

**THE Nigerian
STOCK EXCHANGE**




Growth Board

FREQUENTLY ASKED QUESTIONS

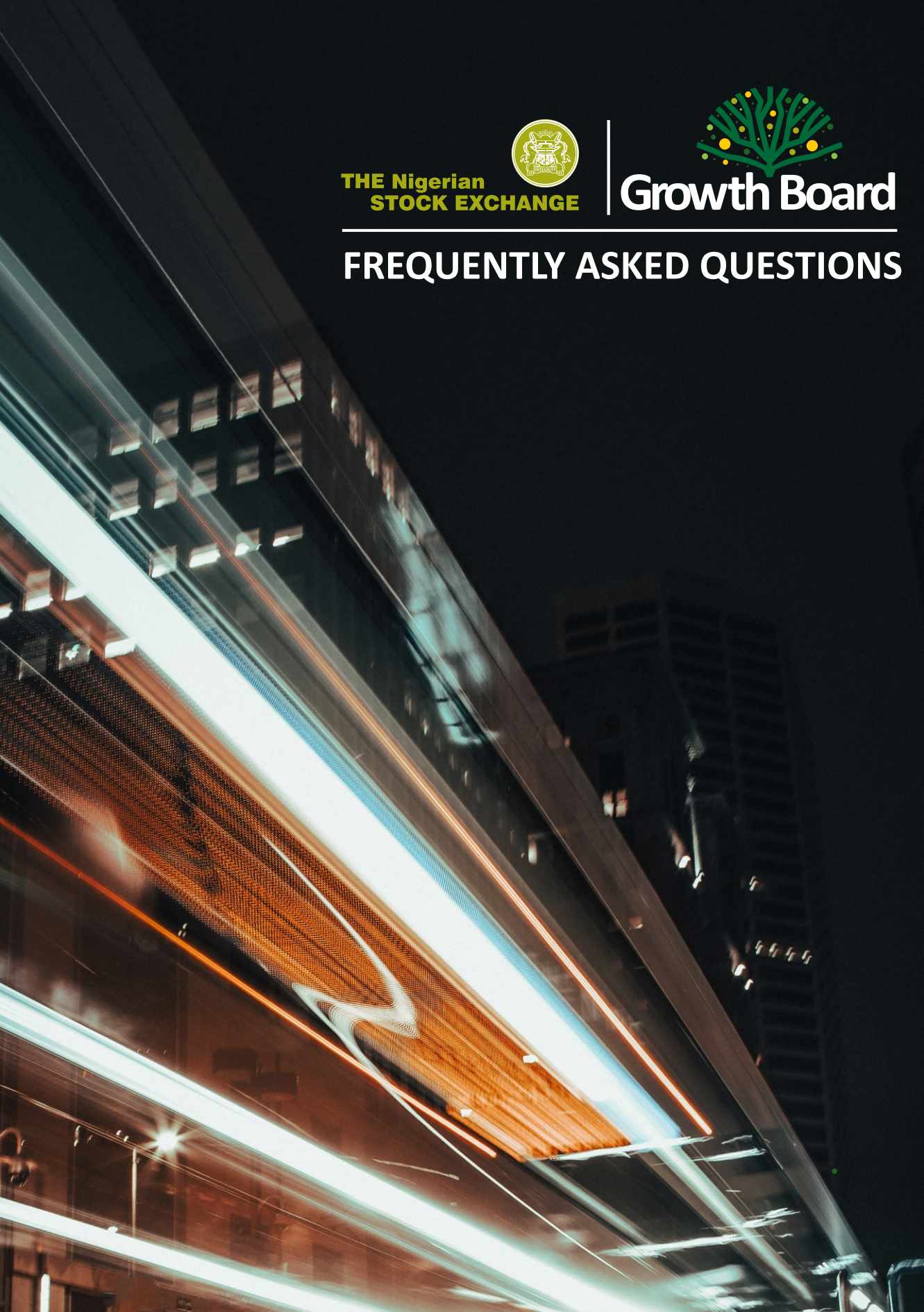


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What is Growth Board?

The Growth Board is designed to encourage growth oriented companies with good corporate governance standards to list. It aims to encourage companies with high growth potential to seize the opportunity of raising long term capital and promote liquidity.

The Growth Board was established as part of the NSE's initiative in elevating the Nigeria Capital market and meeting the needs of businesses at every phase of their lifecycle. The board targets fast growth companies such as SMEs operating in various sectors including Technology companies.

What is the objective of the Growth Board

- To encourage companies with high growth potential to seize the opportunity of raising long term capital and promote liquidity.
- To cater for various market segments and to ensure all spectrum of businesses/companies in various growth phases can be listed.
- To highlight the benefits available in the capital market for Start Ups, SMEs and Technology companies.
- To provide market operators with a platform and access to potential pipeline of companies for listing on The NSE

Benefits of the Growth Board to Issuers

- Provides valuation and potentially enhances liquidity by tapping new investors
- Serve as an exit option for Private Equity Investors/Core Investors
- Offers an avenue and flexible mechanism for raising capital
- Creates, broadens or diversifies investor base
- Enhances visibility for investors, consumers and customers
- Develops and increases sell side coverage/ research intelligence for growth companies
- Provides a platform for accessing cheap and long tenured capital (equities and fixed income) for growth companies
- Provides global visibility for attracting international investors

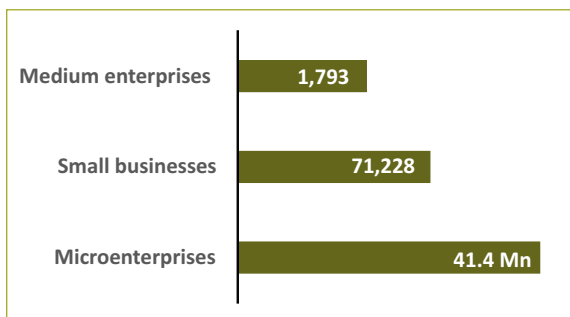
- Ensures increased Corporate Governance while providing the necessary support mechanism/framework for sustainability

Benefits of the Growth Board to Investors

- Ability to invest in companies with high growth potential thereby resulting in high returns/capital gains.
- Diversified Investment options for Retail and institutional investors.
- Ability to participate in new startups and companies within growth sectors.
- Enables comparison with other investments due to accessible price information.

What is the size of SME in Nigeria?

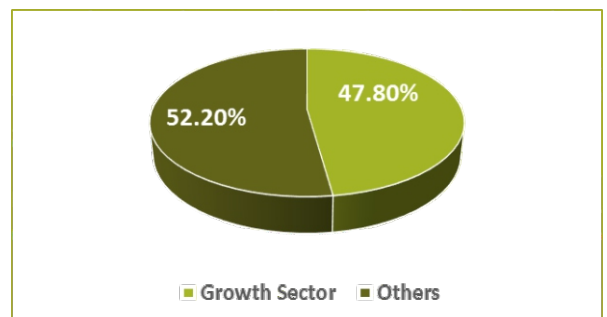
In Nigeria, there are a total of 41.5 million Micro, Small and Medium Enterprises making up the growth sector



Source: NBS, 2019

What is the growth sector contribution to GDP?

The growth sector contributes about 47.8% to the Nigerian GDP.

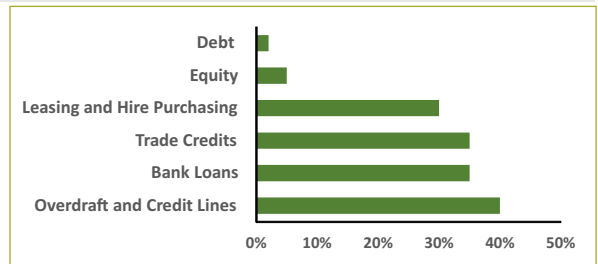


Source: SMEDAN, 2019

What are the threats to SMEs in Nigeria?

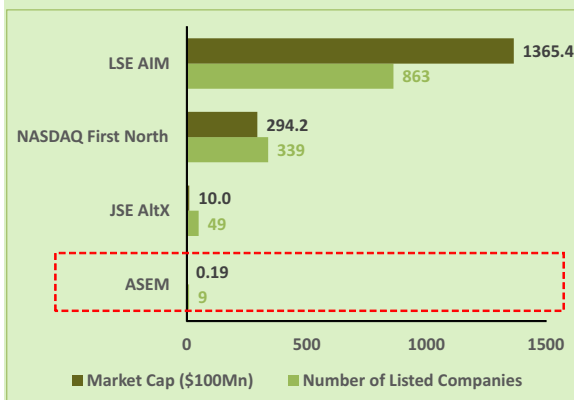
- Access to Finance
- Access to information
- Insecurity
- Government Policies/Ease of Doing Business
- Multiple Taxation
- Infrastructural gaps
- Foreign Exchange Rates
- Talent Acquisition/Retention

What are the alternative sources of SME Financing?



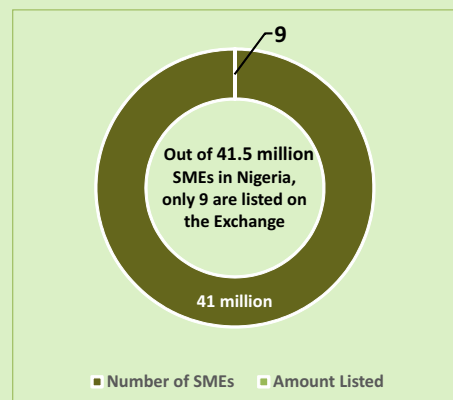
Source: Oxford Economics

What is the representation of Growth companies in Nigerian Capital Market?



Source: Individual Exchange's website

What is the opportunity landscape in the Nigerian SME space?



Source: Nairametrics

Nigeria remains the lowest in terms of growth company representation in the capital market with only 9 listed companies having a market capitalization of ₦7 Billion as at January 2020.

What is the Eligibility Criteria for Listing on the Growth Board?

Every Issuer that seeks admittance to the Growth Board shall make a written application to The Exchange and execute the General Undertaking for listing on the Growth Board Entry or Standard Segment

Entry Segment

Route 1:

Company is already listed on the Main Board or Alternative Securities Market (ASEM) Board of The Exchange, or is seeking to list on the Growth Board (Entry) of The Exchange, and

- Is a public company limited by shares;
- At least two (2) years in Operation;
- Has audited financials (IFRS standard);
- Revenue growth by a minimum rate of 20% cumulatively in its last (two) 2 years of operations;

Route 2:

Company is a new business that can provide evidence of investment in it by:

- A core investor or a strong technical partner who has a minimum of **two (2) years'** operating track record, or
 - A majority shareholder who is a High Net Worth individual; and has;
1. Market capitalization \geq **Fifty Million Naira (N50m)** on the date The Exchange receives the Issuer's application;
 2. Minimum free float of **10%** of its issued share capital;
 3. A Designated Adviser;
 4. **Minimum of 25 share-holders;**
 5. Directors retain a minimum of 50% of their shares in the Issuer for a minimum period of 12 months from date of its listing.

Standard Segment

Route 1:

Company is already listed on the Main Board or Alternative Securities Market (ASeM) Board of The Exchange, or is seeking to list on the Growth Board (Entry) of The Exchange, and

- Is a public company limited by shares;
- At least two (2) years in Operation;
- Has audited financials (IFRS standard);
- Revenue growth by a minimum rate of 20% cumulatively in its last (two) 2 years of operations;

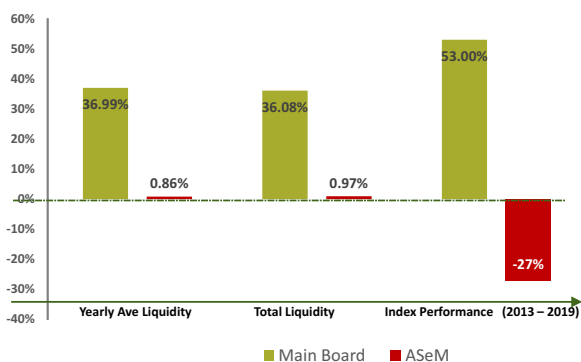
Route 2:

Company is a new business that can provide evidence of investment in it by:

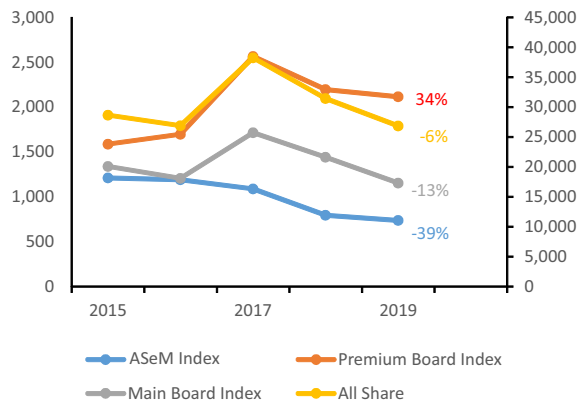
- A core investor or a strong technical partner who has a minimum of **four (4) years'** operating track record, or
 - A majority shareholder who is a High Net Worth individual; and has
1. Market capitalization \geq **Five Hundred Million Naira (N500m)** on the date The Exchange receives the Issuer's application
 2. Minimum free float of **15%** of its issued share capital;
 3. A Designated Adviser
 4. **Minimum of 51 share-holders**
 5. Directors retain a minimum of 50% of their shares in the Issuer for a minimum period of 12 months from date of its listing

Why is the ASeM Board being discontinued?

Liquidity & Index Performance: ASeM vs Main Board



5-Year Index Performance [2015 - 2019]



- The chart above shows that there is significant low trade activity and liquidity on ASeM; turnover is also currently less than 1% of the average yearly stock turnover and way below the market average of 37%.
- Consistent negative performance of ASeM index and lack of traction in listings underpins the need for a more revamped board.

What is the difference between the ASeM and Growth Board?

	ASeM	Growth Board	
		Entry	Standard
Target Firm	SMEs	Startups, Micro, Small Enterprises, Medium Businesses	Medium, Venture Type Firms, Established Businesses
Market Capitalization	N/A	N50Mn – N500Mn	N500Mn – N4Bm
Public Float & Minimum Shareholders	15% (51 Shareholders)	10% (25 Shareholders)	15% (51 Shareholders)
Continuing Obligations	Quarterly, semiannual and annual statements	Quarterly, semiannual and annual statements	Quarterly, semiannual and annual statements
Fee Structure Listing Fees	N100,000	N250,000 (50% Discount on application fees for the first 24 months from launch date of the board)	0.1% of value
Annual Listing Fees	N200,000	N200,000	Same as Mainboard (Capped at N4.2m for all listed entities)
Research / Business intelligence	Value-Added Service	Revamped Value-Added Service proposition	Revamped Value-Added Service proposition

What additional value propositions distinguishes the Growth Board from the ASeM?

ASeM	Growth Board
Growth Ambassadors	Improved Value Added Services
	Expanded Designated Advisers
Designated Advisers	Strategic Institutional Partners
	Reduced NSE fee structure
Institutional Services	Reduced pre and post listing obligations
	Increased approval turn around time and time to market

What options are available to ASeM Board Companies?

ASeM	
EVALUATION	The Exchange will communicate migration options to issuers currently listed on the ASeMboard.
APPLICATION	Eligible issuers that apply to be listed on the Growth Board will be migrated.
MIGRATION	Issuer’s continued eligibility shall be evaluated by The Exchange annually in line with all the criteria set out in the Growth Board rules as amended from time to time

What are Value Added Services?

Value Added Services are key elements of The Nigerian Stock Exchange’s (NSE) Business Development and retention efforts. These services are designed to create a competitive edge for companies listed on The Exchange and facilitate new listings.

What are the benefits of the enhanced VAS?

- The NSE allies with a few selected Value Services providers and strategic partners to help with pre-listing diagnostics and reduced fee structure.
- The NSE Value Added Services help stimulate investors’ interest in our market through enhanced information delivery
- It assist listed companies in complying with post listing obligations and retaining their listing status.

What Services are Provided for Under the VAS Program?

Analyst Coverage	Investor Relations	Institutional Services	Corporate Access	Corporate Governance
The NSE engages independent investment research firms to conduct sell side analysis in order to improve visibility of listed companies and consequently generate more interest on the shares of the issuer.	To help issuers develop an effective Investor Relations (IR) program, the Exchange has partnered with leading IR Service Providers to provide listed companies access to world-class IR solutions	Institutional services helps Growth companies in the design and documentation of appropriate internal business structures, management processes and procedures to position them as world class enterprises	Listed companies have access to information and analytics used by institutional investors and analysts. Issuers are able to monitor investor interest, identify and monitor investor activities	The NSE drives corporate governance through the implementation of the Corporate Governance Rating System which strengthens the governance structures of listed companies and provide a valid basis for investors to make investment decisions base on Corporate Governance Compliance.

Who are the Designated Advisers (DAs)?

Designated advisers are those professionals who provide guide and support to companies seeking to list on the growth board in order to ensure that such company satisfies all requirements for initial and continuous membership.

What are the functions of the Designated Advisers?

The functions of a DA, amongst other things will cover the following:

- Provide professional advice to companies seeking listing on their responsibilities during the application process;
- Act as a professional and impartial guide to the applicant company in respect of capital market rules and operations;
- Provide advice to the company on an on-going basis to ensure that the company satisfies the Growth Board requirements for initial and continued membership;
- Confirm that the company has addressed and met the disclosure requirements set forth in the Growth Board Rules;
- Assist the company's management and board to discern what information is material and therefore needs to be disclosed to investors

What are the listing segments of the NSE?

	Growth Board		Main Board	Premium Board
	Entry	Standard		
Target Firms	Medium Businesses	Medium to Established Businesses	Established Businesses	Large Blue Chip Companies
Legal Form	Public Limited Liability Company	Public Limited Liability Company	Public Limited Liability Company	Public Limited Liability Company
Market Capitalization	N50Mn – N500Mn	N500Mn – N4Bn	N4Bn – N200Bn	N200Bn and Above
Public Float and Minimum Shareholders	10% (25 Shareholders)	15% (51 Shareholders)	20% (300 Shareholders)	Minimum of 20% free float or Minimum value of free float shares of N40 billion
Financial Reporting	Semi-Annual and Annual Statements	Semi-Annual and Annual Statements	Quarterly, semiannual and annual statements	Quarterly, semiannual and annual statements
Support Services	Accounting, Audit and Legal Services (Discounted fee rate)	Accounting, Audit and Legal Services (Discounted fee rate)	Standard Support Services	Standard Support Services

How long does it take for different applications to be approved?

Application Type	Timeline to Approval (working days)	Application Type	Timeline to Approval (working days)
Rights Issue	5	Mergers and Acquisition (between listed and unlisted companies)	5
Memorandum Listing of Funds	5	Employee share based payment scheme	5
Public Offer for Subscription	5	Initial Public Offer	17
Public Offer for subscription of bonds (other than bookbuilding)	5	Listing by Introduction	17
Bond Issued through book building	5	Placing	15

Application Type	Timeline to Approval (working days)	Application Type	Timeline to Approval (working days)
Block Divestment	12	Listing by Introduction of ETFs/REITS	6
Mergers and Acquisition (between listed companies)	17	Public Offer for subscription ETFs/REITS	6
Dual Listing	17	Voluntary De-listing	5
Listing by Introduction (Bond)	5		



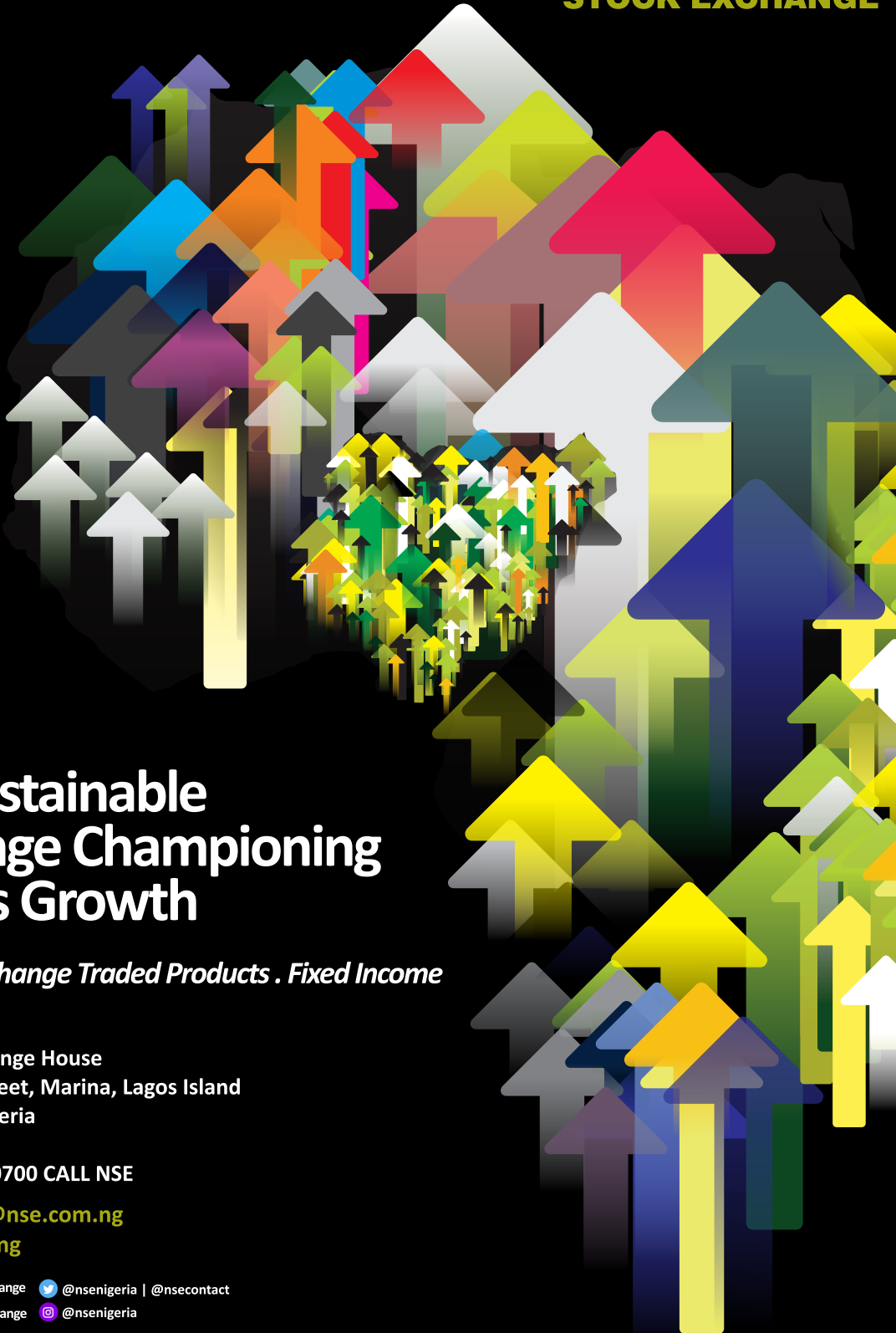
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