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Ordinary*
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— OUT OF THE ORDINARY

Equity Capital Markets

European and UK ECM Review

January 2025



Executive summary

Equity markets have carried 2024's momentum into January 2025, with uncertainty over US trade tariffs impacting February performance. Strong start to ECM activity with 2025 volumes ahead of 2024 YTD

1

After a strong full year 2024 performance (particularly in the US) global equity markets navigated Government bond volatility, Deepseek and a new US President to make further progress over January and post a strong start to 2025. European indices outperformed their North American peers with most European indices up 5-7% over the month versus US markets which were up 2-5%. The FTSE 100 had its best start to the year in 12 years, however global markets weakened at the start of February as US trade tariffs and their impact have increased uncertainty

2

2025 consensus sees further gains in equity markets over the year, but most do not expect gains in US equity markets to match those seen in 2023 and 2024. Some are also concerned about the concentration of US equity market returns within the 'Mag 7'. This was evidenced in the latest BAML survey of portfolio managers that showed whilst investors remained constructive about the US economy, over the first part of January EU stocks had attracted significant interest from global investors as part of their strategy to diversify from US mega cap tech / AI orientated names

3

In the final week of January a very sharp sell off for AI and semi-conductor related stocks took hold after Chinese AI company DeepSeek produced a Chatbot that can seemingly compete with the latest from Open AI and other leading platforms but has reportedly been developed at a fraction of the cost calling into question the (high...) value of the AI ecosystem and impacting stock prices from ASML to Nvidia, Siemens Energy, Schneider Electric and beyond

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Whilst the speed and extent of the moves highlighted extended valuations and robust future expectations, the really sharp moves lower were short lived and there was a partial recovery in the stock prices of those caught in the sell off by month end

5

CPI data for December in the US, EU and UK remained within sight of central bank targets for inflation of 2% with YoY readings of 2.9%, 2.4% and 2.5% respectively. However, the resilience of the US economy combined with concerns about President Trump's proposed policies being inflationary has driven significant change in expectations for US rates

6

Equity market performance over January 2025 came despite heightened volatility in government bond markets. Yields in the US and Europe moved sharply higher in the first 2 weeks of the month but have pulled back from recent highs in the last few weeks. 10 year UST yields moved c.30bps higher to hit c.4.8% on 14th January but closed on January 31st at 4.54%, and UK 10 year Gilt yields moved c.35bps higher to c.4.9% on 14th January before pulling back to close the month at 4.53%

7

On 29th January the Fed left rates on hold (Fed funds rate at 4.25-4.5%), and on 30th January the ECB cut by 25bps taking the ECB deposit rate to 2.75% - both decisions were widely expected. Attention turns to the BoE's policy decision this Thursday - Investec expects the MPC to cut rates by 25bps to 4.5% (in line with consensus). Markets are currently expecting only 1-2 rate cuts from the Fed over 2025 - Investec's economics team expects just one 25bps cut from the Fed (in March). Over the course of 2025 our team is forecasting 100bps of cuts in the UK and a further 125bps of cuts from the ECB

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ECM activity has started well in January, with EMEA volumes up c.75% relative to the prior year driven by significant and successful sell downs in 2 UK companies, consumer health business Haleon and Tobacco business BAT. 5 notable European IPOs launched over the course of the month, the largest of which is the €1bn+ Madrid IPO of HBX Group, a private equity backed Spanish travel tech business. US ECM activity has also started the year robustly although the \$1.75bn IPO of US LNG business Venture Global had to go through a 40% reduction in price from its initial published range to successfully generate investor appetite

Investec

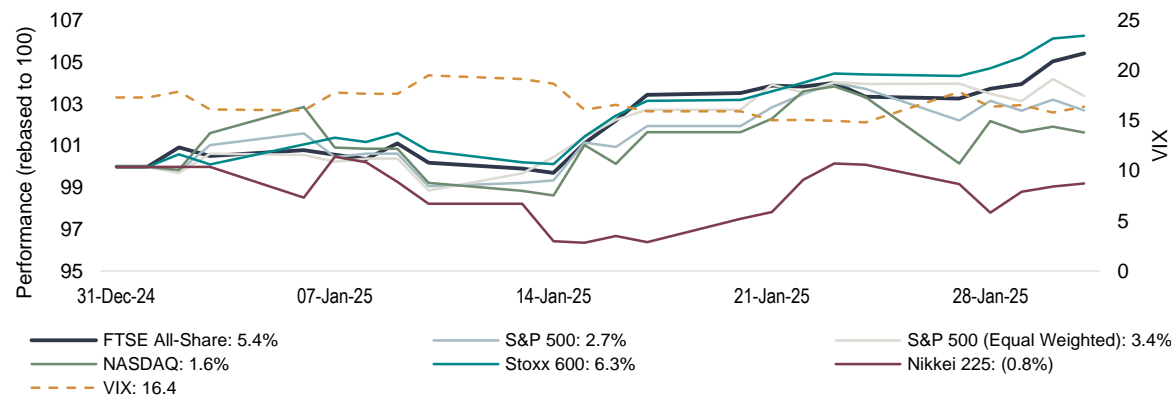


Equity Market Overview | A strong start for equity markets

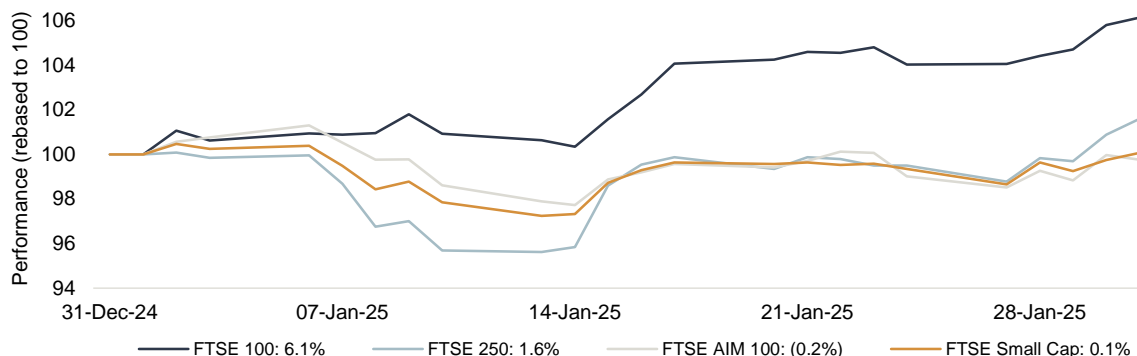
European equity markets outperform with some diversification away from the Mag 7

- After a strong year for equities in 2024, many global indices have continued to perform well despite heightened government bond volatility and a DeepSeek induced pullback for AI related stocks
- US markets have benefitted from optimism that President Trump's Presidency will support further growth and momentum in the US economy, but there are lingering concerns that many of his proposed policies will be reflationary and impact the Fed's ability and willingness to reduce US interest rates
- Whilst most are constructive on US equities for 2025, most do not foresee another year where performances match those seen over 2023 or 2024. January also witnessed a mild diversification away from the largest US (tech related) names into a broader set of US equities and other regions including the EU
- By the close of the month most indices finished in the green – **FTSE up 6.1%, FTSE 250 up 1.6%, Stoxx600 up 6.3%, S&P up 2.7%, Nasdaq up 1.6%, Russell 2000 up 2.6%**
- Other than a few brief intraday moves above 20 (mid-Jan – Govt bond yields, 27th Jan – DeepSeek) the VIX remained relatively subdued throughout January ending the month below 17

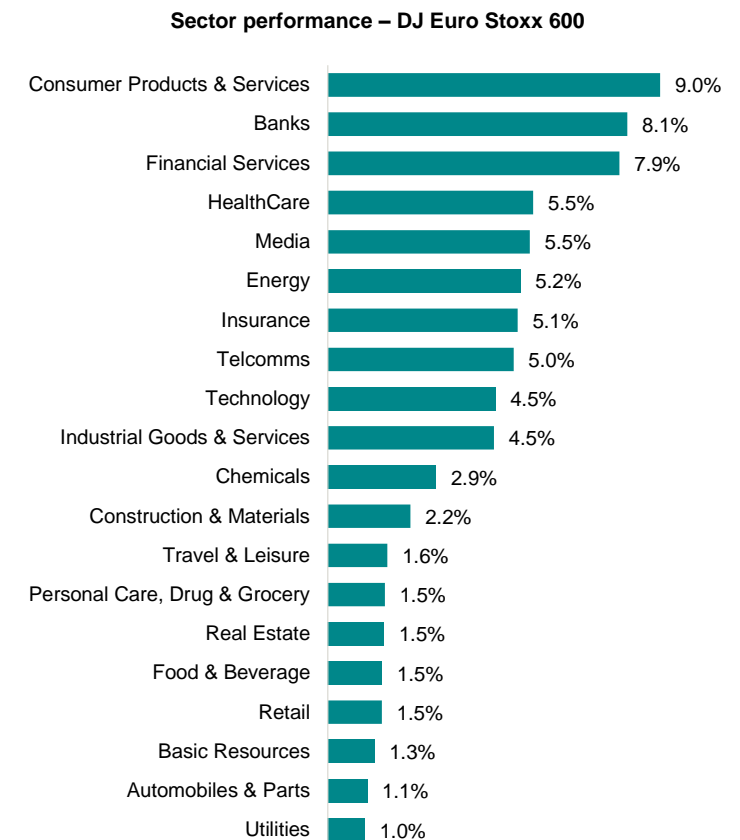
European markets have outperformed their US counterparts so far in 2025



In the UK, AIM stocks have continued to underperform post the UK budget; FTSE 100 buoyed by weakening sterling



All sectors within the Stoxx600 made progress over the month

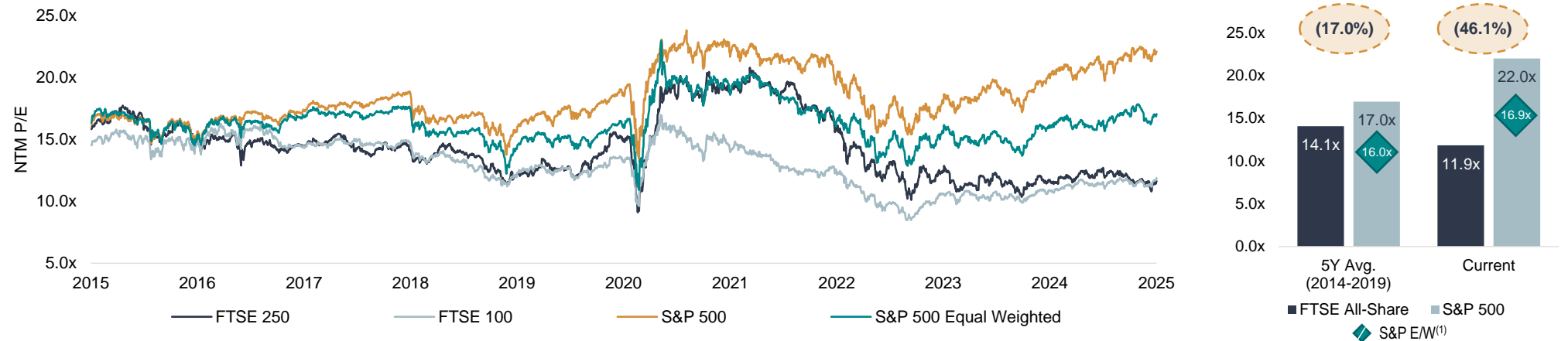


Equity Market Overview | valuation disconnect remains

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

- 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
- Economists and Strategists currently see positive returns in 2025 for equities, however, whilst a number highlight 'US exceptionalism' and the importance of AI, very few expect US equity returns to be as high as they have been in 2024 (or 2023)
- The robust FTSE performance YTD2025 has started to close the gap, but there is still a long way to go particularly for the FTSE250. Whilst there has been an improvement in the valuation disconnect, the FTSE All-Share still sits at a 46% discount to the S&P, and a 30% discount on an equal weighted basis

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 adjusted for growth



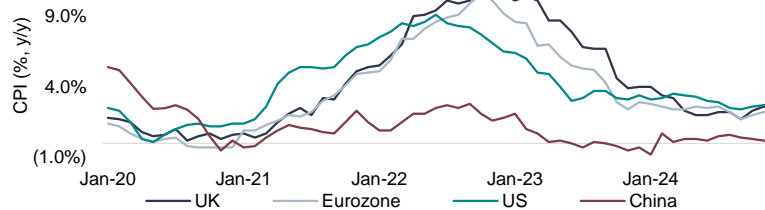
Macro Outlook | broadly supportive backdrop

Inflation has fallen significantly but remains slightly above target. The ECB & BoE are expected to decouple from the FED as EU/UK governments look to elevate their own growth agendas

1

Inflation is trending towards central bank target levels...

Inflationary pressures moderating across the globe

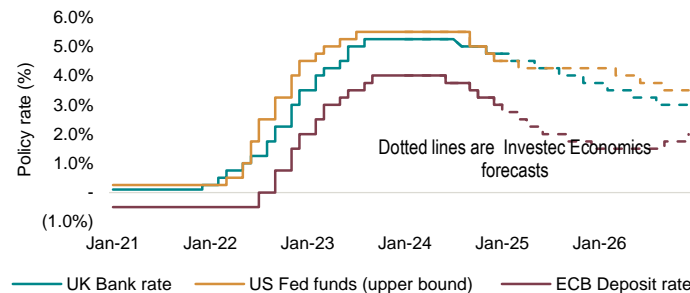


- UK inflation for December fell to 2.5% y/y from 2.6% in November albeit still higher than the 2.3% print in October. Service sector inflation fell to 4.4% from 5.0%, but still well above what the BoE would consider target-consistent
- In the Eurozone CPI for January increased to 2.5% y/y from 2.4% in December. In the US CPI ticked up to 2.9% y/y in December from 2.7% in November
- The US and Europe (inc. the UK) look set to decouple of terms of interest rate moves with markets expecting the ECB and BoE to reduce rates more actively than the Fed over 2025 which should be supportive for equities in the region
- With President Trump pursuing his America First agenda there is US policy unpredictability to navigate but also some hope that this will galvanise EU and UK Governments into more aggressively elevating their own growth agendas

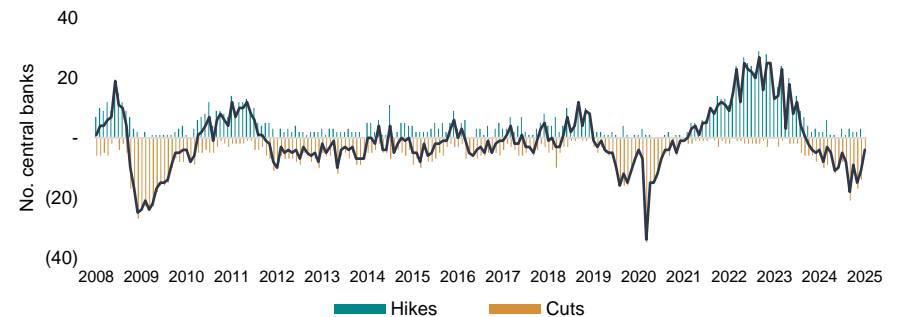
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...and the rate cutting cycle looks well underway...

A flattening trajectory, but rate cutting cycle underway...



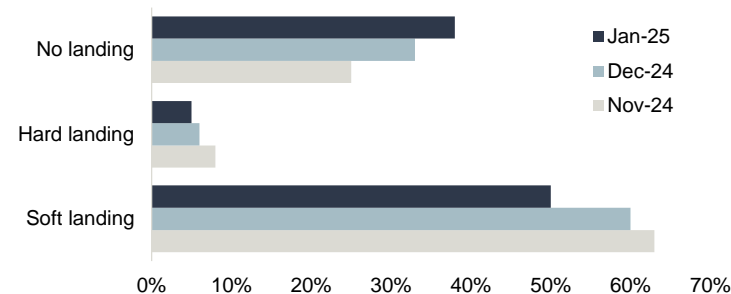
... and clear evidence that the rate cycle has now turned...



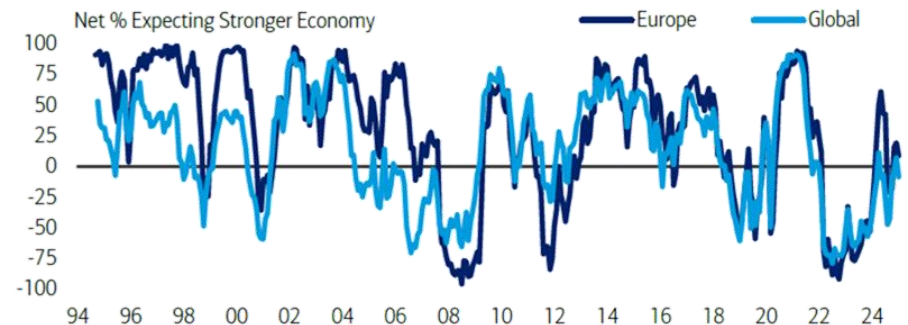
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...supporting a more optimistic macro-outlook

Soft or no landing for the global economy looking more likely...⁽¹⁾



...but US tariffs increasing uncertainty in the market⁽²⁾



Source: BofA European & Global Fund Manager Survey

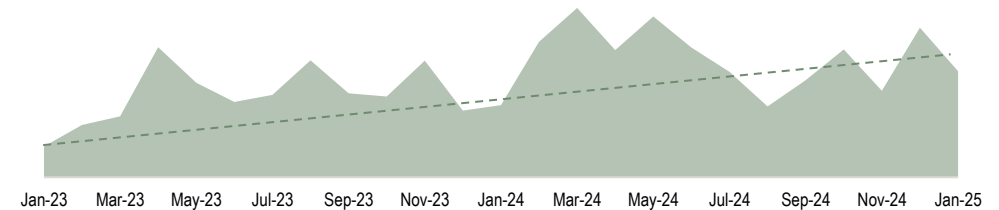


UK Funds Flow Overview | Perceptions gradually changing

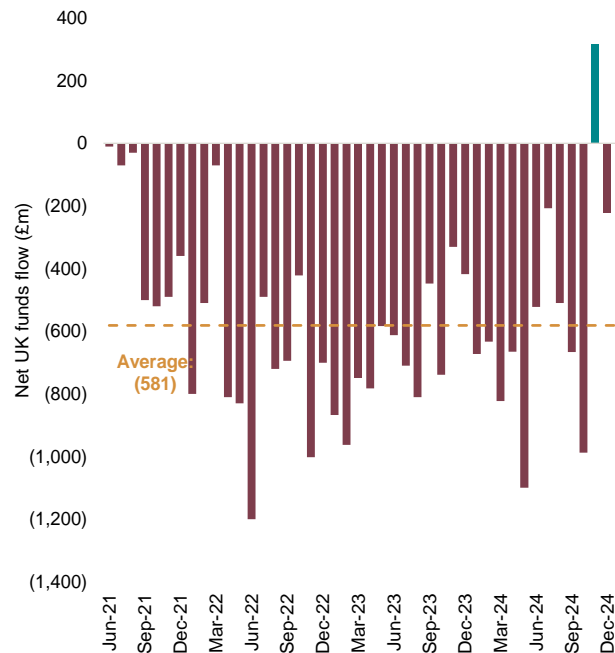
Despite a challenging funds flow environment for UK equities since 2021, there are signs of improvement

- The UK saw an improvement in the trend of flows in 2024 vs 2023, with £6.7bn of outflows vs £8.0bn in 2023
- Most notable for UK markets, in November UK focused equity 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 January as US institutions paused to assess the impact of President Trump's tariffs on global markets. Despite this UK markets still outperformed US markets overall
- Investors have continued to view the UK more positively, aided by clarity from the UK Budget announcement. Germany's investor sentiment was weighed down in 4Q24 by political dynamics, but hopes for change in 2025 has seen investors pivot their weighting to Germany, albeit from a relatively low base

Investec's trading commission from US clients since 2023



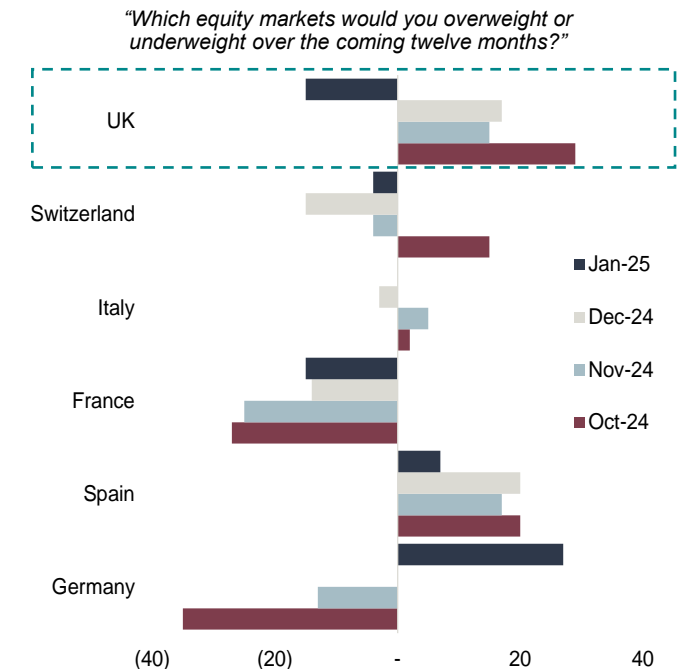
Reduction in the rate of UK outflows; despite January outflows UK markets start the year positively...(1)



... and FTSE 250 ETF AuM has continued rising after growing investor demand for UK equities...(2)



...and improved investor perceptions for Europe, with expectations of positive German policy response (3)





European Equity Issuance 2025 YTD | Improving trends

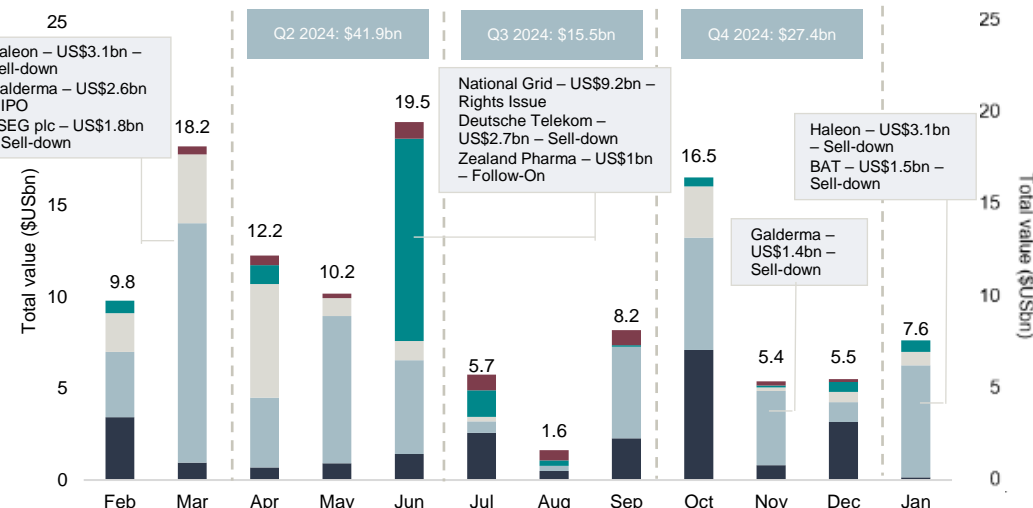
European equity issuance remains below 10-year averages, but YoY improvements continue into 2025

ECM activity steadily recovering given the improving backdrop

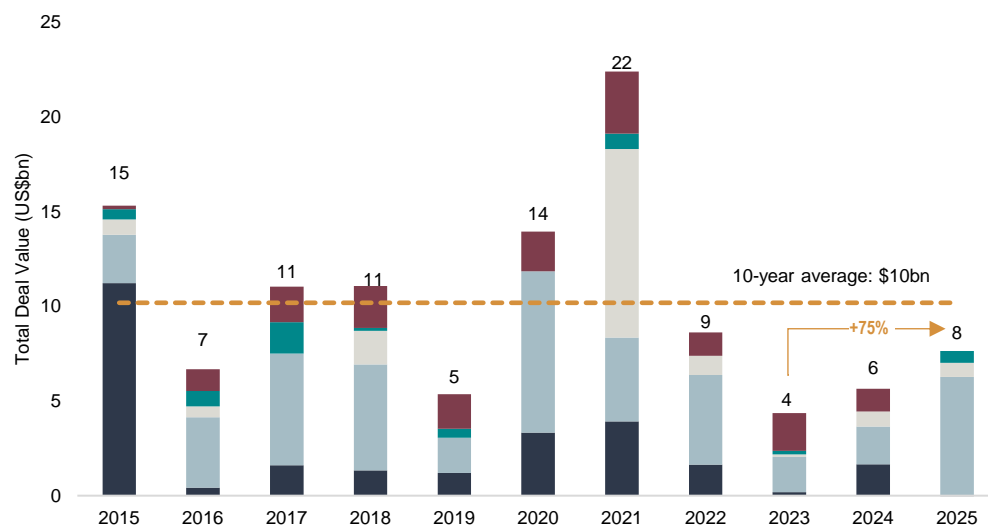
Deal Value (US\$bn)	2023 (YTD)	% Total	2024 (YTD)	% Total	2025 (YTD)	% Total	2025 vs. 2024
Follow-Ons	0	4%	2	29%	0	0%	0.0x
Sell-downs	2	43%	2	35%	6	82%	3.2x
IPOs	0	3%	1	14%	1	10%	0.9x
Rights Issues	0	4%	0	0%	1	8%	-
Convertibles	2	46%	1	21%	0	0%	0.0x
Total	4		6		8		1.3x

No. Value	2023 (YTD)	% Total	2024 (YTD)	% Total	2025 (YTD)	% Total	2025 vs. 2024
Follow-Ons	2	10%	3	19%	0	0%	0.0x
Sell-downs	9	43%	9	56%	13	68%	1.4x
IPOs	1	5%	1	6%	5	26%	5.0x
Rights Issues	3	14%	0	0%	1	5%	-
Convertibles	6	29%	3	19%	0	0%	0.0x
Total	21		16		19		1.2x

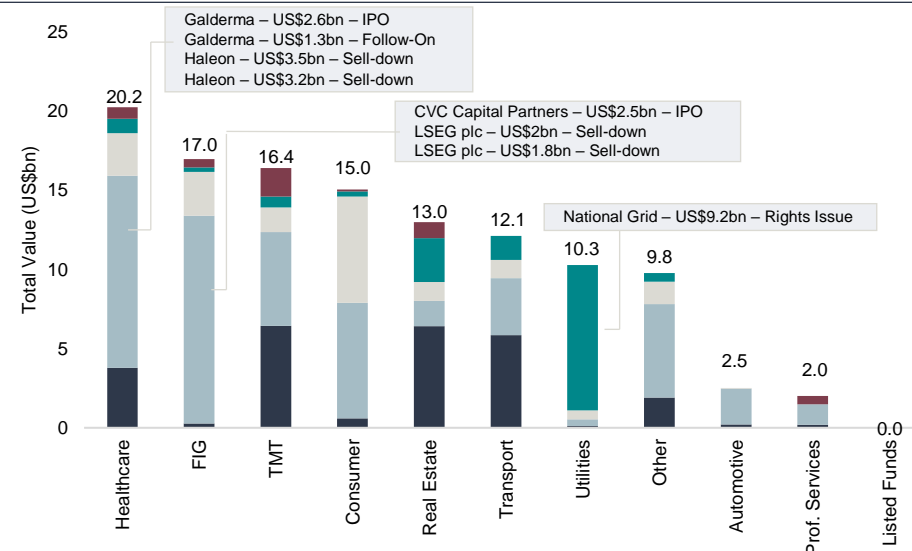
Growing ECM activity in the seasonally key periods



January European ECM volumes (inc. UK) recovering but still below 10- year averages



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





European IPO Issuance 2025 | Improving Outlook

Although volumes remain below 10 year averages, continued gradual improvement in IPO activity in January 2025

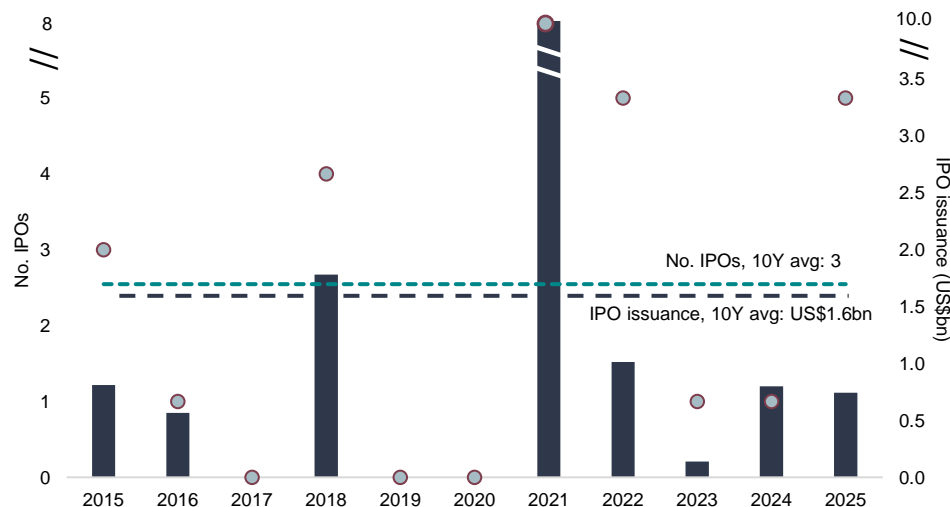
IPO issuance in Europe

- **US\$846m raised across 8 transactions in January 2025**, with 3 of those IPOs sub-US\$50m. **Average IPO size** so far this year of **US\$106m**
- **January saw five IPO's over US\$50m**, Turkish construction engineer co. **Gulermak Heavy Industries Construction & Contracting Co (US\$137m)**, Turkish infrastructure co. **Akfen Insaat Turizm ve Ticaret AS (US\$73m)**, Greek media co. **Alter Ego Media SA (US\$59m)**, Turkish online supermarket **Mopas Marketcilik Gida Sanayi ve Ticaret AS (US\$56m)** and Polish network of medical laboratories **Diagnostyka SA (US\$418m)**
- Spanish travel tech business **HBX launched its IPO** and is **expected to raise c.€1bn**, with the majority a primary raise. Other European IPOs that are currently live and set to price include **BioVersys** (Swiss biopharma, \$88m) and **Doosan Skoda Power** (Czech Republic industrial turbines, \$105.5m)
- By the 31st December the 2024 vintage of European IPOs had returned an **average of c.20% with 22 out of 46 transactions** delivering a positive after market performance. In the UK **Rosebank** returned **250%**, **Raspberry Pi** **123%** and **Applied Nutrition** **11%**
- There were **four IPOs over US\$1bn in 2024**: 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)**
- **In the UK IPO volumes are expected to be second half weighted.** We continue to think that the FCA Listing Rule reforms will be helpful tailwinds for UK IPOs

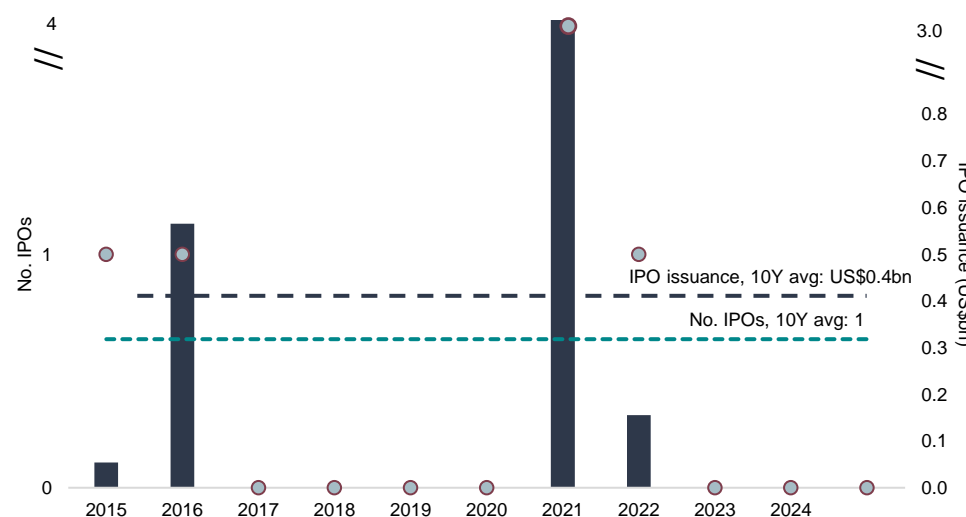
Recent deals have been more modestly sized with a smaller % of the company sold in January 2025

Date	Company	Sector	Country	Deal Value (US\$m)	IPO Mcap (£m)	% Co. Sold	Prim. / Sec. (%)	Post- IPO return
31 Jan	Diagnostyka SA*	Healthcare	Poland	418	706	48%	0 / 100	-
24 Jan	Mopas Marketcilik	Retail	Turkey	56	217	21%	75 / 25	0.6%
22 Jan	Alter Ego Media SA	Media	Greece	59	193	25%	100 / 0	15.6%
20 Jan	Akfen Insaat Turizm	Construction	Turkey	73	570	11%	100 / 0	(31.8%)
13 Jan	Gulermak Construction	Construction	Turkey	137	933	12%	58 / 42	21.4%
11 Dec	Intea Fastigheter AB	Real Estate	Sweden	197	737	21%	94 / 6	24.5%
13 Nov	Cox ABG	Utility & Energy	Spain	185	660	22%	100 / 0	(11.8%)
24 Oct	Applied Nutrition	Consumer	UK	175	350	39%	0 / 100	10.6%
18 Oct	Sveafastigheter AB	Real Estate	Sweden	287	577	38%	0 / 100	(8.4%)
10 Oct	Zabka Polska	Consumer	Poland	1,640	4,189	30%	0 / 100	8.6%
01 Oct	Springer Nature	Media	Germany	665	3,731	13%	38 / 62	16.4%
Average				354	1169	25%	12 / 88	4.6%

European (inc. UK) IPO activity is above 10-year January average by number...



... with UK IPO issuance yet to commence, albeit in line with prior years

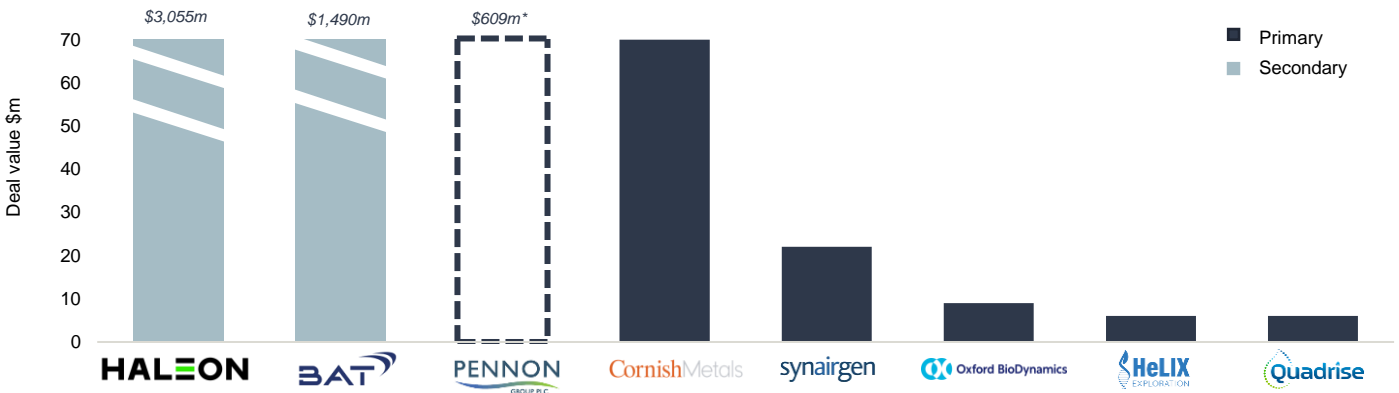




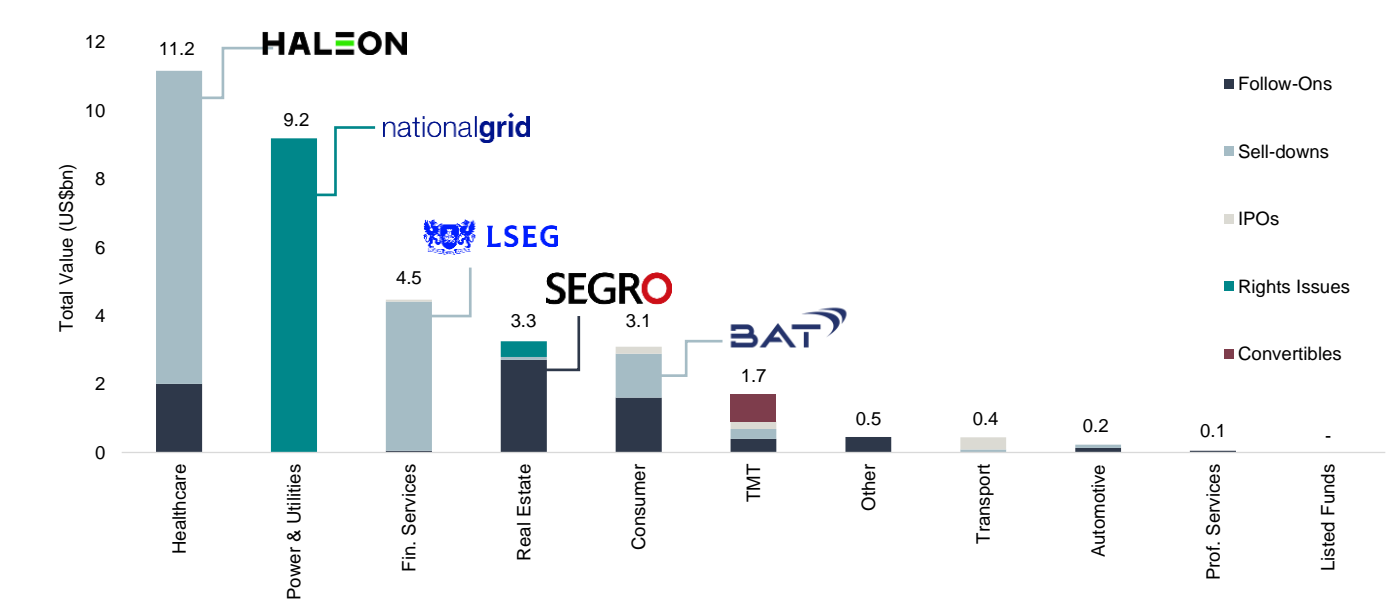
UK ECM activity | January

UK ECM activity off to a strong start, driven by large secondary sales in HALEON and BAT

UK ECM issuance across the deal size spectrum in January⁽¹⁾ – \$4.7bn raised in 7 deals, with a further \$609m announced



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



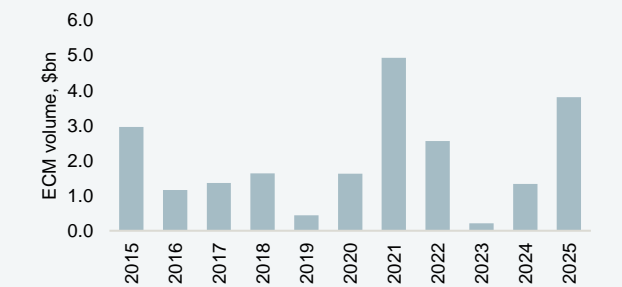
2025 UK ECM YTD activity vs 2024 snapshot⁽¹⁾

	2025 YTD	2024 YTD	Variance
Total funds raised (\$m)	3,811	1,334	+186%
Total no. transactions	7	9	(22%)

Comparison: UK ECM activity in January 2024⁽¹⁾



January UK ECM Activity







Source: Dealogic; (1) Analysis and commentary only includes transactions greater than or equal to \$5m; (2) Analysis and commentary only includes transactions greater than or equal to \$US50m – chart above show year-to-date activity levels; IFR ECM | Note: *dotted line denotes announced Pennon Rights Issue (GBP490m) 29 January 2025

UK Public M&A activity | January

Fastest start to UK PLC M&A since 2018



Selected deals

Firm	Strategic	29th January	 <p>DOWLAIS Dowlais Group plc designs and manufactures advanced engineering solutions for the automotive and industrial sectors. FTSE 250</p>	42 Pence per share & 0.0863 new AAM shares for each Dowlais share	25.0% Premium	£1.2bn Offer value	<ul style="list-style-type: none">The Combined Group will benefit from a more diversified business model across both customers and geographies as well as the significant synergies arising from the combination of AAM and Dowlais.The Combination offers shareholders the opportunity to participate in future value creation unlocked through the delivery of these cost synergiesImplied enterprise value multiple of approximately 4.1 times Dowlais' adjusted EBITDA for the 12-month period ended 31 December 2023, and 3.0 times when including full run rate cost synergies.On completion, it is expected that the Dowlais shareholders will own approximately 49%, and AAM shareholders will own approximately 51%, of the issued and outstanding common shares of the combined group.
Firm	Strategic	27th January	 <p>good energy Good Energy plc is a renewable energy company that generates and supplies electricity from renewable sources, including wind, solar, and hydroelectric power.</p>	490 Pence per share	66.0% Premium	£99.4m Offer value	<p>Highlights</p> <ul style="list-style-type: none">Having received an unsolicited initial Indicative offer on 25 October 2024 from Esyasoft at an offer price of 412p per share, the Board believed that this was not a fair reflection of the future growth opportunities of the Company. Accordingly, the Good Energy Board went through a series of negotiations and reached a revised offer at a price of 490p.The Good Energy Directors believe that Esyasoft is strongly positioned to support Good Energy with the next phase of its growth, providing access to capital for further development. In addition, as a private company, Good Energy would be better able to develop its business away from the parameters of operating in public markets, and its associated costsImplied enterprise value of approximately 8.4 times EBITDA for 12-months ended 31 December 2023
Firm	Private Equity	10th January	 <p>ALLIANCE Alliance Pharma plc is a UK pharmaceutical company that acquires, develops, and markets specialty pharmaceuticals and consumer healthcare products.</p>	62.5 Pence per share	40.9% Premium	£349.7m Offer value	<p>Highlights</p> <ul style="list-style-type: none">DBAY has followed Alliance's story for several years and began acquiring Alliance Shares in December 2022. Currently, Alliance's largest shareholder and holds c.27.9% of the voting rights.DBAY is supportive of Alliance's leadership team and believes in Alliance's future prospects but considers that Alliance needs to implement a range of operational and strategic initiatives, in conjunction with a period of accelerated investment and selective acquisitions of complementary products, in order to fulfil the growth potential of the business. It has become apparent to DBAY that Alliance needs time away from the public market to allow it to fully deliver these initiatives in a reasonable timeframe.Implied enterprise value of approximately 7.8 times EBITDA for 12-months ended 31 December 2023
Possible	Private Equity	7th January	 <p>team internet. Team Internet Group plc provides domain name registration, web hosting, and related online services.</p>	125 Pence per share	34.0% Premium	£315.1m Offer value	<ul style="list-style-type: none">The two proposals followed earlier approaches from TowerBrook Capital and Verdane, both of which were rejected by the Team Internet board as undervaluing Team Internet and its future prospects.Each proposal was for 125 pence per Team Internet share in cash with an option for Team Internet shareholders to elect for an unlisted equity alternative in respect of Team Internet shares. The Board is currently considering the approaches with its advisers, including limited interaction with the Potential Offerors, and will make further announcements in due course as appropriate.Implied enterprise value of approximately 4.3 times EBITDA for 12-months ended 31 December 2023

Senior-led team | significant hands-on experience

An experienced and well-established team

<div>Jonathan Arrowsmith</div> <div>Head of Investment Banking</div> <div>25+ years⁽¹⁾</div> <div></div>				<div>Carlton Nelson</div> <div>Head of UK Corporate Broking & PLC Advisory</div> <div>20 years</div> <div></div>				<div>Clive Murray</div> <div>Head of Equities</div> <div>25+ years</div> <div></div>				
Equity Capital Markets & PLC Advisory (UK & Frontier Markets)						M&A Advisory & Private Equity Origination						
<div></div> <div>Duncan Smith</div> <div>Head of European ECM</div> <div>25+ years</div>		<div></div> <div>Ben Griffiths</div> <div>Director, European ECM</div> <div>10 years</div>		<div></div> <div>Sara Wallace</div> <div>Analyst, European ECM</div> <div>5 years</div>		<div></div> <div>Jarret Goldenhuys</div> <div>Managing Director, FM ECM</div> <div>25+ years</div>		<div></div> <div>Ashleigh Williams</div> <div>Director, FM ECM</div> <div>10 years</div>		<div></div> <div>Luke Spells</div> <div>Head of M&A Advisory</div> <div>20+ years</div>		<div></div> <div>Kate Gribbon</div> <div>Head of UK Private Equity Coverage</div> <div>20 years</div>
Equity Research				Equity Sales (UK & International)								
<div></div> <div>Andrew Whitney</div> <div>Head of UK Research</div> <div>20+ years</div>		<div></div> <div>Paul Divo</div> <div>Head of UK Sales Desk</div> <div>25+ years</div>		<div></div> <div>Adam Bidwell</div> <div>UK Equity Sales</div> <div>20+ years</div>		<div></div> <div>James Ewing</div> <div>US Equity Sales</div> <div>20+ years</div>		<div></div> <div>Callum Hillicks</div> <div>European Equity Sales</div> <div>10 years</div>		<div></div> <div>Neil Brierly</div> <div>Co-Head Investment Trusts Sales</div> <div>20+ years</div>		<div></div> <div>Andrew Schultz</div> <div>Head of Frontier Market Sales</div> <div>25+ years</div>

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