
EUROPE HAS STRONGEST THIRD QUARTER FOR SHARE LISTINGS SINCE 2014

- 29.09.2017

EuroNews (29 September 2017)

By Dasha Afanasieva LONDON (Reuters) □ Proceeds from European initial public offerings (IPO) reached \$7.7 billion (5.73 billion pounds) in the three months ending September, up 45 percent compared with last year and the highest since 2014, according to Thomson Reuters data. Unusually low volatility, strong equity markets and improving global economic growth outlook boosted equity issuance in Europe and globally in 2017 so far after a dismal 2016. Equity offerings rose 21 percent to \$572 billion globally in the year-to-date. Theres money available and relative stability in the market, alongside attractive valuations for vendors, Tom Johnson, head of equity capital markets (ECM), Europe, Middle East and Africa (EMEA) at Barclays, said. The biggest equity issue of the quarter and second biggest this year was the \$11.5 billion share sale in Japan Post <6178.T>. Banco Santander <SAN.MC> 7 billion euro (\$8.24 billion) capital raising to buy Popular <POP.MC> was the second biggest equity raising of the quarter. We expect the ECM activity in the financial sector in EMEA over the coming months to be driven mainly by sale-downs in government owned institutions such the ones that have been completed recently, and capital rising exercises as a result of consolidation and M&A, said Javier Martinez-Piqueras, the UBS head of ECM in the region. The IPO of Switzerland's Landis+Gyr Group AG <LANDI.S> was the biggest of the quarter globally and the biggest in Switzerland for 11 years. This also helped to boost European volumes. Landis+Gyrs shares have fallen to about 71.45 Swiss francs (\$73.36) from their 78 franc issue price, highlighting that buoyant equity markets are no guarantee for IPO investors. British IPO proceeds lagged behind Europe, rising 7 percent year-to-date. But bankers expected an improvement in the final quarter. Total U.K. equity capital raising proceeds increased 1.8 percent to \$28 billion this year so far, compared to a weak 2016. Brexit has led to a slowdown in the British economy, with growth of just 1 percent likely next year, down from 1.8 percent in 2017 and no recovery to its historic trend rate over the coming years, credit rating agency Moodys said last week. Uncertainty over whether Britain can secure a replacement trade deal with the EU has further darkened the economic outlook. UK corporate activity has been low year to date but theres a cohort of issuers who didnt want to test the market before but now are pushing on with their plans Martin Thorneycroft, head of ECM for EMEA at Morgan Stanley. The U.S. investment bank was the top underwriter globally thanks to leading in global follow-on offerings. Investor demand is out there and the uncertainty is not going to dissipate soon anyway, Thorneycroft said. Multi-billion pound masts company Arqiva is among the British companies considering a listing. It has hired advisers for a listing but a sales process is still active, sources said. Utilities firm Verastar, insurance company Sabre, supermarket supplier Bakkavor are among the other British firms looking to float in the coming quarters. Bankers are upbeat on these prospective London floats, but also think that investors may be wary of companies which are exposed to the British

consumer. We have a much larger UK IPO pipeline for the second half compared to the first half and theres no reason to believe the investors are not going to be there for good companies, Barclays Johnson said. Its fair to say that they are likely to scrutinise the more domestically focused assets carefully.

(Reporting by Dasha Afanasieva. Editing by Jane Merriman)

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