

Insights

REVISED PRE-EMPTION GROUP STATEMENT OF PRINCIPLES

7 November 2022

SUMMARY

The Pre-emption Group has published a revised Statement of Principles permitting companies to disapply the statutory pre-emption rights for up to 20% (on a 10% + 10% basis) of their issued share capital in any one year. This follows the recommendations of the UK Secondary Capital Raising Review and will be welcomed by the market given the success of these measures during the pandemic.

Companies with urgent, exceptional circumstances can, subject to obtaining the requisite shareholder approval, take advantage of the revised recommendations prior to seeking the routine disapplication resolutions at their 2023 AGM provided certain conditions are met.

Revised Statement of Principles

Under the revised Statement of Principles, listed companies can seek authority by special resolution to issue shares on a non-pre-emptive basis for cash for up to 20% of the issued share capital on the following basis:

- the first 10% of the issued share capital should be available for any purpose;
- the second 10% should only be used in connection with an acquisition or specified capital investment announced contemporaneously with the share issue or occurring in the previous 12 months; and
- for each limb outlined above, a further authority of no more than 2% can be used for making a follow-on offer. A follow-on offer is an offer to shareholders not allocated shares in the original placing, limited to no more than 20% of the size of the placing, with a monetary cap determined by the issuer of not more than £30,000 per ultimate beneficial owner and on the same terms and conditions as the placing.

To benefit from these relaxations, companies should:

- prior to announcement of the issue, consult with its major shareholders as far as reasonably practicable and permitted by law;
- consider including retail investors and existing shareholders, not allocated shares in the placing, through a retail investor platform or in a follow-on offer;
- provide an explanation of the background to and reasons for the offer and the proposed use of proceeds, including details of any acquisition or specified capital investment;
- as far as practicable, make the issue on a soft pre-emptive basis i.e. the allocation policy seeks to replicate the existing shareholder base; and
- within one week after completion of the issue publish, through a RNS and submitted to the Pre-Emption database, a post-transaction report including details of how management were involved in the allocation process and how the interests of retail investors and existing investors were considered.

Capital hungry companies

Capital hungry companies (ie. companies that need to raise larger amounts of capital more frequently) can seek additional disapplication authority over and above the 20% and for longer periods if the rationale for this is explained when the request for a general disapplication is made. If a 'capital hungry company' is seeking admission to the Official List of the FCA and wishes to make use of this approach, that fact should be disclosed in the IPO prospectus.

Application

These principles apply to companies (wherever incorporated) with shares admitted to the Premium Listing segment of the Official List. Companies with shares admitted to the Standard Listing segment of the Official List, the High Growth segment and trading on AIM are encouraged to adopt these principles.

[2022 Statement of Principles](#)

[Transitional provisions](#)

[Template resolutions](#)

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