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Session 6: Overseas Stock Listing Summit

Overseas Financing and Stock Listing

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Note: This is NOT general or specific advice – get your own professional advice

1. The Opportunity

• Equity capital vital for investment expansion, containing leverage and insurance
• company strategy on cross-border growth, reputational gains and diversification

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2 main forms of listing on a foreign exchange

Company lists IPO
No listing in home market
e.g. N-shares: Chinese
companies incorporated
outside the mainland

Company cross-lists
existing shares

Same shares as in home
market issued on foreign
market
May be "exempt" from some
regulatory requirements

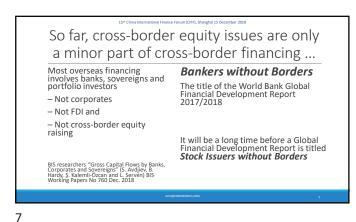
China's **Equity Issuance Activity by Country** No. of Av. annual Av. annual Av. annual Av. annual domestic **and** foreign issuance USD m USD m USD m USD m Many have taken up the opportunity for big issues in foreign markets 3,445 27,085 11 19,496 19 14,237 62,765 13 24 other 13,829 Data for 1990 – 2014 (25 years) for 17,682 companies from 25 Source: Calomiris, Larrain and Schmukler. 2018. Capital Inflows, Equity Issuance Activity, and Corporate Investment. World Bank Policy Research WP8405 – author re-working of Table 1, which is Thomson

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Listing in a foreign market Pros Source of equity capital Regulatory and other requirements Listing costs may offset expected List on a "main board" benefits (which may not materialise) Can raise firm's visibility and value by increasing market liquidity, market Price disparities for dual-listed shares? segmentation, disclosure and investor protection – in home market May contributes little to a company's total trading volumes as well as foreign market Conflicting findings on net benefits of Can overcome investors' "home bias" cross-listing: e.g. on cost of capital or in the foreign market firm value

2. Path of Investment and Financing

• STILL TOO FEW TAKING UP THE EQUITY OPPORTUNITY
• THE OUTLOOK FOR ISSUING ABROAD HAS DARKENED



... and the opportunity has dimmed in Australia

Surge in Chinese share issues on Australian stock exchange in 2014 – 2016 has faded, some have delisted and several applicants apparently rejected

The exchange and the regulator were concerned by poor disclosure and reporting standards: all new applications will be considered on their merits

Returns on previous Chinese listings have generally been poor: would-be investors likely to be sceptical in future

And nowthe outlook is darker:
New challenges for those listing abroad

1. Rising interest rates and volatility
2. Re-regulation, tax and more transparency
3. UK Brexit from EU
4. US – China trade war
5.?

3. Stock Market Listing in Australia

Australia Open for foreign issuers
But wants better quality issuers

Australia is attractive for equity issuers*

Steady growth, low inflation and flexible exchange rate

ASX A\$1.8-2.0tr market capitalisation
2010 domestic & 142 foreign stocks

A\$31bn initial capital raising and A\$59bn secondary (12m.t.Oct)

A\$5.1bn daily av. turnover (12m.t.Oct); 45% foreign investors

Superannuation A\$2.8tr pool of investable funds

* Of course, "past performance is not a reliable indicator of future performance"

Australia's superannuation system creates an equity-oriented market

1. 20-year growth in pension assets +12.1% p.a. (mandated contributions, competitive funds and defined contributions)

2. US, Australian and UK funds have highest allocations to equity

Thinking Ahead Institute Global Pension Assets Study 2018

Australia 3 December 2018

Asset allocation 2017

Equity **Bonds **Closer Cash)

**Australia and UK funds have highest allocations to equity

Thinking Ahead Institute Global Pension Assets Study 2018

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Better issuers – start planning now

Thank you and best wishes

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