



# LISTING ON GHANA ALTERNATIVE MARKET (GAX)

AN ALTERNATIVE (EQUITY) FINANCING FOR  
AGRIBUSINESSES

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# INTRODUCTION

- The role Agriculture plays in Ghana's economy cannot be overemphasized
  - The entire economy of the nation is classified under three (3) sectors as:
    - Industry
    - Agriculture, and
    - Services
- **Picture of the past three (3) years:**
  - Source: GSS Newsletter December 2015

	2013	2014	Q3-2015
Agriculture	25.8	28.2	24.5
Industry	24.9	24.7	23.4
Services	49.2	47.1	52.1
IN 2009	Agric - 40.8%	Industry - 17.0%	Services 42.2%

# WHAT WE'VE MISSED

- ❑ Mechanised Agriculture is limited in the country
- ❑ Citation of Best Farmers, at all levels (District, Regional, National) show individuals farming good acres of land without much mechanization
- ❑ Farmers complain of financial support, because
  - ❑ Farming business is not organised on company concepts
  - ❑ Financial Institutions recognise and help company concepts than others
- ❑ Agribusinesses tend to be businesses dealing in Agricultural tools, fertilizers, insecticides and other farming inputs

# THE GHANA ALTERNATIVE MARKET (GAX)

If only farmers will organise along business lines they could take advantage of alternative equity financing via the Stock Exchange, the Ghana Alternative Market (GAX).

# GHANA STOCK EXCHANGE

- Ghana Stock Exchange (GSE) was established in 1990 with two key objectives:
  - *To facilitate the Mobilization of long term capital by Corporate Bodies/Businesses and Government through the issuance of securities (shares, bonds, etc).*
  - *To provide a Platform for the trading of issued securities.*

# LISTING

## LISTED SECURITIES

Shares	- 39
Preference Shares	- 1
Exchange Traded Funds	- 1
Corporate Bonds	- 16
Government Bonds	- Over 100

# CHALLENGES

- ❑ Low liquidity
- ❑ Low listings
  - Ownership culture
  - Transparency/Disclosure issues
  - Cost of Advisory Services
  - High Regulatory Fees
  - Stringent Requirements
  - Long Approval process.

# KEY PRINCIPLES IN SETTING-UP GAX

- ❑ REDUCED REQUIREMENTS
- ❑ SHORTENED PROCEDURES
- ❑ INCENTIVES INTRODUCED
- ❑ LOWER COST



## STRUCTURE OF GAX

- The GAX is a parallel market focused on businesses with potential for growth.
- The GAX will accommodate companies at various stages of their development, including start-ups and existing enterprises, both small and medium.

# BENEFITS TO COMPANIES

- ❑ Easier Access to Long-Term Capital
- ❑ Access to Long-Term Capital at relatively lower cost
- ❑ Improvement in the financial position of the GAX company
- ❑ Enhanced status in the Community
- ❑ Realization of Value of Investments
- ❑ Reduce Risk and Improved Liquidity

# INCENTIVES

## □ Underwriting

Mandatory underwriting of the minimum offer directly or indirectly by sponsor. So there will be no failures of Initial Public Offers.

## □ GAX-SME Listing Support Fund

Access to a revolving fund to support the cost of raising capital and deferment of up-front fees. Companies listing on GAX can apply for funds under the GAX-SME listing support fund to pay fully or partly for the cost of advisory services.

# ADMISSION TO GHANA ALTERNATE EXCHANGE

- **Basic Conditions to Be Fulfilled By an Applicant**
  - The issuer shall be a public limited liability company duly incorporated under the Companies Act, 1963 (Act 179).

# ADMISSION TO GAX

## □ **Stated Capital**

- A minimum stated capital of GH¢250,000 at the time of listing.
- The stated capital of GH¢250,000 shall be the capital after the company's initial public offer but prior to listing.

# ADMISSION TO GAX

## □ Public Float

- A minimum of twenty-five per cent (25%) of the total number of issued shares.
- The minimum number of public shareholders shall be twenty (20).

# ADMISSION TO GAX

## □ Period of Existence

- The company must have operated for at least one year and have published or filed accounts in accordance with the Companies Act, 1963 (Act 179) for at least the latest financial year.
- Admission may be granted to a start-up company, provided the applicant submits to the GAX a 3-year business plan, demonstrating clearly the sustained viability of the applicant.

# ADMISSION TO GAX

## □ Profitability

- The company seeking admission to the GAX need not have recorded profits historically but must have the potential to make profit at least at the end of its third year of listing.



# ADMISSION TO GAX

## □ Directors

- At least fifty per cent (50%) of the board shall be composed of non-executive directors and at least one (1) or approximately twenty-five per cent (25%) of the total shall be independent.
- All executive and non-executive directors shall attend a directors' induction program which shall be approved by the GAX Committee.

# ADMISSION TO GAX

## □ Sponsorship of Applicants for Listing

- Licensed Dealing Members, Investment Advisors or Issuing Houses shall sponsor an application for listing on the GAX.
- The sponsor shall underwrite directly or indirectly the minimum offer to be raised by the issuer.

# CONTINUING LISTING REQUIREMENTS

## DISCLOSURE POLICY

- ❑ A GAX company shall fully disclose to the public any information necessary to make informed investment decisions and maintain high standards of disclosure.
- ❑ A GAX company shall while remain listed have a corporate advisor.
- ❑ A GAX company must prepare interim (half yearly) financial statements, which must be filed with the GAX as soon as possible but not later than one month after the end of each relevant half year.

# CONTINUING LISTING REQUIREMENTS

## DISCLOSURE POLICY

### □ **Immediate Disclosure of Material Information**

A GAX company shall immediately disclose information about its business or events or conditions in the market for the issuer's securities which is likely to:

- have a significant effect on the price of an of the issuer's securities, or
- be considered important by a reasonable investor in determining his choice of action.

### □ **Annual Report of Listed Company**

- The Annual Report and Audited accounts of listed companies shall be prepared in accordance with IFRS.

## LISTING FEES

**Application Fee**

**waived**

**Listing Fee**

**waived**

**Annual Fees**

**GH¢2,000**

**Delisting Fees**

**GH¢5,000**

# THE GAX-SME LISTING SUPPORT FUND

## FUND DESCRIPTION

### □ GAX-SME Listing Fund

GAX-SME Listing Support Fund (“GLF” or “the Fund”) has been established by GSE. There would be contributions from AfDB, VCTF, the GSE and any other source that the GAX will identify.

# THE GAX-SME LISTING SUPPORT FUND

## □ Fund Objectives

- To pre-finance whole or part of the advisory and listing expenses for companies seeking to list on the GAX.
- To encourage SMEs to raise capital through the GAX.
- To support growth and expansion in the SME sector.

# THE GAX-SME LISTING SUPPORT FUND

## □ Repayment

Repayment shall be made upon completion of the Offer and before listing.

If at any point during the disbursement stage the Sponsor indicates that the Listing is not successful or the Company is withdrawing, the Company shall refund all amounts received with immediate effect.



# PERFORMANCE SO FAR

## Equities/Shares

<u>Company</u>	<u>Capital Raised Amount GHSm</u>
1. Samba Ltd.	2.50
2. Meridian-Marshalls Holdings Ltd.	2.50
3. Hords Ltd.	4.00
□ Intravenous Infusions Limited	6.83
□ Another application received to raise GHS25 m	

# CONCLUSION

It is time for Agribusinesses in Ghana to take the Public Company nature and to consider Financing Options such as raising equity through the GAX.

Thank You!