



# Preparing for the new reality

**Session 4**

—  
8 July 2020



# Agenda

- Introduction
- Update on UK equity market – Andrew Buchanan, Peel Hunt
- REIT process – Ash Dougal, Fundamentum Property Group
- Questions and wrap up



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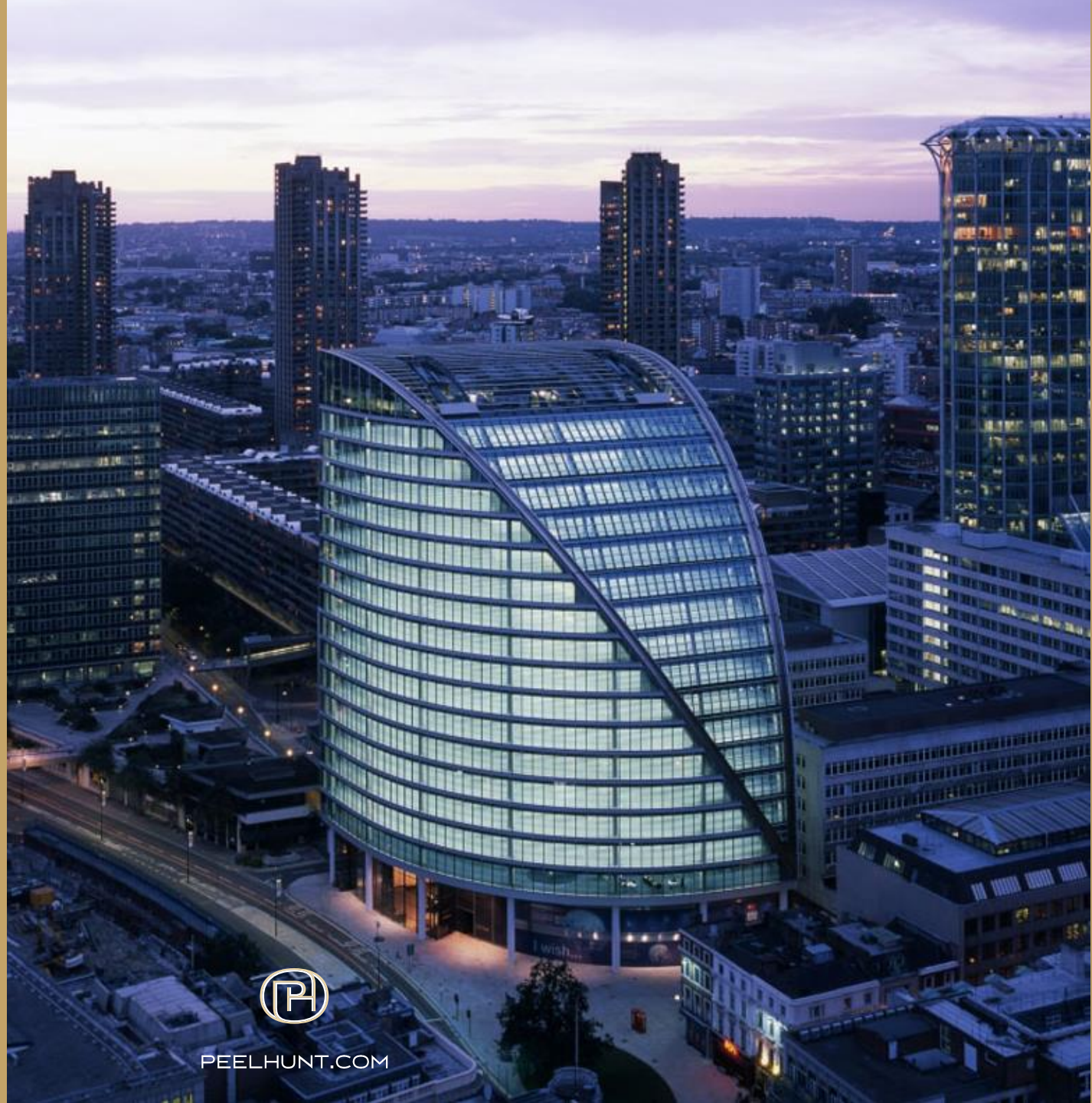
# PEEL HUNT

## UK EQUITY MARKET REVIEW

JULY 2020



PEELHUNT.COM



# Key themes



Covid-19 pandemic having far-reaching impact on the UK corporate landscape

## Macro stress

- Unemployment and SME failure will be key effects of the pandemic as government support measures are withdrawn
- Sectors reliant on discretionary consumer spending, particularly in travel and leisure, face the worst pain
- Other macro factors will return to the fore: Brexit, US-China trade relations, QE and low interest rates

## Be liquid

- Corporates have sought to preserve and raise liquidity either out of necessity or as a precautionary step
- Drawing down credit lines and raising new equity capital

## Burden sharing

- Corporates that have received state or shareholder support have needed to show solidarity
- Dividends have been cancelled and executives have taken salary cuts and sacrificed bonuses

## M&A

- M&A activity hit a lull as corporates and private equity focused on existing challenges
- However, M&A is expected to surge as the strong consolidate the weak amid top line challenges and depressed valuations

# What happened to the UK stock market through the pandemic?

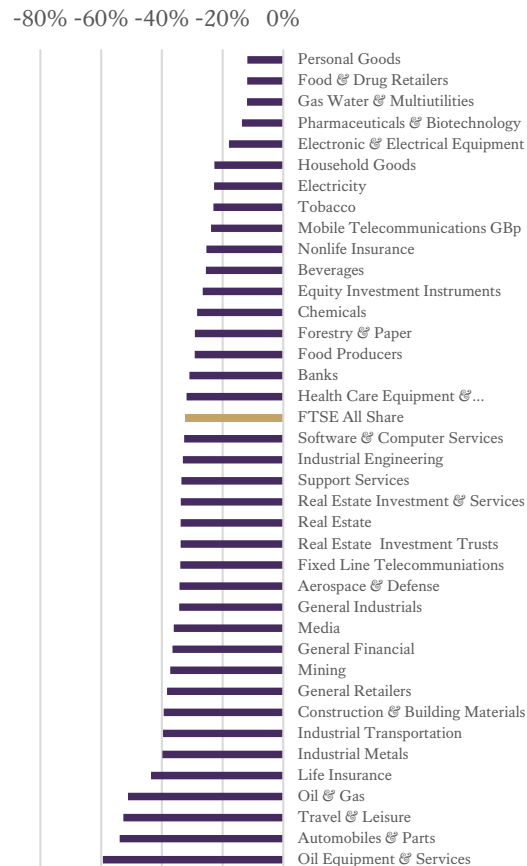


UK equities have recovered from the point but still remain in a bear market

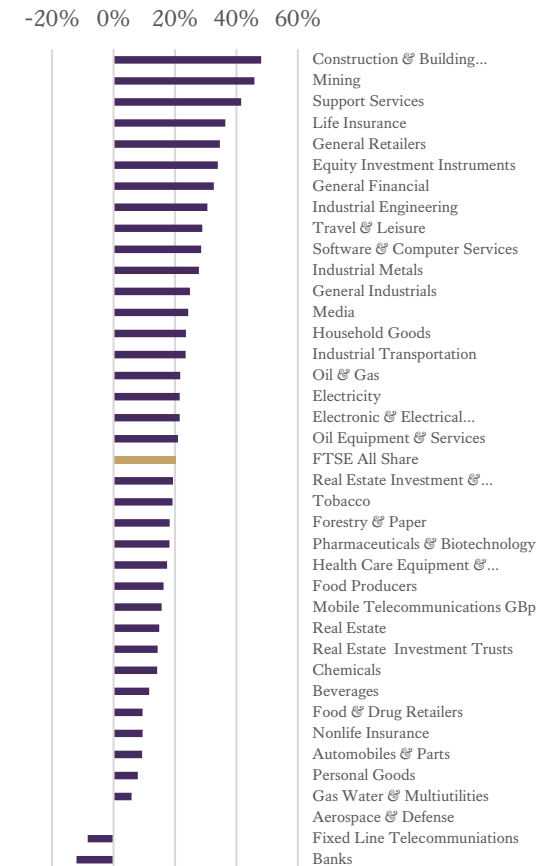
## Observations

- FTSE All Share index troughed on 21 March at which point it was down 32% from the start of 2020
- Discretionary consumer and cyclical industrial stocks led the market lower
- Since then the market has recovered strongly with the All Share gaining 20% but leaving it down 18% for 2020 so far
- The banks sector has not rallied owing to its broad credit exposure to the UK economy and the negative effects of lower base rates

## Performance by sector 1 Jan 2020 to 21 March 2020



## Performance by sector 21 March 2020 to 3 July 2020



# Significant equity raising by UK plc triggered by the pandemic

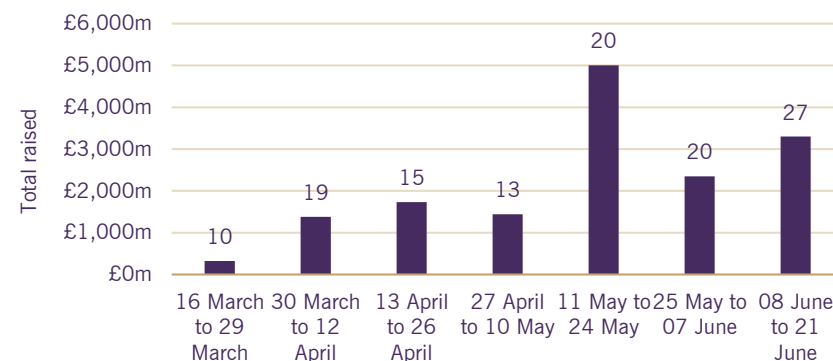


UK companies have called on shareholders and new investors for additional cash

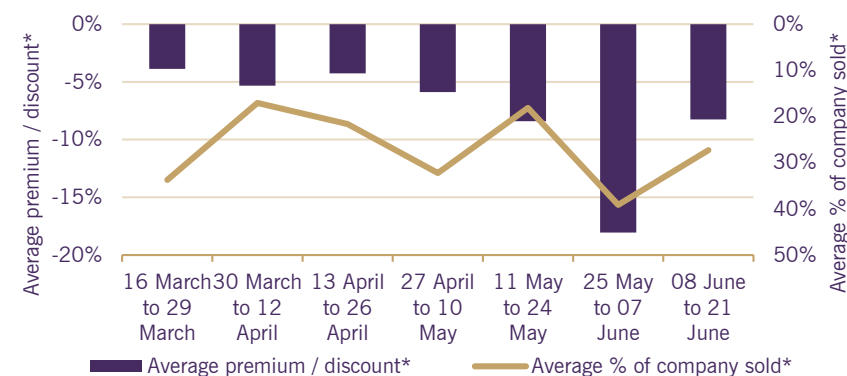
## Observations

- The onset of the pandemic triggered a wave of equity issuance as companies sought to preserve and raise liquidity
  - Over £15.5bn has been raised by listed UK corporates since mid-March
- An emergency relaxation of pre-emption limits towards the end of March allowed company's to raise up to 20% of their issued share capital non-pre-emptively
- Initially most raises were undocumented placings with larger raises requiring prospectuses coming from the end of May
- As the average transaction size has grown, and the complexion of issuers has changed, the discount required by investors has increased

## Fortnightly UK equity issuance since 16 March



## UK issuance as % of the ISC and premium/discount level



# Burden sharing

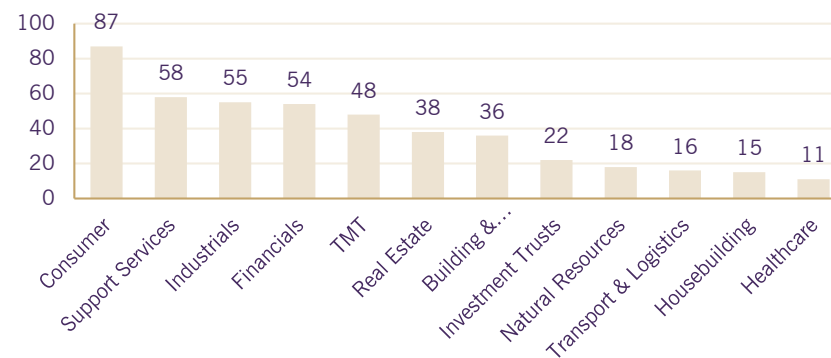


Companies have had to spread the pain across stakeholders

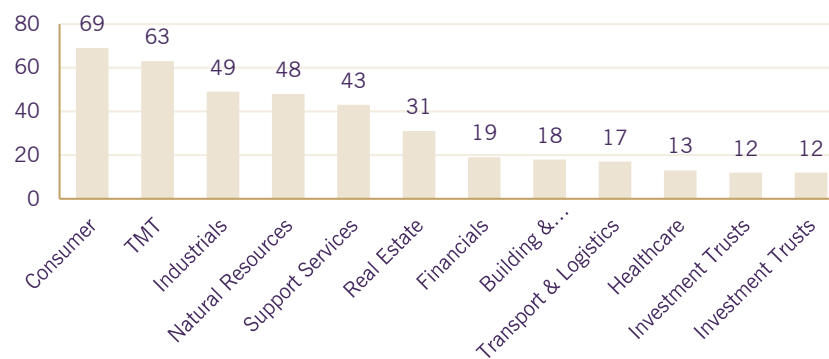
## Observations

- Companies that have taken state or shareholders support have responded by cutting dividends and executive remuneration
- Over £25bn of dividends have been cancelled or postponed by listed UK companies since mid-March
- Nearly 400 listed companies have announced some level of cut in remuneration for its executives through salary and or bonuses

## Listed company dividend cancellations by sector in 2020



## Listed company executive pay and bonus cuts



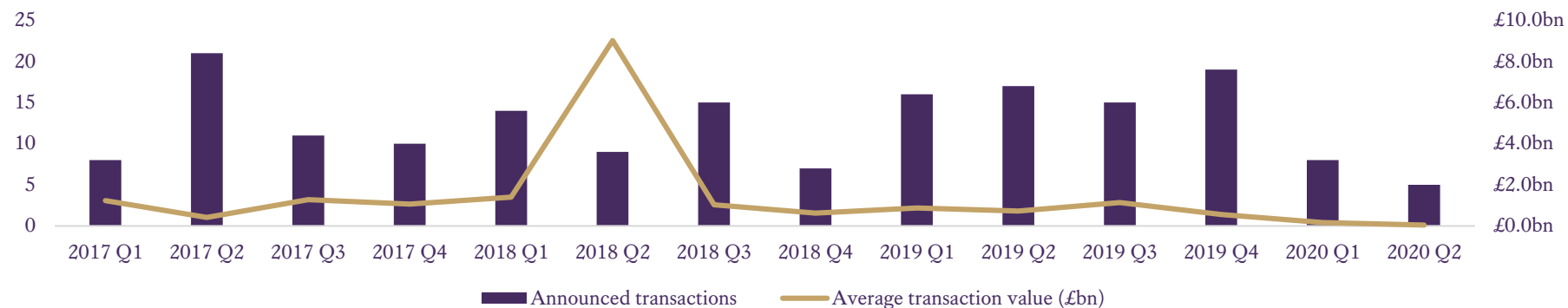


# M&A trends

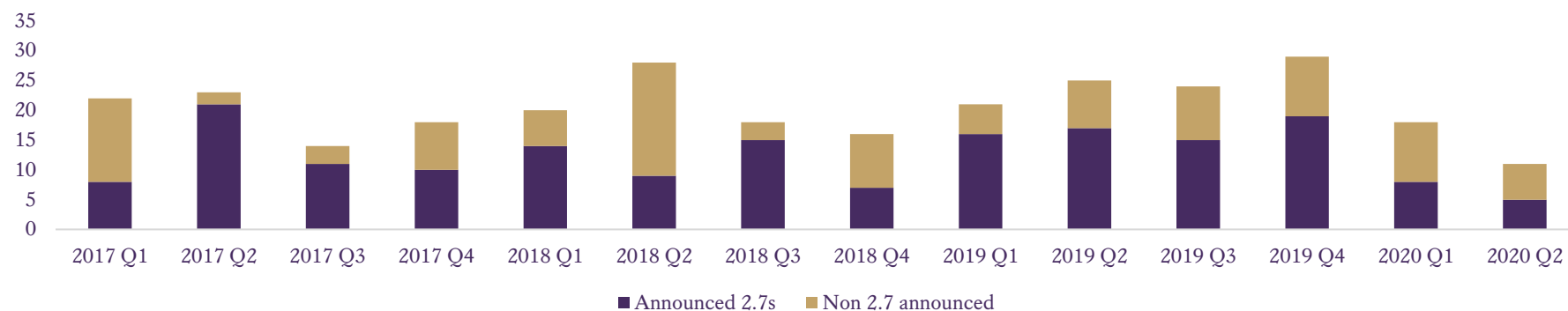


Subdued activity in 2020 so far but a surge is expected in the near- to medium-term

## Announced Rule 2.7s



## Rule 2.7 announced transactions vs non-Rule 2.7 announced transactions



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# Discussion

- **Simon Nicholas**
- **Kristan King**
- **Ed Houghton**



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# Discussion

- **Simon Nicholas**
- **Kristan King**
- **Ed Houghton**



# Wrap up and questions

**Simon Nicholas - Markets Partner**





# Thank you



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