

Mood of the Market

H1 2024

171 ECM deals in H2 2023, equal to H2 2022 (171), though aggregate deal value +77%¹

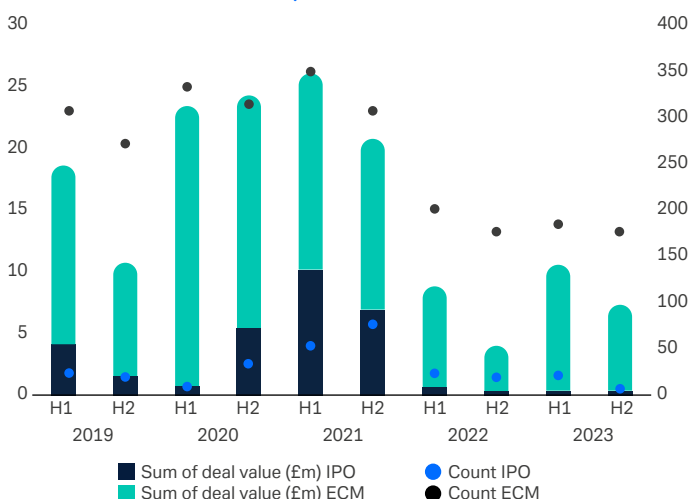
Overall, UK ECM issuance continues to be low although there are signs of increased follow-on activity in H1 2024

The UK IPO market remains muted, with 21 IPOs in the UK in 2023, and only 2 raising gross proceeds of more than £50m²

A review of the half – H2 2023

- Volumes in H2 2023 continued to be subdued, meaning that overall issuance volume for the year was up +36% vs 2022 – but still down 63% from the highs of 2021.
- Against this quieter backdrop, Deutsche Numis nevertheless retained its leading role in the UK ECM market, ranking #1 overall by number of deals in 2023.
- The UK market remained supportive of companies' growth ambitions, with a number of our corporate clients raising equity to fund either M&A (e.g. YouGov - £51m) or investment/organic growth (e.g. Unite - £300m).
- However, many corporates were focused on managing their existing businesses rather than considering ambitious expansionary plans, given the challenging macro backdrop.
- There were healthier levels of secondary issuance – while there were relatively few deals those we did see were large and well supported, including sell-downs in Barclays, LSEG and Haleon.
- Unfortunately, the highest profile London IPO of the year – CAB Payments – downgraded full year expectations shortly after IPO.
- London did, however, continue to demonstrate its willingness to welcome international stories, with Zegona's €300m capital raise (effectively a London IPO of Vodafone Spain) being well supported and trading well in the aftermarket.
- Outflows from UK equities persisted in the second half of 2023, although we hear anecdotal evidence from fund managers of these pressures easing into the end of the year, whilst a significant amount of capital has been recycled back into the UK market via M&A.
- Overall, the mood feels markedly more positive as we move into 2024 and we believe there are a number of cyclical and structural reasons to be positive about the market, which we reference in our outlook on Page 2.

UK ECM activity 2019-2023²



UK ECM league table³

Deutsche Numis #1 by number of deals in 2023

Rank	Adviser	Deal Count
1	Deutsche Numis	14
2	JP Morgan	10
3	Barclays	8
4	BofA Securities	8
5	Morgan Stanley	8
6	Stifel	8
7	Canaccord	8
8	Peel Hunt	7
9	Citi	6
10	Goldman Sachs	6

¹ Dealogic January 2024.

² London Stock Exchange (includes IPOs that are categorised as a "New Company placing" & "Offer for Subscription – New Company" by the LSEG),

Market: AIM, UK Main Market, January 2024

³ Bloomberg trading Date, 2023, ECM including IPOs, London Exchange, Deal size >\$20m, including Deutsche Bank UK deals

Recent Deutsche Numis ECM case studies

UNITE STUDENTS

- Deutsche Numis acted on Unite's £300m equity raise (c.8% of ISC) in July 2023, with use of proceeds to match targeted development and asset management opportunities.
- A good example of investors backing a management team with a strong track record and a clearly defined use of proceeds.
- Book was multiple times oversubscribed, with very strong demand from new and existing investors, and over half of the shares allocated to international investors.

4.2%
discount to the closing price¹

+11%
share price performance post placing²

Molten

- Deutsche Numis acted on Molten's £55m placing and subscription (c.13.3% of ISC) in November 2023 to position itself to capture exceptional secondary and primary investment opportunities.
- Deal priced at 270 pence per share in a fixed price deal, a c.11.9% premium to the 3-month volume-weighted average price.
- Strong support from existing shareholders and two cornerstone accounts, Blackrock and British Patient Capital.
- Alongside the fundraising, Molten also announced a £41m recommended all-share acquisition for Forward Partners plc.

11.9%
premium to the 3-month VWAP¹

-10%
share price performance post placing²

ZEGONA COMMUNICATIONS

- Deutsche Bank acted on Zegona's €300m placing in November 2023 in connection with the €5bn acquisition and effective IPO of Vodafone Spain.
- Vodafone is the no.3 telecoms operator in Spain, with significant market shares in mobile, broadband and TV, generating €3.9bn revenue.
- At the offer price of £1.50 per share, Zegona had an implied market capitalisation of approximately €1.2bn.
- Showcased the strength of the combined Deutsche Numis platform and its best-in-class equity capabilities, especially for UK listed clients.

380.8%
premium to the closing price¹

+61%
share price performance post placing²

LSEG

- Deutsche Bank acted on the secondary sale of shares in LSEG on behalf of a consortium of investors, including Blackstone, CPPIB, GIC and Thomson Reuters. Third secondary placing in LSEG in 2023 by the Blackstone consortium raising a total of £6.6bn.
- Sale of 25.5m shares at £79.50 equated to gross proceeds of £2.0bn, alongside a directed buyback of 8.2m shares and sale of call options over 8.2m shares.
- Multiple times oversubscribed, with significant demand from new and existing global investors.

3.8%
discount to the closing price¹

+12%
share price performance post placing²

Outlook for H1 2024

Looking ahead – the Deutsche Numis view

- After two years of subdued activity, there are a number of cyclical and structural reasons to be positive about ECM in 2024 – a view reinforced by our conversations with potential issuers and investors.
- The outlook for the UK is optimistic, and our proprietary investor survey suggests that fund managers are generally positive on the potential for the UK market to outperform this year.
- Our survey also indicates that UK fund managers are looking to put money to work both through buying new issues and backing existing companies to grow – albeit the initial hurdle for IPOs will be high.

- In terms of where we expect ECM activity to focus, balance sheets in UK PLCs remain mostly robust, so we do not expect a raft of liquidity-related fundraisings.
- On the other hand, corporate confidence feels in a much better place and we are likely to see companies getting back on the front foot to revisit growth plans that have been on hold during 2023.
- We expect that secondary sell-downs will continue, but broaden away from the small number of large, albeit successful, placings last year. There remains a very significant private equity overhang amongst the IPO class of 2021 and we expect that something will have to give here this year.
- We expect IPO volumes to increase in 2024, a trend we are already seeing

- in Continental Europe, where the IPO market has made a strong start. Deutsche Bank has already priced the Athens Airport and Renk IPOs since the turn of the year.
- Given lead times, we expect UK IPO activity to be second-half weighted, but UK investors are keen to see more high quality companies joining the market at a time when the volume of M&A has meant the investible universe for an active fund manager has been shrinking.
- In summary, we feel decidedly more positive about the outlook for 2024, with companies generally in good financial health and a strong outlook for the UK.

¹ Dealogic, February 2024 ² Refinitiv Eikon, performance from placing price to 16 February 2024

Institutional investor survey¹

90% of investors are keen to meet prospective IPO candidates, up from 84% last year

85% of investors feel it is likely that they would invest in a UK IPO this year, vs 78% last year

51% of investors are currently holding a higher cash balance than they were at the start of the year, although our investor survey suggests that many are actively looking to deploy this capital

84% are as or more positive on the outlook for the UK now than they were at the start of 2023

Q1: Would you still be willing to meet with prospective IPO candidates?

- There remains a keen willingness amongst investors to meet with prospective IPO candidates, although the bar is relatively high - needs to be a differentiated investment case.
- Clear desire to support quality companies in coming to the market, though some investors cited a reticence to invest too much time if the company is not committed to a process.

"Yes we, are always willing to meet companies looking to list."

"Yes, if it is a good company and a well-managed process."

"Yes, albeit would prefer to meet once committed to an IPO rather than speculatively as part of dual track."

Q2: Do you think it's likely that you would invest in an IPO in the current environment?

- The equity story must be clearly defined, and there is a clear preference for companies with a differentiated investment case to those companies listed on the market.
- Conservative setting of forecasts at IPO is unsurprisingly a significant focus for investors, given the underperformance of some of the recent listings.

"We would absolutely still invest in an IPO with the right characteristics."

"The bar for participation is probably higher than usual given performance of recent IPOs."

"Valuation needs to be attractive relative to other listed companies in which we can invest."

Q3: Do you expect an increased level of balance sheet/liquidity-related fundraisings in the first half of 2023?

- Overall feeling from investors is that UK balance sheets of UK PLCs are generally in good health, with very few expecting liquidity-related fundraisings from their portfolio companies.
- Whilst a number of companies have pushed refinancings into 2024, the absolute levels of debt are low, and the refinancing burden is likely to be felt more keenly in private equity.

"I don't think there will be too many balance sheet/liquidity raises, I just don't see that much debt in the market."

"Probably slightly more, as rates have come down a bit and also corporates probably delayed refinancing in 2023."

"Not really, with a few exceptions balance sheets are generally in good shape."



¹ Deutsche Numis surveyed 200 institutional investors in UK equities and our sales team held over 130 start-of-year ideas meetings with buy-side clients.

Institutional investor survey (continued)¹

Q4: Would you be willing to support equity fundraisings for existing/non-holdings to support balance sheets?

- Whilst investors aren't expecting many such fundraisings, there remains a general willingness to support portfolio companies if the rationale is clear and it properly fixes the problem.
- Likewise, a number of investors have commented that these can represent interesting opportunities to take new positions if any such raise is setting a company up for future growth.

"Where there is a justified reason for the raise and our conviction in the investment case is unchanged or improved."

"These tend to be good liquidity opportunities for us if the pricing is correct and the underlying business is still strong."

"Yes, where valuation opportunity appropriately compensates for what is typically a higher risk profile."

Q5: Would you be willing to support equity fundraisings for existing/non-holdings to fund M&A/growth?

- This remains an area where investors remain generally positive about supporting companies, particularly if management have built up a good track record of delivering value from M&A.
- Quality bar is that much higher for funding transformational M&A vs bolt-ons/organic growth initiatives, and issue price must be a key factor in determining the attractiveness of any equity-funded acquisition.

"As ever, this needs to show high probability attractive returns accretion – bearing in mind a higher discount rate these days."

"Yes, I would fund M&A growth, but would rather not be doing blind raises, I would like to be able to see what deal I'm supporting."

"Yes, where management teams have developed a track record of execution and it can be demonstrated that funds to be deployed should be highly returning."

Q6: Are you more or less positive on the outlook for the market than you were coming out of 2023?

- Wide-ranging investor views on the outlook for 2024, and whilst investors remain relatively positive going into the year, a number have noted significant geopolitical risks ahead.
- General view that there is plenty of valuation upside in the UK listed universe, although some investors commented that they feel earnings risk remains relatively high.

"Our view was always soft landing/no recession. Now it feels like a consensus view, which brings position risk, and the Middle East outlook is worrying."

"Very bullish on the valuation upside, albeit earnings risks remain high."

"In spite of macro uncertainty, we are positive on European SMID caps – still plenty of value out there."

Q7: Are you holding a higher or lower proportion of your fund in cash versus last year and do you expect this to change?

- Investors are, on the whole, pretty fully invested, which reflects a general sense of cautious optimism for the year ahead.
- In many cases, a lot of cash has come back via M&A, given the wave of take-privates in the UK, but investors are generally all looking to recycle this cash back into the market.

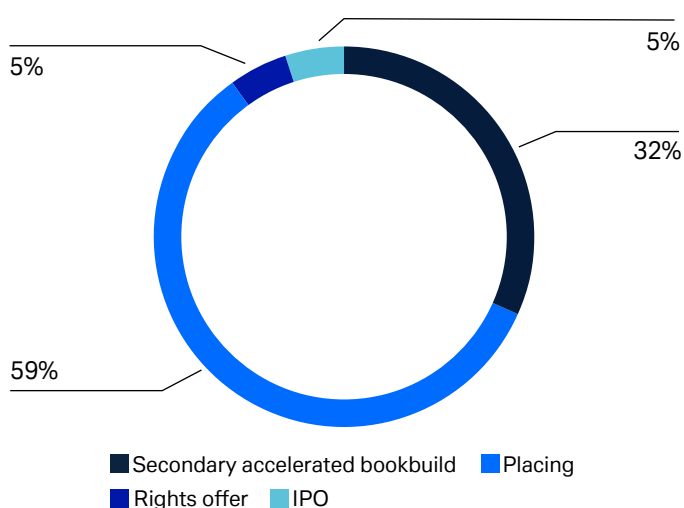
"We are raising more cash to deploy in 2024/2025, as we believe it will be a good opportunity set (although volatile)."

"Slightly higher, but this is a function of several bids. We are looking for reinvestment candidates, but cautious unless we know the business very well."

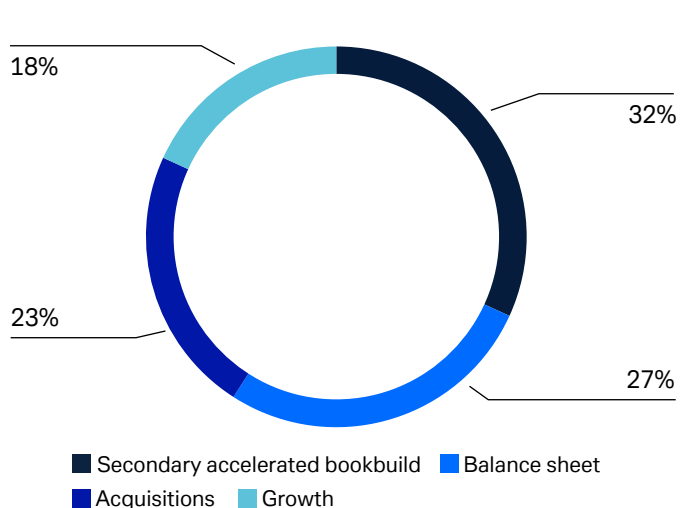
"Had built it up a bit and want to retain cash to deploy as opportunities arise, so in general we will look to have cash to deploy..."

¹ Deutsche Numis surveyed 200 institutional investors in UK equities and our sales team held over 130 start-of-year ideas meetings with buy-side clients.

Deals by type^{1,3}




Deals by use of proceeds^{1,3}



H2 2023 UK ECM activity^{1,2}

Date	Company	Sector	Market cap (£m)	Type	Deal value (£m)	Premium/Discount	Performance since placing
06-Jul-23	CAB Payments Holdings plc	FIG	851	IPO	291	-	(66.5%)
07-Jul-23	YouGov plc	TMT	1,118	Placing	51	(3.7%)	33.7%
25-Jul-23	Unite Group plc	BPRE	4,113	Placing	296	(4.2%)	10.7%
28-Jul-23	Darktrace plc	TMT	2,741	Secondary ABB	77	(5.4%)	(5.1%)
01-Aug-23	Aston Martin Lagonda Global Holdings plc	Industrials	3,140	Placing	211	(6.2%)	(54.3%)
07-Sep-23	London Stock Exchange Group plc	FIG	41,286	Secondary ABB	2,027	(3.8%)	11.0%
28-Sep-23	Yellow Cake plc	FIG	1,246	Placing	103	(2.2%)	25.8%
29-Sep-23	Severn Trent plc	Industrials	6,766	Placing	493	(5.1%)	18.8%
06-Oct-23	Haleon plc	Consumer	31,051	Secondary ABB	886	(2.3%)	(1.5%)
09-Oct-23	Metro Bank Holdings plc	FIG	304	Placing	150	(33.7%)	24.5%
11-Oct-23	Big Yellow Group plc	BPRE	1,907	Placing	108	(2.9%)	13.2%
13-Oct-23	Synthomer plc	Industrials	560	Rights Offer	192	(83.8%)	(20.9%)
07-Nov-23	XP Power Ltd	TMT	244	Placing	44	11.0%	(15.8%)
13-Nov-23	Zegona Communications plc	TMT	56	Placing	262	390.9%	61.3%
20-Nov-23	Sirius Real Estate Ltd	BPRE	1,193	Placing	145	(5.9%)	(3.3%)
22-Nov-23	SigmaRoc plc	BPRE	567	Placing	199	(5.4%)	36.8%
27-Nov-23	Molten Ventures plc	FIG	449	Placing	45	(3.2%)	(10.2%)
04-Dec-23	Barclays plc	FIG	21,639	Secondary ABB	510	(1.4%)	4.1%
07-Dec-23	Videndum plc	Consumer	256	Placing and Open Offer	125	(3.3%)	26.2%
13-Dec-23	B&M European Value Retail SA	Consumer	6,021	Secondary ABB	162	3.0%	(11.6%)
13-Dec-23	Energiean plc	Oil & Gas	1,764	Secondary ABB	41	(2.4%)	5.2%

 Deutsche Numis transactions⁵

¹ Dealogic, 16 February 2024, includes all deals >£40m size

² Refinitiv Eikon, 16 February 2024

³ Company announcements, various

⁴ Performance from offer price to 16 February 2024

⁵ Includes Deutsche Bank transactions

New partnerships. New opportunities.

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