Kingsgate Advisors Institute

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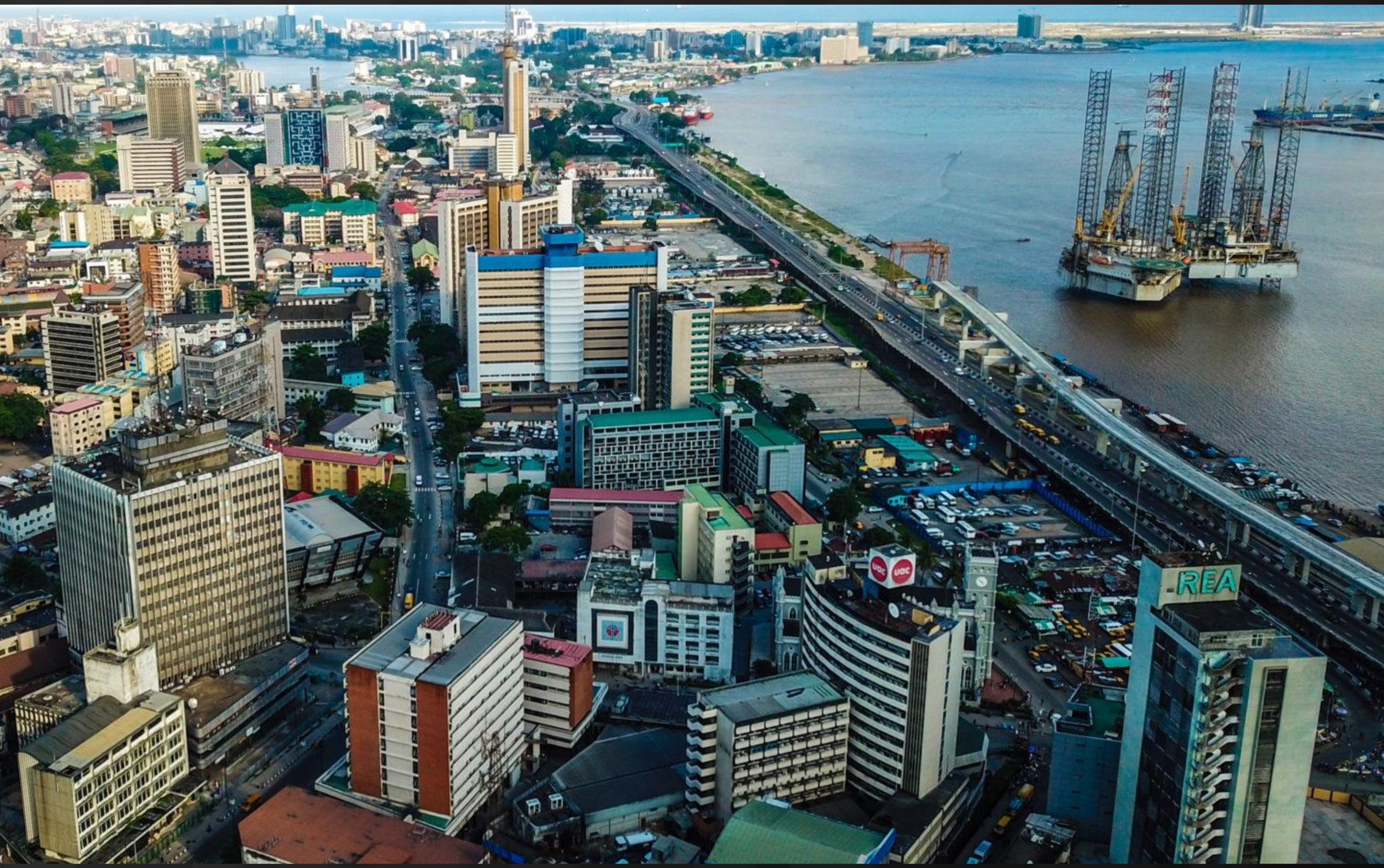

Topic:

Listing Africa's Giants: Can Initial Public Offers Unlock Deeper African Capital Markets?

Kingsgate Advisors Institute Podcast

Kingsgate Brief

EPISODE 12

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Topic:
Listing Africa's Giants: Can Initial Public Offers Unlock Deeper African Capital Markets?

Guest:

Dr. Ayodeji Ebo
Chief Executive Officer, MDU Capital Limited

Host:

Dr. Oluwanbepelumi Olanubi
Executive Director, Kingsgate Advisors Institute

EPISODE SUMMARY:

The discussion examined why African stock markets remain shallow despite the presence of large private companies, and whether IPOs can help close that gap, using the live Dangote Refinery and Petrochemicals IPO as a test case. It explained that an IPO deepens a market only when its proceeds fund productive expansion, participation is broad, the free float is meaningful, and governance and disclosure are strong, not simply because the offer is large or oversubscribed. The conversation moved across the Dangote offer's target of 10 million investors, its small tradable float, how to separate the refinery's strategic importance and brand pull from its valuation and fundamentals, and why investors should hold for the long term rather than expect quick windfalls. It stressed that founder reluctance to give up control, listing costs, thin liquidity and macroeconomic instability are the main barriers to more listings. It also explored the role of foreign and diaspora investors, the concentration risk of listing a very large company in a small market, and the reforms needed to widen the pipeline, including fiscal incentives, stronger minority shareholder protection, and derivatives and other instruments to improve liquidity. It closed with the view that the real test of the IPO is whether it expands the economy, draws more people and more companies into the market, and sustains that momentum after the initial excitement fades.

[Dr. Oluwanbepelumi Olanubi]

Good morning, good afternoon, and good evening, everyone, from wherever you're tuning in to join us today. This is another episode of the Kingsgate Brief, the official podcast of the Kingsgate Advisors Institute. At Kingsgate, we believe that the ideas that shape markets, policy, and development should not be trapped in expert spaces alone. They should be brought into public conversations with clarity, depth, and practical meaning.

That is why Kingsgate Brief is designed to create room for thoughtful conversations that move beyond the headlines, simplify complex issues without weakening them, and help our audience understand what these issues mean for real decisions. Through this platform, we bring together economists, market practitioners, policymakers, business leaders, and experienced professionals who can speak to the issues shaping Nigeria, Africa, and the wider global economy. Our goal is not just to inform, but also to help people ask better questions, interpret changes in the economy and markets, and make better-informed decisions.

My name is Oluwanbepelumi Olanubi, the Executive Director of the Institute, and of course, I'll be hosting today's conversation. But before we begin, I would also like to encourage our audience to stay connected with us. Follow our LinkedIn page, follow us on Instagram, follow us on X, where we are now also active, and subscribe to our YouTube channel. We want you to be among the first people to know whenever we upload a new episode of Kingsgate Brief. Beyond that, please visit our website to learn more about what we're doing, the projects we're working on, and some of the initiatives that we will be announcing in the coming weeks and months. We have quite a number of projects in the pipeline, and we'll be making some announcements around those projects very soon. So, thank you very much, and with that, let's turn our attention to today's conversation.

Today, we're focusing on a subject that sits at the heart of Africa's economic transformation and, particularly at the time of recording this conversation, is a very important issue. We are looking at how the continent can build deeper capital markets and use public markets to mobilise long-term capital for industrial growth, infrastructure, energy, technology, manufacturing, and enterprise development.

Our topic today is "Listing Africa's Giants: Can IPOs, Initial Public Offerings, Unlock Deeper African Capital Markets?" And we're taking lessons from Nigeria, particularly from the Dangote Refinery. Africa is home to a large number of major private companies, including banks, telecommunications operators, energy firms, industrial groups, consumer businesses, and technology-enabled enterprises, many of which have the scale and capacity to shape national and regional economies. Yet, despite the size of these businesses, many African stock markets remain relatively shallow, with limited new listings, narrow trading activity, weak secondary-market liquidity, and a significant gap between the size of private enterprises and the depth of public markets.

That gap matters because capital markets should not simply reflect economic activity. They should also help finance and expand that activity. They should provide businesses with access to long-term capital, create opportunities for investors to participate in the growth of major companies, and ultimately contribute to the development of the broader economy. The timing of this episode is particularly important because the Dangote Refinery and Petrochemicals IPO is live as we speak. And that gives us an opportunity to take what could otherwise be a conversation about one company and turn it into a broader discussion about African capital markets, using a live market situation that we can actually observe and assess.

This raises a question that goes beyond one company or another. Can a major African industrial asset be priced transparently, distributed credibly, assessed responsibly by investors, brought into the public markets with the appropriate standards, and traded in a way that contributes to deeper and more sustainable capital markets beyond the initial excitement surrounding the IPO? The Dangote question is therefore also an African question. If large African companies can successfully move from being private champions to publicly listed companies, this could expand participation in their growth, improve disclosure and corporate transparency, attract both institutional and retail capital, build investor confidence, and contribute to a broader investment culture across the continent.

At the same time, the process raises important questions around valuation, governance, liquidity, investor expectations, and the quality of the market itself. If companies are listed at valuations that do not reflect underlying fundamentals, if trading remains thin, if governance standards are weak, or if investor attention becomes dominated by short-term hype, then the listing may not necessarily translate into deeper capital markets in the long term. By the end of today's conversation, we hope our viewers will come away with a clearer understanding of why African capital markets remain relatively shallow, what an IPO genuinely means, and why an IPO should be understood as more than simply the initial excitement around a company becoming publicly listed. We'll also look at what investors should think about when considering IPOs, what positioning for an IPO actually involves, and what reforms may be necessary to encourage more large private companies to enter public markets and, in doing so, contribute to deeper capital markets and greater mobilisation of long-term capital across Africa.

To help us unpack all of these issues, I'm delighted to welcome Dr. Ayodeji Ebo. Dr. Ayodeji Ebo is the Chief Executive Officer of MDU Capital Limited. He brings more than two decades of experience across investment banking, capital markets, economic and investment research, portfolio management, financial engineering, and corporate strategy. Before joining MDU Capital, he served as the Chief Business Officer and Managing Director of Plato's New by AVI Invest. He also served as the Managing Director of Afrinvest Securities Limited. At Afrinvest he previously led the firm's investment research division and also worked within its investment banking division. Dr. Ebo has managed multi-billion-dollar investment portfolios and is widely recognised for his expertise in investment strategy, financial markets, macroeconomic analysis, risk management, and several other areas of investment and financial-market practice.

His experience across these different areas makes him particularly well placed to help us think through the IPO conversation we're having today, not just from the perspective of one company, but also from the broader perspective of capital-market development and investment in Africa. Good morning, Dr. Ebo, and thank you so much for joining us today.

[Dr. Ayodeji Ebo]
Yeah, good morning, Doctor. It's great to be here.

[Dr. Oluwanbepelumi Olanubi]
Thank you very much. So, we're going to start this morning with a broader question. Why do African stock markets remain relatively shallow despite the presence of large private companies that could potentially strengthen public markets? Why do we still have this gap within the African context?

[Dr. Ayodeji Ebo]
Thank you. This is a very topical issue and a topic that I believe everyone would be interested in. When we look at the African market, I would say that there is a disconnect between the size of the African productive economy and the size and depth of our stock exchanges. You would see that there are still relatively few companies listed on our markets. If you recall, we've been talking about NNPC coming to the market for quite some time, particularly as a way of having a stronger representation of the oil and gas sector on the exchange. And a lot is happening within that space. We generate a significant portion of our revenue within the economy from the oil and gas sector. So, beyond companies like Seplat, Conoil, and Aradel, which has come into the market more recently, we still don't have enough representation of that very important sector on the exchange. Another issue is ownership structure. For many African companies, particularly large businesses, ownership is still heavily concentrated within families or founding groups. There is sometimes a perception that opening up these companies to the public would mean greater accountability and transparency, but it also means giving up some level of control, and that is one of the factors affecting the willingness of some businesses to list.

Secondly, we also need to look at the investor base. When you look at the number of active investors participating in the market, it is still relatively low. In Nigeria, for instance, we have less than 500,000 active CSCS accounts. And when you compare that with the size of the population and the size of the economy, you can see that there is still significant room for the investor base to expand. When you also look at other African countries and examine the statistics, particularly market capitalisation relative to GDP, you can see the same gap. Across many African markets, the average is around 83 percent, while for emerging economies it is around 61 percent, and globally, market capitalisation relative to GDP is almost 115 percent. So, there is still a significant gap that we're seeing in that space. Liquidity is another major issue. We know that the NGX is doing its best, but beyond the traditional buy-and-sell structure, what really drives liquidity is having different financial instruments and market structures around the same securities. Investors should be able to short securities, build ETFs around them, and have different structures that allow them to participate in the market in different ways.

The broader the range of instruments available, the more opportunities you create for investors, and that can help improve activity and liquidity within the market. Then, lastly, I would say we have to consider macroeconomic instability. These conditions create additional risk premiums for investors. When you have exchange-rate instability, insecurity, high inflation, and other macroeconomic pressures, all of these factors increase the risks associated with investing in the market. So, all of these things contribute to why many of our African markets still remain relatively shallow compared with more developed markets. If you look at Africa as a whole, we have roughly 1,141 listed companies. If you compare that with a market like NASDAQ, which has more than 8,000 listed companies, you can see that there is still a very significant gap. There is still a lot of work to be done. We need to bring more quality companies into the public markets, broaden the investor base, develop more financial instruments, improve liquidity, and create a more stable macroeconomic environment that gives both local and international investors greater confidence to participate in our markets.

[Dr. Oluwanbepelumi Olanubi]
Indeed, I agree with you. There's still a lot of work to be done. So, let me ask you, what then makes an IPO truly market-friendly? Is it simply the size of the offer? Is it the quality of the company, the number or type of investors that it attracts, or the liquidity that it creates? Why are we advocating for more IPOs as a way of deepening the market, and ultimately, what makes an IPO count as an instrument for market development?

[Dr. Ayodeji Ebo]
I think the first thing I'll talk about, maybe I'll put it this way, is that there are about five Ps that we need to look at. While size is really very important, most times, size alone will not necessarily deepen our markets. So, when you first look at productive capital, you need to ask: where are the funds from the IPO going? Are the funds going back to the existing owners, or are they being used to expand the business, increase productive capacity, and create jobs? Those are some of the things that we need to look at.

Secondly, participation. Is it just high-net-worth individuals that are participating, or are retail investors also participating? Because that's what helps to spread wealth across the economy. Are pension funds and foreign investors participating, or are ordinary retail investors also able to participate? That's another important test that we need to consider. Then you have public float. If you list shares that are not readily available in the market, it affects the ability of investors to buy and sell those shares. When we talk about free float, it's really very important because when you need your money and you want to exit, you shouldn't have to wait for weeks or days before you find someone willing to buy or sell.

So, active trading is also very important. Then there is price discovery, and corporate governance is also a major factor. When you look at the requirements of the exchange, do these companies publish their results on time? What kind of disclosures are they making? How transparent are they about their operations and financial performance? All of these things are important because an IPO is not just about getting a company listed. It's also about bringing that company into a system where investors have access to information and can make informed decisions. Then, lastly, I would speak about the pipeline of transactions. When there's a major listing, does it encourage other companies to come and list? Because when you see the success that a major company has achieved, smaller companies or even medium-sized companies that are contemplating an IPO can look at the level of investor appetite and say, "Okay, perhaps there is a market for us as well." And that can encourage them to consider listing.

And that's why, when you look at the Dangote offer, I would say that on most of these attributes, it scores a pass because it is changing the dynamics of the market. Yesterday, for instance, my AC repairer called me and said that he had heard about the Dangote Refinery IPO and wanted to buy Dangote shares. I had to ask him, "Paul, do you own stocks? Have you bought stocks before? Do you understand what you're going into?" Because it's not a guaranteed investment. So, these are some of the conversations that we need to have. When he began to understand what investing in stocks actually meant, I had to explain to him that you can't put money that you need within the next one or two years into stocks without understanding the risks involved. And I hope that every other person who is showing interest is also able to get that information. Every potential investor, especially retail investors, needs to understand what they're actually getting into.

You see a lot of people who are very interested in stocks now, but when it comes to the Dangote Refinery, they want to buy, and you begin to wonder whether they realise that the Dangote Refinery is also a stock investment with its own risks and considerations. Those are some of the conversations that we're beginning to see around the market today.

[Dr. Oluwanbepelumi Olanubi]
Very interesting, I would say. We've seen a lot of funny memes around the Dangote Refinery IPO, about how everybody suddenly wants to participate simply because it's Dangote. There's also this sense of ownership that comes with it: "Oh, I own part of Dangote Refinery." We've seen quite a bit of that. But that's on a lighter note. On a more serious note, I want to ask about the nature of the capital market in Africa. Is it actually designed for companies like Dangote to come to the market through IPOs? Or is it structured in a way that allows smaller companies, provided they have the capacity, can demonstrate growth, and have the right corporate governance structures, to also raise capital? Or is the market essentially designed for established corporates like Dangote? And can we say that this is one of the reasons why we're not seeing as many IPOs across African capital markets?

[Dr. Ayodeji Ebo]

I think one of the major reasons why we may not be seeing more IPOs is the mindset of the founders. For most founders, they want to keep holding on to their companies. They're not willing to open them up, and sometimes they don't look beyond the current situation. They may feel that once they open up the company to public ownership, they will also become more accountable to the public. People can begin to ask questions about how the company is being run. You can imagine people asking a Dangote truck driver, "Why are you parked here?" or "Why are you driving recklessly?" They don't necessarily want that kind of accountability or scrutiny. But beyond that, I think many founders also don't think beyond their own generation.

If you look abroad, you see fourth-generation and fifth-generation companies that have survived for decades. If you want to build that kind of company, you need to be able to bring other individuals into the ownership structure and allow them to become part of the company. And I think that's one of the things that is really affecting the willingness of some companies to list. While some may argue that the cost of listing can also be significant, that is another factor to consider. I was listening to one of the interviews where the cost of the IPO itself was discussed. When you look at the various fees involved, including corporate fees, commissions, and issuing-house fees, the total cost can run into very significant amounts.

So, you would see that it comes at a cost. But beyond that, I know the NGX has been working on bringing more companies onto the exchange. That's why you have the Alternative Securities Market, or ASeM, which provides another route for companies that may not be able to meet all the requirements of the main board. There's also the Growth Board, which provides an opportunity for companies that may not meet the requirements of the premium board or the main board to still access the market.

We're already seeing companies taking advantage of some of these options. We saw companies like OP considering opportunities to list outside the country, but because of the pressure and the changing environment, they are also looking at listing here. We have also seen situations where companies like Flutterwave have pursued listings outside the country rather than listing locally. I think regulation is also key. You will recall that, in those days, it was policies around indigenisation that encouraged or required certain foreign companies operating in Nigeria to list locally. So, there can also be policies that encourage companies, once they have grown to a certain level or reached a certain size, to consider listing. That is important because listing doesn't just help a company raise long-term funding. It can also help those companies build ownership structures that allow them to outlive their founders.

If some of the companies that eventually disappeared or struggled through difficult economic periods had been owned by a wider group of individuals, retail investors, and other diversified investors, they might have had a stronger chance of surviving those periods. So, beyond raising capital, we also need to think about how public ownership can help companies become more sustainable, more accountable, and capable of surviving across generations.

[Dr. Oluwanbepelumi Olanubi]
Very true. I agree with you, particularly the point on regulation. Now let's even talk about the IPO itself, the Dangote IPO. Now that the Dangote IPO is live, what should we be watching more closely to test Nigeria's capital market depth? Is it the subscription level? Everyone would say, yeah, sure, it's going to be diversified. Or is it the retail participation? Is it the institutional appetite? Is it the pricing principle or the price level? What should we be looking at that we can take and say, well, this is the test of the Nigerian capital market depth as such an IPO, Dangote's IPO?

[Dr. Ayodeji Ebo]
Yeah, I think that the first thing to look out for is market breadth and participation. What I would be focused on is the number of retail investors that this offer has attracted to the market. The Dangote team and the advisers are targeting 10 million investors. That's a very big move. So, even if they achieve 5 million, that's 10 times where we are in the market. And it's a good one.

Even if out of the 5 million that the offer is able to attract, 1 million become active investors in the market, that's three times the current size of the investor base. A lot of those who had bad experiences in 2007 and 2008, most of them have dropped out of the market. They held on to those experiences up until this Dangote IPO, but now they are forgetting their sorrows and trying to move on and buy stocks again. I know a retiree who asked me, "Can I put my gratuity into it?" I said, "No. You are a retiree. It is not meant for you. You can put in something you can afford to look away from."

So, market breadth is also very important. And I believe, based on what Dangote himself has said, that this public offer is designed to favour retail investors. I'm sure that most of those who apply for the minimum, maybe up to 10,000 or 20,000 units, he would want to fully allot to them. It's more about making sure that the retail investors are not crowded out. It's only if the retail investors don't show up as much as we're seeing and expecting that most of the top investors may be able to have full allotment. That is also something to look at.

Then, when you look at the float, it's the tradable float. What is being offered for sale in this public offer is about 3.3 percent of the size of the company. When you also add the private placement, it's still less than 6 percent that is being sold to investors. So, we'll be looking forward to seeing the availability and the tradability of those stocks. Can people buy? Can people sell? That's also very important. The daily turnover, the bid and ask spread, not to get too technical, those that are trying to buy and those that are trying to sell. People want to see that they are able to sell when they want to. And what is the value of transactions being done on a daily basis? That will be very interesting, and that's part of what I'll be looking forward to.

Then, the disclosure. Timely disclosure is very important. Like the exclusive interview that I was listening to yesterday, the nine-month results, by the time the company is listed, should have been out by the end of September. And if that surpasses what we are seeing in the half-year results, it means that we would see a major rally. But if there's also a surprise on the negative side, we would also see the other side. I know there are arguments around what the valuation is, but I won't go into that now. But I think that we would be looking out for the ability for people to buy when they desire to buy and people to sell when they desire to sell, because that is what makes a market.

[Dr. Oluwanbepelumi Olanubi]
Probably we'll go into the valuation of the Dangote IPO now. You said you don't want to go into that. So, for investors, retail and institutional investors generally looking at the ongoing IPO, how should they separate the strategic importance of the refinery and the strength of the Dangote brand, the fundamentals of the business itself, and the actual valuation at which the shares are being offered? So, this is not about sentiment. It's just about being informed. How should we value it? How should we view it?

[Dr. Ayodeji Ebo]
Okay, interesting. And you really hit the nail on the head. The sentiment around "I want to be part of Dangote," the sentiment around the role that we're seeing the refinery play, and whether it is patriotism that we're trying to play, all of these things come into the conversation. So, when you look at it, I would discuss the four boxes that you look at in terms of the strategic importance. If we see that it is reducing Nigeria's dependence on imported petrol, which is good, and increasing our exports, that is really very key. And we can see that in the last two or three years that it has started. We're not seeing queues on the streets anymore. We're no longer seeing those queues on the streets again. Then, secondly, the brand. Everyone wants to associate with that brand. Now, there's that fear of missing out. People don't want to be left out of the Dangote brand. Even the drivers are already facing a lot of attention. Staff are becoming more visible, and people are now keeping their ID cards so that they can't just go anywhere anyhow. But it also adds to the awareness of our market.

When we now come to the fundamentals of the business, while you want to be associated with it and while the fundamentals of its strategic importance to Nigeria are key, you also need to look at the fundamentals of the business itself. And if we look at the fundamentals, the valuation is about ₦65 trillion, which, when you look at the book value of the company, gives us one perspective. The price-to-earnings ratio is about 12 times based on the earnings. But we've also seen companies where, when good companies come to the market, their price-to-earnings multiples are over 20 times. So, we can't say that when a good company is coming, it automatically means that it is overvalued. If you look at a company like Tesla, for instance, it can trade at about 60 times its price-to-earnings multiple.

So, we can't simply say it's overvalued. What will determine fair value at the end of the day, beyond the fundamentals, is also the level of interest. Sentiment is also part of what drives the markets. It's not just fundamentals. Fundamentals are very key. That's where the business starts from. But from my experience in this market, if the interest we're seeing in this IPO moves into the secondary market, this stock will fly. You can see it's a condition. If that sentiment continues, if it's not like the way people talk about elections online and then on the day they don't show up, it's different. I do scenario analysis a lot, and that scenario will play out. Those who are waiting for this stock to trade below the IPO price may not find it. And I'm attaching a probability of about 50 to 60 percent that that's likely to happen. It may not trade below it. That's my base case. And for the pessimistic case that I'll put on in terms of the valuation, if the results do not hold up, if the margins are not sustained, and we see the nine-month results decline, that's really going to be a major disappointment, and we may see a serious sell-off.

That's when I think it may trade below the IPO price. And lastly, what we may see is that if we have a fantastic result combined with the level of interest, then what people are dreaming of, that kind of unexpected growth, may happen. We may see it trade at 20 times. It's not impossible. It's not going to be the first company that is listed and trades at that multiple. So, I would say that currently it's at a premium. Good companies trade at a premium. But to put a caveat, as you're listening, put in what you can wait for three to five years. That's what I've been telling everyone. If what you're expecting to happen in three to five years happens in a year, that's great. But don't have the expectation that it will solve all your problems, solve all Nigerian economic problems, and that it will become, from ₦1,000, ₦5,000, and then what you put into it becomes N5 million. So, that's the expectation that we need to manage. Thank you.

[Dr. Oluwanbepelumi Olanubi]
Indeed, I agree with you. There's still a lot of work to be done. So, let me ask you, what then makes an IPO truly market-friendly? Is it simply the size of the offer? Is it the quality of the company, the number or type of investors that it attracts, or the liquidity that it creates? Why are we advocating for more IPOs as a way of deepening the market, and ultimately, what makes an IPO count as an instrument for market development?

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So, active trading is also very important. Then there is price discovery, and corporate governance is also a major factor. When you look at the requirements of the exchange, do these companies publish their results on time? What kind of disclosures are they making? How transparent are they about their operations and financial performance? All of these things are important because an IPO is not just about getting a company listed. It's also about bringing that company into a system where investors have access to information and can make informed decisions. Then, lastly, I would speak about the pipeline of transactions. When there's a major listing, does it encourage other companies to come and list? Because when you see the success that a major company has achieved, smaller companies or even medium-sized companies that are contemplating an IPO can look at the level of investor appetite and say, "Okay, perhaps there is a market for us as well." And that can encourage them to consider listing. And that's why, when you look at the Dangote offer, I would say that on most of these attributes, it scores a pass because it is changing the dynamics of the market.

Yesterday, for instance, my AC repairer called me and said that he had heard about the Dangote Refinery IPO and wanted to buy Dangote shares. I had to ask him, "Paul, do you own stocks? Have you bought stocks before? Do you understand what you're going into?" Because it's not a guaranteed investment. So, these are some of the conversations that we need to have. When he began to understand what investing in stocks actually meant, I had to explain to him that you can't put money that you need within the next one or two years into stocks without understanding the risks involved. And I hope that every other person who is showing interest is also able to get that information. Every potential investor, especially retail investors, needs to understand what they're actually getting into. You see a lot of people who are very interested in stocks now, but when it comes to the Dangote Refinery, they want to buy, and you begin to wonder whether they realise that the Dangote Refinery is also a stock investment with its own risks and considerations. So, those are some of the conversations that we're beginning to see around the market today.

[Dr. Oluwanbepelumi Olanubi]
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the capacity, can demonstrate growth, and have the right corporate governance structures, to also raise capital? Or is the market essentially designed for established corporates like Dangote? And can we say that this is one of the reasons why we're not seeing as many IPOs across African capital markets?

[Dr. Ayodeji Ebo]

I think one of the major reasons why we may not be seeing more IPOs is the mindset of the founders. For most founders, they want to keep holding on to their companies. They're not willing to open them up, and sometimes they don't look beyond the current situation. They may feel that once they open up the company to public ownership, they will also become more accountable to the public. People can begin to ask questions about how the company is being run. You can imagine people asking a Dangote truck driver, "Why are you parked here?" or "Why are you driving recklessly?" They don't necessarily want that kind of accountability or scrutiny. But beyond that, I think many founders also don't think beyond their own generation.

If you look abroad, you see fourth-generation and fifth-generation companies that have survived for decades. If you want to build that kind of company, you need to be able to bring other individuals into the ownership structure and allow them to become part of the company. And I think that's one of the things that is really affecting the willingness of some companies to list. While some may argue that the cost of listing can also be significant, that is another factor to consider. I was listening to one of the interviews where the cost of the IPO itself was discussed. When you look at the various fees involved, including corporate fees, commissions, and issuing-house fees, the total cost can run into very significant amounts.

So, you would see that it comes at a cost. But beyond that, I know the NGX has been working on bringing more companies onto the exchange. That's why you have the Alternative Securities Market, or ASeM, which provides another route for companies that may not be able to meet all the requirements of the main board. There's also the Growth Board, which provides an opportunity for companies that may not meet the requirements of the premium board or the main board to still access the market. We're already seeing companies taking advantage of some of these options. We saw companies like OP considering opportunities to list outside the country, but because of the pressure and the changing environment, they are also looking at listing here. We have also seen situations where companies like Flutterwave have pursued listings outside the country rather than listing locally.

I think regulation is also key. You will recall that, in those days, it was policies around indigenisation that encouraged or required certain foreign companies operating in Nigeria to list locally. So, there can also be policies that encourage companies, once they have grown to a certain level or reached a certain size, to consider listing. That is important because listing doesn't just help a company raise long-term funding. It can also help those companies build ownership structures that allow them to outlive their founders. If some of the companies that eventually disappeared or struggled through difficult economic periods had been owned by a wider group of individuals, retail investors, and other diversified investors, they might have had a stronger chance of surviving those periods. So, beyond raising capital, we also need to think about how public ownership can help companies become more sustainable, more accountable, and capable of surviving across generations.

[Dr. Ayodeji Ebo]
That's really very interesting. And that's part of what can even grow our economy beyond Nigeria and other African countries, beyond just putting money into government securities. I think that as the awareness improves, and that's why, for me, my excitement is not just about this IPO. My excitement as a market player, as a broker, is that we're getting more people to join. We're getting a lot of the informal sector to come and be part of this market. And when the IPO dust has settled, it's now left for us brokers to see how we want to educate and build on that momentum, to retain more people, to become active, and to become investors for the long term. I would say that there is still a huge knowledge gap. And there needs to be an all-hands-on-deck approach for any economy to really move forward. I look at what we call CASA, current accounts and savings accounts. You would see that, the last time I checked, there was about N60 trillion sitting there and not earning anything.

Why can't 2 or 3 percent of that be in the market? Because it's long-term. These companies are able to raise long-term capital rather than going to raise debt, which would create more jobs and also improve your earnings and investments. This is how wealth is built. You need to invest and earn a return. And when I speak to young people, I tell them that your greatest asset is your time. It is not the money you have. When we talk about compounding, when you invest over a long period, the returns can become significant. For instance, I've been investing for my kids for more than 10 years, and there are stocks in their portfolios that have gained 1,000 percent.

Presco was at about ₦200 then. It's now significantly higher. In their portfolio, they receive their dividends, and I reinvest those dividends. So, when we have that long-term perspective, while we're complaining and lamenting about the economic challenges, how are you able to use what you have? I see salary income as a seed. What value are you adding to that income to reduce the impact of inflation? I'm not saying you have to completely cover it, but you must think about reducing that impact. If you're able to gain an additional 10 percent in dividends, apart from capital appreciation, that is already reducing the impact. If you're able to invest rather than just leaving your money, that matters. I say that not doing anything is a risk on its own because inflation is not your friend.

You must be able to acquire knowledge, pay for knowledge, and try to understand how these things work. It's not rocket science. And if you're able to find people who can break it down for you, once you understand how it works, you can begin to make better decisions. There's a science to everything. Once you understand how it works, it becomes easier. I studied Warren Buffett a lot, and one of the principles he talks about is not investing in anything that you would not be happy to hold if the market were to shut down for 10 years. That same principle is what you should apply to any stock. If you see good companies trading at a discount, you buy them because if you actually believe in the company, and you bought it at ₦150 and you see it at ₦100, you should not necessarily panic, especially if the fundamentals of that company have not changed. If you have the resources, you can buy more. That is one way to approach the market.

We're not talking about trading, trying to enter and exit constantly. Traders, it has been proven that nine out of 10 would always lose money. So, if you're new to the market, don't start by trying to trade. Don't start by asking, "How do I want to double my money in the market?" The stock market does not work that way. You need time in the market, and you need to buy and hold good companies. What we've also seen, as I summarise this, with the Dangote Refinery is that a lot of people who were holding other positions had to sell them, cut their losses, even if it was at a loss, and move those funds into what they considered more solid companies. Thank you.

[Dr. Oluwanbepelumi Olanubi]
Thank you very much for that. I think we've learned a couple of things from what you've just said. Because of time, how about we take two more questions and complete the conversation? First, I want to talk about foreign investors, particularly the diaspora. What role do they play, or how can they help in deepening African stock markets? And under what conditions must they be present before they commit meaningfully to the economy? I'm thinking about foreign-exchange stability, confidence around repatriation, governance standards, macroeconomic conditions, market liquidity, and all of that. How do we, within the African context, understand their role in the market, and how do they participate? Let's talk about foreign investors in general, and more particularly, how that participation is evolving.

[Dr. Ayodeji Ebo]
I think the role of foreign investors in our market is very important, but they should not replace a strong domestic investor base. And one interesting thing that people have not also paid enough attention to is that the structure of the Nigerian stock market has changed. In the last three to four years, the average domestic contribution to activity in our market has been about 80 percent. And that is why, when there are global crises, our market is not significantly impacted in the same way. In the 2007–2008 crisis, it was the opposite. Foreign investors were holding about 70 to 80 percent, and the retail investors did not have enough capital to even buy. That created instability.

Some people may wonder why the market has continued to go up over the last three or four years. It's because more investors are also coming into the market, while there are fewer securities available. The PFAs have increased their exposure to equities. Bancorp has increased that. More high-net-worth individuals are coming in, more fund managers are coming in, and awareness is also increasing. And that is what we are seeing. After this IPO, we should see a major role for those who have now opened CSCS accounts. We want them to buy other shares and remain interested in the market. Even if just 10 percent of them continue participating, that would be a very positive development.

We shouldn't rely entirely on foreign investors. We need foreign investors because they also help to create visibility and participation in the market. And what they also look at is market classification. We've just seen the reclassification of Nigeria to the Frontier Markets index, and about 31 securities have been listed. Liquidity will be part of what is considered. Then, when we talk about the diaspora, I like what the CBN has done with the ability to quickly create BVNs for them, allowing them to participate in the market. But I think the CSCS and the exchange will also need to work on how retail foreign investors can participate, even without a BVN. I know there are discussions around whether BVNs or some form of identification can also be created for non-Nigerians. I don't want to necessarily call it a BVN, but some form of identity for them, because during this IPO, I received a lot of calls from people who are not Nigerians who wanted to participate. We need to look at that because it would make it easier for them. Maybe we can use their securities identification numbers abroad and use that to create CSCS accounts, with collaboration with some of the major foreign countries to verify and validate those identities. I think our markets should not be allowed to become dominated by foreign investors because that opens us up to a lot of volatility.

[Dr. Oluwanbepelumi Olanubi]

Thank you, Doctor. I totally agree with you on that. Foreign exposure, as much as it's good that we're getting that capital into the market, also has its own downside risks. I'm going to take one question and we'll conclude, and it's really a two-in-one question. First, what are the risks that come with a major or relatively large company listing in a small market? And secondly, I want to speak to African policymakers and regulators, particularly exchange regulators and others. What are the things they need to prioritise now to ensure that we have more IPOs? I'm talking about IPOs both at the scale of a company like Dangote and also for smaller businesses that are able to let go of some ownership and change their mindset towards accessing long-term capital. What do you think policymakers and regulators need to prioritise now to make that happen? And, secondly, what are the risks when it comes to listing in a small market, especially for big companies?
Thank you.

[Dr. Ayodeji Ebo]

Yeah, thanks for those questions. I think the first thing we need to look at is concentration risk. When you look at the Dangote IPO, the size is about ₦2.15 trillion. When you compare that against our total market capitalisation in Nigeria of about ₦158 trillion, that's roughly about 1.4 percent of the market. That is significant. And it means that whatever happens to that particular stock would influence the market, no matter what other stocks are doing. And I was speaking with one of my partners a day ago and saying that by the time you add Dangote Refinery, Dangote Cement, Dangote

Sugar, and eventually Dangote Fertiliser, it could represent a very significant portion of the market. And this is not to say that Dangote should not list.

What it is, is a call for us to have more big firms come into the market. There's a lot of work that needs to be done by the exchange. We're hoping the President has said that NNPC would be listed. We're hoping that comes soon. With what Dangote Refinery has done, which will create more transparency, that should also really help. We should begin to see more of the private companies that are profitable and making a lot of money but remain unlisted come into the market. Can we have policies that encourage them? We're not asking them to give up controlling interest, but we need some of these solid companies to come into the market. Maybe there can be incentives for them, even from the fiscal authorities, where companies that are listed receive certain benefits.

That would help increase listings and reduce the concentration of our market. Going into some of the reforms that I think the government can look at, one is trying to establish credible pipelines of listings. Let there be more listings in our markets. We saw this in the banking sector. They were all skeptical until the regulations compelled them to go to the market. And more than 60 percent of the funds raised were raised within the country. That's really, really key. There's also a need to strengthen minority shareholder protection. For the Dangote Refinery listing, for instance, some people have asked questions about the percentage that has been listed. If there's going to be any voting, even for those who have 1,000 units or 2,000 units, it is based on the percentage of your holdings.

There needs to be protection around that. Liquidity is also very key. Beyond the traditional investment approach of simply buying and selling stocks, the NGX needs to intensify its efforts around other derivatives and other instruments that can build on the traditional stock. I've also been part of some of these committees in the past that have looked at developing other derivatives and instruments around stocks. That is what creates liquidity. One particular stock can have different types of structures around it, with people shorting it, people buying it based on different views, and people creating options around some stocks. These are the things that will help to build our market on a proper scale.

To wrap up, I would say that the real test of this Dangote Refinery IPO is not simply whether it raises the ₦2.15 trillion or whether the offer is oversubscribed. The real test is: how will it expand our economy? How will it attract more people into the market? How will more companies, including companies from other African countries, begin to see that there is interest in the Nigerian market? Can we begin to get other African companies to come and list in Nigeria, in the same way that we see companies listing on the London Stock Exchange? These are some of the things we'll be looking forward to that would make it more interesting. And then we can say it's a game changer, where people look back and see the improvements in the market and trace some of those developments to this Dangote IPO.

Dr. Oluwanbepelumi Olanubi
Dr. Ebo, thank you so much for that rich and insightful conversation we've had in the last couple of minutes. Thank you so much. And to our viewers, there you have it. We've done our own part in informing you, and I hope you make better decisions with the information that we've brought to you today. Till we come your way again next time, I want you to keep asking those right questions, query the status quo, do the research for yourself, and be informed. And as an advocate, I want you to start trading in the stock exchange market so that you can also, over time, make some money for yourself. Thank you so much for joining us today. Follow us on our social media pages, like and share our content, and visit our website. Just get updated on what we do. Till we come your way again, take care and have a good day.

Bye, everyone.

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