

Collins Stewart plc

2008 Results

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Agenda

- Key points
- Results and financials
- Securities
- Corporate Broking
- Hawkpoint
- Wealth Management
- Objectives and strategy

Key Points

The Past

- Wealth Management, UK Securities and Hawkpoint performed well in difficult markets in 2008
- Capital Markets and our US business lost significant sums
- Both have been restructured and repositioned and have new management
- Headcount peaked at 774 in October 2008; it is now 693
- Cash management has been good; £106.6m at year end

The Present

- We now have a streamlined business focused on our core areas of competence within our core geographies
- We are well placed to take advantage of our position as a well-capitalised, leading independent financial advisory house

The Future

- Large parts of the competition are in disarray and a significant withdrawal of capacity is taking place
- Despite extremely difficult markets this is a great opportunity to grow our *core* businesses
- Our main ambition in the UK is to build a high-quality, mid-cap corporate broking business
- Opportunities for Wealth Management both organically and through 'bolt-on' acquisitions and/or acquiring teams
- There are opportunities for Hawkpoint to expand further in continental Europe

Summary of Results

£m	2008		2007	
	Statutory	Adjusted*	Statutory	Adjusted*
Revenue	175.7	187.8	233.9	237.2
Operating profit/(loss)	(19.1)	11.9	64.7	68.0
Profit/(loss) before tax	(15.2)	15.8	79.0	82.3
Basic earnings/(loss) per share	(9.6)p	4.7p	23.4p	24.4p
Dividend per share	2.6 p	2.6p	7.5p	7.5p

* Adjusted for exceptional and non-recurring items

Adjusted Profit Reconciliation

	<i>Operating (Loss)/Profit Interim</i>	Operating (Loss)/Profit Full year	(Loss)/Profit after tax	Basic EPS
	<i>£m</i>	£m	£m	pence
As reported	7.1	(19.1)	(22.9)	(9.6)
Impairment of intangible assets relating to the US business, including goodwill	–	14.8	14.8	6.3
Non-cash write-downs of investments made in previous periods	7.3	10.9	7.7	3.1
Costs relating to the acquisition of new business team	–	2.5	1.8	0.8
Restructuring costs	–	1.5	1.3	0.5
Losses relating to the collapse of Lehman Brothers	–	1.3	1.3	0.5
Write-off of deferred tax assets in the US	–	–	7.4	3.1
Adjusted	14.4	11.9	11.4	4.7

Adjusted Operating Profit – effect of share-based payments

£m	2008			2007		
	Adjusted operating profit	SBP	Adjusted operating profit before SBP	Adjusted operating profit	SBP	Adjusted operating profit before SBP
Securities	9.1	1.7	10.8	15.0	0.9	15.9
Corporate Broking	(12.5)	0.3	(12.2)	24.8	0.1	24.9
Wealth Management	10.5	3.0	13.5	11.8	2.6	14.4
Hawkpoint	4.8	2.4	7.2	16.4	1.5	17.9
Adjusted	11.9	7.4	19.3	68.0	5.1	73.1

Balance Sheet

£m	2008	2007
Goodwill	143.8	153.6
Net trading positions	10.4	28.1
Deferred tax	1.1	8.5
Other net assets	38.4	63.0
Tax and other provisions	(6.9)	(15.3)
Creditor – bonus accrual	(45.8)	(61.4)
Creditor – client money	(3.2)	(50.5)
Net Cash	106.6	139.3
Net Assets	244.4	265.3
Usable cash	92.9	76.2
Client money	3.2	50.5
Other restricted cash	10.5	12.6
Total cash per above	106.6	139.3

Regulatory Capital

£m	2008	2007
Net assets per consolidated balance sheet	244.4	265.3
Deductions		
Goodwill	(143.8)	(153.6)
Other intangibles	(0.6)	(1.8)
Material holdings and free deliverables	(1.8)	(2.3)
Total capital after deductions	98.2	107.6
Capital Requirements		
Market risk under standardised method	10.0	11.6
Credit risk under simplified method	11.6	17.1
Operational risk under basic indicator approach ¹	26.7	–
Capital requirement	48.3	28.7
Surplus capital	49.9	78.9
Solvency ratio	203.3%	374.9%

¹applicable from 1 January 2008 only

Cash Flow

£m	2008	2007
Operating (loss)/ profit	(19.1)	64.7
Client money	(47.3)	45.3
Net interest	4.4	5.0
Trading positions	17.7	(14.3)
Acquisitions	27.6	(31.6)
Tax	(11.6)	(20.4)
Dividends	(15.3)	(16.6)
Treasury shares / ESOT shares	(2.3)	(3.4)
Working capital and other	25.9	(18.0)
(Decrease)/Increase in cash	(20.0)	10.7
Opening cash	141.6	130.9
Closing cash	121.6	141.6
Bank and other borrowings	(15.0)	(2.3)
Net cash	106.6	139.3

Securities

UK Business

- Record commission revenues for large-cap desk
- Increased market share
- Edge taken off by trading losses
- Leading Investment Companies team recruited
- Strengthened research team

US Business

- Strong revenues but 'low margin' areas performed best
- Now focused on secondary commissions and research-led sales
- New management

UK

£m	2008	2007
Adjusted Revenue	38.4	42.4
Adjusted Operating Profit	5.5	12.4
Adjusted Operating Margin	14.3%	29.2%
Adjusted Operating Margin pre SBP	16.2%	30.0%

US

£m	2008	2007
Adjusted Revenue	49.3	37.9
Adjusted Operating Profit	3.6	2.6
Adjusted Operating Margin	7.3%	6.9%
Adjusted Operating Margin pre SBP	9.3%	8.4%

Corporate Broking

UK Business

- IPO market for AIM small caps closed
- Former Capital Markets restructured to significantly reduce costs and repositioned as Corporate Broking
- New management and core skills upgraded for more serviced-based approach
- Strategically and practically aligned with other business units
- Ambition is to build a high-quality, mid-cap corporate broking business
- Disarray amongst competition and withdrawal of capacity
- Requires leveraging off Hawkpoint and Securities and investment in Corporate Broking

US Business

- Investment banking in the US has been closed

UK

£m	2008	2007
Adjusted Revenue	10.7	49.3
Adjusted Operating Profit	(6.3)	24.8
Adjusted Operating Margin	(58.9)%	50.3%
Adjusted Operating Margin pre SBP	(56.1)%	50.5%

US

£m	2008	2007
Adjusted Revenue	1.4	–
Adjusted Operating Profit	(6.2)	–
Adjusted Operating Margin	(442.9)%	–
Adjusted Operating Margin pre SBP	(442.9)%	–

Hawkpoint

- Good performance in difficult market conditions
- French office performed particularly well
- Advised on 36 transactions valued at c. £7bn
- Margins depressed by final year of bonus arrangements put in place as part of the acquisition
- Transactions primarily disposal mandates but acquisitions and debt advisory/restructuring also active
- European Financial Adviser of the Year
- Sell-Side Adviser of the Year (Private Equity News)
- Repositioning business with emphasis in current markets on debt advisory/restructuring
- Opportunities to grow the business in continental Europe

£m	2008	2007
Adjusted Revenue	41.0	58.8
Adjusted Operating Profit	4.8	16.4
Adjusted Operating Margin	11.7%	27.9%
Adjusted Operating Margin pre SBP	17.6%	30.4%

Wealth Management

- Strong performance despite unfavourable market conditions and competitive pressures in CI
- Revenue and profits comparable to prior year
- Profitability impacted by significant investment to build business for medium-term:
 - New services: Financial Planning and Treasury/ Cash Management
 - New office: Geneva opened
 - Investment in Funds platform: merged and transferred Funds
- AUM affected by market falls
- Increasing industry awareness of Collins Stewart Wealth Management and Collins Stewart Fund Management brands:
 - Won numerous industry awards, including Best Discretionary Adviser & Best Advisory Stockbroker
 - Fund of hedge fund up in 2008
- Growth opportunities both organically and through 'bolt-on' acquisitions of both teams and businesses

Wealth Management Results

£m	2008	2007
Adjusted Revenue	47.0	48.8
Adjusted Operating Profit	10.5	11.8
Adjusted Operating Margin	22.3%	24.2%
Adjusted Operating Margin pre SBP	28.7%	29.5%

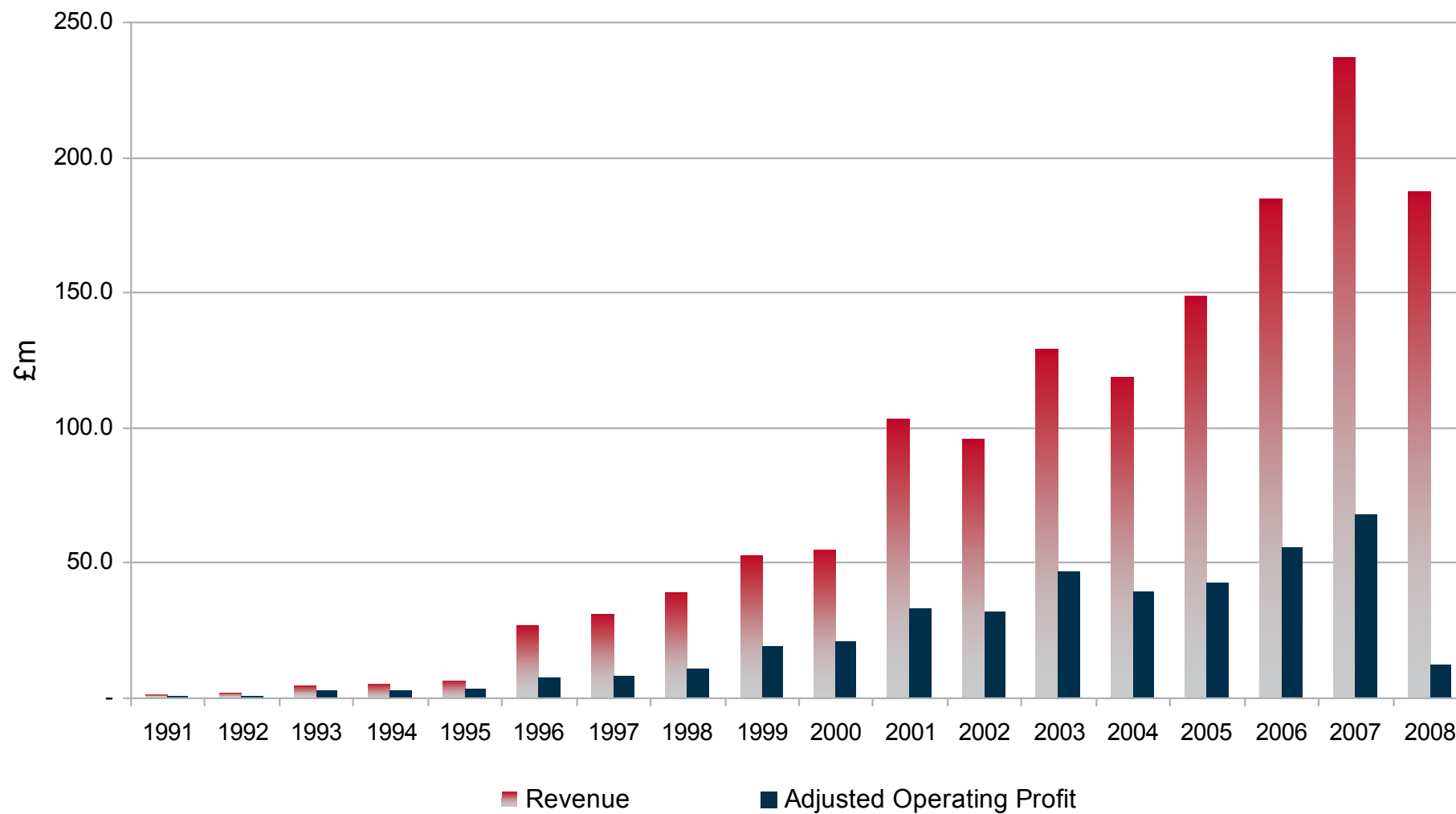
Assets Under Management

	2008	2007	
	£bn	£bn	Change
Discretionary (incl. Funds)	1.5	2.0	(25%)
Advisory	1.8	2.2	(18%)
Non-advisory	1.6	1.9	(16%)
Total	4.9	6.1	(20%)
Revenue Margin	0.96%	0.75%	28%

Objectives and Strategy

- In unprecedented market conditions we need to manage our business carefully ensuring profitability
- However, we have a sound cash position, which we can capitalise upon
- We aim to strengthen our position in each of our key areas of competency – corporate advisory, large-cap secondary equities and wealth management
- The substantial changes in the market place, together with the core skills of Hawkpoint and Securities, should enable us to reposition our Corporate Broking capability in the mid market
- We will build upon our position as the leading independent financial advisory house

Historic Data



Corporate Broking - Ranking

Rank		Stockbroker	No. Clients	
Feb 2009	Nov 2008		Feb 2009	Nov 2008
1	(1)	JP MORGAN CAZENOVE	224	(221)
2	(3)	BREWIN DOLPHIN INVESTMENT BANKING	105	(114)
3	(7)	COLLINS STEWART	102	(98)
3	(5)	NUMIS SECURITIES	102	(99)
5	(5)	KBC PEEL HUNT	94	(99)
6	(4)	UBS INVESTMENT BANK	91	(112)
7	(9)	RBS HOARE GOVETT	88	(87)
8	(8)	ARBUTHNOT SECURITIES	87	(89)
9	(15)	CENKOS SEURITIES	85	(71)
9	(11)	INVESTEC SECURITIES	85	(84)
11	(10)	SEYMOUR PIERCE	83	(85)
12	(14)	MERRILL LYNCH INTERATIONAL	74	(72)
13	(12)	PANMURE GORDON & CO.	72	(77)
14	(13)	EVOLUTION SECURITIES	71	(74)
15	(2)	TEATHERS	70	(132)
16	(17)	CITI	65	(68)
17	(18)	W H IRELAND	63	(60)
18	(19)	CANACCORD ADAMS	57	(59)
19	(16)	DRESDNER KLEINWORT	55	(70)
20	–	FAIRFAX I.S.	53	–

Source: Hemscott Corporate Advisers Rankings Guide