
CAPITAL MARKET

A SURVEY OF CAPITAL MARKET EXPERTS IN GERMANY

PANEL I / 2019

Current Opinion on the German IPO Market

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

H1/2019 – Current Opinion on the German IPO Market

Key Findings Capital Market Panel H1/2019:

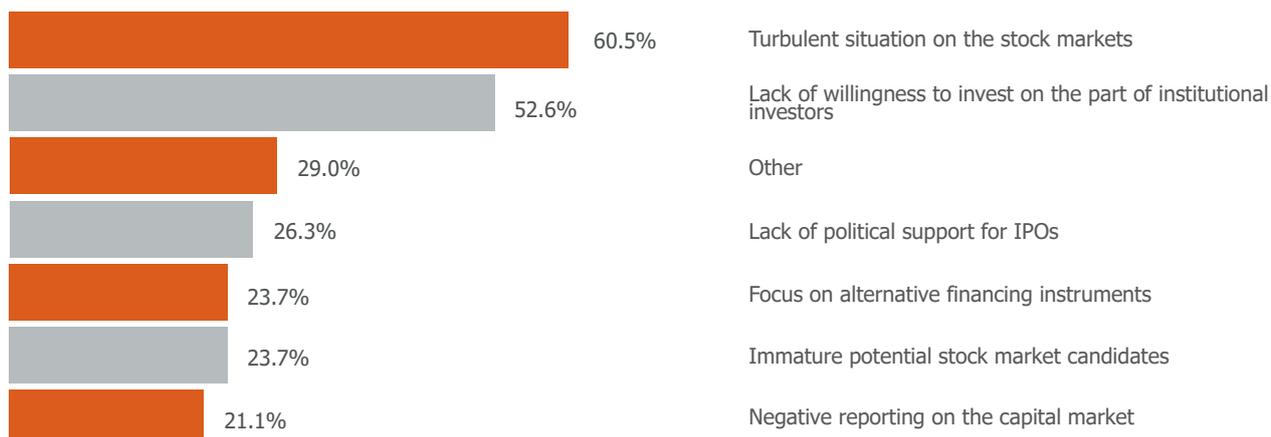
- **Reasons for the current IPO market weakness:** According to the capital market professionals surveyed, the **turbulent situation at the stock markets** and the **reluctance of institutional investors to invest** are the main reasons for the poor IPO yield. Political uncertainties such as the trade war between the USA and China as well as the Brexit also play a role according to the respondents. Thus, the opinion of the Capital Market Panel also corresponds to the assessment of the IPO Barometer¹ of the auditing and consulting firm EY: In addition to the usual restraint in the first quarter, uncertainties caused by geopolitical risks, trade policy tensions, the imminent Brexit and the budget freeze in the US lead, according to EY, to a worldwide restrained IPO market in 2019.
- **Expected IPOs in the second half of 2019:** Despite the weak first half of 2019, **respondents to the Capital Market Panel still have hope for a revival of the IPO market:** Almost **two-thirds** expect **1 to 5 IPOs** in the second half of the year, the **remaining third even more**. Compared to the **IPO record year 2018**, however, **expectations have deteriorated** considerably. At that time, more than half of the participants were convinced that there would be at least six IPOs in the second half of 2018.
- **Most important factors influencing the IPO market:** The **most important factors** influencing the development of the IPO market **remain constant** for the participants in the Capital Market Panel. As in the first half of 2018, **most frequently cited** are the **buying behaviour of institutional investors**, the **development of the leading indices** and the **fundamental situation of the IPO candidates**.
- **Attractive industries for IPOs:** The industry with the **greatest stock market potential** is expected to be the **technology sector** in the second half of 2019. **Eight out of ten respondents** still expect an **IPO in this sector this year**. However, with mega IPOs of Siemens Healthineers and Knorr-Bremse last year, the healthcare sector and the consumer goods industry recorded the largest IPOs. The weakest industries in the current panel are insurance, travel & leisure, raw materials and building technology.
- **Expected issue volume for 2019:** The low IPO yield in the first half of 2019 is therefore also reflected in the total issue volume: **Only one-third of the respondents** expect an **issue volume of more than EUR 4 billion**.

¹ EY IPO Barometer Q1 2019: Schwacher Jahresauftakt auf dem weltweiten IPO-Markt. URL: [https://www.ey.com/Publication/vwLUAssets/medienmitteilung-ey-schwacher-jahresauftakt-auf-dem-weltweiten-ipo-markt/\\$FILE/medienmitteilung-ey-schwacher-jahresauftakt-auf-dem-weltweiten-ipo-markt.pdf](https://www.ey.com/Publication/vwLUAssets/medienmitteilung-ey-schwacher-jahresauftakt-auf-dem-weltweiten-ipo-markt/$FILE/medienmitteilung-ey-schwacher-jahresauftakt-auf-dem-weltweiten-ipo-markt.pdf)

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Question 1

Why is the IPO market in recession in 2019?



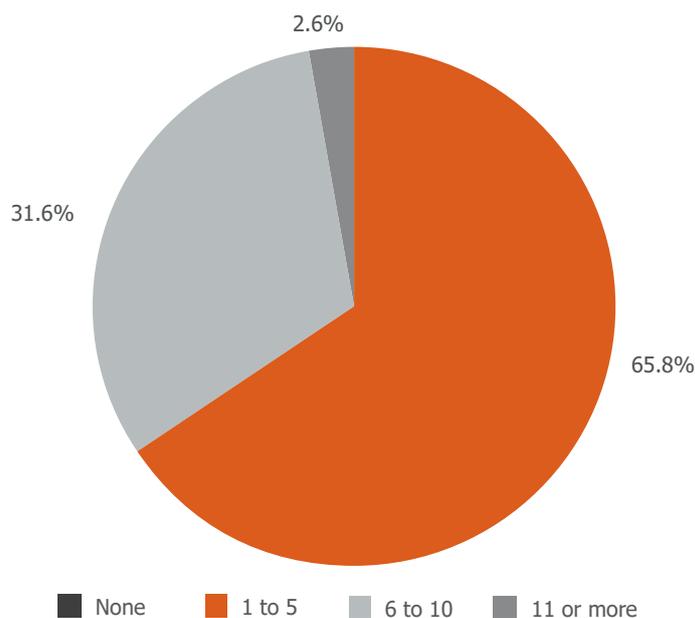
Comment

More than half of the respondents (60.5%) see the turbulent situation on the stock markets as the main reason for the current weak IPO market in Germany. The reluctance of institutional investors to invest is also interpreted by more than half of the participants as an IPO obstacle (52.6%). More over, respondents cited the lack of political support for IPOs (26.3%) and other political factors as a stumbling block on the IPO market. In the category „Other“ (29.0%), the participants identified the trade war between the USA and China, the Brexit and the uncertain future of the European Union as several reasons for the weak IPO market. In addition, 23.7% of respondents believe that some candidates are not yet ready for an IPO and are rejected on the capital market.

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Question 2:

How many IPOs do you expect in Germany in the second half of 2019?



Comment

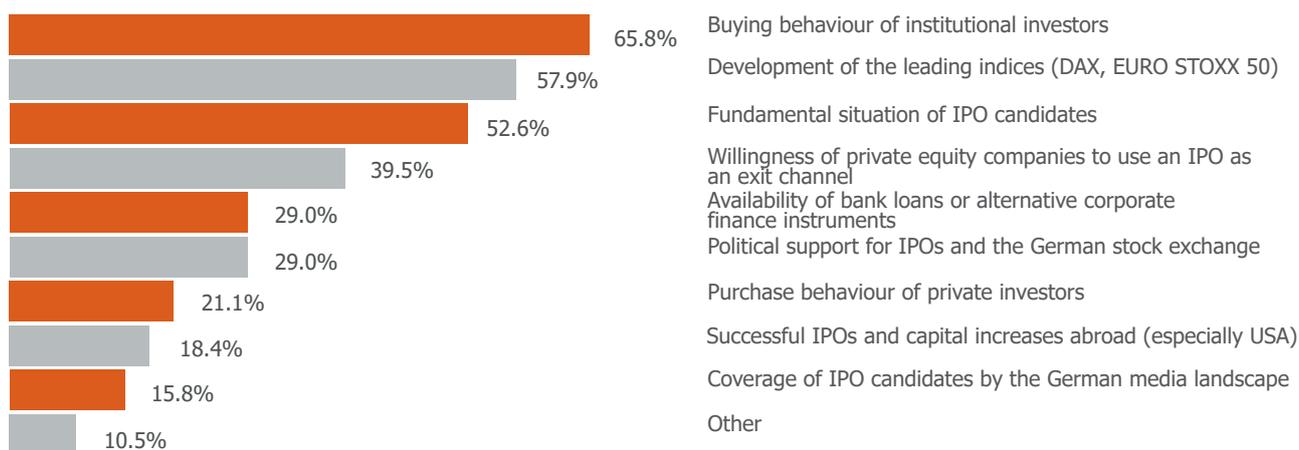
Despite the IPO slump to date, all respondents assume that there will be at least one successful IPO in the second half of 2019. Almost two-thirds expect 1 to 5 IPOs by the end of the year. The rest expect 6 to 10 (31.6%) or at least 11 (2.6%) IPOs. In the first half of the year, only the successful IPO of Frequentis AG, which has been listed in Frankfurt and Vienna since May, caused a stir. With Traton SE, VW's truck division, a major player made the leap onto the stock market before the summer break.

Compared to the IPO year 2018, however, expectations have deteriorated considerably. At that time, more than half of the participants (57.1%) were still convinced that at least 6 IPOs would be recorded in the second half of 2018. The remainder assumed 1 to 5 IPOs in this period. The so far weak IPO performance in 2019 is therefore clearly reflected in the expectations of market participants.

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Question 3:

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



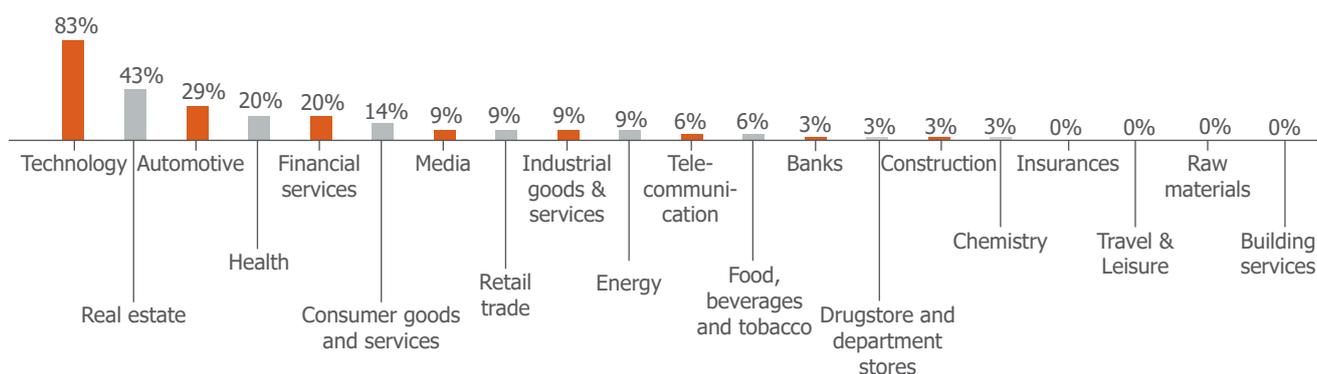
Comment

The buying behaviour of institutional investors is the decisive factor for the further development of the German IPO market. This is the view of two-thirds of respondents (65.8%). Participants also attach great importance to the performance of the leading indices (57.9%) and the fundamental situation of IPO candidates (52.6%). The buying behaviour of private investors (21.1%), the development of foreign IPO markets (18.4%) and media coverage (15.8%) are mentioned only by few participants. This confirms the overall assessment compared to the first half of 2018: Back then, the participants also attributed the greatest influence to the buying behaviour of institutional investors, the fundamental situation of the IPO candidates and the development of the leading indices.

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Question 4:

From which industries do you expect the most IPO candidates in 2019 (industry definition based on ICB Industry Classification Benchmark)?



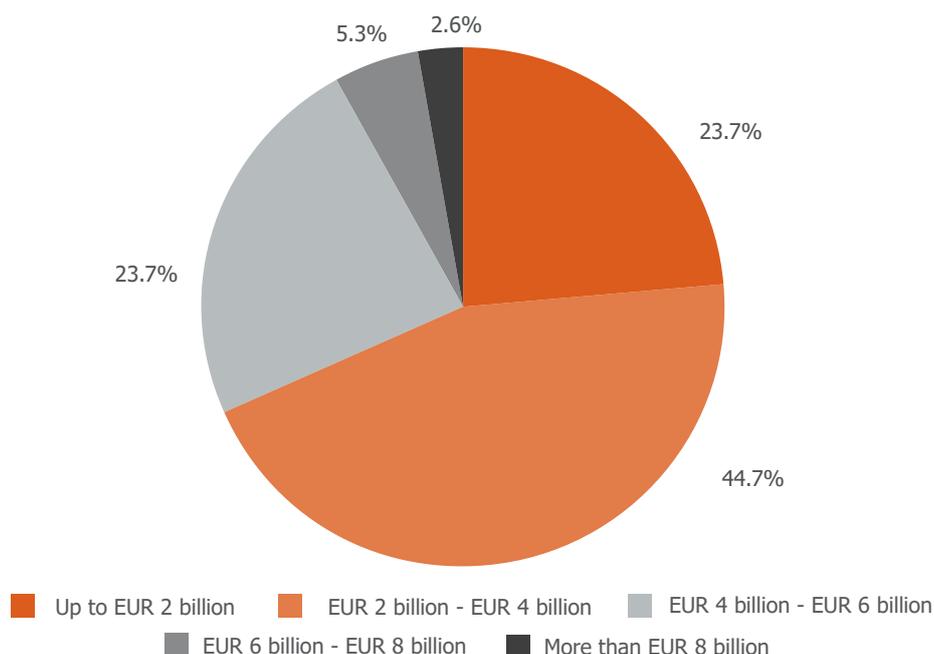
Comment

The participants in the Capital Market Panel selected companies from the technology sector as the frontrunners for successful IPOs in 2019. Eight out of ten respondents (82.9%) are convinced to see the greatest potential here. In second place are real estate companies (42.9%), followed by the automotive sector (28.6%). Participants do not expect any IPOs in the insurance, travel & leisure, raw materials and building technology sectors. In the first half of 2018, the participants also attributed the greatest IPO potential to the technology sector, followed by industrial goods & services, real estate and healthcare.

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Question 5:

What total issue volume do you expect for the IPO market in 2019 (Deutsche Börse Prime Standard, General Standard and Scale)?



Comment

In line with the weak IPO market performance to date, the participants of the Capital Market Panel also assess the potential issue volume as relatively low compared with the previous year. Around half of the respondents expect an issue volume of EUR 2-4 billion in 2019 (44.7%). Around 30% expect the issue volume to exceed EUR 4 billion. Approximately one quarter assume an issue volume of less than EUR 2 billion (23.7%). The impression of the IPO record year 2018 has vanished, as the different expectations compared to the previous year show: In the first half of 2018, more than 60% of the respondents still assumed that the total issue volume in the German IPO market in 2018 would amount to more than EUR 4 billion.