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CAPITAL PARTNERS

Bridging the gap between companies and untapped capital

UK Support Services

Investor Monitor

February 2017

Key conclusions



- Notable divergence between £1bn plus market cap peer group and smaller Support Service names.
- Investor trading flows negative for the larger cap peer group; especially from overseas investors.
- Picture reversed for the sub £1bn market cap peer group; both UK and overseas investors have been buying
- Valuation gap between larger and smaller Support Services names has narrowed over the last six months
- Overall, smaller UK investor activity most prominent in the sub £1bn market cap & AIM peer group
- North American investors a significant source of activity despite lower levels of absolute ownership
- Higher levels of European investor activity than other sectors

Value has attracted Buyers into the sub £1bn market cap peer group

UK Support Services:

£5bn to £1bn market cap



Geographic Investors - Last Six Month Net Trading Flows

United Kingdom

North America

Europe

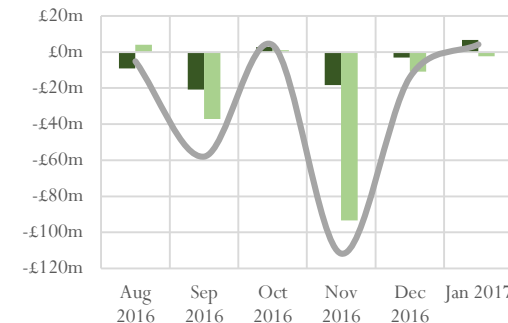
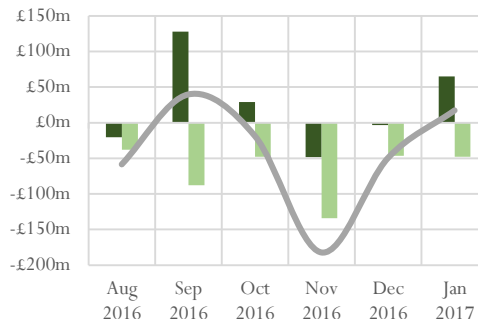
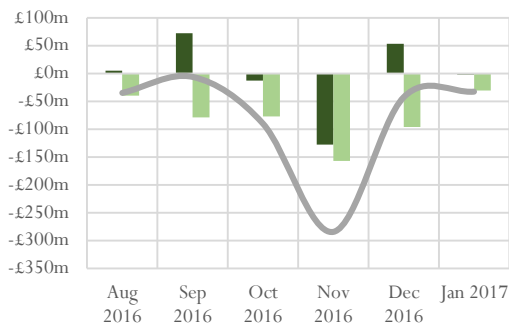
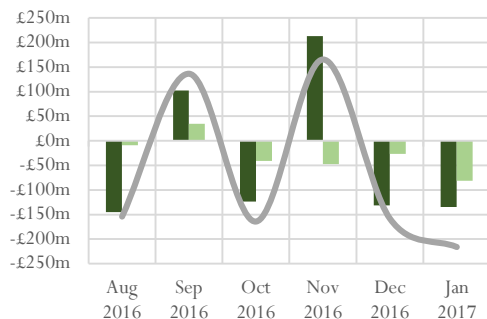
Rest of the World

■ Top 20 ■ The Rest — UK Net

■ Top 20 ■ The Rest — North America Net

■ Top 20 ■ The Rest — Europe Net

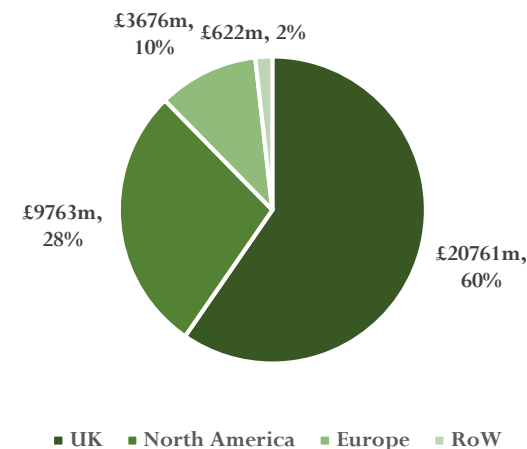
■ Top 20 ■ The Rest — R o W Net



Key conclusions

- UK activity dominated by the largest holders; overall, net sellers over the last six months
- Some rotation into Smaller Cap names, but mostly capital leaving the sector
- Peak in UK buying co-incident with overseas selling spike in November 2016
- North American investors mostly negative, unlike other sectors
- European smaller investors also negative, larger investors holding their ground
- Rest of the World investors less active and have reduced their exposure materially

Free Float Ownership

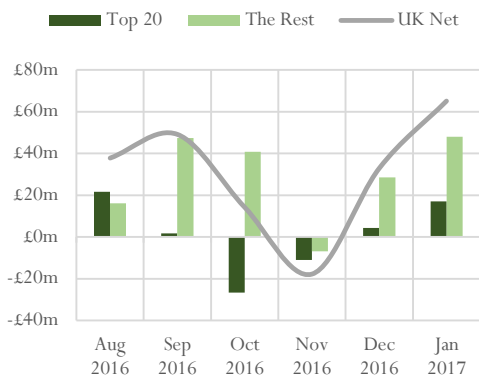


UK Support Services: £1bn to £100m market cap

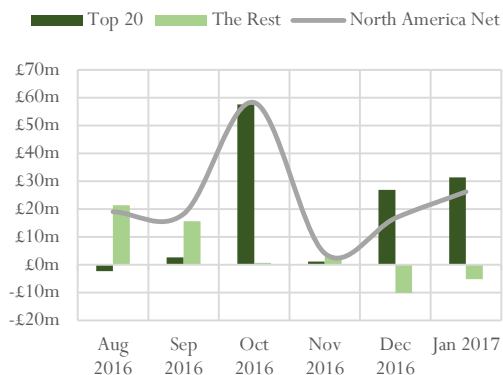


Geographic Investors - Last Six Month Net Trading Flows

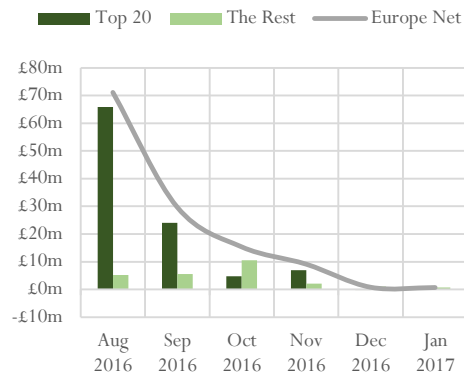
United Kingdom



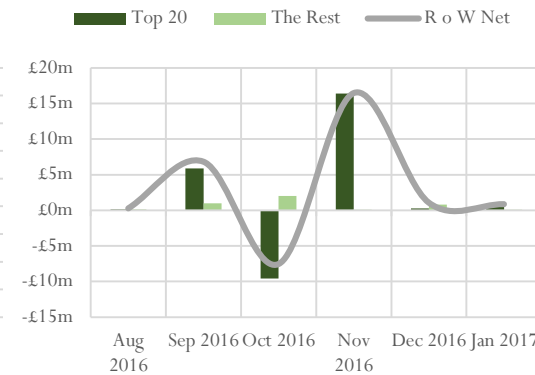
North America



Europe



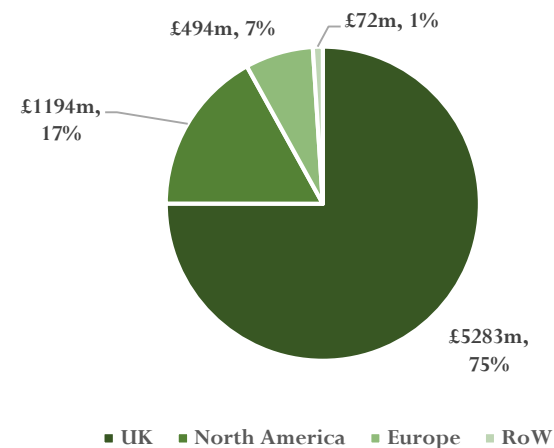
Rest of the World



Key conclusions

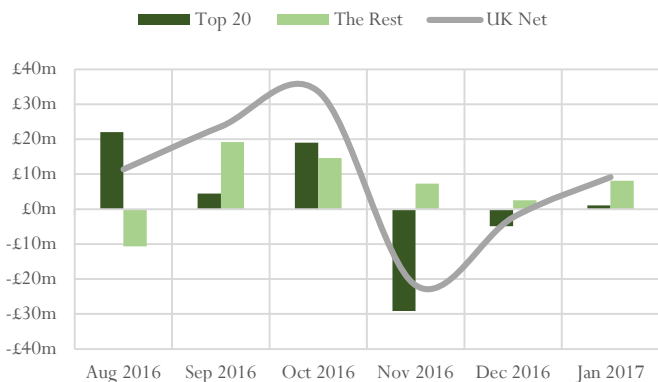
- UK investors broadly positive with November 2017 only negative month
- Interestingly, the largest UK owners mostly held their ground with majority of buying activity coming from outside the Top 20 owners
- North American investors were also broadly positive to the peer group, in stark contrast to the larger cap peer group – perhaps reflective of the valuation gap and value bias within US funds
- European investor activity dominated by the larger names; opportunistic buying post Brexit has tailed off
- Rest of the World activity has been sporadic and focused on stock specific situations

Free Float Ownership

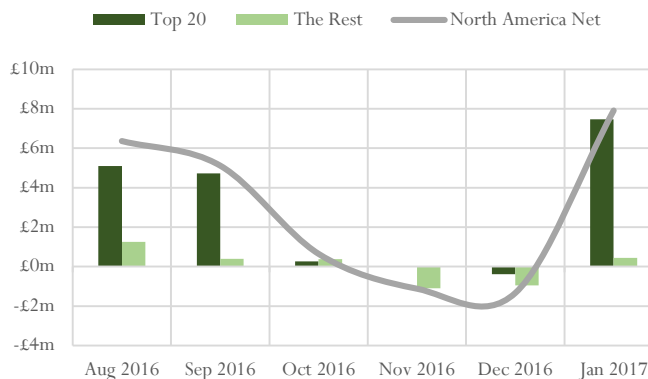


Geographic Investors - Last Six Month Net Trading Flows

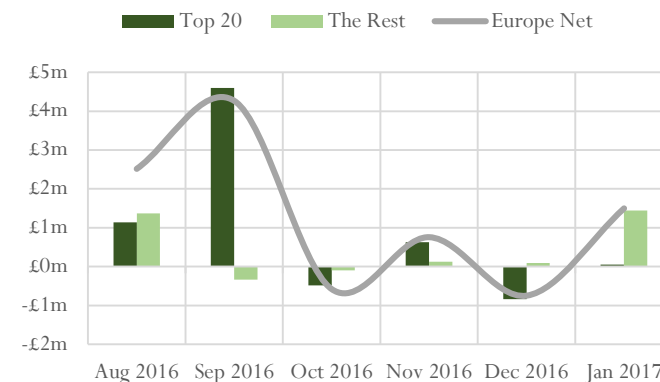
United Kingdom



North America



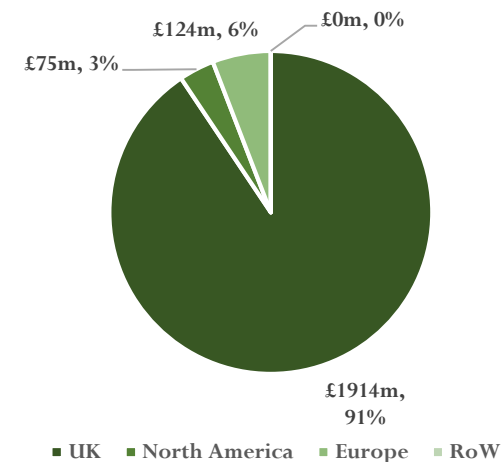
Europe



Key conclusions

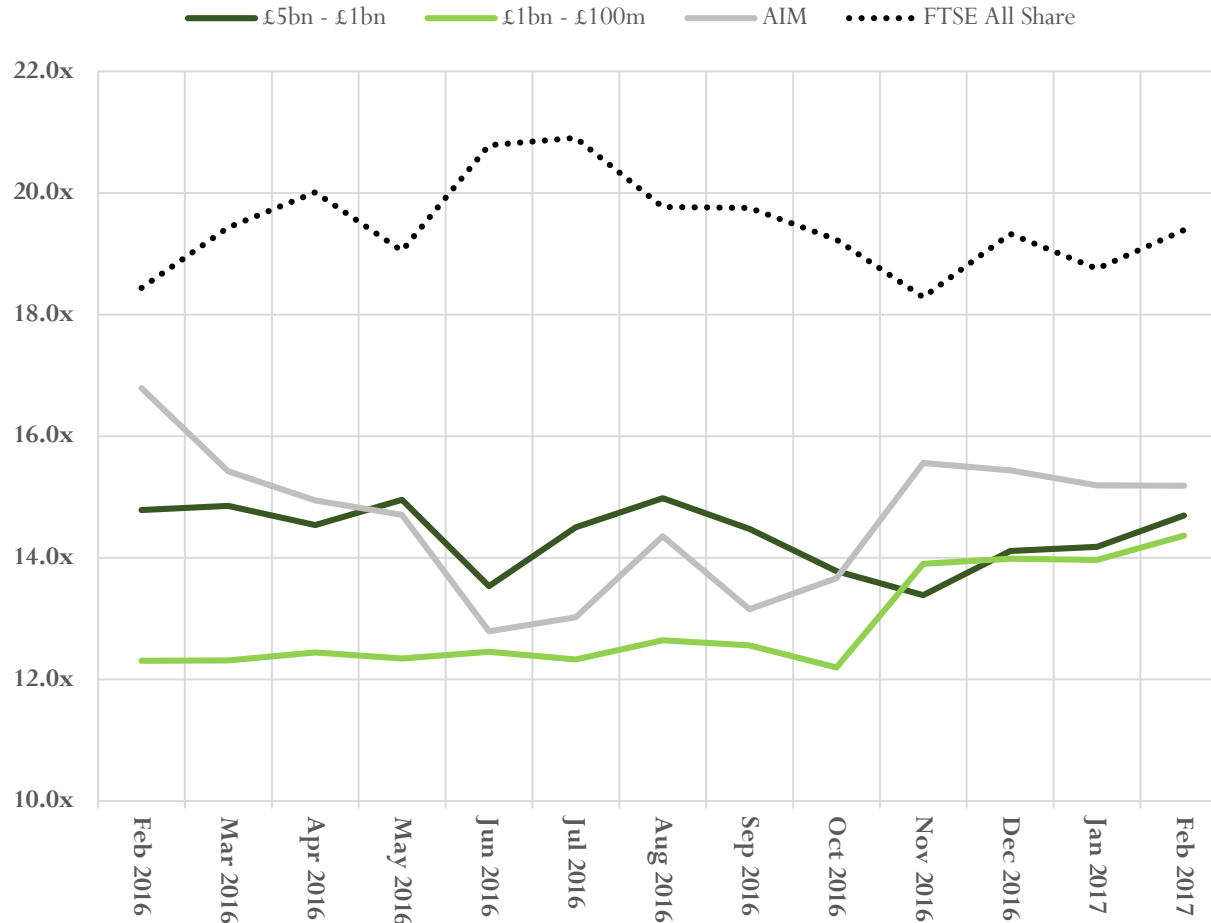
- UK activity levels tailed off towards the end of the year with smaller investors making most of the running in recent months
- North American & European investors are active in this segment although on a highly selective basis
- North American & European buying activity single stock and single investor focused
- Rest of the World investors are immaterial in this segment

Free Float Ownership



UK Support Services: Valuation

2 Yr Prospective PE multiple by Market Cap segment



Source: FactSet, Bloomberg

- Larger cap valuation premium eroded through the course of 2016
- Sub £1bn peer group re-rated in November 2016
- Driven by material UK and North American buying
- AIM stocks now trading at a premium valuation
- Recent direction of travel in-line with the broader market
- Although sector still stands at a material discount

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