

## SVS Dowgate Wealth UK New Economies Fund Quarterly Commentary: 28 March 2024

### COMMENTARY

In recent years, Synthomer (SYNT), the chemicals business formerly known as Yule Catto, has suffered post-COVID de-stocking, a mis-timed acquisition, and a rescue rights issue. These things will sound familiar to investors who follow our search for Capitulation Events. In this respect at least, SYNT is best-in-class, with shares falling by around 97% between June 2021 and March 2024. When a narrative gets as beaten up as this, it doesn't take much for things to look better. So it was on 12 March when SYNT reported early signs that demand in its core market was bottoming out. Over the next four days, shares rose by almost 80% peak-to-trough. SYNT is an exemplar of the broader situation in UK Valueland where we see large swings on low volumes as investors scour for catalysts. Volumes are typically lowest at the top and bottom of market cycles. Valuations suggest to us that this is the latter. Back at SYNT, management believes that their fixed asset base can deliver over £320m EBITDA, putting the business on an EV/normalized-EBITDA of under 3x, versus a long-term historic median of closer to 10x.



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### All information accurate as at 28 March 2024

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