



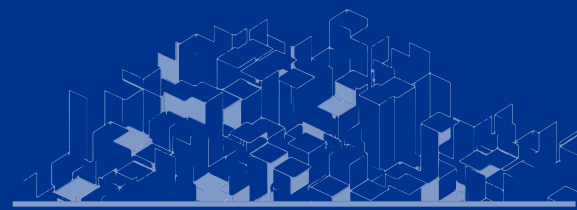
Equity market update and IPO compass

Equity Capital Markets Advisory

—
May 2024



Executive summary



In April, equity markets in both the US and Europe retreated, with major indices in the US relinquishing gains from the previous quarter, while the STOXX Europe 600 concluded its five-month growth streak with a decline, resulting in a slowdown of momentum observed in Q1 2024. Despite this, investor sentiment remains positive.

As April unfolded, the EV/EBITDA multiples for the DAX, STOXX 600, and S&P 500 held steady at 8.4, 9.0, and 13.8, respectively. Meanwhile, NASDAQ's valuation dropped from 16.5 to 16.0, while SMI's declined from 12.7 to 12.0. The ATX remained constant at 4.9.

Throughout the month of April, European equity markets experienced three sizeable IPOs^{a)}. The majority of new issuances in April, totaling \$10.0bn, came from IPOs with a volume of \$6.0bn, while follow-on offerings and convertibles contributed \$3.5bn and \$0.5bn, respectively. The highly anticipated IPO of CVC has continued to drive the upward trajectory of activity in European equity markets throughout 2024.

The ECB and BoE are increasingly considering divergent policies compared to the Federal Reserve and their hawkish adjustment in rate-cut expectations. ECB and BoE officials expressed growing confidence in rate cuts, despite uncertainty regarding future policy decisions deviating from the Fed's stance.



Jens Voss

Partner, Head of Equity
Capital Markets Advisory



Despite recent volatility, robust investor confidence and notable IPOs like CVC suggest a promising year for European equity markets.



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

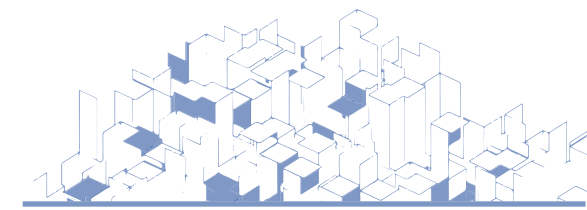
Source: Dealogic; IFR, Refinitiv, FactSet, 02-May-24



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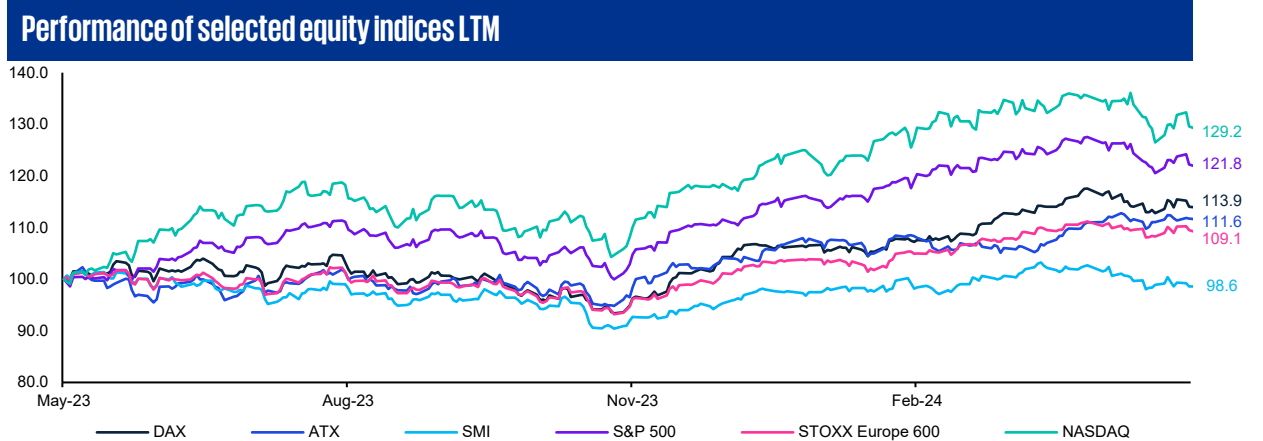
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Equity market environment



In April, equity markets in both the US and Europe retreated, with major indices in the US relinquishing gains from the previous quarter, while the STOXX Europe 600 concluded its five-month growth streak with a decline, resulting in a slowdown of momentum observed in Q1 2024. Despite this, investor sentiment remains positive.

- Major central banks are increasingly inclined to pursue divergent policies due to a hawkish adjustment in Federal Reserve rate-cut expectations, propelled by persistent inflation concerns and unexpectedly robust data. The market is currently anticipating less than a 35bp reduction in interest rates by the Fed December 2024 meeting, which stands in contrast to expectations of up to three rate cuts by the ECB and the BoE.
- The eurozone economy has faced slow growth due to global challenges in the last 18 months. Yet, growth in the region is expected to improve this year with easing inflation and rising wages, boosting household spending.
- The latest data from Germany suggests a degree of economic respite, as GDP expanded by 0.2% in Q1 of 2024, thus averting recession. In addition, Ifo business climate index climbed for the third straight month, coinciding with consumer confidence reaching a two-year peak and raising investor sentiment. Despite facing structural challenges such as population aging, delays in digitalization, and the long-awaited energy transition, economists project that the most challenging period in Germany has likely passed.
- Despite hopes of recovery, the STOXX 600 has retreated from its highs earlier in the month, with banks, media and financials among the outperformers.

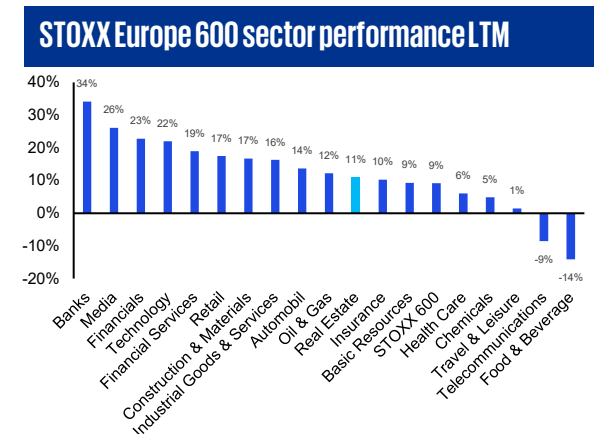


Source: FactSet as of 02-May-24

Performance of selected equity indices

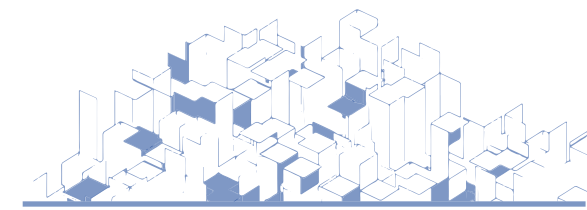
	Value	12 Months Low	12 Months High	L3M	L6M	LTM
DAX	17,917	14,630	18,567	5.9%	18.0%	12.3%
MDAX	26,313	23,627	28,890	2.6%	4.7%	(4.7%)
SDAX	14,326	11,974	14,638	4.5%	10.6%	3.8%
TecDAX	3,263	2,788	3,490	(1.9%)	10.4%	(0.5%)
ATX	3,556	3,007	3,599	3.4%	11.6%	10.5%
SMI	11,261	10,324	11,790	0.2%	6.4%	(2.5%)
STOXX 600	503	429	516	4.0%	13.3%	8.1%
FTSE 100	8,121	7,216	8,200	6.6%	9.5%	4.4%
NASDAQ	15,605	11,925	16,539	(0.2%)	15.8%	27.5%
S&P 500	5,018	4,048	5,265	1.2%	15.1%	21.3%

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



Source: FactSet as of 02-May-24

Volatility, risk appetite and fund flows



Volatility

- In April, volatility indices VDAX and VIX both experienced notable fluctuations. The VIX momentarily surpassed its ten-year average of 18.1 before settling at 15.7. Meanwhile, the VDAX also saw an increase in volatility, although it did not exceed its ten-year average of 20.6 and concluded the month at 14.7.

Valuation

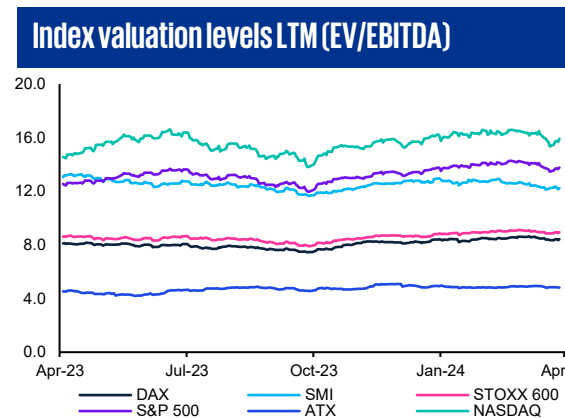
- As April unfolded, the EV/EBITDA multiples for the DAX, STOXX 600, and S&P 500 held steady at 8.4, 9.0, and 13.8, respectively. Meanwhile, NASDAQ's valuation dropped from 16.5 to 16.0, while SMI's declined from 12.7 to 12.0. The ATX remained constant at 4.9.

Exchange-traded fund flows

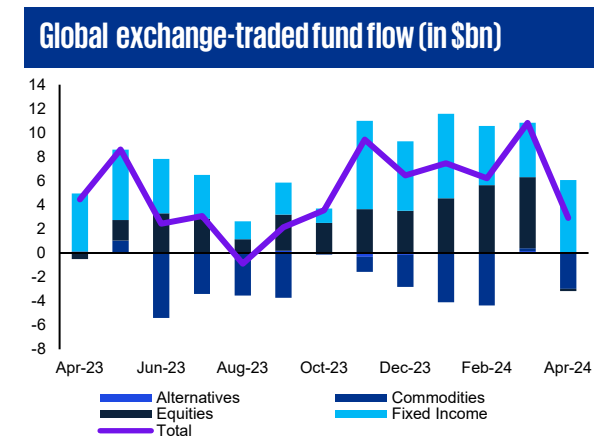
- Throughout April, investors globally experienced net inflows of \$2.9bn. Equity and fixed income exchange-traded funds accounted for outflows of \$0.2bn, ending the trend of inflows since May last year, and inflows of \$6.0bn, respectively. Inflows for alternatives amounted to \$0.1bn, while commodities experienced total outflows of \$3.0bn.



Source: FactSet as of 02-May-24



Source: FactSet as of 02-May-24



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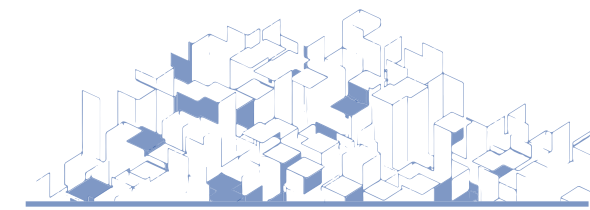
Note: a) VIX: The Chicago Board Options Exchange (Cboe) Volatility Index (VIX) is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index. It is derived from the prices of S&P500 index options with near-term expiration dates,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

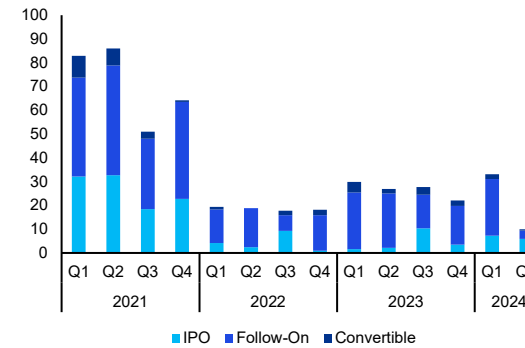
Throughout the month of April, European equity markets experienced three sizeable IPOs^{a)}. The majority of new issuances in April, totaling \$10.0bn, came from IPOs with a volume of \$6.0bn, while follow-on offerings and convertibles contributed \$3.5bn and \$0.5bn, respectively. The highly anticipated IPO of CVC has continued to drive the upward trajectory of activity in European equity markets throughout 2024.

- The consumer products sector leads issuance activity with \$9.0bn in April. Additionally, most major European sectors experienced a year-over-year increase in issuance activity, with the transportation sector showing growth of approximately 18 times compared to the previous year.
- On April 26, 2024, the private equity firm CVC successfully made its debut on the Amsterdam Stock Exchange. With an initial listing price of €17.3, the share price exceeded the issue price of €14.0. The company had set the price range at €13 - €15 and for their €2bn-plus offering.
- The IPO pipeline in Europe for 2024 remains robust, featuring a diverse array of companies poised for public offerings. Key players include Flix, a prominent transportation firm, and ABB's e-mobility division, which could go public through a spin-off. Additionally, the financial sector shows strong representation with N26, a dynamic neobank; OLB, a well-established universal bank; and Sterling Bank, a significant player in the commercial banking arena.

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

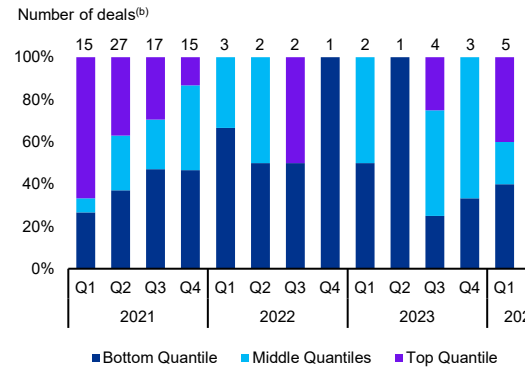


European equity issuance by type (in \$bn)



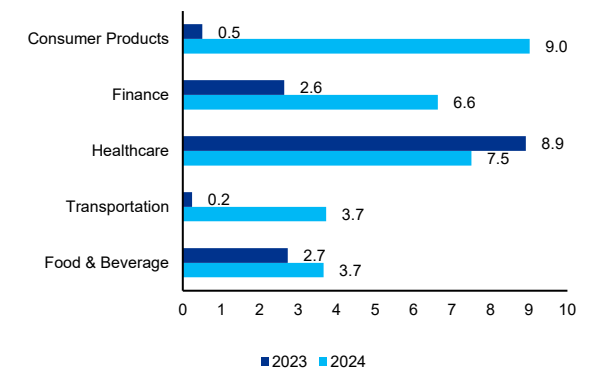
Source: Dealogic as of 02-May-24

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-May-24

European top sectors YoY (in \$bn)



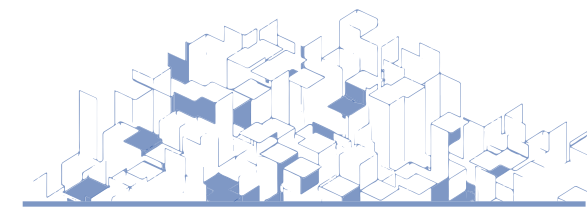
Source: Dealogic as of 02-May-24

IPO pipeline Europe (selection)

Issuer	Exchange	Sector	Comment
1KOMMAS*	Frankfurt	Utilities	Likely to go public in 2025
ABB E-mobility	Zurich	Industrials	ABB's electric vehicle charging unit spin-off possible in 2024
DKV Mobility	Frankfurt	Transportation	IPO expected in 2024
Flix	Frankfurt	Transportation	German mobility provider; expected in 2024
Icade Sante	Paris	Healthcare	Postponed until market conditions improve
Innomotics	Frankfurt	Industrials	Parent company Siemens announced IPO considerations
N26	London	Finance	German digital bank expected to go public in 2024
Neptune Energy	London	Oil & Gas	Private equity-backed British oil firm still plans an IPO
OK Mobility	Madrid	Services	Spanish car rental company is preparing IPO with Rothschild
OLB	Frankfurt	Finance	IPO expected in Q2/Q3 2024
Plenitude	Milan	Energy	Eni seeks to reboot stalled Plenitude spin off flotation
PowerCo	Frankfurt	Industrials	IPO plans postponed due to cooling industry dynamics
Revolut	London	Finance	Most likely to go public in 2024
Sterling Bank	London	Finance	Digital lender expected to go public in 2024
Stepstone	Frankfurt	Services	Postponed IPO plans.
Virgin Atlantic	London	Airlines	Seeking to list; expected to benefit from recovery in travelling

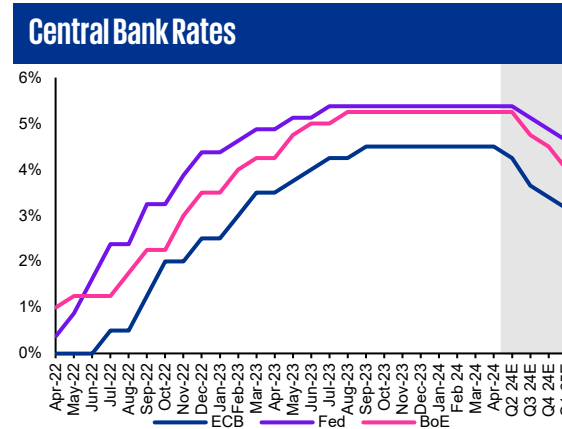
Source: KPMG, Germany 2024; IFR

Macro environment and outlook

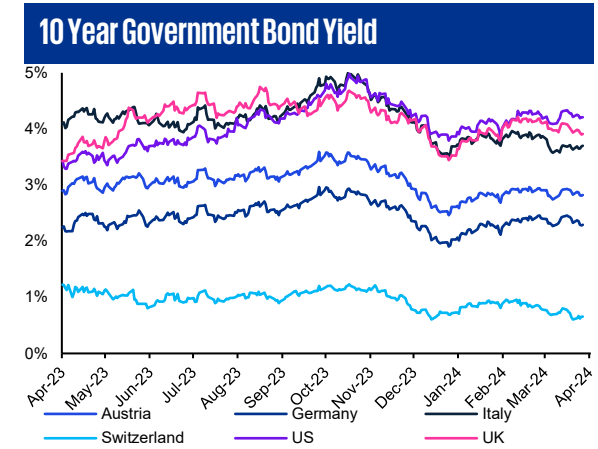


The ECB and BoE are increasingly considering divergent policies compared to the Federal Reserve and their hawkish adjustment in rate-cut expectations. ECB and BoE officials expressed growing confidence in rate cuts, despite uncertainty regarding future policy decisions deviating from the Fed's stance.

- While the Fed aims to keep interest rates at the current high level, the ECB and BoE seem increasingly optimistic about rate cuts as early as June and August, respectively. The ECB cites the Eurozone's moderating inflation as the rationale for initiating interest rate reductions, barring significant unexpected developments. Moreover, BoE officials expressed confidence that inflation was decreasing enough to prompt policy easing. Inflation in the Eurozone did not weaken further in April. CPI inflation rose by 2.4% compared to the same month last year.
- The German economy narrowly avoided a recession in the first quarter, thanks to increasing exports and construction spending. GDP grew by 0.2% in Q1 2024 compared to Q4 2023. The prospect of a consumer upswing in Germany is reinforced by unexpectedly positive news from the retail sector with an increase in sales of 1.8% compared to the previous month, marking the strongest growth in nearly two and a half years.
- However, structural challenges persist, temporarily dampening trend growth - from population aging and digitalization delays to the long-overdue energy transition. To generate growth, the government is discussing a fiscal relief program for the economy, which could potentially be financed through a reformed debt brake.



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



Source: Refinitiv as of 02-May-24

	2023	2024E	2025E
Austria	-0.7%	0.3%	1.6%
France	0.9%	0.7%	1.3%
Germany	-0.1%	0.1%	1.1%
Italy	0.7%	0.7%	1.2%
Switzerland	0.7%	1.2%	1.5%
United Kingdom	0.5%	0.4%	0.2%
United States	2.5%	2.2%	1.8%
China	5.2%	4.7%	4.3%
Japan	1.9%	0.6%	1.0%
Eurozone	0.5%	0.6%	1.4%

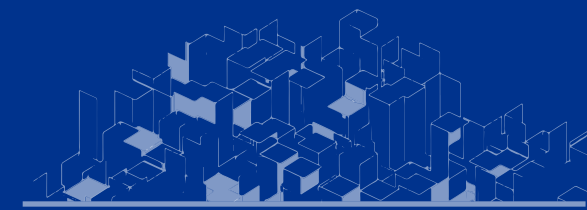
Source: FactSet as of 02-May-24

	2023	2024E	2025E
Austria	7.7%	3.3%	2.5%
France	5.7%	2.3%	2.0%
Germany	6.0%	2.5%	2.2%
Italy	5.9%	1.7%	2.0%
Switzerland	2.1%	1.5%	1.3%
United Kingdom	7.3%	2.5%	2.1%
United States	4.1%	3.0%	2.4%
China	0.2%	0.8%	1.7%
Japan	3.3%	2.3%	1.6%
Eurozone	5.4%	2.4%	2.1%

Source: FactSet as of 02-May-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.

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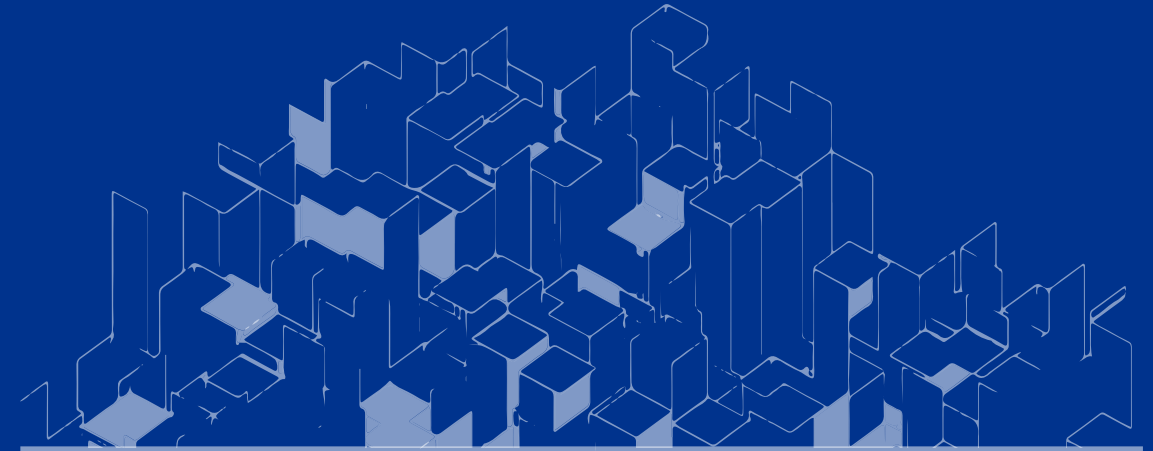
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