

Chapter 7

Equity shares (commercial companies): significant transactions and reverse takeovers

7.5 Reverse takeovers

Notification and shareholder approval

- 7.5.1 **R** An issuer must, in relation to a reverse takeover:
- (1) comply with the requirements of ■ UKLR 7.3 other than ■ UKLR 7.3.2R for the reverse takeover;
 - (2) send a reverse takeover circular to its shareholders and obtain their prior approval in a general meeting for the reverse takeover; and
 - (3) ensure that any agreement effecting the reverse takeover is conditional on that approval being obtained.

- 7.5.2 **G** ■ UKLR 10 sets out requirements for the content and approval of reverse takeover circulars.

Material change to terms of a reverse takeover transaction

- 7.5.3 **R** If, after obtaining shareholder approval but before the completion of a reverse takeover, there is a material change to the terms of the transaction, the listed company must comply again separately with ■ UKLR 7.5.1R in relation to the transaction.
- 7.5.4 **G** The FCA would (among other things) generally consider an increase of 10% or more in the consideration payable to be a material change to the terms of the transaction.

Supplementary circular

- 7.5.5 **R**
- (1) If a listed company becomes aware of a matter described in (2) after the publication of a reverse takeover circular, but before the date of a general meeting, it must, as soon as practicable:
 - (a) advise the FCA of the matters of which it has become aware; and
 - (b) send a supplementary circular to holders of its listed equity shares, providing an explanation of the matters referred to in (2).
 - (2) The matters referred to in (1) are:
 - (a) a material change affecting any matter the listed company is required to have disclosed in a reverse takeover circular; or

(b) a material new matter which the *listed company* would have been required to disclose in the *reverse takeover circular* if it had arisen at the time of its publication.

(3) The *listed company* must have regard to ■ UKLR 10.3.1R(3) when considering the materiality of any change or new matter under ■ UKLR 7.5.5R(2).

7.5.6 **G** ■ UKLR 10 applies in relation to a supplementary *circular*. It may be necessary to adjourn a convened shareholder meeting if a supplementary *circular* cannot be sent to holders of *listed equity shares* at least 7 days prior to the convened shareholder meeting as required by ■ UKLR 10.1.9R.

Cancellation of listing

7.5.7 **G** If an *issuer* is proposing to enter into a transaction classified as a *reverse takeover*, it should consider ■ UKLR 21.2.2G and ■ UKLR 21.2.5G.

7.5.8 **G** Where an *issuer* completes a *reverse takeover*, the *FCA* will seek to cancel the *listing* of an *issuer's equity shares* unless the *FCA* is satisfied that circumstances exist such that cancellation is not required. The *FCA* will have regard to ■ UKLR 21.2.1R and the individual circumstances of the case.

7.5.9 **R** Where the *issuer's listing* is cancelled following completion of a *reverse takeover*, the *issuer* must re-apply for the *listing* of the *shares*.

7.5.10 **R** A *sponsor* must contact the *FCA* on behalf of an *issuer* as early as possible:

- (1) before a *reverse takeover* which has been agreed or is in contemplation is announced; or
- (2) where details of the *reverse takeover* have leaked,

to discuss whether a cancellation of the *issuer's listing* is appropriate on completion of the *reverse takeover*.

7.5.11 **G** ■ UKLR 7.5.12G to ■ UKLR 7.5.15G set out circumstances in which the *FCA* will generally be satisfied that a cancellation is not required.

Acquisitions of targets within the same listing category: issuer maintaining its listing category

7.5.12 **G** Where:

- (1) an *issuer* acquires the *shares* of a *target*;
- (2) those *shares* are also *listed* in the *equity shares (commercial companies)* category; and
- (3) the *issuer* wishes to maintain its *listing* of *shares* in the *equity shares (commercial companies)* category,

the *FCA* will generally be satisfied that a cancellation is not required on completion of a *reverse takeover*.

Acquisitions of targets from different listing categories: issuer maintaining its listing category

7.5.13

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Where an *issuer* acquires the *shares* of a *target* with a different *listing* category from its own and the *issuer* wishes to maintain its *listing* in the *equity shares (commercial companies)* category, the *FCA* will generally be satisfied that a cancellation is not required on completion of a *reverse takeover* if:

- (1) the *issuer* will continue to be eligible for the *equity shares (commercial companies)* category following completion of the transaction;
- (2) a *sponsor* provides an eligibility letter to the *FCA* setting out how the *issuer* as enlarged by the acquisition satisfies each *listing rule* requirement that is relevant to it being eligible for the *equity shares (commercial companies)* category not less than 20 *business days* prior to the announcement of the *reverse takeover*; and
- (3) the *issuer* makes an announcement or publishes a *circular* explaining:
 - (a) the background and reasons for the acquisition;
 - (b) any changes to the acquiring *issuer's* business that have been made or are proposed to be made in connection with the acquisition;
 - (c) the effect of the transaction on the acquiring *issuer's* obligations under the *listing rules*;
 - (d) how the acquiring *issuer* will continue to meet the relevant requirements for *listing*; and
 - (e) any other matter that the *FCA* may reasonably require.

Acquisitions of targets from different listing categories: issuer changing listing category

7.5.14

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The *FCA* will generally be satisfied that a cancellation is not required on completion of a *reverse takeover* if:

- (1) the *target* is *listed* with a different *listing* category from that of the *issuer*;
- (2) the *issuer* wishes to transfer its *listing* to a different *listing* category in conjunction with the acquisition; and
- (3) the *issuer* as enlarged by the relevant acquisition complies with the relevant requirements of ■ UKLR 21.5 to transfer to a different *listing* category.

7.5.15

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Where an *issuer* is applying ■ UKLR 21.5 in order to avoid a cancellation as contemplated by ■ UKLR 7.5.14G, the *FCA* will normally waive the requirement for shareholder approval under ■ UKLR 21.5.6R(3) where the *issuer* is obtaining separate shareholder approval for the acquisition.