

# Investec Equity Market Review

June 2024 – H1 Review



# Executive summary

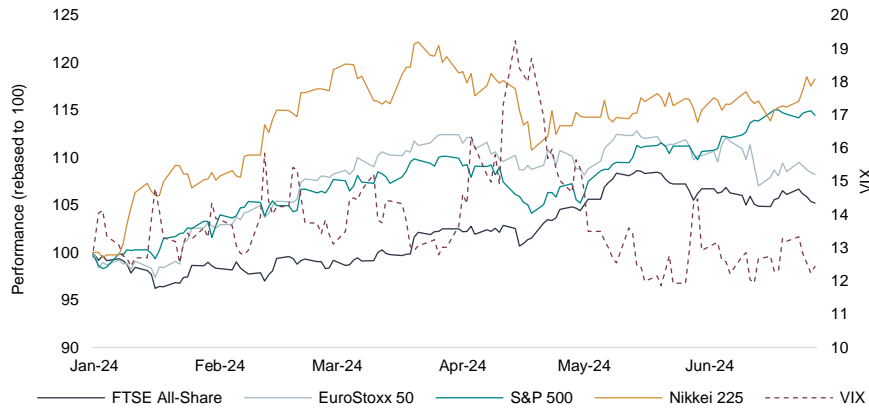
## UK ECM and Public M&A activity accelerates in H1 2024 amid an improving inflationary backdrop

- Following a slow start to the year, domestic stocks advanced to narrow the performance gap between global peers, although continued to lag. UK mid-caps underperformed in the first half with the FTSE 250 gaining 3.0% whilst the FTSE All-Share and FTSE 100 added 5.2% and 5.6% respectively. Meanwhile global markets rallied despite expectations for rate cuts moving out to the right — the S&P 500, EuroStoxx 50 and Nikkei 225 gained by 14.5%, 8.2% and 18.3% respectively in H1 2024
- Sector performance improved in H1 2024 with 16 out of 23 sectors delivering gains vs 12 sectors in H1 2023. Aerospace and Defence names led the way on a year-to-date basis amid heightened global conflict and increased forecast defence spending whilst Chemicals stocks continued to underperform due to prolonged customer destocking
- UK ECM activity continued to rebound from 2022 lows, with the total funds raised in H1 2024 increasing by 74.1% vs H1 2023 whilst deal volumes increased by 11.5%. Secondary issuance continued to dominate amid several sizeable sell-downs from LSEG and Haleon whilst National Grid's £7bn rights issue represented the largest of its nature in the UK since 2009
- Investec completed the £50m AIM IPO of Rosebank Industries, a vehicle for acquisitions of up to \$3bn in the Industrials sector. The IPO received very strong backing from a group of global blue chip institutional investors and Sovereign Wealth Funds, with day share price performance of +90%
- UK Public M&A activity also accelerated in the first half – the total enterprise value of firm or possible offers announced in H1 2024 was £74.4bn, representing a 313.3% increase
- Please contact your usual Investec contact if you would like to discuss the contents of this pack

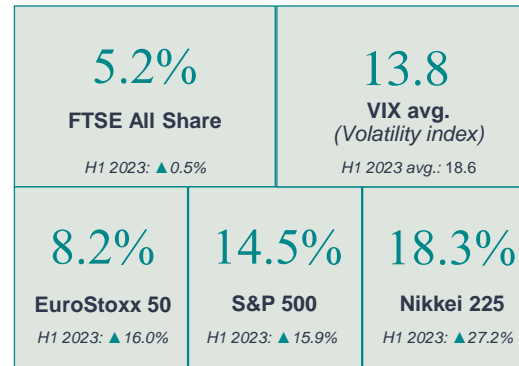
# Market drivers in H1 2024

Global equity markets make a strong start to the year with US and Japanese indices leading the rally

## UK indices deliver gains in H1 2024 but continue to lag global peers



## Global market performance H1 2024



## Key economics headlines in H1 2024



Headline UK CPI fell back to 2.0% in May, back in line with the Bank of England's target for the first time in nearly three years



The Bank of England held the Bank rate at 5.25%, although the first-rate cut is expected in H2 2024



The UK unemployment rate nudged up in the three months to April to 4.4% although wage growth remained robust, with average weekly earnings rising by 5.9% (y/y) in the same period, exceeding consensus of 5.7%



The ECB became the second major central bank (following Canada) to cut rates, reducing its main rate from an all-time high of 4.0% to 3.75%

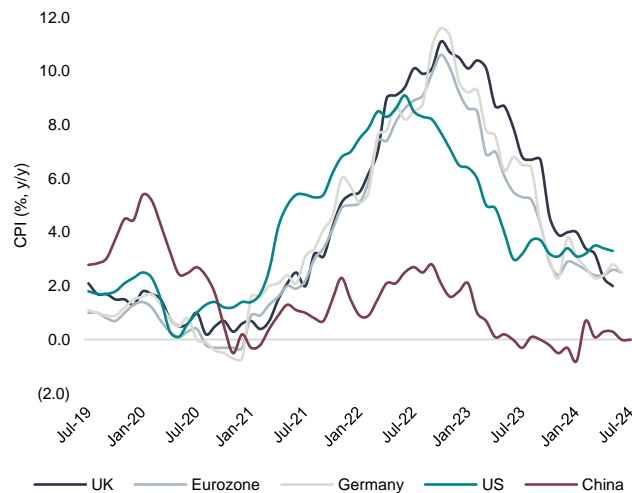


Following three consecutive expectation-beating prints, US CPI inflation for April came in at 3.4%, in line with expectations

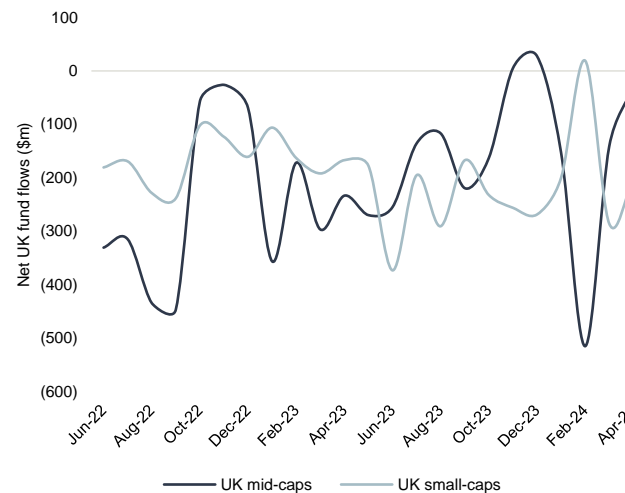


The Fed maintained its key rate at a range of 5.25% to 5.50%, although is expected to cut rates in H2 2024

## Decelerating inflation eases pressure on central banks





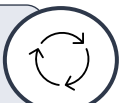

## UK fund flows showing signs of improvement



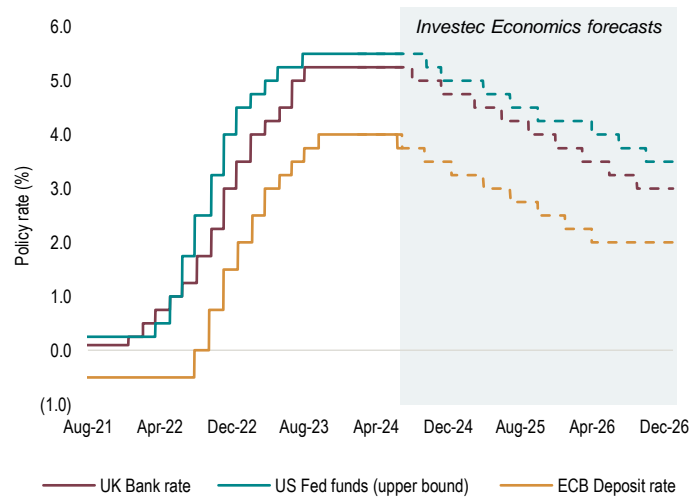
# Macroeconomic outlook for H2 2024

Global monetary policy expected to loosen in H2, geopolitical uncertainty remains

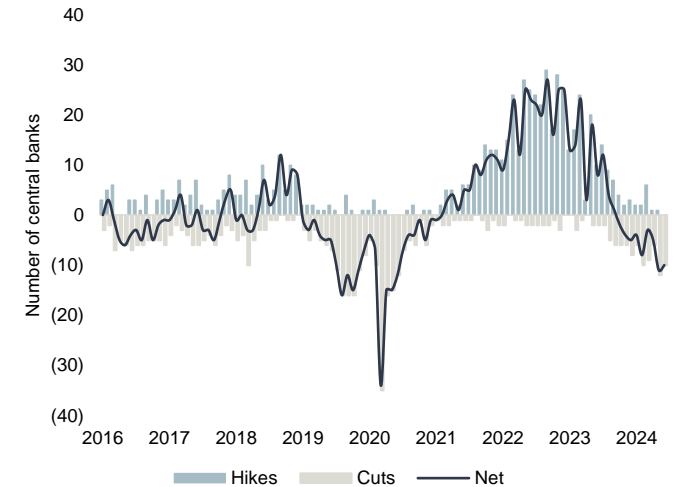
## Key macroeconomic themes in H2 2024

- UK continues recovery from recession 
- Strong wage growth keeping services inflation sticky 
- Global monetary cycle starting to turn 
- Increasing UK political clarity 

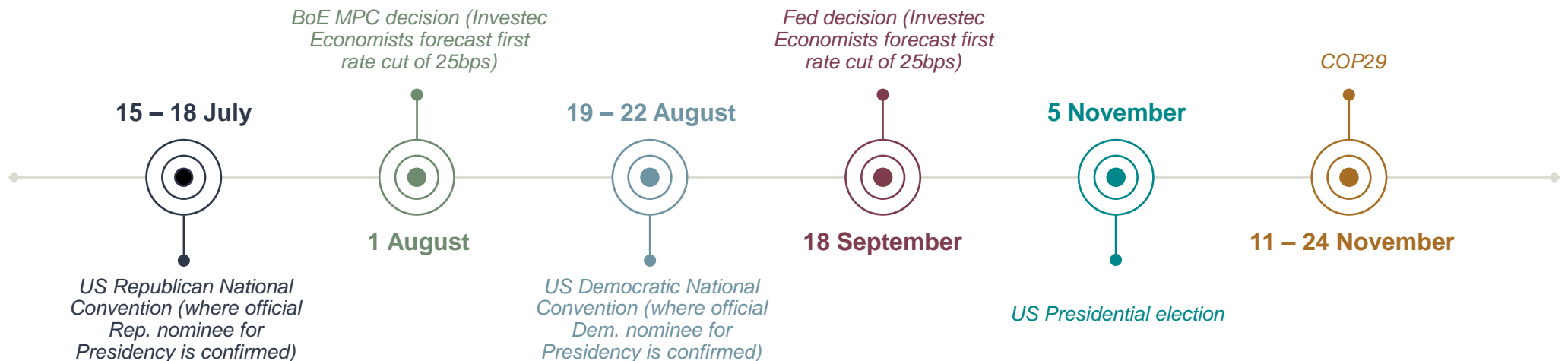
## BoE and Fed expected to follow the ECB in rate cuts...



## ...with the global monetary cycle already starting to turn



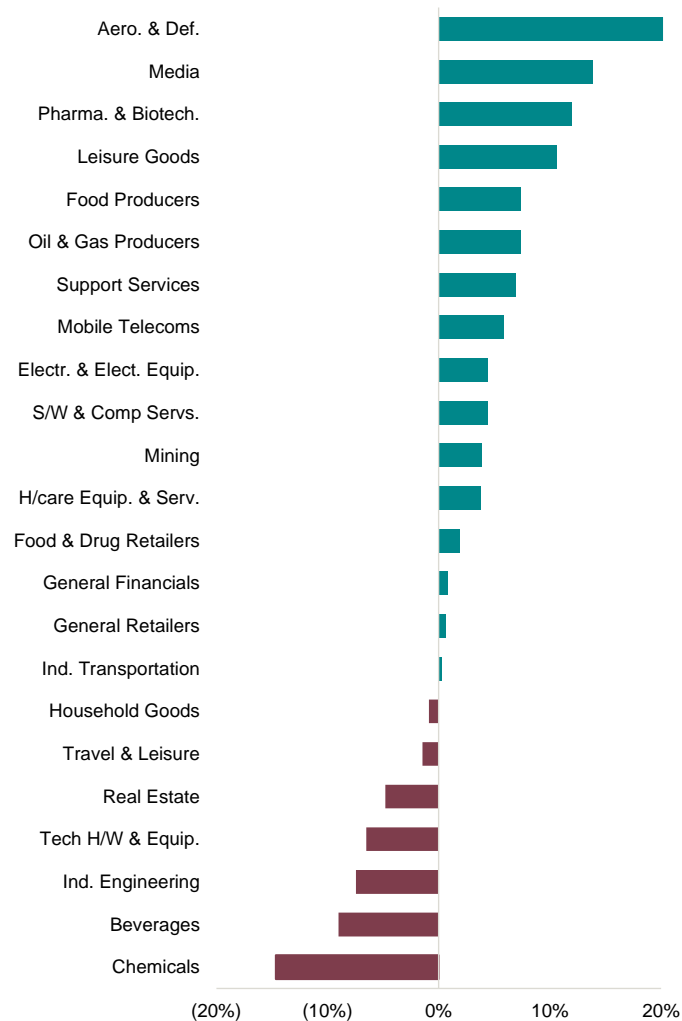
## Key global macroeconomic events in H2 2024



# Sector performance H1 2024 vs H1 2023

Aerospace & Defence stocks continued last year's strong momentum whilst the Chemicals sector remained under pressure

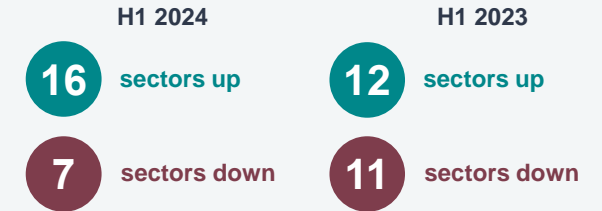
Sector performance – H1 2024



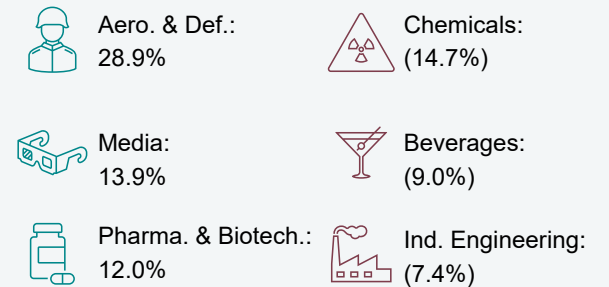
Sector performance – H1 2023



Sector snapshot



Winners and losers H1 2024



Drivers of sector performance in H1 2024

- **Aerospace & Defence** stocks were the top performers in H1 2024 as global conflict levels remained elevated amidst heightened geopolitical tension. The sector was bolstered by news that the UK will increase defence spending to 2.5% of GDP by 2030.
- At the other end of the spectrum, **Chemicals** stocks underperformed. **Croda** issued a warning over margin contraction in its full year results as its PBT fell 70% vs the prior year citing prolonged customer destocking and a weaker macro environment
- **Beverages** stocks also lagged with **Diageo** noting consumers in the Americas trading down to cheaper alternatives. In terms of corporate activity, **Britvic** agreed a £3.3bn takeover by **Carlsberg** whilst **Carlsberg** also announced separately that it had agreed a deal to acquire **Marston's** minority stake in **Carlsberg Marston's**, the company's brewing business in the UK

# UK ECM H1 2024 overview

UK ECM activity in H1 2024 improved strongly YoY with both transaction value and volume increasing; sell-downs continued to dominate

## H1 2024 at a glance

**£18.8bn**

Total amount of UK ECM issuance

H1 2023: £10.8bn

**68**

Number of UK ECM transactions

H1 2023: 61

**£505m / 5**

Value / number of IPO transactions

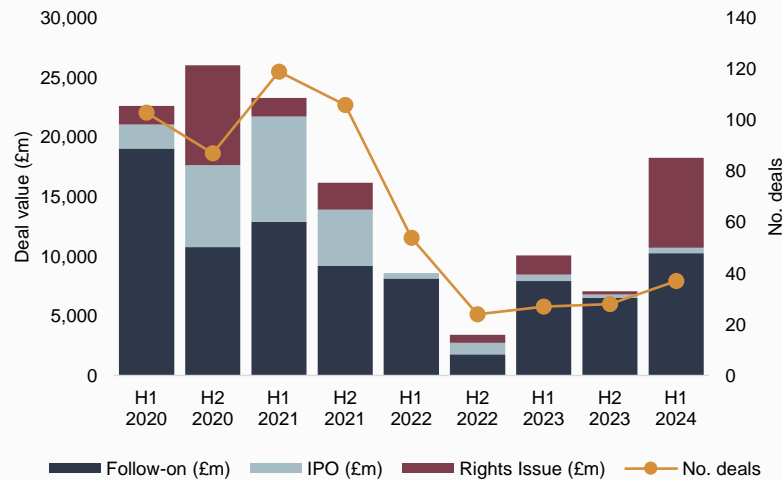
H1 2023: £570m / 7

**£7.5bn**

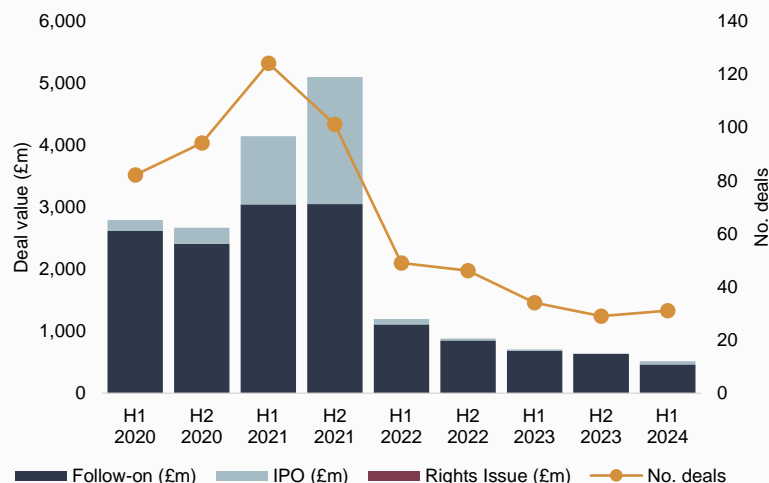
Total amount via rights issues

H1 2023: £1.6bn

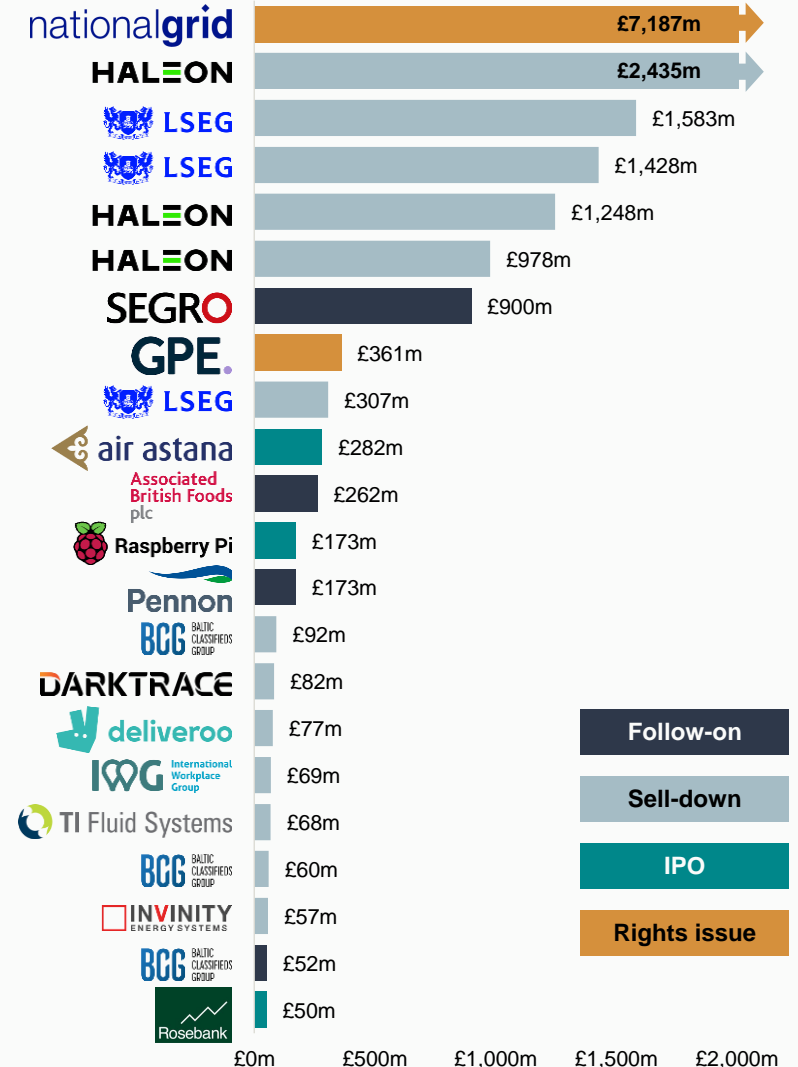
## Main Market ECM activity



## AIM ECM activity






## H1 2024 UK ECM deals above £50m; sell-downs dominant



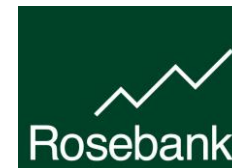
# UK ECM further selected deal highlights – H1 2024

## Deal activity across the transaction spectrum

IPO	Rights issue	Sell-down																																										
<div data-bbox="414 371 481 438">  </div> <div data-bbox="398 443 497 459">RaspberryPi</div> <p data-bbox="159 480 721 528">Raspberry Pi Holdings plc announced the pricing of IPO at 280p per share</p> <table border="1" data-bbox="141 563 741 949"> <tr> <td>Market capitalisation:</td> <td>£542mn</td> </tr> <tr> <td>Offer size:</td> <td>£166mn</td> </tr> <tr> <td>%Company sold:</td> <td>31.93%</td> </tr> <tr> <td>Issue price:</td> <td>280p</td> </tr> <tr> <td>% Primary/Secondary:</td> <td>18.18 / 74.38</td> </tr> <tr> <td>% Prem. / (Disc.) on Open:</td> <td>28.57%</td> </tr> <tr> <td>Share price performance:</td> <td>43%</td> </tr> </table> <p data-bbox="141 1010 414 1034"><b>Transaction highlights:</b></p> <ul data-bbox="141 1045 741 1308" style="list-style-type: none"> <li>• Raspberry Pi Holdings plc announced the pricing of IPO at 280p per share in the UK, providing a significant boost to the LSE</li> <li>• Overallotment exercised bringing the total deal size to £173m</li> <li>• Raspberry Pi intends to use the proceeds for:             <ul style="list-style-type: none"> <li>○ General corporate purposes</li> <li>○ Develop chain resilience</li> <li>○ Capital expenditures</li> </ul> </li> </ul>	Market capitalisation:	£542mn	Offer size:	£166mn	%Company sold:	31.93%	Issue price:	280p	% Primary/Secondary:	18.18 / 74.38	% Prem. / (Disc.) on Open:	28.57%	Share price performance:	43%	<div data-bbox="969 384 1294 448">  </div> <p data-bbox="880 480 1384 528">National Grid plc announces a 7 for 24 fully underwritten rights issue to raise c.£7 billion</p> <table border="1" data-bbox="835 563 1431 965"> <tr> <td>Market capitalisation:</td> <td>£42bn</td> </tr> <tr> <td>Gross proceeds:</td> <td>£7bn</td> </tr> <tr> <td>New shares as % enlarged issued share capital:</td> <td>22.6%</td> </tr> <tr> <td>Issue price:</td> <td>645p</td> </tr> <tr> <td>Basis of rights issue:</td> <td>7 new shares for every 24 existing shares</td> </tr> <tr> <td>% Prem. / (Disc.) to TERP:</td> <td>(34.7%)</td> </tr> <tr> <td>Share price performance:</td> <td>(4.5%)</td> </tr> </table> <p data-bbox="835 1010 1108 1034"><b>Transaction highlights:</b></p> <ul data-bbox="835 1045 1431 1420" style="list-style-type: none"> <li>• National Grid announced the rights issue alongside a new capital investment plan of c. £60bn over the next 5 years (FY25-FY29)</li> <li>• In parallel, it announced a new 5-year financial framework (FY25-FY29) targeting group asset growth at a c.10% CAGR and underlying EPS growth at a 6-8% CAGR</li> <li>• National Grid intends to use the proceeds of the rights issue to:             <ul style="list-style-type: none"> <li>○ To fund a higher-growth investment phase for National Grid</li> <li>○ To support efficient management of funding costs</li> <li>○ Approximately £750 million will be used to refinance a portion of National Grid's outstanding hybrid bonds that have first call dates in the next 15 months</li> </ul> </li> </ul>	Market capitalisation:	£42bn	Gross proceeds:	£7bn	New shares as % enlarged issued share capital:	22.6%	Issue price:	645p	Basis of rights issue:	7 new shares for every 24 existing shares	% Prem. / (Disc.) to TERP:	(34.7%)	Share price performance:	(4.5%)	<div data-bbox="1529 384 2085 448">  </div> <p data-bbox="1541 480 2112 528">A consortium of investors sold 4% stake in LSEG plc</p> <table border="1" data-bbox="1529 563 2130 949"> <tr> <td>Market capitalisation:</td> <td>£47bn</td> </tr> <tr> <td>Gross proceeds:</td> <td>£1.4bn</td> </tr> <tr> <td>%Company sold:</td> <td>3.05%</td> </tr> <tr> <td>Issue price:</td> <td>£89.8</td> </tr> <tr> <td>Residual holding:</td> <td>0.00%</td> </tr> <tr> <td>% Prem. / (Disc.) on Open:</td> <td>1.78</td> </tr> <tr> <td>Share price performance:</td> <td>3.9%</td> </tr> </table> <p data-bbox="1529 1010 1803 1034"><b>Transaction highlights:</b></p> <ul data-bbox="1529 1045 2130 1276" style="list-style-type: none"> <li>• Blackstone Inc., Thomson Reuters Corp. and other investors sold a 4% stake in the London Stock Exchange Group Plc</li> <li>• Transaction represents the consortium selling its final stake in LSEG</li> <li>• While placements like these are priced at discount to incentivise potential buyers (as was the case in four previous placements of LSEG shares by consortium), a 1.1% premium was placed on this deal</li> </ul>	Market capitalisation:	£47bn	Gross proceeds:	£1.4bn	%Company sold:	3.05%	Issue price:	£89.8	Residual holding:	0.00%	% Prem. / (Disc.) on Open:	1.78	Share price performance:	3.9%
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# Investec IPO case study

## Successful £50m AIM IPO to support the Company's M&A growth ambitions



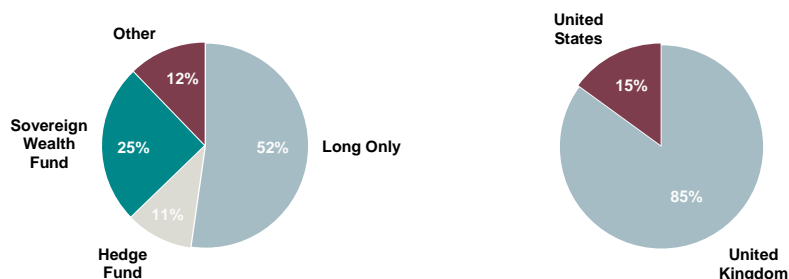
### Background to the transaction

- The Rosebank team consists of two of the three original Melrose Industries PLC Co-Founders and four other members of its senior management team.
- Rosebank's objective is to recreate the same successful 'Buy, Improve, Sell' business model which the Rosebank team successfully implemented during their time at Melrose, creating over £6 billion of shareholder value.
- The team will aim to acquire quality industrial or manufacturing businesses with an indicative enterprise value of up to approximately US\$3 billion whose performance may be improved.
- Rosebank will then invest heavily to improve the performance of any such business, typically over a three- to five-year investment horizon, before selling it to a new owner and returning the net cash proceeds to shareholders.
- The IPO provides the company with seed capital and a blue-chip investor base to support future material equity issuance and M&A ambitions
- Investec has a long-term relationship with the Rosebank team, having Advised Melrose on a consistent basis since its AIM IPO in 2003**

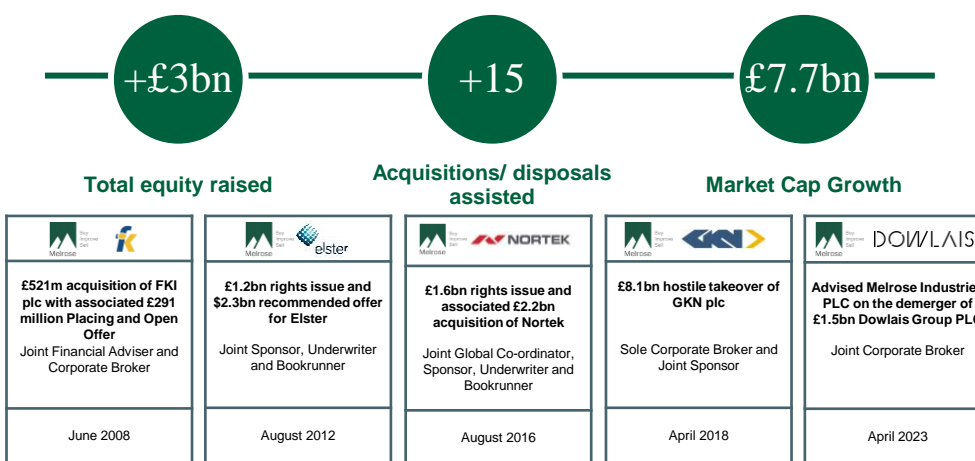
### Transaction overview

Investec's role:	Nominated Adviser, Joint Bookrunner, Joint Broker and Financial Adviser
Structure type:	IPO (100% primary)
Gross proceeds:	£50.0m (£45.0m institutional offer / £5.0m subscription)
Issue price	250 pence per share
Free float	c.44%
Admission date	11 July 2024

### Investors by type and geography



### Continuation of Investec partnership with ambitious management team



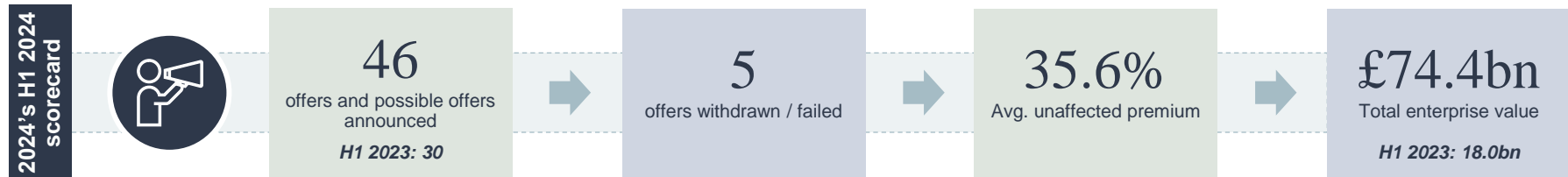
### Book multiple times covered with strong support from global blue-chip institutional investors





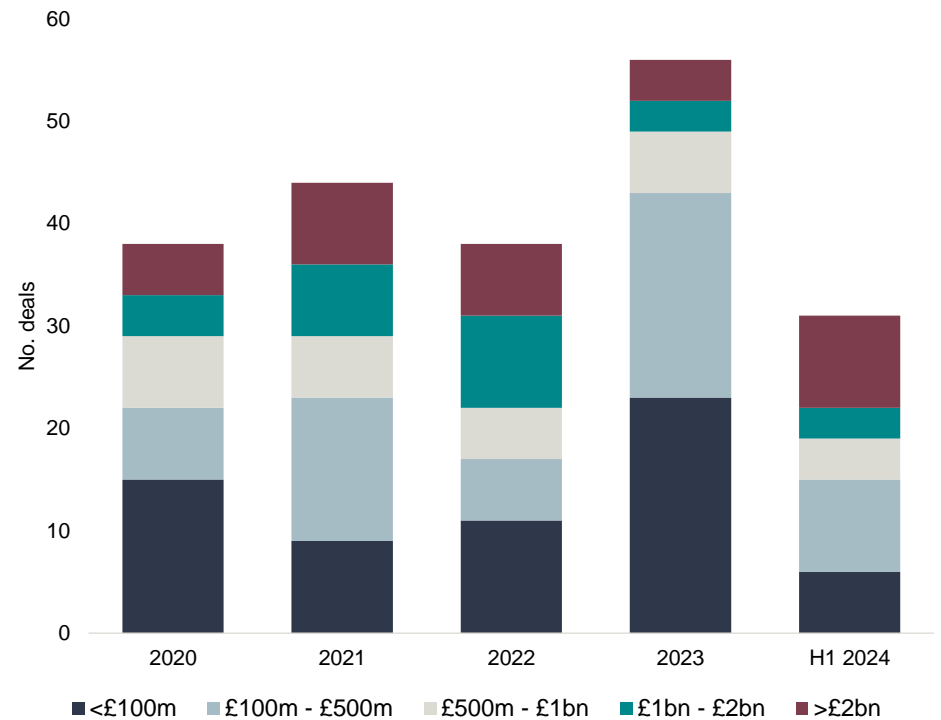
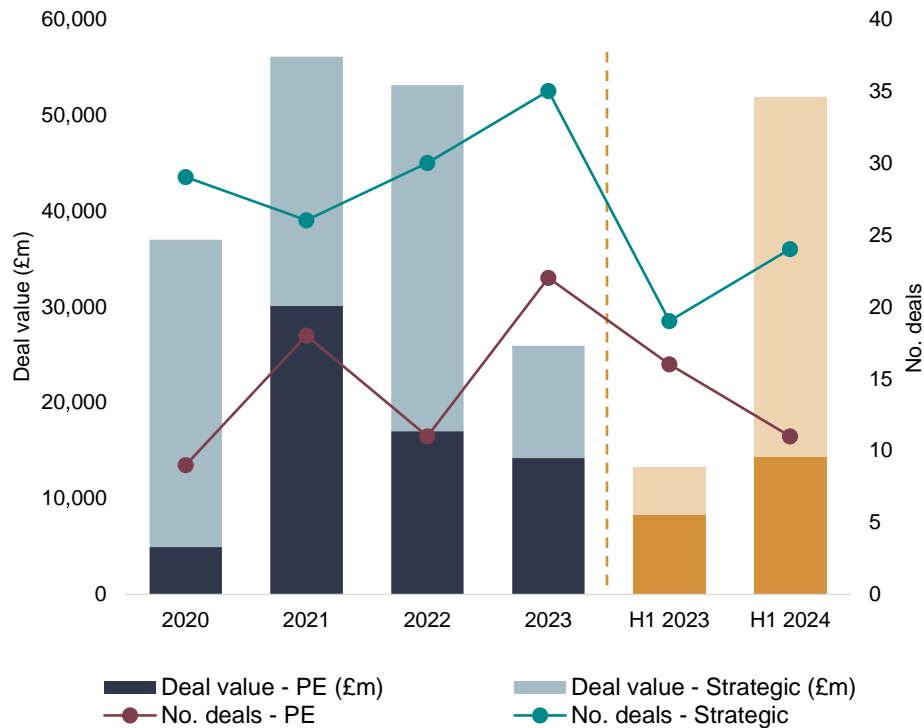
# UK Public M&A activity in H1 2024

The first half of 2024 has seen a significant uptick in UK Public M&A activity, driven predominantly by Strategic bidders



UK Public M&A activity spiked in H1 2024, although private equity bid volumes were subdued with interest rates remaining higher for longer

Whilst 2023 was characterised by bids at the lower end of the market, H1 2024 has seen the return of “big ticket” M&A, with 9 >£2bn firm or possible offers announced



# Investec M&A case study

Investec is acting as Sole Rule 3 Adviser, Lead Financial Adviser, NOMAD and Joint Corporate Broker to Alpha FMC on its recommended cash acquisition by Bridgepoint

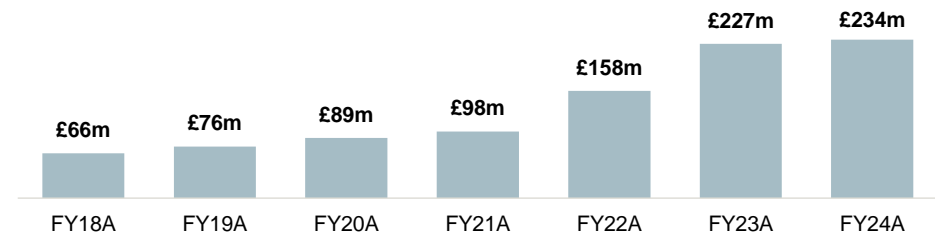
## Overview of Alpha FMC

- A leading global consultancy to the financial services industry with significant experience in the asset and wealth management, alternatives and insurance end markets
- Alpha FMC has the largest dedicated team across those industries, with around 1,000 consultants globally, operating from 17 client-facing offices spanning the UK, North America, Europe and APAC
- Alpha FMC supports the client transformation lifecycle by providing management consulting and complementary technology services that are highly focused on the industries in which it operates.
- Alpha FMC has worked with all of the world's top 20 and 80% of the world's top 50 asset managers by assets under management, along with a wide range of insurance and other buy-side firms
- Alpha FMC operates in a market with long-term structural growth drivers which underpin client demand for the Group's consulting services

## Overview of transaction

- Recommended cash offer announced on 20 June, with acquisition expected to complete during Q3 2024 subject to shareholder approval
- Following longstanding interest in Alpha from various parties the Board decided to engage with a small number of parties, resulting in a number of expressions of interest and proposals being received

## Strong track record of growth



Net Fee Income per company Annual Accounts

## Overview of transaction

**505p**  
Offer price

**£609m**  
Enterprise Value\*

**15.3x**  
EV / FY24 EBITDA\*

**50.7%**  
Share premium\*\*

# UK Public M&A selected deal highlights – H1 2024

Sector consolidation a prevalent theme

Firm offer – cash	
 <p>Darktrace is a global leader in cybersecurity artificial intelligence</p>	
Announcement Date:	26 April 2024
Offeror:	Thoma Bravo
Offer price:	\$7.75 for each Darktrace share
Enterprise value:	c. \$5bn
EV / EBITDA	34.2x
<p><b>Transaction highlights:</b></p> <ul style="list-style-type: none"> <li>Thoma Bravo, a leading software investment firm, reached an agreement with the Board of Directors at Darktrace, a global leader in cybersecurity artificial intelligence, on the terms of an all-cash acquisition of the entire issued, and to be issued, ordinary share capital of Darktrace</li> <li>Thoma Bravo's recommended offer for Darktrace adds another UK cybersecurity company to its portfolio, following its acquisition of Sophos Group plc which completed in 2020</li> <li>Transaction follows a failed attempt by Thoma Bravo to acquire Darktrace in September 2022</li> </ul>	

Firm offer – cash	
 <p>Britvic is a British producer of soft drinks</p>	
Announcement Date:	8 July 2024 *
Offeror:	Carlsberg Group
Offer price:	1,315 pence per Britvic share
Enterprise value:	£3.3bn
EV / EBITDA	13.6x
<p><b>Transaction highlights:</b></p> <ul style="list-style-type: none"> <li>Carlsberg believes that the transaction would enable it to capture appealing long-term growth opportunities from Britvic's comprehensive portfolio of leading brands in an attractive segment of the beverage market where Carlsberg already has a strong track record</li> <li>The transaction is fully aligned with Carlsberg's ambitious growth agenda as set out in its Accelerate SAIL strategy announced in February 2024</li> </ul>	

Offer withdrawn – all share	
 <p>Anglo American is a British multinational mining company</p>	
Announcement Date:	25 April 2024
Offeror:	BHP Group Limited
Offer price:	0.886 BHP shares for each Anglo-American Share (value of £31.11 per share)
Enterprise value:	£38.6bn
EV / EBITDA	-
<p><b>Transaction highlights:</b></p> <ul style="list-style-type: none"> <li>BHP made a proposal to the board of directors of Anglo American regarding a potential combination to be effected by way of a scheme of arrangement</li> <li>The offer for Anglo American would be preceded by separate demergers by Anglo American of its entire shareholdings in Anglo American Platinum Limited (Anglo Platinum) and Kumba Iron Ore Limited (Kumba) to Anglo American shareholders. The two parts of the proposal would be inter-conditional</li> <li>The Anglo-American board announced that it had unanimously rejected the proposal as it significantly undervalues Anglo American and its future prospects and significantly dilutes the relative value upside participation of Anglo American's shareholders relative to BHP's shareholders</li> </ul>	

# Key Investec contacts



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## The Investec Group at a glance

**£4.6bn**  
Market Cap

**+8,500**  
Employees

**10<sup>th</sup>**  
Largest  
bank in UK

**£40.5bn**  
Customer deposits

**£31bn**  
Net core loans

**£59bn**  
AUM

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