

Investec European and UK ECM Review

September 2024



Executive summary

Global equity market performance robust year to date given an improving macro backdrop – ECM volumes continue to recover although remain below 10-year averages

1

After some significant volatility over the summer period, September has seen global equity markets return (quickly) to relative stability with several indices making new all-time record highs over the month

2

There were a number of drivers behind the summer sell off, including an unwinding of the 'Japanese carry trade' as the BoJ raised rates but at the core of the sell off was concern that the Fed was behind the curve and the US economy was weaker than markets had conditioned for

3

Stock markets had largely recovered by the end of August as corporate results and more encouraging economic data helped stabilise sentiment but investors entered into September with expectations of rate cuts building, particularly in the US and EU

4

Those reductions did come through over the month with the Fed clearly pivoting and cutting by 50bps (taking the Fed Funds rate to 4.75-5%) which has given US equity markets an extra boost and the ECB making its second 25bps cut of this easing cycle (taking the European Deposit rate to 3.5%)

5

European ECM activity has been relatively robust over the month of September with \$8.1bn of issuance from 38 transactions⁽¹⁾ – much of that volume has been from secondary offerings and shareholder sell-downs, but the second half of the month has seen the launch (and re-launch) of a number of IPOs including Spinger Nature and Europastry

6

UK equity markets recovered through August but drifted through September with the FTSE All-Share down -1.4% and the FTSE 250 down -0.2%, with overall sentiment marginally impacted by concerns about the October 30th Budget and what some see as overly cautious commentary from the new Government

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As has been the case in Europe, UK ECM volume has been driven by secondary offerings and shareholder sell downs. IPO activity is still muted but there are reasons to be hopeful of a recovery over coming quarters with Applied Nutrition announcing its Intention to Float this month

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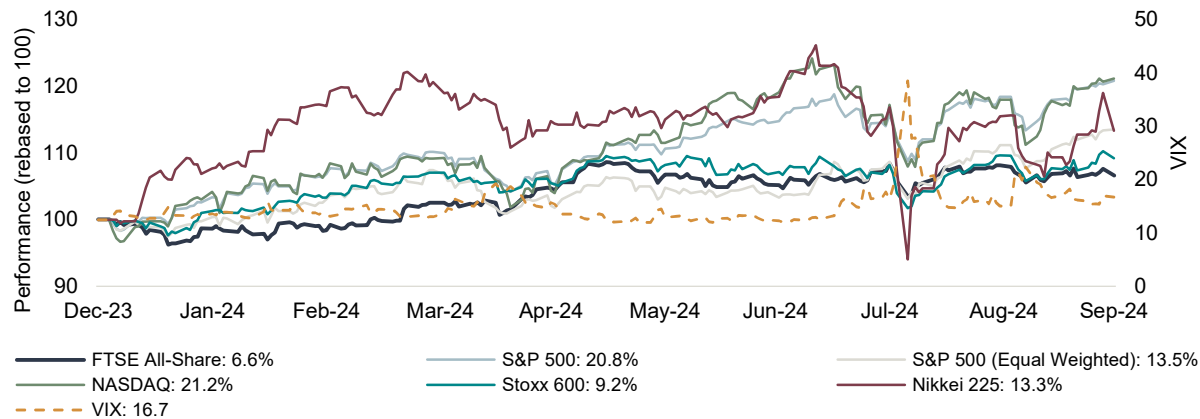


Equity Market Overview | robust performance YTD

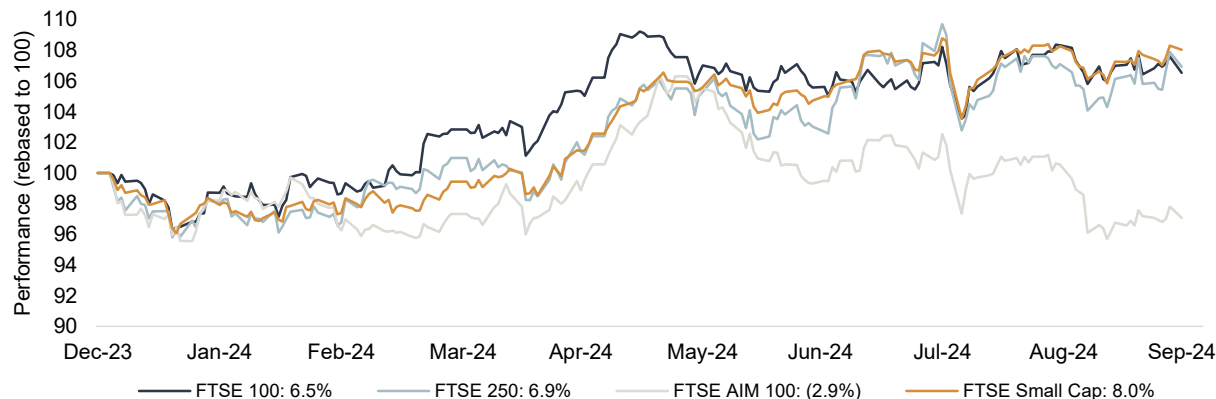
Increasing confidence of 'soft landings' as rate cuts provide support for equity markets

- Leading global indices have delivered gains across the board year-to-date, with US stocks leading the rally
- US outperformance has been driven primarily by the so-called 'MAG-7', mega-cap technology orientated stocks whose strong performance has been further fuelled by the Artificial Intelligence boom. These 7 stocks have had an outsized impact on the market-cap weighted S&P 500 – its performance on an equal-weighted basis is more moderate (see chart)
- Equity markets experienced heightened volatility in late July and early August as weak economic and employment data sparked fears of a possible US recession, triggering a sharp sell-off in global stocks and a spike in the VIX
- However global equities quickly rebounded with more positive economic data providing confidence that central banks (and in particular the Fed) can manufacture soft landings. The S&P500 and Stoxx600 hit new all-time record highs during September

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

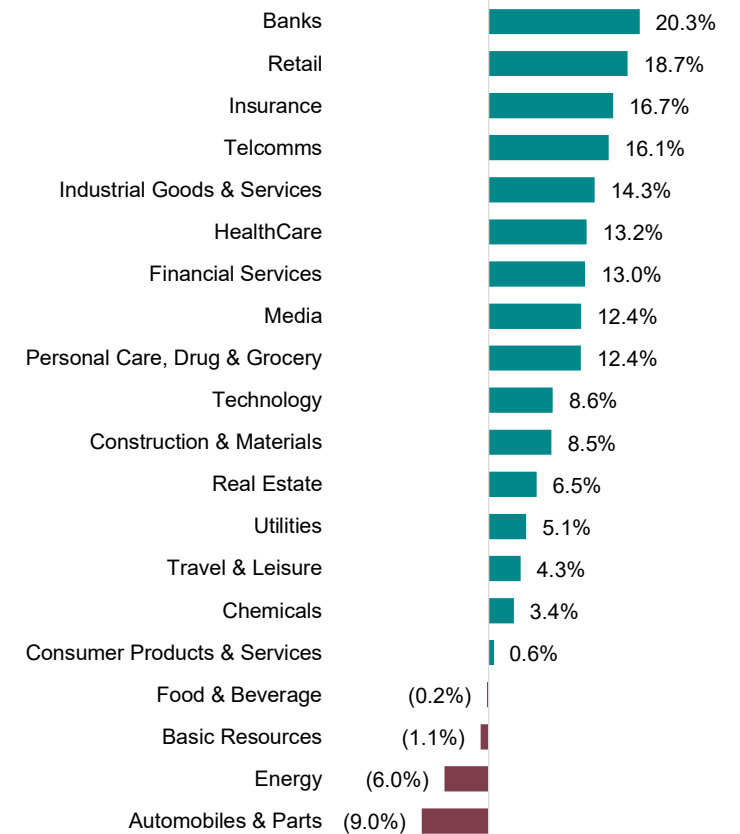


In the UK, AIM stocks have underperformed amidst concerns with regard potential IHT reform



Varied sector performance but most have posted gains YTD

Sector performance – DJ Euro Stoxx 600

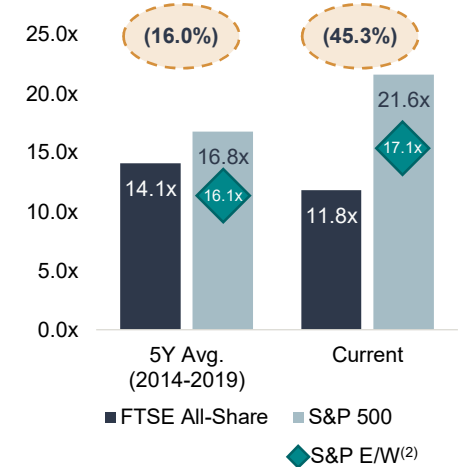
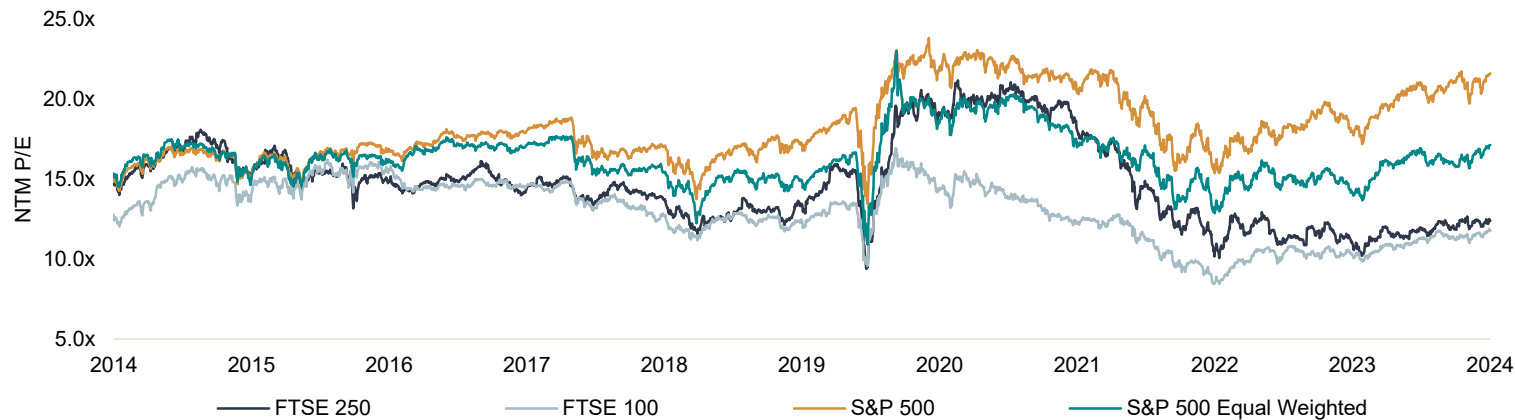


Equity Market Overview | valuation disconnect

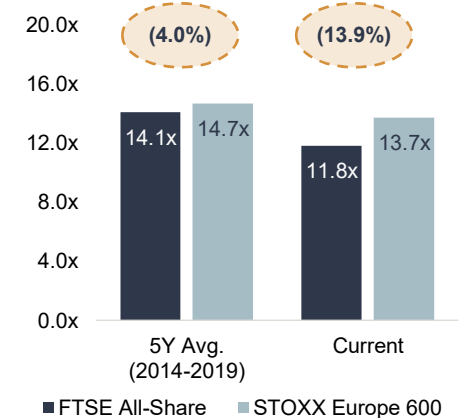
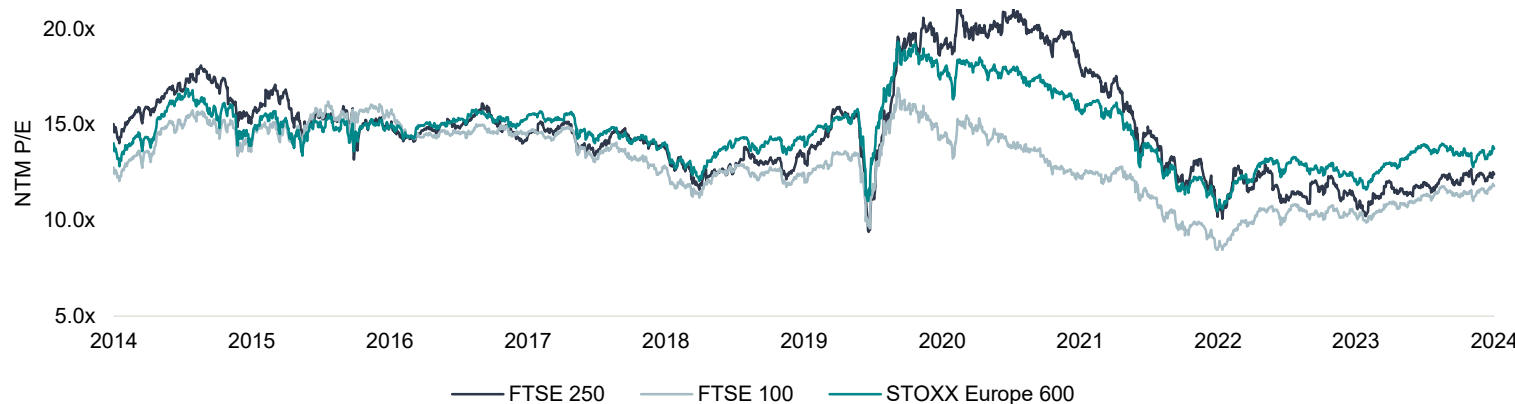
UK valuations look attractive on a global and historical relative basis

- 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
- Index composition does partly explain the divergence – the S&P 500's premium-rating is driven by a high concentration of mega-cap technology orientated stocks given their market leadership and (AI influenced) growth prospects
- Private equity and strategic acquirors have recognised the value on offer in UK public equity markets with 33 companies taken private over the past 12 months⁽¹⁾, but there are signs that public market investors are also starting to act on what they too have recognised for some time

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

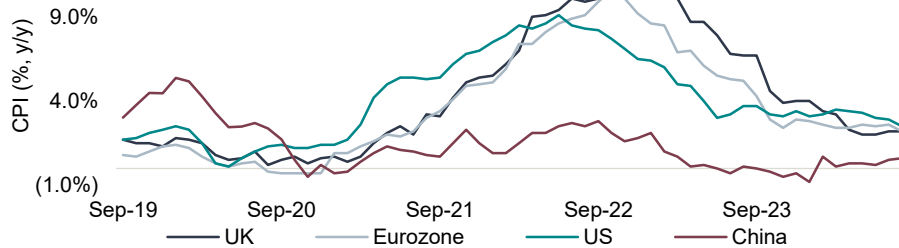


Macro Outlook | improving backdrop

Inflation heading to 2%, a rate cutting cycle underway and growing confidence in economic 'soft landings'

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

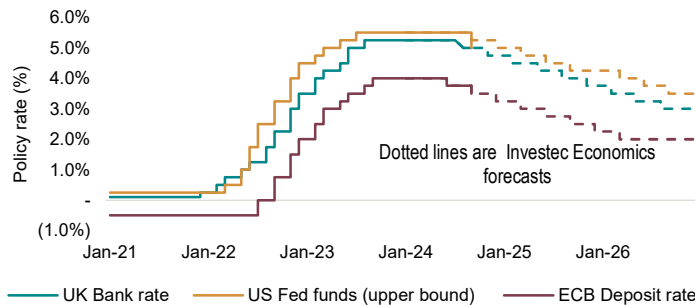
Inflationary pressures moderating across the globe



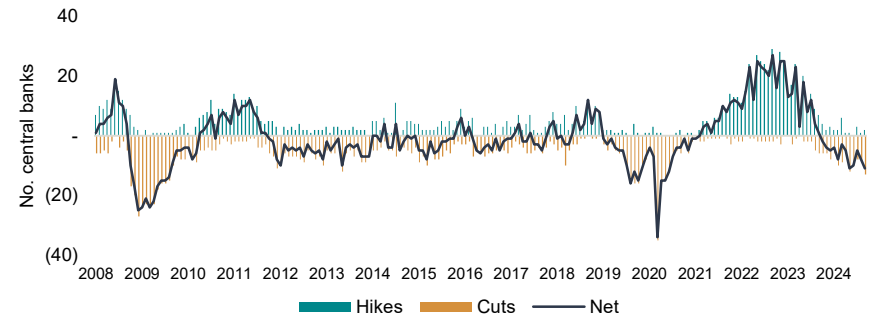
- Inflationary pressures across the globe have eased
- Inflection of interest rate cycle underway, providing a more favourable backdrop for equity markets
- Clarity on UK political outlook driving Sterling strength vs other key global currencies
- Global economy proving resilient despite continued geopolitical uncertainty
- Improving outlook for 'soft-landing', despite recent market jitters

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

Key central banks have begun cutting rates...

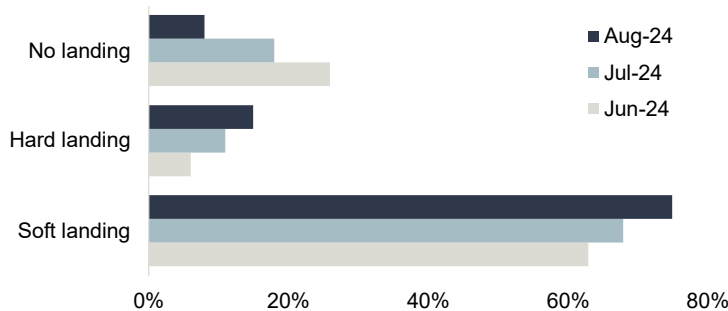


... and clear evidence that the rate cycle has now turned...

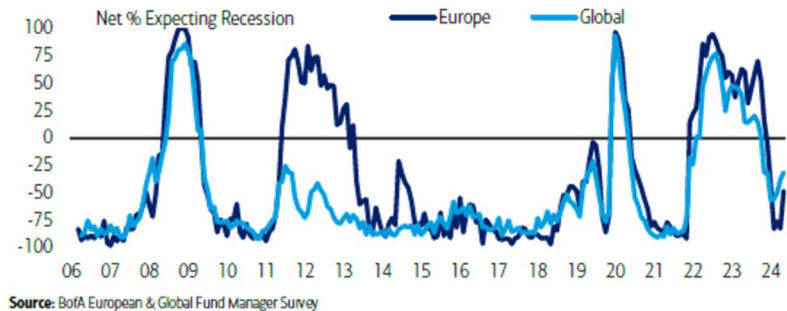


3 ...supporting a more optimistic macro-outlook

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



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



European Equity Issuance 2024 YTD | Overview

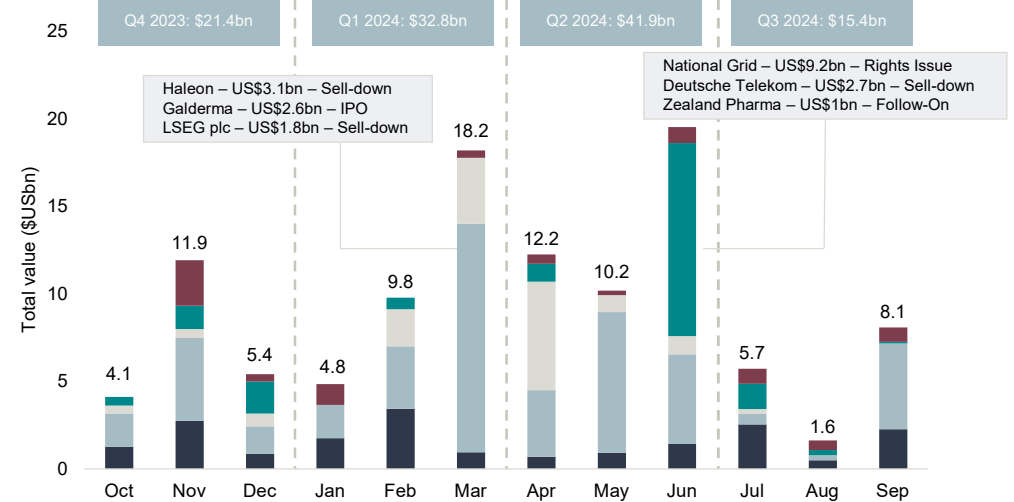
European equity issuance remains well below 10-year averages, but YoY improvements and positive aftermarket performances provide for optimism

ECM activity steadily recovering given the improving backdrop

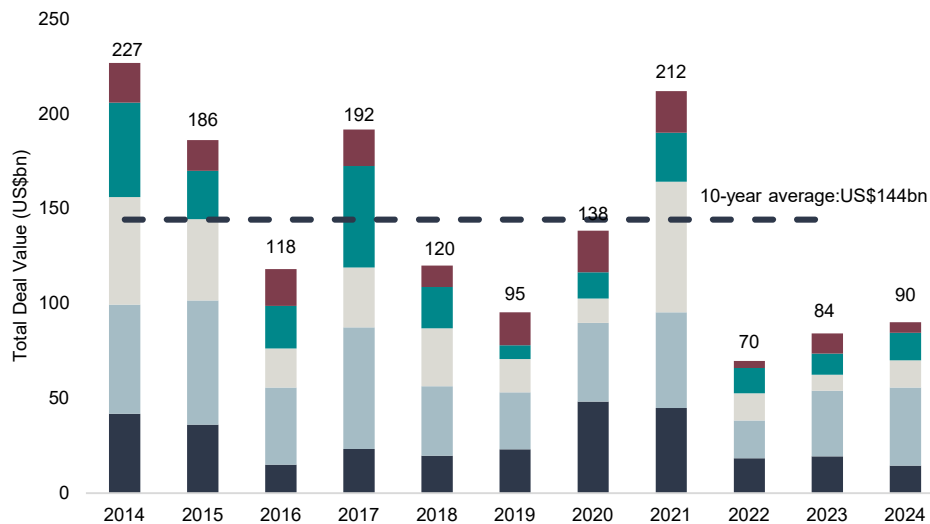
Deal Value (US\$bn)	2022	% Total	2023	% Total	2024	% Total	2024 vs. 2023
Follow-Ons	18	26%	19	23%	14	16%	0.7x
Sell-downs	20	28%	35	41%	41	46%	1.2x
IPOs	14	21%	8	10%	14	16%	1.7x
Rights Issues	13	19%	11	13%	15	16%	1.3x
Convertibles	4	5%	11	13%	6	6%	0.5x
Total	70		84		90		1.1x

No. Value	2022	% Total	2023	% Total	2024	% Total	2024 vs. 2023
Follow-Ons	93	39%	79	33%	68	28%	0.9x
Sell-downs	70	29%	72	30%	99	40%	1.4x
IPOs	30	13%	30	13%	36	15%	1.2x
Rights Issues	35	15%	33	14%	28	11%	0.8x
Convertibles	11	5%	23	10%	16	6%	0.7x
Total	239		237		247		1.0x

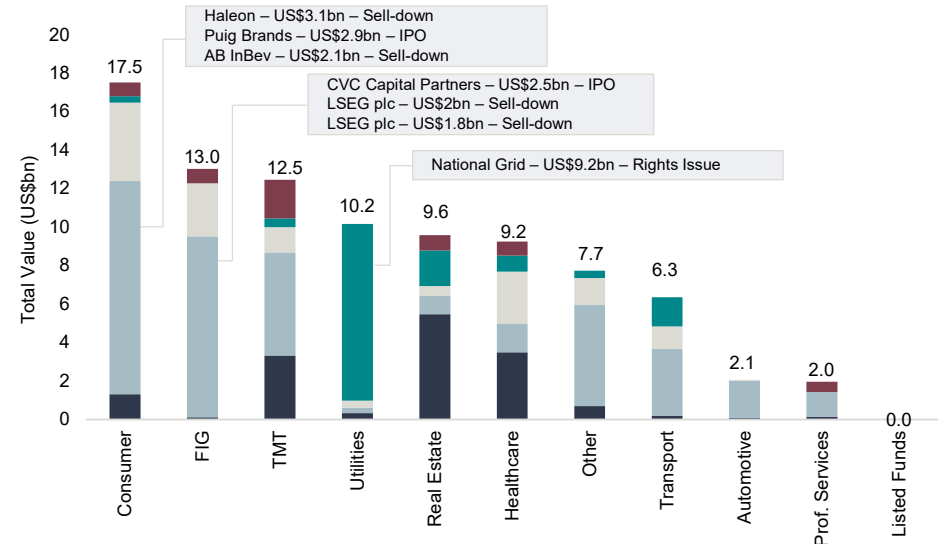
Growing ECM activity in the seasonally key periods



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



Successful LSEG and Haleon sell-downs driven FIG and Consumer 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 and successfully completed transactions across the region have generally performed well

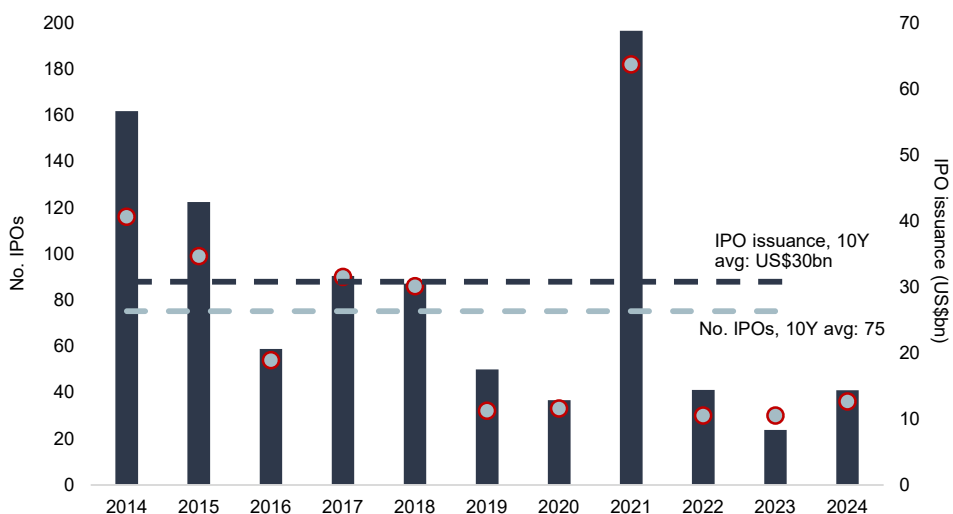
IPO issuance in Europe

- **US\$14bn raised across 36 transactions so far in 2024**, up by 72% and 20% respectively versus the **\$8bn raised across 30 deals in 2023 YTD**
- **Average IPO size so far this year of US\$398m** vs. US\$278m last YTD
- **Average YTD post-IPO share price gain of c.16%**. 22 transactions out of 36 have delivered positive after-market returns for shareholders
- **Consumer sector been busiest this year**, raising US\$4bn over 4 IPOs
- There have been **three deals over US\$2bn this year**: Spanish fashion company Puig Brands (US\$2.4bn); prescription drug and aesthetic solutions provider Galderma (US\$2.6bn) and private equity firm CVC (US\$2.5bn)
- **August and September saw no deals over US\$50m**, with the average deal size being US\$27m and US\$16m respectively
- 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
- Market will continue taking cues from **growth-orientated macro-data releases** against a **reducing-rate backdrop**
- **Clarity over the domestic budget in October** should support an up-tick in UK issuance activity

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
12 Jul	Promomed Group	Healthcare	Russia	58	958	6%	100 / 0	0.0%
09 Jul	Rosebank Industries	FIG	UK	64	64	100%	100 / 0	143.0%
05 Jul	Vseinstrumenti RU	TMT	Russia	136	1,132	12%	0 / 100	0.0%
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%
03 Jun	Yigit Aku	TMT	Turkey	81	324	25%	67 / 33	19.7%
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	Swiss	2,561	14,124	18%	99 / 1	50.9%
19 Mar	Douglas	Consumer	Germany	966	3,041	32%	96 / 4	(20.6%)
Average				785	4,080	28	67 / 33	17.7%

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



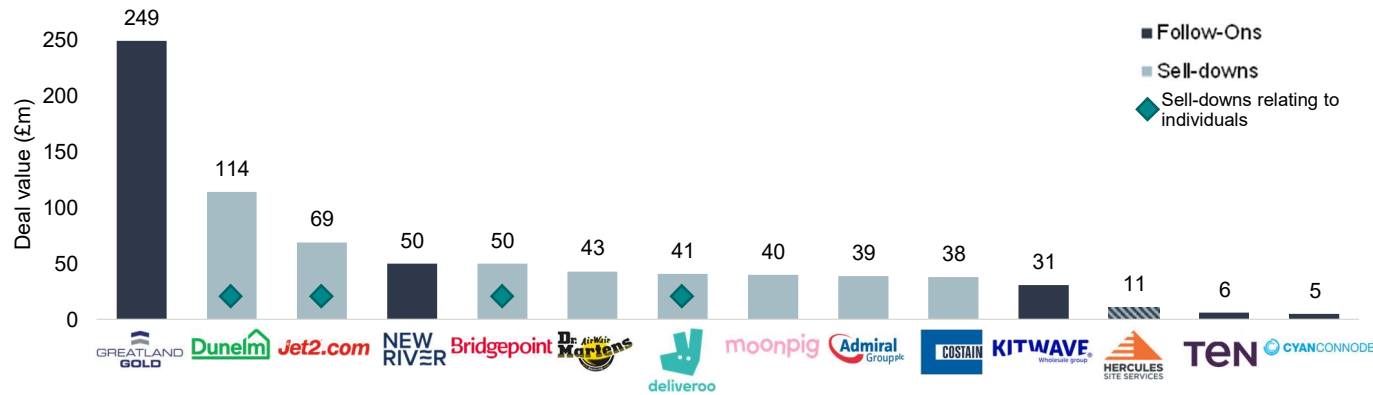
... and the same can be said for the UK IPO issuance levels



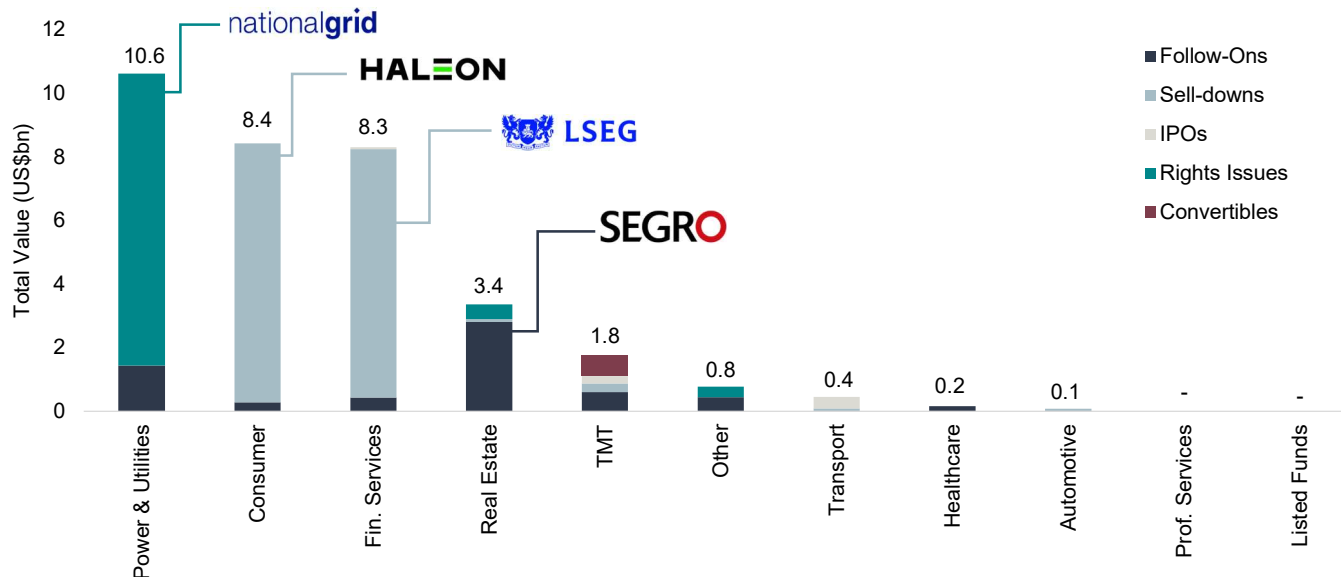
UK ECM activity | September

UK ECM issuance picked up in September after the usual summer slowdown, with shareholder sell-downs continuing to dominate amidst CGT uncertainty

UK ECM issuance across the deal size spectrum in September⁽¹⁾ – £786m raised in 14 deals



Consumer, Utilities, 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)	20,942	15,398	+36.0%
Total no. transactions	105	93	+12.9%

Comparison: UK ECM activity in September 2023

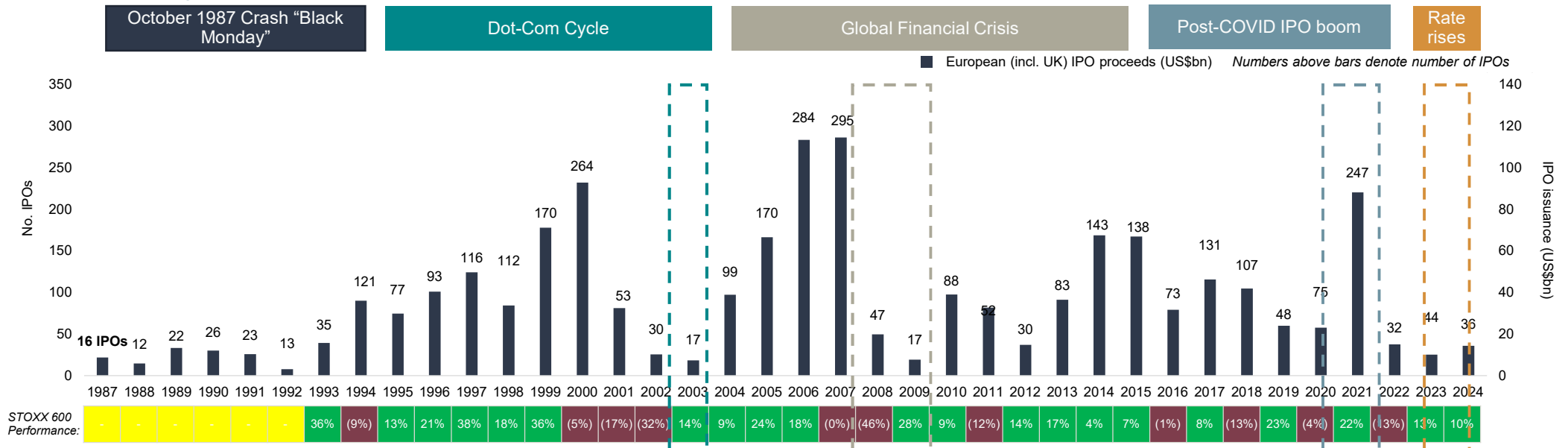


In the Market and Rumoured UK IPOs

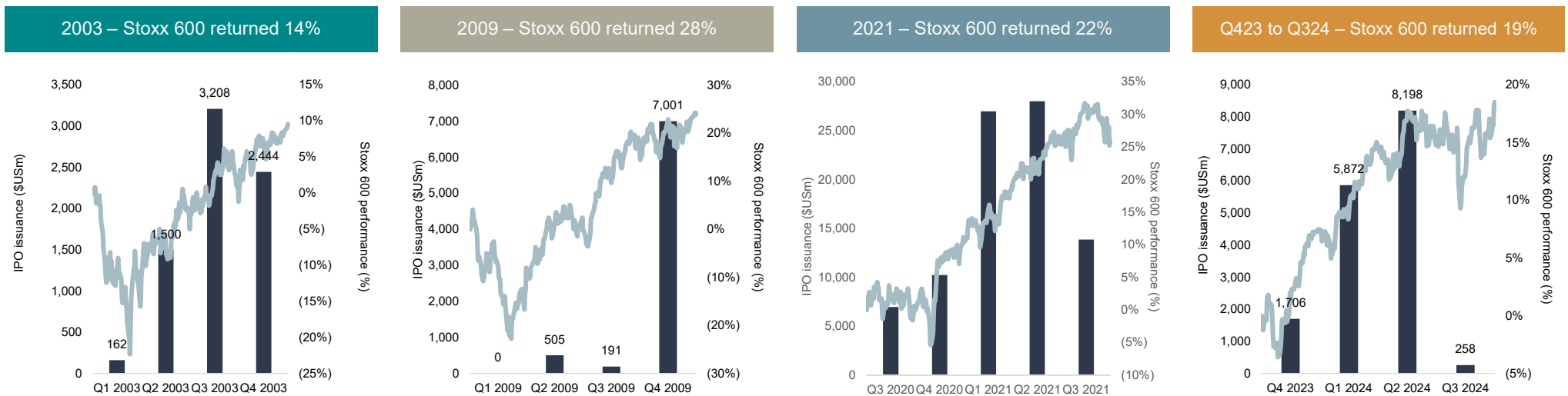


2025 Equity Issuance | Primed for Recovery

Strong secondary market performance a precursor to a recovery in ECM volumes and very important for IPO activity



IPO activity rebounded in 2004, 2010 and 2021 following a robust recovery in equity markets

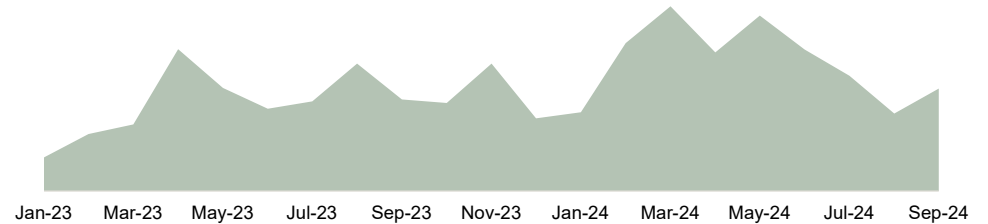


UK Funds Flow Overview | Perceptions changing

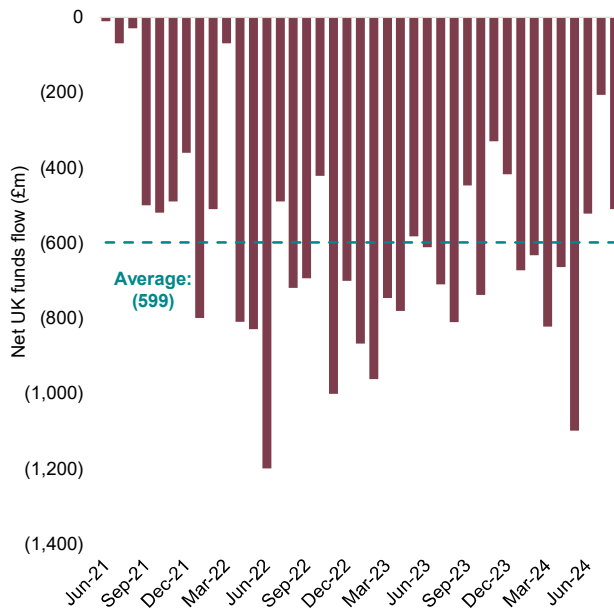
Despite a challenging funds flow environment for UK equities since 2021, there are signs of improvement

- Flow at the aggregate level still looks mildly down but anecdotal evidence suggests that several funds have had positive flows since Q2 2024
- Several institutions including the likes of Janus Henderson, Artemis, JO Hambro, and TT have had inflows into their European / UK equity funds
- US Investors continue to make up an increasing % of Investec's trading commissions although has plateaued very recently as some are now looking for further clarity from the UK Budget

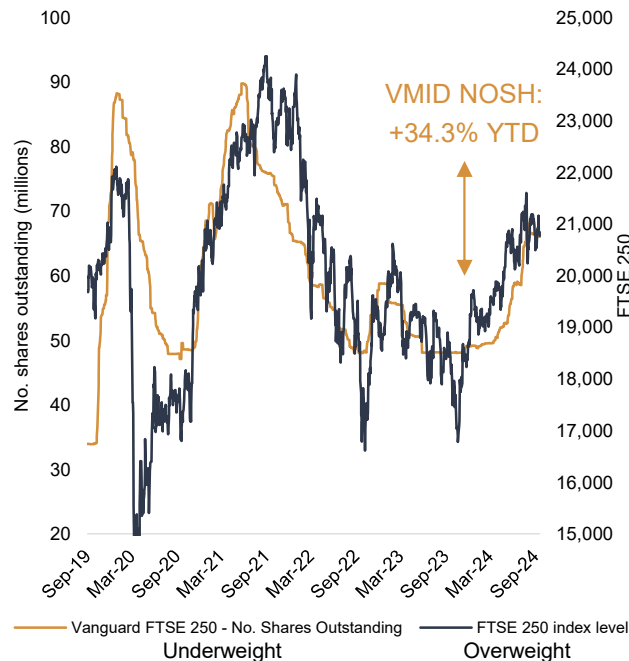
Investec's trading commission from US clients since 2023



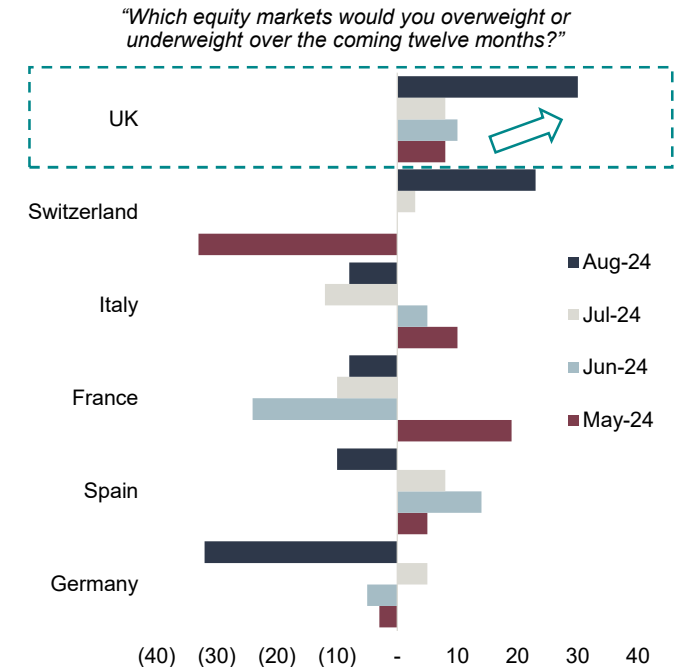
UK mutual fund outflows remain challenging, but picture improving...⁽¹⁾



... 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 | September

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



Selected deals

Deal Status	Deal Type	Date	Company	Market	Pence per share	Premium	Offer value	Highlights
Withdrawn	Strategic	2 nd September	REA Group <i>Rightmove is a property search platform and operates through agency, new homes and "others" segments</i>	FTSE 100	781	41%	£6.5bn	<ul style="list-style-type: none"> On 5th September REA confirmed that it made a non-binding indicative proposal to the board of Directors of Rightmove regarding a possible cash and share offer for the entire issued and to be issued share capital of Rightmove plc On 16th and 22nd September, REA had made a second and third proposal to Rightmove On 27th September 2024, REA made a fourth proposal and on 30th September, the put up or shut deadline, the board of Rightmove unanimously rejected the fourth proposal REA had initially requested an extension of the 30th September deadline, however, later on 30 September 2024 it confirmed that it does not intend to make an offer for Rightmove
Possible Offer	Strategic	16 th September	ABC TECHNOLOGIES <i>Engages in the design, manufacture, and sale of fluid storage, carrying, and delivery systems for light passenger vehicles worldwide</i>	FTSE 250	176	35%	£877m	<ul style="list-style-type: none"> On 22nd August, ABC Technologies made an initial proposal at 165 pence per share which was rejected by the board of TI Fluid Systems, and a revised proposal of 176 pence per share was made on 4th September (the "Possible Offer") Although the revised offer was also rejected by the board of TI Fluid Systems, ABC Technologies stated that it remains interested in a possible transaction and is therefore considering its position On 16th September, the board of TI Fluid Systems confirmed it had considered the revised proposal in detail with its advisers and concluded that it significantly undervalued TI Fluid Systems and its prospects, and accordingly the proposal was rejected
Possible Offer	Private Equity	27 th September	GENERAL ATLANTIC <i>Provides e-learning services and technologies to corporate clients</i>	AIM	100	34%	£792m	<ul style="list-style-type: none"> On 27th September 2024 following media speculation, the Board has confirmed that it has received a conditional approach from GASC APF, L.P. and certain of its managed or advised funds (including Atlantic Park), accounts and/or affiliates (collectively "General Atlantic") regarding a possible cash offer to acquire the entire issued and to be issued share capital of LTG for 100 pence per LTG share The Board has concluded that the cash value of the Proposal is at a value that the Board would be minded to recommend unanimously to LTG shareholders, should a firm intention to make an offer pursuant to Rule 2.7 of the Code be announced on such financial terms. The Board has decided to engage with General Atlantic and has entered into discussions in relation to these terms and provide access to confirmatory due diligence
Possible Offer	Strategic	30 th September	FRASERS GROUP <i>Design and manufacture of luxury accessories, clothing, and footwear</i>	AIM	130	11%	£83m	<ul style="list-style-type: none"> The Board of Frasers has announced a possible cash offer proposing to acquire the entire issued and to be issued share capital of Mulberry that Frasers does not currently own (the "Possible Offer") The cash consideration payable by Frasers pursuant to the Possible Offer Terms would be funded from Frasers existing cash resources. As per its FY results, Frasers is well capitalised with significant level of cash financial fire power, including a term loan and RCF with total commitments in excess of £1.4bn Rapid hostile move by Frasers which already owned c.35% in response to a proposed non-pre-emptive equity issuance by Mulberry to a single investor

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)

M&A Advisory, Private Equity Origination and Capital Fundraising



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
Capital Fundraising

10 years

Equities, Sales and Research (UK)

Equity Sales (UK & International)



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

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