

4Q 2020 and 2020FY

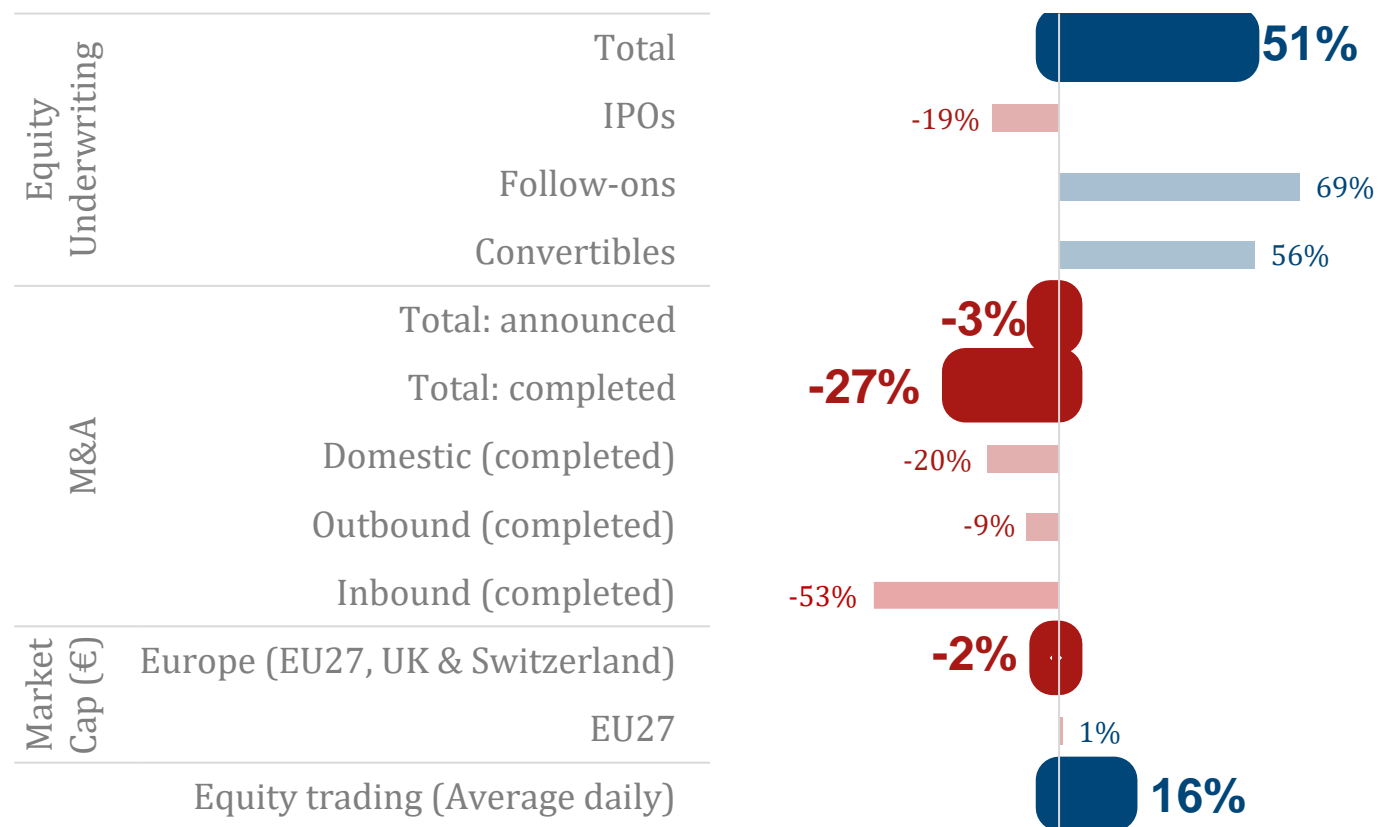
Equity Primary Markets and Trading Report

European market data
update



2020FY variation of European Equity activity

EU27 member countries, UK and Switzerland



Large increase in equity capital raising in 2020

2020 saw a large annual increase of 51% in equity underwriting on European exchanges. Follow-on offerings rose 69% year-on-year (YoY) with the largest annual amount of proceeds since 2007.

Completed Mergers and Acquisitions (M&A) of European companies totalled €671.8bn in 2020 a 27% decrease from the amount completed in 2019 (€918.5bn).

The amount of announced M&A totalled €905.5bn in 2020 a 3% decrease from €929.5bn in 2019.

Average daily equity trading activity on European main markets and MTFs stood at €68.5bn in 2020, 16% above the average daily value observed in 2019 (€59.1bn).

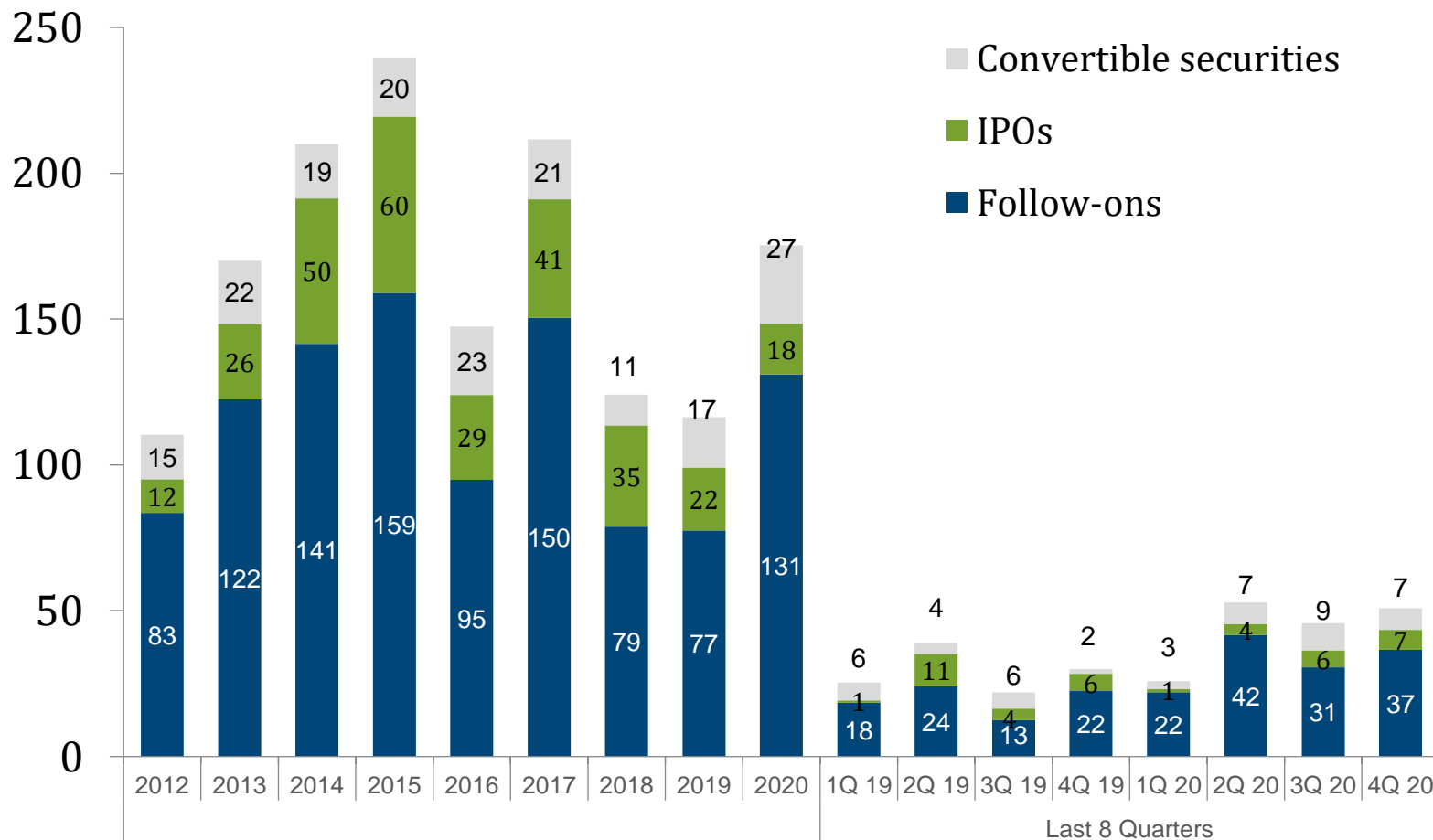
Domestic market capitalisation of European listed shares stood at €14.2tn at the end of December 2020, a 2% decrease from €14.5 in at the end of 2019.

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Equity issuance

Increase in equity raising to support the recovery

Equity Issuance on European exchanges (EUR bn)

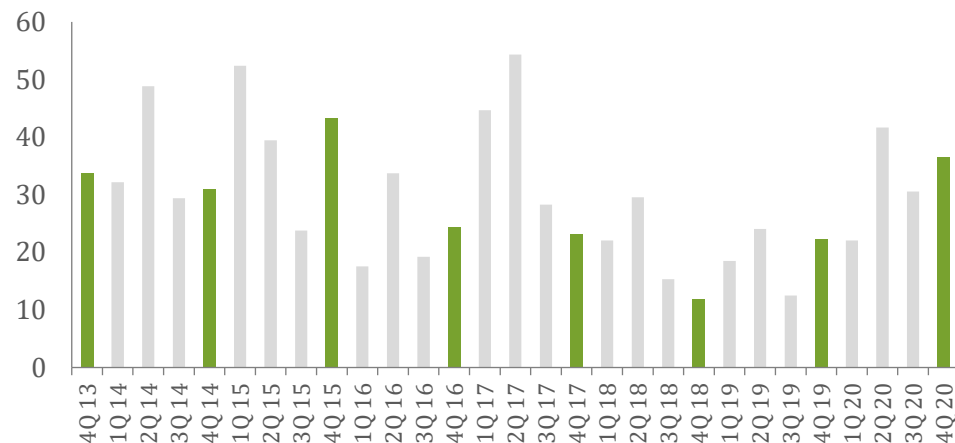


Source: Dealogic

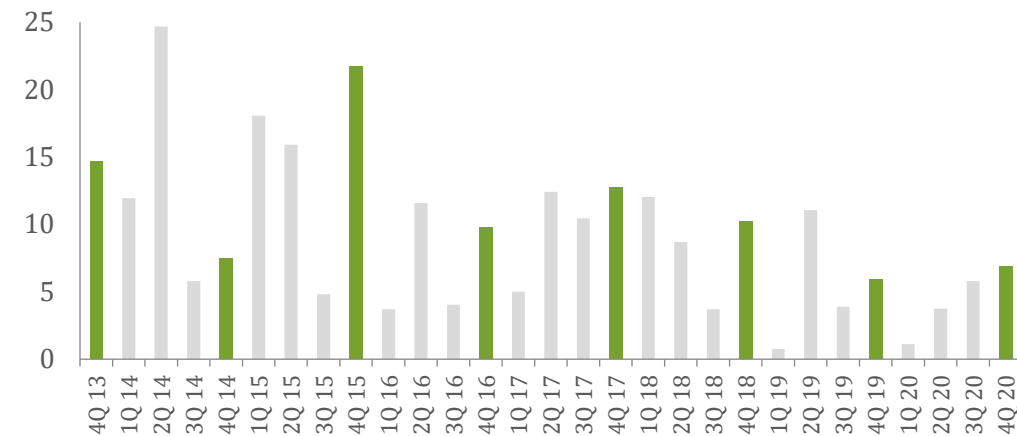
The full year (FY) increase in equity underwriting (51%) was driven by a 69% increase in follow-on proceeds and a 56% increase in convertible securities.

IPO issuance on European exchanges in 2020 totalled €18 bn—the lowest annual amount since 2012.

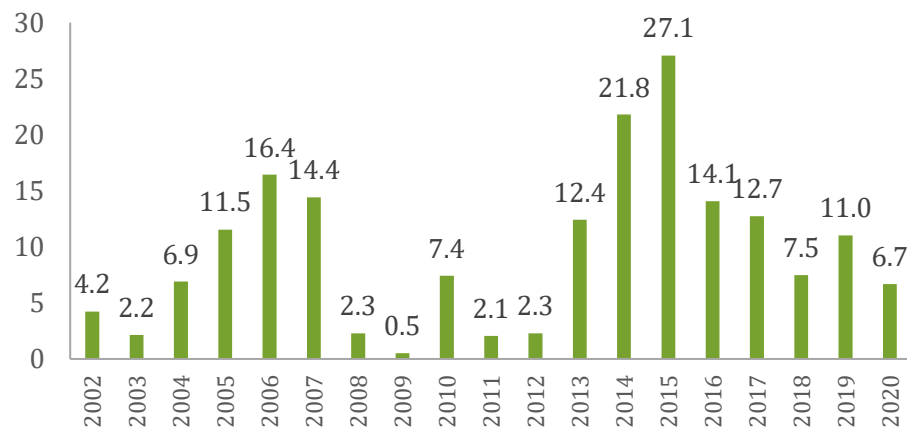
Follow-on offerings (EUR bn)



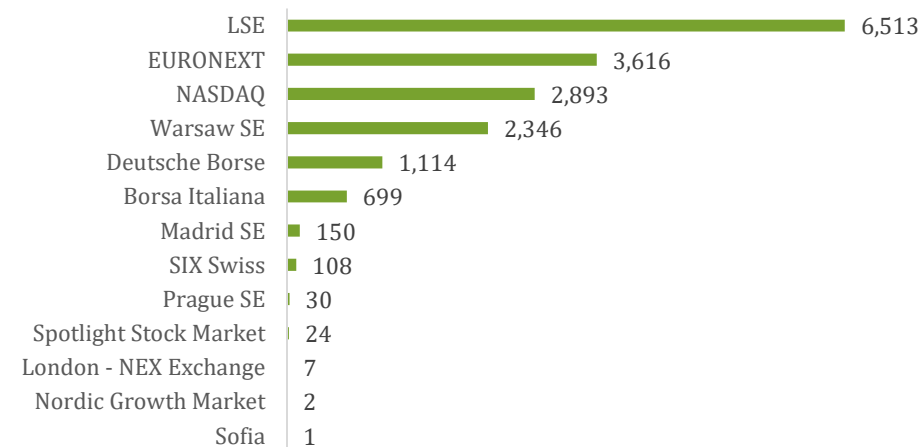
IPO proceeds (EUR bn)



PE-backed IPO proceeds (EUR bn)



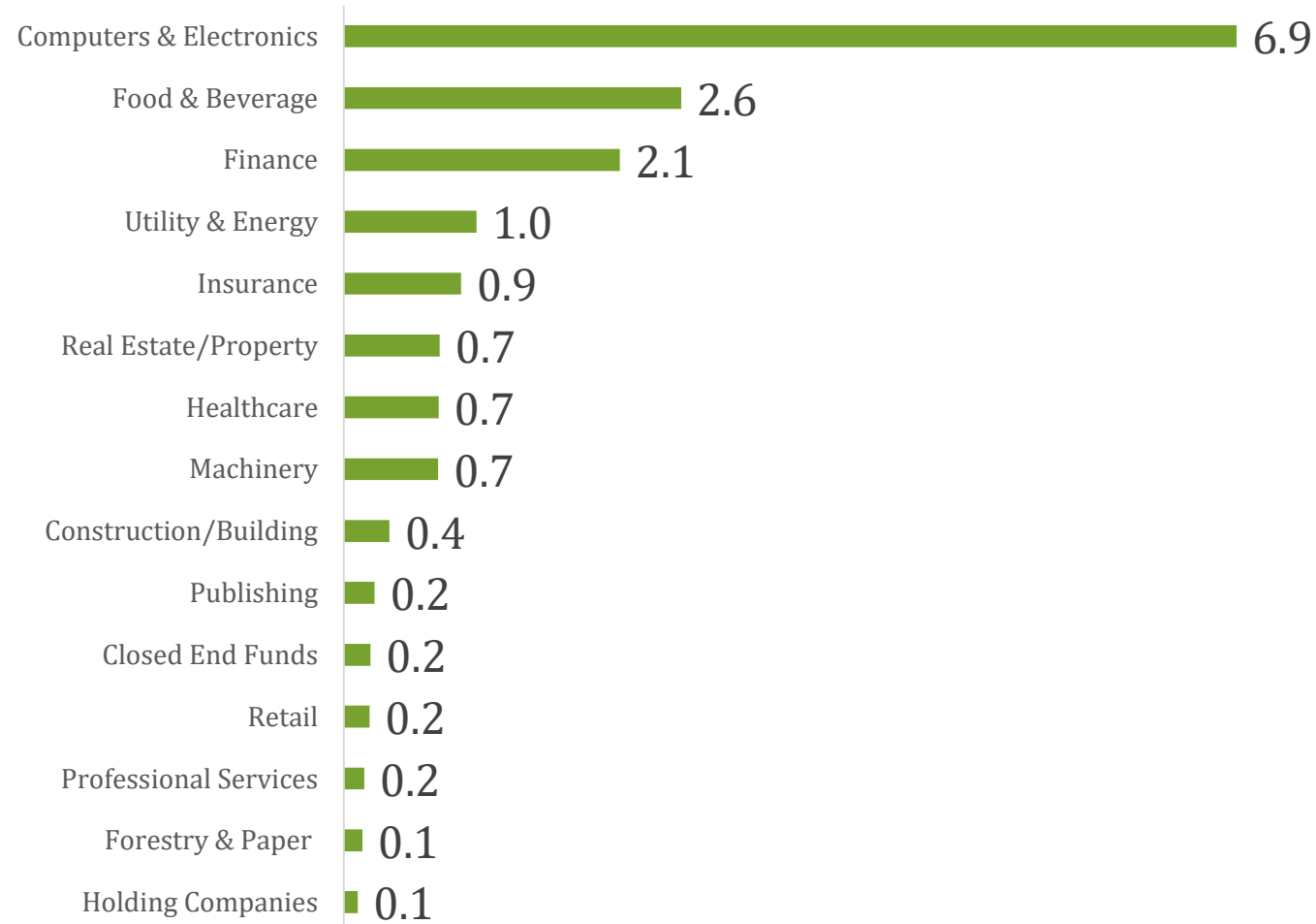
IPO proceeds by listing market (EUR mm): 2020



Source: Dealogic

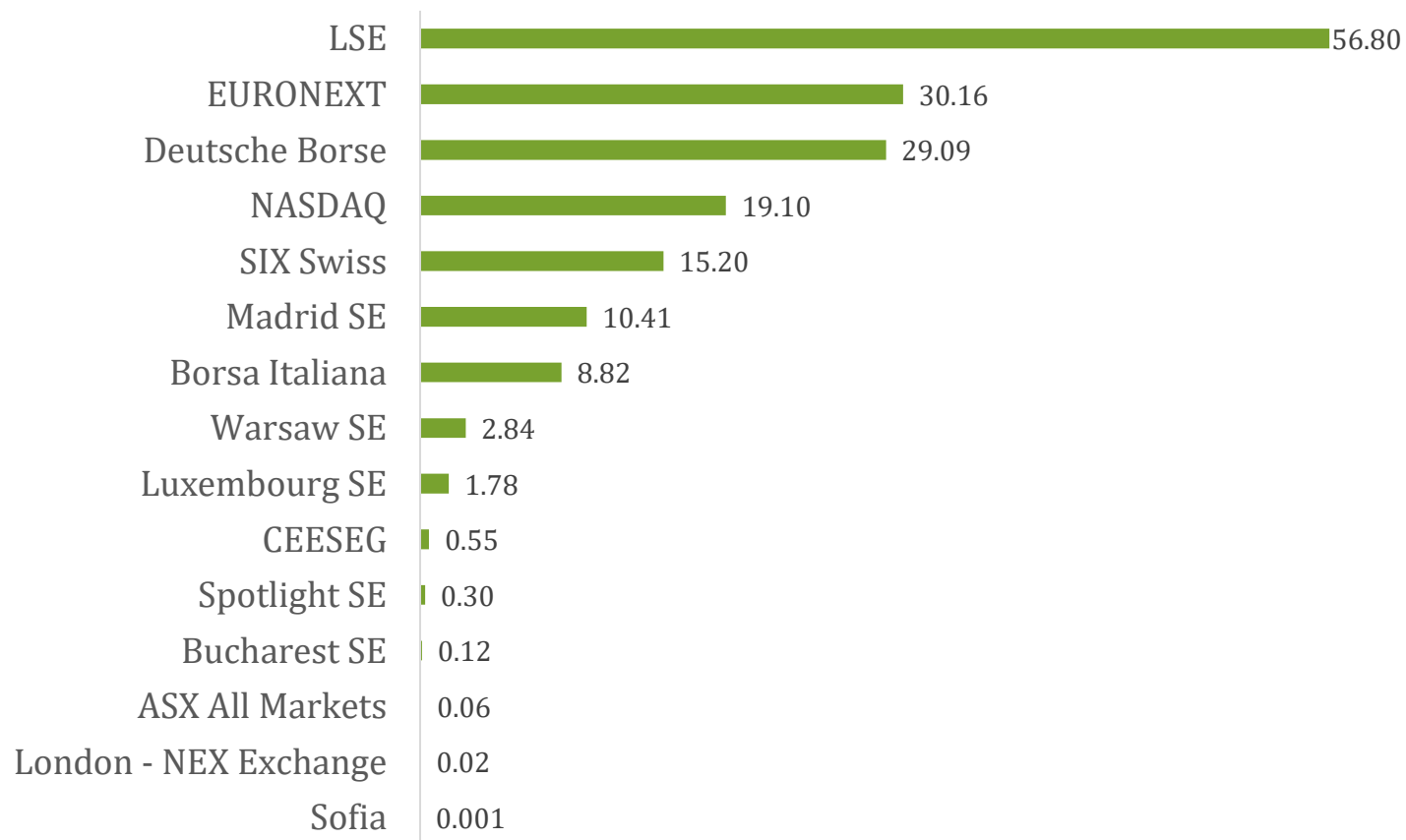
Computers and Electronics lead by IPO proceeds

IPO proceeds by industry (EUR mm): 2020FY



LSE led equity issuance

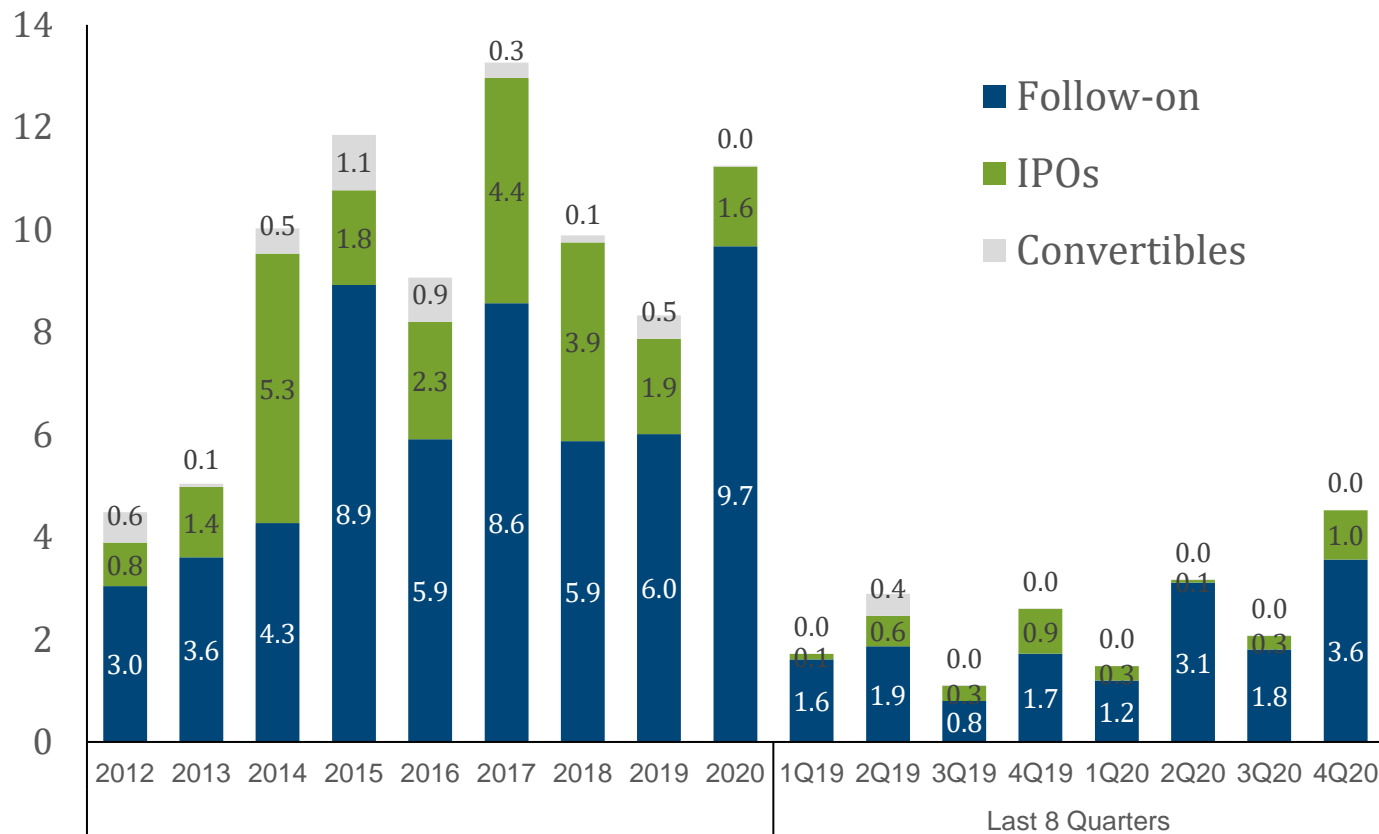
Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): 2020FY



LSE exchanges (main market and AIM) led by total equity underwriting accumulating a total of €56.8bn, followed by Euronext and Deutsche Borse exchanges.

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



Source: Dealogic

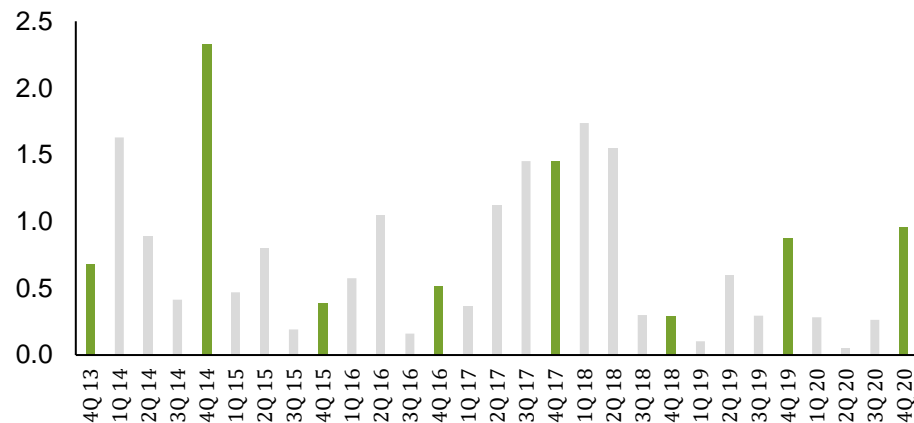
During 2020, equity issuance on Jr exchanges rose 35% compared to 2019, accumulating a total of €11.3bn in proceeds.

Large increase in follow-on offerings in the year accumulating €9.7bn in equity capital, the largest annual amount since 2007

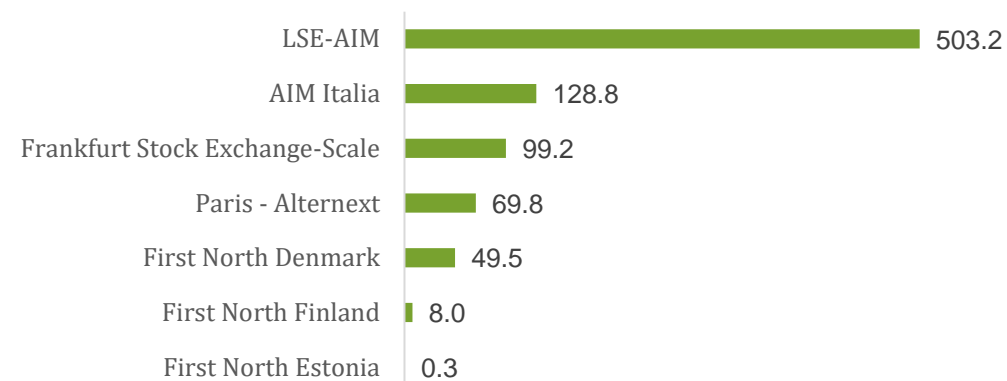
IPOs on Junior markets, however, continued subdued with €1.6bn in proceeds in 2020.

LSE AIM led IPO proceeds on Jr markets

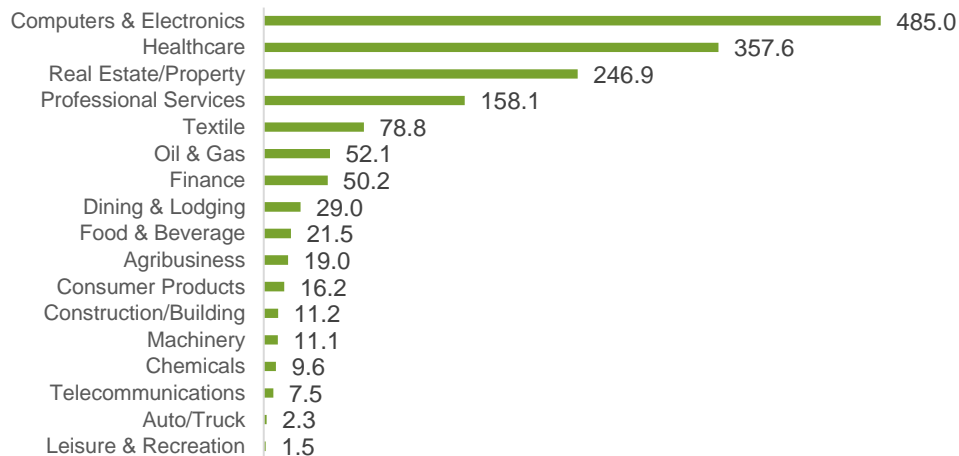
IPO proceeds on European Jr markets (EUR bn)



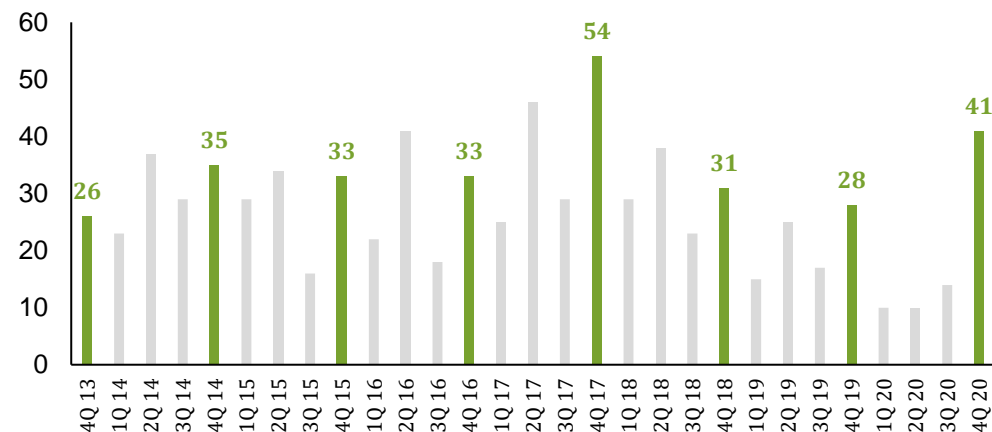
IPO proceeds on Jr markets by exchange (EUR mm, 2020)



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



Number of IPOs on European Jr markets

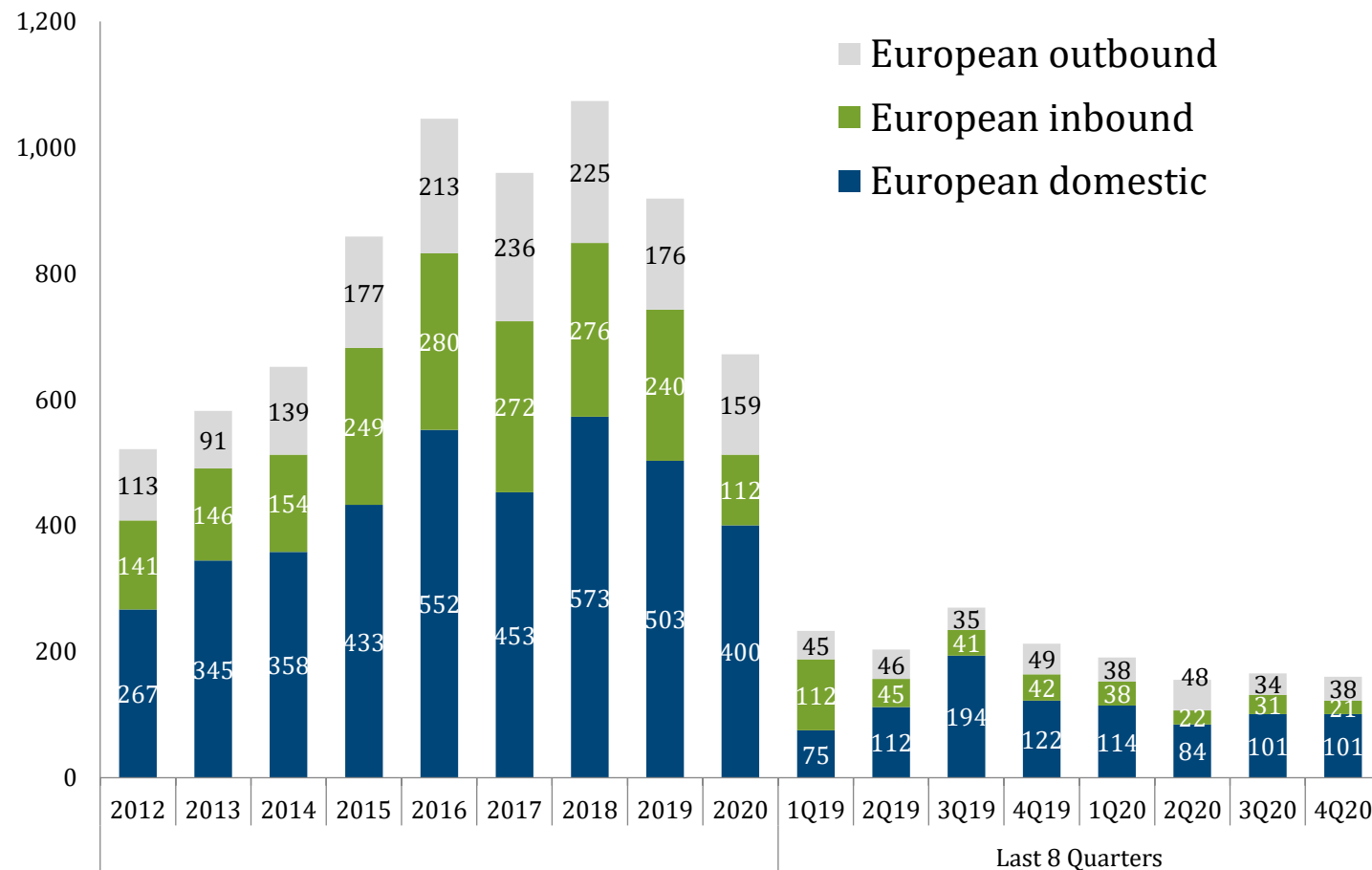


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

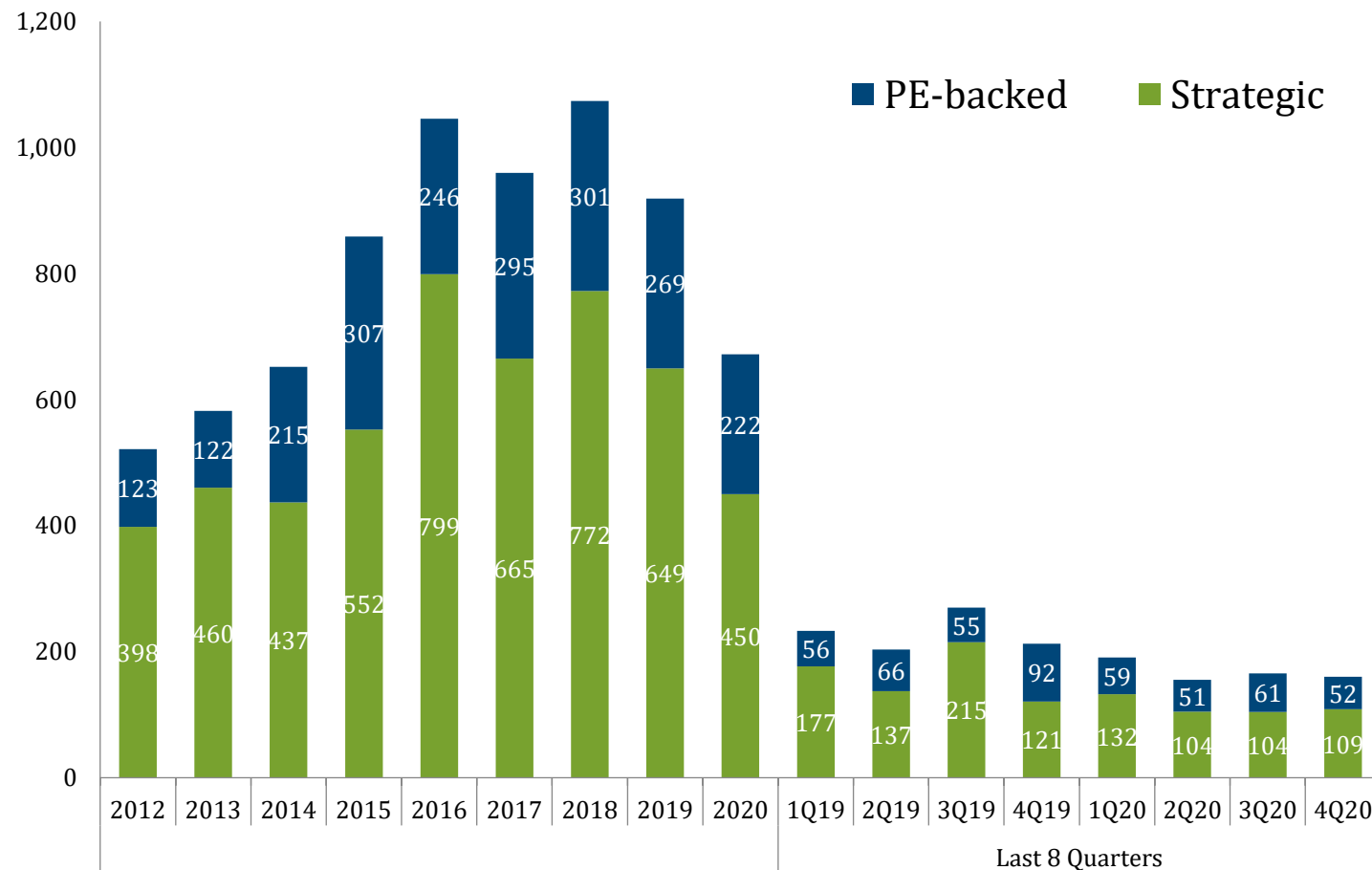
European* completed M&A activity decreased 27% in 2020 compared to 2019, driven predominantly by a decline in inbound deals (i.e. acquisition of European companies by non-European firms).

Firms headquartered in the Americas represented 57% of the 2020 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)



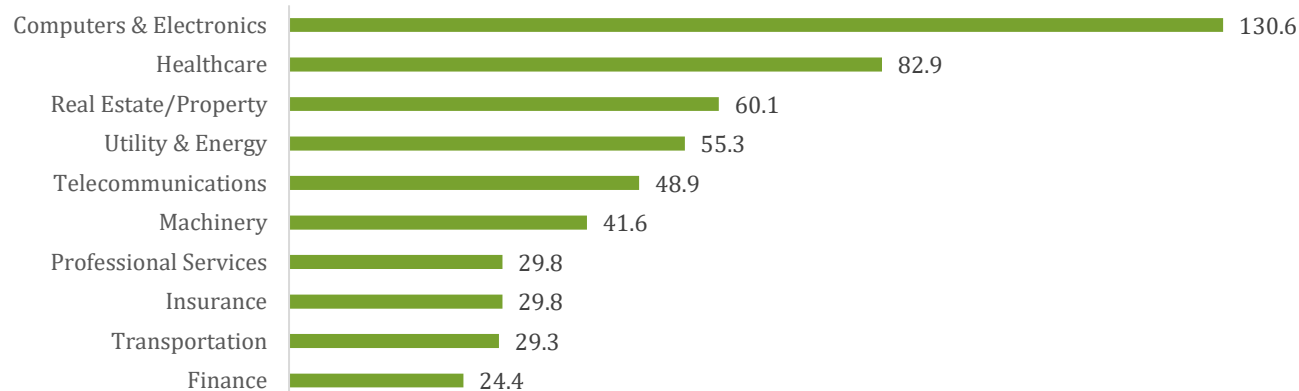
Source: Dealogic

Private Equity-backed M&A activity (“Sponsor” deals) totalled €222bn in 2020, a decline of 17% against 2019.

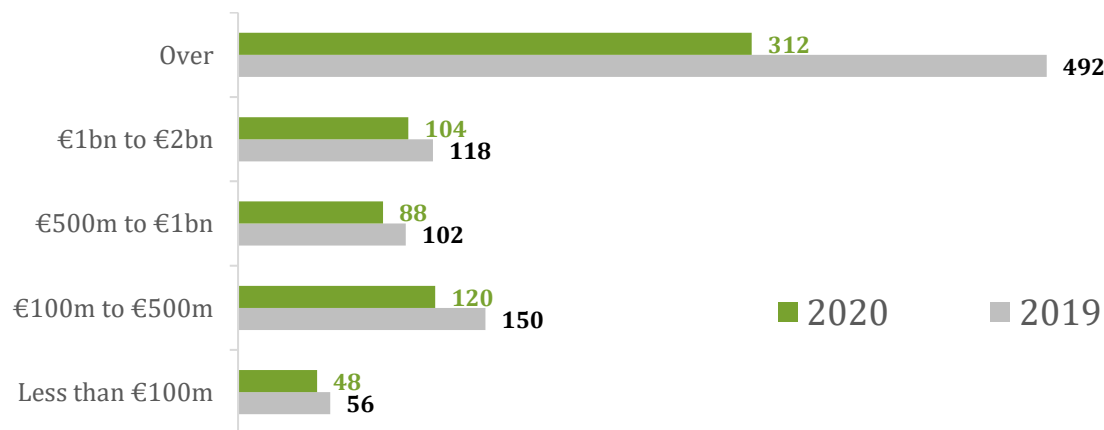
The 2020 completed strategic M&A amount was the lowest annual deal value since 2014.

Computer and electronics led by deal value

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



Completed M&A transactions by deal value (EURbn)



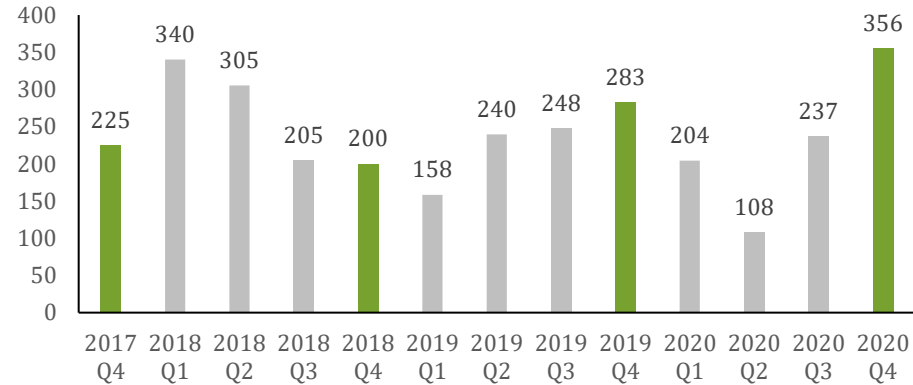
Source: Dealogic

Three “megadeals” (deal value above €10bn) were completed during 2020:

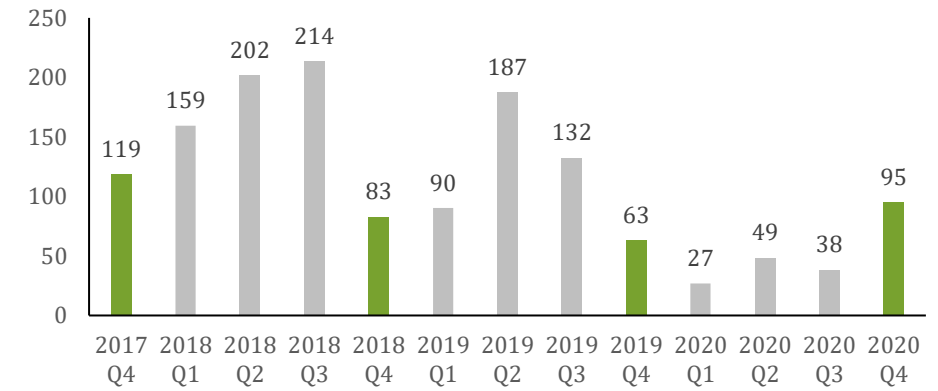
- Acquisition of Canadian online gambling company *Stars Group* by Irish & UK company *Flutter Entertainment*.
- Acquisition of *Ingenico Group* by *Worldline SA* (both France-based.)
- Acquisition of German elevator manufacturer *ThyssenKrupp Elevator* by a German Private Equity firm.

Quarterly increase in announced M&A

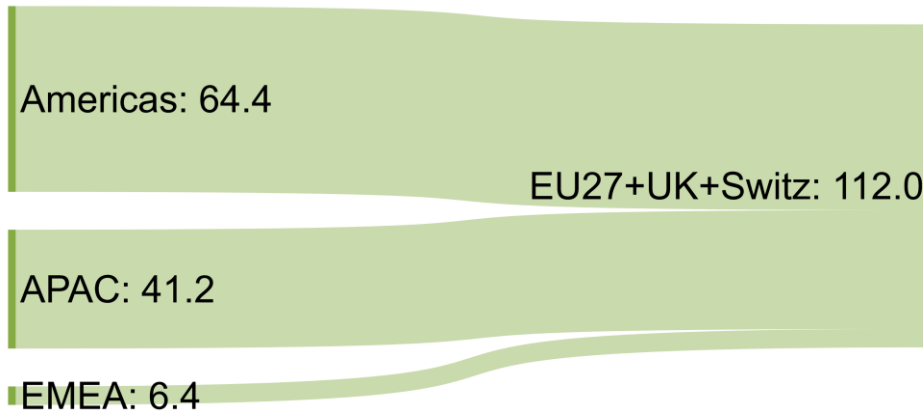
Announced M&A (EUR bn)



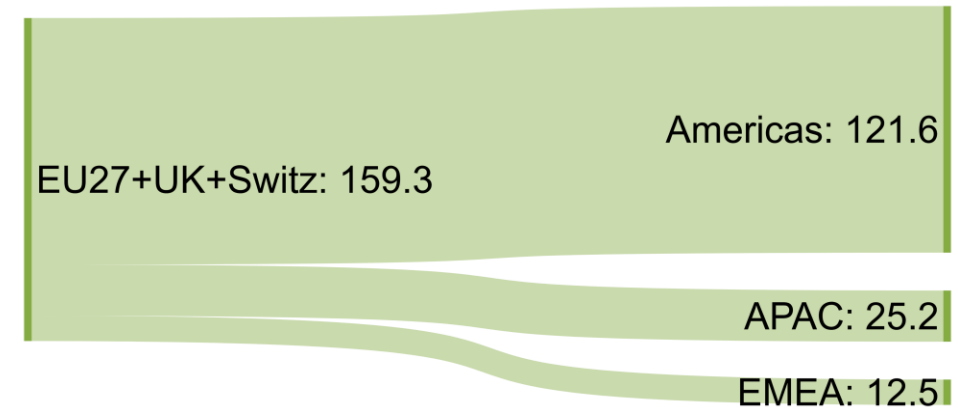
Withdrawn M&A (EUR bn)



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



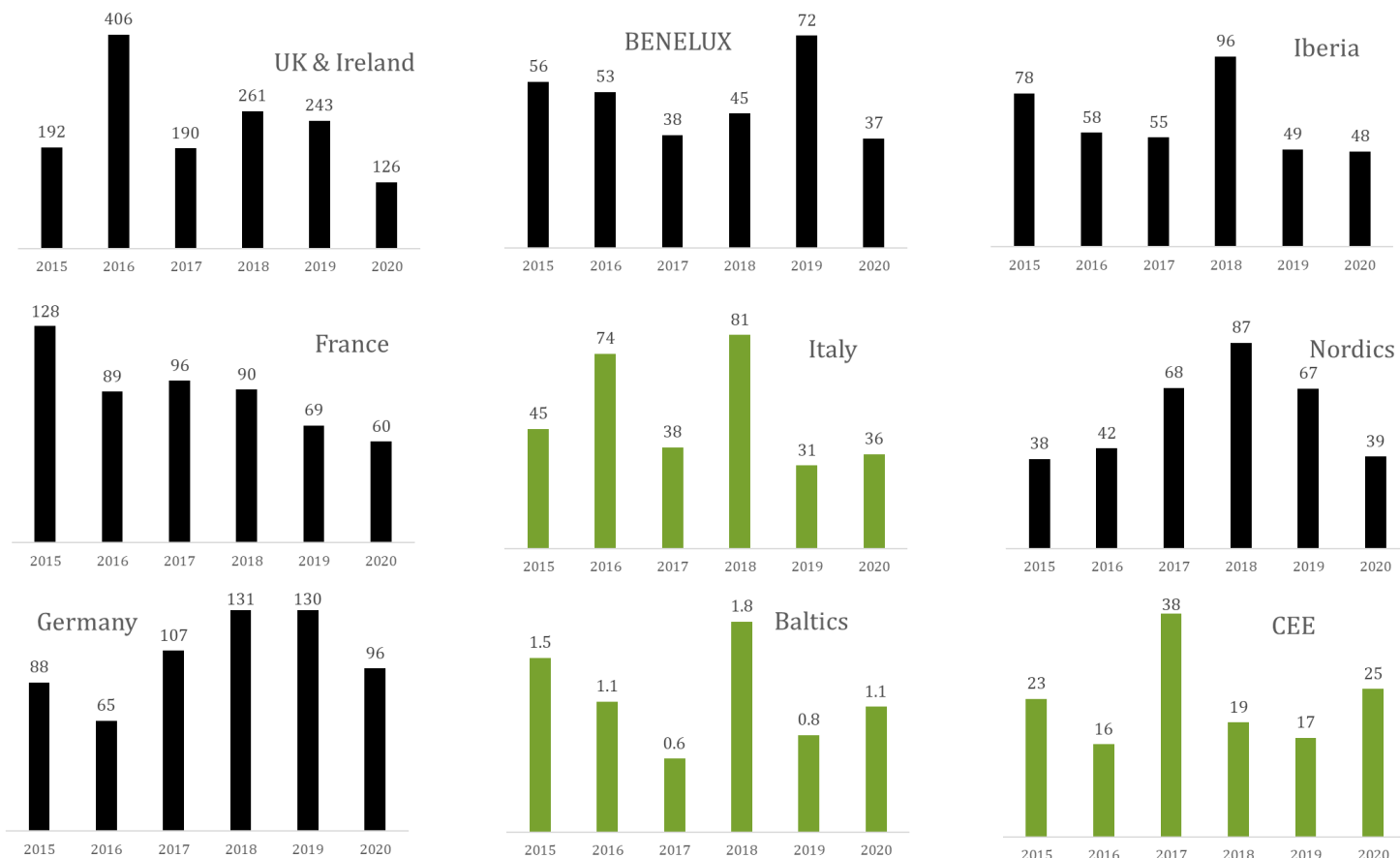
**Completed outbound M&A by target region
(EUR bn, 2020)**



Source: Dealogic

Completed deal value declines across Europe

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



Lowest annual M&A deal value in several European regions since 2015

Iberia, UK & Ireland, BENELUX, and France reported the lowest completed deal value since 2015

European integration: M&A between European firms

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

Target Nationality

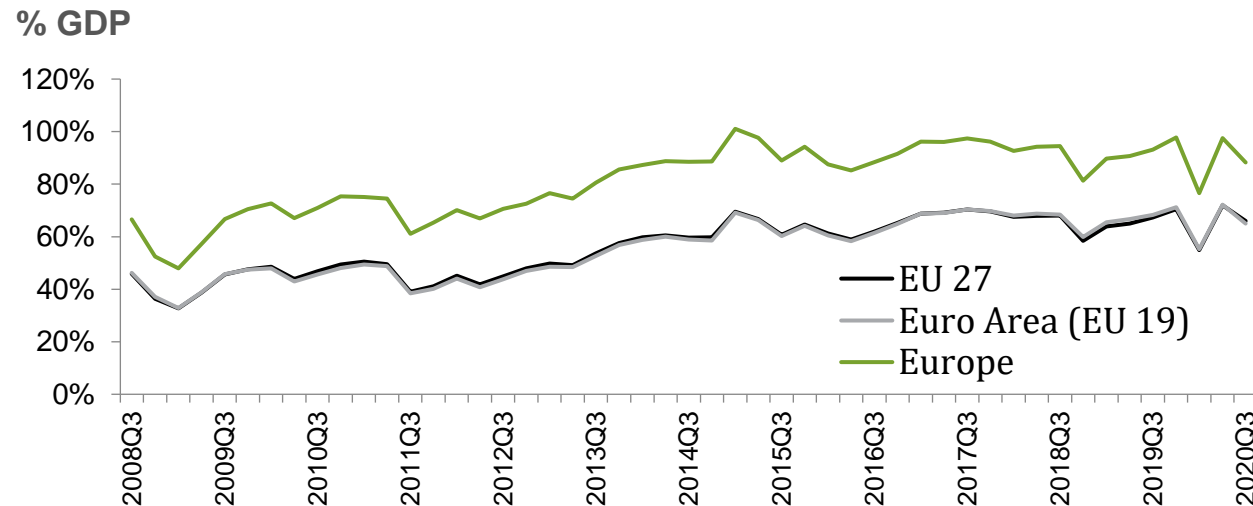
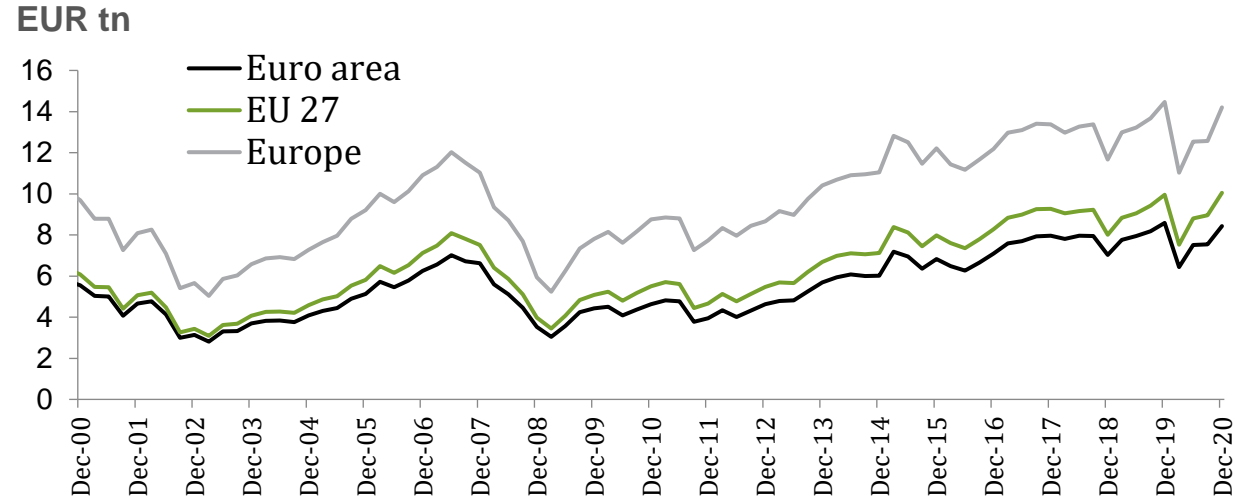
Acquirer Nationality

	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	5,085									19	2,773				38			7			1,089		97		38					9,147
Belgium		909							661	87										564				4					14	2,239
Bulgaria			461																											461
Croatia				250																										250
Cyprus					53							259	3																5	320
Czech Rep			1	0		2,675									85								268	41	8					3,077
Denmark							3,687			11	310			80						235	405		10				4		579	5,322
Estonia								78								17														95
Finland							0		6,164		4,167									10	64					465	27		1,306	12,203
France		147				1	170		1	44,886	3,078			201	1,136			1,000	250	2,090	3,669	2,226	5		360	2,033			1,472	62,723
Germany		205					300		7	3,146	69,097		15	207	619					309	317	525	9			2,247	605	6,451	2,847	86,904
Greece												125							19		10		0							154
Hungary													842								1,607				5					2,454
Ireland											231			917					13									84	1,245	
Italy		975								159	118	275			31,036				2	100	41	629				197		182	274	33,987
Latvia																327														327
Lithuania																	89													89
Luxembourg		11							11	269	15				40			606			1,380								898	3,230
Malta			1																20				12				2,192			2,225
Netherlands	980			4			765		1,022	112	670	500		82						7,340	11	4,118				247			7,709	23,559
Poland			1			25									11						4,169									4,206
Portugal										3												4,597				2,933	2			7,535
Romania																							357							357
Slovakia				45																										45
Slovenia																										542				542
Spain	1,100						400			167	1,117			600	192						35	1,243				14,422	28	380	4,028	23,711
Sweden	3	7		130		1,300	124		464	130	1,537				50	69	128		100	249	393		5			22	12,957	508	1,187	19,362
Switzerland		55								1,708	5		3	380	12		10			64	14					3,602	17	9,454	276	15,600
UK		371					0	100	482	316	371	32		552	951					223	189	1,360	6			1,500	546	6,073	65,913	78,985
Total	86,591	83,489	51,013	34,169	27,668	23,049	16,378	14,697	13,393	11,184	8,810	7,169	5,446	4,002	3,020	2,680	1,613	1,191	952	862	768	464	429	412	404	228	178	53	44	400,354

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

Secondary markets

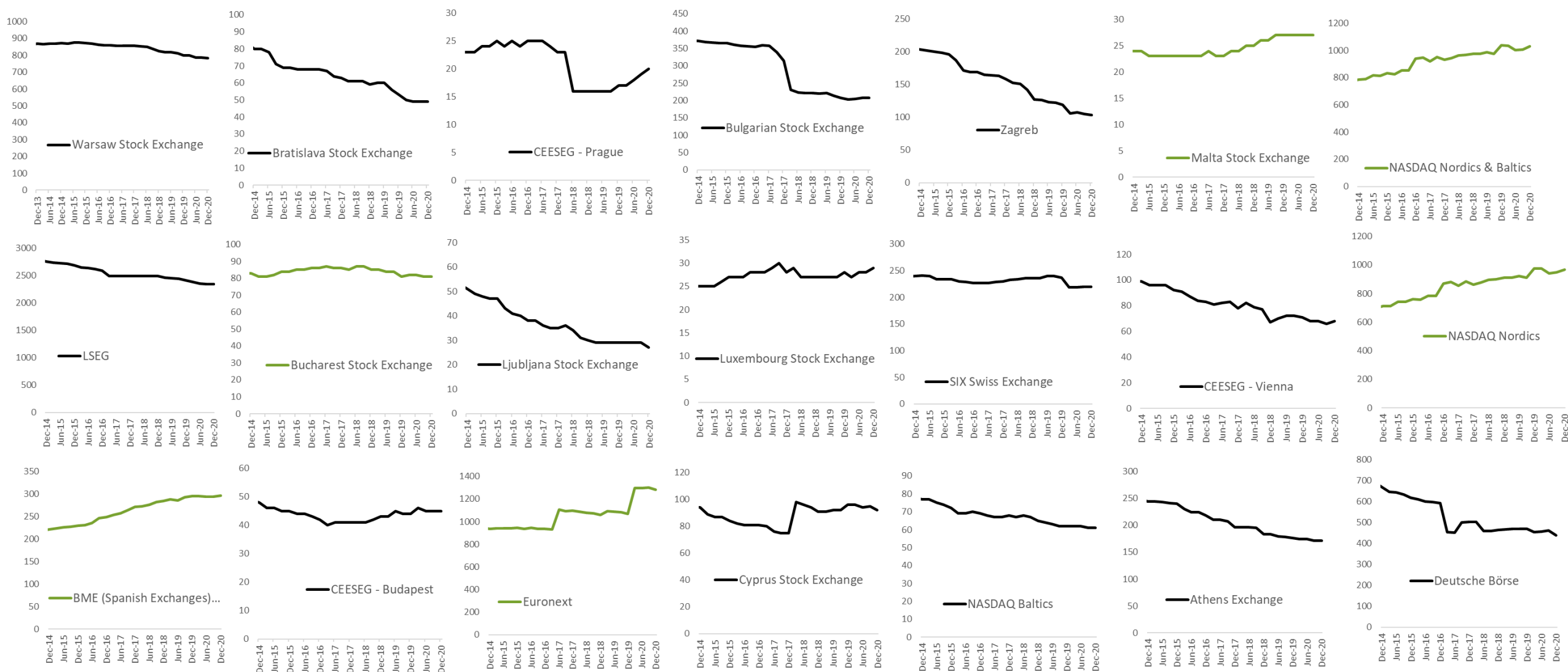
Market capitalisation of domestic listed shares



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 3Q20 as 4Q20 GDP not available at the time of publication

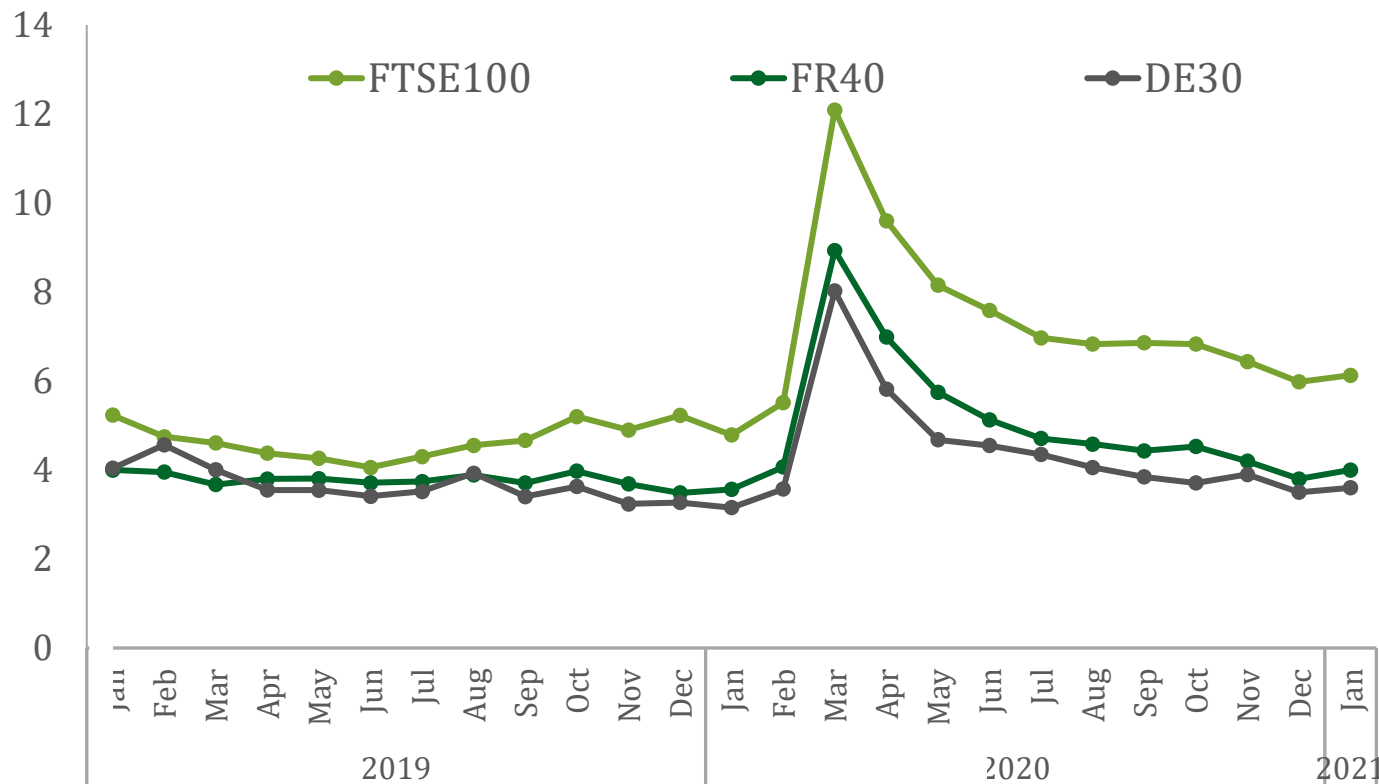
The European market capitalisation of listed shares partially recovered in 2H 2020 following the sharp decline in company valuations as consequence of the COVID-19 outbreak.

Number of listed companies on European exchanges



Bid-ask spreads for selected European indices

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

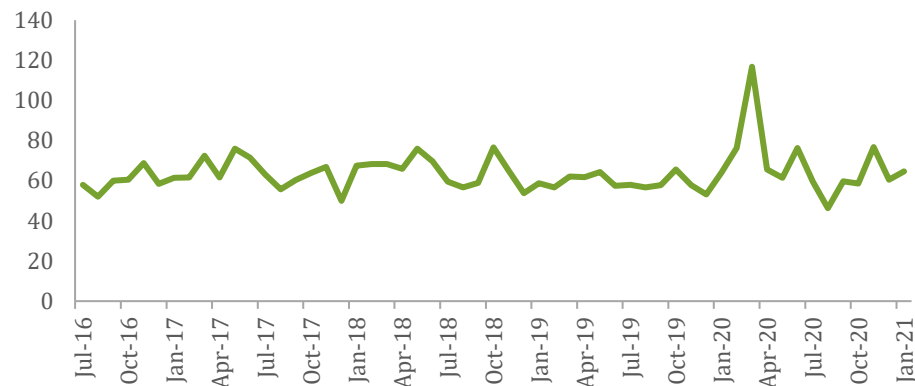


Bid-ask spreads for selected equity indices continued to decline during 2H 2020, following the market stress episode originated by the COVID-19 outbreak.

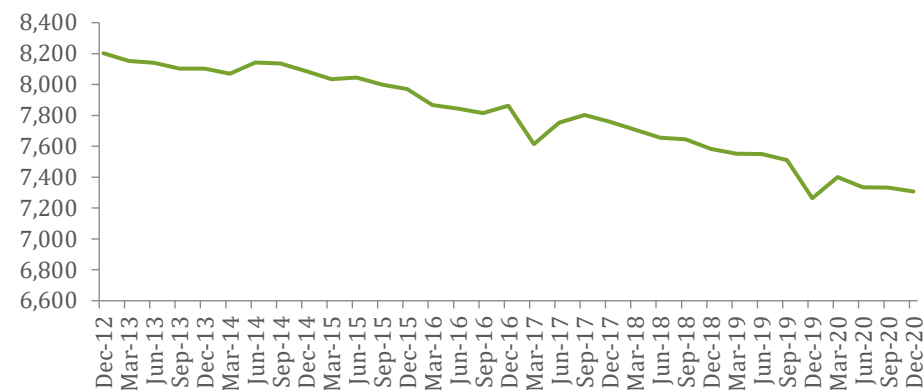
Liquidity conditions, as measured by bid-ask spreads, have not returned to pre-COVID levels.

Trading volumes normalise in the second half of 2020 following the sharp increase in March

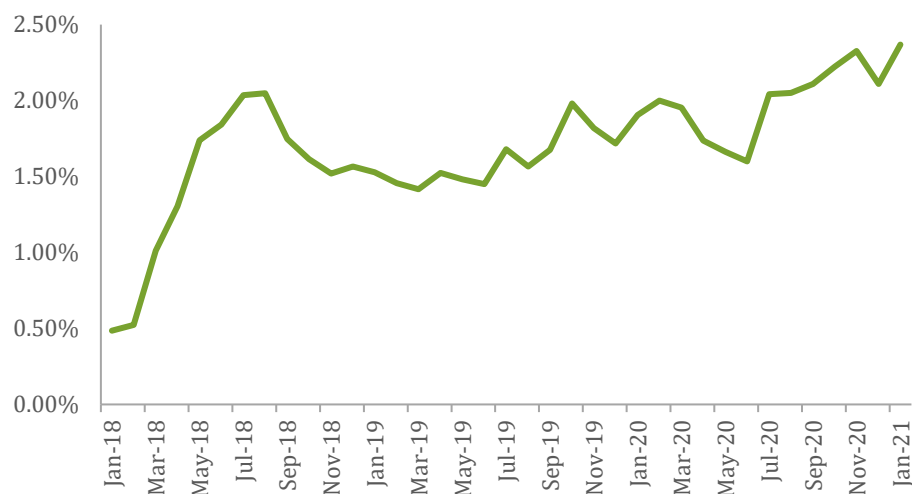
Average daily equity turnover value on European exchanges and MTFs (EUR bn)*



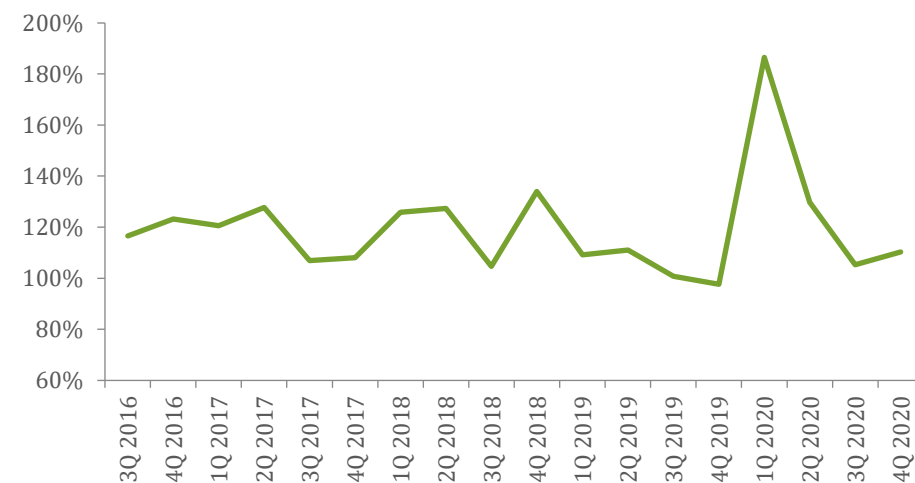
Number of listed companies on European exchanges



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.

European Equity Trading by Trade Category (% of total) 2020FY

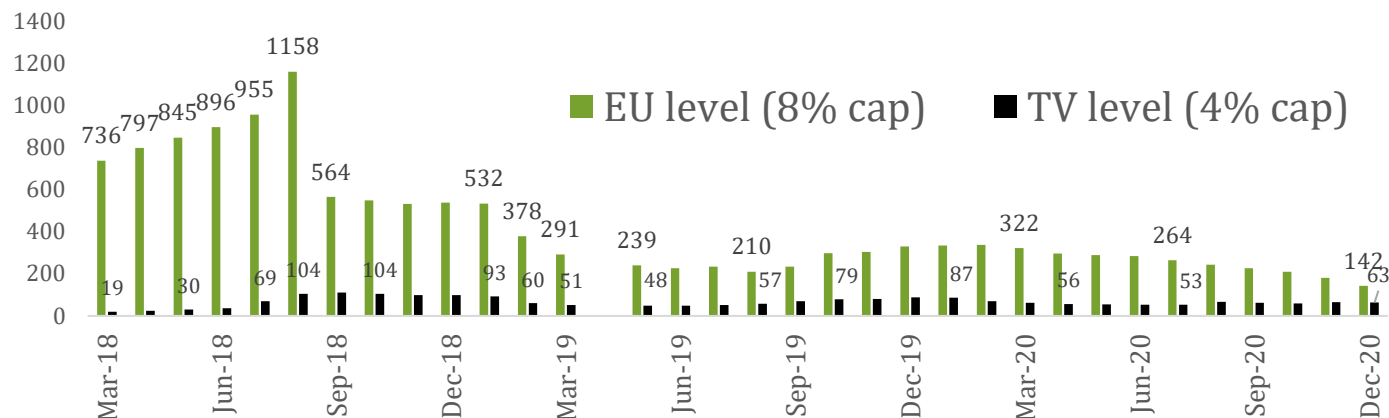
Types of Liquidity	On-Venue	SI	OTC
Non-addressable, unfiltered liquidity	59%	20%	21%
Adjusted for transactions not contributing to price formation	72%	18%	10%
Adjusted for transactions not contributing to price formation and taking place outside regular trading hours	81%	13%	6%
Adjusted for transactions not contributing to price formation, taking place outside regular trading hours, and transactions that are Large in Scale	92%	6%	1%

According to BigXYT data, on-venue trading represents almost 81% of the total addressable liquidity, after adjusting trading volumes to remove non-price forming trades, technical trades occurring outside of trading hours and SI and OTC trades that are above “large in scale” (“LIS”).

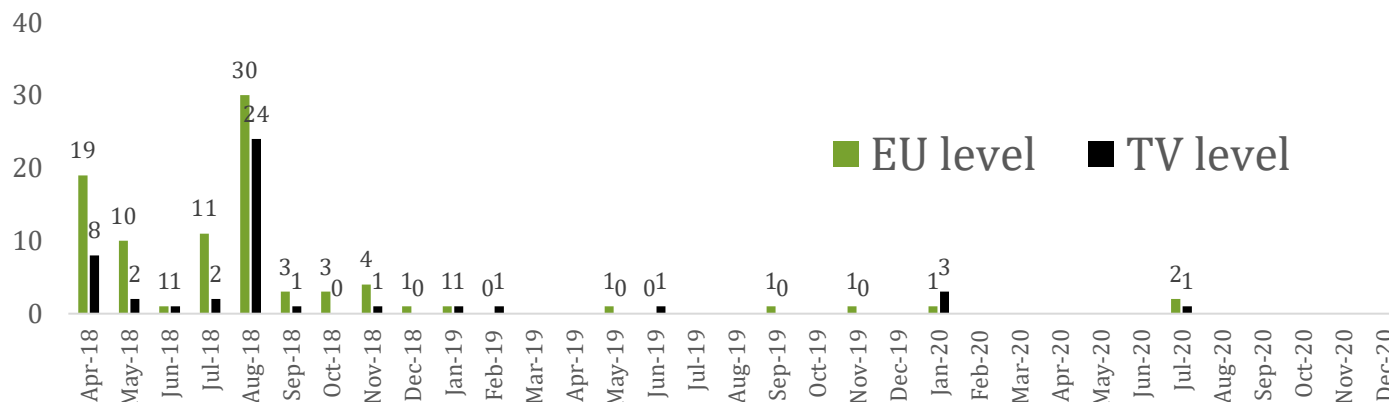
Volume traded off-venues, on systematic internalisers and pure OTC, only represent about 19% of the total volume of the total addressable liquidity.

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 205 instruments suspended at the EU or trading venue level as of Dec-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.

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

Dec-20

Country	ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT		58	1	1	3%
BE		212	1	0	0%
BG		308	0	0	0%
CY		119	0	0	0%
CZ		29	0	0	0%
DE		999	2	0	0%
DK		624	7	9	3%
EE		24	0	0	0%
ES		250	0	2	1%
FI		159	1	1	1%
FR		1096	9	1	1%
GB		1590	54	13	4%
GR		241	0	0	0%
HR		118	0	0	0%
HU		58	0	0	0%
IE		1360	18	19	3%
IT		374	2	0	1%
LT		31	0	0	0%
LU		1090	2	5	1%
LV		24	0	0	0%
MT		36	1	0	3%
NL		157	3	0	2%
PL		761	0	0	0%
PT		43	2	0	5%
RO		366	0	0	0%
SE		1120	4	2	1%
SI		156	0	0	0%
SK		48	0	0	0%
Non-EU		15877	35	10	0%
Total		27328	142	63	1%

Source: ESMA

The 205 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 December 2020 DVC files (27,328).

By countries, 67 of the 205 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 4% of the 1,590 UK ISINs registered in the ESMA DVC files.

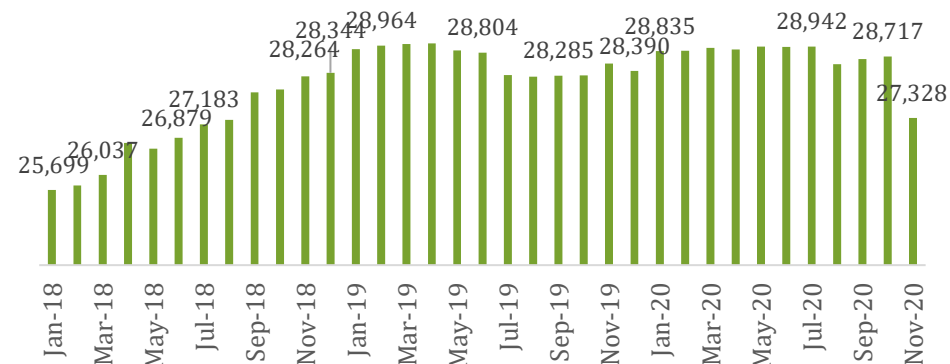
45 of the suspended instruments have non-EU+UK ISINs, or 22% of all suspended instruments at the EU and trading venue level.

Due to concerns about the temporary disruption of the ESMA IT systems following the end of the Brexit transition period, ESMA will not perform the monthly DVC publications for the months of January and February of 2021.

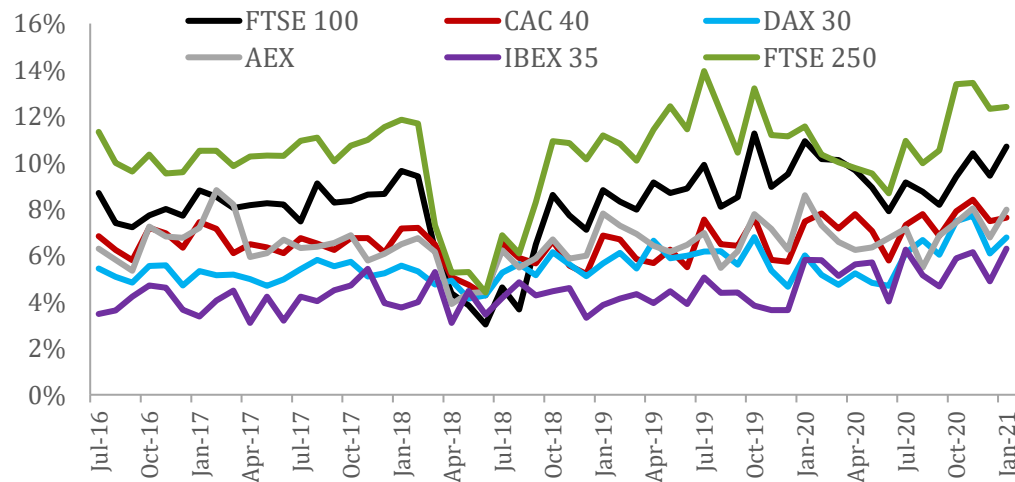
Proportion of dark trading stable and below 8%



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

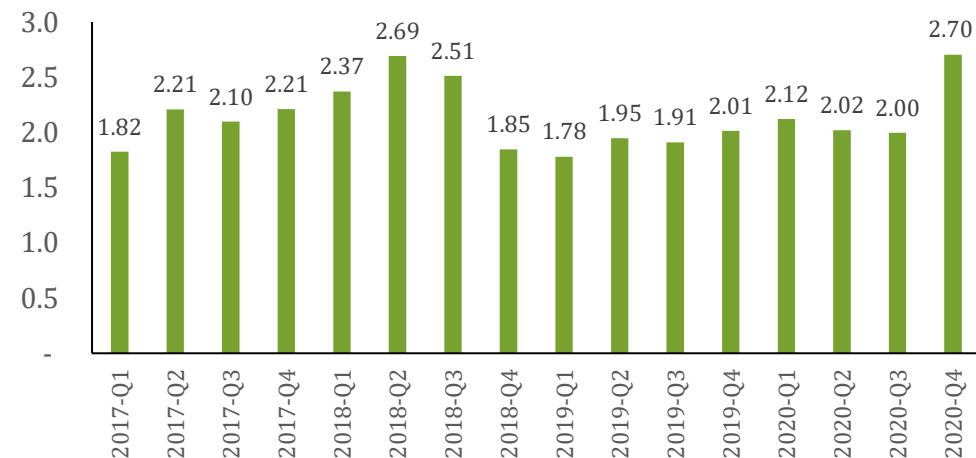


% of dark trading by indices*

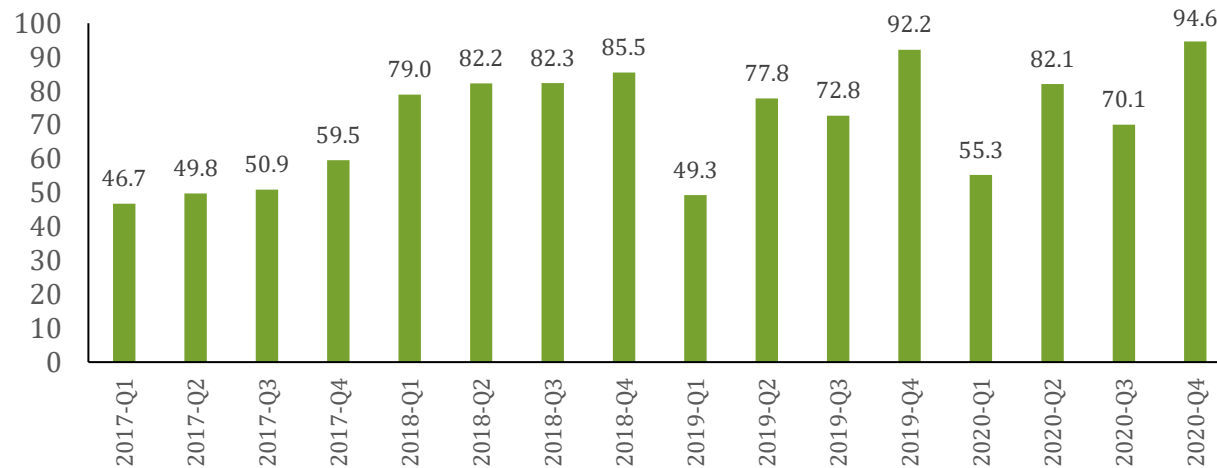


Source: ESMA and BigXYT

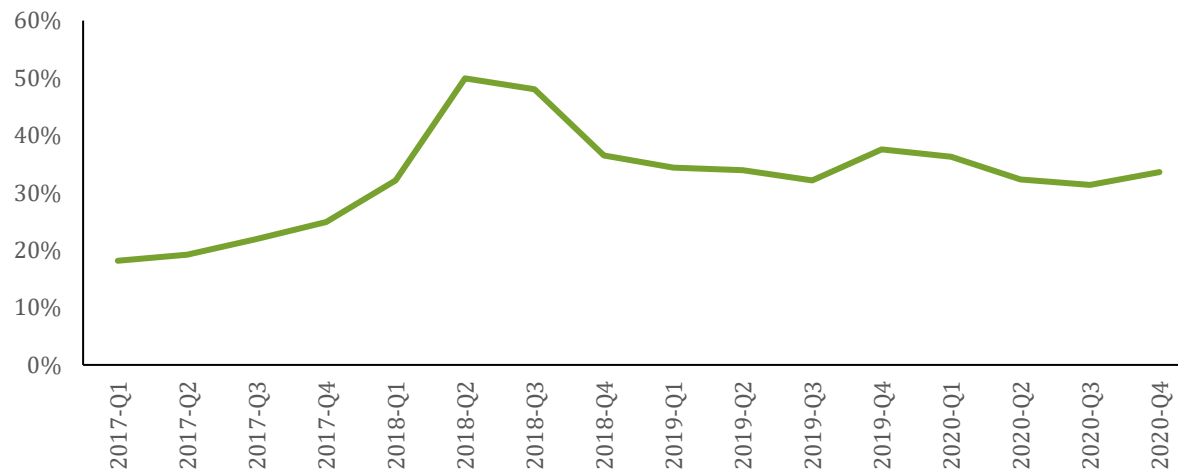
Block trades: Average value per trade (EURmm)



Block trades: value traded \geq LIS (EURbn)



Proportion of dark traded as LIS blocks (%)



Source: BigXYT

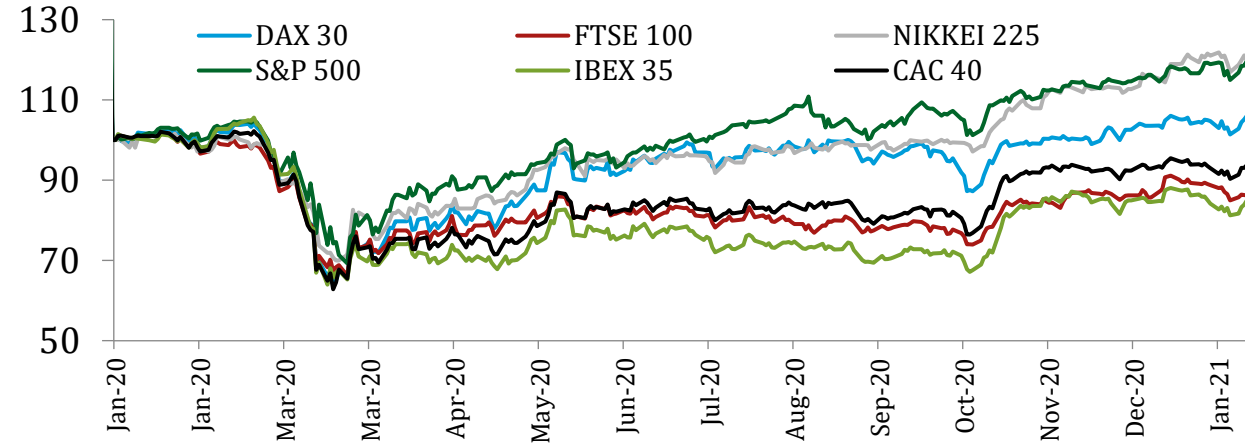
Average weekly turnover in the form of block trades (traded above the large in scale threshold) rose to a quarterly total of €94.6 bn in 4Q20 from €70.1 bn in 3Q20.

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%.

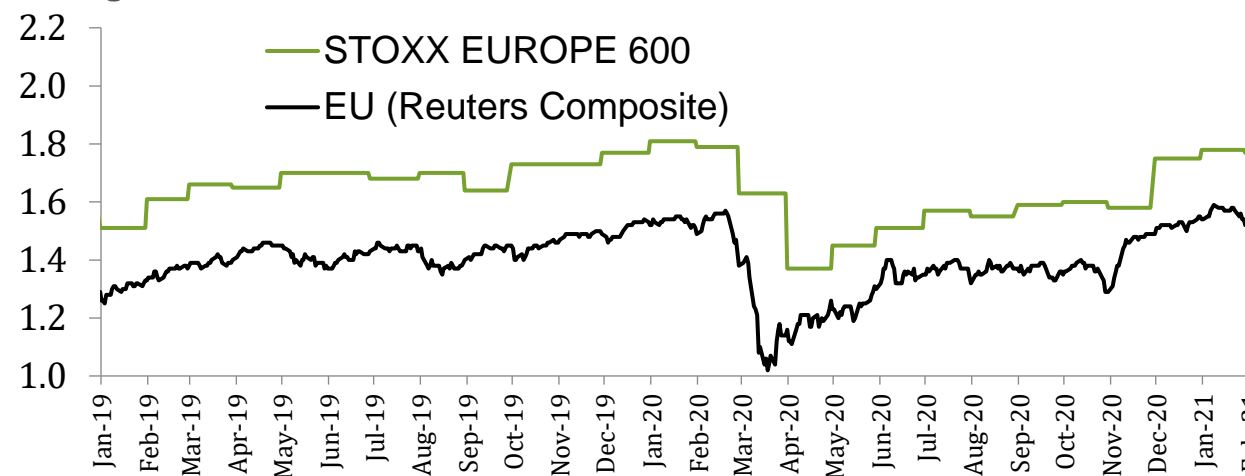
Valuations

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



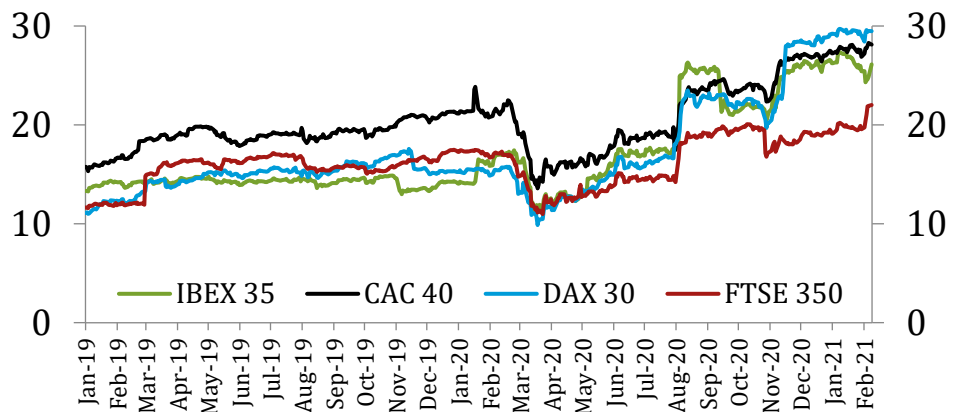
Source: Datastream

Price indices and valuation multiples continue to recover from the minimum levels reached in March 2020

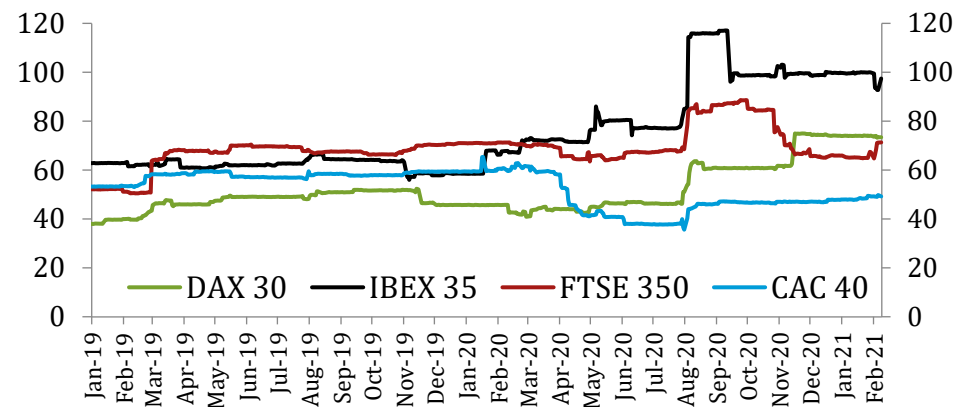
US and Asian stock indices accumulated stronger gains than European equity assets during 2020

Valuation ratios and implied volatility

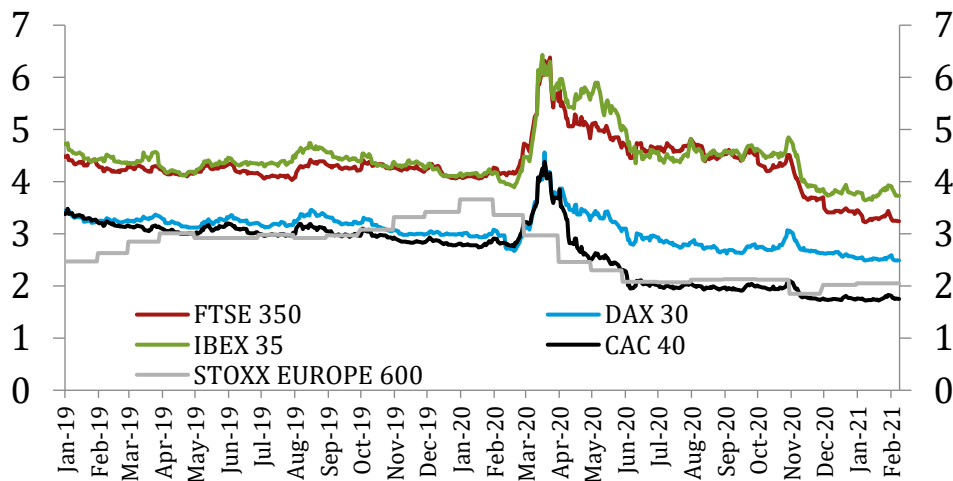
Price-to-earnings (PE) ratio



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

	1Q 20	2Q 20	3Q 20	4Q 20	2020 FY	1Q 19	2Q 19	3Q 19	4Q 19	2019 FY	% Change FY
Equity underwriting (€ bn)	25.9	52.8	45.7	50.9	175.3	25.4	39.0	22.0	30.0	116.3	51%
IPOs	1.1	3.7	5.8	6.8	17.5	0.8	11.1	3.9	5.9	21.6	-19%
Follow-on offerings	22.1	41.7	30.6	36.6	130.9	18.5	24.0	12.5	22.4	77.5	69%
Convertible securities	2.7	7.4	9.3	7.4	26.8	6.1	3.9	5.6	1.6	17.2	56%
Mergers and Acquisitions (€ bn): completed	190.8	155.2	165.6	160.2	671.8	232.8	203.2	269.9	212.6	918.5	-27%
European outbound	38.4	48.3	34.4	38.2	159.3	45.3	46.4	35.5	48.6	175.8	-9%
European inbound	38.0	22.3	30.5	21.3	112.1	112.5	44.7	40.6	42.0	239.8	-53%
Intra European	114.5	84.5	100.7	100.7	400.4	75.0	112.1	193.8	122.1	502.9	-20%
Mergers and Acquisitions (€ bn): announced	204.2	108.3	237.3	355.7	905.5	158.4	239.8	248.3	283.1	929.5	-3%
Equity turnover value											
Average Daily (€ bn)	85.7	67.8	55.1	65.2	68.5	59.1	61.2	57.4	58.8	59.1	16%
Market Capitalisation of domestic listed shares (€ tn)											
European (EU27, UK and Switzerland)	11.0	12.5	12.6	14.2	14.2	13.0	13.2	13.7	14.5	14.5	-2%
EU 27	7.5	8.8	9.0	10.1	10.1	8.8	9.0	9.4	10.0	10.0	1%
Euro Zone	6.4	7.5	7.5	8.4	8.4	7.8	7.9	8.2	8.6	8.6	-2%

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

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