
CAPITAL MARKET

A SURVEY OF INVESTMENT BANKERS IN GERMANY

PANEL I / 2018

*Current opinion on the
German IPO market*

White paper on capital market-relevant
backgrounds · theses · opinions · statistics

I/2018 | Current opinion on the German IPO market

Key Findings Capital Market Panel H1/2018:

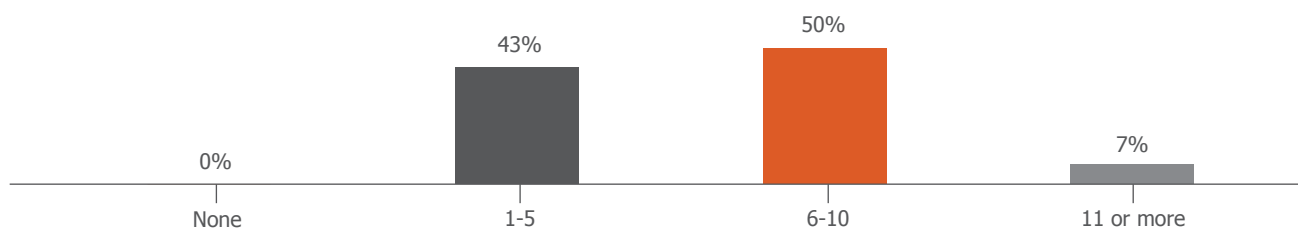
- **IPO activity: Half of those interviewed (50%)** assume that **between six and ten** companies will enter the German capital market in the second half of 2018. **43% of those surveyed** assess the German IPO economy more cautiously and expect **only one to five additional IPOs** in the course of the year. This means that the picture for the first half of 2018 has deteriorated slightly compared with our last survey on the IPO market. At the turn of the year just under 63% of the respondents assumed six to ten IPOs.
- **IPO slump: The mood on the German IPO market has cooled off again** after the good first quarter of 2018. In **the first three months**, the issue volume already exceeded **the full year 2017⁽¹⁾**. This development was driven by the two billion-euro transactions Siemens Healthineers and DWS. Following the **sharp increase in price fluctuations** on the stock markets, **several IPOs in Europe were cancelled** at short notice in recent months. In Germany, this affected the scientific publisher Springer Nature at the beginning of May.
- **Drivers of the IPO market:** For the majority of those surveyed (93%), the **buying behaviour of institutional investors is decisive** for the development of the German IPO market. The second most frequently cited (79%) is the **fundamental situation of IPO candidates**. **Third place** among the influencing factors is taken by the **development of the corresponding leading indices** such as the DAX and EURO STOXX 50 (58%).
- **IPO requirements:** The fact that **IPO candidates** have **experienced management with track record** has become even **more important**. For 86% of respondents, this point comes first (H1/2017: 64%). The **second most frequent** (77%) was the **focus on growth**. This is followed by the **prospect of high share liquidity** after the IPO (64%, H1/2017: 27%) and **unique technological features** (57%).

¹ cf. pwc: Rekordstart in 2018 Emissionsmarkt Deutschland, Q1.
URL: <https://www.pwc.de/de/newsletter/kapitalmarkt/emissionsmarkt-deutschland-q1-2018.pdf>

I/2018 | Development of the German IPO market

Question 1:

How many IPOs do you expect in Germany in the second half of 2018?

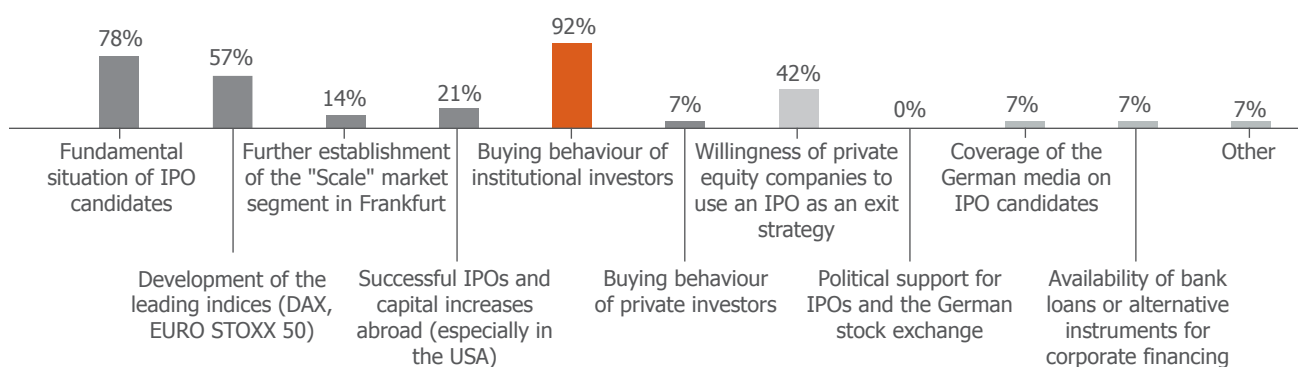


Comment

Opinions among those surveyed on the number of IPOs in Germany in the second half of 2018 are divided: Half of the respondents (50%) assume that between six and ten companies will enter the German capital market during this period. 43% of respondents are more cautious about the IPO climate and expect only one to five IPOs. Only about 7% are extremely optimistic and expect more than eleven IPOs. This means that the mood has deteriorated slightly compared with the survey we conducted on IPO climate at the turn of the year. At that time, just under 63% of respondents expected six to ten IPOs for the first half of 2018.

Question 2:

In your opinion, what are key factors influencing the further development of the German IPO market?



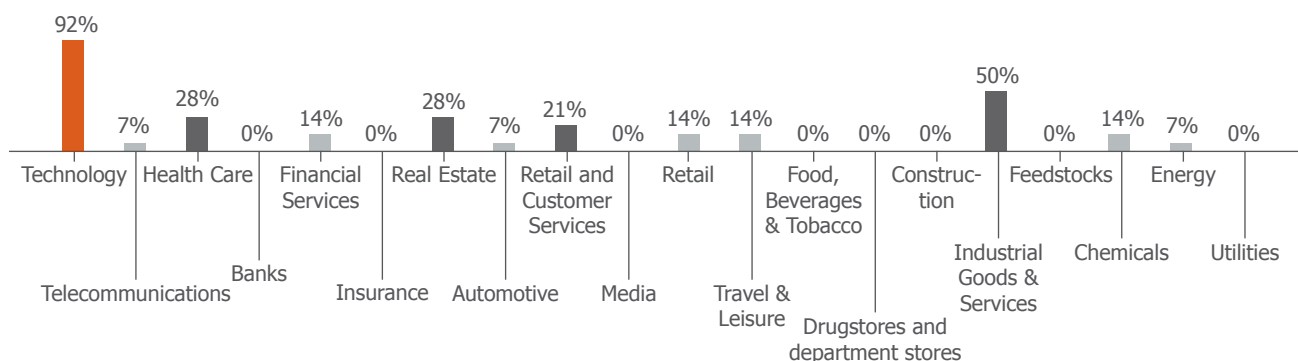
Comment

Among the factors that will have a decisive influence on the development of the German IPO market in the further course of 2018, 93% of those surveyed put the buying behaviour of institutional investors first. The second most frequently mentioned (79% of respondents) is the fundamental situation of IPO candidates. Third place among the influencing factors is taken by the development of the corresponding leading indices such as the DAX or EURO STOXX 50 (58%). This means that the current opinion is essentially the same as observed in the survey on the first half of 2018. Back then, 82% of respondents named the buying behaviour of institutional investors as the decisive factor influencing the IPO market.

I/2018 | Development of the German IPO market

Question 3:

From which industries do you expect the most IPO candidates in 2018?

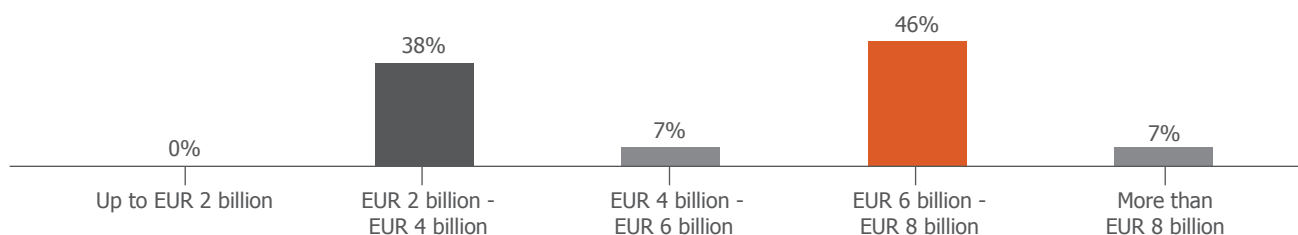


Comment

Among the topics or sectors that will dominate among the IPO candidates in the second half of 2018, a large majority of those surveyed, 93%, favour the technology sector. Exactly half (50%) see the industrial goods and services sector in second place. The real estate and health care sectors are named third most frequently by those surveyed (29%). Compared to the survey for the first half of 2017, assessment of the industry environment has changed. Back then, the industrial sector came out on top (H1/2017: 73%), and the technology sector, previous year's favorite, was named by 64%.

Question 4:

What issue volume do you expect in the IPO market in 2018?



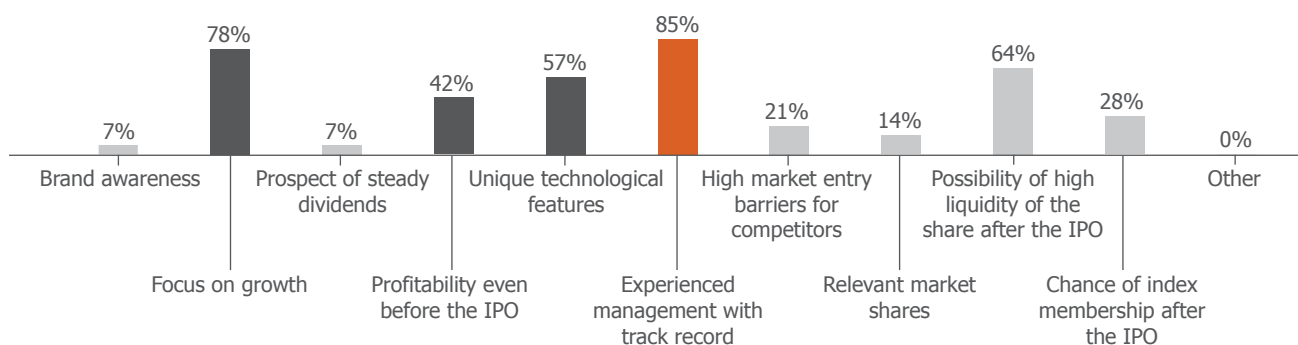
Comment

As with the number of IPOs, the mood among the participants in regard to the issue volume is also mixed. For 2018 as a whole, almost half of them (48%) expect an issue volume of EUR 6 to 8 billion across all segments of Deutsche Börse (Prime Standard, General Standard, Scale). In contrast, 39% expect that the issue volume will only range between EUR 2 billion and EUR 4 billion.

I/2018 | Development of the German IPO market

Question 5:

What will investors expect from IPO candidates in 2018?



Comment

In regard on expectations of investors placed on IPO candidates, an experienced management with track record has become even more important than in the first half of 2017. For 86% of respondents, this issue comes first (H1/2017: 64%). The second aspect most frequently mentioned (77%) is that investors focus on growth (H1/2017: 55%), followed by the prospect of high share liquidity after the IPO (64%, H1/2017: 27%) and unique technological features of the IPO candidate (57%). Compared to the previous year, importance of the latter factor has increased slightly (H1/2017: 55%). In direct comparison, however, the profitability of the company pre IPO is estimated to be less significant (43%, H1/2017: 55%).