



Equity market update and IPO compass

Capital Markets team

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October 2024

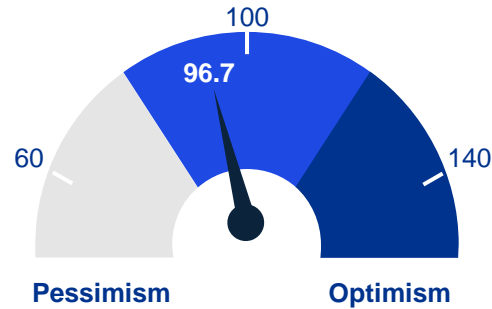


Executive summary

50 bps ↓

On 18 September, the Federal Reserve (Fed) executed a substantial 50 bps rate reduction from 5.25% to 4.75%. With the target inflation level having been reached, the focus has now shifted to the labor market amid decelerating growth and rising unemployment.

EU Economic Sentiment Indicator September 2024



2.4%

Eurozone CPI inflation 2024E

0.7%

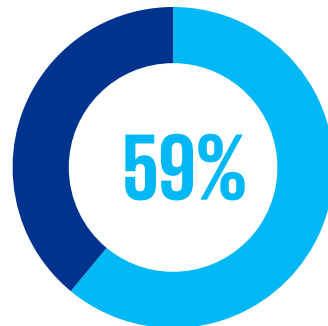
Eurozone real GDP growth 2024E

“On 4 October, Springer Nature made a successful stock market debut in a challenging capital market environment.”



Ralf Pfennig

Partner
Head of Deal & Capital
Markets Services



The IPO pipeline consists of a majority (58.9%) of Consumer Cyclical, Information Technology, and Industrial companies (GICS¹ sectors).

+25.6%

The DAX recorded a +25.6% performance over the last twelve months amid interest rate cuts and easing inflation (as of closing prices on 30 September 2024).



Assess whether your business is ready to go public under:

Initial Public Offering (IPO) | KPMG Atlas

Note: 1) See slide 7 for sector definitions.

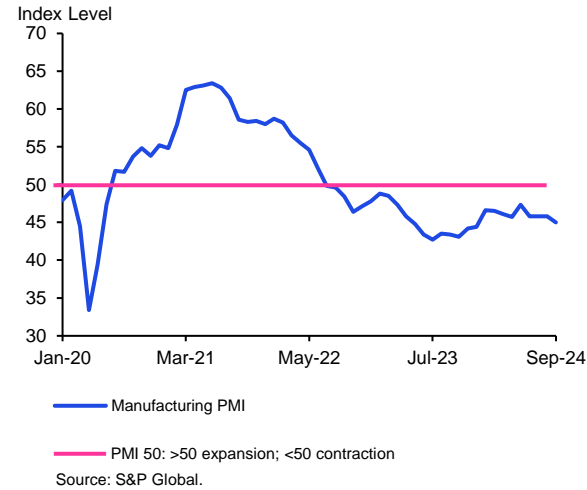
Macro environment and outlook

On 18 September, the Federal Reserve (Fed) executed a substantial 50 bps rate reduction from 5.25% to 4.75%. With the target inflation level having been reached, the focus has now shifted to the labor market, where decelerating growth and rising unemployment are raising concerns. Meanwhile, the European Central Bank (ECB) implemented a second 25 bps rate cut in September. However, the Bank of England (BoE) kept its key interest rate steady at 5.00%, while maintaining its cautious stance on service sector prices and wage growth.

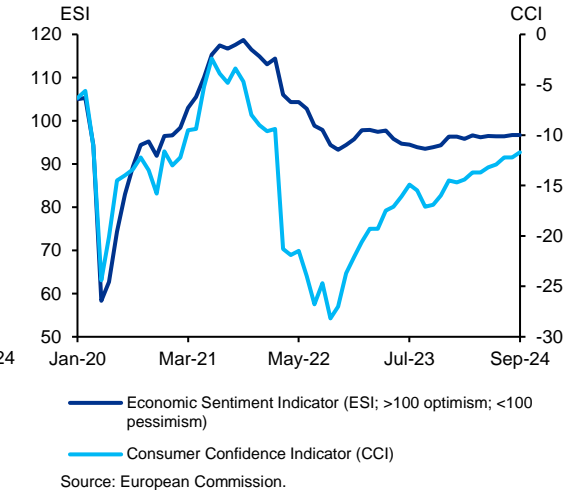
While the Fed's rate cut pushed equities to all-time highs, optimism was dampened by concerns about slow growth, disinflation and political uncertainties in the EU. In contrast, the UK proved more resilient, with inflation steady at 2.2% and an unexpectedly low unemployment rate of 4.2%, underscoring the UK's relative strength amid recession fears in the Eurozone.

More specifically, the HCOB¹ Eurozone Purchasing Managers' Index (PMI) indicates a possible contraction, with levels at 45.0 (August: 45.8), thus below the 50-point expansion threshold. Moreover, the Economic Sentiment Indicator (ESI) remains below the optimism mark of 100, remaining on a comparable level at 96.7 in September compared to (revised) figures from August.

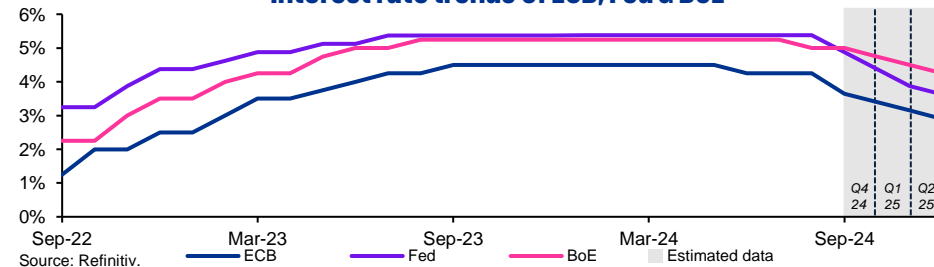
HCOB Eurozone Manufacturing Purchasing Managers' Index (PMI)⁴



EU Economic Sentiment & Consumer Confidence⁴



Interest rate trends of ECB, Fed & BoE¹



Real GDP growth²

	2023	2024E	2025E
United States	2.9%	2.5%	1.8%
Germany	-0.1%	0.1%	1.0%
United Kingdom	0.3%	1.1%	1.3%
Eurozone	0.5%	0.7%	1.4%
China	5.2%	4.8%	4.5%
Japan	1.7%	0.0%	1.2%

Source: FactSet. Closing prices as of 30 September 2024.

CPI inflation³

	2023	2024E	2025E
United States	4.1%	2.9%	2.3%
Germany	6.0%	2.5%	2.1%
United Kingdom	7.3%	2.6%	2.3%
Eurozone	5.4%	2.4%	2.1%
China	0.2%	0.5%	1.5%
Japan	3.3%	2.5%	2.0%

Source: FactSet. Closing prices as of 30 September 2024.

Notes: 1) Central Bank Rates: The interest rate on the main refinancing; 2) GDP growth: Annual percentage growth rate of gross domestic products (GDP) at market prices based on constant local currency; 3) The CPI Inflation measures the year-over-year change in prices paid by consumers and is calculated as a weighted average of prices for a basket of goods and services representative of aggregate consumer spending; 4) See slide 7 for index definitions.

Equity market overview

Following a month of strong gains driven by an unexpectedly aggressive 50 bps rate cut, both the S&P 500 and Nasdaq ended September at near record highs, resulting in a 30% increase over the LTM. This momentum in equities faced a challenge when a nationwide dockworker strike began on 30 September 2024, as workers resigned from key ports over wage and pension disputes, threatening to disrupt supply chains. However, by 4 October 2024, the parties had reached a wage agreement, reopening the ports, though a cargo backlog remains.

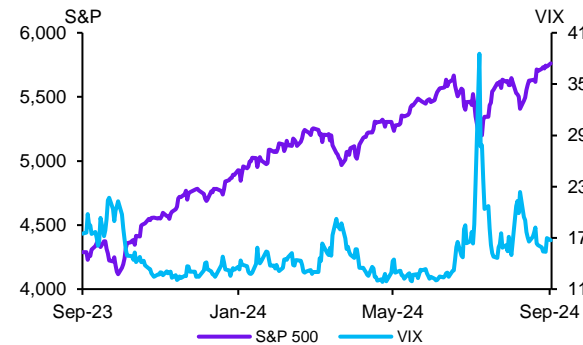
Also in late September, China unveiled new property stimulus and monetary easing measures, including interest rate cuts, liquidity injections into banks and a potential \$280bn in special sovereign bonds to spur growth. However, the unresolved state of negotiations between the EU and China over their electric vehicle trade dispute has caused more uncertainty, especially in the European automobile industry.

As a result of this uncertainty and the growing competition from Chinese electric vehicle manufacturers, multiple European car manufacturers issued profit warnings (e.g. Volkswagen, Mercedes-Benz, BMW and Aston Martin), contributing to an underwhelming STOXX Europe Automobile sector performance.

In Germany, this month's headlines were dominated by the surprising announcement that UniCredit had acquired a further 9% stake in Commerzbank (aggregate position 21.21% including instruments) and plans to increase it to 29.9%, prompting speculation about a potential merger. German trade unions and the government, which has a 12% stake in Commerzbank, are concerned about losing control of an important national entity; however, both Italy and the European Commission support UniCredit's initiatives, emphasizing advantages like cost synergies, improved resilience, and greater investment in digitalization.

Source: FactSet.

S&P & VIX: Market trends and volatility LTM



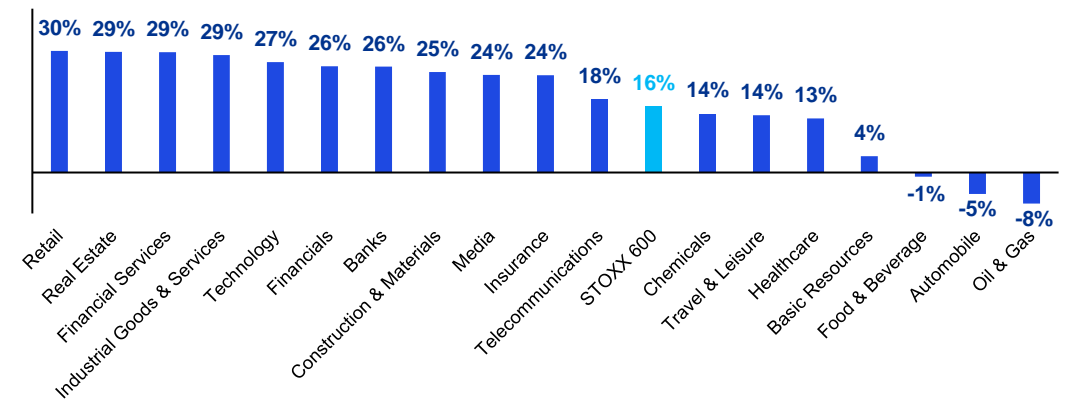
Source: FactSet. Closing prices as of 30 September 2024.

Performance of selected equity indices

	Value	L3M	L6M	LTM
DAX	19,325	5.4%	5.7%	25.6%
MDAX	26,854	6.4%	0.3%	3.0%
ATX	3,413	0.2%	3.3%	15.4%
SMI	12,169	1.0%	4.9%	11.0%
STOXX 600	523	2.2%	2.8%	16.1%
FTSE 100	8,237	0.9%	3.8%	8.3%
NASDAQ	18,189	1.7%	12.0%	37.6%
S&P 500	5,762	5.2%	10.7%	34.4%

Source: FactSet. Closing prices as of 30 September 2024.

STOXX Europe sector performance LTM



Source: FactSet. Closing prices as of 30 September 2024.

Issuance activity

The IPO market in 2024 continues to encounter significant challenges, as market sentiment is influenced by geopolitical tensions, economic uncertainty, the outcome of the US presidential election and the prospect of monetary policy easing. These factors contribute to substantial unpredictability for both issuers and investors. However, there are positive indicators, with major stock indices achieving record highs and inflation declining in many countries, which could pave the way for greater market stability and support the ongoing recovery of the IPO market.

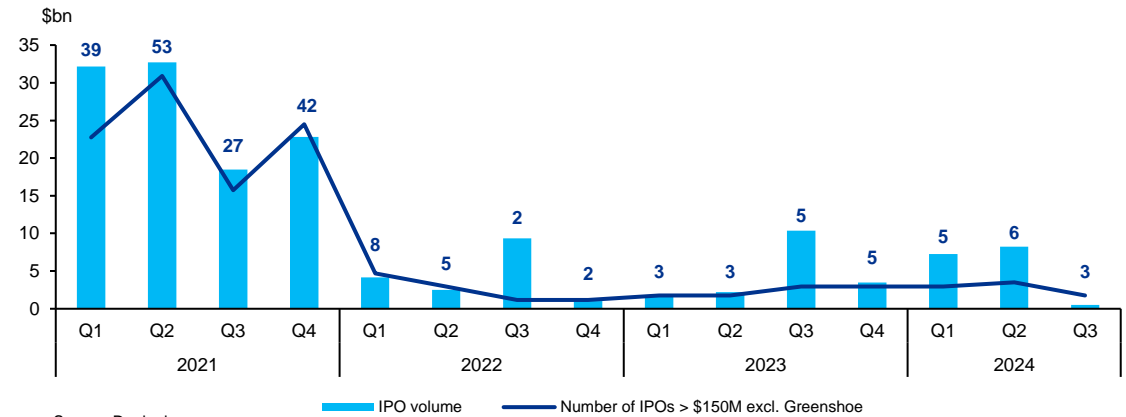
Europe's IPO market is emerging as a strong contender against the USA and China. In the first nine months of this year, the volume of new listings on European exchanges decreased, but the average issue size showed a notable rise.

The trend continues for numerous IPOs to be carried out by companies that were owned by strategic investors who have chosen the IPO as an exit strategy from the investment. In this context, the dual-track approach (two options in parallel: the IPO and the sale) approach was adopted in many cases in preparation for the exit.

On 4 October 2024 (Q4), the scientific publisher Springer Nature went public at a price of 24.00€ per share on the Frankfurt Stock Exchange. The initial share price was therefore around 7% higher than the issue price of 22.50€, landing at a market capitalization of ~€4.8bn. The company intends to use the gross proceeds from the sale of new shares to reduce financial debt and optimize its financing structure.

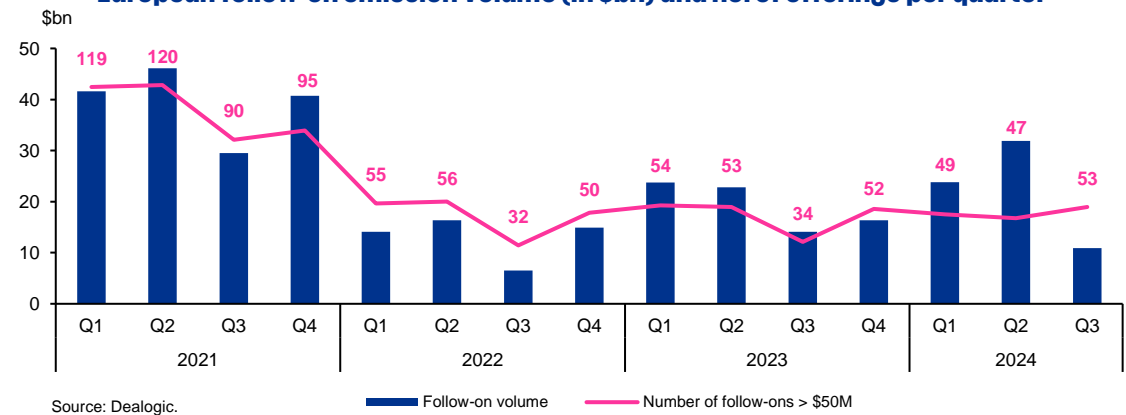
Source: Dealogic, Deutsche Börse, KPMG, Germany.2024

European IPO emission volume (in \$bn) and no. of offerings per quarter



Source: Dealogic.

European follow-on emission volume (in \$bn) and no. of offerings per quarter



Source: Dealogic.



Estimated IPO outlook by GICS sectors

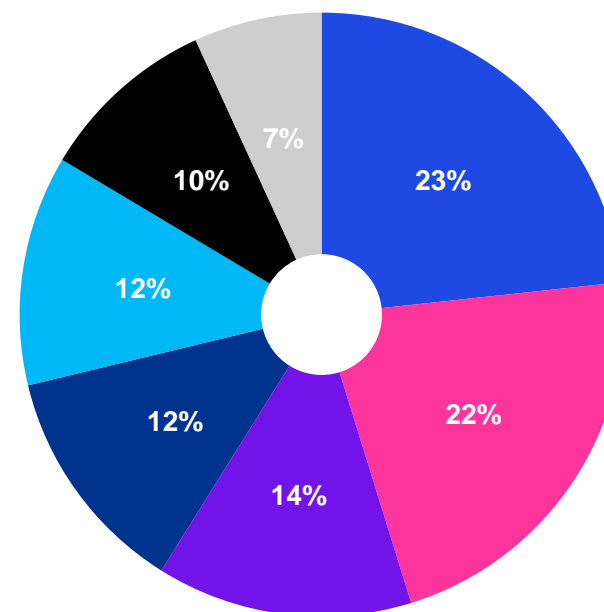
Despite the Springer Nature transaction in Germany, IPO activity in Europe and the US is expected to remain subdued due to the pending US election and its potential for added volatility.

There is continued strong interest in US listings, driven by access to larger, more liquid capital markets and the potential for higher valuations, especially in the Tech and Biotech sectors, along with the benefit of an enhanced international profile. However, the upcoming US election, along with the current interest rate cuts, indicate that a potential backlog may develop in the first half of 2025.

The US & European IPO pipeline includes sizable, potential IPO candidates headquartered in continental Europe and the US. Of the 73 companies considered, the majority (58.9%) fall under the GICS¹ sectors of Consumer Cyclical, Information Technology, and Industrials, providing insight into the emerging market landscape and investment opportunities in the respective regions.

Assess whether your business is ready to go public under: [Initial Public Offering \(IPO\) | KPMG Atlas.](#)

US & European IPO pipeline by sector (estimated listings in 2024-2025)



■ Consumer Cyclical ■ Information Technology ■ Industrials ■ Financials ■ Healthcare ■ Energy ■ Other

Source: KPMG, Germany 2024.

Note: 1) See slide 7 for sector definitions.

Source: KPMG, Germany 2024.



Appendix - Definitions

Definitons and methodologies of referenced survey data indices

Purchasing Managers' Index (PMI)

The Purchasing Managers' Index (PMI) is an economic indicator that measures the health of the manufacturing and services sectors through surveys of purchasing managers, focusing on factors like new orders, production, and employment. The PMI ranges from 0 to 100, with a value above 50 indicating expansion and below 50 indicating contraction. Hamburg Commercial Bank (HCOB) and S&P Global collaborated to calculate the PMI in the Eurozone (Germany, France, Italy, Spain, the Netherlands, Austria, Ireland, Greece). The PMI is based on a representative sample of around 5,000 industrial and service companies.

Economic Sentiment Index (ESI)

The Economic Sentiment Indicator (ESI) reflects overall economic confidence, particularly in the European Union, based on surveys of various sectors such as industry, services, and households. Expressed as an index with a long-term average of 100, an ESI above 100 indicates optimism and stronger confidence, while a value below 100 suggests pessimism and weaker confidence. The ESI helps gauge economic trends and outlooks.

Consumer Confidence Index (CCI)

The Consumer Confidence Index (CCI) measures how optimistic or pessimistic consumers are about the overall economy, based on their perceptions of current and future economic conditions. A higher index value indicates greater consumer confidence, while a lower value signals decreased confidence. It is used as an economic indicator to gauge consumer spending behavior. Values above zero percent indicate positive views of the economy, values below zero percent indicate negative views, and a value of zero reflects an equal balance of positive and negative views.

Source: European Commission, S&P Global, MSCI.

Sector definition

The Global Industry Classification Standard (GICS)

The Global Industry Classification Standard (GICS) categorizes companies into distinct sectors and industries based on their primary business activities. It includes 11 sectors, which are further divided into industry groups, industries and sub-industries.

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