

Corporate Advisory Newsletter

Q4 2023

A Clear Focus on ESG



Finbarr Griffin
Head of Corporate Advisory

As Head of Corporate Advisory, Finbarr is responsible for developing the overall strategy for Corporate Advisory within Goodbody's Investment Banking division. The Corporate Advisory team comprises over 30 senior financiers and advisers based in Dublin and London who work collaboratively as one unit.

ESG has been a key focus for Goodbody in recent years. In 2022, we appointed Aidan O'Mahony as Head of ESG Advisory. Aidan joined us from AIB where he led the development of AIB Group's green and social bond frameworks and the resulting issuances, giving him unique experience in the Irish market, with AIB being the only corporate entity in Ireland to have green and social bond programmes. Aidan's focus has been on helping clients understand and access sustainable finance in all its forms, but with a particular focus on debt and bond markets. See page 3 for the AIB Green Senior Hold Co case study.

We wanted to build on this expertise and expand our ESG offering, so in September 2023, Goodbody acquired Clearstream Solutions – a leading Irish ESG advisory specialist. The business was founded in 2009 by Brian O'Kennedy. Brian will continue to run

the business under its new name Goodbody Clearstream and join the Corporate Advisory senior management team.

Brian and his team have deep, practical knowledge and expertise across many sectors. The team is made up of 18 sustainability experts, with the ambition to grow in the near term. Goodbody Clearstream is focussed on four business verticals: Climate & Carbon Management, Responsible Business ESG Strategy & Reporting, Responsible Sourcing & Circular Economy, and lastly, Sustainability Learning & Development. They have over 150 local and international clients, advising both private businesses and publicly listed companies. Goodbody Clearstream holds the secretariate position for the CDP Ireland Network and is a member of the Global Reporting Initiative (GRI) and has many key delivery partners such as Enterprise Ireland, Dublin Chamber, Verego and ECO3.

This acquisition is an important strategic step for Goodbody, as demand for sustainable financing continues to grow, having in-house capability and expertise of this team's calibre will add significant value for our corporate clients.

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Market Update

Against the background of rising interest rates, geopolitical tensions and recession fears, 2023 was a particularly weak year in terms of IPOs and M&A transactions. However, the second half of 2023 has seen signs of recovery with market indices recording significant increases in November, positioning 2024 as a year for recovery in the IPO market. Similarly, we expect an upturn in M&A transactions in 2024 against the background of an abundance of available capital and a convergence in price expectations.

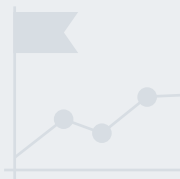
On the M&A front, there was a positive uptick in Irish transaction values. Mergermarket data shows that there were 101 M&A transactions announced in Ireland in Q3 2023 (where the target, acquirer or seller were Irish) with total disclosed value of €5.3bn. The largest of these was global aircraft lessor Avilease on its agreement to acquire financial institution Standard Chartered's aircraft leasing business, which includes Dublin-based Pembroke Group and the deal value was €3.3bn. Transaction values in the same period last year were significantly lower at €1.1bn.

In the UK, there were 634 transactions announced in Q3 2023 (where the target, acquirer or seller were British) with a total disclosed value of £33.3bn. Some of the larger transactions included Danaher Corp's acquisition of Abcam Plc valued at approx. £4.5bn and the acquisition of Fortius Ltd by GTCR Golder Rauner for approx. £1.5bn. Deal volumes in the same period in 2022 were 707 with total disclosed values of £80.1bn, skewed by £26.6bn acquisition of Haleson PLC, £7.5bn acquisition of Avalara Inc, and £5.1bn acquisition of Micro Focus International Ltd.

Data from the London Stock Exchange shows there were 5 IPOs in the UK market in Q3 2023, raising new capital of approx. £359.8m, compared with 8 IPOs in the same period last year raising capital of £565.5m. The largest IPO to come to market was CAB Payments which raised £291.5m



IPO and M&A Recap



UK IPOs Q3 2023

5 IPOs

£359.8m of new capital

UK IPOs Q3 2022

8 IPOs

£565.5m of new capital



Irish M&A Q3 2023

101 deals

€5.3bn value

Irish M&A Q3 2022

104 deals

€1.1bn value



UK M&A Q3 2023

634 deals

£33.3bn

UK M&A Q3 2022

707 deals

£80.1bn



Source: Mergermarket, UK Stock Exchange

Case Study:

AIB Green Senior Hold Co

Goodbody acted as a Joint Lead Manager and ESG Advisor on AIB's 5th Green Bond Offering - this is the 7th ESG bond that AIB have issued. This was led by Aidan O'Mahony, Head of ESG Advisory at Goodbody.

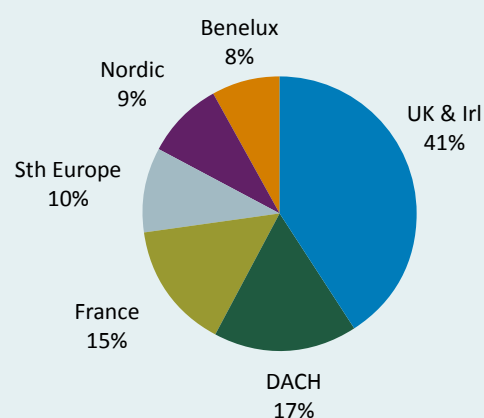
Transaction Highlights:

- Goodbody was mandated to act as **Joint Lead Manager for AIB** on their 1st Green Senior Hold Co for 2023.
- Goodbody worked as part of the syndicate alongside BNP Paribas, ING Group, JP Morgan, NatWest Markets and TD Securities.
- Along with the duties associated with being a Joint Lead Manager, **Goodbody was also the ESG Advisor** on the transaction.
- The guidance announced for the transaction was **MS +225bps**. Given the demand and oversubscription the books closed mid-morning and the transaction launched at **MS +200bps**.
- The transaction closed with a **final book size of €1.5bn**. Over **109 accounts** were involved **from over 19 countries** and there was minimal attrition on final price tightening.
- There was strong participation from **ESG investors who constituted circa 65% of the book**. Of that ESG cohort we estimate **32% found its way into 'Dark Green' investors** (the most committed green investors).
- **The bonds traded post transaction at MS +195bps** with little investor churn given the high-quality book.

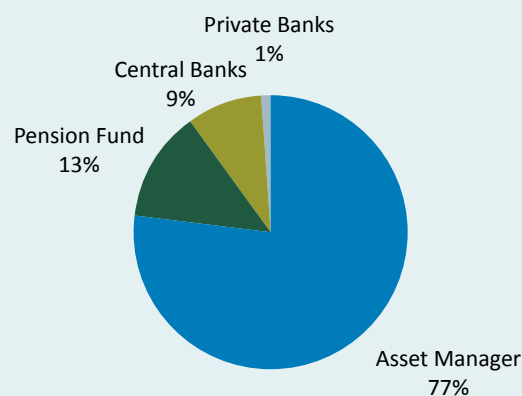
Transaction terms:

Issuer	AIB Group plc
Launch/ Pricing	16 October 2023
Instrument	Green Senior HoldCo
Listing	Dublin Euronext
Format	Reg S
Tenor	8NC7
Rating	A3 (Moodys) BBB (S&P)

Geographic Distribution:



Investor Type Distribution:



Size	€750m
Issue price	99.543
Coupon	5.25%
IPT Pricing	MS +225bps area
Demand	€1.5bn
No. of institutions	109
Pricing	MS +200bps
Goodbody role	Joint Lead Manager

Interview with Brian O’Kennedy Head of Goodbody Clearstream



Brian, tell us about the Goodbody Clearstream team.

We been in business for over 15 years and our team is currently serving over 150 local and international clients including PLCs, leading private and semi-state companies across a range of sustainability and ESG related topics. We have built a strong reputation for providing practical expert sustainability advice and solutions, modestly describing ourselves as Ireland’s leading ESG advisory firm! The current team of 18 expert sustainability practitioners has grown rapidly over the past four years and we are continuing to add to that expert pool as we develop our service offering. Our solutions are focussed on four business verticals; Climate & Carbon Management, Responsible Business ESG Strategy & Reporting, Responsible Sourcing & Circular Economy, and Sustainability Learning & Development.

What does it the Goodbody acquisition mean for the business?

Our clients are increasingly interested in what investments and financial strategies they will need to deploy to drive sustainability in their businesses. With the backing of Goodbody, we will be well-placed to offer both a strategic and a financial perspective on the benefits and opportunities of sustainability investment. Capital will be required to drive the next wave of the climate transition. The combination of the expertise of Goodbody and Clearstream should provide an attractive proposition for our clients. It also gives us the support and resources of a leading Irish advisory firm as we continue to grow and accelerate our positive ESG impact.

What are some of the key ESG trends and challenges you see clients focussing on in the current market?

Our work over the past 4-5 years has largely been focussed on helping our customers to develop their ESG and decarbonisation strategies, setting climate and sustainability targets, such as Science-Based Targets (SBTi) and UN Sustainable Development Goals (UN SDGs). As we look to the future, it is clear that mandatory EU ESG reporting legislation has focussed the minds of many senior leadership teams. This has served to move the sustainability conversation from the back office to the boardroom. We know we’re making progress when the CEO, CFO and the Board are in the room asking about how they need to plan to integrate ESG into all aspects of their businesses, and budget for it too. ESG performance is a competitive space, and we see an increasing number of companies understand that their sustainability performance will help them compete for finance, people and new business.

How do you see the ESG landscape evolving in the future? What are some things businesses may not be aware are coming down the tracks?

While sustainability strategies, target setting and reporting have been the hot topics over the past few years, the big issues we see coming down the

track are going to be more linked with action, impact, and transparency. Auditing of ESG data will require significant additional focus and rigour on the topic from the C-suite and Board Members. Directors will also be required to deliver and sign off on Environmental and Human Rights due diligence in their value chains, something that most businesses to date have been able to largely ignore. And companies will have to provide details of their Climate Transition plans, including ambition, risk and costed decarbonisation strategies aligned with maintaining temperature rise below the 1.5 degrees Celsius global warming as outlined in the Paris Agreement. There will also be a wider focus on the impact business has on nature and biodiversity.

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Can you tell us about a particularly rewarding project you’ve worked on?

The most rewarding part of our job is when we get to see the impact some of our sustainability and climate strategies being put into action and delivering more sustainable outcomes for our clients and the planet. Personally, I have a strong interest in the circular economy and responsible sourcing projects. I’m particularly proud of the food waste calculator we recently built for the charity Food Cloud.

With COP28 currently taking place, what would you like to see come out of it?

We need to urgently move on from the setting of climate targets and long-term ambition, to real practical action. Ambition to get to Net Zero is all very well, but we need to see governments and financial markets mobilise to provide the incentives and motivation for business to deliver on these commitments. We need governments to reward organisations that decarbonise with more business, investment and supports, and at the same time, we need to send a clear message to the market that burning fossil fuels will be very expensive and largely unacceptable in developed economies. And we need to invest in renewables to fund a ‘just transition’ in the developing world.

Describe your team in three words?

Purpose-driven, Committed, Talented.

Want to talk to us?

For more information on our corporate advisory capabilities, please contact us using the details below and a member of our team will be in touch.

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