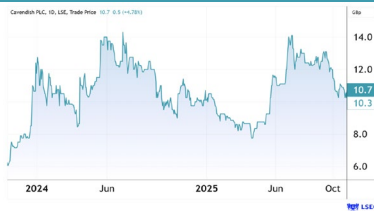




30 October 2025

Financial Services



Source: LSEG, 2025

Market data

EPIC/TKR	CAV
Price (p)	10.5
12m high (p)	14.5
12m low (p)	7.3
Shares (m)	386
Mkt cap (£m)	41
EV (£m)	19
Free float*	93%
Country of listing	UK
Currency	GBP
Market	AIM

*As defined by AIM Rule 26

Description

Cavendish is a UK investment bank, focused on smaller companies (capitalised at less than £1bn). It provides advice for capital raising and M&A to both public and private companies in both debt and equity.

Company information

CEO (jt)	John Farrugia
CEO (jt)	Julian Morse
CFO	Ben Procter
Chair	Lisa Gordon

+44 (0)207 908 6000

www.cavendish.com

Key shareholders

Cavendish EBT	7.2%
Jon Moulton	5.2%
Bridger Ltd	4.5%
Baron Leigh of Hurley	4.4%
Canaccord Genuity	4.4%
Vin Muria	4.4%
Sam Smith	3.9%

Diary

Apr'26	Trading update
Jun'26	Full-year results

Analyst

Jason Streets js@hardmanandco.com

CAVENDISH PLC

Steadily profitable in continuingly tough markets

Cavendish reported PBT of £1.1m for the half-year to September 2025. Revenue was up 3% on a comparable basis – against a still tricky background for UK smaller companies – and adjusted pre-tax profit was £2.0m, marginally ahead of the same period last year. The result was an indication of the strength of the diversified revenue stream – with both private and public divisions healthily profitable – and a strong control on costs, which fell over the period. Currently, the stock is trading on 6.7x EV/NOPLAT 2026E and just 3.8x 2027E.

- **Strategy:** Cavendish is an investment bank, focused on UK smaller companies (less than £1bn) and providing capital raising and corporate advice. It is growing its private company business with new offices in Manchester and Birmingham, and is improving its digital capability. It also has a debt advisory business.
- **Results highlights:** Revenues were up 3%, with the trading business up substantially and both retainers and transaction revenue down slightly. With non-employee costs down 10% and total costs down too, profit rose. Cash was 15% higher than last year and the interim dividend was maintained at 0.3p.
- **Valuation:** There is only one listed comparable company – Peel Hunt – which currently trades on a PER of 17.7x for Mar'26 and 14.7x Mar'27. We have used a DCF model, with a 15% discount rate to reflect market-fuelled volatility of returns. Our derived central value is £68m, or 18.2p per share, with a range of £67m–£112m. A return to more benign market conditions could see this rise.
- **Key risk:** UK smaller companies have seen steady outflows of funds investing in the sector – although there are early signs that this may be reversing – and a remorseless trickle of net delistings. There are various industry initiatives to turn this around, but it might, in the end, have to wait for the market to recognise the cheapness of the underlying investments.
- **Investment summary:** Cavendish – the product of the 2023 merger of finnCap and Cenkos – is a well-balanced business with M&A capability and capital raising in both public and private markets. Its return to profitability in all areas, even in tricky markets, demonstrates the strength of its diverse revenue streams; plus, it is supported by a strong balance sheet (£20m cash) and a good dividend yield.

Financial summary and valuation

Year-end Mar (£m)	2022	2023	2024	2025	2026E	2027E
Sales	52.5	32.9	48.1	55.6	55.6	60.0
EBITDA	10.4	-3.8	-2.0	2.7	3.5	6.0
Reported EBIT	8.6	-5.6	-3.9	0.7	1.5	4.0
Reported PTP	8.1	-6.3	-4.3	0.7	1.4	4.0
Adjusted net income	7.6	-0.8	-1.1	3.7	2.8	5.1
Underlying EPS (p)	4.61	-0.45	-0.44	1.10	0.83	1.51
Fully diluted EPS (p)	3.57	-3.25	-1.40	0.21	0.33	0.94
Net (debt)/cash	23	8	20	21	22	25
DPS (p)	1.75	0.00	0.25	0.80	0.80	0.90
P/E (x)	2.3	n/a	n/a	9.6	12.7	7.0
EV/NOPLAT (x)	2.4	n/a	n/a	5.3	6.7	3.8
Yield	16.7%	0.0%	2.4%	7.6%	7.6%	8.6%

Source: Cavendish plc and Hardman & Co Research

1H'26 results review

Steady results indicating strength of diversified revenue stream and good cost control against an unhelpful backdrop

Cavendish reported results for the half-year ending September 2025. Revenues were up 3% from £27.7m to £28.5m. This was achieved against a background that remains tricky for UK smaller companies and for deal making. While the FTSE100 has reached new highs and been one of the best-performing developed markets in 2025, UK smaller companies are still seeing domestic outflows. General economic uncertainty, not helped by extended pre-budget speculation, has encouraged delays to deal making and fund raising. PwC commented that, in calendar 1H'25, M&A volumes were down by more than 19% and value of deals was down 15%.

Cavendish reported costs down by 1%, leading to an operating profit of £1.074m (1H'25 £0.039m). Adjusted profit before tax moved from £1.853m to £1.986m, resulting in 0.43p per share of net income (1H'25 0.41p). The key adjustment is to exclude share-based payments (£1.579m in 1H'25 and £0.887m in 1H'26), which were lower in the period due to some one-off awards following the merger falling away.

After a strong start to the new year with two IPOs, the rest of the half-year was quieter, with transaction revenue a shade lower. There were "more than 30" transactions with a value of £1.1bn compared with over 100 worth £2.7bn in total in the full year last year. The company said that its pipeline remains strong with a mix of public and private transactions under way, including several potential IPOs.

Retainers were down 11%, reflecting continued attrition of the client base as companies continue to delist in net numbers from both AIM and the main market. Cavendish won eight new clients but were down nine overall, of which six were lost to competitors.

The highlight of the half-year was the surge in trading revenue. This followed stronger markets and greater activity boosted by the business that typically tends to accompany IPOs. Our forecast does not assume the same trend in 2H.

First-half revenue split (£m)				
	1H'25A	1H'26A	2025A	1H vs. 1H
Retainers	6.0	5.3	11.7	-11%
Transactions	18.9	18.2	38.3	-4%
Securities	2.8	5.0	5.7	+78%
Total	27.7	28.5	55.6	3%

Source: Cavendish plc

Operating costs continued to show the benefit of merger synergies with non-employee costs down 10% (£7.0m vs. £7.7m in 1H'25). Employee costs rose 8%, reflecting the investment in the new regional offices and some additional hires.

The company finished the half-year with net cash of £19.8m, or 5.5p per diluted share. It is obviously critical in turbulent times to have a strong balance sheet, and this has enabled Cavendish to declare an unchanged interim 0.3p dividend.

Outlook

The company remains optimistic in its outlook. The delayed Budget does not help sentiment, but once that is out of the way, plans that are currently fluid can be crystallised and we would expect activity to pick up. There are clear signs that international investors have been attracted to low valuations in the UK market and we would expect that to follow through in time to the smaller listed companies. Our forecasts remain broadly unchanged – slightly lower revenues offset by lower costs.

Financials

Income statement

Key driver of revenue forecasts is
number of transactions per year

The key driver of our revenue forecasts is the number of transactions each year. For our FY'26 and FY'27 forecasts, we have made various assumptions, tabulated below. The number of private transactions is assumed to slip modestly in FY'26E and then grow in FY'27E, and the average value to be £500k followed by £545k. For the public market transactions, we have assumed a constant number, 70, in FY'26E and 74 in FY'27E, and that the average fee bounces back to £316k in FY'26E and £330k in FY'27E – the same as it was in FY'24.

Transaction fees 2024-27E (£m)				
	Private 24	Private 25	Private 26	Private 27
Transactions	27	31	29	35
Transaction fees	14.1	18.3	14.5	19.1
Avg. deal fees	0.521	0.590	0.500	0.545
Transaction value	823	644	580	770
Avg. transaction value	30	21	20	22
	Public 24	Public 25	Public 26	Public 27
Transactions	68	70	70	74
Transaction fees	22.1	20.0	22.2	24.4
Avg. deal fees	0.325	0.286	0.316	0.330
Transaction value	1,600	2,100	2,000	2,000
Avg. transaction value	24	30	29	27
	Total '24	Total '25	Total '26E	Total '27E
Transactions	95	101	99	109
Transaction fees	36.2	38.3	36.7	43.5
Avg. deal fees	0.381	0.379	0.371	0.399
Transaction value	2,423	2,744	2,580	2,770
Avg. transaction value	26	27	26	25

Note: 2024 figures are pro forma. Source: Cavendish plc and Hardman and Co estimates

In addition to transaction fees, there are revenues from retainers. These average around £64k annually per client. They tend to trend up gently as the average client size increases. We have assumed a continued slow attrition of net clients.

As well as the retainers, there are also revenues from the traditional broking business: market making, trading commissions and research fees. We have assumed £8.5m for FY'26E and a more modest £6.5m for FY'27E.

Revenue split, 2024-27E (£m)				
	2024	2025	2026E	2027E
Retainers	10.0	11.7	10.4	10.0
Transactions	33.5	38.3	36.7	43.5
Securities	4.5	5.7	8.5	6.5
Total	48.1	55.6	55.6	60.0

Source: Cavendish plc and Hardman and Co estimates

Cavendish has kept a very strong control on costs – capturing the synergy benefits of the merger – and we expect that process to continue. There will be, however, some additional cost associated with the new offices in Manchester and Birmingham. The compensation ratio, at 64%, was said to be competitive and, if things proceed steadily, it should continue to hover around that mark.

Income statement, 2022-27E						
Year-end Mar (£m)	2022	2023	2024	2025	2026E	2027E
Revenue	52.5	32.9	48.1	55.6	55.6	60.0
Other operating expenses	0.0	-0.2	-0.3	-0.3	0.1	0.0
Admin. expenses	-43.9	-34.5	-51.6	-54.6	-54.2	-56.0
Operating profit	8.6	-1.9	-3.8	0.7	1.5	4.0
Non-recurring items	0.0	-3.7	-0.1	0.0	0.0	0.0
EBIT	8.6	-5.6	-3.9	0.7	1.5	4.0
Share of joint venture and associates' losses	0.0	-0.3	-0.3	-0.2	-0.2	-0.1
Finance income	0.0	0.1	0.4	0.6	0.5	0.5
Finance charge	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4
Profit before tax	8.1	-6.3	-4.3	0.7	1.4	4.0
Tax	-1.6	0.8	0.8	0.0	-0.3	-0.8
Net profit	6.5	-5.5	-3.5	0.8	1.1	3.2
Adjusted net profit			0.0	3.7	2.8	5.1
EPS (basic)	3.95	-3.25	-1.40	0.23	0.33	0.94
EPS (fully diluted)	3.57	-3.25	-1.40	0.21	0.33	0.94
Adjusted EPS			-0.44	1.10	0.83	1.51
DPS	1.75	0.00	0.25	0.80	0.85	0.90
EBIT margin	16%	-6%	-8%	1%	3%	7%
Revenue split						
Retainers	6.6	7.0	10.0	11.7	10.4	10.0
Transactions	40.0	22.6	33.5	38.3	36.7	43.5
Securities	5.9	3.3	4.5	5.7	8.5	6.5
Total	52.5	32.9	48.1	55.6	55.6	60.0
Growth						
Retainers		5%	44%	17%	-11%	-4%
Transactions		-43%	48%	14%	-4%	19%
Securities		-45%	39%	25%	50%	-24%
Total		-37%	46%	16%	0%	8%

Source: Cavendish plc and Hardman and Co estimates

The forecasts are very sensitive to the revenue inputs. With a business operating on largely fixed costs – essentially, the only variable is compensation, and it has a slightly degeared effect as it doesn't rise or fall as fast as profits – and with low operating margins (our forecast has EBIT margins of ca.3% in FY'26, or 7% excluding share-based compensation), the forecast profits vary sharply with changed inputs.

Following the interim results, we have made only modest tweaks to our numbers. Revenue for FY'26E comes down from £58.3m to £55.6m, but costs fall too from £57.0m to £54.2m, leaving reported PBT slightly improved at £1.4m (£1.2m) and adjusted net income down from £3.1m to £2.8m (the adjustment – share-based payments – is lower) leading to fully diluted EPS of 0.33p.

For FY'27E, the changes are similar: revenue comes down from £63m to £60m, but costs fall too from £59m to £56m, leaving reported PBT unchanged at £4.0m and adjusted net income down from £5.2m to £5.1m, leading to fully diluted EPS of 0.94p.

Balance sheet

No debt on the balance sheet

Cavendish is cash-rich. In FY'25, it paid off what little debt it had and retained £21.2m of cash on the balance sheet. This fell to £19.8m at September, as cash bonuses are paid in June, and we forecast it rise to £21.9m at the March year-end.

There is a capitalised lease liability (right of use asset) of £7.5m, which equates to an annual rent of ca.£1.5m.

Balance sheet, 2022-27E

Year-end Mar (£m)	2022	2023	2024	2025	2026E	2027E
P,P & G	13.3	12.2	11.1	9.6	7.8	6.0
Intangibles	13.5	13.5	13.4	13.6	13.7	13.8
Financial assets (FV)	0.8	0.4	0.5	0.3	0.3	0.3
Associates and joint ventures	0.0	2.1	2.0	1.9	1.8	1.7
Deferred tax assets	0.6	0.9	3.6	3.0	3.0	3.0
Non-current assets	28.2	29.1	30.6	28.3	26.5	24.8
Trade receivables	13.1	12.7	22.7	22.9	22.9	21.9
Corp. tax receivable	0.0	0.5	0.0	0.6	0.6	0.6
Current financial assets (FV)	0.9	0.3	5.6	4.2	2.9	1.9
Cash	24.4	9.4	20.7	21.2	21.9	25.6
Current assets	38.4	22.8	49.0	48.9	48.3	50.0
Total assets	66.6	52.0	79.7	77.3	74.8	74.8
Lease liability	-11.2	-10.0	-8.7	-7.5	-5.5	-3.5
Debt	-0.9	-0.5	-0.1	0.0	-0.2	-0.3
Provisions	-0.1	0.0	-0.1	-0.1	-0.1	-0.1
Non-current liabilities	-12.1	-10.5	-8.9	-7.6	-5.7	-3.9
Trade payables	-20.4	-14.6	-29.4	-28.3	-26.3	-24.1
Current liabilities (FV)			-1.4	-1.5	-1.5	-1.5
Corporation tax	-0.7				-0.3	-1.1
Debt	-0.4	-0.8	-0.4	0.0	0.0	0.0
Current liabilities	-21.5	-15.5	-31.1	-29.8	-28.1	-26.7
Total net assets	33.1	26.0	39.6	39.8	41.0	44.3
Share capital	1.8	1.8	3.8	3.9	3.9	4.0
Share premium	1.5	1.7	3.1	3.2	3.2	3.2
Treasury shares	-1.9	-1.9	-4.8	-4.5	-4.5	-4.5
Other reserves	11.5	12.0	28.9	29.4	29.4	29.4
Retained earnings	20.3	12.4	8.6	7.9	9.0	12.2
Total equity	33.1	26.0	39.6	39.8	41.0	44.3
Net cash (inc. leases)	12.1	-2.0	11.5	13.7	16.2	21.8
Net cash (ex leases)	23.2	8.1	20.3	21.2	21.7	25.3

Source: Cavendish plc and Hardman and Co estimates

Cashflow

Our cashflow forecasts are largely unchanged.

Cashflow statement, 2022-27E						
Year-end Mar (£m)	2022	2023	2024	2025	2026E	2027E
Profit/loss before tax	3.7	-6.3	-4.3	0.7	1.4	4.0
Depreciation	1.8	1.8	1.9	1.9	2.0	2.0
Goodwill			-5.8	0.0	0.0	0.0
Share based payments	1.1	0.6	1.7	2.5	1.6	1.8
Finance net	0.5	0.4	0.1	-0.2	-0.1	-0.1
Associates	0.0	0.3	0.3	0.2	0.2	0.1
Change in working capital	-0.8	-5.6	5.8	-0.3	0.0	1.0
Tax paid	-1.6	-1.2	0.3	0.1	-0.3	-0.8
Other	-1.4	0.2	1.6	2.0	0.0	0.0
Cashflow from operating	3.2	-9.8	1.7	6.9	4.8	8.0
Purchase of P, P & E	-0.5	-0.7	-0.2	-0.1	-0.2	-0.2
Purchase of intangibles	-0.2	0.0	-0.1	-0.1	-0.1	-0.1
Invest in associates and jvs	0.0	-2.0	-0.2	-0.1	-0.1	-0.1
Acquisitions	0.0		11.6	0.0	0.0	0.0
Sale of investments	1.5	0.9	0.1	0.0	0.0	0.0
Interest received	0.0	0.1	0.4	0.6	0.3	0.3
Cashflow from investing	0.9	-1.9	11.6	0.3	-0.1	-0.1
Dividends paid	-2.6	-2.0		-1.9	-2.1	-2.2
Issue of shares	-0.3	0.0	1.5	-1.0	0.1	0.1
Interest paid	-0.1	0.0	0.0	0.0	-0.1	-0.1
Lease liabilities	-1.2	-1.6	-2.6	-3.2	-2.0	-2.0
Net borrowing	-0.3	0.1	-0.8	-0.5	0.0	0.0
Cashflow from financing	-4.5	-3.4	-1.9	-6.7	-4.1	-4.2
Net change in cash	-0.4	-15.1	11.4	0.5	0.7	3.8
Cash at start	20.4	24.4	9.4	20.7	21.2	21.9
Cash at end	20.0	9.4	20.7	21.2	21.9	25.6

Source: Cavendish plc and Hardman and Co estimates

Risks

Healthy financial markets are key

- ▶ By far the biggest risk to the profitability of the business is the health of the financial markets and investor sentiment. It is not just the level of the markets but also the willingness of investors to commit new capital. The business has suffered from both weak markets in smaller UK companies and from the steady drain of assets away from the sector. Clearly, the company can control neither market levels nor investor sentiment, but it reduces the impact by running a strong balance sheet and by diversifying its source of revenues.
- ▶ Investment banking is a people business and there is always a risk that key people or teams leave the company. The company mitigates this danger by having a competitive remuneration policy and building a congenial workplace. Investors in a “people business” have to understand that while variable compensation can ease some of the blow from falling revenues, there is still a critical need to reward the top talent, even in a tough market, if the business is to thrive on the upswing.
- ▶ Regulatory risk is ever present in financial services. There have been many instances of financial services firms being fined substantial sums in recent years for misconduct. The only mitigation against this risk is constant awareness, robust procedures and building a compliant culture.
- ▶ Other risks include general business risks, such as: devising (and following) a successful business strategy; running a financially robust balance sheet with appropriate controls on counterparty exposures and liquidity risks; managing robust operating systems with appropriate redundancy capacity; and managing the company’s reputation.

Valuation

As a rule, we tend to like comparable company valuations. Unfortunately, there is only one similar listed business to Cavendish in the UK, Peel Hunt. It reported a loss for the year to March 2025 and is forecast to return to profitability in the next two years, putting it on a FY'26E PER of 17.7x and a FY'27E PER of 14.7x at a share price of 105p. There is only one public estimate. Peel Hunt has a much larger trading business and the market size of its corporate client base is substantially higher, so the market conditions in the first half were kinder to it than to Cavendish.

DCF with higher discount rate

As a fallback, when no useful comparable companies are trading, we use a DCF model. The normal constraint on an equity DCF is the unknowable future cashflows. With investment banks, the future is even more opaque than other more predictable businesses, and we have demonstrated how sensitive the bottom line can be to even modest changes in the top line. To compensate for this, we have used a 15% central discount rate, higher than our usual 10%. The sensitivity tables below show the differing outcomes with different discount and mid-term growth rates.

For the purposes of the DCF, we have used our two forecast periods followed by a variable mid-term (2028E) growth rate, with a central assumption of 10%. We have then assumed a perpetual growth rate of a nominal 4% and a stable 20% tax rate.

DCF valuation				
£m	2025	2026E	2027E	2028E
Revenue	55.6	55.6	60.0	64.8
Adjusted EBITDA	3.6	3.6	6.3	6.9
Capex	-0.6	-0.3	-0.3	-0.3
Tax	0.0	-0.3	-0.8	-0.9
Net cashflow	3.4	3.0	5.2	5.7
Discount factor	1.0	1.1	1.2	1.4
Discounted cashflow		2.9	4.3	4.0

Source: Hardman & Co Research

DCF summation	
Value components	£m
2027-28	8.3
2028 onwards	38.2
Total	46.5
plus net cash end-2026	21.7
Equity value	68.3
Equity value per share FD (p)	18.2

Source: Hardman & Co Research

Our central valuation works out at £68m, or 18.2p per share, based on a current issued share capital of ca.386m shares and then adjusted for the EBT holding and the share options dilution. These figures are virtually unchanged from our previous estimates.

We also show a table with varying growth rates for the two years between our forecast period (to 2025) and our perpetual calculation and different discount rates.

DCF sensitivity table – valuation				
Mid-term growth rate	6%	8%	10%	12%
Discount rate	£m	£m	£m	£m
10%	107	109	110	112
12%	85	86	88	89
15%	67	68	69	70

Source: Hardman & Co Research

We look at a range of between £67m and £112m, reflecting a slightly lower growth rate at the bottom end and a slightly higher growth rate and lower discount rate at the high end. The growth rate assumption is rather less significant than the discount rate – hence the asymmetric range. We would look to use a lower discount rate as and when Cavendish demonstrates the resilience of its earnings from its diverse revenue streams.

Next, we show how these values equate to EV/NOPLAT multiples for 2026E.

DCF sensitivity table – EV/NOPLAT, 2026E				
Mid-term growth rate	6%	8%	10%	12%
Discount rate	(x)	(x)	(x)	(x)
10%	29.3	29.8	30.3	30.9
12%	21.8	22.2	22.6	22.9
15%	15.7	15.9	16.2	16.5

Source: Hardman & Co Research

At our central value, it would trade on 15.9x EV/NOPLAT for FY'26E and 9.0x for FY'27E.

And, at a more conventional P/E ratio:

DCF sensitivity table – PER, 2026E				
Mid-term growth rate	6%	8%	10%	12%
Discount rate	(x)	(x)	(x)	(x)
10%	34.5	34.9	35.4	35.9
12%	27.4	27.8	28.1	28.5
15%	21.7	21.9	22.2	22.4

Source: Hardman & Co Research

At our central value, it would trade on 21.9x PER for FY'26E and 12.1x FY'27E.

As with any DCF equity valuation, we would say it is more useful to look at the assumptions behind the outcome and ask whether they appear reasonable and where the risk mostly lies.

Initiation report

Readers looking for a more in-depth explanation of the business and the markets it operates in should download our initiation report, published in July 2025.

<https://hardmanandco.com/research/corporate-research/cav-profitable-even-in-tough-markets/>

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