

3Q 2018

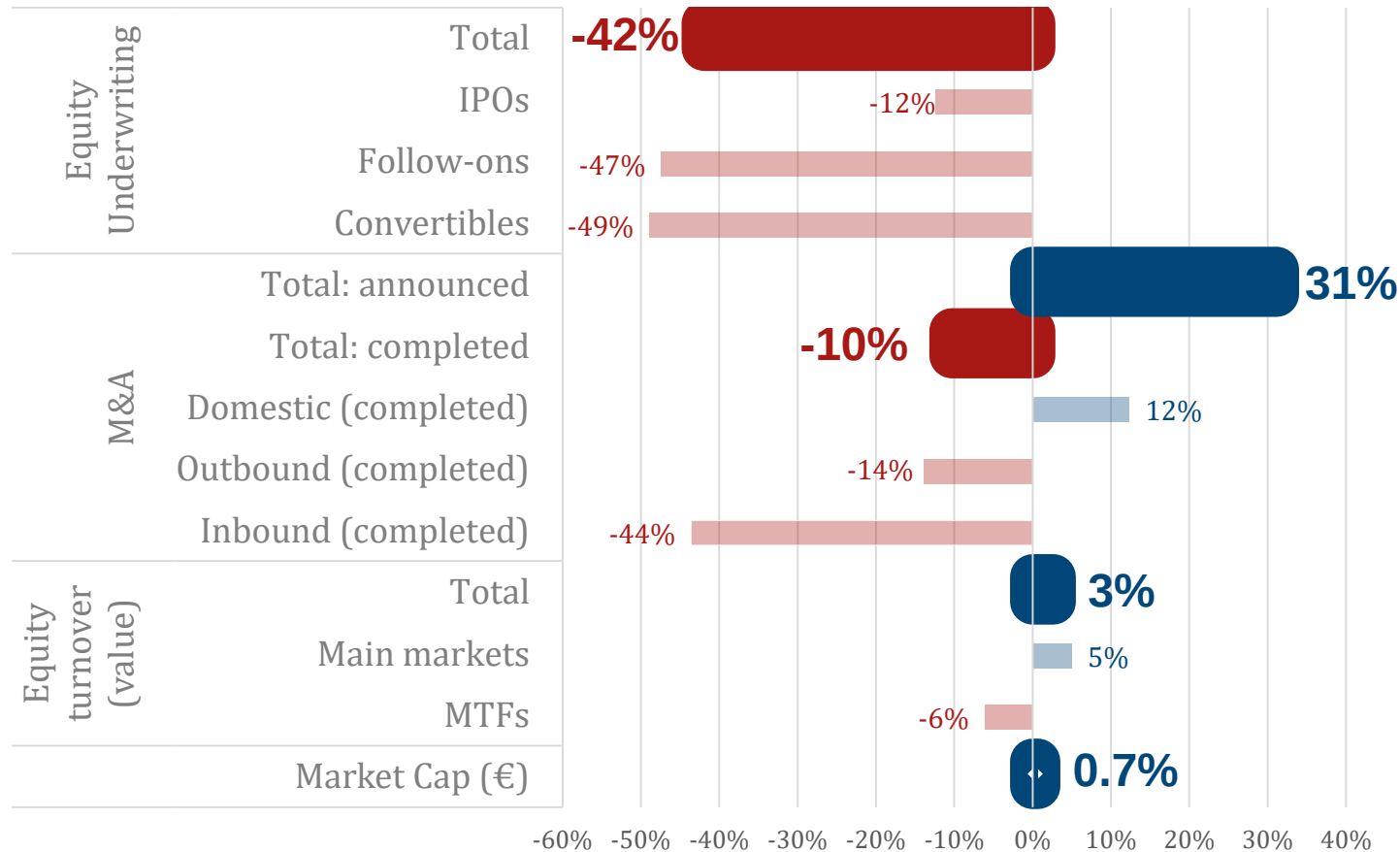
Equity Primary Markets and Trading Report

European market data
update



Key highlights

1-3Q 2018 YtD variation of European Equity activity (EU28 member countries and Switzerland)



Equity underwriting on European exchanges accumulated a total of €100.2 bn in proceeds in the first three quarters 2018, a 42% decrease from the value originated in the same period of 2017 (€172.5 bn).

IPO issuance in 2018 year-to-date (YtD) decreased by 12% against the amount issued in the first three quarters of 2017.

Completed Mergers and Acquisitions (M&A) of European companies totalled €685.3 bn in 2018YtD, a decrease of 10% from the amount completed in the first three quarters of 2017 (€764.0 bn).

The amount of announced M&A deals totalled €877.8 bn in 2018YtD, a 31% increase from the same period of 2017. During 3Q18, two large megadeals were announced (Petrohawk Energy – BP and Wind Tre SpA and CK Hutchison).

Equity trading activity on **European main markets and MTFs** generated a total of €8.9 tn in turnover value in 2018YtD, an increase of 3% from 2017YtD (€8.7tn)

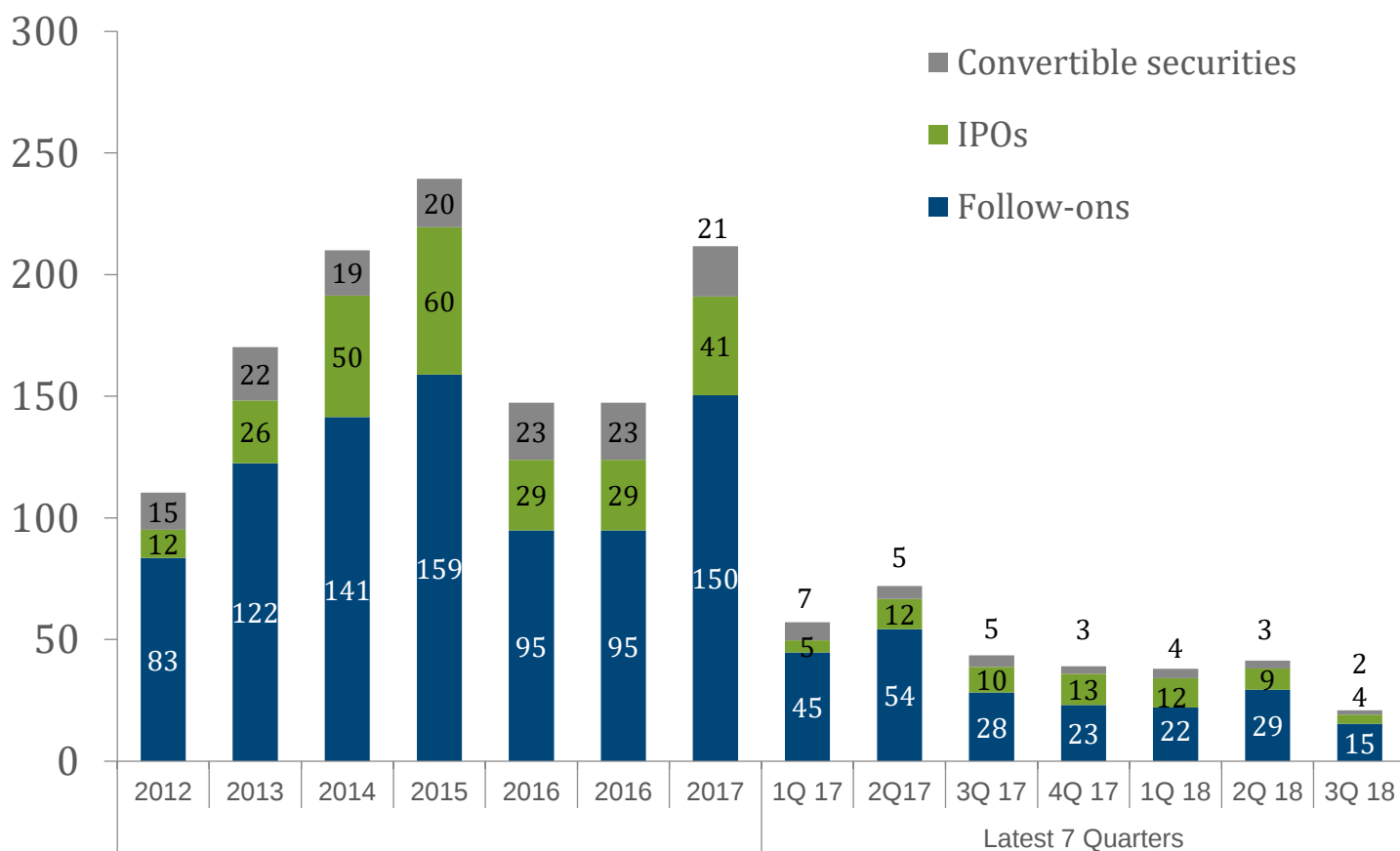
Domestic market capitalisation of European listed shares stood at € 13.5 tn at the end of 3Q18, an increase of 0.7% from the market value at the end of 4Q17 (€13.4 tn)

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Issuance

Year-to-date decline in Equity issuance

Equity Issuance on European exchanges (EUR bn)

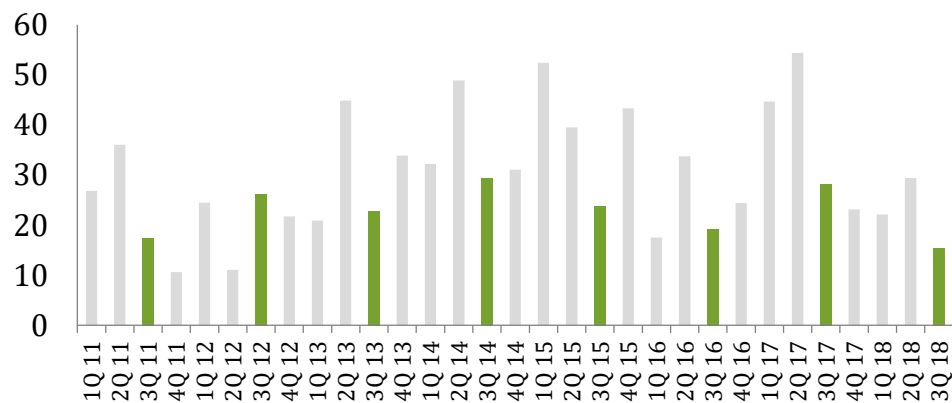


Source: Dealogic

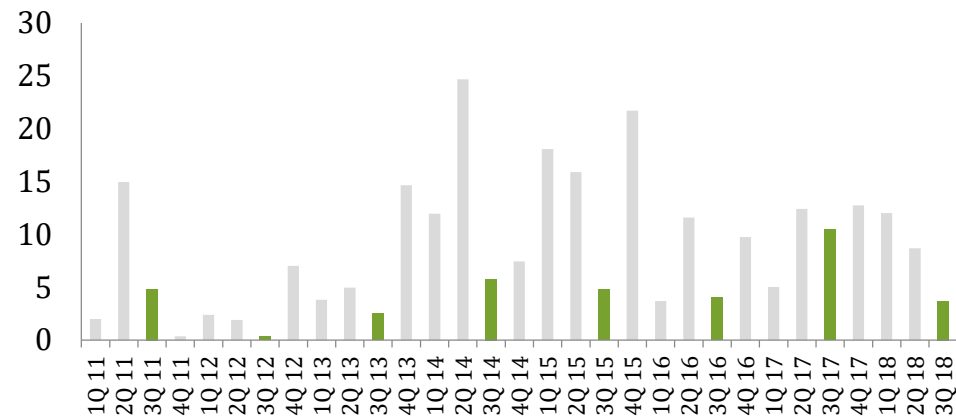
The 42% YtD decline in equity underwriting was driven by a 47% YtD decrease in follow-on offerings

IPO proceeds decreased 12% from the value raised in 2017YtD with fewer deals (180 IPOs in 2018YtD and 198 in 2017YtD)

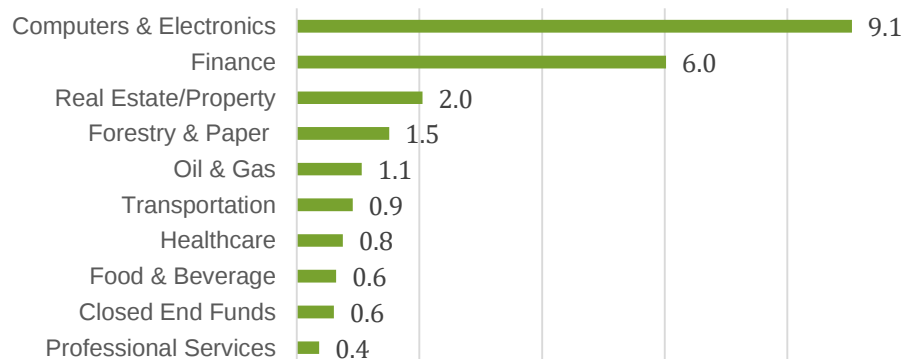
Follow-on offerings (EUR bn)



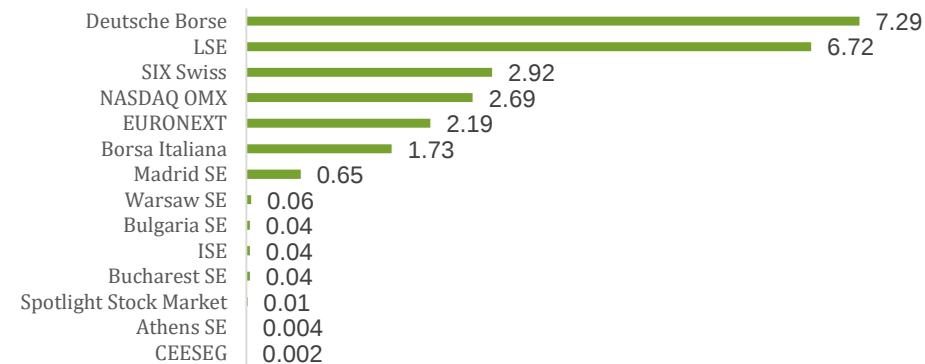
IPO proceeds (EUR bn)



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



IPO proceeds by listing market (EUR bn): YtD

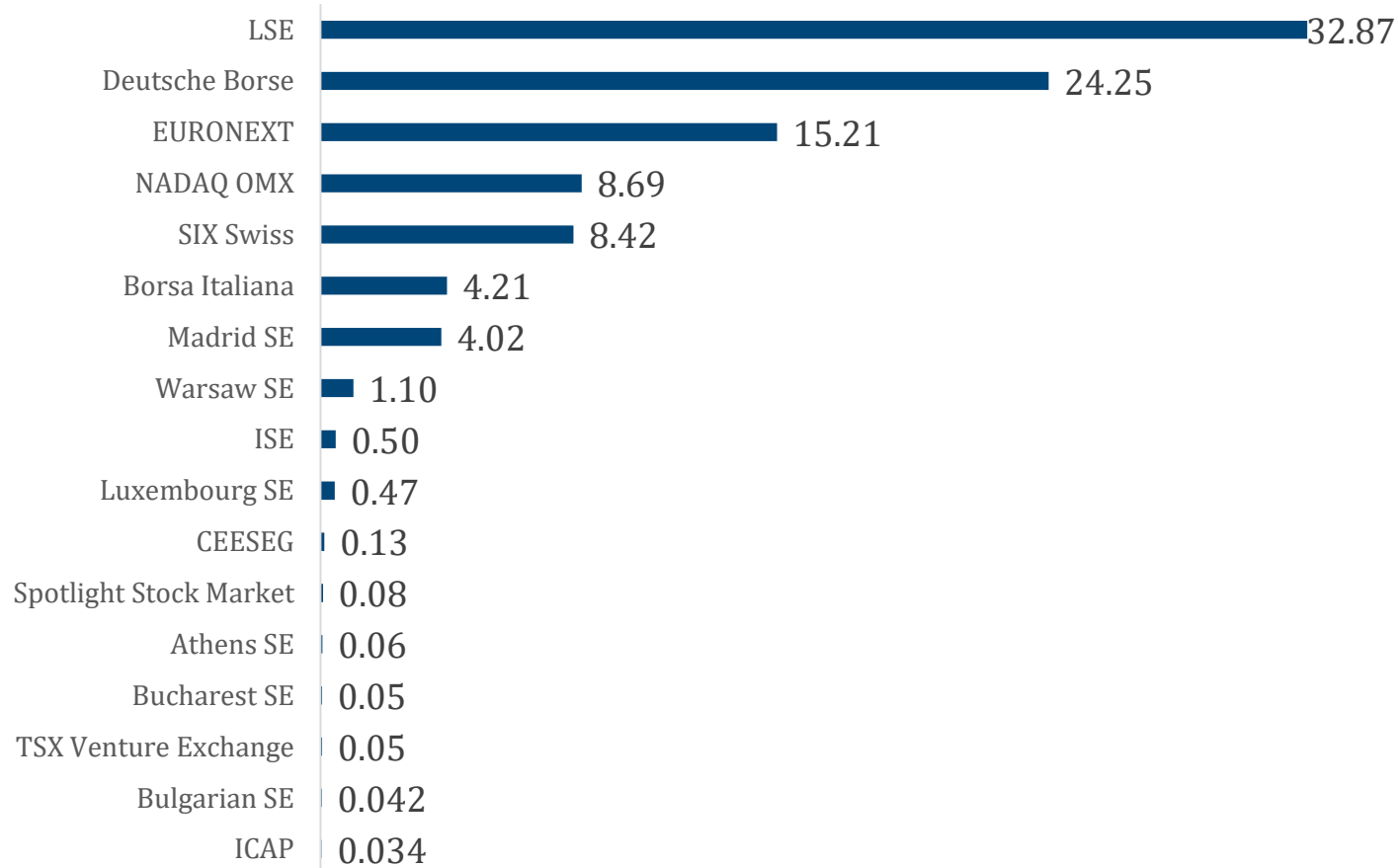


Source: Dealogic

*Finance includes SPVs

Equity issuance by exchange during the year

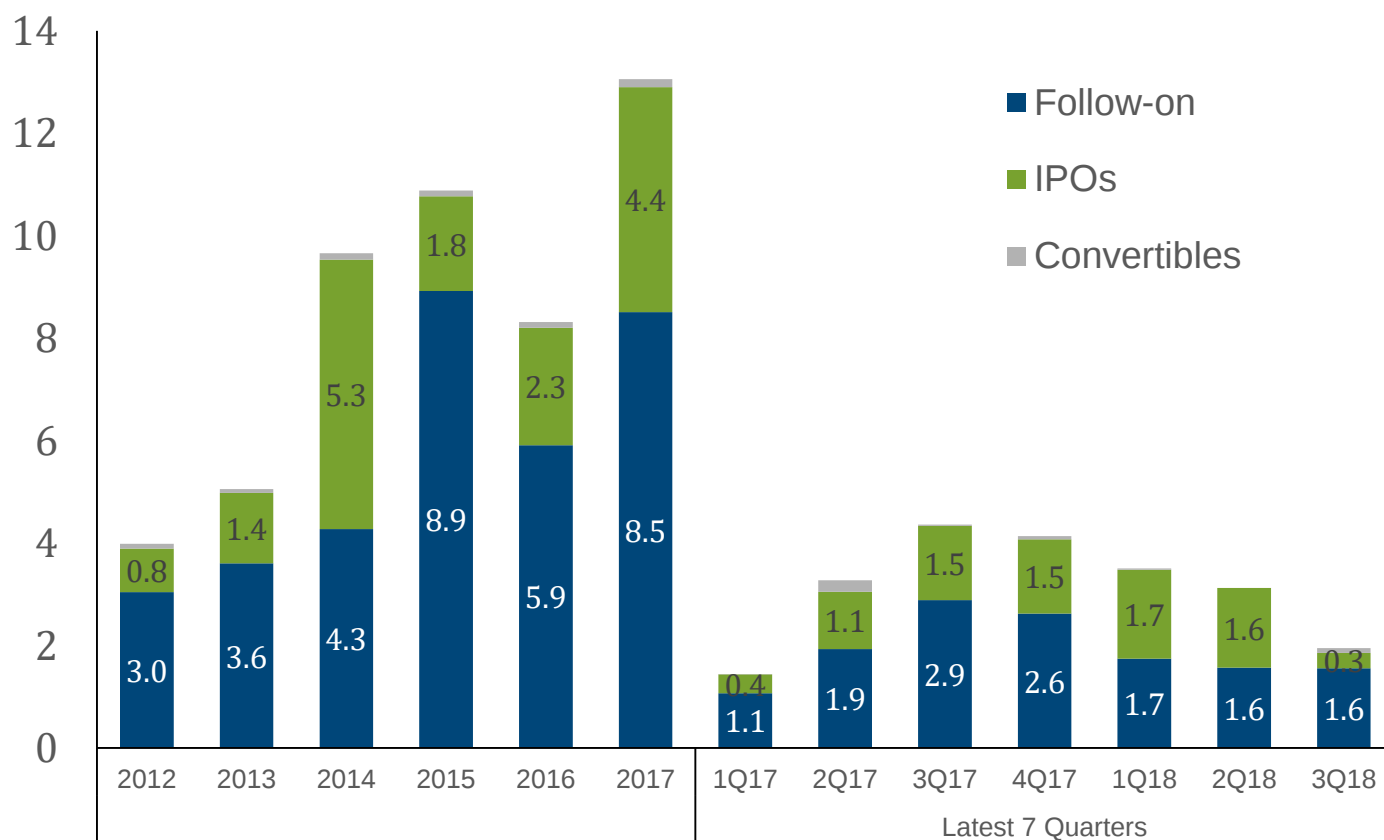
Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): YtD



By exchanges, the LSE (main market and AIM) led by total equity underwriting accumulating a total of €32.8bn, followed by the Deutsche Börse and Euronext exchanges

Equity issuance on Junior markets

Equity underwriting on Junior European markets (EUR bn)



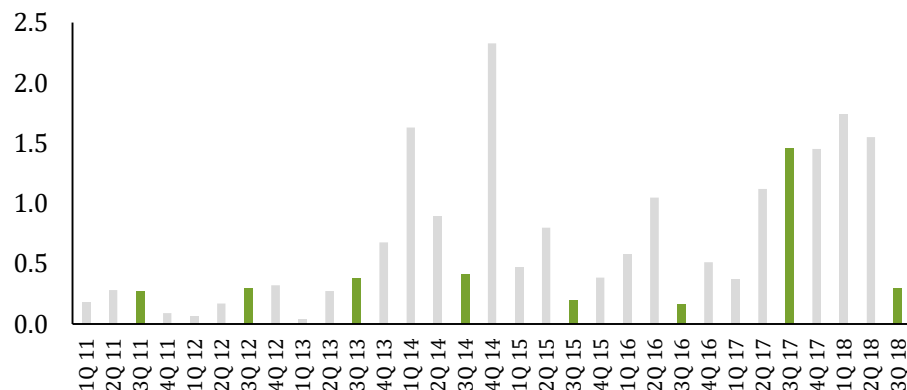
Source: Dealogic

SMEs decreased in 5% YtD the total amount of equity raised on European Junior exchanges, accumulating a total of €8.6bn in proceeds in the first three quarters of 2018 and following a declining trend in equity raising over the last 4 quarters

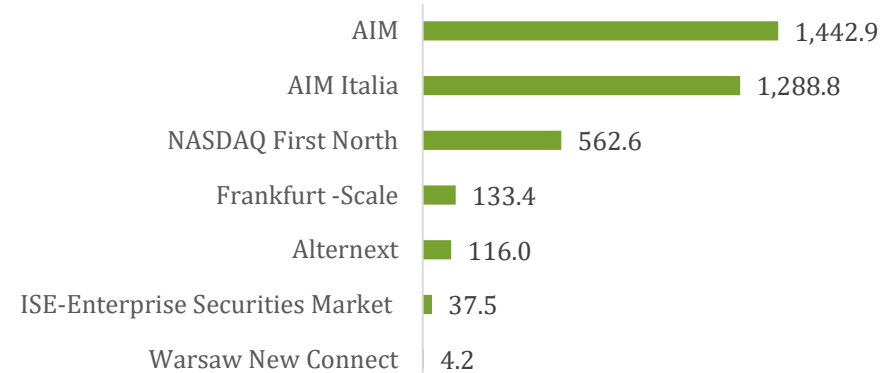
IPOs on Junior markets totalled €0.3 bn in proceeds in 3Q18, the lowest quarterly amount since 3Q16

IPO proceeds on Jr markets decelerated after strong start of the year

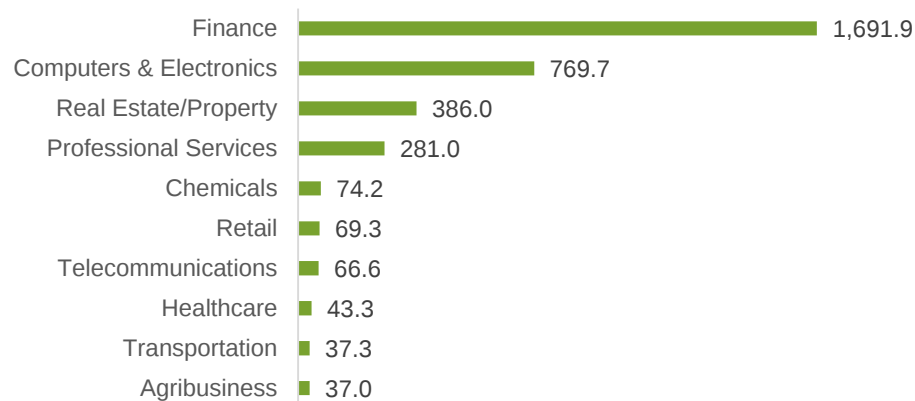
IPO proceeds on Jr European markets (EUR bn)



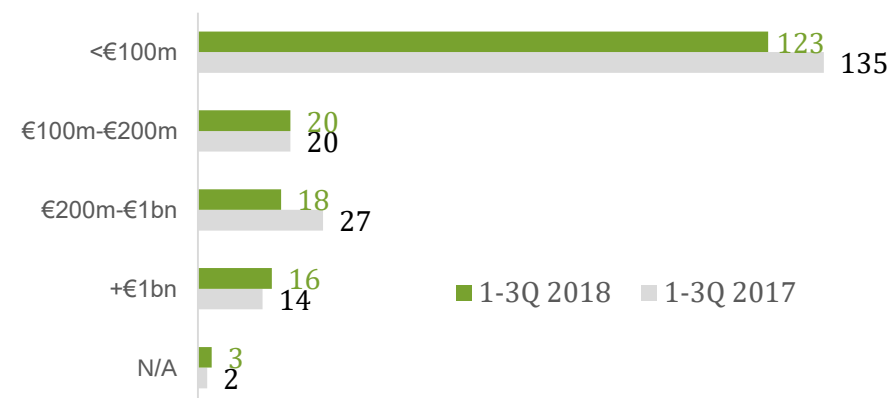
IPO proceeds on Jr markets by exchange (EUR mm, YtD)



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



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

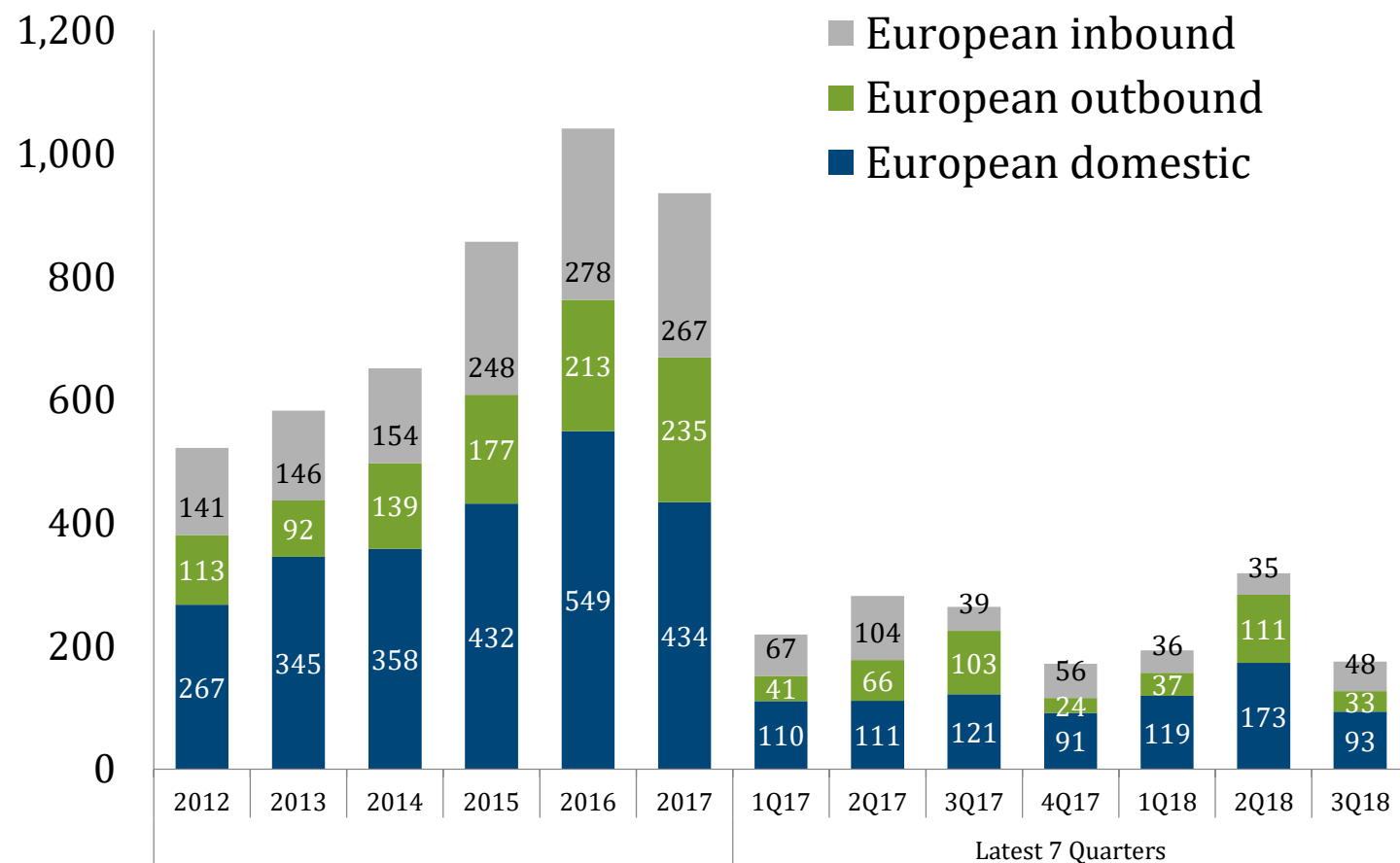


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

European M&A activity in 2018YtD decreased 10% against the same period of last year, driven by a 44% YtD decline in inbound M&A. APAC firms represented 40% of the inbound deal value

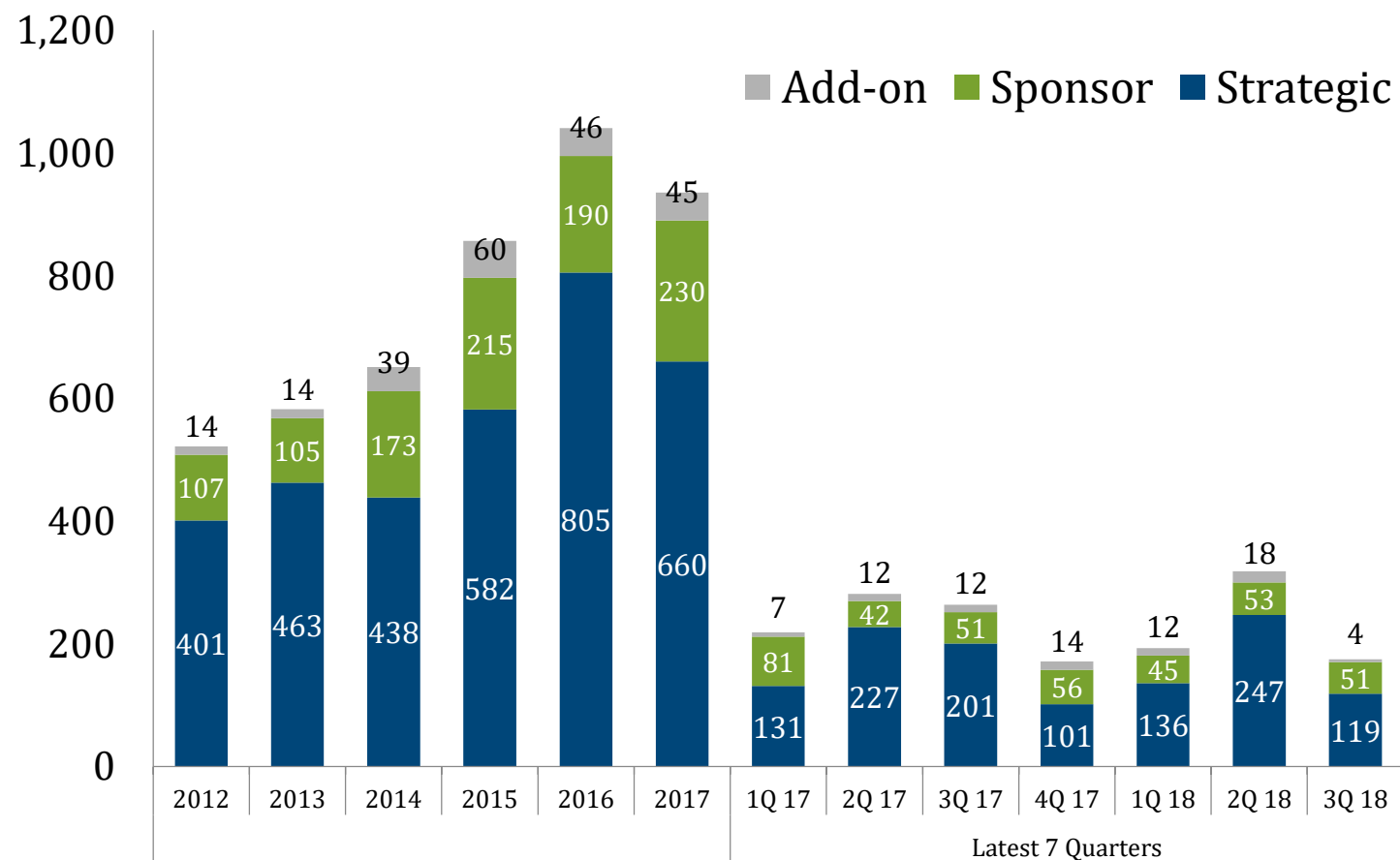
Domestic M&A activity (i.e. between European firms*) increased 12% against 2017YtD, accumulating a total of €384.9bn in deal value (€342.5bn in 2017YtD)

Outbound M&A (i.e. European firms that acquired non-European firms) decreased 14% against 2017YtD. American-targeted firms represented 81% of the outbound deal value

*EU28 and Switzerland

M&A by type of deal

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

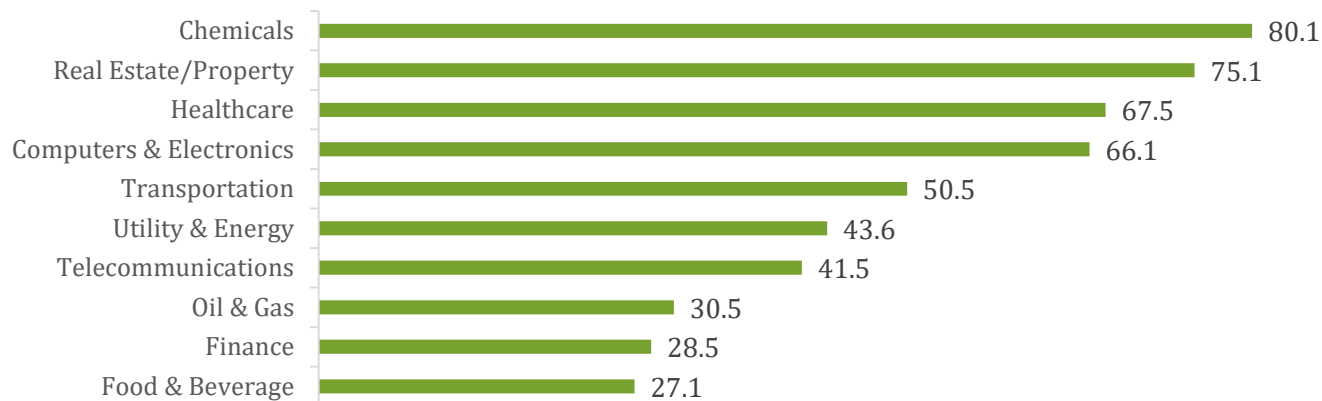


Source: Dealogic

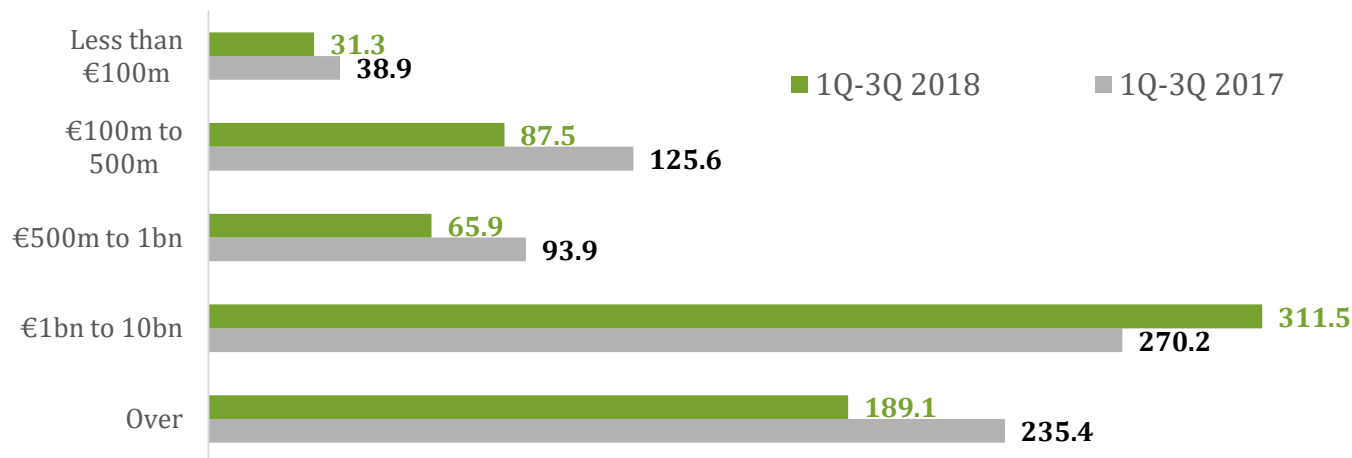
By type of deals, Private Equity-backed M&A activity (“Sponsor” deals) was the largest contributor to the year-to-date decline of -14% against 2017YtD

Pharma lead by deal value. Dynamic “Megadeals”

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



Completed M&A transactions by deal value (EURbn)



Source: Dealogic

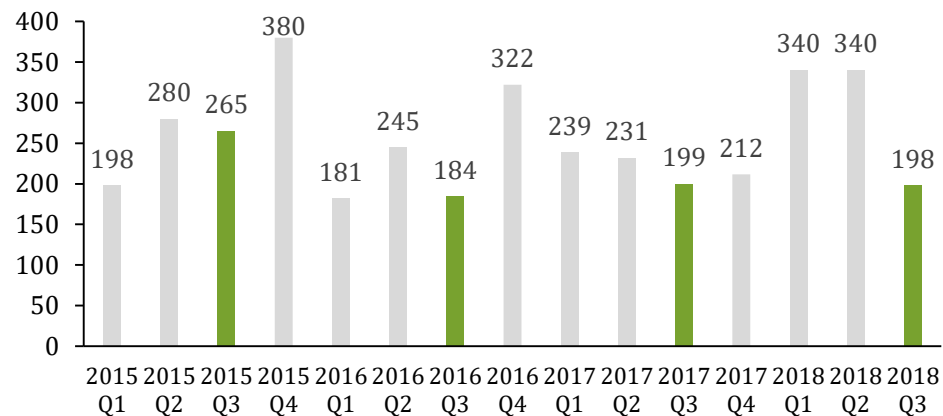
Eleven “megadeals” were completed during 2018YtD, which included one split:

- 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
- Atlas Copco AB split into Epiroc AB with full control to existing shareholders

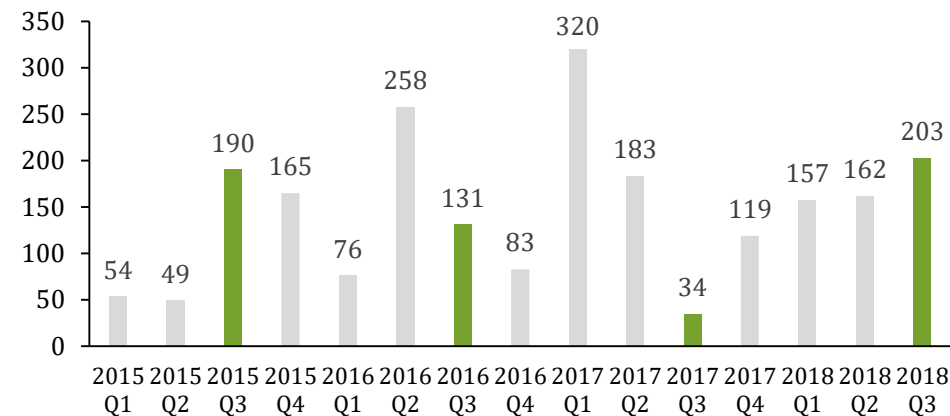
These deals represented in total €162.5bn, or 28% of the amount of completed M&A transactions in the first three quarters of the year

3Q18 decline in announced M&A anticipates decrease in completed M&A in next quarters

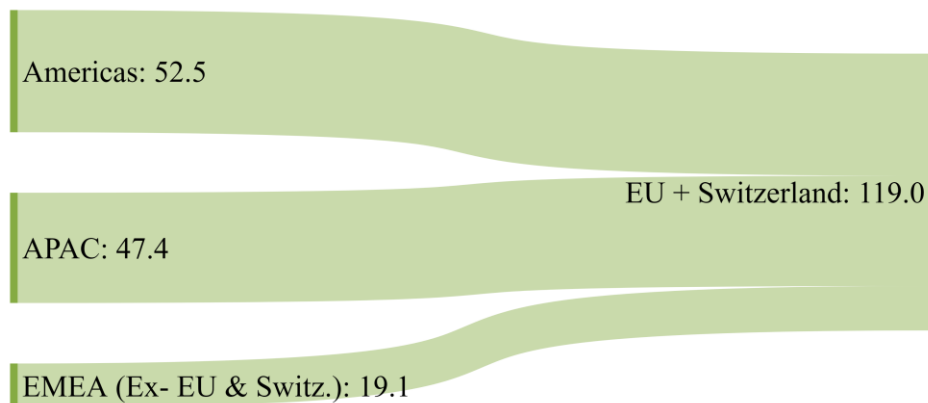
Announced M&A (EUR bn)



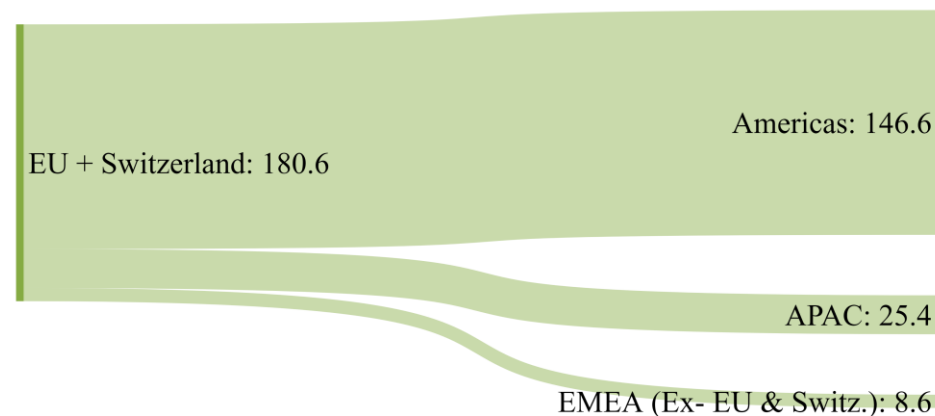
Withdrawn M&A (EUR bn)



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



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



Source: Dealogic

European integration: M&A between European firms

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

Target Nationality

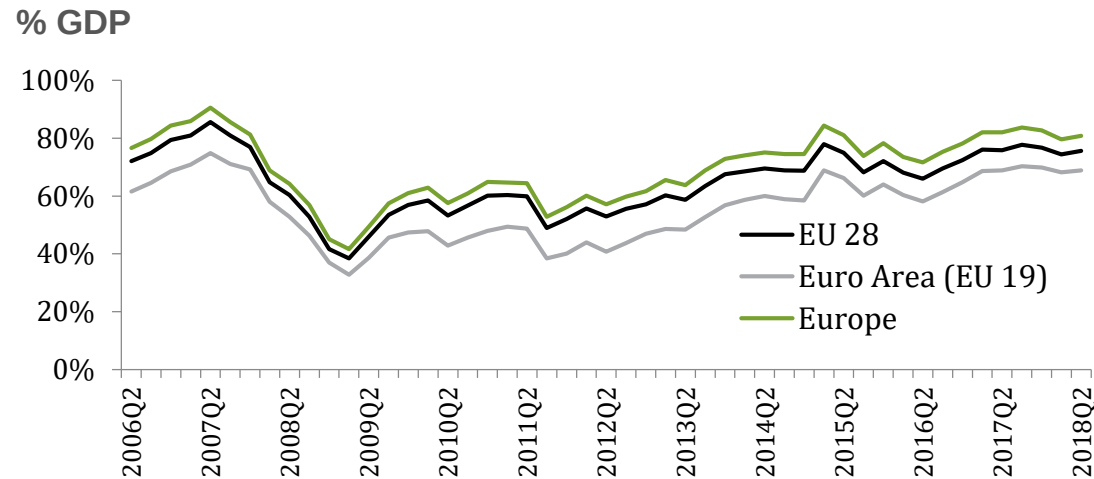
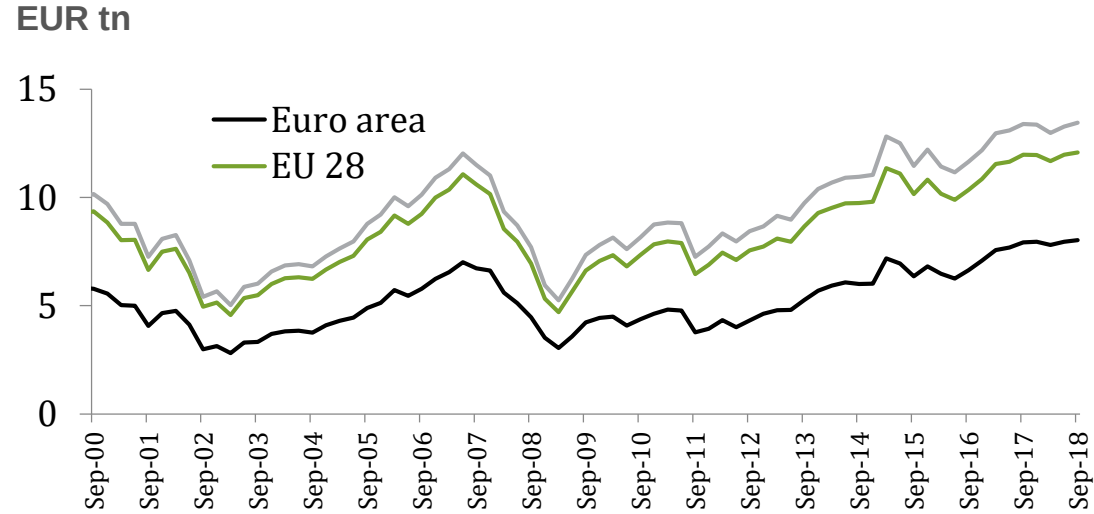
Acquirer Nationality

	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	794		0	27		89			0	10	838	0	0	0	151	0				0	0		5		0	989	0	0	1,721	4,623
Belgium	0	620								68	1,180				0			0		18		0	0			21	0	0	413	2,321
Bulgaria			25																											25
Croatia				12		0							0																	12
Cyprus					81	71					0			28			13				39		0							232
Czech Republic	0			0		88				0	0		2,800										9	0		2				2,899
Denmark	36						20,152		0	124	368	2		23	0	0				905	132			0		1,500	46	17	1,400	24,707
Estonia			0				0	34	0								15													49
Finland			0				278		7,071		4,042			232		0	0			21	0						642	0	0	12,287
France	0	4,588				0	6,623		0	28,221	2,459		0	4,000	1,162		0	5		0		270	0	0	0	556	105	4,058	7,337	59,384
Germany	7,478	112	0	0		0	0	151	190	2,713	30,311	516	0	0	365	7	0	0		425	30	0	3	0	0	1,164	1,688	419	258	45,829
Greece			2		0							1,222											4	9						1,237
Hungary													640								0		0							640
Ireland		0									0			607	0					460	0					0	8		1,967	3,042
Italy		0					0	8		1,226	145	57			11,771			40		0	88		0		8	26,441		0	218	40,001
Latvia								0		0						1								18						19
Lithuania						0	0	0								0	0				295						171			467
Luxembourg		36	1					288		0	1,095				225			14					1			0	12		9	1,681
Malta											4				22				14										29	68
Netherlands		475	0			0	0		0	158	83		0	137	0			0		7,787	58		0			0	122		817	9,637
Poland			90		82	1,082		0			0			40	10		9				2,591		50			45		27		4,026
Portugal						0				3	20										8	1,087				0	6			1,123
Romania													396				125				139		513	122						1,295
Slovak Republic						3																		0						3
Slovenia				230																					0					230
Spain		0				93			0	0	277			11	91						300	411		0	0	32,701			1,415	35,298
Sweden	0	0		0			1,137		76	951	520			14	0	73	0		11	330	1	0	23			0	18,483	0	168	21,787
Switzerland	9	0	0			0	0	0	4	4,785	324		0	70	2,901			28		0	0		0		10	12	0	4,407	1,011	13,561
United Kingdom	54	2		9	10	0			379	3,896	1,173	118	0	971	408	0		149	0	1,043	5	17	209			705	12	8	89,267	98,434
Total	8,371	5,833	118	278	173	1,426	28,191	482	7,720	42,154	42,839	1,915	3,836	6,133	17,106	81	162	235	25	10,989	3,686	1,785	816	149	18	64,137	21,294	8,935	106,030	384,916

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

Secondary markets

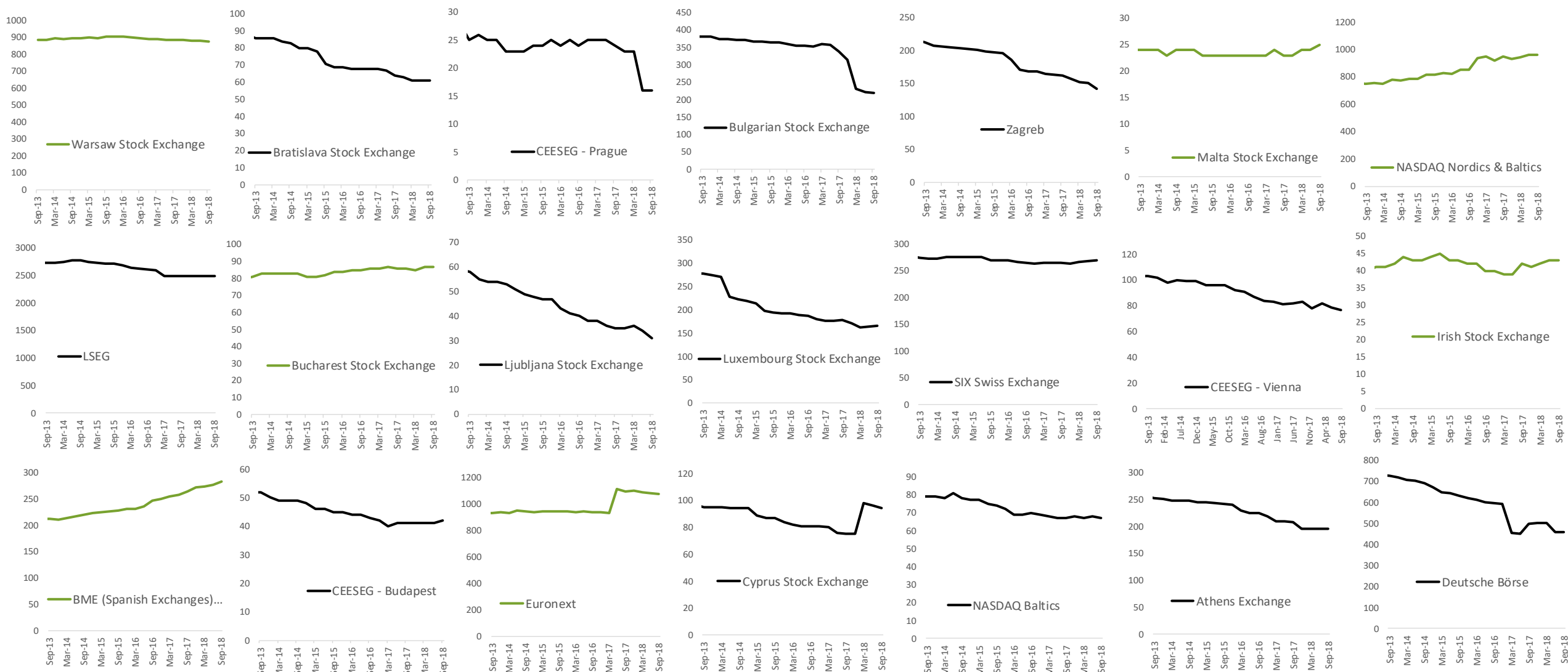
Market capitalisation of domestic listed shares



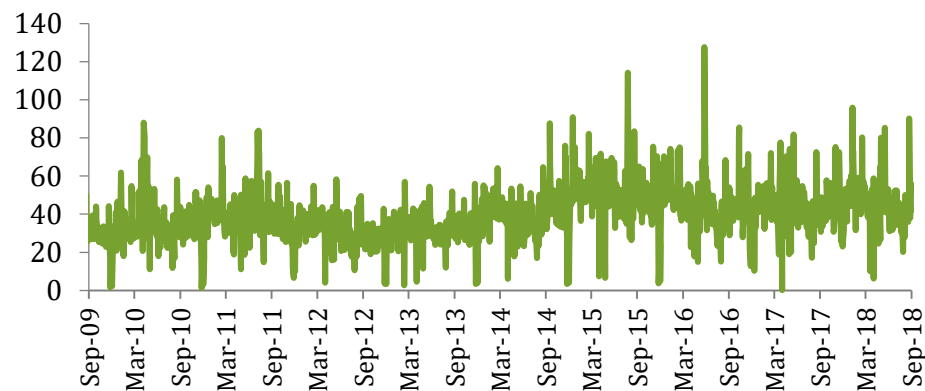
Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE

Market capitalisation of listed shares finalised 1H18 at €13.5tn, 0.7% above the level reached at the end of 4Q17 (€13.4bn)

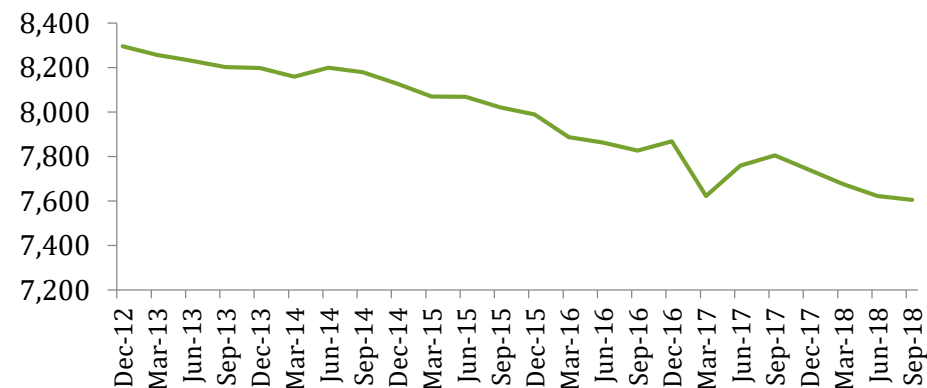
Number of listed companies on European exchanges



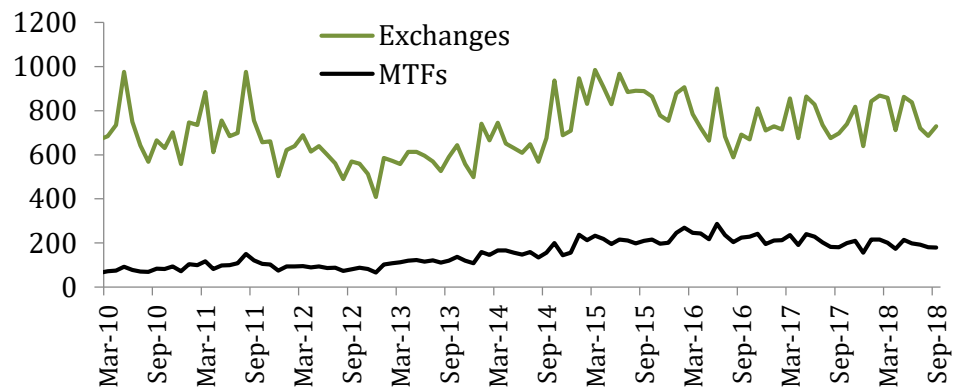
Daily turnover value on European exchanges and MTFs (EUR bn)*



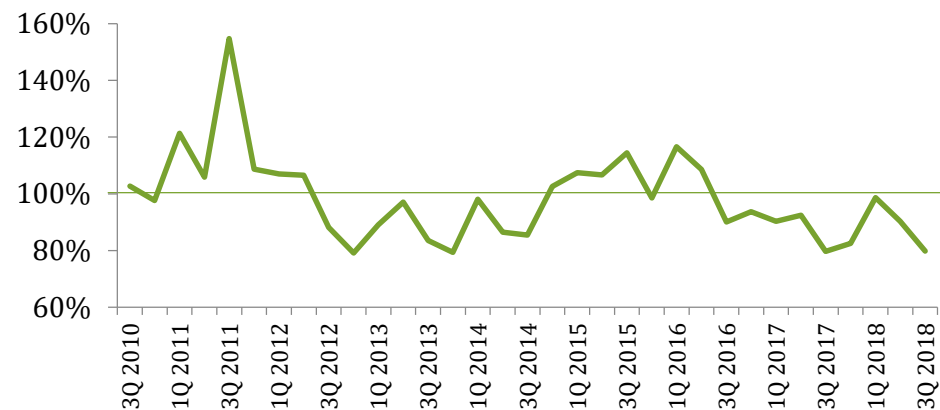
Number of listed companies on European exchanges



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



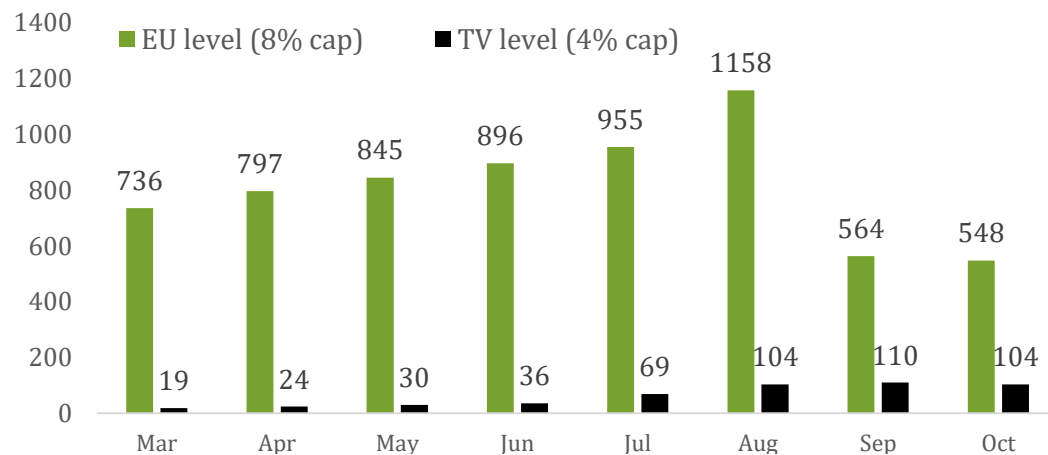
Turnover ratio (annualised turnover value/ market cap)



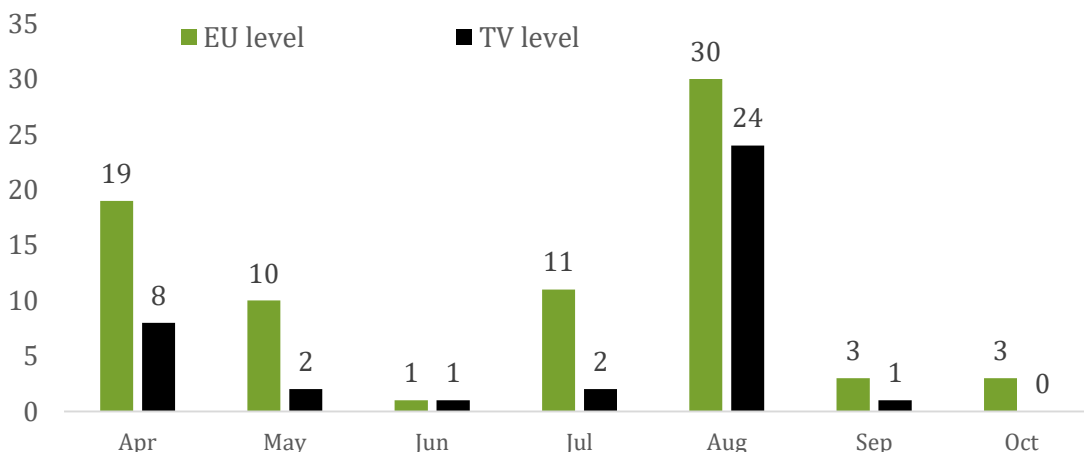
Source: Cboe Global Markets, FESE, WFE, ECB and local exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs
*market represents order book transactions

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



Source: ESMA

On 7 March 2018, ESMA published the double volume cap (DVC) data files specifying the securities that surpassed the MiFID II limits of dark trading on EU venues

From a Universe of 26,609 equity-like securities traded in the EU, 652 are currently suspended (as of October 2018) from dark trading either on specific EU venues (104 securities) or on all EU venues (548) after surpassing the MiFID II dark trading thresholds (4% dark traded in a given trading venue and 8% for suspension at EU level).

The number of banned instruments has decreased during the year from 755 in March 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:

Sep-18

Country	ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT		86	2	1	3%
BE		405	4	0	1%
BG		313	0	0	0%
CY		126	0	1	1%
CZ		11	0	0	0%
DE		1177	15	1	1%
DK		549	14	8	4%
EE		21	0	0	0%
ES		285	5	7	4%
FI		175	4	0	2%
FR		1294	53	14	5%
GB		1925	129	38	9%
GR		233	0	0	0%
HR		131	0	0	0%
HU		48	0	0	0%
IE		1013	4	0	0%
IT		423	20	5	6%
LT		34	0	0	0%
LU		893	9	3	1%
LV		27	0	0	0%
MT		34	0	0	0%
NL		217	17	1	8%
PL		831	0	0	0%
PT		64	0	0	0%
RO		367	0	0	0%
SE		1140	16	3	2%
SI		128	0	0	0%
SK		53	0	0	0%
Non-EU		14606	256	22	2%
Total		26609	548	104	2%

Source: ESMA

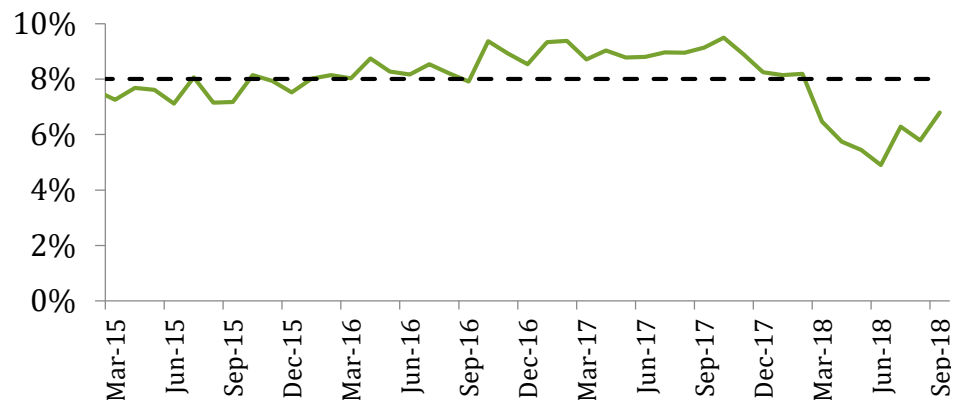
The 652 instruments suspended from dark trading at the EU or trading venue level represents 2% of the Universe of equity-like instruments on ESMA's DVC files (26,609)

By countries, 167 of the 652 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 9% of the 1,925 UK ISINs registered in the ESMA DVC files

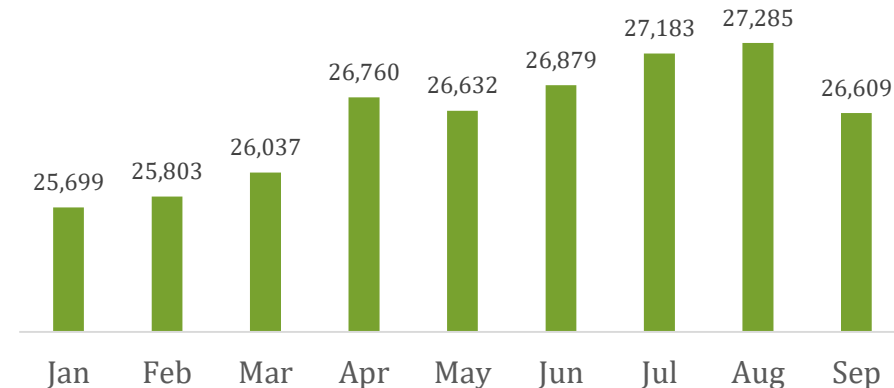
108 of the suspended instruments have non-EU ISINs, or 43% of all suspended instruments at the EU and trading venue.

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

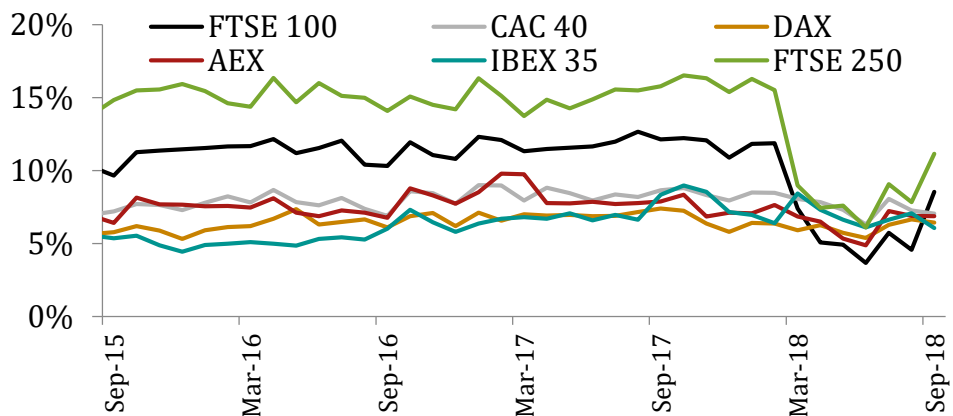
Dark trading as % of total turnover*



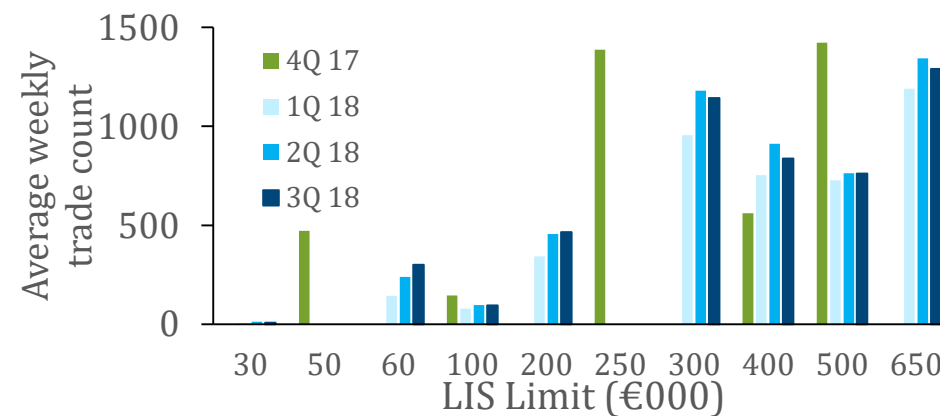
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



% of dark trading by indices*

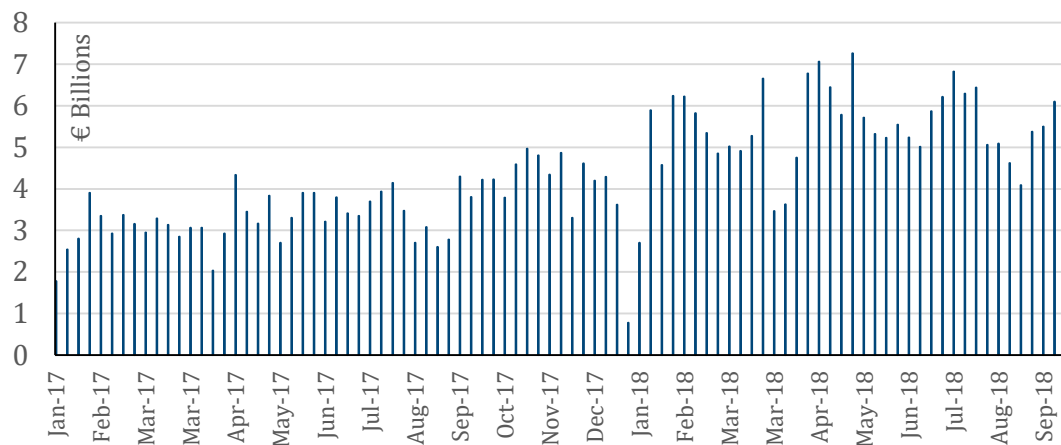


Block trades: weekly trade count by large-in-scale (LIS) limit

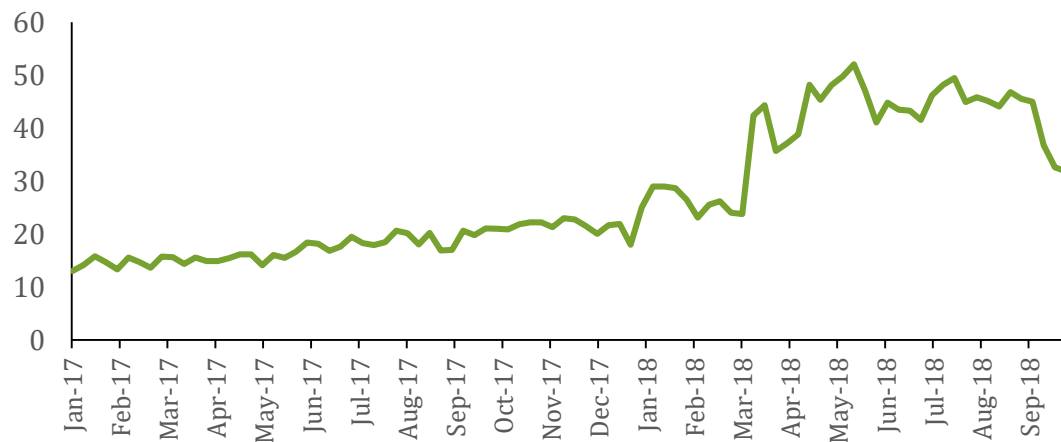


Source: ESMA, Cboe Global Markets and Fidessa
*market represents order book transactions

Block trades: weekly turnover on European selected venues



Proportion of dark traded as LIS blocks (%)



Source: Fidessa

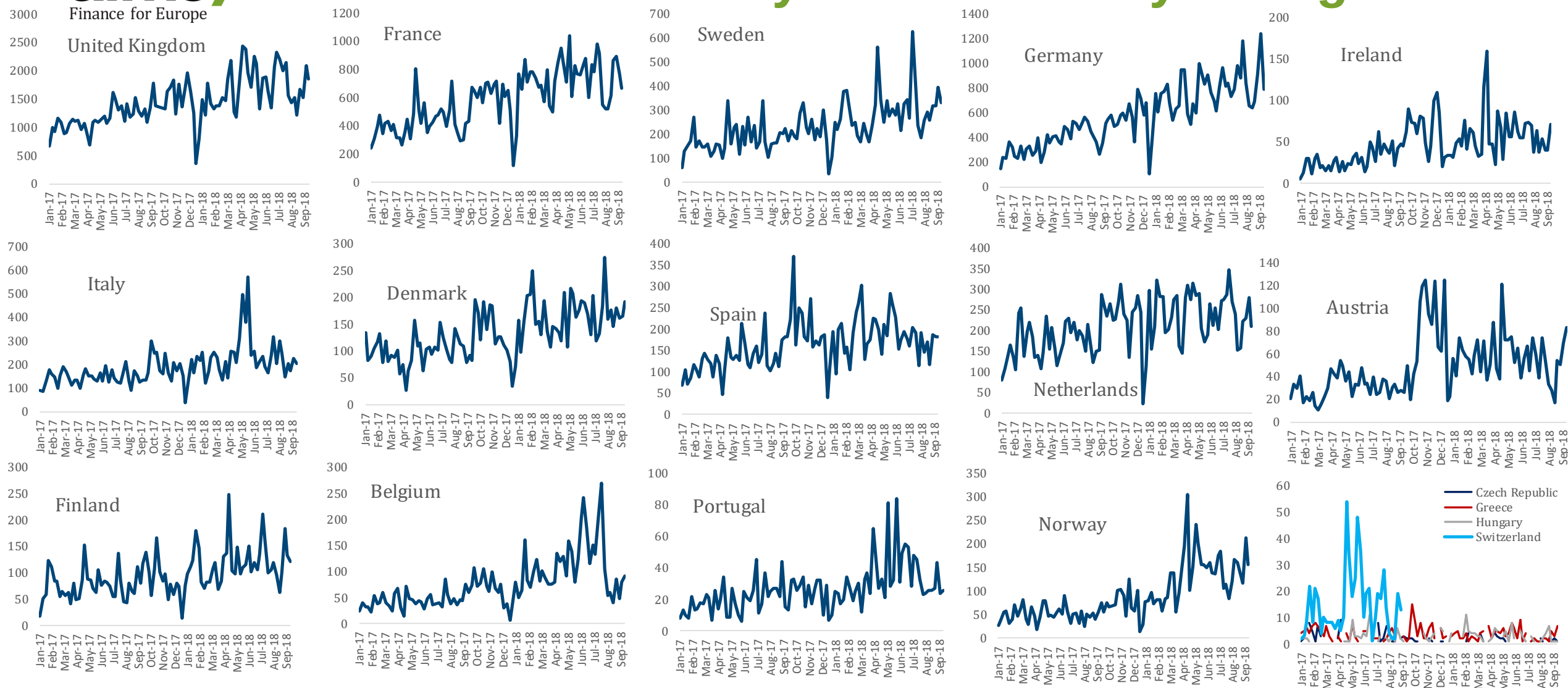
The average weekly turnover in the form of block trades on selected European venues* has increased from €3.0 bn in 1Q17 to €5.6 bn on average during 3Q18.

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 the last week of 3Q18.

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

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

Block trades: weekly trade count by listing market



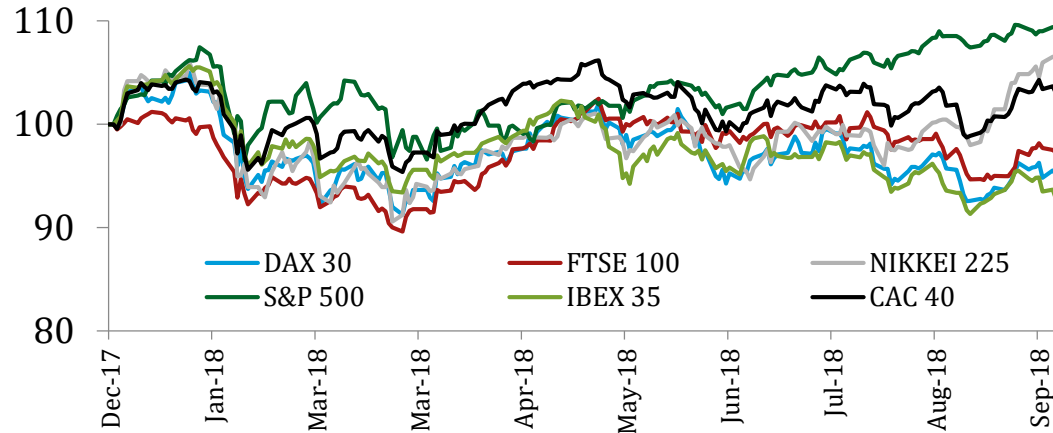
Source: Fidessa with data from Cboe BXE and CXE Dark Order Books, Cboe LIS service, Turquoise Plato™, Liquidnet, Posit and UBS MTF

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

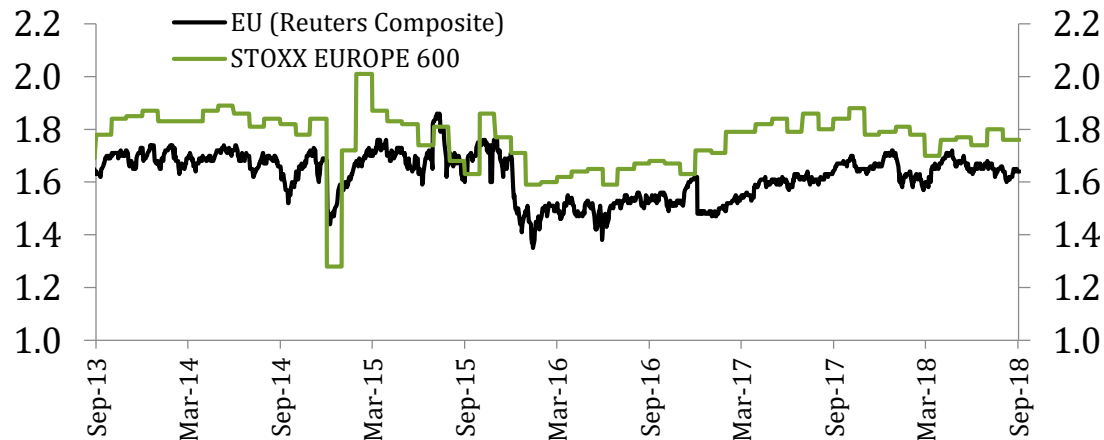
Valuations

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

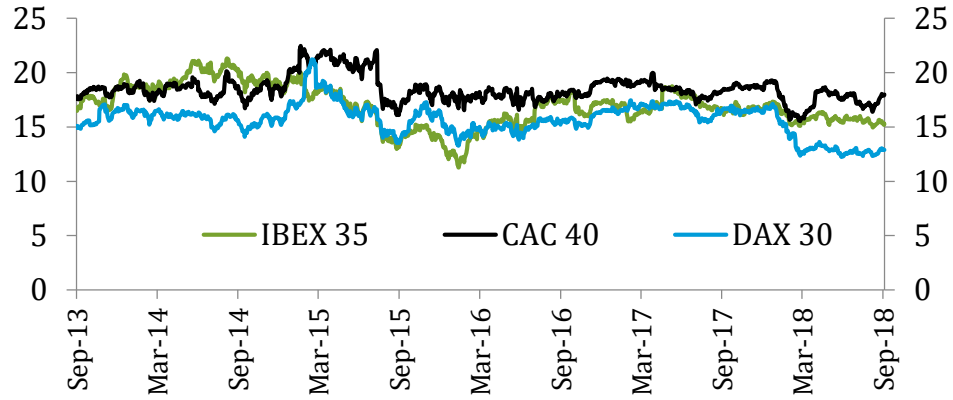


Source: Datastream

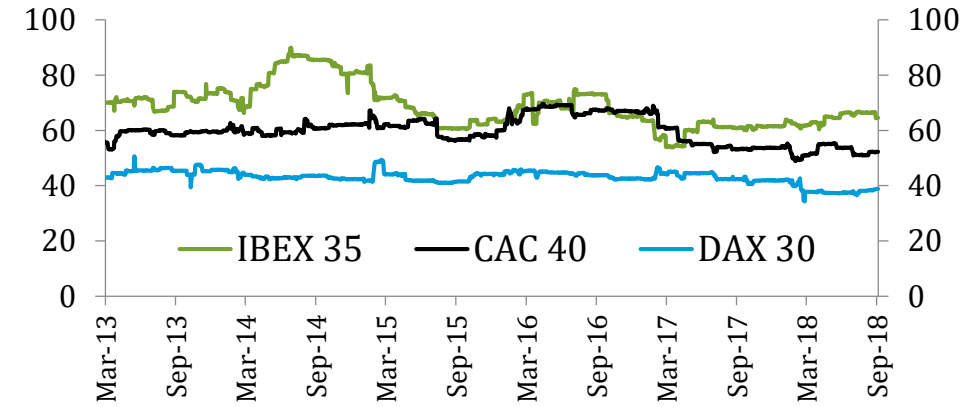
The average European price-to-book ratio (for STOXX Europe 600 indexed shares) finalised the first half of the year at 1.76x, only 3bps below the level at the end of 4Q17 (1.79x)

Valuation ratios and implied volatility

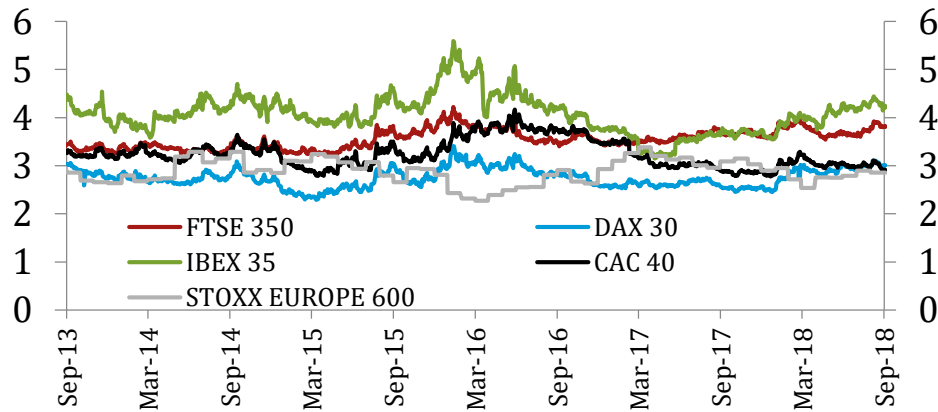
Price-to-earnings (PE) ratio



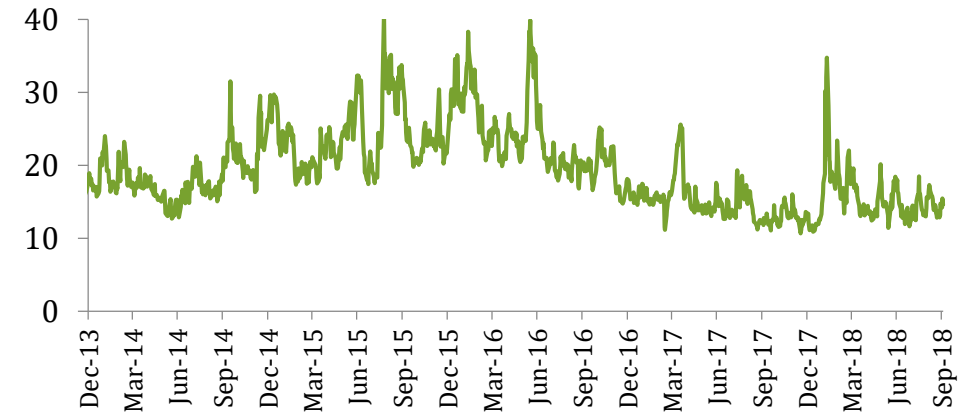
Dividend payout ratio (Dividends/ Earnings per share)



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 YtD
Equity underwriting (€ bn)	38.0	41.3	20.9		100.2	57.1	72.0	43.5	39.1	211.6	-52%	-42%
IPOs	12.0	8.7	3.7		24.4	5.0	12.4	10.4	12.7	40.6	-65%	-12%
Follow-on offerings	22.1	29.4	15.4		66.9	44.7	54.3	28.3	23.1	150.4	-45%	-47%
Convertible securities	3.9	3.2	1.8		8.9	7.4	5.2	4.8	3.2	20.6	-62%	-49%
Mergers and Acquisitions (€ bn): completed	192.9	318.0	174.4		685.3	218.8	281.5	263.8	171.2	935.3	-34%	-10%
European outbound	37.3	110.7	33.5		181.4	41.4	66.3	103.0	24.3	234.9	-68%	-14%
European inbound	36.5	34.8	47.7		119.0	67.2	104.4	39.3	55.7	266.6	21%	-44%
Intra European	119.1	172.5	93.3		384.9	110.2	110.8	121.5	91.2	433.7	-23%	12%
Mergers and Acquisitions (€ bn): announced	340.0	339.8	198.0		877.8	238.7	231.4	199.5	211.5	881.1	-1%	31%
Equity turnover value (€ tn)	3.20	3.00	2.69		8.88	2.96	3.03	2.67	2.76	11.4	1%	3%
Main Markets	2.57	2.41	2.14		7.12	2.30	2.37	2.11	2.20	9.0	1%	5%
MTFs	0.63	0.58	0.55		1.77	0.66	0.66	0.56	0.56	2.4	-2%	-6%
Market Capitalisation of domestic listed shares (€ tn)												
European (EU28 and Switzerland)	13.0	13.3	13.5		13.5	13.0	13.1	13.4	13.4	13.4	0.4%	0.7%
EU 28	11.7	12.0	12.1		12.1	11.5	11.6	12.0	12.0	12.0	0.8%	0.9%
Euro Zone	7.8	8.0	8.0		8.0	7.6	7.7	7.9	8.0	8.0	1.1%	0.9%

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

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