Jefferies Insights
APRIL 2021

Our Ten Best Thoughts On What's Next — Looking Forward, Always

Dear Clients and Employee-Partners,

A little over a year ago, we all started dealing with the reality of the global COVID-19 pandemic. Almost everything we thought we knew, assumed or depended upon as a construct for living our lives or running our businesses was abruptly called into question and challenged. During the course of this past year, the two of us have tried our best to transparently over-communicate our best thoughts on every aspect of the new world order, including the personal safety and physical/mental health of our colleagues, clients, friends and family; strategies and implications for economic survival and recovery; liquidity management and capital structure imperatives; business operating priorities; diversity, equity and inclusion; playing offense in a defensive moment; work from home challenges and strategies; and every other real world topic we faced during these incredibly complicated and challenging times. We did our best to communicate not only with our 4,000 Jefferies global employee-partners, but also with each of you, our client partners. We were not always right, but our thoughts were sincere, well-intentioned, experience-based and rooted in as much common sense as we were able to muster. With all of this in mind, we find ourselves today at yet another major inflection point, as we see the world starting to change again, fortunately for the better, bringing with this change a whole new set of challenges and opportunities.

As we enter the second year of the pandemic, we would like to offer our clients and our employee-partners our thoughts on what we see ahead and how we plan on best positioning Jefferies for the benefit of all our important constituencies. Our hope is that these thoughts inspire each of you to make your own list and perhaps take a few of our thoughts and modify them to best serve your business and team as 2021 progresses:

1. <u>COVID-19 Reality</u>. For a variety of reasons, we remain optimistic about the future of the world economy, the capital markets and life in general, but there are real challenges ahead. We are not healthcare experts, so please accept that these are simply our opinions and current perspectives, but they have been crafted based on in-depth conversations and direct work with great specialists with direct knowledge. We believe the U.S. population likely will be about 60% vaccinated by the end of this year, limited by hesitancy of many to be vaccinated and the fact that children likely won't begin to receive vaccines in mass until the end of this year and into 2022. Unfortunately, 60% is not likely to represent herd immunity. Europe's vaccination level may be lower, perhaps around 50%.

IN THIS ISSUE

Economics and Strategy

Actionable Ideas for Companies and Sponsors

Best Research Ideas

The total world may only be 10-15% fully vaccinated by the end of 2021 because 90%+ of doses are in G7 countries. Extrapolating out (ex G7 and China), we may be fortunate to achieve 15-20% vaccination rates globally in 2022. This means the light switch of immunity will not be easily "turned on" around the world and it will be more of a safer, slow dimmer switch that is getting brighter every day. Educating people on the merits of vaccines, investing in infrastructure for the supply chains and learning how to proceed best in the developing world will all be challenges and opportunities. Additionally, G7 countries probably will have major booster shot programs in 6-12 months and possibly every year thereafter. The point we are making is that we must be cautious and realistic as we plan for the future. There will be a path, but to ignore the complexity will be a mistake. One big question is how long before the COVID virus has mutated to an extent that our current vaccines do not work because they attack the same spike protein that will no longer be a successful point of attack. 18-24 months is the best science expert opinions for this "escape" and the more people that remain unvaccinated the faster it will likely happen. Entirely new vaccines will need to be developed, manufactured, distributed and injected globally for a novel non-spike variant. This sounds scary, but we believe it will be manageable. We now have the proven technology to detect, gene sequence, develop and manufacture high volumes of effective vaccines at amazingly fast speeds that regulators will approve. Not just mRNA, but other pre-approved vaccine delivery platforms as well. Human ingenuity has been unleashed and research, innovation, logistics and a broad global response will have incredibly positive ramifications for dealing with COVID and many other health issues that are inevitable. Additionally, we believe governments also understand the mistakes that were made to date and are determined to close the gaps and be ready for a very different future in biodefense.

2. Return to Office. The "office" or more properly the "facility away from home that we occupy together" has an important place in our future. However, deadlines to return seem premature and arms do not need to be twisted, as almost everyone is eager to return. Mandating rules accomplishes little more than adding to people's already high anxiety about the risks and process of re-entry. People will trickle back into the office when they feel safe and comfortable, and when enough folks make this decision, this in turn will create natural momentum. Our best guess based on all available data is that this will happen in earnest in September, coincident with what is likely to be a widespread return to school from pre-K to PhDs, but we are prepared to adjust this expectation in real time (sooner or later) and transparently share our thoughts with our 4,000 employee-partners as life unfolds.

3. The Future of Work. WFH is here to stay. Rather than one set of rules for all of us, the operative word will be "flexibility." It may be three days in the office and two remote, one and four, two per month, five either way, or any other combination depending on the person, team, role and circumstances. Flexibility will increase efficiency, productivity and happiness. The common office will be the place we gather to share ideas, maintain true connection and enhance our learning and growth. The future of work will be a positive for diversity and living choices, and Jefferies as a firm plans to embrace our newfound ability to accomplish great things flexibly and remotely, while still maintaining the culture and glue that has made Jefferies a special partnership. In this connection, we have been re-configuring our office space with a ton of input from our team members. There will be more common areas, fewer offices, and an increased amount of shared and flexible workspace, all designed to allow for a more hybrid and flexible approach to work and working together. We will start out with a plan that reflects our people's desires and then be prepared to pivot and adjust as time passes and we all get a better sense of what is best for individuals, our culture and our firm. Similarly, our investment will continue to increase for technology and tools that: allow increased flexibility of our workforce, optimize our connections with clients, enable us to spend more quality physical time with all humans, fully automate all our processing needs, enhance our risk and compliance systems and leverage our data trove to add value and drive better decisions.

4. Travel. Zoom and its ilk have been our lifeblood and we cannot imagine where we would be without this capability. That said, we are all exhausted and tired of and from it, through no fault of the amazing technology.

Video connections will have a very big role in our work lives going forward, as we now know that many things (roadshows, pitches, conference meetings and the like) can be done efficiently and effectively via virtual presence. That will continue going forward, and this will continue to make our lives more efficient and easier. Establishing human relationships, bonding and building trust generally cannot be accomplished by phone or video. When safe, the world will return to lunches, dinners, meaningful travel, live conferences and in-person entertainment. In respect of travel, governments, working together, will have to develop a globally trusted program to verify vaccination for international travel in the next 12 months. Business is done by people and people choose who to do business with based upon whom they like and trust. Remote connectivity will expedite the processing of more mundane parts of our work lives and that is great, but we expect our people to all be interacting meaningfully in person with each other and our clients. The two of us cannot wait!

5. Our Future Leaders. Perhaps no group of people have been more disadvantaged by this past year's experience than the Gen Z cohort of our workforce. At Jefferies, well over 25% of our people are in this category. The inability to be "in the room where it happens" and to learn the "nuances" and "Je ne sais quois" of what we do as a firm can be incredibly frustrating and de-motivating. When you throw on top of this the greatly increased work flow and the reduced opportunity for outside fun, downtime or ability to leave your home, there is no doubt we have a lot to do to help this group re-establish their career trajectories, not to mention their lives. It is up to us as individuals and as a firm to embrace fully our future leaders and help them make up for lost time when it is safe to do so. We need to re-earn their trust, confidence and commitment because our firm, like all other enterprises, cannot exist and prosper without them.

6. Culture Rules. While we have been able to accomplish amazing things during this horrible pandemic, the challenges for our culture have been real. We know that our connective tissue has been stressed despite our believing that we have done just about everything humanly possible to minimize the damage. We have a lot of work to do over time to restore our ability to seamlessly plan, strategize, execute and optimize all we do. This is the only way our firm's collective whole will remain greater than the individual sum of all our hard working and dedicated partners. This is a big reason why, despite the WFH option, we will also spend a substantial amount of time in our offices working together to re-establish our connections and remind each of us why we are so passionate about each other, our clients and our firm.

7. The Economy and Capital Markets – The "Roaring 2020's"?! We are optimistic about the economy and the capital markets. Large amounts of stimulus, relatively low interest rates (which likely will slowly creep up, hopefully with central banks awake and mindful of the need for moderation), decent corporate earnings and moving on from the worst of the pandemic, all lead to an incredibly positive backdrop of increased activity in almost every aspect of life. People have had an incredible reminder of mortality and the desire for human physical connection may never have been stronger. This will be an exciting period to be alive and this hopefully should be an unneeded but extra benefit for people to get vaccinated immediately when it is their turn. As we move forward, as always, there will be winners and losers which creates consolidation opportunities. M&A activity will remain high, as scale and operating leverage remain dominant themes in many industries, and strong stock prices and abundant private capital will encourage and enable the process. The capital markets generally will be supportive of good businesses seeking to grow or transform. SPACs are neither a panacea nor the devil's work, but a helpful tool in capital formation, particularly to the extent the process and timetable for regular way IPO's doesn't improve. SPACs can be smart and useful structures to access the public markets more rapidly and readily, so long as everyone operates within the bounds of fairness and honest transparency (aggressive, unrealistic and indefensible projections will lock folks out of this market and lead to liability). Additionally, as is the case after every period of low interest rates and strong market performance, excess leverage in opaque areas can seep into the system. It is up to market participants to ask the tough questions internally and then do real work to re-assess reality to protect their

institutions and the market. If this doesn't occur, regulators and rating agencies step in to incent proper behavior in their own way. Finally, if business leaders and investors ever questioned whether capital structure was critical, the pandemic has answered that question forever. Everyone gets into problems, but those with enough time to survive the problems always seem to be the "lucky" ones. This will not end with the passing of the pandemic.

8. ESG Is a Way of Life. If there are any individuals or businesses who continue to believe this is window dressing or checking a box, it may already be too late for them.

9. Today's Workforce. Prioritizing diversity, equity and inclusion initiatives and combining them with the added flexibility afforded by a hybrid work environment means the pool of human capital is finally being correctly understood as broader and deeper than ever assumed. This is fantastic news and shame on most of us for not realizing this sooner. It is all of our jobs to not only seek out this talented pool of people, but to also make sure our firm adjusts and adapts and embraces their needs and priorities so we can offer meaningful careers to all.

10. Kindness. People are starved for real human interaction. We now know what it is like to live without it. We not only have a newfound appreciation of our family, friends and co-workers, but also for all of the people who have worked so hard to help us through this dark period: healthcare workers, first responders, food service workers, retail staff, teachers, drivers and the list goes on and on. We are looking forward to being able to show our appreciation in person as the world becomes safer. Mean spirited and rude people will not be welcome.

This list of thoughts represents how we best see the near future and our plan to best tackle the opportunities and challenges. Mike Tyson famously said: "Everyone has a plan until they get punched in the mouth." This past year has been a mouthful of punches. We expect the next year will be massively better, but nothing is guaranteed and all we can do is learn from our past experience, be honest about all the current data points we can get from the most reliable sources, and stay in close touch with our family, friends, co-workers and clients so that we can learn from each other, support each other, and best navigate whatever comes our individual and collective way. We are grateful for our connections to each of you and look forward to the most positive future possible, together.

Rolling with the punches and eager to play offense while looking forward, always,

RICH HANDLER
CEO, Jefferies Financial Group
1.212.284.2555
rhandler@jefferies.com
@handlerrich Twitter | Instagram
Pronouns: he, him, his

BRIAN FRIEDMAN
President, Jefferies Financial Group
1.212.284.1701
bfriedman@jefferies.com

Economics and Strategy

Global GDP Forecasts Revised Higher While Rate Moves Benefit Cyclicals and Risk Parity

Jefferies Chief Financial Economist Aneta Markowska expects U.S. growth to average nearly 7% this year, with an even stronger first half. She expects the trio of explosive fiscal support, unprecedented pent-up demand and pent-up savings to produce a sharp increase in consumer spending post-vaccine. The combo of strong demand and record-low inventories will in turn propel manufacturing activity higher, which should push capacity utilization well above pre-pandemic levels by mid-year, unleashing a full-blown industrial capex cycle and a self-sustaining recovery. Stronger growth will lead to more inflationary pressures in the medium-term and even more Fed tightening than is currently priced in. Aneta expects the 10 year Treasury to rise to 2% by year-end and expects the recovery to remain intact in the face of higher rates which are rising "for the right reasons."

Similarly, Chief European Financial Economist David Owen sees signs that the UK economy will start to outperform from Q2 onward. In addition to the effects of the pre-announced 2023 rise in the corporate tax rate to 25%, David expects the two-year window for a 130% super deduction for investment in plant and machinery to bring spending forward, prompting him to increase his 2022 GDP forecast for the UK to 7.6% following the 4.4% in 2021. Meanwhile, with the rate of vaccine roll-out in the Euro area lagging the U.S. and UK, at its latest meeting the ECB delivered an aggressive response to the recent rise in bond yields and committed to a significant step-up in its weekly QE purchases. In its latest forecasts, the ECB expects the Euro area economy to grow by about 1.5% Q/Q in Q2 and Q3. But the outlook is highly uncertain, and there is a clear determination that financing conditions remain extremely accommodative in the early stages of the recovery.

For Chief Market Strategist David Zervos the backdrop remains conducive to his "Spoos & J's" trade (i.e., long S&Ps hedged with Jerome Powell and Janet Yellen) despite recent volatility. He points out that in the face of fiscal stimulus-derived fears, the only true policy driver affecting broad economic and financial market outcomes, and therefore inflation, comes via the monetary channel. He expects that supply-side secular forces will remain in play to control inflation with the Fed likely to struggle to achieve their sustained 2% inflation overshoot. In addition, he believes the current market dynamics are evidence of "the handoff," the point at which monetary policy takes a back seat to private-sector animal spirits and the constant Fed support is replaced with true, organic economic growth. Additionally, David sees one benefit of yields backing up to 2% is the potential to reawaken the risk parity trade.

Global and Asia Equity Strategist Christopher Wood's base case remains that cyclical stocks will continue to rally and Treasury bonds will sell off more before the risk of a potential tapering scare increases. This could occur if the market starts to worry that the Fed may taper earlier than the current expectation of a gradual tapering in early 2022 and continuing through the year before interest rate "lift off" in 2023. If inflation expectations rise above 2.5%, it will become harder for the Fed to ignore, as in the market will focus on the degree of overshoot tolerated by the American central bank. Meanwhile, the back up in 10-year Treasury bond yields has the potential to revive the risk parity trade in the U.S., assuming the deflationary trend resumes and the Fed turns orthodox by not introducing a regime of formal repression by locking in bond yields.

Global Equity Strategist Sean Darby remains bullish on the more cyclical sectors like industrials, materials, financials and energy. He believes the stars are aligned for global equities as the vaccine roll-out unleashes pent-up demand coinciding with improving global trade and rising manufacturing. To date, Sean believes the sell-off in bond yields has not hampered share prices since inflation prospects are brightening while earnings continue to be revised up.

Actionable Ideas for Companies and Sponsors

MERGERS AND ACQUISITIONS

The SPAC Phenomenon Continues and Attracts Corporate Entrants

The SPAC phenomenon became a frenzy in the first quarter of 2021 with both issuance of new SPACs and SPAC-related mergers continuing at unprecedented levels. To date in 2021, 295 SPAC IPOs have raised proceeds of $93 billion. In just twelve weeks, these levels already exceed issuance levels for *all* of 2020. Further, there have been 144 SPAC mergers announced representing $235 billion in transaction value announced year-to-date, compared to 124 transactions with a value of $211 billion in *all* of 2020. There are over 430 SPACs seeking targets with over $140 billion of proceeds to deploy. While both the issuance and PIPE markets have experienced recent buyer pullback, there remain many viable targets to match the buying demand of a large reservoir of SPACs.

Further, while SPACs largely have been the domain of financial sponsors, executives and other investors, the market has expanded to include both corporate issuers and carve-out transactions effected with SPACs by corporates. In November 2020, Liberty Media raised a $500 million SPAC with the goal of finding a target in its verticals of expertise – the broader media, entertainment and communications sectors. And, in February, Post Holdings issued a SPAC raising $400 million seeking a target in the consumer products industry where it can provide managerial and sector expertise.

In February, Gores V, backed by serial issuer The Gores Group, announced it would combine with AMP, the metal packaging business of Ardagh, in a transaction valued at $8.5 billion. Ardagh will retain a stake of approximately 80% and receive up to $3.4 billion in cash. Similarly, in June of 2020, Landcadia II announced the $745 million merger with Golden Nugget Online Gaming which was a carve-out merger from Golden Nugget. Recently, it was rumored that L Brands is considering a carve-out SPAC combination for its Victoria's Secret brand.

For corporations, the SPAC merger/carve-out for subsidiaries offers certain unique benefits including: (i) providing a public market valuation benchmark for an otherwise imbedded subsidiary, (ii) flexibility to manage the size of the retained stake balanced with cash proceeds, (iii) partnering with a team which potentially can bring increased oversight and managerial breadth, and (iv) creating a path to future liquidity. The corporate carve-out universe could open a broader range of candidates to SPACs seeking a target.

The SPAC market will settle to a more normalized level of issuance and merger activity, but the SPAC vehicle will likely remain as a viable alternative to the traditional IPO, while providing sellers a highly tailored, hybrid means of selling assets.

Increasing Investor Focus on ESG and the Momentum of "ESG Activism"

In the wake of the global COVID-19 pandemic and amidst widespread social unrest, environmental, social and governance ("ESG") emerged as a central investment theme in 2020. ESG-oriented funds recorded unprecedented capital inflows, while traditionally passive institutional investors increasingly took an active and public stance on ESG issues. In its annual letter to CEOs, BlackRock earlier this year called on public companies to improve disclosure around long-term strategies to combat climate change and social issues. The push for public companies to adhere to ESG best practices will likely continue to intensify as ESG-related disclosures remain central to assessing sustainability and the societal impacts of an investment while continuing to generate financial returns.

Once considered at best a tertiary theme in activist campaigns, hedge funds are more frequently using ESG as a wedge issue to extract concessions from target companies. European activist investor Cevian Capital recently called on companies to link ESG metrics with executive compensation by 2022, noting it will vote against directors who fail to do so. Also last year, prominent activist investor Jeff Ubben left ValueAct, the highly successful activist fund he founded, to launch a dedicated ESG-driven fund, Inclusive Capital.

Most recently, dedicated ESG-focused activist fund Engine No. 1 launched a proxy contest at Exxon Mobil and nominated four director candidates, with sustainable value creation at the forefront of its critiques. Influential public pension plan CalSTRS subsequently announced support for Engine's nominees. In response, Exxon appointed several new directors, including ESG advocate Ubben, although the proxy contest continues.

Given the ongoing flows of capital into ESG-focused funds, as well as the general rising level of importance of ESG to traditional investors such as BlackRock, we expect to see an increase in ESG-related activism. We continue to advise directors and management teams to take proactive steps to prepare in advance for potential ESG-related activism, including articulating to investors a defining corporate purpose and adopting ESG policies that support long-term strategic goals.

DEBT CAPITAL MARKETS

Strength in Syndicated Second Lien Term Loans

The syndicated second lien market has remained strong, with syndicated second lien issuance outpacing private placements by nearly 3:1 YTD. An incredibly hot loan market and a slew of first lien repricings this year have resulted in issuer friendly terms, as companies have been able to tighten spreads. Also, lower average coupons in high yield bonds have resulted in investors searching for yield and turning to second lien term loans. While inherently riskier for investors, second lien term loans reward this risk with higher yield. Second lien new issue volume this year is almost on pace with 2018, but the second lien term loans spread over their respective first lien term loans has tightened by 52bps to 335bps on average.

Jefferies recently completed a refinancing for Ankura Consulting, a provider of management consulting and expert services. The borrower chose to upsize the second lien term loan to fund cash to the balance sheet while leaving the first lien term loan unchanged. The $465 million first lien term loan priced at L+450 / 0.75% Floor / 99 OID and the $175 million second lien term loan priced at L+800 / 0.75% Floor / 98.5 OID, clearing 350bps wide of the first lien term loan.

Lower Rated High Yield Issuances

The high yield market remains resilient despite recent pressure on long-term Treasury yields. In fact, the High Yield Broad Market index remains at all-time lows, yielding 4.3%. The low rate environment has resulted in investors hunting for yield wherever they can find it, which has opened the door for lower rated issuers to come to market and successfully place new issuances. B-rated bonds have dominated the high yield new issue market, recently representing 45.5% of February 2021 issuance, the most for a single month since October 2019. For YTD March 26th, 2021, high yield volume totaled $143.2 billion, representing the largest Q1 total on record. During the same time period, the average yield was 5.4%, 32bps lower than 2020's record low Q1 average yield.

In January 2021, Jefferies led an upsized offering of eight-year unsecured notes for Truck Hero, a manufacturer and marketer of branded functional accessories for trucks and Jeeps. The $600 million unsecured notes offering was rated CCC/Caa2 and priced at 6.25%. The increased bond proceeds were used to reduce the equity check from an L Catterton-led consortium.

Borrowers Shift from Club Deals to Syndicated Deals

As the leveraged loan market remains wide open, private equity sponsors are comparing financing options available to borrowers within the private credit market versus the syndicated loan market. The strength of the syndicated market has led to increasingly issuer-friendly terms, and some borrowers are choosing to refinance their club deals in the syndicated market due to the strong demand from institutional investors. Entering the syndicated market is often viewed positively by private equity sponsors as it better positions borrowers for future sell-side transactions and typically results in more aggressive financing packages from potential buyers. Syndicated loans also provide more flexible capital structures for businesses as they grow.

In March 2021, Jefferies allocated a first lien term loan and a delayed-draw first-lien term loan for EyeSouth to refinance its existing privately-placed term loan and finance near-term acquisitions. EyeSouth is a provider of practice management services to a network of affiliated ophthalmology practices, specializing in essential treatments for eye health conditions. The $375 million first lien term loan and the $65 million delayed-draw first lien term loan priced at L+450 / 0.75% Floor / 99.75 OID.

EQUITY CAPITAL MARKETS

European SPAC IPO Market Gaining Momentum

The SPAC IPO market in Europe is seeing increasing issuance after record levels in the U.S. We expect this trend to accelerate as European companies aggressively pursue the alternative of going public through a European-listed SPAC.

These European-listed SPACs have the same structural features of U.S. SPACs, including the sponsor promote. While U.S. style SPACs can be listed in most European countries, Euronext Amsterdam is becoming a natural venue for SPACs looking at pan-European investment opportunities. In the UK, there are ongoing regulatory discussions to make near-term rule changes to open the UK listed SPAC market. As in the U.S., SPAC sponsors should have public company experience, a track record of achieving attractive returns for investors, access to deal flow, and the ability to commit capital.

Opportunistic Primary Equity Issuance in the U.S.

With U.S. equity markets trading near all-time highs, issuers are aggressively raising primary equity capital through follow-on offerings and block trades. In 2021 YTD, 241 companies have raised $60 billion of primary capital, compared to 87 offerings raising $19 billion in the comparable period last year. The most active sectors include healthcare, technology, real estate and industrials. Given the strength of the new issue market, we expect activity levels to remain robust.

DEBT ADVISORY & RESTRUCTURING

SPACs Have Entered the Distressed Market

Given the popularity and frequency of SPAC new issue activity it was only a matter of time until SPACs entered the distressed marketplace. While SPAC sponsors have typically focused their efforts on seeking high-growth target companies, more recently, there have been several SPACs focused on a value investing approach, including seeking companies that are: (i) constrained by their capital structure and in need of a liquidity infusion and balance sheet recapitalization, (ii) in the midst of an operational turnaround, or (iii) recently emerging from a bankruptcy or financial restructuring.

In 2020, many companies faced significant challenges due to COVID-19 including liquidity constraints, covenant and maturity issues, and over levered balance sheets. For such companies, SPACs can serve as a valuable source of equity to right-size their balance sheets. For the SPAC, targets with stressed or distressed capital structures provide an opportunity to invest at historically attractive valuations or at substantial discounts to publicly traded peers.

Recently, there have been six distressed focus SPACs that have been issued including Mudrick Acquisition Corp., Churchill Capital Corp, Mudrick Capital Acquisition Corp. II, Starboard Value Acquisition Corp, Goodworks Acquisition Corp., and Seaport Global Holdings. Four of these six SPACs have recently executed acquisitions. One of the more notable transactions was Churchill's acquisition of Skillsoft in October of 2020. Skillsoft, an e-learning company, filed for bankruptcy in June of 2020 and proposed a plan of reorganization that called for creditors to exchange their debt for equity ownership, however, the plan included a provision that allowed for a "Favored Sale" to Churchill post emergence from bankruptcy. The proposed plan of reorganization was uncontested and garnered the necessary support of creditors. Skillsoft emerged from bankruptcy in August of 2020 with a "stapled sale" to Churchill that closed in October.

Best Research Ideas

U.S. Insights – No Longer Window-Shopping: Stocks Best Positioned for a Surge in Consumption

Jefferies believes that a surge in personal income coincident with a reopening U.S. economy will unleash substantial pent-up demand in service sector consumption. Chief Economist Aneta Markowska forecasts 2Q GDP growth north of 8%, supported by the next round of stimulus, more vaccines, better weather and pent-up demand, which should combine to benefit the Service Sector considerably. On consumption specifically, she forecasts '21 and '22 growth of 7% and 4.1%, respectively, in the Personal Consumption Expenditures price index, or PCE. Within this context, Jefferies' Research highlights the potential for the best consumer stock backdrop in decades, and points out that in prior PCE growth cycles, consumer sector sales growth rose significantly. Analysts flagged 27 stocks with the most exposure to this dynamic. The list includes: ABNB, BLMN, CZR, EAT, LUV, LYFT, PLNT, SIX, TAP and TJX.

— *Jefferies Equity Research*

Integrated Oil Companies – An Inconvenient Truth

Decarbonizing "black gold" is the job of oil company managements. Energy transition capex will increase more than 300% by 2025 from current levels to reach (only?) 15% of total investment. There is a clear Europe-to-U.S. divide at play here, with the U.S. names being much more cautious about the move towards renewables. Of course, move too fast and near-term cash flows and returns will be hard hit by transition spend. Move too slow, and there'll be no business left. The good news for the sector is that cashflow is prodigious: free cash flow cumulates to more than 50% of sector market cap over 2021-25 so... Give it back or build a windfarm?

— *Giacomo Romeo, Energy Research*

China's Auto Evolution: Mapping the Next 10 Years

Jefferies maps out the potential technological evolution in China's auto sector through 2030. China is and will remain the most important market given top-down directions and bottom-up aspirations. Jefferies details Top 10 industry trends, with a watchlist of 18 names. Initiating on four New Energy Vehicles, or NEV, players with two Holds, NIO and XPENG, and two Buys, Li and BLUEPARK, with updated numbers for Buy-rated BYD, NAVINFO and GOTION. Preference order is: BYD-A > BYD-H > BLUEPARK > LI AUTO > XPENG > NIO.

— *Alexious Lee, Head of China Strategy, Cap Goods & Industrials Research*

Jefferies Group LLC is the largest independent, global, full-service investment banking firm headquartered in the U.S. Focused on serving clients for nearly 60 years, Jefferies is a leader in providing insight, expertise and execution to investors, companies and governments. Our firm provides a full range of investment banking, advisory, sales and trading, research and wealth management services across all products in the Americas, Europe and Asia. Jefferies' Leucadia Asset Management division is a growing alternative asset management platform. Jefferies Group LLC is a wholly owned subsidiary of Jefferies Financial Group Inc. (NYSE: JEF), a diversified financial services company.

NOTABLE RECENT TRANSACTIONS

Energy, February 2021, Pending ExxonMobil $1,000,000,000 (+c.$300,000,000 in contingent payments) Sale of UK CNS and NNS Portfolio to **NEO Energy** Sole Financial Advisor	Automotive Aftermarket, January 2021 Truck Hero $1,750,000,000 Credit Facility to Finance Acquisition by **L Catterton** Joint Lead Arranger $600,000,000 Senior Unsecured Notes Offering Joint Bookrunner	Healthcare, February 2021, Pending EQT Enterprise Value €12,300,000,000 Sale of minority stake in **IVC Evidensia** to **Silver Lake, EQT IX** and **Nestlé** Joint Financial Advisor	Technology, February 2021 MicroStrategy $1,050,000,000 Convertible Notes Offering Sole Bookrunner
Consumer, January 2021 JCPenney $5,203,000,000 Restructuring Financial Advisor to the Official Committee of Unsecured Creditors	Finance, January 2021, Pending IG Group $1,000,000,000 Acquisition of **tastytrade, Inc.** Lead Financial Advisor	SPAC, February 2021 Tailwind International $345,000,000 Initial Public Offering Sole Bookrunner	Consumer, February 2021, Pending Fertitta Entertainment $6,600,000,000 Merger with **FAST Acquisition Corp.** Sole Financial Advisor and Capital Markets Advisor $1,240,000,000 Private Placement of Equity Sole Placement Agent
Healthcare, January 2021, Pending Advanz Pharma $2,050,000,000 Sale to **Nordic Capital** Lead Financial Advisor	Technology, February 2021 Plume $270,000,000 Private Placement to **Insight Partners** Sole Placement Agent	AeroDefense, February 2021, Pending Wheels Up $2,100,000,000 Merger with **Aspirational Consumer Lifestyle Corp.** Lead Financial Advisor	Healthcare, February 2021, December 2020 adapthealth $1,350,000,000 Credit Facility to Finance Acquisition of **AeroCare Holdings** Joint Lead Arranger $500,000,000 Senior Unsecured Notes Offering Joint Bookrunner $2,000,000,000 Acquisition of **AeroCare Holdings, Inc.** Lead Financial Advisor
SPAC, February 2021 Ark Global $345,000,000 Initial Public Offering Sole Bookrunner	Technology, January 2021, Pending talkspace $1,400,000,000 Merger with **Hudson Executive Investment Corp.** Joint Financial Advisor	SPAC, February 2021 CM Life Sciences II $276,000,000 Initial Public Offering Sole Bookrunner	Industrials, January 2021, Pending Scapa £403,000,000 Sale to **Schweitzer-Mauduit International, Inc.** Sole Financial Advisor
Technology, March 2021, Pending ironSource $11,074,000,000 Merger with **Thoma Bravo Advantage** Joint Financial Advisor $1,300,000,000 Private Placement Joint Placement Agent	Industrials, March 2021 Infinite Electronics, Inc. $980,000,000 Credit Facility to Finance Acquisition by **Warburg Pincus** Joint Lead Arranger Undisclosed Sale to **Warburg Pincus** Sole Financial Advisor to the Board of Directors	Technology, March 2021, Pending Calypso Undisclosed Sale to **Thoma Bravo** Joint Financial Advisor	Media, Pending LSC Communications $1,000,000,000 Restructuring Financial Advisor to the Official Committee of Unsecured Creditors
Healthcare, January 2021 CureVac the RNA people® $518,000,000 Common Stock Offering Joint Bookrunner	Technology, March 2021, Pending Supernova $3,000,000,000 Merger with **Offerpad** Sole Financial Advisor	Consumer, January 2021 Vector Group Ltd $875,000,000 Senior Secured Notes Offering Sole Bookrunner	Automotive Aftermarket, March 2021, Pending Mavis Tire Express Services Undisclosed Sale to **BayPine, TSG Consumer Partners** and **West First Management** Sole Financial Advisor

JEFFERIES KEY FACTS & STATISTICS

(February 28, 2021)

Founded: 1962

Total Long-Term Capital: $13.2 billion

Number of Employees: 3,984

Companies under Global Equity Research Coverage: 2,500

GLOBAL HEADQUARTERS
520 Madison Avenue
New York, NY 10022
1.212.284.2300

EUROPEAN HEADQUARTERS
100 Bishopsgate
London EC2N 4JL UK
+44 20 7029 8000

ASIAN HEADQUARTERS
2 Queen's Road Central
Central, Hong Kong China
+852 3743 8000

Jefferies.com

IMPORTANT DISCLOSURES

This material has been prepared by Jefferies LLC, a U.S.-registered broker-dealer, employing appropriate expertise, and in the belief that it is fair and not misleading. Jefferies LLC is headquartered at 520 Madison Avenue, New York, N.Y. 10022. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified; therefore we do not guarantee its accuracy. This is not an offer or solicitation of an offer to buy or sell any security or investment. Any opinion or estimates constitute our best judgment as of this date, and are subject to change without notice. Jefferies LLC and Jefferies International Limited and their affiliates and their respective directors, officers and employees may buy or sell securities mentioned herein as agent or principal for their own account.

In the United Kingdom this material is approved by Jefferies International Limited and is intended for use only by persons who have professional experience in matters relating to investments falling within Articles 19(5) and 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), or by persons to whom it can otherwise be lawfully distributed. In the member states of the European Economic Area, this document is for distribution only to persons who are "qualified investors" within the meaning of Article 2(1)(e) of The Prospectus Directive. For Canadian investors, this document is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). For investors in the Republic of Singapore, this material is intended for use only by accredited, expert or institutional investors as defined by the Securities and Futures Act and is distributed by Jefferies Singapore Limited, which is regulated by the Monetary Authority of Singapore. Any matters arising from, or in connection with, this material should be brought to the attention of Jefferies Singapore Limited at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Australia this information is issued solely by Jefferies LLC and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies LLC is regulated by the Securities and Exchange Commission and the Financial Industry Regulatory Authority, under the laws of the United States of America, which differ from Australian laws. Jefferies LLC has obtained relief under Australian Securities and Investments Commission Class Order 03/1100, which conditionally exempts it from holding an Australian financial services license under the Act in respect of the provision of certain financial services to wholesale clients. In Japan this material is issued and/or approved for distribution by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this material is issued and/or approved for distribution by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In India this material is issued and/or approved for distribution by Jefferies India Private Limited. Recipients of this commentary in any other jurisdiction should inform themselves about and observe any applicable legal requirements in relation to the receipt of this material. Jefferies International Limited is authorized and regulated in the United Kingdom by the Financial Conduct Authority. Its registered office is at Vintners Place, 100 Bishopsgate, London EC2N 4JL; telephone +44 20 7029 8000; facsimile +44 20 7029 8010.

This communication is being provided strictly for informational purposes only. This information is not a solicitation or recommendation to purchase securities of Jefferies and should not be construed as such.