NIC

— Nova Investment Club —

# Newsletter

January 2025

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# Foreword

## This Month:

In the Macro Overview section, our analysts will cover broad macro themes while reviewing major economic news from the past month. In our Deeper Dive section, Theresa Christina Noecker reviews some of the key details from November's COP29 summit in Baku.

Our Investment Banking Division will guide you through December's overall M&A activity. Read about Omnicom acquiring Interpublic Group, and Zalando acquiring ABOUT YOU. Additionally, get a detailed overview of what happened to Siemens Energy AG, and read expert insight on Databricks' record-breaking Series J.

Our Financial Markets Division will present the monthly results of the NIC Fund, an active relative return fund investing across three different asset classes: Equities, Fixed Income, and Commodities. The analysts will also provide commentary on each of the three major asset classes along with Currencies through an analysis of the past month's major market moves. The overall performance of the NIC Fund in December was negative, with a cumulative return of -1.81%.

Our Private Equity Division will cover global and European trends in private equity transactions and investments, followed by brief insights into some top deals. Read about EQT and GIC's acquisition of Calisen and Gallagher's acquisition of AssuredPartners.

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# Macro Overview

## Monthly

January 15th, 2025

Deeper Dive

### Key Takeaways from COP29

— p.2

### Market Moves

**Market Moves**

*% change*

| | Last Close | -1W | -3M | YTD |
|---|---|---|---|---|
| S&P 500 | 5,882 | -2.62% | 2.07% | 23.31% |
| DJIA | 42,544 | -1.74% | 0.51% | 12.88% |
| Nasdaq | 19,311 | -3.60% | 6.17% | 28.64% |
| MSCI World | 3,715 | -0.45% | -4.95% | 5.55% |
| MSCI EM | 3,680 | -1.21% | -9.11% | 0.36% |
| Russell 2000 | 2,230 | -1.31% | 0.01% | 10.02% |
| Euro Stoxx 50 | 4,896 | 0.78% | -2.09% | 8.28% |
| FTSE 100 | 8,173 | 0.44% | -0.78% | 5.69% |
| Nikkei 225 | 39,895 | 2.20% | 5.21% | 19.22% |
| Hang Seng | 20,060 | -0.19% | -5.08% | 17.67% |
| Dollar Index | 108.49 | 0.21% | 7.65% | 7.06% |
| EUR/USD | 1.035 | -0.43% | -7.01% | -6.21% |
| GBP/EUR | 1.209% | 0.15% | 0.61% | 4.77% |
| GBP/USD | 1.252% | -0.18% | -6.42% | -1.69% |
| USD/JPY | 157.200 | 0.01% | 9.45% | 11.46% |
| USD/CHF | 0.91 | 0.80% | 7.31% | 7.84% |
| Brent Crude | 74.640 | 1.44% | 4.00% | -3.12% |
| Gold | 2,641.0 | 0.80% | 0.19% | 27.47% |

**Generic Bond Yields**

*change in bps*

| | Last Close | -1W | -3M | YTD |
|---|---|---|---|---|
| US 10Y Yield | 4.569% | -2.0 | 78.8 | 69.0 |
| GER 10Y Yield | 2.367% | 4.4 | 24.4 | 34.3 |
| JPY 10Y Yield | 1.101% | 1.8 | 24.0 | 48.7 |
| UK 10Y Yield | 4.568% | -0.7 | 56.5 | 103.1 |
| PT 10Y Yield | 2.848% | 3.7 | 14.7 | 19.2 |

**Source: Bloomberg, as of 2024-12-31*

In Focus

## December

**US outpaces peers, driving US dollar strength.** US growth continues to outperform, with November flash PMIs highlighting its dominance among developed markets. The US all-industry output PMI widened its gap with other DM economies to a 3.5-Year high of 6.7 points, signalling above-trend growth of approximately 3% for Q4. Strong services and employment PMIs suggest stickier core inflation, prompting the Fed to act accordingly in December. The 2025 US dollar narrative remains driven by growth and yield divergence, amplified by tariff risks and the US's productivity edge over the rest of the world.

**Fed cuts rates and markets react sharply.** The Federal Reserve cut interest rates by 25bps, reducing the benchmark rate to 4.25% - 4.5%, but signalled a slower pace of easing in 2025. Policymakers projected only half a percentage point of cuts next year, citing concerns over persistent inflation, which they expect to remain above the 2% target. The decision sent the dollar soaring to a 2-Year high and triggered a sharp sell-off in US and global stocks, as markets adjusted to the Fed's cautious approach to further monetary easing. Fed Chair Jerome Powell emphasised a shift to "more cautious" policies as inflation moves sideways and risks to the labour market ease.

**BoJ signals policy shift amid falling yen.** The Bank of Japan's unexpectedly dovish December Monetary Policy Meeting indicates a preference for delaying and adopting a more gradual approach to monetary policy normalisation in 2025 compared to initial expectations. Markets are closely monitoring the potential for intervention, which could limit the continuation of the sharp USD/JPY rally observed following the Bank of Japan's decision.

**Banks embrace crypto as capital raising surges.** In December, cryptocurrency capital-raising activity accelerated, with over USD 13 bn in crypto-related convertible bonds issued throughout the year, most in the final quarter. Major Wall Street banks like Barclays, Citigroup, and JPMorgan expanded their involvement, underwriting significant deals for firms such as MicroStrategy and Core Scientific. This surge followed the US Securities and Exchange Commission's earlier approval of bitcoin exchange-traded funds, marking a pivotal shift in the crypto market. Despite reputational and legal risks, banks are drawn by substantial fees as crypto moves from the fringe to the mainstream.

**Brazil's fiscal woes send real to record lows.** Investor fears over Brazil's fiscal policy under President Lula have triggered a sharp sell-off in the Brazilian real, pushing it to an all-time low of BRL 6.289 per US dollar. Concerns over the country's growing debt and delays in implementing spending cuts have rattled markets, despite emergency central bank interventions and proposed tax reforms. Economists warn that without stronger fiscal discipline, inflation and borrowing costs could rise further, fuelling economic uncertainty.

**China holds rates steady.** China kept its benchmark lending rates unchanged, with the one-year loan prime rate at 3.10% and the five-year loan prime rate at 3.60%, as expected. While deflationary pressures and weak credit demand signal a need for more stimulus, a weakening renminbi and narrowing interest margins limit the scope for immediate easing. Analysts anticipate the People's Bank of China will adopt a more accommodative stance in 2025, with potential cuts to the reserve requirement ratio and lending rates to support economic growth.

Rosa Gutierrez Sandoval
Financial Markets Division

Deeper Dive

# Key Takeaways from COP29

Theresa Christina Noecker
Private Equity Division

*"COP29 is a moment of truth for the Paris Agreement. It will test our commitment to the multilateral climate system. We must now demonstrate that we are prepared to meet the goals we have set ourselves"*

– Mukhtar Babayev,
COP29 President-elect

*"It is unlikely that other countries would follow Trump if he pulled the US out of the Paris Agreement"*

– Laurence Tubiana,
Diplomat and economist

The COP29 summit, held in Baku from the 11th to the 22nd of November, emphasised the urgent need for global action on climate change. Building on the groundwork of COP28, the conference focused on climate finance and mitigation measures. Key outcomes included a historic agreement to triple climate finance to developing countries by 2030 and commitments to strengthen adaptation and resilience efforts globally.

Despite progress, the summit highlighted inadequate efforts to limit warming to 1.5°C, with many countries falling behind Paris Agreement targets. The call for bold action shaped negotiations, setting the course for global climate policy in the years ahead. However, the path forward revealed both progress and persistent challenges in global climate governance.

One of the major achievements of COP29 was the agreement to triple annual climate finance for developing nations to approximately USD 300 bn by 2035, with a broader goal of scaling finance to USD 1.3 tn annually. Nevertheless, disputes over mechanisms like the Loss and Damage Fund underscored frustrations from developing countries over delayed funding commitments and the urgent need for accessible financing.

The geopolitical landscape added further complexity. The return of Donald Trump to the US presidency led to a more subdued role for the US delegation, raising doubts about America's long-term climate commitments. In contrast, the European Union assumed a leadership position, advocating for stricter regulations and ambitious emissions reductions. Despite these efforts, progress was often tempered by geopolitical divides, reflecting the challenges of international climate cooperation.

Another key area of focus was sector-specific developments, particularly in carbon markets and renewable energy. Significant progress was made in advancing carbon market mechanisms under Article 6 of the Paris Agreement. Countries finalised frameworks for both country-to-country trading (Article 6.2) and the centralised carbon crediting system (Article 6.4), enabling more cost-effective and accessible emission reductions. These mechanisms present opportunities for investors, particularly in least-developed countries benefiting from capacity-building support and financial inflows.

The energy sector was also at the forefront of discussions. Efforts to transition from fossil fuels and triple renewable energy capacity gained momentum, aligning with the International Energy Agency's forecast of over USD 2 tn in clean energy investments for 2024. This growth highlights the potential for renewable energy projects and the increasing demand for ESG-aligned investment opportunities.

While COP29 delivered notable achievements, significant challenges remain on the path to effective global climate action. Disputes over climate finance obligations highlighted persistent inequalities. Additionally, the operationalisation of the Loss and Damage Fund is progressing slowly, leaving vulnerable countries without critical support. The weakened US leadership under Trump's presidency adds further uncertainty, raising concerns about delays in emissions reductions and slower progress in phasing out fossil fuels. The success of carbon market agreements, too, will depend on robust oversight and international collaboration to ensure equity and environmental integrity.

Looking ahead to COP30 in Belem, resolving these challenges will be crucial. Key areas of focus will include operationalising the Loss and Damage Fund, enhancing transparency in climate reporting, and advancing adaptation measures for least-developed countries. The submission of enhanced Nationally Determined Contributions (NDCs) will also determine whether the 1.5°C warming target remains achievable. While COP29 highlighted the complexities of global climate cooperation, its agreements offer a pathway to strengthen climate action and build resilience in vulnerable communities.

Theresa Christina Noecker
Private Equity Division

Macro Overview

# Economic Calendar

## Economic and Political Events

### Donald Trumps' Inauguration

On the 20th of January President-elect Donald Trump will be inaugurated at the US Capitol, marking the start of his term with traditional ceremonies and celebrations of the peaceful transfer of power.

### New US Congress

The 119th Congress convened on the 3rd of January, ushering in a new chapter in US politics with Republican majorities in both chambers, as President-elect Donald Trump prepares to take office and advance a bold legislative agenda despite narrow majorities and internal divisions.

### Economic Forum Davos

From the 20th to the 24th of January, political representatives, executives of global companies, and non-governmental organisations will gather in Davos for the World Economic Forum's Annual Meeting, themed "Collaboration for the Intelligent Age".

## Central Bank Decisions

### Fed Interest Rate Decision

The FOMC meeting will take place on 28th and 29th January. Following a rate cut in December, markets expect the Fed to hold interest rates steady at this meeting, with short-term rates projected to end 2025 close to 4%, down slightly from the current 4.25% - 4.5%.

### Bank of Japan Interest Rate Decision

The Bank of Japan's next policy meeting is set for the 23rd and 24th of January, with expectations of two rate hikes this year, potentially bringing the benchmark rate to 1% for the first time in three decades. While overall sentiment remains slightly dovish, it is not enough to rule out a rate increase in January.

### ECB Monetary Policy Decision

The European Central Bank's Governing Council will meet on the 30th of January, in Frankfurt, with expectations of a 25bps rate cut as inflation slows. Major financial institutions project further reductions throughout the year, potentially bringing the benchmark rate below the neutral range of 2% - 2.5%.

## Inflation and Deflation

### Update on US Inflation

December inflation data for the US will be published on the 15th of January. Inflation is expected to ease to 2.3%, remaining slightly above the Fed's 2% target. Economists remain optimistic about continued growth despite potential risks.

### Update on Eurozone Inflation

Eurozone inflation data for December, released on the 7th of January, showed a slight increase to 2.4%, with core inflation steady at 2.7%. The ECB is likely to cut rates again at its January 30th meeting, continuing its easing cycle after December's reduction to 3.00%.

### UK Consumer Price Index

YoY figures on consumer prices in the UK will be made public on the 15th of January. Forecasts suggest that inflation will remain above the Bank of England's 2% target throughout 2025, with an average rate of 2.6% projected for the year.

## Labour Market

### US Non-Farm Payrolls

On the 5th of January, the US Non-Farm Payrolls report for December was released alongside the unemployment rate. The US economy added 256,000 jobs and beat market forecasts of 200,000, while the unemployment rate fell by 1pp to 4.1%.

### UK Unemployment Rate

On the 21st of January, the UK announces its unemployment rate. The upcoming rate is expected to stay steady at 4.3%, supported by a resilient labour market and steady consumer demand.

### Eurozone Unemployment Data

The Eurozone unemployment rate was released on the 7th of January, holding steady at 6.3% despite market forecasts of 6.4%. The predicted rise was attributed to slowing economic growth across the region, impacting job creation.

Rosa Gutierrez Sandoval
Financial Markets Division

# Investment Banking

M&A

## Overall Activity

### Global

In December 2024, global M&A activity showed mixed dynamics across regions with aggregate deal volume increasing by 1.96% YoY and the number of transactions increasing by 11.56% YoY. The average transaction premium for December stood at 14.96%, coming in below its fourth quarter average of 20.16%. These developments largely reflect a general uptick in global dealmaking, underpinned by stabilising inflation and ongoing rate cuts by central banks. However, persistent geopolitical tensions and the upcoming change in the US administration continue to pose headwinds for global M&A activity. Nonetheless, December saw a substantial wave of large-scale M&A transactions, with Omnicom's takeover of Interpublic Group and Zalando's takeover of ABOUT YOU. The private equity and venture capital sectors also saw significant activity, with deals such as EQT and GIC's acquisition of Calisen and Arthur J. Gallagher's acquisition of AssuredPartners as well as record-sized funding rounds of Databricks and xAI Corp finding success in the current market environment.

### Selected Regions

#### North America

North America's M&A market saw a 4.12% MoM decrease in deal volume, reaching USD 143.1 bn. This dip in activity is likely attributable to the uncertainty surrounding potential policy changes under the Trump administration. At the same time, the Fed cut interest rates in December while signalling a slower pace of easing in 2025. Although overall deal volume declined, December still recorded a 6.72% MoM increase in deal count, reaching 1,557 deals.

#### EMEA

EMEA's M&A activity remained robust this month with deal volume surging by 31.33% MoM to USD 69.2 bn, reflecting improved market sentiment despite geopolitical tensions. Meanwhile, inflation has been declining faster than the ECB anticipated, placing it on track to meet its target by mid-2025. In turn, market participants expect further rate cuts throughout 2025. This trajectory is underscored by a 13.85% MoM increase in deal count, reaching 1,118 deals.

#### Asia

Asia's M&A market recorded the strongest increase in activity among all regions, with deal volume surging by 45.38% MoM to USD 88.5 bn. This upswing was partly driven by the Bank of Japan's announcement of a more gradual path to monetary policy normalisation in 2025. Meanwhile, the People's Bank of China is expected to adopt a similar stance in 2025. As a result, deal count rose by 34.20% MoM to 2,017 deals.

M&A

## Deals of the Month

| Announced Date | Target | Buyer | Target Region | Target Business | Value[1] (USD m) | Premium (%) |
|---|---|---|---|---|---|---|
| 09 Dec 24 | Interpublic Group of Companies | Omnicom Group | US | Communications | 15,915.52 | 20.38 |
| 09 Dec 24 | AssuredPartners | Arthur J Gallagher & Co | US | Insurance | 13,450.00 | - |
| 04 Dec 24 | ESR Group | Starwood Capital Group, Warburg Pincus, Qatar Holding, Sixth Street Partners, SSW Partners | HK | Real Estate | 9,381.14 | 17.17 |
| 11 Dec 24 | Resolution Life Group Holdings | Nippon Life Insurance Co | BM | Insurance | 8,200.00 | - |
| 17 Dec 24 | Married Quarters Estate/Annington Funding | United Kingdom of Great Britain & Northern Ireland Ministry of Defence | UK | Real Estate | 7,625.00 | - |
| 09 Dec 24 | Pactiv Evergreen | Novolex Holdings | US | Packaging | 6,859.32 | 37.15 |
| 23 Dec 24 | Nordstrom | El Puerto de Liverpool SAB de CV, Private Investor | US | Consumer Discretionary | 6,193.43 | 3.74 |
| 23 Dec 24 | AXA Investment Managers | BNP Paribas | IT | Financials | 5,302.98 | - |
| 02 Dec 24 | Kobenhavns Lufthavne | Kingdom of Denmark | DK | Aviation | 4,499.20 | - |
| 23 Dec 24 | Direct Line Insurance Group | Aviva | GB | Insurance | 4,373.36 | 16.54 |

Note: 1. Sum of the announced equity value and net debt.

Simon Steinbrech
Investment Banking Division

M&A: Top Deals

# Omnicom to Acquire Interpublic Group

On the 9th of December 2024, Omnicom Group Inc. announced the acquisition of The Interpublic Group of Companies Inc., for c. EUR 15.5 bn. The transaction is stock-for-stock, and Interpublic shareholders will receive 0.344 shares of Omnicom stock for each Interpublic common share they own. The transaction is expected to close in the second half of 2025.

## Buyer vs Seller

Both Omnicom and Interpublic are listed entities, with strong global presences and complementary strengths. Omnicom's focus has historically been on creative advertising, while Interpublic is known for its robust PR and digital media capabilities. Prior to Omnicom's offer, there were rumors of potential interest from other players, including WPP, though no formal bids materialised. PJT Partners is serving as financial advisor to Omnicom and Morgan Stanley is serving as financial advisor to Interpublic.

## Industry Overview

In 2024, the global advertising industry will exceed USD 1.0 tn in revenue for the first time, with tech leaders such as Google and Meta expected to capture more than half of the total revenue. GroupM forecasts expect further c. 7.7% growth in advertising revenue in 2025, with much of this expansion likely to benefit the biggest players in digital advertising within the US tech industry, rather than traditional advertising agencies or marketing service providers.

| Peers | Currency | Market Cap (CUR m) |
|---|---|---|
| Dentsu Group Inc | JPY | 973,359.60 |
| Hakuhodo DY Holdings Inc | JPY | 453,252.40 |
| Publicis Groupe SA | EUR | 25,685.50 |
| WPP PLC | GBP | 7,985.30 |
| Havas NV | EUR | 1,532.75 |

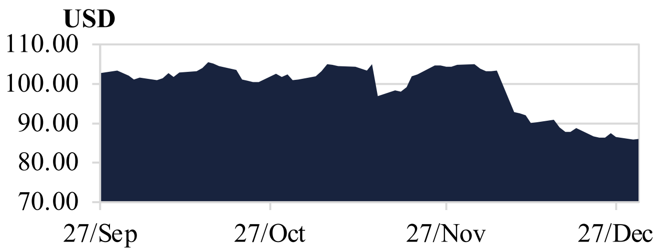
## Deal Rationale

With this acquisition, Omnicom demonstrates its deep understanding of the increasing significance of AI in the marketing industry. By acquiring Interpublic, Omnicom positions itself to establish a premier marketing and sales company. The combined entity will significantly enhance its ability to deliver comprehensive, full-funnel solutions. The transaction is expected to generate c. USD 750.0 m in annual cost synergies and be accretive to adjusted earnings per share for both Omnicom and Interpublic shareholders. The company will have a combined 2023 revenue of USD 25.6 bn.

## Market Reaction

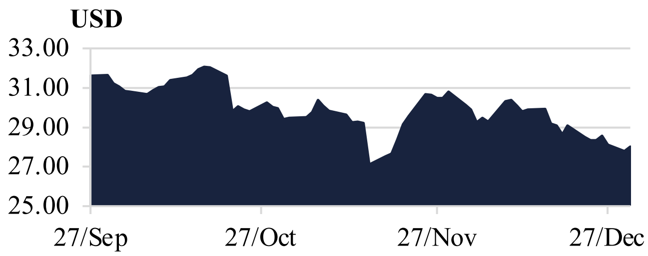
**Omnicom Group Inc.**

Following the announcement on the 9th of December 2024, Omnicom's shares dropped by c. 4.6% to USD 98.87 during intraday trading and have since dropped to USD 85.10.




**Interpublic Group of Companies Inc.**

Following the announcement on the 9th of December 2024, the company's shares surged by c. 10% to USD 32.96 during intraday trading and have since decreased to USD 27.99.




## Future Challenges

The deal is contingent on regulatory approvals, given the significant market share the merged entity would command. Antitrust concerns are likely to be a focal point, as the consolidation could limit competition. Risks include cannibalisation in overlapping markets, potential challenges in client retention, and heightened scrutiny in highly competitive sectors such as FMCG and automotive.

Anna-Lena Rost
Investment Banking Division

M&A: Top Deals

# Zalando to Acquire ABOUT YOU

On the 11th of December 2024, Zalando SE announced its acquisition of ABOUT YOU Holding SE. The deal is structured as an all-cash offer, funded from Zalando's existing cash capital resources. The offer price is EUR 6.50 per share, valuing the company at EUR 1.1 bn in total. The acquisition is expected to close in summer 2025, subject to customary regulatory approvals.

## Buyer vs Seller

Zalando, Europe's leading online fashion platform offers over 6,000 brands. ABOUT YOU, headquartered in Hamburg, Germany, serves over 12 m customers, notably partnering with celebrities and content creators to curate unique clothing collections. Both companies have previously collaborated on sustainability initiatives. Zalando is being advised by J.P. Morgan, while ABOUT YOU engaged Deutsche Bank for the transaction.

## Industry Overview

Europe's fashion market is on a strong growth trajectory with a projected CAGR of 8.14% from 2025 to 2029. This growth is expected to occur despite ongoing challenges such as inflation and supply-chain issues. The industry's growth is driven by the rapid expansion of e-commerce, increasing consumer demand for personalised experiences, and a significant shift toward sustainability. Online retail has already captured a substantial part of the market and is expected to grow further.

| Peers | Currency | Market Cap (CUR m) |
|---|---|---|
| Boozt AB | SEK | 7,962.55 |
| Revolve Group Inc | USD | 2,191.05 |
| Stitch Fix Inc | USD | 625.33 |
| ASOS PLC | GBP | 481.49 |
| boohoo Group PLC | GBP | 444.22 |

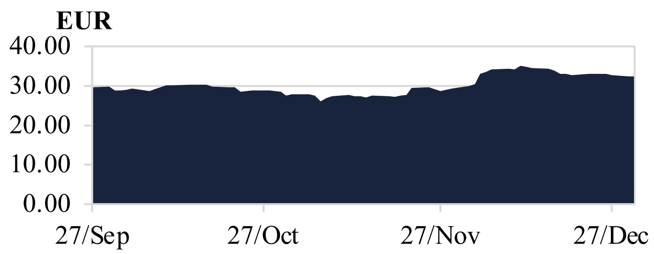
## Deal Rationale

The strategic business combination of Zalando and ABOUT YOU establishes a transformative e-commerce ecosystem in Europe's fashion market. Zalando's offer of EUR 6.50 per share represents a c. 107% premium to ABOUT YOU's three-month volume-weighted average share price. The combined entity is poised to achieve substantial synergies, targeting c. EUR 100.0 m in annual EBIT improvements. These synergies include revenue growth through complementary offerings and cost efficiencies through shared logistics, payments, and operational integration.

## Market Reaction

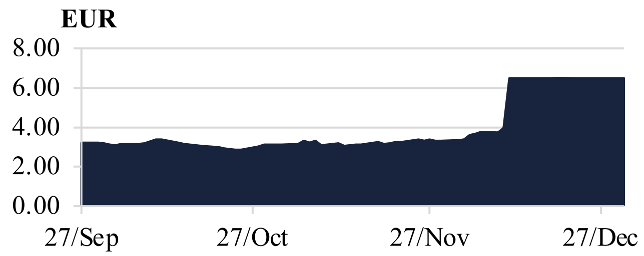
**Zalando SE**

Zalando's share price dropped from EUR 35.00 to EUR 30.26 as of the 9th of January 2025, amid short-term losses due to ABOUT YOU's negative profitability.




**ABOUT YOU Holding SE**

Following the announcement, ABOUT YOU's share price climbed from EUR 3.76 to EUR 6.48, reflecting significant investor confidence in the deal.




## Future Challenges

Completion of the deal is subject to customary regulatory clearances. As the two companies merge, they may encounter challenges such as overlapping customer bases leading to possible cannibalisation and intensified competition in an already crowded e-commerce sector. Looking ahead, the firm must carefully manage its brand positioning and leverage new synergies.

Leandra Borsch
Investment Banking Division

What Happened To

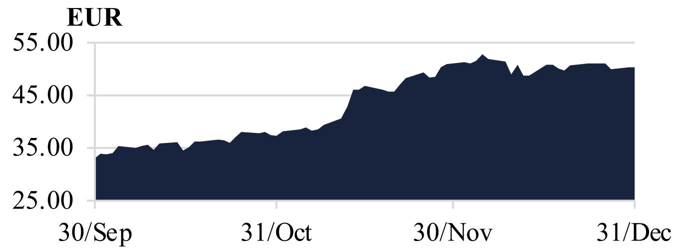
# Siemens Energy AG

Siemens Energy is a Germany-based publicly-traded company specialising in power generation, transmission, and renewable energy solutions. With around 98,000 employees across over 90 countries, the company is a global leader in sustainable energy innovation. The company delivers advanced technologies to support the transition to decarbonised global energy systems.

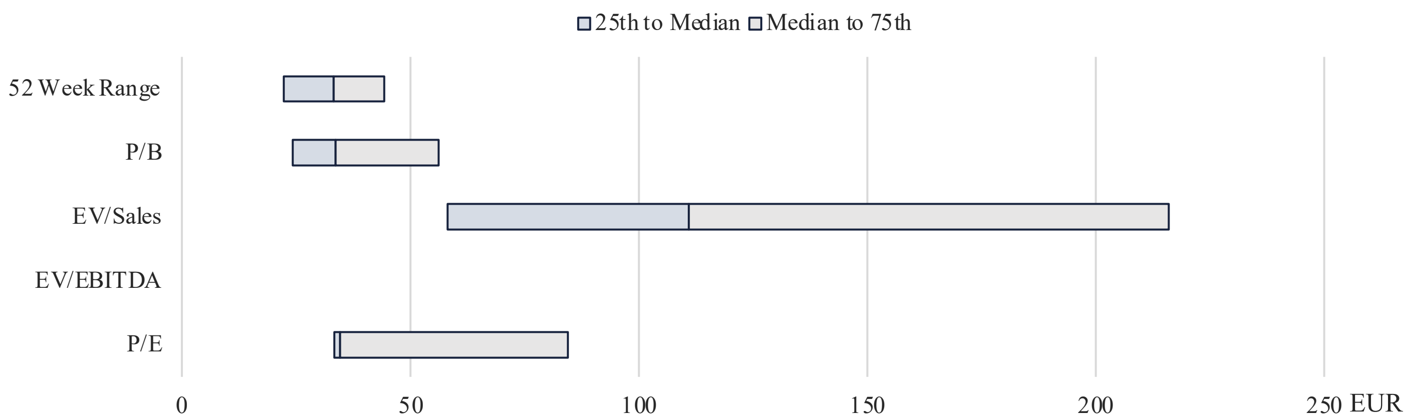
## Corporate News

In 2024, Siemens Energy demonstrated a significant financial turnaround, reporting a net income of EUR 1.3 bn, a remarkable recovery from previous losses. This strong performance was primarily driven by its Gas Services and Grid Technologies divisions, which capitalised on the growing demand for efficient energy infrastructure and advanced grid solutions amid the global energy transition. The company's strategic efforts to stabilise operations and improve profitability further boosted investor confidence. Key to this was Siemens Energy securing EUR 7.5 bn in German government guarantees in November 2023 as part of a larger support package of EUR 15.0 bn. The combination of these factors improved profitability in core divisions, proactive financial management, and a strong order backlog, which contributed to a sharp rise in Siemens Energy's stock price throughout 2024.

| **Price (31 Dec 24, EUR)** | **51.64** |
|---|---|
| Target Price (EUR) | 55.00 |
| 3M Performance | 56.34% |
| Market Cap (EUR m) | 41,276.35 |
| Enterprise Value (EUR m) | 39,055.35 |
| **Target Price is for 12 months* | |




## Valuation Analysis




The median target price in 2024 was around EUR 55.00. Siemens Energy's share price surged by c. 311% last year. At the end of trading in 2024, the share price stood at EUR 51.64, signalling continued investor confidence. Siemens Energy remains optimistic about its future, supported by a robust order backlog, government guarantees, and strategic initiatives aimed at capitalising on the global energy transition. The company's outlook appears positive, positioning it as a key player in sustainable energy solutions.

The energy sector is increasingly focused on renewable and sustainable solutions. Siemens Energy has strengthened its position through expansions in technologies and investments in renewable infrastructure. Supported by government guarantees and a robust order backlog, these strategic initiatives have positioned the company for sustainable growth and alignment with global decarbonisation goals.

| **Peers** | **Currency** | **Market Cap** (CUR m) |
|---|---|---|
| LS Electric Co | KRW | 5,409,000.00 |
| China First Heavy Industries | CNY | 18,653.17 |
| Huaming Power Equipment | CNY | 15,119.32 |
| Hangzhou Steam Turbine Power | HKD | 11,280.98 |
| American Superconductor Corp | USD | 1,071.75 |

Tim Schröder
Investment Banking Division

NIC's View On

# Databricks' Record-Breaking Series J

Lilly Baltruschat
Investment Banking Division

*"The company, I believe, will be a public company for the majority of its lifetime. And it's not if, it's a when. The absolute theoretically earliest we could do it would be next year, but we have some flexibility now. The thing that is top of mind for management and me is providing liquidity opportunities to the employees."*
– Ali Ghodsi, co-founder and CEO, Databricks

Databricks has emerged as a standout player in the AI ecosystem, capturing global attention with its impressive funding milestones. Despite a broader slowdown in venture investments, the company's ambitious strategies, robust valuation, and clear vision underscore how AI-focused businesses continue to thrive, even in cautious capital markets.

Databricks has completed its Series J at USD 10.0 bn, reaching a USD 62.0 bn post-money valuation, one of the largest funding rounds in 2024 and exceeding OpenAI's recent USD 6.6 bn raise. This 44.19% jump from Databricks' 2023 valuation of USD 43.0 bn elevates its standing among the most highly valued US startups next to OpenAI, SpaceX, and Stripe.

Joshua Kushner's Thrive Capital led the oversubscribed round, joined by Andreessen Horowitz, DST Global, GIC, Insight Partners, WCM Investment Management, and Ontario Teachers' Pension Plan. New investors included Iconiq Growth, MGX, Sands Capital, and Wellington Management, among others. Databricks plans to use this fresh capital for global expansion, AI product development, and targeted acquisitions while providing employees with substantial equity liquidity. Demonstrating its growth ambitions, the company spent close to USD 2.0 bn acquiring Tabular to outbid its direct competitor Snowflake.

Founded in 2013 and headquartered in San Francisco, Databricks specialises in data analytics and machine learning for large-scale data processing. It recently reported nearly 60% YoY revenue growth, anticipates positive free cash flow, and expects to hit a USD 3.0 bn revenue run rate by January.

The AI funding environment remains robust, regardless of the global dip in startup investments and widespread valuation pressures for unicorns. Databricks' latest achievement signifies a divergence in sentiment: leaders in generative AI and enterprise data continue to attract substantial funding. Notable 2024 raises include USD 6.0 bn for Elon Musk's xAI and USD 5.6 bn for Waymo, which focuses on autonomous vehicles. Although many venture firms remain cautious, financing for AI-powered startups has shown considerable resilience.

The wider venture ecosystem has been wrestling with a significant overhang of private capital, with an estimated USD 2.5 tn locked in unicorns struggling to exit at previous private valuations. Against this backdrop, Databricks' successful raise demonstrates that AI-focused companies with strong growth and profitability pathways can still secure large-scale funding rounds.

Market observers suggest Databricks could opt for an IPO by 2025, although management stresses that a near-term listing is not a necessity, given its newly secured liquidity.

By securing one of the largest funding rounds in 2024, Databricks underscores the optimism that continues to surround AI-led innovation. Its rapid growth, strategic acquisitions, and high-profile investor backing demonstrate how top-tier AI startups can flourish despite challenging market conditions. As Databricks considers a potential IPO, the company's trajectory will offer valuable insights into how next-generation technology firms can balance ambitious expansions with steady investor confidence.

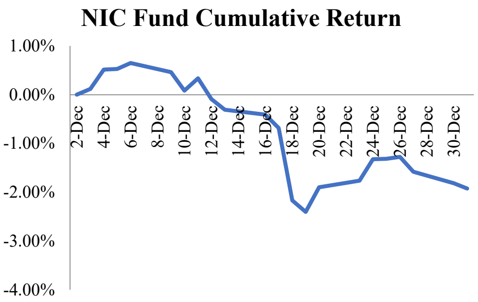
| Date | Recent News |
|---|---|
| 19 Dec 24 | Big bets on AI point to venture capital industry's shift<br>***Source:*** *ft.com* |
| 17 Dec 24 | Databricks Raises $10B In 2024's Largest Venture Funding Deal<br>***Source:*** *news.crunchbase.com* |
| 17 Sep 24 | AI startup Databricks hits $62 billion valuation in record VC round<br>***Source:*** *reuters.com* |
| 14 Aug 24 | Databricks reportedly paid $2 billion in Tabular acquisition<br>***Source:*** *techcrunch.com* |

Lilly Baltruschat
Investment Banking Division

# NIC Fund

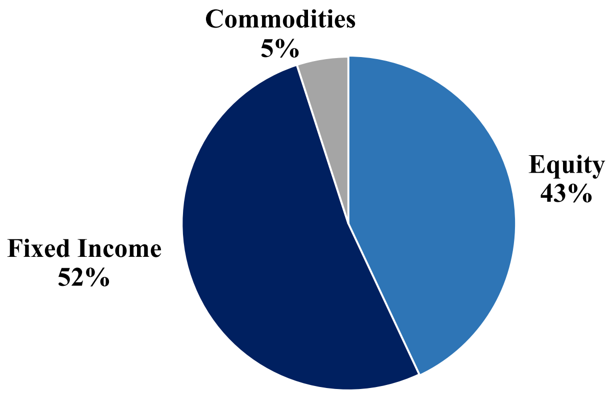
NIC Fund

## Portfolio Overview




**Portfolio Snapshot**

During the last month, the NIC Fund remained invested in Equities, Fixed Income and Commodities. Specifically, 43% of our fund remained devoted to Equities, 52% to Fixed Income and 5% Commodities. Concerning the Equity allocation, 55% was devoted to indices, with the remainder allocated to individual stocks using an equally weighted strategy.
Regarding Commodities, over half was allocated to Gold via the Goldman Sachs Physical Gold ETF.




**Portfolio Statistics**

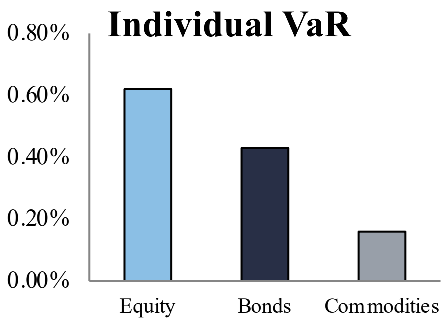
| | |
|---|---|
| Cumulative Return | -1.81% |
| Annualized Return | -21.72% |
| Daily St. Dev | 0.42% |
| Period St. Dev | 1.91% |
| Annualized St. Dev | 6.60% |
| Info Sharpe | -3.29 |
| Skew (Daily) | -1.52 |

**Benchmark**

| | |
|---|---|
| iShares 3-7 Year Treasury Bonds | 40% |
| SPDR S&P 500 ETF Trust | 40% |
| Invesco DB Commodity Index | 10% |
| iShares JP Morgan USD Emerging Markets Bond Index ETF | 10% |

**Return Metrics**

The overall performance of the portfolio was negative, with a cumulative return of -1.81%. The return contribution of each asset class was negative, with Equities and Fixed Income contributing declines of 1.22% and 0.59% respectively.
The Equity portfolio consisted of not only the MSCI World index fund and other ETFs but also 27 individual stocks such as Nvidia Corp. (NVDA US), MSCI (MSCI US), Advanced Micro Devices (AMD US) and Goldman Sachs Group (GS US). The top-performing stocks were Celestica and LVMH with returns of 8.38% and 6.08%, respectively, while CVS Health Corp had the poorest performance, with a return of -25.00%. The worst performing ETF was the Goldman Sachs Physical ETF with a return of -1.39% and the best performing ETF was the iShares 3-7 Year Treasury Bond ETF with a return of 0.25%




**Risk Metrics**

In terms of risk, our portfolio registered a daily VaR of 0.77%. As a result, this metric remained significantly below the maximum established threshold of 2.50%.

Equities were the asset class with the highest individual VaR, which was around 0.62%. On the other hand, Bonds and Commodities clearly lower VaRs of 0.43% and 0.16% respectively.

Peter Meszaros
Financial Markets Division

NIC Fund

# Assets in Brief

| Asset Class | Symbol | Comments |
|---|---|---|
| **US Equity** | **MELI** | Mercado Libre fell 14.34% in December due to a sharp depreciation in the Brazilian real, which hit a historic low due to market concerns over government spending despite significant central bank interventions. As Latin America's leading e-commerce platform, with 174.2 m users, Mercado Libre generates a substantial portion of its revenue in Brazil. The weaker real reduces the value of these earnings when converted to US dollars, driving the stock's decline. |
| **China Equity** | **BYD** | BYD set a new record for electric and hybrid vehicle sales in December, selling 514,809 vehicles and marking its third consecutive month with over 500,000 sales. This boosted its total annual sales by 41%, reaching 4.3 m vehicles. This strong performance resulted in the company's US-listed shares gaining 3.19% MoM. |
| **US Equity** | **AAPL** | On the 26th of December, shares in Apple reached a record high close of USD 259.02, and increased 5.52% MoM. This strong performance was driven by high demand for the iPhone 16. With an installed base of 1.5 bn iPhones, approximately 300 m devices were in an upgrade window, fuelling sales growth. Apple also began rolling out AI features for iPhones, starting with English-language markets, and plans to introduce the AI features in China by April. |
| **US Equity** | **GOOGL** | Alphabet shares reached an all-time high of USD 196.66 in December, driven by 35.51% stock growth YoY and a 12.04% increase MoM. This strong performance followed the company's unveiling of a quantum computing chip that it said can complete computations in less than five minutes which would take some of today's fastest supercomputers 10 septillion years. |
| **US Equity** | **UNH** | Shares of UnitedHealth Group fell 17.10% over the past month, following the murder of the CEO of its insurance division, Brian Thompson, on the 4th of December. While the stock initially rose after the incident, it sharply declined over the following two sessions. Thousands took to social media to criticise UnitedHealthcare's practices and voice broader frustrations with the healthcare system. Concerns about a potential government crackdown on pharmacy benefit managers further added to the downward pressure. |
| **EU Equity** | **NVO** | Novo Nordisk's stock dropped 19.46% MoM as late-stage trial results for the experimental weight-loss drug CagriSema fell short of expectations. The drug achieved a 22.7% weight reduction, below the 25% previously forecasted by the company. |
| **Commodity** | **DBC ETF** | The DBC tracks a basket of 14 commodities. The ETF fell by 3.43% over the past month, driven by a slump in prices of sugar, thanks to improving sugarcane crop prospects in the main producing countries. |
| **Commodity** | **Cocoa** | Cocoa futures prices surged 26.63% in December, capping a year-long rally resulting in a 178.24% gain YoY. Although production is expected to increase by 11% this year, it will likely not be sufficient to replenish depleted inventories |
| **US Treasury Bonds** | **IEI ETF** | The IEI invests in treasuries with maturities from 3-7 years. The ETF tumbled 1.35% in December. This decline was driven by the Fed meeting on the 18th of December, with Fed Chair Jerome Powell delivering a more hawkish message than expected. Yields on the US 5-Year Treasury rose 3.30% on the day of the meeting. |

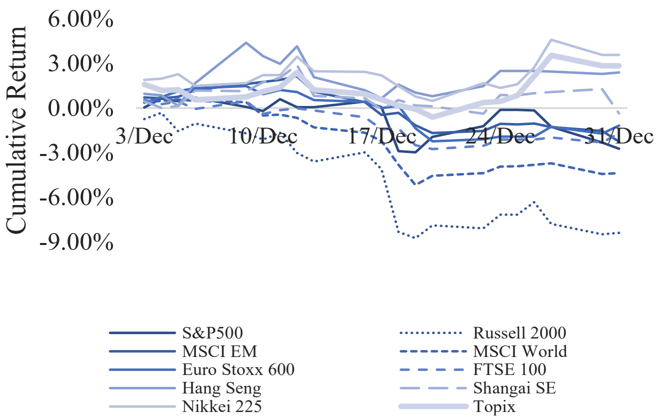
Peter Meszaros
Financial Markets Division

NIC Fund

# Equities

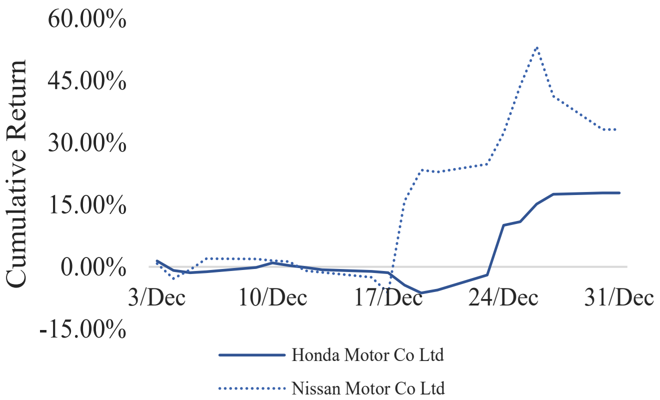
**World Equities**

A strong year for global equities ended with a sharp pullback as the MSCI World Index saw a 2.68% decline in December. US equities led the move, with all three major indices reacting strongly to the Federal Reserve Meeting on the 18th of December in which Fed Chair Jerome Powell projected only two 25bps rate cuts in 2025 and warned of persistently sticky inflation throughout the year. The benchmark S&P 500 Index fell 2.50% in December to close the year at USD 5,881.63, while the tech-heavy Nasdaq 100 Index remained steady, up 0.39% to USD 21,012.17, supported by strong performances from components of the "Magnificent 7". In contrast, the Dow Jones Industrial Average saw a more extreme selloff, shedding 5.27% to USD 42,544.22, reflecting heightened idiosyncratic risk due to its price-weighted structure. APAC equities ended the year on a strong note, with Japan's Nikkei 225 Index surging 4.41% in December to close the year at JPY 39,894.54. Hong Kong's Hang Seng Index rose 3.28% MoM to HKD 20,059.95, while China's Shanghai Composite rose by a modest 0.76% to CNY 3,351.76. European equities ended December in negative territory but outperformed their US counterparts. The region's benchmark STOXX Europe 600 Index edged down 0.52% to EUR 507.62. Meanwhile, the UK's FTSE 100 Index fell 1.38% in December to finish the year at GBP 8,173.02.



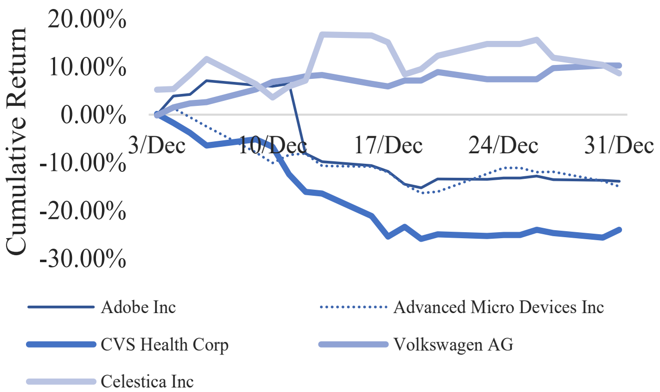

**In Depth: Honda and Nissan Unveil Merger Plans**

On the 23rd of December, Japanese carmakers Honda and Nissan signed a memorandum of understanding to explore a merger by 2026. The merger would create the world's third-largest auto group by vehicle sales, trailing only Toyota and Volkswagen. The plan envisions both parties coming together under a holding company listed on the Japanese exchange, with a current estimated market value of USD 54 bn, potentially rising to USD 58 bn if Mitsubishi Motors, an ally of Nissan, is included. The move aims to increase the companies' scale and allow the opportunity to share resources as they battle intensifying competition from more nimble Chinese competitors, such as BYD. Key uncertainties going forward include reaching an agreement on deal terms and whether Renault, with over one-third ownership of Nissan, will act as an obstacle.




**Our Performance**

In December, equities' contribution to the overall portfolio performance was negative, with a -1.22% cumulative return. CVS Health was the worst performer in our portfolio, declining by 25.00% in December, driven by Trump's plans to "knock out" drug-industry middlemen. AMD and Adobe added to the downward pressure, falling by 11.94% and 13.81% respectively in December. Equity performance was buoyed by Celestica, which saw an 8.38% increase MoM, and Volkswagen AG, which rose 10.49% amid a broader recovery in German auto manufacturers.

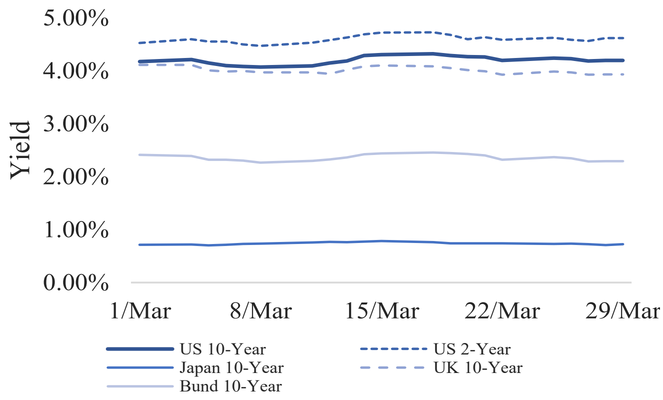



Adam Green
Financial Markets Division

NIC Fund
# Fixed Income

### World Yields

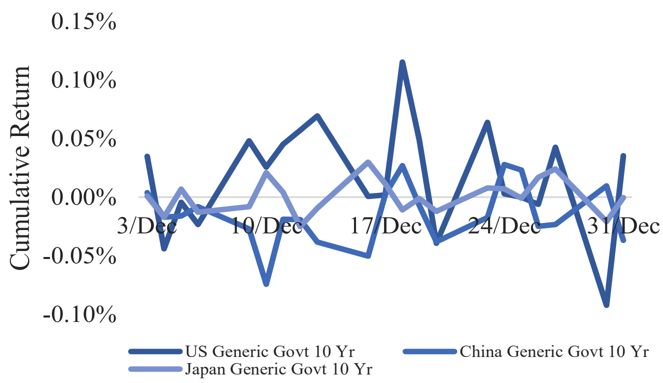
Just before year-end, on the 27th of December, the US 10-Year yield reached an 8-Month high of 4.63%, before closing the year at 4.57%. The spike was due to strong economic data and backed by the FOMC's minutes, signalling that rates should remain high in 2025. The US 2-Year Treasury yield gained 2.18% MoM, ending the year at 4.24%. Japan's 10-Year yield reached a 13-Year high of 1.11%, before edging slightly lower as the Bank of Japan hinted at policy adjustments. It ended the year at 1.09%. In Europe, the German 10-Year Bund yield finished the year at 2.36%, rising 13.33% in December, influenced by Eurozone inflationary concerns. The UK 10-Year Gilt yield surged 7.65% MoM to 4.56%, amid fears of stagflation and uncertainty surrounding the Bank of England's rate decision.




### In Depth: APAC Bond Yields

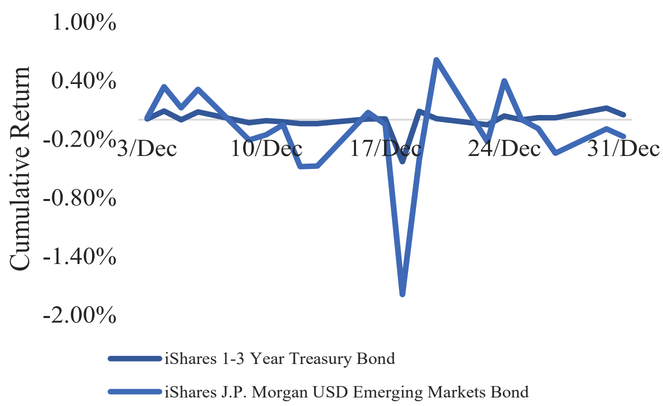
The yield gap between US and Chinese 10-Year bonds reached its widest level in over a decade in December, reflecting sharp economic divergences. China's 10-Year yield fell to a record low of 1.67%, driven by deflation concerns and Beijing's efforts to stimulate growth through monetary easing, while US yields rose to 4.63% amid expectations of aggressive fiscal measures under President-elect Trump. The gap highlights China's slowing economy and weakening renminbi, which faces pressure from trade tensions and potential devaluation to support exports, contrasting with the US inflationary outlook.

Japan, on the other hand, is set to face its largest supply of sovereign bonds in over a decade as the BoJ plans to significantly reduce its bond purchases, potentially causing market disruptions. The Finance Ministry is expected to maintain similar issuance levels for the fiscal year starting 1st of April 2025, but net supply will rise by 64% to JPY 61 tn due to reduced BoJ purchases and bond redemptions. This, combined with plans for future interest rate hikes to combat inflation, poses challenges for bondholders. While some strategists argue the market can absorb the increased supply, others warn that the supply-demand imbalance will drive yields higher, exacerbating losses in the bond market, which is already heading for its sixth consecutive year of declines. The Japanese 10-Year yield is forecast to rise to 1.32% by March 2026 from 1.09% at the end of 2024.




### Our Performance

Our benchmark fixed income fund, the SHY ETF, tracking 1-3 Year US Treasury Bonds, was down 0.41% MoM. In addition, the iShares JPMorgan USD Emerging Markets Bond ETF tumbled 3.37% in December.



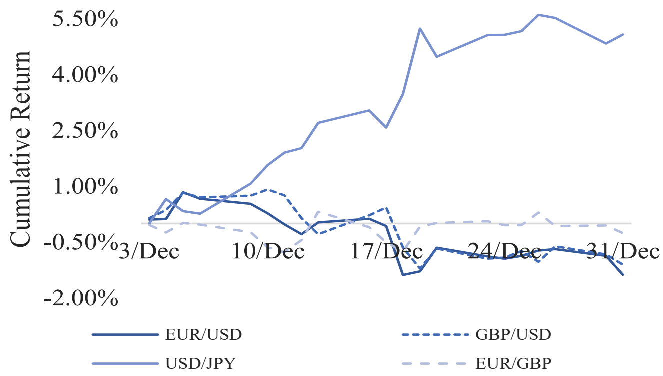

Benjamin Lonnen
Financial Markets Division

NIC Fund

# Currencies

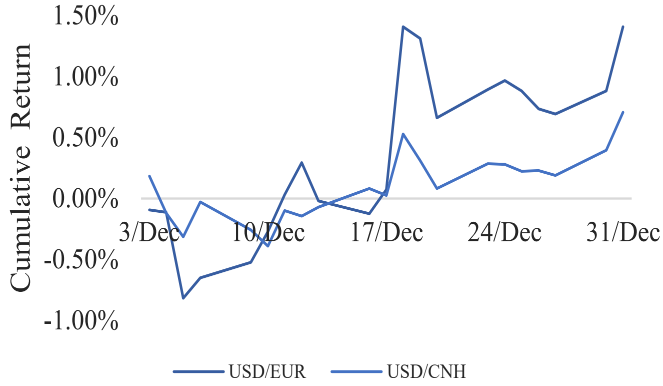
### World Currencies

In December, global currency markets saw notable developments, with the US dollar continuing to strengthen against major currencies. It appreciated 2.16% against the euro and 1.74% against the British pound. This strength was largely driven by the Federal Reserve's indication of a slowdown in its monetary easing plans for 2025, following a string of strong economic data and mounting concerns over inflation potentially remaining above the Fed’s 2% target. Meanwhile, both the euro and the British pound faced downward pressure due to weak economic data from the Eurozone and the UK, combined with dovish stances from the European Central Bank and the Bank of England. The Japanese yen showed significant weakness in December, following comments from Bank of Japan Governor Kazuo Ueda, who highlighted the need for further information on Japan’s wage growth and US policy under the Trump administration before considering a rate hike. As a result, the US dollar surged 4.96% against the yen MoM, driving USD/JPY to 157.20 at year-end.




### Outlook 2025

The recent strengthening of the US dollar has been closely tied to President-elect Donald Trump’s plans to impose tax cuts and harsh tariffs on many US trading partners alongside continued outperformance in the US economy. The euro, which had reached a peak of USD 1.1180 earlier in 2024, fell back to USD 1.0354 following Trump's electoral victory in November. Analysts caution that the dollar may remain strong in the near term but could face downward pressure if inflation expectations or interest rate differentials shift. UBS forecasts the euro-dollar exchange rate reaching USD 1.08 by March 2025 and USD 1.12 by December 2025, suggesting potential for euro recovery over the medium term. The US dollar has remained stable relative to the Chinese yuan, gaining 1.22% MoM to CNH 7.3379. Regarding the USD/CNH outlook, if China's economic challenges intensify, Chinese authorities may devalue the yuan to boost economic growth. This could drive USD/CNH above 7.37, potentially reaching 7.50 or higher in 2025.




### Our Performance

We currently hold no currency related assets in our portfolio.

Pascal Naumann
Financial Markets Division

NIC Fund

# Commodities

### December Round-Up

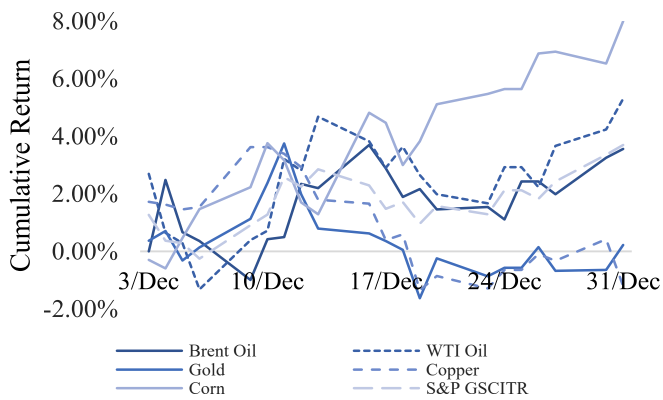
Brent crude oil prices rose by 2.33% in December to close the year at USD 74.64 per barrel. This uptick was driven by investor optimism surrounding consumption-boosting stimulus measures from the Chinese government which are expected to lift demand from the world's largest crude oil importer. Additional sanctions imposed on Russia by the European Union further supported the price rise, alongside reports that the US was considering similar actions. WTI crude oil followed a similar trend, rising by 5.47% MoM to close at USD 71.72 per barrel. Gold prices fell by 0.71% in December, ending the year at USD 2,624.50 per ounce. Prices slipped following the hawkish statement on US interest rates from Federal Reserve Chair Jerome Powell on the 18th of December. Copper prices also softened, falling by 1.32% to settle at USD 4.03 per pound. The strength of the US dollar added downward pressure on prices, compounded by a report from the International Copper Study Group revealing a 287,000 metric tonne surplus in the global refined copper market for the first ten months of 2024. Corn prices, on the other hand, gained 8.39% in December, ending the year at USD 4.58 per bushel. The increase came amid concerns over hot weather conditions in South America and heightened export demand, as indicated by data from the US Department of Agriculture.

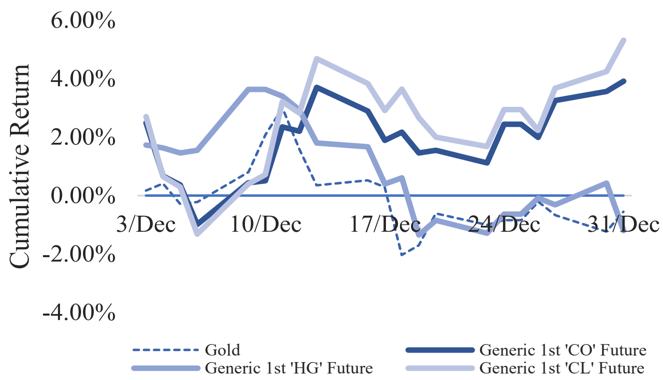
### Outlook 2025

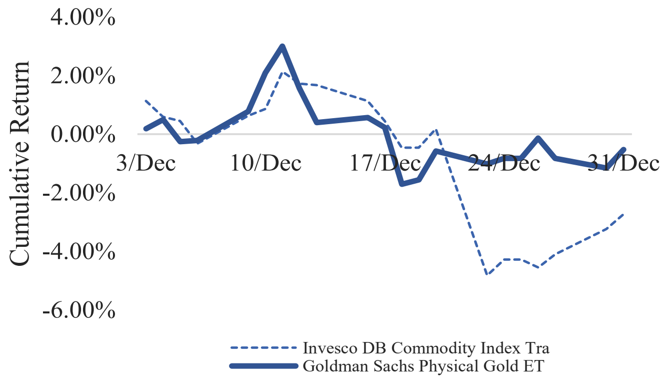
Shrinking crude stockpiles in the US, coupled with the prospect of stricter sanctions on Iran and Russia under the incoming Trump administration, may drive oil prices higher in the new year. However, ongoing concerns over sustained demand are likely to remain a significant headwind for the market. Gold is expected to continue serving as a diversifier in investment portfolios throughout the year, with heightened uncertainties expected over geopolitical issues, divergent decisions within the Federal Reserve and potential volatility introduced by Trump. Analysts at UBS forecast that while a strong US dollar and elevated US yields will act as headwinds in the first half of the year, these factors will be offset by diversification demand. This could push prices to USD 2,850 per ounce by year-end. Copper markets in 2025 will largely hinge on the pace of economic recovery in China. A slower-than-anticipated rebound could result in a balanced-to-slightly oversupplied market, as opposed to current expectations of a supply deficit. Additionally, an increase in copper supply from new mines is anticipated to contribute to a more balanced market in the new year.

### Our Performance

During December, the Goldman Sachs Physical Gold ETF declined by 1.39% while the Invesco DB Commodity Index dropped by 3.43%.




Pascal Naumann
Financial Markets Division

NIC
— Nova Investment Club —

# Private Equity

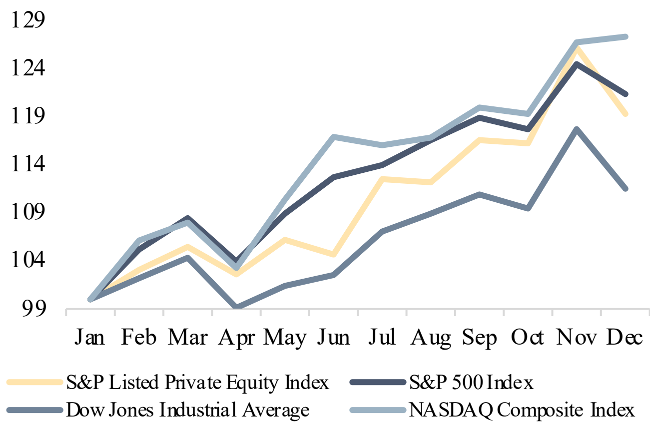
Transactions & Investments

## Overall Activity

### Global

**At a Glance**

In December, global private equity deal value reached USD 113.9 bn, a 48.79% increase compared to November. Overall, in 2024, the total private equity market achieved USD 1.1 tn, with 1,293 deals completed. The S&P Listed Private Equity Index posted a 19.28% return in 2024, underperforming the S&P 500 and NASDAQ Composite by 2.1pp and 8.07pp respectively, although beating Dow Jones by 7.76pp. Over the previous month, despite increased PE activity, the S&P Listed Private Equity Index fell by 5.5%. This may reflect concerns about the macroeconomic environment, the cost of financing, and the potential disconnect between increased activity and the realisation of value in the near term.




### Selected Regions

**North America**

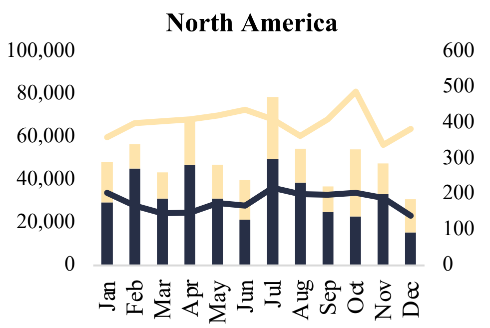
In 2024, the North American private equity market accounted for USD 604.3 bn or 55.05% of the global deal volume. In December, North American total private equity M&A deal value saw a 53.88% monthly decrease to USD 15.4 bn, contributing to only 23.86% of the monthly deal volume. PE investments, however, slightly increased to USD 15.5 bn. Key sectors driving activity in the region included Technology (54.12% of deal value), Energy (22.95%), and Real Estate (22.93%).

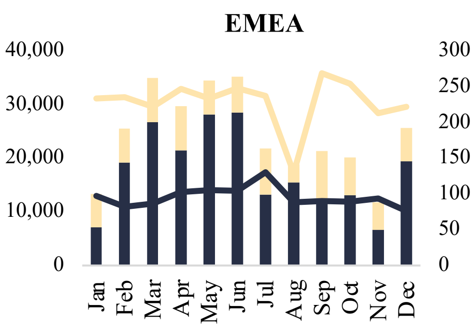
**EMEA**

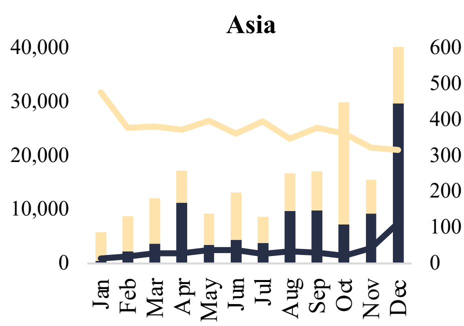
Private equity deal volume in EMEA reached USD 19.4 bn in December, increasing threefold compared to November. The financials sector became a major focus for private equity deals, which amounted to approximately USD 9.9 bn in December, mostly due to a USD 8.2 bn acquisition of Resolution Life Insurance. PE investments in the EMEA region reached about USD 6.2 bn, increasing by 19.54% MoM, with the UK and the Netherlands accounting for the highest volume.

**Asia**

Private equity deal volume in Asia reached a 2024 peak at USD 29.7 bn, with the deal count increasing proportionally to 113. South Korea and China were the dominant markets, accounting for 95% of all deal activity in the region. The primary focus area was the Financials sector, contributing to over half of the deal volume, followed by Real Estate (35%). Investments in the region also increased significantly, reaching a total volume of USD 17.1 bn this month with just 6 fewer deals.




M&A – Deals Volume | M&A – #Deals | Investments – Deals Volume | Investments – #Deals

Note: Summary of announced transactions.


Alexander Savinskiy
Private Equity Division

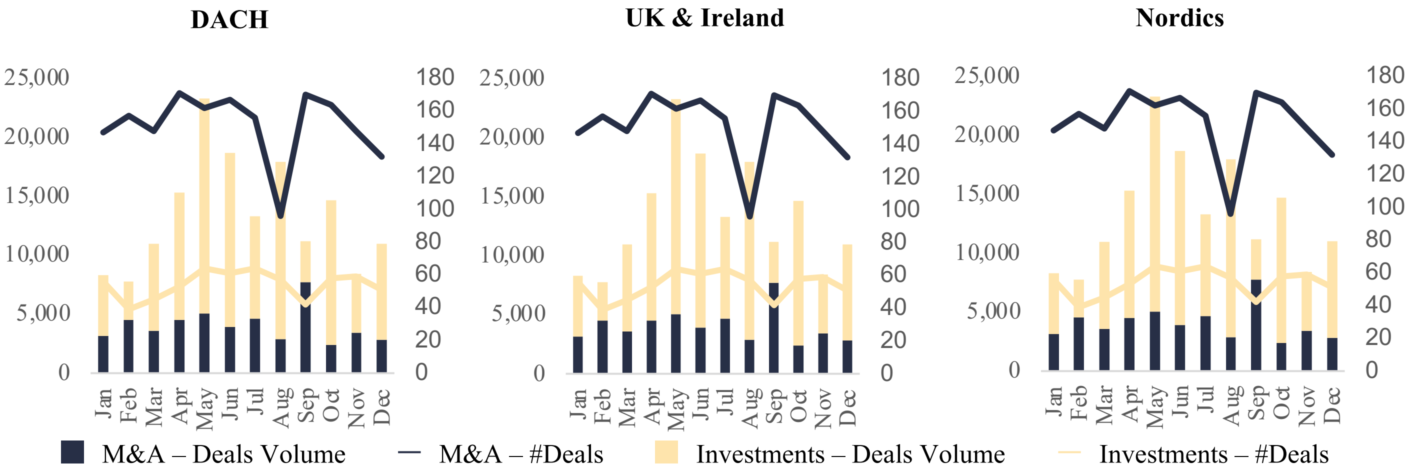
Transactions & Investments

# Europe Focus

## Overall European Activity

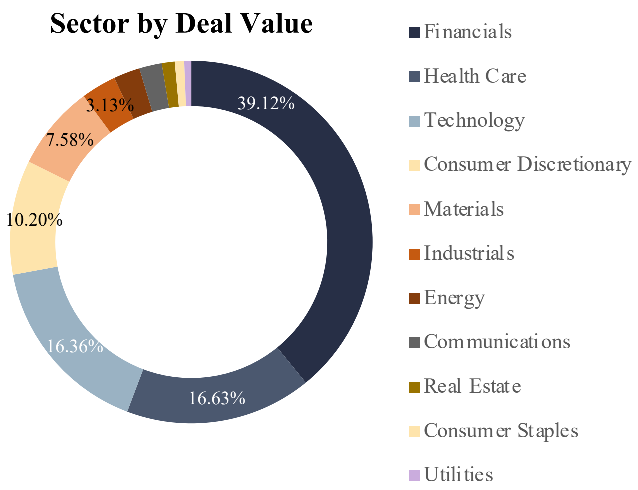
In December, the European private equity market recorded a total of 288 transactions, below the year-to-date monthly average of 313 deals. The total deal volume in Europe reached USD 25.0 bn, which is in line with the monthly average of USD 24.0 bn. Globally, there were 1,286 deals with a combined value of USD 113.9 bn, showing an increase in deal value. Typically, Europe accounts for approximately 25.16% of global private equity deal volume; however, in December, the region contributed only about 21.95% of the global volume, signaling a significant underperformance relative to the usual trend.
This difference suggests that Europe continues to face unique challenges this month, potentially influenced by persistent macroeconomic uncertainty and geopolitical headwinds. Despite these obstacles, certain areas remained active. For instance, five of the top fifteen largest deals took place in the technology sector, indicating high interest of private equity firms in companies belonging to this sector.
The largest technology transaction of the month was the cash-offer announcement of Valor Equity Management to acquire xAI Corp, a US company active in the field of artificial intelligence. This selective activity within specific sectors and regions underscores the caution with which private equity investors are approaching the European market, as many await more favourable conditions before committing to larger transactions.

## Selected European Regions




## Europe by Sectors

In December, private equity activity in Europe more than doubled in comparison to November, with investments spanning multiple sectors. The Financial sector accounted for the highest deal value (39.12%) among the different sectors with USD 9.8 bn. A key highlight in this sector was Valor Equity Management's investment in xAI Corporation of around USD 5 bn, highlighting a focus on artificial intelligence. The biggest deal this month was the company takeover of AssuredPartners by Arthur J. Gallagher & Co. for USD 13.5 bn. Another notable deal in the Energy sector was the acquisition of DCP GXC Pipeline by ArcLight Capital Partners for approximately USD 865 m. This acquisition demonstrated the high interest of investors in the Energy sector, as it is a critical asset for the economy.




Felix Schappacher
Private Equity Division

Transactions & Investments : Top Deals

# Deals & Transactions

BlackRock Acquired HPS

USD 12.1 bn

On the 3rd of December, BlackRock announced the acquisition of a majority stake in HPS Investment Partners in a USD 12.1 bn deal. This acquisition will deepen BlackRock's presence in private credit, with HPS managing over USD 100 bn in assets. The agreement highlights BlackRock's commitment to expanding its alternative business amid rising demand for private market investments.

Starwood Capital Group Acquiring ESR

USD 9.4 bn

On the 5th of December, a Starwood Capital-led group announced a USD 9.4 bn takeover bid for ESR Group. This acquisition would strengthen Starwood's presence in the logistics and real estate sector, with ESR specialising in modern logistics facilities across Asia-Pacific. The deal highlights growing investor interest in logistics assets amid rising e-commerce demand and supply chain transformations.

Valor, andreessen horowitz, Sequoia Invested in xAI

USD 6.1 bn

On the 24th of December, Elon Musk's xAI raised significant funds in a 6.1 bn round led by Valor Equity Partners, Sequoia Capital, and Andreessen Horowitz. Key investors like BlackRock and Fidelity and strategic companies such as NVIDIA and AMD participated as well. The funding highlights strong confidence in xAI's potential to drive innovation and compete in AI.

Patient Square Capital Acquiring Patterson Companies, Inc.

USD 3.4 bn

On the 11th of December, Patterson Companies announced the acquisition by Patient Square Capital in a deal valued at USD 4.1 bn. This acquisition enhances Patient Square's focus on healthcare investments, with Patterson specialising in dental and veterinary supplies. The transaction reflects growing investor interest in healthcare-related sectors driven by increasing demand for specialised medical and animal care services.

Hahn & Company Acquiring SK

USD 2.4 bn

On the 24th of December, Hahn & Co. announced the acquisition of SK Group's specialty gas unit in a deal valued at approximately USD 2.4 bn. The acquisition strengthens Hahn's position in the advanced materials and industrial gases sector, leveraging SK's expertise in supplying high-purity gases critical for semiconductors.

General Atlantic Acquiring ltg learning technologies group

USD 1.0 bn

On the 4th of December, the UK's Learning Technologies Group agreed to a USD 1.0 bn buyout by General Atlantic. The deal is supported by co-investors such as Blackstone and TPG. This acquisition aims to accelerate Learning Technologies' growth in digital learning solutions, leveraging General Atlantic's expertise in scaling technology-driven businesses.

Lorenzo Maria Lucicesare
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Transactions & Investments: Deep Dive

# EQT and GIC acquire Calisen

On the 5th of December, EQT and Singapore's sovereign wealth fund, GIC, finalised their acquisition of Calisen, a leading UK smart meter provider, in a transaction valued at c. USD 5 bn. This transformative deal underscores the growing trend of private equity investments targeting sustainable infrastructure amid the energy transition.

## Buyer vs Target

EQT, one of Europe's largest private equity firms, and GIC, Singapore's premier sovereign wealth fund, bring a combined expertise in scaling sustainable businesses. EQT has been actively expanding its portfolio in the green energy sector, while GIC continues to focus on resilient assets with long-term growth potential. Calisen, headquartered in Manchester, manages over 12 m smart meters across the UK, playing a pivotal role in the country's transition to net-zero carbon emissions.

## Industry Overview

The global smart meter market is projected to grow at a compound annual growth rate of c. 7.5% from 2023 to 2030, driven by increased regulatory support and advancements in energy efficiency technologies. In the UK, adoption rates have surged as utilities seek to enhance grid reliability and lower emissions. Calisen's leadership in metering technology, coupled with its expansion into EV charging infrastructure, positions it to benefit significantly from these market trends. Rising energy costs and consumer demand for renewable energy solutions have further bolstered the sector's appeal to private equity investors, as evidenced by recent transactions in the energy infrastructure space. This acquisition aligns with the UK government's push for broader smart meter adoption, targeting 100% coverage by 2030.

| Date | Buyer | Target | Currency | Total Value (m) |
|---|---|---|---|---|
| 17/05/2022 | KKR | ContourGlobal | USD | 2,200 |
| 08/03/2022 | Macquarie Group | Reden Solar | USD | 2,700 |
| 26/01/2022 | Brookfield Renewable | Urban Grid | USD | 650 |
| 17/09/2021 | I Squared | GTT Communications | USD | 2,150 |

## Deal Rationale

This acquisition underscores EQT and GIC's shared commitment to supporting the energy transition, with a clear focus on building sustainable infrastructure. By leveraging EQT's operational expertise in scaling businesses and GIC's financial strength and long-term investment horizon, Calisen aims to accelerate its growth in the UK and expand into international markets, particularly in regions experiencing rapid energy infrastructure modernisation. A key deal component is Calisen's potential to drive revenue diversification by entering complementary sectors such as EV charging, battery storage solutions, and renewable energy integration. The company's existing partnerships with major UK utility providers serve as a foundation for future growth, offering stable, predictable cash flows in a volatile macroeconomic environment. The acquisition also positions EQT and GIC to capitalise on the global shift toward distributed energy systems, which are critical for achieving net-zero carbon targets. Furthermore, Calisen's focus on innovative technologies, such as advanced data analytics to optimise energy consumption, enhances its competitiveness.

## Future Challenges

While the outlook for Calisen is promising, challenges remain. Supply chain constraints, rising input costs, and regulatory hurdles could impact the company's ability to meet ambitious expansion goals. Additionally, fierce competition from global metering technology providers may require sustained investment in R&D to maintain its market leadership. Nonetheless, EQT and GIC's strategic backing is expected to provide the resources and expertise needed to overcome these hurdles. With a growing emphasis on renewable energy integration, Calisen is well-positioned to capture a significant share of the burgeoning energy infrastructure market.

Selamawit Asegid
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Transactions & Investments: Deep Dive

# Gallagher Acquires AssuredPartners

Arthur J. Gallagher & Co. has announced the acquisition of AssuredPartners, a US-based insurance broker, in an all-cash transaction valued at USD 13.5 bn. The deal is expected to close in early 2025, with Gallagher aiming to strengthen its position in the US middle-market property and casualty and employee benefits business.

## Buyer vs Target

Gallagher is a global leader in insurance brokerage and risk management with a market cap of USD 69.1 bn, operating in 130 countries. AssuredPartners was founded in 2011 and re-acquired by GTCR from Apax, who retained a minority stake in the company. It is now one of the largest insurance brokers in the US, with approximately 400 offices in the US, UK, and Ireland and USD 2.9 bn in annual adjusted revenue as of September 2024. The acquisition adds over 10,900 employees to Gallagher's team.

## Industry Overview

This strategic acquisition, that promises to grow Gallagher's adjusted profit by double digits, joins the ranks of high-value insurance broker deals in the middle-market segment. It is the third major insurance broker deal over USD 5 bn announced in the last 12 months. Insurance brokers have seen revenues rise as inflation drove up the prices of high-value assets like homes and automobiles, leading to higher fees. As of Q3 2024, there have been 406 announced M&A insurance brokerage transactions in the US. Over the past four years, private equity-backed buyers have consistently accounted for more than 70% of US transactions. Conversely, bank-led acquisitions have declined, dropping from eighteen deals in 2022 to nine in 2023 – an all-time low. In the first three quarters of the year, the top ten buyers accounted for 50.74% of all announced transactions, with the top three (BroadStreet Partners, Inszone Insurance, and Hub International) making up 26.85% of the total.

| Date | Buyer | Target | Currency | Total Value (m) |
|---|---|---|---|---|
| 30/09/2024 | Marsh McLennan | McGriff Insurance Services | USD | 7,750 |
| 20/12/2023 | Aon | NFP | USD | 13,400 |
| 29/11/2023 | KKR & Co. Inc. | Global Atlantic Financial Group Ltd | USD | 2,700 |
| 16/02/2023 | Stone Point Capital LLC, Mubadala Investment Co. PJSC | Truist Insurance Holdings | USD | 1,950 |

## Deal Rationale

Private equity firm GTCR named the deal the largest sale of a US insurance broker to a strategic acquirer in the industry's history. The acquisition reflects Gallagher's strategy to deepen its middle-market presence, enhance specialty practice groups, and drive operational efficiencies. By leveraging Gallagher's data and analytics expertise alongside AssuredPartners' client base, the deal is expected to deliver c. USD 160 m in synergies and double-digit EPS accretion, supported by a c. USD 1 bn deferred tax asset. The acquisition expands Gallagher's middle-market property/casualty and employee benefits focus in the US, strengthens niche practices in transportation, energy, and healthcare, and adds scale in the UK and Ireland. It also supports Gallagher's tuck-in M&A strategy and creates opportunities for wholesale, reinsurance, and claims businesses. Additionally, this acquisition allows Gallagher to address evolving client demands and better compete with insurtech disruptors. With aligned entrepreneurial cultures and experienced leadership, the combined entity is positioned for long-term growth in a competitive market.

## Future Challenges

The integration of AssuredPartners will require c. USD 500 m in costs over three years, including c. USD 200 m in retention awards. Gallagher must address operational complexities, such as legacy systems and fragmented processes, to realise the projected synergies. Balancing standardisation and localised service will be critical for maintaining a consistent client experience. Consolidating operations while navigating rising costs and macroeconomic uncertainties adds pressure. Success in the market depends on executing a robust integration strategy and aligning organisational cultures to maximise long-term value.

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# Thank you!

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