoided the market turbulence, with lower trading volumes, particularly in small-cap and AIM stocks, but the revenue we have generated has contributed to the resilience of the firm overall. This is thanks, in large part, to the experience that we have built up in our team over several years, and our proactive approach to diversifying our revenue across a growing number of trading strategies. From this, we can access incremental, differentiated pools of liquidity for our clients and counterparties.

As a result, we've been able to keep demonstrating our ability to deliver positive returns from low-risk market making across the cycle. Despite market volatility during the period, our traders have maintained good risk management discipline, operating within their risk limits.

Technology is an essential part of our trading capabilities and risk controls. Thanks to the investments we've made over more than a decade, our proprietary tools and platforms have helped us retain a high market share of retail trading and continue building our overall UK trading volumes. Today, technology is genuinely a differentiator for our business. But ours is also an increasingly competitive space, so we have continued to invest in our proprietary trading intelligence tool, Peel Hunt Automated Trading (PHAT), to make it more efficient and ensure we continue to provide fast access to liquidity for our customers and clients. We're always innovating and giving our traders better tools to manage risk and trade efficiently.

Divisional review: Research & Distribution

Research & Distribution has had another stable, resilient year, despite the challenges in the macroeconomic landscape. Revenue from research payments and execution commissions was down 6.9% to £25.1m (FY22: £27.0m), reflecting the quality of our research offering, broad and deep institutional relationships, and aligned core trading focused on driving liquidity and facilitating client business in difficult markets.

Although market volumes fell, we saw momentum in new account openings in both formal research agreements and trading accounts. We also continued to expand our offering to a wider universe of hedge funds, sovereign wealth funds, overseas funds and family offices and private capital market investors. As well as opening up new commission opportunities, this has further strengthened our ECM distribution platform.

Today, we have 1,243 relationships with clients who value our top-rated research, an increase from 1,235 in FY22. Annual sales interactions this year reached 17,340 (FY22: 16,372).

The experience and consistency of our research, distribution and core trading teams has always helped us win new corporate clients and IPO mandates, and these qualities became even more important this year as we stepped forward to help our clients navigate challenging markets.

As well as retaining our number one research ranking in the Institutional Investor's UK Mid and Small-cap survey for the sixth consecutive year, a record five of our analysts ranked individually in the top 10 across all sectors. Meanwhile, our US and Continental European sales teams were also ranked number one for the second year running.

One of our strategic priorities is to expand our distribution footprint in the UK and internationally. This will ensure our corporate clients have in-depth access to all relevant pools of capital as we become an increasingly key partner for new institutional clients. We have now received regulatory approval for our new Copenhagen office, which will allow us to reinstate our unrestricted, pre-Brexit access to EU institutions.

Meanwhile, our differentiated, low-touch institutional electronic execution product, developed in conjunction with our technology team, continues to build momentum. Having completed the build out, we are now onboarding clients. Our low-touch product is an increasingly important part of delivering best execution for our clients.

Technology has also been a big theme for our research team, as we completed work to roll out our new centralised Research database. It's already helping us be more efficient, giving our research analysts new tools to interrogate data and produce more in-depth reports. We're very much at the start of this process, exploring the tremendous potential the database has to generate deeper insights, more quickly, to share with our clients. We also continued to develop our new portal for investors.

However, perhaps the most exciting development for our digital approach this year was having a specialist developer embed themselves in the research team. As a result, we have already introduced some bespoke, data-led products and are quickly harnessing the power of artificial intelligence to help our research and sales teams produce superior content for our clients. This connection between frontline work across the firm will help ensure that our accelerating technology investments keep our clients' needs front and centre, bolstering our role as a trusted adviser.

Current trading and outlook

The challenging market conditions seen throughout FY23 have continued into FY24, although we have seen a gradual improvement in our pipeline since the start of FY24, especially in M&A, and there are tentative signs of a pick-up in capital markets activity. Through the remainder of this period of downturn, we will continue to prudently manage the business, make strategic progress and position the business for when market activity normalises. The stability of our platform, our one-firm, joined-up approach and consistent impartial advice, mean that we are well positioned to take advantage of opportunities with our clients as market conditions improve.

FINANCIAL REVIEW

Revenue performance

Our revenue performance was in line with revised market expectations, albeit down relative to the prior year, influenced by uncertainty in the global markets, high inflation and rising interest rates. Nevertheless, our strategy of combining advice, research, distribution and market share in trading volumes, allied to our sector specialist approach, remains in demand and will put us in a good position as market conditions normalise.

Continued targeted investment in our operating divisions, both in technology and our people, remains important to the long-term growth of the business.

Revenue comprises the following:

	FY23 £000	FY22 £000	% change
Investment Banking revenue	23,411	57,948	(59.6)%
Research payments and execution commission(1)	25,116	26,986	(6.9)%
Execution Services revenue(1)	33,810	46,112	(26.7)%
Total revenue for the year	**82,337**	**131,046**	**(37.2)%**

Notes:

(1) We have reclassified £3.5m from Research payments and Execution commission to Execution services revenue to better match how the business is managed. The effect of the reclassification is immaterial in the current year.

Revenue for the year was £82.3m (FY22: £131.0m). Investment Banking revenue was affected by the uncertain global economic environment and extreme lows in capital markets activity throughout FY23. Execution Services revenue remained higher than pre-pandemic levels, although down year-on-year due to lower market volumes. Research & Distribution revenue remained resilient, with research payments and institutional commissions largely consistent with the previous year, notwithstanding the drop in market activity.

Investment Banking performance

	FY23 £000	FY22 £000	% change
Investment Banking fees	14,622	49,643	(70.5)%
Investment Banking retainers	8,789	8,305	5.8%
Total Investment Banking revenue	**23,411**	**57,948**	**(59.6)%**

This year has been a challenging period for UK equity capital markets with transaction activity at an all-time low, particularly in terms of primary equity issuance. The downturn has suppressed client activity and stalled IPO mandates. As a result, our revenue for the year was down to £23.4m, compared with £57.9m in FY22.

During the year we added 19 new retained corporate clients (including seven in the FTSE 350). At the end of FY23 we had 155 corporate clients (FY22: 162), with an average market capitalisation of approximately £690.5m, including 39 in the FTSE 350. Having added a further FTSE 350 client since the start of FY24, we now act for 40 FTSE 350 clients.

We have continued to strengthen our private capital markets capabilities, enabling us to act for both public and private companies alike. We have also continued to invest in our advisory business, where we act as retained financial adviser on M&A transactions.

We continue to receive new mandate enquiries and we have a number of pipeline deals that we expect to execute when market conditions permit.

Execution Services performance

	FY23 £000	FY22 £000	% change
Execution Services revenue	33,810	46,112	(26.7)%

Execution Services revenue was down 26.7% to £33.8m, although our volumes and LSE market share remained above pre-pandemic levels.

Our Execution Services revenue is diversified across a growing number of trading strategies as we obtain access to incremental, differentiated pools of liquidity, extending our ability to provide liquidity to our clients and counterparties. We continued to demonstrate our ability to deliver positive returns from low-risk market making across the cycle, and our traders have maintained good risk management discipline, operating well within their risk limits.

During the financial year the FTSE 250 and AIM All-Share declined 10.6% and 22.3% respectively, and trading volumes remained much lower across the market as a whole. Despite this backdrop, a number of our trading books have performed well versus market drawdowns.

Research & Distribution performance

	FY23 £000	FY22 £000	% change
Research payments and execution commission	25,116	26,986	(6.9)%

Research & Distribution returned a resilient revenue performance of £25.1m, representing a 6.9% reduction, compared to FY22. The effect of reduced market volumes was somewhat offset by momentum in new account openings, across both formal research agreements and trading accounts. We expanded our offering to a wider universe of hedge funds, sovereign wealth funds, overseas funds and family offices, which have opened up new commission opportunities.

Our differentiated, low-touch institutional electronic execution product continues to build momentum, with the technical build-out now complete and client onboarding ongoing.

Costs and people

	FY23 £000	FY22 £000	% change
Illustrative staff costs[1]	48,252	60,680	(20.5)%
Illustrative non-staff costs[1]	34,125	35,665	(4.3)%
Total illustrative administration costs[1]	82,377	**96,345**	(14.5)%
Illustrative compensation ratio[1]	58.6%	46.3%	12.3ppts
Actual staff costs[2]	48,252	41,465	16.4%
Actual non-staff costs	34,125	36,852	(7.4)%
Total actual administration costs	82,377	**78,317**	5.2%
Actual compensation ratio	58.6%	47.1%	11.5ppts
Period-end headcount	310	309	0.0%
Average headcount	316	**299**	5.7%

Notes:

(1) FY23 are actual financial results; FY22 are illustrative financial results as outlined in the Unaudited Illustrative Statement of Comprehensive Income below.

(2) Actual staff costs in FY22 include variable remuneration costs for employees but not for members

Despite the challenging markets, we are confident in our strategy, and have continued with our programme of targeted investment in our strategic priorities.

Actual staff costs in FY23 were higher than FY22, partly due to the increase in headcount, and partly due to the change in compensation structure between the periods. In H1 FY22, all former members of Peel Hunt LLP were remunerated as employees, with additional National Insurance contributions and pension costs. Also, at the start of FY22, the firm rebalanced the compensation of staff between fixed and variable pay. This brought fixed compensation in line with peer firms in an extremely competitive market for talent and also prepared us to meet the Investment Firm Prudential Regulation ('IFPR') remuneration requirements. IFPR requires that a proportion of variable compensation for certain staff members must now be paid in shares and deferred over multiple years.

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

Actual non-staff costs decreased in FY23 largely due to the corresponding period in FY22 including the costs associated with the IPO. However, FY23 additional costs related to increased audit and corporate governance requirements alongside increased interest rates and inflationary increases, particularly on our large technology contracts and our continued investment in technology capabilities. Illustrative non-staff costs are largely consistent with FY22.

Since the end of FY23, we have taken action to rationalise costs and we will continue to carefully monitor expenditure in the context of prevailing market activity/conditions, whilst remaining focused on our strategic priorities.

Responsible business

Our commitments to diversity and sustainability are shaped by our board-level ESG Committee. During the period, we have determined four areas of focus which are important to our stakeholders and which Peel Hunt can positively impact. These are:

i. Diversity, equity and inclusion

ii. Carbon reduction

iii. Governance and integrity: We are working to ensure that sustainability is formally embedded within our risk appetite and decision-making processes

iv. Building our sustainability capabilities and products: We want to help our investment bankers and research analysts enhance their sustainability knowledge so that they can better serve our clients.

In the spirit of creating measurable steps for delivery, we have set important targets to reduce our carbon footprint and increase gender diversity. These include a target of women comprising at least 40% of employees by 2035, as well as setting targets to become carbon neutral by 2025, and reach net zero by 2040.

Balance sheet

The Group's net asset position as at 31 March 2023 was £93.1m (31 March 2022: £100.1m), representing a decrease of 7.0% from compared with last year, due to the previous year's dividend payment, the EBT's acquisition of ordinary shares in the Group to meet future employee share plan obligations and the loss in the current financial year.

We have a strong balance sheet following the IPO, and as at 31 March 2023 we maintained £101.7m of liquid assets, comprising cash and settled securities (mainly equities and some government bonds), which can provide funding to the business at short notice.

Capital and liquidity

The business maintained a good cash balance at the year-end of £27.4m, having decreased from £76.7m as at 31 March 2022. This is largely due to the settlement of amounts attributable to the period before the IPO, in addition to investment in the trading book and payment of the dividend in July 2022. We have now completed all non-recurring payments due in relation to the period before the IPO.

Strong liquidity management and controls have remained a focus during the year, to ensure the resilience of our business. Scenario and stress testing have always been part of our regular liquidity and capital analysis, providing clear actions that can be implemented in severe scenarios.

We continue to operate well in excess of our minimum regulatory capital requirements with an Own Funds cover over net assets of 555% at the end of FY23, compared to 558% at the end of FY22. The slight decrease has been due to the reduction in net assets since FY22 offset by a reduction in risk exposures during FY23.

We repaid long-term debt of £6.0m during the year leaving £21.0m of principal outstanding as at 31 March 2023, and we continue to have access to a £30.0m revolving credit facility ('RCF'), which was renewed during the year. Since the year end we have accelerated repayments of £6m further reducing the principal outstanding to £15m as shown in Note 9 to the condensed consolidated financial statements.

Dividend

The Board is not proposing a dividend for the year.

Unaudited Illustrative Statement of Comprehensive Income

The unaudited illustrative statement of comprehensive income, set out below, has been prepared for the comparative period 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. FY23 are actual results whilst FY22 is prepared on an illustrative basis.

		Year ended 31 March 2023	Year ended 31 March 2022
Continuing activities	*Notes*	**£'000**	**£'000**
Revenue		82,337	131,046
Administrative expenses	*(1)*	(82,377)	(96,345)
(Loss)/profit from operations		(40)	34,701

Finance income		692	15
Finance expenses		(2,320)	(1,664)
Other income		180	56
(Loss)/profit before tax		(1,488)	33,108
Tax	*(2)*	166	(7,566)
(Loss)/profit after tax		(1,322)	25,542
Dividend	*(3)*	-	(10,217)
Retained (loss)/profit for the period		(1,322)	15,325
Illustrative performance metrics			
Compensation ratio		58.6%	46.3%
Non-staff cost ratio		43.2%	28.4%
(Loss)/profit before tax margin		(1.8)%	25.3%

Notes to the Unaudited Illustrative Statement of Comprehensive Income

1. ***Administrative expenses -*** in FY22 these 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, FY22 excludes 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).
2. ***Tax -*** the corporation tax in FY22 includes the effect of the Group being subject to corporation tax at the standard rate (19%) on additional profits.
3. ***Dividend -*** the dividend in FY22 includes the targeted basic dividend pay-out ratio of the Group (40%), applied to the profit after tax for the period.

Reconciliation of Illustrative to Actual Consolidated Comprehensive Income for FY22[1]

The impact of Notes (1) to (3) in the unaudited illustrative statement of comprehensive income on FY22 is summarised below:

		Administrative expenses (2)					
	Actual financials - FY22	**Include: revised compensation model (3)**	**Exclude: one-off expenses**	**Exclude: one-off tax charge in respect of prior years**	**Include: additional corporation tax**	**Include: illustrative 40% dividend**	**Illustrative financials - FY22**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Profit before tax for the period	41,228	(12,193)	4,073				33,108
Tax	(5,280)			1,559	(3,845)		(7,566)
Profit after tax	**35,948**	(12,193)	4,073	1,559	**(3,845)**		25,542
Dividend						(10,217)	(10,217)
Retained profit for the period							**15,325**

(1) There is no reconciliation for FY23 as the results remain the same as the actual financial results.

(2) Administration expenses includes members' remuneration charged as an expense; this is presented separately from the actual administration expenses shown in the consolidated statement of comprehensive income within the financial statements.

(3) Includes National Insurance, pension costs and variable remuneration related to former members of Peel Hunt LLP.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

Audited for the year ended 31 March 2023

Continuing activities	*Note*	**Year ended 31 March 2023 £'000**	**Year ended 31 March 2022 £'000**
Revenue	*2*	82,337	131,046
Administrative expenses	*3*	(82,377)	(78,317)
(Loss)/profit from operations		**(40)**	**52,729**
Finance income	*4*	692	15
Finance expense	*4*	(2,320)	(1,664)
Other income		180	56
(Loss)/profit before members' remuneration and tax		**(1,488)**	**51,136**
Members' remuneration charged as an expense	*3*	-	(9,908)
(Loss)/profit before tax for the year		**(1,488)**	**41,228**
Tax	*5*	166	(5,280)
(Loss)/profit for the year		**(1,322)**	**35,948**
Other comprehensive income for the year		-	27
Total comprehensive (expense) income for the year		**(1,322)**	**35,975**
Attributable to:			
Owners of the Company		(1,322)	10,954
Non-controlling interests	*6*	-	24,994
(Loss)/profit for the year		**(1,322)**	**35,948**
Attributable to:			
Owners of the Company		(1,322)	10,981
Non-controlling interests	*6*	-	24,994
Total comprehensive (expense) income for the year		**(1,322)**	**35,975**
(Loss)/earnings per share - attributable to owners of the Company:			
Basic	**8**	**(1.1p)**	**15.4p**
Diluted	**8**	**(1.1p)**	**15.4p**

Consolidated Statement of Financial Position

Audited as at 31 March 2023

	As at 31 March 2023 £'000	**As at 31 March 2022 £'000**
ASSETS		
Non-current assets		
Property, plant and equipment	8,092	9,341
Intangible assets	1,152	110
Right-of-use assets	15,889	18,219
Deferred tax asset	273	259
Total non-current assets	**25,406**	**27,929**
Current assets		
Securities held for trading	54,144	50,341
Market and client debtors	471,504	559,485
Trade and other debtors	15,546	13,200
Cash and cash equivalents	27,410	76,719
Total current assets	**568,604**	**699,745**

LIABILITIES

Current liabilities

Current liabilities		
Securities held for trading	(32,062)	(32,705)
Market and client creditors	(421,953)	(505,475)
Amounts due to members	-	(21,837)
Trade and other creditors	(4,214)	(16,790)
Long-term loan	(6,000)	(6,000)
Lease liabilities	(2,867)	(2,544)
Provisions	(576)	(540)
Total current liabilities	**(467,672)**	**(585,891)**
Net current assets	**100,932**	**113,854**
Non-current liabilities		
Long-term loan	(15,000)	(21,000)
Lease liabilities	(18,192)	(20,649)
Total non-current liabilities	**(33,192)**	**(41,649)**
Net assets	**93,146**	**100,134**

Consolidated Statement of Financial Position

Audited as at 31 March 2023

	As at 31 March 2023	As at 31 March 2022
	£'000	£'000
EQUITY		
Ordinary share capital	40,099	40,099
Other reserves	53,047	60,035
Total equity	**93,146**	**100,134**

Consolidated Statement of Changes in Equity

Audited for the year ended 31 March 2023

	Ordinary share capital	Own shares held by the Company	Other reserves	Total Equity
Group	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2021	**99**	**(14)**	**48,285**	**48,370**
Profit for the year	-	-	10,954	10,954
Other comprehensive income	-	-	27	27
Total comprehensive income	-	-	10,981	10,981
Transactions with owners				
New shares issued during the year (including cost of issuance)	40,000	-	(2,513)	37,487
Gain on option exercise	-	-	730	730
Sale of Company shares	-	14	2,552	2,566
Balance at 31 March 2022	**40,099**	**-**	**60,035**	**100,134**
Loss for the year	-	-	(1,322)	(1,322)
Other comprehensive income	-	-	-	-
Total comprehensive expense	-	-	(1,322)	(1,322)
Transactions with owners				
Equity-settled share-based payments reserve	-	-	647	647
Purchase of Company shares	-	-	(2,581)	(2,581)
Dividends paid	-	-	(3,732)	(3,732)
Balance at 31 March 2023	**40,099**	**-**	**53,047**	**93,146**

Consolidated Statement of Cash Flows

Audited for the year ended 31 March 2023

	Year ended 31 March 2023	Year ended 31 March 2022

	Note	£'000	£'000
Net cash used in operations	9	**(30,899)**	**(68,074)**
Cash flows from investing activities			
Purchase of tangible assets		(511)	(1,346)
Purchase of intangible assets		(1,087)	(6)
Disposal of equity investments not held for trading		-	47
Net cash used in investing activities		**(1,598)**	**(1,305)**
Cash flows from financing activities			
Interest paid		(1,382)	(732)
Dividends paid		(3,732)	-
Lease liability payments		(3,117)	(316)
Proceeds from share issuance		-	40,000
(Purchase)/sale of Company shares		(2,581)	2,566
Proceeds from option exercise		-	730
Share issuance expenses		-	(2,513)
(Repayment of)/increase in long-term loan		(6,000)	3,000
Net cash (used in)/ generated from financing activities		**(16,812)**	**42,735**
Net decrease in cash and cash equivalents		(49,309)	(26,644)
Cash and cash equivalents at start of period		76,719	103,363
Cash and cash equivalents at end of period		**27,410**	**76,719**

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Peel Hunt Limited (the Company) (until 21 September 2021, PH Capital Limited) is a non-cellular company limited by shares having listed its shares for trading on the Alternative Investment Market (AIM), a market operated by The London Stock Exchange, on 29 September 2021. The Company is registered in Guernsey. Its registered office is Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT. The consolidated financial statements of the Company comprises the Company and its subsidiaries, together referred to as the Group.

The financial information is presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except where indicated otherwise.

The financial information has been prepared on the historical cost basis, except for derivatives, financial assets and liabilities which are valued at fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVTOCI). Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Going concern

The Group's principal activities are Investment Banking, Research & Distribution and Execution Services in UK mid-cap and growth companies to institutional clients, wealth managers and private client brokers.

The Directors have assessed the Group's projected business activities and available financial resources together with a detailed cash flow forecast for the next 18 months from the date these financial statements were approved. The Directors have used base case and severe but plausible scenarios to perform the going concern assessment.

The base scenario assumes:

- Long-term sustainable growth of the Group as approved by the Board in the Group's five-year business plan, including continued growth in corporate clients
- Increased interest rates, as well as inflationary pressures on all cost categories
- Continued strategic investment in the Group, particularly in relation to technology and execution services

The severe but plausible downside scenario assumes:

- Worsening of the economic climate from the current historic low levels, continuing to keep capital market activity low and trading volumes reduced
- An operational event occurs reducing profitability and cash
- Management continue to rationalise costs where possible

The results of the scenario analysis consider the impact on profitability, cash, liquid assets, regulatory capital and covenant requirements. The severe but plausible downside scenario also includes active management of the Group's liquid assets in order to ensure the Group's ability to repay its long-term loans as required, which would remove any potential covenant constraints. In view of the Group's available financial resources, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors are satisfied that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date these financial statements are approved and for the foreseeable future. The Group has a strong focus on working capital management to ensure the payment of the Group's liabilities as they fall due. There is also a focus on monitoring the regulatory capital resource and requirements of Peel Hunt LLP and the UK regulatory group to ensure that all regulatory capital and liquidity requirements and covenant requirements are met.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2023.

The new standards or amendments to IFRS that became effective and were adopted by the Group during the year had no material effect on the financial statements.

2. Revenue

	Year ended 31 Mar 2023 £'000	Year ended 31 Mar 2022 £'000 Restated
Research payments and execution commission	25,116	26,986
Execution Services revenue	33,810	46,112
Investment Banking fees and retainers	23,411	57,948
Total revenue for the period	**82,337**	**131,046**

We have reclassified £3.5m from Research payments and Execution commission to Execution services revenue in the prior year to better match how the business is managed. The effect of the reclassification is immaterial in the current year.

3. Staff costs

	Year ended 31 Mar 2023 £'000	Year ended 31 Mar 2022 £'000
Wages and salaries	39,946	33,179
Social security costs	5,597	6,051
Pensions costs	2,623	1,473
Other costs	86	762
Total staff costs for the period	**48,252**	**41,465**
Members' remuneration charged as an expense	-	9,908
Total staff costs and members' remuneration charged as an expense for the period	**48,252**	**51,373**

The average number of employees and members of the Group during the period has increased to 316 (31 March 2022: 299).

4. Net finance expense

	Year ended 31 Mar 2023 £'000	Year ended 31 Mar 2022 £'000
Finance income		
Bank interest received	692	15
Finance expense		
Bank interest paid	(52)	(72)
Interest on lease liabilities	(938)	(934)
Interest accrued on long-term loan	(1,330)	(658)
Finance expense for the period	(2,320)	(1,664)
Net finance expense for the period	**(1,628)**	**(1,649)**

5. Tax charge

The Group tax charge in the year ended 31 March 2023 includes a credit of £0.2m relating to tax charges in respect of prior years.

6. Non-controlling interest

The non-controlling interest in the prior year relates to the former individual members of Peel Hunt LLP; these amounts are included in amounts due to members on the Consolidated Statement of Financial Position.

7. Statement of Financial Position items

(a) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful economic lives of each item.

(b) Intangible assets

Intangible assets represent internally generated intangible assets, computer software and sports debentures. Amortisation is charged to the income statement on a straight-line basis over the estimated useful economic lives of each item. Internally generated intangible assets are amortised over three years, computer software is amortised over five years and sports debentures are amortised over the life of the ticket rights.

Internally generated intangible assets comprises capitalised development costs for certain technology developments for key projects in the Group. The expenditure incurred in the research phase of these internal projects is expensed. Intangible assets are recognised from the development phase if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its costs can be reliably measured. Amortisation begins when the asset is available for use.

(c) Right-of-use asset and lease liabilities

The right-of-use asset and lease liabilities (current and non-current) represent the two property leases that the Group currently uses for its offices in London and New York.

(d) Market and client debtors and creditors

The market and client debtor and creditor balances represent unsettled sold securities transactions and unsettled purchased securities transactions, which are recognised on a trade date basis. The majority of open bargains were settled in the ordinary course of business (trade date plus two days). Market and client debtor and creditor balances in these financial statements include agreed counterparty netting of £11.9m (31 March 2022: £17.4m).

(e) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. The type of financial instruments held by the Group at 31 March 2023 and 31 March 2022 are consistent with those held at prior year end. The majority of financial instruments are classified as 'Level 1', with quoted prices in active markets.

(f) Stock borrowing collateral

The Group enters into stock borrowing agreements with a number of institutions on a collateralised basis. Under such agreements, securities are purchased with a commitment to return them at a future date and price. The securities purchased are not recognised on the statement of financial position. The cash advanced is recorded on the statement of financial position as cash collateral within trade and other debtors, the value of which is not significantly different from the value of the securities purchased. The total value of cash collateral held on the statement of financial position is £2.4m (31 March 2022: £2.8m).

(g) Long-term loans

During the year the Group repaid £6m of the outstanding Senior Facilities Agreement. The balance outstanding at year end is £21m (31 March 2022: £27m).

8. (Loss)/earnings per share

	Year ended 31 March 2023	Year ended 31 March 2022
Basic weighted average number of ordinary shares in issue during the year	119,197,519	71,231,123
Dilutive effect of share option grants	1,605,000	259,971
Diluted weighted average number of ordinary shares in issue during the year	**120,802,519**	**71,491,093**

Basic (loss)/earnings per share is calculated on total comprehensive (loss)/income for the year, attributable to the owners of the Company, of £(1.3m) (31 March 2022: £11.0m) and 119,197,519 (31 March 2022: 71,231,123) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated after adjusting for the number of options expected to be exercised from the share option grants.

The Company has 1,605,000 (31 March 2022: 259,971) of dilutive equity instruments outstanding as at 31 March 2023.

9. Post balance sheet event

Since the year end the Company has accelerated £6m of principal repayments of the Senior Facilities Agreement (SFA) (see Note 7(g) - Long-term loans), reducing the outstanding balance to £15m. As a result, £3m of scheduled principal repayments in each of September 2023 and March 2024 are no longer due. The accelerated repayments are estimated to save approximately £0.3m of interest expense throughout the year ending 31 March 2024. The available Revolving Credit Facility (RCF) remains at £30m and the interest rates applicable to both the SFA and RCF remain unchanged. Alongside the accelerated repayments, the Company has negotiated a temporary reduction in its interest cover covenant up to, and including, 31 December 2023.

10. Reconciliation of (loss)/profit before tax to cash from operating activities

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
(Loss)/profit before tax for the period	(1,488)	41,228
Adjustments for:		

Adjustments for:		
Depreciation and amortisation	4,251	4,154
Impairment loss on loans and receivables	277	244
Fair value gain on sale of securities not held for trading	–	27
Increase in provisions	37	109
Foreign exchange movement on deferred tax asset	-	(8)
Equity settled share-based payments - IFRS 2 charge	647	-
Revaluation of Right-of-use asset and Lease liability	(71)	(52)
Net finance costs	1,628	1,649
Change in working capital:		
Increase in net securities held for trading	(4,446)	(4,068)
Decrease in net market and client debtors	4,458	12,373
Increase in trade and other debtors	(2,339)	(4,017)
Decrease in net amounts due to members	(21,837)	(116,565)
(Decrease)/increase in trade and other creditors	(12,572)	3,001
Cash used in operations	**(31,455)**	**(61,925)**
Interest received	692	15
Corporation tax paid	(136)	(6,164)
Net cash used in operations	**(30,899)**	**(68,074)**

END