

# **BARCLAYS AFRICA CONFERENCE**

18 – 19 June 2015

London

By: Geoffrey Odundo; Chief Executive

# Contents

1. NSE at a Glance
2. Our Business Environment
3. Outlook

# NSE AT A GLANCE



## Corporate Fact Sheet

NAME	NAIROBI SECURITIES EXCHANGE
Business Description	The bourse which provides a world class trading facility where securities are bought and sold by the forces of demand and supply
Established	1954
Revenues	Ksh 244,701,000 in FY 2015 (as at April 30, 2015)
EBITDA	Ksh 132,410,000 in FY 2015 (as at April 30, 2015)
Shares in Issue	194,625,000
Listing	Nairobi Securities Exchange
Shareholder Structure	Trading Participants 53.2%; Investor Compensation Fund 3.37% ; National Treasury 3.37%; Others 40.06%
Market Capitalization	Ksh 4,135,781, 250 as at May 30, 2015
Employees	42
Ownership interest	Central Depository & Settlement Corporation (CDSC) – 22.5% NSE Clear – 100%
Head Office	55 Westlands Road, Nairobi Kenya

## About NSE

- NSE is the fifth largest exchange on the African continent in market capitalization ranking after the Johannesburg, Nigeria, Egyptian and Casablanca Stock Exchanges
- In 2014 the NSE self-listed through an IPO which was oversubscribed by 600%. This made NSE the second listed exchange in Africa after Johannesburg Stock Exchange
- The Bourse is owned by approximately 15,000 shareholders
- NSE is an affiliate member of the World Federation of Exchanges (WFE), an associate member of the Association of Futures Markets (AFM) and a partner Exchange in the United Nations Sustainable Stock Exchanges Initiative (SSE)
- NSE operates on an Automated Trading platform (ATS) for cash equities provided by MilleniumIT and Avento bonds system provided by Securities Trading and Technology of South Africa

## Our Products

- Equities & Bonds
- Equity is listed on either the :
  1. Main Investment Market Segment (MIMS)
  2. Alternative Investment Market Segment (AIMS)
  3. Growth Enterprise Market Segment (GEMS)
- Debt is listed on the Fixed Income Market Segment (FISMS)

Product	No. of Shares	Mkt Cap (Ksh)	Mkt Cap (\$)
Equity	64	2.38 Trillion	25.53 Billion
Corporate Debt	17	Face Value	Face Value
Government of Kenya	81	91.25 Billion	977.28 Million
Treasury Bonds		1.56 Trillion	16.75 Billion

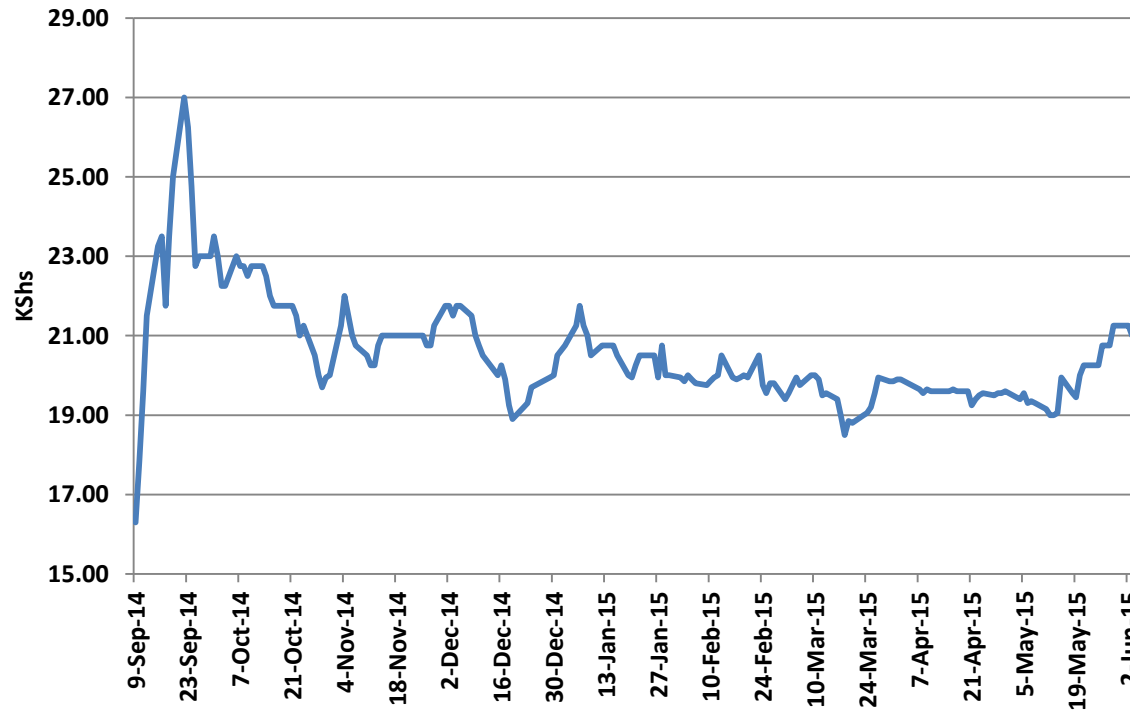
## Our Products

2014 Capital Raising	Amount (Ksh) Million	Amount (\$) Million
IPOs	627	6.28
Additional Equity	6,096	66.8
Corporate Debt	30,580	335.04
Government of Kenya Bonds	81,848	896.86
<b>TOTAL</b>		<b>1,305.57</b>

2014 Corporate Actions	Amount (Ksh) Million	Amount (\$) Million
Listing by Introduction	8,355.43	91.55
<b>TOTAL</b>	<b>8,355.43</b>	<b>91.55</b>

# NSE Share Performance

- NSE self-listed on the bourse on September 9, 2014 at an opening price of Kshs 16.00
- The stock has maintained a Volume Weighted Average Price (VWAP) of Kshs 20.54





## Review of Income – Q1 2015 Actual Vs. Q1 2014 Actual

Description	2015 Actual	2014 Actual	Variance	Variance
	Kshs '000	Kshs '000	Kshs '000	%
<b>Turnover-Equity (Bn)</b>	<b>93</b>	<b>88</b>	<b>5</b>	<b>6%</b>
<b>Turnover-FIS (Bn)</b>	<b>259</b>	<b>205</b>	<b>54</b>	<b>26%</b>
<b>OPERATING INCOME</b>				
Transactions Levy-Equity	111,218	105,013	6,205	6%
Transactions Levy-Bonds	9,056	7,179	1,876	26%
Annual Listing Fees	20,357	19,564	793	4%
Initial listing fees	1,500	1,000	500	50%
Additional listing fees	500	50	450	100%
<b>Total operating income</b>	<b>142,631</b>	<b>132,807</b>	<b>9,824</b>	<b>7%</b>
<b>OTHER INCOME</b>				
Data vending	5,225	4,364	861	20%
Miscellaneous income	310	69	241	348%
BBO fees	6,120	5,400	720	13%
Rent & parking	6,501	6,090	411	7%
Sale of data	1,300	1,149	151	13%
Private transfer fees	286	336	(49)	-15%
Nomad registration	550	58	493	857%
Sale of assets	-	(9)	9	100%
Exchange gain	449	18	432	100%
Market access fees	-	-	-	0%
<b>Total other income</b>	<b>20,742</b>	<b>17,474</b>	<b>3,268</b>	<b>19%</b>
<b>Interest income</b>	<b>21,408</b>	<b>6,550</b>	<b>14,857</b>	<b>227%</b>
<b>Grand Total</b>	<b>184,781</b>	<b>156,831</b>	<b>27,950</b>	<b>18%</b>

## Key Financial Ratios

	Q1 - 2015	Q1 - 2014	FY - 2014
Net Income Margin	38%	34%	39%
EBITDA Margin	62%	60%	60%
Effective Corporate Tax Rate	33%	30%	23%
Earnings Per Share (Kshs.)	0.46	0.36	2.13
Return on Equity	4%	7%	19%
Return on Assets	4%	4%	19%
Current Ratio	4.42	1.05	6.13
Book value/Share	10.75	5.23	10.29
Times interest earned	0%	1580%	0%
Debt-Equity ratio	0%	17%	0%

The Debt for financing the Exchange building was fully repaid in September 2014

## Key Balance sheet Ratios

	Q1 - 2015	Q1 - 2014	FY - 2014
Current Ratio	4.42	1.05	6.13
Book value/Share	10.75	5.23	10.29
Times interest earned	0%	1580%	0%
Debt-Equity ratio	0%	17%	0%

The Debt for financing the Exchange building was fully repaid in September 2014

# OUR BUSINESS ENVIRONMENT



# Kenyan Capital Market Ecosystem



## General macro-economic environment

- GDP - Kenya is a USD 55.2 Billion economy with a real GDP growth forecast at 6.9% (GoK), 6.9% (IMF) and 6.6% (World Bank) in 2015. Economic growth in 2015 will be broad-based across most of the sectors.
- Inflation rate has been stable in Q1 2015 with overall inflation at an average of 5.8% compared to 6.7% in a similar period in 2014. The rate is projected to remain stable in the remainder of 2015 at the range of 5% to 7.5% on account of stable electricity cost, low oil and global food prices.
- Interest rates to remain stable in 2015 - The money market has been stable with Central Bank Rate (CBR) remaining at 8.5% since May 2013, however the CBK increased the rate in June 2015 to 10%. Interbank rate has been consistently below CBR at an average of 6.98% since January 2015. The interest rate environment is thus expected to remain generally stable in the remainder of 2015.

## General macro-economic environment

- The Kenya Shilling depreciated in 2014 due to volatility in the global FX market. However, in Q1 2015, the CBK has been able to maintain Kes volatility within a narrow range of about 2% depreciation. We expect this to continue in the remainder of 2015.
- **Fiscal Outlook is Positive** - In the first half of FY2014/15 Kenya Revenue Authority (KRA) revenue collection was 94.3% of target and a 10% growth compared to similar period last year. The government is on course in rolling out its medium term projects.
- **One of Africa's best investment destinations** - A report by PWC in March 2015 ranked Nairobi as a leading investment destination. Investment in energy, roads, ports and mining has put Nairobi ahead of its peers in providing the right environment for those seeking investment opportunities.

# Market Performance

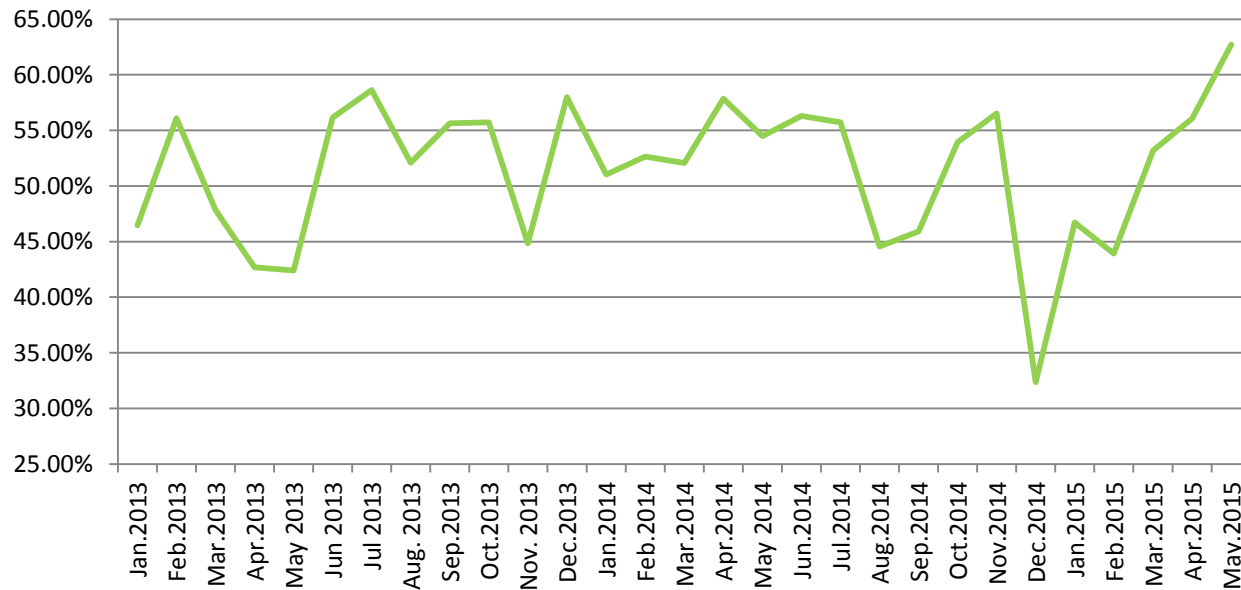
## Key Market Indicators -Monthly Comparisons

Market Indicator	Mar-15	Apr-15	May-15	%Change (Apr/May)
NSE 20 Share Index	5,346	5,091	4,788	-5.96
NSE All Share Index (NASI)	174	173	162	-6.47
Market P/E Ratio	16	16	14	-12.5
Market Capitalization (Kshs.billions)	2,452	2,430	2,341	-3.66
No. of issued shares (billions)*	83	83	83	-
No. of shares traded (millions)	614	488	684	40.16
No. of equity transactions	44,715	36,148	5,782	-1.01
Equity turnover (Kshs.millions)-ET	20,516	14,642	21,331	45.68
% foreign participation to ET	53	56	63	12.5
Bond turnover (Kshs.billions)	46	25	22	-12
Bond deals	500	543	472	-13.08
Kshs/US Dollar currency exchange	92	95	98	3.16
No. of trading days	22	20	20	-



# Market Performance

Percentage of total foreign turnover to total equity market



## OUTLOOK FOR 2015- 2016



## Financial Outlook

	Projections FY - 2015
ROE	19%
ROA	19%
Net Income Margin	39%
Earnings Per Share - Kshs	2.37

# Business Outlook

- Strong Performance driven by technology and innovation

With the IPO proceeds, we will upgrade the Automated Trading System (ATS). The upgrade will commence in the third quarter (Q3) of 2015 and is anticipated to be completed by the end of Q1 2016. The new system will fully support mobile and internet trading making it easier for investors to access our market.

- Leverage strong talent across the business

NSE adopted its new strategy 2014 – 2019 with one of the key pillars: Strengthen organizational capabilities & talent management. This is on course with a complete organizational review and restructuring expected to be complete by Q3 2015. NSE team is young, dynamic, resourceful, talented, engaged, aggressive and innovative.

## Business Outlook

- Focus on new products. We will be rolling out the following products in the course of 2015-2015

PRODUCT	DESCRIPTION	TIMELINE
Derivatives	Risk hedging in currencies, securities Establishing price certainty for agriculture and mining	Q3 2015
Real Estate Investment Trusts (REITS)	For income investment and for development of real estate	Q3 2015
Exchange Traded Funds (ETFs)	Cost efficient exposure to a basket of securities Similar to ETFs that are in France These give exposure to Kenya and East Africa	Q4 2015
Asset Backed Securities	For investment in income generating assets e.g. power plants, residential estates	H1 2016

# Business Outlook

- Focus on new products. We will be rolling out the following products in the course of 2015-2015

PRODUCT	DESCRIPTION	TIMELINE
Mobile Bond	A financial inclusion bond Citizens will be able to influence macro policy	Q3 2015
Green Securities	Investment in firms and projects that comply with the highest environmental, social and governance standards	H2 2016

# Business Outlook

## Initiatives to Boost Liquidity:

An increased number of issuers will come to a liquid market as they are assured of raising capital at a lower cost. These undertakings will enhance the trading of all listed securities.

We are working closely with stakeholders on:

1. Securities Lending and Borrowing;
2. Day trading for equities and bonds;
3. Mobile and online trading (Direct Market Access);
4. Remote Membership

Thank You

