

Investec Market Review

November 2022

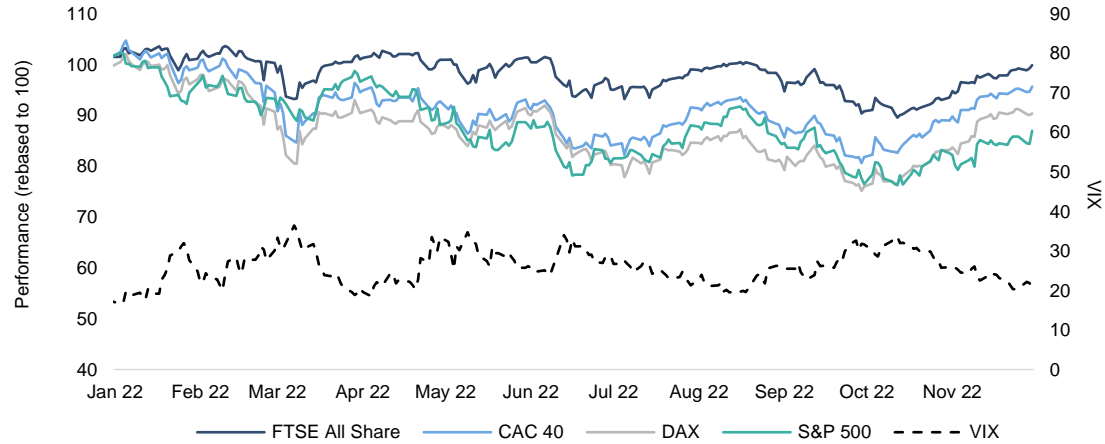


Executive Summary

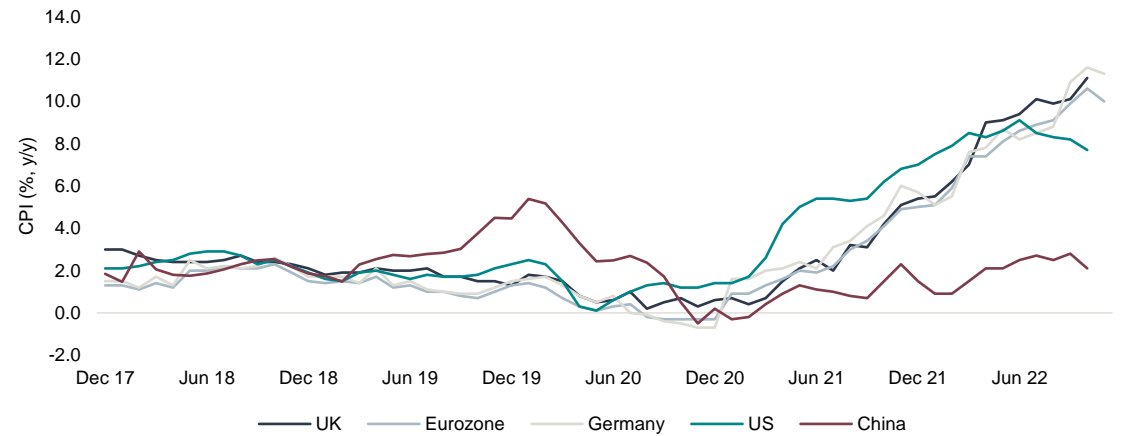
- ▶ Global indices continued to recover lost ground over November, and market volatility eased throughout the month
- ▶ Inflation and a generally downbeat outlook for the global economy continue to drive cautious investor sentiment, though there are some expectations for a slow-down in the pace of interest rate rises
- ▶ UK ECM activity remains sluggish, with the number of deals completing in November dipping relative to the prior month
- ▶ Beazley plc completed its £347m Placing, the fourth largest follow-on transaction of 2022 so far
- ▶ Investec acted as Sole Financial Adviser, Joint Bookrunner, Joint Underwriter and Nominated Adviser to Eagle Eye on its €38m acquisition of Untie Nots and £7m Placing
- ▶ Momentum in UK public M&A gathered pace relative to October, though at low levels
- ▶ Please contact your usual Investec contact if you would like to discuss the contents of this pack

Market backdrop

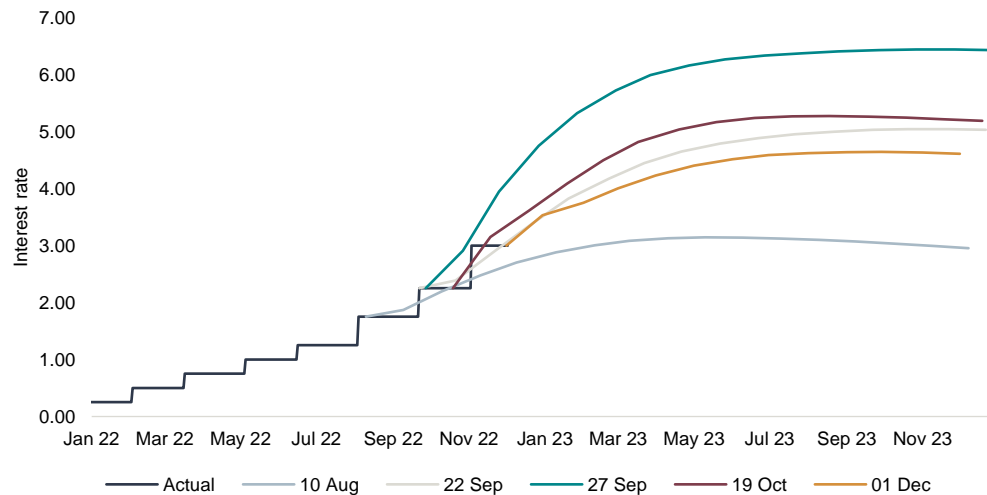
Global equity market performance & equity market volatility



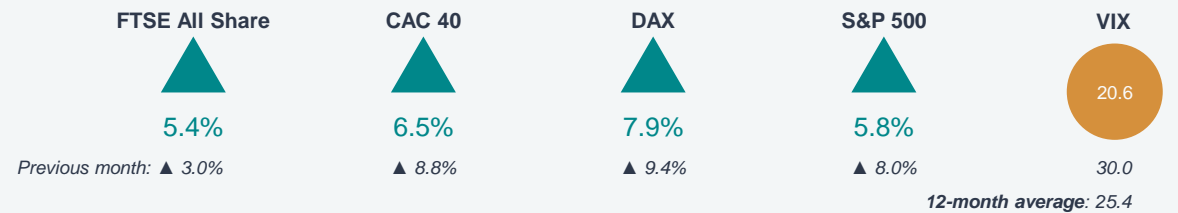
Inflation remains on the rise in the UK and Europe but slows down in the US



UK interest rate projections show signs of stabilising



Monthly market snapshot



November's key market drivers

- UK inflation accelerated to 41-year high of 11.1%
- Meanwhile, US CPI for October came in at 7.7%, down from 8.2% in September
- German, French and UK PMI data improved but remain in contraction territory
- UK pound continues to climb against the US Dollar
- China's zero-COVID protests added uncertainty about China's outlook
- Signalling by central banks that pace of interest rate hikes may be slowing
- Oil prices exhibit volatility amid reports of a potential output increase by Opec
- Mortgage approval rate in UK fall to lowest level since COVID-19 lockdown in June 2020

UK sector performance

Monthly sector snapshot

YTD share price performance:



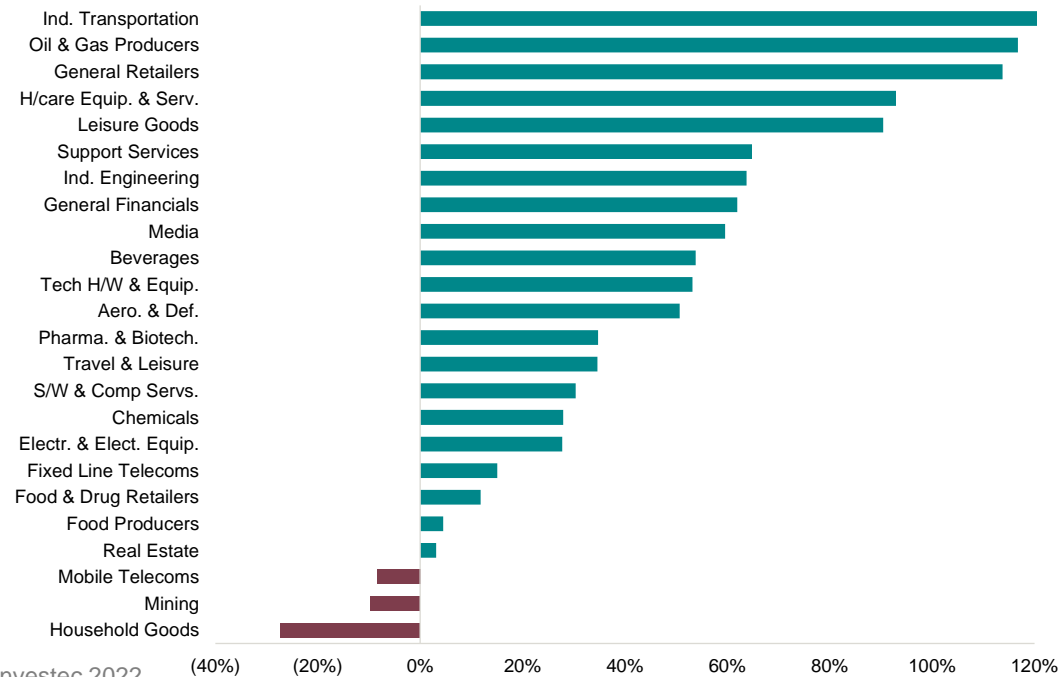
Monthly winners and losers:

Winners	Losers
Mining: 14.9%	Mobile Telecoms: (7.7%)
Hardware & equip: 14.4%	Real Estate: (0.4%)
Leisure Goods: 13.4%	Fixed Line Telecoms: 0.0%

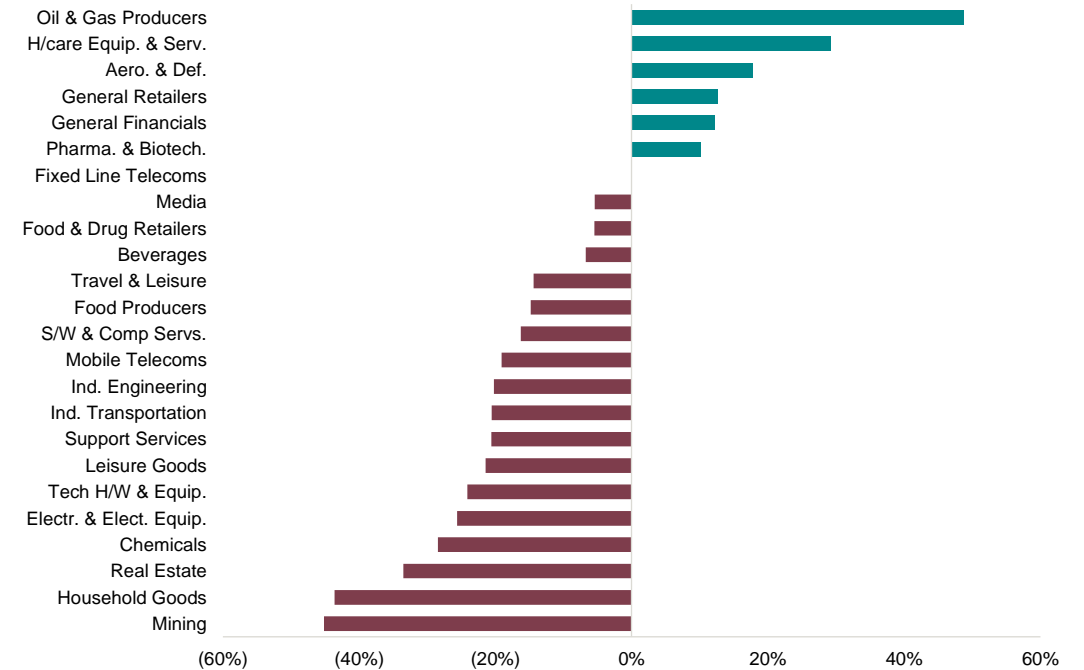
Sector performance drivers and outlook commentary

- Mining** stocks benefited from a hike in commodity prices towards the end of the month, in-part supported by a drop in COVID-19 cases in China for first time since 19 November, boosting hopes for economic activity in the country
- Tech Hardware & Equipment**, and some other growth orientated sectors registered a strong month of share price performances, as market expectations around further interest rate hikes cool
- Despite the expected slowdown of interest rate hikes, **Real Estate** stocks ended the month moderately down and continue to be one of the big losers on a year-to-date share price basis given downward pressure on domestic mortgage rate approvals and UK house prices

Sector performance (since mid-March 2020)



Sector performance (YTD)



Investec's Economics – Summary of the Autumn Statement

- On 18 November, Chancellor Hunt announced details of the Autumn Statement 2022
- Focus of the statement was to help households in the near-term whilst consolidate the public finances via a combination of windfall and stealth taxes, plus spending cuts in the second half of the five-year forecast horizon
- Coming at a time of significant economic challenge for UK and global economy, the statement sought to reverse nearly all of the measures in the government's so-called Growth Plan 2022, also known as the 'mini-Budget'

Summary of the key measures

Expansionary fiscal measures



Energy subsidies

- **Energy Price Guarantees to stay in place** at £3,000 rather than £2,500
- **Option to reduce the scale of support** should energy prices increase further
- No clarity provided on energy bill support for businesses past April 2023



Welfare

- **Cancellation of NIC hike maintained**
- **Pensions 'triple lock' to remain in place**
- **Benefits and benefit cap** to be **upgraded** with inflation
- Additional **£900 cost of living payment** along with equivalent £300 to pensioners



Other areas of spending

- **National Living Wage** (aged 23+) **increase** of 9.7% to £10.42 an hour from 1 April 2023
- **NHS and School budget increased** to help absorb the extra burden from inflation
- **Spending to be restrained by c.£30bn by 2027-28**

Contractionary fiscal measures



Energy producers

- **Temporary 45% levy** on "excess returns" on **low-carbon electricity producers**
- **Energy Profits Levy** on oil and gas producers is **raised by 10% to 35% from 2023 to 2028**



Stealth taxes

- **Frozen nominal thresholds** for income tax, National Insurance Contributions and Inheritance tax **until 2028**
- **Decline in dividend allowances** from £2,000 to £1,000 in 2023/24 and then to £500 from 2024
- **Additional rate of income tax** to apply from £125,140 instead of from £150,000



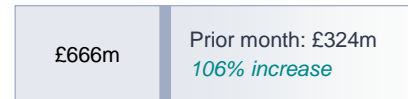
Council tax

- Councils in England allowed to **raise council tax bills by 5% without needing to hold a local referendum**

UK ECM activity continues to fall over November

Deal numbers fell relative to October. Aggregate equity-issuance levels rise, but still remain relatively muted when compared to more 'normal' times

Total funds raised



Total no. transactions



Prior year period



Selected deal commentary

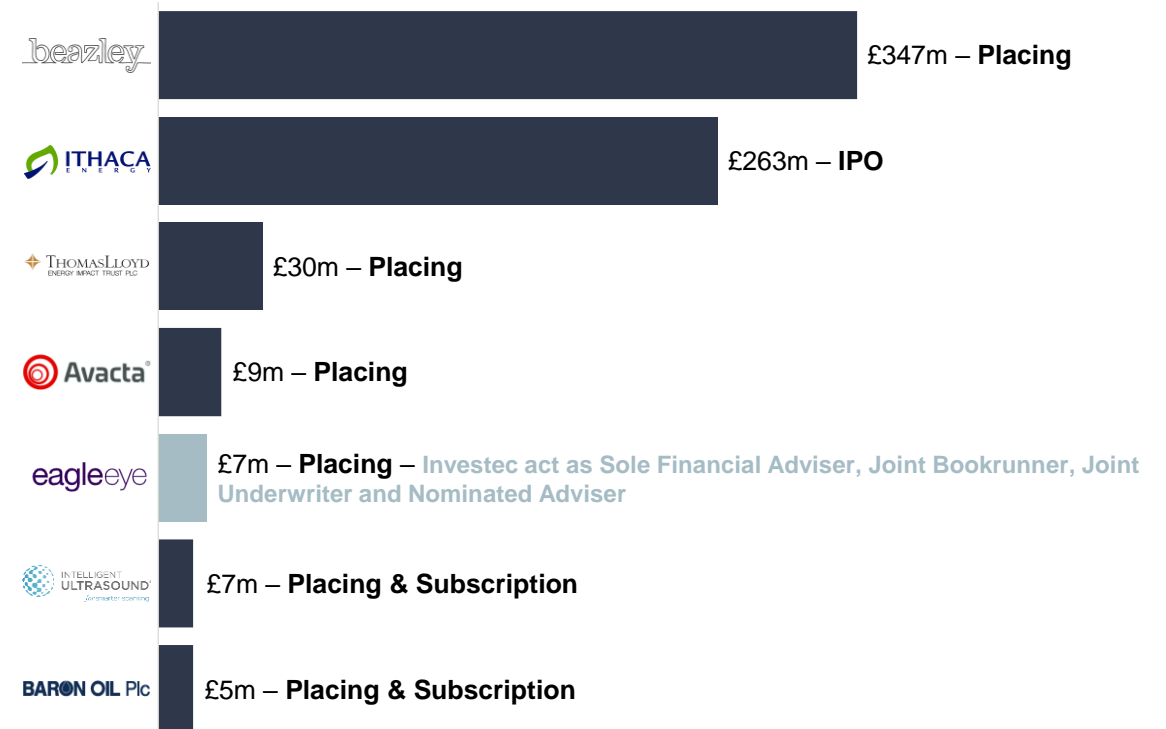
Beazley plc completes its £347m Placing, the fourth largest follow-on transaction of 2022 so far

- Was seeking to raise equity to support organic growth and provide growth capital to fund attractive underwriting opportunities
- Capital raise represented 9.99% of the company's existing issued share capital
- Issue price of 575p represented a discount of 8% to prevailing share price
- Certain directors agreed to subscribe to new shares as part of the transaction
- Capital raise included a retail offer via the PrimaryBid platform
- Soft pre-emption adhered to at allocation. Allocations made outside of soft pre-emption were directed towards existing holders in excess of their pro rata, and wall-crossed accounts

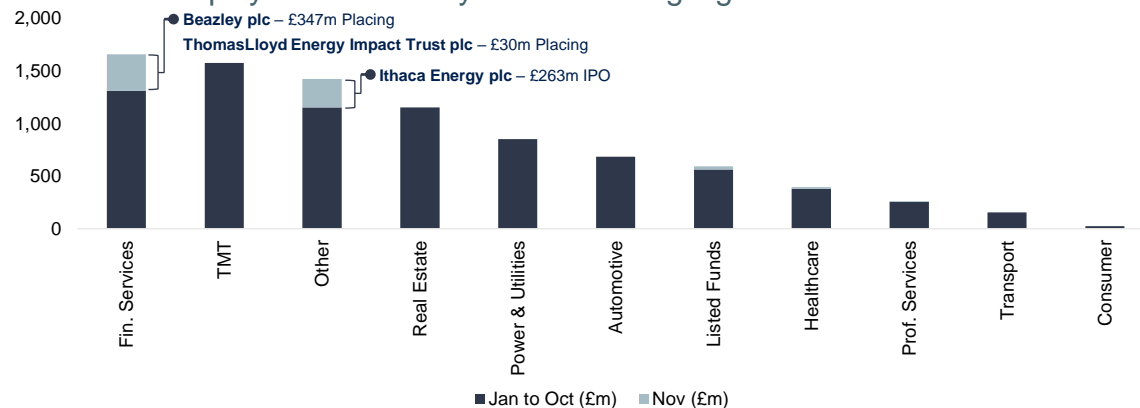
Sell-down activity over November



ECM issuance across the deal size spectrum in November



Public equity fund-raises by sector and highlighted deals





The UK IPO pipeline

AT85 Global Mid-Market



A snapshot of the current UK public M&A market

UK PLC takeover activity seems to have gained some traction over November, with four potential deals being announced in the month. Despite this, two transactions were cancelled during November, suggesting that volatile transaction conditions will persist until the end of the year

the UK's largest provider of SIPP schemes and SSAS

Announcement date: 25 November 2022
Offeror: Nucleus Financial Platforms Limited
Offeror type: Acquisition
Offer price: N/A
Share price prem. / (disc.): N/A

Transaction highlights

- On 25 November, Curtis Banks confirmed that is 'in advanced discussions regarding a possible offer... from Nucleus'
- It also stated that Nucleus are in the process of 'conducting detailed confirmatory due diligence'
- Curtis Banks' share price rose by 25.6% on the day of the announcement




Manufacturer and distributor of goods derived from collagen

Announcement date: 25 November 2022
Offeror: Saria SE & Co. KG
Offeror type: Acquisition / Merger
Offer price: 316.1 pence in cash for each Devro share
Share price prem. / (disc.): 65.0%

Transaction highlights


- On 25 November Saria and Devro announced terms of a recommended cash acquisition for Devro
- The Saria group is a market leader in the production of quality products for human consumption, animal nutrition, aquaculture, agriculture and pharmaceutical and industrial applications
- The offer values Devro at £540m, implying an enterprise value of £667m, equivalent to a multiple of 10.9x EV / EBITDA




Announcement date: 07 November 2022
Offeror: PayPoint plc
Offeror type: Acquisition / Merger
Offer price: 33p in cash and 0.0190 new PayPoint Shares
Share price prem. / (disc.): 68.9%

Transaction highlights

- A recommended offer from PayPoint, a business that offers bill payment solutions in the UK, Ireland and Romania
- The cash and share offer values each Appreciate share at 44p, implying a deal value of £83m and an EV / EBITDA multiple of 6.2x
- Paypoint' share were down by 4.3% on the day whilst Appreciate's rose by 58.5%



Investec deal

UK based oil and gas company

Announcement date: 02 November 2022
Offeror: n/a
Offeror type: Formal sale process
Offer price: 7.7 pence in cash for each Hurricane share
Share price prem. / (disc.): N/A

Transaction highlights

- On 2 November, Hurricane confirmed that it had received an unsolicited offer at an indicative price of 7.7p in cash which was rejected by the board
- Devro's largest shareholder, Crystal Amber, indicated its desire to monetise the value of its 28.9% shareholding
- On 18 November, Hurricane stated that there had been "multiple expressions of interest received from credible counterparties"





A provider of financial services, including Corporate Finance, M&A, Private Fundraising, Sales Trading

Announcement date: 18 October 2022
Offeror: Panmure Gordon
Offeror type: Acquisition / Merger
Offer price: N/A
Share price prem. / (disc.): N/A

Transaction highlights

- On 18 October, finncap confirmed it had received an indicative cash or share offer from Panmure Gordon
- On 24 November, finncap announced that 'the parties have agreed to end... discussions' and that 'each board has concluded that it is not possible to not find mutually acceptable terms to structure the potential combination'
- finncap's shares dropped by 16.2% following the announcement on 24 November




Newspapers and magazines publisher

Announcement date: 23 November 2022
Offeror: National World plc
Offeror type: Acquisition / Merger
Offer price: N/A
Share price prem. / (disc.): N/A

Transaction highlights

- On 3 November, National World confirmed that it was in the early stages of exploring a possible offer for Reach. National World had not approach the board of Reach
- On 23 November National World confirmed that following further work with its advisers, and before having approached Reach's board, 'the circumstances were not aligned to proceed any further with a potential offer'
- Reach's share price rose by 2.6% on 23 November

Eagle Eye – an Investec case study

Investec advised Eagle Eye on its €38m acquisition of Untie Nots and £7m placing

Transaction Overview

eagle eye	
Investec's role	Sole Financial Adviser, Joint Bookrunner, Joint Underwriter and Nominated Adviser to Eagle Eye
Market capitalisation	£157 million
Listing:	AIM
Structure type:	Accelerated Bookbuild
Gross proceeds:	£7 million
% issued share capital:	4.8%
Issue price:	555p

Background to Eagle Eye and Untie Nots



Eagle Eye is a **leading SaaS technology company** that creates digital connections enabling personalised, real-time marketing through coupons, loyalty, apps, subscriptions and gift services

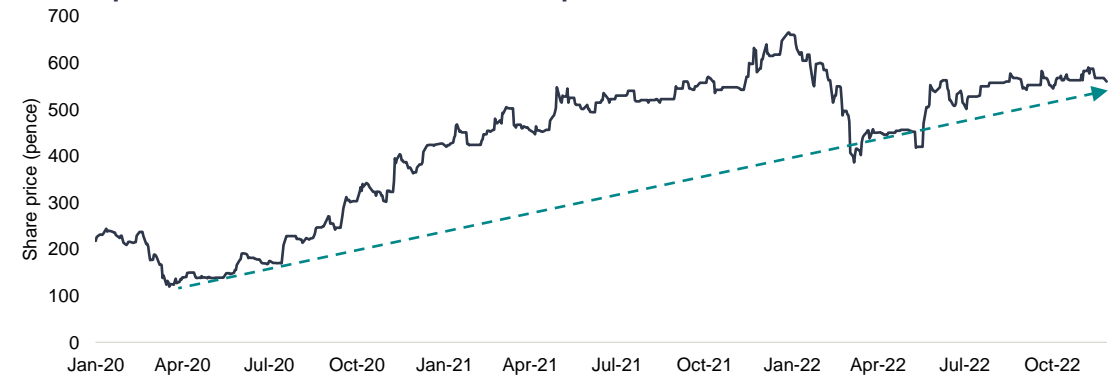


Untie Nots is a **leading French personalised promotions business** providing retailers with AI powered promotion and gamification SaaS software solutions

Transaction and Acquisition Rationale

- Untie Nots' end-to-end analytics, transactional and user experience offering will provide Eagle Eye with **additional product and technology capabilities** and an **enlarged talent base**
- The acquisition will expand Eagle Eye's **geographic reach** and bring **additional blue-chip customers** into the Group, providing global cross-selling opportunities across complementary customers bases

Share price evolution since the COVID-19 pandemic



Transaction Process Highlights

- Investec provided **strategic financial advice** to Eagle Eye on its cross-border acquisition of Untie Nots
- Offering **end-to-end, pro-active**, support across all transaction aspects including process **preparation** and **project management, valuation benchmarking** and **negotiations**
- **Three days of intensive investor meetings** as part of marketing for the equity placing, with up to **six calls with management per day** including both one-to-one sessions as well as group meetings
- Roadshow conducted entirely virtually

Transaction Outcomes

- ✓ Oversubscribed equity placing deal with support from Eagle Eye's existing shareholders
- ✓ Several new investor introduced to the register

"We were delighted with the continued support from Investec who we chose to provide strategic M&A advice on our first cross-border acquisition and fundraise part of the consideration."

Lucy Sharman-Munday, CFO, Eagle Eye

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