

Investec Market Review

November 2023



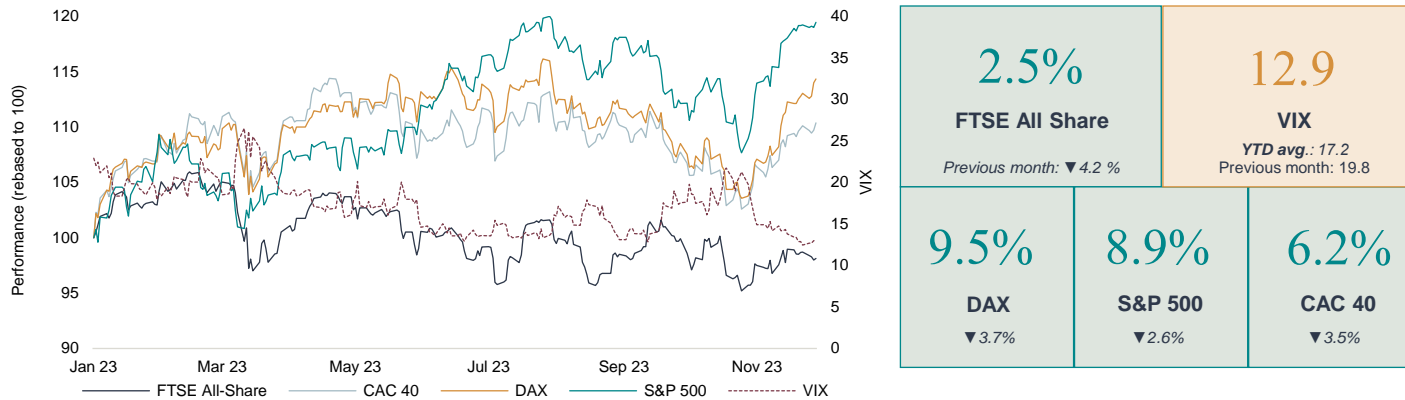
Executive summary

- Following a very difficult month for equities, markets recovered part of the ground lost in October after registering significant gains - FTSE 250 gained 6.7%, S&P 8.9% and CAC 40 6.2% – amid better than expected macroeconomic data
- 16 sectors registered gains this month, notably Household Goods and Support Goods, which benefited from current interest rate expectations for 2024 and better than expected inflation reading
- November was better month for primary issuance, which has been significantly subdued over the course of the year, as over £700m of primary funds were raised
- UK public M&A remained strong over the course of October as 11 transactions were announced
- Investec is pleased to have acted for both XP Power and Videndum with regards to their £44m and £125m equity raises
- Please contact your usual Investec contact if you would like to discuss the contents of this pack

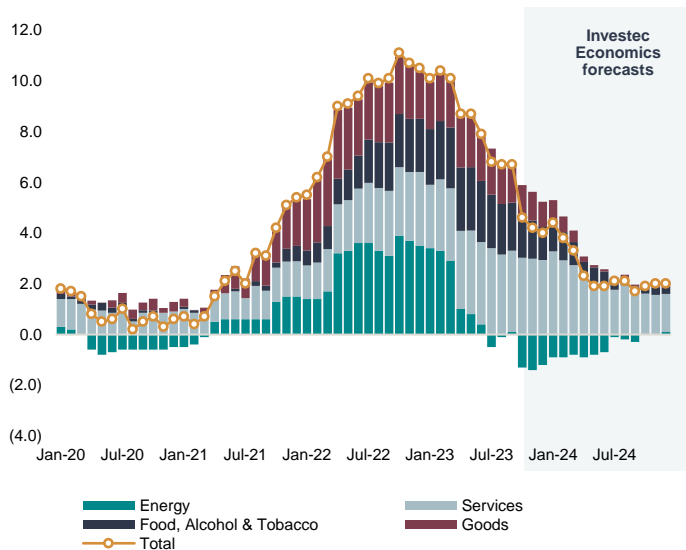
Market drivers in November

Market sentiment over the course of the month was dented by disappointing macroeconomic data and growing geopolitical tensions

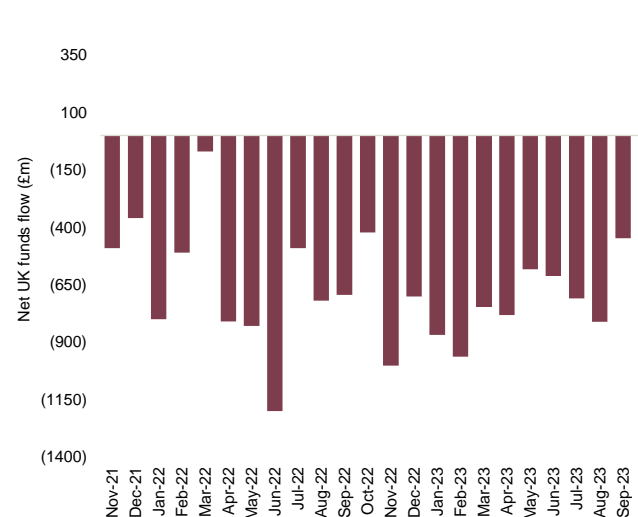
A strong November helps wider markets recover the losses registered in October; UK continues to lag behind



Drop in energy prices drives inflation down



UK focussed equity funds outflows – a never ending story



Economics headlines in November

CPI inflation plunged in October to 4.6% from 6.7% in September. The 'core' measure, which excludes food, energy, tobacco and alcoholic beverages, slipped to 5.7% from 6.1%

Chancellor Hunt unleashed some £14.3bn of fiscal stimulus next year, including two major tax cuts, including a 2% cut in the main rate of National Insurance, amounting to £11.4bn

Nationwide and the Halifax series reported an increase in house prices of 0.9% and 1.1%, respectively. October's RICS housing market survey saw some improvement in conditions, albeit at still subdued levels.

BoE kept the Bank rate on hold for the second consecutive meeting today, at 5.25%, its highest level in 15 years, after 14 consecutive hikes previously

US headline CPI inflation declined by more than expected, reported at 3.2% in October (consensus: 3.3%, September: 3.7%).

Euro area activity picked-up in November, although output remained in contractionary territory, with the Composite PMI rising to a two month high of 47.1

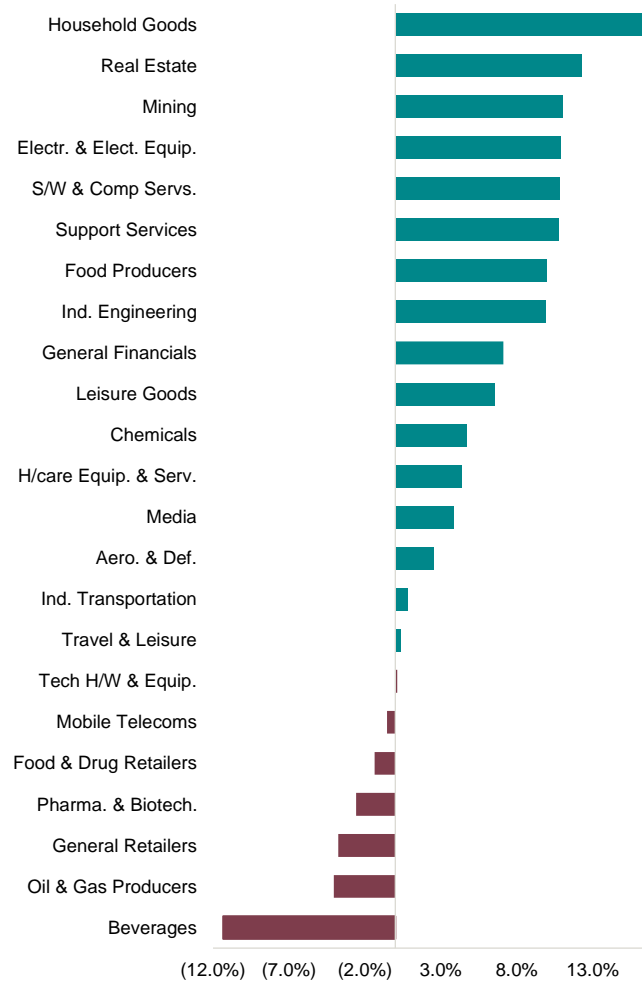
Sector performance in November

Household Goods and Real Estate stocks were the clear winners in November with both sectors registering clear double-digit gains

Sector performance (Year to date)



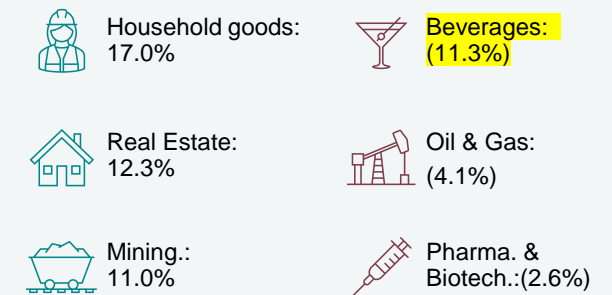
Sector performance (November 2023)



Monthly sector snapshot



Winners and losers



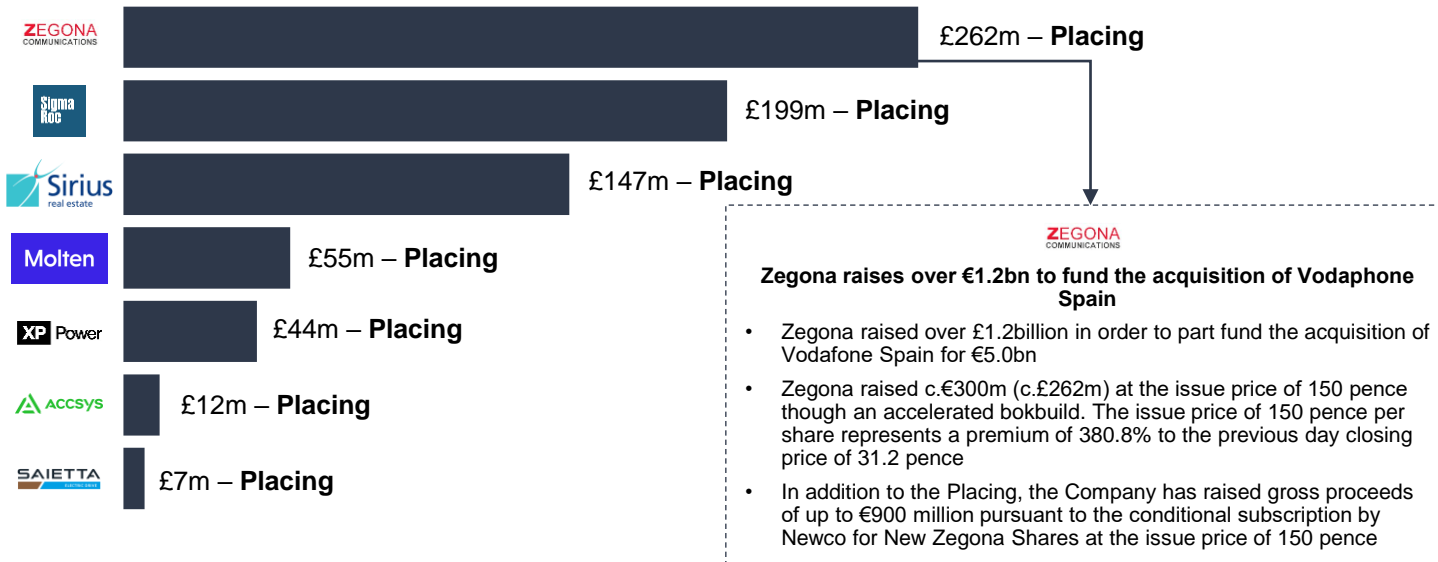
Drivers of sector performance in October

- **Household Goods** stocks benefited from encouraging inflation data and interest rate expectations. Most stocks in the sector reported double digit gains with Persimmon and Barratt Developments' share prices increasing by over 20%
- **Support Services** stocks recovered some of the losses registered in October aided by the more upbeat macroeconomic data. Diploma was the sector's winner, increasing by over 19%, following the release of a strong set of results
- Oil prices continue to be a tailwind for **Oil & Gas Producers**. The oil price tumbled following the push back of the meeting to discuss the difference on production targets for African producers

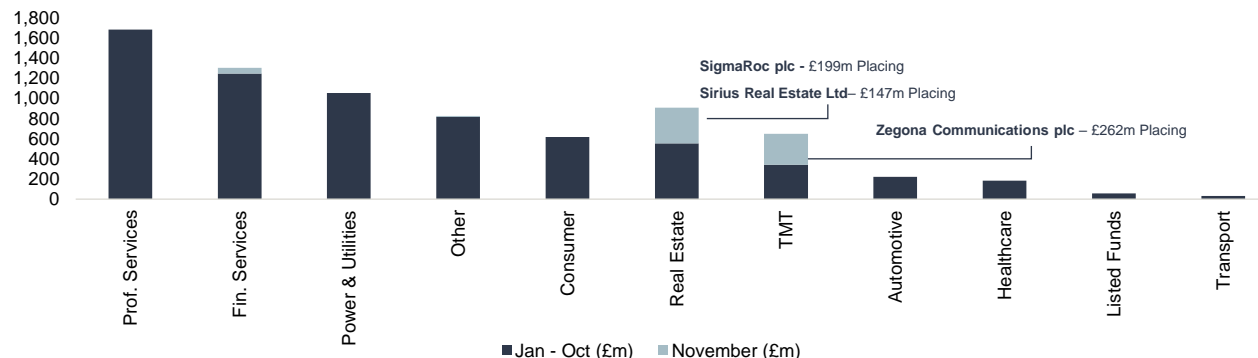
UK ECM activity picks up in November

Despite total value of funds raised dropping, activity in November was driven by only primary issuance which reached £724m

Primary ECM issuance across the deal size spectrum in October



Public equity fund-raises by sector and highlighted deals

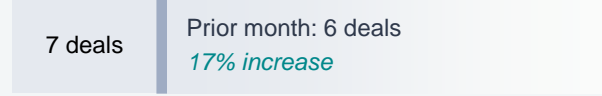


ECM activity snapshot

Total funds raised



Total no. transactions



Activity in November 2022

Funds raised



Deal count



Selldowns in November 2023



No selldowns took place in November

Announced IPOs in November 2023











No notable announcements in November

UK Public M&A activity in November



Selected deals

					Highlights		
Firm offer	16 th Nov	 YOUNG'S <small>ESTD 1831</small>	 THE CITY PUB GROUP <i>Owner and operator of premium, unbranded, individualised pubs</i>	145 Pence per share	46.0% Premium	£162m Offer value	<ul style="list-style-type: none"> Recommended cash and share offer by Young's for City Pubs Young's believes the acquisition represents a rare opportunity to acquire a high-quality pub and bedroom portfolio of scale, allowing Young's to increase its managed trading estate by 501 pubs to 279 pubs (an increase of more than 20%). The acquisition will also allow Young's to substantially increase the number of premium bedrooms within the estate by adding 2402 bedrooms (an increase of more than 25%, taking the total to 1,065 bedrooms) The acquisition of City Pubs is expected to generate margin benefits and will allow Young's to achieve additional operational synergies at pub level by leveraging its operating practices, scale and booking platforms and digital technology
Firm offer	16 th Nov	 MARS	 HOTEL CHOCOLAT. <i>Direct-to-consumer premium chocolate company</i>	375 Pence per share	169.8% Premium	£534m Offer value	<ul style="list-style-type: none"> Recommended cash offer by Mars for Hotel Chocolat Mars considers that the Acquisition would further strengthen its commitment to the UK market (where it has operated since 1932 and today employs c.10k people), bringing a much-loved brand into its portfolio and deepening its relationships with consumers Mars believes that it is ideally positioned to support Hotel Chocolat's long-term strategic objectives with better access to committed, long-term capital, and to provide Hotel Chocolat's management team and employees with a supportive environment within a like-minded, entrepreneurial, purpose-led, family-owned business
Firm offer	16 th Nov	 H. I. G. EUROPE	 DX <small>DELIVERED EXACTLY™</small> <i>Provider of delivery solutions, including parcel freight, secure courier and logistics services</i>	48.5 Pence per share	32.9% Premium	£315m Offer value	<ul style="list-style-type: none"> Recommended cash offer by H.I.G. for DX. The acquisition value comprises of 47.5p in cash and a final 1p dividend H.I.G. believes that DX's Shares continue to suffer from limited secondary market liquidity, which disincentivises potential new investors to take interest in the stock and prevents existing DX shareholders from recognising value for their investments The Acquisition presents H.I.G. with the opportunity to enter new markets. H.I.G. also believes that DX can better reach its full potential in a private market setting with a greater focus on longer term value creation, enabled by the acceleration of investment in growth
Firm offer	27 th Nov	 Molten	 FORWARD PARTNERS <i>London-based investment firm specialising in supporting high-growth</i>	31.1 Pence per share	7.3% Premium	£41m Offer value	<ul style="list-style-type: none"> Recommended all-share offer by Molten for Forward Partners Forward Partners has a well-balanced portfolio across the venture capital life cycle, focused on fast-growing sub-sectors that are aligned to both Molten's origination focus as well as current market trends, such as applied AI, alternative assets and digital marketplaces The Molten Board believes there are a number of high-quality assets in Forward Partners' portfolio with the necessary characteristics to continue to outpace market growth rates and become strategically valuable market leaders in attractive niches

XP Power Ltd – £45.4m fundraise



Investec successfully supported XP Power's £45.4m Placing at an 11.0% premium

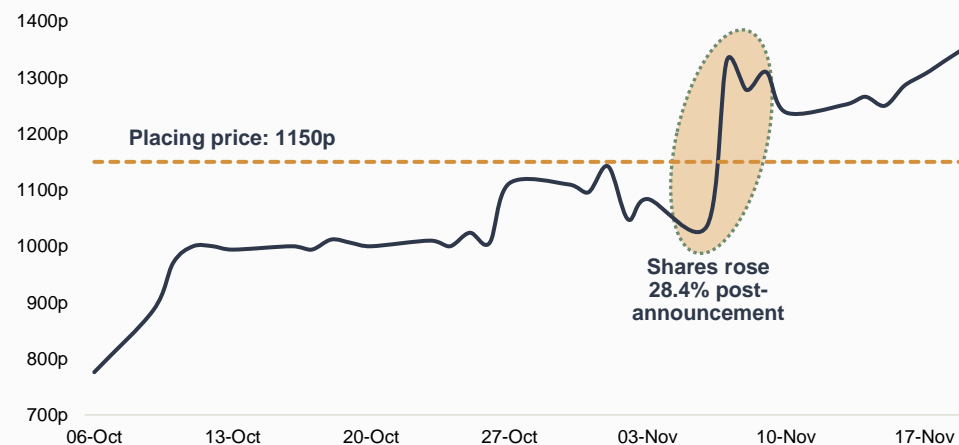
Transaction overview

Investec's role:	Sole Broker and Bookrunner
Structure type:	Placing (via an Accelerated Bookbuild)
Gross proceeds:	£45.4m
Institutional Offering	£43.9m
Retail Offering	£1.5m – via PrimaryBid
% Issued share capital	19.99%
Directors and Senior Management's Subscription	£434.0k
Issue price	1150 pence
% Premium to previous closing price	11.0%
Announcement	6 November 2023

Background to the transaction

- XP Power is one of the world's leading developers and manufacturers of critical power control components to the electronics industry and strategically focused on Industrial Technology, Semiconductor Manufacturing Equipment and Healthcare sectors
- Deferral of orders in Q3 due to a cyclical downturn in the semiconductor market coupled with an elevated leverage position due to recent M&A, an ongoing legal case, inventory build and one-off capital expenditure in 2023 resulted in the Group forecasting a covenant breach before year end
- XP announced various management actions which in aggregate are expected to reduce net debt by £53m - £60m by the end of 2024 as well as renegotiated banking covenants with the Group's lenders
- The Management Actions reduced the capital required from the equity raise and therefore minimised dilution for existing shareholders at the distressed share price
- The net proceeds from the Placing will be used to reduce net debt and improve the Group's liquidity position, refinance capital investments and enable the Group to invest in key areas including R&D
- **Investec has a long-term relationship with XP Power, having been Corporate Broker for 10+ years**

Shares trading above the placing price



Strong support from holders and non-holders

ABERFORTH PARTNERS

abrdrn

Allianz

Amati
Global Investors

BlackRock

cg/Canaccord
Genuity

CHELVERTON
ASSET MANAGEMENT

Invesco

Janus Henderson
GROUP PLC

Kempen

MONTANARO

ODYSSEAN
CAPITAL LLP

Premier Miton
INVESTORS

SEB

TELLWORTH
INVESTMENTS

TOSCAFUND

2.4x

Order book
cover

+60%

Order book
cover by
holders

Significant
reverse
enquiry post
trading update

10.2%

Stock
overhang
cleared ahead
of the placing

Videndum plc – £125m fully underwritten Equity Raise

Investec successfully supported Videndum's £125m Fully Underwritten Firm Placing, Placing & Open Offer

Transaction overview

Investec's role:	Joint Global Co-ordinator, Bookrunner & Underwriter
Structure type:	Firm Placing, Placing & Open Offer
Firm placing	60%
Conditional Placing & Open Offer	40%
Gross proceeds	£125m
% Issued share capital	100%
Directors and Senior Management's Subscription	£1.2m
Issue price	267 pence
% Premium to previous closing price	3.3%
Announcement	20 November 2023

Company overview

- Videndum is a leading global provider of premium branded hardware products and software solutions to the content creation accessory market
- Admitted to trading on the Main Market of the London Stock Exchange
- Organised in three divisions: Videndum Media Solutions, Videndum Production Solutions and Videndum Creative Solutions
- Customers include broadcasters, film studios, production and rental companies, photographers, Independent Content Creators, professional musicians, governments and enterprises
- Employs ~1,700 people across the world in 10 different countries
- Investec has a long-term relationship with Videndum having been Corporate Broker since 2010

Background to the transaction

- Financial performance significantly impacted by macroeconomic headwinds, effects of destocking and US Writers' and Actors' strike
- These factors combined to increase leverage with the corresponding debt service and repayment obligations that threatened covenant breaches and liquidity shortfalls if not addressed
- At the interim results in September 2023, the Company flagged an equity raise may be required alongside other measures to reduce leverage
- New NED and Chair Designate, Stephen Harris, appointed 2 weeks prior to launch of the equity raise

Transaction highlights



Strong support from holders and several new blue-chip investors participated



Use of proceeds

- Net proceeds of the £125m transaction to be used to:
 - Meet lender requirements and ensure sufficient capital to navigate the current difficult market conditions, whilst also being well capitalised to take advantage of the market recovery
 - Recapitalise to ensure a sustainable medium-term capital structure
 - Enable the Directors to provide a clean working capital statement for the purposes of the Prospectus

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