



Collins Stewart plc

2009 Results

Terry Smith
Chairman
+44 (0)20 7523 8166

Mark Brown
Chief Executive
+44 (0)20 7523 8008

John Cotter
Finance Director
+44 (0)20 7523 8011

Thursday March 18th 2010

2009 Highlights

- Following restructuring all four divisions returned to profit in 2009 despite tough markets
- 2009 operating profit of £18.5m (2008: statutory loss of £19.1m and adjusted profit of £11.9m)
- Revenues at £186.4m unchanged on an adjusted basis but 13% lower ex \$ movements and new areas
- **Wealth Management** continues to be most resilient and profitable division
- **UK Securities** mixed – commission down in line with market volumes while specialist desks performed well
- **US Securities** disappointing – revenues fell away in H2 and losses continued but better quality business
- **Corporate Broking** – good progress made in building a profitable and high-quality, mid-cap platform
- **Hawkpoint** – after a difficult start performed solidly in line with expectations
- Year-end cash £113.2m (2008: £106.6m)
- Expect another tough year but business overall is in best shape it has been for some time

Summary of Results

£m	2009	2008 Adjusted	2008 Statutory
Revenue	186.4	187.8	175.7
Operating profit before share-based payment charges	21.9	19.3	(11.7)
Operating Profit/(Loss)	18.5	11.9	(19.1)
Profit/(Loss) Before Tax	18.4	15.8	(15.2)
Profit/(Loss) After Tax	13.4	11.4	(22.9)
Basic earnings/(loss) per share	5.5p	4.7p	(9.6p)
Dividend per Share	2.6p	2.6p	2.6p

Half Yearly

£m	2009 H2	2009 H1	Adjusted 2008 H2
Revenue			
Wealth Management	21.7	22.0	23.8
UK Securities	32.6	27.8	19.4
US Securities	16.1	25.0	27.2
Corporate Broking	4.9	8.0	3.4
Hawkpoint	15.8	12.5	17.5
	91.1	95.3	91.3
Operating profit/(loss) before share-based payment charges			
Wealth Management	4.8	5.3	5.9
UK Securities	8.0	4.5	(3.7)
US Securities	(5.2)	(2.8)	3.0
Corporate Broking	1.2	1.4	(5.0)
Hawkpoint	4.0	0.7	0.2
	12.8	9.1	0.4
Share-based payment charges	(0.4)	(3.0)	(2.9)
Operating profit/(loss)	12.4	6.1	(2.5)

Wealth Management

- Revenues down 7% on lower transactional volumes (Q4 2008 exceptionally strong)
- Recurring revenues up from 46% to 48% of total
- 7% organic growth in AUM reflects marketing initiatives and clients returning to the market
- Overall direct costs down on a comparative basis
- Revenue margin on advisory and non-advisory high, reflecting broader revenue streams (multi currency and asset) off-shore
- Recent initiatives include intermediary sales team, cash management service and corporate desk
- Independent, client-focused approach ideally positioned to grow organically as reflected by numerous industry awards
- Continue to look at teams and businesses and useful acquisition announced with results

£m	2009	2008
Revenue	43.7	47.0
Operating profit	10.1	13.5
Operating margin	23.1%	28.7%

	2009	2008	Net inflows	2009 ROA*	2008 ROA*
	£bn	£bn	£m	%	%
Discretionary (incl. Funds)	1.7	1.5	67	1.15%	1.20%
Advisory	2.3	1.8	181	0.59%	0.64%
Non-advisory	1.9	1.6	84	0.41%	0.44%
Total	5.9	4.9	332		

* Annual Return on Assets (ROA) is derived from the four-quarter average of quarterly revenues and quarter-end AUM.

Returns exclude revenues of £4.9m (2008: £4.6m) arising from trading in assets that are not under administration.

Securities

UK Business

- Strong performance from Investment Companies and Preference Share desks
- Cash equities' commission down in line with market volumes while cost pressures persist
- Added credit and convertibles late in the year

£m	2009	2008
Revenue	60.4	40.1
Operating profit/(loss)	12.5	(3.0)
Operating margin	20.7%	(7.5%)

US Business

- Investment banking closed at beginning of 2009 and other costs taken out
- Revenues have fallen as fast as costs due to market, defections and nature of business
- Upgraded quality of personnel and repositioned business as a higher-quality, traditional Stockbroking model but benefits taking time to come through
- Takes time for new recruits to gain traction and some not yet fully operational

£m	2009	2008
Revenue	41.1	49.3
Operating (loss)/profit	(8.0)	4.6
Operating margin	(19.5%)	9.3%

Corporate Broking

- Return to profit in UK and good progress made in building a high-quality, mid-cap platform
- Collins Stewart and Hawkpoint working closely together where appropriate
- Number of AIM clients diminished and added 4 fully-listed companies
- Overall the firm raised £½ billion for clients in 2009 including £100 million for Development Securities
- UK pipeline broadly in line with last year
- Leading position on Singapore exchange with six IPO's in 2009 and good pipeline

£m	2009	2008
Revenue	12.9	10.4
Operating profit/(loss)	2.6	(3.0)
Operating margin	20.2%	(28.8%)

Hawkpoint

- After a difficult start performed solidly in line with expectations
- Run rate in last 7 months twice the first 5 months
- Change in mix of revenues with debt advisory and restructuring accounting for 40% of revenues in 2009 compared to 5% in 2008
- 34 transactions in 2009 with an aggregate value of £21bn and some large mandates (notably for the Icelandic Government and BPP)
- Operating profit benefited from a provision release of £2.4 million relating to the acquisition in 2006
- Good pipeline and business well positioned with reputation and ability to provide unconflicted, independent advice from a stable platform

£m	2009	2008
Revenue	28.3	41.0
Operating profit	4.7	7.2
Operating margin	16.6%	17.6%

Operating Profit

- Operating profit (pre SBP) increased by 13% versus 2008 adjusted
- Share based payment charges reduced due to H2 release of £2.8m in relation to options granted which will not meet vesting criteria
- Net interest negative reflecting interest rate environment and focus on short term liquidity, as well as financing costs on inventory
- Taxation at 27% in line with UK rate, with non-deductible losses in US offset by lower rates in Channel Islands

	2009	2008		
	£m	As reported £m	Adjustments £m	Adjusted £m
Revenue				
Wealth Management	43.7	47.0	-	47.0
Securities	101.5	85.9	3.5	89.4
Corporate Broking	12.9	1.8	8.6	10.4
Hawkpoint	28.3	41.0	-	41.0
	186.4	175.7	12.1	187.8
Operating profit/(loss) before share-based payment charges				
Wealth Management	10.1	13.5	-	13.5
Securities	4.5	(20.1)	21.7	1.6
Corporate Broking	2.6	(12.1)	9.1	(3.0)
Hawkpoint	4.7	7.0	0.2	7.2
	21.9	(11.7)	31.0	19.3
Share-based payment charges	(3.4)	(7.4)	-	(7.4)
Operating profit/(loss)	18.5	(19.1)	31.0	11.9
Net interest	(0.1)	3.9	-	3.9
Profit/(loss) before tax	18.4	(15.2)	31.0	15.8
Taxation	(5.0)	(7.7)	3.3	(4.4)
Profit/(loss) after tax	13.4	(22.9)	34.3	11.4
Earnings/(loss) per share				
Basic	5.5p	(9.6)p	14.3p	4.7p
Diluted	5.4p	(9.4)p	14.1p	4.7p

Share-Based Payment Charges

	2009			2008		
	As reported	SBP	After SBP	As adjusted	SBP	After SBP
	£m	£m	£m	£m	£m	£m
Operating profit/(loss)						
Wealth Management	10.1	2.4	7.7	13.5	3.0	10.5
Securities	4.5	(1.2)	5.7	1.6	1.7	(0.1)
Corporate Broking	2.6	-	2.6	(3.0)	0.3	(3.3)
Hawkpoint	4.7	2.2	2.5	7.2	2.4	4.8
	21.9	3.4	18.5	19.3	7.4	11.9

Balance Sheet

£m	2009	2008
Goodwill	143.8	143.8
Net trading positions	9.9	10.4
Deferred tax	0.2	1.1
Other net assets	31.8	38.4
Tax and other provisions	(3.3)	(6.9)
Creditor - bonus accrual	(40.0)	(45.8)
Creditor - client money	(2.2)	(3.2)
Net cash	113.2	106.6
Net assets	253.4	244.4
Useable cash	104.0	92.9
Client money	2.2	3.2
Other restricted cash	7.0	10.5
Net Cash	113.2	106.6

Regulatory Capital

£m	2009	2008
Net assets per consolidated balance sheet	253.4	244.4
Deductions		
Goodwill	(143.8)	(143.8)
Other intangible assets	(0.7)	(0.6)
Material holdings & free deliveries	(0.4)	(1.8)
Total capital after deductions	108.5	98.2
Pillar One capital requirements		
Market risk under standardised approach	8.5	10.0
Credit risk under simplified approach	10.4	11.6
Operational risk under basic indicator approach	29.2	26.7
Pillar One capital requirements	48.1	48.3
Pillar 1 Surplus	60.4	49.9
Solvency ratio	225.6%	203.3%

Cash Flow

£m	2009	2008
Operating profit/(loss)	18.5	(19.1)
Client money	(1.0)	(47.3)
Net interest	-	4.4
Trading positions	0.5	17.7
Acquisitions	-	27.6
Tax	(0.5)	(11.6)
Dividends	(6.1)	(15.3)
Treasury/ESOT shares	-	(2.3)
Working capital and other	(19.8)	25.9
Decrease in cash	(8.4)	(20.0)
Opening cash	121.6	141.6
Closing cash	113.2	121.6
Bank borrowings	-	(15.0)
Net cash	113.2	106.6

Summary

- Market conditions remain tough and the outlook uncertain
- Restructuring has produced a more focused business and a return to profitability
- We continue to manage the business cautiously
- But we are using our strong financial position to take opportunities to strengthen further our core businesses and reinforce our position as:

A leading independent financial advisory group

Disclaimer

IMPORTANT NOTICE

This presentation is being made only to and directed at (a) persons who have professional experience in matters relating to investments falling within Article 19 (1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “FPO”) or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49 (1) of the FPO (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of Collins Stewart plc (“**Collins Stewart**”)

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Collins Stewart, including amongst other things, Collins Stewart’s future profitability, competition with the markets in which it operates and its ability to retain existing clients and win new clients, changes in economic conditions generally, legislative and regulatory changes, changes in taxation regimes, exchange rate fluctuations, and volatility in Collins Stewart’s share price.

As a result, Collins Stewart’s actual future financial condition, performance and results may differ materially from any plans, goals and expectations expressed or implied in these forward-looking statements. Collins Stewart undertakes no obligation to publicly update or revise forward-looking statements, except as may be required by applicable law and regulation (including the Listing Rules). Nothing in this presentation is, or should be relied on as, a promise or representation as to the future.

This presentation is not intended to provide the basis of any investment decision and should not be considered as a recommendation by Collins Stewart, its corporate broker Collins Stewart Europe Limited or any of their connected persons to any recipient of the presentation in relation to the matters contemplated within this document.