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## UPDATE: Jefferies Financial Group Inc.

### Jefferies Completes Spin-Off of Vitesse Energy

- On January 17, 2023, before the market open, Jefferies Financial Group Inc. (NYSE: JEF) announced that has completed the spin-off of Vitesse Energy.
- The spin company expects now trades on the NYSE under the ticker "VTS". JEF shareholders of record as of December 27, 2022, receive one share of VTS for every 8.49668 shares of JEF owned.
- Shares of VTS closed trading in the when-issued market on January 13, 2023, at a price of \$15.29.
- We approach our valuation under the assumption that little to no value was being attributed to Vitesse Energy within the consolidated JEF stock price. Further, we view the current JEF institutional shareholder base as unlikely to have meaningful interest in holding shares of the oil and gas entity following the distribution, as their probable reason for owning Jefferies is for the financial market exposure.
- Notably, insiders own approximately 27.5% of JEF, which combined with the share distribution ratio implies a VTS float of just 19.5 million shares.
- Under these assumptions, we do not expect a significant move in JEF's share price following the distribution, and we anticipate significant volatility in shares of Vitesse as JEF shareholders rotate out of the distributed shares, with little to no traditional sell-side coverage being assumed in the near term. That combination of factors may present an opportunity to buy VTS at a steeply discounted price relative to the assets that the company owns.

#### Jefferies Financial Group Inc. - NEUTRAL

Current Share Price: (1/17/23): \$38.85

Ticker: JEF

Fair Value Estimate: \$36 per share

Shares Outstanding: 228.8 million

Market Capitalization: \$8.1 billion

#### Vitesse Energy Inc. - BUY

Current Share Price: (1/17/23): \$14.85

Ticker: VTS

Fair Value Estimate: \$23 per share

Shares Outstanding: 27.0 million

Market Capitalization: \$629 million

Post-spin market capitalization at fair value estimate.

Current coverage and research archive is available online at [spinoff.report](https://spinoff.report)



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- On a post-separation basis, we fairly value shares of VTS at \$23 per share, which is derived by applying a 4.5x multiple to our 2022 EBITDA estimate of \$152.6 million. We value shares of JEF at \$36 per share, and rate shares at NEUTRAL given the current trading price versus our fair value estimate.
- We rate shares of VTS at a BUY, however we caution new investors of the above noted characteristics that we believe could cause downward pressure on shares in the near term.
- For more details, please refer to The Spin Off Report dated November 8, 2022, and UPDATE dated January 5, 2023.

### Exhibit VTS: Fair Value Estimates

(\$ in millions, expect per share data; shares in millions)

F2021 Revenue	\$ 185.0
<u>Growth</u>	<u>50%</u>
F2022 Revenue	277.5
<u>Margin</u>	<u>55%</u>
EBITDA	152.6
<u>Multiple</u>	<u>4.5x</u>
Enterprise Value	686.8
<u>Net Debt</u>	<u>58.0</u>
Market Capitalization	628.8
<u>Shares Outstanding</u>	<u>27.0</u>
<b>FVE \$ / Share</b>	<b>\$ 23.33</b>

Source: Company reports, Bloomberg, and The Spin-Off Report estimates.

### Exhibit JEF: Post-Spin Fair Value Estimates

(\$ in millions, expect per share data; shares in millions)

	Revenue		Margin	Pre-Tax
	F2021	Growth	F2022	
Investment Banking	\$ 6,796.6	-30.0%	\$ 4,757.64	20.0%
Asset Management	\$ 336.7	-80.0%	\$ 67.34	-35.0%
<u>Merchant Banking, ex Vitesse</u>	<u>\$ 855.7</u>	<u>-30.0%</u>	<u>\$ 599.01</u>	<u>20.0%</u>
Total	\$ 7,989.1	-32.1%	\$ 5,423.99	19.3%

F2022 Revenue	\$ 5,424.0
<u>Pre-Tax Margin</u>	<u>19.3%</u>
Pre-Tax Income	1,046.8
<u>Taxes</u>	<u>272.2</u>
Net Income	774.7
<u>Shares Outstanding</u>	<u>229.0</u>
EPS	\$ 3.38
<u>Multiple</u>	<u>10.5x</u>
<b>FVE \$ / Share</b>	<b>\$ 35.52</b>

Tangible Book Value	\$ 8,662.0
<u>Less Vitesse</u>	<u>505.3</u>
Adjusted TBV/Share	8,156.7
<u>Shares Outstanding</u>	<u>229.0</u>
Tangible Book Value per Share	\$ 35.62
<u>Multiple</u>	<u>1.0x</u>
<b>FVE \$ / Share</b>	<b>\$ 35.62</b>

Source: Company reports, Bloomberg, and The Spin-Off Report estimates.

## Disclosures

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