



**THE Nigerian
STOCK EXCHANGE**

RC: 2321

BENEFITS OF LISTING

Presented by

Oscar Onyema

CEO, The Nigerian Stock Exchange

May 20, 2011

Outline

- Introduction
- Basic functions of the capital market
- Mission statement of the NSE
- Benefits of listing
- Listing requirements of the NSE
- Incentives provided by the exchange to encourage listing
- Market development initiatives of the NSE
- Common concerns raised on public listing
- Stages of public quotation
- Concluding remark



THE Nigerian
STOCK EXCHANGE
RC: 2321

Introduction

- The performance of an economy is largely dependent largely on the efficient performances of its financial markets, since they facilitate the financing of productive activity and hence national output and economic growth
- The listing on an exchange confers specific and general benefits
- It confers status symbol in the corporate elite tier
- Companies so listed are believed to have complied with high ethical standards as contained in the listing requirements

Basic Functions of the Capital Market

- Raising of capital - the opportunity for tiers of government and corporates to fund development and expansion
- Price discovery - determination of prices for tradable assets.
- Liquidity - a mechanism for investors to sell financial instruments for cash
- Cost efficiency of financial transactions - facilitates buyer and seller interaction
- Risk transfer - ensure risks are borne by those most willing to bear them
- Wealth creation - a vehicle for local and global investors to generate additional wealth

Our Mission Statement

“To promote increased capital formation in Nigeria by providing issuers and investors with a responsive, fair and efficient stock market through competent and dedicated professionals, using the latest technology, thus assuring local and foreign investors access to the Nigerian stock market with confidence both in the regulatory framework and in the reliability of trading and settle systems.”

Benefits of Listing on The Nigerian Stock Exchange (General)

- Being listed on a stock exchange confers many advantages that a business promoter/owner of any size might consider as part of a business strategic plan
- Exposure to a broader membership of the financial community and wider range of investors including market makers, stockbrokers, institutional investors, retail investors, unit trusts/mutual funds, hedge funds, etc.
- Enhanced investor relations through contact information made available through exchange listing
- Source of capital leverage – listed companies can issue shares to the public or undertake right issues to existing shareholders
- Listing ensures a free market for buyers and sellers to meet, assess and trade capital for ownership and vice versa
- Continuity – guaranteed after the promoter's demise

Benefits of Listing on The Nigerian Stock Exchange (General)

- Public confidence in company
- Sharing risks and retaining control
- Expansion and modernization – stock exchange listing can cast a wider net into the capitalization pool
- Improved brand equity – being listed on the stock exchange implies that a business has met certain qualification standards set by the exchange
 - This would increase customer and/or client perception of value in a company and/or its products
- Currency to pursue acquisition opportunities
- Enhanced access to credit facilities
- Attracting quality personnel
- Tax advantage
- Free perpetual advertisement – listing on the exchange gives high visibility to a business through the exchange's direct and indirect access to media

Benefits of Listing on The Nigerian Stock Exchange

TO THE COMPANY

- Access to capital at minimal cost
- Transparency and credibility in operation
- Marketability of shares
- Free publicity and advertisement (local/international)
- Eternal life (perpetual operation)
- Ease of valuation of shares – As determined from trading
- Code of corporate governance as a competitive tool
- Capital market discipline (disclosure ensures high ethical standards)
- Risk sharing
- Greater visibility – The possibility of being included on a major performance index e.g., the NSE-30, translating into greater liquidity
- Qualification for investment by Pension Funds Administrator s



Benefits of Listing on The Nigerian Stock Exchange

TO SOCIETY

- Efficient capital flows
- Employment creation
- Improvement in standard of living
- Production of high quality goods/services
- Reduction in crime and anti-social vices

TO GOVERNMENT

- Source of cheap financing for infrastructure projects
- Better valuation of corporate taxes due to disclosures
- Social stability – Quoted firms are not susceptible to attacks during communal disturbance due to Common ownership becomes paramount



THE NIGERIAN
STOCK EXCHANGE
RC: 2321

Benefits of Listing on The Nigerian Stock Exchange

TO INVESTORS

- Provide exit route for existing owners
- Avenue to share in the fortunes of viable companies
- Outlet to reduce current consumption – promotes savings
- Avenue for incorporating securities in a portfolio as part of the financial planning process
- Avenue for safeguarding wealth/security of investment
- Shelter to the impact of inflation



THE NIGERIAN
STOCK EXCHANGE
RC: 2321

Practical Example

- An investor that purchased N4,000 worth of Nigerian Breweries Plc shares in 1976 at N0.70 per share (i.e., 5,714 shares) would have earned a gross dividend of N34.755 million between 1986 and 2010
- Also, the share volume he owns would have risen to 2,286,600 shares

Listing Requirements of the NSE

- Every stock exchange has different listing requirements
 - NSE listing requirements are approved by the Council (Board) of the exchange
- Objectives of the Listing Requirements
 - Sustained high level of public confidence in the stock market
 - Attainment of an efficient securities market accessible to all investors
 - Reliable flow of information from quoted companies to the exchange to avoid ambiguities that could be exploited
 - The exchange has two boards – the Main Board and the Alternative Securities Market (ASEM)
 - ASEM is designed to attract small-to-medium sized companies

Listing Requirements for the Main Board

- The company must be registered as a public limited company, (PLC) under the CAMA 2004, and has issued/will issue an invitation to the public to subscribe to its shares
- The securities for which listing is sought shall first be registered with the SEC
- All restrictive clauses on transfer of shares in the MEMARTs of the company must be removed
- The company must submit audited financial statements and business records for the past five years, and the date of the last of such statements must not exceed nine months

Listing Requirements for the Main Board

- The company must submit an application and listing fee
- At least 25% of the nominal value of the issued shares must be offered to the public
- Number of shareholders of the company must not be less than 300
- The company must give an undertaking to promptly issue quarterly reports/accounts, plus forecasts and other information on the operations of the company
- Must comply with certain administrative procedures of the Exchange

Listing Requirements for the Main Board

- The company is subject to payment of an annual listing fees, which is based on market capitalization
- The company can only allot fully paid up securities
 - Those not allotted must be warehoused and sold on the floor of the NSE
- The company must submit a company profile, including history of the company – business, date of incorporation, executive management and management
- A certified copy of every report, valuation, resolution or other documents, any of which is extracted or referred to in the prospectus, must be submitted

Listing Requirements for the Main Board

The company must submit:

- Consent letters from all the parties to the issue
- An updated list of receiving agents
- Details of any pending or potential litigations involving the company

The above requirements are not exhaustive as the exchange reserves the right to call for any additional information.

Listing Requirements for ASEM

- Accommodates the listing of small-to-medium sized enterprises, or companies which, for strategic reasons (including but not limited to keeping control within core groups) do not desire Main Board listing
- Some of the listing requirements for the Main Board have been relaxed, particularly on frequency of financial reporting
- The company must be registered as a public limited company (PLC) under the CAMA 2004
- All restrictive clauses on transfer of shares in the MEMARTs of the company must be removed
- The company must submit financial statements/business records for the past 3 years or for the period it has been trading
- Date of last audited accounts must not be more than 9 months

Listing Requirements for ASEM

- The amount a company can raise is unlimited
- Annual listing fee is N200,000
- At least 10% of share capital must be offered to the public
- Number of shareholders should be at least 51
- After listing, the company must submit half-yearly and annual accounts
- Securities must be fully paid up at time of allotment
- Securities that have not been allotted must be sold on NSE trading floor

Incentives Provided to Encourage Listing

Main Board

- Fast tracking the processing of listing applications
- Some waivers on stale accounts under certain conditions
- Reduction in Application Fees
 - Equities were reduced from 0.6% to 0.3% while corporate and sub-national bonds were reduced from 0.6% to 0.15%)
- Federal government bonds attract only N20 million per annum irrespective of the amount listed

ASEM

- For the first 18 months:
 - No Application Fee will be charged
 - Only 50% of applicable Listing Fee is required
 - Only 50% of CSCS Eligibility Fee is applicable

Concerns in Listing a Company

- Fear of losing control by key promoters of the company
- Unwillingness of entrepreneurs to share the fruits of their endeavor
- Fear of exposing trade secrets of the business
- Fear of militant shareholders
- Lack of market depth and liquidity in the market
- Excessive cost of listing



THE Nigerian
STOCK EXCHANGE
RC: 2321

Market Development Initiatives by the NSE

- Introduction of new tradable instruments
- Reduction in transaction charges
- Availability of 4 sector Indices to drive new product offerings
- Extension of trading hours to accommodate investors in other time zones
- Prompt disciplinary actions for infractions
- Increased drive for new domestic listings
- Harmonization of rules and regulations in order to facilitate cross border listings
- Strict adherence to post listing requirements
 - Renewed pressure on quoted companies to comply with post listing requirements
 - 15 quoted companies were placed on full suspension on September 8, 2010 for failure to submit 2008 audited accounts
 - On March 8, 2011, 11 quoted companies were delisted from the Daily Official List due to inactivity and having failed to meet with the post listing requirements over time



THE NIGERIAN
STOCK EXCHANGE
RC: 2321

Market Development Initiatives by NSE

- Promotion of cross-border equity listing
- Promotion of GDR
- Proposed adoption of hybrid market model (Order & Quote-driven market)
- Renewed emphasis on corporate governance
- Renewed corporate interest in bond financing.
- Increasing public sector recourse to bond financing



THE Nigerian
STOCK EXCHANGE

RC: 2381

The Stages of Public Quotation

- Consultation/Discussion stage
 - Company contacts bankers, issuing house, stockbrokers.
 - It may also be driven externally where Issuing House, Stockbroker contacts company.
- Decision Making/Mandate stage
- Documentation/Packaging stage
- NSE Quotation Approval/SEC Registration stage
- Completion Board Meeting stage
- Distribution/Marketing stage
- Range of Analysis/Allotment stage
- General Undertaking/Declaration of Compliance stage
- Listing stage



RC: 2321

Parties to an Issue

- The formation of a team is crucial
- The appointment of professional advisers adds value:
 - ✓ Issuing House
 - ✓ Stockbroker
 - ✓ Reporting Accountant
 - ✓ Solicitor to the Issue
 - ✓ Registrar to the Issue
 - ✓ Receiving Banker
 - ✓ Underwriter
 - ✓ Trustees (applicable in a bond issue)
 - ✓ Solicitors to the Trustees
 - ✓ Company Secretary
 - ✓ Auditors to the company
 - ✓ Solicitor to the company
 - ✓ Nominated Advisers



THE Nigerian
STOCK EXCHANGE

RC: 2321

Others NOT Party to an Issue

- NSE
- SEC
- Receiving agents
- Public relations consultants
- Printers, etc.



THE NIGERIAN
STOCK EXCHANGE

RC: 2321

Post-Public Quotation

- The public quotation process does not end on listing day
- The company must keep to the covenants:
 - Prompt submission of results
 - Prompt notification of the exchange on important developments
 - Changes in directorate
 - Prior approval before certain publications
 - *Facts Behind the Figures* events, etc.
- Companies require a stockbroker to keep watch
- Appointment of a Nominated Adviser (ASEM only)

Concluding Remarks

- There is positive correlation between the development of an economy and its capital market.
- One of the hallmarks of an efficient market is its ability to ensure that orders are executed and transactions settled in the fastest possible way.
- The Nigerian Stock Exchange currently operates a T+3 Transaction Cycle, but has the capacity to operate a T+0 – a function of the automated trading and clearing processes.
- Until the on-going global financial crisis, the NSE was deemed one of the best globally in ROI in Dollar terms by the International Finance Corporation (IFC) and Standard & Poor's.
- With strong market fundamentals, the exchange has the capacity to sustain its ROI profile.
- The exchange operates a Zero Tolerance policy on any form of market infraction.

Conclusion

- The NSE will continue to position itself as a major player in the global capital markets
- We invite you to join us





**THE Nigerian
STOCK EXCHANGE**

RC: 2321

Benefits of Listing on the NSE

Q&A Session

Thank You

The Nigerian Stock Exchange

Stock Exchange House

2-4 Customs Street

P.O. Box 2457, Marina

Lagos Island

Lagos, Nigeria



THE NIGERIAN
STOCK EXCHANGE
RC: 2321

oonyema@nigerianstockexchange.com

www.nigerianstockexchange.com