

Primary Market Technical Note

Refinancing and reconstructions

The information in this note is designed to help issuers and practitioners interpret our Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules, and related legislation. The guidance notes provide answers to the most common queries we receive and represent FCA guidance as defined in section 139A FSMA.

LR 9.5.12R

What constitutes a refinancing/reconstruction for the purposes of LR 9.5.12R?

LR 9.5.12R sets out certain content requirements for an issuer producing a circular in relation to a reconstruction or refinancing. We have not produced a definition of a reconstruction or refinancing because of the difficulty in giving an exhaustive list of the various different scenarios. However, typically, the following indicators suggest a proposal may be a refinancing or reconstruction:

- The issuer will invariably be in a rescue situation, e.g. it has a pressing need for funds for working capital purposes.
- Often shareholders are being asked to vote on giving away significant rights in the company and/or its assets. This may be in the form of a significant dilution or a debt for equity swap.

An issuer can undertake a reconstruction or refinancing in many forms. One example would be an issuer renegotiating all its credit facilities and issuing unlisted convertible bonds, which on conversion leads to a very significant dilution for existing shareholders.

It may be that an equity fundraising, which significantly dilutes the holdings of existing shareholders would also fall within LR 9.5.12R if a circular is produced. However, typically, in these circumstances, the issuer would choose to produce a combined prospectus and circular to admit the new shares. In such cases the Prospectus Regulation disclosure requirements would result in the disclosure of the information required under LR 9.5.12R.

Disclosure to satisfy LR 9.5.12R

LR 9.5.12R sets out certain content requirements for an issuer producing a circular for shareholders in relation to a reconstruction or refinancing. The circular must be prepared in accordance with LR 13.3 content disclosures (including clear disclosure regarding the impact if the transaction does not go ahead), and also include a working capital statement prepared in accordance with item 3.1 of Annex 11 of the PR Regulation. The statement should be prepared on the basis that the reconstruction or refinancing has taken place.