



Equity market update and IPO compass

Capital Markets team

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February 2025

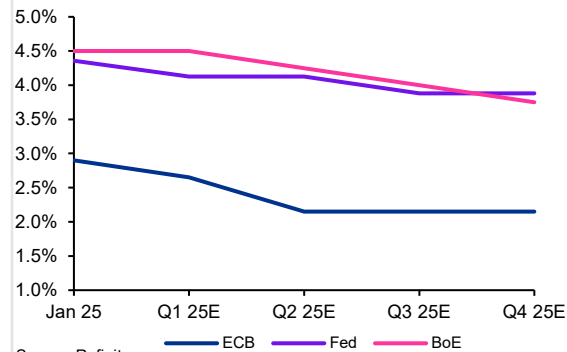


Executive summary

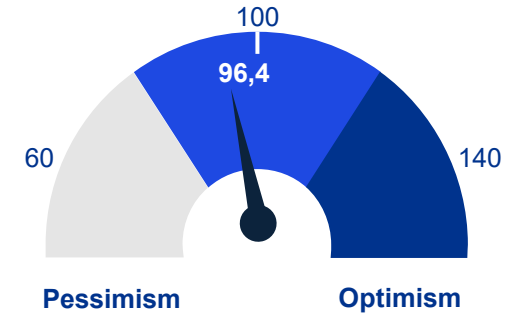
25 bps ↓

In January, the ECB reduced interest rates by 25 basis points, in line with market expectations. However, market sentiment clouded over briefly due to the Fed's decision to revise its projections, scaling back this year's anticipated rate reductions.

Outlook: expected rates² in 2025



EU Economic Sentiment Indicator January 2025

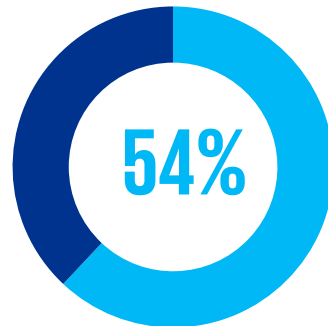


“Because geopolitical tensions appear to have stabilised for the time being and uncertainties as to the outcome of the US election have been resolved, there is slight hope for more favorable overall IPO market conditions this year.”

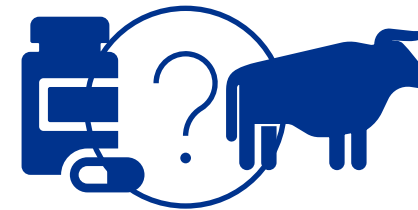


Ralf Pfennig

Partner
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More than half of the 2025 and 2026 IPO pipeline consists of consumer cyclicals, information technology and financial companies (GICS¹ sectors).



Stada announces possible IPO in Q2-2025

Plans are in place for an IPO on the Frankfurt Stock Exchange after a delisting followed by the acquisition of the private equity companies Bain and Civen



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

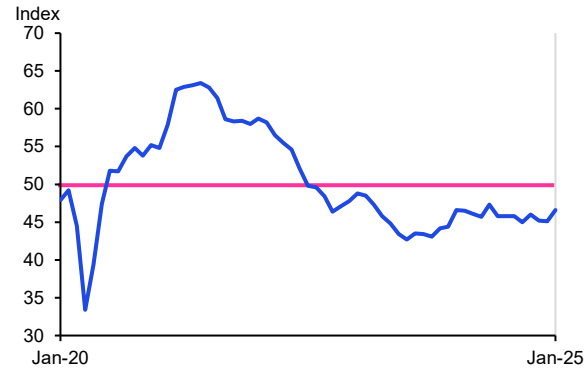
Macro environment and outlook

In January, the European Central Bank (ECB) cut interest rates by 25 basis points to 2.75%, followed by the Bank of England (BoE) on 6 February with a 25 basis points cut to 4.50%, with both aiming to ensure the stabilisation of inflation and economic activity. Meanwhile, the Federal Reserve (Fed) kept interest rates at 4.25-4.50% after three consecutive rate cuts. The Fed cited solid and improving economic performance, low unemployment and inflation stabilizing yet still elevated.

The European macroeconomic outlook was slightly more optimistic than in recent months, with the PMI hitting an eight-month high and the Economic Sentiment Indicator (ESI) rising from 94.5 to 95.8.

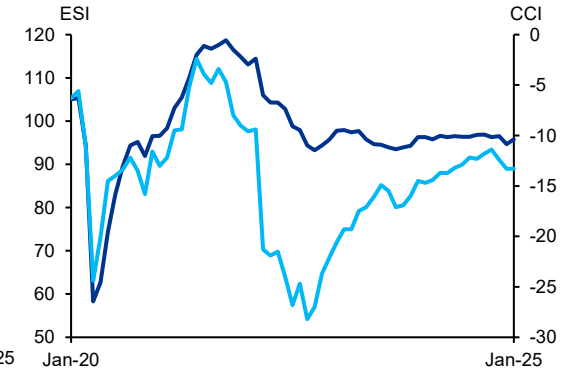
US tariff policy, combined with European political uncertainties, currently poses the greatest risks to the slight improvement of the European economy. In particular, the upcoming German elections could result in further uncertainties if there is no clear winner and coalition negotiations prove difficult.

HCOB Eurozone Manufacturing Purchasing Managers' Index (PMI) ⁴



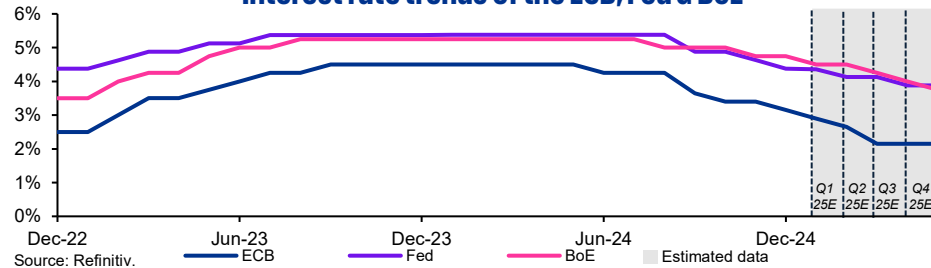
— Manufacturing PMI
 — PMI 50: >50 expansion; <50 contraction
 Source: S&P Global.

EU Economic Sentiment & Consumer Confidence ⁴



— Economic Sentiment Indicator (ESI; >100 optimism; <100 pessimism)
 — Consumer Confidence Indicator (CCI)
 Source: European Commission.

Interest rate trends of the ECB, Fed & BoE ¹



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.

Real GDP growth ²

| | 2024 | 2025E | 2026E |
|----------------|-------|-------|-------|
| United States | 2.8% | 2.1% | 2.0% |
| Germany | -0.2% | 0.4% | 1.0% |
| United Kingdom | 0.9% | 1.3% | 1.4% |
| Eurozone | 0.7% | 1.0% | 1.2% |
| China | 5.0% | 4.5% | 4.2% |
| Japan | -0.2% | 1.2% | 0.9% |

Source: FactSet. Closing prices as at 31 January 2025.

CPI inflation ³

| | 2024 | 2025E | 2026E |
|----------------|------|-------|-------|
| United States | 3.0% | 2.4% | 2.5% |
| Germany | 2.5% | 2.2% | 2.0% |
| United Kingdom | 2.5% | 2.5% | 2.2% |
| Eurozone | 2.4% | 2.0% | 2.0% |
| China | 0.2% | 1.0% | 1.3% |
| Japan | 2.7% | 2.1% | 1.9% |

Source: FactSet. Closing prices as at 31 January 2025.

Equity market overview

The S&P 500 reached a new record high during this month, hitting 6,071 points on January 30. The volatility index (VIX) was relatively stable below 20 despite the fact that Nvidia's stock experienced the absolute largest daily loss ever recorded by a company on Wall Street. It was triggered by profit margin fears regarding the potentially lower-cost alternative Chinese AI assistant Deepseek. Nvidia's market value dropped by 17%, resulting in a total loss of USD 589bn. This shows the potential vulnerability of highly valued tech stocks compared to other market segments trading on much lower multiples.

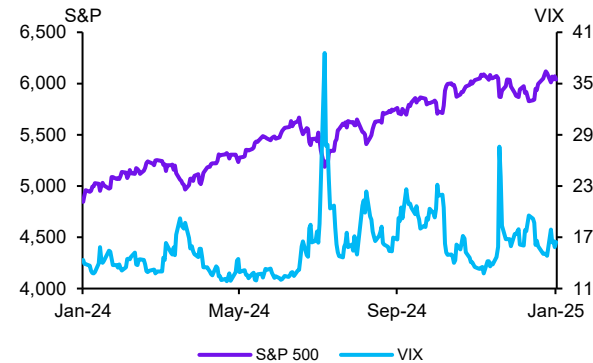
European equity markets had a strong month with record highs for the Stoxx Europe 600, the German DAX, the Spanish IBEX and the Italian FTSE MIB. European markets reacted optimistically to Trump's inauguration, as tariffs were held back for the European market for the time being. Overall, the focus remained on ECB policy and its ability to stabilize inflation further while decreasing interest rates to a rate that gives companies the opportunity to finance or refinance at a more convenient level - thereby providing the required liquidity to support economic activity throughout the year.

Interestingly, the FTSE 100 had its best month in over two years, closing the month at 8,673. This suggests that the market is already eyeing a stabilizing macro environment despite the current economic weakness.

The latest interest rate cuts by the various European central banks with the potential of further cuts in 2025 is already reflected in the overall financial sector (including banks, financials and financial service providers) which were among the highest performing sectors in the STOXX over the past twelve month.

Source: FactSet. KPMG, Germany 2025.

S&P & VIX: market trends and volatility LTM



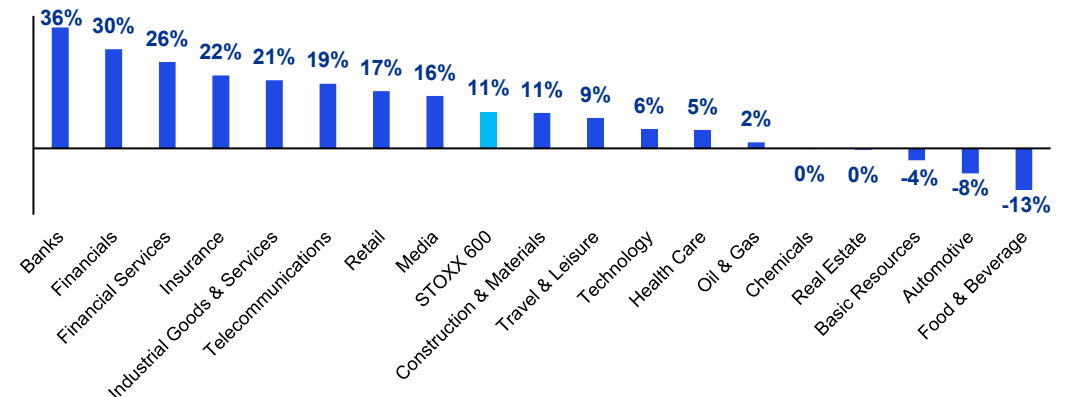
Source: FactSet. Closing prices as at 31 January 2025.

Performance of selected equity indices

| | Value | L3M | L6M | LTM |
|--------------------|--------|-------|-------|-------|
| DAX | 21,732 | 13.9% | 20.2% | 28.6% |
| MDAX | 26,731 | 1.5% | 6.9% | 3.0% |
| ATX | 3,864 | 9.6% | 6.0% | 11.8% |
| SMI | 12,597 | 6.8% | 2.3% | 11.2% |
| STOXX 600 | 540 | 5.5% | 4.1% | 11.1% |
| FTSE 100 | 8,674 | 7.0% | 4.7% | 13.7% |
| NASDAQ | 19,627 | 8.5% | 14.2% | 29.4% |
| S&P 500 | 6,041 | 5.9% | 10.9% | 24.7% |

Source: FactSet. Closing prices as at 31 January 2025.

STOXX Europe sector performance LTM



Source: FactSet. Closing prices as at 31 January 2025.



Issuance activity

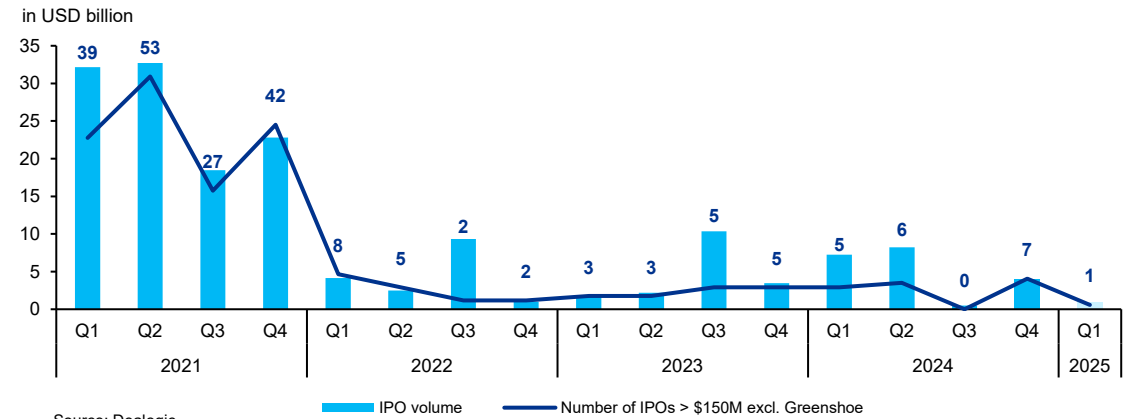
The US IPO market is expected to turn around in 2025 with recent moves by Chime Financial, Stripe, Klarna and Circle signaling renewed momentum in public markets. Because geopolitical tensions appear to have stabilised for the time being and uncertainties as to the outcome of the US election have been resolved, there is slight hope for more favorable overall IPO market conditions this year. Especially as multiple companies have postponed their original 2024 IPO plans to 2025 or even 2026.

During the first weeks of 2025, the European IPO market continued to navigate between political uncertainties as well as slightly improving economic data with the expectation of further monetary easing. These opposing factors create an environment of unlikely equilibrium between risks and opportunities for the time being. A strong pipeline of high-quality listings and growing investor appetite could make 2025 a turning point, creating opportunities for companies of all sizes to thrive.

Analysts are also cautiously optimistic with regard to issuance activity in Germany in 2025. For instance, Stada is considering a possible IPO on the Frankfurt Stock Exchange in the first half of 2025, after a delisting followed by the acquisition of the private equity companies Bain and Civen. In addition, the majority of economists expect the recovery to continue in the second half of the year, driven by rising corporate profits and supportive ECB policies.

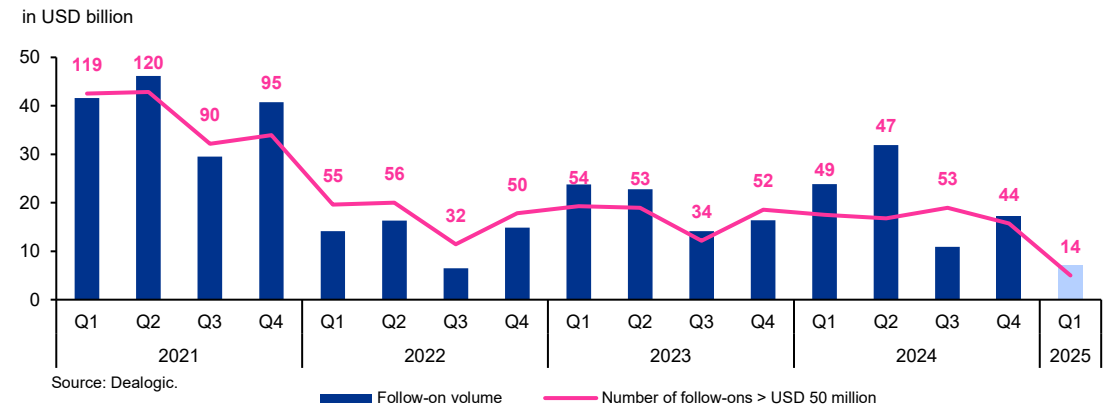
Source: Dealogic, KPMG, Germany 2025.

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.



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. The continued rate cuts by the European Central Bank 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. More than half of the potential targets are part of the GICS¹ sectors, i.e. consumer cyclicals, information technology and financials.

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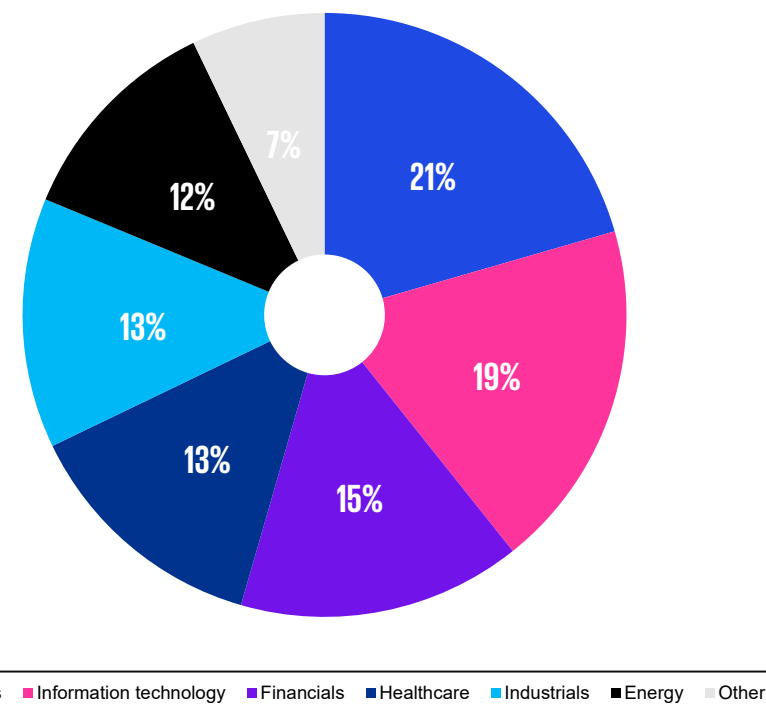
[Initial Public Offering \(IPO\) | KPMG Atlas](#)



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 service 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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