Equity Capital Markets

MemeryCrystal

// Do you meet the standard?

A Guide to Listing on London's Main Market

what's inside//

Welcome

Looking to take your business to the next level? Whether you're looking to increase capitalisation, expand your investor base, boost prestige or facilitate acquisitions, it's time to consider a standard listing on the London Stock Exchange.

In our view, too many businesses are put off applying to list on the Main Market. 'It's too expensive', they're told. 'You're not big enough to list'. 'Think of the regulatory risks!'

It provides high liquidity and access to the big league: institutional investors. In order to maximise these benefits, we can help you find appropriate brokers to access a wider pool of investors than on AIM.

At the same time, achieving a standard listing isn't as expensive as you might assume. Unlike with a premium listing or admission to AIM, there is no need to engage either a sponsor or nominated adviser. Ongoing compliance obligations and simple to adhere to.

This document is a straightforward guide to a standard listing on the Main Market. Its benefits, eligibility criteria and admission process and how it differs to AIM and a premium listing.

In short, it explains why you should consider a standard listing and how you go about getting one.

The cost, complication and time involved in achieving a standard listing on the Main Market are far lower than you'd think

Foreword

Here at Memery Crystal we understand that joining a public market is one of the most significant decisions your business will ever take. It comes with a number of hurdles and barriers standing in your way: some real... some imagined.

With this in mind, we've developed this guide to provide you with a practical outline of the eligibility requirements and how we can help you meet these if you're looking to achieve a standard listing on the Main Market in London.

This guide focusses on 'standard' listings which were introduced in 2010 as a distinct category from 'premium' listings. Both listings mean that an issuer is listed on the Main Market of the LSE.

We believe standard listings are an excellent option for many different types of business. Regardless of whether this is your company's introduction to a public market or you're considering a step-up from AIM, the benefits speak for themselves.

And with growing awareness of their benefits, standard listings are only set to grow in popularity. This will be accelerated if, as anticipated, the exemption which allows a standard listed company to issue shares without a further prospectus is increased from 10-20% of a company's share capital in any 12 month period.

We have been one of the most active advisers helping companies achieve a standard listing. This document is a summary of what we have learned along the way.

Nick Davis
CEO
Memery Crystal

We have been one of the most active advisers helping companies achieve a standard listing.

3/ Key facts

- The London Stock Exchange is home to over 2,600 companies across 40 sectors from over 60 countries.
- Standard listings were introduced in 2010 as a distinct category.
- There has been a significant increase in the number of companies seeking a standard listing, either by ‘stepping-up’ from AIM, or because it was seen as the best option when compared to the alternatives.
- Standard listings do not require applicant companies to retain either a sponsor or nominated adviser.
- Any prospectus is valid for up to 12 months and (subject to some limitations) can be used for more than one offer or request for admission in other EEA States.
- The UKLA can modify the free float requirement in certain circumstances from 25% to as low as 20%.
- All financial information must be prepared in accordance with International Financial Reporting Standards (IFRS) or another country’s equivalent.
- ‘Specialist issuers’, for example property, mineral scientific research, shipping and start-up companies, will be asked to provide additional information.

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Market comparator

		Premium	Standard	AIM
Eligibility	Offering document	Prospectus	Prospectus	Admission document
	Min free float	25%*	25%*	Nomad assessment
	Min market cap	£700k	£700k	Nomad assessment
	Audited historical financials	3 years	3 years (or shorter)	3 years (or shorter)
	% of business supported by revenue (over 3 yrs)	75%	✗	✗
	Control over majority of assets for 3 year period	✓	✗	✗
	Working capital statement	✓	✓ **	✓
	Sponsor/nominated advisor required	✓	✗	✓
Ongoing	Annual and half yearly financial report	✓	✓	✓
	Corporate Governance	✓	✓***	Market Practice
	Model code	✓	✗	✓
	Pre-emption	✓	✗	✗
	Prospectus for further issues	✓ (+10%)	✓ (+10%)	✗
Tax	VCT tax relief	✗	✗	✓
	IHT/BPR relief	✗	✗	✓
	ISA tax benefits	✓	✓	✗
	UK-REIT tax benefits	✓	✗	✗

*modification to include overseas institutional investors and/or lower threshold is possible

**qualification to working capital statement is possible if company does not have 12 months working capital on admission

***Statement of compliance

5/ Listing in London

Take your place with the business elite

Built on a long history of expertise, integrity and market knowledge (with roots back to the coffee houses of 17th Century London), the London Stock Exchange (LSE) is a symbol of stability in a dynamic economic environment.

Home to over 2,600 companies from over 60 countries the Main Market is London's flagship market, housing many of the world's largest companies, providing an open and liquid market under a well respected and pragmatic regulatory environment.

In the last two years we have seen a dramatic increase in the number of companies (both new and established) seeking a standard listing on the Main Market, either by 'stepping-up' from AIM, or where previously AIM may have been assumed to have been the more suitable market because a premium listing was viewed as prohibitive.

Home to over 2,600 companies from over 60 countries the Main Market is London's flagship market

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Benefits of a standard listing

Start with liquidity and share price

Increase in liquidity and institutional exposure

Whilst there was some initial concern that a standard listing would offer insufficient liquidity in the market, recent experience has shown that liquidity and exposure to institutional investors is high with a number of companies joining from either AIM or overseas markets seeing a significant boost in their liquidity and share price.

No obligation to appoint a financial adviser, sponsor or broker means savings both up front and over time

Managing the cost of listing is often a key concern. Here, too, a standard listing offers benefits as companies are not required to retain either a sponsor or nominated adviser, as is the case for both a premium or AIM listing.

On an ongoing basis, standard listed companies do not require a sponsor thereby significantly reducing a company's ongoing costs, something that has proved a significant factor when compared to other markets in London.

Compared to both a premium listing and a listing on AIM, the ongoing compliance obligations for a standard listed company are considerably reduced, leading to a commensurate reduction in costs. For example, standard listed companies are not subject to provisions relating to significant and related party transactions and are not obliged to offer shareholders pre-emption rights over new issues of shares.

Not withstanding this benefit we support market practices and investor expectations in ensuring that companies implement appropriate levels of corporate governance.

Sensible compliance obligations means lower costs

7/ Navigating the admission process

A prospectus will be required regardless of whether an issuer is seeking to undertake a fundraising, an 'introduction' to the Main Market (i.e. a listing with no fundraising) or a step-up from AIM.

Given that a company does not require a sponsor or a nominated adviser - either for admission or on an ongoing basis - the admission process can be achieved with a relatively small number of advisers and at a reduced cost.

The publication of a prospectus has a number of significant benefits for an issuer – principally the ability to offer securities to a greater number of people than through the use of an AIM admission document. An issuer can also benefit from 'passporting' the prospectus which allows it to make a public offer of its securities in other EEA member states, something that is not possible with an AIM admission document.

A prospectus, unlike an AIM admission document, can be prepared as one single document or in three parts, with the advantage that the core of the document (the registration document) is valid for up to 12 months and can be used for more than one offer or request for admission. During the 'life' of a registration document any subsequent findings or requests for admission only require the publication of a summary and securities note which significantly reduces the time and cost associated with producing a prospectus.

Whilst the requirement to produce a prospectus is often seen as a significant hurdle to admission (particularly when compared to the requirement to produce a simpler admission document for AIM), in our view it need not be viewed as such.

'Passporting' a prospectus allows you to make a public offer of securities in as many EEA member states as you like with just the one document

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Key eligibility criteria

Understanding the application process

In addition to securing approval of the prospectus, there are a number of key eligibility criteria that apply to standard listings under the Listing Rules:

- Shares are freely transferable
- Market capitalisation of at least £700,000 on admission
- Working capital statement for 12 months following admission
- Free float of at least 25%

The first two eligibility criteria should be of minimal concern to any company seeking admission to trading on any market and both the working capital and free float criteria are subject to a significant degree of flexibility.

Working capital

Companies seeking either a premium listing on the Main Market or a listing on AIM are required to provide confirmation that the working capital available to the company will be sufficient for at least twelve months from the date of listing.

These statements can be difficult, particularly for early stage companies that face significant short-term capital expenditure costs.

Uniquely, a standard listing permits a company to make a 'qualified' statement.

Essentially this is a statement that the issuer does not have sufficient working capital, but identifies the shortfall, the relative timing of such shortfall and the company's plan to address it.

This ability to qualify a company's working capital statement provides more flexibility for issuers and allows full disclosure for investors.

Key eligibility criteria

Understanding the application process

Free float

Under the Listing Rules, both premium and standard listed companies must have at least 25% of their share capital in 'public' hands in one or more EEA States.

Shares are not considered as being in public hands if:

- they are held directly or indirectly by a director of the group (or persons connected with those directors), or;
- they are held by a person or persons in the same group or acting in concert with an interest in 5% or more of the shares of a class, or;
- they are subject to a lock-in of 180+ days (*more on page 12*).

The FCA has discretion to modify elements of the free float requirement in certain circumstances to as low as 20% - or to include non-EEA residents.

Listed companies must have at least 25% of their share capital in 'public' hands

Factors that may positively influence the FCA's decision to reduce the free float requirement include:

- Significant market capitalisation that implies a broad distribution to the public and a large number of shares in issue
- Likely demand from investors following admission
- Institutional investment
- Analyst coverage
- Absence of lock-in arrangements

9/ Additional points to consider

Financial information

For EU issuers, the financial information must be prepared in accordance with International Financial Reporting Standards (IFRS).

For non-EU issuers, the accounts must be prepared in accordance with IFRS or with that country's national accounting standards provided these have been accepted as equivalent to IFRS. Where a country's standards are not equivalent or subject to the transitional period, the accounts must be restated.

If the prospectus is dated more than nine months after the end of the last financial year, it must contain interim financial information, covering at least the first six months of the year. As such the historical financial information can be no more than 18 months older than the date of the prospectus (if audited interims are included); or 15 months (if unaudited financial information is used).

Expert's reports

A number of different companies will be classed as 'specialist issuers', broadly property, mineral, scientific research, shipping and start-up companies. In these cases the issuer will be asked to provide additional information which goes beyond the 'basic' requirements applicable to all issuers.

A significant number of issuers to which this applies will be mineral companies who will need to provide a competent person's report (CPR), setting out details of their material mineral projects.

It is important to note that the scope of the CPR will be limited to assets that are material to the issuer and, as long as it is prepared in accordance with appropriate reporting standards (i.e. JORC, CIM, SPE, SAMREC), a company can successfully list an exploration target and it need not have reported resources/reserves.

9/ Additional points to consider

Lock-in

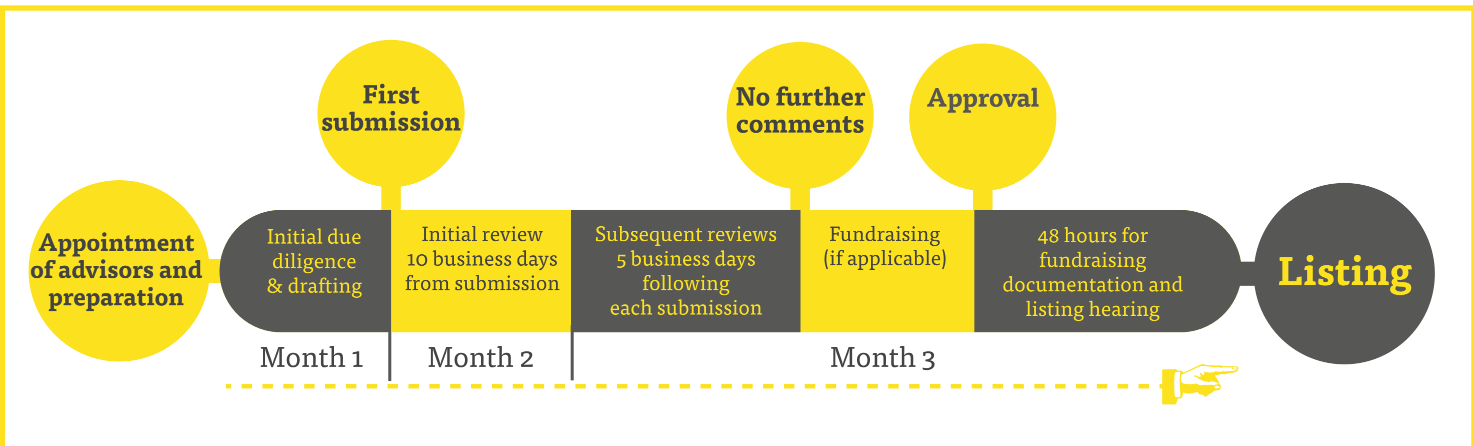
Unlike on AIM, there are no mandatory lock-in periods for new issuers and whilst an issuer may elect to impose these, the lock-in period should be limited to less than 180 days so as not affect the free float calculation.

Timing and the approval process

As soon as a company decides to apply for a standard listing on the Main Market it should begin the preparatory work required to ensure it is able to satisfy the necessary conditions for listing. These include a full due diligence exercise and the preparation of the prospectus and the other ancillary documents (including the accountants' reports).

Prior to the anticipated date for admission, your listing advisor should begin consultations with the UKLA and the London Stock Exchange and certain draft documents (principally the prospectus) will be submitted to the UKLA for comment and approval.

The prospectus approval process is iterative and, following the submission of an initial document, the UKLA will provide comments within ten business days of the initial submission and then within five business days of every subsequent submission. In our experience, the first draft of the prospectus should ideally be submitted about two months before the expected date of admission and a straightforward prospectus should require no more than three or four submissions.



9/ Additional points to consider

Brexit

The listing and prospectus regime is predominantly driven by EU requirements and, post Brexit, the listing landscape will be determined by the extent to which the existing regulations are replicated.

At this time, there is no clear view on the likely approach of the FCA and UK government in relation to this issue although given the LSE's status as one of the world's leading markets, our view is that it is likely that the post-Brexit position will be substantially the same.

The UK was key to the development of the current regulations and there is little drive for change, either within the market or from external political pressures. What is clear is that Brexit will provide an opportunity for adjustment, modification and relaxation of the existing regulations which may serve to increase the appeal of London as a listing platform and, whilst the ability to 'passport' a prospectus could be an obvious and immediate casualty of Brexit, it is possible that separate arrangements may be put in place to provide a similar facility to issuers.

Following Brexit, most observers agree that London will remain the largest, most liquid market in the EU and one that will undoubtedly remain attractive to issuers and continue to benefit from its strong international reputation.

Our view is that the post-Brexit landscape will be substantially the same. London will remain the largest, most liquid market in the EU.

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about Memery Crystal//

Memery Crystal has an enviable reputation as a commercial legal practice. We have a strong internal culture, based upon a set of core values, which underpins our individuality, our emphasis on long-term client relationships and our collegiate and entrepreneurial approach.

Our main practice areas include equity capital markets, public and private M&A, corporate finance, real estate, dispute resolution, employment, and tax.

We act for a broad range of clients, from multinational companies to financial institutions, owner-managed businesses and individual entrepreneurs. We offer a partner-led service and pride ourselves on the strength of our client relationships. We set ourselves apart from our competitors through our pragmatism and proactivity.

Memery Crystal is an acknowledged market leader in advising on IPOs and secondary fundraisings, having been ranked among the upper tier of law firms by both Chambers UK and The Legal 500 UK, and we are consistently highly ranked in the AIM Adviser Rankings. We have a strong reputation for advising on AIM and Main Market listings.

This is not the end.

**Our team of market listing experts are on hand to answer your questions.
Let us help achieve a new standard for your business.**

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