



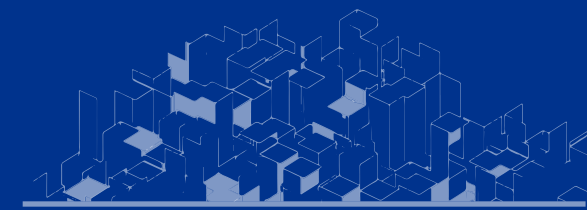
Equity market update and IPO compass

Equity Capital Markets Advisory

June 2023



Executive summary



Despite uncertainties surrounding the US debt ceiling debate, US equities achieved modest gains in May (S&P +0.2%, NASDAQ +5.8%), whereas European equities (DAX -1.6%, STOXX 600 -3.2%) were down on the previous month due to slowing global economic growth, weaknesses in China and energy prices.

The strong performance from equities this year is reflected in the highest negative correlation between equities and the VIX in two decades.

Sticky inflation is forcing central banks to remain hawkish. As recession worries continue, pressure on bond markets is increasing significantly.

Throughout 2023, European equity issuance remained relatively low: follow-on offerings totaling \$36.2 billion accounted for most of overall new issuances (\$45.4 billion), while IPOs made up just \$3.7 billion and convertibles \$1.2 billion.

The European IPO pipeline keeps building up with many companies that intend to go public once the market is more favorable.



Jens Voss

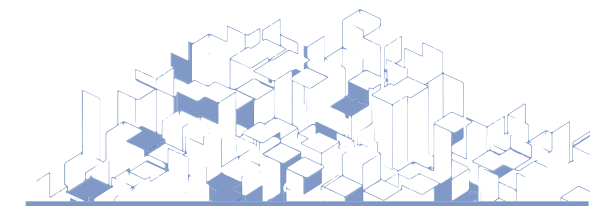
Partner, Head of Equity
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We recommend that companies planning to go public establish capital market readiness early, given the ever increasing demand for transparency from investors, regulators and other market participants.



Equity market environment

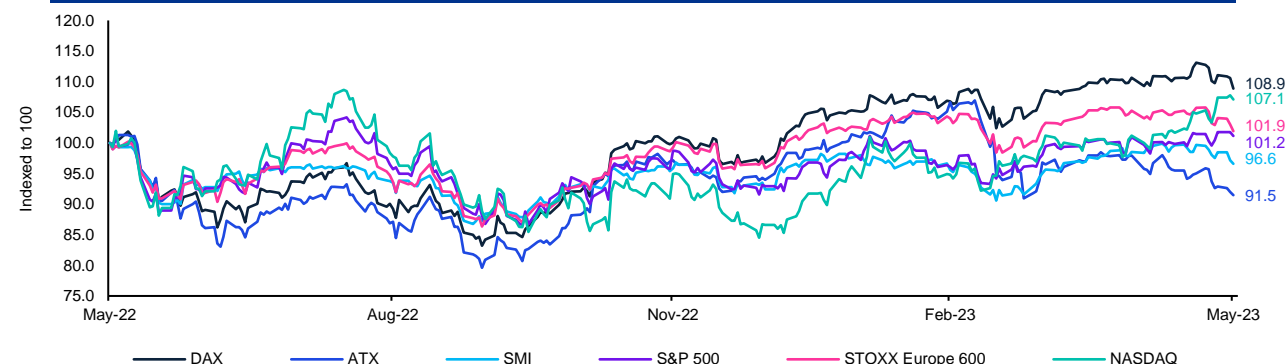


Despite uncertainties surrounding the US debt ceiling debate, US equities achieved modest gains in May (S&P +0.2%, NASDAQ +5.8%), whereas European equities (DAX -1.6%, STOXX 600 -3.2%) were down on the previous month due to slowing global economic growth, weaknesses in China and energy prices.

- Negotiations on the federal debt crisis were turbulent, but agreement on suspending the debt ceiling until January 2025 is close. This somewhat reduces Fed policy uncertainty, though it does raise concerns about liquidity headwinds from T-bill issuance. Moreover, the proposal still needs to pass the senate.
- Germany slipped into an unexpected recession, with Q1 GDP contracting by 0.3% despite certain positive factors. This has diminished optimism about the economy's resilience in the face of aggressive monetary tightening, the projected US economic slowdown, weakness in China and ongoing cyclical factors.
- In energy there is a bifurcation between oil and gas. Oil saw a sell-off after de-stocking due to surging funding costs, which had come from a low level. Gas prices dipped due to high inventories. Overall, energy availability is currently benefiting from rising renewables output.
- Analysts remain wary in their European equity market outlook despite strong Q1 earnings, citing concerns over inflation, interest rates, credit data and slower growth.
- Over the past 12 months, the STOXX 600 (+2%) saw strong performance in the Travel & Leisure (+20%) and Technology (+18%) sectors, the latter profiting from the continuing wave of optimism about AI.

Note: The equity index values are shown in their respective local currency

Performance of selected equity indices LTM



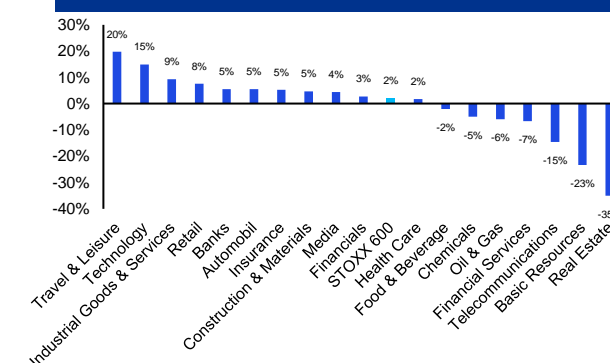
Source: FactSet 01-June-23

Performance of selected equity indices

	Value	12 Months Low	12 Months High	L3M	L6M	LTM
DAX	15,664	11,863	16,332	1.9%	8.8%	8.9%
MDAX	26,537	21,457	30,630	(7.4%)	3.7%	(11.3%)
SDAX	13,114	10,103	14,028	(2.0%)	5.9%	(4.9%)
TecDAX	3,200	2,589	3,350	(0.2%)	4.2%	0.8%
ATX	3,043	2,624	3,560	(14.2%)	(5.8%)	(8.5%)
SMI	11,218	10,073	11,595	1.1%	0.8%	(3.4%)
STOXX 600	452	380	470	(2.0%)	2.7%	1.9%
FTSE 100	7,446	6,708	8,047	(5.5%)	(1.7%)	(2.1%)
NASDAQ	12,935	10,089	13,181	12.9%	12.8%	7.1%
S&P 500	4,180	3,492	4,325	5.3%	2.4%	1.2%

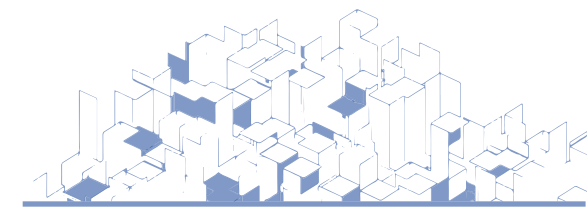
Source: FactSet 01-June-23

STOXX Europe 600 sector performance LTM



Source: FactSet 01-June-23

Volatility, risk appetite and fund flows



Volatility

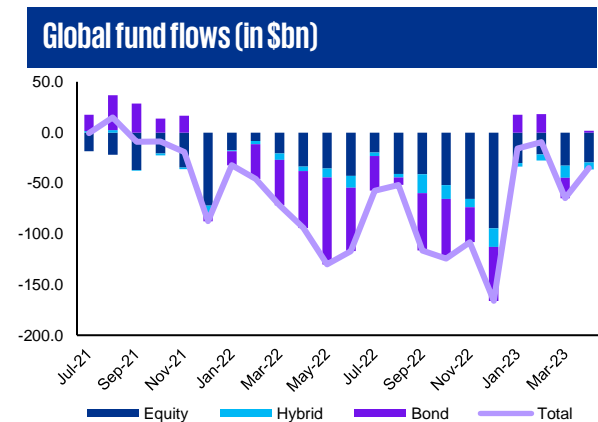
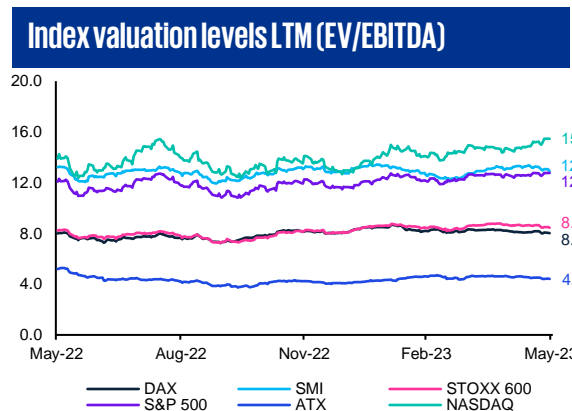
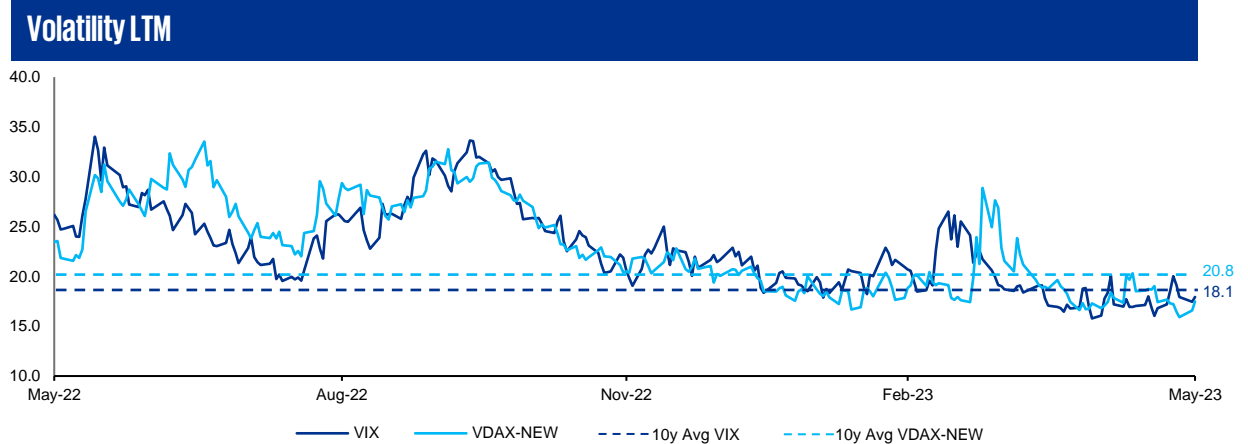
- Despite a mild increase in volatility, the equity markets were relatively stable, with the VDAX (measuring German market volatility) and the VIX (measuring US market volatility) registering modest increases of 0.2% and 2.1% respectively. Both volatility measures remained below their respective 10-year averages, indicating a relatively calm period in the equity markets.
- The strong performance from equities this year is reflected in the highest negative correlation between equities and the VIX in two decades.

Valuation

- Driven by optimism surrounding artificial intelligence, the NASDAQ has exceeded its 12-month high and is now trading at 15.8 times. Meanwhile, the DAX is also trading at its 12-month high at 12.8 times and is gradually converging with the EV/EBITDA multiple of the S&P 500, which stands at 15.9 times. This suggests positive sentiment towards the potential growth of AI-related companies and indicates increasing confidence in both the technology-focused NASDAQ and the broader German market represented by the DAX.

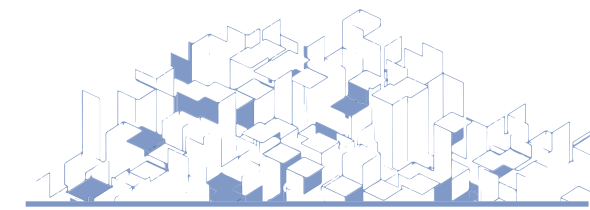
Fund flows

- Global fund flows in the recent period saw a total net outflow of -\$35 billion, indicating a positive trend with less substantial outflows than previous months. Specifically, equity funds experienced outflows of -\$29 billion and hybrid funds outflows of -\$7 billion, while bond funds managed a modest inflow of \$2 billion.



Note: VIX: The Chicago Board Options Exchange (Cboe) Volatility Index (VIX) is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index. It is derived from the prices of S&P500 index options with near-term expiration dates, it generates a 30-day forward projection of volatility; The VDAX-NEW index represents the market's expectations – i.e. the implied volatility – for the DAX index; Volatility indices are often seen as a way to gauge market sentiment, and in particular the degree of fear among market participants

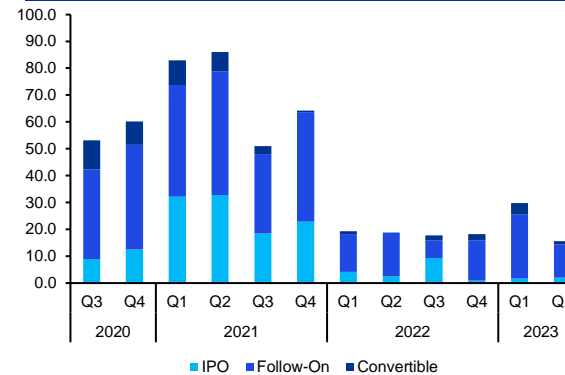
Issuance activity



European equity issuance has been relatively low in 2023.

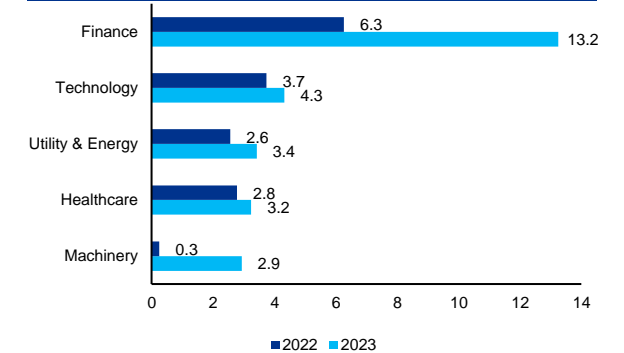
- The European IPO market has largely dried up since the beginning of 2022 in the face of several factors weighing on general market sentiment.
- Follow-on offerings totaling \$36.2 billion accounted for most of overall new issuances (\$45.4 billion), while IPOs made up just \$3.7 billion and convertibles \$1.2 billion.
- On a year-over-year basis, all top sectors have seen increased ECM activity, with Finance leading the way thanks to a notable surge in deal volume reaching \$13.2 billion.
- Pricing performance of European IPOs in 2023 ranks entirely in the middle and bottom quantiles, reflecting ongoing pessimistic IPO sentiment.
- However, the European IPO pipeline keeps building up with many companies that intend to go public once the market is more favorable.

European equity issuance by type (in \$bn)



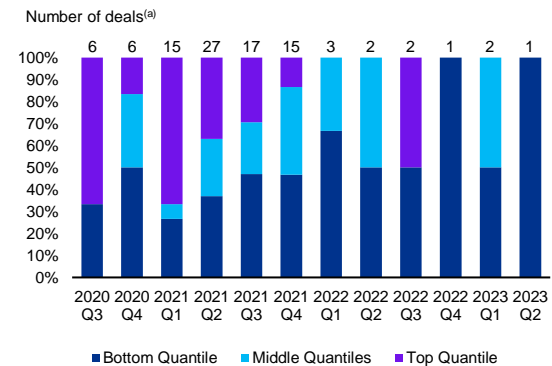
Source: Dealogic 01-June-23

European top sectors YoY (in \$bn)



Source: Dealogic 01-June-23

IPO pricing performance (Pricing vs Book Building Range): European IPOs (>\$150m)



Note: (a) Number of deals excluding SPACs and fixed-price deals
Source: Dealogic 01-June-23

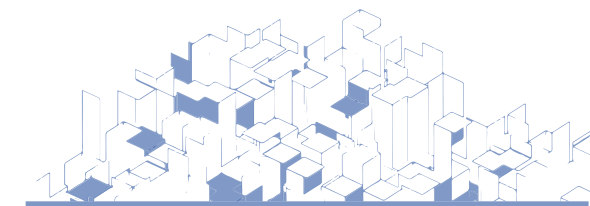
IPO pipeline Europe

Issuer	Exchange	Sector	Comment
OLB	Frankfurt	Finance	German retail bank is preparing an IPO, expected in 06/2023
Galderma	Zurich	Healthcare	Swiss skincare giant postponed IPO
Plenitude	Milan	Energy	Eni seeks to reboot stalled Plenitude spin off flotation
OK Mobility	Madrid	Services	Spanish car rental company is preparing IPO with Rothschild
Neptune Energy	London	Oil & Gas	Private equity-backed British oil firm still plans an IPO
Icade Sante	Paris	Healthcare	Postpone until market conditions improve
Virgin Atlantic	London	Airlines	Seeking to list, expected to benefit from recovery in travelling
Brewdog	London	Beverages	Actively working on a stock market listing
Revolut	London	Finance	Most likely to go public in late 2023 or early 2024
Monzo	London	Finance	Not likely to go public until late 2024 or early 2025
Starling Bank	London	Finance	Digital lender expected to go public in 2023
N26	London	Finance	German digital bank expected to go public in 2023
Burger King UK	London	Restaurants	Owned by Bridgepoint, searching for a suitable window
Lotus	London	Automotive	Announced in February 2022, preparing to go public in 2023
Pure Gym	London	Fitness industry	Abandoned the plans of IPO due to market uncertainty
Wintershall	Frankfurt	Oil & Gas	BASF, the majority owner, announced IPO
Chepharm	Frankfurt	Pharma	Postpone until market conditions improve
WeTransfer	Amsterdam	Software	Delayed by a strong rotation away from tech stocks

Source: KPMG in Germany 2023, Refinitiv 01-June-23

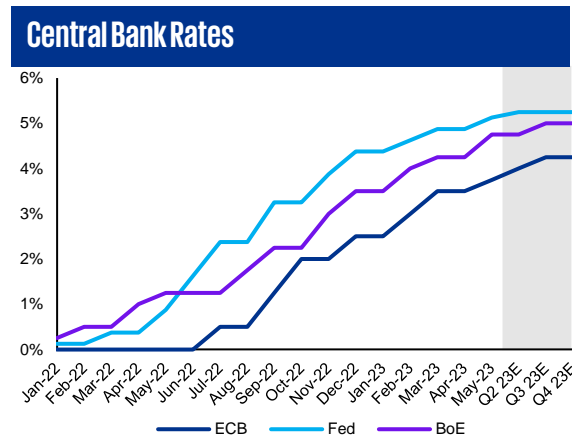
Note: IPO volume does not include the Greenshoe

Macro environment and outlook

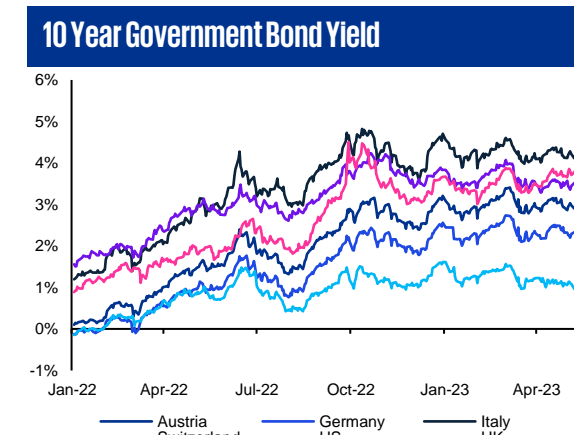


Sticky inflation is forcing central banks to remain hawkish. As recession worries continue, pressure on bond markets is increasing significantly.

- The ECB hiked its key interest rate another 25 bps, pushing it to 3.75% in May. The US Fed and the Bank of England both raised their rates another 25 bps to 5.25% and 4.5% respectively.
- While the Fed signaled a potential end to its hikes, it also emphasized that future rate decisions would depend on incoming macro data. The ECB is expected to continue increasing rates until 2024.
- The yield on German government bonds remained constant at 2.1% throughout May. In the same month, the yield on Austrian bonds increased to 3.0% up from 2.9%, while the yield on Swiss debt decreased from 1.1% to 0.9%. The most significant yield increase was observed in UK bonds, rising by 0.5% from 3.7% to 4.2%.
- The US yield curve reached its most inverted level since the period preceding the banking crisis in March.
- In the long term, increased productivity will be needed to ensure stronger economic growth. Innovative technologies are key to this and are thus the guarantors of the future “wealth of nations”.



Source: Refinitiv 01-June-23



Source: Refinitiv 01-June-23

Real GDP growth

	2022	2023E	2024E
Austria	5.0%	0.6%	1.3%
France	2.5%	0.6%	1.1%
Germany	1.9%	0.1%	1.2%
Italy	3.8%	0.7%	0.9%
Switzerland	2.1%	0.7%	1.5%
United Kingdom	4.1%	0.0%	0.9%
United States	2.1%	1.0%	0.9%
China	3.0%	5.6%	4.9%
Japan	1.0%	1.1%	1.0%
Europe	3.5%	0.6%	1.1%

Source: Refinitiv 01-June-23

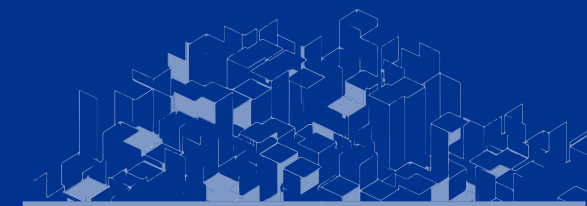
CPI Inflation

	2022	2023E	2024E
Austria	8.6%	7.2%	3.0%
France	5.9%	5.5%	2.8%
Germany	8.7%	6.1%	2.8%
Italy	8.8%	6.3%	2.4%
Switzerland	2.8%	2.4%	1.5%
United Kingdom	9.1%	6.8%	2.8%
United States	8.0%	4.1%	2.5%
China	2.0%	2.2%	2.3%
Japan	2.5%	2.5%	1.4%
Europe	8.4%	5.7%	2.6%

Source: Refinitiv 01-June-23

Note: GDP growth: Annual percentage growth rate of gross domestic products (GDP) at market prices based on constant local currency; CPI Inflation: Consumer Price Index (CPI) measures the year-over-year change in prices paid by consumers. The CPI is calculated as a weighted average of prices for a basket of goods and services representative of aggregate consumer spending; Central Bank Rates: The interest rate on the main refinancing.

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Publisher:

KPMG AG Wirtschaftsprüfungsgesellschaft

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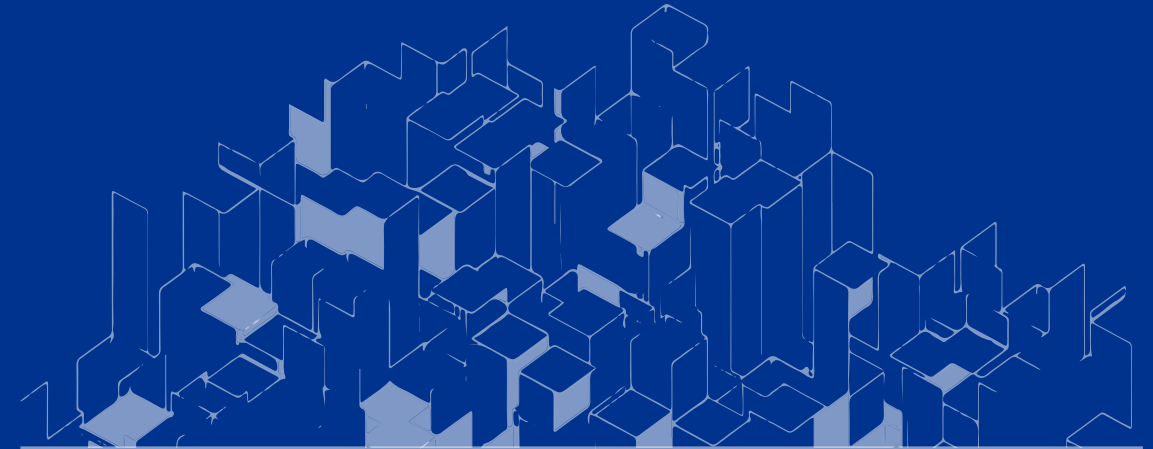
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Document Classification: KPMG Public