Deloitte.

Thriving after recovery

Equity Capital Markets update

Summer 2020

Financial Advisory

This Equity Capital Markets update contains commentary on: recent UK stockmarket performance in the wake of the COVID-19 pandemic; levels of equity market issuance and macroeconomic considerations; how businesses can recover from COVID-19; methods of raising secondary equity capital; and trends in public to private transactions.

Contents

About this report: This report contains data sourced from Deloitte's Q1 2020 CFO Survey, Deloitte's Spring 2020 European CFO survey, FactSet, Dealogic, company admission documents, press releases and London Stock Exchange statistics. Unless stated otherwise, IPO and secondary fundraisings relate to completed transactions by companies admitted to either the Main Market or AIM and all market data is as at 5 June 2020. The issuance of GDRs and convertibles have also been excluded. All commentary is provided by Deloitte ECM Partners.

Welcome to Deloitte's 8th Equity Capital Markets update

Global markets are recovering from an unprecedented shock to the economy caused by the COVID-19 pandemic and characterised by regional, national and international economies all but closing entirely. As we noted in our 7th edition of the Equity Capital Markets update, 2019 was a year marked by uncertainty around global growth, Brexit and the US-China trade war. Yet, equities performed strongly and closed the year at almost all time highs. By June 2020, equities have recovered much of the lost ground from some of the sharpest falls in equity markets in living memory. As economies reopen, a new landscape provides opportunities to thrive.

This ECM update includes commentary on equity market performance in the wake of the COVID-19 crisis, a summary of UK equity issuance so far in 2020, as well as thoughts on how businesses can recover from COVID-19, raising equity capital through secondary offerings and public to private transactions.

Global equity markets are very much in 'recovery' mode as the dawn of a new global economy emerges. The most costly pandemic since the start of the twentieth century, both in terms of human lives lost and financial impact, has birthed a new normal for businesses and society alike. The long-term impact of the Great Lockdown remains uncertain, but it is clear that businesses will be forced to adapt and change as economies recover.

Central banks and governments were quick and relatively coordinated in their response to the COVID-19 pandemic, providing measures to stimulate the economy that outweigh even those put to use during the Great Financial Crisis ("GFC"). In terms of monetary policy, the Bank of England cut interest rates twice in the space of 8 days, initially from 0.75% to 0.25%, and then further to a record low of 0.1%. The governor of the Bank of England, Andrew Bailey, has not ruled out cutting rates into negative territory, which would be a first for the UK. On the fiscal policy side, the government introduced numerous measures to protect jobs and businesses in the form of tax and business rates relief, the Coronavirus Job Retention Scheme and emergency loans to affected companies.

Whilst eligible for government funding, listed companies have been implicitly encouraged to seek shareholder support in the first instance. In order to accommodate this, the Pre-emption Group relaxed recommendations to allow equity raises of up to 20% of existing share capital. As we will discuss later, this proved a popular method of raising money.

RESPOND

Manage continuity

RECOVER

Learn and emerge stronger

THRIVE

Prepare for the next normal

As at 5 June 2020, the FTSE 100 was 10.7% lower than at the same point 12 months ago but had risen 29.8% from its 12 month low in March, and had made up c. 56% of its lost value. Volatility levels remain elevated compared to long term averages with the VIX Index at 24.5, substantially higher than the 2019 average of 15.4, albeit much lower than the March 2020 peak of 82.7. Whilst current volatility has stabilised below March levels, any VIX reading above 20 represents a difficult environment to launch deals such as IPOs.

Overall secondary offerings totalled £14.7bn across 135 transactions[1] in the UK for the year to date. The UK market has been open for those seeking additional equity capital to strengthen balance sheets and improve liquidity in wake of the severe impact on business caused by the pandemic.

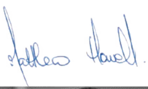
We provide a summary of our most recent CFO Survey, which shows CFOs prioritising cost reduction and reducing leverage.

Our perspectives on how businesses can recover from COVID-19, raising equity capital through secondary offerings and public to private transactions are presented in our hot topics sections.

We are pleased to include a case study of our involvement in Whitbread PLC's £1bn Rights Issue announced in May and a case study of the £63m sale of Murgitroyd Group plc to Sovereign Capital Partners in December 2019.

We hope you find this document of interest and useful. We and the wider ECM team would be delighted to discuss any matters arising with you.

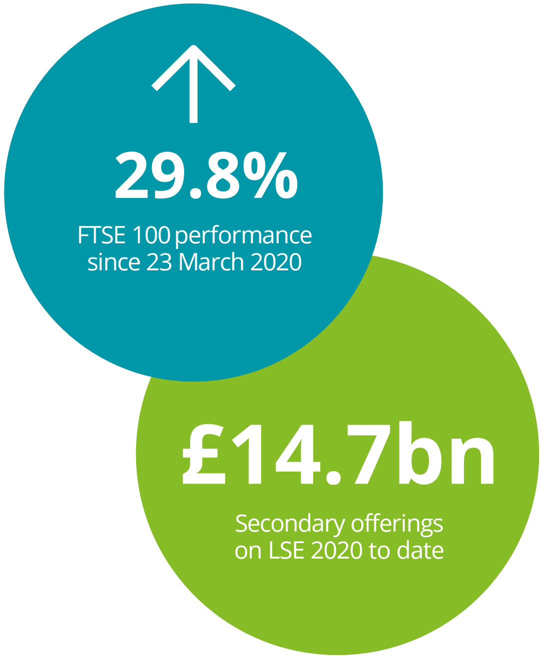
With kind regards



Matt Howell
Partner – Head of Equity Capital Markets
Tel: 020 7007 1969
Email: mahowell@deloitte.co.uk

Chris Nicholls
Partner – Head of Equity and PLC Advisory
Tel: 020 7303 3092
Email: chnicholls@deloitte.co.uk

Whilst the FTSE 100 is trading 14.0% lower than at the start of the year, 135 secondary offerings have completed on the London Stock Exchange as at 5 June 2020 compared with 89 for the same period in 2019.



Source: FactSet, Dealogic and London Stock Exchange as at 5 June 2020, admission documents
1. Secondary offerings exclude those raising less than £5m

Market performance

24.5

VIX as at 5 June 2020

39.4%

FTSE 250 performance since 23 March 2020

29.8%

FTSE 100 performance since 23 March 2020

42.8%

S&P 500 performance since 23 March 2020

33.8%

Stoxx Europe 600 performance since 23 March 2020

UK equity indices suffered significant drops in Q1 2020 and are gradually recovering as the COVID-19 pandemic eases

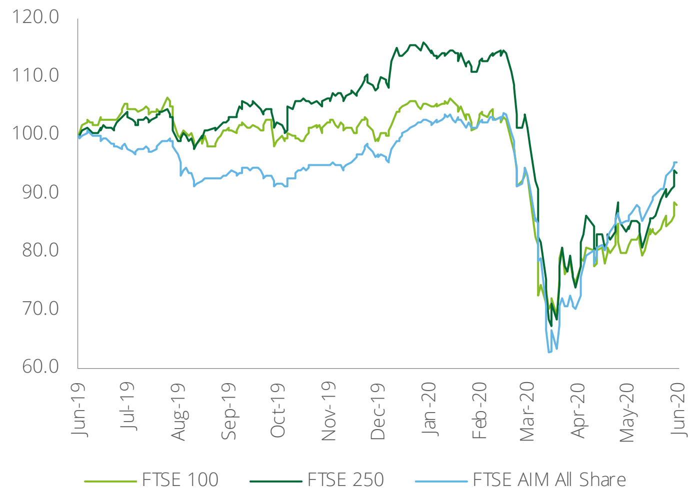
The driving factor behind equity markets performance so far this year has unsurprisingly been the COVID-19 pandemic. The impact on equities was severe and was felt across all sectors. The sharpest decline in equity prices occurred in mid-March, when it became clear to investors that major world economies would have to shut down to slow the spread of the virus. This was coupled with the emergence of an oil price war between Saudi Arabia and Russia as the OPEC+ nations at the time failed to agree a deal on levels of oil output. Amongst this, the FTSE 100 experienced a one-day fall of almost 11%, a drop second only to the day following Black Monday in 1987.

The wider impact on the health of global economies has been apparent through revisions to global growth forecasts, drops in measures of economic activity such as manufacturing and services Purchasing Managers Indices and rates of unemployment. The UK economy contracted by 2.0% in Q1 2020, with expectations of a 16.6% contraction in Q2 2020, before returning to growth in Q3 2020. Overall UK GDP growth for 2020 was forecast to be around 1.0% at the beginning of the year, but is estimated to now be a contraction of 6.5%. Similarly, UK and Eurozone composite PMI readings for Q1 2020 fell to far below 50, signaling contraction. In April, about a third of the UK's 33m workforce were being supported by the government, through the furlough scheme, self-employment income support or Universal Credit.

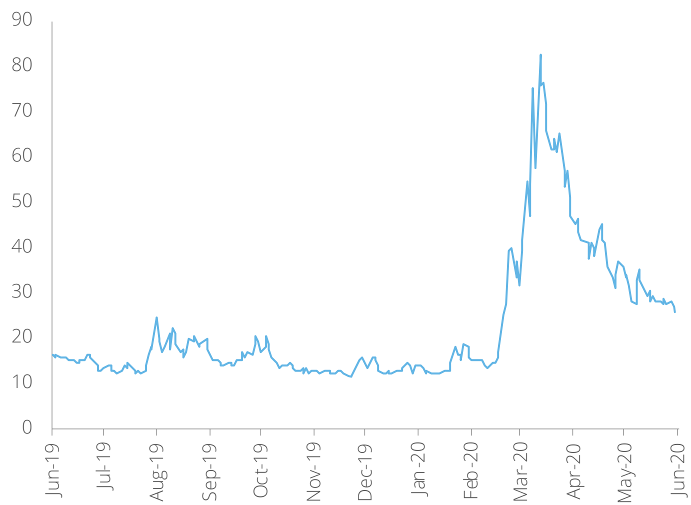
The resulting global economic outlook contributed to elevated levels of volatility in March 2020 with the CBOE Volatility Index ("VIX Index") hitting a high of 82.7. The VIX Index did not reach that level even at the height of the GFC in late 2008, but has returned to less volatile readings much quicker in 2020. As at 5 June 2020 the VIX Index has fallen to 24.5, which still represents an elevated level compared to the 2019 average of 15.4.

However, since 23 March, the FTSE 100 and S&P 500 have risen 29.8% and 42.8% respectively, helped by the gradual reopening of world economies and by the bold and coordinated government and central bank stimulus measures. In the UK, non-essential stores are due to open on 15 June as long as they enforce social distancing measures, and the government hopes to progress further on its roadmap to recovery in early July with the reopening of parts of the hospitality sector.

UK equity market performance (rebased) – last twelve months



VIX Index – last twelve months



Source: FactSet as at 5 June 2020

The healthcare sector has led UK market performance in 2020

The FTSE All Share, down 14.5% since the start of the year, saw broad-based losses (on an absolute basis) across all sectors except for healthcare.

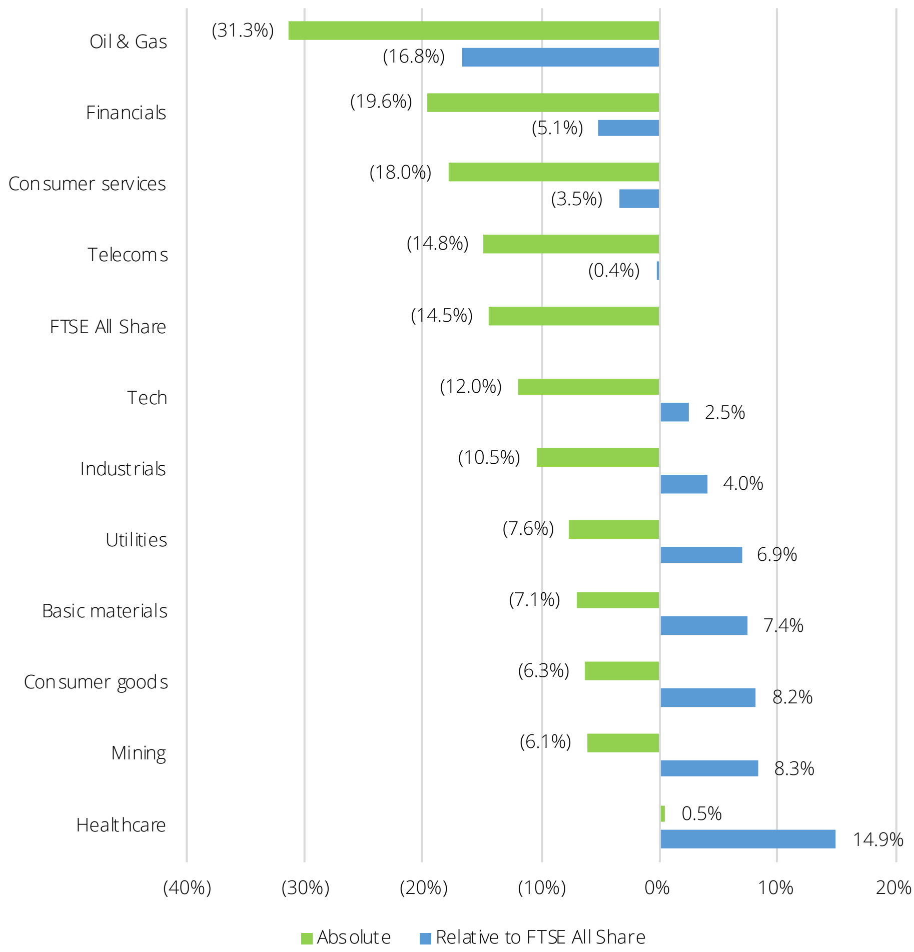
The healthcare sector has outperformed the market and other sectors as investors place hope on UK pharmaceutical companies contributing to the development of an effective vaccine to COVID-19, seen as one of the major exit strategies for the UK.

Whilst all other sectors have seen falls in prices in aggregate, the relative performance of mining, basic materials and consumer goods stocks is of note. As major construction projects restart globally, demand for delivery of key building materials has risen and the price of metals such as copper, used widely in such projects, has increased sharply.. The consumer goods sector has been somewhat sheltered in the short term as people continue to order items for their home and gardens whilst confined to lockdown.

Conversely, consumer services stocks, including those in the Transport, Hospitality and Leisure sectors, are underperforming relative to the market, and on an absolute basis. Unsurprisingly, high street retail names are amongst the biggest losers after they closed their doors in March, as well as restaurant and hotel chains.

Oil & Gas companies though have seen the largest fall in share prices as a result of two factors. Firstly, the drawn out process of agreeing a deal to reduce production between Saudi Arabia and Russia. Subsequently, the historic drop in the price of West Texas Intermediate, as demand slumped and traders looked to avoid actually having to take delivery of physical barrels.

UK equity market price performance by sector – since 1 January 2020



Source: FactSet as at 5 June 2020

Equity issuance and macroeconomic considerations

Secondary fundraising has spiked in the second quarter of 2020 as companies look to recapitalise

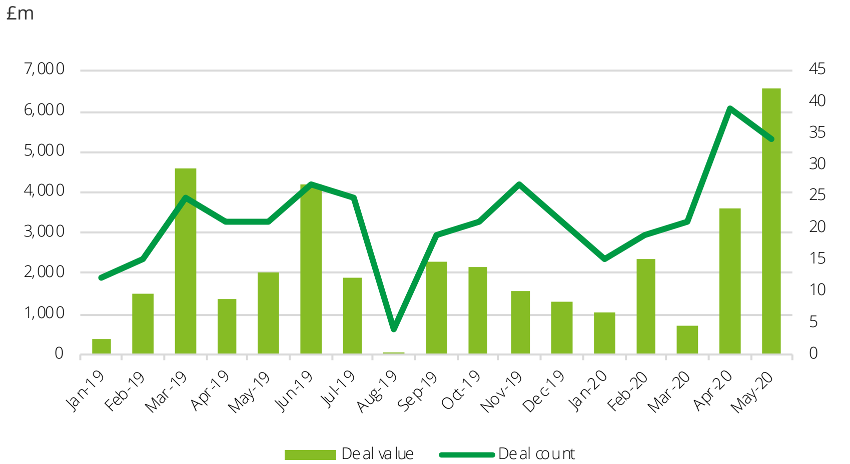
The UK economy largely ground to a halt at the end of Q1 2020. Listed companies with staff to pay, costs to cover and, importantly, debt covenants to meet, in some cases faced complete loss of revenue overnight. In order to meet these demands, companies have been increasingly raising equity capital through secondary offerings.

As one might have expected, monthly money raised was falling towards the end of 2019, as uncertainty around Brexit morphed into uncertainty concerning the result of a UK general election. The amount of money raised in January and February 2020 was almost twice that of the same period in 2019 (£3.4bn vs £1.9bn), signaling increased business optimism. Then, as the severity of the potential COVID-19 crisis became slightly clearer in March, monthly deal value dropped to £680m, despite a m/m rise in the number of deals.

Since 23 March, both the number of deals and the amount of money raised has increased significantly, with a marked shift in use of proceeds towards repaying debt and improving working capital positions. The largest raise to date has been by food and support services company Compass, who raised £2bn via a cashbox placing in May. Around 50% of the business was closed throughout April as a result of COVID-19 containment measures so the company took measures to shore up its balance sheet and position itself for the recovery.

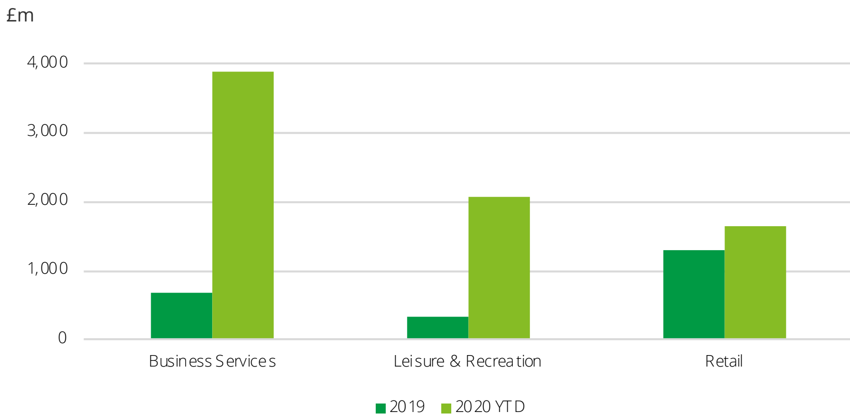
The sectors worst hit by the COVID-19 pandemic are those who have turned to investors to recapitalise. In particular, Retail, Business Services and Leisure & Recreation, have already raised more money YTD 2020 than the entirety of 2019. Notable equity raises include Compass, Informa, Just Eat Takeaway.com, ASOS, Boohoo, Ted Baker, SSP Group, WH Smith and JD Wetherspoon.

Monthly secondary issuances since 2019



Source: Dealogic as at 31 May 2020,

2019 vs 2020 YTD secondary issuances in certain sectors



Includes money raised from new shares and existing shares from secondary fundraisings above £5m by companies admitted to the Main Market or AIM and marketed sales of existing shares in such companies. Excludes the issuance of convertibles.

Source: Dealogic as at 31 May 2020, admission documents.

The Deloitte UK CFO Survey – Q1 2020

The 2020 first quarter Deloitte CFO survey took place between 8 and 22 April.

104 CFOs participated, including the CFOs of 23 FTSE 100 and 43 FTSE 250 companies. The remainder were CFOs of other UK-listed companies, large private companies and UK subsidiaries of major companies listed overseas.

The combined market value of the 72 UK-listed companies surveyed is £418 billion, or approximately 21% of the UK quoted equity market.

"It is clear that the COVID-19 pandemic is having a major impact on the economy, presenting businesses with unprecedented challenges. However, it is encouraging to see firms taking actions to future-proof their businesses such as diversifying supply chains and putting a greater focus on pandemic planning. We are also seeing businesses learning from the new ways in which they are working. As the world enters a 'new normal', 98% of financial leaders are predicting a rise in flexible working which could offer new opportunities for innovation and collaboration."

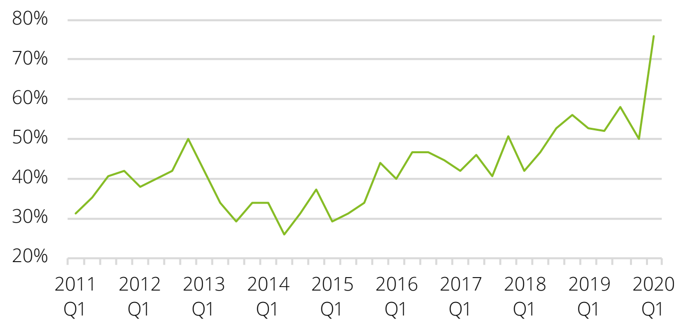
Richard Houston, Senior Partner and Chief Executive of Deloitte North and South Europe

The Chief Financial Officers of the UK's largest businesses expect their revenues to be 22% lower, on average, than their pre-COVID plans this year. This decline is four times as great as the 5.4% contraction in UK GDP forecast, on average, by economists and testifies to the intense pressure on the revenues of even major, international businesses.

The crisis has triggered radical changes in the corporate sector. 59% of CFOs have already furloughed or intend to furlough staff, 33% are diversifying suppliers and 30% have accessed or intend to access the Bank of England's COVID-19 Corporate Financing Facility. CFOs are overwhelmingly positive about the measures introduced by the government and the Bank to support business, with a particularly positive view of the Coronavirus Job Retention Scheme to protect jobs.

CFOs have reacted to the COVID-19 shock with a decisive shift from growth to strengthening balance sheets. Businesses have never adopted a more defensive stance, with an unprecedented focus on cost control, cash conservation, selling assets and debt reduction or deleveraging. While policymakers have sought to boost the flow of debt finance to business as a 'bridge' through the crisis, CFOs report a marked deterioration in the availability and cost of debt in the last three months. Corporates seem to have frozen activity, with CFO plans for capital spending and expansion in the next year at all-time lows.

Chart 1. Corporate priorities: Cost reduction
% of CFOs who rated reducing costs as a strong priority for their business in the next 12 months

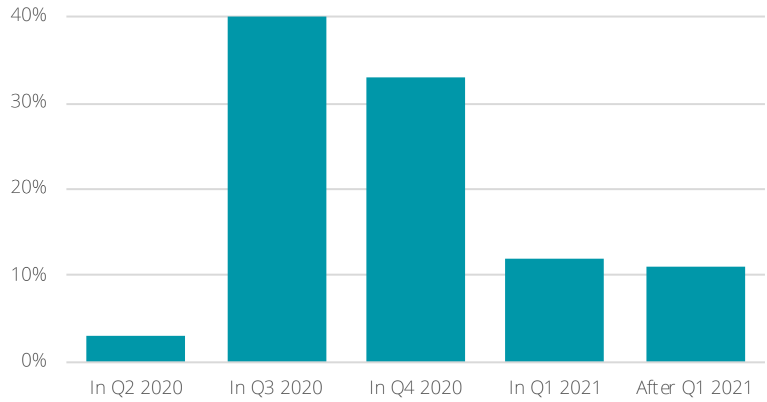


Business recovery is predominantly expected to start the second half of 2020

40% of CFOs expect demand for their company's services or products to begin to recover in the third quarter.

One-third of CFOs think demand will start to recover in the fourth quarter, and 23% do not expect a rebound until next year.

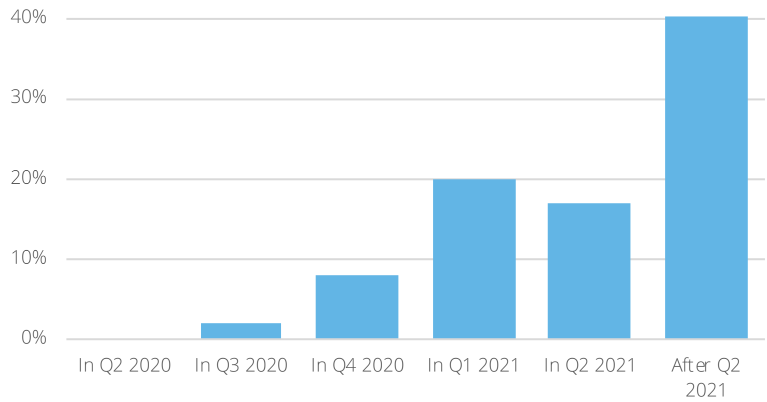
Chart 2. Expectations for recovery in demand
In businesses that have seen a fall in demand, % of CFOs that expect it to start recovering in the following quarters



CFOs expect a protracted hit to demand. Just over one-half of CFOs do not expect demand for their business to recover to pre-pandemic levels until at least the second half of 2021.

Only 10% of CFOs think demand for their business will fully recover this year.

Chart 3. Recovery of demand to pre-pandemic levels
In businesses that have seen a fall in demand, % of CFOs that expect it to return to pre-pandemic levels in the following quarters



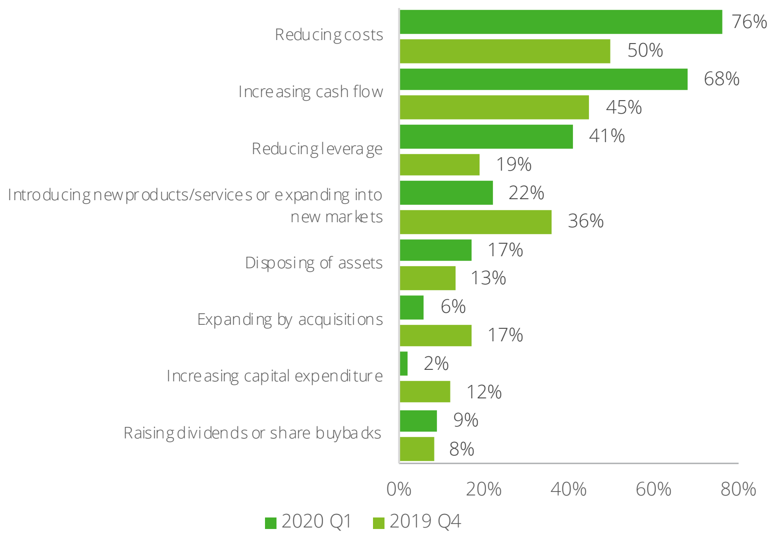
CFOs are implementing defensive strategies as part of their business response to COVID-19

CFOs are placing more focus on defensive strategies than at any time since we began asking the question in 2010 as they face the huge economic shock wrought by COVID-19.

Defensive strategies – reducing costs, increasing cash flow and reducing leverage – remain the top priorities for CFOs, but their focus on these strategies has sharpened significantly compared to the previous quarter.

Chart 4. Corporate priorities in the next 12 months

% of CFOs who rated each of the following as a strong priority for their business in the next 12 months

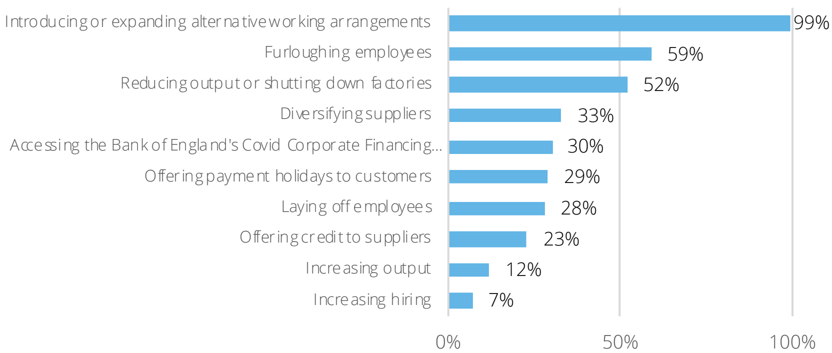


The COVID-19 crisis is driving significant responses from the large corporates on our panel. Almost all CFOs report that their business is introducing alternative working arrangements. 59% of businesses on the panel have furloughed or plan to furlough workers and 28% are making redundancies. Around half are reducing output.

In an attempt to improve the resilience of their supply chains one-third of businesses are taking steps to diversify their suppliers and 23% are offering them credit. Just under a third of companies are accessing the Bank's Covid Corporate Financing Facility.

Chart 5. Business responses to COVID-19

% of CFOs whose businesses have taken or intend to take the following actions in response to the COVID-19 pandemic



Deloitte European CFO Spring Survey

The European CFO Survey is part of a global cohort of surveys benchmarking the current and future intentions, sentiment and opinions of European Chief Financial Officers. The survey represents the views of around 1,000 CFOs based in 19 European countries[1].

Heading into 2020, there was no shortage of concerns about the European economy. In the last three months of 2019 quarterly economic growth in the Eurozone disappointed with a meagre 0.1 per cent gain – the weakest since a contraction in early 2013. Business sentiment, as captured by Deloitte's twice yearly survey of Europe's CFOs, was already on a declining path. But the COVID-19 pandemic has changed the environment radically - for the worse. CFOs foresee by far the worst outlook for their businesses since the survey began in 2015.

The spread of COVID-19 has compounded Europe's weak growth and brought some economic activity to a halt. On average, 63 per cent of CFOs report in March 2020 that they are less optimistic about the financial prospects for their company, an increase of almost 30 percentage points in six months. If we look at the data based on when CFOs responded throughout March it is apparent that optimism was dwindling fast as the month progressed (see Figure 1). By the end of the month, 79 per cent of CFOs were less optimistic about their company's prospects.

Chart 6. Weekly development of CFOs' sentiment about their company's financial prospects

Compared to three months ago, how do you feel about the financial prospects for your company?

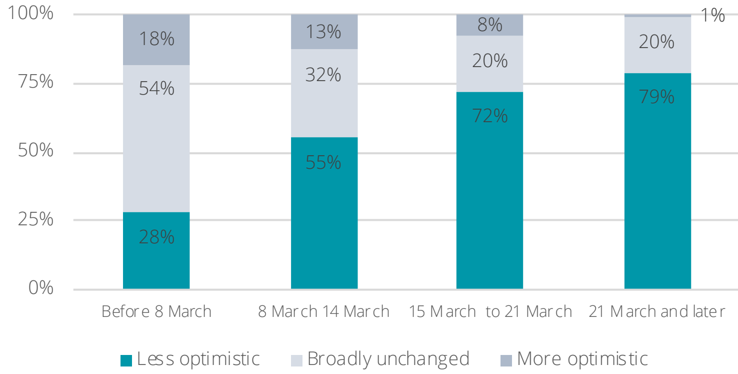
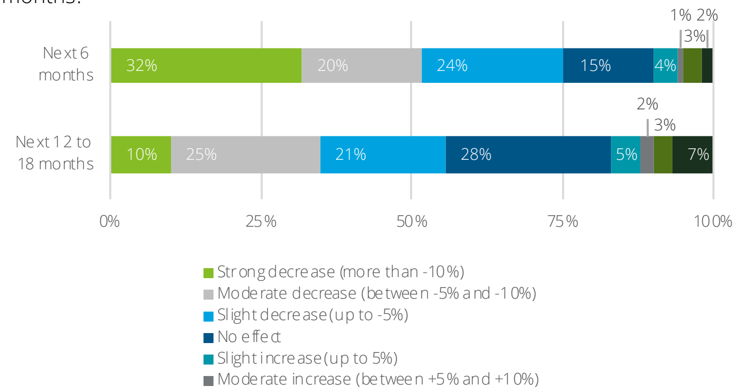


Chart 7. Expected effect of the COVID-19 pandemic on companies' revenues compared to their own previous forecasts[2]

Based on the information you have so far and compared to previous forecasts, how do you expect the spread of the coronavirus epidemic to affect the revenues of your company in the next 6 months? And in the next 12 to 18 months?



(1) Countries included in the survey are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden and Switzerland,

(2) This question was not asked in Denmark, Poland and Switzerland

Hot topic #1: recovering from COVID-19

Recovering from COVID-19

COVID-19 has accelerated changes across many sectors and industries but Business & Capital Planning fundamentals remain the same

Business & Capital Planning fundamentals

In one sense nothing has changed, the basic disciplines remain the same, but at the same time COVID-19 is teaching us that the fundamentals must be viewed and then executed in a radically new context which, for businesses and governments, means:

- Reality Reset – an initial wave, then recurring hot-spots over several years, where starting points are polarised between/across sectors, geographies, liquidity positions, ownership and capital structures, stretching management capacity/capability
- Next Normal - what is possible for businesses/governments, in what time frame, may be determined/constrained by the above factors and associated but different risk sets, so a radical approach is key, and should encompass all aspects of an organisation. This is a one time opportunity, with uncertainty, but optionality
- In it Together – relationships with suppliers, customers and business partners (including lenders and investors) need to be normalised/stabilised, as they are all subject to the same uncertainties. Needs careful monitoring/planning, together with an understanding of the contractual position and claims/obligations
- Future Financing – whether self-sufficient, or having utilised bank financing or government support (and on what terms and for what purpose) will now be key, as will the mix of Financing and M&A options that businesses now have available

Harnessing Technology

Pre-COVID-19, many sectors had commenced the transition to increased digital capabilities. This change has now accelerated:

- No economic models were able to predict the onset or consequences of COVID-19, and there remains significant uncertainty
- Yet businesses in China and Asia Pacific and now in EMEA and the Americas are turning to digital, technology and online solutions
- Development and modelling of realistic scenarios, testing/retesting assumptions is necessary and should be normal practice
- Leveraging the latest data and sensing will provide organisations with an ability to gaze into the future and compete with confidence

It therefore is critical, in the Recover phase, that businesses and governments embrace (and invest in) digital technology as a basis to compete and to (re)establish trust

Rebuilding Trust

Pre-COVID-19, trust was established through a mix of market and regulatory governance structures, but now undermined by:

- Regulations being relaxed to allow many businesses "breathing space", but with this comes risk of missing/misreporting issues
- Government underwriting of the financial markets and many key sectors/businesses leaves this funding open to misuse/abuse
- Organisations having to flex, scale down or hibernate whole operations, impacting workforces and risking their survival
- Investors and financiers struggling to know how the commercial impact will unfold and hence to rationalise valuation and funding

It will be critical to start rebuilding trust across the whole stakeholder landscape, from talent to trading, and from customers through to creditors, government and capital markets

Your local contacts

Andrew Grimstone
Partner
Global Restructuring Services Leader
020 7007 2998
agrimstone@deloitte.co.uk

Iain Macmillan
Partner
Global End-to-End M&A Leader
020 7007 2975
imacmillan@deloitte.co.uk

Hot topic #2: secondary offerings

Secondary offering structures

		KEY CHARACTERISTIC	TIMING
PRE-EMPTIVE	Rights Issue	• Offering of shares to existing shareholders pro rata to holding • Shareholders who choose not to take up their entitlement are compensated as rights can be sold in the market	• c. 6-8 weeks (can be shorter if no need for a general meeting)
PRE-EMPTIVE	Open Offer	• Offering of shares to existing shareholders pro rata to holding • Rights are not tradeable	• c. 4 weeks (offer period can run concurrently with meeting notice period)
NON PRE-EMPTIVE	Placing	• Issuers of new shares to selected subscribers only	• c. 1-2 weeks preparation followed by 1-2 days execution

Often combined

Listed companies have a number of methods of raising secondary equity capital on the London Stock Exchange. Summarised on the left, methods vary in timing, complexity and investors targeted. Main Market companies are subject to the Prospectus Rules, Listing Rules and PEG Guidelines with respect to such transactions. AIM companies are not subject to stringent regulations to encourage easier access to growth capital.

Rights issues are generally favoured by institutions as they are often a large offer made on a truly pre-emptive basis, allowing institutions to maintain their proportional holding, if they so wish. There is no regulatory limit to the size of a rights issue or the discount of the offer price, which can make it more attractive to the issuer. However, it is the most costly and time consuming option.

Issuers looking to raise significant capital on a pre-emptive basis in a quicker timeframe may turn to an Open Offer, whereby the offer period can run concurrently with the notice of a general meeting. Whilst all shareholders are offered new shares on a pro rata basis, non-participating shareholders do not benefit from their rights being tradeable. The discount is also limited to 10% on an Open Offer.

Placings are non pre-emptive, meaning that not all shareholders are invited to invest, leading to dilution for existing shareholders. Placings are a much faster method of raising money, but companies are limited in the size of the equity raise. PEG Guidelines allow 5% of share capital to be raised per annum, with an additional 5% available for specified investments/acquisitions, though these guidelines were relaxed in April 2020 (see following slide).

Placings and Open Offers are often combined to allow issuers to attract new investors, whilst offering existing shareholders the opportunity to invest and reduce the dilutive impact of the placing.

The Equity Advisory team can provide an independent view on the suitability of each of these structures to meet the needs of the issuer

Cashbox placings were popular throughout April and May

In 2017, Prospectus Rules were changed to allow for up to 20% of issued share capital (previously 10%) to be raised without the need for a prospectus, which is one of the key timetable considerations for any secondary capital raise. The other key timetable consideration is the need for a shareholder vote (needed if existing allotment and disapplication of pre-emption rights authorities are not sufficient for the intended cash issuance).

A cashbox structure permits an issuance of new shares for non-cash consideration and, therefore, the issue of pre-emption rights with respect to the Companies Act 2006 and lack of sufficient AGM authorities is overcome.

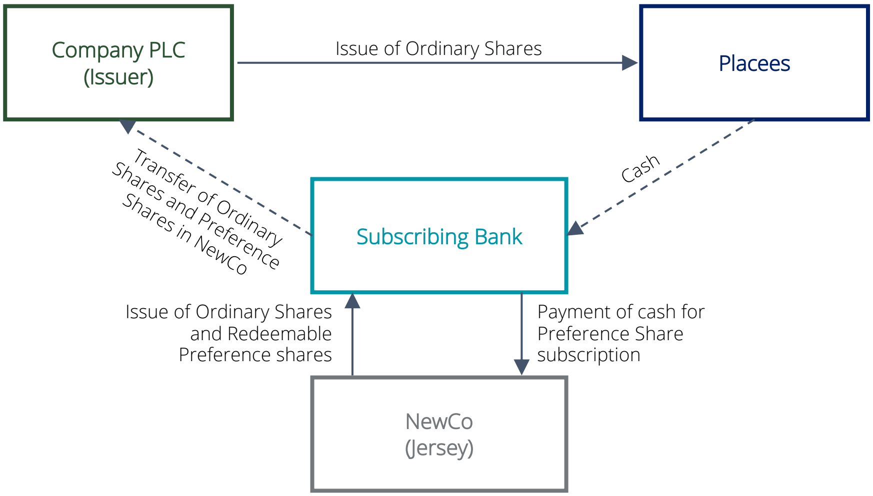
The structure had not been widely used in the UK since the change to the Prospectus Rules, partly due to large non-pre-emptive raises not complying with Pre-Emption Group guidelines, which state companies should not raise more than 5% of share capital for cash non-pre-emptively (10% if the use of proceeds are for an acquisition or specified investment purpose).

The Pre-Emption Group has publicly stated that it is against the use of the cashbox structure to deprive shareholders of pre-emptive rights. It considers a cashbox issuance to be an issuance for cash, notwithstanding the legal classification of is as an issuance for non-cash consideration.

However, Pre-Emption Guidelines were relaxed on 1 April 2020 until 30 September 2020 to allow companies to raise 20% non-pre-emptively, albeit still judged on a case-by-case basis.

The reasoning behind the change in guidance was to enable companies to access capital on an accelerated timetable to manage the challenges inflicted by COVID-19.

Illustration of a cashbox placing



Cashbox placings above £100m since 23 March 2020 (UK-wide lockdown)

Pricing Date	Company	Sector	Exchange	Deal Value (£m)	Shares issued as % of ISC (% Prior)	(Discount)/ Premium (%)
28-May	IWG	Real Estate	Main Market	320	15.4	(8.2)
21-May	Dart Group	Transportation	AIM	172	20.0	--
19-May	Compass	Leisure	Main Market	1,999	12.3	(3.3)
19-May	Beazley	Insurance	Main Market	247	14.8	(5.0)
15-May	Keywords Studios	Technology	AIM	100	10.5	(5.8)
07-May	Polypipe	Chemicals	Main Market	120	13.4	(3.1)
06-May	Hiscox	Finance	Main Market	374	20.0	(6.1)
06-May	National Express	Transportation	Main Market	234	20.0	(3.1)
30-Apr	JD Wetherspoon	Leisure	Main Market	141	15.0	(6.0)
21-Apr	Blue Prism	Technology	AIM	100	10.9	(4.4)
16-Apr	Informa	Prof. Services	Main Market	1,001	20.0	(4.0)
08-Apr	ASOS	Online Retail	Main Market	247	18.8	0.0
07-Apr	WH Smith	Retail	Main Market	165	13.7	(4.0)
02-Apr	Hays	Prof. Services	Main Market	200	14.3	(3.6)
25-Mar	SSP Group	Dining & Lodging	Main Market	215	19.3	6.2

Source: Dealogic as at 5 June 2020

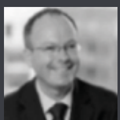
Case study: Deloitte acted as Reporting Accountant for Whitbread PLC on its £1bn Rights Issue in May 2020

WHITBREAD

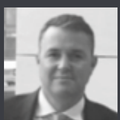
Transaction overview	
Announcement date	21 May 2020
Deal value:	c. £1bn
Offer price:	1,500p
Key characteristics	• Shareholders entitled to 1 share for every 2 shares held • The offer price represented a 47.2% discount to the closing share price and a 37.4% discount to the Theoretical Ex-Rights Price
Use of proceeds	• Return its balance sheet to a position of strength that will give it a real competitive advantage. • Allow it to invest with confidence and flexibility in its strategy: opening its committed pipeline in the UK, accessing the significant opportunity in Germany and keeping its offering ahead of the competition. • Provide further liquidity headroom in the event of a resurgence of the COVID-19 pandemic.

Team details

Matt Howell
Partner
Tel: 020 7007 1969
Email: mahowell@deloitte.co.uk



Rob Beeney
Partner
Tel: 020 7007 2038
Email: rbeeney@deloitte.co.uk



Neil Cook
Director
Tel: 020 7007 6593
Email: ncook@deloitte.co.uk

About Whitbread PLC

- Whitbread PLC is the UK's largest operator of hotels and restaurants, with some of the UK's most successful hospitality brands including Premier Inn and Beefeater.
- The Group's brands have felt the adverse impact of COVID-19 given the forced closure of sites and the Group's reliance on consumer spending on travel, leisure and hospitality.
- The Group operates internationally, of note in Germany, and plans to replicate the success of the UK Premier Inn business further in that region.

Deloitte's role

- Deloitte acted as Reporting Accountant to Whitbread on the Rights Issue.

Hot topic #3: public to private transactions

Public to private transactions

Opportunities remain in times of market turmoil

- Significant movements in global stock markets have resulted in volatile valuations for certain companies and sectors, as analysts are faced with poor visibility of earnings.
- The FTSE 250 is now trading on a blended EV/current year EBITDA multiple of 11.2x, having fallen as low as 6.7x in mid March.
- A much more sustained depression in trading multiples was observed following the GFC in 2008-09.
- Before the UK general election in December 2019, average multiples had been gradually falling for a number of years.
- The boards of public companies facing financing needs at this time will be considering all options depending on their circumstances.

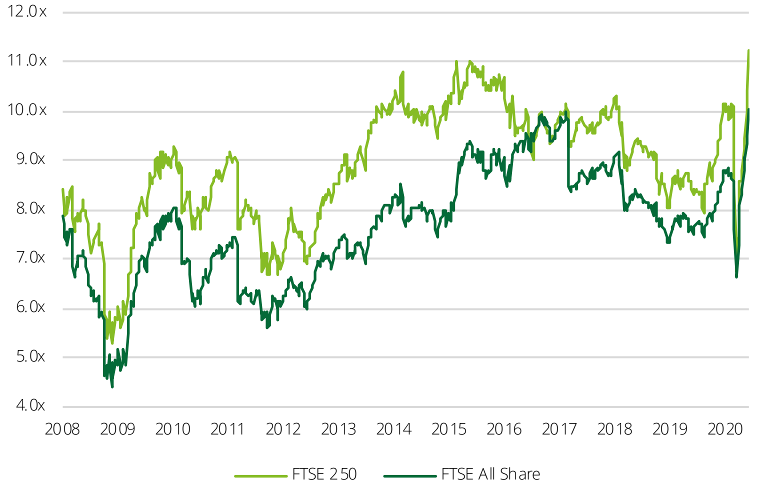
What is a P2P?

- A Public to Private transaction ("P2P") involves a private equity-backed bid vehicle or a corporate making an acquisition of a public company and de-listing it.
- Whilst there are undoubtedly buying opportunities for private equity, corporates (both public and private) should also be considering strategic M&A, if they have adequate resources.
- Since April 2018, there have been 107 takeovers of UK public companies either completed or announced pending completion – 33 by private equity and 74 by corporates.

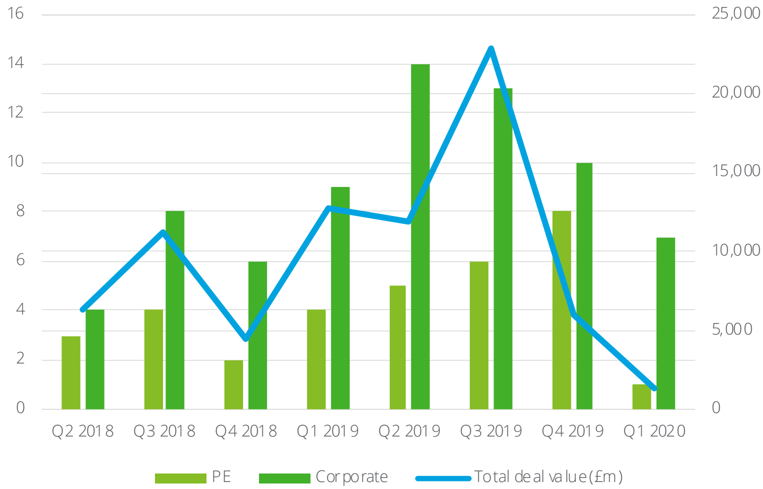
What is the process?

- The UK market is governed by the Takeover Code and remains a straight-forward regime in which to conduct a takeover.
- Whilst acquirers will need to take specialist advice, the process is a "tried and tested" route and is well understood by public company institutional investors.
- Most acquisitions are structured so that the acquirer is able to "squeeze out" any tail of shareholders, such that 100% control is achieved.
- The Takeover Code governs the timetable and there will need to be a shareholder vote (or acceptance process).

Current year EV/EBITDA multiples (since 2008)



Public takeover offers announced by bidder type (last two years)



Source: FactSet as at 5 June 2020

Deloitte acted as Financial Adviser and Rule 3 Adviser to Murgitroyd Group plc on its £63m acquisition by Sovereign Capital Partners

Murgitroyd Group PLC

Transaction overview

Announcement date	18 October 2019
Completion date	19 December 2019
Enterprise value:	£63m
Offer price:	675p
EV/EBITDA (historical)	13.8x
Key features of the transaction:	• The offer price represented a 6.3% premium to the pre-announcement closing share price and a 39.0% premium to the 12 month volume weighted average price per share. • Murgitroyd received irrevocable undertakings or letters of intent in respect of 54.8% of voting shares

About Murgitroyd Group plc

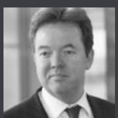
- Head-quartered in Glasgow, Murgitroyd is one of the largest groups of patent and trade mark attorneys in Europe, with over 70 patent and trade mark professionals and more than 200 staff based in 18 offices internationally.

About Sovereign Capital Partners

- Sovereign Capital Partners is a UK based private investment firm that specialises in 'buy & build' strategies and partners with investee companies and their management teams to help accelerate growth, both organically and through acquisitions.

Team details

Gavin Hood
Partner
Tel: 0131 535 7408
Email: ghood@deloitte.co.uk



Chris Nicholls
Partner
Tel: 020 7303 3092
Email: chnicholls@deloitte.co.uk

Deloitte's role

- Deloitte was able to provide a full suite of M&A advisory services, demonstrating our capabilities as both a leading global M&A adviser with international buyer access, and a full-service Takeover Code adviser, including acting as Rule 3 adviser.

Deloitte Equity Capital Markets

Our service offerings

Independent Equity Adviser

- Truly independent advice throughout the IPO, sell-down or capital raising process
- Offer and transaction structuring advice
- Assistance with adviser selection
- Input into equity story and marketing materials
- Project and syndicate management
- Analysis and coordination of investor marketing

Sponsor & Nomad

- Advise and lead the transaction process from a regulatory perspective
- Independent from investors, providing impartial advice
- Advice on corporate governance procedures
- Ongoing regulatory role, including transaction advice

Public Company M&A

- P2Ps, public offers, hostile takeovers
- Act as lead adviser on either the buy-side (Offeror Adviser) or sell-side (Rule 3 Adviser) of the transaction
- Advice on corporate restructurings and demergers
- Support and advice on preparing bid defence procedures

Reporting Accountant

- Reporting on financial, tax and commercial due diligence
- Assessing the control and governance environment
- Sign off on HFI, working capital and FPP

Assist

- Typically where we are not acting as reporting accountant
- Support and advice where and when needed
- Services include project management, seconding staff, building models and working as an integrated part of the company's team

Class 1 Reporting Accountant

- Act on any Class 1 transaction and rights issue even when we are not auditor
- Introduction of the new EU audit reform rules will require greater auditor independence

IPO Readiness

- Help companies prepare for an IPO
- Readiness assessment with a key findings report. Identifies deficiencies that may delay or prohibit an IPO
- Scope covers financial and commercial areas
- Design remediation plan to address shortcomings prior to IPO kick-off

Post-IPO Support

- Help management handle the transition to a PLC
- Assist with preparation of first set of public financials, audit of financial statements, ongoing analyst liaison and results announcements
- Ongoing corporate governance advice and support

Tax and Remuneration Advice

- Tax structuring, including domicile of Topco
- VAT treatment advice
- Advice on arranging executive and employee remuneration plans
- Benchmarking remuneration structures against PLC norms
- Implementation and documentation of remuneration plans

Equity and PLC Advisory

Core London-based team[1]

Chris Nicholls
Partner
Tel: 020 7303 3092
Email: chnicholls@deloitte.co.uk

Aadam Brown
Director
Tel: 020 7303 4557
Email: aadambrown@deloitte.co.uk

Craig Lukins
Director
Tel: 020 7007 7766
Email: clukins@deloitte.co.uk

Iain McKenzie
Assistant Director
Tel: 020 7007 7909
Email: imckenzie@deloitte.co.uk

Stéphanie Ray
Assistant Director
Tel: 020 7007 0289
Email: stray@deloitte.co.uk

Jasmine Kanish
Manager
Tel: 020 7007 6897
Email: jkanish@deloitte.co.uk

Kane Lacey Blackburn
Manager
Tel: 020 7007 8879
Email: klaceyblackburng@deloitte.co.uk

Dom Young
Manager
Tel: 020 7303 2251
Email: doyoung@deloitte.co.uk

Selected UK Equity and PLC Advisory credentials

Financial adviser to **ASGC** on equity raise by Costain	Financial adviser to **Murgitroyd** on its announced public takeover by Sovereign Capital	IPO readiness and advisory services to **AJ Bell** on its Main Market IPO	Financial adviser to **DBAY Capital** on its public takeover of Harvey Nash Group plc	Lead adviser to **MITIE Group Plc** on the acquisition of VSG Group Limited from Compass Group Plc	Lead adviser to **Kier Plc** on the sale of its pensions administration business to XPS Pensions Group
£100m May 2020	**£63m December 2019**	**£651m December 2018**	**£116m October 2018**	**£14m October 2018**	**£4m September 2018**
Lead adviser to **British Land** on the sale of its property management business to Savills	Sponsor and financial adviser to **Xafinity** on its fundraising and Class 1 acquisition	Sponsor and financial adviser to **Tri Pillar** on its proposed Main Market IPO	Sponsor and financial adviser to **Xafinity** on its Main Market IPO	Independent financial advice to **British Business Bank**	Independent financial adviser to **Morses Club** on its IPO
Undisclosed May 2018	**Up to £153m January 2018**	**Announced November 2017**	**£190m February 2017**	**Undisclosed 2016**	**£140m May 2016**
Strategic advice to the Board of **Sweett Group**	IPO planning, advisory and assist services to **Metro Bank** on its IPO	Lead financial adviser to **PayPoint** on the disposal of its Mobile and Onlinedivision	Financial adviser to **Den Hartogh** on its recommended cash offer for InterBulk	Financial adviser to shareholders of **Argus Media** on sale to General Atlantic	Financial adviser to US$ lenders on the \$407m rights issue and \$370m debt restructuring of **Lonmin**
Undisclosed May 2016	**£1,600m May 2016**	**Undisclosed January 2016**	**\$142m December 2015**	**c.£1,000m May 2016**	**\$777m November 2015**

(1) – for European leaders see page 29

Selected European ECM team members

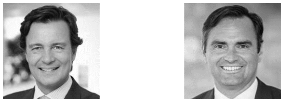
United Kingdom

Matthew Howell
mahowell@deloitte.co.uk

Chris Nicholls
chnicholls@deloitte.co.uk

Aadam Brown
aaadambrown@deloitte.co.uk

Austria



Albert Hannak
ahannak@deloitte.at

Bernhard Hudernik
bhudernik@deloitte.at

Bulgaria

Alex Zahariev
azahariev@deloittece.com

Belgium

Nico Houthaeve
nhouthaeve@deloitte.com

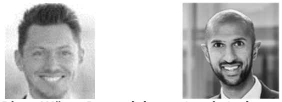
Croatia

Vedrana Jelušić
vjelusic@deloittece.com

Czech Republic

Jan Brabec
jbrabec@deloittece.com

Denmark



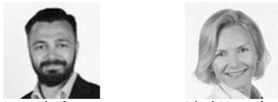
Bjørn Würtz Rosendal
brosendal@deloitte.dk

Sumit Sudan
ssudan@deloitte.dk

Estonia

Rene Kuusvek
rkuusvek@deloittece.com

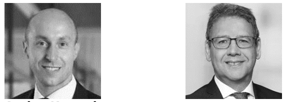
Finland



Lars Bjorknas
lars.bjorknas@deloitte.fi

Kirsi Vuorela
kirsi.vuorela@deloitte.fi

Germany



Andre Konopka
akonopka@deloitte.de

Andreas Faulmann
afaulmann@deloitte.de

Germany (continued)

Joerg Niemeyer
jniemeyer@deloitte.de

Oliver Rattka
orattka@deloitte.de

Hungary

Balazs Csuros
bcsuros@deloittece.com

Iberia

Tomás de Heredia
tdeheredia@deloitte.es

Javier Fernandez Galiano
jfernandezgaliano@deloitte.es

Mayrin García Arzola
mgarciaarzola@deloitte.es

Iceland

Runolfur Thor Sanders
runolfur.thor.sanders@deloitte.is

Italy

Davide Bertoia
dbertoia@deloitte.it

Italy

Stefano Marnati
smarnati@deloitte.it

Gabriele Arioli
mpizzi@deloitte.it

Ireland

David Kinsella
davkinsella@deloitte.ie

Marc Rogers
mrogers@deloitte.ie

Craig Bale
cbale@deloitte.ie

Latvia

Janis Dzenis
jdzenis@deloittece.com

Lithuania

Linas Galvele
lgalvele@deloittece.com

Netherlands

Justin Hamers
jhamers@deloitte.nl

Netherlands (continued)

Ronald Bakker
rbakker@deloitte.nl

Norway

Are Skjøy
askjoy@deloitte.no

Anne Randmæl Jones
annejones@deloitte.no

Iver Lykke
ilykke@deloitte.no

Poland

Tomasz Ochrymowicz
tochrymowicz@deloittece.com

Romania

Ioana Filipescu
ifilipescu@deloittece.com

Sweden

Thomas Strömberg
tstroemberg@deloitte.se

Sweden (continued)

Sofia Schön
sschoen@deloitte.se

Switzerland

Flurin Poltera
fpoltera@deloitte.ch

Oliver Koester
okoester@deloitte.ch

ECM team – London

ECM London Partners

Matt Howell
Partner
Tel: 020 7007 1969
Email: mahowell@deloitte.co.uk

Rob Beeney
Partner
Tel: 020 7007 2038
Email: rbeeney@deloitte.co.uk

Caroline Ward
Partner
Tel: 020 7007 8378
Email: carward@deloitte.co.uk

John Hammond
Partner
Tel: 020 7007 2936
Email: johammond@deloitte.co.uk

Jim Brown
Partner
Tel: 020 7303 0603
Email: jimbrown@deloitte.co.uk

Simon Olsen
Partner
Tel: 020 7007 8440
Email: solsen@deloitte.co.uk

Ian Smith
Partner
Tel: 020 7303 8588
Email: ijsmith@deloitte.co.uk

Az Ajam-Hassani
Partner
Tel: 020 7303 7827
Email: azajamhassani@deloitte.co.uk

Richard Thornhill
Partner
Tel: 020 7007 3247
Email: rthornhill@deloitte.co.uk

Ian Whitefoot
Partner
Tel: 02380 354 364
Email: iwhitefoot@deloitte.co.uk

Sara Tubridy
Partner
Tel: 020 7007 7651
Email: stubridy@deloitte.co.uk

Anthony Stobart
Partner
Tel: 020 7007 8988
Email: astobart@deloitte.co.uk

ECM London team

Jeremy Bohm
Director
Tel: 020 7303 7141
Email: jbohm@deloitte.co.uk

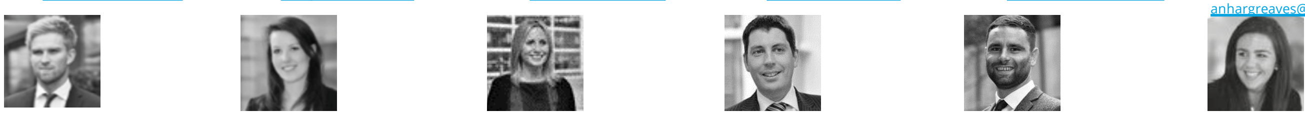
Adam Ray
Director
Tel: 020 7303 4944
Email: adray@deloitte.co.uk

Neil Cook
Director
Tel: 020 7007 6593
Email: ncook@deloitte.co.uk

Yee Man
Director
Tel: 020 7303 2273
Email: yman@deloitte.co.uk

David Rothwell
Director
Tel: 020 7007 9627
Email: drothwell@deloitte.co.uk

Anthony Hargreaves
Director
Tel: 020 7303 6626
Email: anhargreaves@deloitte.co.uk



Nick Brown
Director
Tel: 020 7007 0735
Email: nickmbrown@deloitte.co.uk

Victoria Cohen
Director
Tel: 020 7007 8246
Email: vcohen@deloitte.co.uk

Julia Hedley
Director
Tel: 020 7303 0486
Email: jhedley@deloitte.co.uk

Martyn Brown
Director
Tel: 020 7007 6035
Email: marbrown@deloitte.co.uk

Ameer Maund
Director
Tel: 020 7007 1729
Email: amaund@deloitte.co.uk

Alex Loder
Director
Tel: 020 7007 0220
Email: alloder@deloitte.co.uk

Liz Wong
Director
Tel: 020 7303 5072
Email: lizwong@deloitte.co.uk

Adam Batson
Senior Manager
Tel: 0113 292 1565
Email: adabatson@deloitte.co.uk

Raeesa Kazi
Senior Manager
Tel: 020 7007 3223
Email: rkazi@deloitte.co.uk

Tayyeb Shams
Senior Manager
Tel: 020 7007 9595
Email: tshams@deloitte.co.uk

Daniel Wagner Veary
Assistant Director
Tel: 0118 322 2477
Email: dwagnerveary@deloitte.co.uk

Kate Howard-Keyes
Assistant Director
Tel: 020 7303 4427
Email: khowardkeyes@deloitte.co.uk

Jackie Hau
Associate Director
Tel: 020 7303 0706
Email: jhau@deloitte.co.uk

Sana Nazir
Senior Manager
Tel: 0161 455 8156
Email: snazir@deloitte.co.uk

Ryan Ventura
Senior Manager
Tel: 020 7303 6143
Email: ryventura@deloitte.co.uk

Natasha Fortuin
Senior Manager
Tel: 020 7303 2847
Email: nfortuin@deloitte.co.uk

Manoj Damnival
Senior Manager
Tel: 020 7007 0814
Email: mmdamnival@deloitte.co.uk

Sarah Edmond
Assistant Director
Tel: 020 7303 4858
Email: sedmond@deloitte.co.uk

ECM team – London

ECM London team continued

Kristy Bell
Senior Manager
Tel: 020 7007 2446
Email: kbell@deloitte.co.uk

Ronnie Dey
Senior Manager
Tel: 02380 354 233
Email: rodey@deloitte.co.uk

Chrisna Stafleu
Senior Manager
Tel: 020 7007 4585
Email: chstafleu@deloitte.co.uk

Michael Biscomb
Senior Manager
Tel: 020 7303 5970
Email: mbiscomb@deloitte.co.uk

Laurence Cox-Smith
Senior Manager
Tel: 020 7303 8578
Email: lcoxsmith@deloitte.co.uk

Nethin Karamchand
Senior Manager
Tel: 020 7303 3903
Email:nekaramchand@deloitte.co.uk

Carmel Woodbridge
Senior Manager
Tel: 01727 88 5282
Email: cwoodbridge@deloitte.co.uk

Dina Galieva
Manager
Tel: 020 7007 4171
Email: dinagalieva@deloitte.co.uk

Tom Barkel
Manager
Tel: 020 7007 6695
Email: tbarkel@deloitte.co.uk

Charles Downes
Manager
Tel: 020 7007 3708
Email: chdownes@deloitte.co.uk

Zak Linden
Manager
Tel: 020 7007 3693
Email: zlinden@deloitte.co.uk

David Asquith
Manager
Tel: 020 7007 2567
Email: dasquith@deloitte.co.uk

Lamia Farag
Manager
Tel: 020 7303 3892
Email: lafarag@deloitte.co.uk

Abi Brookman
Manager
Tel: 020 7007 2567
Email:abrookman@deloitte.co.uk

Randy Grewal
Manager
Tel: 020 3741 2775
Email: rsgrewal@deloitte.co.uk

Brad Hilder
Manager
Tel: 020 7007 2850
Email: bhilder@deloitte.co.uk

James Knowles
Manager
Tel: 020 7303 2364
Email: jaknowles@deloitte.co.uk

Katherine Caverly
Manager
Tel: 020 7007 3105
Email:katherinecaverly@deloitte.co.uk

Mark McCutcheon
Manager
Tel: 020 3741 2428
Email: marmccutcheon@deloitte.co.uk

Julie Scandrett
Manager
Tel: 01224 847416
Email: jscandrett@deloitte.co.uk

Ashleigh Tatlow
Manager
Tel: 020 7303 2893
Email: atatlow@deloitte.co.uk

Adam Bates
Manager
Tel: 020 7007 9412
Email: adabates@deloitte.co.uk

Alex Manning
Manager
Tel: 020 7303 3888
Email:alemanning@deloitte.co.uk

Harrison Thomas
Manager
Tel: 020 7303 7811
Email:harrisonthomas@deloitte.co.uk

Nicholas Long
Manager
Tel: 020 7303 6687
Email: nlong@deloitte.co.uk

Adam Hunter
Assistant Manager
Tel: 020 7303 3848
Email: adhunter@deloitte.co.uk

Fede Sestili
Assistant Manager
Tel: 020 7303 7165
Email: fsestili@deloitte.co.uk

Keiran Everden
Assistant Manager
Tel: 0131 535 7001
Email: keieverden@deloitte.co.uk

Samarth Tyagi
Senior Associate
Tel: 0131 535 7001
Email:samarthtyagi@deloitte.co.uk

ECM team – Regions

North & Scotland

Tim Grogan
Partner – Manchester
Tel: 0161 455 8646
Email: tgrogan@deloitte.co.uk

Matt Hughes
Partner – Leeds
Tel: 0113 292 1634
Email: mahughes@deloitte.co.uk

Peter Braddock
Director – Manchester
Tel: 0161 455 6687
Email: pbraddock@deloitte.co.uk

Katie Harrison
Director – Manchester
Tel: 07920 829173
Email: katieharrison@deloitte.co.uk

Raza Mian
Director – Manchester
Tel: 0161 455 6279
Email: rmian@deloitte.co.uk

Richard Sweetland
Technical Director – Leeds
Tel: 0113 292 1965
Email: rsweetland@deloitte.co.uk

David Hendry
Assistant Director – Leeds
Tel: 0113 292 1734
Email: dhendry@deloitte.co.uk

Alison Macleod
Assistant Director – Scotland
Tel: 020 7007 4536
Email: alismacleod@deloitte.co.uk

Midlands

Andy Halls
Partner – Birmingham
Tel: 0121 695 5974
Email: ahalls@deloitte.co.uk

Lee Welham
Partner – Cambridge Tel:
01223 259 815
Email: lwelham@deloitte.co.uk

Jon Throup
Director – Birmingham
Tel: 0121 695 5736
Email: jthroup@deloitte.co.uk

Joe Darby
Senior Manager – Birmingham
Tel: 07976 605 932
Email: jodarby@deloitte.co.uk

South

Bill Farren
Partner – Gatwick
Tel: 01293 761 263
Email: bfarren@deloitte.co.uk

Mike Thorne
Partner – Reading
Tel: 0118 322 2388
Email: mthorne@deloitte.co.uk

Chris Booker
Director – Reading
Tel: 07827 881049
Email: cbooker@deloitte.co.uk

Ian Chamberlain
Director – Bristol
Tel: 0117 984 2732
Email: ichamberlain@deloitte.co.uk

Sarah Buchanan
Director – Reading
Tel: 0118 322 2676
Email: sabuchanan@deloitte.co.uk

Russell Earnshaw
Assistant Director – Southampton
Tel: 02380 35 4286
Email: rearnshaw@deloitte.co.uk

Eddie Bell
Senior Manager – Bristol
Tel: 0117 984 1159
Email: eddbell@deloitte.co.uk

Lucy Hovland
Associate Director – Reading
Tel: 0118 322 2402
Email: lhovland@deloitte.co.uk

Selected ECM credentials

Transactions where Deloitte provided one or more of the services described on p. 26

Key:
Client
Deal type
Announcement date
Deal value/Market cap for IPOs

Client	Deal type	Announcement date	Deal value/Market cap for IPOs
Tesco	Class 1 Divestment	Q1 2020	$10.6bn
TalkTalk	Class 1 Divestment	Q1 2020	£200m
Jupiter Fund Mgmt	Class 1 Acquisition	Q1 2020	£370m
Domino's	Class 1 Divestment	Q1 2020	n.a.
Bovis Homes/Vistry	Class 1 Acquisition	Q4 2019	£1.2bn
Phoenix Group	Class 1 Acquisition	Q4 2019	£3.2bn
Murgitroyd	P2P	Q4 2019	£63m
Helios Towers	IPO	Q3 2019	£1.2bn
Takeaway.com	Class 1 Acquisition	Q3 2019	£6.2bn
WPP	Class 1 Divestment	Q3 2019	£2.4bn
BBA Aviation/Signature	Class 1 Divestment	Q3 2019	$1.3bn
Uniphar	IPO	Q2 2019	£314m
UNITE	Class 1 Acquisition	Q2 2019	£1.7bn
Airtel Africa	IPO	Q2 2019	£3.0bn
DWF	IPO	Q1 2019	£366m
ContourGlobal	Class 1 Acquisition	Q1 2019	$724m
M&S	Rights Issue	Q1 2019	£614m
AJ Bell	IPO	Q4 2018	£650m
Drax	Class 1 Acquisition	Q3 2018	£702m
Funding Circle	IPO	Q3 2018	£1.5bn
Whitbread	Class 1 Divestment	Q3 2018	£3.8bn
SOCO	Class 1 Acquisition	Q3 2018	$211m
Micro Focus	Class 1 Divestment	Q3 2018	€2.2bn
Elementis	Class 1 Acquisition	Q3 2018	€477m
DBAY Advisors	P2P	Q3 2018	£116m
DS Smith	Class 1 Acquisition	Q2 2018	€1.6bn
REA Holdings	Class 1 Divestment	Q2 2018	$76m
Melrose	Class 1 Acquisition	Q1 2018	£7.6bn
Energean Oil & Gas	IPO	Q1 2018	£695m
Xafinity	Class 1 Acquisition	Q4 2017	£156m

Notes

Notes

