



**THE Nigerian
STOCK EXCHANGE**

THE ALTERNATIVE SECURITIES MARKET OF THE NIGERIAN STOCK EXCHANGE

Presented by

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AT THE

LAUNCHING OF THE ALTERNATIVE SECURITIES MARKET FOR EMERGING BUSINESS

The Muson Centre, Onikan Lagos

23rd April, 2013

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To present the Alternative Securities Market (ASeM) of the Nigerian Stock Exchange as the veritable platform for emerging businesses to access the capital market



Definition of ASeM

A specialised board to accommodate small and mid-sized companies with high growth potential seeking to access the capital market

Seeks to address major challenges of emerging businesses in Nigeria, e.g.:

- **Difficulty in accessing long term capital due to high cost of funds as a result of perceived high risk**
- **Informal nature of operations**
- **Inadequate accounting standards, controls and management of resources**

Overview of SME Classification

SME definitions generally based on number of employees and turnover/
value of assets

| | ASIA | EGYPT | GHANA | BRAZIL | RUSSIA | INDIA | CHINA | S/AFRICA |
|------------------------|--------------------------|----------|-----------|------------|------------|-----------------------|------------------------|---------------------------|
| No of Employees | | | | | | | | |
| Small | 5 to 50 | 5 to 14 | 6 to 29 | 20 to 99 | 15 to 100 | 0 | <300 | 50 to 99 |
| Medium | 51 to 150 | 15 to 49 | 30 to 99 | 100 to 499 | 101 to 250 | 0 | 300 to 2000 | 100 to 200 |
| Turnover | | | | | | | | |
| Small | \$72,323 to < \$2.89m | 0 | \$100,000 | 0 | <\$13.18m | \$1.07m to \$1.28m | < \$4.39m | \$270,000 to \$607,827 |
| Medium | \$2.89m to \$7.23m | 0 | \$1m | 0 | < \$32.95m | \$1.28m to \$2.11m | \$4.39m to \$43.93m | \$607,827 to \$6.75m |

Source: 2011 National Credit Regulator Literature Review, South Africa

Nigeria: Based on number of employees and assets value

| | Category | Number of Employees | Assets (NGN' Million) (excluding land and buildings) | US Dollar Equivalent (N159=1 UD\$) |
|---|--------------------|---------------------|---|---------------------------------------|
| 1 | Small Enterprises | 10 - 49 | 10 - less than 100 | \$62,893 < \$628,931 |
| 2 | Medium Enterprises | 50 - 199 | 100 - less than 1,000 | \$628,931 < \$6,289,308 |

Source: 2012 Draft Revised MSME Policy

NSE Classification: Based on Market Capitalisation

| Classification | Market Capitalisation |
|----------------|-----------------------------------|
| Medium Cap | > \$150 million but < \$1 billion |
| Small Cap | < \$150 million |

Source: NSE Research

Previous Support to SMEs

Money Market

- **1950s:** Nigerian Industrial Development Bank
- **1980s:** Incentives to maximize exploitation of natural resources.
- **1990s:** SME development strategies through NDE, PBN and SMEIS
- **00s:** CBN MSME development fund

Capital Market

- **1970s:** Indigenization Decree (1972) & Nigeria Enterprises Promotion Act (1977)
- **1980s:** Second Tier Securities Market (SSM)
- **1990s:** Renamed Emerging Markets (no material change)
- **00s:** Attempted to create board for private placements ASEM/ PRIPEX (idea was dropped)



Diagnostics

- **Culture of non-compliance**
- **Unclear purpose and inferior perception**
- **Restriction on the amount of capital that could be raised**
- **Below-average performance of companies**
- **Companies accessed only equity product from the market**
- **No clear and specific rules to govern the board**

Intervention

- **Introduction of Designated Advisers to assist ASeM companies meet post-listing obligations**
- **Clearly defined brand identity for the board**
- **Support to ASeM companies through value added services and advocacy effort**
- **Introduction of alternative capital raising products**
- **Creation of ASeM Rule Book**

Key ASeM Initiatives



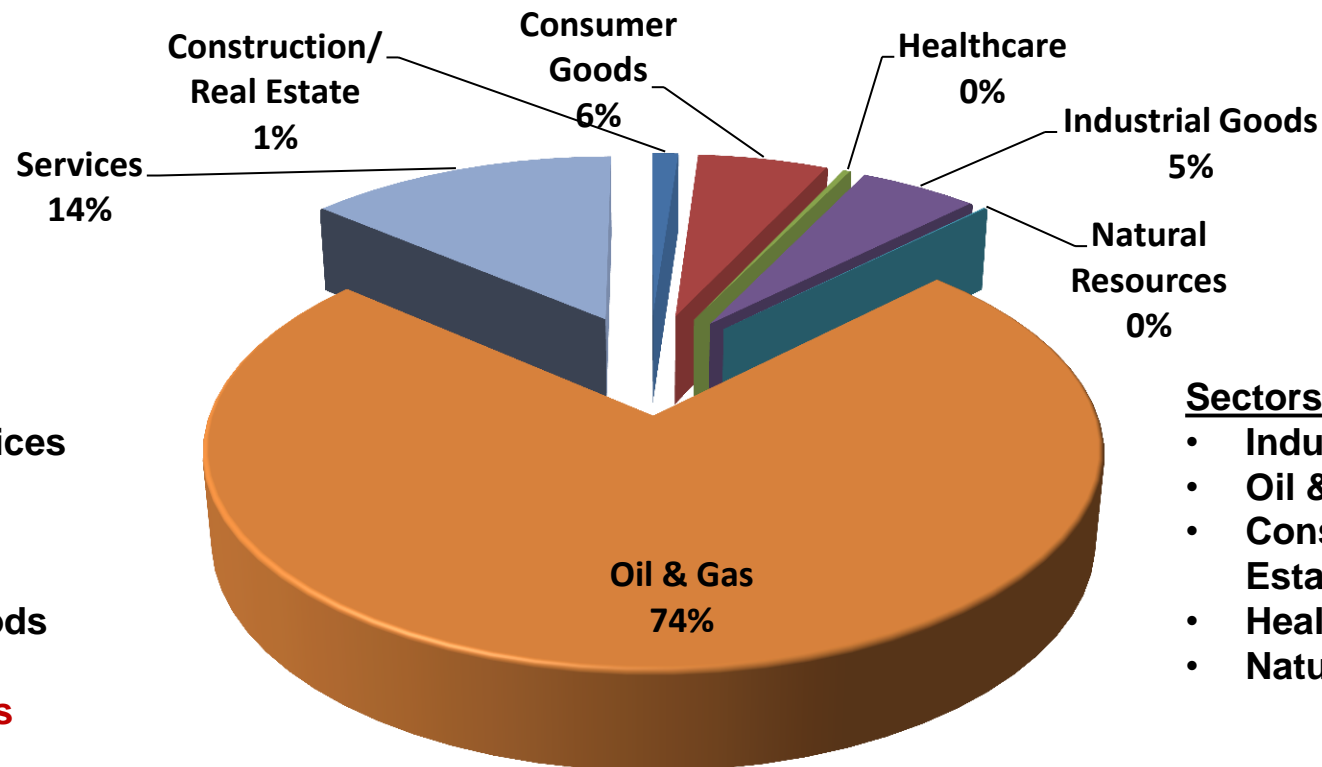
- **Developed brand essence towards launching of the board with identity, purpose and target company criteria**
- **Reviewed listing requirements, making listing on ASeM readily accessible and affordable to a wide range of viable emerging businesses**
- **Introduced Designated Adviser (DA) Programme to support companies listed on ASeM in complying with post listing obligations and maintaining their listing status**
- **Introduced ASeM Growth Ambassador (GA) Programme to project the ASeM brand and support the advocacy and quotations drive of The Exchange**
- **Introduced a bouquet of value added services, including Institutional Services, to assist listed companies to maximise benefit of their listing status**



- **Developed Consequence Management Process for rule violation**
- **Reviewing and currently enhancing market structure and trading mechanics for ASeM companies towards driving liquidity**
- **Introducing ASeM Index to track performance of companies listed on the board**
- **Introducing alternative capital raising instruments, other than pure vanilla equity for ASeM companies to achieve optimal capital structure**
- **Collaboration with organisations (SMEDAN, etc) towards developmental programmes for ASeM companies**
- **Involvement in the on-going MSME Policy Formulation to address capital market provision for SMEs**
- **Advocacy for affordable fee regime for ASeM companies by statutory organisations (CAC, FIRS, FRCN, etc)**

ASeM Today

- 11 Companies currently listed, spanning multiple sectors
- Equity market capitalization of N4.10bn as at 19/04/13



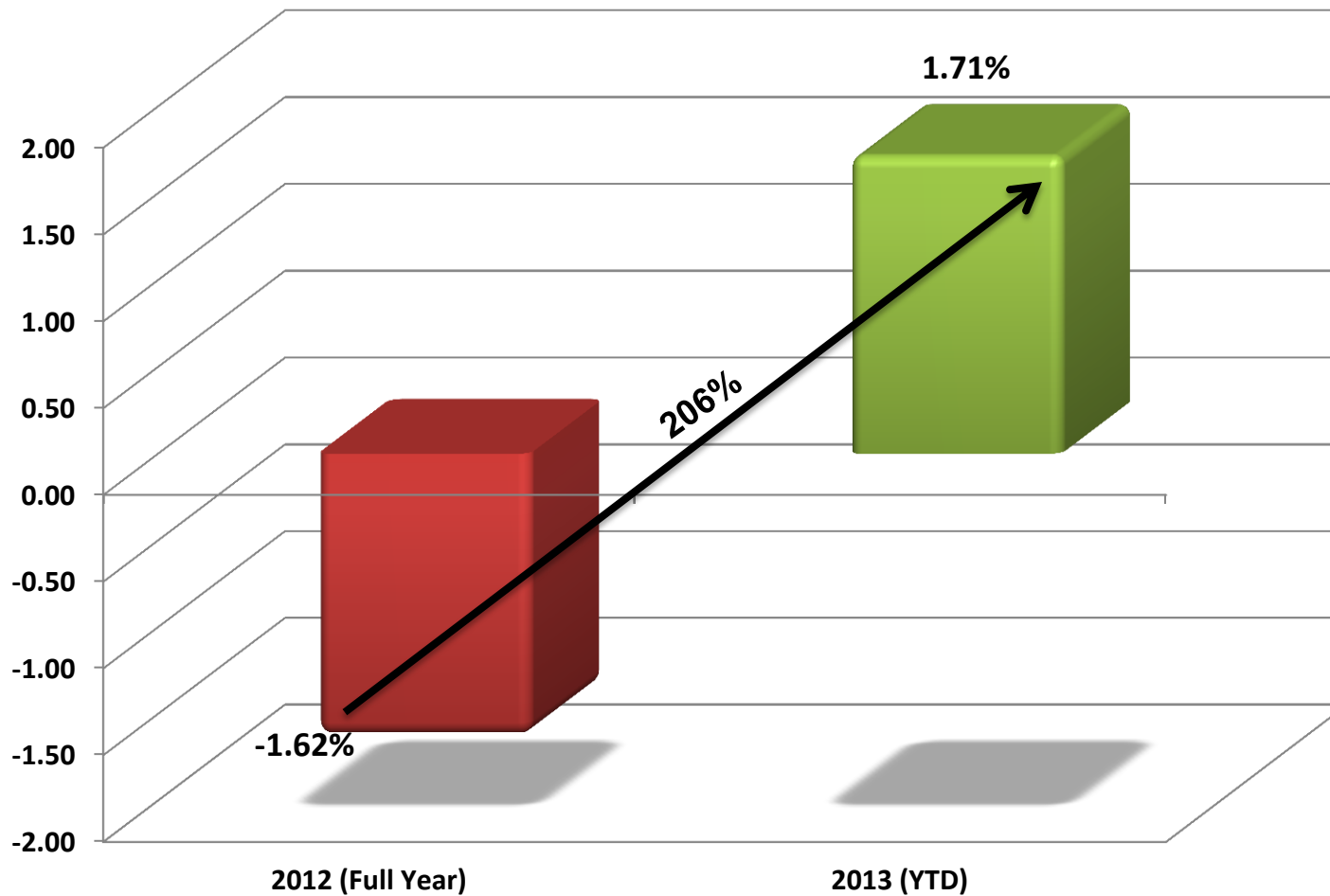
Sectors

- Financial Services
- Utilities
- Agriculture
- ICT
- Consumer goods
- Services
- **Conglomerates**

Sectors

- Industrial goods
- Oil & Gas
- Construction/ Real Estate
- Health Care
- Natural Resources

% Performance of ASeM Index



Figures as at Thursday April 18, 2013

- **Market capitalization weighted index of all companies listed on ASeM**
- **11 companies currently listed on the board**
- **Calculated on a daily basis**
- **Full Year Return of -1.62% (2012)**
- **YTD Return of 1.71% (Q1 2013)**
- **Provides opportunity for creation of products such as Exchange Traded Funds (ETFs), Options and Futures**
- **Adjustments made for corporate actions, new listings, right issue and Placing**
- **Available on the NSE Daily Official List and Website**

Current Members of the Index:

1. Adswitch Plc
2. Afrik Pharmaceuticals Plc
3. Anino International Plc
4. Capital Oil Plc
5. Juli Plc
6. McNichols Consolidated Plc
7. Rak Unity Petroleum Company Plc
8. Rokana Industries Plc
9. Smart Products Nigeria Plc
10. Union Venture & Petroleum Plc
11. West Africa Aluminium Products Plc



ASeM

Designated Advisers (DAs)

The DA Programme was introduced for securities professionals to help companies comply with and discharge their responsibilities under the listing rules of ASeM and to ensure that companies benefit from and maintain their listing status, by providing professional and impartial guide.

A list of accredited DAs is available on the NSE website.

Growth Ambassadors (GAs)

The ASeM GA Programme was introduced to project the ASeM brand and support the advocacy and quotations drive of The Exchange.

GAs will be accomplished individuals who are committed to developing entrepreneurship in Nigeria.

GAs will support, endorse and promote growth of emerging businesses in Nigeria on ASeM.

Institutional Services

Institutional Services is a value add of The NSE aimed at aiding emerging businesses in the design and documentation of appropriate internal business structures, management processes and procedures to position them as world-class enterprises.

The NSE is in partnership with service providers to deliver this service at relatively lower cost

Listing on ASeM



Access to long term capital for growth and expansion

Platform for facilitating long term sustainability of the company

Reduction of financial burden and risk spreading amongst shareholders

Membership of a global platform that affords brand visibility and credibility enhancement

Access to investors focused on high growth potential SMEs in emerging markets

Professional guidance (Designated Adviser) to ensure company benefits from and maintains its listing status

Opportunity for initial investors to realise some or all of their investment

Liquidity for shareholders and transparent price discovery mechanism

Capacity building through access to a bouquet of discounted value added services



| Subject | ASeM Previous | ASeM New |
|-------------------------------|--|---|
| Pre Tax Profits | NA | Medium term (at least 2 years) comprehensive business plan |
| Market Cap | NA | NA |
| Operating Record | The company must submit financial statements/business records for the 3 years prior | 2 years |
| Financials | The date of the company's last audited accounts must not exceed 9 months. | Date of last audited accounts must not be more than 9 months |
| Public Float | There is are no restrictions (minimum) on the amount of share capital that must be offered to the public. | Minimum of 15% of share capital must be offered to the public |
| Public Shareholders | There are no restrictions on the number of shareholders | at least 51 shareholders |
| Continuing Obligations | After listing, the company must submit half-yearly and annual accounts (financial statements). Securities must be fully paid up at the time of allotment and un-allotted securities must be sold on the trading floor | Promoters to retain 50% of shares held at IPO for first 12 months. Submission of quarterly, semi – annual and annual statements. Companies must retain a Designated Adviser to assist with regulatory compliance |



Initial Public Offering (IPO)

A company offers shares to the public for the first time. Money paid by investors for the newly issued shares goes directly to the company to provide capital for future growth, or to refinance debt.

By Way Of Introduction

A company's shares are "introduced" to the market with a pre-agreed insider sale for public float, having complied with the Exchange's Listing Requirements.

****A company may include an offer for sale element in its IPO, where funds will go to divesting shareholders – this helps to increase the public float.***



Hold a board meeting and pass a Board Resolution to list. Call an EGM/AGM to obtain shareholders approval through a Shareholders' Resolution



Initial Public Offer?

Determine amount of capital to be raised with Financial Adviser. Increase Authorised Share Capital if necessary.



Initiate the conversion of Accounts to International Financial Reporting Standard (IFRS)

File with the Corporate Affairs Commission (CAC) to convert from a Limited Liability Company (Ltd) to a Public Limited Liability Company (Plc)



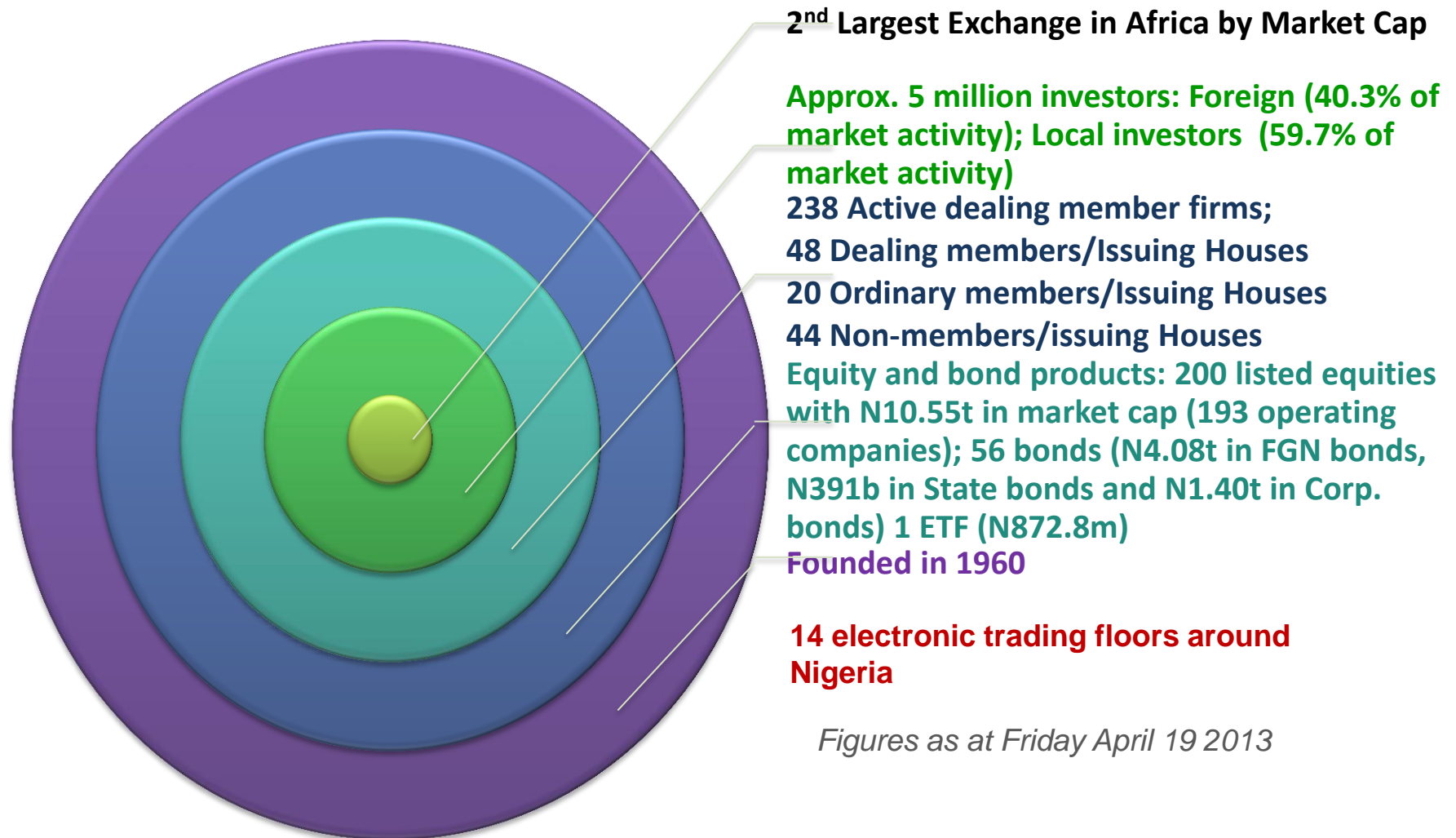
Listing by Introduction?

Increase number of shareholders to Board minimum (300 – MB, 51-ASeM)



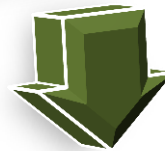
Appoint a Designated Adviser to commence the process of listing on the floor of The Exchange (*Visit NSE website*)

Overview of The Nigerian Stock Exchange

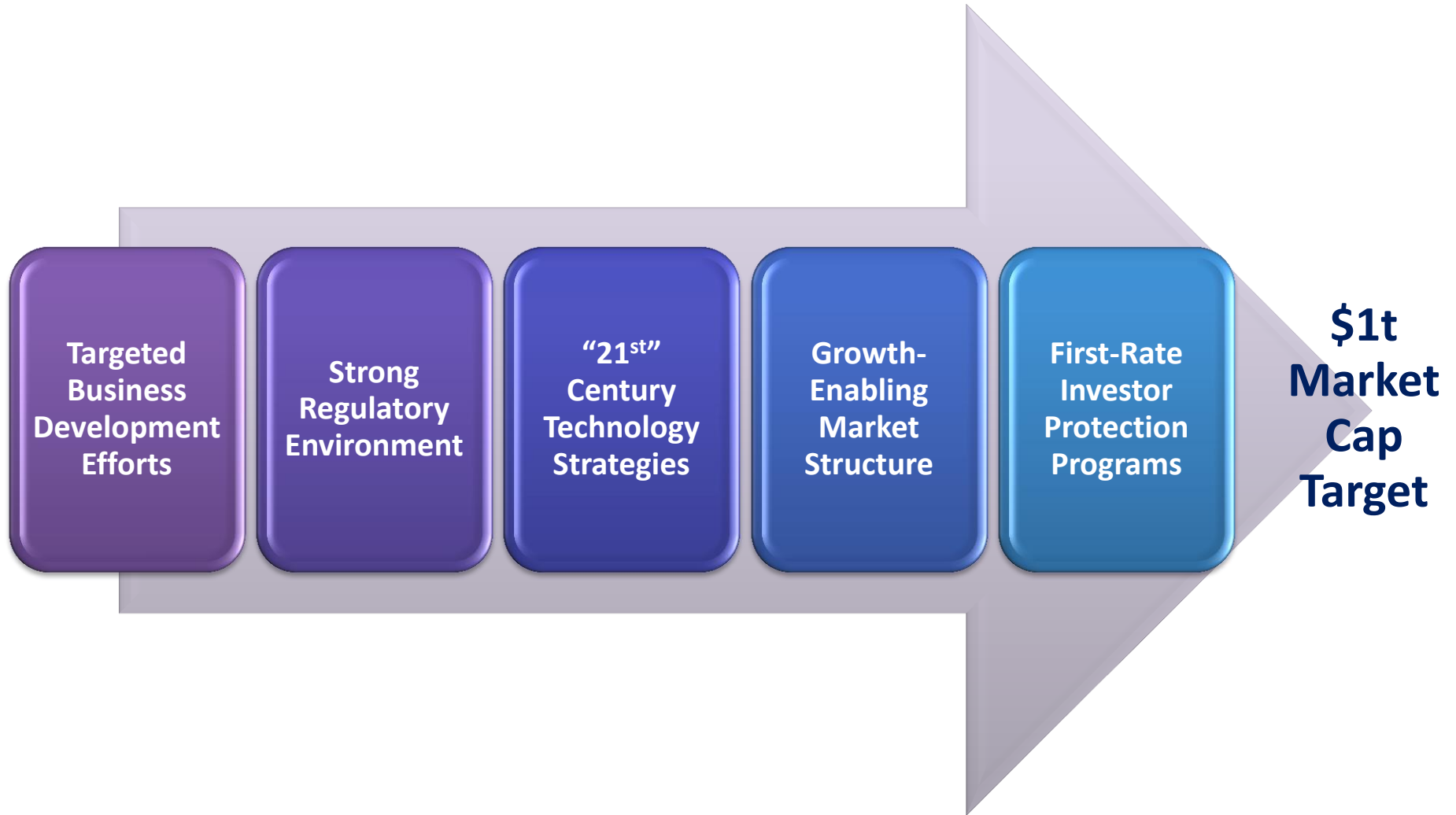


Figures as at Friday April 19 2013

To become
The Gateway to African Markets.



To achieve \$1 trillion in market
capitalization by 2016.





NSE All Share Index

32,993.97

17.50%
(YTD)

Equity Market Capitalization

N10.55tn

17.56%
(YTD)

2013

Total Market Capitalization

N16.44tn [10.73% YTD]



Statistics as at April 19, 2013



| PILLARS FOR GROWTH | KEY INITIATIVES |
|---|--|
| 1. Targeted Business Development Efforts | <ul style="list-style-type: none"> ● ASeM Launch ● Derivatives Feasibility Study ● Product Innovation (e.g. Retail Bonds, ETFs, NDRs) |
| 2. Strong Regulatory Environment | <ul style="list-style-type: none"> ● Enhanced Rulebook ● Issuer's Portal ● Improved Cooperation with Other Exchanges and Global Organizations ● Whistle Blowing Programme |
| 3. 21st Century Technologies Strategies | <ul style="list-style-type: none"> ● Delivery of New Trading Platform ● Automation of Transaction Lifecycle |
| 4. Growth-Enabling Market Structure | <ul style="list-style-type: none"> ● Transaction Cost Analysis ● Market Optimization |
| 5. First-Rate Investor Protection Programs | <ul style="list-style-type: none"> ● Financial Literacy Programme ● Operation of Investor Protection Fund |
| 6. Market Development and Improved Operational Efficiency | <ul style="list-style-type: none"> ● Policy Advocacy ● Corporate Social Responsibility (CSR) Programme ● Demutualization |

● **Done**
 ● **On-going**
 ● **Not started**

The Nigerian Stock Exchange has a dedicated Business Development Division, focused on Listings Sales; Retention (Relationship Management); and Product Management/Development.



The team is available to guide companies through the entire listing process.

Thank You



**THE Nigerian
STOCK EXCHANGE**

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