

Investec European and UK ECM Review

October 2024



Executive summary

Despite a move lower into month end, global equity market performance remains robust year to date – ECM volumes continue to recover although remain below 10-year averages

1

Investors have had plenty to digest through October with a slew of (generally constructive) corporate results, macro data, uncertainty with respect to the US election, evolving geopolitics and in the UK, the first Labour budget in 14 years. Although indices have moved lower into month end, equity markets largely navigated much of that news flow and several indices once again made all-time highs earlier in the month (S&P500, DAX).

2

Key macro events/data over the month included September UK CPI that (at the headline level) came in at 1.7% cementing expectations of a November 25bps BoE rate cut, the much awaited UK Budget, strong US Retail sales and Consumer Confidence data suggesting the US consumer is holding up well, a third 25bps cut in rates from the ECB (European Deposit rates now at 3.25%) and October flash PMI surveys

3

Investors continue to see soft economic landings as the most likely dynamic over the next 12 months although the chances of a no-landing scenario, with more stubborn inflation keeping rates higher for longer, also growing marginally

4

Government bond yields moved higher over the month both in the US and in Europe. In the US the UST 10 year yield moved from 3.78% to close out the month at 4.28%, the UK 10 year moved from 3.99% to 4.44% and the German 10 year from 2.03% to 2.38%. In the US the 50bps rate cut combined with solid economic data suggest a slower path for the Fed whereas some concerns about increased Gilt issuance and the longer term implications of the budget pushed UK yields higher

5

Whilst there has been some broadening of performance at various points through the year, large caps (and mega cap US tech companies) have outperformed - the FTSE250 and the Russell 2000 closed October 16% and 10% from all time record highs (reached in 2021) whereas a number of larger cap indices made all time highs again last month

6

Uncertainty surrounding the UK budget and downbeat Government commentary not only impacted UK Consumer Confidence in the run up to the budget (see October GfK survey) but also will have contributed to funds flow into UK equities softening over the month. However the BAML survey for September continued to show that the UK remains the top pick in Europe for PMs over the next 12 months, and with the budget now out of the way (and arguably no worse than expected for UK plc) flows may continue to recover over the balance of the year

7

ECM activity reached a total of \$16bn from 29 transactions over the month, significantly ahead of the \$8.1bn and 38 transactions for September and the busiest month in \$ volume terms for European ECM since June. This puts 2024's ECM activity year to date ahead of the full year volumes for 2023.

8

European ECM volumes continue to be driven by follow-on and secondary sale activity but there were 4 IPOs in October that priced raising \$2.8bn in total. In the UK, Applied Nutrition successfully floated on the LSE in its all secondary IPO that raised £157.5m with JD Sports and senior management selling down

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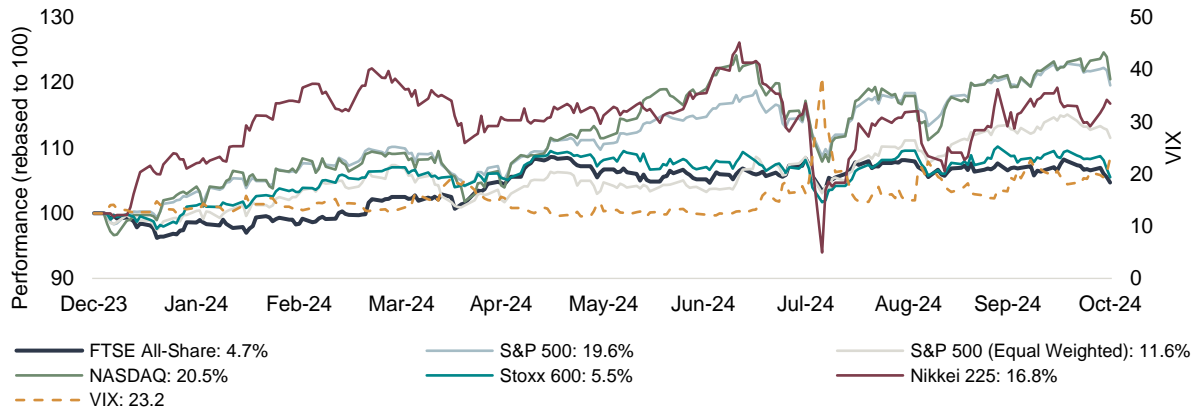


Equity Market Overview | Lower for October but still solid YTD

Confidence in soft landings remains intact with further rate cuts expected

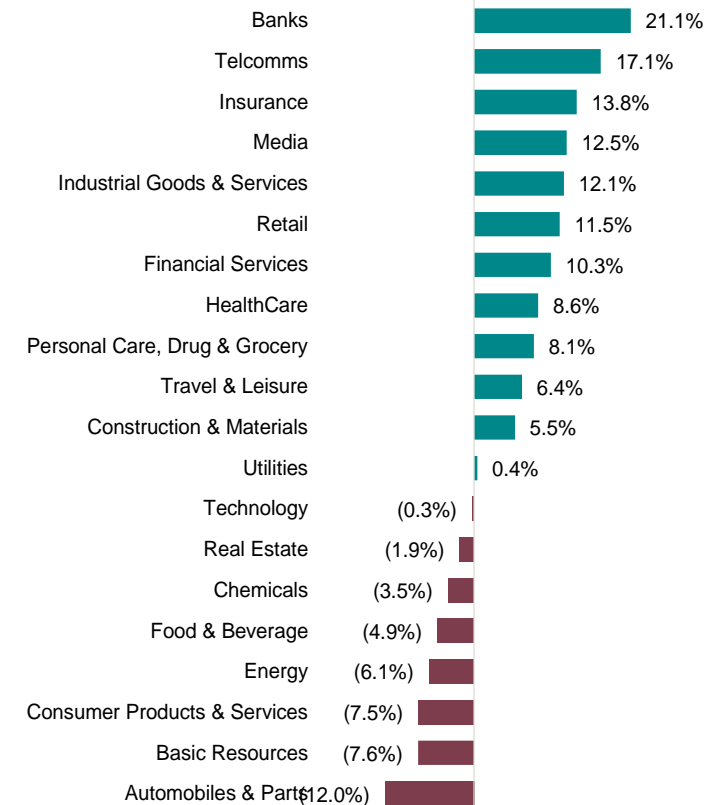
- October saw US indices again making new highs, the DAX achieved the same and several European indices spent much of the month within touching distance of their record highs. However, by the close of the month all had given up gains and closed lower over the month – FTSE down -1.5%, FTSE250 down -3.2%, Stoxx600 down -3.3%, S&P down -1.0%
- Equity markets have been relatively calm over much of October, although as the month end came into view investors pulled back given rising US election concerns, the UK budget, geopolitics and some slightly cautionary outlook commentary (relative to lofty expectations) from some of the US mega cap tech companies
- 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 rallied 3% since markets were evidently fearing a worse outcome

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

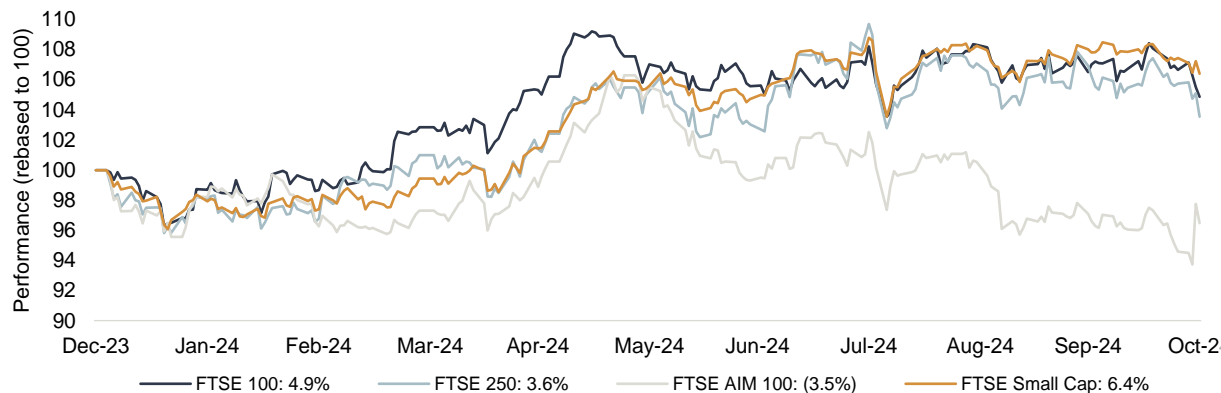


Varied sector performance within the Stoxx600

Sector performance – DJ Euro Stoxx 600



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

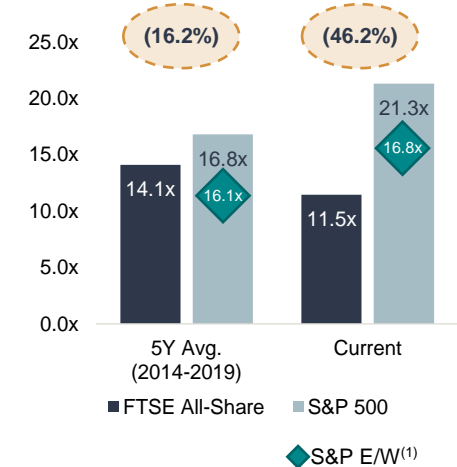
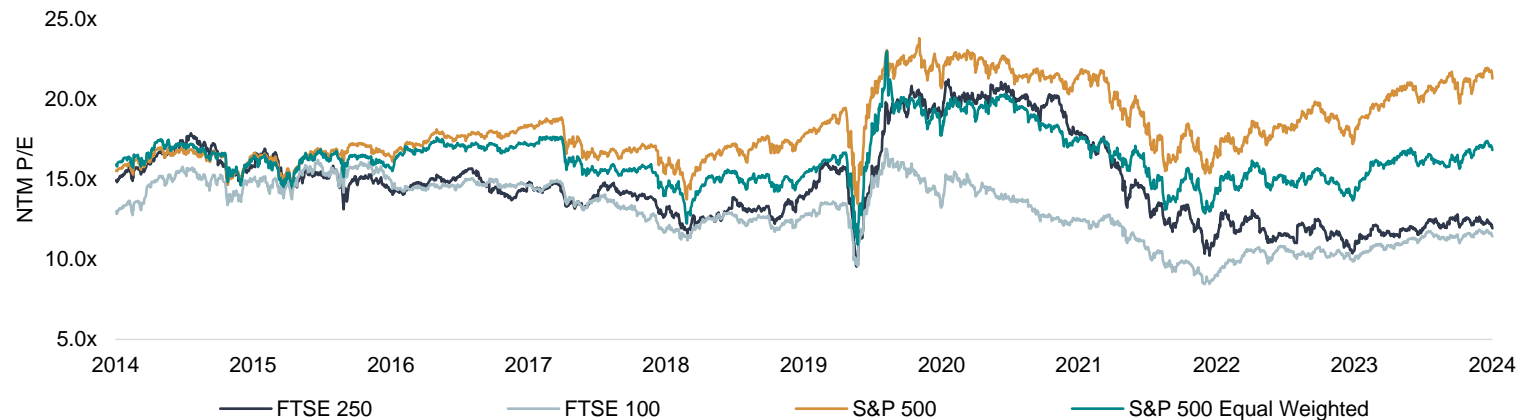


Equity Market Overview | valuation disconnect remains

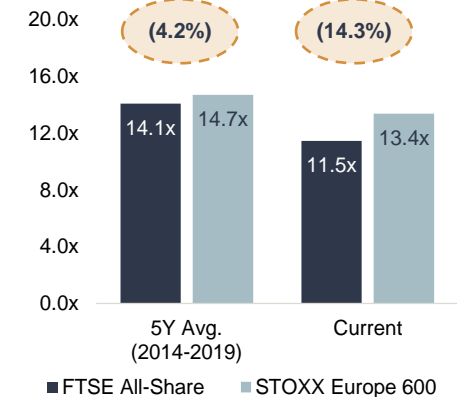
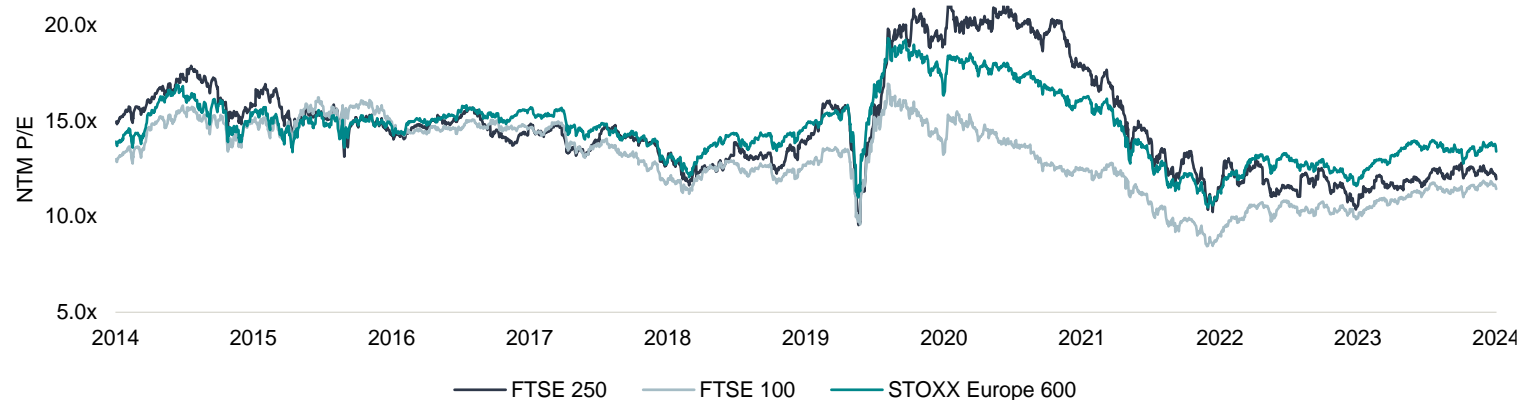
UK valuations continue to look attractive on a global and historic relative basis

- 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
- Recent UK Government commentary regarding fiscal 'black holes' and uncertainty about what that would mean for the first Labour budget in 14 years impacted recovering UK sentiment that was evident immediately post the election in July – the September Gfk consumer sentiment survey clearly showed its impact on the consumer but the impact was more widespread with investors also holding off
- With the budget now out of the way and taxation plans arguably no worse than expected (and in some regards better than feared) the removal of the 'uncertainty' should help the interest in UK equities, that has been on hold for several months, start to recover again

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



European equity valuations also trail those in the US but are slightly ahead of the UK

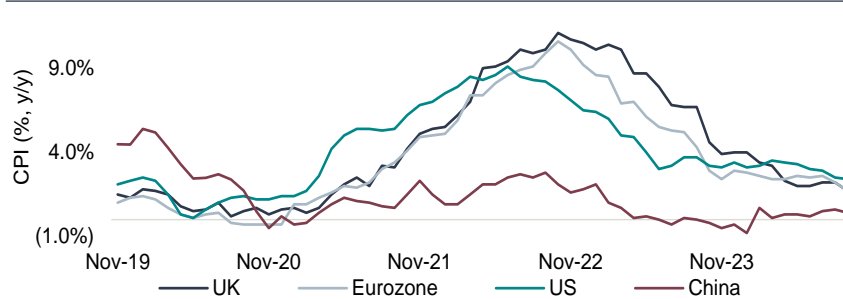


Macro Outlook | improving backdrop

Inflation continues to fall with further rate cuts anticipated

1 Inflation is trending towards central bank target levels...

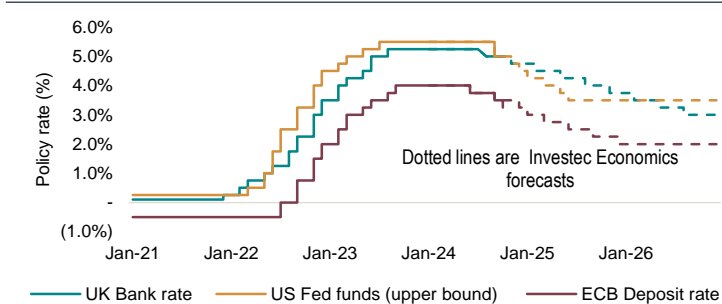
Inflationary pressures moderating across the globe



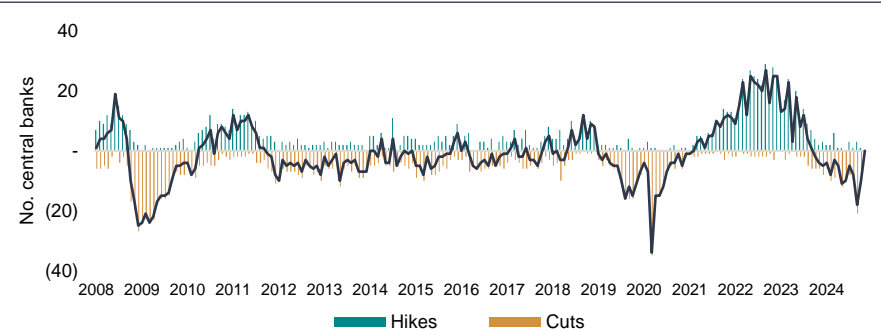
- In October UK inflation for September fell to 1.7% y/y from 2.2% in August and was lower than the 1.9% expected. Service sector inflation, although also continuing to fall, remains well above BoE targets at 4.9%
- In the EU CPI for September fell to 1.7% y/y from 2.2% in August (although preliminary data shows it has edged back up to 2% in October, driven by fuel prices). In the US CPI fell to 2.4% y/y in September from 2.5% in August
- 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'
- Geopolitical uncertainty continues to be a significant feature although equity markets have so far navigated these challenges – is the next hurdle the US election outcome?

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

Key central banks have begun cutting rates...

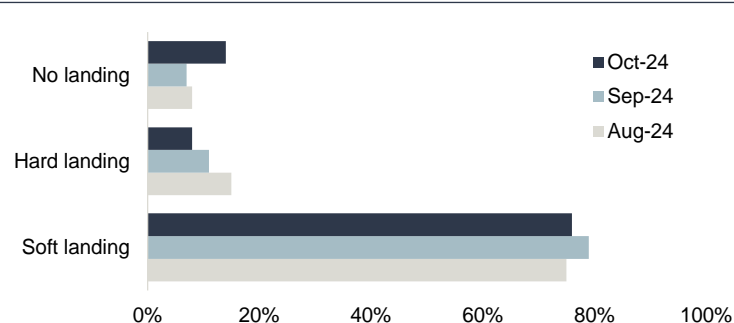


... and clear evidence that the rate cycle has now turned...

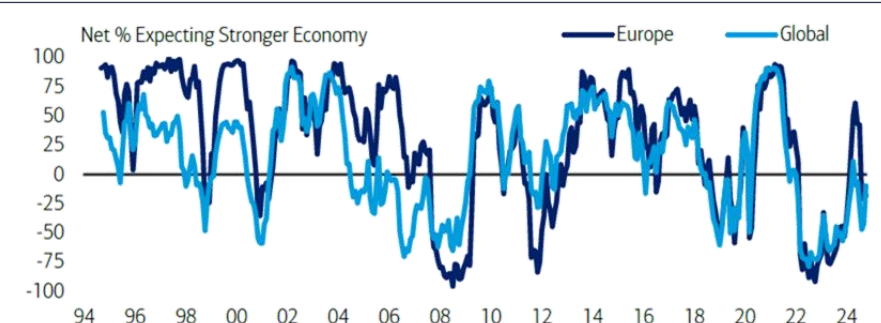


3 ...supporting a more optimistic macro-outlook

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



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



Source: BofA European & Global Fund Manager Survey

European Equity Issuance 2024 YTD | Improving trends

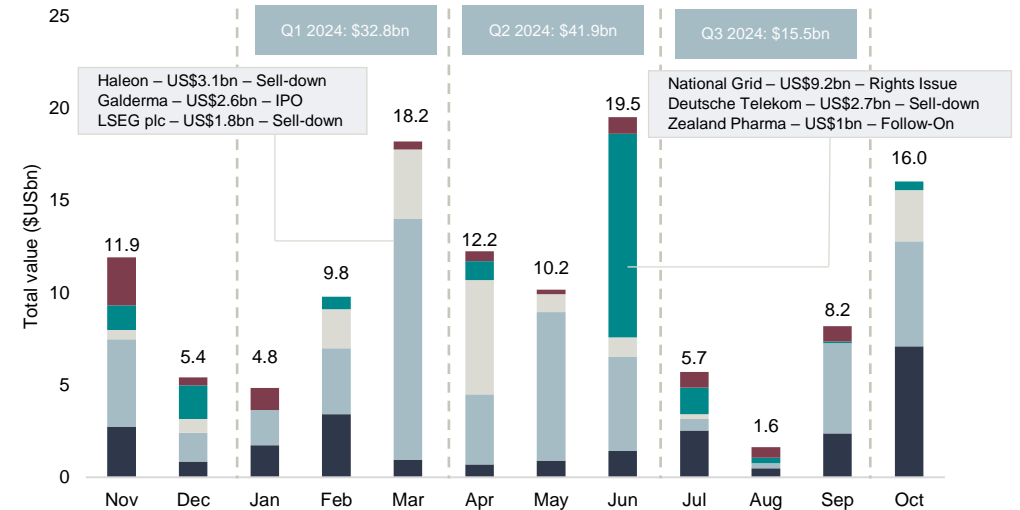
European equity issuance remains well below 10-year averages, but YoY improvements with 2024 YTD \$ volume now ahead of FY 2023 volume

ECM activity steadily recovering given the improving backdrop

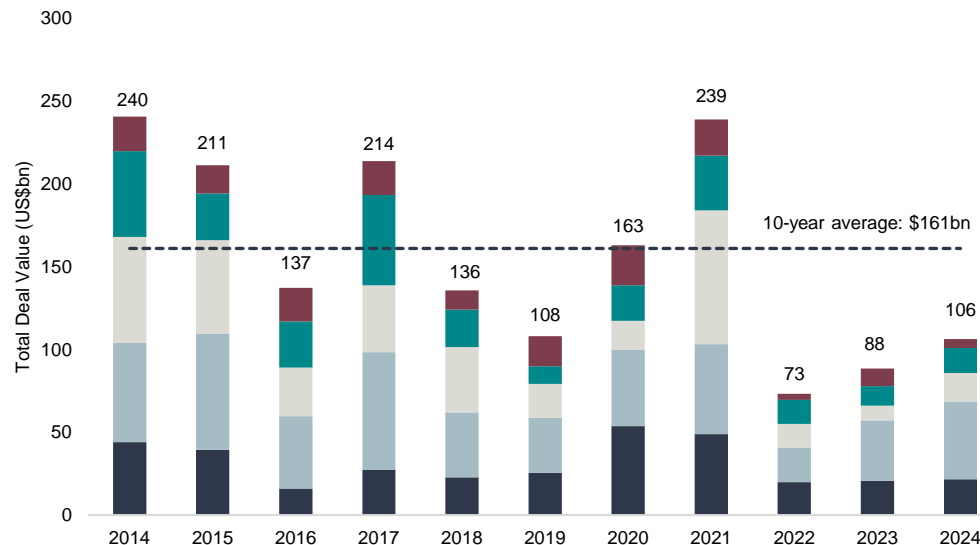
Deal Value (US\$bn)	2022	% Total	2023	% Total	2024	% Total	2024 vs. 2023
Follow-Ons	20	27%	21	23%	22	20%	1.0x
Sell-downs	21	28%	37	41%	47	44%	1.3x
IPOs	15	20%	9	10%	17	16%	1.9x
Rights Issues	14	20%	12	13%	15	14%	1.3x
Convertibles	4	5%	11	12%	6	5%	0.5x
Total	73		88		106		1.2x

No. Value	2022	% Total	2023	% Total	2024	% Total	2024 vs. 2023
Follow-Ons	100	39%	86	34%	82	29%	1.0x
Sell-downs	76	30%	77	30%	108	39%	1.4x
IPOs	31	12%	32	13%	40	14%	1.3x
Rights Issues	39	15%	36	14%	34	12%	0.9x
Convertibles	11	4%	23	9%	16	6%	0.7x
Total	257		254		280		1.1x

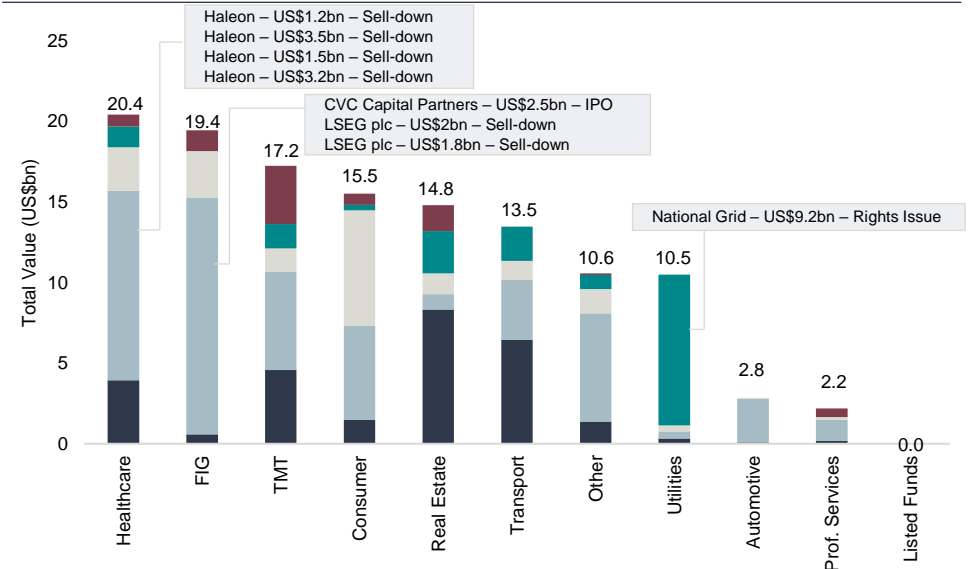
Growing ECM activity in the seasonally key periods



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



Successful LSEG and Haleon sell-downs driven FIG and Healthcare YTD volumes



European IPO Issuance 2024 YTD | Improving Outlook

IPO volumes remain subdued across Europe relative to 10-year averages, however volumes are up YoY with October seeing \$2.8bn raised from 4 notable IPOs

IPO issuance in Europe

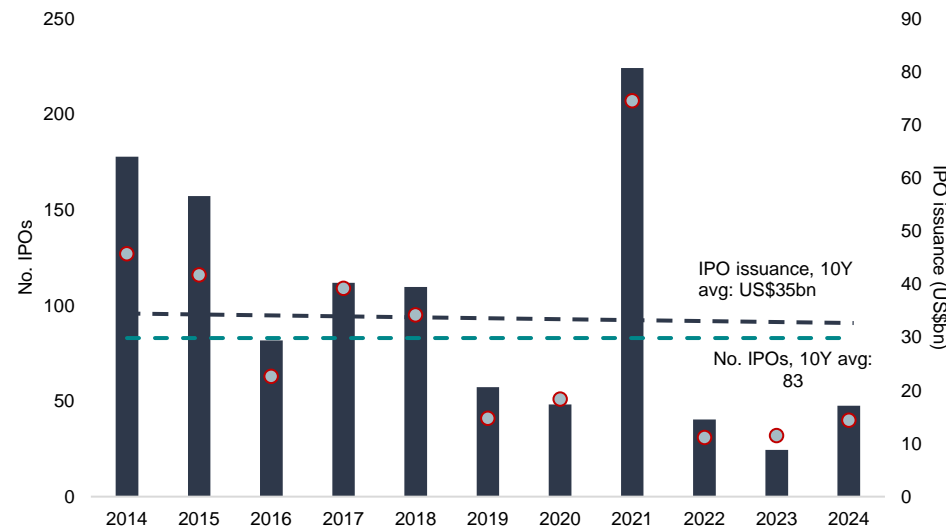
- **US\$17bn raised across 40 transactions so far in 2024**, up by 114% and 33% respectively versus the **\$8bn raised across 30 deals in 2023 YTD**
- **Average IPO size** so far this year of **US\$427m** vs. US\$278m last YTD
- **Average YTD post-IPO share price gain of c.12%**. As of 31/10/24 **16 transactions out of 40** have delivered positive after-market returns for shareholders
- **Consumer sector been busiest this year**, raising US\$6bn over 8 IPOs
- 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)
- **October saw four IPOs over US\$50m**, with the average deal size being US\$691m
- As we enter Q4 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

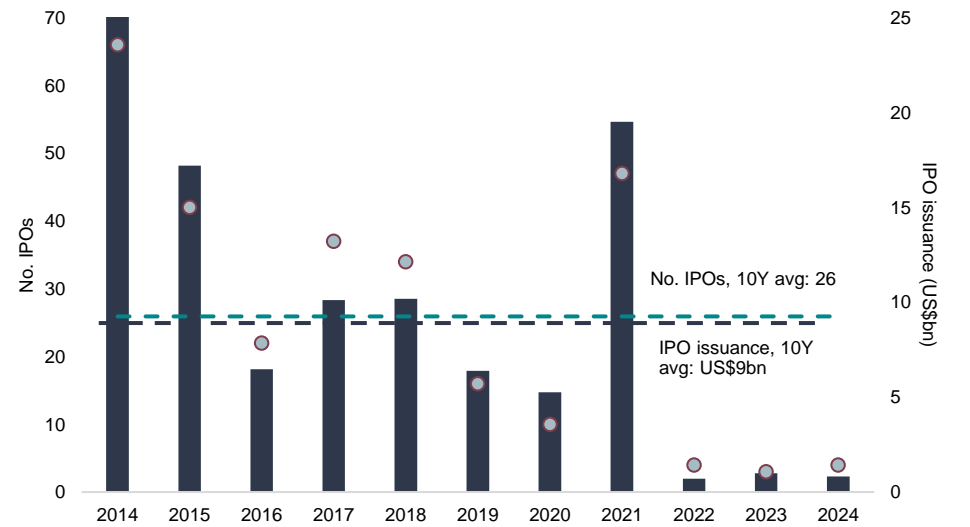
Date	Company	Sector	Country	Deal Value (US\$m)	IPO Mcap (£m)	% Co. Sold	Prim. / Sec. (%)	Post-IPO return
24 Oct	Applied Nutrition	Consumer	London	175	350	39%	0 / 100	0.2%
18 Oct	Sveafastigheter AB	Real Estate	Sweden	287	577	38%	0 / 100	(3.5%)
10 Oct	Zabka Polska	Consumer	Poland	1,640	4,189	30%	0 / 100	(0.2%)
01 Oct	Springer Nature	Media	Germany	665	3,731	13%	38 / 62	3.1%
09 Jul	Rosebank Industries	FIG	UK	64	64	100%	100 / 0	143.0%
24 Jun	Paratus Energy	Oil & Gas	Norway	75	829	9%	100 / 0	4.6%
20 Jun	Cinclus Pharma	Healthcare	Sweden	68	180	38%	100 / 0	(33.3%)
18 Jun	Prisma Properties	Real Estate	Sweden	150	412	36%	80 / 20	(3.7%)
11 Jun	Raspberry Pi	TMT	UK	228	690	33%	19 / 81	39.0%
07 Jun	Exosens SAS	TMT	France	437	1,844	24%	51 / 49	1.9%
30 Apr	Puig Brands	Consumer	Spain	2,936	14,441	20%	48 / 52	(15.9%)
26 Apr	CVC Capital Partners	FIG	Netherlands	2,451	14,998	16%	12 / 88	44.9%
21 Mar	Galderma	Healthcare	Switz.	2,561	14,124	18%	99 / 1	50.9%
19 Mar	Douglas	Consumer	Germany	966	3,041	32%	96 / 4	(20.6%)
Average				907	4,248	32	53 / 47	0.2%

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



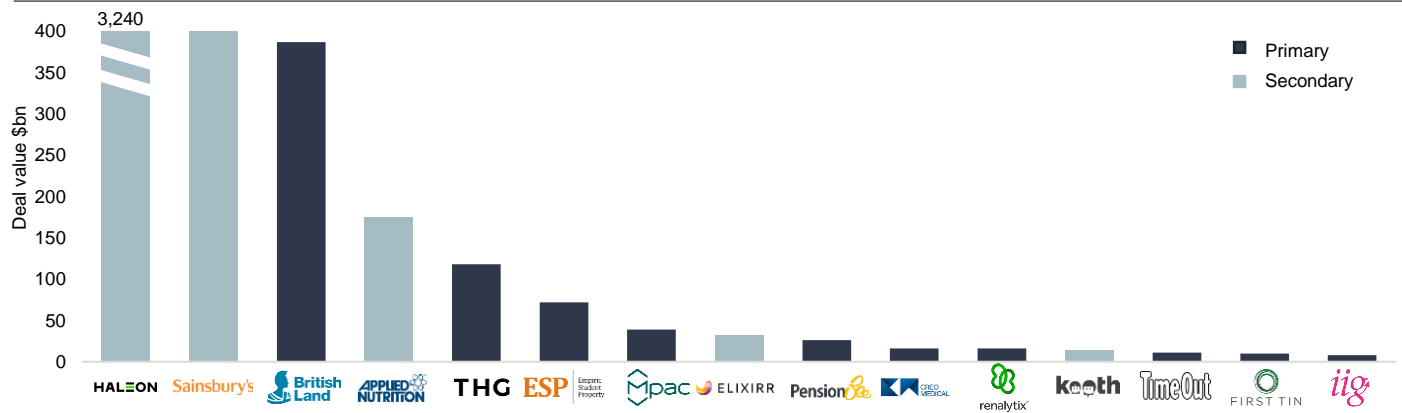
... and the same can be said for the UK IPO issuance levels



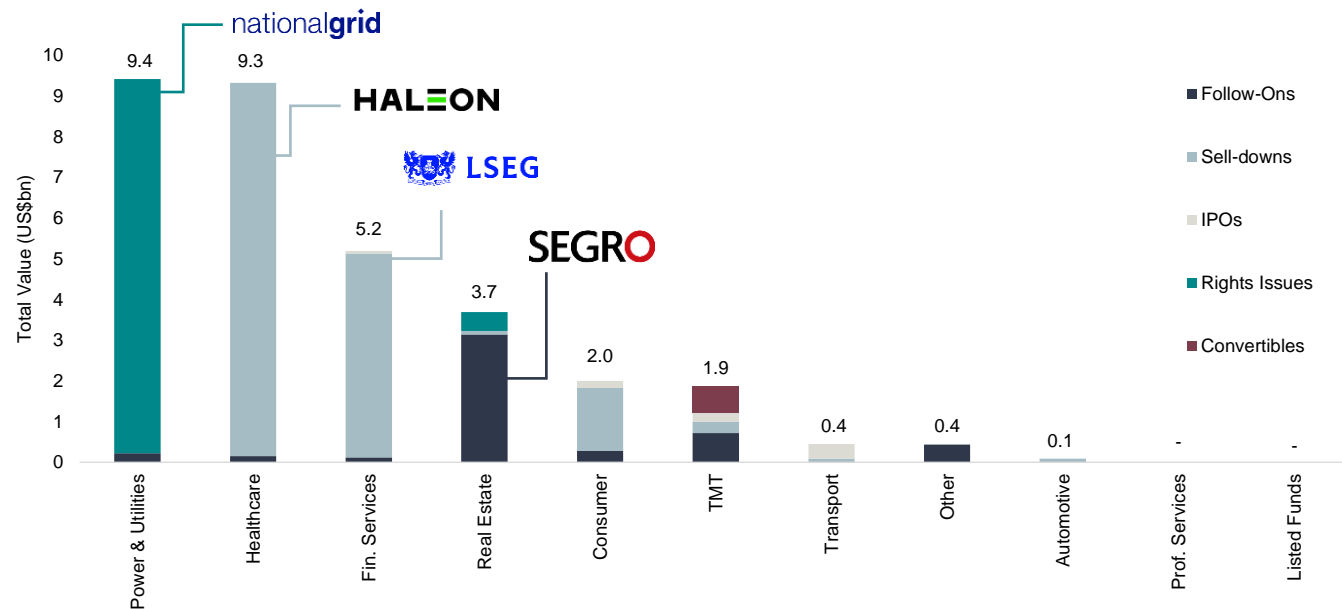
UK ECM activity | October

UK ECM issuance picked up in October with shareholder sell downs continuing to dominate but augmented by primary capital for M&A / expansion as well as an IPO

UK ECM issuance across the deal size spectrum in October⁽¹⁾ – \$4.6bn raised in 15 deals



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

	2024 YTD	2023 YTD	Variance
Total funds raised (\$m)	27,521	20,825	+32.2%
Total no. transactions	113	101	+11.9%

Comparison: UK ECM activity in October 2023

Funds raised	Deal count	Largest primary	Largest secondary
£1,430m	5 deals	#N/A	HALEON
		#N/A Placing	£1,081m Sell-down

Potential UK IPOs

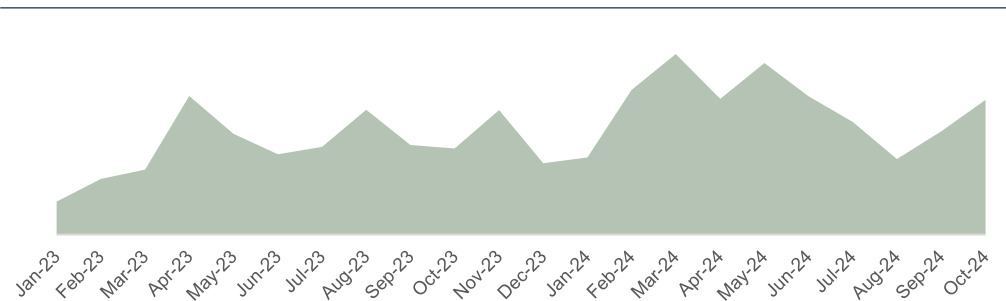


UK Funds Flow Overview | Perceptions changing

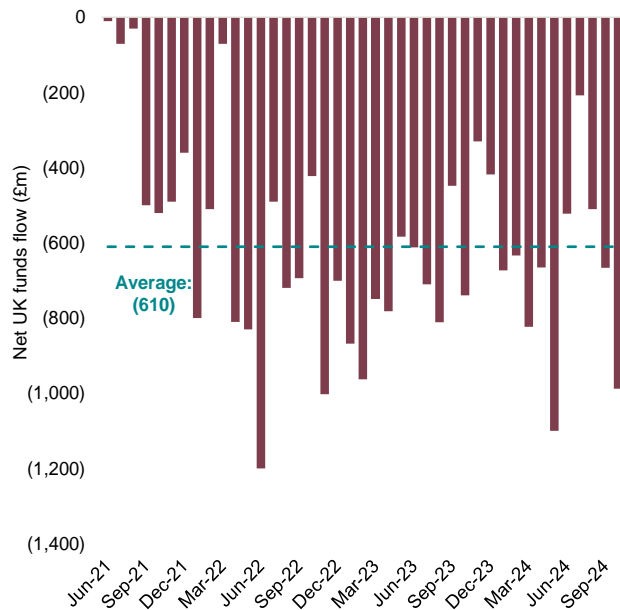
Despite a challenging funds flow environment for UK equities since 2021, there are signs of improvement

- The 30th October Budget significantly disrupted UK equities, making October a 'lost month' for market performance. Uncertainties with regard to IHT and the impact on AIM, Capital Gains Tax, and the tax burden for individuals and companies naturally led to investors stepping back
- The impact on investor flows of uncertainty over the UK budget and the more negative tone to Government rhetoric in the lead up to it can clearly be seen in the October funds flow data. However, with the budget now out of the way, interest in UK equities is expected to recover.
- Fund managers are adjusting their marketing strategies for 2025, maintaining a relative optimism that is now dependent on the BOE's interest rate cuts and messaging. US investors, while still showing interest in UK equities, have become a little more cautious over the past month given the budget and their own impending election

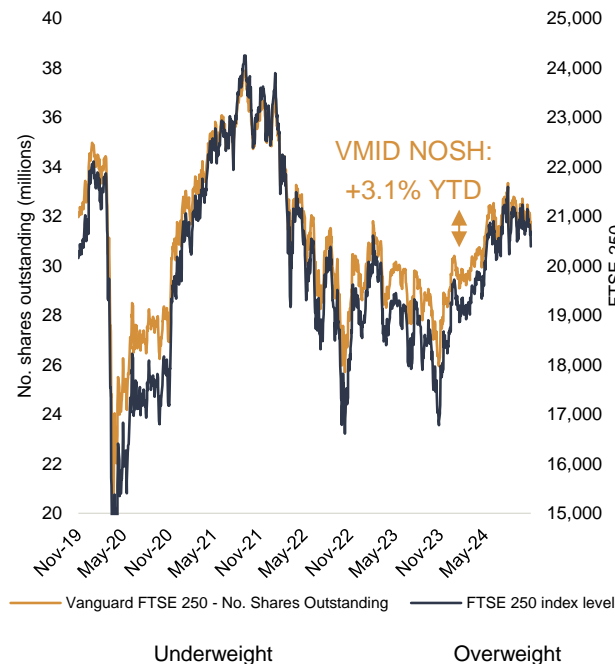
Investec's trading commission from US clients since 2023



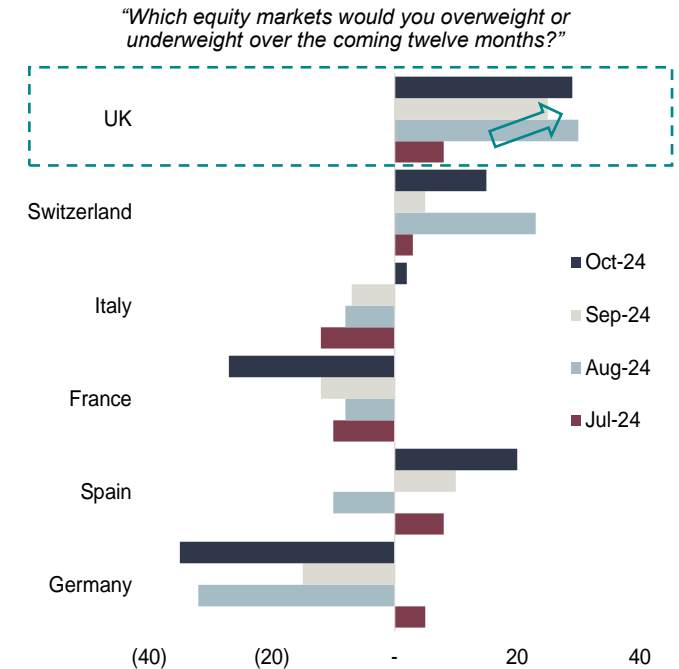
UK Mutual fund outflows impacted by budget uncertainty but expected to improve...⁽¹⁾



... and FTSE 250 ETF AuM has been growing through 2024...⁽²⁾



...whilst investor perceptions are that UK equities are back in vogue⁽³⁾ ...



UK Public M&A activity | October

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



Selected deals

Deal Type	Category	Date	Company	Industry	Price per share	Premium	Offer value	Highlights
Possible Offer	Strategic	10th October	StoneX [®]	CAB PAYMENTS CAB Payments Holdings Plc provides business to business cross-border payments and foreign exchange. FTSE SmallCap	145 Pence per share	71% Premium	£368.5m Offer value	<p>Highlights</p> <ul style="list-style-type: none"> On 23rd September, CAB Payments Holdings plc received a revised unsolicited non-binding proposal from StoneX Group Inc. (StoneX) relating to a possible offer for the entire issued and to be issued share capital of CAB Payments at a price of GBP 1.45 per CAB Payments share in cash together with a full share alternative (the 'Possible Offer') CAB Payments stated that the possible offer follows a series of proposals from StoneX since 30 July 2024 regarding possible offers for CAB Payments, the first of which was at a price of 115 pence per CAB Payments share. On 30 October 2024, CAB Payments announced that discussions with StoneX are continuing and that StoneX and its advisers are undertaking due diligence.
Firm	Private Equity	10th October	Brookfield	TRITAX EUROBOX Tritax EuroBox Plc is a closed-ended investment company. It engages in the business of investing in and managing a well-diversified portfolio of Continental European logistics real estate. FTSE 250	69 Pence per share	28% Premium	£557m Offer value	<p>Highlights</p> <ul style="list-style-type: none"> On 10th October, a recommended cash acquisition of the entire issued, and to be issued, ordinary share capital of Tritax EuroBox was announced. It is intended that the Acquisition will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the 2006 Act. The terms of the Brookfield Offer represent an attractive premium for Tritax EuroBox Shareholders over the all-share offer by SEGRO plc for the entire issued and to be issued share capital of Tritax EuroBox, announced on 4 September 2024 and accordingly the Tritax EuroBox Shareholders are encouraged to take no action in respect of the SEGRO Offer.
Firm	Private Investor	17th October	Falcon 24 Topco (a company owned by Joshua Alliance)	N BROWN N Brown Group Plc engages in the operation of a clothing and footwear digital retail platform and provision of financial services. AJM	40 Pence per share	48% Premium	£191m Offer value	<p>Highlights</p> <ul style="list-style-type: none"> Recommended cash offer by Falcon 24 Topco Limited (Bidco), a newly formed company owned and controlled by Joshua Alliance, a non-executive director and significant shareholder of N Brown Group The cash consideration payable to N Brown shareholders under the terms of the acquisition will be financed by a combination of: (1) A £15 million equity investment into Bidco by Joshua Alliance, (2) A £15 million term facility and an £85 million revolving facility and (3) An additional equity investment of up to £10 million into Bidco by Joshua Alliance, which will be funded from Joshua Alliance's existing cash resources. Investec plc is acting as Financial Adviser to the bidder
Firm	Private Equity	30th October	Eckoh Eckoh Plc provides secure payment products and customer contact solutions for customer contact centers in the United Kingdom, the United States, and internationally. AJM	Bridgepoint	54 Pence per share	11% Premium	£169.3m Offer value	<p>Highlights</p> <ul style="list-style-type: none"> The Acquisition values the entire issued and to be issued share capital of Eckoh at approximately £169.3 million on a fully diluted basis and implies an enterprise value of approximately £161.8 million and a multiple of 15.9x Eckoh's adjusted EBITDA for the year ended 31 March 2024. The Acquisition represents a premium of approximately 28.43 per cent. to the median EV/ EBITDA multiple of 12.4x paid on selected recent M&A transactions involving UK-listed technology peers Adjusted EBITDA for the year ended 31 March 2024. The cash consideration payable to Eckoh shareholders under the acquisition will be financed by a combination of debt and equity financing. The equity financing will be provided by the Bridgepoint funds, and the debt financing will be provided by certain entities managed or advised by LGT Private Debt. Eckoh was previously the subject of a private sale process to a private equity investor in August 2024

Senior-led team | significant hands-on experience

An experienced and well-established team

Jonathan Arrowsmith

Head of Investment Banking

25+ years⁽¹⁾



Investment Banking & Equities



Carlton Nelson

Head of UK Corporate Broking & PLC Advisory

20 years

Equity Capital Markets & PLC Advisory (UK & Frontier Markets)



Duncan Smith

Head of UK ECM

25+ years



Ben Griffiths

Director, UK ECM

10 years



Jarret Geldenhuys

Managing Director, FM ECM

25+ years



Ashleigh Williams

Director, FM ECM

10 years



Luke Spells

Head of M&A Advisory

20+ years



Kate Gribbon

Head of UK Private Equity Coverage

20 years



Oliver Andrews

Director, UK Private Company Fundraising

10 years

M&A Advisory, Private Equity Origination and Capital Fundraising

Equities, Sales and Research (UK)



Clive Murray

Head of Equities

25+ years



Paul Divito

Head of UK Sales Desk

25+ years



Andrew Whitney

Head of UK Research

20+ years



Adam Bidwell

UK Midcap Sales

20+ years



Callum Hillicks

European Equity Sales

10 years



James Ewing

US Equity Sales

20+ years



Andrew Schultz

Head of Frontier Market Sales

25+ years

Equity Sales (UK & International)

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