

NSE's Success Story since Self-Listing (2014)



THE NSE CHIEF EXECUTIVE,
GEOFFREY O. ODUNDO.

The Nairobi Securities Exchange (NSE) understands and appreciates the myriad of benefits listing on the bourse bears to the issuer, investors, shareholders and the economy at large. Here is our story:

After 60 years of enabling, watching and guiding other companies grow and expand through listing on the Bourse, the NSE finally decided to seize the opportunity through its self-listing.

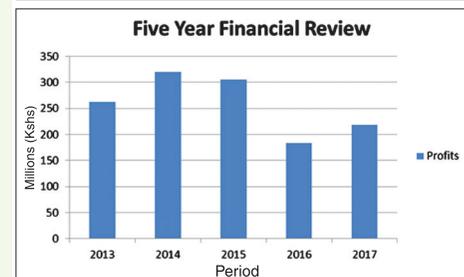
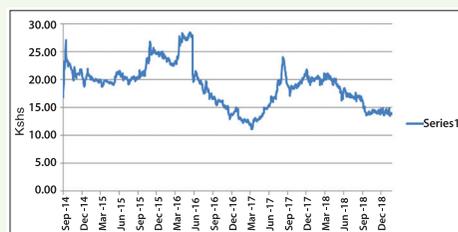
On July 1, 2014, the NSE received formal approval from the Capital Markets Authority (CMA) to operate as a demutualized entity. Demutualization is the process where a mutual company owned by its members converts into a company owned by shareholders. Following the approval, it commenced the process of offering its shares to the public through an Initial Public Offering (IPO) and subsequently self-list its shares on the Main Investment Market Segment (MIMS) of the NSE. The NSE was the second exchange in Africa to demutualize and list its shares, after the Johannesburg Stock Exchange (JSE).

On September 9, 2014, the NSE listed 194,625,000 shares at a stock price of Kshs. 9.50 per share. This was after a successful IPO which attracted over 17,000 investors, where we raised Kshs. 4.8 billion recording an overwhelming subscription rate of 763.9%.

Self-listing has enabled the NSE raise capital to fund its growth and expansion strategy and support various initiatives in line with the corporate strategy. NSE's business growth can be viewed in two segments; product diversification and technological improvement.

The Exchange continues to grow its value in line with its corporate vision of becoming a leading Securities Exchange in Africa with a global reach. The company has recorded growth in earnings over the past two financial years posting Profits after Tax (PAT) amounting to Kshs. 183.96 million and Kshs. 216.25 million in the 2016 and 2017 financial years respectively. Additionally, the NSE share price has grown from the initial offer price of Kshs. 9.50 to Kshs. 15.00, representing a 57% increase. The share price touched an all-time high of Kshs. 30.25 in March, 2016.

NSE's share price movement since listing

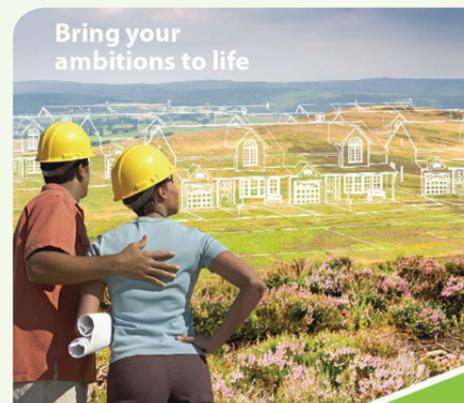


Since listing, the NSE has adopted a progressive dividends payout policy that supports the company's growth and expansion strategy whilst distributing fair shareholder returns. In this regard, the NSE has paid out over Kshs. 200 million in dividends since its listing.

Following the successful IPO, the NSE embarked on the 2015-2019 strategy which focused on enabling the NSE increase its revenue streams as well as offer local and international investors an array of financial instruments for both their short and long term investment needs among other key objectives. To this end, the NSE undertook strategic investment in product diversification which would play a critical role in enabling listed companies mobilize local resources and international capital in their quest to fund their growth and expansion strategies.

It is against this backdrop that the NSE launched the Real Estate Investment Trusts (REITs) and the Exchange Traded Funds (ETFs) in 2015 and 2017 respectively.

REITs are regulated investments vehicles that enable issuers to pool investors' funds for the purpose of investing in real estate enabling investors to tap into the booming real estate market in Kenya. Following the launch of the REIT market, the NSE listed the first REIT, the Stanlib Fahari I-REIT. They offer investors exposure to a wide variety of expertly managed and well regulated properties with regular income streams, with lease agreements which grow on an annual basis. REITs enjoy various tax incentives.



ETFs are listed investments products that track the performance of a basket of shares, bonds or commodities. An ETF can also track a single commodity such as oil or a precious metal like gold. In 2017, the NSE launched and listed the first ETF, the Barclays New Gold ETF which is also listed on JSE. Currently there are four types of ETFs; Index, Equity, Debt and Commodities and physical assets. ETFs allow investors to spread their risks and diversify their portfolio. The launch of ETFs has enabled investors to hedge against inflation due to their ability to withstand short and long term price volatilities.

The capital raised from the listing also opened up the opportunity for tech based advancements which have expanded our products offering and enabled us to upgrade our trading platform. This enabled the Exchange to move from brokers in red jackets bidding on the trading floor, to a secure online platform, which is faster, effective and efficient. Currently, brokers trade remotely. Certainly, technology is at the heart of NSE's business and operations. Since September 2006, the NSE has facilitated the trading of Equities through an Automated Trading System (ATS) that is anchored on world class technical and business capabilities to support the trading of capital markets products. The Exchange is currently working on upgrading its electronic trading systems, which is in line with NSE's mission; to provide a world class trading system that facilitates trading of listed securities.

Technological advancements presented yet another unique opportunity for the NSE to grow its product portfolio and enhance its presence among local retail investors. In view of the above, the NSE in partnership with the National Treasury and other stakeholders developed and launched M-Akiba, the world's first mobile traded government infrastructure bond. Due to its low entry level of Kshs. 3,000, the retail bond seeks to enhance financial inclusion by democratizing access to the bond market to retail investors while at the same time build a savings culture. Since its launch, the retail bond has enabled the NSE register over 400,000 new investors on the bond platform, thereby enhancing financial inclusion.



The launch of the aforementioned products was shortly followed by the development of the Derivatives Market. The Exchange is in its final stages of undertaking a pilot phase test for the Derivatives Market with the target of a full launch in the first half of 2019. The pilot phase aimed at testing the functionality and process of end to end transactions before the market goes live. Once launched, the market will enable investors to mitigate risks using Equity Indices and Single Stock Derivatives.

To grow its product portfolio, the NSE is working in collaboration with other partners to develop a vibrant Green Bond Market in Kenya. This new category of fixed income securities has shown its viability as a capital market product with high growth potential. Green Bonds hit a record USD 155 billion in 2017 and USD 167 billion in 2018. An increase of 100% as compared to 2016, driven by investor demand and a global trend to shift to investments that are sustainable, climate smart and ensure return on investment over the long term. Through the Green Bond Programme, the Exchange aims at expanding its offering to investors of environmentally and socially sustainable products.

Green Bonds will enable the Bourse attract an additional source of local and international financing whilst improving investor diversification and attracting buy and hold investors. It will enable NSE investors to factor in climate policy risk as well as balance financial returns with environmental benefits.

In a bid to grow and improve the economy and capital markets quality in Kenya, the NSE created an incubation and acceleration program dubbed Ibuka, to support businesses with high growth prospects. Ibuka is open to any company regardless of its size or field, it is a great opportunity to catapult businesses to the next level. This program is open to start ups, small and medium sized organisations and medium to large corporates. The program provides assistance in developing capital markets access capabilities, enhancing visibility and brand recognition of hostee companies. The program will also enhance improved corporatization and governance structures whilst providing a roadmap to corporate sustainability.



Through listing, the NSE has enhanced its corporate governance structure thus enhancing the company's top leadership and management function for business growth. High standards of corporate governance have also enabled us to improve our internal processes that add value and enhance the reputation of our business. This has made the NSE more attractive to local and foreign investors and ensure our long term success.

Since listing, the NSE has created a world class trading infrastructure supported by strategic investments in diverse products and cutting edge technology. NSE's product diversification has made it the second most diverse market in Africa. The Bourse's global standards have enabled it to get admitted as a full member of the World Federation of Exchanges (WFE) joining an elite cadre of Exchanges such as the New York Stock Exchange (NYSE) and the London Stock Exchange (LSE). Additionally, the NSE is a founder member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA). It is a full member of the Association of Futures Markets (AFM) and a partner Exchange in the United Nations Sustainable Stock Exchanges Initiative (SSE).

Talk to us today and Discover Opportunity!

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