KPMG

Equity market update and IPO compass

Capital Markets team

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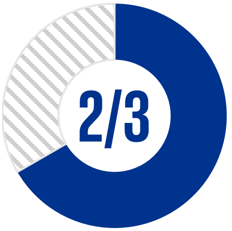
March 2025

Executive summary

German elections – markets look ahead

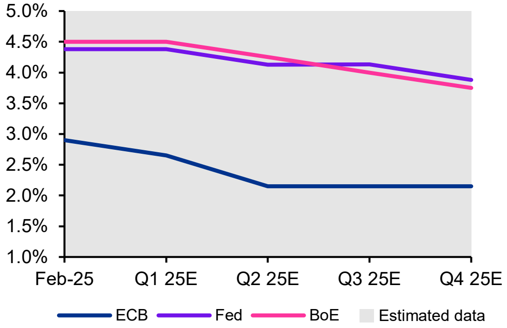
Political shift sparks market optimism
Following the election, markets initially rallied in anticipation of a more business-friendly government and greater policy clarity, driven by hopes of a stable coalition by Easter.

Germany's 'debt brake': the big question for investors
Investor focus is on whether Germany will reform its constitutional balanced-budget rules ('debt brake') which limits the budget deficit to 0.35% of GDP. The country faces a second consecutive year of contraction, with critics citing years of underinvestment.

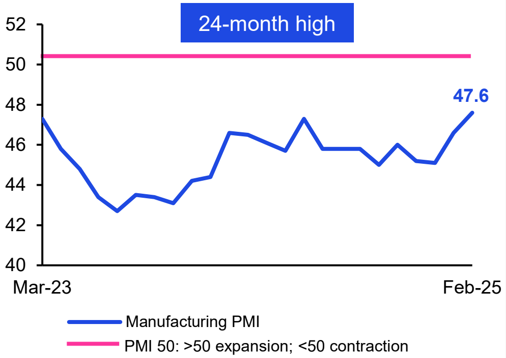


Reforming the debt brake requires a parliamentary majority of two thirds.

Outlook: expected rates[1] in 2025



HCOB Eurozone Manufacturing Purchasing Managers' Index (PMI)[2]



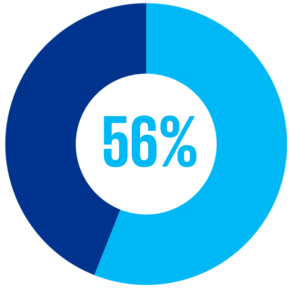
"European equity markets are poised for stronger IPO activity, fueled by optimism as a result of record highs, increased defense spending and expectations of economic growth. However, uncertainty remains due to ongoing tariff concerns."

Ralf Pfennig

Partner
Head of Deal & Capital Markets Services

	L3M	L6M	LTM
DAX	14.9%	20.1%	28.1%
STOXX 600	9.8%	7.4%	12.7%
NASDAQ	(1.9%)	7.4%	18.2%
S&P 500	(1.3%)	6.5%	17.5%

European equities gained in February, driven by hopes for peace in Ukraine, the German election and strong corporate earnings, while US equities showed mixed performance.



More than half of the 2025 and 2026 IPO pipeline consists of consumer cyclicals, information technology and financial companies (GICS[2] sectors).

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

Macro environment and outlook

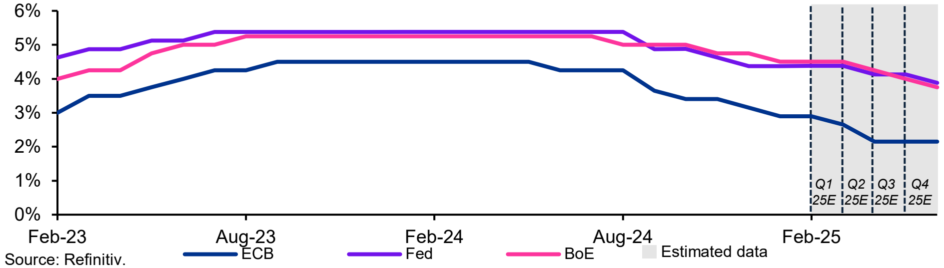
Central banks remained mostly observant in February. While the Bank of England (BoE) cut rates by 25 bps to 4.50% to support a weakening economy despite near-term inflation risks, the European Central Bank (ECB) signaled a possible March cut. However, it has stressed that it will take a measured approach when making this decision. The Fed reaffirmed its focus on inflation as markets anticipate a rate cut in June.

The macro-outlook remains subdued, with ongoing inflation risks, though Europe is believed to be better positioned due to easing monetary policy, stronger corporate health and a potential fiscal expansion in Germany. However, the US faces a slowdown driven by growth and stagflation concerns, worsened by weaker economic data and rising inflationary pressures. Meanwhile, uncertainty surrounds US tariffs on European goods; for instance, US President Donald Trump is proposing a 25% tariff on car imports, though details remain unclear as of 28 February 2025.

The Eurozone manufacturing PMI rose to a 24-month high of 47.6 in February, reflecting slower declines in orders and production cuts, though job losses and rising costs remain challenges. While a full recovery remains premature, the PMI suggests potential stabilization in the sector, however, growth prospects dependent on political stability and the resolution of tariff challenges.

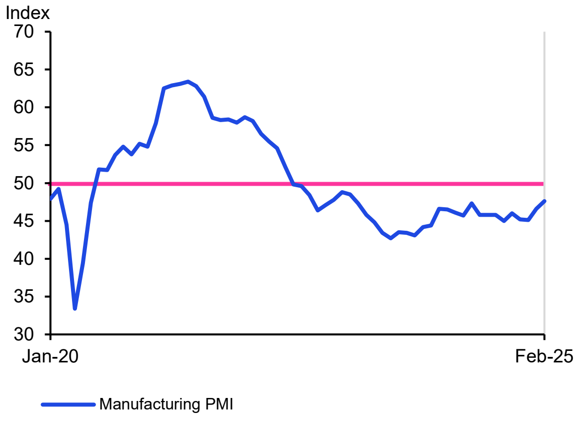
Source: FactSet. S&P Global. KPMG, Germany 2025.

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



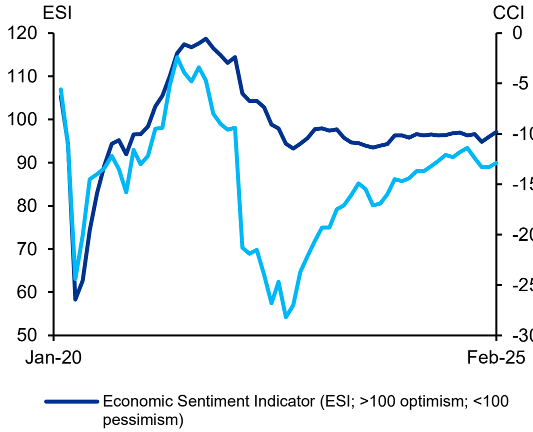
Source: Refinitiv.

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	2.8%	2.2%	2.0%
Germany	-0.2%	0.3%	1.0%
United Kingdom	0.9%	1.2%	1.4%
Eurozone	0.7%	1.0%	1.2%
China	5.0%	4.5%	4.1%
Japan	0.1%	1.2%	0.9%

Source: FactSet. Closing prices as at 28 February 2025.

CPI inflation [3]

	2024	2025E	2026E
United States	3.0%	2.5%	2.5%
Germany	2.5%	2.4%	2.0%
United Kingdom	2.5%	2.6%	2.2%
Eurozone	2.4%	2.1%	2.0%
China	0.2%	0.9%	1.3%
Japan	2.7%	2.2%	1.9%

Source: FactSet. Closing prices as at 28 February 2025.

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

European equity markets posted gains in February, with the STOXX Europe 600 and DAX hitting record highs, driven by optimism regarding potential peace plans for the Ukraine conflict, as well as the outcome of the German election and strong earnings, particularly from the DAX.

Meanwhile, the outcome of the German election has sparked market optimism, with rallies driven by hopes that a stable and more business-friendly coalition government with clearer policies will be established by Easter. However, uncertainty remains over whether the new government will reform the constitutional balanced-budget rules ('debt brake'), which limits the budget deficit to 0.35% of GDP, as Germany faces a second year of contraction amid criticism surrounding years of underinvestment. With a two-thirds parliamentary majority required for a reform, opposition concessions make an aggressive debt brake reform unlikely at this stage.

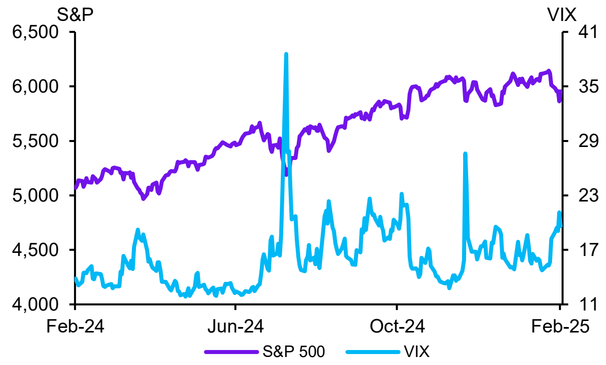
In addition, European equities gained momentum fueled by expectations of significant increases in defense spending across the region, particularly in Germany, alongside the prospect of higher government debt. Markets are responding positively to the expectation that these increased expenditures will stimulate economic growth, with projections of a potential GDP boost as a result of higher defense investments. Despite concerns about long-term costs, investors are focused on short-term market gains, seeing these developments as a catalyst for growth.

In contrast, US equity performance was mixed, with the Nasdaq underperforming, although the S&P 500 remained positive for the year. The subdued US stock performance was primarily driven by concerns over escalating trade tensions arising from the possibility of trade tariffs and persistent inflation fears.

Additionally, the VIX surged to its highest level this year (21.1) following a heated televised exchange between Donald Trump and Ukraine President Volodymyr Zelensky on 27 February 2025 in Washington, which has led to a more fearful sentiment among US investors.

Source: FactSet. KPMG, Germany 2025

S&P & VIX: market trends and volatility LTM



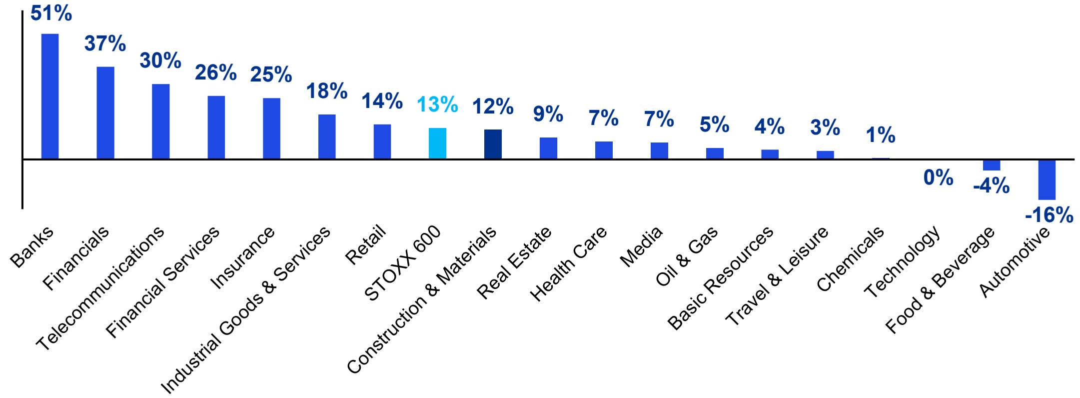
Source: FactSet. Closing prices as at 28 February 2025.

Performance of selected equity indices

	Value	L3M	L6M	LTM
DAX	22,551	14.9%	20.1%	28.1%
MDAX	28,298	7.5%	12.2%	9.3%
ATX	4,148	17.2%	12.1%	22.4%
SMI	13,004	10.5%	5.3%	13.9%
STOXX 600	557	9.8%	7.4%	12.7%
FTSE 100	8,810	6.3%	5.6%	15.5%
NASDAQ	18,847	(1.9%)	7.4%	18.2%
S&P 500	5,955	(1.3%)	6.5%	17.5%

Source: FactSet. Closing prices as at 28 February 2025.

STOXX Europe 600 sector performance LTM



Source: FactSet. Closing prices as at 28 February 2025.

Issuance activity

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.

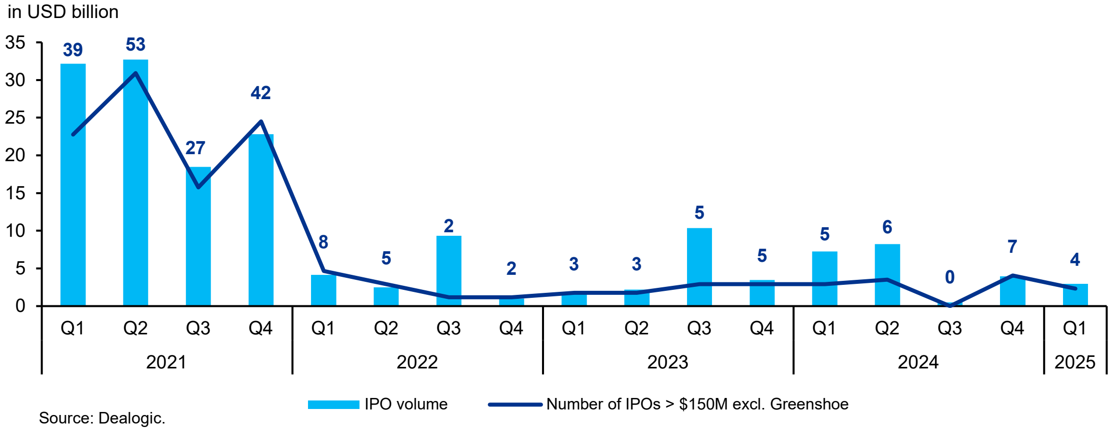
The US IPO market is expected to turn around in 2025 with a variety of recent SEC filings for IPOs (e.g. AI Cloud Firm CoreWeave is rumoured to file within the week as of 28 February 2025) signaling renewed momentum in public markets. Although the geopolitical situation remains volatile amid the Ukraine conflict, trade wars and potential reciprocal tariffs, there is hope for an increase in activity given that several companies have postponed their original 2024 IPO plans to 2025 or even 2026.

Europe appears to be in a good position for issuance activity to increase due to the current easing monetary in 2025. However, potential US tariffs remain a persistent uncertainty. The combination of these factors has led to an uncertain, yet temporary equilibrium between challenges and opportunities. 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 remain cautiously optimistic about for German issuance activity in 2025. Recent indicators of a possible uptick in activity are Thyssenkrupp's plans to list its marine division (TKMS) and prosthetics specialist Ottobock reportedly revisiting its shelved 2022 IPO plans for the second half of 2025.

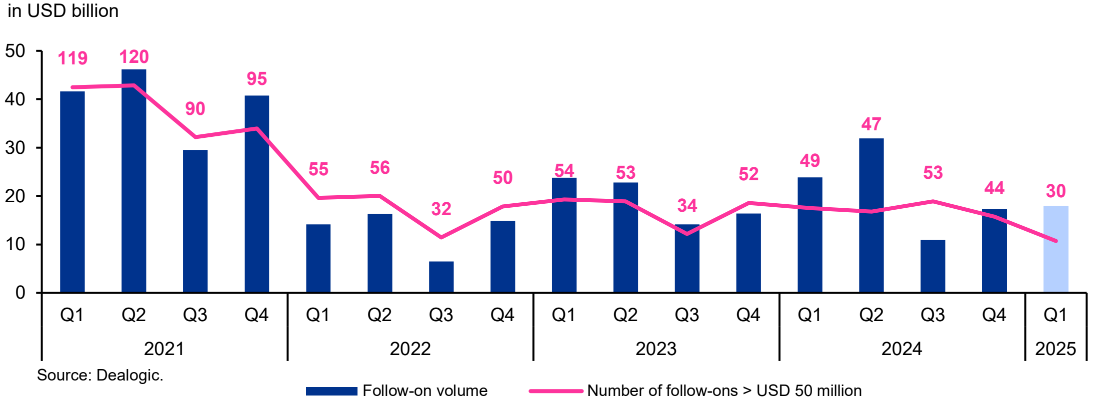
Source: Dealogic, KPMG, Germany 2025.

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 can be allocated to the GICS[1] sectors consumer cyclicals, information technology and financials.

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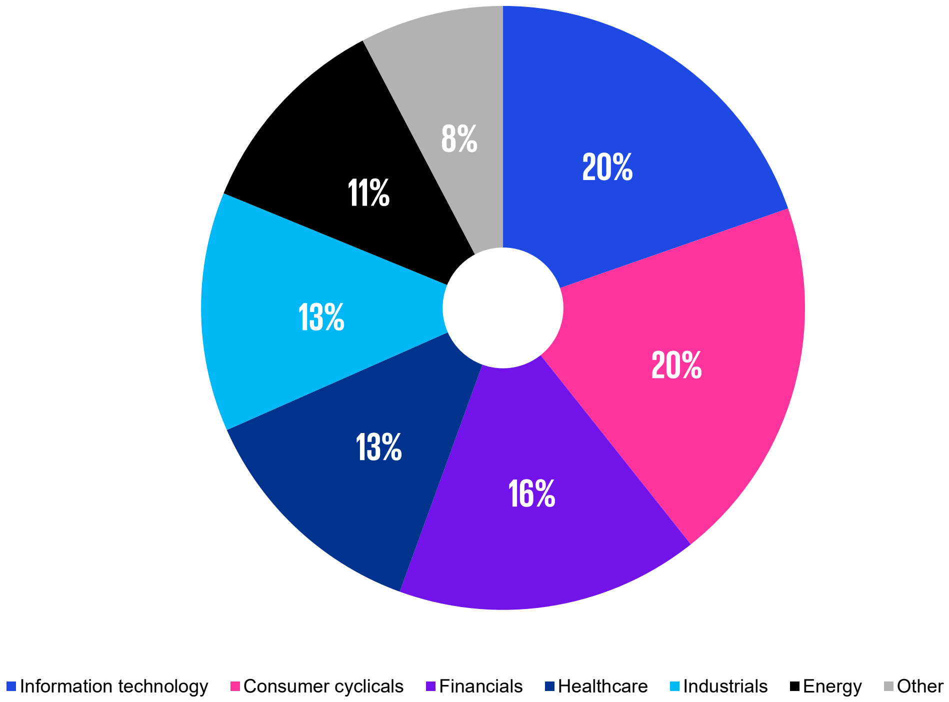
Source: KPMG, Germany 2025.

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 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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