

KEPSA Capital Markets Presentation

12th July 2024



About NSE

The Nairobi Securities Exchange is a leading securities exchange in Africa (top 5*)

NSE bonds market capitalization

Kshs 4.3 Trillion

GDP 42%

NSE Equity market capitalization

Kshs 1.7 Trillion

Available products and services include

- Equities
- REITs
- ETFs
- Training
- Derivatives
- Data
- Bonds
- Green Bonds
- IBUKA

62+ equity listings spread across key sectors including:

- Agriculture
- Automobile
- Banking
- Construction
- Commercial Services
- Energy & Petroleum
- Insurance
- Investment
- Manufacturing
- Telecoms

NSE Key memberships & partnerships

Governance

- 10 Board Members
- 4 Independent
- 6 Non-Independent
- 1 Executive (Ce) & Exco with 9 Members



Capital Markets Products

Capital markets across the globe offer a diverse range of funding products.

Equity Securities

- Initial Public Offering (IPO)
- Rights Issues
- Private placements

Debt Securities

- Corporate Bonds
- Sukuk
- Green bonds

Derivatives

- Commodities
- interest rates
- Indices
- Stocks.

REITS

- D-Reit
- I-Reit

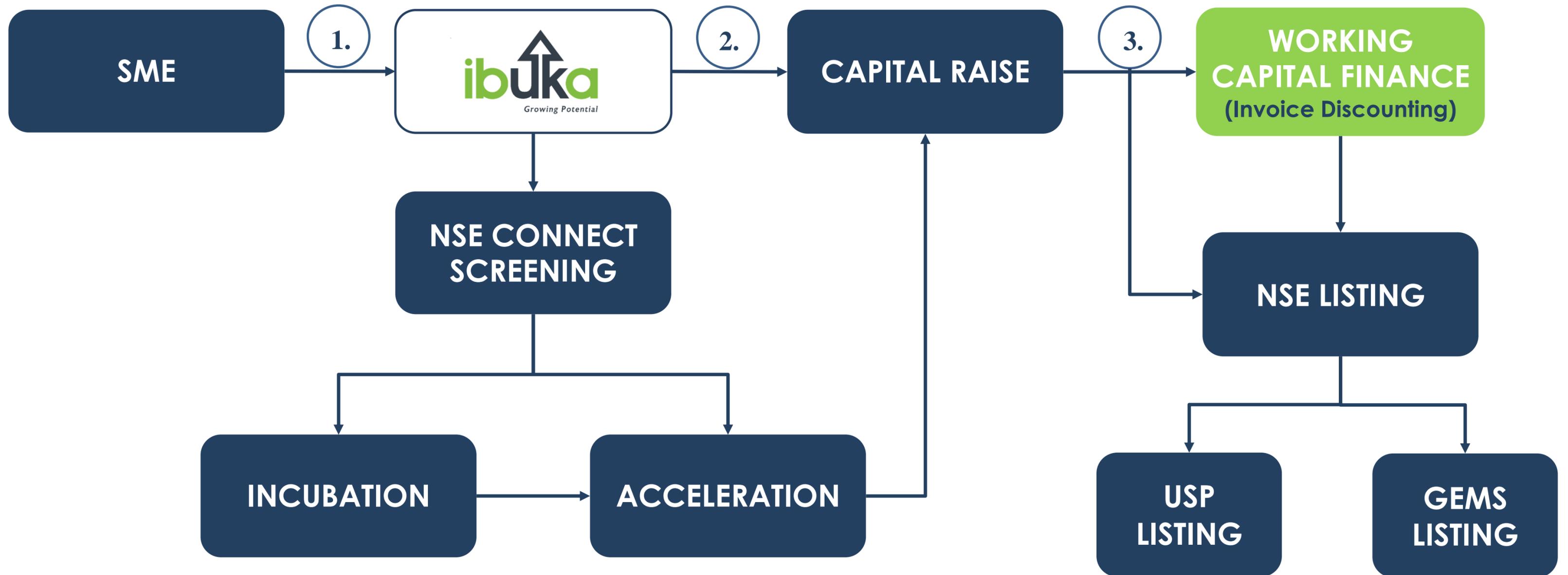
SME Funding

Ibuka & USP

SME Capital Markets Business Life (NSE)



SME FUNDRAISING JOURNEY



Equity – Route to Market

NSE market segments

Main Investment Market Segment

Minimum authorized share capital of KShs. 50 Million and net assets of KShs. 100 Million.

Alternative Investment Market Segment

Companies with fully paid up share capital of KShs. 20 Million and net assets of KShs. 50 Million.

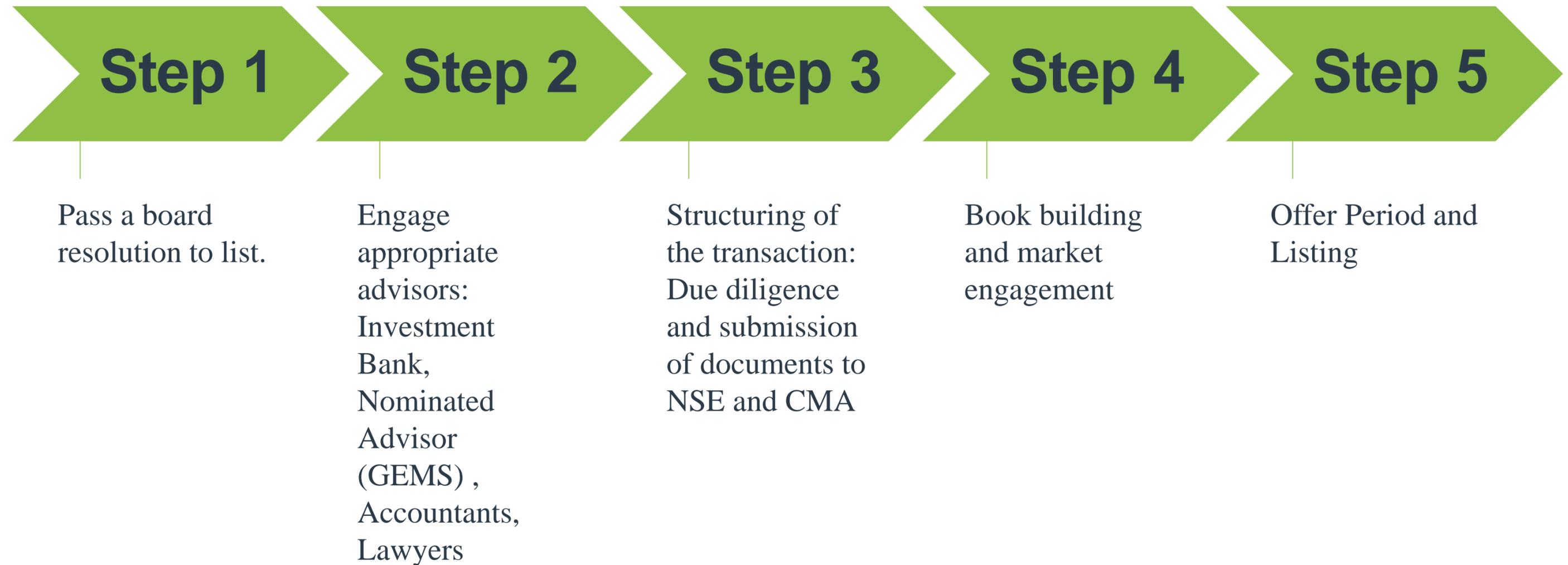
Growth and Enterprise Market Segment

Small and Medium sized companies with minimum paid up share capital of KShs. 10 Million with no assets required.

Fixed Income Securities Market Segment

- Minimum paid up capital of KShs. 50 Million and net assets of KShs. 100 Million
- Minimum issue size of KShs. 50 Million

IPO Process At The NSE

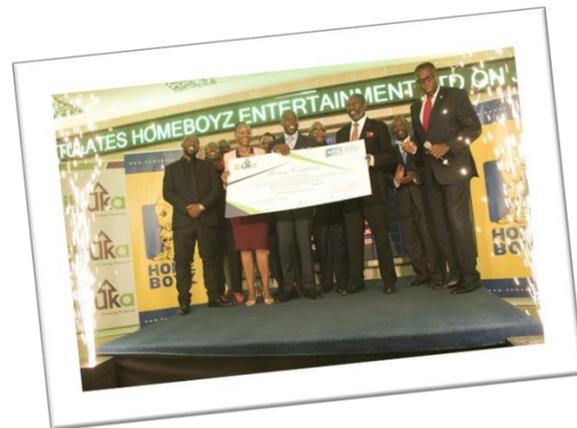


HomeBoyz Case Study



Joined NSE Ibuka Programme

- Enlisted to the NSE Ibuka Programme to fast track their capital markets readiness.



Listing By Introduction

- Listed by introduction on the GEMS segment in December 2020, with a share price of Kes 4.66 and a valuation of Kes 294.5 m. *Price to book value ratio of 9.4.*
- Received exemptions from trading of shares.



Visibility and Business Performance

- Enhanced visibility of the company to potential clients and investors due to their PLC status.
- Organic business growth based on improved governance and visibility.



Strategic Investor

- Commenced discussions with a strategic investor interested in acquiring a 30% stake in the business.
- 144% year-on-year increase in top-line revenue increasing from Kes 150 million to Kes 366 million.



Structured Exit

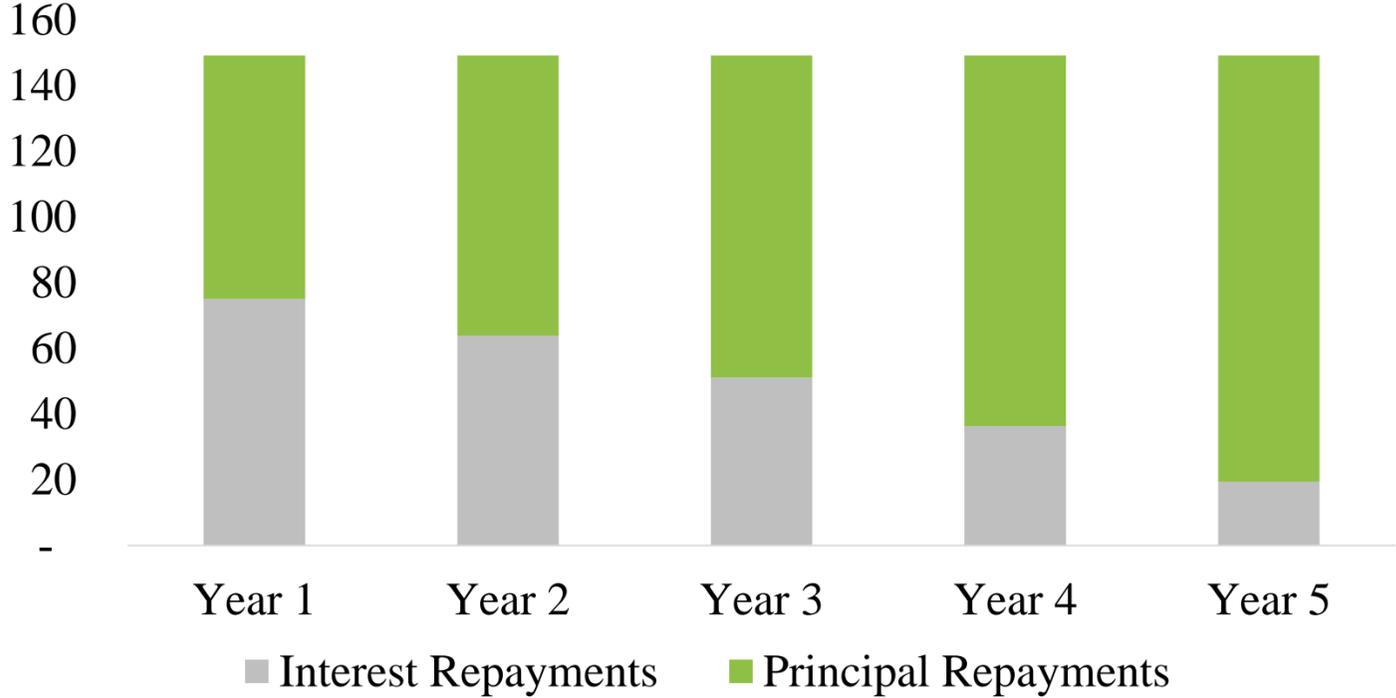
- Sale of listed equity to strategic investor.



Debt

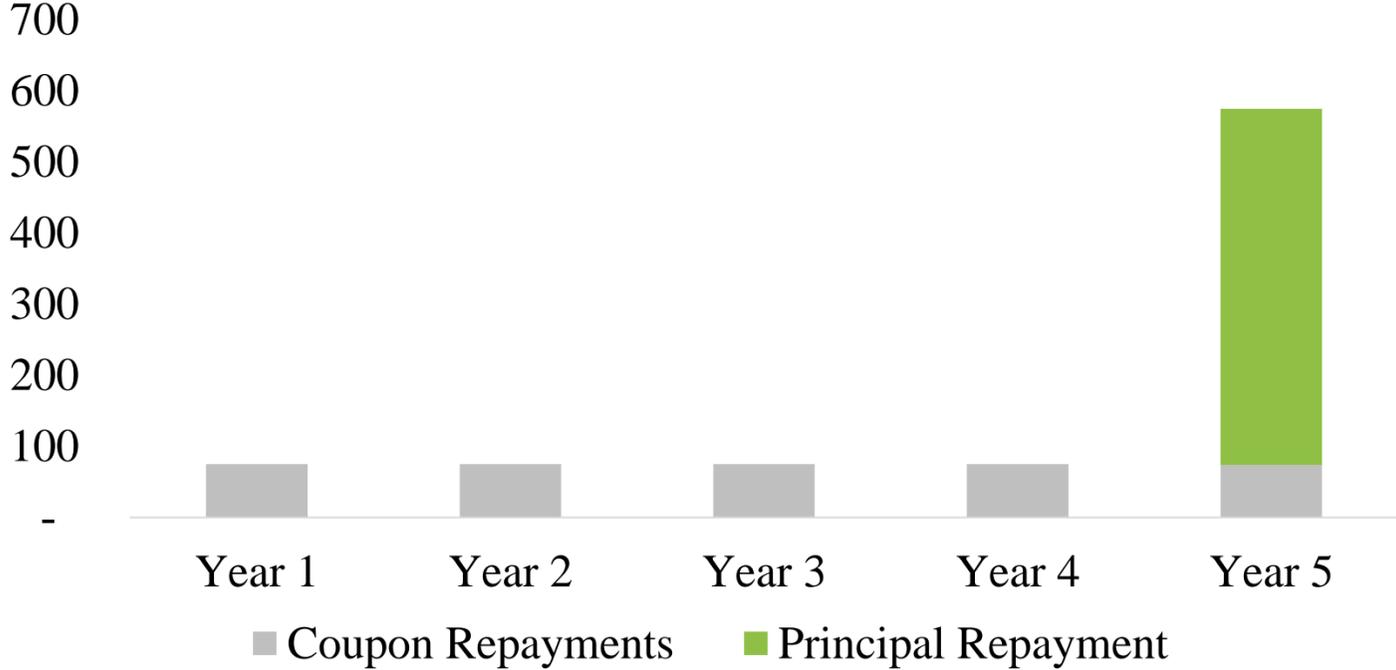
Commercial Loans vs Corporate Bonds

Commercial Bank Repayment Schedule



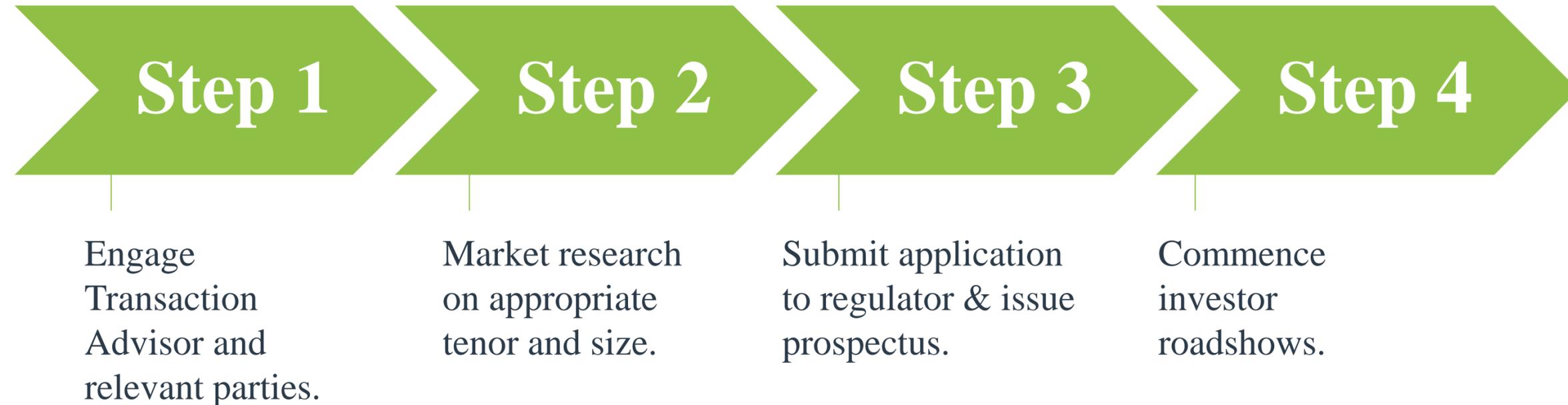
- Commercial loans principal and interest repayments are made on a monthly basis.

Bond Repayment Schedule

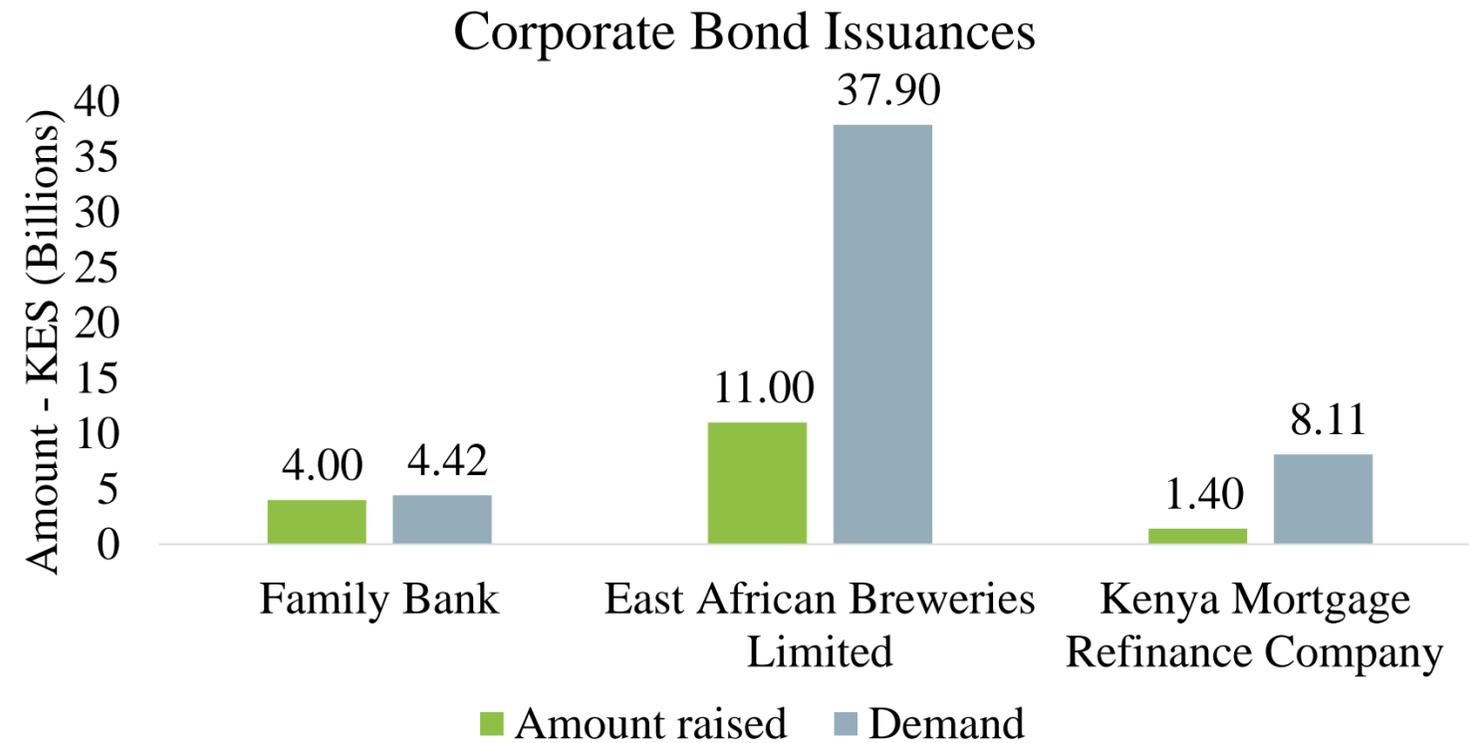


- Bonds offer more flexibility for business growth as the principal repayments are only made at maturity.

Bond Issuance Process



Corporate Bond Market Highlights



The NSE saw the issuance of three (3) corporate bonds over the period 1Q21 to 1Q22. Investor appetite for the issuance was robust with all three issuances surpassing their targeted amounts.

Issuer	Uptake
Family Bank	Local Institutions – 3.56Bn Local Individuals – 431Mn
EABL	Foreign Investors – 2.5Mn Local Institutions – 10.8Bn Local Individuals – 185Mn
KMRC	Foreign Investors – 174Mn Local Institutions – 1.2Bn Local Individuals – 18.7Mn

There is an increasing appetite for corporate bonds amongst local individual investors.

Green Bonds



Green Bonds Programme

BY KENYA

- Green bonds are the same as regular bonds, offering comparable risk/reward profiles and following the same issuance procedures but the proceeds are used for a wide variety of climate and other environmental projects.
- The NSE listed the first bond, Acorn Green Bond in 2020.
- The Green Bond market has grown globally recording issuance of USD 257 Billion in 2019.

Case for Issuing Green Bonds

- Investor diversification across regions and types
- Interest accruing from green bonds is tax exempt
- Strong over-subscription
- Match maturity with project life
- Tighter yields
- Enhance reputation of real estate and housing players.



Acorn Green Bond

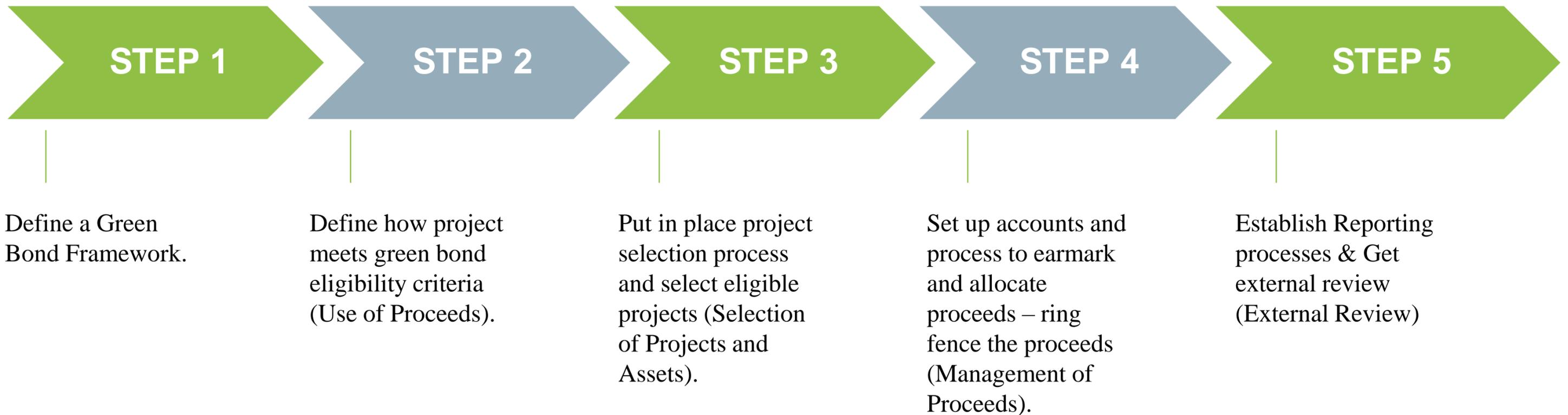


ACORN Holdings limited

- First Green Bond in East and Central Africa to be listed on the NSE and Cross listed on the London Stock Exchange.
- Received CMA approval to list KES 5.7 Billion and has done so progressively in tranches.
- Critical Success factors:
 - ✓ Support from GuarantCo – 50% on principal & interest rate payments
 - ✓ Excellent credit rating – Moody’s - AA rating
 - ✓ Support from Helios that own 50%
 - ✓ Extremely high-quality local road show
 - ✓ Thorough certification process of green projects.

Green Bond Issuance Process

Pre-Issuance



Eligibility Criteria

Eligibility Criteria for Listing

Item	Description
Incorporation status	The issuer to be listed shall be a body corporate registered in Kenya and must have been in business operation for a period of at least 2 years.
Share capital and Net assets	The issuer shall have minimum issued and fully paid-up share capital of ten million shillings and total assets of one hundred million shillings (unless exempted by the Authority)
Shareholders	The Issuer must have a minimum of 7 shareholders.
Financial records	The issuer must have audited financial statements complying with IFRS for an accounting period ending on a date not more than four months prior to the proposed date of the offer. The issuer should be solvent and have sufficient working capital.
Track Record	The issuer should have a credible and auditable business plan with verifiable growth potential and at least a major asset or a contracted business opportunity consistent with its line of business.
Share ownership structure	At least ten (10) per cent of the issued shares must be available for trade by the public at the date of commencement of trading on the securities exchange.
Directors and senior management	5 directors, of which 1/3 non-executive. 1/3 board must have completed Directors Induction Program and the rest within 6 months of listing

Eligibility Criteria for Bonds

Item	Description
Incorporation status	The issuer to be listed shall be a body corporate registered in Kenya and must have been in business operation for a period of at least 2 years.
Share capital and Net assets	The issuer shall have minimum issued and fully paid-up share capital of ten million shillings and net assets of twenty million shillings before the public offering or listing of the securities
Size of the issue	The minimum size of the issue shall be twenty million shillings and a maximum of four hundred million shillings.
Financial records	The issuer must have audited financial statements complying with IFRS for an accounting period ending on a date not more than four months prior to the proposed date of the offer.
Loan covenants	At the date of the application, the issuer must not be in breach of any of its loan covenants.
Debt ratios	Total liabilities, including the new issue of fixed income securities shall not exceed four (4) times the level of shareholder's funds

The End