

# Investec Market Review

February 2024



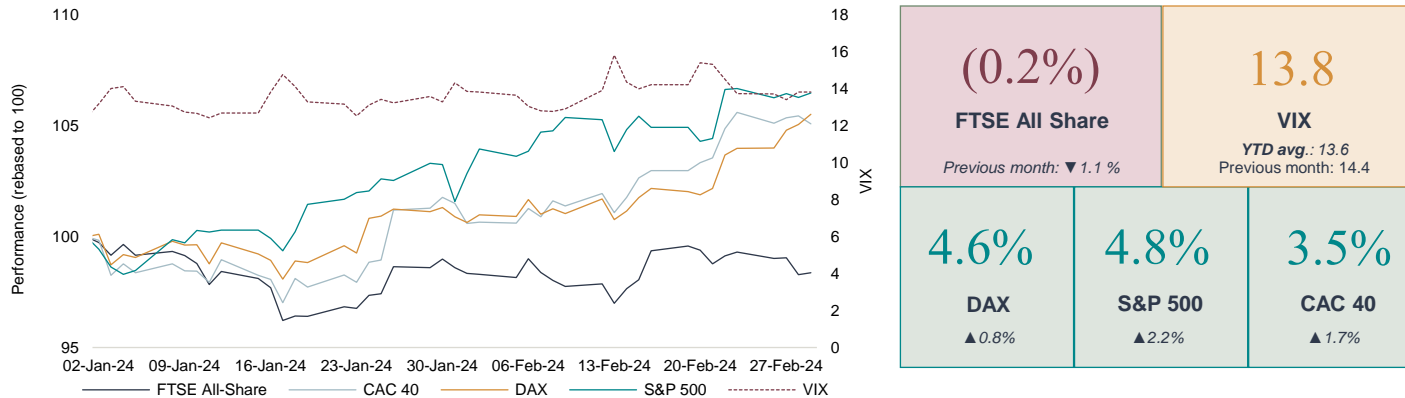
# Executive summary

- February was a good month for global equities as S&P 500 , DAX and CAC 40 gained 4.8%, 4.6% and 3.5% respectively. UK markets continued to lose ground - FTSE All-Share and FTSE 250 dropped by (0.2%) & (1.6%) respectively whilst FTSE100 remained unchanged from January
- Sector performance worsened in February with 13 out of 23 sectors registering losses this month. The picture continues to be very similar to 2023 with Aerospace and Defence stocks leading the pack and Mining stocks significantly underperforming the wider market amid numerous headwinds in commodity markets
- UK ECM activity was in-line with January as total funds raised only decreased by a mere 3% following SEGRO's upsized placing of £900m. The market also saw the first IPO of the year - Air Astana's £277m IPO. The London Stock Exchange emphasised at the time of the delivery of its results on 29 February that they are currently seeing more activity, more preparation, than they have seen in a number of years.
- February was a busy month for UK public M&A activity - as the total enterprise value of offers announced reached c.£9.0bn. However, only two firm offers were announced – Barrat's £2.5bn offer for Redrow and GXO's £762m offer for Wincanton
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# Market drivers in February

UK markets continue to lose ground in February whilst global markets register strong gains

## UK markets remain on a downward path whilst the performance gap between global peers widens



## Economics headlines in February

UK CPI remained flat in January at 4.0%. The core measure was similarly unchanged

UK GDP contracted by 0.1% in Q3 23 and 0.3% in Q4 23 in part due to a contraction in retail volumes and human health & social activities as industrial action constrained output

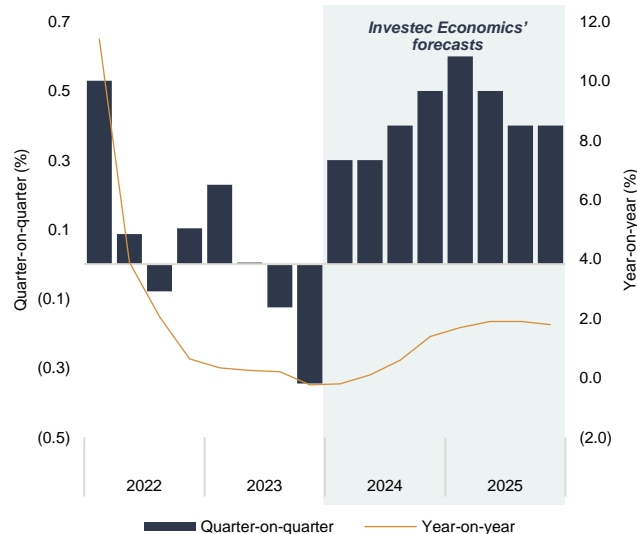
UK GfK consumer confidence index retreated by two points in February to -21. UK household's outlook for their personal finances remained unchanged (at 0) from January, best number registered since December 2022

Flash PMIs for the Euro area pointed to some further improvement in economic activity in February: the Composite index increased by 1pt to 48.9, beating the consensus of 48.4. This was the highest reading since June 2022

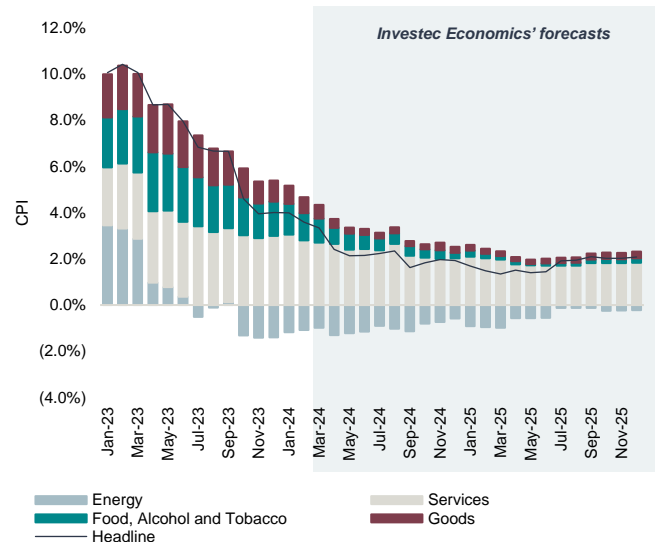
US retail sales values dropped by 0.8% on the month in January, a worse outcome than consensus was expecting of -0.1% and the weakest monthly rate since last March

US CPI inflation declined relative to the December print; at 3.1% year-on-year it exceeded consensus estimates that looked for a sharper fall to 2.9%

## The UK economy was in recession in H2 2023



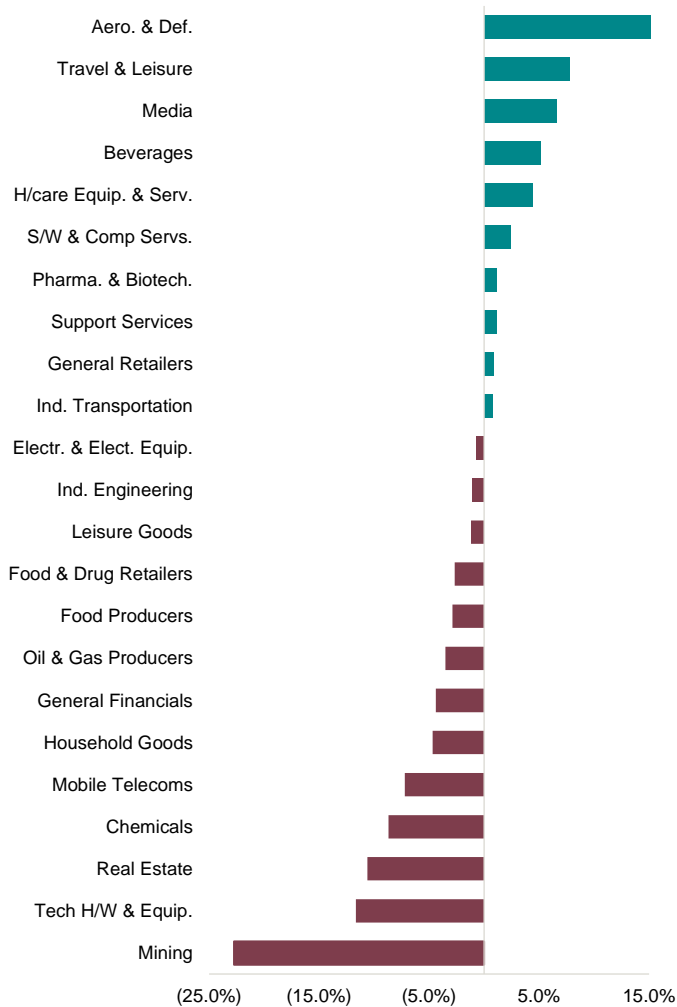
## UK inflation is expected to reach 2% by the end of 2024



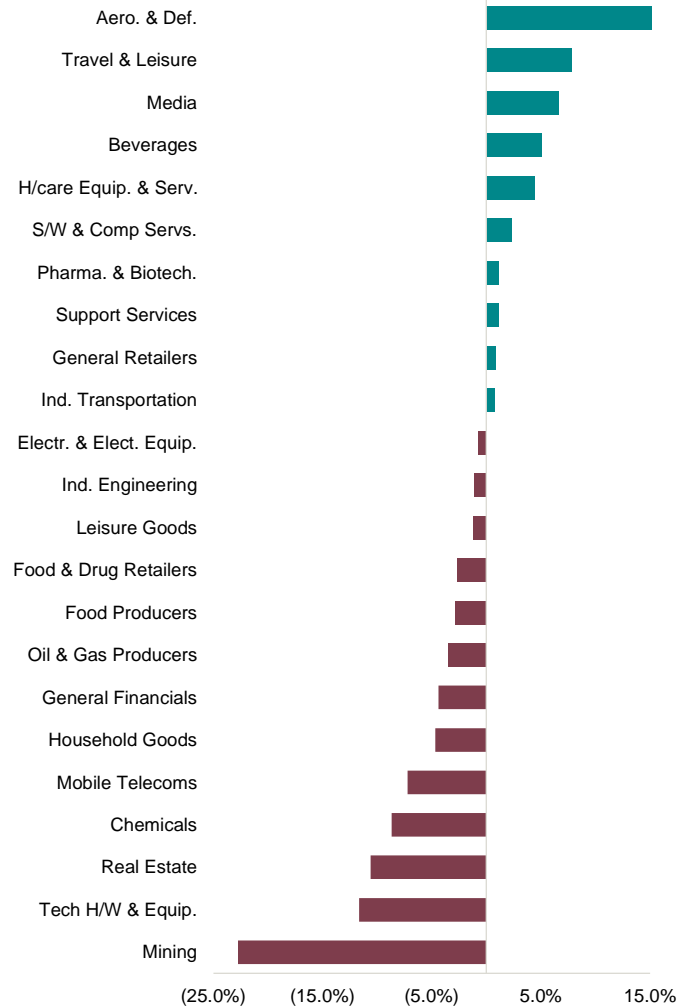
# Sector performance in February

Aerospace and Defence continues to lead the way in 2024 after registering a gain of 63.4% in 2023

Sector performance - February 2024



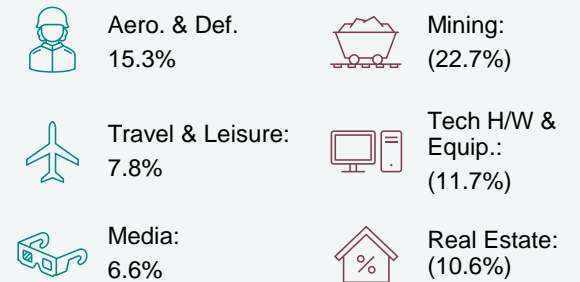
YTD Sector performance



Monthly sector snapshot



Winners and losers



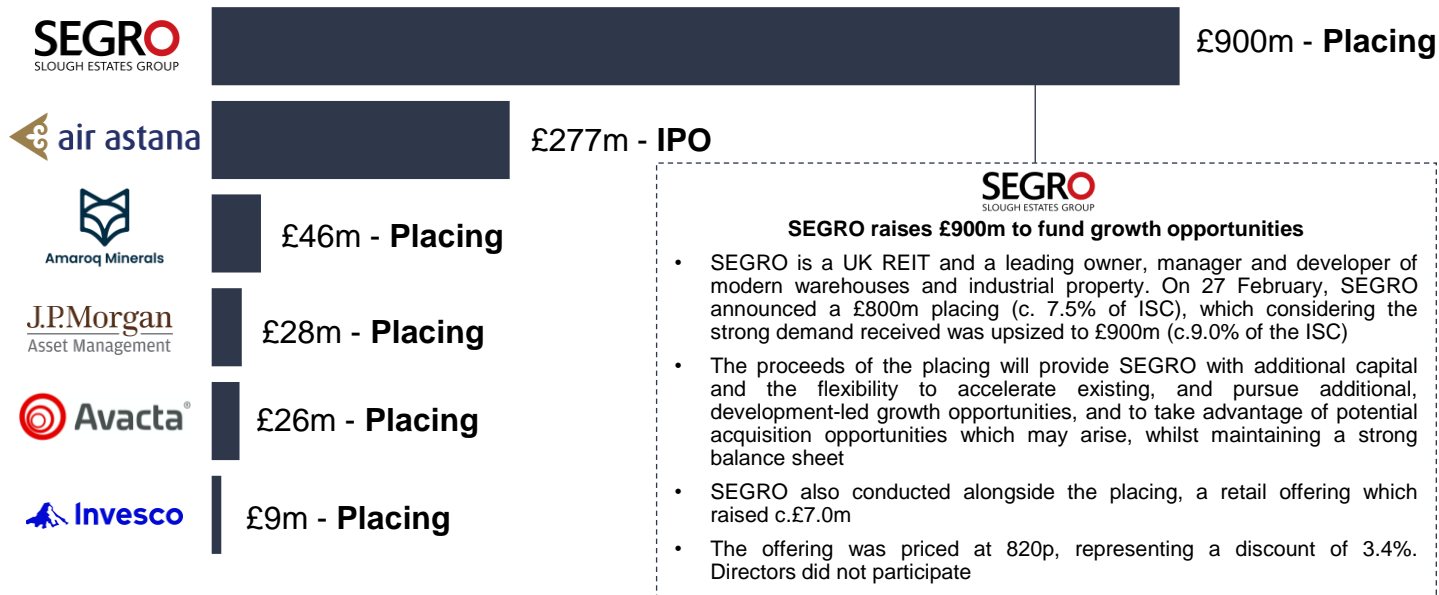
Drivers of sector performance in February

- **Aerospace & Defence** continue to post impressive gains as tensions in key areas of the globe continue to escalate. BAE Systems announced an excellent set of results as EPS rose by 14% and the order book reached a record level of £69.8bn thanks to the conflict in Ukraine and the conflicts in the Middle East
- On the other hand, **Mining** stocks continue to experience the downward trend registered in 2023 as a drop in Nickel prices delivers the latest blow. Nickel prices were impacted in February by a flood of cheap Indonesian nickel coming to global markets. Apart from Antofagasta, all FTSE 350 miners experienced material retreats in February

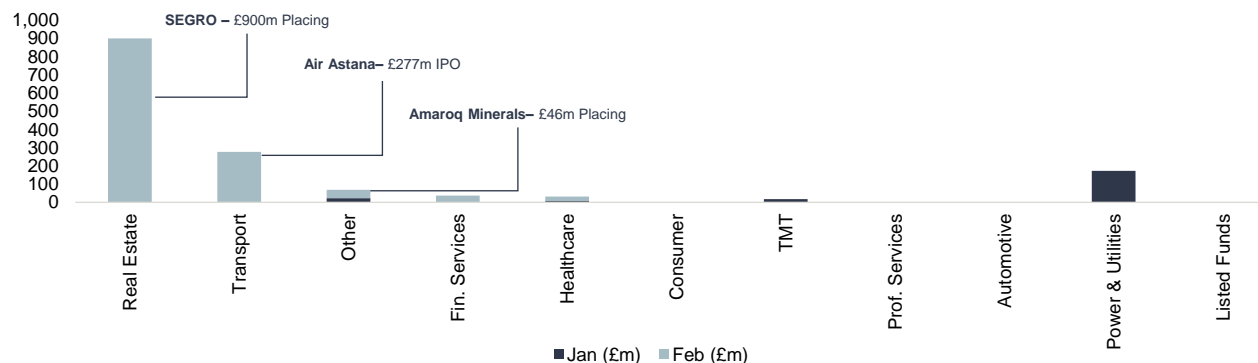
# UK ECM activity in February

February witnessed the first UK IPO of 2024 whilst funds raised were in-line with January's following SEGRO's upsized £900m placing

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



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



## ECM activity snapshot

### Total funds raised

£1,294m

Prior month: £1,334m  
3% decrease

### Total no. transactions

7 deals

Prior month: 9 deals  
22% decrease

## Activity in February 2023

### Funds raised

£740m



£102m  
Placing



£133m  
Placing

### Deal count

10 deals



£62m  
Placing

BREVAN HOWARD

£315m  
Placing

## Sell-downs in February 2024



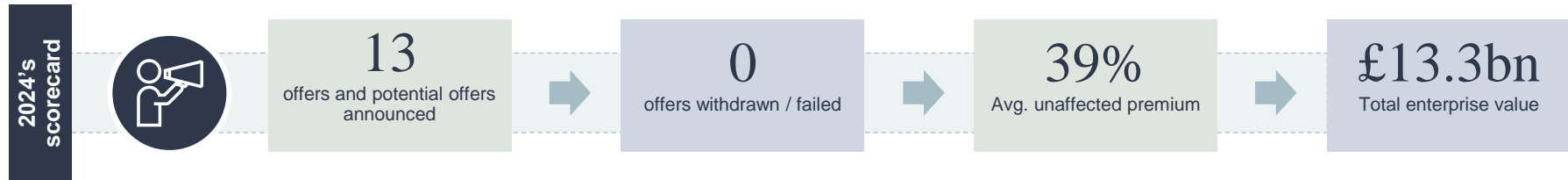
£8m

## Announced IPOs in February 2024



No notable announcements in February

# UK Public M&A activity in February



## Selected deals

Offer Type	Date	Buyer	Target	Offer Details	Highlights
Firm offer	7 <sup>th</sup> Feb	BARRATT DEVELOPMENTS PLC	REDROW PLC <i>One of the largest British housebuilders with a network of 12 operational divisions across the UK</i>	1.44 New Barratt shares 27.2% Premium £2.5bn Offer value	<p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>Recommended all-share offer by Barrat Developments for Redrow. Immediately following completion, Redrow Shareholders will hold approximately 32.8 per cent. of the Combined Group and Barratt Shareholders will hold approximately 67.2 per cent. of the Combined Group</li> <li>The combination will bring together two companies with highly complementary geographic footprints and three highly respected brands - Barratt Homes, David Wilson Homes and Redrow - with which to accelerate the delivery of homes across the UK</li> <li>The combination is also expected to realise significant cost synergies from procurement savings and a rationalisation of divisional and central functions which are expected to drive a combined lower cost base and maintain a robust balance sheet</li> </ul>
Possible offer	8 <sup>th</sup> Feb	mondi	DS Smith <i>British multinational packaging business offering sustainable, plastic-free packaging, integrated recycling services, and sustainable paper products</i>	n/a Pence per share n/a Premium n/a Offer value	<p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>DS Smith confirmed it had received a preliminary expression of interest from Mondi regarding a possible all-share offer for the entirety of the issued share capital</li> <li>Mondi stated that it believes that a possible all-share combination with DS Smith represents an opportunity to create an industry leader in European paper-based sustainable packaging solutions</li> </ul>
Possible offer	12 <sup>th</sup> Feb	TRITAX BIG BOX	UK Commercial Property Trust <i>UK-based REIT, owner of a £1.3bn portfolio of high quality and diversified real estate across the UK today provides</i>	0.444 New BBOX shares 10.8% Premium £924m Offer value	<p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>Possible all-share offer by Tritax Big Box REIT PLC ("BBOX") and UK Commercial Property REIT Limited ("UKCM"). The Possible Offer would result in UKCM shareholders holding approximately 23.3 per cent. of the issued share capital of the enlarged company</li> <li>UKCM confirmed that should a firm offer be made on the financial terms of the possible offer, the Board of UKCM would be minded to recommend the offer</li> <li>The combination would bring together complementary logistics-oriented investment portfolios with a shared focus on resilient and growing income</li> </ul>
Possible offer	17 / 19 <sup>th</sup> Jan	ELLIOTT JD.COM	currys <i>British electrical retailer and aftercare service provider operating in the UK and Ireland</i>	67 Pence per share 43.0% Premium £703m Offer value	<p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>Currys confirmed on 17 February it had received an unsolicited, preliminary and conditional proposal from Elliott regarding a possible cash offer at 62 pence. On 27 February, Currys confirmed Elliott had increased its proposal to 67 pence</li> <li>The Board of Currys also confirmed it had unanimously rejected both proposals from Elliott</li> <li>JD.com confirmed on 19 February that it very preliminary stages of evaluating a possible transaction that may include a cash offer for the entire issued share capital of Currys</li> </ul>

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