

Considerations on building your company towards a listing on the JSE

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 **Merchantec**
capital

• Introduction to Merchantec Capital

Merchantec Capital is one of the *largest independent Equity & Debt Sponsor* and *Corporate Finance Companies* in South Africa, with offices in Johannesburg, Cape Town and Windhoek, Namibia. Merchantec Capital Namibia is an approved sponsor of the NSX.



JSE Registered Equity & Debt
Sponsor/NSX Sponsor



Capital Raising
ECM & DCM



Valuations



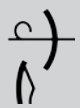
Mergers & Acquisitions
Specialists



Equity & Industry
Research



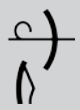
Company Secretarial & Corporate
Governance Advisory



Merchantec Capital Group Clients include:



Reputation: Clients of more than 17 years



Benefits of listing

Requirements for listing on the JSE

Listing process

Internal company requirements

Valuation

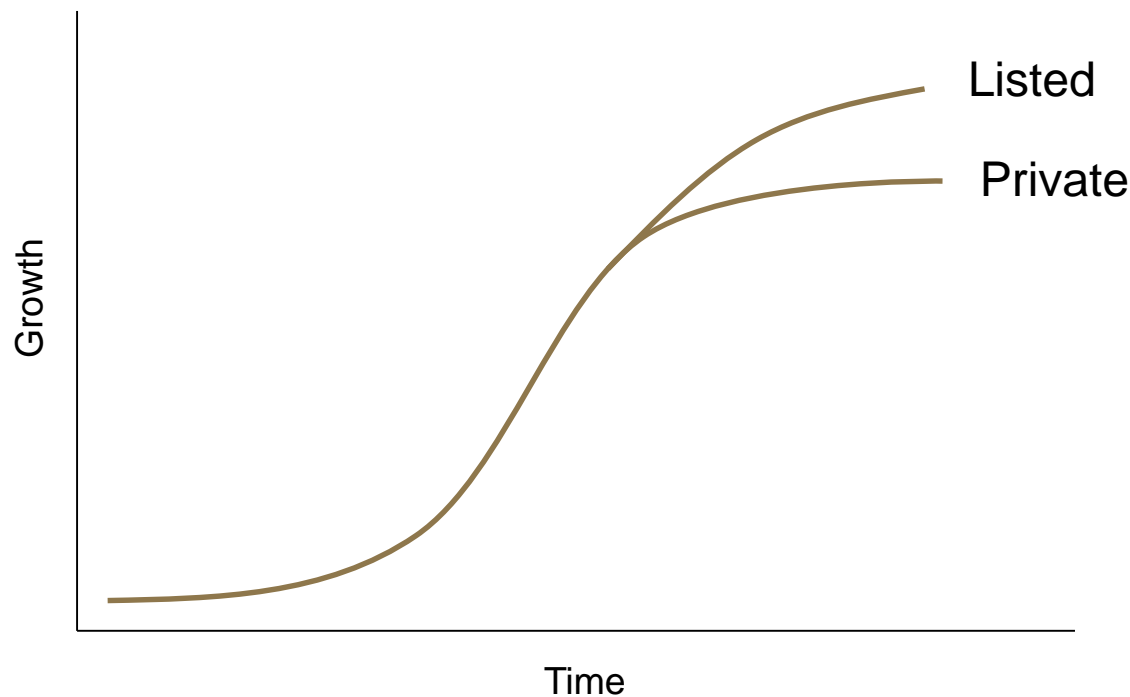
Timing & other considerations





Main reasons to list

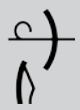
1. Growth
2. Raise shareholder capital
3. Planned partial exit strategy at a good price over a period of time
4. Incentivise and retain staff
5. Reputation among customers and financial institutions – transparency & compliance
6. International expansion
7. Mergers & Acquisitions (M&A)
8. B-BBEE facilitation





	Main Board	AltX
Share capital	R50 million	R2 million
Financial history	3 years	1 year
Pre-tax profit	≥ R15 million / 3 years	None / forecast / Approval required by advisory committee
Shareholder spread	20%	10%

- A company seeking a listing on the Main Board that does not have an audited PBT of R15 million in the last financial year may list provided it has a subscribed capital of R500 million.
- A company seeking a listing on the Main Board that does not have the 3 year profit history may list provided:
 - It is in development stage;
 - Has a subscribed capital of R500 million; and
 - Has been in existence for at least 12 months.
- Specific rules: AltX / Mineral Companies / Property Entities / REITs / SPACs / Investment Entities



Strategic considerations to get a good rating (share price)

- Have right team in place – leadership, management and governance
- Consistent financial history and performance
- A business with strong competitive advantage – offering good growth and margin prospects
- Comprehensive strategy and business plan for before and after the listing
- Size matters
- Timing

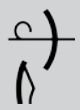




Corporate Governance (King IV) considerations

- Board must be suitably qualified and experienced
- Board must comprise :
 - Executive CEO & FD
 - Independent non-executive chairman or if not independent, a lead independent director
 - At least 3 independent non-executive directors
- Mandatory Committees:
 - Audit Committee
 - Remuneration Committee
 - Social & Ethics Committee
- Company Secretary must be appointed & board must be satisfied of:
 - Competence
 - Qualifications
 - Experience





<ul style="list-style-type: none">• Due diligence: listing assessment including restructure, implementation of enhanced governance structures and changes if required	6 weeks to 6 months
<ul style="list-style-type: none">• Appoint registered Sponsor or Designated Adviser	
<ul style="list-style-type: none">• Appoint JSE accredited auditor	
<ul style="list-style-type: none">• Draft relevant documentation	
<ul style="list-style-type: none">• Documents are submitted electronically	
<ul style="list-style-type: none">• Three submission process<ul style="list-style-type: none">• Informal comment• Informal approval• Formal approval	10 days in total 5 days 3 days 2 days



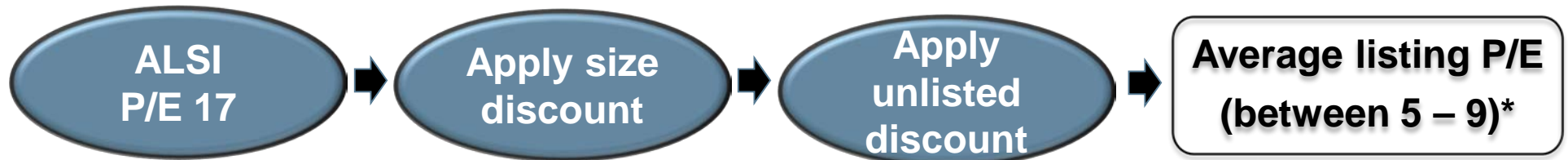
The fundamental methodologies

- A combination of the methodologies is utilised to ensure accuracy and reasonability

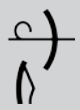
Discounted Cash Flow (DCF)	Market multiples (P/E)
Based on future cash flow projections	Based on current/historic earnings
Uses company specific information	Uses company specific as well as relevant peer group information
Generates an “intrinsic” company value	Generates a market based value



- **JSE All Share Index (ALSI)**
 - Is currently at a P/E of approximately 17
 - This is driven largely by the Top 40

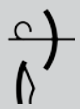


*This is a guideline and will vary between sectors and size of listing



New challenges

- Time and cost of listing and compliance
- New shareholders and minorities need to be considered
- Public scrutiny
- Share price subject to market influences beyond company control



- Get your plan going – it takes time
- Get all your business processes working fluently
- Start today on improving structures, compliance and discipline of an independent board
- Build capacity – many of the reasons to list are the same as for running a strong private company
- Start using from today to engage employees and potential acquisitions

Our **expertise** and our **innovative**, professional spirit allow us to **strategically partner** with our clients to facilitate their **growth**.



JSE Equity & Debt Sponsor
Designated Adviser
NSX Sponsor
Merger & Acquisition Specialists
Valuations
Equity Research

Corporate Advisory
BEE Structuring
Equity / Debt Capital Raising
Corporate Governance Advisory
CEO Confidence Index