Finance for Europe

4Q 2019 and 2019 Full Year

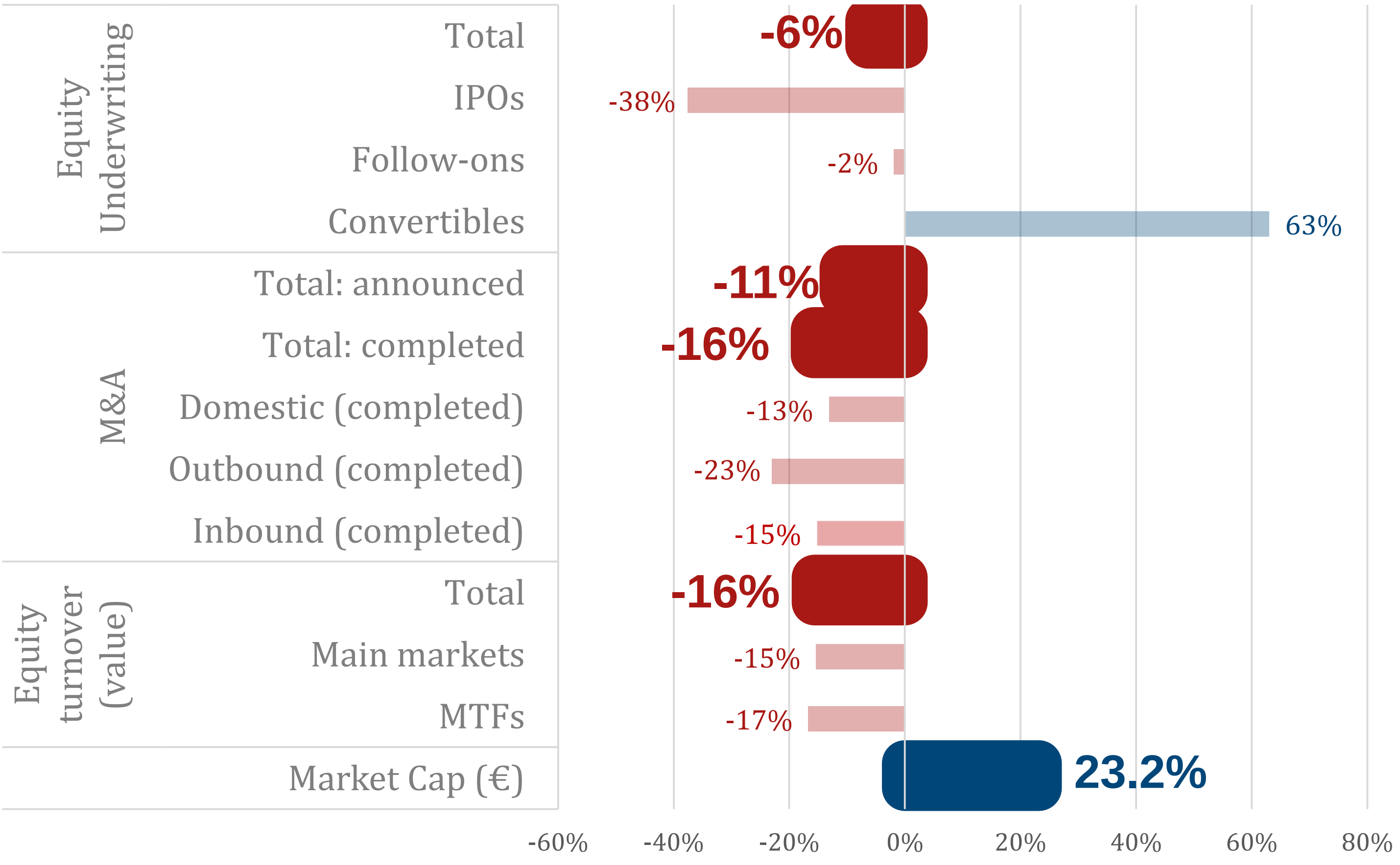
Equity Primary Markets and Trading Report

European market data update

Key highlights

2019FY variation of European Equity activity

EU27 member countries, UK and Switzerland



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

A challenging year for equity activity

Annual decline of 6% in equity underwriting on European exchanges from the value originated in 2018. Equity underwriting includes issuance of IPOs, follow-ons and convertible securities.

IPO proceeds decreased 38% from 2018, with the lowest number of IPOs since 2012.

Completed Mergers and Acquisitions (M&A) of European companies totalled €903.2bn in 2019 a decrease of 16% from the amount completed in 2018 (€1072.2 bn).

The amount of announced M&A totalled €938.9bn in 2019, a 11% decrease from 2018.

Equity trading activity on **European main markets and MTFs** generated a total of €9.3 tn in turnover value in 2019, a decrease of 16% from 2018 (€11.0tn).

Domestic market capitalisation of European listed shares stood at € 14.4 tn at the end of 2019, a 23% increase from 2018%.

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Contents

Equity issuance

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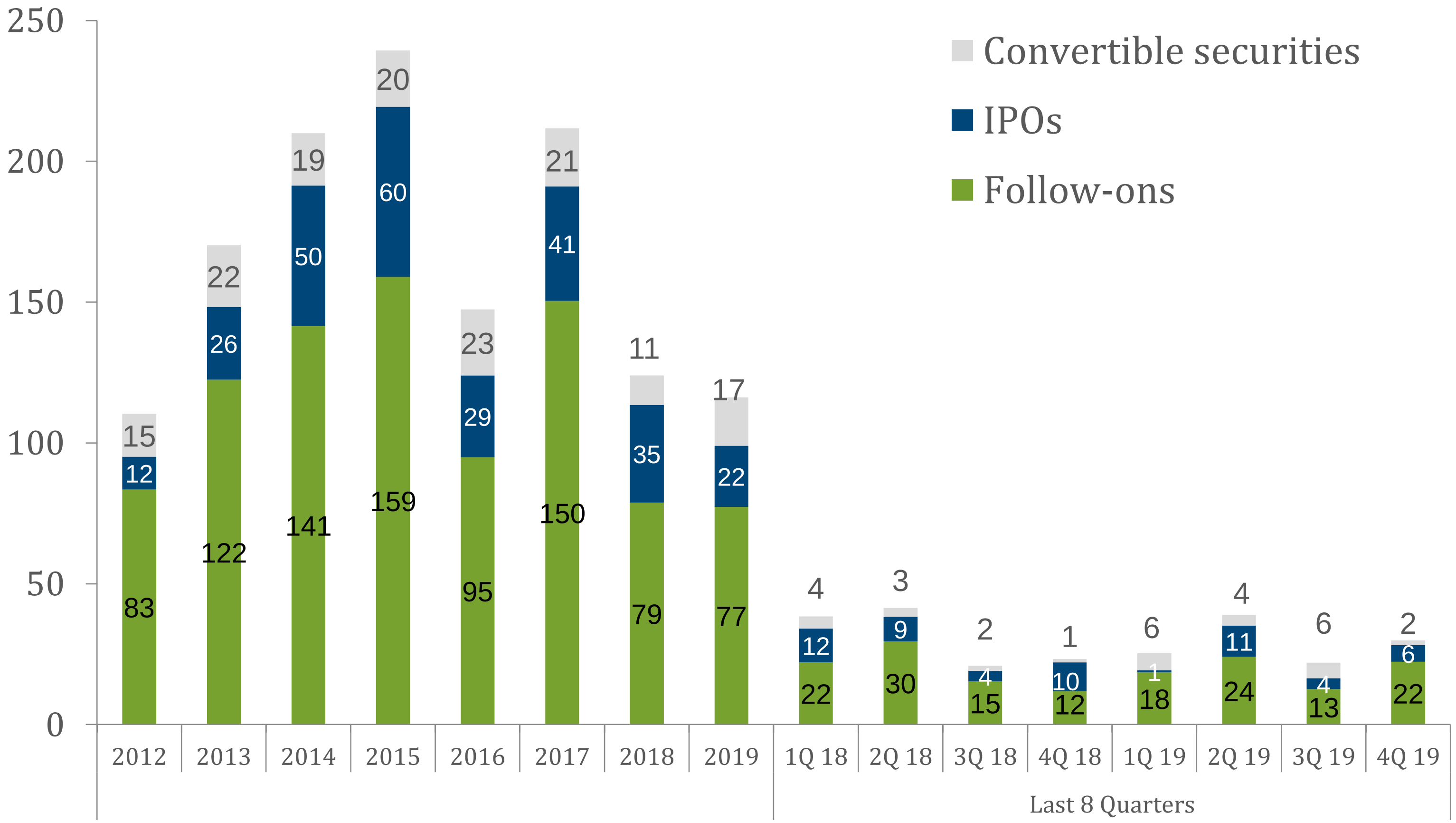
Lowest annual amount of equity raising since 2012

Equity Issuance on European exchanges (EUR bn)

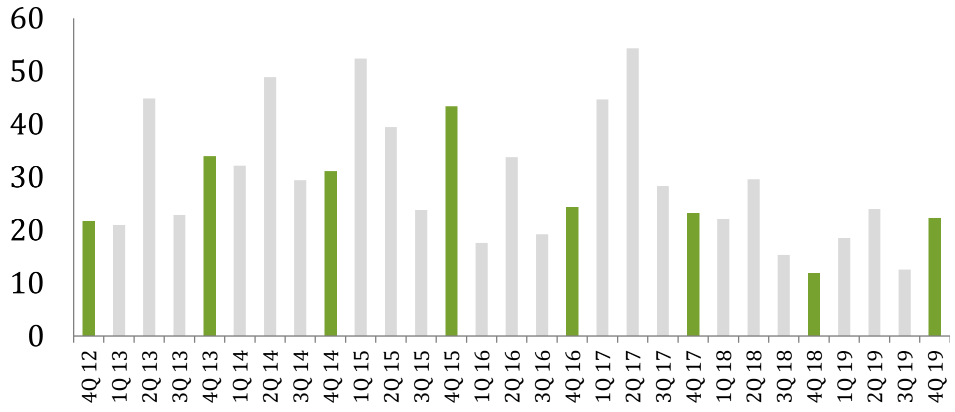


Source: Dealogic

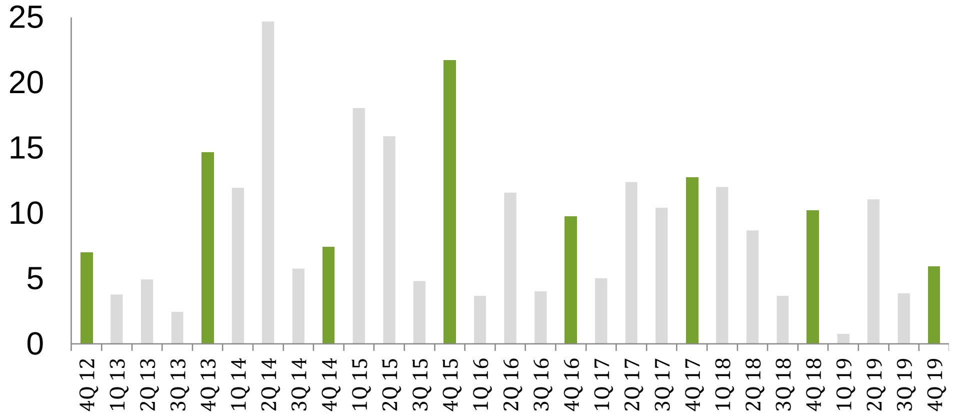
The decline in equity underwriting (-6%) was driven by a 38% decrease in IPO proceeds and a 2% decrease in follow-on offerings.

152 IPOs were issued on European exchanges during 2019— the lowest annual volume since 2012 (144).

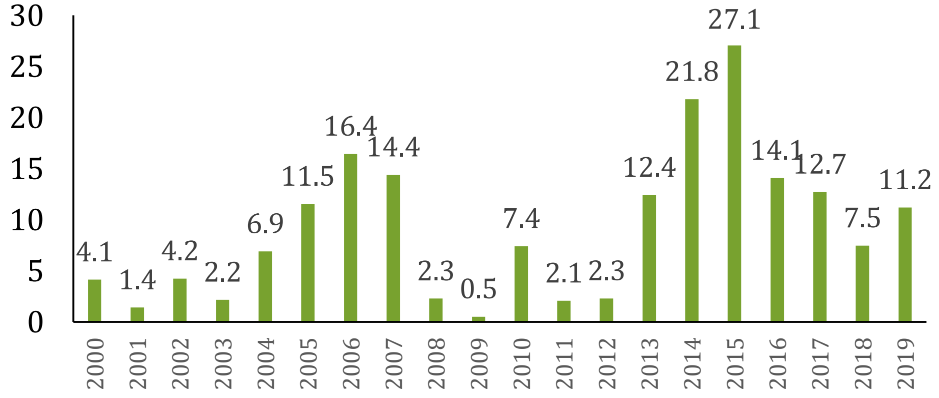
Follow-on offerings (EUR bn)



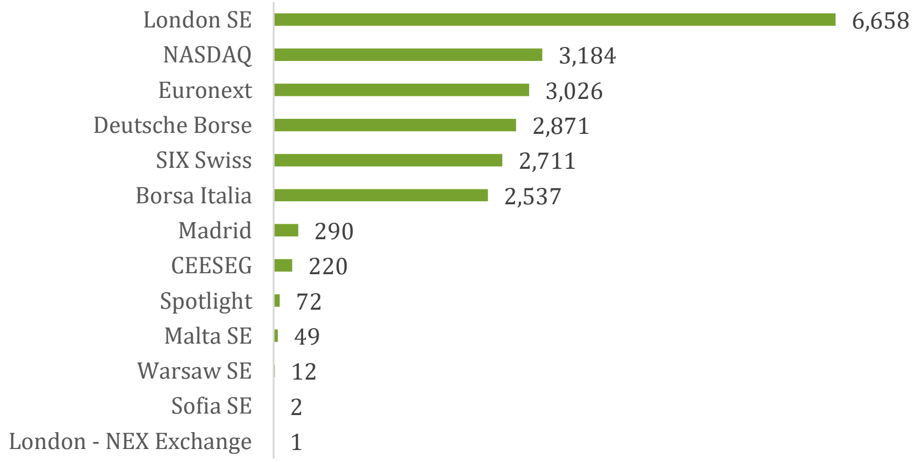
IPO proceeds (EUR bn)



PE-backed IPOs proceeds (EUR bn)



IPO proceeds by listing market (EUR mm): 2019FY



Source: Dealogic

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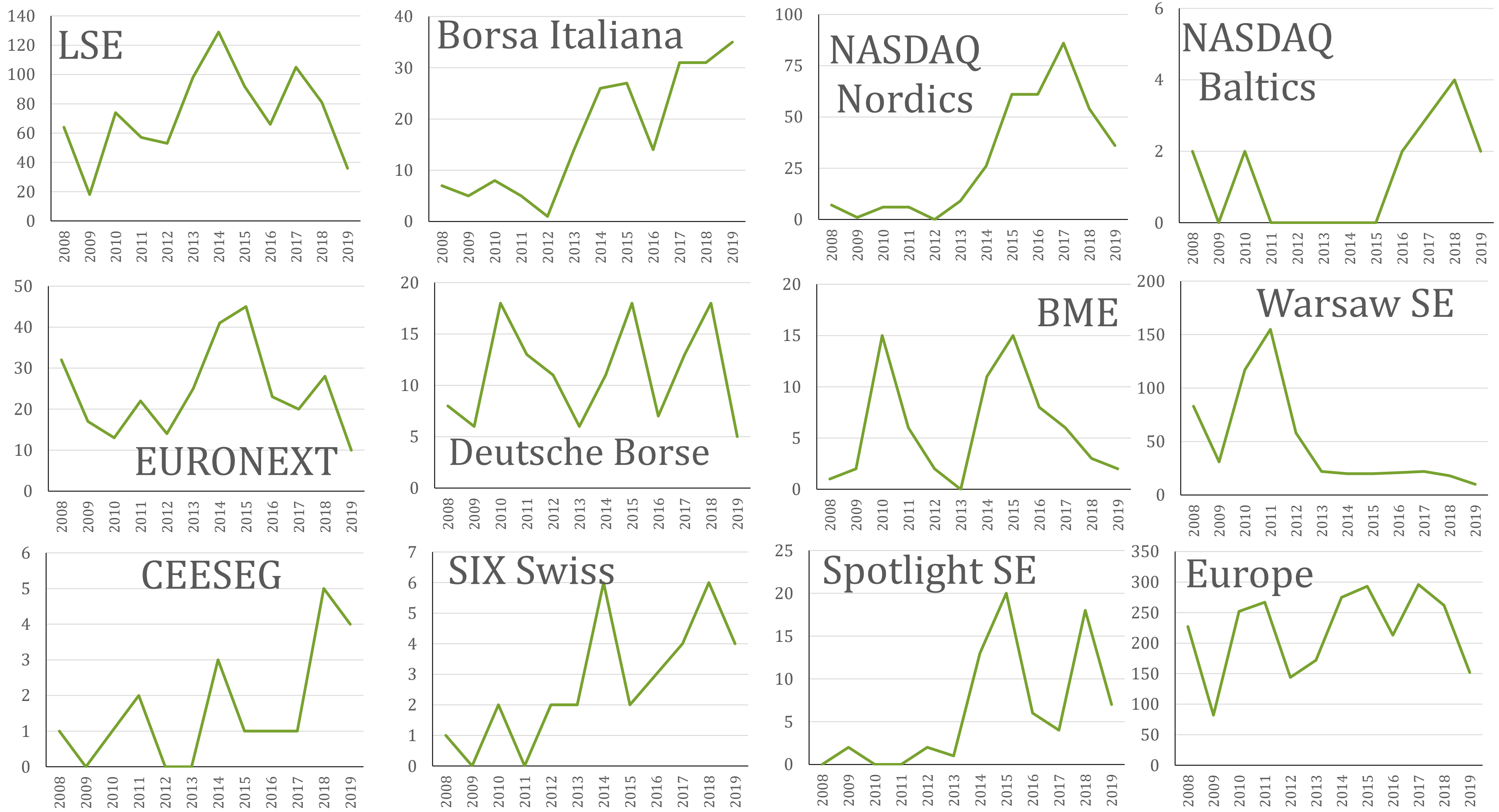
Decline in number of IPOs across Europe

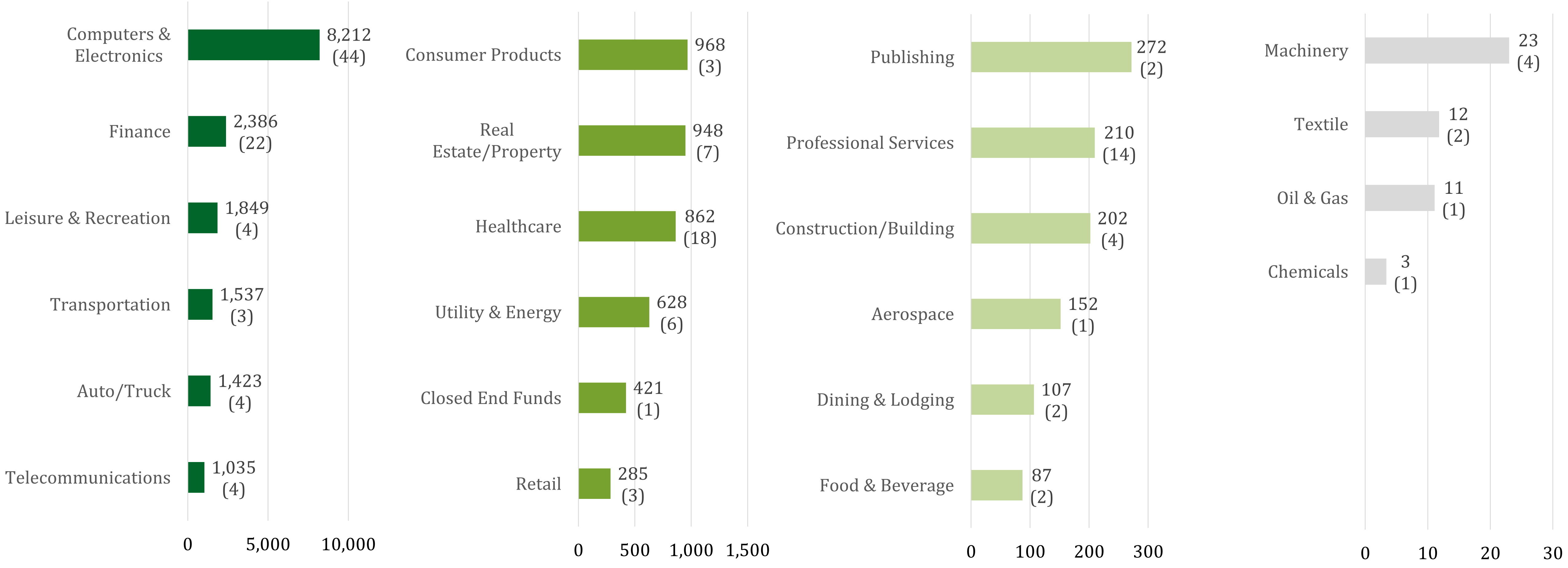
Number of IPOs per year by exchange



Dealogic

IT and Finance lead IPO proceeds

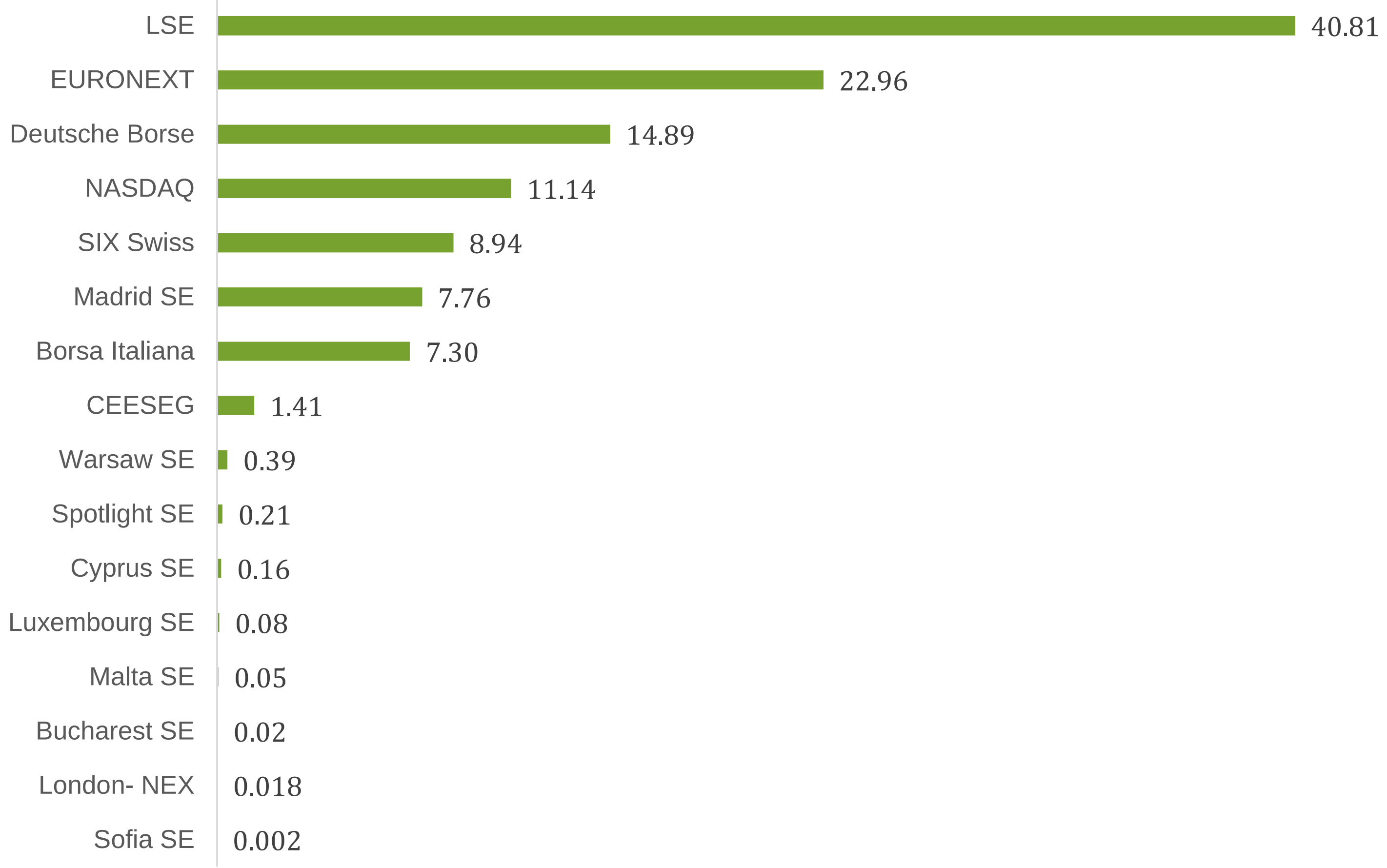
IPO proceeds by industry (EUR mm): 2019FY



Dealogic. Finance includes SPVs

LSE led 2019 equity issuance

Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): 2019FY

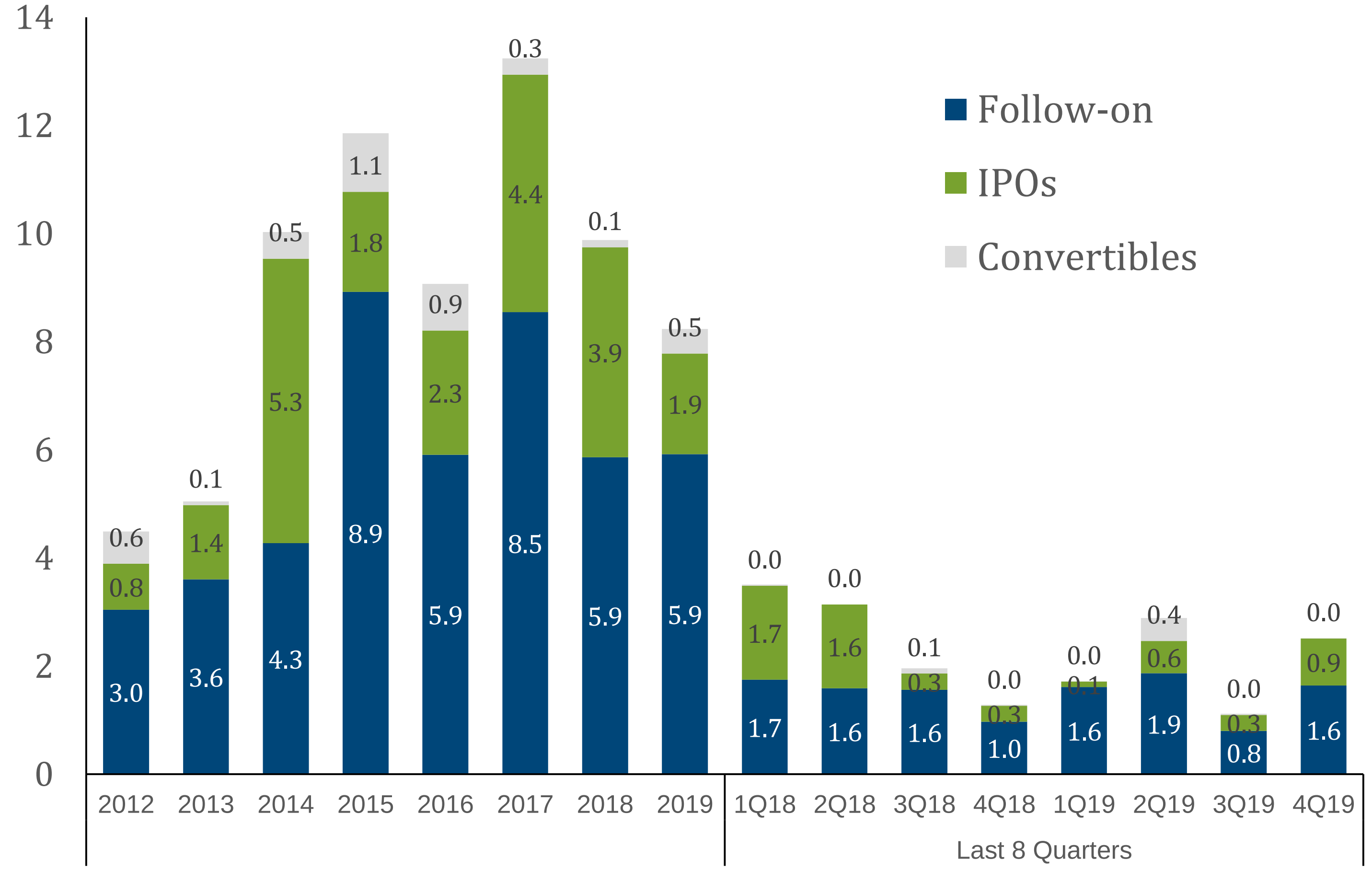


Source: Dealogic

LSE exchanges (main market and AIM) led by total equity underwriting accumulating a total of €40.8bn, followed by Euronext exchanges and Deutsche Borse.

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



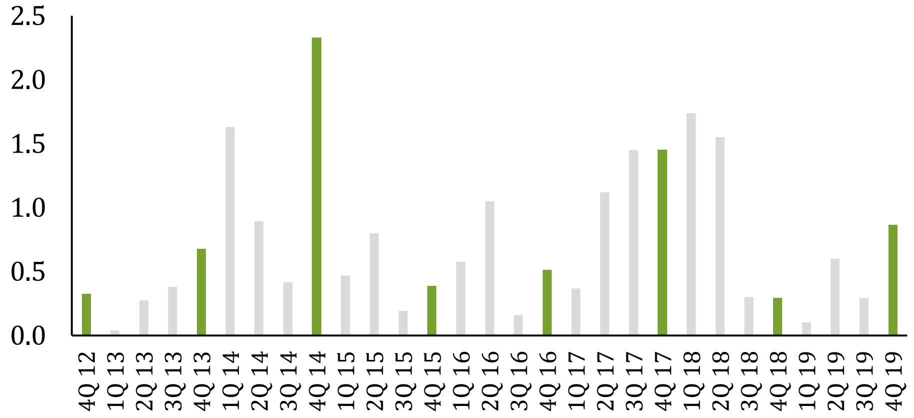
Source: Dealogic

In 2019, equity issuance on Jr exchanges fell 16% compared to 2018, accumulating a total of €8.2bn in proceeds.

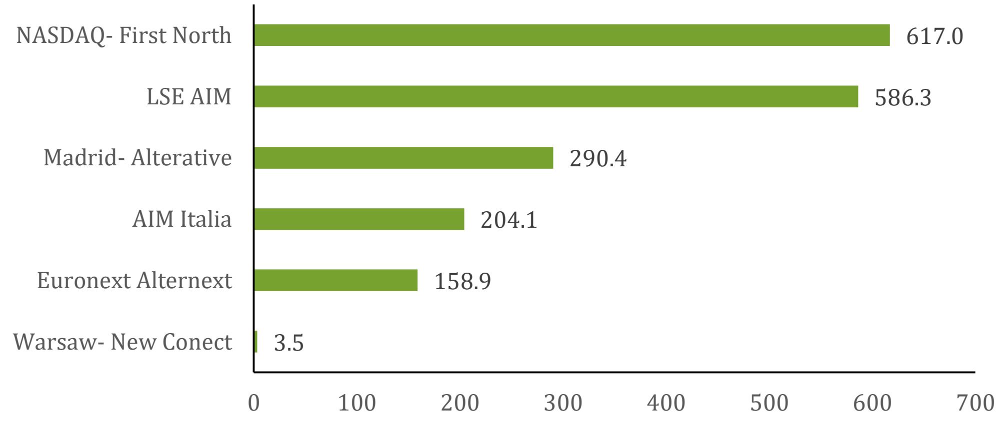
IPOs on Junior markets totalled €1.8 bn in proceeds in 2019, the lowest IPO amount since 2015.

NASDAQ First North led IPO proceeds on Jr markets

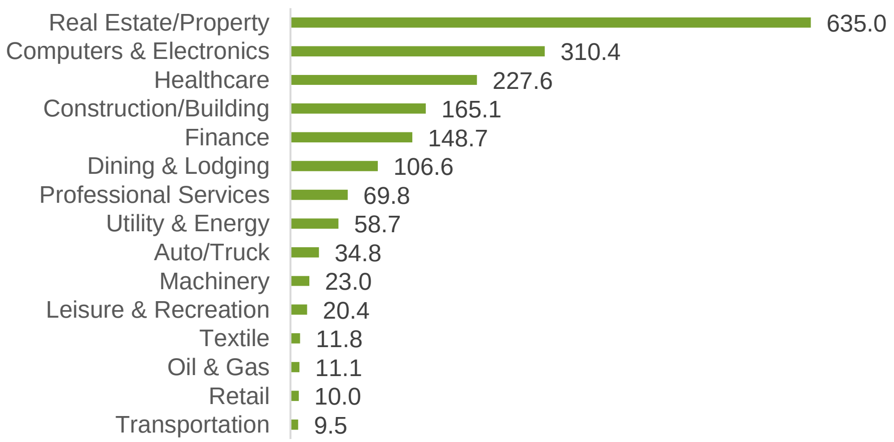
IPO proceeds on European Jr markets (EUR bn)



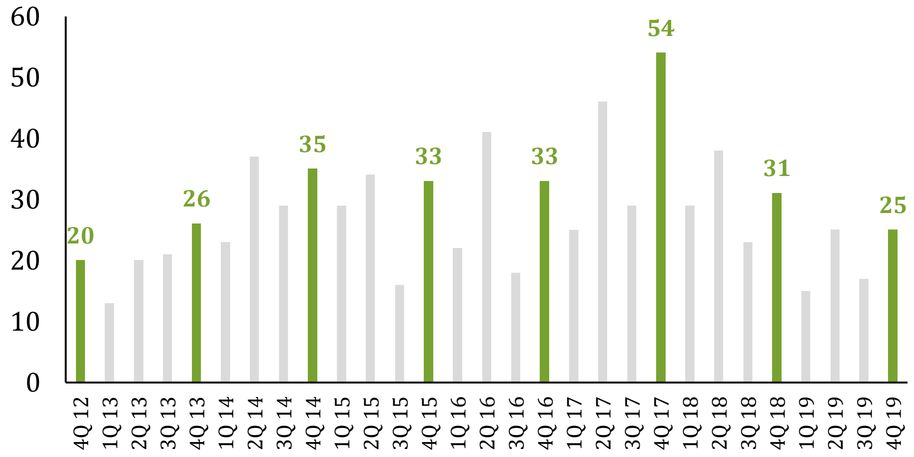
IPO proceeds on Jr markets by exchange (EUR mm, 2019FY)



IPO proceeds on Jr markets by industry (EUR mm, 2019FY)



Number of IPOs on European Jr markets

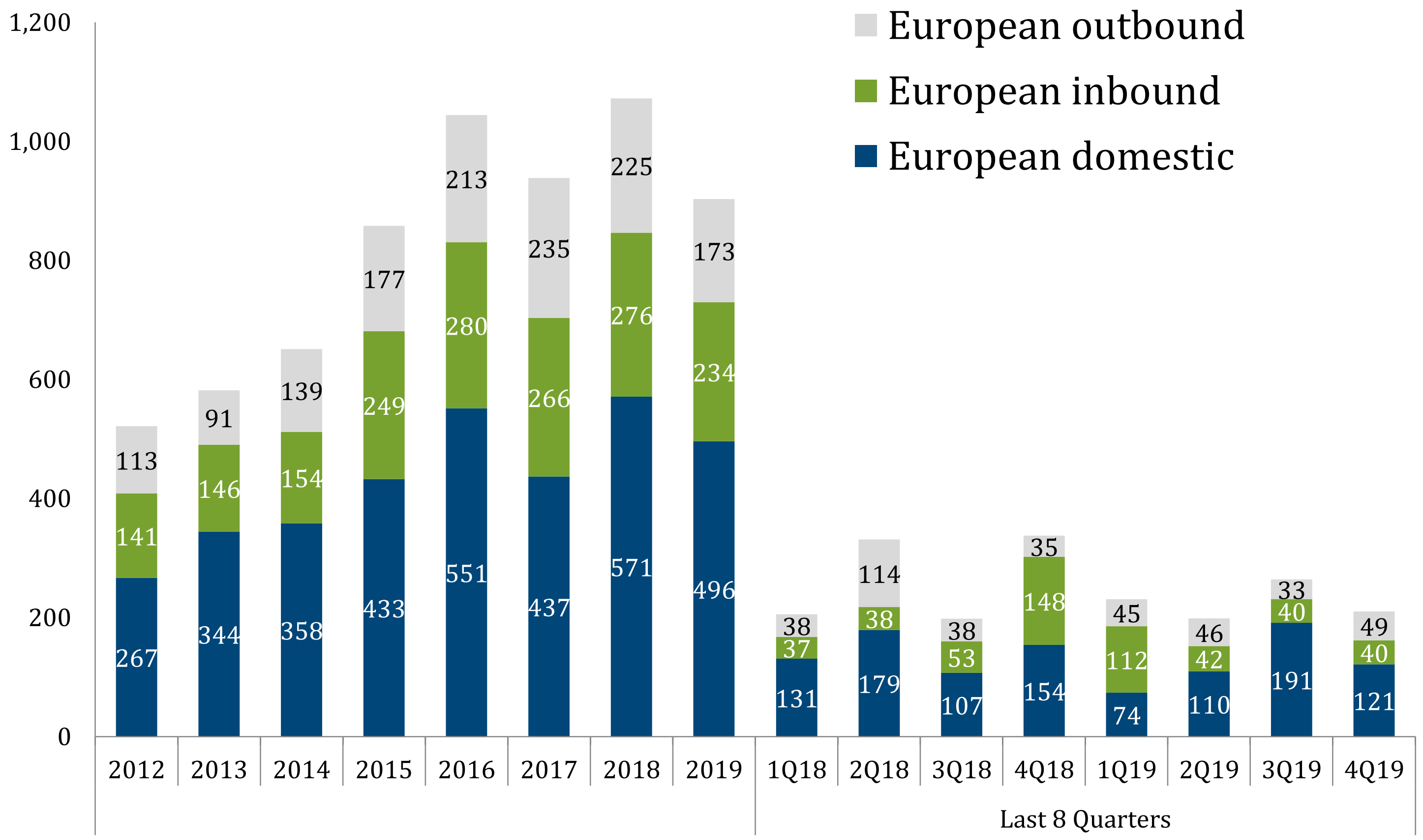


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

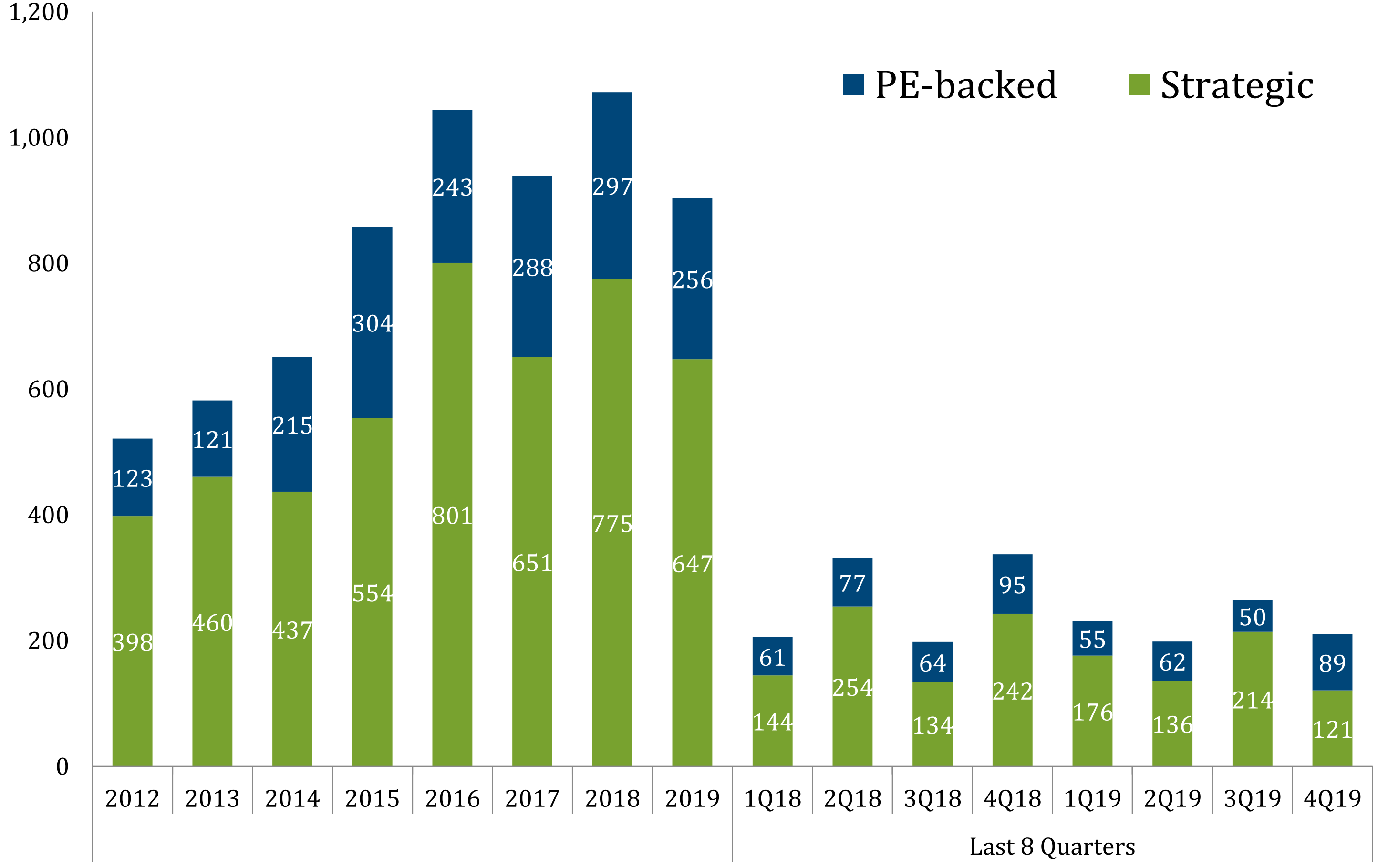
European M&A activity decreased 12% against 2018, with an annual decline in outbound, inbound and domestic (intra-EU deals).

APAC firms represented 58% of the inbound deal value (or €135.4bn), a sharp increase from 28% of the 2018FY inbound value. See page 17 for further details.

*EU27, UK and Switzerland

M&A by type of deal

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



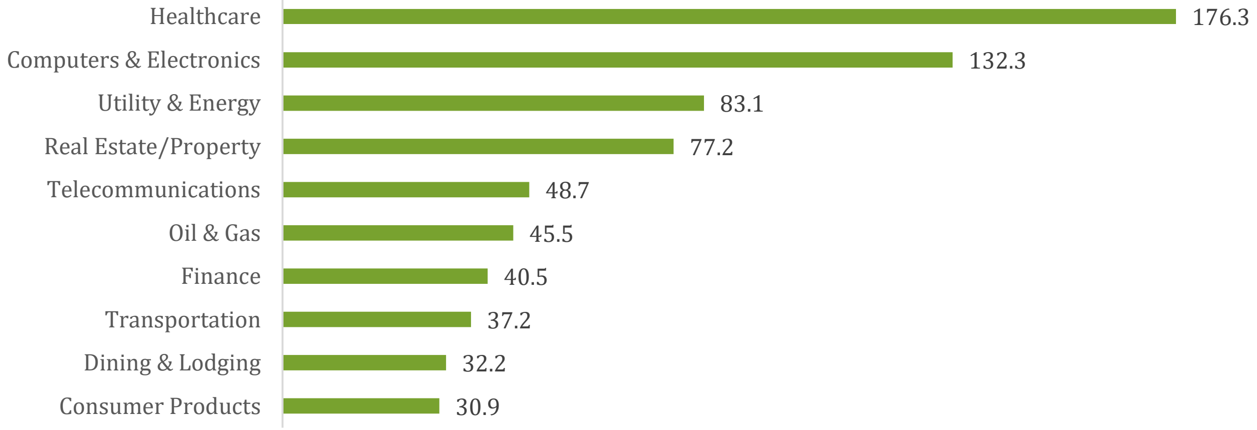
Source: Dealogic

Private Equity-backed M&A activity ("Sponsor" deals) totalled €256bn in 2019, a decline of 14% against 2018.

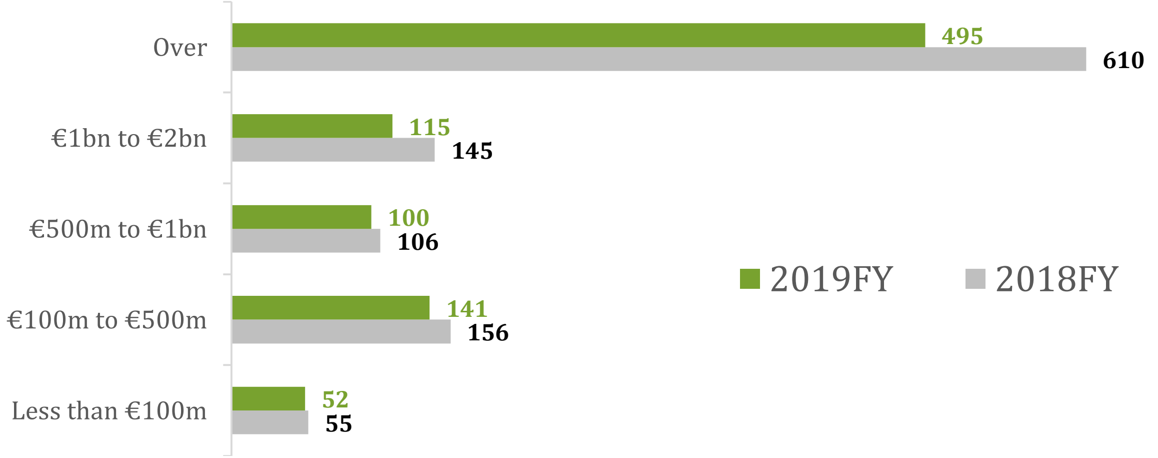
PE-backed M&A continued to represent 28% of total deal value— same proportion as 2018.

Healthcare led by deal value

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



Completed M&A transactions by deal value (EURbn)



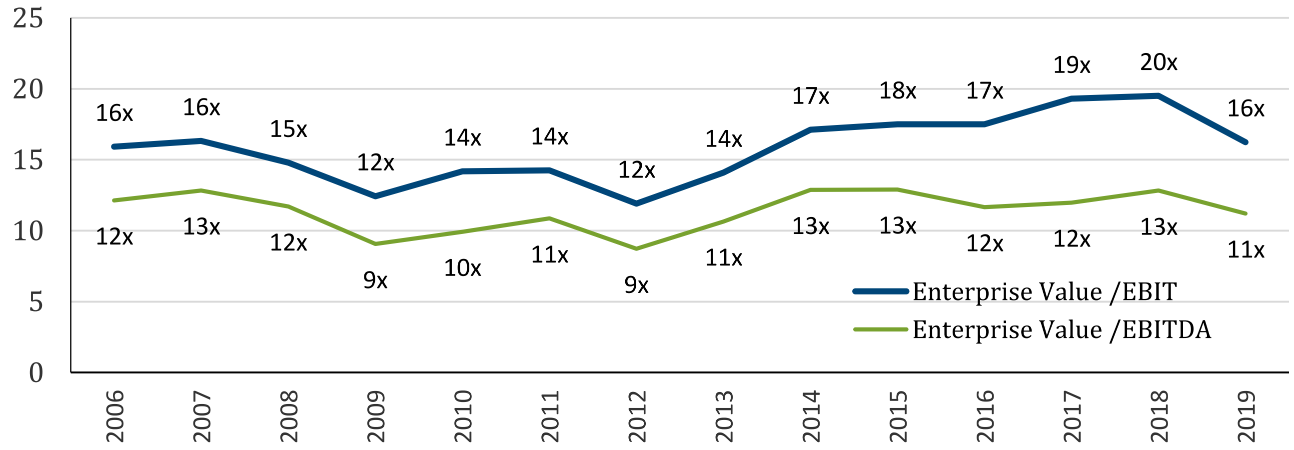
Source: Dealogic

Five "megadeals" (deal value above €10bn) were completed during 2019

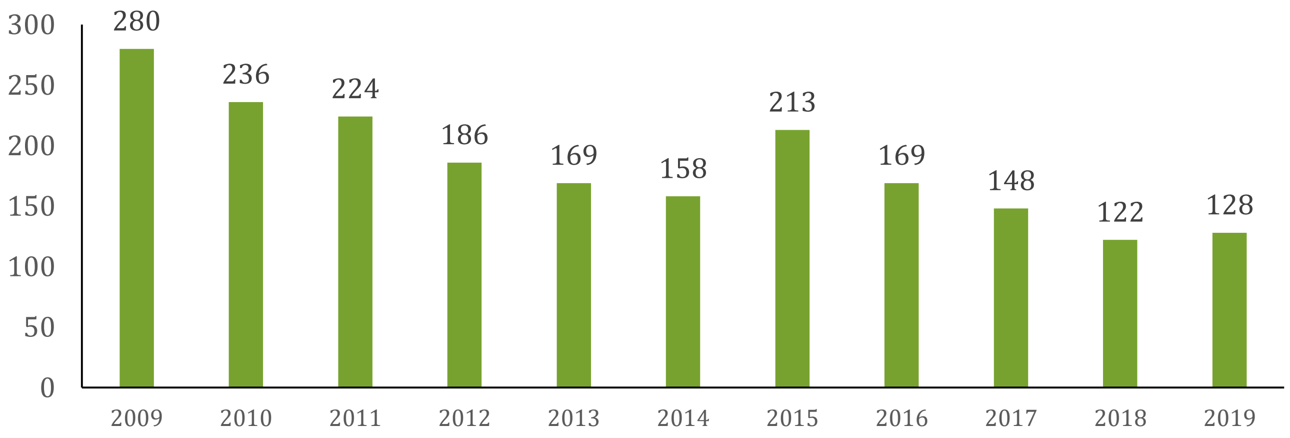
- Acquisition of German energy company innogy SE by E.ON SE;
- Acquisition by Vodaphone group plc of a portfolio of telecom companies held by Liberty plc;
- Spin-off of Prosus assets from advertisement company Naspers;
- Takeda Pharmaceutical-Shire plc;
- Spin-off of the Alcon eye care business of Novartis by way of distribution of Alcon shares to Novartis shareholders.

Decline in company valuation multiples

M&A transaction multiples (median)



Number of European M&A transactions of listed companies



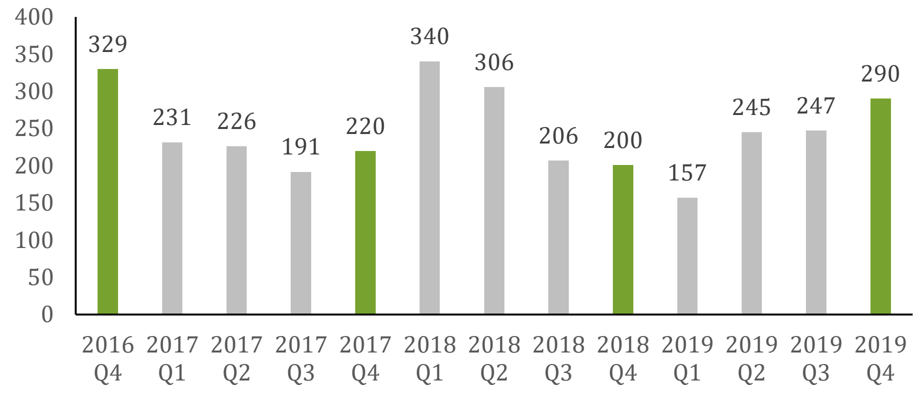
Source: Dealogic

Decline in transaction multiples in 2019.

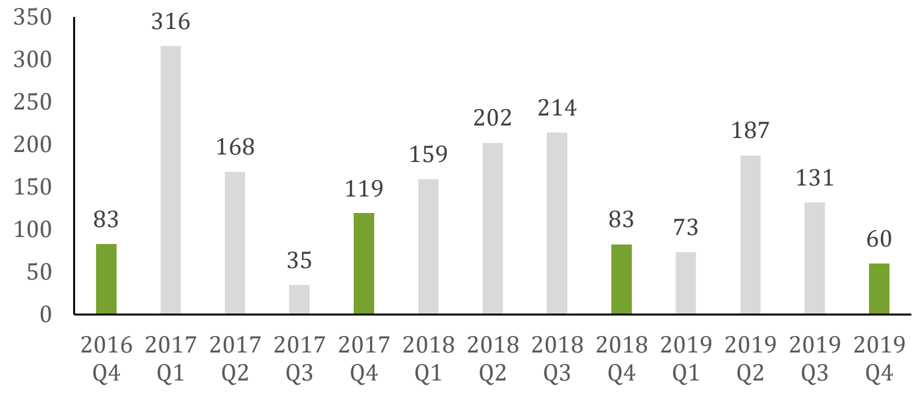
Gap between EBIT and EBITDA multiples tightened as deals in less capital intensive industries (or human capital intensive sectors) like IT and healthcare took a more prominent participation in M&A. This contrasts with the 2018 industry mix when capital-intensive (and large depreciation adjustment) sectors like chemicals and real estate led by deal value. See page 15.

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

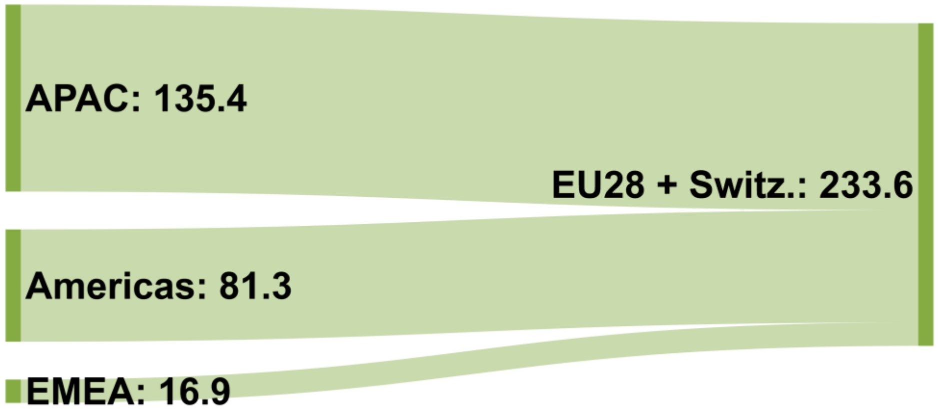
Announced M&A (EUR bn)



Withdrawn M&A (EUR bn)



Completed inbound M&A by acquiring region (EUR bn, 2019FY)

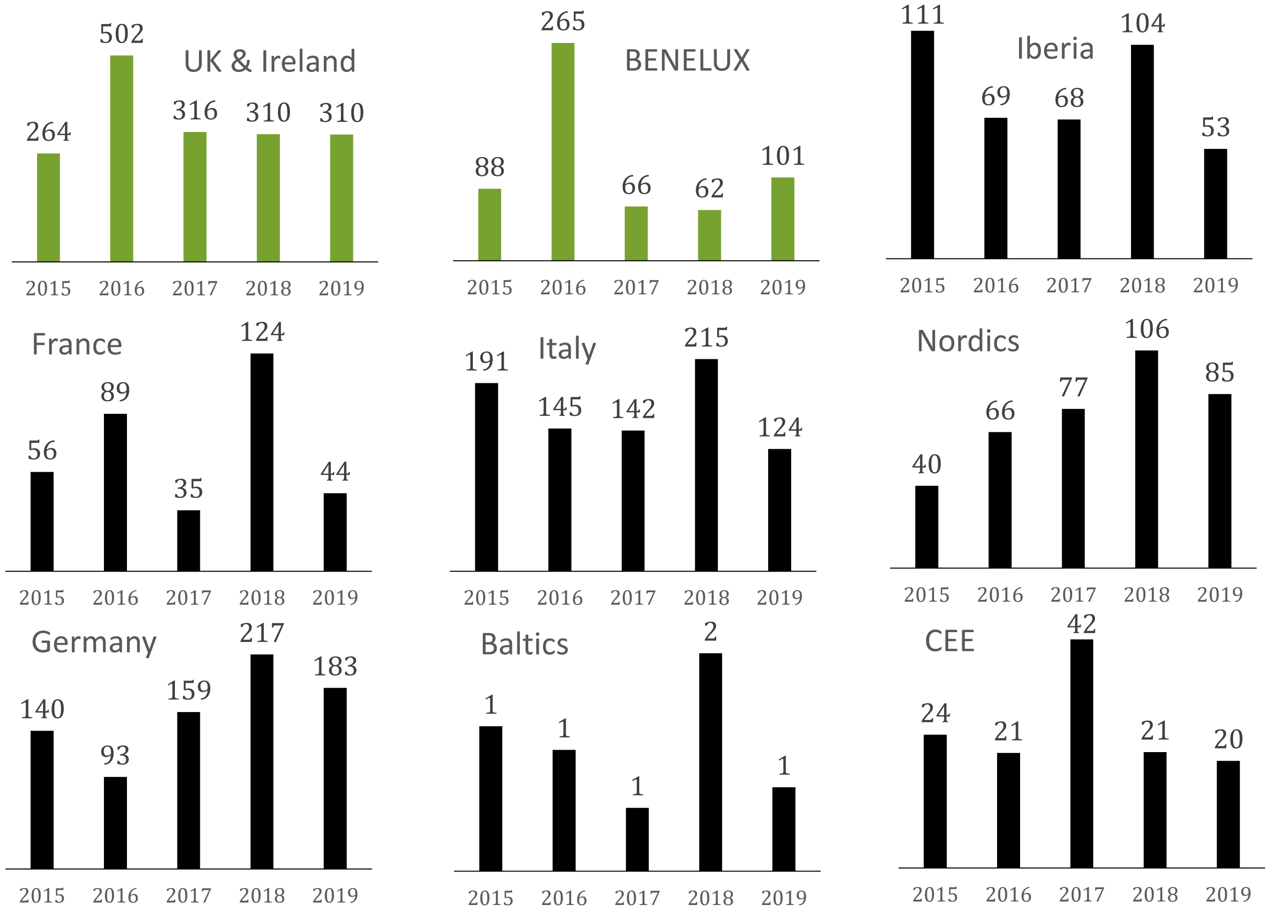


Completed outbound M&A by target region (EUR bn, 2019FY)

Source: Dealogic
Excludes intra EU deals

Completed deal value declines across Europe

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



Source: Dealogic

Lowest amount of M&A in Iberia region since 2003.

M&A of Nordic companies reverses 4-year upward trend with a 20% decline in deal value (although with 5% increase in the number of completed deals).

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European integration: M&A between European firms

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

Target Nationality

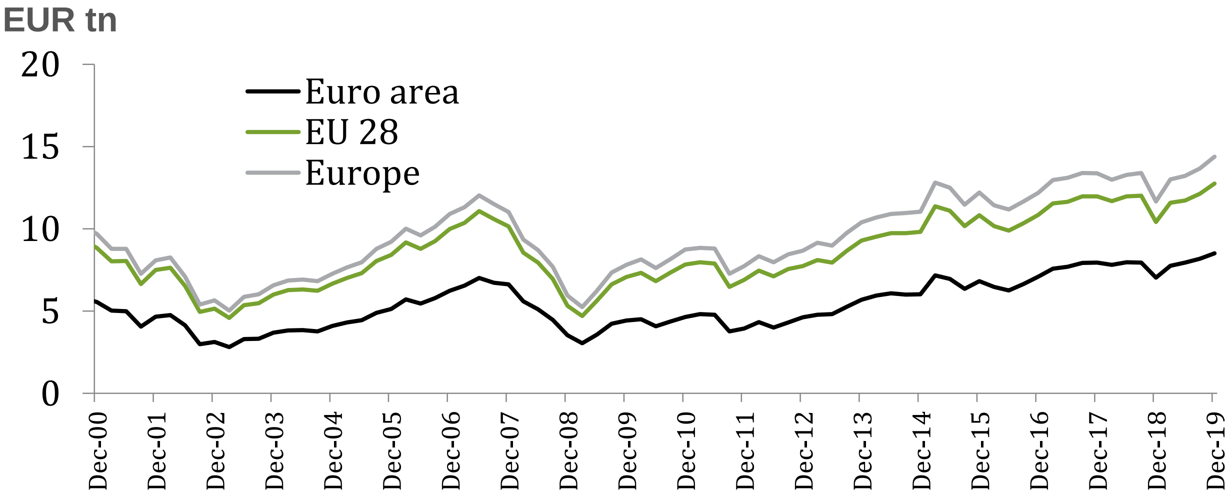
Acquiror Nationality

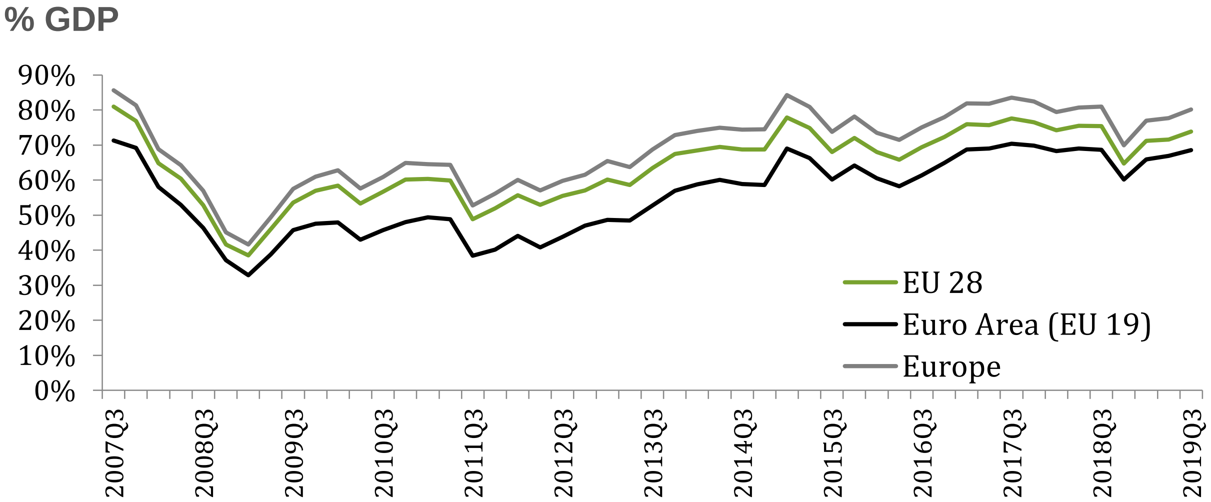
	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CHE	UK	TOTAL
Austria	128					33					1,798				105						386				220		9	10		2,691
Belgium		787				240			182	2,416	260	2,421		146						97						2	345		603	7,499
Bulgaria			205										6																	211
Croatia				180																										180
Cyprus					1,294																8									1,302
Czech Republic				27		3,252				52		2,444											1	90						5,866
Denmark	60						6,187		9		345					75		301			74					4		4,733	6,031	17,819
Estonia								40		6											17									63
Finland									1,515		2				60		4			277							449			2,307
France	259	1,275			98		174		1,408	37,288	352			367	2,874					1,558	656	203				2,172	122	1,966	9,660	60,432
Germany	409	17	1	179	5	429	3,416		148	2,800	87,715		378	320	18	340	156			1,429	366					123	4,533	808	782	104,372
Greece			75		193							2,951			88								4							3,310
Hungary													523											25						548
Ireland											255			3,183						131	16						220		1,806	5,611
Italy							266			174	639	35			15,315						20				250	475		346	521	18,041
Latvia																45														45
Lithuania																	128													128
Luxembourg							25	0		340		45	180		105			2,556			1								328	3,580
Malta																20														20
Netherlands		2,000				155		5			1,268				39					38,927	310					3,006			546	46,254
Poland						0				1	2					1	0				3,112		11			2				3,128
Portugal						11																595								606
Romania												38									268		383							688
Slovakia																								4						4
Slovenia																									22					22
Spain		970								1,701	136			210	661					300	3	172				24,063	26		769	29,010
Sweden	39					23	294		1,370	136	1,096	328			37				47	1,500	78		136			482	15,538		659	21,762
Switzerland		480		82						4,210		597	22		239					855	65	0				341		43,565	358	50,813
United Kingdom		389				761	20		22	1,331	24,749	49		1,947	939			16		739	4	140		120		3,124	1,069	105	74,242	109,765
Total	895	5,918	281	468	1,589	4,903	10,382	45	4,655	50,455	118,616	8,907	1,109	6,173	20,478	481	288	2,873	47	45,812	5,384	1,109	534	239	491	33,793	22,312	51,534	96,306	496,078

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

Secondary markets

Market capitalisation of domestic listed shares



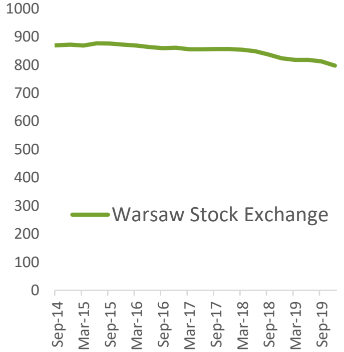


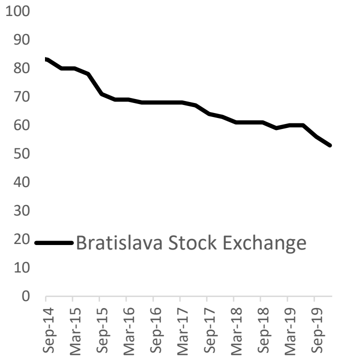
Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE. Europe includes EU27 members states, UK and Switzerland

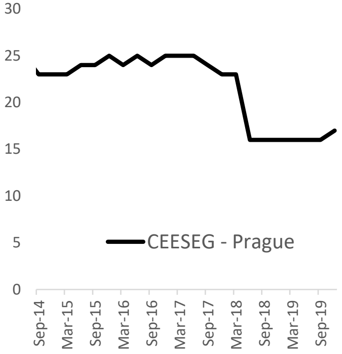
The European market capitalisation of listed shares fully recovered in 2019 following the sharp decline in company valuations at the end of 2018.

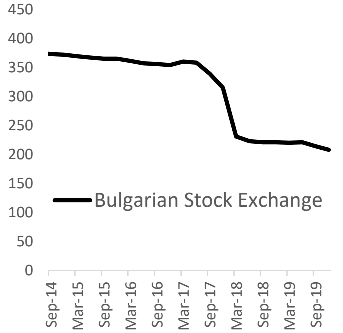
The European market capitalisation of domestic listed shares finalised 2019 at €14.4tn.

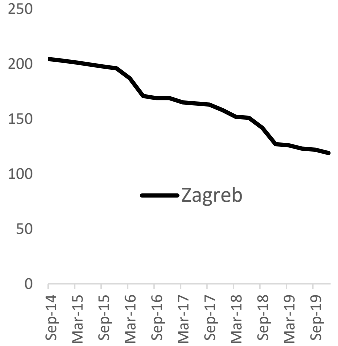
Number of listed companies on European exchanges

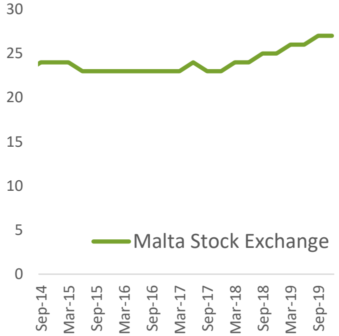


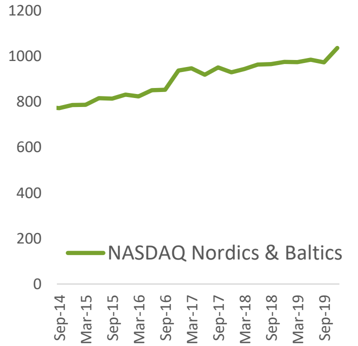


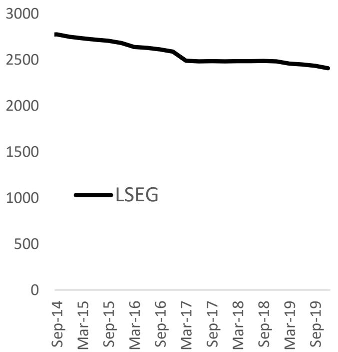


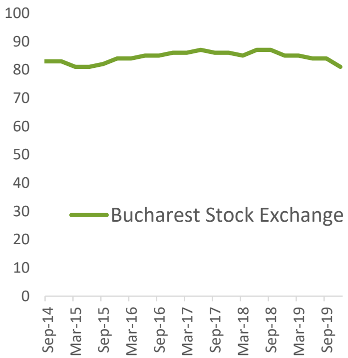


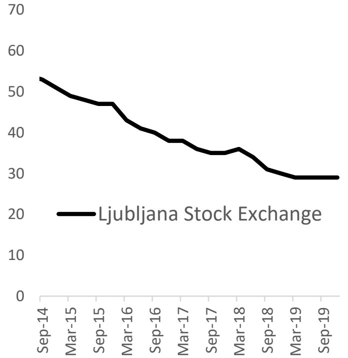


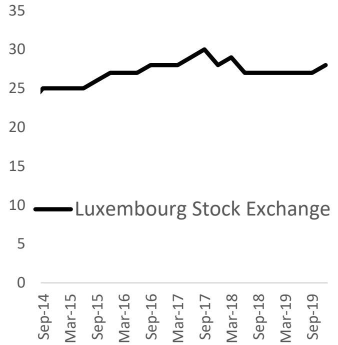


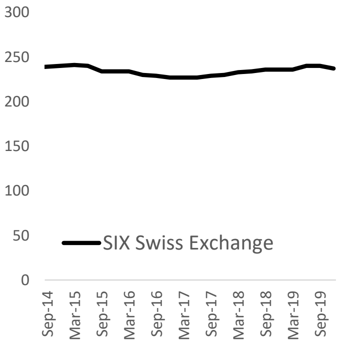


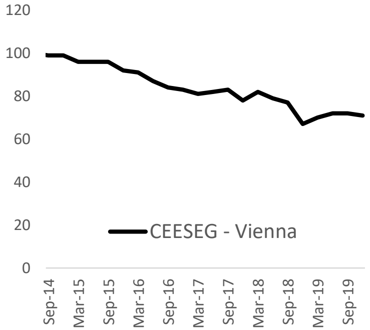


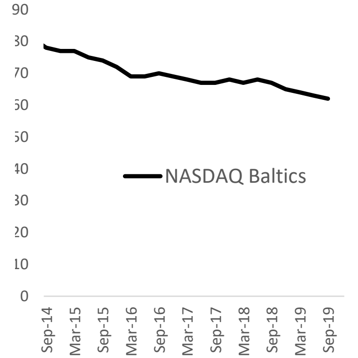


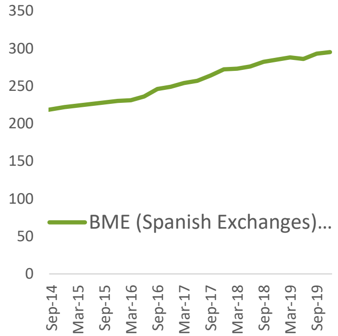


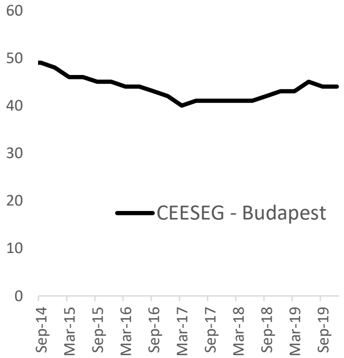


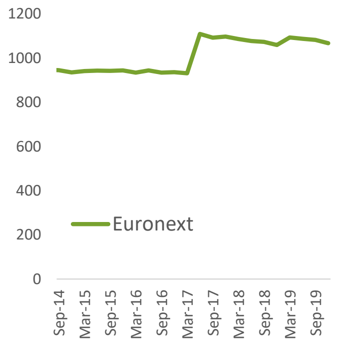


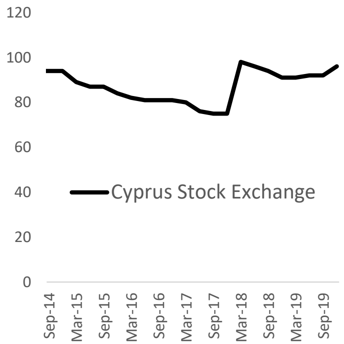


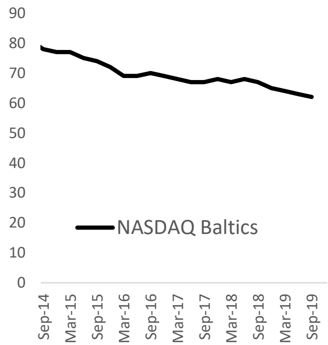


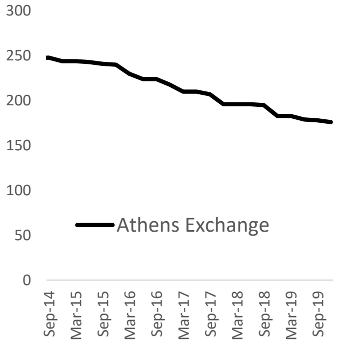


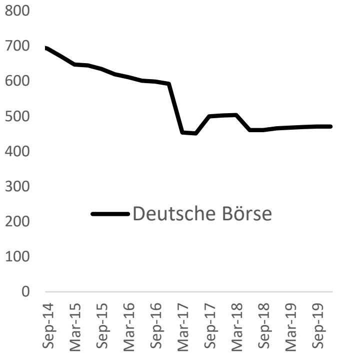








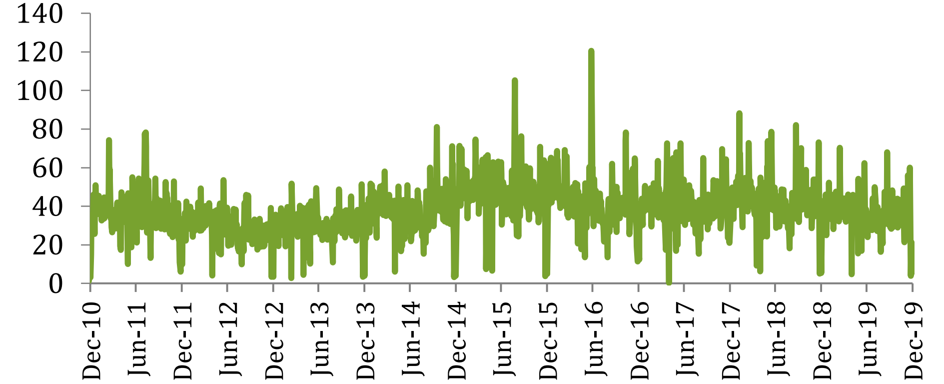




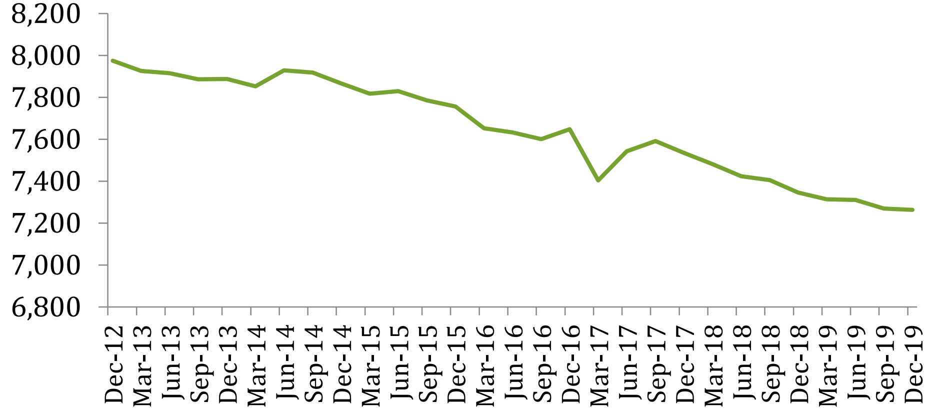
Source: FESE, WFE and European exchanges. Listed companies excludes Vienna’s global segment and Spanish SICAVs

Record low in equity turnover ratio

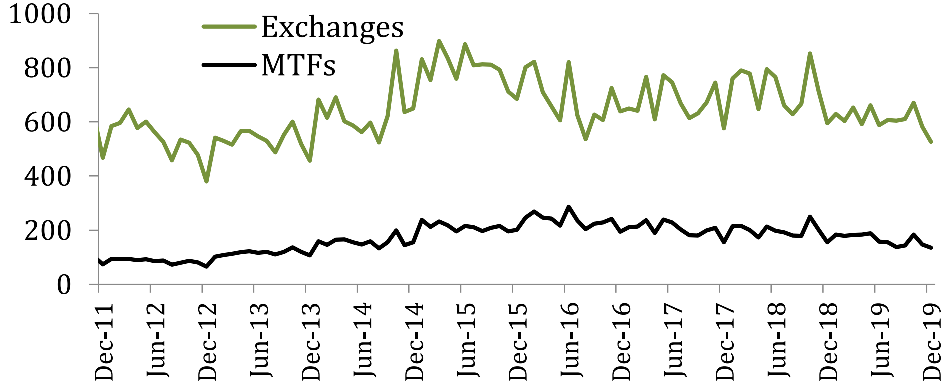
Daily turnover value on European exchanges and MTFs (EUR bn)*



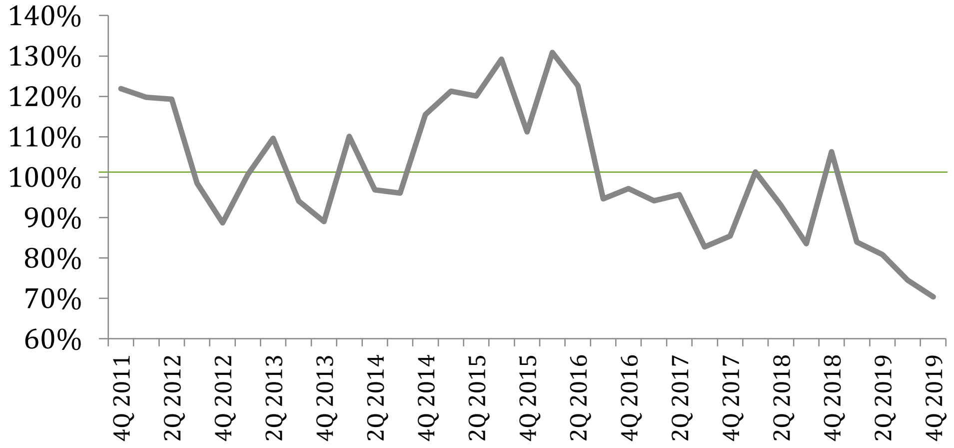
Number of listed companies on European exchanges



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



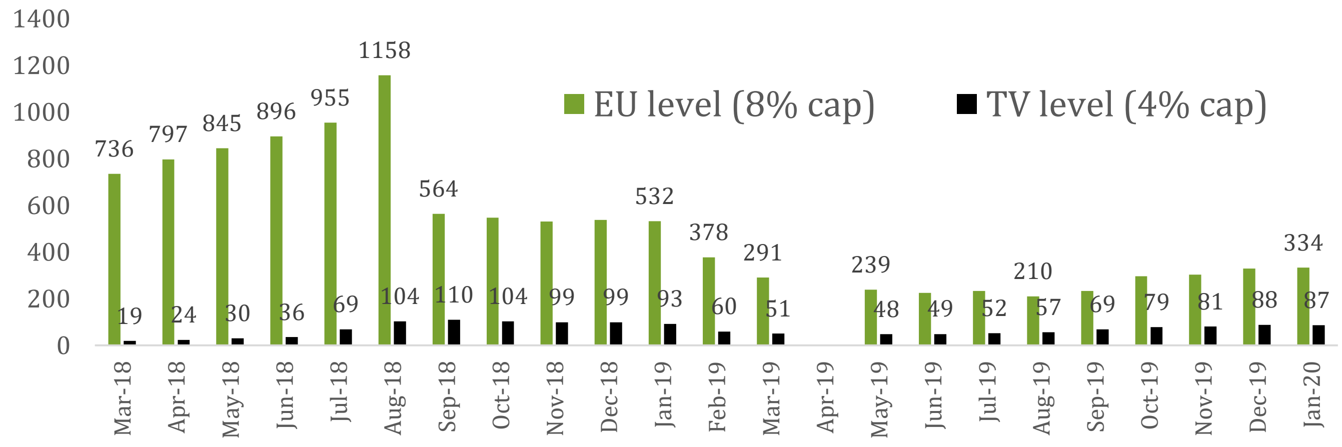
Turnover ratio (annualised turnover value/ market cap)



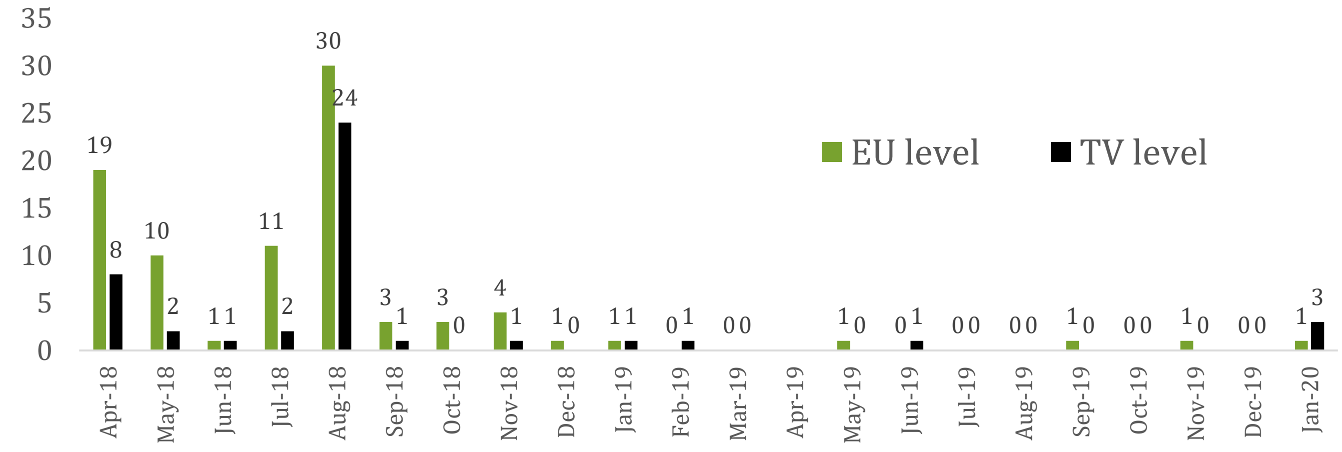
Source: Cboe Global Markets, FESE, WFE, ECB and local exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs
*market represents order book transactions

MiFID dark trading caps

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



Number of equity-like instruments 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 increased over the last six months from 267 in Aug-19 to 421 in Jan-20.

MiFID dark trading caps

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

Jan-20

Country ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT	87	1	1	2%
BE	404	6	2	2%
BG	363	0	0	0%
CY	121	0	0	0%
CZ	27	0	0	0%
DE	1198	24	1	2%
DK	560	19	10	5%
EE	21	0	0	0%
ES	311	0	2	1%
FI	188	13	0	7%
FR	1330	16	3	1%
GB	2058	151	6	8%
GR	236	0	0	0%
HR	137	0	0	0%
HU	52	0	0	0%
IE	1089	16	33	4%
IT	449	7	0	2%
LT	34	0	0	0%
LU	983	6	4	1%
LV	27	0	0	0%
MT	35	0	0	0%
NL	224	5	3	4%
PL	830	0	0	0%
PT	66	1	0	2%
RO	375	0	1	0%
SE	1321	13	1	1%
SI	103	0	0	0%
SK	53	0	0	0%
Non-EU	16198	56	20	0%
Total	**28880**	**334**	**87**	**1%**

Source: ESMA

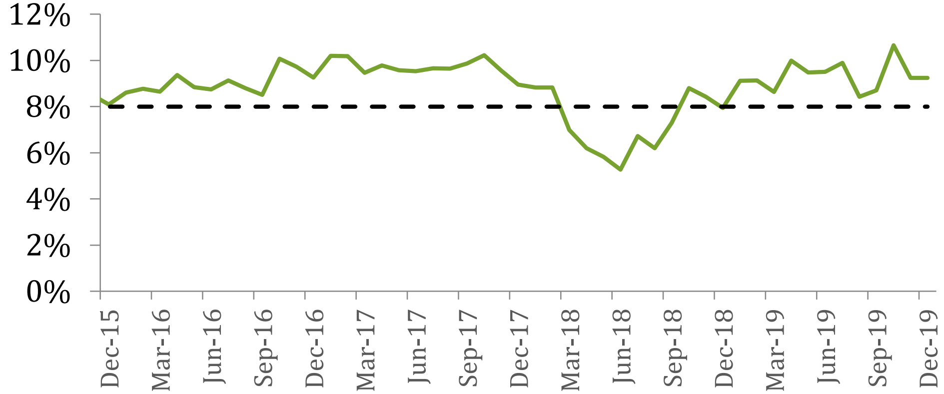
The 421 instruments currently suspended from dark trading at the EU or trading venue level represent 1% of the Universe of equity-like instruments on ESMA's October DVC files (28,880).

By countries, 157 of the 421 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 8% of the 2058 UK ISINs registered in the ESMA DVC files.

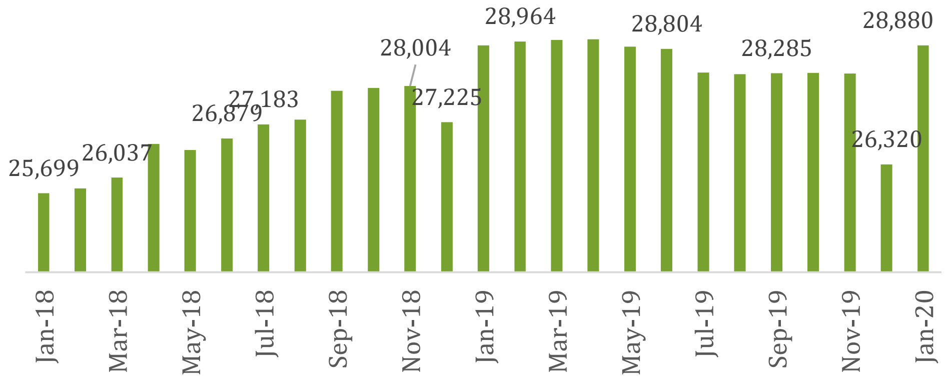
76 of the suspended instruments have non-EU ISINs, or 18% of all suspended instruments at the EU and trading venue.

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

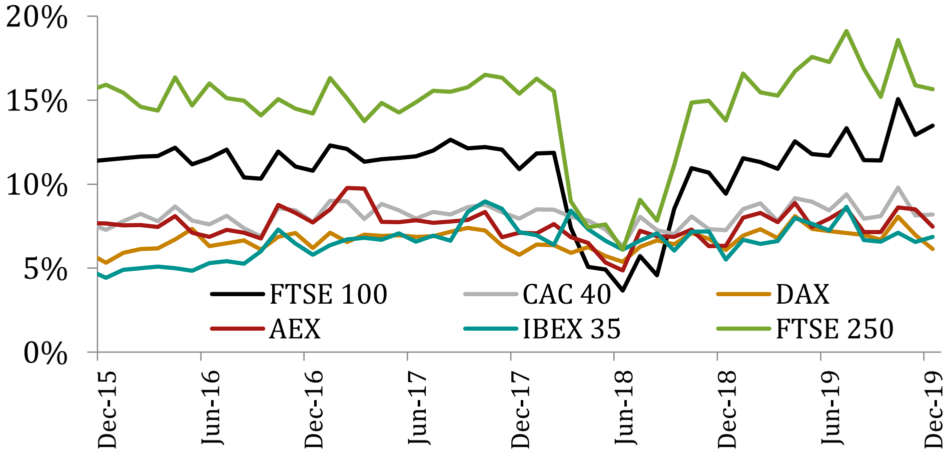
Dark trading as % of total turnover*



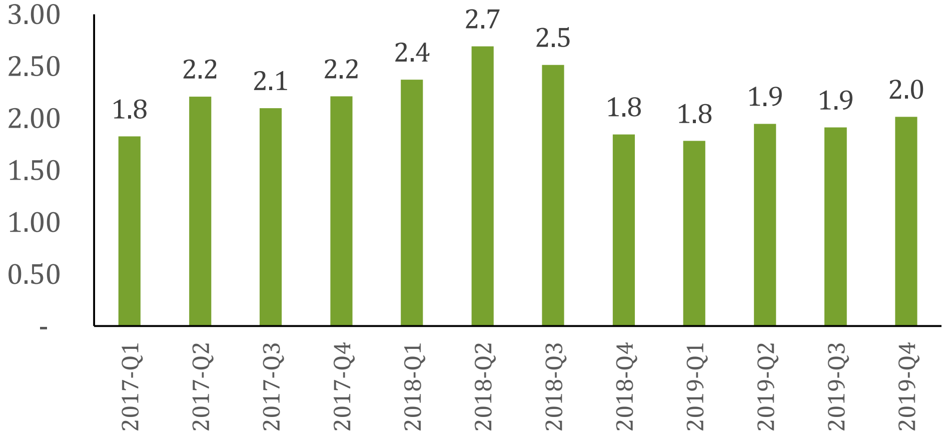
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



% of dark trading by indices*



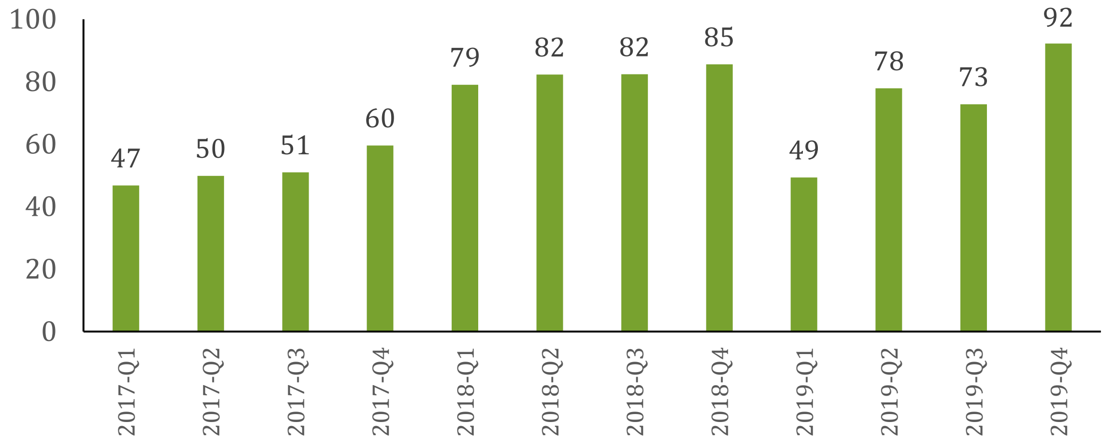
Block trades: Average value per trade (EURmm)



Source: ESMA, Cboe Global Markets and BigXYT
*market represents order book transactions. January data as of 20 Jan

Block trades

Block trades: value traded ≥ LIS (EURbn)



Proportion of dark traded as LIS blocks (%)

Source: BigXYT

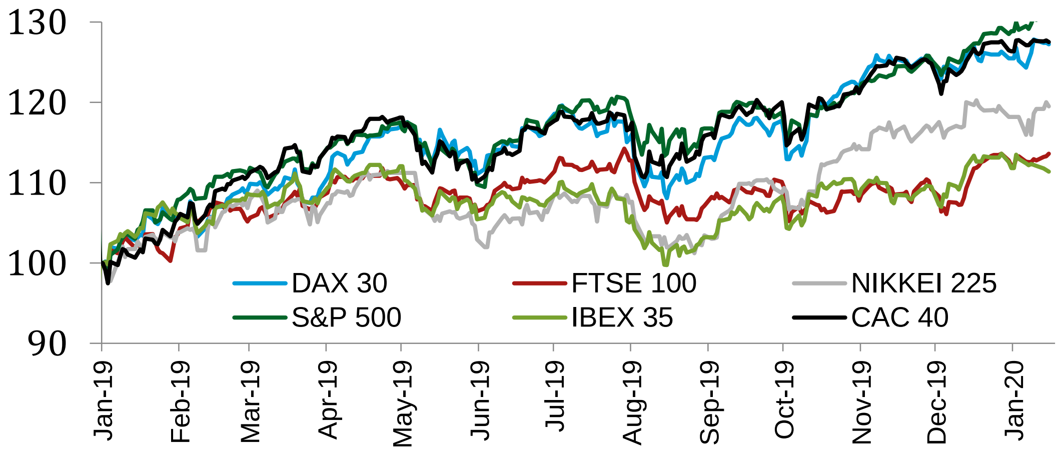
The average weekly turnover in the form of block trades (traded above the large in scale threshold) has almost doubled from a quarterly total of €47 bn in 1Q17 to €92 bn in 4Q19.

According to BigXYT data, the percentage of dark traded as large-in-scale (LIS) blocks has also consistently increased from c20% in 1Q17 to 40% in 4Q19.

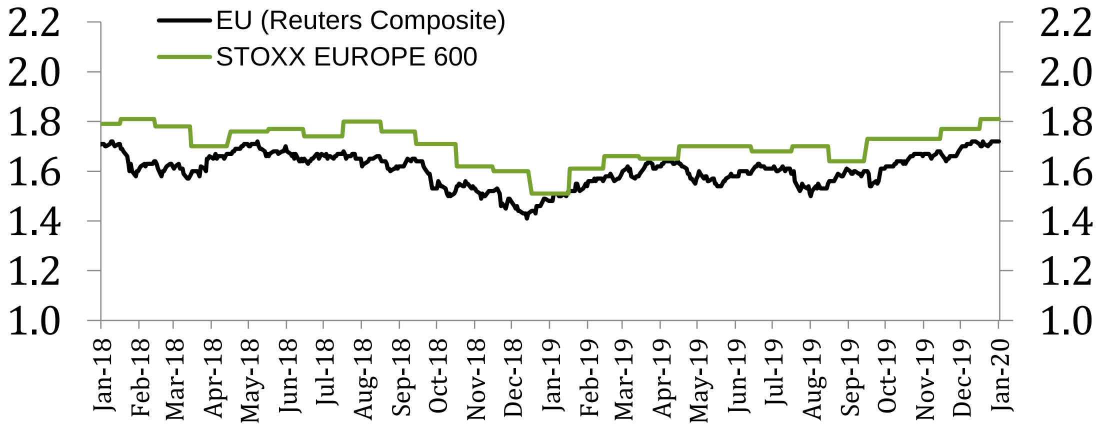
Valuations

Price indices and valuation multiples

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



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



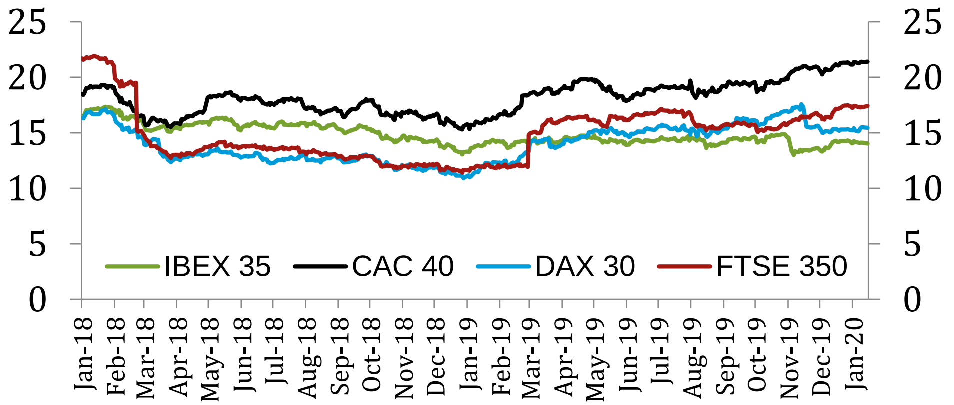
Source: Datastream

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

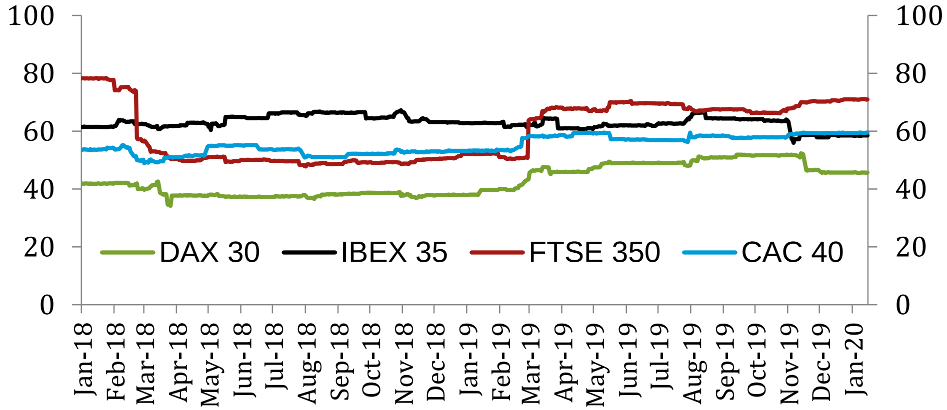
European equity shares indices increased between 12% (IBEX35 and FTSE100) and 26% (CAC40) during 2019YtD.

Valuation ratios and implied volatility

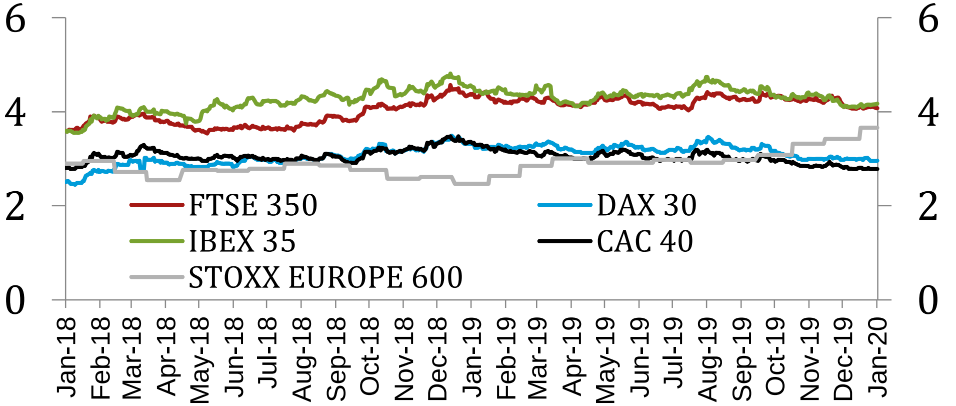
Price-to-earnings (PE) ratio



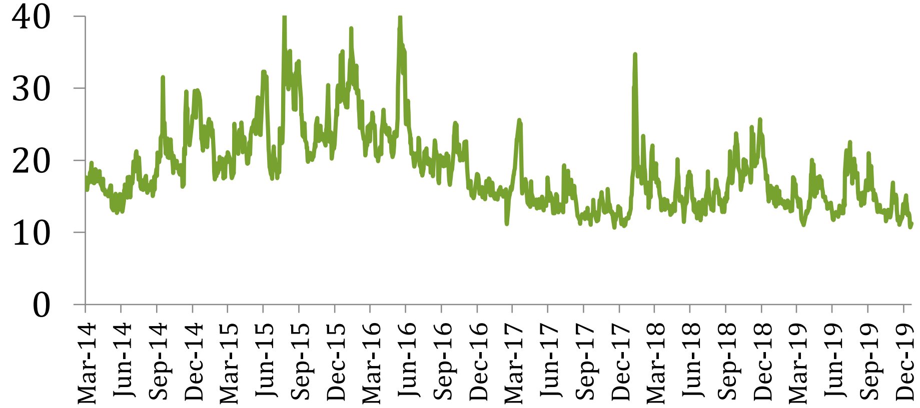
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

Appendix

	1Q 19	2Q 19	3Q 19	4Q 19	2019 FY	1Q 18	2Q 18	3Q 18	4Q 18	2018 FY	% Change FY
Equity underwriting (€ bn)	**25.3**	**39.0**	**22.0**	**29.9**	**116.1**	**38.4**	**41.5**	**20.9**	**23.3**	**124.0**	**-6%**
IPOs	0.8	11.1	3.9	5.9	21.6	12.0	8.7	3.7	10.2	34.6	**-38%**
Follow-on offerings	18.5	24.0	12.5	22.3	77.3	22.1	29.6	15.3	11.8	78.8	**-2%**
Convertible securities	6.1	3.9	5.6	1.6	17.2	4.3	3.2	1.8	1.2	10.5	**63%**
Mergers and Acquisitions (€ bn): completed	**230.8**	**198.3**	**264.1**	**210.0**	**903.2**	**205.6**	**331.3**	**198.0**	**337.3**	**1,072.2**	**-16%**
European outbound	45.3	46.1	33.3	48.7	173.5	38.1	113.7	38.2	35.5	225.5	**-23%**
European inbound	111.8	42.4	39.6	39.8	233.6	36.6	38.5	52.8	147.8	275.6	**-15%**
Intra European	73.6	109.8	191.2	121.4	496.1	130.9	179.1	107.1	154.1	571.1	**-13%**
Mergers and Acquisitions (€ bn): announced	**157.0**	**245.1**	**246.7**	**290.2**	**938.9**	**340.0**	**305.7**	**206.5**	**200.4**	**1,052.6**	**-11%**
Equity turnover value (€ tn)	**2.43**	**2.37**	**2.26**	**2.24**	**9.3**	**2.96**	**2.79**	**2.51**	**2.77**	**11.0**	**-16%**
Main Markets	1.88	1.84	1.82	1.78	7.3	2.33	2.21	1.96	2.16	8.7	**-15%**
MTFs	0.55	0.53	0.44	0.47	2.0	0.63	0.58	0.55	0.61	2.4	**-17%**
Market Capitalisation of domestic listed shares (€ tn)											
European (EU28 and Switzerland)	13.0	13.2	13.7	14.4	14.4	13.0	13.3	13.4	11.7	11.7	**23%**
EU 28	11.6	11.7	12.1	12.8	12.8	11.7	12.0	12.0	10.4	10.4	**22%**
Euro Zone	7.8	7.9	8.2	8.5	8.5	7.8	8.0	8.0	7.0	7.0	**21%**

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

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Disclaimer and Methodology

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

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