

Securities

Winterflood is a leading UK market maker, focused on delivering high quality execution services to stockbrokers, wealth managers and institutional investors.

Key Performance Indicators

Operating income

£ million

2020	£151.9m
2019	£93.4m
2018	£109.1m

Operating margin

Per cent

2020	32
2019	21
2018	26

Average bargains per day

'000

2020	82
2019	56
2018	68

Return on opening equity

Per cent

2020	50
2019	21
2018	29

Key Financials

	2020 £ million	2019 £ million	Change %
Operating income	151.9	93.4	63
Operating expenses	(103.8)	(73.4)	41
Impairment losses on financial assets	(0.2)	–	na
Operating profit	47.9	20.0	140
Average bargains per day ('000)	82	56	
Operating margin	32%	21%	
Return on opening equity	50.4%	20.7%	

Operating profit

£47.9m

2019: £20.0m

Return on opening equity

50.4%

2019: 20.7%

Very Strong Trading Performance in Extraordinary Market Conditions

Winterflood is a leading UK market maker, focused on delivering high quality execution services to stockbrokers, wealth managers and institutional investors.

Winterflood had a very strong year, with the expertise and experience of our traders enabling them to navigate successfully the challenging and volatile market conditions and deliver operating profit of £47.9 million (2019: £20.0 million).

In the first half of the financial year, continued Brexit and general election outcome uncertainty contributed to a slowdown in the UK capital markets. In contrast, the second part of the year saw significant volatility driving heightened trading activity across global equity markets, with increasing geopolitical tensions and the Covid-19 pandemic leading to global lockdowns and unprecedented levels of fiscal support measures from governments and central banks.

Operating income increased 63% to £151.9 million, reflecting strong trading activity in the second half of the year, with the extreme volatility driving investor activity and trading volumes. The significant pick-up in activity enabled Winterflood to deliver its highest annual revenue since 2000, with strong activity across the FTSE 350, AIM and investment trusts in particular.

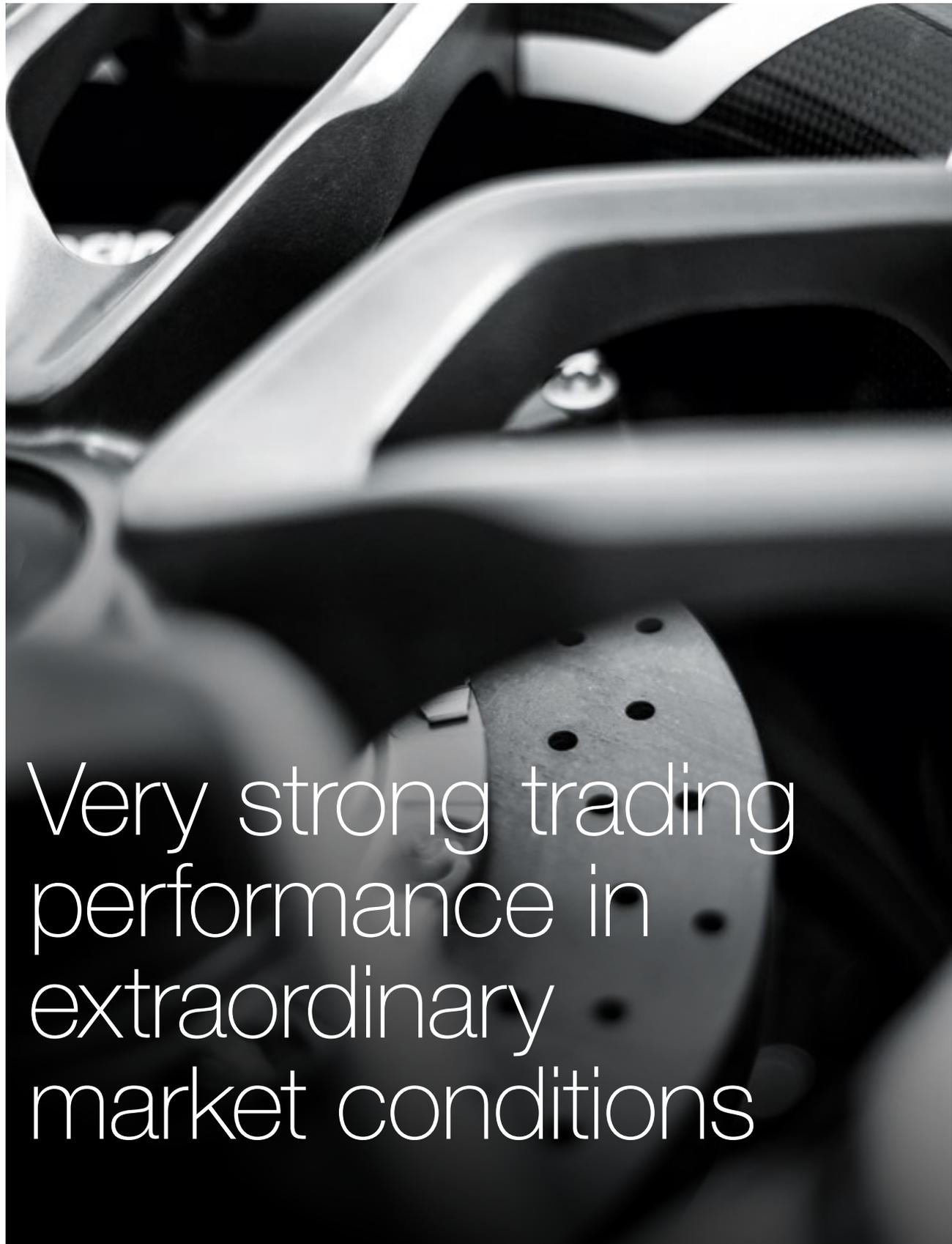
The extraordinary market conditions saw Winterflood surpass its previous record high for daily bargains of 139,000 in August 2011, first achieving 154,000 in February 2020 and subsequently achieving 186,000 in June. Average daily bargains over the year increased 48% to 82,003 (2019: 55,518) and the teams' experience and ability to focus on managing risk resulted in only seven loss days (2019: two loss days). Winterflood maintained full operational capacity throughout the year, despite the challenges brought on by Covid-19, demonstrating the strength of our technology and the expertise of our traders.

Operating expenses increased 41% to £103.8 million, driven by the variable nature of Winterflood's cost base, with the increased revenue performance and trading activity leading to higher staff compensation and settlement costs. The expense/income ratio decreased to 68% (2019: 79%) as a result of the high levels of income in the year, partially offset by the corresponding increase in variable costs. The compensation ratio remained stable at 48% (2019: 48%).

Winterflood continues to take advantage of complementary market opportunities and is progressing well with developing wider relationships with institutional clients. In November 2019, direct client trading with US counterparties commenced after an affiliate licensed broker dealer was established in the US.

Winterflood Business Services, which provides outsourced dealing and custody services for asset managers and platforms in the UK, has had a successful year, generating good levels of trading income and increasing assets under administration to £4.1 billion (2019: £3.7 billion) as a result of growth in client base, offset by negative market movements in the second half.

Following a very strong performance in the second half of the 2020 financial year, Winterflood has continued to trade successfully in the early part of 2021, but as a daily trading business remains sensitive to changes in the market environment.



Very strong trading
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