

Listing on a public market can be a part of the corporate story where companies see real growth achieved as a result of having access to the capital markets, an increased shareholder base, access to increased liquidity, the opportunity for diversification and an enhanced corporate profile. For some, delisting may also become part of the lifecycle.

Delisting is the process used to describe either:

1. a company choosing to leave one of the main markets and operate in the private domain; or
2. a company moving from one market to another (for example, moving from AIM to the Official List).

The rationale for initiating this process is different in each of the scenarios noted above and is looked at in greater detail below. A description of the process to delist from AIM is set out at the end of this article.

#### Delisting from the markets altogether

A decision to delist from the markets completely may be taken where the original rationale for listing is no longer relevant. Delisting may be a consequence of the company coming to the market too early buoyed by VCT capital which has since diminished, or of market conditions or lack of interest providing little or no appetite for its shares. Companies at times of low liquidity and restricted access to the benefits of a listing may find the cost of maintaining a listing, retaining advisers and complying with regulatory requirements administratively burdensome and not cost effective. The decision to delist may become an appropriate course of action allowing the company to reposition itself in the marketplace or unburden itself of costs and inconvenience which no longer generate sufficient benefit.

#### Moving to the Main List

The departure from AIM can often be part of a bigger success story where fast growing companies seek to move to the Official List in order to access a greater pool of capital, attract a wider investor base and improve their image as a more established investment proposition.

A company must be accepted as being eligible for the Official List by the UK Listing Authority following which it must apply for admission and trading of its securities on the Official List. The process is not dissimilar to that which the company will have gone through when seeking admission to AIM, although the disclosure requirements are more stringent. The cost and expense of preparing for a listing on the Official List and the need to comply with strict corporate governance principles is high but may be mitigated by the benefit of attracting new investors and the prospect of increased liquidity.

## The Delisting Procedure

Rule 41 of the AIM Rules sets out the procedure for delisting. In summary, a company that wishes to cancel the right of any of its trading securities must:

1. notify the market through a regulatory information service of the proposed cancellation date;
2. notify the London Stock Exchange (the "Exchange") of its intended cancellation and its reasons for cancellation including its preferred cancellation date; and
3. obtain shareholder approval.

The notification to the Exchange should be made by the company's nominated adviser and should be given at least 20 business days prior to the intended cancellation date (the 20 business days' notice requirement is a minimum).

Any cancellation of a company's securities on AIM will be conditional upon seeking shareholder approval in general meeting of not less than 75% of votes cast by its shareholders present and voting (in person or by proxy) at the meeting.

The notification to shareholders should set out the preferred date of cancellation, the reasons for seeking the cancellation (for example annual fees to the Exchange, the cost of maintaining a nominated adviser and broker, professional costs, corporate governance compliance, inability to access funds on the market), a description of how shareholders will be able to effect transactions in the AIM securities once they have been cancelled and any other matters relevant to shareholders reaching an informed decision upon the issue of the cancellation.

Cancellation will not take effect until at least 5 business days after the shareholder approval is obtained and a dealing notice has been issued by the Exchange.

It should be noted that there are circumstances where the Exchange may agree that shareholder consent is not required for the cancellation of admission of a company's shares, for example (i) where comparable dealing facilities on an EU regulated market or AIM designated market are put in place to enable shareholders to trade their AIM securities in the future or (ii) where, pursuant to a takeover which has become wholly unconditional, an offeror has received valid acceptances in excess of 75% of each class of AIM securities. The company's Nominated Adviser will liaise with the Exchange to secure a dispensation if relevant.

For further information on delisting from AIM contact our legal department on 020 7583 8304 or by email to Matt Wood, Matt.Wood@oneadvisory.london

*This note does not constitute and should not be construed as legal advice. Specific legal or other appropriate professional advice should be taken before acting on any of the topics covered.*