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European Equity Capital Markets

Fragile IPO market despite equities rallying against all odds

ECM update | Winter 2023 - 2024

FINANCIAL ADVISORY

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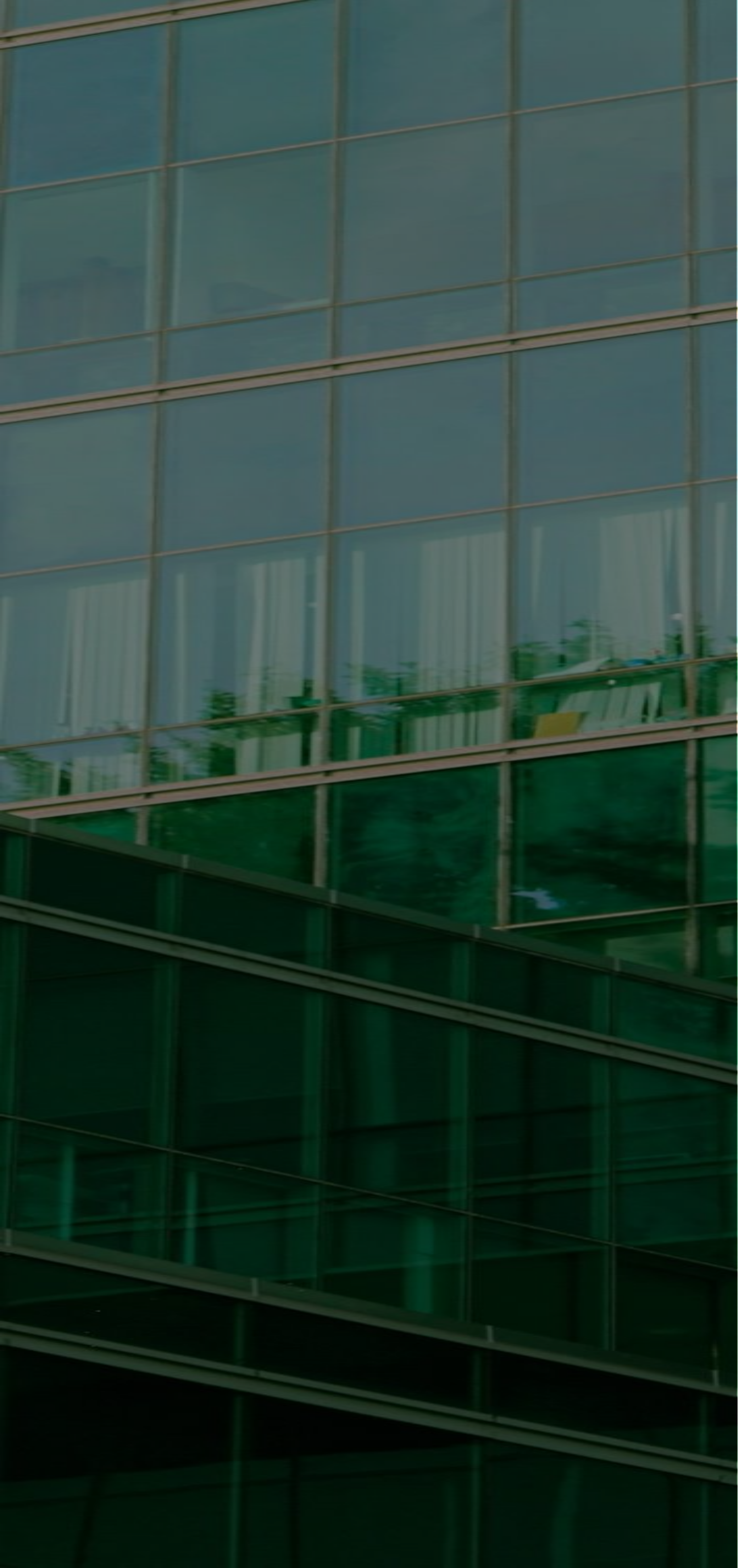
Fragile IPO market despite equities rallying against all odds

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



Fragile IPO market despite equities rallying against all odds

ECM UPDATE | WINTER 2023 - 2024

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 31 December 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 31 December 2023

Investors remain cautious despite lower volatility and positive equity market performance

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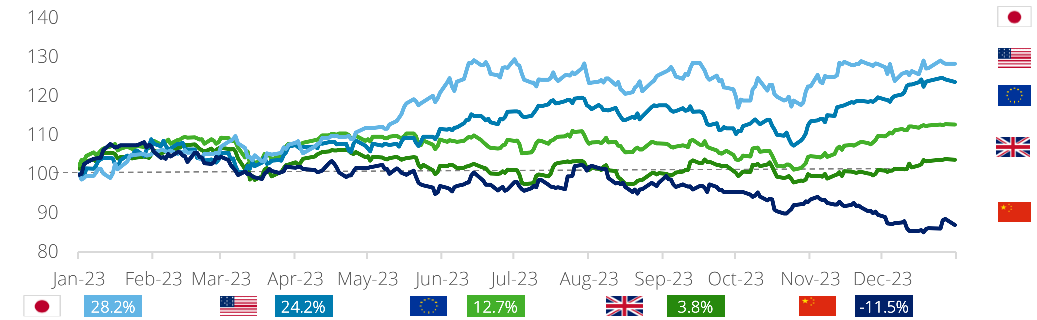
This European ECM update includes how equity markets have performed during 2023 and the reasons behind that performance. We look in greater depth at the headwinds economies face, the recent monetary policies implemented by Central Banks and the impact these have had on ECM and IPO issuance levels in Europe. In this report, we dive deeper into several Hot Topics under the following headings: the European CFO Survey, Poor IPO performance contributed to IPO scarcity, No one-size-fits-all answer when choosing listing locations, and Election processes and their impact on global stock markets.

Following a disappointing 2022 in terms of equity performance and ECM issuance, in 2023 equities rose against all odds. Investors kept a close eye on **inflation levels, banking sector instability, the pace of economic growth, Central Banks' rate hikes, and corporate earnings**. Despite a **challenging macroeconomic environment, global stocks** overall had a very **positive performance**, with many of the main global indices ending the year with **double-digit growth and some coming close to record highs, such as the S&P 500, the Stoxx 600, the FTSE 100 and the DAX**. In **Europe**, **southern countries** stocks rallied, with the **Italian and Spanish main indices outperforming the Stoxx 600** by 15% and 10%, respectively, and competing closely with the **S&P 500**

Figure 1: 2023 Global indices performance



Source: Refinitiv Eikon (31/12/2023)

performance, with the Italian index surpassing S&P 500 by 3.8%, while the Spanish index lagged behind it, by only 1.5%. Most Stoxx 600 sectors ended 2023 in green territory.

Inflation was cut by half in 2023 but remains a key concern as it is still above Central Banks' targets. Central banks continued their tightening throughout the year as they tried to rein in sticky core inflation. Nonetheless, the last quarter of 2023 was marked by the change in policy of the major Central Banks, which opted to leave rates unchanged during Q4. This drove investor optimism, hinting that rate-hikes had peaked, and potentially prompting the start of a period of falling rates in the short-medium term. However, monetary policy effects are typically felt with a lag, so global economic growth remains at risk, of which investors are fully aware.

Economic growth has been mixed, with some countries showing more resilience, such as the US, while others have struggled to regain momentum, among them the euro area, where **Germany and Netherlands** entered briefly into technical recession in 2023.

Volatility was more subdued in 2023 compared with VIX levels in 2022, falling to 12.5 versus the c.25 average in 2022. Despite lower volatility, **investors remained cautious, heavily affecting ECM levels. Issuance levels** remained **sluggish,** with **IPO volumes at their worst levels in decades;** however, the year saw **some reactivation** with **listed companies** tapping the **primary markets** and increasing convertible bond issuance levels.

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

01 2023 Equity Markets Performance

Investors focused on inflation, interest rate changes and corporate earnings amid a challenging macroeconomic environment and the rise of geopolitical tensions

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Figure 2: 2023 European indices performance

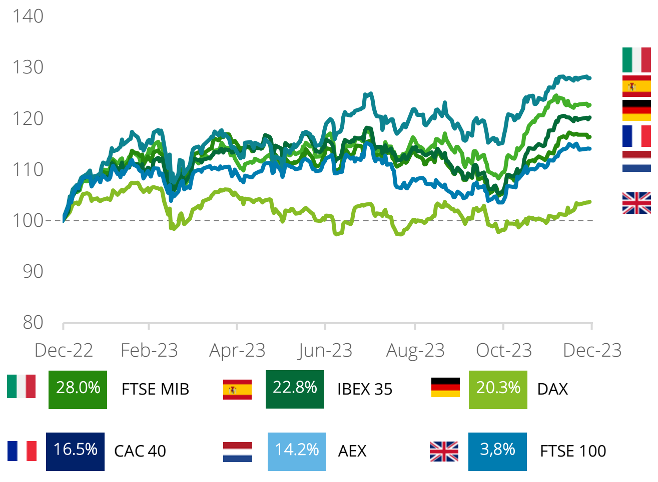


Figure 3: Volatility (VIX)

Source: Refinitiv Eikon, and Bloomberg (31/12/2023)

In **2023** the financial markets closely monitored developments in **interest rates, inflation** levels, and the **evolution of corporate earnings. Economic growth rates**, the **banking crisis** in March and the **escalation of the Israeli-Palestinian conflict** alongside the already existing war between **Ukraine and Russia**, were also **on investors' agendas** as they posted additional **market risk.**

Despite these challenges, the **main European stock indices concluded the year on a positive trajectory**, albeit displaying significant performance disparities among the key markets. Surprisingly, the **peripheral European markets,** specifically Italy and Spain, **outperformed expectations**, while the **UK** had a comparatively **modest performance.**

In the face of an overall positive trend, equity markets experienced **distinct phases during the second half of 2023**. The first phase, spanning from **July to October**, witnessed a **minor downturn in equities affecting the major European indices**, driven primarily by the interest rate hikes of the Federal Reserve (FED), the European Central Bank (ECB), and the Bank of England (BoE). Consequently, the FTSE MIB, IBEX 35, DAX, CAC 40, AEX, and FTSE 100 collectively retreated on average 1.0%. During this period, the fixed-income market also played a significant role, as increasing yields exerted a drag on the equity market. By contrast, in the **subsequent phase** from **November to December**, the major **Central Banks kept interest rates stable.** This stability, coupled with investor optimism that the peak in interest rates could have been reached, prompted a **resurgence in the stock market**. During this period, the **aforementioned indices, on average, increased by** 4.9%, reflecting a positive shift in sentiment among equity market participants. 2023 closed with significant interest rate hikes. In the US the FED raised its rate by 100 bps to 5.25% – 5.50%, the ECB increased the reference interest rate by 150 bps to leave it at 4.75%, while the BoE raised its base rate to 5.25%, up 125 bps compared with the start of the year.

The **evolution of inflation has been closely monitored** by the market. Since peaking in October 2022, its **downward trajectory**, attributed to an **aggressive policy of interest rate hikes**, has been well-received by investors. At the end of the year, **inflation in the US stood at 3.4%** (compared to 6.5% at the beginning of the year), reflecting a **47% decrease**. In **Europe**, and according to the European Commission, it is **expected to reach 2.9%** (versus 9.2% at the start of the year), representing a **68% decline**. Lastly, in the **United Kingdom**, inflation is expected to end 2023 at **c. 4.5%, according to BoE data,** (versus 10.5% at the start of that year), **resulting in a 57% reduction in 2023**. Meanwhile, **Spanish inflation** stood at 3.1% at the end of 2023, which is a **45% decline** versus the 5.7% registered back in December 2022.

Current GDP and GDP projections published by the International Monetary Fund (IMF) and other relevant organizations have been closely monitored. On several occasions, concerns were raised when certain countries, such as Germany and the Netherlands, entered into a technical recession. The latest IMF estimates indicate a **slight downward revision in global economic growth** for 2024, now projected at 2.9% compared to the previous estimate of 3.0%. Concerning the **U.S. economy**, **growth** is expected to reach **1.5%,** up from the earlier estimate of 1.0%. However, in the Eurozone, **projections suggest a growth rate of 1.2%,** reflecting a **downward revision** of 0.3% from the previous projection.

The **oil price and the VIX have also been impactful indicators on the stock markets. Brent crude oil experienced a resurgence during the first half of the second semester**, reaching a peak at $95 per barrel, followed by a gradual decline to $77 per barrel. The **VIX exhibited a similar pattern to Brent**, reaching its peak in the second semester at the end of October, subsequently decreasing by 54% to settle at 12.5 basis points, the lowest point since early 2020.

Against all odds, equities overperformed and evidenced a disconnection with the real economy

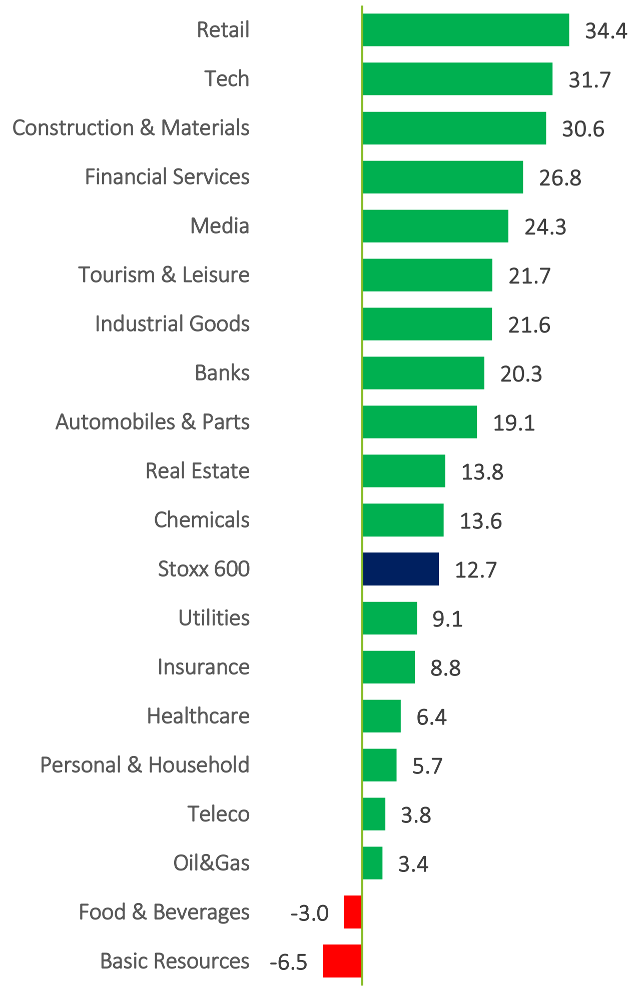
Against all odds, **equities closed the year on a very positive note,** amid a complicated macroeconomic environment and rising geopolitical tensions, thus highlighting the **disconnection between equity markets and the real economy**.

Key global indices closed the year with **double-digit gains,** with a clear exception, the UK main index, the FTSE 100, and the Chinese main index, the FTSE China A 50. The major global indices ended 2023 as follows: **the Nasdaq 100, up by 53.8%, the MIB, up by 28.0%, the S&P 500, up by 24.2%, the IBEX 35, up by 22.8, the DAX, up by 20.3%, the CAC 40, up by 16.5%, the AEX, up by 14.2%, the Stoxx 600, up by 12.7%, and the FTSE 100, barely up by 3.8%.**

Strong corporate earnings and excitement over **artificial intelligence** applications **boosted the main US indices**, the **Nasdaq** composite and the **S&P 500**. The latter, which is close to hitting record highs, was heavily **influenced by the "Magnificent Seven"**, i.e., Apple, Alphabet, Microsoft, Amazon, Meta, Tesla, and Nvidia, which account for c. 30% of the S&P500 market cap. In the course of 2023 these stocks rose on average by 111%, with Nvidia rising by 238%. Such increase compares with the +24.2% performance of the overall S&P 500 index.

In Europe, southern countries outperformed, with **Italy** being the best performing market and **Spain** close behind in second position, **both propelled by large domestic banks** positive performance. **Despite Europe** facing **slowing economic growth** and having hit hard by the **global manufacturing downturn** and **demand weakness** from China, European main index, the **Stoxx 600, ended up 2023 up by 12.7%.** On the **other side of the spectrum** is **UK's** main index, the **FTSE 100**, which **barely moved** versus the start of the year, because it is **close to all-time highs, and had a disappointing earnings season in 2023.**

Figure 4: 2023 Stoxx 600 sector performance



Source: Refinitiv Eikon (31/12/2023)

Sectorwise, the pan-European **Stoxx 600** ended the year **on a high note,** with most of its industries closing **in green. The clear exceptions were Basic Resources,** which suffered as a result of China's disappointing economic rebound, and **Food & Beverages**. **All other sectors performed well,** with many recording double-digit growth. **Retail companies** led the way, supported by luxury stocks which benefitted, specially during the first half of the year, from China's consumer recovery and greater postpandemic spending. **Tech related stocks** soared on the potential impact of **artificial intelligence** in the future economy**. Banks and financial services rebounded,** benefitting from a high interest rate environment.

Overall, **growth stocks received a boost** in 2023, with some **defensive sectors** such as utilities and healthcare **lagging behind.** The stock **market trend remains positive,** especially with investors looking for a change in monetary policies. Nonetheless, precaution should be taken as **monetary policy effects are typically felt with a lag, and, therefore, global economic growth remains at risk.**

Meanwhile, the **Spanish main index, the IBEX 35**, was the **second-best performing index in Europe** in 2023 (+22.7%), having surpassed its pre-pandemic levels, the 10,000-point mark. This index benefitted from a heavy weighting in favour of bank stocks, which outperformed expectations in 2023, with **BBVA** (+46%), **Santander** (+35%) , and **Sabadell** (+26%) among the top gainers of 2023. Also among the top performers was Spanish retailer Inditex, with an impressive 59% gain. Taking a broader view within the IBEX 35, the sectors that demonstrated **notable positive growth in 2023 were Healthcare (+52%), Consumer Discretionary (+51%), and Industrials (+36%)**. Conversely, the **Energy sector was the only one to experience a negative performance** throughout the year, decreasing by -9.4%.

02 European Equity Issuance Levels

European ECM issuance remained sluggish with IPO volumes at their worst level in decades, but with some reactivation of primary follow-ons and rising convertible bond issuance levels

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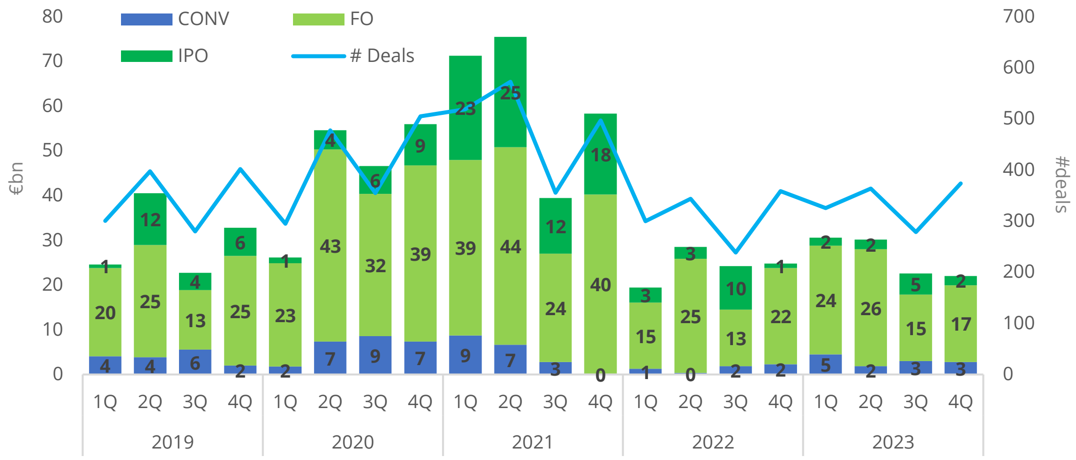
Amid a challenging macroeconomic environment, and despite overall stable volatility levels, a slowdown or even a potential end of rate hikes, and equity markets and many key equity indices on a **recovery trajectory,** when compared with 2022 levels**, investors and issuers remained risk adverse,** which took a toll on ECM issuance levels. **2023 was another mixed year for European ECM transactions**, with disappointing IPO issuance levels, the **worst in decades**, but with some reactivation of **accelerated blocks and convertible bond issuance**.

Proceeds from European ECM transactions amounted to **€106bn over 1,343 transactions** in FY 2023 – **an increase of just 8.8% in volume** compared with the same period in 2022. This increase was driven partially by the **doubling of the volume of convertible bonds ("CB")** issued this year, which totalled €12bn, a 107% increase compared with the 2022 CB issuance figure. However, this impressive increase was eclipsed by the **IPO scarcity**, with issuance **levels decreasing by 35% to €10.7bn** in volume compared with the same period in 2022. The volume of **Follow-Ons increased by 10.7%** compared with the 2022 figure.

Due to market uncertainty the **overnight market** with accelerated bookbuilding ("ABB") processes became **very active, with volumes increasing by almost 41% versus last year's issuance levels.** In 2023, **15 deals surpassed the €1bn mark**, including most notably three massive sell-downs of both **Heineken** and the **London Stock Exchange**, representing a total share sale of €7.7bn and €5.9bn, respectively. Furthermore, many listed companies opted to tap the markets to raise cash in primary share sales amid an environment where **borrowing costs were rising**; such was the case of the **€1.8bn rights issue** of **TUI,** the German leisure group, and the **€1.3bn rights issue** of **Beijer Ref,** the Swedish wholesaler of cooling technology**. The convertible bond markets** reactivated with 56 deals in 2023 accounting for €12bn.

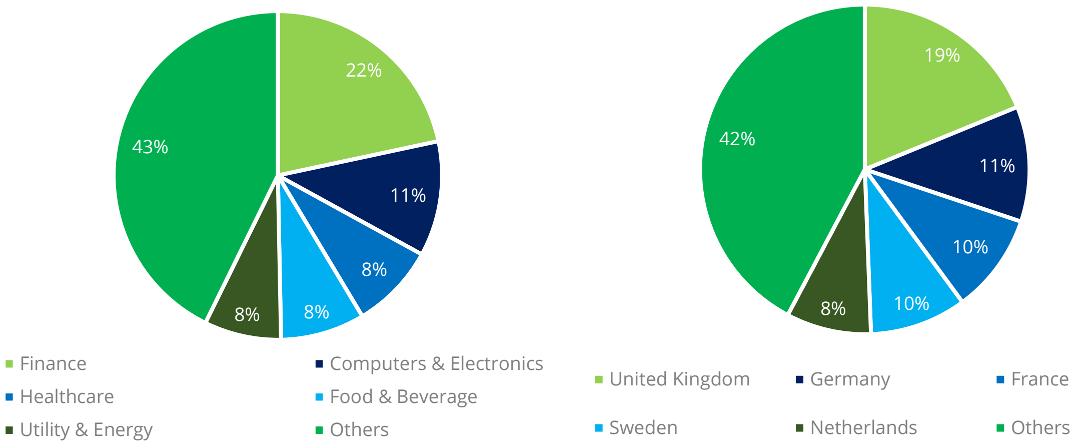
The **financial sector remains** the most active industry in European ECM issuance, accounting for **22% of the total transaction volume in FY 2023.** Transactions in the sector included **LSE's** blocks, **BNP Paribas's** €2.1bn block, **Bank VTB's** €1.1bn deal and Greek **NBG's** €1.1bn fully marketed deal**.** The **Computers & Electronics** sector accounted for 11% of ECM issuance during the period, with convertible bonds from German Delivery Hero and French Schneider Electric having the highest issuance volumes, with €1bn and €650m, respectively. The **UK** continues to rank as the **most active exchange** for ECM issuance, accounting for 19% (c.€19bn), followed by **Germany**, accounting for 11% (c.€11.9bn). **By number of transactions,** the **UK** also leads the field, with 373 deals, accounting for **28%, followed by the Nordics, Sweden in second position with 347 deals and Norway with 164 transactions in** 2023.

Figure 5: European equity issuances since 2019



Source: Dealogic (31/12/2023)

Figure 6: FY 2023 equity issuances volume by sector and by country



Source: Dealogic (31/12/2023)

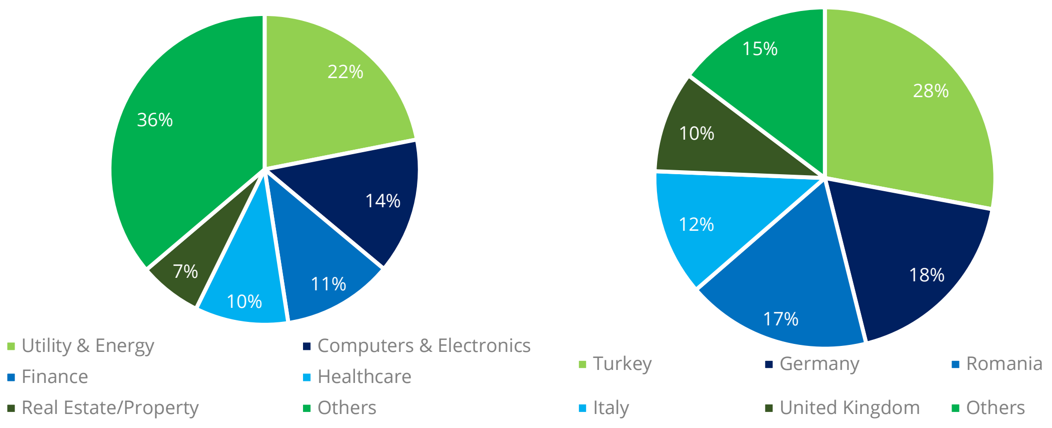
IPOs were scarce in 2023, evidencing the fragility of the IPO market and establishing the worst issuance levels in decades

After an already disappointing 2022 regarding IPO issuance, **2023 made what seemed impossible to happen … even worse.** Only **149 IPOs** priced in Europe, raising a total **of €10.7bn,** down by **35% on the IPO volumes for 2022** and by an impressive 86% when compared with the 2021 figures. **Despite rising equity markets**, falling inflation and a positive sentiment regarding the end of central bank interest rate hikes, **investors remained cautious, looking for strong stories and demanding high valuation discounts,** while, on the other side, **issuers were waiting for more favourable market conditions** to launch their deals.

Only 42 IPOs above €50m priced, and just one above the €1bn mark. **The largest IPO** was conducted by Romanian energy producer **Hidroelectrica**, which raised **€1.9bn,** valuing the company at €9.4bn. German issuers had the second and third largest IPOs of the year, with **SCHOTT Pharma** raising **€939m** and **Thyssenkrupp Nucera €607m.**

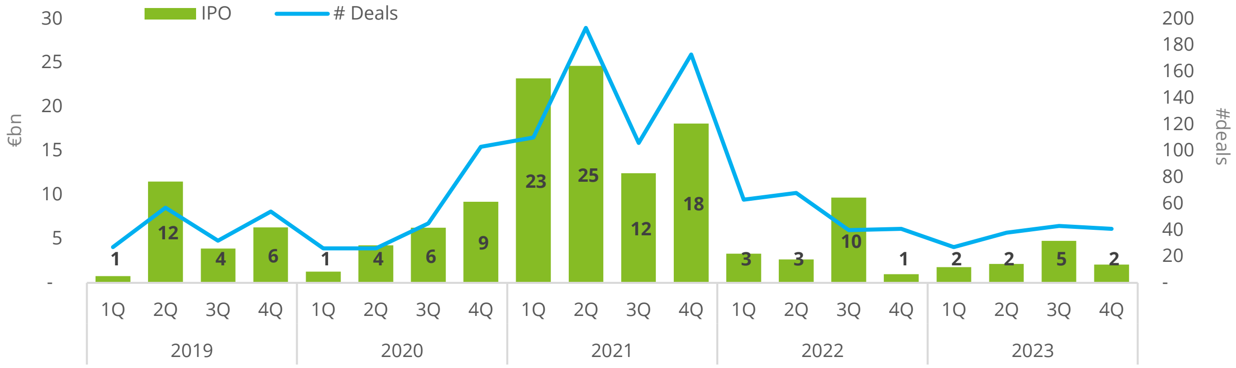
Turkey was the **most active stock exchange** by IPO **volume** in 2023, with 55 IPOs raising a combined €3.0bn of proceeds, closely **followed** by **Germany, with 4 companies** coming to market raising close to **€1.9bn**. The **UK,** which used to be the leader in IPO issuance, achieved a **disappointing fifth position**. Only **two IPOs above €100m** came to market, one being a SPAC and the other being **CAB Payments**,

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



Source: Dealogic (31/12/2023)

Figure 8: European IPOs since 2019



Source: Dealogic (31/12/2023)

which was the worst-performing European IPO of the year. Such a performance does not help the UK IPO market, which is struggling despite the numerous amendments to its regulations in an attempt to encourage listings.

Sectorwise, **Utility & Energy** companies represented **22%** of the **total IPO volume in 2023**, driven mostly by **Hidroelectrica's IPO. Computers & Electronics** was the second most active sector with 14% of the IPO volume issued, including the IPOs of EuroGroup Laminations and IONOS. The Finance and Healthcare sectors were also active, accounting for 11% and 10% of the volume, respectively, and were responsible for deals such as those of SCHOTT Pharma, Admiral Acquisition (SPAC) and CAB Payments.

As for **Spain, no IPOs** priced i**n the Main Market in 2023,** continuing the dry spell. On the other hand, the Spanish **alternative BME Growth market** was more active, with 10 companies debuting during FY 2023, including **Iflex,** a flexible packaging company which raised €1.8m; **IFFE Futura,** a group which focuses its activities on the development of a broad portfolio of products in the sector of dietary supplements and healthy ingredients; **Grupo Greening**, a green power generation company, which raised €23m; **Ktesios,** a REIT specializing in non-prime Spanish locations/cities; **Indexa Capital Group,** a Spanish asset management fund; **Vanadi Coffee,** a healthy foodservice provider; **Milepro,** a REIT related to the last mile logistics sector; **Miciso,** a company engaged in investment in real estate assets in the Iberian Peninsula; **Revenga Smarts Solutions,** a technological partner of infrastructure managers and operators; and **Cox Energy,** a renewable energy generation platform.

European IPO Barometer

In **2023, only 42 IPOs above €50m priced,** and just one above the €1bn mark. One country that was very active is Turkey. **Excluding Turkish IPOs, just 21 IPOs above €50m priced in Europe.** This represents a **45% decrease** in volume from what we saw back in 2022 from similar transactions.

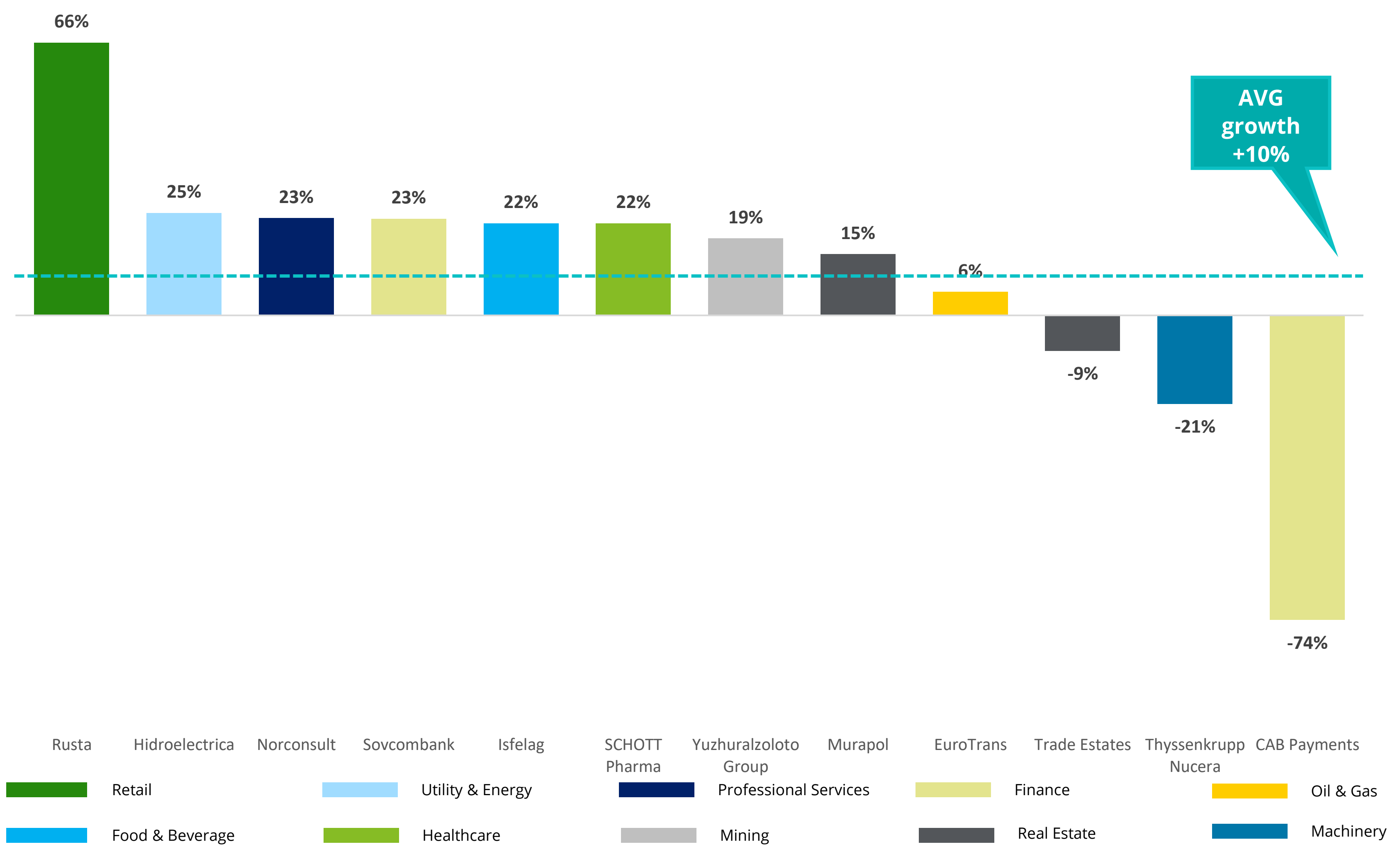
Of those deals, only one was a blank-check company. SPACs rose in popularity in 2020 and 2021, but as data shows have lost traction since. Excluding SPACs, European IPOs had a negative performance, with an average growth of just **+10% in 2023** *(excluding Turkish companies).* **When compared** with the performance of the main European index (**STOXX 600: +12.7 %), European IPOs have underperformed**.

Particularly noteworthy is the case of **CAB Payments**, the British money transfer group. After raising much excitement during its IPO and being the only sizeable deal in the UK for the whole of 2023 *(excluding SPAC Admiral Acquisition)*, its **shares plummeted** following a profit warning only three months after its debut, making it the **worst-performing IPO of the year.** Such news was not taken well by investors, which not only questioned the company's forecasting capabilities and its advisor's due diligence process, but also **raised even more the risk-awareness regarding IPOs.**

And with IPOs **obtaining lower returns compared with European indices in 2023,** despite being a higher-risk investment, it is no wonder that the IPO level remained so low.

Going forward, it seems that **many companies are preparing for a potential IPO,** but a successful **pricing** will **depend on investors' appetite** for the story and the **willingness of issuers to accept IPO discount demands**.

Figure 9: Deloitte's European IPO Barometer 2023



Source: Dealogic (31/12/2023). Data includes all European IPO above €50m, excluding Turkish IPO


03
European CFO Survey

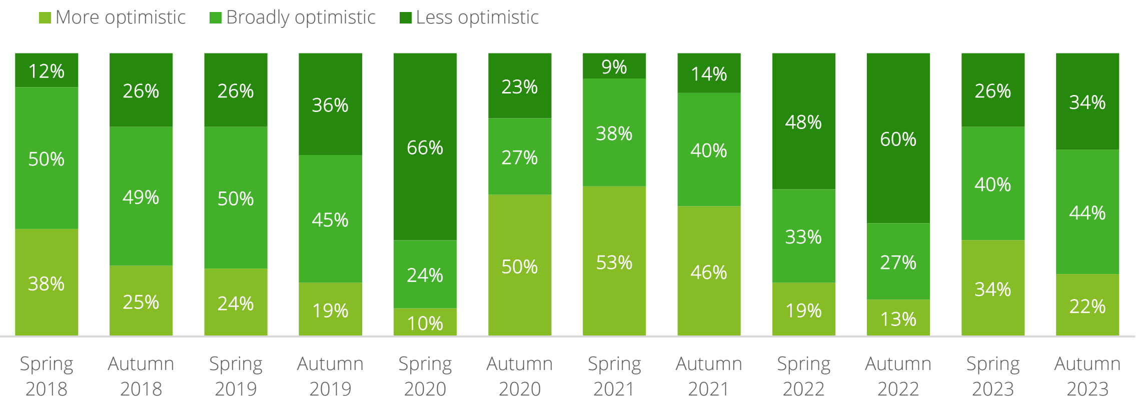
Companies focusing on cost-cutting - and exploring how generative AI can help them

The mood of **Europe's CFOs has become less positive** since the spring, as high inflation and tighter monetary policy weigh on their businesses. **Cost-cutting is a major focus** and generative **AI** appears on the horizon, although its adoption is not yet very advanced in Europe.

Over the course of the year, businesses in Europe have had to deal with persistently **high inflation and rising interest rates**. The momentum of the **global economy** has also **weakened**, with **China's economic recovery** proving a **disappointment** so far. A difficult macroeconomic environment is not the only challenge Europe's CFOs currently face. There is also the question of what to do about **generative AI.** About a year after ChatGPT was launched, **three out of four financial executives** in Europe think that generative **AI** is to some degree **important for their strategy**. However, its adoption has not yet progressed very far. In already tight labour markets, talent acquisition may prove to be a bottleneck holding back adoption of generative AI in Europe.

Europe's CFOs have become much less positive about their current financial situation. The net balance of **business sentiment** has **declined** since our spring survey from +8% **to –12%,** the **gloom** being **greater in larger companies**. The **most notable fall in confidence** was reported **in Germany and Austria**, with German growth hurt by a struggling manufacturing industry and especially weak automotive and energy-intensive sectors, among other factors.

Figure 10: CFO's financial prospects



Furthermore, **CFOs' hopes for the near future have also faded**. While CFOs on balance remain optimistic about future revenues, the proportion of **CFOs expecting revenues to increase** in the next 12 months **fell from 63% to 53%.**

At **sector level** the **mood has changed** most **dramatically in the automotive** industry. Six months ago, automotive CFOs were more confident than their peers in other industries. Now they are **the most pessimistic of all**. **Surging energy and labour costs are troubling European car manufacturers and geopolitical tensions are affecting exports adversely**. By contrast, the **optimism** of CFOs in **tourism and travel** has risen further. The postpandemic recovery in travel is continuing and to date it does not seem to have been adversely affected by the cost-of-living crisis. As far as **expectations** are concerned, the **automotive sector is alone in expecting decreasing revenues**. In the **construction industry**, high financing costs are taking their toll and CFOs expect only a **small increase in revenues**. On the other hand, financial executives in more service-oriented industries like **business** and **professional services,** and **tourism and travel**, as well as **life sciences, expect their revenues to continue to grow strongly over the next 12 months**.

CFOs across the continent agree that the **economic outlook is the main risk for their business** over the next 12 months. As a result, they have become **more cautious about their capital expenditure and recruitment plans**. **Generative AI is,** in the view of Europe's CFOs, **one way in which they might achieve cost reductions**. **Geographically, there is a divide.** Financial executives in **Austria, Spain and Ireland** are convinced that generative **AI represents an important advance.** CFOs in **Italy and Denmark do not consider it to be that important** for their business strategy. Overall, the **investment in generative AI** by European businesses **is still relatively modest.** The **majority** (67%) **expect to allocate less than 1%** of their organization's **budget to generative AI** over the next year.

The autumn picture is both clear and gloomy. Europe's CFOs see a **challenging winter ahead**. Inflation is still running high and interest rates are at levels that, historically, are normal rather than particularly high, but which have risen from the rock bottom, near-zero rates of the previous decade and a half. **Consumers are struggling with spiralling costs, and CFOs face the same problem**: they too are now focusing on major efforts to reduce costs – rather than planning to invest, hire staff and expand. As was the case last autumn, when the Ukraine conflict brought Europe the threat of energy shortages, **CFOs are uneasy about the winter that lies ahead and about the risks for economic growth. Their mindset is therefore cautious.**

04 Poor IPO performance contributed to IPO scarcity

2023 - a year to forget for IPO issuance. Only a few companies dared to come to market and their poor performance discouraged others, triggering postponements and IPO cancellations

2023 was a disappointing year for European IPOs, with €10.7bn raised across 149 deals. The main drivers of this sentiment were **market uncertainty and investor risk adversity.** Only 22 IPOs above €100m, **a record low since 2009**, priced during the year. Many of these IPOs **priced conservatively towards the bottom** of their respective price range. This should have already been a **discouraging sign** for the IPO market, but even worse was the fact that most of them **performed poorly**, increasing by 7% on average since the IPO, therefore **underperforming most of the main equity indices.**

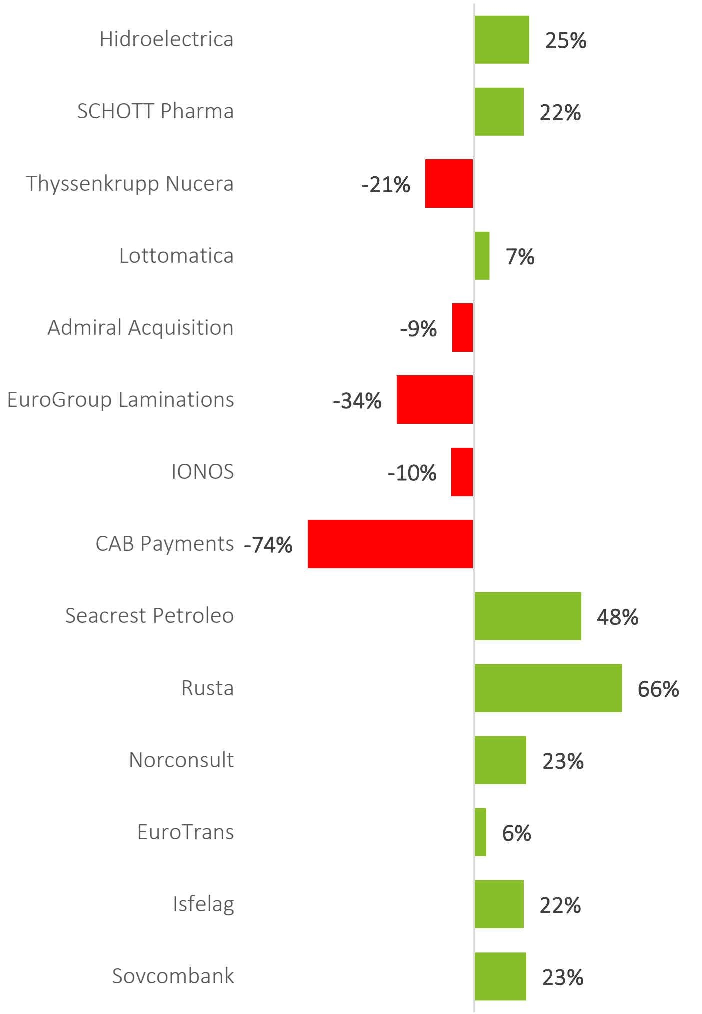
CAB Payments was one of the most talked-about IPOs of the year, but for all the wrong reasons. It was the only **proper and sizeable IPO in the UK** during the year and had a disastrous aftermarket, following a profit warning just three months post-IPO. This clearly shows **the importance of forecasting for listed companies,** as well as that of **managing investor expectations.** As a new company on the market, it is even more important to **gain investors' trust** during the first months of trading, and companies and their advisors should ensure all risks are factored in when performing sensible forecasting. CAB Payments was the ultimate example, as it significantly revised down profit, sounding alerts to investors and trading down that day by c. 72%. But with new listed companies, even minor misalignments with their own forecast or missing analysts' expectations generally implies a correction in their price.

Other companies that suffered in the aftermarket included **IONOS, EuroGroup Laminations, Thyssenkrup Nucera and EuroTrans**.

Furthermore, **investors have been very price sensitive**, looking for **higher alphas**. And **if the discount is only small**, investors may be more inclined to wait, as there is no short-term

Figure 11: 2023 IPOs above €100m performance

Organized from largest to smallest IPOs



Source: Dealogic and Refinitiv Eikon (31/12/2023) Data includes all European IPO above €100m, excluding Turkish IPO

alpha to miss and **later** they will be able to **buy in the market removing deal risk**.

All of this resulted in **several companies opting to postpone their IPOs.** These included rumored IPO target private-equity firm **CVC** and official cancelations of French software company **Planisware** and German defense contractor **Renk**. These last two IPOs were **canceled after closing of the books** and despite them being covered. But it would seem that **market conditions** and peer **trading multiples**, the **size of the deal** as well as the **lack of anchor investors** were among the factors that may have played a role in the cancellations.

Based on 2023 IPO processes, it seems that **larger IPOs may stand a better chance in such difficult IPO markets**. One exception are Nordic and Russian IPOs, which have a large local investor base willing to invest in local companies and very active in their local IPOs; hence, these transactions do not depend on international funds as much as other European deals, for which such funds represent a bigger chunk of the demand/allocation, and which require greater liquidity. Bigger deals require **larger orders in the book** to cover them and therefore post allocations, and a **longer tail of theoretical demand** that can boost the shares in the early days of trading. On the other hand, on smaller deals investors' perception is that liquidity may dry up rapidly.

Going forward, ECM practitioners see a **healthy pipeline building** up, but consider it **more likely that larger deals will come to reopen the IPO markets** in 2024. Possible companies that have been considered as **potential issuers** include **CVC**, cosmetics brand company **Douglas** and Renault's electric vehicle **unit Ampere**. Only time will tell if they finally see the light of day.

05

No one-size-fits-all answer when choosing listing locations

The right answer to the question of where to list will depend on the company's circumstances and the business ambitions of management and shareholders for the short, medium, and long term, as well as on the consideration of prevailing market conditions. The best fit for one company may not be right for another

UNDERLYING ATTRIBUTES TO VALUATION ARE LARGELY MARKET AGNOSTIC

While companies will often understandably **point to differential valuations** – such as the higher P/E ratios seen overall on US markets – this is **largely driven by the composition of the indices,** with the US dominated by global tech stocks, as opposed to banking and utilities in Spain or other European countries. When looking at comparable sectors and business sizes, there is often little or no valuation differential between the global exchanges. The underlying attributes driving valuation are largely market agnostic, although the importance placed on each may differ between investors and markets.

These **attributes include:**

- **Proven business model**, able to deliver profits and cash generation
- Meaningful market **growth opportunity** / white space to exploit
- **High quality assets**
- **Resilience,** particularly in a downturn
- Accomplished **management team**

Management's ability to follow through on promises made to the market and consistently deliver against agreed targets is regularly reported as being of **particular importance to investors.**

INDUSTRY SPECIALISM AND INVESTOR RISK APPETITE

Different markets have historically been associated with **particular industries and business models,** and the risk appetite of their respective investor communities.

For example, **Nasdaq** has captured a dominant share of **tech and biotech companies** – often while still at a loss-making stage, but with **high-growth potential and ambitions**. Conversely, the European Main Markets are generally considered a home for more established businesses, with a demonstrable track-record of profitability and a prospective dividend stream.

However, these are not hard rules, and notably there have been successful tech IPOs in Europe, while US markets have seen an uptick in listings in traditionally less common sectors such as mining.

OTHER CONSIDERATIONS

- Consider where a company's **listed peer group and likely future institutional investors** are based. Different exchanges have different sector and other focus areas.
- Consider the **desired percentage of free float shares**. Europe tends to see larger free floats at IPO, compared with US listings which often have a lower float, followed by more frequent follow-on offerings.
- A company's **capital structure and financing strategy** should also be considered, there being varying tolerance to leverage from investors in the respective markets.
- The current and anticipated **geographic spread of operations** will also be a consideration, and it will often make sense to match the listing location and investor base with the company's geographical center of gravity.

OVERALL

- Each business should **make its own factual assessment** of where to list.
- Pay particular attention to the **location of the listed peer group**, and the **likely incoming investor base.**
- Be **wary of myths** or press headlines.
- There is no **"one-size fits all" answer.**

06 Election processes and their impact on global stock markets

An election-packed 2024, with more than half of the world's population requested to vote, could have an impact on equity markets

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National elections are **pivotal socio-political events**, **impacting** not only domestic economies but also **potentially shaping the global economic landscape**. The **outcomes influence stock markets**, with major economies like the **US and UK** having far-reaching effects. **In 2024, more than half of the world's population** (over 4 billion people) **will be requested to vote in national elections**, making this year exceptionally important for the short- and long-term performance of stock markets.

National elections influence stock market behaviors through economic policy changes tied to political shifts, impacting tax laws, trade agreements, regulatory reforms, and fiscal policies. These changes **can significantly affect various economic sectors**, influencing corporate earnings and stock prices. The extent of these effects depends on the realistic expectation that national elections will bring about changes in the political regime. Governments classified as moderate autocracies, like Russia, Turkey, and Pakistan, are unlikely to undergo political changes during national elections, reducing perceived uncertainty in stock markets. In such cases, the impact tends to be limited due to the moderated behavior induced by reduced uncertainty. **During election cycles, global investors become attuned to potential political alterations**, causing a ripple effect in stock markets worldwide. This influence is measurable through increased stock market volatility, particularly pronounced during these periods.

Investors, naturally drawn to stability, might approach uncertainty with caution. A recent Investopedia survey revealed that **61%[1] of respondents expressed concern about the 2024 US elections**, ranking it as their top worry (surpassing other issues like Middle East wars (48%), Ukraine conflicts (35%), recession (48%), and inflation (47%). This cautious behavior could prompt market withdrawals, causing a dip in stock prices. For instance, **projections favoring stringent regulations or higher corporate taxes may trigger a sell-off, driving prices down. Conversely, anticipation of growth-stimulating policies, like those from a business-friendly government, can boost investor confidence, leading to a bullish stock market.** The greater the election outcome unpredictability, the more pronounced its effects in the weeks surrounding the event. Unlike moderate autocracies, where political changes are unlikely, strong uncertainty before the election tends to result in quieter stock market activity. Unexpected results enhance the likelihood of policy changes, intensifying market impacts.

Election impacts on stock markets vary by sector, influenced by potential winners' policies. For instance, a pro-green energy stance can boost renewable energy stocks. Changes in healthcare, taxation, trade, or infrastructure spending affect sectors differently. **With over 60 countries having elections in 2024, addressing diverse issues, it's poised to be a historically significant year for global stock markets.**

While immediate election effects are prominent in domestic stock markets, the **global impact of the 2024 elections is crucial, particularly in economic powerhouses like the US and the UK.** This reflects the ongoing globalization of markets and the current international orientation. For instance, a significant shift in US trade policies can ripple through global supply chains, affecting linked stock markets. Elections in smaller countries, like Taiwan with a population of around 18 million, can also hold significance for global markets if exceptional interests are involved, influencing relationships between nations like Taiwan, China, and the US.

Governments are typically elected for a term of around four years, shaping the political landscape and influencing stock markets accordingly. **In the US, the 2024 elections encompass the presidency, house of representatives, and a third of the senate, potentially extending their impact** due to the challenge of securing bipartisan support. While **national elections can trigger short-term market volatility, long-term market trends are predominantly driven by macro-economic factors** such as inflation rates, interest rates, and GDP growth.

In summary, 2024's US and UK elections can notably impact global stock markets, inducing short-term volatility from policy uncertainties. Yet, it's vital to recognize that these transient market shifts are often eclipsed by long-term economic factors and corporate earnings. Investors should approach 2024 with a balanced perspective, weighing immediate election uncertainties against fundamental macro-economic trends driving market performance.

Note: (1): Investopedia survey

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

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?

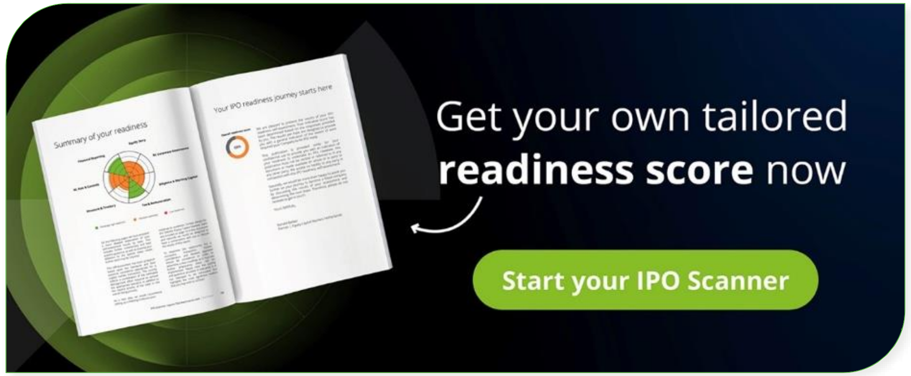
Our free and easy-to-use IPO Scanner provides you with a headline assessment of your company's readiness to IPO, with analysis across seven key categories – including equity story, financial reporting, risk and controls, and more.

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 Deloitte Equity Capital Markets

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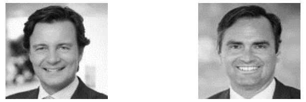

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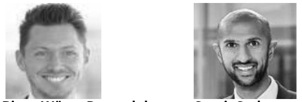

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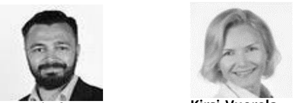

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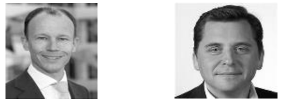

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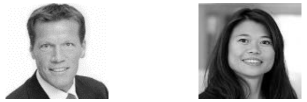

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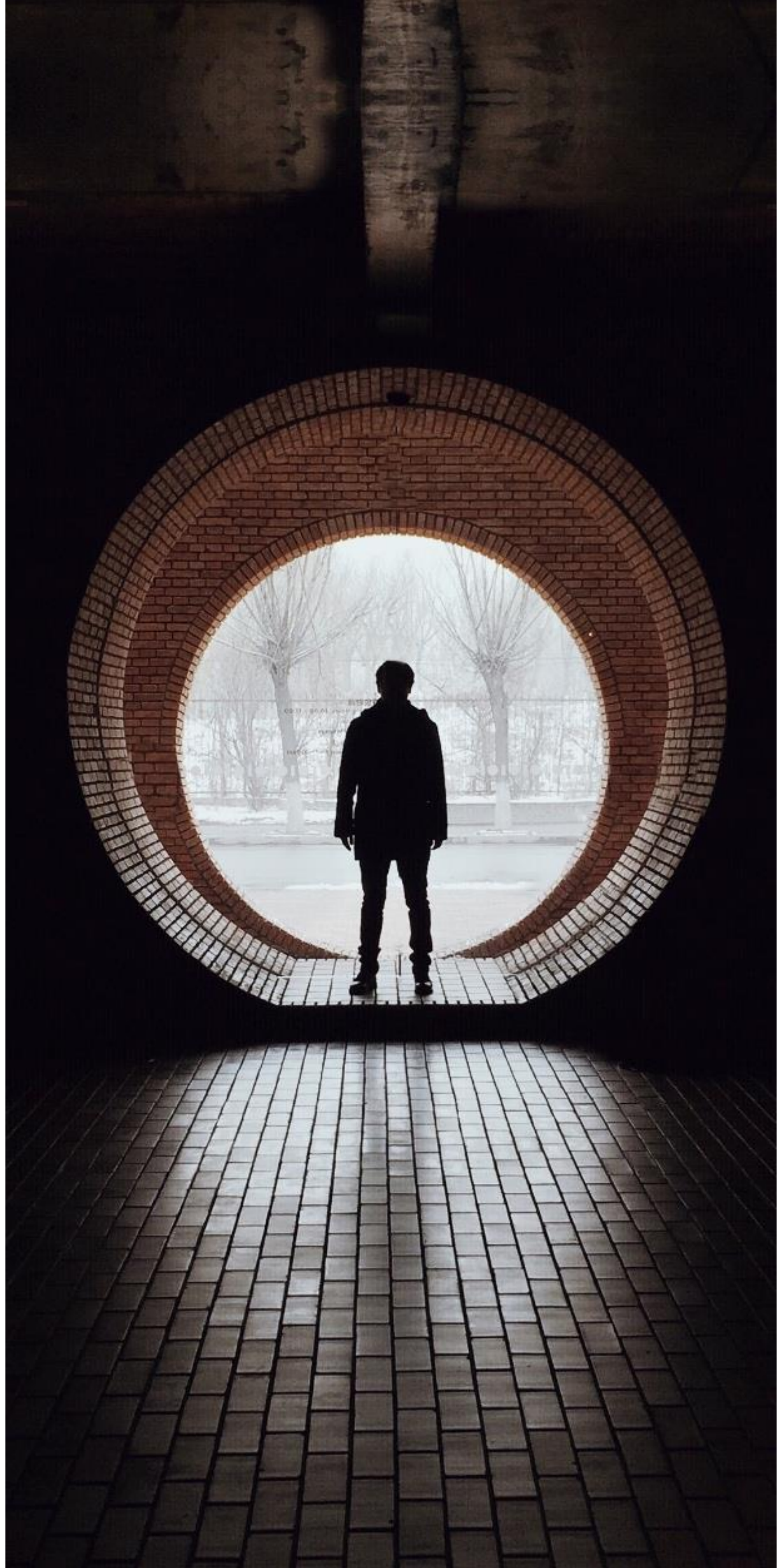


ECM service offerings

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 a 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 the 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 for 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 in their day-to-day activities, anticipating risk, and tracking IPO costs
  - Offering the secondment of staff when needed
  - Building models for the IPO
  - Working as an integrated part of the company's team

ECM/ IPO transaction management office

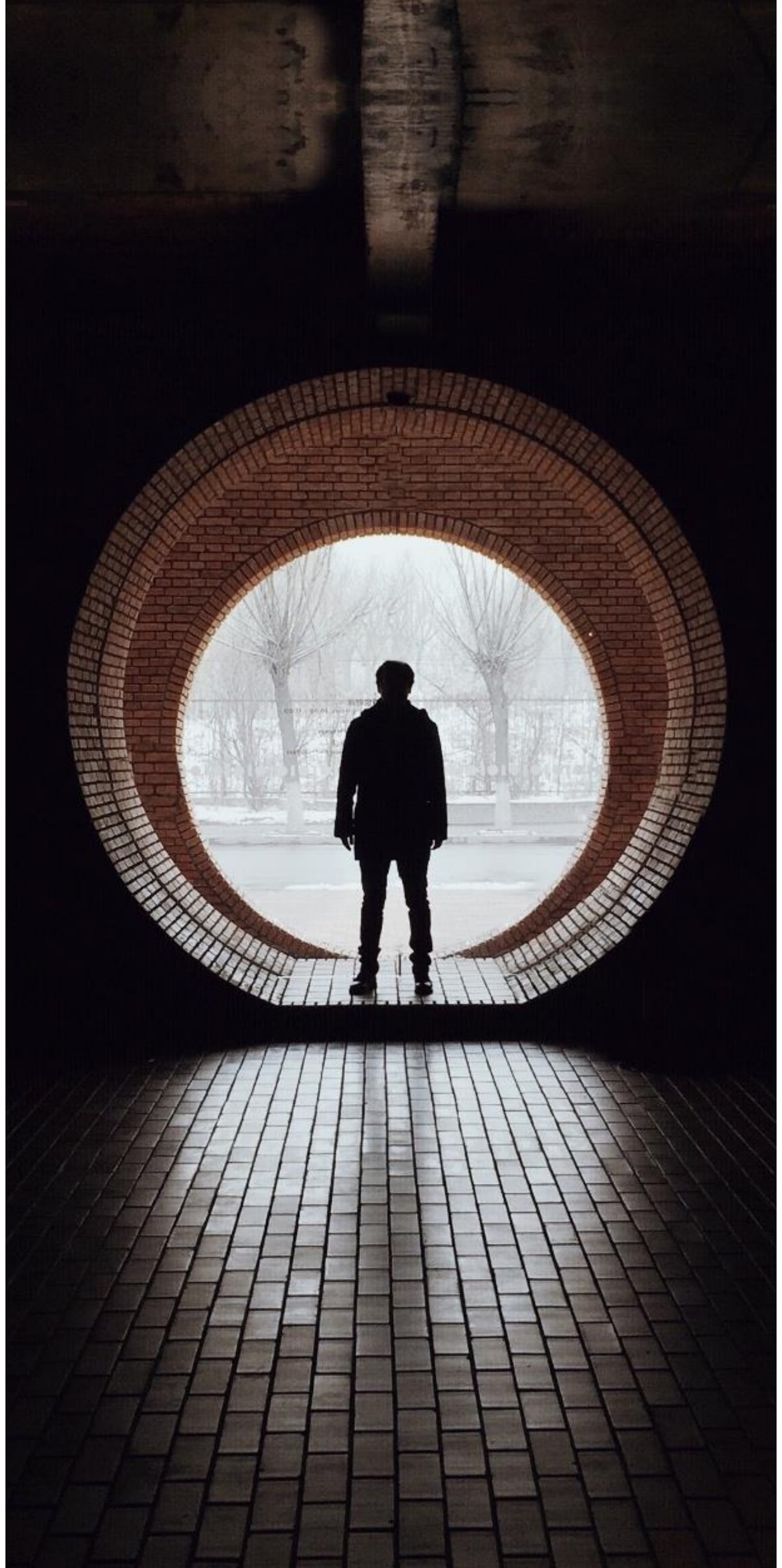
- Provide expertise in project management office support for a transaction
- Experienced personnel to ensure the transaction is performed according to schedule and issues are identified and dealt with
- Tried and tested project management methodologies and tools
- Fully scalable model that can be deployed 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 the SPAC
- Experience in supporting target management teams through a SPAC merger

Public Company M&A

- P2Ps, public offerings, 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



DELOITTE EQUITY CAPITAL MARKETS

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**