

## **MOODY'S ASSIGNS Baa2/P-2 ISSUER RATINGS TO COLLINS STEWART TULLETT**

### **First Time Ratings**

Moody's Investors Service assigned Baa2 long-term and Prime-2 short-term ratings to Collins Stewart Tullett plc (CST). The outlook on all ratings is stable. According to Moody's the ratings reflect the diversified revenue streams by business line, products, clients and geography that the two companies Collins Stewart and Tullett Liberty provide, as well as the very limited market and credit risk, its strong franchises in inter-dealer broking and the UK mid-market, and the flexibility in the cost base. They also reflect the fact that the main business lines are correlated to the performance of the markets, that Collins Stewart is positioned to operate in niche markets due to the presence of larger investment banks, and the need to further improve the cost base in Tullett Liberty.

CST plc is the holding company for two distinct businesses, Collins Stewart and Tullett Liberty. Collins Stewart's business activities include stockbroking, market making, corporate finance and fund management while Tullett Liberty is an inter-dealer broker. Tullett Liberty was acquired by Collins Stewart in March, 2003. CST has signed Heads of Agreement to acquire Prebon, the fourth largest inter-dealer broker in the world. Moody's said that the group has a wide range of institutional shareholders and that the employees and the directors own around 15%.

The rating agency noted that CST's overall financial profile is good. Revenues for the group are predominantly earned in Europe and North America, with a small but meaningful contribution from Asia. Both market and credit risk is very limited. The cost base of the group is relatively high but in both CS and TL a large part of the cost base is variable and management is targeting to maintain a low fixed cost base. Liquidity and capital are seen as a group resource, and therefore are managed from the centre. At year-end 2003 the group had ample cash resources and other liquid assets to utilise if needed. Currently the group has an ample excess over its regulatory capital requirements; although this may weaken if the Prebon acquisition goes ahead Moody's would expect it to recover relatively quickly through retained profits and the amortisation of goodwill.

Moody's concluded by saying that it expects CST to maintain its very low risk profile and diversified revenue streams and to make further progress towards cost controls.

The following ratings were assigned:

Collins Stewart Tullett plc: Issuer rating at Baa2; Short-term rating at Prime-2

Collins Stewart Tullett plc is based in London, United Kingdom and had pre-tax income of GBP 77.2 million in 2003.