

# To list or not to list in New York?

Many UK companies see the US as being a land of opportunity – at least as far as valuations go. Simon Rose assesses the realities of listing across the pond and whether it is worth considering.

Over the past month, Rose & Company has travelled the world, attending investor relations conferences in Australia (AIRA), Canada (CIRI), the US (NIRI), and the UK (IR Society). During our travels, we keep hearing from IROs that the most significant opportunity to improve valuation lies in expanding their shareholder bases beyond domestic markets. For UK companies, the valuation differential between New York and London presents the most significant opportunity, as does the fact that 65% of institutional assets under management (AUM) is managed from the US.

Large opportunities often come with large challenges, a fact confirmed in a recent Nasdaq survey<sup>1</sup> of over 900 professionals globally. The survey highlighted attracting capital from international markets as the greatest opportunity and the greatest challenge.

The topic of valuation disparity between New York and London was the subject of a fantastic panel at the UK IR Society’s annual conference. The assertion was that no valuation difference exists. However, a recent Bloomberg article<sup>2</sup> suggests that UK-listed stocks trade at a staggering 50% discount to US peers. Our analysis confirms that this valuation disconnect indeed exists.



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As further support, several UK companies have been acquired at large premiums by US public companies and private equity, highlighting the compelling valuation arbitrage. We have

also observed recent activist campaigns pressuring companies to move their listings to the US, arguing that this will result in better liquidity and valuation. The success of CRH’s NYSE listing has garnered a lot of interest as well.

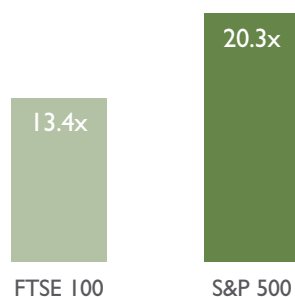
### Engagement challenges

There exists a perception that accessing the North American market is predicated on a change in listing venue, a view we don’t necessarily agree with. While a US listing certainly may help, it is not a panacea, and the decision must be thoroughly explored before devoting resources to such a significant endeavour. Determining what type of listing will make a company investible for the entire market (hint: it’s not an ADR) and whether the US security will meet various index inclusion criteria is critical.

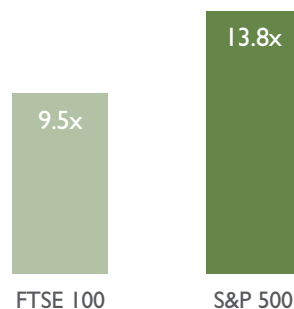
All hope is not lost for companies that don’t pursue a US listing, however. Research suggests that up to 20% of North American institutional AUM, or approximately \$7tn, can be allocated to companies not listed in the US. The primary reason European companies have found it increasingly difficult to engage with high-quality investors overseas is that the traditional bank channel is no longer effective.

Sell-side corporate access desks generally focus on a limited group of institutions that generate approximately 80% of their revenue, namely high-turnover hedge funds. Long-only investors have likewise reduced reliance on bank resources due to MiFID II and ongoing fee compression. This dynamic presents little incentive for banks to identify new suitable long-term investors. Non-real roadshow meetings are offered and allocated to their best clients rather than the best shareholders for the company. We recently backtested meeting history for 100 companies of various sizes, industries, and jurisdictions and found

2025 P/E



2025 EV/EBITDA



Source: FactSet Research Systems

that 70% of bank-sponsored meetings were held with high-turnover funds.

To be successful in identifying and engaging with long-term investors is nearly completely incumbent on the IRO. The task is not insurmountable, however. From working with numerous European companies, we know that the key to accessing North America is developing an effective and efficient investor engagement programme. Effective investor engagement requires identifying and building relationships with investors who have long holding periods, as they provide stability and align better with long-term corporate goals.

#### Four components

Building the foundation requires a proactive approach with four key components:

First, companies would benefit from adopting a broader approach to targeting, exposing them to generalist portfolio managers and uncovering lesser-known specialist managers. We find it very

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effective for the IRO to conduct initial meetings via virtual calls to build a critical mass of interest in specific geographies before planning a trip.

Second, local knowledge of the market is extremely important. There are nearly 15,000 institutions in the US, but only a fraction have meaningful AUM or suitable mandates. Obtaining local knowledge could mean hiring a North American-based IRO or engaging a local partner to

conduct direct outreach to a curated selection of investors. It could mean both.

Third, gathering comprehensive post-meeting feedback helps to inform where interest truly lies and where additional time is warranted.

Finally, treat the exercise as a sales and marketing activity. Institutional relationships need to be cultivated over time, and investors often meet with companies several times before committing capital. This means building an active marketing pipeline, maintaining consistent engagement, and ultimately developing new shareholders. A US listing is not a panacea for multiple expansion. Identifying and marketing to the right investors just may be! ■

#### References:

- 1) Nasdaq. *5th Annual Global IR Issuer Pulse Report*. 2023.
- 2) Gopinath, Swetha, and Crystal Tse. *Activist Investors Have a Simple Message for London Firms: List Elsewhere*. Bloomberg, June 5, 2024.

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