



Assessing the European IPO Landscape within a Global Context: 2010 – 2015

Introduction

This paper is the first of a two-part analysis, which delves into the IPO landscape and seeks to assess the Investor Relations implications based on the trends in recent listings.

This part focusses on the European IPO landscape within a global context, addressing questions of short-term performance, seasonality, industry and regional development for the five-year period since 2010.

In all, over 4,000 issuances from the past six years have been analysed in this paper, between them raising over \$1 trillion upon listing. IPO activity has increased significantly over the past two to three years, with Europe seeing particularly strong recent growth, but not across all sectors. The analysis that follows drills down into the composition of this growth, highlighting the sectors and regions that have seen the greatest levels of activity and determining where macro factors, particularly regional and commodity price weaknesses, have had a substantial impact on both the timing of listing and initial returns.

NOTES ON METHODOLOGY

1

All Initial Public Offerings (IPOs) analysed in this paper took place between 1 January 2010 and 31 December 2015.

2

A country associated to an IPO is determined by the country of the primary exchange the company is listed on rather than where its headquarters is based. For example, Ferrari's headquarters is based in Italy, however, in our data, Ferrari is based in the USA as it is listed on the NYSE.

3

The following were excluded from our analysis:

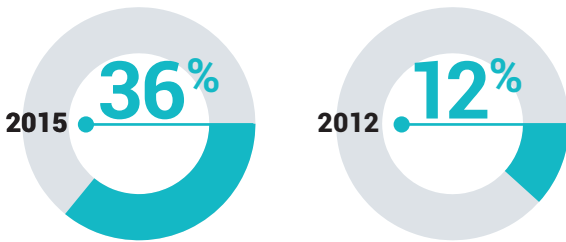
- IPOs with an offering value of below \$20 million;
- IPOs of investment trusts, REITs, MLPs, acquisition corporations, equity instruments and closed-end funds;
- IPOs where data was incomplete or inaccurate, due to reporting or collection issues; and
- IPOs where significant amounts of subsequent trading activity data was absent, due to permanent delisting, temporary delisting, or extended trading halts.

Global IPO issuance by value

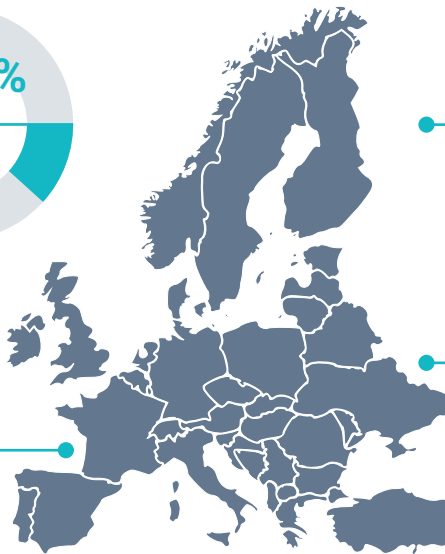
\$bn



Europe in Global IPOs



Europe accounted for 35.9% of the global IPO market by value in 2015; having increased from 11.7% in 2012.



74% small- & mid-caps

Since 2010, 74.2% of all European IPOs by value were from small- and mid-caps.

65% occur in Q2 & Q4

Since 2010, 65% of European IPOs by value have taken place in Q2 or Q4.

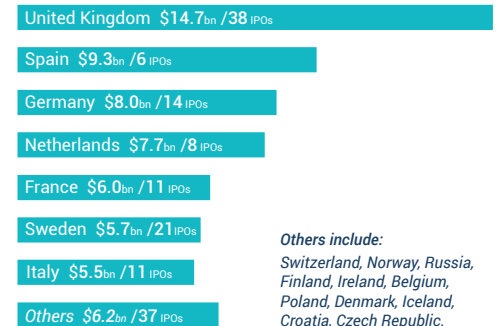
11% above benchmarks

Since 2010, European IPOs returned a weighted-average of 11% above benchmarks in year 1, but not all were successful:

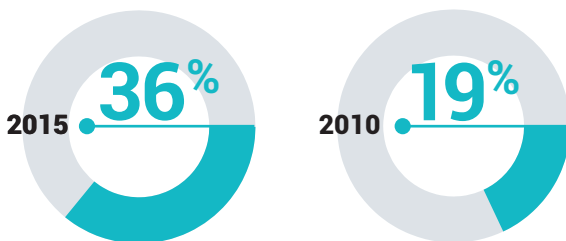


23% United Kingdom

United Kingdom accounted for 23.4% of all European IPOs by value in 2015.

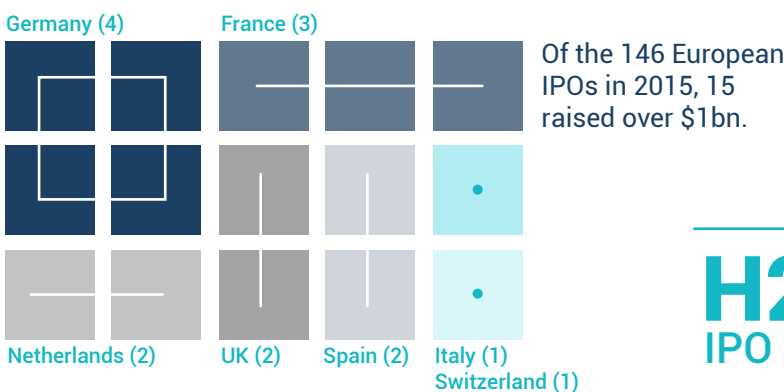


Financials in European IPOs



Financials accounted for 35.5% of all European IPOs by value in 2015. This has increased from 18.6% in 2010.

146 European IPOs 1 OVER raised in \$1bn 15 IPOs



H2 15 IPO activity



Global IPO activity in 2014–2015 showed signs of recovery but uncertainty persists

The volume of IPO activity globally has demonstrably recovered from the lull experienced across the globe in 2012, and 2014 was a notably strong year, but the IPO market has not yet recovered to the levels seen in 2010, where a five-year high of \$257 billion was raised through 896 issuances.

IPO activity decreased year-on-year in 2015, with just one new listing valued at over \$5 billion. The largest IPOs of the past year were predominantly from Asia (including the three largest overall) and Europe, which accounted for half of the top 10 shown in *Table 1*. On the other hand, just one North American IPO raised more than \$1.5 billion in 2015, a notable contrast to the consistently higher levels of activity in that region before the downturn in volumes in 2012.

FIGURE 1
Total IPO issuance by value, \$ Billion

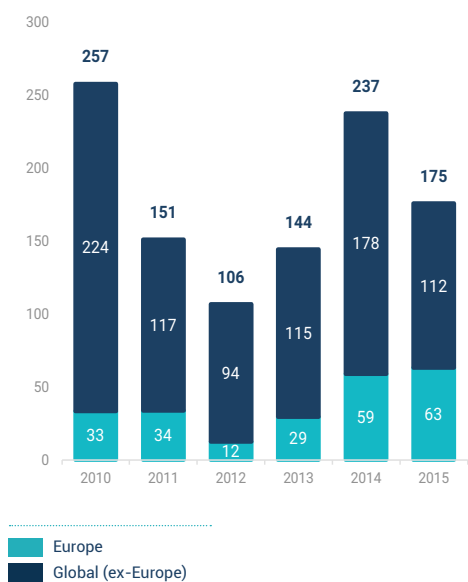


FIGURE 2
Total IPOs by count

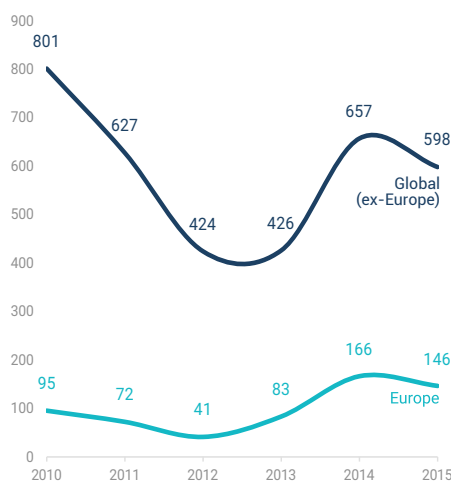


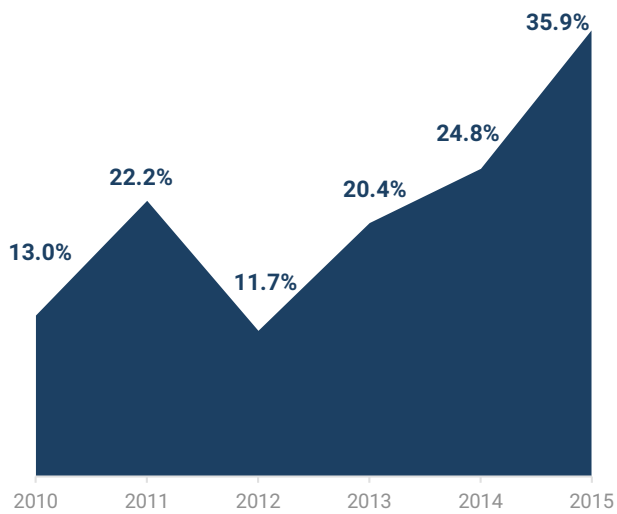
TABLE 1
Top 10 global IPOs in 2015

Issuer Name, Country of Exchange	Offer Value on IPO, \$B
Japan Post Holdings, Japan	5.8
Japan Post Bank, Japan	5.0
Guotai Junan Securities, China	4.9
Aena, Spain	4.8
ABN AMRO Group, Netherlands	4.2
Worldplay Group, United Kingdom	3.9
Post Italiane, Italy	3.4
First Data Corp, United States	2.8
China Huarong Asset Management, Hong Kong	2.5
Auto Trader Group, United Kingdom	2.5

Nowhere was the global decline in IPO activity in 2012 more keenly felt than in Europe, where value brought to market through new equity issuances stood at just \$12 billion over the course of what was a turbulent year in the Eurozone markets. Since then, however, it has been the region with the most appreciable growth, and the value of local IPOs has risen sharply in the past two years.

FIGURE 3

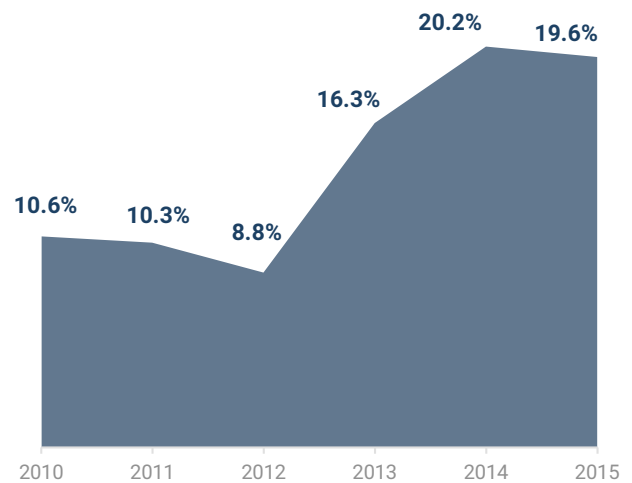
European percentage of global IPO issuance by value (\$)



In proportional terms, while at its nadir European IPOs accounted for just 11.7% of all global capital raised through IPOs in 2012, by 2015 35.9% of total IPO issued value came from European exchange listings, illustrated in *Figure 3*. Similarly, in terms of the number of IPOs, Europe's share increased from 8.8% in 2012 to 19.6% in 2015, as shown in *Figure 4*.

FIGURE 4

European percentage of global IPO issuance by count



“Europe accounted for 36% of the global IPO market by value in 2015, increasing from 12% in 2012”

Europe and Asia were the leading regions of IPO activity in 2015, while North America was highly under-represented considering its share of the total equity market

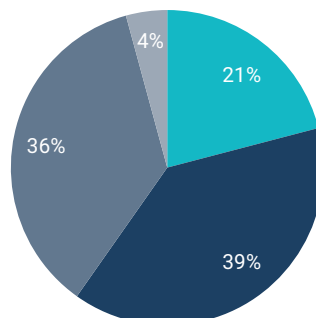
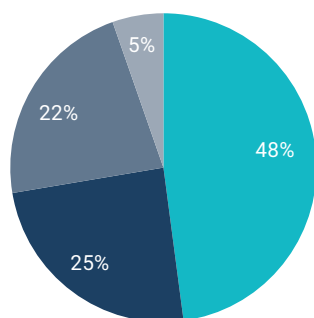
Almost half of all exchange-listed equity globally is housed in North America, and its two main stock exchanges are the world's largest, namely the New York Stock Exchange and the NASDAQ with market caps of \$19.2 trillion and \$6.8 trillion respectively¹.

However, despite this dominance, in 2015 North America lagged well behind Europe and Asia in IPO issuance, with just 21% of all value raised coming from the region, as *Figure 6* illustrates. Asia indeed led the way with Europe not far behind, as its recent growth trajectory highlighted above has resulted in well over one-third of all IPO capital raised on its exchanges during 2015, in spite of a global equity market share of well under one quarter, as shown in *Figure 5*.

FIGURE 5
Current global equity distribution, \$

FIGURE 6
Current global IPO issuance, \$ in 2015

North America
Asia
Europe
Rest of World



Europe's recent growth has been particularly noteworthy, and as such, the proceeding parts of this paper focus specifically on trends in European IPOs, to draw out some of the key structural features underscoring these trends.

“North America only accounted for 21% of all global IPO issuances by value in 2015”

¹ Source: World Federation of Exchanges, Statistics.

Between 2010 and 2015, 74.2% of all European issuances by value were mid- or small-cap companies

The increased volumes raised in Europe in the past two years bring into view the scale of individual listings, and it is perhaps natural to assume that several sizeable issuances will have underpinned this development. However, in reality, the vast majority of value issued through IPOs in Europe since 2010 has been through small- and mid-sized issues².

IPOs of between \$500 million and \$10 billion in value accounted for close to 75% of all capital raised in this period, demonstrating that the rise of European IPO activity is not exclusively a result of headline, “Glencore-esque” transactions. In fact, there have been just 10 IPOs of large-cap companies in Europe during the past six years, while mid- and small-cap issues have averaged about one per week.

FIGURE 7
Total European IPOs by cap, 2010–2015

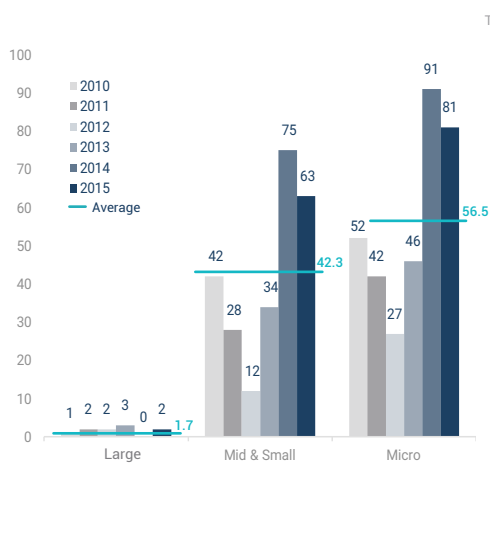


FIGURE 8
European IPO issuance and average issue size by cap, 2010–2015

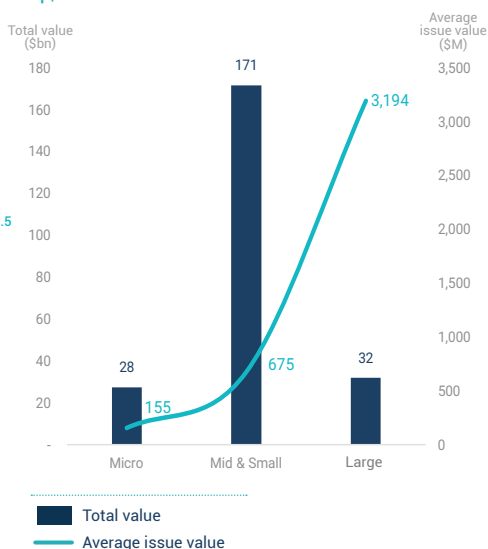


Figure 7 illustrates how the rate of IPOs taking place dropped off in 2012, and the recovery that has taken place since. In contrast to the global picture, European IPO activity was higher in 2015 than it was pre-2012.

“Only 10 large-cap listings occurred on European exchanges since 2010”

² Micro-cap < \$500m
Small-cap \$500m – \$2bn
Mid-cap \$2b – \$10bn
Large-cap \$10bn – \$50bn

Financial and consumer goods sector IPO activity has increased significantly in Europe since 2010, while basic materials and energy sector listings have declined

The rate at which IPOs take place in a particular sector is naturally governed by prevailing macro trends. Given the recent turmoil in the commodity markets, it is not surprising to note that the basic materials and energy sectors have seen a marked decline in IPO activity, while at the same time financial and consumer goods companies are being brought to market in far greater volumes than in the period immediately following the 2008 financial crash. *Figure 9* maps out the trend-lines of IPO value raised in some of these most active sectors, in turn highlighting the sectors driving the recent increases in European IPO activity.

FIGURE 9
Trend of European IPO activity, \$bn

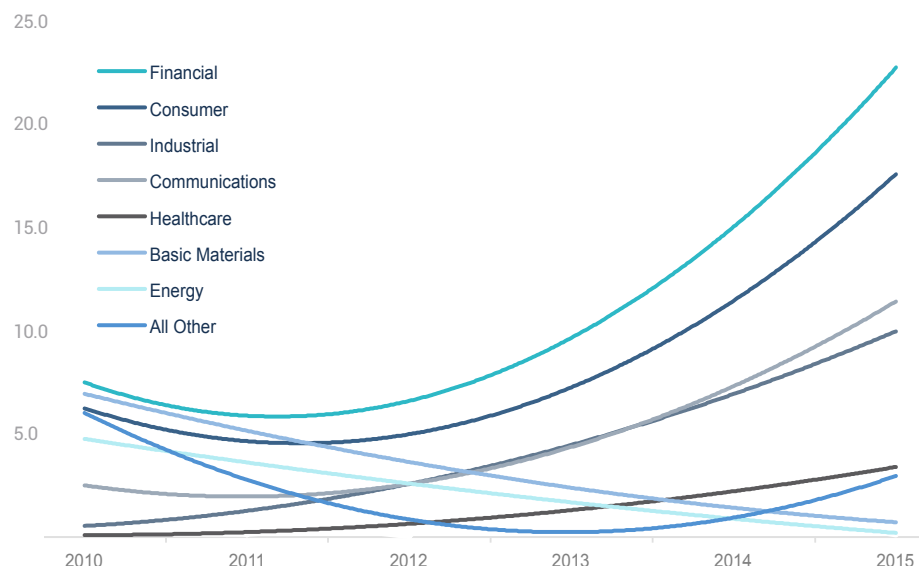


TABLE 2
Sector breakdown of 2015 European IPO activity

Financial	35.5%
Consumer	20.8%
Communications	18.2%
Industrial	15.1%
Healthcare	4.8%
Basic Materials	2.7%
All Other	2.9%

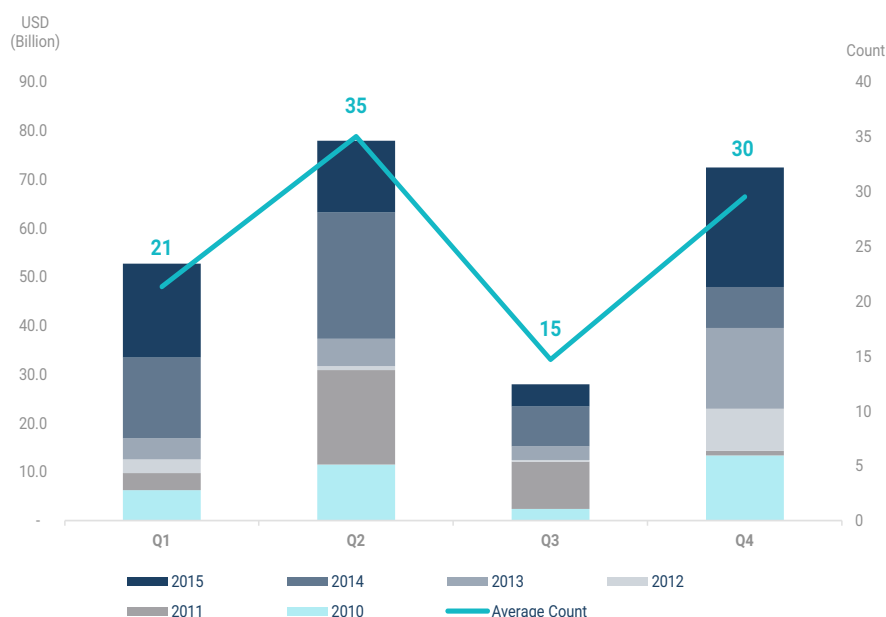
“Financials accounted for 36% of all European IPOs by value in 2015”

There is a clear seasonality to European IPO activity, peaking in the second and fourth calendar quarters

European IPO activity, and indeed global IPO activity, is far more pronounced in the second and final quarters of a typical trading year. Q2 is a particularly popular period for listings to take place, with 35% of IPOs taking place during the April–June period, while 30% occur between October and December. In contrast, the summer months are especially light on IPO activity, and this trend has not changed even in the recovery years of 2014 and 2015.

However, the debt and Eurozone turbulence in 2011 and 2012 had a more substantial bearing on the level of issuances, even above any quarterly anomalies. *Figure 10* shows the quarterly breakdown of value raised each year, and highlights the sharp decline in activity between Q4 2011 and the same period in 2013, save for a slight recovery in the last period of 2012. Just \$1 billion in IPO capital was raised in Q4 2011, compared to the Q4 average of \$12.1 billion, while the level of value issued in the two years between Q4 2011 and Q3 2013 was 70% lower than the six-year average (and 87% lower in the year from October 2011 to September 2012). Clearly, IPO-readiness is also determined by market conditions, and macro fragility precludes the potential for listing.

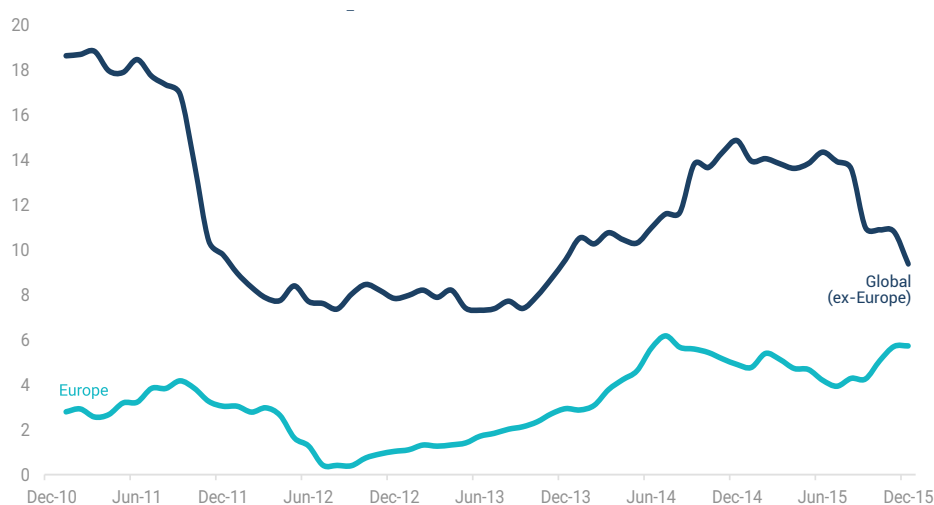
FIGURE 10
Seasonality of European IPOs



Since the 2012 downturn, European IPO activity has been broadly in line with global trends, until outperforming in H2 2015

The trend in European IPO activity generally tracked that of the global market between the down-cycle in 2012 and the early part of 2015, with the periods of recovery coinciding. As Europe has played an increasingly prominent role in the global IPO market, this is unsurprising, however the latter part of 2015 has been a bumper period for combined offer sizes in Europe, while global IPO activity has fallen away, as *Figure 11* shows³.

FIGURE 11
Trailing 12-month IPO activity, \$bn per month



³ Trailing twelve-month figure depicts the average monthly activity for the entire year that ended in the month under review. The figure is useful for comparison as it mitigates the effects of one-off activity and removes seasonality bias from the data.

European IPO activity has historically been underpinned by UK issuances, but other regions have come to the fore recently

The UK, home to comfortably Europe's largest exchange, has been the main driving force behind the level of European IPO activity historically, but perhaps more than other regions has seen substantial variance from year to year. At its height, the numbers are eye-catching, for instance the \$20 billion issued in 2011 and \$23 billion issued in 2014. However, 2011 was dominated by the \$10 billion Glencore IPO, whereas 2014 better characterised the benefit of a high number of IPOs, with 77 taking place in all, comfortably a high for the 2010–2015 period.

Moving into 2015, however, the number of issuances fell substantially in the UK, leading to a lower level of value issued. Indeed, the IPOs of Worldpay and Auto Trader alone were priced at a combined \$6.4 billion, well over one-third of the UK value for the year as there was a lull in overall activity.

This is in contrast to some of the other European regions⁴, where IPOs have increased steeply since 2013. Western Europe saw a 140% increase in the number of issuances from 2013 to 2014, and in the past two years 16 IPOs in France and Germany have been larger than \$1 billion, including ABN Amro's \$4 billion IPO in 2015. This has driven Western Europe well above the UK in terms of IPO value in 2015.

TABLE 3
Top 10 European IPOs in 2015

Issuer Name, Country of Exchange	Offer Value on IPO, \$B
Aena, Spain	4.8
ABN AMRO Group, Netherlands	4.2
Worldpay Group, United Kingdom	3.9
Poste Italiane, Italy	3.4
Auto Trader Group, United Kingdom	2.5
Cellnex Telecom, Spain	2.3
Sunrise Communications Group, Switzerland	2.2
Amundi, France	1.9
Covestro, Germany	1.7
SPIE, France	1.4

“United Kingdom accounted for 23% of all European IPOs by value in 2015”

⁴ UK & Ireland

Western Europe – Austria, Belgium, France, Germany, Netherlands and Switzerland

Southern Europe – Greece, Italy, Portugal and Spain

Nordics – Denmark, Finland, Norway and Sweden

Eastern Europe – Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland,

Romania, Russia and Turkey

In Southern Europe, 2015 was also a spectacular year for IPO value, thanks to three substantial issues from Cellnex, Poste Italiane and Aena. While this can be seen as an anomaly in the context of historical averages, the rise in these markets in the past two years has been highly notable and a heightened number of issues in 2015 is also reflective of the rate in 2014. To a lesser extent, the same is true in the Nordic region, with only Eastern Europe showing a downward trend, and Europe's relative buoyancy over the recent past has therefore been largely reflected across the Continent rather than through growth in one or two regions.

FIGURE 12
Regional IPO activity by region of exchange, \$bn

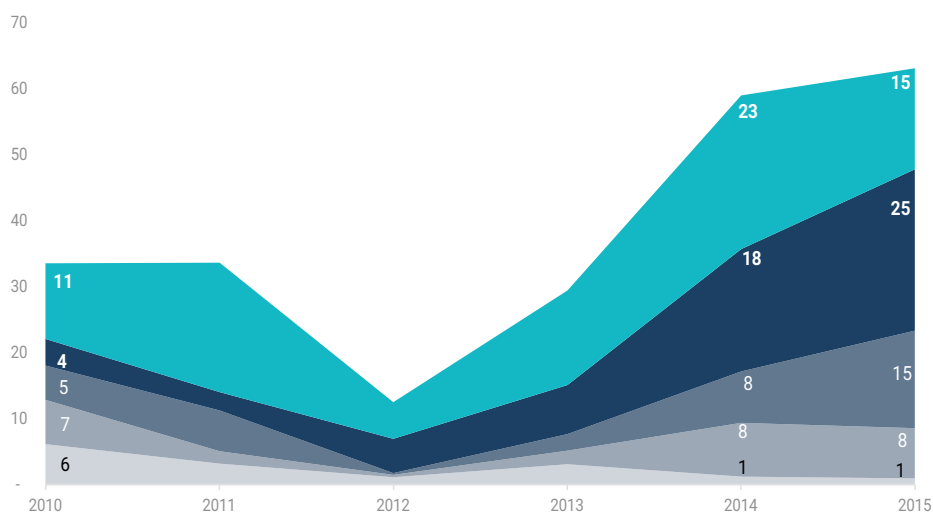
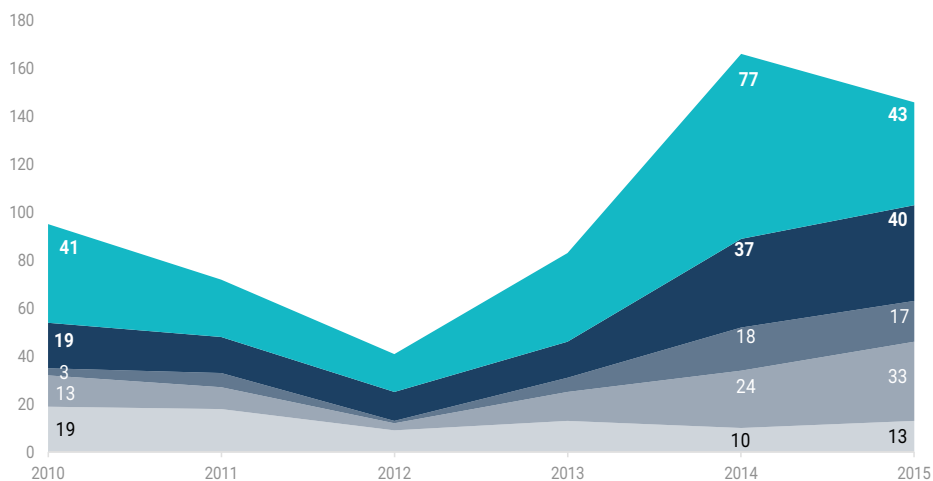


FIGURE 13
Regional IPO count by region of exchange, no. of issuances



- UK / Ireland
- Western
- Southern
- Nordics
- Eastern

First-year trading returns healthy across Europe, but large disparities in performance exist across the region

Benchmarked and weighted⁵ returns in the first year following IPOs in Europe have been generally positive, with newly-issued stocks outperforming the market by 11% on average in the first year, and by 9% in the first three months. However, in the second and third years post-listing the picture changes, and average performance flattens out completely. This backs up the widely-perceived expectation that stocks will trade at a certain premium immediately after the offering, as interest and demand for the stock is built.

With that said, the premium is not universal, and certain European regions fare significantly better than others. IPOs in developed European markets are often seen as more likely to see positive accretion in value as the stock matures, yet there are notable exceptions. Bankia in Spain suffered a disastrous début in Spain, losing 86% in year one, while in all nine of 15 Spanish issuances and 24 of 34 French issuances between 2010 and 2014 underperformed the market in the first year of listing.

The breakdown by country, in *Figures 14* and *15*, shows where the best and worst relative performance has occurred, with Spanish, Danish and German issuers generally underperforming in year one, and Dutch issuers leading the way thanks to the positive returns generated by listings such as Altice's. Despite some major first-year losses, Italy and France were also among the front-running countries; in Italy's case driven by the spectacular performance of Brunello Cucinelli and Salvatore Ferragamo, while the overall French performance was boosted by the bullish first years of the likes of Numericable and Blue Solutions.

FIGURE 14
WORST first year of trading performance

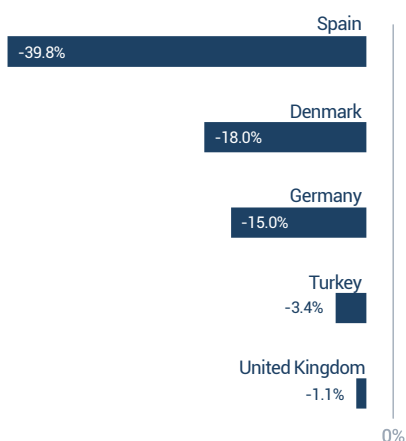
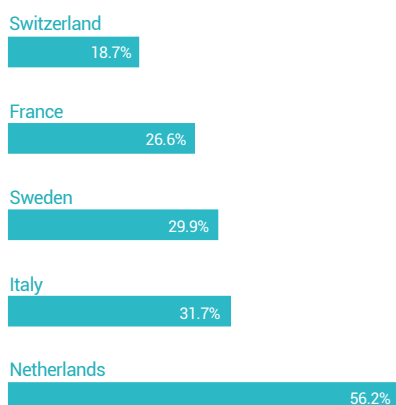


FIGURE 15
BEST first year of trading performance



⁵ In our analysis of regional performance, only markets which had an aggregate between 2010 and 2014 of greater than \$500 million in IPO issuance, and at least 5 IPOs in that time, were considered. To assess the true performance of each market, the constituent stocks' performances were benchmarked against their most relevant market indices to assess if IPO investment yielded better returns than the market as a whole. This helps to mitigate factors such as political risk and currency fluctuation that have a macro impact on returns. In addition, performances were weighted according to the market cap of each constituent stock, meaning that the largest stocks contributed proportionately more to the overall regional figures, to prevent skewing of data from the more volatile performances of smaller companies.

Indeed, the combined one-year performance of recent IPOs was in certain European markets, largely skewed by individual outperformers or underperformers. With that said, there were large disparities in performance between issuers in markets such as the UK. Examples of the largest outperformers and underperformers are shown in *Figures 16 and 17*⁶.

FIGURE 16
BOTTOM 10, 1-year normalised return from IPO date, Europe

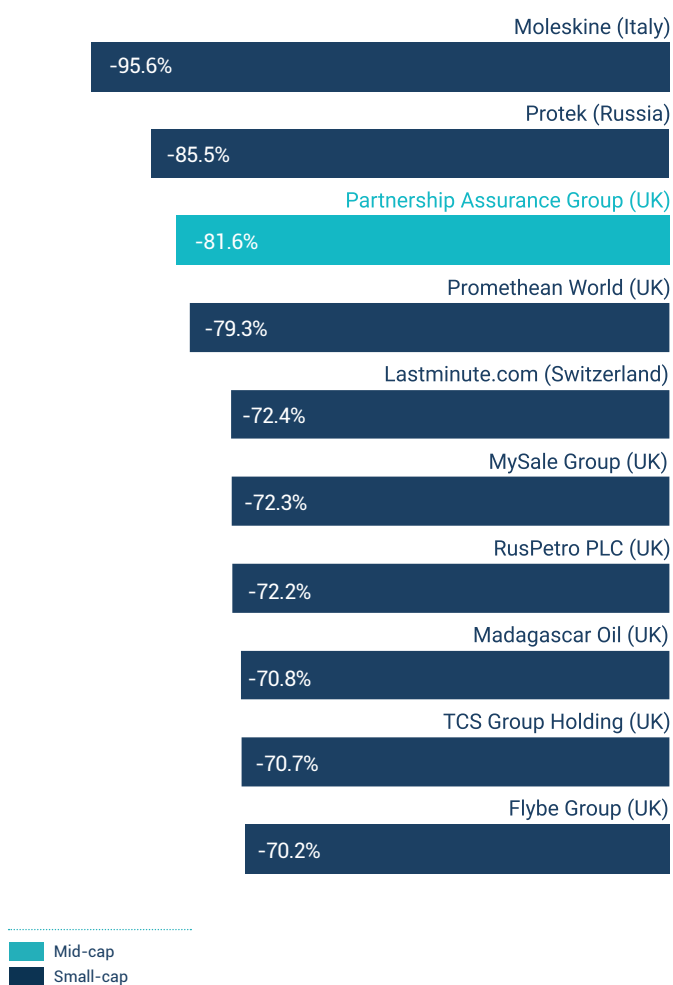
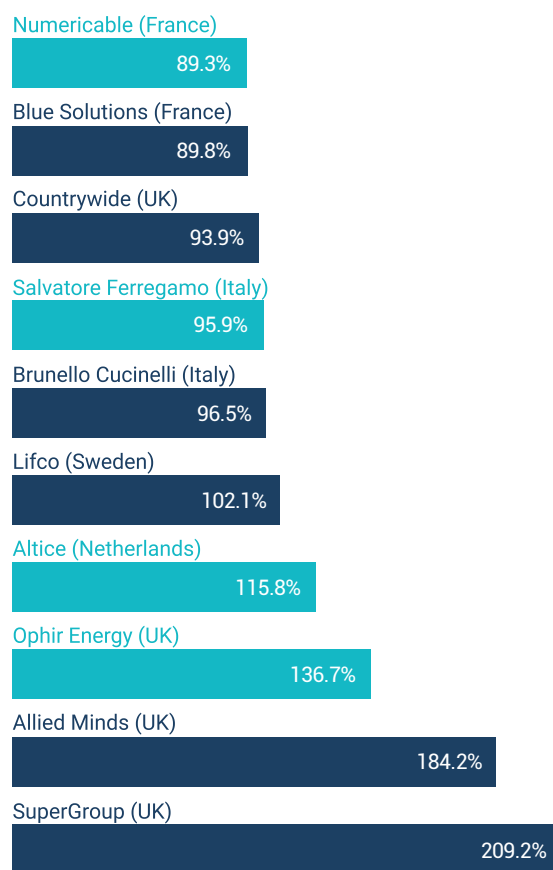


FIGURE 17
TOP 10, 1-year normalised return from IPO date, Europe



0%

⁶ Figures 16 and 17 exclude micro cap issuances to illustrate the issuances that had a larger affect on country performance.

Conclusion

It is clear the European IPO market has emerged from a difficult period between 2011 and 2013 to expand to elevated levels in the past two years, and largely led the growth in global IPO activity as North American issuances stagnate. Indeed, while other markets have suffered reduced levels of IPO interest in the latter half of 2015, Europe continued its growth, which was shared across its major markets and not merely concentrated into exchanges with the highest profile.

This is an encouraging trend for any company considering an IPO in Europe indicating robust demand and investor receptivity to new issuer risk. However, yet companies in certain industries will always be at the mercy of macroeconomic factors, and considerations such as commodity prices and political stability have an inevitable influence on the success or otherwise of an entry to market. In general terms, the first year of trading is a critical period in which momentum from disciplined execution and resulting market confidence can propel a newly-listed stock towards a premium valuation, but can clearly also work to its detriment when the market is not receptive or the equity proposition is lacking.

Understanding the market environment into which a proposed listing would take place is a key step towards the strategic investor relations planning that will ultimately drive the success and maximise the impact of the IPO. The second part of this paper will focus on exploring the specific investor relations activities that every company should consider before and after the IPO date.

FURTHER READING

[*Baker & McKenzie – Global Transactions Forecast 2015 >*](#)

[*EY – Global IPO Trends 2015 4Q >*](#)

[*EY – IPO Eye Q4 2015 >*](#)

[*Pitchbook – 4Q 2015 US IPO Trends Report >*](#)

[*PWC – IPO Watch Europe >*](#)

ABOUT US

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