

PAKISTAN STOCK EXCHANGE



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Direct Listing

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What is Direct Listing?

In today's world, businesses need flexibility and transparency to meet their rapidly evolving customer, talent, and market demands. Going public is a powerful & effective solution to meet those needs. Now, however, companies no longer need to view an IPO as their only path to going public.

Direct Listing is an alternative way of listing an eligible company at the Exchange, without the need for mandatory appointment of any intermediaries.

Direct Listing is a process by which a company can go public by selling its existing shares instead of offering new ones.



Should YOU opt for Direct Listing?

- Direct Listing is an option for companies who want to enjoy the benefits of public listing without going through the traditional Initial Public Offering (IPO) process, which is both time-consuming and costly.
- Ideal for companies who do not wish to raise additional capital.
- Companies that opt for Direct Listing may be a well-capitalized company, with a paid-up capital of Rs.200 million or above.
- In a Direct Listing, employees and investors sell their existing stocks to the public. It does not require underwriters or a lock-up period that apply to an IPO.
- Since no underwriters are selling the stocks, the company itself has to be attractive enough for the market. It may have features such as:
 1. Being consumer-facing with a strong brand identity,
 2. Having an easy to understand business model, and
 3. Does not require substantial additional capital.



Direct Listing vs. IPO

Feature	Direct Listing	IPO
Underwriting of Public Offering	Not required	Required
Issue of shares to public	Existing shares are offered	New shares are issued
Appointment of Consultant to the issue/Financial Advisor	Not mandatory	Mandatory
Appointment of other intermediaries	Not required	Required
Pricing of shares	Reference price is disclosed by the company in consultation with the Financial Advisor	Agreement among the issuer and underwriters in case of fixed-price method

Types of Direct Listing

Direct Listing - Accredited Investors

Selling of shares by existing shareholders of the Company to Accredited Investors

Direct Listing - Existing Shareholders

Selling of shares by existing shareholders among themselves.

Direct Listing- Specific Category of Investors

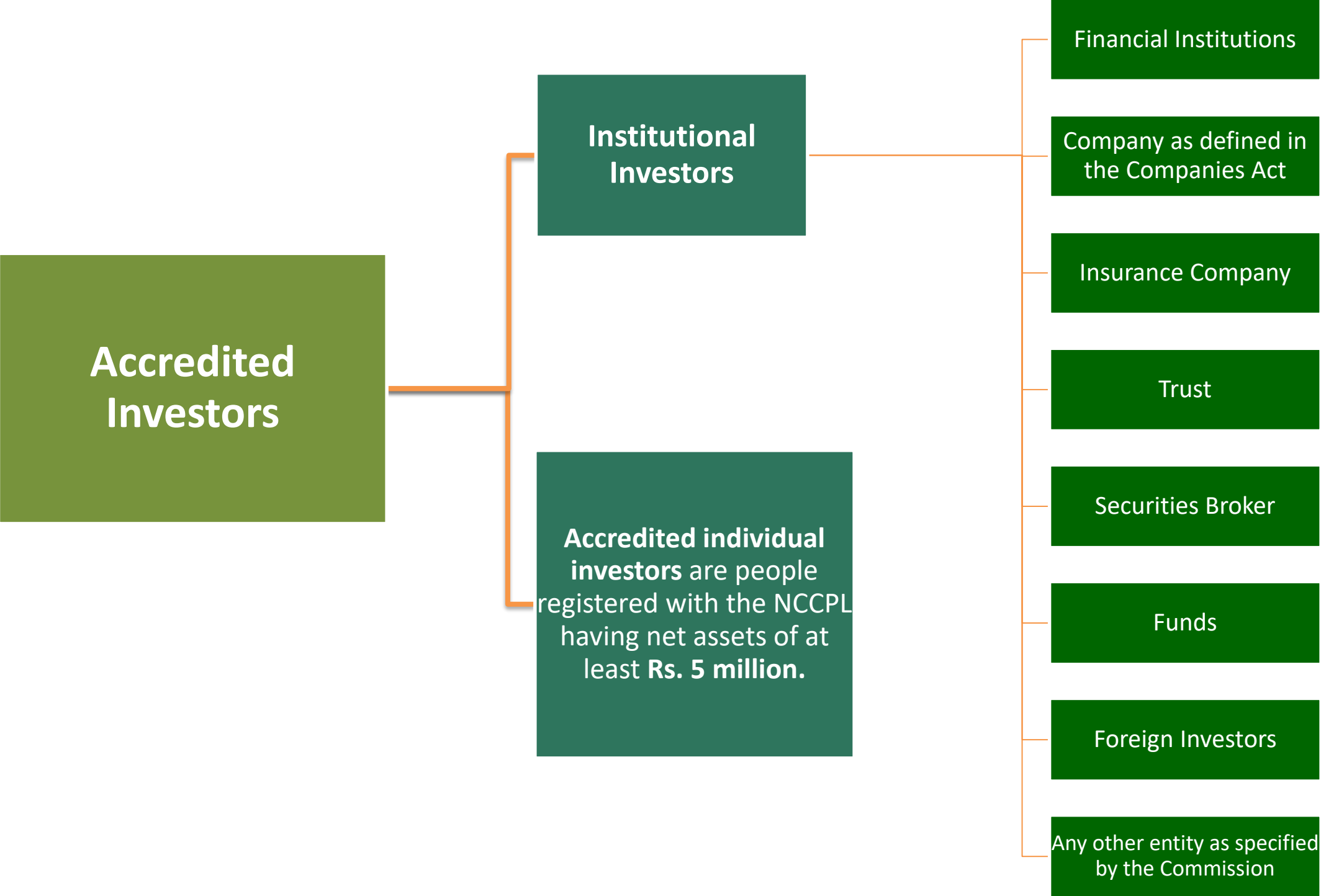
Selling of shares by existing shareholders to a specific category of investors. The category is specified by the company at the time of Direct Listing.

Requirements of Direct Listing – Accredited Investor

Paid-up capital	Not less than PKR 200 million.
Selling of Shares	Shares can only be sold to Accredited Investors
Free float	Specific Percentage of free float is required. (Refer to table on next slide)
Shareholders	At least 10 shareholders are required.
Market Maker	Appointment of Market Maker is optional.
Financial Advisor	Appointment of Financial Advisor is optional.
Price Discovery	Only Through Book Building.
Retention of Shareholding	Promoters/Sponsors/Controlling Directors/ Majority Shareholders are required to hold minimum 51% of the paid-up Capital from the date of Direct Listing till the Company is listed on Main Board.
Audited Financials	To be incorporated in Information Memorandum and must not be older than twelve months from the date of issuance of information Memorandum

Free Float Requirements and Accredited Investors

Paid-up Capital (PKR)	Free Float
Up to 2.5 Billion	15%
2.5 Billion to 5 Billion	10%
5 Billion to 10 Billion	5%
Above 10 Billion	2.5%



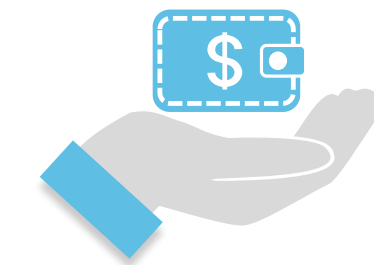
Requirements of Direct Listing - Existing Shareholders

Paid-up capital	Not less than PKR 200 million.
Selling of Shares	Only Existing Shareholders will be allowed to Invest and Trade.
Free float	No free Float Required.
Shareholders	No minimum shareholders required.
Market Maker	Appointment of 2 Market Makers is mandatory.
Financial Advisor	Appointment of Financial Advisor is optional.
Price Discovery	<p>To be decided by the Financial advisor.</p> <p>In case Financial Advisor is not appointed then opening price shall be lowest of:</p> <ul style="list-style-type: none">• Book value per share• Relative Valuation• Average market price of private transactions held during last one year
Retention of Shareholding	Promoters/Sponsors/Controlling Directors/ Majority Shareholders are required to hold minimum 51% of the paid-up Capital from the date of Direct Listing till the Company is listed on Main Board.
Audited Financials	To be incorporated in Information Memorandum and must not be older than twelve months from the date of issuance of information Memorandum.

Requirements of Direct Listing - Specific Category of Investors

Paid-up capital	Not less than PKR 200 million.
Selling of Shares	Only Investors Specified by the company are allowed to invest and trade in its shares.
Free float	No free Float Required
Shareholders	No minimum shareholders required.
Market Maker	Appointment of 2 Market Makers or a combination of a Market Maker & Financial Advisor.
Financial Advisor	Appointment of Financial Advisor is mandatory if 2 Market Makers are not appointed.
Price Discovery	<p>To be decided by the Financial advisor. In case Financial Advisor is not appointed then opening price shall be lowest of:</p> <ul style="list-style-type: none">• Book value per share• Relative Valuation• Average market price of private transactions held during last one year
Retention of Shareholding	Promoters/Sponsors/Controlling Directors/ Majority Shareholders are required to hold minimum 51% of the paid-up Capital from the date of Direct Listing till the Company is listed on Main Board.
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What will PSX charge for Direct Listing?



Initial Listing Fees

- One tenth of **the** 1% of Paid Up Capital.
- Capped at PKR 1.5 Million.



Annual Listing Fees

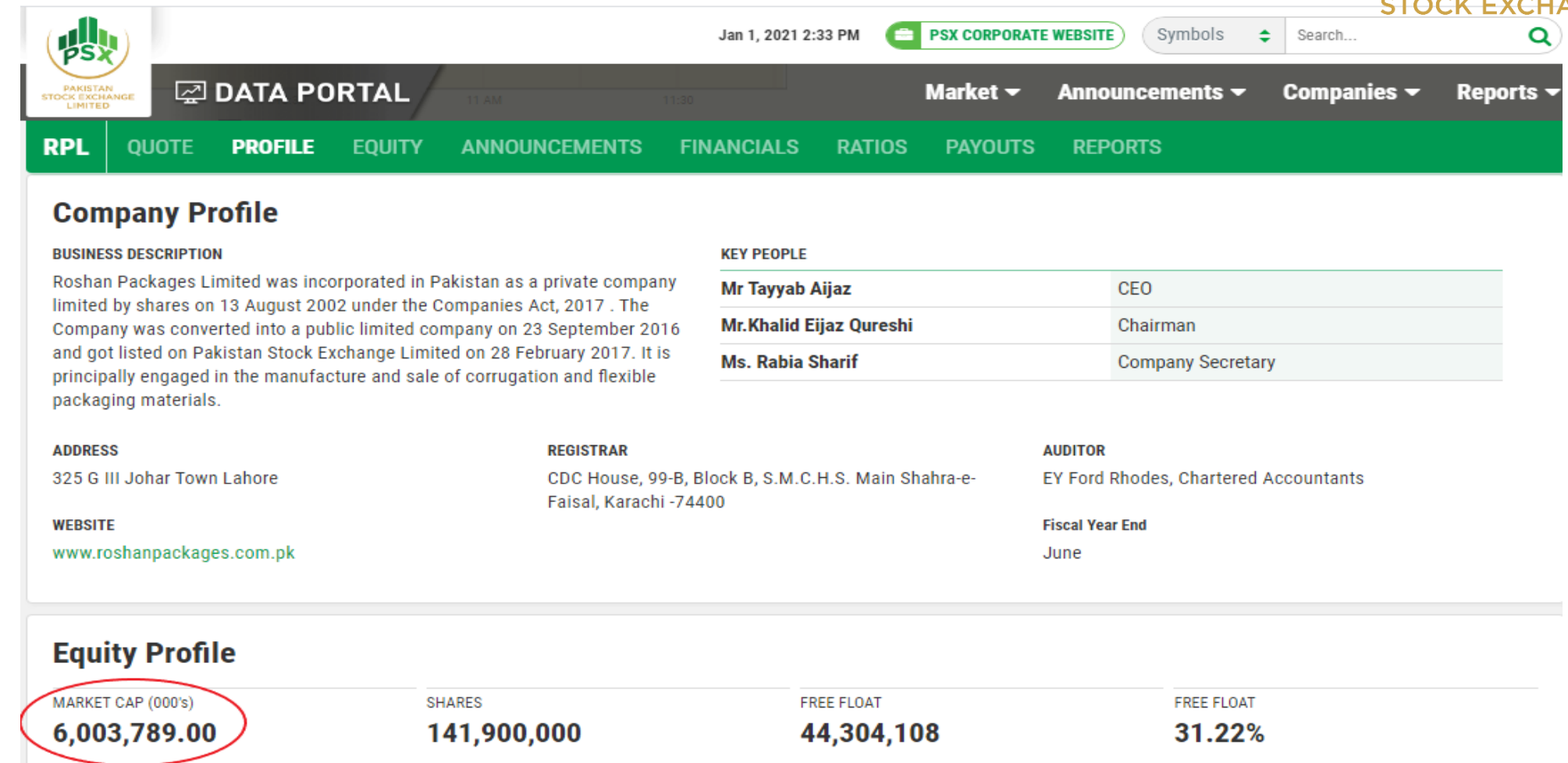
- Annual Rate for FY 2019-20
- Capped at PKR 3 Million.

How to Calculate Annual Listing Fees?

1.



2.



3.

Rate of Fee applicable for FY2019-2020 and onwards:

COMPANIES HAVING MARKET CAPITALIZATION AS ON JUNE 30	RATE OF FEE PER ANNUM
Up to Rs.100 million	Rs. 100,000
Above Rs.100 million & up to Rs. 250 million	Rs. 100,000+0.075% on excess over Rs.100 million
Above Rs. 250 million & up to Rs.500 million	Rs. 212,500+0.06% on excess over Rs. 250 million
Above Rs. 500 million & up to Rs.1,000 million	Rs. 362,500+0.025% on excess over Rs. 500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 487,500+0.015% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs.10,000 million	Rs. 637,500+0.0065% on excess over Rs.2,000 million
Above Rs.10,000 million & up to Rs.20,000 million	Rs. 1,157,500+0.0025% on excess over Rs.10,000 million
Above Rs. 20,000 million & up to Rs.50,000 million	Rs. 1,407,500+0.00075% on excess over Rs.20,000 million
Above Rs.50,000 million	Rs. 1,632,500+0.0005% on excess over Rs.50,000 million

4.

Rs. 637,500 +
0.0065%*(4,003,789,000)

Annual Listing Fees for the year:

Rs. 897,746

Financial Advisor & Their Responsibilities

- Financial Advisor will have to be appointed through a written agreement.
- Financial Advisors can be any of the following:
 1. Consultant to the Issue licensed by the Commission
 2. Securities Brokers licensed by the Commission
 3. Accounting and Auditing Firm recognized by ICAP or ICMAP
 4. Scheduled Bank
 5. Development Finance Institution
 6. Registered Law Firm
- The Financial Advisor shall perform duties and functions as assigned to them by the company, which may include the following:
 1. Assisting the company in drafting the Information Memorandum
 2. Submitting Direct Listing application to Exchange on behalf of the company
 3. Ensuring that the reference price or floor price, in case of Direct Listing for Accredited Investors, is determined accurately, transparently, and fairly.

Listing Procedure

Upon meeting the eligibility criteria, the issuer may apply to the Exchange for Direct Listing by making an application on Form-I with supporting documents mentioned in the Chapter 5D along with payment of non-refundable initial and annual listing fees.

The Exchange shall complete its approval process for Direct Listing within 15 working days, starting from the date of submission of all required information and documents to the Exchange's satisfaction.



Applicable Regulations and Relaxations

- The company listed at the PSX through Direct Listing shall be required to comply with the Companies Act (2017) and the Securities Act (2015).
- The company shall also be required to comply with the Listed Companies (Code of Corporate Governance) Regulations (2019).
- For State-Owned Enterprises, the Exchange may relax any of the requirements of the Direct Listing framework.
- For other companies, the requirements relating to the free float and paid-up capital may be relaxed by the Exchange subject to submission of valid justifications.



Contact Information

Raeda Latif
General Manager
Marketing and Business Development
Email: raeda.latif@psx.com.pk
Telephone: +92-2135274580 Ext: 4580

Karachi
Muhammad Farooq Siddiqui
Email: farooq.siddiqui@psx.com.pk
Telephone: +92-2135274583 Ext. 4583

Lahore
Sarmad Hussain
Email: sarmad.Hussain@psx.com.pk
Telephone: 111-001-122 Ext. 4653 | Direct: 021-35274653

Islamabad & Peshawar
Saqib Ali
Email: saqib.ali@psx.com.pk
Telephone: 111-001-122 Ext. 4673 | Direct: 021-35274673



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Thank you