



Why you should be optimistic for the IPO market return and what should you do about it



European IPO market activity has picked up so far in 2024

- Europe has had the highest IPO volumes since 2021 with over €12bn raised¹
- Positive aftermarket performance from a number of large IPOs has boosted confidence (investors are making money)
- Several pulled IPOs from 2023, relaunched with success²
- Equity markets continued to recover with low volatility in H1
- Strong demand seen from all investor types in IPOs which sends a strong signal of increased appetite
- Diversification from privatisations and spin-outs to sponsor backed companies listing
- Starting to see evidence of IPO candidates preparing for 2025 IPO windows
- But... there were still a number of IPOs pulled due to valuation gaps and fear of potential aftermarket weakness³
- Early August volatility and market weakness highlighted the delicate nature of the recovery
- And... H2 2024 is not expected to be particularly busy

Recent themes in IPOs this year point to early stages of IPO market recovery

- IPO size has been a focus given the desire for sufficient aftermarket liquidity
 - But... we see small and midcap names returning to focus as we go through the cycle
- Cautiousness on valuation approach (and leverage at IPO)
 - But... the bargaining power will return to sellers as we see more successful IPO events
- The IPO market has been selective for larger companies delivering on expectations in recent years, boosting investor confidence and resulting in successful IPO outcomes
 - But... as the market re-opens we will see more investors competing for IPO returns thus opening the gates to more prospective candidates
- “IPO-only” situations in the market this year
 - But... we see “the IPO” as a viable option to compete with M&A in dual track situations going forwards
- Long funds have shown plenty of interest in IPO engagement but have often been slow to participate
 - But... we expect more long fund participation (including in smaller deals) as fund flows and confidence return



¹ IPOs where more than €35m was raised, inclusive of such blockbuster offerings as the \$2.9bn IPO of Puig (Spain, Consumer Products, +7%), the \$2.5bn IPO of CVC (Netherlands, Private Equity, +22%), and the \$2.6bn IPO of Galderma (Switzerland, Healthcare, +40%). Price increases are as of end of July 24.

² The €500m IPO of Renk (Germany, Defense, +67%) and the €278m IPO of Planisware (France, Tech, +65%) relaunched at the bottom of the previous price range after delivering the plan it showed investors at the previous attempt

³ European IPOs pulled citing market conditions, most notably: Europasty (Spain, Food), Golden Goose (Italy, Consumer Retail), Luz Saude (Portugal, Healthcare) and the Renault Spin off of Ampere (France, electric vehicles)



Reasons why we are optimistic for the UK

- Up until the end of July UK equities were amongst the outperforming indices in Europe led by Small and Midcaps⁴
- UK macro backdrop improving – Inflation down, Interest rates following and growth remains resilient
- Political overhang cleared - UK general election out of the way with a broadly positive reaction by the market
- Attractive valuations with catalysts – Valuations are still attractive for investors who look to reinvest cash returned from ongoing M&A and P2Ps
- Listing reforms in the UK were published and came into effect on 29 July with significant benefits⁵ which may facilitate bringing high growth companies to market
- Three key IPOs successfully listed in the UK this year providing useful datapoints⁶

⁴ In the 12 months to end of July 24 – FTSE Smallcap closed up 10%, FTSE 250 up 10% and FTSE 100 up 8%

⁵ Key changes include more flexibility to do M&A and simplification of the listing rules – a full summary can be provided on request

⁶ \$353m IPO of Air Astana (LSE, KASE and AIX – KPMG Advised), £166m IPO of Raspberry Pi (shares jumped 38% on the first day of trading), and £35m AIM IPO of Aoti (US Healthcare group – KPMG Advised)

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Gazing into our crystal ball, a broader return is coming but not just yet...

- H2 2024 is expected to be quiet given the shorter IPO window due to the upcoming US elections and wider European political volatility
- A number of candidates that had been planning for H2 2024 may decide to push into 2025
- But there is plenty of evidence that new IPO candidates are starting to plan for a 2025 IPO event
- Focus will remain on tracking the economic recovery

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What should management teams and shareholders do with this information?

- Start to factor in an IPO as a key exit/funding option
 - While in recent years, M&A has provided a more probable outcome, recovering equity markets are now providing a real alternative with the competitive tension of an IPO process
- “By failing to prepare, you are preparing to fail” – Benjamin Franklin i.e. use this time to get your (financial) house in order
 - Perhaps a more relevant quote is from one of the participants in our recent annual ECM survey who warned that a “lack of internal financial readiness can be a key factor in missing a proposed IPO window... notably systems and controls as it leads into proper forecasting” – an IPO readiness exercise now can prevent increased cost and resource later
- Start preparing now as the lead times can be longer than you think
 - For December year end companies targeting H1 2025, preparations and hiring decisions should be starting now. For those targeting H2 2025, there is a little more time, but from now until the end of the year would be an opportune time to test the feasibility of an IPO and conclude an IPO Readiness exercise
- Begin talking to advisers to assess their fit but also recognising resourcing may become constrained with the upcoming IPO market recovery
 - KPMG Independent IPO Advisory can help identify and assess your Advisory line-up as well as the feasibility of an IPO – please feel free to contact us
 - We can also put you in touch with our colleagues across other IPO disciplines including Tax, Legal, Accounting and Internal Controls – especially related to IPO Readiness