



Collins Stewart plc

2010 Interim Results

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Thursday, 29th July 2010

2010 Interim Results

- Operating profit 20% ahead of 2009 with Hawkpoint a key driver. All four divisions profitable
- Revenues marginally ahead of 2009 with improving margins and change in mix boosting profits
- Acquisitions contributed to a c.50% increase in discretionary AUM since Dec 2009 and Wealth Management remains a strategic priority for growth
- Working together, Hawkpoint and Collins Stewart have a unique opportunity to build a Corporate Broking franchise in the UK
- Hawkpoint is ideally placed for an era of corporate restructuring and consolidation and we continue to invest in the business across Europe
- Securities will be a tough business for the foreseeable future but diversity provides resilience and the US business is turning around
- Balance sheet and cash position remain strong
- The full benefits of previous investment are still to come through and our strong financial position will enable us to continue to invest as opportunities arise

Summary of Results

£m	2010 H1	2009 H2	2009 H1
Revenue			
Wealth Management	22.6	21.7	22.0
UK Securities	21.1	29.1	27.0
US Securities	29.2	16.1	25.0
Corporate Broking	6.5	8.4	8.8
Hawkpoint	16.7	15.8	12.5
	96.1	91.1	95.3
Operating profit/(loss) before share-based payment charges			
Wealth Management	4.9	4.8	5.3
UK Securities	3.2	6.7	4.3
US Securities	(2.2)	(5.2)	(2.8)
Corporate Broking	1.0	2.5	1.6
Hawkpoint	2.9	4.0	0.7
	9.8	12.8	9.1
Share-based payment charges	(2.5)	(0.4)	(3.0)
Operating profit	7.3	12.4	6.1

Wealth Management

- Revenues flat excluding impact of acquisitions, which contributed £700k of post acquisition revenues.
- Revenues for acquired companies were £3.4m in H1 2010 on a standalone basis
- Management fees for existing business up in line with market appreciation, offset by the effect of lower interest rates. Overall recurring revenues are 50% of revenues
- Transactional revenues depressed by lower market volumes
- Underlying margin flat
- Diversity of revenue streams provides resilience

£m	2010 H1	2009 H1
Recurring Revenue	10.7	10.5
Transactional Revenue	11.2	11.5
Acquisition Revenue	0.7	-
Revenue	22.6	22.0
Operating profit	4.9	5.3
Underlying Operating Profit*	5.4	5.3
Underlying Operating margin*	23.9%	24.1%

* Adjusting for acquisition related costs incurred in H1 2010

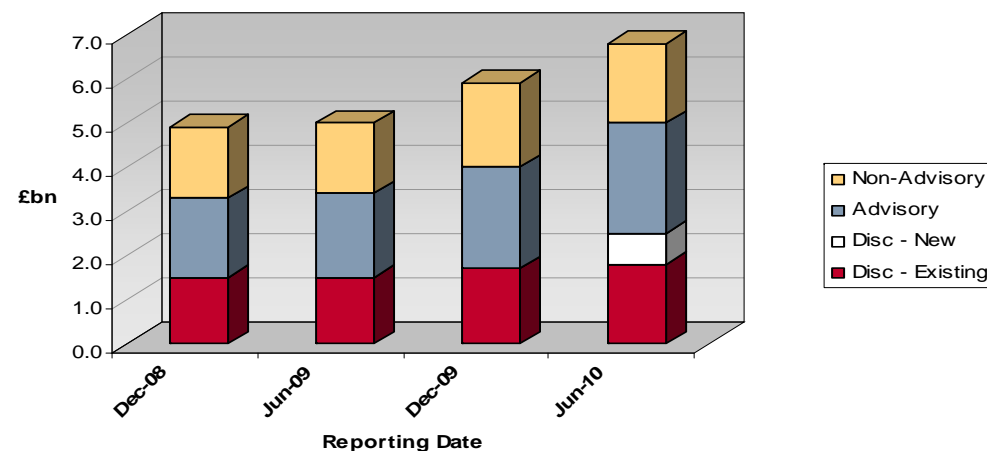
Wealth Management - AUM

- 67% growth in discretionary AUM since June 2009 and 36% growth in overall AUM
- Delivering on strategy with acquisitions of Corazon and Andersen Charnley
- Acquisitions added £0.7bn discretionary assets though revenue impact minimal in H1. Full benefit to flow through H2.
- Impact of acquisitions should improve average ROA in H2 2010
- Modest organic growth in H1 principally in fixed income and cash products reflecting market sentiment
- Focus in H2 will swing back to organic growth for which our independent, client-focused approach is ideally suited

	2010 H1	2009 H1	Net Inflows	Market Appreciation	Assets Acquired	ROA 2010 H1*	ROA 2009*
	£bn	£bn	£bn	£bn	£bn	%	%
Discretionary	2.5	1.5	0.1	0.2	0.7	1.06	1.15
Advisory	2.5	1.9	0.1	0.5	-	0.49	0.59
Non-Advisory	1.8	1.6	-	0.2	-	0.39	0.41
Total	6.8	5.0	0.2	0.9	0.7		

* Annualised Return on Assets (ROA) excludes revenues from trading in assets not under administration and revenues from acquisitions

AUM - Half Yearly Trend



Securities

UK Business

- Market conditions deteriorated further in Q2
- Cost pressures remain
- Small/Mid-Cap franchise developing well
- Specialist desks continue to perform

£m	2010 H1	2009 H1
Revenue	21.1	27.0
Operating profit	3.2	4.3
Operating margin	15.2%	15.9%

US Business

- Business much stronger for investment and restructuring
- H1 revenues 80% ahead of H2 2009 and business was marginally profitable in Q2
- Outlook remains challenging for both businesses

£m	2010 H1	2009 H1
Revenue	29.2	25.0
Operating loss	(2.2)	(2.8)
Operating margin	(7.5%)	(11.2%)

Corporate Broking

- Quiet first half with market fund raisings down almost 60%
- £155m raised for clients in H1 2010 including £100m for HarbourVest in May
- £100m raised for Development Securities in July
- Notable mid-market broking wins e.g. Melrose Resources, Hogg-Robinson and Invista Real Estate
- Hawkpoint and Collins Stewart working together
- Singapore business continues to perform well retaining a leading position on SGX and Catalist

£m	2010 H1	2009 H1
Revenue	6.5	8.8
Operating profit	1.0	1.6
Operating margin	15.4%	18.2%

Hawkpoint

- Progress seen in H2 2009 continued with revenues 34% ahead of H1 2009.
- Operating margin improved significantly
- Key new advisory relationships with quoted companies e.g. Spice, Mouchel, Augean and Morgan Sindall
- Modest improvement in financing conditions has improved M&A deal flow
- Hawkpoint benefited from broader debt (e.g. OMV, Iridium) and restructuring (e.g. on-going Icelandic Government mandate) advisory capabilities
- Continued investment in the business including the opening of a German office

£m	2010 H1	2009 H1
Revenue	16.7	12.5
Operating profit	2.9	0.7
Operating margin	17.4%	5.6%

Operating Profit

- Marginal increase in revenue versus H1 2009 though mix has changed
- SBP charges reduced since 2009
- Operating profit 20% up on 2009 reflecting improved margins and favourable change in revenue mix
- Trading-related interest and fees reflect increased inventory levels
- Effective tax rate is 17%, principally reflecting geographical mix of profits. Full year rate likely to be 20%
- EPS and DEPS similar

£m	2010 H1	2009 H1
Revenue	96.1	95.3
Operating profit before share-based payment charges	9.8	9.1
Share-based payment charges	(2.5)	(3.0)
Operating profit	7.3	6.1
Bank interest	0.3	0.2
Trading Interest & Stock Borrow Fees	(1.1)	(0.2)
Profit before tax	6.5	6.1
Taxation	(1.1)	(0.6)
Profit after tax	5.4	5.5
Earnings per share		
Basic EPS	2.2p	2.3p
Diluted EPS	2.2p	2.3p

Share-Based Payment Charges

£m	2010 H1			2009 H1		
	Before SBP	SBP	After SBP	Before SBP	SBP	After SBP
Operating profit / (loss)						
Wealth Management	4.9	1.3	3.6	5.3	1.5	3.8
Securities	1.0	0.5	0.5	1.5	-	1.5
Corporate Broking	1.0	0.1	0.9	1.6	0.1	1.5
Hawkpoint	2.9	0.6	2.3	0.7	1.4	(0.7)
	9.8	2.5	7.3	9.1	3.0	6.1

Balance Sheet

- Goodwill has increased reflecting the Corazon and Andersen Charnley acquisitions
- Net trading inventory increased from lows of 2009 reflecting investment in trading activity
- Deferred consideration relates to ACL acquisition
- Cash generated from operations has funded acquisitions and growth in inventory
- Funding requirements move, and cash is held within each business, therefore 'free cash' available is less than usable cash

£m	2010 H1	2009 H1
Goodwill	158.5	143.8
Net trading positions	38.5	5.1
Deferred tax	0.7	2.1
Other net assets	9.6	13.5
Net (payables) / receivables	(17.1)	13.1
Tax and other provisions	(3.0)	(4.6)
Deferred consideration	(3.5)	-
Net cash	75.0	74.6
Net assets	258.7	247.6
Usable cash	68.5	67.3
Client money	5.5	3.0
Other restricted cash	1.0	4.3
Net cash	75.0	74.6

Regulatory Capital

- Capital remains healthy at 67% in excess of regulatory requirements
- Increased Goodwill has reduced capital to £95.7m
- Increased market risk charges are a reflection of the growth in inventory
- Operational risk reflects 15% of three-year average revenues

£m	2010 H1	2009 H1
Regulatory Capital Resources before deductions	255.4	246.9
Deductions		
Goodwill	(158.5)	(143.8)
Other intangibles	(0.7)	(0.7)
Material holdings and free deliverables	(0.5)	(1.3)
Total capital after deductions	95.7	101.1
Capital Requirements		
Market Risk under standardised method	14.9	6.4
Credit risk under simplified method	12.2	11.5
Operational risk under basic indicator approach	30.2	29.2
Total Capital requirement	57.3	47.1
Capital surplus	38.4	54.0
Solvency ratio	167.0%	214.6%

Cash Flow

- Decrease in cash since year-end due to bonus, dividend and tax payments
- Cash generated from business this year has funded acquisitions and growth in inventory
- Final Dividend paid in May
- Purchase of Treasury and ESOT shares relate to employee stock awards and acquisition consideration
- Business remains cash generative at the operational level

£m	2010 H1	2009 H1
Operating profit	7.3	6.1
Increase in net trade and other receivables	(4.3)	(39.3)
(Increase)/Decrease in net trading positions	(28.4)	5.3
Income tax paid	(2.1)	(3.1)
Net interest (paid) / received	(0.6)	0.2
Acquisitions (net of cash acquired)	(6.0)	-
Dividends	(3.2)	(3.0)
Treasury / ESOT shares	(4.2)	-
Repayment of loan facility	-	(15.0)
Working capital and other	1.6	4.0
Decrease in cash	(39.9)	(44.8)
Opening cash	113.2	121.6
Effect of foreign exchange rate movements	1.7	(2.2)
Closing cash	75.0	74.6

Strategy & Outlook

- Diversification in terms of clients and geography provides resilience but only because we are also focused on what we understand and do well
- The premium placed on true independence is greater now than it has ever been - financial turmoil is an opportunity for us
- Wealth Management has the best quality returns and remains a strategic priority for investment and growth
- Working together Hawkpoint and Collins Stewart have a unique opportunity to build a corporate broking franchise in the UK
- Hawkpoint is ideally placed for an era of corporate restructuring and consolidation and we continue to invest in the business across Europe
- Securities will be a tough business for the foreseeable future but diversity provides resilience and the US business is turning around
- The full benefits of previous investment are still to come through and our strong financial position will enable us to continue to invest as opportunities arise

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