

Investec Market Review

September 2023



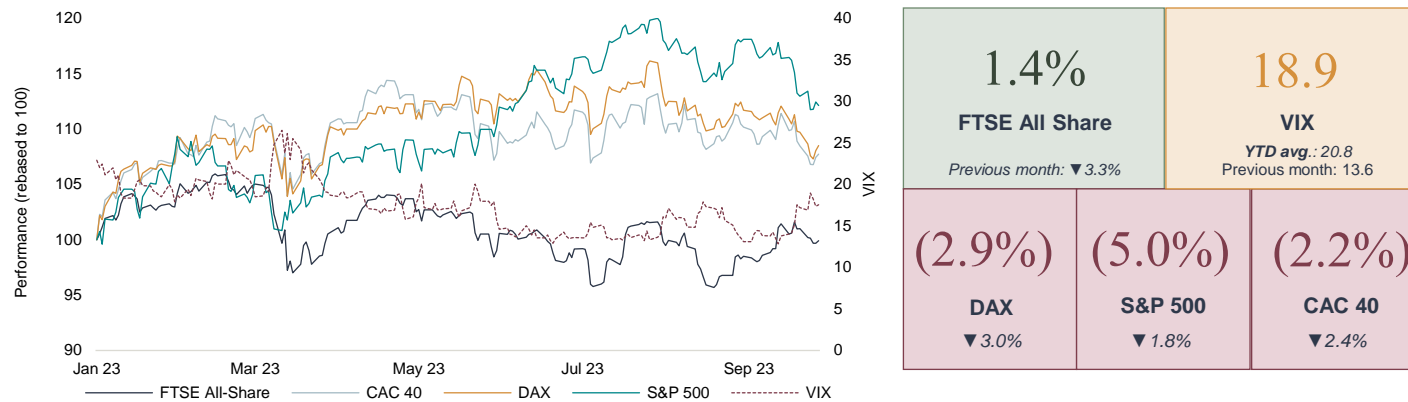
Executive summary

- UK equities recovered in September some of the lost ground in August as UK inflation dropped unexpectedly in August, retail sales increased in August and the BOE maintained interest rates at 5.25%
- Sector performance was mixed with 11 sectors recovered in-line with wider markets. Chemicals and Industrial Transportation continued to slip whilst Oil & Gas Producers benefited from the sharp increase in oil prices over the course of the month
- ECM activity increased significantly after London Stock Exchange shareholders sold down over £2.2bn worth of existing shares and Severn Trent raised £1bn to fund its AMP8 business plan
- UK public M&A picked up in September as over 11 transactions subject to the Takeover Code were announced over the month. Investec is pleased to act as financial adviser to DBAY Advisors with regards to the offer to acquire Finsbury Food
- Please contact your usual Investec contact if you would like to discuss the contents of this pack

Market drivers in September

Wider markets slid amid disappointing US economic data as UK equities Recovered slightly

UK markets continue to lag behind European and US peers



Economics headlines in September

UK inflation slipped unexpectedly to 6.7% in August from 6.8% in July, despite upward pressures from petrol and alcohol costs

Bank of England maintained its bank rate 5.25% but remains the highest rate in 15 years

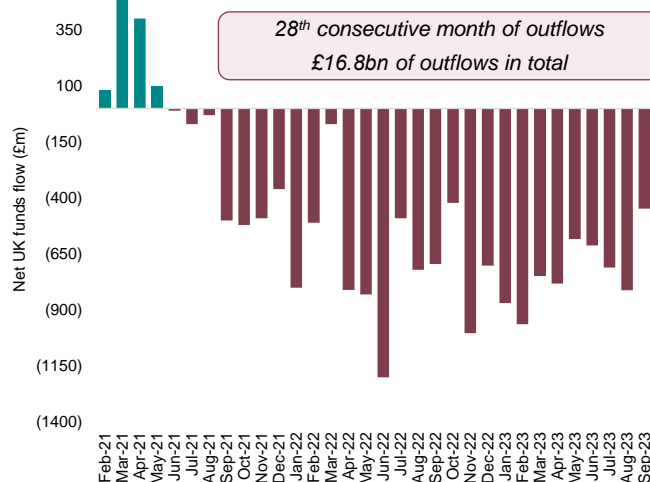
UK GDP fell by 0.5% (MoM) due to the unseasonal wet weather and strike actions

UK retail sales rebounded by 0.4% in August following July's sharp decline of 1.1%

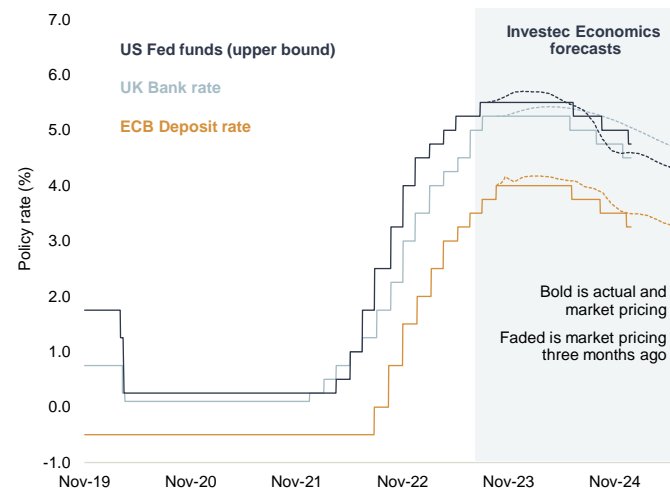
Eurozone Composite PMI improved marginally from 46.7 in August to 47.1 September due to a steep contraction in the manufacturing sector

FOMC held rates at 5.25-5.50% but warned rates were likely to stay higher for longer

Outflows remain relentless



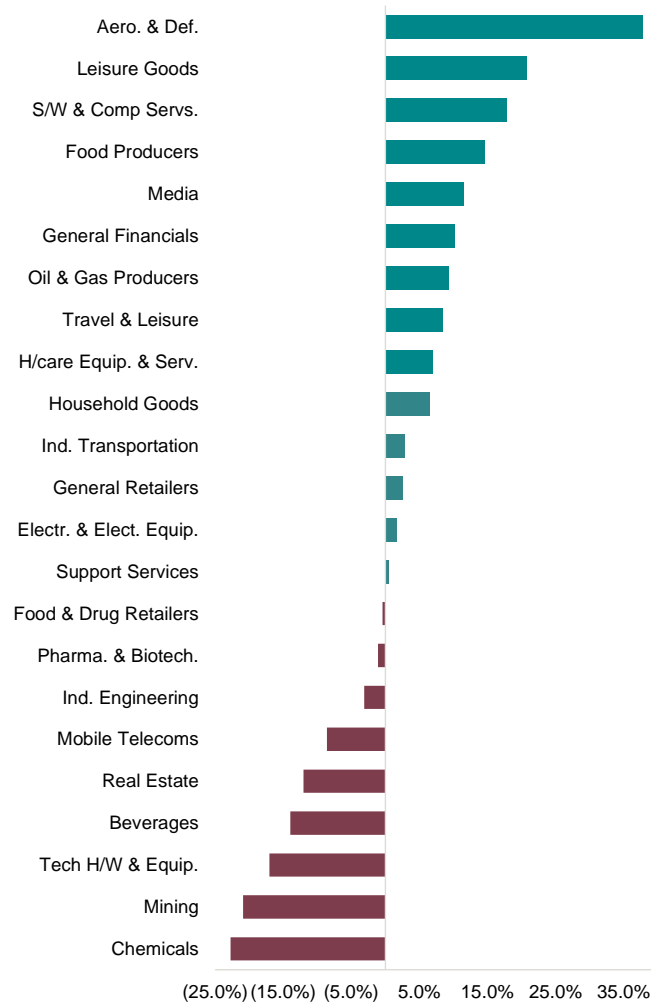
Hawkish holds are becoming in vogue



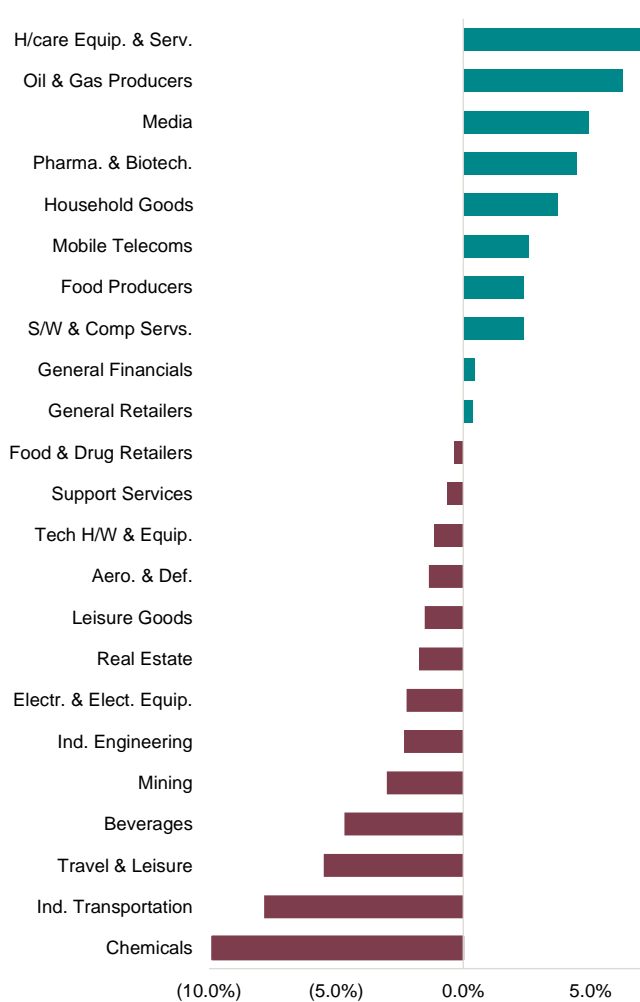
How did UK sectors fared in September

Oil & Gas stocks continue to lead the way

Sector performance (Year to date)



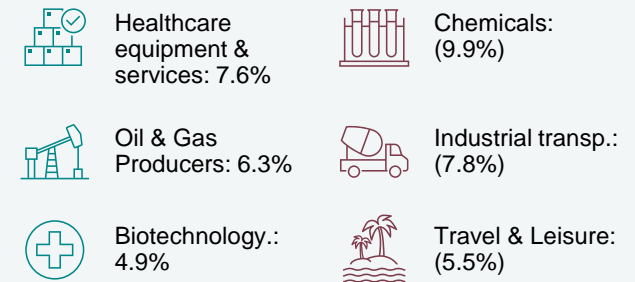
Sector performance (September 2023)



Monthly sector snapshot



Winners and losers



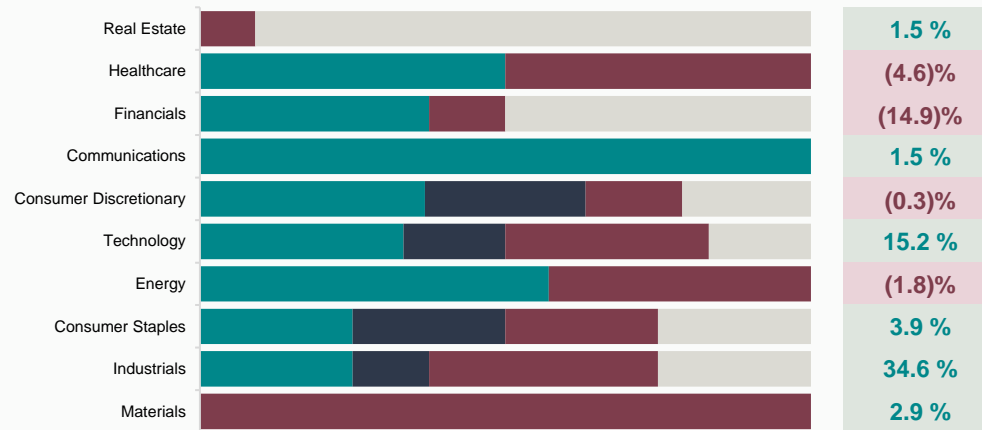
Drivers of sector performance in September

- Oil prices continue to be a tailwind for **Oil & Gas Producers**. US oil supplies pressures drove WTI's price to c.USD93.7 per barrel
- Healthcare Equipment & Services** also had strong month following a series of strong trading updates. Spire Healthcare was the winner in the sector as it announced a 24.2% in H1 adjusted EBIT.
- Travel & Leisure stocks** lost significant ground in September as Leisure stocks took most of the grunt. Entain shares, reached their lowest level since 2020, due to a fall in online gaming revenue and continued pressure on margins due to regulatory headwinds.

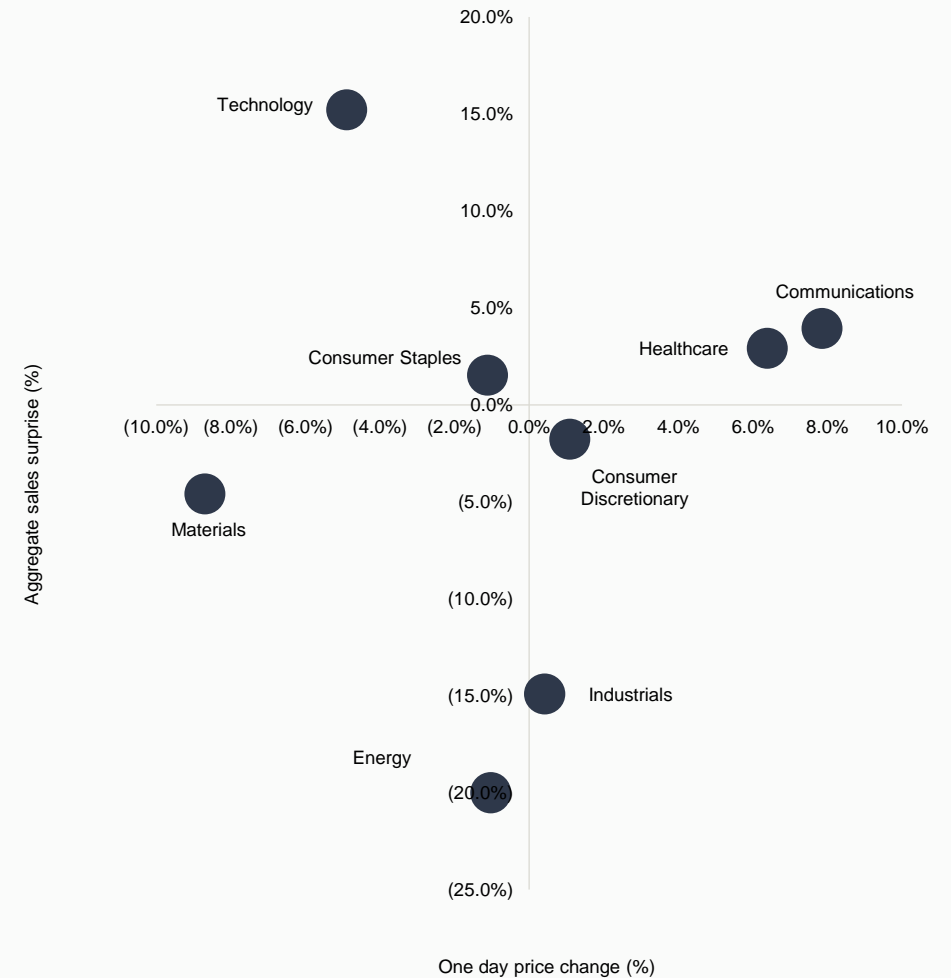
September earnings season snapshot

Technology and Communications stocks generally managed to outperform consensus estimates. Results were less positive for stocks sensitive to current macroeconomic headwinds such as Real Estate & Financial stocks

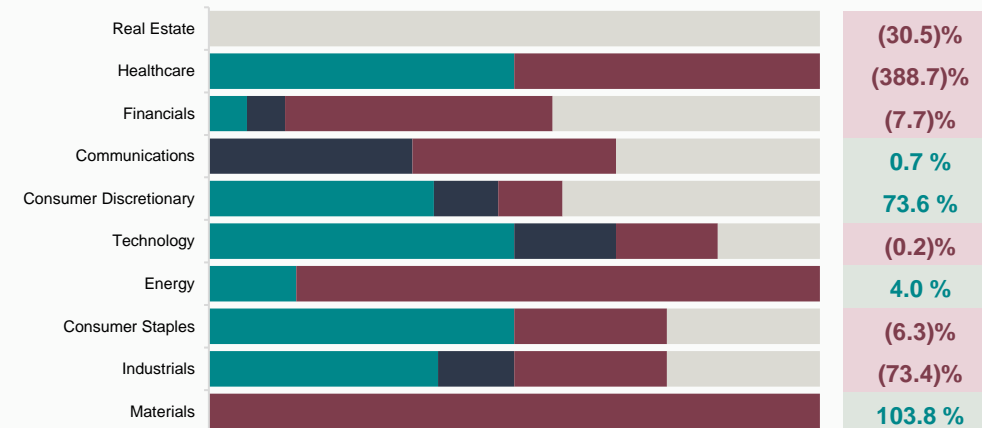
Revenue surprises



One day share price reaction (%) vs aggregate sales surprise (%)



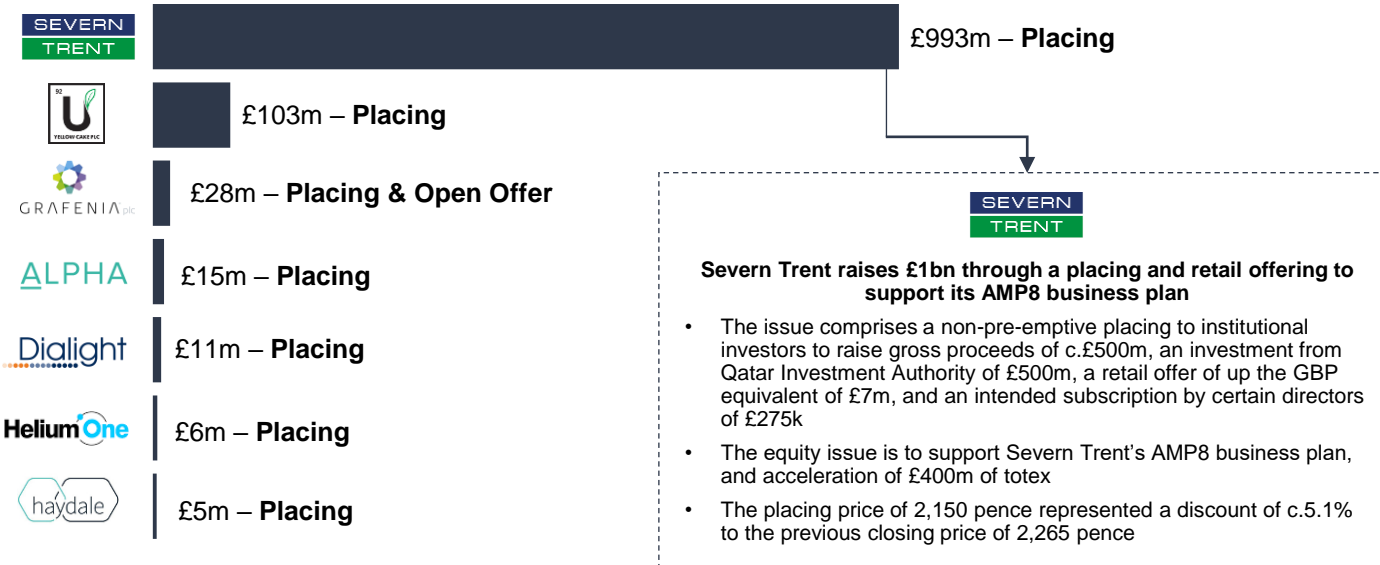
Earnings surprises



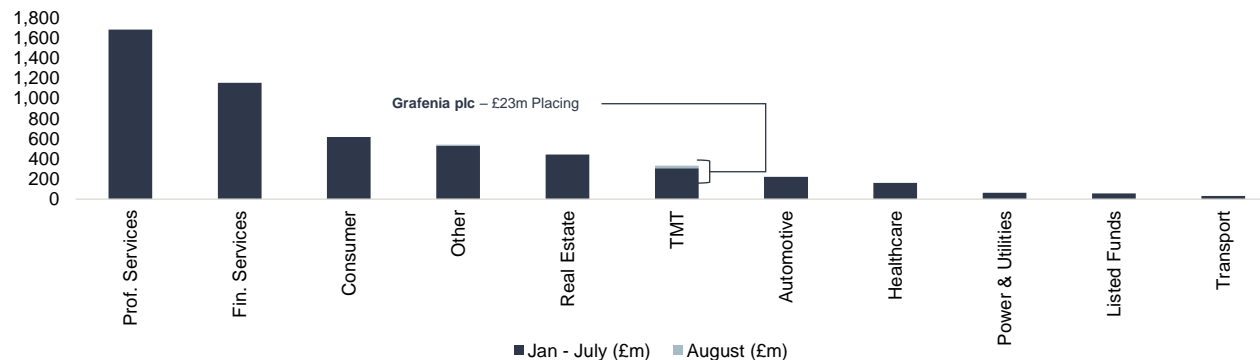
UK ECM activity picks up in September

ECM activity benefited from the “back to school” effect

Primary ECM issuance across the deal size spectrum in September



Public equity fund-raises by sector and highlighted deals



ECM activity snapshot

Total funds raised

£3,439m | Prior month: £313m
999% increase

Total no. transactions

10 deals | Prior month: 9 deals
11% increase

Activity in September 2022

Funds raised

£970m



£654m
Rights issue



£190m
Placing

Deal count

9 deals



£129m
Placing



£17m
Placing

Sell-downs in September 2023



LONDON STOCK EXCHANGE

£2,250m



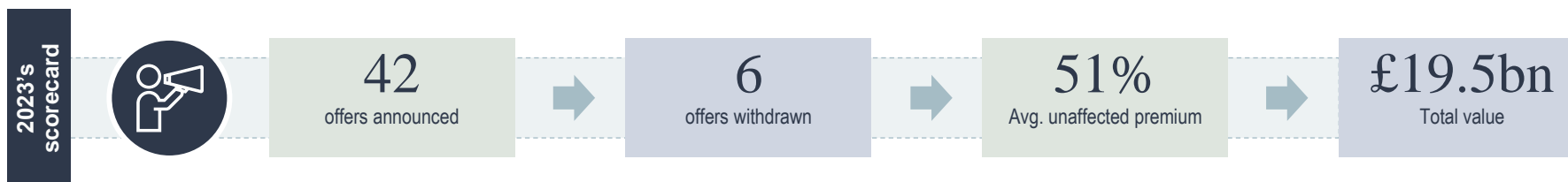
£33m

Announced IPOs in August 2023



No notable announcements in September

UK Public M&A activity in September



Selected deals

Offer Type	Date	Company	Description	Pence per share	Premium	Offer value	Highlights
Firm offer	4th Sept	PERMIRA ERGOMED plc <i>Provider of provides specialist services to the pharmaceutical industry</i>	1,350 Pence per share	32.4% Premium	£703m Offer value	<ul style="list-style-type: none"> Recommended cash offer by Permira for Ergomed Permira believes Ergomed is a differentiated platform in the outsourced pharma services sector with strong track record in the Pharmacovigilance and Contract Research Organisation spaces. Moreover, Permira believes Ergomed is better able to achieve its long-term growth potential as a private company than as a public company Permira will support Ergomed's next phase of growth by investing into the commercial expansion and technological transformation of the business as well as providing, where needed, additional capital to undertake transformational M&A. 	
Possible Offer	11th Sept	H. I. G. CAPITAL DX DELIVERED EXACTLY™ <i>Provider of a wide range of delivery services to both business and residential addresses</i>	48.5 Pence per share	32.9% Premium	£293m Offer value	<ul style="list-style-type: none"> DX confirms that it has received an indicative all cash offer from H.I.G. The indicative offer is at 48.5 pence per share The board of DX also confirm in the event H.I.G were to make a firm offer; they would be minded to recommend the offer at the current level H.I.G has been provided with access to confirmatory due diligence 	
Possible offer	20th Sept	HEDIN MOBILITY GROUP PAG AutoNation PENDRAGON <i>One of the largest motor retailer in the UK</i>	32 Pence per share	35.0% Premium	£447m Offer value	<ul style="list-style-type: none"> On 20 September, Pendragon confirmed its board has unanimously rejected an unsolicited approach from Hedin Mobility Group and PAG International (the "Consortium") to acquire the entire issued and to be issued share capital of Pendragon at 28 pence for each Pendragon share. On 22 September, the Consortium increased its offer to 32 pence per share. Pendragon confirmed that approx.28.8% of the issued share capital had provided irrevocable commitments to vote in favour of the deal On 26 September, AutoNation matched the Consortium's offer 	
Firm offer	20th Sept	DBAY Advisors Finsbury Food Group <i>Leading UK and European manufacturer of cake and bread bakery goods</i>	110 Pence per share	23.6% Premium	£143m Offer value	<ul style="list-style-type: none"> Recommended cash offer by DBAY for Finsbury Foods. The offer includes the alternative to receive non-voting B shares in the new vehicle rather than cash DBAY entered the share register in August 2022 and has been a supportive shareholder ever since DBAY believes that in order to full fill the growth potential of the business in the medium term, Finsbury needs to supplement its current organic growth with additional growth opportunities and its public listing could inhibit to pursue these 	Investec deal

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