



ÁELEX

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LISTING ON THE GROWTH BOARD OF THE NIGERIAN STOCK EXCHANGE

ARTICLE SERIES

INTRODUCTION

On 29th January 2020, the Nigerian Stock Exchange (the “NSE”) constituted the Growth Board, which was established as part of the NSE’s initiative to elevate the Nigerian capital markets and meet the needs of businesses at every phase of their lifecycle. According to the NSE, “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.”[1]

The objectives of the Growth Board, as set out by the NSE, are:

- To encourage companies with high growth potential to seize the opportunity of raising long term capital and promoting 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, Small and Medium Enterprises (“SMEs”) and technology companies; and
- To provide market operators with a platform and access to a potential pipeline of companies for listing on the NSE.

However, for a company to enjoy the full benefits of the Growth Board, it must be eligible to be listed on the NSE and must comply with the NSE’s listing procedures.

ELIGIBILITY CRITERIA FOR LISTING

The ‘Rules for Listing on the Growth Board of the Nigerian Stock Exchange’ (“the Rules”), which was approved by the Securities and Exchange Commission (“SEC”) on 6th May, 2019, divide the Growth Board into two segments:

- a. The Entry Segment; and**
- b. The Standard Segment**

The Entry Segment is the Growth Board’s platform for listing eligible entities, and financing, start-ups, small, and medium enterprises with market capitalisation between N50,000,000 (Fifty Million Naira) and N500,000,000 (Five Hundred Million Naira). The Standard Segment is the Growth Board’s platform for listing eligible entities, and financing, medium-size businesses with market capitalisation between N500,000,000 (Five Hundred Million Naira) and N4,000,000,000 (Four Billion Naira) or such other amount as may be approved by the NSE from time to time.

Under the Rules, a company must meet the following eligibility criteria before it can be listed on the Growth Board:

[1] <http://www.nse.com.ng>

ELIGIBILITY CRITERIA

S/N	ENTRY SEGMENT	STANDARD SEGMENT
1.	Startups, Micro, Small Enterprises, Medium Businesses.	Medium, Venture Type Firms, Established Businesses.
2.	The company should already be listed on the Main Board or Alternative Securities Market Board, or is seeking to list on the Entry Segment.	The company should already be listed on the Main Board or Alternative Securities Market Board, or is seeking to list on the Standard Segment without any prior listing.
3.	The company must be duly incorporated as a public company limited by shares.	
4.	<p>The company has been in operation for at least two (2) years and has:</p> <ul style="list-style-type: none"> (i) audited financial statements prepared in line with the International Financial Reporting Standards (“IFRS”); and (i) grown its revenue by a minimum rate of 20% (twenty per-cent) cumulatively in its last 2 (two) years of operations. <p>OR</p>	<p>The company has been in operation for at least two (2) years and has:</p> <ul style="list-style-type: none"> (i) audited financial statements prepared in line with the IFRS; and (i) grown its revenue by a minimum rate of 20% (twenty per-cent) cumulatively in its last 2 (two) years of operations. <p>OR</p> <p>is a new business that can provide evidence of investment in it by:</p>

	<p>is a new business that can provide evidence of investment in it by:</p> <ul style="list-style-type: none"> (i) a core investor or a strong technical partner that has a minimum of 2 (two) years' operating track record, or (i) a majority shareholder who is either a High Net Worth individual or is a director of a listed company. 	<ul style="list-style-type: none"> (i) a core investor or a strong technical partner who has a minimum of four (4) years' operating track record, or (i) a majority shareholder who is a High Net Worth individual.
5.	The company has a market capitalisation that is equal to, or is in excess of N50,000,000 (Fifty Million Naira) on the date the NSE receives the company's application to list on the Entry Segment.	The company achieves a market capitalisation that is equal to, or in excess of N500,000,000 (Five Hundred Million Naira) on the date the NSE receives the company's application to list on the Standard Segment.
6.	Has a minimum free float of 10% (ten per cent) of its issued share capital.	Has a minimum free float of 15% (fifteen percent) of its issued share capital.
7.	Has appointed a Designated Adviser or such other relevant professional as the NSE may prescribe from time to time.	
8.	Has a minimum of 25 (twenty-five) shareholders or such other number as may be approved by the NSE from time to time.	Has a minimum of 51 (fifty-one) shareholders or such number as the NSE deems appropriate in the circumstances.

9.

The company is to submit a written application to the NSE and execute the General Undertaking for listing on the Entry/Standard Segment.

10.

Undertakes to ensure that its promoters or directors retain a minimum of 50% (fifty percent) of their shares in the company for a minimum period of 12 (twelve) months from date of its listing, and that they do not directly or indirectly sell or offer to sell such securities during that period.

The NSE may request that the company provide any additional clarification or information within a stipulated time frame. If the company fails to provide the information within the stipulated period, such failure may result in denial of the application for listing.

In addition, the NSE may, at its discretion, grant an extension of time for a company to comply with the relevant free float requirements set out in the Rules. To be eligible for the extension, the company must submit a formal and substantiated request setting out the reasons for its inability to meet the requirement and how it proposes to satisfy the requirements within the extension period.

LISTING PROCESS

In order to facilitate a smooth listing process on the Growth Board, the NSE released a listing guide for companies who wish to be listed on the board (“the Guide”). The Guide explains the process of listing on both the Entry and Standard Segments of the Growth Board. According to the Guide, after a company decides on the segment to be listed on, the company is advised to undertake the following steps to be considered for listing:

CONSULTATION

Preliminary discussions between the company and its Financial Advisers and Issuing House. The company is also to approach a Designated Adviser (“DA”), Value Added Service provider (“VAS”) or such other relevant professional



PREPARATION/ MANDATE

The Board and the Shareholders of the company will pass the requisite resolutions to proceed with the listing. In addition, a decision will be taken as to the preferred route to listing and a mandate letter issued to the DA



DOCUMENTATION/ PACKAGING

The listing documentations are prepared. The most important being the prospectus, to be prepared in compliance with the provisions of the Investments and Securities Act 2007 and the Rules and Regulations of the SEC and the Listing Requirements of the NSE.



REGULATORY APPROVAL

The approval of the NSE, SEC and the industry regulator (where applicable) is to be obtained. The DA is responsible for submitting the application along with the required documents and fees.



COMPLETION BOARD MEETING

A Completion Board Meeting will be convened with all parties to the listing in attendance. At this meeting, the offer documents/prospectus will be considered and executed.



DISTRIBUTION/ MARKETING

The Issuing House will distribute application forms to the receiving agents. A required number is also submitted to the NSE for distribution to NSE branches and Council members. The application list opens for 4 (four) to 6 (six) weeks.



RANGE OF ANALYSIS/ ALLOTMENT

The Registrar prepares a range of analysis on the method of allotment. Once agreed, the allotment is undertaken and sent to SEC for approval. A copy of the allotment pattern is also sent to the NSE, for its information.



GENERAL UNDERTAKING/ DECLARATION OF COMPLIANCE

The company prepares, and delivers to the NSE, the General Undertaking and a Declaration of Compliance, which should be signed by the Company Secretary



LISTING

The company's shares are admitted to the Daily Official List.

The Rules provide that after listing, the NSE will, on an annual basis, evaluate the continued eligibility of a company in accordance with the above-mentioned eligibility criteria. The Rules also state that the eligibility criteria may be amended from time to time. In addition, each company is to comply with all other continuing listing obligations as specified under the Listings Rules of the NSE. Every company is also required to comply with the SEC's Code of Corporate Governance, or such applicable Codes of Corporate Governance in force.

CONCLUSION

We applaud this initiative by the NSE to provide a platform to enable MSMEs and other eligible entities to raise capital for their development and facilitate liquidity in the trading of their shares. This initiative will, in turn, deepen the capital market and contribute positively to the economy.

It is a welcome development and we look forward to collaborating with the NSE, as Value Added Service Provider, and assisting it in achieving its objectives.

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