

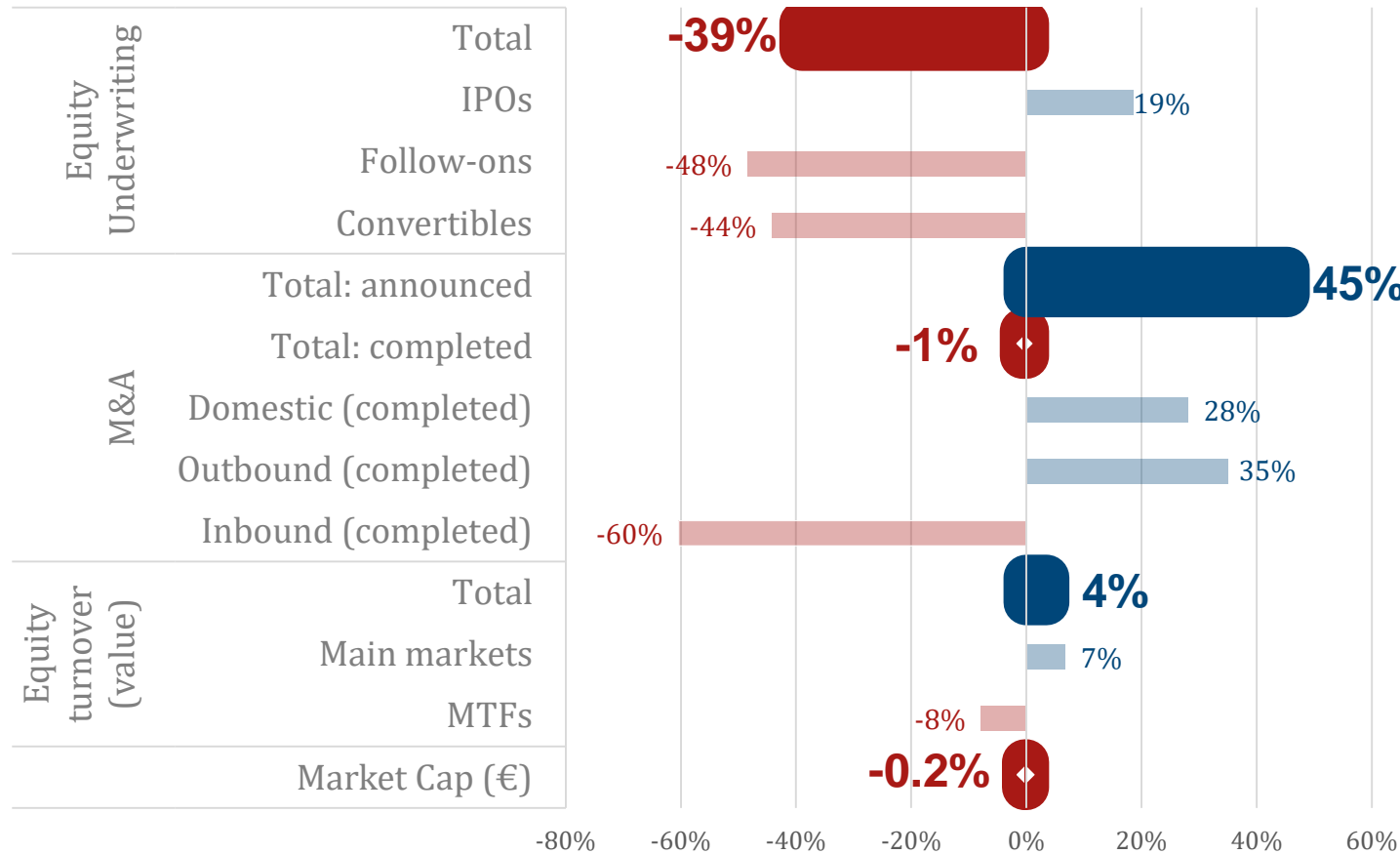
2Q 2018

Equity Primary Markets and Trading Report

European market data
update



1H 2018 YtD variation of European Equity activity (EU28 member countries and Switzerland)



Equity underwriting on European exchanges accumulated a total of €78.8 bn in proceeds in the first half of 2018, a 39% decrease from the value originated in 1H17 (€129.0 bn).

Notwithstanding the year-to-date decline, IPO issuance in 1H18 increased by 19% against the amount issued in the first half of 2017.

Completed Mergers and Acquisitions (M&A) of European companies totalled €496.0 bn in 1H18, a decrease of 1% from 1H17 (€ 499.3 bn). This included large megadeals such as Bayer-Monsanto, which represented 12% of the total deal value (€59.1bn).

The amount of announced M&A deals totalled €674.1 bn, a 45% increase from 1H17. This includes large megadeals such as Takeda Pharmaceutical -Shire plc (€65bn) and Walt Disney-Sky (€30bn).

Equity trading activity on European main markets and MTFs generated a total of €6.2 tn in turnover value in 1H18, an increase of 4% from 1H17 (€6.0tn)

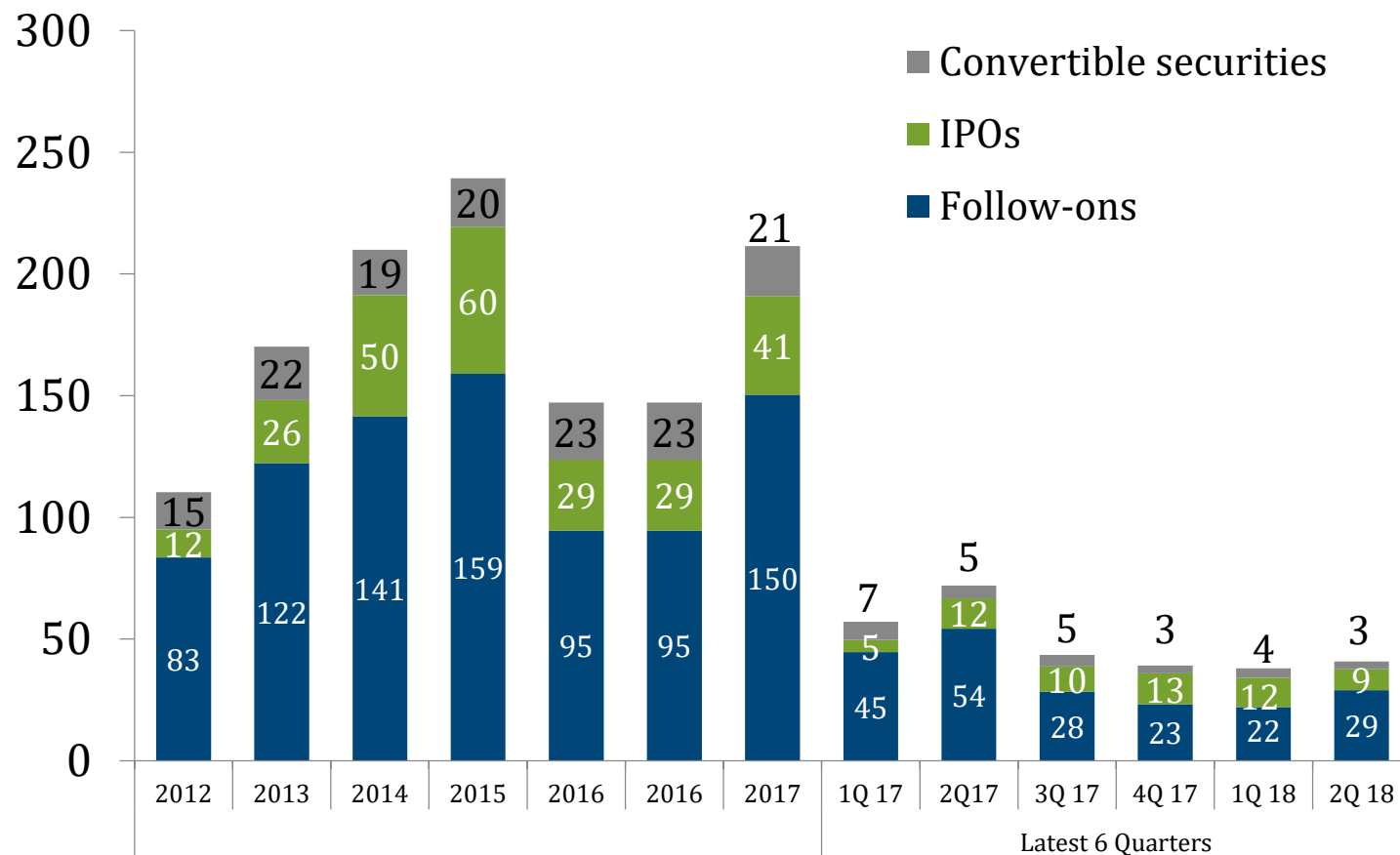
Domestic market capitalisation of European listed shares stood at € 13.3 tn at the end of 1H18, a decrease of 0.2% from the market value at the end of 4Q17 (€13.4 tn)

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Issuance

Year-to-date decline in Equity issuance

Equity Issuance on European exchanges (EUR bn)

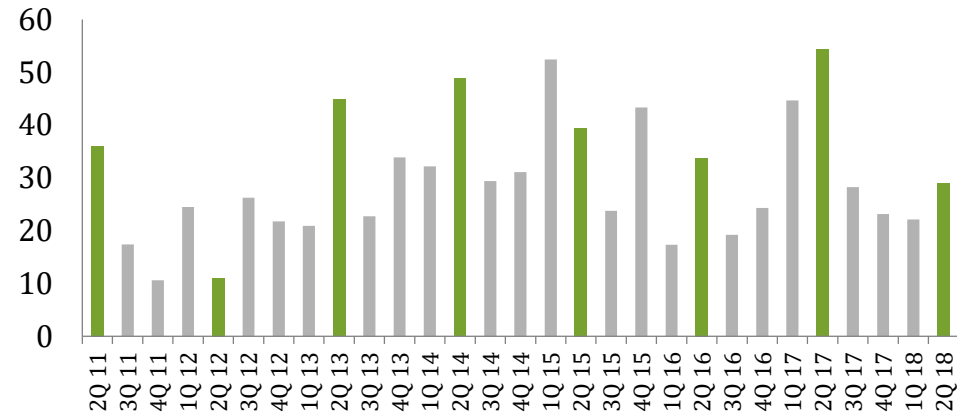


Source: Dealogic

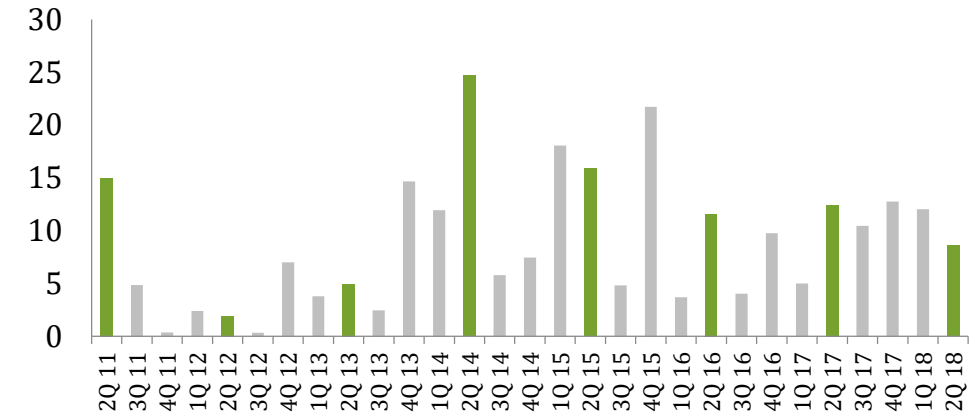
The 39% YtD decline in equity underwriting was largely driven by a 48% YtD decrease in follow-on offerings

Proceeds from IPO originations during the first half of the year increased 19% from the value raised in 1H17, although with fewer deals (138 IPOs in 1H18 and 147 in 1H17)

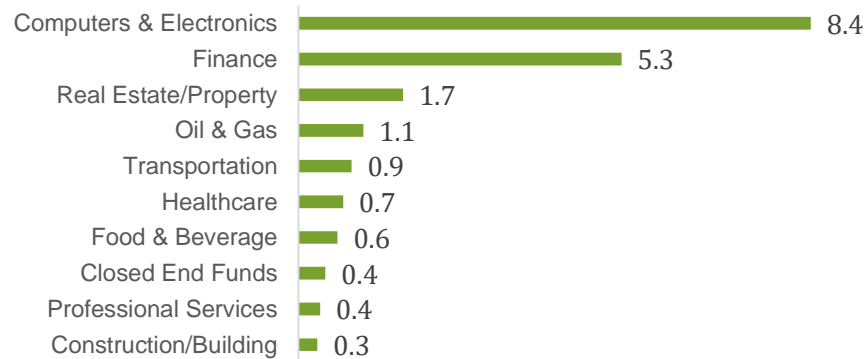
Follow-on offerings (EUR bn)



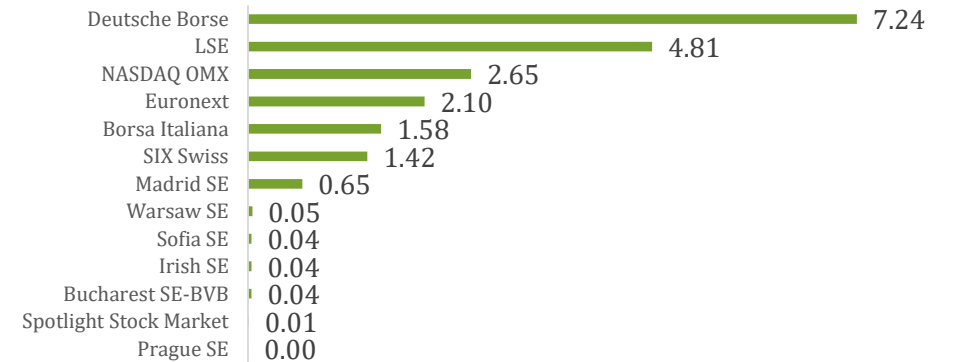
IPO proceeds (EUR bn)



IPO proceeds by industry (Top 10, EUR bn): 1H18



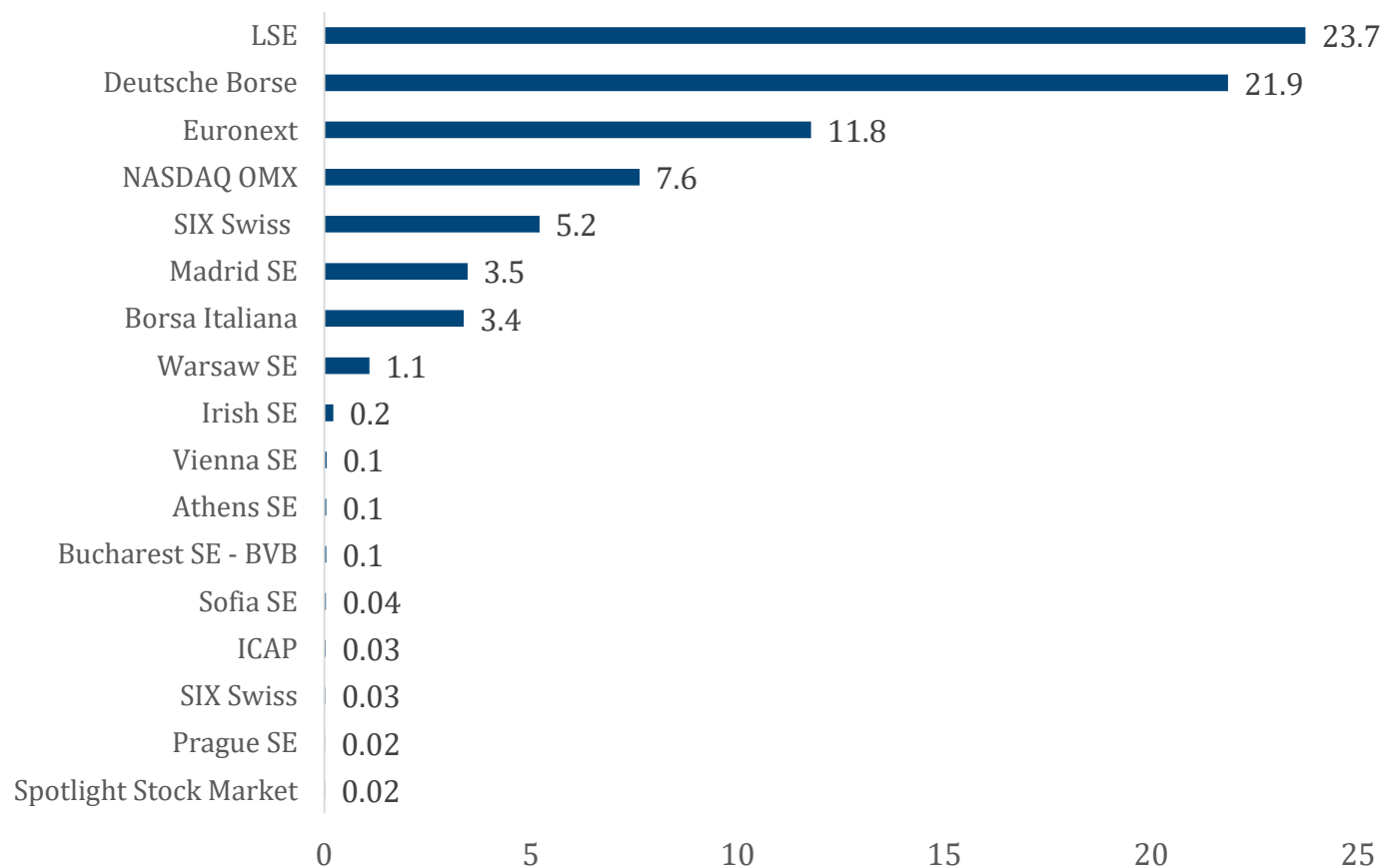
IPO proceeds by listing market (EUR bn): 1H18



Source: Dealogic
*Finance includes SPVs

Equity issuance by exchange during the year

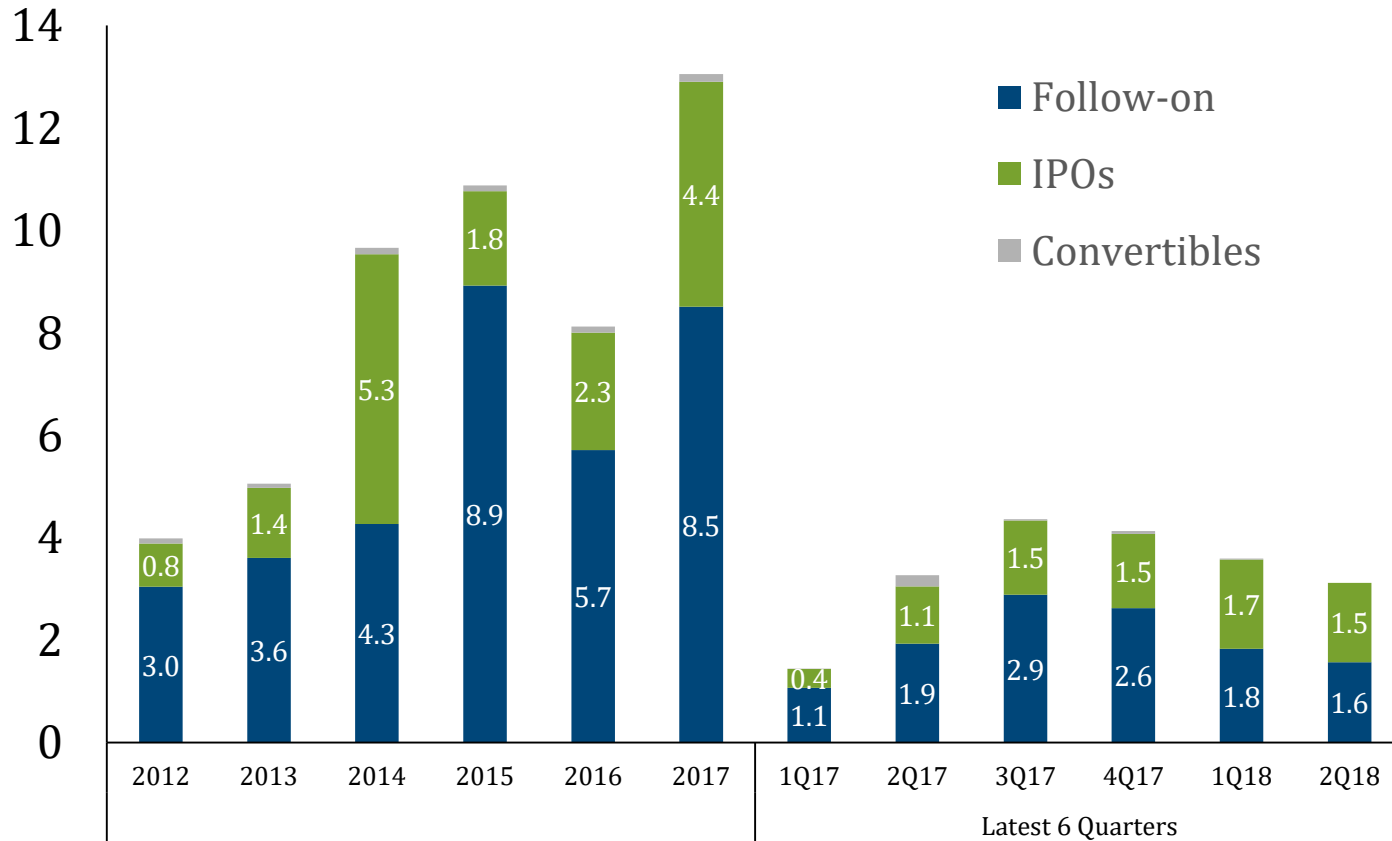
Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): 1H18



By exchanges, the LSE (main market and AIM) led by total equity underwriting accumulating a total of €23.7bn, followed by the Deutsche Börse and Euronext exchanges

Equity issuance on Junior markets

Equity underwriting on Junior European markets (EUR bn)



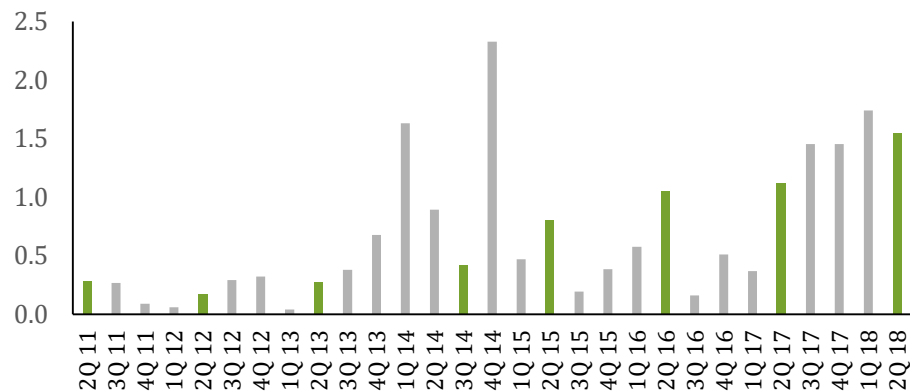
Source: Dealogic

SMEs increased in 43% YtD the total amount of equity raised on European Junior exchanges, accumulating a total of €6.7bn in proceeds in 1H18

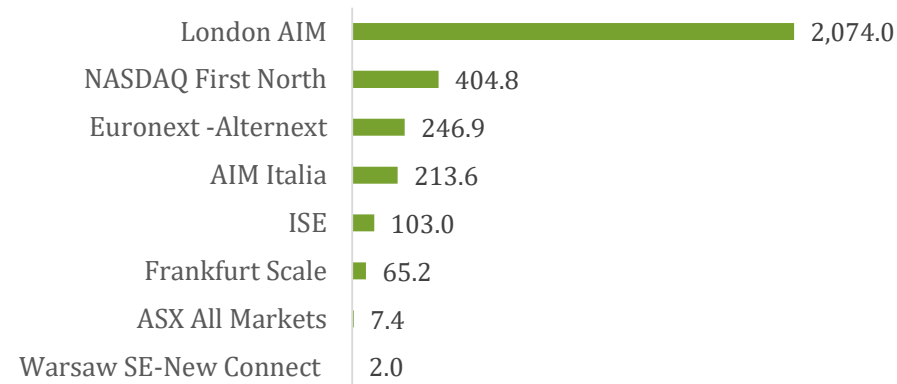
IPOs on Junior markets totalled €3.4 bn in proceeds in 1H18, the strongest first half of the year since 1H07

Strongest start of the year in IPO proceeds on Jr markets since 2007

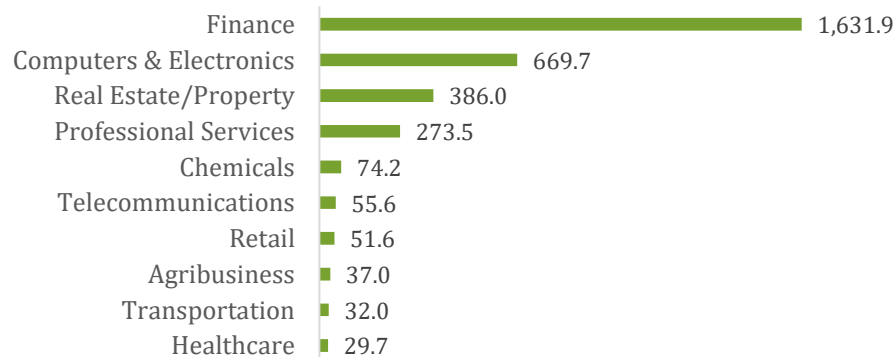
IPO proceeds on Jr European markets (EUR bn)



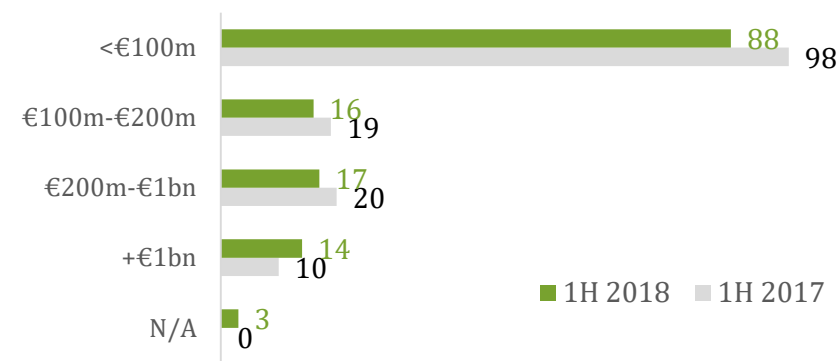
IPO proceeds on Jr markets by exchange (EUR mm)



IPO proceeds on Jr markets by industry (Top 10, EUR mm)



Number of IPOs on European exchanges by market value of issuer (pre-deal value)

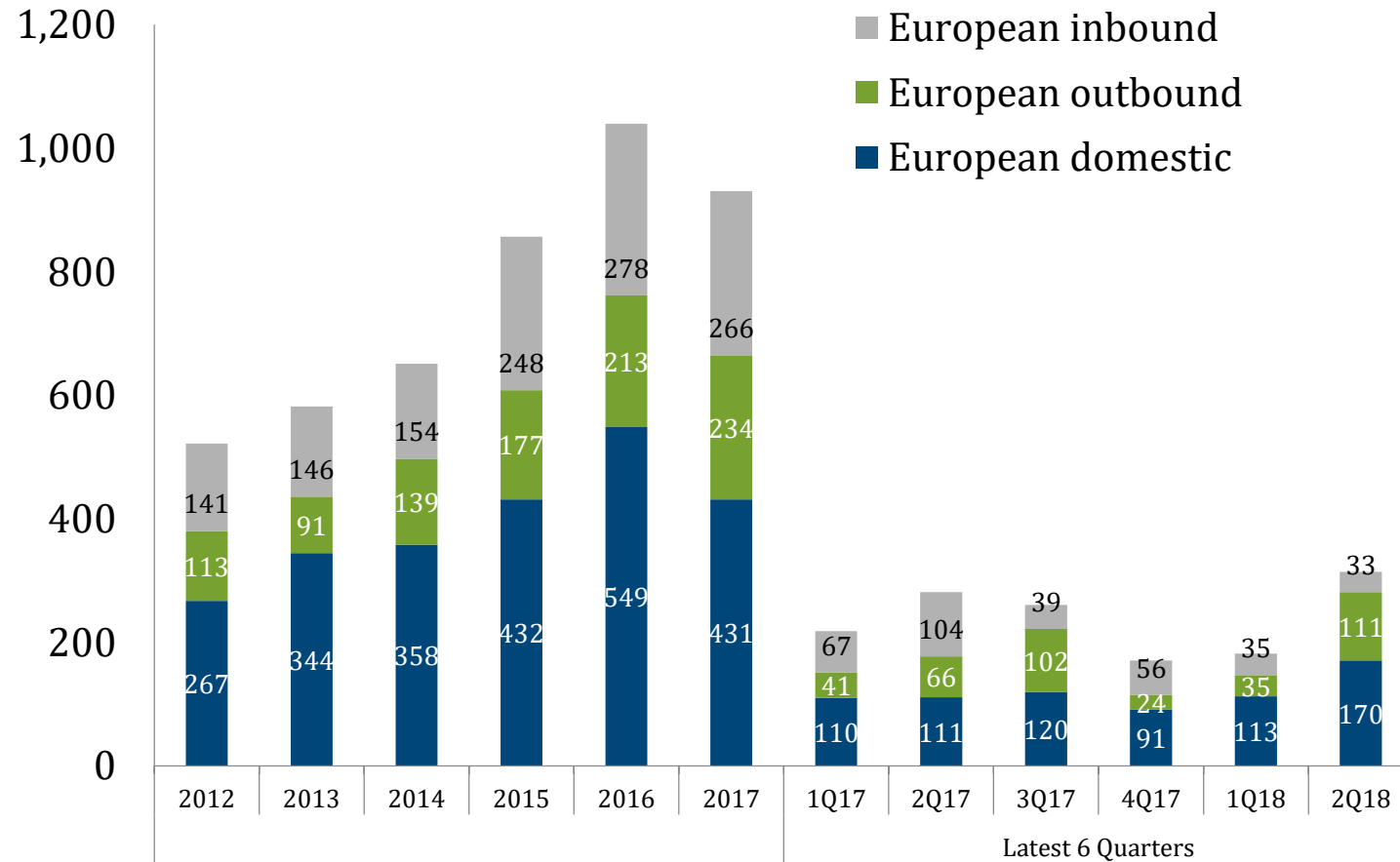


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

European M&A activity in 1H18 decreased 1% against 1H17, driven by a 60% YtD decline in inbound M&A— particularly from a lower amount of inbound deals from APAC companies targeting European companies

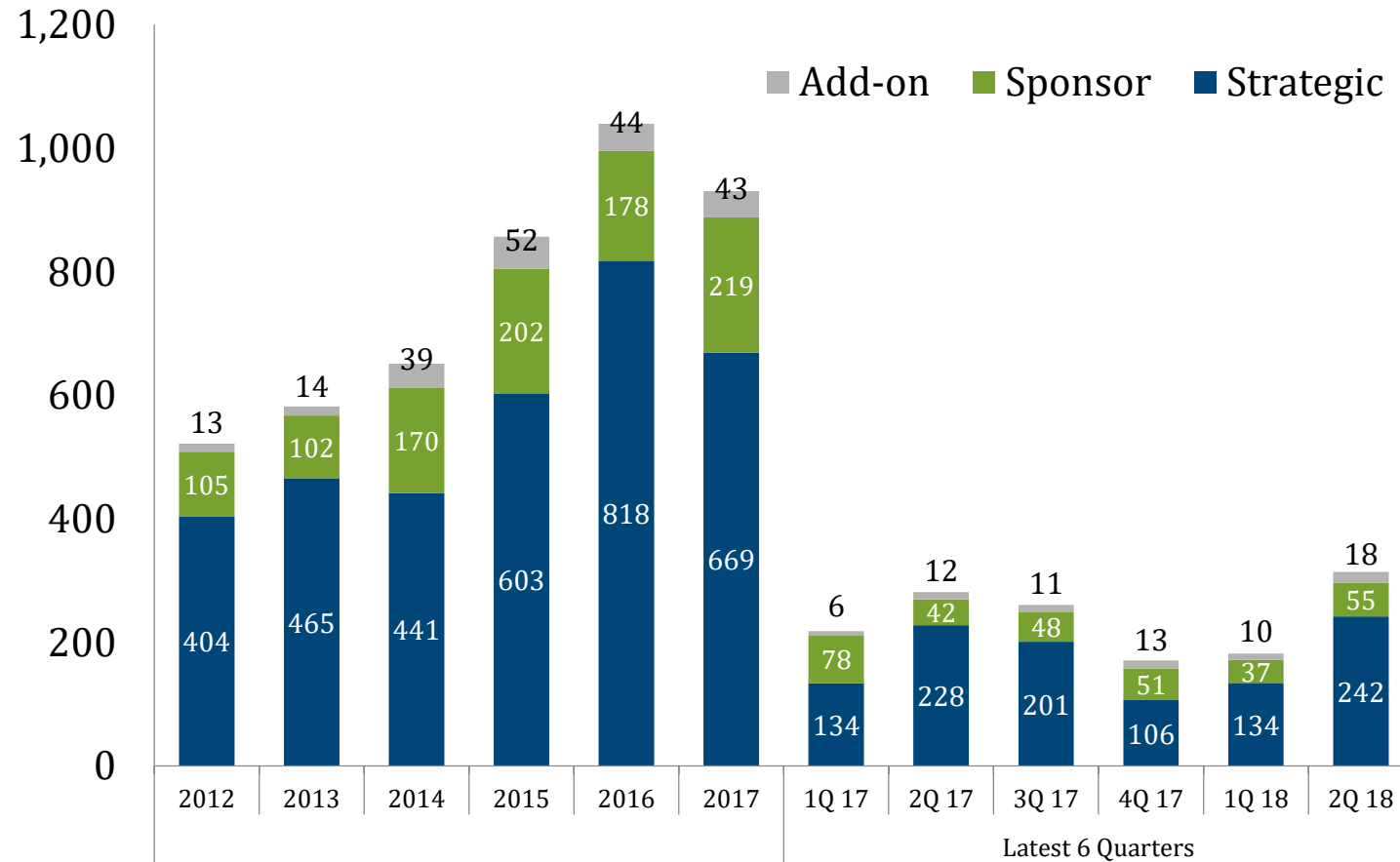
Domestic M&A activity (i.e. between European firms*) increased 28% against 1H17, accumulating a total of €282.9bn in deal value (€220.9bn in 1H17)

Outbound M&A (i.e. European firms that acquired non-European firms) increased 35% against 1H17. American-targeted firms represented 81% of the outbound deal value

*EU28 and Switzerland

M&A by type of deal

Completed M&A by type of deal (EUR bn)



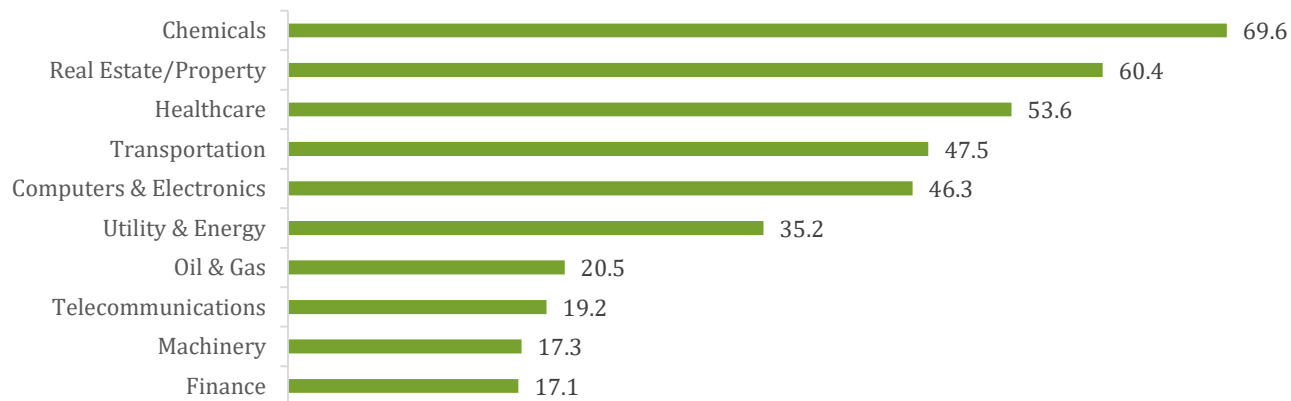
Source: Dealogic

By type of deals, Private Equity-backed M&A activity (“Sponsor” deals) was the largest contributor to the year-to-date decline of -23% against 1H17

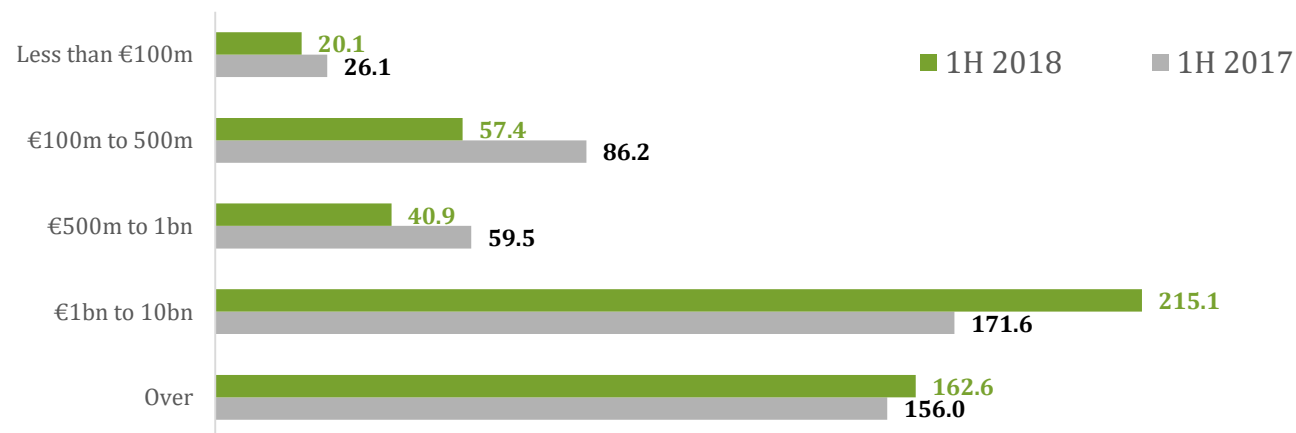
Strategic deals (i.e. between companies not backed by PE firms) only partially offset the decline in completed M&A activity, with an increase of 4% YtD in deal value

Pharma lead by deal value. Dynamic “Megadeals”

Top 10 industries for completed M&A (EUR bn)



Completed M&A transactions by deal value (EURbn)



Source: Dealogic

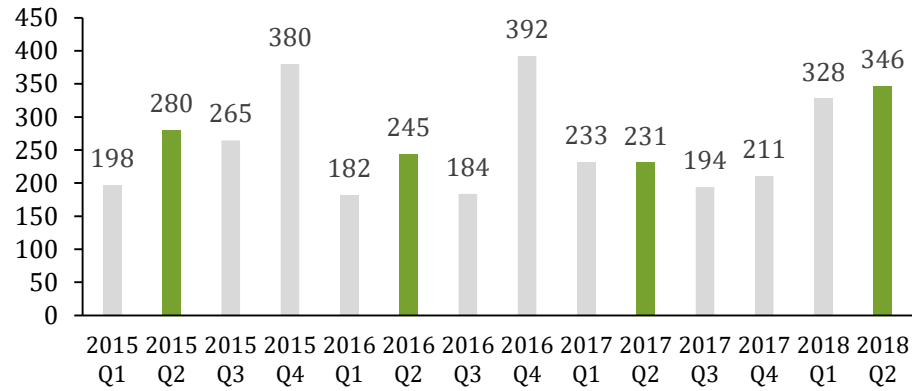
Nine “megadeals” were completed during 1H18, which included one split:

- Bayer-Monsanto
- Atlantia-Abertis infraestructuras
- Unibail/Rodamco-Westfield
- Worldpay Group plc-Vantiv
- GlaxoSmithKline-Novartis
- Melrose Industries-GKN
- Sanofi- Bioverativ Inc
- TDC A/S by a group of pension funds
- Atlas Copco AB split into Epiroc AB with full control to existing shareholders

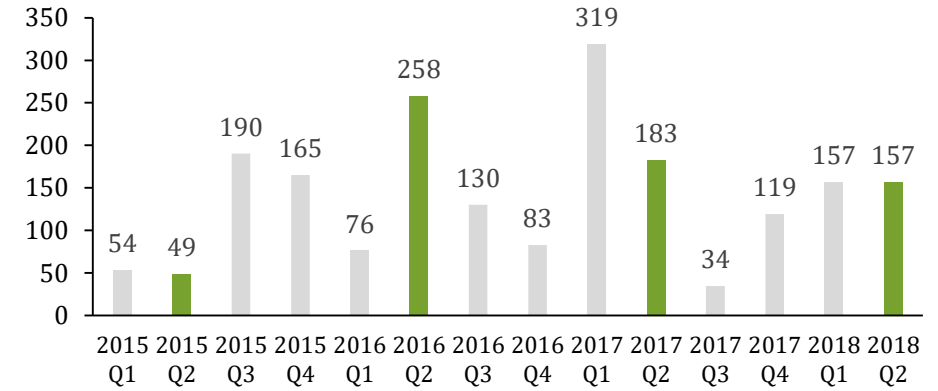
These deals represented in total €162.5bn, or 33% of the amount of completed M&A transactions in 1H18

49% YoY increase in announced M&A anticipates major increase in completed M&A in next quarters

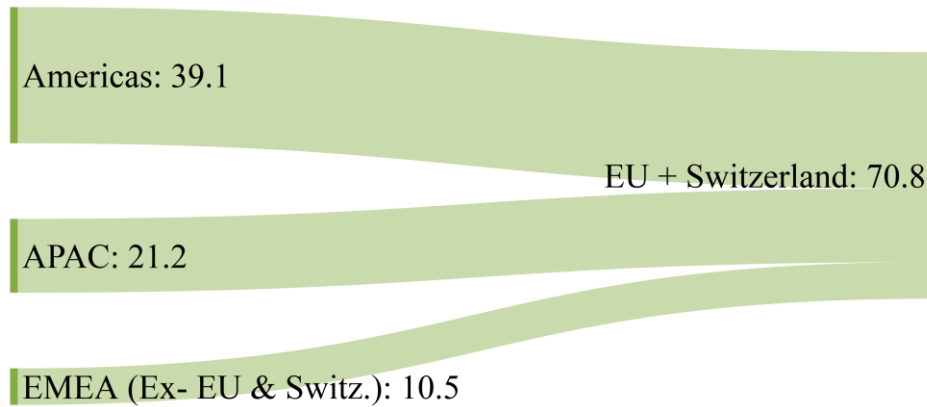
Announced M&A (EUR bn)



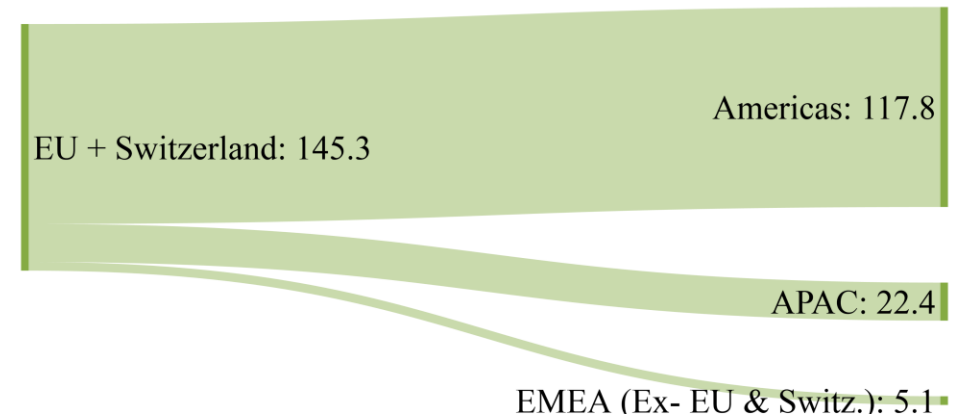
Withdrawn M&A (EUR bn)



Completed inbound M&A by acquiring region (EUR bn): 1H 18



Completed outbound M&A by target region (EUR bn): 1H 18



Source: Dealogic

European integration: M&A between European firms

Completed intra-European M&A activity (EUR bn)

Target Nationality

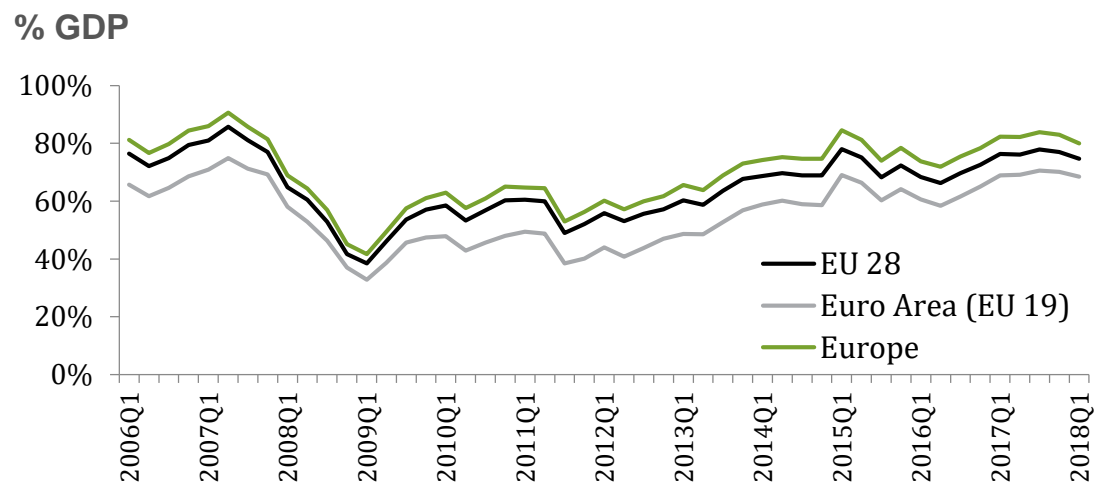
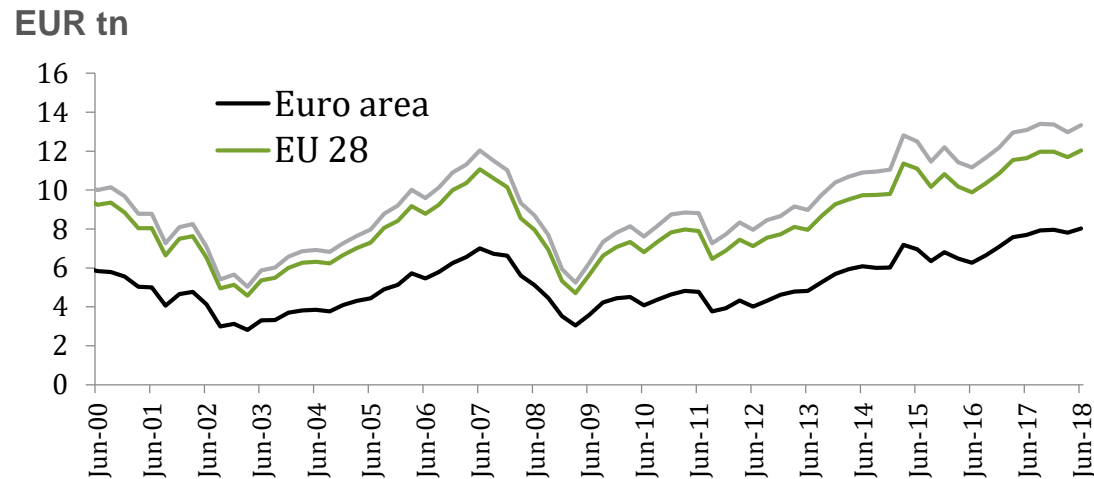
Acquirer Nationality

	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	EL	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CHE	UK	Total	
Austria	90		0	27		89			0	10	794		0	0	0	0				0	0		5			989	0	0	0	2,003	
Belgium		374								68	1,171									18		0				0	0	0	85	1,716	
Bulgaria			25																											25	
Croatia				12		0																								12	
Cyprus					7	71					0			28							39									145	
Czech Republic	0			0		0					0		0										9	0						9	
Denmark							18,629		0	36	110	0		23	0	0				905	132			0		1,500	41	17	24	21,418	
Estonia			0					34	0								15													49	
Finland			0				13		5,214		3,812			232			0			21	0						610		0	9,903	
France	0	4,392				0	6,623		0	23,145	719		0	4,000	815		0			0		230	0			424	105	2,862	5,279	48,595	
Germany	5,351	0	0	0		0	0	151	190	2,561	14,527	516	0	0	315	7	0	0		425	26	0	2	0	0	510	10	0	248	24,838	
Greece			2		0							1,115												9						1,126	
Hungary													46								0		0							46	
Ireland		0												461	0											0	8		169	638	
Italy	306	0					0			1,153	65				7,496			40		0	25		0		8	24,211		0	190	33,494	
Latvia								0		0						0								18						18	
Lithuania						0	0	0								0	0					295						171		466	
Luxembourg		36	0					288		0	1,095				225			0					1			0	12		9	1,667	
Malta											4				22															42	
Netherlands		475	0			0	0		0	158	46		0	137	0			0								0	122		306	7,478	
Poland			90		82	1,038					0			40	10							2,258		33						3,551	
Portugal						0				0	20										8	172				0	6			205	
Romania													142					125			139		467	122						994	
Slovak Republic						3																		0						3	
Slovenia				230																					0					230	
Spain						93				0	277			11	91						0	0				0	26,254			785	27,510
Sweden	0						643		76	591	513			12	0	73			11	183	1	0	0			0	14,044	0	117	16,263	
Switzerland	9	0		0		0	0	0	4	3,387	324		0	0	2,901					0						0	0	3,251	252	10,129	
United Kingdom	54	2		9		0	0		365	3,919	911		0	803	628	0		100	0	767	0	0	209			173	6	0	62,431	70,376	
Total	5,809	5,279	117	278	89	1,294	25,909	474	5,849	35,027	24,388	1,631	188	5,747	12,503	80	140	140	25	8,552	2,923	402	725	149	8	54,061	15,135	6,131	69,897	282,949	

Source: Dealogic. Cross-national activity above 1bn highlighted in dark green

Secondary markets

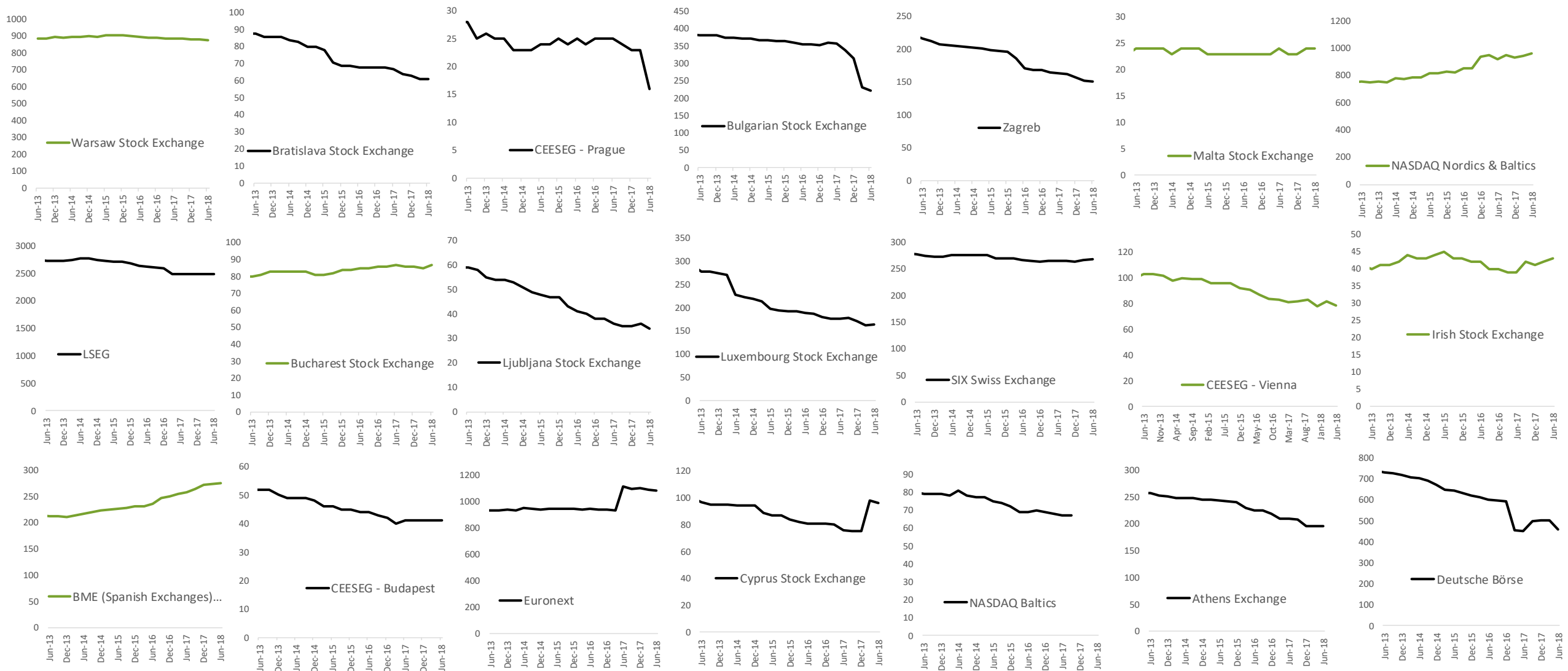
Market capitalisation of domestic listed shares



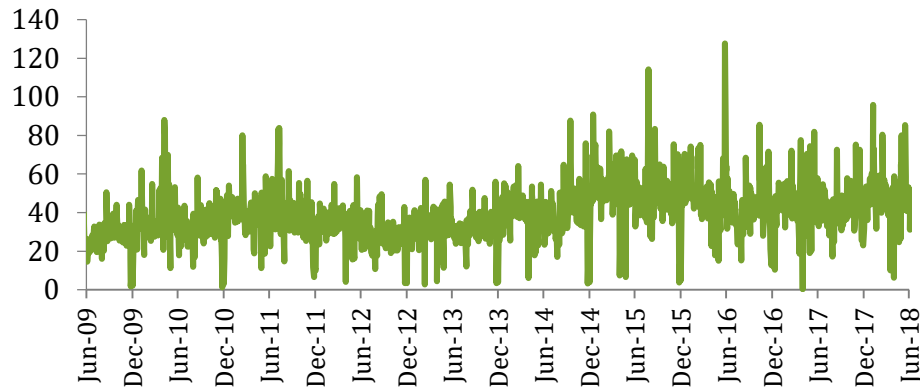
Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE

Market capitalisation of listed shares finalised 1H18 at €13.3tn, 0.2% below the level reached at the end of 4Q17 but 2% above the level of 2Q17 (€13.1bn)

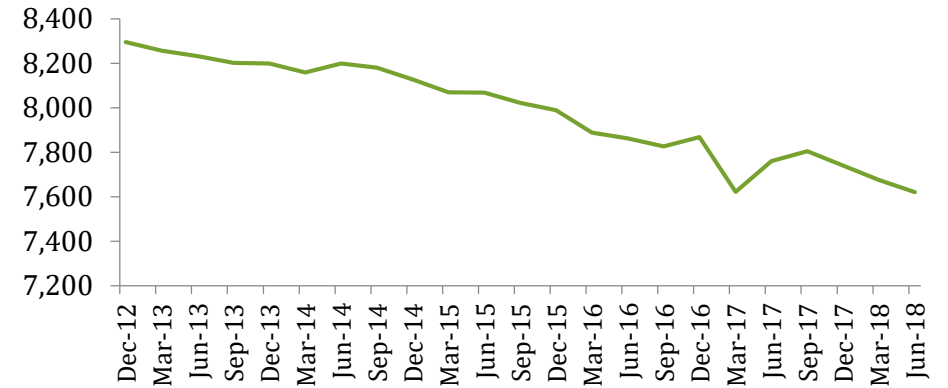
Number of listed companies on European exchanges



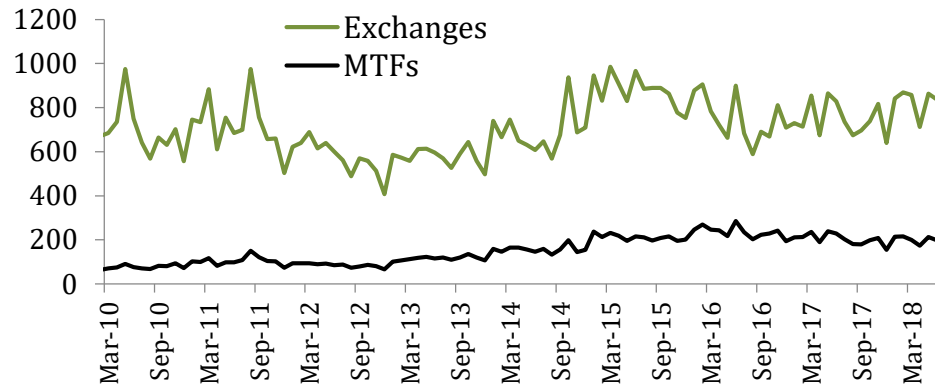
Daily turnover value on European exchanges and MTFs (EUR bn)*



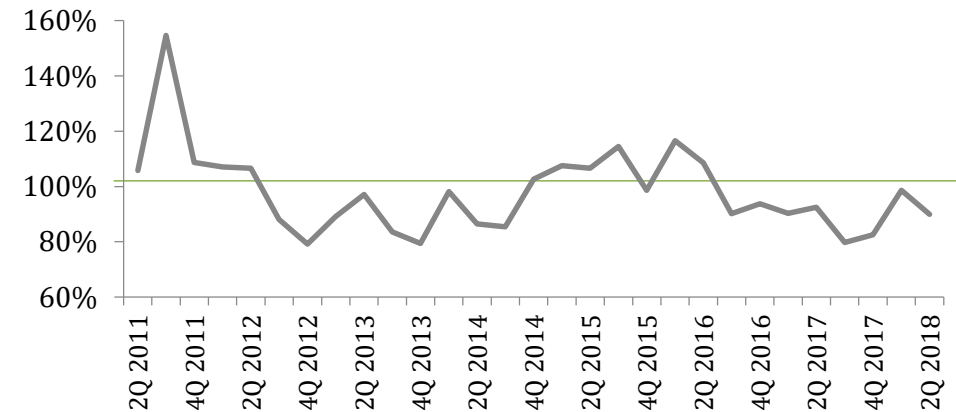
Number of listed companies on European exchanges



Monthly turnover value on exchanges and MTFs (EUR bn)*



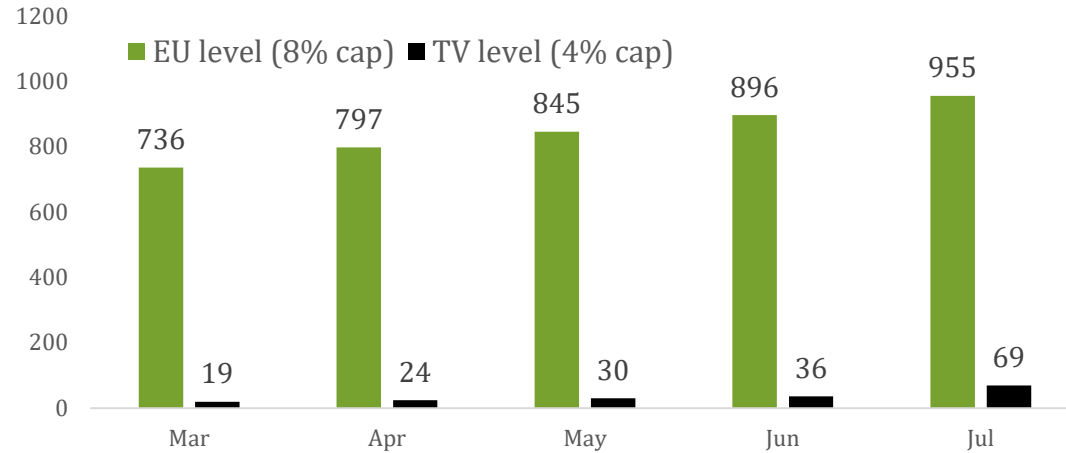
Turnover ratio (annualised turnover value/ market cap)



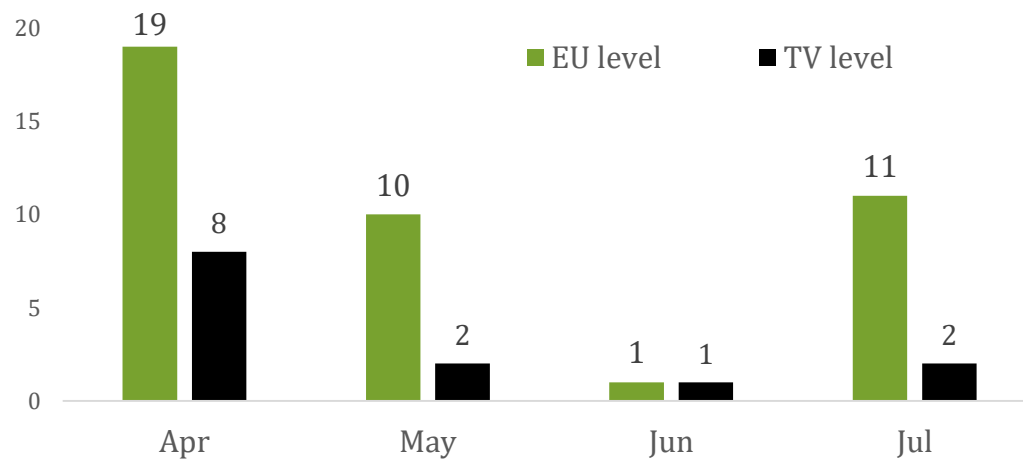
Source: Cboe Global Markets, FESE, WFE, ECB and local exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs
*market represents order book transactions

MiFID dark trading caps

Number of equity-like instruments suspended from dark trading at the EU or venue level



Number of equity-like instruments whose DVC suspensions were revoked at the EU or venue level



Source: ESMA

On 7 March 2018, ESMA published the double volume cap (DVC) data files specifying the securities that surpassed the MiFID II limits of dark trading on EU venues

The files are updated on a monthly basis based on trading activity on EU venues for all equity-like instruments in the EU during a 12-month rolling period

From a Universe of 23,105 equity-like securities traded in the EU, 1,024 are currently suspended (as of July 2018) from dark trading either on specific EU venues (69 securities) or on all EU venues (955) after surpassing the MiFID II dark trading thresholds (4% dark traded in a given trading venue and 8% for suspension at EU level).

The number of banned instruments has increased during the year from 755 in March 2018

Number of equity-like instruments in the ESMA DVC files by ISIN location:

June-18

Country	ISIN Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT	68	8	0	12%
BE	365	20	0	5%
BG	333	0	0	0%
CY	124	0	1	1%
CZ	10	0	0	0%
DE	964	55	0	6%
DK	176	51	24	43%
EE	20	1	0	5%
ES	252	18	9	11%
FI	157	37	1	24%
FR	976	95	0	10%
GB	1493	364	14	25%
GR	235	0	0	0%
HR	131	0	0	0%
HU	46	0	0	0%
IE	596	10	0	2%
IT	375	66	5	19%
LT	33	2	1	9%
LU	537	12	1	2%
LV	26	1	0	4%
MT	33	0	0	0%
NL	189	39	1	21%
PL	832	0	0	0%
PT	60	5	1	10%
RO	357	0	0	0%
SE	1047	73	1	7%
SI	129	0	0	0%
SK	53	0	0	0%
Non-EU	13488	98	10	1%
Total	23105	955	69	4%

Source: ESMA

The total of 1,024 instruments suspended from dark trading at the EU or trading venue level represents 4% of the Universe of equity-like instruments on ESMA's DVC files (23,105)

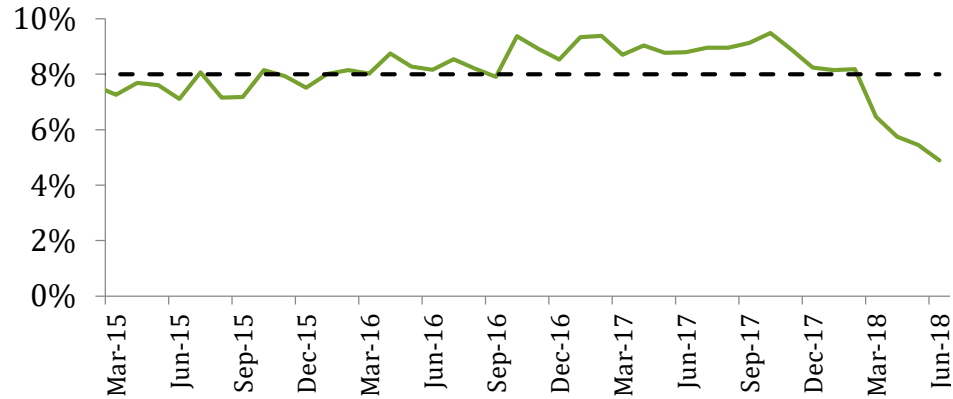
By countries, 378 of the 1,024 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 25% of the 1,493 UK ISINs registered in the ESMA DVC files

43% of the Danish ISINs (75 of 176 equity-like instruments with Danish ISIN) are currently suspended from dark trading either at the EU or trading venue level

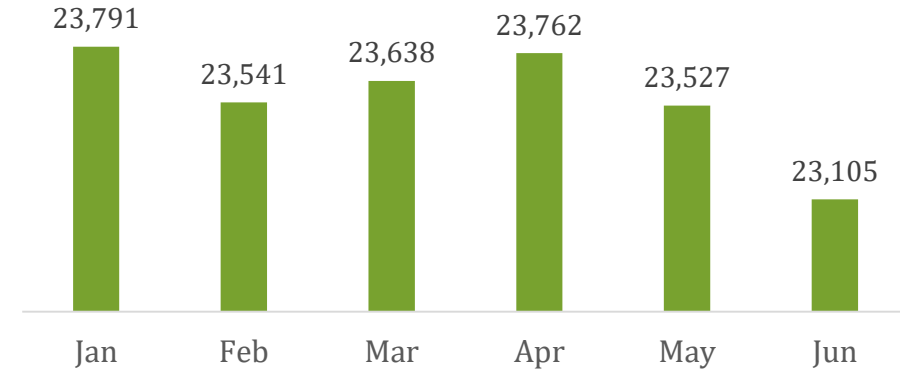
108 of the suspended instruments (out of 13,488 instruments) have non-EU ISINs.

Decline in dark trading post-publication of ESMA's Double Volume Cap (DVC) data

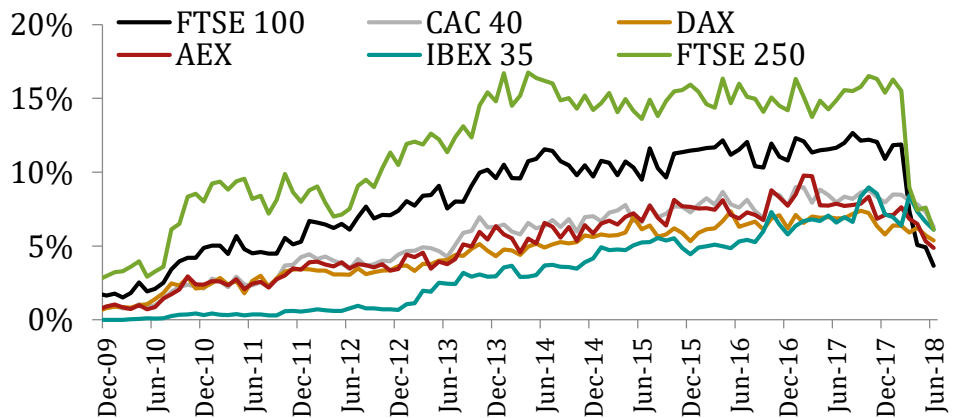
Dark trading as % of total turnover*



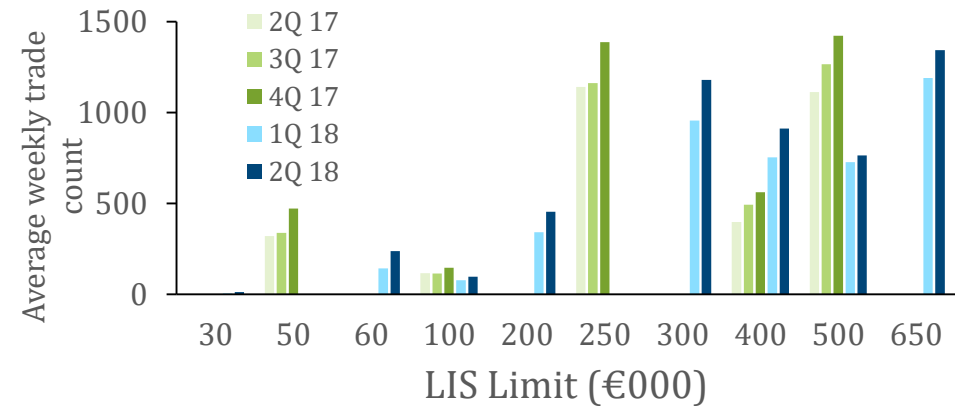
Number of equity-like instruments (ISINs) registered in ESMA's DVC files



% of dark trading by indices*

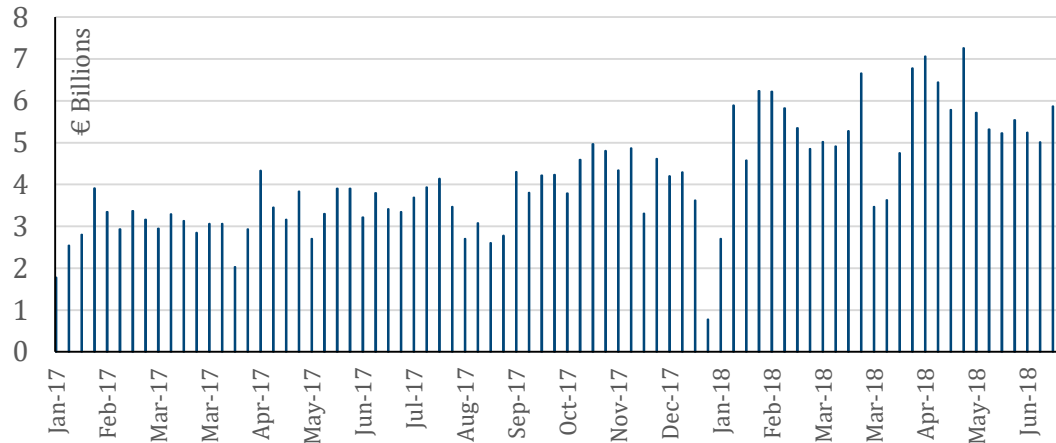


Block trades: weekly trade count by large-in-scale (LIS) limit

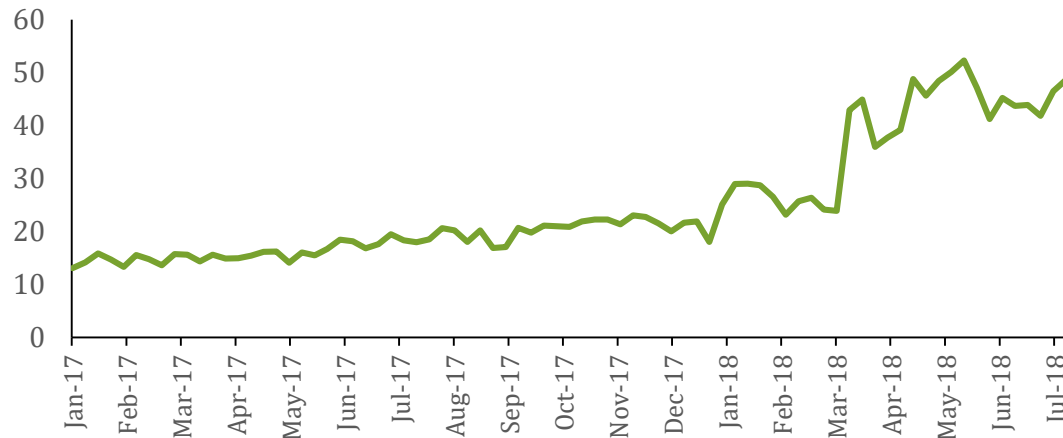


Source: ESMA, Cboe Global Markets and Fidessa
*market represents order book transactions

Block trades: weekly turnover on European selected venues



Proportion of dark traded as LIS blocks (%)



Source: Fidessa

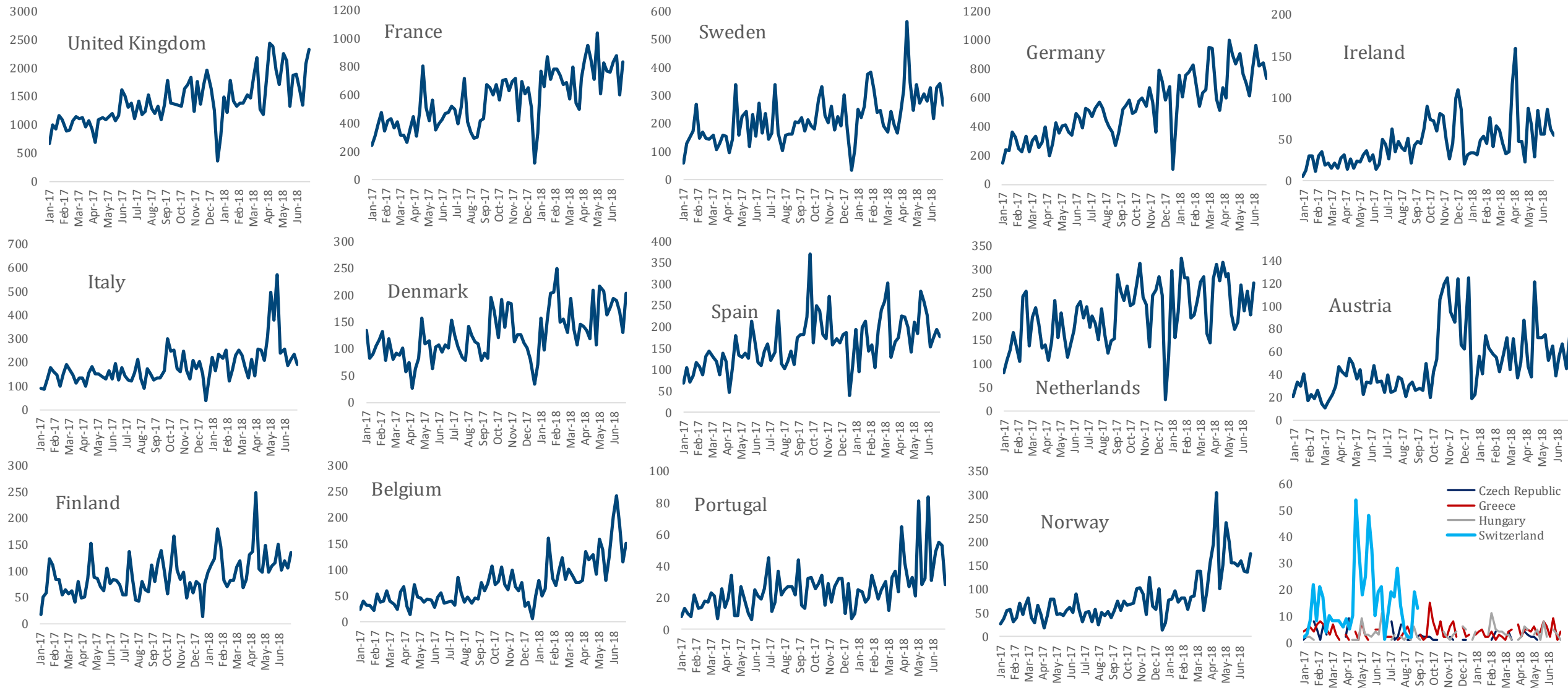
The average weekly turnover in the form of block trades on selected European venues* has increased from €3.0 bn in 1Q17 to €5 bn in 1H18 (reaching a maximum weekly average of €7bn in May 2018).

According to Fidessa data, the proportion of dark traded as block trades (i.e. percentage of dark traded as LIS Blocks on selected venues*) increased to 29% in the first weeks of January (just after MiFID II went live), later in March to 45% just after ESMA published the first double volume cap (DVC) data files, and most recently reaching 48% in mid-July

The proportion of dark traded as block trades was 12% at the beginning of 2017

* Venues include CBOE dark, CBOE BXE, CBOE LIS, Liquidnet, Posit, Turquoise Plato, and UBS MTF

Block trades: weekly trade count by listing market



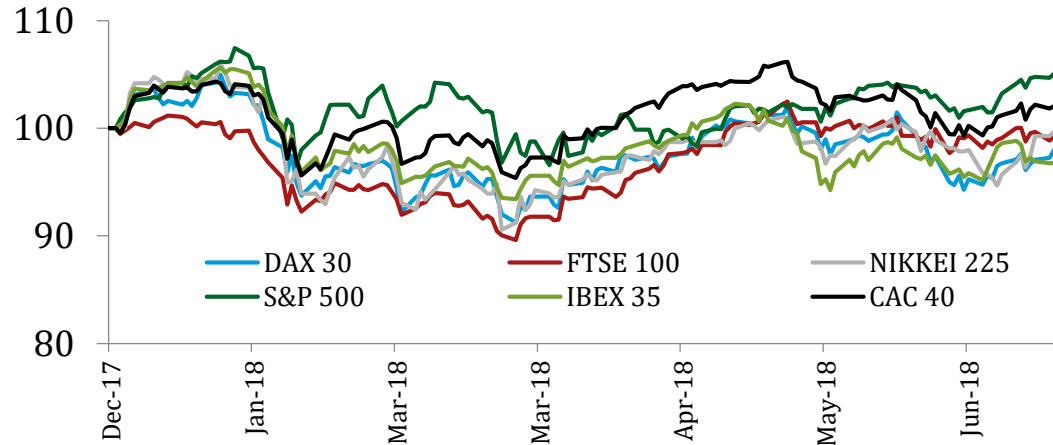
Source: Fidessa with data from Cboe BXE and CXE Dark Order Books, Cboe LIS service, Turquoise Plato™, Liquidnet, Posit and UBS MTF

The share universe for the report is taken from the ESMA Shares admitted to trading on EU Regulated Markets register.

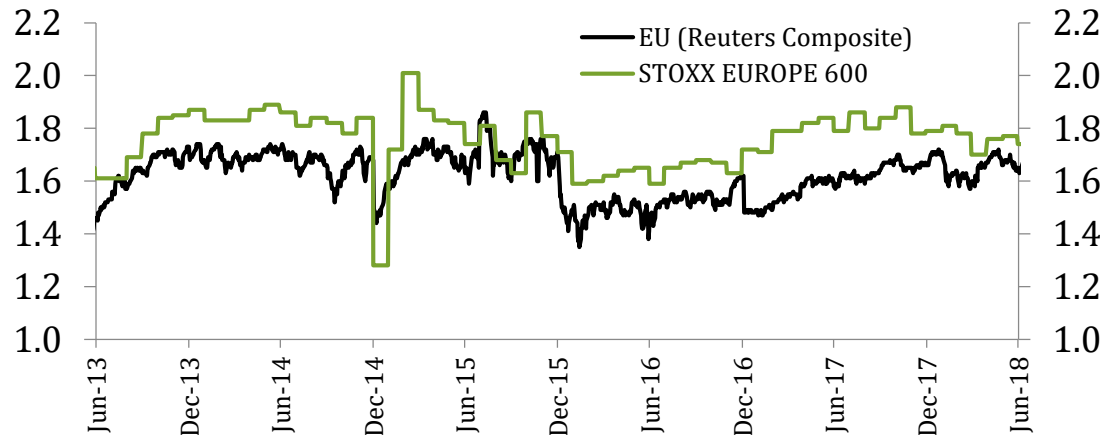
Valuations

Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 2017 = 100)



Price-to-book ratio of Stoxx 600 constituent shares and EU average



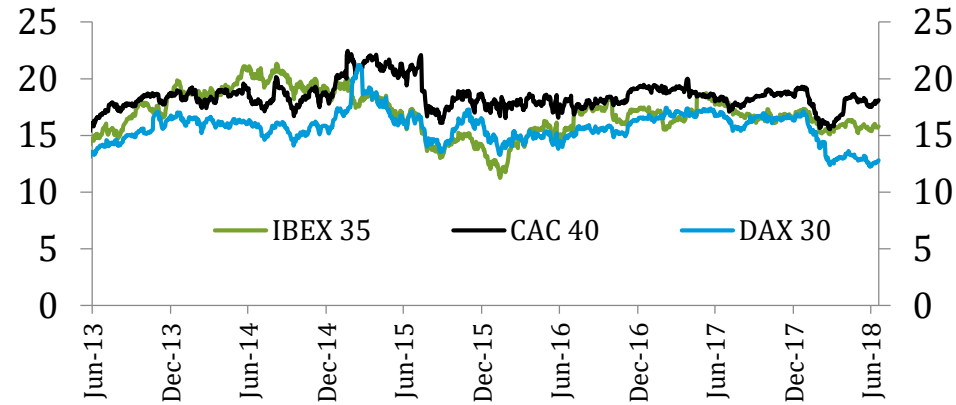
Source: Datastream

Price indices of selected European stock exchanges declined between 6% (DAX-30) and 1% (FTSE100 and CAC-40) during 1H18 compared to the levels at the end 4Q17.

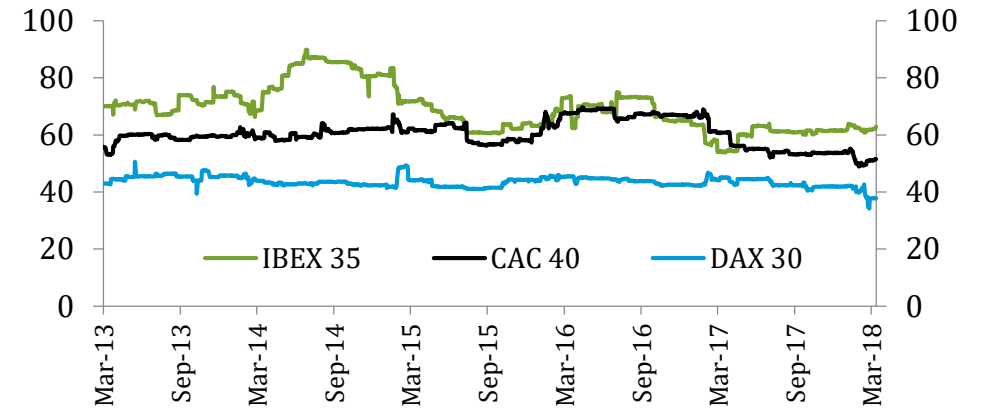
The average European price-to-book ratio (for STOXX Europe 600 indexed shares) finalised the first half of the year at 1.74x, 5bps below the level at the end of 4Q17 (1.79x)

Valuation ratios and implied volatility

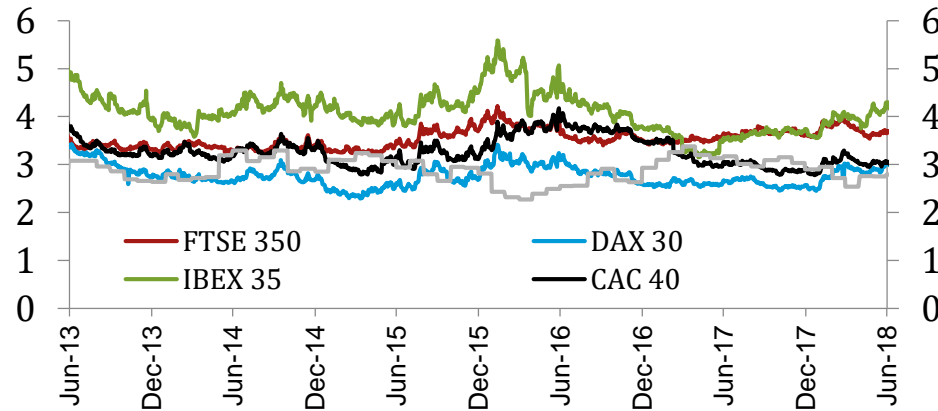
Price-to-earnings (PE) ratio



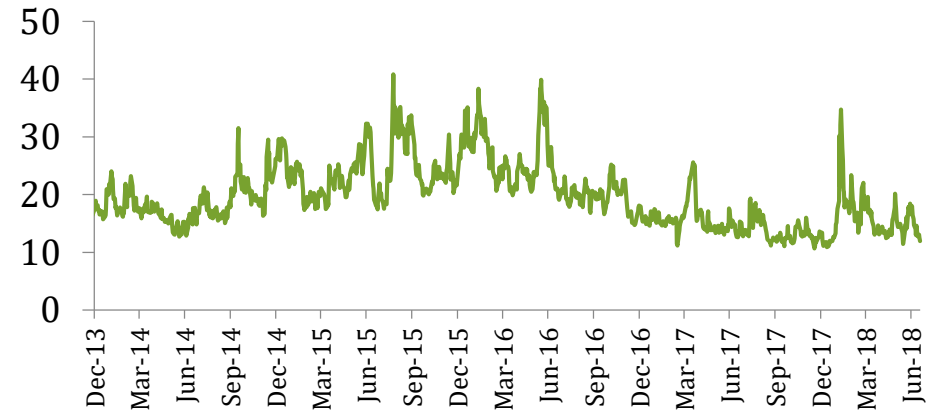
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

	1Q 18	2Q 18	3Q 18	4Q 18	2018 FY	1Q 17	2Q 17	3Q 17	4Q 17	2017 FY	% Change YoY	% Change YtD
Equity underwriting (€ bn)	38.0	40.8			78.8	57.1	71.9	43.5	39.0	211.5	-43%	-39%
IPOs	12.0	8.6			20.6	5.0	12.4	10.4	12.7	40.6	-31%	19%
Follow-on offerings	22.1	29.0			51.1	44.7	54.3	28.3	23.1	150.3	-47%	-48%
Convertible securities	3.9	3.2			7.1	7.4	5.2	4.8	3.2	20.6	-39%	-44%
Mergers and Acquisitions (€ bn): completed	181.9	314.1			496.0	218.0	281.3	260.7	170.6	930.5	12%	-1%
European outbound	34.5	110.8			145.4	41.4	66.3	101.6	24.3	233.5	67%	35%
European inbound	34.8	32.8			67.7	66.9	103.9	39.3	55.7	265.8	-68%	-60%
Intra European	112.5	170.4			282.9	109.8	111.1	119.8	90.5	431.2	53%	28%
Mergers and Acquisitions (€ bn): announced	327.9	346.3			674.1	232.8	231.2	193.8	210.7	868.5	50%	45%
Equity turnover value (€ tn)	3.20	3.00			6.20	2.96	3.03	2.67	2.76	11.4	-1%	4%
Main Markets	2.57	2.41			4.98	2.30	2.37	2.11	2.20	9.0	2%	7%
MTFs	0.63	0.58			1.22	0.66	0.66	0.56	0.56	2.4	-11%	-8%
Market Capitalisation of domestic listed shares (€ tn)												
European (EU28 and Switzerland)	13.0	13.3			13.3	13.0	13.1	13.4	13.4	13.4	2%	-0.2%
EU 28	11.7	12.0			12.0	11.5	11.6	12.0	12.0	12.0	3%	1%
Euro Zone	7.8	8.0			8.0	7.6	7.7	7.9	8.0	8.0	4%	1%

Source: Dealogic, ECB, FESE, WFE, Cboe Global Markets and local exchanges

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