

IPO Watch Europe

Q3 2023

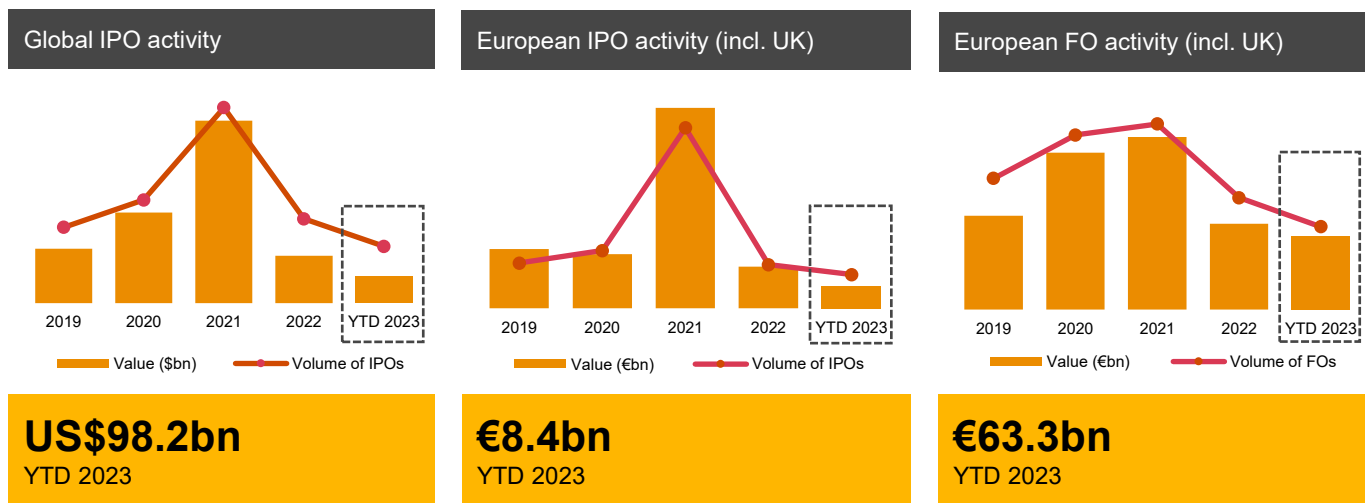


Q3 2023 IPO Watch Europe



This quarter felt more positive, with a degree of excitement around IPOs again, particularly in the US, where we have seen three large tech companies going public and a general uptick in IPO filings. In Europe, the number and proceeds raised from IPOs continued to rise over the last three quarters, but overall activity remains subdued. Pricing of recent IPOs points to a narrowing of the valuation expectations gap between investors and issuers, but focus remains on the aftermarket performance. Looking ahead, investor appetite for IPOs will be heavily dependent on the stability of the global macroeconomic environment and clarity on interest rates, as well as a track record of positive post-IPO performance.

Kat Kravtsov
Director, UK Capital Markets



US\$98.2bn
YTD 2023

€8.4bn
YTD 2023

€63.3bn
YTD 2023

For the third consecutive quarter of 2023, the European IPO market has seen subdued IPO activity. However, there has been an uplift in Q3 volume and proceeds (see Figure 5) compared to Q1 and Q2, with the notable IPOs of Hidroelectrica raising €1,884m in Romania, Thyssenkrupp Nucera raising €605m in Germany, and Schott Pharma raising €813m in Germany. There are also a number of IPOs in Europe that are expected to price in October. The European follow-on market has performed well, with volume and proceeds for 2023 YTD exceeding the same point in 2022, signalling investor support for quality companies, being a good precursor to the recovery of the IPO market.

In a global context, the US IPO market has shown some signs of recovery and increased investor appetite for IPOs, as illustrated by the landmark Arm IPO raising US\$5.2bn, and Instacart IPO raising US\$660m. Mainland China continued to lead the global IPO market, contributing just under 35% of the third quarter's overall IPO proceeds. IPO activity in the Middle East remained robust, with privatisation drive helping to build a strong IPO pipeline.

European equities continue to trade in positive territory YTD, although in Q3, with the exception of the FTSE 100, stocks declined as investors grew wary over the health of China's economy and European central banks signalling that interest rates may remain higher for longer. There was, however, cautious optimism following the announcement in September that the Eurozone's inflation fell to a two-year low. Investors will hope this will lead to an end in rate rises. Volatility remained at normalised levels, providing a supportive environment for new issuance activity.

Top 5 European IPOs in Q3 2023

Hidroelectrica Utility & Energy €1,884m Bucharest Stock Exchange	SCHOTT Pharma Healthcare €813m Deutsche Börse	Thyssenkrupp Nucera Machinery €605m Deutsche Börse	CAB Payments Finance €341m London Stock Exchange	Enerya Enerji Utility & Energy €117m Borsa Istanbul
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Equity market performance and volatility

After European and US blue-chip indices enjoyed a strong H1 2023, equity markets softened towards the end of Q3, with the exception of the FTSE 100. The decline towards the end of the quarter was driven by concerns about the health of the Chinese economy and central banks signalling borrowing costs were to remain elevated for longer. The FTSE 100 rose towards the end of the quarter supported by an increase in oil prices, following production cuts by the world's largest exporters. Higher oil prices reignited concerns over global inflation. Volatility continued to trade around normalised levels in Q3, supporting strong liquidity in the secondary markets as follow-on issuance continued to gain momentum with several significant €1bn+ offerings pricing in Europe.

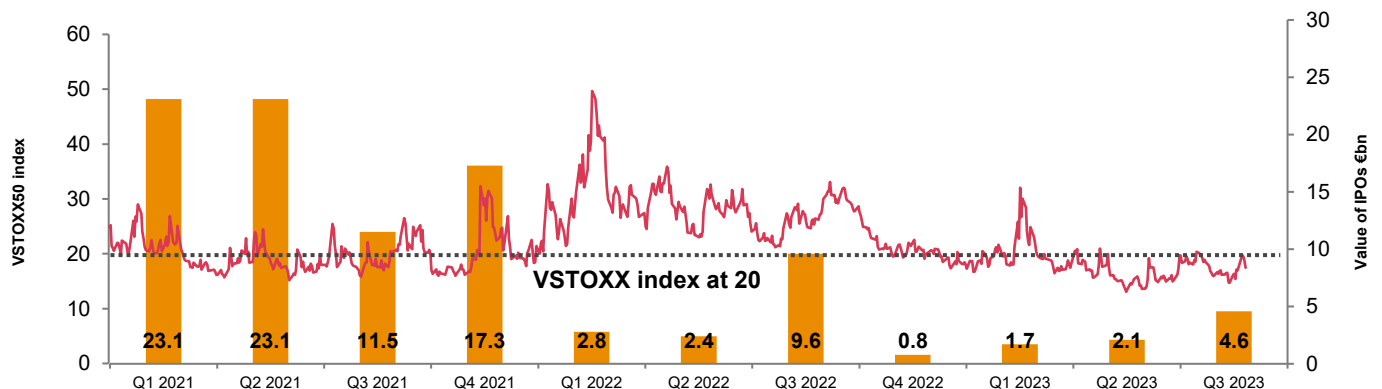
Figure 3: Historical performance of major market indices since January 2022



Whilst IPO activity picked up marginally in Q3 compared to Q2, activity remains well below the highs of 2021, despite secondary markets indicating there is ample liquidity ready to be deployed into public markets. Going into the final quarter of 2023, we don't expect IPO activity to pick up significantly as investors continue to wait for the macroeconomic environment to stabilise. For IPO markets to recover in 2024, further work needs to be done on narrowing the valuation gap between investors and shareholders as we have begun to see in the US with shareholders accepting lower IPO valuations compared with the previous funding round.

Richard Spilsbury
Partner, UK Capital Markets

Figure 4: Volatility tracked against European IPO values

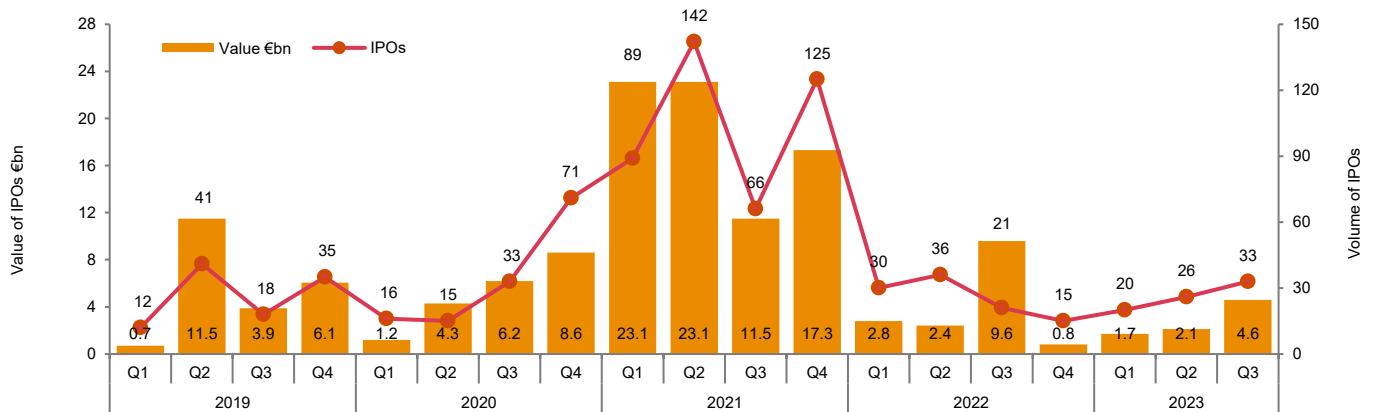


Source: S&P Global Market Intelligence LLC 29 September 2023

European IPO and follow-on trends

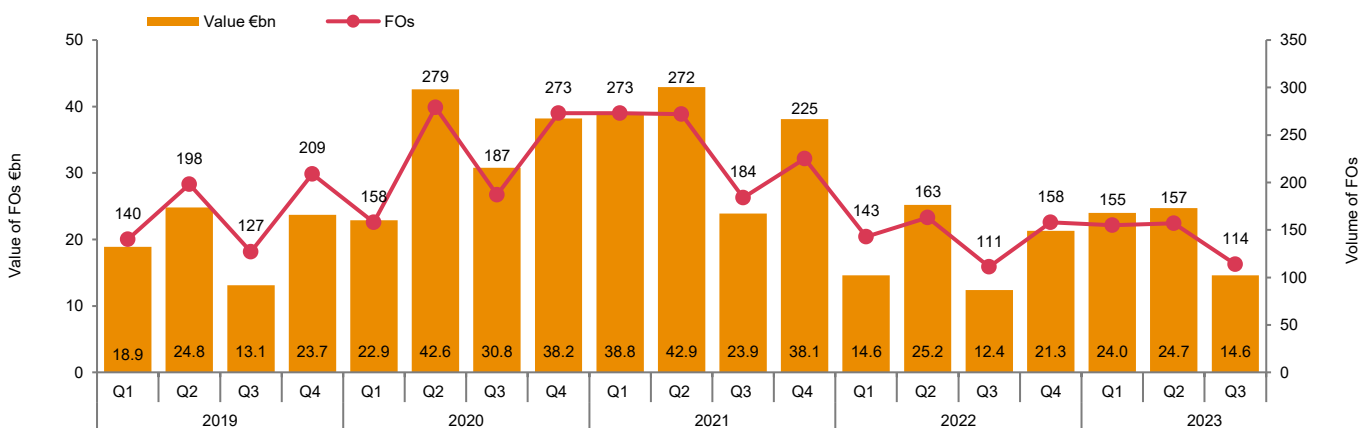
Whilst overall IPO issuance in Europe this quarter remained subdued, there has been an uplift in IPO activity with some notable transactions, such as the €813m IPO of Schott Pharma, the €605m IPO of Thyssenkrupp Nucera, and the €1,884m IPO of Hidroelectrica. In contrast to Q3 2022, the number of IPOs was higher this quarter, however, proceeds were lower by c.€5bn, primarily due to the c. €9bn IPO of Porsche that priced in Q3 2022. Despite the continuation of overall global macroeconomic and geopolitical uncertainty, which remains a key reason for the soft IPO market, momentum started to gather for IPOs later in the quarter, particularly in Germany, where Schott Pharma priced at the top end of the range at €27 per share. The market will closely observe post-IPO performance in the hope that positive after-market performance will enhance appetite for IPOs. As we go into 2024, issuers will continue to spend more time preparing for their potential listings, focusing on areas such as embedding ESG strategy, enhancing the risk and controls environment, and improving corporate governance, before deciding when and where to list.

Figure 5: Quarterly European IPO activity since 2019



European equities have largely performed in line with the US equities this year, however, macroeconomic factors continue to weigh on outlook, particularly as the labour market remains tight and lending growth is restricted by strict monetary policy resulting in rate rises. Slowing growth in China is another challenge for the European economy as it is an important export market for industrial and luxury goods. In the UK, persistently high inflation has forced the Bank of England to consider keeping interest rates higher for longer, putting pressure on economic growth and household finances. All of these factors are driving uncertainty for the European and UK equity markets, potentially pushing the anticipated revival of IPO activity further into 2024.

Figure 6: Quarterly European further offers activity since 2019



The follow-on equity issuance market showed resilience during this quarter in Europe, with robust volumes and relatively tight discounts signalling continued investor appetite for quality companies. Q3 2023 saw proceeds increase by €2.2bn (18%) in comparison to Q3 2022. The UK has been the most active market for secondary issuance this year in Europe, with the London Stock Exchange being the leading exchange for follow-on transactions by both number of transactions and proceeds raised. One of the contributing factors was a number of LSEG sell downs this year, which totalled to over €7.9bn in proceeds. Other significant transactions this quarter were the €1,235m Coloplast and the €1,125m Argenx follow-on offerings, both placed via accelerated bookbuilds.

Global money raised via IPOs

In a global context, the US economy has shown resilience over the last year with the US IPO market also starting to thaw. In September, three large technology companies went public in the US, including the US\$5.2bn IPO of Arm on Nasdaq. Looking ahead, IPO market recovery could be dependent on how well these large IPOs perform in the medium term. Mainland China also continued to dominate IPO activity in Q3 accounting for almost 35% of global IPO issuance. Activity in the Middle East remained robust, with the privatisation drive helping to build a strong IPO pipeline. Global IPO activity in Q3 2023 totalled US\$33.8bn, from 284 IPOs, compared to US\$46.6bn, from 291 IPOs in Q3 2022. Continued stabilisation of the macroeconomic environment will support the IPO markets recovering through 2024, however, with the remaining uncertainties, this is more likely to be measured and perhaps weighted more towards later in 2024.

Figure 7: Global money raised via IPOs (5-year overview)

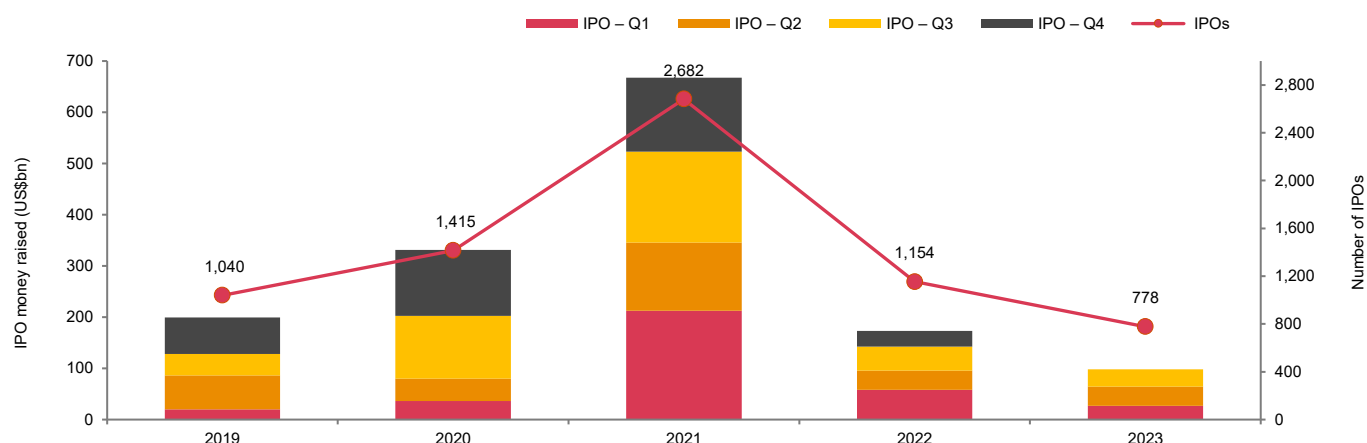












Figure 8: Top ten largest global IPOs YTD 2023

Pricing date	Issuer name	Issuer country	Sector	Exchange	Money raised
13-Sep-23	Arm Holdings		Computers & Electronics	Nasdaq	US\$5.2bn
3-May-23	Kenvue		Consumer Products	NYSE	US\$4.4bn
3-Mar-23	ADNOC Gas		Oil & Gas	Abu Dhabi Securities Exchange	US\$2.5bn
5-Jul-23	Hidroelectrica		Utility & Energy	Bucharest Stock Exchange	US\$2.0bn
19-Apr-23	Nextchip Semiconductor		Computers & Electronics	Sci-Tech Innovation Board (STAR Market)	US\$1.9bn
25-Apr-23	SMEC		Computers & Electronics	Sci-Tech Innovation Board (STAR Market)	US\$1.8bn
20-Sep-23	Ades Holding		Oil & Gas	Saudi Stock Exchange	US\$1.2bn
28-Mar-23	Shaanxi Energy Investment		Utility & Energy	Shenzhen Stock Exchange	US\$1.0bn
7-Jul-23	Baimtec Material		Aerospace	Sci-Tech Innovation Board (STAR Market)	US\$1.0bn
30-May-23	CSI Solar		Computers & Electronics	Sci-Tech Innovation Board (STAR Market)	US\$1.0bn

Appendix: European IPOs over €30m YTD 2023

Appendix 1: European IPOs

IPO date	Issuer	IPO size (€m)	Stock Exchange	Sector
05-Jul-23	Hydroelectrica SA	1,884	Bucharest	Utility & Energy
27-Sep-23	SCHOTT Pharma AG & Co KGaA	813	Deutsche Börse	Healthcare
05-Jul-23	Thyssenkrupp Nucera AG & Co KGaA	605	Deutsche Börse	Machinery
28-Apr-23	Lottomatica Group SpA	600	Borsa Italiana	Leisure & Recreation
17-May-23	Admiral Acquisition Ltd	507	London Stock Exchange	Finance
08-Feb-23	EuroGroup Laminations SPA	409	Borsa Italiana	Computers & Electronics
07-Feb-23	IONOS Group SE	389	Deutsche Börse	Computers & Electronics
06-Jul-23	CAB Payments Holdings plc	341	London Stock Exchange	Finance
22-Feb-23	Seacrest Petroleo Bermuda Ltd	220	Oslo Børs	Oil & Gas
13-Mar-23	Akfen Yenilenebilir Enerji AS	164	Borsa Istanbul	Utility & Energy
02-May-23	CW Enerji Muhendislik Ticaret ve Sanayi AS	152	Borsa Istanbul	Computers & Electronics
15-May-23	Bien Seramik	145	Borsa Istanbul	Construction/Building
16-Jan-23	Astor Enerji AS	129	Borsa Istanbul	Computers & Electronics
17-Aug-23	Enerya Enerji AS	117	Borsa Istanbul	Utility & Energy
17-Apr-23	Europower Enerji Ve Otomasyon Teknolojileri Sanayi Ticaret AS	115	Borsa Istanbul	Computers & Electronics
24-Jul-23	Kaleseramik Canakkale Kalebodur Seramik Sanayi AS	91	Borsa Istanbul	Consumer Products
11-Aug-23	Izdemir Enerji Elektrik Uretim AS	88	Borsa Istanbul	Utility & Energy
15-May-23	Kayseri Seker Fabrikasi	81	Borsa Istanbul	Food & Beverage
15-May-23	Italian Design Brands SpA	80	Borsa Italiana	Consumer Products
30-Mar-23	Gubra A/S	73	Nasdaq Nordic Copenhagen	Healthcare
31-Jul-23	Asce Gayrimenkul Yatirim Ortakligi AS	70	Borsa Istanbul	Real Estate/Property
18-Sep-23	Reeder Teknoloji Sanayi ve Ticaret AS	69	Borsa Istanbul	Computers & Electronics
23-Feb-23	Dar Global plc	68	London Stock Exchange	Real Estate/Property
04-Sep-23	Ebebek Magazacilik AS	64	Borsa Istanbul	Computers & Electronics
18-Sep-23	Adra Gayrimenkul Yatirim Ortakligi AS	58	Borsa Istanbul	Real Estate/Property
14-Aug-23	Tatlipinar Enerji Uretim AS	53	Borsa Istanbul	Utility & Energy
10-Apr-23	Koza Polyester Sanayi Ve Tic AS	52	Borsa Istanbul	Chemicals
20-Jun-23	DOF Group ASA	48	Oslo Børs	Transportation
21-Mar-23	Eksun Gida Tarim Sanayi Ve Ticaret AS	48	Borsa Istanbul	Food & Beverage
06-Mar-23	Goknur Gida Maddeleri Enerji Imalat Ithalat Ihracat Ticaret ve Sanayi AS	43	Borsa Istanbul	Food & Beverage
10-Apr-23	CVK Maden Isletmeleri Sanayi ve Ticaret AS	42	Borsa Istanbul	Mining
08-May-23	Buyuk Seferler Gida Turizm Tekstil Danismanlik Organizasyon Egitim Sanaye ve Ticaret AS	39	Borsa Istanbul	Dining & Lodging
23-Jul-23	Atakey Patates Gida Sanaye ve Ticaret AS	37	Borsa Istanbul	Food & Beverage
24-Aug-23	KuzuGrup Gayrimenkul Yatirim Ortakligi AS	36	Borsa Istanbul	Real Estate/Property
18-Sep-23	Hat-San Gemi Insaat Bakim Onarim Deniz Nakliyat San ve Tic AS	35	Borsa Istanbul	Transportation
28-Apr-23	Ashoka WhiteOak Emerging Markets Trust plc	35	London Stock Exchange	Finance
09-Jun-23	A1 Capital Yatirim Menkul Degerler AS	35	Borsa Istanbul	Finance
08-Jun-23	Pasifik Eurasia Lojistik Dis Ticaret AS	34	Borsa Istanbul	Transportation
08-Jun-23	Katilimevim Tasarruf Finansman AS	32	Borsa Istanbul	Finance

About IPO Watch Europe

Executing a successful IPO is typically the culmination of a complex process, whatever market you list on. From strategy, accounting, reporting, financial systems, governance, adviser selection, marketing process, media and investor relations, to treasury and financial risk management, legal, tax, HR, technology – every piece of the puzzle must be in place and connected before you proceed.

Planning and good preparation are crucial to a successful IPO, regardless of the market or stock exchange. PwC's dedicated team of capital markets professionals is here to help and make the task at hand an easier experience for you. We have deep experience and knowledge of the rules and regulations governing all major capital markets – and a successful history of working on both international and domestic IPOs.

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About IPO Watch Europe

IPO Watch Europe reports on all new primary market equity IPOs on Europe's Principal stock markets and market segments (including exchanges in Austria, Belgium, Bulgaria, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey and the UK) on a quarterly basis. Movements between markets on the same exchange are excluded.

The data in this report is based on data extracted from Dealogic on 2 October 2023 and based on their pricing date between 1 January and 29 September 2023 and includes greenshoe (if exercised). Only transactions with a minimum of US\$5 million money raised have been included, the data excludes PIPOs and transactions on Over-The-Counter exchanges. In case IPOs take place on two or more exchanges, the full amount of money raised is attributed to all exchanges. Industry classification is based on Dealogic General Industry Group (GIG).

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Basis of preparation for global IPO watch

Global IPO Watch analyses IPO and FO trends on a quarterly basis, both at a global and regional level. Its is based on data extracted from Dealogic, whereby only transactions with a minimum of US\$5 million raised have been included. Transaction proceeds include the overallotment option (if exercised). The data excluded PIPOs and transactions on Over-The-Counter exchanges. In case IPOs or FOs take place on two or more exchanges, the full amount of money raised is attributed to all exchanges. If a transaction is executed in two or more regions, the money raised is also attributed to all regions. Industry classification is based on Dealogic classifications.

Contacts



Richard Spilsbury

Partner, UK Capital Markets

M: +44 (0)7703 503562

E: richard.j.spilsbury@pwc.com



Kat Kravtsov

Director, UK Capital Markets

M: +44 (0)7710 036613

E: kat.kravtsov@pwc.com

