



**NAIROBI SECURITIES EXCHANGE  
2024 ANNUAL GENERAL MEETING  
POSSIBLE SHAREHOLDER QUESTIONS**

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**1) The company saw decreased Activity in the Year 2023. Kindly highlight the factors that resulted in the performance.**

Our business performance in 2023 faced immense challenges with the performance of various asset classes especially equities showing a high correlation with emerging global macro-economic challenges.

*a) Operating Environment in the year 2023*

- The operating environment in the year 2023 remained challenging for frontier markets around the world.
- During the year, frontier markets across the globe faced significant challenges on account of a confluence of major economic developments.
- The challenges, a reflection of the heavy macro-economic pressure experienced in the year, were characterized by a tightening of the global monetary policy environment, a sharp escalation of inflationary pressure and noteworthy adjustment in foreign exchange across various markets.
- Domestically, the Kenyan economy also experienced persistent challenges characterised by rising interest rates, elevated inflation and a protracted weakening of the Kenyan Shilling other currencies in the better part of the year.
- The challenges faced during the year were also compounded by heightened fiscal vulnerabilities on account of maturing liabilities in the year 2024 specifically Kenya's June 2024 Eurobond.
- The above had profound negative effects on investor sentiments heightening investor uncertainty and risk aversion thus reducing capital inflows into frontier markets. They also led to investors reallocating capital to developed economies in search of higher yields in fixed income and near cash instruments.

### ***b) Reduced activity exerting pressure on trading fees***

- Our main revenue stream, trading fees, was under pressure on account of reduced activity on our equity market.
- During the year, year-on-year trading volumes in the equity market increased by 6.4% to settle at 3.2 billion shares up from 3 billion shares recorded in 2022.
- However, due to price erosion, the equity market turnover recorded a 6.35% decline to close the year at Kshs. 88.2 billion from Kshs. 94.2 billion posted in 2022. In 2023, bond market turnover similarly declined by 13.20% to settle at Kshs. 643 billion, from Kshs. 741 billion in 2022, due to reduced valuations on already issued bonds, and as investors choose to hold high yielding bonds, issued in 2023, to maturity.

### ***c) Supporting the Revenue Diversification in the Company***

- To reduce high dependence on the Group's core revenue base i.e trading fees and to further cushion the business from constant revenue pressures arising from reduced activity in frontier markets especially by foreign investors, the NSE is spearheading the evolution of its revenue base by diversifying its income streams.
- Data Services- Growing our offering and client base. Data and information services saw a 78% increase in the year under review. Training and Consulting Clients- Growing our training and consulting client base.

## **3. Appointment of Our New Chief Executive**

- The Board of Directors of the NSE appointed Mr. Frank Mwiti as the new Chief Executive of the NSE effective **2<sup>nd</sup> May 2024**. The appointment followed a comprehensive, and rigorous recruitment process.
- Mr. Mwiti is a dynamic and accomplished senior business leader with more than two decades of diverse global and regional professional experience in strategy, governance, business development, Corporate Finance, M&A, investment banking, risk management and performance improvement. He has advised governments, investors, shareholders, boards and CEOs across UK, US, EU, Russia, Middle East, Asia and Africa.
- Prior to his appointment as the CEO of the Nairobi Securities Exchange Plc, he served as a Partner and Eastern Africa Markets Leader at EY, leading Strategy, M&A and Business Development across Kenya, Ethiopia, Uganda, Tanzania, Rwanda, Burundi, Somalia and South Sudan.

- He previously held senior executive roles in London (UK) at UBS Investment Bank, Deutsche Bank, EY and PwC. Mr. Mwiti equally served as CEO and Managing Director at Afrika Kapital in UK , a firm he founded and in which he was involved in advising investment banks, private equity firms and hedge funds across forex, equities, fixed income, commodities, synthetics and listed derivatives in London, New York, Frankfurt, Singapore, Moscow, and Hong Kong.
- Mr. Mwiti holds Executive Management qualification from MIT (US), a Bachelor of Laws (LL.B) degree from University of Nairobi and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

#### **4. What is NSE's Dividend Policy/ Dividend Amount**

- As we seek to become the ultimate investment partner of choice connecting capital to opportunities in the region, the Board is keen on ensuring our investors continually receive strong returns on their investments. In view of this, the Group has a progressive dividend policy that places special focus on the following:
  - a) Enhancing shareholder returns.
  - b) Maintaining a strong capital position for the business.
  - c) Reserving adequate distributable cash to ensure current and projected operational needs are sufficiently catered for.
  - d) Positioning the business to take advantage of emerging short- and long-term opportunities.
- The Board has established a target dividend payout ratio in respect of each financial year of between **60%-80%** of the profit after tax following adjustments for non-cash profits and loss items. In relation to financial year ended December 31 2023, the Board recommends a first and final dividend of **Kshs. 0.16 per share**.

## 5. What initiatives have the NSE put in place to encourage listing of companies on the NSE?

The Board takes with high concern the lack of new opportunities and companies looking to the NSE to access financing. In view of this, the Group is continuously improving its preposition as it seeks to compete with other players including Banks and Private Equity players. Some of the key initiatives include:

- **Increasing privatization opportunities-** To increase the number of listed companies, we geared our engagements to encourage privatization of state owned enterprises (SOEs).
- The NSE is working closely with the Government to ensure that the Government realizes its commitment to privatize 6 to 10 companies.

### **Launching of the NSE Connect**

To further support capital raises through the NSE. The NSE is launching a new platform called NSE Connect. NSE Connect is an innovative platform that leverages on cutting-edge technology to bridge the gap between enterprises seeking to fundraise and potential providers of capital.

Upon successful registration on the NSE Connect platform, Enterprises will be screened and scored based on a set of key performance metrics.

A panel of advisors will also provide their independent assessment on the enterprises and recommend successful applicants to pre-IPO financiers for consideration.

- ***Benefits of the NSE Connect to Companies***
  - Provides access to a pool of investors ready to fund viable enterprises in Kenya.
  - Provides an accelerated route that will enable private companies to eventually list on the various market segments of the NSE.
  - Access to nominated advisors providing faster due diligence for companies seeking capital.
  - Incubation of growing enterprises through support in aligning their compliance and governance structures for investor attraction.
  - Shareholders in private companies enjoy credible market-based price discovery for their shares.

## 6. Increasing Retail Investors Participation on the NSE

- The Board notes that domestic retail investors participation in Kenya remains a huge untapped opportunity. Retail investors participation on the NSE remains low with participation currently dominated by domestic and international institutional investors.
- Currently, the total number of retail investors is 1,477,959. Out of the total number of retail investors an average of 6,840 have traded on a monthly basis in 2024.
- Given the total number of registered mobile phone with access to mobile financial services, the Board is keen on leveraging mobile technology to make it easier for retail investors to access the market through addressing the challenges that have historically prevented retail investors from easily investing on the NSE.
- Kenya has firmly established herself as a regional hub for technology and mobile financial services, leading the way in digital innovation and financial inclusion. According to the Communications Authority a significant percentage of Kenyans have embraced mobile technology for communications and financial services.
- This widespread adoption of mobile technology has paved the way for the proliferation of mobile financial services, with a majority of Kenyans having access to mobile money services.
- This remarkable penetration of mobile devices and mobile money provides a unique opportunity for the NSE to grow retail participation on both our equity market and secondary bond markets.
- Technology has the power to improve access and reduce related costs of opening and trading on various listed securities on the NSE.

## 7. New POLD Regulations

- There is a review of the current Public Offers and Listing Disclosures. As a beneficiary of the regulations, the NSE stands to benefit from the regulations through various initiatives. Below is an analysis of the regulations and benefits that the NSE will derive from the regulations;

NO.	ITEM	OLD REGULATION	NEW REGULATION	EMERGING OPPORTUNITIES FOR THE NSE

1	Special Purpose Acquisition Company (SPAC)	N.A	- Allows for listing of SPACs and provides the framework under the regulation for listing of SPACs	- The NSE can now facilitate the listing of SPACs on either the MIMs or SME Board
2	SME Board	- Introduced the Growth Enterprise Market segment (GEMS) to support the listing of SMEs	- Has introduced the SME Board in place of the GEMS Board	- Issuers will be able to raise capital via IPO. Previous regulation only allowed for Listing by Introduction for SMEs;  - Minimum no. of shareholders reduced to seven (7) from twenty-five (25);  - The SME Board will encourage new issuances by reducing the minimum requirements for listing by SMES;
4	Sector Boards	- Had three main market segments (MIMS, AIMS & GEMS) and did not allow for establishment of other market segments within the already established markets.	- A securities exchange may, with the written approval of the Authority, establish and operate other market segments within the market segments set out in regulation 11(1) or prescribe or alter the eligibility requirements for such market segments so established.	- This regulation will allow for the establishment of sector specific boards which will encourage the listing of companies within emerging sectors such as: technology, Venture Capital etc.
5	Size of Register for Issuers on MIMS	- Minimum register of 1000 shareholders	- Minimum register of 250 shareholders	- The reduction of the minimum no. of shareholders for issuers on MIMS will encourage companies with existing registers of shareholders to list by introduction on MIMS
6	Fixed Income	-		
7	Short-form Prospectus	- N.A	- Allows for publication of Short Form	- Will allow issuers to make significant time

			<p>Prospectus for issuers of Restricted Offers</p> <p>- It shall include:</p> <ul style="list-style-type: none"> <li>○ the name of issuer;</li> <li>○ a summary of description of business;</li> <li>○ a summary of description of issue;</li> <li>○ a disclosure of documents incorporated by reference in relation to the financial affairs of the entity or any significant matter as required for a full prospectus;</li> <li>○ the number, price and type of securities;</li> <li>○ conditions of the issue, if any;</li> <li>○ a detailed schedule of use of the proceeds;</li> <li>○ a description of securities and rights thereto;</li> <li>○ (i) completed and ongoing acquisitions in the preceding two years;</li> <li>○ a description of any underwriting arrangement and if the</li> <li>○ underwriter has any conflict of interest;</li> <li>○ any other material information; and</li> <li>○ any other information that the Authority may direct.</li> </ul>	<p>and cost savings by reducing the amount of time spent in preparation of the offer memorandum;</p> <p>- Creates an opportunity for issuers to list on the Unquoted Securities Platform (USP) and increases the competitiveness of the platform with regard to the amount of time required to raise capital.</p>
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## **8. New Strategic Direction for the Business**

- The NSE is its final year of the 2020-2024 Strategy. The company has started formulating its new strategy through guidance of the new Chief Executive.
- The new strategy will enable the NSE build on the already well-established infrastructure and will seek to propel the business into its next phase of growth and development.

## **9. Upgrade of the Automated Trading System**

- To further enhance system resilience and capabilities, the NSE will commission a significant upgrade of its equities trading system in 2024.
- The upgrade will replace our aging system and is envisioned to support new trading capabilities such as market making, fractional trading and provide for additional innovative trading techniques. These system capabilities are geared towards enhancing market liquidity.
- The upgraded system will offer a more robust platform that supports diversification of trading securities with improved business and technical capabilities.

**-ENDS-**

For further guidance: Kindly send an email to [corporateaffairs@nse.co.ke](mailto:corporateaffairs@nse.co.ke)