Finance for Europe

2Q 2020

Equity Primary Markets and Trading Report

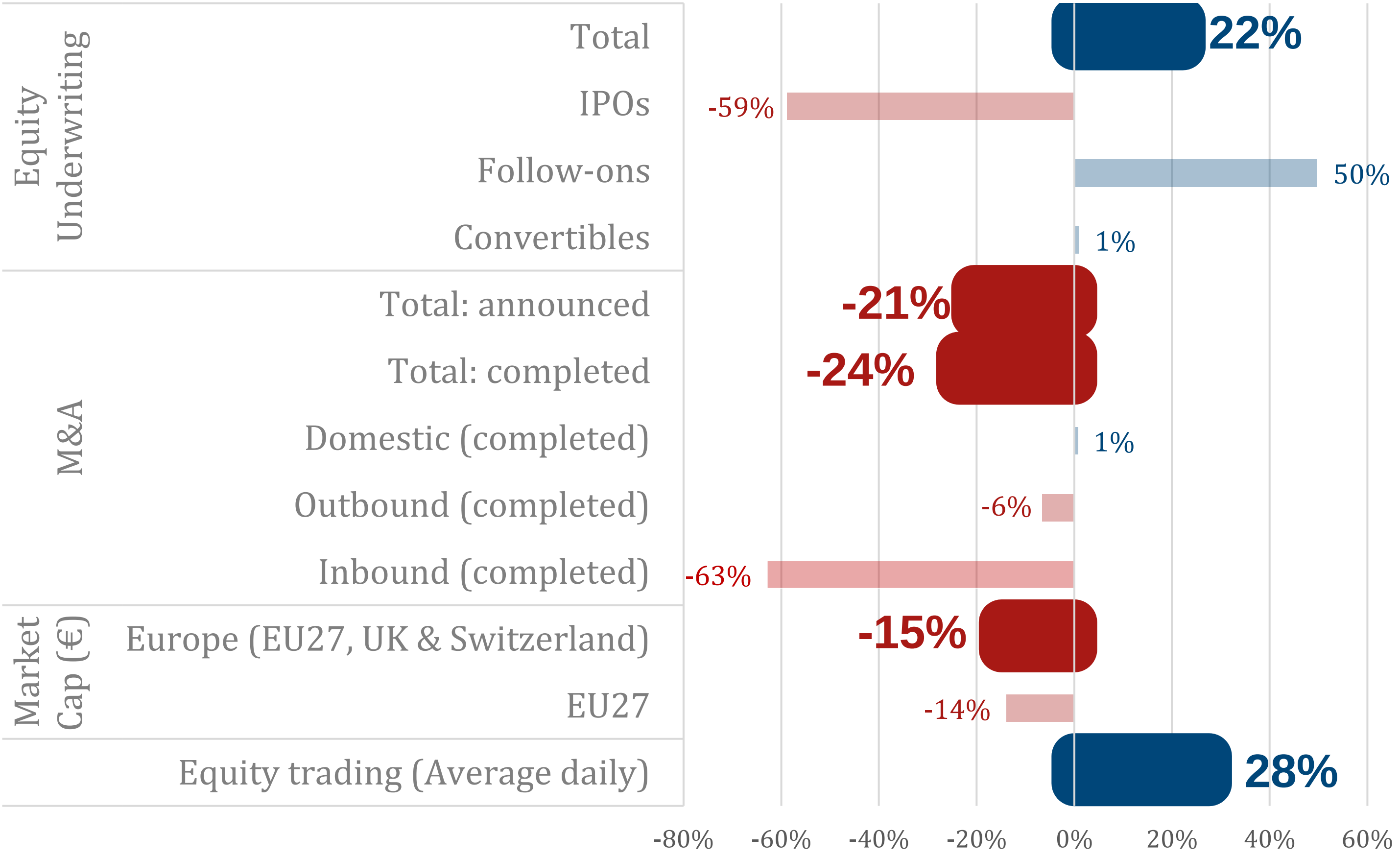
European market data update

Key highlights

Finance for Europe

1H 2020 variation of European Equity activity

EU27 member countries, UK and Switzerland



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

Secondary equity offerings support the COVID recovery

The first half of 2020 (1H 2020) saw an increase of 22% YoY in equity underwriting on European exchanges. Equity underwriting includes issuance of IPOs, follow-ons and convertible securities.

In 1H 2020 follow-on offerings rose 50% YoY, the largest 1H amount since 2017.

IPO proceeds decreased 59% YoY, with the lowest 1H number of IPOs since 2009.

Completed Mergers and Acquisitions (M&A) of European companies totalled €331.2bn in 1H 2020 a 24% decrease from the amount completed in 1H 2019 (€433.3bn).

The amount of announced M&A totalled €315.5bn in 1H 2020 a 21% YoY decrease.

Average daily equity trading activity on European main markets and MTFs rose 28% YoY in 1H 2020.

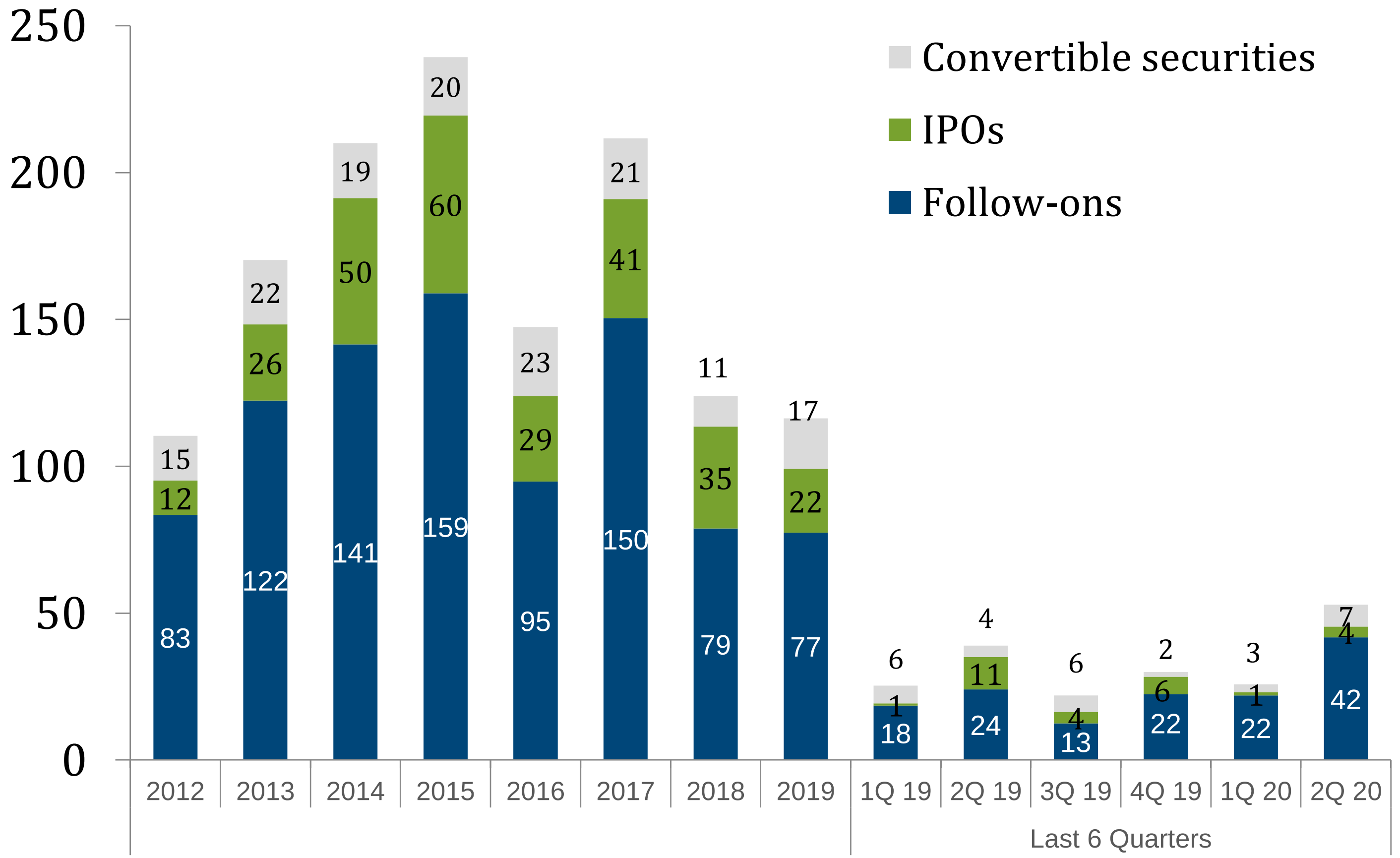
Domestic market capitalisation of European listed shares stood at €12.3tn at the end of June 2020, a 15% YtD decrease from €14.5 in at the end of 2019.

Contents

Equity issuance

Increase in equity raising to support the recovery

Equity Issuance on European exchanges (EUR bn)



Source: Dealogic

The year-on-year (YoY) increase in equity underwriting (22%) was driven by a 50% increase in follow proceeds and a slight 1% increase in convertible securities.

IPO issuance on European exchanges during 1H 2020 totalled €4.9 bn— the lowest 1H amount since 2012 (€4.3 bn) and the lowest 1H volume since 2009.

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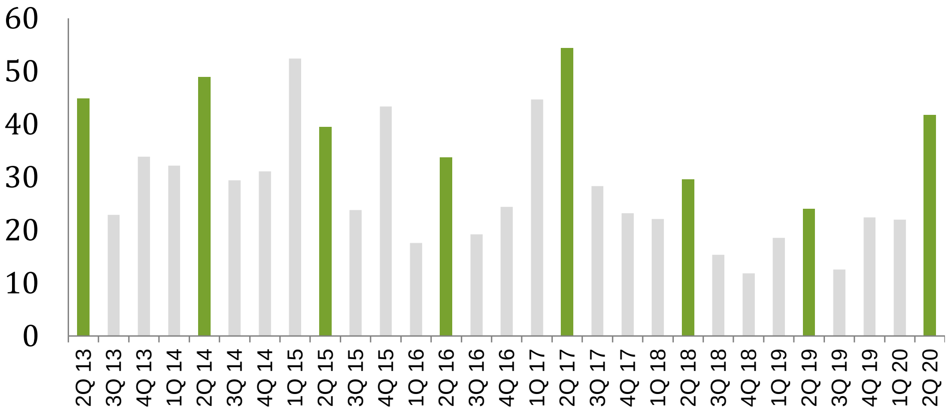
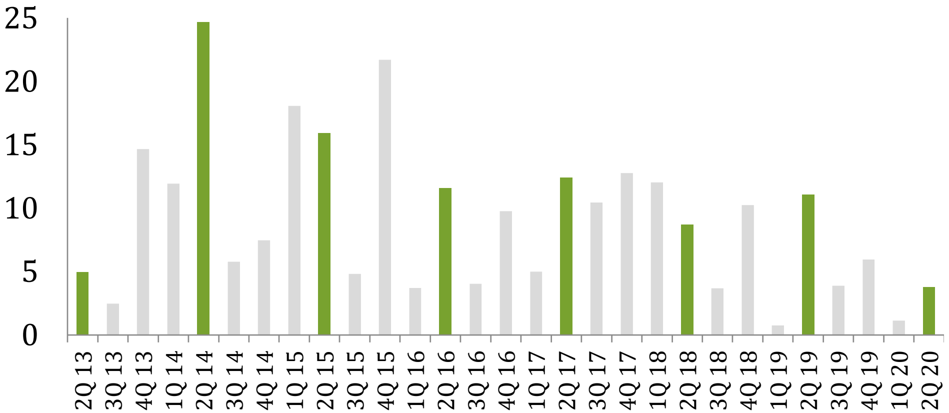
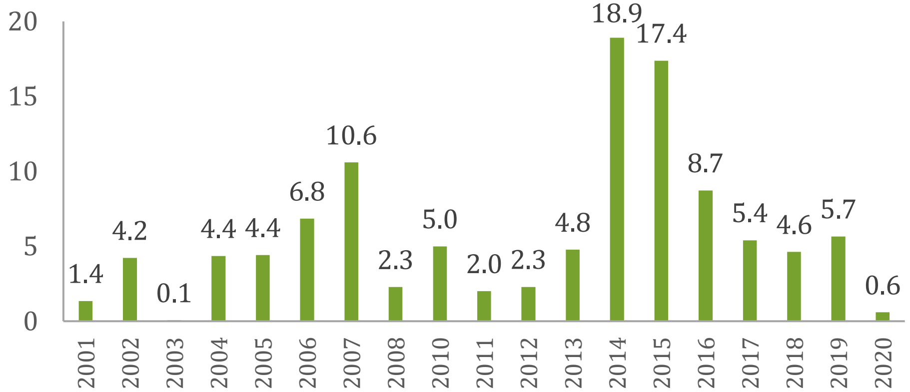
Follow-on offerings (EUR bn)



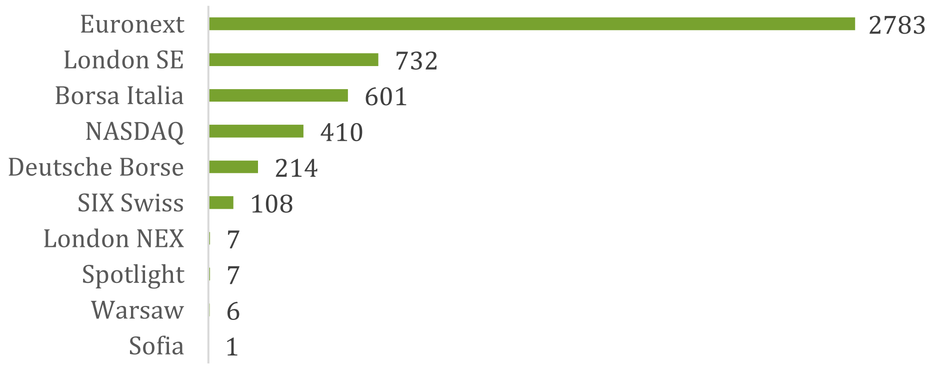
IPO proceeds (EUR bn)



PE-backed IPO proceeds (EUR bn)



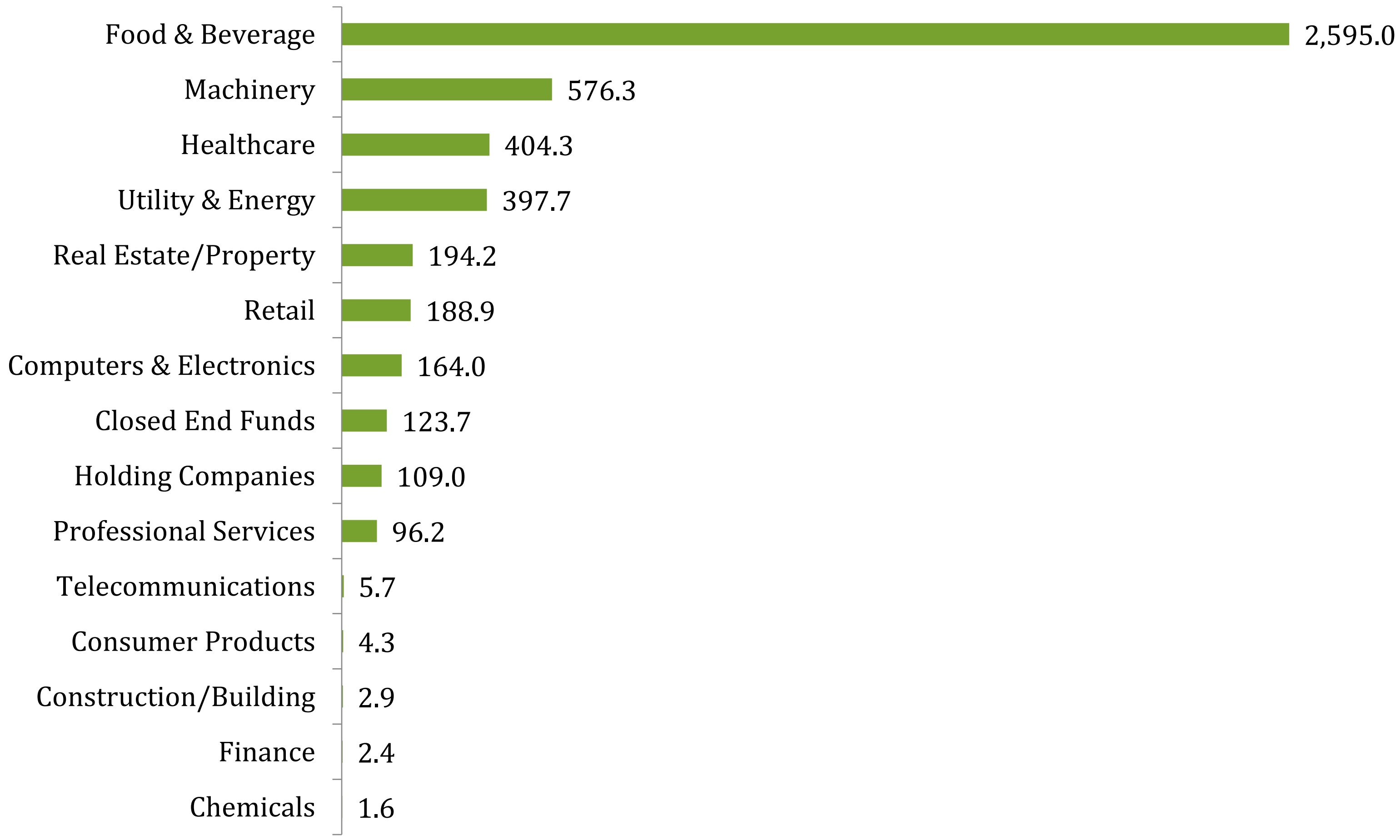
IPO proceeds by listing market (EUR mm): 2020YoY



Source: Dealogic

Food and Beverage IPOs led by capital raised due to a single large deal

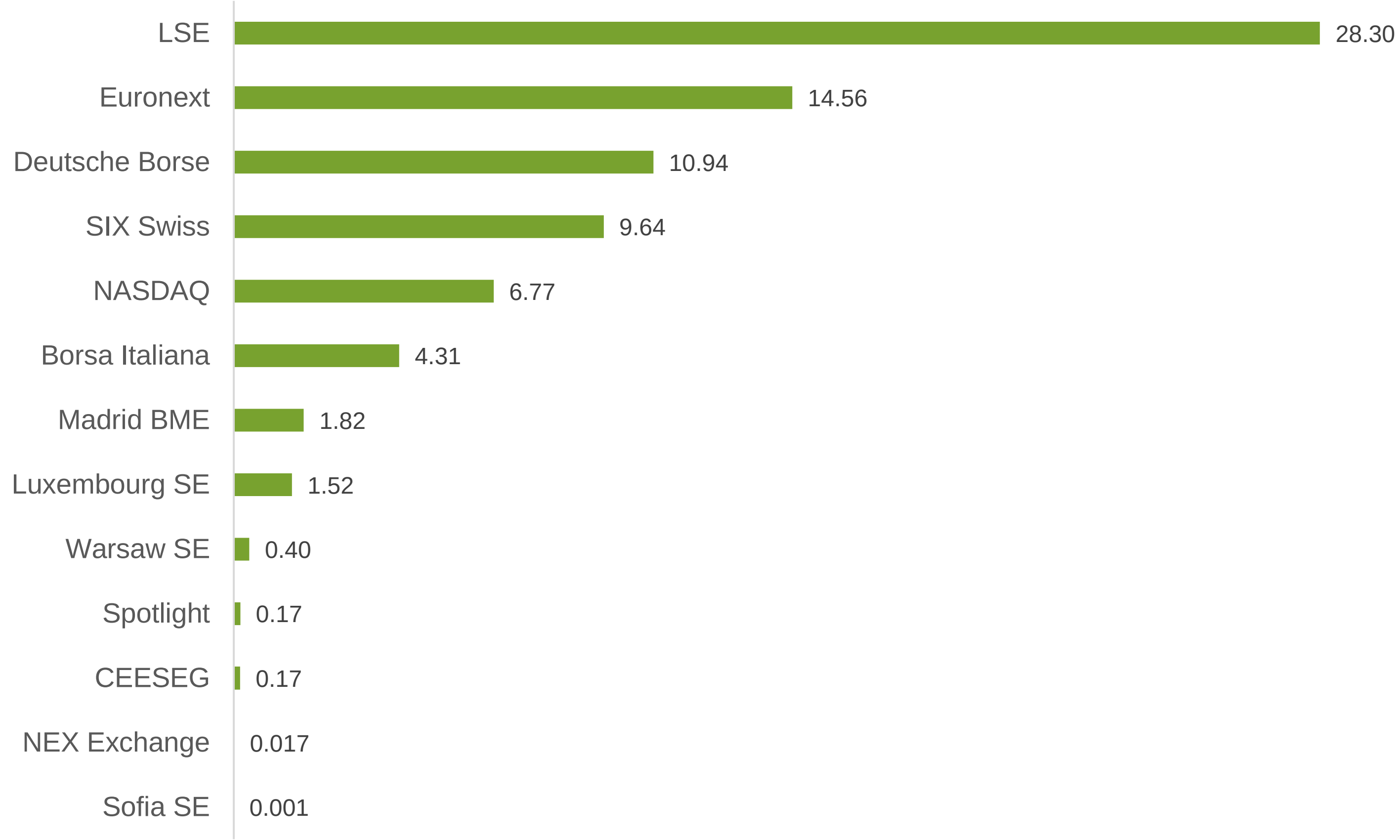
IPO proceeds by industry (EUR mm): 1H 2020



Dealogic. Finance includes SPVs

LSE led 2019 equity issuance

Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): 1H 2020

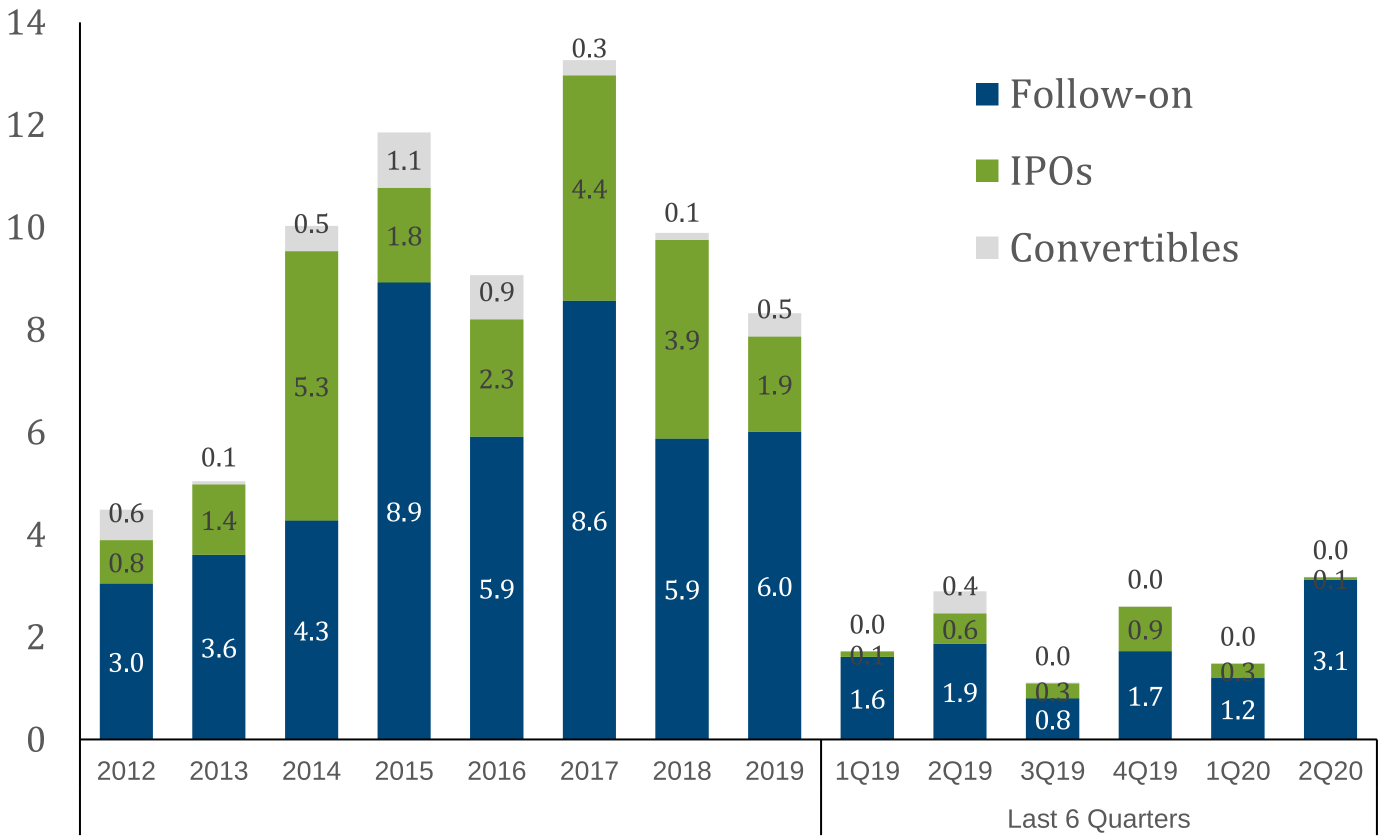


Source: Dealogic

LSE exchanges (main market and AIM) led by total equity underwriting accumulating a total of €28.3bn, followed by Euronext exchanges and Deutsche Borse.

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



Source: Dealogic

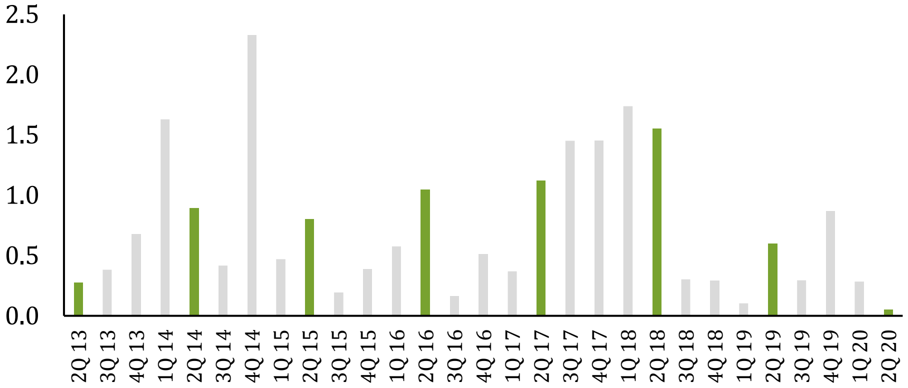
In 1H 2020, equity issuance on Jr exchanges rose 1% YoY, accumulating a total of €4.7bn in proceeds.

Large increase in follow-on offerings in 2Q 2020 accumulating €3.1bn in equity capital, the largest quarterly amount since 1Q 2015

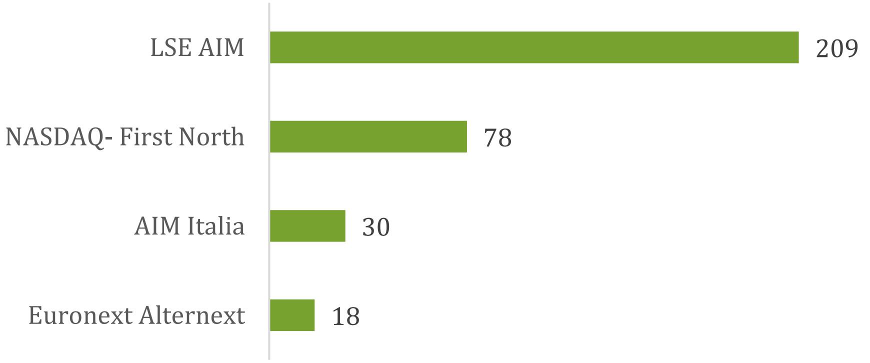
IPOs on Junior markets totalled €334mm in proceeds in 1H 2020, the lowest 1H IPO amount since 2013.

LSE AIM led IPO proceeds on Jr markets

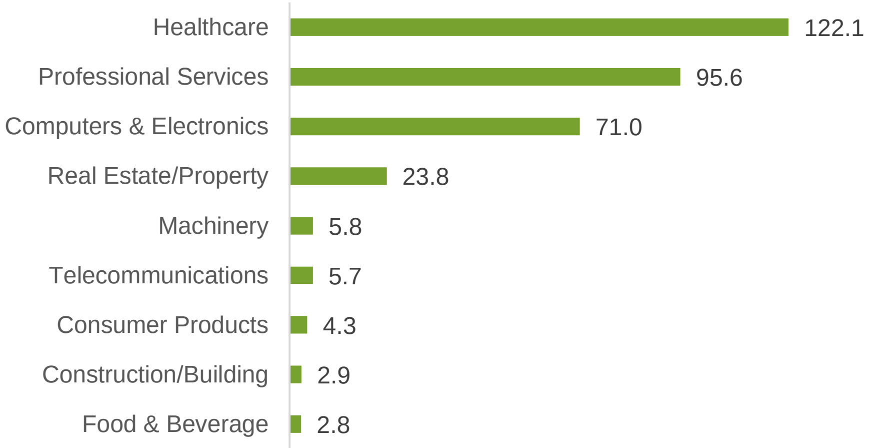
IPO proceeds on European Jr markets (EUR bn)



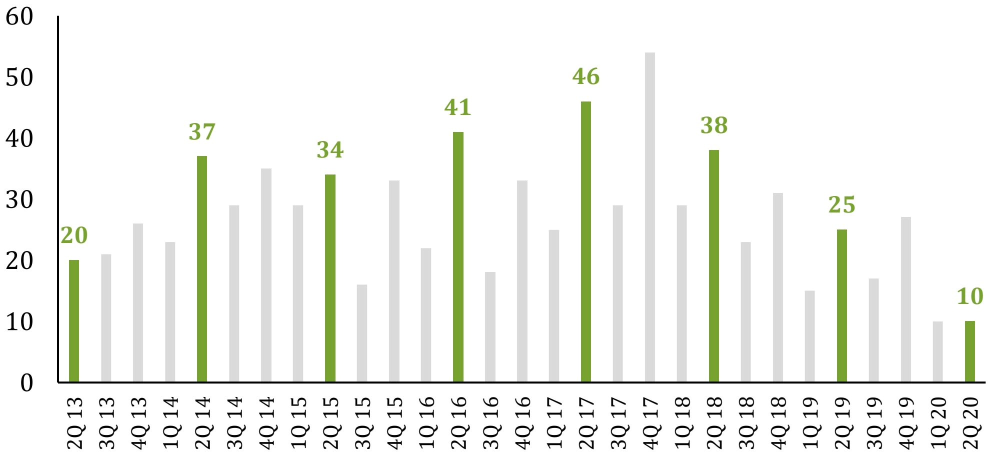
IPO proceeds on Jr markets by exchange (EUR mm, 1H 2020)



IPO proceeds on Jr markets by industry (EUR mm, 1H 2020)



Number of IPOs on European Jr markets

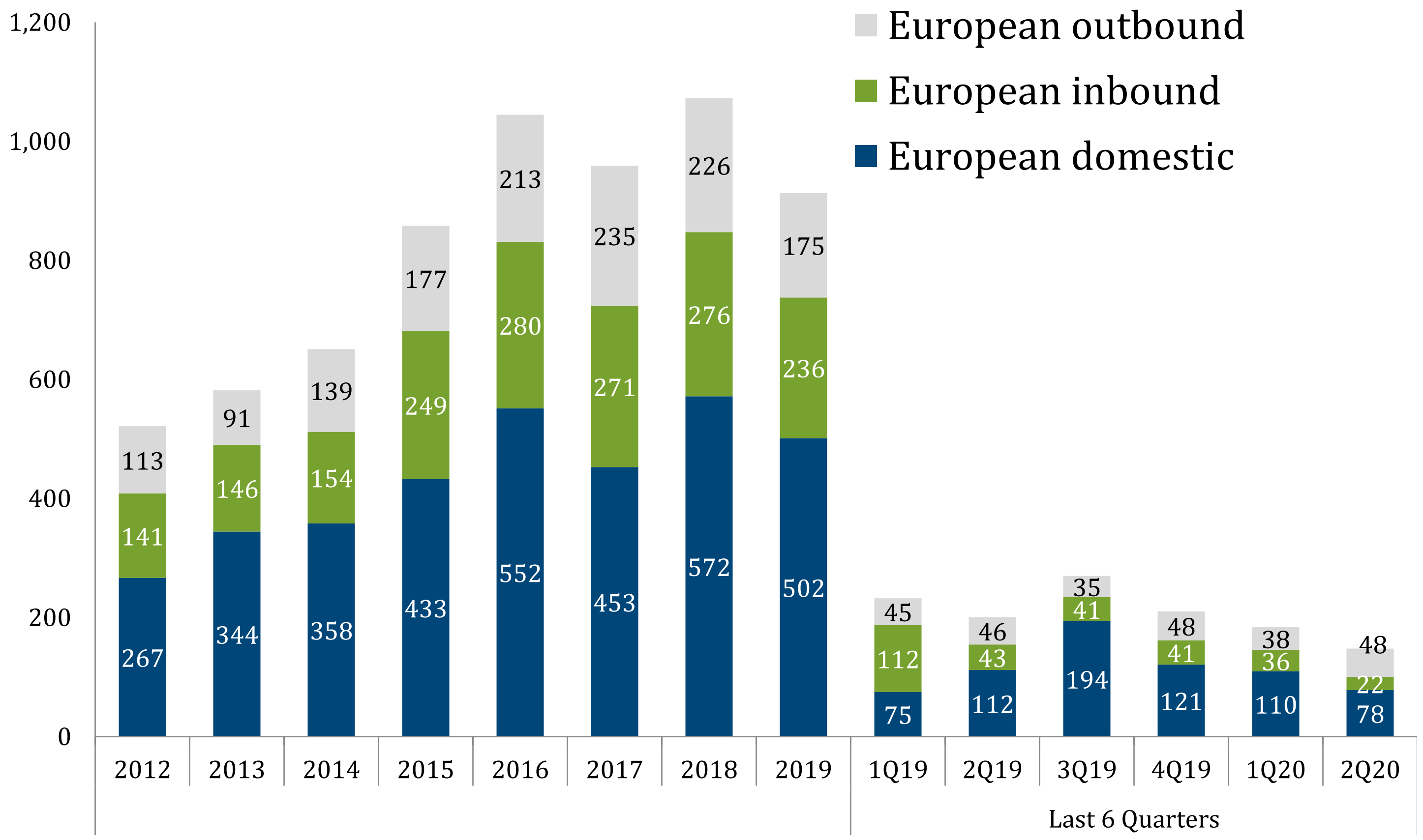


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

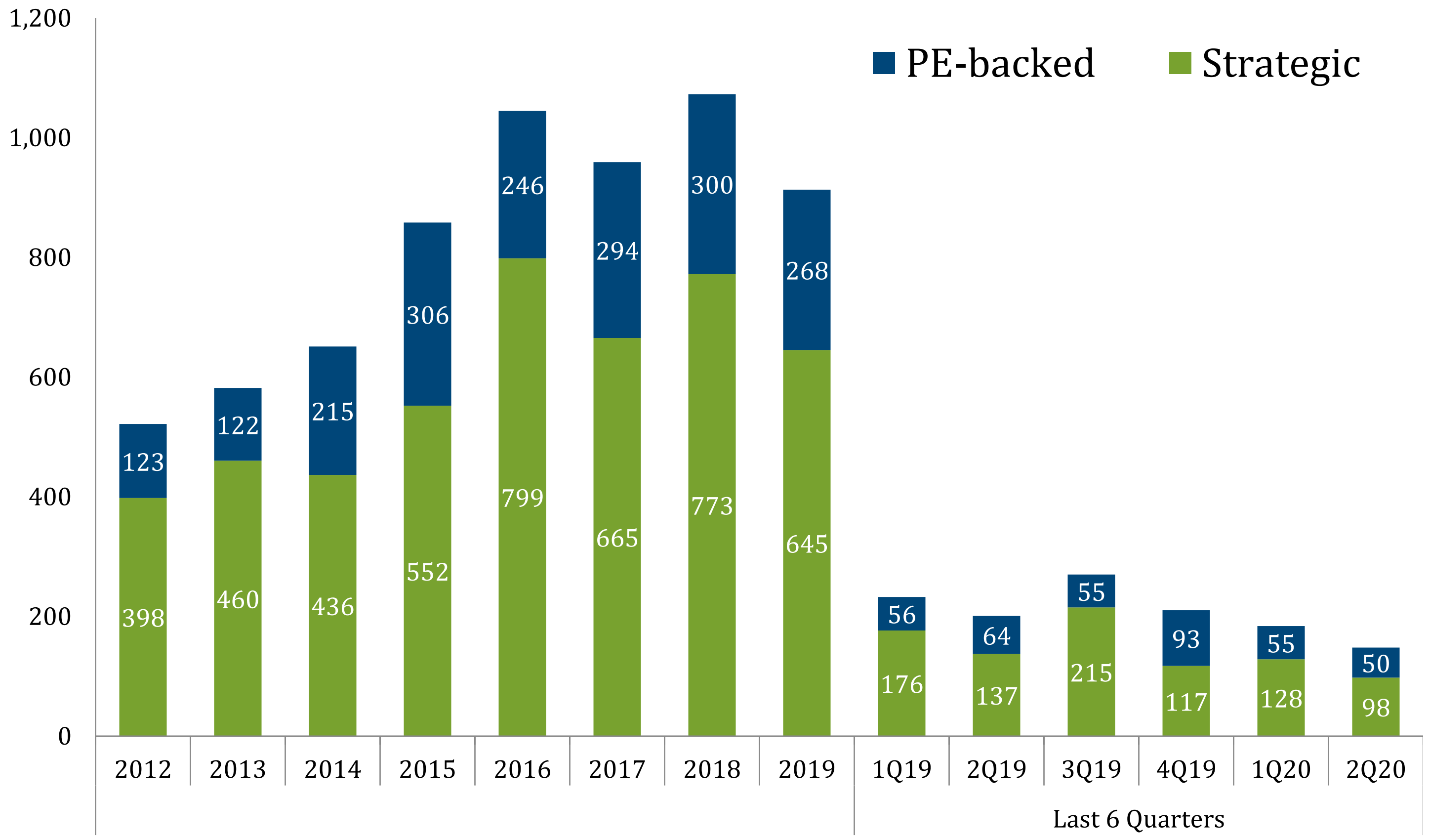
European M&A activity decreased 24% YoY in 1H 2020, driven predominantly by a decline in cross-border deals (i.e. with companies located outside Europe).

APAC firms represented 66% of the 1H20 inbound deal value (or €57.6bn), an increase from 58% of the 2019FY inbound 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)



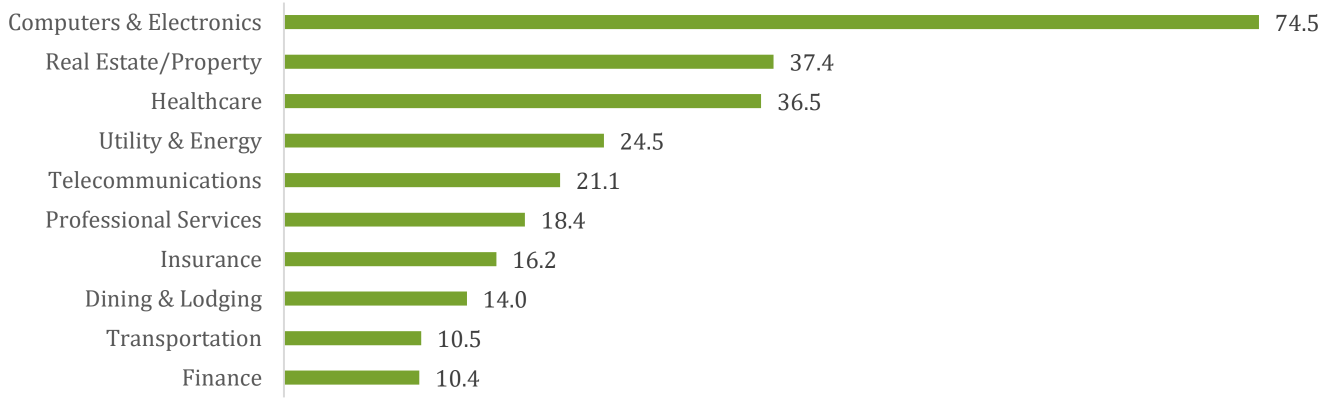
Source: Dealogic

Private Equity-backed M&A activity ("Sponsor" deals) totalled €105bn in 1H 2020, a decline of 12% against 1H 2019.

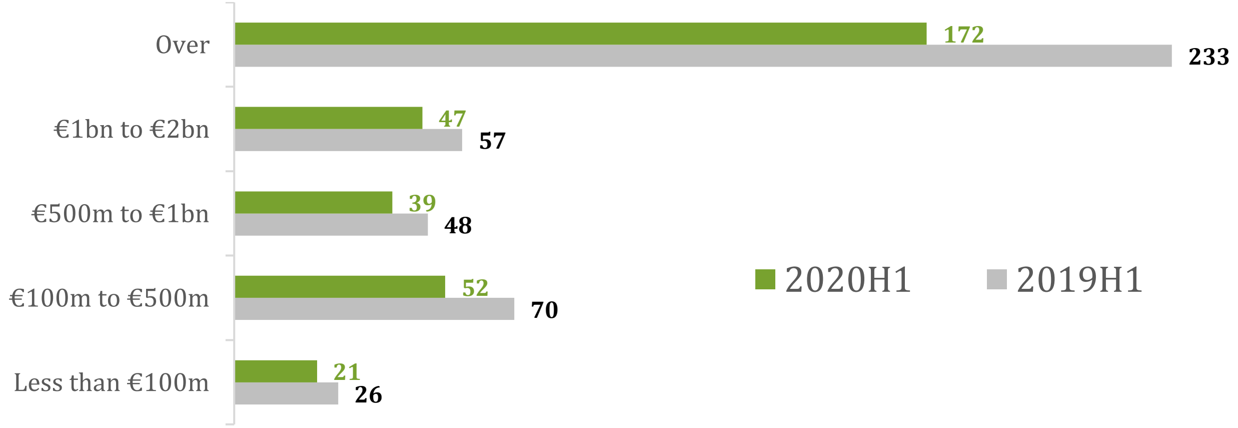
The 2Q 2020 PE-backed completed M&A amount was the lowest quarterly value since 2Q 2014.

Healthcare led by deal value

Top 10 industries for completed M&A (1H 2020, EUR bn)



Completed M&A transactions by deal value (EURbn)



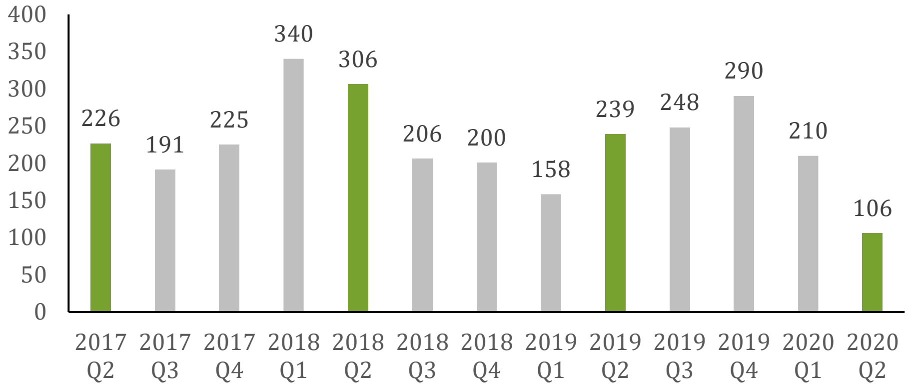
Source: Dealogic

One "megadeal" (deal value above €10bn) was completed during 1H 2020

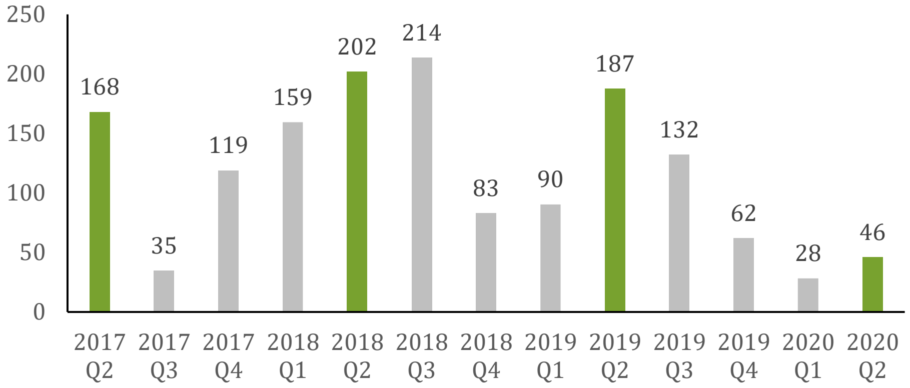
- Acquisition of Computers & Electronics company Stars Group Inc by Flutter Entertainment plc

Lowest amount of announced M&A in records

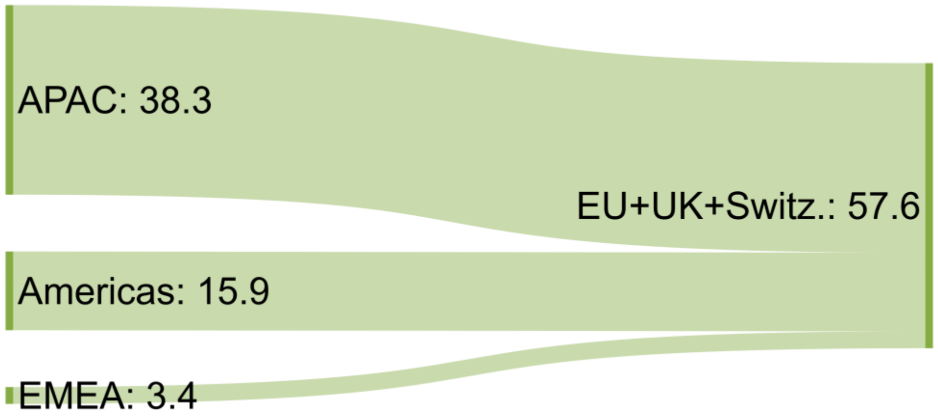
Announced M&A (EUR bn)



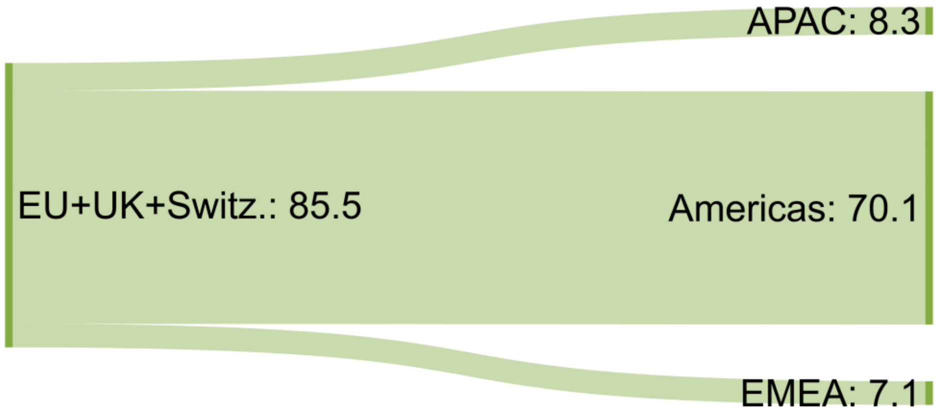
Withdrawn M&A (EUR bn)



Completed inbound M&A by acquiring region (EUR bn, 1H 2020)



Completed outbound M&A by target region (EUR bn, 1H 2020)



Source: Dealogic

Completed deal value declines across Europe

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

Source: Dealogic

Lowest 1H amount of M&A in Iberia region since 2014

Decline in M&A activity across most European regions except for BENELUX, CEE and Germany.

European integration: M&A between European firms

Completed intra-European M&A activity (1H 2020, 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	CHE	UK	TOTAL
Austria	137									16					38			7												198
Belgium		545							661	87										460										1,753
Bulgaria			126																											126
Croatia				14																										14
Cyprus					18							259	3																	280
Czech Republic			1	0		209																	268	31	8					516
Denmark							165			11				81						210							4		126	597
Estonia								1								17														17
Finland							0		5,174		4,167									10							14		18	9,382
France		145				1			1	21,464	1,420			51					250	4						695			826	24,856
Germany									7	1,360	23,833		15	65	140						316	525				1,434	250	6,451	1,442	35,837
Greece												61							19		10		0							90
Hungary													546								1,600									2,146
Ireland														352															7	358
Italy		975								143		275			16,972				2			600				40		180	4	19,190
Latvia																														
Lithuania																	69													69
Luxembourg		11							11	236								6			1,380								898	2,542
Malta			1																											1
Netherlands							765		1,022	21	670	500								2,187	1								7,472	12,637
Poland			1			16									11						3,401									3,429
Portugal										3												2,417					2			2,422
Romania																							257							257
Slovakia																														
Slovenia																									542					542
Spain										167	732				77						35	1,175				4,667		380	3,579	10,812
Sweden		7				1,300	90		296		225				29	24	128		33	157	64					22	8,075		736	11,187
Switzerland		1								1,700			3		12											3,413		5,187		10,316
United Kingdom		4					0	100	475	4	200	32		436	528					70	159					289	34		36,095	38,425
Total	137	1,687	129	14	18	1,527	1,021	101	7,645	25,212	31,246	1,127	567	984	17,805	41	198	13	304	3,098	6,966	4,717	525	31	549	10,559	8,378	12,198	51,202	187,999

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

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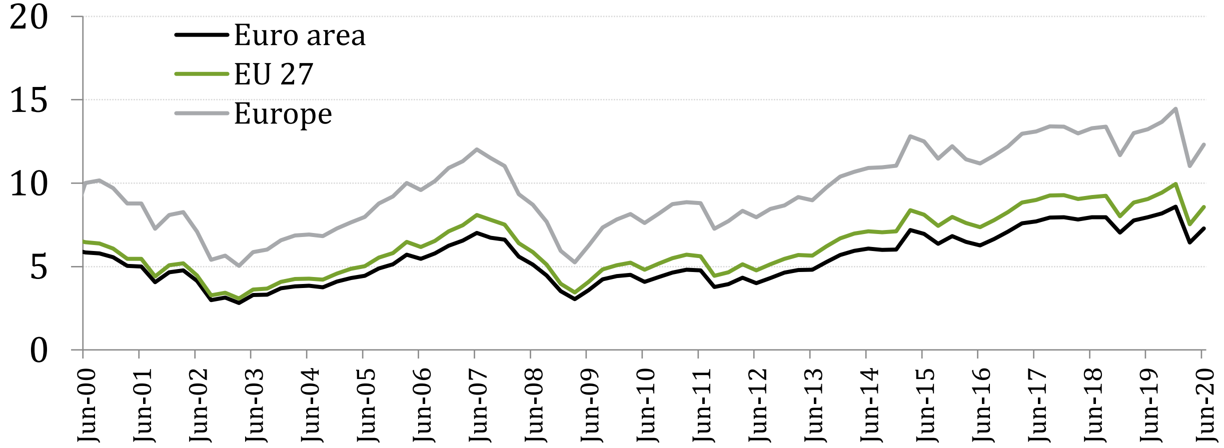
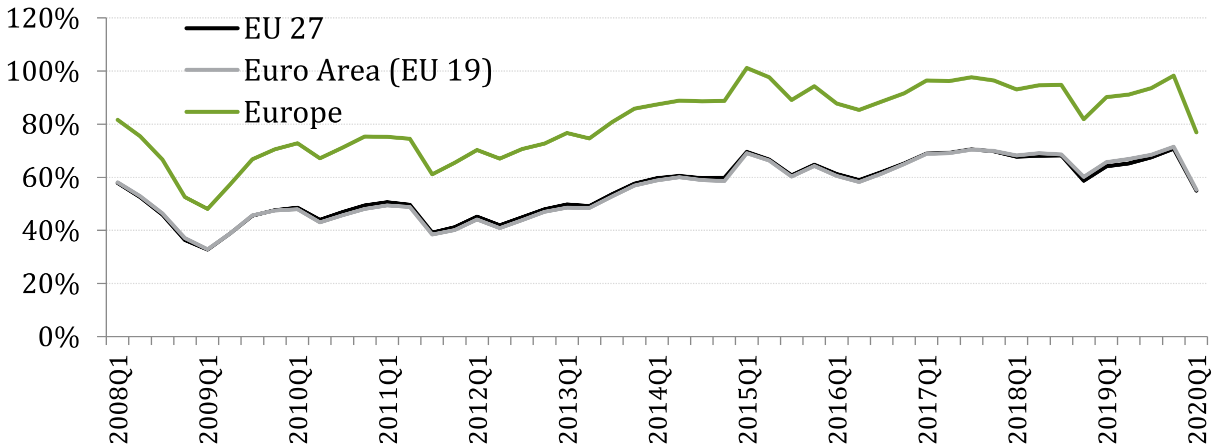
Secondary markets

Market capitalisation of domestic listed shares

EUR tn



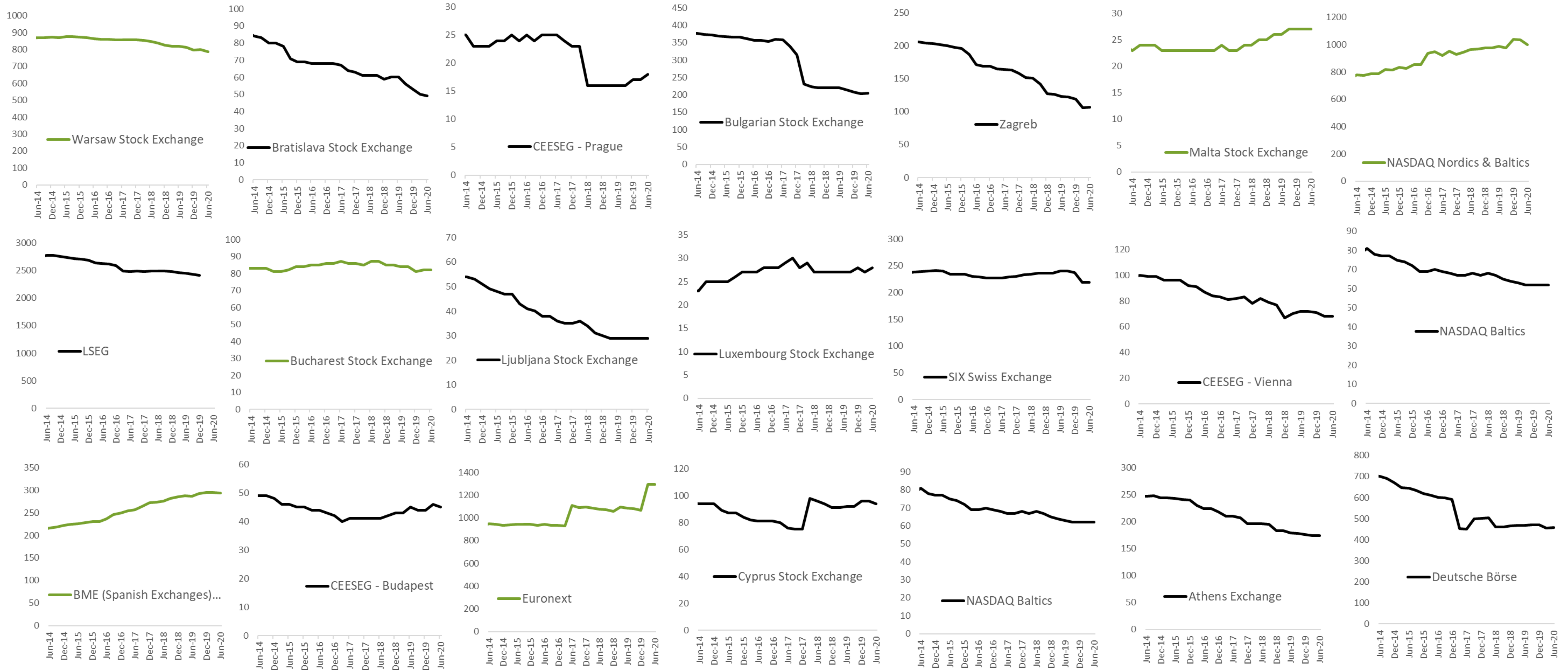
% GDP



Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE. Europe includes 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 only partially recovered in 1H20 following the sharp decline in company valuations following the COVID-19 outbreak.

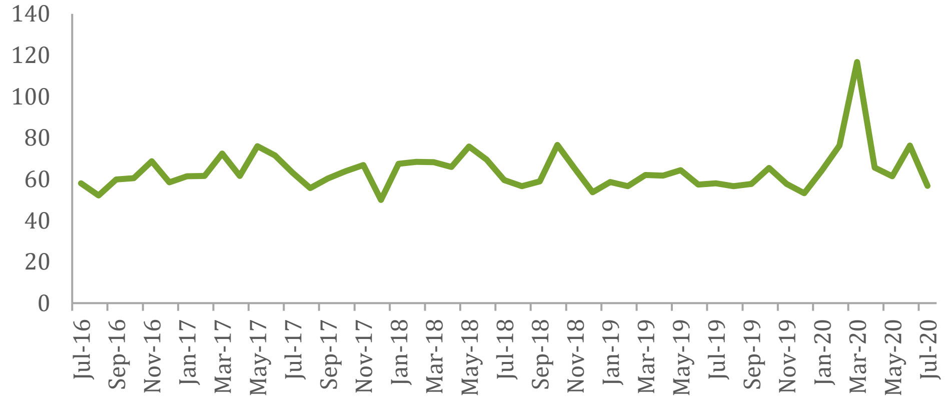
Number of listed companies on European exchanges



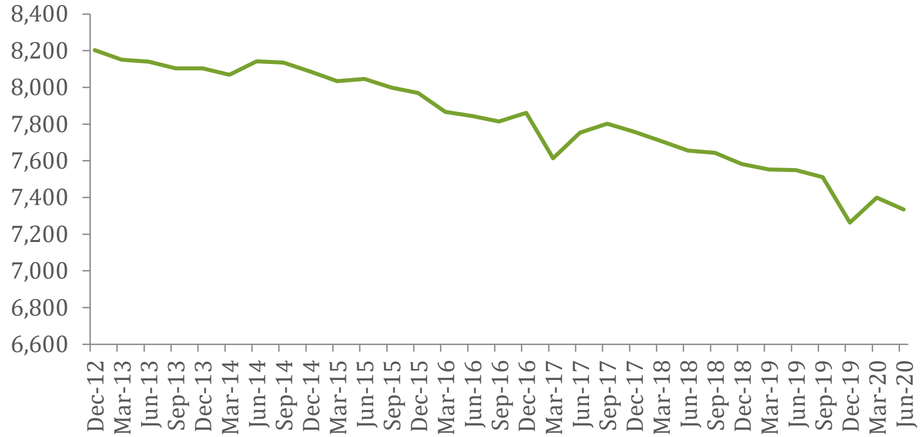
Source: FESE, WFE and European exchanges. Listed companies excludes Vienna’s global segment and Spanish SICAVs

Trading volumes normalise in 2Q20 following the sharp increase in March

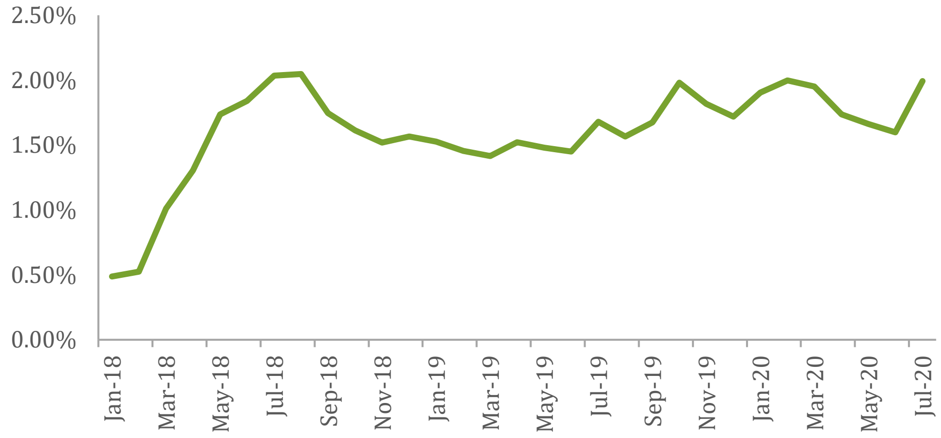
Average daily equity turnover value on European exchanges and MTFs (EUR bn)*



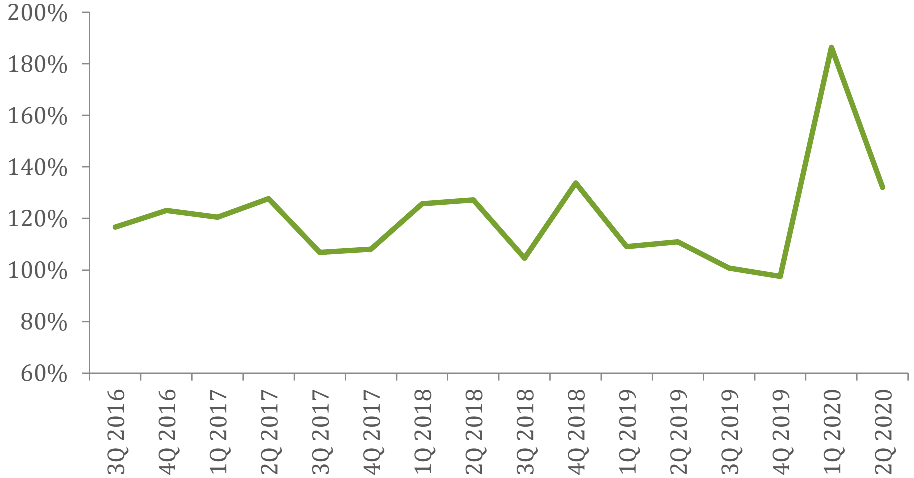
Number of listed companies on European exchanges



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.

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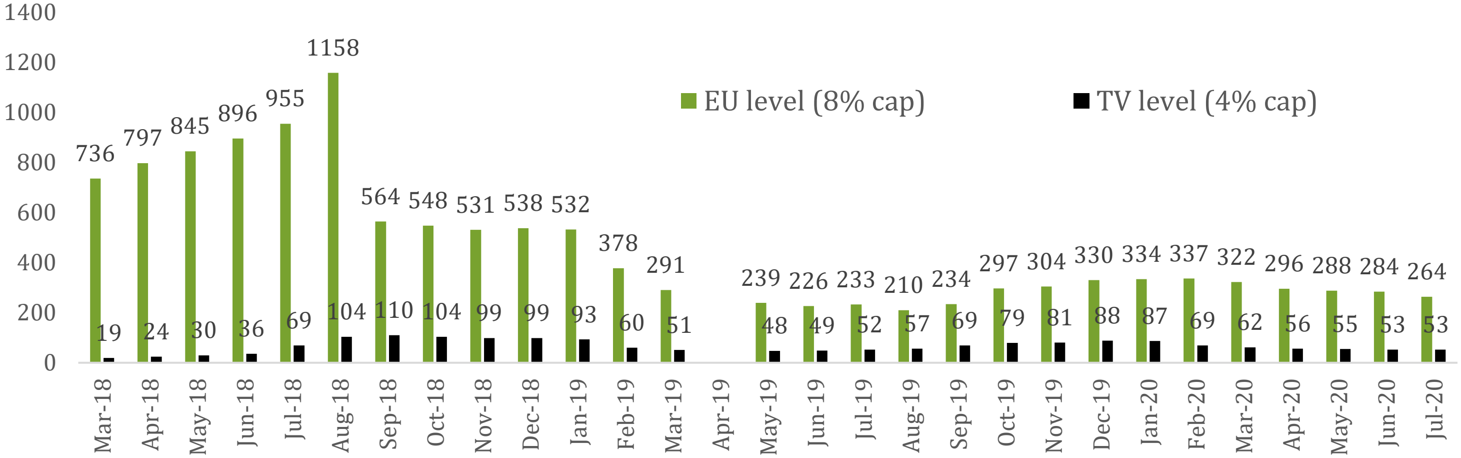
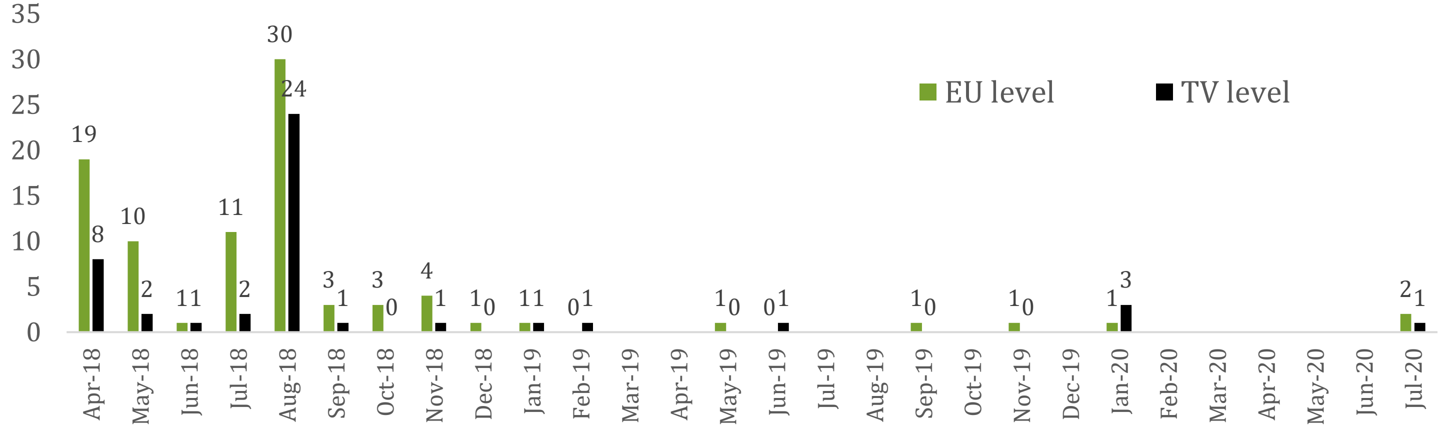
MiFID dark trading caps

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 recently stabilised at between 300-400 instruments suspended at the EU or trading venue level (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:

Jul-20

Country ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT	85	4	0	5%
BE	377	2	0	1%
BG	308	0	0	0%
CY	113	0	0	0%
CZ	26	0	0	0%
DE	1160	5	1	1%
DK	657	16	6	3%
EE	26	0	0	0%
ES	327	3	1	1%
FI	199	6	1	4%
FR	1096	5	1	1%
GB	1975	108	6	6%
GR	244	0	0	0%
HR	121	0	0	0%
HU	58	0	0	0%
IE	1110	15	15	3%
IT	448	3	0	1%
LT	31	0	0	0%
LU	862	4	4	1%
LV	25	0	0	0%
MT	37	0	0	0%
NL	215	3	0	1%
PL	775	0	0	0%
PT	65	2	0	3%
RO	367	0	0	0%
SE	1512	7	2	1%
SI	158	0	0	0%
SK	52	0	0	0%
Non-EU	14779	81	16	1%
Total	**27208**	**264**	**53**	**1%**

Source: ESMA

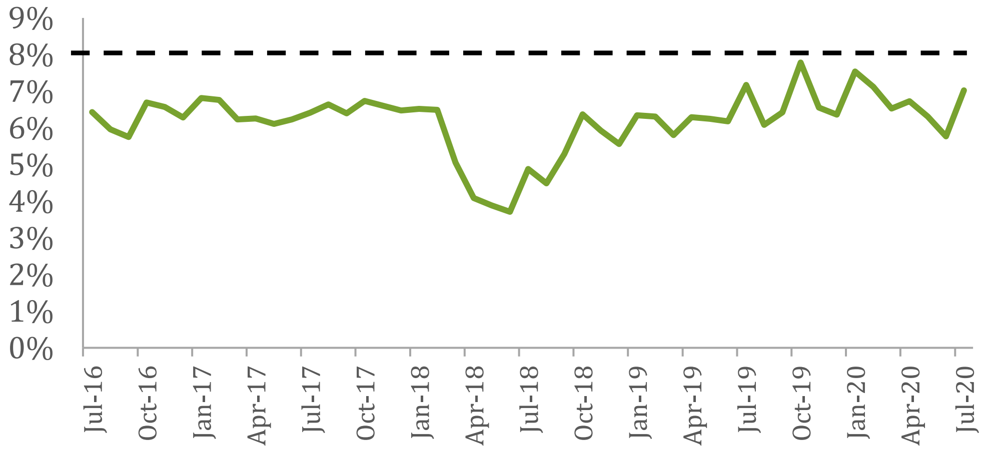
The 317 instruments currently suspended from dark trading at the EU or trading venue level represent 1% of the Universe of equity-like instruments on ESMA's July DVC files (27,208).

By countries, 114 of the 317 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 6% of the 1975 UK ISINs registered in the ESMA DVC files.

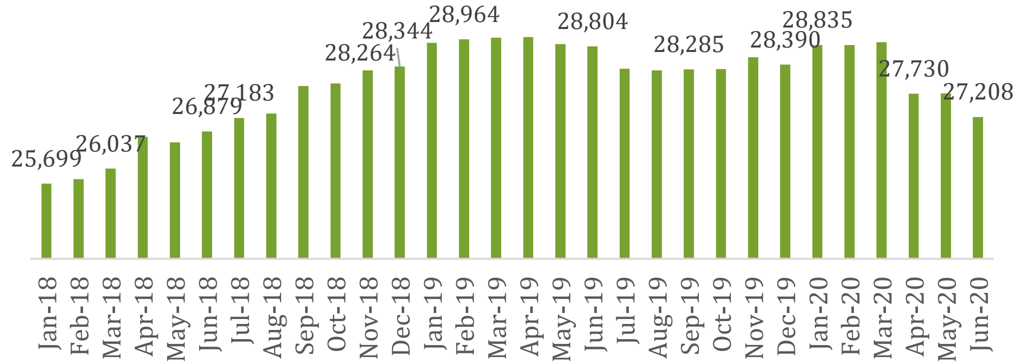
97 of the suspended instruments have non-EU28 ISINs, or 31% of all suspended instruments at the EU and trading venue.

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

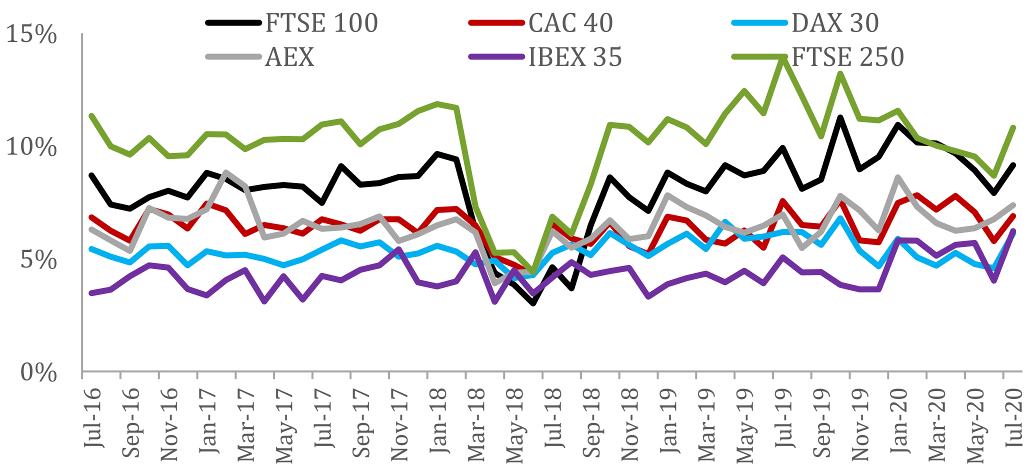
Dark trading as % of total turnover*



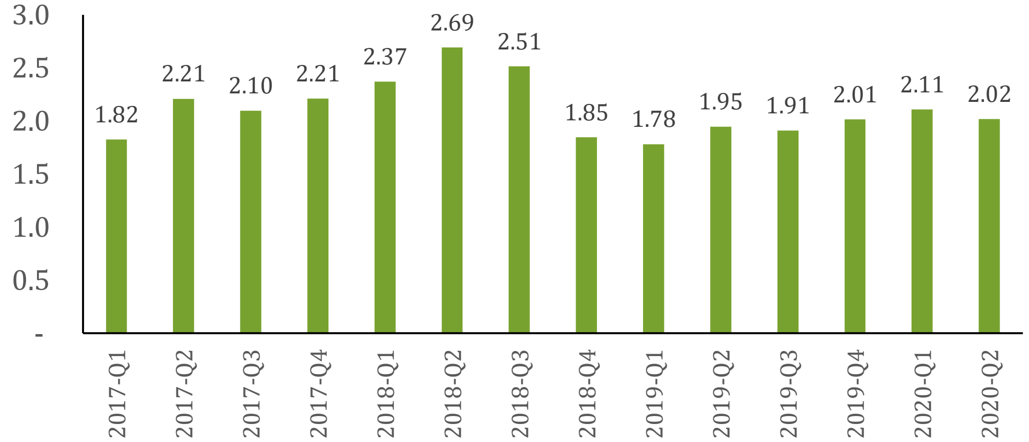
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



% of dark trading by indices*



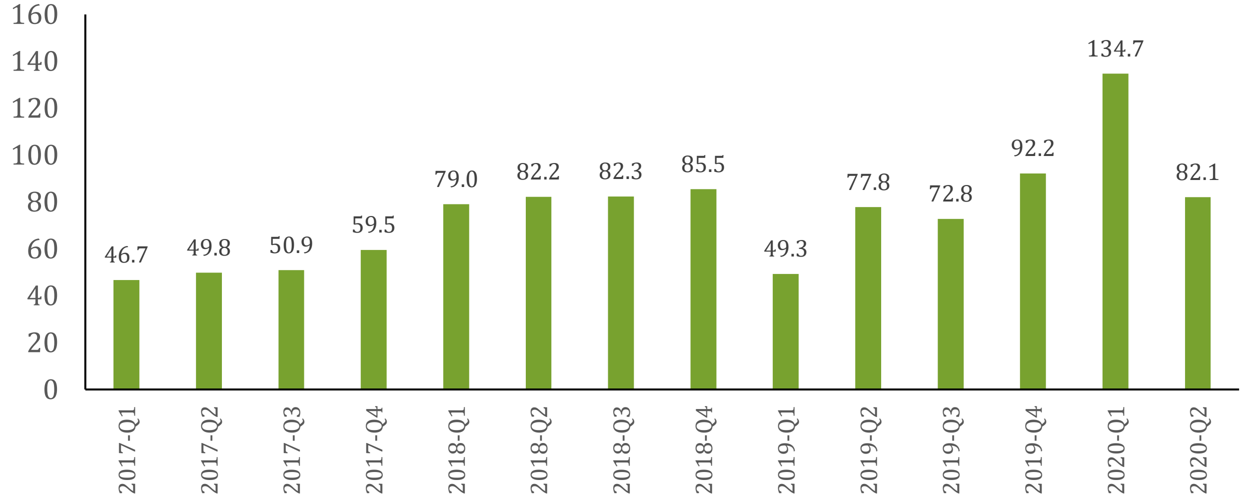
Block trades: Average value per trade (EURmm)



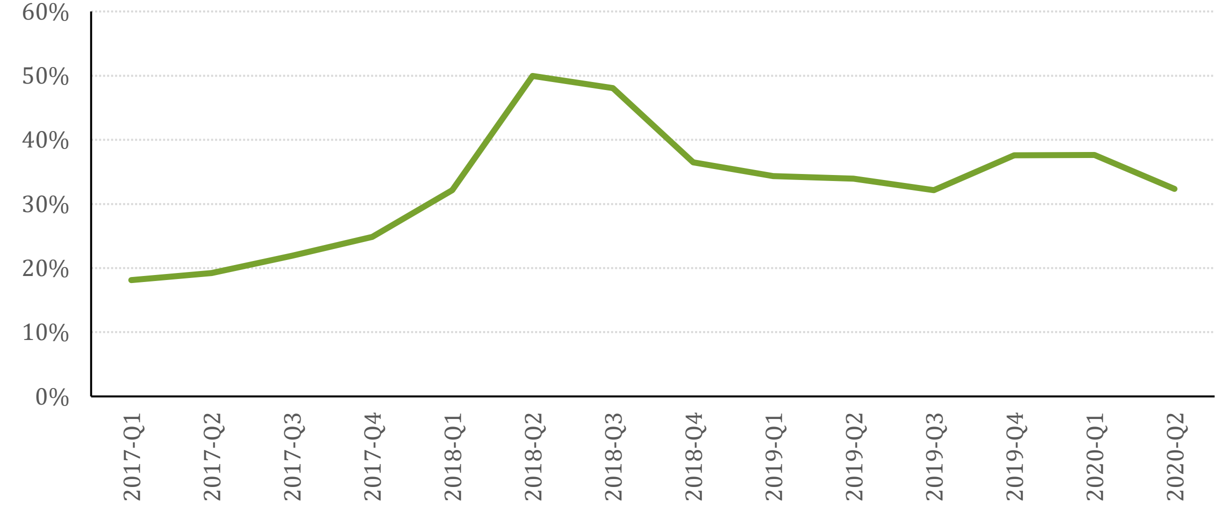
Source: ESMA and BigXYT

Block trades

Block trades: value traded ≥ LIS (EURbn)



Proportion of dark traded as LIS blocks (%)

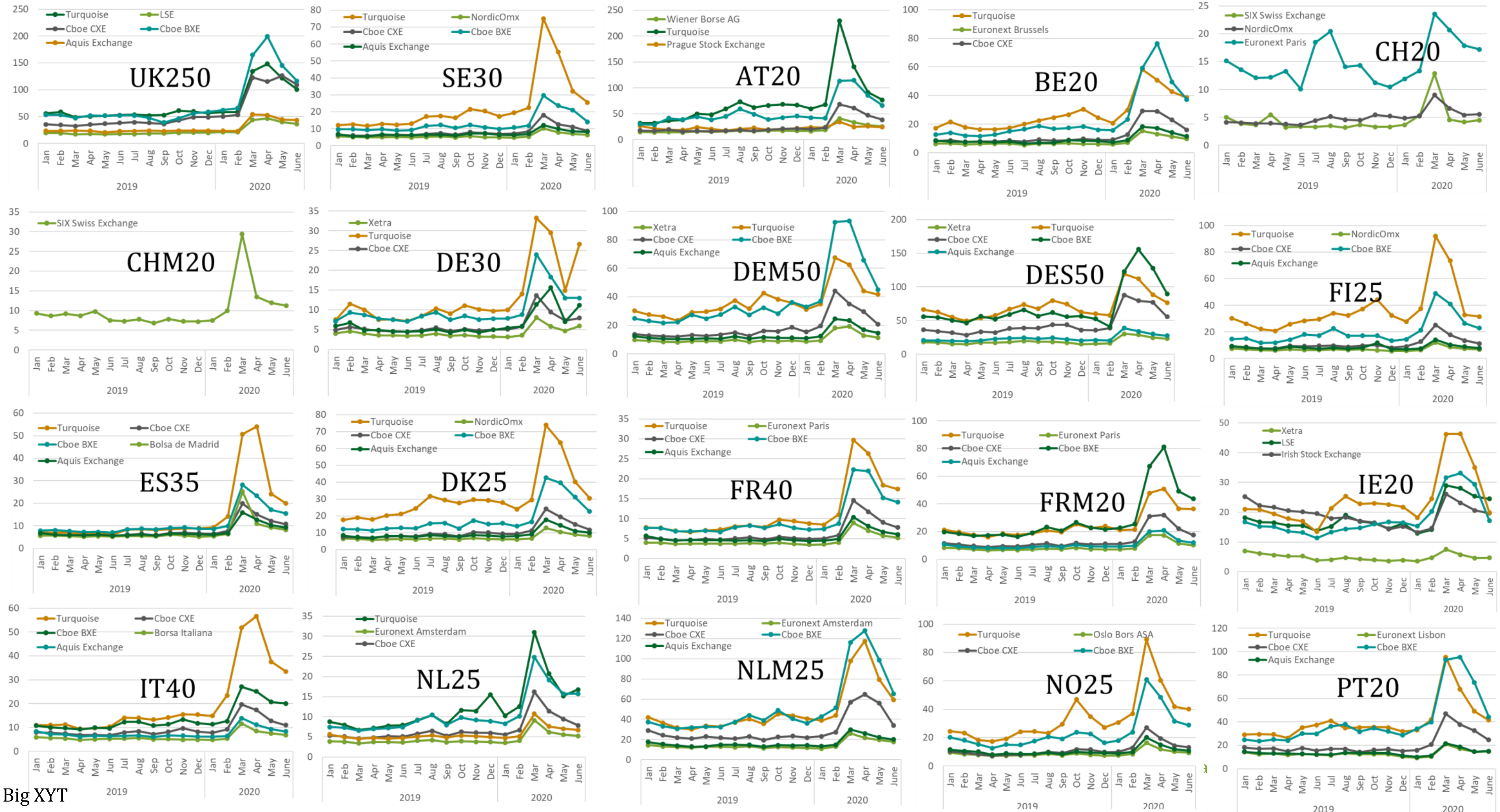


Source: BigXYT

The average weekly turnover in the form of block trades (traded above the large in scale threshold) recently stabilised to a quarterly total of €82.1 bn in 2Q20 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%.

Bid-ask spreads for selected European indices: primary exchange and selected venues (bps)

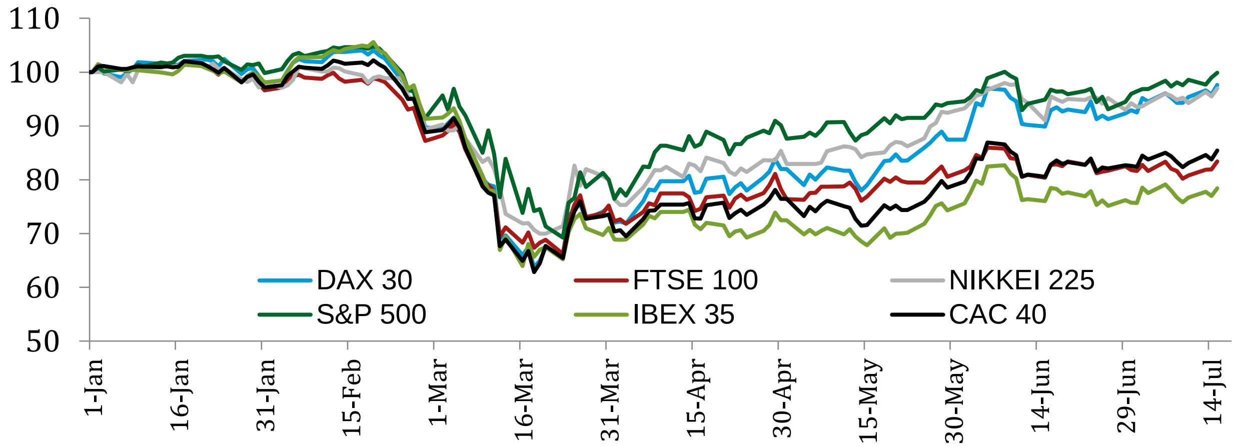


Source: Big XYT

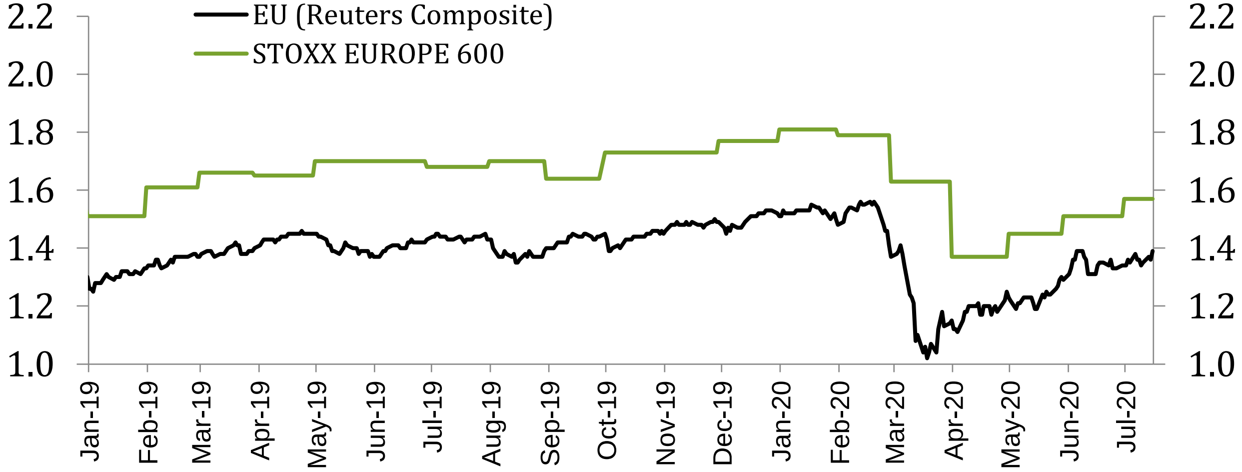
Valuations

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

Partial recovery in price indices and valuation multiples after the sharp decline observed in March 2020 following the COVID-19 outbreak.

European equity indices decreased between 7% (DAX30) and 24% (IBEX35) during 1H 2020.

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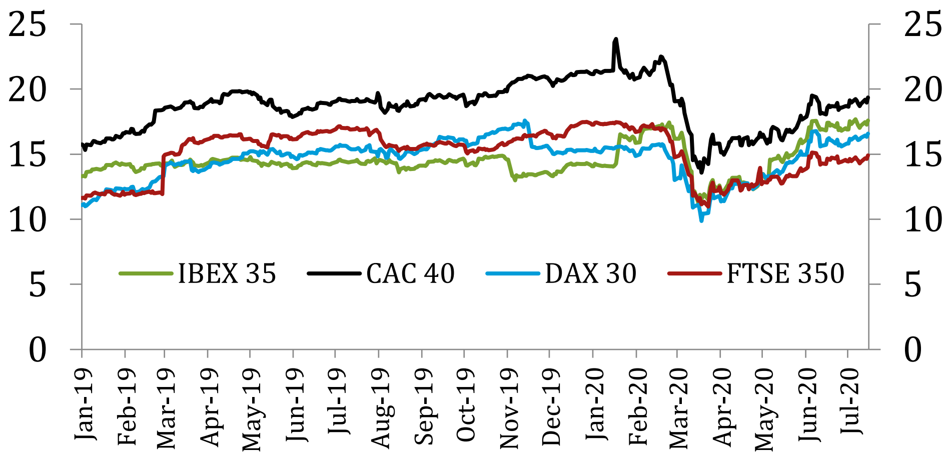
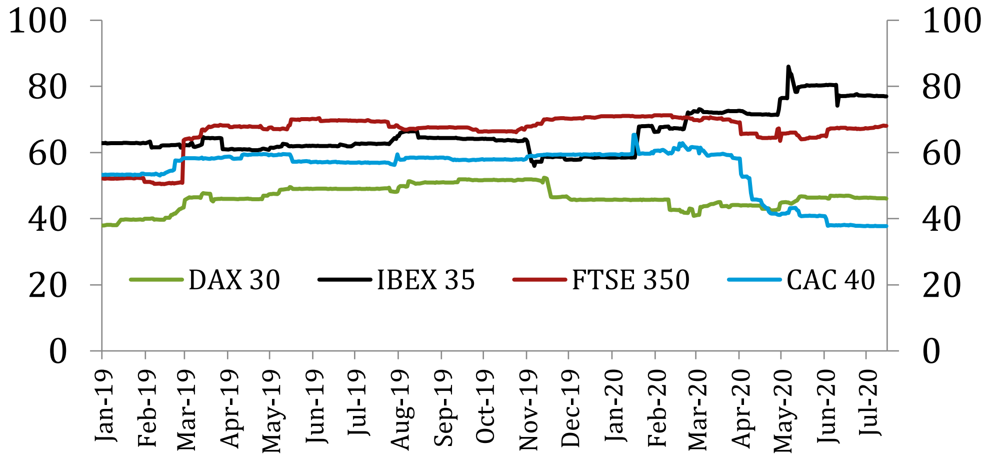
Valuation ratios and implied volatility

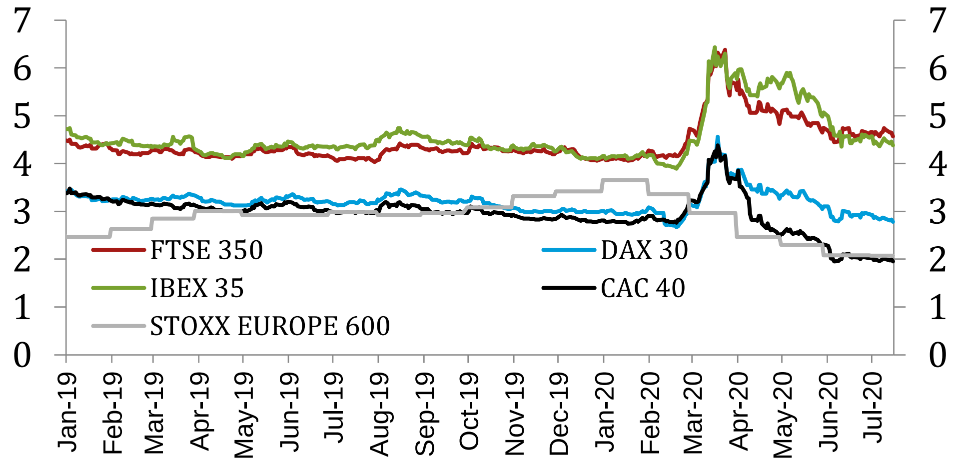
Price-to-earnings (PE) ratio



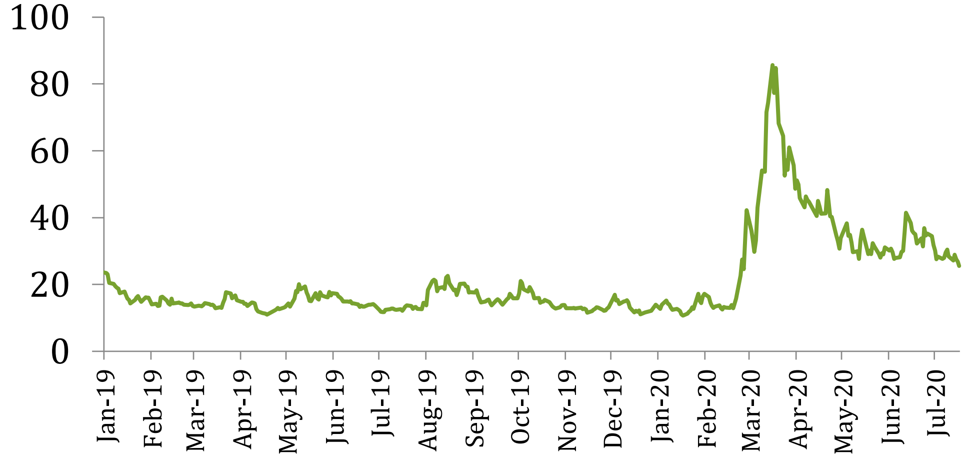
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

afme/ Finance for Europe

Appendix

	1Q 20	2Q 20			2020 YtD	1Q 19	2Q 19	3Q 19	4Q 19	2019 FY	% Change 1H
Equity underwriting (€ bn)	**25.8**	**52.8**			**78.6**	**25.4**	**39.0**	**22.0**	**30.0**	**116.3**	**22%**
IPOs	1.1	3.7			4.9	0.8	11.1	3.9	5.9	21.6	**-59%**
Follow-on offerings	22.0	41.7			63.7	18.5	24.0	12.5	22.4	77.4	**50%**
Convertible securities	2.7	7.4			10.1	6.1	3.9	5.6	1.6	17.2	**1%**
Mergers and Acquisitions (€ bn): completed	**183.5**	**147.6**			**331.2**	**232.6**	**200.8**	**269.8**	**210.1**	**913.2**	**-24%**
European outbound	37.9	47.7			85.5	45.3	46.1	35.4	48.5	175.3	**-6%**
European inbound	35.9	21.7			57.7	112.3	42.9	40.5	40.6	236.3	**-63%**
Intra European	109.8	78.2			188.0	74.9	111.7	193.8	121.1	501.6	**1%**
Mergers and Acquisitions (€ bn): announced	**209.9**	**105.6**			**315.5**	**158.1**	**238.7**	**247.8**	**290.4**	**935.0**	**-21%**
Equity trading value (€ bn)											
Average daily	85.7	67.8			**76.7**	59.1	61.2	57.4	58.8	**59.1**	**28%**
Market Capitalisation of domestic listed shares (€ tn)											
European (EU27, UK and Switzerland)	11.0	12.3			12.3	13.0	13.2	13.7	14.5	14.5	**-15%**
EU 27	7.5	8.6			8.6	8.8	9.1	9.4	10.0	10.0	**-14%**
Euro Zone	6.4	7.3			7.3	7.8	7.9	8.2	8.6	8.6	**-15%**

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

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Disclaimer and Methodology

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