

# Investec Market Review

October 2023



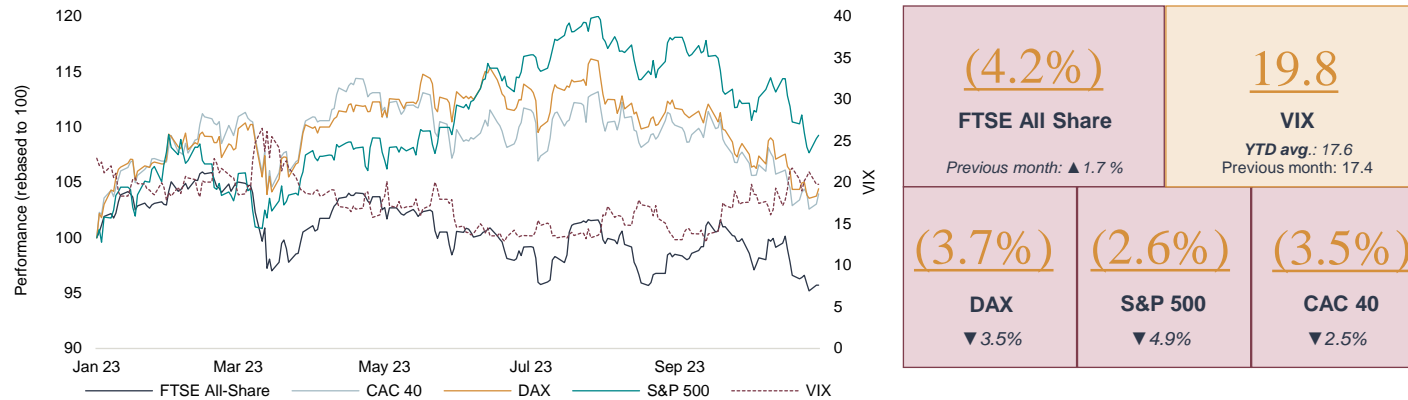
# Executive summary

- October was an extremely challenging month for equities across the board – FTSE 250 lost (6.5%), S&P (2.6%) and CAC 40 (3.5%) – amid increasing geopolitical tensions and worse than expected economic data
- Only 6 out of 23 sectors ended the month in green. Oil & Gas Producers sector registered its fourth month of gains as it benefited from further rises in oil prices following the escalation of conflict in the Middle East
- Shareholder selldown saved the day once again – UK ECM value and deal count for October were disappointing as Haleon's £886m shareholder selldown made up over 2/3 of the deal value for the month
- UK public M&A remained strong over the course of October as 8 transactions were announced, all of which were firm offers. Investec is pleased to act as broker to Tribal and The Restaurant Group with regards to their respective offers
- Please contact your usual Investec contact if you would like to discuss the contents of this pack

# Market drivers in October

Market sentiment over the course of the month was dented by disappointing macroeconomic data and growing geopolitical tensions

## A spooky October for markets as they fall into correction following the summer bonanza



## Economics headlines in October

UK inflation is proving sticky, holding at 6.7% YoY in September and slightly higher than consensus estimates for a 6.6% increase

UK consumer confidence slipped nine points to -30, taking it to its lowest point since July, whilst retail sales volumes also plunged, falling 0.9% on the month in September

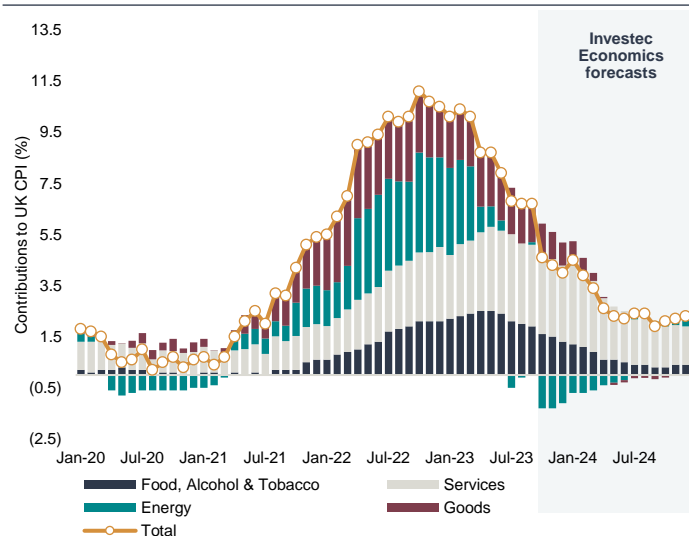
UK net mortgage borrowing fell by £0.9bn in September – the largest fall since April 2023. Net mortgage approvals were also weak, down to 43.4k

ECB held key interest rates (deposit rate at 4.0%, main refinancing rate at 4.50% and marginal lending rate at 4.75%) putting an end to a streak of 10 consecutive rate hikes

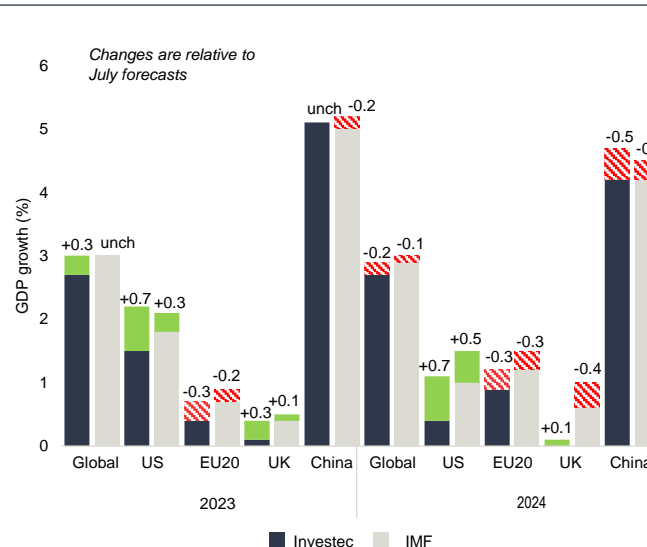
US GDP bounced at an annualised rate of 4.9% in Q3, the fastest pace of growth since Q4 2021, thanks to resilient consumer spending trends

US CPI came higher than expected in September at 3.7% YoY in September, raising prospect of further Fed rate hike

## UK inflation – a sticky business for now?



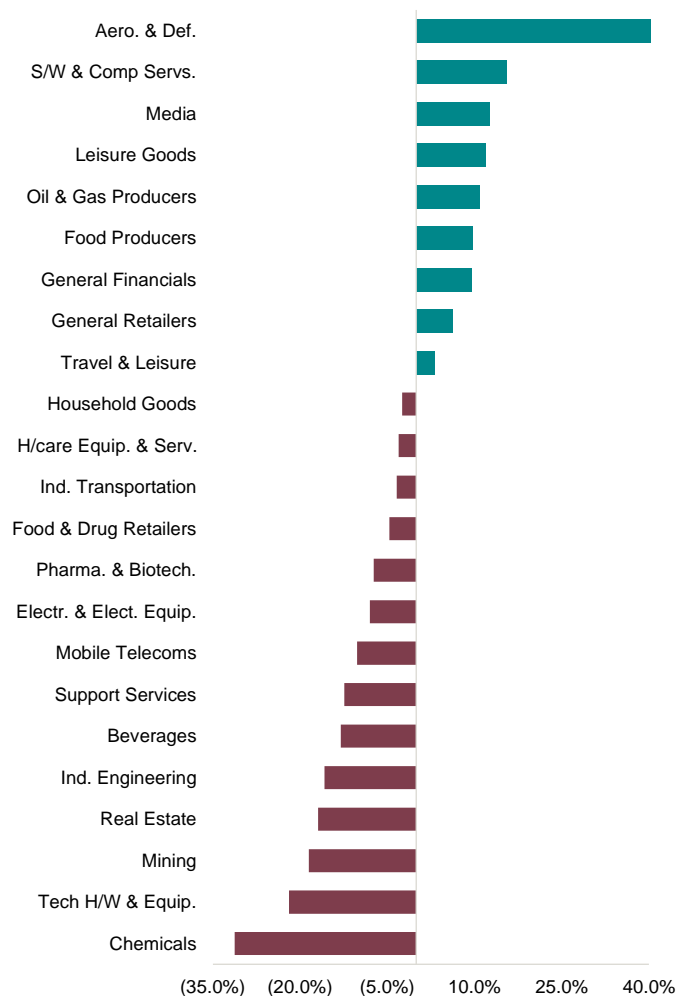
## Since July economic outlook has brightened for the US but deteriorated for Euro area



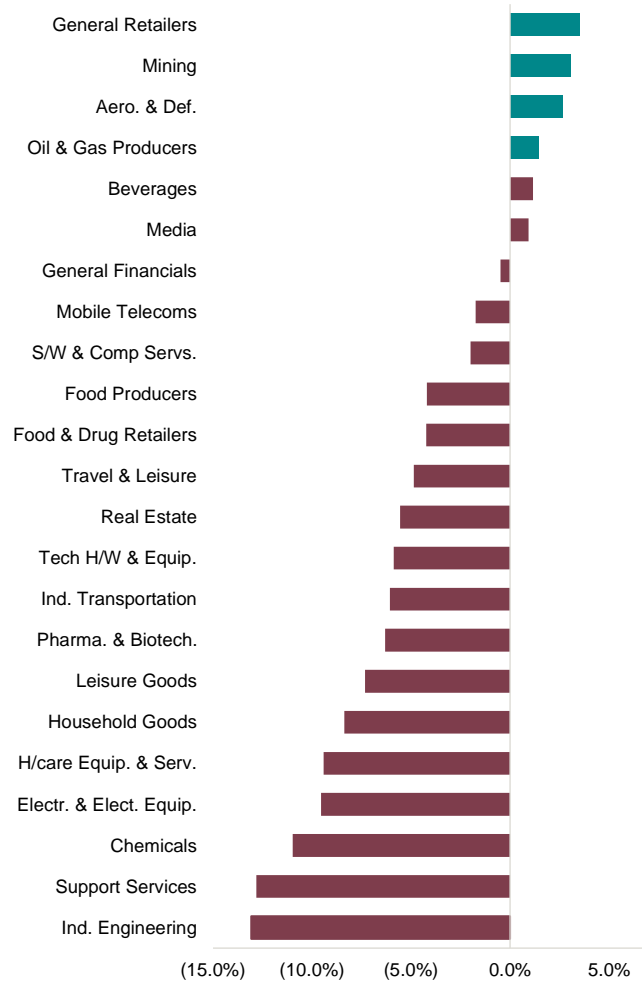
# Sector performance in October

Oil & Gas stocks register their four month of growth whilst Aero & Defence continues to widen the gap in the race and is set to become 2023's winner

Sector performance (Year to date)



Sector performance (October 2023)



Monthly sector snapshot



Winners and losers



General Retailers: 3.5%



Industrial eng.: [(13.1%)]



Mining: 3.0%



Support Services: (12.8%)



Aero. & Def.: 2.7%



Chemicals: (11.0%)

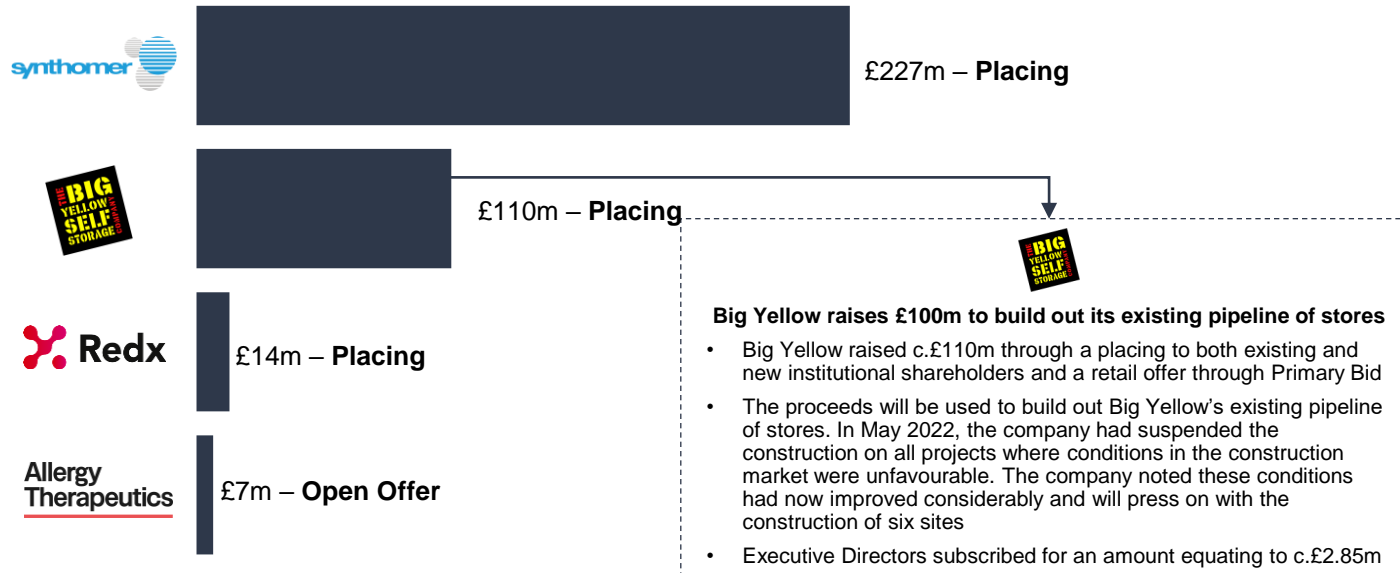
Drivers of sector performance in October

- **Aero. & Defence** stocks also benefited from growing geopolitical tensions. The sector registered a modest growth of 1.3% in October but has increased by almost **41.6%** YTD and is set to become the best performing sector in 2023, with BAE System ahead of the pack
- Oil prices continue to be a tailwind for **Oil & Gas Producers** following escalation of Israel-Hamas conflict and supply challenges in the Mideast
- **Support Services** stocks retreated significantly in October after disappointing corporate updates from Travis Perkins and Rentokil. Rentokil dropped by over 40% over the course of the last weeks of the month after the group warned of lower US demand

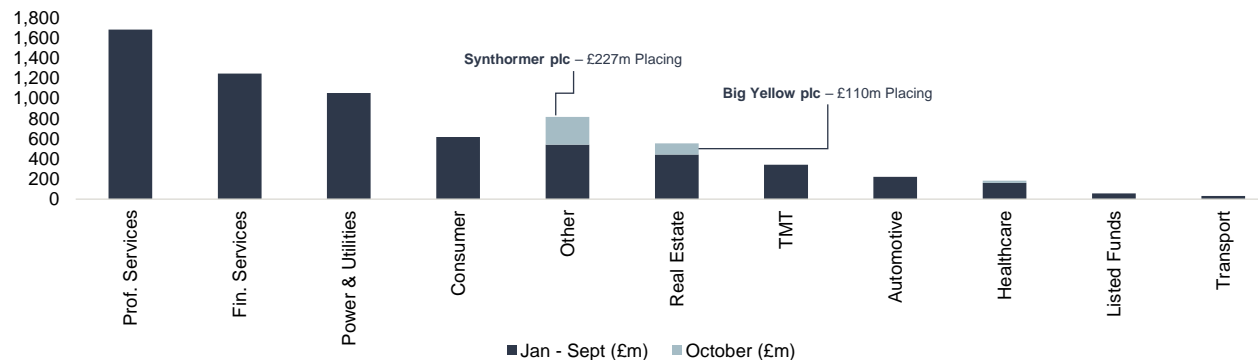
# UK ECM activity slows down in October

October was a disappointing month for primary issuance as Haleon's shareholder sell-down represented of c.68% of the month's value

## Primary ECM issuance across the deal size spectrum in October



## Public equity fund-raises by sector and highlighted deals



## ECM activity snapshot

### Total funds raised

£1,305m

Prior month: £3,439m  
62% decrease

### Total no. transactions

6 deals

Prior month: 10 deals  
40% decrease

## Activity in October 2022

### Funds raised

£376m



£111m  
IPO



£71m  
Placing

### Deal count

15 deals



£32m  
Sell-down



£20m  
Sell-down

## Sell-downs in October 2023

**HALEON**

£886m

**Trustpilot**

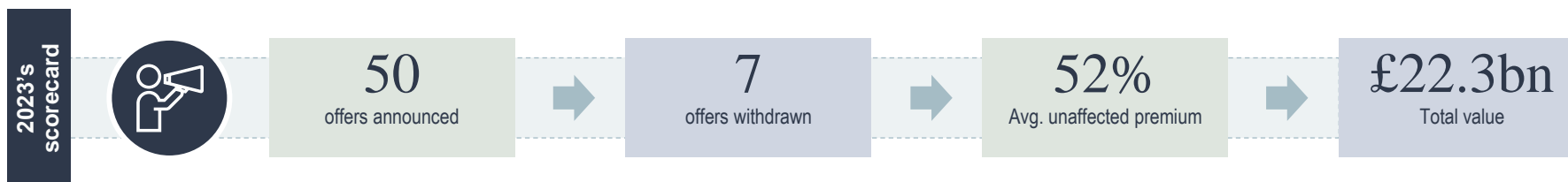
£13m

## Announced IPOs in October 2023



No notable announcements in October

# UK Public M&A activity in October



## Selected deals

Firm offer	Date	Target	Description	Pence per share	Premium	Offer value	Highlights
ellucian	5 <sup>th</sup> Oct	TRIBAL	Leading provider of software and services to the international education market	74	41.5%	£160m	<p><b>Investec deal</b></p> <ul style="list-style-type: none"> <li>Recommended cash offer by Ellucian, owned by funds managed by Blackstone and Vista Equity Partners, for Tribal</li> <li>Ellucian believes that the acquisition of Tribal offers an exciting opportunity for Ellucian to combine with an attractive enterprise resource planning and customer relationship management software and services provider to tertiary education institutions. The acquisition enables Ellucian to pursue its core strategy of investing in attractive markets, with Tribal providing access to the large and important UK and South East Asian educational market</li> <li>On 24 October 2023, Tribal announced that the Competition and Markets Authority (CMA) considers that a formal Phase 1 merger investigation in relation to the acquisition is warranted</li> </ul>
APOLLO	12 <sup>th</sup> Oct	The Restaurant Group plc	Restaurant and pub operator. Its principal trading brands are Wagamama, Brunning & Price and Frankie & Benny's	65	34.4%	£506m	<p><b>Investec deal</b></p> <ul style="list-style-type: none"> <li>Recommended cash offer by Apollo for The Restaurant Group plc ("TRG")</li> <li>Apollo believes TRG has established itself as a highly regarded operator, with the necessary capabilities and scale required to attract and retain customers and the best talent in the industry. Apollo believes that the development of TRG will be best served as a private business under Bidco's ownership, with access to capital and the benefit of a long-term investment approach.</li> <li>On 26 October, TRG confirmed it had been approached by Wheel Topco, the owner of PizzaExpress Group Limited, for due diligence information. A competing offer had not been yet made.</li> </ul>
Apax PARTNERS	18 <sup>th</sup> Oct	KIN+CARTA	A global digital transformation consultancy	110	41.0%	£203m	<p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>Recommended cash offer by Apax for Kin + Carta</li> <li>Apax recognises that Kin + Carta is a high-quality business with a strong platform in Digital Transformation and has an experienced management team with clear vision and strategy for the business. Apax also believes Kin+Carta will be better placed to make the investments necessary to position the business for long-term success as a private company</li> <li>On 20 October, Coast Capital Management (holder of 6.8%) stated its intention to reject the offer</li> </ul>
poltron.esofa	24 <sup>th</sup> Oct	ScS	One of the UK's largest retailers of upholstered furniture and floorings	280	65.6%	£100m	<p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>Recommended cash offer by Poltron.esofa for ScS. The offer terms are structured in such way that ScS' shareholder will receive 270 pence in cash and a final dividend of 10 pence for FY23</li> <li>Poltron.esofa acknowledges ScS's strong presence in the UK market and recognises the strength of the business. It also believes it is strategically well placed to support ScS in the next stage of its development. By building on the combined industry knowledge and experience, and providing the necessary capital to accelerate ScS's ambitions, Poltron.esofa intends to help realise ScS's full growth potential</li> </ul>

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