

# Investec Market Review

July 2023

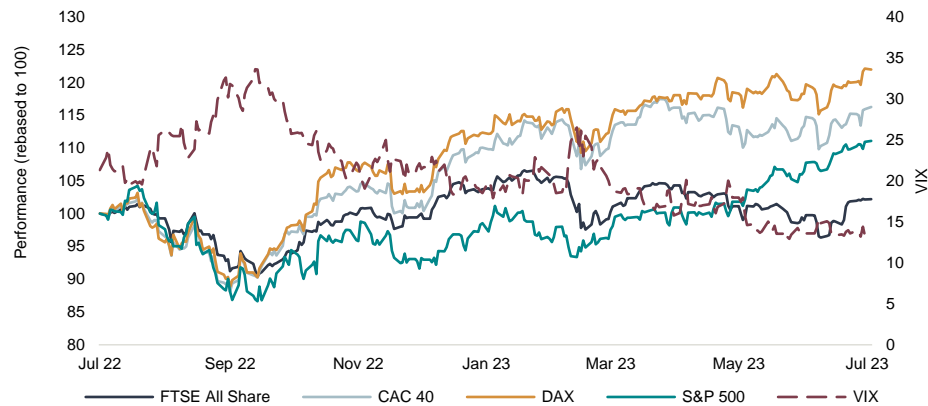


# Executive summary

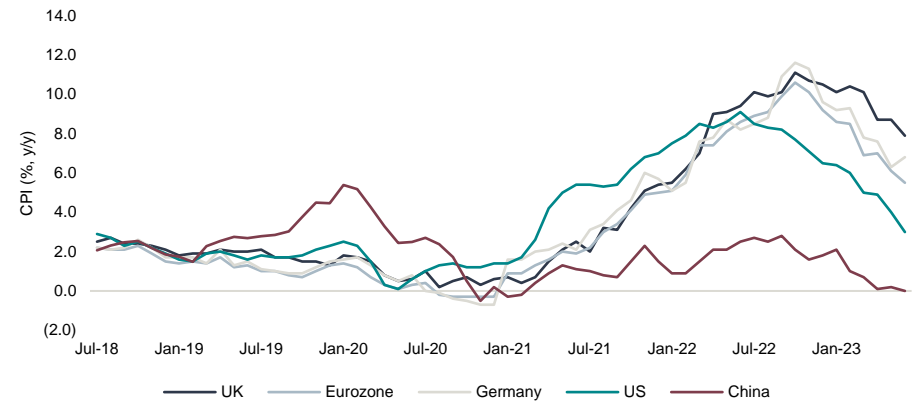
- UK equities registered a positive month in July - the FTSE All-Share rose by 2.5% - following a better than expected improvement in inflation in the UK. However, both PMI and consumer confidence data continued to support the fragility of current economic conditions
- Despite being a relatively quiet month, July witnessed one the biggest IPO of 2023 as CAB Payments was admitted to trading on the London Stock Exchange at the beginning of the month. CAB Payments' £291m offering was entirely a secondary sell-down of shares held by Helios Investment Partners
- UK focussed equity funds continue to see redemptions, with July marking the 26<sup>th</sup> consecutive month of outflows
- UK public M&A quietened down significantly following a one of the busiest months of 2023
- Please contact your usual Investec contact if you would like to discuss the contents of this pack

# Market backdrop

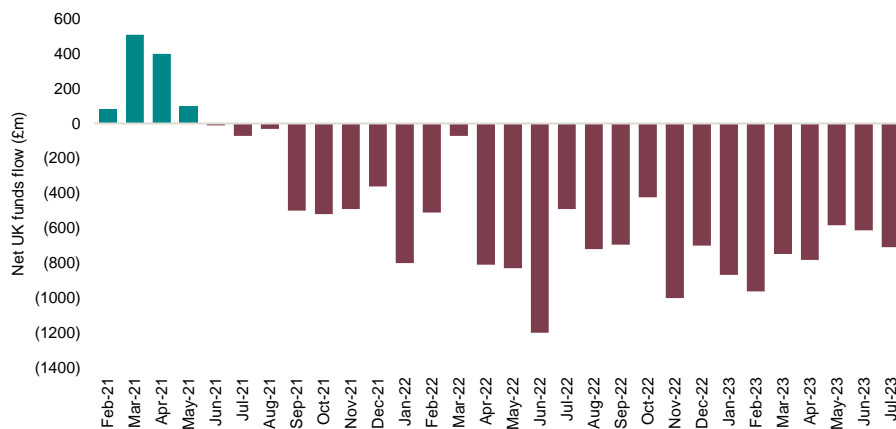
Global equity market performance & equity market volatility



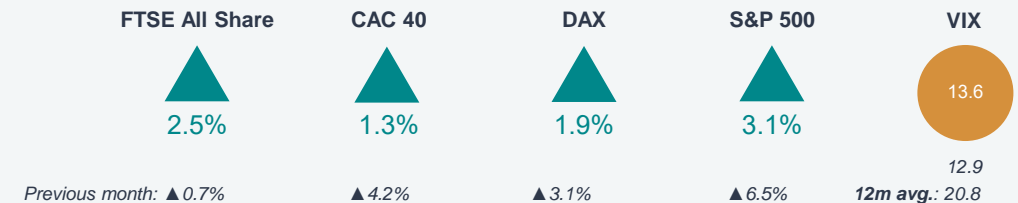
Inflation continues to slow across key geographies, except Germany



UK focussed funds have experienced twenty five consecutive months of outflows



Monthly market snapshot



July's market drivers

UK inflation surprised on the downside coming at 7.9% (Y/Y) in June, significantly below consensus estimates of 8.2%

UK house prices dropped 3.5% YoY in June, beating economists' expectations of a 4.0% drop

The UK economy contracted by 0.1% on the month in May compared with consensus estimates of a 0.3% fall

UK consumer confidence dropped from -24 in June to -30 in July, the largest drop since the beginning of 2022

UK composite PMI fell by 2.1 points in July to 50.7, the lowest point in six months. Services and Manufacturing PMI fell to 51.5 and 45 respectively

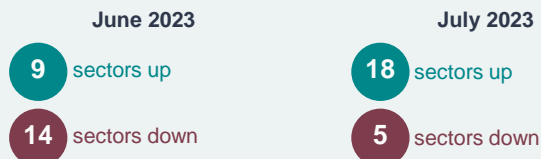
The Federal Reserve raised its benchmark interest rate by 25bps to a target range of 5.25%-5.50%, the highest level in 22 years

US inflation dropped from 4.0% in May to 3.0% in June, beating analyst expectations of 3.1% and marking the slowest rate of inflation since March 2021

Annual inflation in the eurozone slowed for a third month in June to 5.5% from 6.1% in May

# UK sector performance

## Monthly sector snapshot



### Monthly winners and losers:

#### Winners

- Household goods: 12.3%
- Real Estate: 7.8%
- Aerospace & Defence: 6.7%

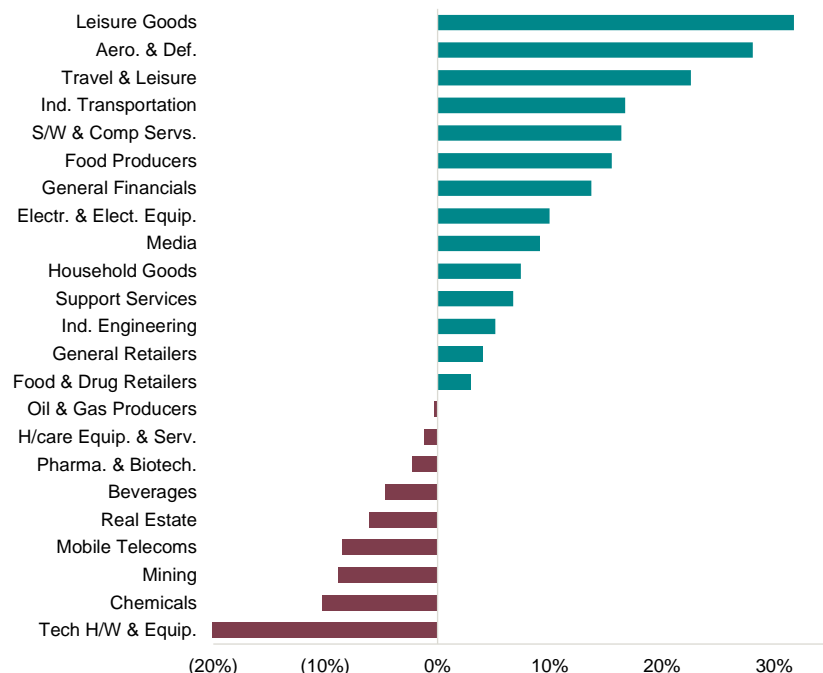
#### Losers

- General Retailers: (7.9%)
- Electrical equipment: (1.8%)
- General Financials: (0.6%)

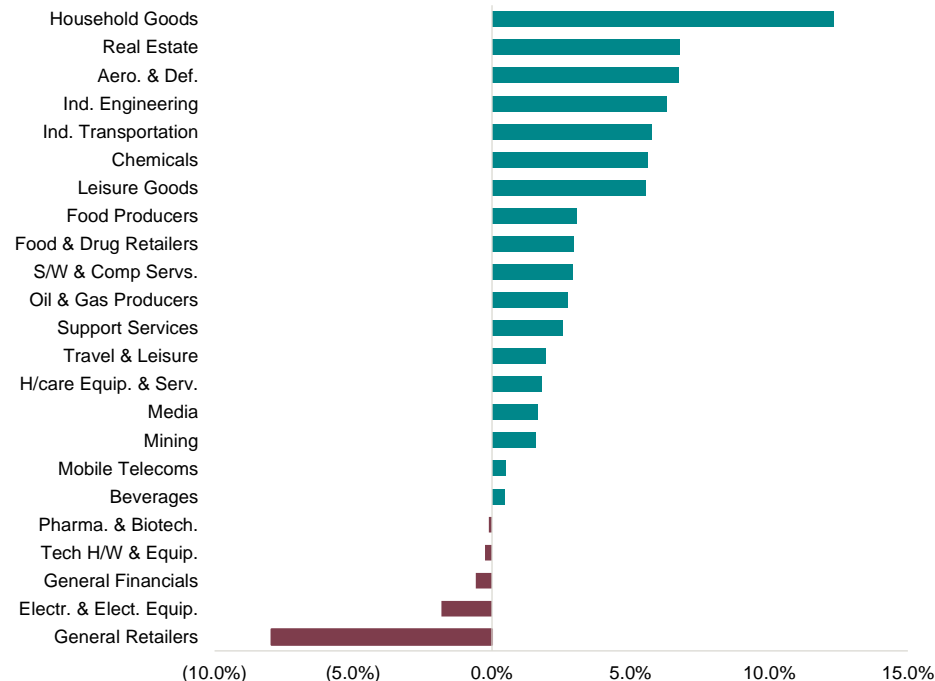
## Sector performance drivers and outlook commentary

- After posting double digit losses last month, **Household Goods** stocks, which includes UK housebuilders, and **Real Estate** stocks gained significant ground as jitters in the housing market stabilised, following the release of better than expected house price data and HSBC cutting its fixed-term mortgages by as much as 0.35%
- Decreasing consumer confidence contributed towards this month's drop in **General Retailers** stocks. Consumer confidence registered its first drop since the beginning of the year as the rising cost of borrowing and high prices worsened consumers' view of the personal finances and wider economic prospects.

## Sector performance (Year to date)



## Sector performance (July 2023)



# UK ECM activity slows down in July

Deal value continued to lost ground over July after a sluggish June

## Total funds raised

£862m	Prior month: £1,057m <i>18% decrease</i>
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## Total no. transactions

13 deals	Prior month: 13 deals <i>No change</i>
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## Prior year period

£1,280m	15 deals	<b>Notable deals</b> <ul style="list-style-type: none"> <li>Ming Yang Smart Energy Group Ltd– £592m Placing</li> <li>Dechra Pharmaceuticals plc– £180m Placing</li> <li>HICL Infrastructure plc – £155m Placing</li> <li>Randall &amp; Quilter Investment Holdings Ltd– £107m Placing</li> <li>Digital 9 Infrastructure plc – £60m Placing</li> </ul>
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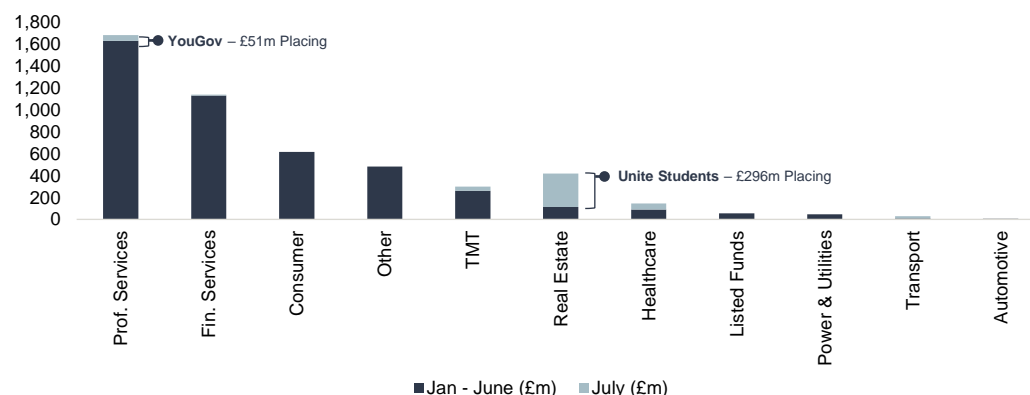
## Sell-down activity over July

<b>DARKTRACE</b>
£77m

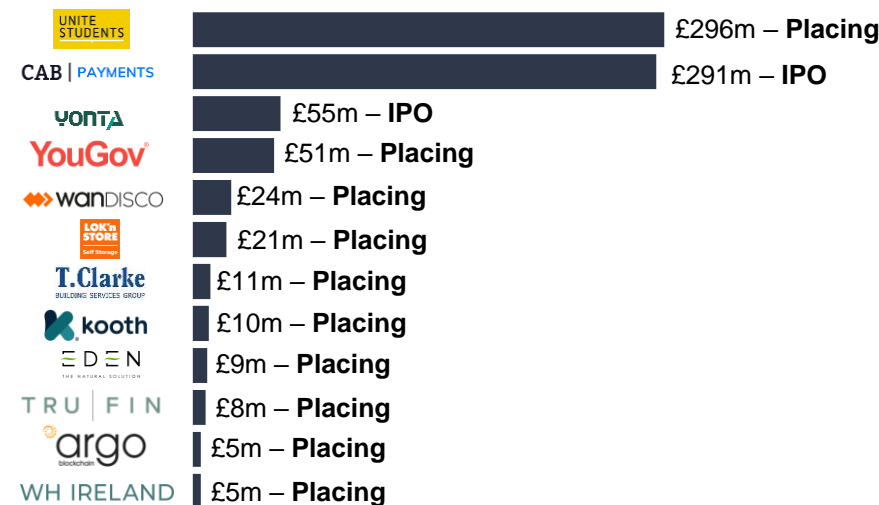
## Selected deal commentary

<b>YouGov</b>	<b>YouGov raises £51.2m to partly fund the acquisition of Consumer Panel Business</b> <ul style="list-style-type: none"> <li>YouGov raised £51.2m (c.4.9% of the ISC) to part fund the consideration for the acquisition of GfK's Consumer Panel Business with the remainder financed by a fully committed bridge debt facility and cash on balance sheet</li> <li>The Consumer Panel Business is an established leader in household purchase data, with panels across 16 countries, consisting of over 100,000 households. YouGov has agreed to acquire the Consumer Panel Business for approximately €315 million</li> <li>The placing price of 920p represented a 3.7% discount to the previous closing price. No directors participated in the placing</li> </ul>
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## Public equity fund-raises by sector and highlighted deals



## ECM issuance across the deal size spectrum in July





## The UK IPO pipeline



# A snapshot of the current UK public M&A market

Firm offer

Possible offer

**HeadFirst** **Impellam Group**

*Leading Global Talent Acquisition and Managed Workforce Solutions provider*

**Announcement date:** 12 April 2022 / 4 July 2023

**Offeror:** HeadFirst Global


**Offer type:** Acquisition

**Offer price:** n/a

**Share price prem. / (disc.):** n/a

**Transaction highlights**

- Impellam confirmed that they are currently in discussion with Headfirst in relation to a possible offer by HeadFirst for the entire issued share capital of Impellam
- HeadFirst is an international HR services platform offering a variety of HR-solutions, including MSP-services and business consultancy
- Impellam announced on 12 April 2022 that its majority shareholder and chair of the board, Lord Ashcroft, wished to explore the sale of a shareholding of approximately 62% of the issued share capital of Impellam




**inflexion** **dwf**

*Global provider of integrated legal and business services*

**Announcement date:** 10 July / 21 July 2023

**Offeror:** Inflexion Private Equity Partners LLP



**Offer type:** Acquisition

**Offer price:** 100 pence for each DWF share

**Share price prem. / (disc.):** 52.7%

**Transaction highlights**

- Recommended cash offer by Inflexion for DWF
- Inflexion has tracked the legal and alternative legal service provider sectors for a number of years and recognises the differentiated proposition that DWF offers. Inflexion believes private ownership is preferable for DWF given the growth opportunities available to it and to realign focus on long-term value creation
- The offer values DWF at approximately £342m

**The Pension SuperFund** **STM GROUP PLC**

*Multi-jurisdictional financial services group*

**Announcement date:** 11 July 2023

**Offeror:** Pension SuperFund

**Offer type:** Acquisition

**Offer price:** 70 pence in cash for each STM share

**Share price prem. / (disc.):** 154.5%

**Transaction highlights**

- STM confirmed it had reached an agreement in principle on the key terms of a possible cash offer for STM
- Pension SuperFund Capital has access to significant lines of capital and assets, with which to help provide a safe and secure home to pensioners and pension savers. Pension SuperFund Capital has recently had an injection of further capital in preparation for several significant pension risk transfers; and in anticipation of the potential re-launch of the Pension SuperFund
- The current possible offer values STM at approximately £42.0m




**SEARCHLIGHT** **Gresham House**

*Specialists alternative asset manager*

**Announcement date:** 20 July 2023

**Offeror:** Searchlight Capital Partners, L.P.

**Offer type:** Acquisition

**Offer price:** 1,105 pence in cash for each Gresham House share

**Share price prem. / (disc.):** 63.0%

**Transaction highlights**

- Recommended cash offer by Searchlight, experienced investor in the financial services sector having invested in Global Risk Partners, Shift4 and Sightline Payments amongst others
- Gresham House recognises that the offer represents an attractive opportunity in the current challenging economic environment for shareholders to realise, with certainty, Gresham House's potential for long-term future value creation
- The offer values Gresham House at approximately £469.8m

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