

Securities

Maximising trading

opportunities

Key Performance Indicators

Operating income £m



Operating margins Per cent



Bargains per day '000



Return on opening equity Per cent



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

Maximising Trading Opportunities in a Dynamic Market Environment

Winterflood is a leading UK market maker, delivering high quality execution services to stockbrokers, wealth managers and institutional investors, as well as providing corporate advisory services to investment trusts and outsourced dealing and custody services via WBS.

Winterflood delivered an exceptionally strong trading performance in the year, with our experienced traders successfully navigating the continued market volatility resulting from Covid-19 to deliver operating profit of £60.9 million (2020: £47.9 million).

Operating income increased 20% to £182.0 million, a 20-year high, with particularly strong activity across AIM, Small Cap and International markets.

The business experienced increased market volatility and heightened retail trading activity for much of the year, driven by lockdown restrictions and increasing investor optimism regarding the economic recovery, offset by concerns over inflation, central bank monetary policy and new Covid-19 variants.

Operating profit

£60.9m

2020: £47.9m

Return on opening equity

63.5%

2020: 50.4%

The announcement of the successful trial results for the Pfizer-BioNTech vaccine in November resulted in a remarkable trading performance, with Winterflood achieving the highest daily trade volume on record, 227,000, surpassing the previous high of 186,000 in June 2020 and producing the highest daily trading revenue of the 2021 financial year.

Average daily bargains over the year increased 23% to 100,681 (2020: 82,003) and the team's experience and focus on managing risk resulted in only one loss day during the year despite significant market volatility (2020: seven loss days).

Trading volumes were exceptionally high for most of the financial year, albeit we have seen a slowdown in activity towards the end of the period.

Operating expenses increased 17% to £121.2 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 marginally decreased to 67% (2020: 68%) 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% (2020: 48%).

Key Financials

	2021 £ million	2020 £ million	Change %
Operating income	182.0	151.9	20
Operating expenses	(121.2)	(103.8)	17
Impairment (losses)/gains on financial assets	0.1	(0.2)	(150)
Operating profit	60.9	47.9	27
Average bargains per day ('000)	101	82	
Operating margin	33%	32%	
Return on opening equity	63.5%	50.4%	

We continued to make progress in expanding our institutional client base, particularly in the UK.

In investment trust, we also saw good levels of corporate activity over the year with several large transactions, including the \$700 million share placing of the Baillie Gifford Schiehallion Fund.

WBS, which provides outsourced dealing and custody services for asset managers and platforms, has generated strong levels of income during the year and its assets under administration have increased significantly to £6.2 billion (2020: £4.1 billion) as a result of growth in its new and existing client base. We continue to see potential for strong growth in WBS' assets under administration in years to come, building on the momentum seen in 2021.

Winterflood has continued to trade successfully in the early part of the 2022 financial year, albeit with a continued slowing in volumes and moderation of trading performance. Due to the nature of the business, it remains sensitive to changes in the market environment.