**[Peter Schuld](https://canvas.stanford.edu/courses/68404/users/148562" \o "Author's name)**

Jul 20, 2017 Jul 20 at 3:28am

**Products:** Numis Corporation Plc is an independent institutional stockbrokers and corporate advisors (financial service company). The Private client stockbroking business was sold in the year 2000.

**Customers:** Numis serves two types of customers, First, Institutional Investors who want to invest into British companies (e.g. UK and European Investment Management groups, Private Client Wealth Managers and Hedge Funds and through the New York office, Numis  works with US Funds investing in UK companies). The second set of customers comprises of British small-and-medium sized enterprises (SME's) from all industries and services. Numis helps those companies to raise capital via stock issuance or bond placements and helps SME's to merge with other companies or to acquire other companies (Corporate Finance, M&A). In addition, Numis publishes investment research.

**Industry:** The financial service industry in the UK is highly regulated by the Financial Services Authority (FSA) and the Financial Conduct Authority (FCA). Albeit, Numis does not have a banking licence and does not need to comply with banking regulations supervised by the Bank of England.

**Form**: Numis is a Publicly listed company (Plc.) quoted at the AIM small-cap segment of the London Stock Exchange.

**Geography:** Numis head offices is located inside the London Stock Exchange Building (5th floor). In addition, its wholly-owned subsidiary, NSI, is based in New York and is licensed by NASD (now FINRA) as a registered broker-dealer in the USA. NSI acts as agency broker (not a marker maker or principal dealer) and takes buying or selling orders from US institutions

**Status**: Numis is one of several markets leaders in its UK SME niche market. Numis competes with similarly sized local stockbrokers and with much larger international Investment Banks. Numis faces a competitive disadvantage because other than banks it cannot provide loan financing to complement its corporate finance and M&A business.  Nevertheless, Numis has a good reputation as an established independent stockbroker. Numis dates to 1989 (formally RZH Ltd.) and its long-term CEO Oliver Hemsley, the founder of Numis, stepped down in 2016 from the CEO position but remains on the Board as a full time executive director.

|  |  |  |  |
| --- | --- | --- | --- |
| Numis Corporation PLC. |  |  |  |
| (most recently ended fiscal year) |  |  |  |
|  | FY 2016 | Source | Comment |
|  |  |  |  |
| (1.) Capital Employed |  |  | Capital Employed = Total Assets – Excess Cash – non-interest bearing liabilities – goodwill |
| Non current assets | £5,522,000 | p.40  Balance Sheet |  |
| Current assets | £312,462,000 | p.40   Balance Sheet |  |
| Trade and other payables | -£173,031,000 | p.40   Balance Sheet (Current Liability) |  |
| Financial liabilities | -£12,293,000 | p.40   Balance Sheet (Current Liability) |  |
| Current income tax | -£3,571,000 | p.40   Balance Sheet (Current Liability) |  |
| **Capital Employed (max)** | **£129,089,000** |  | Assumption: Excess cash = 0 |
| Cash and cash equivalents | -£89,002,000 | p.40   Balance Sheet (Current Asset) |  |
| **Capital Employed (min)** | **£40,087,000** |  | Assumption: Excess cash = all cash (unrealistic !!!) |
|  |  |  |  |
| (2.) Operating Income | **£32,494,000** | p.34 Income Statement | Operating income can be found right on the income statement. No math is required. It sometimes appears as operating earnings or operating profit. |
|  |  |  |  |
| (3.) Free Cash Flow |  | (= OCF - MCAPEX - Operating Leases ) | Assumption: Maintenance CAPEX = Depriciation & Amortisation |
| Net cash from operating activities | £48,735,000 | p.42  Cash Flow Statement |  |
| Depreciation of property, plant and equipment | -£1,126,000 | p.52 Notes No. 7 : Administrative expenses |  |
| Amortisation of intangible assets | -£125,000 | p.52 Notes No. 7 : Administrative expenses |  |
| Operating lease costs | -£1,878,000 | p.52 Notes No. 7 : Administrative expenses |  |
| Other occupancy related costs | -£757,000 | p.52 Notes No. 7 : Administrative expenses |  |
| **Free Cash Flow (FCF)** | **£44,849,000** |  |  |
|  |  |  |  |
| (4.) Book Value |  |  | When applied to a whole company, book value means equity |
| Share capital | £5,922,000 | p.40  Balance Sheet |  |
| Share premium | £38,854,000 | p.40  Balance Sheet |  |
| Other reserves | £8,238,000 | p.40  Balance Sheet |  |
| Retained earnings | £76,063,000 | p.40  Balance Sheet |  |
| **Book Value** | **£129,077,000** | p.40  Balance Sheet (Total Equity  or Net Assets) |  |
|  |  |  |  |
| (5.) Tangible Book Value |  |  | Tangible book value is simply book value minus intangible assets. |
| Book Value | £129,077,000 | p.40  Balance Sheet (Total Equity  or Net Assets) |  |
| Intangible assets | -£122,000 | p.40Balance Sheet (Asset) |  |
| Deferred tax | -£1,666,000 | p.40 Balance Sheet (Asset) |  |
| **Tangible Book Value** | **£127,289,000** |  |  |
|  |  |  |  |
| (6.) Number of Shares |  |  |  |
| Weighted average **number of ordinary shares** in issued during the year – basic | 112,255,294 | p.67 Notes No. 25 (Earnings per share) | shares outstanding. This is the number of shares that people, investment funds, and other entities hold. |
| Dilutive effect of share awards | 5,755,000 | p.67 Notes No. 25 (Earnings per share) |  |
| **Diluted number of ordinary shares** | **118,010,294** | p.67 Notes No. 25 (Earnings per share) | fully diluted shares. It’s equal to shares outstanding plus the number of shares that could become shares outstanding if other securities issued by the company were exercised or converted. |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

Edited by [Peter Schuld](https://canvas.stanford.edu/courses/68404/users/148562) on Jul 23 at 12:19pm

[Reply](https://canvas.stanford.edu/courses/68404/discussion_topics/134581?module_item_id=185385)