

1Q 2023

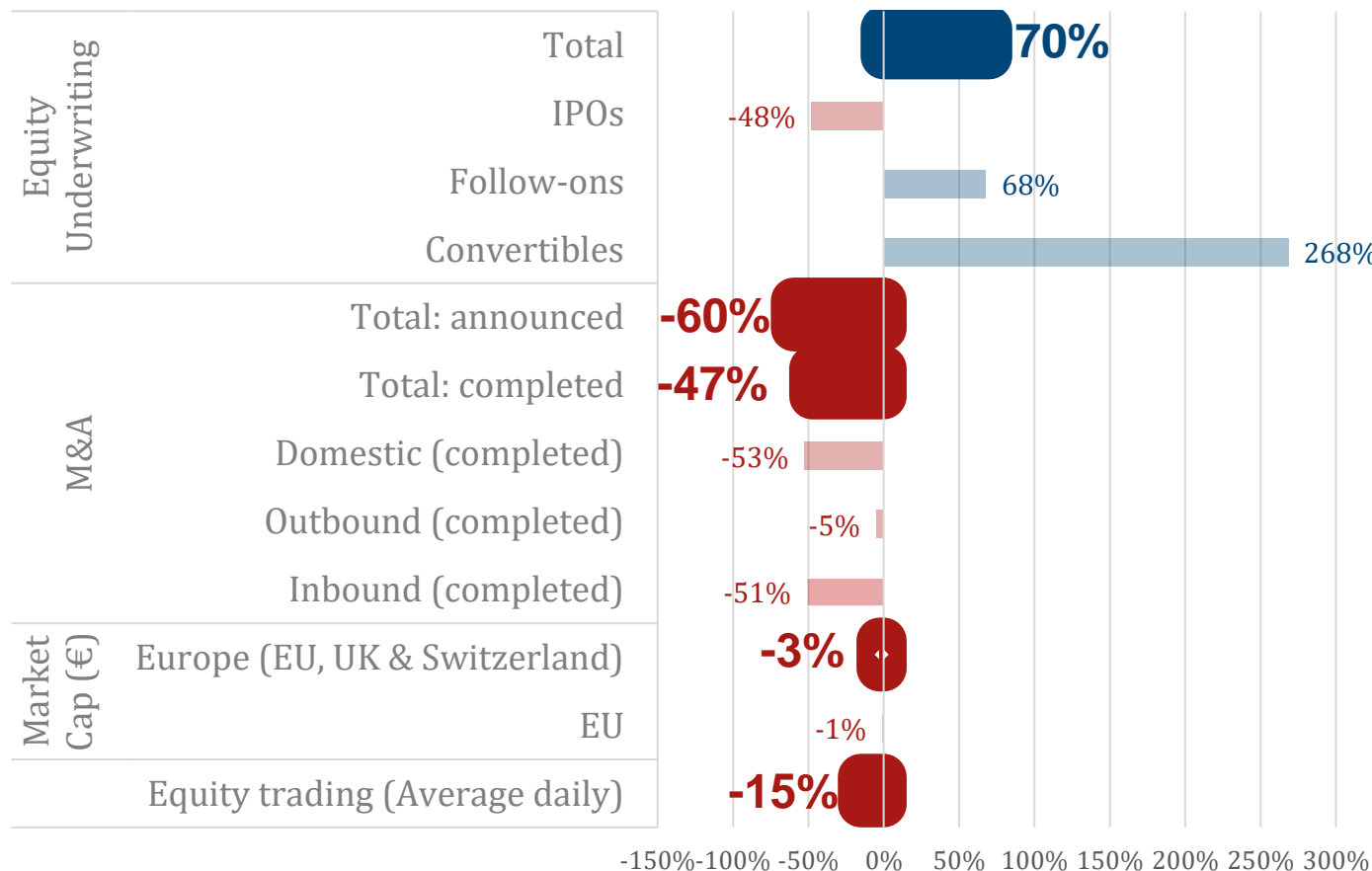
# Equity Primary Markets and Trading Report

European market data  
update



## Q1 2023 YoY variation of European Equity activity

EU member countries, UK and Switzerland



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

## IPO issuance continues subdued

**Equity underwriting** on European exchanges rose 70% YoY in Q1'23. The increase was driven by the low base in 2022, as Q1'22 represented the lowest issued amount in over a decade. The Q1'23 issued amount stood 20% below 2Y and 5Y quarterly averages.

IPOs accumulated €1bn in deal value in Q1'23 on 16 deals, a 48% YoY decline continuing a sequence of underwhelming quarters for primary offerings. Two deals represented 80% of the total quarterly issued amount. IPOs on the LSE stood at the lowest Q1 deal value since 2009.

European SPAC IPOs have visibly declined from a peak of €3.2bn in Q2'21 to no deals in Q1'23.

**Completed Mergers and Acquisitions (M&A)** declined when measured as announced value (-60% YoY) and when measured as completed value (-47% YoY).

De-SPACS represented 1% of the total M&A value announced during Q1'23, below the proportion observed during 2021 (5%).

**Average daily equity trading on European main markets and MTFs** stood at €83.3bn in Q1'23, a 15% decrease compared to Q1'22.

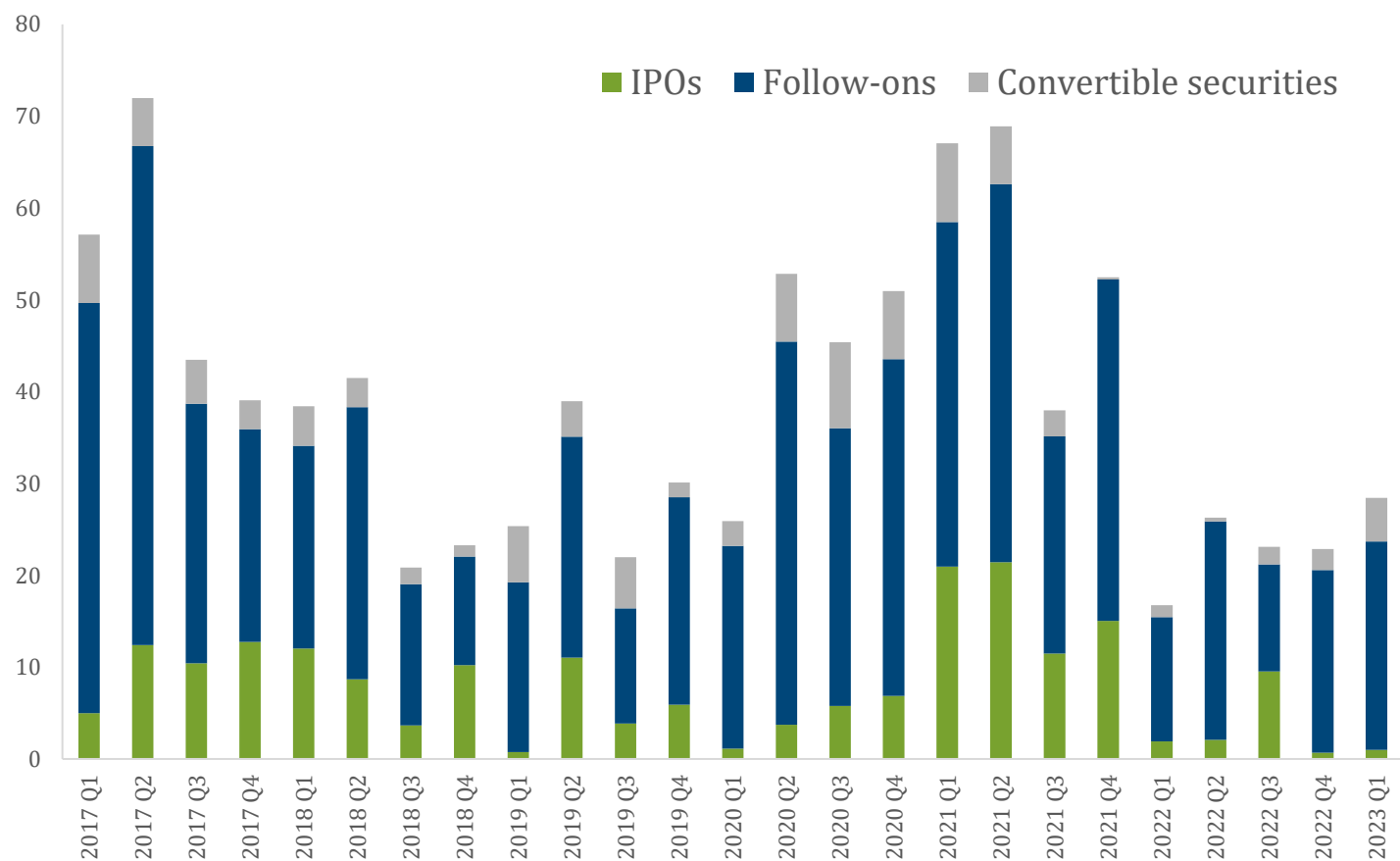
**Domestic market capitalisation of European listed shares** stood at €15.6tn at the end of Q1'23, a 3% decrease from €16.1 in Q1'22 but an increase from €14.7tn in Q4'22.

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# Equity issuance

# Soft rebound in equity capital raising

Equity Issuance on European exchanges (EUR bn)



Source: Dealogic

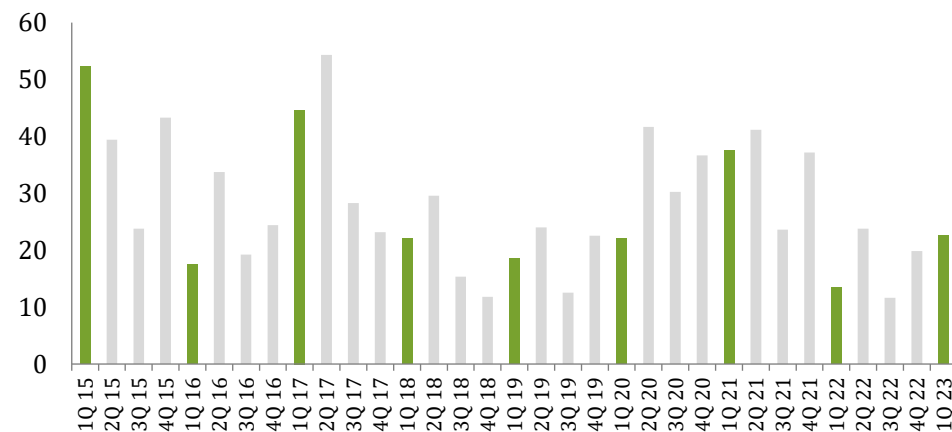
Equity capital raising on European exchanges totalled €28bn in Q1'23, a 70% YoY increase largely driven by base effects.

On a quarterly basis, equity issuance rose 24% but continues below historic quarterly averages.

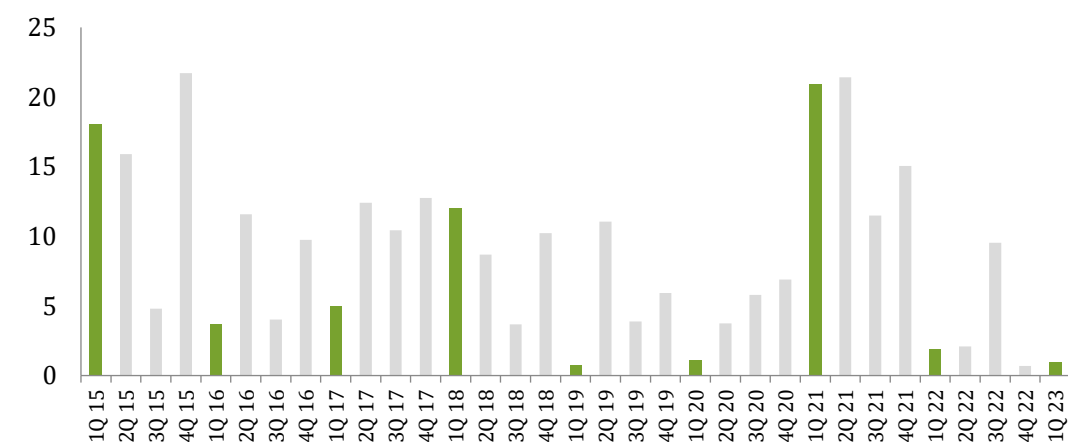
IPOs accumulated €1bn in deal value in Q1'23, continuing a sequence of underwhelming quarters for primary offerings. Two deals (EuroGroup Laminations issued on the Borsa Italiana and IONOS issued on the Frankfurt Stock exchange) represented 80% of the total quarterly issued amount.

Three large follow-ons represented 27% of the quarterly deal value, none of which with proceeds to the issuer: sale of a share of LSE Group by a consortium of investors; sale of a portion of the Belgian government's participation in BNPP; and purchase of FEMSA's participation in Heineken Group by Heineken NV.

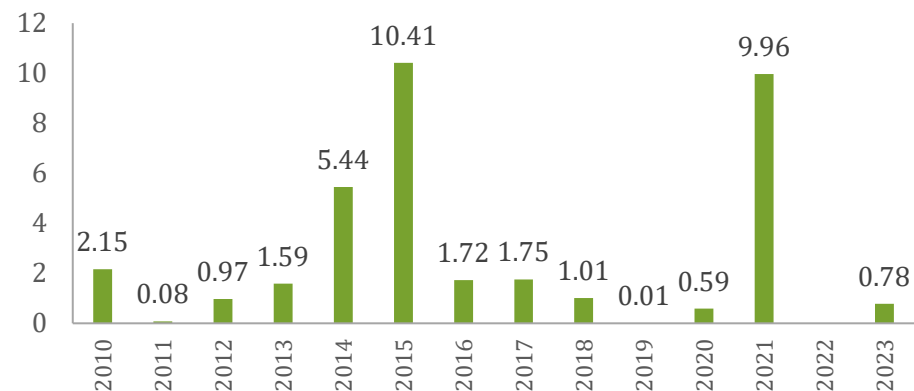
**Follow-on offerings (EUR bn)**



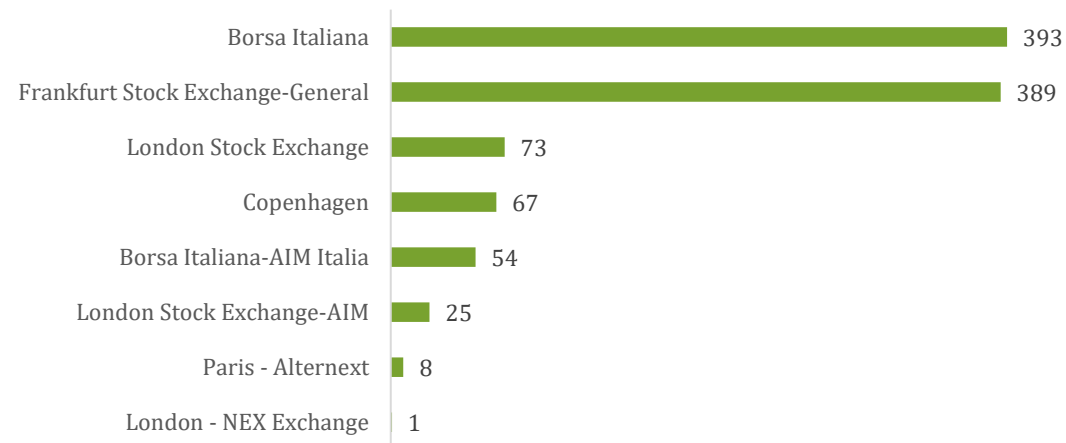
**IPO proceeds (EUR bn)**



**PE-backed IPO proceeds: (YtD:1Q, EUR bn)**



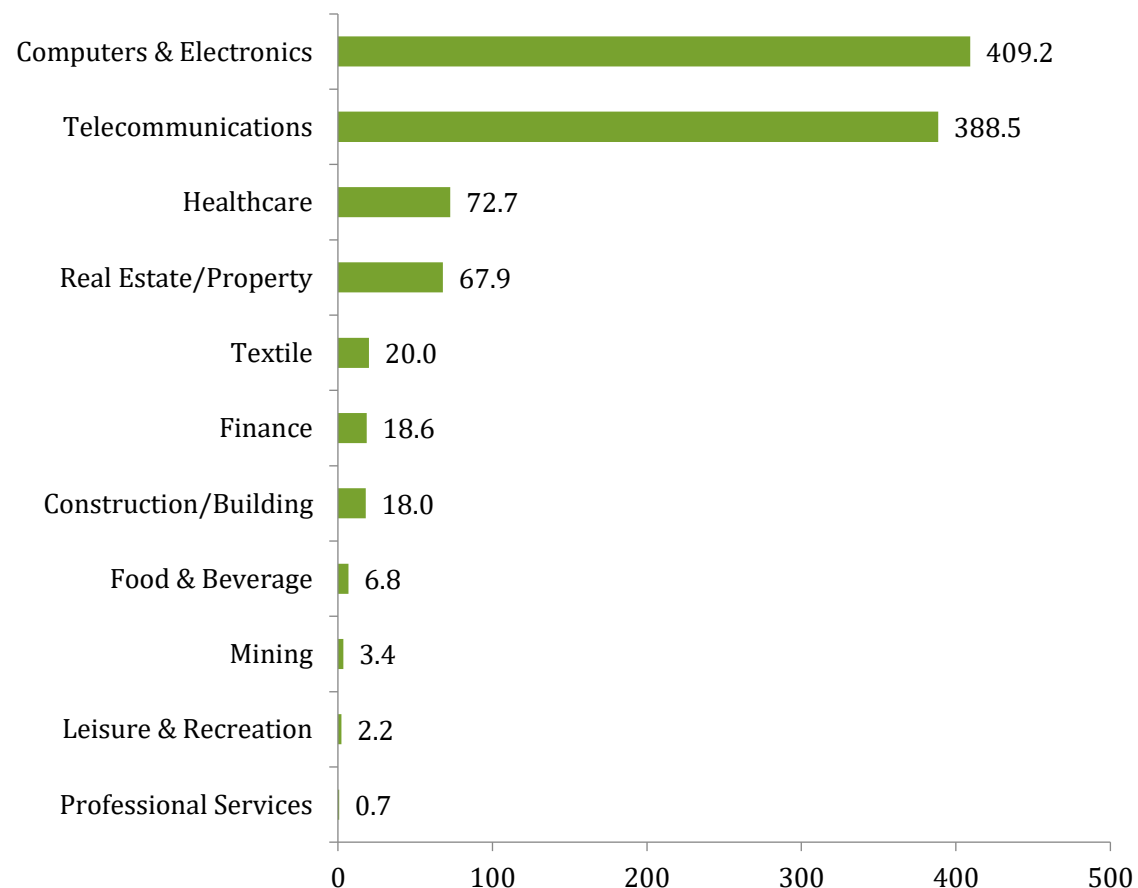
**IPO proceeds by listing market (Q1'23 EURmm)**



Source: Dealogic

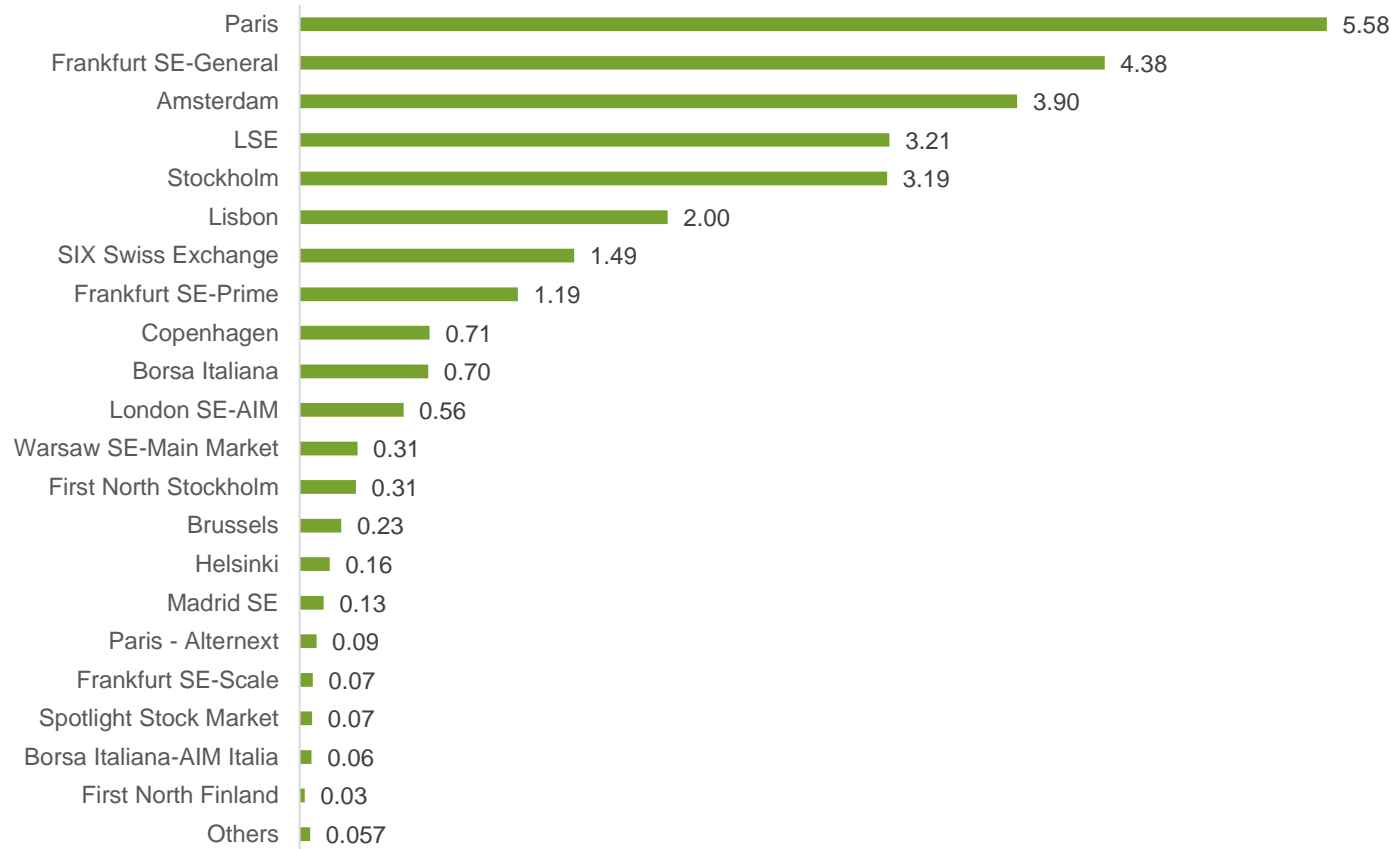
# Tech and telecoms lead by IPO proceeds

IPO proceeds by industry (Q1'23, EURmm)



# Frankfurt Prime leads in equity issuance

Equity underwriting on European exchanges: IPO, follow-ons and convertibles (Q1'23 EUR bn)



Source: Dealogic

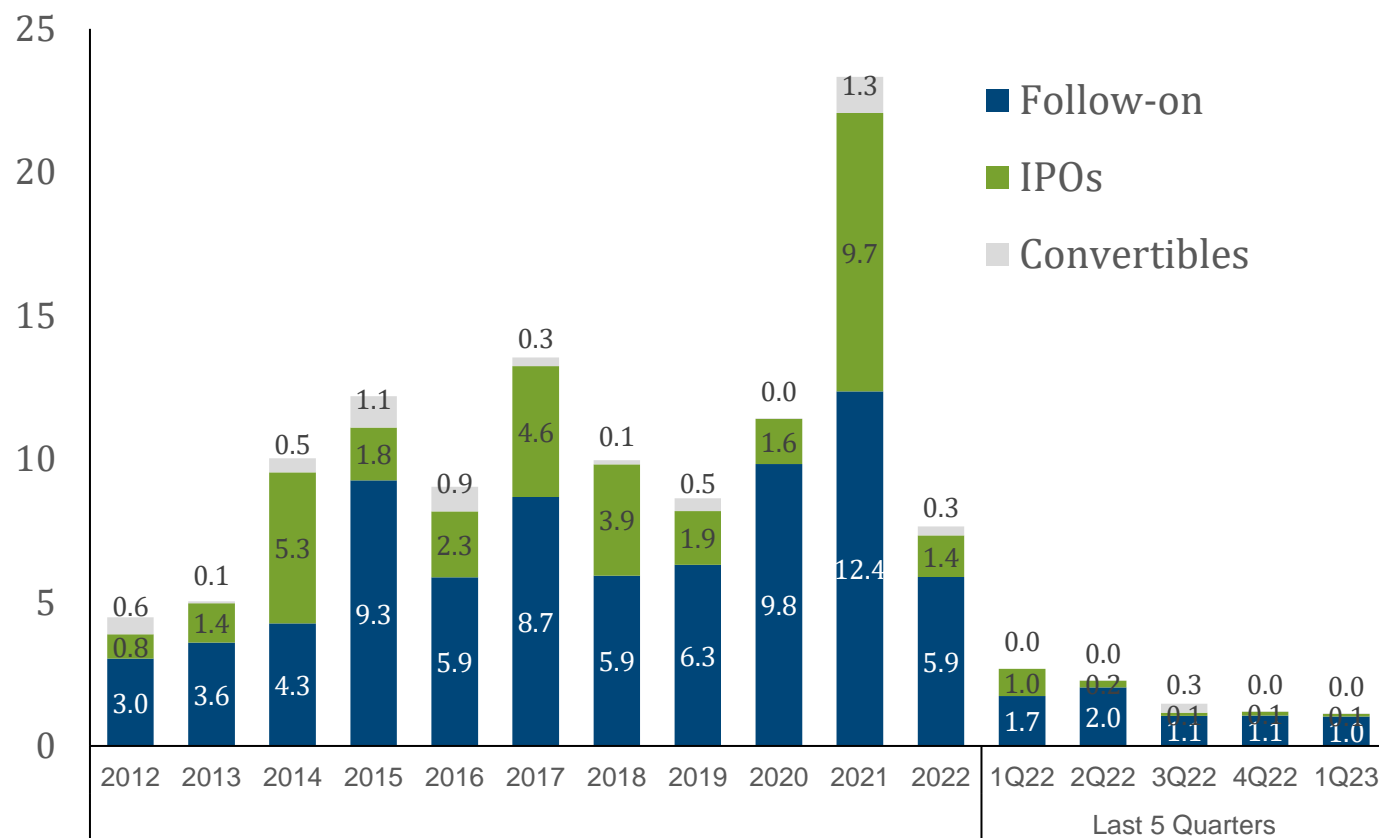
The top 3 markets for equity capital raising in Q1'23 were based in continental Europe.

The Paris Euronext main market led by total equity underwriting accumulating a total of €5.6bn during Q1'23, followed by Frankfurt General (€4.4bn) and Amsterdam (€3.9bn).



# Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



Source: Dealogic

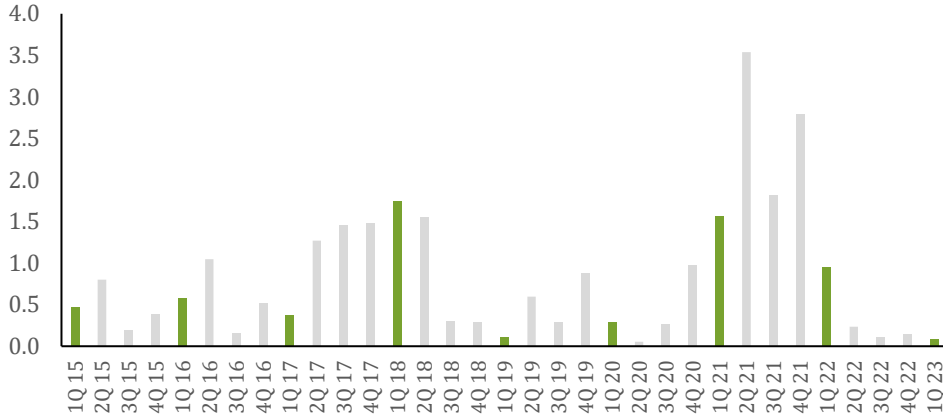
Equity issuance on Jr exchanges accumulated a total of €1.1bn in total equity capital raised during Q1'23, a decline from €2.7bn in Q1'22.

Junior exchanges are venues with less onerous listing requirements which facilitates equity capital raising by small and medium enterprises and younger companies.

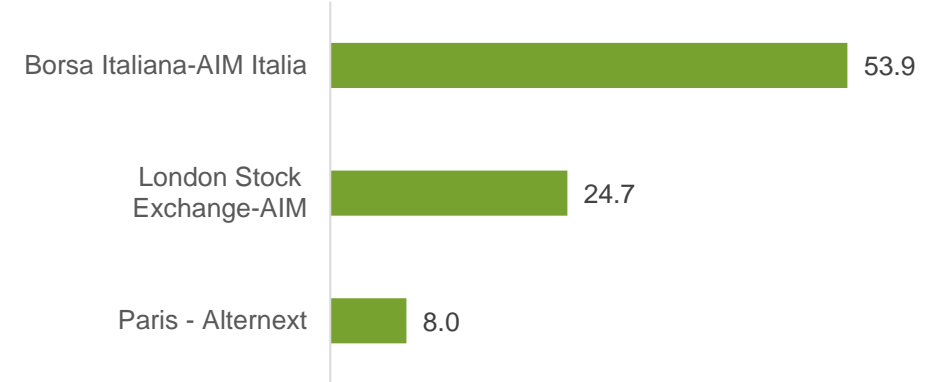
The quarterly amount of equity capital was the lowest issued on Jr exchanges since Q3'13.

# Only 10 primary listings on Jr markets in Q1'23

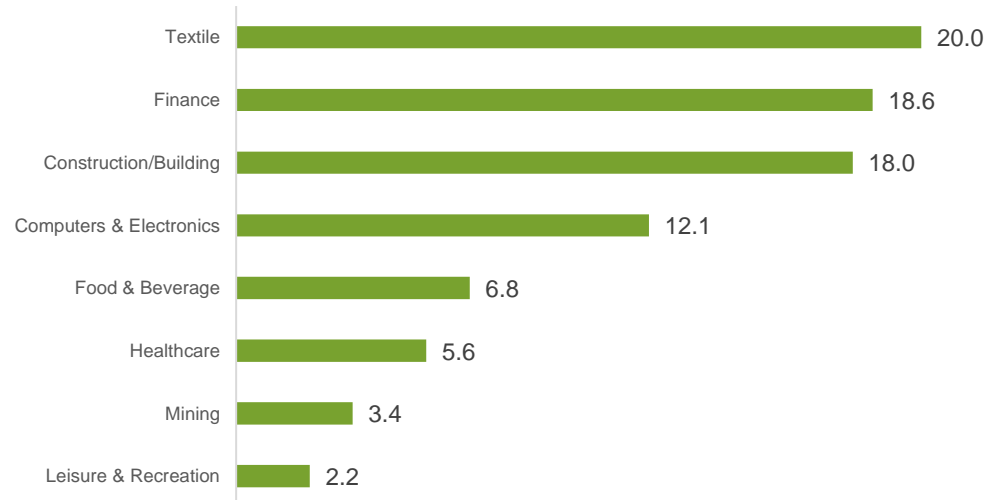
IPO proceeds on European Jr markets (EUR bn)



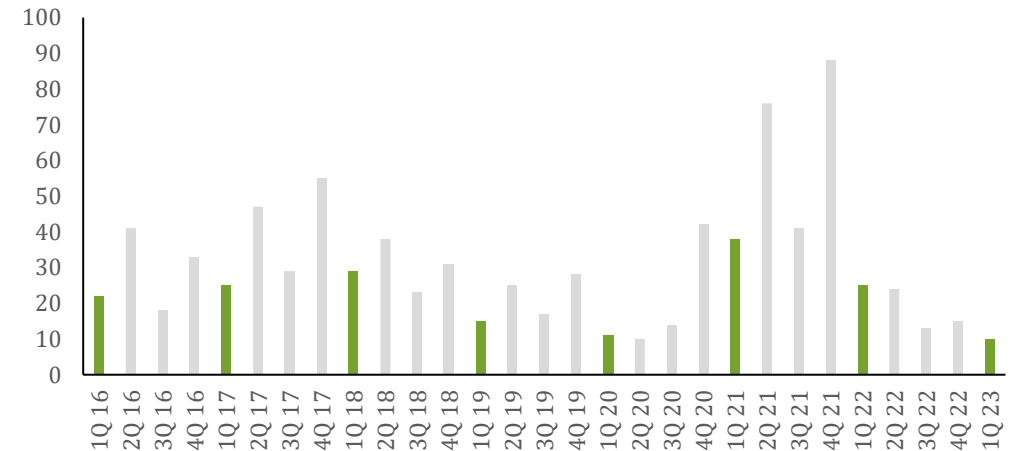
IPO proceeds on Jr markets by exchange (EUR mm)



IPO proceeds on Jr markets by industry (EUR mm)



Number of IPOs on European Jr markets



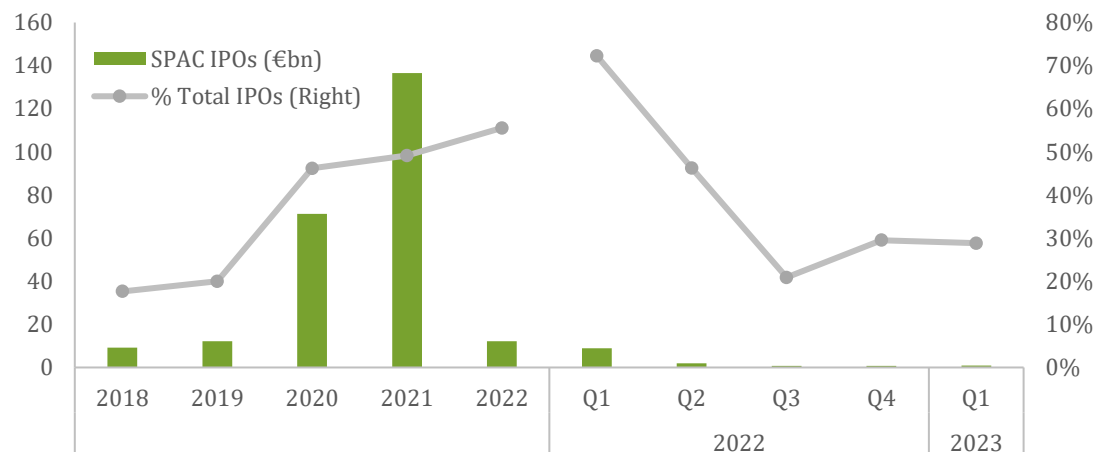
Source: Dealogic

\*Finance includes SPVs and SPACs

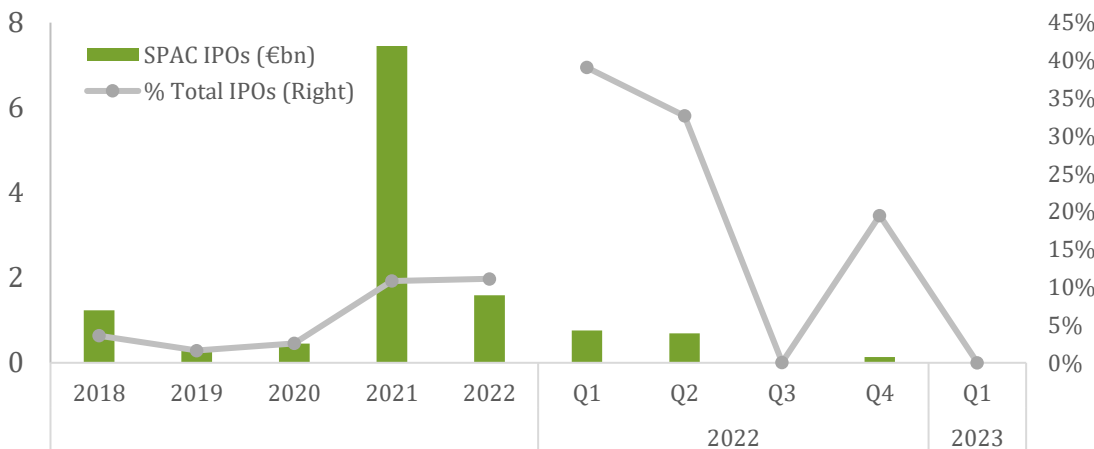
# European SPACs: market update

# SPAC IPOs: Europe and the US in numbers

US SPAC IPOs (EUR bn and % of total IPOs)



European SPAC IPOs (EUR bn and % of total IPOs)



Source: Dealogic

Special Purpose Acquisition Companies (“SPACs”) are companies formed to raise capital in an initial public offering (“IPO”) with the purpose of using the proceeds to acquire an unspecified business or asset to be identified after the IPO. A SPAC is generally intended to permit the target company to go public without engaging in a traditional IPO.

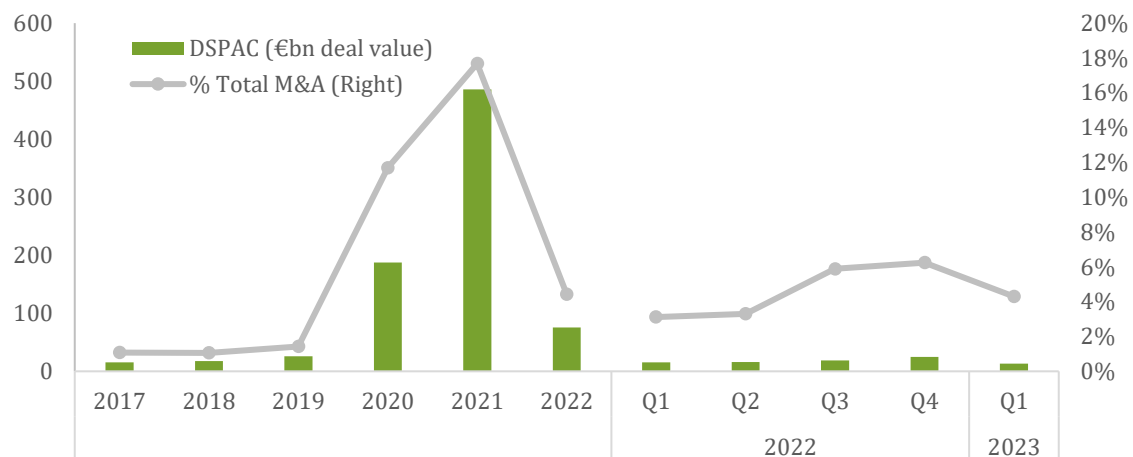
SPAC IPOs have significantly declined in volume both in Europe and the US, at a greater proportion than the wider deceleration in IPOs.

In the US, SPAC IPOs totalled €0.8bn on 11 deals in Q1’23 from a peak of €81bn on 298 deals in Q1’21.

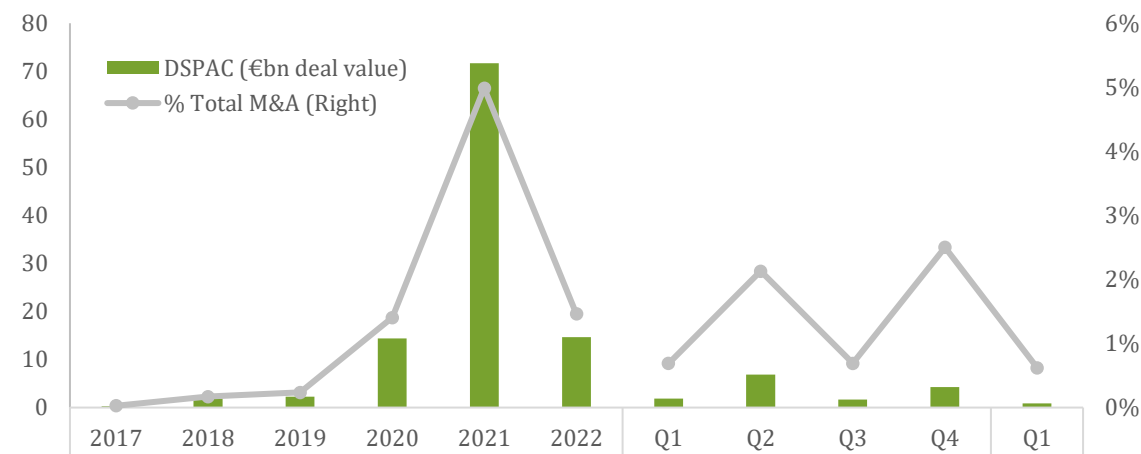
In Europe, SPAC IPOs have visibly declined from €3.2bn in Q2’21 to no deals in Q1’23.

## De-SPACs: Europe and US in numbers

**US De-SPACs: Announced deal value in EUR bn and % of total M&A**



**European De-SPACs: Announced deal value in EUR bn and % of total M&A**



Source: Dealogic

SPACs are formed with the sole intention of acquiring a target company or asset in a De-SPAC transaction.

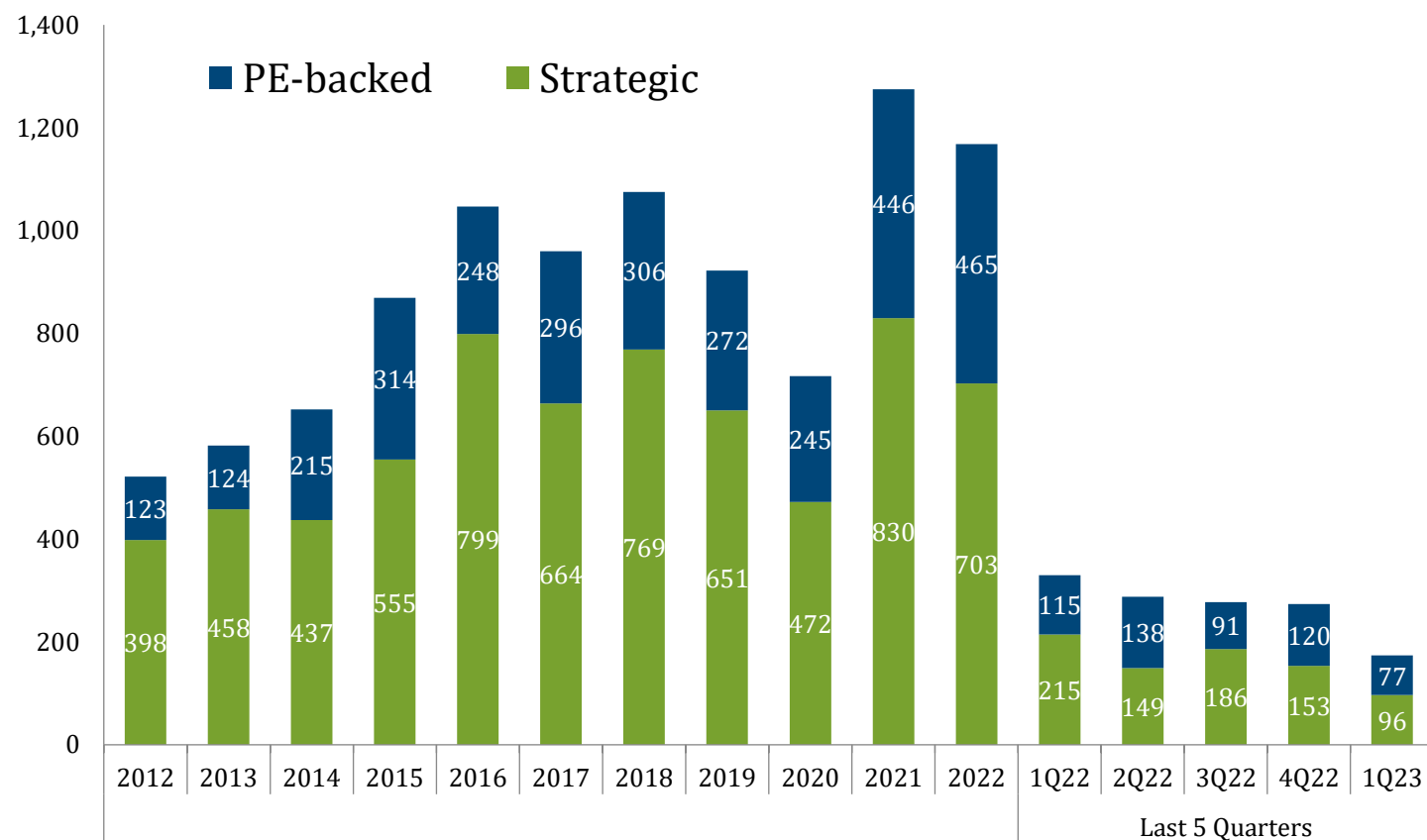
In the United States, De-SPACS represented 4% of total US M&A, a lower proportion from 18% in 2021.

In Europe, De-SPACS represented 1% of the total M&A value announced during Q1'23, below the proportion observed during 2021 (5%).

# Mergers and Acquisitions (M&A)

# M&A continued to decelerate during the quarter

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



Source: Dealogic

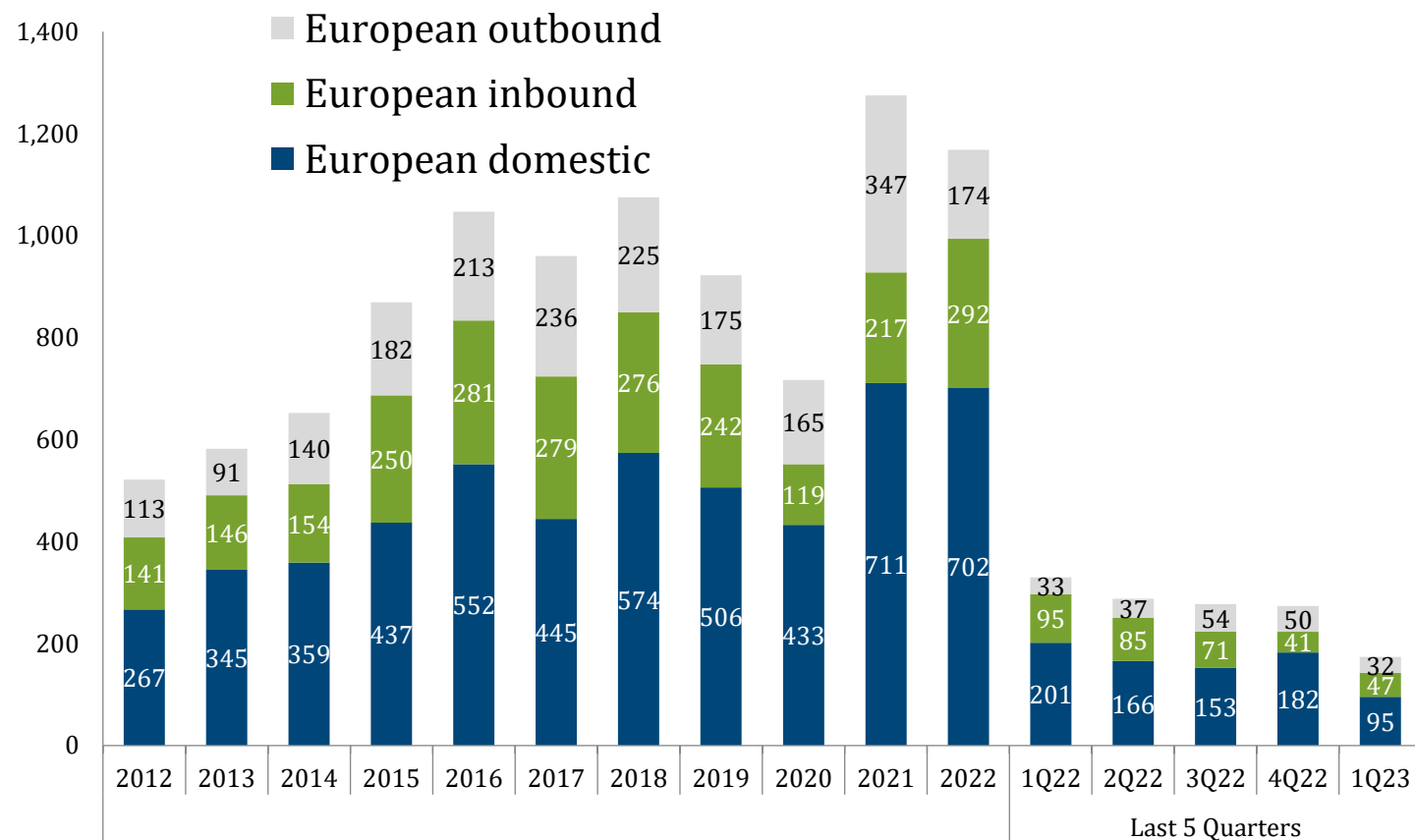
European\* M&A activity continued the gradual decline during Q1'23 accumulating €173bn in deal value (from €330bn in Q1'22).

As shown on page 18, the significant decline in announced M&A (€107bn in 1Q'23, and the lowest quarterly amount since 2003), anticipates a deceleration in dealmaking for the coming months.

\*EU, UK and Switzerland

# M&A by acquiring party

Completed M&A by acquiring party (EUR bn)

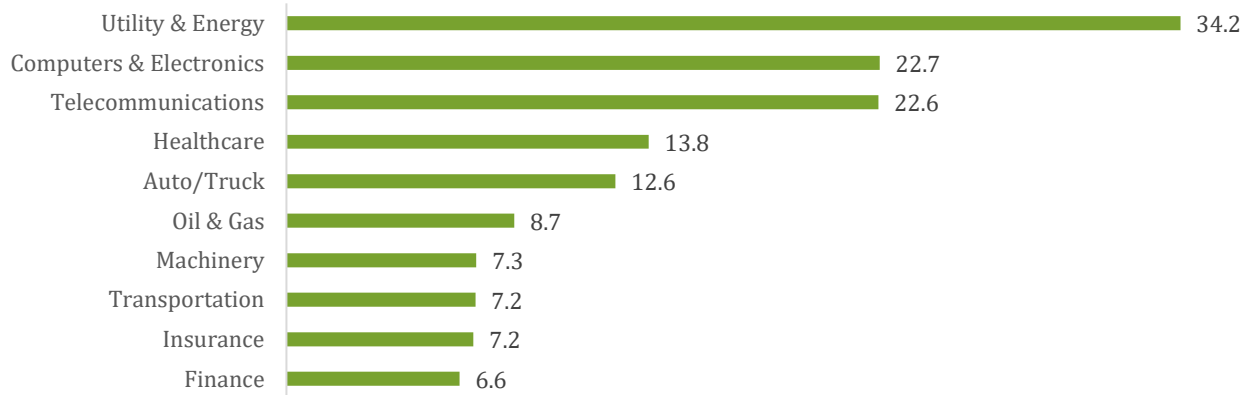


The decline in domestic M&A (i.e., acquisition of a European company by another European company) has been particularly pronounced, from €201bn in 1Q'22 to €95bn in 1Q'23.

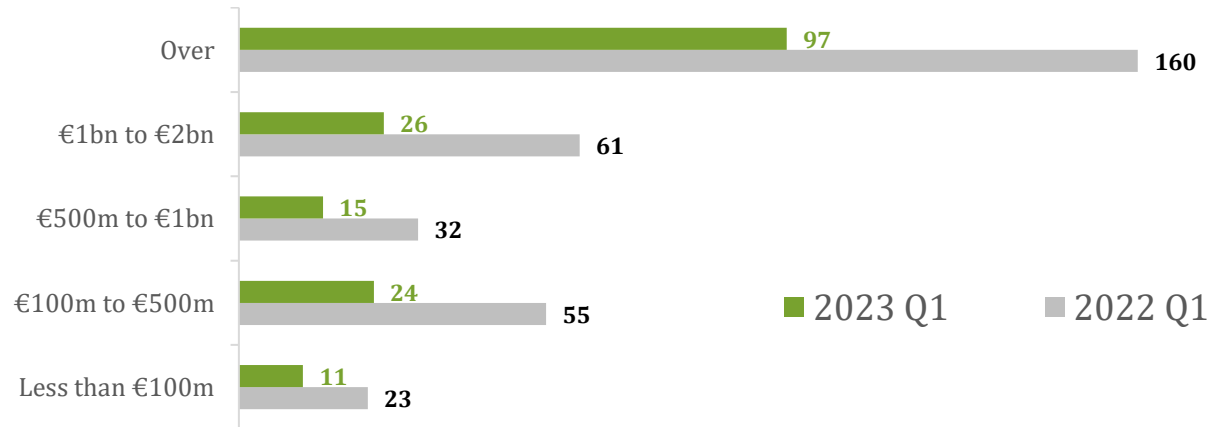


# Tech and energy lead by deal value

## Top 10 industries for completed M&A (2023 Q1, EUR bn)



## Completed M&A transactions by deal value (2023 Q1, EURbn)



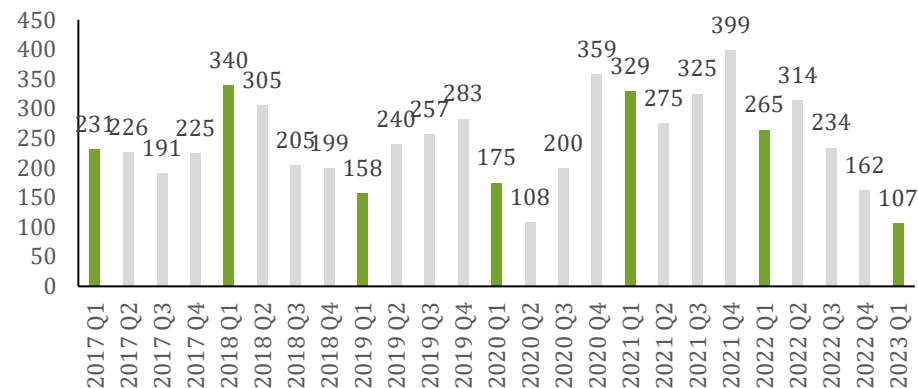
Source: Dealogic

During Q1'23, two “megadeals” (deal value above €10bn) were completed:

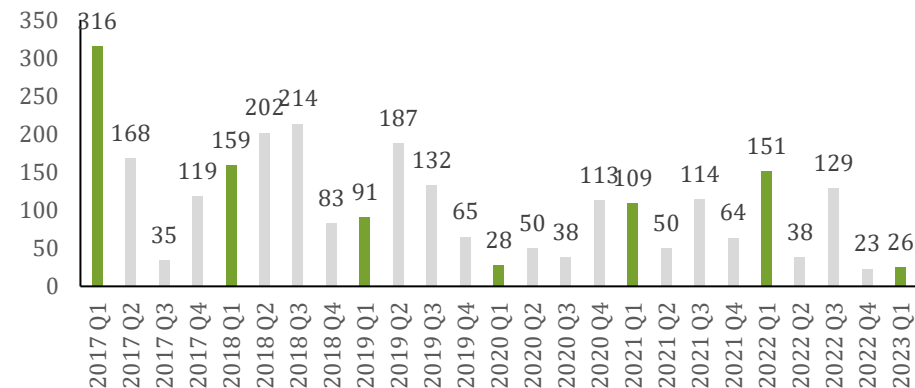
- Acquisition of 25% Porsche AG from Volkswagen by Porsche Automobil SE holding company
- Acquisition of GD Towers, the mobile telecommunications tower business from Deutsche Telekom AG, by DigitalBridge Group Inc and Brookfield Infrastructure Partners LP.

# Lowest announced M&A since 2003

**Announced M&A (EUR bn)**



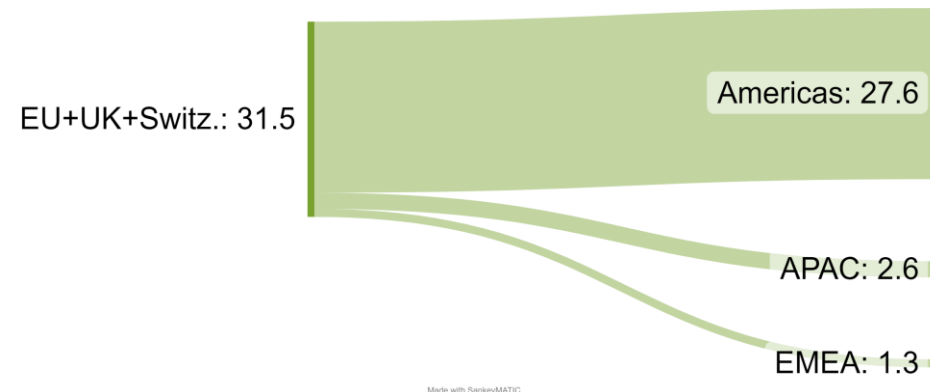
**Withdrawn M&A (EUR bn)**



**Completed inbound M&A by acquiring region  
(EUR bn, 1Q 2023)**

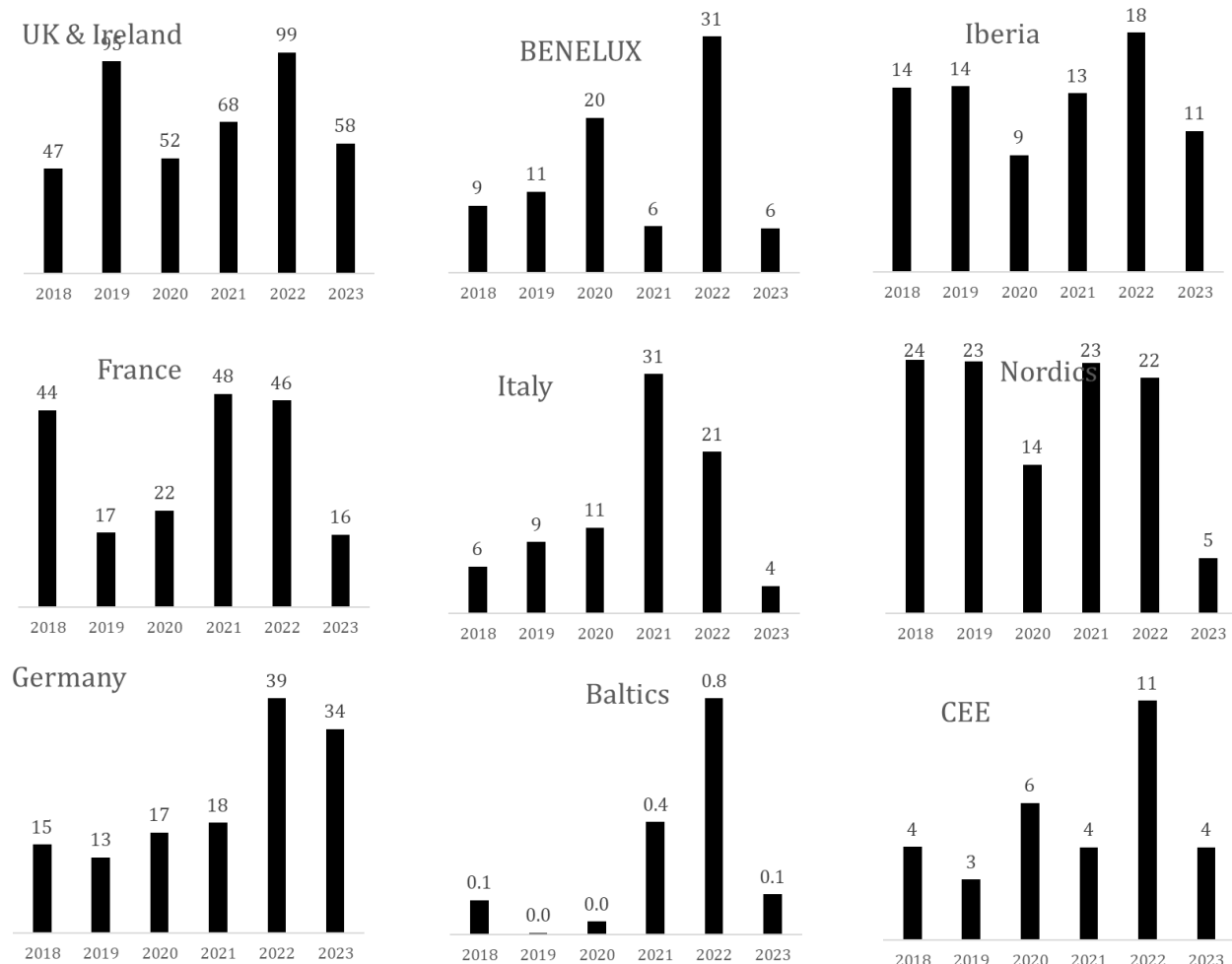


**Completed outbound M&A by target region  
(EUR bn, 1Q 2023)**



Source: Dealogic

Regional M&A trends: completed deal value (Q1, EURbn)



Source: Dealogic

Annual decline in M&A activity across all European subregions.

# European integration: M&A between European firms

## Completed intra-European M&A activity (2023 Q1, EUR bn)

## Target Nationality

Acquirer Nationality

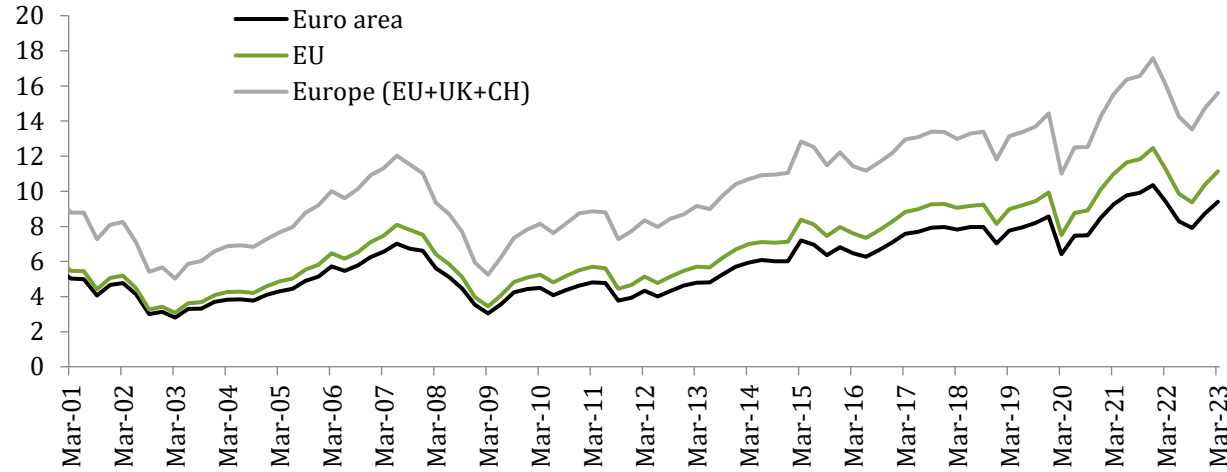
	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CH	UK	TOTAL
Austria	899																							17						915.50
Belgium		2,203												8																2,210.65
Bulgaria			35																											34.88
Croatia				31				11																						42.25
Cyprus					74																									74.33
Czechia	810					4					9									150	307									1,279.67
Denmark							319														36						11	30	1,028	1,424.68
Estonia								6																						6.45
Finland									132											1,065										1,197.04
France		15								28	14,825	1,000			123						27		5					25	4,744	20,790.61
Germany	100									1	450	16,039								500						1,460	933		401	19,884.54
Greece												54																		53.96
Hungary													1,621	36																2,561.02
Ireland														551						5					900					555.99
Italy				180					228	115	1,033			500	3,120											150		5	21	5,351.56
Latvia																28														27.70
Lithuania																	34													33.77
Luxembourg														12															129	140.94
Malta																														-
Netherlands										27	29									568	347						4	240	9	1,224.51
Poland	4																				65									68.90
Portugal																						43								43.00
Romania																							136							135.55
Slovakia																								18						17.58
Slovenia																									8					7.97
Spain													4		13								1				5,384		30	5,432.56
Sweden	11						27		17	2				2				163									584	19	60	884.31
Switzerland										5	9															2,000		1,184	1	3,198.61
United Kingdom					150		1,925			39	3,280	27		369	55											55	299		21,486	27,685.85
<b>Total</b>	<b>1,824</b>	<b>2,218</b>	<b>35</b>	<b>211</b>	<b>224</b>	<b>4</b>	<b>2,272</b>	<b>18</b>	<b>407</b>	<b>15,463</b>	<b>21,400</b>	<b>81</b>	<b>1,625</b>	<b>1,478</b>	<b>3,310</b>	<b>28</b>	<b>34</b>	<b>163</b>	<b>-</b>	<b>2,314</b>	<b>758</b>	<b>49</b>	<b>136</b>	<b>18</b>	<b>924</b>	<b>9,049</b>	<b>1,831</b>	<b>1,502</b>	<b>27,909</b>	<b>95,284</b>

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

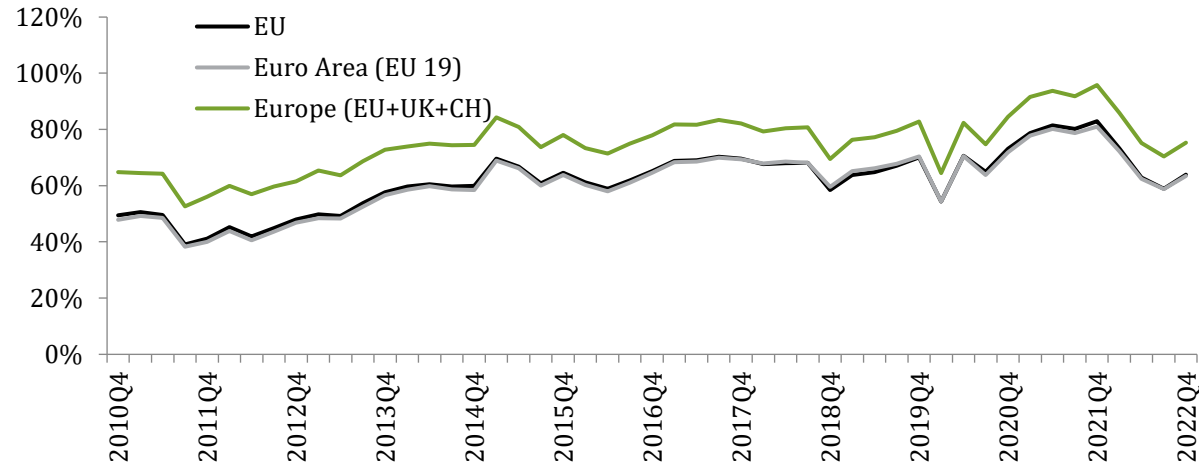
# Secondary markets

# Market capitalisation of domestic listed shares

EUR tn



% GDP



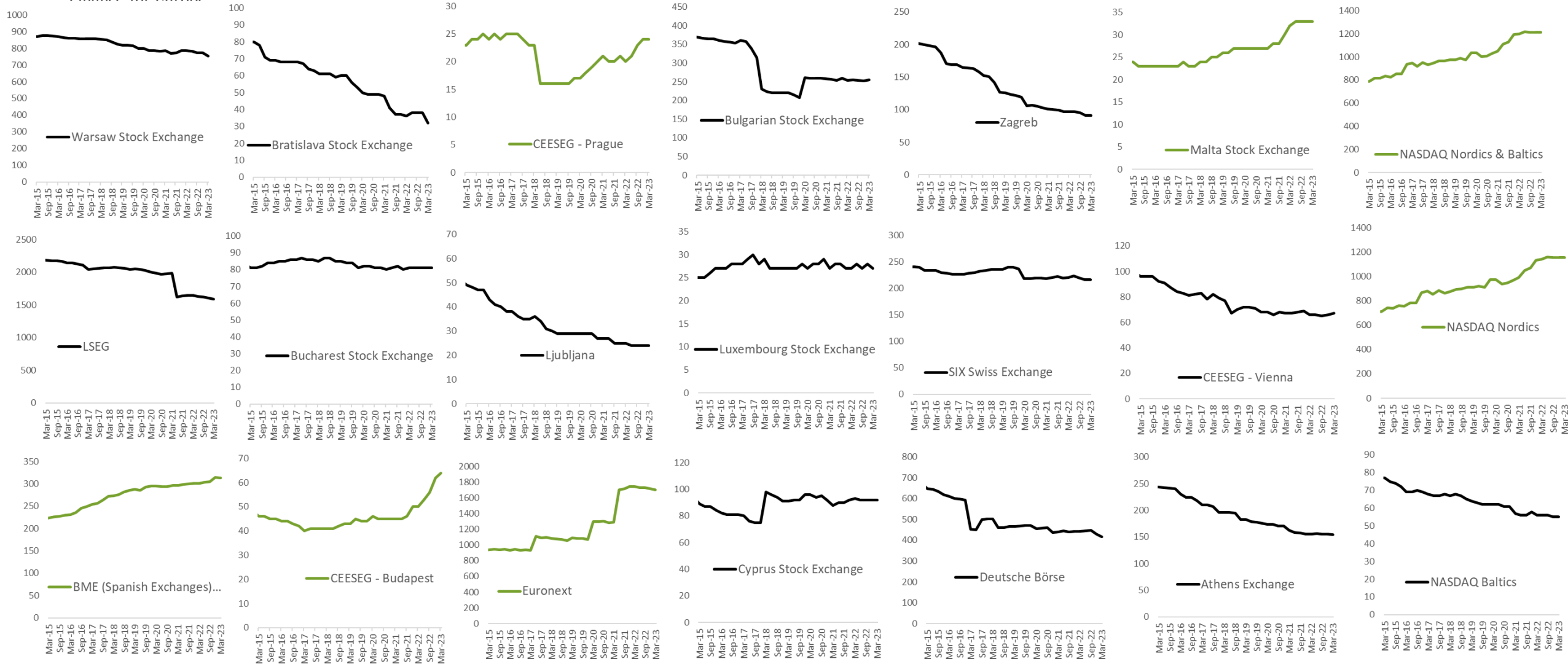
Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, CEESEG, Bucharest SE, WSE. Europe includes EU members states, United Kingdom and Switzerland.

Market capitalisation of European listed shares (EU, UK and Switzerland) rose 6% during the quarter on the back of higher equity valuations, notwithstanding the slowdown in initial offerings and the market turbulence observed at the end of the quarter.

Price-to-earnings ratios for European-listed companies (STOXX600) have increased from 13x in December 2022 to 16x in March 2023, exhibiting a larger increase compared to that of US and Asian companies during the same period.

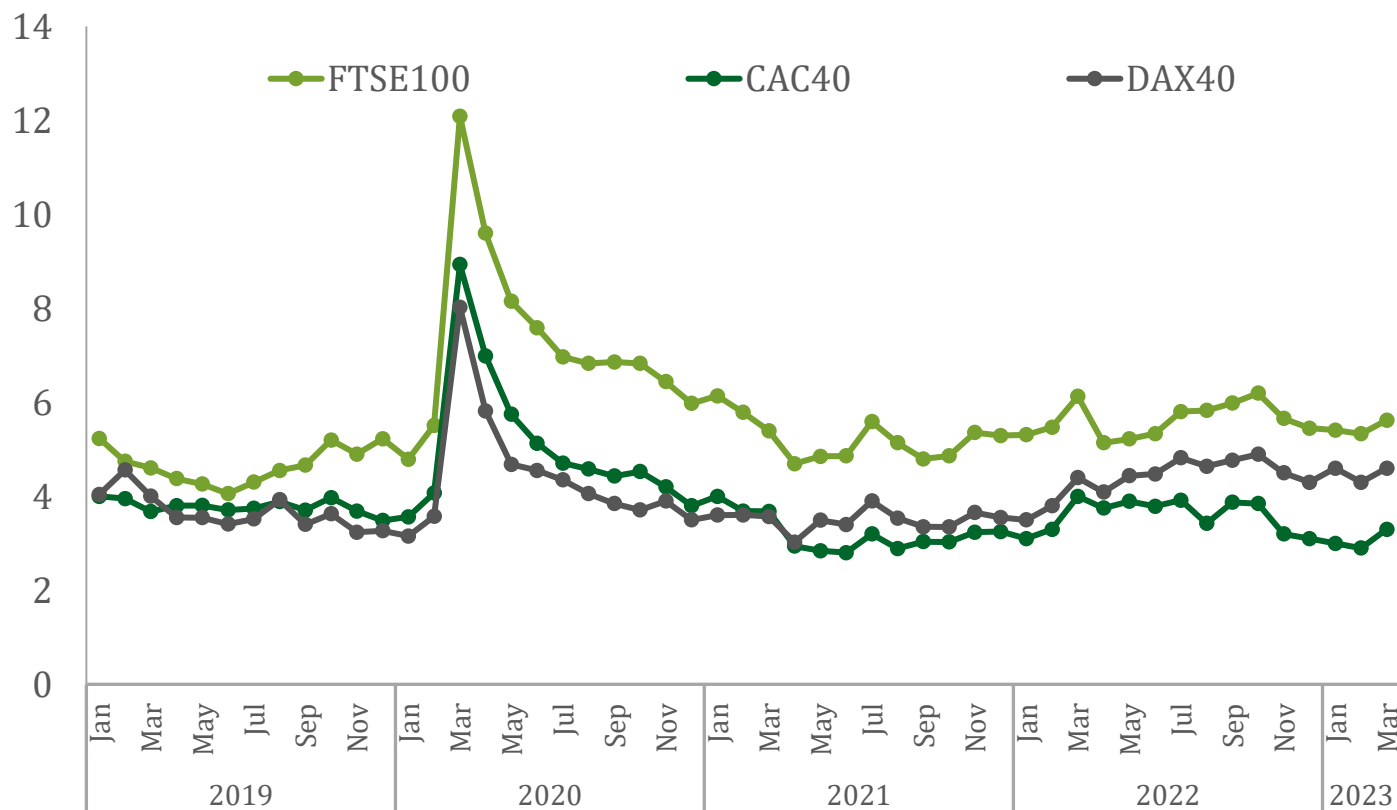
However, European price multiples continue undervalued compared to US with S&P500 constituent shares ending the quarter with a PE ratio of 22.5x but roughly similar as Japanese NIKKEI 225 companies (15x)

# 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)

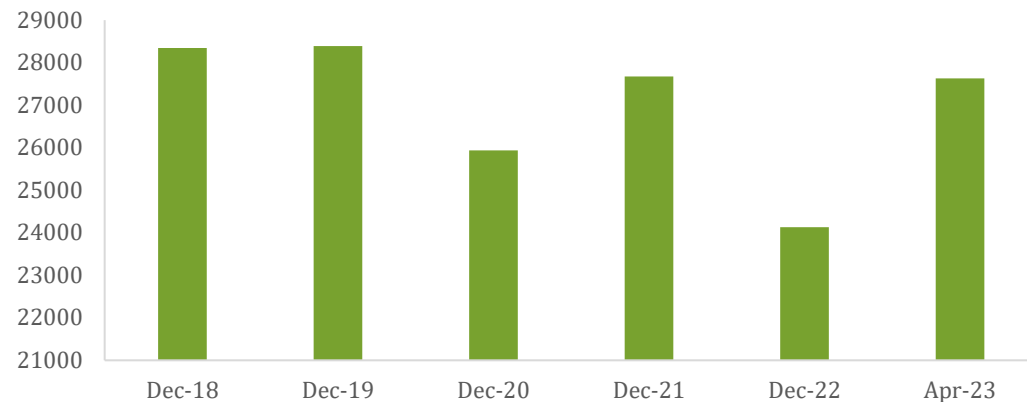


Bid-ask spreads for selected European equity indices marginally widened in the last part of Q1'23 on the back of temporary financial market turbulence in the second half of March 2023.

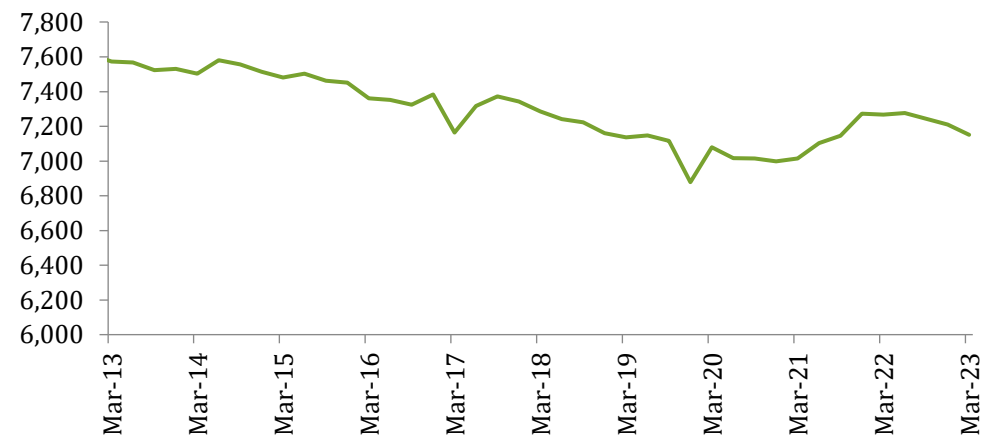


# Number of listed companies resume declining trend

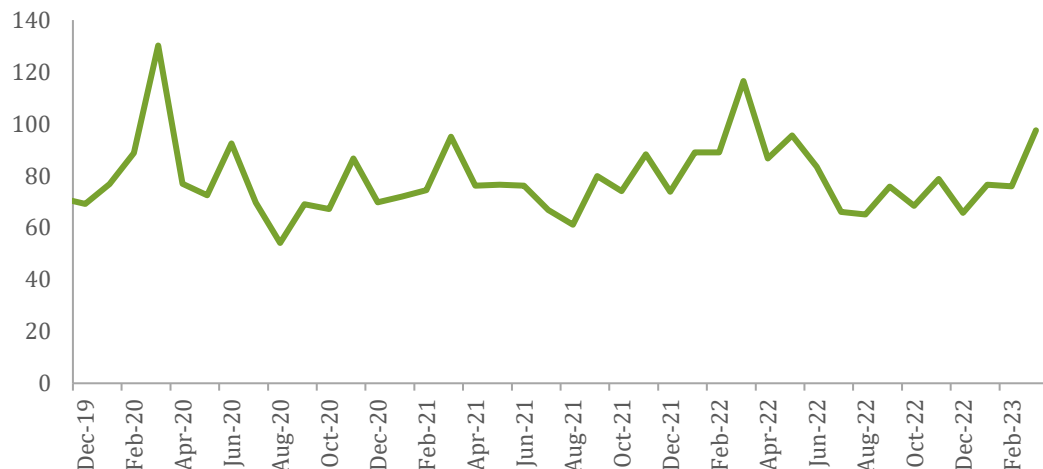
**Number of equity-like instruments (ISINs) registered on ESMA's DVC files**



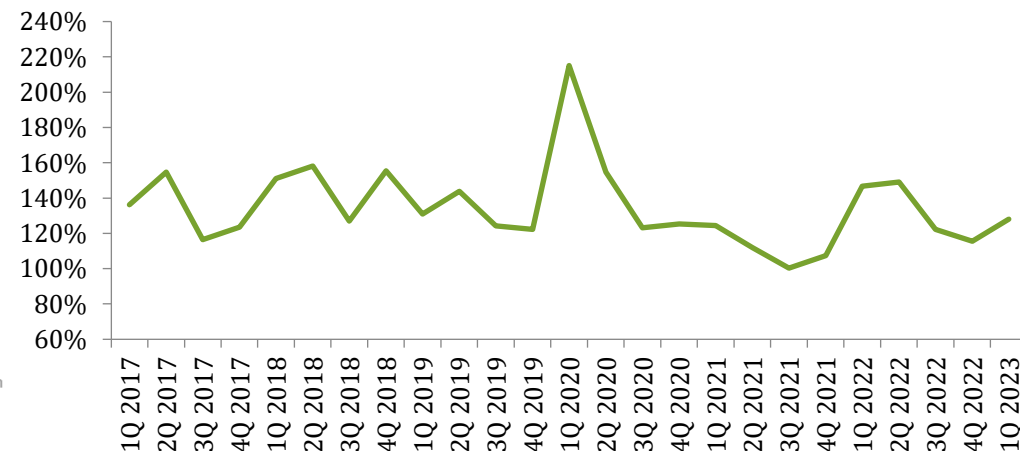
**Number of listed companies on European exchanges\***



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



**Turnover ratio (annualised turnover value/ market cap)\*\***



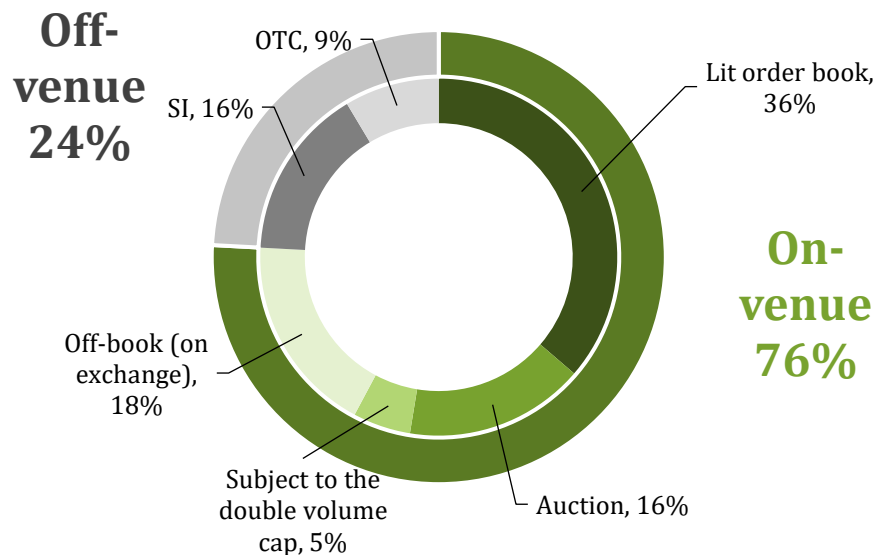
Source: BigXYT, FESE, WFE, ECB and local exchanges. \*Listed companies excludes Vienna's global segment and Spanish SICAVs. \*\*Adjusted for transactions not contributing to price formation

# Equity market structure

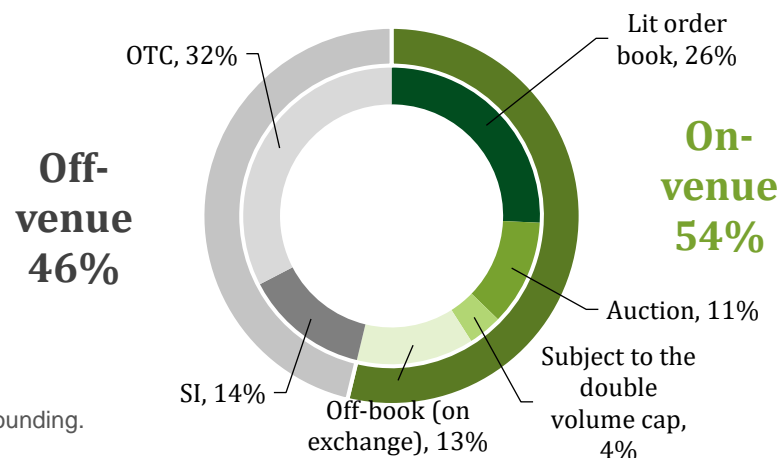
# Equity market liquidity landscape

Share of Pan-European trading volume (EU, UK, Switzerland, Norway) by trading mechanism, Q1 2023

Adjusted for transactions not contributing to price formation



Unadjusted



Source: BigXYT. Percentages may not add up due to rounding.

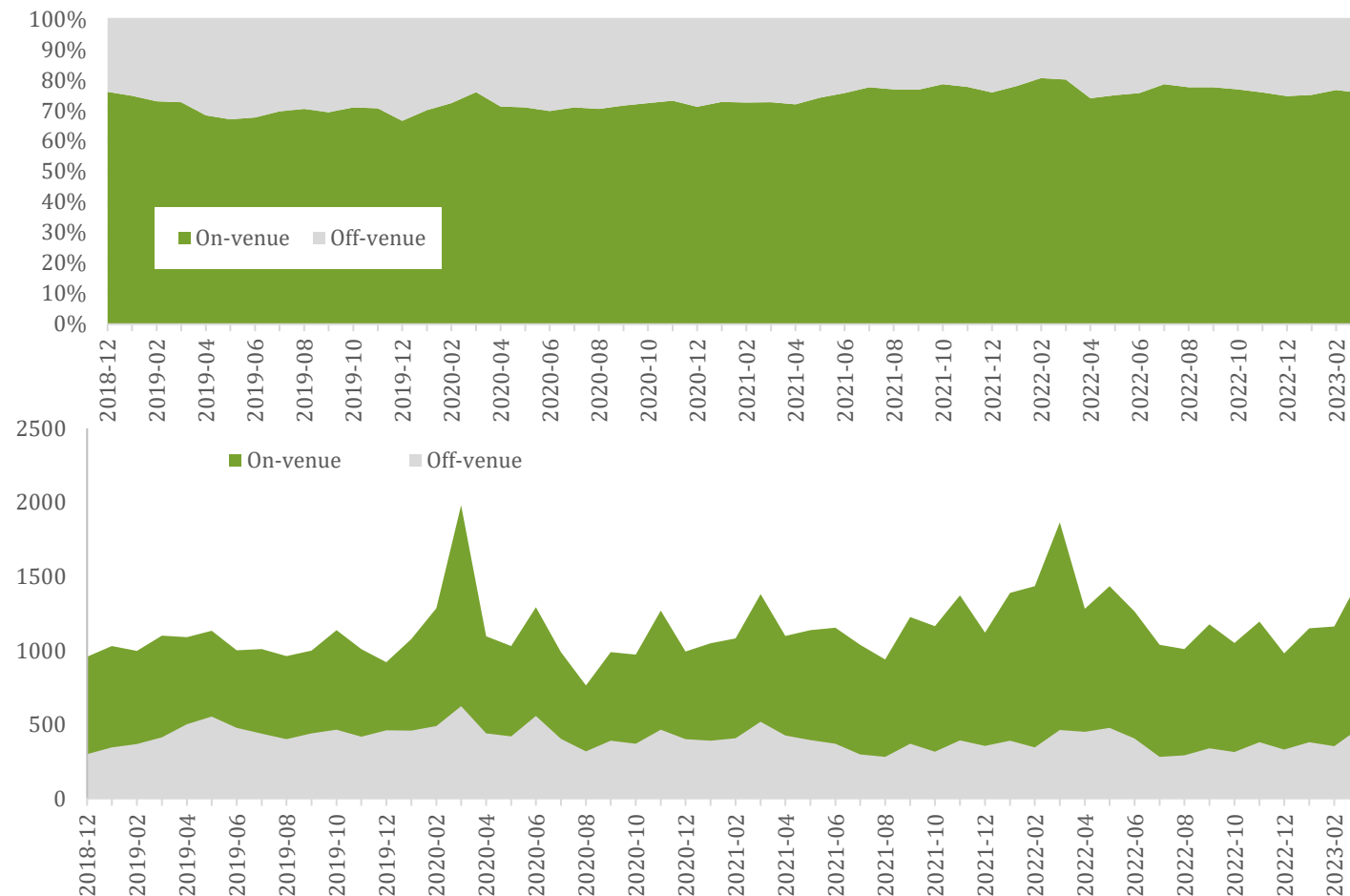
According to BigXYT data, on-venue trading represented 76% of the total addressable liquidity in Q1 2023.

Volume traded off-venues, on systematic internalisers and pure OTC, represent the remaining 24% of the volume of the total addressable liquidity. See top chart.

The bottom chart shows the European liquidity split without distinguishing between what liquidity is addressable and what is non-addressable. That is, without adjusting for trades that do not contribute to price formation.

# Equity market liquidity landscape

Share of Pan-European trading volume (EU, UK, Switzerland, Norway) by trading mechanism, (% and EURbn per month)



The proportion of on-venue trading relative to total addressable remained virtually unchanged over the last few years at c70% of total trading.

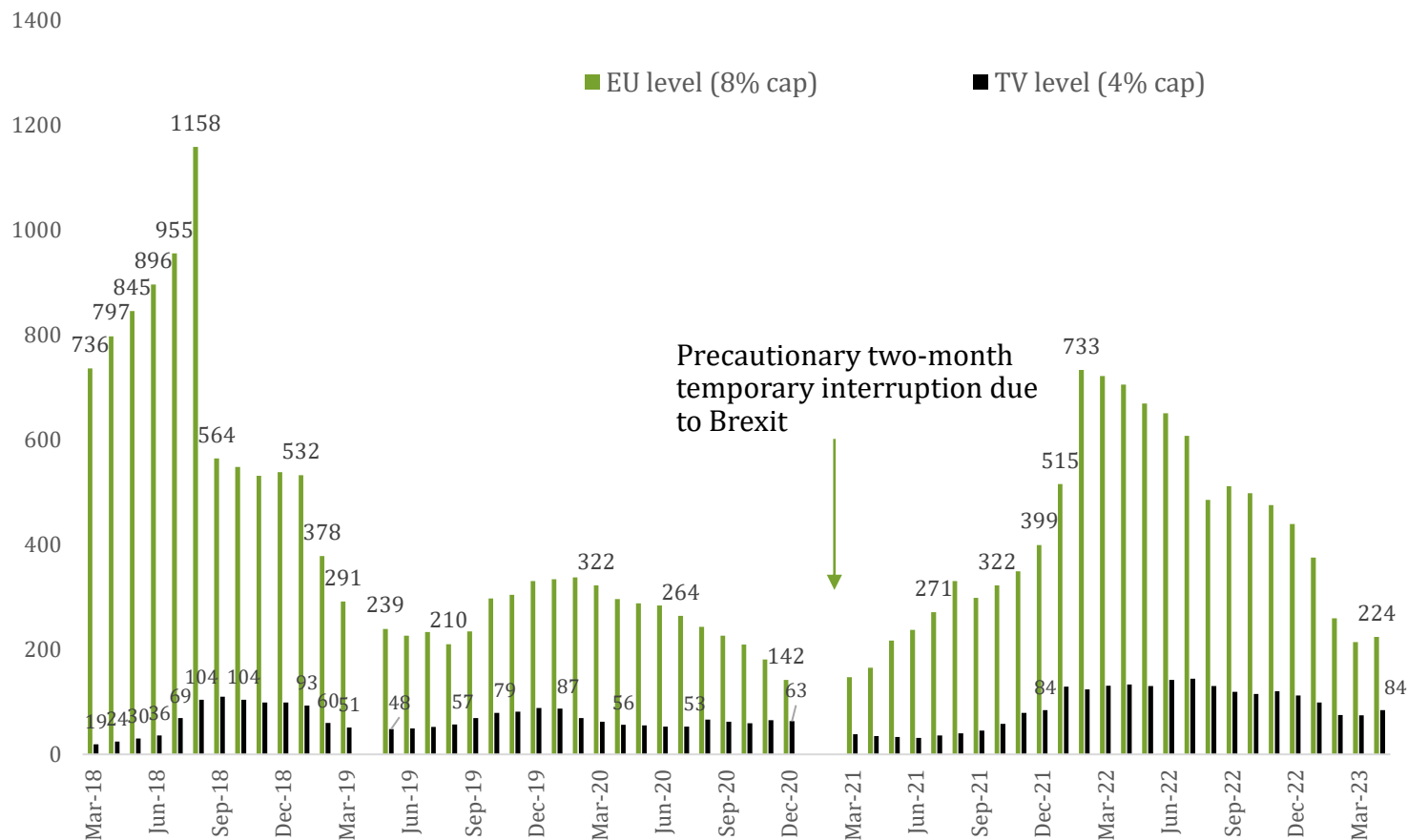
Source: BigXYT. Adjusting for transactions not-contributing to price formation.

On-venue: Lit order book, Auction, trading subject to the double volume cap, and off-book (on-exchange).

Off-venue: OTC and SI

# MiFID double volume cap (DVC)

Number of equity-like instruments suspended from trading subject to the DVC at the EU or trading venue level



Source: ESMA

The Double Volume Cap (DVC) mechanism seeks to limit equity trading under the reference price waiver and the negotiated transaction waiver on EU venues.

ESMA publishes on a monthly basis the list of instruments temporarily suspended under the price disclosure waiver at the EU or trading venue level after surpassing pre-determined trading thresholds.

The number of instruments suspended under the DVC has recently declined to 308 (224 at EU Level and 84 at TV level) with 75 new suspensions identified in April 2023 (46 at EU Level and 29 at TV level). This excludes 2 ISINs whose suspensions are to be revoked.

# afme / MiFID double volume cap (DVC)

Finance for Europe

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

April-23

Country	ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% country universe)
AT		79	5	0	6%
BE		247	4	2	2%
BG		270	0	0	0%
CY		82	1	0	1%
CZ		32	0	0	0%
DE		1042	16	3	2%
DK		682	13	9	3%
EE		42	0	0	0%
ES		339	2	1	1%
FI		227	10	1	5%
FR		1008	24	8	3%
GR		176	0	0	0%
HR		107	0	0	0%
HU		71	0	1	1%
IE		1980	4	3	0%
IT		509	12	0	2%
LT		29	0	0	0%
LU		1170	4	4	1%
LV		16	0	0	0%
MT		46	0	0	0%
NL		258	6	7	5%
PL		776	0	0	0%
PT		54	0	0	0%
RO		368	0	0	0%
SE		1872	36	9	2%
SI		138	0	0	0%
SK		30	0	0	0%
Total EU		11650	137	48	2%
GB		1245	6	7	1%
RoW		15982	81	29	1%
Total		27632	224	84	1%

Source: ESMA

The 308 instruments currently suspended under the DVC at the EU or trading venue level represent 1% of the Universe of equity-like instruments on ESMA's April 2023 DVC files (27,632).

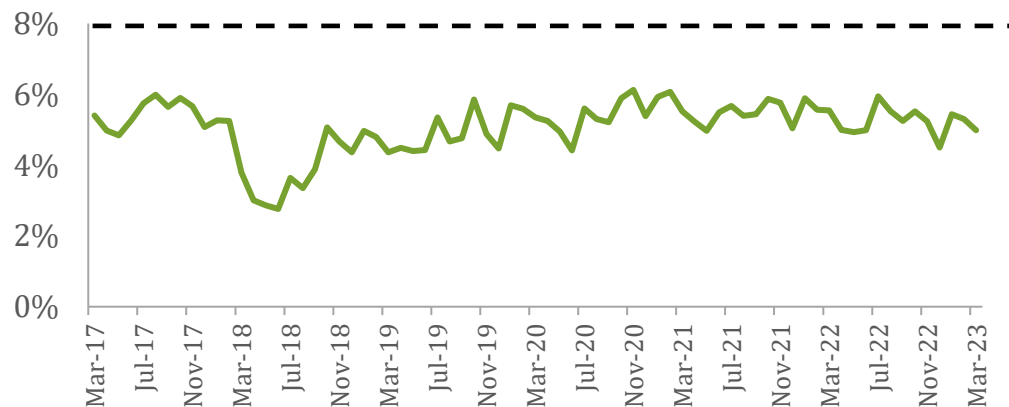
By regions and countries, 185 of the 308 suspended instruments have EU ISINs (or 60% of the total number of suspended instruments). This represents an increase from 126 instruments suspended in December 2022 (23% of the total).

13 of the 308 suspended instruments have UK ISINs (or 4% of the suspended instruments). This also represents the fewest UK ISINs DVC suspended since 2018, which compares with 596 UK instruments suspended in February 2022. The cyclical nature of the DVC mechanism likely explains the sudden decline.

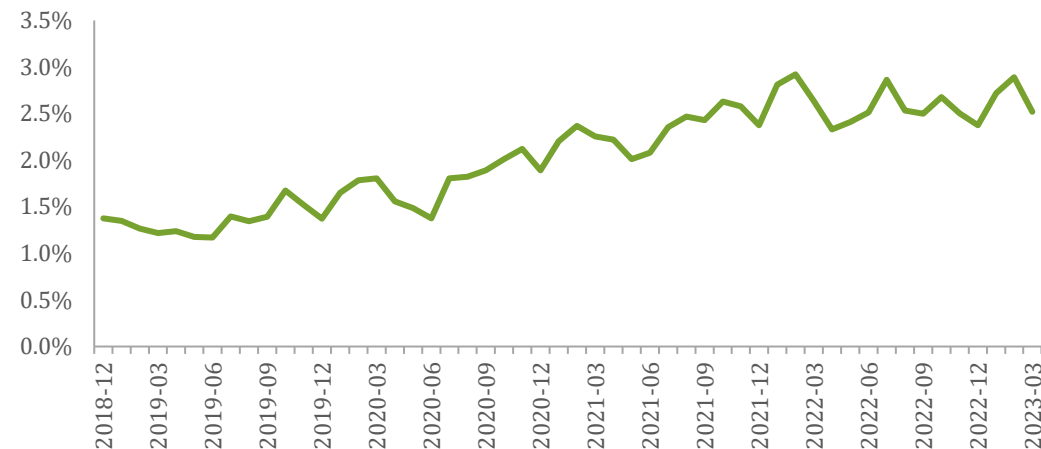
110 of the suspended instruments have non-EU+UK ISINs, or 36% of all suspended instruments at the EU and trading venue level.

# Proportion of trading subject to the double volume cap (DVC) stable and below 8%

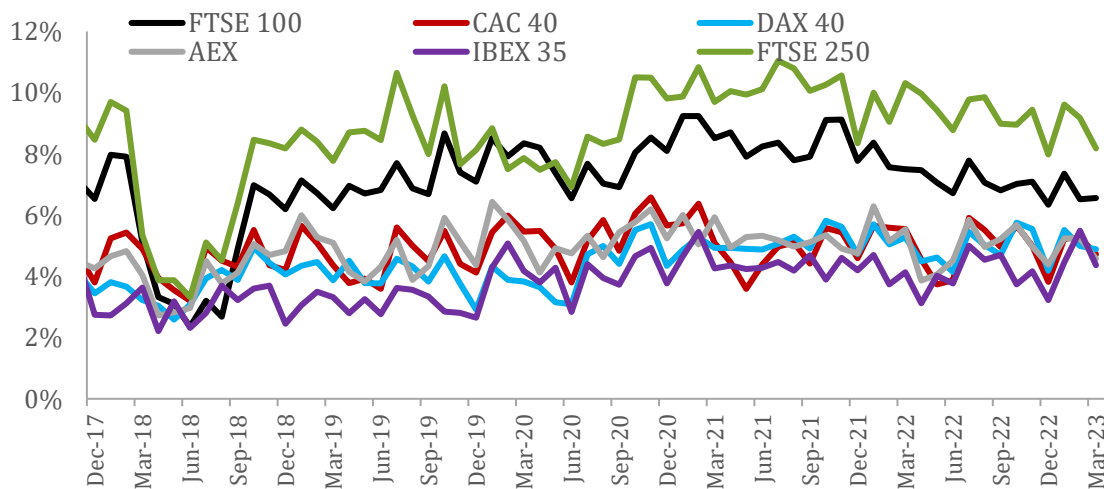
Trading subject to the DVC as % of total turnover\*



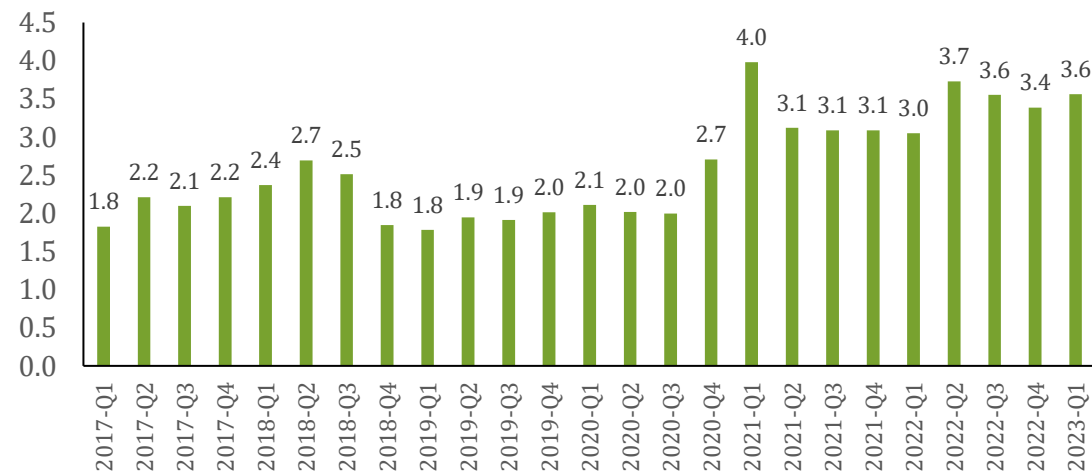
Lit/Auction periodic as % of total monthly trading\*



% of trading subject to the DVC by indices\*



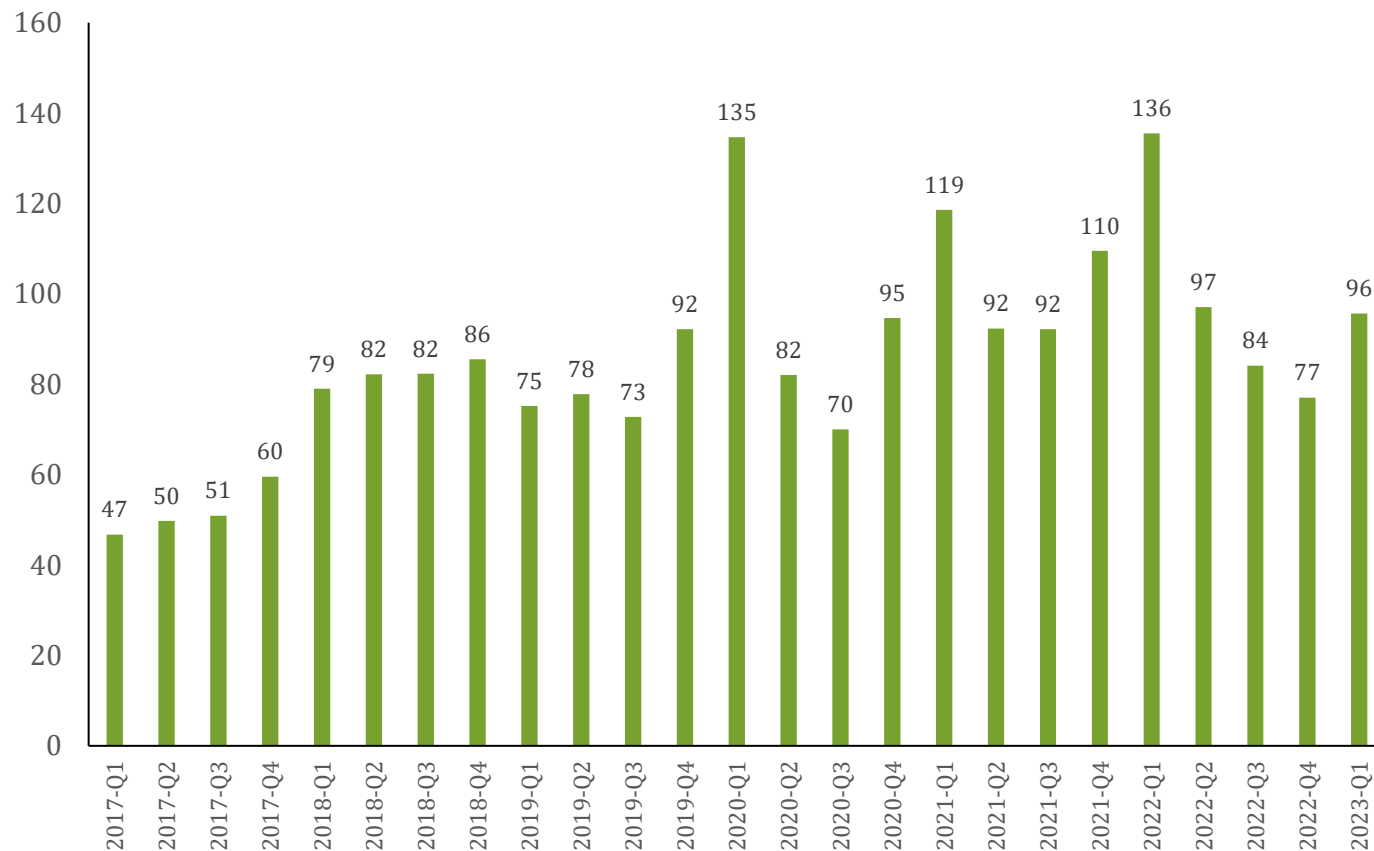
Block trades: Average value per trade (EUR mm)



Source: ESMA and BigXYT

\*Includes EU, UK, NO, and Swiss venues. Adjusted for non-price forming trades

Block trades: value traded  $\geq$  LIS (EURbn)



Source: BigXYT

Equity trading in the form of block trades (traded above the large in scale threshold) stood at €96bn in Q1'23, €19bn above the level observed in Q4'22.

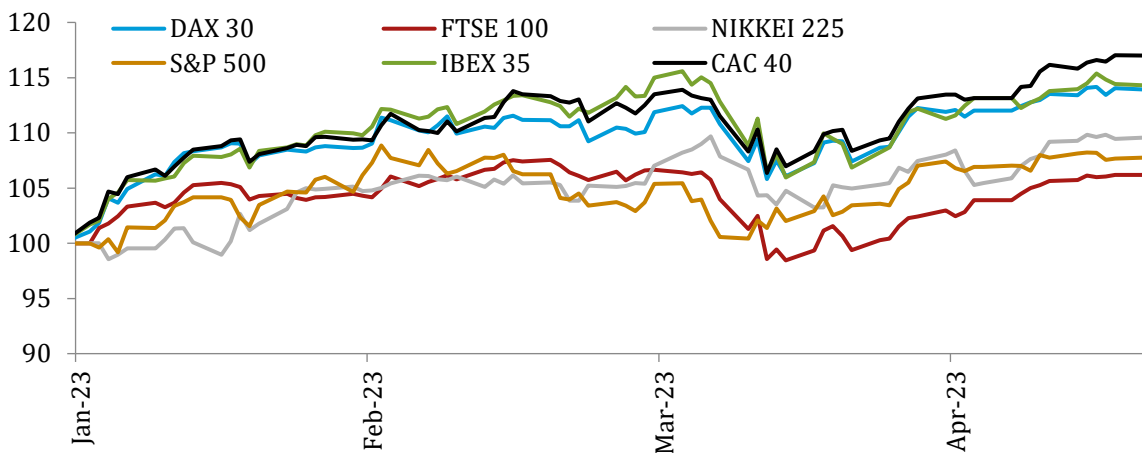
Episodes of high block trading volumes have coincided with rising market volatility levels, which was once again the case in Q1'23.



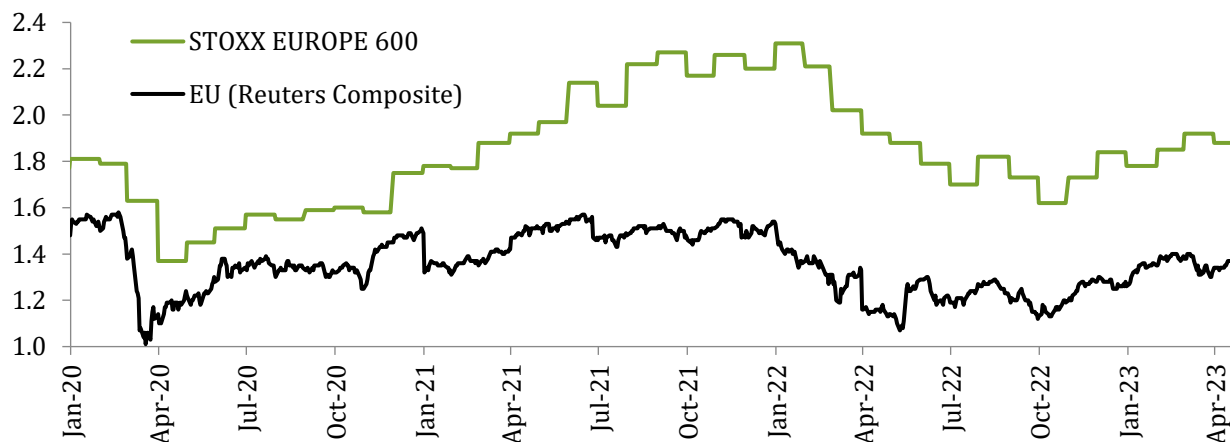
# Valuations

# Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 2022 = 100)



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



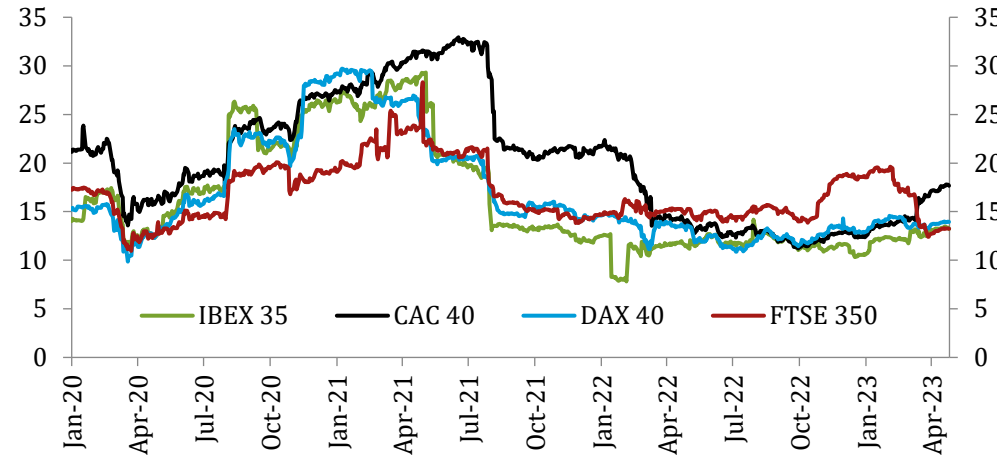
Source: Datastream

European equity prices have increased between 6% (FTSE100) and 16% (CAC40) during the first four months of the year.

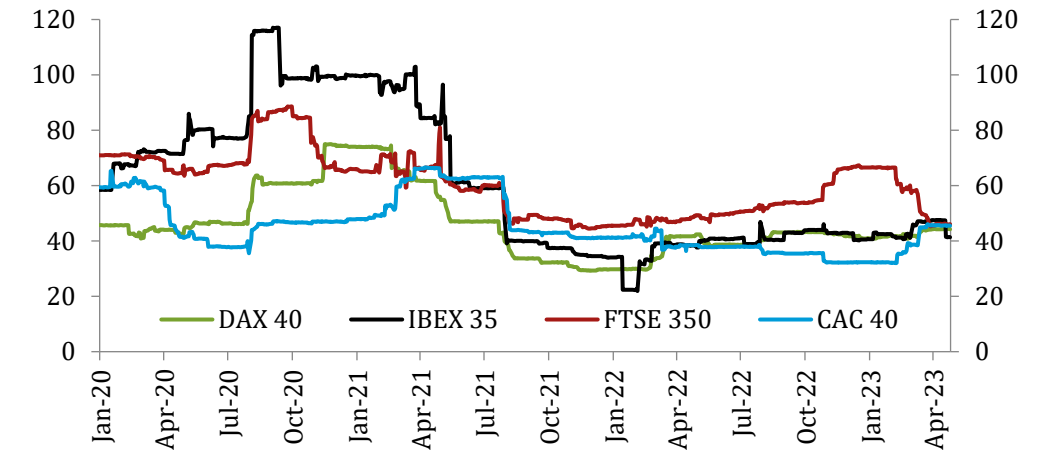
Equity indices have fully reversed the losses observed at the of March 2023 following a short period of financial sector turbulence. As observed on page 35, the turbulence period was brief with market volatility increasing by 13bps but returning to average levels after two weeks.

# Valuation ratios and implied volatility

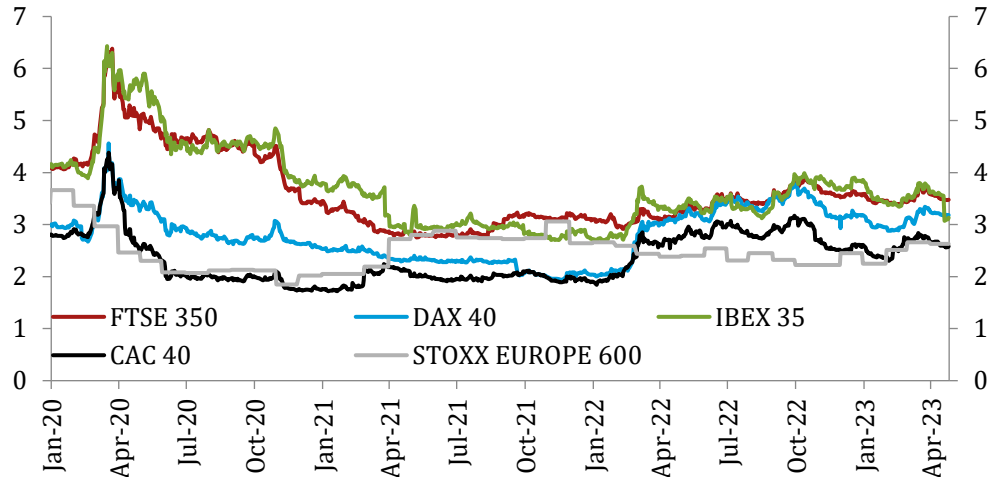
Price-to-earnings (PE) ratio



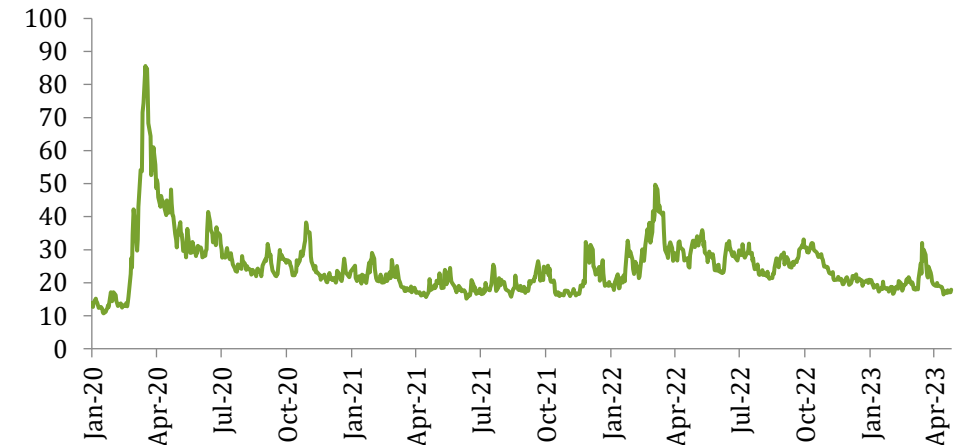
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

	1Q 23	2Q 23	3Q 23	4Q 23	1Q 22	2Q 22	3Q 22	4Q 22	2022	% Change YoY
<b>Equity underwriting (€ bn)</b>	<b>28.4</b>				<b>16.7</b>	<b>26.3</b>	<b>23.1</b>	<b>22.9</b>	<b>89.0</b>	<b>70%</b>
<b>IPOs</b>	1.0				1.9	2.1	9.5	0.7	14.3	<b>-48%</b>
<b>Follow-on offerings</b>	22.7				13.5	23.8	11.6	19.9	68.8	<b>68%</b>
<b>Convertible securities</b>	4.8				1.3	0.4	1.9	2.3	5.9	<b>268%</b>
<b>Mergers and Acquisitions (€ bn): completed</b>	<b>173.5</b>				<b>329.9</b>	<b>287.5</b>	<b>277.4</b>	<b>273.4</b>	<b>1,168.2</b>	<b>-47%</b>
<b>European outbound</b>	31.6				33.4	37.0	53.7	50.2	174.3	<b>-5%</b>
<b>European inbound</b>	46.7				95.3	84.6	70.9	41.2	292.0	<b>-51%</b>
<b>Intra European</b>	95.3				201.2	165.9	152.8	182.0	701.9	<b>-53%</b>
<b>Mergers and Acquisitions (€ bn): announced</b>	<b>106.5</b>				<b>264.5</b>	<b>314.3</b>	<b>234.0</b>	<b>162.0</b>	<b>974.9</b>	<b>-60%</b>
<b>Equity turnover value</b>										
<b>Average Daily (€ bn)</b>	83.3				98.1	88.6	68.9	70.9	<b>81.6</b>	<b>-15%</b>
<b>Market Capitalisation of domestic listed shares (€ tn)</b>										
<b>European (EU, UK and Switzerland)</b>	15.6				16.1	14.3	13.5	14.7	<b>14.7</b>	<b>-3%</b>
<b>EU</b>	11.1				11.3	9.9	9.4	10.4	<b>10.4</b>	<b>-1%</b>
<b>Euro Zone</b>	9.4				9.4	8.3	7.9	8.7	<b>8.7</b>	<b>0%</b>

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

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