THE GROWTH BOARD OF THE NIGERIAN STOCK EXCHANGE

February 20, 2020.

1.0 Introduction

The various government policies aimed at promoting the ease of doing business in Nigeria and the exemption of Small and Medium sized Enterprises ("SMEs") with annual turnover below N25,000,000 from remitting companies income tax in the recently passed Finance Bill reiterates Government's commitment to encouraging startups and promoting economic activities in Nigeria. This aligns with a major objective of the Nigerian Stock Exchange ("NSE" or "The Exchange") and its rationale for maintaining three trading boards on which issuers' securities may be listed based on their size and financial performance.

The Nigerian equity market structure consists of three boards namely; the Premium Board for the listing of large blue chip companies that adhere to international best practices on corporate governance and meet the Exchange's corporate governance and listing standards; the Main Board which is the listing platform for established companies; and the Alternative Securities Market ("ASeM"), a listing platform focused on small to mid-sized companies. However, there has been notable low trade activity and consistently negative performance of the ASeM Board.

In furtherance of the NSE's commitment to the growth and development of SMEs, it recently launched a new trading board for SMEs known as the Growth Board on January 29, 2020. The NSE established the Growth Board to elevate the Nigeria capital market thereby ensuring that the needs of businesses at every phase of their lifecycle are met including the growth phase.

Thus, the Growth Board is the NSE's initiative to support fast growing companies and provide them with a platform to access required capital, develop corporate visibility and put in place the relevant corporate governance mechanisms to aid their growth. To achieve this, the NSE through the Growth Board offers issuers less stringent listing requirements and less rigorous continued obligations unlike companies listed on the Main and Premium Boards of the NSE.

2.0 Mode of Entry

A company seeking to be listed on the Growth Board of the NSE is required to make an application to the Exchange and execute the general undertaking for listing on the Growth Board. A company can get listed on the Growth Board of the NSE either through the entry segment or standard segment. Below is a table detailing the requirements for listing on both segments of the Growth Board:

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NO	REQUIREMENTS	ENTRY SEGMENT	STANDARD SEGMENT
1	LEGAL FORM	Public Limited Liability Company with no restriction on the transfer of its fully paid shares	Public Limited Liability Company with no restriction on the transfer of its fully paid shares
2	MARKET CAPITALISATION	N50,000,000 – N500,000,000	N500,000,000 - N4,000,000,000
3	PUBLIC FLOAT OF ISSUED SHARE CAPITAL (i.e the percentage of the company's shares available to the investing public)	10% of the company's shares	15% of the company's shares
4	MINIMUM SHAREHOLDERS	25 Shareholders	51 Shareholders
5	FEE STRUCTURE LISTING FEE	N250,000 (50% discount on application fee for the first 24 months from launch date of the Board)	0.1% of value
6	ROUTES OF LISTING	ROUTE I (companies already listed on the main board or the Alternative Securities Market Board (ASEM) and: • Has been in operations for at least two years; • Has its audited financials prepared in line with the International Financial Reporting Standards (IFRS); • Revenue Growth: N/A ROUTE 2 (New companies) • Core Investor/ Technical Partner of minimum of 2 years operating track record; • A majority shareholder who is either a High Net Worth	ROUTE 1(companies already listed on the main board or the Alternative Securities Market Board (ASEM) and: • Has been in operations for at least two years; • Has its audited financials prepared in line with the International Financial Reporting Standards (IFRS); • Revenue Growth: The company should have grown its revenue by a minimum rate of 20% cumulatively in its last two years of operations. ROUTE 2 (New companies): • Core Investor/ Technical Partner of minimum of 4 years operating track record; • A majority shareholder who is a High Net Worth individual;

		individual[1] or is a director of a listed company; • Undertakes to ensure that the company's directors/ promoters retain a minimum of 50% of their shares for atleast 12 months from the date of listing and do not directly or indirectly offer to sell such securities during that period	• Undertakes to ensure that the company's directors/ promoters retain a minimum of 50% of their shares for atleast 12 months from the date of listing and do not directly or indirectly offer to sell such securities during that period.[2]

3.0 Do I want my Company listed on the Growth Board?

It is pertinent to note that being listed on any board of the NSE including the Growth Board requires the company to comply with applicable regulatory obligations and disclosure requirements of the NSE as specified under the Listing Rules of the Exchange. Listed companies are thoroughly regulated in Nigeria with the aim of securing investors funds and ensuring transparency through required disclosures and notifications.
Nonetheless, the benefits of listing on the NSE cannot be over emphasized and a company that is granted access to raise funds from the investing public cannot be left unregulated. To protect the investing public, the NSE ensures, through its regulations, that a listed company develops the culture of good corporate governance. In recognition of the peculiarities of SMEs and as an option for companies that cannot comply with the stringent regulations and requirements of being listed on the Premium Board and the Main Board, the NSE requires less stringent continuing obligations, reduced penalty for late submissions and listing costs for companies intending to list on the Growth Board.

4.0 Conclusion

The NSE currently partners with a few selected value-added service providers to assist companies with pre-listing analysis, the listing process and the post listing requirements. The full complement of value-added services to listed companies, these include institutional services, investor relations, analyst coverage, corporate access and corporate governance to create a competitive edge for companies listed on the Exchange and to facilitate new listings.

Odujinrin & Adefulu is a registered value-added service provider with the NSE and will be providing legal advisory and corporate governance guidance to companies intending to list on the Growth Board.

For more information, please email: ccteam@odujinrinadefulu.com or check our website www.odujinrinadefulu.com for additional information on the range of our services.

[1] High Networth Individual as defined in the NSE Rules for listing on the Growth Board means an individual whose aggregate net-worth of investment assets exceeds One Hundred Million Naira (N100m) Million; or as defined by the Securities and Exchange Commission (SEC) from time to time.
[2] Rules for listing on the growth board of the Nigerian Stock Exchange.

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