Deloitte.

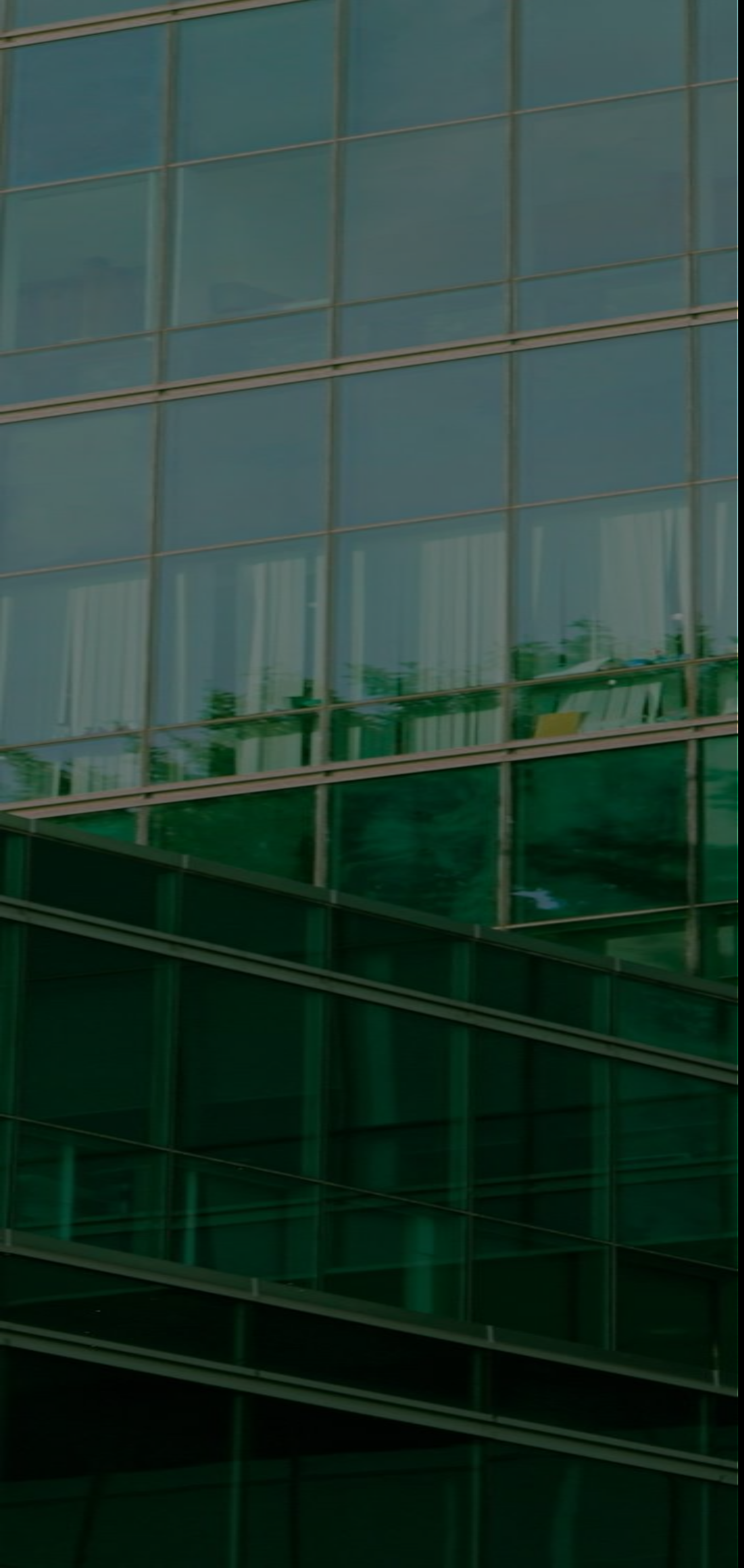
Fragile IPO market, equities rallying against all odds

European Equity Capital Markets update

WINTER 2024

Fragile IPO market, equities rallying against all odds

This European Equity Capital Markets update contains commentary on recent European and Dutch stock markets performance; levels of European equity market issuance and macroeconomic considerations; the Dutch CFO Survey and hot topics on the Effects of Elections on Stock Markets and a comprehensive review of the Tax Treatment of Share Repurchases in the Netherlands.



Content

About this report: This report contains data sourced from IMF Word Economic Outlook, Bloomberg, Refinitiv, FactSet, Dealogic, Investopedia, company admission documents and press releases. ECM issuance data is as of 31 December 2023 and includes all European ECM transactions. The Total Deal Value has been calculated by multiplying Dealogic's Total GBP Deal Value and the GBP spot rate of the date of the transaction. Additional market data is as of 31 December 2023

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Welcome to the 2024 Deloitte European ECM Winter update

Investors remain cautious despite lower volatility and positive equity market performance

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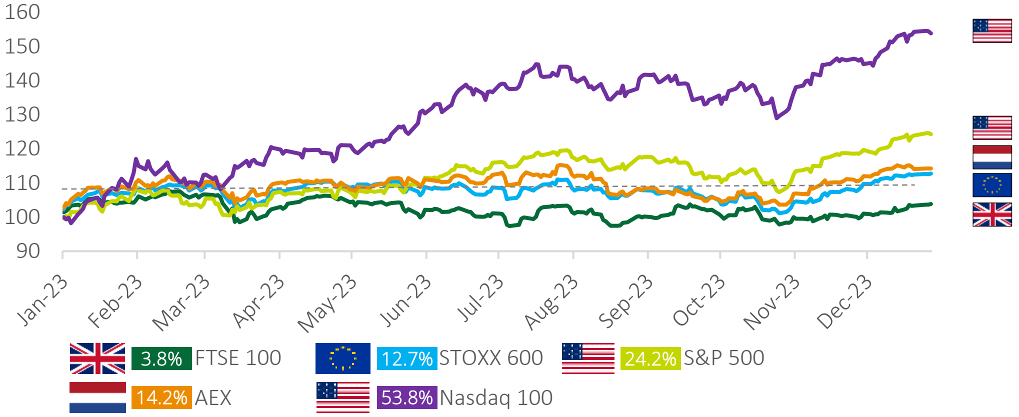
This European ECM update includes an analysis of equity market performance during 2023 and the reasons behind such performance. We look in greater depth at the headwinds economies face, the recent monetary policies implemented by Central Banks and the impact these have had on ECM and IPO issuance levels in Europe. In this report, we dive deeper into several Hot Topics under the following headings: the Dutch CFO Survey, Effect of (National) Elections on Stock Market Performance and Tax Treatment of Share Repurchases by Listed Entities in the Netherlands; a comprehensive review.

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

Figure 1: 2023 Global indices performance



Source: Refinitiv Eikon (31/12/2023)

Performance. The **Dutch AEX** performed better than the Stoxx 600 too, although it exceeded the main European index by only 1.5%. Most Stoxx 600 sectors ended 2023 in green territory.

Inflation was cut by half in 2023 but remains a key concern as it is still above Central Banks' targets. Central banks continued their tightening throughout the year as they tried to rein in sticky core inflation. Nonetheless, the last quarter of 2023 was marked by the change in policy of the major Central Banks, which opted to leave rates unchanged during Q4. This drove investor optimism, hinting that rate-hikes had peaked. The optimism towards inflation is expected to continue in 2024 and some investors are already predicting Central Banks will be starting a cycle of interest rate reduction towards Q2 2024.

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

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

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

FY 2023
Equity Markets Performance

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2023 Equity Markets Performance

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

Figure 2: 2023 European indices performance

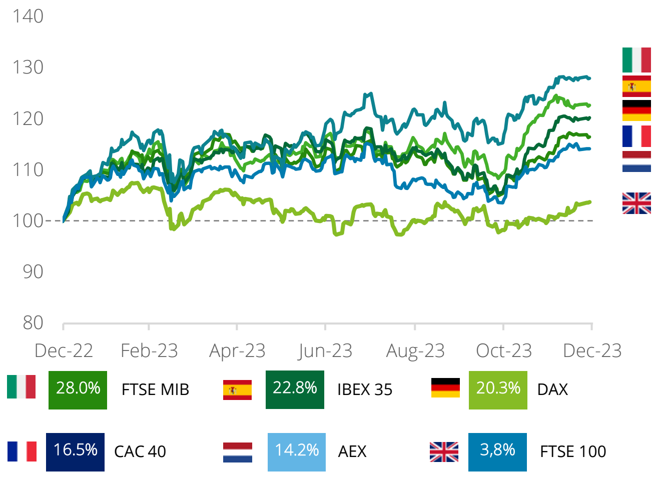

Figure 3: Volatility (VIX)

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

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

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

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

The **evolution of inflation has been closely monitored** by the market. Since peaking in October 2022, its **downward trajectory**, attributed to an **aggressive policy of interest rate hikes**, has been well-received by investors. At the end of the year, **inflation in the US stood at 3.4%** (compared to 6.5% at the beginning of the year), reflecting a **47% decrease**. In **Europe**, and according to the European Commission, it is **expected to reach 2.9%** (versus 9.2% at the start of the year), representing a **68% decline**. Lastly, in the **United Kingdom**, inflation is expected to end 2023 at **c. 4.5%, according to BoE data,** (versus 10.5% at the start of that year), **resulting in a 57% reduction in 2023**. Meanwhile, **inflation in the Netherlands** landed at 3.8% at the end of 2023, which is a **60% decline** versus the 9.6% registered back in December 2022.

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

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

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2023 Equity Markets Performance

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

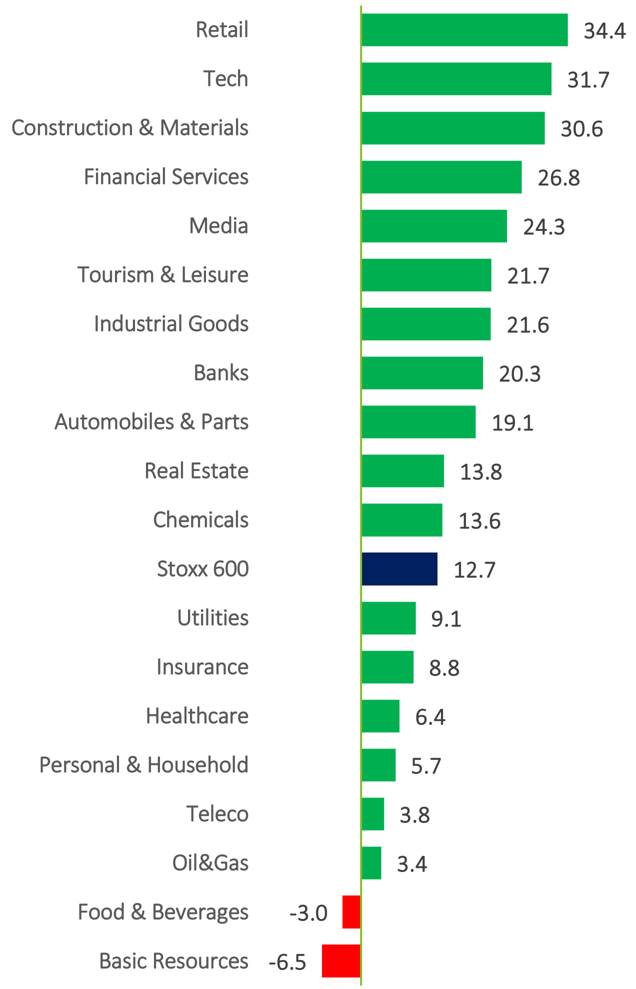
Against all odds, **equities closed the year on a very positive note,** amid a complicated macroeconomic environment and rising geopolitical tensions, thus highlighting the **disconnection between equity markets and the real economy**.

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

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

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

Figure 4: 2023 Stoxx 600 sector performance



Source: Refinitiv Eikon (31/12/2023)

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

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

Meanwhile, the **Dutch main market, the AEX**, closed down 2023 surprisingly well. Although the general sentiment about the index's wasn't for it to be too bullish, the **AEX ended 2023 at +14%**. Despite some severe shocks, for example the ones following the **US banks crisis**, the **fall of Credit Suisse**, and the fact that **the Netherlands faced serious recession risk**, the final months of 2023 made up for all that and provided for decent returns. Three funds worth mentioning because of the exceptional results are **Besi** (+145%), **ASM** (+102%) and **ASML** (+35%), with the latter being a key driver of the AEX owing to a EUR 269bn market cap. The **tech-companies** have outperformed the markets, mirroring similar performance of the big tech-funds in the US. 2023 has turned out hard to predict, and with growing geopolitical tensions, many (national) elections and changing Central Bank policies, 2024 will likely be no different.

Equity Issuance Levels

3 European Equity Issuance Levels

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

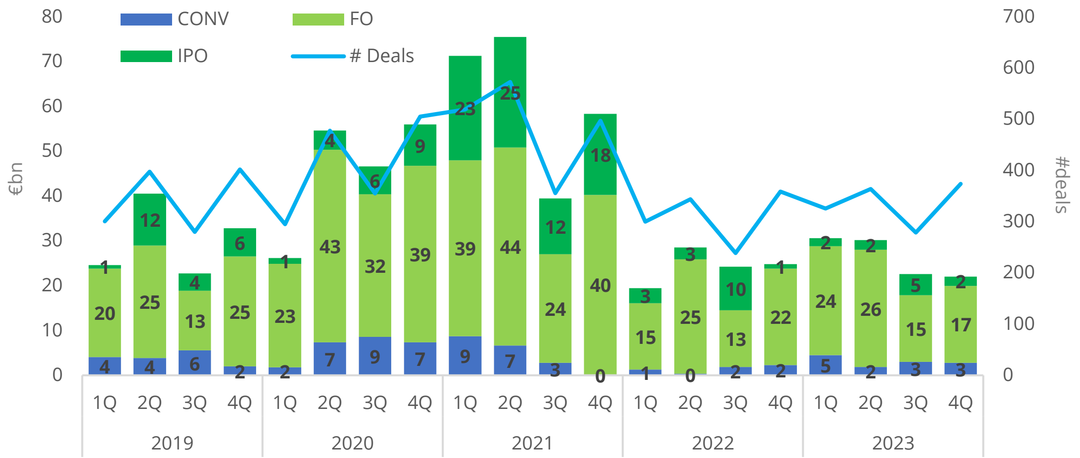
Amid a challenging macroeconomic environment, and despite overall stable volatility levels, a slowdown or even a potential end of rate hikes, and equity markets and many key equity indices on a **recovery trajectory,** when compared with 2022 levels**, investors and issuers remained risk adverse,** which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

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

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

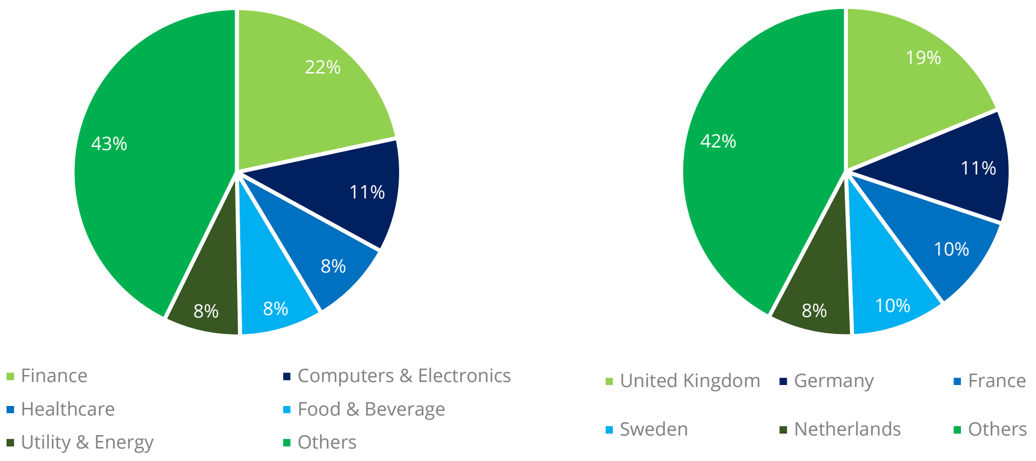
The **financial sector remains** the most active industry in European ECM issuance, accounting for **22% of the total transaction volume in FY 2023.** Transactions in the sector included **LSE's** blocks, **BNP Paribas's** €2.1bn block, **Bank VTB's** €1.1bn deal and Greek **NBG's** €1.1bn fully marketed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

Figure 5: European equity issuances since 2019



Source: Dealogic (31/12/2023)

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



Source: Dealogic (31/12/2023)

3 European Equity Issuance Levels

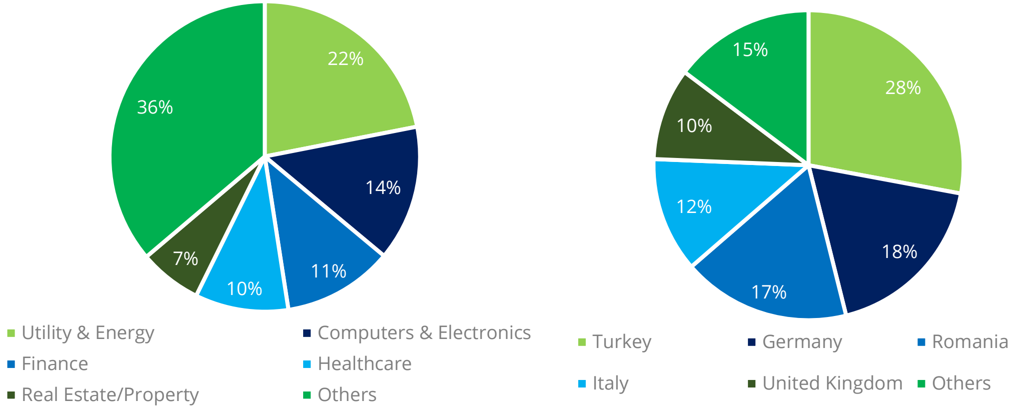
IPOs were scarce in 2023, evidencing the fragility of the IPO market and establishing the worst issuance levels in decades

After an already disappointing 2022 regarding IPO issuance, **2023 made what seemed impossible happen: IPO issuance levels were even worse.** Only **149 IPOs** priced in Europe, raising a total **of €10.7bn,** down by **35% on the IPO volumes for 2022** and by an impressive 86% when compared with the 2021 figures. The absence of activity on traditionally established markets led to **Turkey and Romania** together making up almost **50% of the IPOs in 2023**. **Despite rising equity markets**, falling inflation and a positive sentiment regarding the end of central bank interest rate hikes, **investors remained cautious, looking for strong stories and demanding high valuation discounts,** while, on the other side, **issuers were waiting for more favourable market conditions** to launch their deals.

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

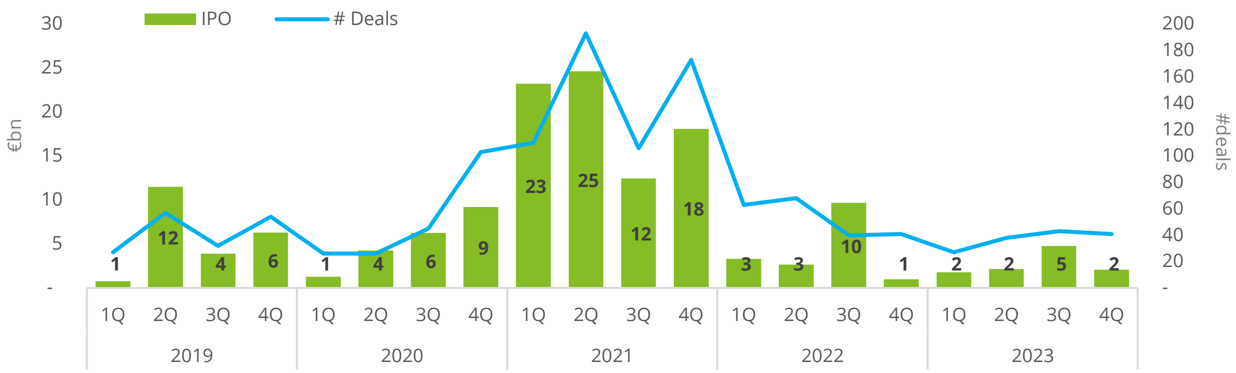
Turkey was the **most active stock exchange** by IPO **volume** in 2023, with 55 IPOs raising a combined €3.0bn of proceeds, closely **followed** by **Germany, with 4 companies** coming to market raising close to **€1.9bn**. The **UK,** which used to be the leader in IPO issuance, achieved a **disappointing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

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



Source: Dealogic (31/12/2023)

Figure 8: European IPOs since 2019



Source: Dealogic (31/12/2023)

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

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

As for **the Netherlands**, **no IPOs** priced in the **Main Market in 2023**, continuing the dry spell. The **AEX** only witnessed some follow-on offerings through accelerated bookbuildings. **FEMSA** completed an accelerated bookbuild of its shares in **Heineken and Heineken Holding** for a total amount of **€3.2 billion**, whilst Heineken simultaneously repurchased shares amounting to €1 billion. In May of 2023, **FEMSA** further **divested its interest in Heineken** by a second ABB, raising another **€3.3 billion**. The same month **DSM** and **Firmenich** announced plans for a merger and raised **€733 million** by means of an ABB. In December 2023, **EBUSCO** raised nearly **€60 million**, of which **€25 million through ABB** and the remainder by issuing convertible bonds, looking to restructure its existing depts and to top up working capital.

3

European Equity Issuance Levels

European IPO Barometer

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

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

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

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

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

Figure 9: Deloitte's European IPO Barometer H2 2023

Source: Dealogic (31/12/2023). Data includes all European IPO above €50m in H2 2023, excluding Turkish IPO


Dutch CFO survey

4 Dutch CFO Survey

Navigating uncertain times

READ THE FULL REPORT HERE

The bi-annual **CFO survey** collects inputs from over **1,100 Chief Financial Officers** across Europe. The report provides an overview of the Netherlands based CFOs' **financial outlook**, as well as their views on **critical business risks, inflation, strategic priorities, funding and other factors** they currently consider to be vital for success. Many CFOs—from **private and public organisations**—contributed to the Netherlands-specific report, sharing **insights** about a diverse number of **Industries**. To get an in depth understanding of CFOs' current priorities and concerns, the report is divided into three sections (with their respective key takeaways presented):

Economy

- **CFO general outlook on the economy** - *Despite the absence of a true economic crisis in Netherlands, CFOs are still pessimistic about firm's financial prospects.*
- **Navigating in an environment with high interest rates** - *Despite the overall pessimistic outlook on the economy, CFOs remain confident in their ability to cope with a high interest rate climate.*
- **Different priorities for organisations** - *Organic Growth, Sustainability and OPEX reduction are the main priorities for CFOs. However, shortage of skilled professionals and cyber risks might compromise a sustainable growth and investments in Europe.*
- **Uncertainty, geopolitical tensions and risk mitigation** - Supply chain is highly affected by geopolitical developments: tooling and suppliers collaborations are currently being prioritised by CFOs

Sustainability

- **Motivation and prioritization of sustainability** - *Most CFOs indicate value is driving their sustainability strategy; however, upcoming elections and potential stricter regulations add pressure to accelerate on their strategy.*
- **Regulatory readiness and the role of Finance** - *Organization are not fully prepared for imposed regulations on sustainability goals disclosure and current quantitative metrics. Finance will need to step up to tackle this challenge.*

Digitalisation

- **Despite AI attention, moderate maturity** - *While nowadays ground-breaking AI developments are often spoken about in the news, most CFOs currently view their organisation as only moderately digitally mature.*
- **The future of AI tools in decision-making** - *Smaller companies and Start-ups are implementing AI solutions two times more than bigger organisations. However, all CFOs are increasingly starting to recognize the importance of technological developments in decision making processes.*

Chart 1. Forward looking inflation expectations vs past expectations and realised inflation (in %)

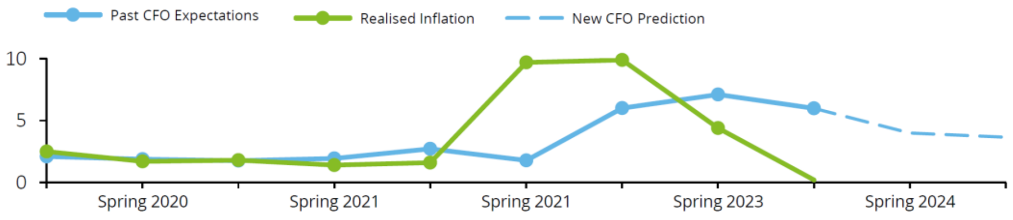
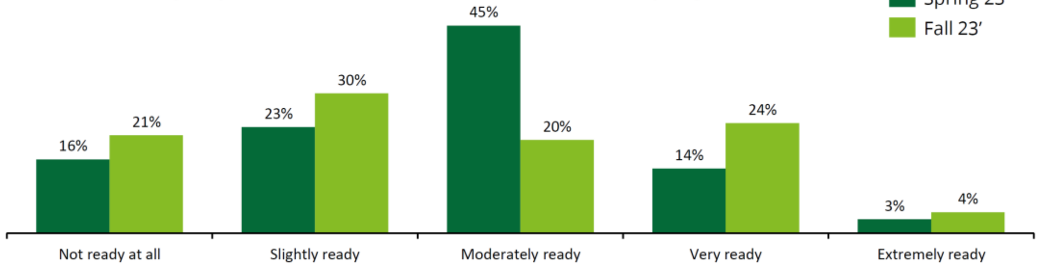


Chart 2. CFO's perspective on their readiness for sustainability regulations



Effect of (National) Elections on Stock Market Performance

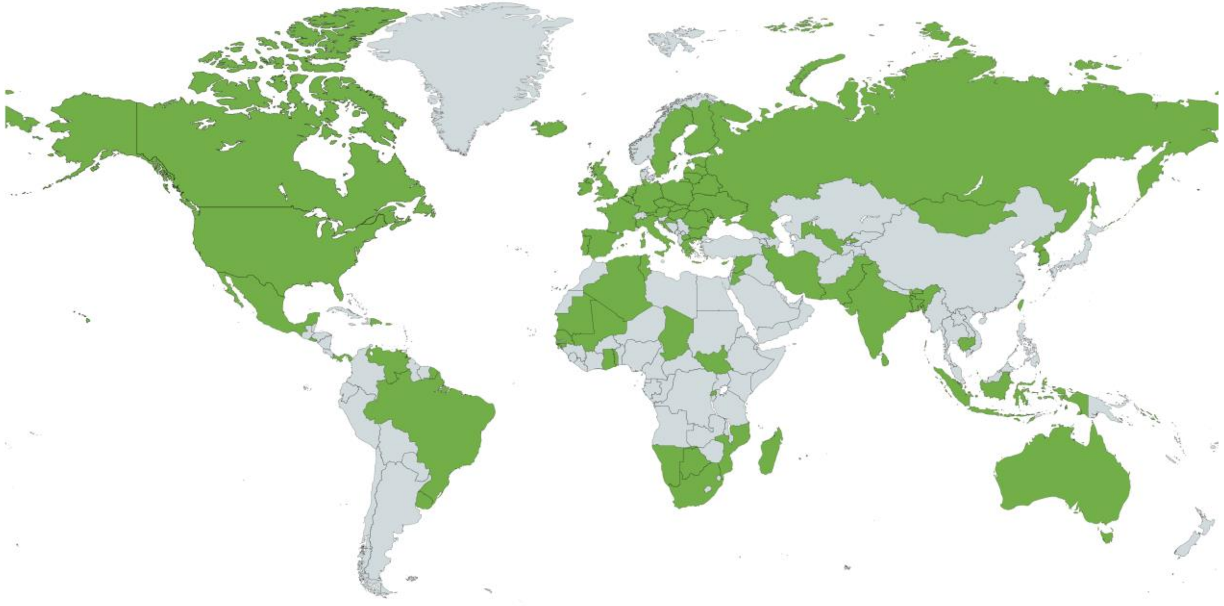
5 Effect of (National) Elections on Stock Market Performance

What will the 2024 election year bring for stock markets?

Introduction

National elections are pivotal socio-political events with far-reaching implications. Their **impacts** resonate not only through national economies, but they can **deeply influence the direction of the global economy** as well. More particularly, the outcome of such national elections can **shape the course of stock markets**. The potential effects of such events are not confined within the borders of the respective countries but resonate **around the world**, especially when it concerns national elections of major economies, such as the **United States (US)** and the **United Kingdom (UK)**. In 2024, more than **half of the world's population (over 4 billion people)** will be requested to vote in national elections, making this year exceptionally **monumental** for the short- and long-term performance of stock markets. This article examines the potential implications of national elections this year, such as those anticipated in the UK and the US, and elections for the **European Union parliament** for all citizens of its member states, on the global stock markets.

COUNTRIES SUBJECT TO ELECTIONS IN 2024:



[1] https://www.investopedia.com/investors-election-year-worries-could-be-overblown-experts-say-8410521

The interplay between elections and global stock markets

The relationship between national elections and stock market behaviours is largely related to the **economic policies** that **political changes** can bring about. Elections often lead to shifts in the political landscape, which can result in **changes to economic policies**, including **tax laws, trade agreements, regulatory reforms, and fiscal policies**. These changes can have significant implications for various sectors of the economy, affecting **corporate earnings** and, by extension, **stock prices**. The potential magnitude of such effects hinges on the realistic expectation that national elections in a particular country will result in changes to the political regime. Governments generally considered to be **moderate autocracies**, such as **Russia**, **Turkey** and **Pakistan**, are not expected to experience political changes, despite elections, limiting the potential stock market impact.

During **election cycles**, investors worldwide become sensitive to the potential political alterations, leading to a ripple effect in stock markets around the globe. The influence is not abstract but can be quantified in the stock market **volatility**, which generally becomes more pronounced in these periods.

The Unavoidable Uncertainty and Market Volatility

Election cycles are synonymous with **uncertainty** due to the **potential for policy shifts**. This uncertainty often reverberates through stock markets as a result of **increased volatility**. **Investors**, being innately **inclined towards stability**, may respond to this uncertainty with **caution**. A **survey** research recently carried out by Investopedia found that **61% of the investors** questioned, reported to be concerned about the potential effects of the 2024 US elections on their investment portfolios, ranking as their **main concern** (surpassing other major subjects such as the Middle East (48%) and Ukraine (35%) wars, recession (48%) and inflation (47%))[1].

This **cautious investor behaviour** can lead to **market withdrawals**, causing a **dip** in stock prices. For example, projections of a political party thatstringent regulations or higher corporate taxes might lead to a **sell-off in the stock market**, **driving prices down**. Conversely, if investors foresee policies that could stimulate economic growth, for example through expectations of a business-friendly government, their **confidence may surge**, leading to a **bullish stock market**. The greater the **unpredictability** of an election's outcome, the more pronounced its effects are likely to be in the weeks preceding and following the election. Unlike moderate autocracies, where political alterations are improbable and uncertainty is little, strong uncertainty in the **run-up** to the election typically leads to **quieter stock market activity**. Should the election results prove to be unexpected, it **enhances the probability** of more drastic policy changes, escalating the reverberations on the wider markets.

5

Effect of (National) Elections on Stock Market Performance

What will the 2024 election year bring for stock markets?

Sector-wise impact

Interestingly, the effect of elections on stock markets is **not uniform** across various sectors. It varies based on how the proposed policies of potential winners **might affect each sector**. For instance, if a political party with a **pro-green energy** stance is predicted to win, the stocks of **renewable energy** companies might see an upswing. Similarly, policy changes in healthcare, taxation, trade regulations, or infrastructure spending can impact relevant sectors variably. If you then appreciate the fact that **over 60 different countries** across the globe will host national elections in 2024 (representing more people than have ever voted in any previous year), all of them dealing with their distinct national and international matters and policies, it is beyond question that 2024 will be one of the most, if not the most, **remarkable year** in terms of political impact on the global stock markets.

The Global Effects

Even though the immediate effects of elections are most noticeable within the **domestic** stock markets, the secondary effects can resonate **globally**. Factors such as **investor behaviour** and **sector impact** have been discussed, but the global impact of the 2024 elections is particularly significant because they occur in economic **powerhouses** like the **US**, **India** and the **UK**. This is the immediate result of the ongoing **globalisation** of markets and the international orientation of the world nowadays. For example, any major shift in US trade policies might affect global supply chains, which in turn could affect stock markets in countries linked to those supply chains. Simultaneously, elections in less sizeable countries could also have **significant implications** on global stock markets. For example, the national elections in Taiwan of January, with its population of c.24 million citizens, was considered very decisive for the future relationship between Taiwan and China, dependent on whether the incumbent Democratic Progressive Party (DPP) or the Kuomintang (KMT), the opposition party who is more China-friendly, would win, and therefore **indirectly** had **ramifications** on relations between China and the US.

Long-Term Consequences

Typically, governments often are elected for a four to five year **period**, during which they mould the domestic landscape. In the US, 2024 will not only be a **presidential** election year, but also one for the **House of Representatives** and a third of the **Senate**, and as such the likelihood of **major policy change** is influenced by the degree to which **bi-partisan support** is needed to drive through policy change.

Whilst national elections can induce **short-lived market volatility**, **long-term market trends** tend to be dictated by **macro-economic** factors like **inflation** rates, **interest** rates, and **GDP** growth. Despite the temporary fluctuations that elections might cause in the stock market landscape, the **long-term market performance** primarily adheres to fundamental economic conditions and corporate earnings. As Benjamin Graham, one of the **founding fathers** of value investing, once said, "in the short run, the market is a voting machine but in the long run, it is a weighing machine."

Conclusion

In **summary**, **national elections** can significantly influence **global stock markets**, causing short-term volatility due to policy uncertainties and shifts in investor sentiment. However, it's crucial to remember that these **temporary market movements** are often overshadowed by **long-term economic factors** and corporate earnings in the long run, which themselves can be affected by national elections if the results are crucial to international political dynamics. Investors should approach the elections this year with a balanced perspective, considering both the **immediate uncertainties** of national elections but also the **fundamental macro-economic trends** that ultimately drive market performance.

US Elections

Historically, markets have shown a general trend of volatility in the months leading up to a U.S. Presidential election due to the uncertainty surrounding potential policy changes. Once the election results are clear, the markets often stabilize.

Here's a brief view of how stock markets performed during some recent elections:

2020 *Election (Trump vs. Biden): The markets were initially volatile due to uncertainty about the outcome and potential policy changes. However, after the election, markets showed a positive trend, partly due to the expected stimulus package and the announcement of successful Covid-19 vaccines.*

2016 *Election (Trump vs. Clinton): The markets initially dropped due to the surprise of Trump's win but quickly rebounded and continued on a bull run.*

2012 *Election (Obama vs. Romney): The markets remained relatively flat leading up to the election and declined slightly after Obama's re-election, but eventually resumed its upward trend.*

2008 *Election (Obama vs. McCain): The election occurred during the global financial crisis, so the markets were already in a significant decline. Obama's election did not immediately halt this decline, but markets began to recover in March 2009.*

Remember, while the election can impact the market in the short term due to policy uncertainty, over the long term, market performance is more reliant on economic fundamentals.

Tax Treatment of Share Repurchases by Listed Entities in the Netherlands: A Comprehensive Review

Tax Treatment of Share Repurchases by Listed Entities in the Netherlands: A Comprehensive Review

Dividend taxation on share buybacks as per 2025

Introduction

Share buybacks are commonly used by listed companies to return excess cash to shareholders. Currently, under certain conditions, Dutch listed companies can buy back their own shares without having to pay dividend tax. This is known as the 'buyback facility'. For several years, there have been parliamentary debates around this facility, and more broader around maintaining or abolishing the Dutch dividend taxation. At the end of last year, the government voted in favour of abolishing this buyback facility effectively as of January 1, 2025.

Below, the background and implications of the abolishment of the buyback facility are addressed. Although the new regime only starts in 2025, companies should consider this now as they may need to put in place the necessary procedures prior to 2025, for example, in the 2024 AGM.

Dutch dividend withholding tax

- Dividends paid by a Dutch entity are, in principle, subject to a 15% Dutch dividend withholding tax ("WHT") unless an exemption is applicable. A share buyback is deemed to be a taxable distribution if and to the extent the price paid for the shares exceeds the average capital contributed on the repurchased class of shares. Hereby, a distinction is made between buying back shares by the company for temporary investment and buying back shares with a permanent nature. Shares that are held temporarily, for example, for an employee incentive plan or another strategic purpose, are (and remain) not deemed to be a taxable distribution and are thus – under certain conditions – not subject to Dutch WHT.
- The current share buyback facility aims for exempted buyback of shares. The use of this facility is shortly put maximised to i) 20 times the average dividend in cash during the 5 calendar years prior to the repurchase ii) minus any exempted repurchase of own shares under this exemption in the prior 4 calendar years. Without this facility, the repurchasing company should withhold WHT.
- The buyback offer should be attractive to shareholders. A seller of shares would not agree to a dividend tax burden in case of a share buyback to the company if they can also sell the share for its gross value to other potential buyers. So, the repurchasing company would have to compensate for this WHT. In addition, the company (as it is listed) doesn't know from who it buys the shares. Therefore it's necessary to withhold WHT on the share buyback.
- As a result, this would mean that the repurchasing company takes care of the dividend tax and, due to the gross-up effect, pays 17.65% dividend tax on this 'deemed dividend distribution'. This has a value-decreasing effect for all remaining shareholders (as this WHT is just a cost for the company and no one will be able to credit the WHT).

Political developments

- During the 2024 Dutch State budget discussions, the House of Representatives (Tweede Kamer) agreed to abolish this buyback facility as of January 1, 2025. In December 2023, the First Chamber of Parliament (Eerste Kamer) also voted in favour of abolishment. However, prior to the vote, the political party VVD filed a motion asking the government to make the utmost effort to come up with alternatives in spring 2024. Dutch State Secretary of Finance, Mr. Van Rij, promised to present alternative measures, of course, within the limitations of the State Budget, investment climate, and feasibility. As a result, the motion of VVD was withdrawn.
- The income for the government associated with abolishment of the share buyback facility is projected to be €770 million. They expect that only a small portion will continue as share repurchases. For the rest, a portion is expected to be taxed as regular dividend distribution, and another part will likely be paid out tax-free as a capital return or otherwise remain outside scope of dividend taxation.
- Remarkably, the Dutch State Secretary of the Finance, in September of last year, issued a letter comprehensively describing the background and reason for the share buyback facility and its importance for Dutch listed companies. He affirmed that the buyback of own shares is a crucial tool for stock corporations in terms of capital allocation policy (rewarding shareholders from surplus cash positions while maintaining a consistent dividend policy) and share value development (influencing the number of outstanding shares, thereby affecting the earnings per share and neutralizing the effect of stock dividends).
- Internationally, share buybacks are usually treated as regular disposal of shares, resulting in no dividend tax on these transactions. The United Kingdom has no dividend tax, and the United States levies a 1% tax on the value of share buybacks.

Expected shareholder distributions

- Other ways of distributing excess cash to shareholders are through regular cash dividends or via the mechanism of an 'optional dividend'.
- With an optional dividend, shareholders can choose between a cash dividend payment from the profit reserves (generally subject to 15% WHT) or a stock dividend from share premium (which could potentially be free from WHT). In this way, shareholders can choose the preferred treatment based on personal circumstances. However, this is not a perfect alternative as the use is limited to the (remaining) amount of share premium available.

Conclusion

Share buyback programs have gained increasing popularity among Dutch listed companies over the years. The abolishment of the share buyback tax facility is expected to result in additional tax costs for listed companies that want to continue their share buyback programs. Currently, there is no simple alternative for this facility, and it is therefore interesting to follow the alternatives that will be presented by the Dutch State Secretary during the spring of this year.

IPO Scanner

7

Are you ready to go public?

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

Now inluding a new ESG module

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

Our IPO Scanner now features a newly added ESG module, allowing you to assess your company's readiness for an IPO in the face of ESG. You'll be evaluated on aspects such as ESG strategy, and new European ESG regulations including the EU taxonomy and CSRD. This upgrade empowers you to navigate the evolving landscape of sustainable finance, ensuring that your company is not only IPO-ready, but also equipped to thrive in a future defined by ESG considerations.

What is the IPO Scanner?

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

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

Next steps

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

Submit your name and contact details to start the IPO Scanner

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

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

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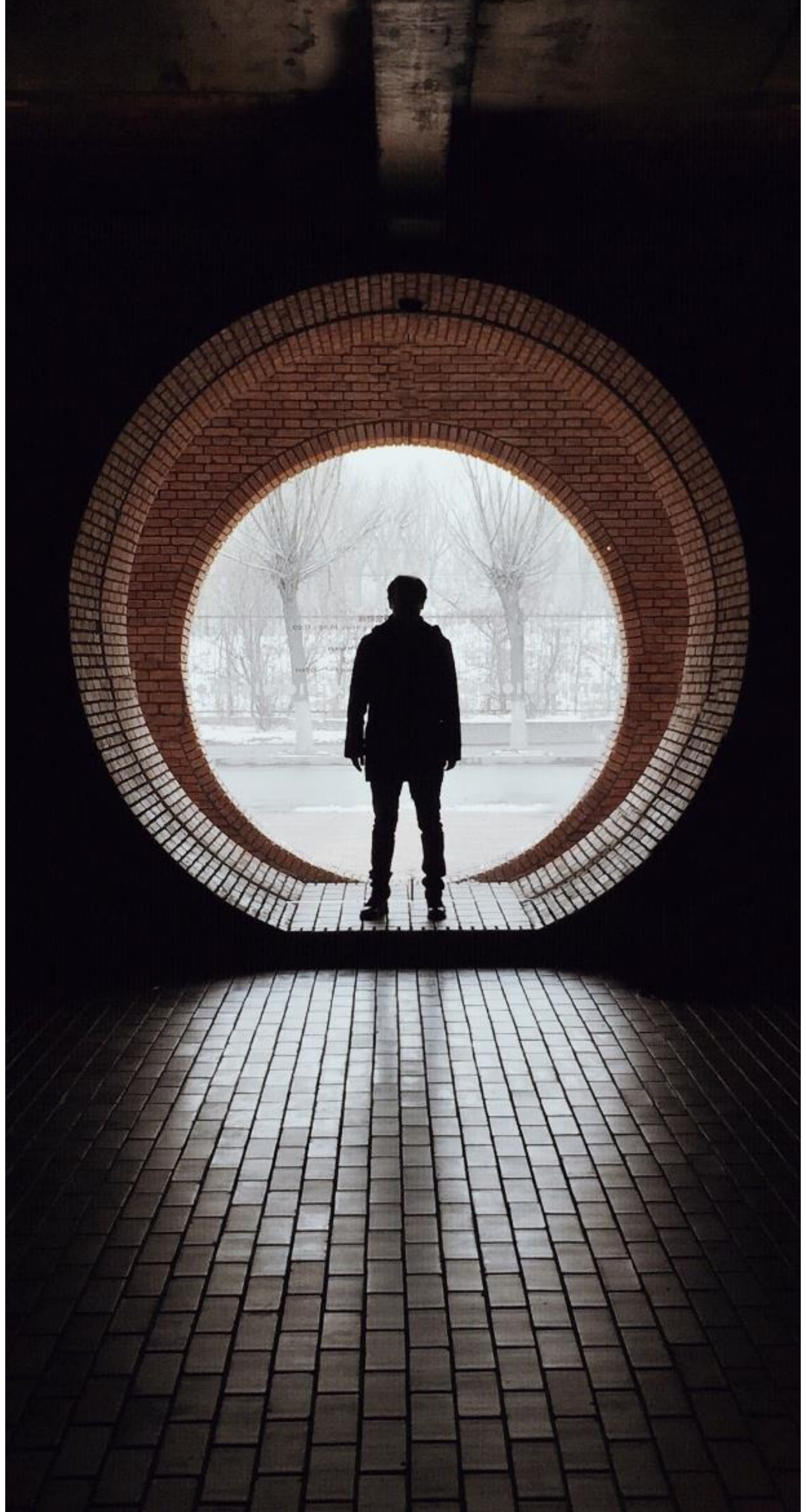

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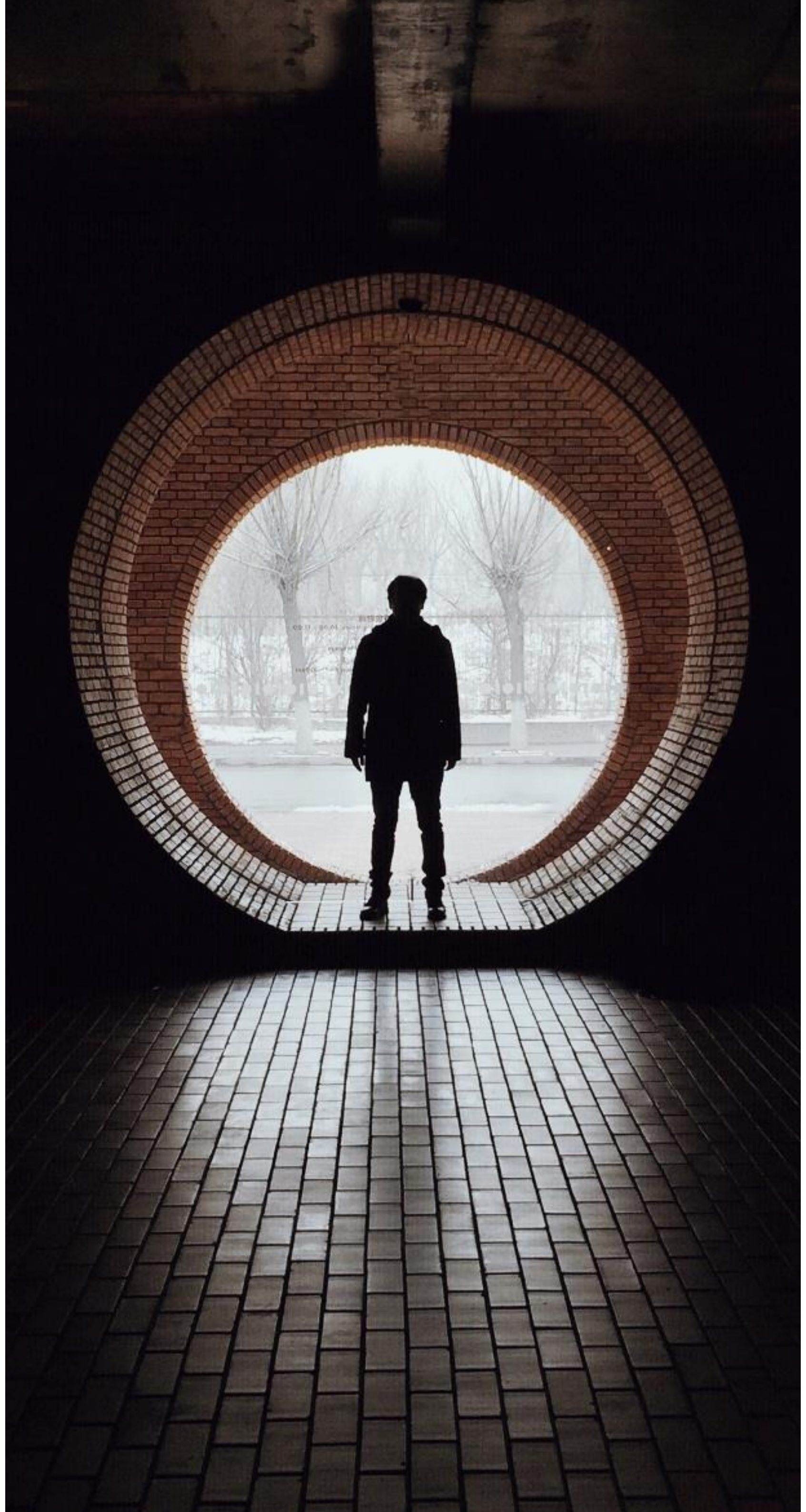
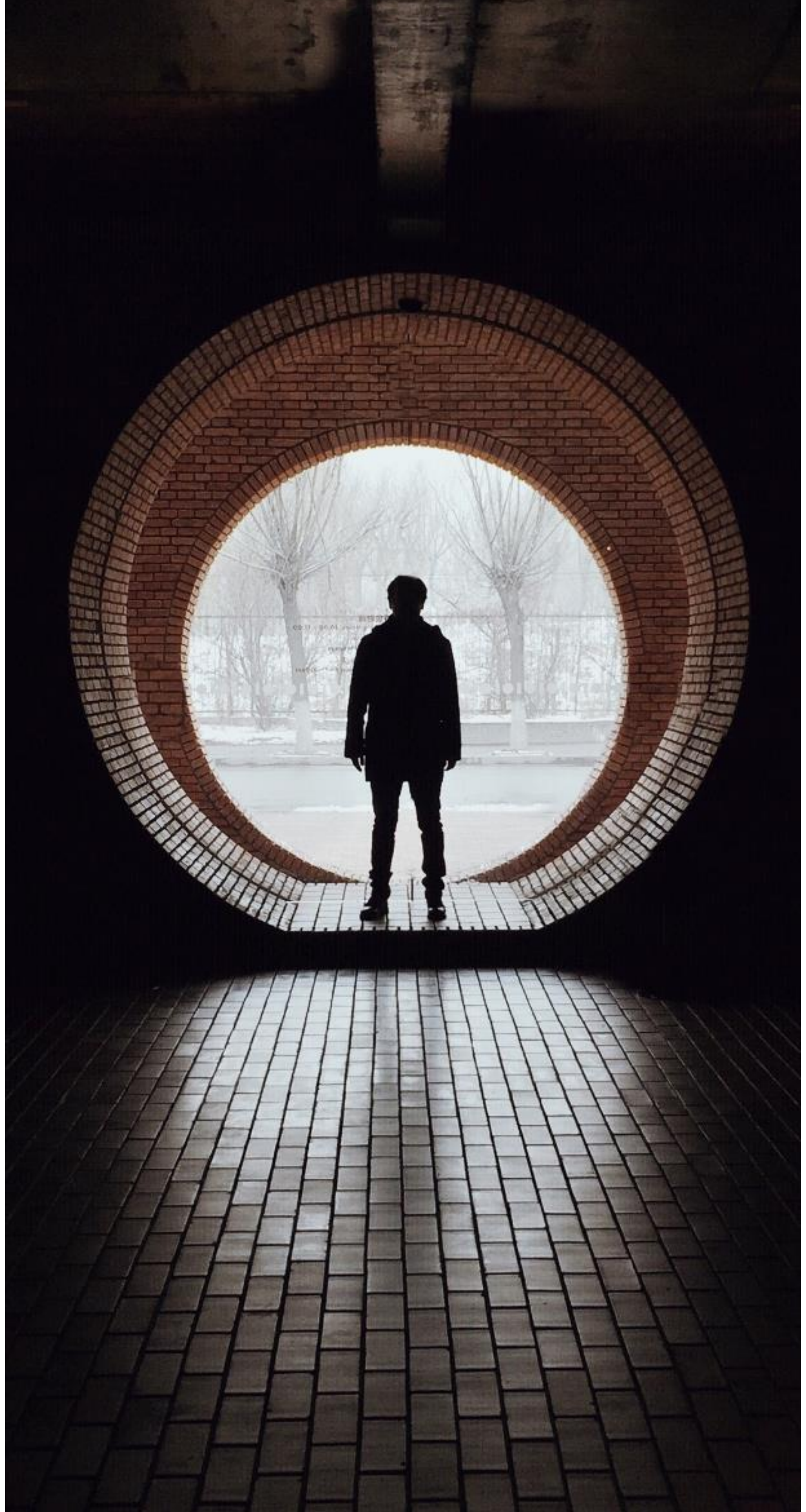


Selected Credentials

Both equity and debt offerings

Q-Park High yield Bond 2024 €430m	**Boels** High yield Bond 2023 €400m	**Infopro Digital Group** High Yield Bond 2023 €975m	**Wolter Kluwer N.V.** Senior Bonds 2023 €700m	**Hunkemöller** High Yield Bond 2022 €273m
Heineken N.V. EMTN Update 2022 €20b	**European FinTech IPO Company 1** IPO 2021 €382m	**Viterra** EMTN Update 2021 €5b	**Stedin Holding N.V.** EMTN Update 2021 €3b	**Vesteda Finance B.V.** Guaranteed EMTN 2021 €2.5b
JDE Peet's Guaranteed Bond Programme 2021 €2.5b	**CTC** IPO 2021 €190m	**Just Eat Takeaway** Offering and US listing 2021 €6.1b	**Allfunds** IPO 2021 €2.2b	**JDE Peet's** IPO 2020 €2.6b
Just Eat Takeaway UK listing 2020 €6.9b	**DSC 2** IPO 2020 €110m **DSC 1** IPO 2020 €80m	**Dutch Star Companies One** IPO 2018 €55m	**VolkerWessels** IPO 2017 €575m	**Takeaway.com** IPO 2016 €350m



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ECM service offerings

Independent IPO Advisor

- Truly independent advice throughout the IPO process
- Offer and transaction structuring advice
- Assistance with adviser selection
- Input into equity story
- Project and syndicate management
- Analysis and coordination of investor marketing

Carve out financials

- Support and advice on carve-out design (operational and financial) and implementation
- Support on preparation of carve-out financials
- Support and advice on transaction (ECM or private sale) matters

Public Company M&A

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

IPO Auditor

- Audit the financial statements included in the prospectus
- Providing comfort to the underwriters
- Assessing the control and governance environment

IPO Assist

- Support and advice where and when needed
- Services include project management, seconding staff, building models and working as an integrated part of the company's team
- Providing advise on ESG reporting structure set-up and implementation

Reporting Accountant

- Underwriter due diligence
- Working capital reporting
- Profit forecast reporting
- Pro Forma opinion

IPO Readiness

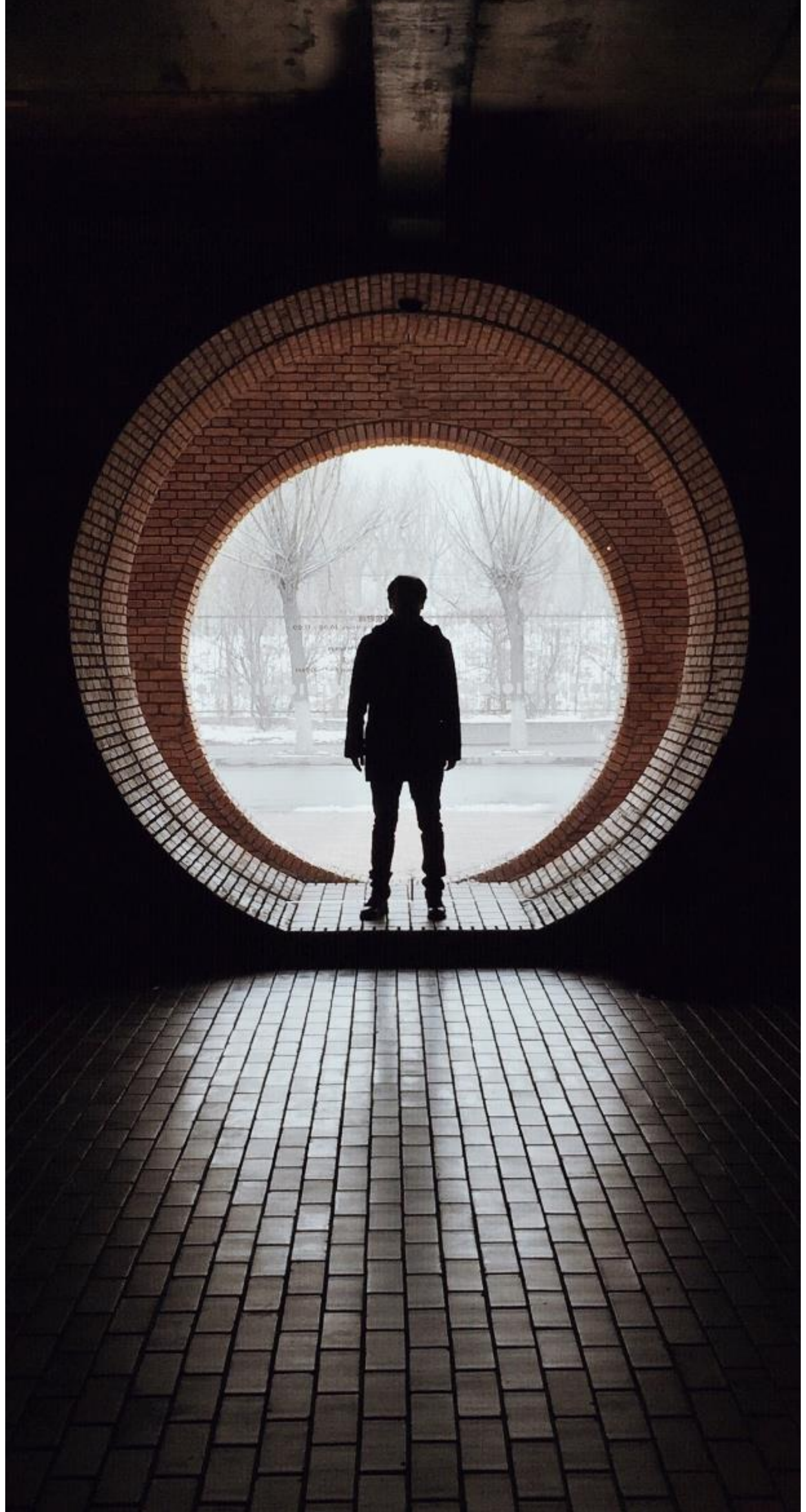
- Help companies prepare for an IPO
- Readiness assessment with a key findings report. Identifies deficiencies that may delay or prohibit an IPO
- Scope covers financial and commercial areas
- Design remediation plan to address shortcomings prior to IPO kick-off

Post-IPO Support

- Help management handle the transition to a NV
- Assist with preparation of first set of public financials, audit of financial statements, ongoing analyst liaison and results announcements
- Ongoing corporate governance advice and support

Tax and Remuneration Advice

- Tax structuring, including domicile of Topco
- Advice on arranging executive and employee remuneration plans
- Benchmarking remuneration structures against other listed companies
- Implementation and documentation of remuneration plans



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