

IS THE WORLD READY FOR WELLNESS? PANEL DISCUSSION

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What is Wellness? Is it purely our physical and mental Wellbeing? Or should financial Wellness be factored in due to its impact on both stress and our ability to achieve what makes us feel good? And how does the modern enterprise view investment in Wellness?

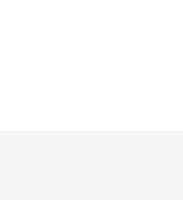
In a fascinating discussion, our five panellists talk about what Wellness means to them and their markets, and debate why the Wellness conversation has taken off.

EXPERT PANELLISTS:



ALEX TEMPLETON
CEO & FOUNDER, QURED

Alex co-founded Qured in 2016 with the aim of giving people easier and more convenient access to healthcare, empowering them to take control of their health and that of their families. When Covid-19 hit they pivoted rapidly into Covid testing products, playing a critical role in getting industries up and running again, while enabling businesses to get their employees back to work in a safe way, both also offering travel testing to consumers. Their innovative and tech-centric approach enabled them to build a market-leading distribution network, and they are now looking to leverage that as they build a best-in-class health preservation system.



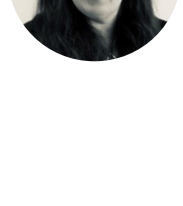
ALEXIA ARTS
CHIEF OF STAFF, GAIA HEALTH

Alexia is Chief of Staff at Gaia. Gaia has launched the world's first IVF insurance, making IVF more accessible for more people. She previously spent 6 years investing in start-ups, both at Santander InnoVentures, Santander's venture capital arm, and MMC. Alexia spent most of her investing years looking at companies across the fintech, insurtech and healthtech space before joining Gaia last year.



JAC WINDSOR
PARTNER, STRATEGY& PWC

Jacqueline is a Partner in Strategy& Deals Consumer Markets practice and UK Head of Retail, with over 25 years of experience in commercial due diligence and corporate strategy. She advises private equity, lenders and corporates to make rigorous investment decisions and unlock value. She specialises in commercial due diligence, M&A strategy, value creation in the deals cycle, customer insights, portfolio optimisation, strategic plans and growth strategy.



POLLY APPLETON
CFO, LYMA

Polly has been CFO of LYMA since early 2022. She has specialised in High Growth, PE Backed, Founder Led businesses since 2015. CFO of FRAME and Aspinall of London. Prior to this her background she worked at Morgan Stanley and PricewaterhouseCoopers. She was in the capital markets department on large transactions.



DR TARAN TOOR
DIRECTOR OF WELLNESS INNOVATION, HOLLAND & BARRETT

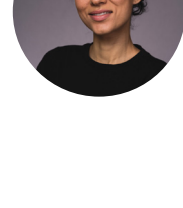
As the Group Director of Wellness Innovation, Dr Toor serves as a member of the Senior Leadership Team, leading on new ventures across consumer health, beyond retail commercial partnerships and supporting inorganic growth, through M&A and investment opportunities. His role sits at the very intersection of high-growth start-ups and corporate wellness.

YOUR HOSTS:



MARIA JOSIFE
PARTNER, EREVENA

Maria is a Partner at Erevena with twenty years of experience in executive search. She specialises in digital business models and digital transformation across VC, PE and corporates, and also leads Erevena's Board practice group. Her specific areas of expertise include Health and Wellness, FinTech, E-Commerce/Marketplaces and Education. She brings deep experience across a range of functions, particularly in General Management/Operations and Commercial Leadership roles. Recent clients include Thrive, Simply Health, Qured, Holland & Barrett and Helios.



DARIA DMITRIEVA
DIRECTOR, STIFEL

Daria is a Director at Stifel's Consumer & Retail team focusing on Wellness, Beauty, Healthy Living, Better-for-You Food, Branded Consumer Goods and Apparel verticals. She has been working in Investment Banking for over 12 years covering clients in the UK and Europe with Bank of America Merrill Lynch and Nomura, and in the US with UBS prior to joining Stifel.

We heard that:

- The concept of 'Wellness' is broad and means different things to different people.
- People are paying more for Wellness than ever before, a trend facilitated by COVID and mounting health costs, with Gen Z being big spenders, and women of 40+ being high spenders on Luxury Wellness.
- Science-backed Wellness is on the rise – people want evidence of efficacy - with a similar trend across various Consumer sectors, including Beauty, functional Food & Beverage, Nutrition and Supplementation.
- Long-held medical and Wellness taboos are being broken down with conversations around topics such as infertility, menopause and sexual health, opening the market up for new products and services. Employers are also more open to include Wellness benefits in benefits packages.
- Building trust is a challenge for early-stage companies embarking on Wellness journeys.

Jac Windsor: From an investor perspective, we have a broad definition of Wellness, ranging from Health and Beauty products to Consumer Health, Sexual Wellness and Fitness Tech.

Alexia Arts: At Gaia, we view Wellbeing from the perspective of the whole fertility journey, which our founder felt was broken for those experiencing the emotional and financial stress of going through IVF cycles. The cost of IVF can add up and there is so much stress around not knowing how many rounds might be needed, so a financial product relieving that stress and giving people more control of their journey is an important component in the Wellbeing of families going through IVF and potentially can improve the outcome of the procedure by reducing financial stress level.

Polly Appleton: We had been using the term 'Welltech' to describe what we do, but felt that was too narrow for our holistic approach aiming to make you feel better from the inside out. So, we have come back to Wellness, which fits our belief that beauty and how we feel about ourselves, along with other factors like anxiety or sleeplessness, are all part of the Wellness story.

WHAT DOES WELLNESS MEAN TO YOU AND/OR YOUR COMPANY?

Taran Toor: We have seen a growth in non-traditional incumbents in this space that we wouldn't normally expect, and this is addressing several things. So much happened during and post-Covid in what was a time of great reflection, and we saw mass behaviour change that we hadn't seen before. In the UK, where the NHS is a publicly funded system, the idea of Wellbeing isn't simply about the prevention of disease, but is about how we thrive physically, socially and mentally. However, during Covid we didn't see this happening, but rather we were working in an entirely reactive system where people no longer felt invincible. At the same time, we saw the plethora of new non-traditional incumbents serving us in a different, more consumer-centric way – a way we like to be served – and with a ready willingness amongst consumers to pay for Wellness. People are paying more for their Wellbeing, with Gen Z spending more than any other generation. This is occurring across industries, for example with the growth in low or no alcohol beer consumption, which is a conscious choice to go for a healthier option.

Alex Templeton: It's been really interesting with regards to health awareness since the peak of the pandemic. While you might expect interest to wane over time, the percentage of people who made changes to lead healthier lives over the past three years has been sustained. People are thinking about their health in a very different way and, to reiterate Taran's point, Gen Z are the most health-engaged ever – they might not go to the doctor much, but they think about and invest in health differently. Looking at it through a corporate lens, Wellbeing/Wellness is a huge topic. This is driven at one level by employee demand and at another level by the structural changes brought by Covid in terms of the labour market, retention and, particularly, engagement, which is where we're seeing Wellbeing strategies being targeted. One benefits broker I spoke to recently said that in future the conversation won't be about benefits but about Wellbeing and how you invest in your people so that they can show up at work as their best selves and be engaged in what they do every day.

DO YOU SEE A CONNECTION BETWEEN WELLNESS AND FINANCE AND HOW MONEY IS DEPLOYED FOR WELLBEING?

Alexia Arts: We've been looking to expand in the US and in terms of providing family building benefits they are way ahead, probably due to costs being so much higher. The larger employers offer family building benefits, which could be about \$20k per employee. While this won't cover a full IVF journey, it is still high and people will ask during the interview process if it is offered. This is about financial Wellbeing, which is important if you want to start a family and sits under the broad 'Wellness' banner.

Jac Windsor: Traction with Wellness is being driven by both demand and supply at the moment. Innovation in the market and the social conversation around that combined with how consumers are thinking is driving the Wellness market. The disruptors are collectively taking share from the legacy players.

Taran Toor: Yes. We're seeing different beachheads into the larger opportunities of Health and Wellness with lots of entry points into multi-dimensional needs. Our understanding of Health and Wellness is much more nuanced in terms of the different aspects and includes things like 'how do you look' and 'how does that make you feel?' And we're all competing for the same turf, whether it's products, such as nutraceuticals, trying to secure long-term lifetime value with services, or services trying to explore synergies with products.

Polly Appleton: We have explored different demographics for our products, but it all comes back to resilience of the market. Our core customer is a 40+ woman (or man) who wants to spend on their health and has anxieties and concerns that need to be solved. Yes, we've dabbled in a younger demographic who might buy it because it's cool and looks nice, but they don't tend to stay and the twenty-somethings don't necessarily need to spend on these supplements. So, in terms of our business resilience we completely focus on our target customer. It's a big market in the UK and even bigger in the US.

Alexia Arts: In fertility, we've seen a big shift from a purely clinical and medical approach towards a broader consideration with things like acupuncture and supplements and this market is booming.

Taran Toor: An interesting observation from my perspective when it comes to consumables is that in the distinction between medical efficacy and natural products there has been a swing back to greater efficacy, although I don't think these necessarily have to be mutually exclusive – you can have natural and efficacious.

IS SCIENCE DRIVING CUSTOMERS TO ENGAGE IN THE TOPIC OF WELLNESS – OR IS IT SOMETHING ELSE?

Polly Appleton: Science-backed Wellness is where it is at the moment. Our customers are highly educated and will research heavily before they buy. We publish a lot in scientific journals and know that people no longer want fads. Over Covid, people became armchair experts as they did their research and worked out what they needed for themselves. For example, a lot of our customers now know about low-level laser technology and the difference between it and LED. We will increasingly see people looking for scientific proof before they purchase.

Taran Toor: This is similar to what I'm seeing, especially with products that are backed by ESG or science claims. These are discerning customers, even for relatively small purchases, and they are looking for an authentic product and an authentic story.

Alex Templeton: We're seeing this in the enterprise and corporate context as well. People have bought a bunch of different single point solutions, for example menopause support or mental health services, and have bolted together Wellbeing offerings without necessarily a great strategy around them. Now we're hearing from them that, despite investing in these things over the past few years, they are seeing zero tangible ROI for their business and little benefit in terms of outcomes for their employees. So, they're looking for things that are measurable and based on scientific and medical best practice in a way that perhaps they weren't before.

Alexia Arts: Yes, this has become huge and I am hopeful that the situation is massively improving in terms of communication on the subject of infertility. While some people still don't want to talk about it, others really do. When I tell people I work in the infertility sector everyone seems to open up and they want to have a conversation about their experiences or perhaps to tell me that they were an IVF baby.

Alex Templeton: For businesses investing in programmes like these, it is a really tangible way of demonstrating that not only has the conversation opened up but they are actively supporting their employees who are going through these challenging times in their lives. It can also really set you apart as an employer.

Jac Windsor: Sexual Wellness is a classic example of a misperceived taboo. We need more communication around the fact that it is self-care as well as pleasure. The category has been democratized with products on the aisles in retailers like Boots and Cult Beauty.

Taran Toor: It is amazing to think that these subjects are still considered taboo. When you know that 50% of the population go through the menopause as a normal, healthy life stage, to regard it as a taboo is insane! I want to push other taboo subjects in the market as well, such as sexual health and sexual dysfunction where we often see extremes in perception. Other than a few new incumbents who are empowering women to make choices, nobody is really addressing subjects like sexual dysfunction and a miserable sex life in a non-faddy way at present.

Polly Appleton: The US market is way behind the UK in addressing the taboo subjects. For example, tackling menopausal symptoms is a key benefit of the supplement but often people in the US don't want to talk about it and find it embarrassing to be seen as menopausal. It is changing, however, and the menopause market in the US is going to really take off over the next few years.

WHY IS WELLNESS IMPORTANT NOW – HAS THERE BEEN A CATALYST FOR THE UPSWING IN FOCUS ON IT?

IS THERE NOW A MASS MARKET FOR – AND UNDERSTANDING OF – WELLNESS PRODUCTS AND SERVICES?

ARE BUSINESSES AND CUSTOMERS ENGAGING MORE WITH WHAT WERE PREVIOUSLY TABOO CONVERSATIONS, SUCH AS AROUND MENOPAUSE AND INFERTILITY?

Alexia Arts: It's definitely the US for us. IVF is five times more expensive there and people are receptive to innovation, so it will be a good market for us.

Alex Templeton: Diagnostically, there's a more developed culture in preventive healthcare in the US and you can lose tax breaks if you don't do your annual medical through an insurer. People screen earlier and more effectively than we do in the UK to improve survival rates. Managing healthcare is a greater cost to business in the US, so for us as a provider of diagnostics for actionable health insights, it's a vast and receptive market that we are investigating.

Polly Appleton: Our business changed once we got FDA clearance in the US for our LYMA Laser last May and now 70% of our revenue is from the US. Customers in the US will spend much more money on cosmetics than their UK counterparts and are more open about cosmetic procedures. They love the Laser and we can't get enough of the product out there. We haven't even begun to market it properly, rather we have relied largely on organic word of mouth. So, the US is where we're currently focused.

Taran Toor: China is a growing market for us. Holland & Barrett has 800 stores in the UK and operates across 20 countries but, more recently, with a digital proposition, sales in China have grown significantly. The Wellness world and willingness to pay is huge, plus, of course, the addressable audience in China is massive.

Jac Windsor: From an advisory perspective, things have shifted. We used to see more China-first international strategies, but this has moved to the US. This partly reflects the competitive landscape in China where the right to win and cost of doing business is harder.

WHAT MARKET DO YOU PLAN TO FOCUS ON IN TERMS OF THE RECEPTIVENESS TO WELLNESS?

Polly Appleton: Regulation is a big thing for us. You're not allowed to say very much in an industry that's regulated as if we were a food supplement. Although we have scientific evidence for what our product does, we can only talk in generic terms, such as how it might help you sleep better. This makes it hard for us to give information to the consumer and explain why they should be spending more on our product. We're working hard to push the government to change regulations so that we're not viewed as a food supplement. In other countries, like China or Korea, the regulatory process can take up to two years. To break into new markets as an early stage-growth business our team of scientists pushes the boundaries and has done a significant amount of research, but you still have to be so careful about what you say from a regulatory perspective.

Taran Toor: Our challenge is almost the opposite to Polly's. We are looking to go beyond retail to leverage the existing authority, which is nutraceutical, and stretch the consideration for consumers into services. So, we're having to compete with start-ups and more nimble entrepreneurial companies that don't necessarily have the high infrastructure costs we have. We'll need to develop a new muscle, whether that's a medical muscle or innovation, or entrepreneurship and in a big corporate that's challenging.

Alex Templeton: Overcoming an initial reticence in an early market has been our main challenge. There isn't a great culture of preventative healthcare in the UK market. The NHS spends very little on preventive medicine, less than 4%, and that's mainly on vaccinations. As healthcare consumers, to a large extent, our expectations of the healthcare we consume are the result of what's provided to us. At Qured, we've seen that the direct to consumer market has been pretty nascent for a long time, and finding those customers who are willing to invest proactively in the health of the population is a challenge.

IS IT HARD TO GET A PICTURE OF WHAT PEOPLE WILL DO AND WHAT THEY'LL SPEND MONEY ON BASED ON YOUR DATA?

Taran Toor: It's a two-fold challenge for us. First, understanding our customers demands really good data analytics and sometimes big corporates struggle with that. You can't simply assume how someone will behave, rather you need to really analyse their behaviour and be able to validate what you do in response to this analysis. Second, when it comes to building revenue, you have to look beyond the purely transactional data, you have to think about behavioural nudging – if we launch a new service, we need to ask how we tap into customers' behaviours and get them to engage with that service.

Polly Appleton: We invest heavily in CRM and retention and have a big data team for a small company. We use everything we have about the customers to reinforce the journey they're on. Data is key for us, and our investors want us to know everything we can about our customers.

WHAT HURDLES HAVE YOU FACED DOING BUSINESS IN THE WELLNESS SECTOR?

IS TRUST AN ISSUE IN THE WELLNESS CATEGORY FOR SMALLER BUSINESSES STILL BUILDING BRAND PRESENCE?

Alexia Arts: Yes, trust is a challenge, especially in areas like IVF where it would be easy for people to be taken advantage of when they're so desperate to try anything that can potentially work. So, we invested early in our brand and worked with an agency to really understand who we are and what our brand stands for. We also put a lot of emphasis on our team and establishing trust between them and our members (customers). In our meetings, we have an orange chair in the room that represents the 'voice of the member' and we make sure everything pivots around that. We're also looking to partner with trusted brands, such as leading clinics that have already established trusted relationships with their customers.

Jac Windsor: One of the biggest challenges we see when we're doing due diligence, particularly for digital-first business models, is the cost of customer acquisition. The due diligence has to reflect the rising media costs and the effectiveness of that spend. We find that a lot of these businesses feel they need a physical footprint to reach new customers and enhance their customer experience with the opportunity to migrate those customers from third party channels to their own.

Polly Appleton: On this topic of customer acquisition, B2B is an interesting strategy for us. We only partner with brands that are able to further enhance our own brand image, but they may also be competitors. So, we may find them bidding against us, which will hit the cost of acquisition, or they might discount, which is something we don't do. As such, our B2B will only ever be 30% of our business because the margins are so hard to sustain, especially if you go down the distributor route. The right partner – a trusted halo brand – really helps you, but the wrong partner can destroy you.

Alex Templeton: If you look at a private medical insurer, as an example, they want innovation, customer engagement and value even when the customer isn't sick. So, working with a business like ours makes a lot of sense. However, one thing for sure is that we'll increase referral rates, which is going to negatively impact their short-term economics. That means they'll need to think about how they balance the potential improvement in retention and even potentially offering a differentiating product that generates more business with the increase in their health economic costs in the short run. It's a finely balanced dynamic between friend or foe when we're looking at them as distribution partners and they're looking at us.

Taran Toor: Friend, friend, friend. That's how we view partnerships. We have a huge footprint and are private equity backed, so can afford to make investments in businesses that will complement our own offering rather than compete against us. When we look at whether we build, partner, or buy, build is challenging because we're trying to develop behaviour in a muscle that isn't inherent to our businesses, such as in areas that are non-product based. So, the appetite for building, unless it is for something really obvious, is less than for partnering, which is much easier – but if we can invest and partner, that's fantastic.

Polly Appleton: We make it very clear with our partners what each of us does. So, for example, with our clinic partners, we're clear that we do financing and they do care. You have to be quite creative with partnerships and find ways to work together as 100% friend, not foe. Being profitable and therefore having cash means you can also be more discerning with your choice of distribution partner. If we can sell directly to our own consumer, it begs the question of why we would partner with a distribution channel? But there comes a point where we can't do it ourselves, so choosing the right partner is important and you have to be careful who you partner with at an early stage.

Jac Windsor: As advisers, we're often acting on one side or the other. And when we think about good strategic partnerships, the question to be asked is 'why does the partnership exist?'. It could be for the wider halo, or pace, or for a specific capability, such as international reach, and you need to be absolutely clear what that reason is. Digital is another big reason for partnering and this reaches across the value chain. For example, will digital help you deliver your return logistics better or improve your ESG score – this latter consideration isn't customer-driven but is driven by the investors.

FRIEND OR FOE – THE WELLNESS SECTOR FEELS CODEPENDENT BETWEEN BIG AND SMALL BRANDS, HOW DO YOU FEEL ABOUT THIS?

Jac Windsor: Investors have mixed appetite about Consumer markets given the pressure on consumer discretionary spend. As commercial advisers, we have seen a real change between pre- and post-covid. Pre-covid, it was all about getting comfort about market fundamentals, differentiation of the business model and growth runway. Increasingly now, adding to that picture from both an investor and a lender perspective, is resilience and defensibility. This is not just in the proposition but also the operating model, with the headwinds around wallet and costs taken into consideration. That's the order of play – before growth. So, if you're looking to raise money, be able to tell some of that narrative and back it up.

Polly Appleton: There's a lot of interest in the sector. However, it has become quite clear that we would only go with someone who could bring something to the party, not just a traditional PE, but someone who's done something like this before and are experts in this field, so would really explode our growth. Everyone we've spoken to has said 'get your house in order before you raise capital'. That means sorting our patents, getting our IP watertight, and making sure everything is running properly.

WHAT IS THE CURRENT MARKET SENTIMENTS REGARDING RAISING CAPITAL?

Polly Appleton: We raised at the peak of the market, so we had choice and will need to see how things have changed when we go for Series B. At Series A, our choices were super intentional and mainly made based on the individual rather than on the fund because that person would be on our Board. Did they believe in our vision? Were they supportive? Did they have the capital to back it up? We also thought strategically, for example could a particular investor advise us and connect us with the right people?

Jac Windsor: Readiness is also very important when raising capital. The way you run the business is not necessarily what the investors are looking for. You need to be deal ready. Investors are going to look at your customer transactional data to get an understanding of the customer loyalty and lifetime value. Often the data isn't cut that way, so spend the time to get ready as this is always a tipping point.

HOW DO YOU CHOOSE YOUR INVESTORS AND WHAT KIND OF INVESTMENT MIX DO YOU GO FOR?

Alex Templeton: It is important to have the right advice. We hear different rounds from investors about how they view using external advisors for different series findings, with the right support certainly expected for the more complex later rounds. It's about making sure you have the right people on your Board and on your team, as well as the right advice for your business. We've found in the market that people are still receptive and strategic investors still have cash, with corporate margins still pretty healthy. On the other hand, funds are a little trickier and you will probably find you are fishing for capital in a slightly shallower pond than before.

HOW DO YOU GET THE RIGHT PEOPLE AROUND YOU TO SUPPORT YOUR CAPITAL RAISING AMBITIONS?

Q&A SESSION WITH THE AUDIENCE

HOW DOES 'WELLNESS' SIT ALONGSIDE OTHER EMPLOYEE OFFERS/ BENEFITS AND HOW DO THE DIFFERENT PROVIDERS/PAYERS WORK TOGETHER?

Alex Templeton: We've found that our corporate partners don't want to wrangle with five or six single use-case providers, but they are willing to invest in additional healthcare and preventive healthcare services provided by the payer (insurer). It's difficult to do ten things well and there are gaps in provision from insurers that the insurers themselves are investing to close through partnerships. We're also finding anything that can provide measurable outcomes and data back to the business that helps them manage their workforce more smartly or helps them manage their private healthcare insurance costs is something they're willing to pay for. For example, there is a lot of pent up late-diagnosed cancer in the population through Covid and companies are seeing elevated instances of cancer. In making extra claims for cancer, companies are seeing elevated premium inflation on their renewals. So, they are actively looking at wellness programmes that can help them mitigate this escalating cost and they have to look away from the insurers to find those.

IS THE CONSUMER GETTING AHEAD OF THE HEALTHCARE SYSTEM IN ITS QUEST FOR WELLNESS SOLUTIONS?

Taran Toor: There is a huge amount of new incumbents with new propositions and this is completely outstripping what's happening in the NHS. Consumers are looking for consumer-centric insights and there are two phenomena – first, trust in new incumbents and second, choice paralysis. Traditionally something like a primary care physician will help you translate what's going on and what's happening now is that these non-traditional new incumbents are making it hard to understand and choose between things like genetics, blood tests, saliva, digital health studies, etc. and who they should trust.

HOW DO CUSTOMER DATA AND WILL MONETISE IT OR USE IT TO DEVELOP NEW SERVICES. WHAT ARE YOUR THOUGHTS ON BIG TECH'S ROLE IN WELLNESS AND HOW CONSUMERS MIGHT BE ABLE TO ACCESS AND CONTROL THEIR OWN DATA?

Jac Windsor: The first thing to ask is who your CAC model is for if you're trying to convince your investors that you're managing it effectively. There is no common definition of CAC – in fact there are multiple definitions – so you need to educate your investors about what's in your CAC model and show trends over time.

Taran Toor: For me, it's three things: trust, information and accessibility, which rarely align. There is a growing mistrust generally in traditional medicine and people are looking for natural alternatives but with the plethora of new services, there is also a concern about trust there too and a questioning of whether people can understand and digest all the information available. With the NHS, the concern is around accessibility, with a traditionally bricks and mortar system driving alternative solutions.

Taran Toor: Data and data regulation is a difficult one to grapple with and there is a danger of data being badly misused. Big tech will present this data to the consumer as a benefit (often a paid-for benefit) but by stealth maybe collecting a ton of information and that's entirely to help their product roadmap. For people like us having to cope with non-traditional market incumbents and the big tech players with big wallets and these huge volumes of data, we need to compete through our own strategic advantages, such as our product.

Jac Windsor: It's about who owns the data. Where's the power in that data? Where's the profit pool? 20 years ago, it was the brand, then the retailers took over with their loyalty cards, and now it's the tech platforms. They own the data and they can partner with the right people to serve the customer.

Polly Appleton: At LYMA, we've tried to invest so much in data and use it to find out what a customer's original insecurity is that they're looking to address and why they came across our business. We've invested in strategic consultants to help us understand how to talk to those customers. If sleeplessness is a problem, there is the potential perhaps to partner with a sleep app to validate our solution but then you have to be careful if the customer then feels their app data suggests they're not getting the results they expected, so we've held back a bit at present.

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