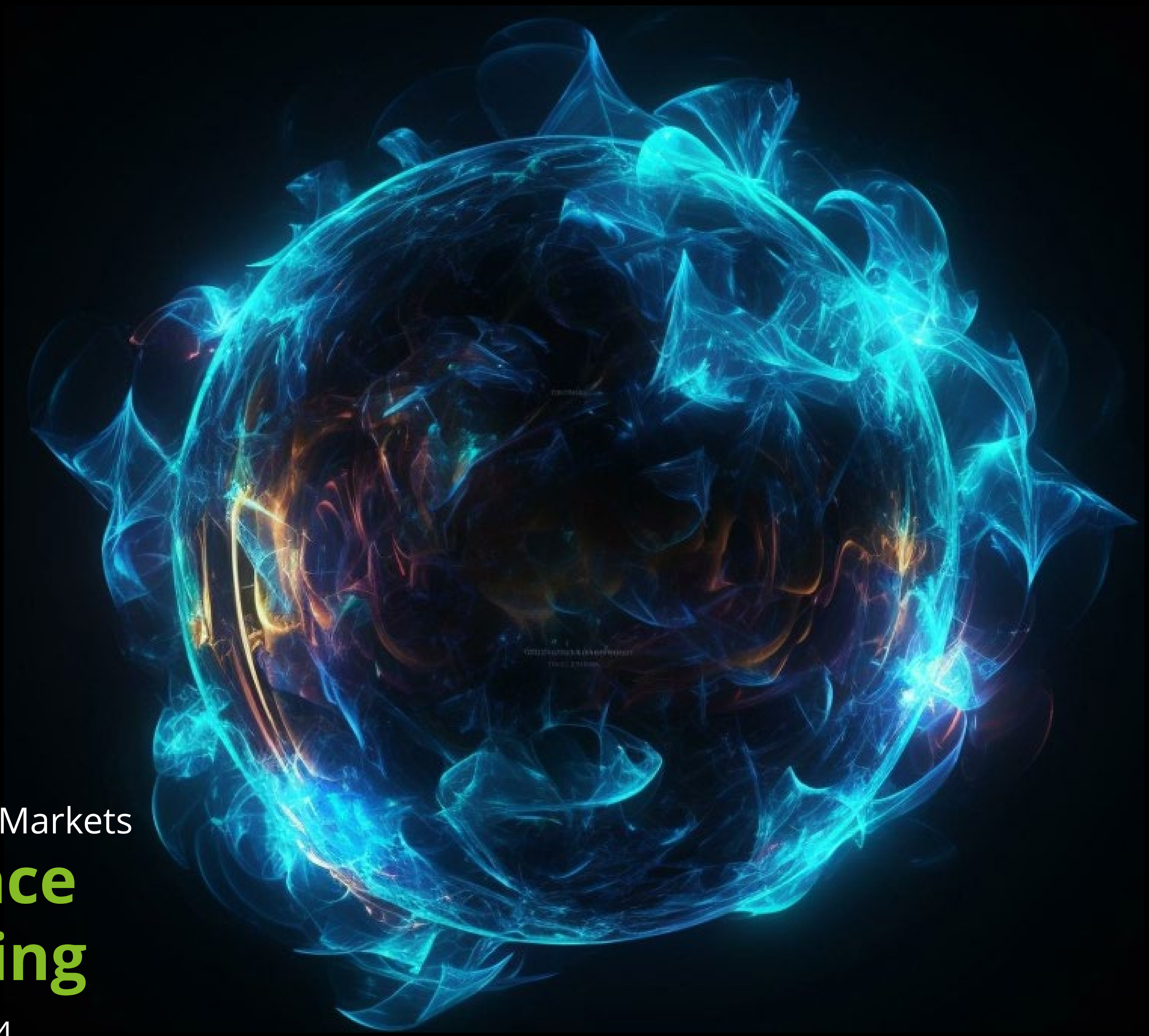


European Equity Capital Markets

From resilience to reawakening

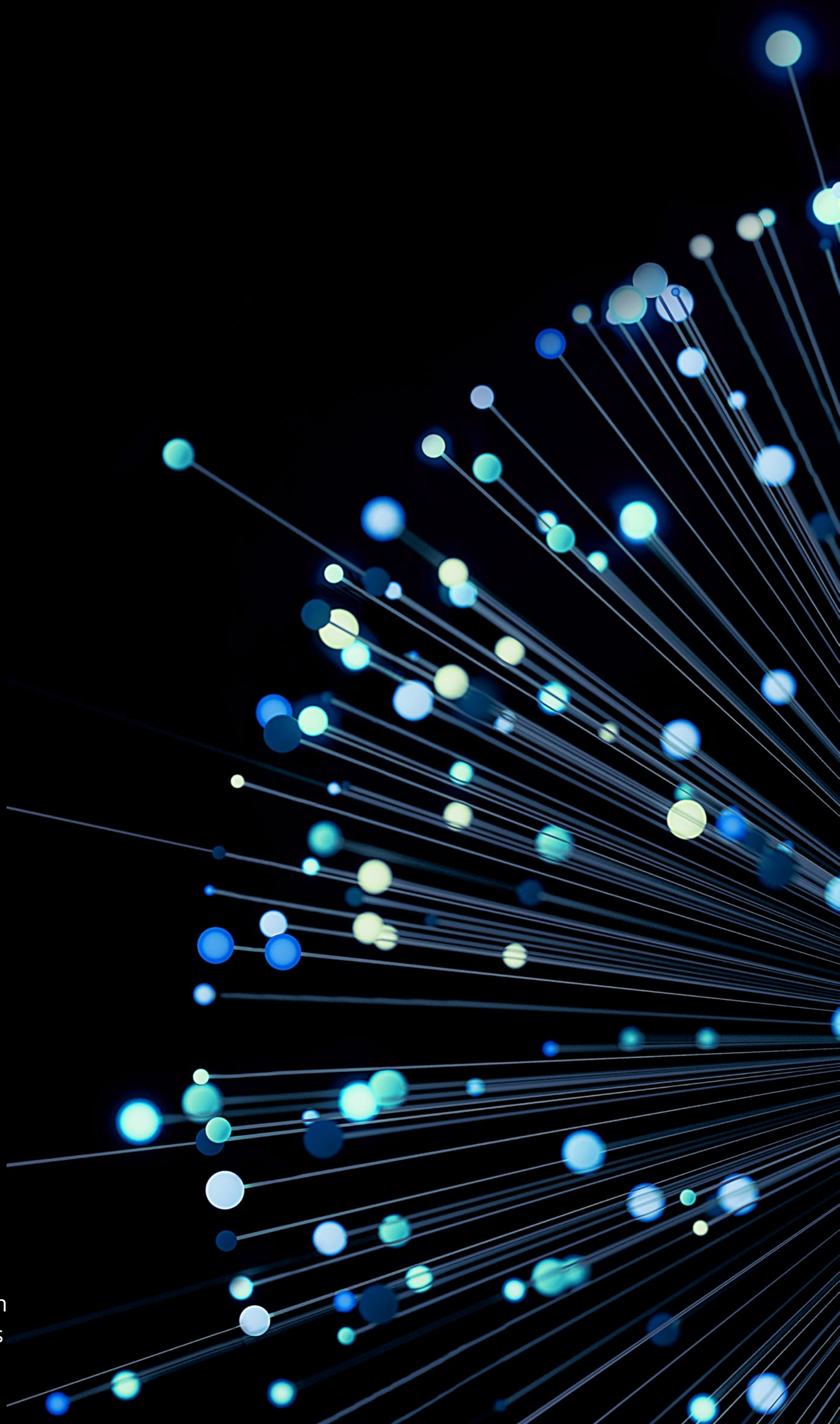
ECM update | Summer 2024

STRATEGY, RISK & TRANSACTIONS

From resilience to reawakening

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; the European CFO Survey and hot topics on Dual Tracks and Impact of interest rates and economic growth on Spanish IPOs.

Content



About this report: This report contains data sourced from IMF Word Economic Outlook, Bloomberg, Refinitiv Workspace, Dealogic, company admission documents an press releases. ECM issuance data is as of 30 June 2024 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 2024.

A bullish equity market and reawakening of European IPO despite investor uncertainty

01
02
03
04
05
06
07

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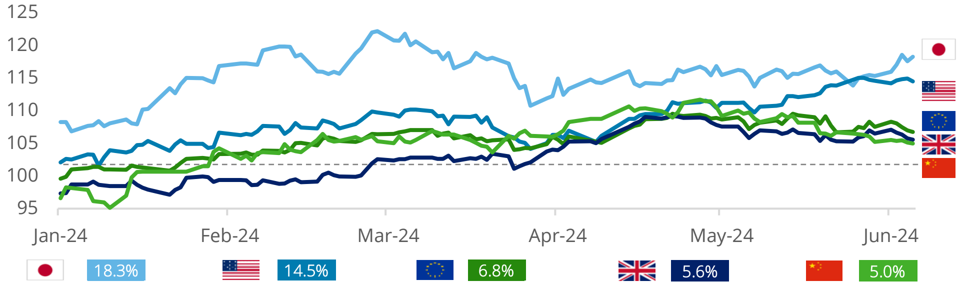
This European ECM update includes an **analysis** of the **performance of the major global indices** and the factors that have influenced and shaped this performance. Additionally, we will explore the **implications of declining inflation**, **economic growth prospects**, and the **central banks' inactivity regarding monetary policy**. In this report, we delve deeper into several **hot topics**: Deloitte's "European CFO Survey", "The Rise of Dual Track", "How Deloitte can support you on Dual-Track transactions" and the "Impact of interest rates and economic growth on Spanish IPOs".

Following a very positive year for major global indices in 2023, **the first half of 2024 has continued with a similar bullish momentum.** As of June 30, 2024, the **major global stock indices, have all closed on the up**, with gains ranging from 5% to 18%, except for the CAC 40, which slipped 0.8% due to the country's political instability. Despite the strong performance of global stock markets, **investors** have been highly **attentive** to the **evolution of inflation, interest rate policies,** and the risk of entering a period of **stagflation.**

Inflation has continued its **downward trend**, albeit at a slower pace and with occasional upticks compared to the previous year. As of December 2023, inflation in the euro area stood at 2.9%, decreased to 2.6% in May and is expected to be 2.5% in June.

Figure 1: 1H 2024 performance of global indices



Source: Refinitiv Eikon (30/06/2024)

However, despite this positive trend, **central banks** have **not met the projections** made by analysts at the beginning of the year **regarding monetary policy.**

Despite clear signs of weakening inflation since its all-time peak in October 2022, when it reached a high of 10.6% YoY in the Eurozone, **central banks have maintained a stringent stance on lowering interest rates too quickly**. As a result, throughout the first half of 2024, **one of the only significant rate adjustments was a modest 0.25% cut by the ECB**, bringing the rate down to **4.25%.** In contrast, the **Federal Reserve** has kept its **interest rates unchanged at 5.25%-5.5%.**

The performance of global stock markets has been mainly linked to **corporate earnings** and the potential **impact of inflation** and **monetary policy trends.**

The bullish equity market **encouraged ECM market activity** which **volumes** rose to **€73.2 billion**, a **20% year-on-year increase.** The improvement in ECM activity is undoubtedly due to the **reawakening of the IPO market,** with IPO volumes reaching **€13.6 billion, a 246% increase** compared to the 1H 2023 and a 26% increase compared to 2023 as a whole. **Blocks have been very present** during the past 6 months, with companies and **sellers taking advantage of the bull equity market and attractive valuations.** Conversely, **right issuances have been scarce,** as companies do not wish to be exposed to market volatility for a long period of time. When compared with the performance of the main European index, **European IPOs have clearly outperformed,** encouraging other companies to view IPOs as a viable option to raise capital or an exit opportunity. **The pipeline for the second semester, and especially for 2025, continues to build up.**

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

1H 2024 Equity Market Performance

European stock markets have surpassed their historical highs amidst an improved macroeconomic environment

Figure 2: 1H 2024 performance of European indices

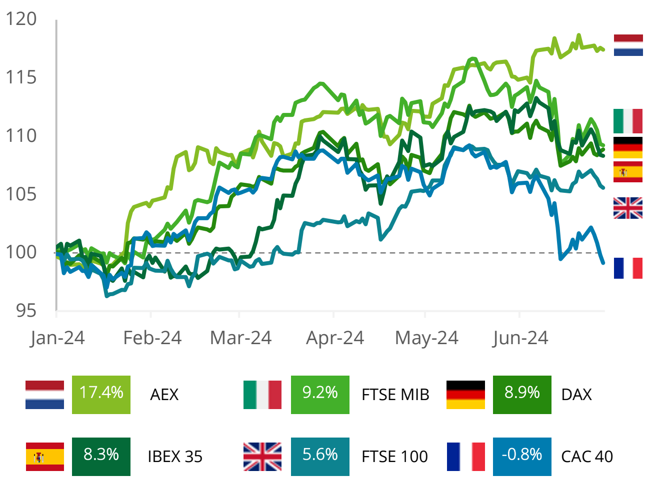
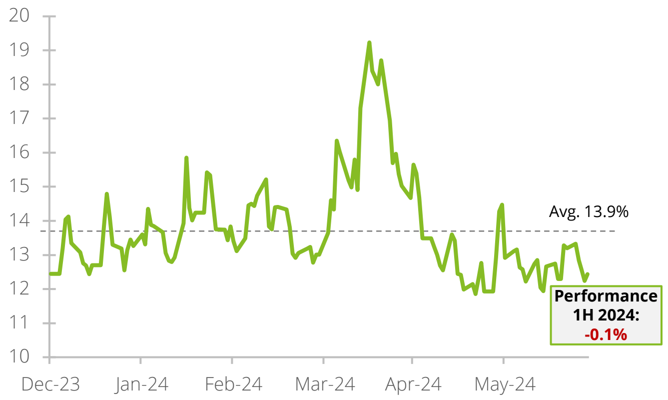


Figure 3: Volatility (VIX)



Source: Refinitiv Eikon, and Bloomberg (30/06/2024)

The major global economies' **main equity indices continued** to experience a **bull market** during the first half of 2024. This growth was **driven by economic recovery and strong corporate earnings**, which helped to **overcome well-founded investor concerns** related to **monetary policy uncertainty**, **stagflation** worries, and **geopolitical tensions**.

Equities have rallied in 2024 as main economies **show economic growth resilience, despite** major countries such as the **UK and Germany** entering and subsequently exiting **technical recessions** during the period, which caused **concerns among investors**. Nonetheless, **overall economic growth projections provide a positive outlook** for investors. The IMF projects that **Eurozone** economies will **grow in 0.8% for 2024 and 1.5% in 2025** contrasting with the economic expansion expected in **the US,** which is estimated to achieve growth rates of **2.7% and 1.9% in 2024 and 2025**, respectively. Meanwhile **Spain** is expected to grow by **1.9% and 2.1%** in the respective periods.

The economic recovery is expected to be driven by **stronger household consumption**, supported by a **decrease in energy prices** and a **decline in inflation**. Projections regarding global inflation are equally promising. The IMF expects global inflation to decline steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, with advanced economies returning to their inflation targets sooner than emerging markets and developing economies. The **core inflation is also expected to decline** due mainly to **monetary policies that are still restrictive**, and a **softening of the labor markets**. The IMF expects **Spanish inflation to stand at 2.7% in 2024** and to decrease to **2.4% in 2025.**

With inflation projected to continue declining towards national targets, policy rates of **central banks** in major advanced economies are generally **expected to shift towards a rate-cutting cycle.**

Regarding **monetary policies**, the disparity between anticipated and actual interest rate cuts by central banks generated significant uncertainty during the first half of the year. In December 2023, experts projected that **interest rates would be lowered between five and six times in both Europe and the US.** However, as of June 30, 2024, **only the ECB had reduced rates by 0.25%, to 4.25%**. The Fed, during its last meeting in June, **decided to hold interest rates unchanged** at 5.25%-5.5%, and its latest hawkish message signaled **only one upcoming rate cut during the second half of the year**.

Furthermore, such **divergence** between expected and actual **rate cuts alongside the rising tension in the Middle East** driven by the Israeli-Palestinian conflict were the **main reasons behind the volatility spike experienced in April**. The VIX index, hit 19.2, its highest level since October 2023, and very far from the 13.8-points-level that persisted on average during the first half of the year. **Geopolitical tensions, although present, have taken a backseat**, as they did not have significant an impact on commodity prices such as oil or grain during 1H 2024.

Despite these issues, **major European stock markets** ended the first half of the year **on the up**, driven by a noticeable **improvement** in the **macroeconomic environment**, but primarily by the continuous improvement in **corporate earnings**, which for many companies have already surpassed 2019 levels. **Most European indices** consistently set and **surpassed** their respective **all-time highs**. This trend continued until early May, when the Italian, UK, German, and French indices reached their historical peaks. Since then, European stock markets have experienced a slight correction.

It should be noted that, on this occasion, the **indices of some major European economies have demonstrated the poorest performance**, relinquishing the lead to the Netherlands (AEX: 17.4%), followed by Italy (FTSE MIB: 9.2%), significantly outpacing the UK (FTSE 100: 5.6%) and particularly France (CAC 40: -0.8%).

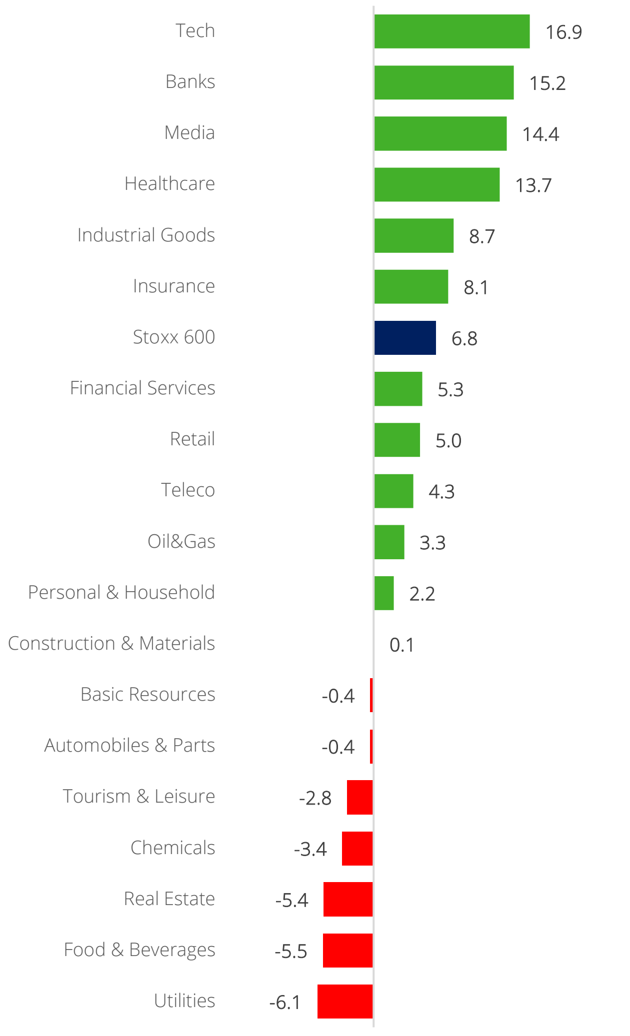
Strong corporate earnings and AI momentum lead to positive returns across global indices

In the first half of 2024 equities continue to rally despite markets being submerged in a **state of uncertainty,** especially regarding **a potential shift of monetary policy** and its potential effects. At the midpoint of the year, **many key indices were obtaining positive returns**, closing the period as follows: AEX up 17.4%, Nasdaq 100 up 17.0%, S&P 500 up 14.5%, FTSE MIB up 9.2%, DAX up 8.9%, IBEX 35 up 8.3%, Stoxx 600 up 6.8%, and the FTSE 100 up 5.6%, with the clear exception of the CAC 40, down by -0.8%, which suffered after the success achieved by the far-right parties and the subsequently political instability.

Like the previous year, the **main indices in the US outperformed their European counterparts,** helped by a **resilient domestic economy** and significant contributions from **major tech companies,** which are being boosted by the momentum of Artificial Intelligence. **Concerns regarding the breadth of the US market continue,** as close to **half of S&P's 500 gain can be attributed to Nvidia, Apple, Microsoft and Alphabet.** As of June 30, 2024, Nvidia's stock had appreciated by 149%, surpassing the €3 trillion market value mark, staying close behind Microsoft and Apple, constituting the podium of the world's most valuable companies.

The main **Dutch index, AEX,** was **by far the best performing European index, gaining 17%** in the first half of the year, **almost doubling the second-best performer, the Italian FTSE MIB**. The AEX has a **significant proportion of technology companies** which, as mentioned earlier, have been positively driven by the **momentum** of AI and **strong tech company earnings,** in many cases **above expectations**. Key semiconductor related companies, **ASM International and ASML Holding**, saw **substantial growth** during the period, **boosting the performance of the index**.

Figure 4: 1H 2024 Stoxx 600 sector performance



Source: Refinitiv Eikon (30/06/2024)

In terms of sectors, the **pan-European Stoxx 600** ended the first half of the year on a high note, with **most of its industries closing in green.** Notably, the **technology sector**, up by **16.9%,** climbed on the back of **advancements in AI** and cloud computing, with many companies in the sector showing strong corporate earnings, such as ASM, ASML, SAP or Prosus. Meanwhile, the **European banking sector**, up by **15.2%,** benefited from prevailing **interest rate levels**, with stocks such as UniCredit, Intesa Sanpaolo, ING and Santander showing significant doble digit gains. However, seven sectors ended the year down, with **utilities (-6.1%)** and **food & beverage (-5.5%)** being the **worst performers**. The **utility sector has struggled due to regulatory challenges** and the impact of higher interest rates, with stocks such as EDP, Naturgy, and RWE being among the most affected. Furthermore, within the **food and beverages** sector, companies such as JDE Peets, Pernod Ricard and Davide Campari Milano were the worst performers having being impacted by increased production costs. The European real estate market has been impacted since the rate hikes in 2022 with the rise in borrowing costs, tumbling prices and asset devaluation. **The delays in rate cuts by central banks have severely impacted the sector**. Companies such as Deutsche Wohnen, Aroundtown, Kojamo, CPI Property and Vonovia have been among the stocks most severely hit.

The Spanish index, IBEX 35, performed **very positively**. Despite being far behind the historical highs recorded in November 2007, the **IBEX 35 climbed by 8.3%, above the growth experienced by the Stoxx 600 index (6.8%).** Among the top five best-performing companies in the first half of 2024 are three banks: **Sabadell, Unicaja, and Caixabank** (ranking 1st, 3rd, and 5th respectively), in line with the positive trend of the European banking sector. **Rovi** follows in second place, boosted by FDA approval of its schizophrenia treatment and a new CDMO contract. Indra ranks fourth, benefiting from AI-driven growth in the tech sector.

02 European Equity Issuance Levels

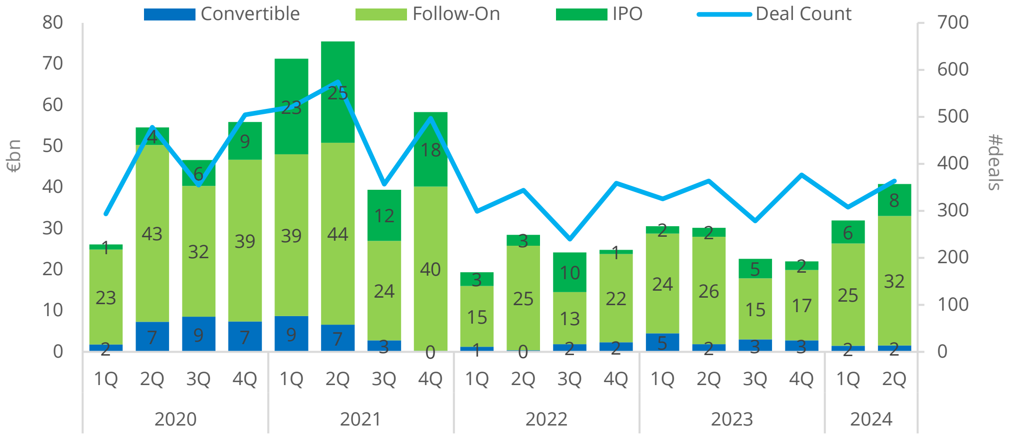
Encouraging ECM market activity driven by rising IPO and block volumes

Amid a mixed macroeconomic environment, with inflation gradually approaching the 2% target set by central banks, interest rates remaining high, and GDP growing slightly, **the ECM market has shown improvement compared to the previous year**. During the first half of the year, the **ECM market** has seen an increase in activity, with volumes increasing to **€73.2 billion, a 20% year-on-year**, mainly from IPO and block volume issuances, although the number of deals decreased, by -3% year-on-year. During the fist half of the year, we have seen **the size of the transactions rising compared with the average size of last year.** In H1 2024, the average transaction size reached €109 million, up from €88 million in the same period of 2023, reflecting a 23% growth.

The **improvement in ECM** activity is undoubtedly due to the **reawakening of the IPO market.** During the first half of 2024, **IPO activity amounted to €13.6 billion**, representing a **26% increase** compared to the **total volume raised in 2023**. This is primarily due to a **much larger average IPO size** (€192 million average IPO size in 2024 compared to €61 million in 2023). **Private Equity-backed-companies** made a **comeback in the IPO market**, boosting megadeals. During 1H 2024, **€57 billion** were raised via **Follow-Ons** (FO), **12% more** than during the same period last year. Nonetheless, when one **looks closer on FO deals**, **performances have been mixed**. **Blocks have been very present** during the past 6 months, with companies and sellers taking **advantage** of the **bull equity market and attractive valuations**. Conversely, **right issuances have been scarce**, as companies do **not wish to be exposed to market volatility for a long period of time**. Furthermore, there may be misconceptions as companies perceive that rights issues are associated with corporate trouble, which should not be the case. Lastly, the **convertibles market** has fared the worst, with **only 16 transactions** in the first six months of the year, amounting to **€3.1 billion, a 51% decrease year-on-year**.

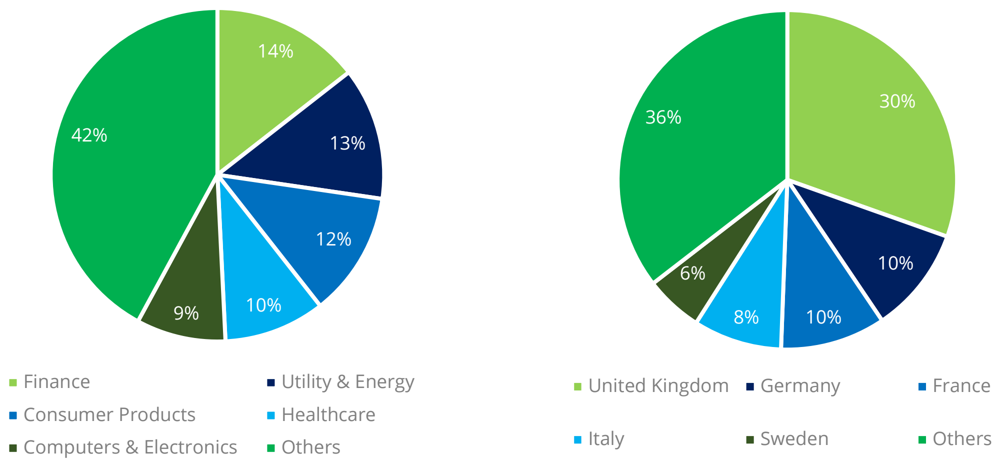
From an industry perspective, the **Finance sector has raised the most capital**, reaching €10.5 billion, **mainly through CVC IPO** (€2.3 bn) and **London Stock Exchange Group blocks** (€1.8 bn and €1.7 bn, respectively). This is followed by the **Utilities and Energy** sector with €9.5 billion, and the **Consumer products** sector in third place with €8.8 billion. Conversely, at the lower end of the scale, the **Insurance** sector raised €131 million, while **Dining & Lodging** and **Aerospace** sectors raised €69 million and €34 million, respectively. In terms of equity raised by country, the **UK once again leads the table with €22.3 billion**, followed by **Germany** with €7.4 billion and **France** with €7.3 billion. **Spain ranks sixth**, with €3.7 billion raised through **only four transactions**: Puig IPO, follow-on offerings from Cellnex and Sacyr and, lastly, the convertible bond issue by PRISA.

Figure 5: European equity issuances since 2020



Source: Dealogic (30/06/2024)

Figure 6: 1H 2024 volume of equity issuances by sector and country



Source: Dealogic (30/06/2024)

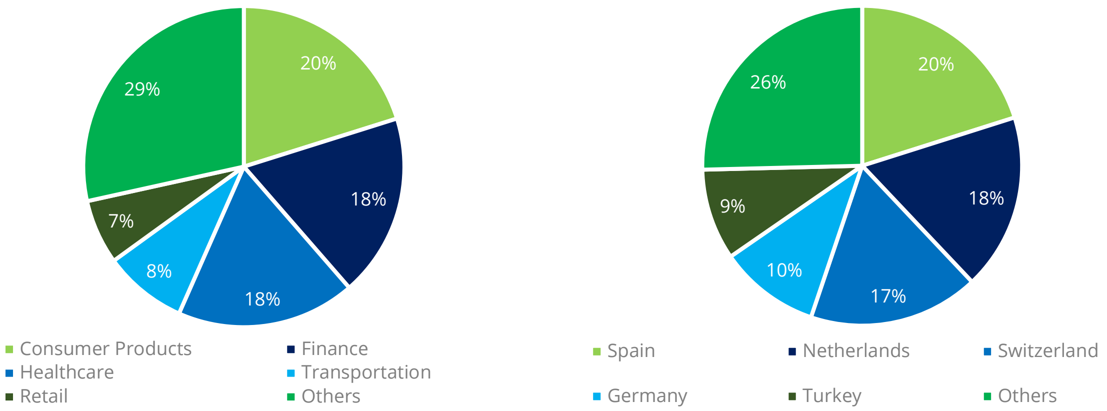
The IPO market has bounced back, with successful and significant deals encouraging others to come to market in the second half of the year and in 2025, building a healthy pipeline

Following a very poor 2023 for IPOs in Europe, the **first half of 2024 experienced a significantly improved level of activity**. While the number of IPOs remained relatively stable, with only six more deals than in the first half of the previous year, **the total volume of transactions increased significantly.**

In the first half of the year the **aggregate size of IPOs in Europe reached €13.6 billion, a 246% increase compared to the same period last year** and a 26% increase compared to 2023 as a whole. The **three most significant IPOs exceeded €2 billion each**: Spanish beauty group, Puig (€2.7 billion), followed by Swiss skincare products maker, Galderma (€2.4 billion) and, lastly, Private Equity CVC (€2.3 billion). In comparison, in the first half of 2023, there was only one **IPO above €500 million**, whereas **in 2024 there were 6 IPOs.**

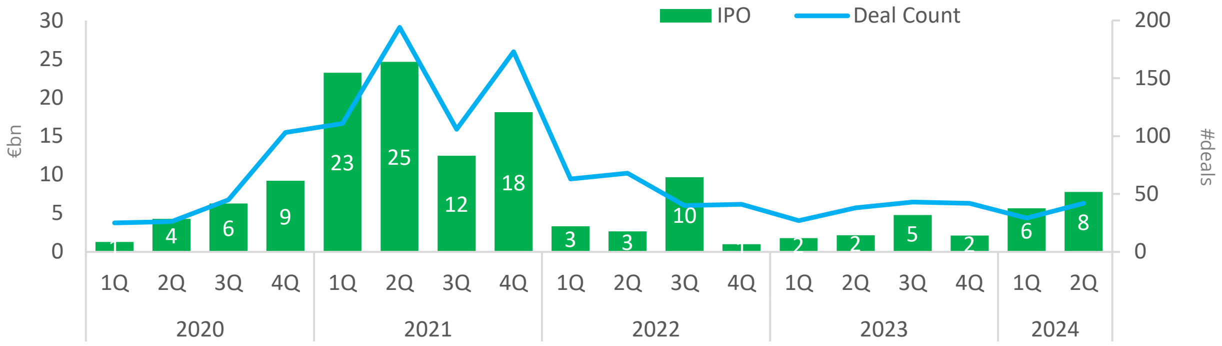
Regarding the most active countries in IPO volume, **Spain ranks first** with €2.7 billion, **Netherland was in second place** with €2.4 billion, followed by **Switzerland** in third place with €2.4 billion. The **UK, which used to lead the rankings, is now in eighth place out of seventeen** with only two IPOs above €50m, Raspeberry Pi and Air Astana, raising €205 million and €330 million, respectively.

Figure 7: 1H 2024 IPOs by sector and equity volume issuances by country



Source: Dealogic (30/06/2024)

Figure 8: European IPOs since 2020



Source: Dealogic (30/06/2024)

Regarding the most active sectors, **companies in the consumer products sector stand out, capturing 26% of the capital raised and amounting to nearly €2.8 billion,** driven by the Puig IPO. The **financial sector ranks second,** led by the **CVC** deal while Galderma IPO was responsible for enabling the **healthcare sector to rank as the third** most active in terms of IPO volume.

The **average IPO size has increased significantly**, reaching €192 million compared to €61 million in 2023 YoY, as investors focus on **big names**, that can show **strong, resilient growth and have a solid track-record**. Furthermore, despite **bullish equity markets**, **investors remain very price sensitive** due to the **uncertainty surrounding markets,** and hence it is common to see a **big valuation gap** between sellers and investors, who are **demanding heftier IPO discounts.**

Regarding the IPO market in **Spain**, the **Main Market has reopened after nearly two years of inactivity with the Puig IPO**. The last IPO that came to market was that of OPDE Energy back in July 2022, raising €200 million. Despite the limited activity in the domestic market over the past few years, the pipeline for 2024 and 2025 includes several notable companies from various sectors. Prominent among them are HBX Group, Cirsa, Tendam and the recently postponed Europastry, with many other rumored to be preparing for an IPO. On the BME growth market, only two companies came to market during 1H 2024, social SOCIMI tuTECHO and growth company NZI HELMETS. Meanwhile the new BME Scaleup market saw four SOCIMIs debuting during the period.

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European IPO Barometer

During the first half of **2024, 32 IPOs were priced above €50 million,** of which 3 were above the €1billion mark of deal value. One country that was very active is Turkey. **Excluding Turkish and Russian** IPOs, **18 IPOs were priced above €50 million in Europe.** This represents a **396% increase** in volume from what we saw back in 1H 2023 from similar transactions.

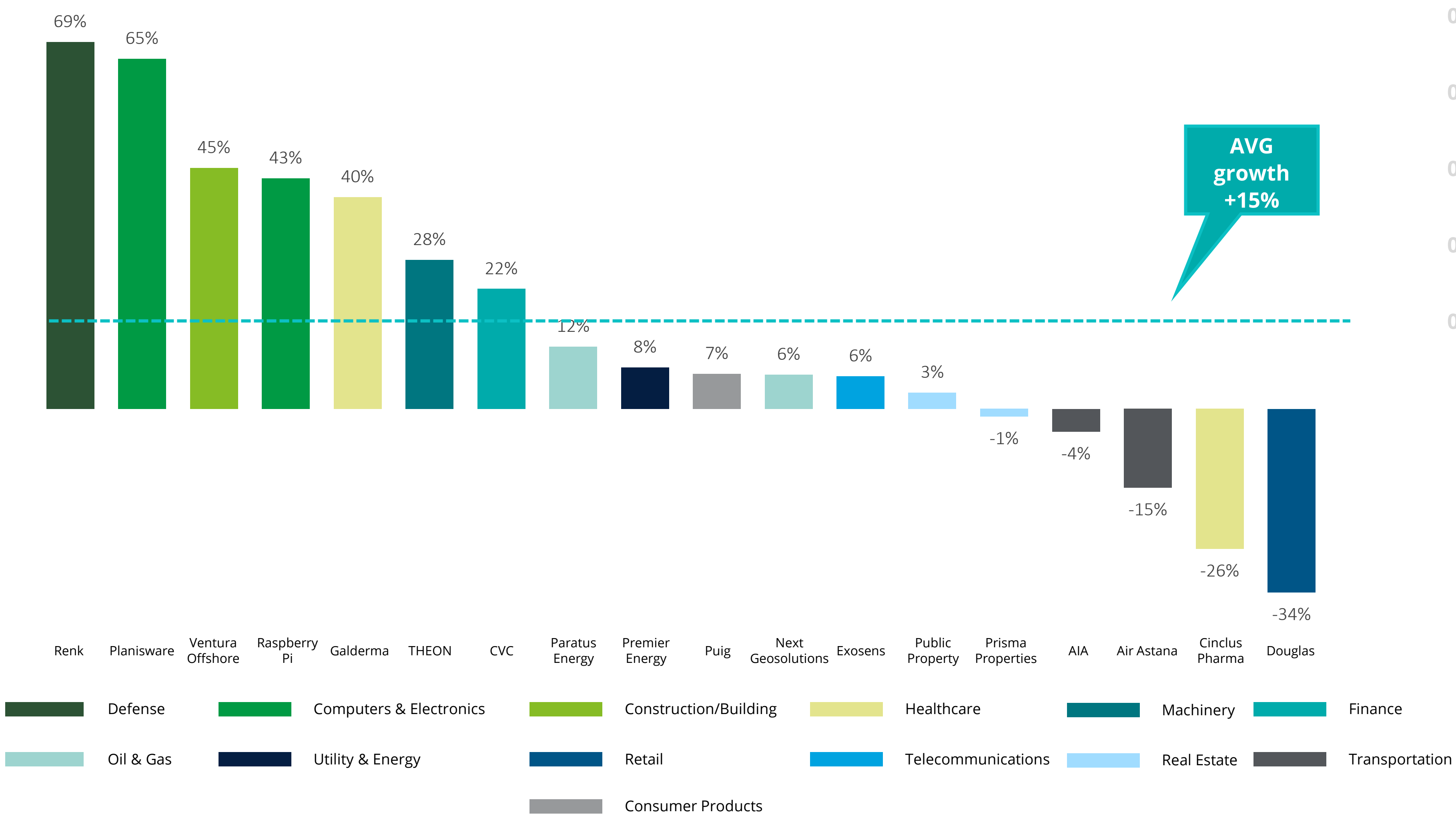
Overall, European IPOs during 1H 2024 had a **very positive performance**, with average growth of **+15.1%** *(above €50 million and excluding Turkish & Russian companies).* **When compared** with the performance of the main European index (**STOXX 600: +6.8%), European IPOs have clearly outperformed,** encouraging other companies to view IPOs as a viable option to raise capital or an exit opportunity. In fact, out of the 18 IPOs priced in Europe above €50 million, only 5 were, as of June 30, trading down.

The best performing IPOs of 2024 are German manufacturer **Renk** (defense sector) and French software provider **Planisware** (tech sector) with a **69% and 65% increase**, respectively.

It is **worth highlighting** that as **investors remain price sensitive, many IPOs** are said to have **applied a significant IPO discount** to ensure the success of the deal and a positive aftermarket performance.

Going forward, it seems that **many companies** are **preparing** for a potential IPO**, building the pipeline for the second half of the year as well as for 2025.** 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 1H 2024



Source: Source: Dealogic (30/06/2024). Data includes all European IPO above €50m, excluding Turkish and Russian IPOs

03 European CFO Survey

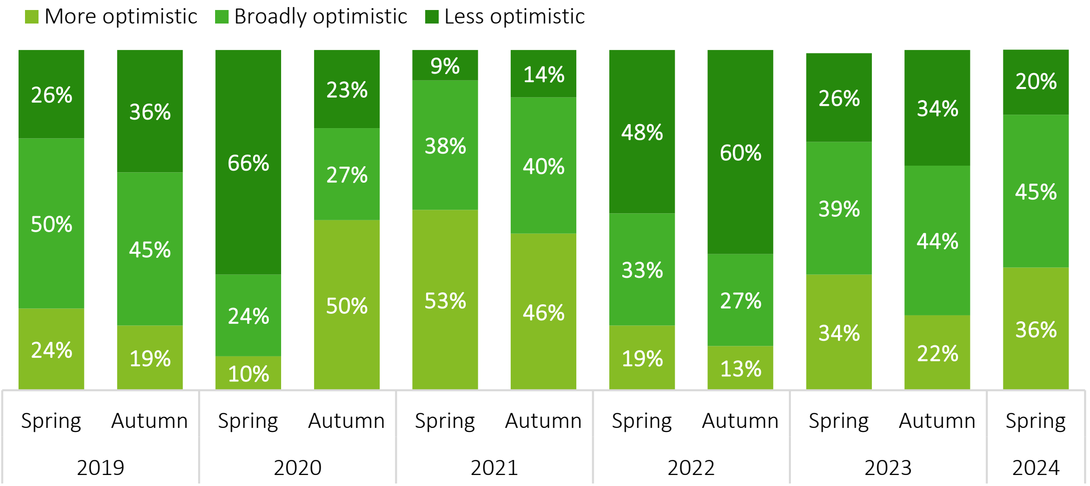
European CFOs embrace optimism and shift focus to growth as economic conditions improve despite geopolitical uncertainty

Despite persistent inflationary pressures, continued restrictive monetary policy, and ongoing geopolitical tensions, **European CFOs are exhibiting greater optimism compared to Autumn 2023.** This **renewed sense of confidence** is driven by the perception that these **challenges are becoming less severe in 2024 than originally anticipated.**

Elevated inflation, even if already easing, **weighed especially on the purchasing power of households and businesses,** and **restrictive monetary policy weakened demand** for goods and services and **increased financing costs** in Europe and many other countries. Meanwhile, **uncertainty** about the economy and geopolitical tensions made both **consumers and businesses hesitant to increase their spending** or investments.

However, the **situation has now shifted significantly**, both from an economic perspective and in terms of business strategies. This survey exhibits **increased CFO confidence** compared to the previous one, as **36% of CFOs are now feeling "more optimistic" about their companies' financial prospects** than they were three to six months earlier (compared to 22% in Autumn 2023).

Figure 10: CFO's financial prospects



Revenue expectations among European CFOs are now more positive than they were in Autumn 2023. CFOs in **Ireland and Spain** currently report the **highest expectations for future revenues.** From a sectorial perspective, **life sciences, financial services, and tourism and travel sectors are now anticipating the highest increases** in revenue.

Additionally, there has been an **improvement in optimism about operating margins**, thanks to the **reduction in inflation rates,** which are expected to continue falling, as well as **lower interest rates**, which subsequently **reduce financing costs**.

As a direct consequence, **companies' strategies have pivoted**. There has been a **180-degree shift in company strategies**, **moving from cost reduction to focusing on the organic growth of the company and its business**. This **shift** in priorities appears to be a **response to improving economic conditions** and highlights an opportunity for businesses to refocus on expansion and growth.

In addition to the improved sentiment among CFOs, their **concerns have also changed**. **From Autumn 2022 to Autumn 2023**, the **economic outlook topped the list of concerns** for European CFOs. However, **as the worst of the downturn is presumably behind us,** it is not surprising that European CFOs no longer list the economic outlook as the main risk to their businesses. **Now, they rate geopolitical risks as the key threat to their businesses over the next 12 months.** Russia's invasion of Ukraine and the renewed conflict in the Middle East are clearly on the minds of CFOs as **they contemplate where to invest and how to secure their supply chains.**

In addition to the geopolitical risks of a military nature, **there are also governmental risks, including elections for the US presidency, the impact of the recent UK general election as well as the second round of the French parliamentary elections, and the continuing US-China rivalry.**

04

Keeping the door open
The rise of Dual Track

The reopening of the IPO market has resurged Dual-Track transactions, as companies are looking to navigate the new market environment to ensure a successful deal

UNCERTAIN MARKETS AS THE FOUNDATION OF THE RESURGENCE

After an exceptional 2021 for European IPOs, **activity significantly declined** during **2022 and 2023**, primarily due to rising inflation, the tightening of monetary policy, geopolitical tensions (notably the wars between Ukraine and Russia and Israel and Hamas), the increase in oil and electricity prices, the risk of economic recession, and market volatility. These **"risk factors" not only impacted IPOs but also influenced M&A transactions**, which have substantially decreased, mainly due to the high cost of financing.

In 2024, we are seeing several of these **risk factors begin to dissipate**, **creating a new window of opportunity for IPOs**. During the first half of the current year, **€13.6 billion were raised** through 71 IPOs**,** representing a **246%** increase compared to the volume raised during 1H 2023. One of the aspects to highlight of this new wave of IPOs, is that the **average size of IPOs has increased significantly** to € 192 million (up 215% compared to the same period in 2023), **reflecting investors' appetite for less risky assets**, as they **welcome large companies with sound financials,** proven growth and profit potential.

Despite the good start of the year, **investors remain cautious and very sensitive to valuation,** resulting in several **postponements or cancellations** of IPOs, such as **Golden Goose, Europastry, Jordanes or Ampere**. **Some** companies that initially postponed their transactions **came back to the market later**, as in the case of **Galderma**, which **after two previous attempts successfully attracted plenty of demand**, boosting its aftermarket performance. **CVC, Renk and Planisware** are further examples that second and third chances do exist, as these companies attempted an IPO but after quoting unfavorable market conditions, chose to look for a better IPO window. **They are all trading favorable following their public debut.**

Due to market sensitivity, **many issuers have opted to increase their chances of a successful deal by keeping their options open and structure their IPOs in a Dual Track format.**

DUAL TRACK POPULARITY

IPO and M&A dual-tracks are **common transactions.** Nonetheless after a period of challenging markets, this type of transactions **is becoming more popular**. Running an IPO and a private sale process simultaneously **complicates the deal-execution** and can incur **higher costs,** but it **offers numerous advantages**, especially in the current environment, where **having optionality is highly valued.** This combined with the creation of **price tension** by driving demand from competing sources of capital **can give the company the best chance of delivering an attractive outcome**. Other benefits may include the **greater clarity** that such a process can bring on a variety of issues such as **valuation** levels, **the amount that can be monetized and** alternatives for the **residual ownership** position.

Over the course of the years there have been **several cases of Dual-Track transactions in Spain**. Some deals ended in an IPO (**Applus, Parques Reunidos**) and others in private sales (**Ono, Cepsa**).

More recently we have seen IPOs of **Ithaca Energy, and Italian Design Brands**, as well as the M&A transactions of **Gruppo Florence, Essentra and Best in Parking**, reflecting the reality of this new trend, as they were all run at some point in the transaction as Dual-Tracks.

The trend is **very present in Private Equity transactions**, which, due to economic and corporate market conditions, might opt to retain their assets for a longer period, with global **PE AUMs at historic highs (>$5 trillion).** Of the six largest European IPOs, four were backed by Private Equity - **Renk, Douglas, CVC,** and **Galderma**. Down the pipeline, PE-backed firms such as **Stada Arzneimittel, HBX Group, Froneri, Techem and Italcer** are said to be undergoing a dual track process.

Other companies also said to be preparing a transaction under a Dual-Track format include **Banca Progetto, CatalystOne, Novedo, Transcom Worldwide, Metenova, 2i Rete Gas and Enilive.** Only time will tell which way they choose, but **it is clear that issuers are keeping the doors open to the best possible outcome.**

05 How Deloitte can support you on Dual-Track transactions

Deloitte's practical support and advice to help companies navigate through a complex transaction to ensure the best outcome for their shareholders

Deloitte has put together a **multidisciplinary team** led by M&A and IPO **experts** to help clients navigate these type of transactions and take full advantage of the synergies between the two tracks. **We advise and provide practical support** from the side of the company and its shareholders to **protect their interests**, **reduce transaction risk, coordinate all the parties and workstreams, ultimately easing the burden on management**. We can act in each of the **three distinct phases** of the dual track process:

Pre-Deal
1-2 years before

Goal: Provide integral support, anticipate deal-breakers, minimize duplications, and generate process synergies

- **Strategic analysis:** Understand objectives, preliminary **valuation** and definition of **the most appropriate exit strategy**
- **Company Readiness:** Strengthening capabilities and closing gaps to **prepare the company for the deal**
- **Dual-Track Design:** Defining the deal **Roadmap** and **preparing common data-sets and documentation**

Deal
6-10 months before

Goal: Create competitive tension, maximize value, and optimize the probability of success for the transaction. *Deloitte will coordinate the entire process and all parties involved, though other specific tasks will depend on the track*

IPO

Deloitte will advise and support shareholders on key execution aspects such as, syndicate selection, financial information and marketing documentation (including Prospectus). And although banks will lead the execution, we will act as a second opinion on key aspects of the deal avoiding exclusive dependence on them and enriching decision-making.

Dual-track: *Go-to-Market* → *Market approach* → *Value & Deal case* → *Sell or float* → *Deal*

M&A

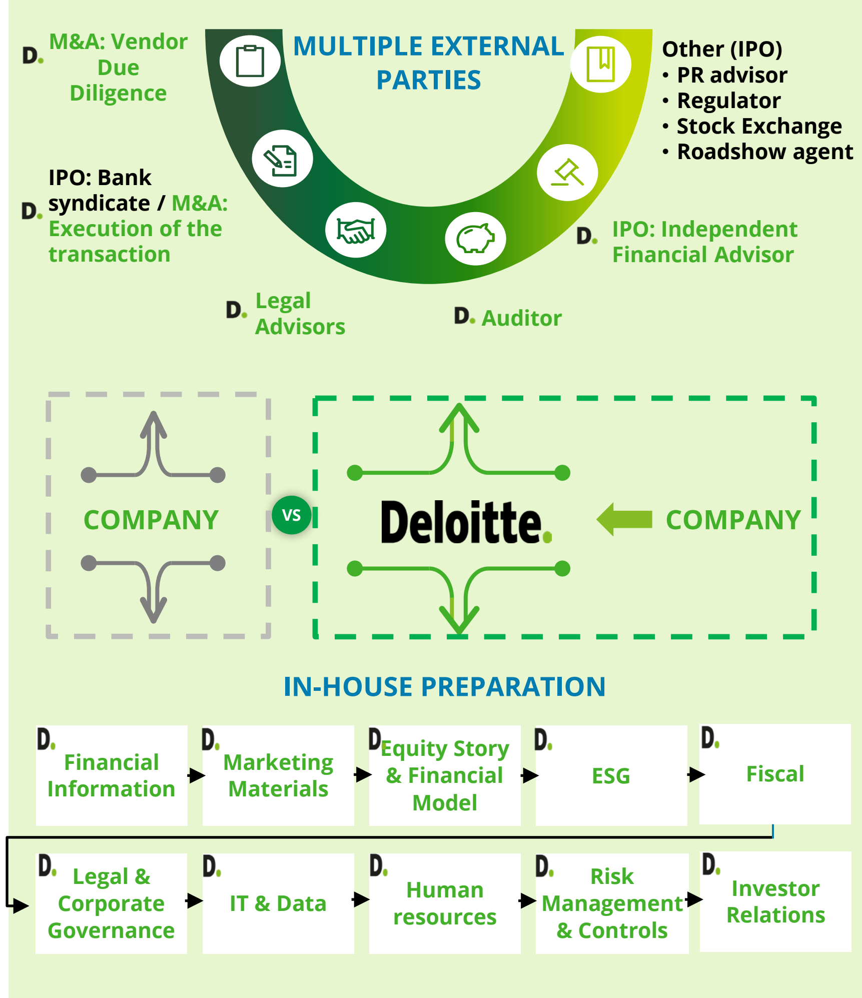
Deloitte **will lead the execution of the process and provide integral** corporate finance, debt advisory, DD, tax and legal support along the M&A track.

Post-Deal
1-2 years later

Goal: Ensure the company successfully executes its business plan and meets investors' expectations while enhancing value

- **M&A post-deal requirements:** Resolve contingencies post-process including SPA/SHA clause management
- **Reporting as a listed company:** Assist the company to ensure full compliance with reporting requirements, incl. Financial reporting, ICFR system implementation, IR and ESG support
- **Business Plan (BP) execution:** Ensure successful BP' execution incl. 100-day.plan, synergy capture plan, M&A growth…

HOW CAN DELOITTE HELP IN A DUAL-TRACK?



D. Roles/Workstreams where Deloitte could lead/assist

06 Impact of interest rates and economic growth on Spanish IPOs

Three distinct phases in the Spanish IPO market since 2000 marked by interest rate level and GDP growth

During an IPO, companies must **monitor market conditions** to ensure a successful transaction. Several indicators are considered; from a **microeconomic perspective**, companies pay close attention to **market volatility, peer valuations, and competing deals**. In addition, companies look at **macroeconomic data**, such as **GDP growth rates and interest rates.**

In view of the fact that we are at a **turning point transitioning to a rate-cutting cycle,** the **question arises as to whether** there is a discernible **correlation** between the **frequency of IPOs and** the prevailing levels of **interest rates**, **as well as** the **expansion or contraction of GDP,** which could provide valuable insights into the factors influencing IPO activity. Focusing on the **Spanish IPO market**, we can identify **three distinct phases** since 2000 that occurred under different macroeconomic scenarios.

First Phase: 1999-2000

The **first phase** took place in **2000**, during the dot-com bubble, a speculative cycle between 1997 and 2001 in which internet-related companies experienced significant growth. During this period, more than **€5,100 million were raised**, with notable IPOs including **Telefonica Moviles** (€3,300 million) and **Prisa** (€909 million), among others. Several factors explain the high level of IPO activity during this period. The most obvious was the **momentum** created by the speculative **dot-com bubble.** Secondly, the **Spanish economy was in an expansionary phase**, with an average YoY growth rate of 5.3%, which **encouraged** companies to **expand their businesses both organically and inorganically**. Finally, as in the case of GDP growth, **interest rates were also quite high,** averaging 4.3%, which has **two consequences.** The first, negative, is that high interest rates significantly **reduce companies' valuation levels** due to a higher discount rate on future cash flows. In addition, high interest rates **may encourage some IPOs** as companies may view **equity as a cheaper source of financing compared to debt**.

Second Phase: 2006-2007

The second phase occurred between 2006 and 2007. During this phase, **20 companies went public (10 each year), raising over €3,000 million in 2006 and a record of nearly €11,000 million in 2007**. **Iberdrola Renovables** (€4.5 billion), **Criteria Caixa** (€3.8 billion) and **Realia** (€783 million) were the most **significant IPOs** of the time. The macroeconomic context was very similar to the previous one, with average **GDP of 3.9% and similarly high interest rates (3.4%).**

As in the previous phase, during the years 2006 and 2007, there was **also "industry momentum"** that **fostered the IPOs** of companies in the **renewable energy and real estate sectors until the 2008 financial crisis hit the EU** due to the collapse of the real estate sector caused by CDOs and Sub Prime mortgages.

Third Phase: 2014-2017

Lastly, the most recent phase of IPOs in Spain occurred between 2014 and 2017, during which **almost €20 billion were raised through 20 IPOs**. This time, the **macroeconomic context was different**, as **interest rates** were around **0%**, while the average **YoY GDP growth rate was around 2.7%.** In this case, the **main reason explaining** the **success of the IPOs** was the **scarcity of transactions since the 2008 crisis.** Between **2008 and 2013**, a **bottleneck** of companies was created that were **waiting for a good market window** to go public, which did not come due to the **complex macroeconomic** context at that time, with an **average negative GDP growth rate** of **-1.3%.** When the **Spanish economy** began to show **signs of recovery in 2014,** many of the companies that had not yet been able to **go public** finally did.

Current environment

The **current IPO landscape** shares certain **characteristics with the aforementioned scenario.** On the one hand, we **come from a complex macroeconomic scenario**, with increasingly restrictive interest rate policies and uncertainty regarding inflation trends and, consequently, monetary policy. On the other hand, the **global geopolitical environment has also posed serious problems for companies wishing to go public**. Currently, with the first interest rate cut by the ECB and upward revisions of GDP for OECD countries, it **seems that Spanish companies will finally have the opportunity to formalize their IPOs.**

It is worth noting that, **unlike the previously** mentioned **phases**, there is **currently no well-defined "sectorial momentum"**. Spanish companies in the **pipeline** for IPOs come from **diverse sectors**, such as **tourism & leisure, food & beverages, retail and industrial**.

07 Deloitte Equity Capital Markets

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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 / Exit Readiness

- Help companies prepare for an IPO/Dual-Track transaction
- Readiness assessment with a key findings report identifying deficiencies that may delay or prohibit a transaction
- Scope covers financial, commercial and organisational areas
- Design remediation plan to address shortcomings prior to the project's 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 & Dual-Track 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

Dual-Track and Public Company M&A

- Advise shareholders and management in the preparation and execution of Dual-Track transactions
- Act as a lead adviser on the buy-side or sell-side of a deal
- P2Ps, public offerings, hostile takeovers
- Advice on corporate restructurings and demergers
- Support and advice on preparing bid defense procedures

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