Investec

OUT OF THE ORDINARY

Investec Market Review

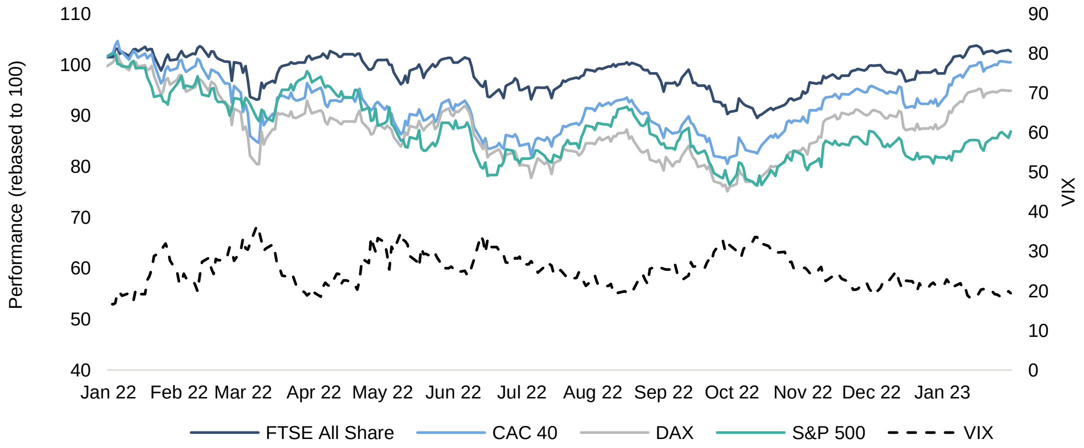
January 2023

Executive Summary

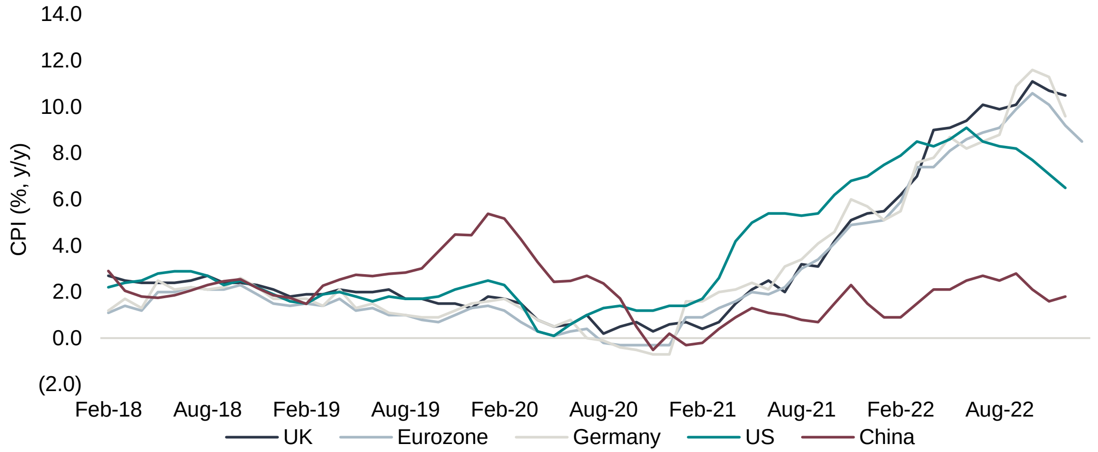
- Global indices have had a robust start to the year, with markets exhibiting steady gains following a challenging 2022
- Macro and geo-political pressures continue to weigh on investor risk appetite, though improving expectations for easing interest rates and fiscal policies later in the year have given cause for some optimism
- In the meantime, UK ECM activity continues its sluggish pace, with the number of deals completing in January dipping relative to an already quiet December, and fundraising levels remaining well below more normalised volumes
- Momentum in UK public M&A gathered pace relative to December, although activity levels are still low
- Investec is acting as Financial Adviser to Mayfair Equity Partners on its acquisition of Seraphine Group plc
- Investec is also acting as Corporate Broker on the acquisition of Dignity by SPWOne V Ltd, Castelnau Group Limited and Phoenix Asset Management Partners Limited
- Please contact your usual Investec contact if you would like to discuss the contents of this pack

Market backdrop

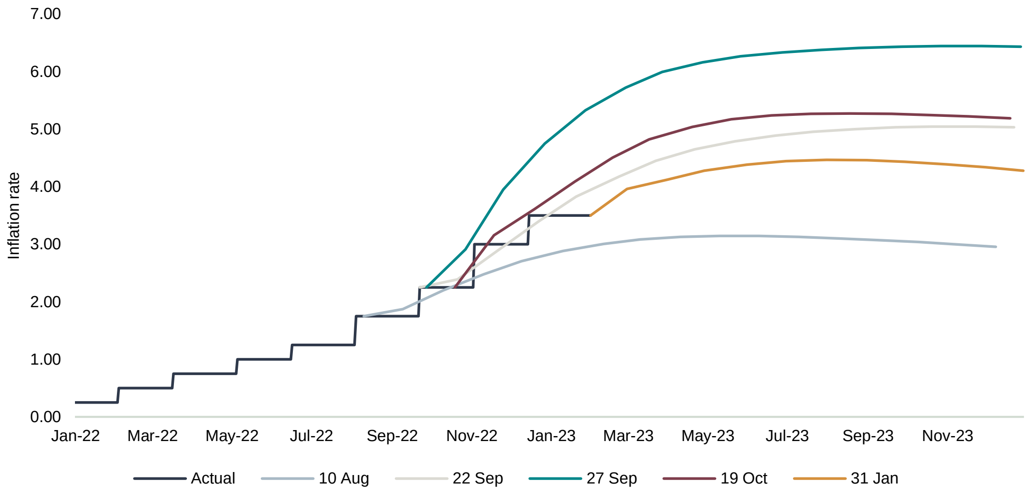
Global equity market performance & equity market volatility



Inflation remains slows across key geographies with the exception of China



UK interest rate projections show signs of stabilising



Monthly market snapshot

	FTSE All Share	CAC 40	DAX	S&P 500	VIX
	▲ 4.4%	▲ 9.4%	▲ 8.7%	▲ 6.2%	19.4
Previous month:	*▼1.6%*	*▼ 4.1%*	*▼ 3.9%*	*▼ 5.8%*	*30.0*
					***12m avg.**: 25.3*

January's market drivers

- UK inflation slipped to 10.5% in December from 10.7% in November
- Andrew Bailey, BoE, anticipates "long, but shallow" UK recession for 2023
- UK mortgage approvals hit a two year low
- UK unemployment rate remains close to record low
- British retail sales fell by 1% between November and December
- Global central banks expected to continue with rate rises, but at slower pace
- US economy expands 2.9% in Q4 2022, ahead of 2.6% estimate
- UK GDP grew 0.1% sequentially in November

Source: Bloomberg, FactSet

UK sector performance

Monthly sector snapshot

YTD share price performance:

	January 2023	December 2022
sectors up	19	6
sectors down	5	18

Monthly winners and losers:

Winners

- Travel & Leisure: 14.5%
- Household Goods: 10.2%
- Food Producers: 9.5%

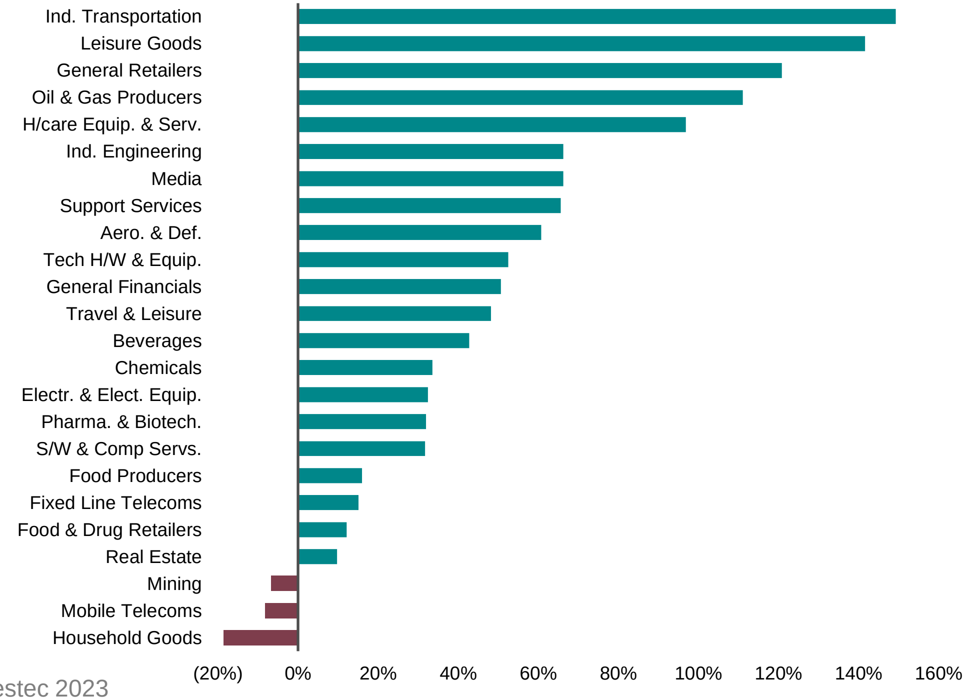
Losers

- Pharma & Biotech: (5.7%)
- Beverages: (2.4%)
- General Retailers: (0.9%)

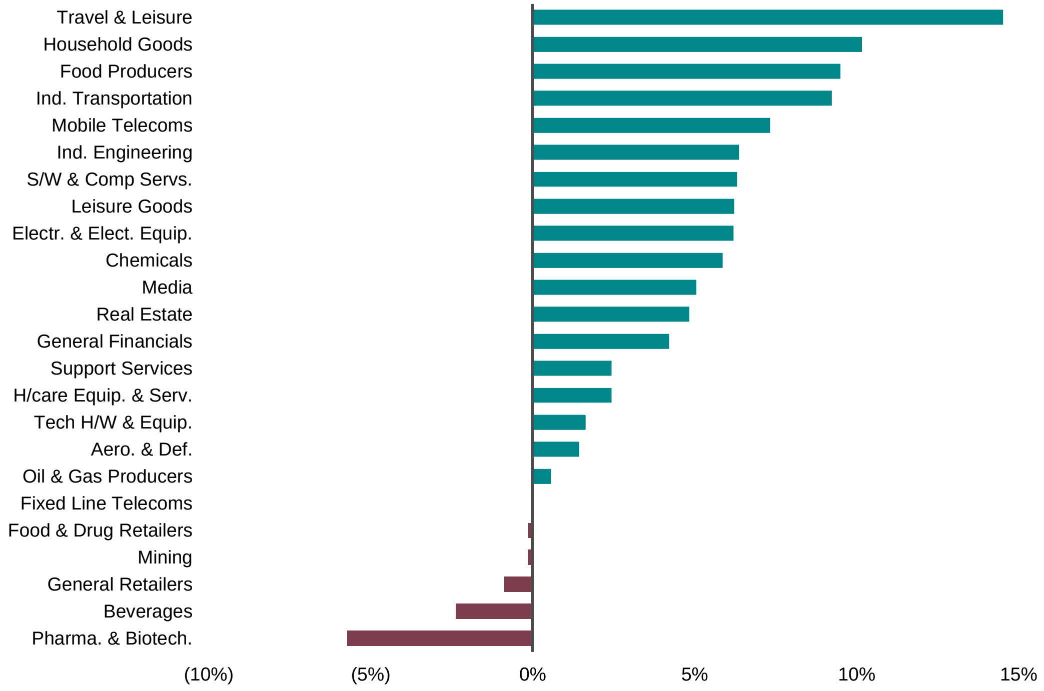
Sector performance drivers and outlook commentary

- **Travel & Leisure** stocks benefited from a set of positive updates from Ryanair, EasyJet and IAG with industry players citing pent-up travel demand behind a generally positive outlook for the year
- Better than expected UK GDP data coupled with the consecutive two months slowdown in inflation helped stocks in the **Household Goods sector** gain significant traction in the new year. **Food Producers** stocks reported resilient results in January, with a general increase in cost 'pass-through' bolstering financial performance
- **Beverages** and **General Retailers** suffered a sluggish performance in January as levels of consumer foot-fall in the UK remain subdued versus pre-COVID levels and consumer confidence dropped to a record low

Sector performance (since mid-March 2020)



Sector performance (YTD)



Source: FactSet

UK ECM activity continues to fall over January

Deal numbers continued to fall in January as value drops to its lowest level in the past thirteen months

Total funds raised

£23m	Prior month: £53m *56% decrease*

Total no. transactions

2 deals	Prior month: 7 deal *67% decrease*

Prior year period

£770m

13 deals

Notable deals

- **Cordiant Digital Infra Ltd**– £200 Placing
- **Marlowe plc –** £131m Placing
- **Digital 9 Infra plc –** £95m Placing
- **Oxford BioMedica plc –** £80m Placing
- **Team17 Group plc** – £179m Placing

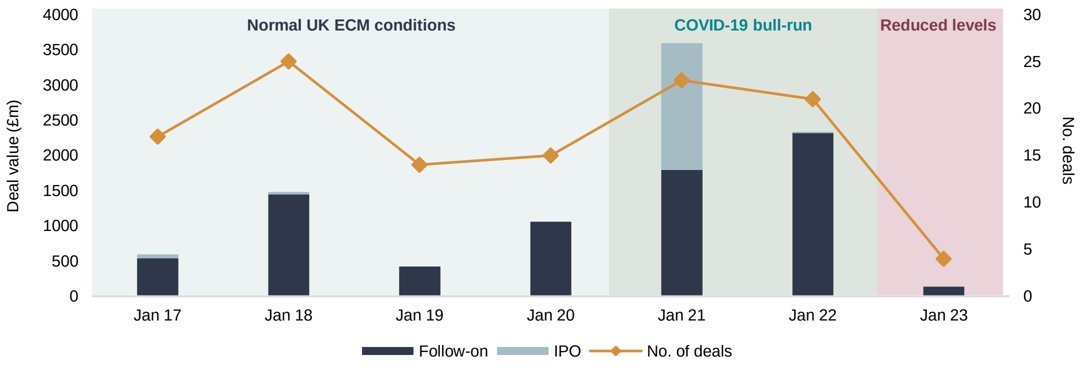
Sell-down activity over January

January saw two stake sell-downs, down from twenty five in December

Kaspi.kz – **£68m**

Ashtead Technology – **£48m**

Public equity fund-raises by sector and highlighted deals



The IPO market: looking ahead through 2023

- Activity expected to increase in 2023, particularly in H2
- Once markets do re-open, the strategy for European IPOs is expected to focus on short periods in the market, heavy pre-marketing and cornerstone validation
- Investors are increasingly open to looking at IPOs, but with discipline and sensitivity – there is a general perception that they are holding pricing power for near-terms situations
- Recent investor feedback has reiterated IPO investors are focused on good quality companies which have visibility on growth and earnings
- Key investor sensitivities for IPOs include:
  - ✓ Attractive valuations
  - ✓ Conservative leverage profiles amid a rising rates backdrop
  - ✓ Large enough deal size to support after-market liquidity

UK IPO pipeline: Rumoured and announced deals

arm, tally, Olam, shawbrook, BREWDOG, monzo, virgin atlantic, Starling Bank, TMF GROUP, eG Group, Huel, New Day, ZOPA, Jaguar Land Rover, McLaren

Source: Dealogic. Analysis and commentary only includes transactions greater or equal to £5m, and only includes transactions involving an issue of new shares i.e. primary share issuances

A snapshot of the current UK public M&A market

UK PLC takeover activity continued at the same pace it ended 2022 with three deals announced in the month

CURTIS BANKS / nucleus

Thee UK's largest provider of SIPP schemes and SSAS

Announcement date:	6 January 2023
Offeror:	Nucleus Financial Platforms Limited
Offeror type:	Acquisition
Offer price:	350 pence in cash per each Curtis Banks share
Share price prem. / (disc.):	32.1%

Transaction highlights

- On 25 November, Curtis Banks confirmed that is 'in advanced discussions regarding a possible offer… from Nucleus'
- On 6 January, the boards of Nucleus and Curtis confirmed they have reached an agreement on the terms of the offer. The offer values Curtis Banks at £242m
- The combination of the Nucleus Group and the Curtis Banks Group will create a leading retirement-focused adviser platform with approximately £80 billion of assets under administration

MIRRIAD

Leading in-content advertising company

Announcement date:	20 January 2023
Offeror:	n/a
Offeror type:	Formal sale process
Offer price:	n/a
Share price prem. / (disc.):	n/a

Transaction highlights

- Following Mirrad's progress and improved position in the US market ad well as the further development of its platform capabilities, the board believes Mirrad is significantly undervalued
- The strategic review includes an exploration of options, including the merit of Mirriad remaining a standalone publicly listed company

SERaPHINE / MAYFAIR EQUITY PARTNERS

Investec deal

International digitally-led maternity and nursing wear brand

Announcement date:	20 January 2023
Offeror:	Mayfair Equity Partners
Offeror type:	Acquisition
Offer price:	30 pence in cash for each Seraphine share
Share price prem. / (disc.):	206.0%

Transaction highlights

- A recommended offer from Mayfair Equity Partners, a dedicated sector investor
- Mayfair had been a shareholder in Seraphine since 2020 and retained a substantial following Seraphine's IPO in 2021
- Mayfair believes that the Company's current share price is negatively impacting its ability to raise new capital and creating distraction when it comes to strategy execution thus removing the potential benefits of a public listing

DIGNITY PLC

Investec deal

One of the UK's largest national providers of funeral plans and end of life services

Announcement date:	23 January 2023
Offeror:	SPWOne V Ltd, Castelnau Group Limited and Phoenix Asset Management Partners Limited
Offeror type:	Acquisition / Merger
Offer price:	550 pence in cash for each Dignity share
Share price prem. / (disc.):	29.3%

Transaction highlights

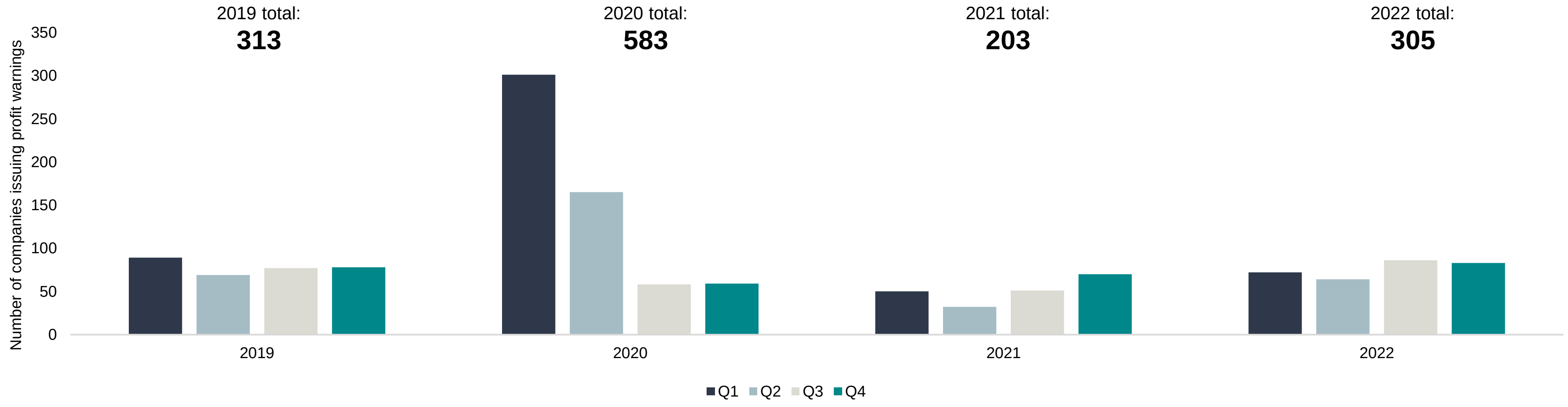
- A recommended offer from a consortium formed by Castelnau and Phoenix Asset Management – who own 29.1% of the holding – and SPWOne – which is controlled by Sir Peter Wood
- The offer values Dignity's issued and to be issued share capital at £281m and implies an enterprise value of c.£789m. The offer implies a multiple of no less than 21.3x EV / EBITDA

KEY: Announced

Source: Company announcements, FactSet

2022 saw a 50% rise in profit warnings across UK PLCs

According to EY Parthenon, the number of profit warnings in Q4 2022 remained in-line with Q3 2022



Factors catalysing profit warnings in Q4

Increasing costs and overheads	41%
Sales short of forecasts	39%
Labour market issues	24%
Weak consumer confidence	20%
Supply chain issues	16%

Top 5 sectors warning on profit in Q4

9	**Retail**
6	**Household Goods**
5	**Finance & Credit Services**
5	**Construction & Materials**
5	**Software & Computer Services**

305

profit warnings in 2022

50%

profit warnings cited rising costs in 2022

48%

Listed retailers warned in 2022

13%

Companies have delisted since issuing three warnings in 2022

11%

Average share price drop in 2022 after issuing a warning

Source: EY-Parthenon

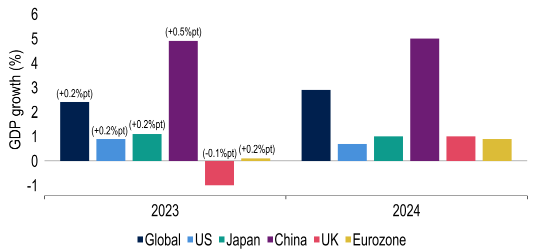
Investec's global economic overview

Thawing growth prospects coupled with further monetary policy tightening

Global view

The Global economic outlook looks more upbeat

Investec global growth forecast – upgrade from a low base



Brackets represent differences from November forecasts

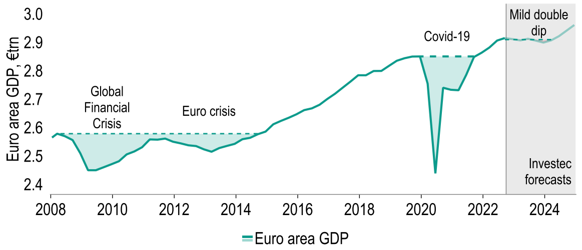
Source: Investec, Macrobond

- Global inflationary pressures look now to have peaked
- The door to a policy pause by major central banks by the end of 2023 is open

Eurozone view

Recession expected in 2023

GDP headwinds are expected to remain throughout 2023



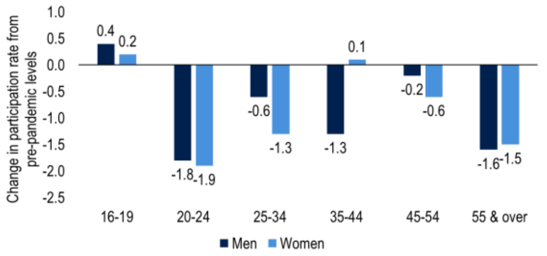
Source: Investec, Macrobond

- The effects of energy supply challenges on growth were somewhat mitigated by mild temperatures in late 2022, which have helped to maintain high gas storage levels
- In-spite of this, a recession is still expected in 2023
- Price data has failed to provide convincing signs that inflation is moderating as core measures
- Consequently, further rate hikes by the ECB are anticipated

US view

US labour market participation increasingly a concern

The over 55s and those aged 20-24 have seen the biggest drop in participation



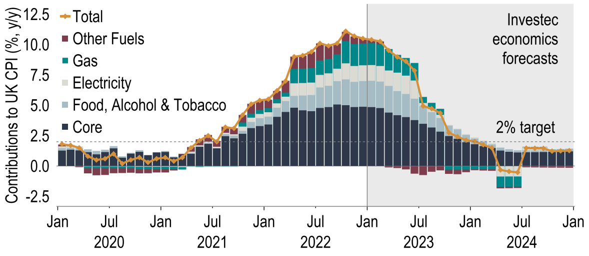
Source: Investec, Macrobond

- Lower participation levels continue to place pressure on the US labour market, which remains tight
- FOMC expected to hike rates by 25bp in March
- A general view that there may be a mild, rate-hike induced recession is expected in the US in the second half of the year

UK view

Inflation continues to be the main worry in the UK

From later this year, utility prices may subtract from, not add to, UK inflation



Source: ONS, Macrobond

- There is growing confidence that inflation will fall markedly over this year partly as a result of easing of supply chain disruptions
- Labour market conditions remain very tight as vacancies have slipped but still almost match the number of unemployed
- MPC expected to deliver a 25bp hike in February

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