AozoraStep

UK Equity Turnarounds & Special Situations

Love the business we invest in, but don’t fall in love with the business

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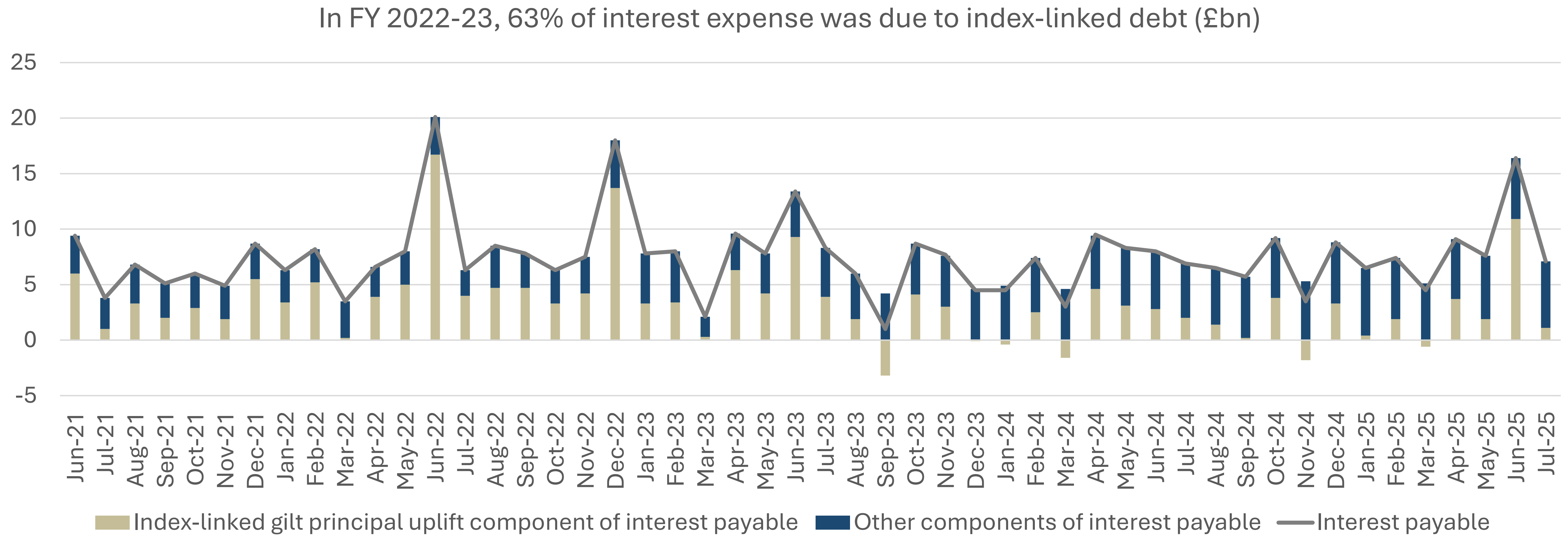
This slide deck is accompanied by a webinar. You can access the webinar via the following link: https://coherra.beestreamed.com/event?id=Np1Nn5Jm3Dg0

STRUCTURAL HEADWINDS FOR THE UK

25% of UK government debt is inflation linked*

Mortgages are generally 2yr or 5yr fixed rate length**



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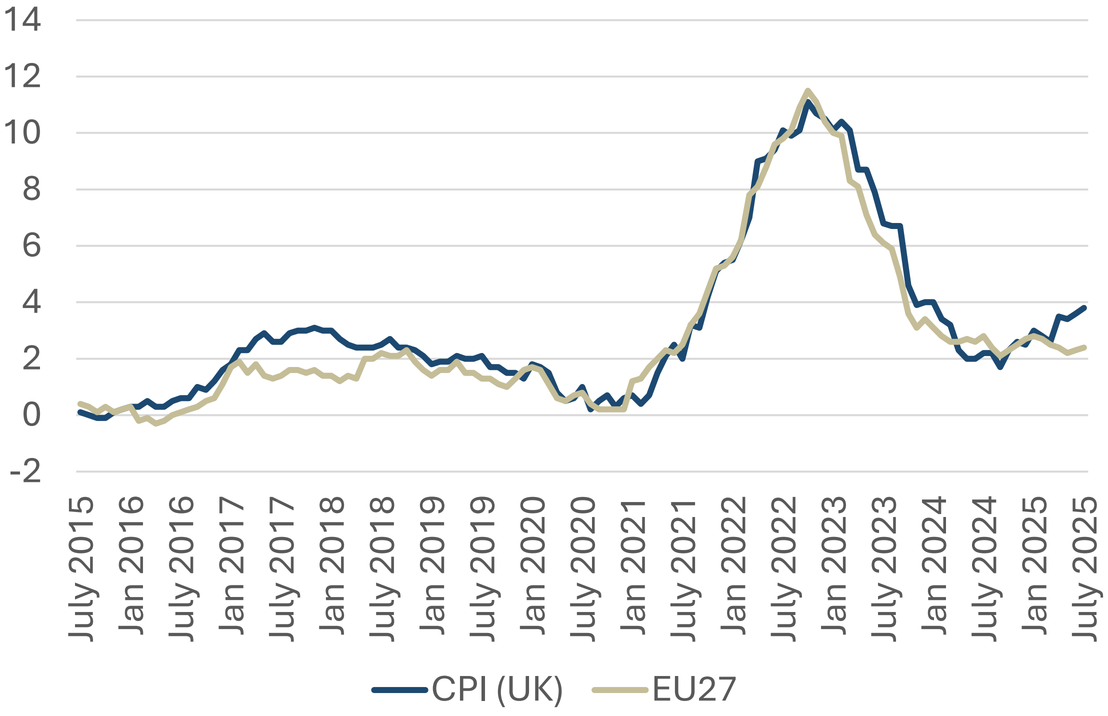
Source: https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/june2023, https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/july2025, *https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D1A, **https://www.fca.org.uk/publication/research/switching-in-the-mortgage-market-update-august-2022.pdf

STRUCTURAL TAILWINDS FOR THE UK

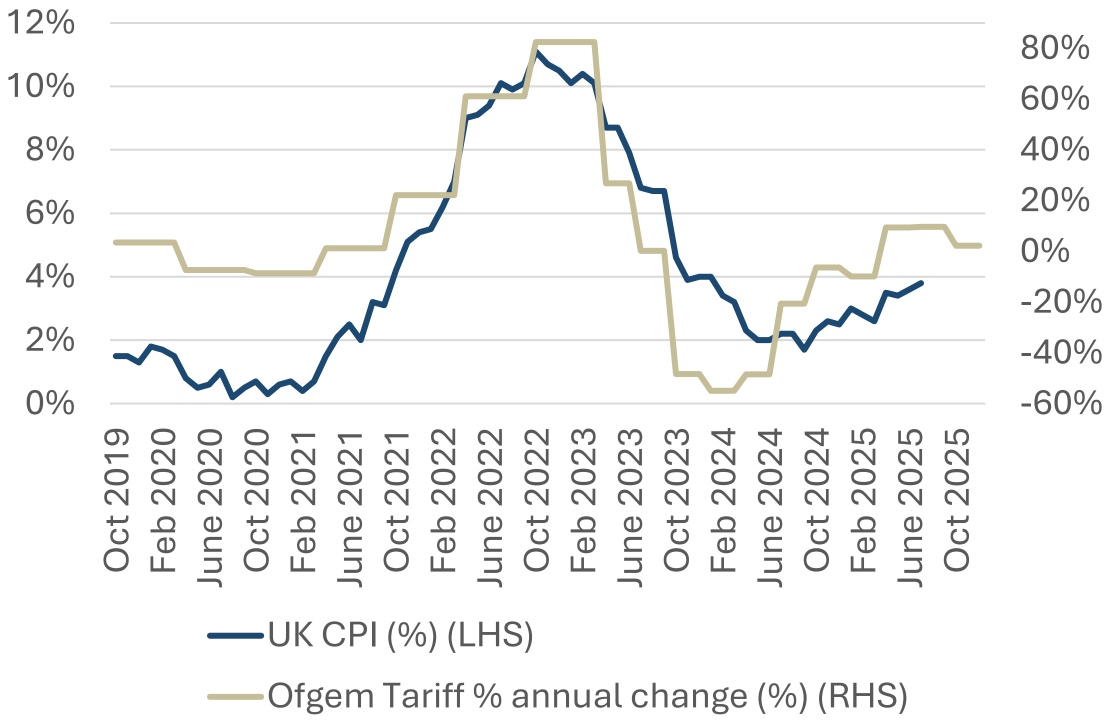
If inflation moves down, the UK could "boom" (as headwinds turn into tailwinds)*

20% of FTSE 100 revenue is from the UK, 55% from FTSE 250 revenue**

UK inflation is moving higher while EU stays low (%)



UK inflation is highly tied to the variable Ofgem Energy Tariff



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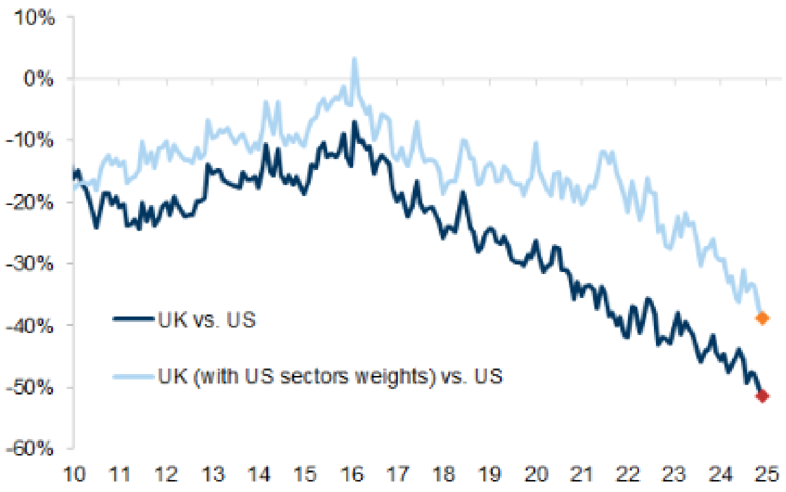
Source: https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/june2025, OFGEM, *in my opinion, **https://www.ajbell.co.uk/news/why-ftse-100-beating-ftse-250-so-far-year-and-over-past-five-years

DEEP VALUE UK EQUITIES OPPORTUNITY

GS in December 2024: “UK equity markets trade at a 50% discount to the US and a 40% discount on a sector-adjusted basis. Even compared to Japan, UK has roughly twice the ROE of Japan but a similar Price-to-Book value”*

Exhibit 1: The UK trades at an extreme discount to the US

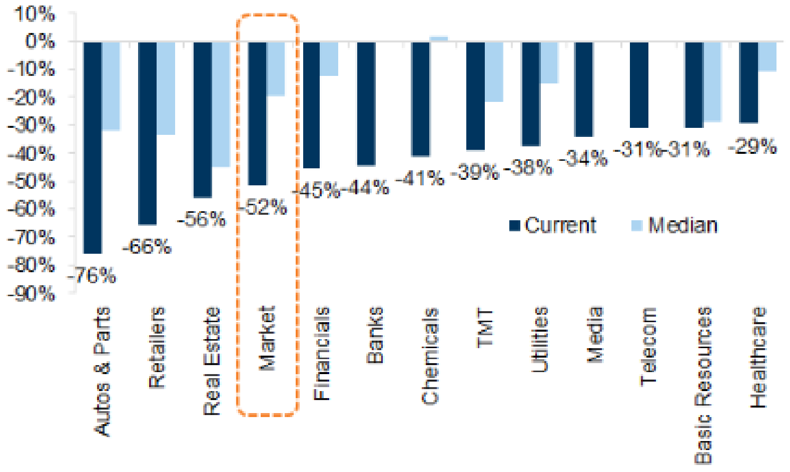
UK relative to US 12m forward P/E



Source: Datastream, Goldman Sachs Global Investment Research

Exhibit 2: Every sector in the UK is on a discount, almost all in double-digits

MSCI UK vs. US 12m forward P/E discount and Median P/E discount, last 20 years



Source: Datastream, Goldman Sachs Global Investment Research

UK EQUITIES: A DAIRY COW YOU CAN MILK FOR 5 MORE YEARS*

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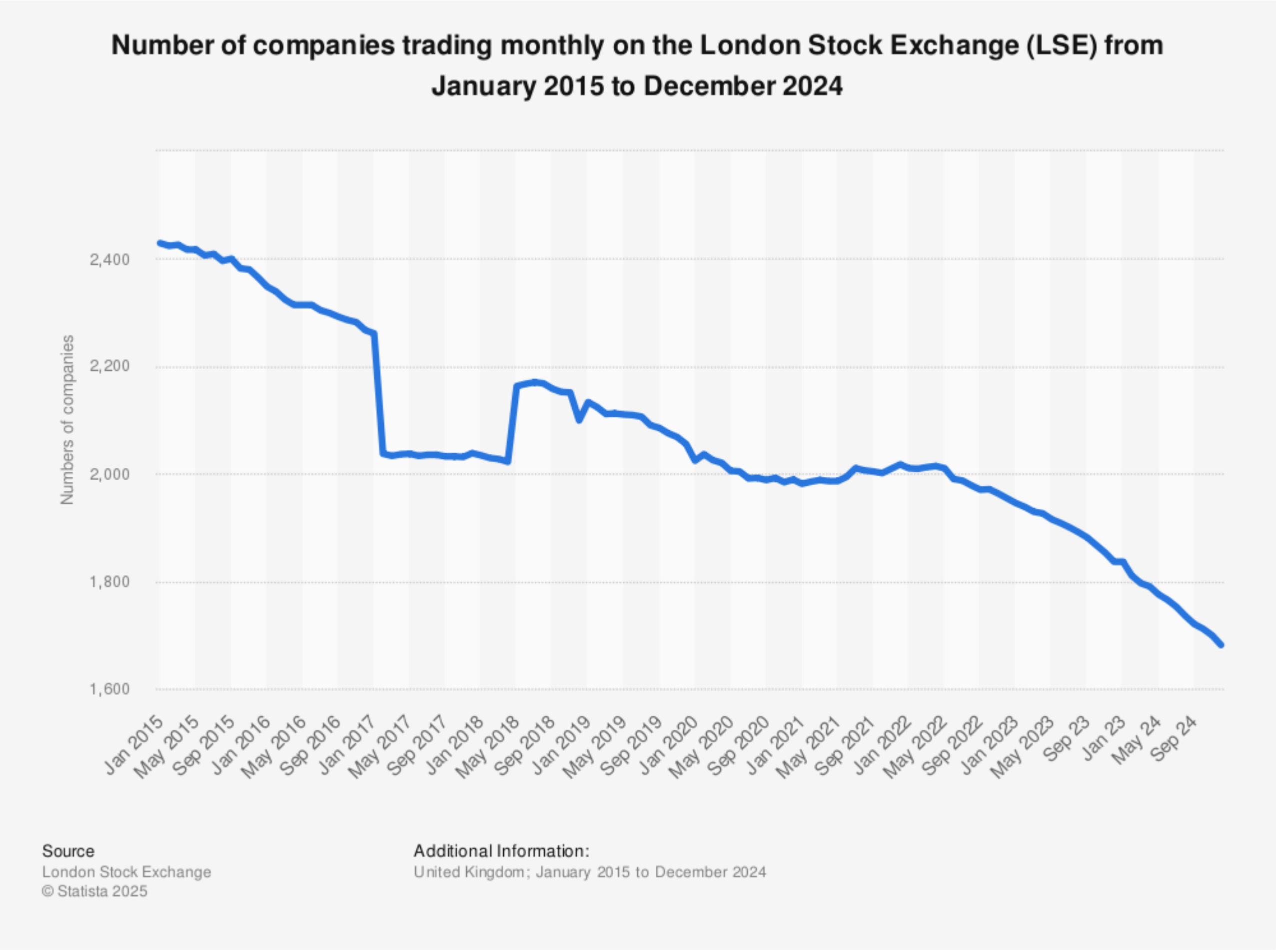
In 2007, there were 3,273 UK listed companies, now there are less than 1,700 (<1/3 of US stock market)*



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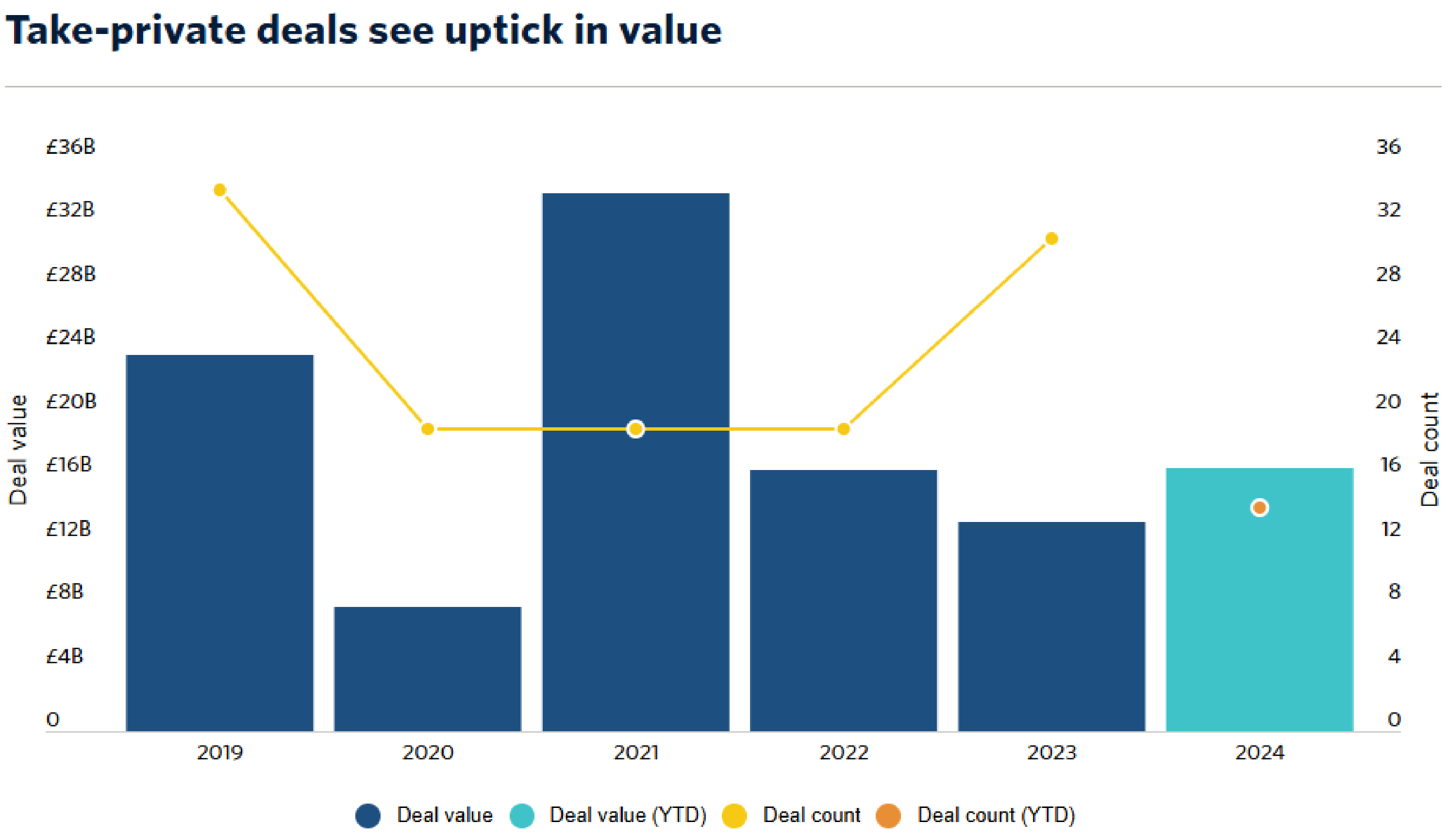
Source: *Quoted Companies Alliance, London Stock Exchange

UK EQUITIES: A DAIRY COW YOU CAN MILK FOR 5 MORE YEARS

This year, the UK is on track for biggest year of takeovers since 2021*



Source: https://pitchbook.com/news/articles/pe-take-private-deals-uk-lse , https://www.cityam.com/uk-on-track-for-biggest-year-of-takeovers-since-2021/

TURNAROUNDS

CONDUIT HOLDINGS

A REINSURER TRADING AT 35% DISCOUNT TO TNAV

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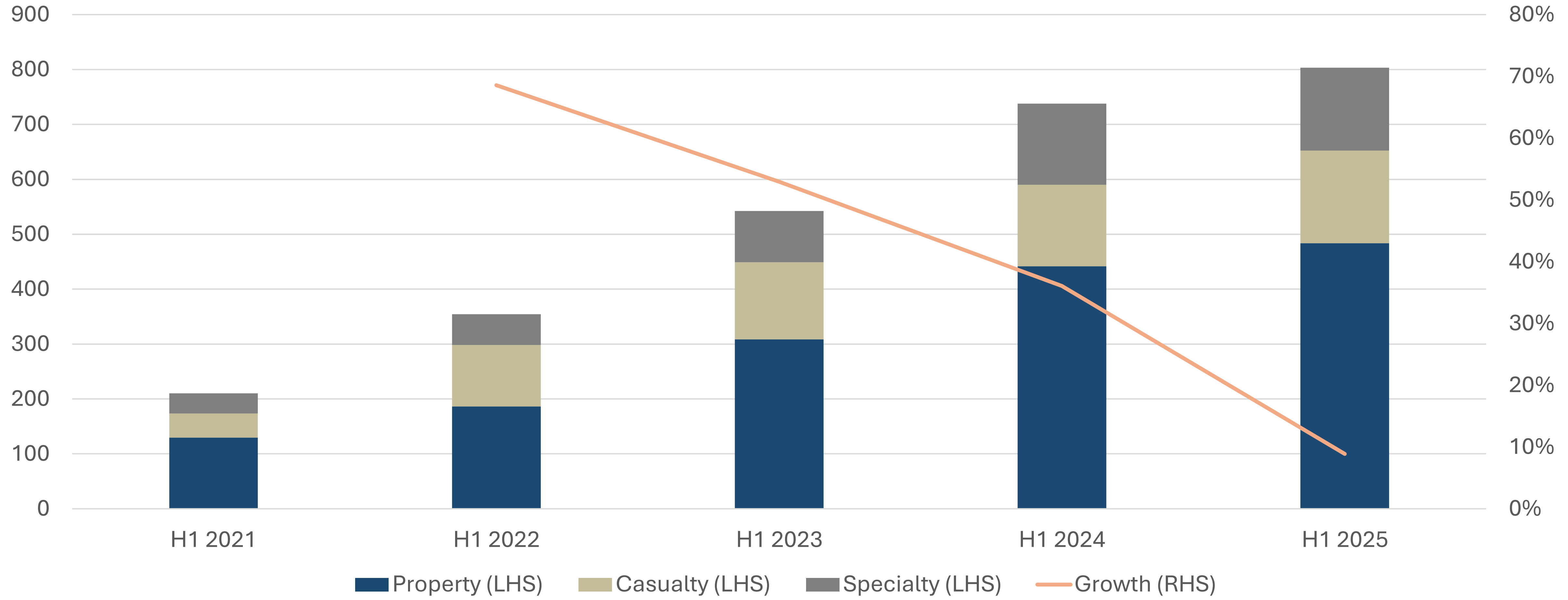
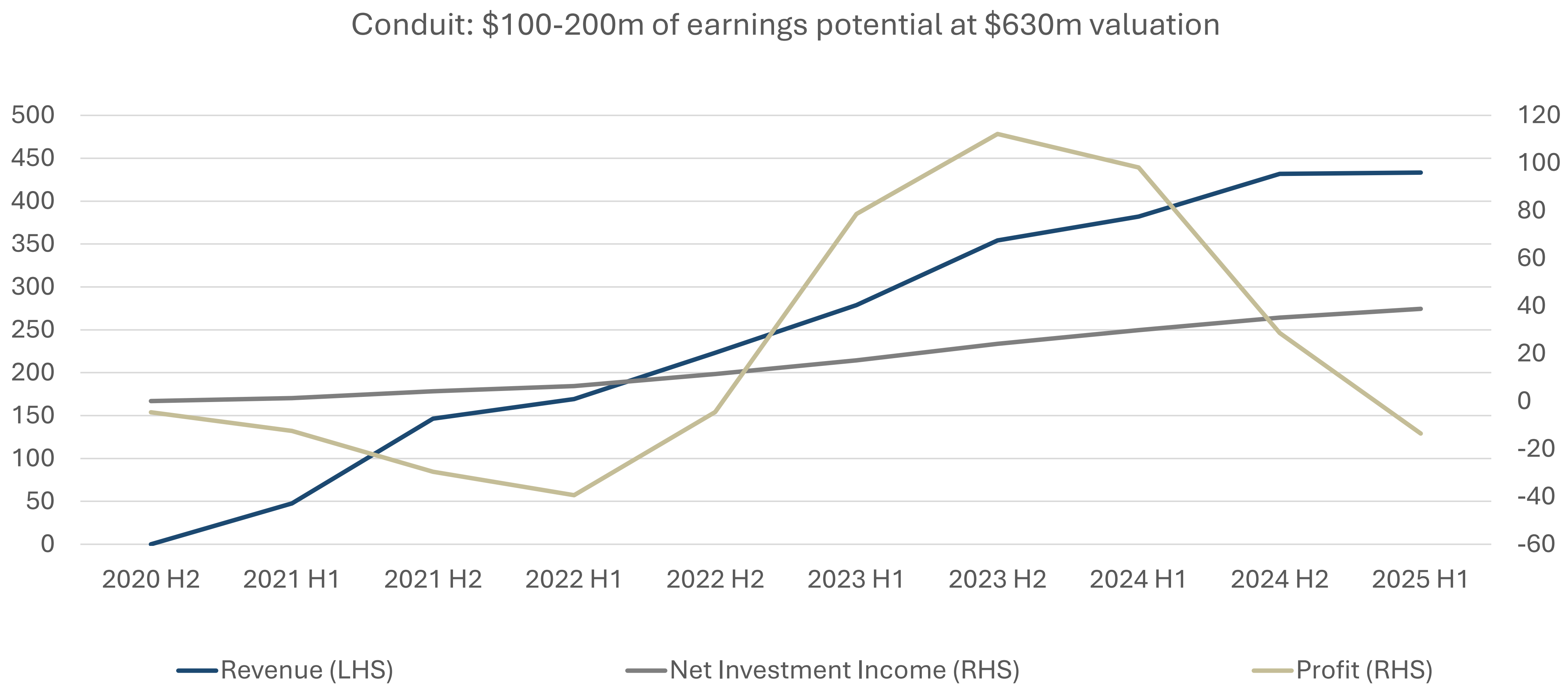
Conduit's gross premium growth in $m over time



CONDUIT HOLDINGS

A REINSURER TRADING AT 35% DISCOUNT TO TNAV



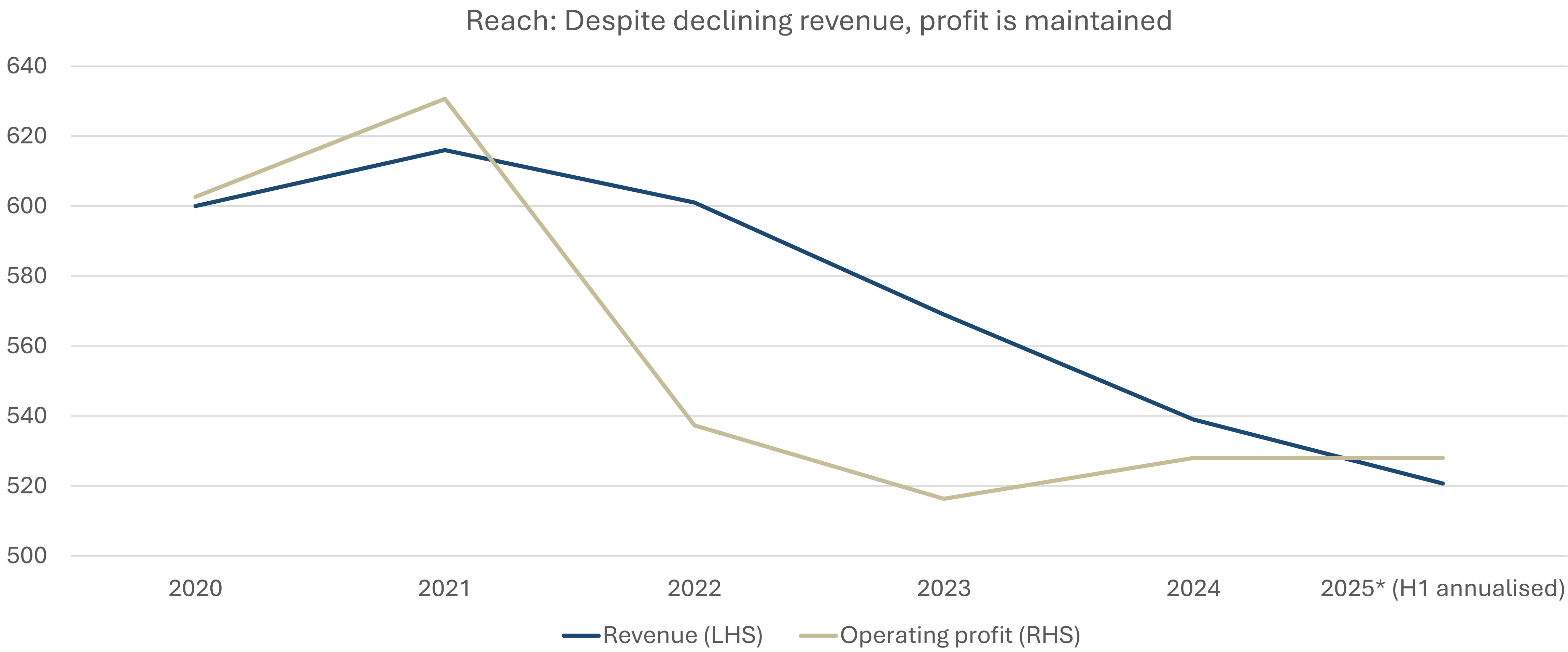
Source: Conduit Holdings H1 & FY reports, https://www.conduitreinsurance.com/investors/results-reports-and-presentations/conduit-holdings-limited/?year=2025 and other years

REACH

THE UK'S LARGEST COMMERCIAL PUBLISHER

REACH

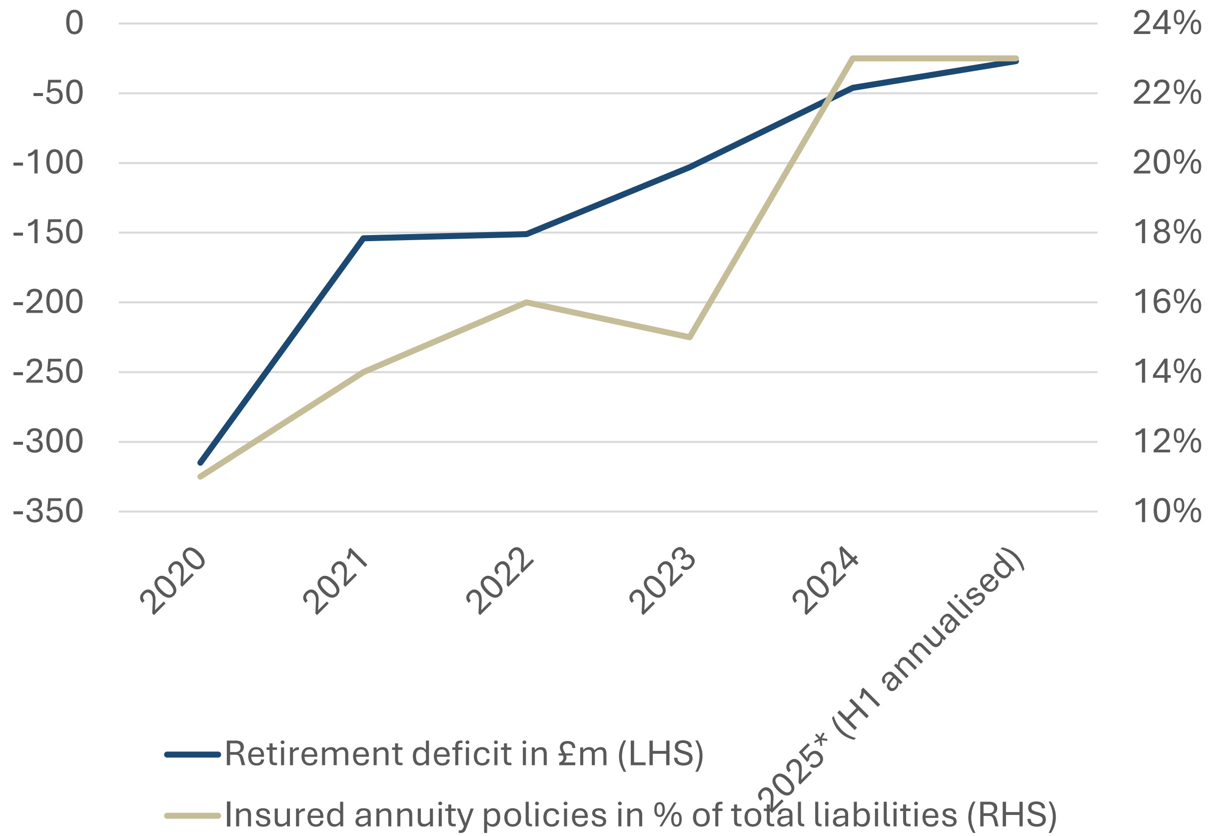
£200M MARKET CAP VS. >£100M OPERATING PROFIT



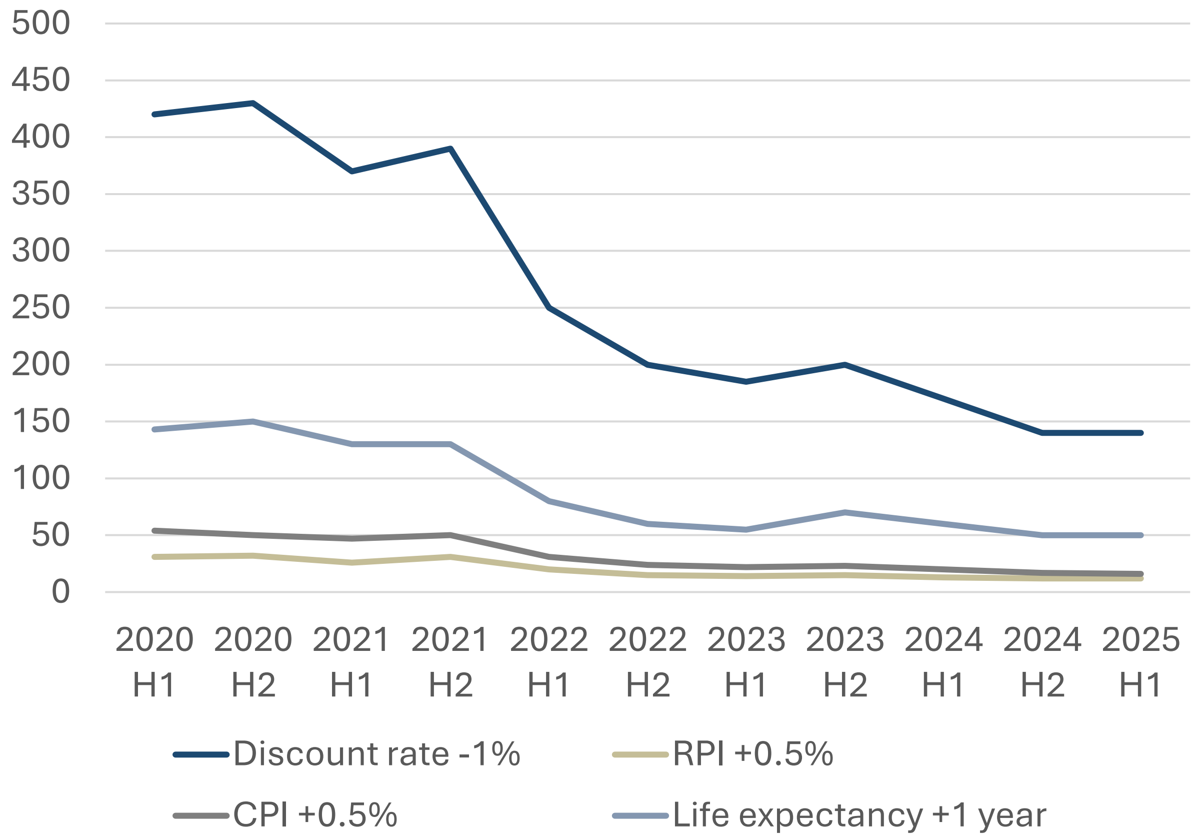
REACH

PENSION DEFICIT PAYMENTS THAT MAKE UP ¼ OF VALUATION TO CEASE IN 2028

Reach: Pension deficit is declining and insured annuity policies are rising



Reach: Large reduction in pension deficit sensitivities in just five years

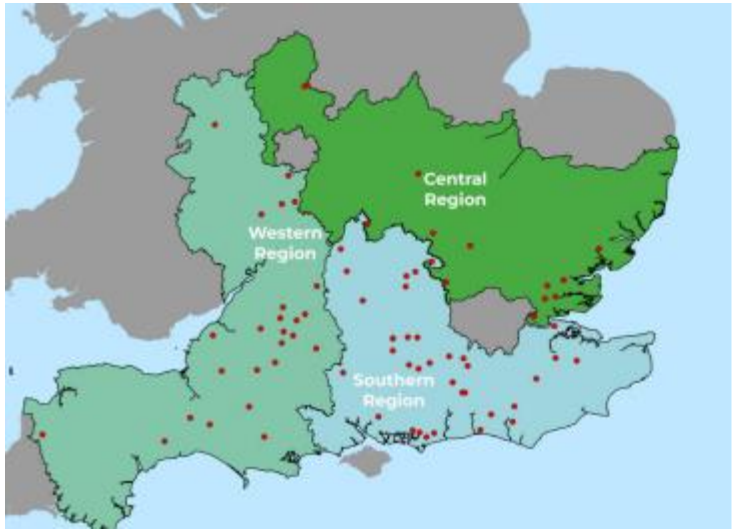


MJ GLEESON

POTENTIALLY THE FASTEST GROWING HOUSEBUILDER IN THE UK

Gleeson Homes

Gleeson Land



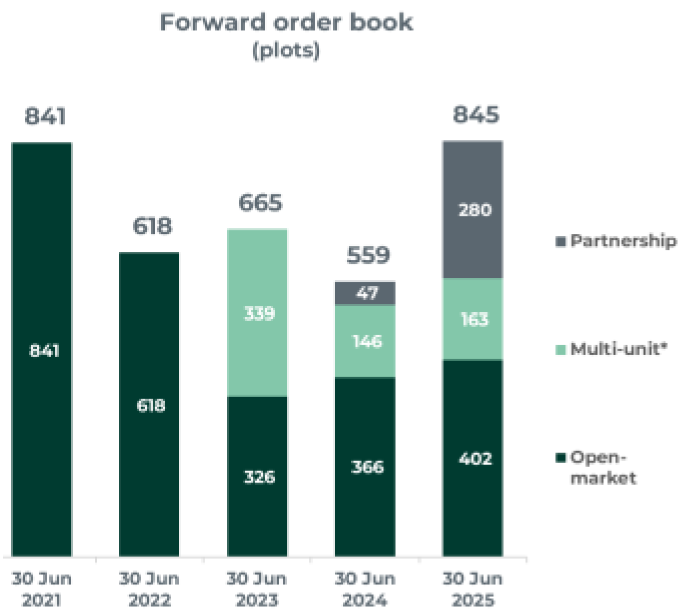
MJ GLEESON

POTENTIALLY THE FASTEST GROWING HOUSEBUILDER IN THE UK

Gleeson Homes would treble profit by doubling homes sold to 3,000 units

13x P/E whilst turnaround in Gleeson Homes is indicated and Gleeson Land is close to Pandemic highs

Gleeson Homes



Gleeson Land

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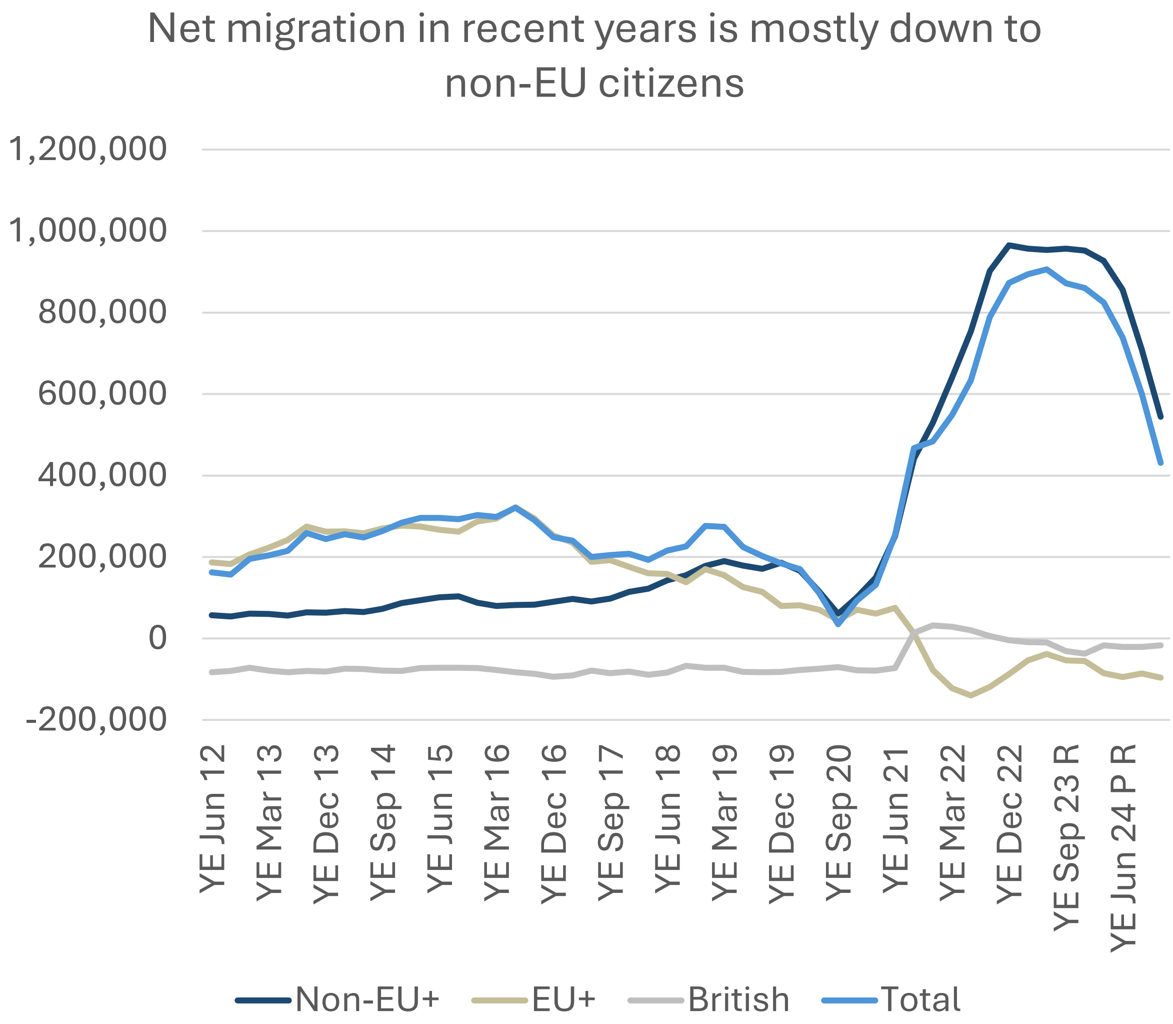
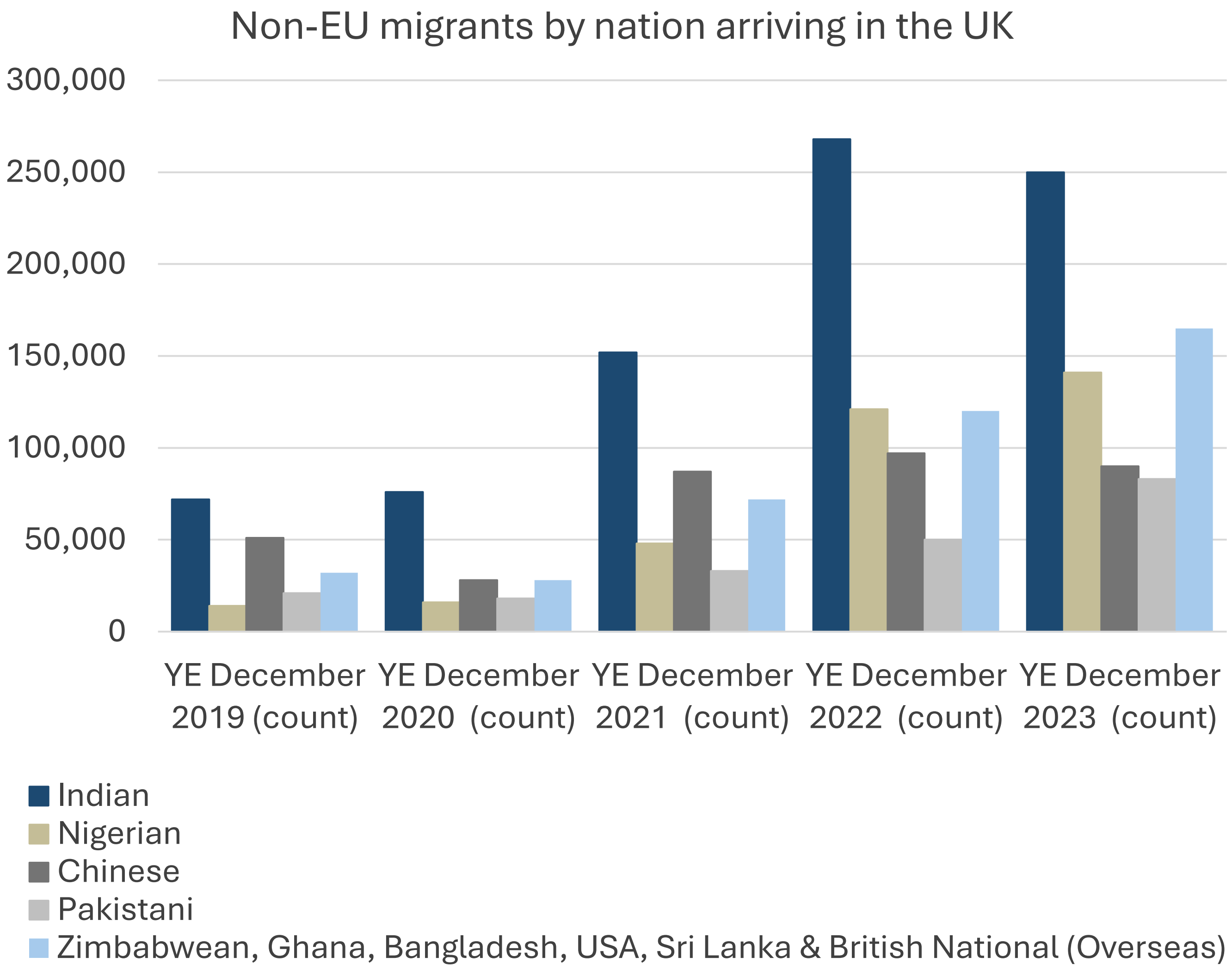
Source: https://www.mjgleesonplc.com/media/rnnd1xpg/mj-gleeson-results-presentation-2025-15-sep-25-final.pdf , https://www.mjgleesonplc.com/media/h3ahspi3/mj-gleeson-preliminary-announcement-june-2025-final.pdf

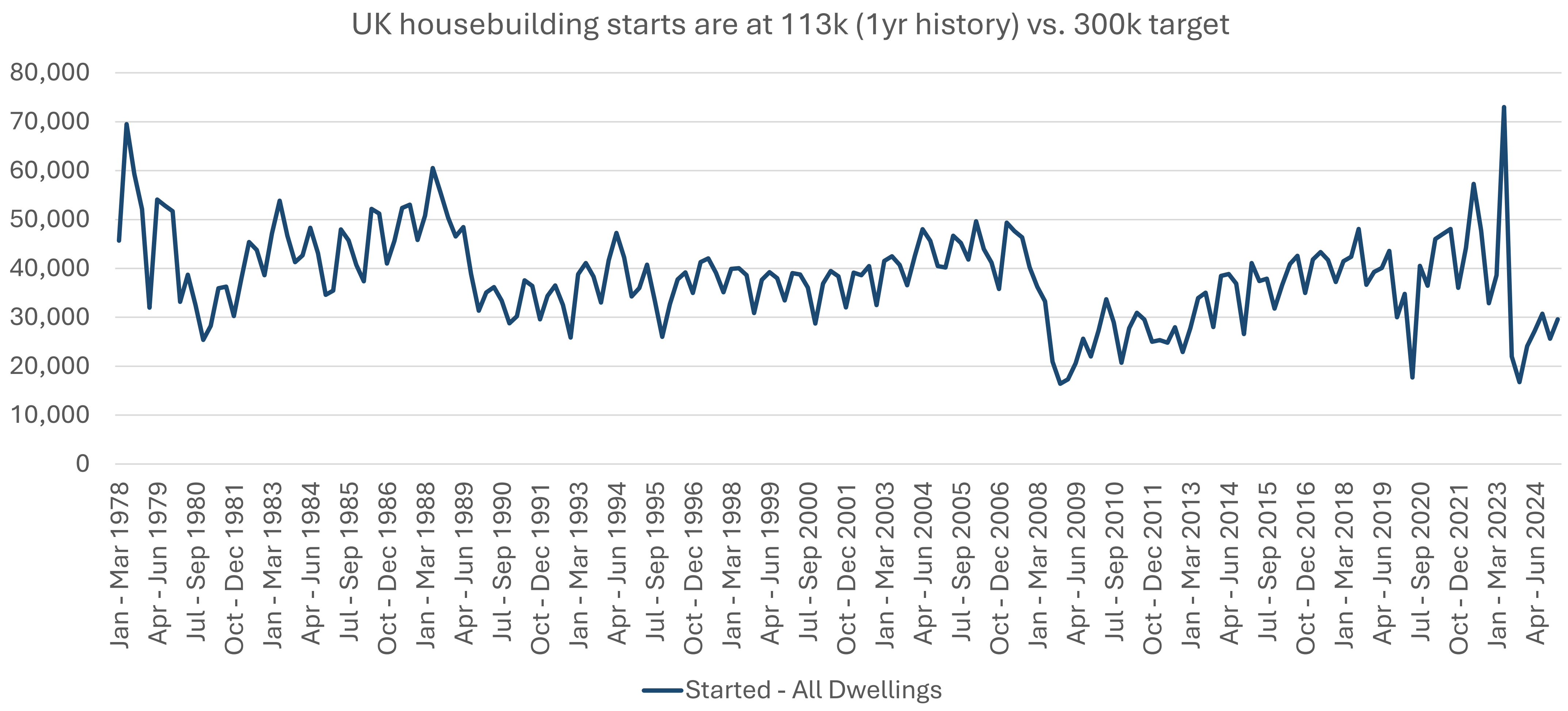
UK POPULATION GROWS BY 1% A YEAR THROUGH MIGRATION





Source: UK Home Office, ONS, https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingdecember2024, https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingdecember2023

HOUSEBUILDING NEEDS TO BOUNCE BACK



Source: Office for National Statistics, https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ukhousebuildingpermanentdwellingsstartedandcompleted

RISKS

THE IMPORTANCE OF THE OFGEM ENERGY TARIFF

Wholesale (40%), network (20-25%), policy (10-15%) and operating costs (15%) make up 85-90% of total energy costs (except during energy crisis)

→ VAT costs 4.8% and would lower tariff if removed

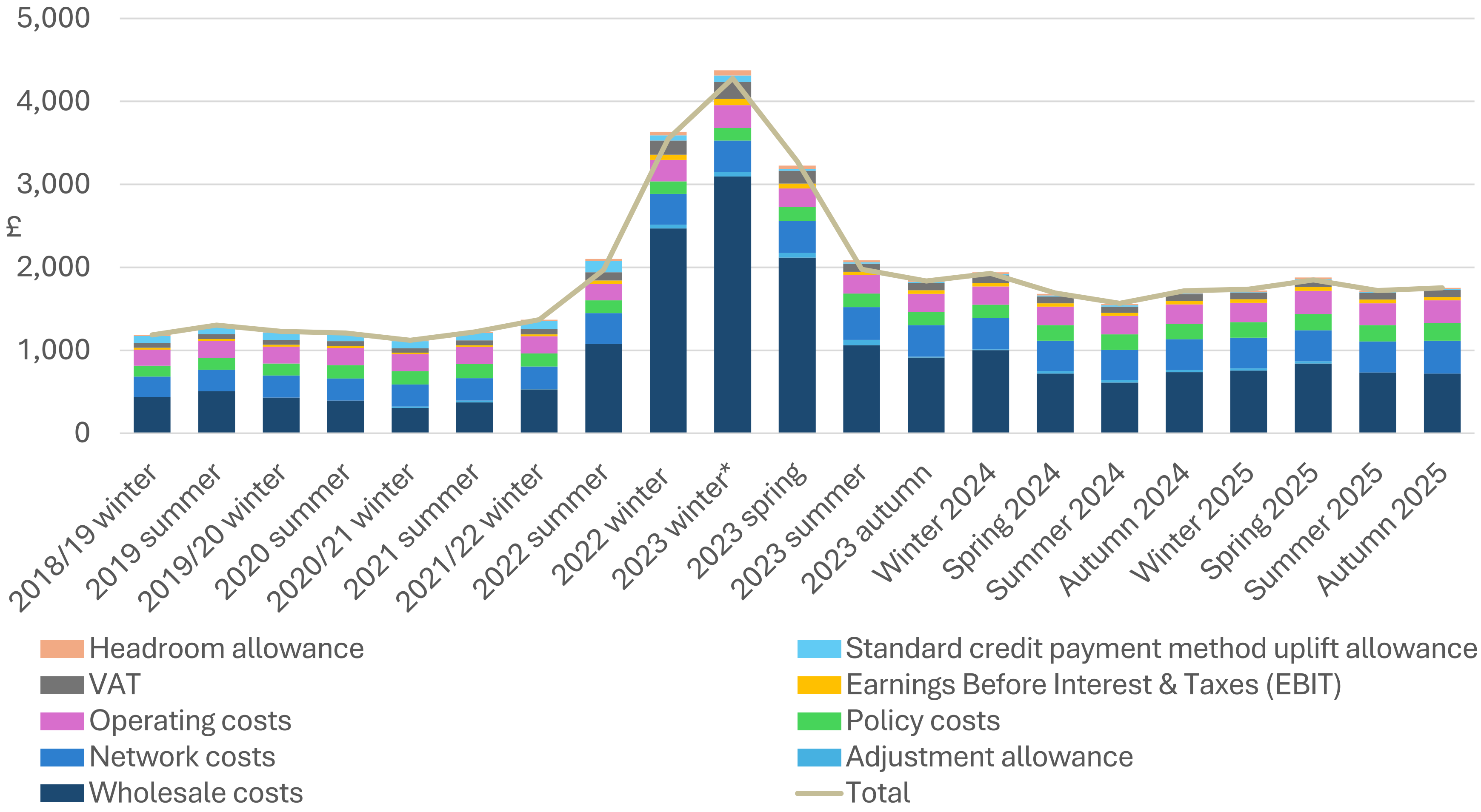
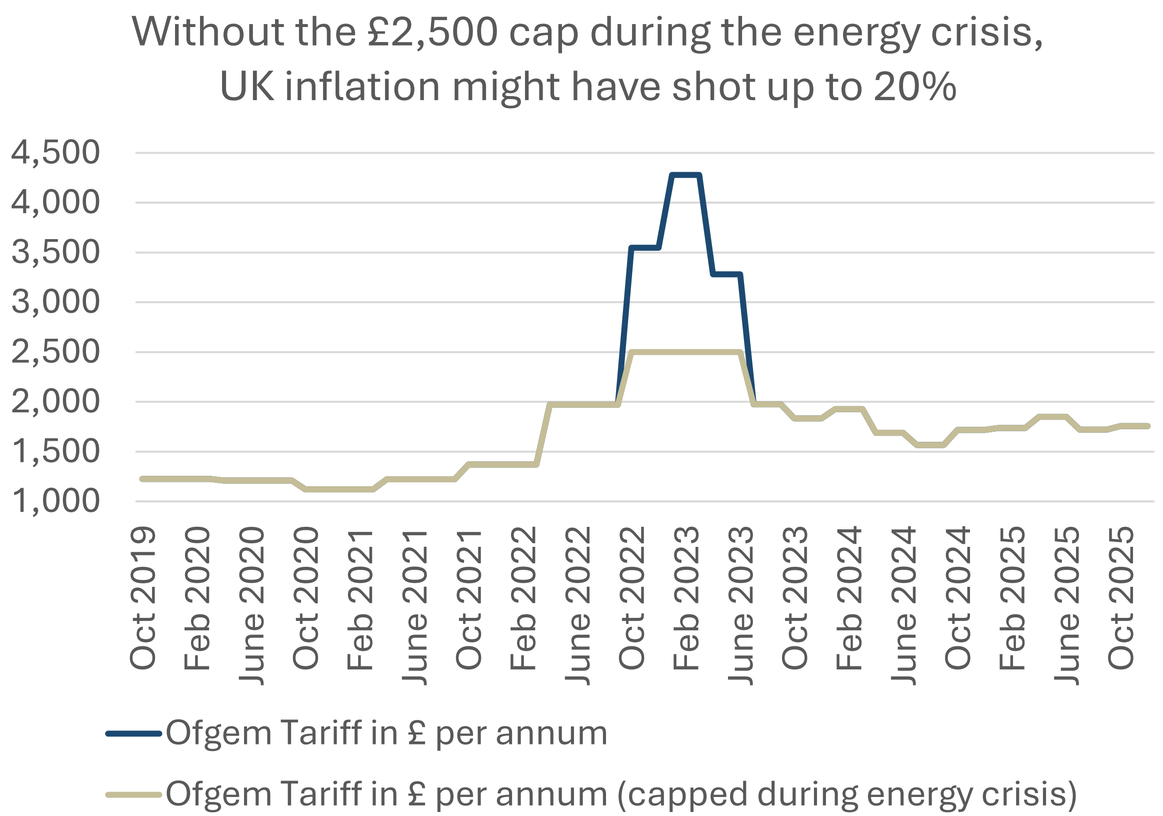
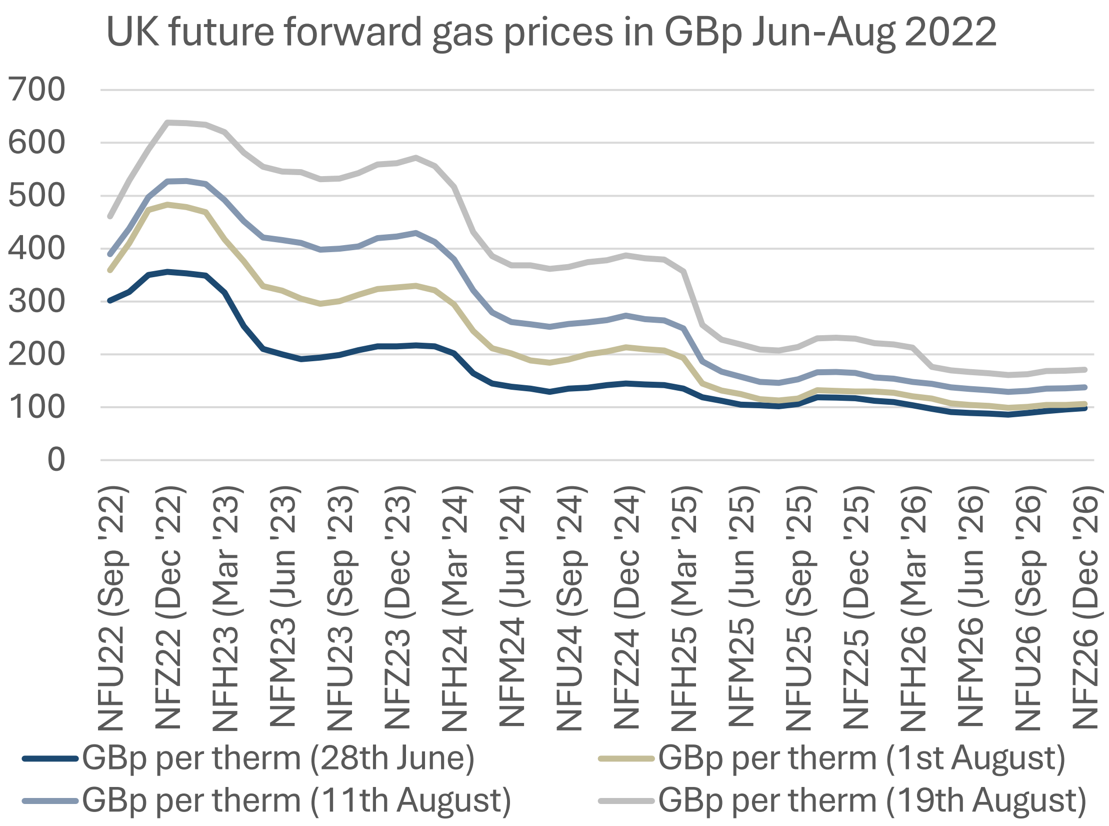


Chart shows uncapped OFGEM tariff (during the energy crisis the tariff was capped at £2,500

THE ENERGY MARKET OBLITERATED LIZ TRUSS

£2,500 energy price cap cost government £40bn* vs. >£100bn estimates**





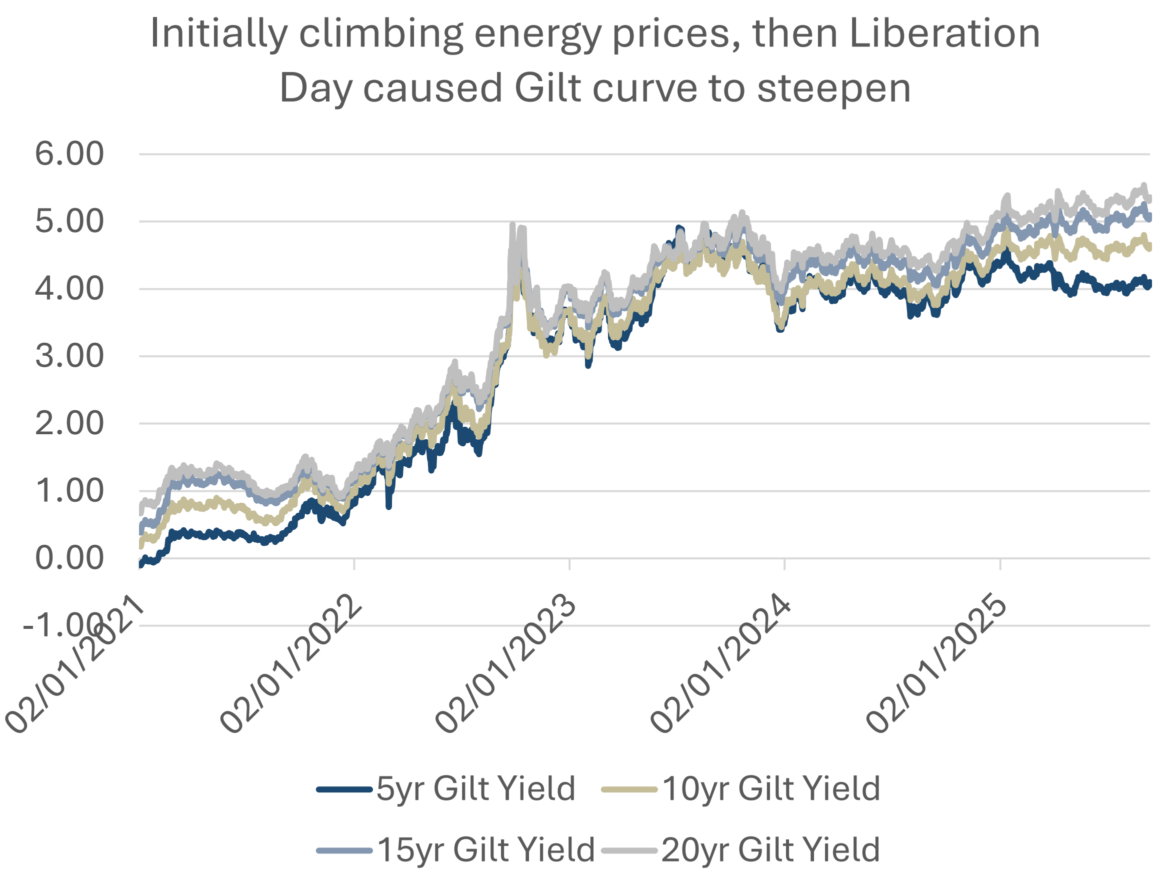
Source: https://www.ofgem.gov.uk/energy-regulation/domestic-and-non-domestic/energy-pricing-rules/energy-price-cap/energy-price-cap-default-tariff-levels, *https://www.gov.uk/government/news/40bn-spent-protecting-families-and-businesses-from-energy-costs, **https://ifs.org.uk/articles/response-energy-price-guarantee, Barchart

WILL THE RATES MARKET OBLITERATE KEIR STARMER?

Andy Burnham prepares to challenge Keir Starmer

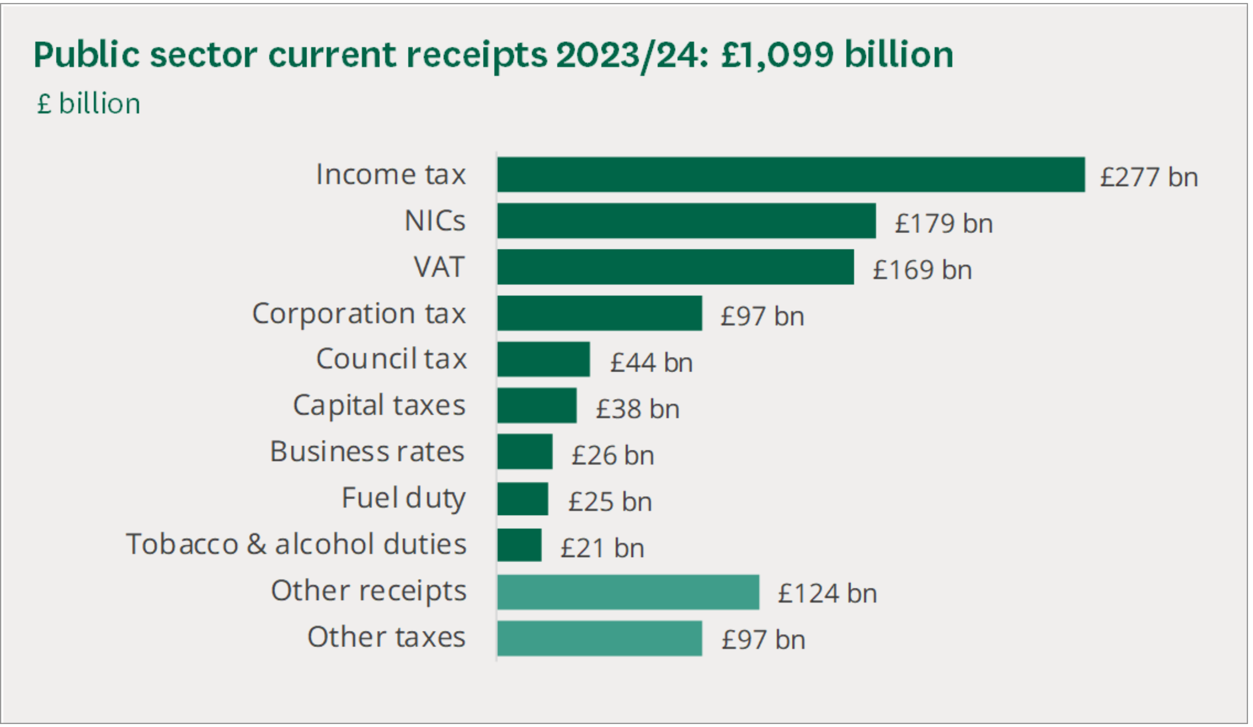
The latest OBR forecast

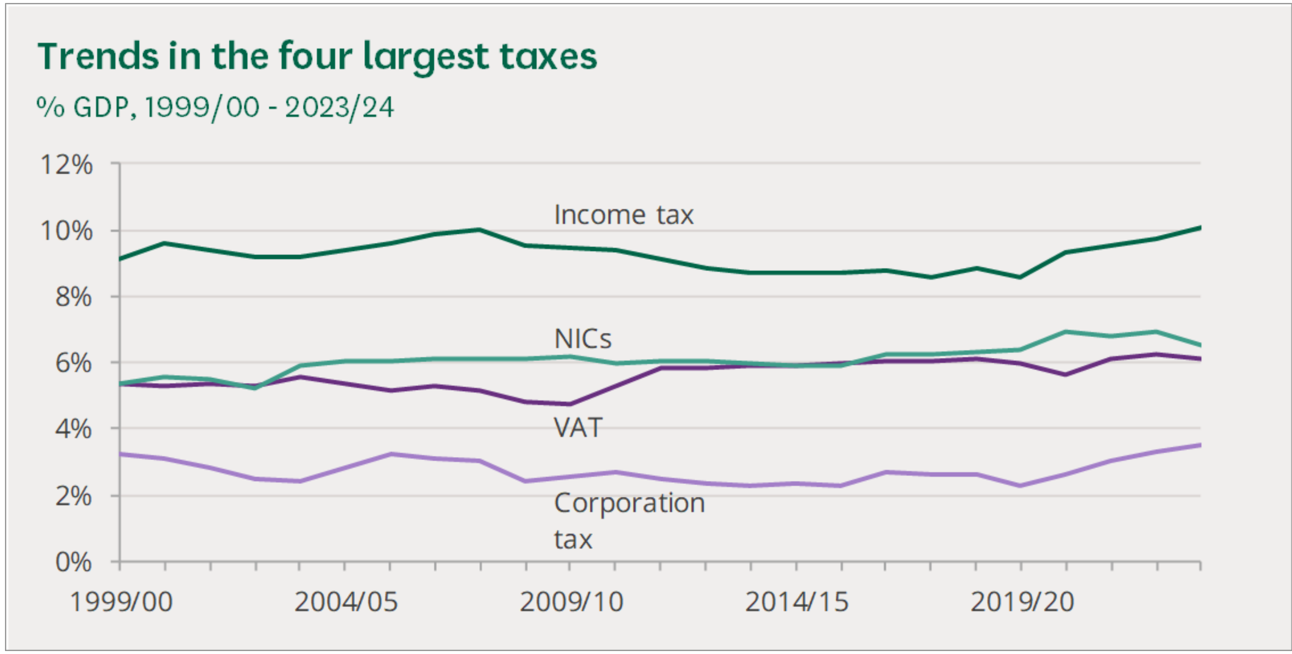
Year	Bank Rate	10yr Gilt Yield	CPI Inflation	Real GDP Growth
2025	3.9	4.58	3.2	1.0
2026	3.8	4.74	2.1	1.9
2027	3.8	4.90	2.0	1.8
2028	3.8	5.06	2.0	1.7
2029	3.8	5.21	2.0	1.8



Source: https://obr.uk/economic-and-fiscal-outlooks/, Investing.com

UK INCOME TAX MAKES UP ¼ OF TOTAL TAX REVENUE



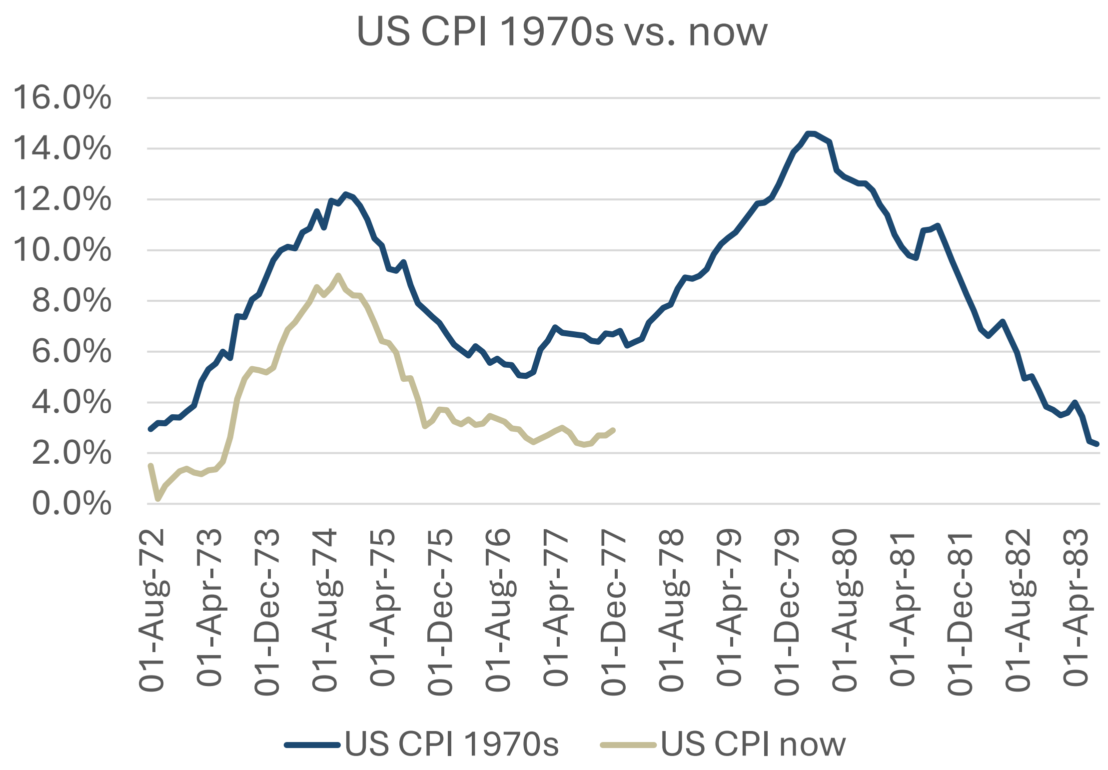


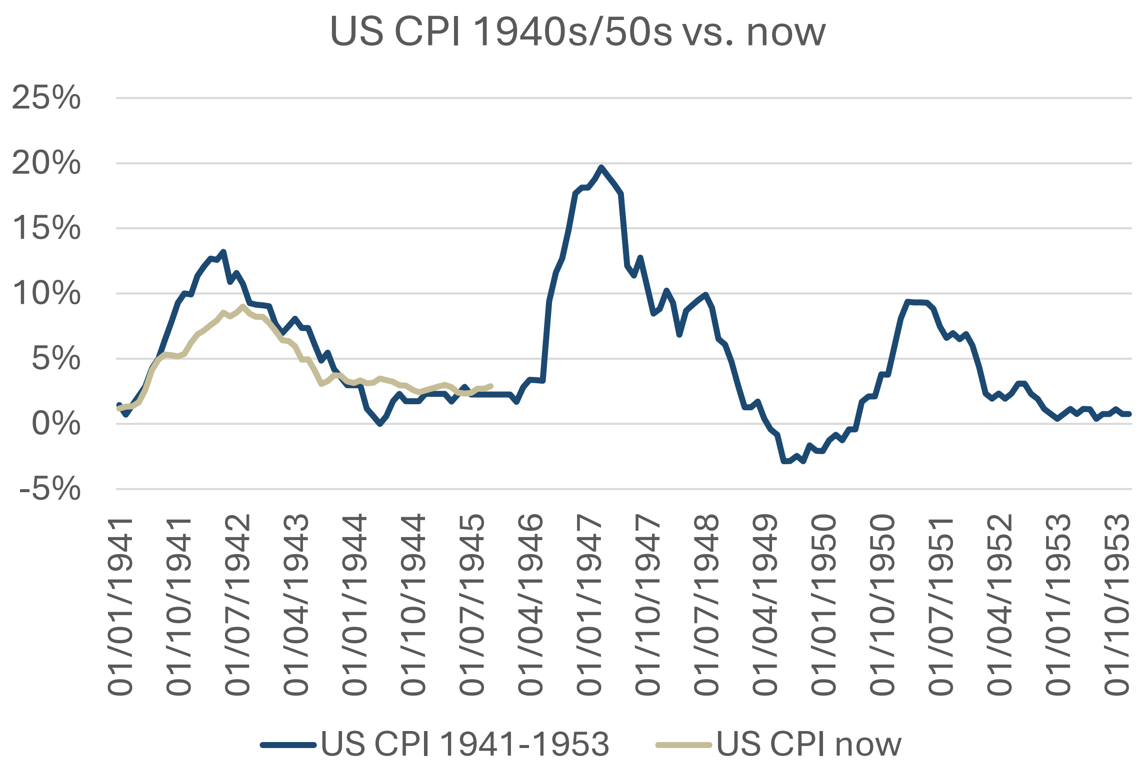
Source: https://commonslibrary.parliament.uk/research-briefings/cbp-8513/

HIGHLY INFLATIONARY PERIODS ALWAYS HAD MULTIPLE CYCLES

If 1970s were a guide, inflation could climb again from January 2026

If 1940s were a guide, inflation could climb again from March 2026





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