



THE Nigerian STOCK EXCHANGE

Investor Engagement Series

With

Oscar N. Onyema, OON
CEO, The Nigerian Stock Exchange

Date:
October 30, 2019

Time:
3:00 p.m.

1

- Overview of the Global and Domestic Economy

2

- NSE Market Performance YTD

3

- NSE Business Initiatives

4

- Questions and Answers



**THE Nigerian
STOCK EXCHANGE**

Overview of the Global and Domestic Economy



US: 2.1%

Positive outlook driven by strong consumption and employment data. However, political tensions within the White House and with 'allies' pose downside risk to outlook.

EURO AREA: 1.2%

Weak production and exports as well as Brexit uncertainty continue to weigh on economic growth.

SUB-SAHARAN AFRICA: 3.2%

Strong growth expected in most countries except the region's largest economies – Nigeria & South Africa.

THE MIDDLE EAST & NORTH AFRICA*: 3.4%

Tighter US sanctions on Iran and weak global oil market as well as political uncertainties in the region continue to plague the region's economy.

LATIN AMERICA & THE CARIBBEAN: 0.6%

Weakened investors' confidence and policy uncertainty in Brazil and Mexico as well as economic uncertainty in Venezuela continue to have a devastating impact on the region's growth.

ASIA & THE PACIFIC: 6.5%

Strong growth in emerging and developing Asia partially offset by gradual slowdown in China.

KEY TRENDS IN THE GLOBAL ECONOMY

*includes Afghanistan and Pakistan
Source: IMF World Economic Outlook, October 2019

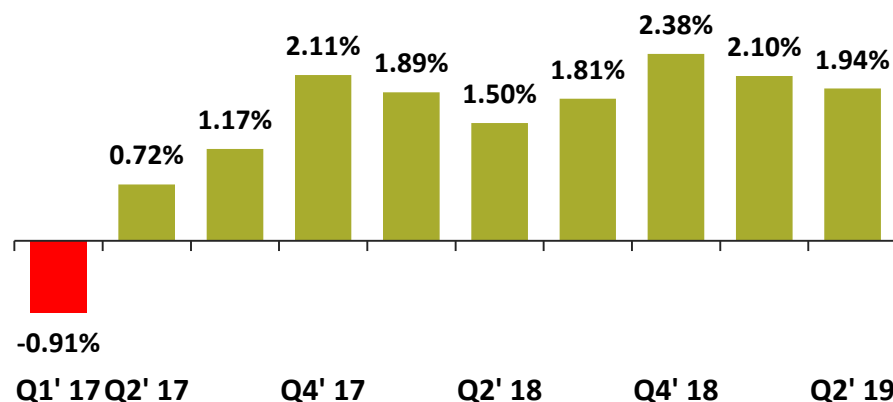
- Global output grew by 3.8% in 2017 driven by improved commodity prices and consumer demand, representing the strongest growth since 2011 and 0.3 percentage points above the IMF's projection of 3.5% for the year.
- Amid increased trade tensions, concerns about global growth, Brexit negotiations and geo-political tensions in the Middle East, global investors have reduced exposures to riskier assets since early August. Global growth is projected to reach 3.9% in 2018 and 2019, however, downside risks including US-China trade tensions, weigh on the positive outlook.

Nigerian Economic Overview

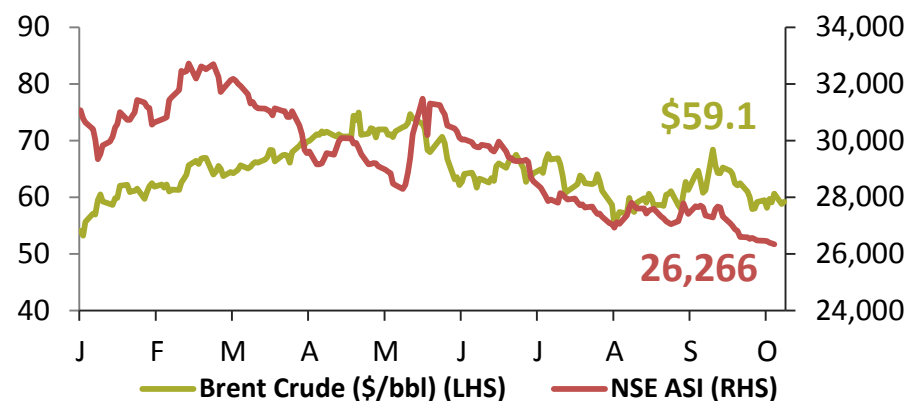


With Election uncertainty now gone, Nigeria's economic recovery remains positive supported by stable oil production, stable FX rates stance and growth in the non-oil sector. FX Reserves currently stand at \$40.7bn

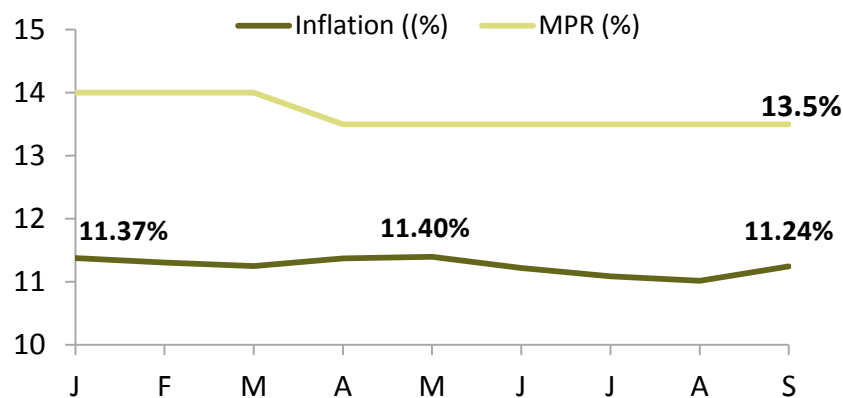
1 Moderate GDP Growth Post-Recovery



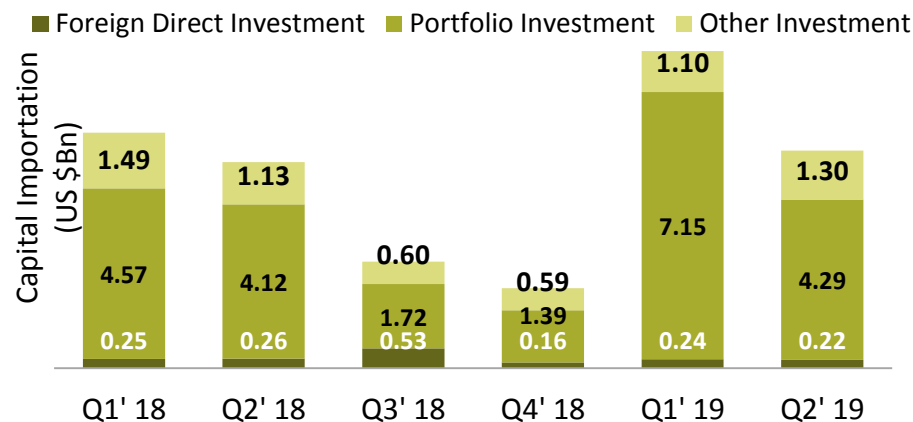
2 Continued Volatility in Global Oil Prices



3 Base Effect Drives Inflation Moderation



4 Capital Importation to Nigeria





**THE Nigerian
STOCK EXCHANGE**

NSE Market Performance YTD

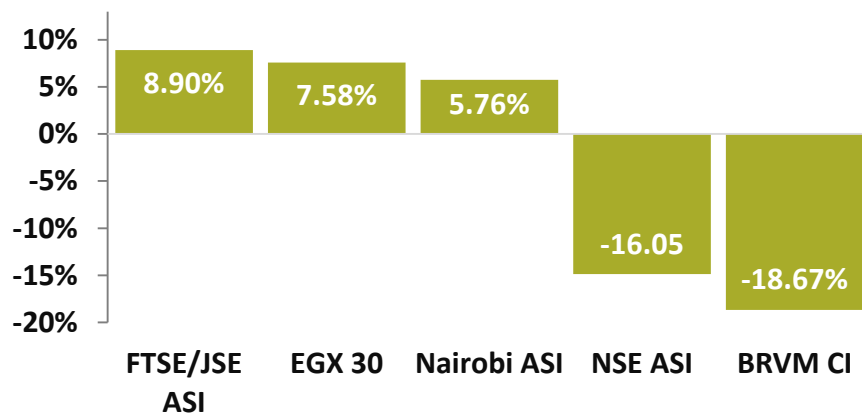


1 Market Trends

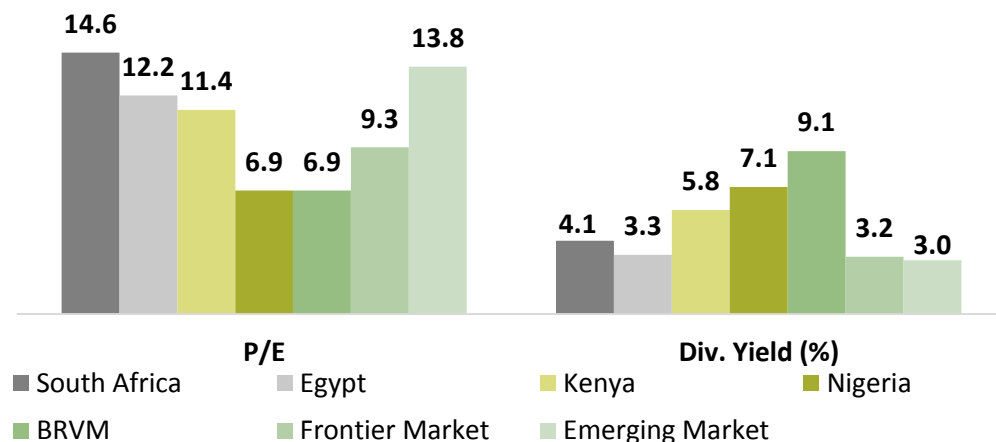
- The NSE ASI recorded a negative return of **(16.05%)** YTD*, as the bourse continues to lag behind its peers on the continent. The JSE/FTSE ASI (8.9%) was the best performing among the selected benchmark indices, followed by EGX 30 (7.58%) and Nairobi ASI (5.76%). BRVM also posted a negative return of **(18.67%)**.
- The Nigerian capital market continues to be weighed down by slow economic growth as well as relatively high interest rates.
- Yield in advanced economies have declined significantly, following a widespread easing of monetary policy, as well as flight to safety. Nigeria has the lowest real yield among the selected comparators. Despite having attractive return, high inflation continues to erode asset value.

Servicing
Africa's
Economy

2 African Stock Market Performance



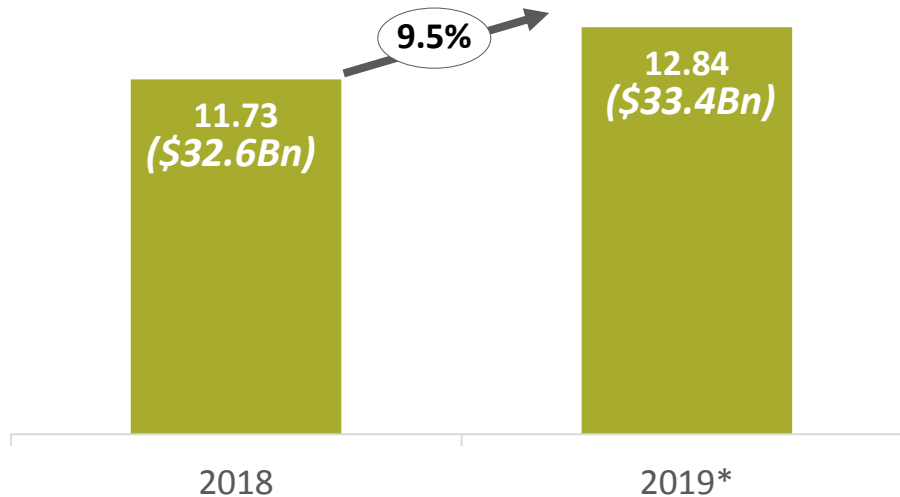
3 Cross Country Valuation Comparison



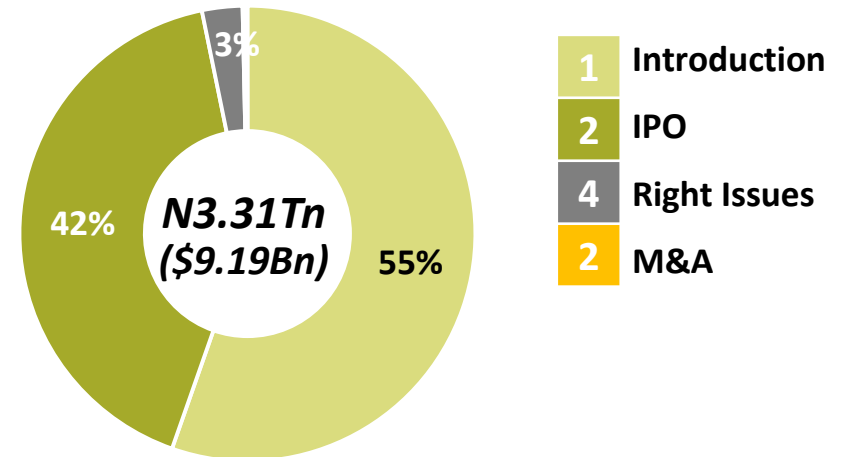
NSE Equity Market Performance (1/2)



1 Market Capitalization (N'Tn)



2 Listing Activity

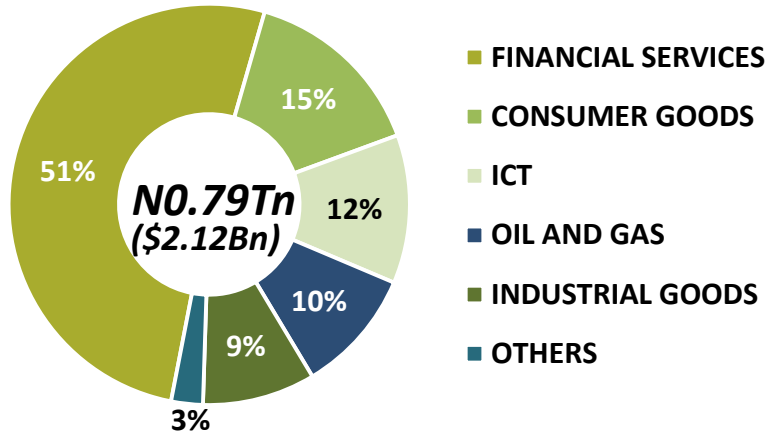


- Despite current depressed asset prices, the new listings of MTN Nigeria (\$5.07Bn) and Airtel Africa (\$3.86Bn) have helped grow the market capitalization by 9.5%.
- Listed companies continue to go the route of right issues while we expect some primary listings in the last quarter of 2019

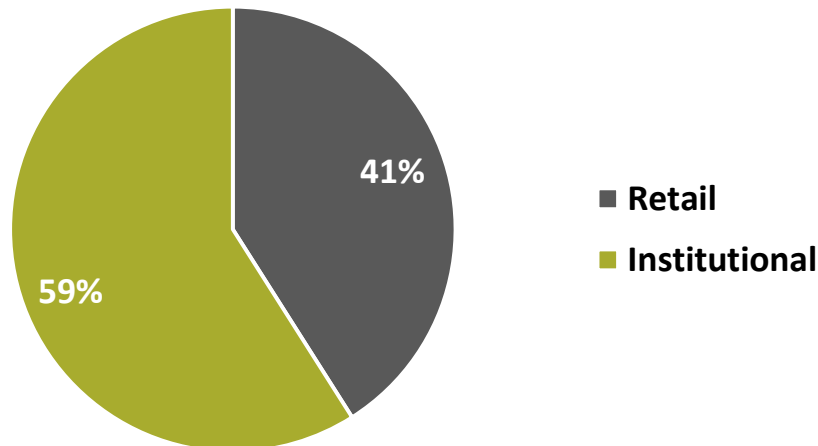
NSE Equity Market Performance (2/2)



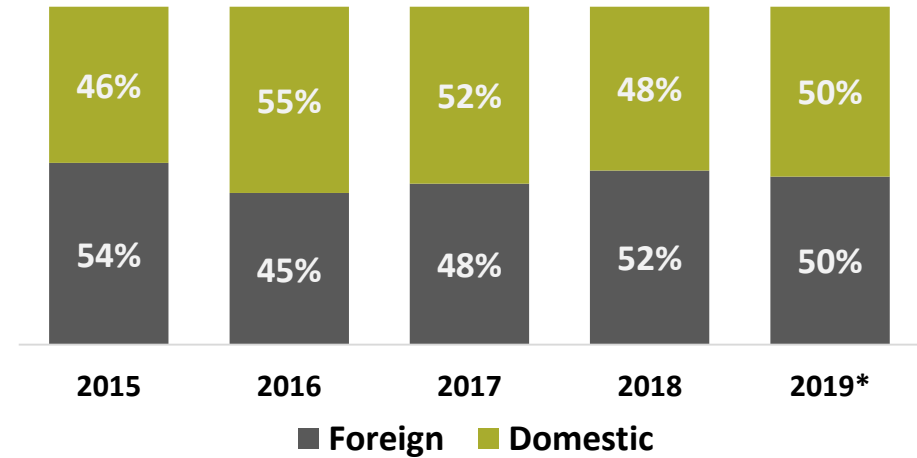
1 YTD MARKET TURNOVER BY SECTOR



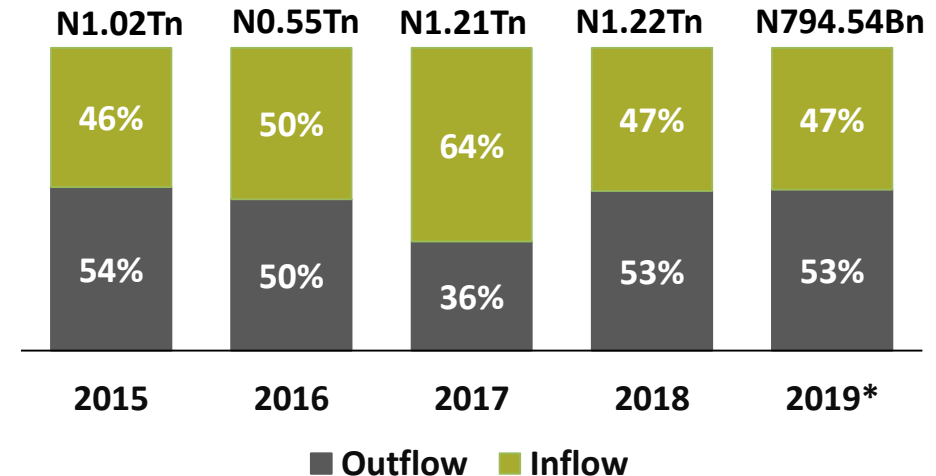
3 DOMESTIC INVESTOR ACTIVITY: Sept 2019 YTD



2 EQUITY VALUE TRADED: DOMESTIC VS. FOREIGN



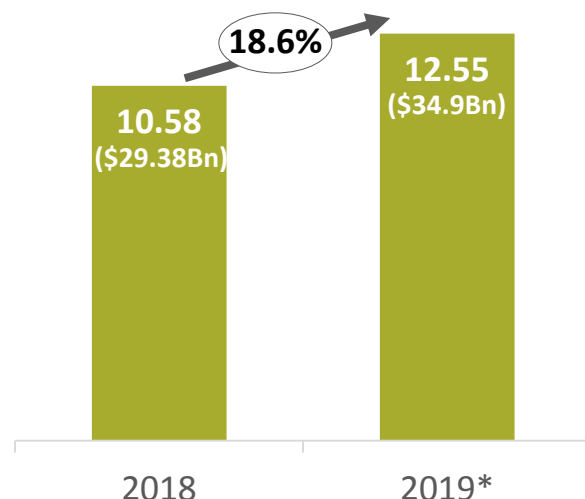
4 TOTAL FOREIGN PORTFOLIO FLOW (EQUITY)



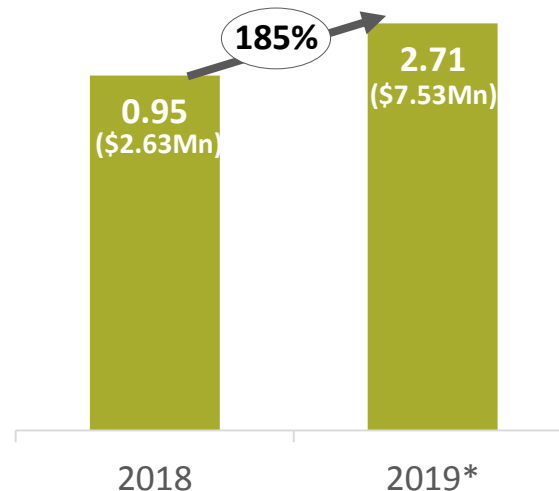
NSE Fixed Income Market Performance



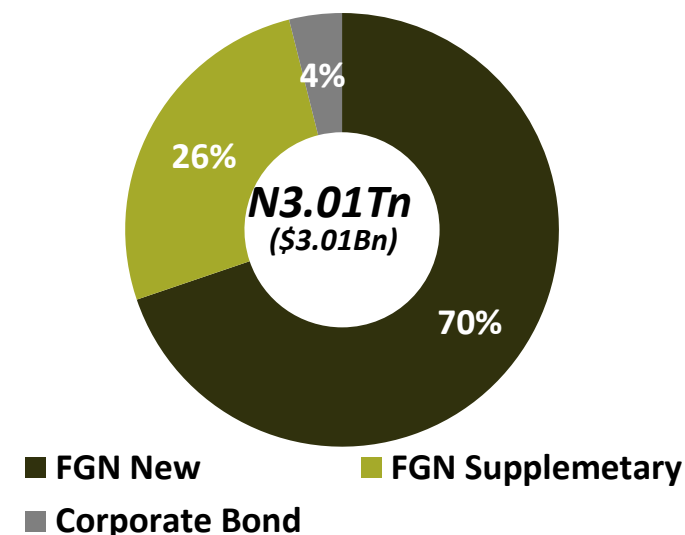
1 Market Capitalization (N'Tn)



2 Market Turnover (N'Bn)



3 Listing Activity



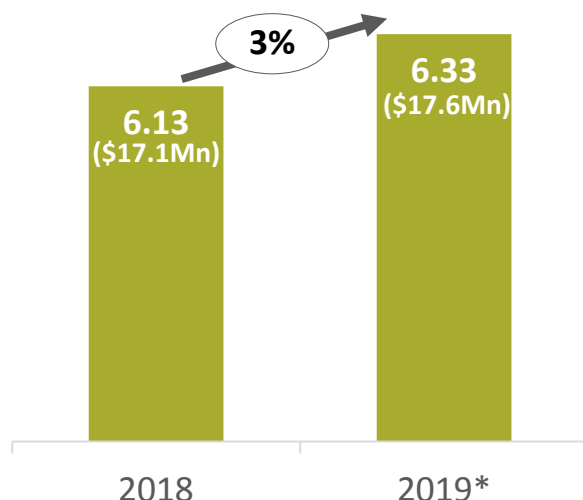
- In the NSE fixed income market, market capitalization has risen by 18.6% to N12.55Tn (\$34.9Bn) from N10.58Tn (\$29.38Bn) as at the end of 2018. Turnover has also increased by 185% compared to 2018 driven by a search for an alternative asset class to equities.
- Capital raising has been dominated by the Federal Government this year, in a bid to finance fiscal and infrastructure deficits.

* As At October 2019

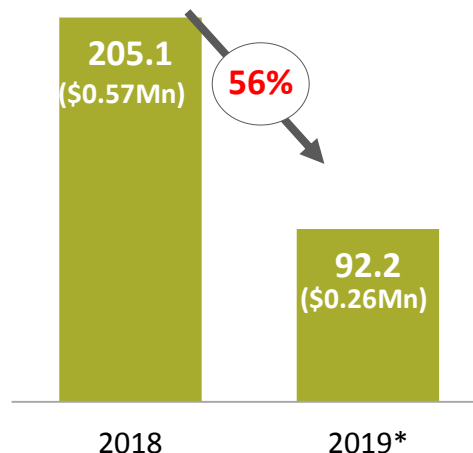
NSE ETF Market Performance



1 Market Capitalization (N'Bn)



2 Value Traded (N'Mn)



3 Diversified Index Suite



- The NSE's ETF market has witnessed reduced activity on the back of reduced risk appetite in the equities market and high interest rate environment.
- Despite the reduced activity, there has been one (1) new ETF Listing valued at N1.0Bn(\$2.7Mn) bringing the total number of ETFs to 10. New Gold ETF has performed the best among the ETFs listed, returning 156.50% Year to Date.
- The Exchange continues to partner with index providers and has rolled out four (4) new co-branded indices tracking value, growth, sector and dividend yield styles.

* As At October 2019



**THE Nigerian
STOCK EXCHANGE**

NSE Business Initiatives



In response to evolving operating conditions, the NSE rolled out the 2018 -21 Strategic Plan:

Enhancing our Customer Focus

- “Delighting” our customers (i.e. customer needs framework via consumer studies).
- Creating customer value proposition and reward systems.
- Growing retail participation as a key component of a resilient market.

Reorganizing for Optimization

- Ensuring the right people are in place to drive our growth strategy.
- Sustaining a high-performance culture.

Capitalizing on ‘Big Bang’ Opportunities

- Capitalizing on core competencies and emerging technologies.
- Driving innovation across the organization.
- Promoting competitive pricing and relevant incentives throughout the value chain.

This year, we have achieved the following:

Enhancing Retail Participation

- Reached over 2000 participants through the NSE’s X-academy
- Launched X-mobile to attract increased retail participation.

Innovation Hub

- Hosted the maiden edition of the X-kathon to boost innovation and onward incubation of tech startups in the Capital Market.

Demutualization

- In its final stages of the demutualization process, the Exchange submitted its application for a no objection ruling to the SEC in July 2019.

Derivatives

- Plans to launch Exchange Traded Derivative is ongoing
- Modalities for setting up the CCP are being concluded
- the SEC Derivatives and CCP rule making process is also ongoing

Deepening Listings and Product Development



Exchange Traded Funds (ETFs)

Diversifying the ETF segment by positioning our ETF market as a platform for gaining exposure to international markets and diverse investment strategies

Growth Board

The Exchange will launch its growth board this year with requirements geared to attract fast growing SMEs and startups



Green Bonds

We continue to provide a platform for listing green and sustainable instruments with listings valued at N49.2Bn (\$135.9Mn)

Partnership

Leverage our collaboration agreements and MOUs with LSE, JSE, Casablanca SE and the LuxSE to provide visibility for listed companies and products



Securitization

Developing a Securitization framework which will allow corporates pull loans into asset backed securities (ABS) and List them on the Exchange for liquidity

Listing Retention

The Exchange continues to engage actively with Issuing Houses and listed companies through active relationship management, to retain the companies that are currently listed





Enhancing Liquidity

- ✓ **Securities Lending & Short Selling:** The Exchange launched securities lending in 2012. Transactions are ongoing with the lending pool valued at over N1.07Bn (\$2.9Mn). 5 Securities Lending Agents (SLAs) have been licensed with one of them being very active. We are engaging with PENCOM and AMCON, who control large equity assets, to help deepen the lending pool.
- ✓ **Market Making:** The Exchange is amending its Market Making Rules and revamping its current market making program to provide fee incentives for market makers to fulfil prescribed obligations. Market making activities will be monitored by The Exchange's surveillance technology (SMARTs)

Enhancing Market Quality

- ✓ **Market Structure:** Implemented a new equity market structure to enhance pricing efficiency through blind opening and closing auctions. To further enhance execution and price improvement, we plan to introduce Mid-Point orders, opening and closing auction orders, amongst other order types
- ✓ **Pricing Methodology:** The recent revision of the NSE's pricing methodology is aimed at dampening volatility and ensuring a fair and efficient market

Strengthening Regulation on the NSE (1/2)



a

Collaborative

Internal (Cross-Functional)
External (National and International)

Engage with all stakeholders



b

Regulatory Technology

Employ technology in the discharge of regulatory functions



c

Governance

Governance of the regulatory function accords with international best practice



d

Transparent

Broker TraX (Dealing Members)
X-Compliance (Issuers)
Circulars





Specific areas of reforms



Corporate Governance

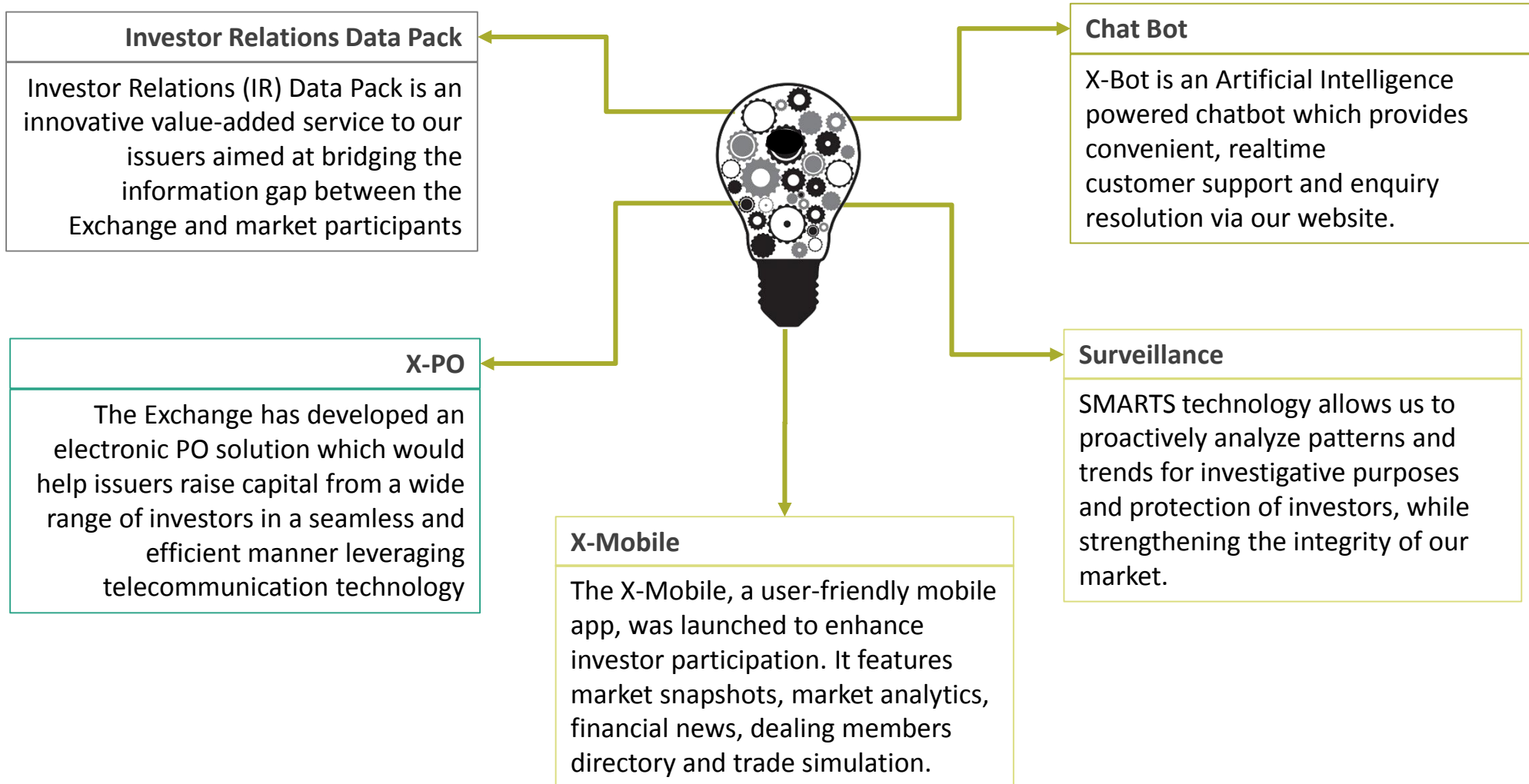
- The Exchange is enhancing its Issuers' Portal which will improve enhanced disclosures from issuers. Issuers of listed funds have also been provisioned on the enhanced issuers' portal. The enhanced issuers' portal will allow issuers (listed companies and funds) disclose all required information to the investing public.
- The Exchange developed rules that require listed companies to provide a release calendar. As part of the enhanced issuer portal, the release calendar will display a list of expected and actual filing dates of specific financials, corporate actions, and meetings for issuers' activities.



Rules and Regulation

- The Exchange collaborated with the Securities and Exchange Commission (SEC) to streamline the listings process for issuers and reduce turnaround time with Issuers.
- As part of the process of ensuring that The Exchange demutualizes successfully, there has been a review of the Rulebook of The Exchange, which also consolidates all SEC approved rules (post 2015).
- The Exchange completed the final phase of its Gap Analysis exercise on its Listing Rules in consort with foreign technical advisers. This is to ensure that it is at par with global best practices and benchmarked exchanges including the NYSE, LSE and JSE.

Leveraging Innovation and Technology





The NSE continues to partner with the Federal government in terms of policy advocacy, technical capacity development and advisory for alternative long-term funding solutions for budget and infrastructure development needs.

Privatization and Listings

The Exchange is driving engagement and advocacy with the Bureau of Public Enterprises (BPE) and state governments on SOE **privatisation and listing**

Institutional Participation

The NSE is driving advocacy for stronger **institutional participation** in the Nigerian capital market

International Roadshow

The Exchange is driving more international investor engagement along with the Presidency and Central Bank to tell our story



Tax Incentives

The NSE is assiduously working to ensure the **restoration of Value Added Tax (VAT) exemption on capital market transactions**

Ease of Doing Business

The NSE is driving advocacy around **reduction of costs of doing business and transaction charges** by constantly engaging Ministry of Finance and other critical stakeholders.

Public Private Partnership

The Exchange is engaging government at all levels to adopt PPP models financed via the Capital Market for infrastructure projects

THANK YOU

Visit our website today!

www.nse.com.ng

“A truly user-friendly experience”

NEW & IMPROVED WEBSITE

- Featuring Intuitive navigation
- Enhanced view of listed securities
- Detailed quotes and charting
- Site-wide search
- Mobile access
- Easy-to-find information
- Social media integration
- Improved site load-time
- Enhanced content

