

Investec Market Review

February 2023

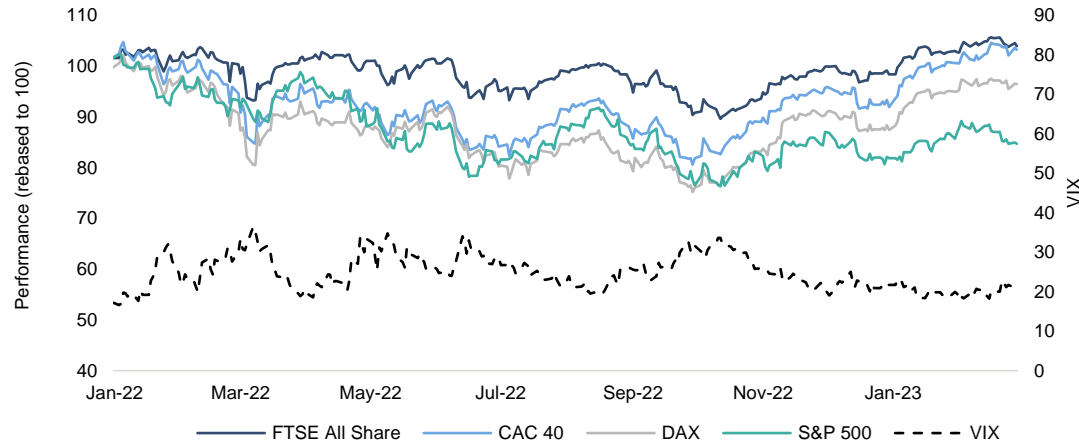


Executive Summary

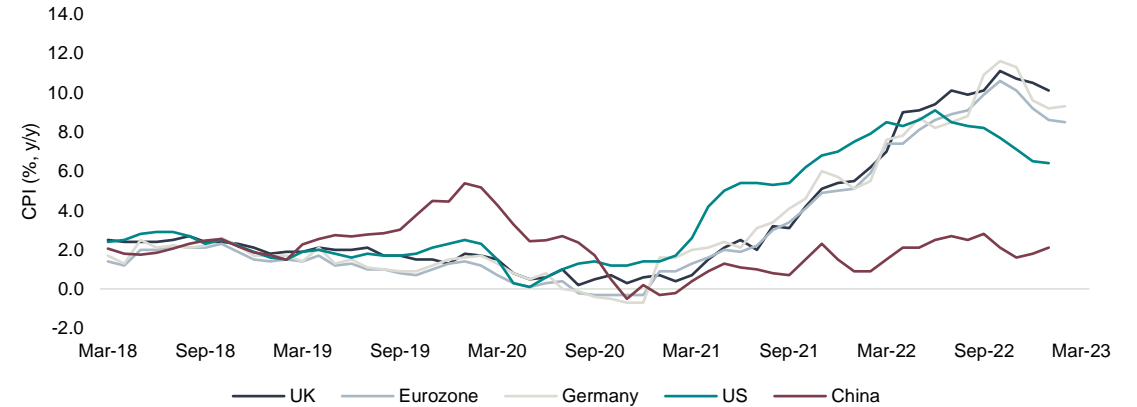
- ▶ Global indices' recovery slowed down in February albeit posted modest gains vs January
- ▶ Resilient economic data in the US, Europe and the UK as well as signs that inflation could prove tougher to control, raised the prospect of higher than expected interest rates. However, strong corporate earnings helped outweigh the negative impact of further hikes on markets
- ▶ UK ECM activity showed signs of recovery with deal value increasing from £23m in January to £682m in February after 9 placings were announced throughout the month
- ▶ Momentum in UK public M&A continued to gather pace relative to January and saw two potential deal values of over £1bn
- ▶ Please contact your usual Investec contact if you would like to discuss the contents of this pack

Market backdrop

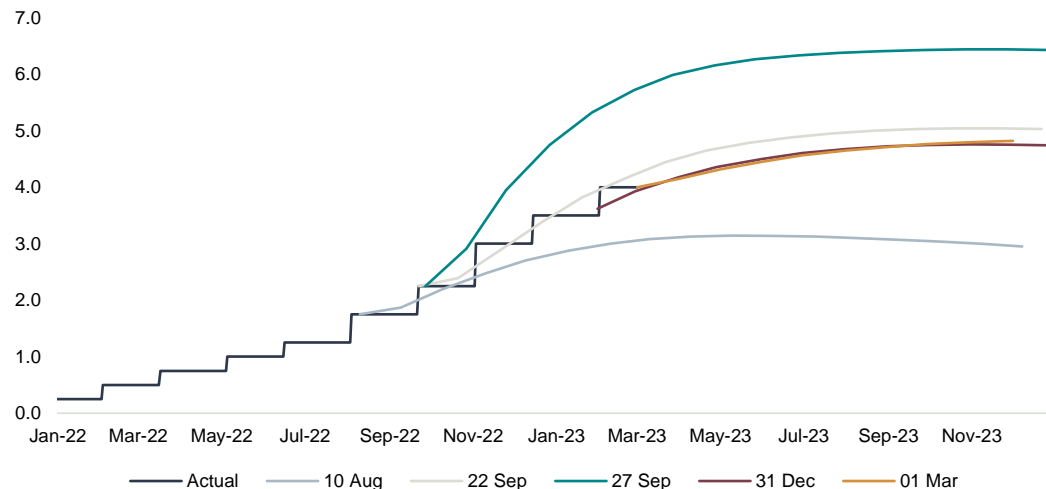
Global equity market performance & equity market volatility



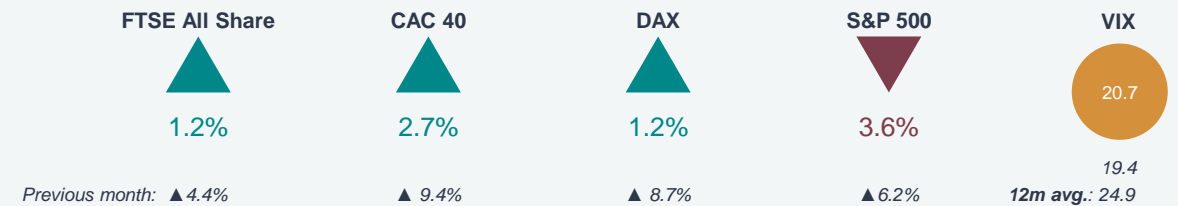
Inflation slows down across key geographies with the exception of China



UK interest rate projections show signs of stabilising



Monthly market snapshot



February's market drivers

UK inflation slipped to 10.1% (Y/Y) in January, the third consecutive decrease	UK retail sales rebounded in January falling by 5.1% (Y/Y) vs 5.8% (Y/Y) in February	UK unemployment rate – 3.7% in Q4 2022 -remains close to record low	Russia suspends the nuclear weapons treaty
US inflation surprised on the upside coming at 6.1% (Y/Y) but at slowest pace since October	US PMI rebounded to eight month high after seven consecutive months of contraction	US jobless claim fell unexpectedly in the third week of February from 195k to 192k	US consumer confidence retreated in January whilst UK consumer hits highest level since April 2022

UK sector performance

Monthly sector snapshot

YTD share price performance:



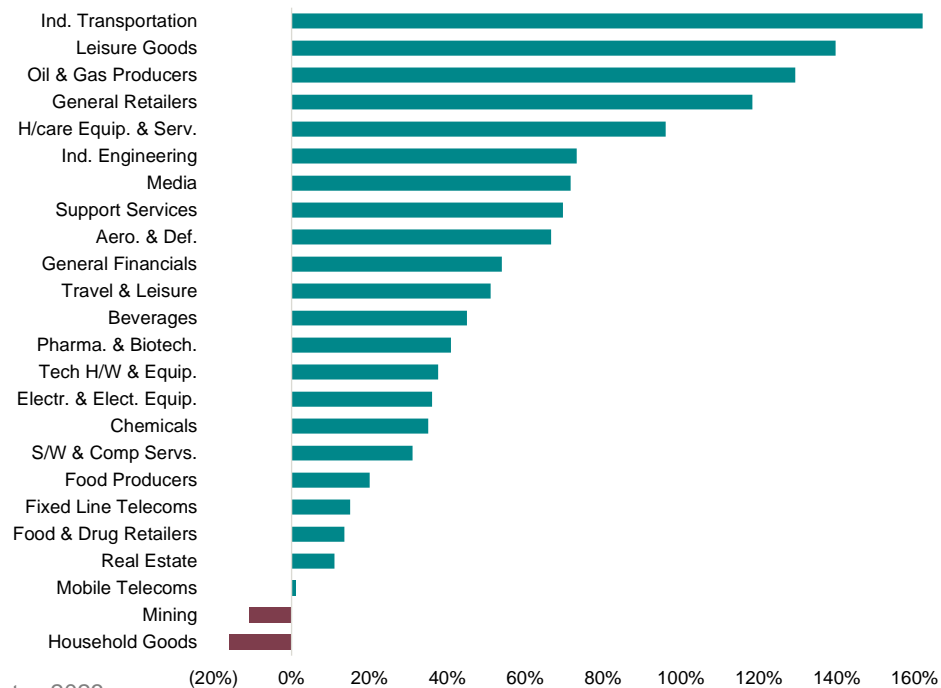
Monthly winners and losers:

- | Winners | Losers |
|---------------------------|---------------------------|
| Aero & Defence: 12.0% | Mining: (8.1%) |
| Mobile Telecom: 9.0% | Chemicals: (5.0%) |
| Oil & Gas Producers: 8.3% | Tech H/W & Equip.: (3.4%) |

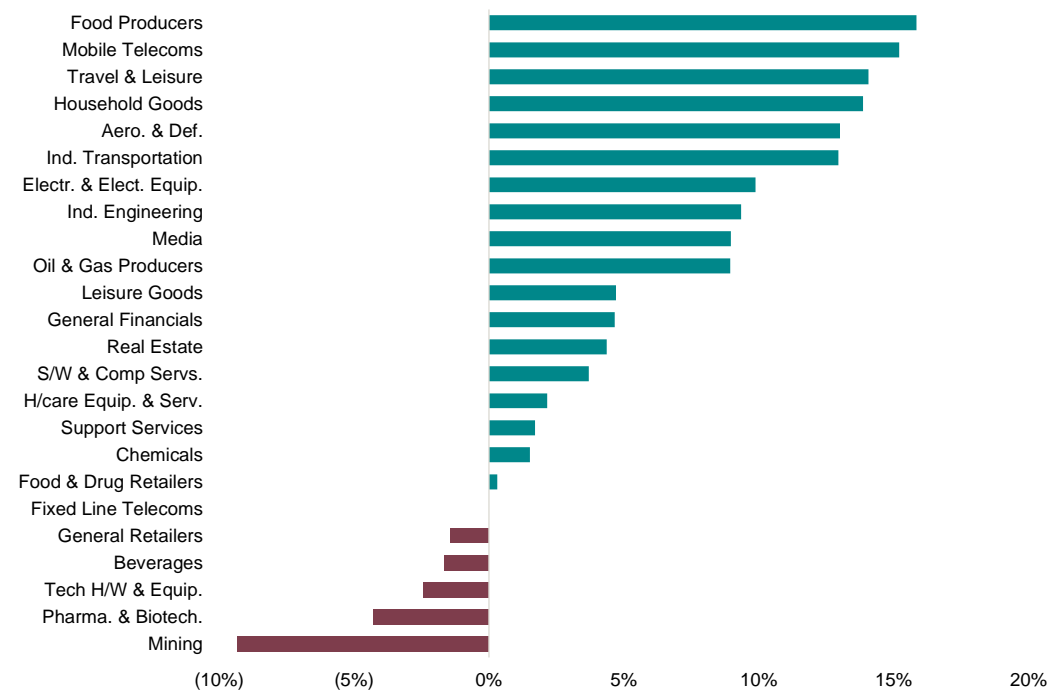
Sector performance drivers and outlook commentary

- **Aerospace & Defence** stocks surged in February as western governments promised to increase military spending to help Ukraine's war effort
- Record profits from BP, Eni, and Shell contributed towards the performance of **Oil & Gas Producers'**
- On the other hand, **Tech Hardware & Equipment** stocks were hit by the increasing likelihood that central banks could raise interest rates further than previously expected
- **Mining** stocks were also under pressure. Rio Tinto reported a 41% drop in net earnings which were partially a result of the drop in commodity prices and higher energy and raw material prices

Sector performance (since mid-March 2020)



Sector performance (YTD)



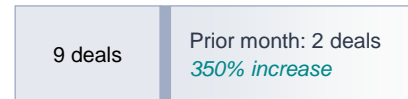
UK ECM activity bounces back in February

Deal numbers and value increased sharply in February

Total funds raised



Total no. transactions



Prior year period

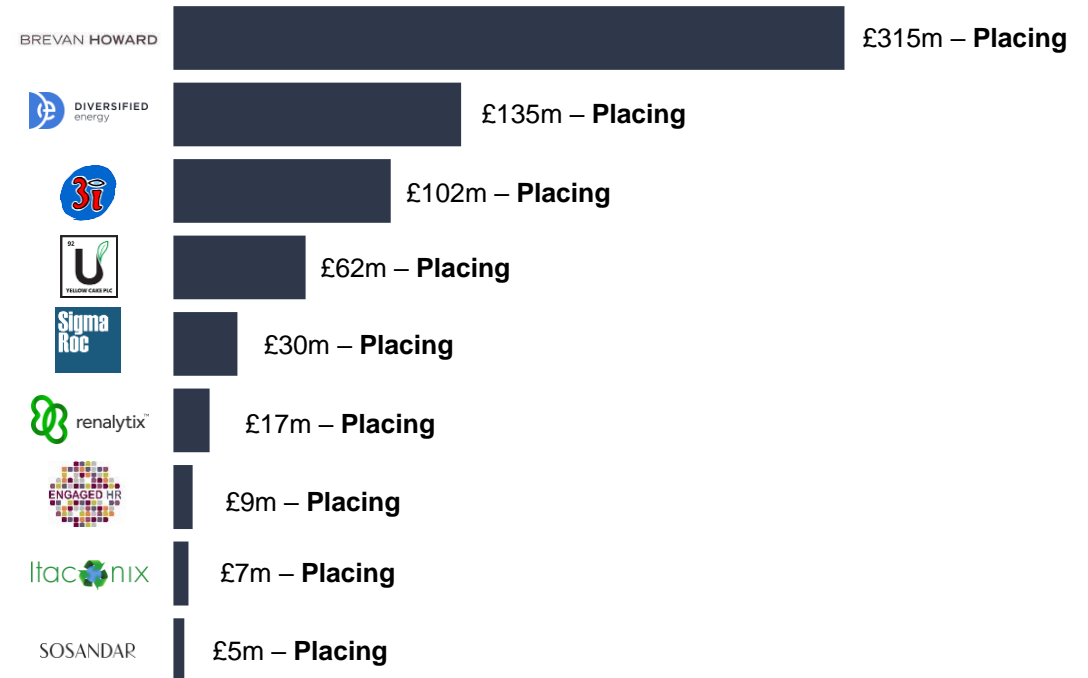


Selected deal commentary

Diversified Energy completes a c.£135m to part fund the acquisition of Tanos Energy

- Diversified Energy focuses on oil and gas production in the Appalachian Basin in the US
- Placing raised £134.9m to part fund the acquisition of upstream assets and related infrastructure from Tanos Energy. The upstream assets and infrastructure were purchased for US\$250m
- The placing was not conditional on completion of the acquisition of Tanos and, in case this was not the case, Diversified would have determine the most appropriate use of proceeds, including potentially invested the funds in other acquisition opportunities
- Pricing at 105p, implying a 5.2% discount to the 110.8p to the previous close
- The placing included a retail offer through the REX Platform

ECM issuance across the deal size spectrum in February



Public equity fund-raises by sector and highlighted deals



The UK IPO pipeline




Broader European IPO pipeline



A snapshot of the current UK public M&A market

UK PLC takeover activity increased in February with eight deals announced, of which four were formal offers




Service provider of B2B end-to-end digital music solutions

Announcement date: 8 February 2023
Offeror: Songtradr, Inc
Offeror type: Acquisition
Offer price: 0.695 pence in cash per each 7digital share
Share price prem. / (disc.): 113.8%

Transaction highlights

- Recommended cash offer by Songtradr
- Songtradr is one of the world's largest B2B music licensing companies, delivering music solutions to music rights holders as well as brands, agencies, digital platforms and content creators
- The offer values 7digital at approximately £19.4m




Leading independent providers of managed services for IT, unified communication, connectivity, voice and cloud services

Announcement date: 8 February 2023
Offeror: Wavenet, a Macquarie subsidiary
Offeror type: Acquisition
Offer price: 201 pence in cash per each AdEPT share
Share price prem. / (disc.): 74.8%

Transaction highlights

- Recommended cash offer by Wavenet, a provider of telecoms and technology solutions to businesses across the UK
- Wavenet sees a significant opportunity to build a broad suite of technology managed services products, and continue to diversify its customer base into attractive customer sectors, via the acquisition of complementary businesses like AdEPT
- The offer values AdEPT at approximately £50.3m




Leading in-content advertising company

Announcement date: 13 February 2023
Offeror: Unkimind Holdings Limited
Offeror type: Acquisition
Offer price: US\$3.44 in cash for each Kape share
Share price prem. / (disc.): 9.7%

Transaction highlights

- Hostile offer from Unkimind, an investment vehicle controlled which already controls 54.8% of Kape
- Unkimind believes that most appropriate way to support Kape in its buy-and-build strategy is through long term capital investment conducted away from public markets
- The offer values Kape at approximately US\$1.51bn, equivalent to £1.25bn




Global events business

Announcement date: 21 February 2023
Offeror: Providence Equity LLP
Offeror type: Acquisition
Offer price: 101 pence per Hyve share
Share price prem. / (disc.): 17.4%

Transaction highlights

- Hyve confirmed it had received a preliminary and conditional approach from Providence
- The Proposal follows an earlier approach from Providence Equity to the Board regarding a possible all cash offer for Hyve at 101 pence per share




British engineering and consulting business operating Energy and Materials markets

Announcement date: 22 February 2023
Offeror: Apollo Global Management, Inc.
Offeror type: Acquisition
Offer price: 230 pence in cash for each Wood share
Share price prem. / (disc.): 48.7%

Transaction highlights

- Wood confirmed it had received three approaches from Apollo
- The latest approach, which was received on 26 January 2023, proposed a cash offer at a price of 230 pence per share, valuing Wood at approximately £1.59bn
- The company engaged on a limited basis with Apollo
- All proposals were unanimously rejected by the board of Wood



Clinical-stage biotechnology company

Announcement date: 23 February 2023
Offeror: Jounce Therapeutics, Inc.
Offeror type: Merger
Offer price: 0.2105 Jounce shares for each Redx share
Share price prem. / (disc.): n/a

Transaction highlights

- Recommended cash offer by Jounce, a clinical-stage immunotherapy company, dedicated to transforming the treatment of cancer
- The combination of the two businesses will create a transatlantic organisation specialised in developing both small molecule targeted therapeutics and antibody drug discovery for the treatment of cancer and fibrotic diseases
- The combination would create a business of a market value of approximately US\$425m

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