

Farewell, Numis

Finance columnist Lorna Tilbian reflects on the role research played at investment bank Numis, as the organisation becomes part of Deutsche Bank



Friday, 13 October 2023. An email pops into my inbox from Deutsche Numis announcing Deutsche Bank's acquisition of Numis, the investment bank I co-founded. It is a bittersweet moment. Sweet for the pride I feel that we created, organically, a business that was acquired by one of Europe's largest banks for \$511m (£410m), and sad that Numis has lost its independence. It took me back to our very first day, Monday, 4 September 2001, when I walked into our newly rented offices and we set about building a new bank and brokerage – a tall order, as City peers never failed to point out.

A research-based brokerage for a new millennium

We had been through the dotcom bubble and seen the advantage of being nimble and agile, so we pointed out how Reuters had been challenged by Bloomberg, ITV by Sky, and British Airways by easyJet, to name but a few. A new millennium demanded a new approach: globalisation and the emergence of China, and technology – with the dawn of mobile telephony and the internet – were changing the world. We wanted to create a research-based brokerage that would capture this industrial revolution.

Research, the key to our future success

We would start by focusing on research that would sit at the heart of the business. We would assemble a research department of highly ranked analysts who would be key opinion formers in the market, and whose investment ideas and recommendations would be keenly followed by institutional investors. The top-rated analysts would be recognised specialists in all the key sectors, informing and educating the market by publishing research on the top-down drivers and dynamics of their industries, as well as bottom-up, in-depth research and forecasts on the companies in their universe.

A differentiated research product

Each sector would create a weekly 'guide to fair value', with target prices for each stock based on revenue multiples, earnings growth and cash generation. These target prices would indicate if a share was a buy (> +20% upside), a hold (+/-10%) or a sell (> -20% downside). Although these are now widely used valuation metrics

and recommendations, they were not commonly used then. Each sector would also produce an annual sector 'bible' that clients would keep on their desks as a ready research resource.

Research, the fuel that drove the engine

Research would drive sales and execution by building leading market shares in our chosen companies. This, in turn, would enable corporate broking to pitch for the brokering of these companies. As corporate brokers, we would be the companies' eyes and ears in the marketplace, marketing and trading their shares, and liaising with their shareholders – for which we would ask an annual retainer. Once corporates paid a retainer for our services, we would super-serve them, which would help build a strong relationship and enable us, in time, to act as their trusted mergers and acquisitions advisers in corporate finance.

Two research sectors were our making

A week into our new venture, the 9/11 terrorist attacks on the United States shook the world. From the outset, our first strategic move for Numis was to combine two complementary research sectors – defensive insurance broking with cyclical media. Our plan kicked into action sooner than we could ever have

imagined. We were corporate brokers to many of Lloyd's of London's insurance brokers that had exposure to the World Trade Center, previously viewed as a low insurance risk.

Research recognition

Between September 2001 and the so-called 'Baghdad bounce' in March 2003, we raised funds from institutional investors to recapitalise Lloyd's' underwriters after the heavy insurance losses from the destruction of the Twin Towers and related casualty claims. At that stage of the economic recovery in 2003, the early cycle media sector kicked in and took over the running. In February 2004, we did the first accelerated initial public offering, of Centaur Media Plc. By the top of the cycle, in 2006, we ranked first in the Thomson Reuters Extel survey for research, execution and corporate access for companies with a market capitalisation of up to £1bn. Our research-first approach had won the day.

●
“We would be the
companies' eyes and ears
in the marketplace”
●