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European Equity Capital Markets

## **Building on Recovery**

European Equity Capital Markets Update - Spain edition | Winter 2024-2025

STRATEGY, RISK & **TRANSACTIONS**

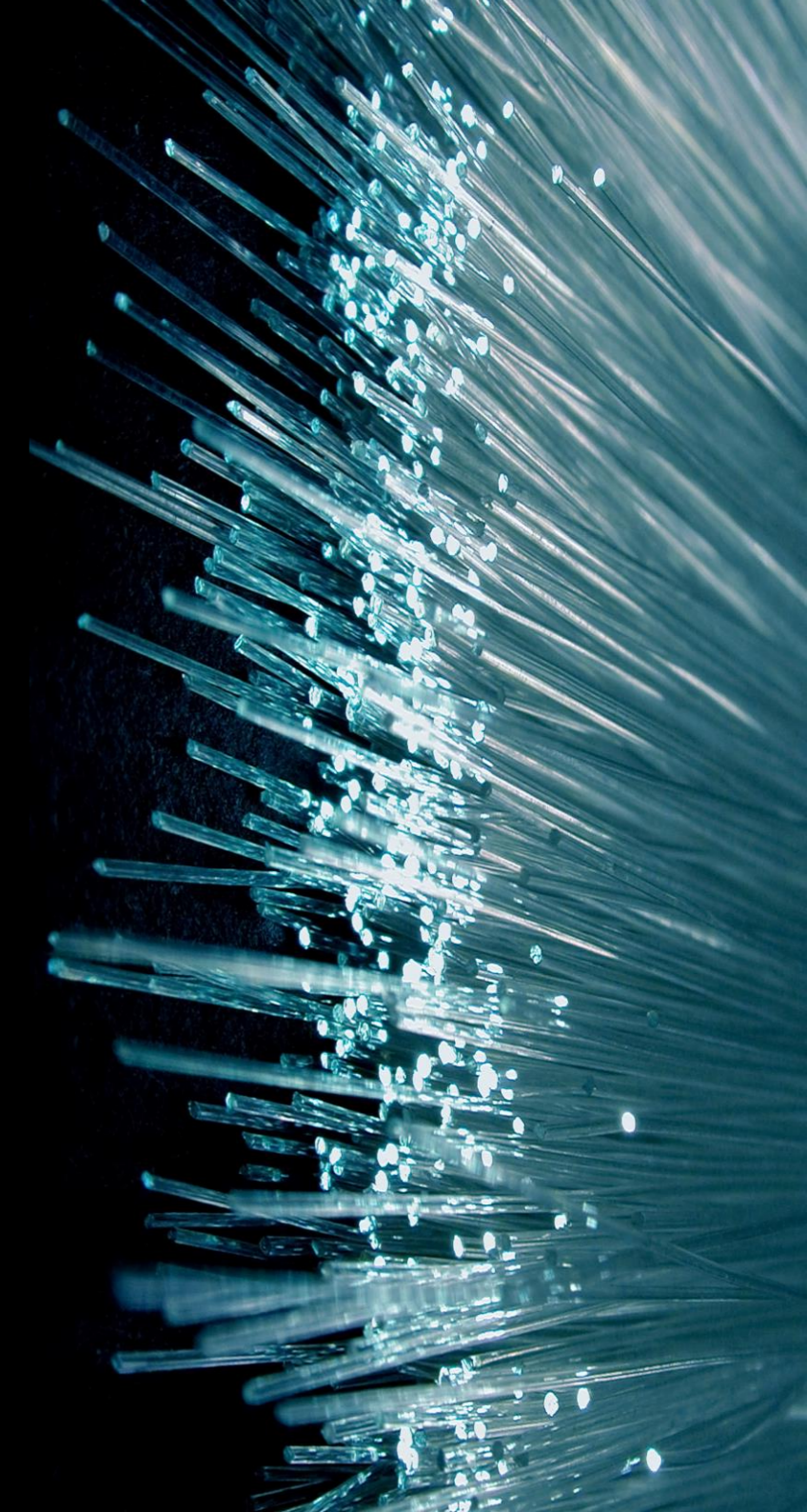
# Building on Recovery in 2024

This European Equity Capital Markets update provides insights into recent performance trends in European and Spanish stock markets, the levels of European equity market issuance, and relevant macroeconomic factors. It also includes key topics such as “Current Dynamics of a Transforming European IPO Market”, “How IPO Marketing Has Adapted over Time”, “EU's New Listing Act: Simplifying Access to Public Markets” and our “European CFO Survey”.



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# ECM growth accelerates, backed by improving macro trends and an equity rally



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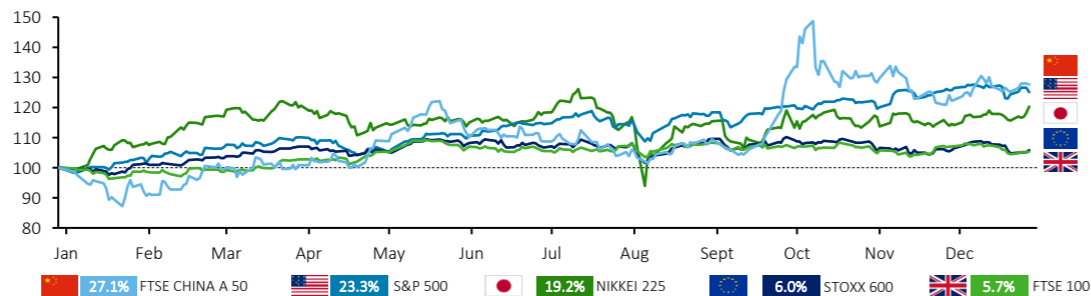
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This European ECM update includes an **analysis of the performance of the major global indices** and the factors that have influenced and shaped this performance. We will explore the market implications of **(i) the pace of rates cuts** by major central banks; **(ii) inflation levels**; **(iii) the impact of the United States elections outcome on the stock market**; **(iv) economic growth prospects**; and **(v) increasing geopolitical tensions**. In this report, we delve deeper into several **hot topics** such as “Current dynamics of a transforming European IPO market”, “How IPO marketing has adapted over time”, “EU’s New Listing Act: simplifying access to public markets” and Deloitte’s latest “European CFO Survey”.

**Building on the historic highs** achieved at the end of 2023, the **main global indices continued to set and surpass record levels throughout 2024**. As of 31 December, returns on major international indices ranged from -2% to 27%, with **most posting strong double-digit gains** and all closing in positive territory, except for the CAC 40. Although **fears of stagflation** or a hard economic landing gradually **eased** over the course of the year, **investors maintained a sharp focus on central banks’ interest rate decisions, inflation trends, and economic growth**.

The European Central Bank (ECB) **led the rate-cutting cycle in June with four cuts**, to 3% by year-end (150 bps in total). The Federal Reserve (Fed) **followed suit later, in September, implementing three rate cuts** that lowered rates by 100 bps to the 4.25%-4.5% range. **Looking ahead to 2025**, the Fed predicts 2 rate cuts, roughly half the policy easing in 2025 than the 100 basis points policymakers had projected in September.

**Figure 1: Performance of global indices in 2024**



Source: International Monetary Fund, Refinitiv Workspace and Dealogic (31/12/2024)

This **more cautious outlook** is driven by the **robust performance of the US economy** and **concerns over sticky inflation during the last quarter of the year**. These factors suggest that the Fed may be less inclined to aggressively lower rates in 2025. In contrast, the European Central Bank is expected to pursue a more decisive easing cycle. Economists anticipate the ECB could implement rate cuts totaling 100 basis points next year, bringing rates closer to 2%.

Despite the slight uptick during the last quarter of the year, inflation has continued its positive trend, nearing the 2% target. In the US, inflation declined to 2.9% by the close of 2024, while in Europe, it edged down to 2.4%. Regarding economic growth, the primary concern of stagflation has so far been avoided. In the US, where **economic growth is expected to be at 2.8% in 2024 according to the International Monetary Fund (IMF), significantly surpassing the 1.5% projection set in 2023**. Meanwhile, the European economy is expected to grow at a slower pace of 1.7%, above the 1.5% expected. Growth is expected to be uneven across the eurozone, with Spain as one of the leading countries, while Germany and The Netherlands are expected to post weak performances.

Regarding **ECM issuance**, the strong performance of global indices and macro trends influenced market activity. Approximately **€116 billion were raised through 1,261 transactions during the year**, reflecting a 10% YoY increase in the amount raised. Despite **weaker activity in the second half of the year due to market volatility, IPO activity kept up its steady recovery, with a 65% YoY surge in the volume raised**, reaching almost €18 billion, while the average IPO size **increased by 86% YoY**, highlighting a growing investor preference for larger, higher-profile deals. **Follow-on activity saw more subdued growth in transaction value compared to IPOs, with a moderate 12% YoY increase. Blocks were a prominent feature**, with companies and sellers **taking advantage of favorable equity market conditions and high valuations**. Meanwhile, **rights issuances remained limited**, as companies sought to **minimize prolonged exposure to market volatility**. The IPO pipeline for 2025 remains strong and continues to build up, reinforced by the postponement of several transactions during the second half of the year.

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

01

FY 2024

EQUITY MARKET PERFORMANCE

# European equities surge to new peaks as macro trends bolster optimism

Figure 2: Performance of European indices in 2024

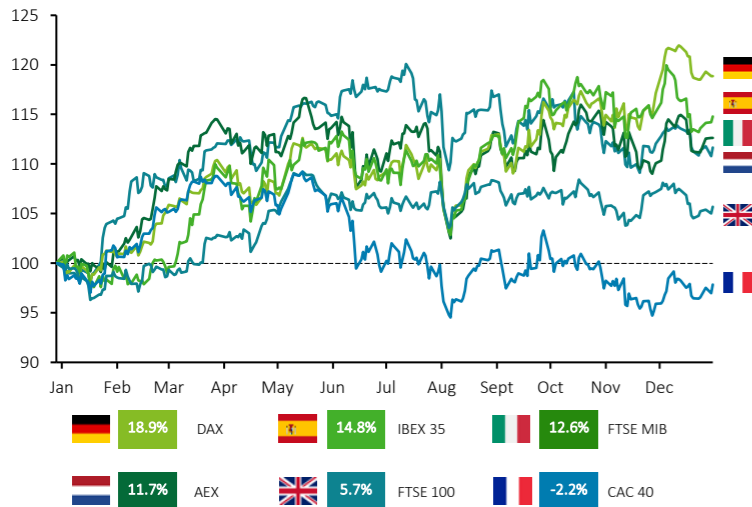


Figure 3: Volatility (VIX)



Source: International Monetary Fund, Bureau of Economic Analysis, and Refinitiv Workspace (31/12/2024)

During 2024, the major stock market indices continued their bullish run. This positive momentum was driven by a combination of **robust macroeconomic indicators, strong corporate earnings, resilient growth in the US economy and labor market and the influence of the so-called "Trump Trade"**. These factors not only kept markets buoyant but also **propelled the major global indices to new record highs**, surpassing the historical peaks reached in mid-2023.

The favorable inflation data published throughout the year acted as a key trigger, enabling central banks to initiate the long-anticipated pivot in interest rate policies. While the path of inflation was not linear—particularly during the September-December period—**inflation in the Eurozone dropped from 2.9% at the start of the year to 2.4% by year-end**. In the US, inflation similarly declined **from 3.1% to 2.9%**. As a direct consequence, both the **Fed and the ECB implemented a total of seven interest rate cuts** (three meetings for the Fed and four for the ECB), lowering rates by 100 bps and 150 bps, respectively.

In response to an easing monetary policy, **investors adjusted their portfolios, partially shifting away from high-growth tech stocks and large-cap companies towards smaller capitalization stocks**. This led to a significant correction in the Nasdaq and S&P 500 in favor of the Russell 2000 accompanied by a **substantial increase in volatility** between late July and early August.

Simultaneously, **actual and estimated growth figures provided further support for positive market sentiment**. In the third quarter, the US economy expanded by 3.1% YoY while in Europe growth was more subdued, at 0.9% YoY. Regarding growth **projections for 2025**, the IMF estimates that the **US economy will expand by 2.2%**, up 0.5% vs January estimates, while **Europe is expected to grow at a slower pace of 1.7%**, down 0.2%.

In Spain, economic growth is expected to reach 2.9% in 2024, **significantly outpacing Europe's expected growth rate** of 1.7% and **surpassing the US economy** (2.8%). Projections for 2025 remain favorable, with Spain expected to grow at 2.1%, **surpassing both Europe** (1.7%) and the **average for advanced economies** (1.8%). Inflation forecasts for 2025 anticipate a rate of 2.3% in Europe, while **Spain is expected to maintain a lower rate** of 1.9%.

Additionally, **strong financial results for many companies in the first half of the year helped to underpin the optimism**, offering tangible evidence of solid performance **across sectors**, together with strong employment creation data and low unemployment percentage.

It is also important to highlight the so-called **"Trump Trade"**, which took place in November following the Republican Party's victory **characterized by a surge in stock prices driven by the expectation of pro-business policies, deregulation and tax cuts under the Trump administration**.

However, **not all the news surrounding Trump's victory have been positive, particularly for Europe**. Concerns in European economies about economic growth are being **heightened by the likely protectionist policies of the Trump administration**, which could have significant repercussions for key exporters like France and Germany, the main economies in the Eurozone. Both countries are grappling with challenges tied to an uneven recovery in China – a crucial market for the European luxury goods industry. Additionally, both countries are experiencing a deep political crisis, which further amplifies instability and increases risk aversion among investors.

**Geopolitical tensions**, including the ongoing conflicts in Ukraine and Israel, have not had a medium-or long-term impact on equity markets, but they have caused disruptions at specific moments.

# European equity sectors show mixed results amid economic and geopolitical shifts

After a remarkably positive 2023, where the Nasdaq 100 and the S&P 500 gained 54% and 24% respectively, **2024 defied expectations, surprising investors with continued upward momentum and reaching new all-time highs with the S&P closing the year up by 23%**. It is worth noting that since 1928 there have only been two periods where the S&P 500 closed **two or more consecutive years with gains exceeding 20%**: between 1935 and 1936, and between 1995 and 1998.

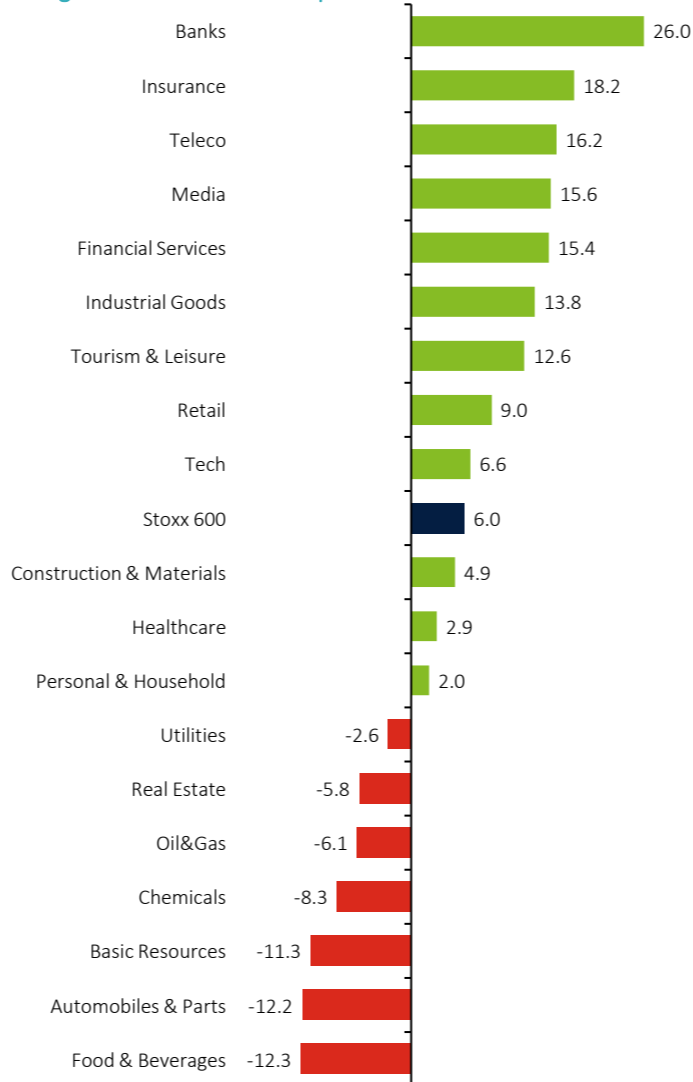
Leading the table in Europe was the DAX with a 18.9% increase followed in second place by Spain's IBEX 35 at 14.8%. Other European indices such as the FTSE MIB (12.6%), AEX (11.7%), and Stoxx 600 (6.0%) also posted positive returns, while the CAC 40 stood out as the only major index to close in the red, falling by -2.2%.

The **Stoxx 600 index significantly underperformed the S&P 500, weighed down by concerns over unfavorable economic prospects for 2025**. This contrasted with initial optimism about European equities gaining momentum over their US counterparts- a trend that proved short-lived. A brief period of outperformance was driven by a rotation out of large-cap US tech stocks, spurred by easing interest rates and underwhelming quarterly results from some of the Magnificent Seven companies, such as Amazon.com and Alphabet. However, investors soon shifted their attention back to undervalued sectors in the US market.

Despite these broader challenges, **the German DAX established itself as the best-performing European index**, bolstered by standout performances from key companies. Siemens Energy surged by 327%, SAP, Germany's largest company in terms of market capitalization, climbed 77%, and Deutsche Telekom rose by 34%.

In the **Stoxx 600**, most sectors (12 out of 19) ended the year positively, with notable differences in performance.

Figure 4: Stoxx 600 sector performance in 2024



The banking sector led with a 26% increase, driven by high interest rates that boosted net interest margins and profitability, along with stronger capital market activity. Large banks like Barclays, Unicredit, Deutsche Bank, and HSBC saw stock gains of 74%, 57%, 35%, and 27%, respectively. **The Insurance sector followed with a 18% increase** due to strong earnings release, higher return on investments and macro tailwinds. **The Telecommunications sector ranked in third place, with a 16% rise, fueled by strong quarterly results, solid EBITDA growth and improved cash flow.**

In contrast, the **Automobile & Parts sector dropped 12%, hindered by economic uncertainty and high-interest rates, which reduced demand for new cars**. Rising raw material costs, energy prices, and the transition to electric vehicles compounded financial pressure, alongside concerns about potential US-Europe tariffs. Leading companies like Mercedes-Benz, Volkswagen, and Stellantis saw stock declines of 14%, 22%, and 40%, respectively, while Ferrari stood out with a 35% increase. **The Food & Beverage sector fell 12%, impacted by ongoing cost pressures**. Despite easing energy prices, high costs still squeezed margins. Stock prices dropped 23%, 26% and 32% for Nestlé, Heineken and Pernod Ricard, respectively, as operational challenges and strategic shifts adversely impacted performance.

The **IBEX 35 saw an 14.8% increase, making it the second-best performing European index**, following the German DAX. **Tourism-related companies like IAG and AENA stood out, with remarkable 104% and 20% rises in their stock price**. Meanwhile, the hostile takeover bid by BBVA for **Sabadell drove its stock up by 69%**. Sector-wise, the financial sector led with a 35% rise, closely followed by the industrial sector at 32%, and IT at 22%. In contrast, **the healthcare sector faced a 18% decline**, affected by the failed Grifols deal, allegations of accounting manipulation raised by the US short-seller Gotham City Research and changes in the company's senior management, including the departure of several Grifols family members from executive roles, while the energy sector struggled due to falling oil prices and President Trump's plans to boost domestic energy production.



02

## EUROPEAN EQUITY ISSUANCE LEVELS

# ECM recovery continues in 2024 despite H2 slowdown

The Equity Capital Markets in 2024 continued with the recovery trend that began in 2023. The amount raised grew by 10% YoY, reaching €116 billion, driven by €92 billion from follow-ons, €18 billion from IPOs, and €6 billion from convertibles. Among these categories, **IPOs stood out, with a 65% YoY increase in transaction value**, while follow-ons rose by a modest 12% and convertibles saw a sharp 55% decline.

Although activity remains below 2021 levels, an atypical year in ECM activity, the year benefited from three key drivers. Firstly, **improved macroeconomic conditions**, such as **lower inflation** and **economic growth**, created a supportive environment. Second, **better equity market conditions, strong valuations, and robust market performance**, bolstered investor confidence and demand. This strong demand was met by private equity firms, which sought to divest as part of their strategy, resulting in **7 of the 10 largest IPOs being private equity-backed** and collectively raising over **€8.5 billion**. Despite a stronger overall year compared to 2023, the **second half of 2024 saw a significant slowdown**. Uncertainty surrounding the US presidential elections led many companies, particularly IPO candidates, to defer transactions until 2025. As a result, **H2 ECM activity dropped 42% in value compared to H1, with IPOs falling 70% to €4.2 billion** and follow-ons declining 37% to €36 billion.

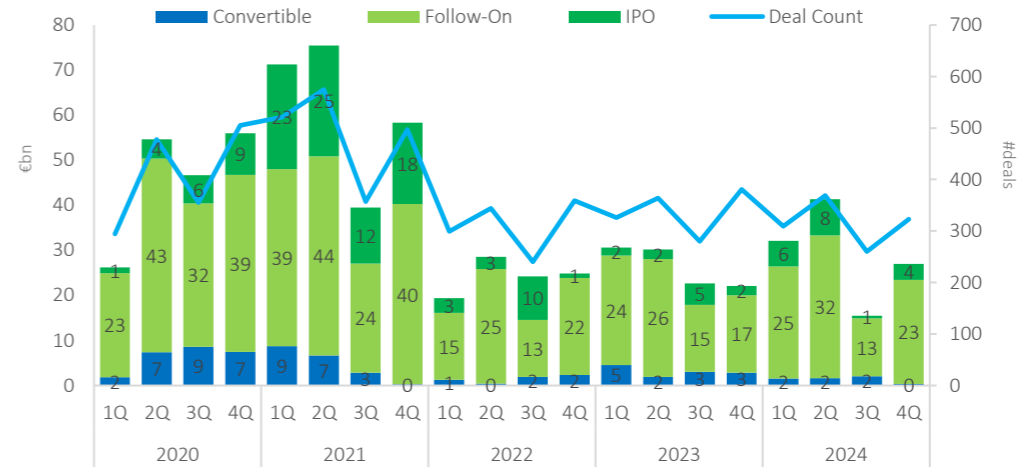
**Block trades experienced moderate growth compared to the previous year**, with a 14% increase in value despite a 2% decrease in transaction count. Blocks accounted for 83% of Follow-On transactions, driven by **shareholders capitalizing on favorable equity market tailwinds to exit positions at attractive valuations**. A clear sign of improved market conditions and the recovery in activity was the significant increase in the **average size of block trades**, which **grew by 17%** compared to the previous year, highlighting stronger investor appetite. **Rights issues**, on the other hand, **lost prominence** compared to the prior year, driven by issuers' reluctance to expose themselves to market volatility.

The UK maintained its position as the most active country in the ECM market. However, **its dominance diminished**, with its share of amount raised dropping from 42% in 2023 to **26% in 2024**. This leadership was primarily driven by National Grid's €8.5 billion capital increase and Pfizer and GSK's sale of Haleon shares through four block trades, totaling approximately €8.3 billion. **Germany claimed second place with a 11% share** mainly driven by blocks in Deutsche Telekom and DHL, with a combined value of €2.3 billion and Douglas, Springer Nature and RENK IPO's totaling €1.9 billion. **France ranked in third place with 11%**, partially due to Atos, Sartorius Stedim Biotech, Bureau Veritas and Alstom Follow-On transactions with a combined value of €6.2 billion. **From a sectoral perspective, Healthcare led in 2024, accounting for 17% of total transaction value**. This was fueled by the Haleon block trade and Galderma's €2.3 billion IPO. The Finance and Computers & Electronics sectors followed, with 13% and 12% of the ECM proceeds, respectively.

Source: Dealogic (31/12/2024)

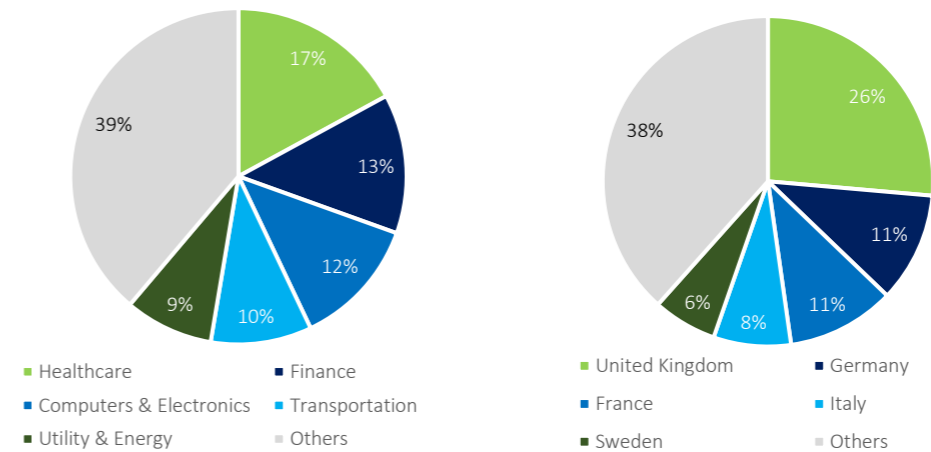


Figure 5: European equity issuances since 2020



Source: Dealogic (31/12/2024)

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



Source: Dealogic (31/12/2024)

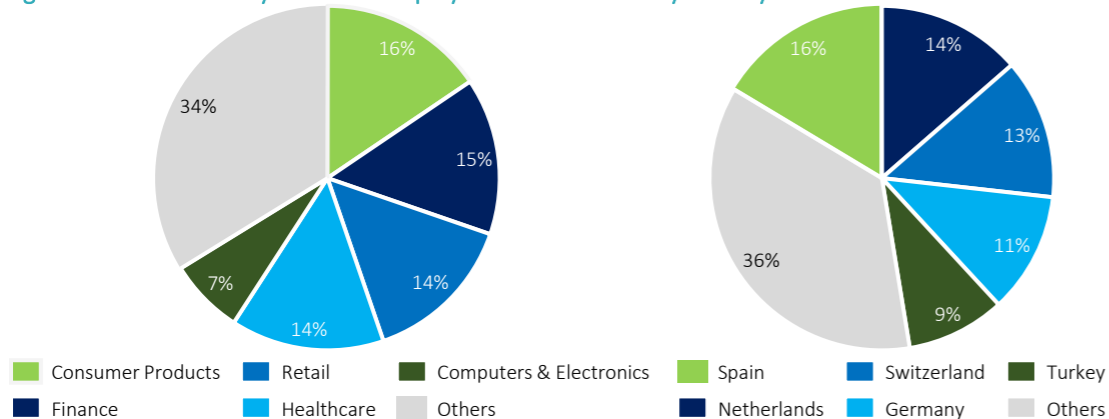
# Positive IPO Trends Highlight Growth Amid Instability and Selective Offerings

Positive macro trends have driven robust IPO activity throughout the year, with transaction values reaching **€18 billion**. However, despite this overall positive momentum, moments of instability, nervousness and volatility disrupted market activity at key points, notably with a **significant slowdown during the second half of the year** and especially during Q3.

From July to September, companies raised just over **€500 million**, a stark contrast to the €3.6 billion raised in Q4 and the €6 billion and €8 billion raised in Q1 and Q2, respectively. **Summer instability** driven by **disappointing employment** data and brief **market selloffs**, compounded by **uncertainties surrounding the US presidential election**, led many firms to **cancel or delay IPOs until 2025**, including names such as Europastry, the HBX Group (former Hotelbeds), Stada Arzneimittel and Golden Goose.

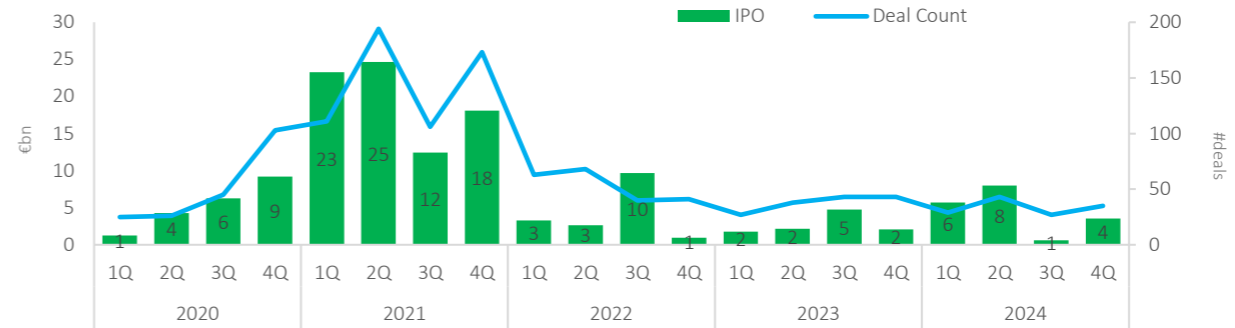
Furthermore, shareholders and companies adopted a cautious approach to ensure robust demand books. Therefore, the percentage of Free Float offered during IPOs has steadily decreased, a trend observed since 2018. Back then, 35% of the Free Float was typically sold during IPOs, compared to approximately 25% in 2024. **This shift reflects heightened investor selectivity prompting firms to limit offerings to mitigate valuation risks and avoid unsuccessful outcomes.**

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



Source: Dealogic (31/12/2024)

Figure 8: European IPOs since 2020



Source: Dealogic (31/12/2024)

These trends created a favorable environment where companies met investor demand seamlessly, as reflected in the average IPO size reaching **€133 million**, an 86% increase compared to 2023. Despite these challenges, **the strong rebound in Q4 ultimately reinforced the year's overall positive performance in the IPO segment.**

From a **sector perspective**, the **most active** sector in terms of volume was **Consumer Products**, raising over **€2.8 billion through four deals**, primarily driven by the IPO of **PUIG** (€2.7 billion). The **Finance** sector ranked second, raising **€2.6 billion**, largely thanks to the IPO of **CVC** (€2.2 billion). **Following this**, the **Retail** sector raised **€2.5 billion through three deals**, with the IPO of **Zabka** (€1.5 billion) as the standout. At the other end of the spectrum, the **least active sectors were Mining** (€10 million), **Dining & Lodging** (€32 million), and **Chemicals** (€49 million). **Geographically**, **Spain emerged as the most active country**, raising **€2.9 billion**, mainly due to PUIG's IPO. This was followed by the **Netherlands**, with €2.4 billion, driven by CVC, and **Switzerland**, with €2.3 billion, marked by Galderma's IPO.

Focusing on Spain, PUIG, down 27% in 2024, reopened the IPO market with a transaction on the Main Market. The listing was carried out through a public subscription offering and a public sale offering. The newly issued shares were all class B shares, granting shareholders fewer voting rights but equal dividend rights. This structure allowed the Puig family to take the company public while retaining control over the business. It was followed by Cox ABG, which raised €177 million through a capital increase, and Inmocemento, a spin-off of FCC, debuting via a direct listing. However, **none of these companies saw positive aftermarket trends. Looking ahead to 2025**, expectations remain strong, **with HBX Group** (former Hotelbeds) opening the IPO market with its **recent published Intention to Float**. If all goes well, the company will likely start trading in February. Others may follow as is the case of Cirsa.



# European IPO Barometer

During 2024, there were **44 IPOs exceeding €50 million, two more than last year**. However, the aggregate size of these IPOs reached **€16 billion, marking a 78% increase compared to 2023**. Notably, if we exclude IPOs in Turkey and Russia, the difference in aggregate size grows to 125%, with 27 IPOs compared to 16 in the previous year.

In general terms, the evolution of European IPOs exceeding €50 million, has been positive, with an average return of 24%, outperforming the Stoxx 600 index, which saw an 6.0% increase. This stock market performance is partly due to the favorable conditions in the markets but, more importantly, to the significant discount that companies are forced to apply in order to attract investors when going public.

However, it is particularly noteworthy that among the **16 IPOs in 2024 with positive aftermarket returns**, 13 companies achieved double-digit returns, of which 7 posted gains exceeding 30%.

The three most successful IPOs were Rosebank, Raspberry Pi, and Galderma. Their post-IPO performances were remarkable, with revaluations of 250%, 123%, and 90%, respectively. While the favorable market environment contributed to this strong aftermarket performance, it is worth noting that significant discounts and reduced free float offerings were employed to ensure a well-balanced order book.

Looking ahead to 2025, several companies are expected to pursue IPOs. These include transactions postponed due to volatility caused by the US presidential elections, as well as IPOs originally planned for 2025.

Figure 9: Deloitte's European IPO<sup>1</sup> Barometer FY 2024



Source: Refinitiv Workspace (31/12/2024). (1) Data includes all European IPO above €50m, excluding Turkish and Russian IPOs.

03

# CURRENT DYNAMICS OF A TRANSFORMING EUROPEAN IPO MARKET



# The IPO market remains sluggish, with selective investors demanding more and companies looking to de-risk transactions



Despite main world-wide equity indices being buoyant in 2024, the **IPO market remains somewhat sluggish**, and the European IPO market is no exception.

What at the beginning of 2024 seemed to be a prosperous year ahead for European IPOs given the number of companies preparing for an imminent IPO, that was reduced dramatically to **only 44 transactions above €50m in 2024**, which is certainly **much better than 2023 and 2022** IPO issuance volumes, but **disappointing** for the wider market participants.

One may ask why the IPO market continues to be fragile despite positive valuation and market momentum? There are indeed a long list of reasons to choose from, including **rising geopolitical tensions, macroeconomic headwinds** but the **main causes** are the uncertainties regarding the **pace of interest rate cuts** by central banks, and later in the year, **concerns about the US presidential elections**, which have made investors more uncertain about IPOs.

In the current market environment, **investors have become highly risk-averse and selective when considering IPO opportunities**. This has resulted in the **need for significant discounts** compared to peers, which has led many companies prefer to wait for better market conditions. Nonetheless it is **important** to understand that **many of the companies that have opted to price their IPOs with heavy discounts during 2024 have done very well in the aftermarket and in many cases have recovered what they may have lost in discounts in the IPO transaction**.

In 2024 **companies gaining the most traction** among investors have been those with **solid financial track records, established brands, and significant size**. Additionally, investors are favoring companies in **sectors with attractive dynamics and healthy balance sheets**, as investors have become particularly sensitive to high levels of debt.

In the past year many transactions have been **structured as dual-track processes**, reflecting the **existing uncertainty in the IPO market**. This trend has also been driven by **private equity firms viewing IPOs as a viable exit strategy** for their assets. **Dual-track processes** are only one of the many mechanisms currently used to **de-risk transactions**.

To continue to **de-risk the IPO**, companies have opted to **broaden their marketing efforts early in the IPO process** – pre-ITF, i.e., what is considered to be the private marketing phase. Furthermore, issuers are looking to **secured cornerstone and anchor investors** as well as **reduced free float levels** with the aim of **improving the quality of their demand book** and enhanced aftermarket performance.

Despite many companies waiting for 2025 to go public, there remains a **high level of uncertainty** in the market, now partly influenced by **potential disruptive tariff policies under Trump in 2025 and their effects on various sectors and countries**. This adds to the **long list of uncertainties**, including the pace of interest rate cuts, increasing geopolitical tensions and highly risk-averse and selective investors.

On the other hand, the pipeline of companies preparing for IPOs continues to grow. It remains to be seen how **recent regulatory changes might stimulate the markets** and whether companies are willing to apply discounts at the time of the IPO focusing on their long-term value rather than short-term gains.



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# HOW IPO MARKETING HAS ADAPTED OVER TIME

# Adapting IPO marketing to investor expectations and market dynamics

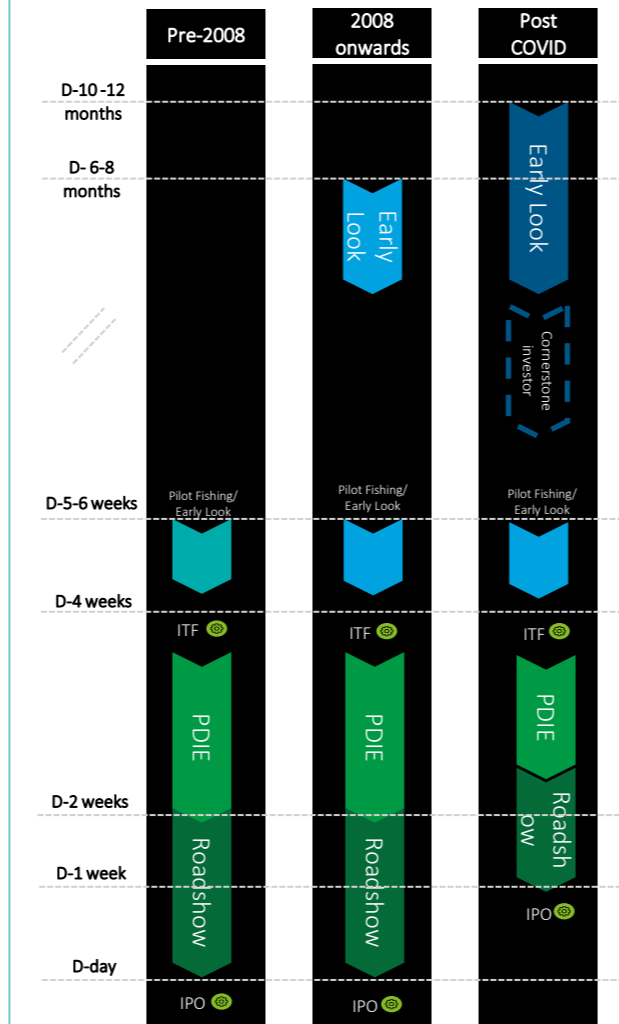
The COVID-19 pandemic and the subsequent years have been marked by instability- wars, inflation, aggressive monetary policies and macroeconomic uncertainty- which have created a **challenging environment for IPOs**. Despite this, **IPOs continue to be successfully priced**, although in lesser numbers, as **issuers and banks have adapted to new market adversities**. One clear adaptation has been the **transformation of IPO marketing strategies**. This is **not the first time market instability has influenced IPO marketing changes**. For example, now, **Early Looks** are considered a must-have in IPOs, but 20 years ago they were not part of the process. How did we get here?, and how are current **Early Look** marketing rounds different from what existed five years ago?

Two decades ago, **IPO marketing typically began after the Intention to Float ("ITF") announcement, meaning once the IPO had become public knowledge**. This included a **"pre-marketing" phase** led by connected analysts meeting potential investors, now known as **PDIE (Pre-Deal Investor Presentation)**, followed by the more **traditional Roadshow**, where management met with investors to persuade them to invest in the IPO. **Both phases lasted approximately two weeks each**. Before the ITF, a **pilot fishing** process may have been conducted about a week previously to **test investor appetite for the IPO**.

The marketing process has certainly changed over time...

The global financial crisis of the 2007-2008 led banks to shift marketing efforts to an **earlier phase, introducing Early Looks**. Initially, this involved a week where the recently appointed **GloCos** worked alongside the issuer to meet investors, typically 10-15 (in one or two rounds), aiming to **test the attractiveness of the IPO** and start **building a list of potential anchor or cornerstone investors**. Combined with traditional marketing (PDIE + Roadshow), **this approach fostered stronger investor connections and reduced IPO risks**.

Figure 10: European IPO marketing timeline




In recent years, as market uncertainty has intensified- especially since COVID and subsequent market shocks- **IPO marketing has undergone another drastic transformation**.

The private marketing phase of the IPO, before the ITF, has become more critical than ever. **Early Looks** have evolved into a fundamental part of the process, with **companies now meeting more than 50+ investors** during this preliminary phase, and in some cases, closer to 80 investors. **The goal is clear: to further de-risk the IPO by gaining a clear understanding of demand appetite and building a "fan club" of investors who can become anchor or cornerstone investors**.

Given current demand dynamics, it is crucial to secure early support from key investors, whether **institutional, sector-specific, or local accounts, to motivate generalist investors**. In addition to this extensive early marketing effort in the private IPO marketing phase, we nowadays see a **significant change in the more traditional IPO phases- PDIE and Roadshow- which have been shortened**. Their duration is **no longer fixed** and depends on the deal, but combined, they **rarely exceed three weeks**, compared to the four weeks that were previously standard. This shift is due to **two reasons: firstly, a large number of investors are already familiar with the company from the Early-Look marketing phase; second, markets and investors are highly sensitive to volatility, making it prudent to limit exposure during the public phase**.

As we can see, **IPO marketing in Europe has evolved significantly in the past few decades, shifting towards early preparation and visibility while reducing exposure during the public phase, post-ITF**. This trend has been established as the norm over the past few years, but **only time will tell whether it will persist or if new market changes will drive bankers and companies to adopt new measures to further streamline and de-risk IPOs in the future**.

A close-up photograph of a person's hand holding a blue ballpoint pen, writing on a document. The background is blurred, showing a white shirt and a desk. A dark grey banner is overlaid at the bottom of the image, containing the number '05' on a light green square and the title text in white.

**05**

## **EU'S NEW LISTING ACT: SIMPLIFYING ACCESS TO PUBLIC MARKETS**

# Simplifying Access to Public Markets

On 24 April 2024, the European Parliament adopted the EU Listing Act, a major reform aimed at enhancing the accessibility and attractiveness of EU public capital markets, with a particular focus on small and medium-sized enterprises (SMEs). This initiative is a crucial part of the broader Capital Markets Union, which seeks to expand funding opportunities beyond traditional bank lending. The Listing Act introduces substantial changes to existing regulations and directives, simplifying the listing process and reducing compliance obligations, which ultimately creates a more favorable and competitive business environment within the EU.

The EU Listing Act strengthens European capital markets, making them more accessible and appealing to SMEs. By streamlining regulations, lowering compliance burdens, and introducing innovative mechanisms like multiple-vote share structures, the Act enables issuers to raise funds more easily while retaining control over their companies. These reforms encourage greater participation in capital markets, support long-term growth, innovation, and stability across various sectors, and enhance the EU's global competitiveness.

## KEY CHANGES IN THE PROSPECTUS REGULATION

The Listing Act brings forward several focused amendments with the aim of simplifying and streamlining the requirements for companies either planning to list or already listed on EU public capital markets. Among the most significant updates are expanded exemptions from the obligation to publish a prospectus, the creation of new types of disclosure documents, and a reduced IPO offer period. We outline below some of the key changes introduced:

**Additional Exemptions:** New thresholds and conditions have been introduced to simplify the prospectus requirement for certain public offers and trading admissions. Issuers can offer securities that are fungible with those already listed on a regulated market or SME growth market without a prospectus, as long as the new securities represent less than 30% of the existing listed securities over a 12-month period, and the issuer is not in an insolvency or restructuring proceeding. This also includes the filing of a new short-form document to reduce administrative burdens. Additionally, the exemption threshold for trading fungible securities and shares from conversions or exchanges has been raised from 20% to 30%.

**EU Follow-On and Growth Issuance Prospectuses:** The Act simplifies the requirements for secondary issuances and SME growth issuance prospectuses, limiting the documentation to 50 pages for follow-on issuances and 75 pages for SME growth issuances. This makes the listing process more accessible and less burdensome for SMEs that have been trading on a regulated market or SME growth market for at least 18 months.

**Page Limitation and Standardisation:** A 300-page limit for share prospectuses has been introduced to reduce unnecessary information and improve the clarity and usability of prospectuses.

**Free float:** The 25% minimum free float requirement under Directive 2001/34/EC is being reduced to 10% to increase flexibility for issuers and competitiveness in EU markets, while still ensuring market liquidity. Member States can also allow alternative ways to assess whether enough shares are publicly distributed. Compliance with the 10% or national alternatives will be checked at the time of trading admission, and geographical distribution requirements will no longer apply.

**Multiple-Vote Share Structures:** Building on the broader goals of the EU Listing Act to enhance the accessibility of public markets for companies, particularly SMEs, the new Directive regarding multiple-vote share structures (MVSS) is a key reform. MVSS allows companies to issue different classes of shares, each with distinct voting rights, thereby enabling founders or controlling shareholders to maintain decision-making power while raising capital in the public markets. This structure involves at least two types of shares: one with greater voting power, often retained by the founders or key stakeholders, and another with limited or no voting rights. Unlike the traditional model, where voting rights are tied to the par value of shares, an MVSS is characterized by the varying voting rights across classes. This innovation helps companies protect their long-term strategic goals while benefiting from the liquidity and funding advantages of public listings.

## The PUIG IPO Case Study

A notable real-world example of this structure is the IPO of Puig, a renowned Spanish fashion and fragrance company. Puig used an MVSS by issuing two classes of shares: Class A shares, which carry five votes per share, and Class B shares, which carry just one vote per share. The Puig family retained all Class A shares, maintaining control over 91% of the voting rights, despite offering only 32% of the company's capital to the public. This structure allowed Puig to tap into the capital markets without relinquishing control of the company, making it an ideal solution for family-owned businesses. This dual-class share structure is especially advantageous for family-owned businesses and tech companies. Family businesses often face challenges in maintaining control during generational transitions or when seeking external capital, and the MVSS structure offers a way to address these concerns. By retaining a majority of voting power, even as they raise capital, family owners can continue to guide the business according to their values and long-term vision.

Tech companies, which typically focus on long-term growth, innovation and stability rather than short-term market pressures, also stand to benefit from dual-class shares. This structure insulates them from the influence of short-term shareholders, allowing management to prioritize long-term innovation and strategic direction over quarterly financial performance.



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# EUROPEAN CFO SURVEY

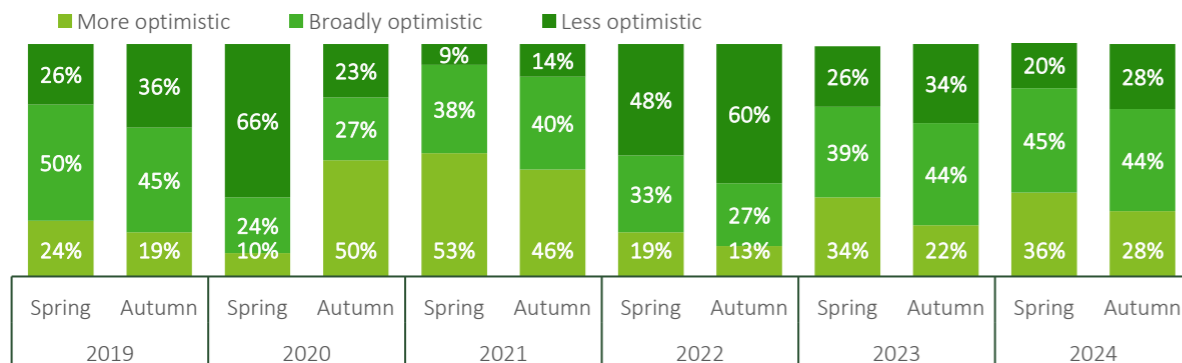
# Optimism softens amid persistent uncertainty

When comparing the new CFO survey with the previous autumn edition, it is clear that **European CFOs have become more cautious** in their outlook. While there were **signs of initial confidence** in spring 2024, driven by expectations of **easing inflation** and **interest rates**, these improvements have been **modest** and **economic momentum remains elusive**. **Concerns about growth**, especially in Germany, along with persistent **geopolitical tensions**- such as conflicts in Ukraine and the Middle East- have contributed to a more cautious outlook. **Trade disruptions** and **ongoing global uncertainties** continue to present significant challenges, dampening the initial optimism seen in earlier surveys.

This year's survey shows that CFOs have adopted a **neutral stance**, with 28% now feeling optimistic about their companies' prospects and 27% expressing pessimism. While this represents a **decline from spring**, it remains an **improvement over autumn 2023**, when only 22% were optimistic. A persistent trend across surveys shows that nearly half of CFOs (45%) expect no major change in their company's outlook, reflecting a cautious approach amid weak economic signals.

**Sentiment varies sharply by country**. **Optimism remains strong in Spain and the UK**, where economic resilience and EU funding provide support. Central and Eastern European CFOs, particularly in Bulgaria, Poland, and Bosnia and Herzegovina, also report confidence driven by infrastructure investments and robust economic growth. In contrast, **Germany and Austria** remain the **most pessimistic markets**, with 35% and 38% of CFOs, respectively, **feeling less optimistic than in the previous quarter**. In Germany, **industrial weakness, supply chain disruptions** and **slowing global demand**, particularly for exports, are **weighing heavily on confidence**. Germany's **automotive sector faces severe challenges**, exacerbated by competition from China's domestic car market and ongoing trade uncertainties with the US, leading some to describe Germany as "the sick man of Europe" once again.

**Figure 11: CFO's financial outlook**



Sector-wise, CFOs in **tourism and travel** (75%), **retail** (73%), and **life sciences** (72%) report the greatest confidence in **revenue increases**. Tourism continues to benefit from pent-up demand, while life sciences firms remain buoyed by investments in innovation. Despite these concerns, revenue expectations remain broadly positive, with 58% of CFOs expecting growth over the next 12 months and only 21% forecasting a decline.

The **outlook for operating margins is less optimistic**. Only 35% of CFOs expect margins to improve, compared to 39% in spring, while 30% anticipate a decline. Even in optimistic sectors like tourism and travel, margin confidence has softened, with only 50% of CFOs anticipating growth, compared to 61% in spring.

Regarding inflation, CFOs now **anticipate an average rate of 2.5%** over the next 12 months, close to the European Central Bank's target, down from 3.8% a year ago. However, the **broader economic uncertainty remains high**, with 54% of CFOs describing external uncertainty as "high" or "very high," up from 47% in spring. Geopolitical tensions -particularly the conflicts in Ukraine and the Middle East- along with trade disruptions and regulatory risks, are major concerns for CFOs.

**Skills shortages remain the top risk** for CFOs across Europe, cited in 11 of 18 countries. Europe's ageing population and the increasing demand for specialized skills in emerging fields like artificial intelligence and robotics have intensified workforce challenges. **Geopolitical risks and weak domestic demand** also feature prominently. **Regulatory changes**, including sustainability requirements and evolving compliance rules, have emerged as a growing concern across multiple markets, particularly in Switzerland.

In response to these challenges, CFOs have **adopted a cautious approach to strategy**. **Cost reduction** remains the top priority for CFOs in most European countries, reflecting the need to preserve profitability in an uncertain economic environment. **Organic growth**, through internal expansion and leveraging existing strengths, is the second most important focus, underscoring a preference for sustainable, lower-risk growth strategies. **Digitalization** and market expansion remain key priorities in several markets, helping companies enhance operational efficiency and tap into existing customer bases to drive manageable growth.

While economic and geopolitical challenges persist, European CFOs are focused on navigating this uncertainty through strategic cost control, targeted investments, and workforce optimization. By balancing resilience with selective growth opportunities, businesses can position themselves for long-term success in an evolving and unpredictable environment.



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# DELOITTE EQUITY CAPITAL MARKETS

Deloitte.

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# ECM service offerings



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## 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 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



## 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



## 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)



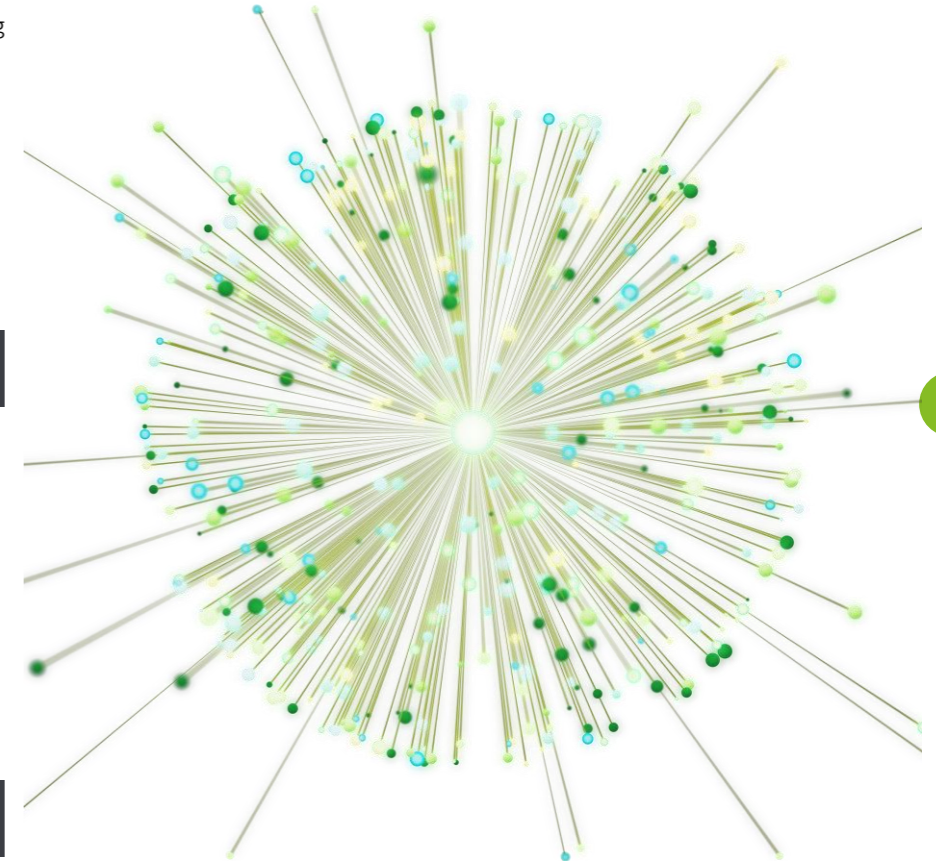
## ECM & Dual-Track Transaction Management Office

- 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



## 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





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