

Listing on the main market of the London Stock Exchange - An overview

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Introduction

This note is intended as a general guide to assist a company (the '*Company*') which may be considering an IPO on the main market of the London Stock Exchange (the '*Exchange*'), to identify what steps should be taken towards achieving that aim. This note also provides a checklist of some of the key considerations that should be borne in mind when deciding whether or not an IPO is right for the Company and/or its shareholders.

Listing in London

More than 3,200 companies are listed on the Exchange with a total market capitalisation in excess of US\$9,000bn. In 2007, 264 companies listed in London compared with 298 on the New York Stock Exchange (NYSE) and Nasdaq combined. In 2007 companies on the Exchange raised US\$87 billion compared to US\$15 billion on the NYSE and US\$20 billion on Nasdaq.

Why list and why in London?

The main reasons most companies give for obtaining a listing are to:

- provide access to capital for growth
- encourage employee commitment
- create a market for their shares
- increase a company's ability to make acquisitions
- obtain an objective market value
- create a heightened public profile
- enhance status with customers and suppliers

A London listing has a number of attractions:

- The Exchange is the largest stock exchange in Europe and the world's most internationally focused.
- London is a global financial centre – all the major banks have offices in London.
- The great majority of all IPOs on Western European exchanges take place in London.
- London is well known for its high standards of regulation.

Main market

A company with an anticipated market capitalisation of £250m or more is likely to be looking at obtaining a listing on the main market rather than the AIM market assuming London is its first choice listing location. The next issue to consider is whether the Company should undertake a primary equity listing or consider issuing global depositary receipts ('GDRs')

The table below compares the key differences for admission for a primary equity listing as opposed to a listing of GDRs or a NYSE or Nasdaq listing.

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Listing requirements for the main market - equity securities vs GDRS

	London Main Market (equity securities)	London Main Market GDRs	NYSE	Nasdaq
Account Requirements	Latest 3 years audited accounts	Latest 3 years audited accounts (or such shorter period that the issuer has been in operation)	Latest 3 years audited accounts	Latest 3 years audited accounts
Recognised accounting standard	IFRS or equivalents	IFRS or equivalent	US GAAP	US GAAP
Market capitalisation	£700,000	£700,000	Earnings of US\$100m over past 3 years with US\$25m minimum in each year OR previous fiscal year revenues of US\$100m plus average global market cap of US\$1bn	Generally – 2 years operating history. Stockholders equity of at least US\$1m in Net Income OR a market cap/revenue/total assets of US\$75m
Shares in public London	25%	25%	2.5m shares (worldwide)	1.1m shares