



A REALITY CHECK ON INTERNATIONAL LISTINGS

ANALYSIS OF UK AND EUROPEAN COMPANIES THAT HAVE MOVED THEIR PRIMARY LISTING TO THE US MARKET OVER THE PAST DECADE

April 2025

By William Wright, James Thornhill, Christopher Breen & Matilda Hames

In partnership with:



> This report identifies 130 European companies that have ‘moved’ to the US stock market over the past decade and analyses why they moved, what they have in common, and what happened next. While Europe cannot afford to be complacent, talk of an ‘exodus’ is overblown and the grass is not always greener in the US. There are bigger problems closer to home - and there is an urgent need for reform to make European equity markets more attractive and more dynamic for investors and issuers alike.

INTRODUCTION

‘Each unhappy listed company is unhappy in its own way’ (with apologies to Tolstoy)

A reality check on international listings

Over the past few years one of the prevailing narratives in the debate on European capital markets is that there is some form of ‘exodus’ underway from European stock markets to the US (particularly for tech firms and large global companies). This suggests that the US market is paved with gold when it comes to valuations, returns, and liquidity; that it is exerting an irresistible gravitational pull; and that European markets are locked in a downward spiral.

This report, in partnership with HSBC Global Research, analyses the trend of European companies ‘moving’ their primary listing in one form or another to the US over the past decade (2015 to 2024) and challenges this narrative. In what we think is the most comprehensive analysis yet, we found that this trend is more pronounced than we expected - yet less concerning than we thought. On the one hand, we identified 130 companies from Europe (which we define as the UK, EU, Switzerland, Norway, and Iceland) that have ‘moved’ their primary listing to the US over the past decade in some form. These companies were worth a combined \$676bn at the time of their move. Whichever way you look at it, that’s a big number. There is, of course, nothing wrong with a company choosing to list in the US - so long as it is an active choice and not the only available option. While successful companies should be applauded wherever they list, every departure risks undermining the dynamism of the European market, lowering valuations, and raising the cost of capital.

But on the other hand, talk of an ‘exodus’ from Europe or the ‘vortex effect’ of the US market is overplayed. These companies represent just 2% of the number of listed companies in Europe and 4% of their combined value. In most cases each company that has moved to the US has done so for sensible business specific reasons. The experience of most companies that have chosen to IPO or list in the US has not been an entirely happy one: 70% of them are trading below their listing price with an overall average performance since listing of -9%. Only a handful of companies have made it into the US blue chip indices. And a far bigger threat for European equity markets is not companies moving to the US but companies moving from public to private markets.

Taken together, these threats underline the need from a policy and structural perspective to make European markets more dynamic and more attractive to investors and companies alike. Pushing ahead with the reform agenda in the UK and renewed efforts on capital markets reform in the EU cannot come soon enough. There is some evidence that the trend of European companies moving to the US may already be blowing itself out - not least, the political context in the US has changed dramatically under the new Trump administration, which has been accompanied by a stark reversal in the relative performance of US and European markets. While Europe shouldn’t panic, it cannot afford to be complacent.

The first part of this paper is a short version of the report in 10 pages. The second part for more motivated readers drills down into the scale of the problem, how companies have fared since moving, and what we can do about it.

I would like to thank James Thornhill for collecting and analysing the wealth of data that underpins this report; Christopher Breen and Matilda Hames for their additional research; Dealogic and big xyt for access to their data; and to the dozen of individuals who have contributed their expertise to this project. Thank you to HSBC Global Research for partnering with us on this important and timely project, and to our members for supporting our work on building bigger and better capital markets in Europe.

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EXECUTIVE SUMMARY

Here is a 10-point summary of the report:

1. **A significant shift:** we identified 130 European companies that 'moved' to the US stock market in the past decade in one of four ways: doing an IPO in the US market, doing a direct listing in the US, listing in the US by merging with a US-listed SPAC, or switching their primary listing from a European stock market to the US. These companies were worth \$676bn at the time of their move in today's money (including 51 UK companies worth \$272bn) and the 103 that still have a primary listing in the US are worth around \$900bn.
2. **A sense of perspective:** while this is a significant shift, the companies that have moved represent just 2% of the number of listed companies in Europe and 4% of their combined value. Nearly 90% of all IPOs by European companies in the past decade have listed on their domestic market. It may make sense for a small number of companies to move to the US but the vast majority should and do stay at home.
3. **A sector perspective:** the main concern is that Europe is losing some of its most dynamic companies to the US (like Arm, BioNTech, or Spotify) or some of its biggest homegrown firms (like Linde, or CRH). But only 15% of European technology IPOs by value have listed in the US, and the 13 companies worth more than \$10bn that have moved to the US is less than 5% of the number of all \$10bn-plus European companies.
4. **The elephant in the room:** the much bigger threat is not the US market but private markets. Over the past decade more than 1,000 listed companies in Europe with a combined value of just over \$1 trillion have delisted after being acquired by privately-held companies or private equity firms.
5. **Hit and miss:** moving to the US has not been an entirely happy experience for most European companies. 70% of companies that have moved to the US are trading below their listing price, less than a fifth have beaten the S&P 500, and three quarters have not beaten the European market since they moved.
6. **A mixed track record:** the average share price performance of European companies since they moved to the US (or up to when they delisted or went bust) was -9%, below the average performance of the European market of 8% over the same period. On a weighted basis, the average performance is 29%, but this is distorted by a few big outliers like Arm (+142%) and Spotify (+239%).
7. **Why companies move:** in most cases each company that has moved to the US has done so for sensible business specific reasons. This is mainly because they already generate a significant amount of their revenues in the US, their peer group is based in the US (particularly the case for large tech and biotech firms), or they are too big for their domestic market.
8. **Challenging the narrative:** two of the most common narratives for moving to the US are misleading. The valuation discount of the European markets to the US has widened to over 30%, but most of that gap disappears when you factor in higher growth forecasts and higher profitability for US companies. And once you adjust for differences in market structure and trading data, most of the gap in liquidity also disappears.
9. **Confirming the narrative:** in some respects, the US market is more attractive. Levels of analyst coverage are higher than in Europe, the overall market is more dynamic with a culture that tends to celebrate success rather than be suspicious of it, and pay for chief executives is much higher. But higher levels of index investing are offset by the high bar for most European companies to be included in US indices.
10. **Towards a more dynamic market:** we outline some directional reforms to help make European markets more attractive to companies and investors alike by reducing the chronic fragmentation in European equity market infrastructure; consolidating supervision and reducing the complexity of regulation across Europe; incentivising and building institutional and retail demand; developing a new narrative and a wider culture of investment rather than savings; and addressing wider challenges in the European economy.



Ian Stuart

Chief executive

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A reality check on international listings

To move listing, or not to move? It's a key strategic decision that many European businesses may consider at some point.

The past decade shows that a number have found the argument in favour of a move compelling. Indeed, one narrative suggests that European and UK stock markets have lost their lustre amid a steady drip feed of news that yet another company has switched its listing to the US, or launched its IPO there, in the hope of higher valuations, better returns, and deeper pools of liquidity.

But what is the reality of their experience? This report is a timely and forensic look at the evidence. We believe it is the first attempt to analyse all forms of company migration to the US, from direct listings, switching listings and IPOs through to acquisition via a SPAC.

The results suggest that much of the received wisdom about the potential benefits of switching may not be particularly accurate.

While there is a cohort of companies for whom it makes absolute sense to move - and the key components of success are identified in this report - the experience of others has been less rewarding. The valuation gap between Europe and US companies almost disappears when adjusted for profitability; the liquidity gap largely disappears when the structure of trading data is factored in; and 71% of companies who have migrated to the US are trading down compared with their IPO or listing price, with the same percentage underperforming the European market since they moved.

This report, then, is valuable insight for companies considering their strategic future. But it also provides food for thought for policymakers and regulators.

A vibrant stock market is a key component of efficient capital allocation in a thriving economy. But over the past decade more than 1,000 companies listed in Europe have been acquired by unlisted companies or private equity firms, representing a combined loss of value of over \$1 trillion in today's money. The inability of public markets adequately to recognise the value of companies on such a scale is problematic. There are structural reasons behind this, which call for a response.

This report identifies potential solutions ranging from consolidating fragmented market infrastructure to encouraging broader equity ownership. We hope it will galvanise debate about how best to ensure a stronger future for European equity markets, supporting businesses to grow, and enabling economies to prosper.

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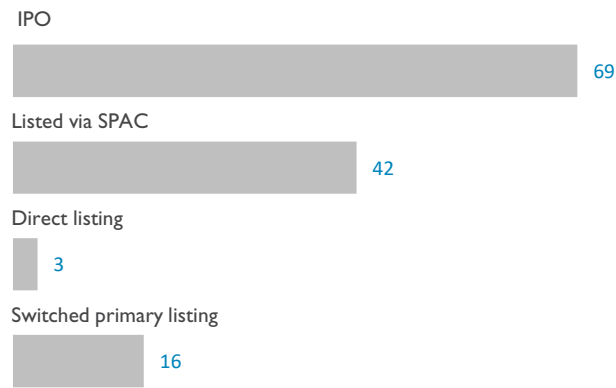
WHAT IS THE PROBLEM WE ARE TRYING TO SOLVE?

A downward spiral

Much of the debate on the future of European capital markets has been hijacked by the apparent ‘exodus’ of European companies to the US stock market - particularly technology companies and ‘mega-caps’. The US market is exerting an irresistible gravitational pull on the biggest and most dynamic companies, and European markets are drifting backwards. This report injects some hard numbers into the debate and puts this trend into perspective.

Fig.1 On the move

Number of European companies that have ‘moved’ to the US in the past decade by type of move



130

We identified 130 European companies (with 51 from the UK) that ‘moved’ their primary listing to the US stock market in the 10 years from 2015 to 2024 in one of four ways:

- doing an IPO in the US market (69 companies, including Arm Holdings and Birkenstock);
- listing in the US by merging with a US-listed SPAC (42, including Polestar and Ermenegildo Zegna);
- doing a direct listing in the US (3, including Spotify);
- switching their primary listing from a European stock market to the US (16, including Linde and Flutter).

\$676 billion

Value of these companies at the time of listing in today’s money

The value of companies that have moved: the combined market value of these companies at the time of their listing in the US was \$676bn in today’s money and the 103 companies still listed in the US are worth a combined \$900bn. The 16 companies that switched their primary listing account for 49% of the value of all moves (\$329bn) and IPOs account for 31% of all moves (\$209bn).

79%

Proportion of IPOs in the US by European companies that are from growth sectors

Going for growth: nearly 80% of the European companies that did an IPO in the US are from ‘growth’ sectors, suggesting that Europe is losing some of its most dynamic companies to the US (only 42% of European companies that did an IPO in Europe are from growth sectors). Half of the European companies that did an IPO in the US were biotech firms, versus just 4% of IPOs in Europe.

4%

Value of European companies that have moved to the US as a % of total European stock market

A sense of perspective: the 130 companies that moved to the US market represent just 2% of the total number of listed companies in Europe today and only 4% of the total value of European stock markets. The majority of European companies that go public do so in Europe: 86% by value of IPOs by European companies listed on their domestic market with just 6% doing an IPO in the US.

1,013

Number of European listed companies acquired by private equity or unlisted companies in the past decade

The elephant in the room: the bigger problem for European stock markets is much closer to home. Over the past decade more than 1,000 listed companies in Europe worth \$1 trillion in today’s money delisted after being acquired by an unlisted company or private equity firm. This represents nearly 40% by value of all acquisitions of listed companies in Europe.

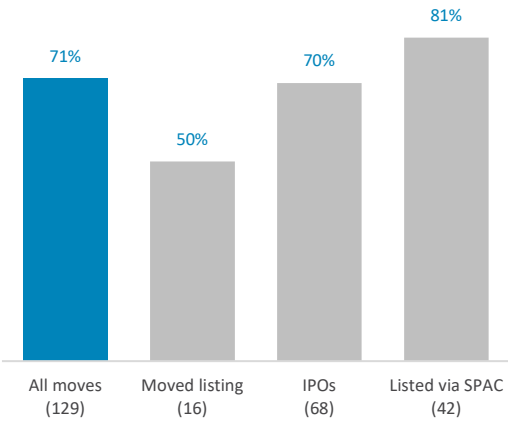
WHAT HAPPENED NEXT?

The grass is not always greener

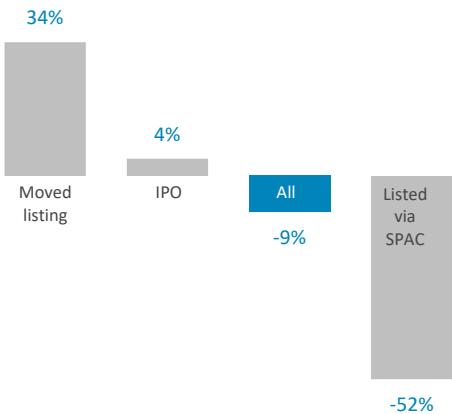
It may be tempting to think that moving to the US will lead to a higher valuation, more liquidity, and better returns. But the experience of most companies that have chosen to IPO or list in the US has not been an entirely happy one. While there have been some notable exceptions (such as Arm, CRH, or Spotify) the overall performance of companies that have moved to the US since their listing suggests that moving is not a panacea.

Fig.2 The performance of European companies since they moved to the US

i) % of companies trading below their listing price by type of move



ii) Raw average share price performance by type of move %



Trading down: more than 70% of all European companies that have moved to the US over the past decade are trading below their IPO or listing price (or were when they delisted). Less than one fifth (18%) have performed better than the S&P 500 since they moved; and only around a quarter (27%) have performed better than the European market since they listed in the US (based on the STOXX Europe Total Market Index)

Hit and miss: the average share price performance of the 130 European companies that moved to the US was -9% from the day they listed to the end of 2024 (or to the day they delisted or went bust). On a weighted basis, the average performance of all European companies that moved to the US is 29%, but this is distorted by a few big outliers like Arm (+142%) and Spotify (+239%).

50%

Proportion of companies that switched their primary listing to the US that are trading up

A better outcome: the best performing group of companies that moved was the 16 companies that switched their primary listing to the US market. Half of these companies are trading above their listing price; and 44% have performed better than the European market since they moved. Their share price has increased by an average of 34% (or by 28% on a weighted basis).

-52%

Average performance of companies that listed in the US via a merger with a SPAC

A good idea at the time: the worst performing group of companies that moved to the US was the 42 companies that listed in the US via a merger with a SPAC. Including firms which have since delisted, less than one fifth of these companies are trading above their first listing price and nine of them have gone to zero. On average, their share price has fallen by 52% (or by 71% on a weighted basis).

4%

Average performance of European companies that IPOed in the US

The big companies of tomorrow: the 69 European companies that did an IPO in the US have posted an average performance since their listing of 4% (or 47% on a weighted basis). This is higher than the average of 0% (and 2% on a weighted basis) for European companies that did an IPO in Europe, but worse than the performance of US companies that did an IPO in the US.

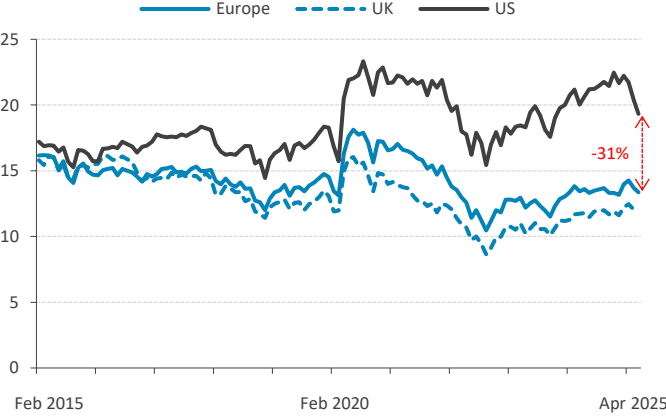
CHALLENGING THE NARRATIVE

Is the grass always greener?

The prevailing narrative in the debate on European and US stock markets over the past few years argues that Wall Street is paved with gold for European companies. Valuations are higher in the US, liquidity is deeper, analysts are more informed and more of them will cover your stock, greater levels of passive investment will drive your stock price once you are in an index, and pay is much higher. But not all of these narratives are entirely accurate.

Fig.3 A widening gap

12-month forward P/E ratio for US and European markets 2015 to 2024



A deep discount? Over the past decade the headline valuation discount of the UK and wider Europe market to the US has widened: on a forward price / earnings basis it has gone from 6% to 31% (based on FTSE All-World Developed Europe, FTSE UK, and FTSE US benchmarks). However, the discount has also widened in terms of forecast earnings per share growth (from a 9% premium to a discount of 41%) and in forecast profitability (from a 26% discount to 33%). Once you adjust for the gap in growth and profitability, the discount at a market level and in individual sectors largely disappears. In other words, US stocks have a higher valuation because they have higher growth and higher return on equity, not because they happen to be listed in the US.

1.8x

Depth of liquidity in US compared to European market on a headline basis

A deeper pool? A similar gap appears to have opened up in liquidity between the US and Europe. At a headline level the 'trading velocity' of the US market (the value of equity trading as a percentage of market capitalisation) is nearly double that in Europe (285% vs 160%). However, once you adjust for differences in market structure and trade reporting, virtually all of this gap disappears.

+40%

Headline difference in analyst coverage per stock between the US and Europe

Better coverage? One reason for moving to the US is that more analysts are likely to cover your stock, driving engagement and liquidity. On average, 24.6 analysts cover each stock in the US, compared with 17.3 analysts in Europe. A large European company attracts as many analysts as a mid-sized US stock. However, on average US analysts cover more stocks (10) than their European peers (6).

2

Number of European companies that have moved to the US that are included in the S&P 500

The power of passive? The higher level of passive investment in the US (roughly 60% of assets under management versus 40% in Europe) has increased the value of being included in US indices. However, there is a high bar for inclusion in benchmark US indices: only two of the 130 companies that have moved to the US (Linde and Smurfit) are in the S&P 500 and just four (including Arm and Linde) are in the Nasdaq 100.

2.5x

Median CEO pay in the S&P 500 compared with the FTSE 100

Value for money? Average pay for senior executives in the US is much higher than in Europe (even after you adjust for the size of US listed companies). The median pay for the CEO of an S&P 500 company in 2023 was \$16m, more than double their counterparts in the FTSE. The main difference is much higher levels of long-term incentive schemes.

WHAT CAN WE DO ABOUT IT?

A positive change

There is no magic wand to 'solve' the challenges facing European equity markets and make them more attractive to investors and companies. While plenty of reforms are underway in the UK and EU, we think there is scope to accelerate reforms in key areas like reducing the chronic fragmentation in European exchanges and market infrastructure; consolidating supervision and reducing the complexity of regulation across Europe; incentivising and enabling institutional and retail demand; building a new narrative and a wider culture of investment rather than savings; and addressing wider challenges in the European economy.

- **Driving institutional and retail demand:** the biggest problem in European capital markets is that Europe doesn't have enough capital. Relative to GDP, long-term pools of capital such as pensions, insurance assets and retail investment are three times bigger in the US than in the EU, and pensions assets are five times bigger. It is encouraging to see governments across Europe finally recognising the need to channel more savings into investment but they will need to take difficult decisions to convert this political commitment into concrete action. It will require a combination of incentivising and enabling more retail investment and biting the bullet on pensions reform.
- **Radical consolidation of market infrastructure:** a good start would be in addressing the absurdly complex patchwork of European stock exchanges and post-trade infrastructure. In the US there are two main exchanges that compete for virtually every listing, one central counterparty and one central securities depository for settlement. In Europe, there are 35 exchanges for listing, 18 CCPs, and 30 CSDs. While exchange groups like Euronext and Nasdaq have made progress in consolidating the ownership of exchanges (they each operate seven exchanges in Europe) there has been less progress in consolidating the underlying markets. A smaller number of three or four blocs of exchanges in Europe operating a single market within each bloc and competing with each other would increase scale and efficiency.
- **Consolidating supervision and regulation:** the complexity in the architecture of European equity markets is matched by the complexity of European regulation. While the capital markets union initiative has made some progress in removing some barriers over the past decade, stubborn differences in company law, securities law, and regulation applied by local supervisors means that the EU is still a collection of 27 individual and mainly sub-scale markets (with separate regulation of non-EU markets on top). While it is tempting to think that a 'European SEC' would solve this problem, a better approach in the medium-term is ensuring supervisory convergence so that local supervisors apply the same rules in the same way. A good place to start would be for exchanges operating within the same group to be supervised by a single regulator within that group.
- **A new narrative:** a big part of the challenge for capital markets in Europe is that most politicians and most consumers don't understand and don't trust the industry. The industry needs to come up with a more positive, compelling, and constructive narrative in parallel with a shift in its focus to delivering better outcomes for millions of individuals in every corner of Europe. We founded New Financial to make a more constructive case for capital markets in Europe as a force for social and economic good. The industry could do worse than start with our recent blueprint for [A new narrative](#).
- **The bigger picture:** while regulatory and structural reform is welcome, it will only get you so far. Ultimately, if Europe wants more dynamic capital markets that attract and support more dynamic companies (so that they no longer feel the need to move to the US or switch to private markets) it will need to focus on reforms to the wider economy as much as reforms to financial regulation to make Europe a more attractive investment proposition and a more attractive place to do business. The reports by Mario Draghi and Enrico Letta last year made it crystal clear that not addressing barriers between EU economies will lead to slow and painful economic decline. It is up to governments across Europe to act.

WHEN DOES IT MAKE SENSE TO MOVE TO THE US?

The right stuff

While this report challenges the widespread narrative that moving to the US is some sort of panacea for every tech company or global player in Europe, for some European companies it makes perfect sense. There is no formula for individual companies but here are some of the key factors - including scale, footprint, brand, peer group and specific sectors - that may help define whether it makes sense to move to the US market. Ultimately, to move successfully to the US, a European company needs to have a very compelling reason to move and an equally compelling story to tell.

- **The right size:** the US stock market is nearly four times larger than the combined value of markets in Europe and scale matters. Just over 40% of the 130 companies that have moved to the US were valued at more than \$1.5bn at the time of their move making them big enough to be included in the Stoxx Europe 600 (just 9% of listed companies in Europe are worth more than \$1.5bn today). Unless a company has a very specific reason to move to the US, to avoid being lost in the noise (you don't want to be the 37th largest company in your sub-sector in the US market) it should probably be valued at a minimum of between \$2.5bn to \$5bn (or ideally more). Some companies (such as CRH in Ireland or Spotify in Sweden) may feel that they have outgrown their domestic market.
- **The right footprint:** one of the most compelling reasons to make the move is when a company already has a significant and growing business in the US. At a minimum, companies thinking of moving should probably make at least 30% of their revenues in the US already with a clear path to increasing that proportion over time. Our analysis of over 60 European companies that moved to the US found that these companies had a weighted average of around 60% of their revenues in the US or North America (for those companies that disclosed a comparable figure). This is more than three times higher than the average for large listed companies in Europe. A significant recent acquisition in the US can often be a trigger for a move, but *wanting* to crack the US market is not in itself a good enough reason to move to the US.
- **The right brand:** this is closely related to having a big US footprint. The US market can be a lonely and hostile place for companies that don't have a recognised brand among retail or institutional investors (our sample is littered with 'orphans' - European companies which have struggled without a core connection to the US or default shareholder base). It helps to be a dominant firm or recognisable name in a particular sector or sub-sector (such as Arm, Linde, or Spotify). Ashtead, the UK equipment rental company that is moving its listing, may not be a recognised brand in the US, but its Sunbelt Rentals business in the US and Canada from which it generates nearly 90% of its revenues certainly is.
- **The right peer group:** many European listed companies would like to be considered in the same peer group as the biggest and best companies in the US, but for some European companies there is no other option. In certain sectors there is not a big enough peer group in Europe for larger companies: Arm has no listed peers of any scale in the UK and its only real peer in Europe is ASML in the Netherlands. Spotify falls into a similar category but it is less clear that this argument applies to fintech companies like Klarna or Revolut which are considering an IPO in the US.
- **The right sector:** the sector concentration of European companies that have moved to the US is striking (and closely related to peer group). Nearly two thirds of companies that have moved are in 'growth' sectors such as tech and biotech (compared with just over 40% of all European companies that did an IPO in Europe). Nearly 40% of new listings in the US by European companies in the US were biotech firms, 10 times higher than the proportion in Europe. However, just because the US tech and biotech sectors are much bigger than in Europe does not automatically mean that European companies in those sectors should move. If a company doesn't have scale, a footprint in the US, and a recognised brand (regardless of its sector) it is unlikely to thrive.

WHY SHOULD WE CARE? AND SHOULD WE BE WORRIED?

Why should we care?

In a global economy and global capital market, a common argument in this debate is that it doesn't matter where a company is listed. Companies will list in whichever market provides them with access to the best valuation, deepest liquidity, and lowest cost of capital. Nothing really changes in economic terms for a 'home' market when a company moves its listing to the US or any other market: what really matters is where the company is based, where it does its business and where it employs people. We think this argument oversimplifies the issue and that we should care where companies choose to list:

- **A matter of choice:** any company that has become large enough and successful enough to thrive in the US market should be applauded. There is nothing wrong with a company choosing to list in the US, so long as this is an active choice and not the only available option. Every move is a potential warning that something might not be working as well as it should in the capital markets ecosystem in Europe.
- **The centre of gravity:** when a company moves its listing to the US the centre of gravity in that company's business and the ecosystem around it shifts towards the US. Over time, senior management, operations, and potentially its headquarters will move as well, reducing jobs, investment, and tax receipts. The CEO of Arm Holdings is based in California and the majority of its leadership team is based in the US.
- **A dynamic market:** if many of Europe's largest, most dynamic, and most liquid companies move to the US it would have a knock-on effect throughout European equity markets and could turn into a vicious circle. Fewer dynamic listed companies in Europe would reduce the overall dynamism and headline valuation of European markets, potentially increasing the cost of capital for those that remain or are looking to list. Lower valuations would reduce demand and reduce the weighting of European markets in global indices, reducing demand further and encouraging more companies to move to the US. This would have a particular impact on smaller companies that don't have the option of listing in the US.

Should we be worried?

There is no reason for European markets to panic in response to companies moving to the US but equally there is no room for complacency. The data suggests that this shift may already be blowing itself out, and the political and market volatility in the US under the new Trump administration means that it would be a pretty brave move for a European company to choose to list in the US in the near term. But there are a number of reasons for concern:

- **Packing their bags:** a number of European companies have recently confirmed plans to move their listing to the US (such as UK equipment rentals firm Ashtead) and others are reviewing their options (including BP and Glencore). Several unicorn tech firms are lining up IPOs in the US, including Swedish payments firm Klarna, Swedish electric vehicle firm Einride, and potentially Revolut, a UK fintech. The decline in the past few years of European tech companies doing an IPO in the US could change very quickly if a few firms list successfully in the US.
- **A smooth transition:** we counted 72 European companies worth a combined \$3.7 trillion which have a primary listing in Europe and a secondary listing in the US. Given that they are already known to US investors and know their way around the US markets, upgrading their secondary listing to a primary listing would be relatively straightforward. A quarter of these companies (19) already generate more than half of their revenues in the US, including 12 companies with a market value of more than \$10bn (comfortably large enough to switch their listing). These include the UK companies such as Intercontinental Hotels, British American Tobacco, Pearson, or RELX, and European companies like Dutch biotech Argenx, Swiss tech firm Logitech, or Danish pharma giant Novo Nordisk. If the UK and the rest of Europe don't address the structural problems in their capital markets soon, more of these companies may get tired of waiting.

What is the problem we are trying to solve?

How big is the problem? 12

Putting the problem in perspective 13

How has the problem changed over time? 14

To what extent is this a ‘European’ problem? 15

The stagnation in European equity markets 16

Why companies move to the US 17

The bigger problem (much) closer to home... 18

What happened next?

How have companies fared since moving to the US? 20

Average share price performance 21

Individual share price performance 22

A focus on UK companies 23

Challenging the narrative

The valuation narrative 25

The liquidity narrative 27

The analyst coverage narrative 28

The governance narrative 29

What can we do to address it?

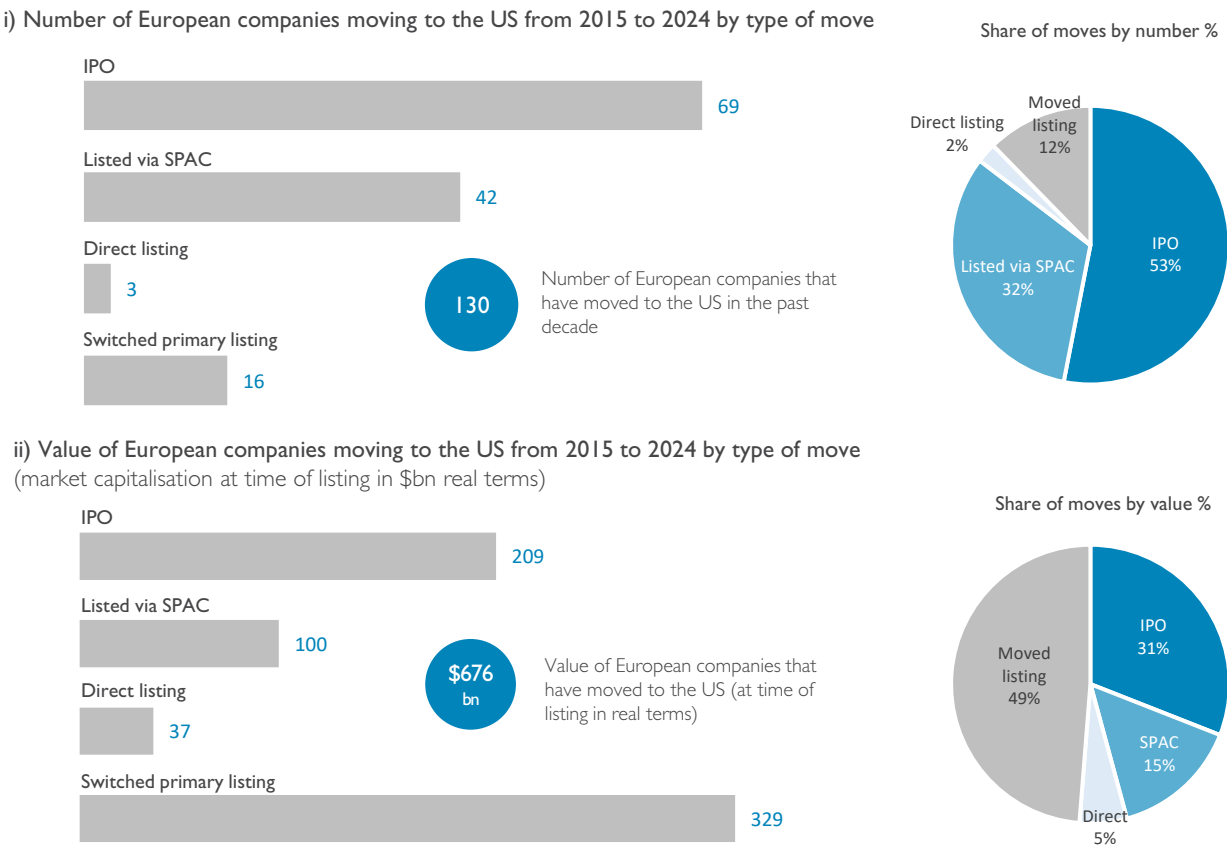
Policy recommendations 32

About New Financial 35

Methodology 36

HOW BIG IS THE PROBLEM?

Fig.4 The ‘exodus’ to the US by European companies over the past decade in numbers...



Source: New Financial analysis of Dealogic data and public sources

A big shift

Whichever way you look at it, a significant number of European companies have ‘moved’ their primary listing to the US market over the past decade (though not, perhaps, as significant as the prevailing narrative and concern around these moves would suggest). In what we think is the most comprehensive analysis yet of this trend, we identified 130 European companies that ‘moved’ to the US stock market in the 10 years from 2015 to 2024 in one of four ways:

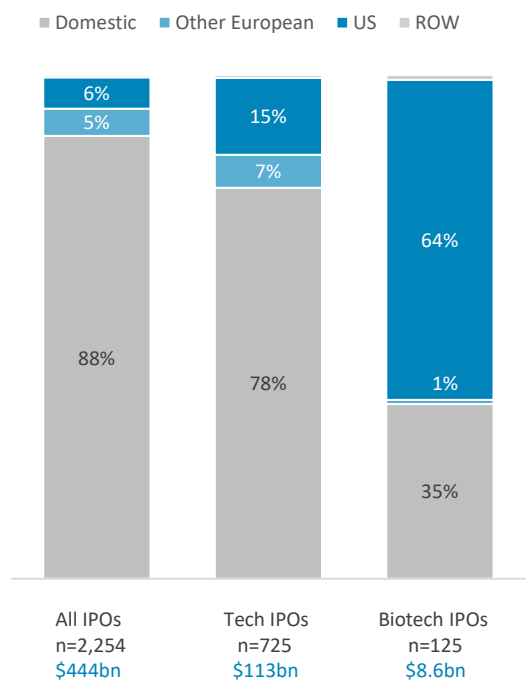
- doing an IPO in the US market (69 companies, including Arm Holdings and Birkenstock);
- doing a direct listing in the US (3 companies, including Spotify);
- listing in the US by merging with a US-listed SPAC (42 companies, including Polestar and Ermenegildo Zegna); or
- switching their primary listing from a European stock market to the US (16 companies, including Linde and Flutter).

Fig.4i) shows the number of companies moving to the US via different routes: it is striking that new listings (IPOs, direct listings, and listing via a SPAC) account for nearly 90% of all moves, which translates into 114 European companies actively choosing to go public in the US. Fig.4ii) shows the different paths to a US listing by value: while companies already listed in Europe that chose to switch their primary listing to the US only represent 12% of the moves by number, they account for nearly half of all moves by value.

PUTTING THE PROBLEM IN PERSPECTIVE

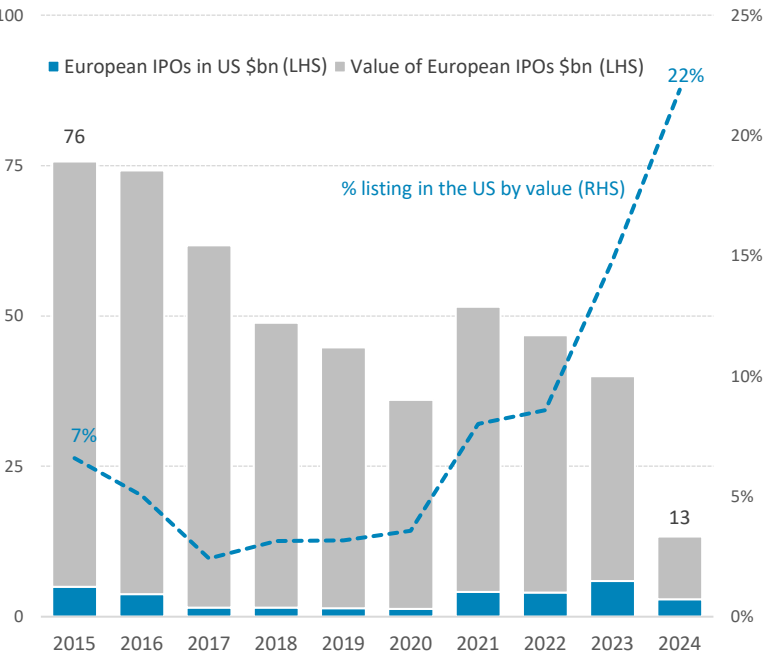
Fig.5 How big is this problem?

i) Listing destination of IPOs by European companies 2015 to 2024 (excludes SPACs, IPO value in \$bn real terms)



ii) The value of IPOs by European companies and the proportion listing in the US

2015 to 2024 (three year rolling average, excludes SPACs, IPO value in \$bn real terms)



Source: New Financial analysis of Dealogic data

Crying wolf?

Nobody likes to mislay more than 100 listed companies worth nearly \$1 trillion but it is hard to see how the flow of European companies moving to the US market poses an existential threat to the European economy or to European stock markets. The 130 companies that have moved to the US represent just 2% of the number of listed companies in Europe. And the \$900bn combined value of the 103 of these companies that still have a primary listing in the US represents only 6% of the total market capitalisation of European stock markets.

While a US listing may make sense for some companies, the vast majority of European companies that choose to do an IPO stay at home. Fig.5i) shows that over the past decade 88% of IPOs by value by European companies listed in their domestic market and that only 6% of European IPOs by value listed in the US.

Even in the tech sector, 78% of all IPOs by European technology companies listed in their domestic market by value, with 15% choosing to IPO in the US market. Where Europe does appear to have a bigger problem is with biotech companies, where over a quarter of European biotech companies that did an IPO over the past decade listed in the US market, representing nearly two thirds of the value of IPOs by European biotech companies.

The problem of European companies choosing to do an IPO overseas has become more pronounced over the past decade: Fig.5ii) shows that the proportion of European IPOs listing in the US has tripled since 2015 to 22% of all IPOs by European companies by value. This is more a function of the fall in the total value of IPOs by European companies than any marked increase in the value of companies opting to IPO in the US. In real terms, the value of IPOs by European companies has dropped by 83% to just \$13bn a year over the past decade, while the value of IPOs by European companies in the US remained reasonably low and constant at between \$2bn and \$5bn a year.

HOW HAS THE PROBLEM EVOLVED OVER TIME?

Back to normal

While it would be dangerous to downplay the problem, it may be the case that the storm of European companies moving to the US is already blowing itself out.

The chart on the top right (Fig.6i)) shows the number of European companies that have moved to the US market each year over the past decade. Up to 2019, less than 10 companies moved each year before a spike in 2021 when 46 companies moved. This reflects the pent-up demand from the pandemic, a surge in US equity markets, and the SPAC bubble. Since then, the trend has settled back to the low to mid-teens.

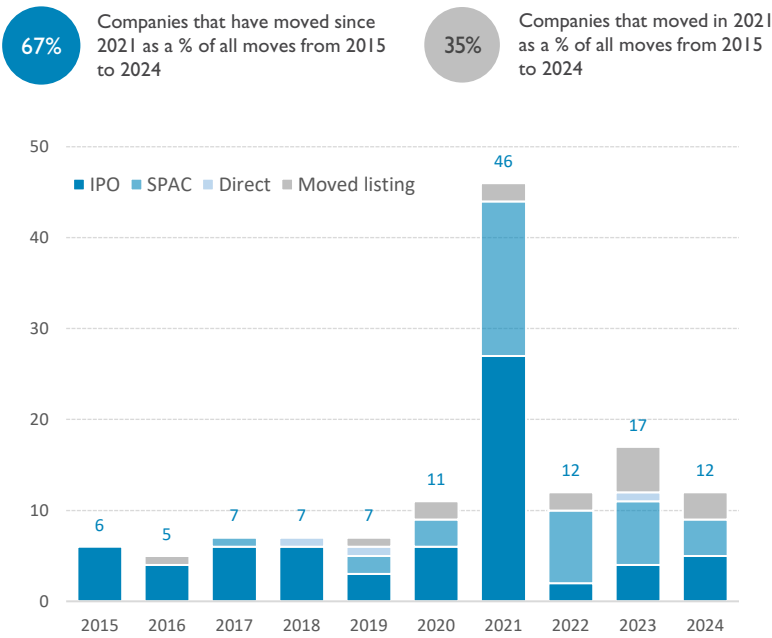
The chart on the bottom right (Fig.6ii)) shows the combined market value of companies that moved each year (based on their value at the time of their listing adjusted for inflation). In the first half of the decade this was consistently in the low to mid-teens of billions of dollars (with a spike from Spotify's direct listing in 2018). It surged in 2021 when 44 European companies did an IPO in the US or listed by merging with a SPAC, with a combined value of \$143bn. And it spiked again in 2023 when Linde (the largest listed company in Germany worth \$183bn at the time) switched its primary listing from Germany to the US.

While the value of European companies doing an IPO in the US has fallen sharply in the past few years, the more recent threat has been large companies listed in Europe moving their primary listing to the US. In the last three years, 10 European companies with a combined value of nearly \$320bn at the time of listing have switched their primary listing to the US. The real concern is what if every European market lost its equivalent of Linde? There could be more to come: UK-listed Ashstead has said it is moving, and a number of tech firms like Klarna and Einride are lining up US IPOs.

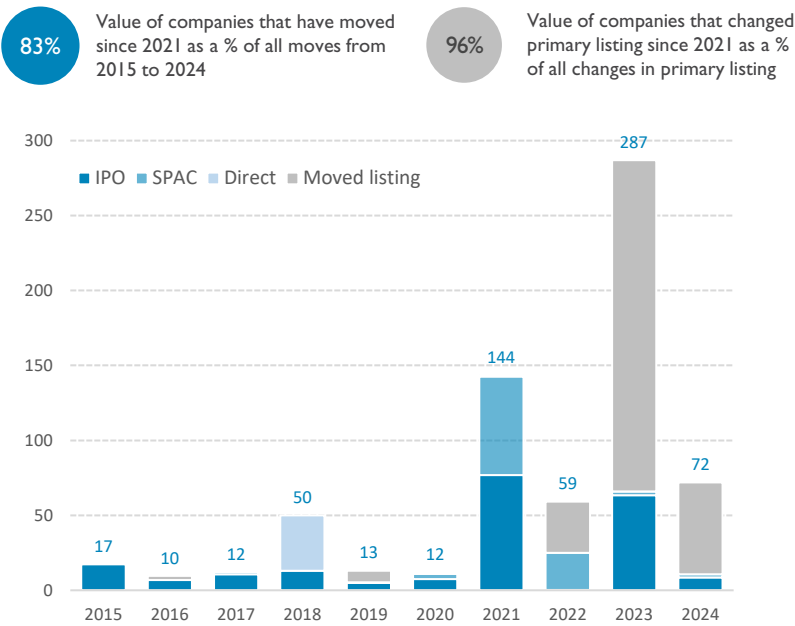
Fig.6 A passing storm?

The evolution of European companies moving to the US market from 2015 to 2024

i) The number of European companies listing in the US by type of move



ii) The value of European companies moving to the US by type of move (market capitalisation at time of listing in \$bn real terms)



Source: New Financial analysis

TO WHAT EXTENT IS THIS A ‘EUROPEAN’ PROBLEM?

A country-by-country approach

The closer you look at this trend the more it becomes clear that it is not so much a ‘European’ problem as a problem for a small number of individual markets.

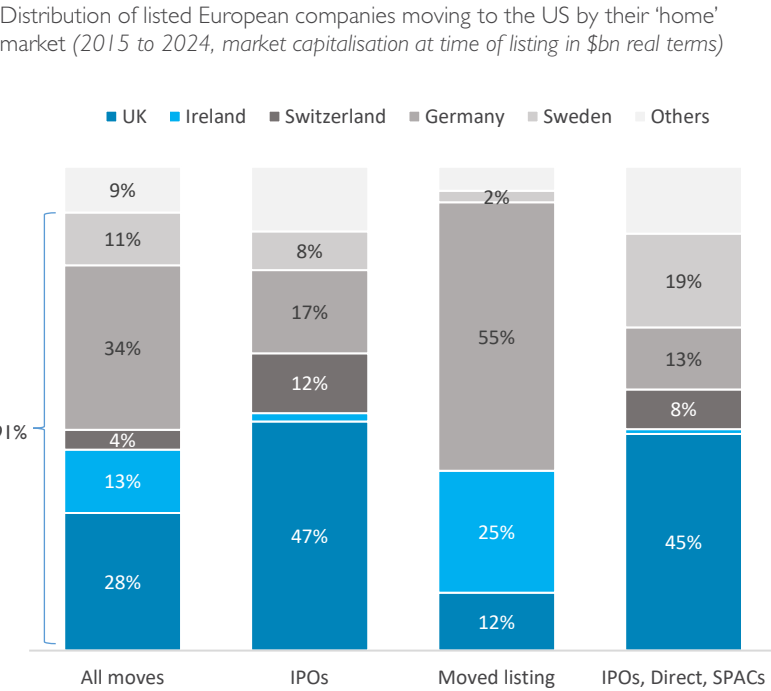
Over 90% by value of all European companies that have moved to the US market in the past decade comes from just five countries: the UK, Ireland, Switzerland, Germany and Sweden (see Fig.7 on the top right). The UK and Ireland account for more than 40% of moves by value and by number (it makes sense to group them together because companies like CRH, Flutter, and Smurfit are as much Irish as they are British). This translates into 56 UK and Irish companies worth \$275bn moving to the US, based on the value of those companies when they moved.

Germany has ‘lost’ 19 companies worth \$230bn (most of which was Linde switching its listing), while Sweden and Switzerland lost 16 companies worth \$100bn between them. But just one French company and only two Spanish companies moved to the US in the past decade.

If you look at the combined value of companies that have moved to the US relative to the value of their ‘domestic’ market in Europe, you get a better sense of the scale of the problem. The 103 European companies that moved to the US in the past decade that still have a primary listing in the US were worth around \$900bn at the end of 2024, around 6% of the total value of European stock markets (see Fig.8 on bottom right). In other words, 94% of European listed companies by value are listed in Europe. This suggests this is not as big a problem as the prevailing narrative would suggest.

However, the \$159bn value of the eight Irish companies that have moved to the US in the past decade was nearly twice as big as the Irish stock market at the end of 2024 (\$92bn). Companies from Sweden, the UK, and Germany that are listed in the US add up to around 12% of the combined value of listed companies on their domestic markets.

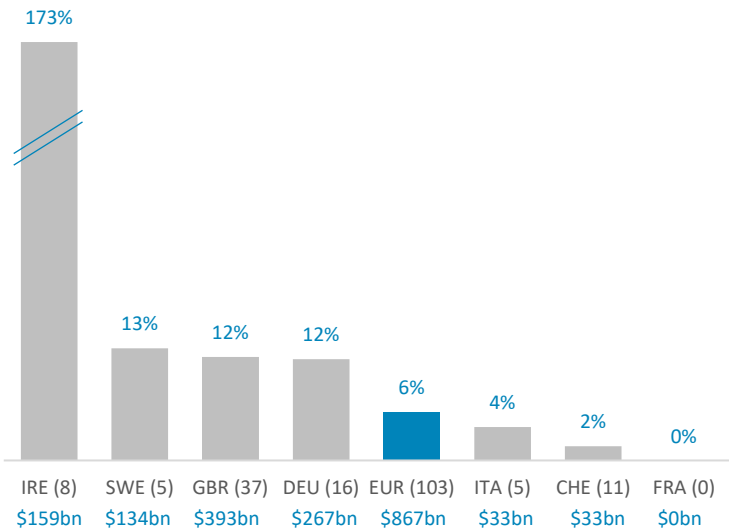
Fig.7 A concentrated phenomenon



Source: New Financial analysis

Fig.8 The impact on domestic markets

Value of companies that have moved to the US in the past decade as a % of the total value of their domestic or home market at the end of 2024 (only includes 103 companies that still have a primary listing in the US, n = number of companies from each country, and \$bn denotes their current combined value)

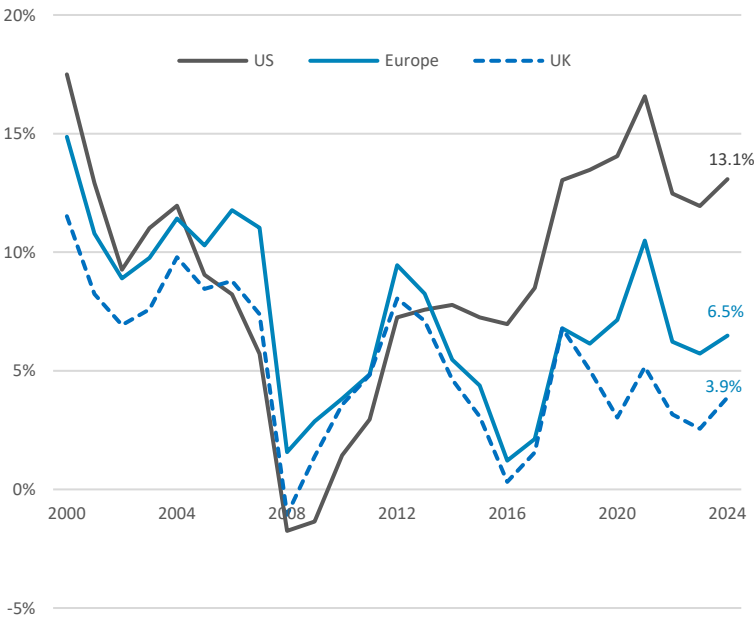


Source: New Financial analysis

THE STAGNATION IN EUROPEAN EQUITY MARKETS

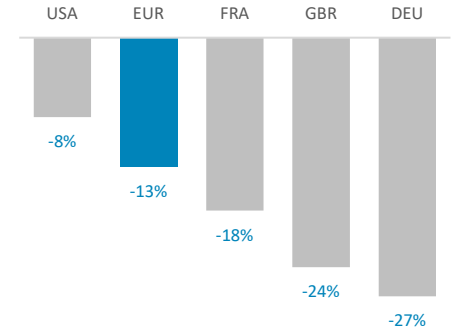
Fig.9 How have US and European stock markets performed over the past decade?

i) Rolling 10-year annualised total return of US, European, and UK stock markets 2000 to 2024, in US\$

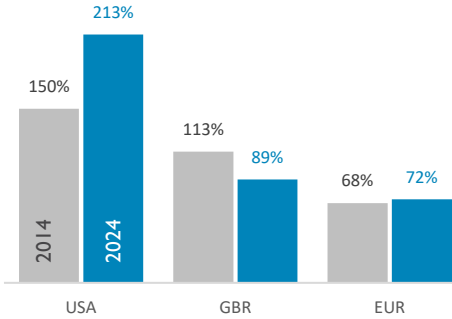


Source: New Financial analysis

ii) Change in number of listed companies since 2014



iii) Change in market capitalisation as a % of GDP



Bringing up the rear

The track record of European stock markets over the past decade makes for pretty grim reading on virtually every metric in comparison to the much more dynamic US equity market. This has increased the relative attractiveness for European companies of listing in the US, particularly for large companies and firms in specific sectors like technology and biotech. Over the past 10 years the US market has delivered an annualised total return in dollar terms of just over 13% - double the return of the European market and three times that of the UK (see Fig.9i). The US market decoupled from Europe in 2012 in the wake of the euro crisis, and the UK decoupled from the rest of Europe in the wake of the Brexit referendum. There are signs that this performance gap could be changing: over the past 12 months both the FTSE 100 and Stoxx 600 have outperformed the S&P 500.

The number of listed companies has fallen by 13% across Europe (which translates into a net loss of nearly 1,000 companies) and has dropped by a quarter in the UK and Germany, compared with a drop of just 8% in the US (see Fig.9ii). Market capitalisation relative to GDP - a measure of the relative depth of equity markets - has flatlined in Europe at around 70% (and fallen in the UK) while it has surged in the US from 150% to 213% (see Fig.9iii). For good measure, the headline valuation discount of the European market to the US market has widened from around 7% a decade ago to nearly 40% today.

There are plenty of factors that help explain this relative stagnation: the wider economic backdrop with US having adopted a much more expansionary fiscal policy; the complex patchwork of stock exchanges, market infrastructure and regulation; and the low level of domestic institutional and retail demand in Europe. While it is encouraging that governments in Europe finally seems to have recognised the problem, it will require more radical reforms than those underway in the UK and the EU to move the dial significantly.

WHY COMPANIES MOVE TO THE US

Making the move

There is no ‘one size fits all’ answer for why European companies choose to IPO or list in the US. As Leo Tolstoy might have said if he were writing about this issue: ‘each unhappy listed company in Europe is unhappy in its own way’. In most cases the rationale is specific to an individual company and based on its size, sector, footprint, strategy, and investor base.

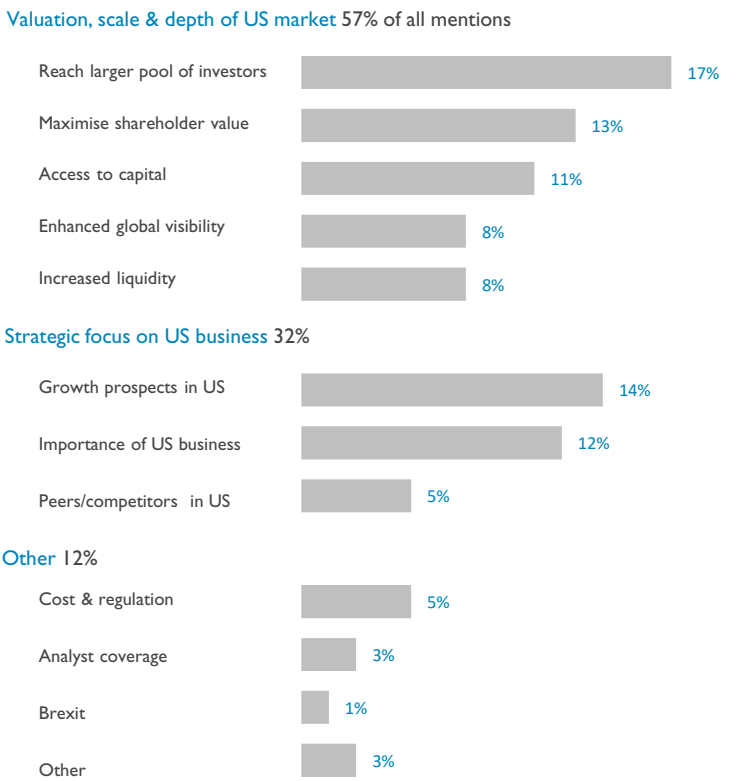
Our analysis of public statements by a sample of nearly 60 companies as to why they were moving to the US (see Fig. 10 on the top right) shows that the overwhelming motivation was the scale, depth, and dynamism of the US market with 57% of all mentions. Nearly a third of the stated reasons referred to a strategic focus on the US market, that it already represented a significant part of the business, or that they saw it as their main source of future growth. Surprisingly few companies mentioned regulation (5%) and only two companies mentioned Brexit.

One common thread across many of the European companies that have moved to the US is that they generate a much higher proportion of their revenues in the US or outside of Europe than other European listed companies. Our analysis of the geographic revenue distribution of 64 companies that have moved to the US shows that in many cases, these companies are already effectively US companies and not ‘European’ in any sense other than historical accident.

Firms that disclosed comparable data generate over 60% of their revenues in the US or North America compared with an average of around 20% for listed companies in Europe (see Fig. 11 on bottom right). Firms that disclosed a figure for their domestic market make just 15% of their revenues in their home market (versus an average of around 25%) and around 28% of their revenues in Europe (versus an average of around 50%). This suggests that many of the companies that move to the US feel that they have outgrown their home market and Europe - and have effectively become ‘stateless’.

Fig. 10 What companies say about moving to the US

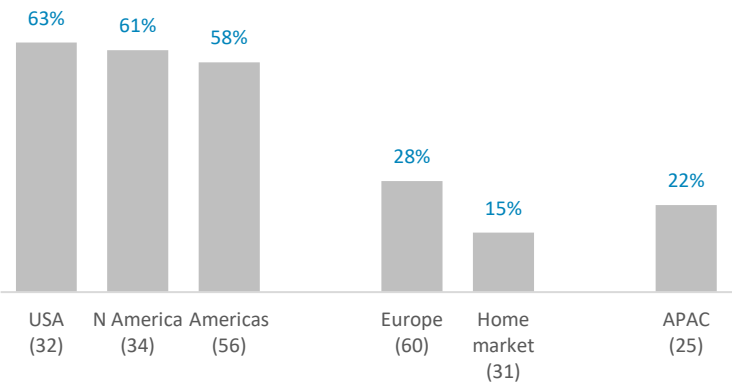
Main factors cited by companies for moving to or choosing the US market (Sample of 57 companies with 155 separate mentions of different factors)



Source: New Financial analysis of company statements

Fig. 11 A focus on the US

Where companies that moved to the US generate their revenues (Sample of 64 companies with comparable disclosure; only includes companies that disclosed data for each country / region. Number of companies that disclosed in brackets)

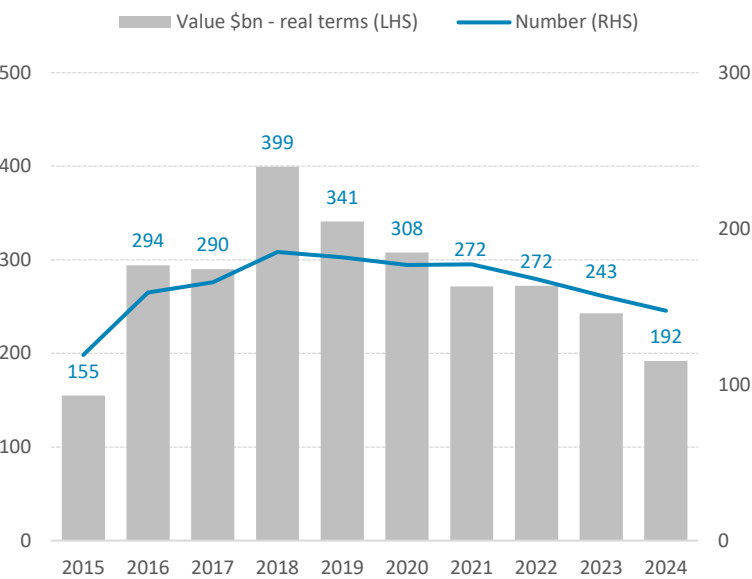


Source: New Financial analysis of company reports

THE BIGGER PROBLEM (MUCH CLOSER TO HOME)

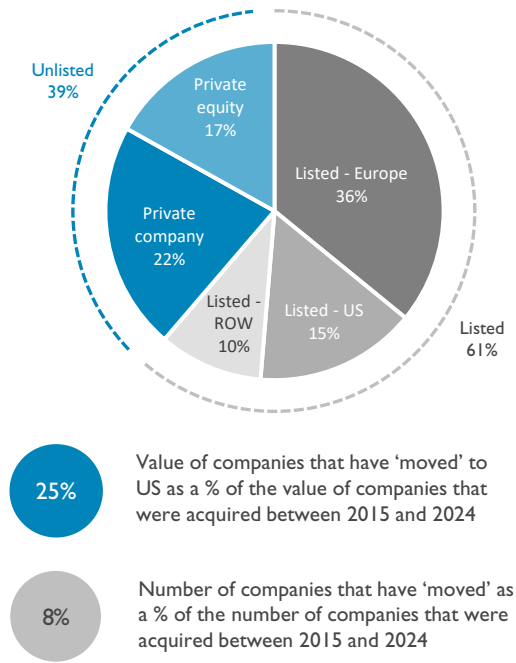
Fig.12 The elephant in the room

i) Value and number of acquisitions of listed European companies 2015 to 2024 (three year rolling average, real terms \$bn)



Source: New Financial analysis of Dealogic data

ii) Value of acquisitions by type of acquiror % (2015-2024, real terms \$bn)



A drip feed of delistings

While there is a clear a degree of 'leakage' of European companies to the US - particularly in key sectors such as tech and biotech, or for large global companies with a big US business - the bigger problem is much closer to home. Over the past decade, more than 1,600 listed European companies have delisted after being acquired with a combined value in real terms of more than \$2.6 trillion. By number of companies, that is 12 times higher than the number of European companies that have 'moved' to the US, and the value of these acquisitions is four times bigger in real terms than the value of companies moving to the US.

The listed European companies that have been acquired add up to nearly a quarter (23%) of the total number of listed companies in Europe and around 16% of European stock markets by value as of the end of 2024. Just over a third of these acquisitions (36%) have been 'recycled' back into the European equity market in the sense that they were acquired by other listed European companies. But a quarter of these acquisitions have effectively 'moved' to other stock markets around the world after being acquired by listed companies outside of Europe. Nearly 40% by value of these listed companies have been taken private - with 22% acquired by an unlisted company and 17% by a private equity firm - which adds up to just over 1,000 listed companies worth \$1 trillion in real terms leaving European public equity markets over the past decade. While the pace of private equity-backed acquisitions has slowed in recent years, there is a clear sense of the balance shifting away from public markets towards private markets.

While focusing on companies moving to the US makes for a more emotive argument to persuade European policymakers to think about how to address the problem, the challenges from delistings is the other side of the same coin. Namely, that European equity markets are seen as relatively unattractive for issuers and investors alike and addressing this issue will require a similar response as dealing with the challenge from the US.

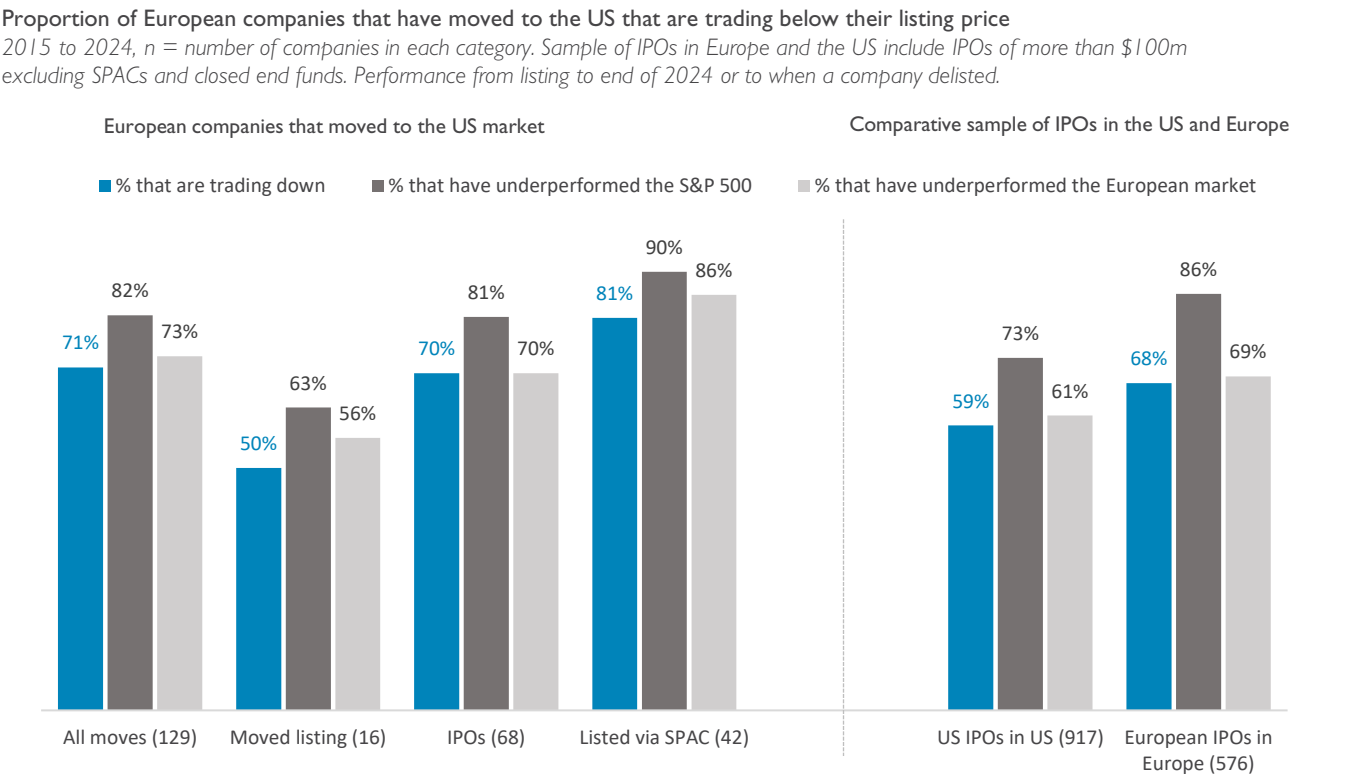
A mixed bag

This section zooms in on how European companies have performed since they moved to the US and finds that for most companies it has not been an entirely happy experience.

How have companies fared since moving to the US?	20
Average share price performance	21
Individual share price performance	22
A focus on UK companies	23

WHAT HAPPENED NEXT? - TRADING UP OR DOWN

Fig.13 How have European companies performed since they moved to the US market?



Note: European market benchmark is STOXX Europe Total Market Index

Source: New Financial analysis of Dealogic data and public sources

A missed opportunity

The experience of most companies that have chosen to IPO or list in the US has not been an entirely positive one. Nearly three quarters of all the European companies that have moved the to US over the past decade are trading below their IPO or listing price (or were doing so when they delisted); over 80% have underperformed the S&P 500 since moving, and three quarters have underperformed the European market (see Fig.13). For most companies - and particularly for their investors - it may have been better if they had stayed at home.

The best performing segment has been companies that switched their primary listing to the US (half are trading up and nearly 40% have beaten the S&P 500). This may reflect the fact that most of these moves have taken place in the last few years and they have ridden the wave of a particularly strong period of outperformance in the US market. The worst performing segment has been companies that listed in the US via a merger with a SPAC where four fifths are trading below their listing price.

The performance of the 68 European companies that IPOed in the US in the past decade is similar to the overall trend: 70% of them are trading down and have underperformed the European market, and 80% have underperformed the S&P 500. The performance of this cohort is not notably better than a comparable sample of nearly 600 IPOs in Europe by European companies (see the columns on the right) but it is notably worse than the performance of a sample of more than 900 IPOs by US companies in the US. Over 40% of these IPOs are trading above their listing price, and more than a quarter have beaten the S&P 500 since listing. This suggests that while doing an IPO in the US market may be attractive for the European companies from a valuation perspective, investors in the US tend to reward US companies more than their European counterparts.

WHAT HAPPENED NEXT? - AVERAGE PERFORMANCE

Diminishing returns

The hit and miss performance of European companies that have moved to the US is underlined by their average share price performance since listing. On a raw average basis, the companies that have moved to the US posted a performance from listing to the end of 2024 (or to when they delisted or went bust) of -9% (see Fig.14 on the top right). To put this in perspective, the Stoxx Europe Total Market index has delivered an average performance of 8% (since the day before each company moved) and the S&P 500 average is 54%.

The small sample of 16 companies that have switched their primary listing to the US have posted an average performance since moving of 34%, and European companies that IPOed in the US have posted an average 4% gain (notably higher than the average for European companies that IPOed in Europe).

On a weighted basis, the average share price increase of all European companies that moved to the US is 29%, but this is distorted by a few big outliers like Arm (+142%) and Spotify (+239%). The overall performance is dragged down by 14 companies that have gone into administration (such as Arrival and Farfetch) and 25 firms trading down by more than 90%.

It is intriguing to see that the average performance of European companies that have moved to the US has declined over the past decade. On the one hand, you might expect a company that has been listed in the US for more than five years to have posted good performance. On the other hand, the past five years have been marked by significant outperformance by US equity markets (at least until the past few months). This may suggest that not all of the European companies that moved to the US in the past five years were quite ready for such a move or suitable for the US market.

Fig.14 What is the average share price performance since moving?

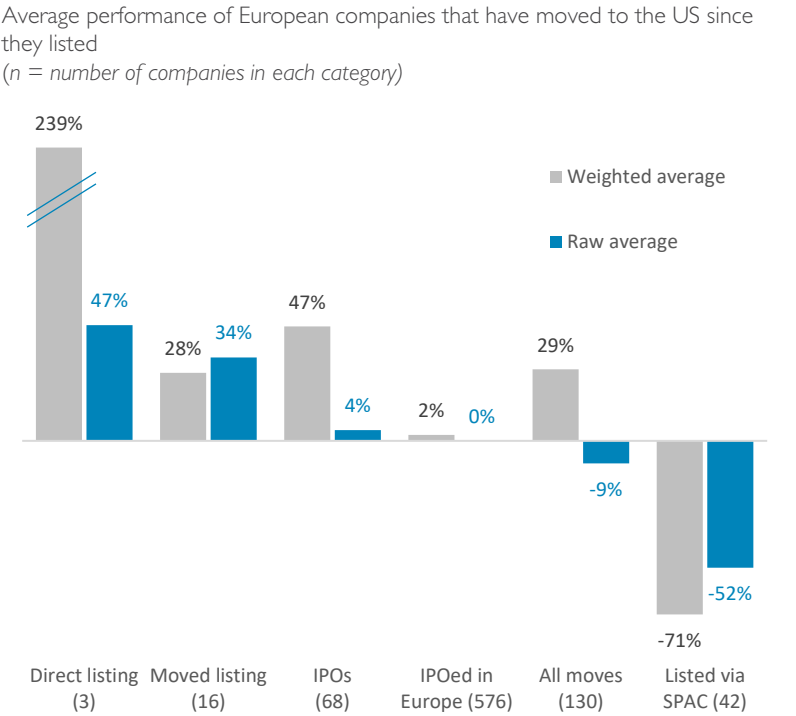
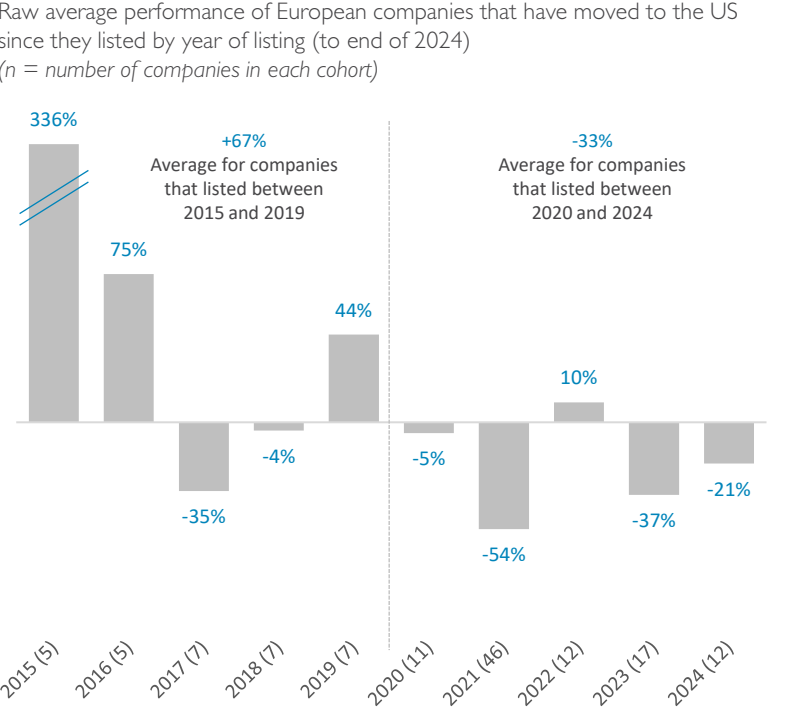


Fig.15 How has performance changed over time?

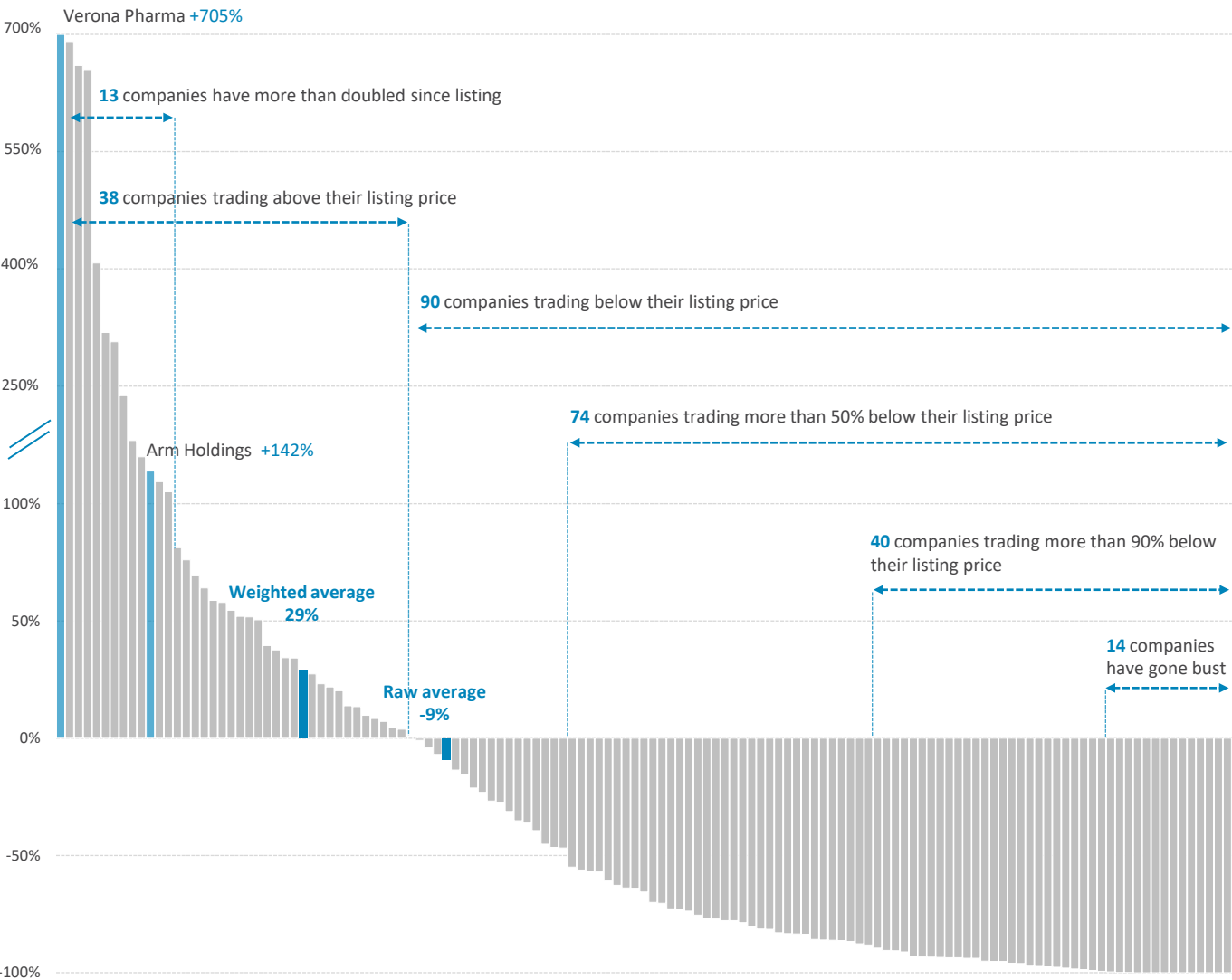


Source: New Financial analysis of Dealogic data and public sources

WHAT HAPPENED NEXT? - INDIVIDUAL PERFORMANCE

Fig.16 Welcome to the US...

The range in individual share price performance of the 130 European companies that have moved to the US
2015 to 2024, share price performance from first listing price to end of 2024 or to when a company delisted



Source: New Financial analysis of Dealogic data and public sources

Place your bets

The chart above provides a striking representation of the individual share price performance of companies since they moved to the US. The top performing company is Verona Pharma, a UK biotech company whose share price has increased eightfold since it switched its primary listing to New York in 2020. In total, 13 companies (10% of the sample) have more than doubled their share price and 38 companies (29%) that have moved are trading above their first listing price. The inverse is that 90 companies (71%) are trading down since they moved; just over half the sample (74 companies) have dropped by more than 50%; and 14 have gone into administration. 40 companies (31%) have fallen by more than 90% since listing - a slightly higher proportion than companies that are trading above their listing price.

WHAT HAPPENED NEXT? A FOCUS ON UK COMPANIES

A special relationship

The 51 UK companies that have moved their listing to the US in some form represent the largest group of all moves by European companies, so we thought it would be worth zooming in on their individual and collective performance.

Overall, companies from the UK are just as likely as the wider sample to be trading up (14 companies or 29%) or trading down (36 companies or 71%). However, Fig.17 in the top right shows that UK companies are slightly more likely than the wider sample to have performed particularly badly - and slightly less likely to have performed particularly well.

Eight UK companies have gone into administration since listing in the US (including firms like Arrival, Babylon, and Cazoo which listed by merging with a SPAC; and Farfetch which did an IPO in the US). This is a slightly higher proportion than for the wider sample (16% of companies vs 11%). The 33 UK companies that have fallen by more than 50% since listing and the 19 companies that are trading down by more than 90% also represent a higher proportion than the average for all European companies.

The weighted average performance of UK companies since they moved of 30% is in line with the European average (29%), but their raw average decline of 19% is twice as bad as the wider sample (-9%). Fig.18 on the bottom right shows the performance of UK companies by type of move. The companies that switched their primary listing have performed better than the wider European sample but companies that listed via a SPAC have performed worse. The raw average performance of IPOs in the US by UK companies is worse than the wider sample (-13% vs 4%) and slightly worse than the performance of IPOs by UK companies in the UK (-9%).

Fig.17 How UK companies have performed since moving

Share price performance of individual UK companies from first listing price to end of 2024 or to when they delisted (note: includes CRH, Flutter, and Smurfit Kappa)

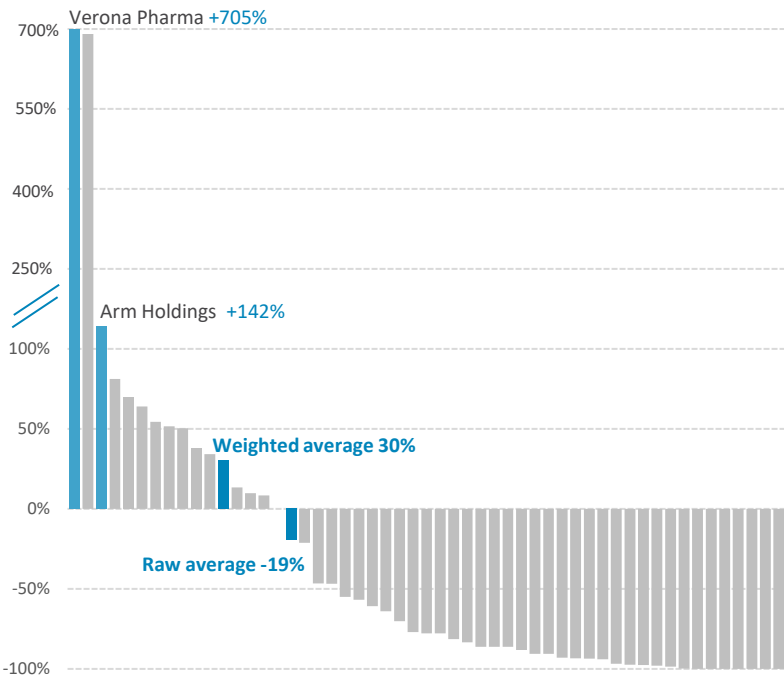
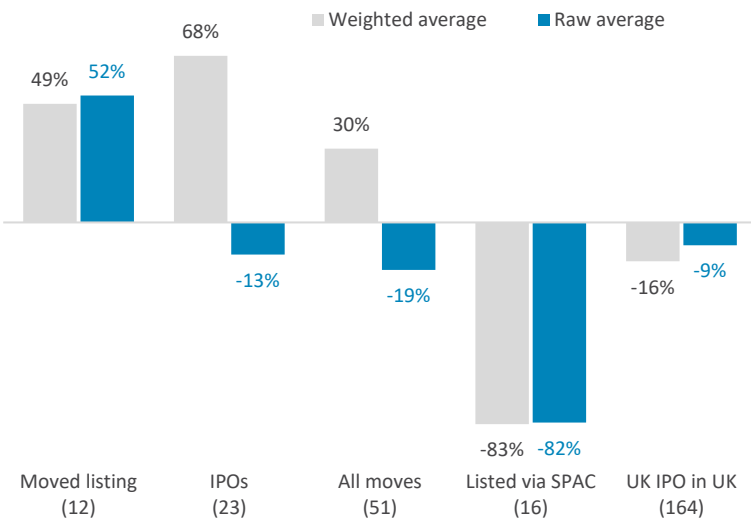


Fig.18 The average performance of UK companies

Raw and weighted share price performance since listing for UK companies by type of move (n = number of companies in each group)



Source: New Financial analysis of public sources

The grass is not always greener

This section outlines some of the main arguments in this debate and challenges them to see which of them hold water.

The valuation narrative	25
The liquidity narrative	27
The analyst coverage narrative	28
The governance narrative	29

THE VALUATION NARRATIVE (I)

A structural gap?

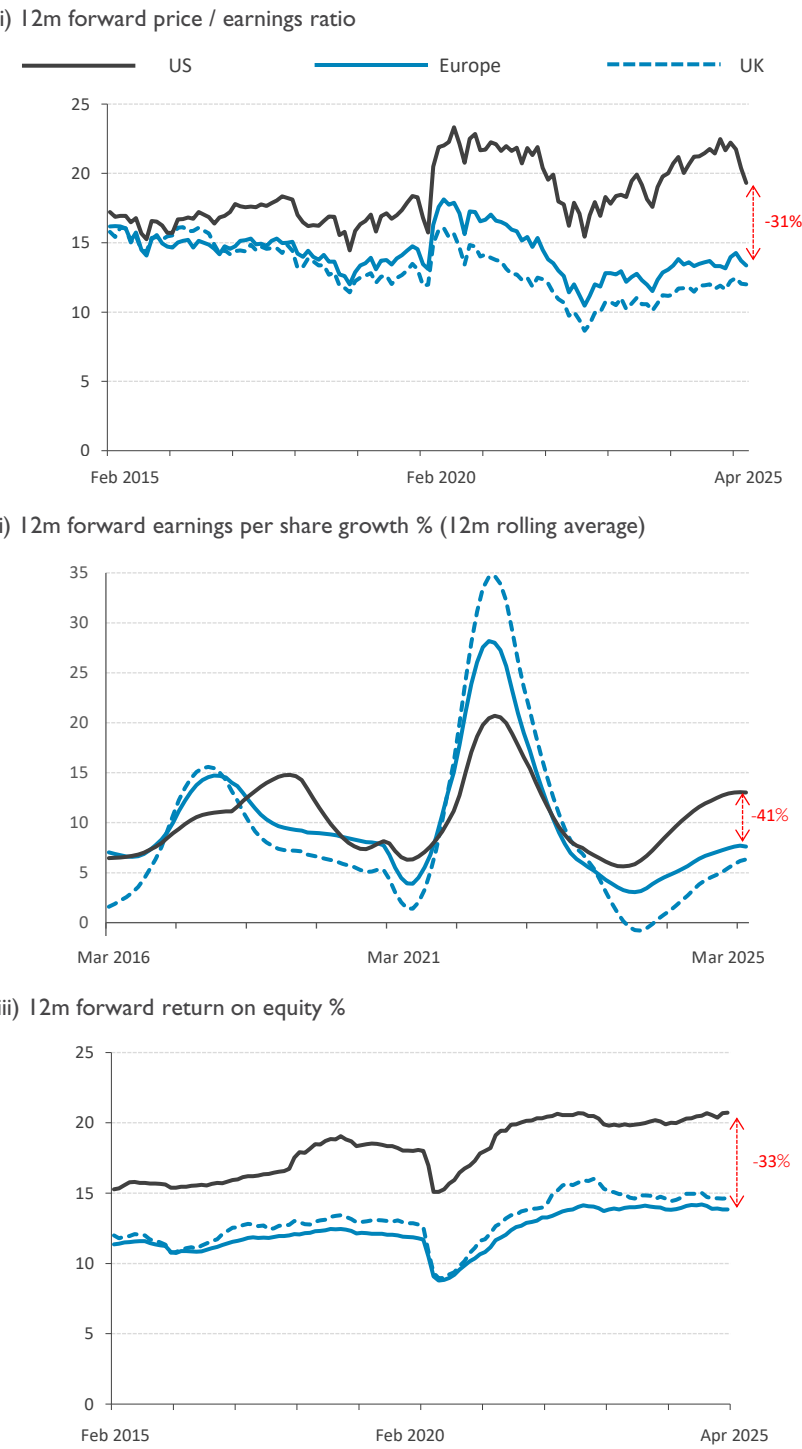
Over the past decade the headline valuation discount of the European market to the US has widened (and dramatically so since the Covid pandemic). This discount on a foreword P/E basis has gone from 6% to 39% at the end of last year, although it has recently narrowed to 31% (the discount for the UK market is still 38%). This widening discount has helped feed the narrative that there is some form of structural undervaluation of markets in Europe; that European investors don't 'get' growth companies; and that European companies can automatically get a higher valuation by moving to the US.

While this headline premium in the US market may seem attractive, it would be dangerous for any individual company to assume that the European discount applies specifically to them. At a market level, the premium for US equities reflects much higher growth forecasts and higher profitability. Over the past decade the gap in growth forecasts between Europe and the US has also widened sharply (from a premium of 9% to a discount of 41%), along with the gap in forecast return on equity (from a discount of 26% to 33%). Once you adjust for growth prospects and profitability, the headline valuation discount between Europe and the US virtually disappears.

In other words, at a market level and in individual sectors, US stocks have a higher valuation because they are expected to generate higher earnings growth and higher return on equity. If a European company wants to take advantage of the headline valuation premium in the US, it will need to have a strong growth and profitability story to persuade investors in the US (many of whom are also the same as investors in Europe) that it deserves the same sort of valuation as its US peers.

Fig.19 A widening discount

A selection of metrics showing the growing gap in valuation, growth, and profitability between US and European markets from Feb 2015 to Apr 2025 (based on FTSE All-World Developed Europe, FTSE UK, and FTSE US benchmarks)



Source: HSBC Global Research, Factset, FTSE Russell

THE VALUATION NARRATIVE (2)

A structural gap?

A big part of the headline valuation gap between the US and European markets is down to the significant difference in their sector composition. In the US, technology stocks account for nearly a third of the total market, more than four times higher than the equivalent 7% in Europe and 15 times higher than the UK (see Fig.20 on the top right). Tech companies have (at least until recently) enjoyed higher forecast growth and higher profitability than their more traditional peers. In contrast, stock markets in Europe are dominated by 'old economy' companies: finance and traditional sectors (like energy, primary industry, and manufacturing) represent around 60% of European markets, roughly double the proportion in the US.

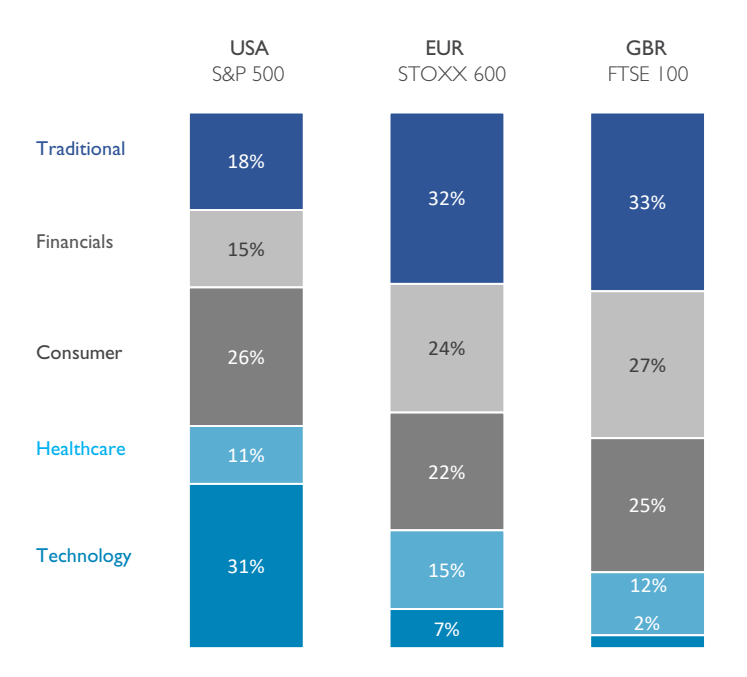
One common argument for why European markets trade at a discount to the US is that local asset managers are more conservative in their approach and less comfortable with growth and tech companies (one high-profile hedge fund manager blamed UK asset managers' obsession with dividends as one of the main reasons why the UK risked becoming the 'Jurassic Park' of global stock markets).

We think this argument is misleading. The global nature of asset management and relative ease of investing across borders mean that the big investors in the US and Europe are often the same firms, and the high international mix of investments by asset managers in the UK (see Fig.21 on the bottom right) suggests it is unlikely that fund managers in the UK are in some way structurally undervaluing the UK market.

The narrative on valuations doesn't stand up particularly well when you zoom in on particular companies. There are plenty of example of 'pairs' of European and US stocks where valuations are in line. Research by LSEG shows that for most companies that have moved to the US their relative valuation has stayed broadly in line after their move, and recent research by the FT found that in half of cases, valuations actually fell.

Fig.20 The differences in market composition

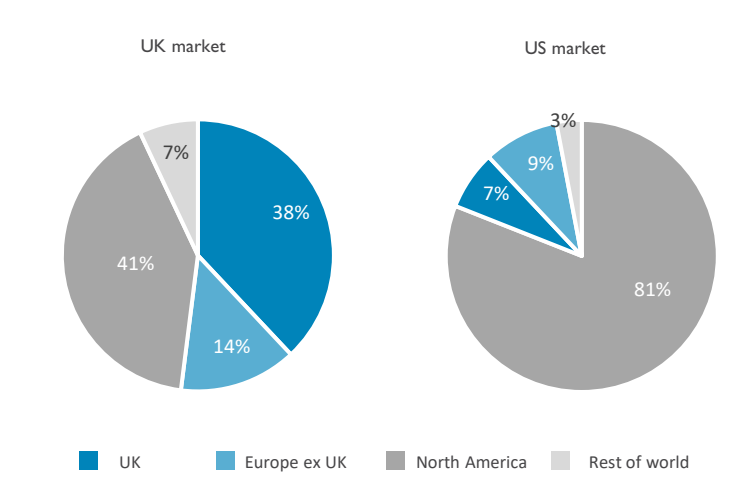
The headline sector composition of listed companies in the US and Europe (by value %, end of 2024)



Source: S&P, FTSE Russell, Stoxx

Fig.21 The differences in the investor base in the UK and US

Nationality of securities held by institutional investors in the UK and US



Source: LSEG

THE LIQUIDITY NARRATIVE

A deeper pool?

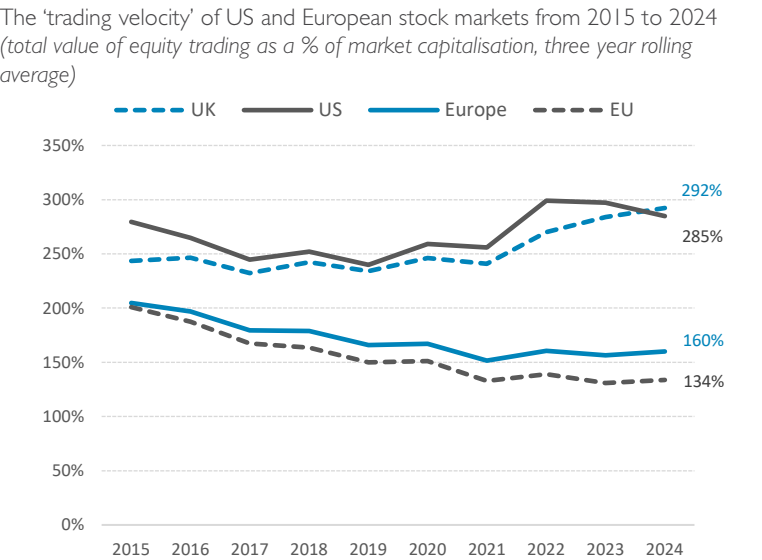
A similar gap appears to have opened up between the US and Europe when it comes to trading volumes, supporting a narrative that US markets are much more liquid which helps drive the share price performance of European companies that move to the US.

At a headline level the 'trading velocity' of the US market (the value of equity trading as a percentage of market capitalisation) is nearly double that in Europe (285% vs 160%) compared with a gap of just a third 10 years ago (see Fig22 on the top right). Trading volumes in the US spent most of the decade at around 250% of market capitalisation, before increasing post-Covid driven in part by retail trading and 'the meme stock' fad. It is interesting to note that liquidity in the UK has consistently tracked levels in the US.

A big factor in sustaining this narrative is the difference in market structure and trade reporting in the US and Europe. The stated trading volume for stocks in Europe usually only includes around a third of the trading that took place on the exchange where a company is listed, and doesn't include around 40% of trading conducted on other exchanges and a quarter traded off exchange. In the US, all trading on all venues is reported together. Once you adjust for different market structure, most of this liquidity gap disappears.

Research by LSEG (see Fig.23) suggests that the total average daily trading volume as a percentage of their free float for FTSE 100 companies (0.82%) is slightly higher than the S&P 500 (0.71%), and research by Euronext shows that on a comparable basis, liquidity in US large caps is only around 20% deeper than in Europe. However, trading in 'mega cap' stocks worth more than €100bn is much more liquid (and there are many more of them in the US) and trading in smaller companies is also a lot more liquid in the US.

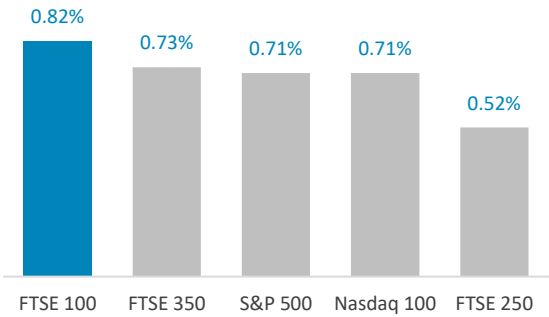
Fig.22 A headline liquidity mismatch



Source: New Financial analysis of data from big xyt, Cboe, Sifma, and stock exchanges

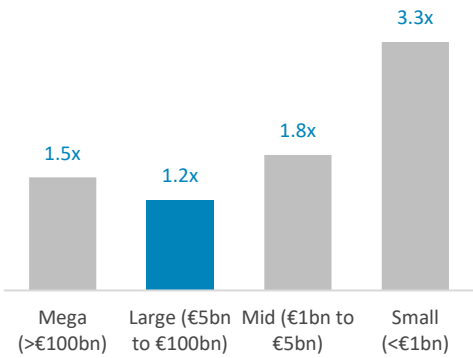
Fig.23 A closer look at liquidity

i) Average adjusted daily trading volume as a % of free float for US and UK in 2024



Source: LSEG

ii) Depth of liquidity in US compared with Europe by value of company in 2023

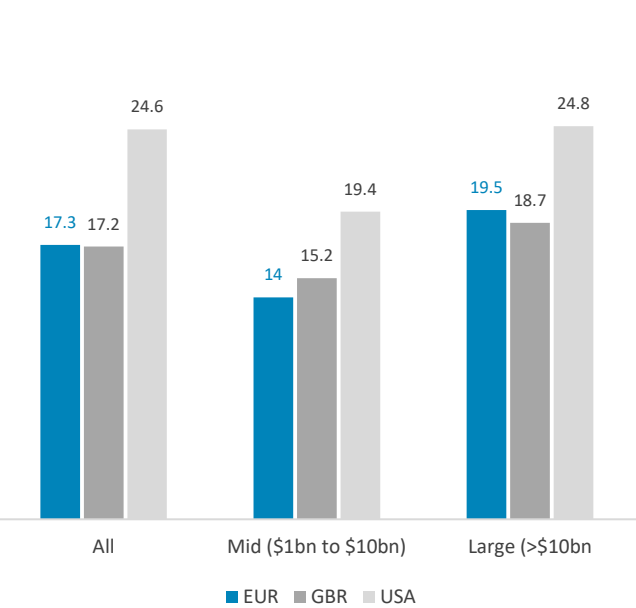


Source: Euronext

THE ANALYST COVERAGE NARRATIVE

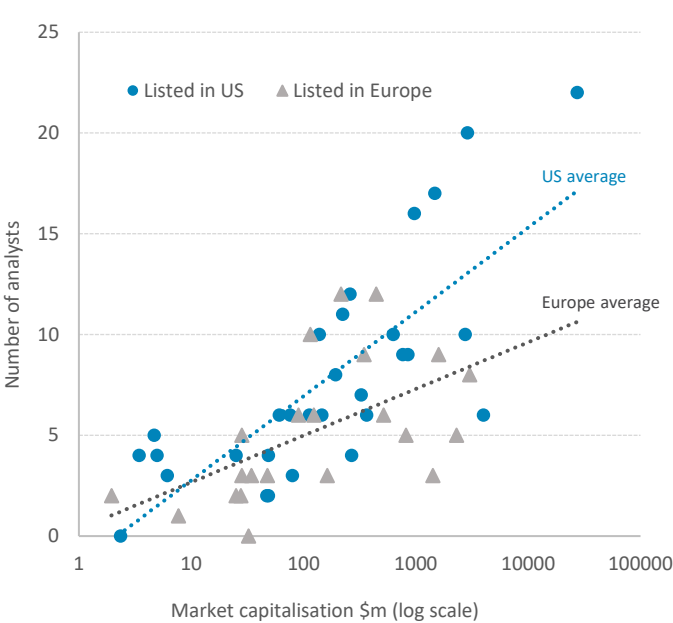
Fig.24 A question of profile

i) Average number of analysts per stock in the US and Europe



Source: HSBC Global Research, Starmine

ii) The relationship between analyst coverage and market value for selected European biotech companies listed in the US and Europe



Source: New Financial analysis

Driving engagement and liquidity

One of the few narratives in this debate that appears to actually be true is that US companies enjoy higher levels of analyst coverage, which drives awareness, investor engagement, and liquidity. On average, 24.6 analysts cover each stock listed in the US, compared with 17.3 analysts for stocks listed in Europe and 17.2 in the UK, according to data from Starmine (see Fig.24i above). A large company listed in Europe with a market value of more than \$10bn attracts as many analysts on average as a mid-sized stock in the US. The lower levels of coverage for smaller companies is one reason why regulators in the UK and EU are reworking the rules on ‘research unbundling’ which were introduced in 2018 and which changed the way in which investors pay for research.

This headline analysis does not account for the perceived or real difference in the ‘quality’ of analyst research or the juniorisation of research: a common complaint by tech companies is that too many analysts in Europe don’t understand their business. And it doesn’t capture differences between the ‘star analyst’ culture in the US (where a named analyst will often have a big team of usually unnamed research assistants) and the team culture in Europe.

As a snapshot, we collated analyst coverage for a sample of 30 European biotech companies that listed in the US and 21 that listed in Europe (see Fig.24ii). The dotted blue line shows how many analysts a biotech in the US might expect to cover it based on its market value. Only a quarter (5) of the biotech companies listed in Europe are above that line (ie. they have more analyst coverage than you might expect for a company of their size if it were listed in the US). The dotted grey line shows how many analysts you would expect to cover a European listed biotech firm based on its size, and more than three quarters of the biotech stocks listed in the US are above that line. However, the level of analyst coverage is mainly a function of company size in both the US and Europe: all nine of the European listed biotechs with a market cap of less than \$100m have five or fewer analysts covering them - as do virtually all of the 11 US listed biotech companies worth less than \$100m.

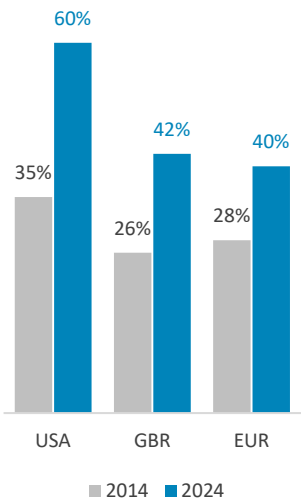
THE CORPORATE GOVERNANCE NARRATIVE (I)

A less complicated life

In addition to the prevailing (and often not entirely accurate) narratives on the US market about valuation, liquidity, and analyst coverage, there is a widespread sense that the US is just a less complicated place to be listed. The argument runs that disclosure and reporting requirements are less burdensome than in Europe, that higher levels of passive investing will boost a company once it gets into an index, that the media and investor climate is less negative, and that executive pay is much higher.

Fig.25 Easy money?

Passive management as a % of all assets under management
2014 to 2024



Source: LSEG

>>> **The burden of disclosure and regulation:** it is curious that the misconception that the burden of disclosure and regulation in the US is much lower than in Europe is still thriving. In some areas - such as the regulatory process around listing - that has traditionally been the case. However, recent reforms to the listing regime in the UK and EU have narrowed that gap to the extent that the regulatory process of going public is largely not a factor in the decision over where a company should list.

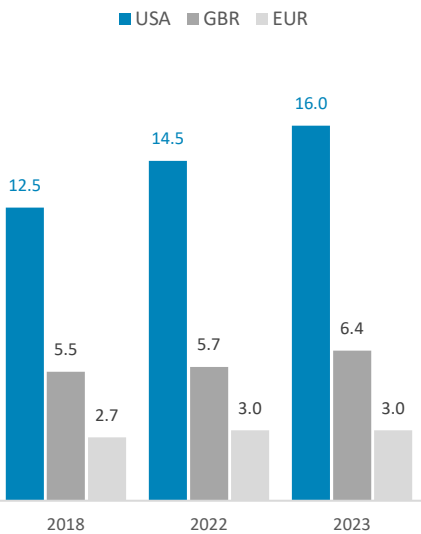
On the disclosure side, layers of additional reporting requirements on issues like pay, governance, and climate change have increased the burden on companies and their executives. The average FTSE 100 annual report now runs to 237 pages and 147,000 words (longer than most novels) and has increased by a quarter over five years. However, the same has been happening in the US: by 2017 the average 10-K annual report in the US had doubled in length in the past 20 years. On top of this, you have to add the annual proxy statement (which contains most of the details on pay and governance found in a European annual report). European companies that retain a listing in their home market will tend to retain local reporting requirements (adding to the disclosure burden). And those that choose to become US companies (such as Linde and Flutter) rather than 'foreign private issuers' will also have to comply with quarterly reporting and Sarbanes Oxley, which is not known for being light touch.

One factor that is often overlooked is the much higher level of litigation risk in the US. In 2023 there were 215 new securities class action lawsuits filed in the US compared with just five in the UK (using group litigation orders as the closest UK proxy for class action lawsuits). This translates into roughly one lawsuit for every 20 companies listed in the US and one for every 360 companies in the UK. This litigation culture is a fundamental contrast to the UK and Europe, raises costs for companies and directors, and significantly raise potential legal liabilities.

>>> **The power of passive investing:** the faster growth and higher levels of passive investing in the US mean that being included in a benchmark index in the US has become more important. The proportion of assets under management in the US that are managed on a passive basis has virtually doubled over the past decade to 60% (see Fig.25 on the top left), significantly higher than around 40% in Europe. This helps drive share price performance as flows into passive funds are automatically invested in members of the index that they track. However, the bar to be included in the main US benchmark indices is in most cases higher than in Europe: companies have to effectively become US companies or demonstrate that a plurality of their business is in the US. Only two 'European' companies are included in the S&P 500 (Linde and Smurfit Westrock) and only two of the companies that moved to the US are included in the Nasdaq 100 (Arm and Linde).

Fig.26 Value for money?

Median CEO pay in the US and Europe in \$m 2018 to 2023 *



Source: ISS

* Note: US = S&P 500, UK = FTSE 100, Europe = Stoxx Europe 600

The importance of index inclusion is one reason why FTSE recently allowed companies that report in foreign currencies to be included in its benchmark indices. Separately, many European companies may hope that moving to the US will reduce the influence of proxy voting agencies such as ISS and Glass Lewis over their shareholders. The higher level of passive investment means that proxies arguably have more influence in the US, although their voting guidelines are more flexible in the US than in Europe, particularly on issues such as pay.

The wider climate: while it is hard to measure, there is a clear cultural difference between the US and Europe. In the US, entrepreneurship, risk-taking profit and success tend to be celebrated. In Europe, risk, profit and pay are often looked down on. The US has a much more developed ecosystem of business media and TV, and much higher levels of retail investor participation and engagement. For the CEO of a large European company, listing in the US and ringing the opening bell at the NYSE might be a highlight of their already impressive career.

Some CEOs of European companies have been attracted to the US by the relative anonymity it offers. Matt Goulding, the founder and chief executive of online retailer THG, has been a vociferous and persistent critic of the negative culture and media intrusion in the UK, saying that it was a mistake to have listed in the UK in 2020. While this may have had something to do with 90%+ collapse in THG share price, he has a point. One reason for the online retailer Farfetch doing an IPO in the US was that its CEO specifically wanted to avoid the media profile that would have accompanied being listed in the UK. However, this relative anonymity became a problem when the company ran into trouble and went into administration a few years later.

The multi-million dollar question: it is hard to avoid the fact that average pay for senior executives in the US is significantly higher than in Europe (even after you adjust for the size of US listed companies). The median pay for the CEO of an S&P 500 company last year was \$16m, more than double their counterparts in the FTSE and five times higher than for the Stoxx Europe 600 (see Fig.26 above). The main difference is that investors in the US seem more comfortable with much higher pay and much higher levels of long-term incentive schemes.

This pay premium raises the potential that some CEOs of European companies might be incentivised to recommend that their company moves to the US even if it might not be entirely in the interests of their shareholders (in light of our analysis of the post-listing performance of European companies that have moved). We do not have a big enough data set over a long enough period of time to be able to measure with confidence whether pay has significantly increased for CEOs of European companies since they moved. But there is plenty of anecdotal evidence that pay for some CEOs is higher than many investors might be comfortable with in Europe.

While the decision by Arm Holdings to list in the US was widely seen as a blow to the UK, it is unclear how UK investors would have reacted to the \$70m pay for its chief executive in 2023. Or whether they would have supported the \$99m long-term bonus scheme granted to the CEO of Farfetch in 2021. Ashstead, a UK company that makes nearly 90% of its revenues in North America and which is moving its primary listing to the US, was explicit in its most recent annual report that its CEO is paid less than any of his counterparts at 20 peer group companies in the US last year and less than half the median pay for that group. And the CEO of Smurfit Kappa, which moved to the US last year and acquired US company Westrock, earned half what Westrock's CEO earned in the year before the deal.

Towards a more dynamic market

This section outlines some directional policy recommendations around five broad themes to encourage governments, regulators, and the industry to help make European equity markets deeper, more dynamic, and more attractive for companies and investors alike.

There is no magic wand to 'solve' this challenge, and since Brexit there has been some divergence in the way in which the UK and the EU think about these issues. However, there is plenty of work already underway across Europe (with the capital markets union project in the EU and the Edinburgh and Mansion House reforms in the UK) to close the real and perceived gap in dynamism with the US market. Here are some of the main themes for reform:

- Driving institutional and retail demand
- Rethinking market infrastructure
- Rethinking regulation
- Building a new narrative
- Making Europe a more attractive investment proposition

TOWARDS A MORE DYNAMIC MARKET

1) Driving institutional and retail demand

The starting point for deep and effective capital markets is deep pools of long-term capital in the form of pensions, insurance, and retail investments.

A common challenge: the EU and UK are both working on parallel reforms to address the same fundamental challenge of building bigger pools of long-term capital. For the EU, the problem is that it does not have enough capital: pensions assets in the EU are just one fifth as big as in the US relative to GDP, and overall pools of capital are only one third as deep. This is why channelling more savings into investment is at the core of the new 'savings and investment union' strategy published last month. The problem for the UK is that while it has a bigger pool of capital than the EU - it has the third largest pool of pensions assets in the world - the structure of the UK system means that little of this capital is invested in productive assets.

Rethinking pensions: for the EU, pensions reform means encouraging more member states to introduce auto-enrolment pensions to build pools of long-term capital in every corner of the EU and learning from the example of the three EU countries that account for two thirds of all pensions assets in the EU - the Netherlands, Denmark, and Sweden. For the UK, pensions reform means addressing the chronic fragmentation embedded in the accidental design of the system to enable more scale and efficiency, and gradually raising pension contributions from their unusually low levels. More radical options for both include transitioning unfunded public sector pension schemes to a funded model (emulating Canada) or gradually shifting future basic state pensions to a funded model (like Denmark and Sweden).

Rethinking retail investment: one danger with regulation in Europe since the financial crisis is that it has protected individual investors almost to the point of excluding them from participating in capital markets. The UK and EU are both focused on how to build more of an investment culture rather than a savings culture, and on enabling more retail participation in equity markets by removing structural barriers. In the UK, much of this work is focused on reforming ISAs, a pool of around £750bn tax free savings and investments with annual new flows of around £70bn a year. The government is focused in particular on encouraging more of the high level of ISAs sitting in cash (about £300bn) to be invested. The EU has recently outlined a plan to develop a 'blueprint' for an EU long-term investment account to encourage more retail investment, which could seek to emulate the success of similar tax-incentivised investment accounts in UK, Sweden, and Canada.

2) Rethinking market infrastructure

The complex patchwork of European equity market infrastructure is a huge obstacle to building bigger and better capital markets in Europe.

More consolidation: in the US there are two main exchanges that compete for virtually every listing, feeding into one central counterparty and one settlement engine. In Europe, there are 35 exchanges for listing, 18 CCPs, and 30 CSDs. While exchange groups like Euronext and Nasdaq have made big progress in consolidating the ownership of different exchanges (they each operate seven exchanges in Europe), there has been less progress in consolidating the underlying markets, and more attempts to merge big exchange groups in Europe have been blocked over the past 20 years than have been approved. With the UK and the EU indicating that they are going to take a looser approach on anti-trust there could be an opportunity in the next few years to restart talks about some of the deals that did not materialise - and there is no reason why the UK and the London Stock Exchange should not be part of this future consolidation, despite Brexit.

More competition: most competition today between exchanges in Europe is episodic and arguably in the wrong places. While Mifid introduced much-needed competition between exchanges in trading, most exchanges continue to operate a quasi-monopoly in their domestic market for listings and data. A better vision for the future might be a smaller number of three or four blocs of exchange groups in Europe operating a single market within each group based on a single rulebook, single supervisors, and a single disclosure regime. These blocs would compete with each other for listings, trading, and post-trade, which would increase scale, create deeper and more liquid markets, and reduce costs (see our report on [The problem with European stock markets](#)).

Rationalising post-trade market infrastructure: more than 20 years after the Giovannini Group first reported on the problem with post-trade infrastructure in Europe (particularly for cross-border trading) there has been limited progress on reducing costs, prizing open national market infrastructure, and developing genuine interoperability and competition. It is encouraging to see that European regulators have zoomed in on the fragmentation of market infrastructure (and post-trade in particular) in the latest iteration of CMU. It is also encouraging to see the recent move by Euronext to consolidate settlement across its markets.

A joined-up solution: the key to well-functioning markets is consistent and timely information. The moves toward a consolidated tape for equities trading and a single access point for information in the EU are a good starting point, but there is scope to go further. First, by developing common pan-European solutions such as extending the consolidated tape to a pan-European rather than a pan-EU level. And second, to expand any information or data platform to be a single portal for corporate actions, corporate governance, and shareholder voting, reducing the costs of cross-border investing.

3) Rethinking the supervisory and regulatory framework

The complexity of European market infrastructure is matched by the complexity of regulation and the atomisation of supervision along national lines.

Towards centralised supervision: the EU cannot have the sort of capital markets it needs if it continues to have 27 separate national supervisors applying slightly different versions of the single EU rulebook. Over time the EU could move towards a single markets supervisor for large or international firms - some form of 'European SEC'. While a single supervisor would not create a fully integrated EU capital market on its own, in the long run you cannot have a fully integrated market without one. A good starting point would be for the EU to focus on the supervision of cross-border market infrastructure and enable exchanges that operate multiple national markets to have a single supervisor across all of the markets in which they operate. EU regulators can and should work more closely with their counterparts in the UK and Switzerland to minimise frictions.

Rethinking the purpose of regulation: since the financial crisis most regulation has been designed to clamp down on risk, shore up financial stability, and protect consumers and taxpayers from another crisis. But the pendulum has arguably swung too far and spilled over into the wider economy. As governments across Europe focus on how to boost growth and competitiveness, they are looking at whether regulation is acting as an unnecessary drag. This is particularly the case in the UK, where there is a clear drive to change the culture of regulation. It will be challenging for the EU to make its economy more competitive if regulators across the EU do not have an element of 'growth' or 'competitiveness' in their mandate to incentivise them to do so.

Rethinking the overall framework: Europe needs to make its regulatory system fit for a new world. Most of the framework was designed in the decade following the financial crisis when the problem was that there was too much risk and 'innovation' in the system. Now the problem is that there is not enough of it. Digitisation and artificial intelligence are changing the economy and financial markets, and geopolitical tensions are sending shockwaves across Europe. The world has moved on and regulation needs to move with it.

TOWARDS A MORE DYNAMIC MARKET

Focusing on better outcomes: the ultimate aim of reforms such as the listing act in the EU and changes to the listing regime in the UK should be to make it easier for companies to go public and stay public; easier for investors across Europe to invest in them; and easier for intermediaries to trade in them. Regulators across Europe should be encouraged to focus on enabling better outcomes and to measure the success of regulation in the context of whether it helps deliver better market outcomes.

A spring clean: the complexity of the European framework has created a system marked by duplication and overlaps. Well-intended regulations have been layered on top of each other. In the UK a 'spring clean' of regulation is already underway with a concerted programme of identifying and removing overlaps and redundant regulation. In the EU, the principle of simplification behind the recent changes to sustainable finance could be applied more broadly to the rest of the EU rulebook.

4) A new narrative

The industry needs to work with governments across Europe to develop a more constructive and more accessible narrative around the value of capital markets and why they matter.

Speaking a foreign language: a big part of the challenge for capital markets in Europe is that most politicians and the vast majority of consumers do not understand and do not trust the industry, and they do not appreciate the potential benefits of capital market-based financing and investment. The industry needs to come up with a more positive and compelling narrative that focuses on delivering better outcomes for millions of individuals in every corner of Europe. We founded New Financial to make a more constructive case for capital markets in Europe as a force for social and economic good, and we think the industry could do worse than start with our blueprint for ['A new narrative'](#).

A new conversation: a big part of this is encouraging a more grown-up conversation about risk and investment. Across much of Europe, risk has become a dirty word over the past few decades and is too often associated with the risk of loss (without considering the risk of gain). Experimentation, trial and error, and occasional loss and failure are a fundamental part of the innovation and entrepreneurship that Europe so desperately needs. Politicians are kidding themselves and misleading their voters if they pretend that you can have all the nice bits of innovation (like growth, jobs, and competitiveness) without taking more risk.

A positive narrative: in much of the debate on the relative dynamism of US and European stock markets, the argument has been framed around the potential downsides and dangers of moving to the US, rather than painting a more positive case for staying in Europe (*this report no doubt falls into that same trap...*). The industry, trade associations, and governments have an important role to play in developing a more positive narrative that focuses on the many great examples of dynamic companies that are thriving in European equity markets, the benefits they bring to the wider economy, and opportunities they provide for individual investors. A good case study is the NYSE's successful 'own your share of American business' advertising campaign that ran for more than a decade from the 1950s and helped turn the US into a nation of investors.

5) The bigger picture:

There is only so much that changes to regulation and market structure can achieve. Ultimately, if governments in Europe want to create an economy that enables dynamic companies to thrive and grow and which supports investment, growth, and prosperity, they need to make the Europe a more attractive investment proposition for companies and investors. This will require ambitious reforms across the wider economy (that go way beyond the scope of this report) in everything from tax and planning systems, to infrastructure investment, corporate and labour law, education, immigration, and digitisation. Over the past few years there has been no shortage of reports that make a compelling argument for more investment or for more radical integration of the single market in the EU. The alternative for Europe is a long, slow, and painful economic decline. The status quo is no longer an option.

About New Financial

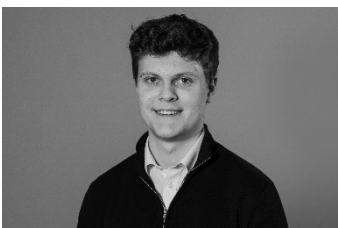
New Financial is a think tank that believes Europe needs bigger and better capital markets as a force for social and economic good to help drive growth and prosperity. We work with market participants and governments to inform and shape the debate on reforming capital markets.

Lead authors



William Wright, founder and managing director, New Financial

William launched New Financial in 2014 to make the case for bigger and better capital markets in the UK and Europe. He previously spent 18 years as a financial journalist as the editor and member of the launch team at Financial News, which was acquired by the *Wall Street Journal* in 2007. He was educated at Oxford, London, and INSEAD.



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James joined New Financial in January 2024 as a research analyst with a particular focus on capital markets and data analytics. Before joining, he completed a master of science in astrophysics at the University of Cambridge.

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Our research on capital markets:

Here is a selection of some of our recent reports on capital markets:

[UK capital markets: a manifesto for growth](#)

[The next steps on UK pensions reform](#)

[New Financial 10th anniversary impact report](#)

[The future of smaller company capital markets](#)

[Evaluating the UK regulatory framework](#)

[Searching for growth: the future of EU capital markets](#)

[Comparing the asset allocation of global pension systems](#)

[The future of pensions and retail investment in the EU](#)

Gathering and analysing the data for this report was a lot harder than it should be given the importance of the topic. Here is an outline of how we approached this project:

Defining 'Europe':

We defined Europe as the 27 member states in the EU plus the UK, Switzerland, Norway, and Iceland.

Different ways of 'moving' to the US:

We identified four ways for European companies to 'move' their primary listing to the US:

- **IPO:** companies deciding to go public directly on a US market (eg. Arm Holdings or Birkenstock)
- **Switched primary listing:** companies that moved their primary listing from a European exchange to the US either by upgrading an existing secondary listing in the US and downgrading their European listing; or taking out a new listing in the US (eg. CRH, Flutter, or Linde)
- **Listing via a SPAC:** listing in the US after being acquired by a US-listed SPAC (eg. Ermenegildo Zegna, Polestar)
- **Direct listing:** listing directly in the US without issuing new shares (eg. Spotify)

Building our sample:

We used three methods to identify companies that were European and that had taken a primary listing on a US exchange since 2015:

- **IPOs:** using Dealogic, we filtered for companies with a European nationality that IPOed on a US exchange since 2015 (excluding SPACs and closed-end funds) to identify 69 companies.
- **Non-IPO listings:** using Capital IQ and Nasdaq data, we identified European companies with a listing in the US, removed companies that had IPOed in the US, and manually checked the remaining sample against companies listed on European exchanges and against media coverage to identify an additional 45 companies where the primary listing in the US occurred between 2015 and 2024.
- **Listing via a SPAC:** using Dealogic, we identified 16 additional European companies that had been acquired by a US-listed SPAC between 2015 and 2024 but which had since delisted.

This gave us a final sample of 130 European companies that had taken a primary listing in the US between 2015 and 2024, of which 103 still had a primary listing in the US at the end of 2024.

Determining nationality:

This is much harder than it sounds (for example, Linde is historically a German company but it is incorporated in Ireland with its headquarters in the UK). For IPOs and acquisitions by SPACs, we used Dealogic's 'issuer nationality' classification. For all other companies we used a combination of data from Capital IQ and Nasdaq on companies headquartered in Europe or marked as European and wider research to determine their nationality and their 'home' market in Europe. Factors included the founders' nationality, country of origin, location of headquarters and operations, and prior European listings.

Measuring post-issue performance:

- **Share price performance:** as our starting point we used Dealogic's offer price for IPOs or the closing price the day before trading started in the US for companies with an existing secondary listing in the US or which had been acquired by a SPAC. For the current price we used prices at the end of 2024 or the last available trade price for companies that delisted.
- **Relative performance:** we used the S&P 500 and STOXX Europe Total Market Index for benchmarking based on the index price the day before listing to the end of 2024 (or the last day of trading for companies that delisted).
- **Weighted performance:** we weighted performance by the nominal market capitalisation at the time of listing.