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2Q 2023

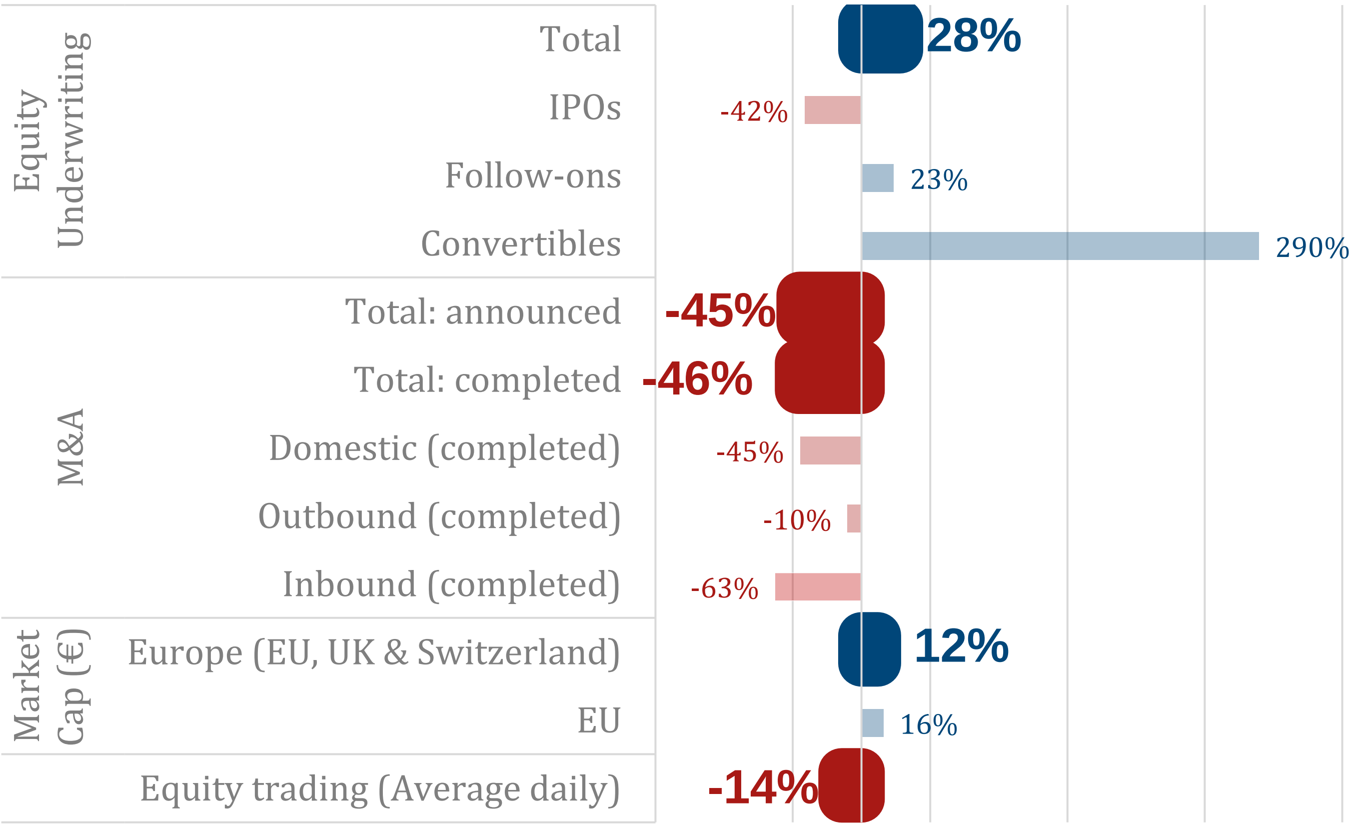
Equity Primary Markets and Trading Report

European market data update

Key highlights

H1 2023 YoY variation of European Equity activity

EU member countries, UK and Switzerland



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

Lowest H1 IPO activity since 2009

Equity underwriting on European exchanges for the first half of 2023 rose 28% YoY on the back of stronger secondary equity offerings.

IPOs, however, accumulated €1.3bn in deal value in Q2'23, the lowest Q2 amount since 2009. For the first-half total, IPOs declined 42% also representing the lowest H1 amount since 2009.

European SPAC IPOs have visibly declined from a peak of €3.2bn in Q2'21 to no deals in Q1'23 and €0.9bn in Q2'23.

Completed Mergers and Acquisitions (M&A) during H1'23 declined when measured as announced value (-45% YoY) and when measured as completed value (-46% YoY).

De-SPACS represented 1.4% of the total M&A value announced during H1'23, below the proportion observed during 2021FY (5%) but the same proportion of 2022FY (1.4%).

Average daily equity trading on European main markets and MTFs stood at €79.9bn in H1'23, a 14% decrease compared to H1'22.

Domestic market capitalisation of European listed shares stood at €15.9tn at the end of H1'23, a 12% increase from €14.3tn in H1'22.

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Contents

Equity issuance

Equity capital raising

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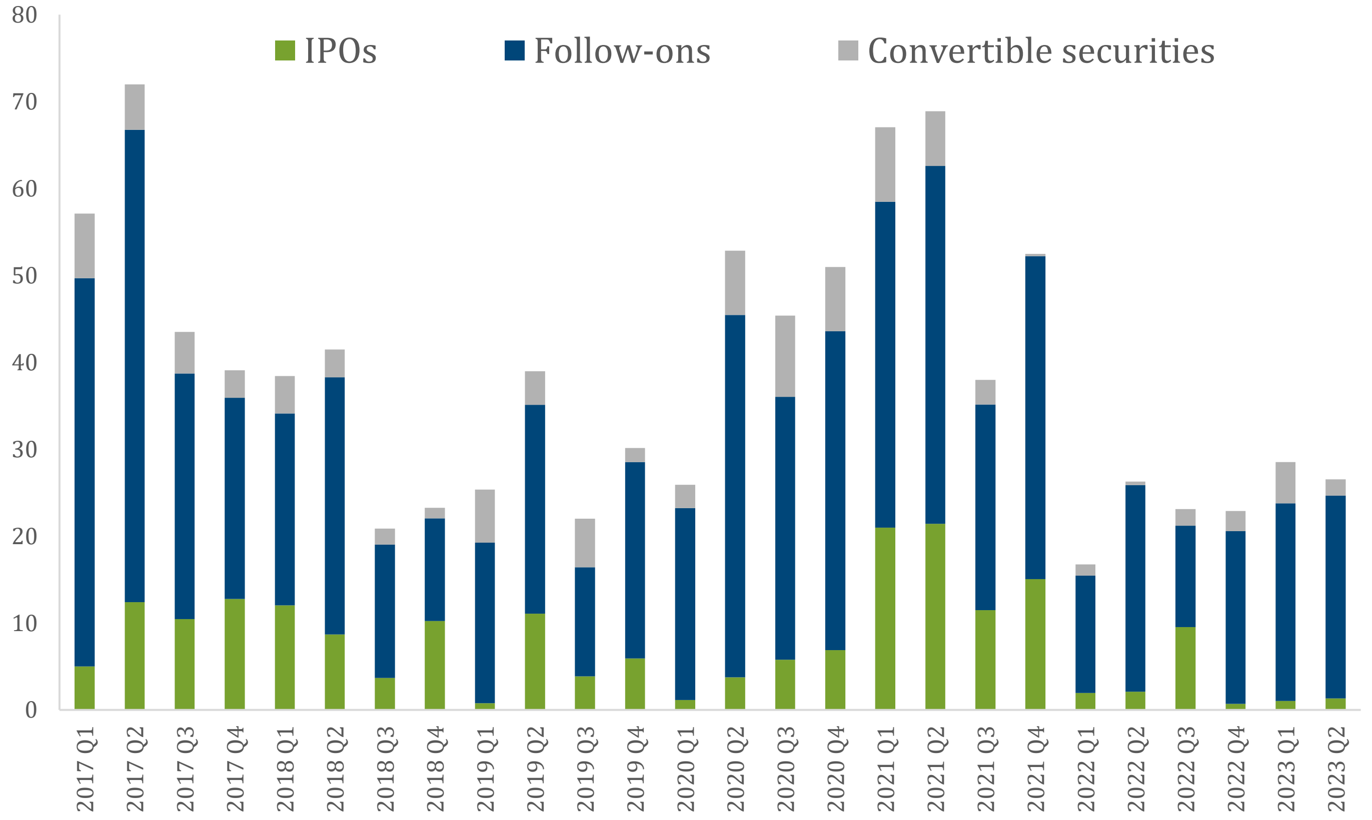
Equity Issuance on European exchanges (EUR bn)



Source: Dealogic

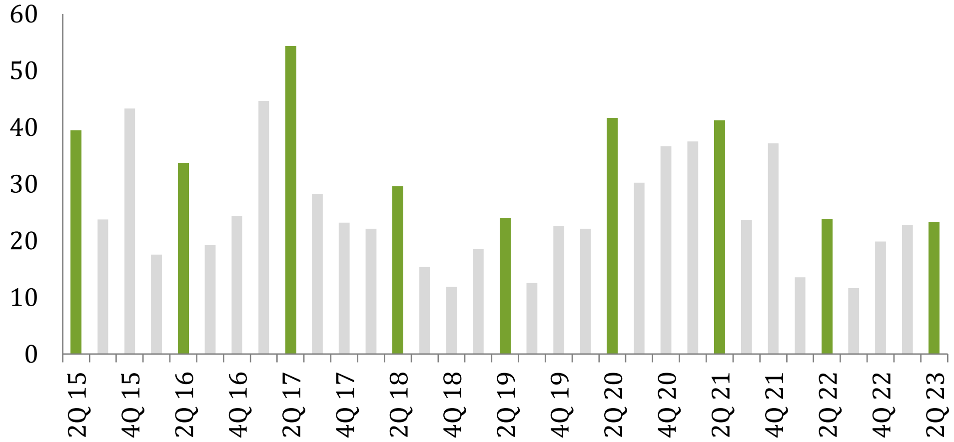
Equity capital raising on European exchanges totalled €26bn in Q2’23, a minor 1% YoY increase compared to Q2’22 and a 7% decline compared to Q1’23.

On a half-year basis, H1’23 equity issuance rose 28% YoY on the back of stronger secondary offerings and a favourable low base (particularly in Q1’22).

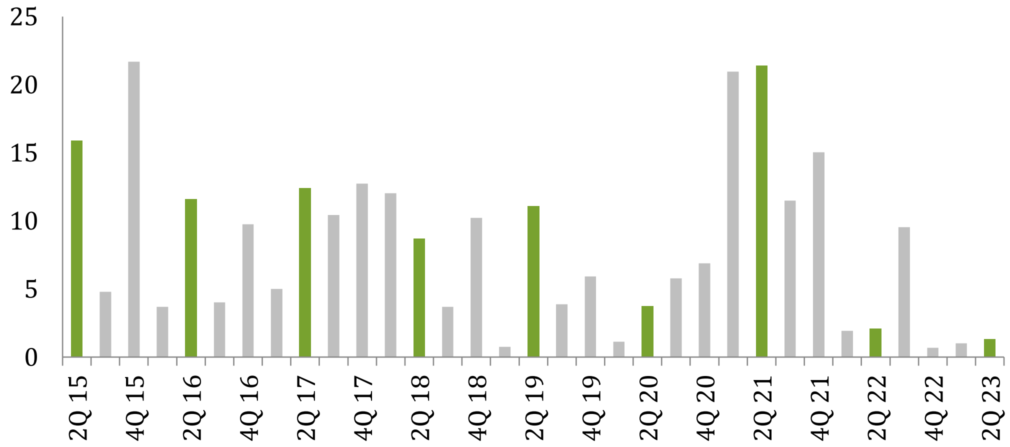
IPOs accumulated €1.3bn in deal value in Q2’23, a 37% decline from €2.1bn in Q2’22 and the lowest Q2 amount since 2009.

Lowest Q2 IPO activity since 2009

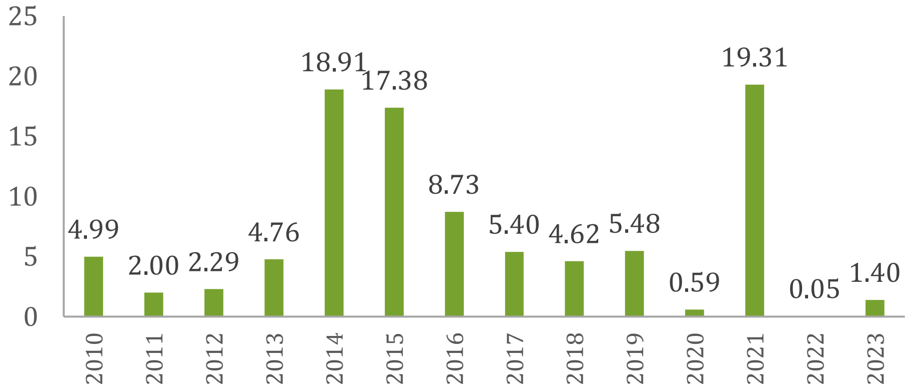
Follow-on offerings (EUR bn)



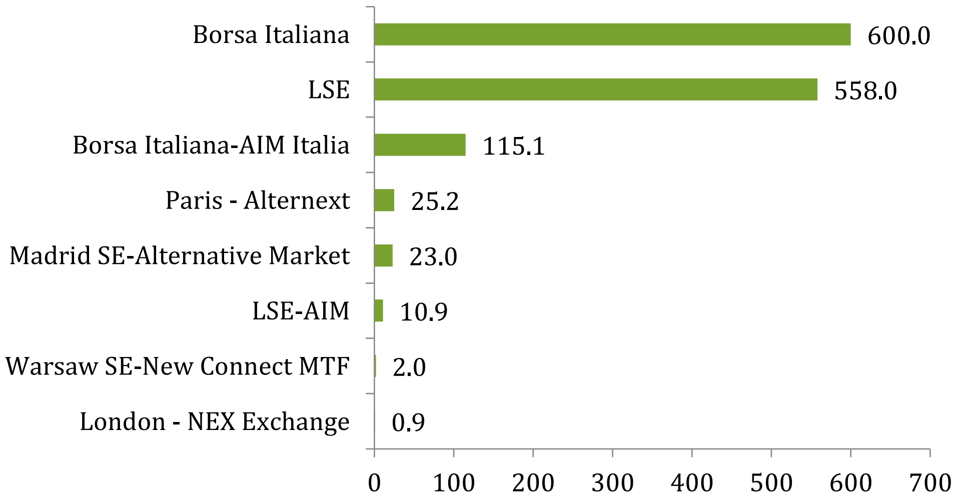
IPO proceeds (EUR bn)



PE-backed IPO proceeds: (YtD:1H, EUR bn)



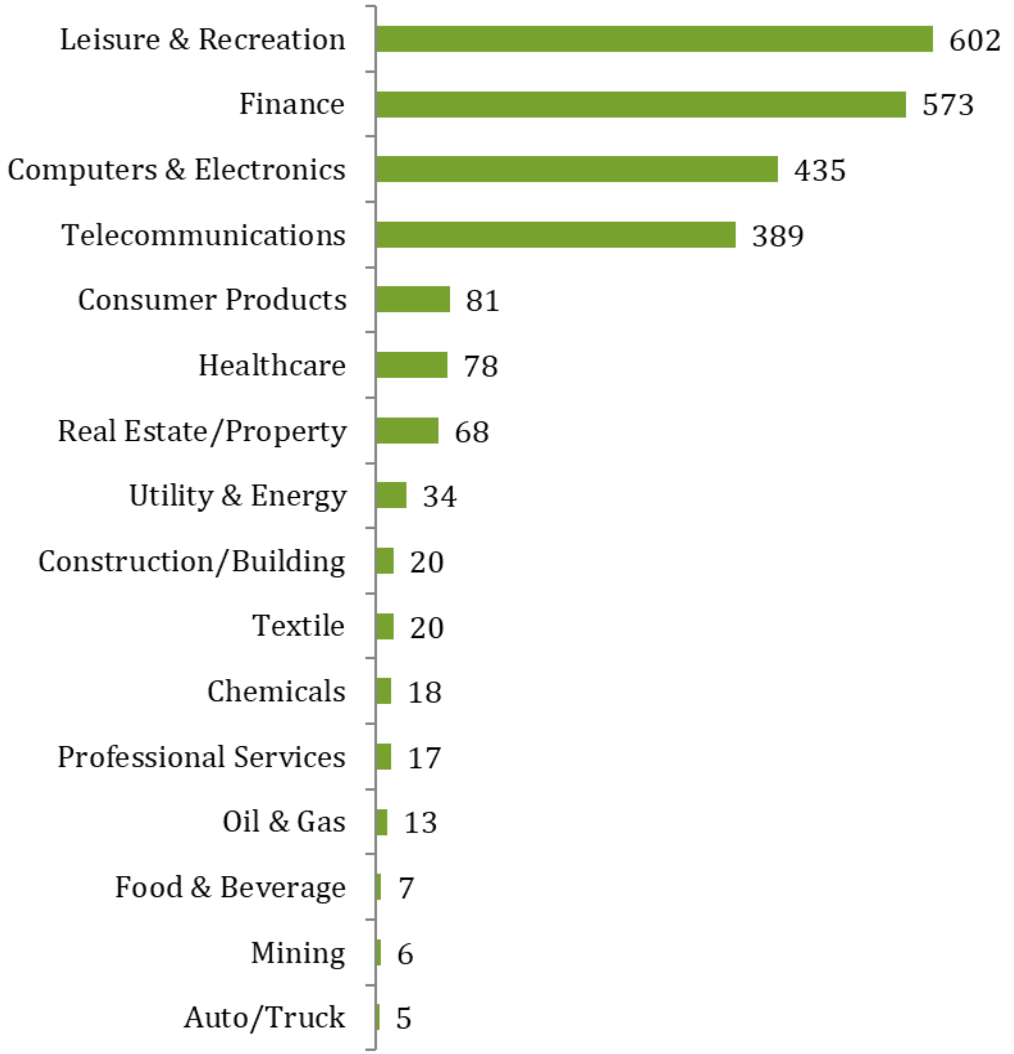
IPO proceeds by listing market (Q2'23 EURmm)



Source: Dealogic

Four sectors represent 83% of H1’23 IPO proceeds

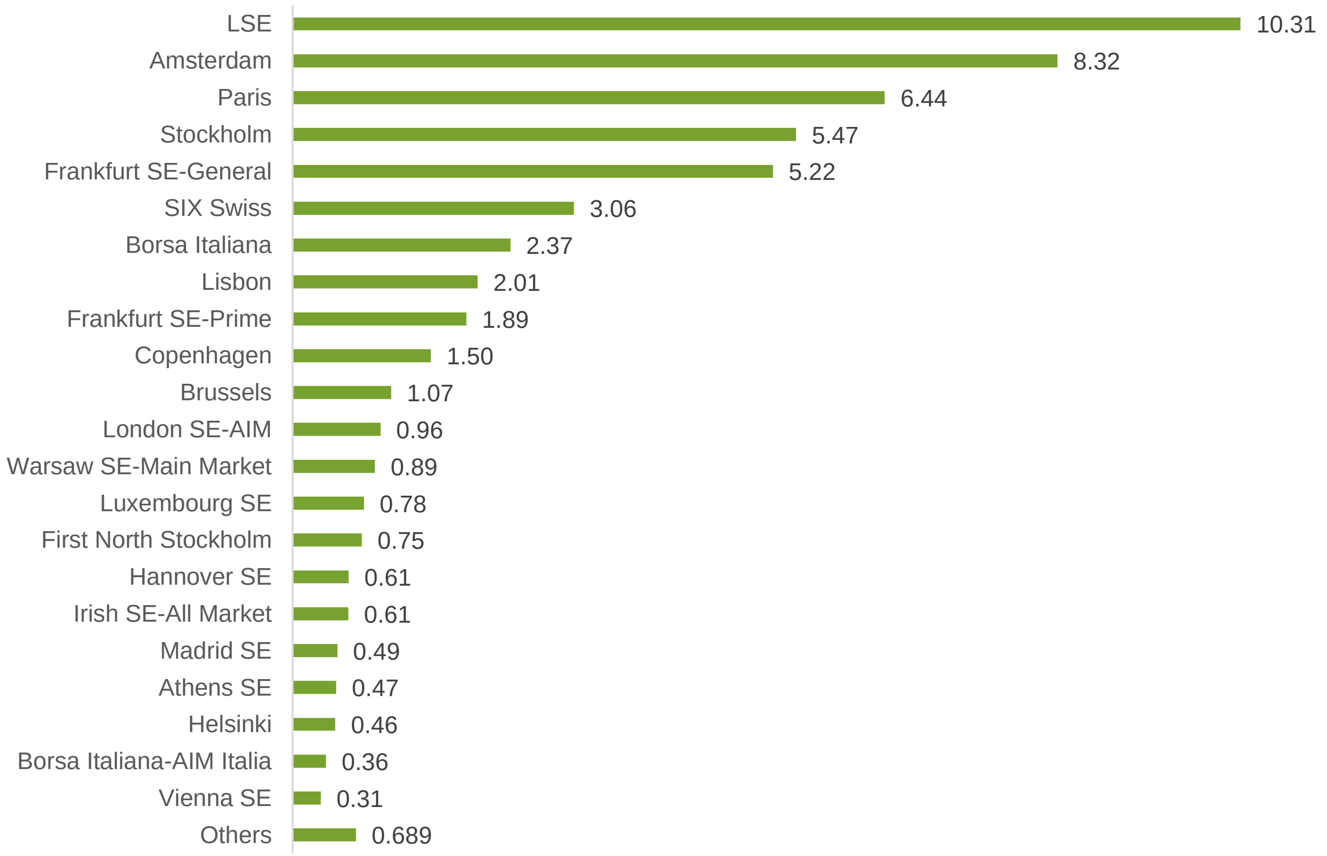
IPO proceeds by industry (H1’23, EURmm)



Dealogic. Finance includes SPVs and SPACs

Frankfurt Prime leads in equity issuance

Equity underwriting on European exchanges: IPO, follow-ons and convertibles (H1'23 EUR bn)

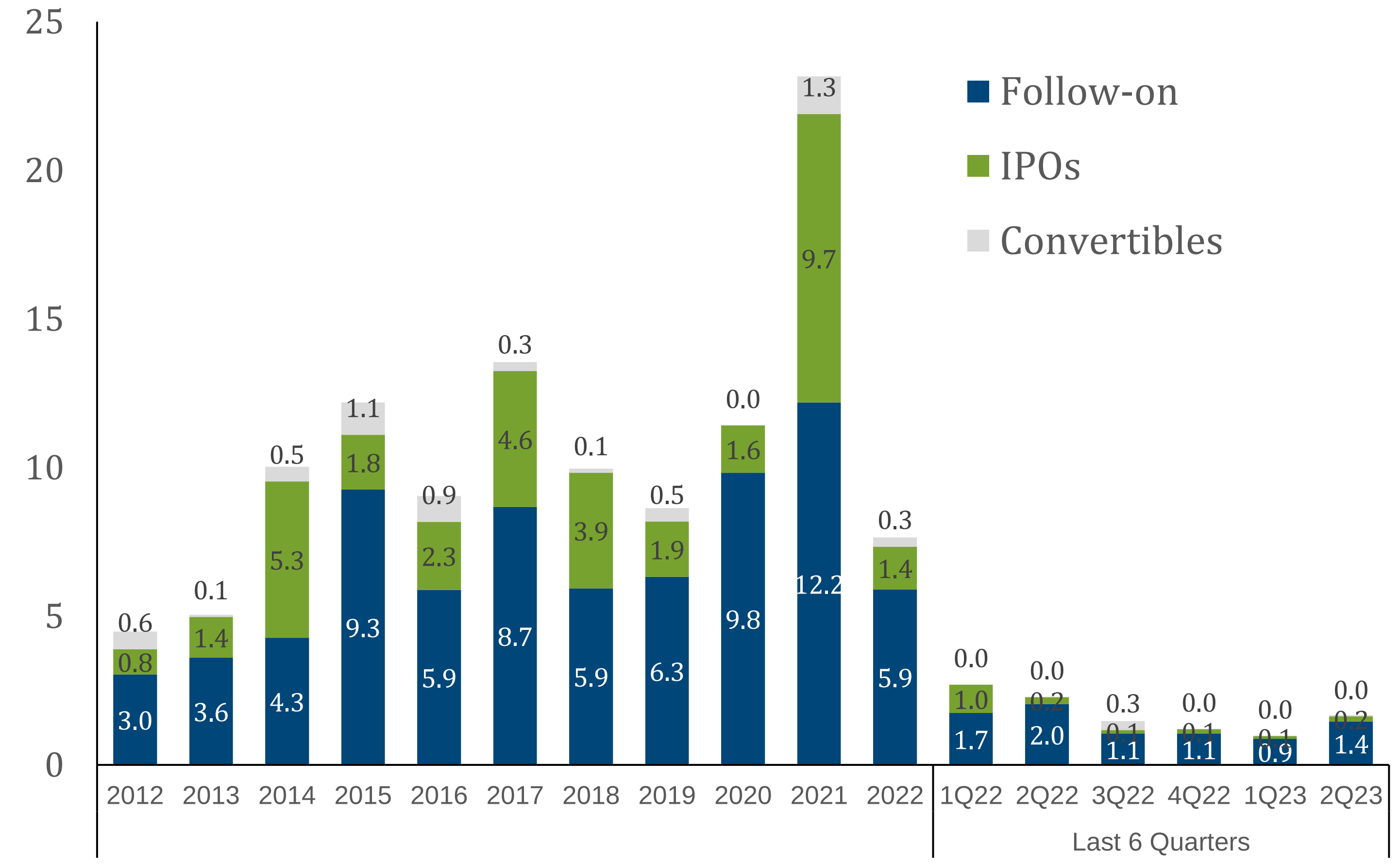


Source: Dealogic

The LSE main market led in total equity underwriting by accumulating a total of €10.3bn during H1'23, followed by Amsterdam (€8.3bn) and Paris (€6.4bn).

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



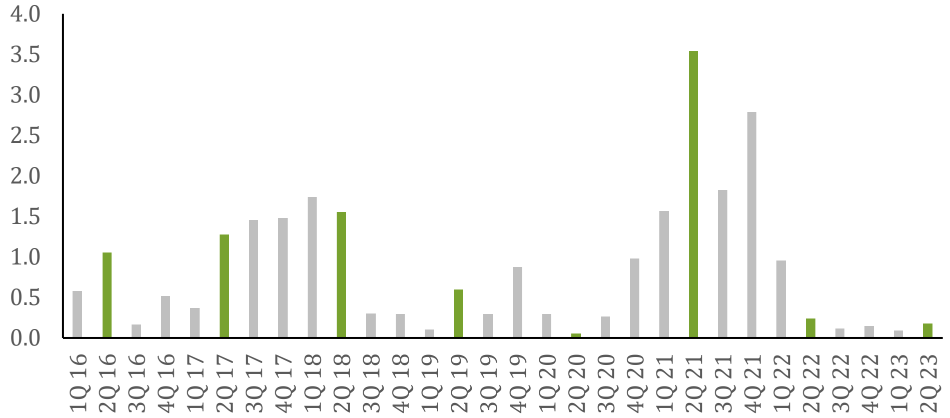
Source: Dealogic

Equity issuance on Junior exchanges accumulated a total of €1.6bn in total equity capital raised during Q2’23, a 27% decline from €2.2bn in Q2’22.

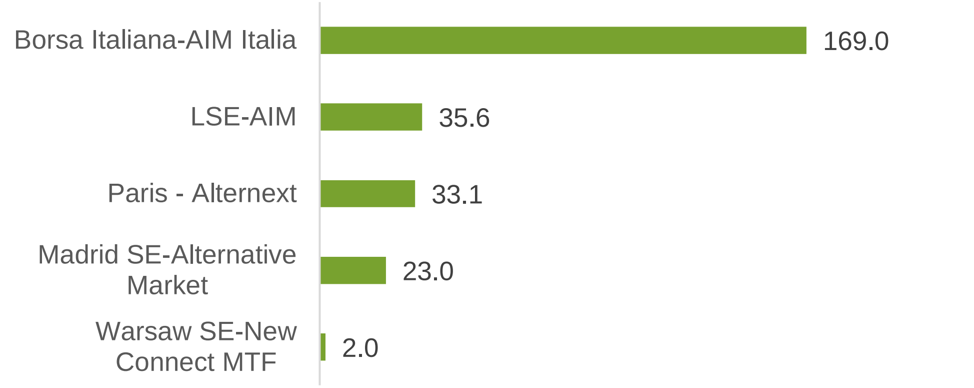
Junior exchanges are venues with less onerous listing requirements which facilitates equity capital raising by small and medium enterprises and younger companies.

Subdued primary listings on Jr markets in H1’23

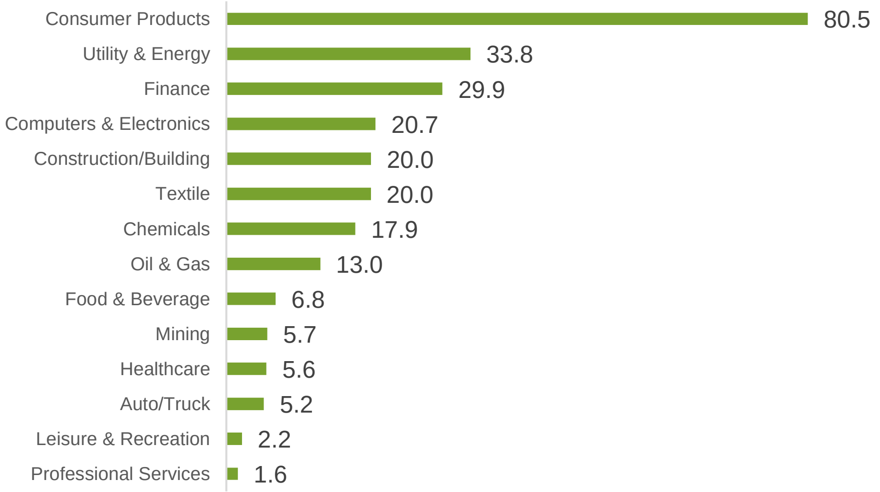
IPO proceeds on European Jr markets (EUR bn)



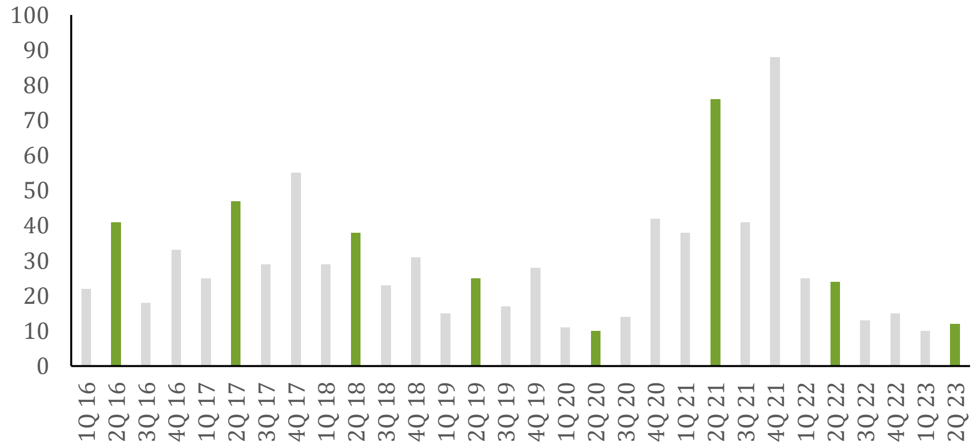
IPO proceeds on Jr markets by exchange (H1’23, EUR mm)



IPO proceeds on Jr markets by industry H1’23, (EUR mm)



Number of IPOs on European Jr markets

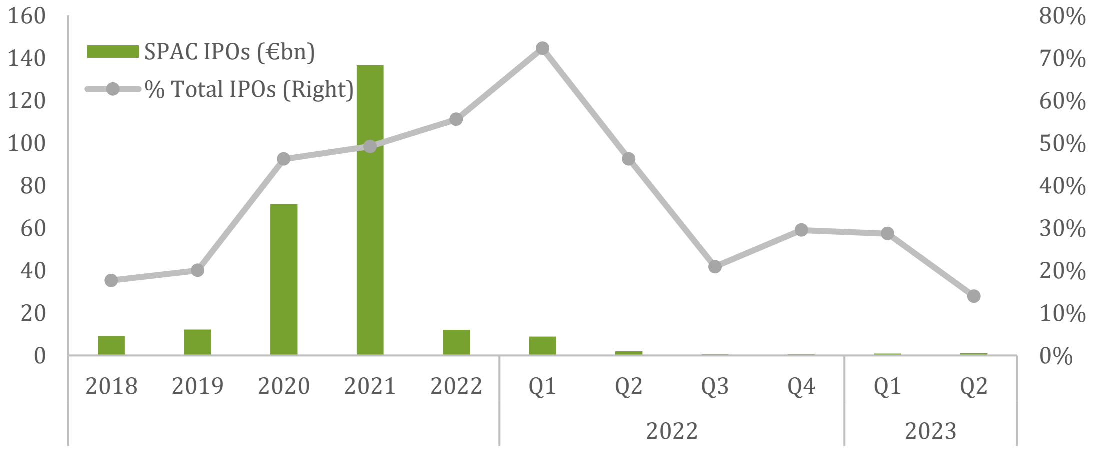


Source: Dealogic
*Finance includes SPVs and SPACs

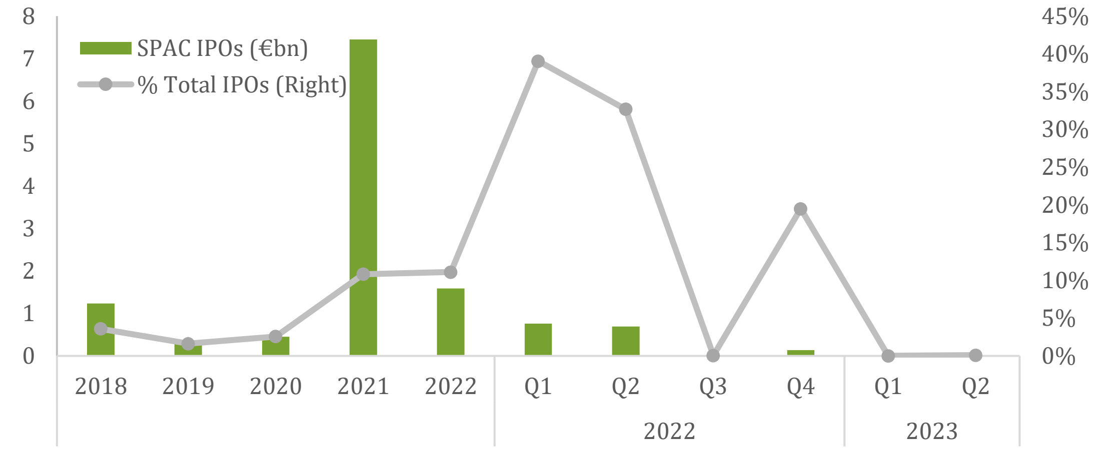
European SPACs: market update

SPAC IPOs: Europe and the US in numbers

US SPAC IPOs (EUR bn and % of total IPOs)



European SPAC IPOs (EUR bn and % of total IPOs)



Source: Dealogic

Special Purpose Acquisition Companies ("SPACs") are companies formed to raise capital in an initial public offering ("IPO") with the purpose of using the proceeds to acquire an unspecified business or asset to be identified after the IPO. A SPAC is generally intended to permit the target company to go public without engaging in a traditional IPO.

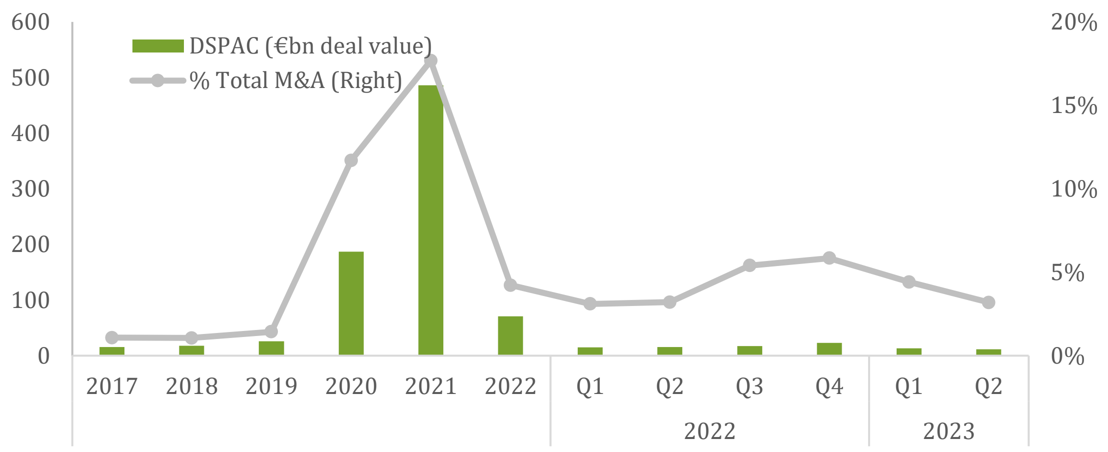
SPAC IPOs have significantly declined in volume and value in Europe and in the US.

In the US, SPAC IPOs totalled €1bn on 6 deals in Q2'23 from a peak of €81bn on 298 deals in Q1'21 and €1.9bn on 15 deals in Q2'22.

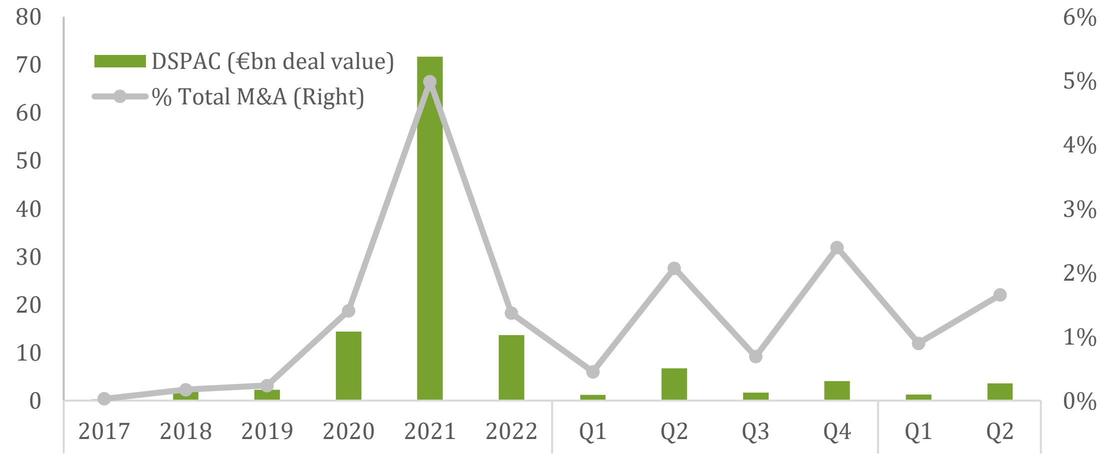
In Europe, SPAC IPOs have visibly declined from €3.2bn in Q2'21 to no deals in Q1'23 and €0.9bn in Q2'23.

De-SPACs: Europe and US in numbers

US De-SPACs: Announced deal value in EUR bn and % of total M&A



European De-SPACs: Announced deal value in EUR bn and % of total M&A



Source: Dealogic

SPACs are formed with the sole intention of acquiring a target company or asset in a De-SPAC transaction.

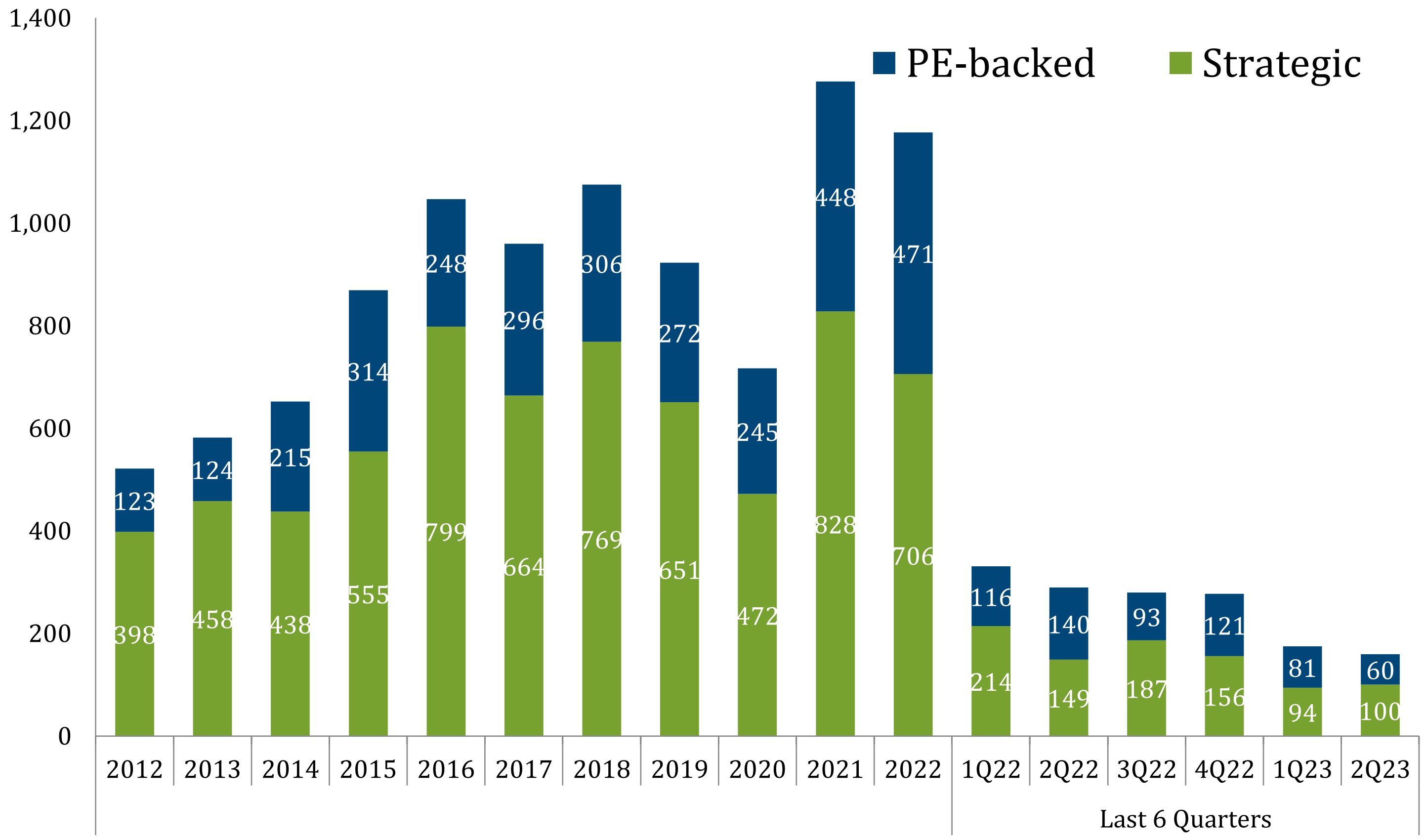
In the United States, De-SPACS represented 3% of total US M&A in Q2'23, a lower proportion from 18% in 2021FY and 4% in 2022FY.

In Europe, De-SPACS represented 1.7% of the total M&A value announced during Q2'23, below the proportion observed during 2021 (5%) but marginally above the 2022FY average (1.4%).

Mergers and Acquisitions (M&A)

M&A continued to decelerate during the quarter

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



Source: Dealogic

European* M&A activity continued the gradual decline during Q2'23 accumulating €160bn in deal value (from €289bn in Q2'22).

As shown on page 18, there was also a concurrent increase in announced M&A which, albeit below 2021-22 averages, anticipates a partial recovery in dealmaking for the coming months.

*EU, UK and Switzerland

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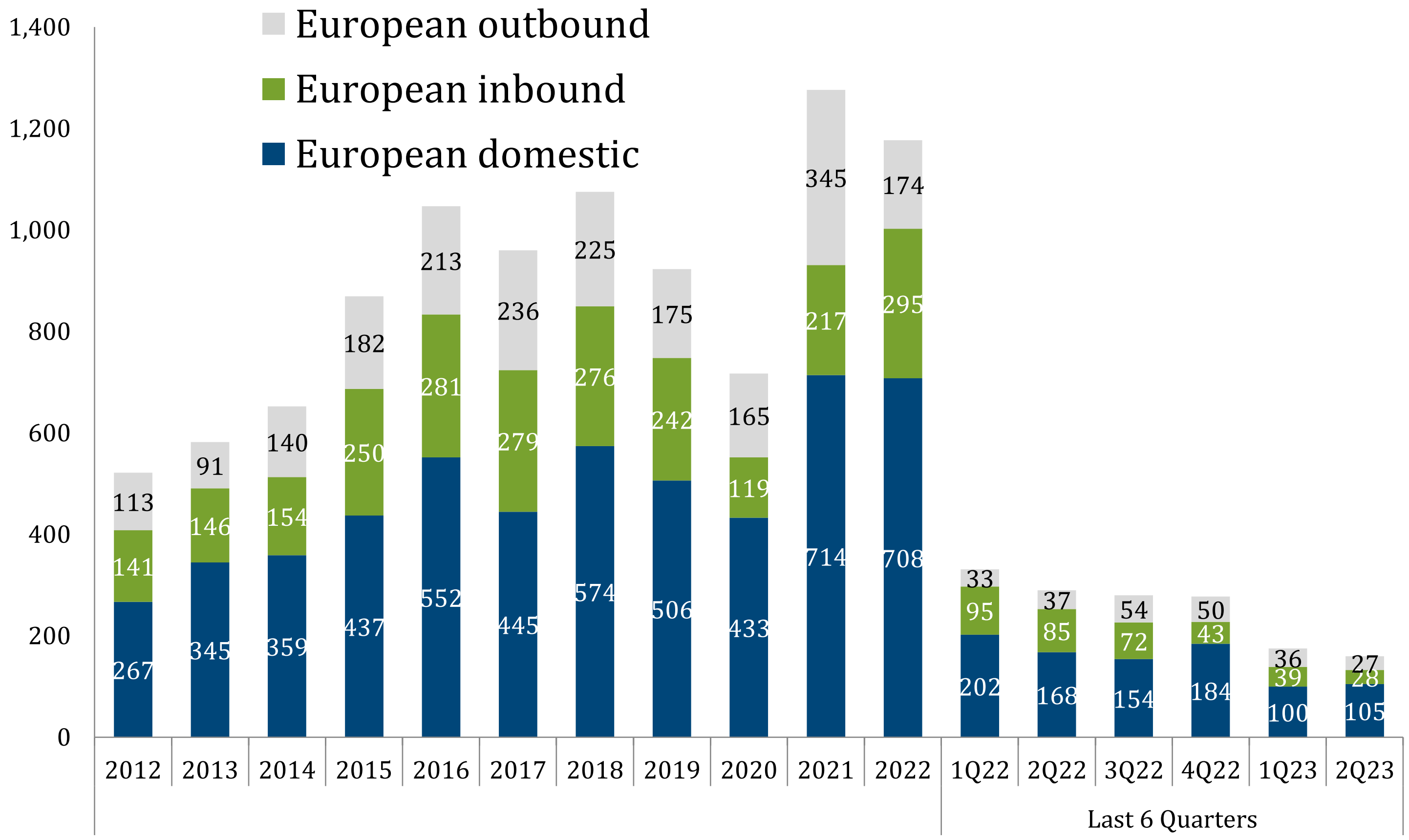
M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



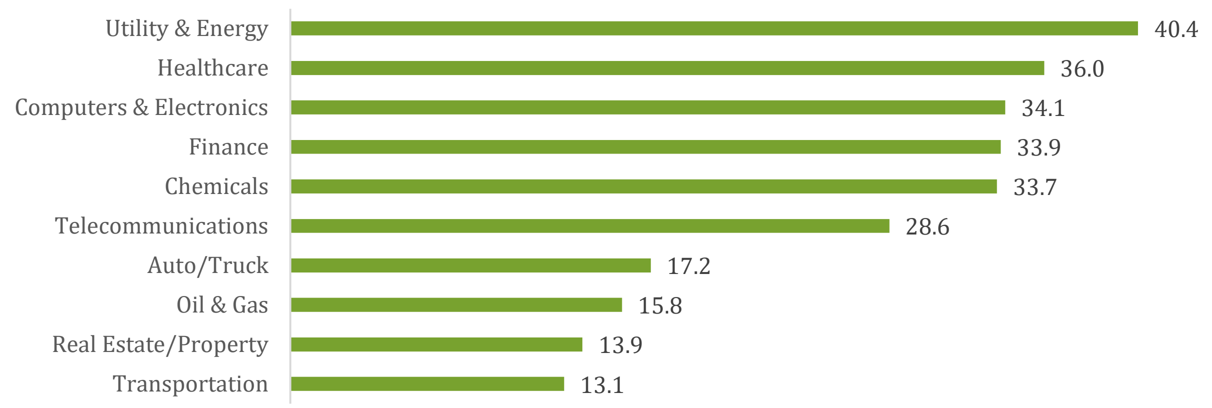
Source: Dealogic

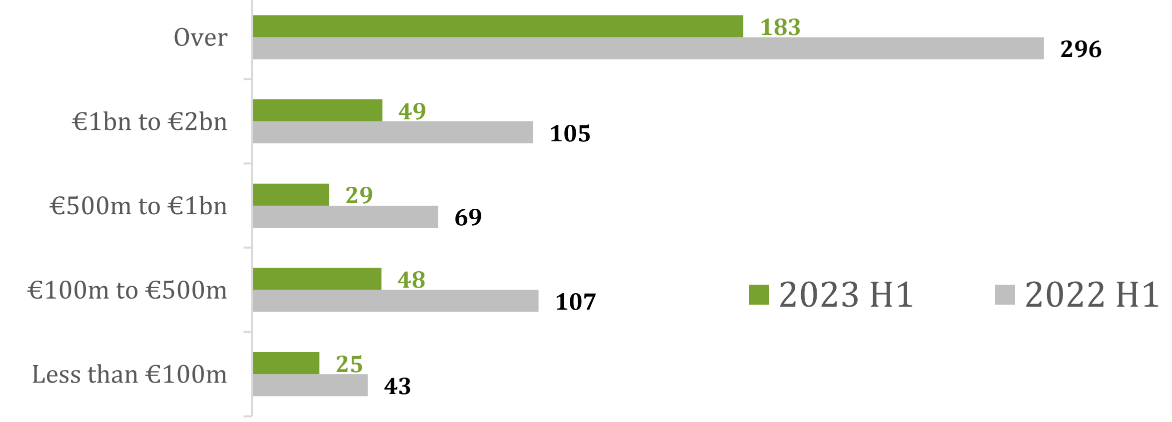
The decline in inbound M&A (i.e., acquisition of a European company by a non-European company) has been particularly pronounced.

Inbound M&A accumulated a total of €28bn in deal value in Q2’23, a 67% decline from Q2’22.

Domestic M&A also exhibited a large decline during the quarter accumulating a total of €105bn in deal value in Q2’23, a 38% decline from Q2’22.

Tech and energy lead by deal value





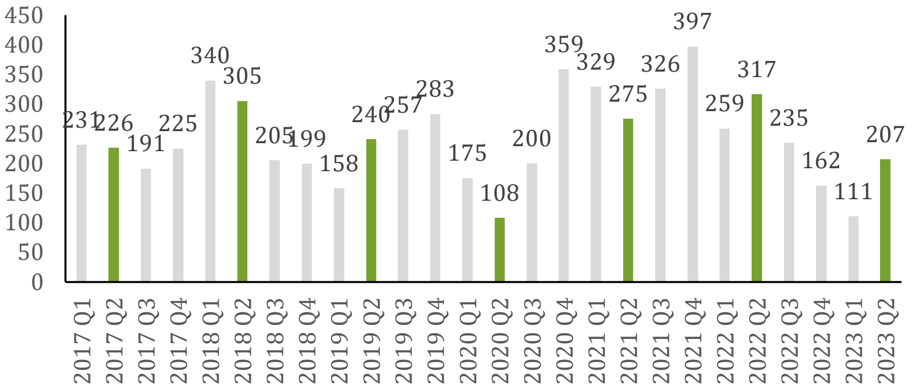
Source: Dealogic

During H1'23, four "megadeals" (deal value above €10bn) were completed:

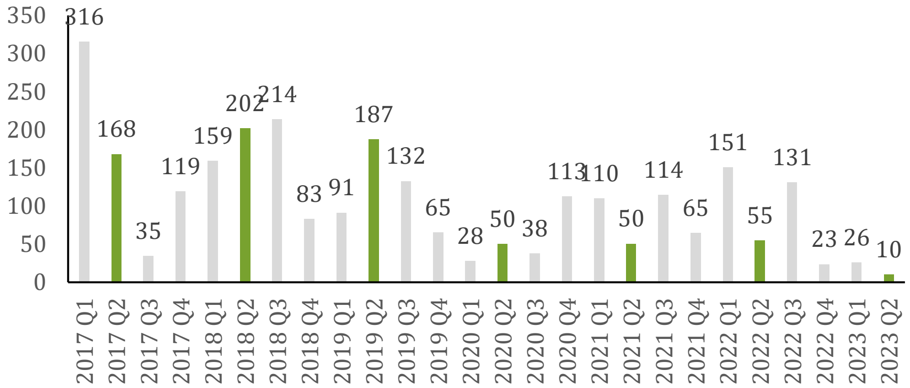
- Acquisition of LeasePlan Corp NV, the Dutch vehicle leasing and fleet management company, by French vehicle leasing provider ALD SA.
- Koninklijke DSM NV acquisition of Firmenich International SA, the Switzerland based manufacturer of fragrances and flavours.
- Acquisition of 25% Porsche AG from Volkswagen by Porsche Automobil SE holding company.
- Acquisition of GD Towers, the mobile telecommunications tower business from Deutsche Telekom AG, by DigitalBridge Group Inc and Brookfield Infrastructure Partners LP.

Increase in announced M&A anticipates possible rebound in dealmaking activity

Announced M&A (EUR bn)

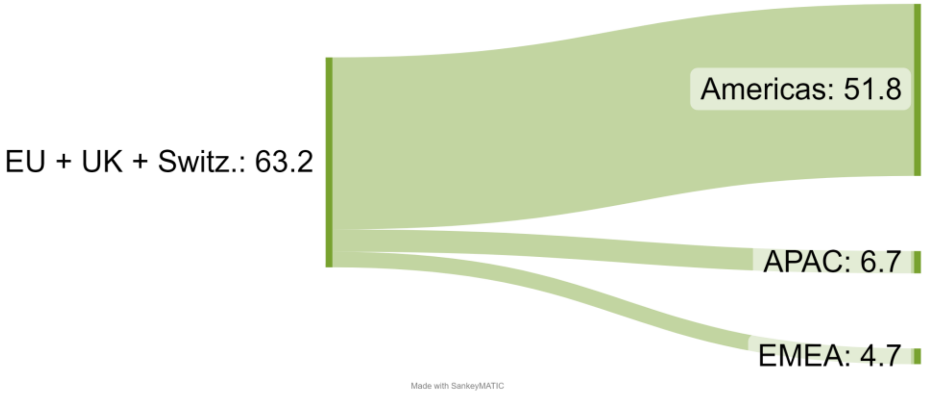


Withdrawn M&A (EUR bn)



Completed inbound M&A by acquiring region (EUR bn, 1H 2023)

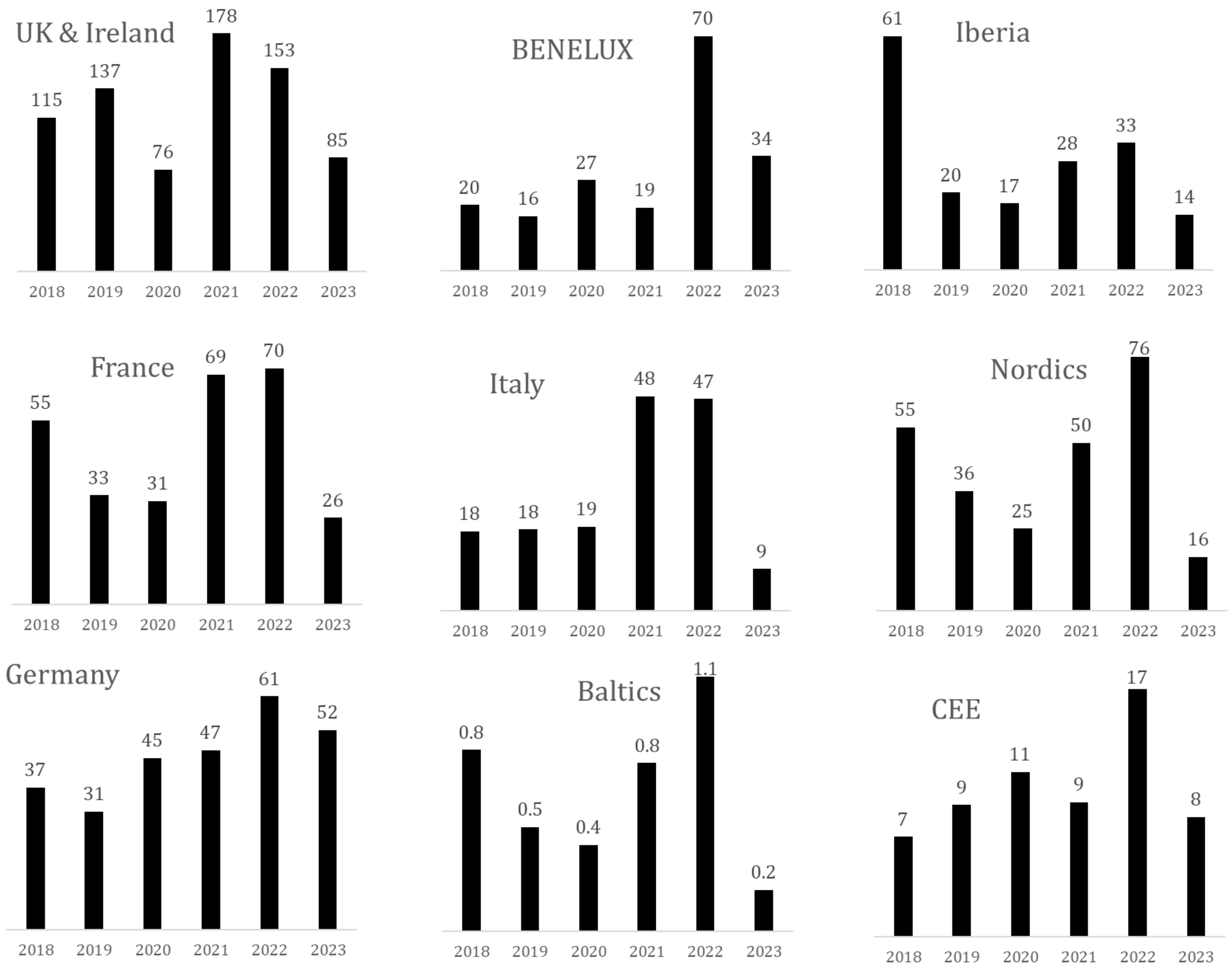
Completed outbound M&A by target region (EUR bn, 1H 2023)



Source: Dealogic

M&A regional growth

Regional M&A trends: completed deal value (H1, EURbn)



Source: Dealogic

Annual decline in M&A activity across all European subregions.

European integration: M&A between European firms

Completed intra-European M&A activity (2023 H1, EUR bn)

Target Nationality

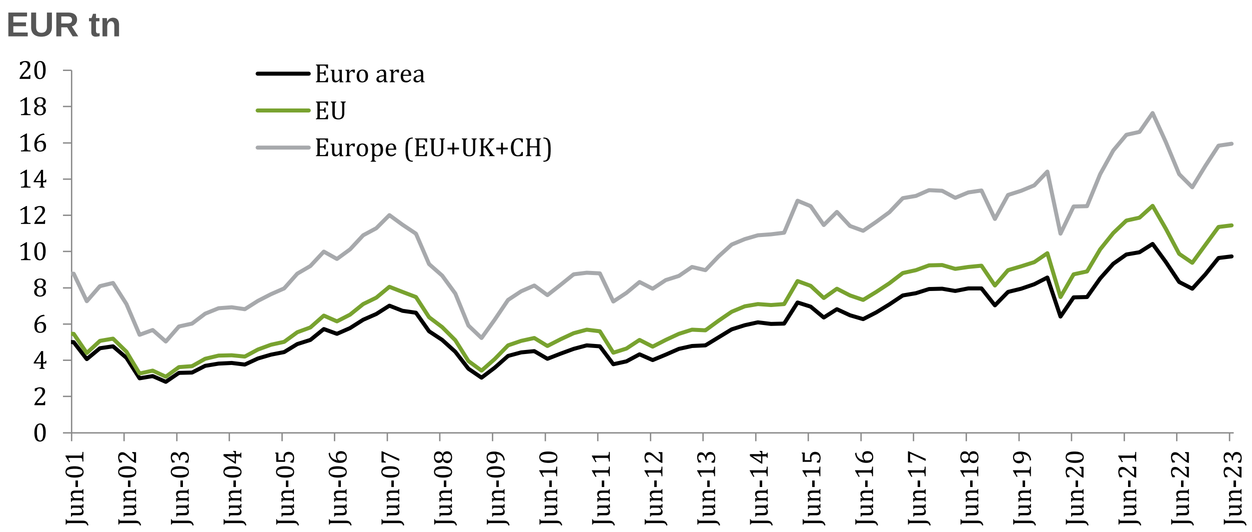
Acquiror Nationality

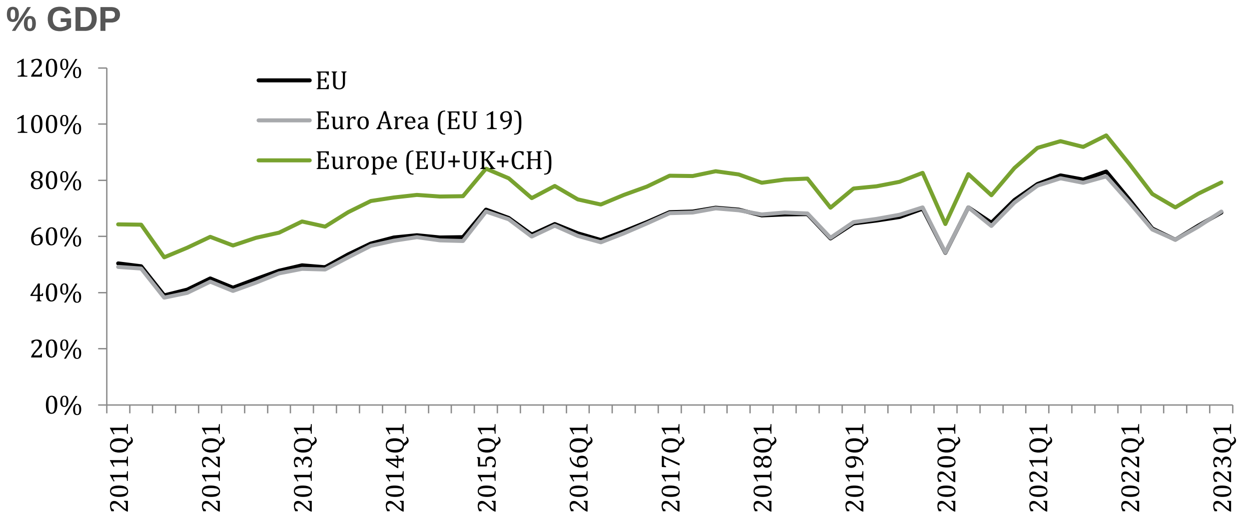
	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CH	UK	TOTAL
Austria	996										299		830												17					2,141
Belgium		3,964												8																3,971
Bulgaria			35																											35
Croatia				31				11																						42
Cyprus					74																									74
Czechia	810					316					9									150	307								115	1,707
Denmark							2,807														36		10			12	88	30	1,103	4,086
Estonia								6									11													17
Finland									597											1,065									13	1,676
France		60							88	19,857	1,000				138					20,215	456	5				70	14	25	4,744	46,670
Germany	100								1	450	24,364						7			4,200						1,450	1,020		1,186	32,777
Greece					70							54																		124
Hungary													1,733	36							4				900					2,673
Ireland										34				863						5									400	1,302
Italy				180					228	115	1,050	84		1,843	4,403											495		5	21	8,423
Latvia																57														57
Lithuania																	34													34
Luxembourg														12	94			70			43								129	348
Malta																														0
Netherlands		47								1,077	46									1,011	351						4	16,695	9	19,240
Poland	4																				1,620								13	1,637
Portugal		9													13							618								639
Romania																	3						172							175
Slovakia																								29						29
Slovenia																									8					8
Spain	14	1											4	100	13						510	1				7,465		218	64	8,391
Sweden	29						27		90	52	8			2				163		30							2,665	64	114	3,244
Switzerland										8	5,564				3,666					160						2,000	19	5,453	1	16,871
United Kingdom		12			150		1,957		23	522	3,331	27		469	57					75		39				59	308	2	40,976	48,007
Total	1,953	4,092	35	211	294	316	4,792	18	1,027	22,115	35,670	165	2,568	3,332	8,383	57	54	233		26,911	3,325	663	182	29	924	11,551	4,117	22,493	48,888	204,398

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

Secondary markets

Market capitalisation of domestic listed shares

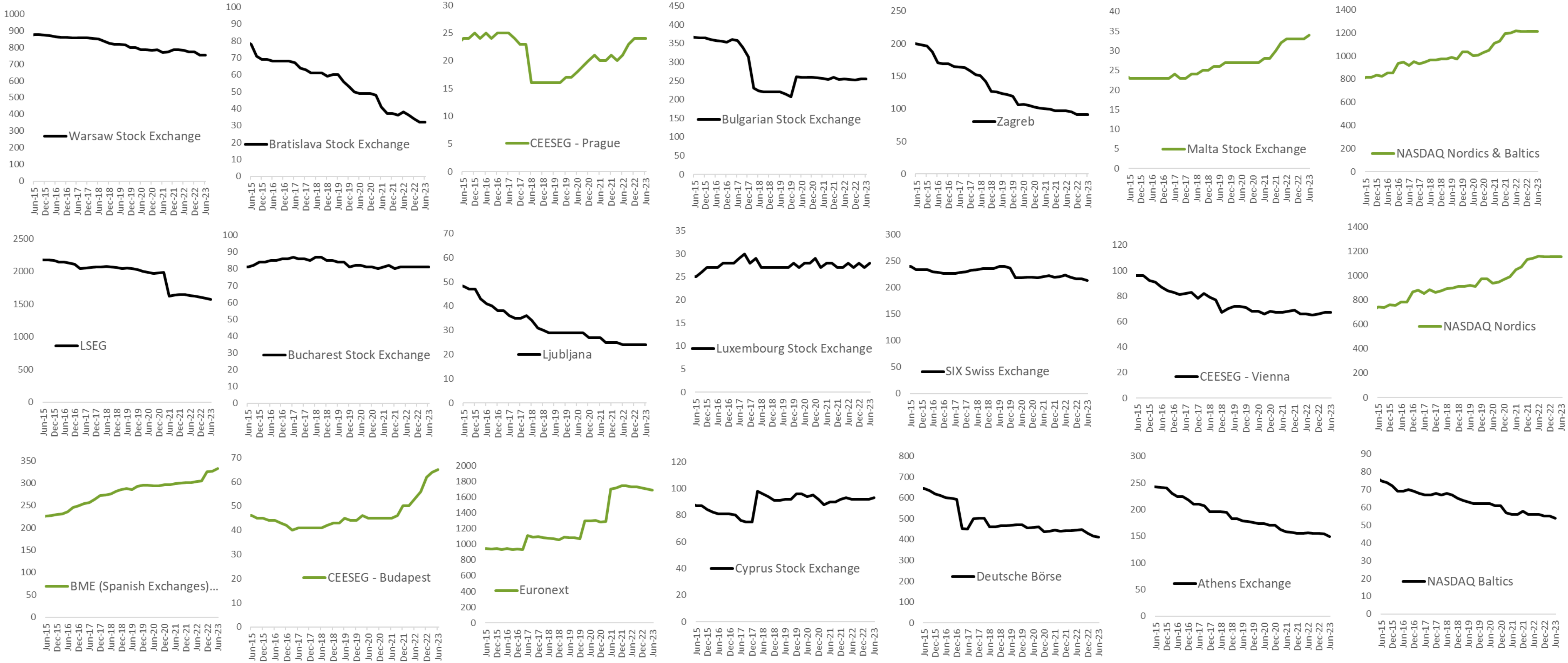




Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, CEESEG, Bucharest SE, WSE. Europe includes EU members states, United Kingdom and Switzerland.

Market capitalisation of European listed shares (EU, UK and Switzerland) rose 1% QoQ on the back of marginal gains in equity market valuations, an ongoing slowdown in initial public offerings, and a quarterly net reduction of 21 domestic companies listed on European exchanges.

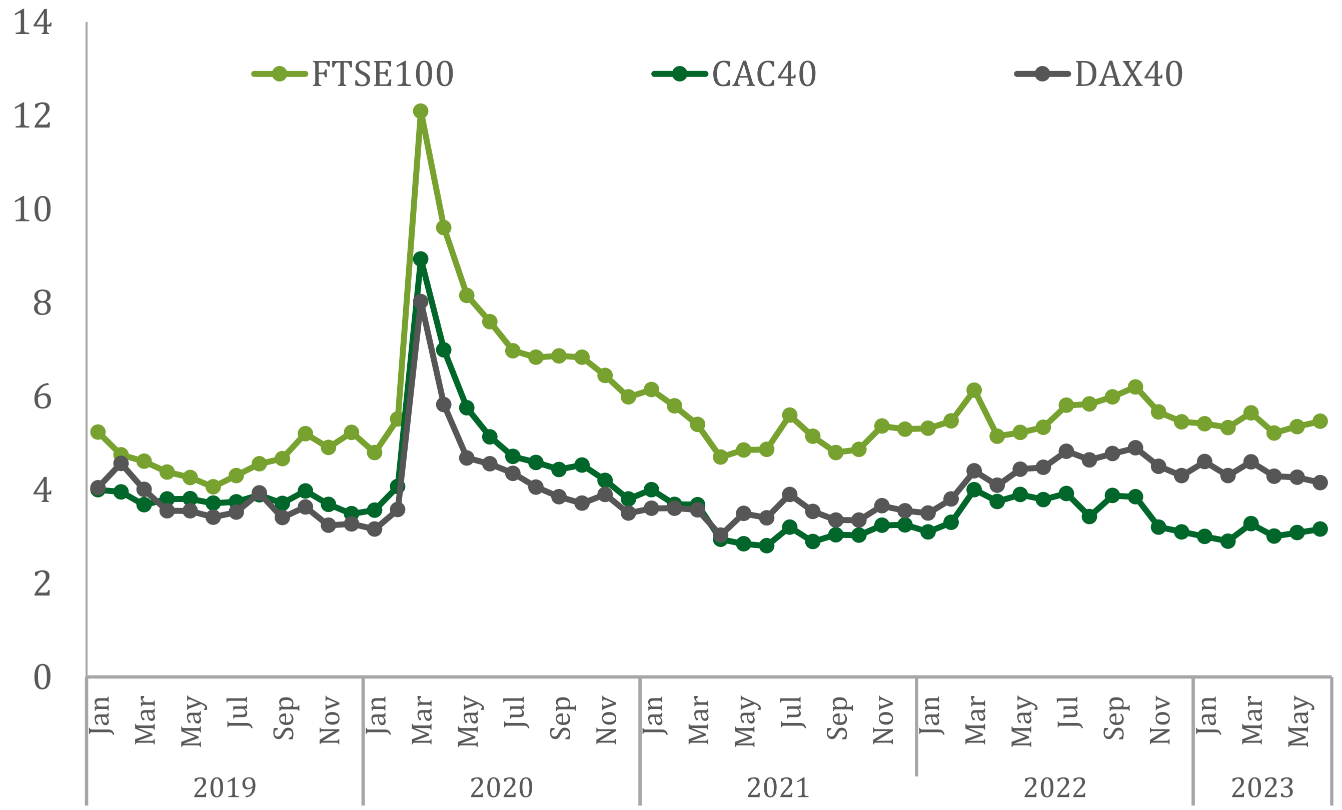
Number of listed companies on European exchanges



Source: FESE, WFE and European exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs

Bid-ask spreads for selected European indices

Market spreads in basis points for selected equity indices (Primary venue, value weighted average spread, €5k)

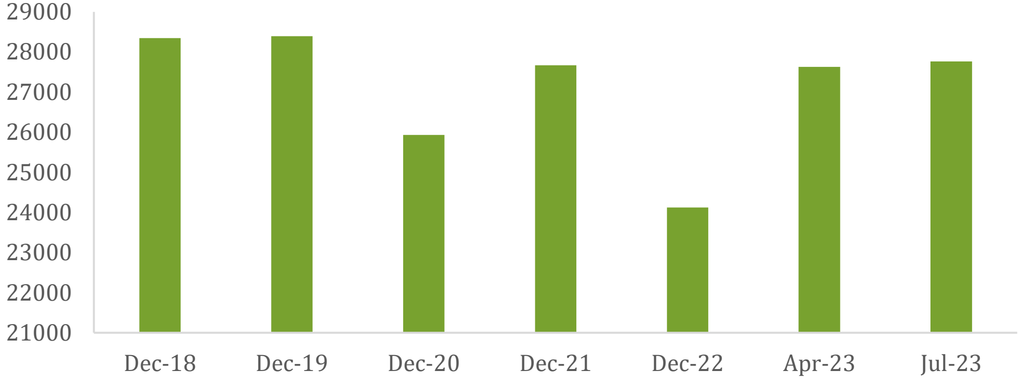


Source: BigXYT

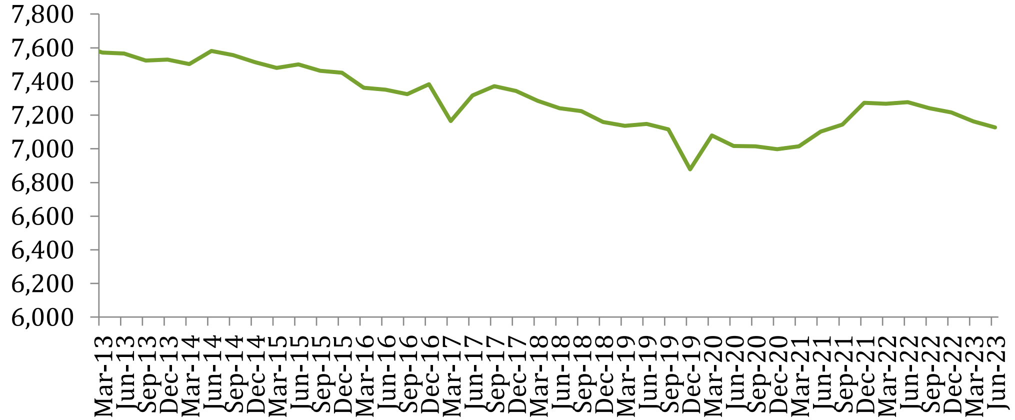
Bid-ask spreads for selected European equity indices marginally tightened in Q2'23 after the temporary financial market turbulence of the second half of March 2023.

Number of listed companies resume declining trend

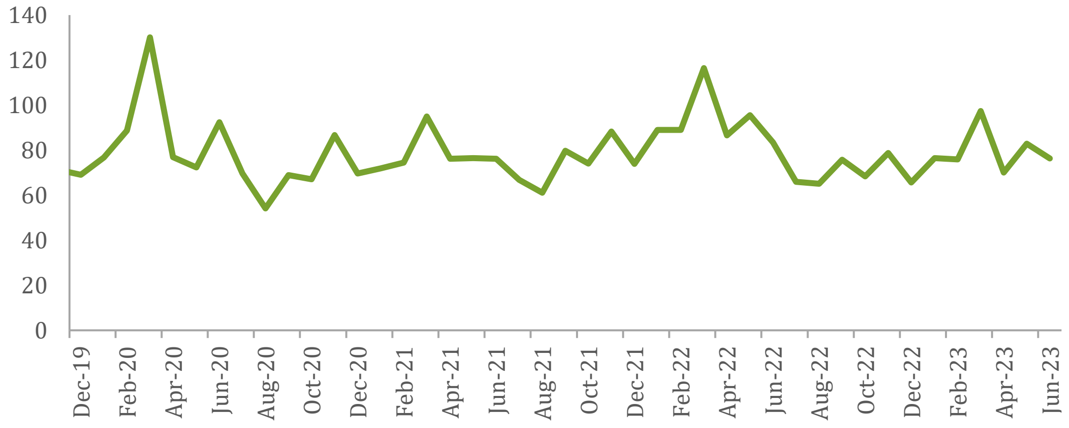
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



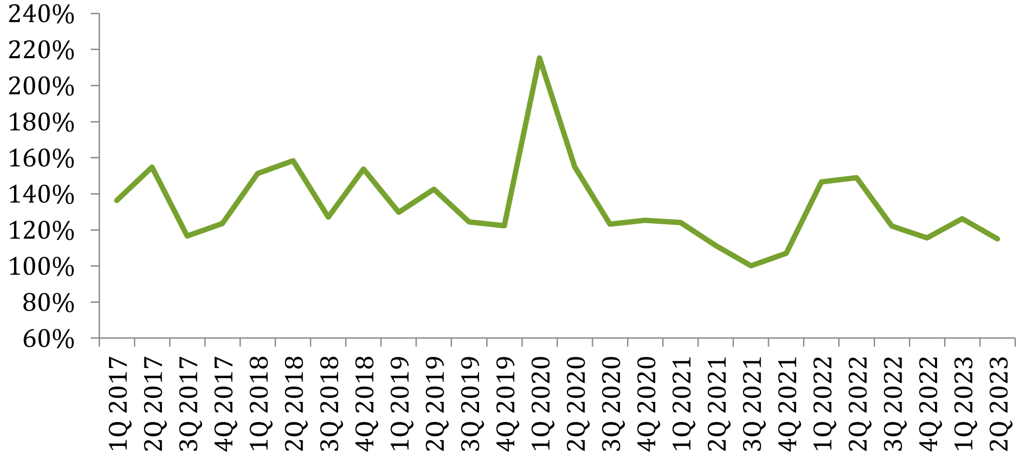
Number of listed companies on European exchanges*



Average daily equity turnover value on European exchanges and MTFs (EUR bn)**



Turnover ratio (annualised turnover value/ market cap)**



Source: BigXYT, FESE, WFE, ECB and local exchanges. *Listed companies excludes Vienna's global segment and Spanish SICAVs. **Adjusted for transactions not contributing to price formation

Equity market structure

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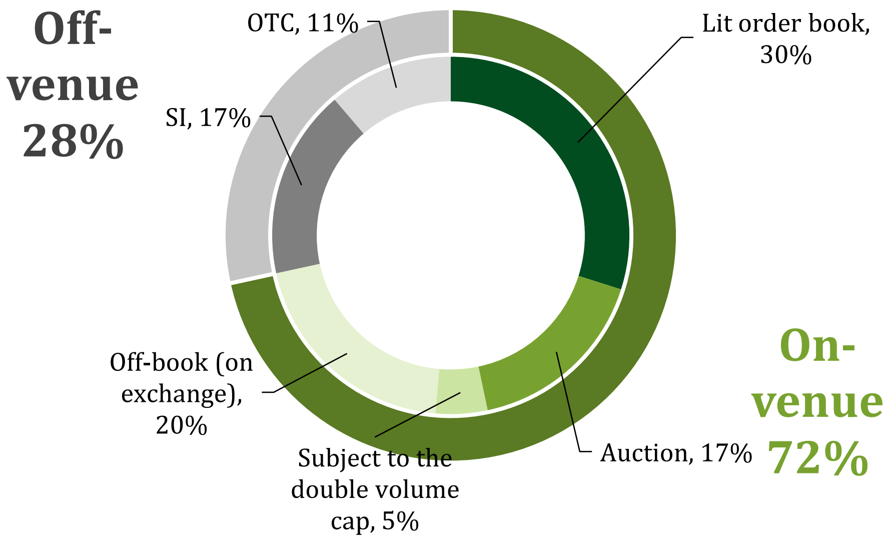
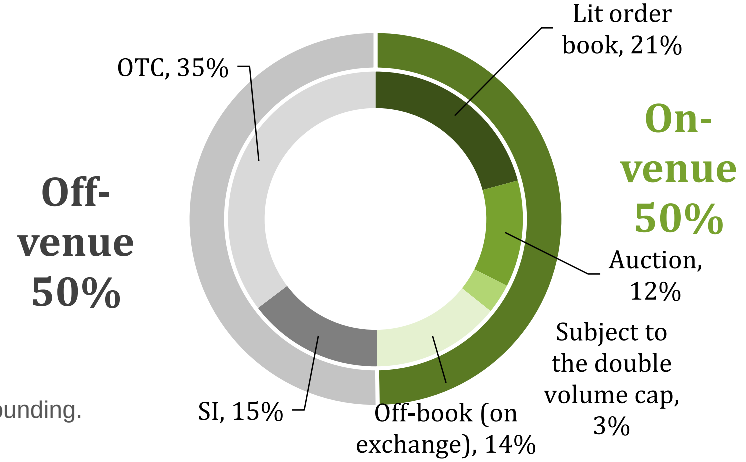
Equity market liquidity landscape

Share of Pan-European trading volume (EU, UK, Switzerland, Norway) by trading mechanism, Q2 2023

Adjusted for transactions not contributing to price formation



Unadjusted



Source: BigXYT. Percentages may not add up due to rounding.

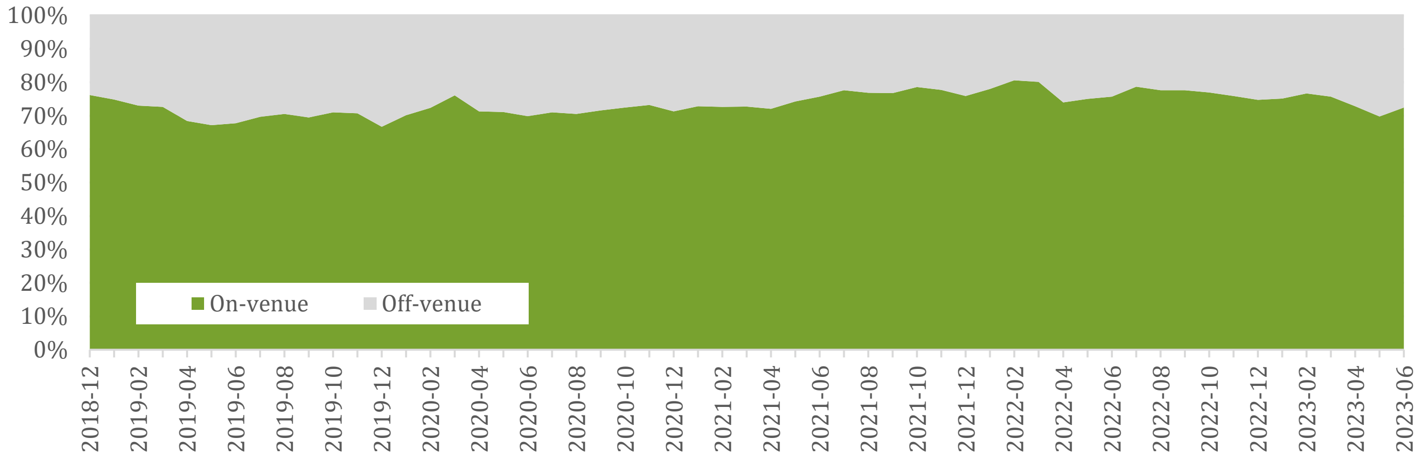
According to BigXYT data, on-venue trading represented 72% of the total addressable liquidity in Q2 2023.

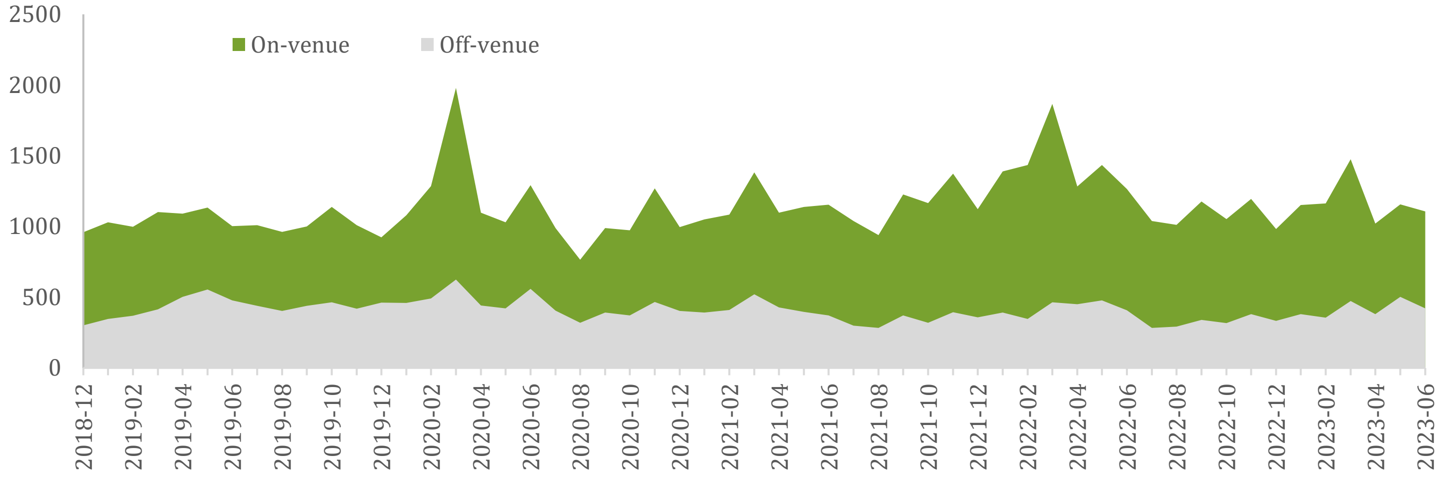
Volume traded off-venues, on systematic internalisers and pure OTC, represent the remaining 28% of the volume of the total addressable liquidity. See top chart.

The bottom chart shows the European liquidity split without distinguishing between what liquidity is addressable and what is non-addressable. That is, without adjusting for trades that do not contribute to price formation.

Equity market liquidity landscape

Share of Pan-European trading volume (EU, UK, Switzerland, Norway) by trading mechanism, (% and EURbn per month)



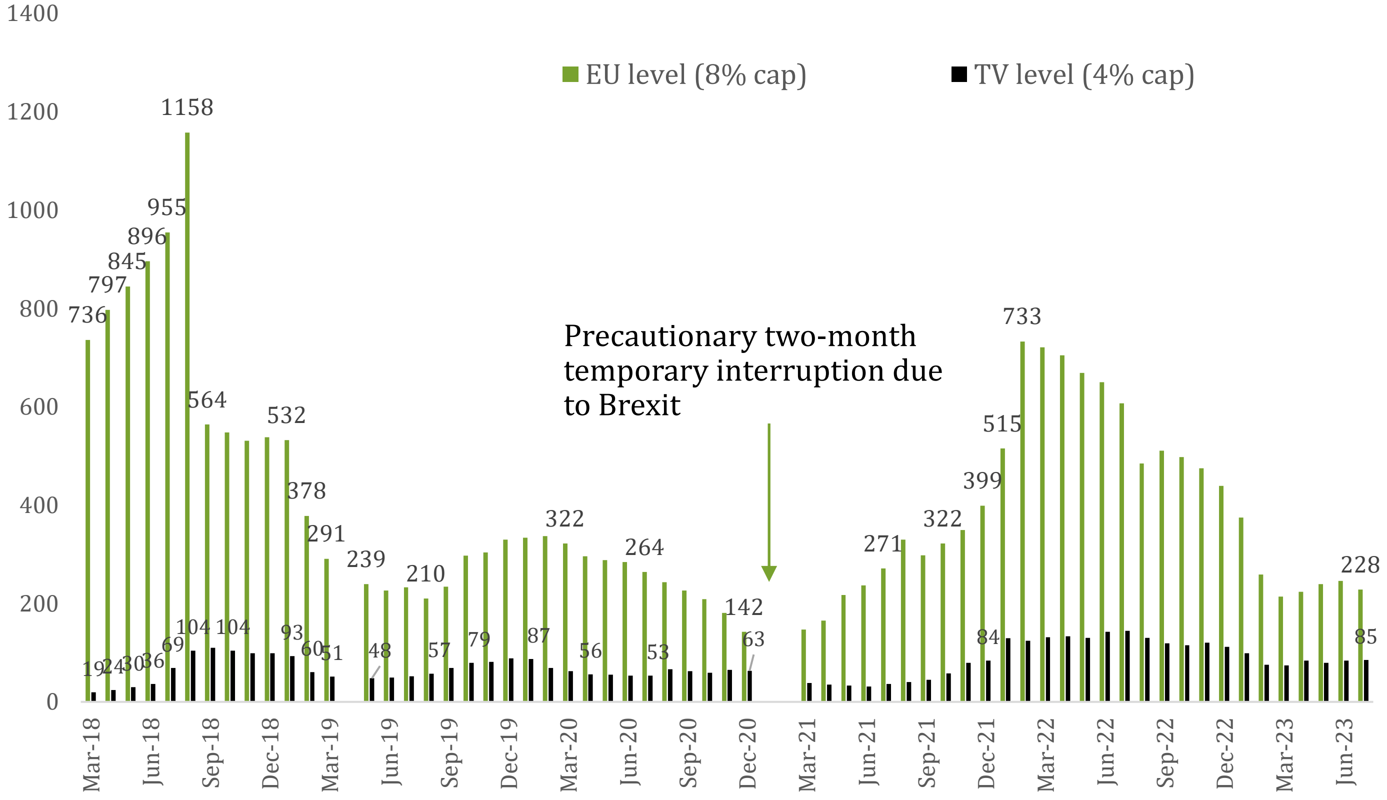


Source: BigXYT. Adjusting for transactions not-contributing to price formation.
On-venue: Lit order book, Auction, trading subject to the double volume cap, and off-book (on-exchange).
Off-venue: OTC and SI

The proportion of on-venue trading relative to total addressable remained virtually unchanged over the last few years at c70% of total trading.

MiFID double volume cap (DVC)

Number of equity-like instruments suspended from trading subject to the DVC at the EU or trading venue level



Source: ESMA

The Double Volume Cap (DVC) mechanism seeks to limit equity trading under the reference price waiver and the negotiated transaction waiver on EU venues.

ESMA publishes on a monthly basis the list of instruments temporarily suspended under the price disclosure waiver at the EU or trading venue level after surpassing pre-determined trading thresholds.

The number of instruments suspended under the DVC has marginally increased over the last quarter to 313 (228 at EU Level and 85 at TV level) with 34 new suspensions identified in July 2023 (24 at EU Level and 10 at TV level).

MiFID double volume cap (DVC)

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

July-23

Country ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% country universe)
AT	79	4	1	6%
BE	241	4	3	3%
BG	264	0	0	0%
CY	85	2	0	2%
CZ	29	0	0	0%
DE	1026	10	3	1%
DK	696	13	10	3%
EE	42	0	0	0%
ES	346	4	1	1%
FI	222	12	4	7%
FR	1008	22	9	3%
GR	180	0	0	0%
HR	106	0	0	0%
HU	71	0	0	0%
IE	2026	3	5	0%
IT	512	13	0	3%
LT	28	0	0	0%
LU	1181	5	4	1%
LV	16	0	0	0%
MT	47	0	1	2%
NL	253	4	7	4%
PL	771	0	0	0%
PT	55	0	0	0%
RO	361	0	0	0%
SE	1846	43	11	3%
SI	135	0	0	0%
SK	31	0	0	0%
Total EU	11657	139	59	2%
GB	1246	3	4	1%
RoW	16110	86	22	1%
Total	**27767**	**228**	**85**	**1%**

Source: ESMA

The 313 instruments currently suspended under the DVC at the EU or trading venue level represent 1% of the equity-like instruments on ESMA's July 2023 DVC files (27,767).

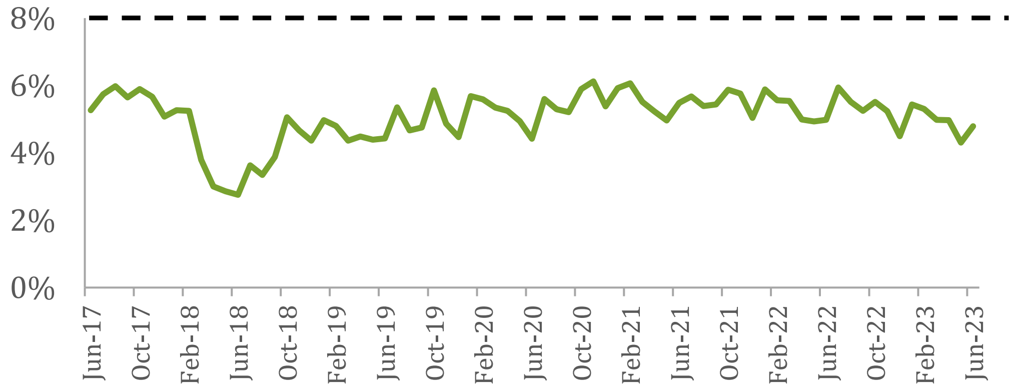
198 of the 313 suspended instruments have EU ISINs (or 63% of the total number of suspended instruments). This represents an increase from 126 instruments suspended in December 2022 (23% of the total).

7 (or 2%) of the 313 suspended instruments have UK ISINs. This also represents the fewest UK ISINs DVC suspended since 2018, which compares with 596 UK instruments suspended in February 2022. The cyclicality of the DVC mechanism likely explains the sudden decline.

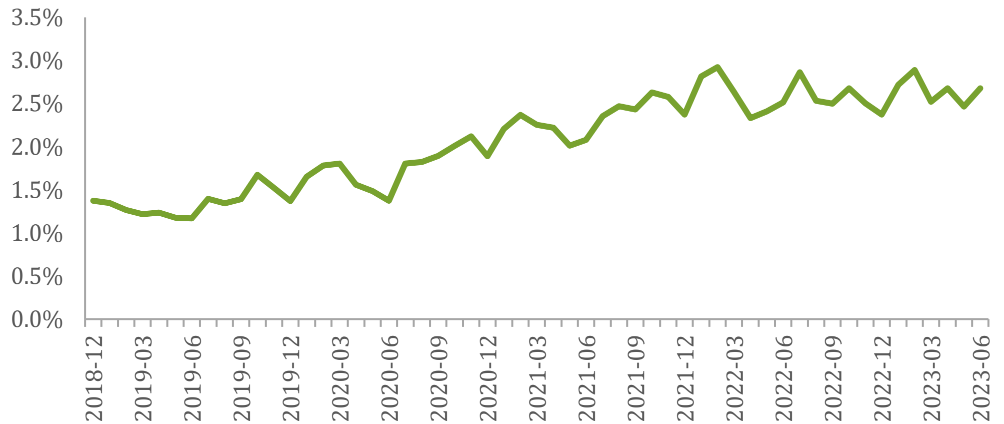
108 (or 35%) of the suspended instruments have non-EU+UK ISINs at the EU and trading venue level.

Proportion of trading subject to the double volume cap (DVC) at 5%

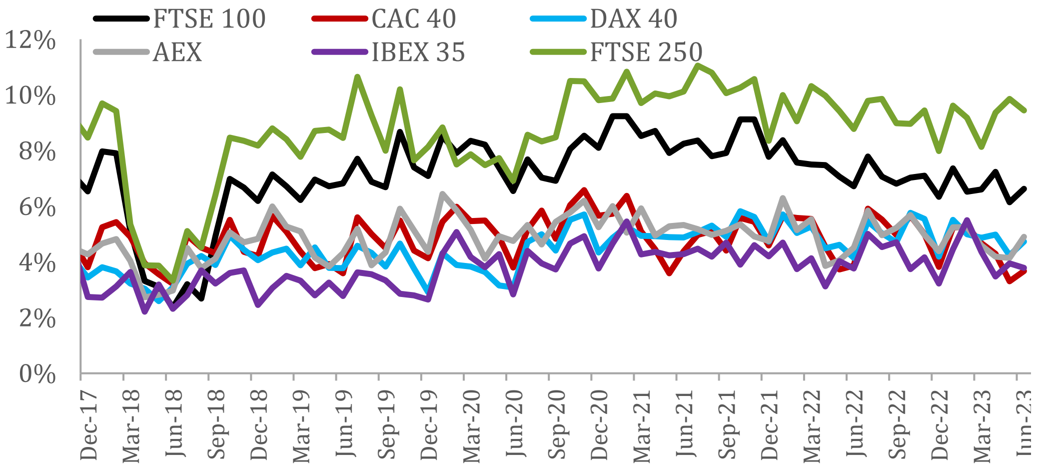
Trading subject to the DVC as % of total turnover*



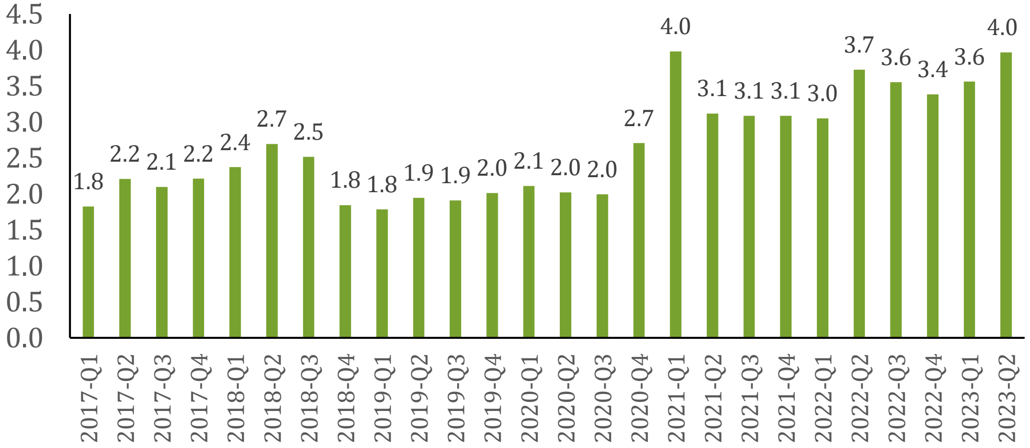
Lit/Auction periodic as % of total monthly trading*



% of trading subject to the DVC by indices*



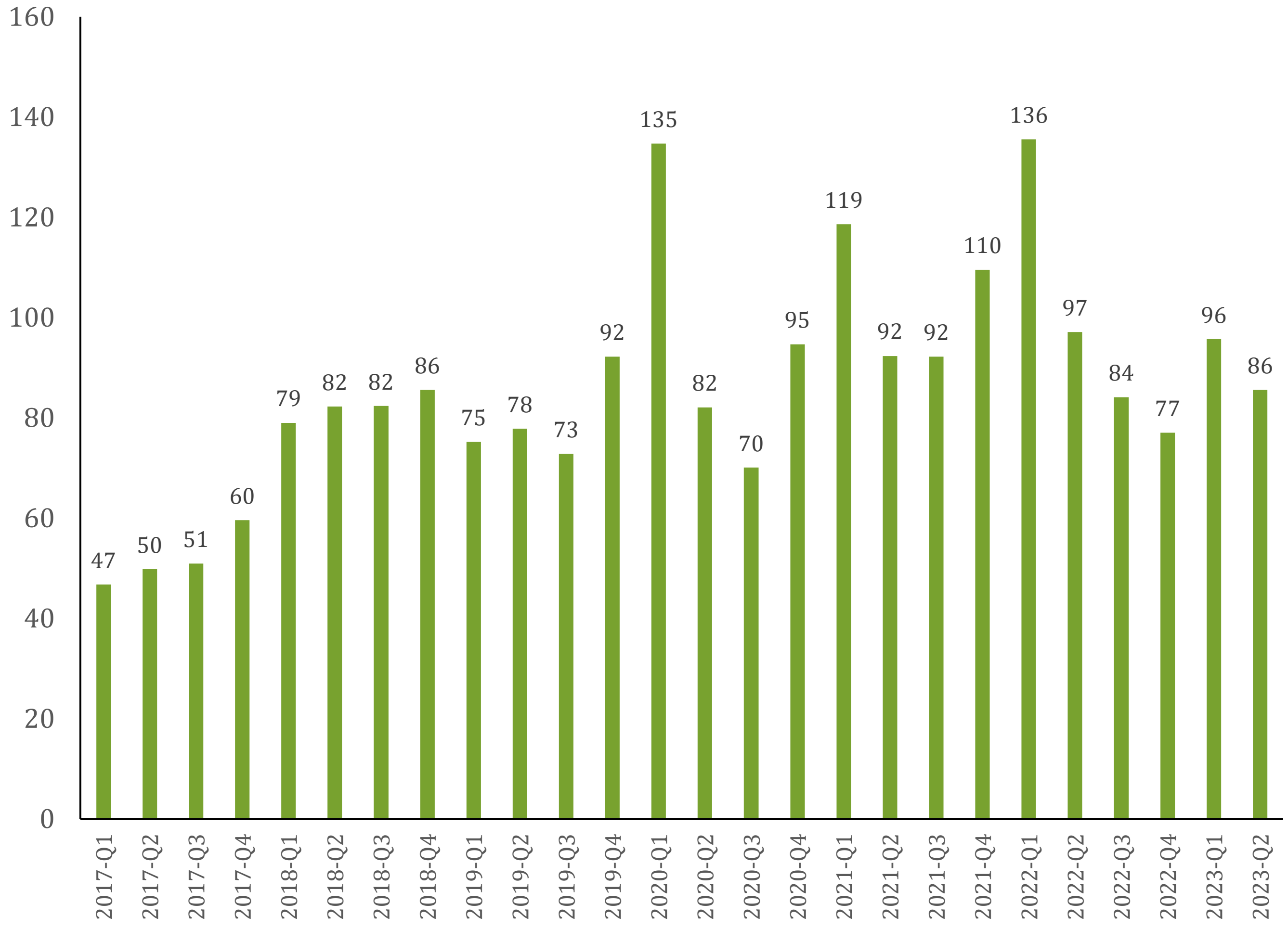
Block trades: Average value per trade (EUR mm)



Source: ESMA and BigXYT
*Includes EU, UK, NO, and Swiss venues. Adjusted for non-price forming trades

Block trades

Block trades: value traded ≥ LIS (EURbn)



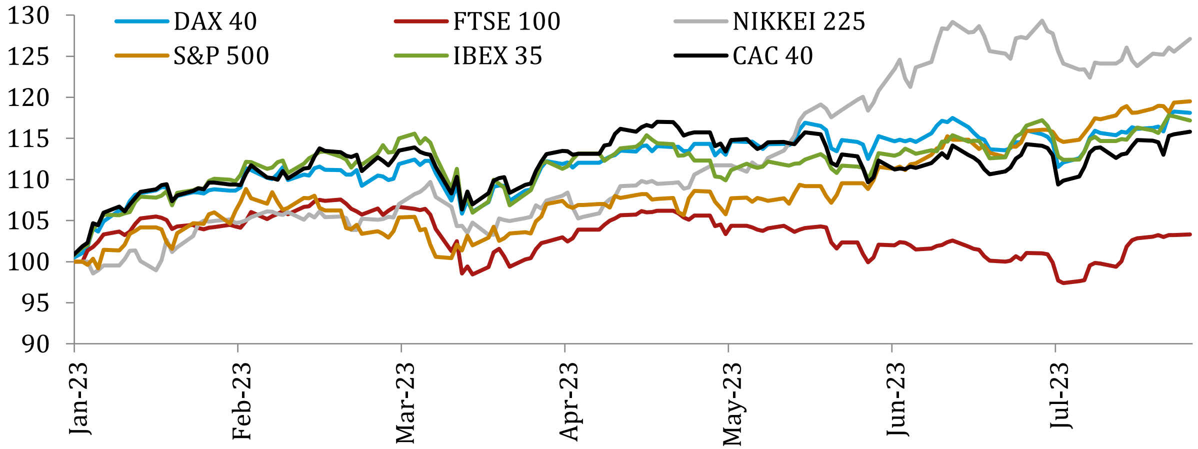
Source: BigXYT

Equity trading in the form of block trades (traded above the large in scale threshold) stood at €86bn in Q2'23, €10bn below the level observed in Q1'23.

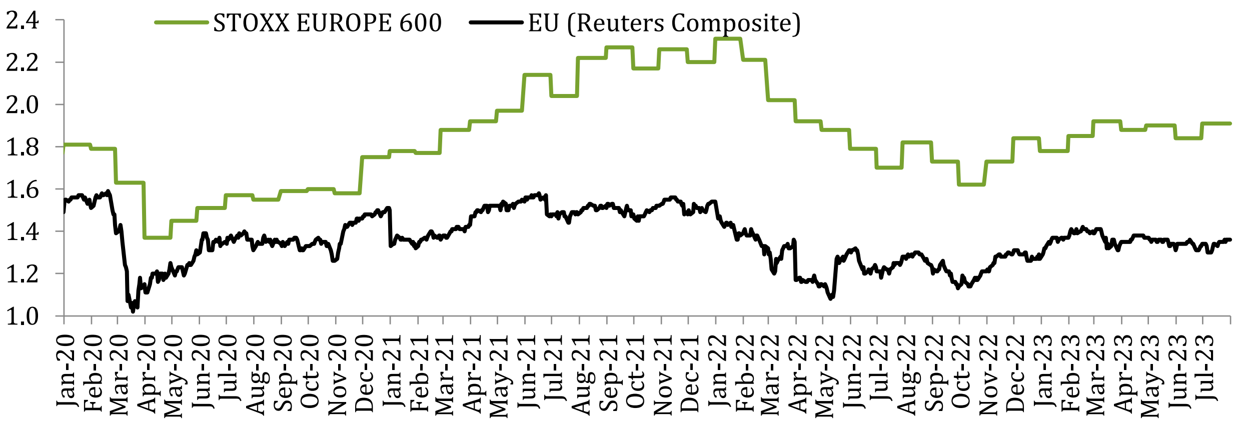
Valuations

Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 2022 = 100)



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



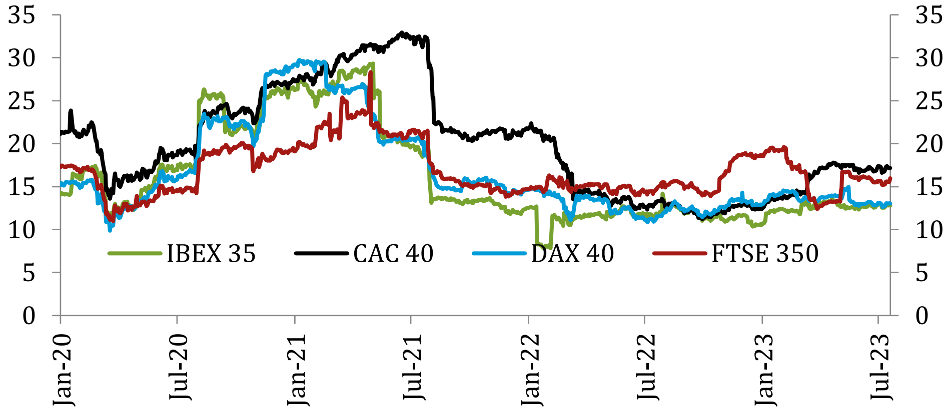
Source: Datastream

European equity prices have increased between 3% (FTSE100) and 18% (DAX40) year-to-date (as of 31 July).

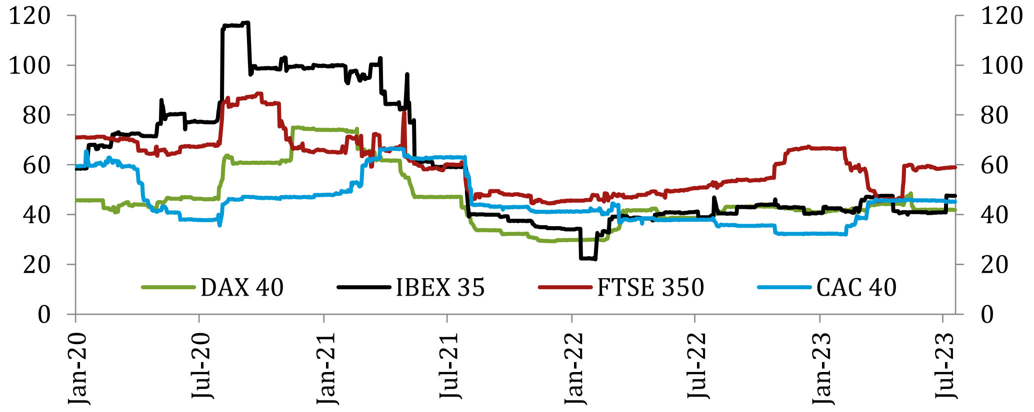
As observed on page 35, market-implied volatility has declined over the second quarter of the year, reaching in mid-June the lowest index value since February 2020.

Valuation ratios and implied volatility

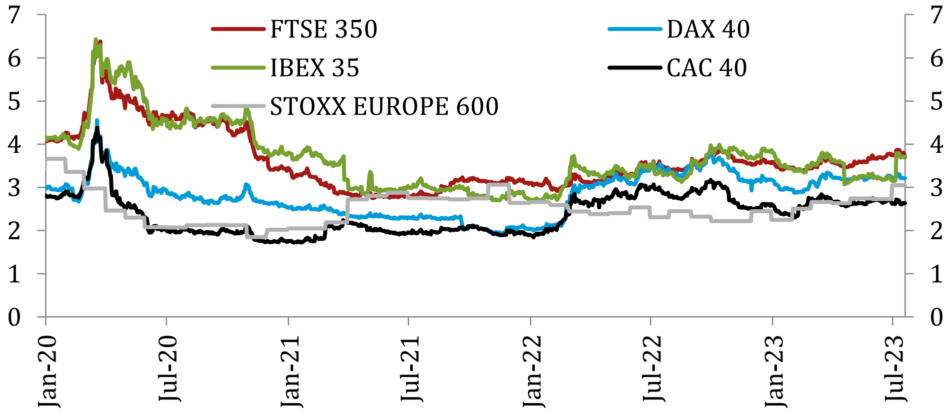
Price-to-earnings (PE) ratio



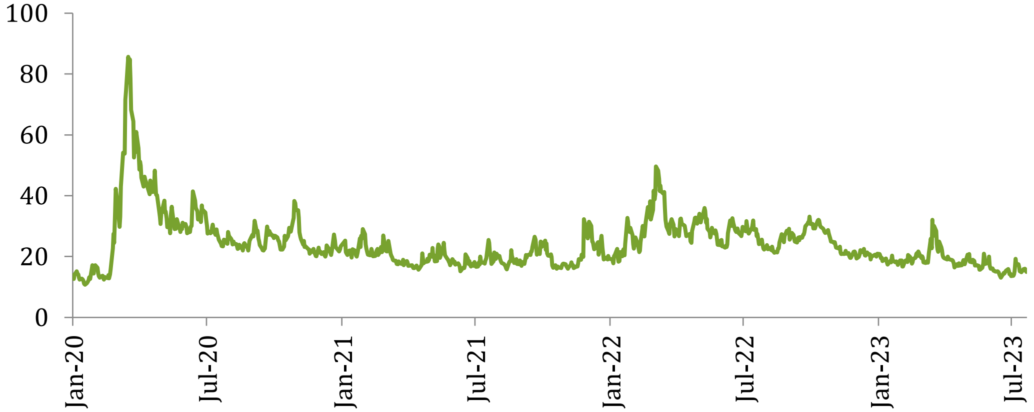
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

afme/ Finance for Europe

Appendix

	1Q 23	2Q 23	3Q 23	4Q 23	2023 YtD	1Q 22	2Q 22	3Q 22	4Q 22	2022	% Change YtD
Equity underwriting (€ bn)	**28.5**	**26.5**			**55.0**	**16.7**	**26.3**	**23.1**	**22.9**	**89.0**	**28%**
IPOs	1.0	1.3			2.4	1.9	2.1	9.5	0.7	14.3	**-42%**
Follow-on offerings	22.7	23.3			46.0	13.5	23.8	11.6	19.9	68.8	**23%**
Convertible securities	4.8	1.9			6.6	1.3	0.4	1.9	2.3	5.9	**290%**
Mergers and Acquisitions (€ bn): completed	**174.6**	**159.7**			**334.3**	**330.7**	**289.4**	**279.6**	**277.3**	**1,177.0**	**-46%**
European outbound	36.1	27.2			63.3	33.4	37.1	53.7	50.3	174.4	**-10%**
European inbound	38.7	27.9			66.6	95.3	84.6	72.2	42.7	294.9	**-63%**
Intra European	99.8	104.6			204.4	202.0	167.8	153.7	184.2	707.7	**-45%**
Mergers and Acquisitions (€ bn): announced	**110.5**	**206.6**				**258.7**	**316.6**	**234.8**	**162.5**	**972.6**	**-45%**
Equity turnover value											
Average Daily (€ bn)	83.3	76.4			**79.9**	98.1	88.6	68.9	70.9	**81.6**	**-14%**
Market Capitalisation of domestic listed shares (€ tn)											
European (EU, UK and Switzerland)	15.8	15.9			**15.9**	16.1	14.3	13.5	14.7	**14.7**	**12%**
EU	11.4	11.4			**11.4**	11.3	9.9	9.4	10.4	**10.4**	**16%**
Euro Zone	9.6	9.7			**9.7**	9.4	8.3	7.9	8.7	**8.7**	**17%**

Source: Dealogic, ECB, FESE, WFE, BigXYT, and local exchanges

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