



# THE Nigerian STOCK EXCHANGE

## FUNDING THE CASHLESS SOCIETY: IT VENTURE CAPITAL AND THE ASeM INITIATIVE

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Presented by

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for

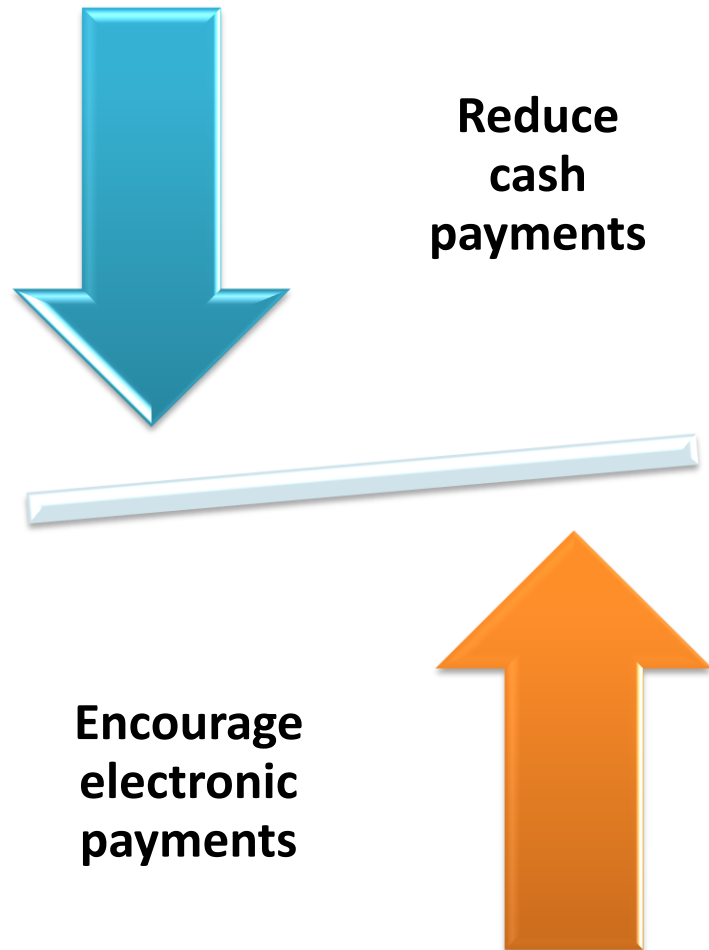
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- 1 • Nigeria's New Cash Policy
- 2 • CBN's Commitment to 'Cashless'
- 3 • Requirements, Readiness and Execution
- 4 • Nigeria's ICT Industry and Potential Growth
- 5 • ICT's Funding Needs
- 6 • Raising Funds in the Capital Market
- 7 • The NSE's ASeM Board
- 8 • Making ICT Companies Attractive for Listing
- 9 • Listing



## Why?

- Reduce the cost of cash
- Reduce cash-related risks and crimes
- Eliminate high value transaction cost subsidization of low value transactions
- Repatriate cash back into the formal economy

## Benefits

- **Lower cost of banking services**
- **Greater financial inclusion**
- **Wider access to credit**



- Development of the financial system and economy
- Radical modernization of the nation's payment system
- Reduce the cost of banking services
  - Especially cash delivery management – 70% government
- Boost financial inclusion with efficient transaction choices and wider reach to society
- Improve monetary policy effectiveness in managing macroeconomic indicators such as inflation,

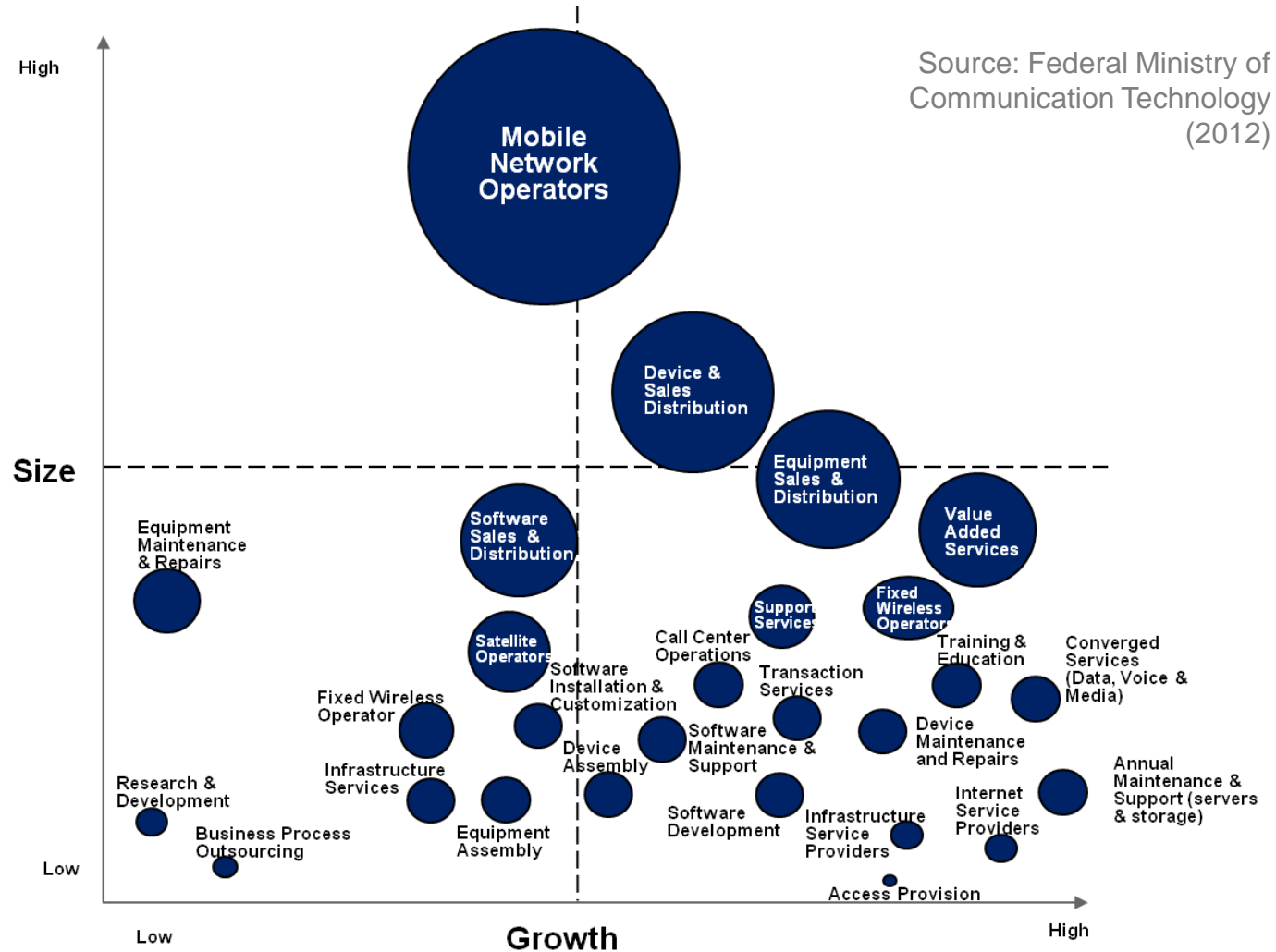


- The total electronic economy is a 'sign of the times' and a choice of a new generation
- Must be backed by
  - Good education
  - Age advantage
  - Identification management
  - Possession of the appropriate ICT equipment
  - Relevant IT infrastructure implemented by all members of the financial system
  - Appropriate risk and security standards

- Critical hurdles
  - Unstable power supply
  - Inefficient infrastructure to support commercial and industrial growth
  - Galloping inflation which remains unmanageable
  - Lagging capacity and IT infrastructure of the banking industry
    - Pre-eminent issues with current e-transaction processes, i.e., ATM and debit card usage
  - Data security and electronic fraud
  - Insufficient, inaccessible and costly bandwidth
  - High percentage of unbanked citizens; reported at 70-75% (23m)
  - Ensuring traders and small commercial businesses bank their cash
  - Public confidence and acceptance
  - Poverty
    - Over 70% (est.) of population live on \$1/day

- ICT
  - Software/Security
  - Equipment
    - Interoperability issue resolution
  - Broadband/Bandwidth
    - 11,160Gbps available on the continent as of 2010
    - Penetration in Nigeria at 6% (est.) despite Main One, Glo-1 and WACS
    - Critical last mile connectivity challenges
  - Infrastructure
    - Need for stable power supply
    - Last mile initiatives, e.g., SABI, WiN, Open Access model
  - Education/Capacity Building

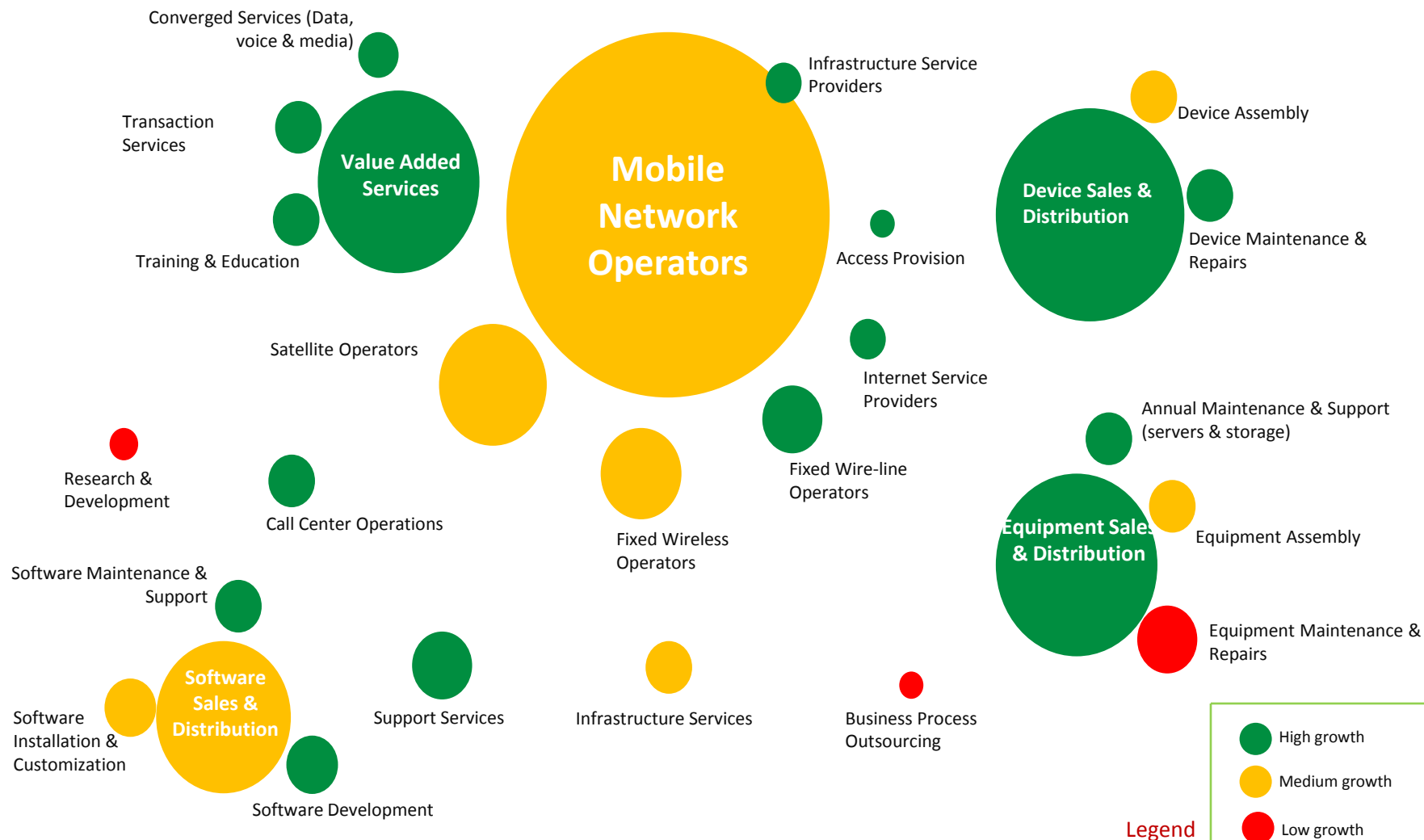
The Nigerian ICT space is highly fragmented and characterized by a few medium-to-large Telecom firms and numerous small-to-medium IT firms.



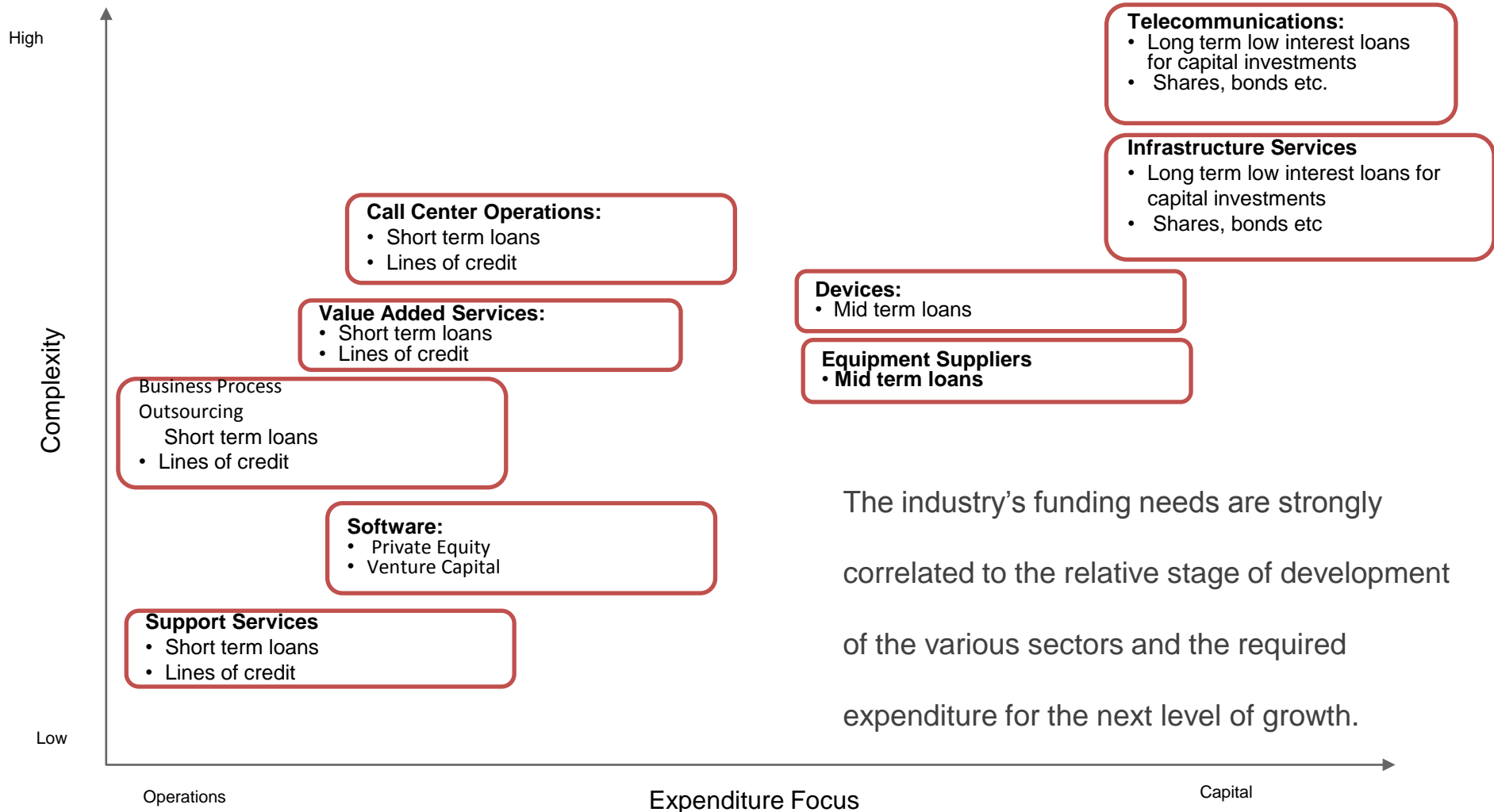
# ICT: Varying Degrees of Growth Potential



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Source: Federal Ministry of Communication Technology (2012)



The industry's funding needs are strongly correlated to the relative stage of development of the various sectors and the required expenditure for the next level of growth.

Source: Federal Ministry of Communication Technology (2012)

The readiness of non-Telecom operators to list on the **Main Board** is questionable, but...

Main Board of the NSE								
Requirements	Telecommuni- cations	Infrastructure Services	Support Services	Value Added Services	Equipment Suppliers	Software	Devices	Business Process Outsourcing
Pre-tax profits	Green	Yellow	Red	Yellow	Yellow	Yellow	Red	Red
Operating Track Record	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red
Financials	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Business Operations	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Accounting Standard	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow

Majority of firms do not meet  
this requirement



Majority of firms meet  
this requirement



Some firms meet this  
requirement



...the **ASeM** board is a viable option. According to the Ministry of Communication Technology, promising indigenous technology firms may be more suitable for the SME market.

ASeM								
	Telecommuni- cations	Infrastructure Services	Support Services	Value Added Services	Equipment Suppliers	Software	Devices	Business Process Outsourcing
Pre-tax profits	Green	Green	Yellow	Green	Green	Green	Yellow	Yellow
Operating Track Record	Green	Green	Green	Green	Green	Green	Green	Yellow
Financials	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Business Operations	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Accounting Standard	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Green

Majority of firms do not meet  
this requirement



Majority of firms meet  
this requirement

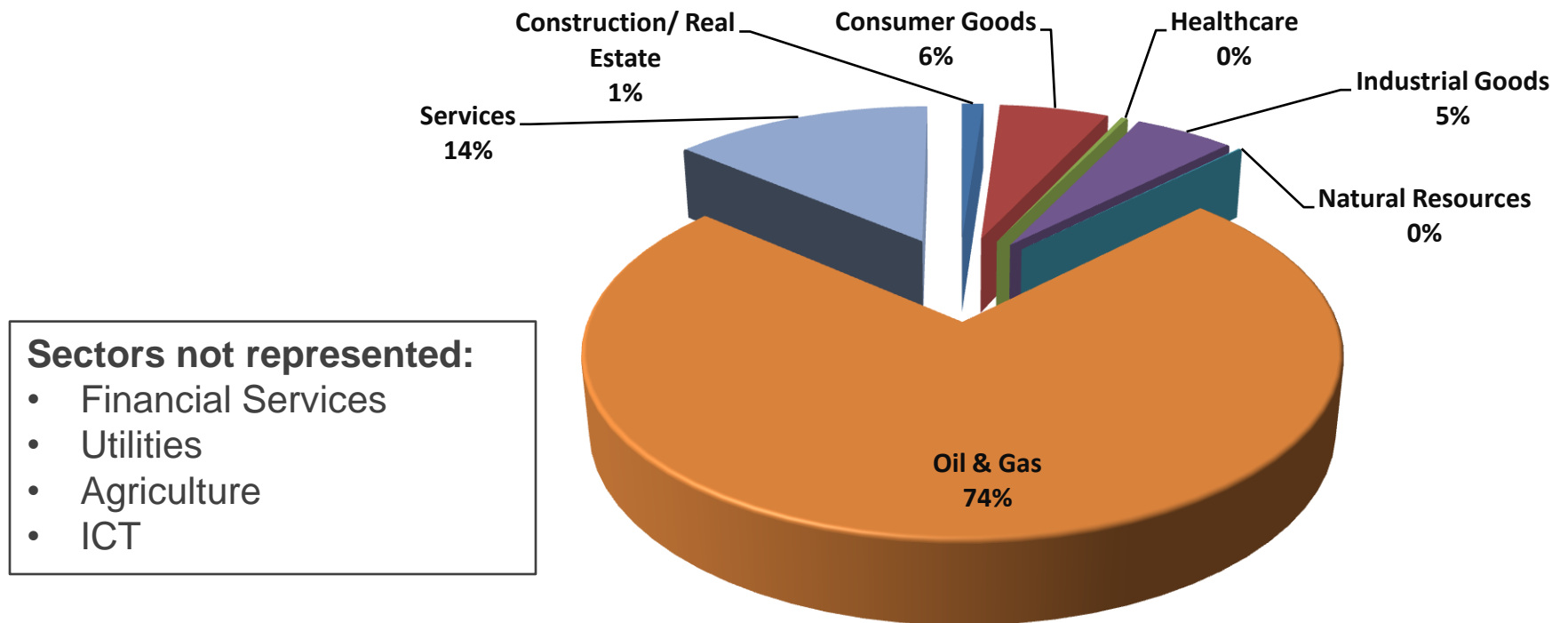


Some firms meet this  
requirement





- Currently 12 listed companies spanning multiple sectors of the economy
- N4.05b market capitalization as of June 29, 2012
- Prospective pipeline of 346 companies across sectors



## Committed to making ICT companies attractive for listing.

Short Term	Short-to-Medium Term	Medium-to-Long Term
<p>Overarching Commitment: Increase the contribution of ICT to GDP by 1-2% by 2015 (from 3.5%)</p>		
<ul style="list-style-type: none"> <li>- Stimulate demand of hardware, software and services through government procurement – 2012 FGN budget appropriation for ICT is ₦70bn</li> <li>- Remove bottlenecks in the development of ICT infrastructure                             <ul style="list-style-type: none"> <li>➤ Government approvals (right of way, site approval for base stations, illegal taxes and levies)</li> <li>➤ New spectrum allocations and more efficient use finite spectrum resources</li> <li>➤ National infrastructure bill specific to ICT</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Actively working to reduce the price of devices and make more affordable, to drive demand for both software and services                             <ul style="list-style-type: none"> <li>➤ Duty and other waivers to curb illegal smuggling</li> <li>➤ Long term low interest rates for device assemblers</li> <li>➤ Lower interest consumer finance for ICT devices</li> </ul> </li> <li>Develop Product Liquidity and Depth</li> <li>- Focus on skills and capacity building to increase skills and capabilities of players within the industry</li> </ul>	<ul style="list-style-type: none"> <li>- ICT Incubation centres to support young entrepreneurs in hardware, software, services, content); and support/shorten the process of ideas generation to commercialisation                             <ul style="list-style-type: none"> <li>➤ framework developed by global ICT companies, local incubators, successful local entrepreneurs and finance cos.</li> </ul> </li> <li>- Venture capital funds to support businesses that do not qualify for or are not suited to traditional collateral lending                             <ul style="list-style-type: none"> <li>➤ government seed of ₦500m to be matched by private sector funding in the first instance</li> </ul> </li> </ul>



1

## 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.*

2

## By 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.

Access to Capital  
for Growth &  
Expansion

Transparency  
and Credibility  
in Operation

Perpetuity of  
Operations

Code of  
Corporate  
Governance as a  
competitive  
tool

## ICT Company Plc

Risk Sharing  
amongst  
Shareholders

Visibility:  
Inclusion in  
major  
Performance  
Indices

Platform for  
attracting  
additional  
investment and  
investors

Value Creation  
& Price  
Discovery

# New Listing Requirements for ASeM



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Requirements	ASeM - Previous	ASeM - New
Pre Tax Profits	NA	Medium term (at least 2 years) comprehensive business plan
Market Cap	NA	NA
Operating Record	Submit financial statements/business records for the 3 years prior	Submit financial statements/business records for the 2 years prior
Financials	Date of last audited accounts must not exceed 9 months	Date of last audited accounts must not exceed 9 months
Public Float	No restriction (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	No restrictions on the number of shareholders	Must have at least 51 shareholders
Continuing Obligations	<ul style="list-style-type: none"> <li>– Submission of half-year and annual financial statements</li> <li>– Securities must be fully paid up at the time of allotment</li> <li>– Un-allotted securities must be sold on the trading floor</li> </ul>	<ul style="list-style-type: none"> <li>– Promoters to retain 50% of shares held at IPO for first 12 months</li> <li>– Submission of quarterly, half-year and annual financial statements</li> <li>– Companies must retain a Designated Adviser to assist with regulatory compliance</li> </ul>



- What is a DA: The Designated Adviser is a securities professional, knowledgeable in the disclosure requirements of the Exchange, as well as in local capital market practices.
- What is the DA's Role: The Designated Adviser's primary objective is to serve as a professional and impartial guide to applicant companies – on their responsibilities during the application process and to maintaining their status once listed.
- When does a company need a DA: A Designated Adviser is required by all companies looking to list on the Alternative Securities Market (ASeM) and throughout their tenure as a listed company.
- Why are we introducing the DA: The NSE is introducing DA's for the ASeM board to help companies comply with and discharge their responsibilities under our listing rules. This will ensure that companies benefit from and maintain their listing status.



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**Q&A**

*Thank You*



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