



Equity market update and IPO compass

Equity Capital Markets Advisory

—
April 2024



Executive summary

In March European equity markets closed higher for the fifth consecutive month with the STOXX Europe 600 achieving a new record peak and extending its longest weekly winning streak since 2018. The main US indices also experienced an uptick, as the S&P 500 notched its second straight quarter of double-digit percentage growth. Thus, equity markets continued the positive Q4 2023 momentum in Q1 2024.

Uplifted by the persistent positive sentiment among investors in March, the valuation levels of all indices remained on a comparable level to last month. The EV/EBITDA multiples of the DAX remained at 8.6, while STOXX 600 valuations experienced a small increase to 9.1. Additionally, both the S&P 500 and the NASDAQ exhibited marginally higher valuations in comparison to February.

In the first quarter of 2024, European equity markets sustained their upward momentum, witnessing six IPOs surpassing \$150 million^(a). Accordingly, the year-to-date issuance volume has increased, now totaling \$33.07 billion. The surge in major indices, coupled with positive market sentiment and expected interest rate reductions sets the stage for an increased issuance activity in the coming months.

As anticipated, the ECB and BoE maintain their current stance, keeping rates unchanged. The decision aligns with previous meetings, reflecting a belief that rates are adequately restrictive, aiding inflation's return to target. The ECB statement affirmed ongoing progress in combating disinflation, despite persistent domestic price pressures stemming from robust wage growth.

Note: a) IPO volume > \$150 million excluding Greenshoe

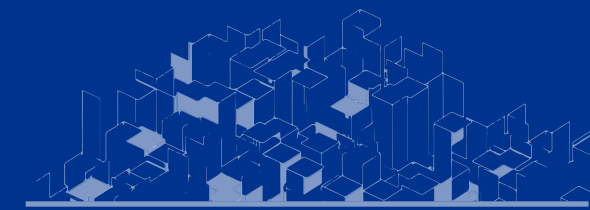
Source: Dealogic; IFR, Refinitiv, FactSet, 02-Apr-24



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Jens Voss

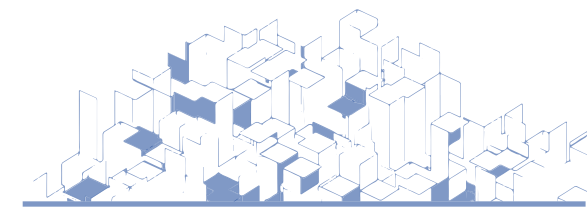
Partner, Head of Equity
Capital Markets Advisory



In the light of record-breaking highs in equity indices and the recent significant IPOs of Douglas and Galderma, European equity capital markets are poised for a notable resurgence in activity in 2024.

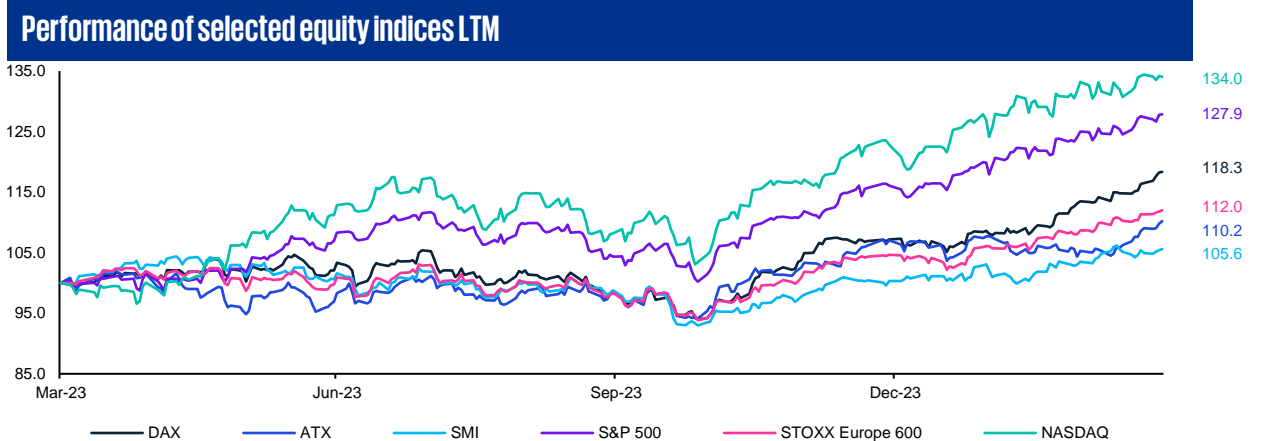


Equity market environment



In March European equity markets closed higher for the fifth consecutive month with the STOXX Europe 600 achieving a new record peak and extending its longest weekly winning streak since 2018. The main US indices also experienced an uptick, as the S&P 500 notched its second straight quarter of double-digit percentage growth. Thus, equity markets continued the positive Q4 2023 momentum in Q1 2024.

- Expectations of central bank rate cuts boosted equity markets, with ECB officials showing growing confidence in a potential June rate reduction.
- Despite apprehensions regarding stagnant earnings growth and a potential downturn in the Eurozone economy, encouraging data and optimistic corporate Q4 and FY'23 earnings helped maintain a positive investor sentiment. Throughout recent weeks, attention remained on central bank policy determinations and economic data releases, with investors balancing the likelihood of rate reductions against indications of inflation and economic expansion.
- The latest data from Germany demonstrated economic vulnerabilities both in cyclical and structural aspects. Last week, the GDP forecast for the current year was revised significantly downward to 0.1 percent from the previously reported figure of 1.3 percent. Meanwhile, the coalition government has not yet presented measures to improve the economic outlook, with ongoing deliberations on the optimal strategy given budget constraints.
- Notwithstanding these uncertainties, the STOXX 600 is trading on record-levels, with banks, financials and financial services among other industries outperforming the index.

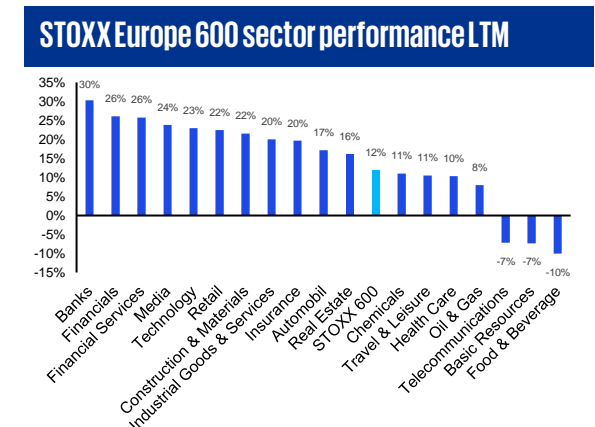


Source: FactSet as of 02-Apr-24

Performance of selected equity indices

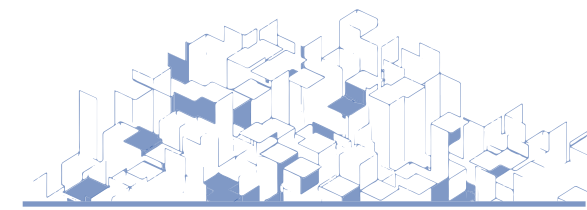
	Value	12 Months Low	12 Months High	L3M	L6M	LTM
DAX	18,492	14,630	18,514	10.4%	20.2%	18.3%
MDAX	27,043	23,627	28,890	(0.3%)	3.7%	(2.2%)
SDAX	14,295	11,974	14,442	2.4%	11.0%	8.7%
TecDAX	3,454	2,788	3,490	3.5%	14.4%	3.9%
ATX	3,536	3,007	3,539	2.9%	11.6%	10.2%
SMI	11,730	10,324	11,790	5.3%	7.0%	5.6%
STOXX 600	513	429	513	7.2%	14.3%	12.0%
FTSE 100	7,953	7,216	7,975	2.8%	4.5%	4.2%
NASDAQ	16,379	11,635	16,539	9.1%	23.9%	34.0%
S&P 500	5,254	3,952	5,265	10.2%	22.5%	27.9%

Note: The equity index values are shown in their respective local currency
Source: FactSet as of 02-Apr-24



Source: FactSet as of 02-Apr-24

Volatility, risk appetite and fund flows



Volatility

- In March, both the VDAX and VIX experienced slight decreases in volatility. Thus, with 11.7 and 13.0 both the VDAX and the VIX continued to level significantly below their 10-year average of 20.6 and 18.1, respectively.

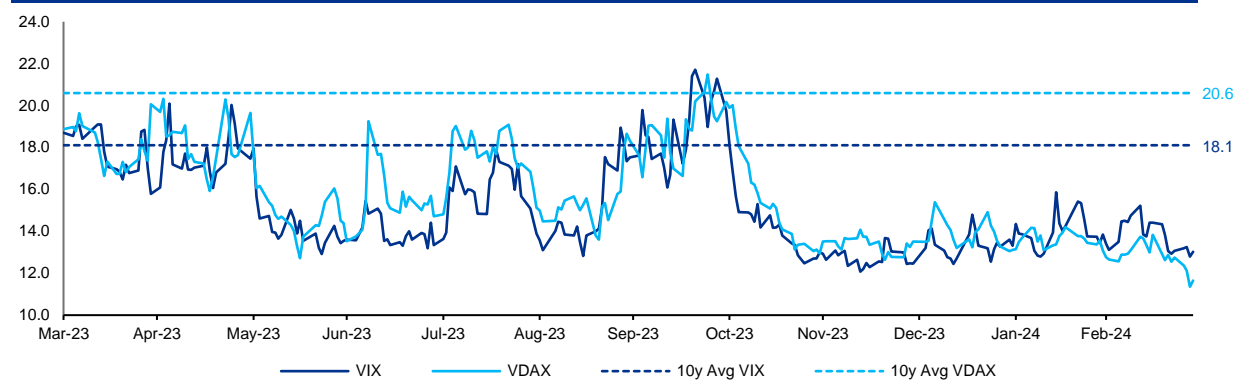
Valuation

- Uplifted by the persistent positive sentiment among investors in March, the valuation levels of all indices remained on a comparable level to last month. The EV/EBITDA multiples of the DAX remained at 8.6, while STOXX 600 valuations experienced a small increase to 9.1. Additionally, both the S&P 500 and the NASDAQ exhibited marginally higher valuations in comparison to February.

Exchange-traded fund flows

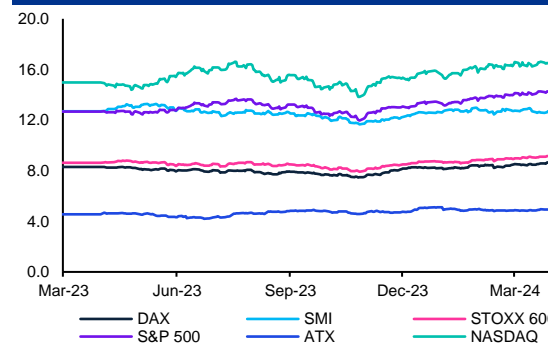
- In March, investors globally experienced net inflows of \$10.8 billion. Equity and fixed income exchange-traded funds accounted for inflows of \$5.9 billion and \$4.5 billion, respectively. Alternatives totaled at a level of \$0.2 billion inflows, while a total inflow of \$0.2 billion in commodities ended the trend of outflows since June last year.

Volatility LTM ^{a)}



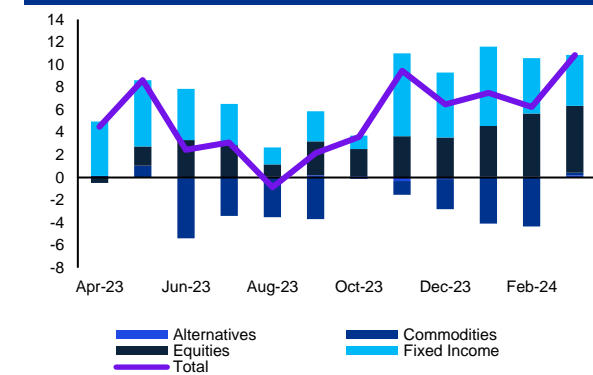
Source: FactSet as of 02-Apr-24

Index valuation levels LTM (EV/EBITDA)



Source: FactSet as of 02-Apr-24

Global exchange-traded fund flow (in \$bn)



Source: FactSet as of 02-Apr-24

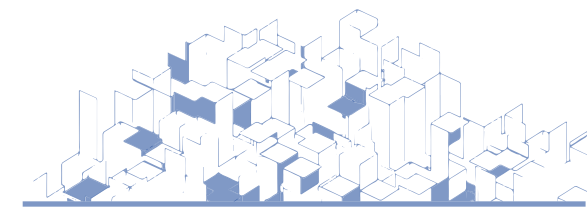
Note: a) VIX: The Chicago Board Options Exchange (Cboe) Volatility Index (VIX) is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index. It is derived from the prices of S&P500 index options with near-term expiration dates, it generates a 30-day forward projection of volatility; The VDAX 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

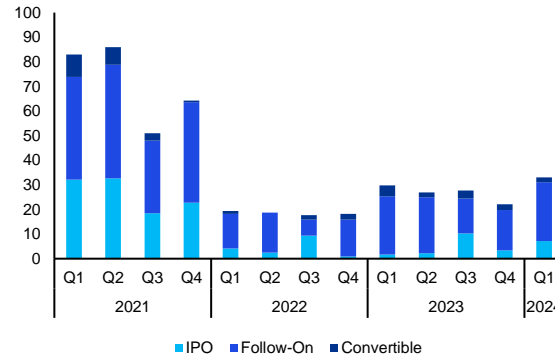
In the first quarter of 2024, European equity markets sustained their upward momentum, witnessing six IPOs surpassing \$150 million^(a). Accordingly, the year-to-date issuance volume has increased, now totaling \$33.07 billion. The surge in major indices, coupled with positive market sentiment and expected interest rate reductions sets the stage for an increased issuance activity in the coming months.

- The re-IPO of CVC-held Douglas took place on March 21, 2024, as expected. After the delisting in 2013, the perfumery chain headed back to the Frankfurt Stock Exchange under its new owner, the private equity firm CVC. Following its re-listing, issuing proceeds of around \$890m were achieved.
- Douglas set the pricing for its 32.7m new shares at €26.00, placing them at the lower end of the price range. The initial market value on first day of trading was €25.50 and traded as low as €22.60 before closing at €22.90. Regardless, favorable conditions like rising indices and positive investor sentiment are generally perceived to offer opportunities for further IPOs this year.
- Furthermore, Swiss skincare company Galderma debuted on the Zurich stock exchange a day after Douglas' listing, marking Europe's biggest IPO since Porsche in 2022 with issue proceeds of around \$2.23bn.
- Priced at the top end of the CHF 49 to 53 range, the offering saw a strong start with an opening price of CHF 61, a 15% increase for those allocated shares at CHF 53. Throughout the trading day, the price continued to rise, reaching CHF 64 (+20.7%), culminating in a market capitalization of CHF 15.3bn.

Note: a) IPO volume > \$150 million excluding Greenshoe
Source: Dealogic; IFR, Refinitiv

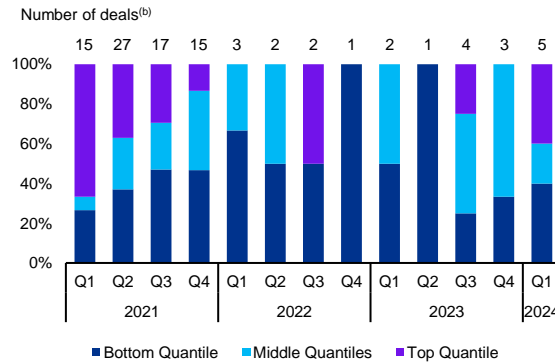


European equity issuance by type (in \$bn)



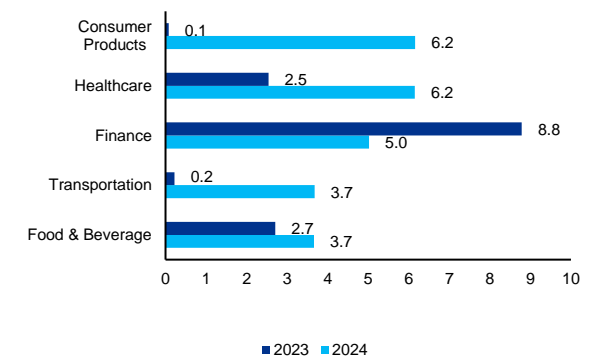
Source: Dealogic as of 02-Apr-24

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



Note: (b) Number of deals excluding SPACs and fixed-price deals
Source: Dealogic as of 02-Apr-24

European top sectors YoY (in \$bn)



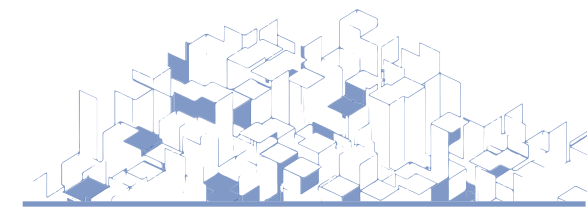
Source: Dealogic as of 02-Apr-24

IPO pipeline Europe (selection)

Issuer	Exchange	Sector	Comment
Innomotics	Frankfurt	Industrials	Parent company Siemens announced IPO considerations
ABB E-mobility	Zurich	Industrials	ABB's electric vehicle charging unit spin-off possible in 2024
DKV Mobility	Frankfurt	Transportation	IPO expected in Q1/Q2 2024
OLB	Frankfurt	Finance	IPO expected in Q2/Q3 2024
Revolut	London	Finance	Most likely to go public in 2024
Starling Bank	London	Finance	Digital lender expected to go public in 2024
N26	London	Finance	German digital bank expected to go public in 2024
FlixBus	Frankfurt	Transportation	German mobility provider; expected in 2024
Stepstone	Frankfurt	Services	German recruitment company valued €7bn in 2021
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
PowerCo	Frankfurt	Industrials	IPO plans postponed due to cooling industry dynamics
CVC	Amsterdam	Finance	Considers reviving IPO plans

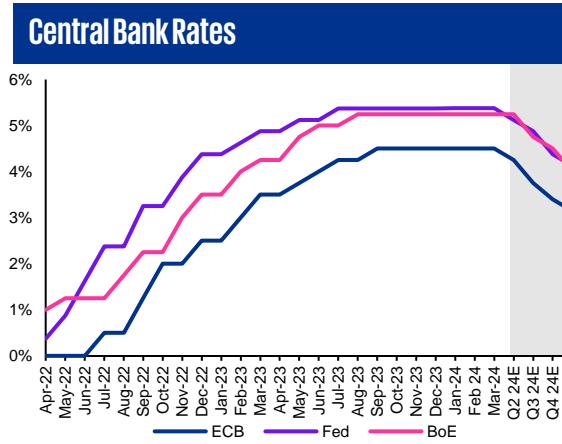
Source: KPMG research; IFR

Macro environment and outlook

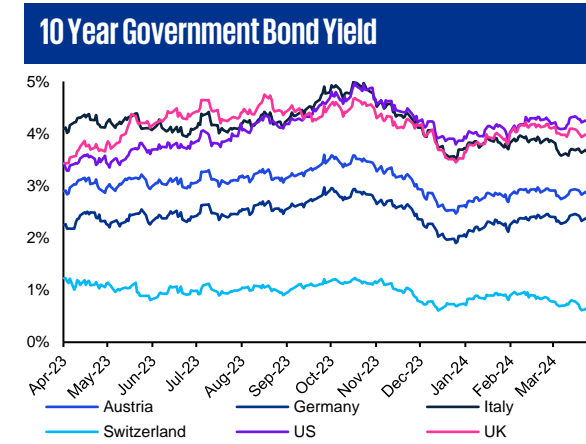


As anticipated, the ECB and BoE maintain their current stance, keeping rates unchanged. The decision aligns with previous meetings, reflecting a belief that rates are adequately restrictive, aiding inflation's return to target. The ECB statement affirmed ongoing progress in combating disinflation, despite persistent domestic price pressures stemming from robust wage growth.

- Central banks continue to oppose expectations of reducing interest rates. The BoE reiterated its stance on maintaining current policy until more certainty about the control on price pressures could be reached, however, also commented that encouraging signs of disinflation could be observed. The ECB points to the eurozone's continued high wage growth and weak productivity in their decision to maintain interest rates and check incoming data.
- Germany's economic downturn persists, with a forecasted growth rate of only 0.1% for 2024. Currently, the economic output is hovering at a level barely above pre-pandemic levels. Since then, productivity in Germany has stagnated. Externally and domestically, there has been more headwind than tailwind lately.
- Thus, German exports have declined, while global economic activity has continued to rise. This is primarily due to weak demand for investment and intermediate goods, which are significant for German export companies. Particularly in energy-intensive goods, price competitiveness has suffered, leading to production shifting abroad.



Source: Refinitiv as of 02-Apr-24 Estimated data



Source: Refinitiv as of 02-Apr-24

	2023	2024E	2025E
Austria	-0.7%	0.3%	1.5%
France	0.9%	0.7%	1.3%
Germany	-0.1%	0.1%	1.3%
Italy	0.7%	0.6%	1.2%
Switzerland	0.7%	1.2%	1.5%
United Kingdom	0.5%	0.3%	1.2%
United States	2.5%	2.1%	1.8%
China	5.2%	4.6%	4.3%
Japan	1.9%	0.7%	1.0%
Eurozone	0.5%	0.5%	1.5%

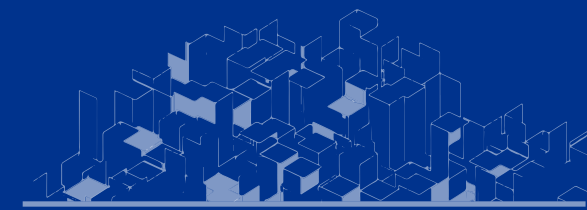
Source: FactSet as of 02-Apr-24

	2023	2024E	2025E
Austria	7.7%	3.2%	2.5%
France	5.7%	2.6%	2.0%
Germany	6.0%	2.5%	2.0%
Italy	5.9%	1.9%	2.0%
Switzerland	2.1%	1.5%	1.3%
United Kingdom	7.3%	2.8%	2.1%
United States	4.1%	2.7%	2.4%
China	0.2%	0.8%	1.7%
Japan	3.3%	2.2%	1.6%
Europe	5.4%	2.3%	2.1%

Source: FactSet as of 02-Apr-24

Note: a) 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.

ECM Advisory Team, DACH



Jens Voss

Partner, Head of Equity Capital
Markets Advisory

T +49 69 9587 4147
M +49 175 226 8046
jensvoss@kpmg.com



Cord Kunze

Senior Manager

T +49 69 9587 4684
M +49 174 300 5536
cordkunze@kpmg.com



Sharon Schäfers

Senior Managerin

T +49 69 9587 6234
M +49 170 381 1993
sharonschaefers@kpmg.com



Amin Qazi

Manager

T +49 69 9587 2395
M +49 160 948 36734
aminqazi1@kpmg.com



Fabian Rönsdorf

T +49 69 9587 1840
M +49 151 185 15559
froensdorf@kpmg.com



Giro Knoll

T +49 69 9587 1310
M +49 151 261 41873
ciroknoll@kpmg.com



Alexander Bonnes

T +49 69 9587 3933
M +49 151 724 10215
alexanderbonnes@kpmg.com



Dylan Wildenhof

T +49 69 9587 2990
M +49 174 396 8182
dwildenhof@kpmg.com



Your KPMG Contacts

Legal notice:

Author:

Jens Voss

Partner, Head of ECM Advisory DACH

T +49 69 9587 4147

jensvoss@kpmg.com

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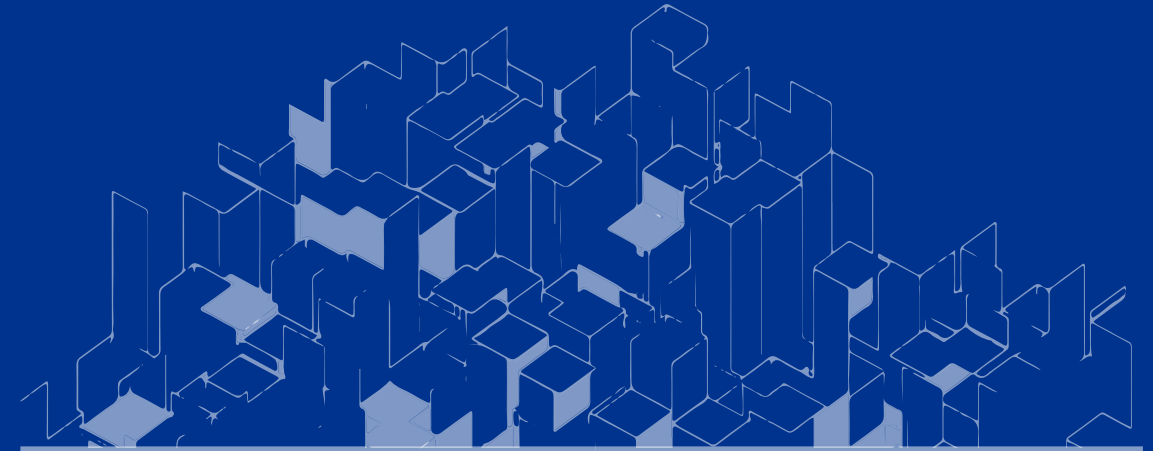
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Germany



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