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European Equity Capital Markets

Cautious optimism despite scarcity of deals

ECM update | Summer 2023

FINANCIAL ADVISORY

Cautious optimism despite scarcity of deals within European Equity Capital Markets

This European Equity Capital Markets update contains commentary on recent European and Spanish stock markets performance; levels of European equity market issuance and macroeconomic considerations; activist investors, the European CFO survey and other topics relevant to IPO/ECM transactions

Cautious optimism despite scarcity of deals

ECM update | Summer 2023

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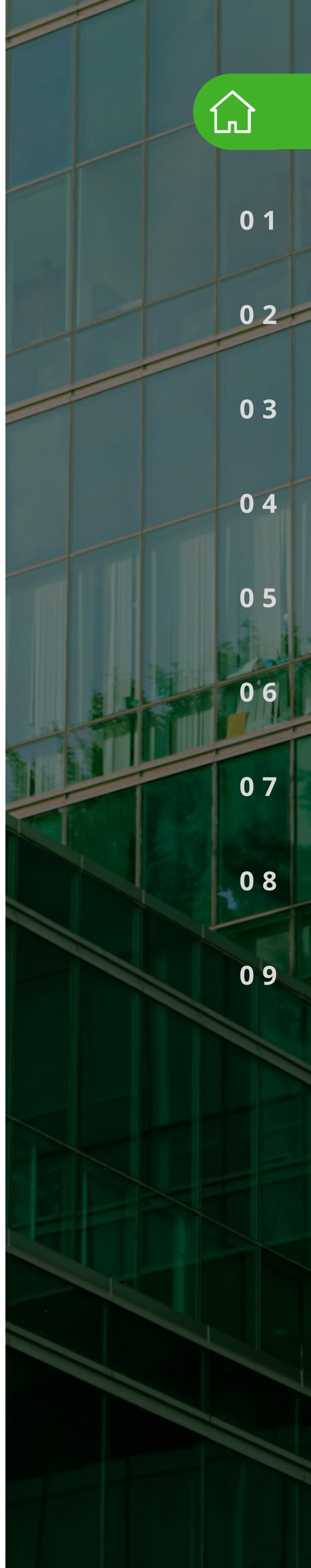
About this report: This report contains data sourced from IMF Word Economic Outlook, Bloomberg, Refinitiv, FactSet, Dealogic, company admission documents and press releases. ECM issuance data is as of 30 June 2023 and includes all European ECM transactions. The Total Deal Value has been calculated by multiplying Dealogic’s Total GBP Deal Value and the GBP spot rate of the date of the transaction. Additional market data is as of 30 June 2023



00 Welcome to the 14th Deloitte European ECM update
Investors remain cautious despite lower volatility and positive equity market performance

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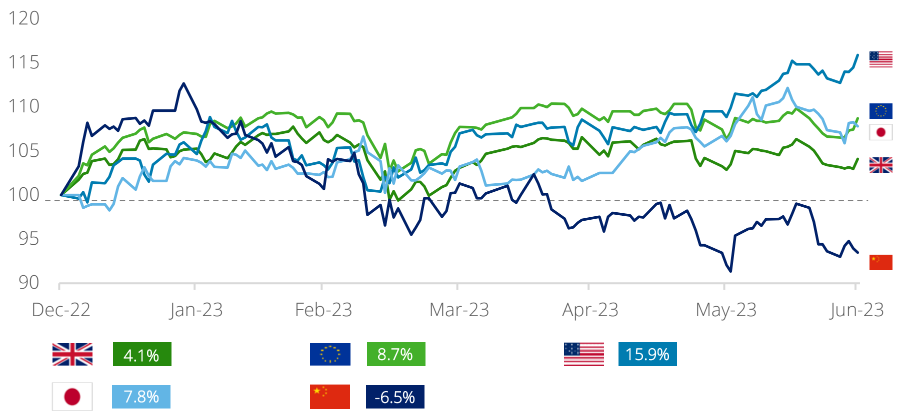
This European ECM update includes how equity markets have performed during the first half of 2023 and the reasons behind it. We look deeper at the different macroeconomic headwinds economies face and the impact these have had on ECM and IPO issuance levels in Europe. In this report, we dive deeper into several Hot Topics: Activist investors continue to push for change; ESG – From "nice to have" to mandatory at IPO; Managing complex ECM transactions – Our IPO Management Office; a summary of our most recent European CFO Survey; Deloitte's IPO Scanner and European SPACs at the brink of extinction.

Following a disappointing 2022 in terms of equity performance and ECM issuance, the first half of 2023 has been marked by **inflation, financial sector turmoil and Central Banks interest rates policies**. Despite a **challenging macroeconomic environment,** global stocks overall had a very positive performance, with main global indices in an upward trend since the last quarter of 2022. Regarding sector performance, the Stoxx 600 index had a positive performance, with most sectors ending the 1H 2023 in green.

Figure 1: 1H 2023 Global indices performance



Source: Refinitiv Eikon (30/06/2023)

Inflation remains a key concern, with FY 2023 inflation IMF's estimates at 6.6% for Europe, 4.5% for the US, and 6.8% for the UK. Central banks continued their tightening as they tried to rein sticky core inflation**.** However, **the pace of rate hikes** is starting to **slow down** with the end of these rises more in sight. Nonetheless, **the combined impact of inflation on consumers and tightening credit conditions are expected to weigh on the real economy** impacting household spending, export levels, corporate earnings and ultimately affecting revenue generation.

Volatility has subdued in 2023 compared with VIX levels in 2022, coming down to 13.6 vs. the c.25 average in 2022. Despite lower volatility, **investors remain cautious, affecting ECM levels, especially IPO issuance.** Many issuers opted to wait for a better window where investors would be less risk-averse and would require lower valuation discounts. The **overnight market with accelerated bookbuilding processes** as well as right issue deals remained very active in Europe, with companies tapping the market to raise cash amid an increased borrowing cost environment.

We hope the ECM Update is a helpful resource. Our team is at your disposal for any issues that you may wish to discuss.

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1H 2023 Equity Markets Performance

1H 2023 Equity Markets Performance

The global economic outlook remains uncertain amid high inflation and Central Banks interests' rates hikes

Figure 2: 1H 2023 European indices performance

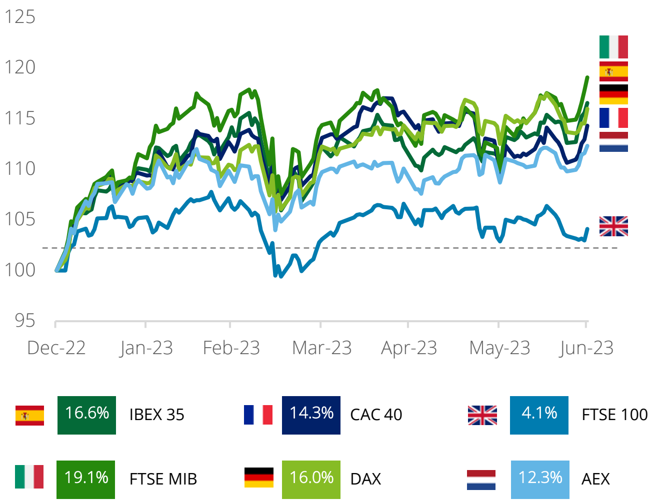


Figure 3: Volatility (VIX)

Source: Refinitiv Eikon, and Bloomberg (30/06/2023)

The first half of 2023 was marked by a **challenging macroeconomic environment** inherited from 2022, including the ongoing effect of Russia's invasion of Ukraine and three years of Covid. Inflation, **financial sector turmoil, and Central Banks interest rates policies** were investors' primary concerns during the first six months of the year.

Despite an initially **promising start to the year** with **reduced volatility** and an **upward performance** of main **global indices** since 2022's last quarter, external shocks again affected market sentiment in March. The continued increases in interest rates resulted in the **bankruptcy of several banks**, including Silicon Valley Bank and Signature Bank in the US, followed by an emergency rescue by UBS which took over failed Swiss bank Credit Suisse in an **attempt to halt the banking crisis**. Meanwhile, investors responded with a significant **sell-off immediately after** these events. Still, with some **moderation on inflation and potential tightening from Central Banks** soon, **stocks have rebounded,** with main global **indices** ending the semester with a very **positive performance** and **close to maximum historical levels**. The **Nasdaq** had its **best semester in four decades** and the Spanish index, the **IBEX 35,** had its **best first semester performance in 25 years. Meanwhile European stocks rallied** fueled by resilient earnings.

Inflation remained a key concern for investors and Central Banks as **current levels are far from the 2% target**, with FY2023 inflation IMF's estimates at 6.6% in Europe, 4.5% in the US, and 6.8% for the UK. Despite a moderation in inflation, core inflation remain an issue. **Central Banks responded to increasing prices by raising interest rates and reducing stimulus**. The **Fed** increased borrowing rates thrice during 1H 2023, setting its target range at **5% - 5.25%.** In June, the Fed opted to hold off on rate hikes but **warned of two more hikes coming later in 2023**. Meanwhile, in **Europe,** the **ECB raised** its benchmark policy **rate four times**, starting **from 2.5%** back in December 2022 **to 4% in June 2023**.

The fast rise in policy rates' most noticeable side effects may have been the banking crisis in March, showing the sector's vulnerabilities while fears of contagion rose across the broader financial industry, including non-bank financial institutions. **Central banks closely monitored the situation** of banks and the market's trend, emphasizing the **need for caution and effective risk management** in navigating the challenging macroeconomic landscape. **The combined impact of inflation on consumers and tightening credit conditions are expected to continue to weigh on corporate earnings**, potentially compressing **margins** and maybe ultimately affecting **revenue generation**.

Recently revised data show that **slow consumer spending** and **sticky inflation** have led the **eurozone to enter a recession over the winter months**. Such recession remains mild. In the first three months of the year, economic output in the eurozone dropped by 0.1% compared with the previous quarter, following a decline of the same magnitude in the final quarter of 2022. Among the individual countries affected within the eurozone is **Germany**, the fourth largest economy in the world and largest in Europe, which **fell into recession over the winter** (Q4 2022: -0.5% q/q and Q1 2023: -0.5% q/q) as inflation hit the economy, affecting German household spending and industrial orders, thus dragging the entire economy.

Regarding the **growth of the global economy**, the IMF has projected a potential soft landing, with projections for the world's GDP growth in 2023 being at 2.8%. Meanwhile, the IMF's projections estimate that the US economy will grow by 1.6% at the end of 2023, while **Europe's economy is said to grow only by 0.8%.** Meanwhile, the **Bank of Spain's** latest published data showed improvements**, revising up** the Spanish 2023 **GDP** estimations to **2.3%** (vs. 1.6% from its previous projections), and **revising down** its **inflation forecast to 3.2% for 2023** (vs. its previous projection of 3.7%).

1H 2023 Equity Markets Performance

Positive equity market trend with a 360º change for European sector performance compared to 2022

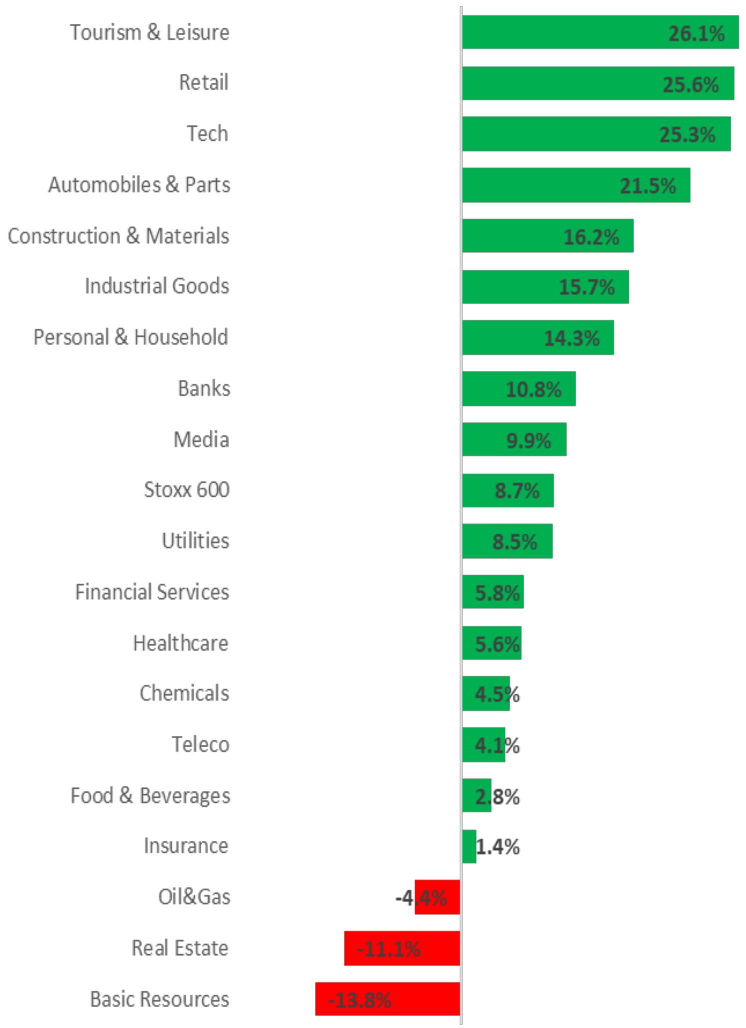
Despite macroeconomic challenges, most of the **main global indices had a positive performance** during the first half of 2023, with some growing at a **double-digit pace**. Such a positive performance **started** for many global indices back in the **Q4 2022,** and the rally continued throughout the first half of 2023. A natural rebound of the market was partially driven by the buoyant mood after stocks underperformed for most of 2022, while investors were also motivated by **the expectancy of the ending of central banks tightening**.

Major global indices ended 1H 2023 as follows: **the MIB up by +19.1%; IBEX 35, up by +16.6; the DAX, up by +16.0%; the S&P500, up by +15.9%; the CAC 40 up by +14.3%; the AEX up by +12.3%, the Stoxx 600, up by +8.7%, and the FTSE 100 up by +4.1%.**

The **Nasdaq composite is up by 36%,** double what the S&P500 finished the first half of 2023. After enduring the fourth-worst year in its history in 2022, the tech-heavy Nasdaq index **roared back to life** driven by **Artificial Intelligence** and its effects on the biggest tech stocks of the index. **Meanwhile, UK stock performance was disappointing** compared to the rest of the main European indices, with **London's blue-chip FTSE 100 up only by +4.1%** (half of the Stoxx 600 performance), driven by a **negative economic growth outlook.**

After a very uncertain 2022, volatility levels have come down significantly, with the VIX **range bouncing between 12.9 and 26.5 during 1H 2023, with the semester closing at 13.6,** which is -37% lower than when the year started. Furthermore, the average for the 1H of 2023 was 19 – below the 25-level average in 2022.

Figure 4: 1H 2023 Stoxx 600 sector market performance



Source: Refinitiv Eikon (30/06/2023)

Sectorwise, the pan-European Stoxx 600 index had a 360º change. Back at the end of 2022, all sectors underperformed except **Basic Resources and Oil & Gas**. Only the latter and the Real Estate industry are in negative territory this semester, driven by a plunge in prices and interest rates hikes. **All other sectors are performing well** with many growing at double digits. Lower energy costs, high post-pandemic demand, and a positive outlook for the summer season provided tailwinds for the **Tourism & Leisure sector,** which was the **best performer** of the first half of 2023. **European stocks benefited from China's consumer recovery**, especially **Luxury** stocks. The **retail sector rose** c.26%. Finally, **tech companies** suffered in 2022, and during this semester, were boosted by **enthusiasm over Artificial Intelligence.**

The stock **market trend remains positive** amid signs of slowing growth in the global economy. Nonetheless, **precautions should be taken –** only time will tell how **tighter monetary policy will transmit to the real economy.**

In the meantime, the **Spanish main index, the IBEX 35**, showed **important gains** during the first half (+16.6%), marking the **best first half of the year in 25 years and highest point since 2020**. The **Tourism and Leisure sector** led the gains. Among the best performing stocks during 1H 2023 were Amadeus and Inditex, both up c.43%, as well as Melia (c.+39%) and IAG (c.+36%). **Real Estate and Renewable energy stocks suffered the most affected** by the interest rates hikes and descend of the oil prices. Regional elections in May provoked a snappy and anticipated presidential election scheduled for July. The **political turmoil** derived from the latter **may affect the economy and stock markets**. Elections will be closely monitored.

02 European Equity Issuance Levels

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Despite lower volatility investor remain cautious, hindering ECM issuance

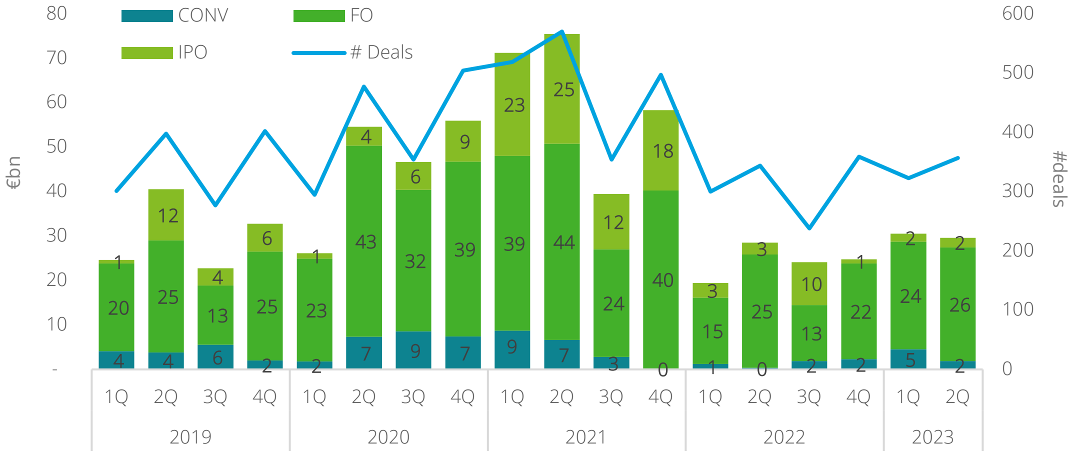
The first half of **2023 has been mixed for ECM issuance**, with **IPO levels** at their **worst in decades** but with some sign of **hopes from accelerated blocks and convertible bond issuance**. All of this is happening **amid markets** being in a **recovery trajectory** since the last quarter of 2022, with **indices in an upward performance** and **volatility** levels **stabilizing**. Despite these signs of hope, investors are remaining cautious, especially avoiding investing in new companies via IPOs.

Proceeds from European ECM transactions amounted to **€60bn over 680 transactions** during 1H 2023 – **an increase of 25% in volume** compared to the same period in 2022. Such an increase is partially driven by the **numerous €1bn+ follow-ons** and large convertible deals priced during the semester. **European IPO issuance levels decreased by 34% to** €3.9bn in volume compared to the same period in 2022. **Follow-Ons issuance**, including Rights Issues and Accelerated Blocks, have **increased by c. 24%** compared to 2022 volumes.

The **overnight market** with accelerated bookbuilding processes **remained very active,** including two massive **Heineken** sell-down blocks (€3.7bn and €3.2bn, respectively) as well as two **London Stock Exchange** sell-downs of €3.1bn and €2.2bn, respectively. In an environment where **borrowing costs are rising**, companies have also **used the ECM market to get the cash required** for their expansion plans; such was the case of German leisure group's **TUI, €1.8bn rights issue,** and Swedish wholesaler of cooling technology, **Beijer Ref**, **€1.3bn rights issue. The convertible bond markets** reactivated with 35 deals pricing during the semester accounting for €6.4bn. Given some investors' risk-averse attitude towards IPOs, issuers held back in many cases instead of accepting the heavy discounts demanded by investors. The **lack of IPOs** is not just a European issue; **US issuance levels are even below those of Europe.**

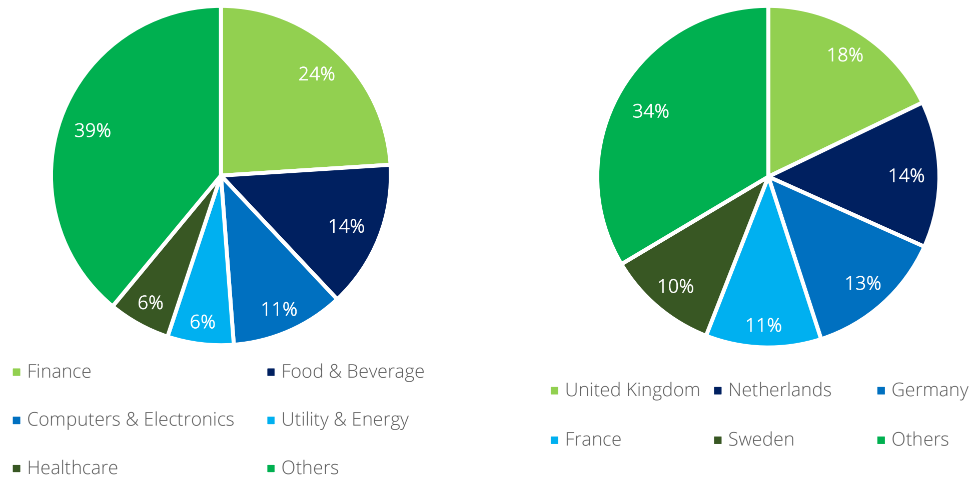
The **financial sector remains** the most active industry in European ECM issuance, accounting for **24% of the total transaction volume in 1H 2023.** Transaction in the sector included **LSE's** blocks, **BNP Paribas's** €2.1bn block, and **Bank VTB's** €1.1bn deal**. Food & Beverage** sector accounted for 14% of the ECM issuance during the period, mainly driven by the **Heineken** massive blocks. The **UK** remains the **most active exchange** for ECM issuance accounting for 18% (c.€11bn), closely followed by the **Netherlands**, accounting for 14% (c.€8.3bn). **By the number of transactions,** the **UK** also takes the lead with 187 deals pricing, accounting for **18%, followed by Sweden** with 168 deals during the first semester of 2023.

Figure 5: European equity issuances since 2019



Source: Refinitiv Eikon (30/06/2023)

Figure 6: 1H 2023 equity issuances volume by sector and by country



Source: Refinitiv Eikon (30/06/2023)

02 European Equity Issuance Levels

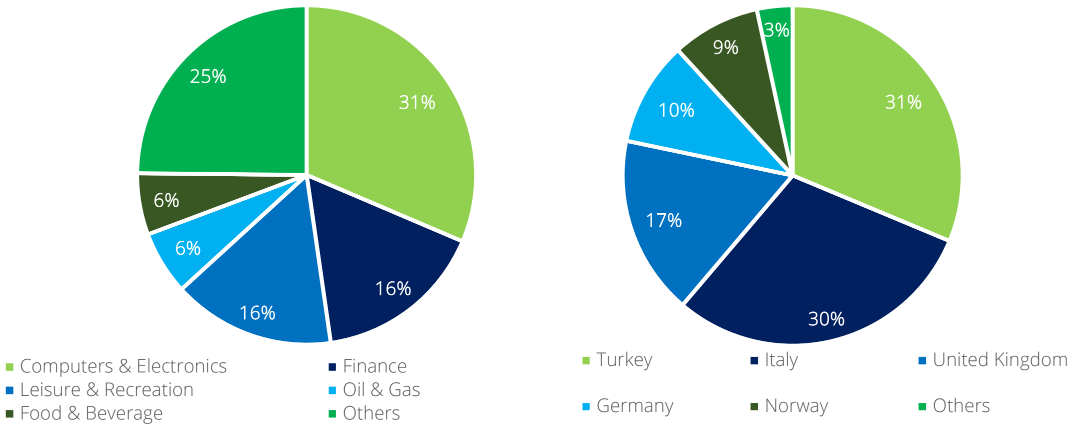
A first half marked by an IPO drought, making it the worst start of the year for IPOs in over a decade

After a 2022 of dwindling IPO deal flow, bankers and issuers **hoped for a better start to 2023,** especially given the upward trend on main global indices and the stabilization of volatility. Nonetheless, this is yet to be the case. **1H 2023 came with many challenges, most of them inherited from 2022**; **investors remain cautious** and demand significant valuation **discounts;** out of the few European IPOs that priced, many of them are **underperforming**, and external challenges, such as the **crunch of financial institutions** back in March, have not helped the cause.

In 1H 2023, only **60 IPOs came to market** and raised €3.9bn. This accounts for a decline of 34% compared to the IPO volume raised in 1H 2022, representing the **worst start of the year in IPO activity over a decade.**

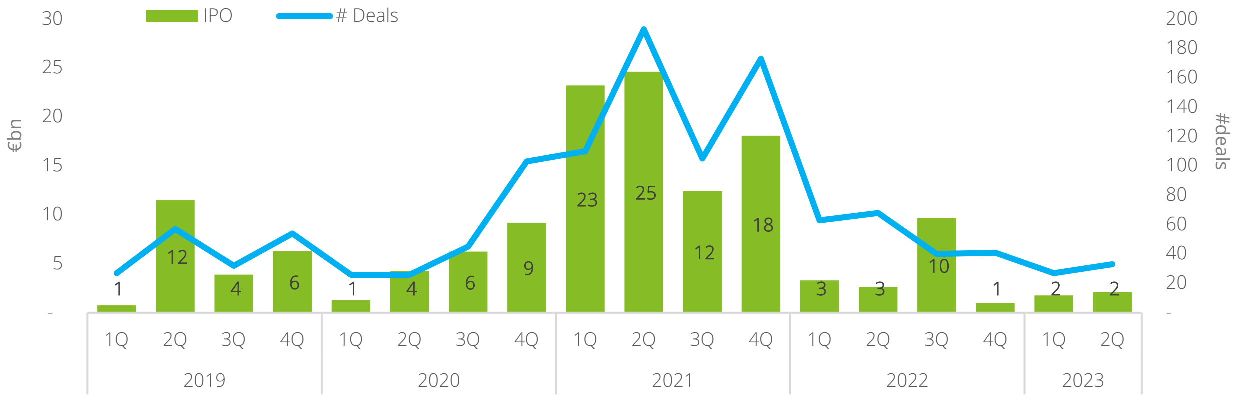
Only 16 IPOs above €50m priced, and none were above the €1bn mark. **The largest IPO** so far in 2023 was the Italian gaming company **Lottomatica** (€605m IPO). Other companies that successfully priced their IPOs during 1H 2023 include London-listed **SPAC Admiral Acquisition** (€506m IPO), Italian maker of components for electric motors, **EuroGroup Laminations** (€411m IPO) and German web hosting firm **IONOS** (€389m IPO).

Figure 7: 1H 2023 IPOs by sector and equity volume issuances by country



Source: Refinitiv Eikon (30/06/2023)

Figure 8: European IPOs since 2019



Source: Refinitiv Eikon (30/06/2023)

Turkey has been the **most active stock exchange** by IPO **volume** this semester**,** with 21 IPOs raising a combined €1.2bn of proceeds closely **followed** by **Italy with 14 companies** coming to market raising close to **€1.2bn**, and numerous companies already as IPO candidates for the year's second half.

Computer & Electronics is leading the European IPO issuance sector league tables with 31% of the IPO volume issued year to date, including IONOS´ IPO. The **Financials** and **Leisure & Recreation** were also active accounting for 16% of the volume respectively and responsible for deals such as Admiral Acquisition and Lottomatica.

As for **Spain, IPOs have yet to price in the Main Market in 2023.** The activity in the Spanish **alternative BME Growth** market remains scarce, but the pipeline may be building up. The largest company debuting on the **BME Growth** during 1H 2023 was **Grupo Greening**, a vertically integrated energy group specialized in 100% green power generation, **which raised €23m.** Also entering the alternative market this semester was **Ktesios, a REIT** specializing in non-prime Spanish locations/cities. Meanwhile, **Indexa Capital Group,** a Spanish asset management fund, looks to do a **technical listing** on the alternative market on July 12th, with an expected market cap of €150m and **Revenga Smarts Solutions,** a technological partner of infrastructure managers and operators, is looking to raise c. €4m in an IPO in July. Also debuting during the first week July was **Cox Energy,** with a **market cap of €285m at its debut.**

02 European Equity Issuance Levels
European IPO Barometer

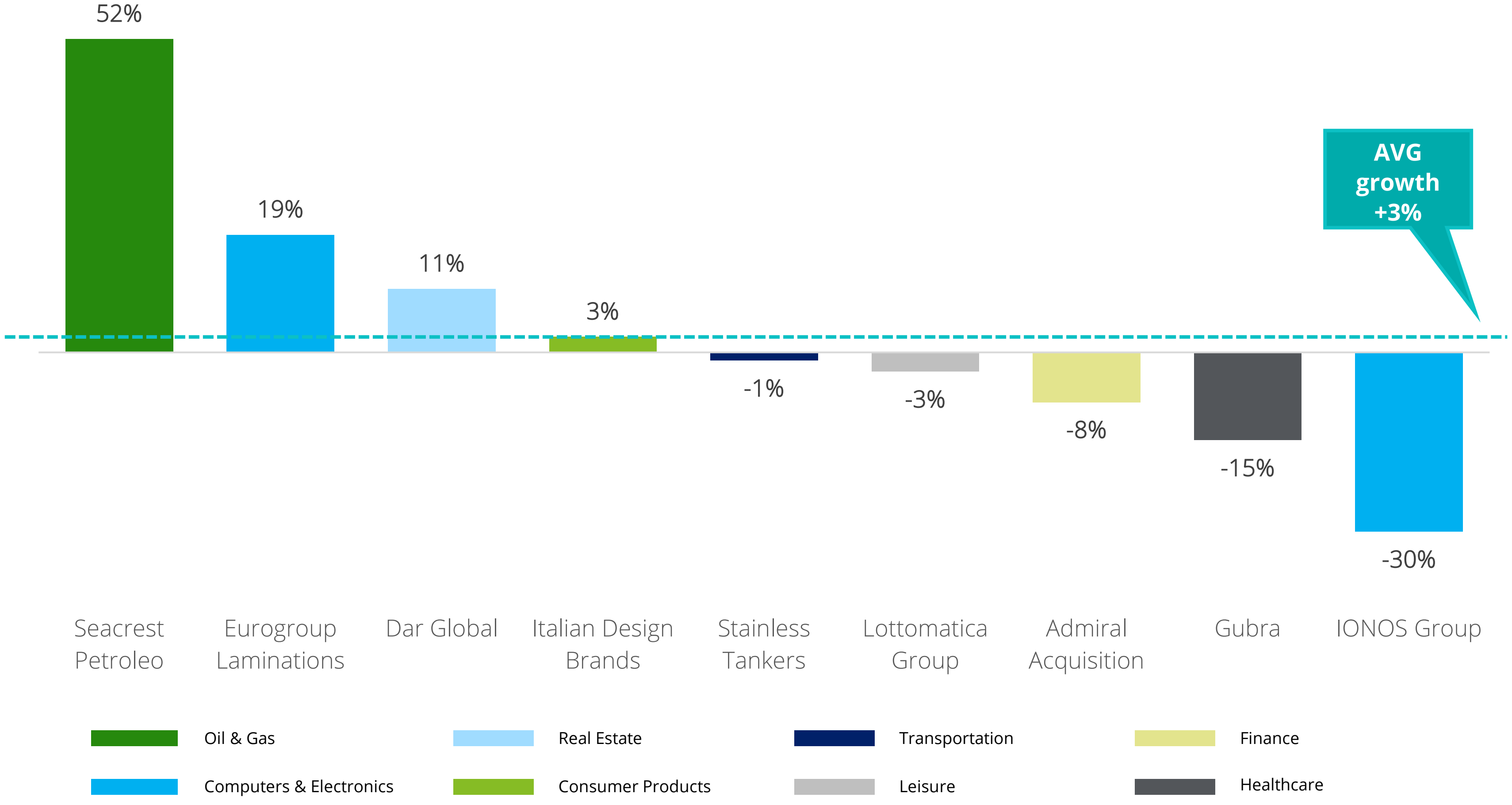
In **the first six months of 2023, only 16 European IPOs were priced above €50m,** which raised c. €3.2bn. This accounts for a -**35% decrease** in volume from what we saw back in 1H 2022 from similar transactions.

Of those deals, only one was a SPAC, where little to no price changes are expected until a Business Combination is announced. Therefore, when looking at how IPOs performed in this first half, we excluded SPACs, which took us to a **+3% average performance of IPOs so far in 2023** (excluding Turkish companies). **When compared** with the performance of the main European index (**STOXX 600 +8.7 %), IPOs have underperformed**.

IPO performance has been **outpaced by major European stock indices,** which have seen double-digit growth in most cases. IPOs have **obtained a lower return compared to European indices**, despite being a higher-risk investment. The only clear exception to this trend has been Turkish IPOs, which had seen quite a lot of activity and from those priced above €50m have performed exceptionally well, with an average growth of **58%.**

It is too early to assess what the performance of the second half of the year would look like in terms of IPO issuance. Nonetheless, the **trend of deals flow will partly depend on the performance of recent IPOs,** including recently priced German hydrogen electrolyser maker Thyssenkrupp **Nucera** and British money transfer group **CAB Payments** as well as upcoming IPO of Romanian energy producer **Hidroelectrica.**

Figure 9: Deloitte's European IPO Barometer 1H 2023



Source: Dealogic, (30/06/2023). Data includes all European IPO above €50m, excluding Turkish IPO

03 Activist investors continue to push for change

03 Activist Investors Continue To Push For Change

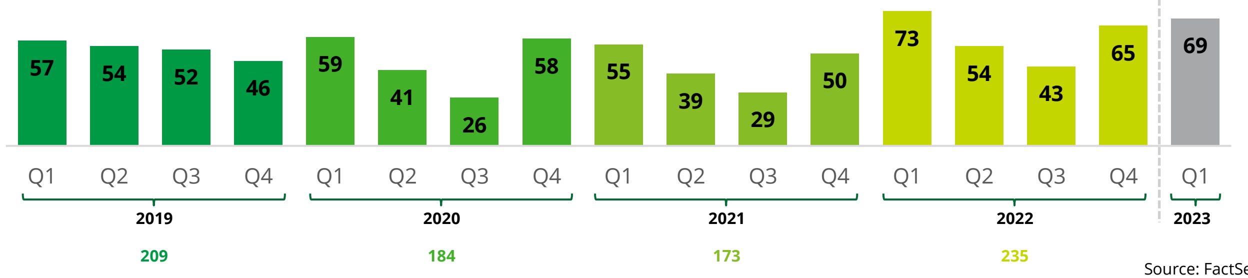
The macroeconomic environment and new regulations continue to encourage shareholder activism

Shareholders' Activism at a Glance

An activist shareholder is a person or entity that tries to pressure and influence a listed company using their voting rights. In recent years, we have seen increased activism partially driven by **economic uncertainty** and a **changing regulatory landscape**. After a record-breaking year in 2022, with a total of 235 campaigns, Q1 2023 started strong, recording 69 campaigns vs. the 73 registered during the same period the previous year. Shareholder activism usually targets companies that have experienced slower sales growth over the past 12 months, lower value relative to sales, weaker net margin during the previous year, and two years of underperformance. Taking a sectorial approach, and according to Refinitiv, the most targeted sectors year to date are **Financials** (19%), **Healthcare** (19%), **Industrials** (15%), **Consumer Cyclical** (13%) and **Technology** (13%), representing more than 80% of the campaigns conducted so far.

Looking at precedents, shareholder activists tend to target the Financial sector for potential mismanagement or conflicts of interest, the Healthcare sector for high costs and concerns about pricing and access, the Industrial sector for environmental impact and labor practices, the Consumer Cyclical sector for strategic direction issues, and Technology sector for data privacy and cybersecurity concerns.

Figure 10: Quarterly number of activism campaigns – Global



Source: FactSet

Trends shifts

Recently shareholder activism has increasingly focused on M&A and ESG issues. In the context of M&A, the most common demand from activists was for **companies to separate their businesses**, **blocking a proposed merger or acquisition** or **becoming a target of a potential acquisition**. On the ESG front, shareholders may use their ownership position to push for changes in a company's ESG practices, advocating for more sustainable **business practices**, promoting **diversity** and **inclusion** in the workplace, and pushing for greater **transparency** and **accountability** in corporate governance.

Another trend shift has occurred regarding **target companies**. Until now, companies considered "mega-cap" were able to reduce the likelihood of shareholder activists reaching their shareholder base because of the company's size. However, due mainly to **successful proxy contests** against "mega-cap" companies, there will likely be a surge of activist campaigns targeting publicly traded companies.

Additional significant differences compared to previous years are the increasing importance of the **European** and **APAC** markets, accounting for **49% of global activism campaigns**, compared to the United States (42%).

Until now, publicly traded **Spanish companies have been shielded** from campaigns due to a **stable shareholder structure** consisting of core groups and corporate governance systems that concentrate significant power on the Board of Directors.

Given this shareholder structure, activist funds operating in Spain have **changed their strategy,** which now consists of winning **over core groups or significant shareholders with weight on the Board of Directors to undertake modifications** in management or its strategy. Two well-known funds that have carried out this type of strategy are the Children's Investment Fund (TCI) and Amber Capital, which have significantly changed companies such as **AENA, Cellnex, Ferrovial, and Indra.**

On the regulatory side, new laws and regulations, such as the **Universal Proxy Rule (USA),** will come into effect throughout 2023, and it is expected that it will have a substantial impact on the shareholder activism ecosystem, making proxy contests easier and more affordable.

Navigating the Impact of Activist Investors on Companies: Deloitte's Self-Assessment Approach

While activists may pursue various strategies and tactics, their approaches are often based on common beliefs. **The arrival of an activist investor places an extraordinary strain on senior management and the board**. The activist's demands may involve public criticism of crucial personnel, track record, and company strategy. Deloitte can help companies carry out **self-assessments to support their value creation opportunities**, **divestments, and "disruptive" M&A,** which targets small, fast-growing businesses and technologies to capture innovation-led growth.

04 ESG – From "nice to have" to mandatory at IPO

ESG has become a key factor in public companies

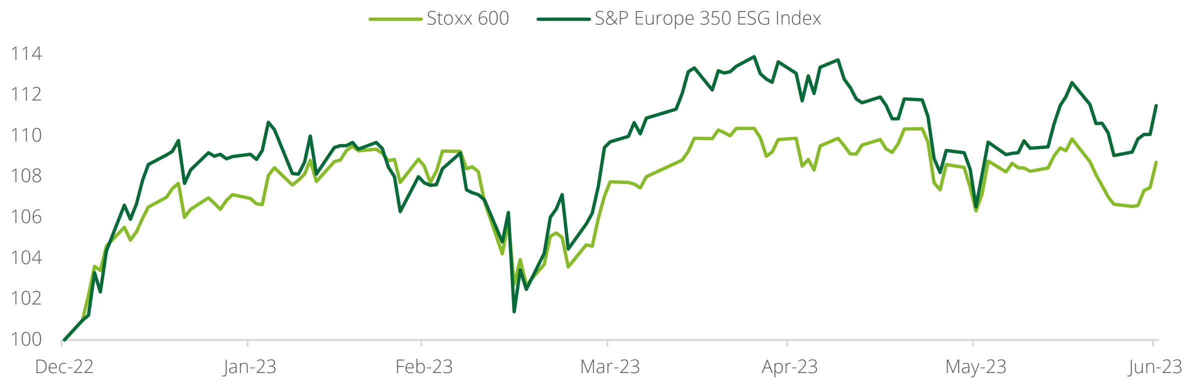
ESG gaining importance in IPOs over the years

Over the past few years, the acronym ESG has become one of the most widely used terms worldwide. The corporate deal space is no exception. ESG continues to **gain momentum** and is gradually becoming a **fundamental axis** for companies when making **strategic decisions** such as funding growth through an IPO. Historically, investors focused almost exclusively on the company's Equity Story and Corporate Governance; however, **integrating ESG reporting into the equity offering** has become a key theme for investors and, thus, for IPO candidates, and this trend is expected to accelerate going forward.

Meeting Investor Expectations: Financial Returns and ESG Principles

Despite having a **significant interest in ESG principles, investors are unwilling to accept lower returns** to meet ESG objectives. Instead, they **seek investments that can meet both** - satisfy their **financial expectations** while also investing in companies that **engage in activities that contribute** to reversing climate change (Environmental), have a positive impact on people and communities (Social), and make positive business decisions (Governance). Companies that meet these requirements may have access to a **larger pool of investors** as they can access those who focus solely on ESG. It also may **impact positively in valuations** when going public. Furthermore, several studies have shown a **positive correlation** between **ESG scores and the financial performance** of a business.

Figure 11: Total return YTD



Source: Refinitiv Eikon, (30/06/2023)

The Regulatory Landscape: A Key Challenge for Companies

Regulators have taken action, and shifting stakeholder expectations and regulations **are increasingly making ESG** reporting a must for companies seeking to operate in global markets. Among other regulators, the European Union launched the Corporate Sustainability Reporting Directive (CSRD) in November. It published the **European Sustainability Reporting Standards** (ESRS), moving the ESG reporting landscape from a voluntary reporting exercise to a **mandatory** one for many companies.

The new regulations will affect **listed companies** and firms within the EU that meet two of the following criteria: (i) a balance sheet of €20m, (ii) net turnover of €40m, and (iii) 250 employees or more on average. Companies outside the EU will also be affected if they have generated a net turnover of at least €150m in the EU. These new regulations represent a significant **challenge for companies**, requiring more than a thousand **qualitative** and **quantitative data points** that businesses must provide and review by an accredited independent auditor or certifier.

The CSRD replaces the Non-Financial Reporting Directive (NFRD) and will first apply to NFRD companies from 1 January 2024 (reporting in 2025 on FY24 data), while large EU private companies must note starting in 2026. SMEs listed on EU-regulated markets must report beginning in 2027, and finally, Non-EU parent companies with EU subsidiaries or branches meeting specific criteria will start reporting in 2029.

As a result of these new regulations, companies will be required to include a significant number of new sections in their investor documents, including the following:

- Risk and opportunities assessment and Employees health and safety;
- Responsible supply chain management and sourcing and;
- Sustainability targets and strategy for sustainability risks, among others

ESG Standards and the Changing Landscape of IPOs

Investors are increasingly focusing on companies that meet specific ESG standards. **Companies considering an IPO must prioritise their ESG strategy** to attract investors who prioritise sustainability and responsible corporate behavior. **This means setting achievable targets that align with ESG regulations and communicating their efforts effectively to potential investors** and stakeholders. In short, **ESG is now a must-have for companies going public.**

05 Managing complex ECM transactions

Managing complex ECM transactions

A capital market transaction will be one of the largest and most complex projects you will undertake. We consider a successfully executed transaction as one that places ownership and control of the process in the hands of the Company rather than being driven by external factors

Complexity of ECM transactions

DRIVERS OF COMPLEXITY

1. **Complex and interdependent workstreams** with inflexible milestones to hit market windows
2. Process requires an extensive understanding of specific capital markets **transaction requirements**
3. Time and **resource constraints** of managing transactions whilst maintaining BAU
4. Alignment of an extensive **range of internal and external stakeholders** and interests

DELIVERING A SUCCESSFUL ECM TRANSACTION

Therefore, when determining how to manage an ECM transaction, a Company must put a **core team** in place that is **capable of driving three broad outcomes:**

1. Placing **control of the process** in the hands of the Company
2. Driving **complex and interdependent work streams**, bringing **clarity on progress** and priorities to the Exec and Senior Management
3. Achieving **early preparation where possible**, to allow the Company flexibility to respond to market conditions as appropriate

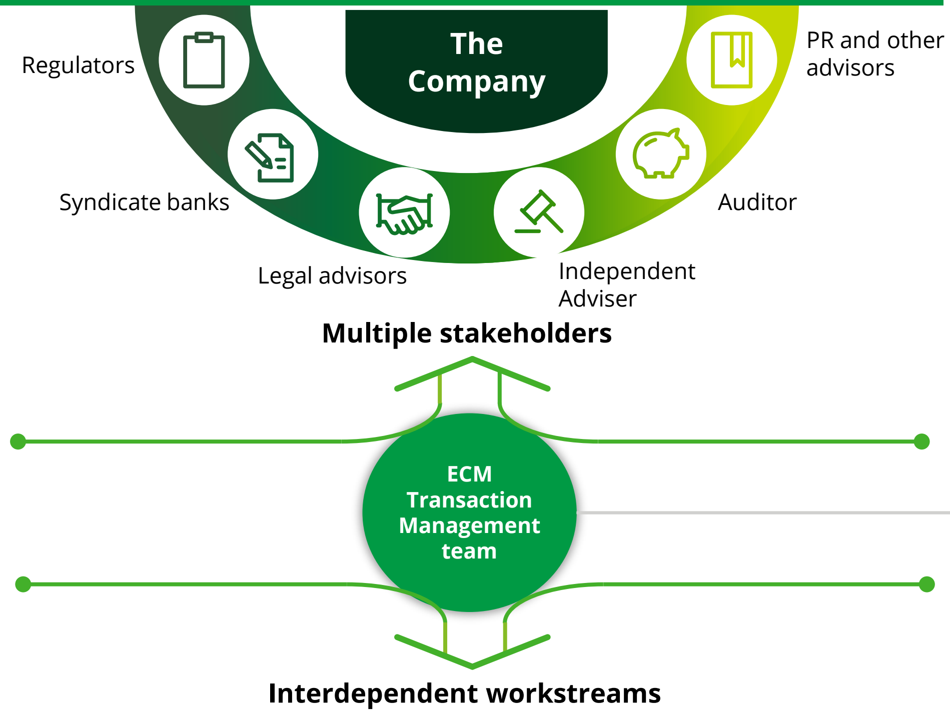
Common ECM Transaction pitfalls

- Not having an appropriately **skilled, resourced and a time team** leading to the process being 'done to' the business
- **Distraction** of management from running the underlying business
- **Underestimating** the **timeline and resources** required across the many transaction workstreams
- **Lack of coordination** of key stakeholders and **visibility on interdependent workstreams** resulting in greater cost and inefficiency
- Last minute reporting and information requirements causing **'surprises' in the results** or challenging disclosures post the transaction
- Failure to identify **and deliver improvement initiatives** early enough that are required to deliver a strong investor story

Managing complex ECM transactions – Our IPO Management Office

Establishing an effective Management Office at the heart of the program will help you efficiently navigate the challenges and mitigate the risks inherent in ECM transactions. Deloitte can support you throughout the deal lifecycle with experienced professionals ready to be deployed at pace across a breadth of capabilities

The TMO should sit at the heart of programme



Prospectus	Preparation of financials	Analyst/ investor marketing	Equity story
Corporate governance	Regulator engagement	Legal & financials due diligence	Management of auditor

Key characteristics of an effective transaction management office

Shapes the programme	Shapes the governance of the program over time to meet the demands of each stage, ensuring **the right people can make informed decisions when required**
Drives value	Focusses on the **value-driving initiatives/ synergies** that must be delivered in addition to the structural and regulatory requirements to meet the transaction timeline
Focusses on business performance	Understands the longer-term priorities. While many acting for the Company will be focused on getting to the 'finish line of listing, the **transaction office should know what needs to be delivered in the first 100 days** to begin life post-transaction successfully and to meet commitments made to the market
Guides the business	Manages the preparation on the Company side and provides insights to functional teams on the process to **establish control in the organization** and to ensure the Company is engaging advisors most efficiently and effectively as possible
Owns the roadmap	Is able to develop and **own the end-to-end consolidated roadmap** to set priorities and identify upcoming issues requiring management attention well in advance

Deloitte's differentiators – how we can support you with market leading ECM transaction management

- **Experience** across multiple markets, industries and deal sizes
- **Breadth of capability** – we have the ability to access the full breadth of the firm's expertise
- **Track record** – our team has been involved in many of the Spanish IPO in recent years
- **ECM knowledge** – our team is comprised of ECM experts with deep IPO process knowledge
- **Scalability** – our proposition is scalable thus can be deployed across discreet workstreams or entire programme

06 European CFO Survey

European CFO Survey Spring 2023

From gloom to slight optimism

The Spring 2023 European CFO Survey looks at economic trends after a **better winter than expected** but with **uncertain, elevated** geopolitical and economic risks persisting. Despite the slight optimism, fears about the economic outlook, **labor shortages**, high **inflation**, and **labor costs** are very much on the mind of Europe's CFOs.

Six months ago, in the autumn survey, they feared the worst. But Europe has gotten through its feared winter without shortages, economic activity has held up better than expected, labor markets have remained robust, and firms are in much better shape than their **CFO outlooks had foreseen**. But this is not to say that all is now okay.

CFOs remain preoccupied with dealing with the severe **difficulties that emerged in 2022**. Europe's CFOs are taking increasingly profound actions to **make their supply chains more resilient**, such as using more digital tools rather than relying on increased inventories. As CFO priorities show, European firms are also planning to **expand their footprint**, mostly in Western Europe and North America – not in regions in which they now tend to see more significant risk.

CFOs are also concerned about **inflation**, which they **expect to remain high during the next 12 months**, thus, **driving up financial costs**. Reflecting these higher costs, European financial executives' main strategic priority is cost reduction. **Organic growth is a further strategic goal** as non-organic growth has become more challenging given the weaker economy and many geopolitical threats.

Despite the difficulties, European firms have become far **less anxious** about their financial prospects than in the autumn and, on average, are **mildly optimistic**. **Business confidence in Europe has greatly improved** because the winter disaster they expected did not happen.

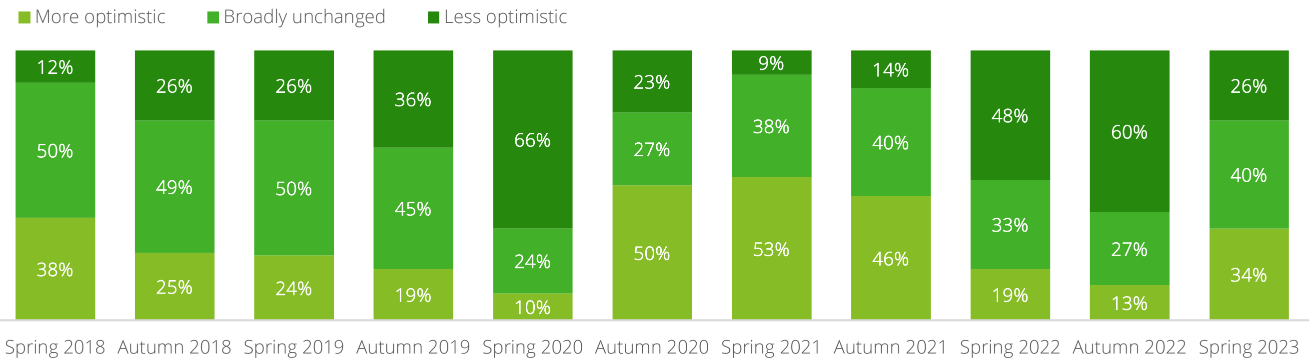
Revenues are expected to increase strongly during the next 12 months, with more than 60% of those surveyed expecting higher revenues and only 19% expecting revenues to fall, resulting in a net balance of +44% and a considerable 26-percentage-point improvement from autumn.

Europe's CFOs, and especially firms in **energy**, **utilities** and **mining,** and **business and professional services,** are also **planning to increase their capital expenditures** over the next 12 months, while retail companies, for which consumers' inflation struggles are a dampener and the construction sector, with interest rates hurting mortgage lending and property prices, are showing little sign of wanting to increase their investment spending.

As for the labor market, the rebound in firms' outlook for their earnings and investments is also reflected in their **hiring intentions**. The modest net balance of +16% of Europe's CFOs planning to add employees reflects that 19% of European firms **have staff cuts in mind**. **Hiring intentions are strongest in the business and professional services** (+52%) and **tourism** and **travel** (+45%) sectors.

European CFOs are **cautiously optimistic** about their firms' earnings prospects but **remain concerned about the economic outlook**. **Monetary policy has changed** significantly, and households face **higher mortgage rates** and **living costs**. Despite the challenges, European firms are **taking action to mitigate supply chain frictions and rethinking their investment locations**. CFOs are closely monitoring the political and economic forecasts before embarking on bold new ventures.

Figure 12: CFO's financial prospects



Source: Deloitte European CFO Survey Spring 2023

07 Are you ready to go public? Deloitte’s IPO Scanner

07 Are you ready to go public?

Introducing the Deloitte IPO Scanner

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Are you a founder, CEO, or CFO considering taking your company public? Do you have a clear understanding of what an IPO entails, and how your company can ensure it is ready for not only the IPO process but also life as a listed company?

Early preparation is key to a successful transaction and ensuring your business is able to attract the right investors and achieve the value your business warrants. Our IPO Scanner helps you to clearly identify the key actions and resources required, so your company can set out a practical and realistic roadmap to IPO.

What is the IPO Scanner?

Our free and easy-to-use IPO Scanner provides you with a headline assessment of your company's readiness to IPO, with analysis across seven key categories – including equity story, financial reporting, risk and controls, and more.

Once you have completed the IPO Scanner, you will receive a PDF report outlining your company's preparedness across these seven categories. The report includes commentary and best practice to help you start your journey towards an IPO.

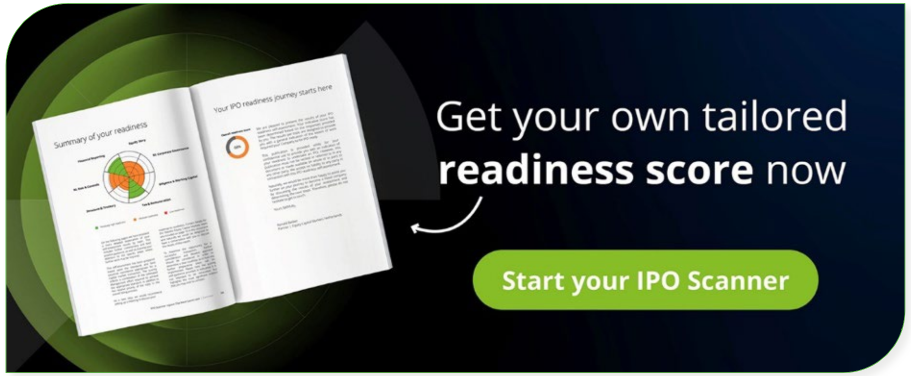
Next steps

Our team is also available to discuss the findings with you in more depth, supporting you through the development and implementation of a bespoke plan and practical solutions to get your business fit and ready for life as a listed company.

Submit your name and contact details to start the IPO Scanner

Click the link in your email to complete the full assessment *(this should take about 15 minutes)*

Receive your free IPO readiness report – with further detail and commentary assessing your company's readiness across seven key categories



08 European SPACs at the brink of extinction

European SPACs at the brink of extinction

SPAC activity has continued to decrease worldwide, and European SPACs are no exception. Many SPACs are reaching their expiration date and liquidating and with almost no issuance in sight

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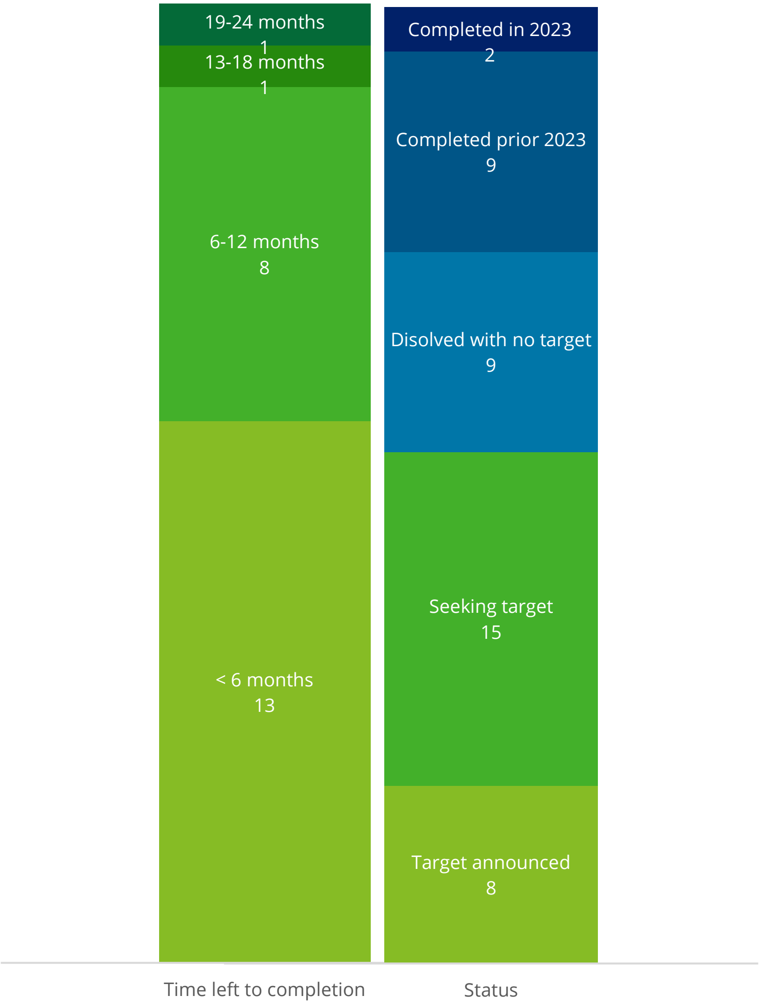
Figure 13: Time left completion and status for European SPAC universe



So far in 2023, **only one Special Purpose Acquisition Company ("SPAC") of over €50m has come to European markets raising €506m**. Taking into account all the IPOs that have taken place during 2H 2022, **SPACs accounted for 16%**, representing a sharp slowdown for this type of investment vehicle, undoubtedly hindered by the macroeconomic conditions of the market, prompting investors to exercise more caution and avoid risks, resulting in a reduced level of interest in SPACs. **Nearly 26% of the European SPACs listed** since November 2022 have carried out or announced a business combination, while 21% have been dissolved due to their inability to find a target within the set timeframe. The **remaining 53% are still searching for their targets**.

The limited number of SPACs going public in 1H 2023 is not the only indication of the evident decline. When looking at the remaining time active SPACs have left to complete their business combination, **c. 57%** of the SPACs are **six months away from dissolution,** while roughly **35%** have **between six to twelve months left**. Only **2** SPACs have **between 13 to 24 months until dissolution**, representing only 8% of the total.

The difficulty in finding a suitable target company is undeniable, with almost half of the SPACs (**53%**) still **searching for a target** in the first half of the year. In comparison, **only 19% have announced a potential target**.

The recent dissolution of **Pegasus Acquisition Co Europe BV**, the largest SPAC in Europe with a value of **€500m**, is a tangible example of the challenges and risks inherent in investing in SPACs. Despite going public in late April 2021, the vehicle could not **identify a target company** that met its investment criteria, ultimately leading to its dissolution.

As for new SPAC issuance, investors' hesitation about the current market environment combined with the poor performance of de-SPAC companies and the high number of European SPACs wounding up without targets discouraged new sponsor teams from going to market and raising capital for new blank-check companies. **As for SPACs already in the market, these vehicles faced significant challenges** in the current market environment, particularly in identifying viable target companies and managing risks.

Admiral Acquisition Ltd exemplifies this challenge, as it has been the **only SPAC to go public in Europe since the beginning of the year**. Despite not having a predetermined target sector, the vehicle is still actively seeking a suitable target company.

As investor caution remains palpable and the regulatory landscape continues to evolve, **the future of SPACs remains uncertain**. However, these investment vehicles still offer potential benefits for companies seeking an alternative path to going public and for investors seeking to diversify their portfolios and pursue high-growth opportunities.

Figure 14: Target sector for European SPAC universe

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09 Deloitte Equity Capital Markets

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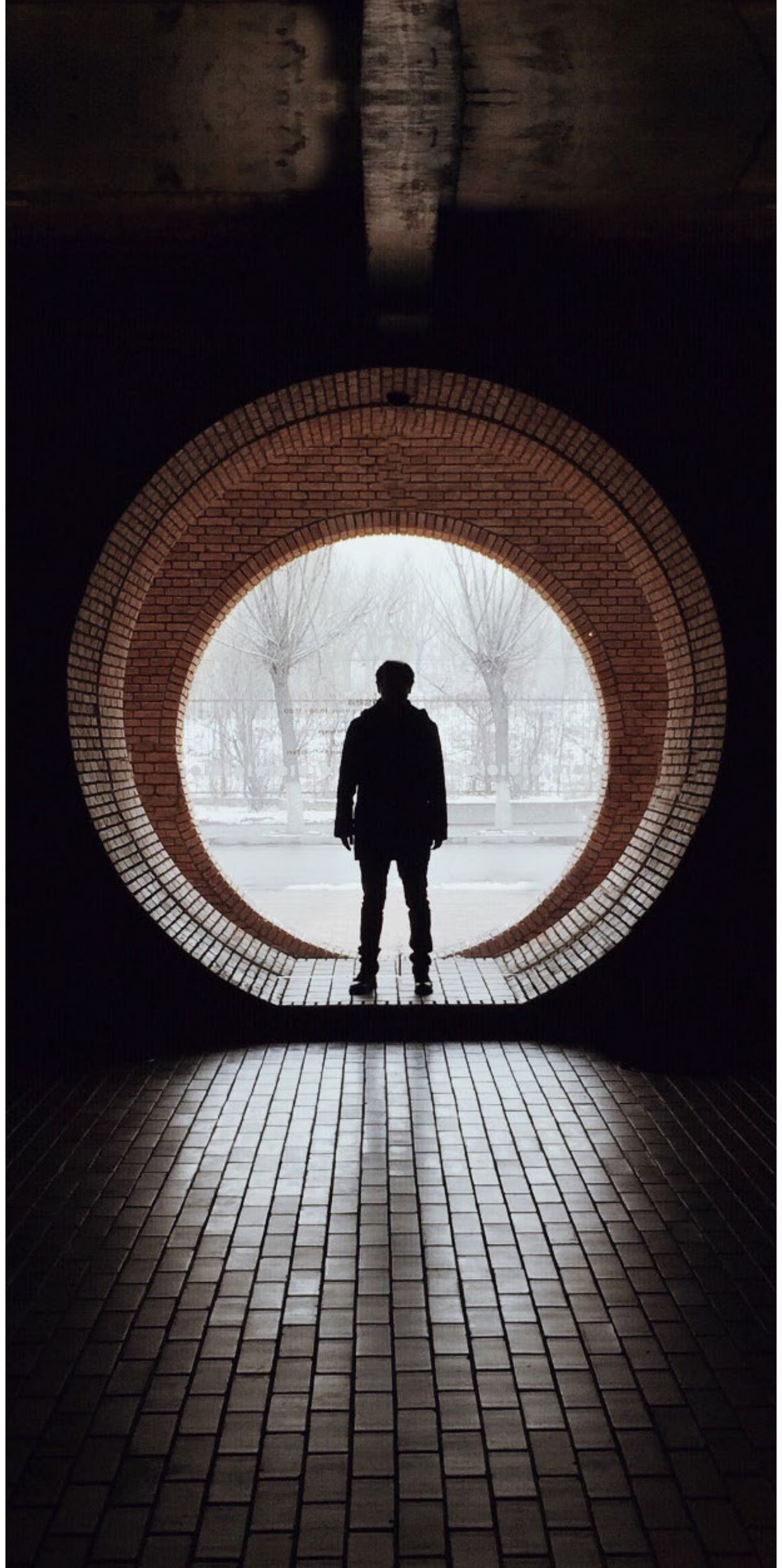


Deloitte Equity Capital Markets

ECM service offerings

Independent IPO Adviser

- Truly independent advice throughout the IPO process
- Detailed peer benchmarking and market/industry reports
- Offer and transaction structuring advice
- Assistance with adviser selection and monitoring their performance throughout the IPO execution phase
- Input into equity story
- Project and syndicate management
- Advice on pricing and allocation

IPO Readiness

- Help companies prepare for an IPO
- Readiness assessment with key findings report identifying deficiencies that may delay or prohibit an IPO
- Scope covers financial, commercial and organisational areas
- Design remediation plan to address shortcomings prior to IPO kick-off
- Categorisation of findings into necessary for listing, best practices, effort required to implement the finding as well as IPO timing to be executed (pre/post or during the IPO execution)

IPO Assist

- Support and advice where and when needed including:
  - Acting as Project management office of the IPO, which includes coordinating all parties, ensuring resources are in place to carry out all tasks in a timely manner, avoiding the distraction of management on their day-to-day activities, anticipating risk, and tracking IPO costs
  - Offering a seconding staff when needed
  - Building models for IPO
  - Working as an integrated part of the company's team

ECM/ IPO transaction management office

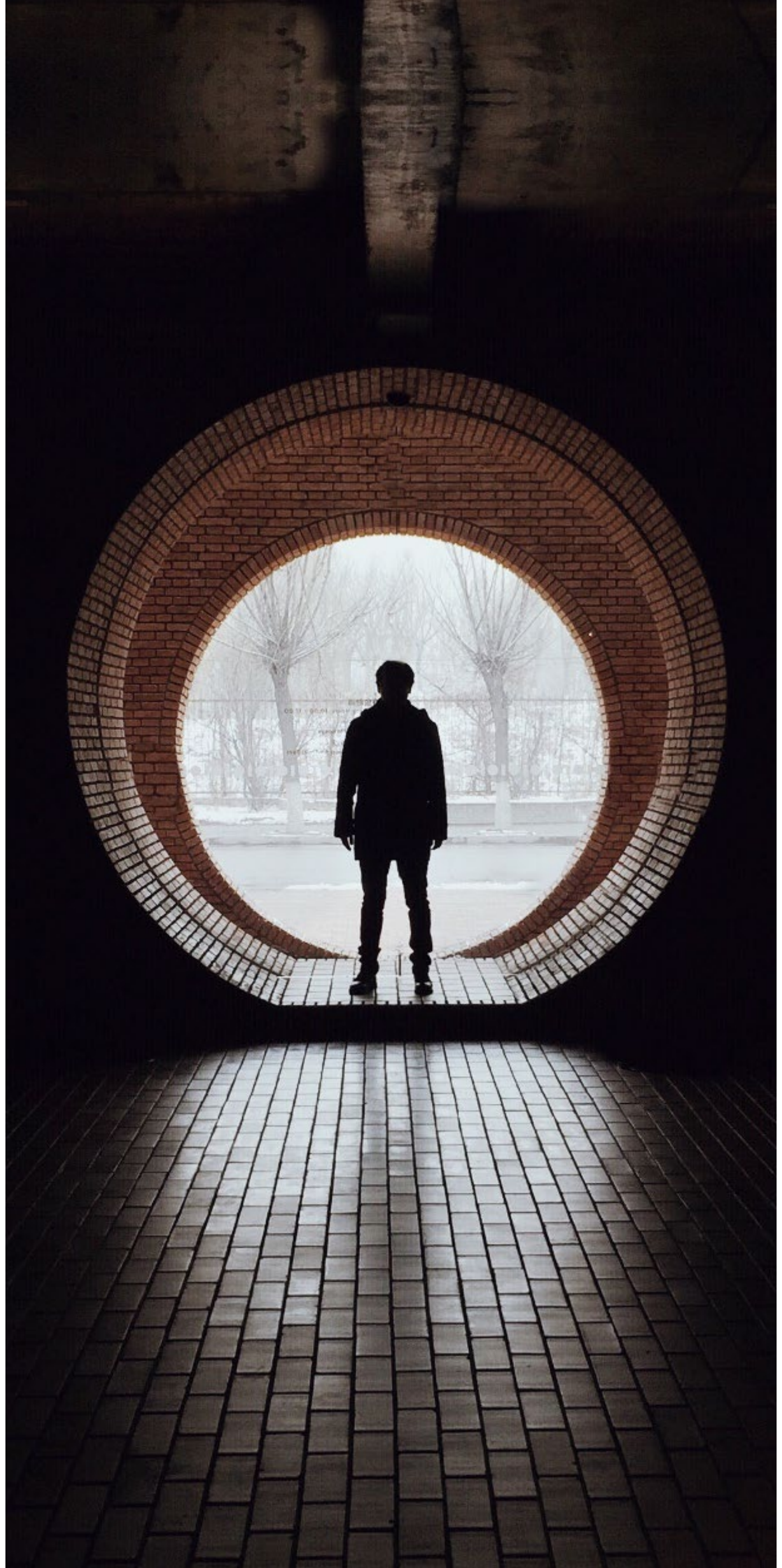
- Provide expertise in project management office support for a transaction
- Experienced personnel to ensure the transaction happens to timetable and issues are identified and dealt with
- Tried and tested project management methodologies and tools
- Fully scalable model that can be deployed rapidly across an entire program or discreet workstreams

SPACs

- Dedicated and experienced SPAC services team
- Support provided throughout the lifecycle of a SPAC from initial IPO through to de SPAC
- Experience in supporting target management teams through a SPAC merger

Public Company M&A

- P2Ps, public offers, hostile takeovers
- Act as a lead adviser on either the buy-side (Offeror Adviser) or sell-side of the transaction
- Advice on corporate restructurings and demergers
- Support and advice on preparing bid defence procedures



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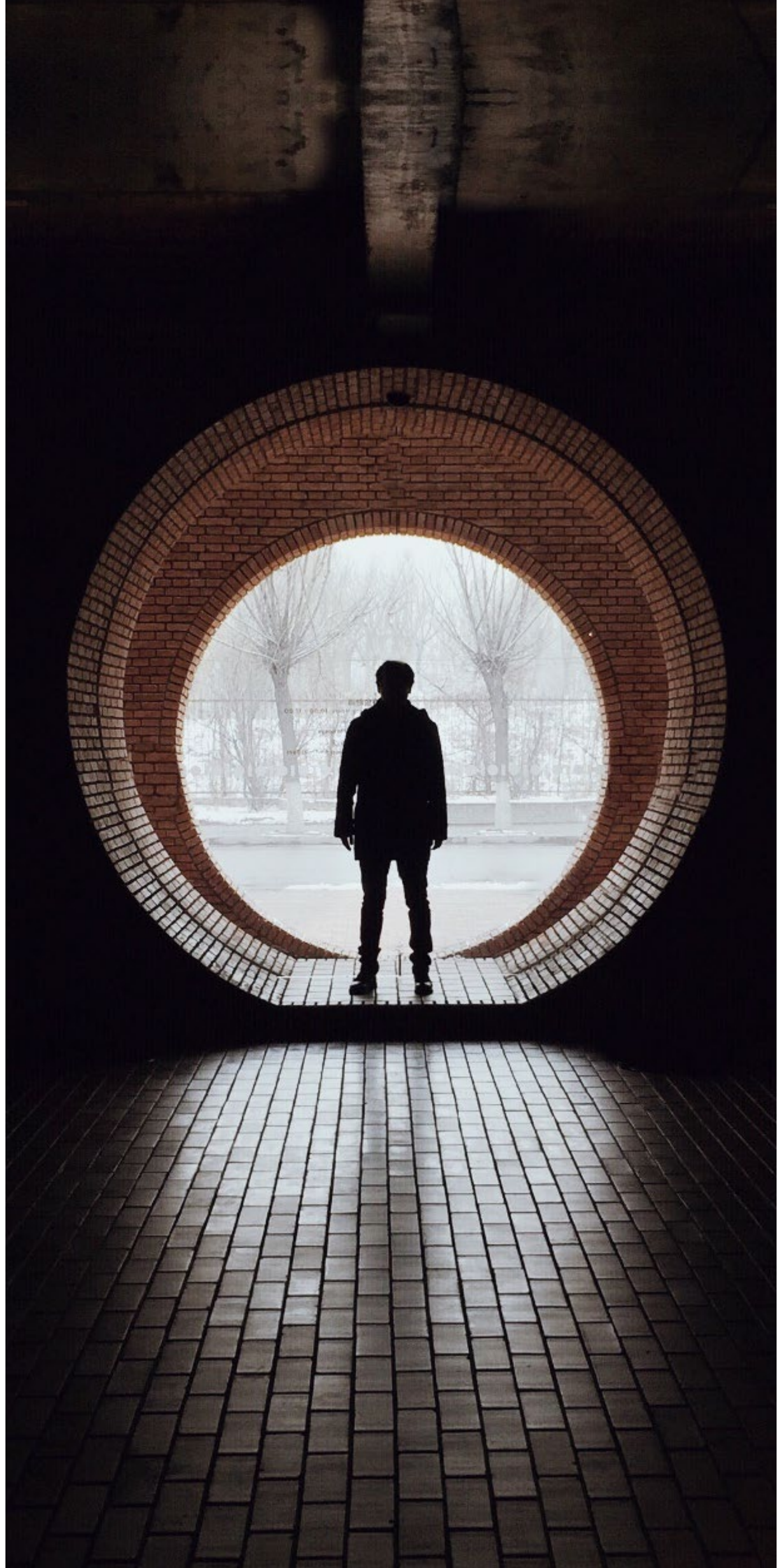
Selected IPO Credentials

Silicius SOCIMI Real Estate **Sep 2021** **Mkt Cap €556m**	**MusicMagpie** Tech **Feb 2021** **£100m**	**SATS** Fitness **October 2019** **€133m**	**Helios Towers** Telecommunications **October 2019** **€331m**	**Addiko Bank** Financial Services **July 2019** **€172m**	**Airtel Africa** Telecommunications **June 2019** **€604m**	**Traton Group** Automotive **June 2019** **€1,387m**
US Solar Fund Renewable Energy **April 2019** **€177m**	**DWF Group** Professional Services **March 2019** **€111m**	**AJ Bell** Financial Services **December 2018** **€194m**	**Credit Income** Investment Trust **November 2018** **€115m**	**Smaller Companies** Investment Trust **October 2018** **€934m**	**Piovan** Industrial Products **October 2018** **€156m**	**Funding Circle** Financial Services **September 2018** **€494m**
Carel Industrial Products **June 2018** **€252m**	**Energean** Non-Renewables **March 2018** **€373m**	**Sabre Insurance** Insurance **December 2017** **€359m**	**Bakkavor Group** Food Services **November 2017** **€295m**	**Charter Court** Financial Services **September 2017** **€288m**	**AEDAS Homes** Real Estate **October 2017** **€667m**	**Allied Irish Bank** Financial Services **June 2017** **€3,434m**



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