

Financial Services – Banking

M&A - Analysis Report

By Cascade Research

Deutsche Bank



ACQUIRES

numis

Overview

Introduction

The acquisition of Numis by Deutsche Bank, announced on April 28, 2023, and completed on October 13th 2023, marks a pivotal moment in the UK investment banking sector. This deal merges the UK's leading corporate broking and advisory firm with Deutsche Bank's expansive global banking network, creating "Deutsche Numis," a powerhouse in corporate finance advisory and capital markets. By combining Numis' deep expertise in corporate broking and equity capital markets with Deutsche Bank's extensive global product suite, the acquisition aims to strengthen Deutsche's foothold in the UK—Europe's largest investment banking market. The deal, valued at £410 million, with an implied EV/Revenue multiple of 3.31, will expand Deutsche Numis' reach to over 170 corporate broking clients, enhancing its position in M&A, ECM, and corporate advisory services. This acquisition aligns with Deutsche Bank's Global Hausbank strategy, driving deeper engagement with corporate clients and significantly enhancing the bank's competitive standing in the European investment banking landscape.



Acquirer: Universal Bank
Name: Deutsche Bank AG
Industry: Financial Services
Country: Germany
CEO: Christian Sewing
FTE: 71,229
Revenue: £25 billion (Sept 2024 TTM)
EBITDA: N/A
Advisors: Deutsche Bank (in-house), Lazard

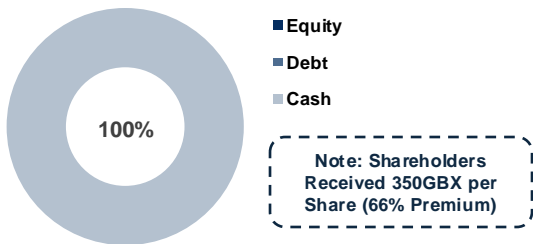
Target: Investment Bank
Name: Numis Securities
Industry: Financial Services
Country: United Kingdom
CEO: Oliver Hemsley
FTE: 379
Revenue: £93 million (Sept 2023 TTM)
EBITDA: (£42) million (Sept 2023 TTM)
Advisors: Fenchurch Advisory, Grant Thornton

Introduction:
Deutsche Bank AG, headquartered in Frankfurt, Germany, is one of the world's leading financial services providers, offering a broad range of banking, investment, and advisory solutions. Established in 1870, the bank operates across more than 70 countries, serving corporate, institutional, and individual clients globally. Deutsche Bank's diverse business segments include Investment Banking, Corporate Banking, Asset Management, and Private Banking. With a strong focus on client relationships and global outreach, the bank has played a pivotal role in the evolution of European and global financial markets. As part of its "Global Hausbank" strategy, Deutsche Bank has focused on deepening relationships with corporate clients, positioning itself as a trusted advisor in capital markets, M&A advisory, and global transaction banking.

Introduction:
Numis Corporation Plc, headquartered in London, is a leading UK-based independent investment banking and corporate broking firm. Founded in 1989, Numis specializes in providing strategic advice, equity capital markets expertise, and corporate broking services to a wide range of clients, including FTSE 350 companies, growth companies, and institutional investors. With a reputation for delivering tailored solutions across M&A advisory, capital raising, and research, Numis is a trusted partner for both public and private companies. The firm has a strong presence in the UK capital markets, advising over 170 corporate clients and maintaining a prominent role in equity placements and IPOs. Numis has continued to grow its market share by expanding its service offerings and international reach, recently opening offices outside the UK to support its clients post-Brexit.

Financing

Exhibition 1: Deal Financing Structure for the Acquisition of Numis





Notes 1. (based on 30-day VWAP prior to deal announcement)

The acquisition was structured as an all-cash deal. Under the terms of the transaction, Numis shareholders were entitled to receive a total of 350 pence per share, valuing Numis at approximately £410 million. This all-cash offer provided a premium of 65.92% to Numis' share price at the time the deal was announced¹. The financing for the acquisition was expected to be fully funded by cash on Deutsche Bank's balance sheet, with the bank anticipating an EPS accretive impact starting from 2024. The transaction had minimal impact on Deutsche Bank's regulatory capital, with an estimated reduction of around 9 basis points (13.4%) in its Common Equity Tier 1 (CET1) ratio upon closing.

Strategic Implications

Exhibition 2: Acquirer & Target Profile (in £s & #)

Company	Deutsche Bank 	Numis Securities 
Product Suite	Corporate Broking: Large-cap clients, ECM, DCM, global M&A, structured finance Advisory Services: Multinational corporations, cross-border M&A	Corporate Broking: Mid-market advisory, ECM for UK corporates Advisory Services: IPOs, secondary offerings, UK-focused M&A
Revenue-per-Head (FY 2023)	278,557	388,000
Num. of Corporate Clients Ranking (2023, UK)	12th	3rd
Serviced Deals Ranking (2023, UK)	8th	4th
Total Deal Value (2023, UK)	36.60bn	13.10bn

Source: PitchBook Data, Inc. (Nov 2024)

Short Term Effects

Immediate Benefits: Deutsche Bank’s acquisition of Numis provided instant advantages by expanding client access and enhancing Deutsche’s market positioning within the UK’s competitive landscape.

Expanded Client Base: The merger boosted Deutsche Numis’ client roster to over 170 corporate broking clients, increasing deal flow and offering Numis clients access to Deutsche’s comprehensive product suite, including global advisory and financing services.

Revenue Growth: Cross-selling opportunities between Deutsche Bank’s international clients and Numis’ established UK mid-market network drove revenue growth, while operational efficiencies from shared resources and office locations helped reduce costs.

Integration Challenges: The merger led to job cuts at Numis as Deutsche Bank initiated a broader restructuring plan to improve efficiency, with seven roles at risk. This streamlining targeted both Deutsche and Numis staff, including senior brokers, as part of an adaptation to a challenging UK IPO market.

Industry Context: The move mirrors a trend of consolidation among UK corporate brokers, with other firms like Panmure Gordon and Liberum also merging to cut costs amid a shrinking pool of smaller London-listed firms.

Cultural Adjustment: Deutsche Bank transferred 15 of its equity sales staff to Numis’ London office and integrated Numis’ US operations into Deutsche’s New York office, signalling a cultural shift as both teams adapt to new dynamics.

Leadership Changes: Deutsche Numis recently experienced notable exits, including two senior UK bankers from its investment banking team, and the head of the bank research team, who resigned to join Jefferies.

Strategic Vision: Fabrizio Campelli, Head of Corporate and Investment Bank at Deutsche Bank, highlighted the merger’s synergy, describing it as a “perfect partnership” that combines Deutsche’s UK and Ireland corporate finance expertise with Numis’ local network to expand reach across UK and international corporates in Europe’s largest investment banking market.

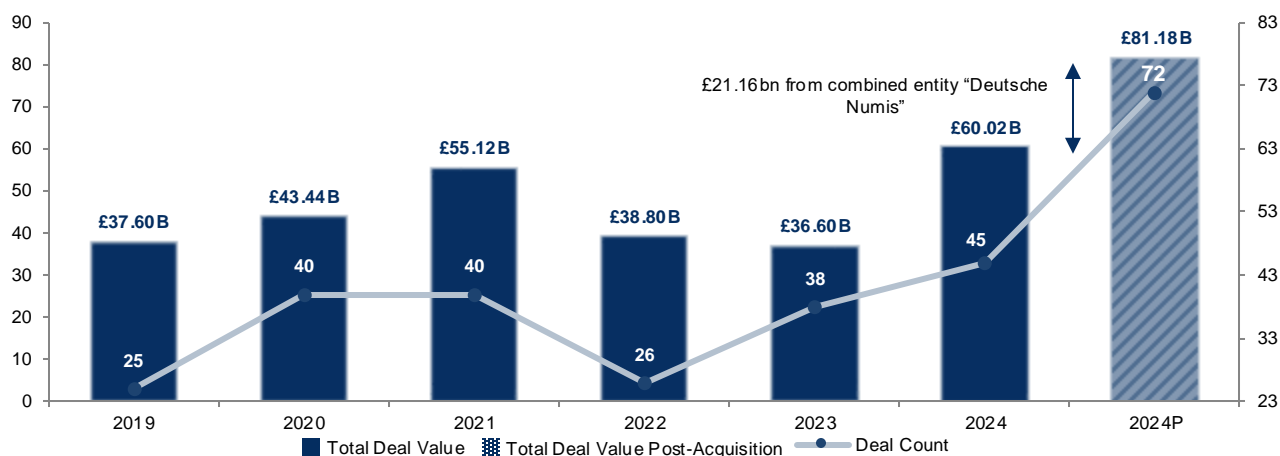
Long Term Effects

In the long term, the acquisition of Numis positions Deutsche Numis as a formidable entity in UK investment banking, establishing a robust platform for sustainable growth within a highly competitive market. The integration of Deutsche Bank’s global network and extensive financing capabilities with Numis’ local expertise enables the combined entity to effectively capitalize on mid-market M&A and ECM opportunities, enhancing its ability to secure mandates from both public and private UK companies.

Deutsche Numis aspires to be a leading corporate broker in the UK, guiding clients through strategic initiatives such as IPOs, mergers, acquisitions, and restructurings, supported by a comprehensive product portfolio. This aligns with Deutsche Bank’s “Global Hausbank” strategy, reinforcing its commitment to serving as the primary advisory and financing partner for European corporates. Over time, the unified brand and cross-border expertise are expected to foster increased client trust and loyalty, strengthening Deutsche Numis’ competitive positioning in the UK and beyond. This strategic alignment is anticipated to boost both the number and value of deals, solidifying Deutsche Numis’ status as a key player in the European investment banking sector.

Risk Factors

Exhibition 3: Deutsche Bank Total UK Deal Value and Deal Count Pre- and Post-Acquisition of Numis (2024P Represents post-acquisition data)
(in £bn & #)



Source: PitchBook Data, Inc. (Nov 2024)

Operational and Cultural Integration Risks

Integrating Numis's boutique-style, client-centric culture with Deutsche Bank's global banking model has presented notable challenges. In July 2024, Deutsche Numis identified seven roles at risk—three from Numis and four from Deutsche Bank—as part of a broader efficiency strategy. These reductions, including some senior brokers, align with a wider industry trend of streamlining operations and reducing costs in response to a challenging market environment, characterized by a shortage of IPOs and a decline in smaller listed companies.

The integration process has also involved significant staff relocations to better align with Deutsche Bank's strategic objectives. In May 2024, Deutsche moved 15 of its equity sales staff to the Numis office while relocating some Numis analysts to Deutsche's new London office. Additionally, Deutsche wound down Numis's U.S. operations, merging most staff into its New York office. Further adjustments in August 2024 saw the departure of two senior bankers from the UK investment banking team, with the head of the bank's research team resigning to join Jefferies.

Further, with the deal valuing each Numis employee at an estimated £1.2mn—nearly three times their through-the-cycle revenue—the pressure for strong financial performance is high. However, corporate broking is a cyclical business; revenue volatility and fixed cost structures amplify operational challenges. For instance, Numis experienced a 14% revenue drop over six months ending in March 2023, leading to a 60% decline in profit, even as headcount grew from 325 to 338.

Long-Term Strategic and Reputational Risks

As a global investment bank, Deutsche Bank often focuses on large-cap clients and multinational corporations. Balancing this approach with Numis's mid-market UK client base could lead to strategic conflicts, especially if Deutsche Bank's global mandates compete with or overshadow mid-cap mandates from Numis's established clients. This may reduce Deutsche Numis's agility in the UK market, potentially diminishing its competitive positioning as a specialized mid-market advisor.

Adding to these challenges, Numis's corporate client base has been shrinking, falling from 176 in September to 166 in March, with a concerning trend of smaller average market caps. This creates headwinds in negotiating retainers and sustaining revenue streams. Furthermore, Numis's unhedged foreign exchange exposure in its U.S. operations magnified income volatility, with a £1.1mn FX loss during lean times, further straining profitability.

Competitive Pressure from UK and European Mid-Market Specialists

The mid-market M&A and corporate broking space is highly competitive, with several UK-based boutique firms and European players aggressively targeting the same client base. Competitors like Peel Hunt, Liberum, and Jefferies may intensify their efforts to capture clients who prefer independent advisory services. If Deutsche Numis is perceived as moving away from its boutique roots toward a larger, multinational approach, it may risk losing clients to competitors who maintain a more personalized, nimble model.

Recent Transactions and Valuation-Multiples

Exhibition 4: Relevant European Brokerage, Asset Management and Other Financial Services Industry Acquisitions from 2019 to 2024

Target Company	Acquirer	Year	Implied EV-to-Revenue Multiple
Hargreaves Lansdown	CVC Capital Partners	2024	6.23
Numis Securities	Deutsche Bank	2023	3.31
Arden Partners	The Ince Group	2022	0.52
River Global Investors	AssetCo Group	2022	7.76
The Mortgage Genie	The Property Franchise Group	2021	0.34
European Bank for Financial Services	FNZ Group	2019	0.62
Median			1.97

Source: PitchBook Data, Inc. (Nov 2024)

Recent mergers and acquisitions have significantly reshaped the financial services landscape, enabling firms to expand their market presence, diversify service offerings, and enhance technological capabilities. Notable transactions include:

- 1) Hargreaves Lansdown by CVC Capital Partners (2024):** A consortium led by CVC Capital Partners acquired Hargreaves Lansdown, the UK's largest investment platform, in a deal valued at £5.4 billion. The consortium offered £11.40 per share, representing a 67% premium over the pre-announcement share price of £6.83. This valuation corresponded to an enterprise value (EV)-to-revenue multiple of 6.23, reflecting Hargreaves Lansdown's substantial market position and growth potential. The acquisition aimed to enhance the platform's technological capabilities and expand its service offerings to maintain a competitive edge in the evolving financial services landscape.
- 2) Arden Partners by The Ince Group (2022):** The Ince Group completed the acquisition of Arden Partners, a corporate advisory and stockbroking firm, in an all-share transaction valued at approximately £10 million. Arden shareholders received seven Ince shares for every twelve Arden shares held, resulting in a 41% premium over Arden's pre-announcement share price of 22 pence. This valuation corresponded to an EV-to-revenue multiple of 0.52, indicating a strategic acquisition aimed at integrating corporate finance and advisory services to offer comprehensive legal and financial solutions.
- 3) River Global Investors by AssetCo Group (2022):** An all-share transaction valued at approximately £98.8 million. River shareholders received 0.07392 new AssetCo shares for each RMG share held, resulting in a 41.6% ownership stake in the combined entity. This valuation corresponded to an EV-to-revenue multiple of 7.76, reflecting RMG's strong market position and growth potential. The acquisition aimed to enhance AssetCo's asset management capabilities, focusing on expanding its presence in the UK and international markets.
- 4) The Mortgage Genie by The Property Franchise Group (2021):** The Property Franchise Group (TPFG) acquired an 80% stake in The Mortgage Genie (TMG), a mortgage brokerage firm, for an initial consideration of £400,000, with an estimated additional payment of approximately £90,000 upon finalization. This acquisition, valued at an EV-to-revenue multiple of 0.34, was strategically aimed at enhancing TPFG's financial services capabilities. The integration of TMG was intended to provide TPFG's franchisees with comprehensive mortgage and protection services, thereby offering end-to-end property solutions to clients.
- 5) European Bank for Financial Services by FNZ Group (2019):** FNZ Group completed the acquisition of European Bank for Financial Services (ebase) from Comdirect Bank for €154 million. At the time of acquisition, ebase managed approximately €34 billion in assets under administration, serving around 1.1 million customers through over 280 cooperation partners, including banks, insurance companies, and asset managers. The transaction was executed at an EV-to-revenue multiple of 0.62, reflecting ebase's established position in the German financial services market. This strategic move aimed to bolster FNZ's presence in the European platform-as-a-service sector, enhancing its wealth management technology offerings and expanding its client base in Germany.

Sources

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Founding President – Lukas Robrecht

Lukas Robrecht is currently pursuing a Master's in Finance at UCL, where he focuses on areas such as Asset Management, Corporate Finance and Private Equity. His academic journey includes a BA in Accounting and Finance from Coventry University. Lukas has gained practical experience through various internships and projects, particularly in investment banking and private equity. Beyond academics, Lukas is committed to applying his knowledge in practical settings, including founding Cascade Research, which aims to empower students to explore financial research and valuation.



Head of M&A Reports – Adriano Principe

Adriano Principe is an MSc Finance student at UCL, holding a BSc in Economics and Management from the University of Geneva. Currently working as an M&A Analyst at Cascade Research, he focuses on M&A analysis and valuation within TMT and healthcare sectors. His previous roles at Orabank Togo and Lombard Odier have provided him with solid experience in market analysis, data automation, and trade settlement. He demonstrated leadership as VP of IFSA Geneva, organizing events with firms like Credit Suisse.



M&A Analyst – Charles Crook

Charles holds a BSc in Economics from the University of Nottingham, where he built a solid foundation in economic theory and financial analysis. Charles gained hands-on experience managing multi-asset funds during a summer internship at Barings Asset Management, followed by a 9-month off-cycle internship at Tatton Investment Management, where he managed fund-of-funds portfolios. As Portfolio Manager for the Nottingham Equity Fund, he led investment decisions, and as Lead Deal Analyst at Sortino M&A Group, he produced detailed M&A deal reports and guided a team of analysts.



M&A Analyst – Jack Rowand

Jack Rowand graduated Cum Laude with a Bachelor of Commerce (Honours) in Financial Analysis from Stellenbosch University, achieving multiple distinctions, Dean's Merit Awards, and completing his thesis on the non-financial drivers of investment in renewable energy. During his Investment Analyst Internship at Athena Capital, Jack developed expertise in financial modelling, statement analysis, and private equity investment evaluation. With a strong foundation in financial analysis and a passion for valuation, he is dedicated to making a meaningful impact in the finance industry.