



NILEX

Small & Medium Enterprises Market (SMEs)

Listing Guide in NILEX Stock Exchange



Introduction

Small and Medium Caped enterprises play an important and vital role in the process of economic development and providing job opportunities. In spite of the importance of these benefits, the companies face difficulties when they attempt to get bank funding for their expansion and access to new markets.

Hence, The Egyptian Exchange in cooperation with the concerned authorities established the first market in the region that allows more financing opportunities for small and medium-sized companies.



NILEX: Gateway to Finance

NILEX is the only market in the region aiming at developing small and medium enterprises (SMEs) in the Middle East and North Africa through providing the necessary funding to allow expansion opportunities.

NILEX is the result of in-depth study to meet the needs of both investors and SMEs, where similar practices have proved success in helping these companies to grow and expand by offering more funding opportunities through investors targeting investment in smaller enterprises.

NILEX targets the promising companies in the region with no boundaries to particular industries or geographic areas, including family businesses.



NILEX Importance & Benefits

Now there is a real chance to get funding without resorting to direct borrowing from banks through listing on NILEX.

Benefits on Listing in NILEX

- Getting fund for your organization without complicated procedures and without the need for guarantees.
- Huge Egyptian and foreign investments seeking to contribute and invest in promising companies.
- Institutions and Investment banks seeking to invest in successful companies and assist in their development in terms of management, marketing, technology,...etc
- Listing on the stock exchange facilitates the banking sector funding of all kinds.
- Providing a trading mechanism to speed up the ownership transfer and mechanism for fair pricing based on supply and demand.
- Listed companies all over the world witnessed remarkable growth opportunities after listing on the market and obtaining required funding.



Listing Rules

Legal Structure	<ul style="list-style-type: none">● Egyptian Joint Stock Company and the securities companies are required to get approved from the Egyptian Financial Supervisory Authority (EFSA) to apply for listing.
Stock type	<ul style="list-style-type: none">● Ordinary stocks, Preferred Stocks
The Company's Performance Record	<ul style="list-style-type: none">● Company should have financial statements for one fiscal year prior to the listing request. In case of unavailability, the company may submit three years action plan, including the anticipated future results accredited by the Nominated Advisor or financial advisors accredited by EFSA.
Accounting & Auditing Standards	<ul style="list-style-type: none">● Financial statements are prepared in accordance to the Egyptian Accounting & Auditing Standards and approved by the company's General Assembly authenticated by the administrative authority in charge.
Financial Auditor	<ul style="list-style-type: none">● Appointed by the company's General Assembly who is enrolled in EFSA.
Minimum Profit	<ul style="list-style-type: none">● Certain percentage of the net profit is not required.
Shareholders' Rights	<ul style="list-style-type: none">● Shareholders' rights should not be less than the paid-in capital in the last financial statement prior to the listing date.
Capital to be listed	<ul style="list-style-type: none">● Not more than LE 50 million fully paid, and should not exceed later LE 100 million.
Minimum Shares	<ul style="list-style-type: none">● Not less than 100 thousand shares.
Minimum Shares Offered	<ul style="list-style-type: none">● 20% of the total company shares.
Free Float	<ul style="list-style-type: none">● A minimum of 10% of total company shares.
Minimum shares to be held by founders and Board of Directors and the company's major shareholders	<ul style="list-style-type: none">● 51% for a period of two fiscal years, 25% for the next three fiscal years.

Minimum shares to be held by insiders who subscribed in shares in case the company is listed prior to the issuance of financial statement for at least one year	● The share will not be traded before publishing a full financial statement that includes the profit and loss accounts for 2 fiscal years from the date of the founding of the company.
Minimum Shareholders	● 100 shareholders
Disclosure Required for The IPO *	● Publishing the prospectus and in case of listing before the issuance of financial statement for one fiscal year, it is necessary to include additional disclosures so that the share is traded higher than the paid of the nominal value.
The Language of Financial Statements	● Arabic and English
Rules & Regulations	● Should abide by the listing of SMEs and blue ships in case it is not mentioned in an official document; also, the trading rules.
Agreement Contract	● The company requesting listing should sign a contract with the Stock Exchange. The contract organizes the rights and commitments of each. It states the financial commitments that the company should pay for the stock exchange in case it violates the listing rules and regulations or the contract conditions.
Conformity & Constitutional Restrictions on Stock Trading	● The company's main structure should be free of any restrictions on the trading of securities that are to be listed without violating the restrictions mentioned in the legislations that regulates some activities or certain geographic regions.
Central Depository Share	● The Company's shares should be deposited on the central depository system.
Contracted with A Nominated Advisor	● A contract should be signed with a certified Nominated Advisor who shall guide the company for a period not less than two years from the listing date. He is committed during this period to submit the company's re-search coverage. In case among the company's shareholders a risk management fund or an investment or financial firm whose shares are not less than 10% of the total issued shares, and it should sign a written pledge not to sell its contribution except after two years from the listing date.
Commitment to Fund Expansions	● The company is committed to do so in the prospectus.

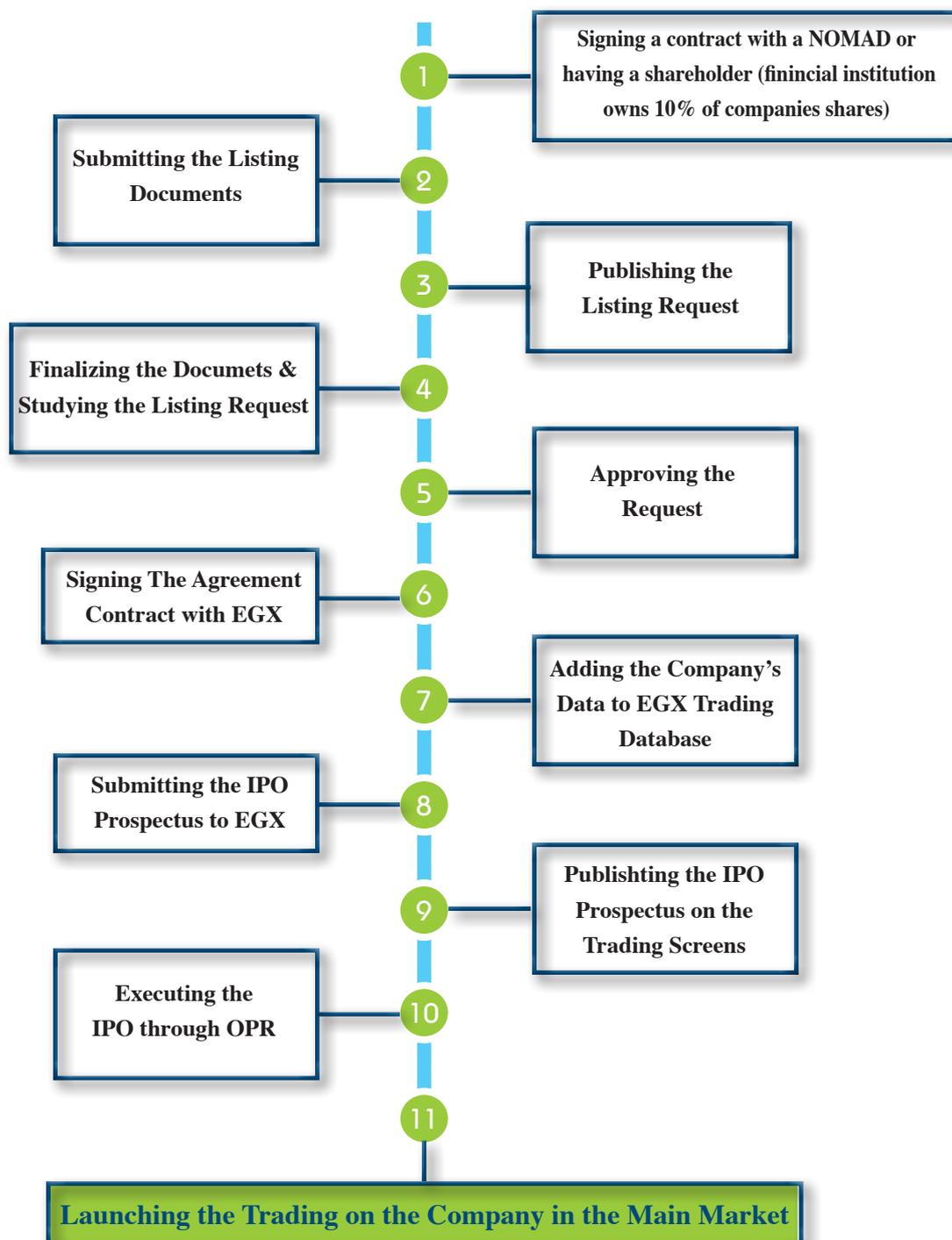
* The authentication and verification of the information mentioned in the Disclosure report for the objective of IPO is the responsibility of the company, its financial and legal representatives.



How to Start Listing your Company & benifites from the funding

The first step for listing a company on NILEX is to do a contract with one of the accredited nominated advisors. This nominated advisor is responsible of helping the company in the stage of its listing; he is also in charge of following up on the company's commitment towards the Listing and Disclosure rules and regulations. The nominated advisor carries this responsibility for not less than two years since the listing date though which he is committed to conduct the research coverage of the sponsored company.

Listing Steps





Main Listing Documents

Legal Documents proving the Company's Legal Entity

- EFSA's approval to issue the company's shares at establishment and at each capital increase
- The main structure of the company published in the investment newspaper.
- A new copy of the company's commercial record.

Documents Associated with the Listing Request

- Copy of the Official Power of Attorney from the legal representative nominated to deal with the stock market to finalize the listing issues.
- A Listing request signed by the company's legal representative according to the form prepared for this.
- Signing the agreement between the stock exchange and the company's legal representative to list its shares.
- Copy of the services and listing fees invoices.
- The listing forms on the company's heading and stamped by its stamp.

Documents Associated with the Presence or Absence of the NOMAD

- In Case of availability:
 - A copy of the Sponsoring contract between the NOMAD and the company in accordance to the forms prepared for this.
 - A pledge and commitment between both the NOMAD and the company to fulfill their commitments towards EGX and EFSA.

In Case of his absence:

- A pledge signed by the legal representative of the risk management fund or the financial or investment institution that he will not sell his shares (not less than 10% of the total shares) except after 2 years from the listing date.

Documents Related to the Financial Status of the Company

- In Case of publishing the financial statement of at least 1 year
 - Financial statement for 1 year prior to listing request
 - The General Assembly report that approved the last financial statements accredited from the specialized financial authority.
 - Newly issued certificate from a financial auditor listed on EFSA that highlights the development in capital and means of fulfilling each issuance.

In Case of unavailability of a published 1 year financial statements

- A 3 year Action plan that includes the prospected results approved by the NOMAD or one of the financial advisors certified from EFSA.

Prospectus *

- General data about the company to list
- Company's Contact Details
- Central depository and stock exchange listing details
- Board members and their participation data
- The number of shareholders and the percentage of equity participation
- Founders and shareholders who own 1% or more and groups associated.
- Percentage of the free float.
- IPO data
- Shareholders who are offering their shares
- Equity position in terms of data freezing in accordance to whether the listing requirements or the requirements of the legal restrictions on the founders' shares.
- Name of the financial auditor and his data.
- Summary of the company's financial statements (if any).
- Summary of the last financial auditor's report (if any).
- The company's most important financial indicators, according to the financial statements.
- Additional disclosures that can be included, particularly if the company had not published financial statements for at least one fiscal year.
- The legal representative, auditor, legal advisor, and financial consultant should approve each page of the report.
- The disclosure report should be attached to it the documents that support each item mentioned in the report.
- This report should be published after listing the company's shares and before proceeding with the IPO.

Financial Advisor Study of the Fair Value of the Company**

- It consists of the following:
Financial Advisor Report - Introduction - Executive Summary Report (evaluation results and a summary of the financial results) - Company Profile - About the market - the most important assumptions and bases of the study - the estimated financial statements (5 years)

IPO Prospectus

- Include the IPO goal - the schedule for implementing the IPO through the OPR - the ownership structure before and after implementing the IPO – it should be approved by the legal representative of the company

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