

N+1 SINGER

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Mid Year Review 2017

EQUITY MARKET REVIEW

The market environment in the first half of 2017 has been marked by periods of high volatility and significant swings in sentiment, as investors responded to geopolitical news and uncertain economic conditions across the globe. In spite all of this the upward trend in the UK equity market has continued, surprising many commentators. No doubt an analysis of the reasons for this would identify many contributing factors, although perhaps the two most important are the signs that economic stimulation has eventually seen a return to modest and sustainable global growth and the relative attractions of equities as an asset class. This has resulted in an investor mind-set which continues to be willing to accept reasonable levels of risk in return for investment upside.

Equity continues to be the largest single class of assets under management in the UK and equity investors have remained keen to back existing investments as well as identify new opportunities. This is supporting a positive environment for corporates with both the IPO and secondary markets remaining extremely active. Across the first half of 2017 over £9.1bn of funds

have been raised on the London market, split 25:75 IPO: Secondary issues. All indications are that activity during the second half will remain high.

The period has been active for N+1 Singer, with over £400m of growth capital raised for our clients. This builds on the momentum experienced through the second half of 2016 and offers continuing evidence that investors remain keen to support good quality investment opportunities. A notable feature has been the number of secondary issues, with eight clients raising funds through secondary placings during the period to finance growth initiatives.

An area that we expected to see increased activity was mergers and acquisitions and this has been the case with M&A an increasing element of our business. Levels of corporate activity remain high; as well as Attraqt's acquisition of Fredhopper, the period saw the recommended takeover of Waterman by Japanese Engineering Consultant CTI. A premium of over 80% ensured that this transaction generated significant returns for shareholders. Currently a number of our clients

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are actively exploring strategic projects, three of which have progressed to the public domain, whilst several others are at a less advanced stage. Against a backdrop of modest global growth we expect to see this trend continue and are actively engaging with clients to offer assistance with their M&A plans.

Despite the activity in the IPO market, there is a continuing need backed by strong demand from investors for new companies to come to the market. Despite Aim being widely regarded as the world's most successful growth market, currently there are 970 companies listed on Aim, down from almost 1,700 ten years ago. A similar trend is in evidence on the Main Market such that the combined number of companies listed on these London exchanges is just over 2,000. Undoubtedly corporate consolidation, international M&A and the increasing role of private equity have been factors in the recent decrease. In our opinion the current conditions represent an opportunity for ambitious companies seeking to list to secure additional growth capital to support their plans. Whilst we have seen an increase in our IPO pipeline we would encourage companies to actively consider this option.

Yet again it has been smaller companies that have led the way in terms of performance during the first six months of the year, with double digit returns delivered by the Aim market, whilst Smaller Companies returned over 9%. Given the attractions of these markets, which represent a plentiful supply of high quality companies with strong potential and a clear market advantage, our expectation is that the UK market will continue to enjoy sustained investment flows which will provide further support.

As market valuations trend higher, stock picking will continue to drive performance, with investors requiring the support of high quality research to identify areas of value and drive outperformance. Recognising this we have broadened our research offering, with our successful quant research product and the well supported 'Uncovered Gems' events just two examples.

We entered 2017 with a number of identified investment themes which, so far have served us well; the N+1 Singer 'Best Idea - 2017' selections have outperformed the market by 13% in the first half. As we anticipated 2017 has been marked by geopolitical and economic uncertainty, not least the recent ill-judged decision to call an early general election. This backdrop has

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ensured that our decision to focus on 'bullet proof' themes including sectors with secular growth prospects, UK infrastructure, healthy overseas earnings, strong management teams and companies with the potential to progress through self-help, have all proven justified.

Re-generation and the shortage of UK housing stock was also one of our chosen themes, in particular we identified the private rented housing sector housing as an area which we expected to generate returns. We were therefore delighted at the support we received for the main market IPO of The PRS REIT in June. This issue secured £250m of capital in an oversubscribed IPO placing. The PRS REIT is an innovative offering and the first of its type. The UK Government's Homes and Communities Agency supported the Issue with an investment of £25 million.

Against a background of on-going uncertainty we are expecting more of the same during the second half of the year and consequently feel little compulsion to make any major revisions to our overarching investment themes. With inflation picking up, we expect consumer

spending to come under pressure, although an uptick in inflation also creates an environment that favours equity and is more difficult for fixed income investments.

Since the start of the year, in addition to The PRS REIT we have secured a further five new clients, Be Heard, eg solutions, Ergomed, Future and Itaconix and we would like to welcome them to N+1 Singer. With these gains we have moved up the rankings and are now the third largest adviser on Aim by number of clients. It was also pleasing to note that several of our analysts were highly ranked in the recent 2017 Starmine analysis. The overall progress of our business was recognised by the inclusion of N+1 Singer in the Financial Times 'Europe's 1000 Fastest Growing Companies 2017'.

Our current pipeline of projects is extremely encouraging and we enter the remainder of the year with good momentum and the opportunity to build on the achievements of the first half. As ever, we would like to thank all of our clients for their continued support. We look forward to helping create further value through 2017 and beyond.

MiFID

Our industry continues to experience rapid change and from the start of next year our advisory and broking services will be governed by the Markets in Financial Instruments Directive, more commonly known as MiFID II. This is a major initiative for capital markets and will have widespread implications for operations.

The three main areas of focus for MiFID II are

- transaction reporting;
- fee transparency; and
- product governance.

Following a comprehensive review N+1 Singer is taking steps to implement the requirements of MiFID II. We understand that it is important to offer all our clients access to an appropriate level of service, with these linked directly to separately identifiable fees and charges. Our proposals will be in place by the end of the current year end, enabling institutions to continue to draw on the expertise of our analysts and sales teams and ensuring that we continue to provide valued and effective advice to our corporate clients.

By now you may well have been contacted about the impact and opportunities associated with these changes and we plan to meet with clients to outline the new arrangements, for should you like to schedule a meeting please contact Jennifer Bentick on 0207 496 3055, Rachel Kellett-Clarke on 0207 496 3042 or your usual N+1 Singer representative.

As ever, we would like to thank all of our clients for their continued support.

TRANSACTION HIGHLIGHTS

Client		Transaction	Value
ATTRAQT Group		Acquisition & Placing	£28.5m
Driver Group		Placing	£8.5m
Actual Experience		Placing	£18.0m
Blackstone		Placing	€72.8m
Abzena		Placing	£25.0m
Verona Pharma		Placing & Admission of ADSs to NASDAQ	\$80.0m
Waterman Group		Recommended cash offer by CTI Engineering Co., Limited	£43.0m
Raven Russia		Placing	£100.0m
RM Secured Direct Lending		Placing	£7.1m
The PRS REIT		IPO	£250.0m

NEW CLIENTS

Client		Description
Be Heard Group		Be Heard is a digital marketing group focusing in the marketing, technology and e-commerce sectors, helping clients maximise their return on investment from digital marketing. Since 2015, the group has made 4 acquisitions; Agenda21, MMT Digital, Kameleon and Freemavens
eg solutions		eg solutions is a leading enterprise optimisation software company specialising in back office solutions for efficient workflow management.
Ergomed		Ergomed provides drug development services to the pharmaceutical industry and has a growing portfolio of co-development partnerships. It operates in over 50 countries.
Future		Future is an international media group and leading digital business which operates two separately managed brand led divisions: Media and Magazine. Future has operations in London, Bath, Bournemouth, Leamington Spa, New York, San Francisco and Sydney.
Itaconix		Itaconix is an IP rich, innovative and differentiated specialty chemicals business focused on the development of novel polymers for controlled release, responsive encapsulation systems and targeted delivery systems that improve the functional performance of customers' products. Its target markets are personal care, consumer healthcare, home care and industrial.
The PRS REIT		The PRS REIT plc, is the first quoted Real Estate Investment Trust to focus purely on the private rented sector. The PRS REIT plc aims to provide investors with an attractive level of income, and income and capital growth, through investment in a portfolio of newly-constructed, residential sites of multiple units, mainly family homes.

KEY FACTS ABOUT N+1 SINGER

- N+1 Singer is one of the UK's leading corporate advisory and broking firms. We offer a full range of client services with a clear focus on UK small and mid-cap equities
- £2.4bn of growth capital has been raised for our clients since the start of 2013 delivering an average return to investors of 21%
- We are 60% employee owned; with significant participation across all employee groups, the business has a strong partnership culture
- N+1 Singer is backed by two blue chip investment institutions, Artemis and Lombard Odier
- Our other major shareholder, Alantra, provides access to leading international M&A and debt advisory capabilities
- Leading financial advisory, broking and sales teams ensure N+1 Singer offers exceptional client support in all areas of corporate activity
- 10 core sectors of focus: Technology, Life Sciences, Healthcare, Industrials, Consumer, General Retail, Media, Support Services, Financials, Investment Funds
- More than 200 stocks under research coverage and market making in around 600 stocks

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