KPMG

Equity market update and IPO compass

Capital Markets team

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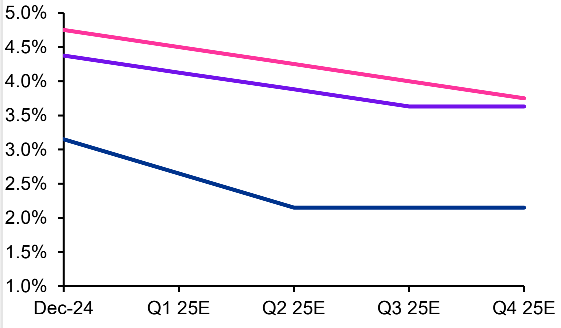
January 2025

Executive summary

25 bps

In December, both the Fed and ECB reduced interest rates by 25 basis points in line with market expectations. However, the Fed's decision to revise its projections, cutting next year's anticipated rate reductions from four to two, dampened market sentiment.

Outlook: expected rates[2] in 2025

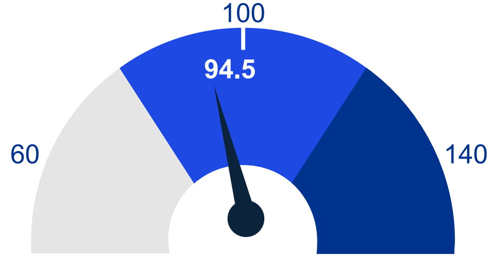


Source: Refinitv

2.0%

Eurozone CPI inflation 2025E

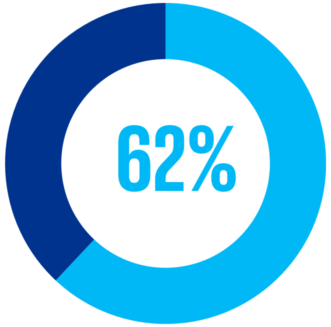
EU Economic Sentiment Indicator December 2024



"Despite the ongoing geopolitical, interest rate and economic uncertainties, analysts expect the capital market to normalise, particularly in the second half of 2025, and thus increase issuing activity."

Ralf Pfennig

Partner
Head of Deal & Capital Markets Services



Most (62%) of the 2025 and 2026 IPO pipeline consists of information technology, consumer cyclicals and financials companies (GICS[1] sectors).

Zalando announces ABOUT YOU acquisition

- Acquisition price: EUR 6.50 / share (+107% premium)
- 73% shareholder commitment secured
- EUR 100 milion annual synergy target

Assess whether your business is ready to go public at:

Initial Public Offering (IPO) | KPMG Atlas

Note: 1) See slide 7 for sector definitions; 2) ECB: refinancing rate, Fed: funds rate (middle of the target range depicted), BoE: bank rate.

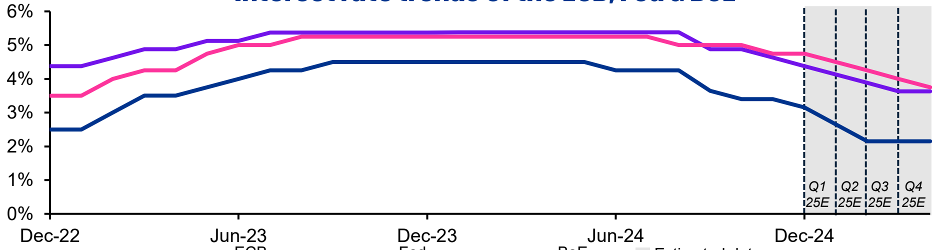
Macro environment and outlook

In December, both the Federal Reserve (Fed) and the European Central Bank (ECB) reduced interest rates by 25 basis points, bringing rates to 4.25–4.50% for the Fed and 3.00% for the ECB's deposit facility, aligning with market expectations. However, the Fed's decision to revise its projections, cutting next year's anticipated rate reductions from four to two, dampened market sentiment towards the end of the year. Furthermore, the Bank of England (BoE) maintained its current stance but revealed dovish divisions over economic weakness.

The European macroeconomic outlook remains fragile, with PMI data showing continued weakness in manufacturing, now in its 30th month of 'contraction' territory. The Economic Sentiment Indicator (ESI) showed a similar scenario, declining to 94.5 in December after a slight rebound in November. This reflects the continued decrease in confidence in the economic situation and outlook.

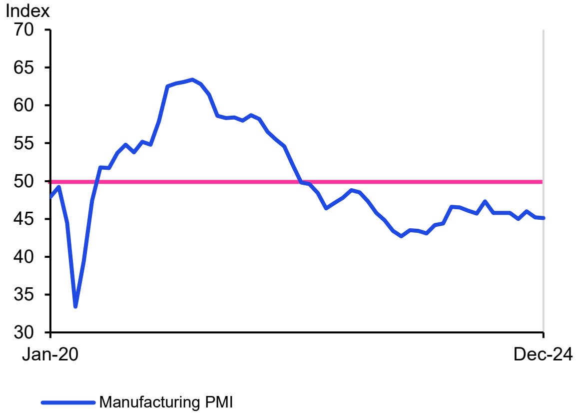
Reflecting Europe's uncertain macroeconomic conditions, the Banque de France (France's central bank), revised growth forecasts downward amid domestic political unrest and a downgraded credit rating. In response, President Macron appointed François Bayrou as Prime Minister to address parliamentary divisions and the urgent need to reduce the budget deficit, even as rising borrowing costs and political instability put strain on the economy.

Interest rate trends of the ECB, Fed & BoE [1]



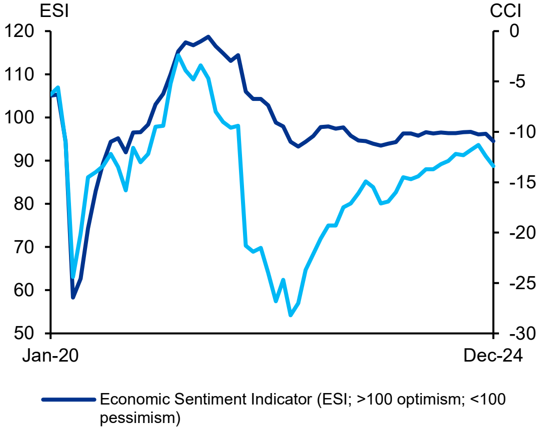
Source: Refinitiv.

HCOB Eurozone Manufacturing Purchasing Managers' Index (PMI) [4]



Source: S&P Global.

EU Economic Sentiment & Consumer Confidence [4]



Source: European Commission.

Real GDP growth [2]

	2024	2025E	2026E
United States	2.7%	2.1%	2.0%
Germany	-0.1%	0.5%	1.0%
United Kingdom	0.9%	1.4%	1.4%
Eurozone	0.8%	1.1%	1.3%
China	4.8%	4.5%	4.2%
Japan	-0.2%	1.2%	1.0%

Source: FactSet. Closing prices as at 30 December 2024.

CPI inflation [3]

	2024	2025E	2026E
United States	2.9%	2.4%	2.5%
Germany	2.5%	2.1%	2.0%
United Kingdom	2.6%	2.4%	2.1%
Eurozone	2.4%	2.0%	2.0%
China	0.4%	1.0%	1.5%
Japan	2.5%	2.0%	1.9%

Source: FactSet. Closing prices as at 30 December 2024.

Notes: 1) ECB: refinancing rate, Fed: funds rate, BoE: bank rate; 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

Despite some fluctuations in December, the S&P continued to increase and ended the year at 5,907 points. The mid-month rise in the volatility index (VIX) was linked to the Federal Reserve's more cautious outlook regarding potential further interest rate cuts in 2025.

European stock indices showed mixed results, with the overall STOXX 600 Index declining due to weak performance in December from the British FTSE and Spanish IBEX, while the German DAX, the French CAC, and the Italian FTSE MIB improved. Sectors like banks, financials and insurance performed well, while basic resources, automotive and food & beverages lagged. In addition, market uncertainty over central bank policies limited overall gains.

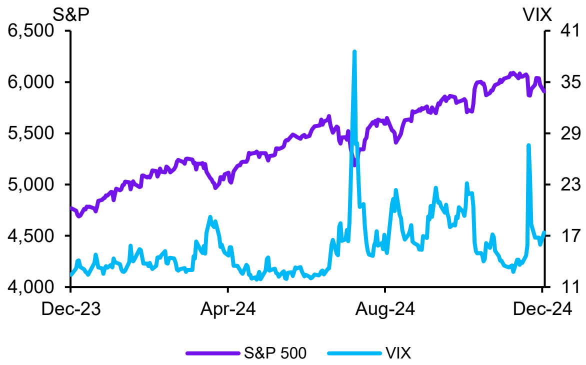
On 10 December 2024, Zalando announced plans to acquire up to 100% of ABOUT YOU at EUR 6.50 per share, a 107% premium over its 3-month average price and 12% above the median analyst target, with major shareholders holding 73% already committed. The deal is intended to strengthen B2C and B2B strategies, targeting EUR 100 million annual synergies, with ABOUT YOU's management continuing in their roles.

On 17 December, Bitcoin reached a record high of USD 108,028 driven by continued optimism surrounding Donald Trump's election victory. However, the price receded to USD 94,836 as of closing on 30 December.

On 18 December 2024, the Italian major bank UniCredit expanded its stake in Commerzbank through financial instruments. The total position now amounts to approximately 28% with 9.5% held through a direct stake and about 18.5% through derivative instruments. This move aligns with the goal of increasing the stake to 29.9%, contingent upon approval from the ECB.

Source: FactSet. KPMG, Germany 2025.

S&P & VIX: market trends and volatility LTM



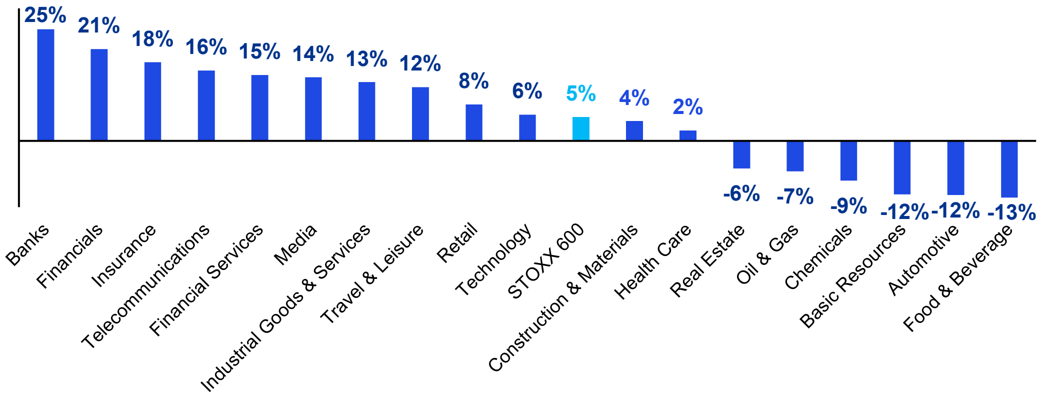
Source: FactSet. Closing prices as at 30 December 2024.

Performance of selected equity indices

	Value	L3M	L6M	LTM
DAX	19,909	3.0%	8.8%	18.8%
MDAX	25,589	(4.7%)	1.4%	(5.7%)
ATX	3,663	0.2%	0.4%	6.6%
SMI	11,601	(4.7%)	(3.7%)	4.2%
STOXX 600	505	(4.4%)	(1.3%)	5.4%
FTSE 100	8,121	(1.4%)	(0.6%)	5.0%
NASDAQ	19,487	7.1%	9.0%	29.8%
S&P 500	5,907	2.5%	7.9%	23.8%

Source: FactSet. Closing prices as at 30 December 2024.

STOXX Europe sector performance LTM



Source: FactSet. Closing prices as at 30 December 2024.

Issuance activity

Heading into 2025, the global IPO market continues to navigate a complex situation, caught between geopolitical tensions and economic uncertainty, while also facing expectations of further monetary policy easing. These conflicting factors create a delicate balance of risks and opportunities, shaping investor sentiment and market conditions.

The US IPO market is widely expected to experience a turnaround in 2025 with Chime Financial's confidential filing in late December and recent moves by Stripe, Klarna and Circle signaling renewed momentum in public markets after years of turbulence for the Fintech sector. While geopolitical uncertainties remain, with equity markets stabilising and investor confidence on the rise, Fintechs are gearing up to capitalise on favourable market conditions.

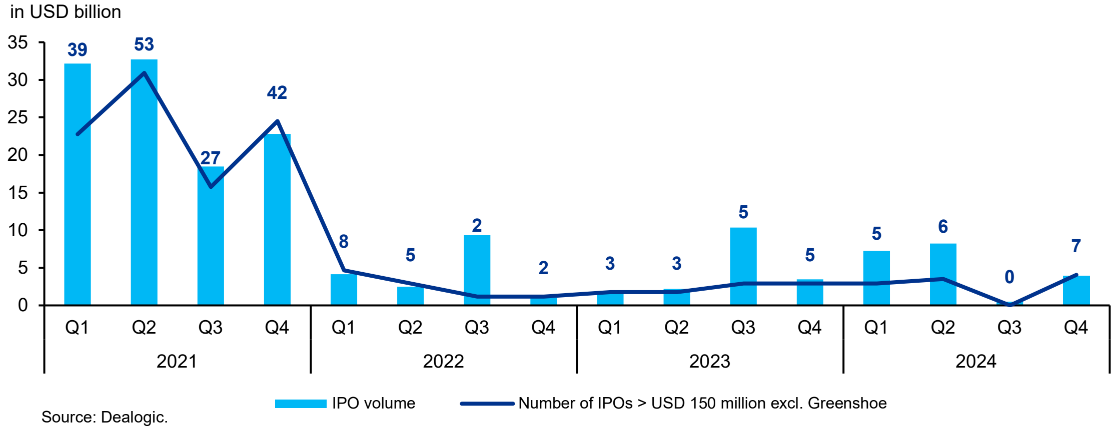
Multiple companies postponed their IPO plans to 2025 or 2026 in 2024, citing uncertainties surrounding the US election. Key risks for the coming year include President-elect Donald Trump's proposed tariffs on non-US goods, which could put pressure on European stocks amid ongoing political instability in France and Germany.

The European IPO market in 2025 is also expected to rebound, driven by declining interest rates, high equity valuations, and private equity firms aiming to unlock gains from unrealised investments. A strong pipeline of high-quality listings and growing investor appetite could make 2025 a decisive year, creating opportunities for companies of all sizes to thrive.

For issuance activity in Germany in 2025, analysts are also cautiously optimistic. Potential risks include political uncertainties and the increased attractiveness of alternative investments like cryptocurrencies and gold. However, analysts expect a recovery in the second half of the year, driven by rising corporate profits, supportive ECB policies, and advancements in AI.

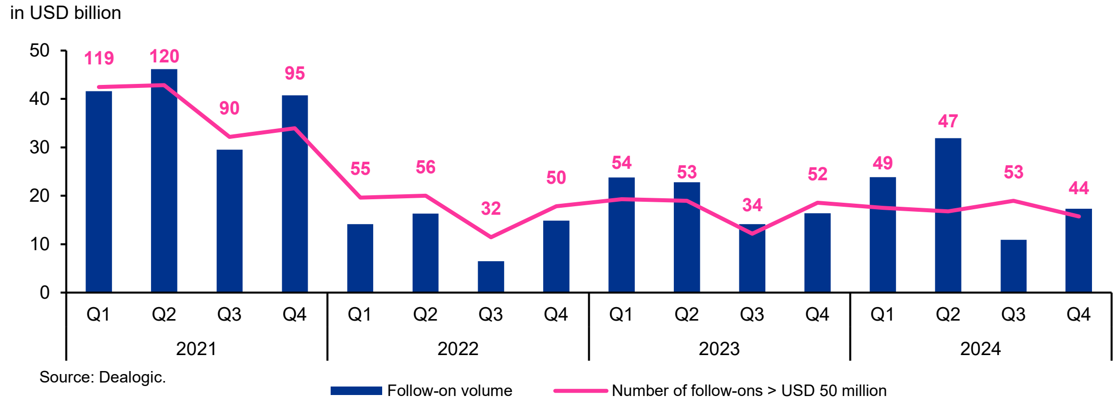
Source: Dealogic, KPMG, Germany 2025.

European IPO emission volume (in USD billion) and no. of offerings per quarter



Source: Dealogic.

European follow-on emission volume (in USD billion) and no. of offerings per quarter



Source: Dealogic.

Estimated IPO outlook by GICS sectors

The outlook for the IPO market in 2025 is cautiously optimistic, with a well-filled pipeline poised to drive a significant increase in activity compared to 2024, provided the macroeconomic environment remains supportive. Central banks' continued rate cuts following years of high interest rates are expected to fuel this recovery by lowering borrowing costs, improving valuations and alleviating financial pressures - especially for smaller companies affected by floating-rate debt. In addition, many private equity firms have exceeded the average holding period for their assets, suggesting that a rise in strategic exits could be expected.

Should these conditions align, the stage will be set for a strong resurgence in IPO activity.

The US and European IPO pipeline includes sizable potential IPO candidates headquartered in continental Europe and the US. Of the 69 companies considered, the majority (62%) fall under the GICS[1] sectors of information technology, consumer cyclicals and financials, giving an insight into the emerging market landscape and investment opportunities in the respective regions.

Assess whether your business is ready to go public at:

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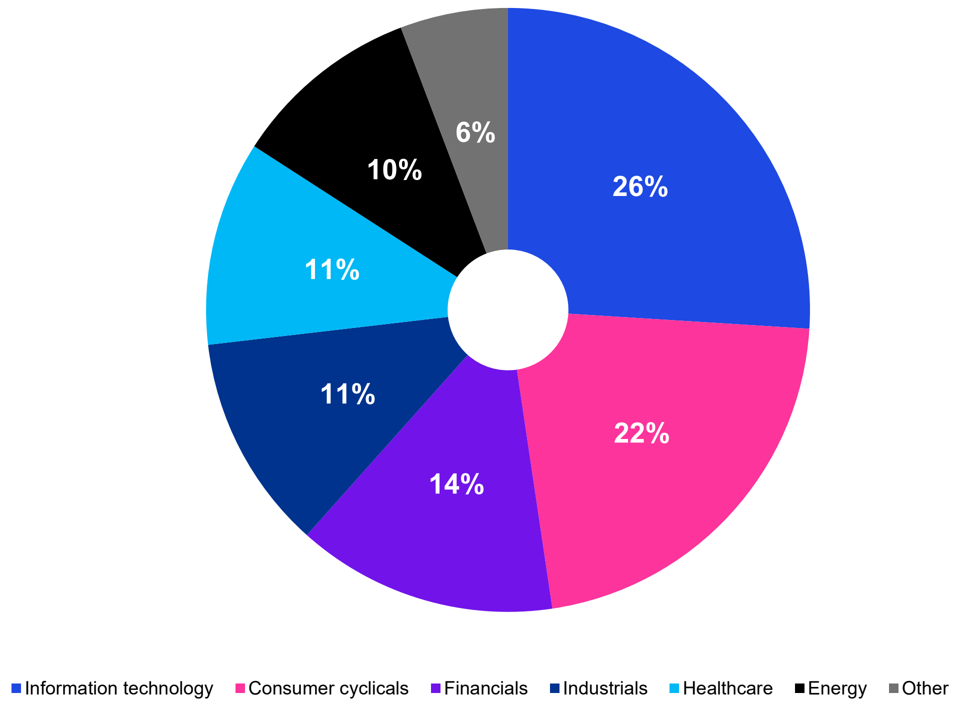
Source: KPMG, Germany 2025.

Note: 1) See slide 7 for sector definitions.

US & European IPO pipeline by sector based on public information



Source: KPMG, Germany 2025.

Appendix - definitions

Definitions and methodologies of referenced survey data indices

Purchasing Managers' Index (PMI)

The 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 and Greece). The PMI is based on a representative sample of around 5,000 industrial and service companies.

Economic Sentiment Indicator (ESI)

The 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 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 behaviour. Values above zero percent indicate positive views of the economy, whereas 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 GICS categorises 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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