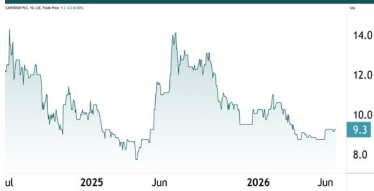




24 June 2026

Financial Services



Source: LSEG, 2026

Market data

| | |
|--------------------|------|
| EPIC/TKR | CAV |
| Price (p) | 9.0 |
| 12m high (p) | 14.5 |
| 12m low (p) | 8.5 |
| Shares (m) | 387 |
| Mkt cap (£m) | 35 |
| EV (£m) | 16 |
| Free float* | 92% |
| 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 (joint) | John Farrugia |
| CEO (joint) | 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% |
| Canaccord Genuity | 4.4% |
| Vin Muria | 4.0% |
| Jim Durkin | 3.5% |

Diary

| | |
|--------|-----------------|
| Oct'26 | Trading update |
| Nov'26 | Interim results |

Analyst

Jason Streets
js@hardmanandco.com

CAVENDISH PLC

Solid performance in still tough markets

Cavendish delivered FY26 revenue of £56.9m (FY25: £55.6m), a 2.3% increase, and doubled reported PBT to £1.5m (FY25: £0.7m). Core profit before tax – stripping out share-based payments, option revaluation movements, associate and joint venture losses, and non-recurring costs – was £3.5m (FY25: £3.7m), a modest reduction reflecting deliberate investment in people, technology and regional expansion. All the main figures were in line with expectations. Currently, the stock is trading on 5.4x EV/NOPLAT 2026, falling to just 3.6x 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 2%, with the trading business up substantially and both retainers and transaction revenue down slightly. Non-employee costs were down 3% and total costs flat, but with share-based pay down, core profits fell slightly. The proposed final dividend was held at 0.5p.
- **Valuation:** There is only one listed comparable company – Peel Hunt – which currently trades on a PER of 8.8x for Mar'26 and 16.3x Mar'27E. We have used a DCF model, with a 15% discount rate to reflect market-fuelled volatility of returns. Our derived central value is £59m, or 15.6p per share, with a range of £57m-£92m. At the central value it would be trading on 10.0x EV/NOPLAT March 2027E. 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 consistent profitability in all areas, even in unhelpful markets, demonstrates the strength of its diverse revenue streams; plus, it is supported by a strong balance sheet (£19m cash) and a very good dividend yield.

Financial summary and valuation

| Year-end Mar (£m) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027E |
|-----------------------|-------|-------|-------|------|------|-------|
| Sales | 52.5 | 32.9 | 48.1 | 55.6 | 56.9 | 60.0 |
| EBITDA | 10.4 | -3.8 | -2.0 | 2.7 | 3.7 | 5.6 |
| Reported EBIT | 8.6 | -5.6 | -3.9 | 0.7 | 1.6 | 3.6 |
| Reported PTP | 8.1 | -6.3 | -4.3 | 0.7 | 1.5 | 3.6 |
| Adjusted net income | 7.6 | -0.8 | -1.1 | 3.2 | 2.8 | 3.9 |
| Underlying EPS (p) | 4.61 | -0.45 | -0.44 | 0.94 | 0.82 | 1.14 |
| Fully diluted EPS (p) | 3.57 | -3.25 | -1.40 | 0.21 | 0.15 | 0.67 |
| Net (debt)/cash | 23 | 8 | 20 | 19 | 19 | 19 |
| DPS (p) | 1.75 | 0.00 | 0.25 | 0.80 | 0.80 | 0.80 |
| P/E (x) | 2.0 | n/a | n/a | 9.6 | 11.0 | 7.9 |
| EV/NOPLAT (x) | 1.9 | n/a | n/a | 4.9 | 5.4 | 3.9 |
| Yield | 19.4% | 0.0% | 2.8% | 8.9% | 8.9% | 8.9% |

Source: Cavendish plc and Hardman & Co Research

FY26 results review

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

Cavendish reported results for the full year ending 31 March 2026. Total revenues increased 2.3% to £56.9m, achieved against a market backdrop that remained challenging for UK smaller companies throughout the year. While the FTSE100 has continued to hold firm and international investors have shown renewed interest in the UK market more broadly, UK smaller companies have continued to face domestic outflows and a net reduction in the total number of quoted companies on both AIM and the main market.

The full-year revenue breakdown reveals a small structural shift: recurring revenues and trading income grew to represent 35% of Group revenues (FY25: 31%), reflecting management's deliberate effort to build a more balanced and resilient revenue mix. Investment Banking revenues (retainers and transactions combined) were £47.4m (FY25: £50.0m), with retainers at £10.7m (FY25: £11.7m) and transactions at £36.8m (FY25: £38.3m). However, the standout line was Securities, which surged to £9.4m (FY25: £5.7m), a 66% increase, driven by equities trading activity and the investment in the trading platform.

| Full year revenue split (£m) | | | | |
|------------------------------|-------|-------|-------|---------------|
| | FY25A | FY26A | FY27E | FY25 vs. FY26 |
| Retainers | 11.7 | 10.7 | 10.8 | -9% |
| Transactions | 38.3 | 36.8 | 38.8 | -4% |
| Securities | 5.7 | 9.4 | 10.4 | +66% |
| Total | 55.6 | 56.9 | 60.0 | 2% |

Source: Cavendish plc

The decline in retainer revenue reflects the continuing attrition of quoted clients as companies delist from AIM and the main market in net terms. However, this trend showed signs of reversal in the second half of FY26, with the Group reporting a net increase of ten quoted clients in H2, reinforcing the retainer base and supporting future advisory income. Transactions revenue fell modestly, reflecting lower average deal fees due to deal mix rather than a decline in activity; 96 transactions were completed across the Group during the year.

Operating expenses

Cost control remained disciplined. Total administrative expenses were £55.3m (FY25: £54.6m), an increase of approximately 1.2%, well below revenue growth. Employee costs rose to £40.5m (FY25: £38.4m), reflecting targeted senior hires in Equity Research, Institutional Sales, Trading and Corporate Broking, as well as the build-out of regional teams in Manchester and Birmingham. The compensation ratio was 66% (FY25: 64%), described by management as competitive. Share-based remuneration fell from £2.4m to £1.7m which explains why the core profit fell but the reported profit rose.

Non-employee costs reduced on a like-for-like basis through efficiency initiatives and tighter cost governance. Depreciation was £2.0m (FY25: £1.9m), and introducer fees fell significantly to £0.5m (FY25: £1.4m), reflecting progress in building direct origination capability and reducing reliance on third-party referrals.

The tax charge rose substantially to what the company believes is a more normal level. That depressed the reported EPS.

Public markets division

The public markets business delivered resilient performance against a mixed backdrop. Transaction volumes remained broadly consistent over the year,

although average fees were lower due to deal mix. Performance improved in key areas including Investment Companies and Equities Trading, supported by enhanced collaboration between research, sales and trading teams. The net increase in quoted clients in H2 is an important leading indicator for retainer income going into FY27.

Private markets division

Private markets delivered consistent transaction volumes, although average deal fees were again lower, reflecting market dynamics and deal mix. The regional private markets teams – established in Manchester and Birmingham – became profitable in the latter part of the year, an important milestone validating the regional expansion strategy. Stronger direct origination is reducing dependence on third-party referrals and creating a more scalable model.

Strategic initiatives

A notable feature of FY26 was the accelerated investment in data analytics and applied AI, which is being embedded across origination, advisory and execution functions. Management highlighted that AI tools are enhancing decision-making, pricing discipline, and client insight, while improving operational scalability. A centralised corporate development, marketing and communications function was also established during the year, improving market positioning and conversion of relationships into mandates.

Outlook

Cavendish has started FY27 with a strong, debt-free, well-capitalised balance sheet and growing client numbers. The Group's near-term outlook is shaped by ongoing macroeconomic uncertainty – particularly around inflation, interest rates, and energy price volatility – but management is cautiously optimistic that conditions are improving. Capital flows could return to UK small and mid-cap equities as macro pressures normalise; valuations in this segment remain historically attractive, and a potential shift back to monetary easing would be further supportive of a re-rating.

Management's priorities for FY27 are maintaining profitability, improving productivity, investing selectively in growth, and preserving balance sheet strength. Further progress from regional expansion and AI-enabled workflows is expected. The H2 net increase in quoted clients and the progression of the private markets regional teams to profitability are positive leading indicators for the year ahead.

Our forecast for FY27 remains broadly unchanged – the same revenues but with a higher contribution from securities offsetting slightly lower transaction-driven income; and unchanged profit expectation.

UK capital markets

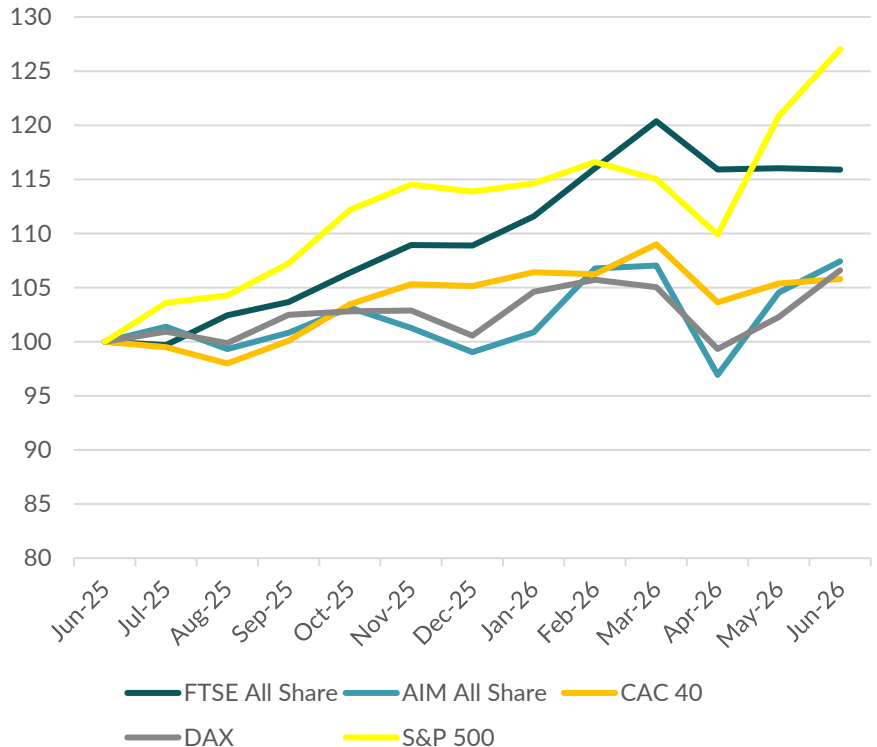
The past few years have been very difficult in UK capital markets. Since the global financial crisis, economic growth has been sluggish and productivity improvements have been negligible. We have endured Brexit-induced uncertainty, a global pandemic, an energy price surge, a transient inflation spike, a destabilising UK budget, a war on the eastern fringe of Europe and, most recently, the conflict in the Gulf. And meanwhile the AI superscalars and other US tech companies seem determined to suck up all the available investment capital there is.

It is beyond the scope of this report to delve deeper into these matters, but there are some sobering statistics to show just how difficult it has been for investment banks focusing on UK mid and smaller companies. Nevertheless, there are some signs of improvement – in the end (however long that takes!), cheapness will out.

UK market overall has underperformed US but begun to outperform European peers...

A year ago, we reported that the UK stock market, as a whole, underperformed both the US and its key European peers. From the beginning of 2021 to June 2025, the US (S&P 500) and Germany (Dax) rose by 63% and 72%, respectively, the French market (CAC 40) was up 34%, while the UK (FTSE All Share) was up 29% and the FTSE AIM All share was down 35%. In the last 12 months the UK has performed much better relatively with the large cap index pretty much keeping in line with the S&P until the last month or so and AIM performing in line with France and Germany, albeit lagging the bigger British listed companies.

Major stock market performance, June 2025 to June 2026 (to 1 June)



Source: Hardman & Co Research

... but UK fund flows remain poor if improving steadily...

UK-focused fund flows began turning substantially negative in the middle of 2020. By the end of 2020, the rolling 12-month figures for both UK All companies and UK smaller companies fund flows were both negative and have been ever since.

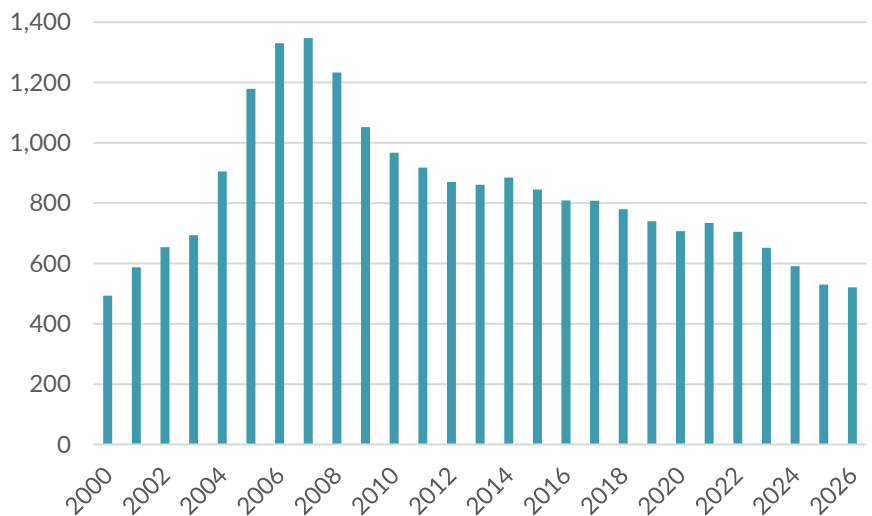
A year ago UK All companies' funds were losing not far off £10bn a year in assets, that has now halved to c£5bn but it is still negative. UK smaller company funds, which are substantially smaller in total assets (£7bn vs. £147bn for UK All Companies), are losing around £2bn a year. This has improved from its worst level of around £2.6bn at the end of 2025 but it is still debilitating.

There have been, however, some positive signs from international flows, which turned positive in 2025, according to data from EPFR. To spread into the smaller company sphere that trend really needs to be taken up by domestic investors.

... and the number of listed companies continues to shrink

In addition, the number of listed companies has fallen fairly consistently over recent years. Using data from New Financial, the number of companies with a market cap of less than £1bn have fallen by more than 200 over the past 10 years. More specifically the number of UK listed companies on AIM has been shrinking steadily.

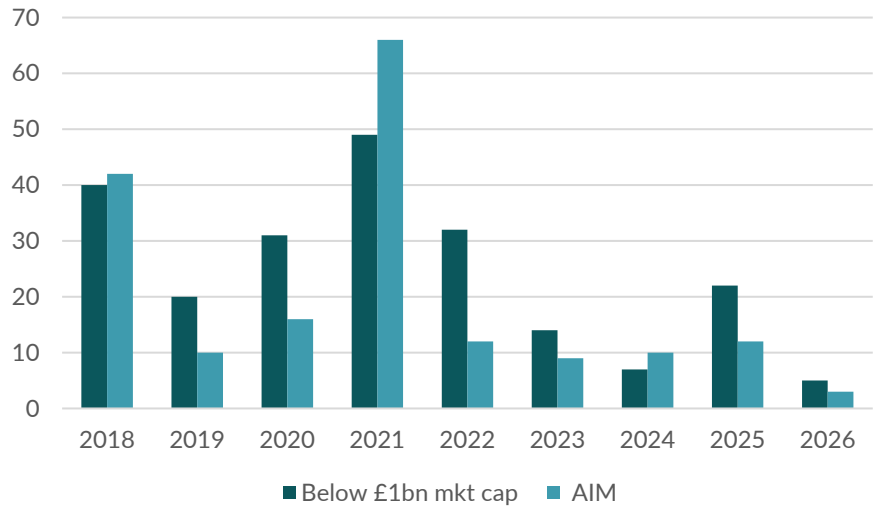
Number of UK AIM listed companies 2000-26



Source: LSEG

For an investment bank, the absolute number of listed companies is less important than the amount of activity, although the two are clearly linked. Here, unfortunately, we also see tricky times. Using data only for companies with a market cap of under £1bn, the past seven or so years have been pretty lean, with the exception of 2021, although 2025 was an improvement on the previous two years.

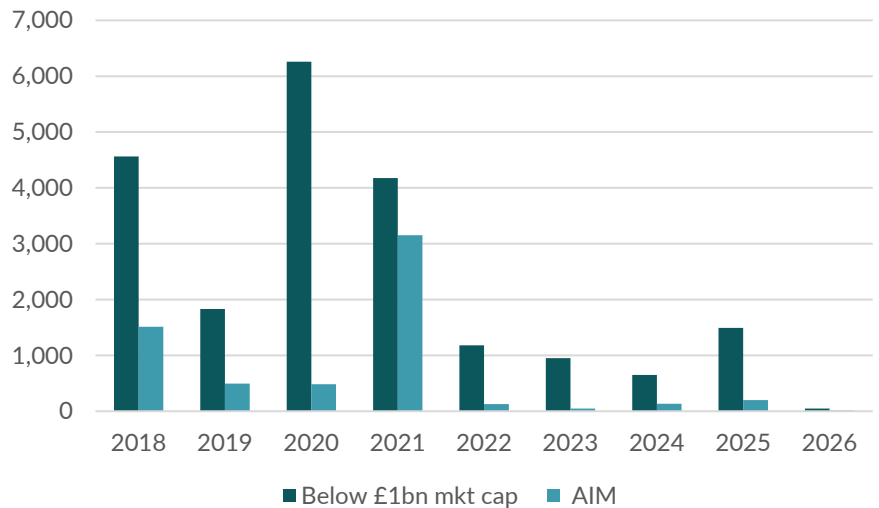
Number of smaller company IPOs 2018-26



Source: LSEG

The number of deals follows a very similar pattern whether on the main market or AIM (although 2021 was particularly rich on AIM). The amount of money raised, though, tells a different story, with the sums raised on the main market generally dwarfing those on AIM. (The value raised in 2026 IPOs so far has been notably poor.)

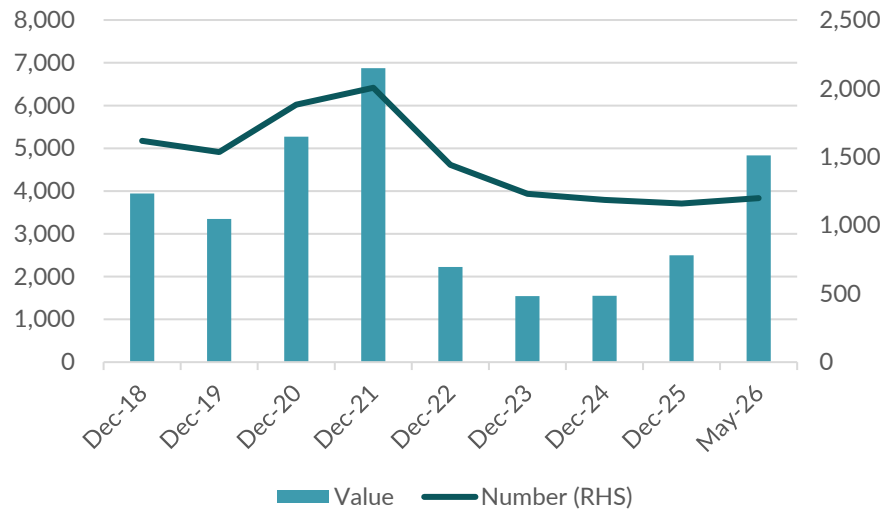
Capital raised in IPOs, 2018-26 (£m)



Source: LSEG

In 2022, while £1.2bn was raised on the main market, only £119m was raised on AIM; in 2023, the figures were £951m and £46m, respectively, in 2024, £357m and £120m and in 2025 £1,494m and £199m.

Capital raised on AIM in secondary issues, 2018-25 (£m)



Note: The figure for May-26 is the rolling 12 months to May 2026.
Source: LSEG

The market in secondary issues showed a very similar pattern (a little more resilience evident in 2019 and 2020), with the peak in 2021 seeing a sharp tail off but with a strong-ish recovery in 2025.

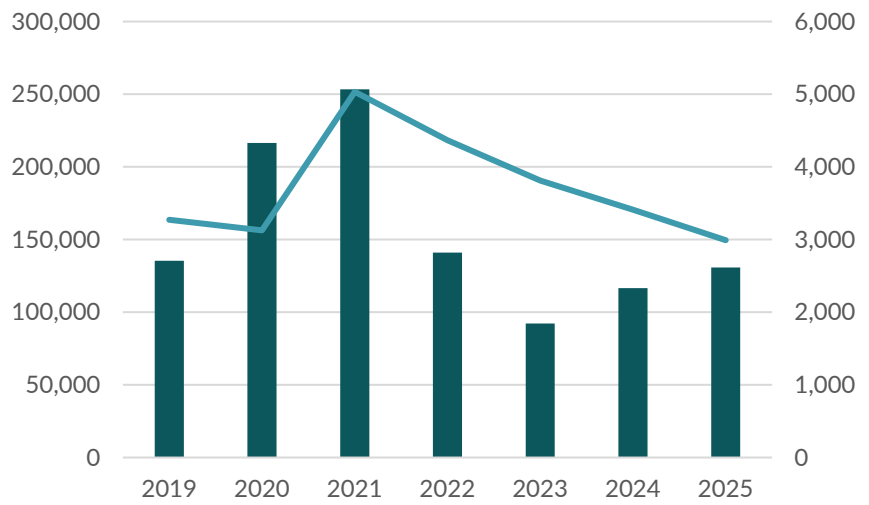
In 2026, to the end of May, the amount raised in secondary issues is heavily distorted by the £1.9bn raised for Rosebank Industries in March, although the underlying trend is gentle improvement.

UK M&A markets

Capital raising – the primary purpose of capital markets – is only one part of Cavendish’s business. The other key component is corporate transactions or M&A. This is generally thought of as more stable and while that is true, M&A on public markets is still at least partly driven by market sentiment.

Data from PwC and LSEG shows a slowdown in the value of M&A activity from the peak in 2021, but the fall is not nearly so steep as that seen in capital raising. Since the trough in 2023, values have risen but volumes have not: the deals are getting bigger which has not necessarily been to Cavendish’s advantage.

UK M&A deal values (£m) and volumes (RHS), 2019-25



Source: LSEG and PwC

Public M&A markets are never “shut” in the way the primary equity markets are sometimes said to be, but turbulence in markets makes valuation harder and therefore harder to get two parties to agree. M&A in private companies is a different matter, though. Private corporate transactions are often driven by personal motivations – retirement, death, family disputes, tax planning, etc. – and these continue whatever is going on in the wider world.

Data for private M&A is also less reliable; however, providing the errors are reasonably consistent, it can still give us an indication of trends. Experian Market IQ reported overall M&A volumes down 13% from 7,732 to 6,472 in 2025. The vast majority of these deals will be private market transactions. The value data – down 46% to £161bn – is less helpful as it will be dominated by larger transactions (or the absence of them). In its quarterly report to March 2026 volume of deals was down 30% – that period is, of course, already reflected in Cavendish’s reported figures.

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 FY27E forecast, we have made various assumptions, tabulated below. The number of private transactions is assumed to grow modestly in FY27E as the regional offices make a contribution. The average fee dropped in FY26 to £437k we expect it to bounce back in FY27E to £514k. For the public market transactions, we have assumed a small uptick to 73 transactions in FY27E and that the average fee bounces back up to c£330k in FY27E reflecting higher market values.

| Transaction fees 2024-27E (£m) | | | | |
|--------------------------------|--------------|--------------|--------------|---------------|
| | Private 2024 | Private 2025 | Private 2026 | Private 2027E |
| Transactions | 27 | 31 | 33 | 35 |
| Transaction fees | 14.1 | 18.3 | 14.4 | 18.0 |
| Avg. deal fees | 0.521 | 0.590 | 0.437 | 0.514 |
| | Public 2024 | Public 2025 | Public 2026 | Public 2027E |
| Transactions | 68 | 70 | 69 | 73 |
| Transaction fees | 22.1 | 20.0 | 19.5 | 20.8 |
| Avg. deal fees | 0.325 | 0.286 | 0.283 | 0.330 |
| | Total 2024 | Total 2025 | Total 2026 | Total 2027E |
| Transactions | 95 | 101 | 102 | 108 |
| Transaction fees | 36.2 | 38.3 | 33.9 | 38.8 |
| Avg. deal fees | 0.381 | 0.379 | 0.333 | 0.359 |

Note: 2024 figures are pro forma. Source: Cavendish plc and Hardman & 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 the slow attrition of net clients which reversed in 2H26 will hold and the average number of clients for FY27E will be around 170.

As well as the retainers, there are also revenues from the traditional broking business: market making, trading commissions and research fees. We have assumed a small increase for FY27E on the strong showing in FY26.

| Revenue split, 2024-27E (£m) | | | | |
|------------------------------|------|------|------|-------|
| | 2024 | 2025 | 2026 | 2027E |
| Retainers | 10.0 | 11.7 | 10.7 | 10.8 |
| Transactions | 33.5 | 38.3 | 36.8 | 38.8 |
| Securities | 4.5 | 5.7 | 9.4 | 10.4 |
| Total | 48.1 | 55.6 | 56.9 | 60.0 |

Source: Cavendish plc and Hardman & 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 66%, up slightly on FY25 (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 | 2026 | 2027E |
| Revenue | 52.5 | 32.9 | 48.1 | 55.6 | 56.9 | 60.0 |
| Other operating expenses | 0.0 | -0.2 | -0.3 | -0.3 | 0.0 | 0.0 |
| Admin. expenses | -43.9 | -34.5 | -51.6 | -54.6 | -55.3 | -56.4 |
| Operating profit | 8.6 | -1.9 | -3.8 | 0.7 | 1.6 | 3.6 |
| Non-recurring items | 0.0 | -3.7 | -0.1 | 0.0 | 0.0 | 0.0 |
| EBIT | 8.6 | -5.6 | -3.9 | 0.7 | 1.6 | 3.6 |
| Share of joint venture and associates' losses | 0.0 | -0.3 | -0.3 | -0.2 | -0.3 | -0.2 |
| Finance income | 0.0 | 0.1 | 0.4 | 0.6 | 0.5 | 0.5 |
| Finance charge | -0.5 | -0.5 | -0.4 | -0.4 | -0.3 | -0.4 |
| Profit before tax | 8.1 | -6.3 | -4.3 | 0.7 | 1.5 | 3.6 |
| Tax | -1.6 | 0.8 | 0.8 | 0.0 | -0.9 | -1.1 |
| Net profit | 6.5 | -5.5 | -3.5 | 0.8 | 0.6 | 2.5 |
| Adjusted net profit | | | 0.0 | 3.7 | 2.8 | 3.9 |
| EPS (basic) | 3.95 | -3.25 | -1.40 | 0.23 | 0.16 | 0.72 |
| EPS (fully diluted) | 3.57 | -3.25 | -1.40 | 0.21 | 0.15 | 0.67 |
| Adjusted EPS | | | -0.44 | 1.10 | 0.82 | 1.14 |
| DPS | 1.75 | 0.00 | 0.25 | 0.80 | 0.80 | 0.80 |
| EBIT margin | 16% | -6% | -8% | 1% | 3% | 6% |
| Revenue split | | | | | | |
| Retainers | 6.6 | 7.0 | 10.0 | 11.7 | 10.7 | 10.8 |
| Transactions | 40.0 | 22.6 | 33.5 | 38.3 | 36.8 | 38.8 |
| Securities | 5.9 | 3.3 | 4.5 | 5.7 | 9.4 | 10.4 |
| Total | 52.5 | 32.9 | 48.1 | 55.6 | 56.9 | 60.0 |
| <i>Growth</i> | | | | | | |
| Retainers | | 5% | 44% | 17% | -9% | 1% |
| Transactions | | -43% | 48% | 14% | -4% | 6% |
| Securities | | -45% | 39% | 25% | 66% | 10% |
| Total | | -37% | 46% | 16% | 2% | 6% |

Source: Cavendish plc and Hardman & 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.6% in FY26, or 8% excluding share-based compensation), the forecast profits vary sharply with changed inputs.

Following the final results, we have made only modest tweaks to our numbers. Revenue for FY27E remains at £60.0m, and costs rise modestly from £56m to £56.4m, leaving core PBT at £5.0m down from £5.9m; and with our newly calibrated tax charge, adjusted net income comes down to £3.9m from £5.1m, leading to fully diluted EPS of 0.68p.

Balance sheet

No debt on the balance sheet

Cavendish is cash rich. In FY25, it paid off what little debt it had and retained £21.2m of cash on the balance sheet. This fell to £19.2m at March 2026 with the dividend payment and a working capital outflow, and we forecast it to grow to £20.9m for the 2027 March year-end.

There is a capitalised lease liability (right of use asset) of £5.8m, which equates to an annual rent of ca.£1.5m.

| Balance sheet, 2022-27E | | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| Year-end Mar (£m) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027E |
| P,P & G | 13.3 | 12.2 | 11.1 | 9.6 | 7.7 | 5.9 |
| Intangibles | 13.5 | 13.5 | 13.4 | 13.6 | 13.6 | 13.7 |
| Financial assets (FV) | 0.8 | 0.4 | 0.5 | 0.3 | 0.8 | 0.8 |
| Associates and joint ventures | 0.0 | 2.1 | 2.0 | 1.9 | 1.7 | 1.7 |
| Deferred tax assets | 0.6 | 0.9 | 3.6 | 3.0 | 2.1 | 2.1 |
| Non-current assets | 28.2 | 29.1 | 30.6 | 28.3 | 25.9 | 24.2 |
| Trade receivables | 13.1 | 12.7 | 22.7 | 22.9 | 27.9 | 26.9 |
| Corp. tax receivable | 0.0 | 0.5 | 0.0 | 0.6 | 0.0 | 0.0 |
| Current financial assets (FV) | 0.9 | 0.3 | 5.6 | 4.2 | 3.8 | 3.6 |
| Cash | 24.4 | 9.4 | 20.7 | 21.2 | 19.2 | 20.9 |
| Current assets | 38.4 | 22.8 | 49.0 | 48.9 | 50.9 | 51.4 |
| Total assets | 66.6 | 52.0 | 79.7 | 77.3 | 76.8 | 75.6 |
| Lease liability | -11.2 | -10.0 | -8.7 | -7.5 | -5.8 | -3.8 |
| Debt | -0.9 | -0.5 | -0.1 | 0.0 | 0.0 | -0.2 |
| Provisions | -0.1 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 |
| Non-current liabilities | -12.1 | -10.5 | -8.9 | -7.6 | -5.8 | -3.9 |
| Trade payables | -20.4 | -14.6 | -29.4 | -28.3 | -28.3 | -25.3 |
| Current liabilities (FV) | | | -1.4 | -1.5 | -1.6 | -1.6 |
| Corporation tax | -0.7 | | | | 0.0 | -1.1 |
| Debt | -0.4 | -0.8 | -0.4 | 0.0 | -2.1 | -2.1 |
| Current liabilities | -21.5 | -15.5 | -31.1 | -29.8 | -32.0 | -30.1 |
| Total net assets | 33.1 | 26.0 | 39.6 | 39.8 | 39.0 | 41.5 |
| Share capital | 1.8 | 1.8 | 3.8 | 3.9 | 3.9 | 3.9 |
| Share premium | 1.5 | 1.7 | 3.1 | 3.2 | 3.4 | 3.4 |
| Treasury shares | -1.9 | -1.9 | -4.8 | -4.5 | -4.0 | -4.0 |
| Other reserves | 11.5 | 12.0 | 28.9 | 29.4 | 29.4 | 29.4 |
| Retained earnings | 20.3 | 12.4 | 8.6 | 7.9 | 6.4 | 8.9 |
| Total equity | 33.1 | 26.0 | 39.6 | 39.8 | 39.0 | 41.5 |
| Net cash (inc. leases) | 12.1 | -2.0 | 11.5 | 13.7 | 11.4 | 14.9 |
| Net cash (ex leases) | 23.2 | 8.1 | 20.3 | 21.2 | 19.2 | 18.7 |

Source: Cavendish plc and Hardman & Co estimates

Cashflow

Our cashflow forecasts are largely unchanged.

| Cashflow statement, 2022-27E | | | | | | |
|------------------------------|------|-------|------|------|------|-------|
| Year-end Mar (£m) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027E |
| Profit/loss before tax | 3.7 | -6.3 | -4.3 | 0.7 | 1.5 | 3.6 |
| Depreciation | 1.8 | 1.8 | 1.9 | 1.9 | 2.1 | 2.0 |
| Goodwill | | | -5.8 | 0.0 | 0.0 | 0.0 |
| Share based payments | 1.1 | 0.6 | 1.7 | 2.5 | 1.7 | 1.3 |
| Finance net | 0.5 | 0.4 | 0.1 | -0.2 | -0.2 | -0.1 |
| Associates | 0.0 | 0.3 | 0.3 | 0.2 | 0.3 | 0.2 |
| Change in working capital | -0.8 | -5.6 | 5.8 | -0.3 | -3.1 | 1.0 |
| Tax paid | -1.6 | -1.2 | 0.3 | 0.1 | 0.6 | -1.1 |
| Other | -1.4 | 0.2 | 1.6 | 2.0 | 0.3 | 0.0 |
| Cashflow from operating | 3.2 | -9.8 | 1.7 | 6.9 | 3.2 | 6.8 |
| Purchase of P, P & E | -0.5 | -0.7 | -0.2 | -0.1 | -0.1 | -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 | 0.5 | 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 | -2.8 | -3.0 |
| Issue of shares | -0.3 | 0.0 | 1.5 | -1.0 | -0.5 | 0.1 |
| Interest paid | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -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 | -5.4 | -5.0 |
| Net change in cash | -0.4 | -15.1 | 11.4 | 0.5 | -2.0 | 1.7 |
| Cash at start | 20.4 | 24.4 | 9.4 | 20.7 | 21.2 | 19.2 |
| Cash at end | 20.0 | 9.4 | 20.7 | 21.2 | 19.2 | 20.9 |

Source: Cavendish plc and Hardman & 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 a profit of £21m in FY26 on the back of a 57% increase in revenue. On the one public estimate it is on a FY27E PER of 16.3x at a share price of 103p (pretty much where it was a year ago). 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 FY26 were far 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 forecast period 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 | 2026 | 2027E | 2028E |
| Revenue | 55.6 | 56.9 | 60.0 | 66.0 |
| Adjusted EBITDA | 3.6 | 3.9 | 5.4 | 5.9 |
| Capex | -0.6 | -0.2 | -0.3 | -0.3 |
| Tax | 0.0 | -0.9 | -1.1 | -1.2 |
| Net cashflow | 3.4 | 2.8 | 4.0 | 4.4 |
| Discount factor | 1.0 | 56.9 | 1.1 | 1.3 |
| Discounted cashflow | | | 3.6 | 3.4 |

Source: Hardman & Co Research

| DCF summation | |
|-------------------------------|------|
| Value components | £m |
| 2027-28 | 7.0 |
| 2028 onwards | 32.6 |
| Total | 39.6 |
| plus net cash end-2026 | 19.2 |
| Equity value | 58.8 |
| Equity value per share FD (p) | 15.6 |

Source: Hardman & Co Research

Our central valuation works out at £59m, or 15.6p per share, based on a current issued share capital of ca.387m 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 year after our FY27E forecast period 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% | 89 | 90 | 91 | 92 |
| 12% | 72 | 72 | 73 | 74 |
| 15% | 57 | 58 | 59 | 59 |

Source: Hardman & Co Research

We look at a range of between £57m and £92m, 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 2027E.

| DCF sensitivity table – EV/NOPLAT, 2027E | | | | |
|--|------|------|------|------|
| Mid-term growth rate | 6% | 8% | 10% | 12% |
| Discount rate | (x) | (x) | (x) | (x) |
| 10% | 17.6 | 17.9 | 18.2 | 18.5 |
| 12% | 13.2 | 13.4 | 13.7 | 13.9 |
| 15% | 9.7 | 9.8 | 10.0 | 10.2 |

Source: Hardman & Co Research

At our central value, it would trade on 10.0x EV/NOPLAT for FY27E.

And, at a more conventional P/E ratio:

| DCF sensitivity table – PER, 2027E | | | | |
|------------------------------------|------|------|------|------|
| Mid-term growth rate | 6% | 8% | 10% | 12% |
| Discount rate | (x) | (x) | (x) | (x) |
| 10% | 20.8 | 21.1 | 21.4 | 21.6 |
| 12% | 16.7 | 17.0 | 17.2 | 17.4 |
| 15% | 13.5 | 13.6 | 13.8 | 13.9 |

Source: Hardman & Co Research

At our central value, it would trade on 13.8x FY27E.

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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