

Investec Market Review

May 2024



Executive summary

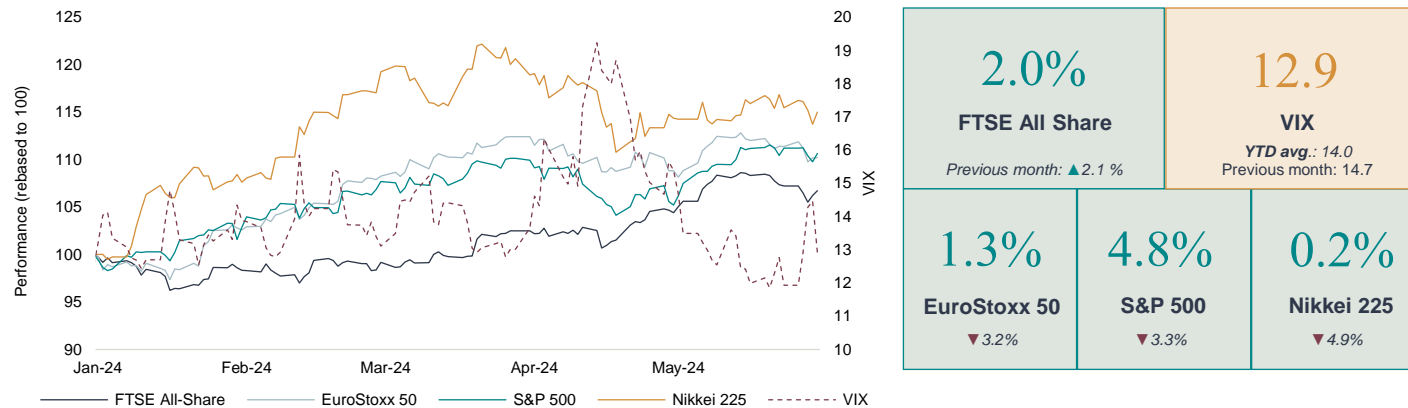
UK ECM activity rebounded strongly with c. £10.9bn of fundraises announced in May¹ as UK markets rose for a third consecutive month

- Domestic stocks continued their upward trajectory in May, with mid-caps outperforming as the FTSE 250 gained 3.8% whilst the FTSE All-Share and FTSE 100 added 2.0% and 1.6%, respectively. Meanwhile global markets rebounded following a softer April to deliver gains across all key indices – the S&P 500, EuroStoxx 50 and Nikkei 225 gained by 4.8%, 1.3% and 0.2% respectively
- Sector performance improved in May with 16 out of 23 sectors delivering gains this month. Mobile Telecoms stocks were top performers this month with both BT and Vodafone shares rallying on the back of respective results announcements. Aerospace and Defence names continued to lead the way on a year-to-date basis amid heightened global conflict and increased forecast defence spending
- UK ECM bounced back strongly this month with the total funds raised increasing by 2,374% vs April, albeit from a low base. Secondary issuance continued to dominate with notable sell-downs from LSEG, Haleon, and Associated British Foods whilst National Grid announced a £7bn rights issue, the largest in the UK since 2009
- UK public M&A activity remained a prevalent theme in May – the total enterprise value of offers announced year-to-date increased by £10.3bn to £70.1bn, with 12 new offers and possible offers announced in the month
- Please contact your usual Investec contact if you would like to discuss the contents of this pack

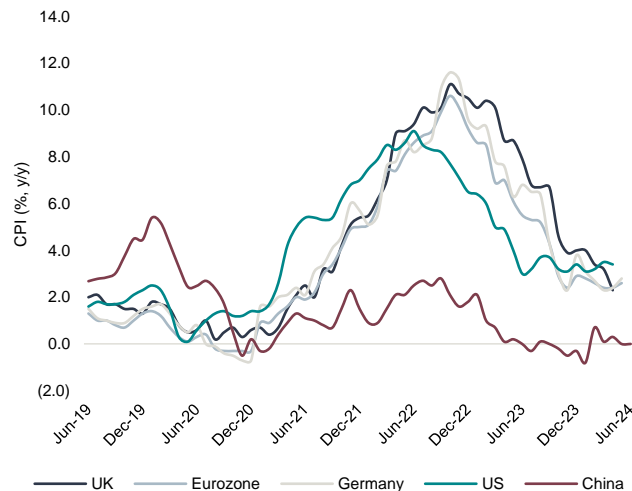
Market drivers in May

UK indices continue to travel on an upward trajectory as the inflationary outlook continues to improve

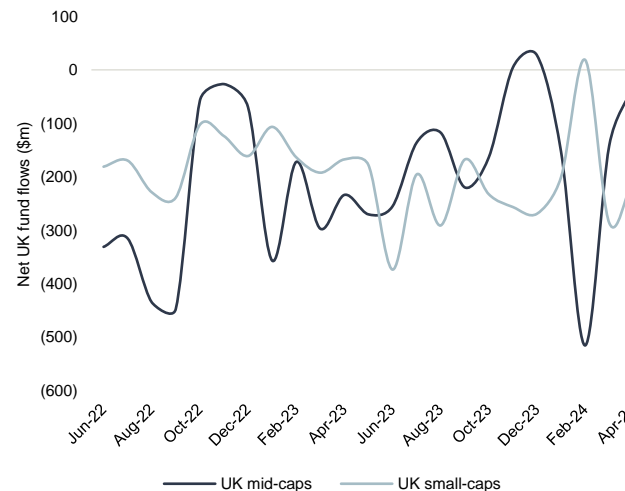
UK markets rise for a third consecutive month



UK inflation continues to moderate



UK fund flows showing signs of improvement



Economics headlines in May

Headline UK CPI fell sharply in April to 2.3% from 3.2% in the prior month, its lowest level since July 2021, but still ahead of consensus expectations looking for a decline to 2.1%

The BoE held the Bank rate at 5.25%, in line with Economists' expectations; 7 MPC members voted in favour of holding rates whilst 2 voted for a 25bp cut

UK retail sales declined by 2.3% in April, well below expectations with consensus looking for a 0.5% decline, driven by wet weather reducing footfall on the high street

Eurozone inflation increased by 2.6% year-on-year in May, up from 2.4% in April and exceeding the forecast of 2.5%

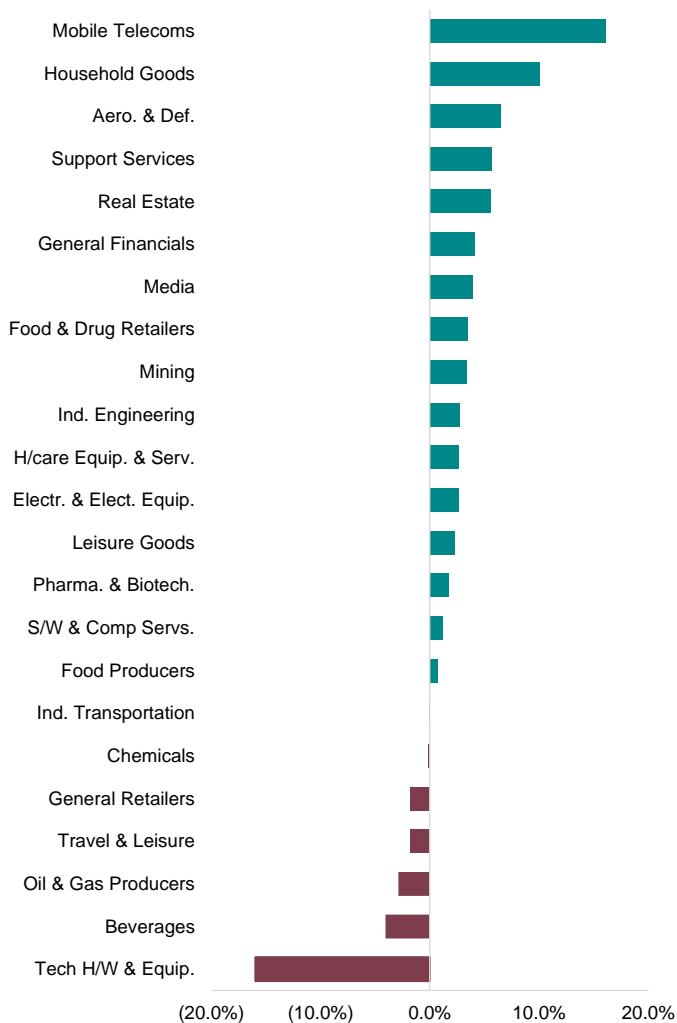
Following three consecutive expectation-beating prints, US CPI inflation for April came in at 3.4%, in line with expectations

US non-farm payrolls missed consensus, with jobs growth in April +175k, relative to consensus expectations of +243k whilst the average hourly earnings print of +0.2% was also slightly softer than expectations

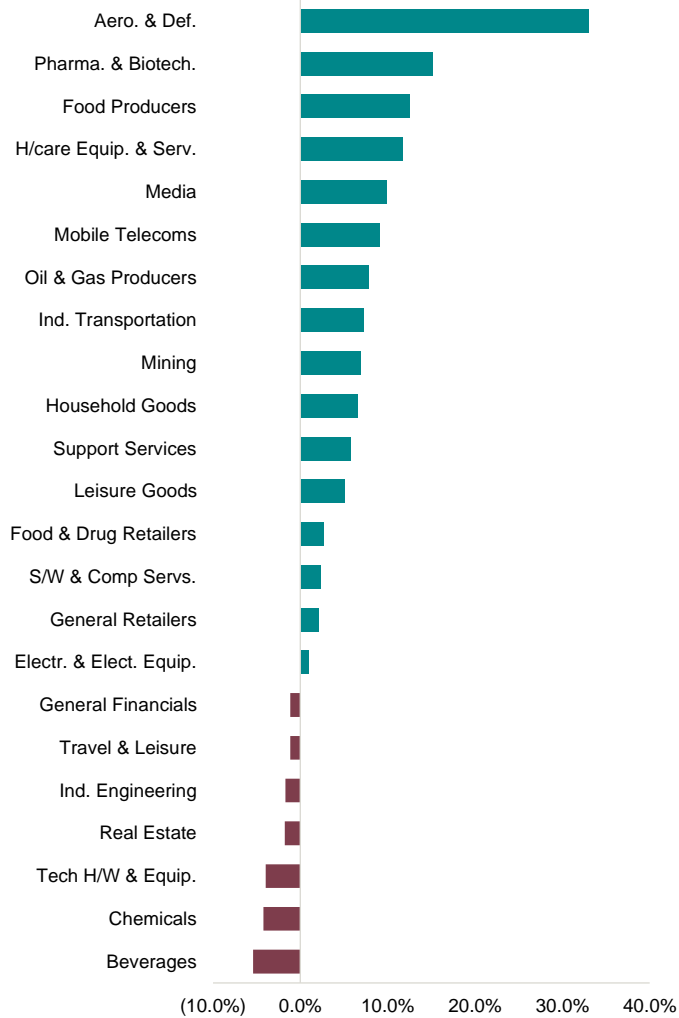
Sector performance in May

Mobile Telecoms stocks outperform, whilst overall sector performance improved vs April

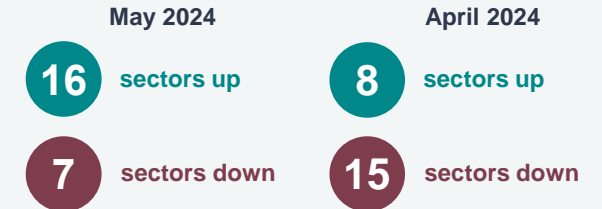
Sector performance – May 2024



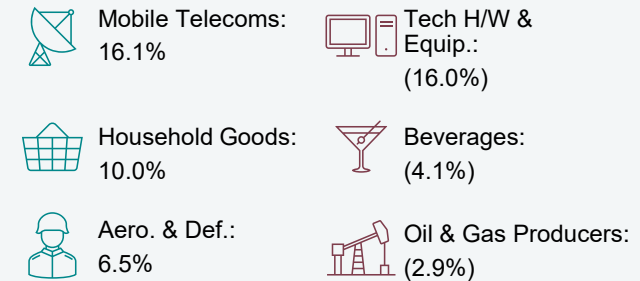
YTD Sector performance



Monthly sector snapshot



Monthly winners and losers



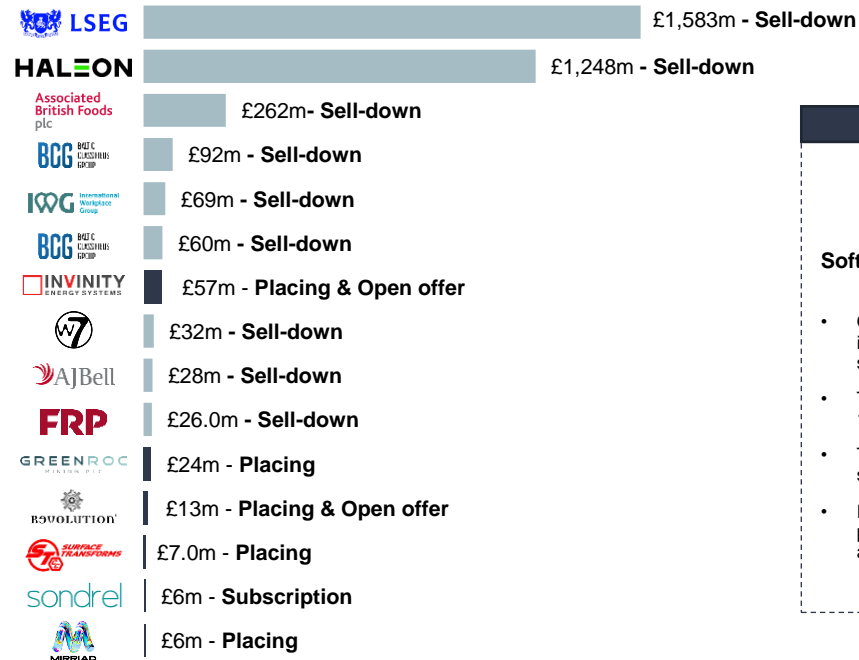
Drivers of sector performance in May

- Mobile Telecoms stocks were the top performers this month with **BT** and **Vodafone** shares gaining 27.3% and 11.8% respectively on the day of their full year results. **BT** shares surged on the back of announcing a cost transformation targeting £3bn of gross annualised cost savings by the end of FY29 at a £1bn cost to achieve. Meanwhile, **Vodafone** announced the approval of the sale of its Spain entity alongside a €2bn share buyback programme
- At the other end of the spectrum, **Tech Hardware & Equipment** stocks were notable laggards this month, declining by nearly 4x the next worst performing sector. **Ensilica** shares declined by 19.6% as the Company announced a £4.3m placing at an 18% discount to the previous closing price

UK ECM activity in May

UK ECM activity rebounded strongly in May following a softer April; initial signs of UK IPO market thawing

ECM issuance across the deal size spectrum in May



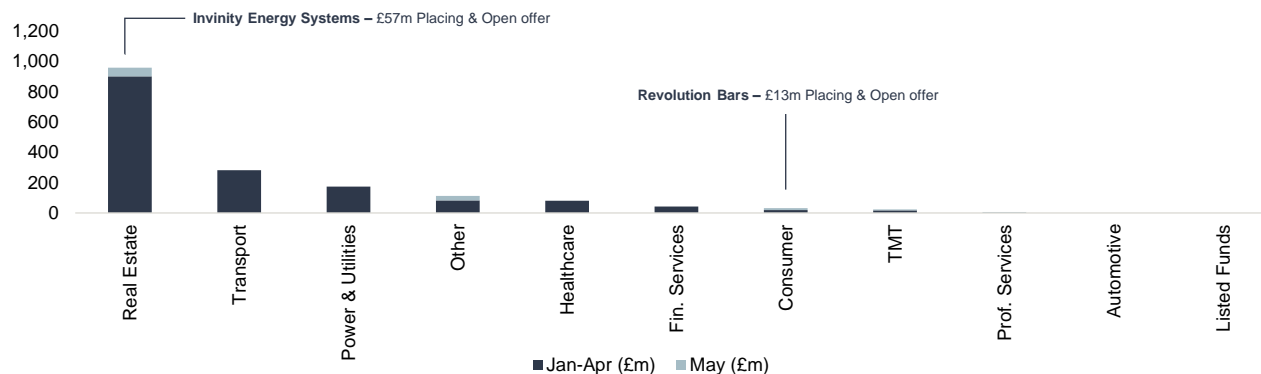
May 2024 – Investec deal highlight



£25m secondary sale of shares in Alfa Financial Software Holdings plc by CHP Software and Consulting Holdings Limited

- On 30 May, CHP – Alfa's largest shareholder – announced its intention to sell approximately 4.9% of the Company's issued share capital at a price of 173p per share equating to £25m
- The sale price of 173p per share represented a premium of 1.8% to the latest closing price
- The purpose of the sale was to satisfy market demand from a single institutional shareholder
- Following the announcement, Alfa shares rallied 9.1% vs the previous closing price driven by heightened investor interest amidst increased liquidity in the stock

Primary public equity fund-raises by sector and highlighted deals YTD



ECM activity snapshot

Total funds raised (completed deals)

£3,513m
Prior month: £142m
2,374% increase

Total no. transactions (completed deals)

15 deals
Prior month: 6 deals
150% increase

Comparison: activity in May 2023

Funds raised	Deal count	Largest primary	Largest secondary
£4,196m	14 deals	ADMIRAL ACQUISITION LTD. £440m IPO	LSEG £2,657m Sell-down

Selected sell-downs in May 2024

LSEG	HALÉON	Associated British Foods plc
£1,583m	£1,248m	£262m
BlackStone, Thomson Reuters	GlaxoSmithKline	Howard Investments Limited

Live in-the-market UK IPOs

Special Opportunities REIT	Raspberry Pi	Time To ACT
£500m	£500m	£7m

Rumoured UK IPOs



Return of the front-foot rights issue

May saw the announcement of two significant rights issues, with National Grid's being the largest since 2009 and the largest follow-on offering globally in 2024

nationalgrid

National Grid plc announces a 7 for 24 fully underwritten rights issue to raise c.£7 billion

Market capitalisation:	£42bn
Gross proceeds:	£7bn
New shares as % enlarged issued share capital:	22.6%
Issue price:	645p
Basis of rights issue:	7 new shares for every 24 existing shares
% Prem. / (Disc.) to TERP:	(34.7%)

Transaction highlights:

- National Grid announced the rights issue alongside a new capital investment plan of c. £60bn over the next 5 years (FY25-FY29)
- In parallel, it announced a new 5-year financial framework (FY25-FY29) targeting group asset growth at a c.10% CAGR and underlying EPS growth at a 6-8% CAGR
- Rationale of the fundraise is to give the Company greater financial flexibility to deliver its strategy as well as enabling it to fund a significant increase in capital investment
- Specifically, National Grid intends to use the proceeds of the rights issue to:
 - To fund a higher-growth investment phase for National Grid
 - To support efficient management of funding costs
 - Approximately £750 million will be used to refinance a portion of National Grid's outstanding hybrid bonds that have first call dates in the next 15 months

GPE.

Great Portland Estates announces a fully underwritten 3 for 5 rights issue to raise gross proceeds of £350 million

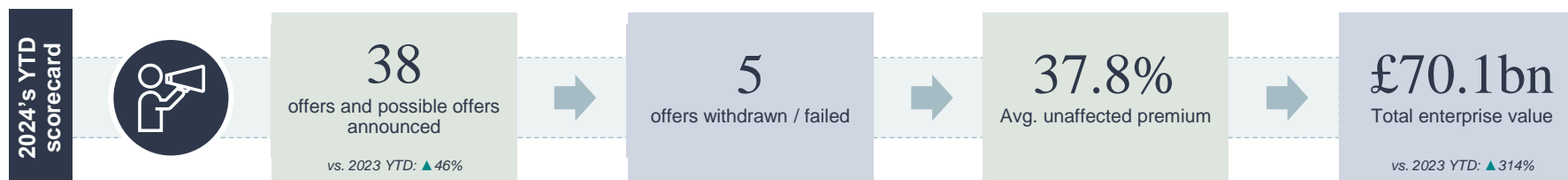
Market capitalisation:	£1.1bn
Gross proceeds:	£350m
New shares as % enlarged issued share capital:	37.5%
Issue price:	230p
Basis of rights issue:	3 new shares for every 5 existing shares
% Prem. / (Disc.) to TERP:	(33.4%)

Transaction highlights:

- GPE announced the rights issue alongside the acquisition of The Courtyard for £28.6 million
- The Board believes that the fundraise will enable it to take advantage of new acquisition and development opportunities emerging in central London commercial real estate and deliver attractive and accretive shareholder returns
- GPE intends to use the process of the rights issue to:
 - Repay the £47m drawn on the revolving credit facility with the balance placed on short-term deposit
 - Drive growth by unlocking and accelerating the significant potential within the existing group development pipeline, (development of The Courtyard and the Soho Square Estate)

UK Public M&A activity in May

May saw £10.3bn of transaction value announced across 12 deals



Selected deals

Offer Type	Date	Acquirer	Target	Offer Type	Pence per share	Premium	Offer value	Highlights
Possible offer	1 st May	Bridgepoint Cinven	Alpha <i>Provider of financial solutions to corporates and institutions operating internationally</i>	n/a	n/a	n/a		<p>Highlights</p> <ul style="list-style-type: none"> Alpha Financial Market Consulting plc confirmed on 1st May 2024, in response to market speculation, that it received a non-binding indicative proposal from Bridgepoint, regarding a possible cash offer for the entire issued ordinary share capital of Alpha FMC Alpha FMC also confirmed that Cinven is considering a possible offer for the entire issued ordinary share capital of Alpha FMC, although no indicative offer proposal has been received currently Investec has been appointed as lead financial adviser to Alpha FMC
Firm Offer	14 th May	KKR	IQGeo ^o <i>Provider of geospatial productivity and collaboration software for the telecoms and utility industries</i>	480	18.5%	£333m		<p>Highlights</p> <ul style="list-style-type: none"> Recommended cash offer by KKR for the entire issued share capital of IQGeo Group plc KKR sees an opportunity to accelerate IQGeo's transition towards a recurring software centric business model and the development of IQGeo's future product roadmap under private ownership Further, KKR also believes that IQGeo will require significant investment that is likely to reduce profitability in the short to medium term, but build strong operational foundations required to support IQGeo's next phase of growth, scale its platform globally and drive sustainable long-term value
Possible offer	20 th May	EQT	Keywords Studios <i>Provider of technical services to the video game industry</i>	2,550	73.5%	£2.0bn		<p>Highlights</p> <ul style="list-style-type: none"> Keywords Studios plc confirmed on 20th May 2024, in response to market speculation, that it is in advanced discussions with EQT regarding a possible cash offer of 2,550 pence per share to acquire the entire issued share capital of Keywords Studios The possible offer follows four previous unsolicited proposals from EQT in recent months, which the Board rejected, and represents a significant increase from the initial proposal The Board concluded that the Possible Offer is at a value that the Board would be minded to recommend to Keywords Studios shareholders, should a firm intention to make an offer be announced on such financial terms, subject to the agreement of all other terms and conditions of an offer
Possible Offer	22 nd May	CVC ADIA	HARGREAVES LANSDOWN <i>Investment platform providing a wide range of investment products and services to individual investors</i>	985	52.0%	£4.7bn		<p>Highlights</p> <ul style="list-style-type: none"> On 22nd May 2024 following market speculation, a CVC-led consortium confirmed that it is considering a possible offer for Hargreaves Lansdown plc CVC noted that it had most recently approached Hargreaves Lansdown with a 985 pence per share offer 26 April 2024, which had been rejected The PUSU deadline is 5pm on 19 June 2024

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