

3Q 2021

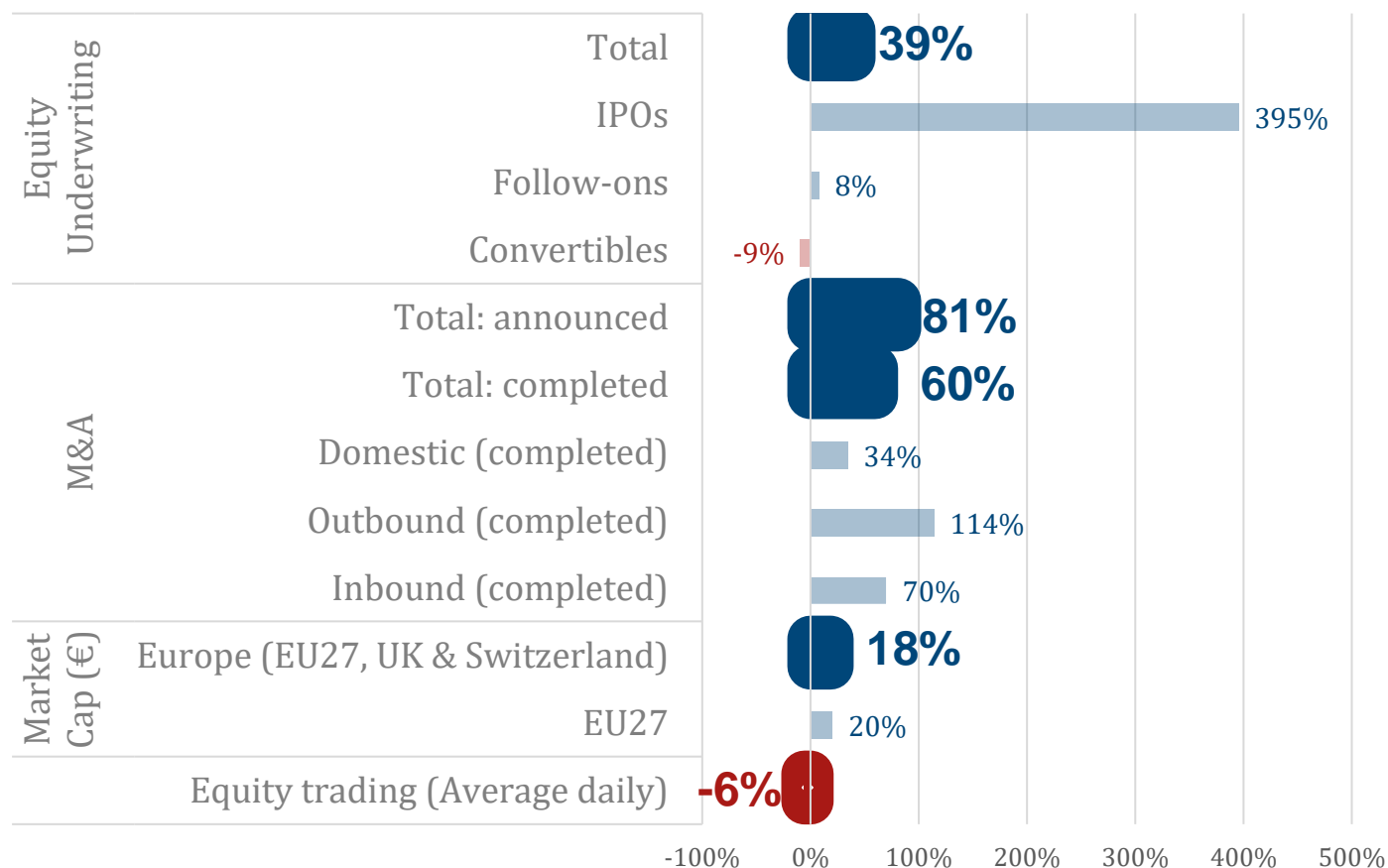
Equity Primary Markets and Trading Report

European market data
update



Q1-Q3 2021 YtD variation of European Equity activity

EU member countries, UK and Switzerland



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

Equity capital raising decelerated in 3Q 2021. Best year for M&A since 2007

Equity underwriting on European exchanges accumulated an increase of 39% in Q1-Q3 2021 compared to the same period of 2020.

However, following two extraordinary quarters, equity capital raising decelerated in 3Q 2021 to levels closer to historic volumes, with a decline of -46% QoQ.

IPOs have accumulated €52.8bn in the first three quarters of 2021, almost 5x the amount issued in the same period of 2020. SPAC IPOs represented 11% of total European IPOs in Q3 2021, a decline from 15% in Q2 2021.

Completed Mergers and Acquisitions (M&A) of European companies totalled €829bn in the first three quarters of 2021 a 60% increase from the amount completed in the same period of 2021 (€519bn).

The amount of announced M&A totalled €941bn in Q1-Q3 2021, a 81% increase from the same period of 2020. De-SPAC acquisitions represented 8% of the total announced M&A volume in Europe in Q3 2021 (5% in Q2 2021).

Average daily equity trading activity on European main markets and MTFs stood at €74.6bn in Q1-Q3 2021, 6% below the average daily observed in Q1-Q3 2020.

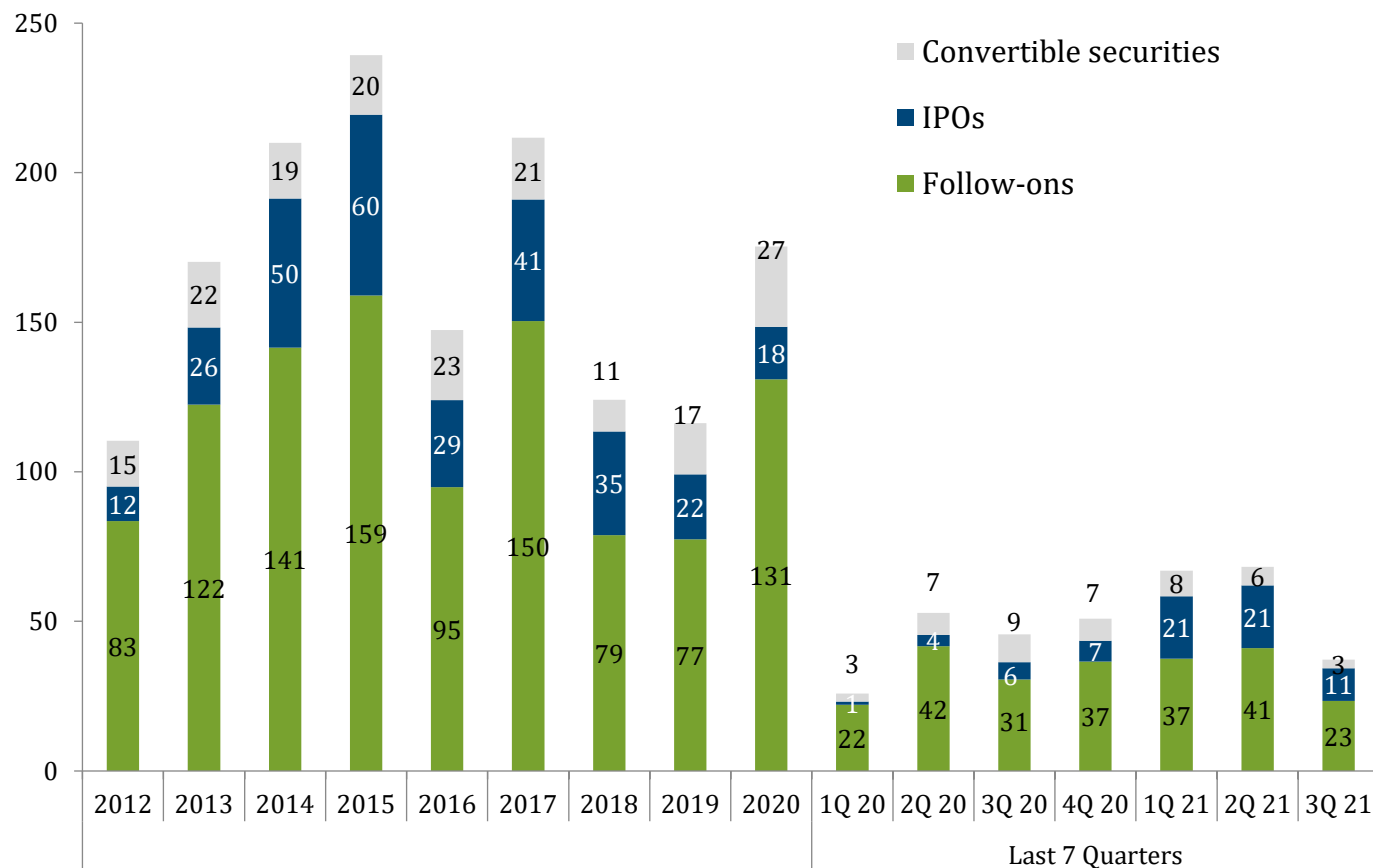
Domestic market capitalisation of European listed shares stood at €16.8tn at the end of September 2021, a 18% increase from €14.2 at the end of 2020.

Equity issuance	4
Box: European SPACs: market update	11
Mergers & Acquisitions	14
Secondary Markets	21
Equity market structure	26
Valuations	33
Appendix	36

Equity issuance

Increase in equity raising to support the recovery

Equity Issuance on European exchanges (EUR bn)



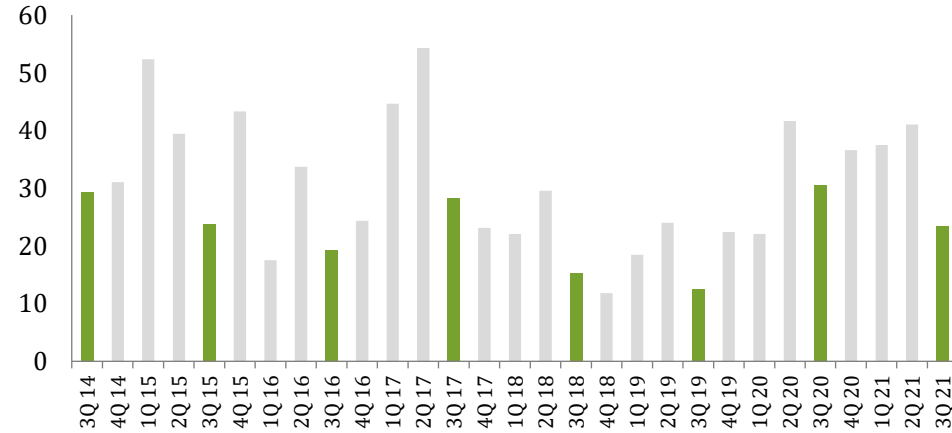
Source: Dealogic

Equity capital raising on European exchanges decelerated in Q3 2021, following record issuance amounts observed during the first half of the year.

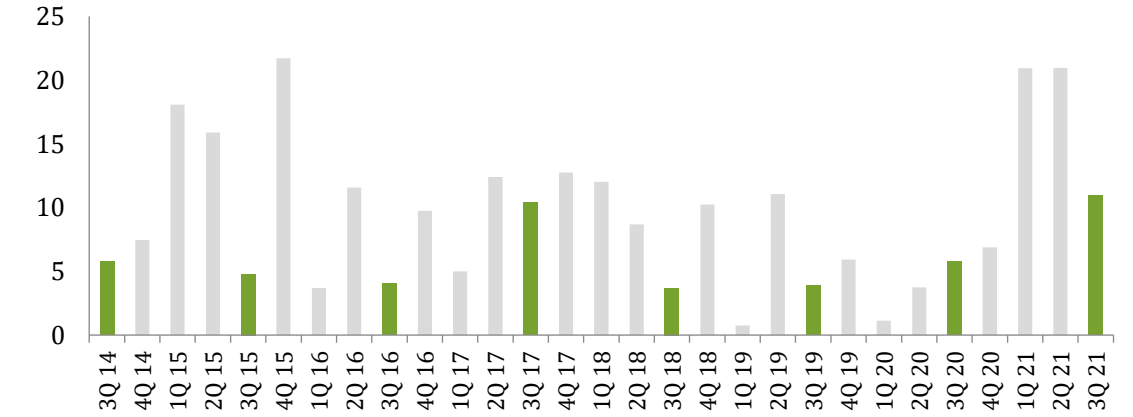
Total equity capital raising accumulated a total of €37bn in proceeds in Q3 2021 (€70bn in Q2 2021).

IPO issuance totalled €11 bn in capital raised during Q3 2021, a decline of €10bn from the robust issuance amounts in Q1 2021 and Q2 2021 (both at €21bn).

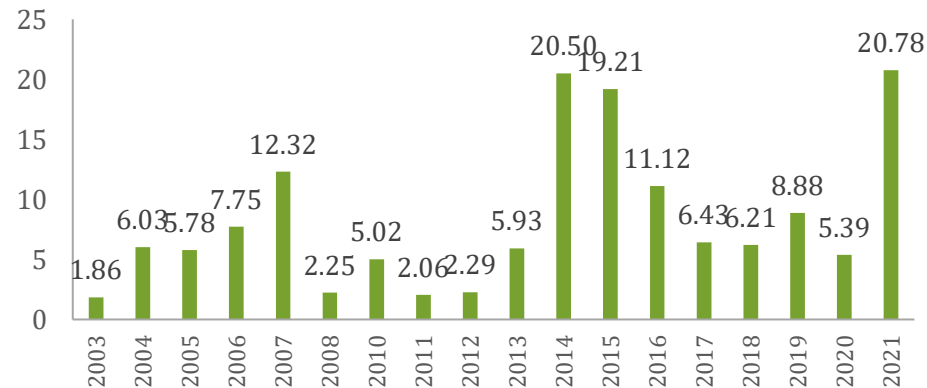
Follow-on offerings (EUR bn)



IPO proceeds (EUR bn)

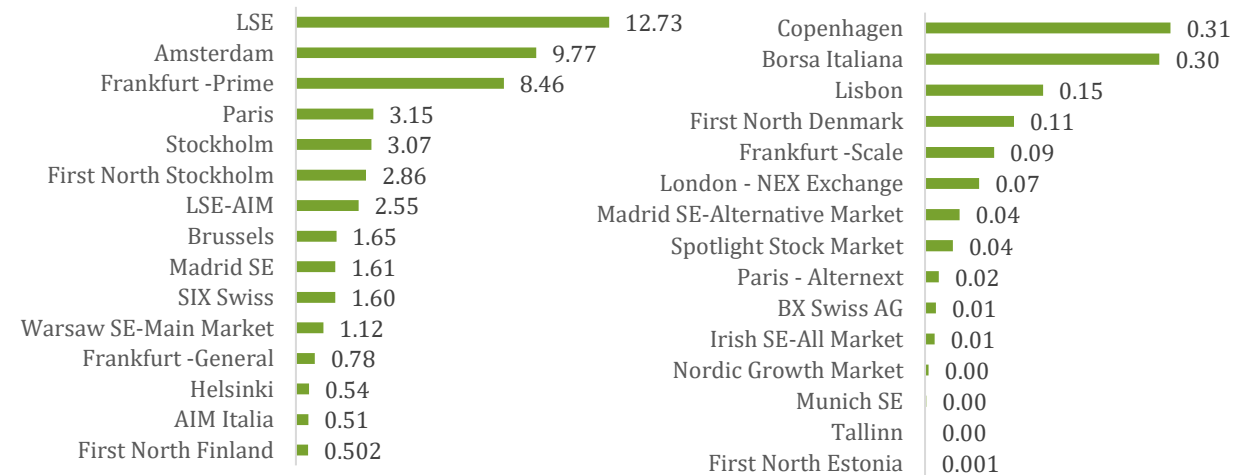


PE-backed IPO proceeds (EUR bn): YtD (Q1-Q3)



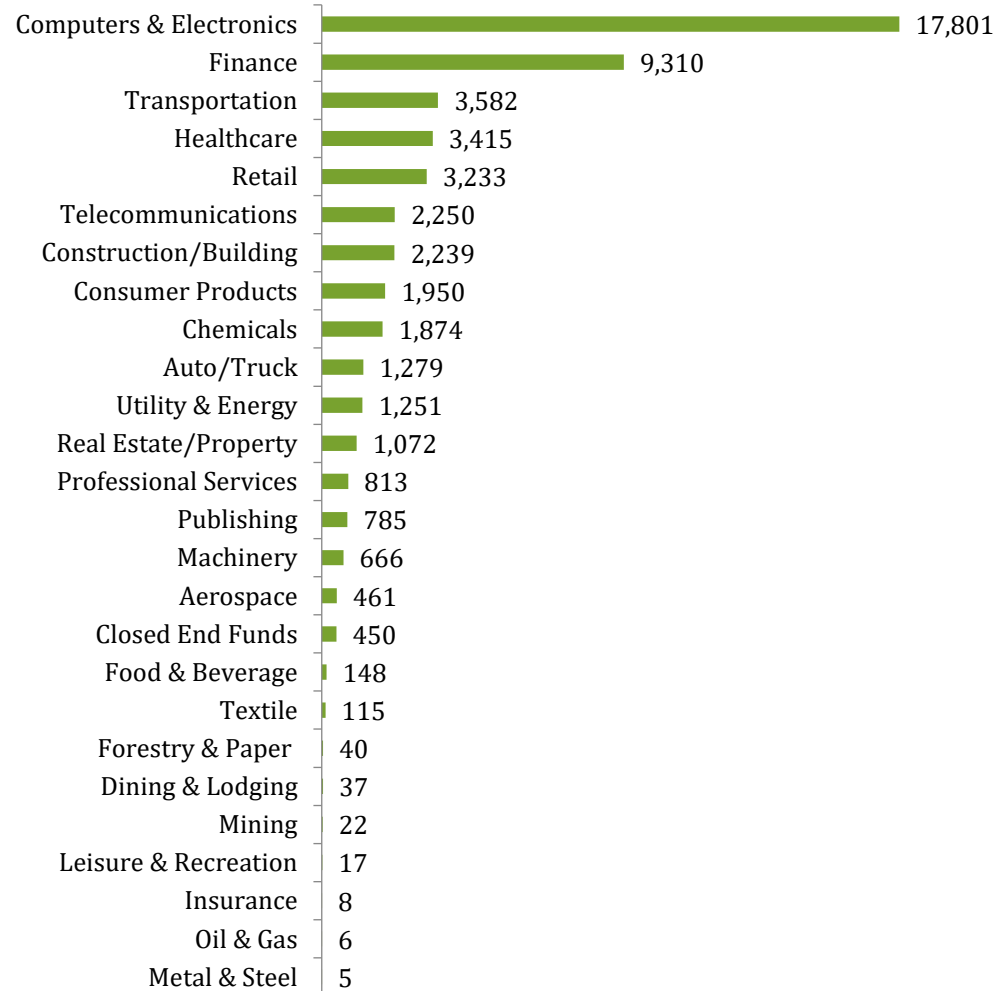
Source: Dealogic

IPO proceeds by listing market (EUR bn): Q1-Q3 2021



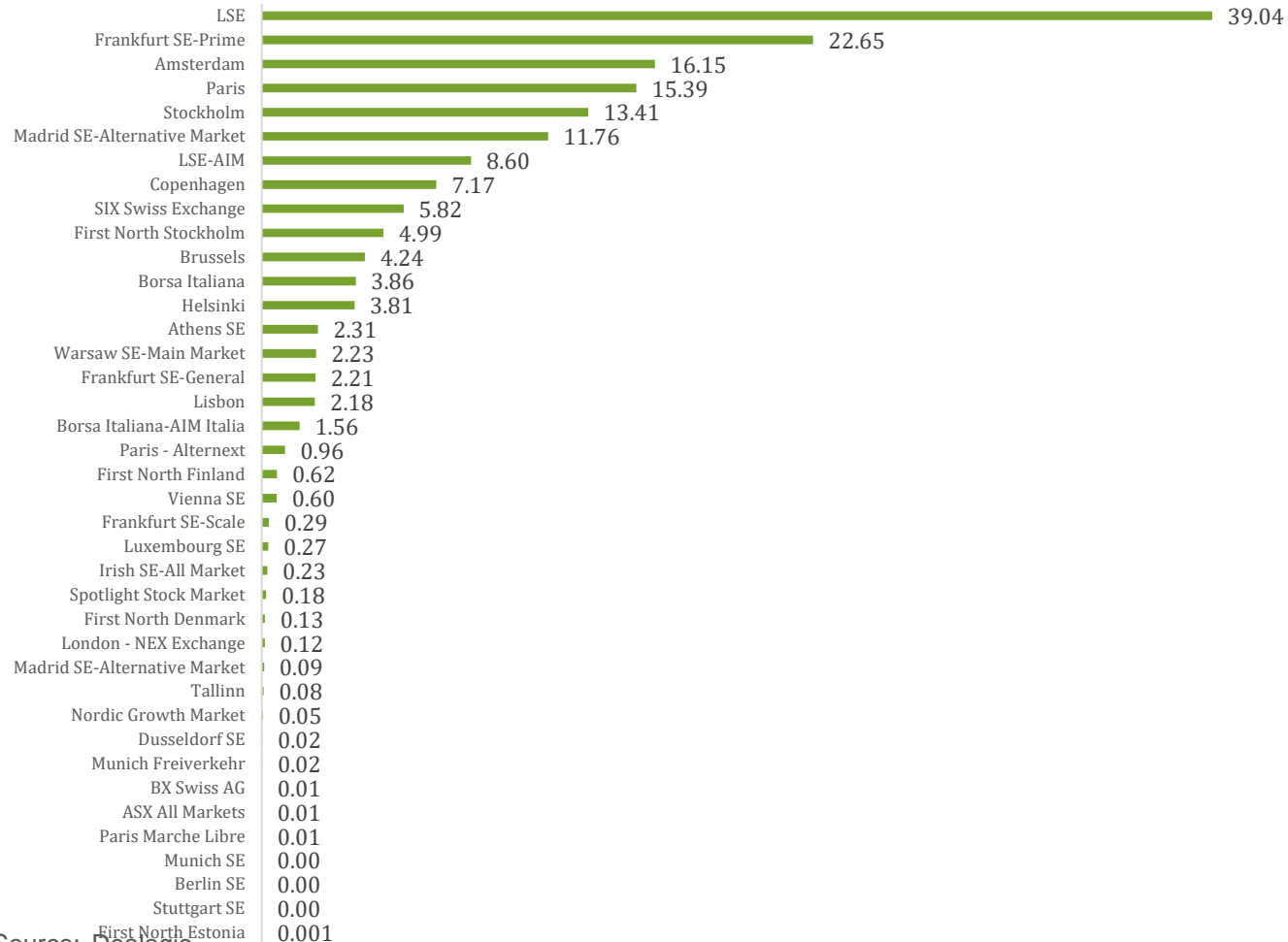
Computers and Electronics lead by IPO proceeds

IPO proceeds by industry (EUR mm): Q1-Q3 2021



LSE Main market leads in equity issuance

Equity underwriting on European exchanges: IPO, follow-ons and convertibles (EUR bn): Q1-Q3 2021

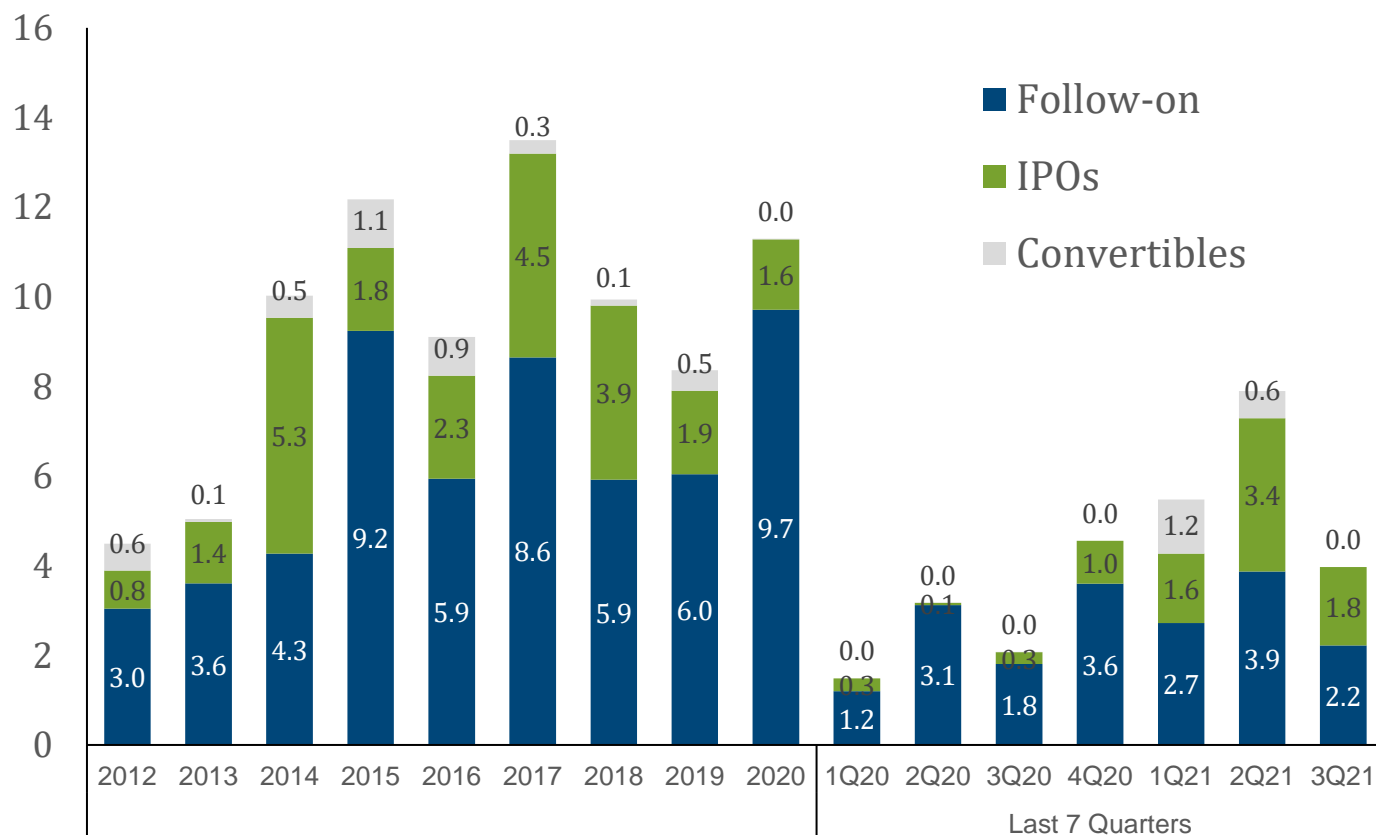


Source: Dealogic

The LSE Main Market led by total equity underwriting accumulating a total of €39bn during the first three quarters of 2021, followed by Frankfurt Prime (€22.6bn) and Euronext-Amsterdam (€16.1bn).

Equity issuance on Junior markets

Equity underwriting on European Junior markets (EUR bn)



Source: Dealogic

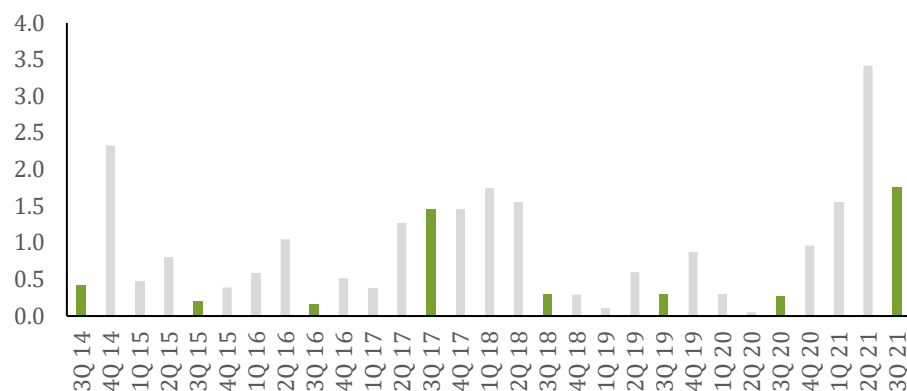
In Q3 2021, equity issuance on Jr exchanges decelerated compared to a quarter ago, accumulating a total of €4bn in proceeds.

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

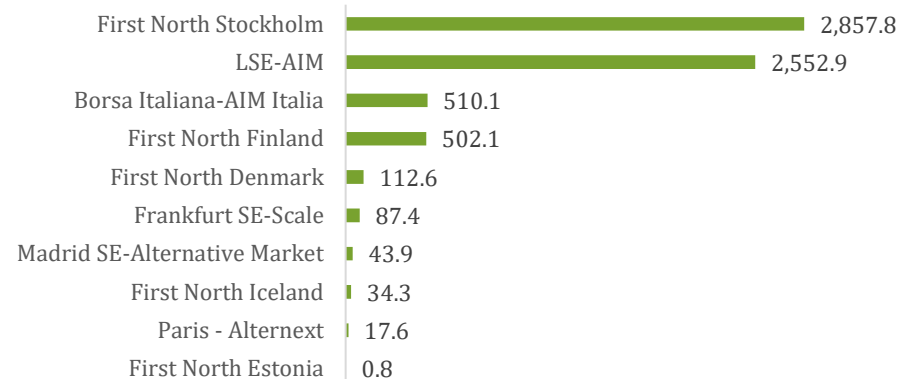
All forms of equity capital raising (IPOs, follow-ons and convertibles) declined during 3Q 2021 compared to the record amount observed during the second quarter.

Tech companies lead IPO issuance on Jr markets

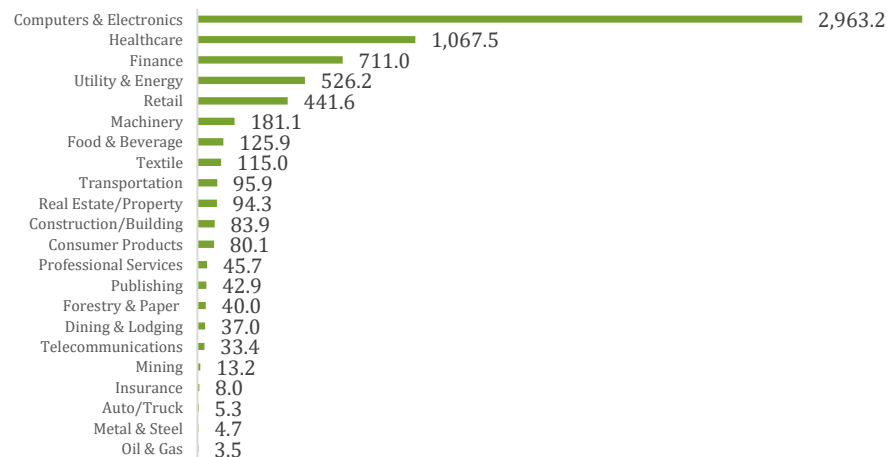
IPO proceeds on European Jr markets (EUR bn)



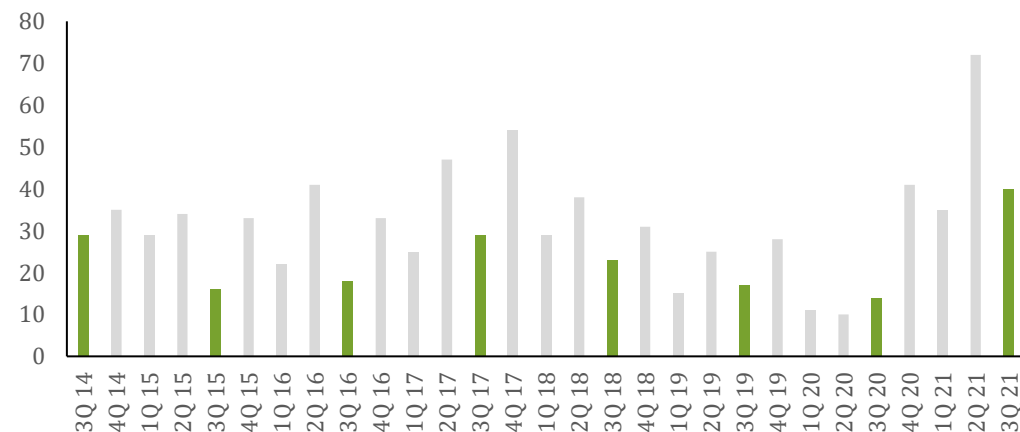
IPO proceeds on Jr markets by exchange (EUR mm, Q1-Q3 2021)



IPO proceeds on Jr markets by industry (EUR mm, Q1-Q3 2021)



Number of IPOs on European Jr markets



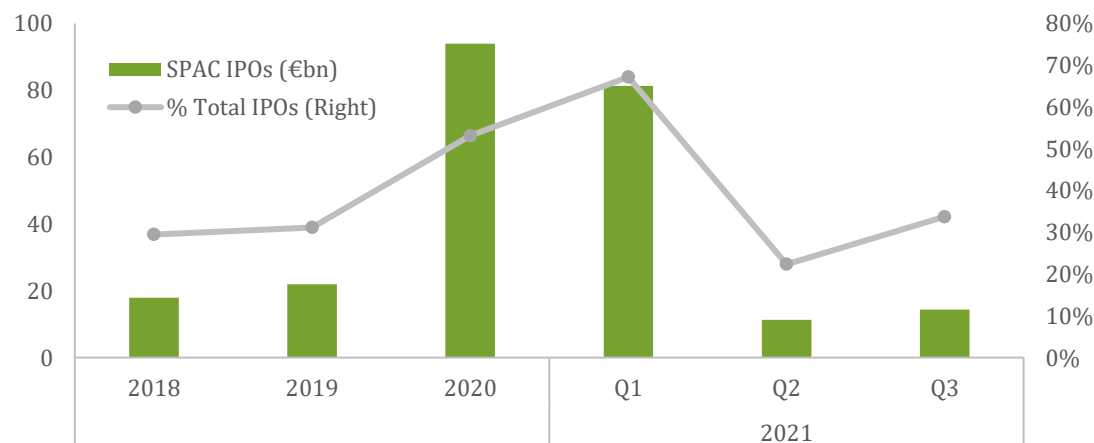
Source: Dealogic

*Finance includes SPVs

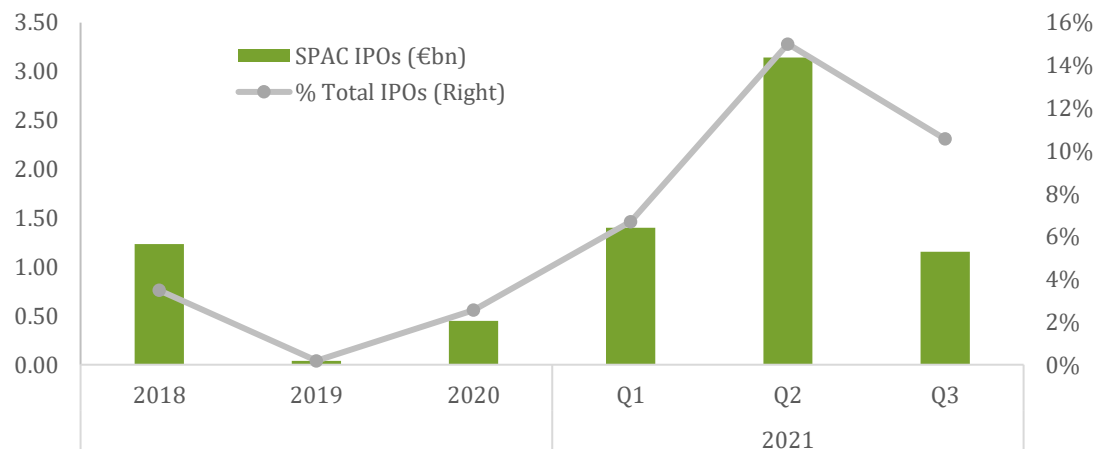
European SPACs: market update

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

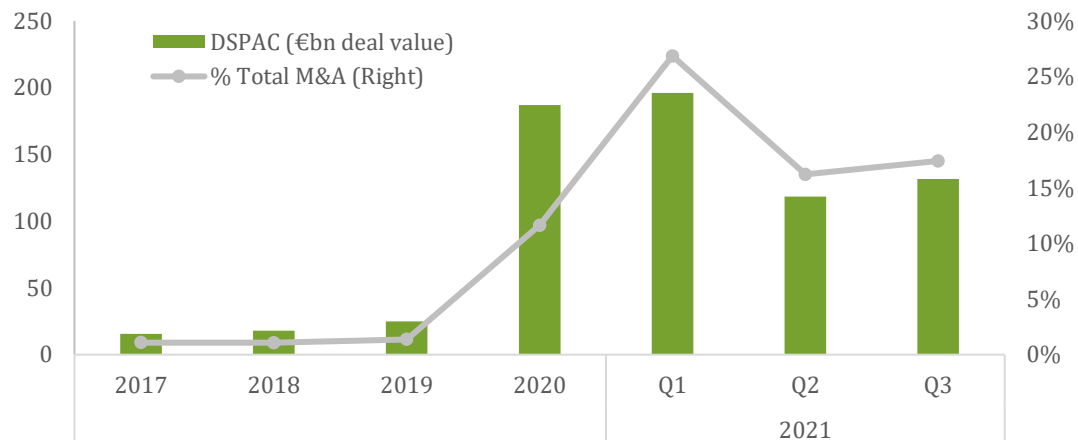
Special Purpose Acquisition Companies (“SPACs”) are companies formed to raise capital in an initial public offering (“IPO”) with the purpose of using the proceeds to acquire an unspecified business or asset to be identified after the IPO. A SPAC is generally intended to permit the target company to go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

In the United States, SPAC IPO transactions have recently moderated in deal value. In Q3 2021, SPAC IPOs on US exchanges totalled EUR 14.4bn in proceeds, representing 34% of total IPO transactions (67% in Q1 2021).

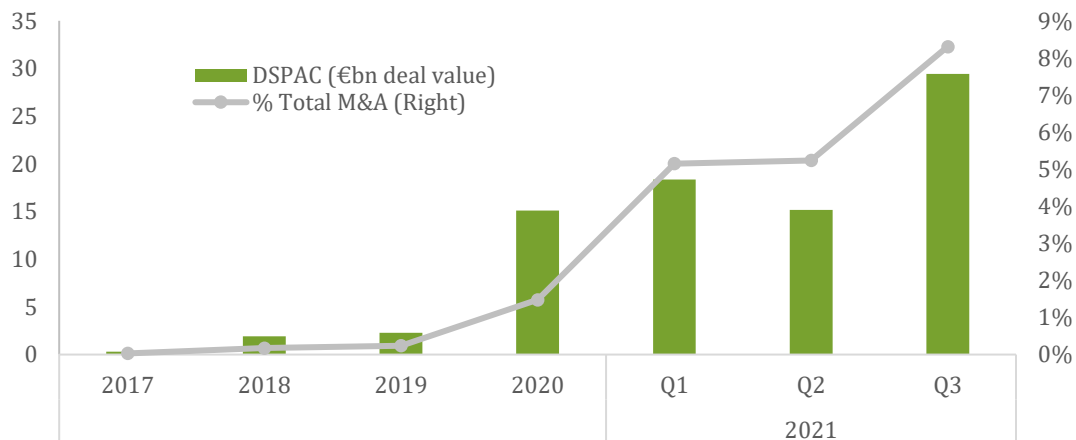
In Europe, SPAC IPOs have recently declined to represent 11% of the total European IPOs originated during Q3 2021 (15% in Q2 2021).

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 recently stabilised to a total of EUR132bn in deal value (or 17% of the total US M&A), from EUR119bn in Q2 2021 and EUR196bn in Q1 2021.

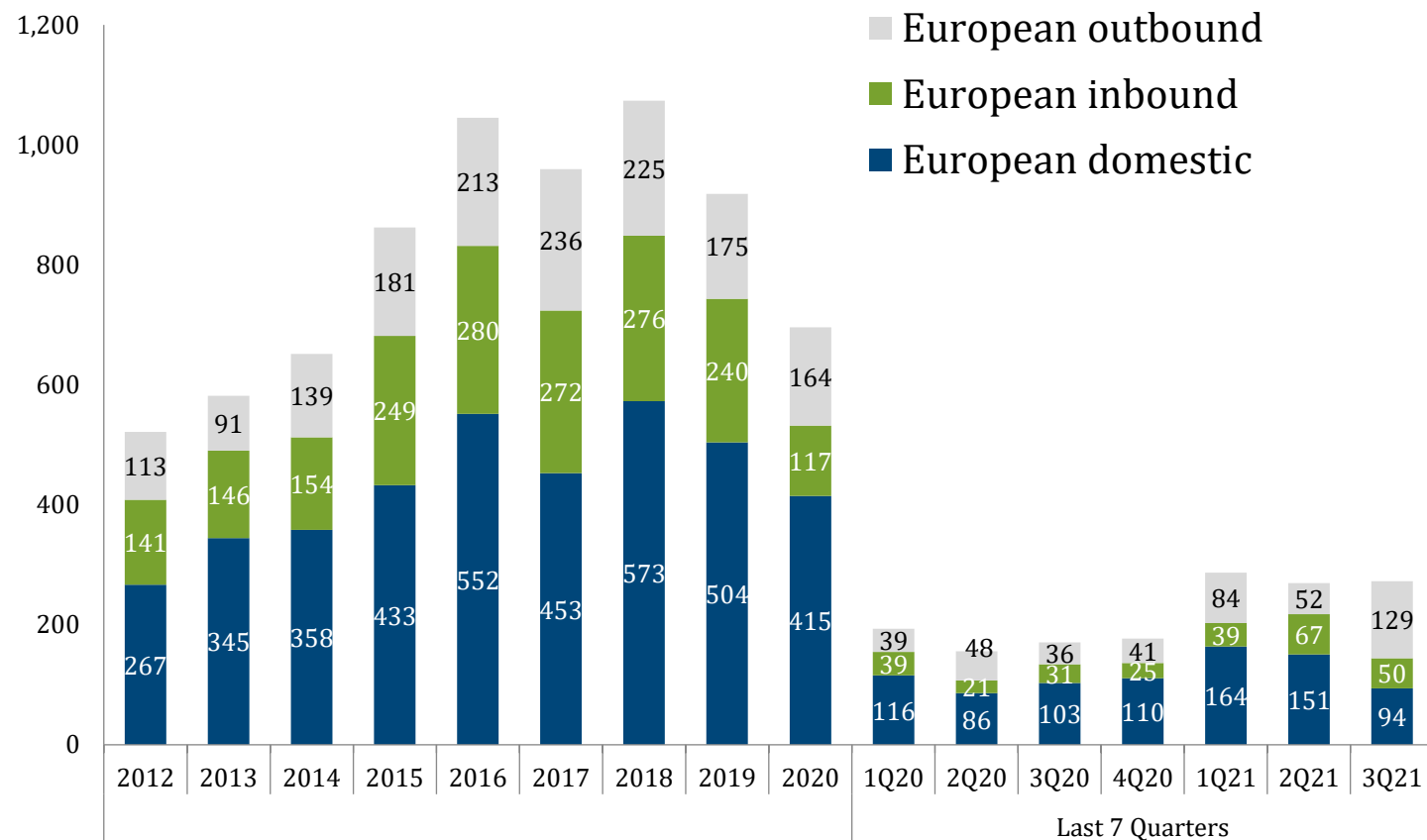
In Europe, De-SPACS represented 8% of the total M&A value announced during Q3 2021. This proportion, however, has significantly increased during the last year from 2% in 2020FY.

86% of the announced SPAC acquisitions of European companies during Q1-Q3 2021 are De-SPACs of US-headquartered SPACs. These European companies will be effectively listed on US exchanges via their SPAC parent company.

Mergers and Acquisitions (M&A)

M&A by acquiring party

Completed M&A by acquiring party (EUR bn)



Source: Dealogic

European* completed M&A activity has increased 60% in the first three quarters of 2021 compared to the same period of 2020.

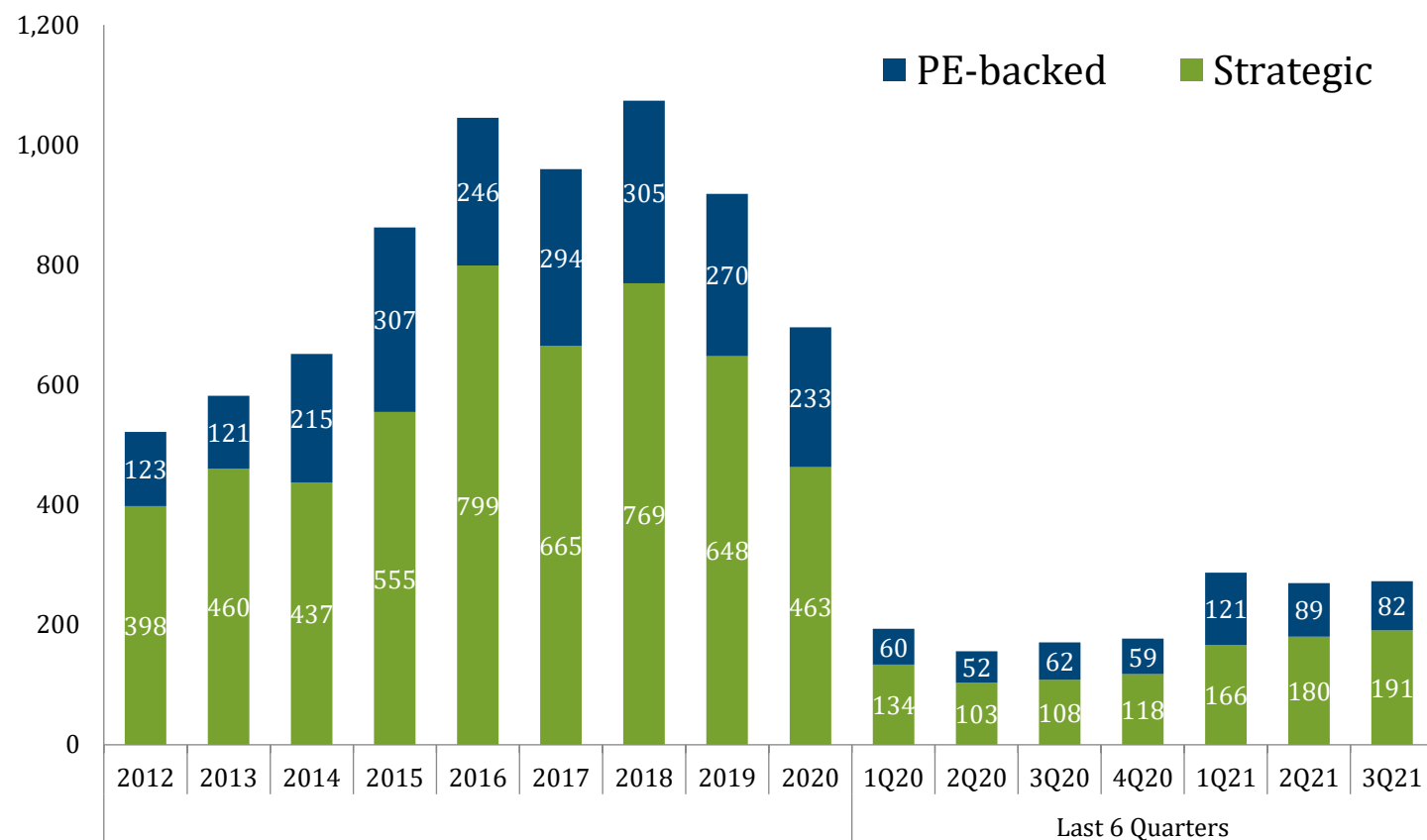
During Q3 2021 only, there was a substantial increase in outbound deals (i.e. acquisition of non-European companies by European firms) of 3.5x YoY, which was partially offset by a decline in domestic deals.

Firms headquartered in the Americas represented 75% of the 2021YtD outbound deal value. See page 18 for further details.

*EU27, UK and Switzerland

M&A by type of deal

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



Source: Dealogic

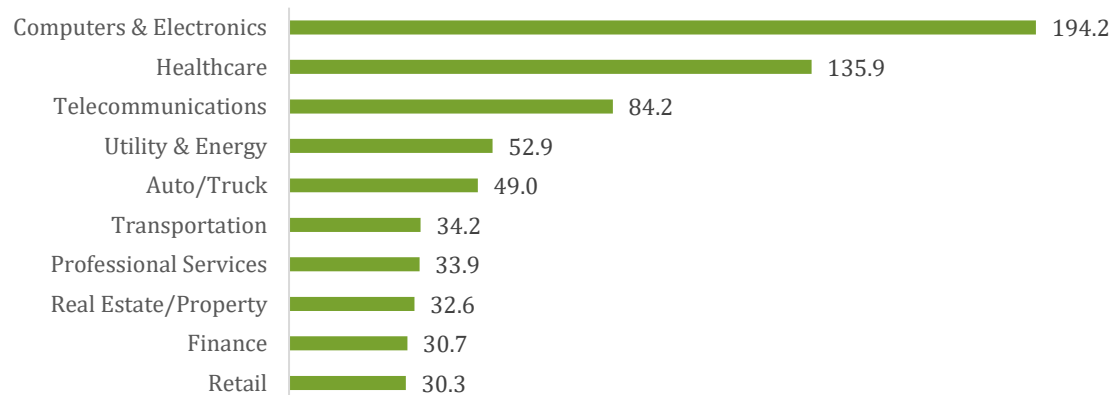
Private Equity-backed M&A activity (“Sponsor” deals) totalled €82bn in Q3 2021, below the record value observed in Q1 2021 but above the average quarterly of 2020.

Strategic deals totalled €191bn during Q3 2021, the highest quarterly deal value amount since Q3 2019.

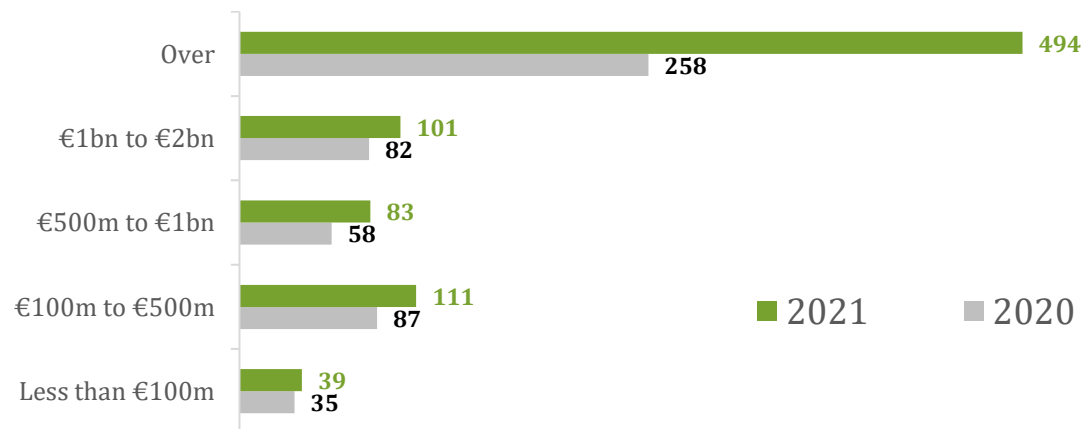
The amount of completed M&A represents the highest YtD volume observed since 2007.

Computer and electronics led by deal value

Top 10 industries for completed M&A (H1 2021, EUR bn)



Completed M&A transactions by deal value (Q1-Q3, EURbn)



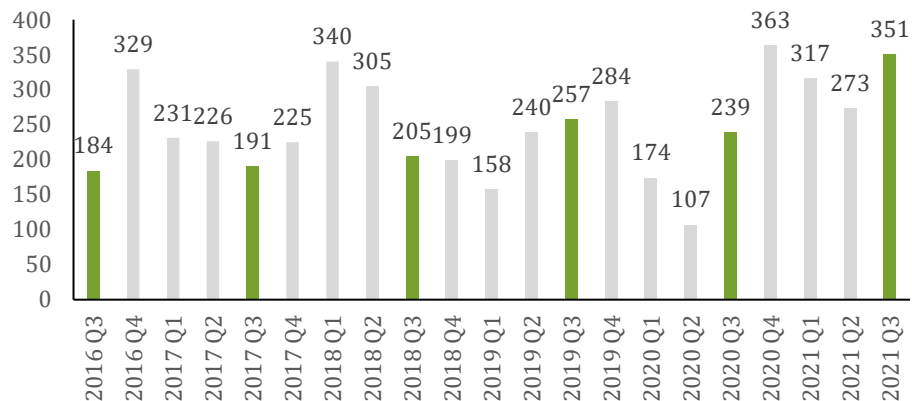
Source: Dealogic

During the first three quarters of 2021, 13 “megadeals” (deal value above €10bn) were completed:

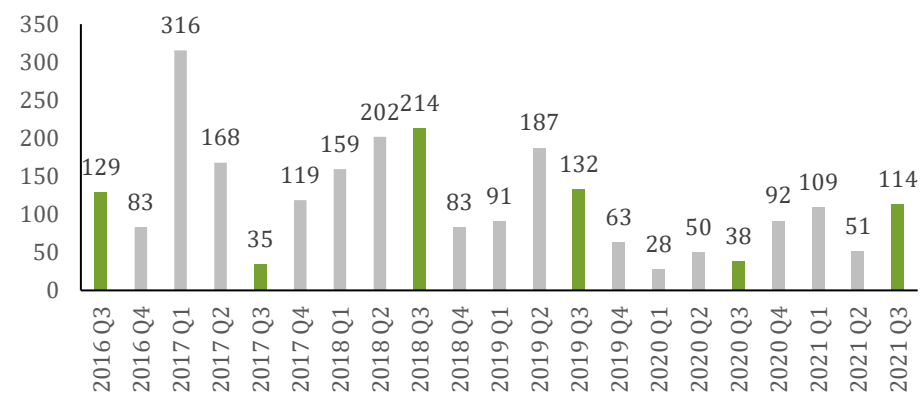
- Acquisition of Refinitiv by the London Stock Exchange.
- Acquisition of German property development company Deutsche Wohnen by Vonovia SE.
- Acquisition of Alexion Pharmaceuticals by AstraZeneca.
- Acquisition of software e-commerce company Naspers Ltd by Prosus NV.
- Acquisition of French telecoms company Altice by Next LP.
- Acquisition of GE capital aviation services by AerCap Holdings.
- Acquisition of WM Morrison Supermarkets by private equity company Clayton Dubilier & Rice LLC.
- Acquisition of Fiat Chrysler by Peugeot.
- Acquisition of Tiffany & Co by LVMH.
- Acquisition of Western Power Distribution by National Grid.
- Acquisition of Varian Medical Systems by Siemens Healthineers.
- Acquisition of Telefonica O2 by Virgin Media (Liberty Global).
- Acquisition of PRA Health Sciences by ICON plc.

Announced M&A continues robust

Announced M&A (EUR bn)



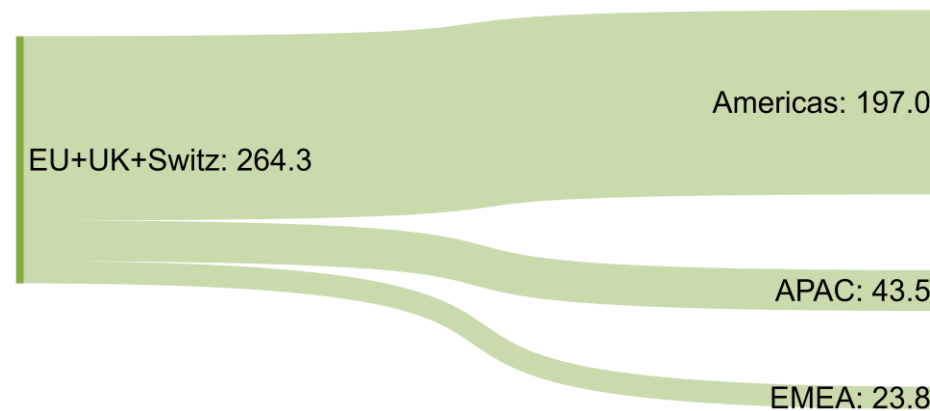
Withdrawn M&A (EUR bn)



**Completed inbound M&A by acquiring region
(EUR bn, Q1-Q3 2021)**



**Completed outbound M&A by target region
(EUR bn, Q1-Q3 2021)**



Source: Dealogic

Mixed regional numbers in M&A activity

Regional M&A trends: completed deal value (EURbn, Q1-Q3)



Source: Dealogic

Robust M&A activity led by France, Italy, UK & Ireland, Nordics and Baltics.

M&A transactions in Germany and CEE countries lag behind compared to the rest of Europe.

European integration: M&A between European firms

Completed intra-European M&A activity (Q1-Q3 2021, EUR bn) Target Nationality

Acquirer Nationality

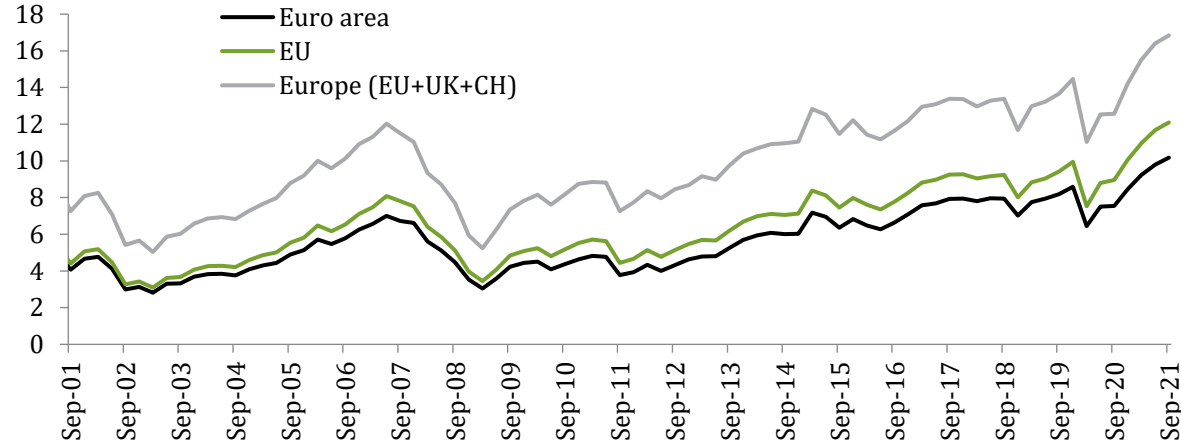
	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	CHE	UK	TOTAL
Austria	3,630								425	7											703									4,765
Belgium		2,216	78							13				145	190			70		75						250		318	104	3,458
Bulgaria			16																											16
Croatia																									38					38
Cyprus					27							86																443	556	
Czechia						1,280									21					307			754	270						2,632
Denmark							7,992				0			588	165					305	355						28	319	8,440	18,193
Estonia								1,618								3														1,621
Finland							7		4,363		64									258										4,692
France		374	99			1				69,613	7,390	130			29,081			477		374	4		268			423		4,118	112,352	
Germany	72			70					145	136	16,369									3,550	241		7				57	757	21,405	
Greece												1,214											59							1,273
Hungary													284																	284
Ireland							254			90	80			8,177	3,665								77			126		45	12,514	
Italy				48		3	9,108			1,296	33	165			17,211					192	5		2			408		565	29,035	
Latvia																91														91
Lithuania																	295			6										301
Luxembourg				40			40			31	965							501			65							33	1,675	
Malta																							120				15		135	
Netherlands		1,000								1,665	30									8,897	303					300	2,910		5,274	20,379
Poland				31						513			160		58					17	2,162							6	2,947	
Portugal																						2,321						362	2,683	
Romania						0				0													1,449							1,450
Slovakia																														
Slovenia																										164				164
Spain	1,100						400			373		47		600	3,300					650	2,364	214				16,709	800	398	26,954	
Sweden		50			869		242		299	122	6,403	56			21			96	3	555	25						10,231	36	759	19,768
Switzerland	5						716				1,860									73			7			158	122	9,105	4,694	16,741
United Kingdom	720	8	74	648	1		158		266	447	1,330	310		287	56			74	149	506	160					1,645	419	110	94,714	102,080
Total	5,527	3,649	267	837	896	1,285	18,917	1,618	5,498	74,305	34,524	2,008	444	9,796	53,768	94	295	1,218	152	15,766	6,387	2,535	2,744	270	203	20,018	14,566	9,903	120,712	408,203

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

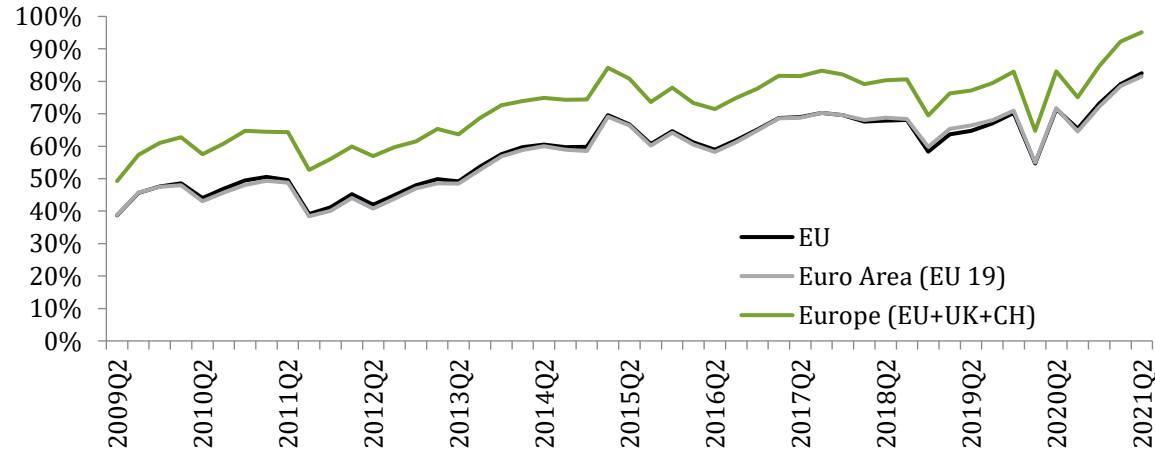
Secondary markets

Market capitalisation of domestic listed shares

EUR tn



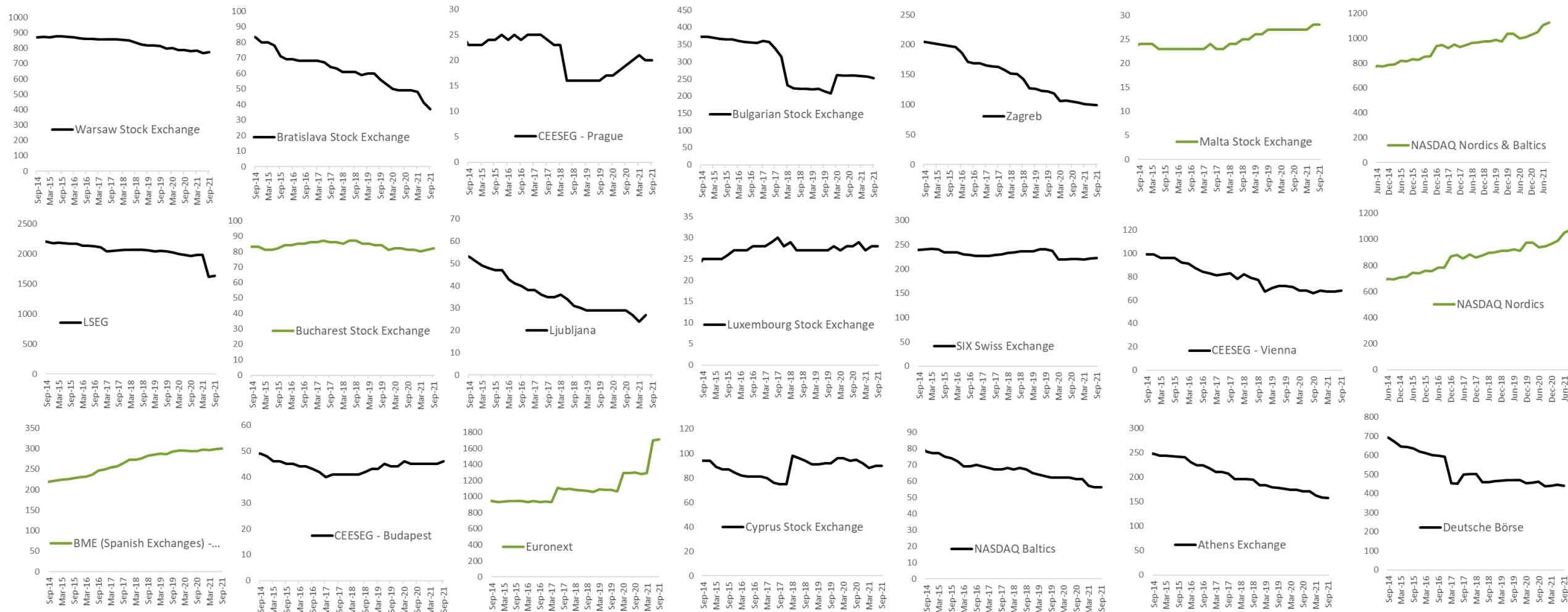
% GDP



Source: ECB, Datastream, FESE, NASDAQ OMX, LSEG, WFE, FESE, CEESEG, Bucharest SE, WSE. Europe includes EU27 members states, United Kingdom and Switzerland. Market cap as % of GDP available as of 2Q21 as 3Q21 GDP not available at the time of publication

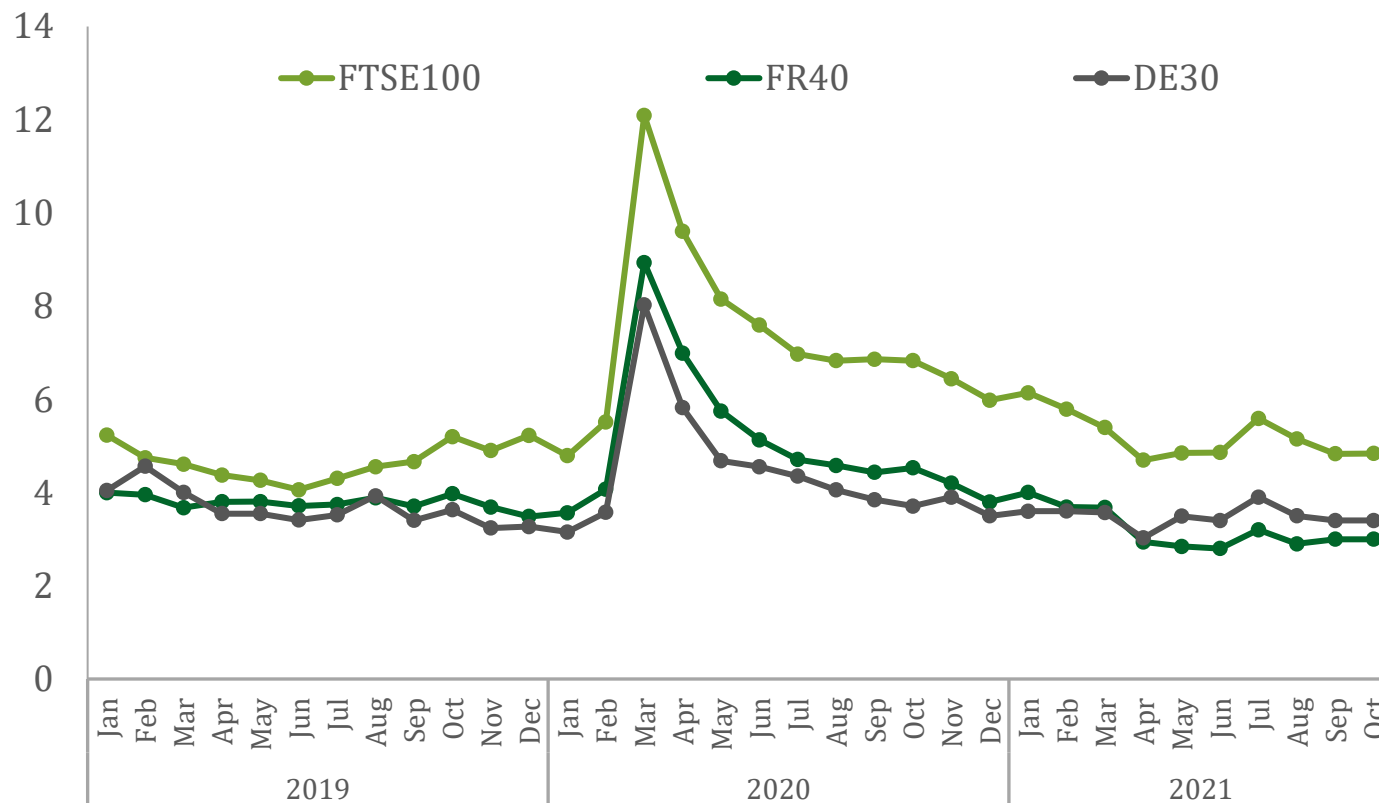
Market capitalisation of listed shares rose during Q3 2021 on the back of robust primary listings as shown on the first section of this report. Company valuations have most recently stabilised during 3Q 2021.

Number of listed companies on European exchanges



Bid-ask spreads for selected European indices

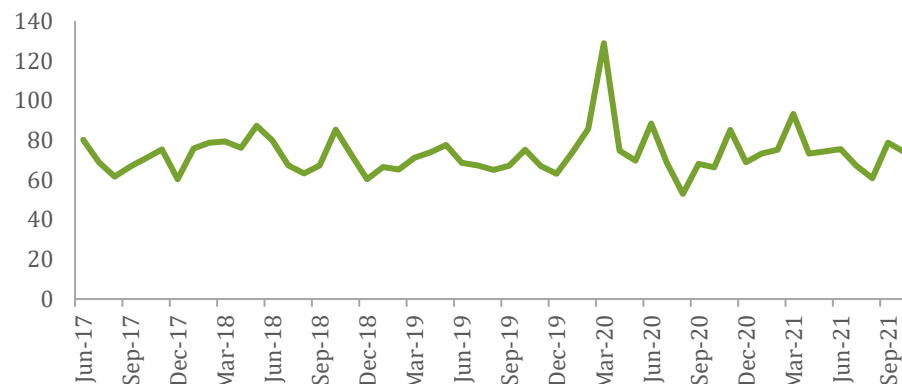
Market spreads in basis points for selected equity indices (Primary venue, value weighted average spread, €5k)



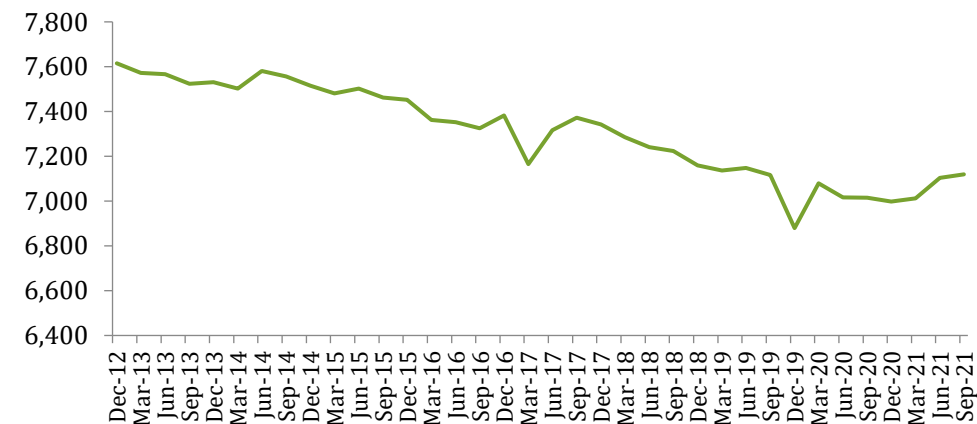
Bid-ask spreads for selected European equity indices have stabilised during 2Q-3Q 2021, at levels close to those observed prior to the COVID pandemic.

Active IPO market reflected in increase in number of listed companies

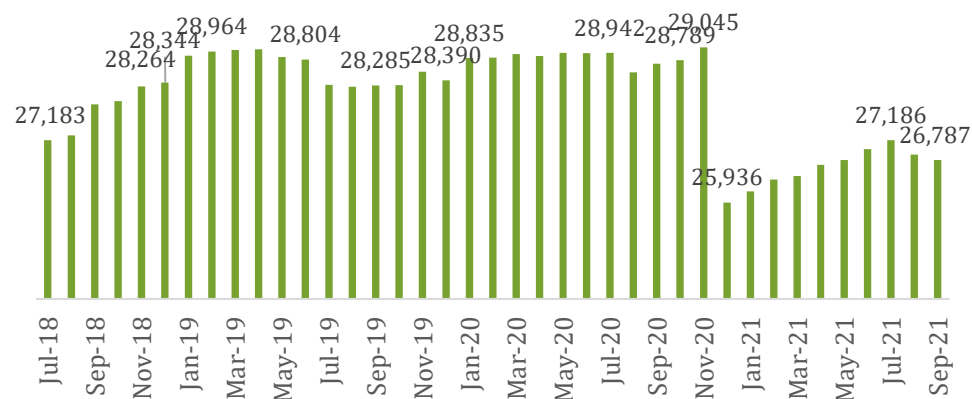
Average daily equity turnover value on European exchanges and MTFs (EUR bn)



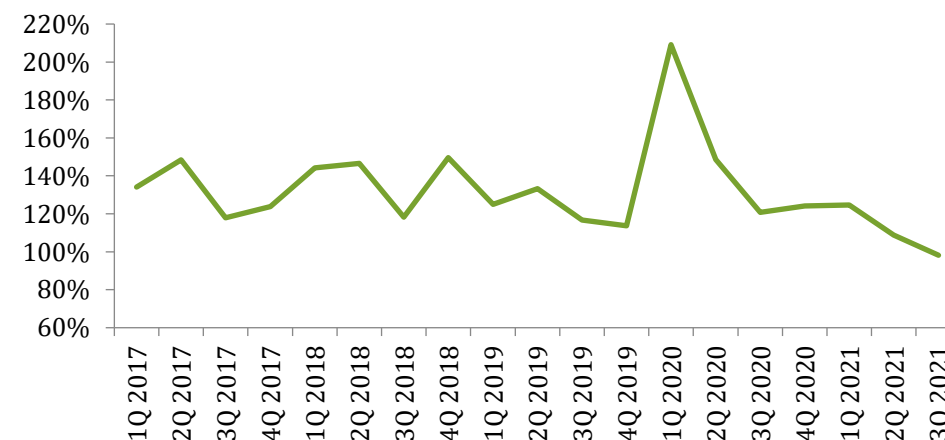
Number of listed companies on European exchanges*



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



Turnover ratio (annualised turnover value/ market cap)



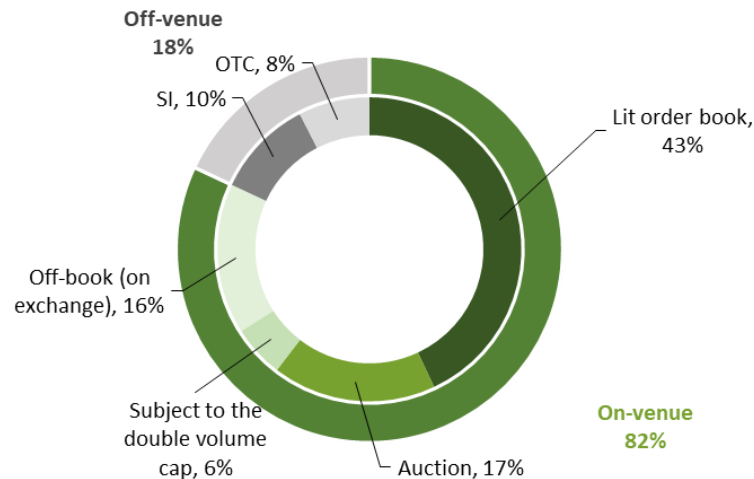
Source: BigXYT, FESE, WFE, ECB and local exchanges. *Listed companies excludes Vienna's global segment and Spanish SICAVs.

Equity market structure

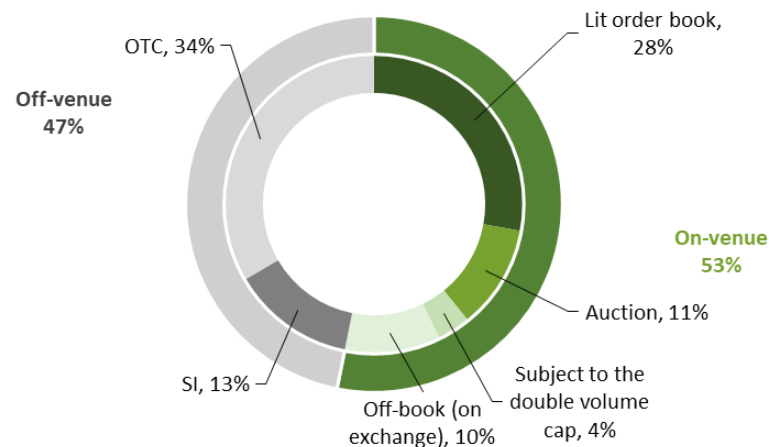
Equity market liquidity landscape

Share of PanEuropean trading volume (EU, UK, Switzerland, Norway) by trading mechanism, Q3 2021

Adjusted for transactions not contributing to price formation and of out-of-hours transactions



Unadjusted



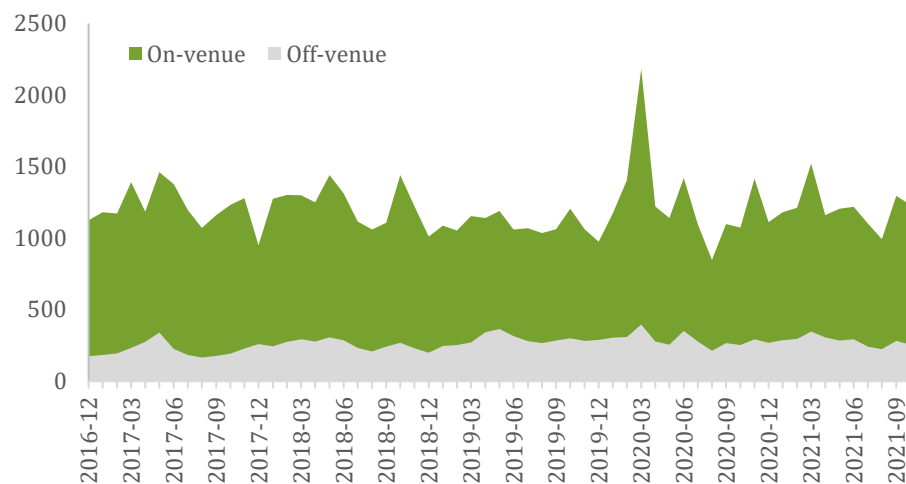
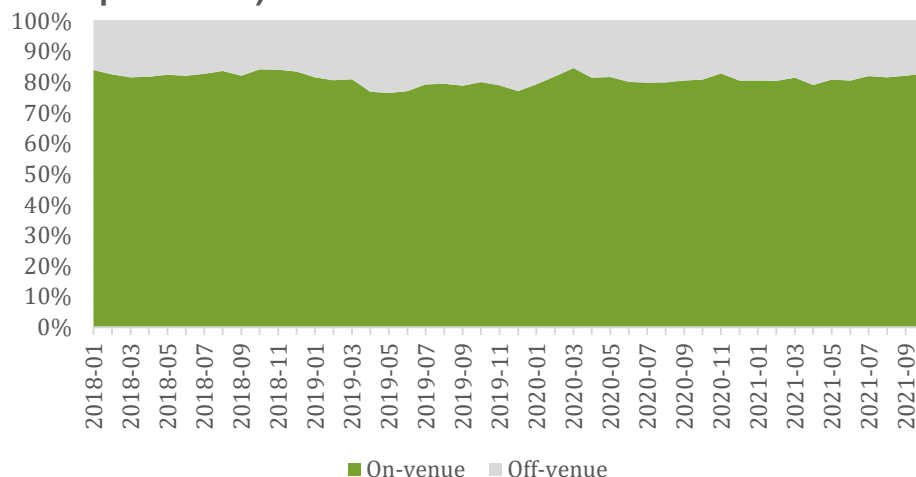
Source: BigXYT

According to BigXYT data, on-venue trading represents 82% of the total addressable liquidity. Volume traded off-venues, on systematic internalisers and pure OTC, represent the remaining 18% 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 or that are reported out of hours.

Equity market liquidity landscape

Share of PanEuropean trading volume (EU, UK, Switzerland, Norway) by trading mechanism, Q3 2021 (% and EURbn per month)



Source: BigXYT. Adjusting for transactions not-contributing to price formation and of out of hours transactions.
On-venue: Lit order book, Auction, trading subject to the double volume cap, and off-book (on-exchange).
Off-venue: OTC and SI

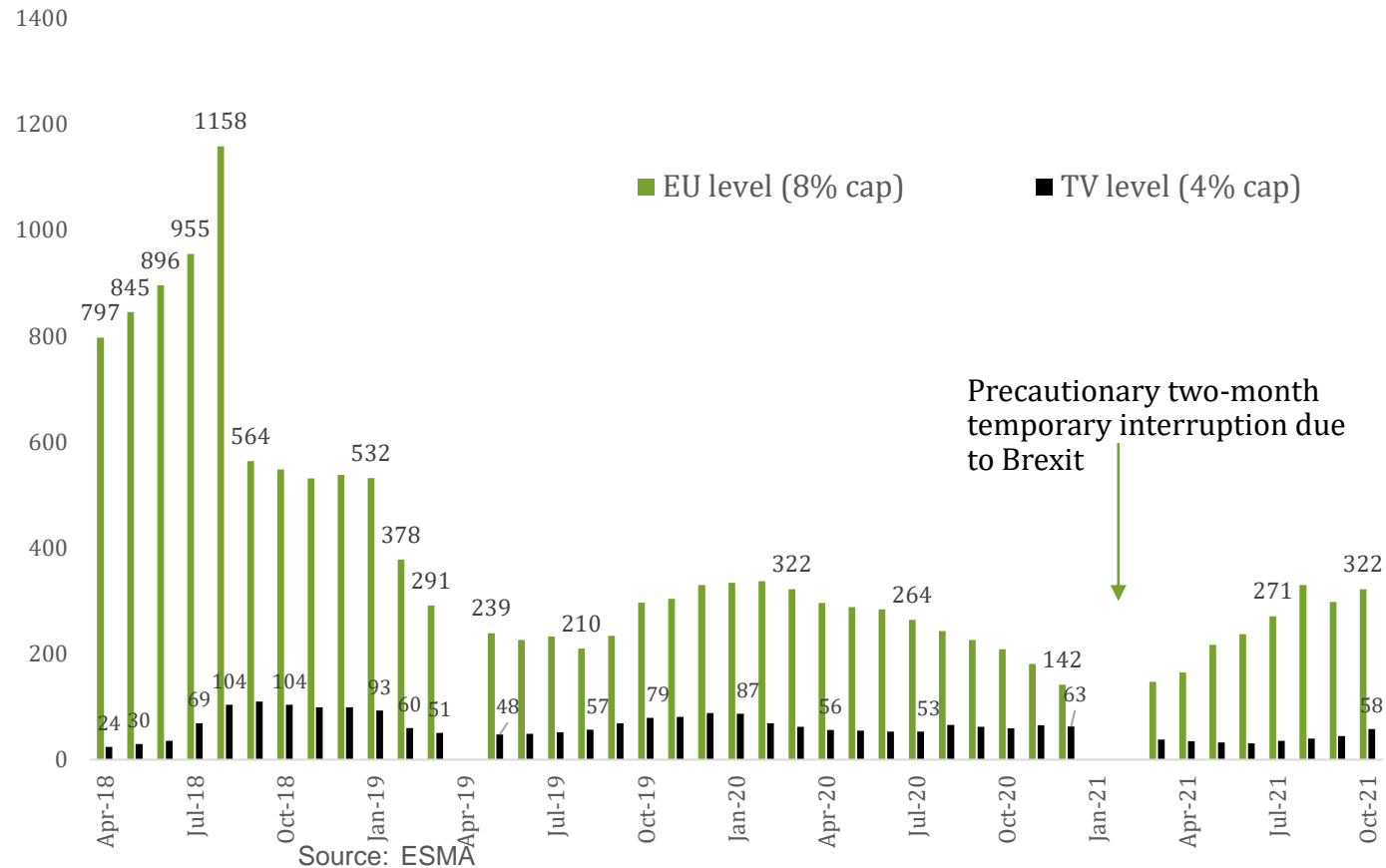
The proportion of on-venue trading relative to total addressable liquidity has remained stable over the last three years.

Notwithstanding monthly fluctuations, on-venue trading has represented between 86% and 76% of total addressable liquidity with a 3-year average of 82%.

During the COVID-19 outbreak, on-venue trading disproportionately increased relative to total addressable liquidity. This was likely due to market participants seeking immediacy of execution (as opposed to minimal price impact) during periods of heightened volatility. See bottom chart.

MiFID double volume cap (DVC)

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



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 increased to 380 at the EU or trading venue level as of October 2021 (from 205 in Dec-20).

afme / MiFID double volume cap (DVC)

Finance for Europe

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

Oct-21

Country ISIN	Universe	Suspended EU level	Suspended TV level	Suspended (% Universe)
AT	80	0	0	0%
BE	238	1	0	0%
BG	224	0	0	0%
CY	104	0	0	0%
CZ	27	0	0	0%
DE	1073	14	1	1%
DK	685	5	10	2%
EE	23	0	0	0%
ES	334	0	0	0%
FI	200	5	1	3%
FR	1001	15	0	1%
GB	1683	165	33	12%
GR	190	0	0	0%
HR	98	0	0	0%
HU	54	1	0	2%
IE	1500	18	2	1%
IT	491	4	0	1%
LT	26	0	0	0%
LU	1104	4	0	0%
LV	22	0	0	0%
MT	40	0	0	0%
NL	231	7	1	3%
PL	74	0	0	0%
PT	57	0	0	0%
RO	376	0	1	0%
SE	1627	7	1	0%
SI	151	0	0	0%
SK	38	0	0	0%
Others	15036	76	8	1%
Total	26787	322	58	1%

Source: ESMA

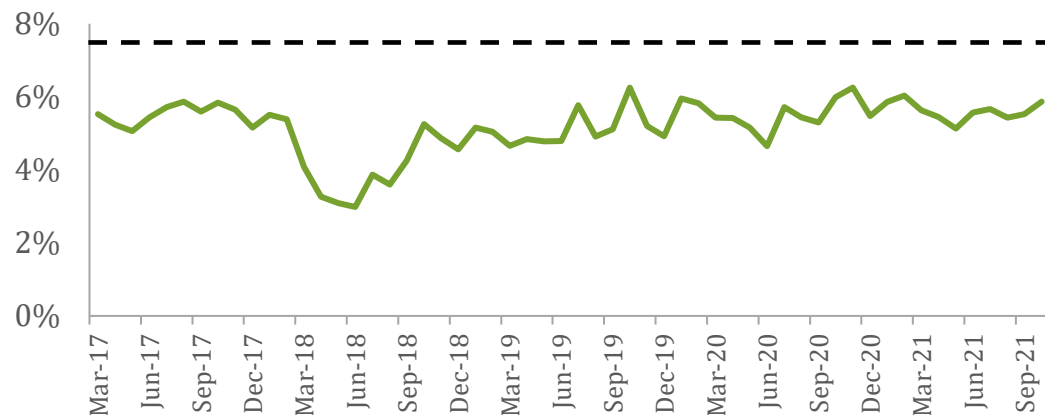
The 380 instruments currently suspended under the DVC at the EU or trading venue level represent 1% of the Universe of equity-like instruments on ESMA's October 2021 DVC files (26,787).

By countries, 198 of the 380 suspended instruments have UK ISINs (i.e. UK as the issuing country), which represent 12% of the 1,683 UK ISINs registered on the ESMA DVC files.

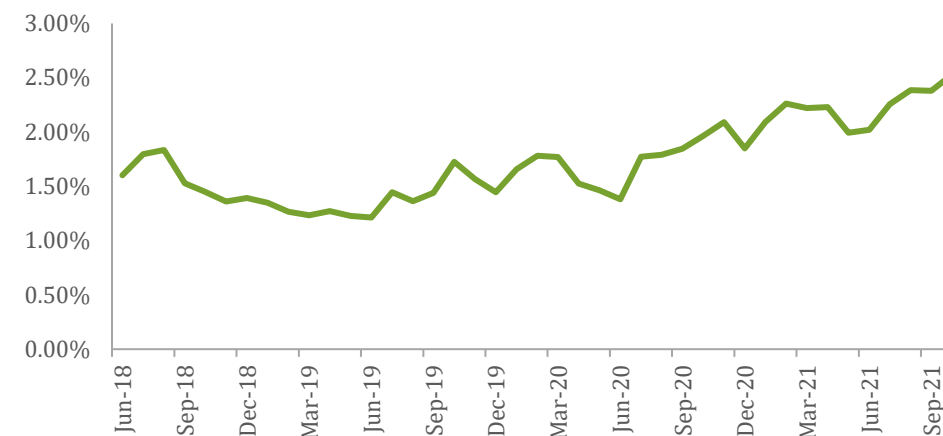
84 of the suspended instruments have non-EU+UK ISINs, or 22% of all suspended instruments at the EU and trading venue level.

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

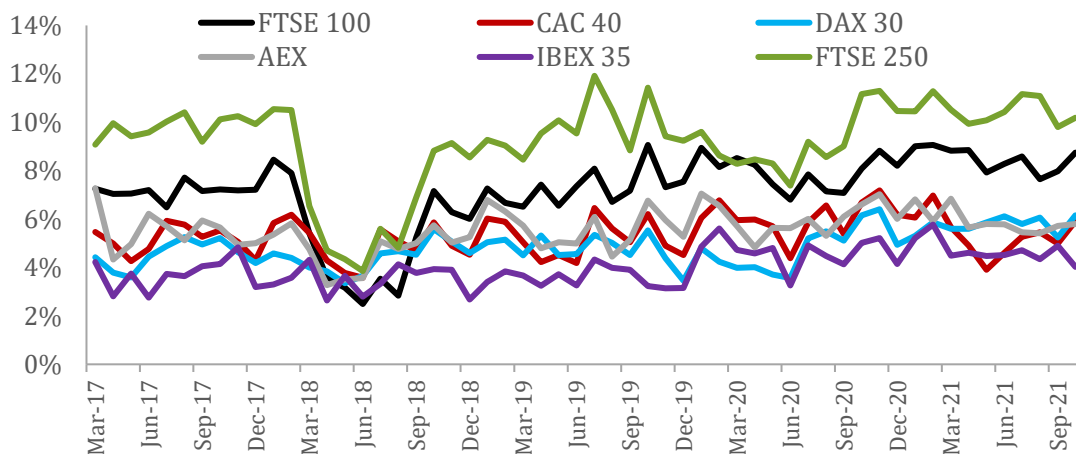
Trading subject to the DVC as % of total turnover*



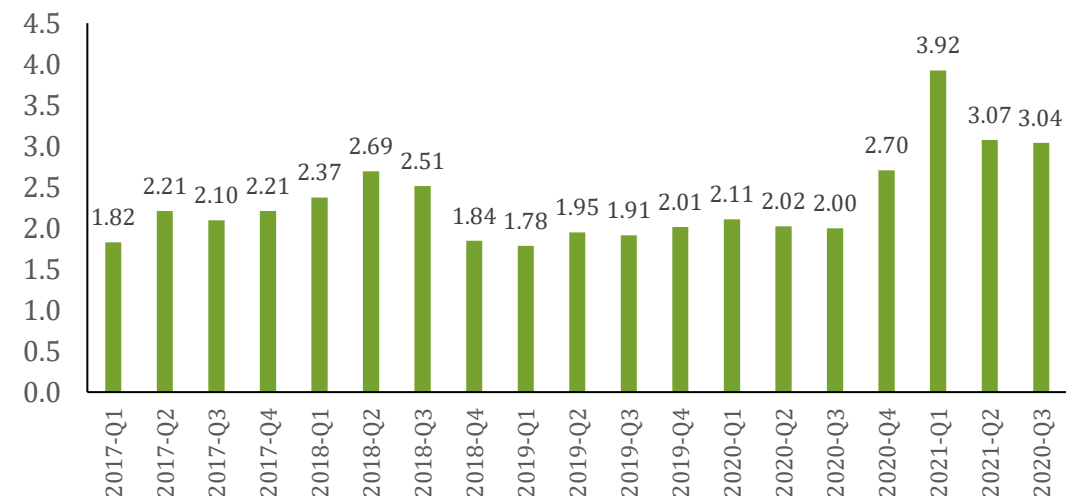
Lit/Auction periodic as % of total monthly trading



% of trading subject to the DVC by indices*



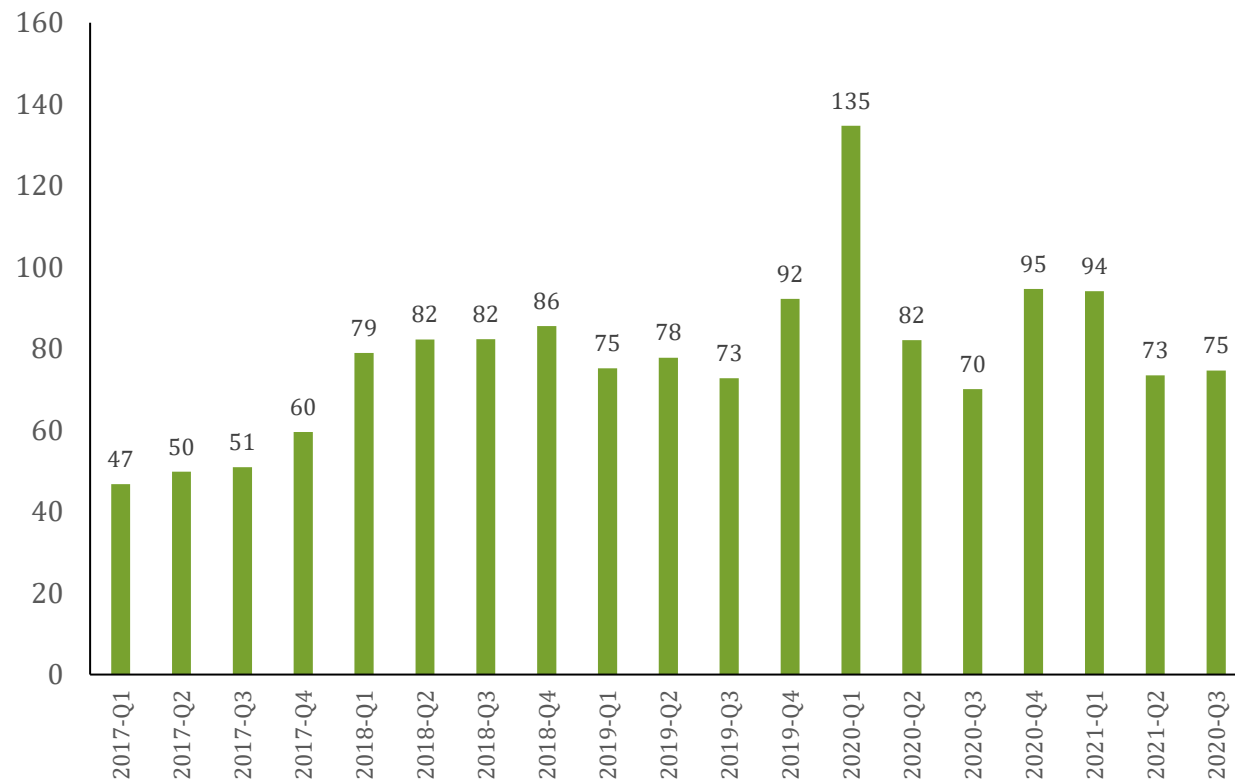
Block trades: Average value per trade (EUR mm)



Source: ESMA and BigXYT

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

Block trades: value traded \geq LIS (EURbn)



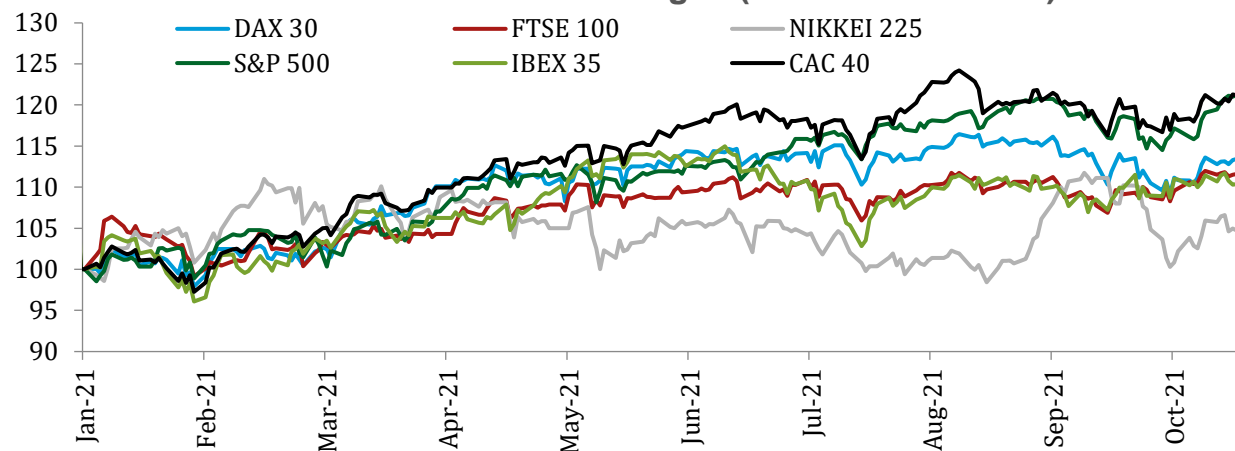
Source: BigXYT

Equity trading in the form of block trades (traded above the large in scale threshold) recently normalised to a quarterly total of EUR75bn in Q3 2021.

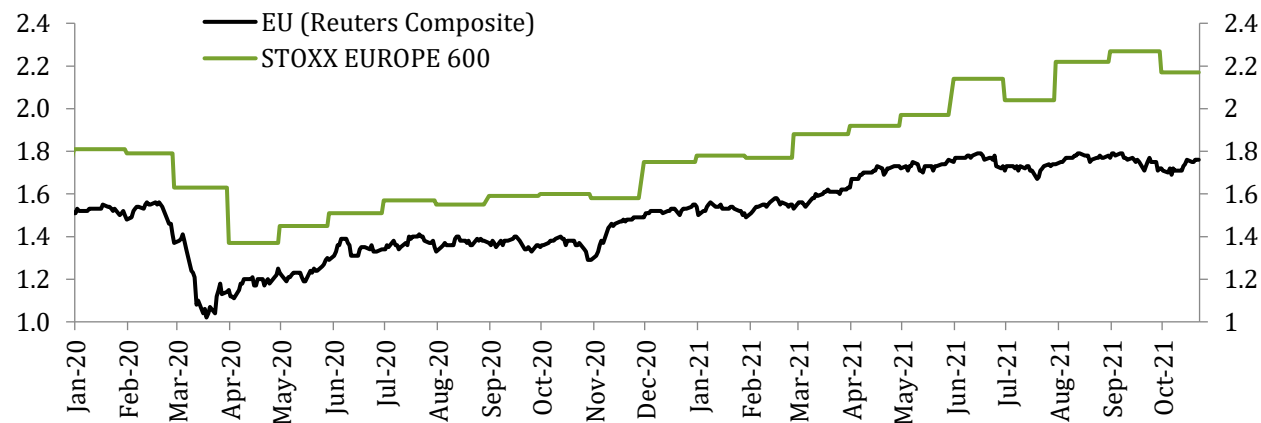
Valuations

Price indices and valuation multiples

Price indices of selected stock exchanges (31 Dec 2020 = 100)



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



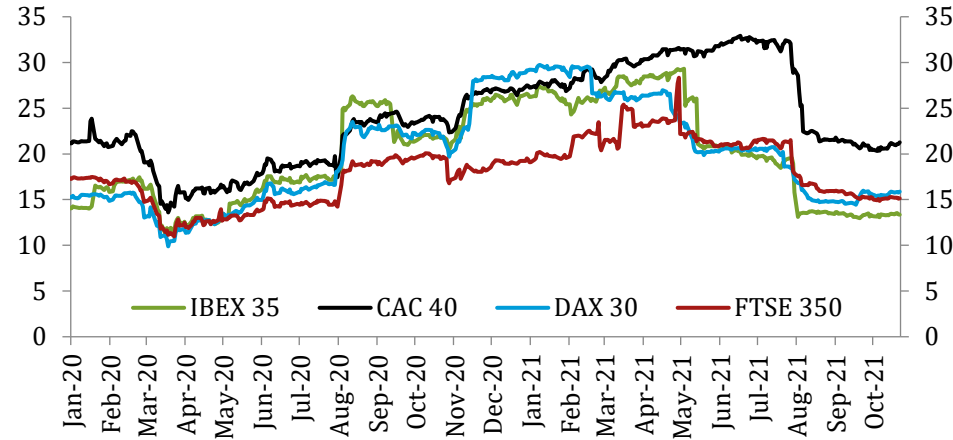
Source: Datastream

European equity share prices have risen 10-20% YtD as of late October 2021.

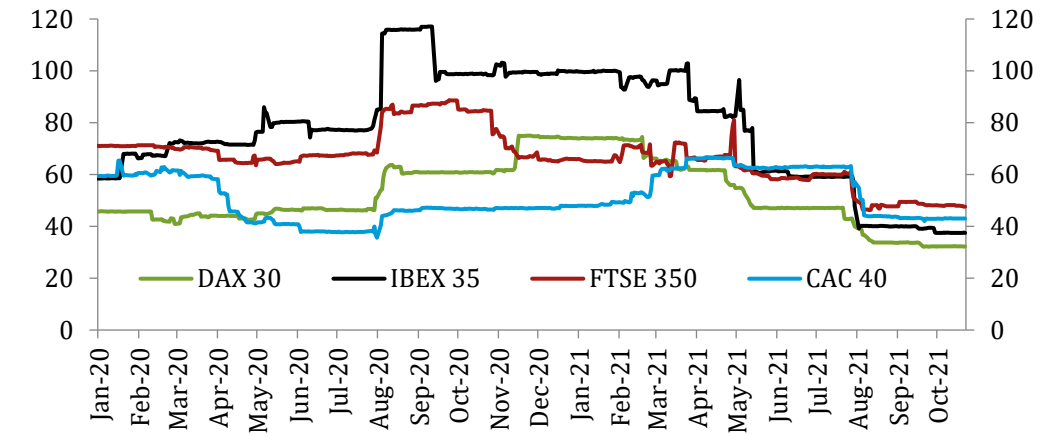
Company valuation ratios have stabilised during 3Q 2021 following a consistent increase during the first half of the year.

Valuation ratios and implied volatility

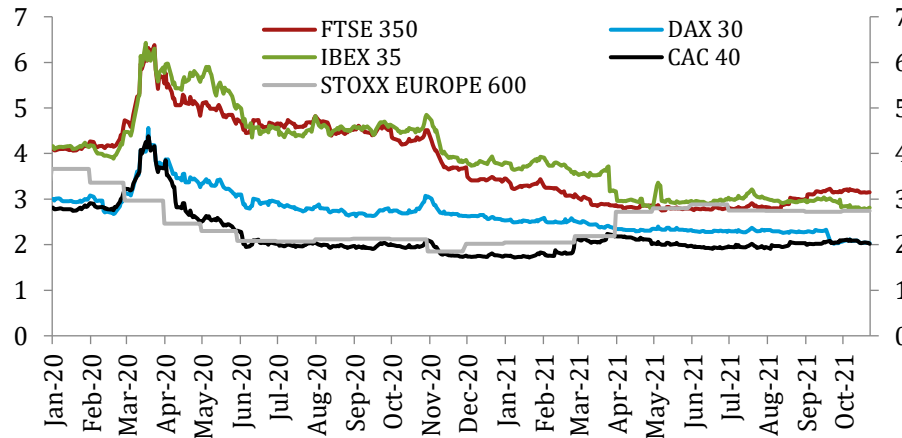
Price-to-earnings (PE) ratio



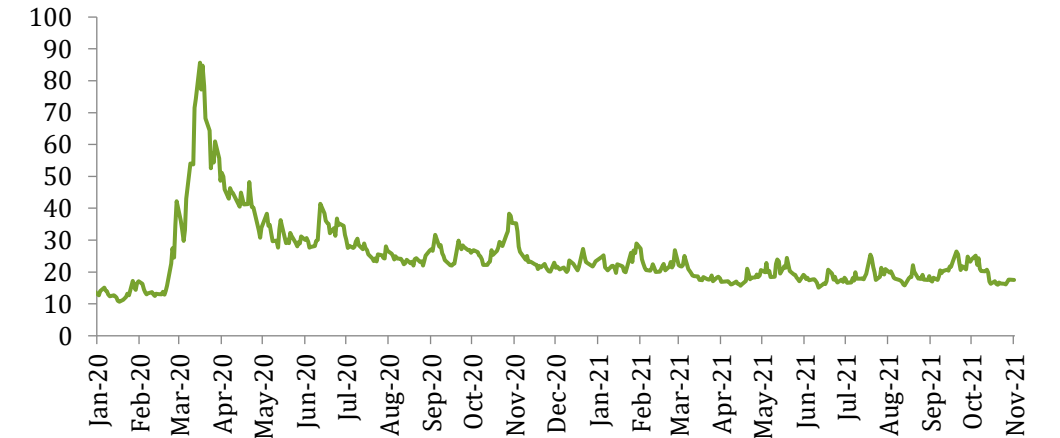
Dividend payout ratio (Dividends/ Earnings per share)



Dividend yield ratio (Dividend/Price)



Implied volatility of Euro Stoxx 50 constituent shares (VSTOXX)



Source: Datastream and Stoxx

	1Q 21	2Q 21	3Q 21		2021 YtD	1Q 20	2Q 20	3Q 20	4Q 20	2020 FY	% Change YtD
Equity underwriting (€ bn)	66.9	68.3	37.2		172.4	25.9	52.8	45.7	50.9	175.3	39%
IPOs	20.9	21.0	10.9		52.8	1.1	3.7	5.8	6.8	17.5	395%
Follow-on offerings	37.5	41.0	23.4		101.9	22.1	41.7	30.6	36.6	130.9	8%
Convertible securities	8.5	6.3	2.9		17.6	2.7	7.4	9.3	7.4	26.8	-9%
Mergers and Acquisitions (€ bn): completed	286.9	269.4	272.7		829.0	193.3	155.6	170.5	176.7	696.1	60%
European outbound	84.0	52.0	128.5		264.5	38.7	48.3	36.5	40.8	164.3	114%
European inbound	39.4	66.9	50.0		156.3	39.1	21.4	31.3	25.5	117.3	70%
Intra European	163.5	150.6	94.1		408.2	115.5	85.8	102.7	110.5	414.5	34%
Mergers and Acquisitions (€ bn): announced	317.1	273.3	350.7		941.0	174.1	107.1	239.0	363.3	883.5	81%
Equity turnover value											
Average Daily (€ bn)	80.6	74.4	68.9		74.6	96.1	77.6	63.2	73.5	77.6	-6%
Market Capitalisation of domestic listed shares (€ tn)											
European (EU27, UK and Switzerland)	15.5	16.4	16.8		16.8	11.0	12.5	12.6	14.2	14.2	18%
EU 27	11.0	11.7	12.1		12.1	7.5	8.8	9.0	10.1	10.1	20%
Euro Zone	9.2	9.8	10.2		10.2	6.4	7.5	7.5	8.4	8.4	20%

Source: Dealogic, ECB, FESE, WFE, BigXYT, 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

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

Neue Mainzer Straße 75,
60311 Frankfurt am Main,
Germany
+49 69 153 258 963



Follow AFME on Twitter
@AFME_EU



Disclaimer and Methodology

Your receipt of this document is subject to paragraphs 3, 4, 5, 9, 10, 11 and 13 of the Terms of Use which are applicable to AFME's website (available at <http://www.afme.eu/About-Us/Terms-of-Use>) and, for the purposes of such Terms of Use, this document shall be considered a "Material" (regardless of whether you have received or accessed it via AFME's website or otherwise).

AFME is registered on the EU Transparency Register, registration number 65110063986-76



Association for Financial Markets in Europe
www.afme.eu