

4Q 2018

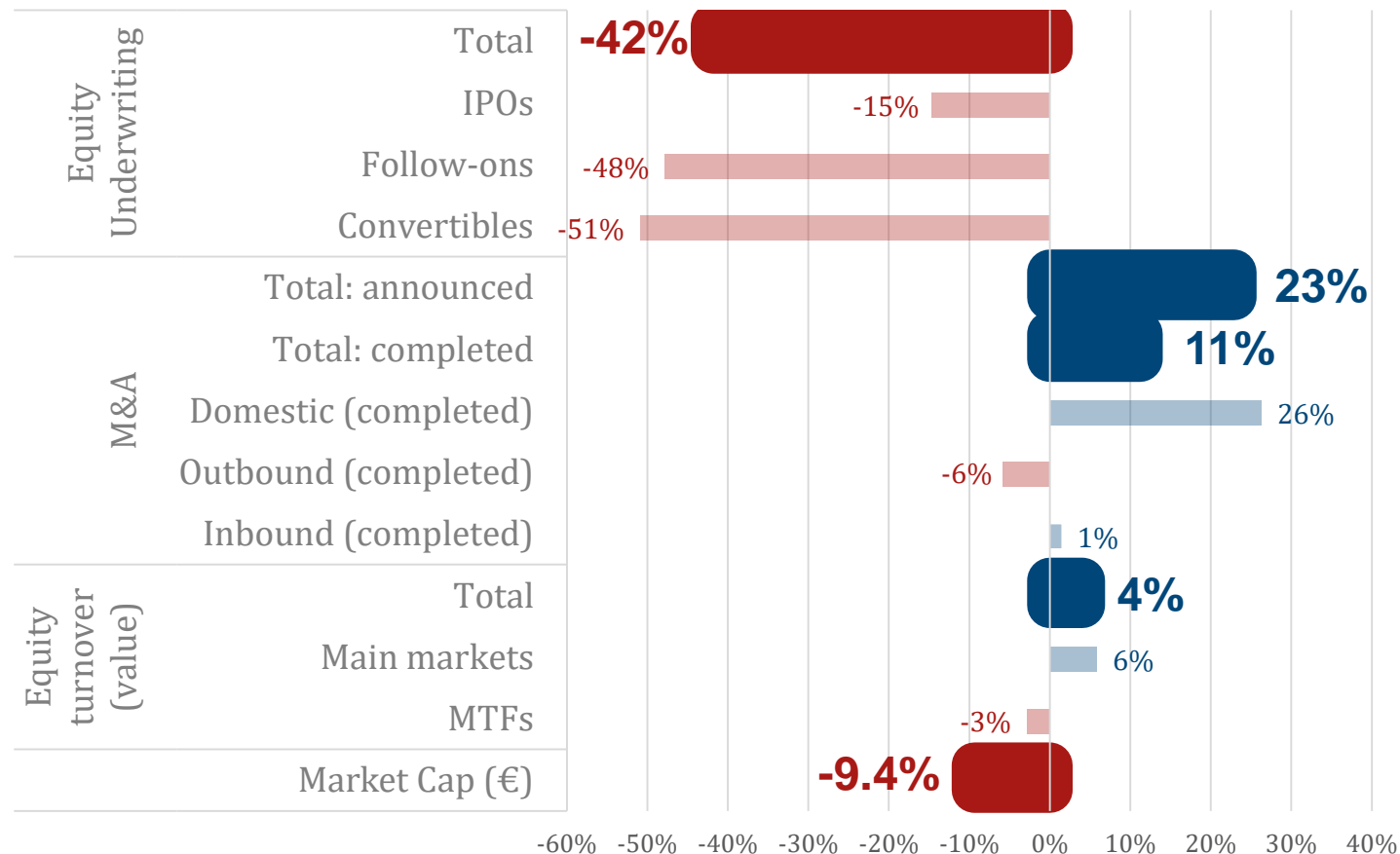
Equity Primary Markets and Trading Report

European market data
update



2018FY annual 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 €123.2 bn in proceeds in 2018, a 42% decrease from the value originated in 2017 (€211.6 bn).

IPO issuance in 2018 decreased 15% against the amount issued in 2017.

Completed Mergers and Acquisitions (M&A) of European companies totalled €1,042 bn in 2018, an increase of 11% from the amount completed in 2017 (€937.6 bn).

The amount of announced M&A deals totalled €1,078.7 bn in 2018, a 23% increase from 2017.

Equity trading activity on **European main markets and MTFs** generated a total of €11.9 tn in turnover value in 2018, an increase of 4% from 2017 (€11.4 tn)

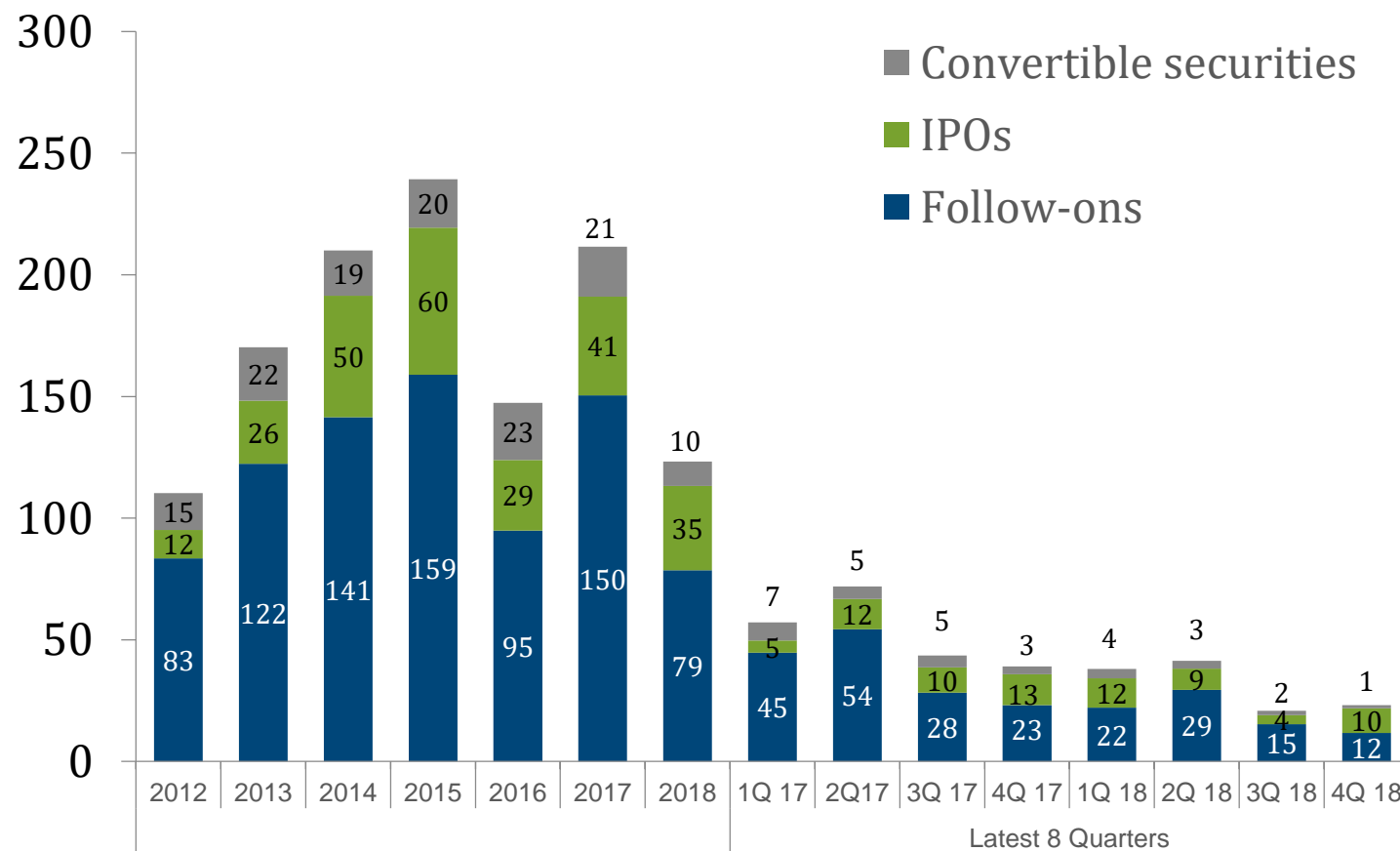
Domestic market capitalisation of European listed shares stood at € 12.1 tn at the end of 2018, a decrease of 9% from the market value at the end of 2017 (€13.4 tn)

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Equity issuance

Lowest amount of Equity issuance since 2012

Equity Issuance on European exchanges (EUR bn)



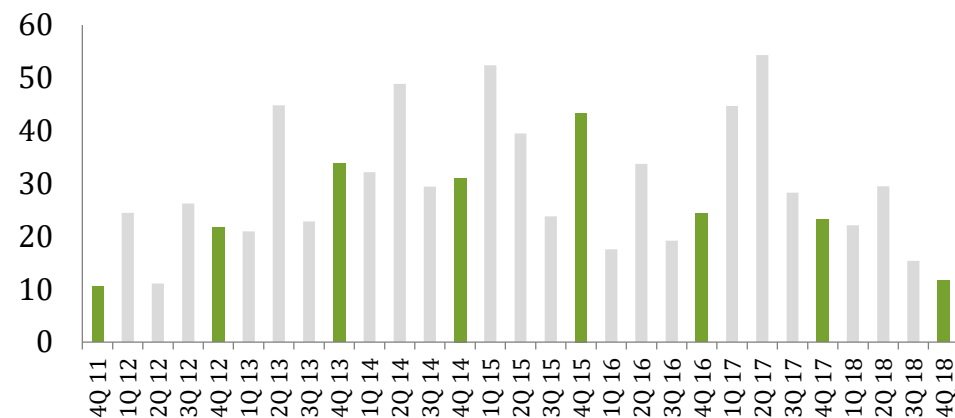
Source: Dealogic

The significant decline in equity underwriting (-42%) was largely driven by a 48% decrease in follow-on offerings

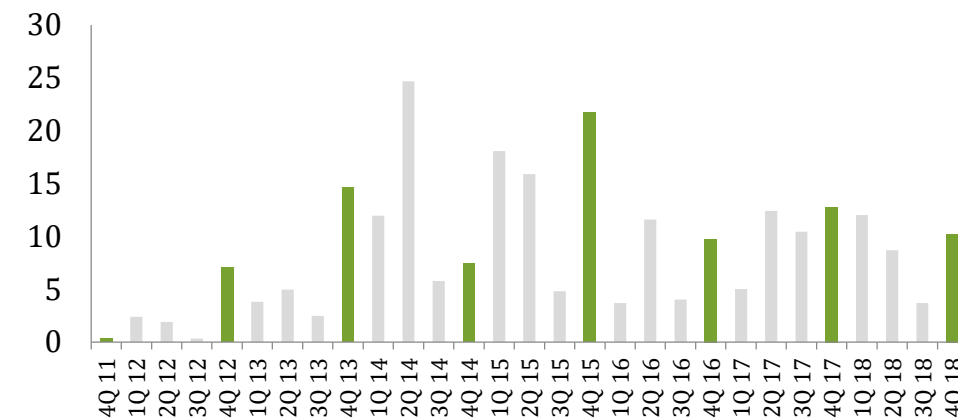
IPO proceeds decreased 15% from the value raised in 2017 with fewer deals—253 IPOs in 2018 and 295 in 2017

The decline in primary equity activity was in part due to the significant correction in the ultra-low market volatility (see page 31 of this report) and the continued political uncertainty in some European countries

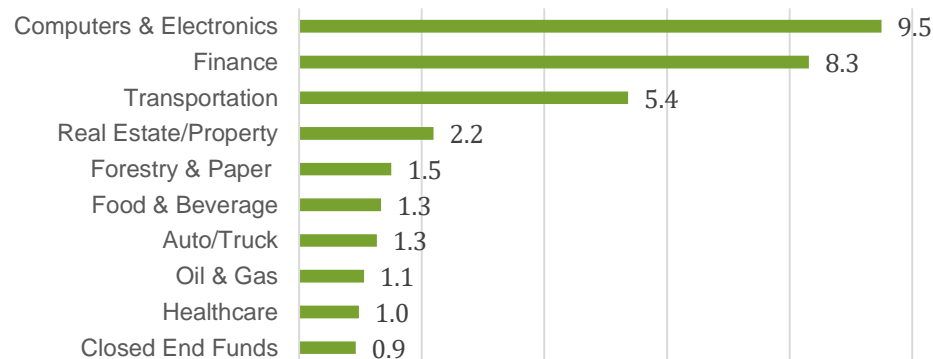
Follow-on offerings (EUR bn)



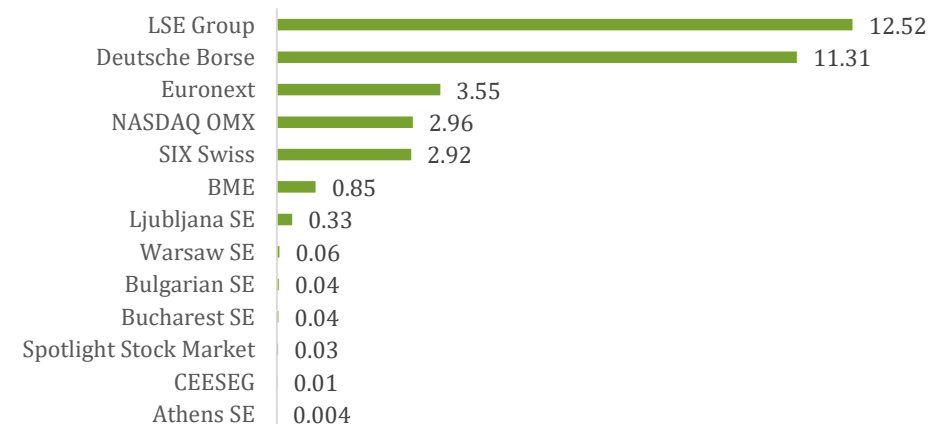
IPO proceeds (EUR bn)



IPO proceeds by industry (Top 10, EUR bn): 2018FY



IPO proceeds by listing market (EUR bn): 2018FY

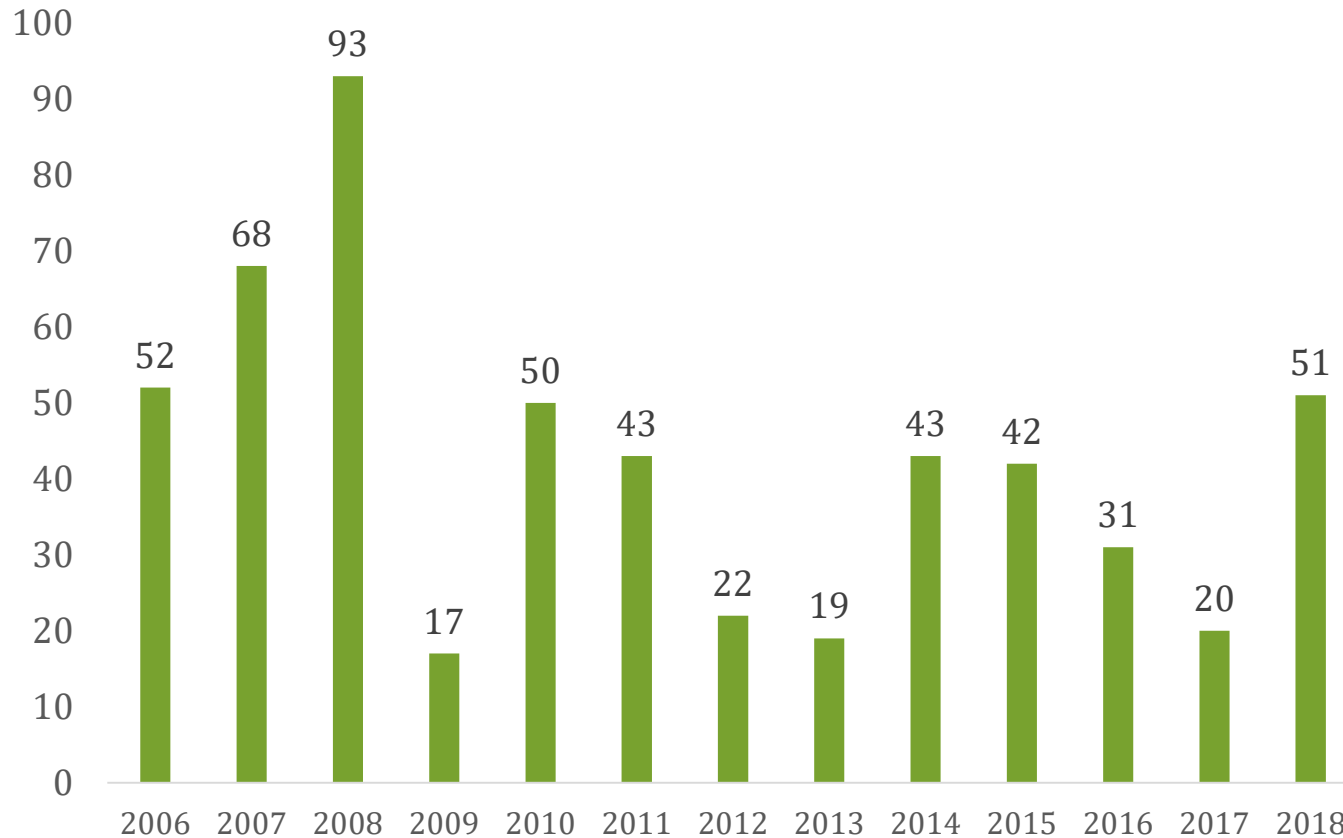


Source: Dealogic

*Finance includes SPVs

Increase in IPOs withdrawn or postponed

Number of IPOs withdrawn or postponed



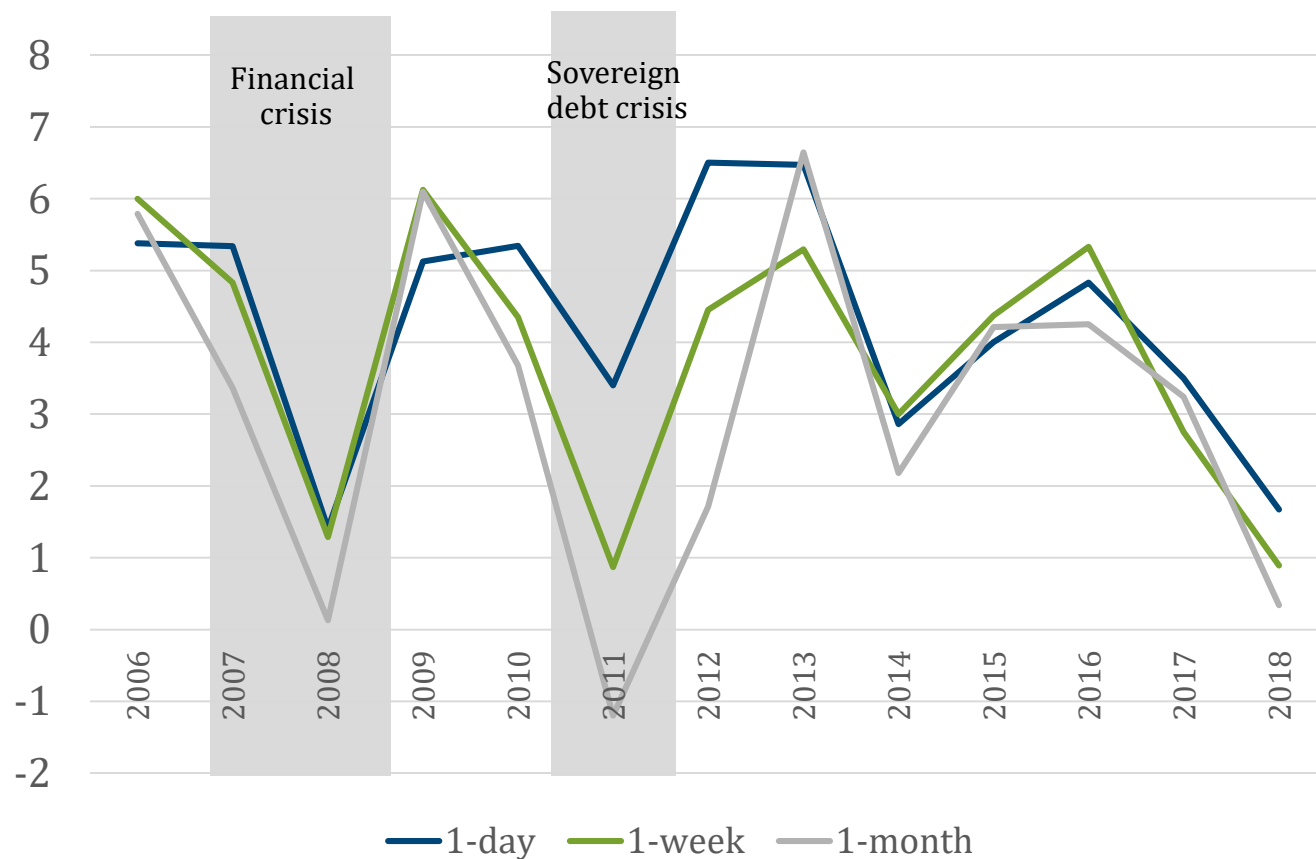
Source: Dealogic

The 2018 market uncertainty generated a sharp increase in the number of European IPO deals withdrawn or postponed

A total of 51 IPO deals were withdrawn or delayed in 2018, an increase from 20 in 2017— also the highest number since 2008

Post IPO price performance

Median post-IPO share price variation (% offer price)



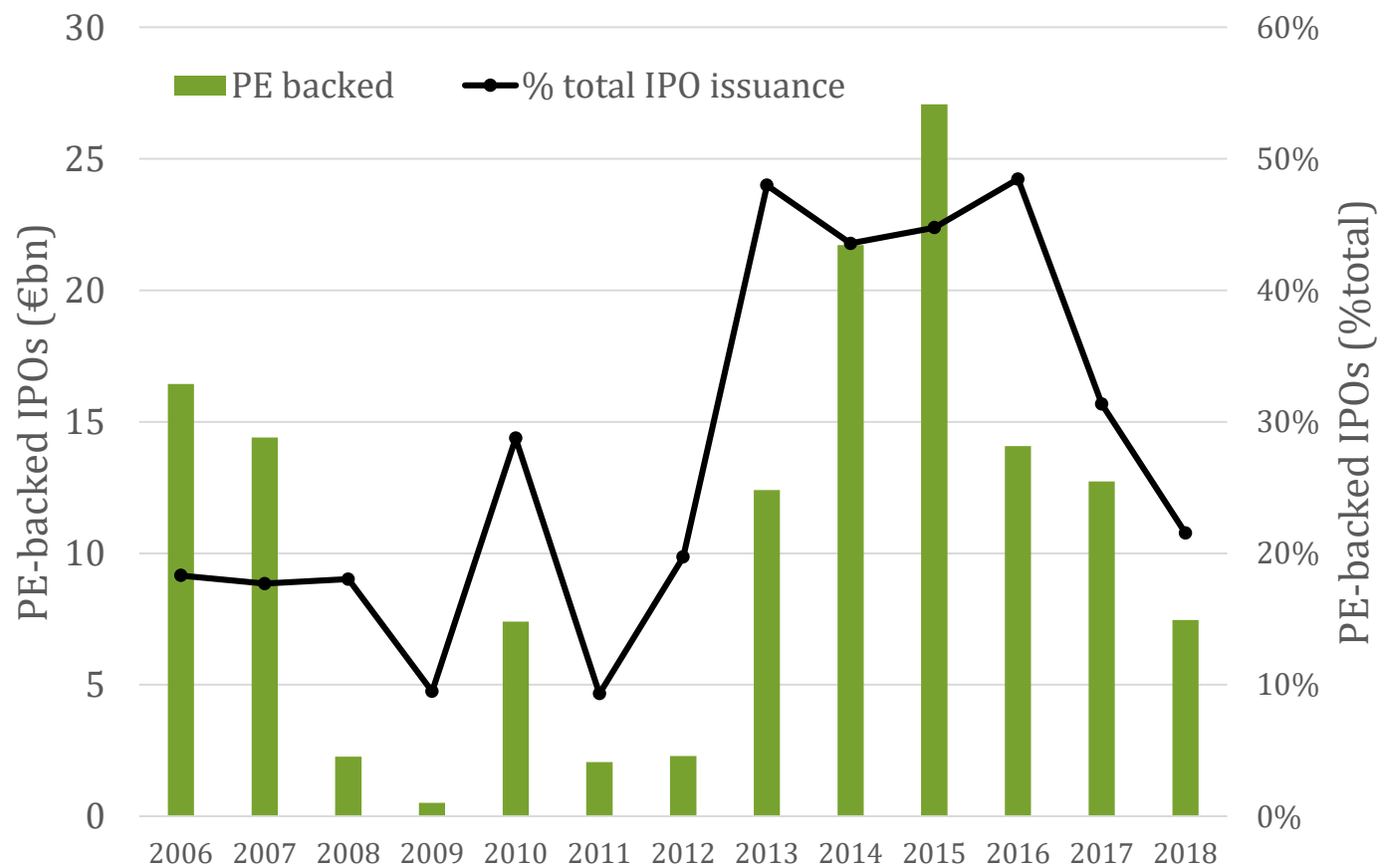
Source: Dealogic

The returns from companies that recently go through the IPO process are usually positive over the short-term, reflecting investor demand for fresh growing companies.

IPO companies typically return an average of c4% 1-day after IPO. However, in 2018, wider market uncertainty generated a decline in post IPO price performance when evaluated 1 day, 1 week and 1 month after issuance

Further decline in PE-backed IPO

PE-backed IPO issuance (EURbn and % of total IPO)



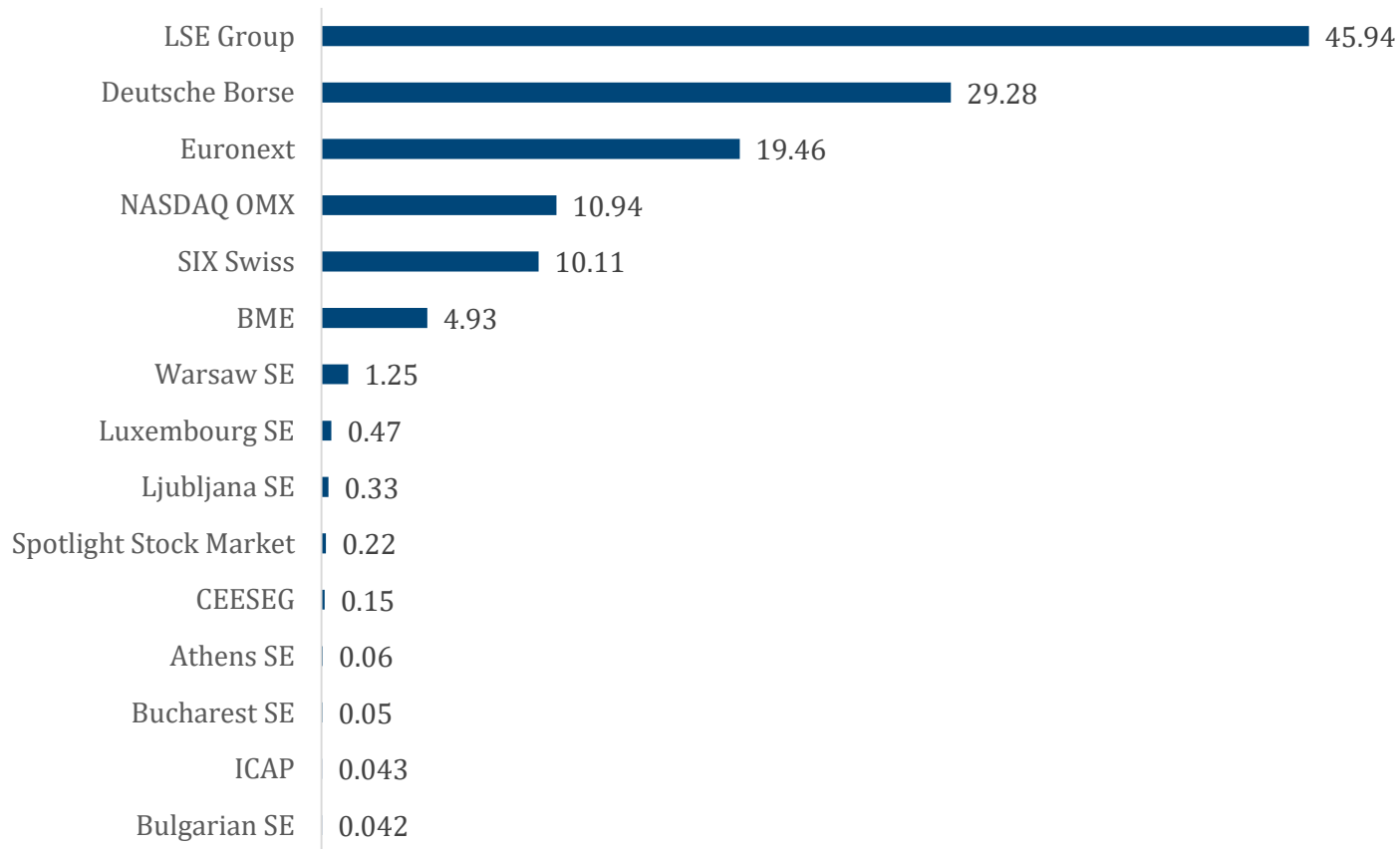
Private Equity backed IPO continued to decline in 2018

The percentage of PE backed IPOs as a total of European IPOs has declined since 2016 from 48% to 22% in 2018.

The decline may reflect preference to exit investments through other vehicles such as selling to other PE companies on private markets. As noted in page 15 of this report, the amount of PE-backed M&A activity has increased 22% over the last two years

Equity issuance by exchange during the year

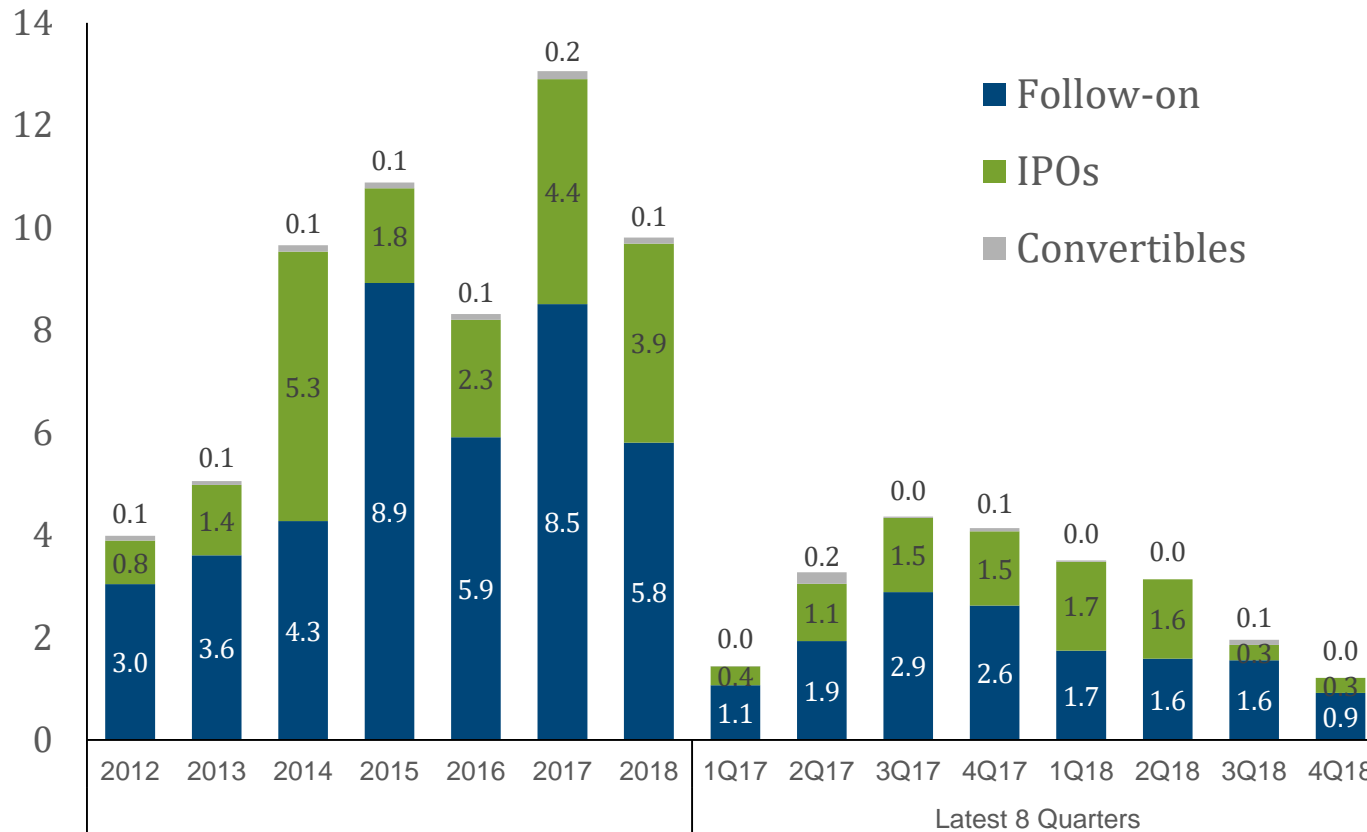
Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): 2018FY



LSE Group exchanges (main market, AIM and Borsa Italiana) led by total equity underwriting accumulating a total of €45.9bn, followed by the Deutsche Börse and Euronext exchanges

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)

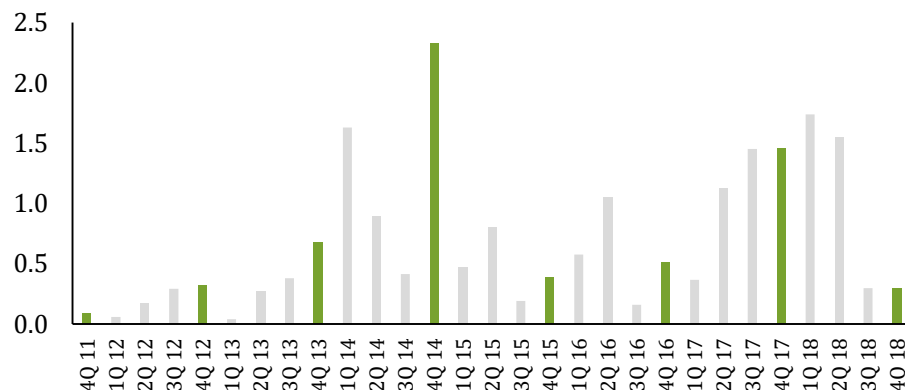


Equity issuance on Jr exchanges fell 26% compared to 2017, accumulating a total of €9.8bn in proceeds

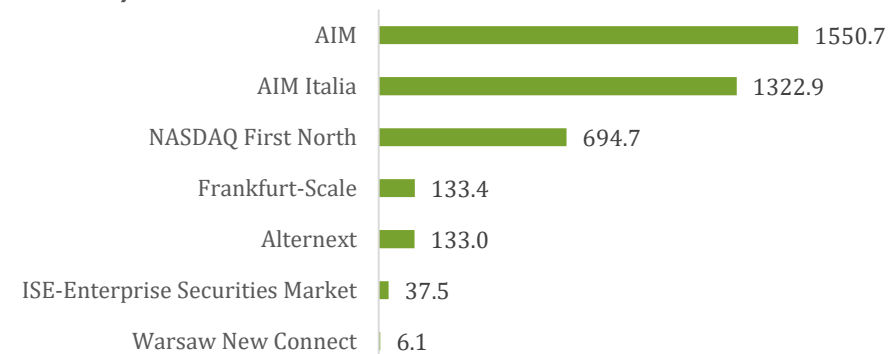
IPOs on Junior markets totalled €0.3 bn in proceeds in 4Q18, the lowest quarterly amount since 3Q16.

Sharp decline in IPO issuance on Jr markets during the last two quarters

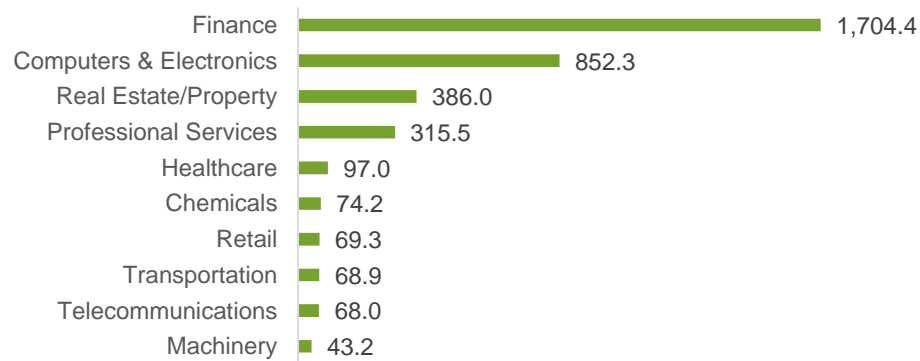
IPO proceeds on Jr European markets (EUR bn)



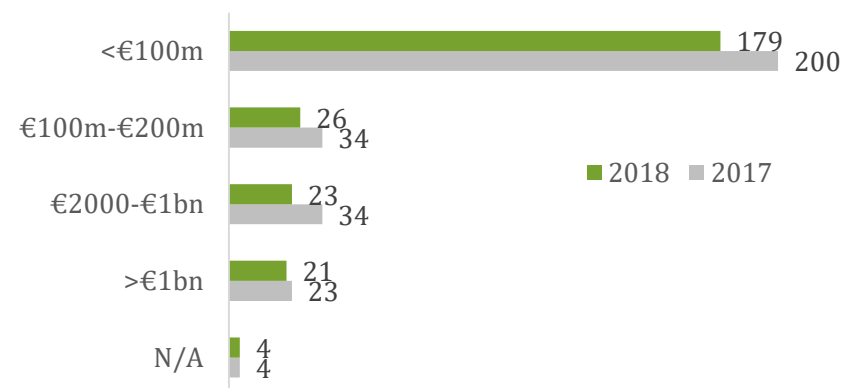
IPO proceeds on Jr markets by exchange (EUR mm, 2018FY)



IPO proceeds on Jr markets by industry (Top 10, EUR mm, 2018FY)



Number of IPOs on European exchanges by market value of issuer (pre-deal value, 2018FY)

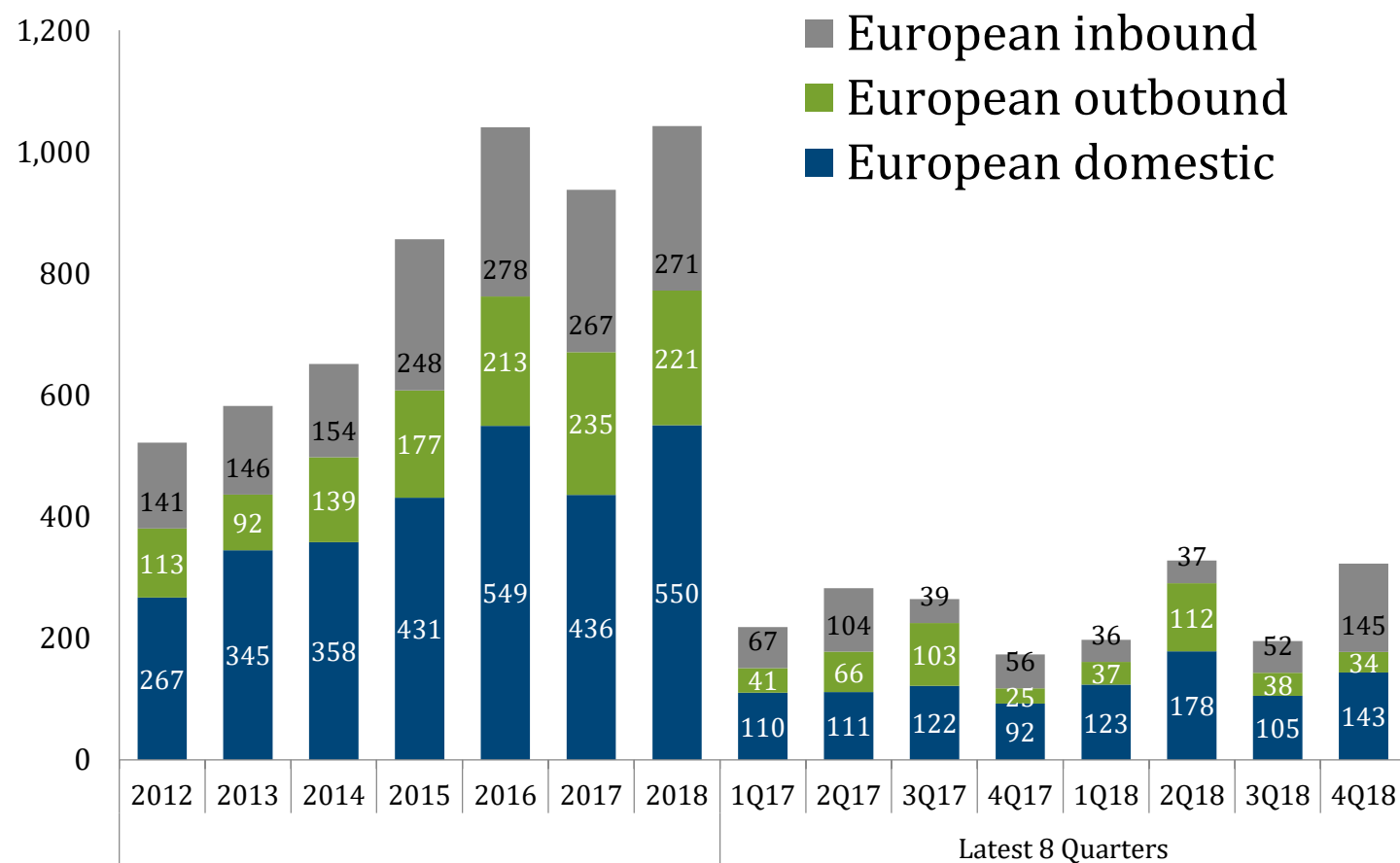


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

European M&A activity increased 11% against 2017, largely driven by a 23% increase in domestic deals (i.e. between European firms*)

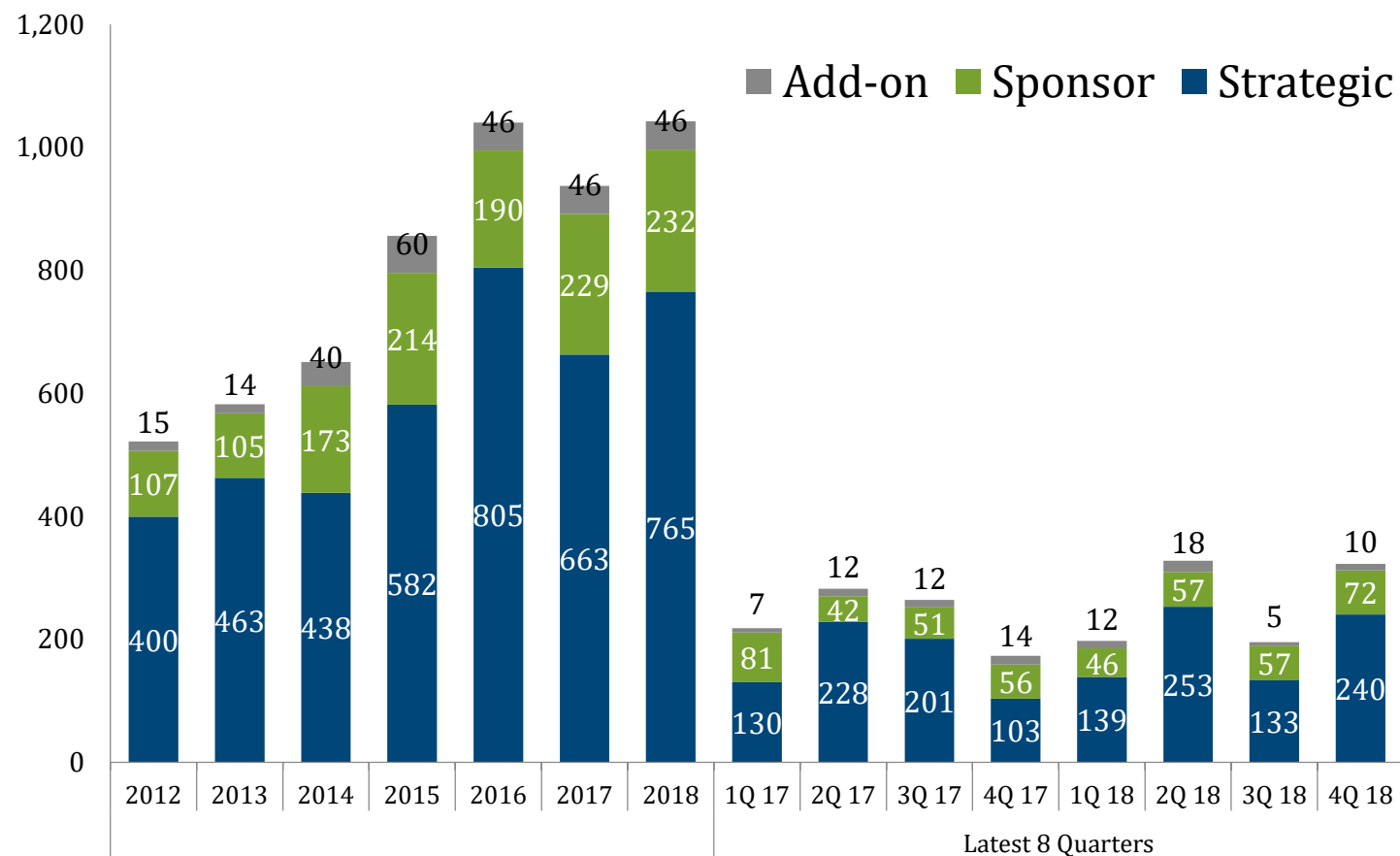
Inbound M&A deal value stood almost unchanged compared with 2017, with an annual growth of 1%. APAC firms represented 28% of the inbound deal value, a sharp decline compared to 47% of the 2017 inbound deal value

Outbound M&A (i.e. European firms that acquired non-European firms) decreased 6% against 2017. American-targeted firms represented 80% of the outbound deal value. See geographic breakdown on pages 18 and 19.

*EU28 and Switzerland

M&A by type of deal

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



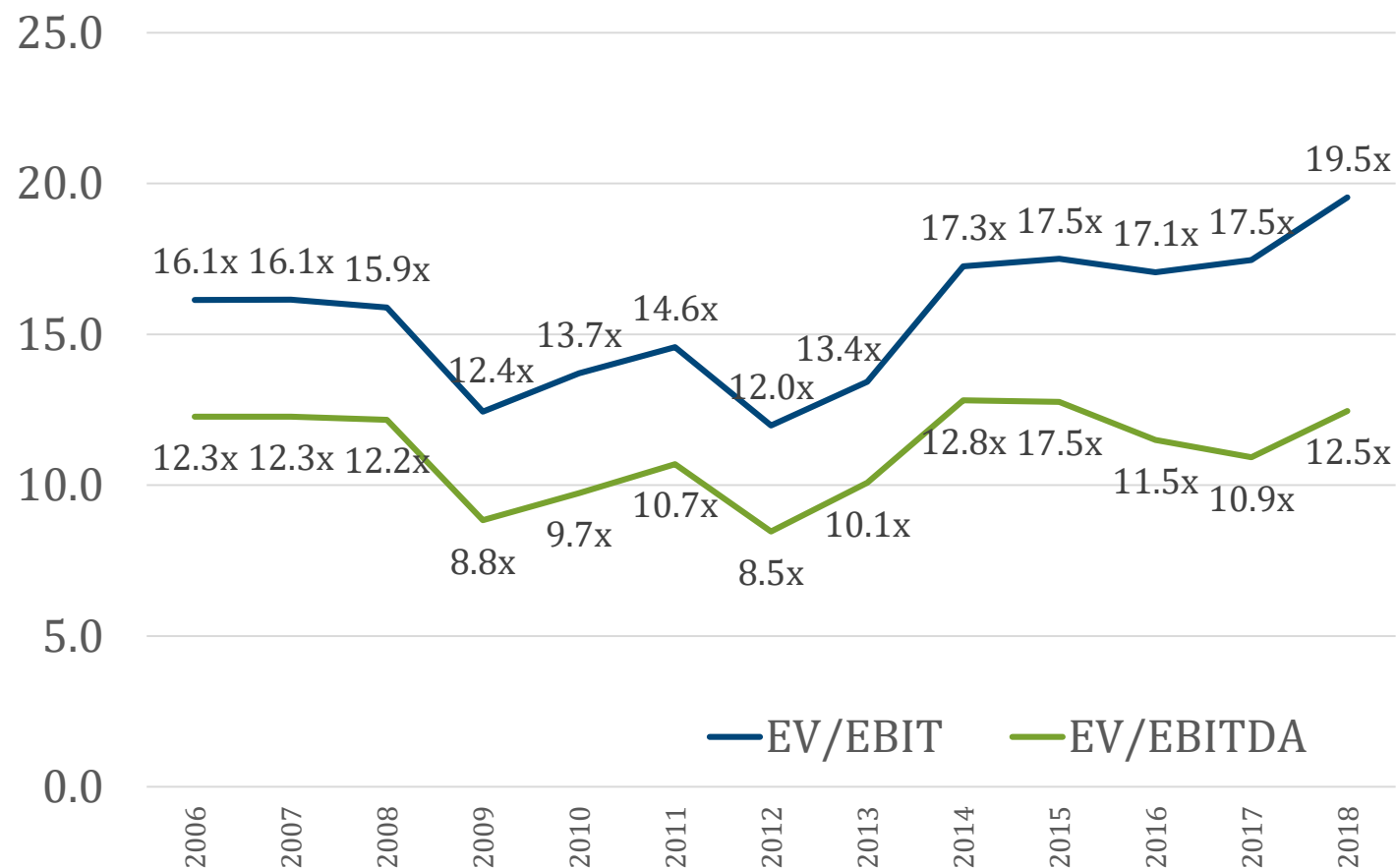
Source: Dealogic

By type of deals, transactions between non-PE companies (i.e. “Strategic”) represented 73% of the total deal value in 2018 (70% in 2017)

Private Equity-backed M&A activity (“Sponsor” deals) rose 2% during the year, which contrasts with a more significant increase of 20% in 2017

Valuation multiples of European-targeted firms

Median transaction multiples: EV/EBIT and EV/EBITDA



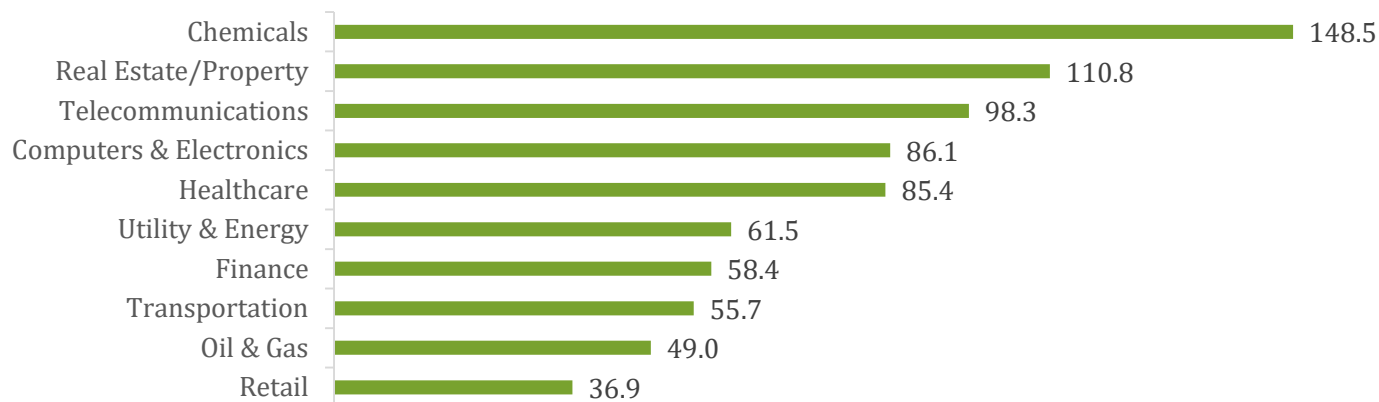
Valuation multiples stood roughly above 2006-17 averages.

The median Enterprise Value to EBITDA ratio (EV/EBITDA) of targeted firms stood at 12.5x in 2018, compared to an annual average of 11.2x in 2006-18.

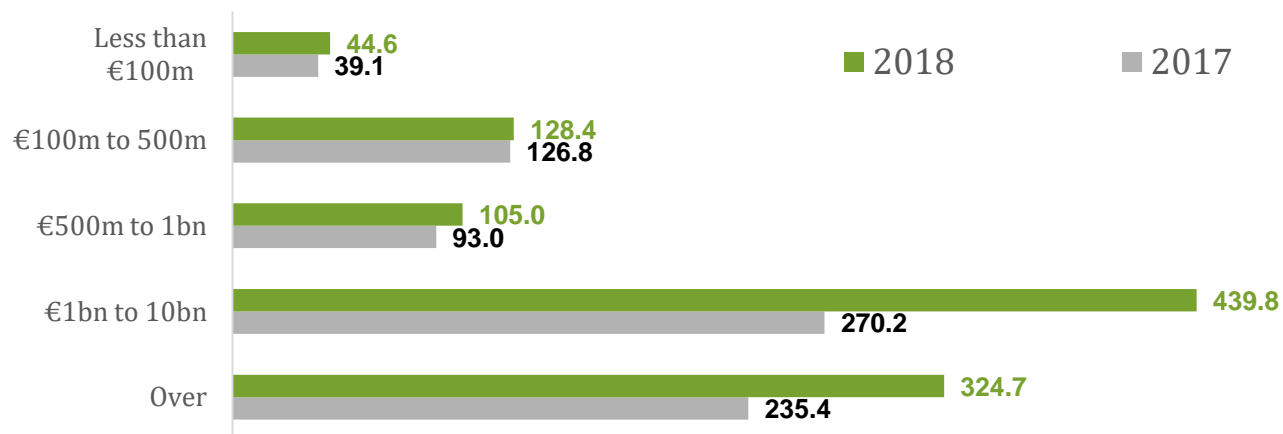
EV/EBIT median multiple was the highest observed in sample since 2006.

Chemicals lead by deal value 16 “megadeals” (12 in 2017)

Top 10 industries for completed M&A (2018FY, EUR bn)



Completed M&A transactions by deal value (EURbn)



Source: Dealogic

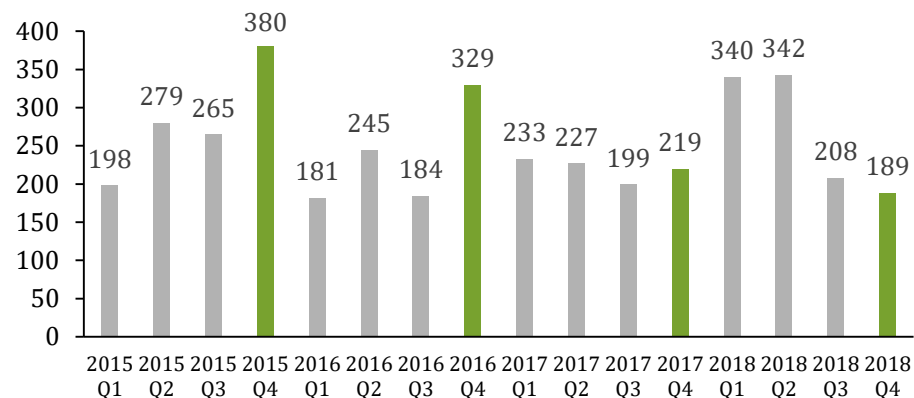
16 “megadeals” (deal value above €10bn) were completed during 2018, which included one split:

- Bayer-Monsanto
- Atlantia-Abertis infraestructuras
- Unibail/Rodamco-Westfield
- Worldpay Group plc-Vantiv
- GlaxoSmithKline-Novartis
- Melrose Industries-GKN
- Sanofi- Bioverativ Inc
- TDC A/S by a group of pension funds
- XL Group-AXA
- Wind Tre – CK Hutchison
- Praxair Inc - Linde
- Essilor Intl - Luxottica Group
- Comcast – Sky plc
- Carlyle – Akzo Nobel (Chemicals business)
- BP – Petrohawk Energy
- Atlas Copco AB split into Epiroc AB with full control to existing shareholders

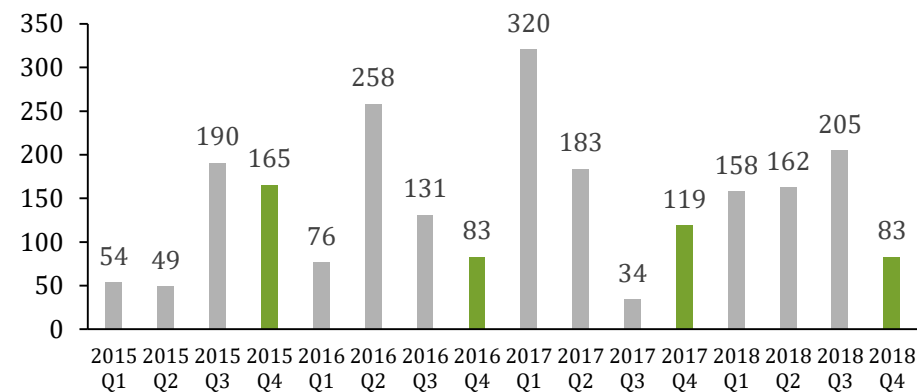
These deals represented €324.7bn, or 31% of the amount of completed M&A transactions in 2018

American firms represented the largest proportion of European inbound and outbound M&A activity

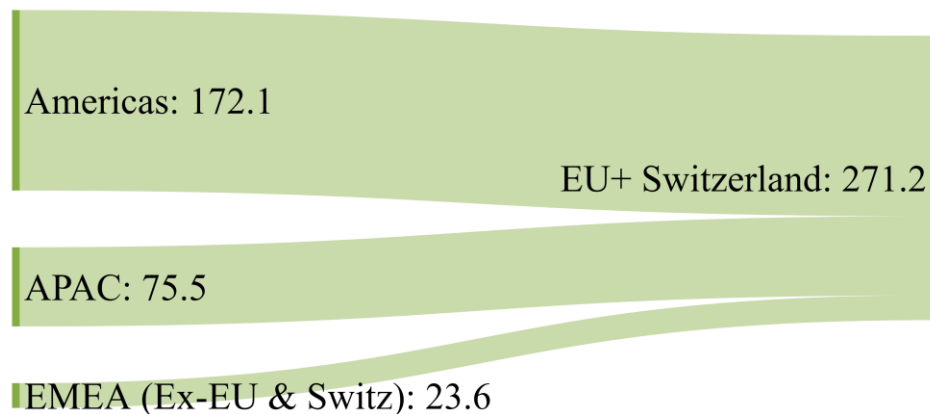
Announced M&A (EUR bn)



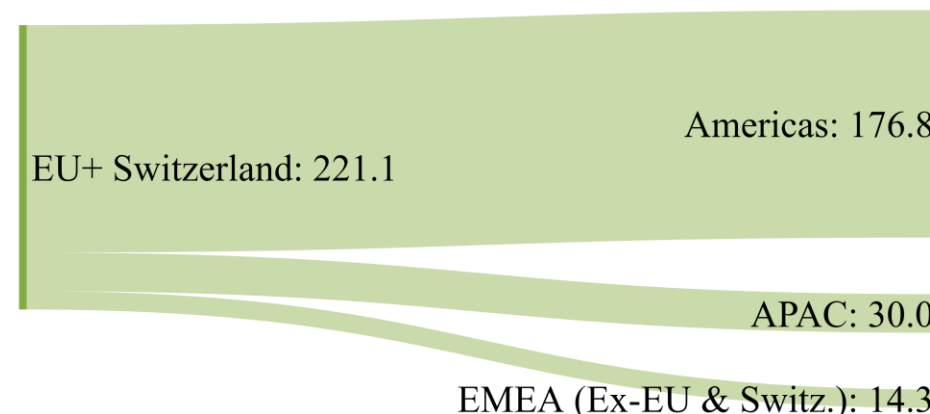
Withdrawn M&A (EUR bn)



Completed inbound M&A by acquiring region (EUR bn, 2018FY)



Completed outbound M&A by target region (EUR bn, 2018FY)



Source: Dealogic
Excludes intra EU deals

European integration: M&A between European firms

Completed intra-European M&A activity (2018FY, EUR bn) Target Nationality

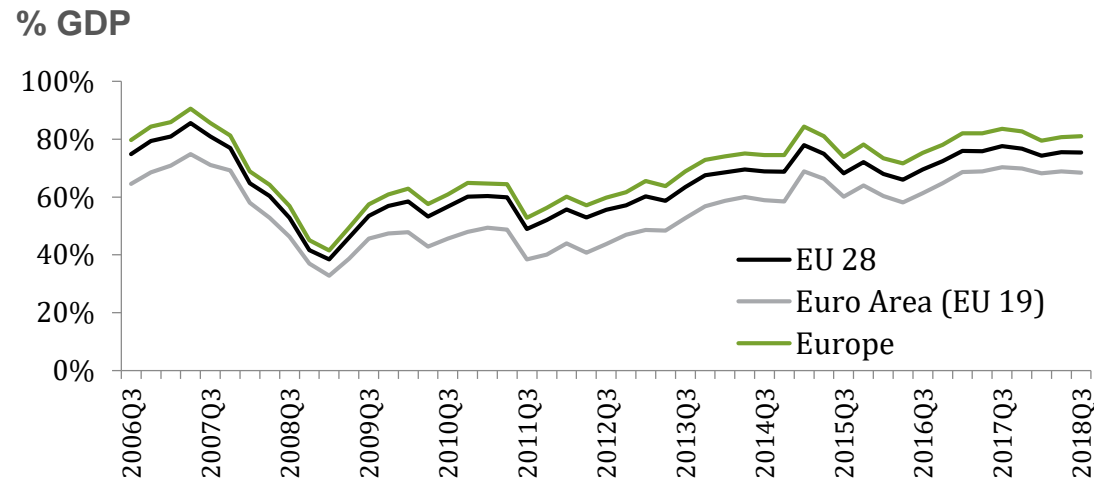
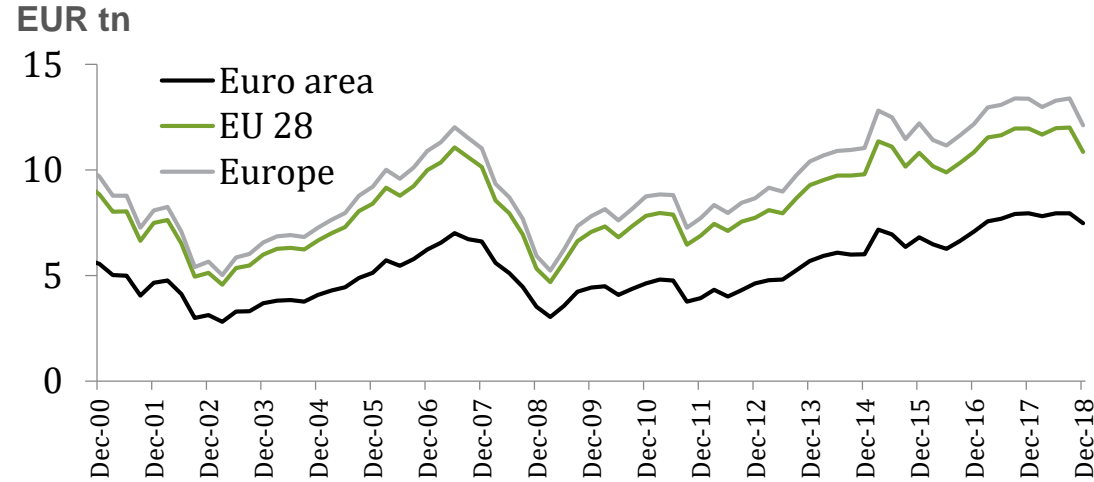
Acquirer Nationality

	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	4,081		0	27		89			0	10	3,133	0	0	0	151	0				0	402		144		207	989	91	0	1,721	11,044
Belgium	0	3,522								1,888	1,180		0	0	0			0		18	0	0	0			21	0	0	413	7,042
Bulgaria			26																											26
Croatia	0			135		0						0																		135
Cyprus					81	71				0				28			13				39		0						0	232
Czech Republic	0			0		2,010				0	0		2,800									9	0		2					4,821
Denmark	36	0					21,271		33	124	368	2		23	0	0	4			905	132	0	0	0		1,500	46	17	1,400	25,862
Estonia			0				0	527	0								62													589
Finland	0		0				278	0	9,571	38	4,042			232	0	0	0			21	0					0	642	0	120	14,945
France	0	4,588				0	6,623		0	42,936	2,459		0	4,020	26,438		0	355		0	778	273	0	0	0	556	1,277	7,154	8,382	105,838
Germany	8,312	112	0	0		570	0	151	190	3,910	36,423	516	0	148	365	7	0	0		425	159	164	3	0	0	1,164	1,705	1,535	1,069	56,927
Greece			2		0							1,405											4	9						1,420
Hungary			0										640								1		0							641
Ireland	50	0								0	0			1,816	0					460	0	19				0	8		2,681	5,034
Italy		0					0	8		1,800	2,619	1,002			22,463			40		0	88	0	0		8	27,173		0	226	55,426
Latvia								0		0						1								18					4	23
Lithuania						0	0	0								0	0				295						171			467
Luxembourg		36	1					288		30	1,095				2,025			14		188	4		1			0	12		26	3,720
Malta											4				22				14										29	68
Netherlands		475	0			0	0		0	158	83		0	158	0			0			21,579	58	0	0		0	122	0	823	23,456
Poland			90		82	1,082		0		250	227			40	10		9				3,300		54			48		27	29	5,249
Portugal						0				3	20										8	1,102				0	6		0	1,139
Romania													396				125			0	139		537	122						1,318
Slovak Republic						3					0													0		485				488
Slovenia				230																					0					230
Spain		0				93			0	719	277			11	91						605	748		0	0	44,475			1,415	48,432
Sweden	0	0		0			1,316	0	76	1,384	664		0	14	3,268	397	0		11	330	1	0	23			670	25,749	25	443	34,371
Switzerland	9	0	0			0	70	0	4	4,989	500		0	70	3,099	0		28		0	0	0	0		10	12	0	5,094	4,280	18,164
United Kingdom	54	4	0	22	10	2	76		379	5,343	1,448	228	0	5,569	489	0		149	0	1,761	5	46	209		64	937	202	19	106,250	123,264
Total	12,543	8,736	119	414	173	3,920	29,634	975	10,253	63,581	54,541	3,153	3,836	12,129	58,420	405	213	585	25	25,688	6,014	2,351	984	149	290	78,034	30,030	13,870	129,310	550,372

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

Secondary markets

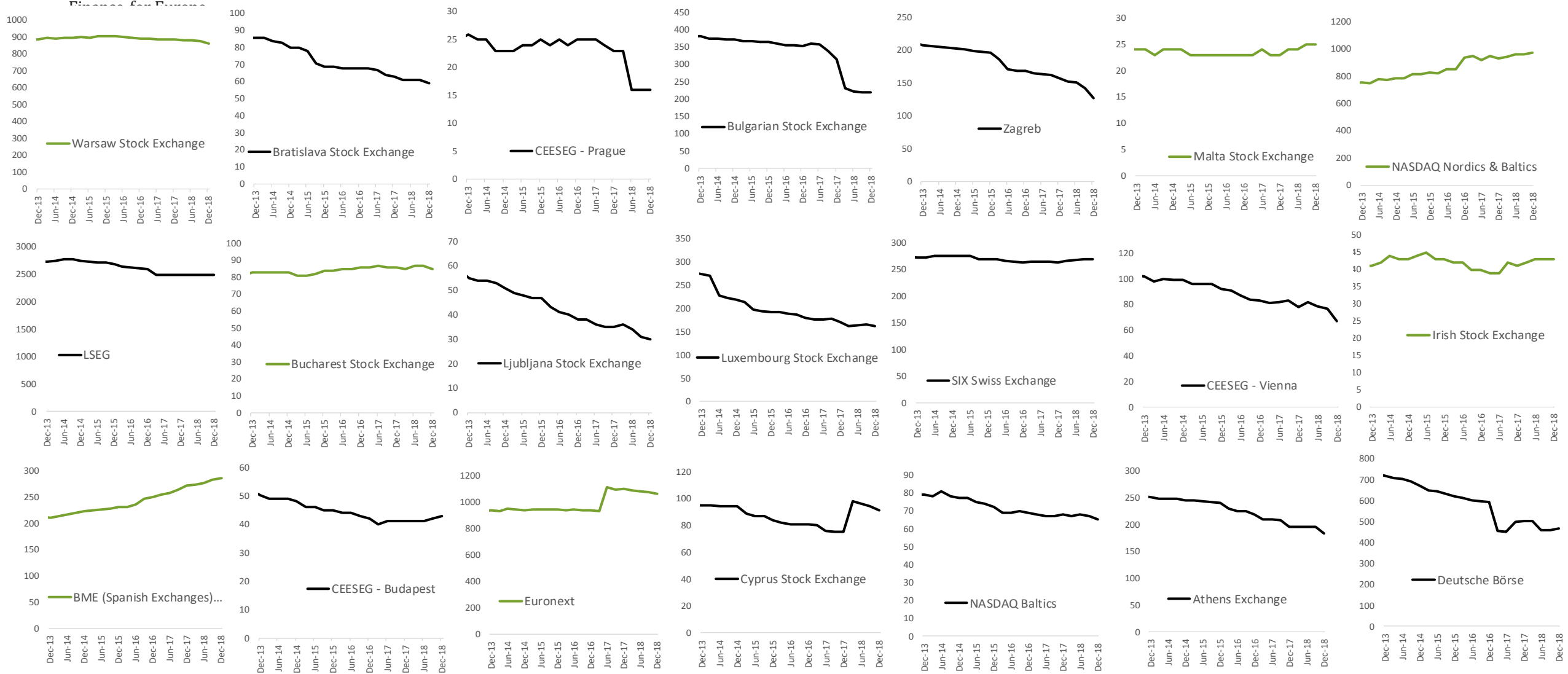
Market capitalisation of domestic listed shares



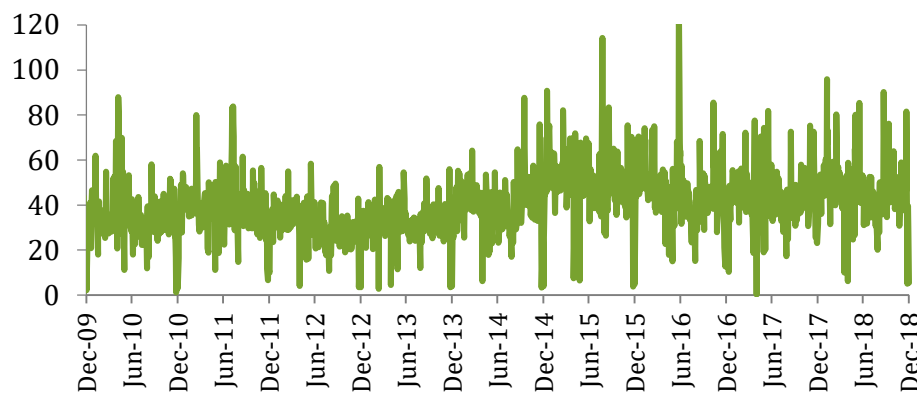
Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE

The European market capitalisation of listed shares finalised 2018 at €12.1tn, 9% below the end-of-year level in 2017 (€13.4bn) due the market uncertainty episode at the end of 2018 and fewer listed companies compared to a year ago

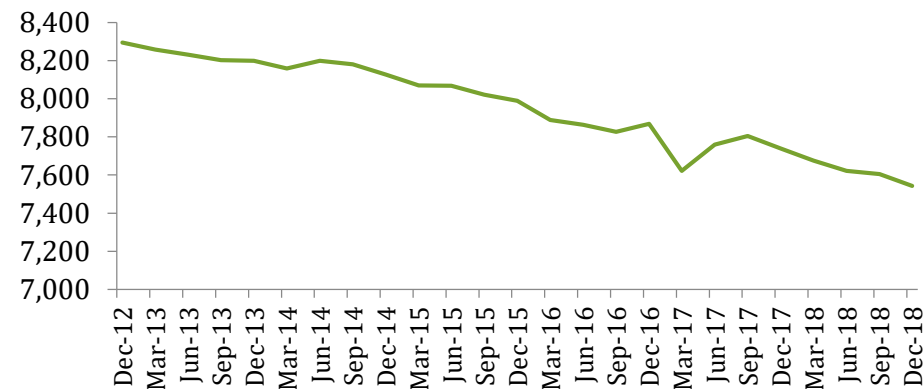
Number of listed companies on European exchanges



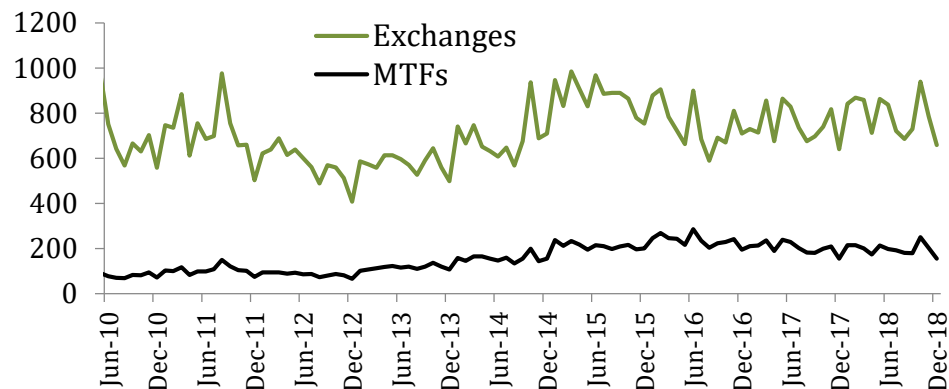
Daily turnover value on European exchanges and MTFs (EUR bn)*



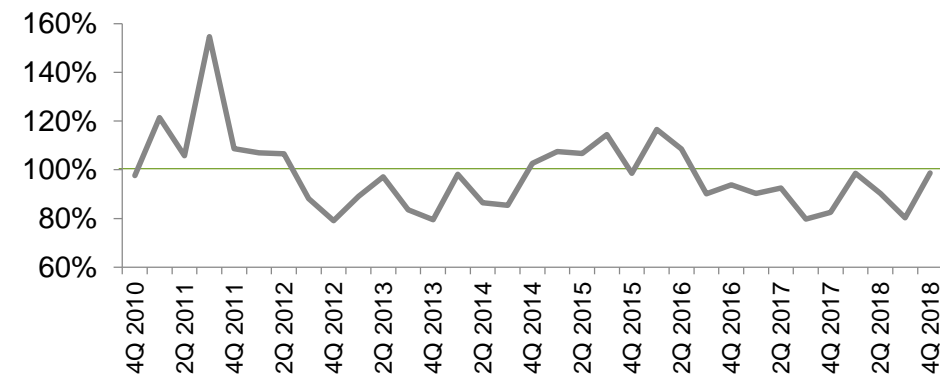
Number of listed companies on European exchanges



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



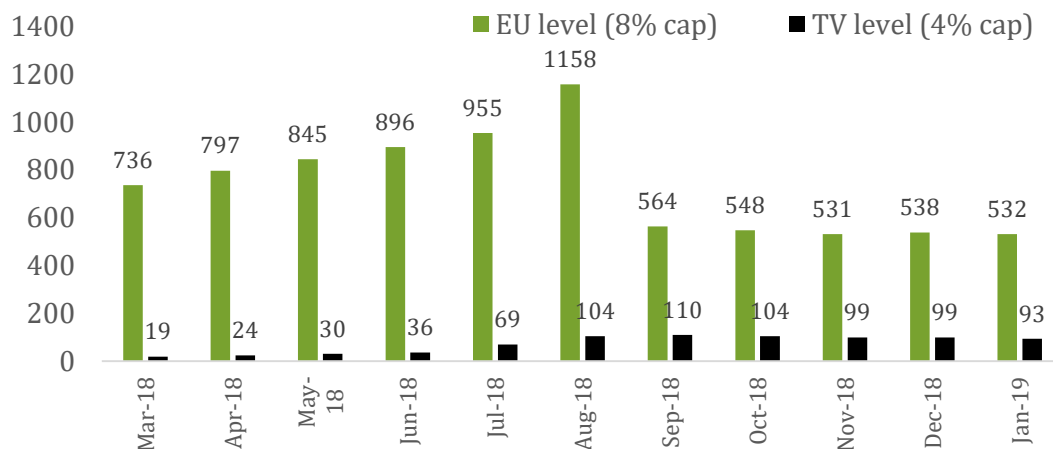
Turnover ratio (annualised turnover value/ market cap)



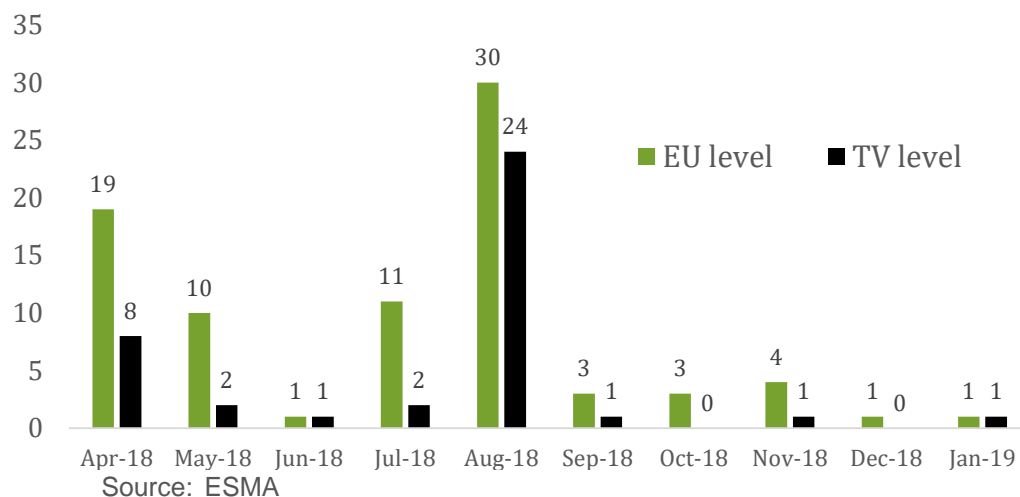
Source: Cboe Global Markets, FESE, WFE, ECB and local exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs
*market represents order book transactions

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



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

From a Universe of 26,750 equity-like securities traded in the EU, 625 are currently suspended (as of January 2019) from dark trading either on specific EU venues (93 securities) or on all EU venues (532) after surpassing the MiFID II dark trading thresholds (4% dark traded in a given trading venue and 8% for triggering suspension at EU level).

The number of banned instruments has decreased during the year from 755 in March 2018 and from 1,262 in August 2018 after c700 instruments completed its 6-month suspension period started in March

MiFID dark trading caps

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

Dec-18

Country ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT	83	3	1	5%
BE	403	1	0	0%
BG	357	0	0	0%
CY	121	0	1	1%
CZ	26	0	0	0%
DE	1130	11	2	1%
DK	556	22	9	6%
EE	21	0	0	0%
ES	301	5	3	3%
FI	183	5	0	3%
FR	1280	44	15	5%
GB	2001	113	23	7%
GR	229	0	0	0%
HR	131	0	0	0%
HU	48	0	0	0%
IE	1047	3	0	0%
IT	438	10	3	3%
LT	33	0	0	0%
LU	950	9	2	1%
LV	27	0	0	0%
MT	35	0	0	0%
NL	218	15	1	7%
PL	44	0	0	0%
PT	65	0	0	0%
RO	372	0	0	0%
SE	1278	11	4	1%
SI	127	0	0	0%
SK	53	0	0	0%
Non-EU	15193	280	29	2%
Total	26750	532	93	2%

Source: ESMA

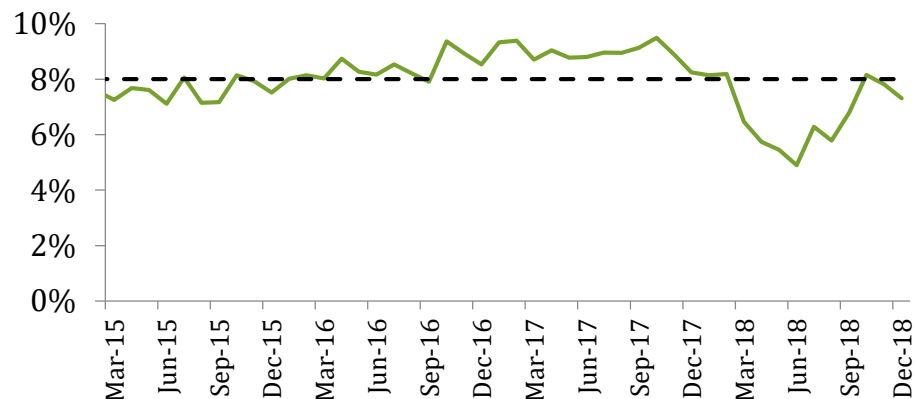
The 625 instruments currently suspended from dark trading at the EU or trading venue level represent 2% of the Universe of equity-like instruments on ESMA's December DVC files (26,750)

By countries, 136 of the 652 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 7% of the 2001 UK ISINs registered in the ESMA DVC files

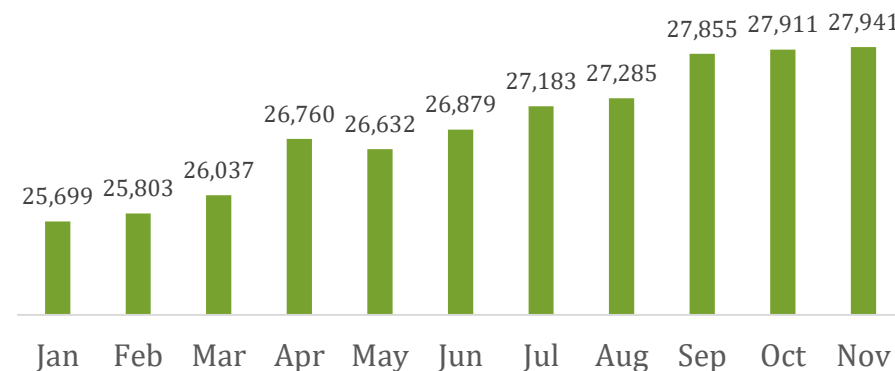
309 of the suspended instruments have non-EU ISINs, or 43% of all suspended instruments at the EU and trading venue.

Growth in dark trading after c700 DVC shares completed 6-month suspension period

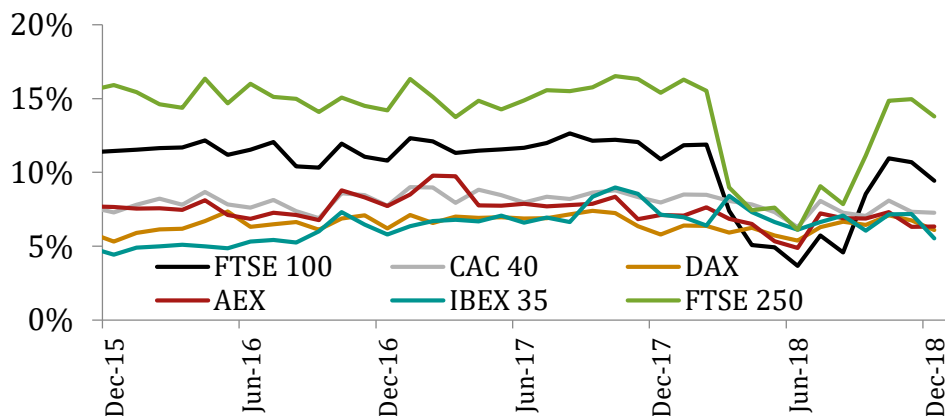
Dark trading as % of total turnover*



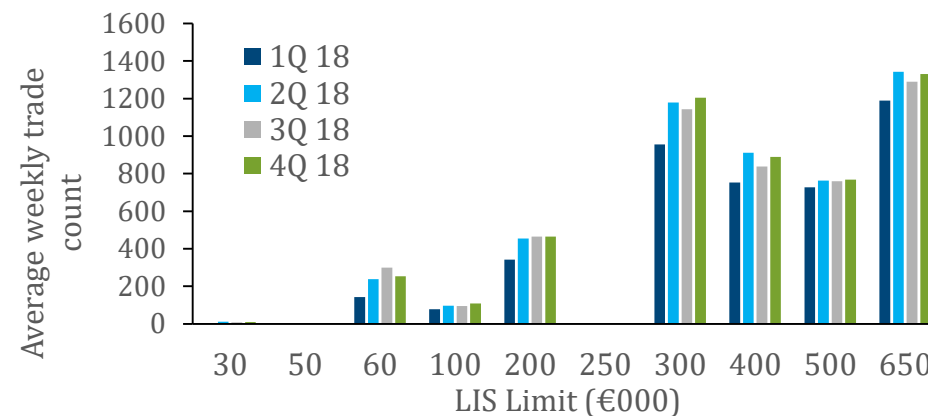
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



% of dark trading by indices*

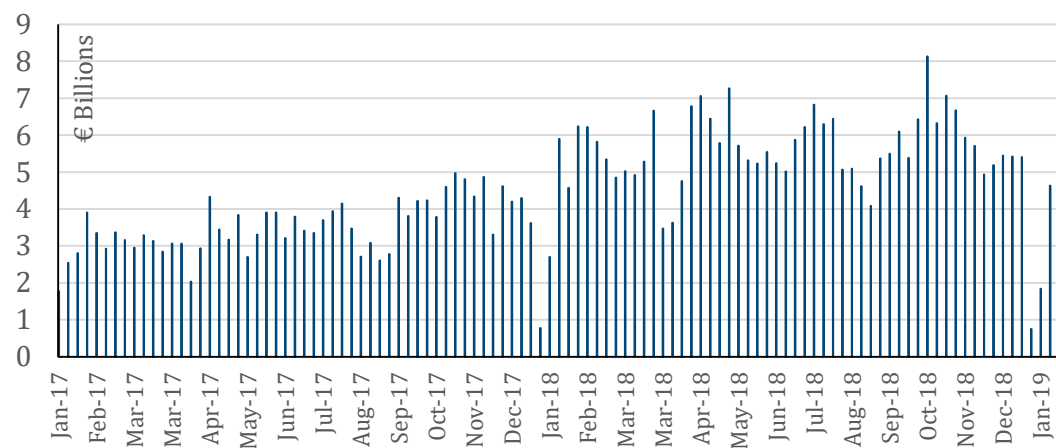


Block trades: weekly trade count by large-in-scale (LIS) limit

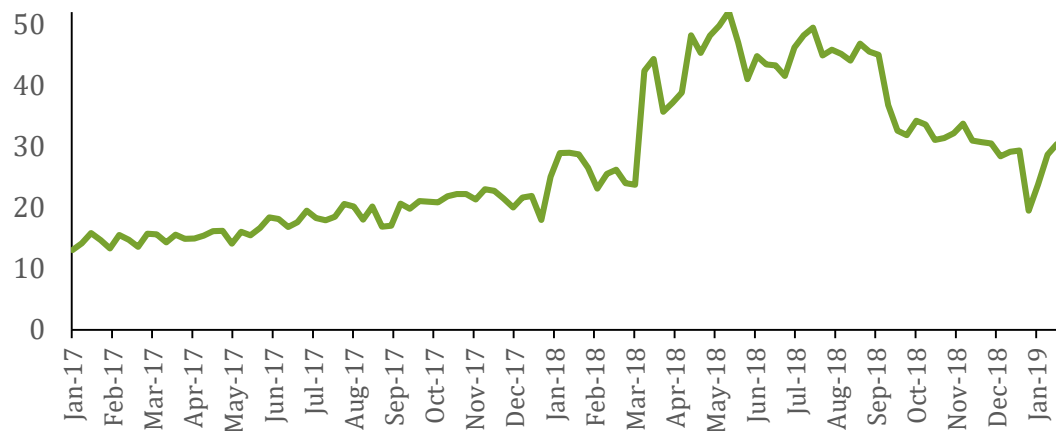


Source: ESMA, Cboe Global Markets and Fidessa
*market represents order book transactions

Block trades: weekly turnover on European selected venues



Proportion of dark traded as LIS blocks (%)



Source: Fidessa

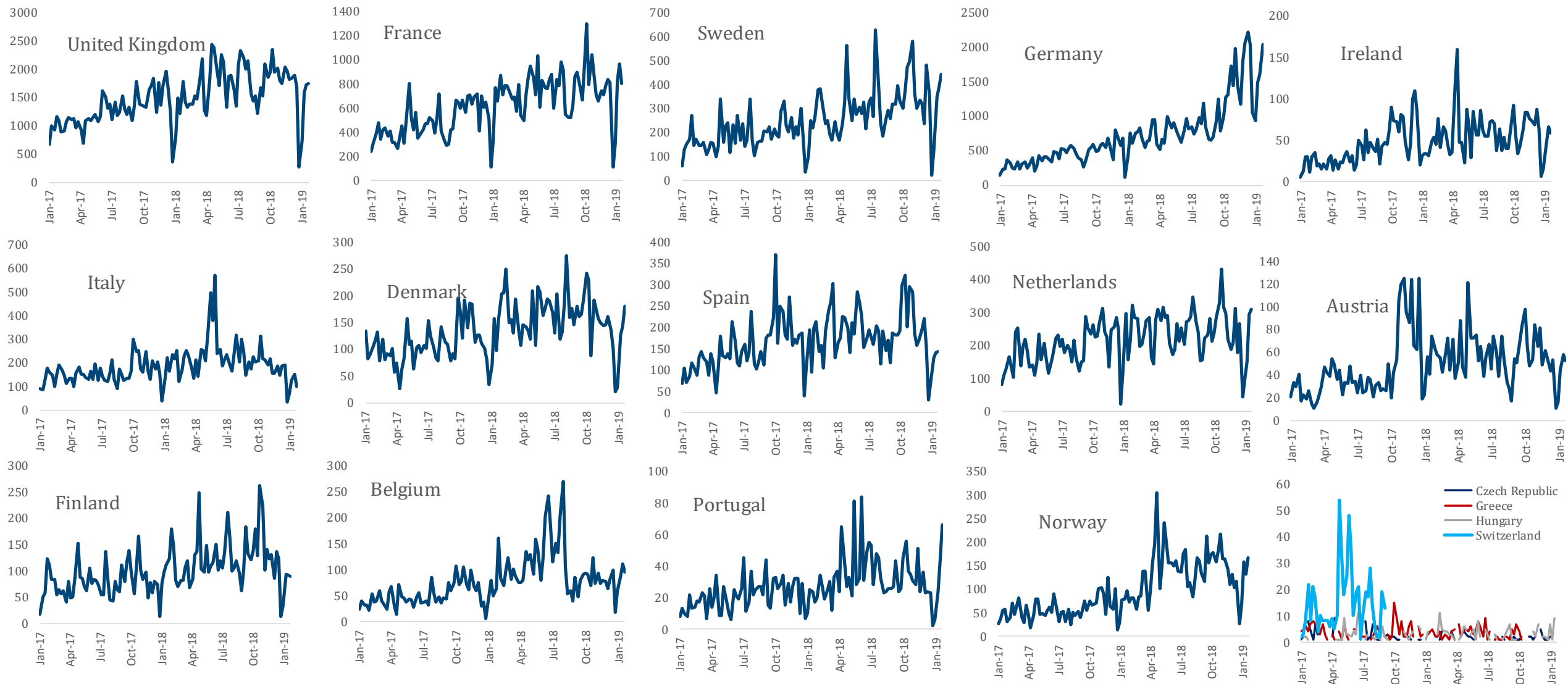
The average weekly turnover in the form of block trades on selected European venues* has increased from €3.0 bn in 1Q17 to €5.6 bn on average during 4Q18 and €5.0 in the first weeks of January 2019

According to Fidessa data, the percentage of dark traded as large-in-scale (LIS) blocks on selected venues* declined from c50% in 2Q18 to 32% in 4Q18.

The recent decline in dark traded as LIS blocks could be attributed to the completion of the 6-month DVC suspension for c700 instruments as noted in page 24.

* Venues include CBOE dark, CBOE BXE, CBOE LIS, Liquidnet, Posit, Turquoise Plato, and UBS MTF

Block trades: weekly trade count by listing market



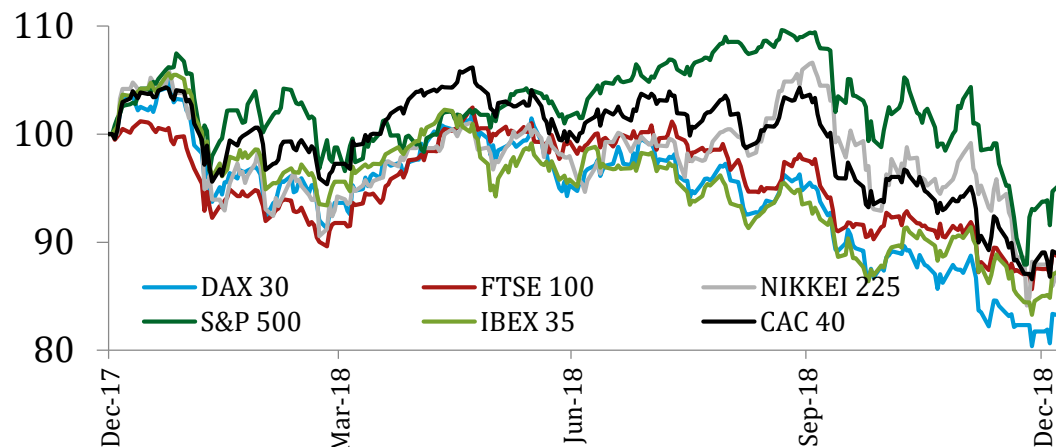
Source: Fidessa with data from Cboe BXE and CXE Dark Order Books, Cboe LIS service, Turquoise Plato™, Liquidnet, Posit and UBS MTF

The share universe for the report is taken from the ESMA Shares admitted to trading on EU Regulated Markets register.

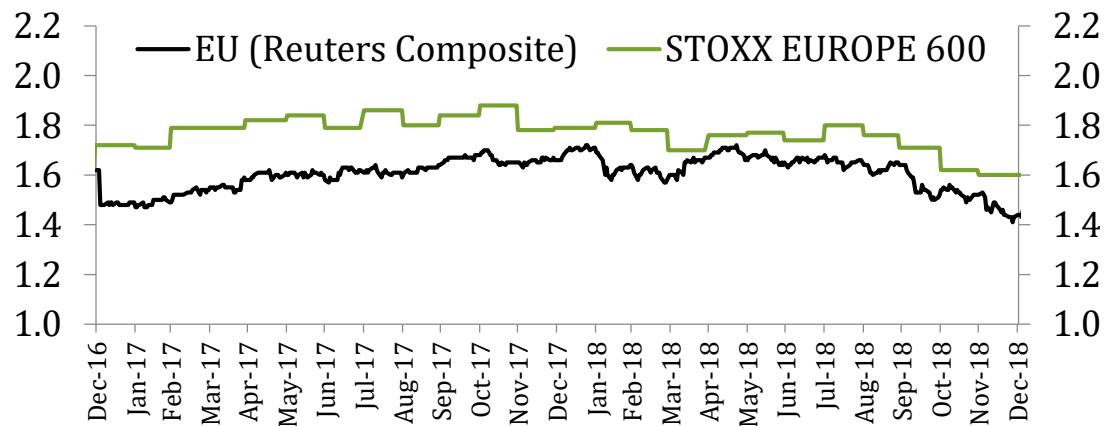
Valuations

Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 2017 = 100)



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

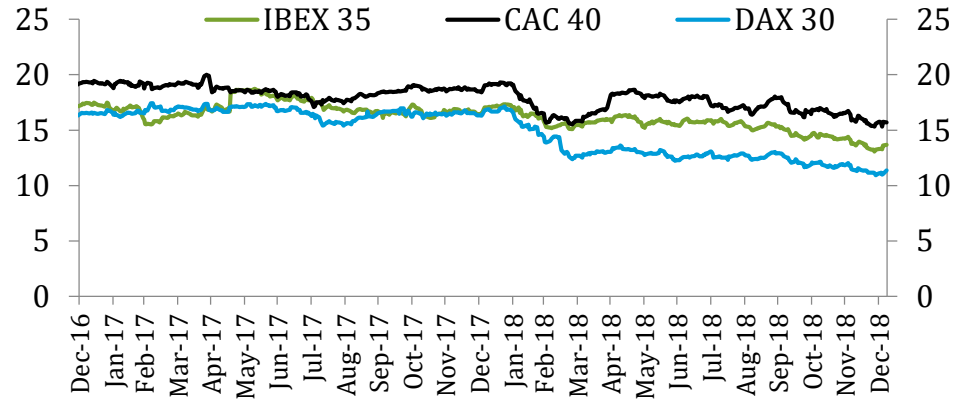


Source: Datastream

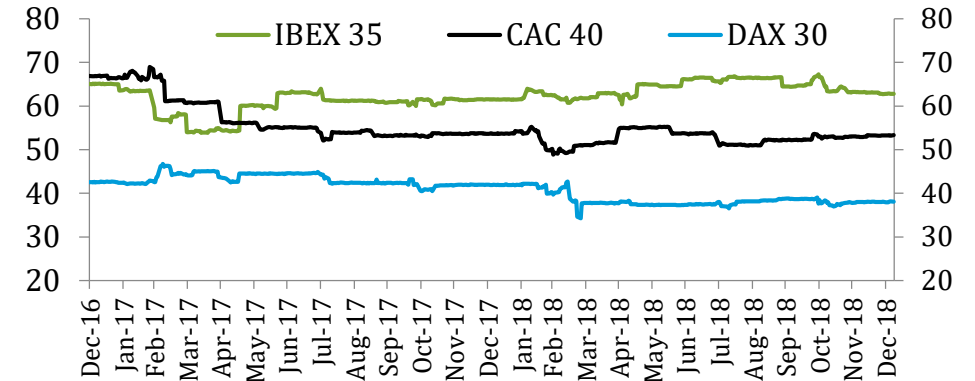
The average European price-to-book ratio (for STOXX Europe 600 indexed shares) finalised the year at 1.6x, 19bps below the level at the end of 4Q17 (1.79x)

Valuation ratios and implied volatility

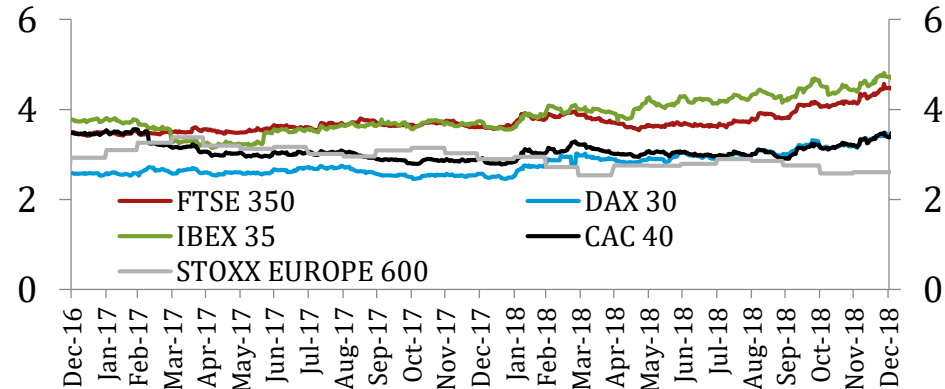
Price-to-earnings (PE) ratio



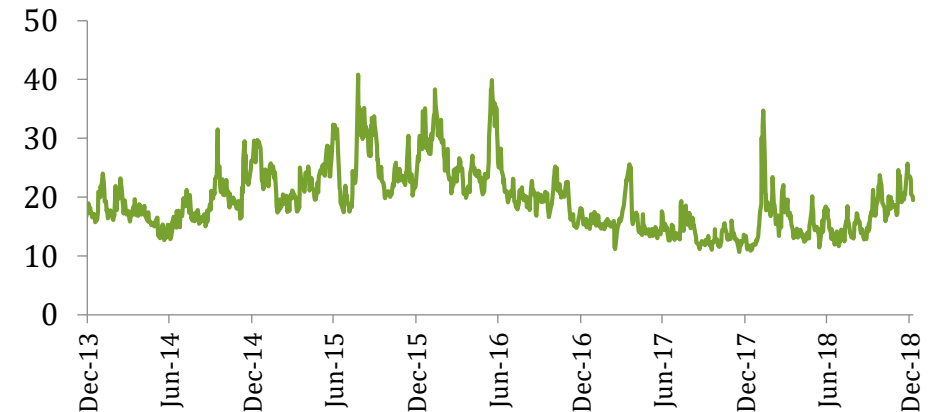
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

	1Q 18	2Q 18	3Q 18	4Q 18	2018 FY	1Q 17	2Q 17	3Q 17	4Q 17	2017 FY	%Change YoY	%Change FY
Equity underwriting (€ bn)	38.0	41.3	20.9	23.1	123.2	57.1	72.0	43.5	39.1	211.6	-41%	-42%
IPOs	12.0	8.7	3.7	10.2	34.6	5.0	12.4	10.4	12.7	40.6	-20%	-15%
Follow-on offerings	22.1	29.4	15.3	11.6	78.5	44.7	54.3	28.3	23.1	150.4	-50%	-48%
Convertible securities	3.9	3.2	1.8	1.2	10.1	7.4	5.2	4.8	3.2	20.6	-62%	-51%
Mergers and Acquisitions (€ bn): completed	197.2	327.6	195.3	322.5	1,042.6	218.1	282.1	264.3	173.1	937.6	86%	11%
European outbound	37.4	111.7	38.2	34.1	221.4	40.6	66.3	103.1	25.1	235.2	36%	-6%
European inbound	36.3	37.4	52.2	144.9	270.8	67.2	104.4	39.5	55.7	266.8	160%	1%
Intra European	123.5	178.5	105.0	143.5	550.4	110.2	111.3	121.8	92.3	435.6	55%	26%
Mergers and Acquisitions (€ bn): announced	339.9	342.4	207.9	188.5	1,078.7	232.5	226.8	199.3	219.5	878.1	-14%	23%
Equity turnover value (€ tn)	3.20	3.00	2.69	2.99	11.9	2.96	3.03	2.67	2.76	11.4	8%	4%
Main Markets	2.57	2.41	2.14	2.38	9.5	2.30	2.37	2.11	2.20	9.0	8%	6%
MTFs	0.63	0.58	0.55	0.61	2.4	0.66	0.66	0.56	0.56	2.4	8%	-3%
Market Capitalisation of domestic listed shares (€ tn)												
European (EU28 and Switzerland)	13.0	13.3	13.4	12.1	12.1	13.0	13.1	13.4	13.4	13.4	-9%	-9%
EU 28	11.7	12.0	12.0	10.9	10.9	11.5	11.6	12.0	12.0	12.0	-9%	-9%
Euro Zone	7.8	8.0	8.0	7.5	7.5	7.6	7.7	7.9	8.0	8.0	-6%	-6%

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

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