

The background of the slide is a photograph of a mountain range, likely in a national park, with a body of water in the foreground. The entire image is overlaid with a semi-transparent green filter. The mountains are rugged and covered in dense evergreen forests. The water in the foreground is calm, reflecting the surrounding greenery and the sky.

N+1 Singer

H2 2017 Review

Chief Executive's Review

Dear all,

Another eventful year draws to a conclusion although away from all the political noise it's been a remarkably sanguine year for equity markets. Global growth continues and even the painfully slow European markets have picked up thanks to Draghi's aggressive approach to QE. Unusually, given recent records, the UK has lagged behind but given the last 5 years of growth we are due a period of underperformance. The most significant issues for listed companies are the abnormally low levels of interest rates and MIFID II. The first means that there is a huge amount of capital seeking returns and we have seen that with a number of takeovers coming in 2017. I expect to see this continue both with Corporates seeking growth through acquisitions or the PE funds flush with cash looking to park their capital.

On listed markets we should see a steady flow of companies going public as those owners who either want to come out of PE funds or want the more passive ownership of a listing come to market. I appreciate being listed comes with plenty of regulation but the benefit of a wide group of shareholders has a distinct advantage. On regulation the impact of MIFID II will be felt this year after the implementation of one of the most onerous pieces of regulation that I have seen in my long career. We all welcome pricing transparency but this will increase the cost of being listed and increase the costs of businesses like ours looking to raise essential growth capital for companies. Luckily we are a hardy bunch and have massive belief in the ability for markets to adjust and for equity markets to provide permanent capital for companies. Long may that continue and we wish you all a successful 2018. I also want to introduce Patric Johnson, most recently CEO at Panmure Gordon who is starting as Deputy CEO on January 8th. Patric brings a wealth of experience and I'm delighted that he is on board as we strengthen our business and look to develop our services over the coming year.



Tim Cockroft
Partner, Chief Executive

Market Conditions

The UK market environment in the second half of 2017 has been characterised by continued uncertainty in domestic politics and a squeeze on consumer spending. At the start of November, the Bank of England implemented the first interest rate rise in a decade; the central bank's Monetary Policy Committee (MPC) voted seven to two to increase the UK interest rate to 0.5%. The period also saw the Consumer Prices Index (CPI) climb to 3%, a level it last reached in April 2012. In spite all of this, steadily rising UK equity indices coupled with relatively low volatility have provided a positive backdrop for investors in UK equities over the course of 2017.

Against this background, investing in UK smaller companies, our key area of focus, may not have been the most obvious place for investors to invest in 2017, particularly if you believe what has been written. However both the FTSE SmallCap and AIM All Share have performed well posting 14.5% and 23.6% returns respectively, comprehensively outperforming the All Share Index. A performance welcome in any environment.

Review of Performance

The period has been active for N+1 Singer and included 2 IPOs and 8 secondary fundraises taking the total equity raised for clients during the year to over £810m (2016: £418m). Notable transactions completed in the second half included IPOs for Springfield Properties and Tuffon Oceanic Assets Limited along with secondary raises for our corporate clients including RM Secured Lending, Realm Therapeutics, Earthport, Ergomed and Applied Graphene Materials. N+1 Singer also acted on pure advisory roles including the £150m recommended public offer by Clinigen Group for corporate client Quantum Pharma.

During the year N+1 Singer rose to #3 adviser by total number of AIM clients (Corporate Advisors Rankings Guide) and ended the year with 95 retained corporate clients. We continue to attract high quality corporate clients and with the investment made in our people, platform and relationships over the second half we expect to grow our client list considerably in 2018.

We also saw a strong performance by our equities business with combined institutional commission and trading revenues up year on year despite changes to institutional broker payment models as they adjust to MiFID II.

We also announced in December an increase to our market making coverage from 630 to 750 stocks. The move demonstrates our total commitment to the small cap space and puts us in prime position to maintain a leading market share in both corporate and non-corporate stocks in the AIM and UK Small-Cap sector.

MIFID II UPDATE

The implementation of MiFID II will have a profound impact on financial markets next year but the work we've done in recent months means we enter 2018 feeling optimistic and excited by the opportunities ahead of us. From a Research perspective we are pleased to say agreements are in place with our major institutional counterparties in the Small and Mid Cap space, confirming the strength of our research output and the value placed on it by investors.

On the Trading desk we have widened our Market Making offering and are well prepared to seize the opportunities provided by the unbundling of research and trading payments. 2018 will be an interesting year for Equity Capital Markets but we are confident we are entering the year in the strongest position possible.

ALANTRA

In December, N+1 Singer's strategic shareholder Alantra, the global mid-market investment banking and asset management specialist, was ranked as number 11 in a league table of the top M&A advisors in the UK. The preliminary rankings were compiled by Mergermarket on 14th December 2017 and list the top advisors by number of transactions completed in the year. The report also lists Alantra as 3rd of all independent UK M&A advisors, behind well-known names Rothschild and Lazard, a huge move for the business which only recently strengthened its foothold in the UK through a combination with Catalyst Corporate Finance, announced in October.

Mergermarket league table (by volume) of financial advisers advising on announced transactions in the United Kingdom in the period 01 January 2017 – 11 December 2017

Q1-Q4 2017	Q1-Q4 2016	Company Name	Value (US\$m)	No of Deals
1	1	Rothschild	48,298	101
2	2	KPMG	2,756	58
3	3	PwC	5,490	57
4	5	EY	2,927	54
5	9	JPMorgan Cazenove	126,892	53
6	4	Deloitte	5,070	52
7	10	Goldman Sachs & Co	178,535	51
8	7	Lazard	101,482	42
9	8	Grant Thornton	416	42
10	13	Morgan Stanley	112,712	41
11	12	ALANTRA	2,338	38
12	15	Bank of America Merrill Lynch	99,300	37
13	20	Clearwater International	1,712	36
14	6	BDO	1,299	32
15	43	GCA Corporation	2,866	30

This follows a trend towards independent advisors gaining increased presence in global M&A, especially in large transactions. According to Mergermarket's ranking of the top 20 global M&A advisors the number of transactions advised on by independent advisors has doubled in the last 5 years. The data show that of the 1,645 total number of deals executed in 2016, independent advisers worked on 34% of these, compared with just 17% in 2011.

Alantra has advised on over 120 transactions worldwide in 2017, of which 38 were completed in the UK with a total value of \$2,338m (and 91 in Europe as a whole). This includes deals advised on by Catalyst Corporate Finance, which combined with Alantra in October 2017.

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Noteworthy UK & European transactions in this period include: the acquisition of French Natural Santé and Italian Sakura by Spanish pharmaceutical Group Cinfa; the sale of Q-Park to KKR Infrastructure for c. €3bn; the sale of Interfloor to UK based Victoria PLC for £65m and the sale of Entanet to AIM-listed CityFibre for £29m; Mediahuis and VP Exploitatie public takeover for Telegraaf Media Group (€280mn); Pachá's sale to Trilantic Europe (c.€300mn); Lberbank's restructuring of its non-core exposure and parallel €500mn rights issue; the merger of BMN with Bankia; Johnson & Johnson's public takeover for Actelion (Fairness opinion providers - €30bn) and the Oaktree's investment in a luxury cruise business with The Ritz-Carlton.

TRANSACTION HIGHLIGHTS

Client		Transaction	Value
Future plc		Placing	£22.0m
Springfield Properties plc		IPO	£25.0m
RM Secured Direct Lending plc		Placing	£30.0m
Realm Therapeutics		Placing	£19.3m
Applied Graphene Materials plc		Placing and open offer	£9.8m
Earthport plc		Placing	£25.0m
Quantum Pharma plc		Recommended offer by Clinigen Group plc	£150.3m
APQ Global Ltd		Placing	£20.0m
Tufton Oceanic Assets Limited		IPO	\$91.0m
GlobalData		Placing	£9.2m

NEW CLIENTS

Client		Description
CentralNic Group plc		CentralNic provides distribution and strategic consultancy for new domain names, using in-house developed IT platforms to distribute their portfolio of popular domains to a global network of over 1500 registrars which sell those to end users. CentralNic operates globally with customers in 200 countries.
Servoca plc		Servoca is a specialist recruitment solutions and outsourcing provider to both the public and private sectors. Servoca operates through a number of individual trading brands targeting markets in education recruitment, healthcare recruitment, homecare, criminal justice and security.
Frontier Smart Technologies Group Ltd		Frontier Smart is a pioneer in software and hardware technologies for Digital Radio and Smart Audio devices. The business controls approximately 80% of the market share in Digital Radio and has benefited from strong growth in Europe, boosted by the switching-off of analogue radio in Norway. The company's customers include Bose, Bowers & Wilkins, Denon, Grundig, Harman/Kardon (JNL), Onkyo, Panasonic, Philips, Pioneer, Pure, Roberts, Sony, TechniSat and Yamaha.
ReNeuron Group plc		ReNeuron is a leading, clinical-stage stem cell business with a primary objective to develop cell-based therapies targeting areas of significant unmet or poorly met medical need. ReNeuron's lead stem cell therapeutic candidate is a therapy for the treatment of patients left disabled by a stroke and has therapeutic candidates in clinical development for critical limb ischaemia and for blindness-causing diseases retinitis pigmentosa and cone-rod dystrophy.
Be Heard Group plc		Be Heard Group is a digital media planning & buying and analytics agency providing digital strategy, digital media planning & buying and the use of deep analytics to generate customer insight and improve return on investment for clients.

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
- £2.7bn of growth capital has been raised for our clients since the start of 2013
- 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
- 12 core sectors of focus: Chemicals, Consumer & Leisure, General Financials, Healthcare, Homebuilding & Construction, Industrials, Investment Funds, Life Sciences, Media, Retail, Support Services, Technology
- More than 200 stocks under research and market making coverage of around 750 stocks

N+1 SINGER

One Bartholomew Lane, London, EC2N 2AX

Telephone: +44(0)20 7496 3000

www.n1singer.com

