Finance for Europe

3Q 2019

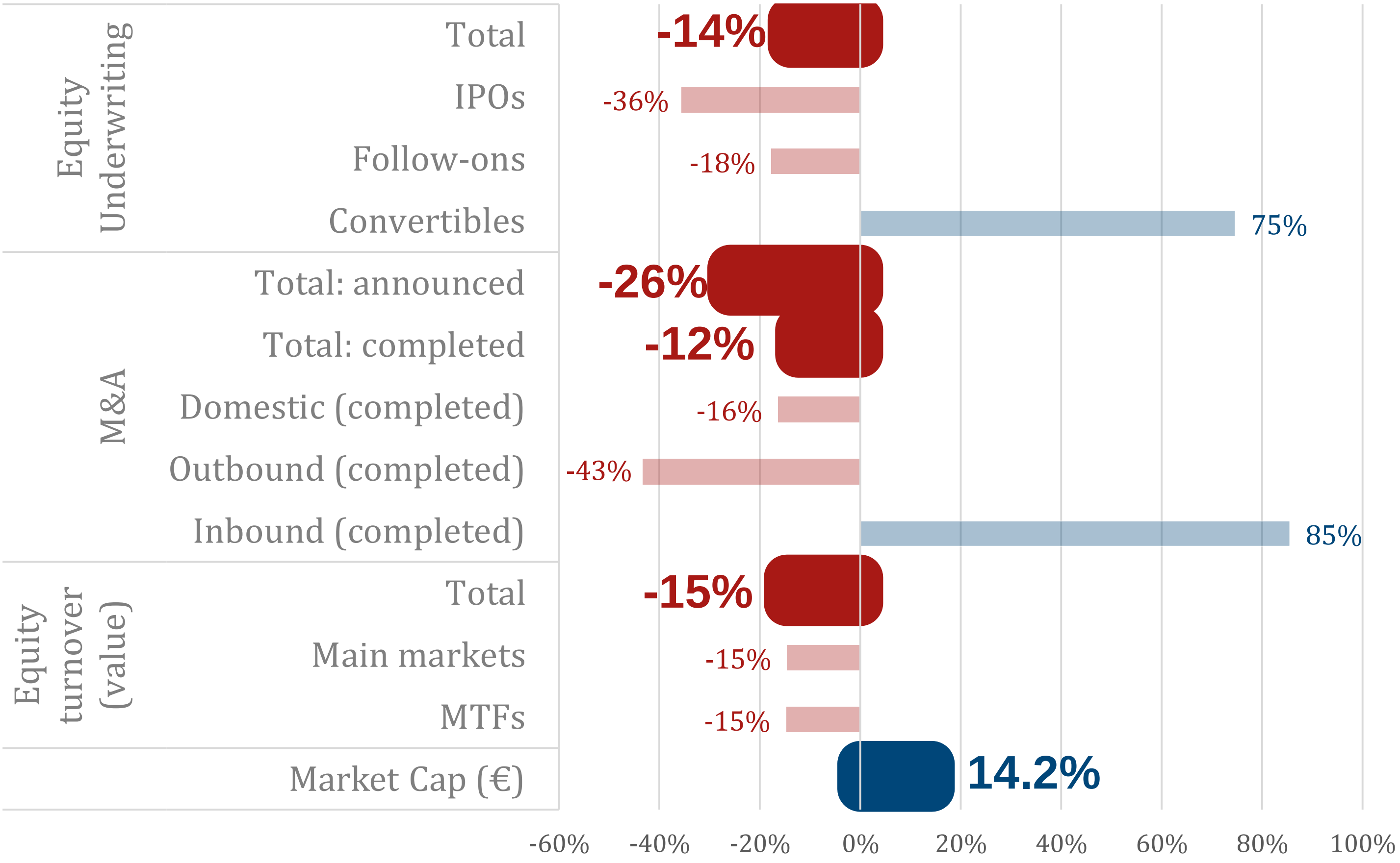
Equity Primary Markets and Trading Report

European market data update

Key highlights

2019 YtD variation of European Equity activity

EU28 member countries and Switzerland



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

Equity underwriting on European exchanges accumulated a total of €86.3 bn in proceeds in the first three quarters of 2019, a 14% decrease from the value originated in the same period of 2018 (€100.2 bn).

IPO issuance in 2019 YtD decreased 36% against the amount issued in the first three quarters of 2018.

Completed Mergers and Acquisitions (M&A) of European companies totalled €693 bn in 2019YtD, a decrease of 12% from the amount completed in the first three quarters of 2018 (€790.5 bn).

The amount of announced M&A deals totalled €676.4 bn in 2019YtD, a 26% decrease from 2018YtD.

Equity trading activity on **European main markets and MTFs** generated a total of €7.0 tn in turnover value in 2019YtD, a decrease of 15% from 2018YtD (€8.3tn)

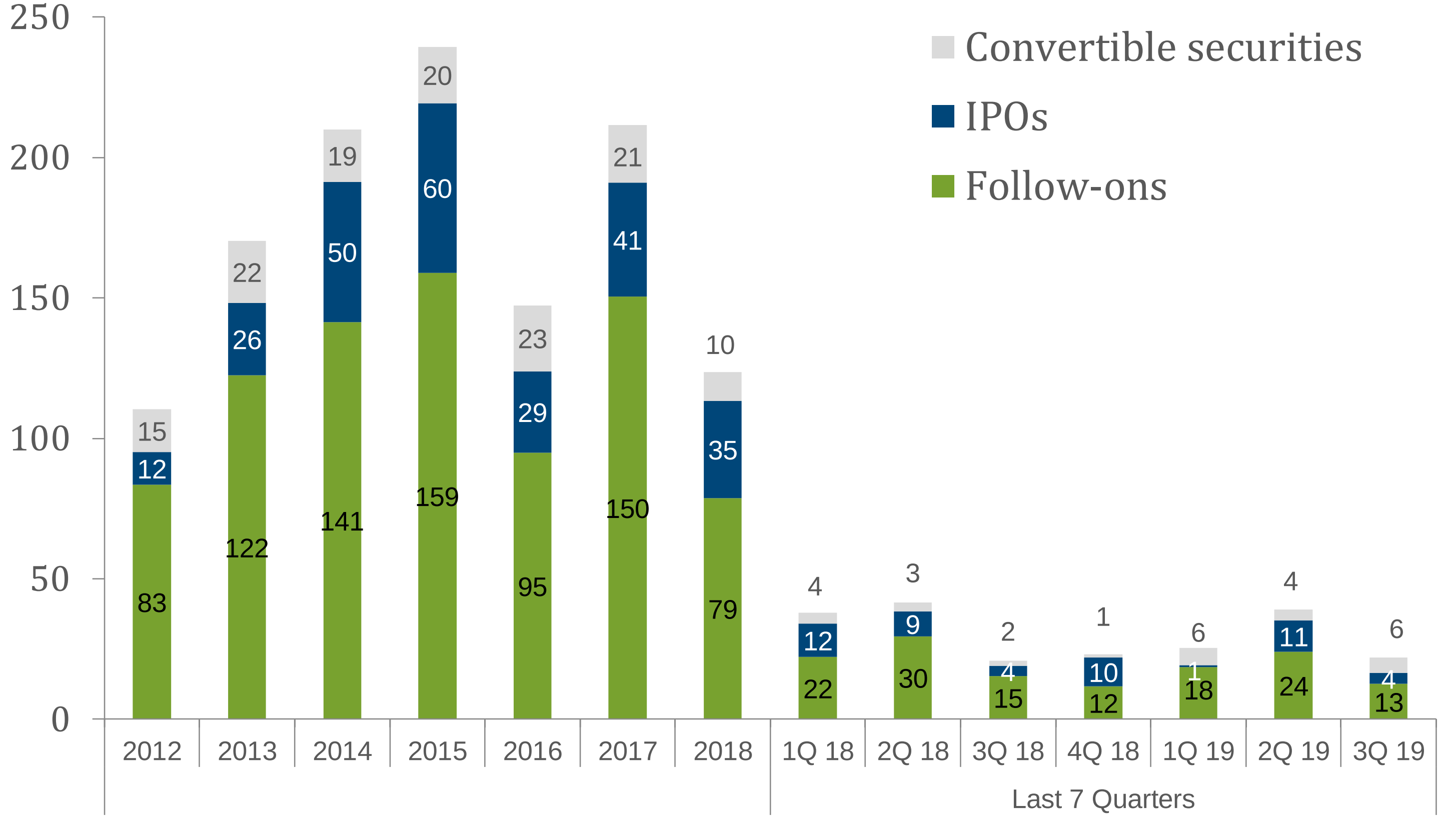
Domestic market capitalisation of European listed shares stood at € 13.3 tn at the end of 3Q19

Contents

Equity issuance

Subdued IPO volume

Equity Issuance on European exchanges (EUR bn)



Source: Dealogic

The decline in equity underwriting (-14% YtD) was driven by a 36% decrease in IPO proceeds and an 18% decrease in follow-on offerings

103 IPOs have been originated on European exchanges during the first three quarters of 2019— the lowest YtD number since 2013 (102)

27 IPOs were issued in 3Q19, the lowest quarterly number since Q1 2013.

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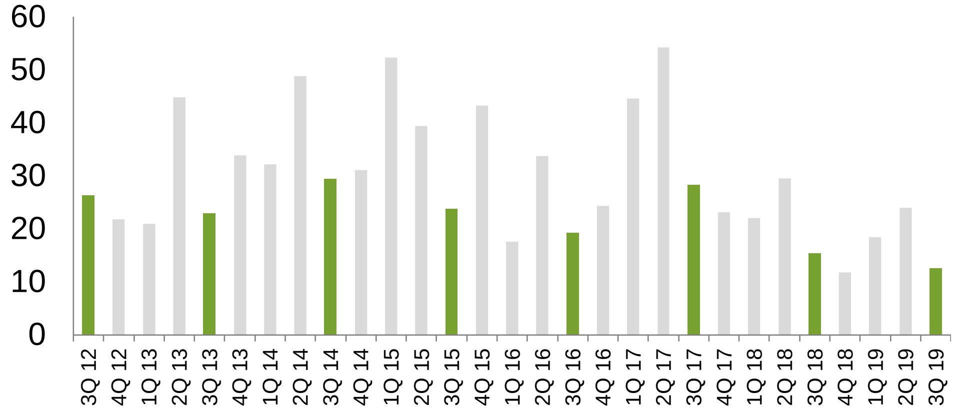
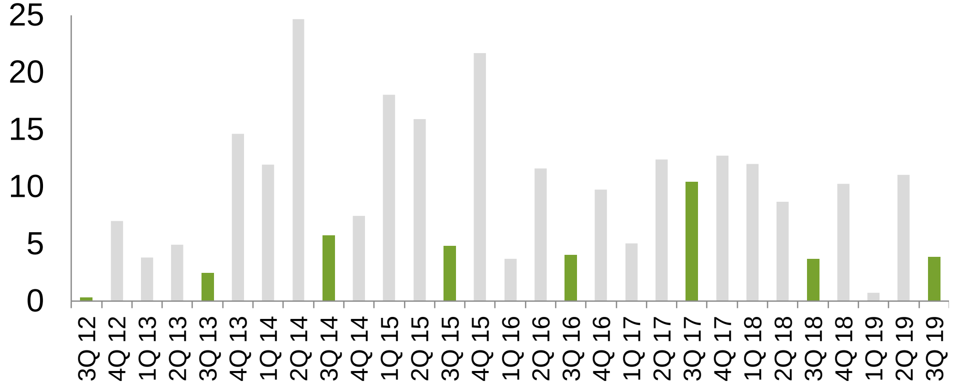
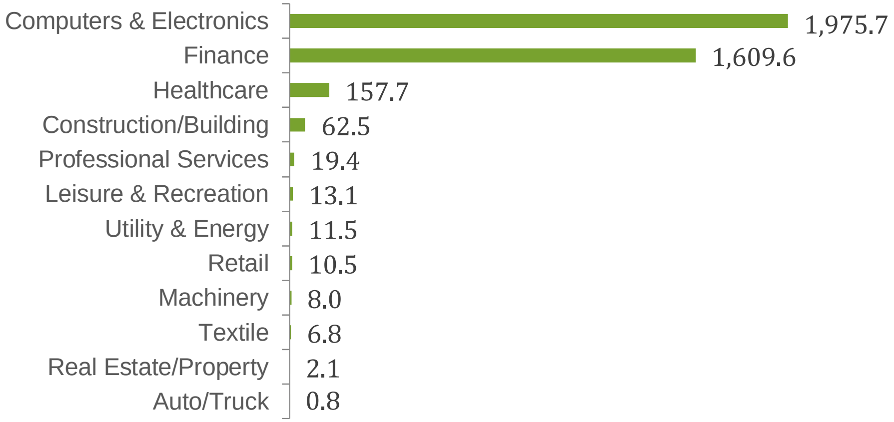
Follow-on offerings (EUR bn)



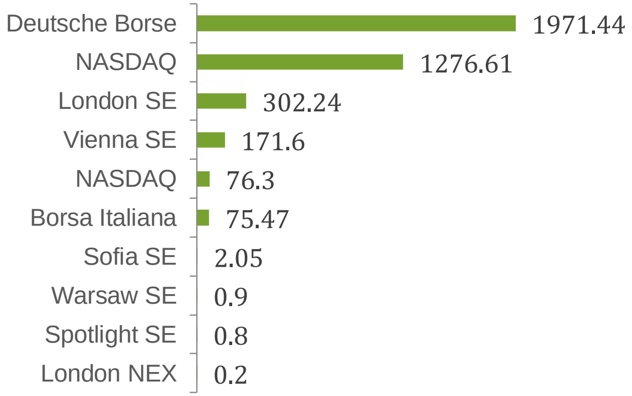
IPO proceeds (EUR bn)



IPO proceeds by industry (EUR mm): 3Q 2019



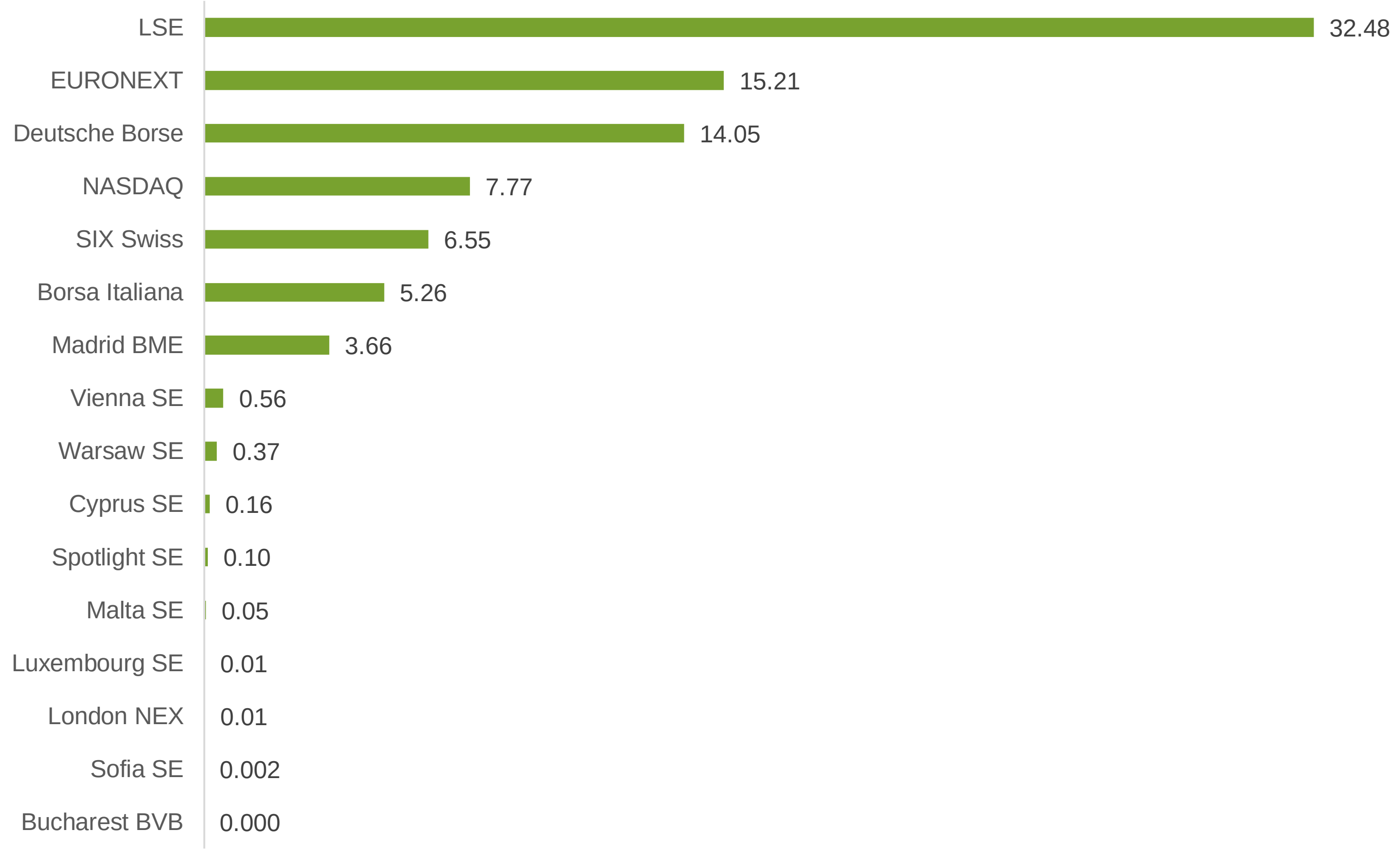
IPO proceeds by listing market (EUR mm): 3Q 2019



Source: Dealogic
*Finance includes SPVs

LSE leads 2019YtD equity issuance

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

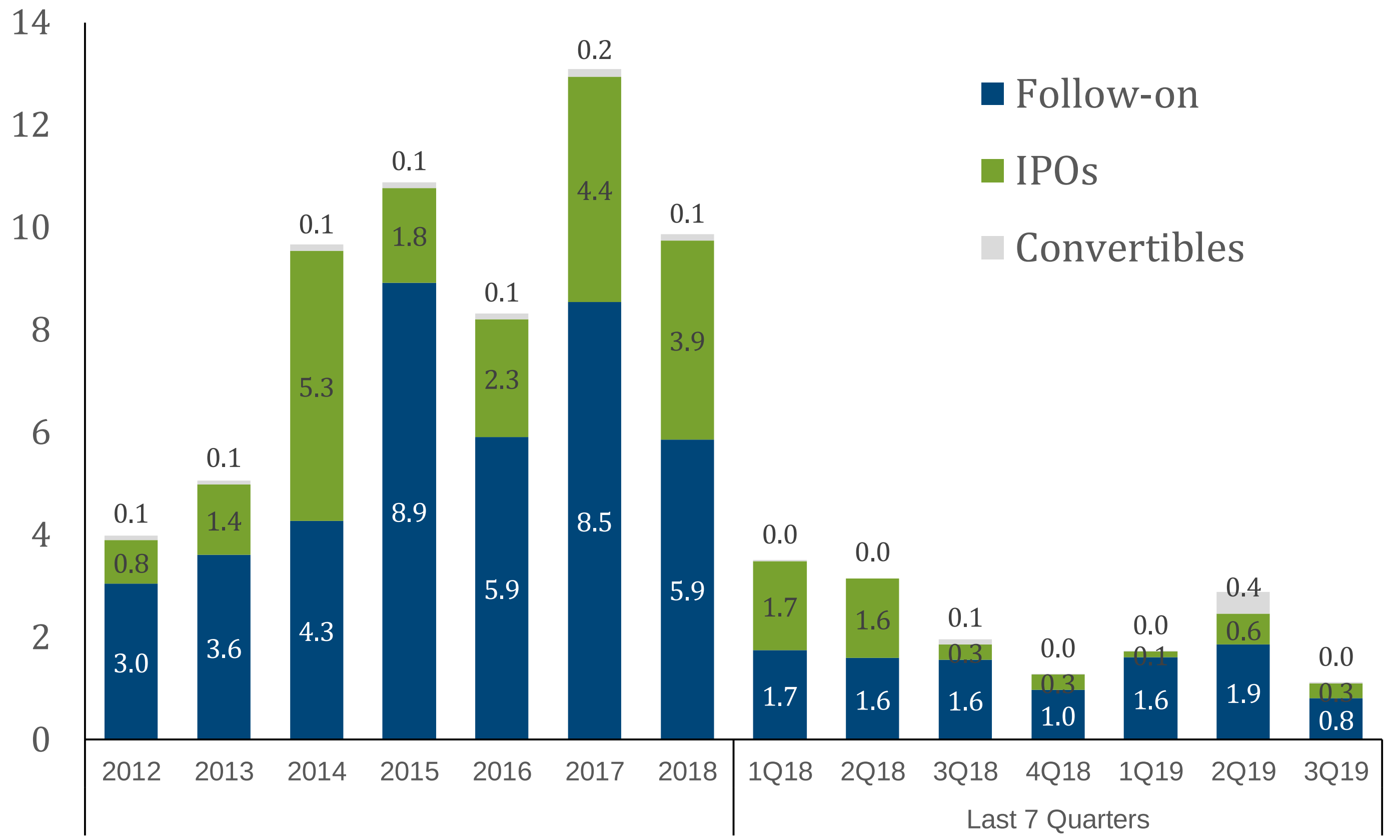


Source: Dealogic

LSE exchanges (main market and AIM) led by total equity underwriting accumulating a total of €32.5bn, followed by Euronext exchanges and Deutsche Borse

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



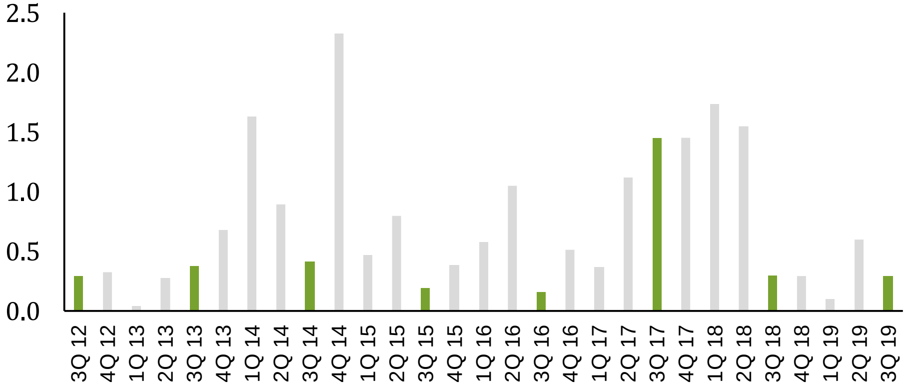
Source: Dealogic

Equity issuance on Jr exchanges fell 34% compared to the first three quarters of 2018, accumulating a total of €5.7bn in proceeds

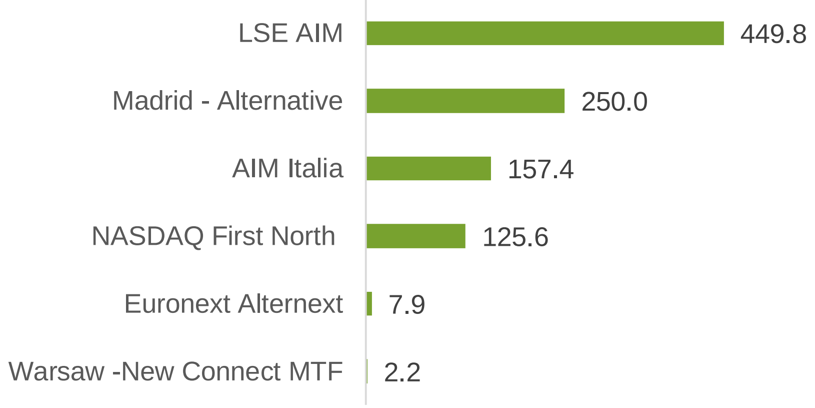
IPOs on Junior markets totalled €0.9 bn in proceeds in 2019YtD, the lowest YtD amount since 2013

LSE AIM leads IPO proceeds on Jr markets

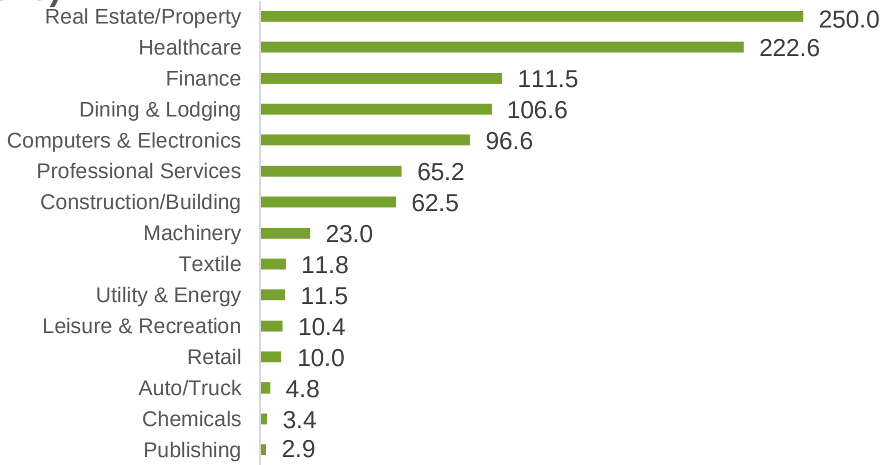
IPO proceeds on European Jr markets (EUR bn)



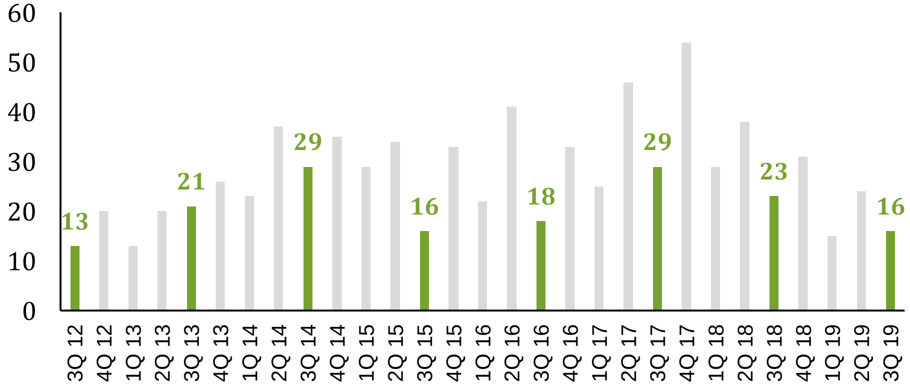
IPO proceeds on Jr markets by exchange (EUR mm, YtD 2019)



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



Number of IPOs on European Jr markets

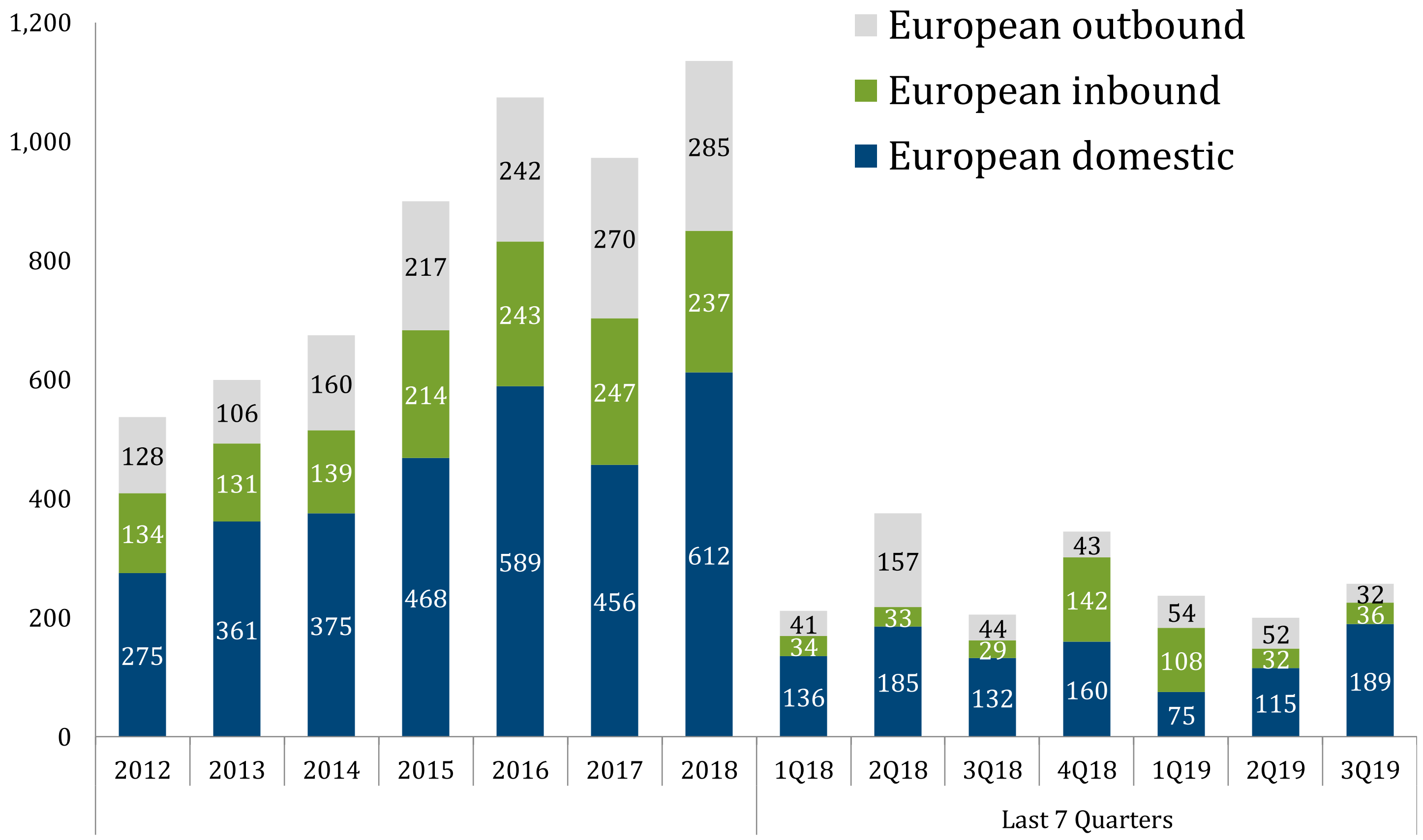


Source: Dealogic
*Finance includes SPVs

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 2018YtD, driven by a 43% decline in Outbound M&A (i.e. acquisition of non-European firms by European firms)

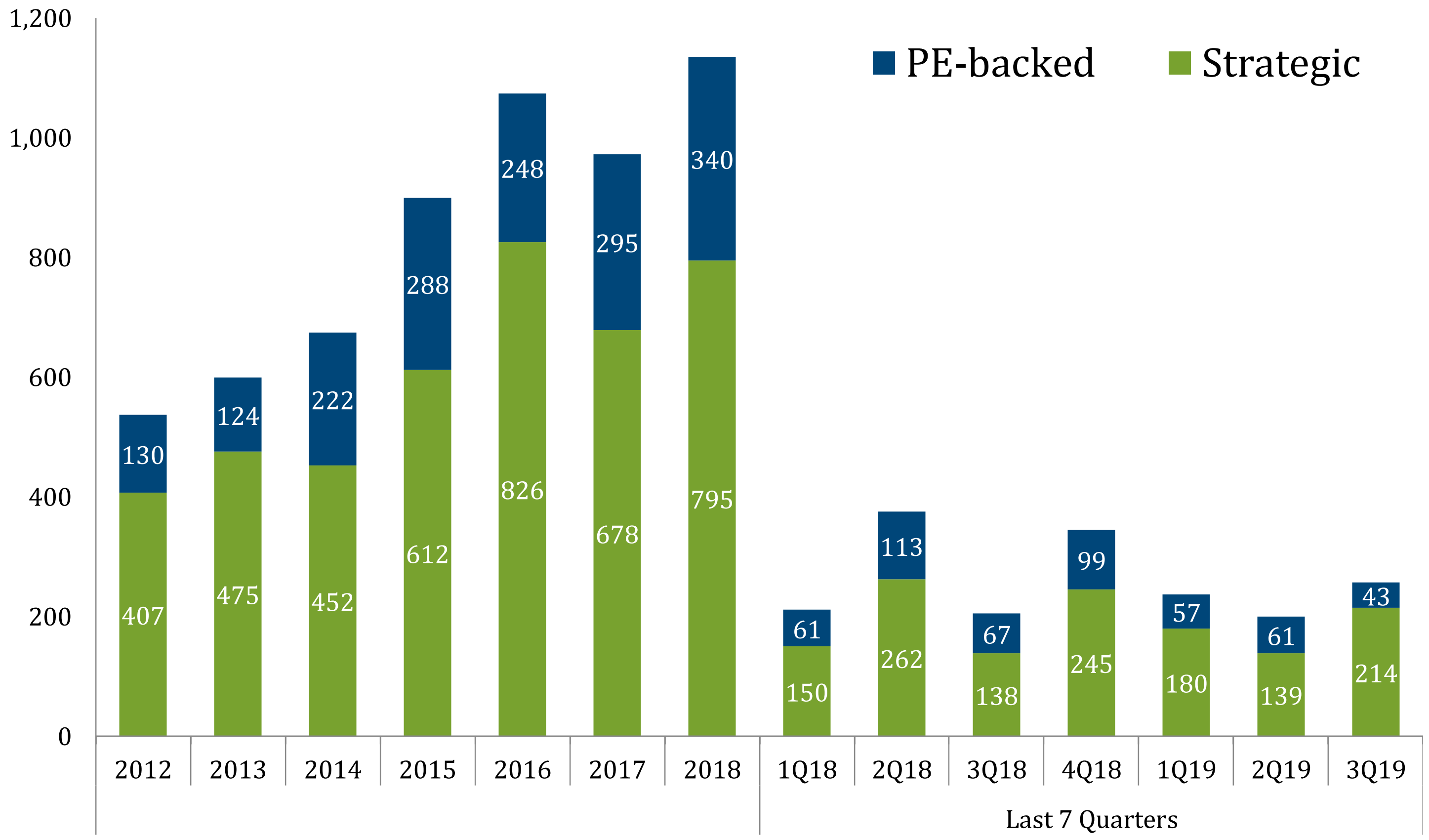
Intra European deals (i.e. acquisition of European companies by other European companies*) increased in the 3Q of the year representing total deal value of €189bn

APAC firms represented 62% of the inbound deal value (or €109.2bn), a sharp increase from 28% of the 2018FY inbound value. See page 14 for further details.

*EU28 and Switzerland

M&A by type of deal

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

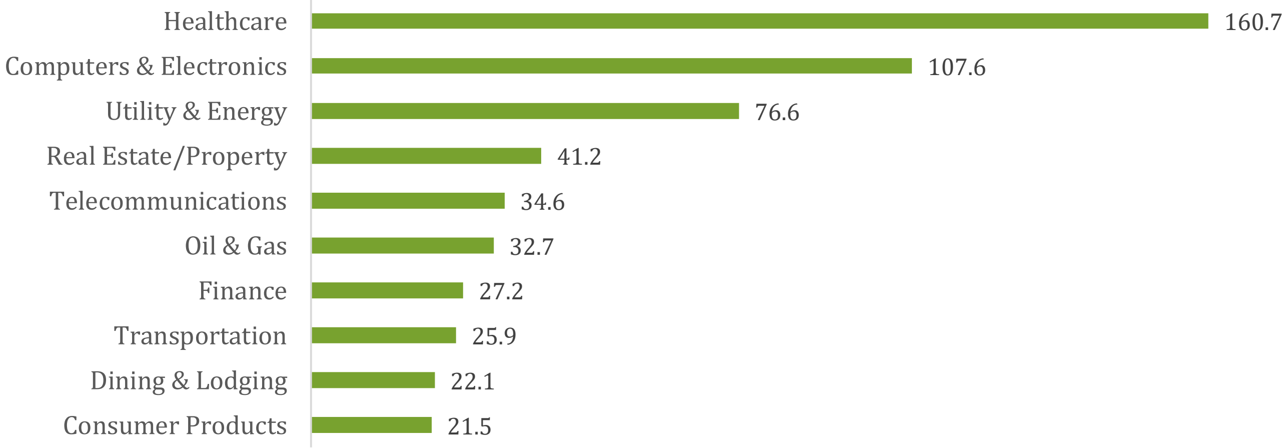


Source: Dealogic

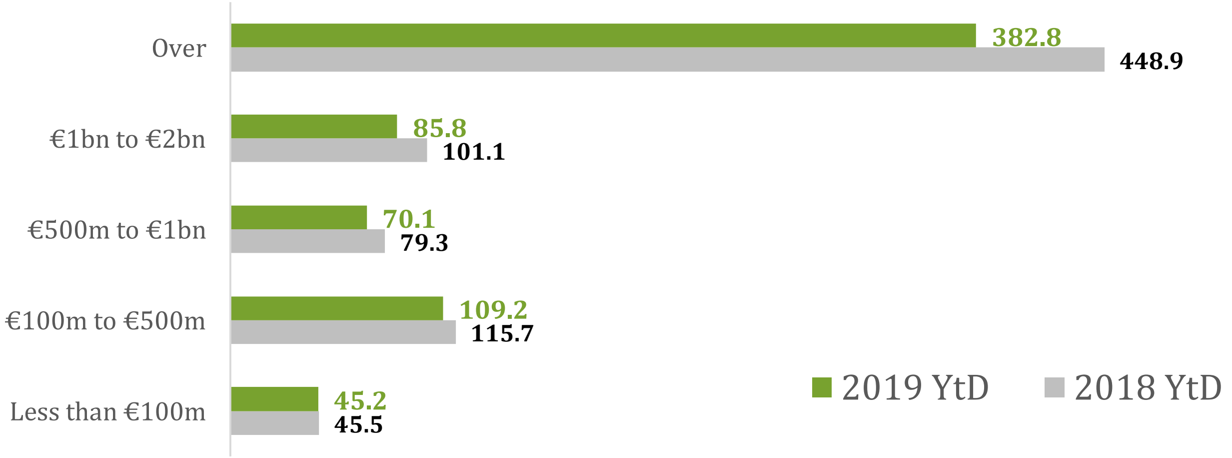
Private Equity-backed M&A activity (“Sponsor” deals) totalled €43bn in 3Q 2019. a decline of 36% YoY and also the lowest quarterly amount since 2014 Q2

Healthcare leads by deal value

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



Completed M&A transactions by deal value (EURbn)



Source: Dealogic

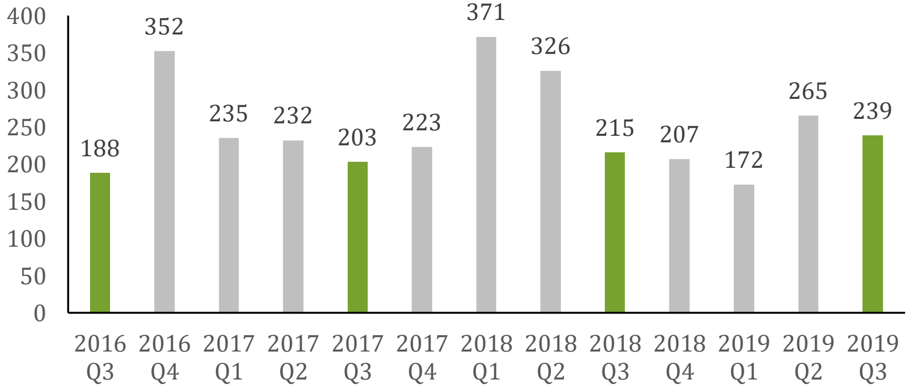
Two “megadeals” (deal value above €10bn) were completed during 3Q19:

- 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

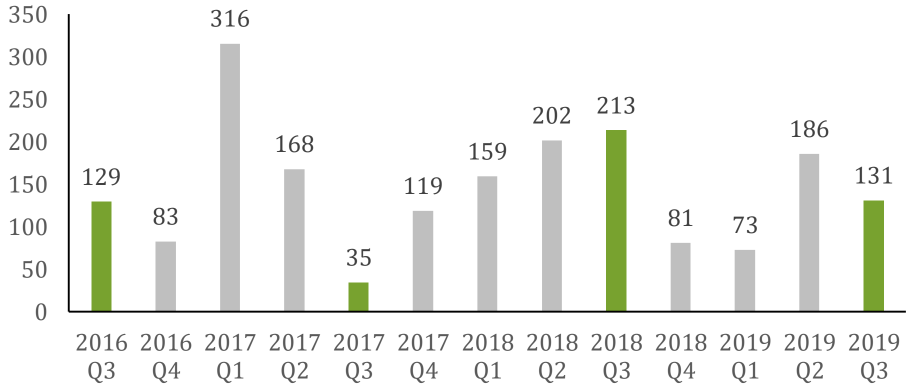
These megadeals add to the Takeda Pharmaceutical-Shire plc megadeal completed on 1Q19 and the 100% spin-off of the Alcon eye care business of Novartis by way of distribution of Alcon shares to Novartis shareholders completed in 2Q19

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

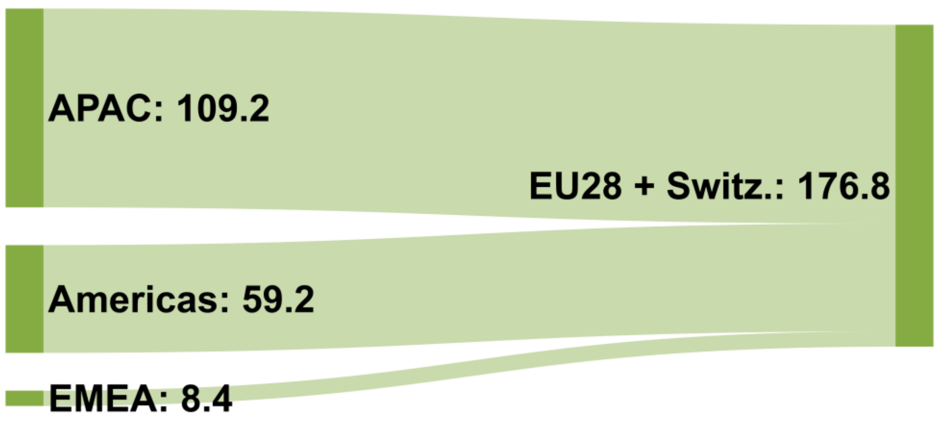
Announced M&A (EUR bn)



Withdrawn M&A (EUR bn)



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



Completed outbound M&A by target region (EUR bn, YtD 19)

Source: Dealogic
Excludes intra EU deals

European integration: M&A between European firms

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

Target Nationality

Acquiror Nationality

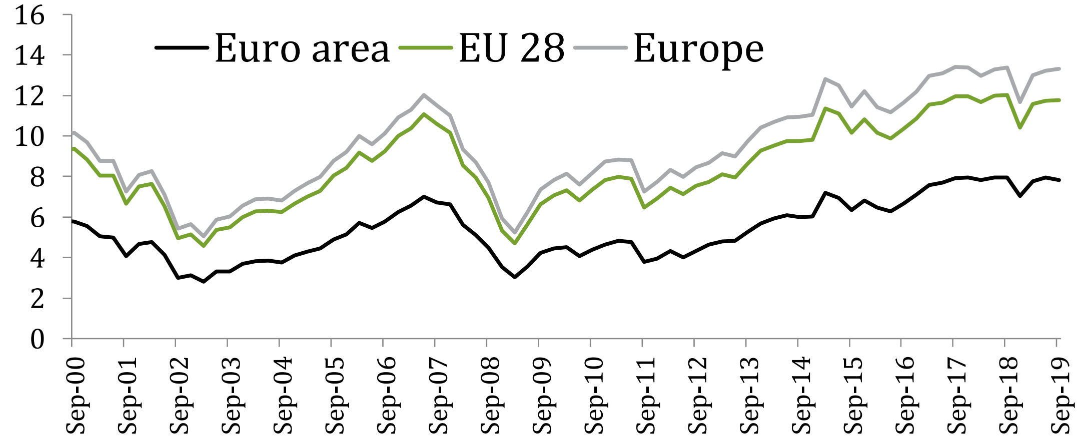
	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CHE	UK	TOTAL
Austria	63					33									105						386							10		597
Belgium		682				240				16	28	2,421		146						97							117		499	4,246
Bulgaria			205										6																	211
Croatia				164																										164
Cyprus					1,294																8									1,302
Czech Republic						1,442				52		2,444												90						4,028
Denmark							5,399		9		345					75		301			74							4,733	79	11,016
Estonia								1		6											17									24
Finland									1,265		2				60					277							427			2,032
France	259	1,275					174		1,393	23,099	352			346	2,846					1,558	616	203				118	66	1,966	9,660	43,932
Germany	409	17	1	142	5	429	3,382			1,028	65,886			190	18	340				1,429	365					16	107	445	691	74,899
Greece			75		193							1,037																		1,306
Hungary													341																	341
Ireland											143			2,692						131	1						180		1,746	4,893
Italy							266			64	547	13			10,599						2				250	449			516	12,706
Latvia																45														45
Lithuania																	0													0
Luxembourg										89		45						1,059			1								328	1,523
Malta																20														20
Netherlands						155		5			1,169									34,349	310					3,006			38	39,031
Poland						0				1	2						0				2,970		11			2				2,985
Portugal						11																465								476
Romania																					268		379							647
Slovakia																								4						4
Slovenia																									22					22
Spain		970								301	9			210	1					300	3	123				13,927	26		364	16,233
Sweden	39					23	104		1,240	2	936				37					1,400	78					282	13,217		634	17,990
Switzerland		480		82						4,201		597	22		9					855	65	0				207		33,523	252	40,292
United Kingdom		279				761	20		22	1,111	24,738	27		351	123			16		369	4	110		120		2,118	672	98	51,699	82,637
Total	770	3,703	280	388	1,492	3,093	9,345	5	3,931	29,970	94,156	6,584	369	3,935	13,797	480	0	1,375		40,764	5,168	900	390	214	271	20,124	14,812	40,777	66,506	363,602

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

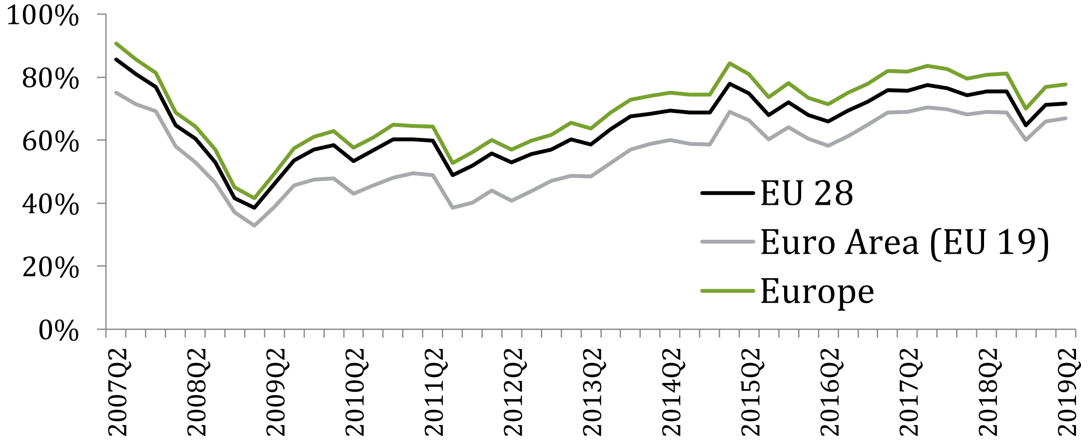
Secondary markets

Market capitalisation of domestic listed shares

EUR tn



% GDP



Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE. Europe includes EU28 members states and Switzerland

The European market capitalisation of listed shares has continued to recover following the sharp decline at the end of 2018.

The European market capitalisation of domestic listed shares finalised 3Q19 at €13.3tn

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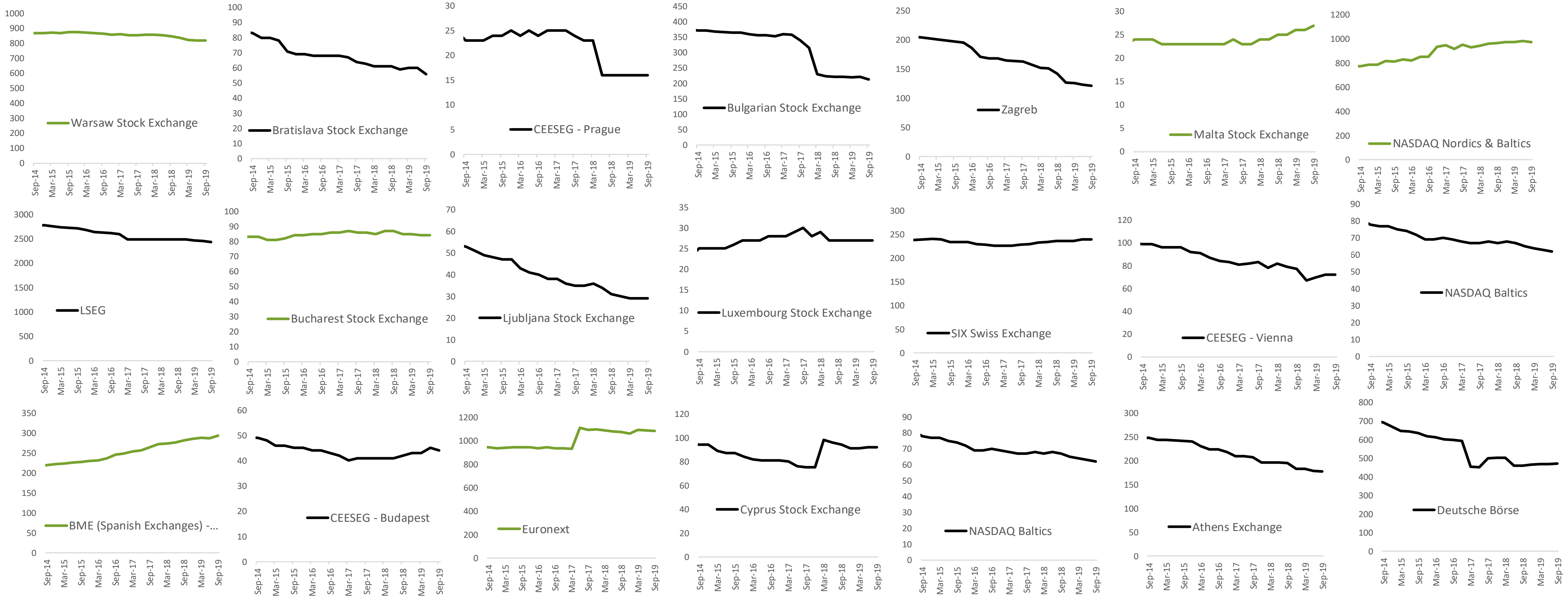
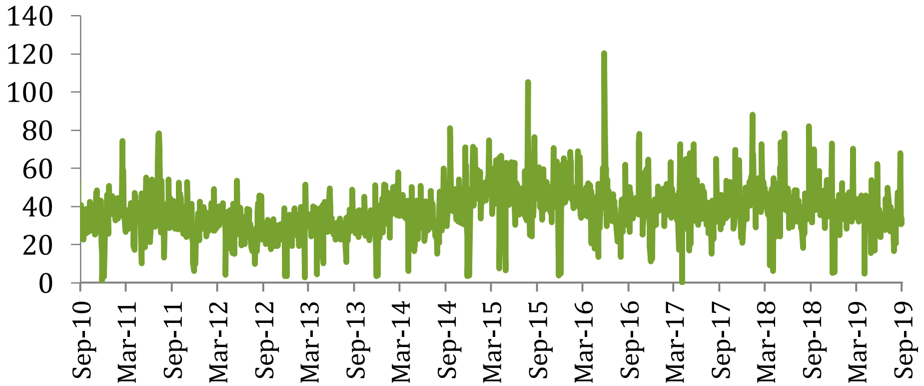
Number of listed companies on European exchanges

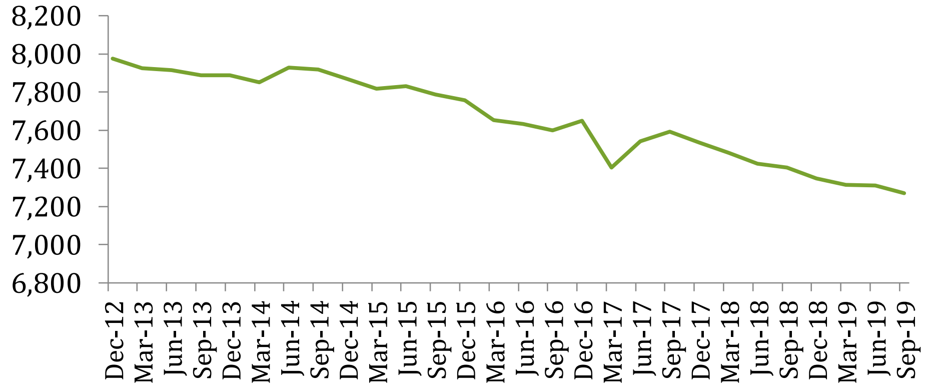


Source: FESE, WFE and European exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs afme/ Finance for Europe

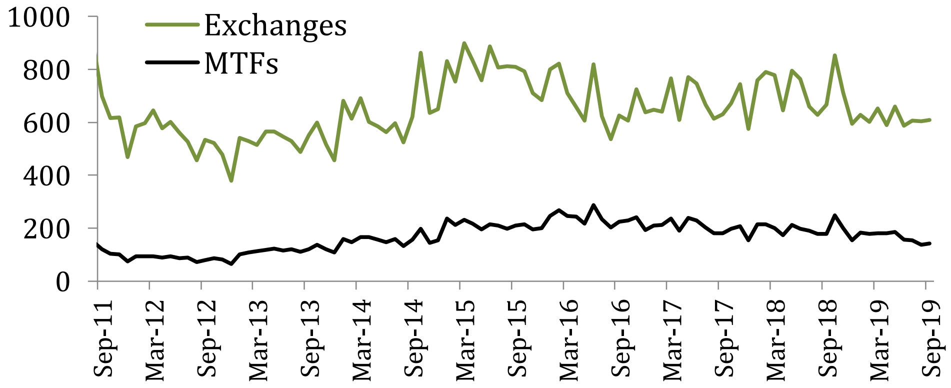
Daily turnover value on European exchanges and MTFs (EUR bn)*



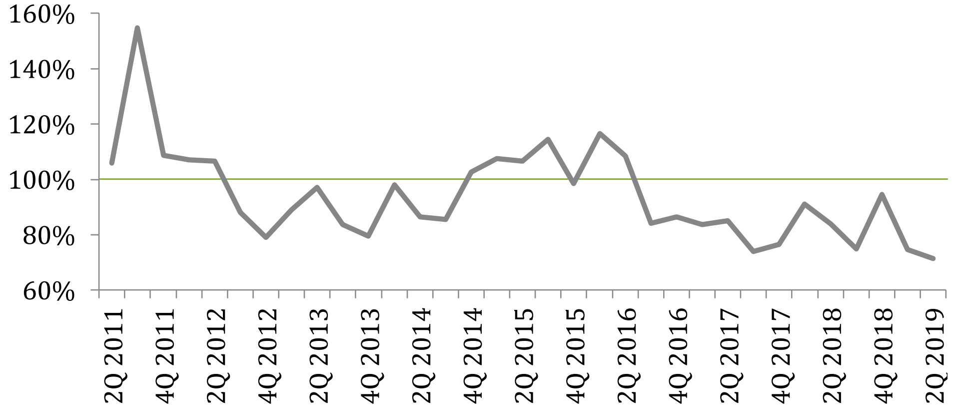
Number of listed companies on European exchanges



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

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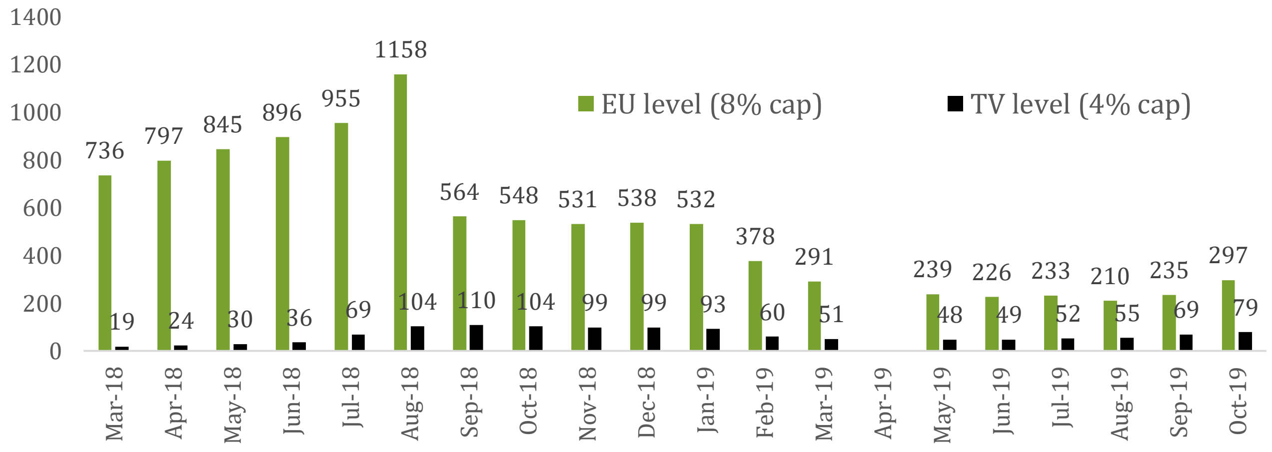
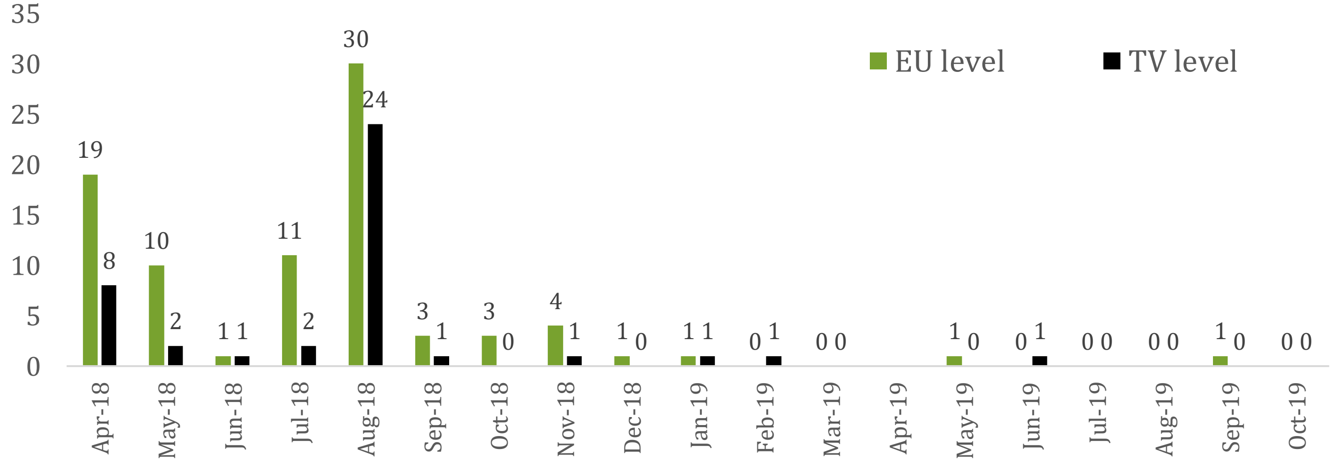
MiFID dark trading caps

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 decreased since the DVC mechanism was launched, from 755 in March 2018 and from 1,262 in August 2018 to 376 in October 2019.

MiFID dark trading caps

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

Oct-19

Country ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT	89	1	0	1%
BE	384	2	1	1%
BG	274	0	0	0%
CY	113	0	0	0%
CZ	28	0	0	0%
DE	1184	20	0	2%
DK	639	24	5	5%
EE	21	0	0	0%
ES	331	0	2	1%
FI	198	9	0	5%
FR	1241	11	4	1%
GB	2010	119	10	6%
GR	232	0	0	0%
HR	129	0	0	0%
HU	66	0	0	0%
IE	1076	20	34	5%
IT	461	6	0	1%
LT	34	0	0	0%
LU	924	7	3	1%
LV	28	0	0	0%
MT	36	0	0	0%
NL	217	7	2	4%
PL	806	0	0	0%
PT	67	1	0	1%
RO	376	1	2	1%
SE	1379	10	1	1%
SI	100	0	0	0%
SK	54	0	0	0%
Non-EU	15152	59	15	0%
Total	**27649**	**297**	**79**	**1%**

Source: ESMA

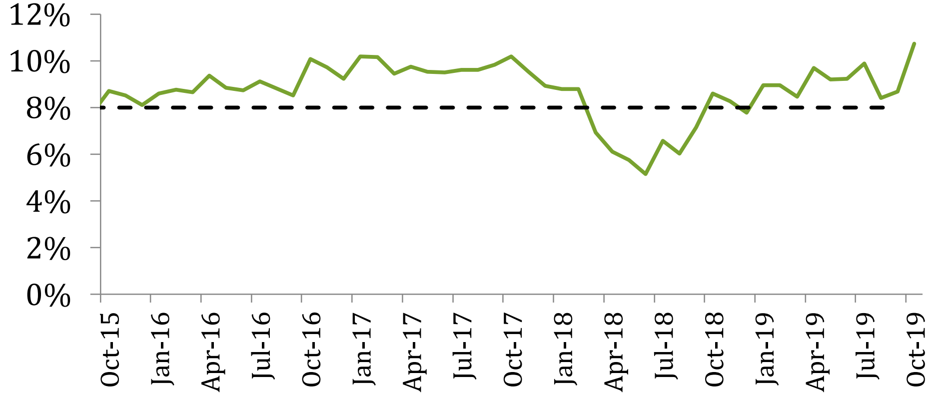
The 376 instruments currently suspended from dark trading at the EU or trading venue level represent 1% of the Universe of equity-like instruments on ESMA's October DVC files (27,649).

By countries, 129 of the 376 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 6% of the 2010 UK ISINs registered in the ESMA DVC files.

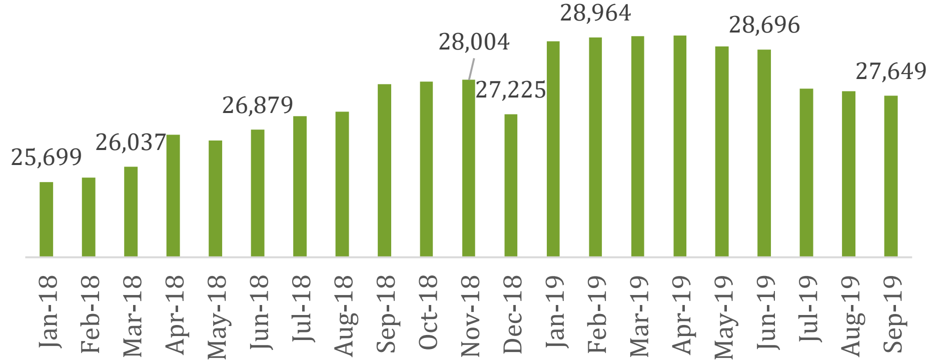
74 of the suspended instruments have non-EU ISINs, or 20% of all suspended instruments at the EU and trading venue

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

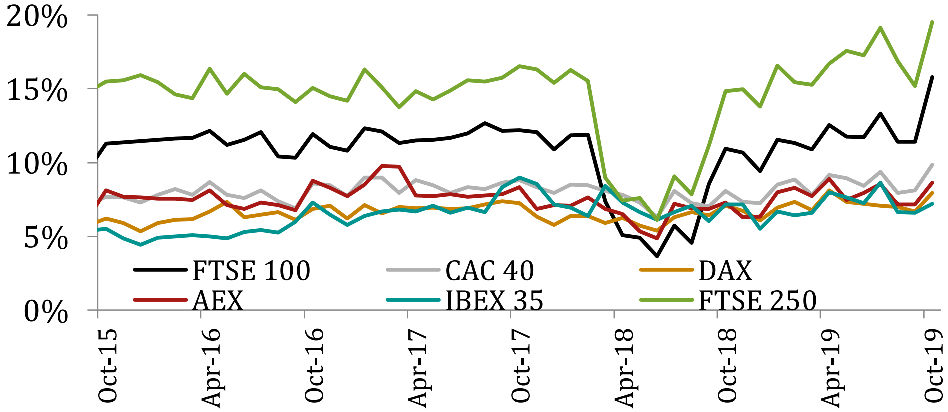
Dark trading as % of total turnover*



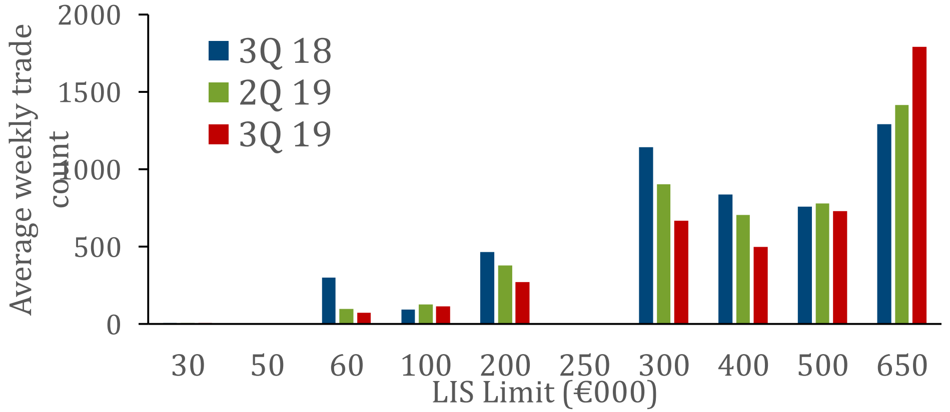
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



% of dark trading by indices*



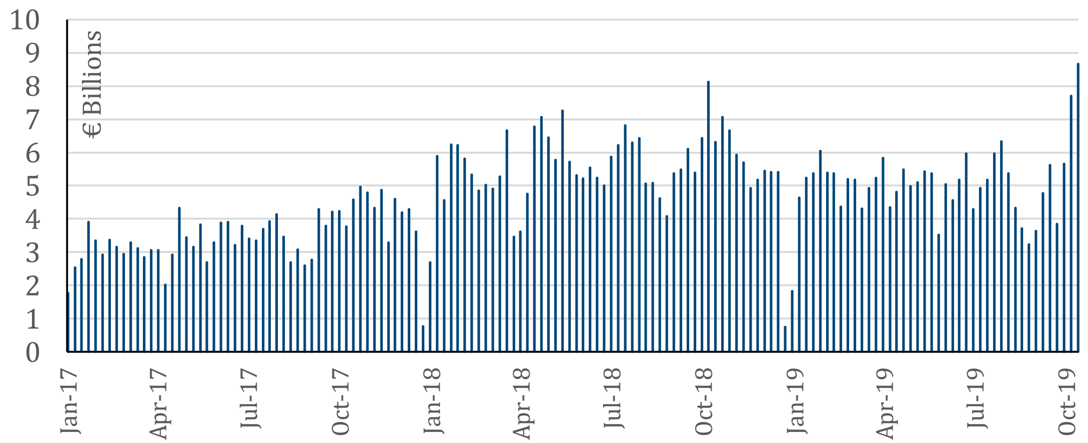
Block trades: weekly trade count by large-in-scale (LIS) limit



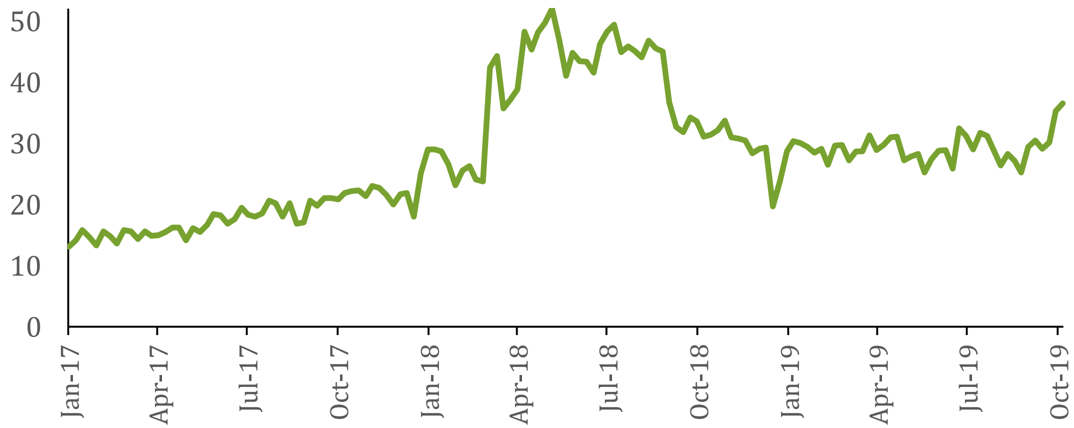
Source: ESMA, Cboe Global Markets and Fidessa
*market represents order book transactions. October data as of 23 Oct

Block trades

Block trades: weekly turnover on European selected venues



Proportion of dark traded as LIS blocks (%)



Source: Fidessa

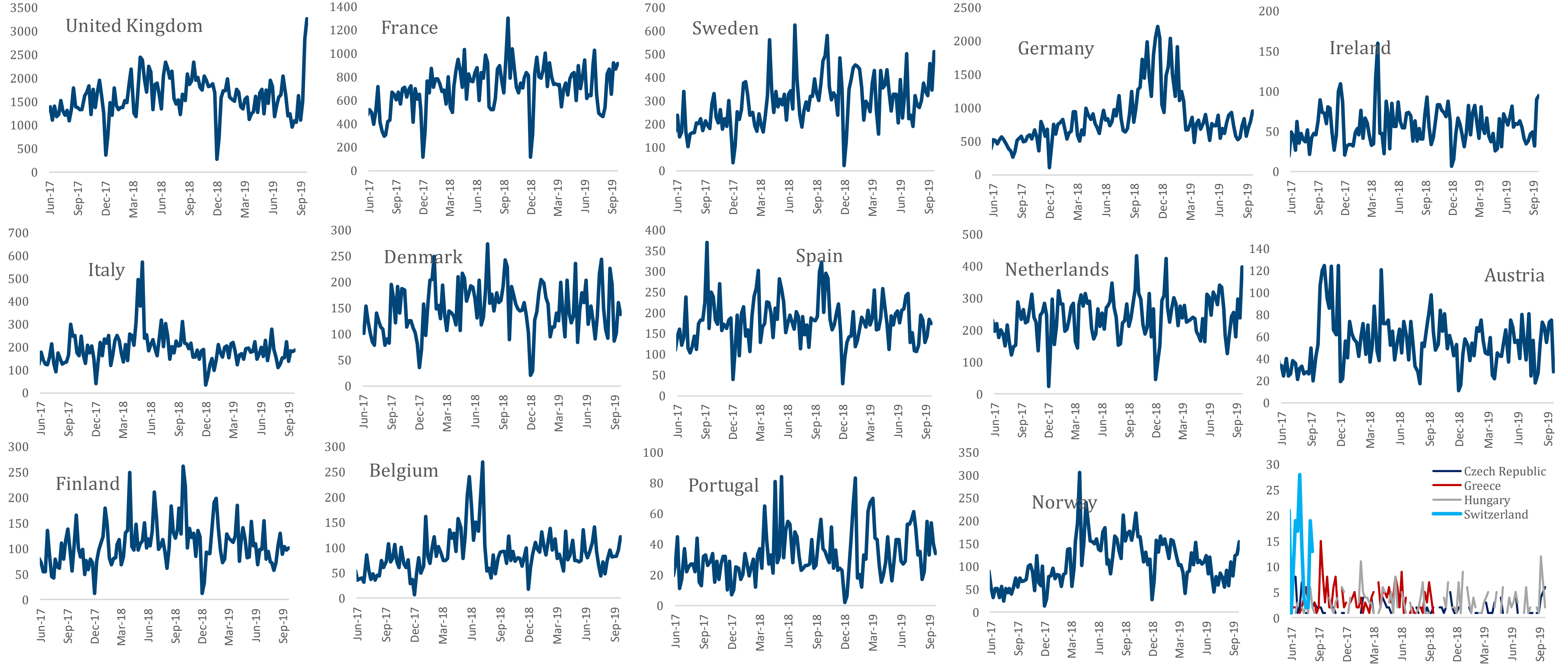
The average weekly turnover in the form of block trades on selected European venues* has increased from €3.0 bn in 1Q17 to €8 bn on average most recently in Oct-2019

According to Fidessa data, the percentage of dark traded as large-in-scale (LIS) blocks on selected venues* has recently increased from c30% in 1H19 to c40% in Oct 2019.

The increase in block trading was predominantly of UK-listed shares as shown on page 27 which also coincided with the new Brexit agreement between the EU and the UK.

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

Block trades: weekly trade count by listing market



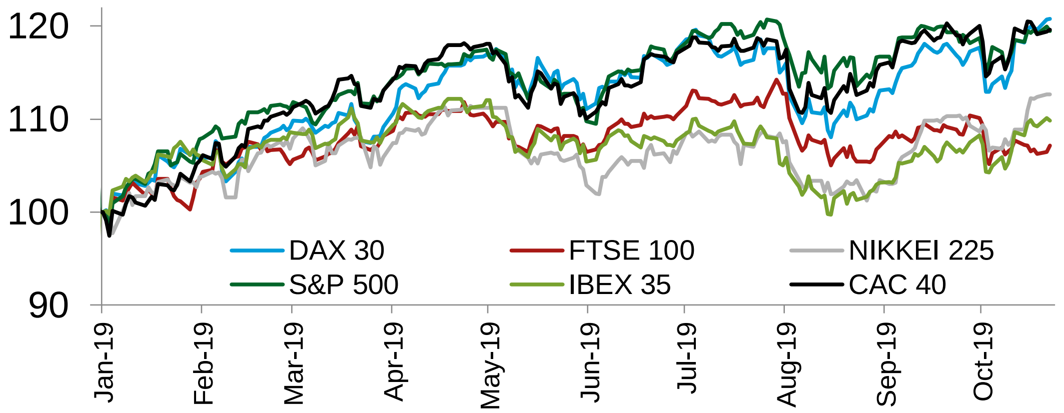
Source: Fidessa with data from Cboe BXE and CXE Dark Order Books, Cboe LIS service, Turquoise Plato™, Liquidnet, Posit and UBS MTF

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

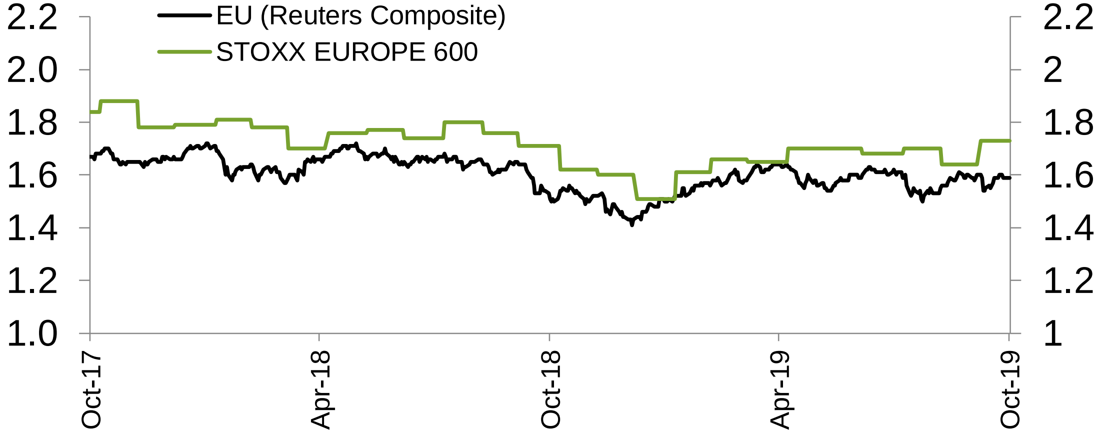
Valuations

Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 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 have increased between 7% (FTSE100) and 19% (DAX30) during 2019YtD.

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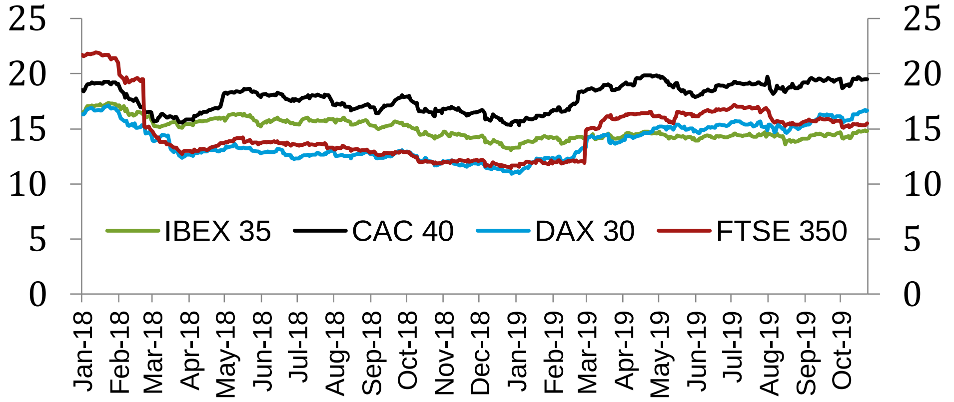
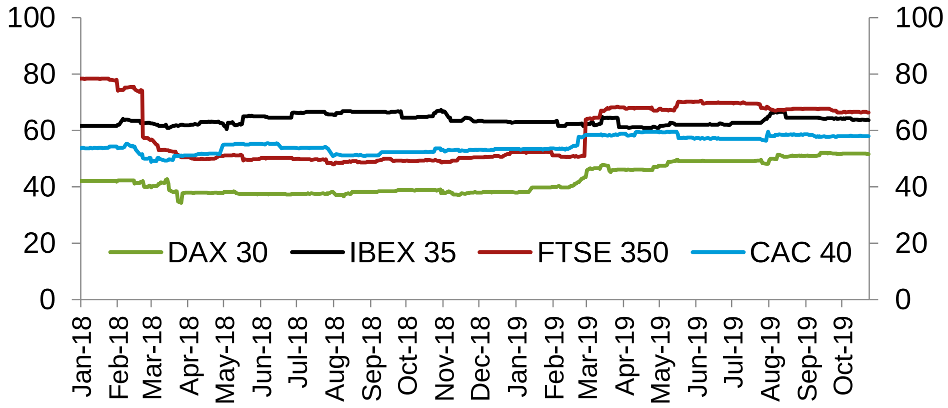
Valuation ratios and implied volatility

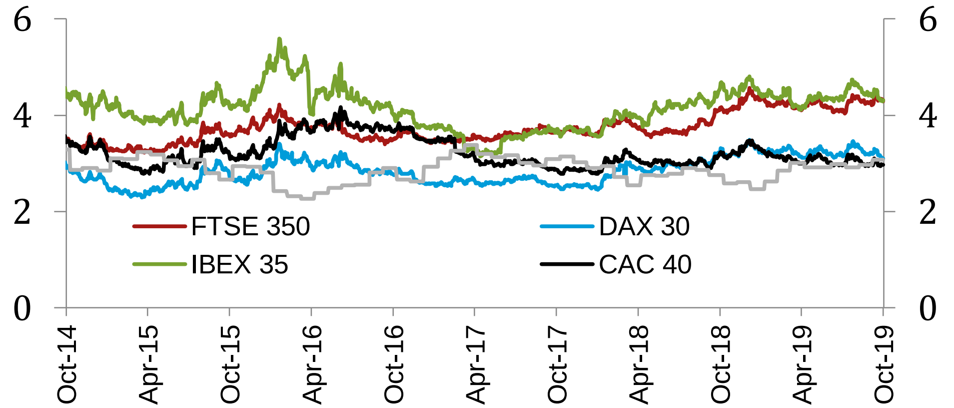
Price-to-earnings (PE) ratio



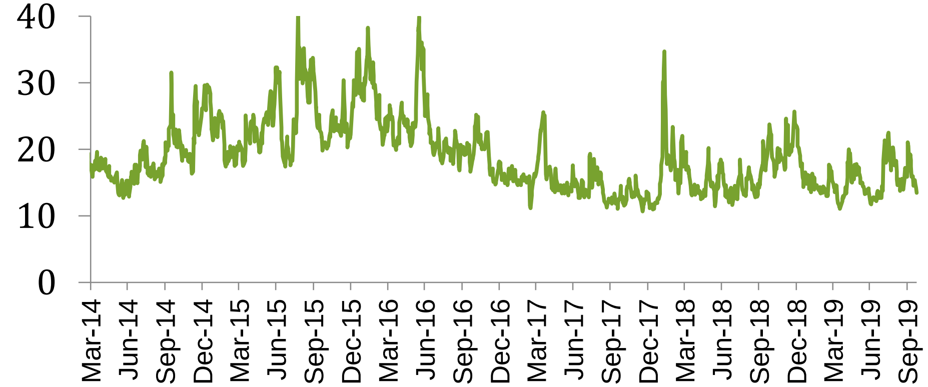
Dividend payout ratio (Dividends/ Earnings per share)



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 YoY	% Change YtD
Equity underwriting (€ bn)	**25.3**	**39.0**	**22.0**		**86.3**	**38.0**	**41.3**	**20.9**	**23.2**	**123.3**	**5%**	**-14%**
IPOs	0.8	11.1	3.9		15.7	12.0	8.7	3.7	10.2	34.6	**5%**	**-36%**
Follow-on offerings	18.5	24.0	12.5		55.0	22.1	29.4	15.3	11.7	78.6	**-18%**	**-18%**
Convertible securities	6.1	3.9	5.6		15.6	3.9	3.2	1.8	1.2	10.1	**204%**	**75%**
Mergers and Acquisitions (€ bn): completed	**236.7**	**199.7**	**256.6**		**693.0**	**210.7**	**374.8**	**205.0**	**344.3**	**1,134.8**	**25%**	**-12%**
European outbound	53.6	52.3	31.6		137.5	41.4	157.4	43.7	42.7	285.2	**-28%**	**-43%**
European inbound	108.3	32.1	36.4		176.8	33.7	32.6	29.0	142.0	237.3	**25%**	**85%**
Intra European	74.8	115.3	188.6		378.7	135.6	184.8	132.3	159.6	612.3	**43%**	**-16%**
Mergers and Acquisitions (€ bn): announced	**172.3**	**265.3**	**238.8**		**676.4**	**371.4**	**325.5**	**215.4**	**207.1**	**1,119.4**	**11%**	**-26%**
Equity turnover value (€ tn)	**2.43**	**2.36**	**2.26**		**7.0**	**2.96**	**2.79**	**2.50**	**2.76**	**11.0**	**-10%**	**-15%**
Main Markets	1.88	1.84	1.82		5.5	2.33	2.21	1.96	2.16	8.7	**-7%**	**-15%**
MTFs	0.54	0.52	0.44		1.5	0.63	0.58	0.55	0.60	2.4	**-21%**	**-15%**
Market Capitalisation of domestic listed shares (€ tn)												
European (EU28 and Switzerland)	13.0	13.2	13.3		13.3	13.0	13.3	13.4	11.7	11.7	**-0.5%**	**14%**
EU 28	11.6	11.7	11.8		11.8	11.7	12.0	12.0	10.4	10.4	**-2%**	**13%**
Euro Zone	7.8	7.9	7.8		7.8	7.8	8.0	8.0	7.0	7.0	**-1%**	**12%**

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

Contacts

Research

Julio Suarez
Director, Research
julio.suarez@afme.eu
+44 (0)20 3828 2726

Equities, ECM and Corporate Finance

April Day
Managing Director, Head of Equities
April.Day@afme.eu
+44 (0)20 3828 2682

Gary Simmons
Managing Director, High Yield and ECM
Gary.Simmons@afme.eu
+44 (0)20 3828 2723

Sean Barwick
Associate Director, Equities
Sean.Barwick@afme.eu
+44 (0)20 3828 2758

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

London Office
39th Floor
25 Canada Square
London E14 5LQ
United Kingdom
+44 (0)20 3828 2700

Brussels Office
Rue de la Loi, 82
1040 Brussels
Belgium
+32 (0)2 788 3971

Frankfurt Office
Skyper Villa
Taunusanlage 1
60329 Frankfurt am Main
Germany
+49 (0)69 5050 60 590

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www.afme.eu