



*Out of the
Ordinary*
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— OUT OF THE ORDINARY

Equity Capital Markets

European and UK ECM Review

November 2024



Executive summary

A positive performance for the month with global equity markets influenced heavily by the US election result and US equity markets outperforming. ECM activity muted over the month

1 November was a positive month for equities with the US election result arguably being the key event that has shaped equity (and broader capital) markets over the period. US, UK and most European equity markets made progress over November but US markets significantly outperformed

2 With President Elect Trump promising to impose tariffs on all goods imported to the US (with up to 60% tariffs planned for Chinese goods), it is clear that there is scope for significant change to global trading patterns. The prospect of a more aggressive 'America First' strategy has compounded the attractiveness of US equity markets (for now?) whereas the prospect of increased challenges for international trade has meant more muted performances for European indices

3 Since the US election on 5th November, the S&P500 has rallied 4.3%, Nasdaq 3.5% and the Russell 2000 7.7%. Whilst the S&P500 and Nasdaq have hit new all-time record highs many times this year, US small / mid caps have lagged. However the Russell 2000 did make a record all-time high on 25th November, surpassing its previous high point achieved in November 2021 – US smaller caps seen as net beneficiaries of likely President Elect Trump policies

4 European equity markets have made progress over November but gains have been much more modest than in the United States, impacted by a combination of slowing domestic economies in core countries combined with concerns about US trade tariffs. French equity markets have faced an additional headwind as a result of growing political uncertainty which has been building since its elections in July

5 UK equity markets have outperformed European peers now that the UK budget has passed and any US tariffs are seen as less impactful for UK PLC. The prospect of a lighter US burden on banking regulation and renewed Oil & Gas investment are also seen as potentially supportive for two important UK sectors. Whilst strategists continue to highlight the attractiveness of US equities, some see the UK as remaining good value and better placed to weather any fall out from future US economic and trade policy

6 The impact of anticipated President Elect Trump policies on future interest rates has moderated expectations for US rate cuts – markets now imply no cut in December 2024 and a further 72bps of cuts in 2025 versus expectations of 120bps of cuts to December 2025 immediately prior to the election. In the UK, Investec expects 100bps of cuts in 2025 taking the BoE base rate to 3.75% by December 2025 and in the EU Investec sees a more aggressive policy approach and now see the Deposit rate at 1.50% by the end of 2025

7 October CPI data showed that whilst inflation has fallen materially there is still some 'stickiness' – October US CPI came in at 2.6%, EU at 2%, UK at 2.3% (services inflation at 5%). PMIs for November suggest manufacturing remains under particular pressure (US 48.8, EU 45.2, UK 48.6) and broader slowdown in the EU but expansion in the US (Composite US 55.3, EU 48.1, UK 49.9)

8 November was subdued in terms of ECM volumes both in North America and in Europe, with \$5.1bn of issuance across Europe and the UK from 20 transactions. One IPO priced for Cox Energy in Spain

Investec

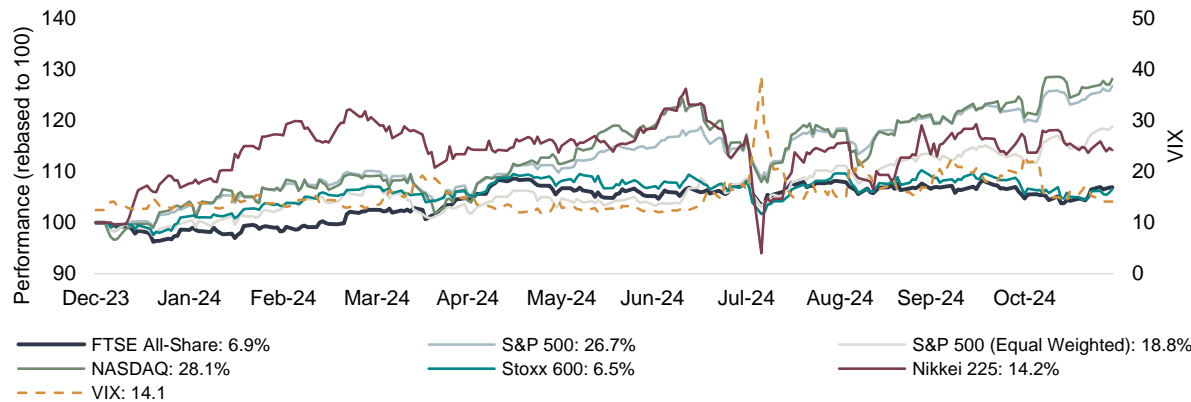


Equity Market Overview | Recovery in November, still solid YTD

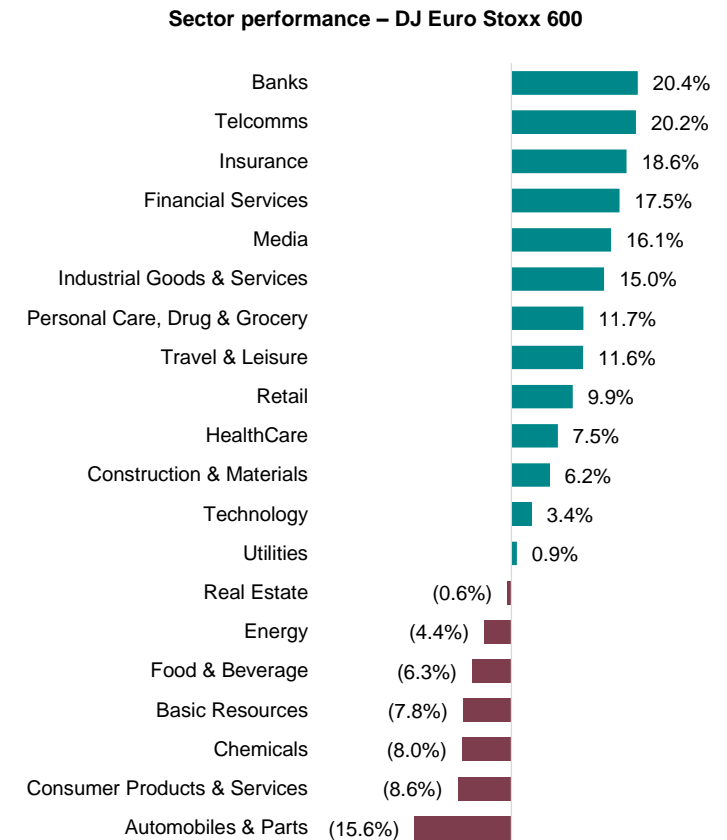
Confidence in soft / no landings remains intact with limited expectation of a hard landing

- November has seen US indices again making new highs following the US election. In the UK indices initially weakened post the Budget but have since recovered their poise and have outperformed European markets which are seen to be more at risk from potential US tariffs. French markets have significantly underperformed given the political instability that has been prevalent since July.
- By the close of the month most indices finished in the green – **FTSE up +2.2%, FTSE250 up +1.8%, Stoxx600 up +0.7%, S&P up +6.1%, CAC -2.3%**
- In the UK AIM listed stocks have underperformed since Rishi Sunak called for the UK election with the AIM All Share down -11% in that period up until the Budget, relative to the FTSE 100 down just -2.5% over that period. With the UK Budget removing only half of the IHT tax relief, AIM has recovered some of the losses as markets were evidently fearing a worse outcome, but still underperformed wider UK markets

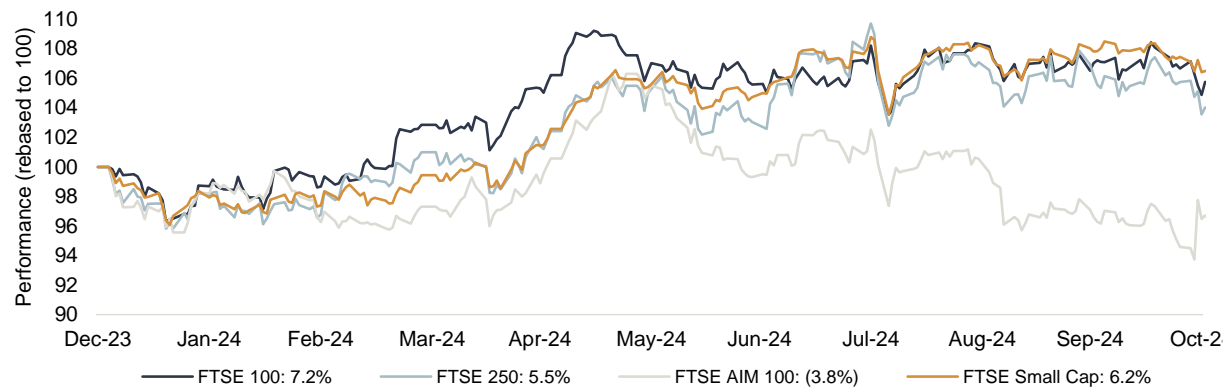
US equity markets lead the way on returns YTD, but globally equity markets have made progress



Varied sector performance within the Stoxx600



In the UK, AIM stocks have underperformed but have rallied post Budget as IHT concerns partially unwind

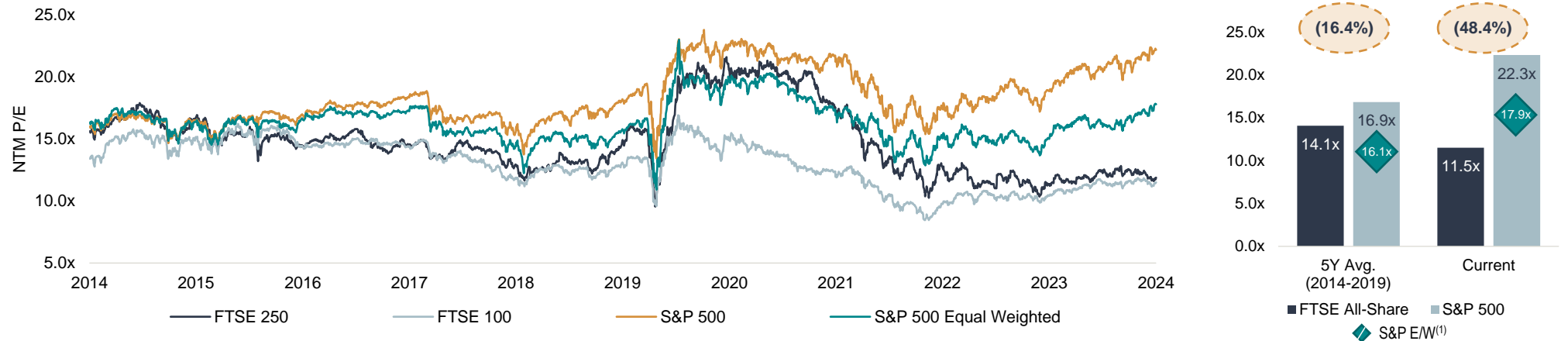


Equity Market Overview | valuation disconnect remains

UK valuations continue to look attractive on a global and historic relative basis

- As we know, since Brexit in 2016, the spread between UK and US equity valuations has increased with further divergence evident since the start of the pandemic and subsequently over the period of UK Government instability
- The UK budget could arguably have been more difficult but was still very much a 'mixed bag' for UK PLC with employer NI increases being the largest single hit for corporates. Companies are updating markets on what the impact of the Budget is expected to be for their businesses but there is seemingly some benefit for markets from clarity and removed uncertainty
- US equity markets are currently towards the top of historic valuation ranges and the headline valuation differential between US and UK / EU equity markets is as wide as it has ever been, although after adjusting for growth (and sector skew therefore...) that differential does reduce

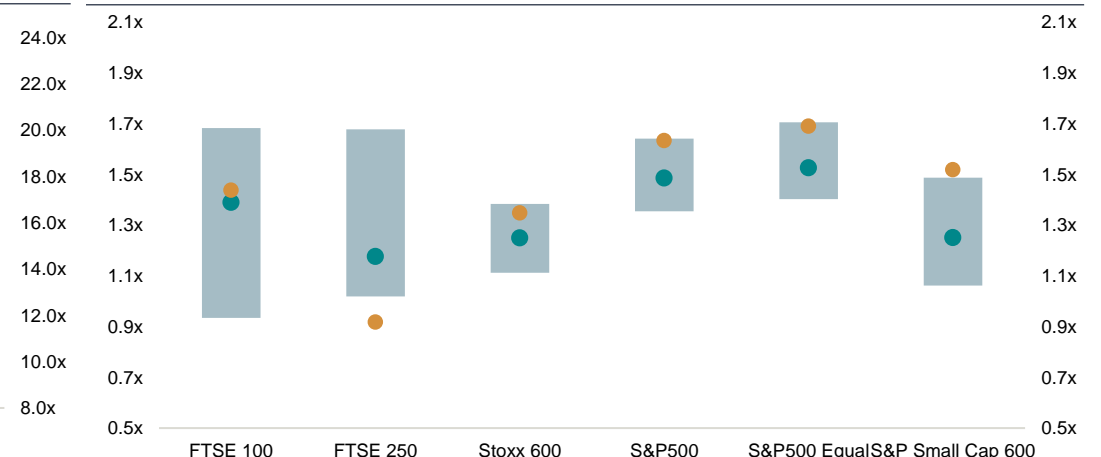
Headline valuation gap between US and UK equities at its widest in the last 10 years



The UK's PE valuation looks attractive on a 5-year historic basis vs RoW



PEG ratio – The FTSE 250 looks most attractive



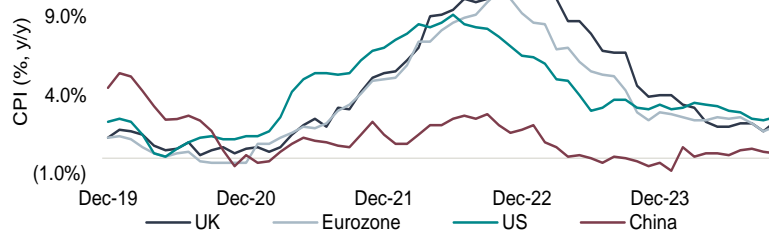
Macro Outlook | broadly supportive backdrop

Inflation continues to fall with further rate cuts anticipated, albeit at a slower pace

1

Inflation is trending towards central bank target levels...

Inflationary pressures moderating across the globe

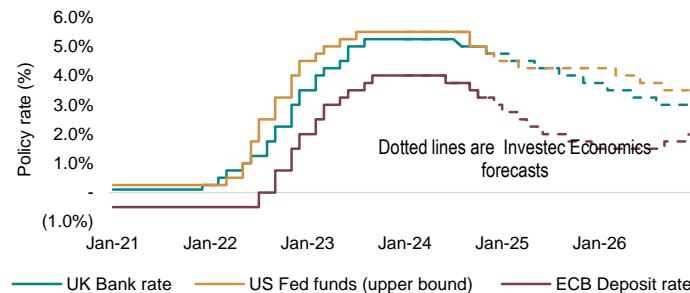


- UK inflation for October rose to 2.3% y/y from 1.7% in September and above the 2.2% expected driven partly by an increase in the energy price cap. Service sector inflation ticked up moderately to 5.0% from 4.9%, well above BoE targets
- In the EU CPI for October increased to 2.0% y/y from 1.7% in September. In the US CPI ticked up to 2.6% y/y in October from 2.4% in September
- Whilst the pace of further interest rate cuts may not be as quick as had been expected earlier in the year (particularly in the US), more are expected which supports confidence in the outlook and 'soft economic landings'
- The next hurdle for equity markets is likely to be new US policy (with global inflation now seen by investors as the biggest tail risk for markets). Ongoing political turmoil in France, the Middle East and Ukraine keeps geopolitical broader uncertainty on the agenda

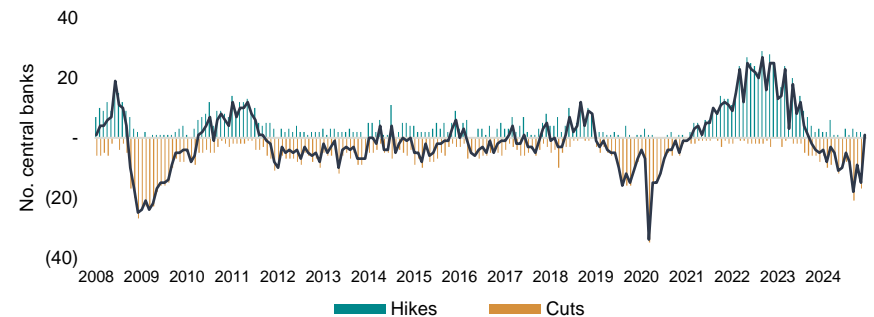
2

...and the rate cutting cycle looks well underway...

Key central banks have begun cutting rates...



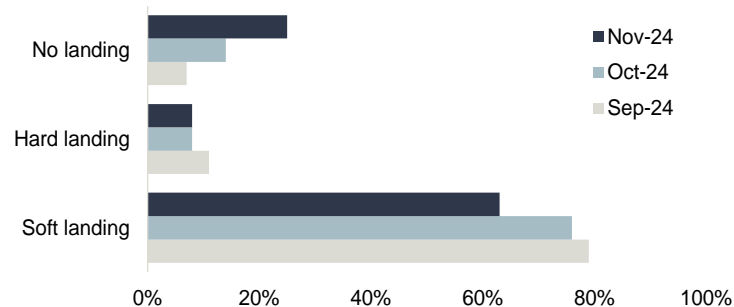
... and clear evidence that the rate cycle has now turned...



3

...supporting a more optimistic macro-outlook

A 'soft landing' for the global economy looking more likely...⁽¹⁾



...with recent economic data assuaging recession fears...⁽²⁾



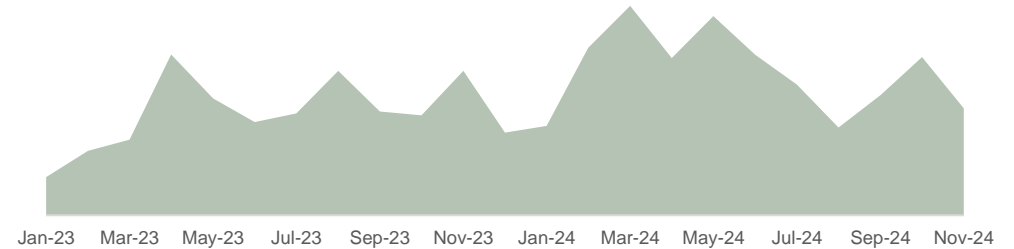


UK Funds Flow Overview | Perceptions gradually changing

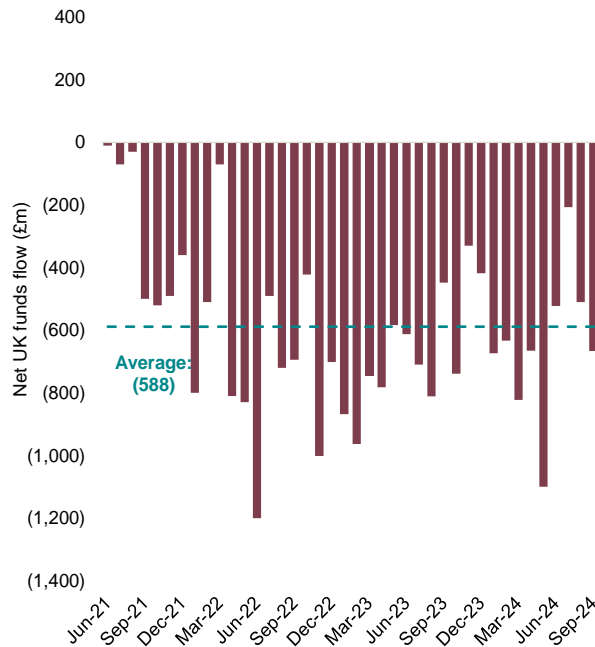
Despite a challenging funds flow environment for UK equities since 2021, there are signs of improvement

- The 30th October Budget significantly disrupted UK equities, but recovered ground once the Budget uncertainty was removed from the market. Although uncertainties with regard to IHT has been removed, AIM stocks have been relatively flat on the month closing - 0.3%.
- Most notable for UK markets, funds saw their first month of inflows since May 2021, breaking a 41-month stint of net selling
- Investec trading flows from US clients decreased in November as US institutions pivoted allocations to align with strong US equity performance post the election
- As fund managers focus on their 2025 strategies, London listed equities may be positioned for recovery with UK equities the top choice for European PMs in 3 of the last 4 months. Spanish equities just edged those in the UK in early November with Spanish GDP growth helping underpin the local stock market

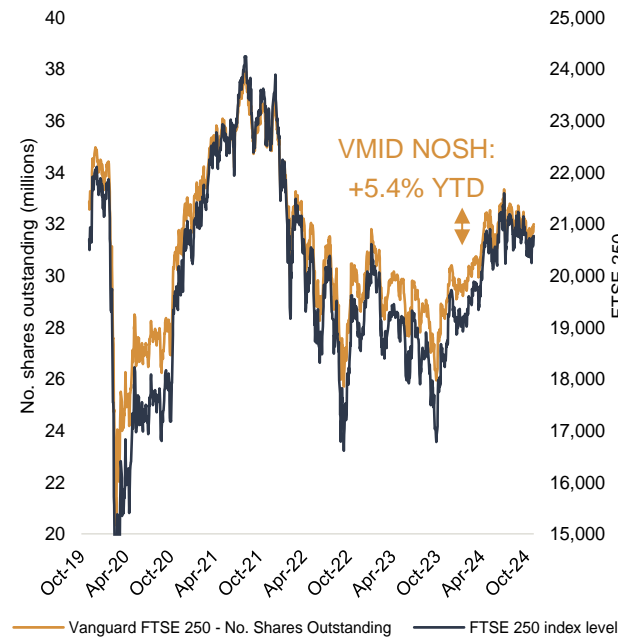
Investec's trading commission from US clients since 2023



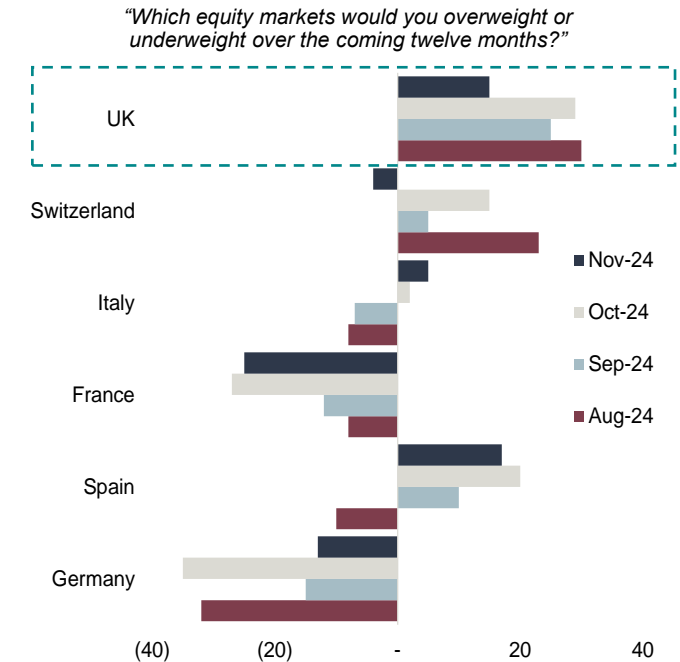
UK funds saw their first inflows since May 2021, in a sign of the market beginning to turn...⁽¹⁾



... and FTSE 250 ETF AuM has been growing through 2024 reflecting rising investor demand...⁽²⁾



...whilst investor perceptions are that UK equities are back in vogue, albeit Spain took the top spot in Nov⁽³⁾





European Equity Issuance 2024 YTD | Improving trends

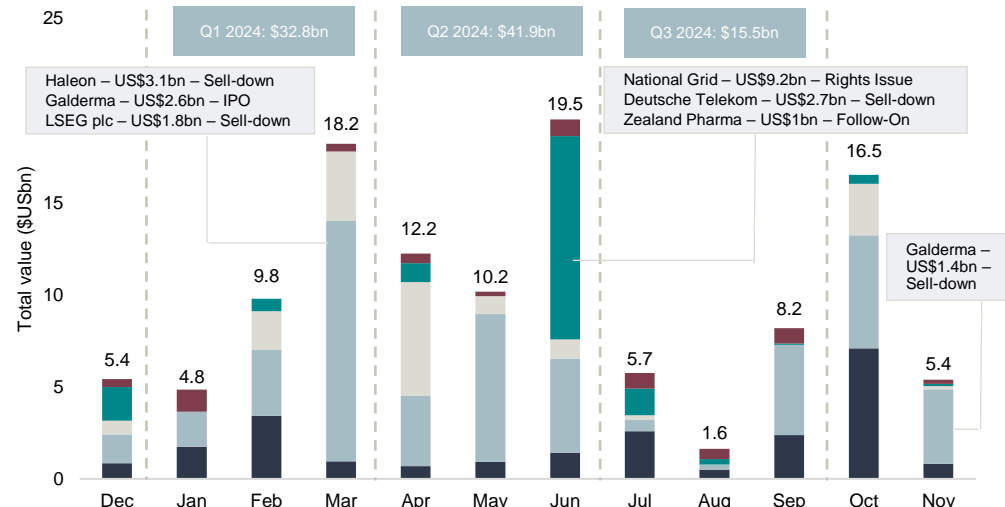
European equity issuance remains well below 10-year averages, but YoY improvements with 2024 \$ volume and transaction number now ahead of FY 2023

ECM activity steadily recovering given the improving backdrop

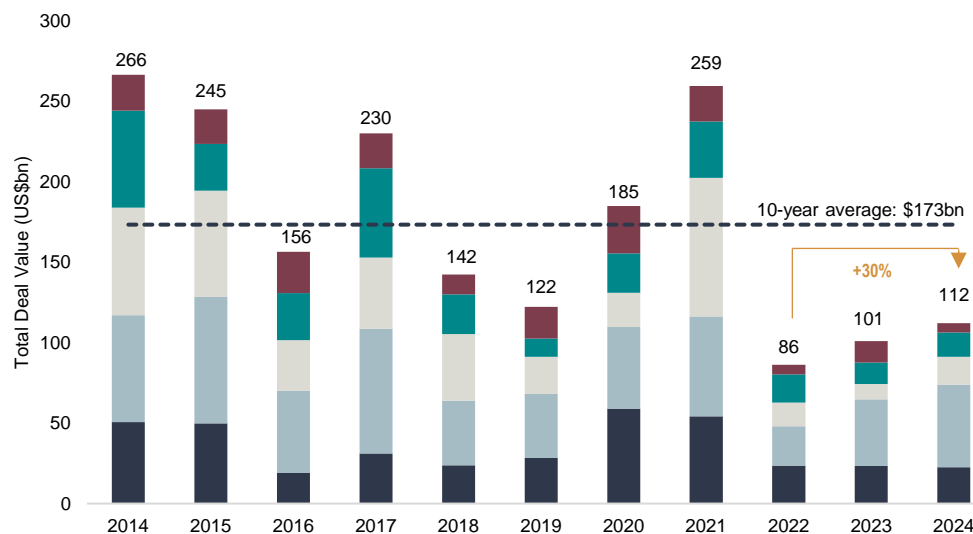
Deal Value (US\$bn)	2022	% Total	2023	% Total	2024	% Total	2024 vs. 2023
Follow-Ons	24	27%	23	23%	22	20%	1.0x
Sell-downs	24	28%	41	41%	51	46%	1.2x
IPOs	15	17%	9	9%	17	15%	1.8x
Rights Issues	17	20%	13	13%	15	13%	1.1x
Convertibles	6	7%	14	13%	6	5%	0.4x
Total	86		101		112		1.1x

No. Value	2022	% Total	2023	% Total	2024	% Total	2024 vs. 2023
Follow-Ons	111	38%	101	33%	87	29%	0.9x
Sell-downs	91	31%	93	31%	123	41%	1.3x
IPOs	32	11%	39	13%	41	14%	1.1x
Rights Issues	43	15%	41	14%	35	12%	0.9x
Convertibles	16	5%	28	9%	17	6%	0.6x
Total	293		302		303		1.0x

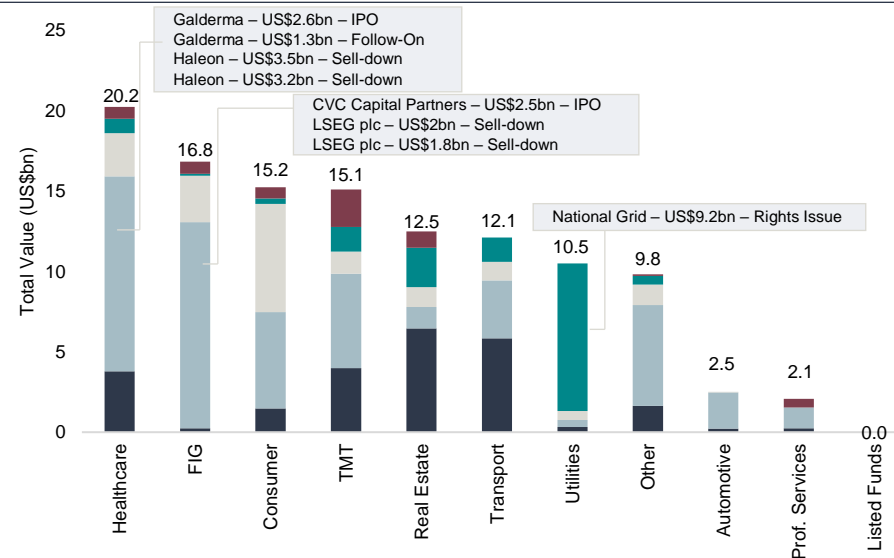
Growing ECM activity in the seasonally key periods (although November muted)



European ECM volumes (inc. UK) recovering from '22 low but still below 10-year averages



Successful LSEG, Galderma & Haleon activity driven FIG and Healthcare YTD vols.





European IPO Issuance 2024 YTD | Improving Outlook

IPO volumes remain subdued across Europe relative to 10-year averages. Volumes are up YoY although November volumes were subdued with 1 notable IPO pricing

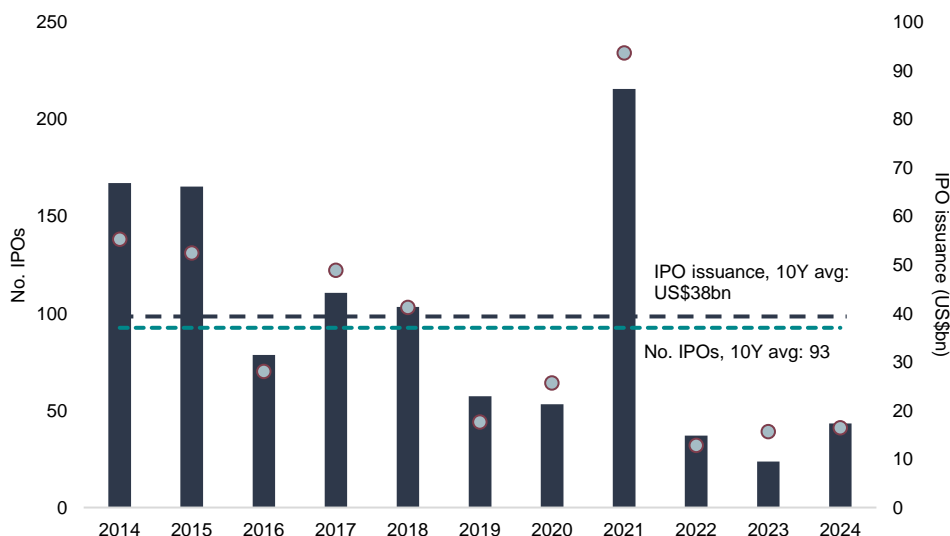
IPO issuance in Europe

- **US\$17bn raised across 41 transactions so far in 2024**, up by 86% and 14% respectively versus the **\$9bn raised across 37 deals in 2023 YTD**
- **Average IPO size** so far this year of **US\$422m** vs. US\$251m last YTD
- **Average YTD post-IPO share price gain of c.15%**. As of 30/11/24 **17 transactions out of 41** have delivered positive after-market returns for shareholders, **equivalent to \$2.9bn of alpha**
- There have been **four IPOs over US\$1bn this year**: Spanish fashion company Puig Brands (US\$2.4bn); consumer health and aesthetic solutions provider Galderma (US\$2.6bn), private equity firm CVC (US\$2.5bn) and Polish convenience store chain Zabka Polska (US\$1.6bn)
- **November saw just one IPO over US\$50m**, Cox ABG an integrated utility of water and energy company (US\$185m), listed in Madrid
- As we get to the close of 2024, we remain **cautiously optimistic on the outlook for European and UK IPOs**. Global equity markets continue to attract capital, and equity market performance has been robust so far this year. Additionally, we think this summer's FCA Listing Rule reforms will serve as helpful tailwinds for UK IPOs

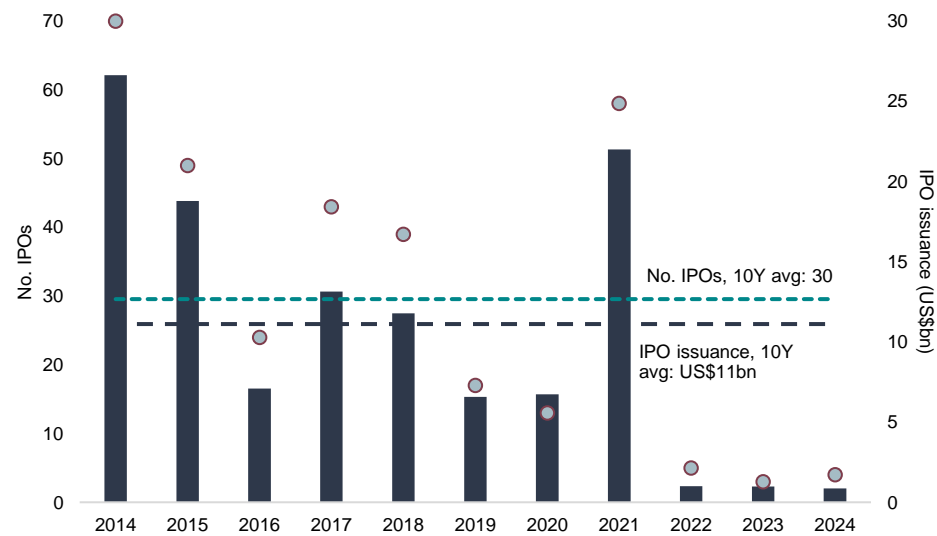
Recent deals have been more modestly sized with larger IPOs dominating the early part of the year

Date	Company	Sector	Country	Deal Value (US\$m)	IPO Mcap (£m)	% Co. Sold	Prim. / Sec. (%)	Post- IPO return
13 Nov	Cox ABG	Utility & Energy	Spain	185	660	22%	100 / 0	(1.1%)
24 Oct	Applied Nutrition	Consumer	UK	175	350	39%	0 / 100	(3.2%)
18 Oct	Sveafastigheter AB	Real Estate	Sweden	287	577	38%	0 / 100	(7.8%)
10 Oct	Zabka Polska	Consumer	Poland	1,640	4,189	30%	0 / 100	(10.2%)
01 Oct	Springer Nature	Media	Germany	665	3,731	13%	38 / 62	15.3%
09 Jul	Rosebank Industries	FIG	UK	64	64	100%	100 / 0	240.0%
24 Jun	Paratus Energy	Oil & Gas	Norway	75	829	9%	100 / 0	(7.4%)
20 Jun	Cinclus Pharma	Healthcare	Sweden	68	180	38%	100 / 0	(52.4%)
18 Jun	Prisma Properties	Real Estate	Sweden	150	412	36%	80 / 20	(7.2%)
11 Jun	Raspberry Pi	TMT	UK	228	690	33%	19 / 81	29.0%
07 Jun	Exosens SAS	TMT	France	437	1,844	24%	51 / 49	(9.0%)
30 Apr	Puig Brands	Consumer	Spain	2,936	14,441	20%	48 / 52	(18.7%)
26 Apr	CVC Capital Partners	FIG	Netherlands	2,451	14,998	16%	12 / 88	65.5%
21 Mar	Galderma	Healthcare	Switz.	2,561	14,124	18%	99 / 1	70.3%
19 Mar	Douglas	Consumer	Germany	966	3,041	32%	96 / 4	(30.0%)
Average				861	3,316	32	56 / 44	18.3%

European (inc. UK) IPO activity is sitting well below the 10-year average...



... and the same can be said for the UK IPO issuance levels

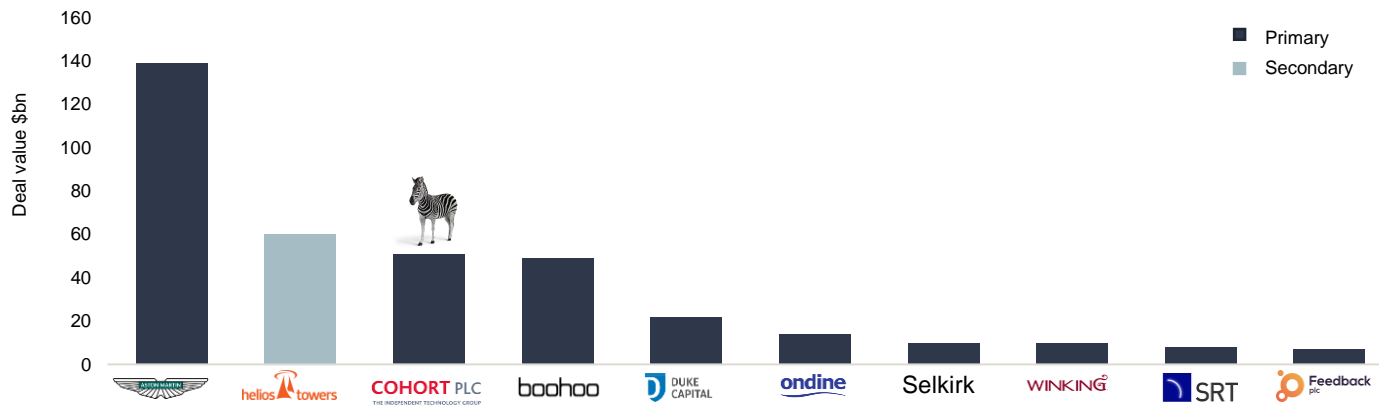




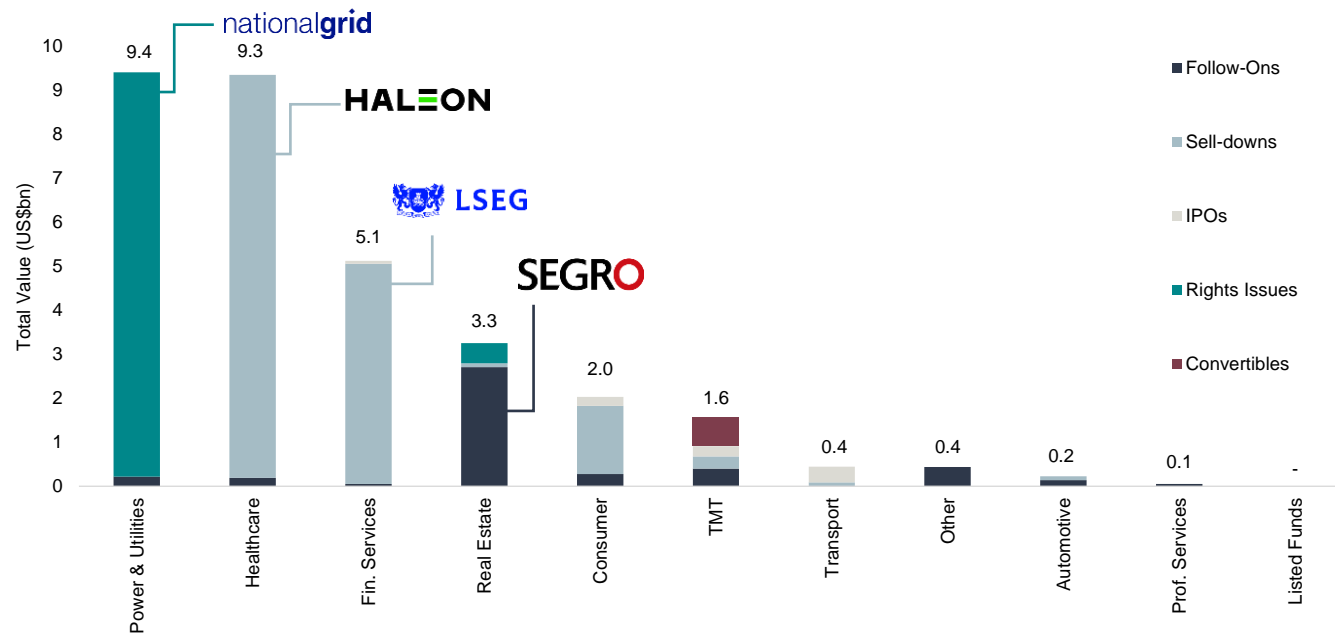
UK ECM activity | November

UK ECM issuance was muted in November as markets digested the UK October Budget and the US election results, but YTD value and deal numbers well ahead of 2023

UK ECM issuance across the deal size spectrum in November⁽¹⁾ – \$389m raised in 23 deals, with 13 deals sub-\$5m



Utilities, Healthcare and FIG the most active sectors from an ECM perspective over the last 12 months⁽²⁾



2024 UK ECM YTD activity vs 2023 snapshot⁽²⁾

	2024 YTD	2023 YTD	Variance
Total funds raised (\$m)	28,297	19,724	+46.0%
Total no. transactions	131	107	+22.4%

Comparison: UK ECM activity in November 2023⁽¹⁾

<i>Funds raised</i>	<i>Deal count</i>	<i>Largest primary</i>	<i>Largest secondary</i>
£944m	39 deals	ZEGONA COMMUNICATIONS	#N/A
142.7% higher than Nov'24	69.6% higher than Nov'24	\$320m Placing	#N/A

Potential UK IPOs



Cohort's £75m acquisition of EM Solutions & £40m Equity Placing

UK Equity Markets demonstrating strong support for strategically aligned and earnings accretive M&A

Transaction Overview

- Cohort is acquiring EM Solutions for an enterprise value of AUD\$144.0m (£75.0m) (the "Acquisition") on a cash free debt free basis
- Part-funded by £40m non-pre-emptive Placing with the balance provided by Cohort's existing cash resources and debt facilities (the "Placing")
- Incremental £1m PrimaryBid offer to retail investors
- The Acquisition creates a materially larger Group and will be Cohort's largest acquisition to date
- It brings a new capability to the Cohort, strengthens its strategic geographic position, and has strong structural growth drivers
- It enables Cohort to further establish its footprint in Australia, an increasingly important player in the global defence supply chain and a key strategic region for the Cohort Group

EPS materially accretive in first full year of ownership (FY26)

ROIC > WACC in third full year of ownership (FY28)

Overview of EM Solutions

- EM Solutions is a leading Australia-based developer and producer of high-end Satellite Communications terminals for global navy and defence customers
- Its products include proprietary technology that provides reliable communications in challenging conditions – especially relevant for the fast-growing uncrewed vessels market



Products	Services
SOTM Terminals <i>(c.59% of CY23 revenue)</i>	Sustainment <i>(c.22% of CY23 revenue)</i>
Radio Frequency <i>(c.3% of CY23 revenue)</i>	Manufacturing & Design <i>(c.15% of CY23 revenue)</i>

 Internally developed technology IP	 Bespoke customer solutions
 Market-leading expertise	 Vertically integrated systems

£22.4m <i>CY23 Revenue</i>	31.1% <i>CY21-CY23 Revenue CAGR</i>	26.8% <i>CY23 EBIT margin</i>	88.0% <i>CY25 Order book cover</i>
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A well-covered book; issued at a narrow discount

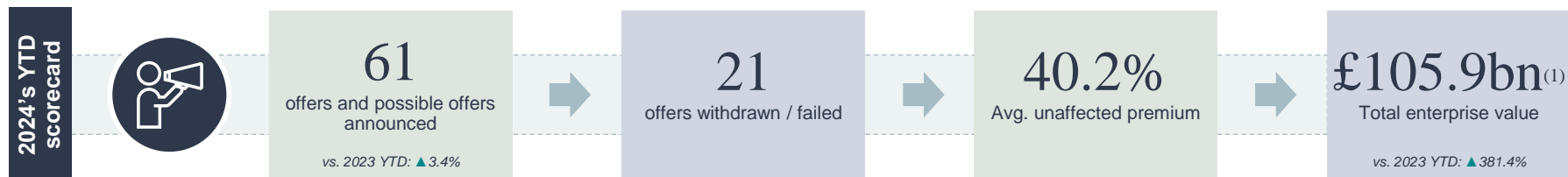
Multiple times <i>Oversubscribed equity issue</i>	4.3% <i>Discount to prevailing share price</i>	11.2% <i>% of ISC raised ⁽¹⁾</i>	39 <i>No. participating institutions</i>
56.3% <i>Of new institutional capital as a proportion of total funds raised</i>	+64% <i>YTD share price performance (as at 20 November)</i>	20.6x <i>Cohort NTM P/E multiple pre-acquisition</i>	18 years <i>Tenure of Investec's relationship with Cohort</i>

Introduction of new high-quality institutions to the register

- The Placing was launched following a confidential marketing exercise to existing shareholders and new investors over the course of 4.5 days
- Cohort's shareholder register includes some good UK institutions but is 30% owned by 'insiders' and management, who were unable to participate given the Company was in a closed period, and also has +35% owned directly / indirectly by retail investors
- These characteristics of the Company ownership created a requirement, and an opportunity, to introduce a broad range of non-holders onto the register
- The book was multiple times subscribed via a combination of strong support from certain shareholders plus new investors looking to join the register
- New investors joining the register included a number of the largest global investment managers, additional UK asset managers, US based asset managers and a European asset manager
- Given the requirement for certain funds at the point of signing the acquisition Investec provided a hard underwriting commitment to Cohort
- Investec acted as Sole Financial Adviser, Sole Broker, Sole Bookrunner, and Nomad to Cohort**

UK Public M&A activity | November

UK public market valuations continue to attract significant interest from trade and private capital



Selected deals			OFFEROR	OFFEREE				Highlights
Firm	Private Equity	28th November		 <i>Loungers plc operates a chain of casual dining and drinking establishments across the UK.</i> 	310 Pence per share	30.3% Premium	£338.3m Offer value	<ul style="list-style-type: none"> The Cash Offer was the result of a competitive private sale process. The Cash Offer price of 310 pence per Loungers Share was secured after extensive negotiations and is the highest offer level to be proposed during the sale process The Cash Offer values Loungers' entire issued and to-be-issued share capital at approximately £338.3 million on a fully diluted basis. This implies an enterprise value of £350.5 million and a multiple of approximately 8.1 times Loungers' FY24 Adjusted EBITDA (before site pre-opening costs) and of approximately 9.0 times Loungers' FY24 Adjusted EBITDA (after site pre-opening costs) Fortress believes it is a strong partner for Loungers, its management team, its employees and its other stakeholders in the next stage of Loungers' growth journey
Possible Offer	Strategic	27th November		 <i>Direct Line Insurance Group plc is a UK-based insurance company that provides a range of insurance products and services.</i> FTSE 250	112.5 Pence per share & 0.282 new Aviva shares for each Direct Line share	59.7% Premium	£3.28bn Offer value	<ul style="list-style-type: none"> On 19th November, Aviva plc announced that it had submitted a non-binding cash and share proposal to the board of Direct Line Insurance Group plc On 27 November 2024, The Direct Line board state that it had considered the proposal with its advisers and concluded that it was highly opportunistic and substantially undervalued Direct Line. The board unanimously rejected the proposal on 26 November 2024. Aviva believes that an acquisition of Direct Line would be consistent with its strategy to accelerate growth in its UK businesses and further pivot the group towards capital-light business lines
Possible Offer	Strategic	15th November		 <i>TT Electronics plc is a UK-based company that specializes in designing and manufacturing electronic components and systems</i> FTSE SmallCap	62.9 Pence per share and 0.223 new Volex shares per TT share	76.7% Premium	£248.6m Offer value	<ul style="list-style-type: none"> Volex plc confirmed that it has submitted two proposals to the board of TT Electronics plc regarding a possible cash and share offer for the entire issued and to be issued share capital of TT Electronics. The board confirmed that it had received an unsolicited conditional proposal from Volex and having carefully considered the proposal together with its advisers, unanimously rejected the proposal as fundamentally undervaluing TT Electronics and its long-term prospects. The TT Electronics board also confirmed that it had received and rejected an all-cash indicative proposal from another party at a higher value than the Volex proposal. TT Electronics confirmed that there are no ongoing discussions with that party.
Firm	Strategic	11th November		 <i>Aquis Exchange plc is a UK-based company that operates a stock exchange and provides trading services.</i> 	727 Pence per share	120% Premium	£225.0m Offer value	<ul style="list-style-type: none"> SIX considers an acquisition of Aquis to be a compelling strategic opportunity which will complement its established growth strategy and is aligned with its approach to capital allocation. SIX expects the acquisition of Aquis to strengthen its ability to serve customers in Switzerland, Spain and internationally with its reliable infrastructure services and seamless access to capital markets SIX intends to finance the transaction using a combination of existing cash and from the proceeds of a dedicated bridge facility agreement in an amount of up to £240 million with UBS Switzerland AG The transaction has been recommended by the whole board Investec acted as NOMAD, joint corporate broker and joint financial adviser

















Senior-led team | significant hands-on experience

An experienced and well-established team

<p>Jonathan Arrowsmith</p> <hr/> <p>Head of Investment Banking</p> <p>25+ years⁽¹⁾</p>	 	<p>Carlton Nelson</p> <hr/> <p>Head of UK Corporate Broking & PLC Advisory</p> <p>20 years</p>	 	<p>Clive Murray</p> <hr/> <p>Head of Equities</p> <p>25+ years</p>	 
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Equity Capital Markets & PLC Advisory (UK & Frontier Markets)

M&A Advisory, Private Equity Origination and Capital Fundraising

  <p>Duncan Smith</p> <hr/> <p>Head of UK ECM</p> <p>25+ years</p>	  <p>Ben Griffiths</p> <hr/> <p>Director, UK ECM</p> <p>10 years</p>	  <p>Jarret Geldenhuys</p> <hr/> <p>Managing Director, FM ECM</p> <p>25+ years</p>	  <p>Ashleigh Williams</p> <hr/> <p>Director, FM ECM</p> <p>10 years</p>	  <p>Luke Spells</p> <hr/> <p>Head of M&A Advisory</p> <p>20+ years</p>	  <p>Kate Gribbon</p> <hr/> <p>Head of UK Private Equity Coverage</p> <p>20 years</p>	  <p>Oliver Andrews</p> <hr/> <p>Director, UK Private Company Fundraising</p> <p>10 years</p>
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Equity Research

Equity Sales (UK & International)

  <p>Andrew Whitney</p> <hr/> <p>Head of UK Research</p> <p>20+ years</p>	  <p>Paul Divito</p> <hr/> <p>Head of UK Sales Desk</p> <p>25+ years</p>	  <p>Adam Bidwell</p> <hr/> <p>UK Equity Sales</p> <p>20+ years</p>	  <p>James Ewing</p> <hr/> <p>US Equity Sales</p> <p>20+ years</p>	  <p>Callum Hillicks</p> <hr/> <p>European Equity Sales</p> <p>10 years</p>	  <p>Neil Brierly</p> <hr/> <p>Co-Head Investment Trusts Sales</p> <p>20+ years</p>	  <p>Andrew Schultz</p> <hr/> <p>Head of Frontier Market Sales</p> <p>25+ years</p>
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