

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

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A landmark IPO does not deepen a market because it is large. It deepens a market when it broadens ownership, improves price discovery, strengthens governance and leaves behind a pipeline.

The Strategic Overlay

By Dr. Oluwanbepelumi Olanubi

In this commentary, Dr. Ayodeji Ebo surfaces a structural mismatch that sits at the centre of Africa's capital-market challenge: the continent's productive economy is larger than the investable economy represented on its exchanges. Africa has sizeable banks, energy businesses, telecoms operators, industrial groups and consumer companies, yet too much of that corporate value remains privately held and disconnected from broad public ownership. The live Dangote Refinery and Petrochemicals IPO therefore matters not only because of its size, but because it provides a rare opportunity to test whether a major African industrial asset can be converted into a credible, liquid and widely owned public security.

My strategic overlay on this commentary is that Africa's capital-market constraint is not simply a shortage of listings; it is a capital-formation problem. Household and institutional savings often accumulate in bank deposits, government securities, real estate and other relatively familiar assets, while productive companies continue to depend heavily on bank debt, private balance sheets or concentrated ownership. A deeper market must create a credible bridge between savings and long-duration productive assets. That is why the real measures of an IPO are the productive use of proceeds, breadth of participation, meaningful free float, credible price discovery, governance and disclosure – not merely whether the offer is large or oversubscribed.

As you read this commentary, the strategic question is whether the Dangote IPO becomes a singular event or a catalyst. Success will not be measured only by the amount raised. It will be measured by whether new investors remain active, liquidity improves, more private champions choose to list, domestic savings are channelled into productive enterprise and African exchanges become more useful platforms for long-term capital. One giant cannot deepen a continent's markets on its own. It can, however, reset expectations about what those markets can become.

Introduction

African stock markets remain small relative to the scale of the businesses operating across the continent. Large companies exist in banking, telecommunications, energy, manufacturing, industrials and consumer sectors, yet only a fraction of that productive activity is represented on public exchanges. The result is a disconnect between the size of African enterprise and the depth of African capital markets: relatively few listed companies, a narrow investor base, thin secondary-market liquidity and limited opportunities for ordinary investors to participate in the growth of major businesses.

That gap matters because capital markets are meant to do more than mirror economic activity. They should help finance it. A functioning public market provides long-term capital to companies, creates price discovery, broadens ownership and gives investors access to productive assets. The ongoing Dangote Refinery IPO makes this question immediate. It turns an abstract debate about African market depth into a live test of participation, valuation, free float, disclosure, liquidity and investor behaviour.

Africa's Productive Economy Is Larger Than Its Public Markets

The starting point is the mismatch between productive capacity and listed-market representation. Important sectors that generate revenue, employment and foreign exchange are still under-represented on African exchanges. In Nigeria, the oil and gas sector illustrates the point. Despite its importance to the economy, the number of sizeable listed operators remains limited. Across the continent, the same pattern appears in different forms: substantial private companies exist, but the exchange captures only a thin slice of the productive economy.

Ownership structure is part of the explanation. Many large African businesses remain concentrated in families or founding groups, and listing requires a willingness to share ownership, submit to public scrutiny and accept the governance obligations that come with outside shareholders. For some founders, that feels like a loss of control. Yet the same openness can become a source of durability. Companies that broaden ownership, institutionalise governance and create succession structures are better placed to outlive the individuals who built them.

Liquidity is another constraint. A stock market becomes useful when investors can buy and sell without unreasonable delay or price distortion. That requires more than a traditional buy-and-hold structure. Deeper markets need broader instruments around listed securities, stronger second – ary–market participation and an investor base that includes retail investors, pension funds, fund managers, high–net–worth individuals and foreign capital. Macroeconomic instability – particularly inflation, exchange–rate uncertainty, insecurity and high risk premia – further weakens confidence and makes market development harder.

An IPO Must Do More Than Raise Money

A useful way to judge whether an IPO actually deepens a market is to look beyond the size of the offer. The first test is productive capital. Where are the proceeds going? If the money simply exits to existing owners, the transaction may change ownership without expanding productive capacity. If the proceeds finance new capacity, expansion, technology, employment or efficiency, the listing is doing more for the economy.

The second test is participation. A public offer should not become a private transaction wearing a public label. The mix matters: retail investors, pension funds, institutional investors, high–net–worth investors and foreign participants should all have credible routes into the offer. Broad participation spreads ownership and can help build a stronger investment culture.

The third test is public float and liquidity. Shares must actually be available to trade. A very large company can list a small percentage of its equity and still leave the market with limited supply. That makes secondary–market liquidity, daily turnover and bid–ask spreads important indicators after listing. The fourth test is price discovery and governance. Timely results, credible disclosure and transparent corporate behaviour allow investors to assess value rather than rely on brand or sentiment. Finally, a landmark IPO should create a pipeline. If other companies look at the transaction and conclude that there is a credible market for long–term capital, the listing has begun to change the market beyond itself.

Public Markets Are Also About Ownership and Corporate Longevity

One of the strongest arguments for public markets is often overlooked: listing is not only about raising capital. It can help a company become an institution. Businesses that remain tightly held may move quickly and preserve founder control, but they can also become vulnerable to succession problems, governance weaknesses or concentration of decision–making. Public ownership imposes accountability, but it also creates a wider constituency with an interest in the survival of the company.

This matters in Africa, where many businesses still think in generational rather than institutional terms. Mature markets are filled with companies that have survived multiple leadership transitions because ownership and governance structures were designed to outlive founders. Public markets can support that transition. They can also create a route for employees, households, pension funds and other investors to own productive enterprises rather than remain only customers or depositors.

The listing cost is real, and so are the disclosure and compliance burdens. But the alternative is not cost-free. Companies that remain private may face narrower financing options, heavier dependence on debt and greater succession risk. The real policy question is how exchanges and regulators can reduce unnecessary barriers without weakening the standards that make public markets trustworthy.

The Dangote IPO Is a Live Test of Market Depth

The Dangote Refinery IPO is important because it is already drawing people into the market who previously had little or no exposure to equities. In the episode, Dr. Ebo points to the offer's ambition to reach as many as 10 million investors and contrasts that with a much smaller active investor base today. Even if only a portion of those new accounts remain active after the offer, the expansion in market participation could be significant. That, more than the publicity around the transaction, is where the market-development opportunity lies.

The test, however, does not end with subscription. The tradable float is small relative to the size of the company. The public offer discussed in the episode represents roughly 3.3 percent of the company, and the combined amount made available through the offer and private placement remains below 6 percent. That makes post-listing liquidity critical. Investors need to see whether they can buy and sell readily, how much value trades each day and whether market spreads remain efficient.

Disclosure will be equally important. A high-profile company attracts strong expectations, and those expectations must be met with timely financial information. If operating results strengthen, the market will have evidence to support a premium valuation. If earnings or margins disappoint, sentiment can reverse quickly. The real market test is therefore not just how many people apply for shares, but whether the company and the exchange can sustain credible price discovery after the excitement of the offer has faded.

Brand Recognition Cannot Replace Valuation Discipline

The strategic importance of Dangote Refinery is difficult to ignore. The refinery changes the conversation around domestic refining, imports, exports and industrial capacity. The Dangote name

also carries powerful brand recognition. But neither national importance nor brand strength removes the need for valuation discipline. An investor is not buying a symbol; the investor is buying a claim on a business.

That means asking the conventional questions: what are the earnings, margins, cash flows and debt position? How sustainable are those margins? What risks sit around crude supply, foreign exchange, operating efficiency and governance? The discussion placed the company's valuation at around ₦65 trillion and referred to a price-to-earnings multiple of about 12 times on the earnings base considered. The larger point was not that one multiple proves fair value. Good companies often trade at premiums. The question is whether future earnings justify the premium being paid today.

This is where investor expectations must be managed. A stock can perform strongly in the secondary market if sentiment, results and demand reinforce one another. It can also disappoint if earnings weaken or expectations run too far ahead of fundamentals. The sensible approach for a new investor is therefore not to treat an IPO as a quick route to doubling money, but to invest only capital that can remain committed for several years. Time in the market matters more than excitement around the listing day.

Retail Participation Is an Opportunity – and a Responsibility

A major strength of the Dangote offer is the number of first-time investors it has brought into the conversation. People outside the traditional capital-market community are asking how to open accounts, buy shares and participate in public ownership. That is positive. It creates a chance to broaden financial participation and move more household savings into productive assets.

But participation without education can recreate old mistakes. The 2007–2008 market experience left many retail investors distrustful of equities because they entered without adequate understanding of valuation, risk and investment horizon. The lesson is not that people should stay away from the market. It is that new investors need to understand what they are buying, what volatility means and why money required for near-term expenses should not be exposed to long-term equity risk.

This is also where brokers, asset managers, exchanges and financial educators have a responsibility. If the IPO brings millions of new people into the system, the work begins after the allotment. The market must convert curiosity into long-term participation. Dr. Ebo's argument is straightforward: salary and savings are seeds. Leaving all of that money idle while inflation erodes purchasing power is itself a risk. But the answer is informed investment, not speculation.

Domestic Capital Must Anchor the Market

Foreign investors remain important to African markets. They bring capital, visibility, benchmarking and often higher expectations around governance and liquidity. But a market that depends excessively on foreign flows can become vulnerable to external shocks. Nigeria's recent market structure offers an important lesson: domestic investors have accounted for the majority of market activity in recent years, making the exchange less dependent on foreign capital than it was before the global financial crisis.

The goal should therefore be complementarity. Pension funds, fund managers, high-net-worth investors and retail investors should provide a strong domestic base, while foreign and diaspora investors add depth and international visibility. Recent efforts to make identification and account-opening easier for diaspora Nigerians are useful, but access can be broadened further for non-Nigerian investors who want exposure to African public markets.

A strong domestic investor base also makes the capital market more relevant to the broader economy. Significant sums remain in current and savings accounts earning little. If even a modest share of those balances moves into well-governed productive companies through public markets, companies gain long-term capital and households gain a route to participate in enterprise growth. That is one of the clearest channels through which capital-market deepening can support wealth creation.

One Giant Listing Can Create Concentration Risk

Dangote offer was discussed at about ₦2.15 trillion against a Nigerian market capitalisation of roughly ₦158 trillion. A company of that scale can quickly become influential in index performance, trading activity and investor attention. When combined with other listed companies from the same group, the concentration becomes more material.

This is not an argument against listing large firms. It is an argument for listing more of them. Concentration risk is best solved by widening the market: bringing NNPC and other large profitable enterprises into public ownership, attracting more private champions, and creating a credible route for mid-sized growth companies to list. A single giant should be the beginning of a pipeline, not the conclusion of a market-development strategy.

The same logic applies across Africa. Deep markets are not built around one national champion. They are built around multiple sectors, multiple issuers, multiple investor types and enough liquidity to allow capital to move efficiently. The strategic value of the Dangote IPO will therefore depend partly on what comes after it.

What Regulators and Exchanges Need to Do Next

The policy agenda is not complicated, but it does require consistency. The first priority is a credible pipeline of listings. Fiscal incentives can help companies weigh the benefits of public ownership against the costs of listing. In some sectors, regulation has historically played a role in pushing firms toward the market. The challenge is to design incentives or rules that encourage listing without turning the exchange into a compliance exercise.

Second, minority-shareholder protection must be strengthened. When free float is small and controlling ownership is concentrated, small shareholders need confidence that their rights will be respected. Third, exchanges must deepen liquidity by developing more instruments around listed securities. Derivatives, options, ETFs and other structures can expand the ways investors express views, hedge risk and trade around underlying stocks. A market that offers only straightforward buying and selling will struggle to reach the depth of more mature exchanges.

Finally, macroeconomic credibility remains foundational. Stable policy, manageable inflation, predictable foreign-exchange conditions and confidence in capital repatriation matter to both domestic and foreign investors. Market infrastructure can improve, but it cannot completely offset macroeconomic instability. The most successful capital-market reform is therefore a combination of stronger exchanges, stronger issuers and a more credible economic environment.

Key Takeaways

- **Africa's market-depth problem is a capital-formation problem.** The continent has large productive businesses, but too few are represented on public exchanges where households and institutions can own them.
- **A large IPO is not automatically a market-deepening IPO.** Productive use of proceeds, broad participation, meaningful free float, price discovery, governance and a follow-on pipeline matter more than headline size alone.
- **The Dangote IPO is a live stress test for Nigeria's market.** The most important indicators will be new investor retention, post-listing liquidity, disclosure quality, trading depth and whether other companies follow.
- **Brand and national importance cannot replace valuation discipline.** Investors still need to examine earnings, margins, cash flow, debt, operating risks and the price they are being asked to pay.

- **Domestic capital should anchor African exchanges.** Foreign and diaspora investors add useful depth, but resilient markets require strong participation from pension funds, institutions, high-net-worth individuals and retail investors at home.
- **One giant cannot deepen a market on its own.** The real breakthrough will come if the IPO creates a pipeline of credible listings, better minority protection, stronger liquidity and more instruments for investors.

Conclusion

The real significance of the Dangote Refinery IPO will not be determined on the day the offer closes. Nor will it be determined simply by whether the transaction raises its target amount or attracts headlines across the continent. The more important test is what the listing leaves behind.

If it brings millions of people into the market but they disappear after allotment, the opportunity will have been partly lost. If the shares list but remain difficult to trade, market capitalisation will have increased without equivalent depth. If the company performs strongly but no other private champions follow, the transaction will remain exceptional rather than transformative. Market deepening requires continuity.

But if the IPO broadens ownership, strengthens investor education, improves liquidity, raises expectations around disclosure and governance, and convinces other major African firms that public markets can provide credible long-term capital, it can become a genuine turning point. That is the larger promise of listing Africa's giants: not simply giving companies a ticker symbol, but creating a market structure through which African savings can finance African productive capacity and African households can participate in the value their economies create.

Note: This commentary is adapted from Kingsgate Brief featuring Dr. Ayodeji Ebo and is intended for education, public understanding and strategic reflection on IPOs, market deepening, investor participation and capital-market development in Nigeria and across Africa.

About the Contributors

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. He has previously held senior roles at Afrinvest and has managed large investment portfolios across a range of asset classes. His work and commentary focus on investment strategy, financial markets, macroeconomic analysis, risk management and capital-market development.

Dr. Oluwanbepelumi Olanubi is the Executive Director of Kingsgate Advisors Institute and host of this Kingsgate Brief episode. Her strategic overlay places the guest's capital-market analysis within a wider decision-intelligence frame, connecting IPOs to long-term capital formation, corporate governance, ownership architecture, productive investment and Africa's broader economic transformation.

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