

1Q 2019

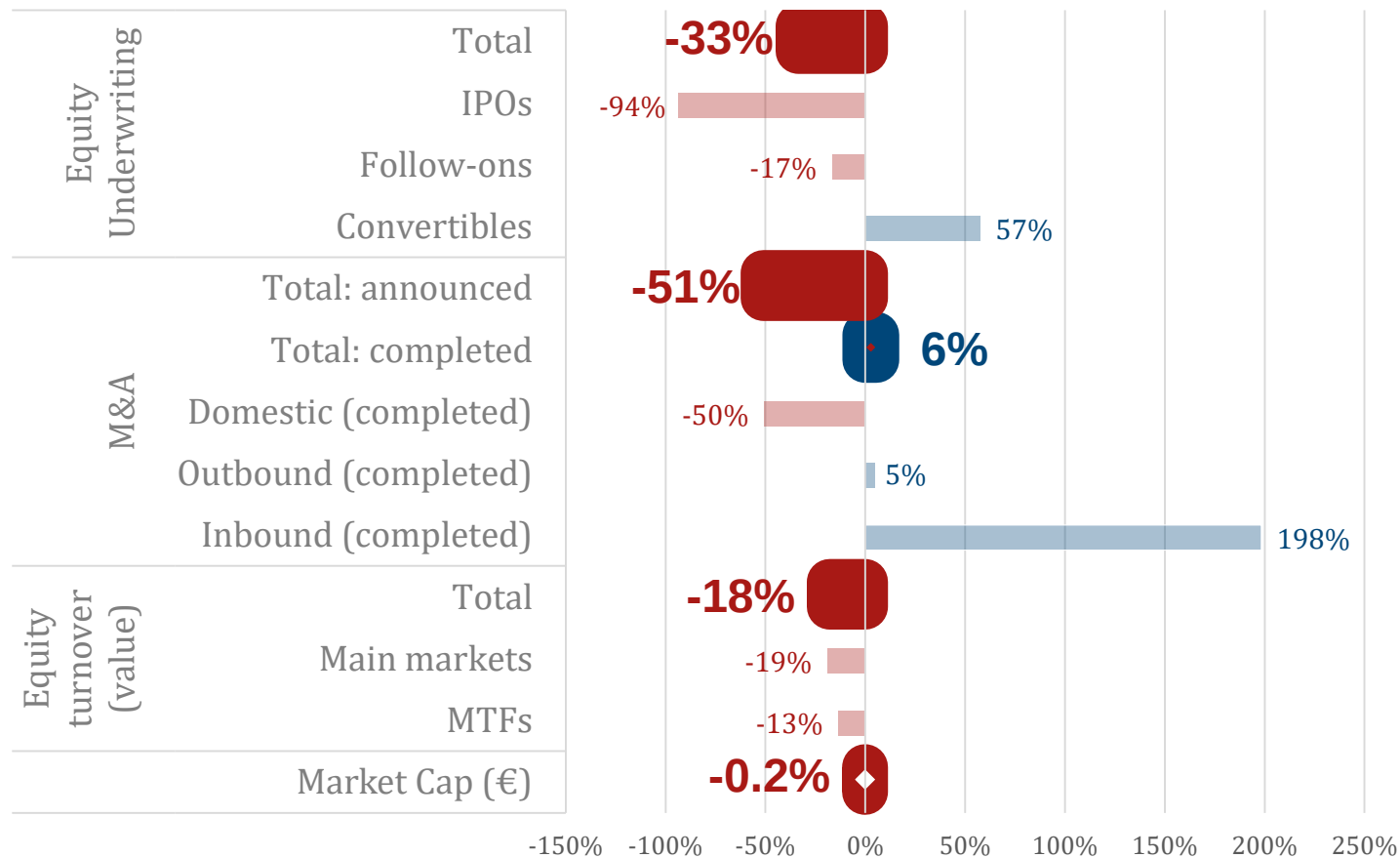
Equity Primary Markets and Trading Report

European market data
update



1Q 2019 YoY variation of European Equity activity

EU28 member countries and Switzerland



Equity underwriting on European exchanges accumulated a total of €25.3 bn in proceeds in 1Q19, a 33% decrease from the value originated in 1Q18 (€38.0 bn).

IPO issuance in 1Q19 decreased 94% against the amount issued in 1Q18.

Completed Mergers and Acquisitions (M&A) of European companies totalled €208.9 bn in 1Q19, an increase of 6% from the amount completed in 1Q18 (€197.8 bn).

The amount of announced M&A deals totalled €166.4 bn in 1Q19, a 51% decrease from 1Q18.

Equity trading activity on **European main markets and MTFs** generated a total of €2.6 tn in turnover value in 1Q19, a decrease of 18% from 1Q18 (€3.2 tn)

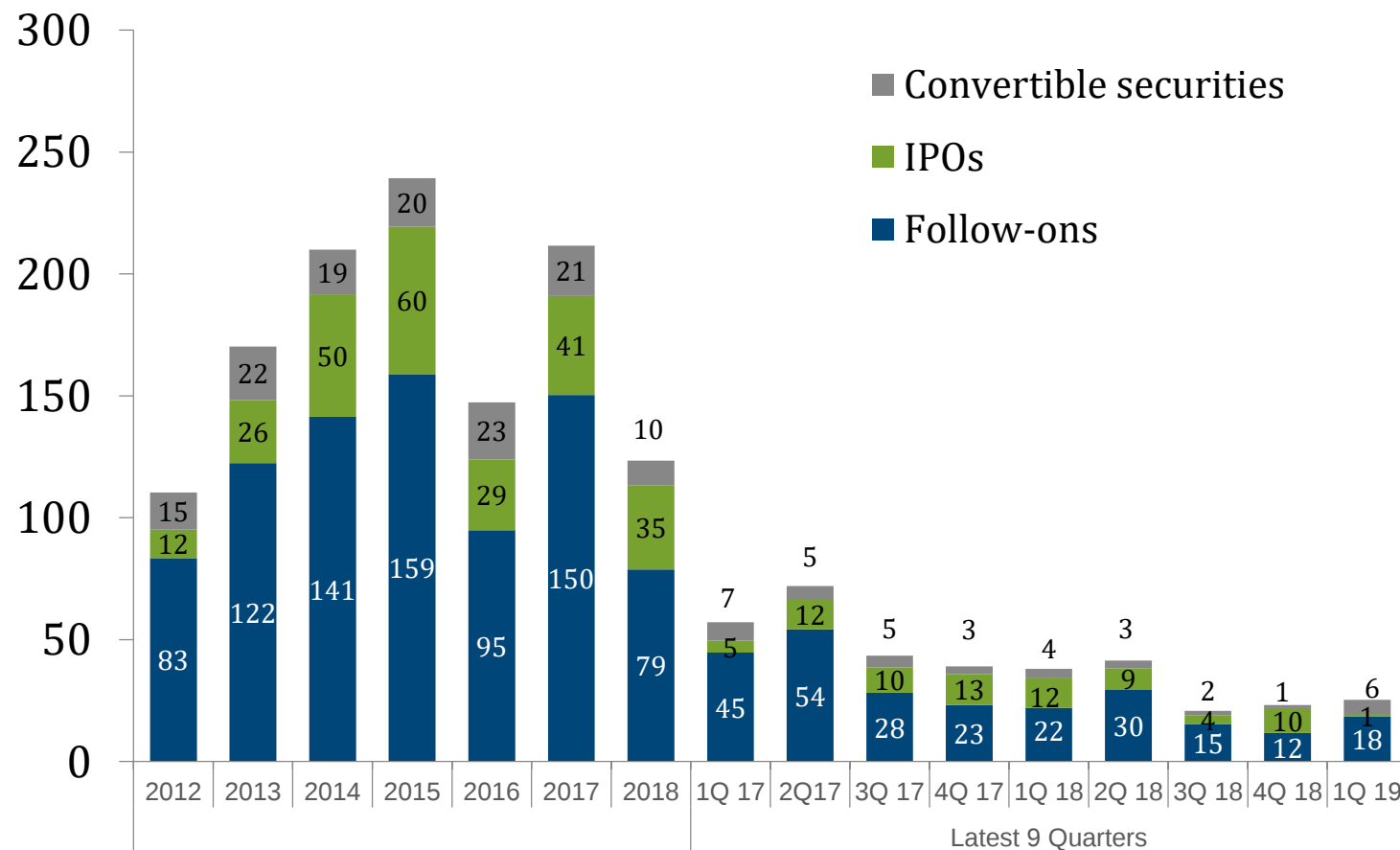
Domestic market capitalisation of European listed shares stood at € 13 tn at the end of 1Q19

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Equity issuance

Lowest amount in IPO proceeds since 2013

Equity Issuance on European exchanges (EUR bn)



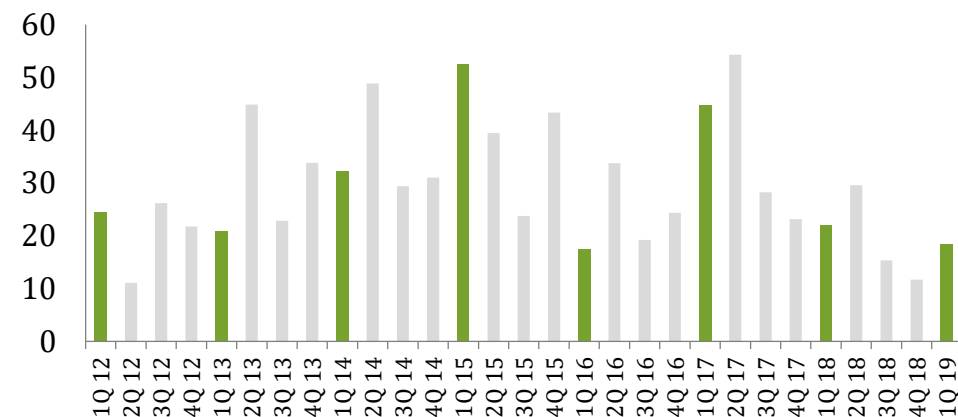
Source: Dealogic

The significant decline in equity underwriting (-33% YoY) was driven by a 94% decrease in IPO proceeds and a 17 decrease in follow-on offerings

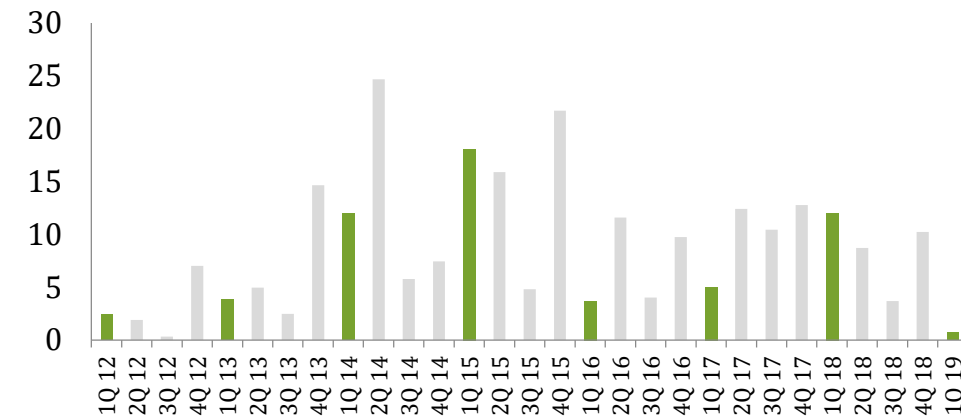
Political uncertainty regarding the future relationship between the UK and the EU may have adversely impacted the European equity primary market as companies delayed capital raising on UK and EU27 exchanges to gather more information on potential implications of Brexit on capital markets.

Only 5 IPOs were issued on UK exchanges during 1Q19—the lowest quarterly number since 2009

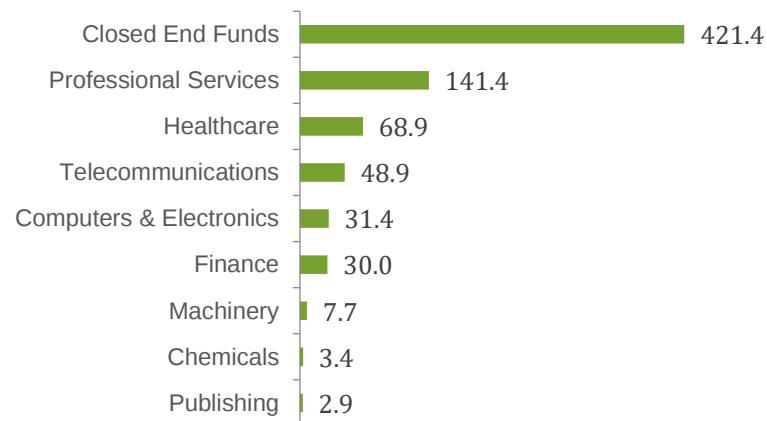
Follow-on offerings (EUR bn)



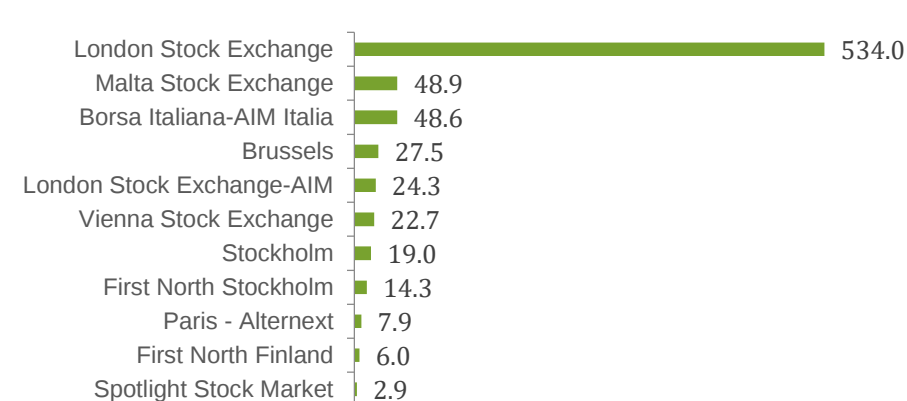
IPO proceeds (EUR bn)



IPO proceeds by industry (EUR mm): 1Q 2019



IPO proceeds by listing market (EUR mm): 1Q 2019

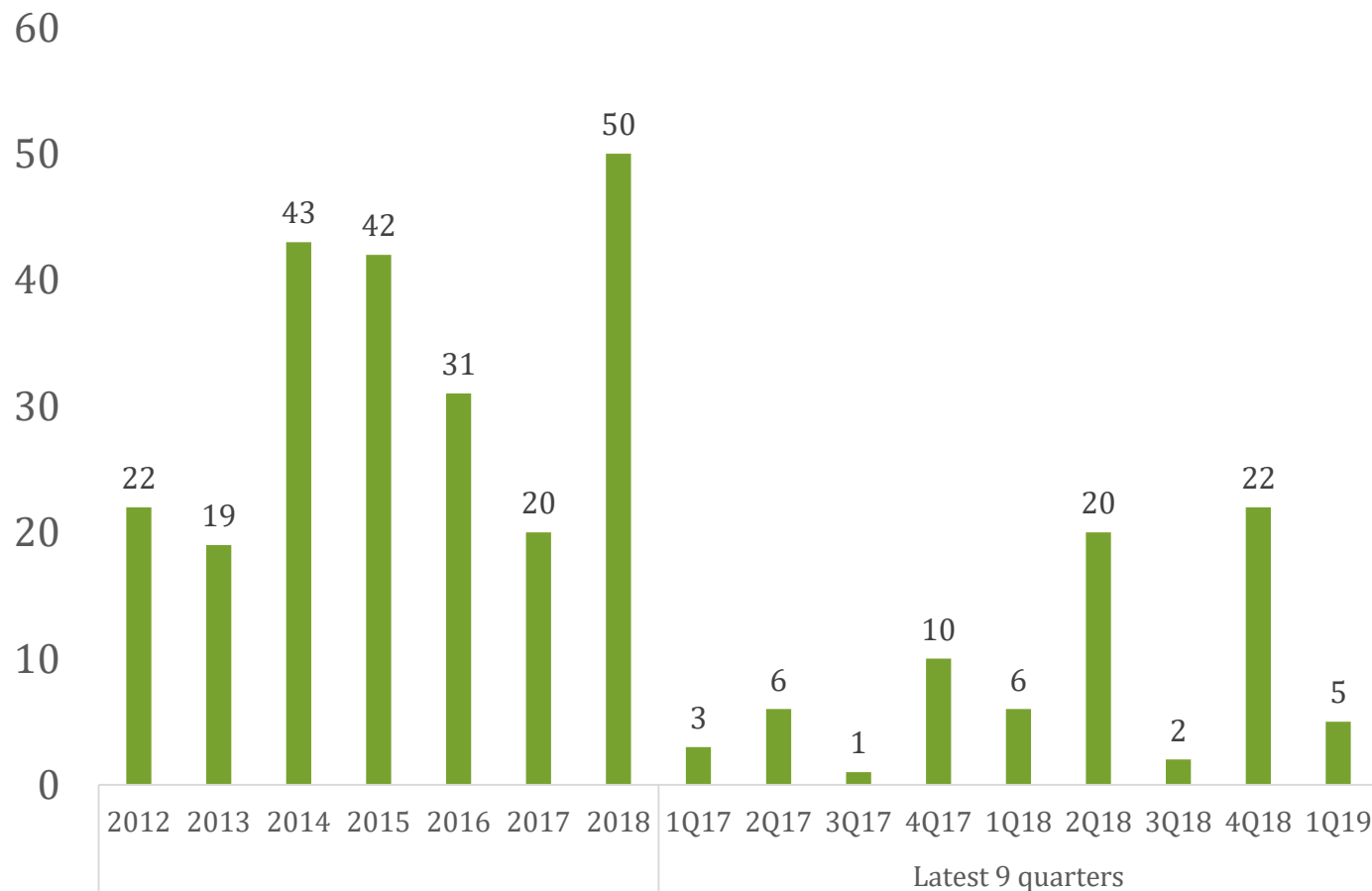


Source: Dealogic

*Finance includes SPVs

Increase in IPOs withdrawn or postponed

Number of IPOs withdrawn or postponed



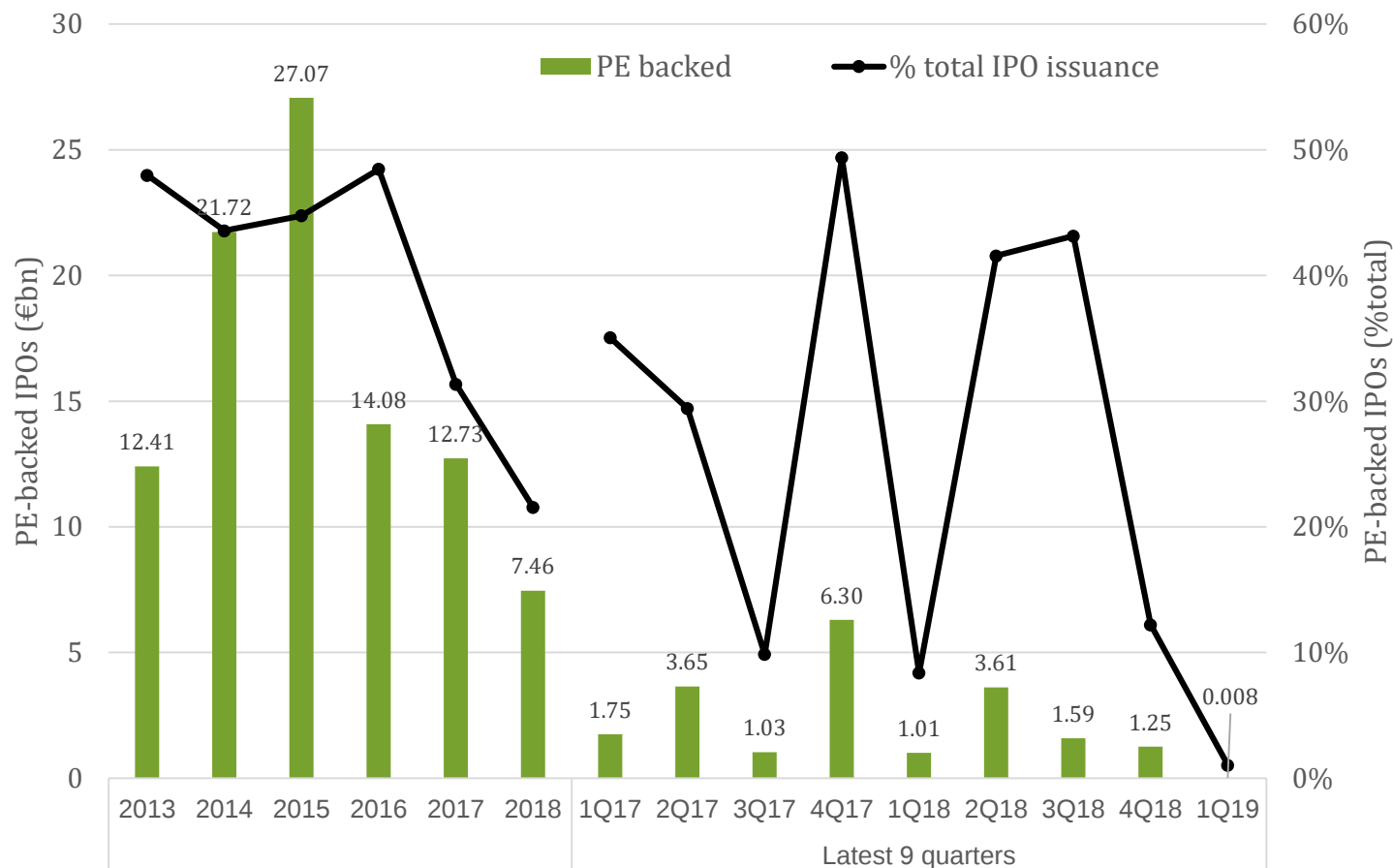
Source: Dealogic

27 IPOs have been postponed or withdrawn during the last two quarters.

Market uncertainty in 4Q18 and political uncertainty regarding the future relationship between the UK and the EU27 among the factors behind the postponement in IPO issuance.

Decline in PE exits

PE-backed IPO issuance (EURbn and % of total IPO)



Source: Dealogic

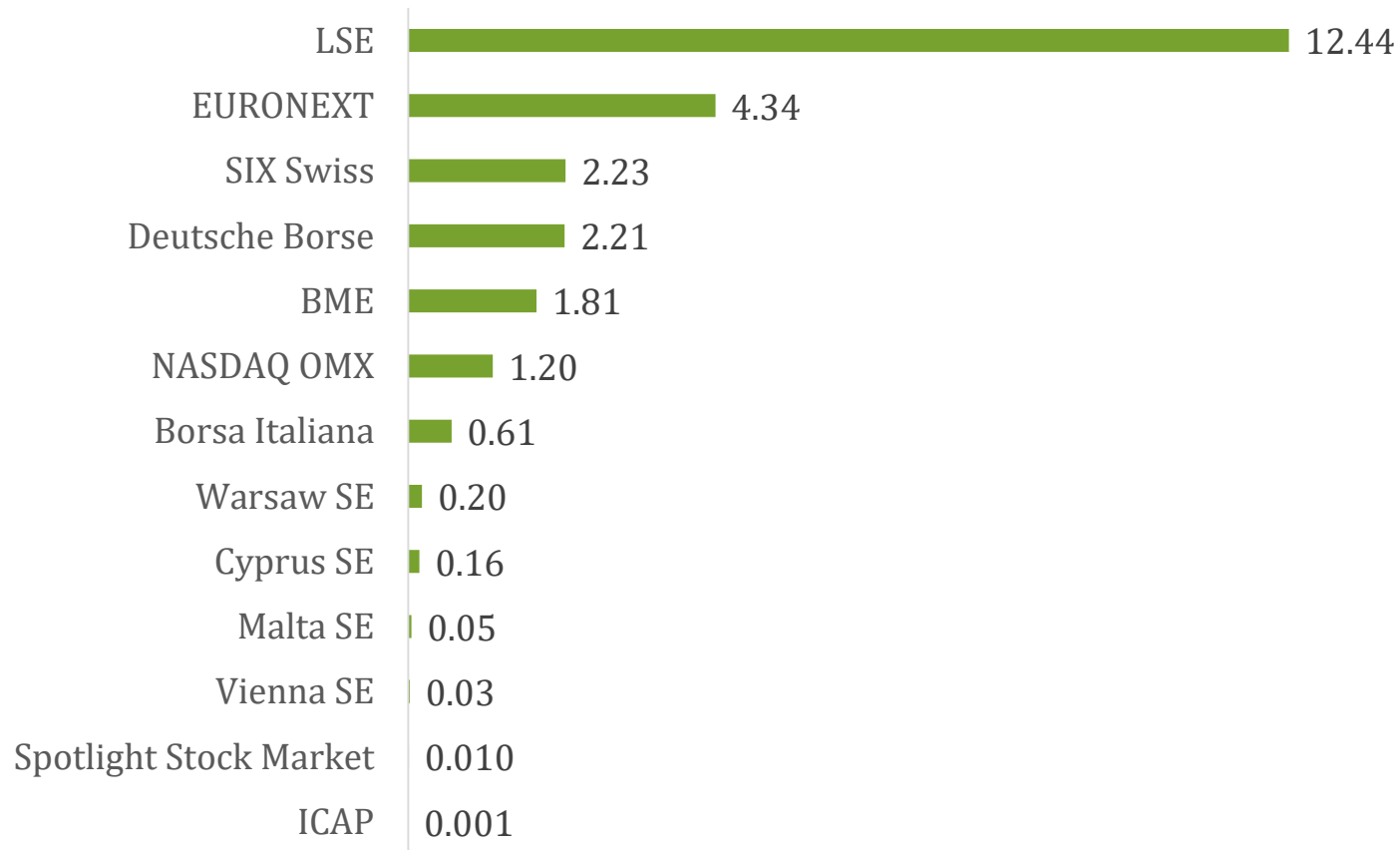
Private Equity backed IPO continued to decline in 2019

PE companies contributed to issue €7.8m in IPO proceeds during 1Q19, a significant decline from €1bn in 1Q18 and €1.25bn in 4Q18.

Market turbulence, political uncertainty and long-term preference for companies to stay private among the factors behind the decline in PE-backed IPOs

Equity issuance by exchange during 1Q19

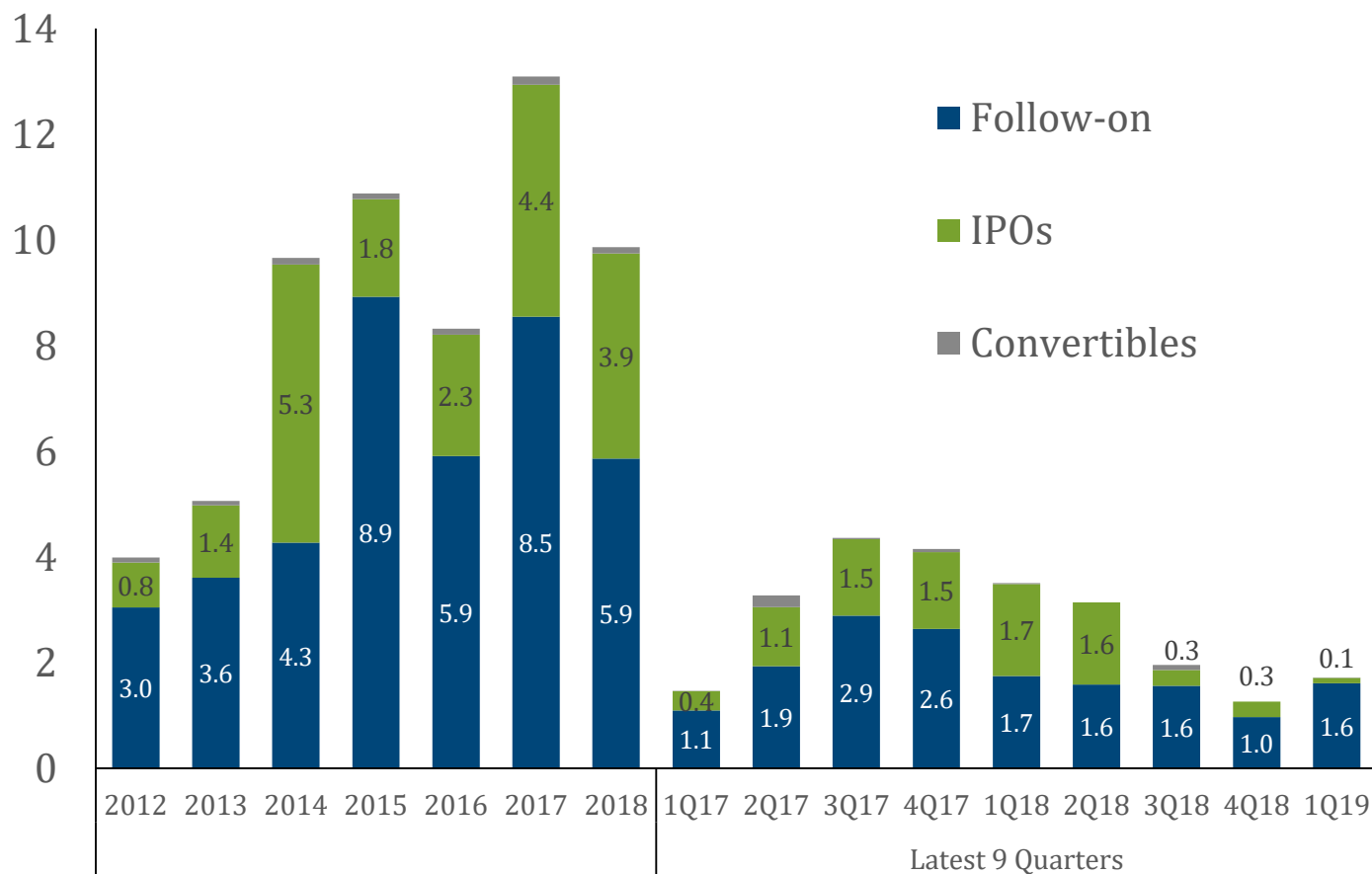
Equity underwriting on European exchanges: IPO, follow-ons and convertibles
(EUR bn): 1Q 19



LSE exchanges (main market and AIM) led by total equity underwriting accumulating a total of €12.4bn, followed by Euronext exchanges and SIX Swiss

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



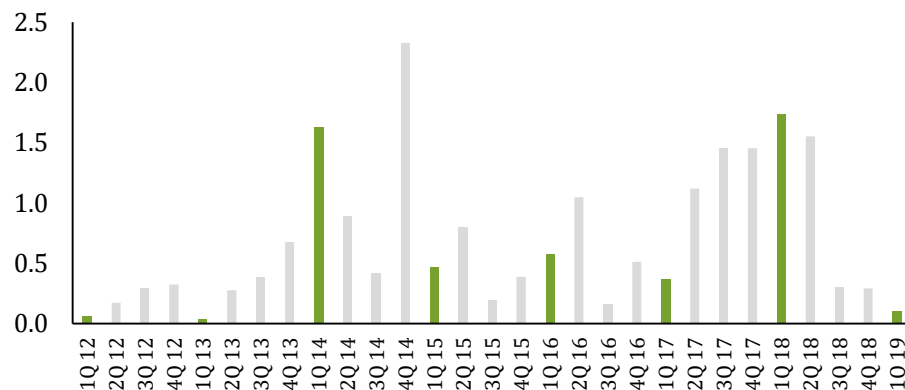
Source: Dealogic

Equity issuance on Jr exchanges fell 51% compared to 1Q18, accumulating a total of €1.7bn in proceeds

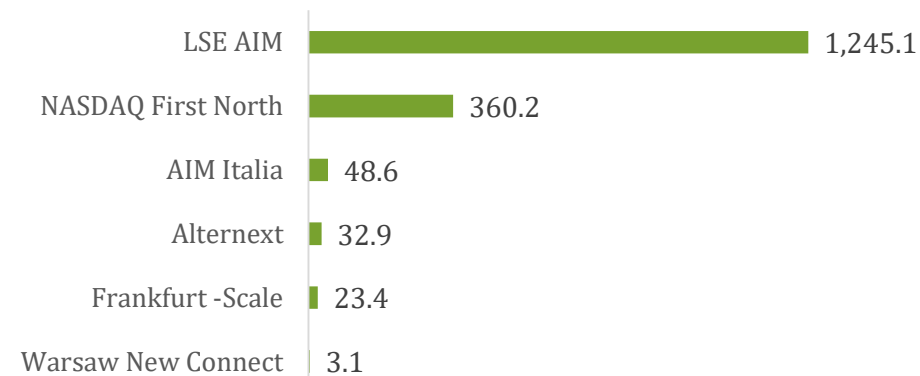
IPOs on Junior markets totalled €0.1 bn in proceeds in 1Q19, the lowest quarterly amount since 2013.

LSE AIM led in IPO proceeds on Jr markets

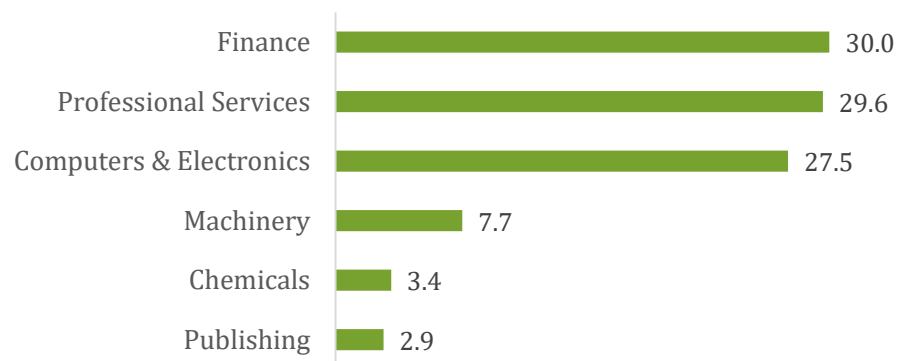
IPO proceeds on Jr European markets (EUR bn)



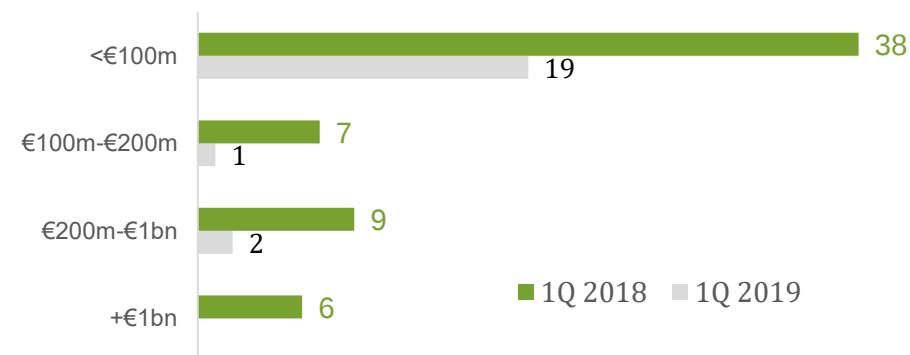
IPO proceeds on Jr markets by exchange (EUR mm, 1Q19)



IPO proceeds on Jr markets by industry (EUR mm, 1Q 19)



Number of IPOs on European exchanges by market value of issuer (pre-deal value, 1Q19)

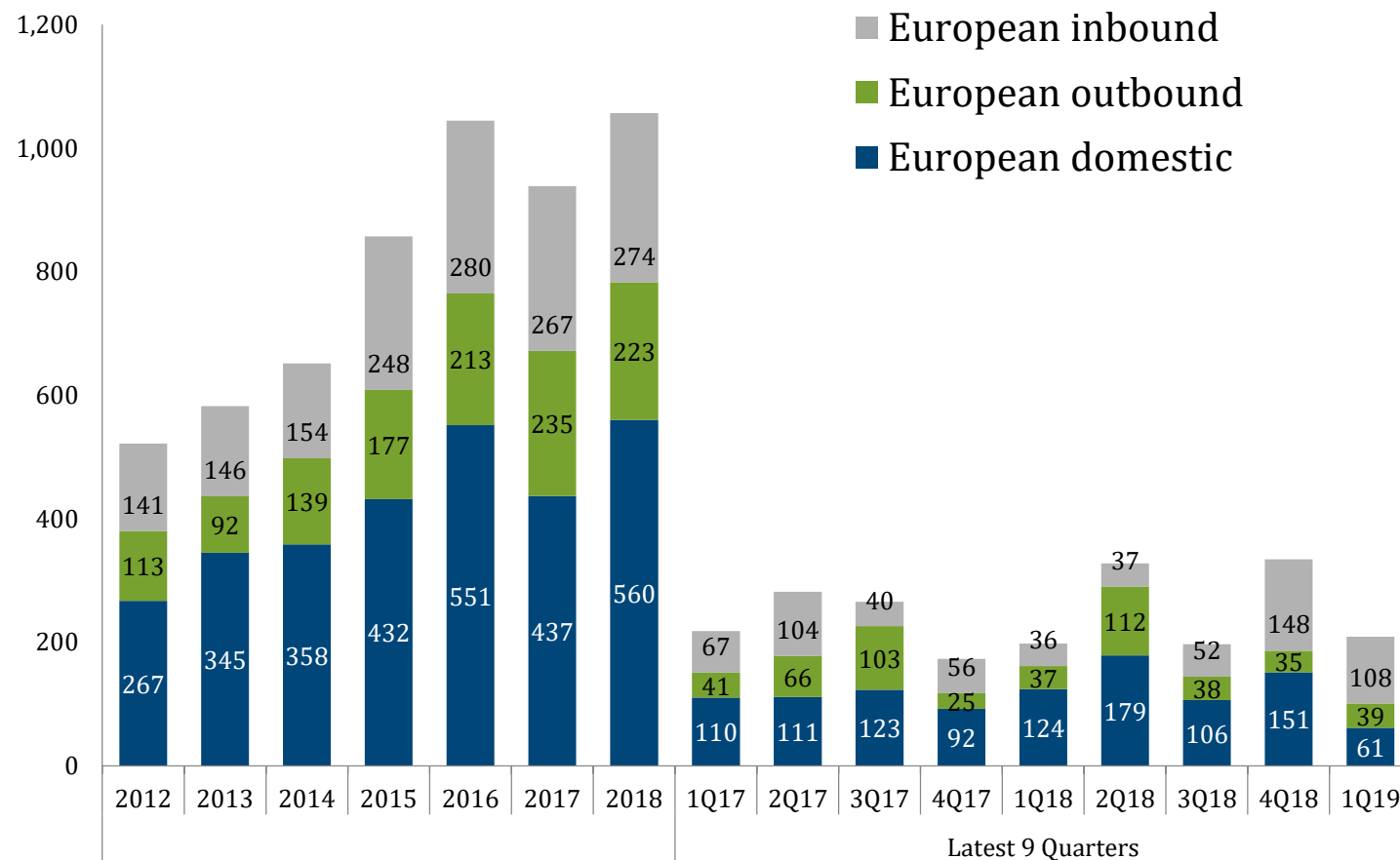


Source: Dealogic
*Finance includes SPVs

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

European M&A activity increased 6% against 1Q18, largely driven by a 198% increase in inbound deals (i.e. acquisition of European companies buy non-European companies*)

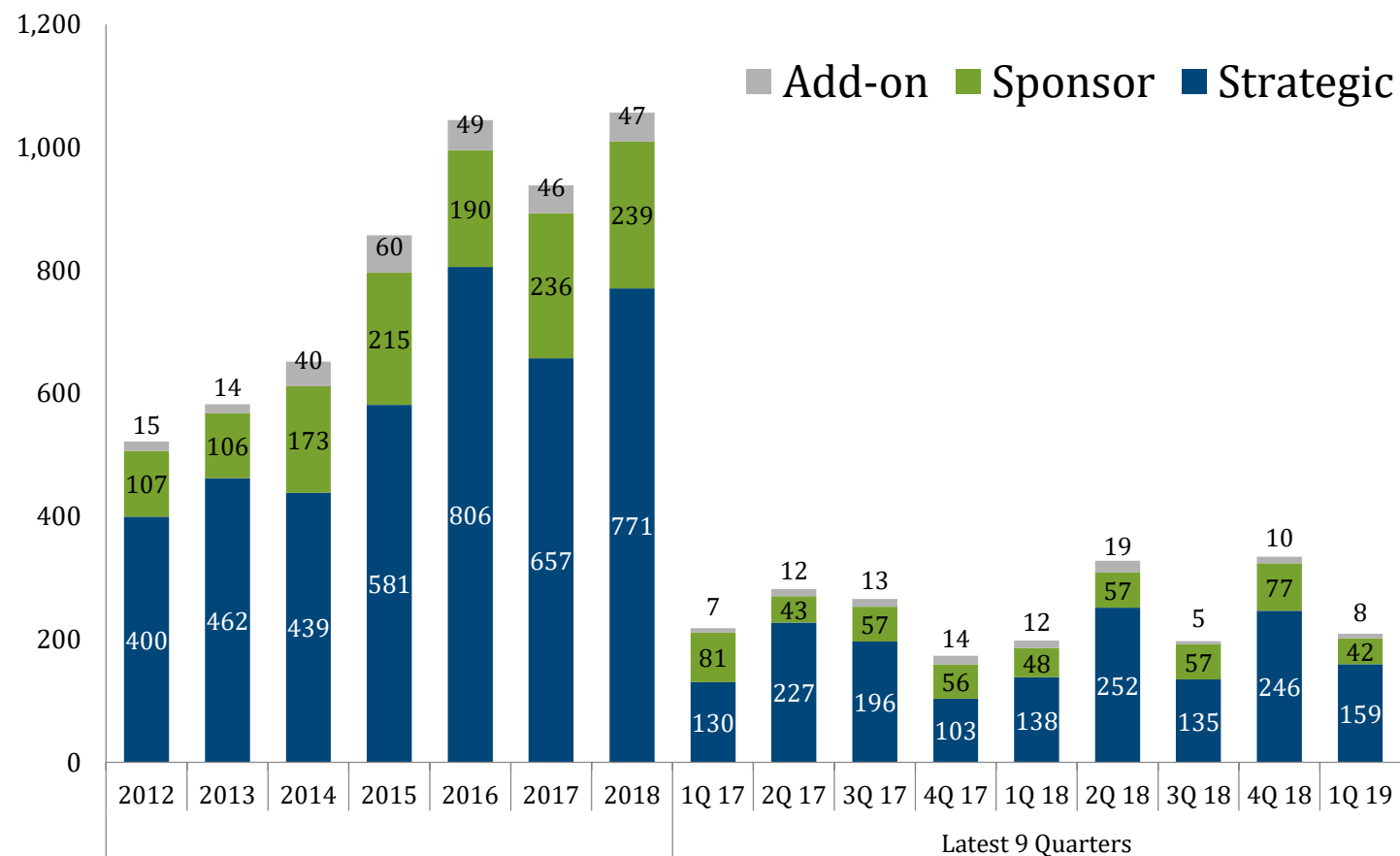
APAC firms represented 77% of the inbound deal value, a sharp increase compared with 28% of the 2018FY inbound value

Outbound M&A (i.e. European firms that acquired non-European firms) stood relatively unchanged with a YoY increase of 5% against 1Q18. American-targeted firms represented 68% of the outbound deal value. See geographic breakdown on pages 17 and 18.

*EU28 and Switzerland

M&A by type of deal

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

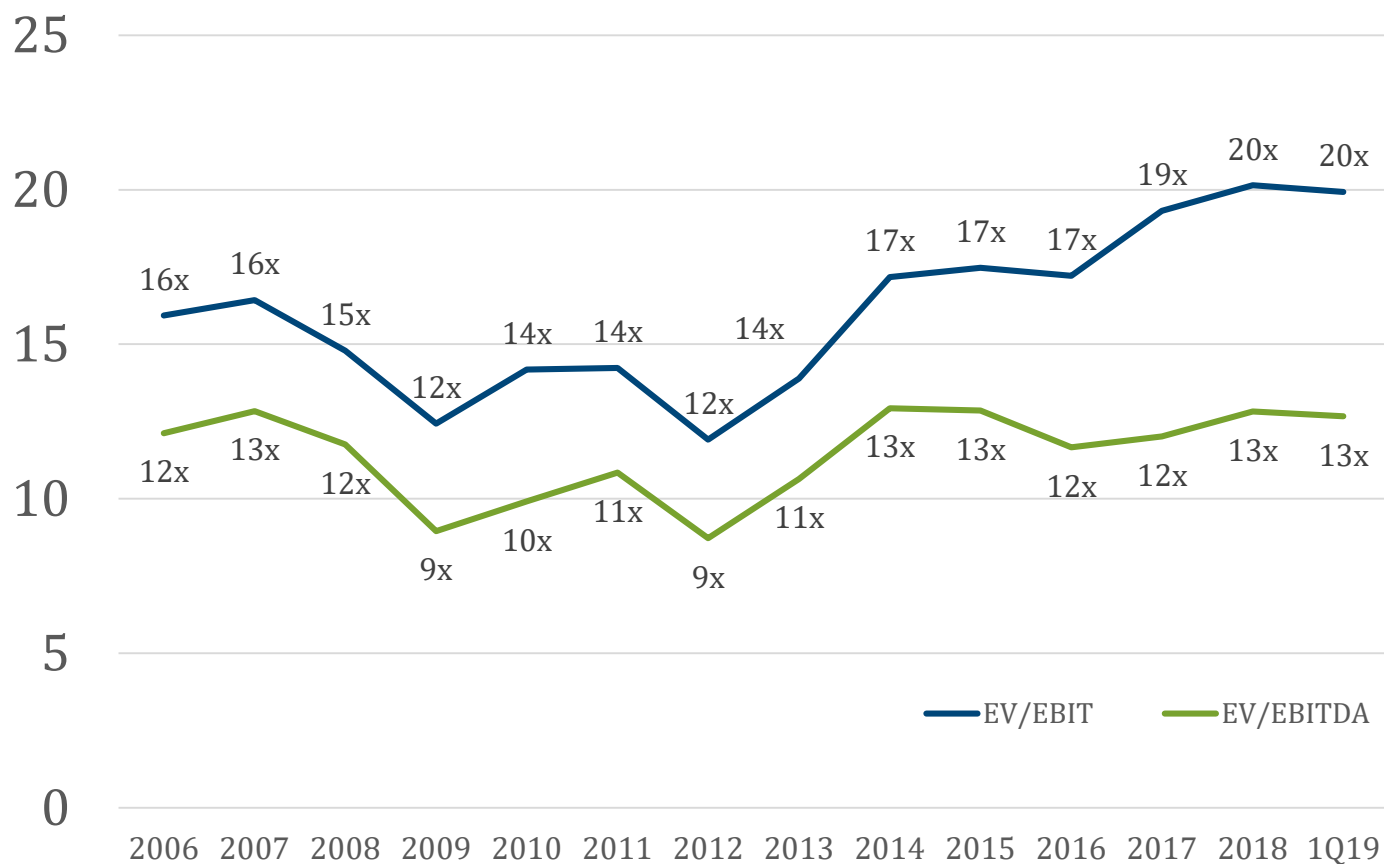


Source: Dealogic

Private Equity-backed M&A activity (“Sponsor” deals) declined 12.5% YoY, which represents the lowest quarterly amount since 2014

Valuation multiples of European-targeted firms

Median transaction multiples: EV/EBIT and EV/EBITDA

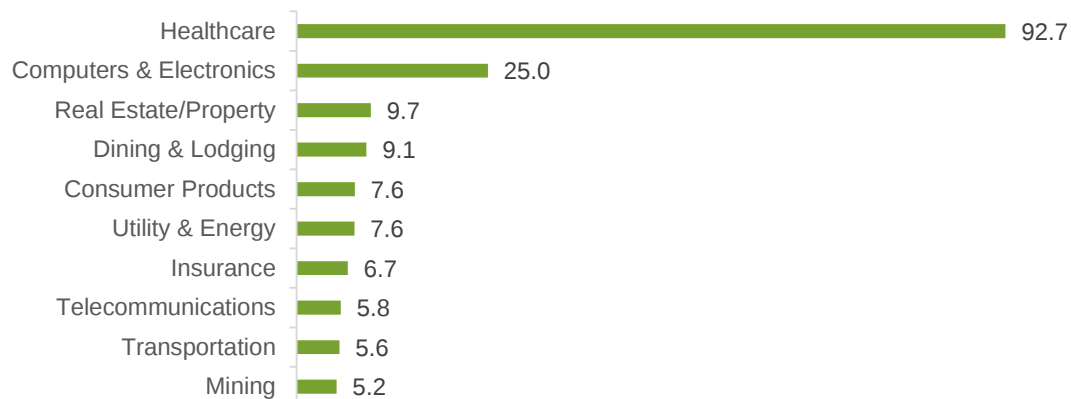


Valuation multiples stood relatively unchanged in 1Q19 compared with the 2018 average.

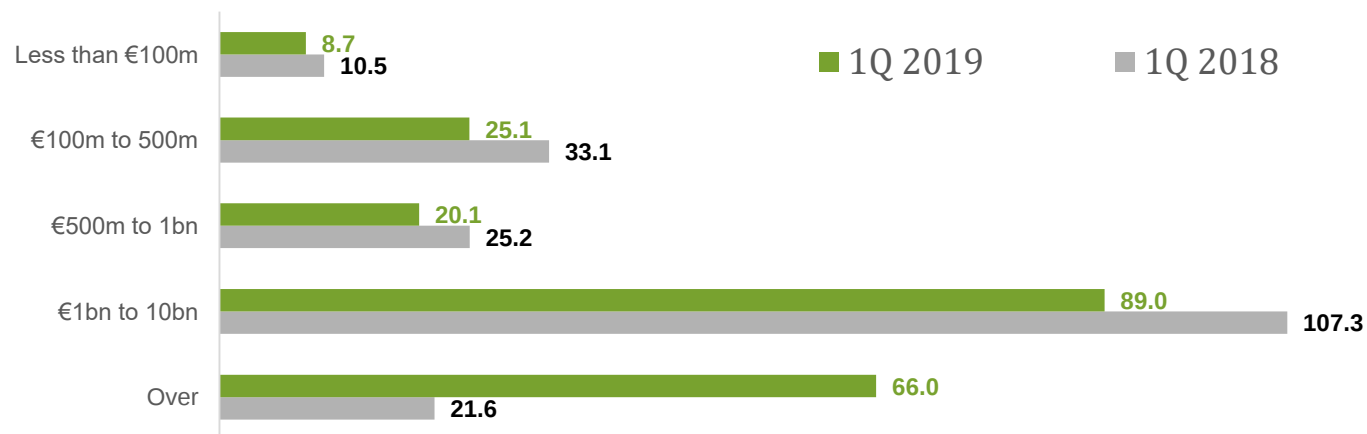
The median Enterprise Value to EBITDA ratio (EV/EBITDA) of targeted firms stood at 13x in 1Q19, compared to an annual average of 11.2x in 2006-18.

Healthcare lead by deal value

Top 10 industries for completed M&A (1Q 2019, EUR bn)



Completed M&A transactions by deal value (EURbn)



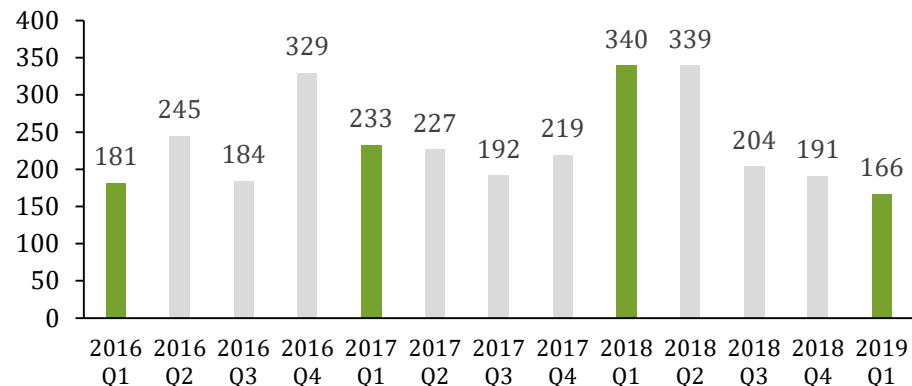
Source: Dealogic

One “megadeal” (deal value above €10bn) was completed during 1Q19: Takeda Pharmaceutical-Shire plc

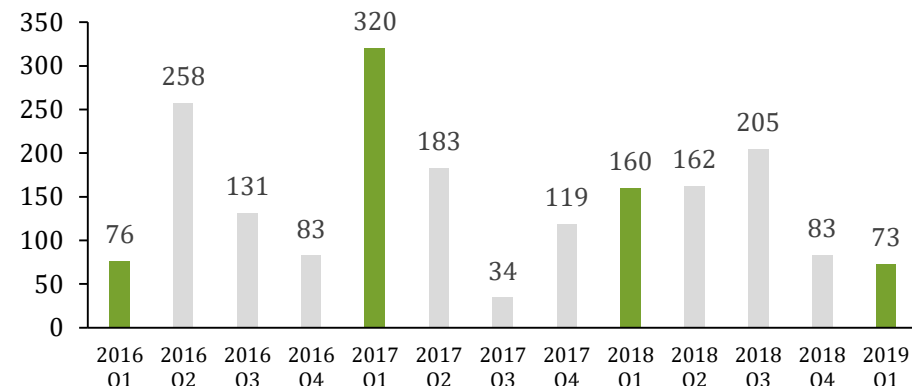
This deal represented 77% of the total deal value in the healthcare industry and 31% of the amount of completed M&A transactions in 1Q19

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

Announced M&A (EUR bn)



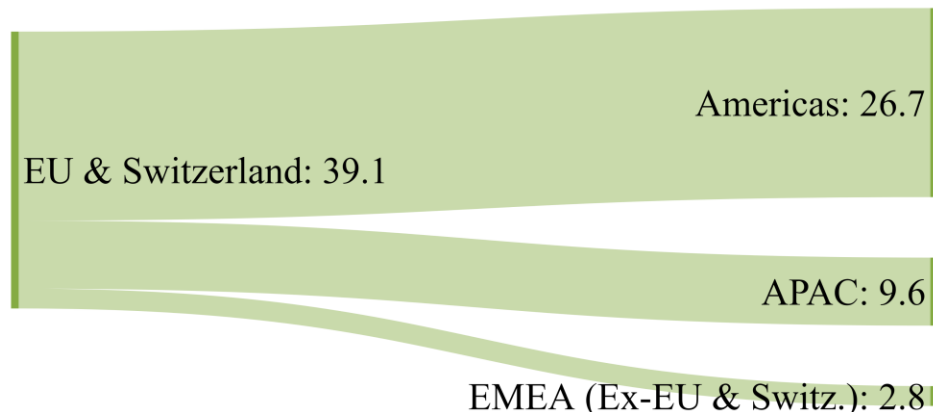
Withdrawn M&A (EUR bn)



Completed inbound M&A by acquiring region (EUR bn, 1Q19)



Completed outbound M&A by target region (EUR bn, 1Q19)



European integration: M&A between European firms

Completed intra-European M&A activity (1Q 2019, EUR bn) Target Nationality

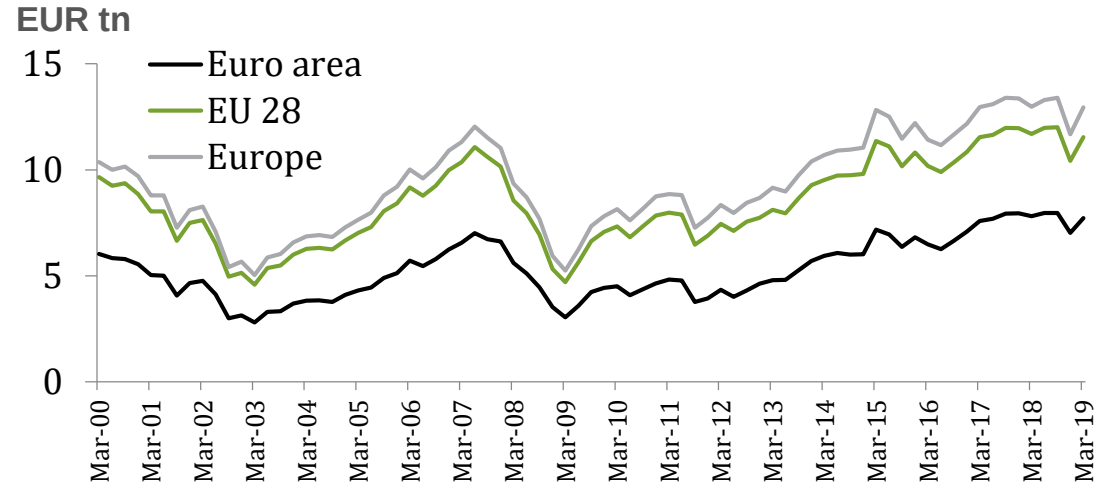
Acquirer Nationality

	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	CHE	UK	Total	
Austria	6										0										0						0	0	0	6	
Belgium		128							0	8	0									0							117		499	752	
Bulgaria			30																											30	
Croatia	0			97																										97	
Cyprus					40																8									48	
Czech Republic						0				52					0								0	90		0				142	
Denmark						0	253			0					0					0	73					0				326	
Estonia								0		6																				6	
Finland	0	0					0		641											0							5		0	646	
France	73	0					0			11,401	335			0	2,406						338			0			16	66	0	96	14,732
Germany	39					0	3,360		0	534	3,421			0	0					1,270	67					0	107	20	0	8,818	
Greece												530																		530	
Hungary													69											4						73	
Ireland			0								143			694													180		123	1,140	
Italy							0		0	12	0				4,696							0			245	0		0	0	4,953	
Latvia																0														0	
Lithuania																0	0										0			0	
Luxembourg										0								1,055								0				1,055	
Malta											0																			0	
Netherlands		0				155	0			0	0			0	0		0			1,362				0			3,006	0	30	4,553	
Poland			0			0				0	0										270			6			2			277	
Portugal		0																				228								228	
Romania													0											2						2	
Slovak Republic						0					0																			0	
Slovenia				0																						0				0	
Spain		0	0							0	9				0							112					790			911	
Sweden	39	0					2		966	0	802				37					0	0							6,396	618	8,860	
Switzerland							0			10	0									857		0					182	762	0	1,811	
United Kingdom	0	279							0	300	0			33	104	0				94	0		0				1,899	465	99	8,219	11,492
Total	157	406	30	97	40	155	3,615	0	1,608	12,322	4,711	530	69	728	7,242	0	0	1,055	0	3,583	757	340	8	94	245	5,894	7,337	881	9,586	61,489	

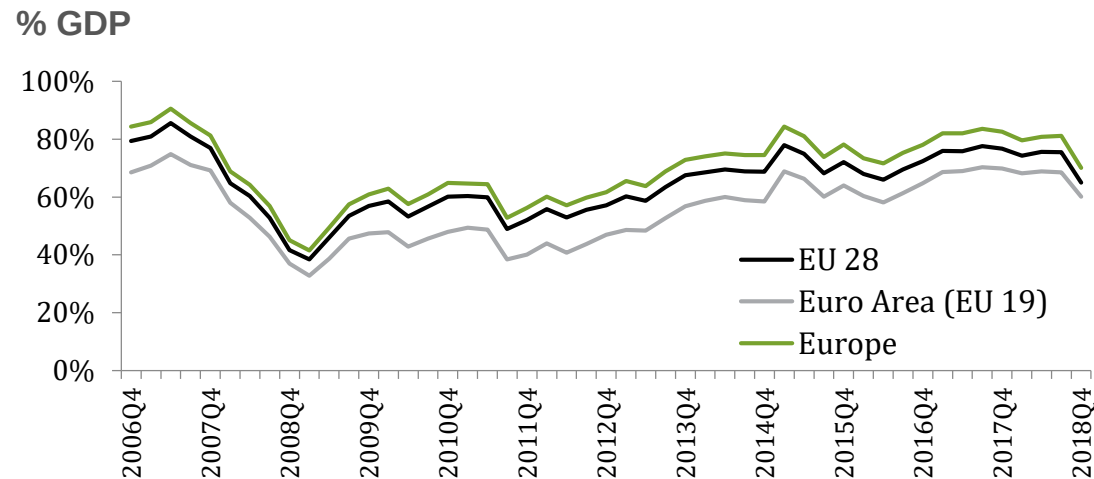
Source: Dealogic. Cross-national activity above €1bn highlighted in dark green

Secondary markets

Market capitalisation of domestic listed shares

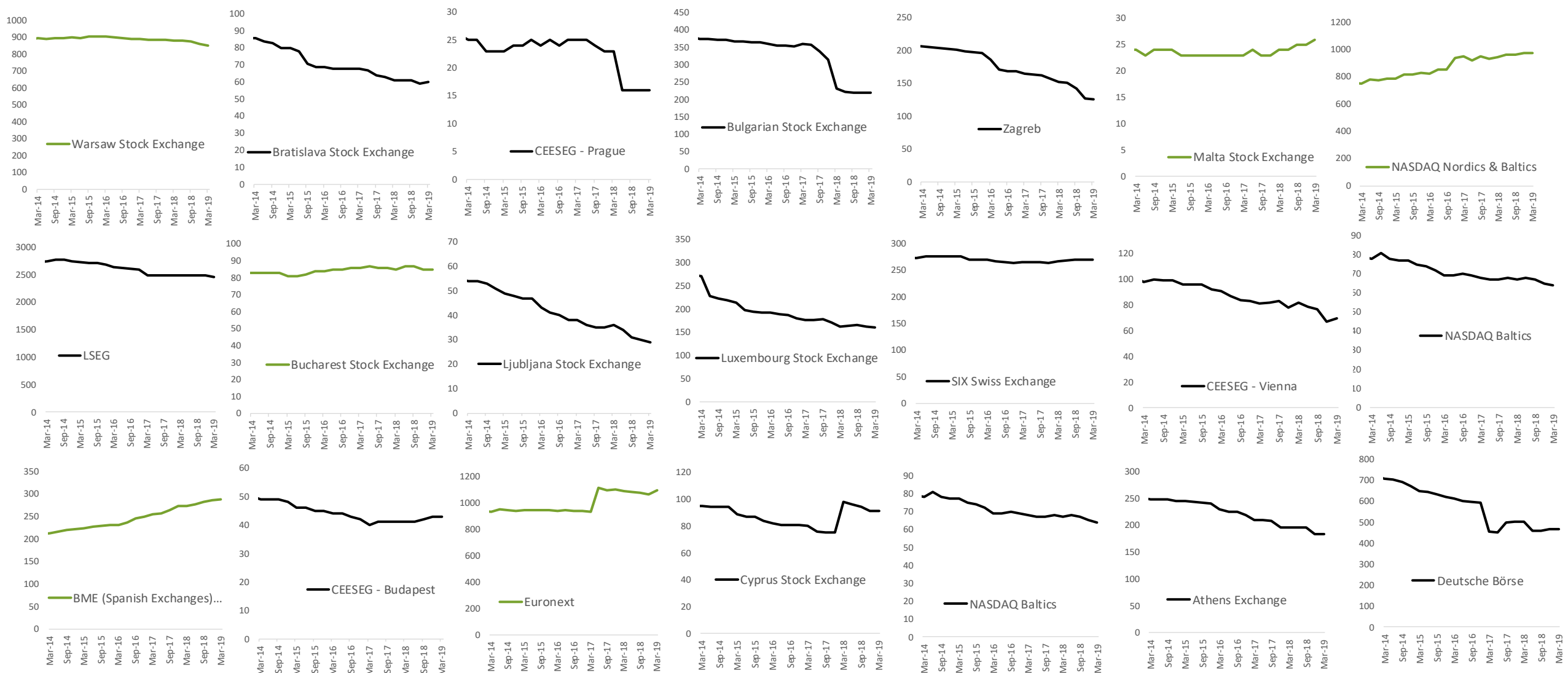


The European market capitalisation of listed shares recovered from sharp valuation losses observed during 4Q18.

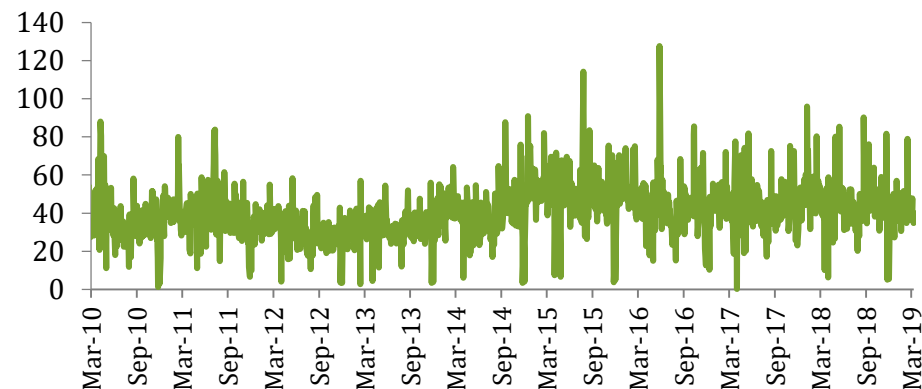


The European market capitalisation of domestic listed shares finalised 1Q19 at €13.0tn

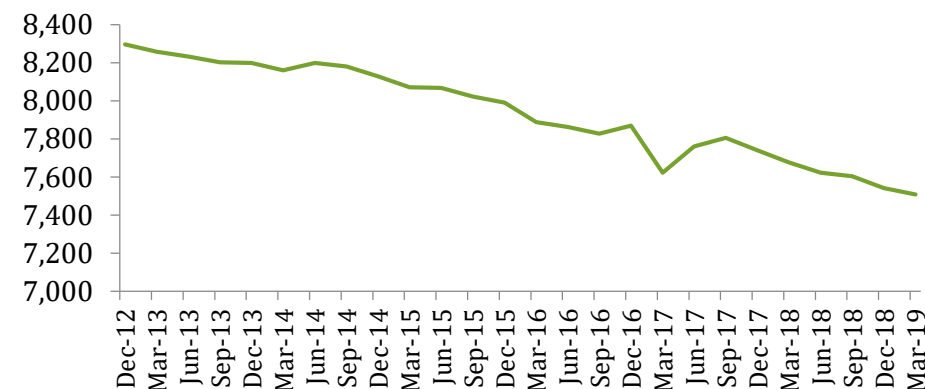
Number of listed companies on European exchanges



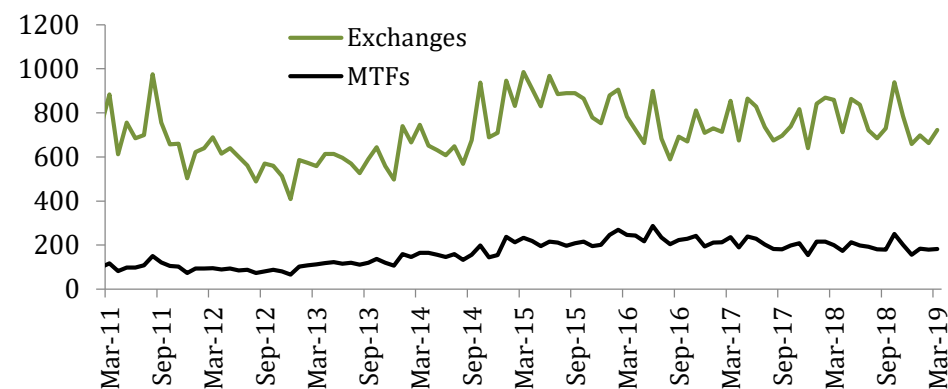
Daily turnover value on European exchanges and MTFs (EUR bn)*



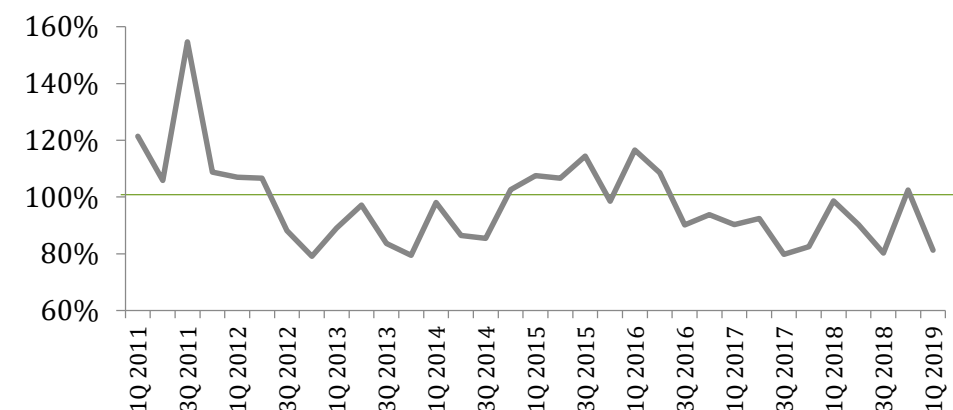
Number of listed companies on European exchanges



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



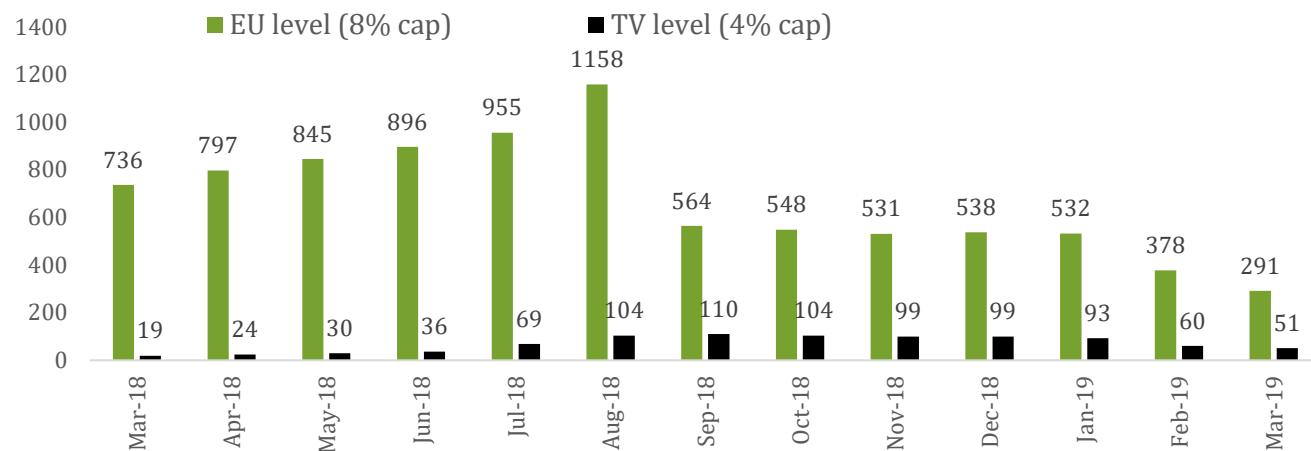
Turnover ratio (annualised turnover value/ market cap)



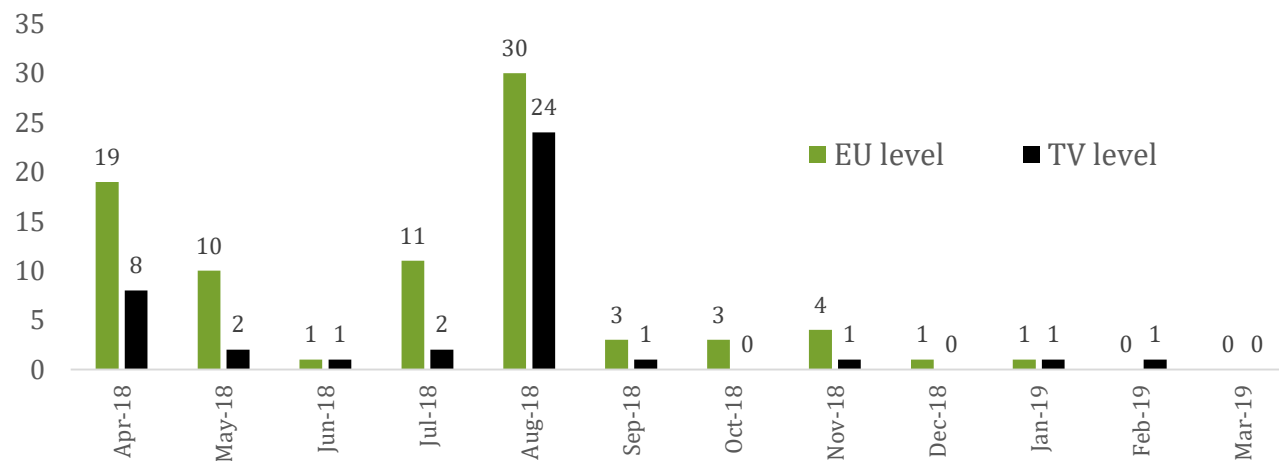
Source: Cboe Global Markets, FESE, WFE, ECB and local exchanges. Listed companies excludes Vienna's global segment and Spanish SICAVs
*market represents order book transactions

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

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

The number of banned instruments from dark trading has decreased during the last 12 months from 755 in March 2018 and from 1,262 in August 2018 to 342 in March 2019, as recently banned instruments complete their 6-month suspension period started over 2018.

Due to concerns about disruptions of the ESMA IT systems after Brexit (expected initially for late March 2019), ESMA will not perform the DVC calculations in April and May 2019. The publication will be resumed in June 2019.

MiFID dark trading caps

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

Feb-19

Country	ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT		87	2	0	2%
BE		404	1	0	0%
BG		349	0	0	0%
CY		122	0	0	0%
CZ		28	0	0	0%
DE		1155	7	2	1%
DK		556	21	4	4%
EE		21	0	0	0%
ES		302	2	0	1%
FI		186	4	0	2%
FR		1276	8	4	1%
GB		2014	63	2	3%
GR		235	0	0	0%
HR		130	0	0	0%
HU		49	0	0	0%
IE		1037	24	0	2%
IT		435	4	2	1%
LT		33	0	0	0%
LU		911	5	2	1%
LV		28	0	0	0%
MT		35	0	0	0%
NL		219	9	0	4%
PL		40	0	0	0%
PT		65	0	0	0%
RO		375	0	0	0%
SE		1290	6	4	1%
SI		100	0	0	0%
SK		51	0	0	0%
Non-EU		15372	135	31	1%
Total		26905	291	51	1%

Source: ESMA

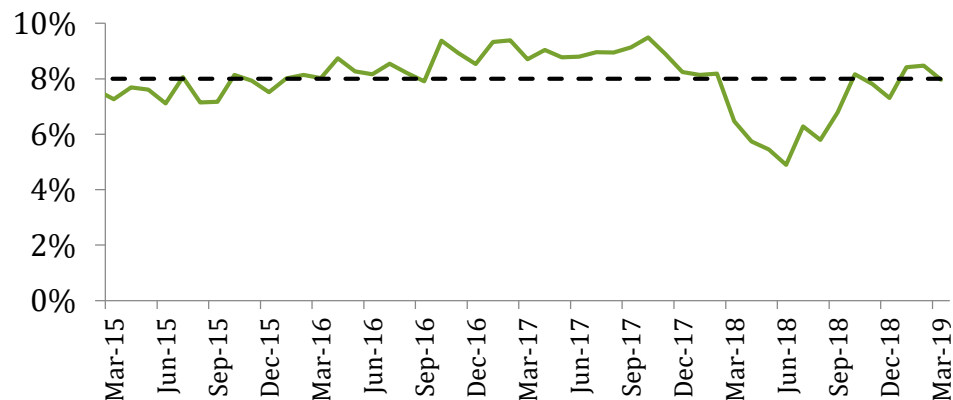
The 342 instruments currently suspended from dark trading at the EU or trading venue level represent 1% of the Universe of equity-like instruments on ESMA's February DVC files (26,905).

By countries, 65 of the 342 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represents 3% of the 2014 UK ISINs registered in the ESMA DVC files.

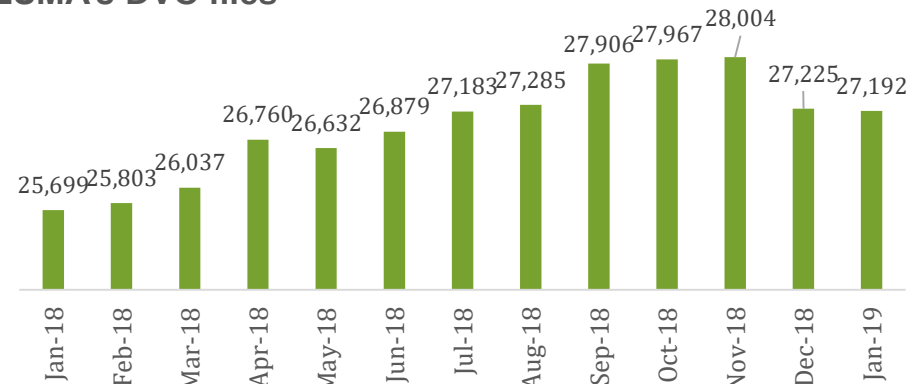
166 of the suspended instruments have non-EU ISINs, or 48% of all suspended instruments at the EU and trading venue.

Decline in the number of instruments on ESMA's double volume cap files (114 with Swedish ISINs)

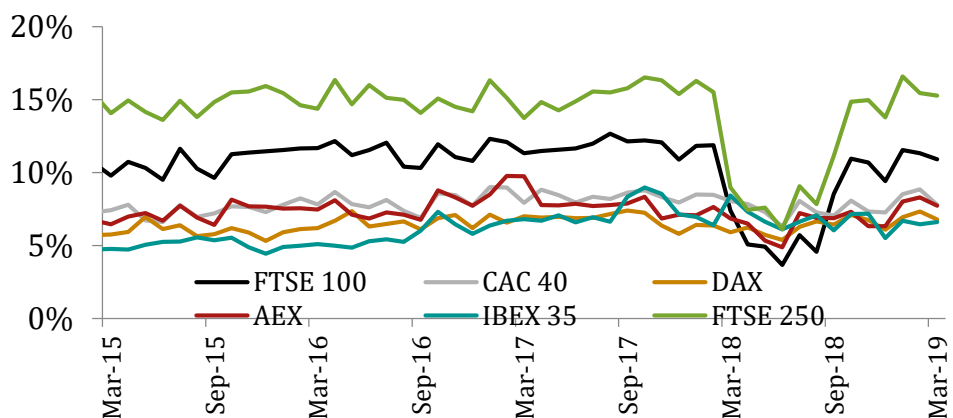
Dark trading as % of total turnover*



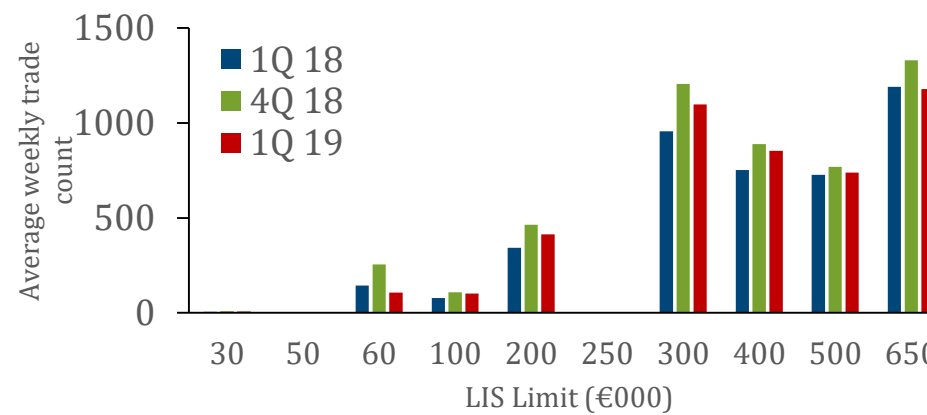
Number of equity-like instruments (ISINs) registered on ESMA's DVC files



% of dark trading by indices*

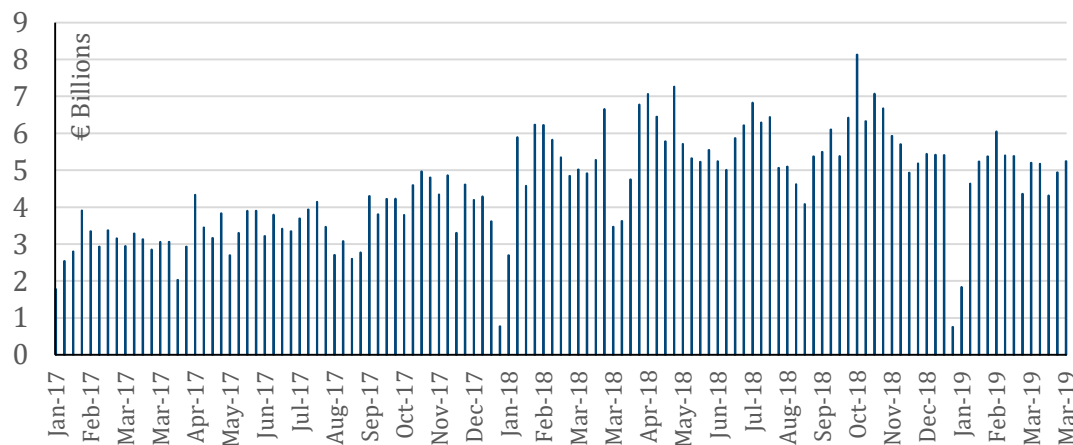


Block trades: weekly trade count by large-in-scale (LIS) limit

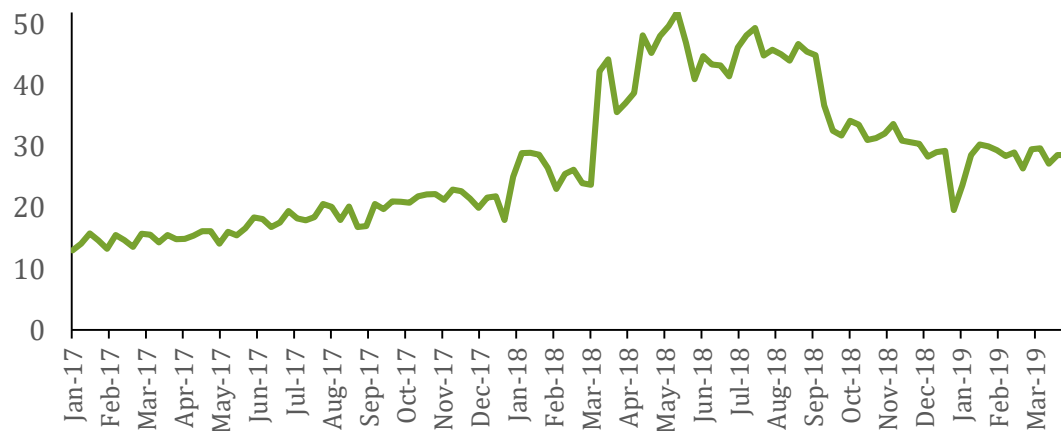


Source: ESMA, Cboe Global Markets and Fidessa
*market represents order book transactions

Block trades: weekly turnover on European selected venues



Proportion of dark traded as LIS blocks (%)



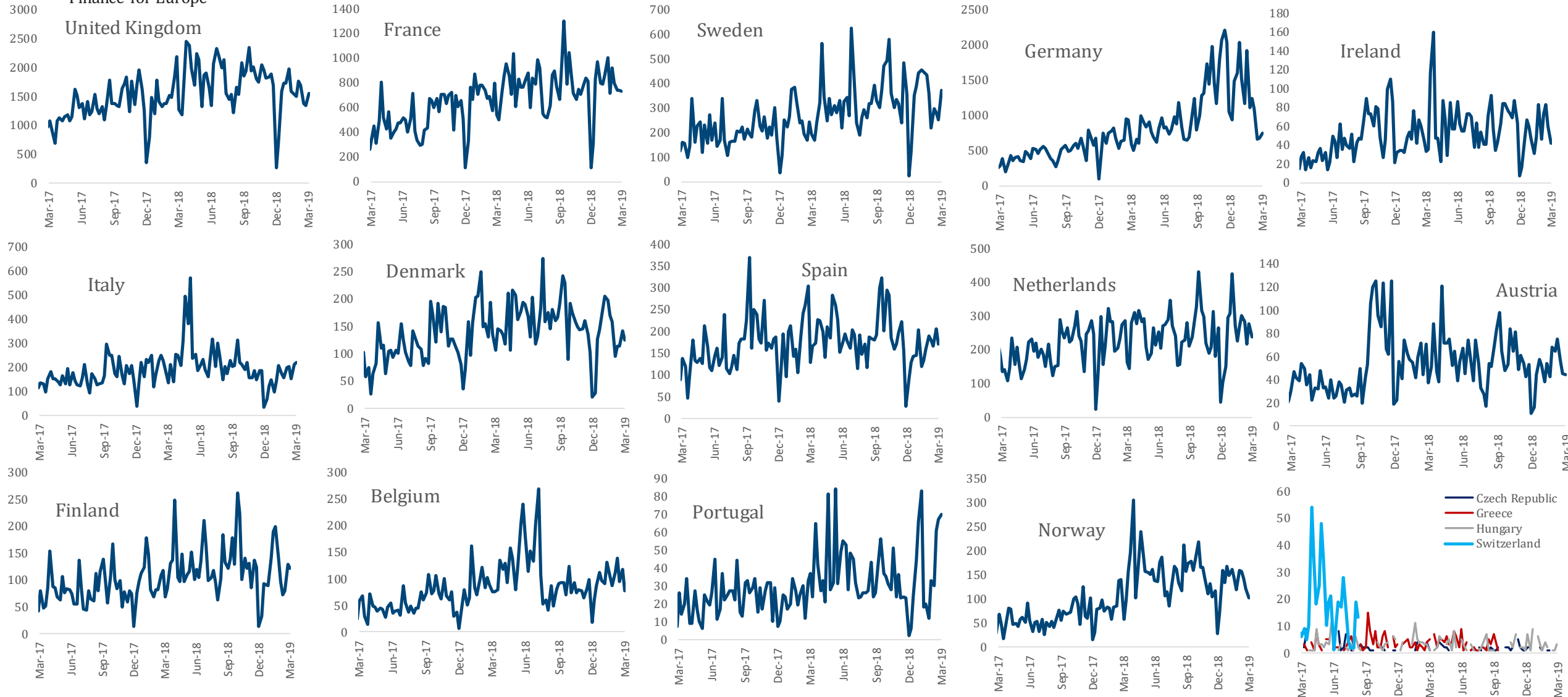
Source: Fidessa

The average weekly turnover in the form of block trades on selected European venues* has increased from €3.0 bn in 1Q17 to €5 bn on average during 1Q19

According to Fidessa data, the percentage of dark traded as large-in-scale (LIS) blocks on selected venues* declined from c50% in 2Q18 and has recently stabilised to c30% since 3Q18.

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

Block trades: weekly trade count by listing market



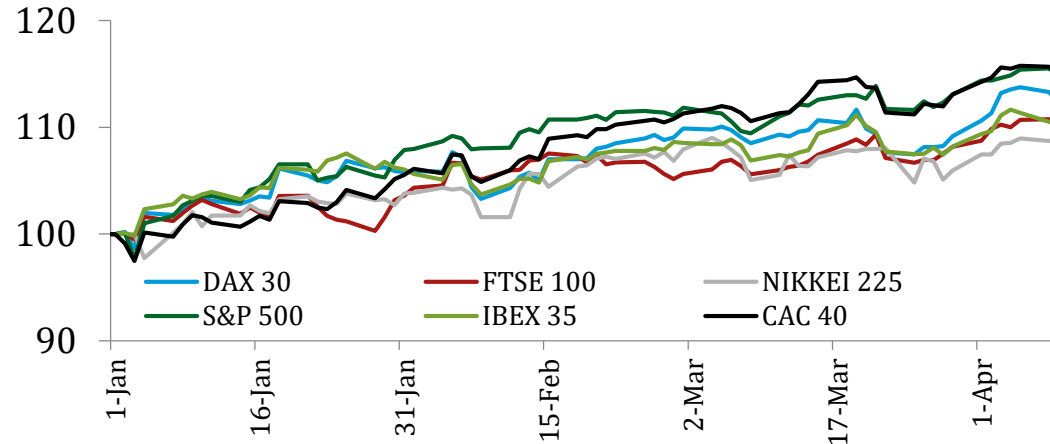
Source: Fidessa with data from Cboe BXE and CXE Dark Order Books, Cboe LIS service, Turquoise Plato™, Liquidnet, Posit and UBS MTF

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

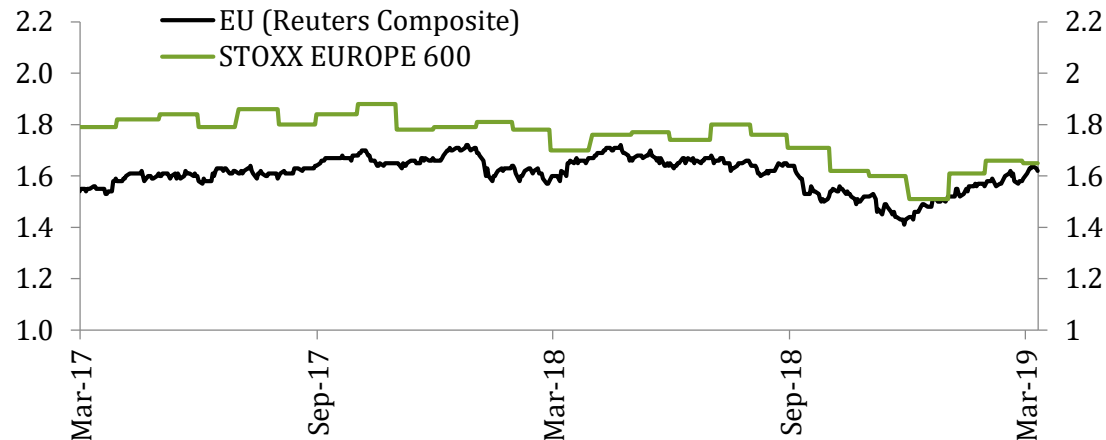
Valuations

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



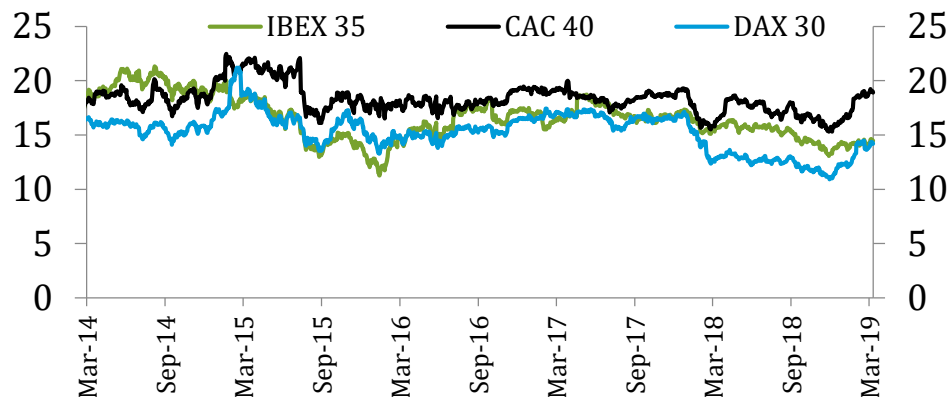
Source: Datastream

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

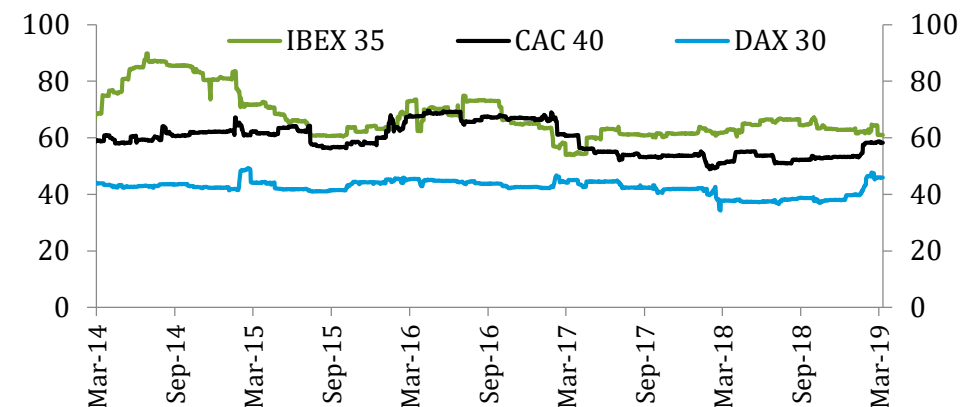
European equity shares indices rose between 10% (IBEX35) and 14% (CAC40) during 1Q19.

Valuation ratios and implied volatility

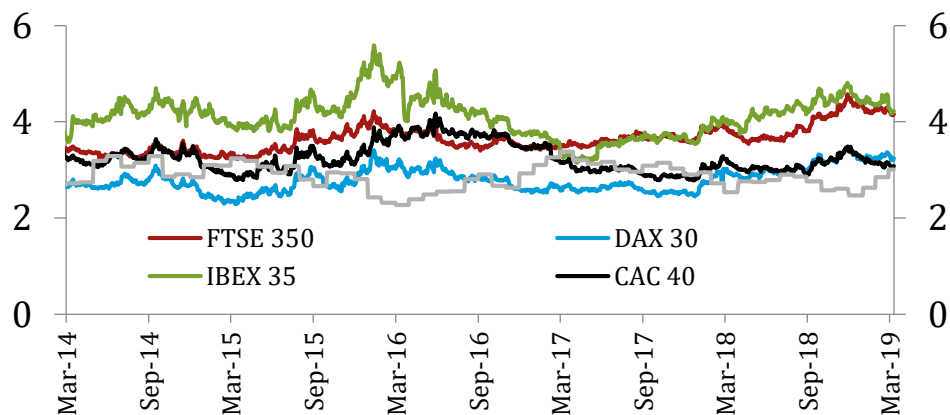
Price-to-earnings (PE) ratio



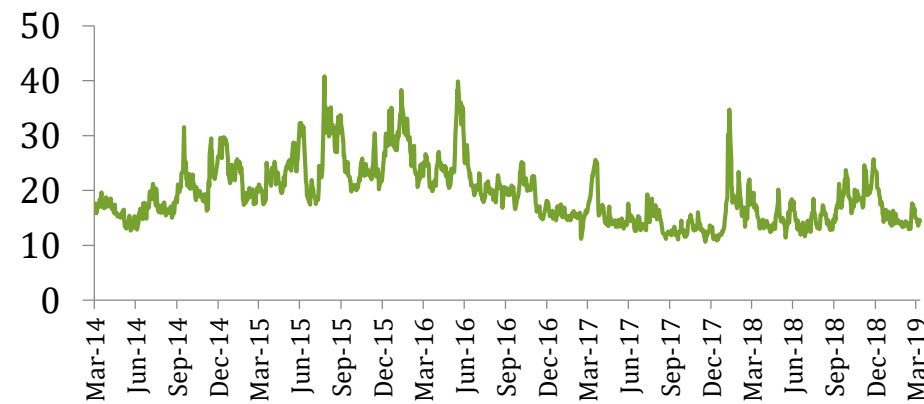
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

	1Q 19	2Q 19	3Q 19	4Q 19	2019 FY	1Q 18	2Q 18	3Q 18	4Q 18	2018 FY	%Change YoY
Equity underwriting (€ bn)	25.3				25.3	38.0	41.3	20.9	23.2	123.3	-33%
IPOs	0.8				0.8	12.0	8.7	3.7	10.2	34.6	-94%
Follow-on offerings	18.4				18.4	22.1	29.4	15.3	11.7	78.6	-17%
Convertible securities	6.1				6.1	3.9	3.2	1.8	1.2	10.1	57%
Mergers and Acquisitions (€ bn): completed	208.9				208.9	197.8	327.8	196.7	334.2	1,056.5	6%
European outbound	39.2				39.2	37.4	111.8	38.2	35.3	222.7	5%
European inbound	108.3				108.3	36.3	37.5	52.2	147.6	273.6	198%
Intra European	61.5				61.5	124.1	178.6	106.2	151.2	560.2	-50%
Mergers and Acquisitions (€ bn): announced	166.4				166.4	339.6	339.2	203.9	190.8	1,073.6	-51%
Equity turnover value (€ tn)	2.63				2.6	3.20	3.00	2.69	2.99	11.9	-18%
Main Markets	2.08				2.1	2.57	2.41	2.14	2.38	9.5	-19%
MTFs	0.55				0.5	0.63	0.58	0.55	0.61	2.4	-13%
Market Capitalisation of domestic listed shares (€ tn)											
European (EU28 and Switzerland)	13.0				13.0	13.0	13.3	13.4	11.7	11.7	-0.2%
EU 28	11.5				11.5	11.7	12.0	12.0	10.4	10.4	-1%
Euro Zone	7.7				7.7	7.8	8.0	8.0	7.0	7.0	-1%

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

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