

2Q 2022

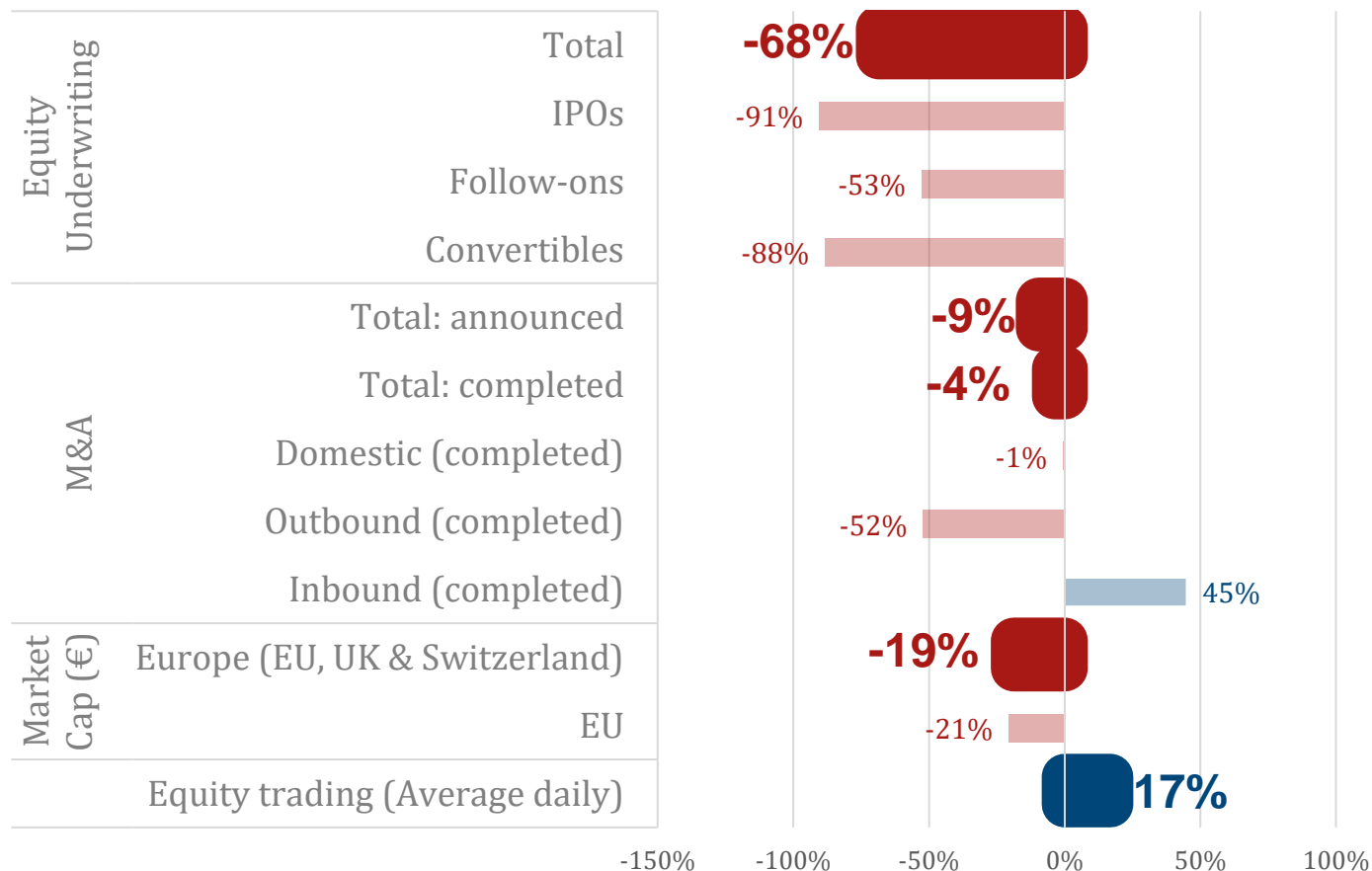
# Equity Primary Markets and Trading Report

European market data  
update



## H1 2022 YoY variation of European Equity activity

EU member countries, UK and Switzerland



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

## Lowest H1 equity capital raising on records

**Equity underwriting** on European exchanges declined 68% in H1'22 compared to the first half of 2021. This represented the lowest H1 amount on records (since our records began in 2000).

All forms of equity capital raising declined during the first half of the year. IPO activity has continued exceptionally weak, in Europe and globally, with a 91% YoY decline on European exchanges (about the same percentage decline on US exchanges).

SPAC IPOs reached €1.4bn in H1'22, representing 36% of total IPO volume (11% in 2021, 3% in 2020).

**Completed Mergers and Acquisitions (M&A)** exhibited a decline when measured as announced value (-9% YoY) and when measured as completed value (-4% YoY). Inbound M&A has been the exception to a weak year for European M&A with an annual increase of 45%.

De-SPACS represented 3% of the total M&A value announced during H1'22, below the proportion observed during 2021FY (5%).

**Average daily equity trading on European main markets and MTFs** stood at €96.7bn in Q2'22 and accumulates a 17% increase compared to the first half of 2021.

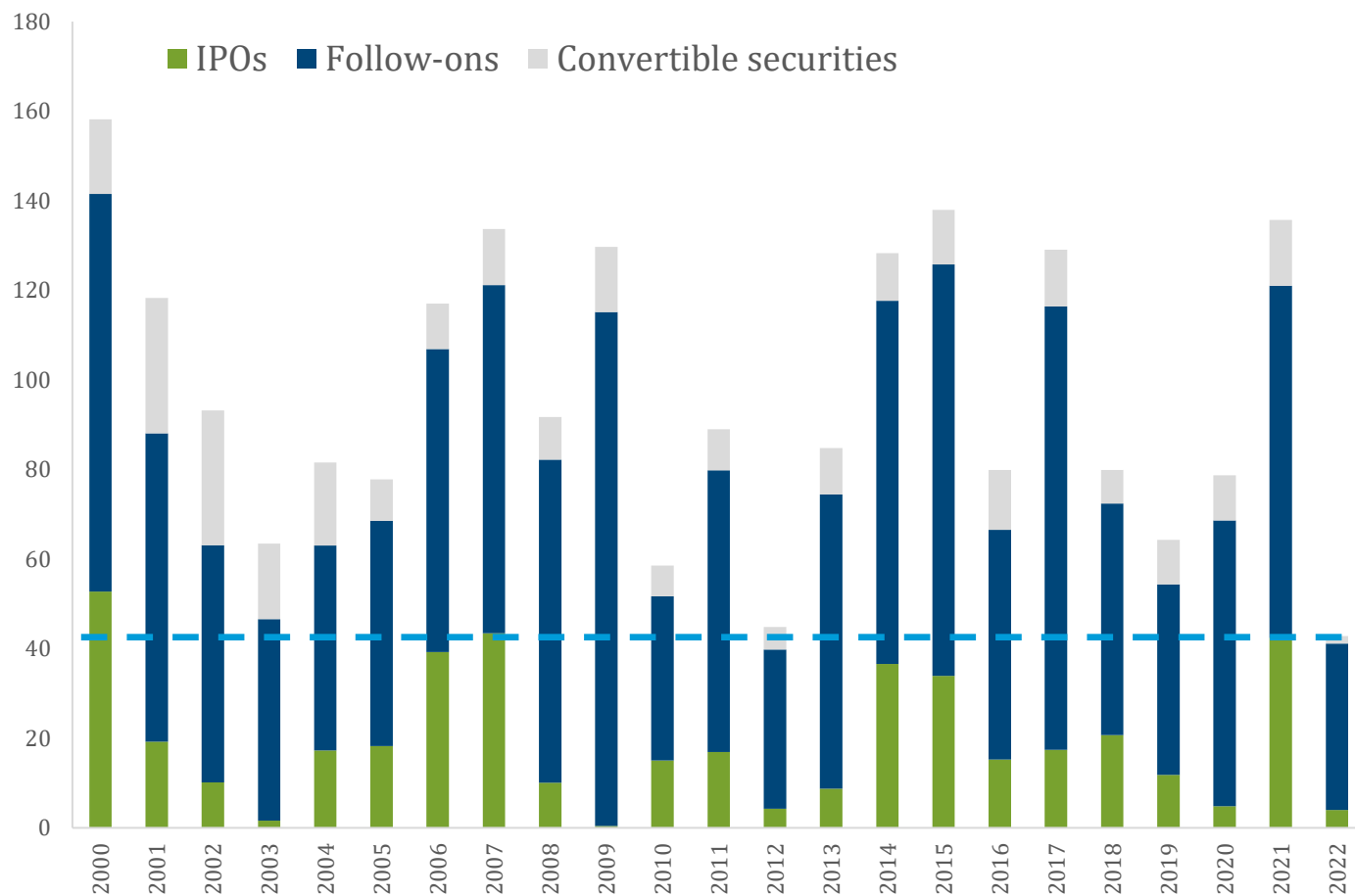
**Domestic market capitalisation of European listed shares** stood at €14.3tn at the end of June 2022, a 19% decrease from €17.6 at the end of 2021.

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# Equity issuance

# Sharp decline in equity capital raising

Equity Issuance on European exchanges (H1, EUR bn)



Source: Dealogic

Equity capital raising on European exchanges totalled €43bn in H1'22, the lowest H1 amount on records (since our records began in 2000).

IPOs accumulated €4bn in deal value in H1'22, the lowest H1 amount since 2009.

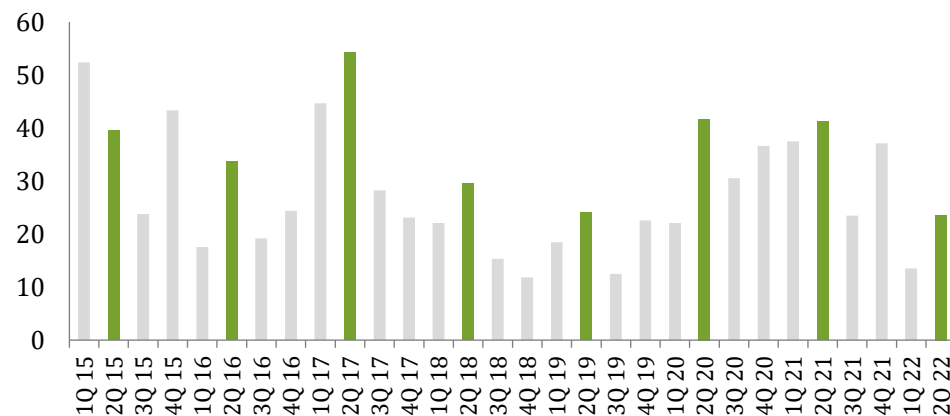
The decline in equity capital raising represents a significant shift from the robust issuance observed during 2021.

Various concurring factors may have contributed to the sharp decline in equity capital raising: ongoing geopolitical tensions in Eastern Europe, surging inflation and monetary policy tightening, supply chain issues, and wider volatility and asset repricing which has translated into higher cost of equity for companies.

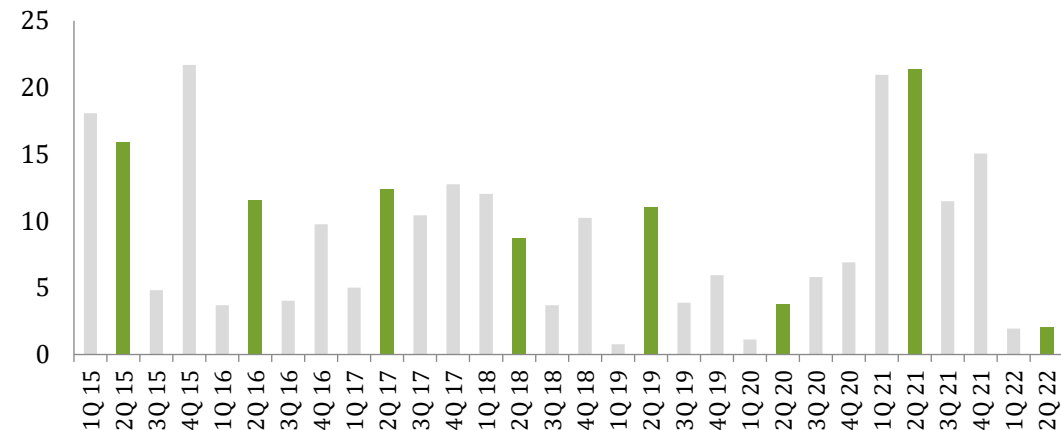
# afme/ Sharp decline in IPOs

Finance for Europe

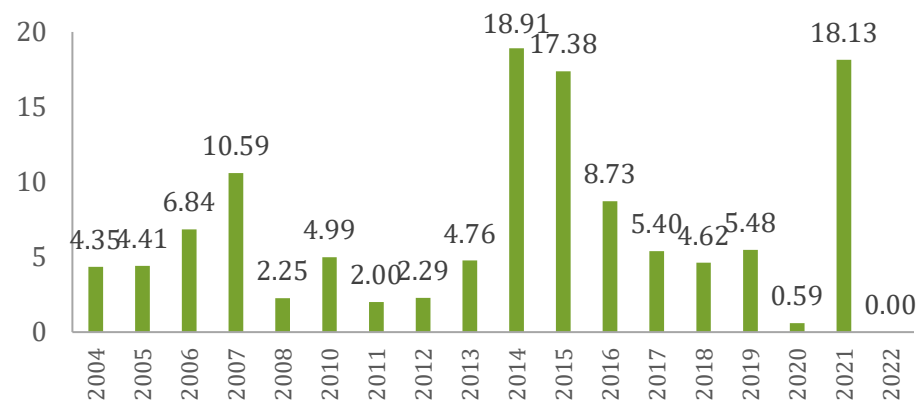
Follow-on offerings (EUR bn)



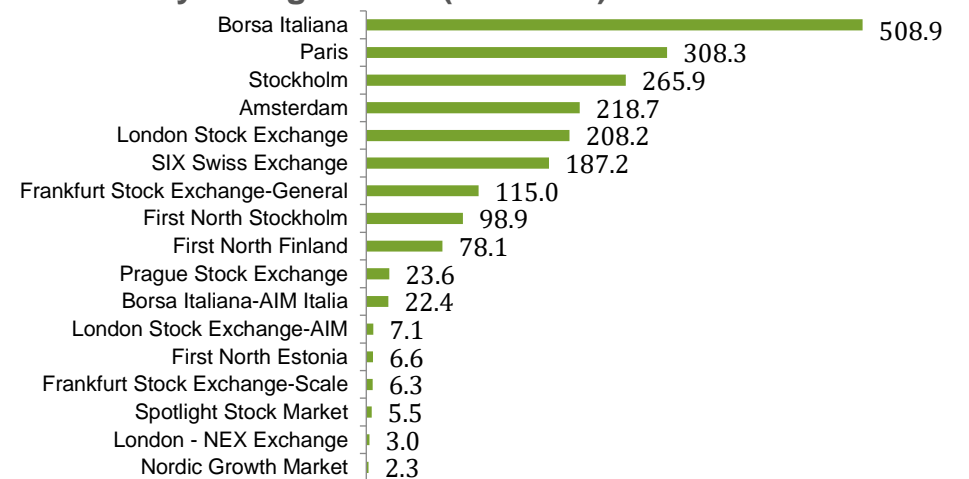
IPO proceeds (EUR bn)



PE-backed IPO proceeds: (H1, EUR bn)



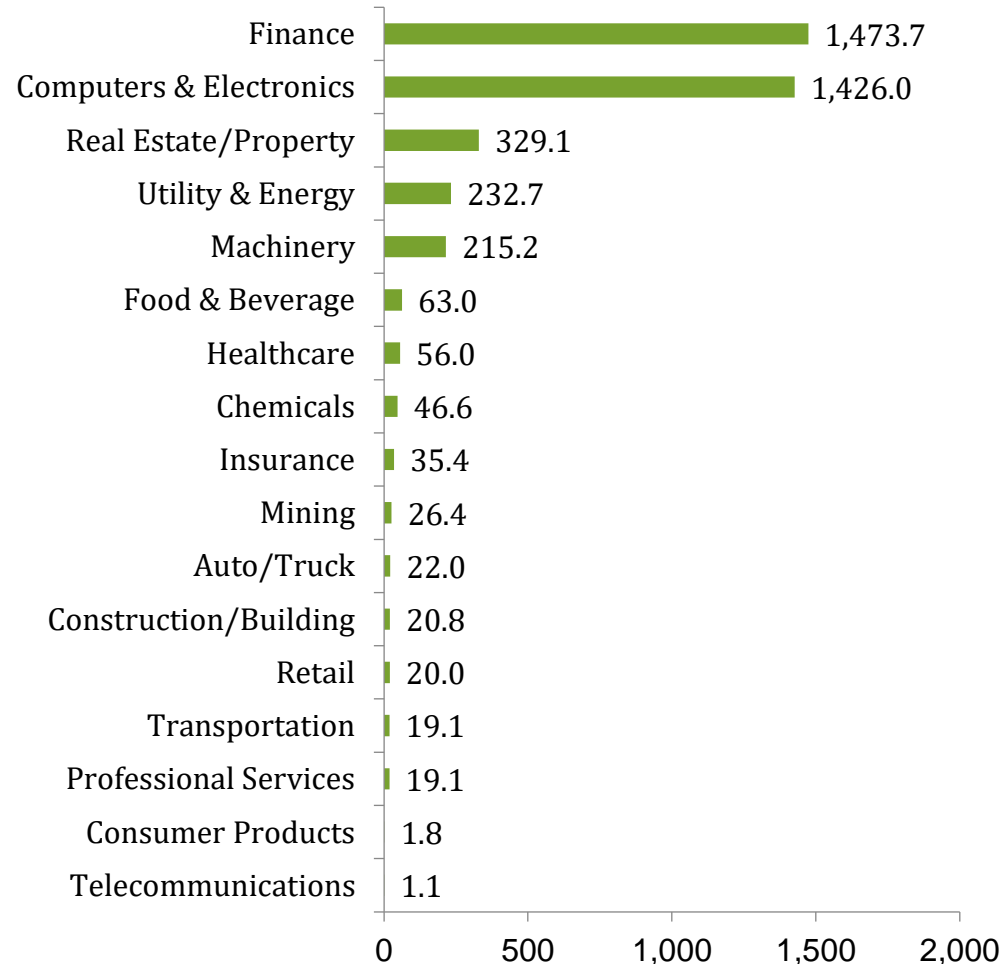
IPO proceeds by listing market (EUR mm): 2Q'22



Source: Dealogic

# Technology and Finance (predominantly SPACs) lead by IPO proceeds

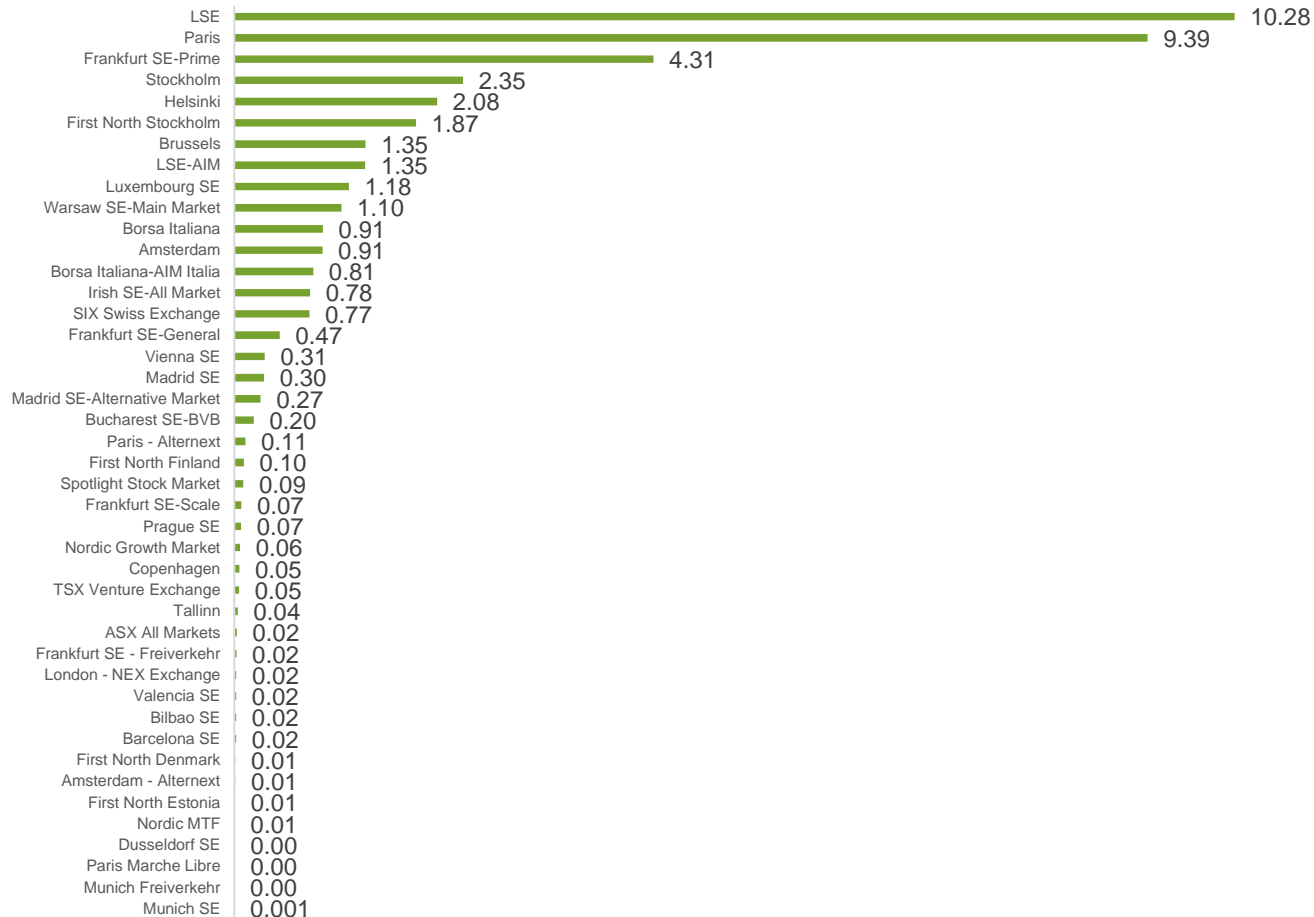
IPO proceeds by industry (EUR mm): H1 2022



Dealogic. Finance includes SPVs and SPACs

# LSE Main market leads in equity issuance

Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): H1'22

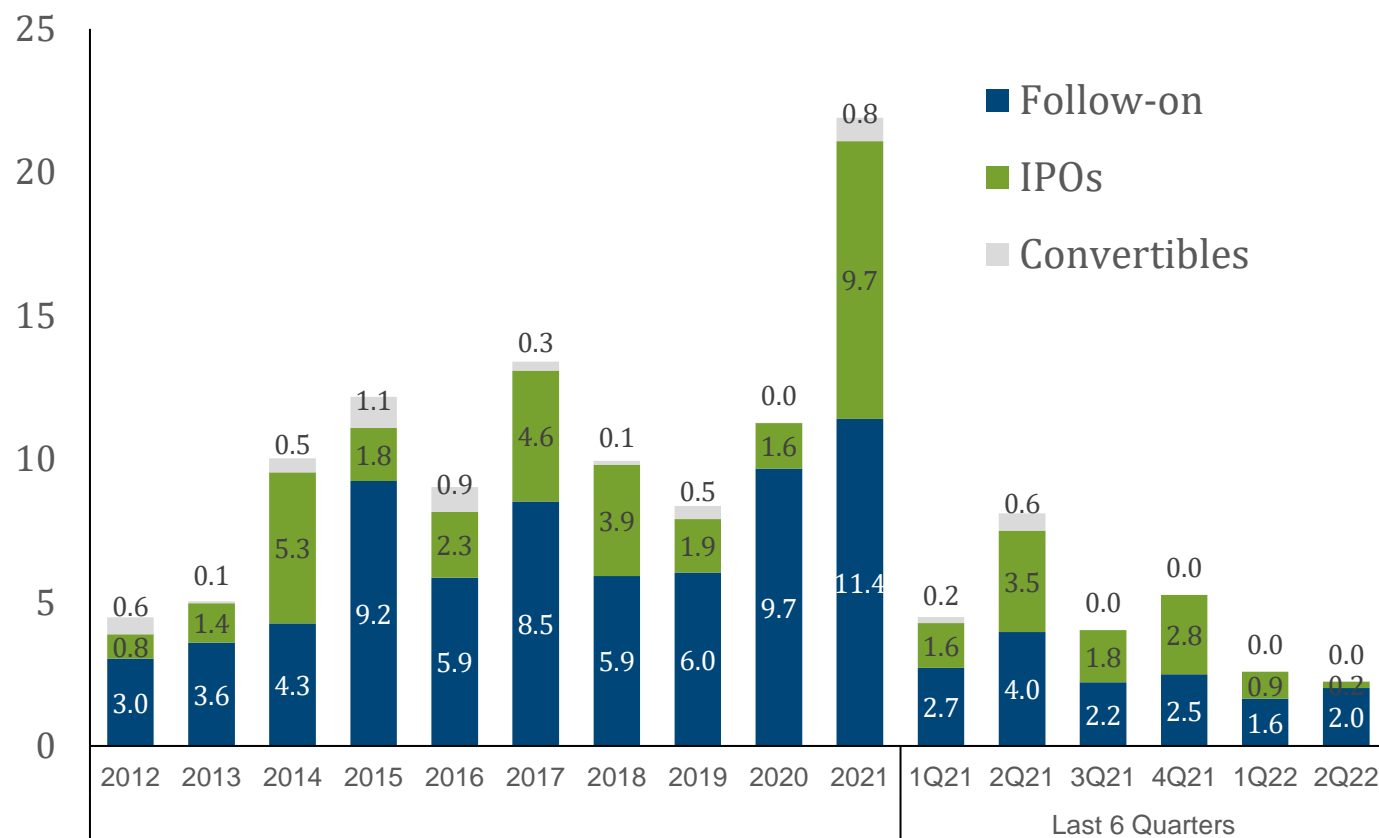


The LSE Main Market led by total equity underwriting accumulating a total of €10.3bn during the first half of the year, followed by Euronext Paris (€9.4bn) and Frankfurt Prime (€4.3bn).



# Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



Source: Dealogic

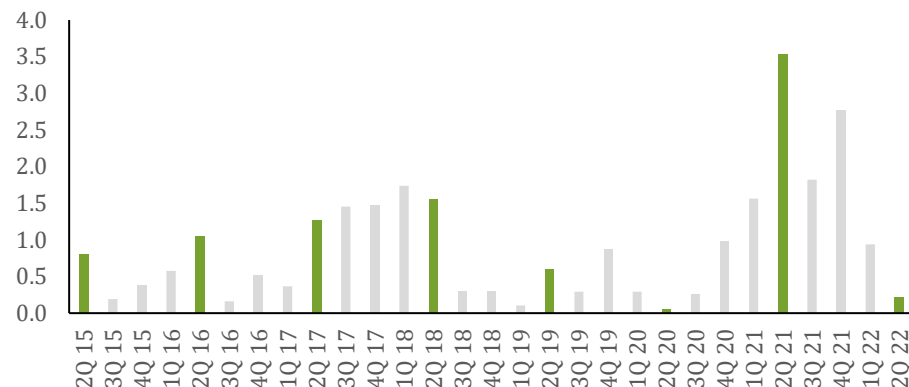
Equity issuance on Jr exchanges accumulated a total of €4.8bn in total equity capital raised during H1'22, continuing the downward trend observed since 2Q'21.

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

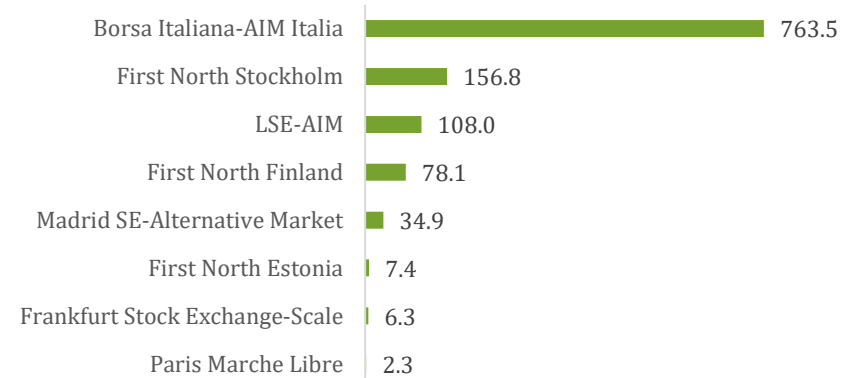
All forms of equity capital raising (IPOs, follow-ons, and convertibles) declined during the first half of the year compared to the value originated during H1'21.

# Tech companies lead IPO issuance on Jr markets

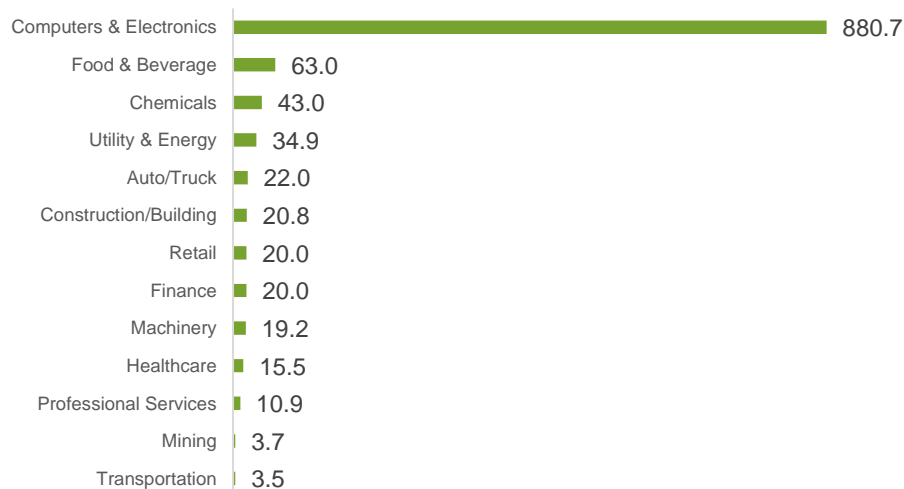
IPO proceeds on European Jr markets (EUR bn)



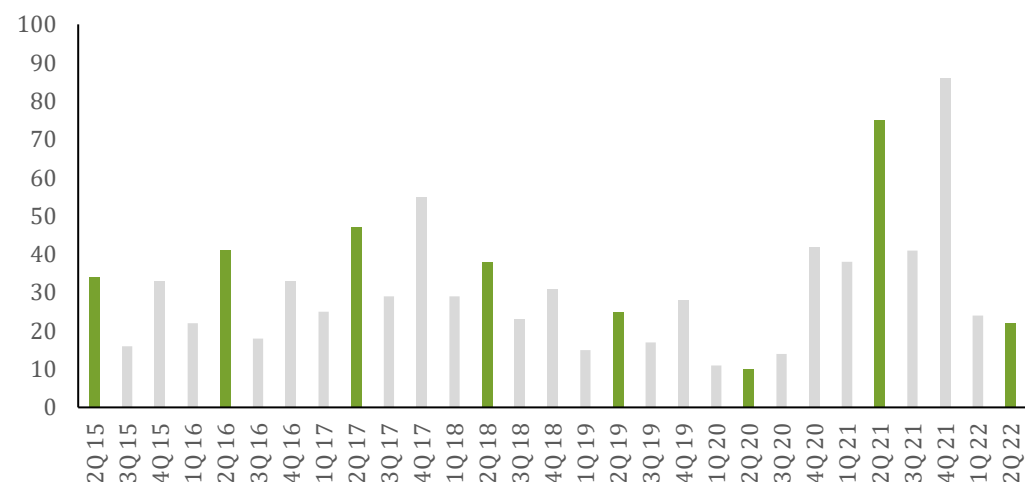
IPO proceeds on Jr markets by exchange (EUR mm, H1'22)



IPO proceeds on Jr markets by industry (EUR mm, H1'22)



Number of IPOs on European Jr markets



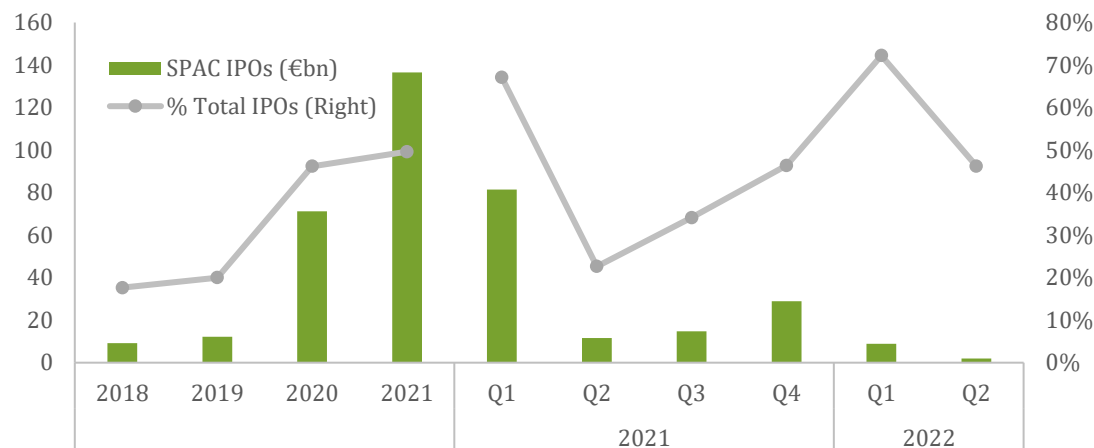
Source: Dealogic

\*Finance includes SPVs and SPACs

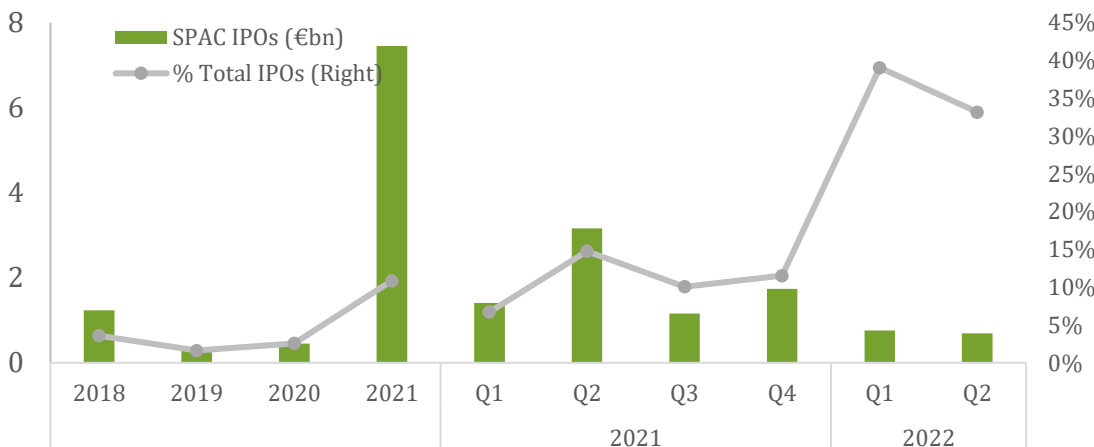
# European SPACs: market update

# 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.

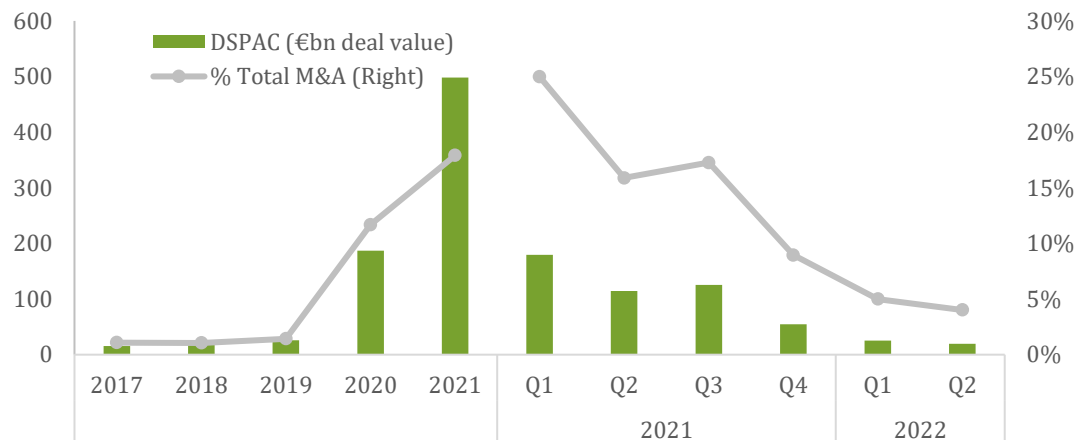
SPAC IPOs significantly declined in volume during 2022, both in Europe and the US.

In Europe, SPAC IPOs represented 33% of European IPOs by value in Q2’22, although this is relative to a smaller base of newly originated IPOs.

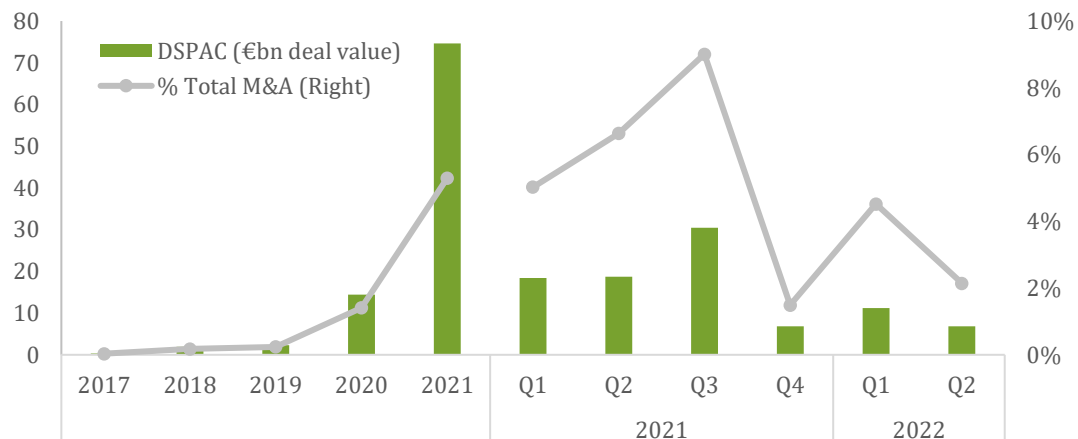
In the US, SPAC IPOs represented 46% of the total during Q2’22 on 15 deals (vs. 55 deals in Q1’22 and 163 in Q4’21).

## 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.

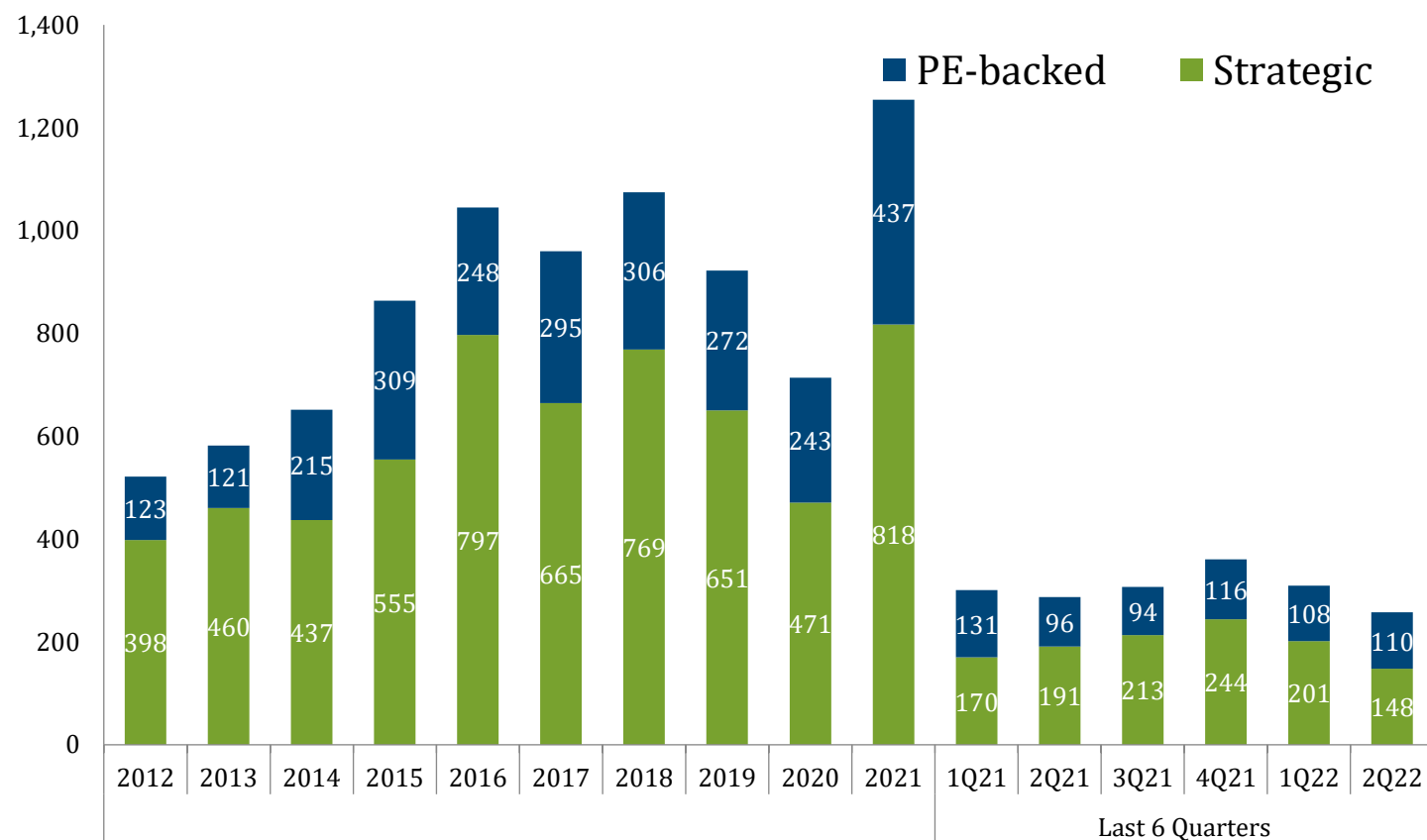
In the United States, De-SPACS have steadily decelerated over the last 4 quarters representing in Q2'22 4% of total US M&A (from 18% in 2021FY).

In Europe, De-SPACS represented 2% of the total M&A value announced during Q2'22 and 3% in H1'22, below the proportion observed during 2021FY (5%).

# Mergers and Acquisitions (M&A)

# M&A continues to decelerate during the quarter

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



Source: Dealogic

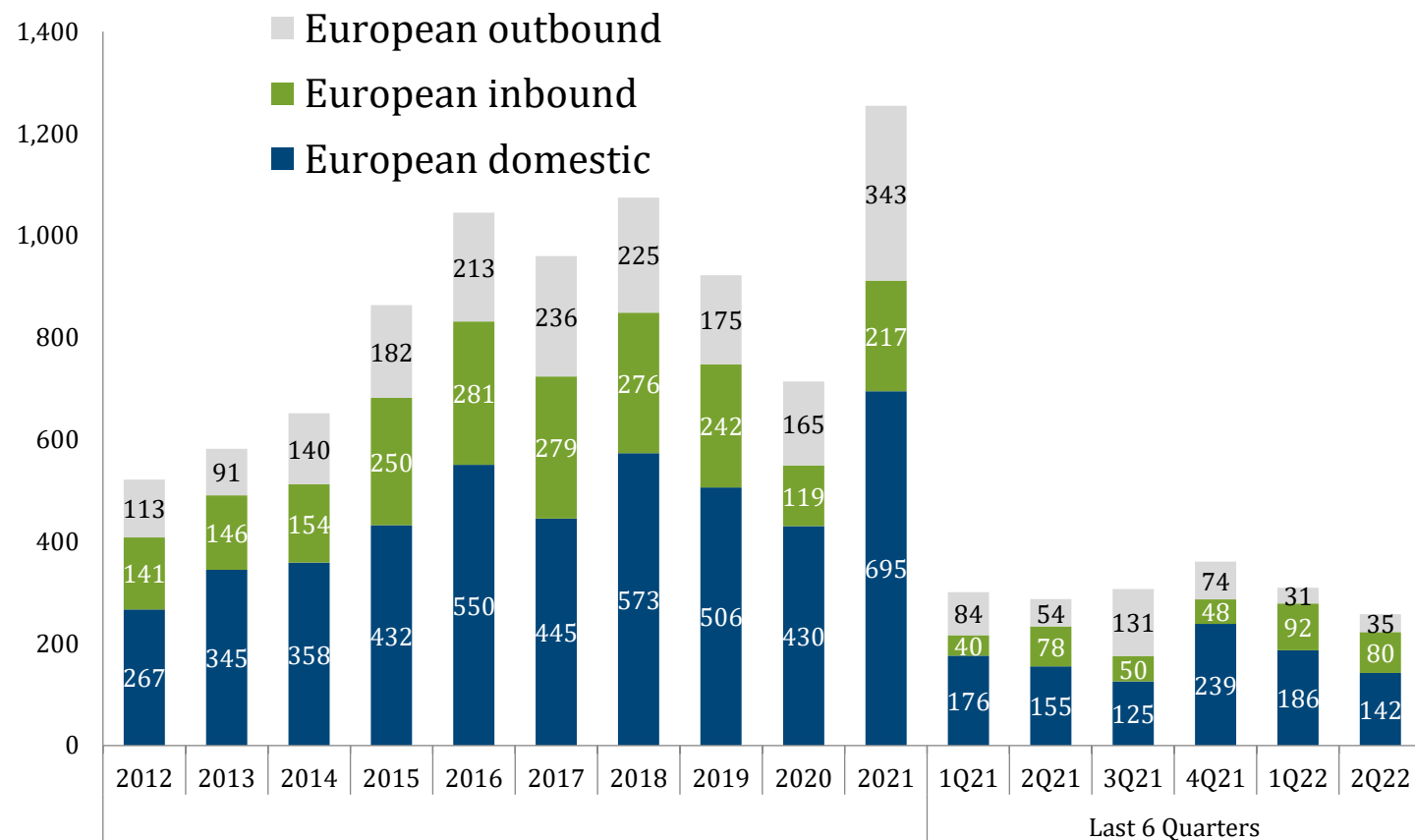
European\* M&A activity continued to decline in Q2'22, predominantly driven by fewer strategic deals.

Strategic deals continue to represent the largest portion of total M&A activity (57%), although at a lower proportion than that observed in Q1'22 and in 2021FY (both at 65% of the total).

\*EU27, UK and Switzerland

# M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

European companies exhibited a significant decline in foreign acquisitions (“outbound deals”) with a total of €35bn in deal value in Q2’22.

Acquisition of European firms by companies headquartered in the Americas represented 73% of the H1’22 inbound deal value. See page 18 for further details.

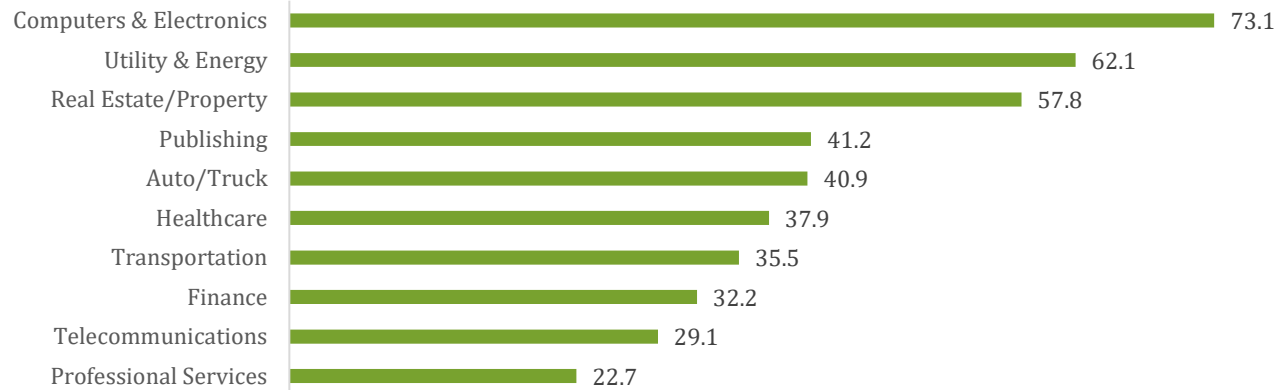
Inbound deals have continued resilient, with an annual increase of 45% in H1’22.

Domestic deals (i.e., M&A between European companies) represented the largest portion of total completed M&A in Q2’22 with €142bn in deal value.

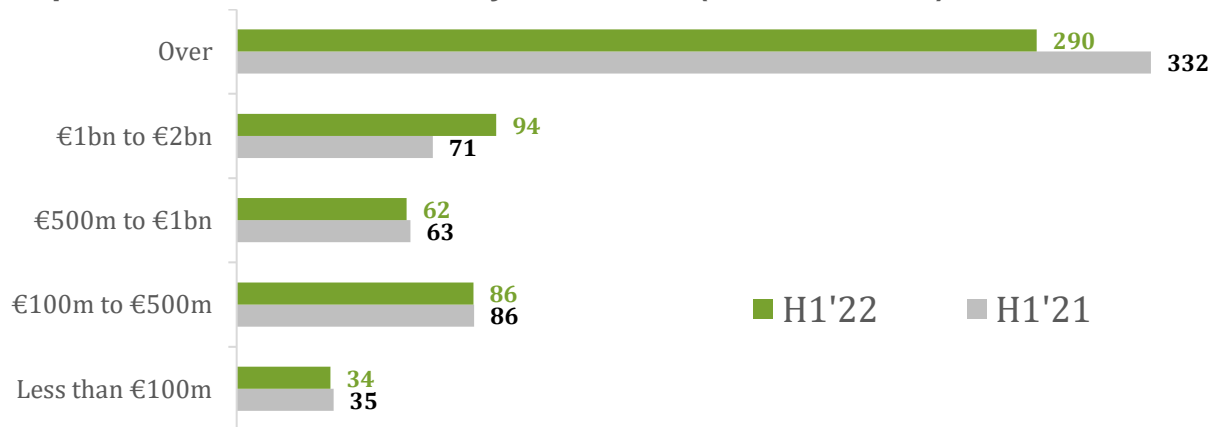


# Tech and energy lead by deal value

## Top 10 industries for completed M&A (H1'22, EUR bn)



## Completed M&A transactions by deal value (H1'22, EURbn)



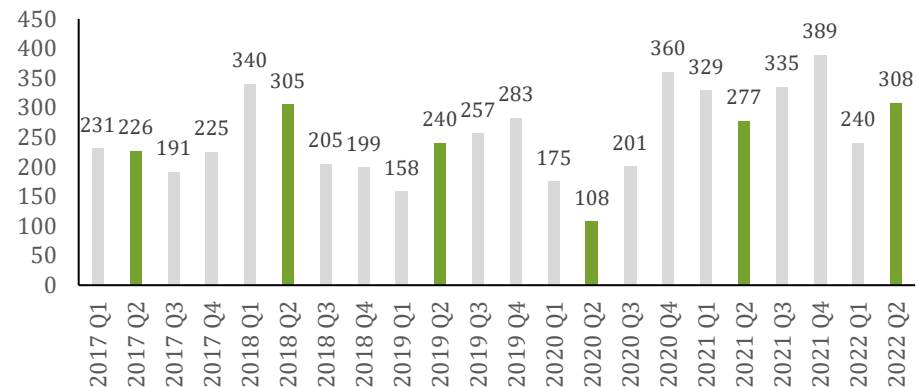
Source: Dealogic

During H1'22, seven “megadeals” (deal value above €10bn) were completed:

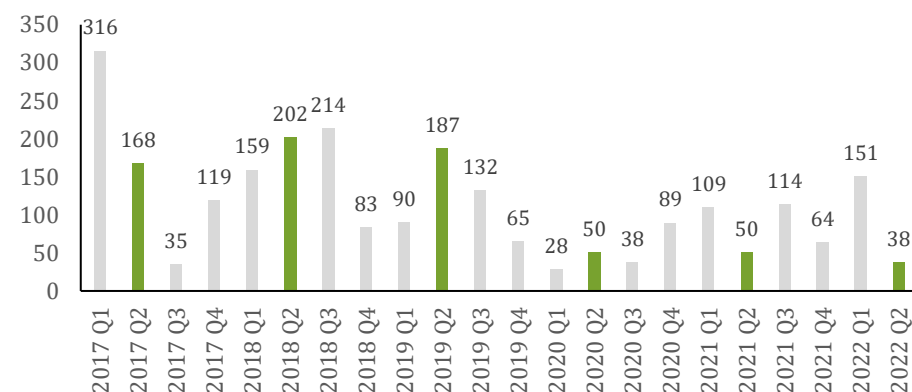
- Acquisition of IHS Markit by S&P Global.
- Acquisition of Suez SA by Veolia Environment.
- Divestment of GlaxoSmithKline consumer healthcare holding (Haleon) to existing shareholders
- Acquisition of Mileway BV by Blackstone
- The De-SPAC of US-based Gores Guggenheim SPAC with the acquisition of Swedish manufacturer Polestar performance
- Acquisition of Atlantia SpA by a group of investors led by the Cassa Depositi e Prestiti
- Acquisition of Lundin energy by Aker BP

# Quarterly increase in announced M&A

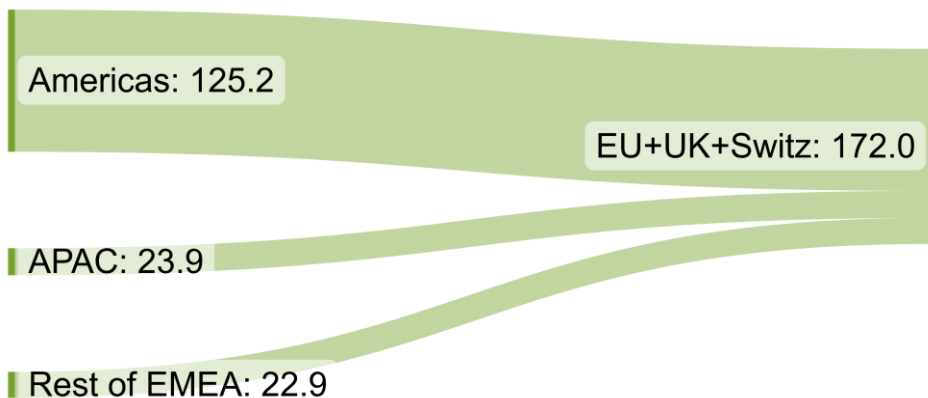
**Announced M&A (EUR bn)**



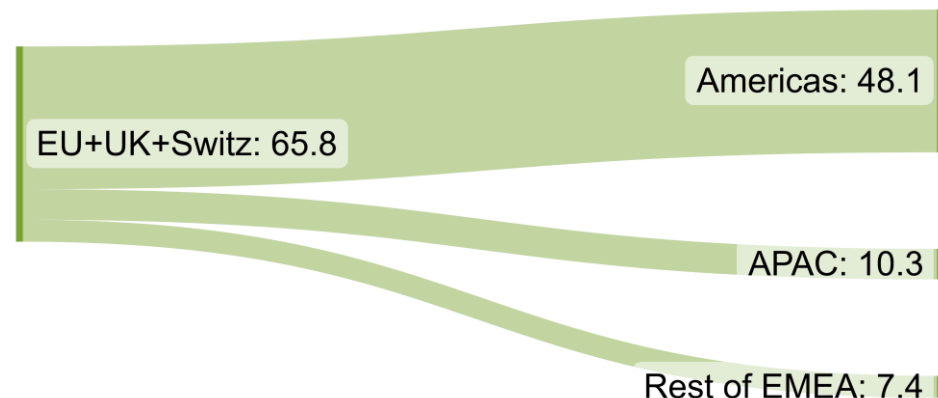
**Withdrawn M&A (EUR bn)**



**Completed inbound M&A by acquiring region (EUR bn, H1'22)**



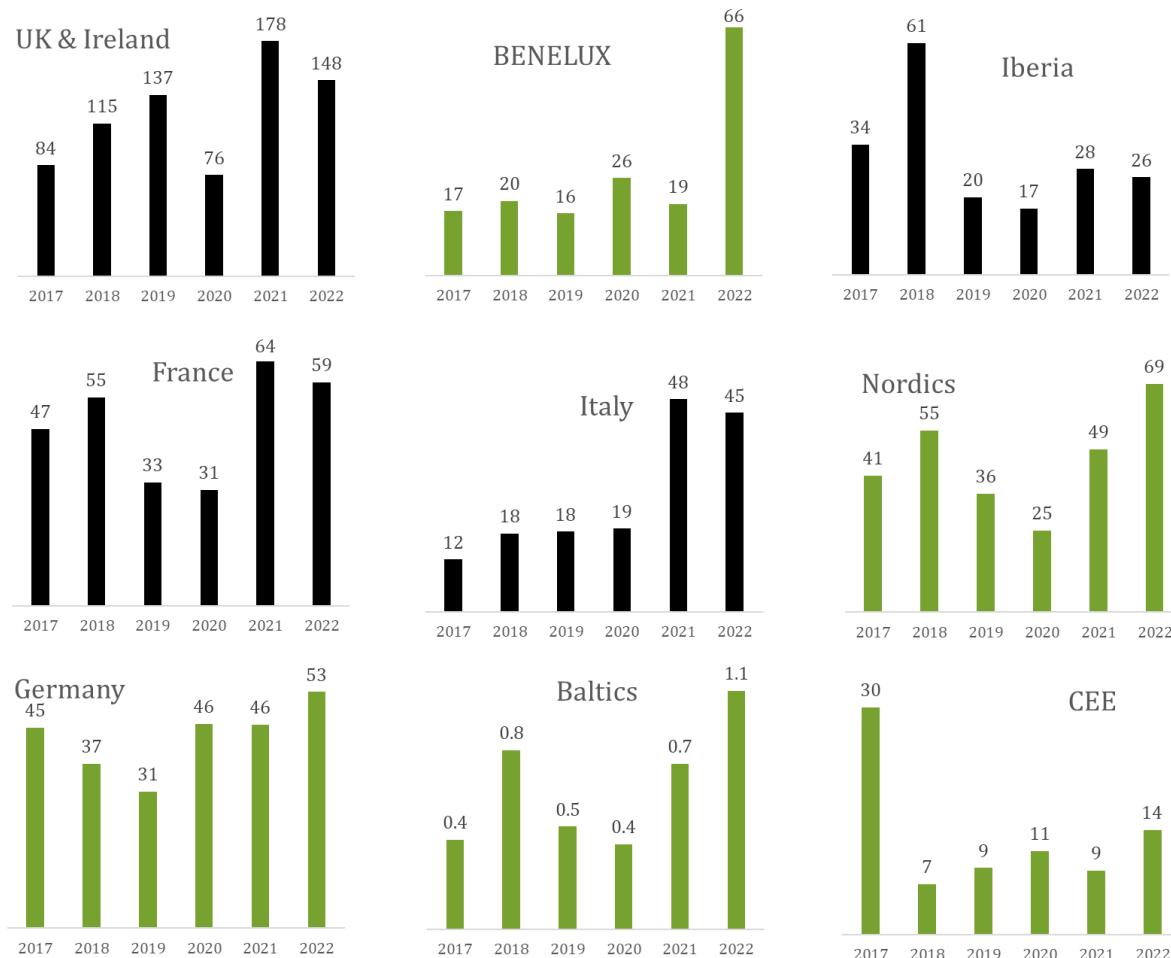
**Completed outbound M&A by target region (EUR bn, H1'22)**



Source: Dealogic

# Heterogeneous M&A across regions

Regional M&A trends: completed deal value (H1, EURbn)



Source: Dealogic

Regional heterogeneity in M&A activity within Europe.

Germany, Nordics, Benelux, CEE and Baltics have partially offset the wider European decline in M&A activity.

# European integration: M&A between European firms

## Completed intra-European M&A activity (H1'22, EUR bn)

## Target Nationality

Acquirer Nationality

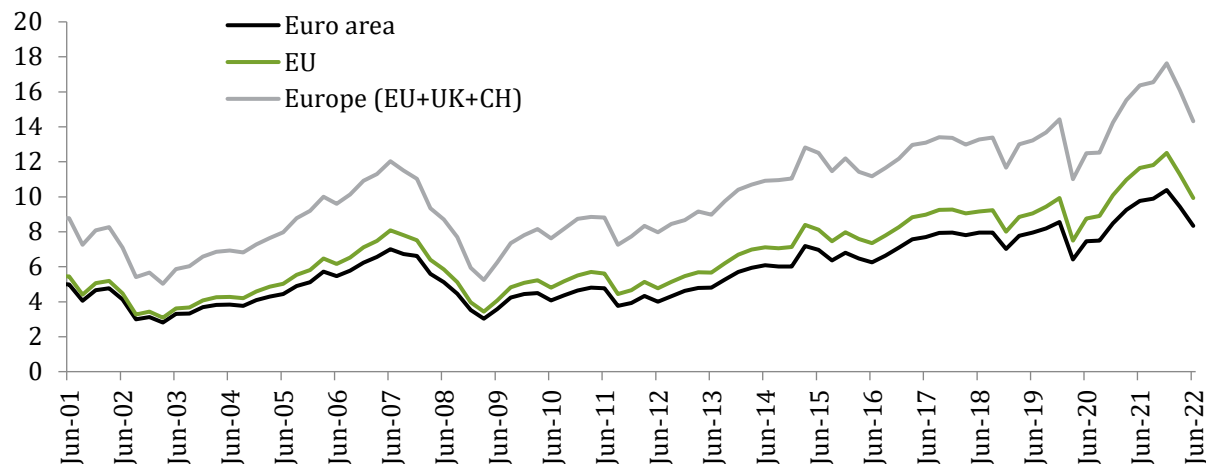
	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CH	UK	TOTAL
Austria	456												830								6					1,000				2,292
Belgium		5,244				220	43			150	200									225	100					122			190	6,495
Bulgaria																														
Croatia				217																										217
Cyprus					63																5									67
Czechia	4,617			50		715					999									151										6,532
Denmark						8	4,423				556																2,155		460	7,602
Estonia								787																			21			808
Finland		130					95		3,551								20										52		6	3,854
France	479	714								50,855	5,610	256			176					8,027						2,451		100	190	70,710
Germany	101										24,618				175					194	659					536	767	785	1,039	28,874
Greece												3,732																		3,732
Hungary													2,128												319					2,447
Ireland										233				1,714						60	10					108			503	2,628
Italy		72				16				1,559					42,686	2				220			38		5	531			1,421	46,550
Latvia																24														24
Lithuania																	161													161
Luxembourg											70	42									137								1,100	1,349
Malta																														
Netherlands	300										442									36,112	584								233	37,671
Poland						930								84						9	1,646									2,670
Portugal		122													49							125	203			12				511
Romania																							28							28
Slovakia																								118						118
Slovenia																									50					50
Spain											2,346				30					19		153				11,715	1,000		298	15,561
Sweden		300					136		202	2,750	54			29	82					615	495	16				131	10,287	192	1,006	16,292
Switzerland		1,880					78				550			30	431											572		5,828	1,544	10,914
United Kingdom		225	49	38		174	303	38		100	3,517			126	316		27	24		1,110		22				200	1,783		52,293	60,345
<b>Total</b>	<b>5,954</b>	<b>8,688</b>	<b>49</b>	<b>304</b>	<b>63</b>	<b>2,063</b>	<b>5,077</b>	<b>824</b>	<b>3,754</b>	<b>53,855</b>	<b>40,754</b>	<b>4,029</b>	<b>2,958</b>	<b>1,984</b>	<b>43,945</b>	<b>26</b>	<b>208</b>	<b>24</b>		<b>46,590</b>	<b>5,645</b>	<b>315</b>	<b>270</b>	<b>118</b>	<b>374</b>	<b>17,378</b>	<b>16,064</b>	<b>6,906</b>	<b>60,284</b>	<b>328,502</b>

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

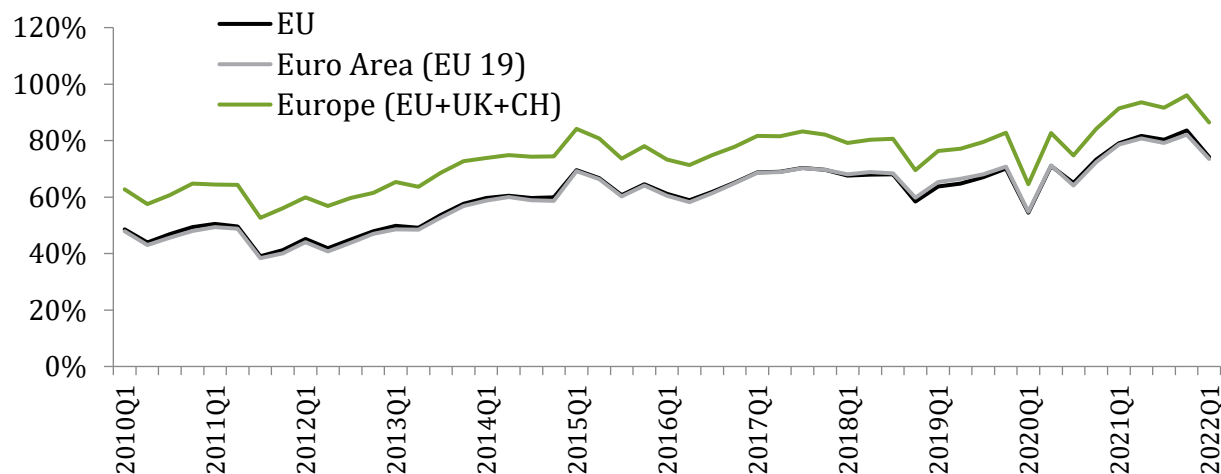
# Secondary markets

# Market capitalisation of domestic listed shares

EUR tn



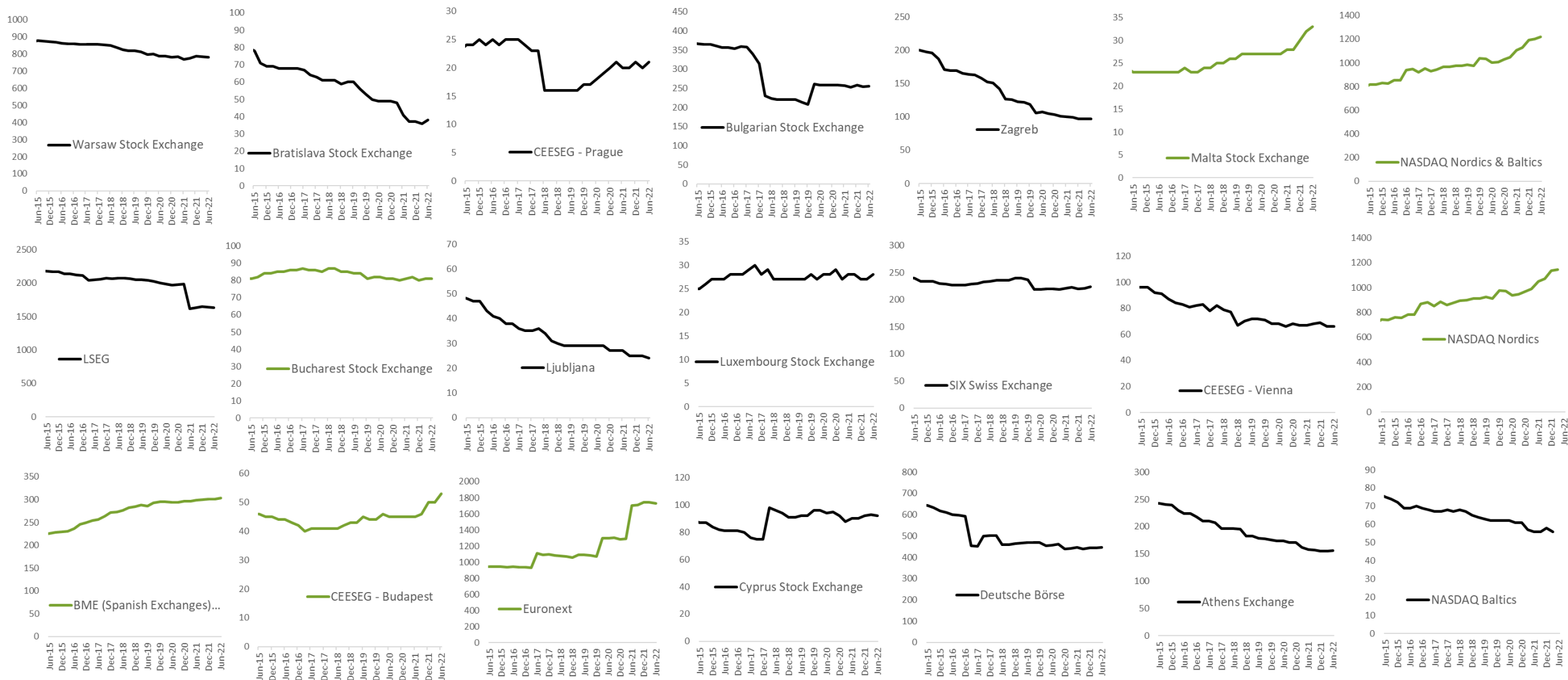
% GDP



Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE. Europe includes EU members states, United Kingdom and Switzerland. Market cap as % of GDP available as of 4Q21

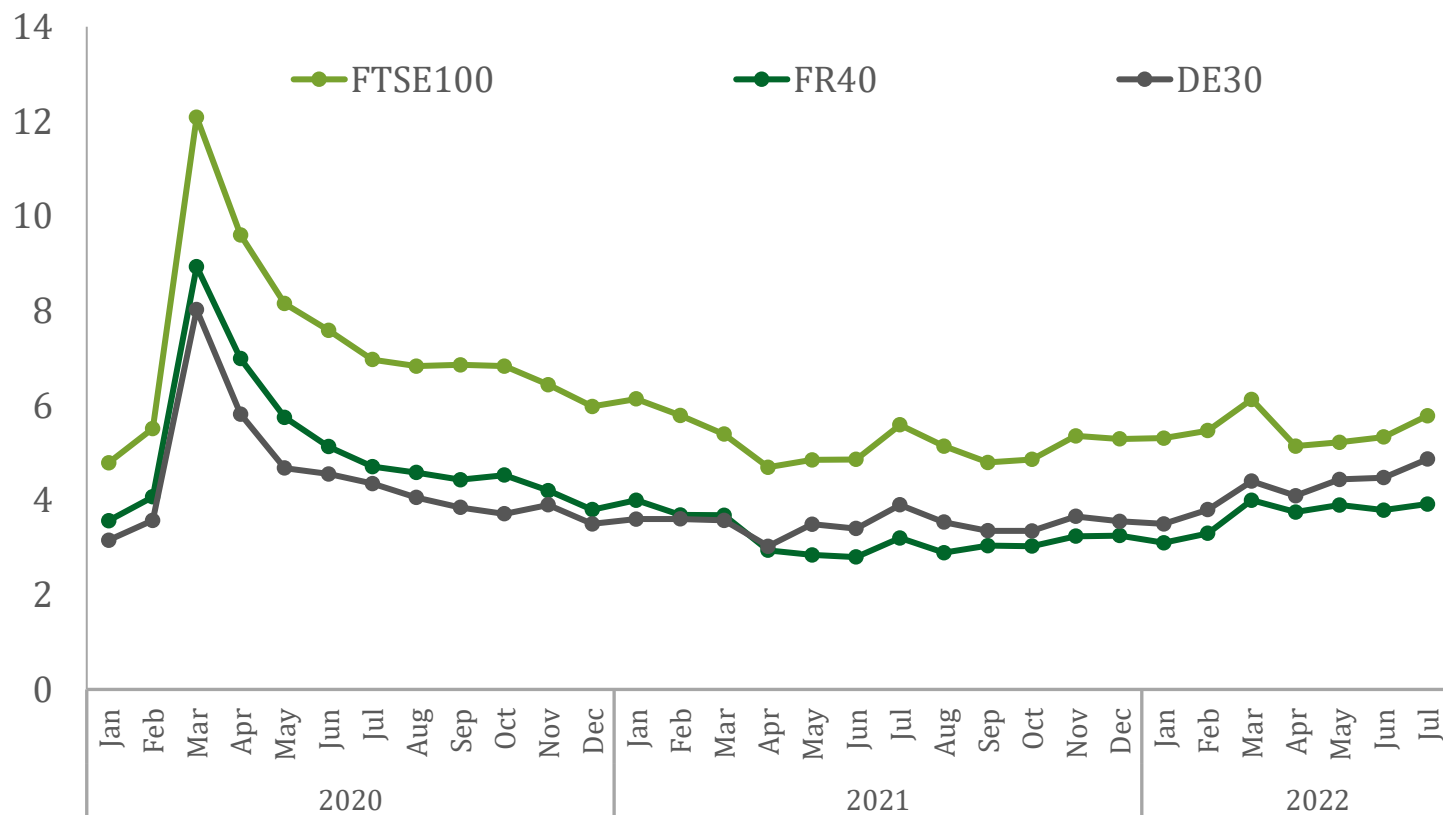
Market capitalisation of listed shares declined during Q2'22 on the back of lower equity valuations compared to those observed at the end of 2021 and fewer new listings during the year.

# 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)

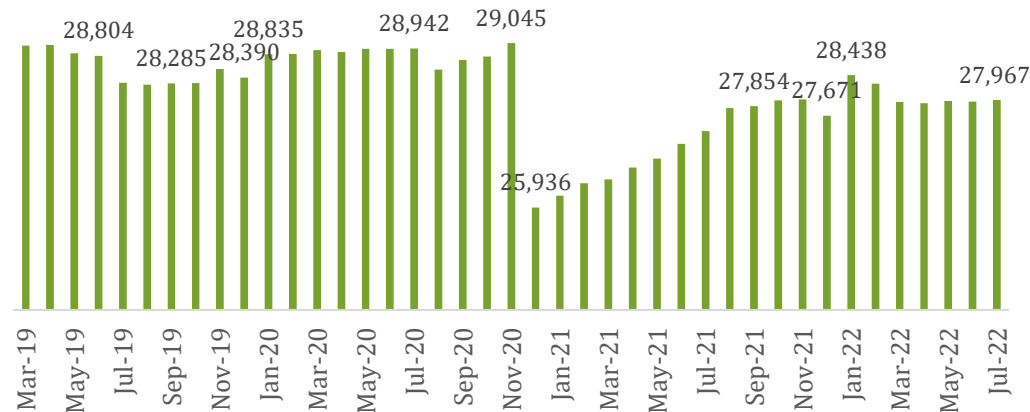


Bid-ask spreads for selected European equity indices tightened in Q2'22 compared to those observed in Q1'22, although continued above the levels observed at the end of 2021

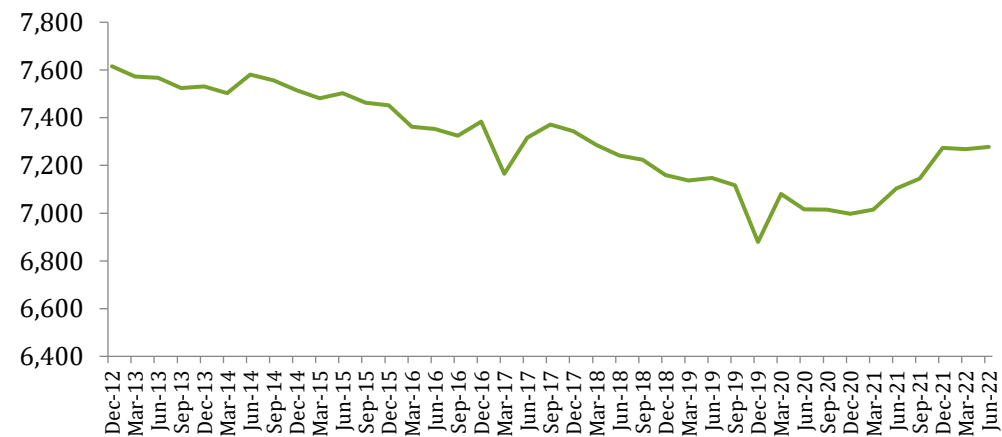


# Number of listed companies stabilizes in 2022

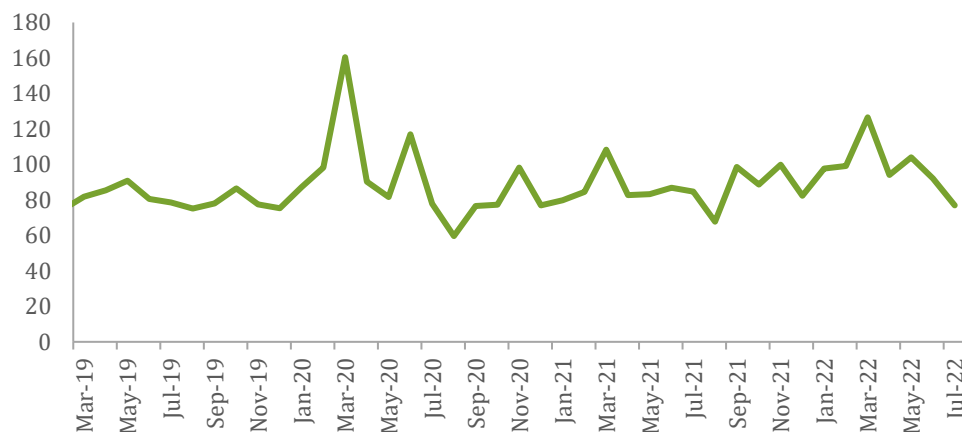
**Number of equity-like instruments (ISINs) registered on ESMA's DVC files**



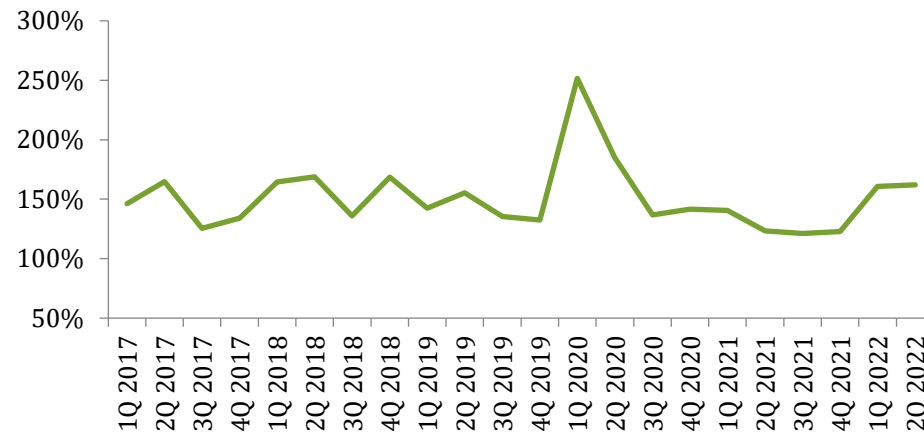
**Number of listed companies on European exchanges\***



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



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



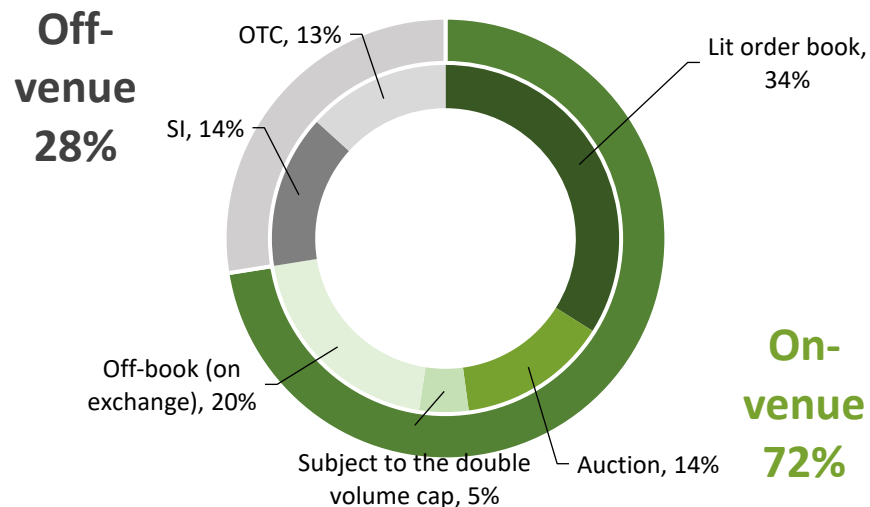
Source: BigXYT, FESE, WFE, ECB and local exchanges. \*Listed companies excludes Vienna's global segment and Spanish SICAVs. \*\*Adjusted for transactions not contributing to price formation

# Equity market structure

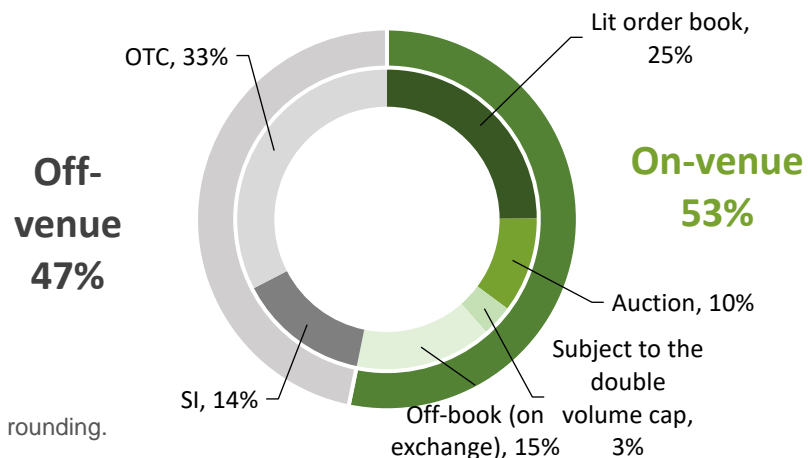
# Equity market liquidity landscape

Share of Pan-European trading volume (EU, UK, Switzerland, Norway) by trading mechanism, Q2 2022

Adjusted for transactions not contributing to price formation



Unadjusted



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

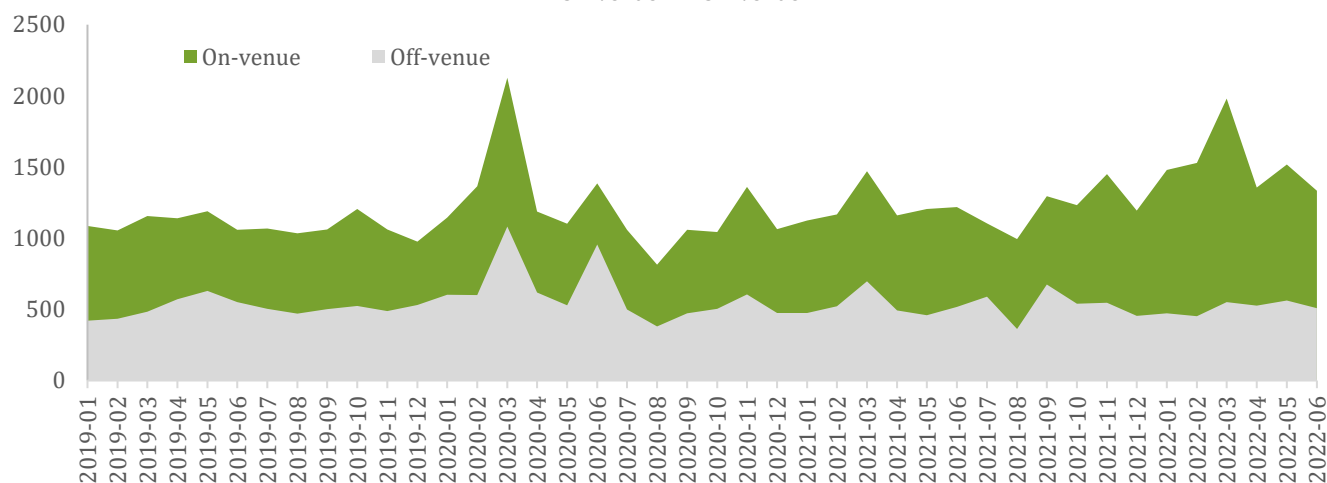
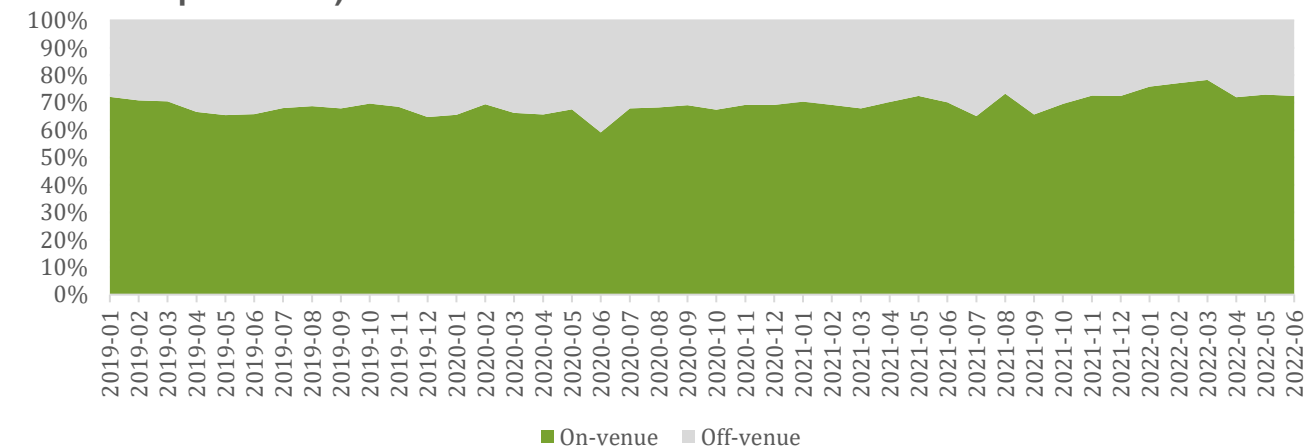
According to BigXYT data, on-venue trading represented 72% of the total addressable liquidity in Q2 2022.

Volume traded off-venues, on systematic internalisers and pure OTC, represent the remaining 28% 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 liquidity has declined in the second quarter of the year, following a swift increase in Q1 2022.

The decline, however, is consistent with long-term averages as observed on the top left chart.

The proportion of Lit-order book trading stood at 34% in Q2'22 (from 37% in 4Q'21). The proportion of OTC trading stood at 13% in Q2'22 (from 17% in Q4'21).

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

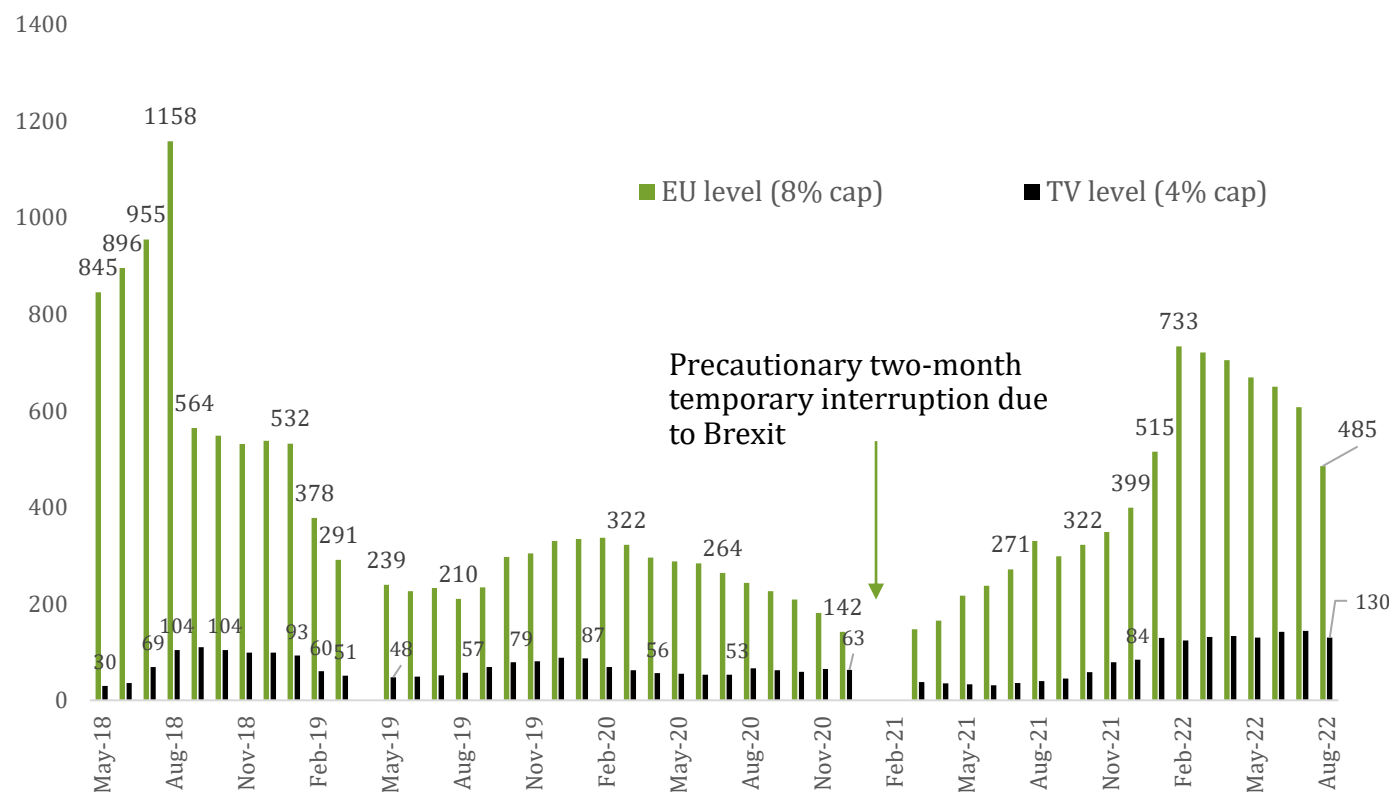
On-venue: Lit order book, Auction, trading subject to the double volume cap, and off-book (on-exchange).

Off-venue: OTC and SI

# afme / MiFID double volume cap (DVC)

Finance for Europe

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 615 (485 at EU Level and 130 at TV level) with 198 new suspensions identified in August 2022 (156 at EU Level and 42 at TV level). This includes 1 ISIN for which the suspension level changed from EU level to TV level.

# afme / MiFID double volume cap (DVC)

Finance for Europe

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

August-22

Country	ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% country universe)
AT		78	0	1	1%
BE		240	5	1	3%
BG		289	0	0	0%
CY		111	1	0	1%
CZ		30	0	0	0%
DE		1064	5	2	1%
DK		678	4	6	1%
EE		41	0	0	0%
ES		340	1	2	1%
FI		221	5	1	3%
FR		1006	10	3	1%
GR		183	0	0	0%
HR		111	0	0	0%
HU		59	3	0	5%
IE		1776	6	1	0%
IT		505	2	0	0%
LT		29	0	0	0%
LU		1155	3	4	1%
LV		21	0	0	0%
MT		46	0	0	0%
NL		259	7	1	3%
PL		766	0	0	0%
PT		55	0	0	0%
RO		381	0	0	0%
SE		1686	14	6	1%
SI		147	0	0	0%
SK		33	0	0	0%
Total EU		11310	66	28	1%
GB		1554	298	70	24%
RoW		16657	121	32	1%
Total		27967	485	130	2%

Source: ESMA

The 615 instruments currently suspended under the DVC at the EU or trading venue level represent 2% of the Universe of equity-like instruments on ESMA's August 2022 DVC files (27,967).

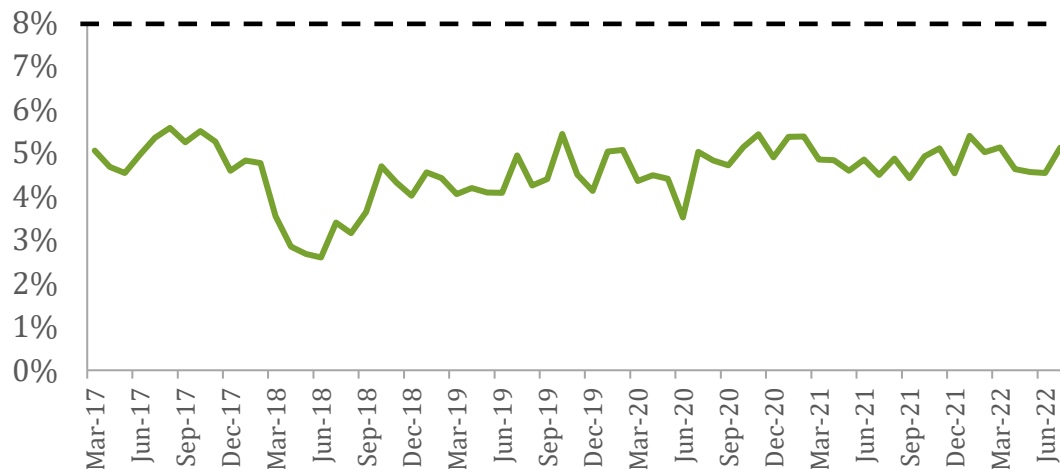
By regions and countries, 94 of the 615 suspended instruments have EU ISINs (or 15% of the total number of suspended instruments).

368 of the 615 suspended instruments have UK ISINs (or 60% of the suspended instruments). This also represents 24% of the 1554 UK ISINs registered on the ESMA DVC files.

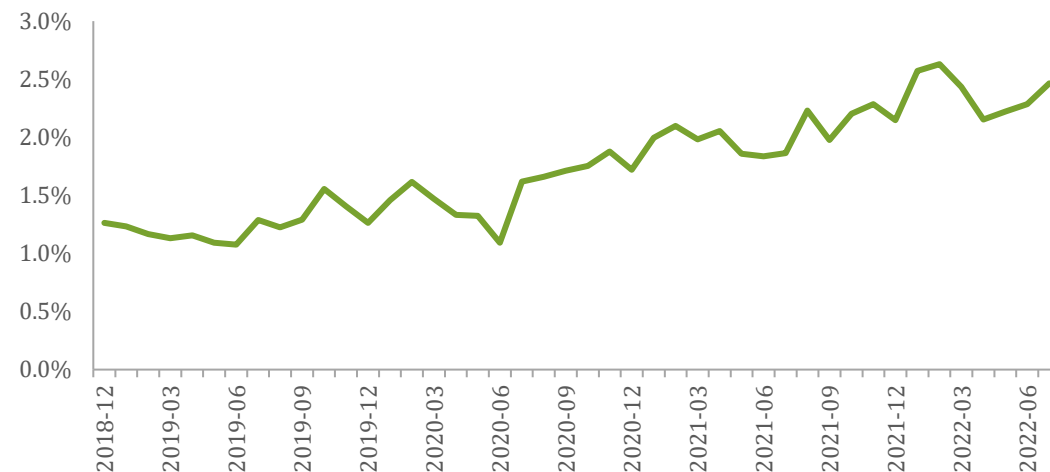
153 of the suspended instruments have non-EU+UK ISINs, or 25% of all suspended instruments at the EU and trading venue level.

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

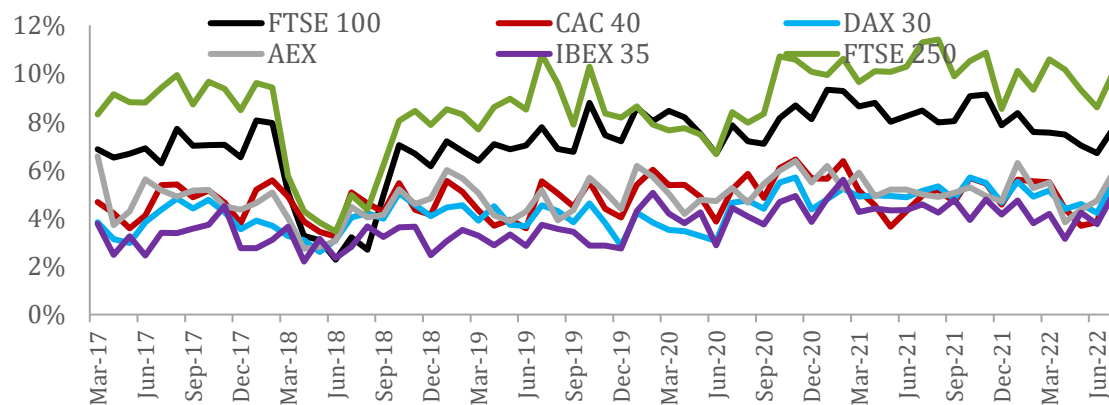
Trading subject to the DVC as % of total turnover\*



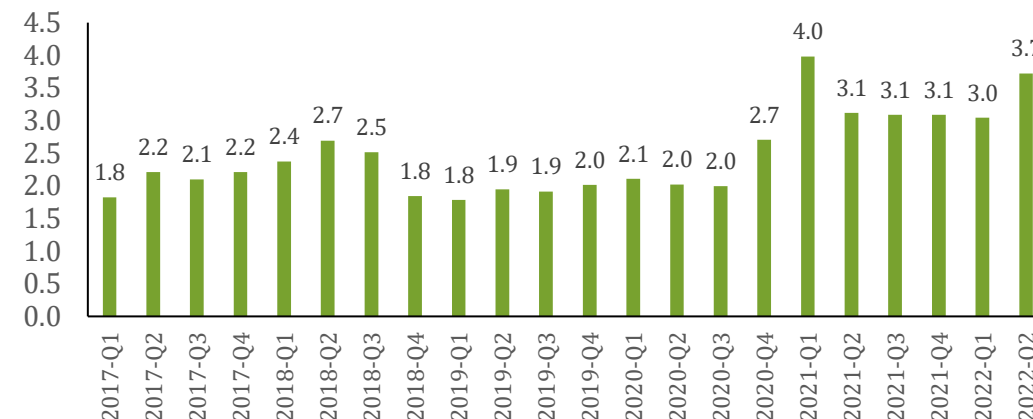
Lit/Auction periodic as % of total monthly trading\*



% of trading subject to the DVC by indices\*



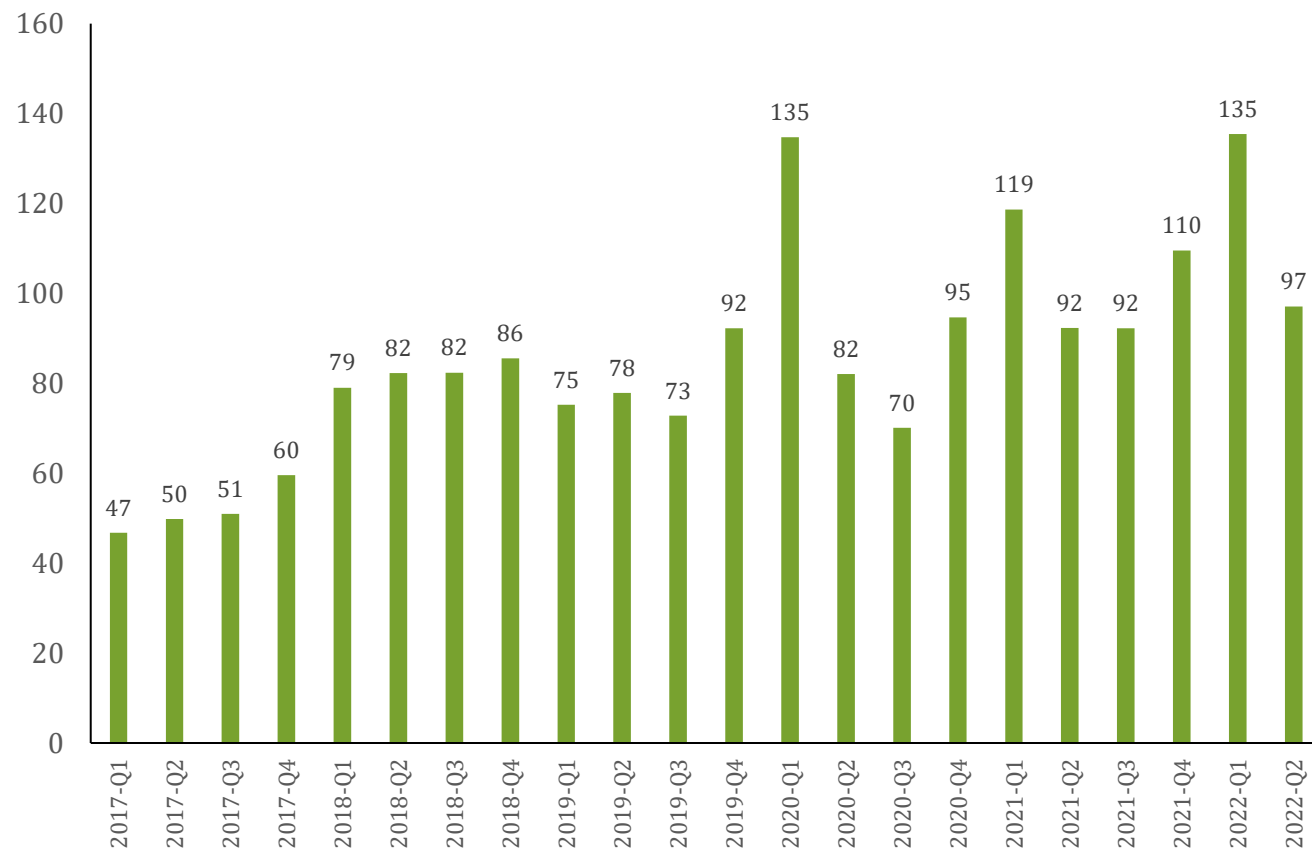
Block trades: Average value per trade (EUR mm)



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 €97bn in Q2 2022, €38bn below the level observed in Q1'22.

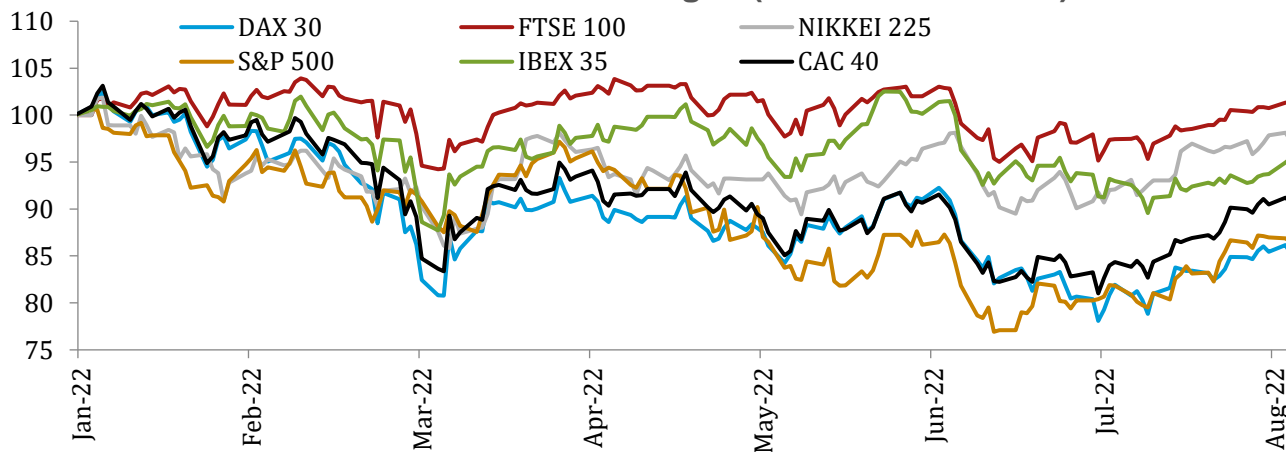
Previous episodes of peak block trading volumes have coincided with rising market volatility levels.



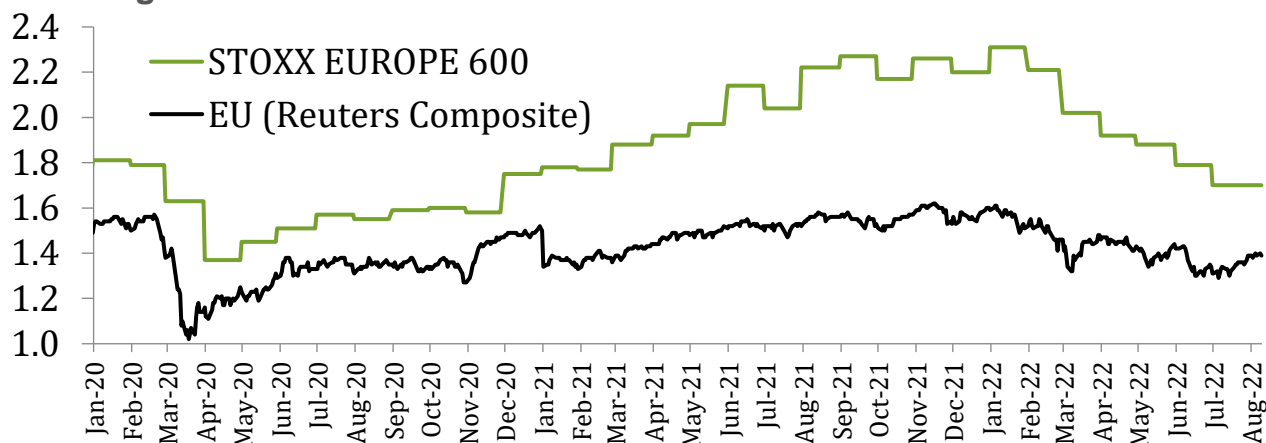
# Valuations

# Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 2021 = 100)



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



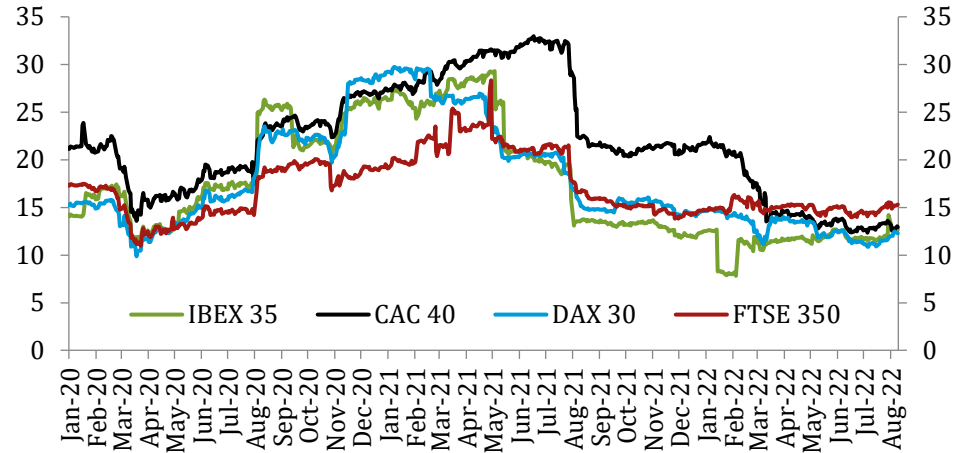
Source: Datastream

Continental European equity prices have declined between 5% (IBEX) and 15% (DAX) during the year (as of early August).

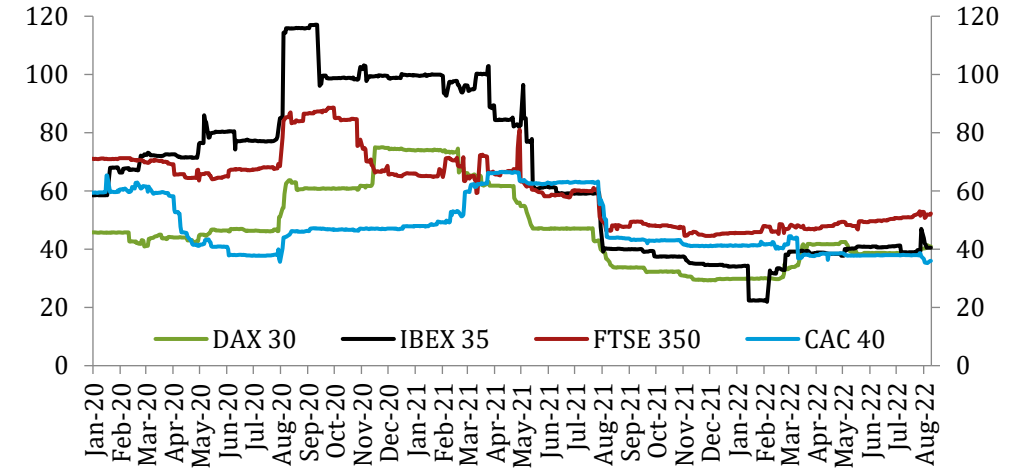
The ongoing geopolitical tensions in Eastern Europe, uncertainty regarding the evolution of inflation and monetary policy, and the general asset repricing, have generated losses in equity prices and continues to contribute to the current market volatility levels.

# Valuation ratios and implied volatility

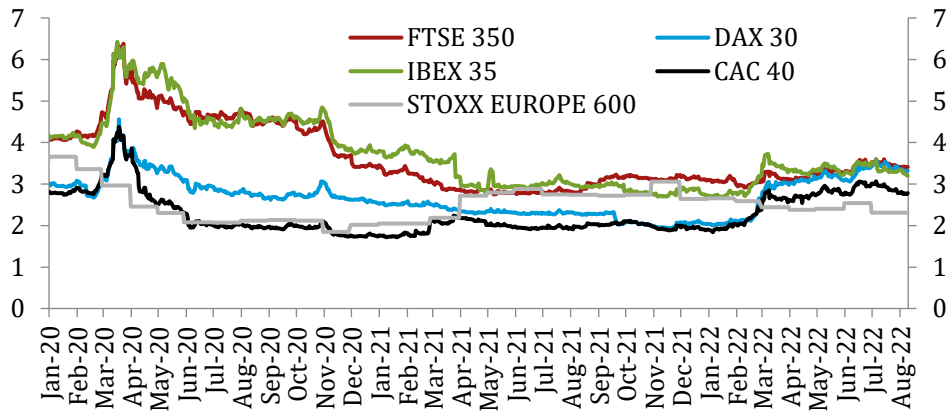
Price-to-earnings (PE) ratio



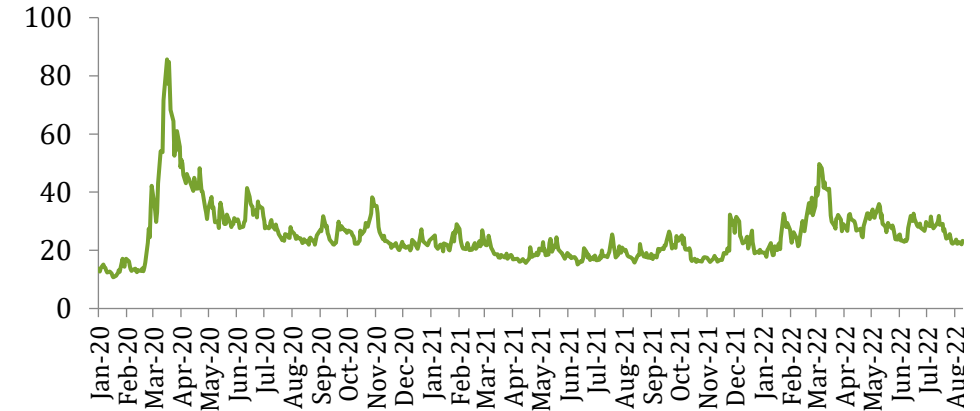
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

	1Q 22	2Q 22	3Q 22	4Q 22	2022	1Q 21	2Q 21	3Q 21	4Q 21	2021	%Change YtD
<b>Equity underwriting (€ bn)</b>	<b>16.7</b>	<b>26.1</b>			<b>42.8</b>	<b>66.8</b>	<b>68.9</b>	<b>37.8</b>	<b>52.4</b>	<b>225.9</b>	<b>-68%</b>
<b>IPOs</b>	1.9	2.1			4.0	21.0	21.4	11.5	15.0	68.9	<b>-91%</b>
<b>Follow-on offerings</b>	13.5	23.6			37.1	37.5	41.2	23.5	37.1	139.2	<b>-53%</b>
<b>Convertible securities</b>	1.3	0.4			1.7	8.4	6.3	2.9	0.3	17.8	<b>-88%</b>
<b>Mergers and Acquisitions (€ bn): completed</b>	<b>309.0</b>	<b>257.3</b>			<b>566.3</b>	<b>300.6</b>	<b>286.8</b>	<b>306.8</b>	<b>360.4</b>	<b>1,254.6</b>	<b>-4%</b>
<b>European outbound</b>	30.6	35.2			65.8	84.3	53.5	131.3	74.0	343.1	<b>-52%</b>
<b>European inbound</b>	92.1	79.9			172.0	40.4	78.4	50.2	47.9	216.9	<b>45%</b>
<b>Intra European</b>	186.3	142.2			328.5	176.0	154.9	125.3	238.6	694.7	<b>-1%</b>
<b>Mergers and Acquisitions (€ bn): announced</b>	<b>240.3</b>	<b>308.1</b>			<b>548.4</b>	<b>328.6</b>	<b>277.3</b>	<b>334.5</b>	<b>389.0</b>	<b>1,329.4</b>	<b>-9%</b>
<b>Equity turnover value</b>											
<b>Average Daily (€ bn)</b>	107.7	96.7			<b>102.2</b>	90.9	84.2	83.6	90.2	<b>87.2</b>	<b>17%</b>
<b>Market Capitalisation of domestic listed shares (€ tn)</b>											
<b>European (EU, UK and Switzerland)</b>	16.1	14.3			<b>14.3</b>	15.5	16.4	16.6	17.6	<b>17.6</b>	<b>-19%</b>
<b>EU</b>	11.3	9.9			<b>9.9</b>	11.0	11.6	11.8	12.5	<b>12.5</b>	<b>-21%</b>
<b>Euro Zone</b>	9.4	8.3			<b>8.3</b>	9.3	9.8	9.9	10.4	<b>10.4</b>	<b>-20%</b>

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

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