DEAL MAKERS SENTIMENT SURVEY 2023

Capital markets

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Capital markets

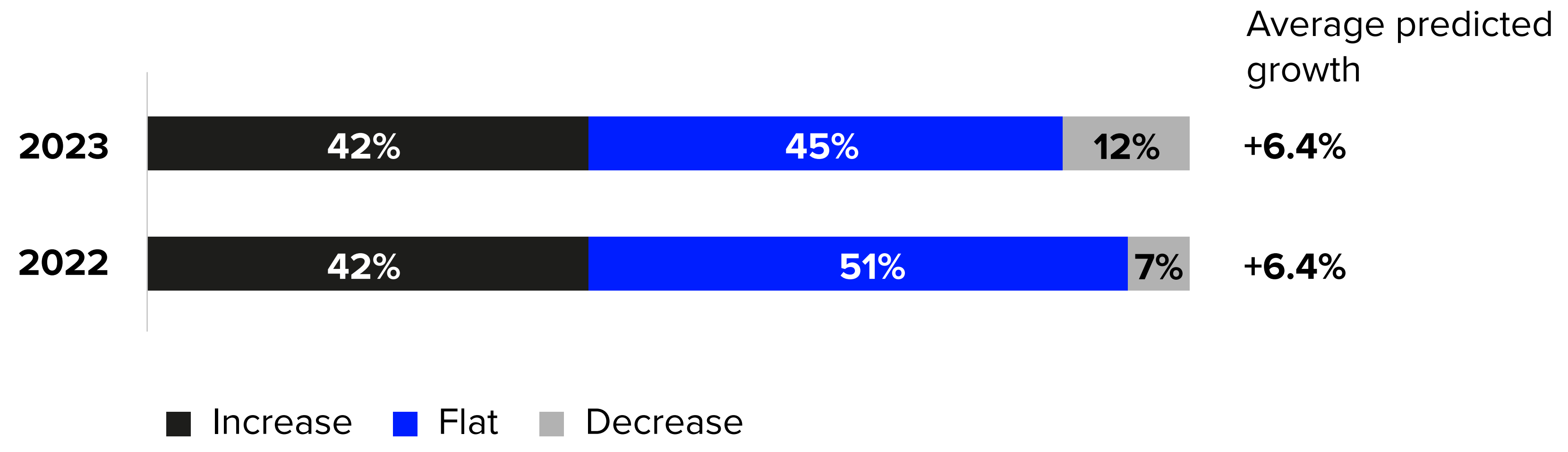
After a difficult 2022, deal professionals are becoming more positive about equity raising in the year ahead, notably in the US. These are being driven by the technology and healthcare sectors. With high levels of inflation and interest rates on the rise, debt market professionals are showing greater signs of caution, albeit with aggregate expectations of further growth for 2023.

Equities in 2023

Capital markets professionals are sanguine about prospects for growth in 2023, with 87% of respondents anticipating equity volumes to be at least as high as in 2022.

On average, deal makers expect the market to grow by 6.4%. Just 12% expect fewer equity capital raisings in the year ahead.

ANTICIPATED GLOBAL EQUITY DEAL VOLUME CHANGES



Americas lead equity optimism

Deal makers in the Americas region are most bullish, with more than half expecting equity market growth and just a tenth anticipating shrinkage over the next 12 months.

In EMEA views are more split, with 35% expecting growth, 17% forecasting a decrease and the balance anticipating no significant change in the levels of activity. The same is true in Asia, where an average growth rate of 5.4% is also predicted.

There is remarkable consistency in the expectations of banks, corporations and advisory firms in the equity capital markets, with a small bearish minority and the majority roughly split between those anticipating stability and those anticipating growth.

The factors that are expected to impact the market this year have shifted notably, with less focus on corporate fundamentals and investor-related issues and greater concern around state intervention in the form of policy and regulation as well as price inflation.

"VENTURE CAPITAL FIRMS ARE THRIVING AND LOOKING FOR OPPORTUNITIES TO BACK COMPANIES AS THEIR INVESTMENT VALUE GROWS ALONG WITH THE COMPANY'S VALUE."
- Corporate deal maker, US

"INFLATION WOULD SURELY PLAY AN IMPORTANT ROLE IN IMPACTING CAPITAL RAISING."
- Corporate deal maker, Sweden

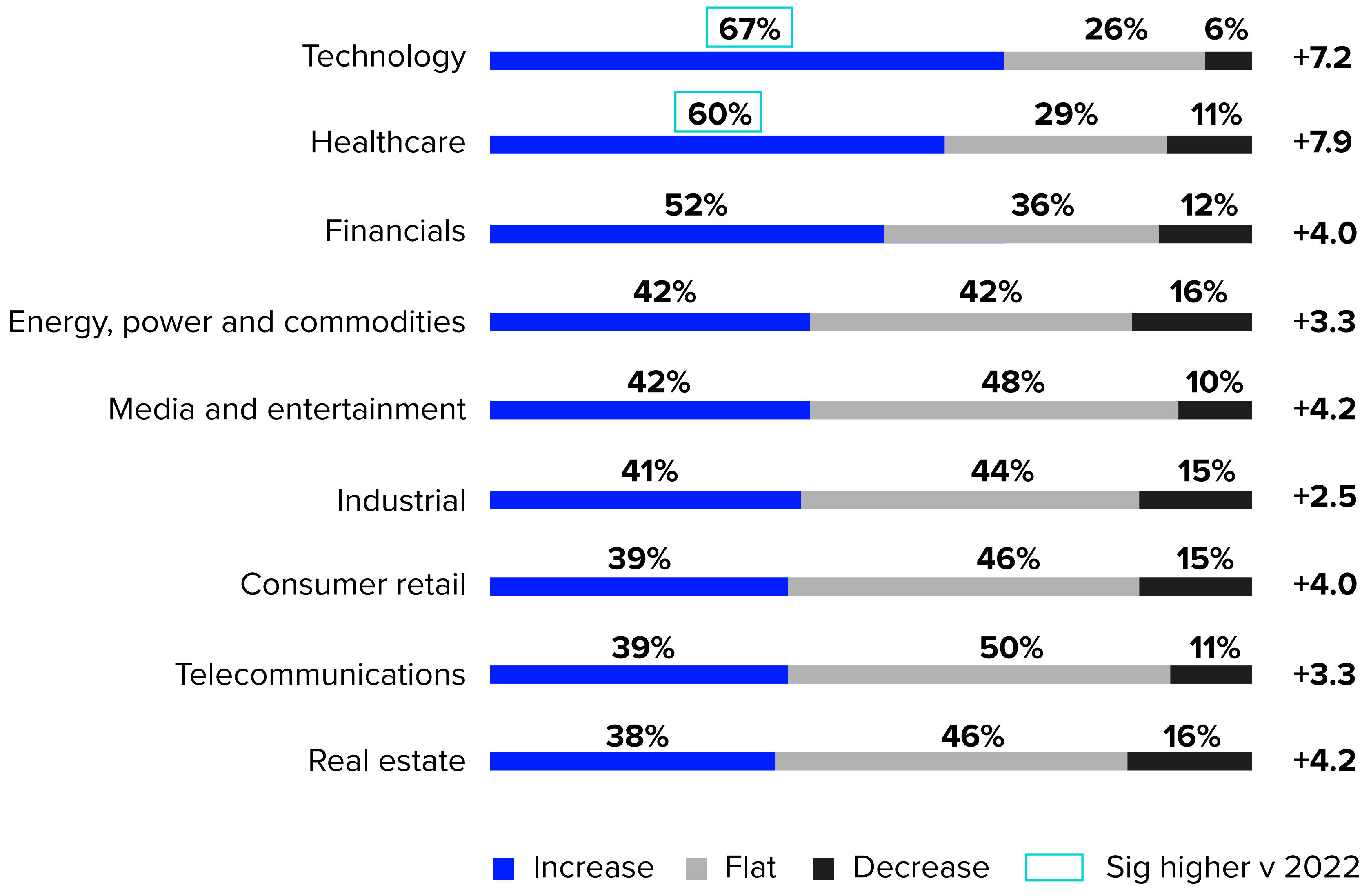
"IF THE ONGOING CONFLICT IN THE MARKET REGARDING MISMATCHED WORKFORCE, INCREASING REGULATIONS AND POLITICAL INTERFERENCE IS NOT RESOLVED IMMEDIATELY THEN THE MAJOR DEALS WILL BE IMPACTED IN 2023."
- Corporate deal maker, Singapore

Technology and healthcare equity issuance growth to accelerate

Equity capital raisings are expected to grow fastest in the technology and healthcare sectors. Despite already constituting the most active sectors for equity capital, deal makers are further accelerating their growth expectations in both areas, with 67% and 60% of respondents expecting an increase in equity issuance in technology and healthcare respectively.

In a distant third place are financials, which are anticipated to grow at 4% – roughly half the pace of the two leaders.

ANTICIPATED EQUITY VOLUME BY INDUSTRY SECTOR



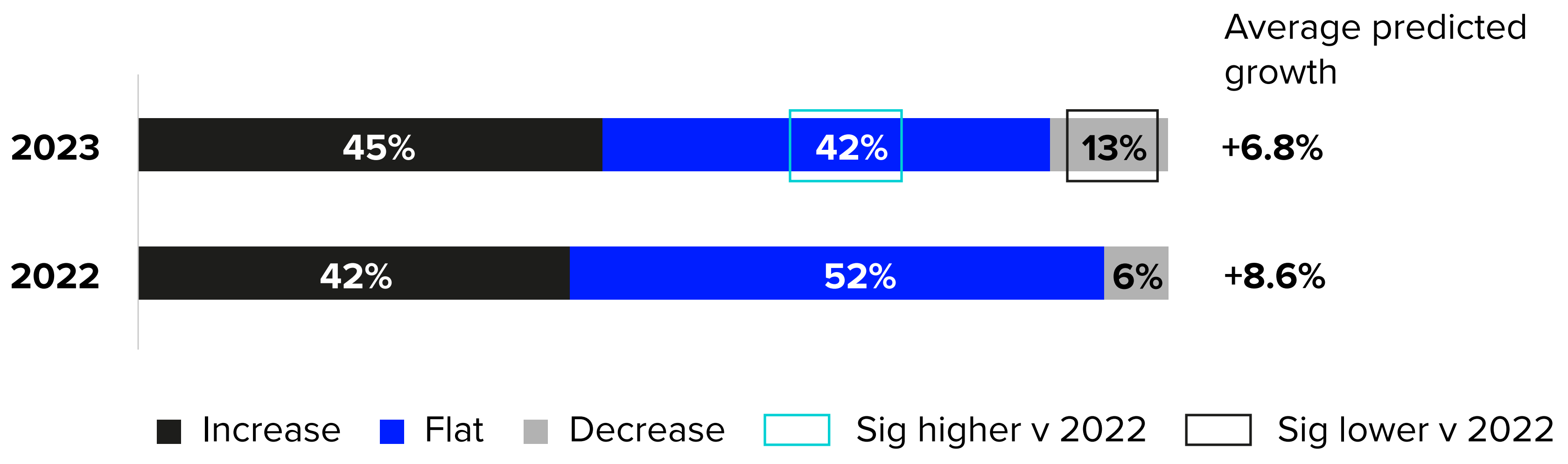
Debt in 2023

Some caution is emerging among global debt capital market professionals, with a growing number shifting from neutral to negative on the prospects for issuance growth in 2023.

A year ago, more than half thought the market would plateau and just 6% expected a fall. Today, 42% expect no change while 13% are “factoring in” a fall in deal activity.

Even so, the proportion of optimists remains high, at some 45%, giving debt capital markets an average expected growth rate for the year of 6.8%.

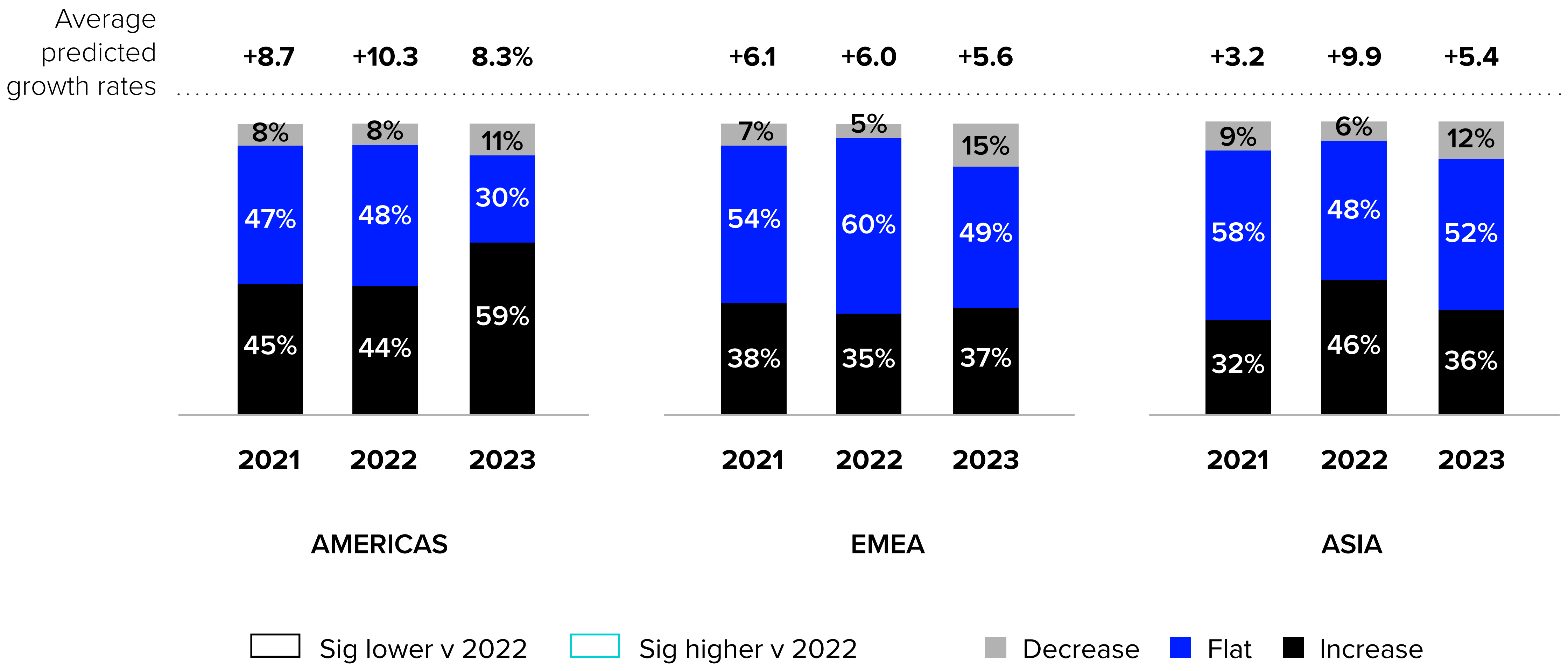
ANTICIPATED GLOBAL DEBT DEAL VOLUME CHANGES



Deal makers in the Americas are the most bullish about the prospects for debt capital raisings in 2023, with 59% of the market anticipating growth and just 11% expecting a slower year.

Meanwhile, in EMEA and Asia, the largest constituent of deal makers is anticipating a flat year, at 49% and 52% respectively.

ANTICIPATED GLOBAL DEBT VOLUME CHANGES



In aggregate, deal makers across banks, corporates and advisory firms are optimistic that global debt volumes will increase in 2023. This cohort is led by investment bankers who, on average, anticipate a market growth rate of 8.5%.

In terms of factors influencing the market, the number of respondents citing price inflation has doubled since last year while company fundamentals, investor sentiment and regulatory concerns take a backseat.

"GIVEN MARKET PRESSURES AND INFLATION IT IS ALMOST IMPOSSIBLE TO RAISE CAPITAL RIGHT NOW IN ORDER TO FINANCE MAJOR ACQUISITIONS."
- Corporate deal maker, Canada

"CURRENT MARKET INSTABILITY MIGHT DISCOURAGE CORPORATES FROM ACQUIRING COMPANIES AND MIGHT TURN INTO A BENEFIT FOR DEBT DEALS."
- Corporate deal maker, Netherlands

"IN AUSTRALIA, THE MARKET IS QUITE OPTIMISTIC ABOUT THE CHANCES OF BORROWING FUNDS THROUGH BONDS AND LOANS IN 2023. THIS IS A RESULT OF THE SUBSTANTIAL DEMAND FOR CAPITAL FROM BOTH LOCAL AND FOREIGN INVESTORS, THE LOW INTEREST RATE ENVIRONMENT, FAVOURABLE PROGNOSIS FOR THE AUSTRALIAN ECONOMY AND COMPETITIVE COMPANY VALUATIONS."
- Investment banker, Australia

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