



Cross-Border Listing and Liquidity Enhancement in EMEA

November 2009



Overview

- Depositary Receipt (DR) issuance is believed to create value for issuers in several ways
- In the following study, we analyze the impact of DR listing on underlying (ordinary) shares; in particular, we look at how trading volumes of ordinary shares behave after the DR listing
- Our analysis indicates that, historically, most companies in EMEA have experienced an increase in liquidity of their ordinary shares; overall, average liquidity increased by approximately 7%

Purpose of Study

- Depositary Receipt (DR) issuance is believed to create value for issuers in several ways:
 - Builds corporate visibility globally
 - Potentially improves liquidity
 - Provides greater access to international capital markets
 - Facilitates M&A activity through use of American Depositary Receipt (ADRs) as acquisition currency
- This study focuses on liquidity from the perspective of the issuer
- Our hypothesis is that local market liquidity, for an issuer as measured by trading volume, is positively impacted by depositary receipts due to:
 - Broadened and more diversified investor base
 - Increased international analyst coverage
 - Enhanced visibility due to promotion for company's products, services and financial instruments in a marketplace outside its home country
- To validate our hypothesis, we try to understand how trading volume of underlying (ordinary) shares are impacted after the listing of a DR representing such shares

Methodology

Time Periods

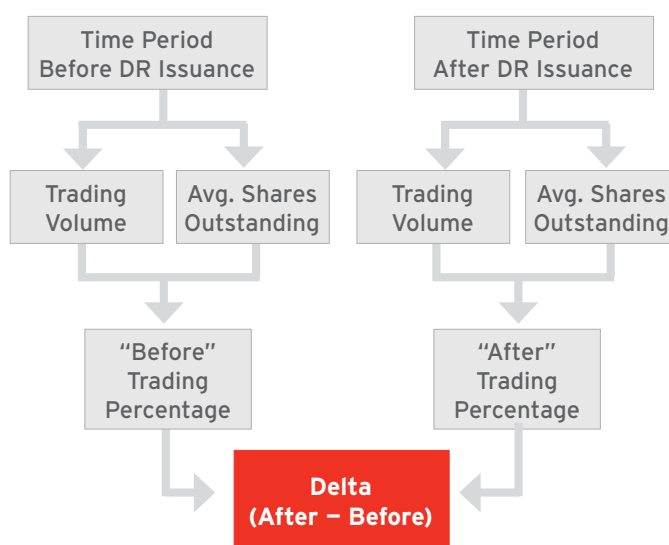
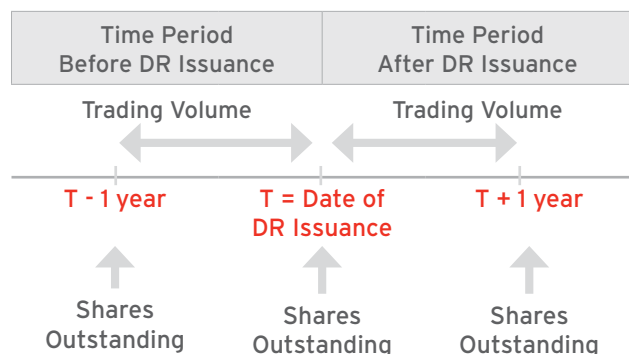
- Our research empirically studies the underlying (ordinary) shares of the top exchange-listed ADR programs¹
- We use trading volumes 12 months prior to and after the DR issuance date
- We use average number of shares outstanding for the “before” and “after” time periods²

Trading Percentages

- Using these measures for trading volume and shares outstanding, we calculated the trading percentage as follows:

$$\text{Trading Percentage} = \frac{\text{Trading Volume}}{\text{Shares Outstanding}}$$

- We then calculate the delta, which represents the difference in the trading percentage of the underlying ordinary shares before and after the DR issuance date
- In order to understand if any particular industry or time period had any impact on our results, we further analyzed our sample by industry and by time period of DR listing



¹We analyzed a sample of 24 programs, listed on NYSE Alternext and Nasdaq, representing 50% of 2008 ADR trading volume.

²Average is calculated using the number of shares outstanding at both the beginning and end of the time period.

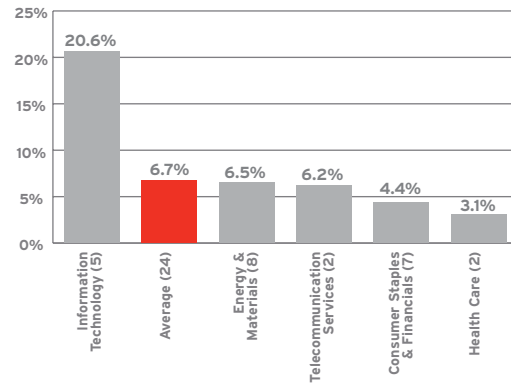
Results

Our analysis indicates that, historically, most companies in EMEA have experienced an increase in liquidity of their ordinary shares after DR listing.

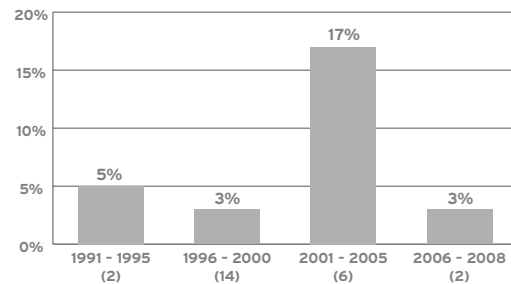
Trading Percentage Change

- Seventy-five percent³ of companies in EMEA experienced increases in ordinary share liquidity following the establishment of a DR program
- Overall, average⁴ liquidity increased by 7% for DR issuers in EMEA
- Results of our analysis by different industry groups and time periods were consistent with overall findings; liquidity improved under all the buckets, though in varying proportion
 - Information technology companies saw above-average increase in liquidity, while telecom, energy, materials, health care, consumer staples and financials saw below-average increase in liquidity
 - The time period buckets were delineated by five-year intervals starting in 1991; liquidity changes experienced by companies in EMEA were not attributable to any particular time period

by Industry



by Program Issuance Date



Conclusions

- On average for companies in EMEA, the trading volume of underlying (ordinary) shares increased after DR listing
- This study reinforces the value proposition for companies to initiate DR programs, as liquidity is impacted positively by an expanded investor base, increased analyst coverage and higher visibility of the company's products

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³Based on number of programs.

⁴ Average is ADR market-cap weighted.

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