3Q 2020

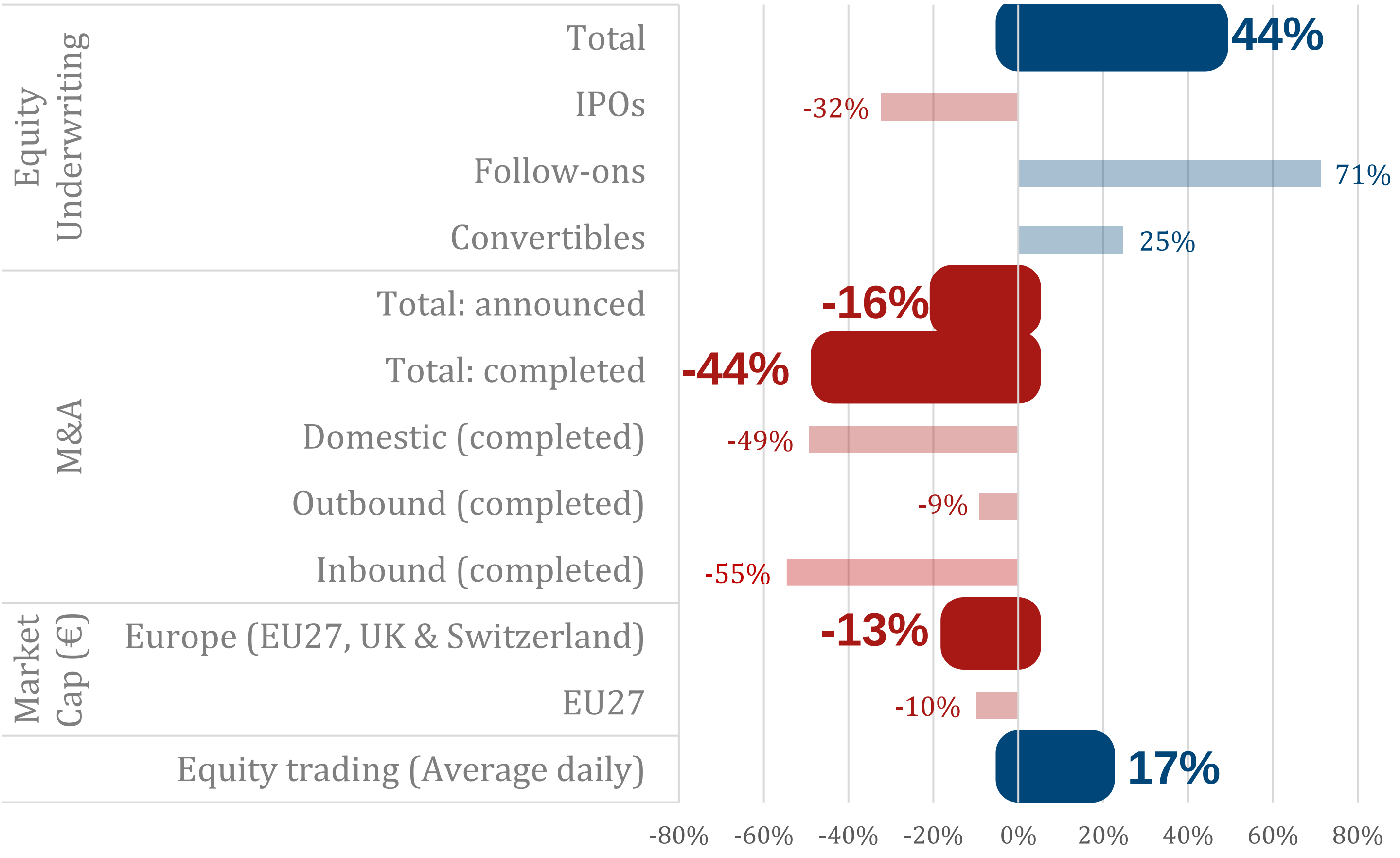
Equity Primary Markets and Trading Report

European market data update

Key highlights

1Q-3Q 2020 (YtD) variation of European Equity activity

EU27 member countries, UK and Switzerland



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

Large increase in equity capital raising

The first three quarters of 2020 have seen an increase of 44% in equity underwriting on European exchanges. Follow-on offerings rose 71% year-to-date (YtD) the largest YtD amount since 2017.

Completed Mergers and Acquisitions (M&A) of European companies totalled €397.7bn in Q1-Q3 2020 a 44% decrease from the amount completed in Q1-Q3 2019 (€704.2bn).

The amount of announced M&A totalled €543.7bn in Q1-Q3 2020 a 16% YtD decrease.

Average daily equity trading activity on European main markets and MTFs stood at €69.5bn in Q1-Q3 2020, 17% above the average daily value observed in Q1-Q3 2019 (€59.2bn).

Domestic market capitalisation of European listed shares stood at €12.6tn at the end of September 2020, a 13% YtD decrease from €14.5 in at the end of 2019.

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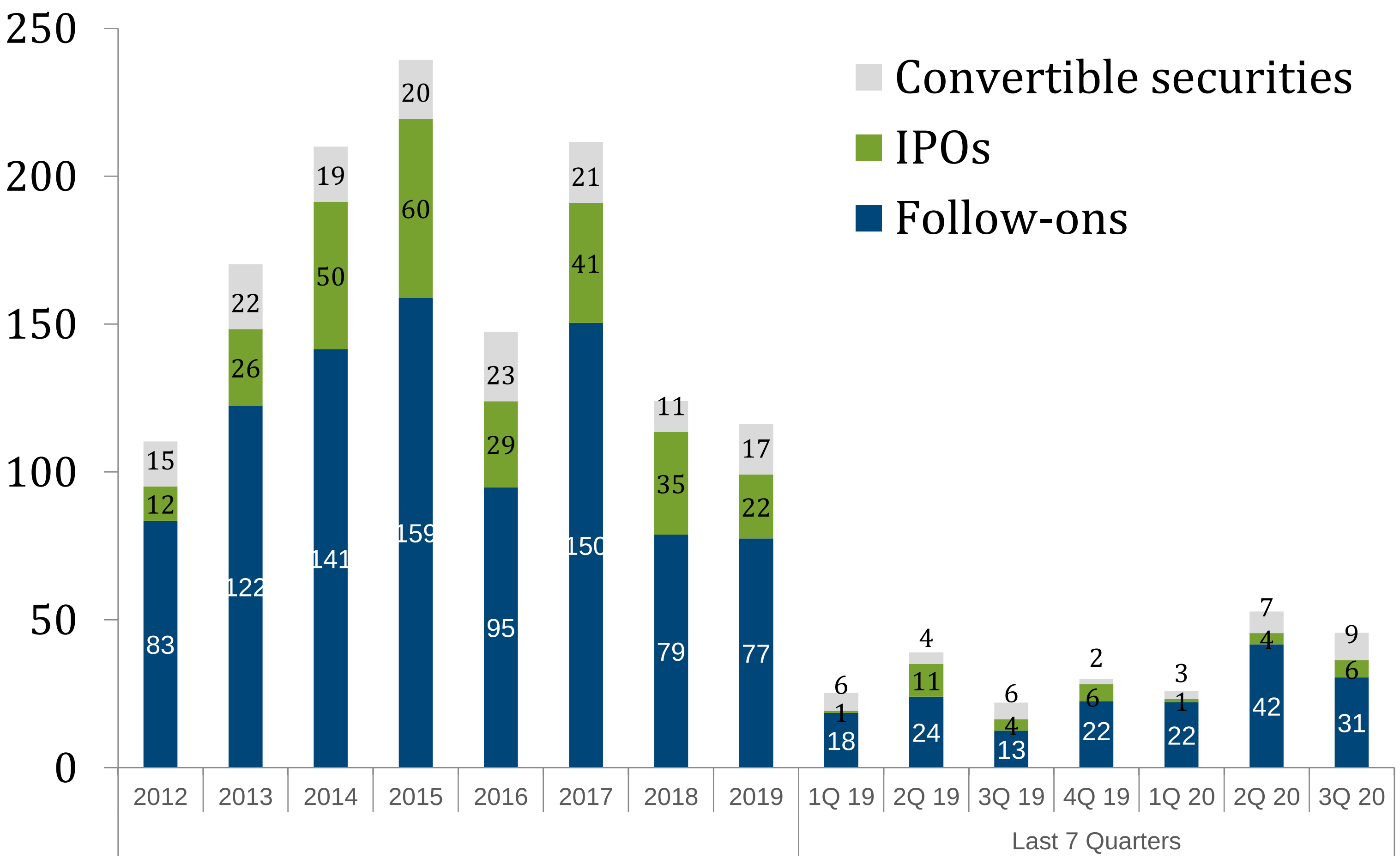
Equity issuance

Increase in equity raising to support the recovery

Equity Issuance on European exchanges (EUR bn)



Source: Dealogic

The year-to-date (YtD) increase in equity underwriting (44%) was driven by a 71% increase in follow-on proceeds and a 25% increase in convertible securities.

IPO issuance on European exchanges during the first three quarters of 2020 totalled €10.6 bn— the lowest YtD amount since 2012.

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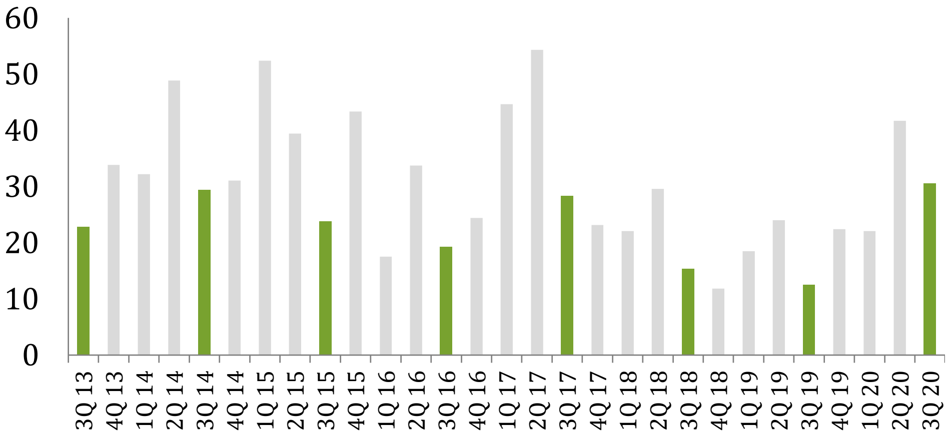
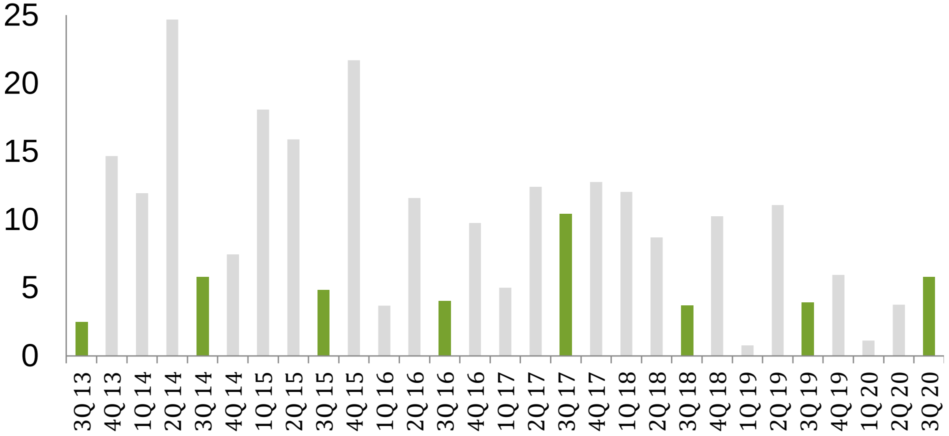
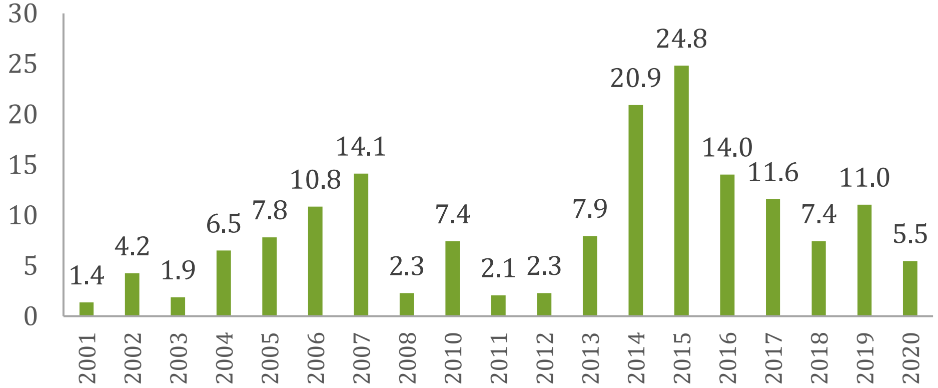
Follow-on offerings (EUR bn)



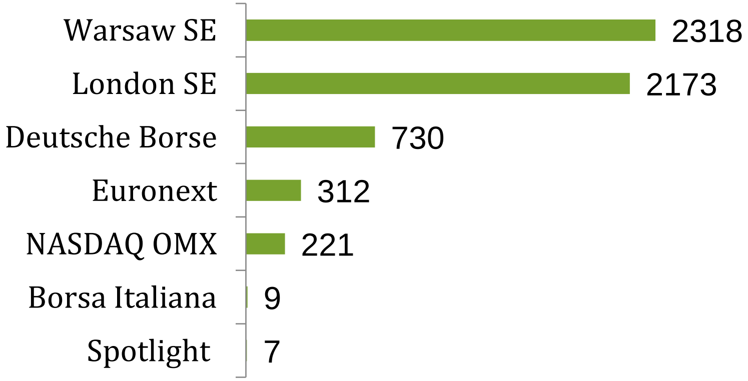
IPO proceeds (EUR bn)



PE-backed IPO proceeds (EUR bn)



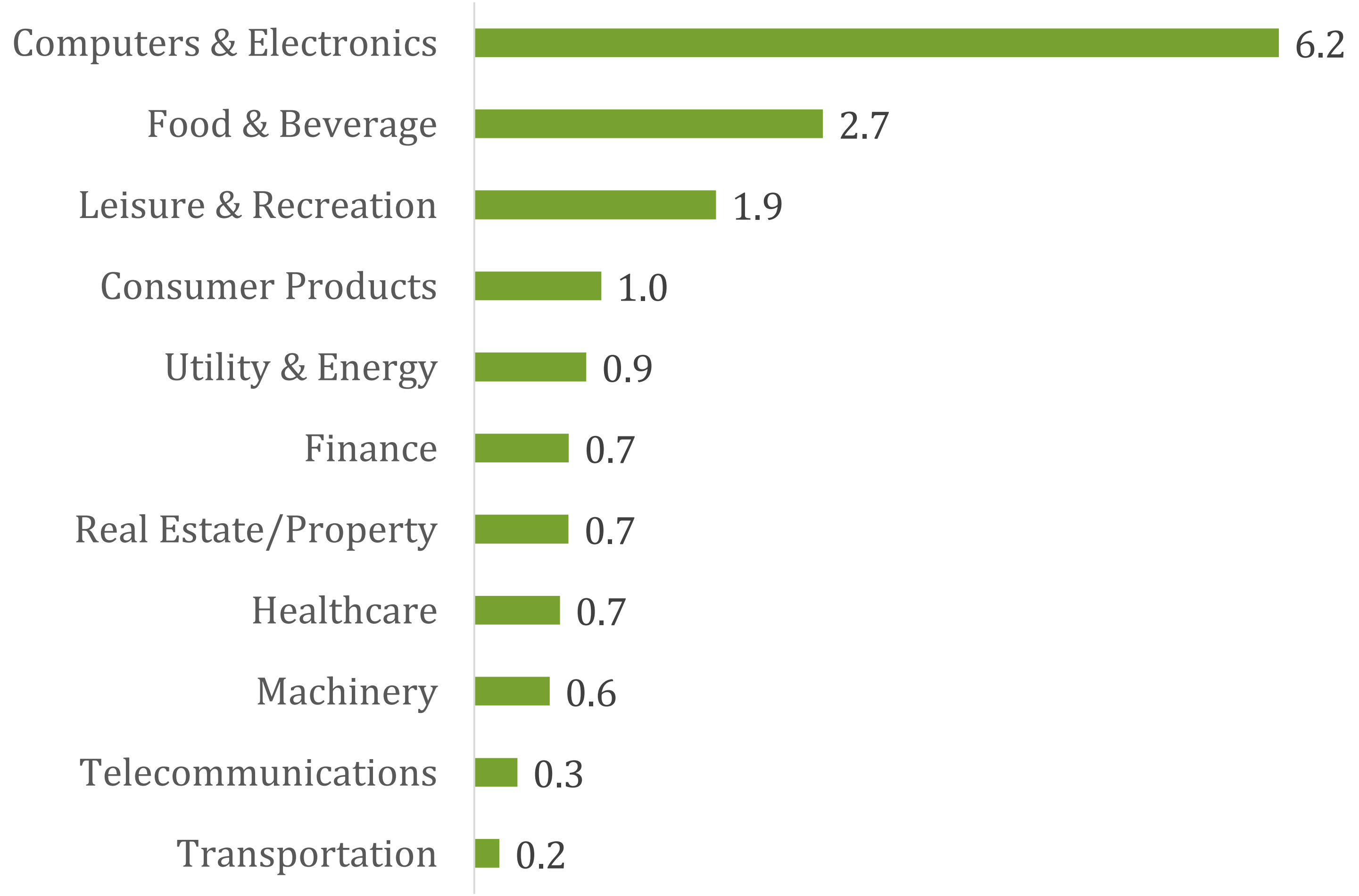
IPO proceeds by listing market (EUR mm): 2020 Q3



Source: Dealogic

Computers and Electronics lead by IPO proceeds

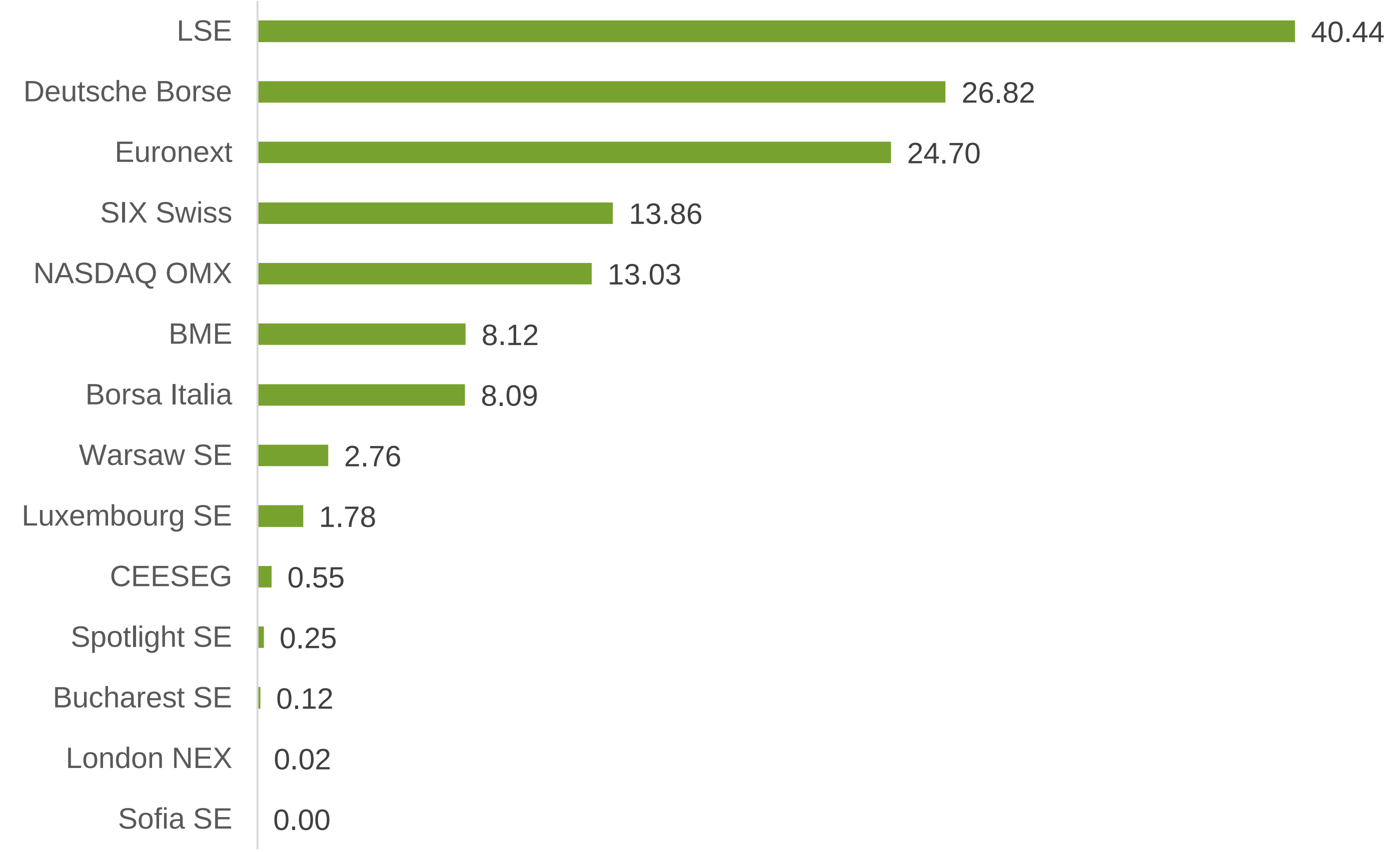
IPO proceeds by industry (EUR mm): 2020 YtD



Dealogic. Finance includes SPVs

LSE led equity issuance

Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): 2020 YtD

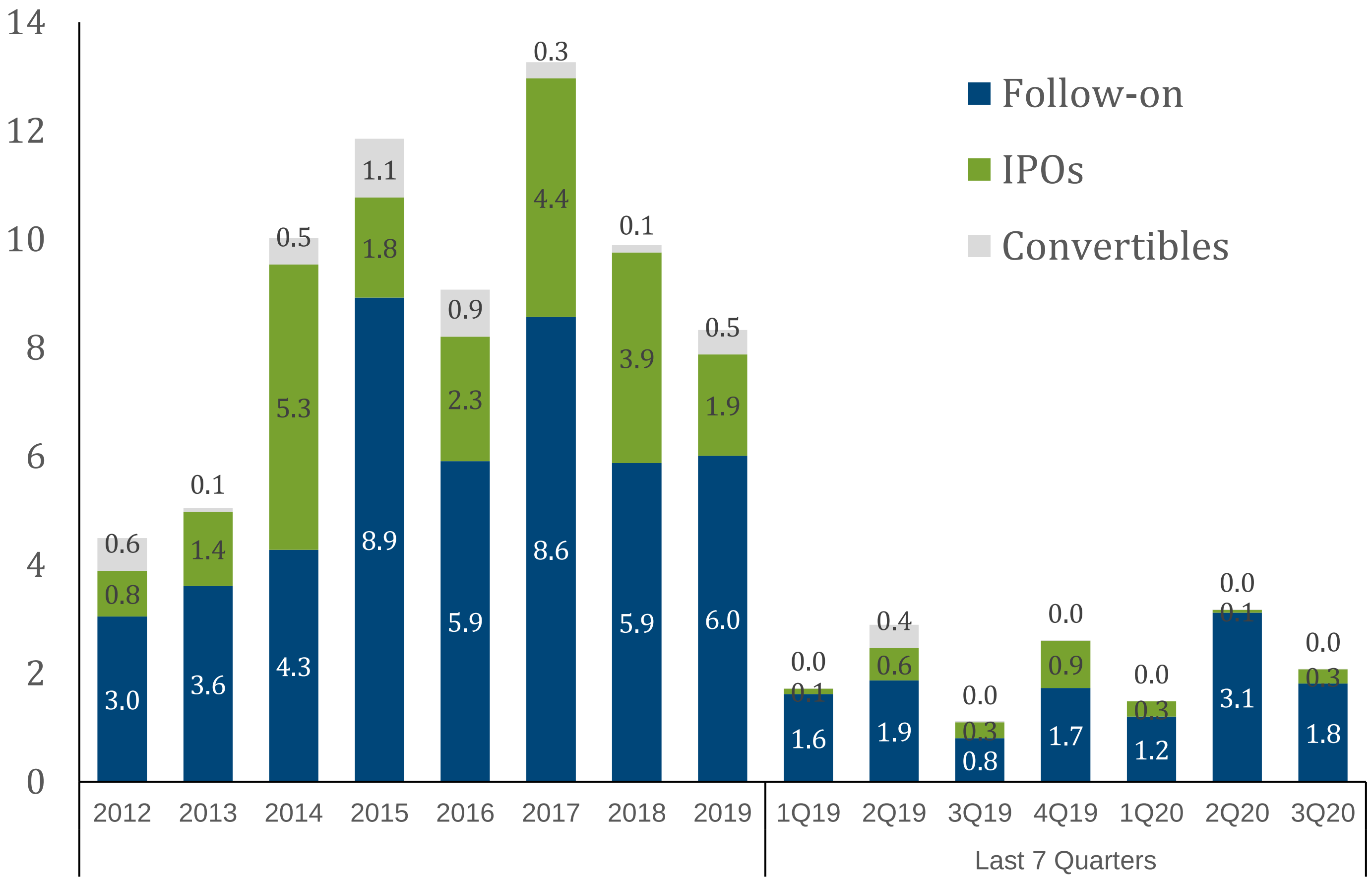


Source: Dealogic

LSE exchanges (main market and AIM) led by total equity underwriting accumulating a total of €40.4bn, followed Deutsche Borse and Euronext exchanges.

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



Source: Dealogic

During the first three quarters of 2020, equity issuance on Jr exchanges has risen 17% compared to the period of 2019, accumulating a total of €6.7bn in proceeds.

Large increase in follow-on offerings in the year accumulating €1.1bn in equity capital, the largest YtD amount since 2015

IPOs on Junior markets, however, continue subdued with €597mm in proceeds in 2020YtD.

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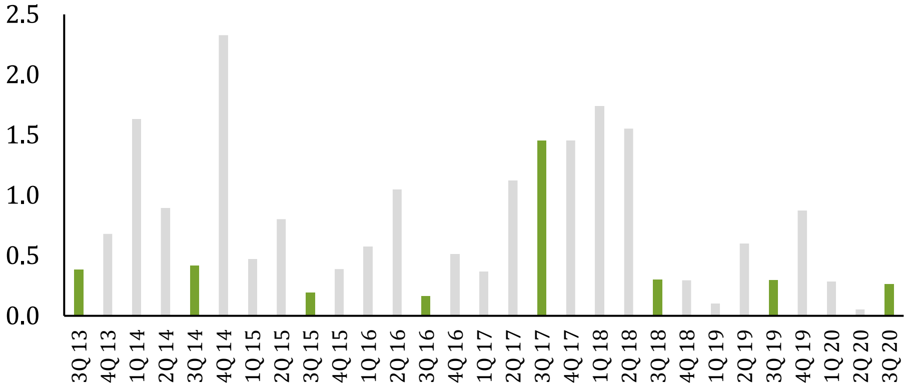
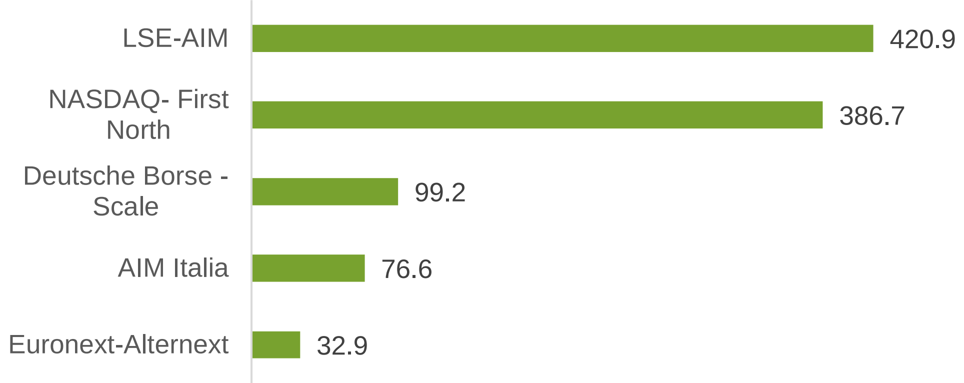
LSE AIM led IPO proceeds on Jr markets

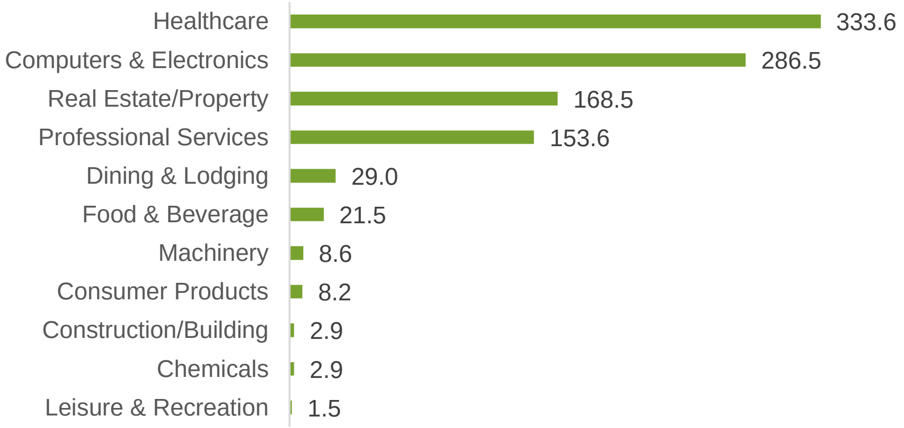
IPO proceeds on European Jr markets (EUR bn)



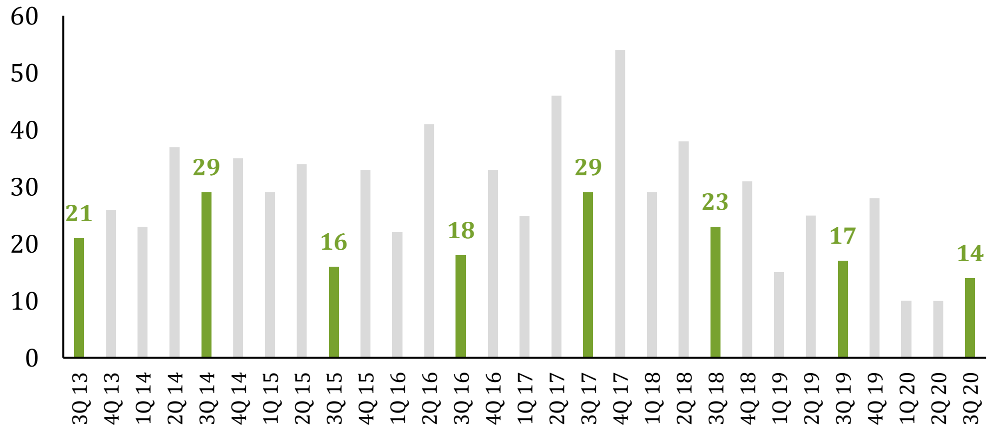
IPO proceeds on Jr markets by exchange (EUR mm, 2020YtD)



IPO proceeds on Jr markets by industry (EUR mm, 2020YtD)



Number of IPOs on European Jr markets

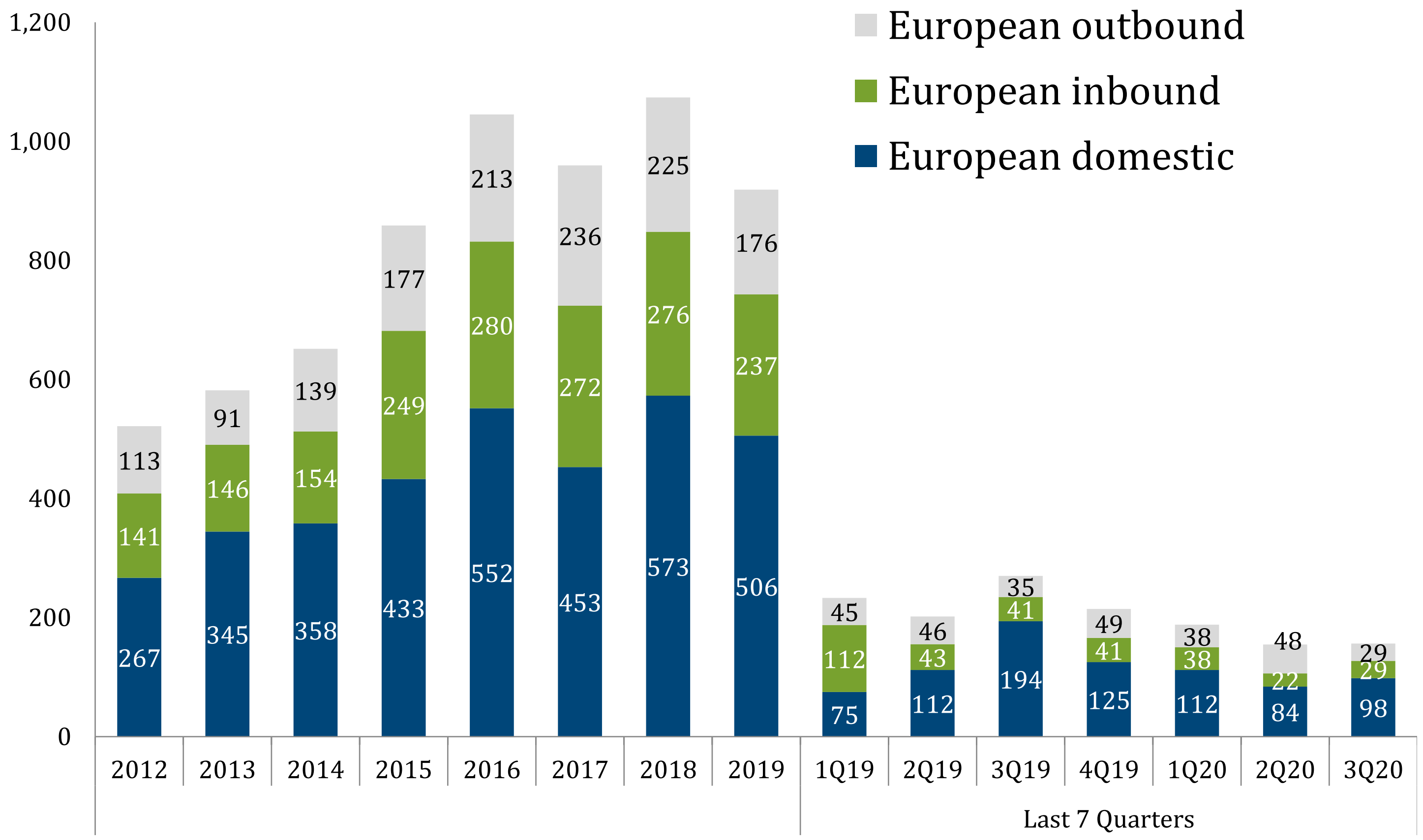


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

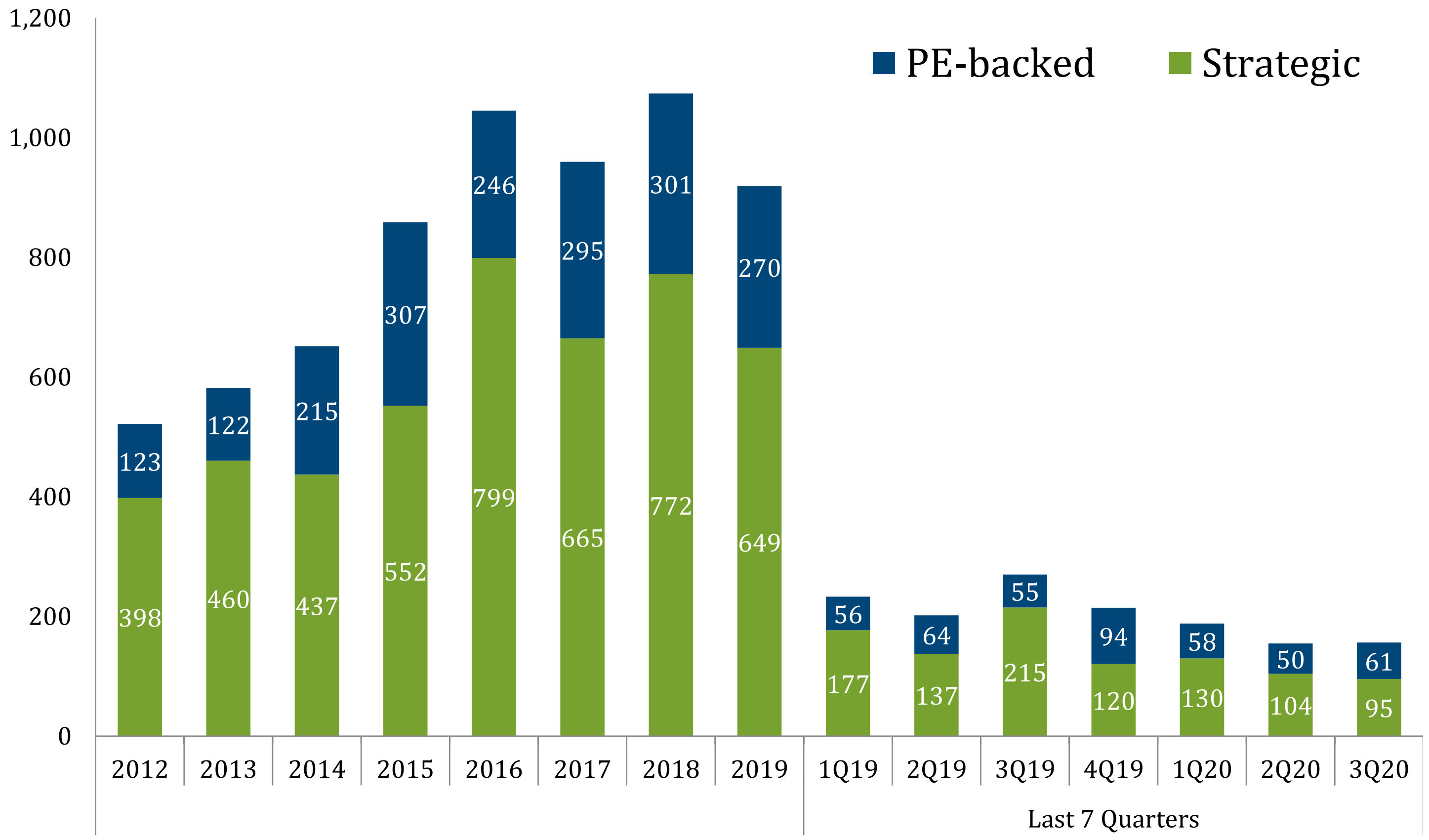
European* M&A activity decreased 44% YoY in the first three quarters of 2020, driven predominantly by a decline in inbound deals (i.e. acquisition of European companies by non-European firms).

APAC firms represented 60% of the 2020YtD inbound deal value. See page 15 for further details.

*EU27, UK and Switzerland

M&A by type of deal

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



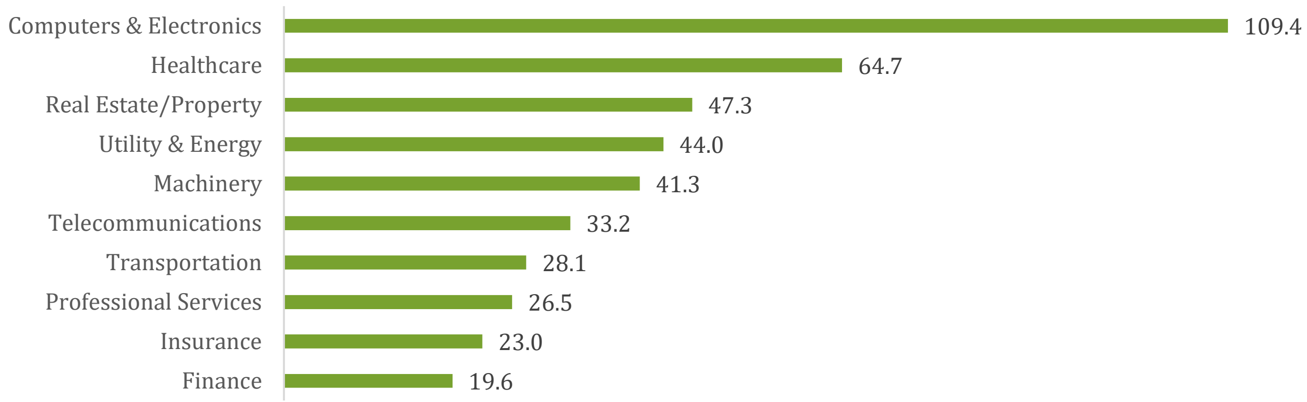
Source: Dealogic

Private Equity-backed M&A activity ("Sponsor" deals) totalled €169bn in Q1-Q3 2020, a decline of 4% against 2019YtD.

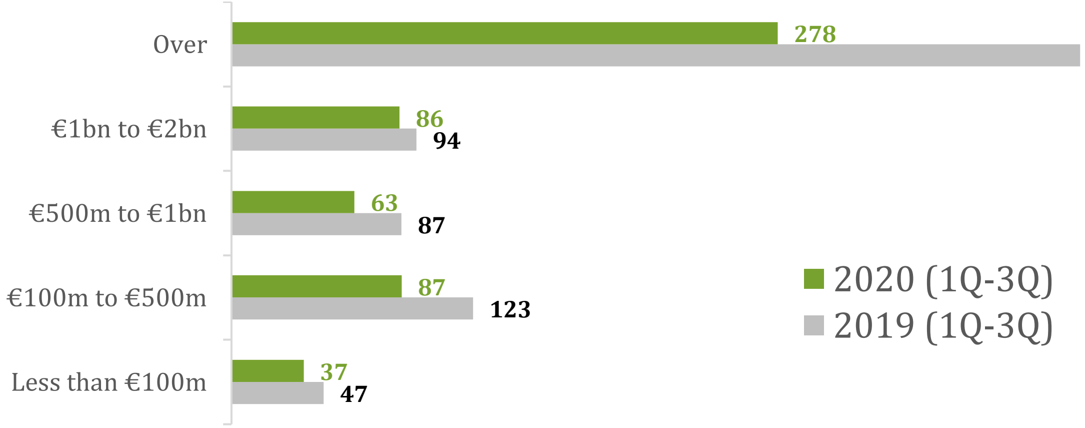
The 3Q 2020 completed strategic M&A amount was the lowest quarterly value since 3Q 2015.

Computer and electronics led by deal value

Top 10 industries for completed M&A (2020 YtD, EUR bn)



Completed M&A transactions by deal value (EURbn)



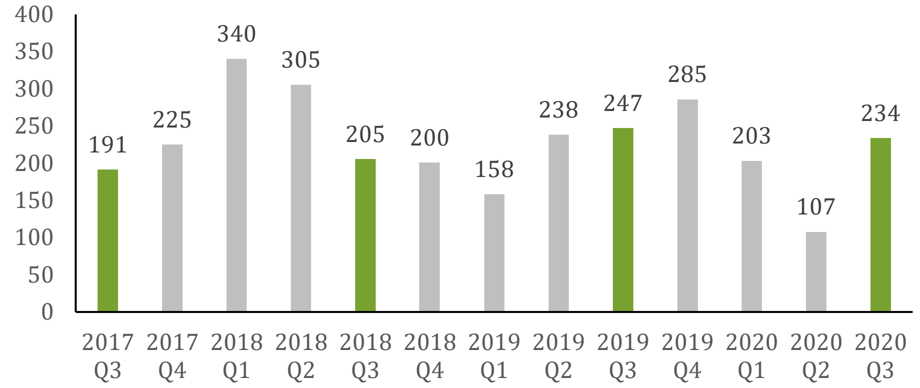
Source: Dealogic

Three "megadeals" (deal value above €10bn) have been completed during 2020 YtD:

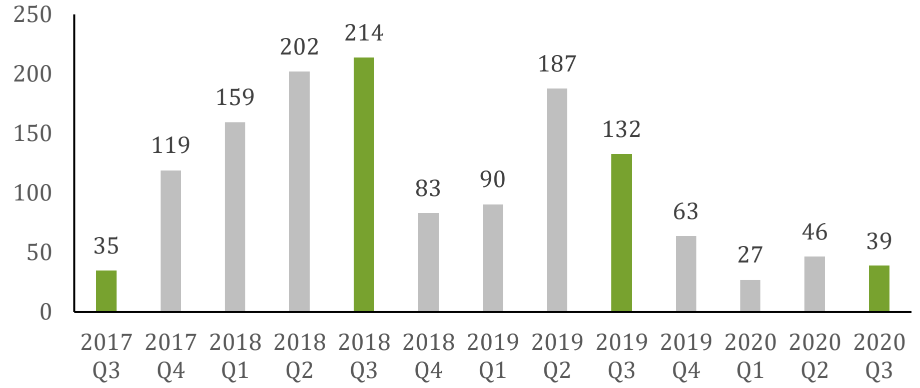
- Acquisition of Canadian online gambling company *Stars Group* by Irish & UK company *Flutter Entertainment*.
- Acquisition of *Ingenico Group* by *Worldline SA* (both France-based.)
- Acquisition of German elevator manufacturer *ThyssenKrupp Elevator* by a German Private Equity firm.

Quarterly increase in announced M&A

Announced M&A (EUR bn)

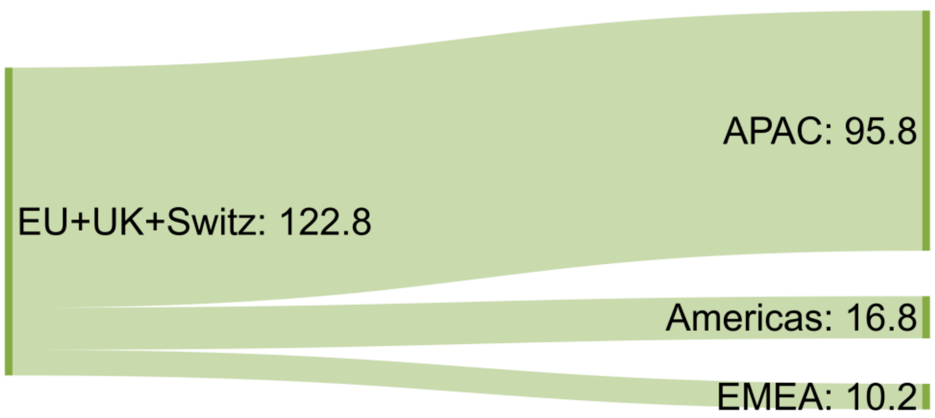


Withdrawn M&A (EUR bn)



Completed inbound M&A by acquiring region (EUR bn, 2020YtD)

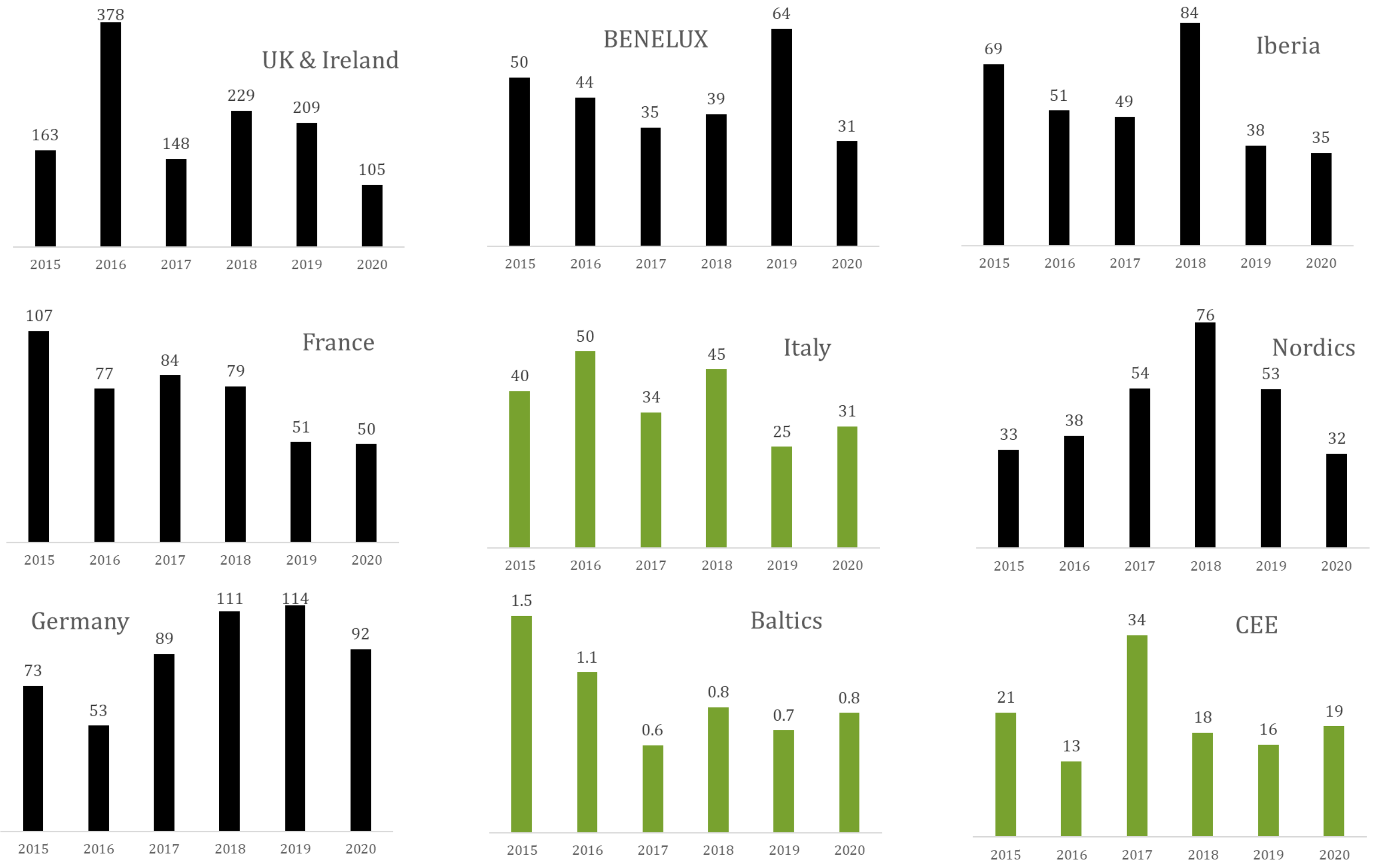
Completed outbound M&A by target region (EUR bn, 2020YtD)



Source: Dealogic

Completed deal value declines across Europe

Regional M&A trends: completed deal value 2020 YtD (EURbn)



Source: Dealogic

Lowest cumulative year-to-date amount of M&A in several European regions since 2014

Iberia, UK & Ireland, BENELUX, France, and Nordics report lowest completed YtD deal value since 2014

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European integration: M&A between European firms

Completed intra-European M&A activity (2020YtD, EUR bn)

Target Nationality

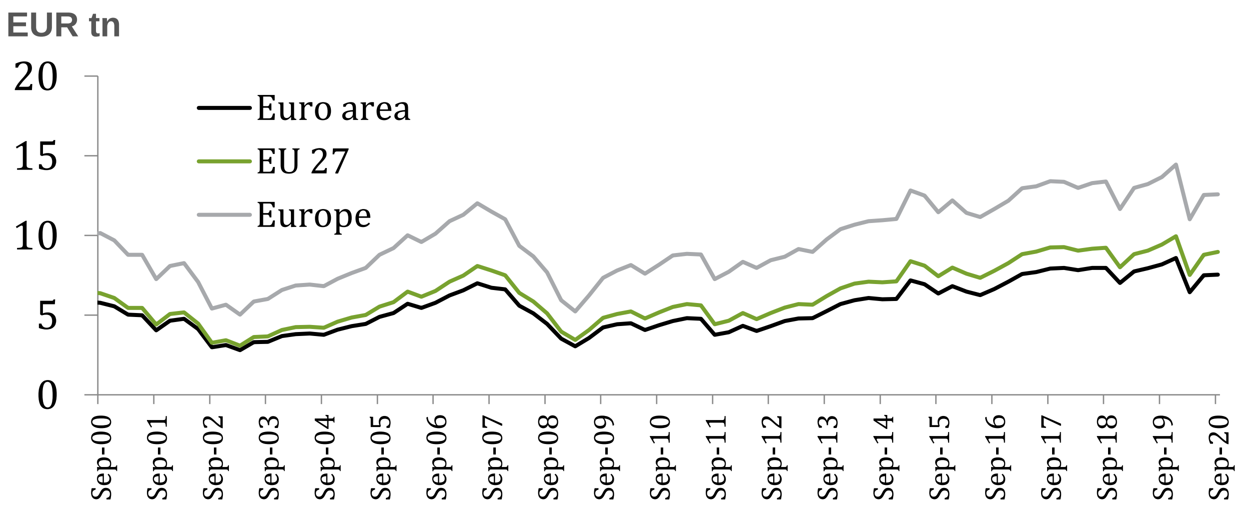
Acquiror Nationality

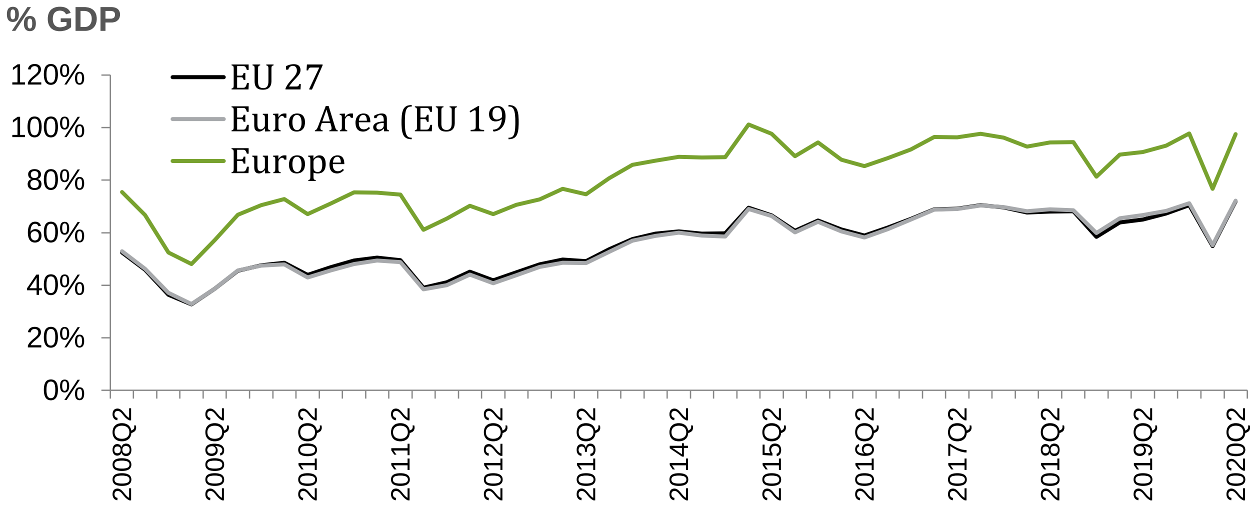
	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	EL	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CHE	UK	TOTAL
Austria	5,085									19	2,773				38			7			1,002									8,925
Belgium		575							661	87										472				4					14	1,813
Bulgaria			461																											461
Croatia				201																										201
Cyprus					18							259	3																5	285
Czech Republic			1	0		2,385																	268	41	8					2,702
Denmark							3,679			11	310			80						210	405		10				4		513	5,222
Estonia								37								17														53
Finland							0		6,111		4,167									10	64						19		19	10,390
France		145				1	170		1	37,640	3,070			51	816			1,000	250	1,990	2	16	5			695			1,029	46,879
Germany									7	2,025	66,000		15	207	450					309	317	525	9			1,688	250	6,451	2,206	80,457
Greece												77							19		10		0							105
Hungary													622								1,607				5					2,235
Ireland											231			771					13										12	1,028
Italy		975								159		275			27,514				2	100	41	600				180		182	4	30,032
Latvia																327														327
Lithuania																	69													69
Luxembourg		11							11	269					40			6			1,380								898	2,615
Malta			1																				12							13
Netherlands	980						765		1,022	41	670	500		82						5,259	11	4,118				171			7,500	21,117
Poland			1			25									11						3,684									3,721
Portugal										3												4,444				910	2			5,359
Romania																							355							355
Slovakia				45																										45
Slovenia																									542					542
Spain										167	1,117				192						35	1,200				11,792		380	3,571	18,453
Sweden	3	7		130		1,300	118		320	130	1,528				29	69	128		100	181	68					22	10,386	508	1,061	16,089
Switzerland		1								1,700	5		3	380	12		10				14					3,602	17	6,643	92	12,478
United Kingdom		4					0	100	482	306	350	32		515	538					70	159	421	0			321	34		57,452	60,784
Total	6,069	1,717	464	376	18	3,711	4,733	137	8,614	42,556	80,221	1,143	643	2,087	29,639	412	208	1,013	384	8,601	8,798	11,324	659	44	554	19,380	10,711	14,164	74,375	332,755

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. Europe includes EU27 members states, United Kingdom and Switzerland. Market cap as % of GDP available as of 1Q20 as 2Q20 GDP not available at the time of publication

The European market capitalisation of listed shares has partially recovered in 3Q 2020 following the sharp decline in company valuations following the COVID-19 outbreak.

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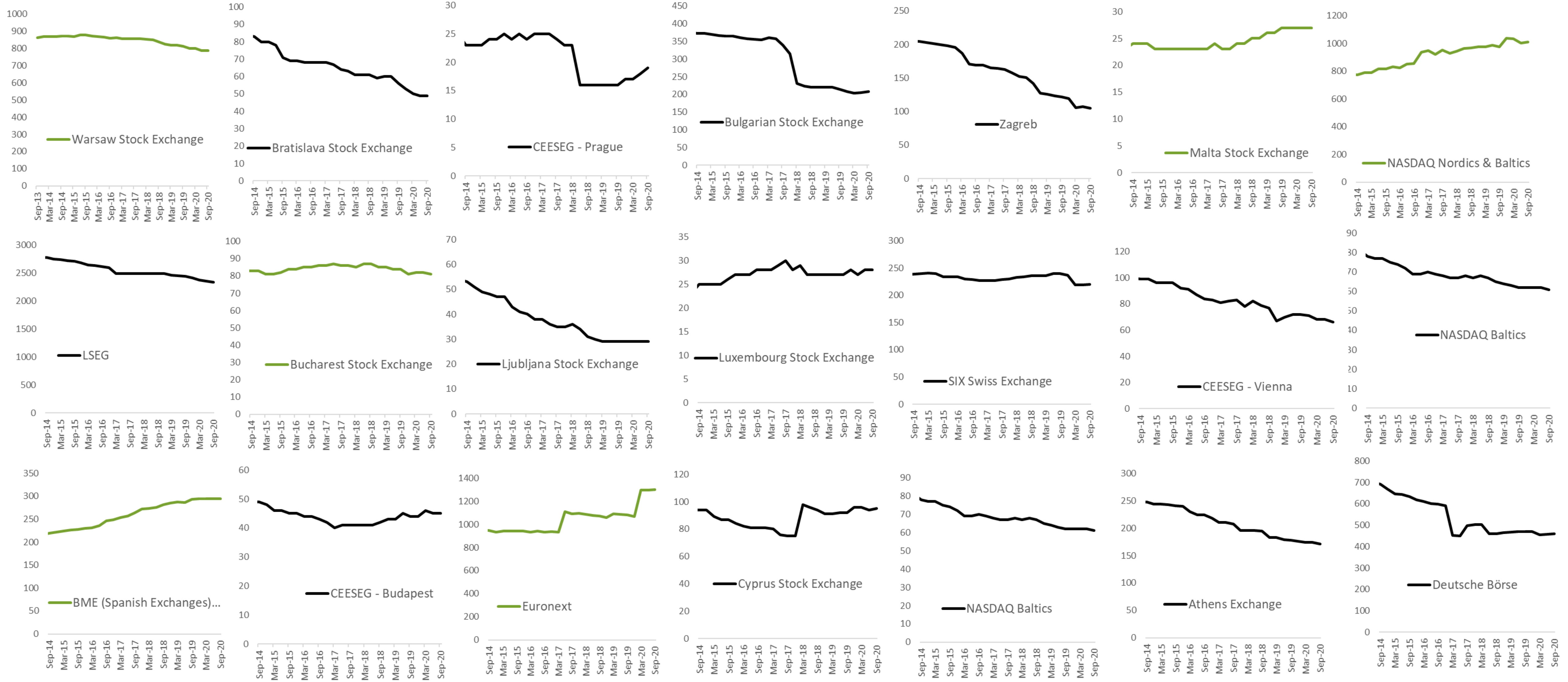
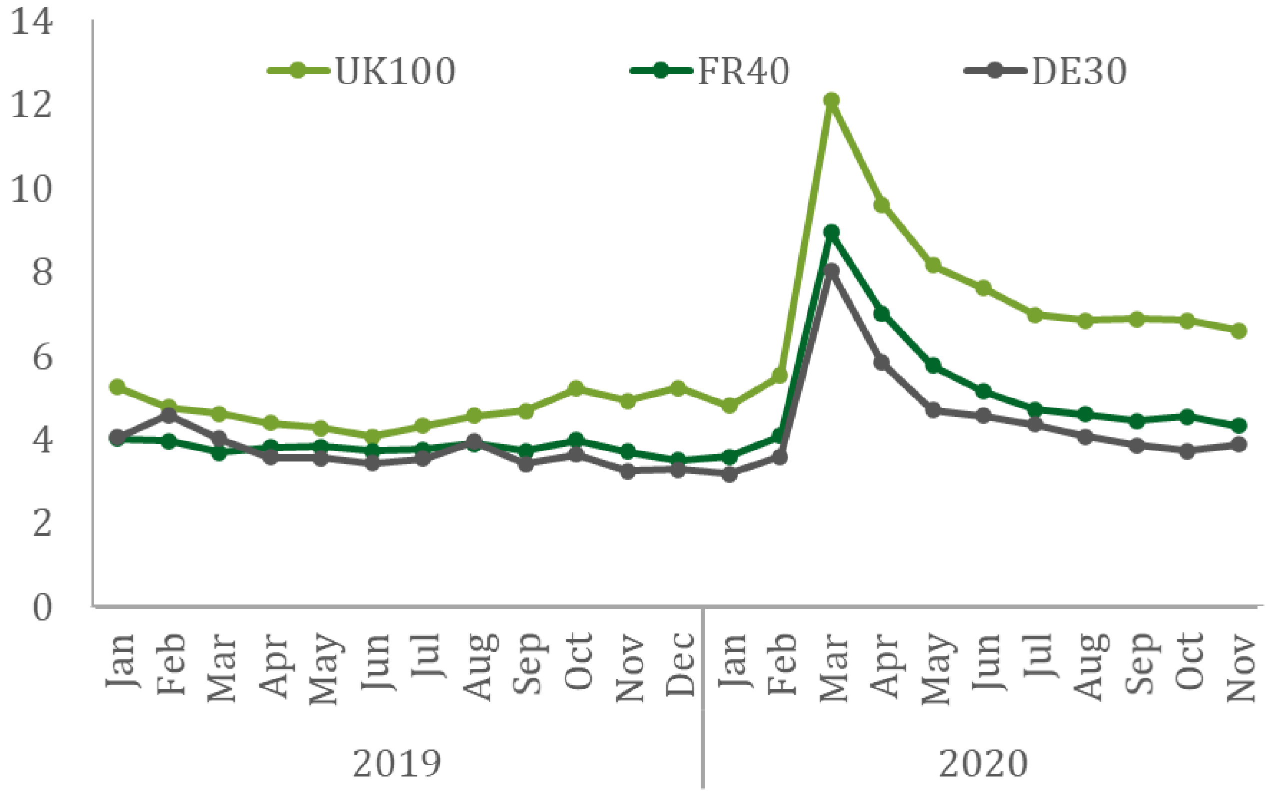
Number of listed companies on European exchanges



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

Bid-ask spreads for selected European indices

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



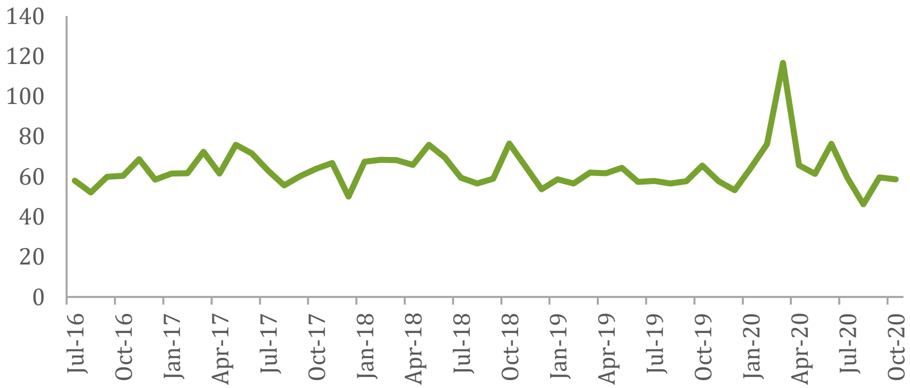
Source: BigXYT

Bid-ask spreads for selected equity indices has continued to decline during the year, following the market stress episode originated by the COVID-19 outbreak.

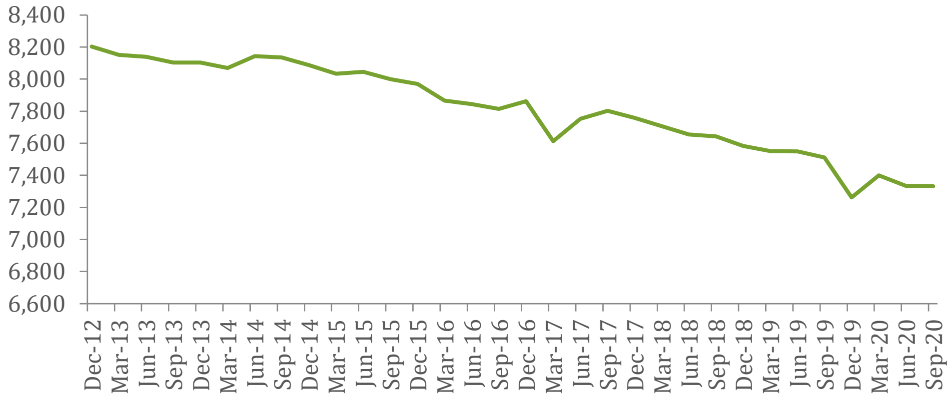
Liquidity conditions, as measured by bid-ask spreads, have not returned to pre-COVID levels.

Trading volumes normalise in 3Q20 following the sharp increase in March

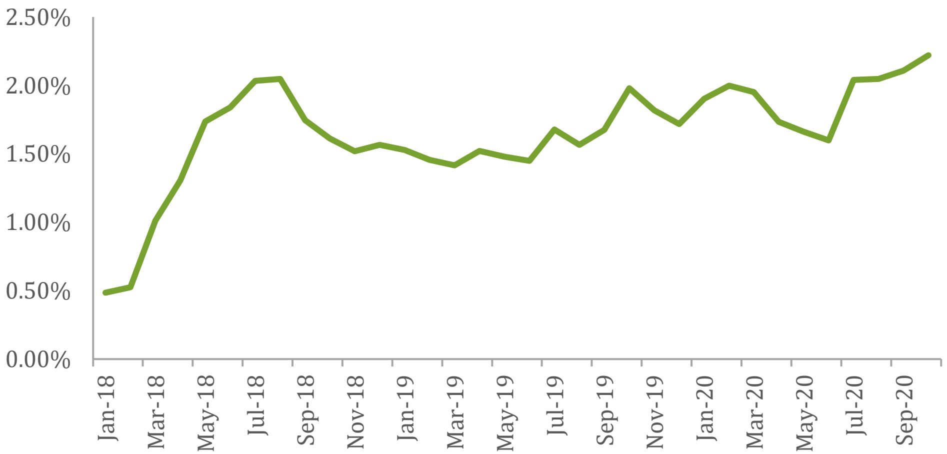
Average daily equity turnover value on European exchanges and MTFs (EUR bn)*



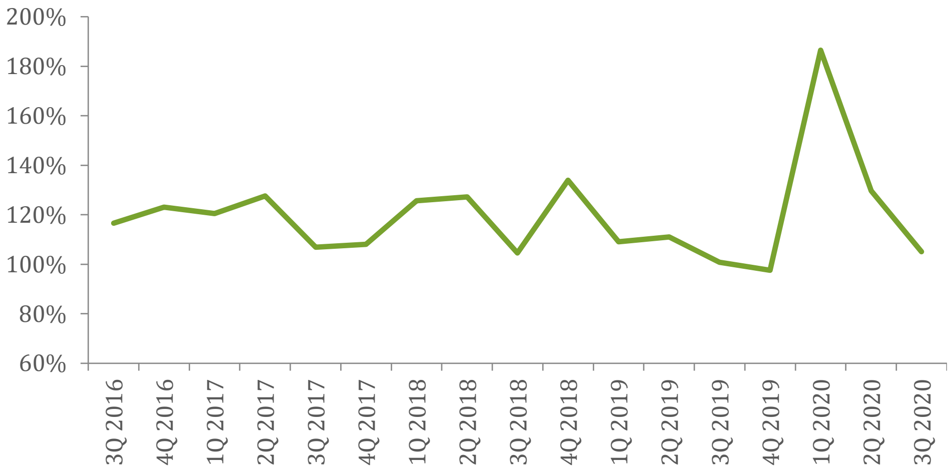
Number of listed companies on European exchanges



Lit/Auction periodic as % of total monthly trading



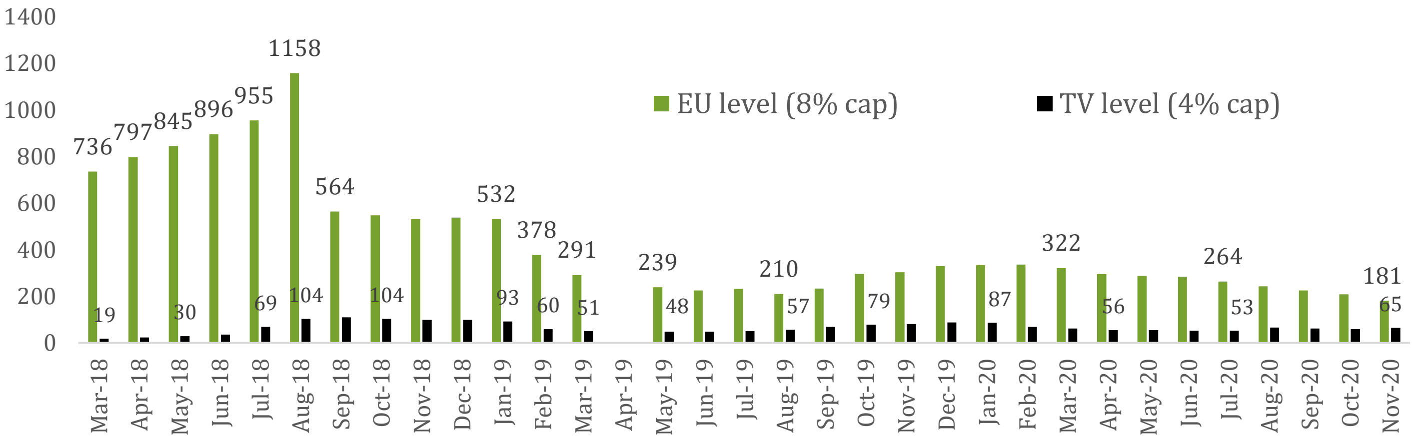
Turnover ratio (annualised turnover value/ market cap)



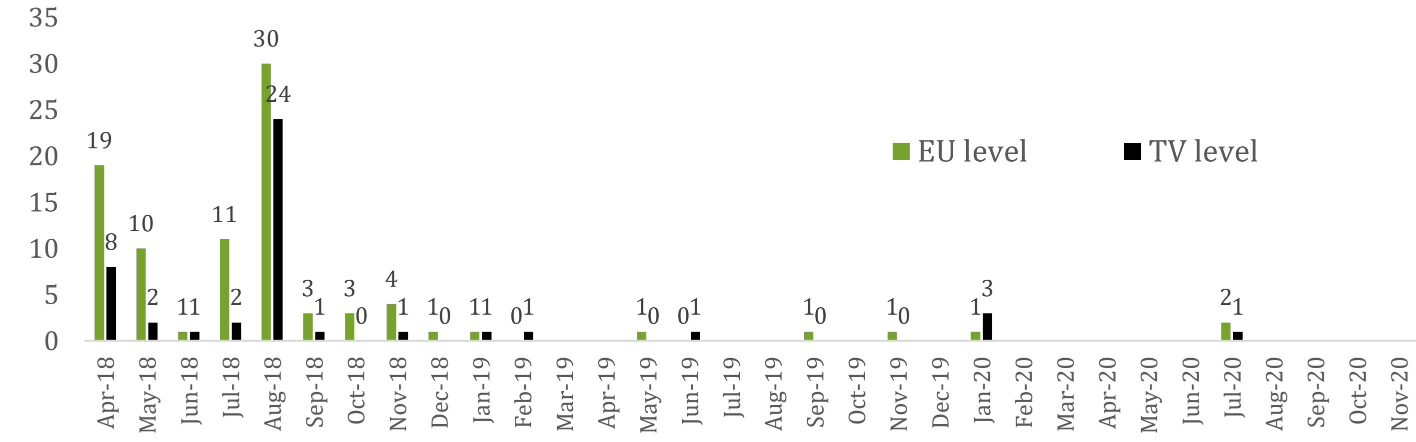
Source: BigXYT, FESE, WFE, ECB and local exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs.

MiFID dark trading caps

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



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



Source: ESMA

The Double Volume Cap (DVC) mechanism seeks to limit the total dark trading of equity-like instruments on EU venues.

ESMA publishes on a monthly basis the list of instruments temporarily banned from dark trading at the EU or trading venue level after surpassing pre-determined dark trading thresholds.

The number of instruments banned from dark trading has declined in the course of the year at 246 instruments suspended at the EU or trading venue level as of Nov-20 (from above 1,200 in Aug-18). See top chart.

Revoked suspensions of previously banned instruments have become, most recently, uncommon and infrequent. See bottom chart.

MiFID dark trading caps

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

Nov-20

Country ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT	83	1	1	2%
BE	253	1	0	0%
BG	306	0	0	0%
CY	118	0	0	0%
CZ	28	0	0	0%
DE	1161	1	0	0%
DK	662	6	11	3%
EE	24	0	0	0%
ES	323	0	2	1%
FI	197	2	1	2%
FR	1258	10	0	1%
GB	1941	76	10	4%
GR	243	0	0	0%
HR	116	0	0	0%
HU	60	0	0	0%
IE	1416	18	19	3%
IT	452	1	1	0%
LT	30	0	0	0%
LU	1116	4	5	1%
LV	24	0	0	0%
MT	37	1	0	3%
NL	221	4	0	2%
PL	766	0	0	0%
PT	65	2	0	3%
RO	364	0	0	0%
SE	1239	5	2	1%
SI	157	0	0	0%
SK	48	0	0	0%
Non-EU	16002	49	13	0%
Total	**28710**	**181**	**65**	**1%**

Source: ESMA

The 246 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 (28,710).

By countries, 86 of the 246 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 4% of the 1,941 UK ISINs registered in the ESMA DVC files.

62 of the suspended instruments have non-EU+UK ISINs, or 25% of all suspended instruments at the EU and trading venue.

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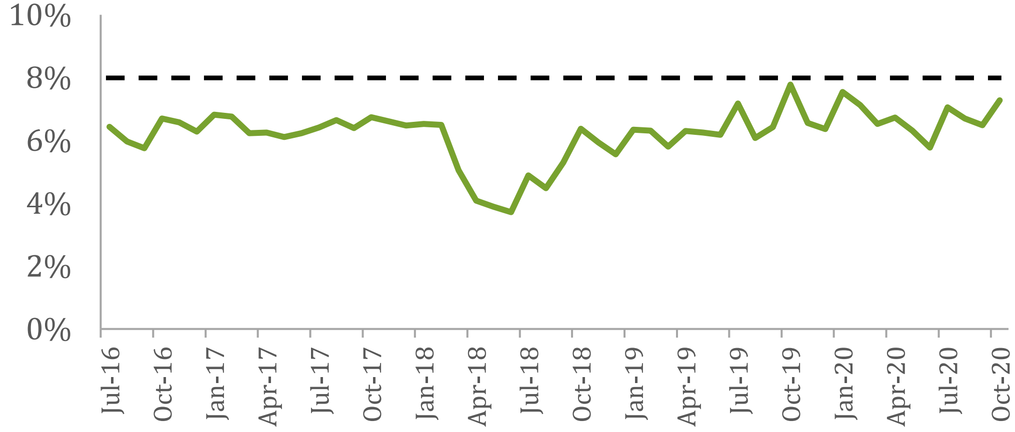
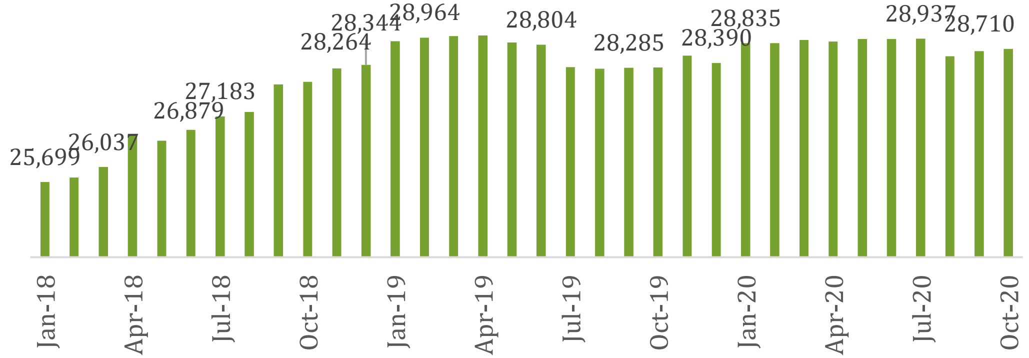
Proportion of dark trading stable and below 8%

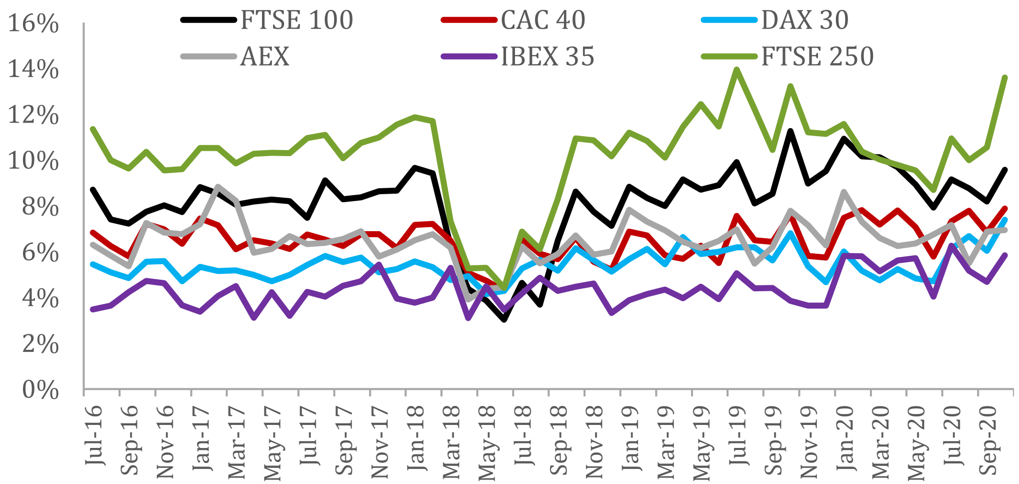
Dark trading as % of total turnover*



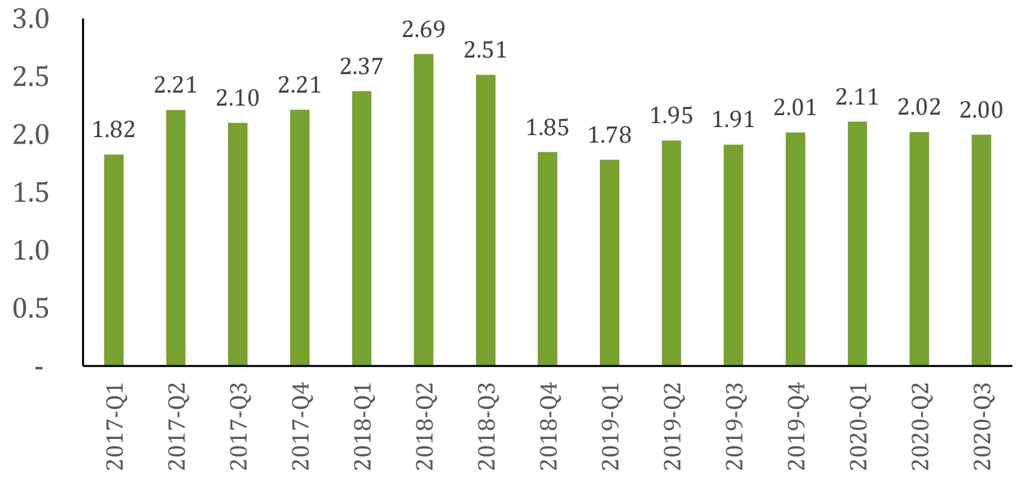
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



% of dark trading by indices*



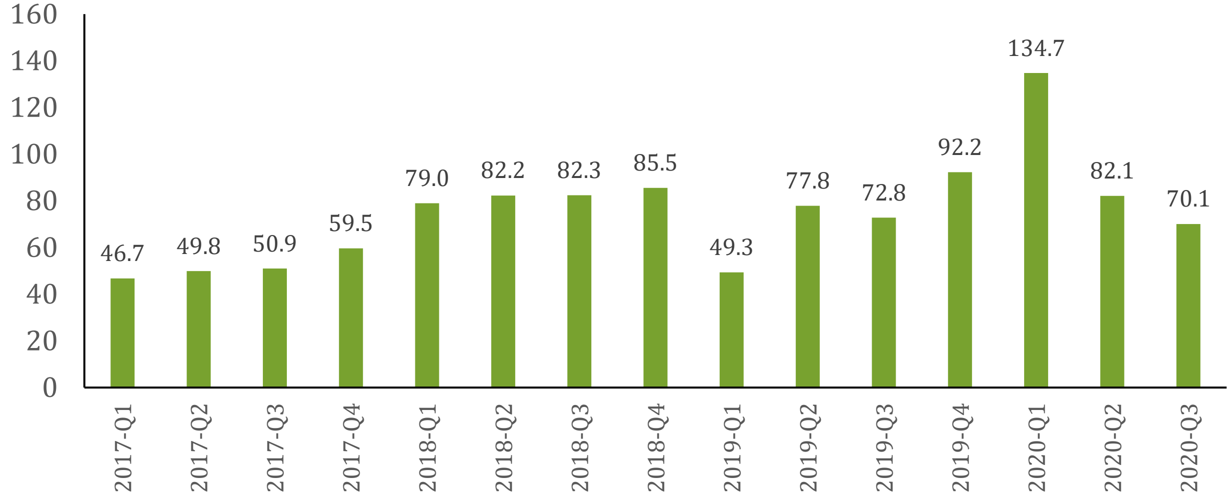
Block trades: Average value per trade (EURmm)



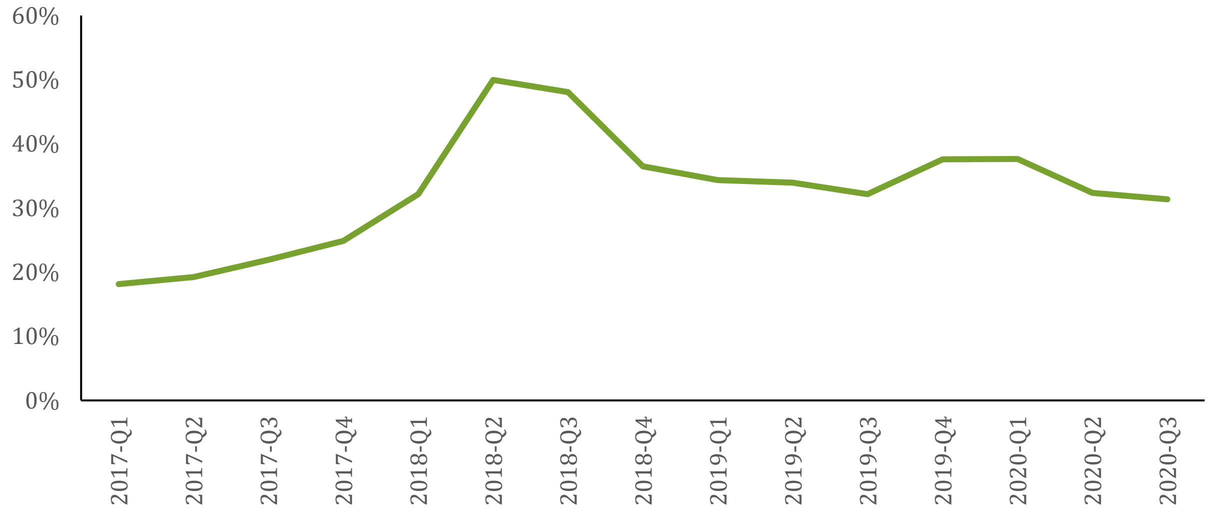
Source: ESMA and BigXYT

Block trades

Block trades: value traded ≥ LIS (EURbn)



Proportion of dark traded as LIS blocks (%)



Source: BigXYT

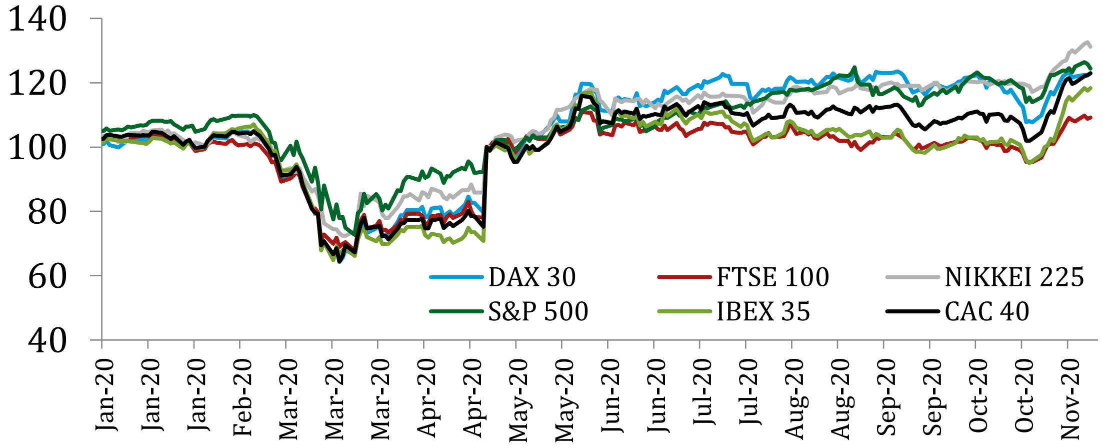
Average weekly turnover in the form of block trades (traded above the large in scale threshold) declined to a quarterly total of €70.1 bn in 3Q20 from €134.7 bn in 1Q20.

According to BigXYT data, the percentage of dark traded as large-in-scale (LIS) blocks has stood relatively unchanged during the year at 30-40%.

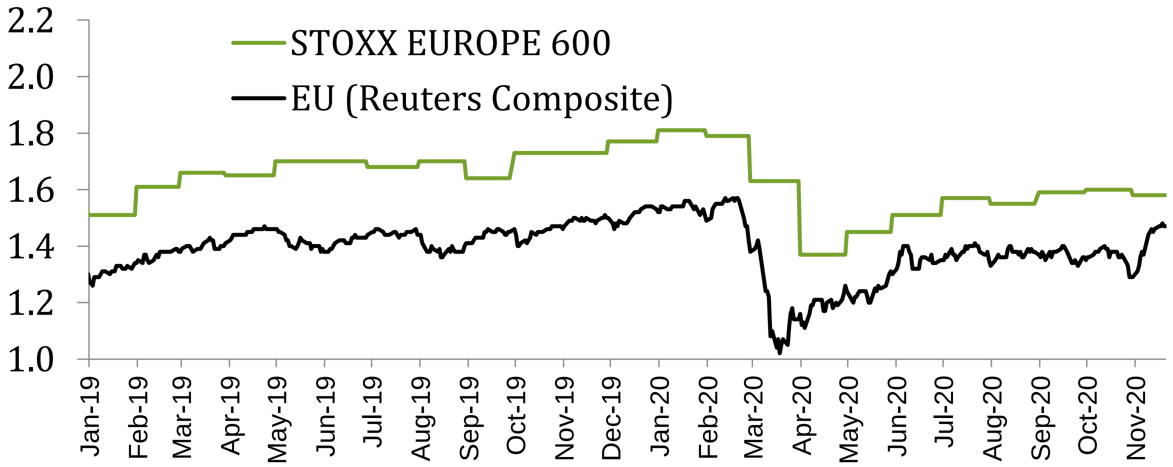
Valuations

Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 2019 = 100)



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



Source: Datastream

Price indices and valuation multiples continue to recover from the minimum levels reached in March

US and Asian stock indices accumulate stronger gains than European equity assets

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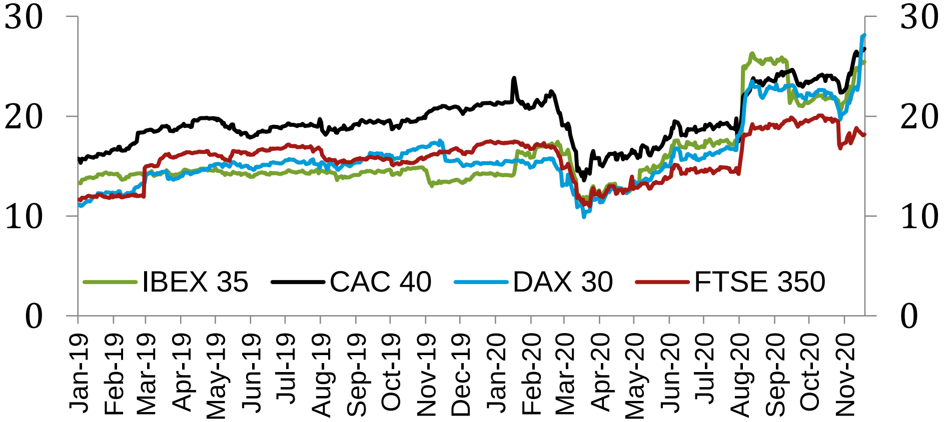
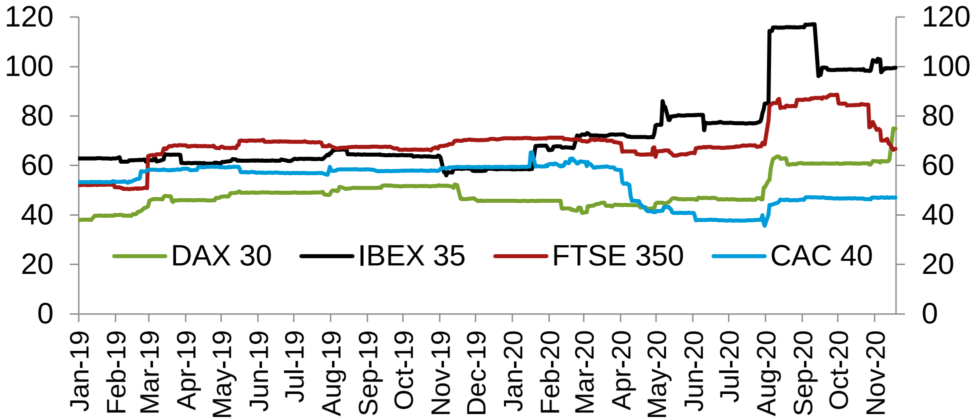
Valuation ratios and implied volatility

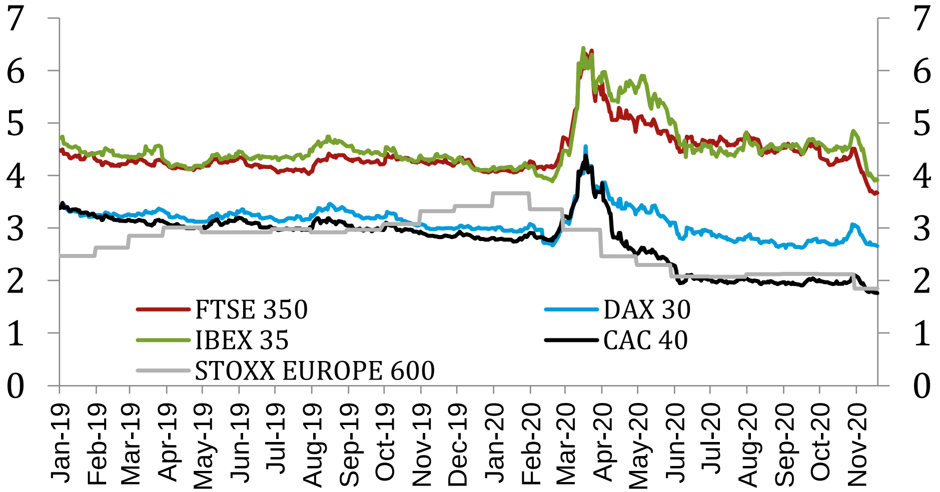
Price-to-earnings (PE) ratio



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

Appendix

	1Q 20	2Q 20	3Q 20	4Q 20	2020 YtD	1Q 19	2Q 19	3Q 19	4Q 19	2019 FY	% Change YtD
Equity underwriting (€ bn)	**25.9**	**52.9**	**45.7**		**124.4**	**25.4**	**39.0**	**22.0**	**30.0**	**116.3**	**44%**
IPOs	1.1	3.7	5.8		10.6	0.8	11.1	3.9	5.9	21.6	-32%
Follow-on offerings	22.1	41.7	30.6		94.4	18.5	24.0	12.5	22.4	77.5	71%
Convertible securities	2.7	7.4	9.3		19.4	6.1	3.9	5.6	1.6	17.2	25%
Mergers and Acquisitions (€ bn): completed	**87.2**	**154.4**	**156.1**		**397.7**	**232.8**	**201.5**	**269.9**	**214.5**	**918.7**	**-44%**
European outbound	38.4	48.3	28.8		115.4	45.3	46.4	35.5	48.6	175.8	-9%
European inbound	37.6	22.1	29.3		89.0	112.5	43.1	40.6	41.1	237.3	-55%
Intra European	11.2	84.0	98.0		193.2	75.0	111.9	193.9	124.9	505.6	-49%
Mergers and Acquisitions (€ bn): announced	**202.9**	**107.3**	**233.5**		**543.7**	**158.3**	**238.1**	**247.1**	**285.4**	**928.9**	**-16%**
Equity turnover value											
Average Daily (€ bn)	85.7	67.8	55.1		208.6	59.1	61.2	57.4	58.8	236.5	17%
Market Capitalisation of domestic listed shares (€ tn)											
European (EU27, UK and Switzerland)	11.0	12.5	12.6		12.6	13.0	13.2	13.7	14.5	14.5	-13%
EU 27	7.5	8.8	9.0		9.0	8.8	9.0	9.4	10.0	10.0	-10%
Euro Zone	6.4	7.5	7.6		7.6	7.8	7.9	8.2	8.6	8.6	-12%

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

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