



## Newsletter

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# Historic Dual Listing on the LSE Opens up New Opportunities for Companies

On February 18, 2016, Work Service S.A., which has been listed on the Warsaw Stock Exchange (WSE) since 2012, made its debut on the Main Market of the London Stock Exchange (LSE). This was the first ever dual listing of a Polish company on the LSE without using derivative instruments, which demonstrates a greater amount of interest from Polish companies seeking to expand into foreign capital markets. As a result, Work Service's shares are traded both on the WSE and the LSE.

The process of technical dual listing was collectively designed, project-managed and coordinated from start to finish by Kochanski Zieba & Partners together with the international law firm Pinsent Masons (UK) and the consulting firm ProPrimo Consultants.

The small presence of Polish companies on the LSE means that the potential of the market, which offers notable economic and reputational benefits, has not yet been realized.

Listing in London will afford a number of benefits both to the company and its shareholders. With its shares being admitted to trading on the LSE, the company will not only raise its international profile, but will also open up new growth opportunities through access to a large pool of new capital and an increased range of foreign investors. Trading on the LSE will allow the company's shareholders to have greater opportunities for selling existing shares, for example, in the case of a planned exit from the company.



**Szymon Gałkowski**

Partner

Financial Services

s.galkowski@kochanski.pl



**Klaudia Szymańska**

Senior Associate

Financial Services

k.szymanska@kochanski.pl

+48 728 432 415



## Why list on the LSE?

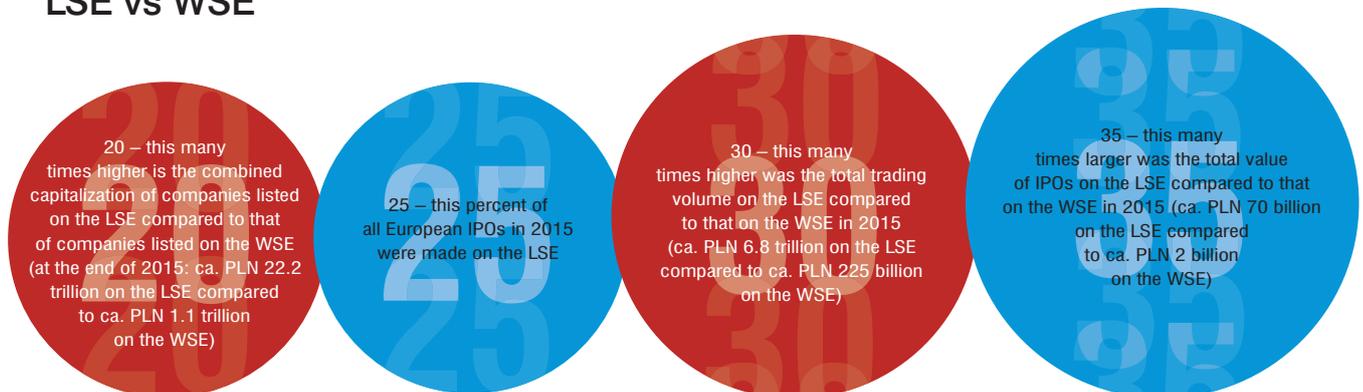
A London listing can be interesting not only for those Polish companies that are already home-listed (through dual listing), but also for those which have not gone public yet and are planning to make an IPO.

It is worth noting that the combined capitalization of companies listed on the LSE is twenty times higher than that of WSE-listed companies (at the end of 2015: more than PLN 22 trillion on the LSE's Main Market only, compared to PLN 1.1 trillion on the WSE). In 2015, the total trading volume on the LSE exceeded PLN 6.8 trillion, so it was about thirty times higher than on the WSE in the same period (ca. PLN 225 billion). In 2015, ca. 25% of all IPOs in Europe were made on the LSE, with a total value of approx. PLN 70 billion (in 2015, the total value of IPOs on the WSE was ca. PLN 2 billion).

The key benefits of an IPO or a dual listing on the LSE include:

- access to a much larger pool of foreign capital and potential investors active on the LSE (solely the investment funds operating in the UK manage capital with a value of more than GBP 800 trillion);
- easier raising of capital through further issues (only in 2015 the value of further issues on the LSE was ca. PLN 140 billion);
- possible much greater liquidity of shares listed on the LSE than of those listed on the WSE, as the turnover on the LSE is much greater;
- raising the company's profile on international markets and increasing brand/company recognition worldwide;
- enhanced credibility of the companies listed on the LSE among foreign business partners, investors or banks/institutions that provide funding to the company, thus enhancing their negotiation position;
- better possibilities of comparing the valuation of the Polish company to that of foreign peers listed on the LSE.

## LSE vs WSE



Source: Statistical data of the WSE and the LSE, PwC report "IPO Watch Europe 2015"

## Dual Listing on the LSE

Admission of the shares of a home-listed company to trading on foreign markets may be made, depending on the stock exchange, through admission of shares to trading directly or through the use of financial instruments (Depository Receipts, DRs), such as GDRs (Global Registered Shares) and ADRs (American Depository Receipts).

A dual listing of securities on two stock exchanges means that the securities are traded on each stock exchange through its specific settlement system.

Because of the rules regulating CREST, the LSE securities settlement system, shares of a Polish company can be admitted to trading on the LSE without using Depository Receipts, through Depository Interests (DIs) representing the same rights as the Polish company's shares.

An admission of company's shares to trading on the Main Market of the London Stock Exchange requires obtaining approval of the competent supervision authority. The LSE's competent authority is the UK Listing Authority (UKLA), being part of the Financial Conduct Authority (FCA). The Listing Rules published by the FCA set forth the basic rules for the admission of securities to trading and regulate the obligations of LSE-listed companies.

The innovative and groundbreaking method that our firm has applied for the purposes of the admission of Work Service's shares onto the LSE, involved the aforementioned Depository Interests, and not Depository Receipts being separate financial instruments.

### Differences between DIs (Depository Interests) and DRs (Depository Receipts)

Depository Receipts (such as GDRs) are financial instruments that enable the trading of securities on another stock exchange. DRs are autonomous instruments, denominated in the given currency and issued by the depository's bank. They can be re-converted into the underlying securities. They are also assigned an ISIN code, separate from that of the securities they represent. For instance, Bank Pekao S.A. is listed on the Main Market of the LSE using GDRs.

Depository Interests (DIs) are not securities, but their holders are beneficial owners of shares and have the same shareholders' rights (e.g. voting rights, rights to dividend), as if they held company shares directly. DIs are always issued at a ratio of 1:1 to the number of company shares (unlike Depository Receipts, which can be issued even at a ratio of 1:5). Unlike Depository Receipts (e.g. GDRs), DIs have the same ISIN code as the shares represented by them. This instrument is particularly beneficial to shareholders, as there are no additional costs associated with it, while such costs may arise in the case of Depository Receipts (e.g. the cancellation fee or a commission due for the payment of dividend). Moreover, the shares admitted to trading on the LSE (Premium Segment) using DIs can also be included in the LSE indices (FTSE), in contrast to Depository Receipts.

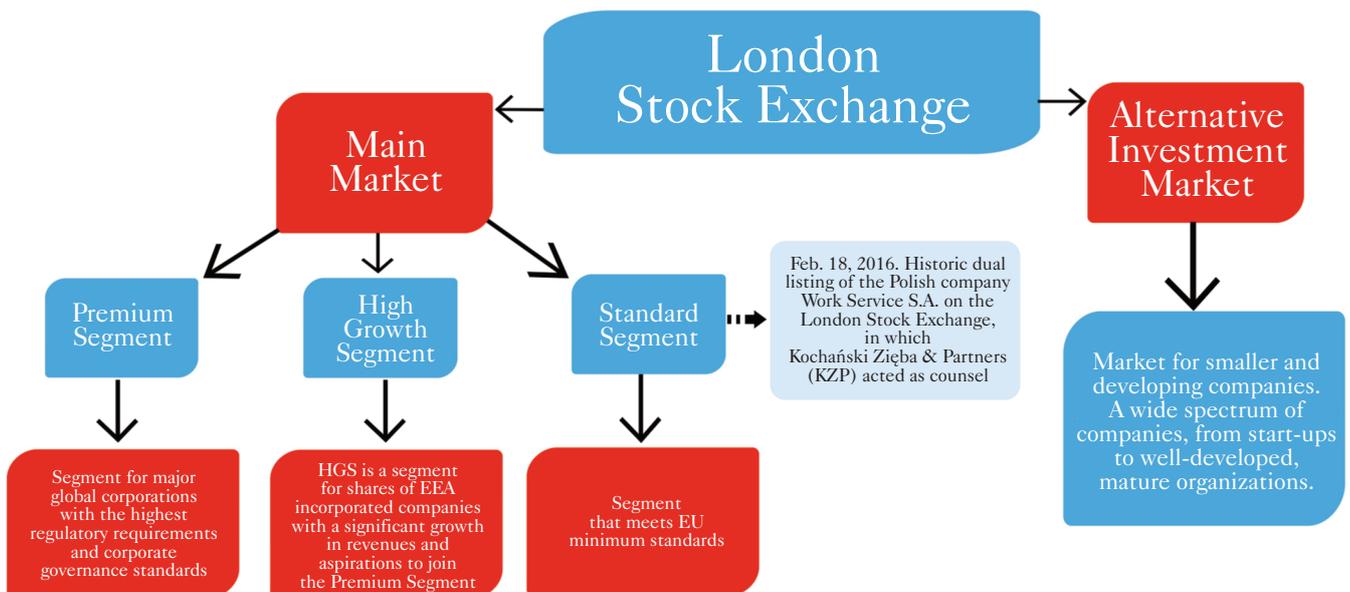
## IPO on the LSE

Polish companies which are not home-listed but are considering raising new capital or selling their existing shares through an IPO, can make an IPO on the LSE and join the ranks of companies listed on one of the world's largest stock exchanges.

There are two equity markets on the LSE: the Main Market and the Alternative Investment Market (AIM). The Main Market is divided into 3 segments: Standard, High Growth and Premium. Each of those markets and segments has some specific features, obligations and eligibility requirements for admission to trading. And it is because of such diversity that every Polish company planning to make an IPO can find the market and segment that best suits its needs.

The IPO process on the LSE does not differ much from that on the WSE. The requirements that the offering documents must meet in the IPO process are very similar in both cases as they are based on the applicable EU legal framework.

## Types of equity markets on the London Stock Exchange



## LSE eligibility requirements

Companies seeking admission of their shares to trading on the London Stock Exchange must meet a number of criteria set out in the Listing Rules. One of the most important eligibility requirements for the Main Market is that 25% of the company's shares must be in "public hands". In the Standard Segment, that meets the minimum EU standards, companies are also required to provide audited financial statements prepared in accordance with International Financial Reporting Standards for 3 years or such shorter period that the company has been in operation.

The additional key eligibility criteria to join the Premium segment are as follows:

- audited accounts for full 3 years;
- at least 75% of the business must be supported by a revenue earning track record for the 3-year period;
- control over the majority of assets for the 3-year period;
- a sponsor, approved by UKLA, must be appointed.

In the Standard segment no sponsor needs to be appointed, and the requirements relating to disclosure obligations and corporate governance are less strict. However, with a Premium Listing comes the potential for inclusion in the FTSE UK series of indices.

The High Growth Segment, which is a kind of intermediate segment, is for the shares of companies that can demonstrate significant growth in revenues and a longer term aspiration to join the Premium segment. Companies seeking to be admitted to that segment must have a revenue growth of 20% (on a CAGR basis) over a 3-year period.

### **Our experience**

With our unique experience gained in the first and historic dual listing of the Polish company Work Service on the LSE, we are able to provide comprehensive support to other Polish companies considering admission of their shares to stock exchanges abroad (e.g. the LSE) either by dual listing, or through an IPO. The solutions we have developed for the purposes of the Work Service project can be successfully applied in other transactions of this kind in the future.

With our cooperation with the international law firm Pinsent Masons, one of the UK's leaders in listing securities on the LSE, consulting firm ProPrimo Consultants and renowned brokers operating on the UK market, we are able to offer our Clients comprehensive preparation and execution of the whole process of a company making its debut on the LSE.

**If you are interested in any topic related to the issues discussed above, the lawyers of Kochański Zięba & Partners will be happy to help you.**