Finance for Europe

2Q 2019

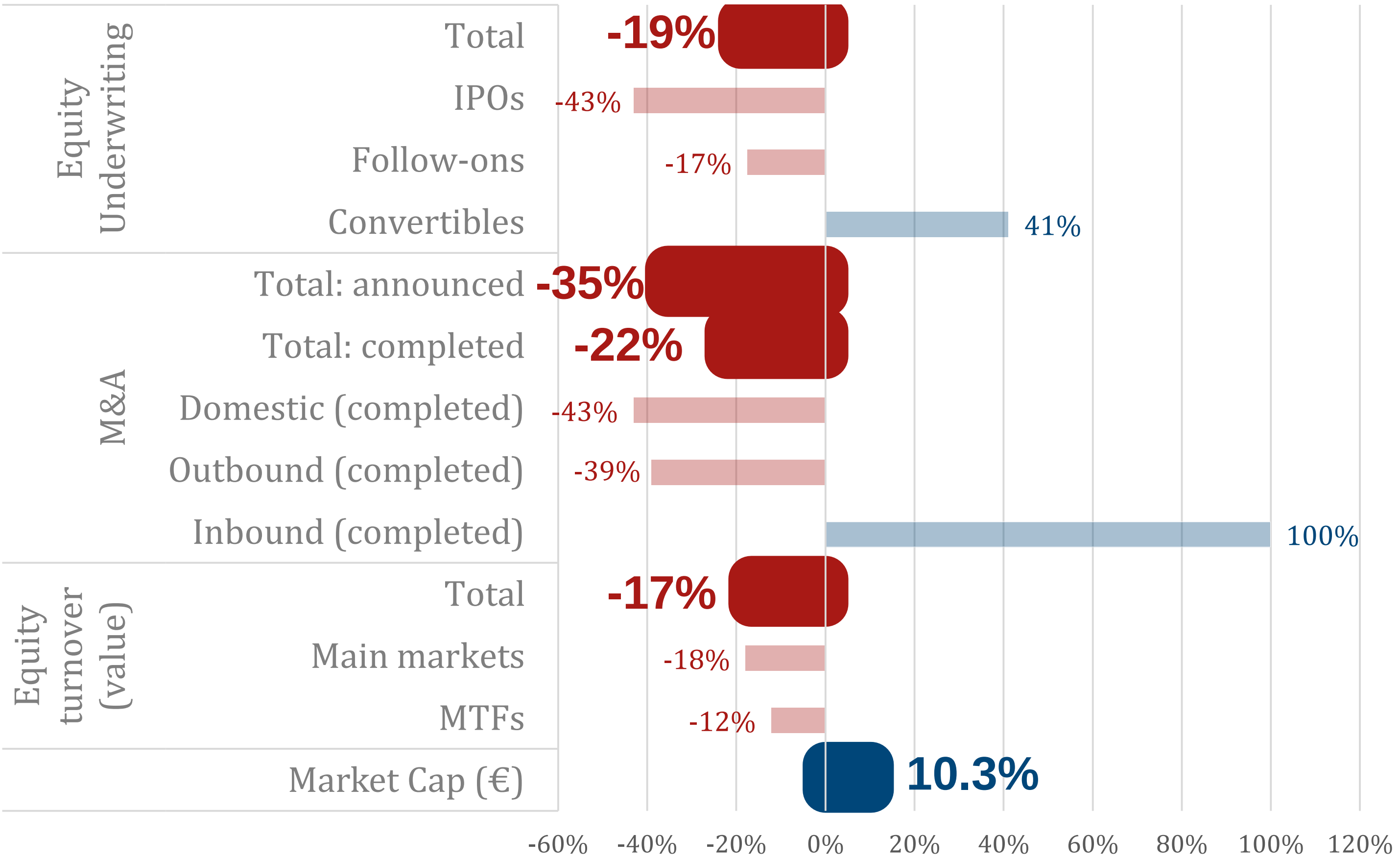
Equity Primary Markets and Trading Report

European market data update

Key highlights

1H 2019 YtD variation of European Equity activity

EU28 member countries and Switzerland



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

Equity underwriting on European exchanges accumulated a total of €64.2 bn in proceeds in 1H19, a 19% decrease from the value originated in 1H18 (€79.5 bn).

IPO issuance in 1H19 decreased 43% against the amount issued in 1H18.

Completed Mergers and Acquisitions (M&A) of European companies totalled €416.9 bn in 1H19, a decrease of 22% from the amount completed in 1H18 (€534.7 bn).

The amount of announced M&A deals totalled €416.8 bn in 1H19, a 22% decrease from 1H18.

Equity trading activity on **European main markets and MTFs** generated a total of €3.7 tn in turnover value in 1H19, a decrease of 17% from 1H18 (€4.5 tn)

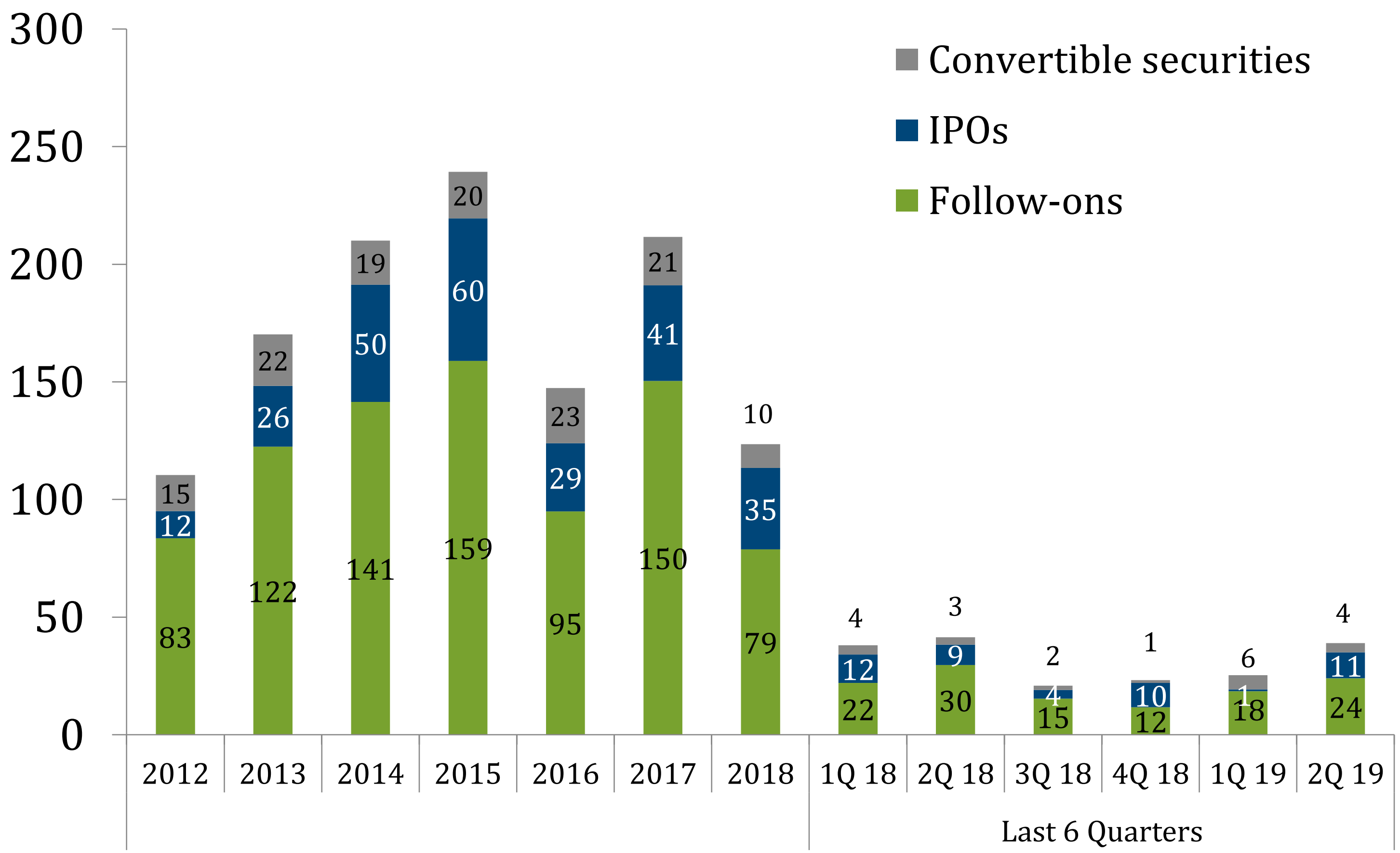
Domestic market capitalisation of European listed shares stood at € 12.9 tn at the end of 1H19

Contents

Equity issuance

Lowest IPO volume since 2013

Equity Issuance on European exchanges (EUR bn)



Source: Dealogic

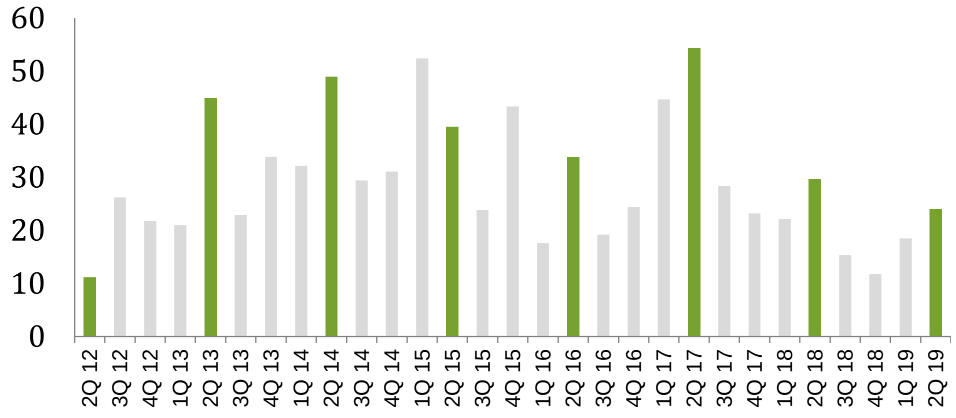
The semi-annual decline in equity underwriting (-19% YtD) was driven by a 43% decrease in IPO proceeds and a 17% decrease in follow-on offerings

European equity primary markets activity recovered in the second quarter of the year following three consecutive quarters of subdued capital raising.

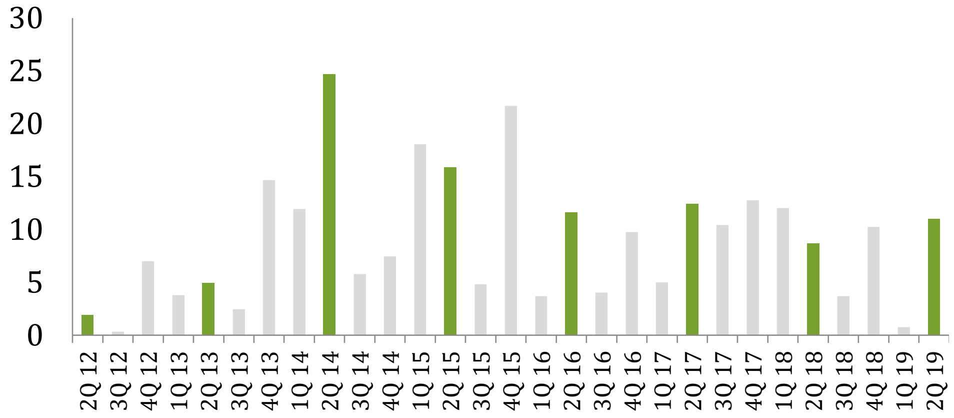
More stable markets in the second quarter of the year facilitated the recovery.

76 IPOs were issued on European exchanges during 1H19— the lowest 1H deal volume since 2013

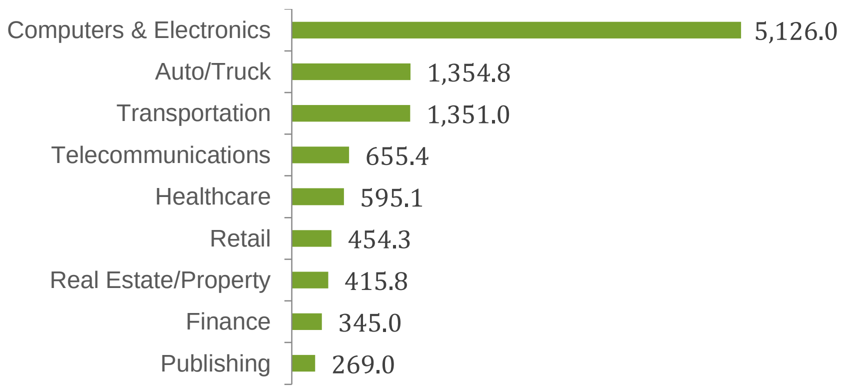
Follow-on offerings (EUR bn)



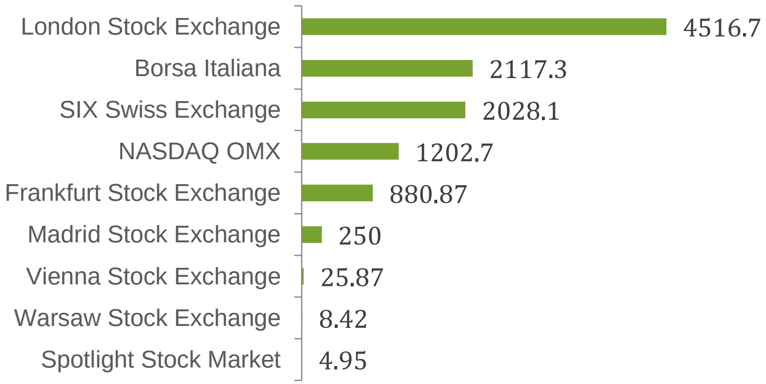
IPO proceeds (EUR bn)



IPO proceeds by industry (EUR mm): 2Q 2019



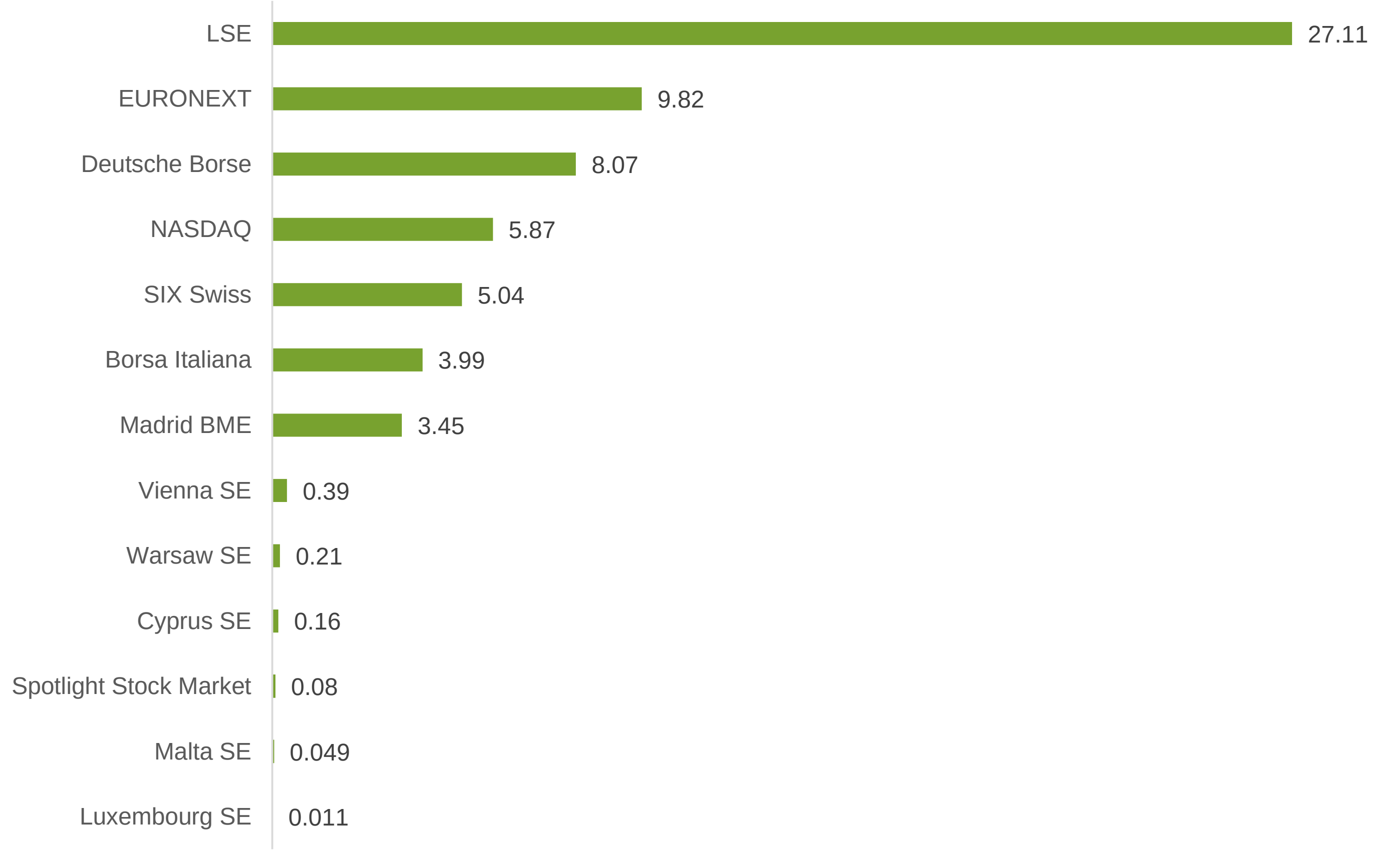
IPO proceeds by listing market (EUR mm): 2Q 2019



Source: Dealogic
*Finance includes SPVs

Equity issuance by exchange during 1H19

Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): 1H 19



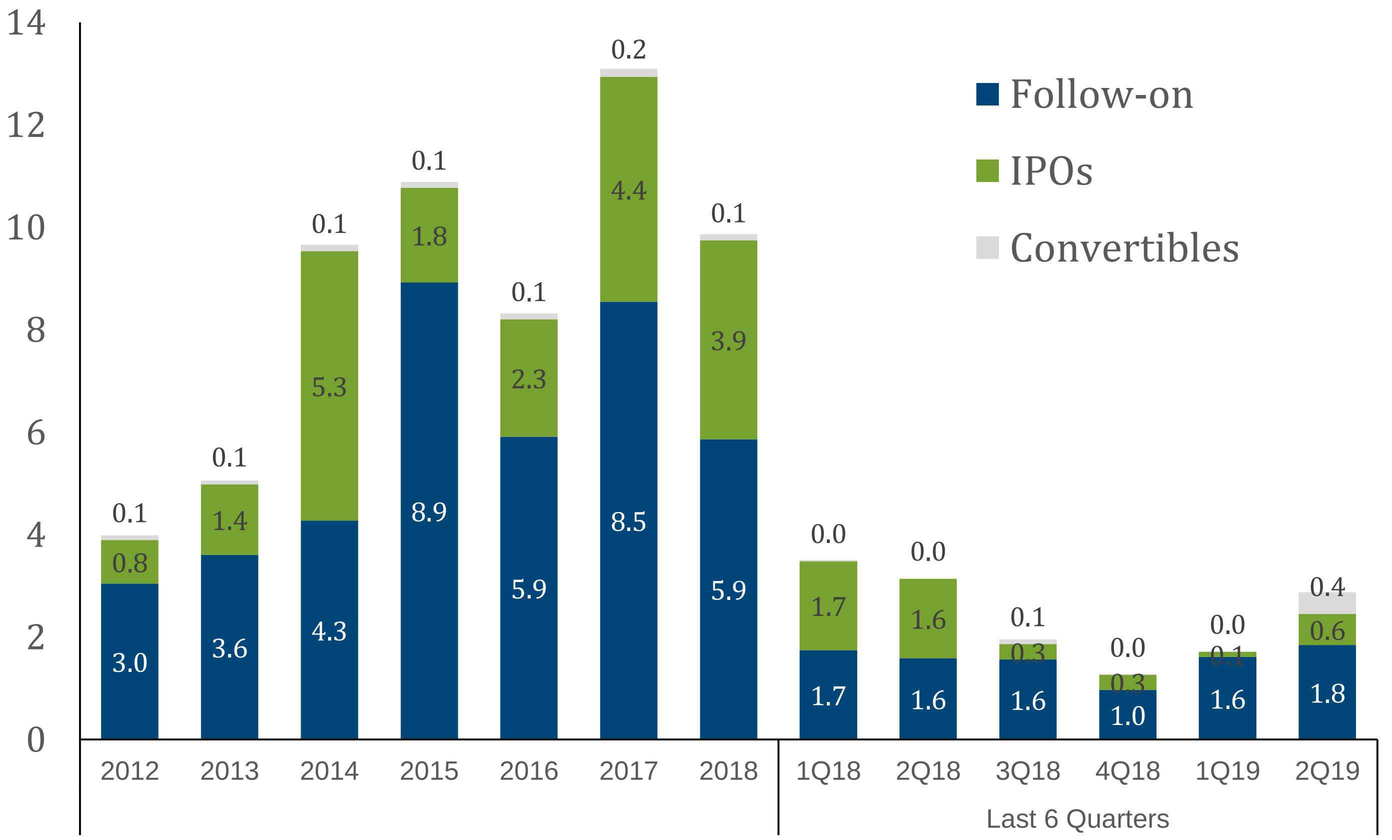
Source: Dealogic

LSE exchanges (main market and AIM) led by total equity underwriting accumulating a total of €27.1bn, followed by Euronext exchanges and Deutsche Borse

LSE exchanges represented 43% of European IPO value in 1H (€5.1bn), despite a decline in the number of IPOs issued compared to the same period of last year

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



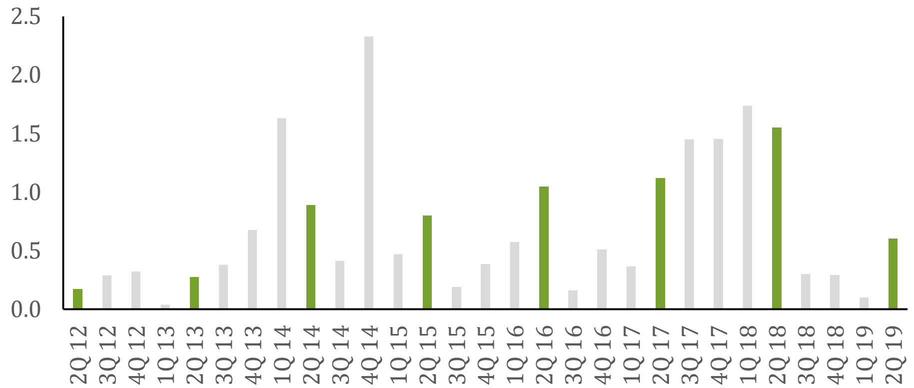
Source: Dealogic

Equity issuance on Jr exchanges fell 31% compared to 1H18, accumulating a total of €4.6bn in proceeds

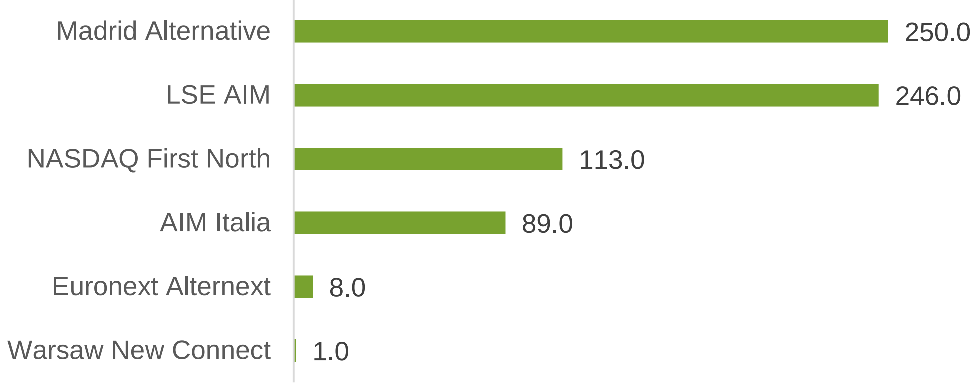
IPOs on Junior markets totalled €0.7 bn in proceeds in 1H19, the lowest 1H amount since 2013

Madrid led in IPO proceeds on Jr markets

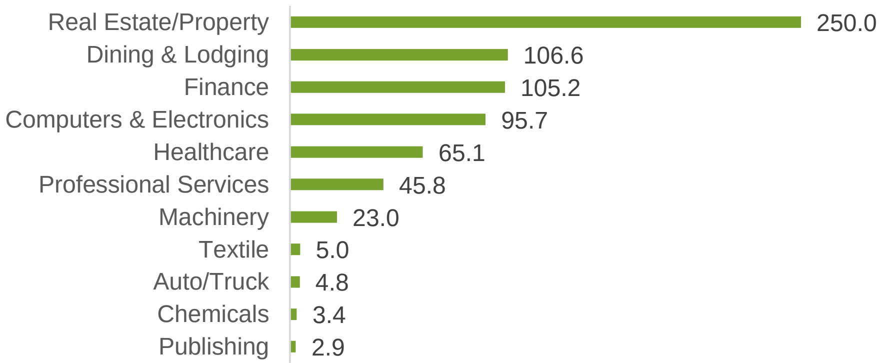
IPO proceeds on Jr European markets (EUR bn)



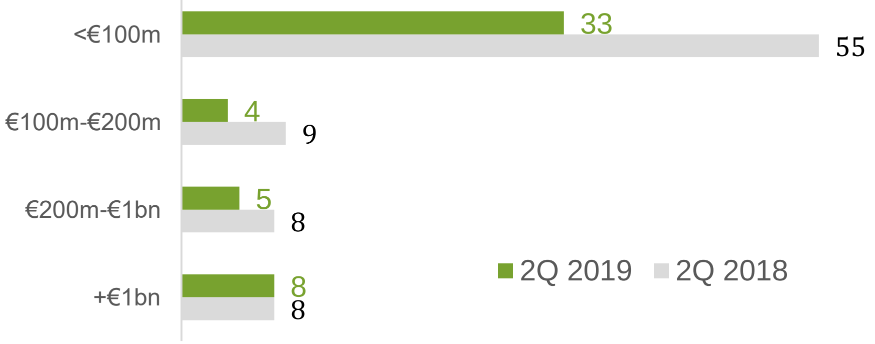
IPO proceeds on Jr markets by exchange (EUR mm, 1H19)



IPO proceeds on Jr markets by industry (EUR mm, 1H 19)



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

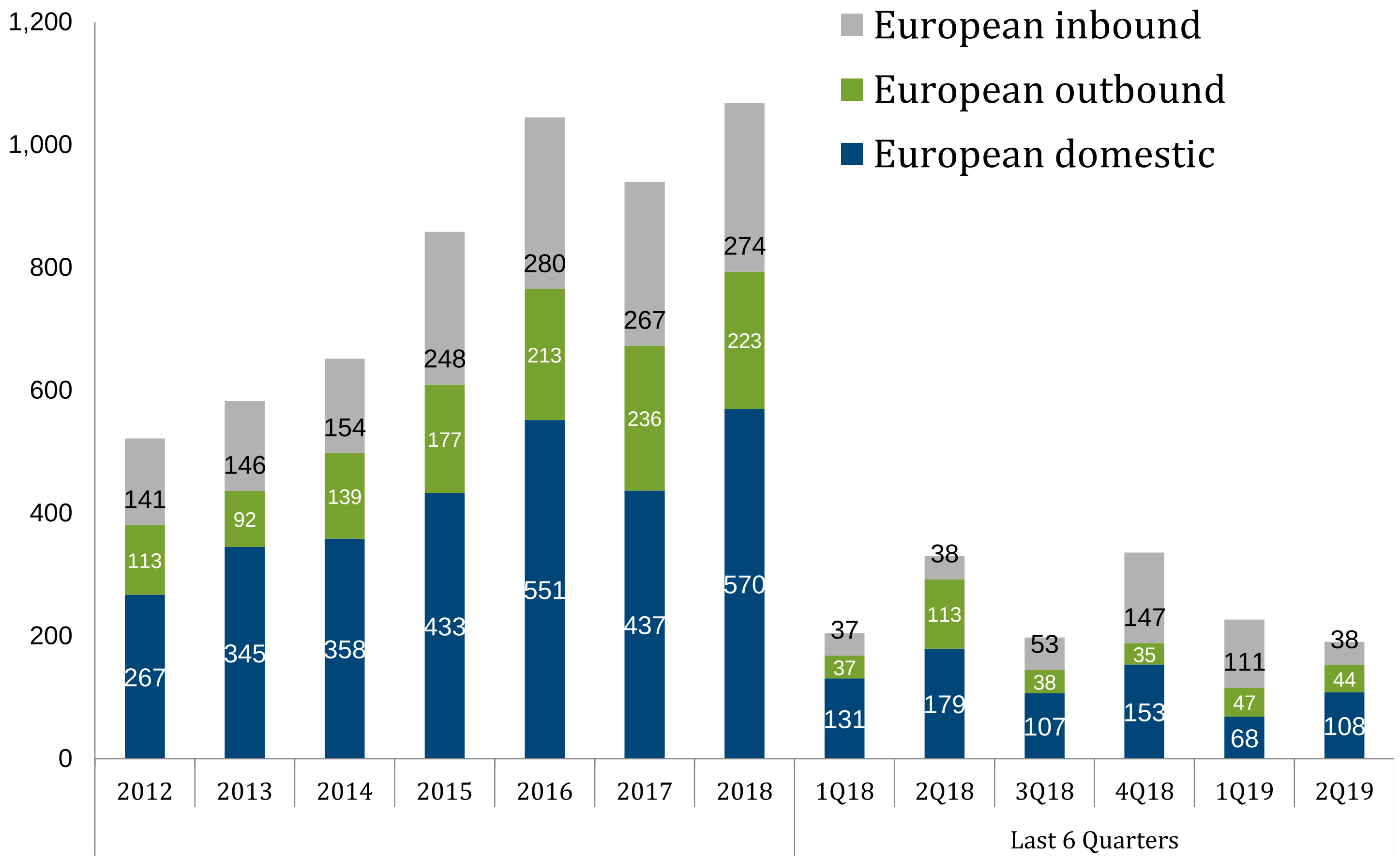


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

European M&A activity decreased 22% against 1H18, driven by a 43% decline in intra European deals (i.e. acquisition of European companies by other European companies*)

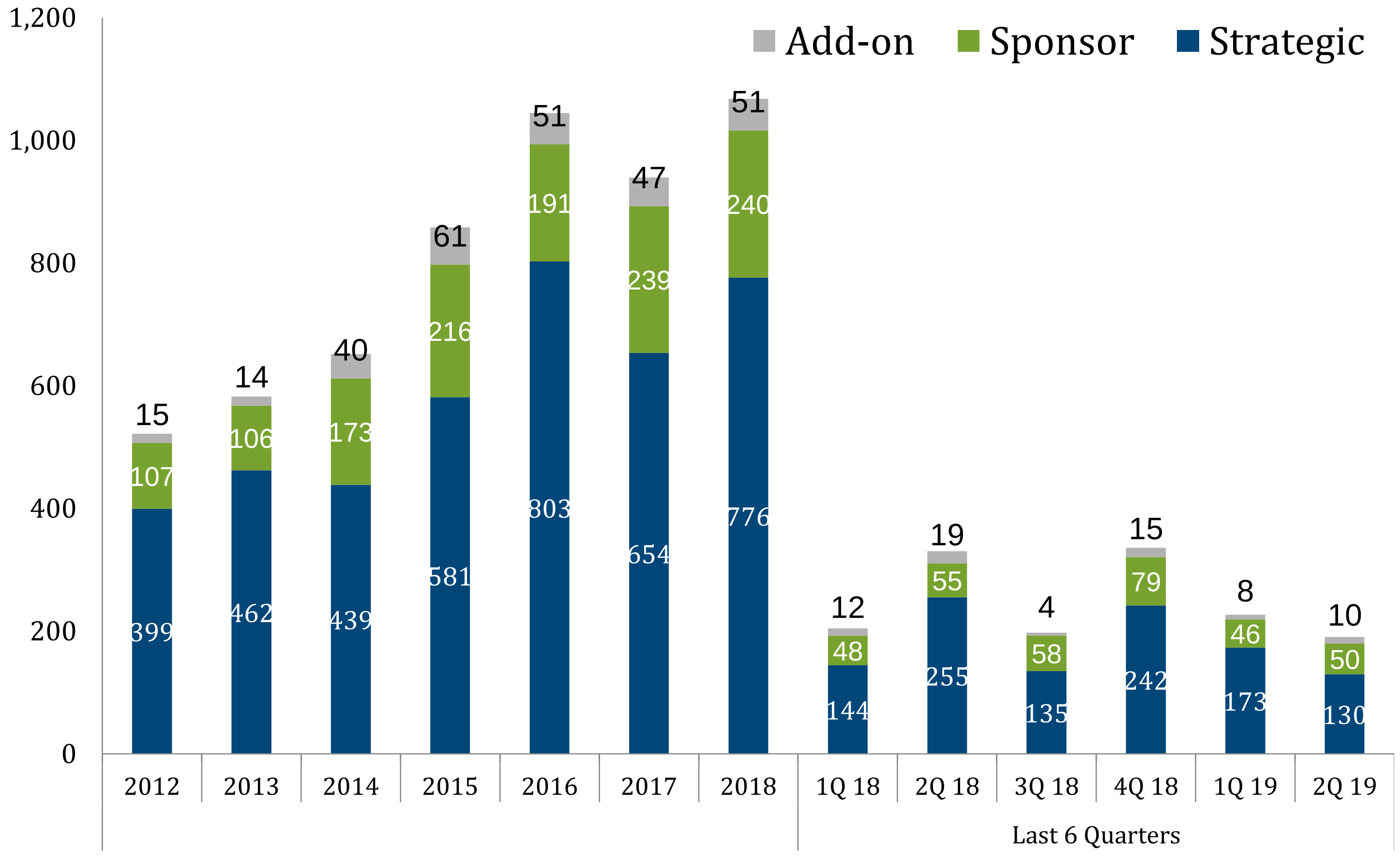
APAC firms represented 65% of the inbound deal value (or €96.7bn), a sharp increase from 28% of the 2018FY inbound value

Outbound M&A (i.e. European firms that acquired non-European firms) decreased 39% compared to 1H18. American-targeted firms represented 69% of the outbound deal value. See geographic breakdown on pages 14 and 15.

*EU28 and Switzerland

M&A by type of deal

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

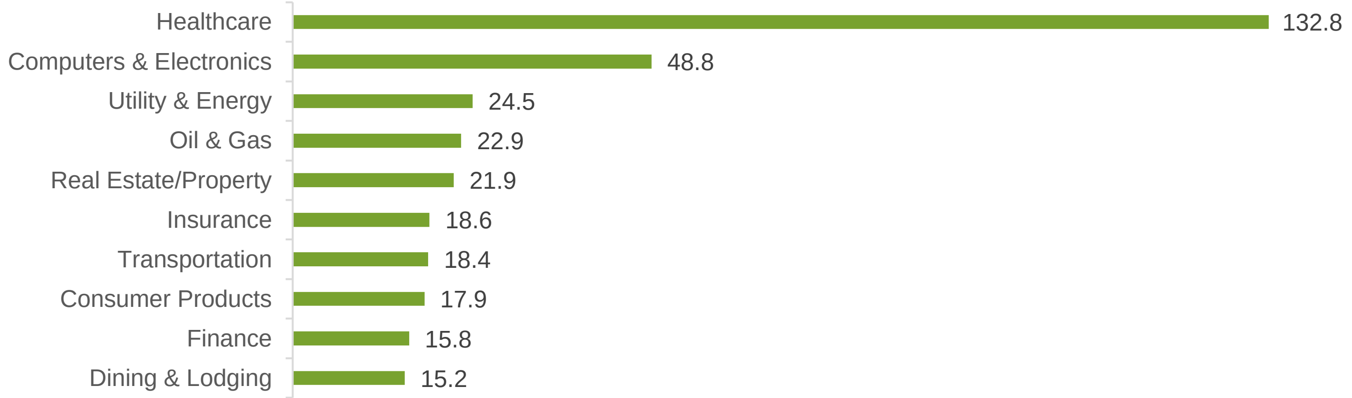


Source: Dealogic

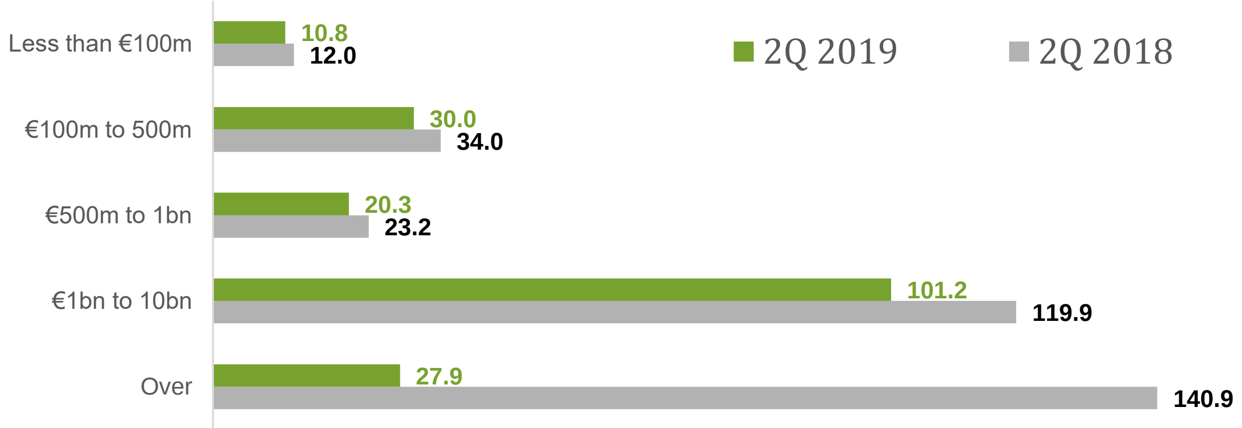
Private Equity-backed M&A activity ("Sponsor" deals) declined 7.3% YoY, which represents the lowest 1H amount since 2014

Healthcare leads by deal value

Top 10 industries for completed M&A (1H 2019, EUR bn)



Completed M&A transactions by deal value (EURbn)



Source: Dealogic

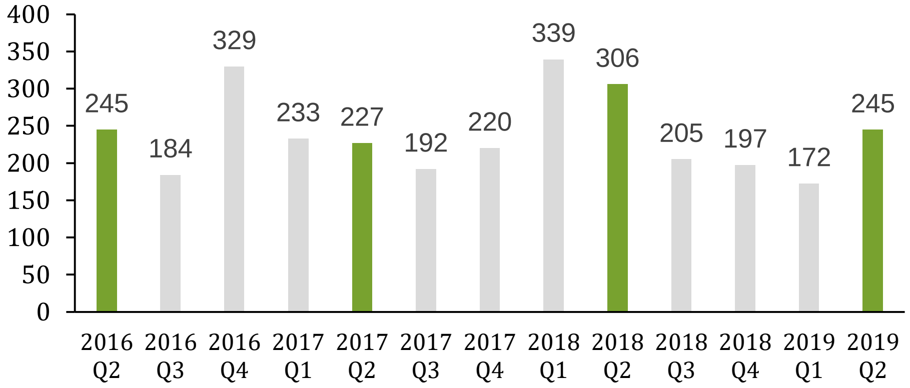
One “megadeal” (deal value above €10bn) was completed during 2Q19: 100% spin-off of the Alcon eye care business of Novartis by way of distribution of Alcon shares to Novartis shareholders

This megadeal adds to the Takeda Pharmaceutical-Shire plc completed on 1Q19

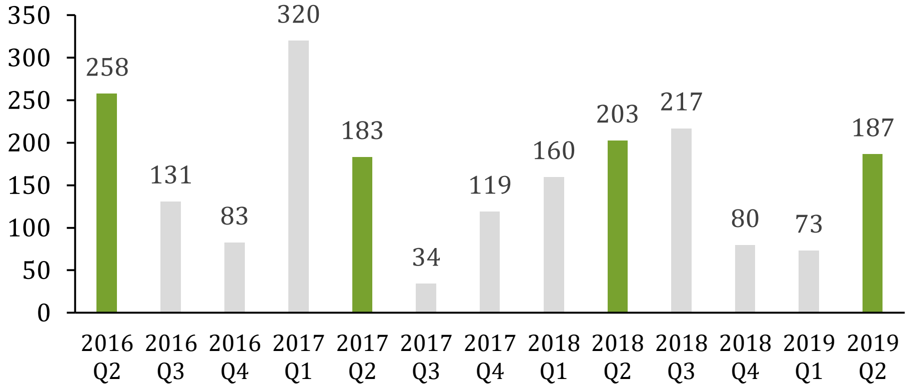
These two Healthcare deals represent 70% of the total deal value in the healthcare industry and 22% of the amount of completed M&A transactions in 1H19

APAC firms represented the largest proportion of European inbound M&A activity

Announced M&A (EUR bn)



Withdrawn M&A (EUR bn)



Completed inbound M&A by acquiring region (EUR bn, 1H19)

Completed outbound M&A by target region (EUR bn, 1Q19)

Source: Dealogic
Excludes intra EU deals

European integration: M&A between European firms

Completed intra-European M&A activity (1H 2019, EUR bn)

Target Nationality

Acquiror Nationality

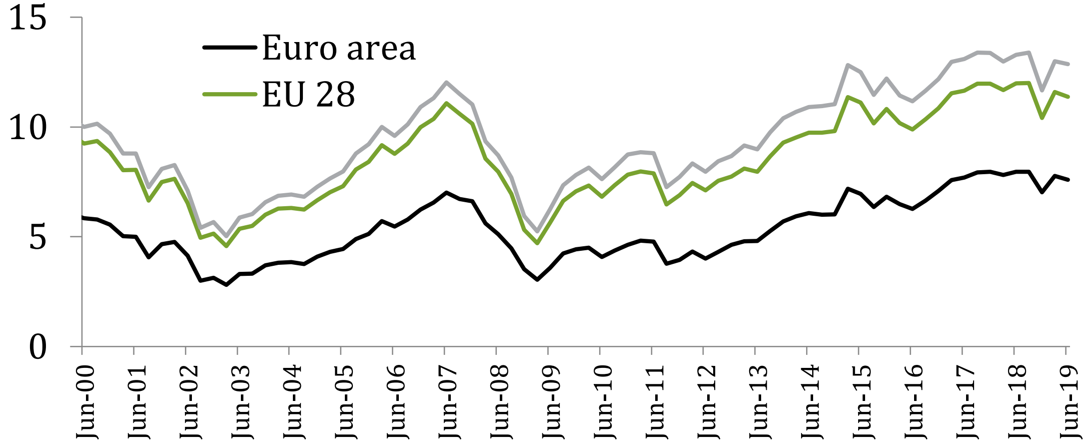
	AT	BE	BG	HR	BY	CZ	DK	EE	FI	FR	DE	EL	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CHE	UK	Total
Austria	23	0				33				0	0				0						0		0				0	10	0	67
Belgium		441				240		0	0	8	28		0		0					97	0		0				117		499	1,430
Bulgaria			203										6																	209
Croatia	0			107																										107
Cyprus					1,240				0												8									1,248
Czech Republic						1,161			0	52	0				0						0		0	90		0			0	1,303
Denmark						0	4,665		9	0	10				0	75				0	74						0	0	77	4,911
Estonia								12		6						0	0				17					0				36
Finland	0	0				0	0		539		2				60					0							277		0	877
France	259	0					174	0	0	20,134	552	0		0	2,817				0	300	366	4	0		0	17	66	1,966	9,668	36,323
Germany	39	0	1	0		429	3,382		0	829	13,942		0	0	0	340				1,290	67	0		0		11	107	20	43	20,500
Greece			75		56							530																		661
Hungary													93																	93
Ireland			0								143			3,007									0		0		180		123	3,453
Italy							0		0	64	362	13			6,407						0	0			245	408	66	0	43	7,609
Latvia								0								21														21
Lithuania																0	0				0						0			0
Luxembourg									0	5	0							1,055							0	0			29	1,089
Malta											0					20			0											20
Netherlands		0				155	0	5	0	0	1,169			0	0		0			1,922	310		0			3,006	0	0	30	6,595
Poland						0				1	2		0								2,034		11			2				2,048
Portugal		0																				349				0			0	349
Romania													0								153		287							440
Slovak Republic						0					0													4						4
Slovenia				0																					22					22
Spain		0	0			0				5	9			0	1							123				6,572	26		0	6,735
Sweden	39	0				0	103		1,207	0	802				37	0	0		0	0	78				0	282	8,551	0	626	11,725
Switzerland	0	0	0	66			0			3,951	0	597			9					857	65	0	0			182		32,605	165	38,497
United Kingdom	0	279		0		11	0		14	641	6,082	27		43	117	0	0			94	4	10		120		1,899	465	99	20,190	30,093
Total	360	719	279	173	1,296	2,029	8,325	17	1,770	25,695	23,104	1,167	99	3,049	9,447	456	0	1,055	0	4,559	3,176	486	297	214	267	12,378	9,855	34,701	31,492	176,464

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

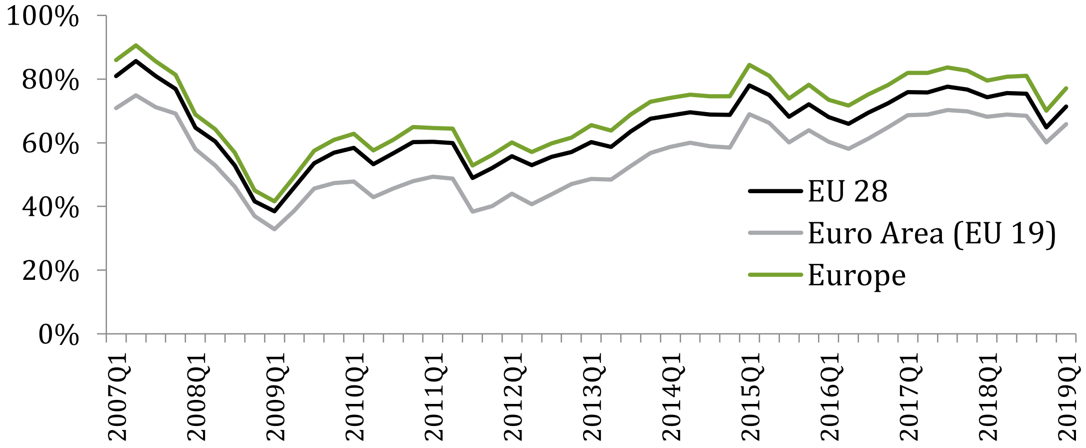
Secondary markets

Market capitalisation of domestic listed shares

EUR tn



% GDP



Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE. Europe includes EU28 members states and Switzerland

The European market capitalisation of listed shares have partially recovered from the sharp valuation losses of 4Q18.

The European market capitalisation of domestic listed shares finalised 2Q19 at €12.9tn

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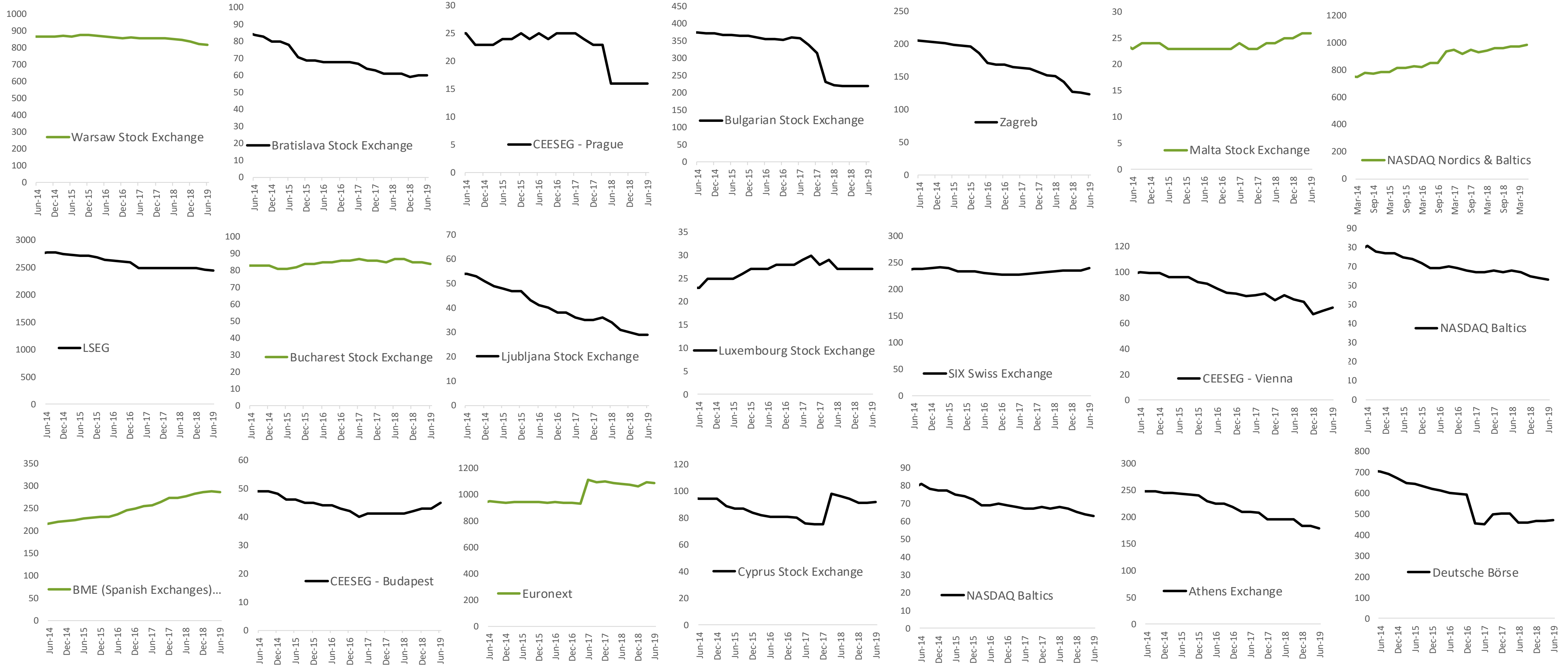
Number of listed companies on European exchanges



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

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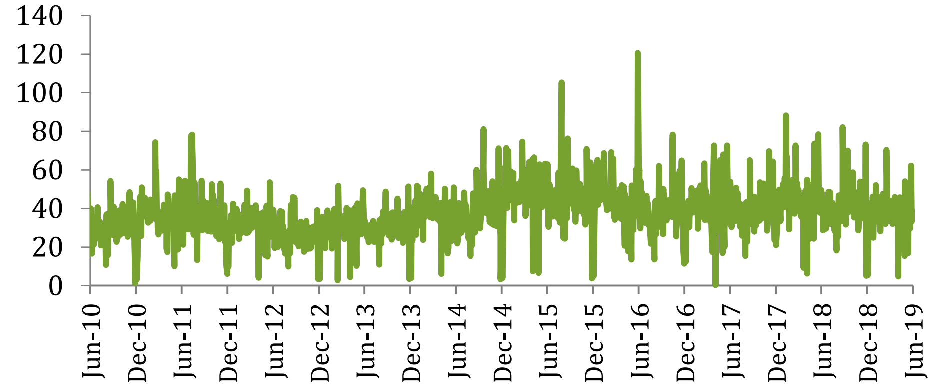
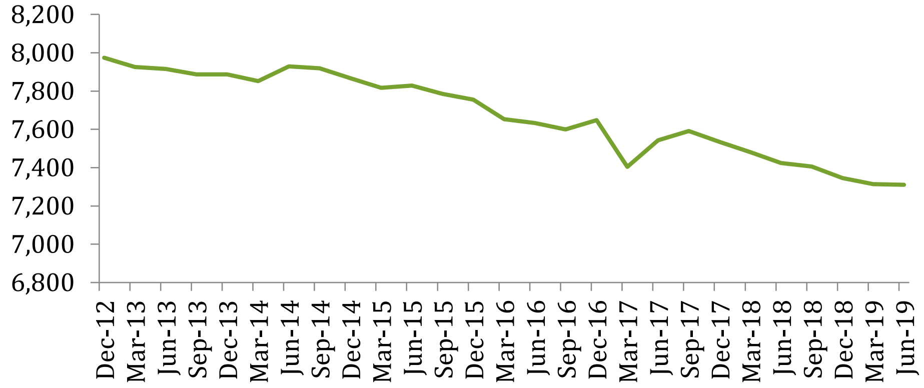
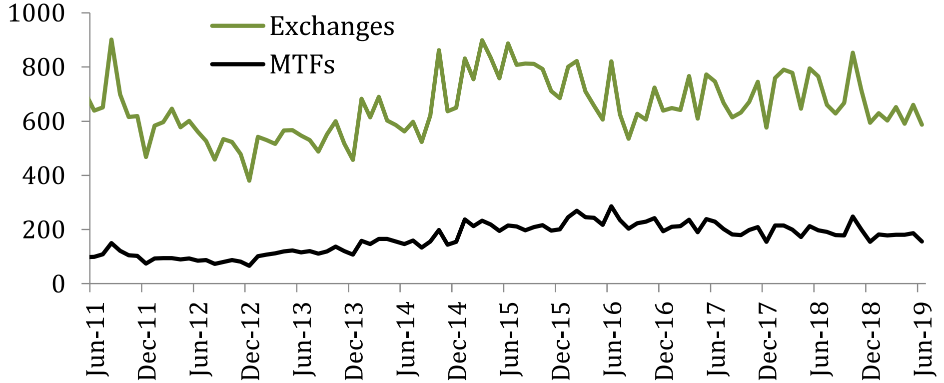
Daily turnover value on European exchanges and MTFs (EUR bn)*



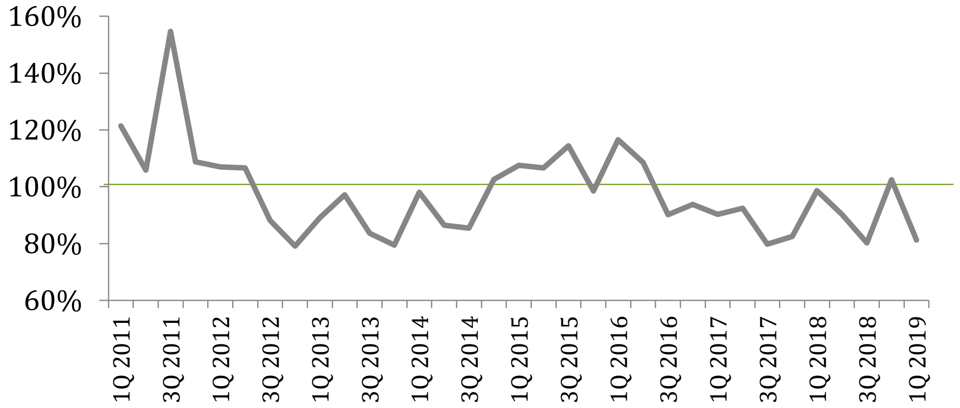
Number of listed companies on European exchanges



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



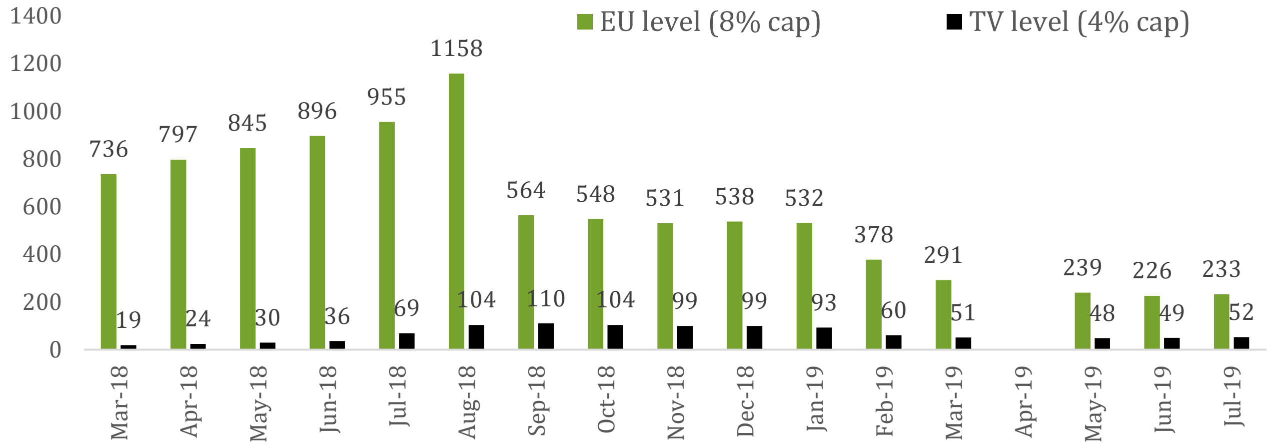
Turnover ratio (annualised turnover value/ market cap)



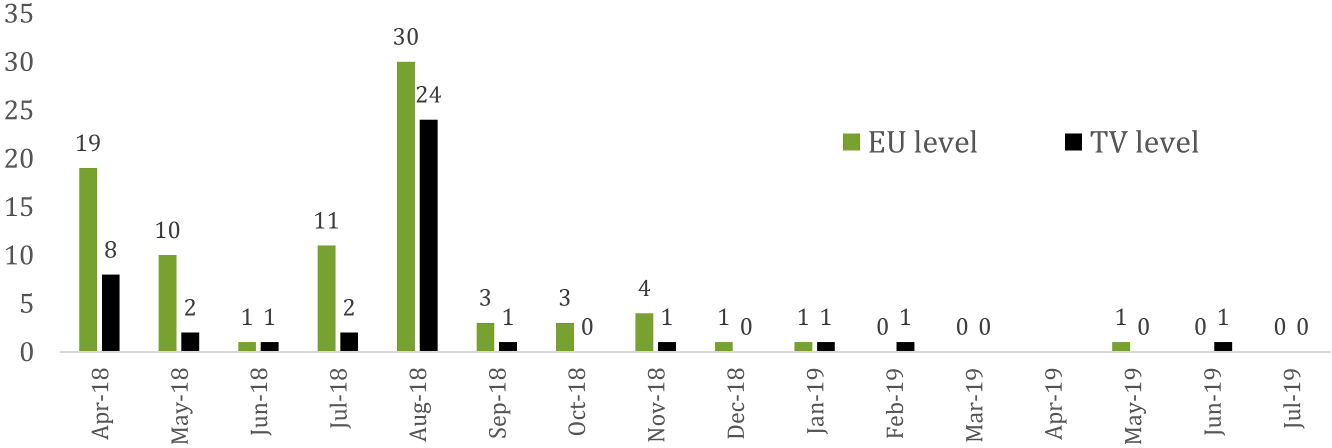
Source: Cboe Global Markets, FESE, WFE, ECB and local exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs
*market represents order book transactions

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

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

The number of banned instruments from dark trading has decreased during the last 12 months from 755 in March 2018 and from 1,262 in August 2018 to 285 in July 2019, as recently banned instruments complete their 6-month suspension period started during 2018.

MiFID dark trading caps

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

Jul-19

Country ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT	86	1	0	1%
BE	396	0	0	0%
BG	246	0	0	0%
CY	122	1	0	1%
CZ	27	0	0	0%
DE	1159	9	0	1%
DK	567	25	3	5%
EE	21	0	0	0%
ES	315	0	1	0%
FI	193	2	0	1%
FR	1274	5	3	1%
GB	1996	47	4	3%
GR	235	0	0	0%
HR	135	0	0	0%
HU	53	0	0	0%
IE	1077	28	21	5%
IT	446	1	1	0%
LT	34	0	0	0%
LU	917	4	2	1%
LV	28	0	0	0%
MT	36	0	0	0%
NL	212	4	1	2%
PL	817	0	0	0%
PT	67	1	0	1%
RO	375	1	1	1%
SE	1337	6	4	1%
SI	101	0	0	0%
SK	54	0	0	0%
Non-EU	15559	98	11	1%
Total	**27885**	**233**	**52**	**1%**

Source: ESMA

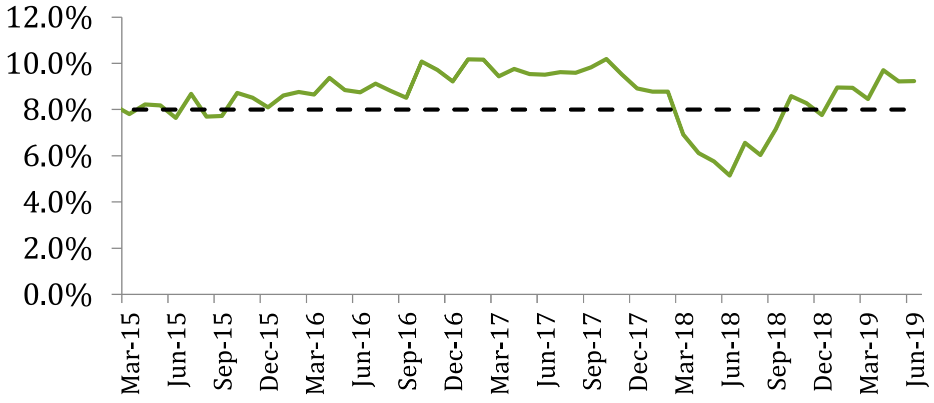
The 285 instruments currently suspended from dark trading at the EU or trading venue level represent 1% of the Universe of equity-like instruments on ESMA's July DVC files (27,885).

By countries, 51 of the 285 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 3% of the 1996 UK ISINs registered in the ESMA DVC files.

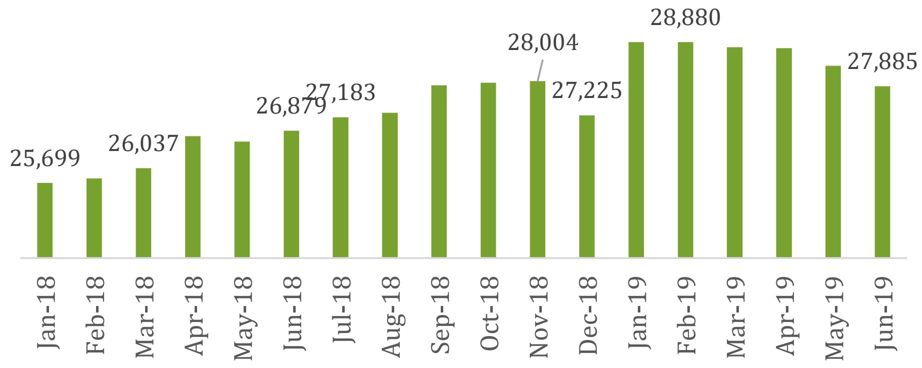
109 of the suspended instruments have non-EU ISINs, or 38% of all suspended instruments at the EU and trading venue.

Decline in the number of instruments on ESMA's double volume cap files

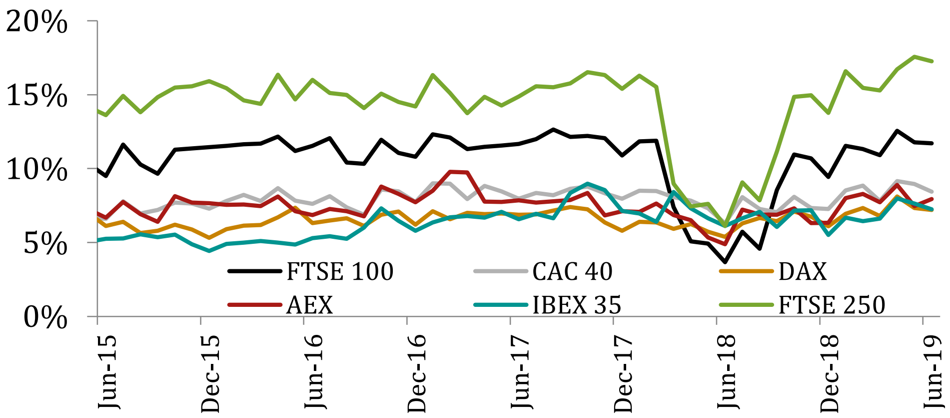
Dark trading as % of total turnover*



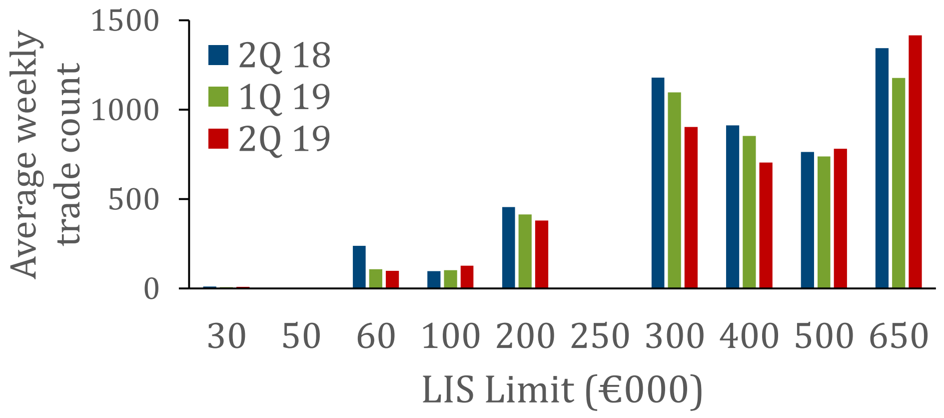
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



% of dark trading by indices*



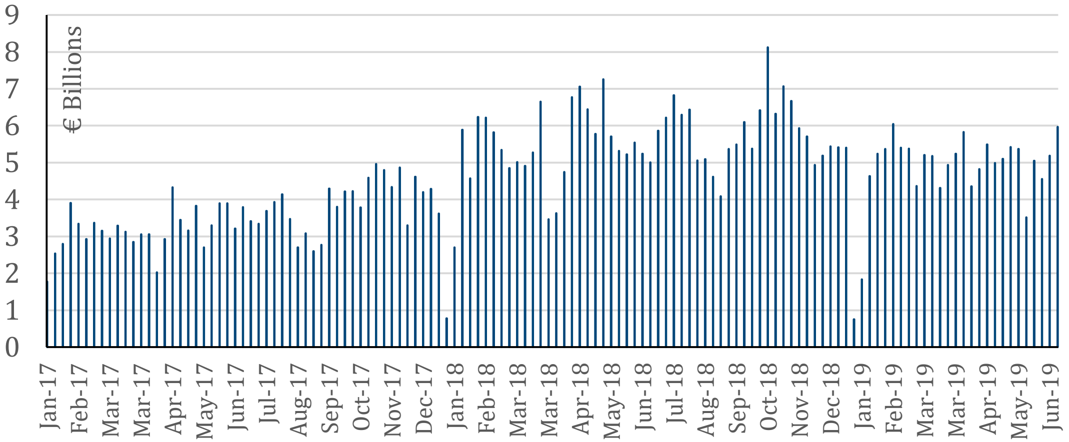
Block trades: weekly trade count by large-in-scale (LIS) limit



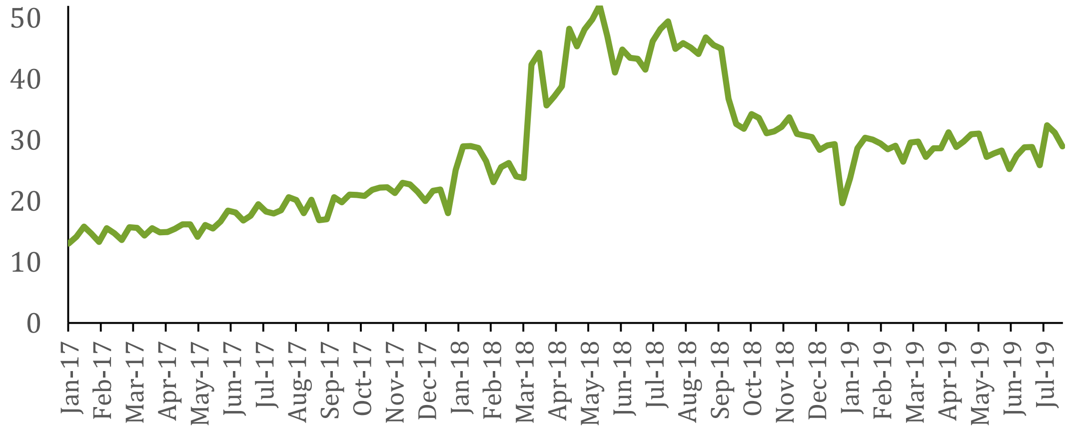
Source: ESMA, Cboe Global Markets and Fidessa
*market represents order book transactions

Block trades

Block trades: weekly turnover on European selected venues



Proportion of dark traded as LIS blocks (%)



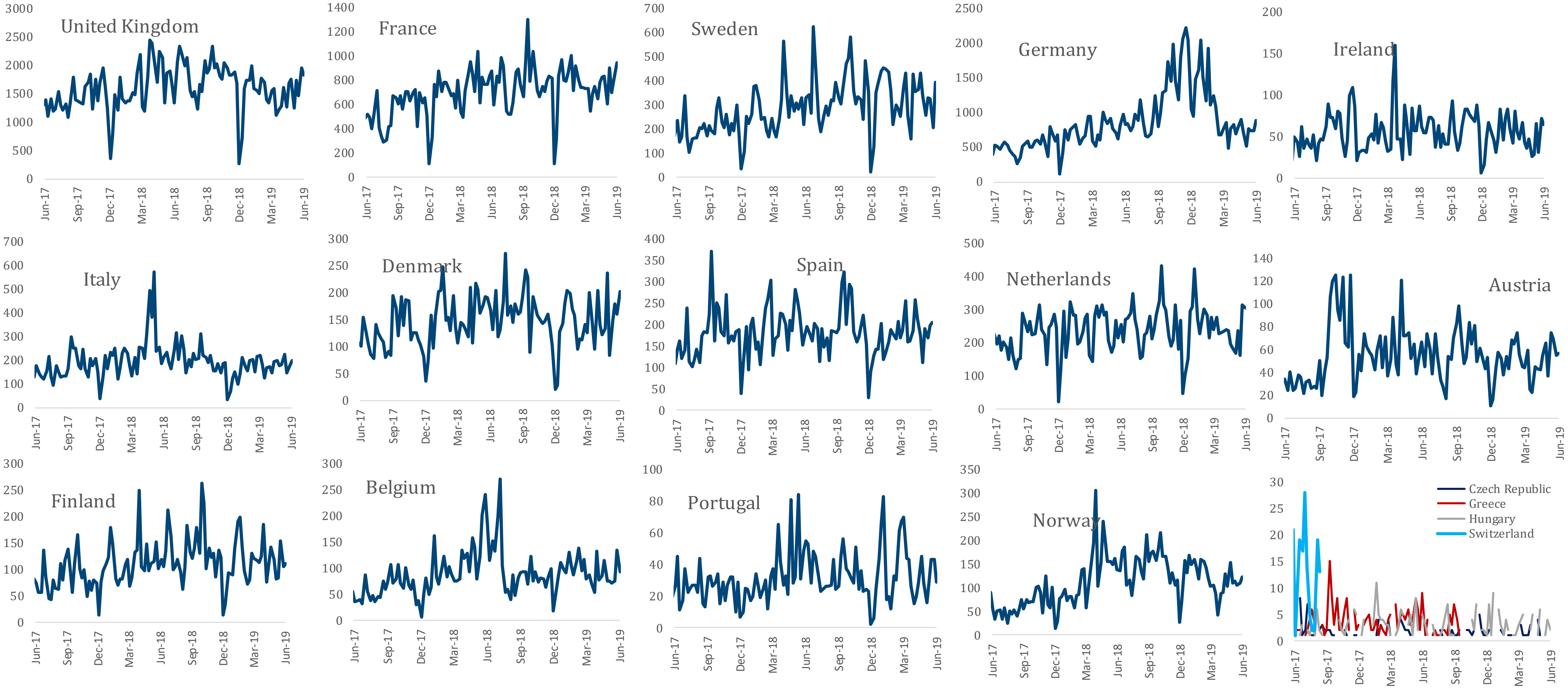
Source: Fidessa

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 on average during 1H19

According to Fidessa data, the percentage of dark traded as large-in-scale (LIS) blocks on selected venues* declined from c50% in 2Q18 and has recently stabilised to c30% since 3Q18.

* 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

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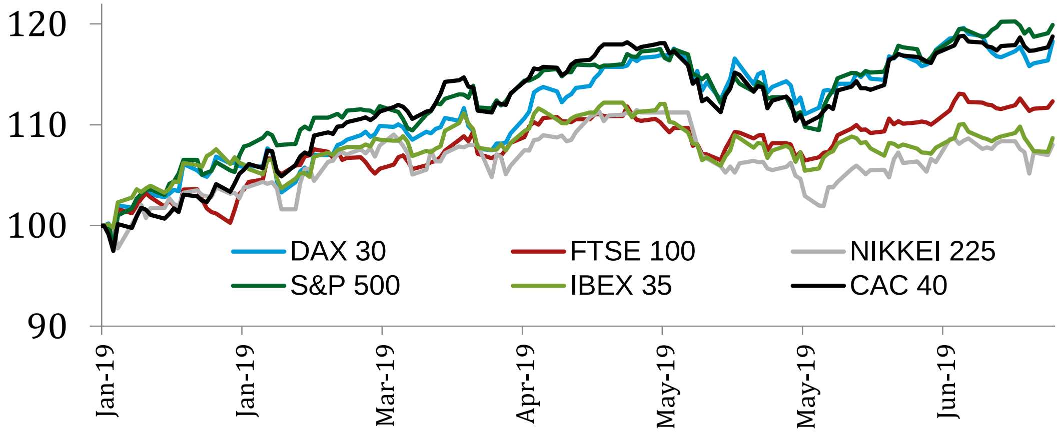
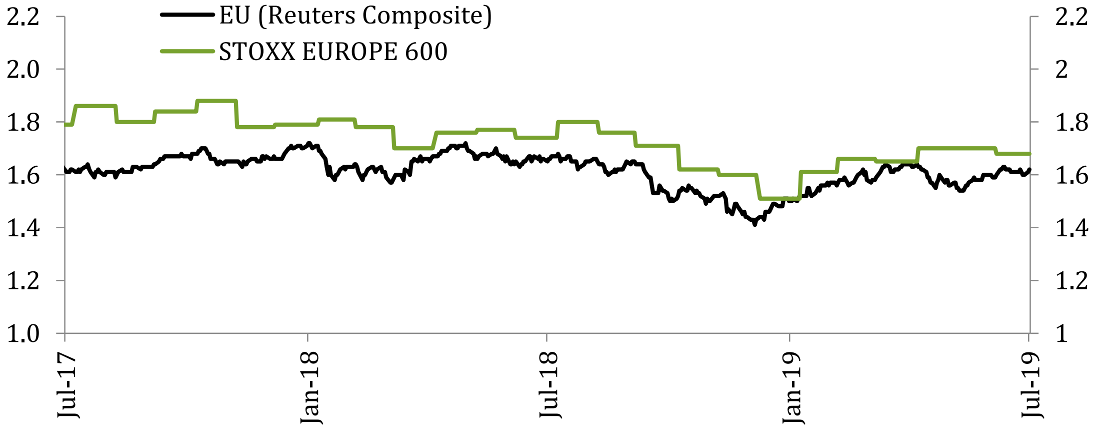
Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 2018 = 100)



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



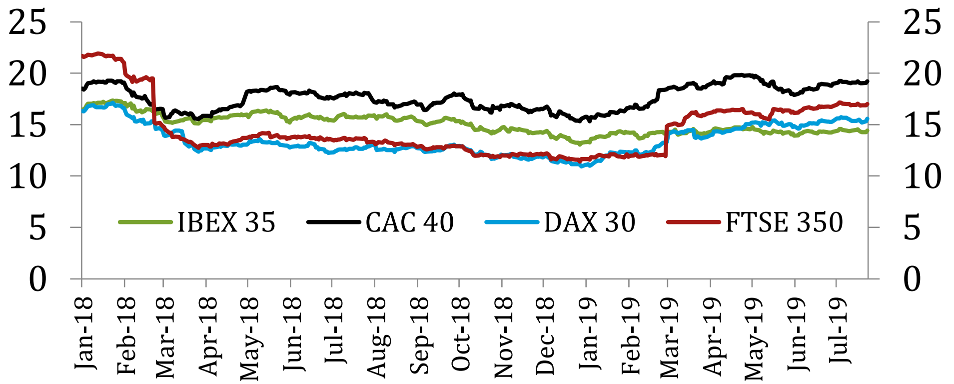
Source: Datastream

Increase during the year in valuation multiples and equity share prices as market volatility conditions stabilise.

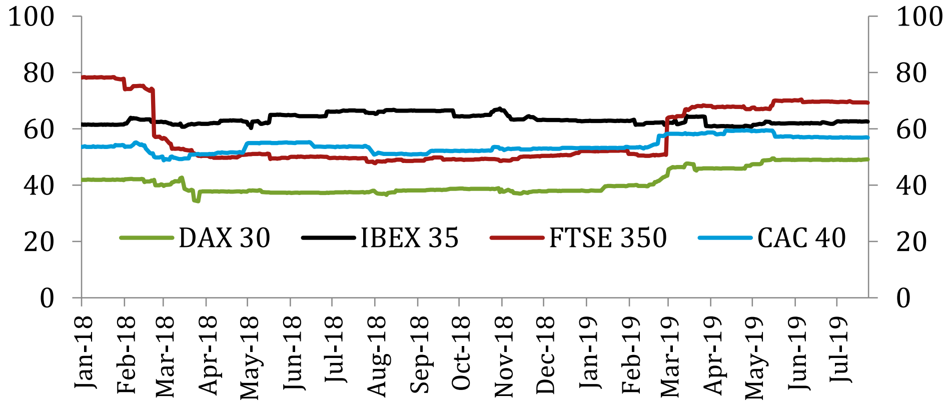
European equity shares indices rose between 8% (IBEX35) and 17% (CAC40) during 1H19.

Valuation ratios and implied volatility

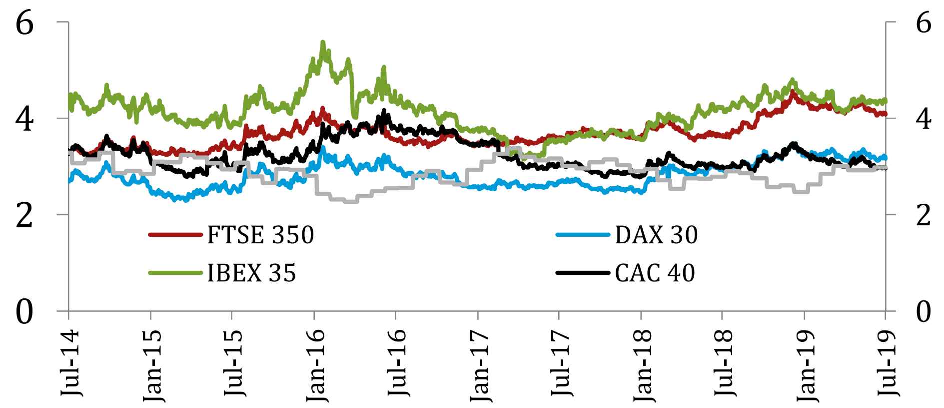
Price-to-earnings (PE) ratio



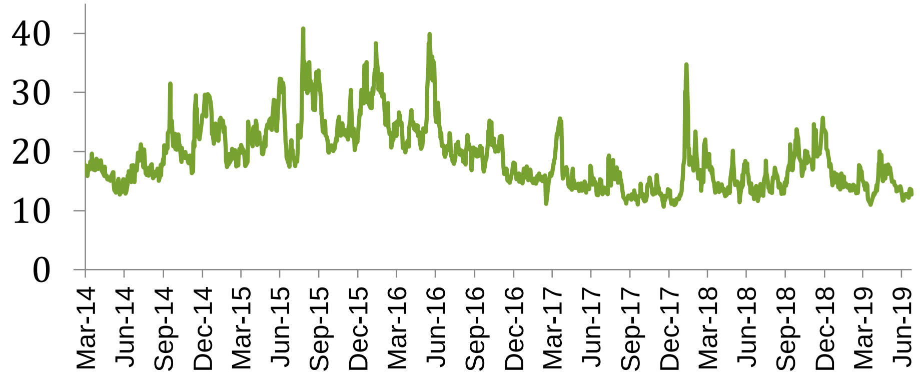
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

afme/ Finance for Europe

Appendix

	1Q 19	2Q 19	3Q 19	4Q 19	2019 FY	1Q 18	2Q 18	3Q 18	4Q 18	2018 FY	% Change YoY	% Change YtD
Equity underwriting (€ bn)	**25.3**	**38.9**			**64.2**	**38.0**	**41.3**	**20.9**	**23.2**	**123.3**	-6%	-19%
IPOs	0.8	11.0			11.8	12.0	8.7	3.7	10.2	34.6	27%	-43%
Follow-on offerings	18.5	24.0			42.5	22.1	29.4	15.3	11.7	78.6	-18%	-17%
Convertible securities	6.1	3.9			10.0	3.9	3.2	1.8	1.2	10.1	21%	41%
Mergers and Acquisitions (€ bn): completed	**226.9**	**190.1**			**417.0**	**204.7**	**330.1**	**197.3**	**335.6**	**1,067.7**	-42%	-22%
European outbound	47.3	44.5			91.8	37.4	113.2	37.9	35.0	223.4	-61%	-39%
European inbound	111.1	37.6			148.8	36.6	37.8	52.7	147.3	274.4	-1%	100%
Intra European	68.5	108.0			176.5	130.6	179.1	106.8	153.3	569.9	-40%	-43%
Mergers and Acquisitions (€ bn): announced	**172.3**	**244.5**			**416.8**	**339.3**	**305.6**	**204.8**	**197.2**	**1,047.1**	-20%	-35%
Equity turnover value (€ tn)	**2.43**	**2.36**			**4.8**	**2.96**	**2.79**	**2.50**	**2.76**	**11.0**	-15%	-17%
Main Markets	1.88	1.84			3.7	2.33	2.21	1.96	2.16	8.7	-17%	-18%
MTFs	0.54	0.52			1.1	0.63	0.58	0.55	0.60	2.4	-10%	-12%
Market Capitalisation of domestic listed shares (€ tn)												
European (EU28 and Switzerland)	13.0	12.9			12.9	13.0	13.3	13.4	11.7	11.7	-3%	10%
EU 28	11.6	11.4			11.4	11.7	12.0	12.0	10.4	10.4	-5%	9%
Euro Zone	7.8	7.6			7.6	7.8	8.0	8.0	7.0	7.0	-5%	8%

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

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Disclaimer and Methodology

For a description of the methodology of this report please visit https://www.afme.eu/en/reports/Statistics/

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