

# MID & SMALL CAP MARKET

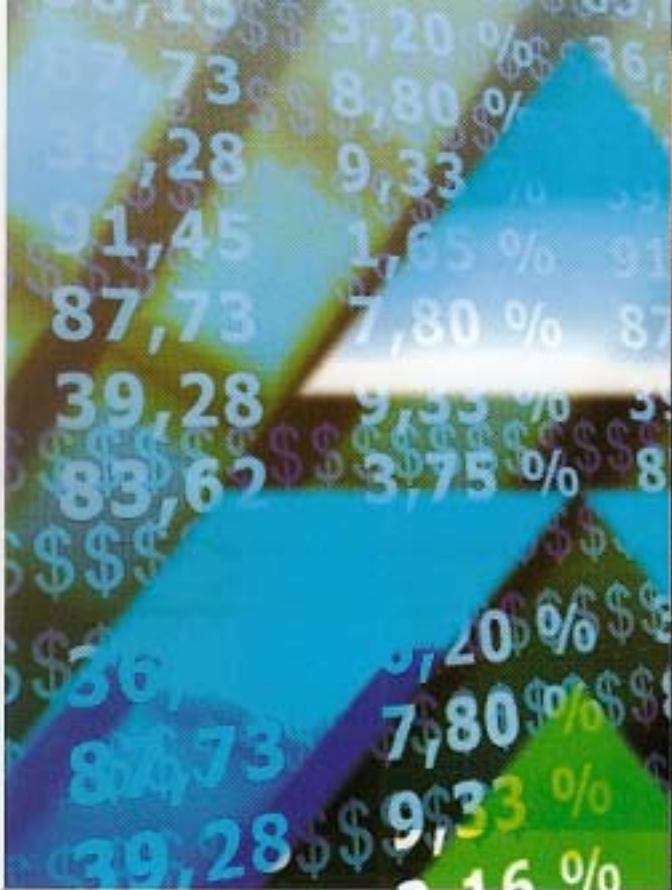
MID & SMALL  
CAP MARKET



The First Mid & Small Cap Market in the MENA Region

# Contents

- **NILEX** Your Gateway to Finance
- Why Listing on the Exchange?
- Why Joining **NILEX**?
- Listing Rules
- Nominated Advisors
- Disclosure Rules
- Trading, Clearing and Settlement Rules



This brochure is designed to tell you more about **NILEX** and why it could be the right choice for your company. For further information, please contact Research or Public Relations departments at EGX.



# NILEX

## Your Gateway To Finance

**NILEX** is the Egyptian Exchange's new market for growing medium and small companies, which offers them an access to capital to grow and expand their businesses.

Despite the increasing number of promising medium and small companies in the region and their growing importance in the economy, yet, their contribution in the economic growth and in the capital formation is still limited due to the financial obstacles those companies face. Therefore, **NILEX** was designed to offer those mid and small cap companies a medium to raise capital under an appropriate regulatory framework for both companies and investors.

**NILEX** is the first mid & small cap market to be launched in the MENA region, following extensive researches and studies on similar international markets, which succeeded in helping small companies expanding their businesses.

# Target

**NILEX** targets fast growing and promising medium & small cap companies, including



# Why List On

## **NILEX?**

- Access to long term capital for the expansion of the business without complicated procedures or the need for special guarantees or assets.
- Access to long term debt finance through bonds issuance via the exchange.
- Maximize the company's market capitalization, which helps getting loans from banks.
- Helps in determining a fair value for the company.
- Improves the company's image among suppliers, customers, banks and other stakeholders.
- Protects investors' rights and help shareholders phasing out from the company.
- Gives the company a good opportunity for growth, since companies listed on small and medium enterprises markets worldwide have witnessed notable growth after being listed.
- Helps in merger and acquisitions transactions among medium and small companies to create more competitive entities.
- Helps in attracting strategic domestic and foreign investors who seek long term investment



# Why Joining Nilex?

**NILEX** gives medium and small cap companies a chance to raise capital within a regulatory environment designed specifically to meet their needs. **NILEX** offers relaxed listing & disclosure requirements as well as lower listing and trading fees.

#### Relaxed Listing Rules:

**NILEX** offers more flexible listing rules compared to the main market, with respect to the minimum capital, number of shareholders, number of shares to be offered to the public as well as the company's financial track record.

#### Lighter, yet Cohesive Disclosure Rules

The majority of the main market disclosure rules have been maintained to ensure market efficiency and investor protection.

The mid and small cap companies however, are required to submit their audited annual financials to the exchange and the Financial Supervisory Authority, while quarterly and semiannual financials are to be approved by the company's management only before submission.

#### Helping the company in the listing and offering process

There is a nominated advisor who helps the applicant company in getting listed on the exchange and in the initial public offering of its shares.

The nominated advisor also helps the listed company to abide by the listing and disclosure rules and assists the company in preparing its financial statements and submitting them in due time.

(Currently, We have 22 Nominated Advisors approved by EFSA. For more details please visit: [nilex.egyptse.com](http://nilex.egyptse.com))





### **Lower Listing Fees**

The annual listing fees levied on medium and small enterprises are reduced to 0.5 per thousand of the capital with a minimum of L.E 500.

### **Lower Trading Fees**

Trading fees are reduced to 1 / 10 per thousand of the total value of the transaction with a maximum of L.E 100.

### **Lower Depository Fees**

Annual depository fees have been slashed by 50 percent.

# Listing Rules

## General Listing Rules

The mid and small cap companies that qualify to get listed on **NILEX** are those companies whose issued capital is less than L.E 25 million.

Listing shall be enacted according to the following rules:

The applicant company must have a nominated advisor approved by the EFSA. The nominated advisor advises and assists the company on all its responsibilities during the application process and ensures the company's compliance to the listing and disclosure rules. The nominated advisor's obligations and responsibilities will be maintained for at least two years from the listing date.





The following conditions are required for the mid and small cap companies to list their securities on **NILEX**:

- All listed securities must be deposited at the Central Depository.
- The company's by-laws or the issuing terms should not include any constraints on the trading of the securities to be listed.
- The issuing company must have financial statements for at least one fiscal year preceding the listing application.
- Shareholders equity should not be less than 50% of the company's paid in capital in the year preceding the listing application.
- The issued capital should be fully paid with a maximum par value of L.E 5 per share.
- The number of issued shares to be listed should not be less than 100 thousand shares.
- The minimum free float should be at least 10% of the total issued shares and the number of shareholders should not be less than 25, within a maximum of one year from the listing date.



## The following documents should be attached to the listing application:

- An undertaking signed by the company and the nominated advisor in accordance with the form prepared by the stock exchange in that regard, including the rights and obligations of the company as well as the nominated advisor towards the EFSA and the Stock Exchange.
- A declaration from the company and its nominated advisor to submit all information and data needed for the listing procedures and to fulfill all listing requirements. A statement approved by the company's Board of Directors and the Managing Director, with the names, addresses and contact details of the Investor Relations Officer, provided that the investor relation officer is one of the company's managers.
- The company should submit its audited financial statements for at least one fiscal year, which should be prepared according to the Egyptian Accounting Standards and approved by the company's General Assembly. The Auditor's Report should be attached.

The Listing Committee has the right to approve the company's listing even if the company do not have financial statements for one fiscal year, provided that the company submits its business plan for the coming years, with the expected profits, endorsed by the nominated advisor or one of the financial advisors licensed by the EFSA.

- The company could be exempted from having a nominated advisor if one of its shareholders is a venture capital or a financial institution, owning not less than 10% of the total issued shares. Additionally, the shareholder should state in writing not to sell his stake before two years from the listing date.

### Listing Fees

A lower annual listing fees are levied on the medium and small cap companies amounted to 0.5 per thousand of the capital, with a minimum of L.E 500.

# Nominated Advisors

Only licensed companies to undertake the following activities are eligible for Nominated Advisors:

- a. Financial Consulting Companies
- b. Investment Banks and Underwriters
- c. Private Equity Firms
- d. Venture Capital Firms
- e. Direct Investment Funds

The applicant should submit a request to the EFSA to become a nominated advisor. The EFSA Board of Directors has to approve or reject the request within fifteen days from the submission date.

(An updated list of the licensed nominated advisors is available on [Nilex.Egyptse.com](http://Nilex.Egyptse.com))

## The Nominated Advisor Role

The nominated advisor has to sign a contract with the company in accordance with the form prepared by the Exchange, including the rights and obligations of each party.

The nominated advisor is responsible for:

- Helping the company in the restructure of its internal financial and management system.
- Helping the company in the preparation of the required documents to be listed. Assisting the company in the preparation of the public offer or private placement of its shares.
- Helping the listed company to fulfill its ongoing disclosure obligations.

The nominated advisor should notify the EFSA in case of the company's breach to any of the market rules.

The nominated advisor should notify the EFSA with the names and other information about the mid and small cap companies he sponsors, highlighting the duration of the contract as well as the rights and obligations of each party.

The contract between the nominated advisor and the company should include a clause preventing the termination of the contract by any of the parties, unless notifying the other party within a period not less than one month.

In case of the nominated advisor's violation to any of the contract's terms, the EFSA has the right to withdraw the approval or suspend it for a period not exceeding 30 days.

## Disclosure Rules

- The majority of the disclosure rules have been maintained to ensure market efficiency and investor protection, in particular the disclosure requirements regarding the company's announcements of corporate actions and material events.

## Financial Statements Reports

- The listed companies should submit their quarterly and semi annual financial statements, approved by the company's management, within 45 day from the end of the period and should submit its audited annual financial statement within 90 from the end of fiscal year of the financial statement.
- The Exchange will publish the companies' financial statements and financial results for only one day on the trading terminals. Moreover, the General Assembly's decisions concerning dividend distribution and dividend dates are to be published via trading terminals and the website of the stock exchange.

## Trading, Clearing Settlement Rules

- Trading takes place through an auction session, whereby brokerage firms are allowed to place their bids and asks, with no price limits.
- The Auction session duration is one hour daily from 12:00 pm to 1:00 pm.
- The auction session is randomly closed anytime within the last 10 minutes of the session.
- The brokerage firms are permitted to place bids/asks on the same security at different prices as per their clients' orders.
- The brokerage firms are allowed to amend or cancel their clients' orders during the auction session till the end of the session as per their clients' requests, including either placing, amending or canceling bids/asks or the quantity and the price.
- All rules and regulations governing trading at the exchange will be applied, in particular those concerning the availability of securities before the execution of selling transactions. All surveillance rules are also to be applied to ensure investor protection.
- The closing price is determined according to the one that provides the highest liquidity to the mid and small cap market. The closing price is determined according to the following criteria and in case more than one price fulfills a certain criterion, the next criterion is selected. The criteria used to determine the closing price goes in the following order:
  - The best price offered during the auction allowing the execution of the highest volume traded.
  - The price which leaves the lowest unexecuted volume.
  - The closest price to the previous closing price.
  - The highest price associated with highest trading value.

Settlement takes place on T+2

## Trading Fees

Trading fees is set at 1/10 per thousand of the total value of the transaction with a maximum of L.E 100.

## Nilex on the Move

- Aggressive promotional campaigns by EGX and the nominated advisors to attract promising companies.
- A series of meetings and seminars organized by EGX aiming at match making the nominated advisors with promising mid & small cap companies.
- 22 financial institutions granted approvals to act as nominated advisors.
- An agreement with IMC to support industrial SMEs by financing a major part of the cost associated with the listing and offering process.
- A number of promising SMEs are currently being prepared by Nominated Advisors to offer them on the market.
- **The set up of first direct fund, with a capital of LE 250 million to finance SMEs and companies listed on Nilex-a step that would enhance the secondary trading in the market.**

## Nilex Outlook

- Secure **the listing** of high growth potential SMEs on Nilex
- Bring in the first IPO on NILEX during 2010, with other IPOs to follow.
- Conclude agreements with different institutions to provide the financial and technical support needed by the SMEs to get listed on NILEX.
- Attract Arab and foreign funds to invest in NILEX.
- Being operated by the Egyptian Exchange, Nilex guarantees efficiency and fairness to all market participants. Nilex will always ensure the mid and small companies compliance to its listing and disclosure rules. Nilex will be also subject to surveillance enforcement to ensure investor protection.
- Nilex has a dedicated team of qualified professionals, who are available to provide advice, information and support for all participants. Our team will assist you on any queries you may have to help you make the right decision that best serves your business.
- Our continuous research and development and endeavor to excel allows us to develop and provide you with a wide range of products and services that would best match your needs.

Operated by The Egyptian Exchange, **NILEX** guarantees efficiency and fairness to all market participants. **NILEX** will always ensure the mid and small companies' compliance to its listing and disclosure rules. **NILEX** will be also subject to surveillance enforcement to ensure investor protection.

**NILEX** has a dedicated team of qualified professionals, who are available to provide advice, information and support for all participants. Our team will assist you on any queries you may have to help you make the right decision that best serves your business.